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23 October 2018

NEXTEENERGY SOLAR FUND LIMITED (THE "COMPANY")

Further re: Issue of Preference Shares, amendments to the Company's articles of incorporation and investment policy

The Company today announces certain amendments to the proposals announced on 16 October 2018 (the "Original Proposals"), under which:

- NextEnergy Capital IM Limited has agreed to waive a proportion of the investment management fee due to it under the investment management agreement, so that no investment management fee is payable by the Company in respect of that part of the Company's NAV attributable to Preference Shares (as reported in the Company's financial statements from time to time); and
- in recognition of the considerable time and resource that NextEnergy Capital Limited and NextEnergy Capital IM Limited have devoted to developing and implementing an innovative and attractive new source of capital that materially improves the Company's dividend cover and cash flow, the Company will pay NextEnergy Capital IM Limited a one-off arrangement fee of 0.5% of the value of each tranche of Preference Shares issued.

A supplementary circular will shortly be despatched to Shareholders to inform them of the amended proposals (the "Amended Proposals"). The details of the EGM set out in the Circular dated 16 October setting out the Original Proposals remain unchanged.

The Amended Proposals come following further consultation with Shareholders, following consultations made prior to the Original Proposals being made.

The Company, the Investment Manager and the Investment Adviser continue to consider the issue of Preference Shares to have material benefits for the Company when compared with other sources of capital.

Details of the Amended Proposals

The information below restates, based on the Amended Proposals, certain financial information set out in the Company's announcement of 16 October 2018.

The application of the proceeds of the Preference Shares issued pursuant to the Proposals to the financing of a typical UK solar PV investment of the Company is expected to enhance the average dividend cover for Ordinary Shareholders by 0.15x and increase the levered internal rate of return

("IRR") by 1.09%. For comparison, an issuance of long-term debt financing at current best market terms is estimated to have an impact on the dividend cover and IRR of 0.03x and 0.64% respectively.

In net present value terms, the proposed Subscription would generate cash savings of £42.5m compared to issuing Ordinary Shares as a result of the lower total dividend cost of the Preference Shares over the period to 31 March 2036 (under current 2.75% long term retail price index ("RPI") estimates and using the Company's unlevered discount rate of 6.75%). When compared to the total debt service (principal and interest) of an illustrative fully-amortising debt financing at best market terms, the lower fully-costed cost of capital of the Preference Shares represents cash savings of £25.9m in net present value for the Subscription. This equates to total cash savings for the Company of £45.1m for £100m of issued Preference Shares up to March 2036.

The proceeds of the Preference Shares will be used to repay existing debt facilities whose average yearly cash cost at current terms (comprising interest and principal amortisation) ranges from 8.6% to 10.3% and that can be voluntarily terminated without incurring prepayment penalties. Namely those advanced by Santander (£40m RCF), Bayerische Landesbank (with an average yearly cash cost of 8.6%), ING and Unicredit (with a combined average yearly cash cost of 10.3%) for a total amount of £163.2m. As a result, the immediate benefits are expected to be more substantial than in the illustrative example above (which is, as explained above, a proforma based on best market terms available for a UK solar portfolio).

The net present value of total cash savings during the first 18 years (compared with debt financing) is higher in net present value terms than any potential dilution that may be experienced by the Ordinary Shareholders in any scenario of future NAV of the Company in 2036.

The refinancing transaction will also allow to simplify the capital structure of the Company via a reduction in the number of loans outstanding.

In addition, issue costs associated with this transaction as a percentage of the amount raised are lower compared to alternative sources as per the estimate below:

- c.1.7% for an issue of new Ordinary Shares.
- c.1.3% for long-term debt.
- c.1.1% for the issue of the Preference Shares as per the Subscription.

All other details of the Preference Shares remain unchanged.

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Capitalised terms not defined in this announcement bear the meanings given to them in the announcement dated 16 October 2018.

Important information:

The information contained in this announcement does not constitute an offer of securities for sale in any jurisdiction.

Notes to Editors:

The Company is a specialist investment company that invests primarily in operating solar power plants in the UK. It has the authority to invest up to 15% of its Gross Asset Value in operating solar power plants in OECD countries outside the UK. The Company's objective is to secure attractive shareholder returns through RPI-linked dividends and long-term capital growth. The Company achieves this by acquiring solar power plants on agricultural, industrial and commercial sites.

The Company has raised equity proceeds of £592m since its initial public offering on the main market of the London Stock Exchange in April 2014. It also has credit facilities outstanding of c.£365m in place (£149m from a syndicate including MIDIS, NAB and CBA; MIDIS: £54m; ING £32m; UniCredit £32m; Santander £40m; and Bayerische Landesbank £58m).

The Company is differentiated by its access to NextEnergy Capital Group (NEC Group), its Investment Manager, which has a strong track record in sourcing, acquiring and managing operating solar assets. WiseEnergy is NEC Group's specialist operating asset management division and over the course of its activities has provided operating asset management, monitoring, technical due diligence and other services to over 1,300 utility-scale solar power plants with an installed capacity in excess of 1.9 GW.

Further information on NESF, NEC Group and WiseEnergy is available at www.nextenergysolarfund.com, www.nextenergycapital.com and www.wise-energy.eu.