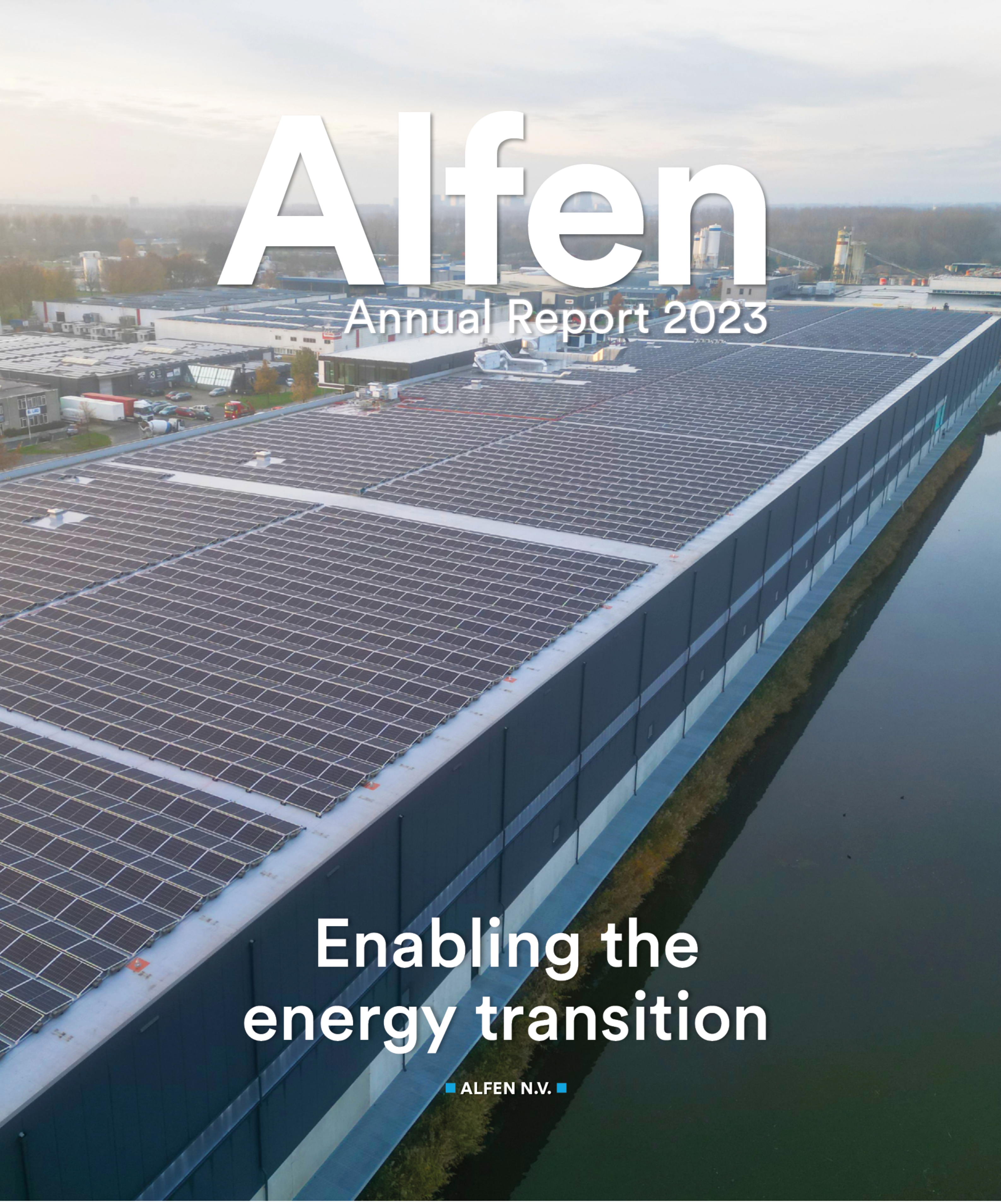
Alfen

Annual Report 2023



Enabling the energy transition

ALFEN N.V.

ALFEN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2023 at a glance

Revenue and other income (EUR)
504 million
(vs 440 million in 2022)

Year-on-year revenue and other income growth
15 percent
(vs 76 percent in 2022)

Adjusted EBITDA as % of revenues
11.3 percent
(vs 18 percent in 2022)

Breakthrough year of our Energy Storage Systems business line, emphasizing our strong position as energy solution specialist across markets

Potentially avoided 6.2 Mton of CO2e emissions with our charging solutions

Constructed new facility with delivery according to plan in Q1 2024 to ramp up substation production for Smart Grid Solutions

Submitted our CO2 emission reduction targets to the Science Based Targets initiative

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 86 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

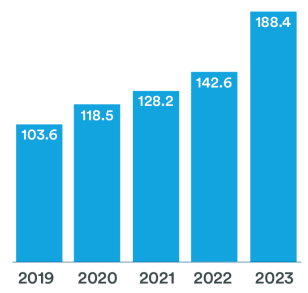
Smart grid solutions

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.



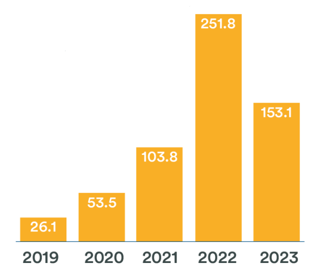
EV charging equipment

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 offers 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.



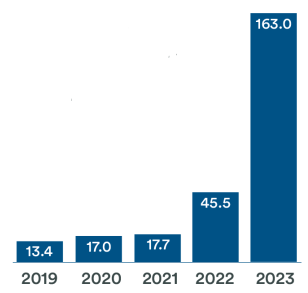
Energy storage systems

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 By The Numbers

30+ countries with Alfen's solutions installed

13 countries with **sales presence**

5 years on Euronext stock exchange

40 years in Almere

7 sites in Almere

4 international offices
Germany • Belgium • France • Finland

16 years **operating Alfen Academy**

170+ diplomas awarded to technical specialists in electrical engineering

86 years of expertise in the electricity grid

931 FTE supporting Alfen from **48 nationalities**

5+ decades of **substation experience**

15 years of **EV charging expertise**

12+ years of **Battery Energy Storage expertise**

~50,000 transformer substations **delivered**

~667,000+ EV charge points **delivered**

888+ MWh of power capacity commissioned or in execution

Report of the Management Board

Jeroen van Rossen
CFO

Michelle Lesh
CCO

Marco Roeleveld
CEO

Business review

Robust growth in a volatile energy transition

In 2023, the disruptive supply chain effects from COVID-19 diminished. At Alfen, we witnessed this in a variety of ways. Lead times for our incoming components shortened. Gas and electricity prices decreased significantly compared to the peak prices in 2022. Inflation became less pronounced over the course of the year.

However, the downstream supply chain for EV Charging did face knock-on effects from COVID-19. In 2022, distribution channels across Europe increased their inventory levels of EV chargers to buffer for the disruptions in the supply chain. In 2023, distribution channels preferred to destock their warehouses before ordering large new batches of EV chargers. The entire market of EV chargepoint OEMs faced this volatility, but because Alfen was able to scale up production in 2022 like no other, the impact was more pronounced.

Volatile times like this prove the value of our diversified business model. In 2023, the breakthrough of Energy Storage unfolded as we more than tripled revenues. Smart Grid Solutions further accelerated growth with stronger demand from the grid operators, as well as a private networks business that was no longer hampered by supply chain constraints. While some peers in EV Charging declared insolvency or raised capital, Alfen continued to achieve profitable growth without needing to raise capital, building on our strong balance sheet and 3 synergetic business lines.

Stimulative regulation and policies

The global energy transition was further underpinned with this year's United Nations Climate Change Conference of Parties (COP). The 28th COP in Dubai marked the first conference in which an explicit reference to moving away from fossil fuels was included in the final decision text. At the conference, 118 countries signed a pledge to accelerate investments in renewables, committing to triple renewable energy capacity by 2030. Europe’s energy transition was further underpinned with the Renewable Energy Directive III. The European Commission released the REPowerEU plan in May 2022 which aims to increase renewables in final energy consumption to 42.5% by 2030, while targeting for 45%. In November, the Renewable Energy Directive III went into force. Making the renewable energy target legally binding cements last year's REPowerEU proposal to raise the renewable energy target.

We have also seen significant steps in regulation that promote our business lines more specifically.

In the context of our EV Charging business, the EU has adopted the Alternative Fuels Infrastructure Regulation (AFIR). After almost 2 years of negotiations, adopting AFIR is a significant step towards facilitating electric driving in Europe. This new regulation will drive the chargepoint market towards smarter charging with more consideration for end-user needs. Alfen considers this an important step forward on multiple fronts such as increased cost transparency, accessible payment methods, and an enhanced user experience.

> “Volatile times like this prove the value of our diversified business model”

With our business lines more in balance from a revenue perspective than ever before, we expect the year-on-year volatility in our business line mix to be much lower than we have seen in 2022 and 2023.

Additionally, it gives the EU member states mandatory targets for their public charging infrastructure, which will further stimulate EV adoption.

In the context of Smart Grid Solutions, Alfen is increasingly seeing EU policymakers recognize grid constraints as one of the key bottlenecks to realize climate ambitions. The EU has put in place a legal framework to support grid rollouts with the revised TEN-E regulation, the revised Renewable Energy Directive and proposals for a Net-Zero Industry Act and a reformed electricity market design. The EU also launched an action plan to make sure electricity grids will operate more efficiently and be rolled out further and faster.

In the context of Energy Storage Systems, the reformed electricity market design and the European Commission's adopted recommendations on energy storage prove that energy storage is an indispensable part of the energy transition. It gives the market a clear direction and requires member states to map their flexibility needs, enhancing energy storage adoption and removing existing barriers in the EU faster.

Favourable end market developments for all our business lines

Throughout 2023, our end 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 15-20% from 2022-2027 (source: BNEF and Guidehouse). This long-term growth trend was also visible in 2023 with the number of Battery Electric Vehicles registered in Europe increasing by ~28% versus 2022. The number of Plugin Hybrid Electric Vehicles (PHEV) decreased by ~3% over the same period. In general, national governments shifted subsidies mostly towards BEVs, while the PHEVs subsidies diminished.

In 2022, our revenues grew exceptionally due to a peak in demand after COVID-19 measures were released and inventory build-up by our channel partners. Alfen was well positioned to benefit from this market growth with our strict supply chain management, as well as our portfolio of reliable and innovative EV charging equipment.

In 2023, Alfen's EV Charging revenues declined substantially, as our channel partners used their high inventory levels to supply to end markets. From this perspective, Alfen's market share in terms of chargers installed in the field remained roughly similar. The stocking and destocking effect has merely created a time lag between when Alfen incurred revenues and when chargers were installed at end-user locations. Since the end of Q3 2023, the destocking effect is over, reflected in increased order intake in the last months of 2023. Alfen benefitted from volumes in framework agreements set-up over the past years, new client wins and our international presence. Our internationalisation strategy makes our revenues less dependent on single countries: approximately 60% of our 2023 EV Charging revenue was generated outside of the Netherlands.

We continued to diversify our customer base. Some commercial successes are: winning a contract with partners Virta & Eiffage to supply all public and private parking owned by SNCF (French railway operator) over the next 3 years. Alfen was selected as a partner by Aral Pulse to supply charge points in the business and public segment, starting with Germany but with an international approach in mind. As a last example, Alfen won a framework contract with EDRI for 4 years to supply public chargers. EDRI is a subsidiary of E.on and operates in multiple countries in Europe.

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 produced and consumed. The EU states that 40% of Europe's distribution grids are more than 40 years old and cross-border transmission capacity needs to double by 2030, meaning €584 billion in investments is needed. On the demand side, more electricity is needed to power EVs, heat buildings and to cook electrically, as well as to electrify businesses that are decarbonising processes. On the supply side, we need to grid connect decentralized generation such as solar and wind power.

As an example, Dutch grid operators are stepping up to strengthen and expand the grid. The three biggest grid operators in the Netherlands (Alliander, Enexis and Stedin) are increasing the number of substations that they roll out annually. Alfen anticipated this growth by starting to construct a new warehousing and production facility early 2023. Planned delivery of this new facility is at the end of the first quarter of 2024, and it will make it possible to significantly ramp-up production for the grid operators over the course of 2024. These expansion plans from grid operators require an increase in equity.

Last year, the Dutch government shared a framework agreement with parliament, in which the Dutch state can inject capital and become a shareholder. The state also reserved 500 million euro for Stedin. This year, the stakeholder groups at Stedin approved a 500 million euro capital injection, paving the way to further fund the 8 billion euro investment that Stedin intends to make until 2030.

Additionally, we remain focused on providing smart grid solutions to customers with significant private grids, such as solar parks and industrial 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 installed near highways and at large supermarkets and DIY stores. Also the market for renewables continues to grow. We earned significant wins with Ionity, Harvest House and Bio Energy Coevorden among others. We grid connected almost 354 MWp capacity of solar panels (versus 300 MWp in 2022).

Energy storage systems

Our Energy Storage Systems business line experienced its breakthrough year in 2023. After already nearly tripling revenues from 2021 to 2022, the revenues tripled again from 2022 to 2023. This revenue increase comes from sales for both our TheBattery Elements and TheBattery Mobile.

> “Our Energy Storage Systems business line experienced its breakthrough year in 2023”

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

In 2022, Alfen entered a new phase in our ESS business by commissioning our 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 2023 we continued to win new contracts, including SemperPower and Ingrid Capacity.

For TheBattery Mobile, we strengthened our position in the market by introducing TheBattery MobileX, our 4th generation mobile energy storage solution. It offers increased capacity of 720 kWh in the same 10ft container (vs. 422 kWh in 3rd generation) with integrated control equipment and switchgear.

Continuing our profitable growth strategy

In May we hosted our Capital Markets Day for investors in London to provide an update on our profitable growth strategy and share new mid-term financial objectives.

It was time for new objectives. In 2022, we achieved 3 of our 4 IPO objectives: >40% revenue CAGR (43% over 2017-2022), 15-20% adjusted EBITDA margin (18% in 2022) and >50% international revenue (51% in 2022). CAPEX was 4.8% of revenue in 2022 above the IPO objective of <3%, but this was a conscious choice as we continue to invest in innovation to remain a technology frontrunner.

We presented 3 new financial objectives to achieve between 2025-2027: more than 1 billion euro of revenue, 15-20% adjusted EBITDA margin and CAPEX <5% of revenue.

Contributing to sustainability

Alfen’s business model 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 in our mission: “to boost the energy transition by engineering, manufacturing, integrating and connecting high quality energy solutions that are innovative, reliable, secure and smart”.

Next to the positive impact of our 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 in 2020. In 2023, we potentially avoided up to 6.2 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 3.8 Mtons of CO_2e we potentially avoided in 2022, demonstrating how we continue to make an impact with our EV charging solutions. Moreover, we enabled the supply of renewable energy to around 374,000 households (cumulatively) by connecting solar PV farms to the public grid through our smart grid solutions, which is significantly more compared to the 283,000 households in the previous year.

We remain committed to continuously improving our sustainability performance as we transition towards a truly sustainable society for future generations. As such, we have worked with an interdisciplinary team under the direct supervision of the Management Board to implement the new Corporate Sustainability Reporting Directive (CSR-D) in our reporting per 2024. We also mapped our full scope 3 emissions and filed our SBTi-targets, which are now pending approval. When approved, we will share more details.

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 succeeded by full CSR-D reporting next year.

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 in the long term for our Shareholders. In this context, we believe that value is generated by both our financial and non-financial business performance.

As mentioned, financially, we set the following 3 mid-term objectives in May at our Capital Markets Day to achieve between 2025-2027: (i) more than 1 billion euro of revenue (ii) 15-20% adjusted EBITDA margin and (iii) CAPEX <5% of revenue.

In addition, we set 4 non-financial objectives: (i) Outperform the market in each of our business lines (ii) Adopt SBTi-approved CO2 targets (iii) Remain at the technology forefront through innovation and (iv) Grow and educate our people.

We further strengthened our organisation as we hired more international sales people to further drive our internationalisation, added production personnel to support increased capacity and expanded our R&D department to work on new innovations.

"Our new headquarters will be a testimony to the energy transition and embody our integrated solutions"

To realise our objectives, we put a long-term growth strategy in place that consists of 4 elements. First, we aim to benefit from strong market growth trends and to further grow our market share. Second, we will continue to internationalise with a focus on Europe, further strengthening our position in existing countries and entering new countries. Third, we will expand our integrated solutions offerings and leverage our unique position of having three energy transition-oriented business lines. Finally, we will expand our solutions portfolio selectively, for instance having added a DC charger and a prefab concrete walk-in substation in 2023.

Non-financially, we put in place a CSR framework which we established jointly with key stakeholders such as employees, customers, shareholders and suppliers. Moreover, we have a Sustainable Development Policy in place.

In March, Alfen celebrated its 5-year anniversary on the Amsterdam Euronext stock exchange. It's been an energizing growth journey for us. In 2021, we were added to the Midcap Index (AMX), and last year, we joined the STOXX Europe 600 Index, one of Europe's biggest indices.

Investing in growth and innovations

We continued to invest in our organisation to prepare for anticipated business growth. As such, our organisation grew from 893 FTE at 31 December 2022 to 931 FTE at 31 December 2023. Despite a challenging labour market, we attracted over 200 new colleagues, benefitting from our growing brand across Europe, the interest in the energy transition, and our in-house education program.

Furthermore, we enhanced our staff departments to better support our customers.

In terms of production, we implemented semi-automated production lines for EV Charging to improve our productivity. The lines embody new production concepts: we automated a number of steps on the lines, including the testing cells, packaging chargers into boxes and palletising the boxes.

Furthermore, to be ready for future growth, we constructed our new headquarters / production facility that is located next to our other buildings in Almere. The premises consists of 33,000m2 and is three times as large as our current largest building. The new building will accommodate production space, warehousing and offices. It is scheduled to be completed Q1 2024.

Our new headquarters will be a testimony to the energy transition and embody our integrated solutions. The energy system will consist of 6,000 solar panels on the roof (3 MWp), 3 Alfen 1250 kVA substations, 3 Alfen TheBattery energy storage units, over 100 charge points, 1 DC fast charger for trucks, 3 heat pumps for heating/cooling and uses LED lighting only. We expect other businesses to pursue a similar set-up as they expand and decarbonise within the constraints of the electricity grid.

We also acquired a new production facility for Energy Storage Systems that is less than 0.5 km away from our other facilities. This facility will facilitate the production ramp-up of Mobiles.

We also kept investing in our IT landscape, both in infrastructure and in our applications.

Additionally, we continued to invest in innovation which led to new technologies, features and products. For instance, in our EV Charging business line, Alfen made significant steps in developing public chargers that are compliant with new Alternative Fuels Infrastructure Regulation (AFIR). Publicly accessible EV chargers will accept common payment methods such as debit cards and/or QR code payments while providing transparent pricing information. This will be a huge contributor to the EV driver's experience and make it easier to compare charging rates. AFIR regulation shall apply across all EU Member States from 13th April 2024. Alfen also further developed the MyEve mobile app for the home segment: an app that can connect directly with our chargers. End-users can manage, configure, and get insights. For instance, users can optimise solar energy use from their solar panels or optimise for lowest electricity tariffs.

In our Smart Grids business line we completed the product development for the Stedin tender with the last Factory Acceptance Test (FAT). All solutions for the framework contracts with Dutch grid operators are now in place, including production methods to assemble these solutions in our new production facility. Alfen made investments in additional moulds for the Pacto 25 and 30 substations to decarbonize the production process of concrete housings by 60%. There also was progress to make the grid operator substations fit the latest requirements on isolation gas in high voltage switchgear.

Finally, selected innovations of our Energy Storage business line include introducing our 4th generation mobile energy storage system (TheBattery Mobile X). A new architecture makes it possible to connect into a weaker grid to feed the battery. Previously, the grid needed to support at least 125A and that has now been lowered to 16A. This improves the interoperability of the TheBattery Mobile in different end-user grid contexts. For the first time, Alfen applied its 'digital twin' concept to simulate behaviour of battery packs, power conversion and control in a grid code model per country/region. It goes without saying that grid code compliance is an essential requirement of any project. With the digital twin, we can ease that process. The first application was for our customer EPV in Finland.

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

Welcoming Maria Anhalt to our Supervisory Board

In September, we welcomed Maria Anhalt as a new member to our Supervisory Board. The Supervisory Board consists now of four members. Ms. Anhalt obtained relevant Supervisory Board experience from her current position as supervisory board member of Hewlett-Packard Germany, as well as internal (supervisory) director of the start-up (not publicly listed) company Argus. Since January 2021, Maria Anhalt is the Chief Executive Officer of Elektrobit GmbH at Erlangen, a global company with about 4,000 employees. Ms. Anhalt brings technical and commercial expertise in software and services, as well as a well-developed perspective on technology and the energy transition. She brings strong growth experience in a cross border international environment with experience in Europe and the United States.

Furthermore, the Supervisory Board has created an audit committee and a remuneration and appointment committee from among its midst.

Outlook

We expect the markets for all 3 of 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 we will continue to grow our business rapidly as we execute our strategy.
As we anticipate further growth of our business in 2024, we plan to further invest in our organisation, our people, production and new innovations. Like 2023, we expect our capital investments to exceed depreciation and amortisation. We also anticipate a further increase in the number of personnel, but at a lower rate than our revenue growth.

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 will leverage our vast knowledge and experience in the distribution and storage of electrical energy to continue to provide smart, safe and sustainable products and solutions, working as a reliable and adaptive partner.

As we develop, design and produce our products and systems in-house, we know 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)

2023 month-by-month

22 February

Alfen and SemperPower build the largest battery energy storage system in the Netherlands

Alfen and SemperPower, a leading player in the development of independent large-scale energy storage projects in The Netherlands, are excited to launch Project Pollux - the largest battery energy storage system in terms of energy capacity ever built in the Netherlands (30MW/68MWh). Located in Vlissingen, the storage system featuring Alfen's TheBattery Elements will solve two of the energy transition's biggest challenges: an unbalanced grid and the unpredictability of renewable energy sources.

3 May

15 Years of EV charging innovation: Alfen's journey from first mover to European industry leader

Alfen is celebrating 15 years of innovation in the EV charging equipment industry in 2023. Since 2008, Alfen has been designing, developing, and producing integrated EV charging systems equipped with smart charging and load balancing, becoming a key player in Europe's EV charging market. With more than 500,000 EV charge points delivered in over 30 European countries, Alfen has evolved from an early mover to an established thought leader in EV charging infrastructure, with a suite of safe, smart, and robust chargers for home, business, and public charging.

12 June

Alfen and Stedin collaborate to drive sustainable energy infrastructure in the Netherlands

Alfen has signed a multiple year framework contract with the Dutch grid operator Stedin for delivery of its Pacto compact substations and its Altro walk-in substations.

As the third largest regional grid operator in the Netherlands, Stedin plays a crucial role in the Dutch energy sector by ensuring a reliable supply of electricity and gas, and driving the transition to a more sustainable and resilient energy infrastructure.

For its part, Alfen is stepping up in a big way to meet the surging demand from its customers. We're more than doubling our production capacity for transformer substations. This means Alfen will be able to supply a considerable number of stations, supporting the required amounts over the next four years. And there's a possibility of extending this collaboration for up to eight years.

14 June

Introducing TheBattery® Mobile X: Alfen unveils next generation solution for temporary clean power supply

Alfen launches its fourth-generation mobile battery energy storage system, TheBattery Mobile X®. It offers up to 70% more energy (up to 720 kWh) and improved safety features in the same 10 foot container to meet the increasing demand for temporary clean power supply.

An evolution of its compact 10ft mobile container unit, Alfen's most advanced battery system to date delivers an emission-free, quiet and fast-deployment alternative to power a variety of applications from events, festivals and construction sites to maritime applications and EV charging hubs. A mobile plug-and-play system, it also supports small grid connections, enabling users to increase the capacity of their local connection or provide a solution for weak grid connections or grid balancing services.

9 November

Alfen signs a 4-year agreement with EDRI for public EV charging stations in Germany and beyond

For its AC charging stations, EDRI chose Alfen as one of its preferred suppliers for the next 4 years to provide several different types of charging stations. The initial phase is being implemented in public streets throughout Germany. EDRI has installed numerous double socket units for public use, which were part of the first order that included more than 300 of Alfen's Eve Double PG-line EV charging stations. Among these, 140 will be installed in Berlin, with additional stations deployed in cities such as Dortmund, Essen and Bochum. Alfen's Eve Double PG-line is an Eichrecht compliant dual socket charger with advanced smart functionality for the public domain, designed for high-volume street environments with 3-phase supply.

11 December

Alfen signs agreement with Windpark de Plaet to install integrated solutions that will provide 20MWh of storage capacity

Alfen has signed an agreement with Windpark de Plaet to install integrated solutions at Windpark de Plaet in Ooltgensplaat, the Netherlands. These solutions, which include a 20MWh TheBattery Elements energy storage system, will be seamlessly integrated into the existing site by incorporating Alfen's Diabolo 40H transformer substation. This agreement is another example of how Alfen is helping its customers meet the growing demand for renewable energy and the pressing need to balance electricity supply and demand.

Financial performance

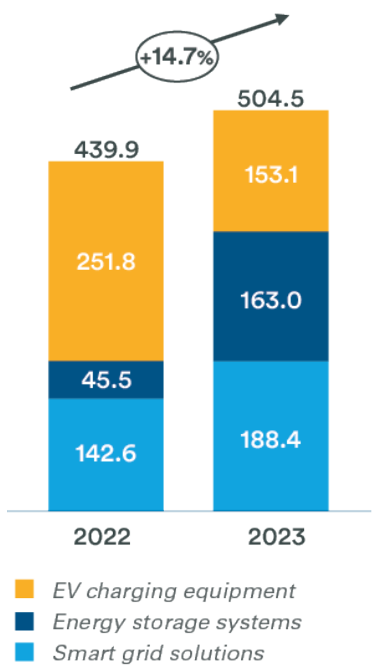
Alfen is operating internationally in the heart of the energy transition, being a specialist in energy solutions for the future. With over 86 years history, Alfen has a unique combination of activities. Alfen designs, engineers, develops, produces and services Smart grid solutions, Energy storage systems 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 14.7% from €439.9 million in 2022 to €504.5 million in 2023, due to continued growth in Smart Grids Solutions (+32%) and Energy Storage Systems (+258%). EV Charging declined by 39% compared to 2022.

Revenue and other income
(in EUR million)



In the EV Charging Equipment business line, 2023 revenues were €153.1 million, a 39% decline compared with €251.8 million in 2022. In 2022, our revenues had grown exceptionally due to a peak in demand after COVID-19 measures were released and inventory build-up by our channel partners. Alfen was well positioned to benefit from this market growth with our strict supply chain management, as well as our portfolio of reliable and innovative EV charging equipment. In 2023 the channel partners used their inventory levels to supply to end markets and Alfen revenue declined. From this perspective, Alfen's market share in terms of chargers installed in the field remained stable. The stocking and destocking effect has merely created a time lag between when Alfen incurred revenues and when chargers were installed at end-user locations.
In the Smart Grid Solutions business line, 2023 revenues were €188.4 million, a 32% growth compared with €142.6 million in 2022 driven by the grid companies significantly ramping up their investment, as demonstrated by the draft investment plans. The private network business also grew strongly, as it was no longer constrained by supply chain pressures.
In the Energy Storage Systems business line, 2023 revenues were €163.0 million, a 258% growth compared with €45.5 million in 2022. The market is expected to grow considerably in the coming years driven by the need to balance electricity demand and supply and manage grid congestion. Alfen is well positioned to capture this market growth with its range of solutions for utility-scale storage and commercial & industrial storage.

Gross margin, EBITDA and net profit (loss)

Gross margin was 30.0% in 2023 compared with 34.9% in 2022, mainly driven by a revenue mix shift from EV charging equipment to Energy storage systems.

EBITDA decreased with 28% from €77.9 million in financial year 2022 to €56.0 million in financial year 2023 as next to the margin shift the fixed cost base within our EV charging equipment business line deleveraged compared to financial year 2022.

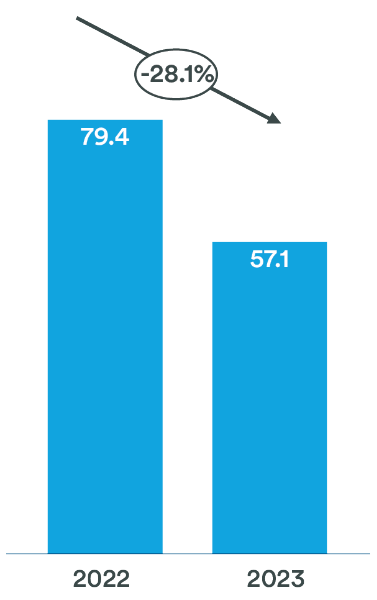
Depreciation and amortisation charges increased from €10.2 million in 2022 to €14.2 million in 2023 and is mainly caused by increased amortisation in alignment with prior years capitalisation of development costs.

Finance income and costs increased from €1.0 million in financial year 2022 to €3.4 million in financial year 2023 as a result of intensified working capital financing and increased EURIBOR interest rates.
The effective tax rate increased from 20.6% in the financial year 2022 to 22.9% in the financial year 2023. This increase is mainly driven by our decreased profitability compared to 2022, which consequently resulted in a lower tax deduction from the innovation box facility.

The net profit of €53.0 million in the financial year 2022 decreased with 44% to €29.7 million in the financial year 2023.

In the financial year 2022, Alfen incurred one-off costs and special items of €1.5 million related to Alfen's 85 Years Anniversary and share-based payment expenses associated with the Long-Term Incentive Plans. EBITDA adjustments in financial year 2023 amounted to €1.1 million and solely comprised of 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)	2023	2022
EBITDA	**56,016**	**77,904**
Alfen's 85 Years Anniversary	—	471
Share-based payment expenses	1,054	995
Adjusted EBITDA	**57,070**	**79,370**
Net profit / (loss)	**29,684**	**53,047**
Aggregated one-off costs and special items after tax	1,054	1,346
Adjusted Net profit / (loss)	**30,738**	**54,393**

Adjusted EBITDA amounted to €57.1 million, a decrease of 28.1% versus €79.4 million in financial year 2022. Adjusted for one-off costs and special items after tax, adjusted net profit amounted to €30.7 million (versus €54.4 million million in financial year 2022).

Finance and investments

Net debt position at 31 December 2023 amounted to €55.1 million, compared to a net cash position of €4.4 million at 31 December 2022. The shift from net cash to net debt is primarily driven by an increase in inventory and an increase in bank loans related to the construction of a new warehouse/production facility (Hefbrugweg 79) and the purchase of a new production facility (Damsluisweg 70).

Working capital increased to €128.1m versus €87.6m at 31 December 2022. The increase in working capital is primarily related to our increased stock levels and strategic stock down payments (presented under Trade and other receivables) as shown below.

(in EUR '000)	31 December 2023 (Audited)	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Inventory - On hand	150,776	155,411	131,815
Inventory - Down payments	23,615	39,242	15,415
Total Inventory, including down payments	**174,391**	**194,653**	**147,230**

Given the growth perspective within our Energy storage business line in conjunction with a solid backlog for financial 2024, we maintained higher stock levels, further supported by strategic stock down payments for batteries, inverters and containers for both our TheBattery Elements and Mobile storage solutions.

The solvency ratio (equity divided by total assets) is 45.4% at 31 December 2023 compared to 46.9% at 31 December 2022.

Capital expenditure amounts to €34.7 million (or 6.9% of revenues) compared to €21.0 million (or 4.8% of revenues) in 2022.

CapEx includes the acquisition of a new building, with a purchase price of €10.0 million, at Damsluisweg 70 in Almere, to further facilitate the growth of our Energy storage business line. Furthermore, Alfen invested in production and warehouse tooling for the new production facilities, product line automation for EV Charging, Solar Panels, IT infrastructure and data security, as well as in moulds for our Smart Grids business line.

Alfen capitalised €10.7m (versus €9.6m in 2022) of development costs, demonstrating the Company's continued efforts to invest in innovations for the future.


STEDIN
SAMEN VERSNELLEN VOOR DE ENERGIETRANSITIE!
ONDERTEKENING RAAMCONTRACT PREFAB NETSTATIONS, LS-REKKEN EN STROKEN
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ALFEN

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 2023 and disclose our Taxonomy-eligible, Taxonomy-aligned and non-eligible economic activities relating to the climate change mitigation and climate change adaptation environmental objectives. For the other four environmental objectives: water, pollution, circular economy and bio-diversity we applied the reporting requirement to disclosure Taxonomy-eligible and non-eligible economic activities.

In the coming years the EU Taxonomy regulation and the requirements for non-financial undertakings will continue to change. A requirement to report alignment under the remaining four environmental objectives of the EU Taxonomy 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 (%)	98.9%	86.2%	100.0%
Taxonomy-Eligible but not aligned Activities (%)	—%	—%	—%
Taxonomy-Non-Eligible Activities (%)	1.1%	13.8%	—%
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.

Minimum social safeguards (MSS)

The scope of MSS covers four topics for which we are following a two-dimensional approach to assess compliance. On the one hand, the Management Board is convinced that safeguarding MSS starts with setting the right mind-set (‘tone at the top’) and incorporating these ethical business conduct principles in procedures and processes, such as the Code of Conduct and the Supplier of Code of Conduct, in order to prevent negative impacts (procedural dimension). On the other hand, outcomes are monitored to validate whether our procedures and processes are effective (outcome dimension).

Human rights (incl. labour and consumer rights)

Based on the ECD Guidelines for Multinational Enterprises and the UN Guiding Principles, Alfen implemented policies and procedures, which are further explained under paragraphs Human Rights Policy and Workers in the value chain within the Corporate Sustainability section of the Annual Report.

In financial year 2023, no violations of labour laws and human rights have been raised nor did we have any court cases in this respect.

Corruption and bribery

Corruption and bribery policies are incorporated in the Code of Conduct and the Supplier of Code of Conduct. Furthermore, internal training, by means of e-learnings (mandatory for new joiners) and physical courses, is used to further enhance awareness and compliance with these policies.

In financial year 2023, no violations regarding corruption and bribery have been raised nor did we have any court cases in this respect.

Taxation

Alfen regards taxation as part of its social responsibility and follows the principle of responsible tax practices, which are further explained under paragraph Tax practices within the Corporate Governance section of the Annual Report.

In financial year 2023, no violations of tax laws have been raised nor did we have any court cases in this respect.

Fair competition

Alfen is carrying out activities in a manner consistent with all applicable competition law and regulations taking into account the competition laws of the jurisdictions in which our activities might have anticompetitive effects.

In financial year 2023, no violations regarding fair competition have been raised nor did we have any court cases in this respect.

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 polychlorinated 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, we conclude these activities are eligible under activity 4.10 Storage of Electricity.

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 in essence similar to economic activity: *4.9 Transmission and distribution of electricity,* except for Water and marine resources, which is assessed below and Pollution prevention and control, which is not applicable for this economic activity.

Furthermore, we only assessed this activity 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 2023 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 2023 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	2023	2022
Smart grid solutions	182,731	139,132
EV charging equipment	153,120	251,761
Energy storage systems	162,979	45,498
Total Taxonomy-aligned revenue	**498,830**	**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	2023	2022
Additions to property, plant and equipment - owned	21,497	8,487
Additions to property, plant and equipment - right-of-use assets	768	—
Additions to intangible assets and goodwill	10,707	9,568
Total Taxonomy-aligned CapEx	**32,972**	**18,055**

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	2023	2022
Non-capitalised research & development costs	10,532	6,797
Maintenance and repair costs	908	790
Costs related to day-to-day servicing of assets	553	437
Total Taxonomy-aligned Opex	**11,993**	**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.

EU Taxonomy Revenue

In EUR '000				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (Does Not Significant Harm)									
Economic activities (1)	**Code(s) (2)**	**Turnover (3)**	**Proportion of turnover, Year N (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Bio-diversity (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular economy (15)**	**Bio-diversity (16)**	**Minimum safeguards (17)**	**Taxonomy-aligned proportion of turnover, year N-1 (19)**	**Category (enabling activity or) (20)**	**Category '(trans-itional activity)' (21)**
		Currency	**%**	**Y; N; N/EL**	**Y; N; N/EL**	**Y; N; N/EL**	**Y; N; N/EL**	**Y; N; N/EL**	**Y; N; N/EL**	**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	182,731	36.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	31.7%	E	
EV charging equipment	4.9 - Transmission and distribution of electricity	153,120	30.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	57.2%	E	
Energy storage systems	4.10 - Storage of electricity	162,979	32.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	10.3%	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**498,830**	**98.9%**	**98.9%**	**—%**	**—%**	**—%**	**—%**	**—%**								**99.2%**		
Of which enabling		498,830	98.9%	98.9%	—%	—%	—%	—%	—%	Y	Y	Y	Y	Y	Y	Y	99.2%	E	
Of which transitional		—	—%	—%	—%	—%	—%	—%	—%	Y	Y	Y	Y	Y	Y	Y	—%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		**—**	**—%**	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**—**	**—%**	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Total (A.1 + A.2)		**498,830**	**98.9%**	**98.9%**	**—%**	**—%**	**—%**	**—%**	**—%**										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		**5,647**	**1.1%**																
Total (A + B)		**504,477**	**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 (7)	Pollution (8)	Circular Economy (9)	Bio-diversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Bio-diversity (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, year N-1 (19)	Category (enabling activity or) (20)	Category '(trans-itional activity)' (21)
		Currency	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	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	7,686	20.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	18.0%	E	
EV charging equipment	4.9 - Transmission and distribution of electricity	10,711	28.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	47.9%	E	
Energy storage systems	4.10 - Storage of electricity	14,574	38.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	13.6%	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**32,971**	**86.2%**	**86.2%**	**—%**	**—%**	**—%**	**—%**	**—%**								**79.5%**		
Of which enabling		32,971	86.2%	86.2%	—%	—%	—%	—%	—%	Y	Y	Y	Y	Y	Y	Y	79.5%	E	
Of which transitional		—	—%	—%	—%	—%	—%	—%	—%	Y	Y	Y	Y	Y	Y	Y	—%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		**—**	**—%**	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL										
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**—**	**—%**	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Total (A.1 + A.2)		**32,971**	**86.2%**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		**5,266**	**13.8%**																
Total (A + B)		**38,237**	**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 (7)	Pollution (8)	Circular Economy (9)	Bio-diversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Bio-diversity (16)	Minimum safeguards (17)	Taxonomy -aligned proportion of OpEx, year N-1 (19)	Category (enabling activity or) (20)	Category '(trans-itional activity)' (21)
		Currency	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	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	2,510	20.9%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	19.8%	E	
EV charging equipment	4.9 - Transmission and distribution of electricity	6,572	54.8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	52.3%	E	
Energy storage systems	4.10 - Storage of electricity	2,914	24.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	27.9%	E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**11,996**	**100.0%**	**100.0%**	**—%**	**—%**	**—%**	**—%**	**—%**								**100.0%**		
Of which enabling		11,996	100.0%	100.0%	—%	—%	—%	—%	—%	Y	Y	Y	Y	Y	Y	Y	100.0%	E	
Of which transitional		—	—%	—%	—%	—%	—%	—%	—%	Y	Y	Y	Y	Y	Y	Y	—%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		**—**	**—%**	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**—**	**—%**	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Total (A.1 + A.2)		**11,996**	**100.0%**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		**—**	**—%**																
Total (A + B)		**11,996**	**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	Low	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
	Macro-economic and regulatory environment 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.	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.	Medium	Medium	Medium
	Disruptions of Alfen's information technology systems could have a material adverse effect on its business.	Low	Low	High
	Alfen's IT systems' security could be breached by a third party that might misuse or hijack Alfen assets or information which could have a material adverse effect on its business.	Low	Medium	High
Compliance	Alfen is exposed to risks associated with product liability, warranties, recall claims or other lawsuits or claims that may be brought against it.	Medium	Low	Medium
	Alfen may not fully comply to laws and regulations across multiple jurisdictions, which are becoming increasingly stringent, particularly related to environmental, health and safety and transportation.	Low	Medium	Medium

For information about Alfen's credit risk, liquidity and market risks as well as the capital management structure, please refer to the information outlined in note 3 and 4 of the financial statements. Furthermore, risks related to external reporting are considered limited due to the limited amount of estimates in the financial statements.

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.

Macro-economic and regulatory environment 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.

Macro-economic and regulatory environment 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 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 2024. 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 2023, 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.

No violations of the Code of Conduct were reported in the financial year 2023.

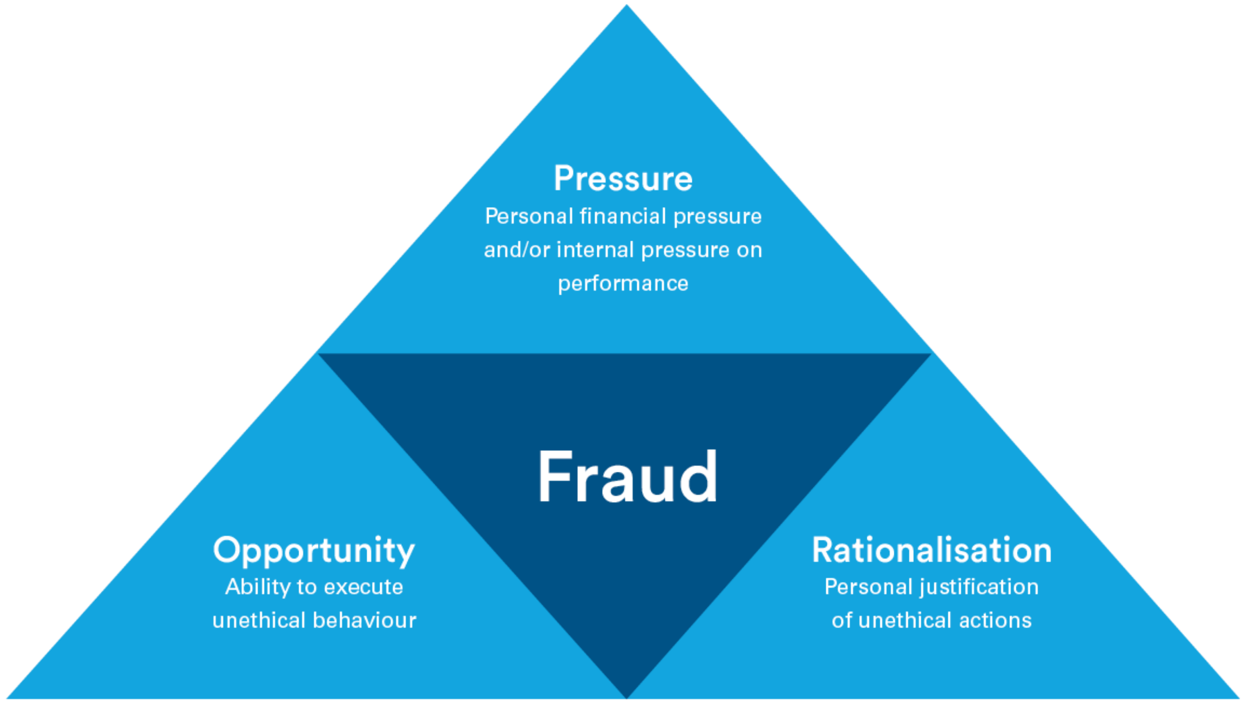
Whistle-blower policy

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 2023.

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 2023, several questions were asked about the insider trading policy and addressed by the compliance officer. No violations or irregularities were reported in financial year 2023.

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 initially discussed in the Audit Committee meeting on 5 December 2023 and subsequently formally presented and discussed in the Supervisory Board meeting of 6 December 2023.

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.

E.ON Drive Infrastructure

For its AC charging stations, EDRI chose Alfen as one of its preferred suppliers for the next 4 years to provide several different types of charging stations. Alfen's Eve Double PG-line is an Eichrecht compliant dual socket charger with advanced smart functionality for the public domain, designed for high-volume street environments with 3-phase supply.

Corporate Sustainability Reporting

Sustainable development is important because it integrates economic progress, social equity and environmental stewardship. With this, we can ensure a balanced and prosperous future for all.

Alfen 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, secure 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, secure, 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 a broader range of ESG topics.

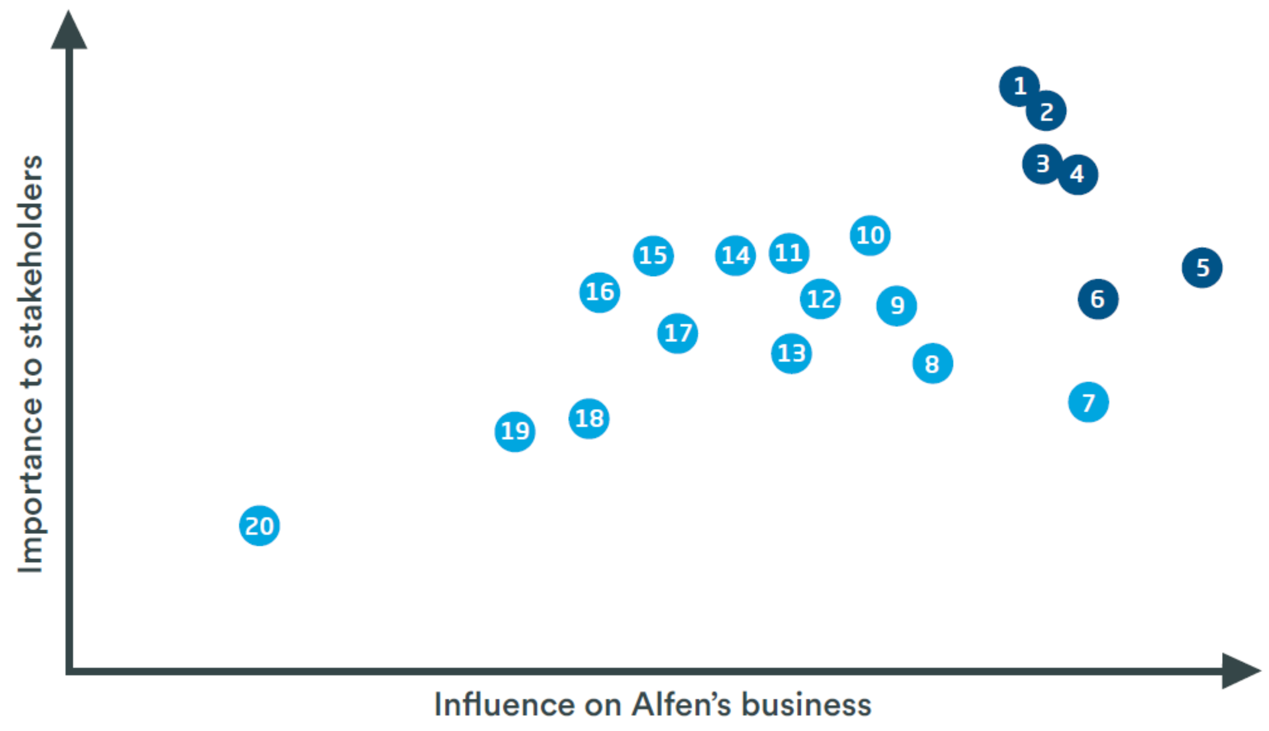
Current CSR framework

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 priority by our 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:

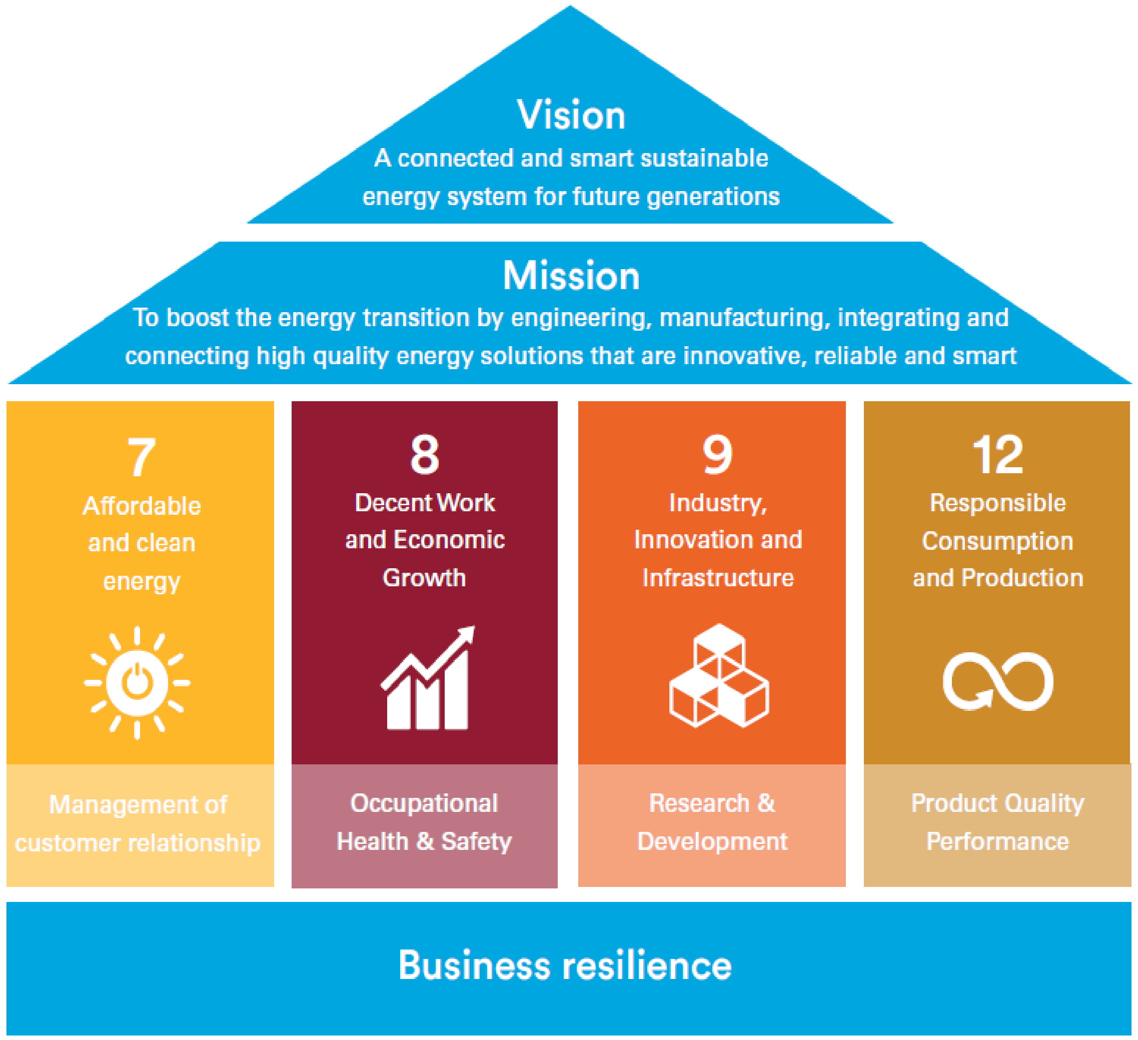
1. Occupational health & safety
2. Compliance
3. Business ethics & integrity
4. Product quality performance
5. Management of customer relationships
6. Research & development

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 CO_2 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 6.2 Mtons of CO_2 equivalent emissions as our installed charge points power electric vehicles and avoid harmful emissions. This is a strong increase compared to the 3.8 Mtons of CO_2e we potentially avoided by 2022 demonstrating how we continue to make impact with our EV charging solutions. Moreover, we enabled the supply of renewable energy to around 374,000 households (cumulatively) by connecting solar PV farms to the public grid through our Smart grid solutions, which is significantly more compared to the 283,000 households previous year.

For SDG 8, our Lost Time Injury (LTI) performance was stable compared to previous years. In 2023 we utilized the SPARK programme to drive further improvements and we prepared for the implementation of the Life Savers 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 in line with the National absence rates, Nonetheless, a dedicated taskforce is established with the aim to decrease absenteeism.

In 2023 we followed-up on actions that resulted from the 2022 Health Survey and Employee Satisfaction Survey.

For SDG 9, we continued to invest in R&D and innovations for the future. In 2023, we invested 26.8 million compared to €20.2 million in 2022, a 33% 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 2023. For instance, Alfen has started to use semi-automated production lines in its EV Charging business line. The lines show a significant improvement on traceability of components, first time right and capacity. It is a scalable concept that can be rolled out to other EV charging production lines easily. Alfen has also introduced a configurator that can make first designs in a 3D model based on options and variances. This is part of Product Lifecycle Management (PLM). The system is integrated with our ERP-system and makes it possible for sales to configure live with a customer on an iPad in the future. A third example is the implementation of an integral solution for forecasting, demand planning and inventory control. It has improved insight into stock and lead times. It facilitates automated ordering with suppliers (via ERP).

An overview of our 2023 impact is shown on the next page.

7 Affordable & clean energy
Management of customer relationship

6.2
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.

374,000
Households supplied with renewable energy in 2023

Number of households in 2023 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

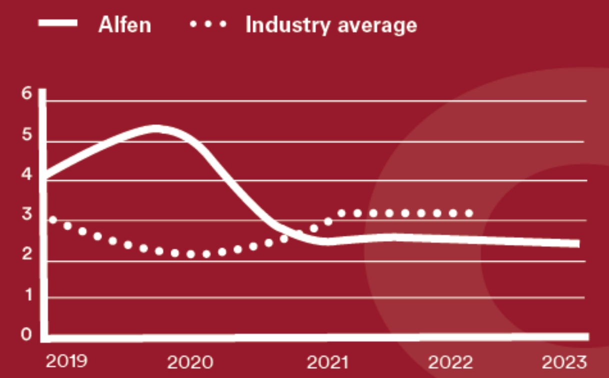
26.8M€
Invested in R&D and innovations for the future

Smart Grid Solutions
Completed the product development for the Stedin tender with the last Factory Acceptance Test (FAT).

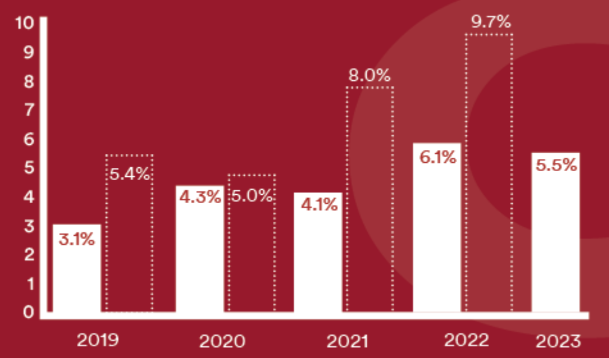
EV Charging Equipment
Made significant steps in developing public chargers that are compliant with new Alternative Fuels Infrastructure Regulation (AFIR).

Energy storage systems
Introducing our 4th generation mobile energy storage system (TheBattery Mobile X).

Alfen's impact



Lost time injury frequence rate
Our Lost Time Injury (LTI) performance was stable compared to previous years. In 2023 we utilized the SPARK programme to drive further improvement.



Sickness absence rate
The relatively high absenteism rates over the past years is in line with broader trends in the Netherlands.

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 2023 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 2023 improvements include:

- **Semi-automated production EV Charging**
  Concept is scalable and shows direct results.
- **3D model configurator**
  Enables live configuration with customers.
- **Integral forecasting and inventory control solution**
  It has improved insight into stock and lead times.

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 CO_2 footprint with the ambition to reduce it and report it. Alfen has an annual audit on its CO_2 performance by an external auditor. In recent years, the business has been growing strongly, and as such, naturally our CO_2 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 CO_2 emissions per FTE in 2023 compared with 2019, despite the growth.

Various measures have been taken in 2023 to further reduce our CO_2 footprint per FTE. All new Alfen offices, warehouses and terrains are lighted by means of LED lighting. We have produced about 300 MWh of solar energy with our own PV installation. We further increased the share of electric vehicles in accordance with our active EV policy. On the other hand, scope 3 emissions increased due to more flights for international projects and conferences.

Further details can be found in our CO_2 performance report available in the Sustainability section of our website that will be available soon.

In 2023, we were able to drive down the CO_2 emissions with 18% relative to 2019, and per FTE even 60%, even while the business has been growing rapidly with a 253% revenue growth. Therefore, we have achieved our objective and have beaten the set target.

With effect from reporting year 2021, the reporting is based on the Dutch CO_2 performance index ("CO_2 prestatieladder"). For Scope 3 we report our business travel emissions only, which is in line with the CO_2 performance index handbook 3.1. Alfen's performance over the last 5 years is detailed in the adjacent tables.

Looking forward, Alfen anticipates to further grow the business strongly. Therefore, we have decided to move away from the CO_2 performance ladder and to start reporting per GHG protocol and to put scientifically approved targets in place. We have submitted our targets to SBTi which are pending approval.

Table: Overview of Alfen CO_2-emissions by scope since 2019

CO_2e-emissions (tonne)	2019		2020		2021		2022		2023		Realisation 2023<->2019
Scope 1	1,073	(72)%	854	(86)%	825	(82)%	795	(71)%	741	(61)%	(31)%
Scope 2	214	(14)%	63	(6)%	93	(9)%	128	(11)%	212	(17)%	(1)%
Scope3*	202	(14)%	82	(8)%	96	(9)%	206	(18)%	270	(22)%	34 %
Total	1,489		999		1,014		1,129		1,223		(18)%
Emissions CO_2e/FTE Scope 1	2.31		1.50		1.30		1.01		0.79		(66)%
Emissions CO_2e/FTE Scope 2	0.46		0.11		0.15		0.16		0.23		(50)%
Emissions CO_2e/FTE Scope 3*	0.44		0.14		0.15		0.26		0.29		(34)%
Emissions CO_2e/FTE Scope 1,2,3*	3.21		1.75		1.60		1.43		1.31		(60)%

Parameter/KPI	2019 actual	Target 2023	Actual 2023
Emissions CO2e/FTE Scope 1 (tonne)	2.31	+0%	0.79
Emissions CO2e/FTE Scope 2 (tonne)	0.46	+0%	0.23
Emissions CO2e/FTE Scope 3* (tonne)	0.44	+0%	0.29
Emissions CO2e/FTE Scope 1,2,3* (tonne)	3.21	+0%	1.31

** Scope 3 consists of Business Travel, in line with the CO_2 performance index handbook 3.1 (figures are preliminary)*

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.

Whilst the legislative framework further developed, Alfen initiated an internal strategic project last year to understand the implications for Alfen and to take corresponding action. The project consists of a multi-disciplinary team with representatives from Finance, QHSE, Strategy, HR and the Management Board.

A double materiality assessment has been developed 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.

2023 has been used by Alfen to work out the relevant material Environment, Social and Governance topics. This involves amongst others setting KPIs and data requirements, collecting data, start target setting and developing action plans to achieve those targets. Highlighting the environmental topic of greenhouse gas emissions, Alfen has submitted science-based emission targets for our scope 1, 2 and 3 emissions towards the Science Based Target initiative (SBTi) for acceptance. When accepted these will be published and reported upon.

In addition, Alfen committed to the UN Global Compact and is in the progress to report their SDG performance in the next round of reporting in 2024.

The sustainable performance has also been disclosed to the Carbon Disclosure Project (CDP) as Alfen did in the previous years as well.

Lastly, Alfen adopted a stakeholder (dialogue) policy in 2023 that can be found on our website. Our key stakeholders, their expectations and highlights of engagement can also be found in the Corporate Governance section of this Annual Report.

Performance on broader range of ESG topics

Before reporting in full on these sustainability topics, Alfen reports in this Annual Report 2023 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 CO_2 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.

Alfen monitors the performance of other environmental and social aspects that influence sustainable production and consumption as well. Think of waste management, circular products and CO_2 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, and as such ECO design has gained more foothold during 2023. In addition, using fair trade materials with a low carbon footprint and focusing on reuse and recycling of materials influences our CO_2 footprint in a positive manner.

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. Alfen achieved a successful renewal for this certification in 2023. The certification covers all Alfen N.V. entities except Alfen Elkamo which has its own certification. The aforementioned certificates are available in the download section of our website. Our sustainable initiatives have resulted in a silver award by Ecovadis. We aim to obtain gold in 2024.

Emissions & waste management

GHG Reduction Programme

Alfen strives for complete insight into its CO_2 footprint with the objective to reduce this and to report on this. Alfen maintains for years a CO_2 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/2403).

Alfen has submitted its Science-Based Targets for its GHG reduction. 2023 is the last reporting year that Alfen has set its targets based on the voluntarily Dutch CO_2 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 and has produced in 2023 about 300 MWh.

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 strongly. The slight increase is driven by the acquisition of Damsluisweg 70 (new facility for Energy Storage Systems) as well as the increase in FTE. The table below indicates water usage in our facilities in the Netherlands, Belgium and Finland.

	2023	2022
Alfen usage of water in m^3	4,304	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 CO_2 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 2023 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 2023 the workforce has grown from 893 FTE on 31 December 2022 to 931 FTE on 31 December 2023. The majority of its employees work in the Netherlands or through Alfen Elkamo in Finland.

FTE end-of-year	2023	2022
Netherlands	809	772
Finland	67	74
Other countries	55	47

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. On October 3, 2023 we promoted the SER Diversity Day by launching a training for all employees about unconscious bias.

All of our practices can be read in our diversity and inclusion policy (https://alfen.com/file-download/download/public/2481). Alfen's practices are applicable to recruitment and selection, performance and appraisal, compensation and benefits, professional development and training, promotions, succession planning, lay-offs, 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 2022, we have seen this number further increasing in 2023. In 2023, Alfen employed 48 different nationalities compared with 44 different nationalities in 2022.

Year (as per December 31)	Number of nationalities
2019	27
2020	32
2021	36
2022	44
2023	48

"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 48 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. Currently, the Supervisory 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 42 employees as of 1 January 2023, and reached a total number of 47 employees per 31 December 2023.

Date	# Women	# Men	% Women	% Men
1-1-2023	9	33	21 %	79 %
31-12-2023	10	37	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. Alfen has the ambition to keep the percentage at least at 21% of women in its subtop in the next 5 years.

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, this is slightly higher at 17% at the end of 2023.

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 15% in 2019 to almost 18% in 2023 (with a peak of 24% 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, 2022 and 2023 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 %
2023	17 %	83 %	18 %	82 %

To further increase 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 are intensifying 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 promoting Alfen's work at schools and actively participating in career events. . This also includes offering internships as well as graduation assignments.

We will focus on attracting female students for our organisation.

Re 3. External appearance

We are 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.

In 2023, Alfen launched Adapt, a new learning and development platform. Adapt supports Alfen's employees in their development by offering training, e-learnings, courses and education. Adapt now offers over 80 courses in its catalogue. All company training courses are facilitated though Adapt. Employees can register themselves through the system. The digital onboarding of new employees is also facilitated fully through the learning management system. The Adapt system also facilitates the performance management cycle, such as target setting, development and year-end performance reviews.

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 practice facilities at our own premises. Founded in 2008, the Alfen Academy continues to have significant scale, with 54 students in 2022 and 51 students in 2023.

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 170 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.

The relatively high absenteism rates over the past years is in line with broader trends in the Netherlands. In 2023, Alfen created an internal working group focusing on improving health and wellbeing. The working group's activities included benchmarking effective measures with other companies, training managers, working together with the occupational health doctor and offering social psychological support to employees.

FTE end-of-year	2019	2020	2021	2022	2023
Alfen absence rate	3.1 %	4.3 %	4.1 %	6.1 %	5.5 %
Industry average	5.4 %	5.0 %	8.0 %	9.7 %	Not available yet

Employee engagement

In 2023 we spent significant time on the follow-up of an employee engagement survey, that was held amongst our staff in November 2022. The survey had a response rate of 67% of our staff. The survey was performed through an external supplier to ensure confidentiality of the individual responses. Alfen achieved a 23.6% employee Net Promotor Score (eNPS). The benchmark score in the Netherlands was 5.5%. The eNPS score is calculated based on the question: "How likely is it that you would recommend Alfen as an employer to others?" Employees that indicate 9 or 10 are promotors. Employees that indicate 7 or 8 are passives. Employees that indicate 1 until 6 are detractors. The eNPS is determined by subtracting the % of detractors from the % of promotors. Generally, the survey results saw above benchmark results on topics related to employership, engagement and psychological safety. To address feedback received in relation to respectful and constructive collaboration, Alfen started an awareness culture training for managers during which topics such as leadership, desirable behaviour and feedback culture were addressed. All key management participated in these trainings.

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.

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 based 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. Various workshops have been held during 2023 to initiate this view within Alfen.

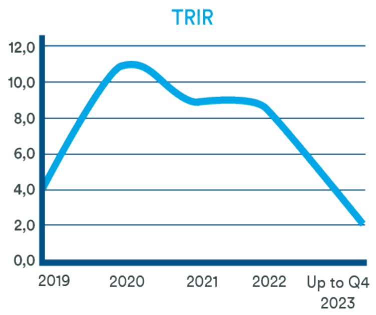
Health and Safety Certifications

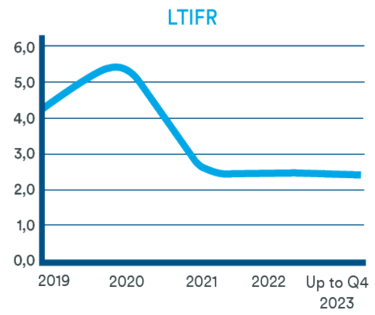
Alfen has a management system that complies and is certified towards the ISO 45001:2018 standard accordingly. The certification covers all Alfen N.V. entities except for Alfen Elkamo, which has its own certification.

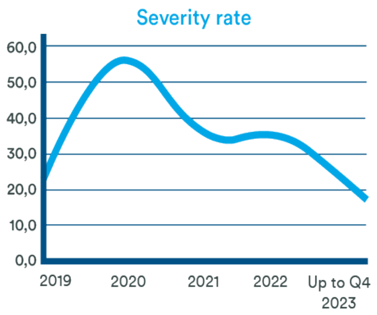
Safety Performance

Alfen monitors its safety performance and reports about its KPIs. These are divided in leading and lagging indicators. The lagging indicators are the 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 2023 based on lagging indicators is as follows (reference date 31/12/23). As can be seen, our parameters have remained at a stable low level.







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/2219).

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/file-download/download/public/1737) 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 undesired events (i.e. Product/ Service related events), 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 undesired events.

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.

Wind park “de Plaet”

Alfen has signed an agreement with Windpark de Plaet to install integrated solutions at Windpark de Plaet in Ooltgensplaat, the Netherlands. These solutions, which include a 20MWh TheBattery Elements energy storage system, will be seamlessly integrated into the existing site by incorporating Alfen’s Diabolo 40H transformer substation.

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 propose to the general meeting of shareholders in April 2024 to 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 and the Corporate Governance Code 2022 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 and consulted the Supervisory Board on the Company's strategic policy, the general and financial risks, key positions within the Company, the financing of the Company, the purchase of a building, the budget for 2024, the internal and external independent auditor assessments 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	62	CEO and COO	November 2015	AGM of 2026
Mr Jeroen van Rossen	50	CFO	August 2017	AGM of 2026
Ms Michelle Lesh	45	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. During 2023, Jeroen van Rossen announced his resignation from the Company per the AGM of 2024.

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 and Committees

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 focus on the interests of the Company and the Company's stakeholders. In addition, certain (material) decisions of the Management Board, as stipulated in the Dutch Civil Code, the articles of association or the Supervisory Board and Management Board bylaws, require the prior approval of the Supervisory Board.

During 2023, the Supervisory Board established an Audit Committee and an HR Committee Therefore the Company is now in compliance with the best practice principle 2.3. of the Corporate Governance Code 2022.

Audit Committee

The Audit Committee is charged with assisting and advising the Supervisory Board in fulfilling its duties in particular with: the monitoring of the financial-accounting process, the internal audit system and the risk management system, the monitoring of the statutory audit of the Annual Accounts, the review and monitoring of the independence of the external independent auditor and the selection and nomination of the external independent auditor. Working within the Supervisory Board, the Audit Committee focuses on the preparatory work for the Supervisory Board's decision making regarding these items.

HR Committee

The HR committee is a combined committee with two separate tasks: (i) the selection and appointment preparation of Management Board and Supervisory Board members and (ii) submitting a clear and understandable proposal for the remuneration policy and propose the remuneration of individual Management Board members.

More information can be found in the Supervisory Board Bylaws and the terms of reference for the respective Committees on the Company's website.

Members of the Supervisory Board

The Supervisory Board consists of four members, who are appointed by the General Meeting following nomination by the Supervisory Board. The Supervisory Board, the audit committee and the HR committee are composed of the following members:

Name	Age	Position	Member since	Committees	End of current term
Mr Henk ten Hove	71	Chairman	22 March 2018	HR Committee Member	AGM of 2026
Mr Willem Ackermans	68	Member	6 July 2020	Audit Committee Chair	AGM of 2024
Ms Jeanine van der Vlist	59	Member	21 November 2022	HR Committee Chair	AGM of 2027
Ms Eline Oudenbroek	54	Member	6 July 2020	N.A.	AGM of 2023
Ms Maria Anhalt	53	Member	19 September 2023	Audit Committee Member	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 was re-appointed during the 2022 General Meeting for a further period of 4 years. Henk ten Hove 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.

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. Currently she is a (non-executive) board member of the Belgium company DPG Media N.V., a supervisory board member of the Remeha Group and a supervisory board member of Koninklijke Brill N.V. Per July 2023, she is the chair of the Supervisory Board of Holland Colours 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.

Maria Anhalt (born 1970, Bulgarian) is a member of the Supervisory Board since 19 September 2023. She obtained experience from her current position as supervisory board member of Hewlett-Packard Germany as well as internal (supervisory) director of the start-up company Argus. Since January 2021, she is the Chief Executive Officer of Elektrobit Gmbh at Erlangen, a global company with about 4,000 employees. She brings technical and commercial expertise regarding software and services together with a well-developed perspective on technology and the energy transition. She has strong growth experience in an international environment. This is reflected in past positions, among which: (i) Vice President R&D Operations at HP Enterprises in the United States, (ii) Vice President Hybrid Cloud and Automation Software at Micro Focus International PLC in the United Kingdom, and (iii) Senior Vice President, Head of Software at Continental AG in Germany. Ms. Anhalt is independent within the meaning of the corporate governance code. She does not hold any shares in the company. Ms. Anhalt holds a Masters in Computer Science at the Karlsruhe Institute of Technology (KIT).

Remuneration

The remuneration policy applicable to the Management Board was adopted by the General Meeting on 7 April 2022 and for the Supervisory Board on 6 April 2023.

Information on the remuneration of the Management Board and the Supervisory Board is set out in the Remuneration Report, which can be found on ir.alfen.com and in the Supervisory Board Report 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 fifth grant under this plan was made at 1 January 2023 and comprises of a total of 11,326 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 rights related to the LTIP are exercisable at 31 December 2023. The second grant under the plan made at 1 January 2020 will be exercisable at 2 January 2024.

In accordance with best practice principle 2.7 of the Corporate Governance Code, the transactions which were carried out with related parties, with who conflicts of interest should be prevented, 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 2023 Annual General Meeting of Shareholders was announced on 21 February 2023 to be held at Van der Valk Hotel Amsterdam Zuidas, Tommaso Albinonistraat 200 in Amsterdam, the Netherlands on Thursday 6 April 2023 (the "AGM").

At the AGM, the following resolutions have been adopted: (i) remuneration report for 2022 (advisory vote), (ii) adoption of the Financial Statements for 2022 as included in the 2022 Annual Report, (iii) discharge of the members of the Management Board from liability, (iv) discharge of the members of the Supervisory Board from liability, (v) amendment of the Remuneration Policy for the Supervisory Board, (vi) extension of the designation of the Management Board as competent body to issue shares and/or to grant rights to subscribe for shares and to limit or exclude pre-emptive rights for a period of 18 months, (vii) authorization of the Management Board to cause the Company to acquire shares for a period of 18 months and (viii) appointment of PwC as the external independent auditor for 2024.

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.

The General Meeting or the Management Board if authorized by the General Meeting and with the approval of the Supervisory Board may resolve to issues shares and/or grant rights to subscribe for shares and to limit or exclude pre-emptive rights. At the 2023 AGM, the shareholders have delegated this authority to the Management Board for a period of eighteen months, as from 6 April 2023 and subject to approval of the Supervisory Board to repurchase up to 10% of the outstanding shares at that time.

The General Meeting or the Management Board with approval of the Supervisory Board may further cause the Company to acquire own shares. At the 2023 AGM, the shareholders have delegated this authority to the Management Board subject to the approval of the Supervisory Board up to a maximum of 10% of the issued share capital on the date of the AGM for a period of 18 months from the date of the AGM on 6 April 2023, i.e. up to and including October 6, 2024.

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 August 2023 to be held at the head offices of Alfen N.V., Hefbrugweg 28 in Almere, the Netherlands on Tuesday 19 September 2023 (the "EGM").

During the Extra Ordinary Meeting, only the following agenda item was scheduled, which was put on the agenda for voting: Change to the Supervisory Board: Proposal to appoint Ms. Maria Anhalt as member of the Supervisory Board.

During the EGM, the Shareholders voted to appoint Ms. Maria Anhalt for a period of four years, 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.

Stakeholder engagement

In 2023, Alfen adopted its stakeholder (dialogue) policy.

Alfen values the reliable cooperation with its stakeholders. We have mapped employees, customers, investors, suppliers, local communities and society as key stakeholders. They were selected according to who has the greatest influence on the activities of Alfen and who is most affected by the organisation.

Alfen employees are an important stakeholder because their commitment, efforts, collective knowledge, performance and development are the basis for our business and ability to create value for our customers and thereby for our investors and society.

Alfen customers are an important stakeholder because satisfied customers are the foundation for long-term sustainable growth and profitability.

Alfen investors are an important stakeholder because they are together the owners of the company.

Alfen suppliers are an important stakeholder because they are the providers of high quality raw materials and components which need to be delivered timely to create the solutions for our customers.

Local communities and broader society are an important stakeholder for Alfen because many of our employees come from the local community and surroundings and vice versa community involvement helps Alfen to maintain a good connection with innovation partners, schools and results in employee satisfaction.

Stakeholder group	Their expectations	How we engage with them	Highlights in 2023
Employees	(1) Engaging workplace (2) Personal and professional development (3) Safe and healthy working conditions	(1) Works Council Meetings (2) Employee survey (3) Open dialogue between manager and employee (4) Townhall meetings (5) Intranet & monitors throughout buildings	(1) Multiple work council meetings to discuss employee policies, working conditions, financial and business aspects of Alfen (2) Feedback of employee survey cascaded throughout the organizations (3) Alfen leadership training (4) Initiated weekly consultations for employees by HR department
Customers	(1) Engineering, manufacturing, integrating and connecting high quality energy solutions that are innovative, reliable and smart (2) Product Compliance of the deliverables and Certified production (3) Communication and cooperation based on mutual trust and clarity (4) Knowledgeable advice based on the customer situation (5) Deliver (timely) what has been promised	(1) Sales process interactions (2) Regular meetings (3) After sales support (4) (Social) media (5) Customer communications and events	(1) Customer journey interviews; (2) Customer satisfaction interviews and survey; (3) Introduced Bi-monthly Plugged in to Alfen publication for EV Charging Equipment customers (4) 30+ external events (tradeshows and fairs) (5) Speaking engagements at industry events and forums
Investors	(1) Transparent financial and non-financial reporting (2) Compliance with laws and regulations (3) A management board with strong oversight that runs the company as efficiently as possible (4) Return on investment	(1) Quarterly earnings (2) Half year results and annual report (3) Annual General meeting (4) Analyst and investor calls (5) Conferences and road shows	(1) Organized Capital Markets Day to present mid-term strategy and financial objectives (2) Organized 2 roadshows and attended 9 conferences (3) Organized several reverse roadshows (4) Hosted retail investors factory visit in Almere
Suppliers	(1) Ethical business conduct, (2) Long-lasting partnerships based on trust and mutual feedback (3) Clear communication and cooperation (4) Share our vision	(1) Business Review Meetings (2) Supplier Audits (3) Regular meetings and purchase process interactions (4) After purchase support	(1) Continued contracting according to Alfen`s format, including Supplier Code of Conduct (2) Initiate discussions with key suppliers to reduce footprint (3) Aligning of future capacity requirements with our key suppliers (4) Participation in panel discussion of supplier`s World Energy Storage Conference in China
Local communities and society	(1) Respect national and international laws and regulations, (2) Provide employment and education oppurtunities (3) Minimize environmental impact	(1) Various sector associations (e.g. Elaad and Energy Storage NL) (2) Events (3) Sponsorship and contributions (4) Alfen Academy (5) Press	(1) Submitted science based targets with SBTi and commited to UN Global Pact (2) 24 Alfen Academy graduates (3) Various local sustainability initiatives such as MVO, omgevingsdienst Flevoland Gooi and Vechtstreek (4) Hosted symposium Cybersecurity for EV charging infrastructure (NAL)

Diversity

Diversity and inclusion are important topics for the Company. On 1 January 2022, the Diversity Act entered into force. Furthermore in November 2022, the EU Parliament adopted the "Women on Board" Directive. In accordance with the Diversity Act and the Corporate Governance Code Alfen has adopted the diversity and inclusion policy, which can be found on the Alfen website. Furthermore, Alfen has set an appropriate target for a balanced number of men and women on the Management Board, the Supervisory Board and the sub-top.

For more details regarding diversity and Inclusion and for the target we refer to the previous chapter on Corporate Sustainability Reporting, under Social Topics. In this chapter, all the information is included regarding the best practice principle 2.1.6 of the Corporate Governance Code.

Dutch Corporate Governance Code

The applicable Dutch Corporate Governance Code 2022 entered into force on, and applies to financial years starting on or after, 1 January 2023, and finds its statutory basis in Book 2 of the Dutch Civil Code (the ''Dutch Corporate Governance Code''). The Dutch Corporate Governance Code applies to Alfen as Alfen has its registered office in the Netherlands and its Ordinary Shares are listed on Euronext Amsterdam.

The Dutch Corporate Governance Code is based on 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 2023. 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 one best practice principle, which is the following: The Company is not in compliance with best practice principle 1.3 for an internal audit function. The Supervisory Board has assessed whether adequate alternative measures have been taken, partly on the basis of a recommendation issued by the audit committee. The audit committee and the Supervisory Board have concluded that the size of the Company, the limited number of legal entities and the centralized processes and internal control 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 2023 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"). 30,388 treasury shares are held by the Company. The remainder of the Ordinary Shares: 21,719,612 are outstanding. Each share confers the right to cast one vote.

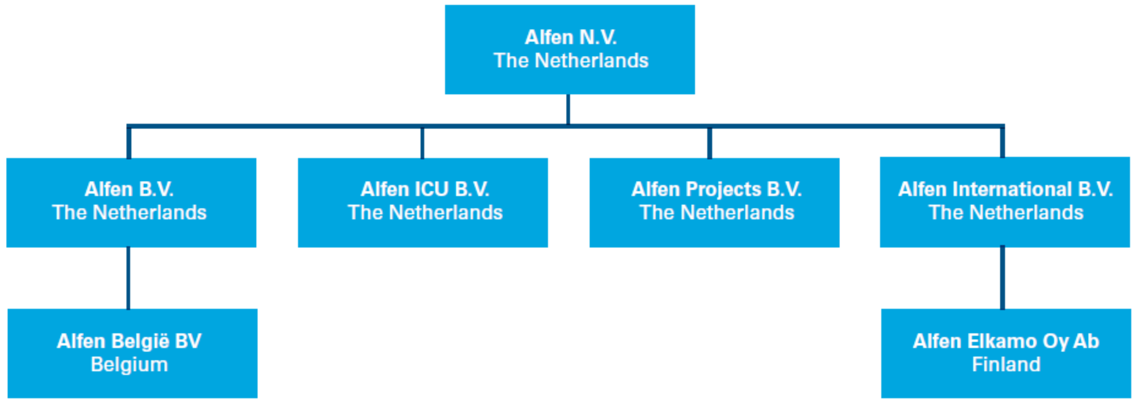
Limitations on the transfer of shares

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 fifth grant under this plan was made at 1 January 2023 and comprised of a total of 11,326 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 rights related to the LTIP are exercisable at 31 December 2023.

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.

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 and inclusion 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 6th of April, 2023 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 2023.

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 2023, 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 2023, the following shareholders were known to hold an interests of at least 3% directly in the Company on 31 December 2023 as per AFM disclosures:

Shareholder	Capital Interest	Voting Interest	Notification date
Capital Research and Management Company	—%	7.37%	22 November 2023
Smallcap World Fund Inc.	6.24%	6.24%	22 November 2023
Goldman Sachs Group Inc.	5.22%	5.22%	18 December 2023
Schroders PLC	—%	5.20%	27 January 2023
Mirova	5.02%	5.02%	20 January 2023
UBS Group SA	4.23%	4.23%	15 November 2023
Societe General SA	3.24%	3.24%	19 April 2023
Candriam	3.18%	3.18%	27 September 2023
Comgest Global Investors S.A.S.	3.04%	3.04%	25 May 2023

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
14 February 2024	Publication full year results 2023
9 April 2024	Annual General Meeting of Shareholders
21 May 2024	Q1 2024 trading update
22 August 2024	Publication half-year results 2024
7 November 2024	Q3 2024 trading update

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

- From 14th of January until 14th of February 2024
- From 21st of April until 21st of May 2024
- From 22nd of July until 22nd of August 2024
- From 7th of October until 7th of November 2024

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 failings in the effectiveness of the internal risk management and control systems with regard to the risks as referred to in best practice principle 1.2.1;*
- *The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;*
- *based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and*
- *The report states the material risks as referred to in best practice principle 1.2.1 and the uncertainties, to the extent that they 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 2023, 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, 13 February 2024

Board of Directors

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

Report of the Supervisory Board

Report of the Supervisory Board

Alfen still on track with solid profitable growth, but different pace per business line

2023 in summary

The Company is still well on track in realizing sustainable profitable growth. During the capital markets day which was held on the 10th of May this year in London, we reported the achievement of the targets for the previous 5 year plan in growth, profitability and market positioning, all within a solid financial structure. For the upcoming 5 years, the Management Board presented a challenging but realistic plan with a turnover passing 1 billion euros in the period 2025-2027 with an adjusted EBITDA margin in the mid to high teens. 2023 showed a different pattern for the three business lines. The Smart grid solutions business grew substantially partly based on long term agreements with Dutch grid operators. As a consequence, the ramp up of the production of the substations will continue next year. After a period where customers were hesitant to make commitments in the Energy storage segment, 2023 was a turning point with exponential growth in this business for Alfen, partly supported by a clever anticipating sourcing policy for the purchase of batteries. After an extraordinary 2022 for EV charging, we have seen a decline in order intake in 2023 because of destocking by Alfen's customers after corona and challenging market conditions. At the end of 2023, the stock levels at the Alfen customers seem to be at normal levels again.

The recruitment of key personnel was as before, a challenge, but it was mastered well. With the different growth patterns of the business lines, the Management Board made maximum use of the flexibility of the organization by transferring personnel between the units where possible. Important optimization steps have been made by the integration of the supply chain of the three business lines under the supervision of one supply chain director. Furthermore, the announcement was made that the Company's leadership will be reinforced with the appointment of a Chief Operating Officer (COO) and the formation of an Executive Team consisting of the Management Board, the COO and a CHRO.

Another crucial event in 2023, was the announcement by Jeroen van Rossen to step down as CFO in April 2024. Jeroen joined Alfen in 2015 and has been crucial in the development of the Company. He had a prominent role in the IPO in 2018 and several refinancing activities. He also embedded the investor relations within the Company and developed a proactive approach in strategic and operational sourcing during and after the Corona period. We are more than grateful for his contribution and are happy that we found a qualified successor with Boudewijn Tans.

For 2023, the Supervisory Board had selected 4 areas of special attention with the following status:

- **International growth and personnel**

  The international growth continued especially for EV Charging and Energy Storage. The commercial department made important steps in making a more detailed scan of channels and customer groups in the various countries enabling further segmentation and focus. The local sales and service teams have been established in the core countries in Europe. For the Energy Storage business we have created a cooperation with a subcontractor for on site installation service. Our Finnish subsidiary has been reshaped as a platform to grow the energy storage business in the Nordics and increase turnover in Sweden.

- **ESG**

  The Company is well on track with the ESG implementation. More details can be found in this annual report. Much attention has been paid to the CSRD, which entered into force and will remain an important topic in the years ahead.

- **Expansion plans**

  To facilitate the expansion of the Company, a new building is being created which will be leased by the Company and an other existing building was purchased. The realization of the new building is progressing on time and within the financial boundaries. The new building should be available in Q1 of 2024.

- **Employee satisfaction survey**

  The outcome of the employee satisfaction survey was encouraging and generally better than the benchmark index for the industry. Participation was 67%, which is good. A challenge to address is the fact that Alfen has 40 + different nationalities in its workforce. The improvement items and feedback have been discussed with the department leaders and have been followed up with a special training for key personnel. The intention is to repeat the employee survey periodically.

For 2024, the Supervisory Board will pay special attention to the following topics:

- **Monitoring Research and Development**

  Research and development is a cornerstone within the Company. The department will continue to expand to keep Alfen in its position as a technology leader. Extra attention will be paid to the division of the R&D work between research, add on development and engineering support. Further focus needs to be to deliver to promise. A last relevant point is to find alternative solutions to fulfil crucial specialist positions in a tight labour market.

- **Monitoring Integrated Solutions**

  Alfen is unique in the ability to offer Smart grid solutions, EV Charging and energy storage solutions either separately or in combination with each other. Management has started with a more proactive approach to offer these integrated solutions, which will require more focus and maybe some organizational modifications.

- **Dynamics Leadership team**

  Early 2024, Alfen will have a new CFO and a new COO, who will participate with the Management and the CHRO in a new Executive team. The dynamics and interaction within this team will get extra attention.

- **Committees**

  In 2023, we started with an audit and an HR committee. In 2024, we will further monitor the role and interactions between the committees and the full Supervisory Board and the Management Board to create the right balance between governance and legal requirements and efficiency.

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 the AGM of 2023, Eline Oudenbroek stepped down as a Supervisory Board Member. We are grateful for her contribution to the Alfen business during her term.

In an extra ordinary shareholders meeting on 19 September 2023, Maria Anhalt was appointed as the fourth member of the Supervisory Board. Next to basic requirements for a Supervisory Board position, she brings ample international and digital knowledge and experience. We are happy to have her on the Supervisory Board. With this team of 4 Supervisory Board members, we introduced Audit and HR Committees. Further information can be found below.

Name	Age	Position	Member since	Committees	End of current term
Mr Henk ten Hove	71	Chairman	22 March 2018	HR Committee Member	AGM of 2026
Mr Willem Ackermans	68	Member	6 July 2020	Audit Committee Chair	AGM of 2024
Ms Jeanine van der Vlist	59	Member	21 November 2022	HR Committee Chair	AGM of 2027
Ms Eline Oudenbroek	54	Member	6 July 2020	N.A.	AGM of 2023
Ms Maria Anhalt	53	Member	19 September 2023	Audit Committee Member	AGM of 2027

For more information regarding the Supervisory Board Members, reference is made to the Corporate Governance section of this annual report. 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 and the Supervisory Board is of the opinion that the independence requirements of best practice provisions 2.1.7 to 2.1.9 of the Corporate Governance Code have been fulfilled.

Meetings and Attendance

In 2023, the Supervisory Board held 7 regular meetings, all with an attendance of 100%. The basic agenda of the meetings covered standard items like safety, financials, personnel and organisation, governance, compliance and risks. During every meeting we invite a business leader to explain status and progress about his or her territory.

This year, we covered the following additional topics: QHSE, EU Taxonomy, CSRD, Corporate Governance, the employee engagement survey, the IT strategy, an update on research and development and several aspects of the ACE organization (including sales, operations and services) and a strategic discussion regarding the key managers. One of the 7 meetings concerned the budget for 2024, where the opportunities and challenges for the upcoming year were discussed. A special strategy meeting was held in July to align with the Management Board on the strategy for sustainable long term value creation, but the Supervisory Board regularly discussed and monitors the strategy, the implementation of the strategy and the principal risk associated with it, all in accordance with best practice principle 1.1.3 of the Corporate Governance Code.

In addition to the regular meetings, the Chairman holds monthly meetings with the CEO and once a year with the top 20 key managers reporting to the Management Board. Willem Ackermans, as Chairman of the audit committee, meets with the CFO and the CCO a few times per year. Until April 2023, Eline Oudenbroek, as specialist in the areas of remuneration, selection and appointments, met with the CFO regarding this focus area on a regular basis. After the introduction of the HR committee, these separate meetings regarding HR matters with the CFO were replaced by the HR committee meetings.

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:

With the introduction of the two committees we need to create the right balance in the various agenda's to avoid duplication and/or undesirable gaps. In 2024 education will be higher on the agenda covering items like governance, CSRD and digital/ Artificial Intelligence developments and its possible impact longer term.

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. With the fourth member in the Supervisory Board, it was possible to 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 performance, targets for the budget and for the year, personal development and career ambitions.

Audit Committee

In 2023 in accordance with the bylaws of the Supervisory Board, the Supervisory Board has appointed an audit committee. The Supervisory Board members of the audit committee are Willem Ackermans (as chair) and Maria Anhalt (as a member). The audit committee was established on 3 July 2023. Until the establishment of the audit committee, Willem Ackermans paid special attention to all finance related matters.

The Audit Committee formally convened three times during 2023 with a 100% attendance. In addition, there were several informal and ad hoc meetings between the Audit Committee members, in some instances together with members of the Management Board.

Topics on the agendas of the meetings included the institution of the Audit Committee, the Semi-Annual report, the audit plan, the assessment on the need of an internal audit function, the update of the general financial strategy, the interim audit findings, the assessment of the performance of the external independent auditor, the risk assessment including fraud risks, the budget 2024 and updates on CSRD and the EU Taxonomy.

The audit plan and the interim audit findings were discussed in the presence of our external independent auditor PwC. In accordance with the Dutch Corporate Governance Code best practice principle 1.7.4 the Audit Committee and the external independent auditor PwC had a meeting without the Management Board members being present.

The Audit Committee reported back to the full Supervisory Board and made recommendations for the adoption of decisions (e.g. in relation to approving the budget for 2024).

The audit committee reported during the December meeting on the functioning of and the developments in the relationship with the external independent auditor and has given due consideration to the Management Board's observations. The committee indicated that there is a good collaboration with the external auditor, they are independent and skilled, the team is stable on all levels which makes the audit efficient and effective. Therefore the audit committee will advise the general meeting of shareholders to appoint the external independent auditor for the financial year 2025.

HR Committee

In 2023 in accordance with the bylaws of the Supervisory Board, the Supervisory Board has appointed an HR Committee, which serves as a combined committee for remuneration and selection and appointment matters. The Supervisory Board members of the HR committee are Jeanine van der Vlist (as chair) and Henk ten Hove (as a member). The HR committee was established by the Supervisory Board on 3 July 2023.

The HR Committee formally convened three times during 2023 with a 100% attendance. In addition, there were several informal and ad hoc meetings between the HR Committee members, in some instances together with members of the Management Board. Topics on the agendas of the meetings included the institution of the HR Committee, a review of the organization design of the company, the search, selection and nomination of a new CFO, the review of the Management Board remuneration policy, the STIP and LTIP target setting and target realization and succession planning within the Supervisory Board. The HR Committee reported back to the full Supervisory Board and made recommendations for the adoption of decisions (e.g. in relation to CFO nomination and variable pay). The Supervisory Board is satisfied with the additional attention and time spent on topics such as remuneration, selection and appointment but also organizational developments.

Remuneration report

Chair Letter

Dear Shareholders,

On behalf of the HR Committee, I am pleased to present our 2023 Remuneration report.

In 2023, the Supervisory Board installed an HR Committee with specific focus on topics like Selection, Appointment and Remuneration matters. As Chair of this new Committee, I am happy to report on the Remuneration Policies and the execution thereof in 2023.

In 2023, Alfen continued its journey of sustainable profitable growth. The Management Board expressed Alfen's further growth ambitions during the Capital Markets Day in May 2023. Attracting and retaining talent across the board, but specifically at senior and executive level is critical for Alfen's continued success. Therefore, the HR Committee performed a thorough review of executive pay at Management Board level. As a result, we will propose an amended Remuneration Policy to the Annual Meeting of Shareholders of 2024.

The Supervisory Board believes that the reward of the Management Board in 2023 is fair. Although market conditions were challenging, the Management Board did an excellent job in quickly adapting and remaining a long term sustainable and profitable growth focus.

We have structured the report in three sections:

- The first part of this report provides context and insight into factors that shaped remuneration in 2023.
- Secondly, we briefly touch upon the policy which forms the basis for the 2023 outcomes.
- In the final chapter, we dive into the actual 2023 outcomes for the Management Board and the Supervisory Board.

Business highlights

In line with recent years and our sustainable profitable growth ambitions, we believe that the most suitable criteria to measure our business performance is through revenue and adjusted EBITDA. As such these metrics have been used to quantify and reflect our financial performance in both the STI and LTI plans of our executives. It is important to reflect briefly on the stand-alone performance of these metrics prior to evaluating the overall performance and related pay of our executives against the thresholds laid out in this report.

Since our IPO in 2018, Alfen has grown significantly and the context in which we operate has expanded. Alfen's executives have overseen a steady performance above financial targets in the short- and long term. In 2023, Alfen faced the consequences of the challenges in the EV charging market. As a result, Revenues and EBITDA outcomes were under pressure. The Management Board maintained a long term focus, managed costs and achieved growth in the substation and energy storage system business units.

In parallel, we have also moved forward on our non-financial objectives. In 2023, Alfen successfully introduced two new products: The Mobile X and Stedin substation. Over the full year 2023 Alfen reached a significant decline in $kgCO_2e$ per average FTE compared with FY19. Also important cost savings related to purchasing were achieved. Due to the market effects of EV charging, the further internationalization ambitions for 2023 were not met according to plan.

As the company matures, we strive to be equipped with the required talent in both our Management and Supervisory Board to facilitate the next stage(s) of our development, and as such are content with the appointment of Maria Anhalt as a new member of the Supervisory board as per September 19, 2023.

Stakeholder Engagement

Last year, we were content that our shareholders voted to approve our 2022 Remuneration Report at our 2023 AGM as the report received 86.89% of favourable votes. Nevertheless, we continuously aim to improve our understanding of the key challenges around remuneration and the perspectives of various stakeholders involved. Throughout the year we have engaged with various stakeholders, discussing remuneration, societal context and the development of Alfen as a company. In the last months, we have set up additional engagements with amongst others large investors, our Works Council, Eumedion, ISS, Glass Lewis and the VEB addressing our intention to update the Remuneration Policy. These discussions revealed that they were generally supportive and we look back on constructive and effective dialogues, which helped us further finetune the policy.

Looking Forward

We are entering the next phase of our growth in the midst of the global energy transition, where we have set ambitious medium term financial objectives to reflect this. Between 2025 and 2027, we are striving to achieve an annual revenue of at least € 1 billion, and an adjusted EBITDA margin in the range of 15-20%. At the same time, we will strive to maintain an asset light business model, remain at the forefront of technology with business innovative solutions, and simultaneously grow and educate our people.

Against this background, we have evaluated the current remuneration policy and the Supervisory Board has initiated a full review of the remuneration policy, involving external advice. The purpose of the review was to draft a new fit-for-purpose remuneration policy that reflects Alfen's current profile and has the flexibility to evolve as the company grows if – and only if – the ambitious goals are met. The new Remuneration Policy will be submitted at the 2024 AGM and further details about the intended changes can be found in AGM agenda and appendices.

Kind regards,

Jeanine van der Vlist

Chair of the HR Committee

Total Remuneration at a glance

Board Member | **Remuneration Summary - Target versus Actual**

Policy at a glance

Remuneration element	Description	Strategic role
Base	Fixed cash payments intend to attract and retain executives of the highest caliber and to reflect their experience and scope of responsibilities.	Rewards performance of day to day activities.
STI	Variable (cash) bonus incentive of which achievement is tied to specific financial and non-financial targets derived from the company's (annual) strategic plan.	The STI allows the company to apply focus on short-term business critical goals and drive behavior.
LTI	Variable equity incentive of which achievement is tied to targets reflecting long-term stakeholder value creation.	This enhances the pay-for-performance narrative and aligns recipients with the shareholder experience.
Pension and other benefits	Pension and benefits offered intend to contribute to the attraction and retention of executives, encourage long-term saving and planning for retirement.	

The HR Committee believes remuneration to be a strategic instrument to support the long-term (business) strategy and interests of the company, allowing to create focus and alignment of interests through pay-for-performance.

In addition to fixed remuneration, specific short- and long-term targets 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. 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.

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 2023 are specified.

Actual 2023 outcomes

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 2023	Annual base fee as per 1 January 2022	Percentage of Change
Marco Roeleveld - CEO	432,000	392,000	10 %
Jeroen van Rossen - CFO	366,000	332,000	10 %
Michelle Lesh - CCO	324,000	294,000	10 %

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.

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 2023 are set out below;
- A one-year performance period applies.

STI			Weight	Threshold	Target	Max	Actual	Result
Financial	Revenues and other income		32.5%	495.0	550.0	605.0	504.5	21.73 %
	Adjusted EBITDA		32.5%	63.6	79.5	95.4	57.1	— %
Executive		KPI						
Non-financial	CEO Marco Roeleveld	New product	17.5%	1	2	3	2	30.0 %
		Footprint reduction	17.5%	(3)%	(9)%	(15)%	(60)%	40.0 %
	CFO Jeroen van Rossen	Procurement	17.5%	*	*	*	*	40.0 %
		Footprint reduction	17.5%	(3)%	(9)%	(15)%	(60)%	40.0 %
	CCO Michelle Lesh	Internationalisation	17.5%	250	275	300	212	— %
		Footprint reduction	17.5%	(3)%	(9)%	(15)%	(60)%	40.0 %

*for reasons of commercial sensitivity, we do not disclose the details of our procurement target setting and/or realization.

As demonstrated above, the financial objectives for the CEO, CFO, and CCO are the same, and are weighted the same. The revenues and other income in 2023 amount to €504.5 million. The on target bonus was set on €550 million and the maximum bonus was set on €605 million thus resulting in a bonus of 21.73%. The adjusted EBITDA in 2023 amounts to €57.1 million. The on target bonus was set on €79.5 million and the threshold bonus on €63.6 million thus resulting in a bonus of 0%.

Marco Roeleveld's non-financial performance

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 2023 amounts to €83 thousand (2022: €150 thousand).

Jeroen van Rossen's non-financial performance

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 2023 amounts to €77 thousand (2022: €133 thousand).

Michelle Lesh' non-financial performance

Regarding the internationalisation item the revenue outside of the Netherlands in 2023 amounts to €212 million. The threshold was set on €250 million thus resulting in a bonus of 0%. 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 2023 amounts to €45 thousand (2022: €118 thousand).

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.

LTI		Weight	Threshold	Target	Max	Actual	Result
Financial	Revenues and other income	32.50%	315.0	393.9	472.8	504.5	50 %
	Adjusted EBITDA	32.50%	14 %	17 %	20 %	11.3 %	— %
Non-financial	Internationalisation	11.67%	40 %	45 %	55 %	42 %	34 %
	HSE evaluation	11.67%	6	8	10	10	50 %
	Footprint reduction and CO2	11.67%	(3)%	(9)%	(15)%	(60)%	50 %
LTI - Total realisation percentage							**31.9 %**

Please note that the realisation of the LTI grant of 2023 and 2022 will be based on the outcome of financial year 2025 and 2024, respectively, and thus cannot be determined yet.

The revenues and other income in 2023 amount to €504.5 million. The maximum bonus was set on €472.8 million thus resulting in a bonus of 50%. The adjusted EBITDA percentage in 2023 amounts to 11.3%. The threshold bonus was set on 14.0% thus resulting in a bonus of 0%. The revenue outside of the Netherlands as percentage of the overall revenue is 42%. The on target bonus was set on 45% thus resulting in a bonus of 34%. 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.

Marco Roeleveld

Based on the realised LTI bonus percentage multiplied by the on target number of shares of 1,752 the LTI bonus for 2023 amounts to 1,397 shares.

Jeroen van Rossen

Based on the realised LTI bonus percentage multiplied by the on target number of shares of 1,363 the LTI bonus for 2023 amounts to 1,087 shares.

Michelle Lesh

Based on the realised LTI bonus percentage multiplied by the on target number of shares of 638 the LTI bonus for 2023 amounts to 509 shares. Please note that LTI bonus is 50% based on the start date of 1 July 2021.

Outstanding LTI grants

The LTI grants for the financial year 2023 and 2022 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%

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 of two years applies.

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	29 April 2021	1,752	€68.75	Nil
CEO - Marco Roeleveld	26 April 2022	1,818	€82.54	Nil
CEO - Marco Roeleveld	25 April 2023	2,042	€74.70	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
CFO - Jeroen van Rossen	25 April 2023	1,736	€74.70	Nil
CCO Michelle Lesh	22 July 2021	638	€80.25	Nil
CCO Michelle Lesh	26 April 2022	1,363	€82.54	Nil
CCO Michelle Lesh	25 April 2023	1,532	€74.70	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.*

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	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Salaries and wages	432	392	366	332	324	294
Short-term incentive plan	83	150	77	133	45	118
Social security contributions	14	16	15	14	16	13
Pension contributions (DC)	26	23	21	18	19	16
Share-based payments	86	211	72	165	60	56
Other	8	25	14	13	15	13
Total	**649**	**817**	**565**	**675**	**479**	**510**
Percentage of variable remuneration	**26%**	**44%**	**26%**	**44%**	**22%**	**34%**

Internal pay ratio

In EUR '000	**2023**	**2022**
CEO compensation		
Salaries and wages	432	392
Short-term incentive plan	83	150
Social security contributions	14	16
Pension contributions (DC)	26	23
Share-based payments	86	211
Total	**641**	**792**
Average number of FTE's	—	—
Average compensation	**641**	**792**
Employee compensation		
Salaries and wages	56,380	45,233
Social security contributions	9,058	6,978
Pension contributions (DC)	6,652	4,637
Share-based payments	968	784
Total	**73,058**	**57,632**
Average number of FTE's	941	786
Average compensation	**78**	**73**
Internal pay ratio	**8.2**	**10.8**

Pay Ratio

The internal Pay ratio is an important factor for remuneration of the Management Board. The Alfen internal (CEO) pay ratio is calculated by dividing the CEO 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 CEO (see also Note 9, Note 11 and Note 15 of the Consolidated Financial Statements).

The internal pay ratio decreased from 10.8 in 2022 to 8.2 in 2023 as a result of below target compensation for the LTI 2021 and the STI 2023.

Although the pay ratio is reflective of our current situation, we do note that it is relatively low compared to other manufacturing / industrial companies in The Netherlands.

5-year comparison

(in EUR '000)	**2023**		**2022**		**2021**		**2020**		**2019**	
	Actual	**△ (%)**	**Actual**	**△ (%)**	**Actual**	**△ (%)**	**Actual**	**△ (%)**	**Actual**	**△ (%)**
Revenue and other income	504,477	15 %	439,876	76 %	249,679	32 %	189,010	32 %	143,169	41 %
Adjusted EBITDA	57,070	(28)%	79,370	115 %	36,845	51 %	24,374	68 %	14,525	301 %
CEO compensation	641	(19)%	792	51 %	523	19 %	439	46 %	301	3 %
Average employee compensation	78	7 %	73	7 %	68	6 %	64	2 %	63	15 %

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.

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 to and including the AGM of 2026. The notice period for the Managing Directors is three months and for the Company six months.

Severance Payment

Based on contracts concluded before the IPO in 2018, the maximum severance payment for the current CEO and CFO is one year base pay in the proceeding financial year. For the CCO and future appointments of Board Members the maximum severance payment is six months of the 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 behaviour of the Director. No such severance payments were made in 2023.

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	2023	2022
H. ten Hove	60	50
W.W.M. Ackermans	47	40
J. van der Vlist	47	4
M. Anhalt - Date of entry: 19 September 2023	13	—
E.M. Oudenbroek - Date of discharge: 6 April 2023	10	40
Total	**177**	**134**

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 Supervisory Board has assessed whether adequate measures have been taken, partly on the basis of the recommendation issued by the Audit committee. The Supervisory Board has concluded that the size of the Company and the limited number of legal entities justify the absence of an internal auditor. Furthermore, most processes are centralised. Alternative measures are in place due to the fact that two members of the finance department are former auditors and Willem Ackermans paid special attention to internal audit. 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 2023, 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 9 April 2024, 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 2023 Alfen realised a profit of €29.7 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 2023 was again an exciting year with the capital markets day as a pivot point between the last and the coming 5 years. The Alfen ship is heading in the right direction being in the middle of the energy transition. Alfen's long term direction is clear, but speed and short term priorities can change because of political and other external influences. We are happy that Alfen has a competent and involved workforce, but above all an organization which is flexible and able to change priorities when required. We are also more than content with the solid customer base where the percentage of recurring business is growing consistently which is a clear sign of confidence. Last but not least, we want to thank especially the long term shareholders who have their trust and believe in the Alfen strategy and the realization of our plans.

Almere, 13 February 2024

The Supervisory Board
Henk ten Hove (Chairman)
Maria Anhalt
Jeanine van der Vlist
Willem Ackermans

Financial statements

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Alfen N.V.
Amsterdam, The Netherlands

Consolidated financial statements
for the year ended 31 December 2023

Consolidated financial statements

Consolidated Statement of Comprehensive Income

In EUR '000	Note	2023	2022
Continuing operations			
Revenue	8	504,477	439,876
		504,477	**439,876**
Operating expenses			
Costs of raw materials and consumables		(324,477)	(262,957)
Costs of outsourced work and other external costs		(28,911)	(23,407)
Personnel expenses	9	(68,511)	(53,749)
Amortisation on intangible assets	17	(5,619)	(3,883)
Depreciation on property, plant and equipment	16	(8,537)	(6,275)
Impairment loss on trade receivables and contract assets	3	(74)	(563)
Other operating costs	10	(26,489)	(21,296)
		(462,618)	**(372,130)**
Operating profit		**41,859**	**67,746**
Finance income	12	21	3
Finance costs	12	(3,398)	(976)
Finance income (costs) - net		**(3,377)**	**(973)**
Profit (loss) before income tax		38,482	66,773
Income tax expense	13	(8,798)	(13,726)
Profit (loss) for the period		**29,684**	**53,047**
Other comprehensive income for the period		—	—
Total comprehensive income for the period		**29,684**	**53,047**
Total comprehensive income for the period (attributable to the owners of the Company)		**29,684**	**53,047**
Earnings per share for profit attributable to the ordinary equity holders	14		
Basic earnings per share		1.37	2.45
Diluted earnings per share		1.36	2.43
Weighted average number of outstanding ordinary shares	14		
Basic		21,718,170	21,695,256
Diluted		21,773,241	21,786,054

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 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	16	52,550	33,556
Intangible assets and goodwill	17	28,621	23,533
Deferred tax assets	18	—	—
Other financial assets	19	297	1,589
Total non-current assets		**81,468**	**58,678**
Current assets			
Inventories	20	150,776	131,815
Trade and other receivables	22	135,935	107,686
Other financial assets	19	25,717	—
Current tax receivables		—	54
Cash and cash equivalents	23	2,073	22,841
Total current assets		**314,501**	**262,396**
Total assets		**395,969**	**321,074**
Group equity	24		
Share capital		2,175	2,175
Share premium		48,943	50,651
Retained earnings		98,811	44,710
Result for the year		29,684	53,047
Total group equity		**179,613**	**150,583**
Liabilities			
Non-current liabilities			
Borrowings	25	18,507	12,793
Deferred tax liabilities	18	7,096	5,742
Provisions	26	50	47
Total non-current liabilities		**25,653**	**18,582**
Current liabilities			
Trade and other payables	27	148,567	136,077
Current tax liabilities		3,471	10,221
Bank overdrafts		6,402	—
Borrowings	25	32,263	5,611
Total current liabilities		**190,703**	**151,909**
Total liabilities		**216,356**	**170,491**
Total equity and liabilities		**395,969**	**321,074**

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 2022		**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, net of tax		—	222	—	—	222
Share-based payment transactions	11	—	—	995	—	995
Dividend		—	—	—	—	—
Allocation of profit (loss)		—	—	21,450	(21,450)	—
Balance - 31 December 2022		**2,175**	**50,651**	**44,710**	**53,047**	**150,583**
Profit (loss) for the period		—	—	—	29,684	29,684
Other comprehensive income (loss)		—	—	—	—	—
Total comprehensive income (loss) for the period		**—**	**—**	**—**	**29,684**	**29,684**
Transactions with owners in their capacity as owners						
Issuance of ordinary shares, net of tax		—	—	—	—	—
Purchase of treasury shares, net of tax		—	(1,708)	—	—	(1,708)
Share-based payment transactions	11	—	—	1,054	—	1,054
Dividend		—	—	—	—	—
Allocation of profit (loss)		—	—	53,047	(53,047)	—
Balance - 31 December 2023	**24**	**2,175**	**48,943**	**98,811**	**29,684**	**179,613**

** The outstanding ordinary shares of 21,750,000 includes 30,388 treasury shares as per 31 December 2023 (2022: 54,643)*

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	2023	2022
Cash flows from operating activities			
Operating profit		41,859	67,746
Adjustments for:			
- Depreciation, amortisation and impairment expenses	**16/17**	14,156	10,158
- Change in provision	**26**	3	(9)
- Change other financial assets	**19**	(21)	(1,273)
- Share-based payment expenses	**11**	1,054	995
Changes in operating assets and liabilities:			
- (Increase)/decrease inventories	**20**	(18,961)	(90,233)
- (Increase)/decrease contract balances	**22**	(225)	12,001
- (Increase)/decrease trade and other receivables	**22**	(17,294)	(34,741)
- Increase/(decrease) trade and other payables	**27**	1,182	42,079
Cash generated from operations		**21,753**	**6,723**
Income taxes (paid)/ received	**13**	(13,781)	(5,567)
Interest (paid)	**12/25**	(2,356)	(730)
Interest received	**12**	21	3
Net cash inflow/ (outflow) from operating activities		**5,637**	**429**
Cash flows from investing activities			
Payment for property, plant and equipment	**16**	(23,992)	(11,457)
Payment for intangible assets	**17**	(10,707)	(9,568)
Issued loans	**19**	(24,404)	—
Net cash inflow/ (outflow) from investing activities		**(59,103)**	**(21,025)**
Cash flows from financing activities			
Proceeds from issuance of shares		—	—
Purchase of treasury shares		(2,071)	(42)
Proceeds from borrowings	**4/25**	35,000	—
Repayments of borrowings	**4/25**	(6,633)	(3,798)
Dividends paid to company's shareholders		—	—
Net cash inflow/ (outflow) from financing activities		**26,296**	**(3,840)**
Net increase/ (decrease) in cash and cash equivalents		**(27,170)**	**(24,436)**
Cash and cash equivalents at the beginning of the year		22,841	47,277
Cash and cash equivalents at the end of the year		**(4,329)**	**22,841**

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 13 February 2024. The annual report will be presented to the Annual General Meeting of Shareholders for their adoption on 9 April 2024.

Note 2 Summary of material 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 2023 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 2023 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 higher 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, costs 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.

Bank overdrafts repayable on demand are included in cash and cash equivalents in the cash flow statement to the extent that they are integral part of The Company's cash management.

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 2023 and at 31 December 2022 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 2023 and 31 December 2022 was determined as follows for both trade and other receivables and amounts due from customers for contract work:

In EUR '000	31 December 2023				
	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%	4.0%	5.0%
Gross carrying amount – trade receivables and other receivables	72,906	22,959	3,578	759	8,237
Gross carrying amount – amounts due from customers for contract work	28,195	—	—	—	—
Loss allowance	**195**	**35**	**8**	**30**	**412**

	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**

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	2023	2022
Balance - At 1 January	**625**	**62**
Amounts written off	—	—
Net remeasurement of loss allowance	74	563
Balance – At 31 December	**699**	**625**

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 2023				
	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)	148,154	413	—	—	148,567
Borrowings	26,126	2,700	8,534	1,494	38,854
Factoring Alfen Elkamo	986	—	—	—	986
Lease liabilities	937	2,701	7,840	2,640	14,118
Total non-derivatives	**176,203**	**5,814**	**16,374**	**4,134**	**202,525**
	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**

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 2023 to other foreign exchange movements is €159 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 €3.5 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 € 555 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 2023 and 31 December 2022 were as follows:

In EUR '000	31 December 2023	31 December 2022
Borrowings (note 25)	50,770	18,404
Plus: bank overdrafts	6,402	—
Less: cash and cash equivalents (note 23)	(2,073)	(22,841)
Net debt (cash)	55,099	(4,437)
Total equity	179,613	150,583
Total capital	**234,712**	**146,146**
Gearing ratio	**31%**	**(3)%**

The gearing ratio increased during 2023 due to increased working capital, which is mainly caused by our increased inventory levels. This effect is further amplified by increased bank loans related to the construction of a new warehouse/production facility (Hefbrugweg 79) and the purchase of a new production facility (Damsluisweg 70).

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 2022	**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**
Cash flows	(27,170)	(32,953)	840	3,746	(55,537)
New leases and remeasurements	—	—	—	(3,539)	(3,539)
Other changes	—	(6)	—	(454)	(460)
Net cash/(debt) - 31 December 2023	**(4,329)**	**(36,697)**	**(974)**	**(13,099)**	**(55,099)**

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 2023 and 31 December 2022 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:

- 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

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 €27.9 and €22.4 million at 31 December 2023 and 31 December 2022, 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 and intangibles not yet put in use are 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	**2023**	**2022**
The Netherlands	467,226	413,476
Finland	23,772	20,284
Belgium	13,479	6,116
Total	**504,477**	**439,876**
Non-current assets	**31 December 2023**	**31 December 2022**
The Netherlands	75,552	50,754
Finland	5,112	5,761
Belgium	507	574
Total	**81,171**	**57,089**

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	2023	2022
Smart grid solutions	188,378	142,617
Energy storage systems	162,979	45,498
EV charging equipment	153,120	251,761
Total	**504,477**	**439,876**

Smart grid solutions and Energy storage systems revenue generated by entities domiciling in the Netherlands and Belgium amounting to €314.1 and €13.5 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. €23.8 million - as well as the Company's EV charging equipment revenue of €153.1 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	2023	2022
The Netherlands	292,448	217,189
Other European Union countries	203,725	195,028
Rest of Europe	8,270	27,622
Outside Europe	34	37
Total	**504,477**	**439,876**

Note 9

Personnel expenses

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

In EUR '000	2023	2022
Salaries and wages	56,895	45,775
Social security contributions	9,072	6,994
Pension contributions (DC)	6,678	4,660
Hire indirect personnel	5,484	4,141
Capitalised personnel expense	(9,618)	(7,821)
Total	**68,511**	**53,749**

The average number of FTE's are:

	2023	2022
Direct Employees	435	399
Indirect Employees	507	388
Total	**942**	**787**

As per 31 December 2023, a total of 122 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 2023.

The base premium for 2024 is set at approximately 28%. Total expected contributions for 2024 amount to €8.3 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 870 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 2023 is 113.3%. The company does not have any commitments for additional contributions in case of a deficit of the pension fund, other than paying increased future premiums. If applicable, the industry-wide pension fund applies an annual indexation for the pension fund.

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

Finnish pensions

Alfen Elkamo has a defined contribution scheme, in which the pension contribution is predetermined and based on the gross salary of the individual employee.

The annual net contribution for 2023 is 18% (2022: 18%). The pension contributions are paid on a monthly basis to the pension fund. The expected net contribution for 2024 amounts to €666 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	2023	2022
Salaries and wages	1,122	1,018
Short-term incentive plan(s)	205	401
Social security contributions	45	43
Pension costs	66	57
Share-based payments	218	432
Other	37	51
Total	**1,693**	**2,002**

Key management collectively hold 115,817 Ordinary Shares (2022: 107,851) 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 2,993 (at actual realisation based on the LTIP 2021) and 10,030 (at 100% realisation based on the LTIP 2022-2023) 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	2023	2022
Housing expenses	2,880	2,285
Other personnel expenses	4,471	4,355
Development expenses	1,811	830
Other general expenses	17,327	13,826
Total	**26,489**	**21,296**

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

Grant date	Number of Awards Granted *	Exercise price
1 January 2020	38,434	Nil
1 January 2021	8,147	Nil
1 January 2022	9,747	Nil
1 January 2023	14,806	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 unvested grants, comprising of Ordinary Shares in the Company, have been made under this plan:

Grant date	Number of Awards Granted *	Exercise price
29 April 2021	3,115	Nil
22 July 2021**	638	Nil
26 April 2022	4,720	Nil
25 April 2023	5,310	Nil

** At 100% realisation of the applicable performance conditions. The actual number of Awards that will vest can range between nil (at 0% realisation) and 17,228 (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 2021 and 2022-2023, respectively.

Summary of changes in outstanding shares

Changes in outstanding shares for the period:

	LTIP Key employees	LTIP Board of Directors
Balance – 1 January 2022	**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**
Granted	14,806	5,310
Performance adjustment	—	(760)
Forfeited	(5,539)	—
Exercised	(32,698)	(15,757)
Transferred	—	—
Expired	—	—
Balance – 31 December 2023	**58,299**	**13,023**

** 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 2023.

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 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 - Key employees	1 January 2023	€84.20
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
Long-term Incentive Plan - Board of Directors	25 April 2023	€74.70

** 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	2023	2022
Long-term Incentive Plan - Key employees	836	563
Long-term Incentive Plan - Board of Directors	218	432
Total	**1,054**	**995**

Note 12 Finance income and costs

In EUR '000	2023	2022
Finance costs		
Interest expenses related to lease liabilities	(454)	(375)
Other interest expenses	(2,944)	(601)
Total finance costs	**(3,398)**	**(976)**
Finance income		
Other interest income	21	3
Total finance income	**21**	**3**
Net finance income/ (costs)	**(3,377)**	**(973)**

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	2023	2022
Current tax:		
Current tax on profits for the year	(7,383)	(12,109)
Adjustments for previous years	(61)	(96)
Total current tax expense	**(7,444)**	**(12,205)**
Deferred income tax:		
Income tax on continuing operations	(1,354)	(1,521)
Change in tax rates	—	—
Total deferred tax (expense) benefit	**(1,354)**	**(1,521)**
Total income tax expense	**(8,798)**	**(13,726)**

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	2023	2022
Result from continuing operations	29,684	53,047
Total income tax	(8,798)	(13,726)
Profit (loss) before income tax	**38,482**	**66,773**
Tax calculated based on Dutch tax rate	**25.8%**	**25.8%**
Tax effects of:		
- adjustments for previous years	0.2%	0.1%
- effect of tax rates in other countries	(0.2%)	0.1%
- effect of tax incentives	(3.4%)	(6.0%)
- non-taxable expenses	0.8%	0.4%
- change in tax rates	0.0%	0.0%
- other differences	(0.3%)	0.2%
Effective tax rate	**22.9%**	**20.6%**
Applicable tax rate	**25.8%**	**25.8%**

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 3.4% for financial year 2023.

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

	2023	2022
Weighted average number of ordinary shares in issue (x1)	21,718,170	21,695,256
Net result attributable to shareholders	29,684,167	53,047,054
Basic earnings per share	1.37	2.45
Allowing for dilution, the earnings per share are as follows:		
Weighted average number of ordinary shares in issue (x1)	21,773,241	21,786,054
Net result attributable to shareholders	29,684,167	53,047,054
Diluted earnings per share	1.36	2.43

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	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Salaries and wages	432	392	366	332	324	294
Short-term incentive plan	83	150	77	133	45	118
Social security contributions	14	16	15	14	16	13
Pension contributions (DC)	26	23	21	18	19	16
Share-based payments	86	211	72	165	60	56
Other	8	25	14	13	15	13
Total	**649**	**817**	**565**	**675**	**479**	**510**

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

	Number of Ordinary Shares
M. Roeleveld - CEO	105,113
J. van Rossen - CFO	10,156
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 *	2023	2022
M. Roeleveld - CEO	2,042	1,818
J. van Rossen - CFO	1,736	1,539
M. Lesh - CCO	1,532	1,363

** 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	2023	2022
H. ten Hove	60	50
W.W.M. Ackermans	47	40
J. van der Vlist	47	4
M. Anhalt - Date of entry: 19 September 2023	13	—
E.M. Oudenbroek - Date of discharge: 6 April 2023	10	40
Total	**177**	**134**

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 2023	31 December 2022
Property, plant and equipment - Owned	39,753	20,862
Property, plant and equipment - Right-of-Use	12,797	12,694
Total net book value	**52,550**	**33,556**

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 2022				
Cost	7,972	13,129	636	21,737
Accumulated impairments and depreciation	(3,537)	(5,565)	—	(9,102)
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 1 January 2023				
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**
Year ended 31 December 2023				
Opening net book value	4,272	15,580	1,010	20,862
Additions	9,992	7,894	6,106	23,992
Reclassification assets under construction	682	296	(978)	—
Disposal	—	(82)	—	(82)
Depreciation for the year	(493)	(4,608)	—	(5,101)
Depreciation of disposal	—	82	—	82
Consolidation and deconsolidation	—	—	—	—
Closing net book value	**14,453**	**19,162**	**6,138**	**39,753**
At 31 December 2023				
Cost	18,936	31,888	6,138	56,962
Accumulated impairments and depreciation	(4,483)	(12,726)	—	(17,209)
Closing net book value	**14,453**	**19,162**	**6,138**	**39,753**

Right-of-use assets

In EUR '000	Land & buildings	Manufacturing equipment	Cars	Total
At 1 January 2022				
Cost	11,811	1,702	5,091	18,604
Accumulated impairments and depreciation	(2,836)	(525)	(2,923)	(6,284)
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 1 January 2023				
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**
Year ended 31 December 2023				
Opening net book value	8,942	1,151	2,601	12,694
Additions	720	48	2,771	3,539
Disposal	—	—	—	—
Depreciation for the year	(1,620)	(261)	(1,555)	(3,436)
Depreciation of disposal	—	—	—	—
Consolidation and deconsolidation	—	—	—	—
Closing net book value	**8,042**	**938**	**3,817**	**12,797**
At 31 December 2023				
Cost	14,123	1,970	9,469	25,562
Accumulated impairments and depreciation	(6,081)	(1,032)	(5,652)	(12,765)
Closing net book value	**8,042**	**938**	**3,817**	**12,797**

At 31 December 2023, the net carrying amount of leased equipment held under finance lease was €177 thousand (31 December 2022: €236 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 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 1 January 2023				
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**
Year ended 31 December 2023				
Opening net book value	127	1,018	22,388	23,533
Additions	—	—	10,707	10,707
Acquisitions	—	—	—	—
Amortisation for the year	—	(407)	(5,212)	(5,619)
Consolidation and deconsolidation	—	—	—	—
Closing net book value	**127**	**611**	**27,883**	**28,621**
At 31 December 2023				
Cost	127	3,302	47,407	50,836
Accumulated impairments and amortisation	—	(2,691)	(19,524)	(22,215)
Net book value	**127**	**611**	**27,883**	**28,621**

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 2023 was 17.6% (2022: 17.1%).
- Residual value: based on a terminal growth rate of 2.0% (2022: 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 1.5 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 € 27.9 million for the year ended 31 December 2023 (2022: 22.4 million) and includes €14.4 million (2022: €3.7 million) of development projects still in progress.

Total costs for R&D, including amortisation of the capitalised development costs amount to €16.2 and €10.7 million for the years ended 31 December 2023 and 31 December 2022, respectively.

Note 18 Deferred tax balances

The balance comprises temporary differences attributable to:

In EUR '000 Deferred tax assets	31 December 2023	31 December 2022
Property, plant and equipment	—	—
Carry forward losses	—	—
Goodwill	77	116
Lease liabilities	103	79
Total	**180**	**195**
Of which:		
Current (< 1 year)	38	38
Non-current (> 1 year)	142	157

Deferred tax liabilities	31 December 2023	31 December 2022
Property, plant and equipment	—	—
Intangible assets	7,276	5,937
Total	**7,276**	**5,937**
Of which:		
Current (< 1 year)	1,237	1,472
Non-current (> 1 year)	6,039	4,465
Net deferred tax assets	—	—
Net deferred tax liabilities	**7,096**	**5,742**

Note 19 Other financial assets

Other financial assets comprise of long-term deposits paid to international payroll service providers of €297 thousand (2022: €276 thousand) and a short-term loan of €25.7 million (2022: €1.3 million presented as long-term) 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 2023	31 December 2022
Raw materials and components	150,776	131,815
Total	**150,776**	**131,815**

During 2023 inventories amounting to €667 are written down.

Note 21 Financial instruments by category

In EUR '000	31 December 2023	31 December 2022
Assets	Financial assets at amortised cost	Financial assets at amortised cost
Other financial assets	297	1,589
Trade and other receivables	135,935	107,686
Cash and cash equivalents	2,073	22,841
Total	**138,305**	**132,116**

	31 December 2023	31 December 2022
Liabilities	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Borrowings	50,770	18,404
Trade and other payables	148,567	136,077
Total	**199,337**	**154,481**

Note 22 Trade and other receivables

In EUR '000	31 December 2023	31 December 2022
Trade receivables	79,880	71,943
Less: loss allowance	(699)	(625)
Trade receivables – net	**79,181**	**71,318**
Amounts due from customers for contract work	28,195	17,240
Other taxes	673	364
Other receivables	27,886	18,764
Total	**135,935**	**107,686**
Less non-current portion:	—	—
Current portion	**135,935**	**107,686**

Given the growth perspective within our Energy storage business line, other receivables increased primarily due to strategic stock down payments for batteries, inverters and containers for both our TheBattery Elements and Mobile storage solutions.

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 2023**	**31 December 2022**
EURO	133,861	102,835
GBP	1,969	4,849
USD	105	—

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 2023	31 December 2022
Carrying amount of trade receivables transferred to a bank	1,217	2,267
Carrying amount of associated liabilities	(974)	(1,814)

Contract assets and liabilities

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

In EUR '000	31 December 2023	31 December 2022
Amounts due from customers for contract work	28,195	17,240
Amounts due to customers for contract work	(43,104)	(32,374)
Total	**(14,909)**	**(15,134)**
The net position relates to:		
Revenue recognised to date	206,051	79,238
Less: progress billings	(220,960)	(94,372)
Total	**(14,909)**	**(15,134)**

Amounts due from customers for contract work concern the Company's right to consideration for work completed but not invoiced at 31 December 2023, 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 €32.4 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 2023.

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 2023 from performance obligations satisfied (or partly satisfied) in prior reporting period is € nil.

No information is provided about remaining performance obligations at 31 December 2023 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 2023	31 December 2022
Cash and cash equivalents	2,073	22,841
Total	**2,073**	**22,841**

The cash and cash equivalents are freely disposable to the Company, except for an amount of €549 thousand on so called G-accounts.

Note 24 Equity

Share capital

Share capital at 31 December 2023 of €2,175,000 (2022: €2,175,000) is divided into 21,750,000 ordinary shares (2022: 21,750,000), fully paid-up, with a par value of €0.1 each (2022: €0.1). Total shares authorised comprise of 40,000,000 ordinary shares (2022: 40,000,000).

The outstanding ordinary shares of 21,750,000 includes 30,388 treasury shares as per 31 December 2023 (2022: 54,643).

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 €98.8 million are restricted due to a legal reserve of €27.9 million (2022: €22.4 million) which is not available for distribution.

Result for the year

The proposal to the General Meeting is that an amount of €29.7 million will be recognised in retained earnings.

Note 25 Borrowings

In EUR '000	31 December 2023	31 December 2022
Borrowings	36,697	3,738
Factoring Alfen Elkamo	974	1,814
Lease liabilities	13,099	12,852
Total	**50,770**	**18,404**

The repayment obligations as per 31 December 2023 are as follows:

In EUR '000	31 December 2023	Repayment obligation in 2024	Remaining term > 1 year and <5 year	Remaining term >5years
Borrowings	36,697	28,048	7,616	1,033
Factoring Alfen Elkamo	974	974	—	—
Lease liabilities	13,099	3,241	8,512	1,346
Total	**50,770**	**32,263**	**16,128**	**2,379**

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 (2022: €100 million) and a separate committed facility of €40 million (2022: € 40 million) for bank guarantees starting from 31 October 2022. The duration of the RCF is three years with two extension options, each for one year. In 2023 the first extension option has been concluded;

(vii) a mortgage loan with a duration of 5 years and a principal amount of €10 million used for the purchase of the building located at the Damsluisweg Almere.

The 2023 interest rate is 6.1% (2022: 2.5%).

The bank has first ranked mortgages on the real estate owned by the Company with a carrying amount of €12.0 million per 31 December 2023. The real estate has an economic value of €14.9 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 ranked mortgage of €10 million for land and buildings on the Damsluisweg 70, 1332 EJ Almere cadastral known as section M number 1524 and 1589 Almere;
- a first pledge for
  - all current and future equipment of the Company;
  - all current and future inventory 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 at 31 December 2023.

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 at 31 December 2023.

Alfen Elkamo Oy Ab holds a separate working capital credit facility up to €1.5 million (2022: €1.5 million) for which a solvency-convenant of 25% is applicable. This solvency-convenant was met at 31 December 2023.

Note 26 Provisions

In EUR '000

Balance – 1 January 2023	47	Balance – 1 January 2022	56
Additions	—	Additions	—
Deductions	(19)	Deductions	(4)
Other	22	Other	(5)
Balance – 31 December 2023	**50**	**Balance – 31 December 2022**	**47**
Of which:		Of which:	
Current(< 1 year)	14	Current(< 1 year)	11
Non-current (> 1 year)	36	Non-current (> 1 year)	36

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 2023	31 December 2022
Trade payables	75,287	71,500
Amounts due to customers for contract work	43,104	32,374
Other taxes	6,776	2,316
Other liabilities	23,400	29,887
Total	**148,567**	**136,077**

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 2023	31 December 2022
EURO	130,618	119,709
USD	17,263	13,990
GBP	686	2,378

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 €0.3 million (2022: €0.2 million) relating to leases of low value leases and short-term leases.

Total cash outflow for leases in 2023 was €4.0 million (2022: €3.6 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 2023, 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 €24.1 million are outstanding at 31 December 2023 with different end dates in financial year 2024 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 are no events after the reporting period.

Company financial statements

Alfen N.V.
Amsterdam, The Netherlands

Company financial statements
for the year ended 31 December 2023

Company financial statements

Company balance sheet

In EUR '000	Note	31 December 2023	31 December 2022
(before appropiation of profit)			
Assets			
Non-current assets			
Property, plant and equipment	4	982	1,051
Investments in subsidiaries	5	138,342	108,590
		139,324	**109,641**
Current assets			
Receivables	6	62,152	28,820
Cash and cash equivalents	7	—	26,496
		62,152	**55,316**
Total assets		**201,476**	**164,957**
Equity and liabilities			
Shareholders' equity	8		
Share capital		2,175	2,175
Share premium		48,943	50,651
Legal and statutory reserves		27,883	22,388
Retained earnings		70,928	22,322
Result for the year		29,684	53,047
		179,613	**150,583**
Provisions	5	**2,133**	**2,888**
Non-current liabilities	9	**384**	**440**
Current liabilities	10	**19,346**	**11,046**
Total equity and liabilities		**201,476**	**164,957**

Company income statement

In EUR '000	Note	2023	2022
Depreciation on property, plant and equipment	4	(69)	(71)
General expenses		88	67
Operating profit (loss)		**19**	**(4)**
Finance income		—	—
Finance expenses		—	—
Finance income (costs) - net		**—**	**—**
Profit (loss) before income tax		**19**	**(4)**
Income tax expense		(7)	—
Share of net profit of investments in subsidiaries	5	29,672	53,051
Profit (loss) for the period after income tax		**29,684**	**53,047**

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, when and only when the parent company is liable for the underlying obligations, 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 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**
At 1 January 2023	
Cost	1,468
Accumulated impairments and depreciation	(417)
Net book value	**1,051**
Movements in book value	
Additions	—
Disposals	—
Depreciation for the year	(69)
Depreciation of disposals	—
	(69)
At 31 December 2023	
Cost	1,468
Accumulated impairments and depreciation	(486)
Closing net book value	**982**

Note 5 Investments in subsidiaries

The movement in subsidiaries during the years was as follows:

In EUR '000	Investment in subsidiaries
At 1 January 2022	
Investment in subsidiaries	53,965
Movements in book value	
Investments	545
Share of profit in participations	53,051
Negative equity adjustments / (reversals)	1,029
Capital contribution	—
Dividend received	—
	54,625
At 31 December 2022	
Investment in subsidiaries	108,590
At 1 January 2023	
Investment in subsidiaries	108,590
Movements in book value	
Investments	835
Share of profit in participations	29,672
Negative equity adjustments / (reversals)	(755)
Capital contribution	—
Dividend received	—
	29,752
At 31 December 2023	
Investment in subsidiaries	138,342

The negative equity adjustment / reversal of €755 thousand (2022: €1,029 thousand) from the provision for loss making subsidiaries is related to the positive result 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 €2,133 thousand (2022: €2,888 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 2023
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 2023	31 December 2022
Due from affiliated companies	61,825	28,361
Other receivables	327	459
Total	**62,152**	**28,820**

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 2023	31 December 2022
Cash and cash equivalents	—	26,496
Total	**—**	**26,496**

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

Note 8

Shareholders' equity

Share capital

Share capital at 31 December 2023 of €2,175,000 (2022: €2,175,000) is divided into 21,750,000 ordinary shares (2022: 21,750,000), fully paid-up, with a par value of €0.1 each (2022: €0.1). Total shares authorised comprise of 40,000,000 ordinary shares (2022: 40,000,000).

The outstanding ordinary shares of 21,750,000 includes 30,388 treasury shares as per 31 December 2023 (2022: 54,643).

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 €98.8 million are restricted due to a legal reserve of €27.9 million (2022: €22.4 million) which is not available for distribution.

Result for the year

The proposal to the General Meeting is that an amount of €29.7 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 2022	**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**
Issuance of ordinary shares, net of tax	—	—	—	—	—	—
Purchase of treasury shares	—	(1,708)	—	—	—	(1,708)
Share-based payment transactions	—	—	—	1,054	—	1,054
Dividend	—	—	—	—	—	—
Allocation of prior result	—	—	—	53,047	(53,047)	—
Additions	—	—	5,495	(5,495)	—	—
Profit (loss) for the period	—	—	—	—	29,684	29,684
Balance – 31 December 2023	**2,175**	**48,943**	**27,883**	**70,928**	**29,684**	**179,613**

Note 9

Non-current liabilities

In EUR '000	31 December 2023	31 December 2022
Borrowings	444	500
Total	**444**	**500**

The repayment obligation as per 31 December 2023 is as follows:

In EUR '000	31 December 2023	Repayment obligation in 2024	Remaining term > 1 year and <5 year	Remaining term >5years
Borrowings	444	60	240	144
Total	**444**	**60**	**240**	**144**

Repayments due within 12 months of the reporting date in the sum of €60 thousand (2022: €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 2023	31 December 2022
Repayment obligation borrowings	60	60
Trade payables	70	30
Due to affiliated companies	329	145
Corporate income tax	3,183	10,155
Other taxes	47	55
Bank overdrafts	15,125	56
Other liabilities and accrued expenses	532	601
Total	**19,346**	**11,102**

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	
	2023	2022	2023	2022	2023	2022
Audit of the financial statements	229	210	—	—	229	210
Other audit procedures	—	—	5	5	5	5
Tax services	—	—	—	—	—	—
Other non-audit services	—	—	—	—	—	—
Total	**229**	**210**	**5**	**5**	**234**	**215**

These fees relate to the audit of the 2023 and 2022 financial statements, regardless of whether the work was performed during the financial year.

Note 13 Average number of employees

During the year 2023, the average number of employees, based on full-time equivalents, was 3 (2022: 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, 13 February 2024

Alfen N.V.

Board of Directors,

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

Supervisory Board,

Henk ten Hove	**Maria Anhalt**	**Willem Ackermans**	**Jeanine van der Vlist**

Other information

Alfen N.V.
Amsterdam, The Netherlands

Other information
for the year ended 31 December 2023

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 2023

Our opinion

In our opinion:

- the consolidated financial statements of Alfen N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2023 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Alfen ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2023 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2023 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 2023;
- the following statements for 2023: the consolidated statement of comprehensive income, the consolidated, changes in equity and cash flows; and
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2023;
- the company income statement for the year then ended; and
- the notes to the company financial statements, comprising a summary of the accounting policies applied and other 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 separate opinions or conclusions 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'.

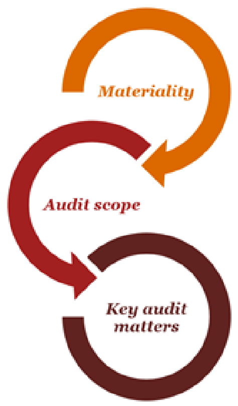
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. We considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering 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 in 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. Finally, we considered the inventories as key audit matter due to the increase and magnitude of the inventory balance at 31 December 2023.

Alfen N.V. assessed the possible effects of climate change on its financial position, refer to the report of the management board, section 'EU Taxonomy' and 'Corporate Sustainability Reporting'. We discussed Alfen N.V.'s assessment and governance thereof with the management board and the audit committee and evaluated the potential impact on the financial position including underlying assumptions and estimates. The expected effects of climate change are not considered to 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: €4,035,000.

Audit scope

- We conducted audit work in the Netherlands and in Finland.
- Audit coverage: 97% of consolidated revenue, 98% of consolidated total assets and 98% of consolidated profit before tax.

Key audit matters

- Estimates in contract work
- Capitalisation of development costs
- Inventories

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	€4,035,000 (2022: €3,515,000).
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 €4,035,000.

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 €201,750 (2022: €175,750) 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, performed sufficient work on the financial statements to enable us to provide 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 four components, Alfen N.V., 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.

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

Revenue	97%
Total assets	98%
Profit before tax	98%

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 components: 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 Elkamo Oy Ab 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 held calls with the Elkamo Oy Ab component audit team 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 and audit committee exercised oversight, as well as the outcomes. We refer to section 'Risk management and control systems' of the report of the management board for management's fraud risk assessment and section 'Audit Committee' of the supervisory board report in which the supervisory board reflects on this fraud risk assessment.

We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment, as well as the code of conduct and whistleblower procedures, among other things. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked members of the management board, the supervisory board and audit committee whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

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 on high-risk journal entries. Where we identified instances of unexpected journal entries or other risks through our data analysis, we performed additional audit procedures to address each 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 review of prior year's estimates related to important estimates of the management board. This includes the valuation of construction contracts and capitalisation of development costs. We also refer to the key audit matters including our audit work and observations on these estimates. 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 process for generating and processing journal entries related to 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. Furthermore, we considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance with laws and regulations.

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 included all relevant information of which we were aware as a result of our audit and inquiring with the management board regarding the management board's most important assumptions underlying its going concern assessment.
- 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 were 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.

Based on our procedures performed, 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 €14.9 million and consists of smart grid solutions and energy storage systems. This net balance consists of €206.1 million of revenue recognised to date less €221 million progress billing. For recognition contract work and the identification of performance obligations satisfied over time, Alfen uses the costs incurred on the contract in relation to the estimated total costs. The estimated total costs are 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 costs comprise 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 and consequently satisfying its performance obligation. 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 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 costs, the measurement of progress towards complete satisfaction of performance obligations and contract modifications. We determined that the estimated total costs 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 2023. In our selections, 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 €28.6 million of which €27.9 million relates to capitalised development costs for smart grid solutions, electric vehicle charging equipment and energy storage solutions. During 2023, Alfen capitalised €10.7 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. The determination is highly dependent on the following, which is in line with IAS 38.57: • the technical feasibility 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 2023 or were being further developed to generate sales in the upcoming period. 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.

Key audit matter	Our audit work and observations
Inventories *Refer to note 20 to the financial statements* The inventory value related to energy storage systems has significantly increased compared to previous years. Inventories amount to €150.8 million as of 31 December 2023 which represents 38% of total assets which amounts to €396 million. Inventories are measured at the lower of cost and net realisable value. Costs are determined using the weighted average price method. The inventories are considered a key audit matter due to the magnitude and increase of the inventory balance at 31 December 2023 compared to the total assets.	We gained an understanding regarding the inventories of Alfen, assessed the internal control procedures relating to inventories and reconciled the inventory subledger with the general ledger. For the inventories located at Alfen's warehouses, our audit procedures related to the existence of inventories consist of understanding and assessing the internal control procedures to ensure the existence of inventories. We have performed a year-end stock count and reconciled the outcome of the stock count with the inventory subledger. For the inventories at external locations, our audit procedures related to the existence of inventories consist either of reconciling third party confirmations with the accounting records of Alfen or performed a physical stock count. We selected a sample of inventory items to test the accuracy of the recorded costs, based on the weighted average price method. For these items, we reconciled the cost calculation with the underlying invoices. We performed audit procedures regarding the valuation of inventories, by assessing and testing the assumptions (e.g. we tested a sample of the last change date of inventory items compared to the sales subledger) regarding the provision for obsolete inventories. These procedures include assessing the stock rotation analyses and observations during the year-end stock count. Based on the procedures performed, we found the inventories to be supported by sufficient audit evidence. In addition, we consider the related disclosure to be adequate.

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 six years.

European Single Electronic Format (ESEF)

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

In our opinion, the annual report prepared in XHTML format, including the 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 whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assuranceopdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package.
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - 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 have been prepared 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.

In preparing 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 and is not a guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. 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, 13 February 2024

PricewaterhouseCoopers Accountants N.V.

F.S. van der Ploeg RA

Appendix to our auditor's report on the financial statements 2023 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, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Colophon

Alfen Annual Report 2023

Alfen N.V.

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Alfen

Annual Report 2023