

## STATEMENT IN PREPARATION OF AGM OF ALFEN N.V. 8 APRIL 2020

### Introduction

During the annual general meeting of shareholders Alfen N.V. (the **Company**) on 8 April 2020 shareholder approval is sought to adopt the Company's amended remuneration policy with effect of 1 January 2020 (the **Remuneration Policy**) (Item 5a) and to separately approve the long-term incentive plan (Item 5b). In this statement, the supervisory board of the Company (the **Supervisory Board**) provides additional information on (i) the applicable performance targets and (ii) the benchmark group.

### Performance targets

In line with Article 2:135(6)(e)(1) of the Dutch Civil Code (**DCC**), the Remuneration Policy describes the financial and non-financial performance criteria that will be taken into account for the grant of variable remuneration.

As regards the STI, paragraph 5.3 of the Remuneration Policy states that with respect to the:

- (1) financial performance, the Supervisory Board will select a minimum of two (2) conditions for all members of the management board of the Company (the **Management Board**) such as, but not limited to: (i) revenues, (ii) Adjusted EBITDA, (iii) ROI and (iv) working capital; and
- (2) non-financial performance conditions, the Supervisory Board will select a maximum of five (5) indicators for each individual member of the Management Board that are derived from or linked to the five year business plan of the Company, reflecting the Company long-term strategy, such as, but not limited to: (i) safety score, (ii) customer satisfaction, (iii) footprint reduction and CO2 emissions, (iv) use of energy, (v) diversity, (vi) pricing strategy, (vii) internationalisation, (viii) procurement, (viii) W/C management and (ix) new product introductions.

As regards the LTI, paragraph 5.4 of the Remuneration Policy states that with respect to the:

- (1) financial performance conditions, the Supervisory Board will select a minimum of two (2) conditions for all members of the Management Board such as, but not limited to: (i) revenue growth, (ii) Adjusted EBITDA / profitability, (iii) ROI, (iv) average financial growth (v) and total shareholder return.
- (2) non-financial performance conditions, the Supervisory Board will select a maximum of five (5) indicators for all members of the Management Board that are derived from or linked to the five year business plan of the Company, reflecting the Company's long-term strategy such as, but not limited to: (i) safety score, (ii) customer satisfaction, (iii) footprint reduction and CO2 emissions, (iv) use of energy, (v) diversity, (vi) pricing strategy, (vii) internationalisation, (vii) procurement, (viii) W/C management and (ix) new product introductions.

The actual financial and non-financial performance conditions will be set by the Supervisory Board annually taking into account the strategy of the Company (taking into account the five year business plan of the Company) reflecting the Company's long term interests. As such, these conditions are closely linked to enhancing the sustainable performance of the Company and long-term value creation.

The Supervisory Board decided to include a list of possible targets instead of the actual targets that will apply for the year 2020 onwards for two reasons:

- (1) to have some flexibility in setting performance targets for upcoming performance years taking into account the Company's and stakeholder's interests, the Company's strategy and key demands at such moment in line with the procedures and principles as set out in the Remuneration Policy without the need to amend the Remuneration Policy for (potentially) each future performance year; and

- (2) to be able to differentiate between the performance targets for the CEO and the CFO taking into account the Company's and stakeholder's interests, the Company's strategy and key demands and the individual's required key focus at such moment in line with the procedures and principles as set out in the Remuneration Policy without the need to amend the Remuneration Policy in future years.

The Supervisory Board will, going forward, report on the actual performance conditions for the STI and LTI for any financial year, the actual weighting and performance outcome in the remuneration report over such financial year in accordance with Article 2:135b(3)(d) DCC.

By way of example, subject to adoption of the Remuneration Policy, the following selection of performance targets has been made by the Supervisory Board for the STI and LTI grant for the financial year 2020.

<b>STI performance KPI's 2020 for the CEO</b>	
Financial performance conditions	(i) Revenues (ii) Adjusted EBITDA
Non financial performance conditions	(i) New product introductions (ii) Footprint reduction and CO2 emissions

<b>STI performance KPI's 2020 for the CFO</b>	
Financial performance conditions	(i) Revenues (ii) Adjusted EBITDA
Non financial performance conditions	(i) Procurement (ii) W/C management

<b>LTI performance KPI's 2020 for the CEO and CFO (i.e. under the proposed long-term incentive plan)</b>	
Financial performance conditions	(i) Revenue growth (ii) Adjusted EBITDA percentage
Non financial performance conditions	(i) Internationalisation (ii) Safety score (iii) Footprint reduction and CO2 emissions

### **Benchmark group**

As set out in the Remuneration Policy, it is proposed to set the total remuneration package of the members of the Management Board at the median level (over the coming 2 years) of the total remuneration package of management board members of a certain benchmark group. This benchmark group is based on a selection of 14 small cap funds in the Netherlands. By means of this statement, we provide you with more information around this benchmark group.

The Supervisory Board, in consultation with an external advisor, determined the benchmark group, based on the following criteria (as measured per Q4 2019):

- Companies that are included in the AScX index at Euronext Amsterdam as well as other listed Dutch companies with their headquarters in the Nederland;
- Within a range of 0.25 – 4.0 times the market capitalization of Alfen;
- Within a range of 0.4 – 2.5 times the revenue of Alfen;
- Within a range of 0.4 – 2.5 times the number of employees of Alfen;
- Excluding those companies operating in the financial, real estate and pharmaceutical industry (as these companies operate under very different (financial) legislation and within different market dynamics).

This resulted in the following benchmark group: N.V. Nederlandsche Apparatenfabriek Nedap, ICT Group N.V., Ordina N.V., Sif Holding N.V., Kendrion N.V., Stern N.V., Batenburg Techniek N.V., Avantium N.V., DPA N.V., Lucas Bols N.V., Holland Colours N.V., Neways N.V., Ctac N.V. and Hydratec Industries N.V.

The benchmark group may change in the future as a result of, for example, corporate events.

**Conclusion**

We hope this information is valuable in preparation of the upcoming annual general meeting of shareholders of Alfen N.V. For additional information or questions, please contact Mr. Adriaan van Tests, Investor Relations Manager, +31 36 526 0019.