

ASX Announcement

31 October 2017

ReNu Energy operational and earnings update

ReNu Energy Limited (ASX: RNE) is pleased to provide an update on its operational cost structure and earnings outlook.

Key points

- Cost and operational review has resulted in a material reduction in corporate overheads
- EBITDA contributions from current assets are forecast to exceed corporate overheads on a run-rate basis in the first half of calendar 2018
- Clear path to positive EBITDA in calendar 2018 on a run-rate basis with the addition of near-term pipeline assets
- Balance sheet recognition of a component of the c. \$250 million in tax losses available to ReNu Energy is likely to follow as the growing portfolio of profitable assets are brought into operation

Operational cost reductions

On 22 May 2017 ReNu Energy announced that, after a preliminary assessment of its cost and operational structure, it had identified cost reductions of approximately 10% or \$400,000 of its cost base.

This work-stream has been ongoing and ReNu Energy is now pleased to advise that the identified cost reductions are in excess of those initially assessed. Annual corporate overheads are now estimated to be approximately \$2.0 million on a run-rate basis once the presently identified cost restructure and efficiency initiatives come into effect. The full effect of these is expected to be in place during the first quarter of calendar 2018.

ReNu Energy will structure its cost and operational activities into three categories:

- 1) Corporate: includes all costs that are required for the corporate functions of the business;
- 2) Operations: comprising the operational results from the Group's portfolio of operating assets; and
- 3) Business development: includes the costs attributable to ReNu Energy's pursuit and development of new value-accretive business opportunities.



Current and near-term asset EBITDA

In addition to its current projects, ReNu Energy has been working on the expansion of its near-term project portfolio. This has been undertaken principally under two limbs:

- 1) Working closely with our alliance partner ViVoPower; and
- 2) Actively originating asset opportunities through ReNu Energy's business development capability.

We are pleased and encouraged by the present efficacy of these limbs and expect them to accelerate through calendar 2018.

Key areas of growth remain 'behind the meter' PPAs and the continued roll-out of our solar PV embedded network business. In addition, resources are being dedicated to the corporate/virtual PPA market which we expect to attract strong corporate interest in 2018 as awareness of this opportunity increases.

ReNu Energy estimates the annual EBITDA from its current portfolio of announced projects and assets to be approximately \$2.0 million and is expecting to secure additional assets in the near term, capable of generating an additional EBITDA of at least \$2.0 million pa.

Tax loss recognition

ReNu Energy presently has approximately \$250 million in tax losses which are not recognised as a deferred tax asset on ReNu Energy's balance sheet.

In simple terms, the first \$250 million of profits earned by ReNu Energy will not be subject to taxation if these tax losses are utilised in full (equating to approximately \$0.35 per share in pre-tax earnings or \$0.105 cents per share post-tax).

As ReNu Energy's growing portfolio of profitable assets are brought into operation, the value of these tax losses is likely to be reflected as a deferred tax asset on ReNu Energy's balance sheet.

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About ReNu Energy

ReNu Energy Limited (ASX: RNE) is an independent power producer which delivers clean energy products and services using a build, own, operate and maintain model. The Company provides its customers with renewable energy, at a lower price, with no upfront cost.

ReNu Energy is currently constructing a 360kW solar PV embedded network at the Griffin Plaza Shopping Centre in Griffith NSW, and completing design work for a further three centres totalling ~2MW. The Company owns and operates a 1.1MW bioenergy project in Queensland, is constructing a 1.6MW bioenergy project in NSW and has a pipeline of project opportunities across the National Electricity Market.

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Our Vision is to
Generate change

Our Mission is to
Deliver innovative clean energy products and services, creating sustainable value for our customers and shareholders