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US Solar Fund PLC
07 August 2023

7 August 2023

US SOLAR FUND PLC ("USF", or the "Company")

MARKET UPDATE

Ahead of the announcement of the Company's interim results for the period to 30 June 2023 expected to be released in September, the Board is pleased to provide the following market and operational update.

Portfolio update and macroeconomic outlook

During the first half of 2023, the Company's underlying portfolio performance has continued to improve over 2022 however weather conditions have been challenging.

The portfolio's resilience in challenging macroeconomic conditions can be attributed to:

- **High-quality generation assets**. The portfolio's performance demonstrates the lower operational volatility of solar generation assets however weather conditions in the first half of 2023 have been poor compared with 2022. Pleasingly, non-weather losses such as outages and asset unavailability improved by approximately 20% in the first half of 2023 compared with 2022. USF's portfolio is geographically diverse and has not been affected by changes in certain energy markets (such as Texas) where major weather-related events have led to volatility in asset values.

- **Highly predictable revenues earned from long-term Power Purchase Agreements** (**PPAs**). Cashflows generated by the portfolio are highly predictable. The electricity generated by USF's assets is contracted under fixed-price PPAs for a weighted average term remaining of 12.4 years from 30 June 2023. Over 95% of the revenues forecast to be received over the next nine years are contracted payments earned under fixed price PPAs.

- **Stabilising US risk free rates.** US Treasuries have stabilised during the period compared to prior periods and compared with UK and European equivalent instruments. The net asset value (**NAV**) of the portfolio is determined through an independent valuation which uses, as a risk-free proxy, the equivalent term (20 year) US Treasury rate which was 4.1% at 31 December 2022 and remained unchanged at 30 June 2023.

- **Fully hedged debt facilities.** The Company's amortising debt facilities benefit from protections in relation to changes in base rates. This is due to the underlying base interest rates having been hedged for the full expected amortisation period. These hedging arrangements are currently significantly in-the-money due to the increased interest rate environment.

The Board is satisfied with the improving performance of the portfolio and the continued stability of cashflows over this first six months of 2023.

Outlook for NAV and dividend cover based on macroeconomic forecasts and the outcome of the Strategic Review

The Company will publish its interim results in September which will include a 30 June 2023 NAV. The following commentary on NAV is therefore subject to conclusion of the customary half-year review by USF's auditors which is currently underway.

Consistent with previous periods, the revised NAV will reflect changes to the macroeconomic environment since 31

December 2022.

Importantly, the revised NAV will also reflect the outcome of the recently concluded strategic review where USF's independent valuer will take into account that the sales process initiated by the Board in October 2022 did not result in receipt of any offers considered to be in the best interests of shareholders. The independent valuer will also compare the value of USF's projects to the valuations implied by recent transactions in the US renewables sector. Although risk-free rates have steadied, these considerations are expected to result in higher asset risk premiums for USF's portfolio assets, and place downward pressure on NAV. The Board considers that the independent valuer's approach will appropriately reflect the inherent value of the assets adjusted for current market conditions.

Inflation, which generally has a positive impact on the Company's NAV by increasing expectations for future energy prices, is expected to negatively impact the Company's short to medium term portfolio cashflows. This is a result of forecast increases in insurance, wage and equipment costs which may materialise on expiry of those related contracts versus the more stable revenue from USF's long-term PPAs. Sustained high inflation should be expected to increase NAV but reduce near term operational cashflows and result in in reduced levels of dividend coverage.

The Company has delivered average annual dividend growth of 1.5% in each consecutive year since the portfolio became fully operational. Given the potential for operating cash shortfalls as described above in the medium term, the Board will issue revised guidance around any lower dividend targets, if necessary, in future periods.

The Company continues to expect the 2023 dividend to be covered with net operating cashflows (including the gain on the sale of USF's 50% interest in MS2).

Strategy for managing the current share price discount to NAV

The Board remains committed to the creation and delivery of long-term shareholder value. It continues to believe the discount to NAV at which the Company's shares are trading does not reflect the value of the Company, even taking into account the above factors. The key steps currently being taken by the Board to proactively address this are consistent with the Company's established approach and include:

- Continuing to focus on efficient balance sheet management. The Board confirms that it is currently not seeking new investment opportunities given the substantial discount to NAV. The Company's $40m revolving credit facility (**RCF**) is currently undrawn. Taken together with unrestricted cash balances of approximately $45m, the Company remains in a comfortable position in relation to its short-term cash requirements; and

- Realising value from existing investments where it is prudent and possible to do so and utilising available proceeds to return excess capital to Shareholders, improve the overall attractiveness of the remaining portfolio to potential buyers and/or reduce overall debt levels.

Investment management update

USF announced on 10 July 2023 it had mutually agreed with its current investment manager, New Energy Solar Manager Pty Limited (**NESM**), that USF's existing investment management agreement will not extend beyond the expiry of the initial five-year term in April 2024.

USF is pleased to announce that it has granted a potential new investment manager a period of exclusivity during which the parties will seek to negotiate a new investment management agreement and obtain the necessary regulatory and shareholder approvals required for the potential new manager to replace NESM as USF's investment manager.

Further details will be announced within the next two weeks.

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About US Solar Fund plc

US Solar Fund plc, established in 2019, listed on the premium segment of the London Stock Exchange in April 2019. The Company's investment objective is to provide investors with attractive and sustainable dividends with an element of capital growth by owning and operating solar power assets in North America and other OECD countries in the Americas.

The solar power assets that the Company acquires or constructs are expected to have an asset life of at least 30 years and generate stable and uncorrelated cash flows by selling electricity to creditworthy off-takers under long-term PPAs. Following the sale of the Company's 50% interest in Mount Signal 2, the Company's portfolio currently consists of 41 operational solar projects with a total capacity of $443MW_{DC}$, all located in the United States.

Further information on the Company can be found on its website at http://www.ussolarfund.co.uk.

About the Investment Manager

USF is managed by New Energy Solar Manager (**NESM**). NESM also manages New Energy Solar Limited, a fund previously listed on the Australian Securities Exchange (**ASX**). Combined, US Solar Fund and New Energy Solar have committed approximately US$1.3 billion to 57 projects totaling $1.2GW_{DC}$.

NESM is owned by E&P Funds, the funds management division of E&P Financial Group Limited, an ASX listed company (**ASX: EP1**) with over A$20 billion of funds under advice.

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