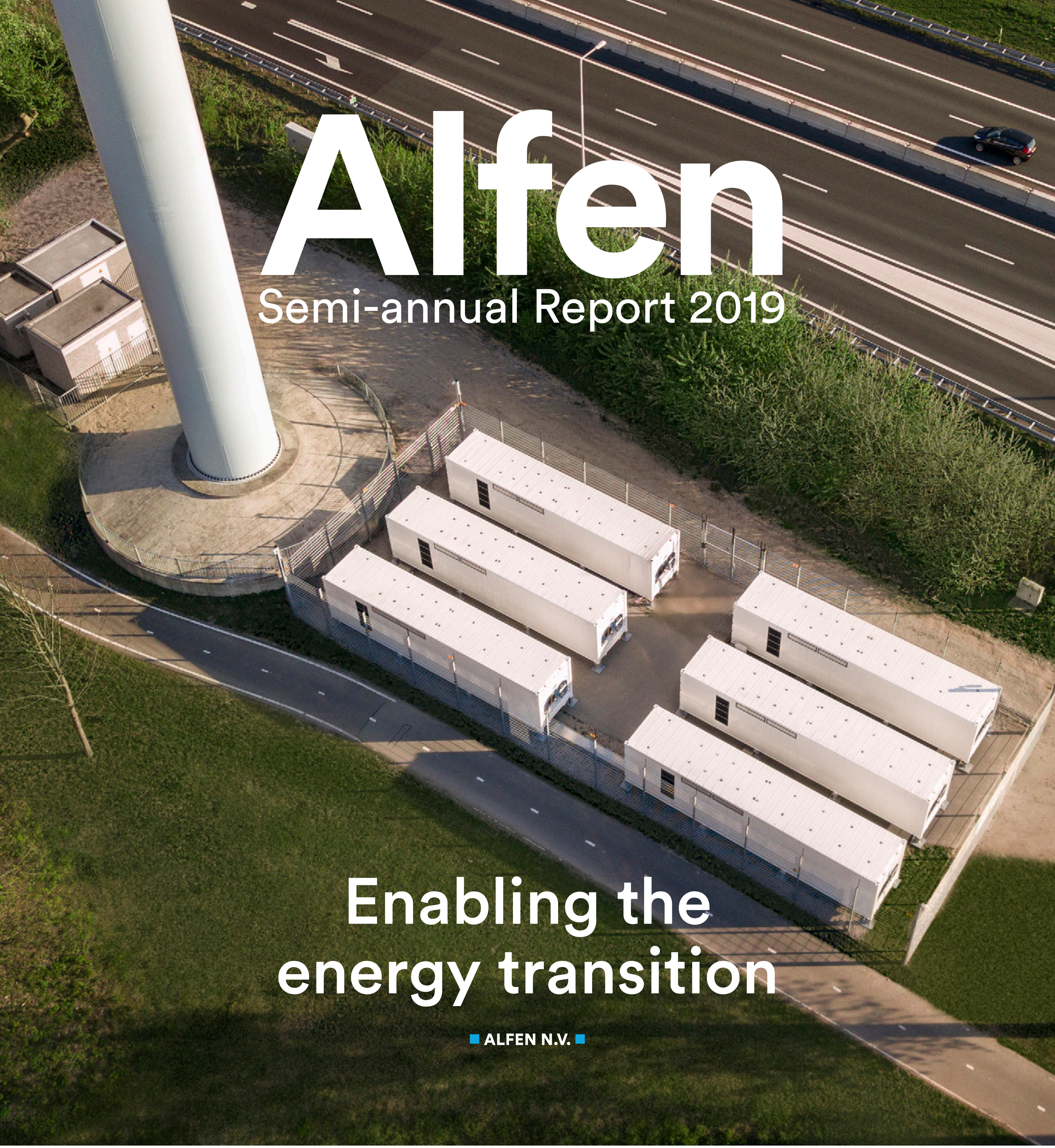
Alfen

Semi-annual Report 2019



Enabling the energy transition

ALFEN N.V.

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Unaudited condensed interim consolidated financial statements for the six months ended 30 June 2019

Alfen N.V.
Amsterdam, the Netherlands

Report of the Management Board

Report of the Management Board

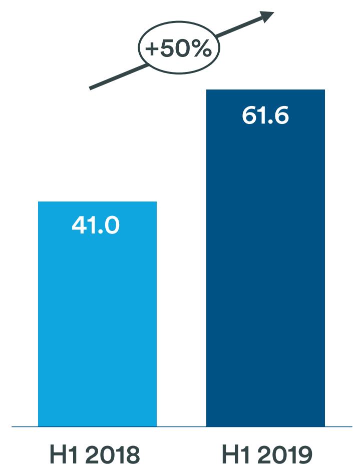
This semi-annual report of Alfen N.V. (hereafter "Alfen" or "the Company") for the six months ended 30 June 2019 consists of the semi-annual report of the management board of the Company (the "Management Board"), including the responsibility statement by the Management Board, and the Condensed Interim 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 2019, 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 50.2% from €41.0 million in the first half-year of 2018 to €61.6 million in the first half-year of 2019, driven by strong market growth and further bolstered by internationalisation, cross-selling and service.

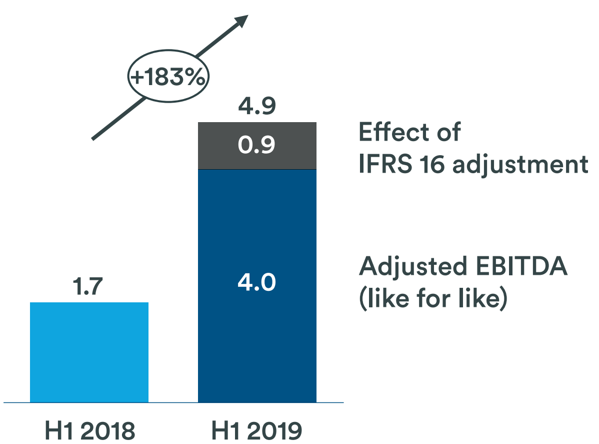
In the Smart grids business line, revenues in the first half-year of 2019 were €47.2 million, compared with €29.8 million in the first half-year of 2018. Alfen benefitted from continued grid investments, a strong market environment for projects in the solar PV sector and increasing revenues from service. Alfen Elkamo contributed €8.9 million to the 2019 half-year revenues and is benefitting from grid investments in Finland, further expansion to Sweden and cross-sell opportunities based on Alfen's position in EV charging and energy storage.

2019 half-year revenues in our electric vehicle ("EV") charging business were €9.7 million, compared with €5.6 million in the first half-year of 2018. This increase is driven by a growing market for electric vehicles, increasing volumes under framework agreements that have been set-up over the past years, new client wins and further internationalisation.

2019 half-year revenues and other income in our Energy storage business line were €4.7 million, compared with €5.6 million in the first half-year of 2018. Business cases in the nascent energy storage market continued to be challenging in the first half of 2019 resulting in postponed decision making across the sector. In this market dynamic, our proven track record across multiple storage applications is playing to our advantage. For example, we have supplied various mobile energy systems providing peak shaving at festivals and EV fast charging stations.

Adjusted EBITDA

(in EUR million)



EBITDA and net profit (loss)

Profitability in the first half-year of 2019 improved compared to the first half-year of 2018, driven by revenue growth, leverage from increased scale and favourable product mix effects. Within our business units, we experience a shift towards increasingly complex solutions.

EBITDA increased by 289% from €1.2 million in the first half-year of 2018 to €4.5 million in the first half-year of 2019. EBITDA in the first half-year of 2019 was impacted by a €0.9 million effect of changed lease accounting under IFRS 16. Excluding this effect, EBITDA amounted to €3.6 million, an increase of 213% versus the first half-year of 2018.

EBITDA adjustments in the first half-year of 2019 amounted to €0.4 million (versus €0.6 million in the first half-year of 2018) and comprised of share-based payment expenses associated with the Celebration Share Award Plan and Long-Term Incentive Plan (see Note 7), audit cost for new IFRS accounting standards and a related party consultancy fee (see Note 11). Adjusted EBITDA (excluding the effect of changed lease accounting under IFRS 16) amounted to €4.0 million, an increase of 132% versus €1.7 million in the first half-year of 2018.

Net profit in the first half-year of 2019 amounted to €1.1 million (versus €0.2 million in the first half-year of 2018). Adjusted for one-off costs and special items after tax, net profit amounted to €1.4 million (versus €0.6 million in the first half-year of 2018).

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

	For the six months ended	
In EUR '000	**30 June 2019 (Unaudited)**	**30 June 2018 (Unaudited)**
EBITDA including IFRS 16	4,477	n.a.
IFRS 16 adjustment	(877)	n.a.
EBITDA excluding IFRS 16	3,600	1,152
Related party consultancy fee	94	125
Audit fee related to Alfen's public listing	-	147
Audit fee related to new IFRS Accounting Standards	22	-
Acquisition and integration costs Elkamo	-	73
Settlement payment and legal fees property rental claim	-	74
Share-based payment expenses	257	142
Adjusted EBITDA excluding IFRS 16	3,973	1,713
Adjusted EBITDA including IFRS 16	4,850	n.a.
Net profit / (loss)	1,091	183
Aggregated one-off costs and special items after tax	344	456
Adjusted Net profit / (loss)	1,435	639

Finance costs in the first half-year of 2019 increased with €339 thousand to €414 thousand, compared to €75 thousand in the first half-year of 2018, which is mainly driven by the increased net debt position as well as the interest related to IFRS 16 (see Note 4).

Finance income as per 30 June 2018 was completely related to a revaluation of the existing loans under IFRS 9, as a result of a re-financing arrangement in January 2018. No such arrangements took place in the first half-year of 2019.

The effective tax rate in the first half-year of 2019 decreased compared to the first half-year of 2018, mainly caused by a relative lower share of non-deductible share-based payment expenses (see Note 8).

Finance and investments

Net debt position at 30 June 2019 amounted to €29.7 million, compared to €24.5 million at 1 January 2019. As a result of the changed lease accounting under IFRS 16, net debt at 1 January 2019 increased by €7.8 million and net debt at 30 June 2019 increased by €8.1 million.

The increase in net debt is primarily caused by higher working capital due to pre-deliveries in the supply chain to cover the summer period, seasonality and increased stock levels reflecting further growth of the business.

Solvency (equity divided by total assets) stood at 11.2% at the end of June 2019 compared with 12.3% at the end of December 2018, mainly as a result of changed lease accounting under IFRS 16.

Capital expenditure amounted to €3.2 million as compared to €2.1 million in the same period of 2018. Capital expenditure included investments in expanding production lines and warehousing as well as €2.0 million of capitalised development costs.

Related party transactions

Transactions with the most important related parties are disclosed in Note 11 of the condensed interim consolidated financial statements.

Principle risks and uncertainties

In our Annual Report 2018, 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 of 2019 are unchanged compared to the risks that were presented in our Annual Report 2018.

Investments

Our organisation grew from 262 FTEs at 30 June 2018 (410 FTEs at 31 December 2018) to 457 FTEs at 30 June 2019, including 83 FTEs at Alfen Elkamo. Part of this increase in FTEs is a result of replacing external hires, that were contracted in the second half-year of 2018 to accommodate a step-up in the Smart grids industry supply chain, which has further stabilised during the first half-year of 2019.

Anticipating further growth and internationalisation, we expect a further increase in FTEs for the second half-year of 2019. Investment plans for the second half-year of 2019 primarily relate to R&D as well as further investments in property, plant and equipment, specifically related to production expansion for our EV charging and Smart grids business lines (both expansions initiated in the first half-year of 2019).

Outlook

We anticipate positive market developments in all our business lines. The markets for Smart grid solutions and EV charging are expected to remain strong, and the energy storage market continues to mature with strong market fundamentals. We increasingly benefit from repeat customers as well as our ability to offer integrated solutions. Furthermore, we expect to further benefit from our expanded international footprint and plan to continue expanding our international presence.

Investments in production, that were initiated in the first half-year of 2019, will support a production scale-up and drive further efficiencies during the second half-year of 2019. A continuous focus on innovation underpins Alfen's leading position in the market. Product introductions that are expected to contribute to the second half of 2019 include an entry-model EV charger for the residential market, dedicated EV charging products for the German (fully Eichrecht compliant) and French markets and a second generation mobile energy storage system.

Alfen's revenue for the second half-year is traditionally higher than the first half-year and is mainly driven by seasonal trends within the Smart grid solutions and Energy storage systems business lines.

Based on the first half-year performance and current revenue visibility, we reconfirm our full-year 2019 revenue outlook of €135 million to €145 million. This growth outlook is supported by a 58% larger backlog than at the end of the first half-year of 2018, a strong projects pipeline and customers' guidance on 2019 volumes under Alfen's framework agreements.

Almere, 27 August 2019

Management Board

Marco Roeleveld
CEO

Jeroen van Rossen
CFO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THERMO KING


ALFEN

Condensed interim consolidated financial statements for the six months ended 30 June 2019

Condensed interim consolidated statement of comprehensive income

In EUR '000	Note	30 June 2019 (Unaudited)	30 June 2018 * (Unaudited)
Continuing operations			
Revenue	6	61,505	39,860
Other income	6	66	1,159
		61,571	41,019
Operating expenses			
Costs of raw materials and consumables		(36,513)	(26,459)
Costs of outsourced work and other external costs		(2,805)	(1,979)
Personnel expenses		(13,343)	(7,799)
Amortisation on intangible assets		(1,085)	(511)
Depreciation on property, plant and equipment	4	(1,473)	(351)
Impairment loss on trade receivables and contract assets		(53)	(38)
Other operating costs	4/7	(4,380)	(3,592)
		(59,652)	(40,729)
Operating profit		1,919	290
Finance income		8	71
Finance costs	4	(414)	(75)
Finance income (costs) - net		(406)	(4)
Profit (loss) before income tax		1,513	286
Income tax expense	8	(422)	(103)
Profit (loss) for the period		1,091	183
Other comprehensive income for the period		-	-
Total comprehensive income for the period		1,091	183
Total comprehensive income for the period (attributable to the owners of the Company)		1,091	183
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share		0.05	0.01
Diluted earnings per share		0.05	0.01
Weighted average number of outstanding ordinary shares			
Basic		20,000,000	20,000,000
Diluted		20,004,025	20,000,000

** The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16, if any, is recognised in retained earnings at the date of initial application. See note 4.*

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 2019 (Unaudited)	1 January 2019 (Unaudited)	31 December 2018 * (Audited)
Assets				
Non-current assets				
Property, plant and equipment		15,862	15,005	7,187
Intangible assets and goodwill	4	10,065	9,165	9,165
Deferred tax assets	4	70	59	59
Receivables		111	119	119
Total non-current assets		26,108	24,348	16,530
Current assets				
Inventories		15,966	9,517	9,517
Trade and other receivables		31,019	28,749	28,749
Current tax receivables		316	580	580
Cash and cash equivalents		233	849	849
Total current assets		47,534	39,695	39,695
Total assets		73,642	64,043	56,225
Group equity				
Share capital		2,000	2,000	2,000
Share premium		1,913	1,913	1,913
Retained earnings	4/7	3,279	3,285	3,285
Result for the year		1,091	-263	-263
Total group equity		8,283	6,935	6,935
Liabilities				
Non-current liabilities				
Borrowings	4/9	13,191	13,585	7,035
Deferred tax liabilities		1,878	1,717	1,717
Provisions		33	33	33
Total non-current liabilities		15,102	15,335	8,785
Current liabilities				
Trade and other payables		33,461	29,905	29,905
Currrent tax liabilities		73	73	73
Bank overdraft		11,774	7,924	7,924
Borrowings	4/9	4,949	3,802	2,534
Deferred revenue		-	69	69
Total current liabilities		50,257	41,773	40,505
Total liabilities		65,359	57,108	49,290
Total equity and liabilities		73,642	64,043	56,225

** The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16, if any, is recognised in retained earnings at the date of initial application. See note 4.*

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 2018 (audited)		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	7	-	-	392	-	392
Dividend		-	-	-	-	-
Allocation of profit (loss)		-	-	1,721	(1,721)	-
Balance - 31 December 2018 (audited) *		2,000	1,913	3,285	(263)	6,935
Adjustment on initial application of IFRS 16, net of tax						
Restated balance - 1 January 2019 (unaudited)		2,000	1,913	3,285	(263)	6,935
Profit (loss) for the period		-	-	-	1,091	1,091
Other comprehensive income (loss)		-	-	-	-	-
Total comprehensive income (loss) for the period		-	-	-	1,091	1,091
Transactions with owners in their capacity as owners						
Issuance of ordinary shares		-	-	-	-	-
Share-based payment transactions	7	-	-	257	-	257
Dividend		-	-	-	-	-
Allocation of profit (loss)		-	-	(263)	263	-
Balance - 30 June 2019 (unaudited)		2,000	1,913	3,279	1,091	8,283

** The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16, if any, is recognised in retained earnings at the date of initial application. See note 4.*

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 2019 (Unaudited)	30 June 2018 * (Unaudited)
Cash flows from operating activities			
Operating profit		1,919	290
Adjustments for:			
Depreciation, amortisation and impairment expenses	4	2,558	862
Change in provision		-	-
Change in non-current receivables		8	(22)
Share-based payment expenses	7	257	142
Changes in operating assets and liabilities:			
(Increase)/decrease inventories		(6,449)	(4,015)
(Increase)/decrease contract balances		3,079	(1,217)
(Increase)/decrease trade and other receivables		(4,205)	(245)
Increase/(decrease) trade and other payables		2,196	3,380
Cash generated from operations		(637)	(825)
Income taxes (paid)/received		103	(319)
Interest (paid)		(260)	(81)
Interest received		8	-
Net cash inflow/(outflow) from operating activities		(786)	(1,225)
Cash flows from investing activities			
Payment for property, plant and equipment		(1,234)	(704)
Payment for intangible assets		(1,977)	(1,370)
Net cash inflow/(outflow) from investing activities		(3,211)	(2,074)
Cash flows from financing activities			
Proceeds from issuance of shares		-	-
Proceeds from borrowings	9	1,002	6,750
Repayments of borrowings	4/9	(1,471)	(142)
Dividends paid to company's shareholders		-	-
Net cash inflow/(outflow) from financing activities		(469)	6,608
Net increase/(decrease) in cash and cash equivalents		(4,466)	3,309
Cash and cash equivalents at the beginning of the half-year		(7,075)	(1,224)
Cash and cash equivalents at the end of the half-year		(11,541)	2,085

** The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16, if any, is recognised in retained earnings at the date of initial application. See note 4.*

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 and the rest of Europe.

These condensed interim consolidated financial statements as at and for the six months ended 30 June 2019 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 28, 1332 AP, 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 Management Board and approved by the Supervisory Board on 27 August 2019.

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 2019 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 2018.

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 2018, except for the accounting policies related to IFRS 16 Leases for which this is the first set of financial statements in which they have been applied. Changes to significant accounting policies are described in Note 4.

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, except for new significant judgements and key sources of estimation uncertainty, if any, related to the application of IFRS 16 Leases. Changes to significant accounting policies are described in Note 4.

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 2018, except for the accounting policies described below.

The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending 31 December 2019.

The Company has initially adopted IFRS 16 Leases from 1 January 2019 ("the date of initial application"). A number of other new standards, such as IFRIC 23 Uncertainty over Income Tax Treatments, are effective from 1 January 2019 but they do not have a material effect on the Company's condensed interim consolidated financial statements.

IFRS 16 Leases

Nature of change and transitional provisions
IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. Going forward the Company 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. As a result, the Company, as a lessee, recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

IFRS 16 replaces existing lease 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.

The Company has adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initially applying this standard, if any, is recognised at the date of initial application within retained earnings. Accordingly, information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease
The Company previously determined at contract inception whether an arrangement was or contained a lease under IFRIC 4. As per the date of initial application, the Company assesses whether the contract is or contains a lease based on the new definition of a lease - i.e. when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are considered leases. It applied IFRS 16 only to contracts that were previously identified as a lease. Contracts that were not identified as a lease under IAS 17 and IFRIC 4 were not reassessed. Consequently, the definition of a lease has been applied only to contracts entered into or changed on or after the date of initial application.

The Company elected to apply not to separate non-lease components for all asset classes and will instead account for the lease and non-lease components as a single lease component.

Significant accounting policies
As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company, as a lessee, recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company's right-of-use assets and lease liabilities are presented under Property, plant and equipment and Borrowings, respectively.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. However, the Company elected to apply the recognition exemption for both short-term and low value leases – e.g. Office equipment. As such, the Company recognises lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The right-of-use asset is initially measured at costs, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Subsequently, the lease liability is increased by the interest costs on the lease liability and decreased by lease payments made.

The lease liability is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment whether a purchase or renewal option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Critical accounting estimates and judgements
Under IFRS 16, critical accounting estimates and judgements are made with regard to the determination of the lease term for Land & Buildings leases with renewal options. The assessment on whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of the lease liability and right-of-use asset recognised.

Transition principles
The Company leases several assets, which can be combined into the asset classes: (i) Land & Buildings, (ii) Manufacturing equipment, (iii) Office equipment and (iv) Company cars. These contracts are typically entered into for a period between 3 and 10 years, but some leases may include renewal and/or termination options.

At the date of initial application, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate. Right-of-use assets were measured at the amount equal to the lease liability, adjusted for any prepaid or accrued lease expenses. As such, no cumulative effect was recognised within retained earnings as at the date of initial application.

Besides the practical expedients already disclosed, the Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Initial direct costs: the Company excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Use of hindsight: the Company used hindsight if necessary to determine if the contract contains options to extend or terminate the lease.

Impact on the condensed interim consolidated financial statements
On the transition to IFRS 16, the Company recognised right-of-use assets and lease liabilities. The impact on transition and for the six months ended 30 June 2019 is summarised below:

In EUR '000	30 June 2019 (Unaudited)	1 January 2019 (Unaudited)
Land & Buildings	5,322	5,635
Manufacturing equipment	321	99
Cars	2,370	2,084
Right-of-use assets	8,013	7,818
Deferred tax asset	21	-
Land & Buildings	5,356	5,635
Manufacturing equipment	345	99
Cars	2,430	2,084
Lease liabilities	8,131	7,818
Of which:		
Current (<1 year)	1,424	1,268
Non-current (>1 year)	6,707	6,550

When measuring the lease liability for leases that were classified as operating leases, the Company discounted lease payments using the incremental borrowing rate at 1 January 2019. The weighted average rate applied by the Company is 3%.

In EUR '000	1 January 2019 (Unaudited)
Operating lease commitments at 31 December 2018 as reported in Annual Report 2018	8,520
Effect of discounting the lease commitments using the incremental borrowing rate at 1 January 2019	(642)
Discounted lease commitments at 1 January 2019	7,878
Recognition exemption for leases of low value assets	(60)
Recognition exemption for short-term leases	-
Extension options reasonably certain to be exercised	-
Lease liability recognised at 1 January 2019	7,818

As a result of applying IFRS 16, the Company recognised within the condensed interim consolidated statement of comprehensive income €876 thousand of depreciation charges and €118 thousand of interest expenses from these leases instead of €877 thousand of operating lease expenses. The impact of IFRS 16 on profit before tax and profit after tax amounts to €117 thousand and €91 thousand, respectively. The impact on both basic and diluted earnings per share is €0.005.

Within the condensed interim consolidated statement of cash flows as at and for the six months ended 30 June 2019, total net cash inflow/outflow from operating activities increased with €877 thousand, while the net cash inflow/outflow from financing activities decreased with €877 thousand.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods starting on or after 1 January 2019 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

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 Company's profitability.

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

Note 6 Revenue and other income

The Company's operations and main revenue streams from contracts with customers are those described in Alfen's Annual Report 2018.

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

	For the six months ended	
	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Smart grid solutions	47,162	29,768
Energy storage systems	4,688	5,637
EV charging equipment	9,721	5,614
	61,571	41,019

Smart grid solutions and Energy storage systems revenue generated by entities domiciling in the Netherlands and Belgium amounting to €40.5 and €2.5 million, respectively, is considered to be over time revenue for which the cost-to-cost method is applied by the Company. Smart grid solutions revenue generated by Alfen Elkamo - i.e. €8.9 million - as well as the Company's EV charging equipment revenue of €9.7 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:

	For the six months ended	
	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
The Netherlands	42,132	32,347
Other European Union countries	18,039	4,458
Rest of Europe	702	198
Outside Europe	698	4,016
	61,571	41,019

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 7

Share-based payments

Share award plans

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.

Long-term Incentive Plan
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") was introduced for a number of designated employees within the group of the Company. The first grant under this plan was made at 1 January 2019 and comprise of a cumulative total of 37,316 Ordinary Shares for no consideration.

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

Summary of changes in outstanding shares

Changes in outstanding shares for the period:

	Long-term Incentive Plan	Celebration Share Award Plan
Balance - 1 January 2018 (audited)	-	-
Granted	-	118,429
Forfeited	-	9,668
Exercised	-	-
Expired	-	-
Balance - 31 December 2018 (audited)	-	108,761
Granted	37,316	-
Forfeited	1,178	8,197
Exercised	-	-
Expired	-	-
Balance - 30 June 2019 (unaudited)	36,138	100,564

None of the outstanding shares related to the Celebration Share Award Plan and LTIP are exercisable at 30 June 2019.

Fair value measurement

The Company used the Black & Scholes model to determine the fair value of the Celebration Share Awards and LTIP at grant date. The market price of the Company's Ordinary Shares at grant date for the Celebration Share Award Plan and LTIP was €10 and €12.31, respectively.

The present value for expected dividend over the vesting period for both 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 expenses in the statement of comprehensive income:

In EUR '000	For the six months ended	
	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Celebration Share Award Plan	203	142
Long-term Incentive Plan	54	-
	257	142

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	For the six months ended	
	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Result from continuing operations	1,091	183
Total income tax	(422)	(103)
Profit (loss) before income tax	1,513	286
Tax calculated based on Dutch tax rate	25.0%	25.0%
Tax effects of:		
- adjustments for previous years	(1.7%)	(0.0%)
- effect of tax rates in other countries	0.4%	2.1%
- non-taxable items	4.8%	12.5%
- other differences	(0.6%)	(3.5%)
Effective tax rate	27.9%	36.1%
Applicable tax rate	25.0%	25.0%

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

Note 9 Borrowings

	30 June 2019 (Unaudited)	1 January 2019 (Unaudited)	31 December 2018 (Audited)
Borrowings	7,657	8,220	8,220
Factoring Alfen Elkamo	2,352	1,349	1,349
Lease liabilities	8,131	7,818	-
Total	18,140	17,387	9,569

The redemption obligation within 12 months after the reporting date is recognised under current liabilities and amounts to €4.9 million (31 December 2018: €2.5 million), of which €1.4 million (31 December 2018: nil) comprise lease liabilities.

Note 10 Financial instruments by category

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

At 30 June 2019 and 31 December 2018, 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 11 Related party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control, jointly control or significantly influence the Company are considered a related party. In addition, statutory and supervisory directors and close relatives are regarded as related parties.

Intercompany transactions are carried out at arm's length.

The following transactions were carried out with related parties:

- Key management compensation;
- Share based payments (Note 7).

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 €94 thousand for the six months ended 30 June 2019 (30 June 2018: €125 thousand). This agreement has been extended to 31 December 2019.

Note 12 Events after the reporting period

There are no events after the reporting period.

Colophon

Alfen Semi-annual Report 2019
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Disclaimer

This semi-annual report may include forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms such as guidance, expected, step up, announced, continued, incremental, on track, accelerating, on-going, innovation, drives, growth, optimizing, new, to develop, further, strengthening, implementing, well positioned, roll-out, expanding, improvements, promising, to offer, more, to be or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect Alfen’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to Alfen’s business, results of operations, financial position, liquidity, prospects, growth or strategies. Forward-looking statements reflect the current views of Alfen and assumptions based on information currently available to Alfen. Forward-looking statements speak only as of the date they are made, and Alfen does not assume any obligation to update such statements, except as required by law.

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 2019 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.

Alfen

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