

# Renewable energy. Sustainable investments.

## Summary

The fourth quarter concluded an active 2017 for New Energy Solar (NES). During the quarter, the business raised over \$200 million in equity capital and listed on the Australian Securities Exchange (ASX) under the ticker 'NEW'. A key factor in the successful capital raising and ASX listing was the pipeline of high-quality solar opportunities identified. Following the conclusion of evaluation and negotiation activities during the quarter and post-quarter end, NES was very pleased to announce the acquisition of two of these pipeline opportunities, reflecting an efficient conversion of opportunities into high-quality investments.

During the quarter, NES committed to acquire fourteen projects from Cyprus Creek Renewables (CCR) and post quarter end, committed to acquire two large scale projects in early 2018. Once these are completed, NES' portfolio will comprise of 680 MW<sub>DC</sub> of capacity across 20 US based solar projects that are operational, under construction or committed (with construction yet to commence).

### FINANCIAL SUMMARY 31 DECEMBER 2017

Market Capitalisation	\$476.4 million
Stapled Security Price	\$1.46
Distribution Yield 2017	4.93% <sup>4</sup>
Target Distribution Yield 2018	5.31% <sup>5</sup>

**Did you know: in 2017, an investment of \$28,000 in NES would have made the average Australian carbon neutral.<sup>6</sup>**

## PORTFOLIO HIGHLIGHTS



Commissioned four solar power stations in 2017 with 225 MW<sub>DC</sub> capacity and acquired an interest in a 125 MW<sub>DC</sub> operational solar facility



Total portfolio capacity of 680 MW<sub>DC</sub> - making NES one of the largest renewable investors in Australia



Will displace an estimated 895,000<sup>1</sup> tonnes of CO<sub>2</sub>\*



Will power the equivalent of 156,000<sup>2</sup> homes\*



Will remove the equivalent of 213,000<sup>3</sup> cars from the road\*



Assisted more than 5,000 investors approach or exceed carbon neutrality



Distributed 7.2 cents per Stapled Security to investors for 2017 and with a target distribution of 7.75 cents in 2018



Listed on the ASX to provide investors with liquidity and provide NES with greater access to capital

\* Estimates assume all construction and committed projects are operational. <sup>1</sup> Solar energy plant CO<sub>2</sub> emission reduction calculated using the US Environmental Protection Agency's AVOIDed Emissions and geneRation Tool (AVERT). CO<sub>2</sub> emissions displacement is calculated as the emissions that would be produced during the calculation period if the same amount of energy was produced by a coal fired plant instead. <sup>2</sup> Based upon an average house utilising approximately 8,375 KWh per annum (based upon the average annual electricity consumption of Australian and US households). <sup>3</sup> Based upon an average of 4.2 tonnes of CO<sub>2</sub> emissions per car per annum. Equivalent number of cars is calculated as the number of cars during the period that produce an equivalent amount of CO<sub>2</sub> emission to what is estimated to have been displaced. <sup>4</sup> Based on 2017 distribution of 7.2 cents per Stapled Security and Stapled Security price of \$1.46 at 31 Dec 2017. <sup>5</sup> Based on 2018 distribution of 7.75 cents per Stapled Security and Stapled Security price of \$1.46 at 31 Dec 2017. <sup>6</sup> Based on an estimated 236,000 tonnes of CO<sub>2</sub> displaced by NES' solar plants in 2017, 200,796,527 weighted average number of NES Stapled Securities and a Stapled Security price of \$1.46.

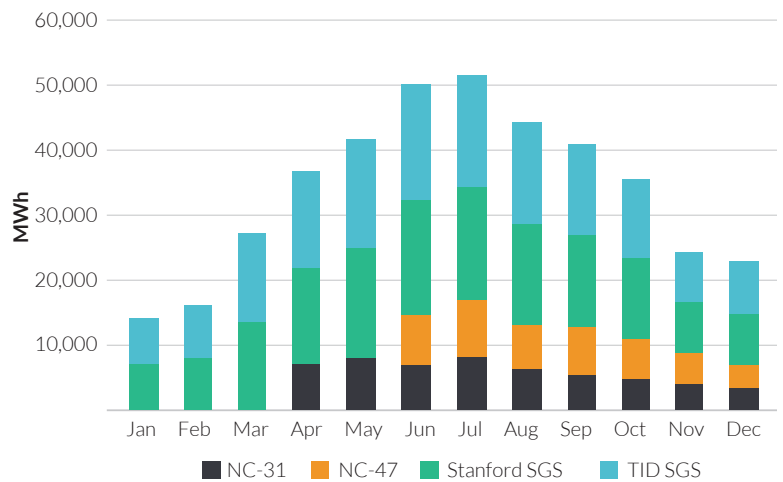
## PORTFOLIO UPDATE

### Operating Projects

Five projects totalling 350 MW<sub>DC</sub> of capacity<sup>7</sup>

The fourth quarter saw NES' portfolio of operational assets perform in line with expectations to produce 82,600 megawatt hours (MWh) of electricity. During 2017 the portfolio performed strongly and produced 405,000 MWh. While the generation from the Californian assets (Stanford SGS and TID SGS) was below expectations during the first quarter of 2017 due to a very wet winter in California, this was largely offset by strong production during the remainder of the year. The operating projects in North Carolina (NC-31 and NC-47) were not commissioned until late March 2017 and May 2017, respectively. As a result, total production from these assets is anticipated to be higher in the 2018 calendar year.

Monthly NES Generation Profile for 2017\*



\*Excludes Boulder Solar 1.

Production from NES' operating projects displaced the equivalent of 236,000 tonnes of CO<sub>2</sub> emissions<sup>8</sup> during 2017, comparable to removing nearly 56,000 cars<sup>9</sup> from the road or powering 52,000 houses<sup>10</sup>.

On 15 February 2018, NES acquired a 49% equity interest in a 125 MW<sub>DC</sub> solar plant in Clarke County Nevada. 'Boulder Solar 1' is a fully operational solar plant which has been operating since December 2016. The plant has a 20-year Power Purchase Agreement (PPA) with NV Energy, a subsidiary of Berkshire Hathaway Energy.

### Projects Under Construction

Five projects totalling 34.7 MW<sub>DC</sub> of capacity

On 22 December 2017, NES reached financial close on five solar power projects under the agreement with CCR. A subsidiary of CCR is responsible for the construction of the projects, which commenced at the sites in North Carolina at the end of 2017. To ensure the plants are built to specification and delivered on time, NES has engaged independent engineering firm ICF and project management experts Dixon Projects.

Site clearing, access installation, storm water runoff protection, and other civil work has commenced at the Hanover site. Work has progressed further at the Arthur and Heedeh sites with the installation of fencing, posts, racking, and cable trenches underway. These plants are expected to be completed and start selling electricity during the first half of calendar year 2018.

Once brought on-line, these five plants will have a total capacity of 34.7 MW<sub>DC</sub>, which will power the equivalent of 8,000 homes<sup>11</sup> and displace the equivalent of 10,000 cars.<sup>12</sup>

### Committed Projects

10 projects totalling 300 MW<sub>DC</sub> of capacity

NES has committed to acquire up to a further ten projects which are expected to start construction in 2018 subject to the completion of certain conditions. On 1 February 2018, NES announced the acquisition of a 200 MW<sub>DC</sub> facility in the US with a 20-year escalating PPA. Financial close on the 200 MW<sub>DC</sub> project is expected in March 2017. NES also expects to acquire the nine remaining projects under the agreement with CCR in North Carolina and Oregon during 2018.



Stanford Solar Generation Station (Stanford SGS)

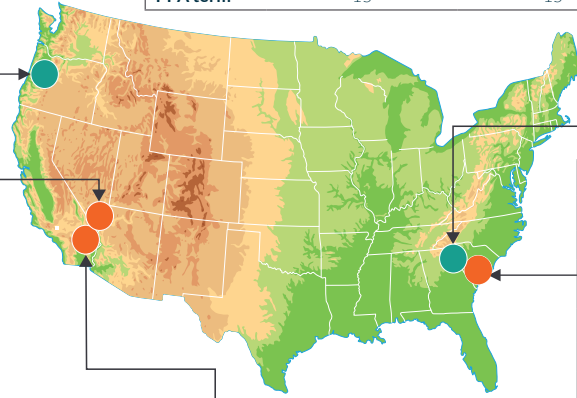
<sup>7</sup> Includes projects acquired post quarter end on a 100% basis. <sup>8</sup> Solar energy plant CO<sub>2</sub> emission reduction calculated using the US Environmental Protection Agency's AVOIDed Emissions and geneRation Tool (AVERT). CO<sub>2</sub> emissions displacement is calculated as the emissions that would be produced during the calculation period if the same amount of energy was produced by a coal fired plant instead. <sup>9</sup> Based upon an average of 4.2 tonnes of CO<sub>2</sub> emissions per car per annum. Equivalent number of cars is calculated as the number of cars during the period that produce an equivalent amount of CO<sub>2</sub> emission to what is estimated to have been displaced. <sup>10</sup> Based upon an average house utilising approximately 8,375 KWh per annum (based upon the average annual electricity consumption of Australian and US households). <sup>11</sup> Based upon an average house utilising approximately 8,375 KWh per annum (based upon the average annual electricity consumption of Australian and US households). <sup>12</sup> Based upon an average of 4.2 tonnes of CO<sub>2</sub> emissions per car per annum. Equivalent number of cars is calculated as the number of cars during the period that produce an equivalent amount of CO<sub>2</sub> emission to what is estimated to have been displaced.

# PORTFOLIO SUMMARY

OREGON ASSET UNDER CONSTRUCTION	
	<b>BONANZA</b>
Location	Klamath
Capacity	6.8 MW <sub>DC</sub>
Offtaker	PacifiCorp

NORTH CAROLINA ASSETS UNDER CONSTRUCTION				
	ARTHUR	HANOVER	HEEDEH	ORGAN CHURCH
Location	Columbus	Onslow	Columbus	Rowan
Capacity	7.5 MW <sub>DC</sub>	7.5 MW <sub>DC</sub>	5.4 MW <sub>DC</sub>	7.5 MW <sub>DC</sub>
Offtaker	Duke Energy Progress	Duke Energy Progress	Duke Energy Progress	Duke Energy Carolinas
PPA term	15	15	15	15

OPERATIONAL NEVADA ASSET	
	<b>BOULDER SOLAR 1</b>
Location (County)	Clarke
Commenced Operations	January 2017
Capacity	125 MW <sub>DC</sub> (49% interest)
Offtaker	NV Energy
PPA term	20 years
2017 generation (MWh)	279,000
2017 CO <sub>2</sub> displaced <sup>13</sup> (tonnes)	210,000
2017 households powered <sup>14</sup>	28,500
2017 cars displaced <sup>15</sup>	50,000



OPERATIONAL CALIFORNIA ASSETS		
	STANFORD	TID
Location (County)	Rosamond	Rosamond
Commenced Operations	December 2016	December 2016
Capacity	67.4 MW <sub>DC</sub>	67.4 MW <sub>DC</sub>
Offtaker	Stanford University	TID
PPA term	25 years	20 years
2017 generation (MWh)	152,500	152,600
2017 CO <sub>2</sub> displaced <sup>13</sup> (tonnes)	81,400	81,500
2017 households powered <sup>14</sup>	15,400	15,400
2017 cars displaced <sup>15</sup>	19,400	19,400

OPERATIONAL NORTH CAROLINA ASSETS		
	NC47	NC31
Location (County)	Maxton	Blandenboro
Commenced Operations	June 2017	April 2017
Capacity	47.6 MW <sub>DC</sub>	43.2 MW <sub>DC</sub>
Offtaker	Duke Energy	Duke Energy
PPA term	10 years	10 years
2017 generation (MWh)*	45,400	54,400
2017 CO <sub>2</sub> displaced <sup>13</sup> (tonnes)	33,000	40,000
2017 households powered <sup>14</sup>	11,000	10,000
2017 cars displaced <sup>15</sup>	8,000	9,000

\* NC47 & NC31 first supplied electricity in June and April 2017 respectively

## 1 Attractive risk adjusted returns alongside positive social impact

- Paid a distribution of 7.2 cents per Stapled Security in 2017 which is forecast to grown by over 7% to 7.75 cents in 2018 – offering a target yield of 5.3%pa.
- Generated 405,000 MWh which displaced the equivalent of 236,000 tonnes of CO<sub>2</sub>.
- Assisted more than 5,000 investors offset their carbon emissions.

## 2 Exposure to a growing global solar market opportunity

- Commitment to fund 10 additional solar power plants with more than 300 MW<sub>DC</sub> of generation capacity with similar investment characteristics to the operating portfolio.
- Very significant pipeline with solar generation capacity forecast to increase from 5% to 32%<sup>16</sup> of global electricity generation capacity by 2040.

## 3 An operational portfolio with contracted cash flows to creditworthy counterparties

- Five high quality solar plants operating and selling emissions free power under long-term fixed price contracts to creditworthy counterparties like Stanford University.
- Five projects under construction.



TID SGS aerial view

<sup>13</sup> Solar energy plant CO<sub>2</sub> emission reduction calculated using the US Environmental Protection Agency's AVoided Emissions and geneRation Tool (AVERT). CO<sub>2</sub> emissions displacement is calculated as the emissions that would be produced annually if the same amount of energy was produced by a coal fired plant instead. <sup>14</sup> Based upon an average house utilising approximately 8,375 KWh per annum. <sup>15</sup> Based upon an average of 4.2 tonnes of CO<sub>2</sub> emissions per car per annum. Equivalent number of cars is calculated as the number of cars per annum that produce an equivalent amount of CO<sub>2</sub> emission to what is estimated to have been displaced. <sup>16</sup> BNEF, New Energy Outlook 2017 (BNEF has not consented to the inclusion of the above in this document).

## Acquisition Pipeline

NES continues to assess and review a number of opportunities for further investment. While a significant proportion of the business' investment pipeline remains in the US, select Australian opportunities remain under review.

## Capital Raising and ASX Listing

After identifying a significant pipeline of high quality solar assets for investment, NES raised \$200 million of equity capital and list on the ASX (Offer) in the final quarter of 2017.

Morgan Stanley acted as lead manager and arranger to the Offer. During the Offer period the NES met with over 40 meetings with large institutions and superannuation funds and presentations to over 3,000 individual, high net worth and self-managed super fund investors.

NES debuted on the ASX on 4 December 2017 under the ASX listing code of NEW. As at 31 December NEW's market capitalisation was \$476.4 million.

In addition to NES Stapled Securities, participants in the Offer were issued one Class A option and one Class B option for every two Stapled Securities. These options give the holder the right, but not the obligation to acquire NES Stapled Securities at a fixed exercise price and date in the future. The Class A options have an exercise price of \$1.55 and are exercisable over a 20-day period ending 8 February 2019. The Class B options have an exercise price of \$1.60 and are exercisable over a 20-day period ending 8 August 2019. The ASX codes for the options are NEWOA for Class A options and NEWOB for Class B options. As well as offering investors the option to acquire additional Stapled Securities at a potentially attractive price it gives NES the opportunity to raise additional capital without incurring the costs of a full capital raising.

Reflecting the quality of the investment pipeline, the NES investment team has moved quickly to deploying the proceeds from the capital raising. In early February NES announced the acquisition of an operational plant and a construction ready project in the United States totaling 325 MW<sub>DC</sub> of capacity.



NC-47 ground view - May 2017



TID SGS ground view - October 2017

## Distribution and Distribution Reinvestment Plan

In December, NES announced its second distribution of 4 cents per Stapled Security. The distribution will be paid on Thursday, 15 February 2018. Investors in NES also have the ability to participate in the Distribution Reinvestment Plan (**DRP**). The **DRP** gives Stapled Security holders the capacity to automatically reinvest all or part of their distribution in NES Stapled Securities. Full terms and conditions of the plan are set out in the **DRP Booklet**, which is available on the website.

## News Update

NES releases a weekly summary of key news affecting the renewable energy sector to help readers stay informed on emerging themes in global renewable energy markets. If you, or someone you know, would like to receive this free weekly summary you can register your interest at <https://www.newenergysolar.com.au/sign-up>.

## About the Business

New Energy Solar acquires, owns and manages large-scale solar generation plants. It was established in November 2015 with the objective of generating positive social impact alongside attractive financial returns through the generation of renewable energy sold under long-term contracts. The Business has successfully acquired a large portfolio of assets and has a deep pipeline of opportunities across Australia and the US. The Business aims to build a diversified portfolio of assets across different regions and, through active management, optimise returns and minimise risks for investors.

The Business is a stapled entity consisting of New Energy Solar Fund (**Trust**) and New Energy Solar Limited (**Company**) (together **New Energy Solar** or the **Business**). For more information please visit <https://www.newenergysolar.com.au/>.

For more information please contact NES at [nes@newenergysolar.com.au](mailto:nes@newenergysolar.com.au) or call 1300 454 801.



TID SGS ground view – September 2017

### Important Notice

This Quarterly Update (**Update**) has been prepared by the Investment Manager (**New Energy Solar Manager Pty Limited**) of New Energy Solar. An investment in the Business is subject to various risks, many of which are beyond the control of the Investment Manager and the Responsible Entity of the Fund. The past performance of the Business is not a guarantee of the future performance of the Business.

This Update contains statements, opinions, projections, forecasts and other material (**forward-looking statements**), based on various assumptions. Those assumptions may or may not prove to be correct. None of the Investment Manager and the Business, their officers, employees, agents, analysts nor any other person named in this Update makes any representation as to the accuracy or likelihood of fulfillment of the forward-looking statements or any of the assumptions upon which they are based.

Unless otherwise specified, all references to currency are to Australian dollars.