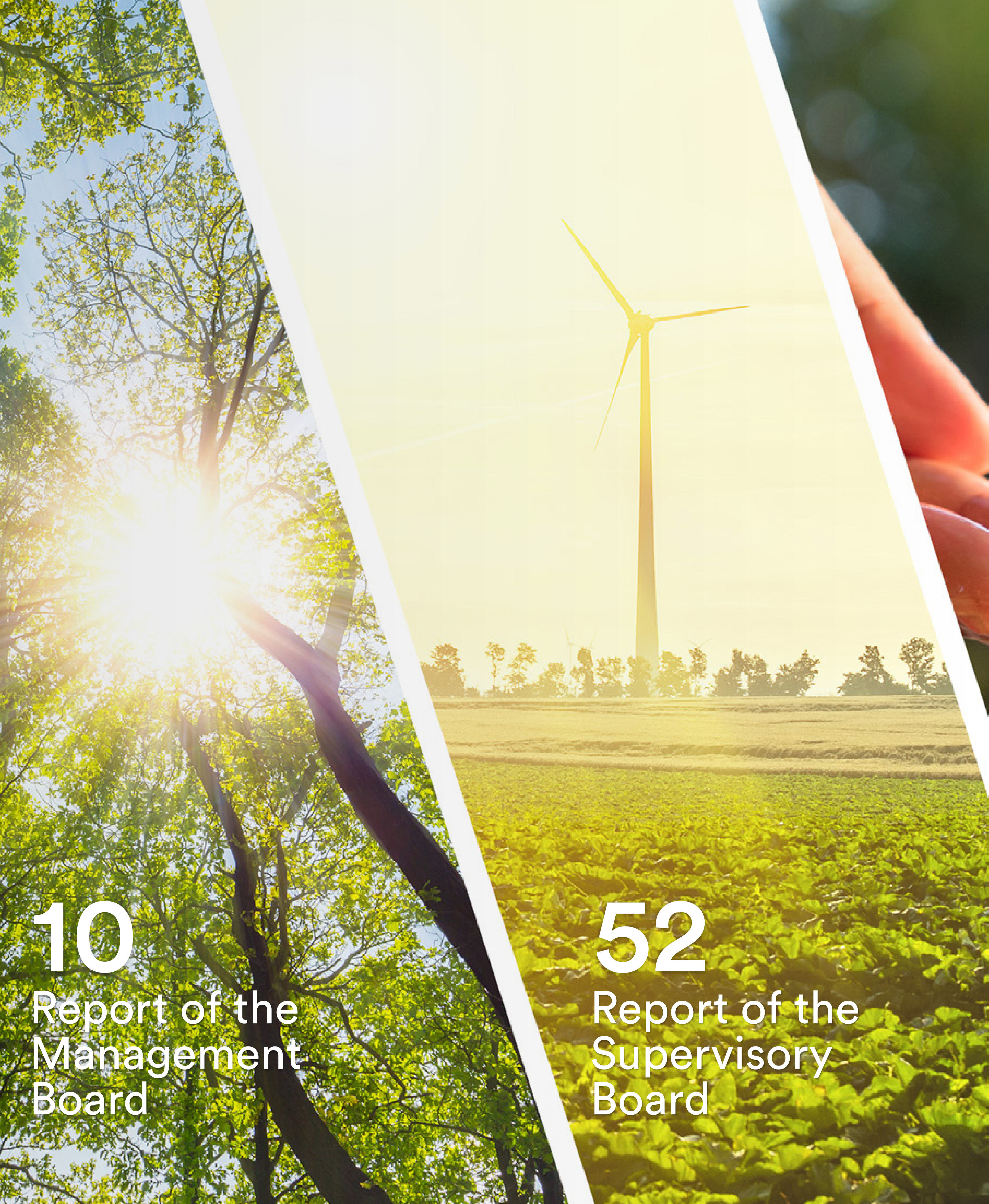
Alfen

Annual Report 2018

Enabling the energy transition

ALFEN N.V.

ALFEN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2018 at a glance

Revenue and other income (EUR)

102 million

(vs 74 million in 2017)

Year-on-year revenue and other income growth

37 percent

(vs 21 percent in 2017)

Revenues outside the Netherlands

28 percent

(vs 18 percent in 2017)

Initial Public Offering at the Euronext stock exchange

Expansion to the Nordics through the acquisition of Elkamo

Continued internationalisation throughout Europe

Strong growth in fully integrated solutions across business lines

About Alfen

Company profile

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

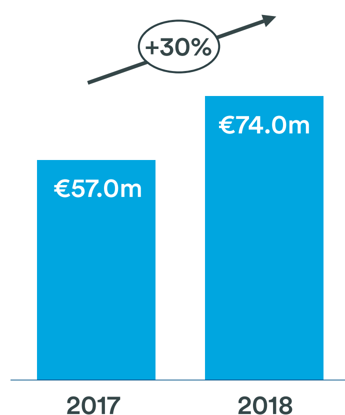
We build on our vast experience of more than 80 years in the energy industry. We have a market leading position in the Netherlands and experience fast international growth benefitting from our first mover advantage.

We are headquartered in Almere, the Netherlands, where we reside in three buildings with associated production facilities.

Our growing business

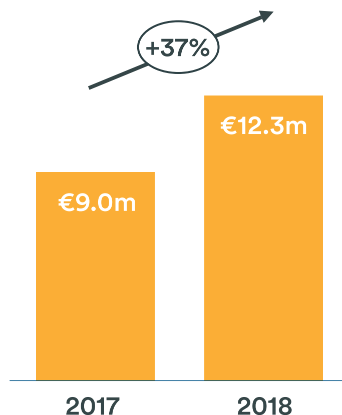
Smart grid solutions

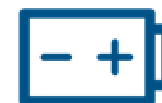
Alfen offers an in-house developed, produced and assembled range of secondary transformer substations. In addition, we have in-house developed and produced devices for grid automation and a proprietary back-end system for remote management and control of electricity grids. We also supply micro-grids,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



EV charging equipment

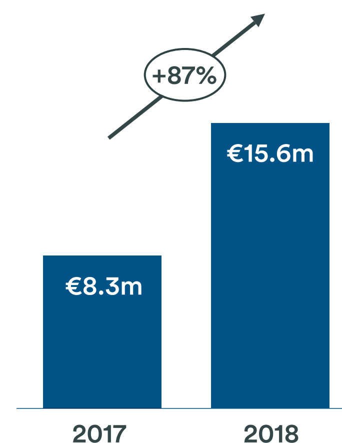
Alfen offers an in-house developed and produced range of smart and connected electric vehicle (EV) chargers for use at home, office and public locations. We have a proprietary online management platform for our charging infrastructure and offer standardised solutions for smart charging, load balancing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





Energy storage systems

Alfen offers an in-house developed and produced range of modular energy storage systems for applications such as load balancing, peak shaving, grid frequency control, e-trading, micro-grids and mobile power supply. Our proprietary developed embedded software and back-office enables remote control and supports all storage applications.

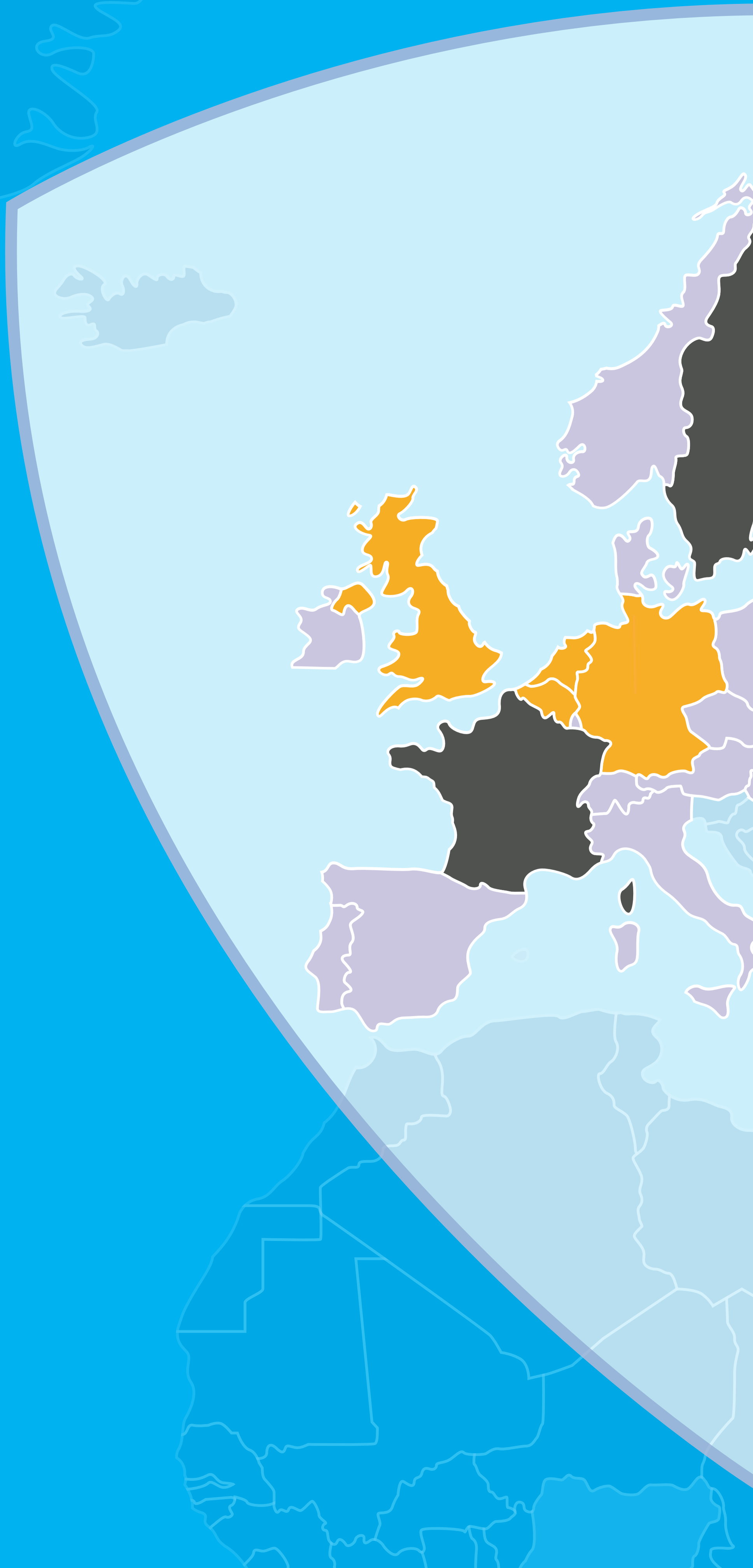


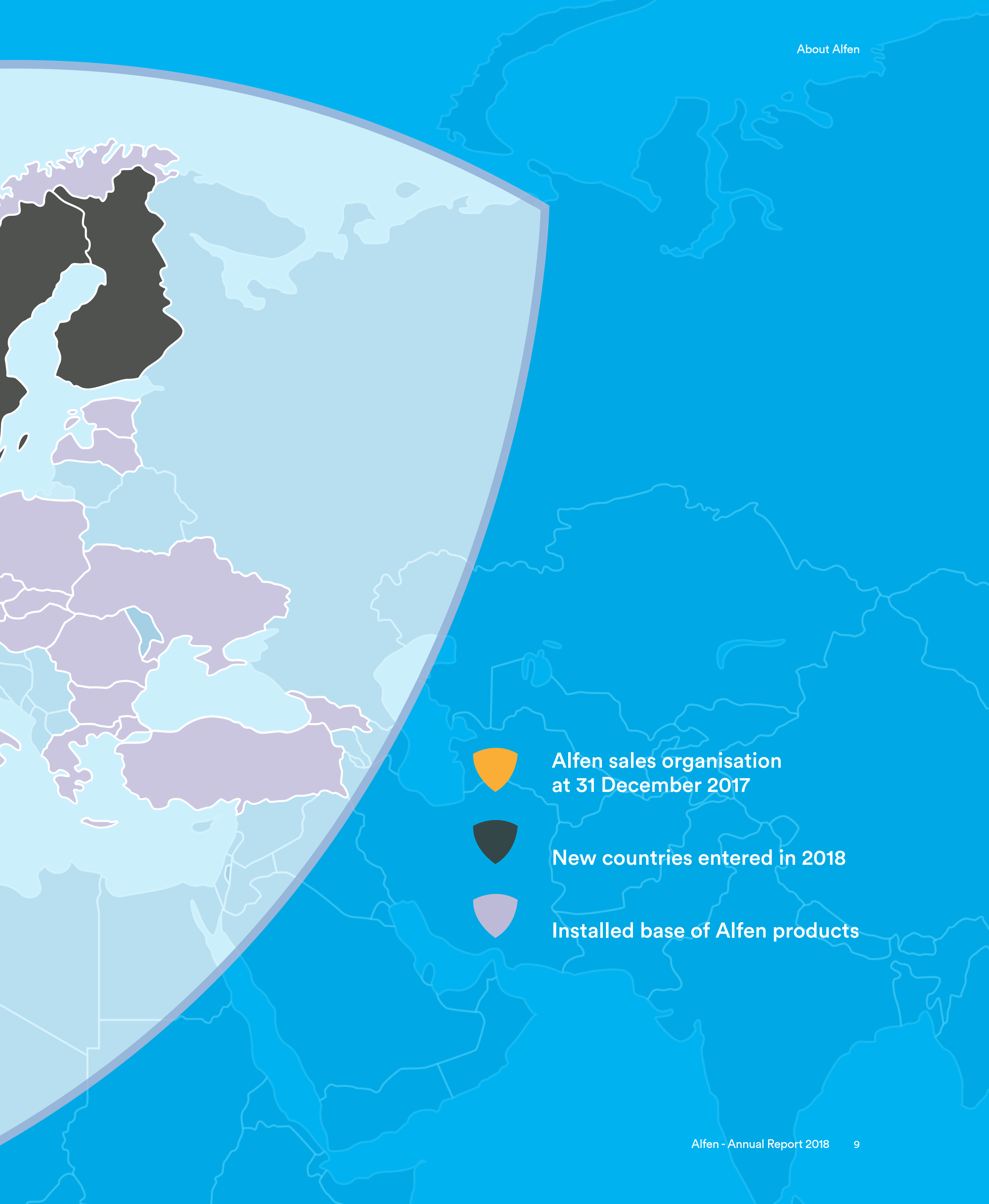
Integrated solutions

Alfen offers system integration, project management and service for all three business lines. We also offer standardised integrated solutions across our business lines, which are increasingly needed to address the complex integrated challenges emerging from the energy transition.

International footprint

We employ staff in 7 countries being the Netherlands, Belgium, UK, France, Germany, Finland and Sweden, and sell our products and services in more than 20 countries.




Alfen sales organisation
at 31 December 2017
New countries entered in 2018
Installed base of Alfen products

Report of the
Management

Board

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

Business review

2018 was an exciting year for Alfen as we successfully listed our company at Euronext Amsterdam, expanded to the Nordics through the acquisition of Elkamo and continued to grow rapidly benefitting from the accelerating energy transition.

Accelerated growth

2018 was a year of accelerated growth, further internationalisation and continued investments to prepare ourselves for further strong growth in the coming years. We were able to expand our organisation from 234 to 410 employees, benefitting from our position in the heart of the energy transition as well as from an increased public profile after our IPO. We also continued to invest in new innovations such as our mobile energy storage solution and new EV charging concepts. These investments enable the continuation of our growth journey in each of our business lines: Smart grid solutions, Energy storage and EV charging. Combining our business lines allows us to provide fully integrated solutions, which is becoming increasingly important to address the electricity challenges of our clients. In 2019 we expect to benefit from continuing high market growth, reaping the benefits from our international expansion strategy, increasing cross-selling opportunities between our business lines and our expanding service offering.

Market developments

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

Our Smart grid solutions business is benefitting from the rapid advancements that are being made in terms of renewable energy, resulting in higher peak powers and more decentral loads on the electricity grid. In addition, the recently announced plans to replace natural gas with electric cooking and heating at a large part of the Dutch households will have an enormous impact on the grid. In 2018, we benefitted from continued grid investments and a strong market environment for projects in the solar PV sector, as well as from our new position in the Nordic countries through Alfen Elkamo. The market for solar PV is expected to continue to develop favourably in the years to come.

E-mobility continues to gain momentum in the automotive market, with more and more OEMs announcing and rolling out their ambitions around electrification of their fleets. The number of (PH)EV registrations in Europe continues to grow, requiring new chargers at home, office and public locations, although the relationship between new EVs and chargers differs per country and is changing over time. As the launch of some new models with a large range and lower price point that were planned for introduction in 2018 has been subject to delays, the coming year is expected to show a further growth in EVs. In the UK, the government recently announced that all home chargers must use innovative ‘smart’ technology by July 2019, playing into favour of our chargers which have been smart from the outset. The increasing penetration of electric vehicles also starts causing local constraints in the electricity grid, which can be mitigated by applying smart chargers, grid upgrades and energy storage, or a combination of these. Given our integrated portfolio of energy solutions, we believe we are uniquely positioned to benefit from these developments.

The market for energy storage is developing further, driven by an increasing share of renewables, the uptake of EVs and new applications such as clean energy supply at events. Although the energy storage market is still in its nascent stage, the market is gradually maturing and it is expected to continue to do so in 2019. As a consequence, timing and predictability of our project pipeline is improving, with more and more customers having experience with storage projects and entering into repeat orders. In November, we announced to be selected to supply a 10MW storage system for Greenchoice, the largest storage system to be connected to a windfarm in the Netherlands. A new concept developed for these larger projects also positions us well for more larger-scale storage projects in the future.

Integrated solutions and cross-selling

We believe to be unique in the fact that we offer integrated solutions across our three business lines. Therefore we not only benefit from positive market dynamics in each of our business lines, but also from cross-selling and integrating solutions between our business lines. As the energy transition evolves, more and more complex challenges arise for which a holistic integrated approach is required.

For example, we expanded our services to Allego from EV chargers (since 2015) to transformer substations in 2018, and recently sold two mobile energy storage systems that will be deployed to de-bottleneck grid connections to facilitate the roll-out of their ultra-fast charging stations for electric vehicles.

Another example includes the Belgian grid operator Eandis. We have been supplying our smart grid solutions to customers in their grid area for years. Since 2017, we have been supplying EV charging equipment in the Eandis and Infrax (now merged into Fluvius) area through Allego. Finally, in 2018, we were selected by Eandis to supply an energy storage system to their logistical centre in Lokeren, Belgium, for optimising self-consumption of their rooftop solar energy generation.

A third example is our mobile integrated storage and ultrafast charging solution that we supplied to BMW AG for their test locations in Munich. This integrated system enables maximum available power for the charging of electric vehicles, irrespective of the capacity of the local power grid.

Investments for growth

We continued to invest in our organisation to prepare for our anticipated further growth, growing the number of FTEs from 234 at 31 December 2017 to 410 at 31 December 2018, including the additional personnel at Alfen Elkamo. Despite a challenging labour market, we were able to attract new talent benefitting from our increased public profile after the IPO, the widespread interest in the energy transition, and our in-house education program.

We further strengthened our middle management, added international sales people (including new country entries) and expanded our R&D department to work on new applications for energy storage and to prepare for new product introductions in our EV charging business line which are anticipated in the first half-year of 2019. We also added new roles related to Alfen's publicly listed status, including an IR manager and general counsel. These investments have largely been made ahead-of-the-curve, anticipating strong further growth of our business.

In terms of production, we invested in new production lines for our EV charging equipment, resulting in further standardisation, quality improvements, increased capacity and improved working conditions. In our Smart grid solutions business line, we accelerated the increase in production personnel to accommodate for a step-up in growth across the supply chain. As the supply chain is stabilising, the additional personnel in the Smart grid solutions business line will contribute significantly to facilitate our growth outlook for 2019. For the production of energy storage systems, we entered a new rented facility in July 2018, positioning us well for the years to come.

Internationalisation

Our internationalisation ambition is supported by various initiatives. We strengthened our international sales teams in Belgium, Germany and the United Kingdom and entered France and Sweden with our own sales force. In addition we lined-up additional international resellers and distributors and benefitted from various clients with an international footprint. At 1 July 2018, we acquired Elkamo in the Nordics, through which we strengthened our international position in Smart grid solutions. Alfen Elkamo is demonstrating solid growth in Smart grid solutions, benefitting from grid operators' investment programs to rebuild large parts of the electricity distribution grids from overhead lines to underground cables in order to improve reliability of electricity supply. Through framework agreements with new accounts in the Nordics we are realising success in our EV charging business and our pipeline for energy storage projects is also expanding with projects in Finland, Sweden and Norway.

Corporate social responsibility

We are working at the centre of the energy transition and, as such, also consider it our responsibility to have a well-developed Corporate Social Responsibility (CSR) agenda in place. Our CSR agenda is based on three pillars: product lifecycle approach, footprint minimisation, and people, knowledge and safety. As this is part of our strategic roadmap, we aim to further define specific CSR targets in the coming year.

“2018 was a year of accelerated growth, further internationalisation and continued investments to prepare ourselves for further strong growth in the coming years”

Our product lifecycle approach is using circularity as cornerstone of our design processes, applying fair materials with a low CO2 footprint, ensuring safe working conditions, encouraging cooperation throughout the supply chain and focusing on the re-use and recycling of materials. In 2018, we finalised our work on a materials passport for our secondary transformer substations, aiming maximum transparency throughout the supply chain. We are currently working on finalising a similar passport for our EV charging stations. We have also updated our Supplier Code of Conduct to incorporate our efforts with regard to maximising insights throughout the supply chain.

The second pillar is the minimisation of our footprint. We aim to have full insights in our company’s CO2 footprint, we focus on reducing this footprint and report on these metrics through certified bodies. We are certified externally at level 4 (out of 5) of the CO2 performance scale of SKAO (Stichting Klimaatvriendelijk Aanbesteden en Ondernemen), which is unmatched in our industry. Examples of initiatives include the placement of 128 solar rooftop panels generating approximately 10% of our electricity needs, which we aim to double in the coming years. We replaced approximately 60% of our lights by LED lighting. In 2019 we plan to replace the lights in our production facilities and we aim to have fully transitioned to LED lighting by 2020. Over the past years we also implemented various measures to reduce waste, and we internally separate waste streams on a granular level, enabling optimum recycling possibilities.

Last but not least we focus on safety first in all our activities, education and further development of our employees and sustainable employability. In 2018 we partnered with various governmental bodies to facilitate employment of young people, unemployed and temporary asylum visa holders. After being awarded for best in-house education program in 2017, we further increased the number of employees with an apprenticeship contract from 25 in 2017 to 37 in 2018. We focus on a healthy working environment for our employees, to which our new production line for charging equipment further contributed. As a result of our continued focus on health and safety, incidents further reduced to a minimum during 2018.

Outlook

We continue to anticipate positive market developments in all our business lines and are well positioned for further growth. On top of the positive market outlook, we expect to increasingly benefit from repeat customers, our expanding international footprint, our ability to offer integrated solutions, and the service opportunity emerging from our growing installed base.

To facilitate this growth outlook, we will continue our capital expenditure program. This includes investments in research and development, primarily focusing on upgrading existing products and entering new product-market combinations as well as new countries.

Similar as in 2018, we expect our capital investments to exceed depreciation and amortisation.

We also anticipate a further increase in the number of personnel, although various 'ahead-of-the-curve' investments in personnel have already been made during 2018. In terms of financing, we have recently expanded our credit and bank guarantee facilities to be prepared for our anticipated growth.

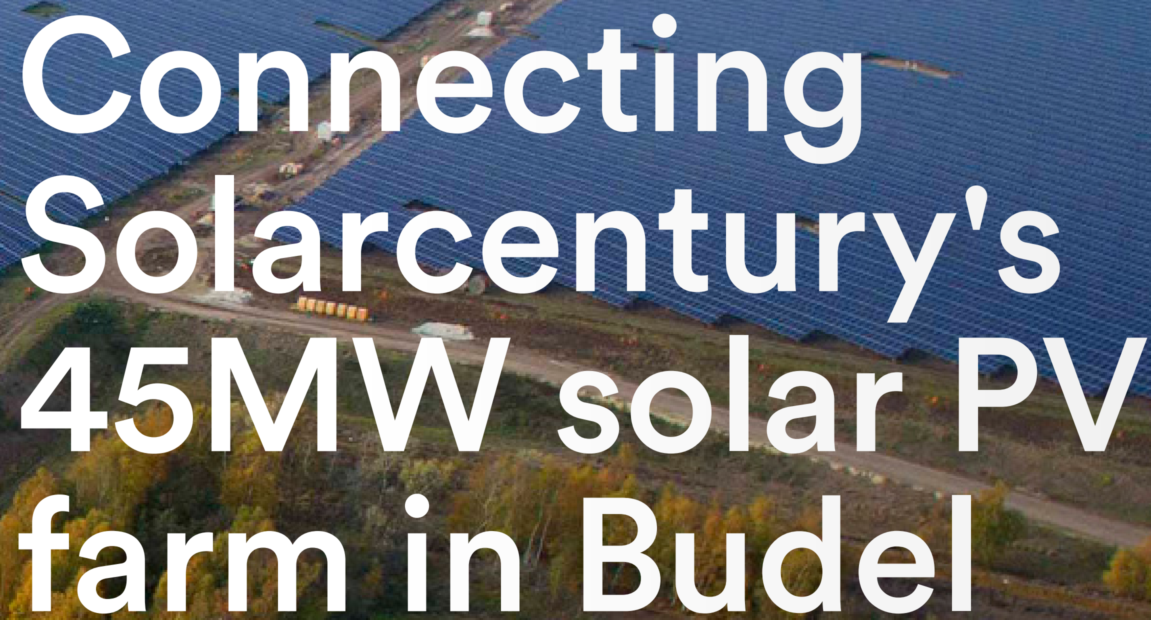
Growing together with our partners

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

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

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

Photo: Enexis Groep



Connecting Solarcentury's 45MW solar PV farm in Budel

Alfen realised the local micro-grid and grid connection for Solarcentury's 45MW solar PV farm in Budel, the Netherlands, based on Alfen's innovative 2,500 kVA solar PV substations. Alfen's scope included the engineering, manufacturing, delivery, installation, commissioning, project-management and service.

2018 month-by-month

15 January
Local microgrid solution for Koppert

Koppert Biological Systems, a global player in biological control in horticulture, selected Alfen to supply a smart microgrid for the energy supply to their new facilities. Koppert Biological Systems was recently ranked number one in the Hillenraad100, a list of most prominent companies in the Dutch horticulture sector.

19 February
Energy storage for Belgian grid operator Eandis

Alfen announces the start of a smart energy storage system for Eandis' logistical centre in Lokeren, Belgium, that will be used to optimise self-consumption of the rooftop solar energy generation. The storage system will facilitate Eandis in the shift from fossil fuel powered facility towards an energy neutral distribution centre.

22 March
IPO Alfen: listing at Euronext Amsterdam

Alfen further strengthened its position in the heart of the energy transition with its listing at Euronext, a milestone moment in the 80 year rich history of the company.

03 April
Keep Yourself and the Planet AWAKE

Alfen's mobile energy storage system TheBattery was used by Greener, a sustainable energy provider for events and off-grid situations, to power dance event Awakenings at the Westergasfabriek in Amsterdam during the Easter weekend.

12 April
Most innovative company of the year

At the Danfoss Drives Conference in Barcelona, Alfen won the prize for most innovative company of the year. Danfoss drives are used in Alfen's energy storage system to convert battery power into power that can be used on the electricity grid. Alfen was selected because they combine their 80 year heritage on the power grid with highly innovative products and solutions.

17 April
Alfen expands micro-grid for one of Europe's largest tomato greenhouses

Alfen was selected to deliver a micro-grid for the power supply of a large-scale expansion of CombiVliet's greenhouse tomatoes complex in Middenmeer, the Netherlands. Responding to the industry trends around automation, scale expansions and renewable energy, increasingly complex energy solutions are being required.

19 April
Fully integrated solution for ElaadNL

Alfen was selected by knowledge and innovation centre ElaadNL to supply an integrated energy storage solution for ElaadNL's EV charging test site in Arnhem, the Netherlands. This project complements Alfen's previous assignments for ElaadNL consisting of Alfen's EV charging equipment, load balancing charging plaza and substation for the connection to the grid. Together with the new storage facility, this integrated system provides ElaadNL with full testing capabilities around smart EV charging.

07 May
Connecting two large solar PV farms for Solarcentury

Alfen was selected by Solarcentury to provide the high-voltage power grid connections for a 17.5 megawatt-peak (MWp) solar farm at the location of recycling company Twence in Enschede, the Netherlands as well as for a solar farm of approximately 45MWp at the location of zinc smelting company Nyrstar in Budel, the Netherlands.

24 May — Ultrafast EV charging with integrated energy storage

Alfen was selected to supply one of BMW AG's test locations in Munich, Germany, with an integrated energy storage solution to facilitate ultrafast charging of EVs. Alfen will supply an integrated energy storage system of 1.1MW which incorporates an ultrafast charger for BMW Group's EV prototypes. The storage system is based on 34 BMW i3 car batteries and ensures maximum available power for the charging of EVs, irrespective of the capacity of the local power grid.

06 June — Community battery for BAM and Stedin's smart energy neighbourhood

Alfen was selected by BAM and Stedin to supply a 200kWh energy storage system for a renovated housing district in Woerden, the Netherlands. The project is part of BAM's and Stedin's innovative Rennovates project, focused on developing smart energy-based communities. Alfen's community battery storage system forms the central part of the congestion management pool to keep demand, supply and network availability under control.

12 June — Drift festival on clean TheBattery power

Dance and house festival Drift in Nijmegen was fully powered by solar energy, which was enabled by Alfen's TheBattery energy storage system. Co-organiser of Drift festival, Diede van Overbeek, says: "Instead of using large diesel generators we now use the rooftop solar panels on the adjacent building in combination with Alfen's mega-battery system."

27 June — Stedin electrifies car fleet using Alfen chargers

As part of its program to electrify its car fleet, Stedin is installing charging stations for electric cars at various Stedin locations throughout the Netherlands. At its location in Utrecht, the first Alfen EV chargers have been installed, equipped with Alfen's Smart Charging Network for simultaneously charging a large number of cars.

02
July

Acquisition of Elkamo to expand to the Nordics

Alfen acquired Elkamo, a developer and manufacturer of electricity distribution systems based in Finland. The acquisition is an important step in the international growth ambitions of Alfen and offers a platform for cross-selling electric vehicle charging equipment and energy storage systems in the Nordic countries.

09
July

Supplying EV chargers to Allego for new home-to-office charging solution LeasePlan

LeasePlan, a global leader in Car-as-a-Service, and charging solution provider Allego, announced a new partnership to provide LeasePlan EV customers with access to personal charge points at home and at work. Alfen will supply the EV charging equipment and service to Allego for this new offering, which will initially be rolled out in Belgium, France, Germany, Luxemburg, the Netherlands, Norway, Portugal and Sweden.

13
July

Combining front- and behind-the-meter storage for Eneco Belgium

At Peleman Industries in Puurs, Belgium, the first large-scale storage system in Belgium was installed on an industrial site that contributes to balancing the central power grid. Sustainable energy provider Eneco uses Alfen's energy storage system to deliver frequency containment reserve. The battery storage system also enables Peleman Industries to locally use its own generated energy from its wind turbines.

24
July

Greener places order for eight mobile battery storage systems

Greener, a sustainable energy provider for events and off-grid situations, orders eight new mobile battery energy storage systems from Alfen. The mobile storage systems will be deployed to provide a green alternative for temporary diesel generators, for example at festivals, throughout Europe.

30 July

Anastacia concert in Germany on clean battery power

BMW and Alfen powered the BR-Radltour with sustainable energy. The peaks in power demand for the main stage, where Anastacia performed, were delivered from Alfen's energy storage system which is based on BMW i3 high-voltage batteries. The storage container was charged with the first sustainable energy produced from the newly opened CHP headquarters of BMW Group Werks Landshut.

10 September

EV chargers for Jaguar Land Rover across Europe

Jaguar Land Rover is equipping its dealerships with EV chargers as well as offering home chargers to its customers through its partners. For both the dealership and home chargers, Alfen was selected to supply its EV charging equipment, covering the Netherlands, Belgium, Luxembourg, Switzerland, Portugal and Spain.

24 September

Off-grid energy storage system for Ibogem in Belgium

Ibogem, a Belgian intermunicipal cooperation, selected Alfen to supply an energy storage system for its site in Beveren. The storage system will enable Ibogem to power its forklift trucks with solar energy that is generated during the day from its rooftop solar PV installation.

26 November

10MW energy storage project for Greenchoice

Greenchoice selected Alfen to supply a 10MW energy storage system connected to its Hartel windfarm in the harbor of Rotterdam. The energy storage system will be deployed to smooth the fluctuating energy output of the wind farm and to ensure stability of the power grid as the amount of renewable energy further grows.

05 December
Storage system to Digital Energy Solutions in Green City wind farm in Germany

Digital Energy Solutions, a joint venture of the BMW Group and the Viessmann Group, selected Alfen to supply an energy storage system which is connected to a Green City wind farm in Southern Germany. The system, consisting of 52 BMW i3 car batteries with a total capacity of 2.2MWh, will be used for grid stabilisation as well as for the demand-oriented supply of wind power.

17 December
Integration of an innovative floating solar park in the ECW grid

Alfen was selected to establish the grid connection for a 2.6MWp floating solar PV park in the ECW smart greenhouse network. Alfen has been contracted to design, supply, construct and commission the grid connection which connects the floating solar panels to the local ECW grid.

20 December
Storage system for local energy cooperative WeertEnergie

Alfen was selected by WeertEnergie to supply the first cooperative-owned energy storage system connected to solar PV in the Netherlands. With the 617kWh energy storage system, multiple use-cases are combined: optimising local self-consumption from solar PV, providing grid stability services and energy trading.

Financial performance

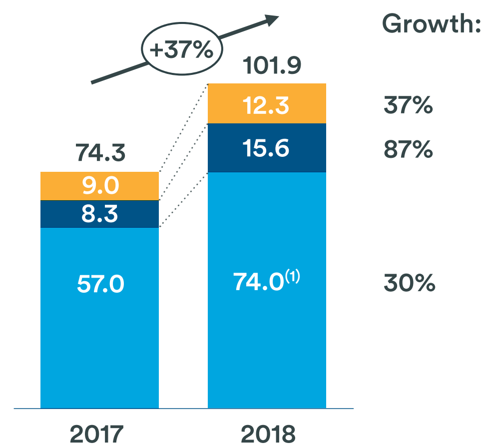
Alfen is operating internationally in the heart of the energy transition, being a specialist in energy solutions for the future. With over 80 years history, Alfen has a unique combination of activities. Alfen designs, engineers, develops, produces and services smart grid solutions, energy storage systems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

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

Revenue and other income

Revenue and other income increased by 37% from €74.3 million in financial year 2017 to €101.9 million in financial year 2018 driven by strong market growth across all business lines and further bolstered by internationalisation, cross-selling and service.

Revenue and other income
(in EUR million)



[1] *Alfen Elkamo contributed €8.4 million of revenue in financial year 2018.*

- *EV charging equipment*
- *Energy storage systems*
- *Smart grid solutions*

In the Smart grid solutions business line, revenues increased by 30% compared to 2017 from €57.0 million in financial year 2017 to €74.0 million in financial year 2018. Alfen benefitted from continued investments by grid operators and a strong market environment for projects in the solar PV sector, as well as from its new position in the Nordic countries through Alfen Elkamo.

Revenues in the EV charging business line increased by 37% from €9.0 million in financial year 2017 to €12.3 million in financial year 2018, driven by a growing market for electric vehicles, important new client wins and further internationalisation.

Revenues and other income in the Energy storage business line increased by 87% compared to 2017 from €8.3 million in financial year 2017 to €15.6 million in financial year 2018. Alfen benefitted from a proven track record across different storage applications, the introduction of new storage solutions, repeat projects for clients and important new client wins.

Gross margin, EBITDA and net profit (loss)

Gross margin slightly increased from 29.1% in 2017 to 29.7% in 2018, demonstrating Alfen's strong position in the market.

EBITDA decreased by 40% from €4.0 million in financial year 2017 to €2.4 million in financial year 2018 and is mainly impacted by delayed revenues in the energy storage business line, as well as ahead-of-the-curve investments in personnel and other operating cost, anticipating further growth and internationalisation. FTEs increased from 234 at 31 December 2017 to 410 at 31 December 2018, including 70 FTEs at Alfen Elkamo. Significant investments have been made to strengthen and expand the organisation, ahead-of-the-curve, for the anticipated further growth in 2019 and beyond:

- Further strengthening of its middle management to facilitate the strong growth perspective of Alfen;
- Upscaling of the Energy storage business line;
- Additions to international sales force including new country entries;
- Expansion of R&D team, primarily related to roll-out new state-of-the-art energy storage concepts, new EV charging product developments and software upgrades across all business lines;
- Accelerated increase in production personnel, particularly in the Smart grid solutions business line, to accommodate for a step-up in growth across the supply chain. As the supply chain is stabilising, the additional personnel in the Smart grid solutions business line is expected to be sufficient to facilitate Alfen's growth outlook for 2019;
- New roles related to Alfen's publicly listed status, including an IR manager and general counsel.

Depreciation and amortisation charges increased from €1.6 million in 2017 to €2.5 million in 2018 of which €0.6 million relates to the amortisation charges resulting from the acquired intangible assets of Elkamo.

As a consequence, the net profit of €1.7 million in financial year 2017 decreased to a net loss of €0.3 million in financial year 2018.

In the financial year 2017, Alfen incurred one-off costs and special items of €0.9 million related to business development and company branding, a related party consultancy fee and conversion to IFRS accounting standards. In the financial year 2018, one-off costs and special items stood at €1.2 million and comprised of an audit fee related to Alfen's listing on the Amsterdam stock exchange, acquisition and integration costs for Elkamo, a settlement payment and legal fees regarding a property rental claim, share-based payment expenses associated with a Celebration Share Award Plan for all Company employees (see Note 13) and a related party consultancy fee (see Note 30).

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

In EUR '000	2018	2017
EBITDA	2,406	4,015
Related party consultancy fee	255	255
Business development and company branding	-	506
Conversion to IFRS accounting standards	-	92
Audit fee related to Alfen's public listing	135	-
Acquisition and integration costs Elkamo	361	-
Settlement payment and legal fees property rental claim	74	19
Share-based payment expenses	392	-
Adjusted EBITDA	3,623	4,887
Net profit / (loss)	(263)	1,721
Aggregated one-off costs and special items after tax	1,077	654
Adjusted Net profit / (loss)	814	2,375

Adjusted EBITDA decreased from €4.9 million in financial year 2017 to €3.6 million in financial year 2018. The adjusted net profit of €2.4 million in financial year 2017 decreased to €0.8 million in financial year 2018.

Finance costs increased from €0.1 million in financial year 2017 to €0.3 million in 2018 as a result of the increased net debt position. Finance income relates to a revaluation of the existing loans under IFRS 9 as a result of a re-financing arrangement in January 2018.

The effective tax rate in financial year 2018 increased compared to financial year 2017, mainly caused by non-deductible acquisition costs as well as non-deductible share-based payment expenses relating to a Celebration Share Award Plan, partly offset by a reduction in future tax rates.

Finance and investments

Net debt at 31 December 2018 was €16.6 million compared to €3.1 million at the end of December 2017 and can be explained by the following events in financial year 2018:

- In January 2018, Alfen obtained two loans with each a principal amount of €0.875 million and a duration of 10 years used for the refurbishment of the buildings located at the Hefbrugweg in Almere.
- In June 2018, Alfen obtained a new loan with a principle amount of €5.0 million and a redemption period of 7 years to realise the acquisition of Elkamo at 1 July 2018.
- In November 2018, Alfen increased its working capital credit facility from €11.25 million to €20 million, as well as a separate facility of €5 million for bank guarantees. With these increased facilities, Alfen is prepared for its further growth trajectory.

Solvency (equity divided by total assets) stood at 12.3% at the end of December 2018 compared to 23.1% at the end of December 2017, mainly as a result of the abovementioned financing of the acquisition of Elkamo and increased (and partly utilised) working capital credit facility to support the growing business.

As disclosed in note 26 of the financial statements, Alfen has to meet certain covenants. The bank provided a waiver for the 2018 EBITDA covenant.

Capital expenditure amounted to €6.0 million (or 5.9% of revenues) as compared to €3.7 million (or 5.0% of revenues) in 2017. Capex includes amongst others the refurbishment of new premises, investments to expand the amount of substation moulds in the context of a growing Smart grid solutions business as well as €3.4 million (€1.9 million in 2017) of capitalised development costs which demonstrates the company’s continued efforts to invest in innovations for the future.

Powering festivals with clean mobile battery power

Alfen's innovative mobile energy storage solution has been used during 2018 to power various events with clean energy. Examples include an Anastacia concert in Germany, Amsterdam Dance Event and the Awakenings festival. Peak demand related to sound and lighting were traditionally supplied by diesel generators, but can now be replaced by a clean and silent alternative from energy storage.

Risks and Uncertainties

Risks and Uncertainties

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

Risk category	Risk description	Risk appetite	Likelihood	Impact
Strategic and commercial	The energy transition embodied by current trends towards alternative energy sources may be addressed by various solutions and there is no certainty that any of the solutions offered by Alfen will prove to be acceptable for addressing these.	High	Low	High
	The market for electric vehicles is relatively new which makes it difficult to predict whether or not consumers will adopt electric vehicles as a generally accepted means of transportation and consequently to predict the future demand for charging equipment as well as charging behaviour.	High	Low	Medium
	Alfen has a limited operating history in the energy storage sector which may result in uncertainty regarding the future performance of its Energy storage business line.	High	Medium	Medium
	Competition in the industries and market segments in which Alfen operates may materially adversely affect its market shares, margins and overall profitability.	High	Medium	Medium
	Alfen's business depends, in part, on contracts with certain significant clients. If one or more of such contracts were discontinued, Alfen's financial position and results of operation could be materially adversely affected.	Medium	Low	Medium
	Alfen may be unsuccessful in adequately protecting its technological know-how and trade secrets.	Medium	Low	Medium
Operational	Alfen depends on its ability to hire and retain management, key employees and other qualified and skilled employees and may not be able to attract and retain such personnel.	Medium	Medium	Medium
	Failure to properly manage projects, or project delays, may result in additional costs or claims and adversely affect or delay revenues, profits and cash flows.	Medium	Medium	Medium
	Alfen is dependent on third-party suppliers to deliver raw materials and components for its products and may experience supply problems.	Medium	Medium	Medium
	Disruptions of Alfen's information technology systems could have a material adverse effect on its business.	Low	Low	High
Financial	Alfen may not be able to maintain an optimal capital structure to reduce the cost of capital due to the rapid increase in large scale and capital intensive projects within the Energy storage business line.	Medium	Low	Low
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 is subject 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 4 and 5 of the financial statements. Furthermore, risks related to external reporting are considered limited due to the limited amount of estimates in the financial statements, and because Alfen was not faced with any indication for impairment in financial year 2018.

Strategic and commercial risks and uncertainties

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

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

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

The market for electric vehicles is relatively new which makes it difficult to predict whether or not consumers will adopt electric vehicles as a generally accepted means of transportation and consequently to predict the future demand for charging equipment as well as charging behaviour.

The market for electric vehicles is relatively new, is continuously evolving and is characterised by changing technologies, price competition, additional competitors, evolving government regulation and industry standards, frequent new vehicle announcements and changing consumer demand and behaviour. Future developments in technology trends, especially competition between alternating current ('AC') and direct current ('DC') charging behaviour, is still uncertain. A slower than anticipated increase, or even a decrease, in the sales of electric vehicles in the countries in which Alfen operates could lead to a slower than anticipated growth of revenues in Alfen's EV charging business line, or may even result in this business line becoming obsolete, 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.

Alfen has a limited operating history in the energy storage sector 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. Since Alfen has a limited operating history in its Energy storage business line, the development and expansion of this business line may be subject to significant uncertainty and volatility. In addition, 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. Furthermore, Alfen's activities are partly dependent on decisions made by third parties involved in the projects that Alfen is working on and who may have limited experience in energy storage systems. Such decisions could have an impact on the timing of granting and delivery of a project, which in turn will have an effect on the moment that the revenue for such a project is realised by Alfen.

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

of its internationalisation strategy, Alfen is becoming less dependent on country-specific, often regulation or subsidy related, fluctuations in demand patterns for energy storage systems.

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

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

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

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

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

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

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

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

To mitigate this risk Alfen relies on various confidentiality agreements, confidentiality clauses in contracts 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, misappropriation or disclosure of Alfen's technology, knowhow, and other proprietary information may result in lengthy and costly litigation or administrative proceedings and cause significant disruption to the business and operations of Alfen.

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 can be attracted and incentivised to further develop at Alfen.

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

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

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

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

Alfen's production and assembly processes depend on the availability and timely supply of raw materials, components and finished goods, from third-party suppliers. Alfen obtains a significant portion of certain of its processed raw materials from a limited number of key suppliers. If any of Alfen's suppliers are unable to meet their obligations under purchase orders or supply agreements, Alfen may be forced to pay higher prices to obtain the necessary raw materials from other suppliers, change suppliers, or may not be able to locate suitable alternatives at all. Supply interruption could lead to interruption of Alfen's own production at one or more production facilities. This could be particularly relevant for the supply of batteries, since the rapidly developing market for energy storage projects and the roll-out of EVs may put significant pressure on the production and supply capacities of a relatively small number of global battery suppliers. Alfen may experience supply problems and may be unable to fill clients' orders on a timely and cost-effective basis or in the required quantities, which could result in damage claims, order cancellations, decreased sales or loss of market share and damage to Alfen's reputation.

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

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

Alfen depends on its information technology systems to, among other things, conduct operations, to interface with clients (for example through its web shop) and to maintain financial records and accuracy. Alfen also develops and supplies software to clients. Information technology systems failures could disrupt operations leading to increased costs. In addition, Alfen's computer systems, including its back-up systems, could be damaged 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 this 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. To further mitigate the risks related to privacy related information as well as data protection in general several actions have been taken, such as a successfully implementation of the GDPR requirements in an early stage, by getting ISO 27001 certified and by arranging a cyber-security insurance policy.

Financial risks and uncertainties

Alfen may not be able to maintain an optimal capital structure to reduce the cost of capital due to the rapid increase in large scale and capital intensive projects within the Energy storage business line.

Due to the nature of the Energy storage business line - i.e. more capital intensive than the other business lines due to relatively expensive components such as batteries - the use of cash- and cash equivalents is becoming more sensitive to liquidity risks. This means that Alfen is becoming more exposed to significant movements in the cash position in order to finance larger scale and more capital intensive projects within the Energy storage business line.

To mitigate this risk, Alfen aims to ensure favourable payment conditions with its customers and suppliers. In addition, Alfen strictly monitors and manages its liquidity on a weekly basis. The liquidity planning considers the maturity of the financial assets (e.g. accounts receivable and other financial assets) and projected cash flows from operations. Furthermore, Alfen ensures 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 Alfen's reputation. For this purpose Alfen, increased its working capital credit facility in November 2018 up to €20 million, including a separate facility of €5 million for bank guarantees which will be mainly used to apply for large (international) tenders.

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 continues 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 is subject 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 has set-up an in-house general counsel to further embed specific knowledge about laws and regulations across multiple jurisdictions. Finally, in order to increase the safety awareness and accreditations of its personnel Alfen uses its in-house education centre to train its people in a controlled environment where real-life situations can be simulated.

Risk management and control systems

Management Board approach towards risk management

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

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

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

During financial year 2018, the major elements that supported the corporate culture and other foundations of Alfen's risk management and control systems were:

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 want to embed in the day-to-day routines of all employees. The core values included in the Code of Conduct are related to craftsmanship and 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.

Whistle-blower policy

Alfen employees are offered the opportunity to report irregularities or suspicions with regards to our Code of Conduct, Safety policies or any form 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 via a prescribed website. No irregularities were reported in financial year 2018.

Insider trading policy

As per the date of the listing, Alfen 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.

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.

Periodic reports and meetings

On a weekly basis revenue, order intake, backlog and pipeline is reported to the Management Board. In addition, a rolling-forecast on liquidity is reported to the Management Board on a weekly basis. On a monthly basis, a consolidated statement of financial position, profit and loss and cash flows is reported to the Management Board, including certain key financial information and an analysis of the consolidated revenue, margin, R&D expenses and other operating expenses. In addition, the report also includes an analysis on revenue, margin, order intake and backlog per business line as well as an analysis on both the revenue and margins for the top 10 customers per business line. A copy of this report is also provided to the Supervisory Board.

Further professionalisation of the organisational structure

As a fast growing company Alfen must regularly assess whether its organisation structure in general, but also from a managerial perspective, is still appropriate to further boost the growth strategies while staying in-control. In 2017, Alfen already assessed the organisational structure and drafted a plan to further professionalise the organisational structure. This further became in effect in financial year 2018 by the implementation of a newly formed (middle) management team, in which several new management team members with certain specific qualities or capabilities were recruited to facilitate the company's growth outlook.

Supplying Jaguar Land Rover with EV charging equipment

Jaguar Land Rover is equipping its dealerships with EV chargers as well as offering home chargers to its customers. Alfen EV charging equipment will be used to cover the Benelux, Switzerland, Portugal and Spain, for which some chargers have been stylishly decorated by artist Selwyn Senatori.

Corporate governance

General

Alfen N.V. (hereinafter "Alfen") is a publicly limited liability company incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. For details regarding Alfen's share capital, reference is made to the sections "Material subsidiaries of Alfen N.V." and "Shareholders".

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 BVBA and Alfen Elkamo Oy Ab. Alfen is subject to the Dutch large company regime and has a works council.

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

This section gives an overview of the information concerning the Management Board, the Supervisory Board and the Shareholders meeting. Alfen has a two-tier board structure consisting of the Management Board and the Supervisory Board. The Management Board together with one senior manager of the Company forms the senior management of the Company ("Senior Management") who 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 shall timely provide the Supervisory Board with the information necessary for the performance of the Supervisory Board's duties. The Management Board is required to keep the Supervisory Board informed and to consult with the Supervisory Board on important matters. The Management Board shall inform the Supervisory Board, in writing, and at least once a year, of the main outlines of the Company's strategic policy, the general and financial risks, and the risk management and control systems.

Two Managing Directors are jointly authorised to represent Alfen. Pursuant to the Articles of Association, the Management Board may grant one or more persons, whether or not employed by the Company, a power of attorney or other form of continuing authority to represent the Company or to grant one or more persons such titles as it sees fit.

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 Supervisory Board appoints one of the Managing Directors as CEO (chief executive officer). In addition, the Supervisory Board may appoint one of the Managing Directors as CFO (chief financial officer) to specifically oversee the Company's financial affairs.

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	57	CEO and COO	November 2015	AGM of 2022
Mr. Jeroen van Rossen	45	CFO	August 2017	AGM of 2022

Marco Roeleveld (born 1962, Dutch) is Alfen's CEO (chief executive officer) and COO (chief operations officer). Marco Roeleveld is a member of the Management Board since the Company's incorporation in November 2015. He joined 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 accountant and advisor for a number of large and mid-size companies in the Netherlands. Jeroen van Rossen was also a member of the supervisory board of Vlinderstichting (2009-2015) and is currently a member of the supervisory board of Stichting Aorta (Architectuur Centrum Utrecht). Jeroen van Rossen holds an accounting degree from Nyenrode University in Breukelen, the Netherlands.

Senior Management

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

Name	Age	Position	Member since
Mr. Richard Jongsma	50	CCO	August 2013

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

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

Supervisory Board

Powers, responsibilities and functioning

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

Members of the Supervisory Board

The Supervisory Board is composed of the following members:

Name	Age	Position	Member since	End of current term
Mr. Henk ten Hove	66	Chairman	22 March 2018	AGM of 2022
Mr. Edmond van der Arend	54	Member	1 March 2018	AGM of 2022
Mr. Erwin Riefel	53	Member	1 March 2018	AGM of 2022

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

Other information

Other than the circumstances described below, the Company is not aware of any circumstance that may lead to a (potential) conflict of interest between the private interests or other duties of each of the members of the Senior Management (including the Managing Directors) and Supervisory Directors on the one hand and the duties to the Company on the other hand. According to best practice principle 2.7 of the Dutch Corporate Governance Code, the Company will report on conflicts of interest in its management report.

Erwin Riefel has been designated as Supervisory Director by the former 100% shareholders. He also holds a management position at Infestos Nederland B.V. and holds indirect investments in Infestos Holding M B.V. and Infestos Energy Transition B.V., both shareholders of Alfen N.V..

In 2018 Infestos Holding M B.V. and Infestos Energy Transition B.V. provided advisory and consulting services related to strategic decision making, change management projects and processes and various other services, including those related to legal, financial, organisational matters and other relevant expertise, under a consultancy agreement. This agreement has been extended to 30 June 2019.

General Meetings of Shareholders

General Meetings must be held in Almere or Amsterdam, each in the Netherlands.

The annual General Meeting must be held within six months after the close of each financial year. An extraordinary General Meeting may be convened, whenever the Company's interests so require, by the Supervisory Board or the Management Board. In addition, 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). If the agenda of the General Meeting contains the item of granting discharge to the Managing Directors and the Supervisory Directors concerning the performance of their duties in the financial year in question, the discharge must be mentioned on the agenda as separate items for the Management Board and the Supervisory Board respectively.

Shareholders holding at least 3% of the Company's issued and outstanding share capital may request by a motivated request that an item is added to the agenda. Such requests must be made in writing, must either be substantiated or include a proposal for a resolution, and must be received by the Company at least 60 days before the day of the General Meeting. No resolutions may be adopted on items other than those that have been included in the agenda (unless the resolution would be adopted unanimously during a meeting where the entire issued capital of the Company is present or represented).

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

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

Special provisions relating to shares

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

On 11 March 2018, 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 acquire and/or (ii) cause the

Company to acquire its own shares (including shares issued as stock dividend) both for a period of 18 months following the IPO.

Diversity policy

The diversity policy of Alfen N.V. (the Company) as prepared and adopted by the Supervisory Board on 26 March 2018 in accordance with best practice provision 2.1.5 of the Dutch Corporate Governance Code (the Policy).

The Management Board and the Supervisory Board collectively are considered diverse and balanced from an educational background and work experience. The Management Board and the Supervisory Board consist of people with a good mix of sector knowledge, financial expertise and management capabilities. Annually, the Supervisory Board assesses the composition of the Supervisory Board and of the Management Board, and agrees to measurable objectives for achieving diversity on the Boards. At the date of adoption of this Policy, the Supervisory Board comprises of three men and the Management Board comprises of two men and therefore does not meet the quota as prescribed by Section 2:166 of the Dutch Civil Code, wherein it has been laid down that there should be a balanced distribution of men and women in the Supervisory Board as well as in the Management Board, whereby at least 30% of the seats will be occupied by men and at least 30% will be occupied by women. The Company's policy is to improve the gender diversity by ensuring that at least 30% of both the Supervisory Board and the Management Board will be comprised of women. Where searches for appointment to any of the Boards or to senior management are conducted by the Company or by search firms, they will identify and present a long list of candidates who are considered to meet the essential criteria for the relevant vacancy, including qualified females and people of color. The Boards will consider suitably qualified candidates for positions from as wide a pool as appropriate, including candidates with little or no previous listed company board experience but whose skills and experience will add value to the relevant Board.

Dutch Corporate Governance Code

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

The Dutch Corporate Governance Code is based on a 'comply or explain' principle. Accordingly, companies are required to disclose in their management report whether or not they are complying with the various best practice principles of the Dutch Corporate Governance Code that are addressed to the Management Board or, if applicable, the Supervisory Board of the company. If a company deviates from a best practice principle in the Dutch Corporate Governance Code, the reason for such deviation must be properly explained in its management report.

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

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

- The Company will not be in compliance with best practice principle 2.1.7 that requires that more than half of the Supervisory Directors shall be independent. Under the Relationship Agreement, as long as the former 100% shareholders holds, directly or indirectly, at least 40% of the Ordinary Shares, they shall have the right to designate two Supervisory Directors, and the nominees do not need to be "independent" within the meaning of the Dutch Corporate Governance Code. Furthermore,

under the Relationship Agreement, the former 100% shareholders will have the right to designate one Supervisory Director if they hold, directly or indirectly, less than 40% but at least 15% of the Ordinary Shares. The former 100% shareholders will not have any designation rights if they hold, directly or indirectly, less than 15% of the Ordinary Shares.

- The Company will not be in compliance with best practice principle 5.3.1-5.3.3 that requires the external auditor and the audit committee to be involved in drawing up the work schedule of the internal auditor. The current size of the Company does not justify the appointment of an internal auditor. In 2019 the Supervisory Board will assess the need for an internal auditor. Based on this review, the Supervisory Board shall make a recommendation on this to the Management Board.

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

Share capital at 31 December 2018 of €2 million is divided into 20,000,000 ordinary shares, fully paid-up, with a par value of €0.1 each. The outstanding ordinary shares of Alfen N.V. increased from 18,000 shares as of 1 January 2018 to 2,000,000 shares as of 1 March 2018 and 20,000,000 shares as of 22 March 2018 (date of public listing). Each share confers the right to cast one vote.

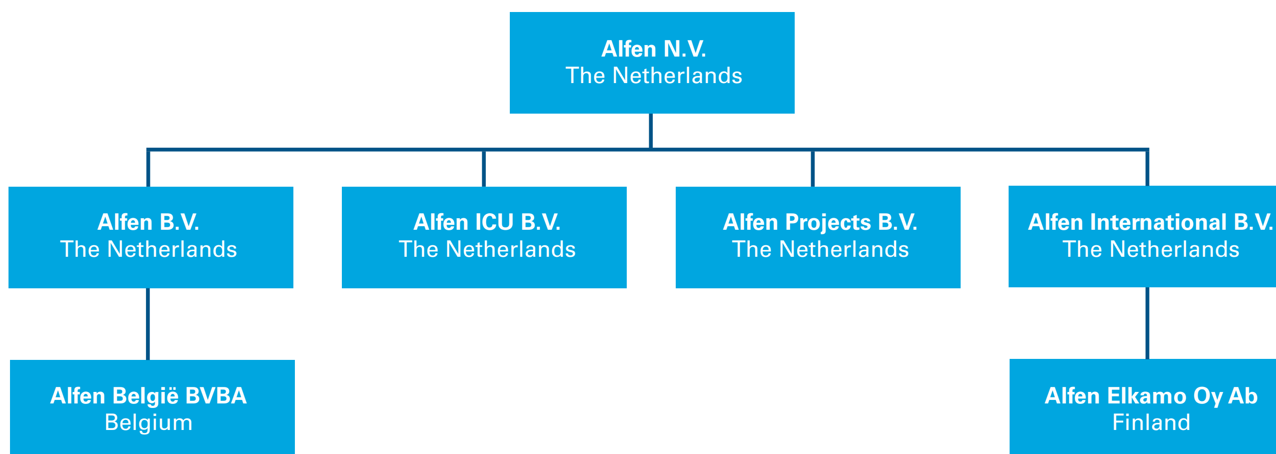
Limitations on the transfer of shares

Alfen N.V. 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 N.V.



Special controlling rights

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

Celebration Share Award Plan

On 22 March 2018, the Management Board of Alfen granted to all eligible employees conditional rights to acquire a cumulative total of 118,429 existing Ordinary Shares or 0.6% of the issued share capital of the Company for no consideration under a one-off share incentive. The conditional rights to acquire existing Ordinary Shares granted will be exercisable in exchange for Ordinary Shares on the day that is two years after the grant date, on the condition that the relevant employee of Alfen continues to be employed by the Company on this date (subject to certain arrangements for exceptional circumstances, such as death of the employee). The Company entered into an agreement with the Selling Shareholders on 12 March 2018 pursuant to which Alfen has the right to acquire from the Selling Shareholders for no consideration a number of Ordinary Shares equal to the number of conditional rights exercised by eligible employees, being no more than 120,000 Ordinary Shares.

Limitations on voting rights

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

Agreements on limitations on the transfer of shares

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

As of the date of the Company's public listing on the Amsterdam Stock Exchange on 22 March 2018 ("First Trading Day") these DRs have been cancelled as a result of which these participating managers ultimately received Ordinary Shares and cash. These Ordinary Shares of the key managers and certain members of senior management of the Company are subject to lock-up restrictions. The Ordinary Shares transferred to the key managers and certain members of senior management of the Company will be released from the lock-up restrictions as follows: 60% of the Ordinary Shares will be unconditionally released from the lock-up restrictions on the day that is one year after the First Trading Date, 20% of the Ordinary Shares will be unconditionally released from the lock-up restrictions on the day that is two years after the First Trading Date, and the remaining 20% of the Ordinary Shares will be unconditionally released from the lock-up restrictions on the day that is three years after the First Trading Date, in each case on the condition the key managers and certain members of senior management of the Company continues to be employed by the Company on these dates.

The former 100% Shareholders have agreed from the date of the IPO until 270 days thereafter not to directly or indirectly, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or other securities of the Company.

Appointment and dismissal of Management Board members and Supervisory Directors and amendment of the articles of association

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

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

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

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

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

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

The Management Board's powers especially to issue shares

Shares may be issued pursuant to a resolution of the Management Board, if and insofar as that board is designated authorised to do so by the General Meeting. Such designation can be made each time for a maximum period of five years and can be extended each time for a maximum period of five years. A designation must determine the number of Shares which may be issued pursuant to a resolution of the Management Board. A resolution of the General Meeting to designate the Management Board as a body of the Company authorised to issue Shares can only be withdrawn at the proposal of the Management Board which has been approved by the Supervisory Board, unless provided otherwise in the resolution to make the designation.

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 N.V. 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

In 2018 there were 20,000,000 shares outstanding in the market. Pursuant to the Dutch Disclosure of Major Holdings in Listed Companies Act (Wet Melding Zeggenschap, or WMZ), interests in the issued capital of Alfen of 3% or more are required to be disclosed to the Netherlands Authority for the Financial Markets (AFM). At year-end 2018, the following shareholders were known to hold interests of at least 3% (as per AFM disclosure on 31 December 2018):

Shareholder	Interest	Notification date
Infestos Energy Transition B.V. and Infestos Holding M B.V.	41.01%	22 Mar. 2018
Capital Research & Management Company	6.38%	22 Mar. 2018
Spring Enterprises B.V.	4.69%	22 Mar. 2018
Smallcap World Fund, Inc.	6.38%	22 Mar. 2018
Invesco Limited	3.92%	22 Mar. 2018
KBC Asset Management N.V.	3.10%	16 Nov. 2018

Dividend policy

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

Financial calendar

Date	Event
20 February 2019	Publication full year results
18 April 2019	General Shareholders meeting
28 August 2019	Publication half-year results

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

- From 20th of January until 20th of February 2019
- From 28th of July until 28th of August 2019

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

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

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

- *The Report of the Management Board provides a true and fair view of the position of Alfen N.V. 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 N.V. is exposed;*
- *The Consolidated Financial Statements as at and for the year ended 31 December 2018, give a true and fair view of the assets, liabilities, financial position and result of the financial year of Alfen N.V. and its subsidiaries included in the consolidation as a whole.*

Almere, 19 February 2019

Management Board

Marco Roeleveld
CEO

Jeroen van Rossen
CFO

Report of the
Supervisory B

oard

Report of the Supervisory Board

The Supervisory Board's main responsibility is to supervise and advise the Management Board, in particular regarding the strategy for realising long-term value and the manner in which the strategy is implemented.

For Alfen, 2018 was a very dynamic year with a number of special events. Especially the IPO in March 2018, changing from a private to a publicly owned company, required attention from the Management and the Supervisory Board.

Overall the company made significant steps in realising strong growth in the various business lines and internationally. Key customers are recognising the key competences of Alfen and its leading position in important sectors of the energy transition.

Activities and priorities 2018

The Supervisory Board started in early March, just before the IPO. One of the most important roles was to guide the Company and its management through the corporate governance requirements of a publicly listed company. The Management Board and the Supervisory Board both went through a training program to be prepared for the new shareholder structure.

In July, Alfen acquired the Finnish company Elkamo, a company with a strong position in smart grid solutions in Finland. The rationale for this acquisition was to expand internationally in the smart grid solutions business and to provide a platform for cross-selling EV charging equipment and energy storage systems.

The Supervisory Board monitored the preparation and due diligence process before and the implementation of the post-acquisition plan after the acquisition.

A third top priority was the monitoring of the strong growth plan both commercially and operationally. The business lines all have a different growth development path with its unique characteristics, requiring a differentiated approach. Key attention points were the recruitment of enough personnel and strengthening the organisation in skills and management to facilitate the growth.

Part of the monitoring and sounding board role was the dialogue with key management in the various Supervisory Board meetings.

Composition and diversity

The Supervisory Board consists of three members:

- Henk ten Hove (born 1952, Dutch) as from 22 March 2018. Henk ten Hove also holds supervisory board positions at the publicly listed company Kendrion since 2013 (as chairman) and at Unica since 2014. He is also chairman of the foundation owning the shares in BDR Thermea group. Henk ten Hove has spent most of his career at Wavin, where he started in 1982 and held various positions over time, including that of financial manager, logistics manager, general manager Germany, member of the executive board and, between 2010 and 2013, CEO of the group. Henk ten Hove holds a master's degree in Economics from the University of Amsterdam, the Netherlands.
- Edmond van der Arend (born 1964, Dutch) as from 1 March 2018. Since 2009, Edmond van der Arend is the owner and managing director of Arend & Markslag, a consultancy firm specialised in corporate finance and accounting. Prior to founding Arend & Markslag, Edmond van der Arend worked as partner and compliance officer at De Jong & Laan accountants belastingadviseurs, a mid-sized auditing firm and he held various positions at, amongst others, EY and PwC. Edmond van der Arend holds a CPA degree since 1992.
- Erwin Riefel (born 1966, Dutch) since 1 March 2018. Since 2008 Erwin Riefel is an investment director at Infestos Nederland B.V. (which is an affiliate of major shareholders Infestos Energy Transition B.V. and Infestos Holding M B.V.). Prior to joining Infestos, Erwin Riefel worked as senior relationship manager for corporate clients at Rabobank (formerly known as "Rabobank Nederland") (2000-2008). He holds a master's degree finance small and medium sized enterprises from TIAS Business School in Tilburg, the Netherlands.

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

Two of the three members of the Supervisory Board are dependent within the meaning of the Dutch Corporate Governance Code. One of the Supervisory Board members is independent within the meaning of the Dutch Corporate Governance Code. Infestos Holding M B.V. and Infestos Energy Transition B.V. were the Selling Shareholders under the Initial Public Offering on 22nd of March 2018. Pursuant to the relationship agreement between the Selling Shareholders and the Company, the Selling Shareholders had the right to designate for nomination and propose replacements for, a certain number of positions of the Supervisory Board.

Alfen hired a general counsel during the year 2018.

She is also secretary of the Supervisory Board. The composition of the Supervisory Board does not reflect a balanced participation within the meaning of article 2:66 of the Dutch Civil Code. We aim to correct this at the first possible opportunity.

Meetings and attendance

The Supervisory Board held 5 meetings in 2018, which were all regular scheduled meetings. All meetings were attended by the members of the Management Board, and at times by selected key managers for presentations. In addition, several meetings were held without the members of the Management Board. All members of the Supervisory Board attended all the meetings. The Supervisory Board did not establish any committees. The Chairman of the Supervisory Board meets the CEO on a monthly basis and key managers on a yearly basis. Additionally, Edmond van der Arend meets the CFO of the Company on a regular basis to discuss the financial situation of Alfen.

Next to the key priorities mentioned earlier the Supervisory Board Agenda contained the financials, risk management, audit plan of the external auditor, financing structure, Long Term Incentive Plan for key management, HR overviews, development and diversity, and budget 2019.

Remuneration report

The remuneration policy applicable to the Management Board was determined by the General Meeting, in March 2018 at the time of the IPO after the Works Council had been granted the opportunity to determine its point of view thereon. Any subsequent amendments to this remuneration policy are subject to adoption by the General Meeting. The remuneration of, and other agreements with, the Managing Directors are required to be determined by the Supervisory Board in 2019, with due observance of the remuneration policy.

The Company's remuneration policy aims to attract, motivate and retain qualified individuals and reward them with a market competitive remuneration package that focuses on achieving sustainable financial results aligned with the long-term strategy of the Company and fosters alignment of interests of Managing Directors with shareholders.

Based on the remuneration policy, the remuneration of the Managing Directors consists of the following components: annual base pay and pension and other benefits.

Annual base pay

This represents a fixed cash remuneration consisting of the base salary including holiday allowance that is set based on the level of responsibility of the Managing Directors.

Pension and other benefits

Managing Directors are eligible to participate in the Company's pension scheme similar to the other employees of the Company in the Netherlands. In addition, the Managing Directors are eligible for other pension related benefits, such as old-age and life insurance, as determined by the Supervisory Board from time to time. Managing Directors are eligible for a range of other emoluments such as the use of a company car, an expense allowance reflective of the position of the Managing Director and a collective health insurance. The Company will arrange for and pay a directors and officers liability insurance for the members of the Management Board.

Severance

In line with their current employment agreements, the maximum severance payment applicable to the Managing Directors amounts to one year base pay in the preceding financial year. No severance payment will be awarded if the Managing Director's agreement is terminated early at the initiative of the Managing Director, or in the event of seriously culpable or negligent behavior on the part of the Managing Director.

Management Board remuneration over 2018

For the financial year 2018, the gross annual base salary

of Marco Roeleveld comprises €250,000 and the gross annual base salary of Jeroen van Rossen comprises €210,000. In addition, Infestos Nederland B.V. has paid each Managing Director a bonus of €50,000 prior to the IPO.

Management Board remuneration over 2019

For the financial year 2019, the gross annual base salary of Marco Roeleveld comprises €250,000 and the gross annual base salary of Jeroen van Rossen comprises €210,000.

The Company has not provided any personal loans, advances or guarantees to the Managing Directors.

Remuneration information for the Supervisory Board

The General Meeting determines the remuneration of the Supervisory Directors. The Supervisory Board submits from time to time proposals to the General Meeting in respect of the remuneration of the Supervisory Directors. The remuneration of the Supervisory Board may not be made dependent on the Company's results. Supervisory Directors will not receive Ordinary Shares and/or rights to Ordinary Shares as remuneration.
The compensation for the chairman of the Supervisory Board has been set at €50,000 per year and the compensation for Edmond van der Arend has been set at €30,000 per year. Erwin Riefel is employed by Infestos Nederland B.V. (which is an affiliate of the major shareholders Infestos Energy Transition B.V. and Infestos Holding M B.V.) and does not receive compensation for his Supervisory Board activities.

The Supervisory Board will reconsider the remuneration of the individual members of the Management Board and the remuneration policy during the financial year 2019, whilst – to the extent possible and reasonable – adhering to the principle of maintaining the overall value of the remuneration packages of the members of the Management Board. At this time a peer group will be established for the Management Board.

At the General Meeting of Shareholders in 2020, an updated remuneration policy will be presented for adoption and approval, respectively.

Internal audit function

Alfen has no internal audit function yet. The Supervisory Board will assess the need for an internal auditor. Based on this review, the Supervisory Board shall make a recommendation on this to the Management Board.

Functioning of the Supervisory Board and the Management Board

The Supervisory Board discussed, in the absence of the Management Board, its own functioning. The evaluation was performed by the Chairman of the Supervisory Board, by means of a structured questionnaire, which was subsequently discussed with the rest of the Supervisory Board. The questionnaire was also filled in by the Management Board and addressed items such as: team effectiveness, interaction, transparency, composition and profile, competences, effectiveness of individual members, quality of information and the relationship with the Management Board and others, which is meant to also include the relationship with key managers. The outcome of the evaluation is positive. Despite its relatively new composition, it was found that the Supervisory Board has rapidly organised itself in an effective and efficient manner. There is a good level of transparency amongst both Boards. The Supervisory Board evaluation delivered the following areas for improvement:

- Keeping the right balance between involvement and distance;
- Strengthening the interaction and taking full advantage of the knowledge of each individual member.

We also evaluated the performance of the Management Board on the basis of our observations and views, which led to a satisfying and positive outcome. We shared our reflections with the Management Board members and had an individual discussion with each to discuss last year's performance, area of improvement

and/or development and key priorities for 2019.

For the Supervisory Board the key topics for 2019 are:
- monitoring and assisting the Management Board in the continuation of its growth trajectory while maintaining the right focus and customer orientation;
- monitoring the internationalisation and the realisation of the right synergies with Alfen Elkamo in Finland;
- following the process of recruiting new personnel and at the same time limiting the outflow and the further professionalisation of the organisation;
- reviewing the mid-term plan including the key R&D priorities for 2019 and beyond.

Financial statements and auditor's opinion

The financial statements 2018 included in this Annual Report have been audited and PWC has issued an unqualified opinion on them. They were extensively discussed with the Supervisory Board, in the presence of the external auditor, the CEO and the CFO. The Supervisory Board is of the opinion that the financial statements meet all requirements for transparency and correctness. Therefore, the Supervisory Board recommends that the General Meeting of Shareholders to be held on 18 April 2019 adopts the financial statements and the appropriation of the result.

Result appropriation

Alfen realised a loss of €0.3 million. The proposal to the General Meeting is to recognise this loss in 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

2018 was a challenging but above all exciting year with Alfen embarking on a significant growth path. We hope and expect the company to give this a promising follow up in 2019. We want to thank Alfen's customers for their confidence and loyalty, Alfen's shareholders for their trust and our employees for their involvement and dedication.

Almere, 19 February 2019

The Supervisory Board
Henk ten Hove (Chairman),
Edmond van der Arend,
Erwin Riefel

Financial
statements

Consolidated financial statements

Alfen N.V.
Amsterdam, the Netherlands

Consolidated financial statements for the year ended 31 December 2018

Consolidated financial statements

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Consolidated statement of comprehensive income

In EUR '000	Note	2018	2017
Continuing operations			
Revenue	9	100,180	73,368
Other income	10	1,713	968
		101,893	74,336
Operating expenses			
Costs of raw materials and consumables		(66,459)	(49,854)
Costs of outsourced work and other external costs		(5,218)	(2,852)
Personnel expenses	11	(19,054)	(12,773)
Amortisation on intangible assets	19	(1,656)	(1,030)
Depreciation on property, plant and equipment	18	(830)	(568)
Impairment loss on trade receivables and contract assets	4	(248)	(50)
Other operating costs	12	(8,509)	(4,792)
		(101,974)	(71,919)
Operating profit		(81)	2,417
Finance income	14	67	-
Finance costs	14	(264)	(128)
Finance income (costs) - net		(197)	(128)
Profit (loss) before income tax		(278)	2,289
Income tax expense	15	15	(568)
Profit (loss) for the period		(263)	1,721
Other comprehensive income for the period		-	-
Total comprehensive income for the period		(263)	1,721
Total comprehensive income for the period (attributable to the owners of the Company)		(263)	1,721
Earnings per share for profit attributable to the ordinary equity holders of the Company	16		
Basic earnings per share		(0.01)	0.09
Diluted earnings per share		(0.01)	0.09
Weighted average number of outstanding ordinary shares	16		
Basic		20,000,000	20,000,000
Diluted		20,000,000	20,000,000

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 2018	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	18	7,187	4,435
Intangible assets and goodwill	19	9,165	3,948
Deferred tax assets	20	59	59
Receivables		119	23
Total non-current assets		16,530	8,465
Current assets			
Inventories	21	9,517	3,487
Trade and other receivables	23	28,749	17,539
Current tax receivables		580	-
Cash and cash equivalents	24	849	-
Total current assets		39,695	21,026
Total assets		56,225	29,491
Group equity	25		
Share capital		2,000	18
Share premium		1,913	3,895
Retained earnings		3,285	1,172
Result for the year		(263)	1,721
Total group equity		6,935	6,806
Liabilities			
Non-current liabilities			
Borrowings	26	7,035	1,660
Deferred tax liabilities	20	1,717	659
Provisions	27	33	29
Total non-current liabilities		8,785	2,348
Current liabilities			
Trade and other payables	28	29,905	18,536
Currrent tax liabilities		73	255
Bank overdrafts	24	7,924	1,224
Borrowings	26	2,534	210
Deferred revenue		69	112
Total current liabilities		40,505	20,337
Total liabilities		49,290	22,685
Total equity and liabilities		56,225	29,491

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 2017		18	3,895	37	1,135	5,085
Profit (loss) for the period		-	-	-	1,721	1,721
Other comprehensive income (loss)		-	-	-	-	-
Total comprehensive income (loss) for the period		-	-	-	1,721	1,721
Transactions with owners in their capacity as owners						
Dividend		-	-	-	-	-
Allocation of profit (loss)		-	-	1,135	(1,135)	-
Balance - 31 December 2017		18	3,895	1,172	1,721	6,806
Profit (loss) for the period		-	-	-	(263)	(263)
Other comprehensive income (loss)		-	-	-	-	-
Total comprehensive income (loss) for the period		-	-	-	(263)	(263)
Transactions with owners in their capacity as owners						
Issuance of ordinary shares		1,982	(1,982)	-	-	-
Share-based payment transactions	13	-	-	392	-	392
Dividend		-	-	-	-	-
Allocation of profit (loss)		-	-	1,721	(1,721)	-
Balance - 31 December 2018	25	2,000	1,913	3,285	(263)	6,935

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	2018	2017
Cash flows from operating activities			
Operating profit		(81)	2,417
Adjustments for:			
Depreciation, amortisation and impairment expenses	18/19	2,486	1,598
Change in provision	27	4	-
Change in non-current receivables		(96)	7
Share-based payment expenses	13	392	-
Changes in operating assets and liabilities:			
(Increase)/decrease inventories	21	(3,357)	269
(Increase)/decrease contract balances	23	(2,276)	(1,489)
(Increase)/decrease trade and other receivables	23	(5,178)	(4,522)
Increase/(decrease) trade and other payables	28	7,249	3,473
Cash generated from operations		(857)	1,753
Income taxes (paid)/received	15	(395)	(338)
Interest (paid)	14/26	(251)	(111)
Interest received	14	-	-
Net cash inflow/(outflow) from operating activities		(1,503)	1,304
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	3	(3,767)	-
Payment for property, plant and equipment	18	(2,706)	(1,840)
Payment for intangible assets	19	(3,356)	(1,886)
Net cash inflow/(outflow) from investing activities		(9,829)	(3,726)
Cash flows from financing activities			
Proceeds from issuance of shares		-	-
Proceeds from borrowings	5/26	6,750	-
Repayments of borrowings	5/26	(1,269)	(210)
Dividends paid to company's shareholders		-	-
Net cash inflow/(outflow) from financing activities		5,481	(210)
Net increase/(decrease) in cash and cash equivalents		(5,851)	(2,632)
Cash and cash equivalents at the beginning of the financial year		(1,224)	1,408
Cash and cash equivalents at the end of the financial year	24	(7,075)	(1,224)

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

Notes to the consolidated financial statements

Note 1 General information

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

Alfen's main geographic focus is the Netherlands, followed by Finland, Belgium, Germany, the United Kingdom 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 BVBA	Gent, Belgium	100%
Alfen International B.V.	Almere, the Netherlands	100%
Alfen Elkamo Oy Ab [1]	Pietarsaari, Finland	100%

[1] Included in the consolidated financial statements as from 1 July 2018

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 19 February 2019. The annual report will be presented to the Annual General Meeting of Shareholders for their adoption on 18 April 2019.

Note 2 Summary of significant accounting policies

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

Basis of preparation

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

This is the first set of the Company's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described under paragraph: Changes in accounting policies and disclosures.

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 7.

Until 2017, the Group presented deferred tax assets and deferred tax liabilities as separate assets and liabilities. During 2018, the Company conducted a detailed review of its deferred tax positions across jurisdictions of presence in line with the criteria of IAS 12 Income Taxes and adjusted its comparable figures at 31 December 2017 to present qualifying positions on a net basis.

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

The Company has initially adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018 ("the date of initial application"). A number of other new standards are effective from 1 January 2018 but they do not have a significant effect on the Company's consolidated financial statements.

IFRS 9 Financial Instruments

Nature of change and transitional provisions

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting.
This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Company has adopted IFRS 9 retrospectively, except as described below:

- The Company assessed the determination of the business model in which a financial asset is held based on the facts and circumstances that existed at the date of initial application;
- The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement - including impairment - requirements. Therefore, comparative periods have not been restated and differences, if any, resulting from the transition to IFRS 9 are recognised in retained earnings as at the date of initial application. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39. Additionally, the disclosure requirements in IFRS 9 have not generally been applied to comparative information.

Impact on the consolidated financial statements

The Company does not have (complex) instruments that triggered a change in accounting and does not apply any form of hedge accounting. Furthermore, based on the analysis of both historical and forward-looking information the impact of the expected loss evaluation for receivables and contract assets is considered insignificant and hence did not resulted in an opening balance adjustment. The Company therefore did not include the reconciliation table between the ending impairment allowances in accordance with IAS 39 and opening balance loss allowances under IFRS 9 as required under IFRS 7.42P.

However, based on the new debt modification guidance under IFRS 9 for non-substantial changes the Company recognised a gain of €66 thousand under Finance Income as a result of the revaluation of the existing loans due to a re-financing arrangement in January 2018.

In conclusion, the initial application of IFRS 9 has, no significant impact on the Company's (i) consolidated statement of comprehensive income, including basic and diluted earnings per share, (ii) consolidated statement of financial position and (iii) total net cash inflow / outflow from operating, investing and financing activities as disclosed in the consolidated statement of cash flows as at and for the year ended 31 December 2018. The Company therefore did not separately include reconciliation tables between the 'old standard' (IAS 39) and the 'new standard' (IFRS 9) as all information can be found in the consolidated financial statements and accompanying notes.

IFRS 15 Revenue from Contracts with Customers

Nature of change and transitional provisions

IFRS 15 establishes a comprehensive framework - the five-step model - for determining whether, how much and when revenue is recognised. The basis for recognition is the transfer of control of a good or service from the Company to a customer in such a way that the notion of control replaces the existing notion of risks and rewards.

Under the new standard revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations.

The Company has adopted IFRS 15 using the cumulative effect method on all contracts that were not yet completed at the date of initial application and applied the contract modification practical expedient, in which the Company is not required to separately evaluate the effects of contract modifications before the date of initial application.

Accordingly, the effect of initially applying this standard is recognised at the date of initial application and the information presented for 2017 has not been restated - i.e. it is presented, as previously reported, under IAS 11, IAS 18 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Impact on the consolidated financial statements

The Company has only a very limited number of contracts with multiple performance obligations, which were already separately identified and accounted for under IAS 11, IAS 18 and related interpretations. Furthermore, the Company has no significant variable consideration clauses nor significant financing components that influence the determination of the transaction price. The impact of multiple performance obligations and the subsequent allocation of the transaction price is therefore considered insignificant.

With respect to the timing of revenue recognition for Smart grid solutions and Energy storage systems, the Company maintains the already under IAS 11 applied over time revenue recognition, in which measurement towards completion of the performance obligation is determined on the basis of the costs incurred compared with the expected total costs. The timing of revenue recognition for EV charging equipment has been changed from over time revenue recognition to point-in-time revenue recognition. However, the impact upon initial application of IFRS 15 is deemed insignificant because of the small contract asset balance as at the date of initial application. The impact for the year ended 31 December 2018 is also deemed insignificant due to

the short manufacturing cycle times and subsequent transfer of control. Consequently, the revenue presented in the consolidated financial statements and accompanying notes is considered equal under IAS 11, IAS 18 and IFRS 15. The Company therefore did not include dual disclosures on revenue - i.e. reporting revenue in financial year 2018 both under IAS 11 / IAS 18 and IFRS 15 - as required under the cumulative effect method.

The presentation of contract assets and liabilities remain unchanged and are hence reported as Amounts due from customers for contract work and Amounts due to customers for contract work under Trade and other receivables and Trade and other payables, respectively.

In conclusion, the initial application of IFRS 15 has no significant impact on the Company's (i) consolidated statement of comprehensive income, including basic and diluted earnings per share, (ii) consolidated statement of financial position and (iii) total net cash inflow / outflow from operating, investing and financing activities as disclosed in the consolidated statement of cash flows as at and for the year ended 31 December 2018.

The Company therefore did not separately include reconciliation tables between the 'old standard' (IAS 11, IAS 18 and related interpretations) and the 'new standard' (IFRS 15) as all information can be found in the consolidated financial statements and accompanying notes.

Impact on critical accounting estimates and judgements

Under IFRS 15 critical accounting estimates and judgements are made with regard to the timing of revenue recognition and measurement towards completion of the performance obligation based on the cost-to-cost method. However, the Company already considered this as a critical accounting estimate and judgement under IAS 11, IAS 18 and related interpretations. The initial application of IFRS 15 has therefore no significant impact on the Company's critical accounting estimates and judgements.

New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, only IFRS 16 Leases is expected to have a significant impact on the Company's consolidated financial statements in the period of initial application. As such, the nature of change, estimated impact at initial application, mandatory application date and planned transition method for this new standard is further described below.

Nature of change

IFRS 16 was issued in January 2016 and introduces a single, on-balance sheet lease accounting model for lessees. Going forward lessees will therefore no longer be required to make the distinction between finance and operating leases that was required in the past in accordance with IAS 17 Leases.

Under IFRS 16, 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. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting, which is not applicable for the Company, remains similar to the current standard.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Estimated impact at initial application

The Company only has a limited number of lease contracts, which all have been reviewed in light of the new lease accounting rules under IFRS 16. Based on this analysis, the Company has assessed the estimated impact of IFRS 16 at initial application on its consolidated financial statements, as described below. The actual impact of adopting the standard on 1 January 2019 may change because:

- the Company has not yet completely finalised testing procedures on the IFRS 16 calculation model and is currently (re)assessing the applicable discount rates for the different lease categories; and
- the new accounting policies are subject to change until the Company presents its first consolidated financial statements that include the date of initial application.

As at the reporting date, the Company has operating lease commitments of €8.5 million (see Note 29). Of these commitments, approximately €41 thousand relate to office (printing) equipment, which is classified as low-value leases. Consequently, for these leases the Company will continue to recognise the lease expenses within other operating costs on a straight-line basis over the term of the lease, and will recognise assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

For the remaining leases, the Company will recognise new assets and liabilities for the lease categories: (i) office and factory facilities, (ii) manufacturing equipment and (iii) company cars. In contrary to low value leases, the nature of expenses related to these leases will change because the Company will recognise depreciation charges for the right-of-use assets and interest expenses on lease liabilities.

Based on information currently available, the Company estimates that it will recognise a lease liability at initial application of approximately 10% to 15% of the balance sheet total at 31 December 2018. The right-of-use assets will be set equal to the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Mandatory application date and planned transition method

The Company will apply the standard from its mandatory adoption date of 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease. In addition, the Company will opt to apply the practical expedient to measure the right-of-use assets at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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 live 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 years
Other fixed operating assets 5 years

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

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

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

Intangible assets

Goodwill

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

Other intangible assets

Research and development

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

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

Directly attributable costs that are capitalised as part of the product include the development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Expenditure on research activities is recognised as expense in the period in which it is incurred.

Customer related intangibles

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

Amortisation

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

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

Development costs 5 years
Customer related intangibles 1 – 7 years

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

Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Financial instruments - Policy applicable from 1 January 2018

Financial assets - Classification and measurement

From 1 January 2018, 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 way purchases and sales of financial assets are recognised on 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 (i) and makes no use of derivative financial instruments.

(i) 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

From 1 January 2018, 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 4.

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.

Financial instruments - Policy applicable until 31 December 2017

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

Financial assets and liabilities

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the Company classifies its financial instruments in the following categories:

- (i) Financial assets and liabilities at fair value through profit or loss
- (ii) Loans and receivables
- (iii) Available-for-sale financial assets
- (iv) Financial liabilities at amortised costs
- (v) Held-to-maturity investments

The Company only has loans and receivables (ii) and financial liabilities at amortised costs (iv) and makes no use of derivative financial instruments.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables and cash and cash equivalents are classified as 'loans and receivables', and are included in the current assets 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 assets.

Loans and receivables are initially recognised at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortised cost using the effective interest method less a provision for impairment.

(iv) 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.

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.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The Company considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation, and;

- default or delinquency in payments.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in the income statement within a separate line item. Subsequent recoveries of amounts previously written off are credited against the same line item.

Inventories

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

Contract balances

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

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

When the capitalised costs exceed the recoverable amount - i.e. (i) remaining expected amount of consideration to be received; less (ii) cost that relate directly to providing those goods or services and that have not been recognised as expenses - an impairment charge is recognised.
Contract balances are stated as a receivable (amounts due from customers for contract work) when the balance is positive. If the balance is negative, it is stated as a liability (amounts due to customers for contract work).

Trade and other receivables

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

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

Cash and cash equivalents

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

Share capital

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

Dividends

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption

amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

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

Provisions

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

Jubilee provision

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

Onerous contracts

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

Trade and other payables

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

Revenue recognition

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

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

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

Smart grid solutions

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

In case the Company does not have an enforceable right to payment, revenue is recognised at a point-in-time when control of the products are transferred to the customer, being when the goods are delivered to the

customer and when there is no unfulfilled obligation that could affect the customers' acceptance of the product.

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

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

Service related revenue within Smart grid solutions comprise 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 provide overall project management and significant system integration services. For this reason, the Company acts as a principle for the third party purchased manufactured products.

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

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

Service related revenue within Smart grid solutions comprise 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 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.

Service related revenue within EV charging equipment comprise 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, where 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 that 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 if the agreement contains a lease. Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of lease.

Finance income and expenses

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

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

Corporate income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the

initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

Notes to the cash flow statement

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

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

Note 3

Business combinations

On 1 July 2018 Alfen acquired 100% of the shares of Oy Elkamo Ab and its subsidiary Elsteel Oy (together referred to as “Alfen Elkamo”) in Finland. At 31 December 2018 both companies merged in the company called Alfen Elkamo Oy Ab.

Alfen Elkamo strengthens Alfen’s position in Smart grid solutions. In addition, Alfen intends to use Alfen Elkamo as a platform to grow its electric vehicle EV charging and energy storage businesses in the Nordics. This acquisition is consistent with Alfen’s strategy of further internationalisation and of cross-selling its broad offering to customers.

For the six months starting on 1 July until 31 December 2018, Alfen Elkamo contributed revenue of €8.4 million and a loss of €275 thousand to the Group’s results. This loss is caused by amortisation on the acquired customer related intangibles of €627 thousand. If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue would have been approximately €109 million, and consolidated profit / (loss) for the year would have been approximately €55 thousand (loss).

Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred.

In EUR '000	
Cash	4,463
Contingent consideration	-
Consideration transferred	4,463

The contingent consideration consists of an earn-out payable depending on the 2018 EBITDA of Alfen Elkamo. According to the share purchase agreement the earn-out payable starts at €800 thousand and can amount up to €1.2 million. The Company has included a liability for contingent consideration of € nil at both the acquisition date and year ended 31 December 2018 as this represents the best estimate of the fair value at both measurement dates. The estimated fair value is considered a critical accounting estimate as described in Note 7.

Acquisition-related costs

The Company incurred acquisition-related costs of €291 thousand on legal and advisory fees for due diligence and purchase price allocation. The costs have been included in operating expenses under category 'other general expenses'.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date, including the amount of goodwill.

	Note	EUR '000
Intangible assets: Development costs	19	88
Intangible assets: Customer related intangibles	19	3,302
Property, plant and equipment	18	876
Inventories		2,690
Trade and other receivables		2,885
Cash and cash equivalents		696
Borrowings		(2,284)
Deferred tax liabilities	20	(715)
Trade and other payables		(3,202)
Identifiable assets acquired		4,336
Add: Goodwill	19	127
Net assets acquired		4,463

The goodwill is attributable to the workforce of the acquired business. None of the goodwill recognised is expected to be deductible for tax purposes.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Intangible assets acquired	Location and country of incorporation
Customer related intangibles	The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer related intangibles by excluding any cash flows related to contributory assets.

The trade and other receivables comprise gross contractual amounts due of €2.8 million, of which nil was expected to be uncollectable at the date of acquisition. The Company has no measurements on a provisional basis.

Note 4

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 determined 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 knows 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 receivables
- Amounts due from customers for contract work

Trade 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 receivables and amounts due from customers for contract work.

To measure the expected credit losses, trade 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 receivables are a reasonable approximation of the loss rates for the amounts due from customers for contract work.

The expected loss rates used at initially applying IFRS 9 and as at 31 December 2018 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 macroeconomic factors affecting the ability of the customers to settle the receivables. The Company retrieves the later 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 2018 and 1 January 2018 - i.e. initial application of IFRS 9 - was determined as follows for both trade receivables and amounts due from customers for contract work:

In EUR '000	31 December 2018				
	Current amount	Overdue < 30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue > 90 days
Expected loss rate	0.1%	0.1%	0.3%	0.7%	9.2%
Gross carrying amount - trade receivables and other receivables	13,592	4,532	1,173	285	489
Gross carrying amount - amounts due from customers for contract work	9,174	-	-	-	-
Loss allowance	12	3	3	2	45

	1 January 2018				
	Current amount	Overdue < 30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue > 90 days
Expected loss rate	0.1%	0.1%	0.1%	1.8%	12.9%
Gross carrying amount - trade receivables and other receivables	7,895	2,265	935	567	389
Gross carrying amount - amounts due from customers for contract work	5,488	-	-	-	-
Loss allowance	14	2	1	10	50

Besides the loss allowance as shown in the table above, the Company recognised an additional loss allowance of € 198 thousand as a result of a significant increase in credit risk for one specific customer.

The movement in the loss allowance in respect of trade receivables and amounts due from customers for contract work during the year was as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

In EUR '000	2018	2017
Balance - At 1 January	77	27
Amounts written off	(62)	-
Net remeasurement of loss allowance	248	50
Balance - At 31 December	263	77

Trade 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 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 2018				
	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)	29,576	329	-	-	29,905
Borrowings	1,685	991	4,727	2,777	10,180
Total non-derivatives	31,261	1,320	4,727	2,777	40,085

	31 December 2017				
	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)	18,423	98	15	-	18,536
Borrowings	64	193	981	868	2,106
Total non-derivatives	18,487	291	996	868	20,642

Market risk

Foreign exchange risk

The Company mainly operates in the European Union, in those countries that use the Euro as a basis currency (see Note 23 for further details). The currency risk is limited and largely concerns positions and (future) transactions in euros. Management has determined, based on a risk assessment, that these currency risks do not need to be hedged. The Company's exposure to other foreign exchange movements is not significant and therefore no sensitivity analysis is included. The concentration risk is therefore considered low.

Price risk

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

In case the costs of raw materials and consumables and costs of outsourced work and other external costs prices increases with 1%, the impact on profit before tax is €717 thousand.

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 €147 thousand.

Note 5 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 2018 and 31 December 2017 were as follows:

In EUR '000	**31 December 2018**	**31 December 2017**
Borrowings (note 26)	9,569	1,870
Plus: bank overdrafts (note 24)	7,924	1,224
Less: cash and cash equivalents (note 24)	(849)	-
Net debt	16,644	3,094
Total equity	6,935	6,806
Total capital	23,579	9,900
Gearing ratio	240%	45%

The increase in the gearing ratio during 2018 is caused by the increased (and partly utilised) working capital credit facility up to €20 million and a separate facility of €5 million for bank guarantees. Furthermore, the Company obtained two new loans with each a principal amount of €875 thousand and a duration of 10 years. In addition, a new loan with a principle amount of €5 million and a redemption period of 7 years was obtained for the acquisition of Alfen Elkamo at 1 July 2018.

Below sets out an analysis of net debt and the movements in net debt for each of the periods presented.

In EUR '000	Cash and bank overdrafts	Borrowings	Net debt
Net debt - 1 January 2017	1,408	(2,080)	(672)
Cash flows	(2,632)	210	(2,422)
Acquisitions	-	-	-
Other changes	-	-	-
Net debt - 31 December 2017	(1,224)	(1,870)	(3,094)
Cash flows	(6,547)	(5,481)	(12,028)
Acquisitions	696	(2,284)	(1,588)
Other changes	-	66	66
Net debt - 31 December 2018	(7,075)	(9,569)	(16,644)

Other changes comprise a non-cash movement of €66 thousand as a result of the revaluation of the existing loans due to a re-financing arrangement in January 2018.

Note 6 Fair value estimation

The Company has no financial assets and liabilities measured at fair value, except for the contingent consideration liability related to the acquisition of Alfen Elkamo as at 1 July 2018 (see Note 3 Business Combinations).

At 31 December 2018 and 31 December 2017 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 7

Critical accounting estimates and judgements

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

Development costs

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

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

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

The carrying amount of capitalised development costs is €6.4 and €3.9 million at 31 December 2018 and 31 December 2017, respectively. The Company estimates the useful life of the development costs to be at 5 years based on the expected lifetime of such assets. However, the actual useful life may be shorter or longer than 5 years, depending on innovations, market developments and competitor actions.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. Further details about impairment testing are included in Note 19.

Revenue recognition

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.

Contingent consideration

The estimated fair value of the contingent consideration liability relating to the acquisition of Alfen Elkamo (see Note 3) is considered a critical accounting estimate as the actual earn-out amount payable will be based on the EBITDA, excluding special items as agreed upon in the share purchase agreement, of Alfen Elkamo for financial year 2018 under Finnish GAAP. Based on the preliminary 2018 Finnish GAAP financial information of Alfen Elkamo the threshold for an earn-out payment as defined in the share purchase agreement, is not reached.

Note 8

Segment information

Operating segments

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

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

Entity wide disclosures

Geographic information

The following table 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	2018	2017
The Netherlands	89,814	71,118
Finland	8,372	-
Belgium	3,707	3,218
	101,893	74,336

Non-current assets	31 December 2018	31 December 2017
The Netherlands	12,588	8,366
Finland	3,749	-
Belgium	15	17
	16,352	8,383

Revenue and other income by region based on the destination of products and location of projects is presented in Note 9.

Major customers

There are two customers who individually account for more than 10% of the Company's consolidated revenue. The total amount for these customers is €27.6 million.

Note 9 Revenue

The nature and effect of initially applying IFRS 15 on the Company's consolidated financial statements are disclosed in Note 2.

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

In EUR '000	2018	2017
Smart grid solutions	74,031	57,043
Energy storage systems	15,585	8,341
EV charging equipment	12,277	8,952
	101,893	74,336

Smart grid solutions and Energy storage systems revenue generated by entities domiciling in the Netherlands and Belgium amounting to €65.7 and €15.6 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. €8.4 million - as well as the Company's EV charging equipment revenue of €12.3 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	2018	2017
The Netherlands	72,930	61,165
Other European Union countries	24,524	10,720
Rest of Europe	425	157
Outside Europe	4,014	2,294
	101,893	74,336

Note 10 Other income

In EUR '000	2018	2017
Government grants	1,713	968
	1,713	968

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

Note
11

Personnel expenses

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

In EUR '000	2018	2017
Salaries and wages	15,533	9,994
Social security contributions	2,240	1,523
Pension contributions (DC)	1,429	888
Hire indirect personnel	1,430	1,206
Capitalised personnel expense	(1,578)	(838)
	19,054	12,773

The average number of FTE are:

	2018	2017
Direct employees	182	111
Indirect employees	170	96
	352	207

As per 31 December 2018, a total of 89 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 23.0% for 2018. In 2011, the industry pension fund announced a recovery plan to strengthen the fund, for which an additional premium of 2.35% (2017: 2.87%) is applicable. The base premium for 2019 is set at approximately 22.7% and an additional premium of 2.32% in relation to the recovery plan to strengthen the fund. Total expected contributions for 2019 amount to €1.9 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 317 active participants in the industry pension plan, of 145,000 active participants in the total plan. The industry pension fund has a deficit and the coverage ratio per December 2018 is 101.3%. 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 2018 is 18% (2017: 18%). The pension contributions are paid on a monthly basis to the pension fund. The expected net contribution for 2019 amounts to €646 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	2018	2017
Salaries and wages	678	636
Social security contributions	29	28
Pension costs	49	49
Other	90	78
	846	791

Key management collectively hold 1,198,000 Ordinary Shares in the share capital of the Company, which are subject to certain lock-up restrictions as described in Note 13.

Note 12 Other operating costs

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

In EUR '000	2018	2017
Housing expenses	1,059	440
Other personnel expenses	1,666	778
Development expenses	174	266
Other general expenses	5,610	3,308
	8,509	4,792

Note 13

Share-based payments

Depositary Receipts

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

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

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

Celebration Share Award Plan

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

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

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

Summary of changes in outstanding shares

Changes in outstanding shares for the period:

	2018	2017
Balance - 1 January	-	-
Celebration Share Awards - Granted	118,429	-
Celebration Share Awards - Forfeited	(9,668)	-
Celebration Share Awards - Exercised	-	-
Celebration Share Awards - Expired	-	-
Balance - 31 December	108,761	-

None of the outstanding Celebration Shares Awards are exercisable at 31 December 2018.

Fair value measurement

The Company used the Black & Scholes model to determine the fair value of the Celebration Share Awards at grant date. The market price of the Company's Ordinary Shares at grant date for the Celebration Share Award Plan was €10.

The present value for expected dividend over the two-year vesting period 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	2018	2017
Celebration Share Award Plan	392	-
Total	392	-

Note 14 Finance income and costs

In EUR '000	2018	2017
Finance cost		
Other interest expenses	(264)	(128)
Total finance cost	(264)	(128)
Finance income		
Other interest income	67	-
Total finance income	67	-
Net finance income/(expenses)	(197)	(128)

Finance income mainly comprises the gain of €66 thousand as a result of the revaluation of the existing loans due to a re-financing arrangement in January 2018.

Note 15 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	2018	2017
Current tax		
Current tax on profits for the year	(333)	(731)
Adjustments for previous years	-	(5)
Total current tax expense	(333)	(736)
Deferred income tax		
Income tax on continuing operations	477	168
Reduction in tax rates	(129)	-
Total deferred tax (expense) benefit	348	168
Total income tax expense	15	(568)

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	2018	2017
Result from continuing operations	(263)	1,721
Total income tax	15	(568)
Profit (loss) before income tax	(278)	2,289
Tax calculated based on Dutch tax rate	(25.0%)	25.0%
Tax effects of:		
Adjustments for previous years	0.0%	0.2%
Effect of tax rates in other countries	6.0%	(0.4%)
Non-taxable expenses	63.4%	0.4%
Reduction in tax rates	(46.4%)	0.0%
Other differences	(3.5%)	(0.4%)
Effective tax rate	(5.5%)	24.8%
Applicable tax rate	(25.0%)	25.0%

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

Note 16 Earnings per share

	2018	2017
Weighted average number of ordinary shares in issue (x1)	20,000,000	20,000,000
Net result attributable to shareholders	(262,940)	1,721,010
Basic earnings per share	(0.01)	0.09
Allowing for dilution, the earnings per share are as follows:		
Weighted average number of ordinary shares in issue (x1)	20,000,000	20,000,000
Net result attributable to shareholders	(262,940)	1,721,010
Diluted earnings per share	(0.01)	0.09

The outstanding ordinary shares of Alfen N.V. increased without change of resources from 18,000 shares as of 1 January 2018 to 2,000,000 shares as of 1 March 2018 and 20,000,000 shares as of 22 March 2018 (date of public listing). Consequently, the weighted number of outstanding shares amount to 20,000,000 for both financial years 2018 and 2017.

Note 17 Remuneration of the Management Board and Supervisory Board

Management Board

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

	M. Roeleveld - CEO		J. van Rossen - CFO	
In EUR '000	**2018**	**2017**	**2018**	**2017**
Salaries and wages	240	204	207	202
Social security contributions	15	13	14	13
Pension costs	36	37	13	12
Other	22	26	22	23
	313	280	256	250

In addition to the remuneration presented above, both the CEO and CFO received a bonus of €50 thousand from Infestos Nederland B.V., an affiliated company of related parties Infestos Energy Transition B.V. and Infestos Holding M B.V., which is not part of the remuneration policy.

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

Shareholder	Number of ordinary shares
M. Roeleveld - CEO	520,582
J. van Rossen - CFO	208,650

These Ordinary Shares are subject to lock-up restrictions as described in Note 13.

No 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	2018	2017
H. ten Hove	42	-
E.Q. van der Arend	23	-
D.W.E Riefel	-	-
	65	-

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

Note 18 Property, plant and equipment

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

In EUR '000	Buildings	Furniture, fittings and equipment	Assets under construction	Total
At 1 January 2017				
Cost	4,092	5,443	191	9,726
Accumulated impairments and depreciation	(2,081)	(4,482)	-	(6,563)
Net book value	2,011	961	191	3,163
Year ended 31 December 2017				
Opening net book value	2,011	961	191	3,163
Additions	1,414	617	(191)	1,840
Acquisitions	-	-	-	-
Disposal	(32)	(36)	-	(68)
Depreciation for the year	(164)	(404)	-	(568)
Depreciation of disposal	32	36	-	68
Consolidation and deconsolidation	-	-	-	-
Closing net book value	3,261	1,174	-	4,435
At 1 January 2018				
Cost	5,474	6,024	-	11,498
Accumulated impairments and depreciation	(2,213)	(4,850)	-	(7,063)
Closing net book value	3,261	1,174	-	4,435
Year ended 31 December 2018				
Opening net book value	3,261	1,174	-	4,435
Additions	440	1,760	506	2,706
Acquisitions	26	850	-	876
Disposal	-	-	-	-
Depreciation for the year	(242)	(588)	-	(830)
Depreciation of disposal	-	-	-	-
Consolidation and deconsolidation	-	-	-	-
Closing net book value	3,485	3,196	506	7,187
At 31 December 2018				
Cost	5,940	8,634	506	15,080
Accumulated impairments and depreciation	(2,455)	(5,438)	-	(7,893)
Closing net book value	3,485	3,196	506	7,187

Note 19 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 2017				
Cost	-	-	4,936	4,936
Accumulated impairments and amortisation	-	-	(1,844)	(1,844)
Net book value	-	-	3,092	3,092
Year ended 31 December 2017				
Opening net book value	-	-	3,092	3,092
Additions	-	-	1,886	1,886
Acquisitions	-	-	-	-
Amortisation for the year	-	-	(1,030)	(1,030)
Consolidation and deconsolidation	-	-	-	-
Closing net book value	-	-	3,948	3,948
At 1 January 2018				
Cost	-	-	6,822	6,822
Accumulated impairments and amortisation	-	-	(2,874)	(2,874)
Net book value	-	-	3,948	3,948
Year ended 31 December 2018				
Opening net book value	-	-	3,948	3,948
Additions	-	-	3,356	3,356
Acquisitions	127	3,302	88	3,517
Amortisation for the year	-	(627)	(1,029)	(1,656)
Consolidation and deconsolidation	-	-	-	-
Closing net book value	127	2,675	6,363	9,165
At 31 December 2018				
Cost	127	3,302	10,266	13,695
Accumulated impairments and amortisation	-	(627)	(3,903)	(4,530)
Net book value	127	2,675	6,363	9,165

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 2018 was 16.5% (2017: not applicable).
- Residual value: based on a terminal growth rate of 2.0% (2017: not applicable).

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 6.5 years and for the order backlog nil.

Development costs

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

Total cost for R&D, including amortisation of the capitalised development costs amount to €2.6 and €1.6 million for the years ended 31 December 2018 and 31 December 2017, respectively.

Note 20 Deferred tax balances

The balance comprises temporary differences attributable to:

In EUR '000

Deferred tax assets	31 December 2018	31 December 2017
Property, plant and equipment	73	65
Carry forward losses	59	59
Goodwill	225	300
Total	357	424
Of which:		
Current (<1 year)	38	38
Non-current (>1 year)	319	386

Deferred tax liabilities	31 December 2018	31 December 2017
Property, plant and equipment	44	-
Intangible assets	1,933	987
Maintenance provision	38	37
Total	2,015	1,024
Of which:		
Current (<1 year)	506	256
Non-current (>1 year)	1,509	768

	31 December 2018	31 December 2017
Net deferred tax assets	59	59
Net deferred tax liabilities	1,717	659

Note 21 Inventories

In EUR '000	31 December 2018	31 December 2017
Raw materials	9,517	3,487
Total	9,517	3,487

During 2018 inventories of €330 thousand were written down to net realisable value (2017: €222 thousand).

Note 22 Financial instruments by category

In EUR '000	31 December 2018	31 December 2017
Assets	Financial assets at amortised cost	Financial assets at amortised cost
Trade and other receivables	28,749	17,539
Cash and cash equivalents	849	-
Total	29,598	17,539

	31 December 2018	31 December 2017
Liabilities	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Borrowings	9,569	1,660
Bank overdrafts	7,924	1,224
Trade and other payables	29,905	18,536
Total	47,398	21,420

Note 23 Trade and other receivables

In EUR '000	31 December 2018	31 December 2017
Trade receivables	19,112	11,810
Less: loss allowance	(263)	(77)
Trade receivables - net	18,849	11,733
Amounts due from customers for contract work	9,174	5,488
Other taxes	120	18
Other receivables	606	300
	28,749	17,539
Less non-current portion	-	-
Current portion	28,749	17,539

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 receivables and amounts due from customers for contract work is included in Note 4.

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

In '000 Currency	31 December 2018	31 December 2017
EUR	28,703	17,480
GBP	46	59

Transfer of trade receivables

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 26). 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 have not been derecognised and the associated liabilities.

In EUR '000	31 December 2018	31 December 2017
Carrying amount of trade receivables transferred to a bank	1,686	-
Carrying amount of associated liabilities	(1,349)	-

Contract balances

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

In EUR '000	31 December 2018	31 December 2017
Amounts due from customers for contract work	9,174	5,488
Amounts due to customers for contract work	(2,236)	(1,370)
Total	6,938	4,118
The net position relates to:		
Aggregate costs incurred and recognised profits (less recognised losses) to date	27,589	17,220
Less: progress billings	(20,651)	(13,102)
Total	6,938	4,118

Amounts due from customers for contract work concern the Company's right to consideration for work completed but not invoiced at 31 December 2018, 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 €1.4 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 2018.

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

The amount of revenue recognised in the period ended 31 December 2018 from performance obligations satisfied (or partly satisfied) in prior reporting period is € nil.

No information is provided about remaining performance obligations at 31 December 2018 that have an original expected duration of one year or less, as allowed by IFRS 15.

Note 24 Cash and cash equivalents

In EUR '000	31 December 2018	31 December 2017
Cash and cash equivalents	849	-
Bank overdrafts	(7,924)	(1,224)
Total	(7,075)	(1,224)

The cash and cash equivalents are freely disposable to the Company, except for an amount of €14 thousand on so called G-accounts.

Note 25 Equity

Share capital

Share capital at 31 December 2018 of €2 million is divided into 20,000,000 ordinary shares, fully paid-up, with a par value of €0.1 each. Total shares authorised comprise of 40,000,000 ordinary shares.
The outstanding ordinary shares of Alfen N.V. increased from 18,000 shares as of 1 January 2018 to 2,000,000 shares as of 1 March 2018 and 20,000,000 shares as of 22 March 2018 (date of public listing).

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 €3.3 million are restricted due to a legal reserve of €6.4 million which is not available for distribution.

Result for the year

The proposal to the General Meeting is that an amount of €263 thousand (loss) will be recognised in retained earnings.

Note 26 Borrowings

In EUR '000	31 December 2018	31 December 2017
Borrowings	9,569	1,870
Total	9,569	1,870

The repayment obligation as per 31 December 2018 is as follows:

In EUR '000	31 December 2018	Repayment obligation in 2019	Remaining term >1 year and <5 year	Remaining term >5 years
Borrowings	9,569	2,534	4,335	2,700
	9,569	2,534	4,335	2,700

Repayments due within 12 months of the reporting date have been recognised as current liabilities, amounting to €2.5 million per 31 December 2018 (2017: €210), of which €1.5 million is related to the factoring liability described in Note 23.

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

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

- (i) a mortgage loan with a duration of 10 years and a principal amount of €1.5 million used for the purchase of the building located at the Hefbrugweg Almere;
- (ii) a mortgage loan with a duration of 15 years and a principal amount of €900 thousand used for the purchase of the building located at the Vlotbrugweg Almere;
- (iii) two loans with each a principal amount of €875 thousand and a duration of 10 years used for the refurbishment of the buildings located at the Hefbrugweg Almere;
- (iv) a loan with a principle amount of €5 million and a redemption period of 7 years used for the acquisition of Alfen Elkamo at 1 July 2018; and
- (v) a working capital credit facility up to €20 million and a separate facility of €5 million for bank guarantees (2017: €8 million).

The 2018 interest rate is 1.9% (2017: 2.66%).

The bank has first ranked mortgages on the real estate owned by the Company with a carrying amount of €3.5 million per 31 December 2018. The real estate has an economic value of €6.4 million (2017: €3.7 million).

The following securities have been issued:

- a first ranked mortgage that amounts to €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 that amounts to €900 thousand for land and buildings on the Vlotbrugweg 24, 1332 AJ Almere, cadastral known as section M number 60, Almere;
- a second mortgage right on the abovementioned buildings of €1.7 million;
- a first pledge for
  - all current and future equipment of the Company;

  - o all current and future stocks of the Company;
  - o all current and future rights and receivables whether or not resulting from current and future relationships, including the rights from insurance agreements.
- a mandatory redemption clause in case the Company decides to sell its interest in Alfen Elkamo, which is capped at the proceeds from selling the interest.

Other specific conditions related to the credit facility are:

- a negative pledge and the "pari passu";
- a non-distribution clause;
- comply with a minimal EBITDA-covenant on a consolidated level (adjusted for capitalised development costs and share-based payment expenses related to the Celebration Share Award Plan) of €1.5 or €2.5 million depending on a net debt below or above €10 million, respectively.

The EBITDA-covenant was not met as at 31 December 2018. However, the Company obtained a waiver from the bank for the 2018 EBITDA-covenant.

Note 27 Provisions

In EUR '000			
Balance - 1 January 2018	29	**Balance - 1 January 2017**	29
Additions	7	Additions	8
Deductions	(3)	Deductions	(8)
Other	-	Other	-
Balance - 31 December 2018	33	**Balance - 31 December 2017**	29
Of which:			
Current (<1 year)	8		8
Non-current (>1 year)	25		21

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 include estimated remaining employment terms and a discount percentage of 4%.

Note 28 Trade and other payables

In EUR '000	31 December 2018	31 December 2017
Trade payables	21,790	13,014
Amounts due to customers for contract work	2,236	1,370
Due to affiliated companies	-	-
Other taxes	1,994	1,614
Other liabilities	3,885	2,538
Total	29,905	18,536

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.

Note 29 Contingencies and commitments

The off balance sheet commitments for lease are as follows:

(in million EUR)	31 December 2018	31 December 2017
No later than 1 year	1.6	0.6
Later than 1 year and no later than 5 years	4.2	0.9
Later than 5 years	2.7	-
Total	8.5	1.5

The commitments for leasing mainly relate to office and factory facilities and company cars. The commitments in respect to operational lease are nominal amounts and are charged to the income statement on a linear basis.

Bank guarantees for an amount of €880 thousand are outstanding at 31 December 2018 with different end dates in financial year 2019.

A property rental claim has been filed in respect of a group company. On 18 October 2017 the court concluded in favour of the group company. The counterpart had the ability to appeal at a higher court until 18 January 2018. On 16 January 2018 the counterpart gave the group company formal notice that they will appeal.

In June 2018 the Company decided solely from a cost saving perspective to settle the property rental claim for an amount of €63 thousand in order to avoid expensive legal costs and time consuming preparations and court attendances.

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 consist 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.

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 11);
- Share-based payments (note 13);
- Remuneration of the Management Board and Supervisory Board (note 17).

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

- Infestos Energy Transition B.V. and Infestos Holding M B.V. provide advisory and consulting services related to strategic decision making, change management projects and processes and various other services, including those related to legal, financial, organisational matters and other relevant expertise, for which a management fee was charged to the Company of €255 thousand for both the years ended 31 December 2018 and 31 December 2017, respectively.

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Alfen N.V.
Amsterdam, the Netherlands

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Company balance sheet

In EUR '000	Note	31 December 2018	31 December 2017
(before appropriation of profit)			
Assets			
Non-current assets			
Property, plant and equipment	4	1,339	1,357
Investments in subsidiaries	5	12,070	11,548
		13,409	12,905
Current assets			
Receivables	6	1,237	417
Cash and cash equivalents	7	-	-
		1,237	417
		14,646	13,322
Equity and liabilities			
Shareholder's equity	8		
Share capital		2,000	18
Share premium		1,913	3,895
Legal and statutory reserves		6,363	3,948
Retained earnings		(3,078)	(2,776)
Result for the year		(263)	1,721
		6,935	6,806
Provisions	5	375	-
Non-current liabilities	9	659	760
Current liabilities	10	6,677	5,756
		14,646	13,322

Company income statement

In EUR '000	Note	2018	2017
Depreciation on property, plant and equipment	4	(67)	(62)
General expenses		70	48
Operating profit (loss)		3	(14)
Finance income		-	-
Finance expenses		-	-
		-	-
Profit (loss) before income tax		3	(14)
Income tax expense		(1)	7
Share of net profit of investments in subsidiaries	5	(265)	1,728
Profit (loss) for the period after income tax		(263)	1,721

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).

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

Note 2

Basis of preperation

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

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

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

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 that control ceases.

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

Note 4 Property, plant and equipment

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

In EUR '000	Buildings
At 1 January 2017	
Cost	1,286
Accumulated impairments and depreciation	-
Net book value	1,286
Movements in book value	
Additions	133
Disposals	-
Depreciation for the year	(62)
Depreciation of disposals	-
	71
At 31 December 2017	
Cost	1,419
Accumulated impairments and depreciation	(62)
Closing net book value	1,357
At 1 January 2018	
Cost	1,419
Accumulated impairments and depreciation	(62)
Net book value	1,357
Movements in book value	
Additions	49
Disposals	-
Depreciation for the year	(67)
Depreciation of disposals	-
	(18)
At 31 December 2018	
Cost	1,468
Accumulated impairments and depreciation	(129)
Closing net book value	1,339

Note 5 Investments in subsidiaries

The movement in subsidiaries during the years was as follows:

In EUR '000	Investment in subsidiaries
At 1 January 2017	
Investment in subsidiaries	9,820
Movements in book value	
Investments	-
Share of profit in participations	1,728
Capital contribution	-
Dividend received	-
	1,728
At 31 December 2017	
Investment in subsidiaries	11,548
At 1 January 2018	
Investment in subsidiaries	11,548
Movements in book value	
Investments	412
Share of profit in participations	(265)
Reclassification to provision for loss making subsidiaries	375
Capital contribution	-
Dividend received	-
	522
At 31 December 2018	
Investment in subsidiaries	12,070

The reclassification of €375 thousand to provision for loss making subsidiaries is related to the negative equity value of Alfen International B.V.

The Company is wholly and severally liable for the loans of Alfen International B.V. Consequently, a provision for loss making subsidiaries of €375 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 2018
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 BVBA, Gent	100%
Alfen Elkamo Oy Ab, Pietarsaari	100%

Note 6 Receivables

In EUR '000	31 December 2018	31 December 2017
Corporate income tax	559	-
Due from affiliated companies	678	293
Other receivables	-	124
Total	1,237	417

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 2018	31 December 2017
Cash and cash equivalents	-	-
Total	-	-

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

Note 8 Shareholders' equity

Share capital

Share capital at 31 December 2018 of €2 million is divided into 20,000,000 ordinary shares, fully paid-up, with a par value of €0.1 each. Total shares authorised comprise of 40,000,000 ordinary shares.

The outstanding ordinary shares of Alfen N.V. increased from 18,000 shares as of 1 January 2018 to 2,000,000 shares as of 1 March 2018 and 20,000,000 shares as of 22 March 2018 (date of public listing).

Share premium

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

Legal and statutory reserves

The legal and statutory reserves relate to a reserve for capitalised development costs of the subsidiaries.

Result for the year

The proposal to the General Meeting is that an amount of €263 thousand (loss) 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 2017	18	3,895	3,092	(3,086)	1,166	5,085
Dividend	-	-	-	-	-	-
Allocation of prior result	-	-	-	1,166	(1,166)	-
Additions	-	-	856	(856)	-	-
Profit (loss) for the period	-	-	-	-	1,721	1,721
Balance - 31 December 2017	18	3,895	3,948	(2,776)	1,721	6,806
Balance - 1 January 2018	18	3,895	3,948	(2,776)	1,721	6,806
Issuance of ordinary shares	1,982	(1,982)	-	-	-	-
Share-based payment transactions	-	-	-	392	-	392
Dividend	-	-	-	-	-	-
Allocation of prior result	-	-	-	1,721	(1,721)	-
Additions	-	-	2,415	(2,415)	-	-
Profit (loss) for the period	-	-	-	-	(263)	(263)
Balance - 31 December 2018	2,000	1,913	6,363	(3,078)	(263)	6,935

Note 9 Non-current liabilities

In EUR '000	31 December 2018	31 December 2017
Borrowings	659	760
Total	659	760

The repayment obligation as per 31 December 2018 is as follows:

In EUR '000	31 December 2018	Repayment obligation in 2019	Remaining term >1 year and <5 year	Remaining term >5 years
Borrowings	719	60	214	445
Total	719	60	214	445

Repayment due within 12 months of the reporting date in the sum of €60 thousand (2017: €60 thousand) have been recognised as current liabilities.

Reference is made to Note 26 of the consolidated financial statements.

Note 10 Current liabilities

In EUR '000	31 December 2018	31 December 2017
Repayment obligation borrowings	60	60
Credit institutions	4,141	1,217
Trade payables	116	27
Due to affiliated companies	2,266	4,124
Corporate income tax	-	256
Other taxes	(14)	(9)
Other liabilities and accrued expenses	108	81
Total	6,677	5,756

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 28 of the consolidated financial statements.

Note 11 Contingencies and commitments

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 consist 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.

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	
	2018	2017	2018	2017	2018	2017
Audit of the financial statements	109	67	-	-	109	67
Other audit procedures	138	1	-	-	138	1
Tax services	-	-	-	-	-	-
Other non-audit services	-	76	-	-	-	76
Total	247	144	-	-	247	144

The fees listed above relate to the services provided to the Company by accounting firms and external independent auditors as referred to in Section 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta).

These fees relate to the audit of the 2018 and 2017 financial statements, regardless of whether the work was performed during the financial year.

Note 13 Average numbers of employees

During the year 2018, the average number of employees, based on full time equivalents, was 3 (2017: 3). Of these employees no employees were employed outside the Netherlands.

Note 14 Events after reporting period

There are no events after the reporting period.

Authorisation of the financial statements

Almere, 19 February 2019

Alfen N.V.

Board of Directors,

Marco Roeleveld	**Jeroen van Rossen**
CEO	CFO

Supervisory Board,

Henk ten Hove	**Edmond van der Arend**	**Erwin Riefel**

Other information

Alfen N.V.
Amsterdam, the Netherlands

Other information
for the year ended 31 December 2018

Provision in the Articles of Association relating to profit appropriation

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

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

Independent auditor’s report

We refer to the following page.

Independent auditor's report

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

Report on the financial statements 2018

Our opinion

In our opinion:

- Alfen N.V.'s consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- Alfen N.V.'s company financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 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 2018 of Alfen N.V., Amsterdam ('the Company'). The financial statements include the consolidated financial statements of Alfen N.V. together with its subsidiaries ('the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the following statements for 2018: the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statements of cash flows; and
- the notes to the consolidated financial statements, comprising the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2018;
- the company income statement for the year then ended;
- the notes to the company financial statements, comprising the accounting policies and other explanatory information.

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

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T: +31 (0) 88 792 00 30, F: +31 (0) 88 792 95 08, www.pwc.nl

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

Our audit approach

Overview and context

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

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

The listing on the Amsterdam Stock Exchange on 22 March 2018 characterised the financial year 2018 and resulted in a wider range of stakeholders for the financial statements. Additionally Alfen N.V acquired Oy Elkamo Ab and Elsteel Oy (hereafter "Elkamo") on 1 July 2018.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 7 of the notes to the consolidated financial statements the company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the estimates in contract work and the accounting for the acquisition of Elkamo, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. In addition, we determined the capitalisation of development costs as a key audit matter given the significant judgement involved, in determining whether such costs should be capitalised.

An area of focus, that was not considered a key audit matter was the accounting for the share-based payments.

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

We ensured that the audit teams both at group and at component levels included the appropriate skills, competences and industry knowledge, which are needed for the audit of Alfen N.V. We therefore included specialists in the area of IT, experts in the fields of valuation for the purchase price allocation and specialists for the accounting of share-based payments, in our team.

The outline of our audit approach was as follows:

Materiality

- overall materiality: € 815,000.

Audit scope

- we conducted audit work in the Netherlands and Finland;
- we paid particular attention to the material acquisition of Elkamo that took place in Finland; and
- we obtained the following coverage: 96% of consolidated revenue, 87% of consolidated total assets and 94% of consolidated profit before tax.

Key audit matters

- estimates in contract work;
- accounting for the acquisition of Elkamo; and
- capitalisation of development costs.

Materiality

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

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below.

These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€815,000.
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 revenues as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. The company is still developing products and expanding internationally, and the main focus of the stakeholders and the company is on growth of revenue. On this basis, we believe that revenues is an important metric for the financial performance of the company.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €150,000 and €815,000. Certain components were audited at the materiality determined for a local statutory audit, that was also less than our overall group materiality.

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

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €40,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

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

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

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

We further subjected four components, Alfen N.V., Alfen International B.V., Alfen ICU B.V. and Alfen Elkamo, to audits of 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	96%
Total assets	87%
Profit before tax	94%

None of the remaining components represented more than 4% of total group revenue or 5% of total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

The group engagement team performed the audit work for the Dutch entities Alfen N.V., Alfen B.V. and Alfen ICU B.V. For the component Alfen Elkamo we used a component auditor, familiar with the local laws and regulations to perform the audit work. Where the component auditor performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

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

We had calls with the component auditor during the year including upon the conclusion of their work and we reviewed the report received from the component auditor. During these calls, we discussed the audit approach, the significant accounting and audit issues identified by the component auditor, the reports of the component auditor, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements.

The group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex items at the head office. These included the audit of the valuation of goodwill, the purchase price allocation, the accounting for the share-based payments, financing and the tax position.

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

Key audit matters

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

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

Key audit matter	Our audit work and observations
Estimates in contract work *Refer to note 23 to the financial statements*	
The net balance sheet position of contract work amounts to €6.9 million and comprises of electricity grid solutions and energy storage systems and solutions. This net balance consists of €27.6 million of contract assets, being the aggregated cost incurred and recognised profits and losses less €20.7 million progress billing. Alfen N.V. implemented IFRS 15 in 2018. The IFRS 15 implementation had a limited effect on revenue recognition. For contract work, Alfen N.V. uses the cost incurred on the contract in relation to the cost to complete as a measure to determine the progress to completion of the performance obligation. The cost to complete is the most important estimate for Alfen N.V. for determining measurement towards completion of the performance obligation, as well as for assessing the need for provisions for loss making contracts. The estimates in contract work is considered a key audit matter due to the magnitude of this balance and the judgement required from management to determine the cost to complete. The cost to complete comprises the materials used for production, which is the majority, hours needed for production and transportation costs. Due to the magnitude, the most critical estimate in the cost to complete relates to the materials used for production.	We gained an understanding of Alfen N.V.'s contract work, including significant estimates made by management, such as those regarding the cost to complete, the measurement of progress towards complete satisfaction of performance obligations, contract modifications and variable considerations. We determined that the cost to complete is the most critical input to determine the measurement of progress towards complete satisfaction of the performance obligation. In addition, we gained an understanding of and evaluated Alfen N.V.'s internal controls including IT systems, relevant to the estimates in contract work, including how estimation uncertainty is addressed. We tested the operational effectiveness of the internal controls such as the monthly detailed review of project progress. As part of our risk assessment procedures, we performed look-back procedures to assess the quality of management estimates, by comparing actual costs in the current financial year to the estimated cost to complete in prior year's financial statements. 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. We selected a sample of contracts to test the cost to complete the performance obligation, based on qualitative factors, such as the risk profile and the stage of the project and quantitative factors, such as the revenue of the performance obligation and the balance of the contract asset per 31 December 2018.

<table>
<tr><th>Key audit matter</th><th>Our audit work and observations</th></tr>
<tr><td>The majority of the contracts contains one performance obligation and includes client-specific and detailed technical descriptions and breakdowns of expected costs. Management periodically monitors the financial and technical progress of the performance obligation in comparison with the detailed breakdowns of expected costs.</td><td>We tested the accuracy of the cost, which serves as the input for management's measurement of the progress towards the completion of the contract. We attended site visits per 31 December 2018 to test the existence and the stage of satisfaction of the performance obligation.

We tested the cost to complete and challenged management estimates applied by comparing the inputs to supporting evidence, such as external prices of materials in inventory or other projects, progress reports and progress meetings held. In addition, we tested the mathematical accuracy of the budgets and progress reports used and reconciled these to the project administration.

Based on our procedures, we consider management's estimates in contract work to be supported by available evidence. In addition, we found the related disclosure to be adequate.</td></tr>
<tr><td colspan="2">Capitalisation of development costs
Refer to note 19 to the financial statements</td></tr>
<tr><td>The intangible assets of Alfen N.V. amounts to €9.2 million of which €6.4 million relates to capitalised development costs for smart grid solutions, electric vehicle charging equipment and energy storage. During 2018, Alfen N.V. capitalised €3.4 million of development cost for new products or systems or for new features to existing products or systems.

Management applies significant judgement regarding the determination on whether to capitalise development costs. This determination is highly dependent on:
• the assessment on whether the development project relates to a new feature or a (necessary) improvement of an existing feature;
• the technical feasibility of the project; and
• the likelihood of the project delivering sufficient future economic benefits.

Given the high level of judgement required from management to determine whether or not the capitalization criteria are met, we considered this area to be a key audit matter</td><td>We gained an understanding of and evaluated Alfen N.V.'s process with regard to the capitalization of development costs. As part of our risk assessment procedures, we performed look-back procedures.

We obtained a listing of all individual projects where development cost were capitalised in the period. For a selected sample we obtained explanations and documentation from management on how the project met the criteria for capitalisation of development costs.

We tested management's assessment on whether development costs met the criteria as set out in IAS 38. We challenged management on whether the development costs relate to a new product or feature which enables Alfen N.V. to participate in new markets and the technical feasibility of the project.

We obtained management's technical business plan and discussed this with management. We evaluated reasonableness of future economic benefits and we obtained evidence such as contracts with new customers.

We conducted interviews with individual project managers, responsible for the projects selected, to corroborate management's explanations and to obtain an understanding of the specific project to enable us to assess independently whether the projects met all the</td></tr>
</table>

Key audit matter	Our audit work and observations
	criteria for capitalisation. We found the explanations obtained from individual project managers to be consistent with those obtained from management and our understanding of developments in the business. In addition, we tested the accuracy of the costs by testing a sample of external costs with invoices and internal costs with time registration. Based on the procedures performed we found the capitalised development costs to be supported with available evidence.
Accounting for acquisition of Elkamo *Refer to note 3 to the financial statements*	
On 1 July 2018 Alfen N.V. acquired 100% of the shares in Elkamo. For this acquisition the initial purchase price allocation was performed, resulting in an increase of net assets of €4.5 million per that date. Through this acquisition, revenues increased with €8.4 million over the period 1 July 2018 until 31 December 2018. Acquisition accounting comprises significant estimates regarding the valuation of (intangible) assets to be recognised. Management appointed an expert to identify and value the acquired goodwill, assets and liabilities. For the acquisition of Elkamo management determined that intangible assets must be recognised for the customer related intangibles, which comprise customer relationships and order backlogs. Per 1 July 2018 the customer relationships were valued at €2.8 million and the order backlogs were valued at €0.5 million. The valuation of customer relationship is based on the historical churn analyses to determine the expected future revenues of Elkamo, the allocation of those future revenues to the customer relationships, the weighted average cost of capital and the terminal growth rate were used in the determination of the valuation. Given the high level of management estimates on assumptions such as future results, growth rates, customer churn and weighted average cost of capital we considered this to be a key audit matter.	We involved our own valuation expert in our audit procedures on the purchase price allocation. We challenged management's expert on the appropriateness of the identified assets and (contingent) liabilities based on market information. For the identified customer-related intangibles we assessed the appropriateness of the applied valuation approach, including the accuracy of the valuation methodology against commonly used valuation techniques. Moreover, we tested the weighted average cost of capital and weighted average return on assets. For the order backlog, we reviewed the analysis of the pipeline and we assessed whether the appropriate components, such as cost savings for marketing and sales costs were considered. We assessed the expected future revenues of Elkamo against historical customer churn. Based on our procedures, we found the applied methodology and the key assumptions used by management in the valuation of the customer related intangibles, such as the customer churn and the used WACC, to be supported with available evidence. In addition, we found the related disclosure to be adequate.

Report on the other information included in the annual report

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

- 2018 at a glance;
- about Alfen;
- the report of the Management Board;
- the report of the Supervisory Board; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

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

The management board is responsible for the preparation of the other information, including the report of the management board and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Alfen N.V. on 9 November 2018 by the supervisory board.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 12 to the company financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast

significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Utrecht, 19 February 2019
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A.C. Mulder RA

Appendix to our auditor's report on the financial statements 2018 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 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. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Colophon

Alfen Annual Report 2018
Alfen N.V.

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Alfen
Annual Report 2018