



ANNUAL GENERAL MEETING 2020:

**REPORT BY THE BOARD OF DIRECTORS ON THE COMPANY'S ACTIVITIES IN  
2019**

20 April 2020

## Report by the Board of Directors

Dear Shareholders

2019 proved to be a landmark year for Athena as we stated in the Annual Report for 2019. A year which marked Athena's exiting process from the renewable energy business through a significant portfolio reduction. A year where decisive decisions were taken towards transforming Athena into an industrial holding. And finally, a year of all-time high dividend distribution to the shareholders.

### **Status and activities of 2019**

The seeds for a turning point was sowed back in end-2017 with the change in company name and objectives which provided for Athena to expand its business platform and to diversify its business model.

In 2018, Athena started the strategic transformation process with a view to rebalance the business portfolio through investments in other sectors, less-capital intensive and in complementary geographies. The capital necessary would come through the endogenous cash flow generation and through selected divestments, when appropriate. The capital would be deployed on mature and scalable businesses to sustain their growth and create value over the long term. To date, however, no new investments have been identified which could match the investment criteria consistently with the strategy. In particular, the evolution of the macroeconomic landscape refrained Athena from following onto some investment opportunities, since they lacked the adequate balance between growth and yield. While the exploration of new business opportunities remains on hold, considering also the global impact of the COVID-19 outbreak, the portfolio rotation accelerated during 2019.

### **Major divestment transaction**

2019 was mainly characterised by the divestment of more than 70% of Athena's wind and solar portfolio completed in the end of July. More specifically, the transaction perimeter included the Company's major wind and solar assets for a total net capacity of 156 MW, consisting of the Monte Grighine and Minerva Messina wind farms in Italy and the Conesa wind farm in Spain and the Cerveteri and Nardò Caputo solar plants in Italy and the La Castilleja solar plant in Spain. Following the sale, Athena has no more operational activities in Spain. The buyers were Ardian Infrastructure and Glennmont Partners, two well-reputed and reliable counterparts with great experience of such type of transaction. The purchase price amounted to EUR 90.9M, of which approximately EUR 75.5M constituted an immediate cash-in. An escrow amount of EUR 11M has been deposited for a period of 36 months from closing. Should no guarantees be triggered by the counterparties over the period, the amount will be released in favour of Athena in July 2022. The divestment decision was subject to the acceptance of Athena's shareholders at the extraordinary general meeting held in June 2019. The Board of Directors recommended to accept the offer received based on extensive analysis and examination of advantages and disadvantages and, not least, the fact that the transaction could be executed consistently with market valuations for this kind of assets.

### **Remaining activities**

As a consequence of the divestment in 2019, Athena's renewable portfolio is now reduced only to Italy: 2 wind farms, Energia Verde and Energia Alternativa, for a total capacity of 45 MW and 12 solar plants for a total capacity of 12.4 MW. These are well-functioning and reliable assets for which some disposal opportunities are currently being pursued.

As previously announced, in the end of 2018 Athena was granted the final awards for the arbitrations, initiated under the Energy Charter Treaty in 2015, against the Kingdom of Spain and against the Republic of Italy. Both Countries have commenced an action with the SVEA Court of Appeal in order to overturn the awards, which amounts to respectively EUR 11.9M and EUR 7.4M. Athena is currently challenging such appeals. However, for 2020 the Company does not expect to receive any proceeds from the awards unless Italy and Spain voluntarily comply.

## Report by the Board of Directors

### Significant dividend distributions

In 2019 significant dividends for a total of EUR 92M were distributed.

For the financial year 2018, an ordinary dividend of DKK 3.094/EUR 0.414 per share, corresponding to a total of EUR 42M, was distributed in April 2019. Following the sale of the majority of the renewable assets and the consequent strengthened cash position, the Board of Directors proposed to the shareholders to extract value through dividend distribution. In November 2019, a total amount of EUR 50M, corresponding to DKK 3.685/EUR 0.493 per outstanding share, was distributed to the shareholders.

Hence, the Board of Directors proposes to the General Meeting that no ordinary dividend be distributed for the financial year 2019.

### Financial review

The financial performance of 2019 was extensively affected by the reclassification of the renewable business units of solar and wind. From an accounting point of view, conditions are met to qualify these segments as "held for sale" and 'Discontinued operations' in accordance with the International Financial Reporting Standards (IFRS).

When applying the relevant accounting principle of IFRS 5, revenue amounts to EUR 0.4M, EBITDA results negative for EUR 6.2M and the group net result totals EUR -46.8M. The result is significantly impacted by the impairment of the already disposed and currently remaining assets.

If considered in a restated perspective, excluding the effect of IFRS 5, key figures would be in line with the announced outlook. Revenue would have amounted to EUR 40M and EBITDA (including joint ventures) to EUR 27M. The actual net production of the year was 230 GWh.

The cash flow development in 2019 reflected the major sale transaction and the two dividend distributions.

Moreover, an amount of EUR -2.2M was reclassified as Special Items in 2019. This amount is related to the restructuring cost of the headcount implemented at the end of 2019 because of the major reduction in the portfolio. The downsizing has reduced the headcount from 28 to 8 employees and future annual cost savings of EUR 2M are expected.

### Outlook and future perspectives

The remaining wind and solar portfolio classified as Discontinued operations is expected to be disposed during 2020, and consequently no production or revenue from this business is included in the outlook for the year.

Moreover, no new business has been included in the Outlook for 2020, even though Athena is still looking for new opportunities with a view to re-focusing its activities. Considering the ongoing worldwide COVID-19 pandemic and the related economic crisis, the examination of new business opportunities is inevitably delayed.

EBITDA and net profit for 2020 is expected to result negative for approx. EUR 3.0-4.0M which represents the new level of Athena's holding costs, considered sufficient to develop and manage potential new businesses.

### Topics for the Annual General Meeting 2020

The Board of Directors proposes that the General Meeting approves the draft Remuneration Policy prepared in accordance with newly implemented legislation. The remuneration policy contains the principles for the remuneration of the members of the Board of Directors and of the members of the Management Board. The proposed variable remuneration components and principles for allocation are identical to the updated guidelines for incentive pay approved at the annual general meeting last year.

## Report by the Board of Directors

The agenda also contains the proposal to renew, in line with previous years, Athena's authorisation to acquire treasury shares for up to 10% of the Company's share capital in the period until the next annual general meeting. Athena currently holds treasury shares corresponding to 4.96% of the share capital.

Moreover, the agenda contains two proposals of amendments of the articles 5 and 9 of the articles of association. The former is related to the change of name and CVR no. of the registrar who keeps Athena's register of shareholders. The latter concerns the addition of voting on the Company's remuneration report as a standing item on the agenda for future annual general meetings.

The proposed remuneration to the Board of Directors is in line with previous years, and the Board of Directors proposes re-election of all current board members.

Finally, the Board of Directors proposes re-election of Ernst & Young Godkendt Revisionspartnerselskab as Athena's auditor.

Thank you for the attention.