

NEW ENERGY SOLAR (ASX:NEW)
CONCURRENT ANNUAL GENERAL MEETING OF NEW ENERGY SOLAR LIMITED AND
GENERAL MEETING OF NEW ENERGY SOLAR FUND
CHAIRMAN'S ADDRESS

Good morning and welcome to the Annual General Meeting of New Energy Solar Limited and the General Meeting of New Energy Solar Fund. These concurrent meetings comprise an annual general meeting of the Company and a general meeting of the Trust, and I am the Chairman of the meetings. I am also the chairman of the Company and I welcome today the chairman of the Responsible Entity of the Trust, Mr Stuart Nisbett, together with the Board members of both the Company and the Responsible Entity for the Trust.

Today we are conducting these meetings both in person in North Sydney, and also remotely for investors observing measures to prevent the transmission of the COVID-19 virus. The Virtual Meeting Online Guide provided by Link Market Services and provided to you with the Notice of Meetings has instructions for accessing and participating in the meetings remotely. A copy of both these documents is also available on the New Energy Solar website under the Key Documents tab.

Before moving onto the commentary about the performance of the Business, I would like to update you on the nature of New Energy Solar's working arrangements in this time of COVID-19. The business operations of New Energy Solar have continued with limited direct impact from the virus or from measures to contain the virus. This is the case in both the US and in Australia. With respect to the work arrangements of the investment manager, the team in Australia is back in the office. In the US, the team continues to work remotely from their homes, but the significant progress of the US vaccination program suggests that the US staff may be in a position to return to the New York office in the near future.

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Moving from the impact of COVID-19 on the way that we have worked, I would like to discuss the progress of the Business since the last annual general meeting in May 2020. All of NEW's assets are now operating under long-term power purchase agreements or PPAs. The final PPA to commence was that for Mount Signal 2 or **MS2** in California. Following a very difficult period in the first half of 2020 when merchant electricity prices declined precipitously as COVID-19 lockdowns were implemented and electricity demand collapsed, Mount Signal 2 began selling its output to Southern California Edison at contracted prices on 1 June 2020. Transitioning from selling electricity into the spot markets each day to selling under contract at a known price to a credit-worthy offtaker, has greatly enhanced the stability of revenues for the business. As detailed in the results presentation in February, 97% of revenues over the next five years are now contracted under long-term PPAs.

We were also pleased to announce at the end of 2020, the sale of 25% of MS2. While the sale process for this asset was long and protracted, both as a result of COVID-19 and the commissioning issues impacting MS2's performance, the result was as we had expected. The transaction confirmed the value of MS2, and also involved the sale of an option for the acquisition of a further 25% of MS2. The term of this option is 12 months from the date of completion and exercisable by the listed UK acquirer, US Solar Fund or **USF**. Completion of the first 25% tranche was announced on 29 March 2021.

The underlying financial results for 2020 showed that electricity sales from the portfolio recorded a 38% increase in revenues, a 36% increase in earnings before interest, tax, depreciation and amortization or EBITDA and a 22% increase in EBITDA attributable to NEW. While this growth reflects the completion of construction on all assets, it was below expectations. This was largely as a result of the lower revenues from MS2 in the first half for the reasons I have already described together with commissioning issues at MS2 and the very unfortunate fire damage sustained at the Stanford and TID plants in Rosamond California.

The performance of MS2 has improved materially but the fire damage remediation at Stanford and TID continues. As we have detailed in previous communications, a grass fire damaged the Stanford plants resulting in generation from those plants being reduced by 32%. The NEW team has been working hard with the plants' insurers to assess the damage and to plan its remediation. This is a painstaking process involving testing and verifying all equipment on the sites, but it is progressing. We hope to see generation capacity restored progressively this year. In the meantime, the cost of the damage and lost earnings is the subject of claims on our insurance policies.



NEW's statutory results record the change in the value of the portfolio from period to period. In 2020 the pervasive uncertainty around COVID-19 led valuers to reduce the value of generation assets globally. The diminished demand for electricity was thought to represent a possible permanent change in long-term demand and accordingly, NEW's statutory results in the first half showed a loss as the portfolio values were reduced. This uncertainty appears to have abated, to a degree, but the coming year will provide further indications about long-term expectations for economic activity and, in turn, electricity demand.

In the second half of 2020, NEW's statutory results were impacted again as the US dollar lost value against the Australian dollar. This meant that the Australian dollar value of the portfolio declined, even as the US dollar value of some of the plants improved. The US dollar has not recovered against the Australian dollar so far this year.

In 2020, the business distributed 6.0 cents per stapled security. There was also a major environmental dividend. In 2020, generation from NEW's portfolio displaced 919,000 tonnes of CO₂, equivalent to removing 245,000 cars from Australian and US roads or powering 194,000 US and Australian homes. The business is making an important contribution to the mitigation of climate change.

In 2020, the NEW Boards commissioned and adopted a strategic review of the business by RBC Capital Markets. As you know, the Boards are focused on addressing the security price discount to portfolio net asset value. As a result of the review, the Boards have embarked on a series of strategic initiatives to restore confidence in the value of NEW's assets. The sale of NEW's interest in USF, the sale of 25% of MS2 and the Australian asset sales are part of this process. These sales represent significant action that will contribute to our ability to restore value to investors through capital management initiatives.

While the asset sales have not yet been completed, consideration is being given to the appropriate use of the asset sale proceeds. Along with debt reduction and capital returns, this may include using part of the proceeds to fund a possible buyback of Stapled Securities. It should be noted that the capacity to undertake a buyback of up to 25% of NEW's securities is being sought at these meetings. I must emphasise that the size of the buyback will not be determined until the outcome of the asset sale process is known, but the approval sought today will provide the Boards with flexibility to determine the best course of action.

The security price performance is disappointing for your Boards and Management, many of whom are also significant investors. We know you are also disappointed, but we are working



hard to change the market's perception of the Business and will be using the proceeds of the asset sales to assist us to do that. In the event that the measures that we take are insufficient to resolve the security price discount, the Boards will consider further action to restore value to investors.

Very encouragingly, global awareness of the need to combat climate change is growing. We have seen remarkable changes in the stances of the major economies with respect to making commitments to transition their economies. The weight of investment in renewables in China, the US and the EU would suggest that there will be strong progress toward de-carbonisation in this coming decade. The new Biden administration has introduced a number of initiatives which should provide strong support to the development of renewable energy and the outlook for the US market is very positive. NEW will be well-placed to take advantage of the energy transition.

The NEW Boards have also been looking for ways to simplify the business and reduce cost. In this regard, on 26 May 2021, NEW announced an unstapling proposal. Currently NEW is structured as a Stapled Security where shares in the Company and issued units of the Trust are stapled together and quoted jointly on the ASX (under the code NEW). In the view of the Boards there is no longer a rationale for the stapled structure and under the proposal all of the capital of the entity will be allocated to the Company, New Energy Solar Limited, and the Trust will be wound up. The benefit to securityholders will be lower costs and also a simplification in the preparation and presentation of the financial statements.

To close, I would like to thank the Investment Management team. You have heard from CEO, John Martin, Chief Investment Officer, Liam Thomas, and CFO, Warwick Keneally, this year in presentations, but a larger and very capable team in the US and Australia works alongside them. I would also like to thank my fellow board members on the Company and the Trust boards for their work this year and for their conviction about, and enthusiasm for, renewable energy.



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 609 396 983). For more information, visit: www.newenergysolar.com.au

Authorised for release by New Energy Solar Limited, and E&P Investments Limited as responsible entity of New Energy Solar Fund.

