

Alfen

Semi-annual Report 2024

Enabling the
energy transition

ALFEN N.V.



ALFEN



Unaudited Condensed Interim Consolidated Financial Statements for the six months ended 30 June 2024

Alfen N.V.
Amsterdam, the Netherlands

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Report of the Management Board

Report of the Management Board

This semi-annual report of Alfen N.V. (hereafter “Alfen” or “the Company”) for the six months ended 30 June 2024 consists of the semi-annual report of the management board of the Company (the “Management Board”), including the responsibility statement by the Management Board, and the Condensed Interim Consolidated Financial Statements and the accompanying notes. All information included in this report is unaudited.

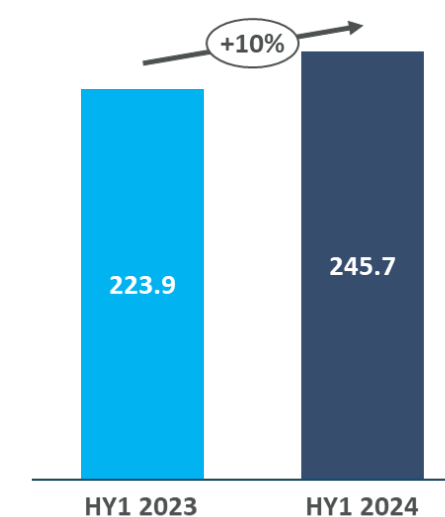
The Management Board hereby declares that to the best of its knowledge, the semi-annual report of the Management Board gives a fair review of the information required pursuant to section 5:25d sub 8-9 of the Dutch Financial Markets Supervision Act (“Wet op het financieel toezicht”) and the Condensed Interim Consolidated Financial Statements as at and for the six months ended 30 June 2024, which have been prepared in accordance with IAS 34 - Interim Financial Reporting as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole.

Alfen is listed on the Amsterdam Stock Exchange.



Financial performance

Revenue and other income (in EUR million)



Revenue and other income increased by 10% to €245.7 million in the first half-year of 2024 from €223.9 million in the first half-year of 2023.

In the EV Charging Equipment business line, H1 2024 revenue was €80.1m compared with €79.6m in the first half of 2023. This is an increase of 1% compared to the same period last year.

In H1 2024, Alfen generated 60% of its EV Charging Equipment revenue from outside of the Netherlands, which was the same in H1 2023. Momentum per country varies quite significantly in the first half of 2024. For instance, Alfen sees market strength in Belgium and France, while the German market is currently more challenging.

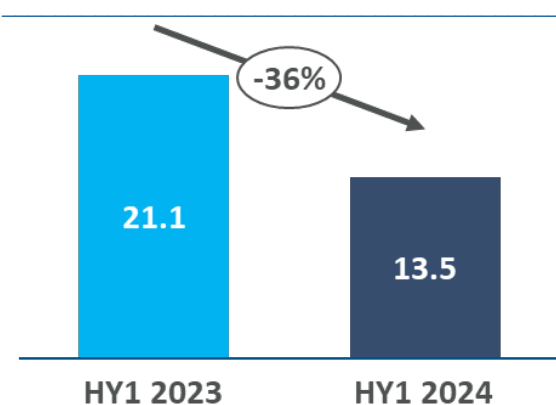
The European market for EV charge points has a long-term growth trend with a CAGR of 15-20% from 2023 to 2030 (source: BNEF & LCP Delta). In H1 2024, there is a temporary slowdown to this long-term growth trend: 2% more battery EVs were registered compared to the same period last year (source: ACEA).

EV sales are likely to accelerate again in 2025 once affordable models are launched (starting end of 2024, continuing into 2025), benefiting from lower battery prices and CO₂ emission performance standards for cars will become ~15% stricter per 2025. This will lead to more EV sales, as most car manufacturers currently do not meet the 2025 targets.

In the Smart Grid Solutions business line, H1 2024 revenue grew 9% to €93.5m compared with €85.5m in H1 2023. Growth is supported by the grid operator segment and private network grid operators continued to expand the distribution grid to support the energy transition. Alfen continued to benefit from these plans with existing framework agreements with grid operators. Alfen continues to scale production to meet the increasing demand from grid operators as expressed also in their investment plans.

In the Energy Storage Systems business line, H1 2024 revenue increased 23% to €72.2m compared with €58.8m in H1 2023. The momentum in the energy storage market remains with a growing funnel of opportunities. This is driven by continuous renewables growth and the need to balance electricity demand and supply.

Adjusted EBITDA (in EUR million)



Gross margin, EBITDA and net profit

Gross margin dropped from 30.5% in H1 2023 to 22.3% in H1 2024, mainly driven by a significant one-off item related to the warranty provision accounted for at €12.5m to cover the potential impact of the substation moisture issue within our Smart Grid Solutions business line. The usage of this provision in H1 2024 was €1.1m. This effect is further amplified by a provision for obsolete inventory of €3.6m within our EV Charging Equipment business line. Although these specific components are still used in Alfen's products, a thorough analysis of all inventories with updated sales run rates indicated that it is unlikely that these components will be fully consumed and are hence provided for.

Gross margin adjusted for one-off costs stands at 28.9%. The decrease as compared to first half-year of 2023 is primarily driven by the shift in our business line mix from EV Charging Equipment to Energy Storage Systems.

Personnel costs increased by 22% to €42.6m compared with €34.9m in H1 2023, as Alfen had been anticipating on faster growth of its markets. Alfen grew from 931 FTEs at 31 December 2023 to 1,059 FTEs at 30 June 2024.

Other operating costs increased by 28% to €16.0m compared with €12.5m in H1 2023.

Consequently and in conjunction with the deleverage effects on our fixed costs base, EBITDA decreased significantly from €20.4 million profit in H1 2023 to a €3.8 million loss in H1 2024.

EBITDA adjustments in the H1 2024 amounted to €17.3 million (versus €0.7 million in H1 2023) and comprised of the provision for moisture and provision for obsolete EV charging component of €12.5 million and €3.6 million, respectively. In addition, EBITDA has been adjusted for restructuring expenses (€0.9 million) as well as share-based payment expenses (€0.3 million) associated with the Long-Term Incentive Plans (see Note 7).

Adjusted EBITDA amounted to €13.5 million, a decrease of 36% versus €21.1 million in H1 2023.

Net profit in H1 2023 €9.4m pivoted to a loss of €11.1m in H1 2024. Adjusted for one-off costs and special items after tax, net profit amounted to €1.9m (versus €10.1m in H1 2023).

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

(in EUR '000)	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
EBITDA	(3,825)	20,382
Provision for moisture	12,500	—
Obsolete inventory EV charging components	3,593	—
Restructuring expenses - H1	908	—
Share-based payment expenses	340	700
Adjusted EBITDA	13,516	21,082
Net profit / (loss)	(11,065)	9,380
Aggregated one-off costs and special items after tax	12,955	700
Adjusted Net profit / (loss)	1,890	10,080

Finance income and costs increased from €1.1 million in the first half-year of 2023 to €2.7 million in the first half-year of 2024 mainly driven by lower cash generation as a result of the lower profitability and intensified working capital financing.

The effective tax rate increased from 25.1% in the first half-year of 2023 to 25.3% in the first half-year of 2024 as we could not account for tax incentives related to the innovation box scheme as a result of the (taxable) loss realised.

Finance and investments

Net debt position at 30 June 2024 amounted to €76.0 million, compared to a net debt position of €55.1 million at 31 December 2023.

The step-up in net debt is mainly impacted by intensified working capital financing and lower profitability, which drove our overall cash plus bank overdraft position up to €22.6 million (negative) as compared to €4.3 million (negative) at 31 December 2023.

Working capital increased with €9.3 million to €143.9 million at 30 June 2024 as compared to €134.7 million at 31 December 2023. The increase has several levers as shown below, but in essence primarily driven by the increase in our current tax position.

(in EUR '000)	30 June 2024 (Unaudited)	31 December 2023 (Audited)	Working Capital Movements
Inventories	121,895	150,776	(28,881)
Trade and other receivables	131,633	135,935	(4,302)
- of which: Amounts due from customers for contract work - mainly ESS	32,689	28,195	4,494
Current tax receivables	8,940	—	8,940
Trade and other payables	(118,147)	(148,567)	30,420
- of which: Amounts due to customers for contract work - mainly ESS	(30,559)	(43,104)	12,545
Current tax liabilities	(393)	(3,471)	3,078
Net working capital	143,928	134,673	9,255

Despite this working capital increase, we were able to significantly bring down our overall stock levels and strategic stock down payments (presented under Trade and other receivables) in the first half-year of 2024 as shown below:

(in EUR '000)	30 June 2024 (Unaudited)	31 December 2023 (Audited)	30 June 2023 (Unaudited)
Inventory - On hand	121,895	150,776	155,411
Inventory - Down payments	21,871	23,615	39,242
Total Inventory, including down payments	143,766	174,391	194,653

Solvency (equity divided by total assets) stood at 43.8% at the end of June 2024 compared to 45.4% at the end of December 2023.

Capital expenditure amounted to €15.6 million as compared to €20.1 million in the same period of 2023.

CapEx in HY1 2024 includes investments our new production location and offices at Hefbrugweg 79 and Damsluisweg 70. Furthermore, investments were made in IT infrastructure and data security, as well as in moulds for our Smart Grids business line.

Alfen capitalised €5.4m (versus €5.0m in the first half-year of 2023) of development costs, demonstrating the Company's continued efforts to invest in innovations for the future.

Related party transactions

Transactions with the most important related parties are disclosed in Note 14 of the condensed interim consolidated financial statements.

Principle risks and uncertainties

In our Annual Report 2023, we have extensively described certain risks and uncertainties, which could have a material adverse effect on our financial position and results. We believe that the risks identified for the second half-year of 2024 are unchanged compared to the risks that were presented in our Annual Report 2023.

Investments

The lower expected revenues negatively impacted our adjusted EBITDA margin, due to a deleverage of the cost base on lower revenues.

The lower than expected revenue negatively impacted our adjusted EBITDA margin. We have taken considerate action with a number of profitability measures, for instance related to travel, procurement costs and strict controls on new hirings. In addition, we have selected and started the engagement with an external management consulting firm to support Alfen in a strategy validation (refinement of our markets and target segments) as well as right-sizing the organization.

We will take a balanced approach between improving profitability for 2025 and having the right resources and capabilities to capture growth as the markets bounce back.

Outlook

Alfen has updated its 2024 revenue guidance at the end of June to €485-520m. Alfen expects that revenue in ESS in 2024 declines with approximately 20% (vs 2023 at €163.0m), EVC revenue to grow in the range of 5-10% (vs 2023 at €153.1m) and SGS revenue to grow with approximately 5% (vs 2023 at €188.4m). The adjusted EBITDA margin for 2024 is expected to be mid-single digit. Alfen expects its FCF to be negative in 2024, but improved compared to -€27.2m in 2023. This is primarily driven by a lowered adjusted EBITDA margin.

Alfen is not in breach with the applicable financial covenant as per 30 June 2024. However, the negative EBITDA realised in H1 2024 and a less favourable outlook for the second half of 2024 will likely result in a covenant breach. Therefore, a waiver from the bank has been obtained up to Q3. In Q4 Alfen will continue the constructive conversation with the bank to conclude an updated covenant based on a revised business plan, in which our organizational right-sizing effort has been taken into account.

Related to the organizational right-sizing, Alfen expects one-off restructuring costs to occur in H2 2024 with cash outflow mainly in Q1 2025. The extent of these costs is dependent on the outcome of a revised business plan and organizational right-sizing.

Long-term, Alfen continues to anticipate positive market developments for all of its business lines, given electrification of household and businesses, electricity market redesigns and increased adoption of renewables at utility-scale and in industrial & commercial locations. This will stimulate the demand for EV charge points, smart grid solutions and energy storage systems.

Almere, 21 August 2024

Board of Directors

**Marco Roeleveld (CEO),
Michelle Lesh (CCO).**



Condensed interim consolidated financial statements for the six months ended 30 June 2024

Condensed Interim Consolidated Statement of Comprehensive Income

In EUR '000	Note	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Continuing operations			
Revenue	6	245,732	223,938
		245,732	223,938
Operating expenses			
Costs of raw materials and consumables		(173,702)	(142,542)
Costs of outsourced work and other external costs		(17,112)	(13,100)
Personnel expenses		(42,620)	(34,923)
Amortisation on intangible assets		(2,463)	(2,916)
Depreciation on property, plant and equipment		(5,853)	(3,858)
Impairment loss on trade receivables and contract assets		(123)	(466)
Other operating costs	7	(15,999)	(12,525)
		(257,872)	(210,330)
Operating profit		(12,140)	13,608
Finance income		2	3
Finance costs		(2,683)	(1,081)
Finance income (costs) - net		(2,681)	(1,078)
Profit (loss) before income tax		(14,821)	12,530
Income tax expense	8	3,756	(3,150)
Profit (loss) for the period		(11,065)	9,380
Other comprehensive income for the period		—	—
Total comprehensive income for the period		(11,065)	9,380
Total comprehensive income for the period (attributable to the owners of the Company)		(11,065)	9,380
Earnings per share for profit attributable to the ordinary equity holders			
Basic earnings per share		(0.51)	0.43
Diluted earnings per share		(0.51)	0.43
Weighted average number of outstanding ordinary shares			
Basic		21,718,170	21,716,696
Diluted		21,752,053	21,764,070

The above statement of comprehensive income should be read in conjunction with the accompanying notes. The notes are integral part of the semi-annual report.

Condensed Interim Consolidated Statement of Financial Position

In EUR '000	Note	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	9	86,957	52,550
Intangible assets and goodwill		32,104	28,621
Deferred tax assets		—	—
Other financial assets		362	297
Total non-current assets		119,423	81,468
Current assets			
Inventories	10	121,895	150,776
Trade and other receivables		131,633	135,935
Other financial assets	9	—	25,717
Current tax receivables	8	8,940	—
Cash and cash equivalents		1,554	2,073
Total current assets		264,022	314,501
Total assets		383,445	395,969
Group equity			
Share capital		2,175	2,175
Share premium		48,122	48,943
Retained earnings	7	128,835	98,811
Result for the year		(11,065)	29,684
Total group equity		168,067	179,613
Liabilities			
Non-current liabilities			
Borrowings	11	44,346	18,507
Deferred tax liabilities		7,803	7,096
Provisions	12	11,441	50
Total non-current liabilities		63,590	25,653
Current liabilities			
Trade and other payables		118,147	148,567
Current tax liabilities	8	393	3,471
Bank overdrafts		24,172	6,402
Borrowings	11	9,076	32,263
Total current liabilities		151,788	190,703
Total liabilities		215,378	216,356
Total equity and liabilities		383,445	395,969

The above statement of financial position should be read in conjunction with the accompanying notes. The notes are integral part of the semi-annual report.

Condensed Interim 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 2023 (audited)		2,175	50,651	44,710	53,047	150,583
Profit (loss) for the period		—	—	—	29,684	29,684
Other comprehensive income (loss)		—	—	—	—	—
Total comprehensive income (loss) for the period		—	—	—	29,684	29,684
Transactions with owners in their capacity as owners						
Issuance of ordinary shares, net of tax		—	—	—	—	—
Purchase of treasury shares, net of tax		—	(1,708)	—	—	(1,708)
Share-based payment transactions	7	—	—	1,054	—	1,054
Dividend		—	—	—	—	—
Allocation of profit (loss)		—	—	53,047	(53,047)	—
Balance - 31 December 2023 (audited)		2,175	48,943	98,811	29,684	179,613
Profit (loss) for the period		—	—	—	(11,065)	(11,065)
Other comprehensive income (loss)		—	—	—	—	—
Total comprehensive income (loss) for the period		—	—	—	(11,065)	(11,065)
Transactions with owners in their capacity as owners						
Issuance of ordinary shares, net of tax		—	—	—	—	—
Purchase of treasury shares, net of tax		—	(821)	—	—	(821)
Share-based payment transactions	7	—	—	340	—	340
Dividend		—	—	—	—	—
Allocation of profit (loss)		—	—	29,684	(29,684)	—
Balance - 30 June 2024 (unaudited)		2,175	48,122	128,835	(11,065)	168,067

* The outstanding ordinary shares of 21,750,000 includes 11,159 treasury shares as per 30 June 2023 (31 December 2023: 30,388)

The above statement of changes in equity should be read in conjunction with the accompanying notes. The notes are integral part of the semi-annual report.

Condensed Interim Consolidated Statement of Cash Flows

in EUR '000	Note	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Cash flows from operating activities			
Operating profit		(12,140)	13,607
<i>Adjustments for:</i>			
- Depreciation, amortisation and impairment expenses		8,315	6,774
- Change in provision		11,391	—
- Change in other financial assets		(65)	(24)
- Share-based payment expenses	7	340	700
<i>Changes in operating assets and liabilities:</i>			
- (Increase)/decrease inventories	10	28,881	(23,596)
- (Increase)/decrease contract assets and liabilities		(17,039)	19,442
- (Increase)/decrease trade and other receivables		8,796	(43,394)
- Increase/(decrease) trade and other payables		(17,660)	(8,020)
Cash generated from operations		10,819	(34,511)
Income taxes (paid)/ received		(7,305)	(11,895)
Interest paid		(1,934)	(641)
Interest received		2	3
Net cash inflow/ (outflow) from operating activities		1,582	(47,044)
Cash flows from investing activities			
Payment for property, plant and equipment		(10,117)	(15,179)
Payment for intangible assets		(5,434)	(4,961)
Repayment (issued) loans	9	25,717	(11,546)
Net cash inflow/ (outflow) from investing activities		10,166	(31,686)
Cash flows from financing activities			
Proceeds from issuance of shares		—	—
Purchase of treasury shares		(1,068)	(2,071)
Proceeds from borrowings	11	755	25,185
Repayments of borrowings	11	(29,724)	(2,404)
Dividends paid to company's shareholders		—	—
Net cash inflow/ (outflow) from financing activities		(30,037)	20,710
Net increase/ (decrease) in cash and cash equivalents		(18,289)	(58,020)
Cash and cash equivalents at the beginning of the half-year		(4,329)	22,841
Cash and cash equivalents at the end of the half-year		(22,618)	(35,179)

The above statement of cash flows should be read in conjunction with the accompanying notes. The notes are integral part of the semi-annual report.

Notes to the condensed interim consolidated financial statements

Note 1 General information

Alfen N.V. (hereafter “Alfen” or “the Company”) is a public limited liability company (N.V.) which main activity is to develop, produce and sell products, systems and services related to the electricity grid, including smart grid solutions, charging equipment for electric vehicles and energy storage systems. Alfen’s main geographic focus is the Netherlands, followed by Finland, Belgium, Germany, the United Kingdom, France and the rest of Europe.

These condensed interim consolidated financial statements as at and for the six months ended 30 June 2024 comprise the Company and its subsidiaries (together referred to as “the Group”). The condensed interim consolidated financial statements are unaudited.

Alfen is the holding company of the Group. Alfen was listed on the Amsterdam Stock Exchange on 22 March 2018 and has its registered office at Hefbrugweg 79, 1332 AM, Almere, the Netherlands. The statutory seat is in Amsterdam, the Netherlands.

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

This semi-annual report was authorised for issue by the Company’s Board of Directors and approved by the Supervisory Board on 21 August 2024.

Note 2 Summary of significant accounting policies

Basis of preparation

The condensed interim consolidated financial statements as at and for the six months ended 30 June 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. They do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with Alfen’s Annual Report 2023.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Basis of measurement

The accounting policies adopted are consistent with those applied in the IFRS consolidated financial statements as at and for the year ended 31 December 2023.

Note 3 Critical accounting estimates and judgements

The preparation of the condensed interim consolidated 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.

The significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Note 4 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those applied in the IFRS consolidated financial statements as at and for the year ended 31 December 2023.

A number of new amendments to standards are effective from 1 January 2024 but they do not have a material effect on the Company’s condensed interim consolidated financial statements.

New standards and interpretations not yet adopted

Certain new accounting standards and amendments to standards have been published that are not mandatory for reporting periods starting on or after 1 January 2024 and have not been early adopted by the Company. For none of these standards that are not yet effective it is expected that they have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Note 5 Segment information

Operating segments

The Company is engaged in the business of developing, producing and selling various products, systems and services related to the electricity grid. There is a strong interrelationship between our three product groups - i.e. Smart grid solutions, EV charging equipment and Energy storage systems.

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

The CODM monitors the performance of the three product groups, despite the split in revenue, solely on an aggregated basis for resource allocation and overall performance measurement. All financial segment information can therefore be found in the condensed interim consolidated financial statements.

Note 6 Revenue

The Company's operations and main revenue streams from contracts with customers are those described in Alfen's Annual Report 2023.

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

In EUR '000	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Smart grid solutions	93,477	85,538
Energy storage systems	72,204	58,815
EV charging equipment	80,051	79,585
Total	245,732	223,938

Smart grid solutions and Energy storage systems revenue generated by entities domiciling in the Netherlands and Belgium amounting to €149.4 and €5.6 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. €10.6 million - as well as the Company's EV charging equipment revenue of €80.1 million is considered to be point-in-time revenue.

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

In EUR '000	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
The Netherlands	123,489	144,399
Other European Union countries	117,510	75,124
Rest of Europe	4,440	4,400
Outside Europe	293	15
Total	245,732	223,938

Note 7 Share-based payments

Share award plans

Long-term incentive plan – Key employees

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

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

Grant date	Number of Awards Granted	Exercise price
1 January 2021	8,147	Nil
1 January 2022	9,747	Nil
1 January 2023	14,806	Nil
1 January 2024	16,907	Nil

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

Long-term incentive plan – Board of Directors and ExCom members

As part of the remuneration policy adopted by the general meeting of shareholders on 7 April 2022, which has been subsequently amended and adopted by the general meeting of shareholders on 9 April 2024, a long-term incentive plan for the Board of Directors as well as ExCom members is applicable in order to increase the alignment with shareholder's interest.

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

Grant date	Number of Awards Granted *	Exercise price
26 April 2022	4,720	Nil
25 April 2023	5,310	Nil
14 May 2024	13,882	Nil
28 June 2024	9,010	Nil

* At 100% realisation of the applicable performance conditions. The actual number of Awards that will vest can range between nil (at 0% realisation) up to 12,538 (at 125% realisation) and 34,338 (at 150% realisation) for grants made in 2022-2023 and 2024, respectively.

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

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

Summary of changes in outstanding shares

Changes in outstanding shares for the period:

In EUR '000	LTIP	LTIP
	Key employees	Board of Directors
Balance - 1 January 2023 (audited)	81,730	24,230
Granted	14,806	5,310
Performance adjustment	—	(760)
Forfeited	(5,539)	—
Exercised	(32,698)	(15,757)
Expired	—	—
Balance - 31 December 2023 (audited)	58,299	13,023
Granted	16,907	22,892
Forfeited	(2,544)	(1,375)
Exercised	(33,098)	(4,893)
Expired	—	—
Balance - 30 June 2024 (unaudited)	39,564	29,647

None of the outstanding shares are exercisable at 30 June 2024.

Fair value measurement

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

Share award Plans	Grant date	Grant date fair value
Long-term Incentive Plan - Key employees	1 January 2021	€82.60
Long-term Incentive Plan - Key employees	1 January 2022	€88.25
Long-term Incentive Plan - Key employees	1 January 2023	€84.20
Long-term Incentive Plan - Key employees	1 January 2024	€60.28
Long-term Incentive Plan - Board of Directors	26 April 2022	€82.54
Long-term Incentive Plan - Board of Directors	25 April 2023	€74.70
Long-term Incentive Plan - Board of Directors and ExCom	14 May 2024	€42.72
Long-term Incentive Plan - Board of Directors and ExCom	28 June 2024	€17.26

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

Share-based payment expenses

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

In EUR '000	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Long-term Incentive Plan - Key employees	57	537
Long-term Incentive Plan - Board of Directors	283	163
Total	340	700

Note 8 Income tax expense

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	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Result from continuing operations	(11,065)	9,380
Total income tax	3,756	(3,150)
Profit (loss) before income tax	(14,821)	12,530
Tax calculated based on Dutch tax rate	25.8%	25.8%
Tax effects of:		
Adjustments for previous years	—%	—%
Effect of tax rates in other countries	0.2%	(0.1%)
Effect of tax incentives	—%	(1.3%)
Non-taxable expenses	(0.9%)	1.6%
Other differences	0.2%	(0.9%)
Effective tax rate	25.3%	25.1%
Applicable tax rate	25.8%	25.8%

Effect of tax incentives

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

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

The total tax effect of applying the innovation box is 0% for the first half-year of 2024 as a result of the (taxable) loss realised.

Current tax receivable / liability

The current tax receivable increased significantly compared to 31 December 2024. This is completely related to provisional income tax (pre)payments for fiscal year 2024 in conjunction with the recognition of the (taxable) loss realised in the first half-year of 2024 as a current tax receivable in alignment with carry-back principle.

The current tax liability at 30 June 2024 is related to Alfen Belgium BV and Alfen Elkamo Oy Ab.

Non-taxable expenses

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

Note 9 Property, Plant & Equipment and Other financial assets

Other financial assets comprised of a short-term loan of €25.7 million with the lessor responsible for the construction of a new production location and office building.

At 7 July 2021, Alfen concluded a lease contract for a new production location and office building. During the construction period of the new production location and office building, financing was provided by Alfen as presented in the cash flow statement as an investing activity.

The construction period has been finalised in the first quarter of 2024. After which the financing provided by Alfen has been fully repaid (please refer to the positive cash flow from investing activities in the cash flow statement).

At that same moment, a lease will start for a period of 15 years, comprising the land, the production location and the office building, which explains the significant increase Property, Plant & Equipment.

Note 10 Inventories

Based on a thorough analysis of all inventories of components combined with the most actual sales run rates, Alfen has decided to take a provision for €3.6 million on obsolete inventory for EV Charging. Although these specific components are still used in Alfen's products an analysis with updated run rates indicated that it is unlikely that these components will be fully consumed.

Note 11 Borrowings

In EUR '000	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Borrowings	10,175	36,697
Factoring Alfen Elkamo	1,729	974
Lease liabilities	41,518	13,099
Total	53,422	50,770

The repayment obligations as per 30 June 2024 and 31 December 2023 are as follows:

Breakdown current (<1 year)	9,076	32,236
Borrowings	2,723	28,048
Factoring Alfen Elkamo	1,729	947
Lease liabilities	4,624	3,241

The current part of borrowings decreased significantly compared to 31 December 2023 in line with the completion of the construction period related to Alfen's new production location and office building. At that same moment, a lease started for a period of 15 years, comprising the land, the production location and the office building, which explains the significant increase in the lease liabilities.

Financial covenant

The CAPEX-facility for land and buildings on the Damsluisweg 70 and the Revolving credit facility are both subjected to a Net Debt-to-EBITDA Ratio that shall not exceed 3.00:1.00. This covenant was met at 30 June 2024.

Note 12 Provisions

The significant increase in provisions compared to 31 December 2023 is completely related to the warranty provision accounted for at €12.5 million to cover the potential impact of the substation moisture issue within our Smart Grid Solutions business line. This provision includes both costs for infield repair works as well as complete refurbishment, if deemed necessary.

The usage of this provision in first half-year of 2024 was €1.1 million.

Note 13 Financial instruments by category

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

At 30 June 2024 and 31 December 2023, 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 14 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:

- Share-based payments (Note 7);
- Remuneration of the Management Board and Supervisory Board.

Note 15 Events after the reporting period

Subsequent events were evaluated up to 21 August 2024, which is the date the condensed interim consolidated financial statements were approved.

Alfen is not in breach with the applicable financial covenant as per 30 June 2024. However, the negative EBITDA realised in H1 2024 and a less favourable outlook for the second half of 2024 will likely result in a covenant breach. Therefore, a waiver from the bank has been obtained up to Q3. In Q4 Alfen will continue the constructive conversation with the bank to conclude an updated covenant based on a revised business plan, in which our organizational right-sizing effort has been taken into account.

Colophon

Alfen Semi-annual Report 2024
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Disclaimer

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Alfen's revenue outlook estimates are management estimates resulting from Alfen's pursuit of its strategy. Alfen can provide no assurances that the estimated future revenues will be realised and the actual revenue for 2024 could differ materially. The expected revenues have also been determined based on assumptions and estimates that Alfen considered reasonable at the date these were made. These estimates and assumptions are inherently uncertain and reflect management's views which are also based on its historic success of being assigned projects, which may materially differ from the success rates for any future projects. These estimates and assumptions may change as a result of uncertainties related to the economic, financial or competitive environment and as a result of future business decisions of Alfen or its clients, such as cancellations or delays, as well as the occurrence of certain other events.



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