



12 August 2020

**NEW ENERGY SOLAR (ASX: NEW)**  
**COVID-19 IMPACT ON LONG-TERM ASSET VALUES AND**  
**UPDATE ON ASSET SALE PROCESS**

**COVID-19 IMPACT ON LONG-TERM ASSET VALUES**

New Energy Solar<sup>1</sup> (**ASX:NEW**) advises that its solar power plants have continued to operate throughout the period of the COVID-19 pandemic, despite the implementation of measures by governments to restrict the virus' spread. The weather-related underperformance and commissioning issues disclosed this year are not directly COVID-19 related. Essential for economic activity, electricity generation, transmission, and distribution has not been significantly disrupted by the pandemic, but there has been an impact on supply and demand in electricity markets, particularly the industrial demand for energy commodities. Consequently, current electricity "spot" prices have declined, by as much as 30% in California and New South Wales when compared with the same period last year, as have short and long-term electricity price forecasts.

NEW benefits from having long-term power purchase agreements (**PPA**) with an average term remaining of 15.4 years; with over 96% of NEW's revenue contracted for the next five years. The price that NEW receives for power sold under these PPAs is fixed at the time the PPA is signed and does not vary based on power price fluctuations over the PPA term. Future electricity price forecasts are used by NEW's independent valuers to estimate the value of uncontracted cashflows after the PPA term for the remainder of each asset's useful life. Therefore, the impact of reduced long-term electricity price forecasts are required to be recognised in NEW's portfolio valuations and auditor-reviewed net asset value per stapled security (**NAV**) for 30 June 2020.

Independent valuations of NEW's portfolio are currently being finalised as part of the auditor-review of the financial statements for the half year to 30 June 2020. Based on draft valuations incorporating updated long-term electricity price forecasts, NEW expects the impact on the value of its portfolio to be a reduction in the order of 8% to 10% below the value used in preparing the audited results for the financial year ended 31 December 2019. This represents a reduction of between \$0.12 and \$0.15 per stapled security. This estimated adjustment to portfolio value is expected to be the most significant adjustment to the updated NAV to be released with the 30 June 2020 results, which will include adjustments resulting from normal operations and other usual period end items including accrual of securityholder distributions.

These adjustments in long-term electricity price forecasts are not inconsistent with the reductions in long-term forecasts of 5-10% announced this year by other renewable power companies and with the recent reductions in long-term forecasts of oil and gas prices of 20-25% announced by major energy companies.

Further information will be included in NEW's first half results for 2020, to be released later this month.

<sup>1</sup> New Energy Solar Limited (**Company**) and Walsh & Company Investments Limited (as responsible entity for New Energy Solar Fund (**Trust**)) (**RE**) (together **New Energy Solar**, **NEW** or the **Business**)

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## UPDATE ON ASSET SALE PROCESS

The Boards of NEW have sought to address the persistent trading discount of NEW securities to its net asset value through better illuminating the nature and value of its assets. To this end, NEW announced at the end of 2019, that it had embarked on a process to sell an equity interest in one of its assets or in either its US or Australian asset holding companies.

Conducting the process was complicated by the initial performance issues at the Mount Signal 2 power plant (**MS2**) and then, the emergence of COVID-19 in early 2020, given the severity of its spread in California and the expectation of its impact on short and long-term energy markets. Nevertheless, a conditional agreement was reached in June 2020 to sell a 50% interest in MS2 to NextPowerIII, a private solar fund established to invest in the international solar sector and managed by UK-based NextEnergy Capital Group.

While addressing the initial commissioning issues experienced on MS2 in the first half of 2020, an additional performance issue was identified which will require repair under a warranty claim against the equipment supplier and construction contractor. Both parties are working toward completion of due diligence, but NEW has determined to extend the negotiation of final agreements to ensure that the outstanding equipment warranty claims are resolved before finalising the transaction. Accordingly, if the sale proceeds, it is now likely to be completed in the fourth quarter of 2020.

Completing the asset sale will assist NEW to undertake capital management initiatives including security buybacks, special dividends and/or repayment of shorter-term debt. In the event a transaction is completed, further details on the nature of the initiatives will be provided when the transaction negotiations are completed.

## WEEKLY NAV ANNOUNCEMENTS

Until completion of the auditor-review and release of the financial statements for the half year ended 30 June 2020, NEW will suspend the release of its estimated unaudited net asset value per security.

An update on market conditions will be provided as part of NEW's first half 2020 result briefing released later this month.

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Authorised for release by New Energy Solar Limited and Walsh & Company Investments Limited as responsible entity for New Energy Solar Fund.

## Important Information

This information may contain general advice. Any general advice provided has been prepared without taking into account your objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice with regard to your objectives, financial situation and needs.

This announcement may contain statements, opinions, projections, forecasts and other material (forward-looking statements), based on various assumptions. Those assumptions may or may not prove to be correct. The Investment Manager (New Energy Solar Manager Pty Limited) and its advisers (including all of their respective directors, consultants and/or employees, related bodies corporate and the directors, shareholders, managers, employees or agents of them) (Parties) do not make any representation as to the accuracy or likelihood of fulfilment of the forward-looking statements or any of the assumptions upon which they are based. Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and the Parties assume no obligation to update that information.



## About New Energy Solar

New Energy Solar was established in November 2015 to invest in a diversified portfolio of solar assets across the globe and help investors benefit from the global shift to renewable energy. The Business acquires large scale solar power plants with long term contracted power purchase agreements. In addition to attractive financial returns, this strategy generates significant positive environmental impacts for investors.

Since establishment, New Energy Solar has raised over A\$500 million of equity, acquired a portfolio of world-class solar power plants, and has a deep pipeline of opportunities primarily across the United States and Australia. New Energy Solar's securities trade on the Australian Securities Exchange under the ticker, NEW.

New Energy Solar is a listed stapled entity consisting of New Energy Solar Fund (ARSN 609 154 298) and New Energy Solar Limited (ACN 159 902 708). For more information, visit: [www.newenergysolar.com.au](http://www.newenergysolar.com.au)

