12 August 2019

NextEnergy Solar Fund Limited

("NESF" or "Company")

Issue of Second Tranche of Preference Shares

- The Company has entered into a Subscription Agreement with an investment vehicle owned by Universities Superannuation Scheme, namely L1 LP ("USS" or the "Investor").
- 100,000,000 preference shares to be issued ("Preference Shares"), raising gross proceeds of £100m (the "Issue").
- Net proceeds to be used to repay the existing £90m short-term debt facilities and invest in the pipeline of opportunities.
- The rights of the Preference Shares are the same as those issued in November 2018, save that the Preference Shares to be issued to USS benefit further from certain additional undertakings and covenants given by the Company in the Subscription Agreement.

Further to the newly granted authority to issue up to 100,000,000 Preference Shares passed by its shareholders at the Company's general meeting on 8 August 2019, NESF is pleased to announce the issue of a further 100,000,000 Preference Shares at 100p per share, to be completed on or around 12 August 2019.

The Board believes that the principal benefits of the Issue are:

1. the subscription proceeds will be applied promptly to repay existing short-term debt facilities (£90m due in February 2020 and July 2020), removing any short-term refinancing risk, with the balance of the net Issue proceeds being available to invest in pipeline opportunities, most of which are subsidy free;
2. the fixed preferred dividend of 4.75 pence per preference share is a lower annual cash cost to the Company compared to issuing ordinary shares (2019/20 target dividend of 6.87 pence per ordinary share, expected to increase with RPI annually);
3. the Issue allows the Company to further optimise its capital structure and increase cash flows compared to refinancing with conventional long-term amortising financing, thereby increasing the cash dividend cover and increasing the levered IRR for ordinary shareholders;
4. the Company has an unilateral option to redeem all or part of the Preference Shares at any point after 1 April 2030; and
5. the Preference Shares are not redeemable for cash by USS, other than in the event of a change in control or delisting of the Company.

The rights of the Preference Shares are the same as those issued in November 2018, save that the Preference Shares to be issued to USS benefit further from certain additional undertakings and covenants given by the Company in the Subscription Agreement. The following is a summary of the key terms of the Subscription Agreement:

1. The Company has undertaken that, on issue of the Preference Shares and following the Issue, certain gearing ratios (calculated on the basis of Gross Asset Value ("GAV") and Enterprise Value ("EV") of the Company in accordance with the Subscription Agreement) will not exceed 50 per cent and that the Company will not issue any further Preference Shares or incur any further borrowings where such issue and/or borrowings would result in these ratios being exceeded.
2. The Company has granted the Investor certain protective covenants with respect to the undertaking of share buybacks or declaration of dividends payable to the ordinary shares, in particular in circumstances where the relevant gearing ratio would exceed 70 per cent or, following the Preference Shares becoming convertible in April 2036, 50 per cent in circumstances when the ordinary shares are trading at a discount to NAV over a six month period and, despite the Investor obtaining an independent valuation demonstrating a lower than published NAV, the Company has not taken steps to adjust its NAV.
3. The EV gearing ratio is not applicable until April 2030 or if the ordinary shares have traded at an average discount of more than 10 per cent in the preceding three months from April 2025.
4. In addition to voting rights relating to any changes to the Company's investment policy, certain adjustments will be made to the calculation of the gearing ratios in the event of the Company increasing its exposure to non-solar PV assets and any integrated ancillary technologies and/or non UK and OECD market risks have also been provided to the Investor.
5. In addition, to the extent the Company seeks external third party debt funding on certain terms, the Investor will have the right to match these financing terms, subject to the conditions and criteria set out under the Subscription Agreement.

The Preference Shares carry a fixed preferred dividend of 4.75 per cent per annum as well as a preferred capital entitlement of 100p per share (their issue price) and are generally non-redeemable and non-voting. Preference Share dividends are payable at the discretion of the Board and, to the extent that any dividend is not paid in full on the relevant payment date, the unpaid amount shall compound at 4.75 per cent per annum (calculated daily) until paid. The Preference Shares have no redemption or voting rights in the event of unpaid dividends. From 1 April 2030, the Company has the right to redeem all or some of the Preference Shares at 100p per share. From 1 April 2036, the Preference Shareholders have the right to convert all or some of their Preference Shares into either ordinary shares or B shares, at the election of the holder, with B shares being unlisted shares carrying the same rights to dividends and return of capital in a liquidation as the ordinary shares. The conversion price will be based on the ratio of the preferred capital entitlement (plus unpaid dividends, if any) per Preference Share relative to NAV per ordinary share at the date of conversion. The Preference Shares may be redeemed in full at the election of the holders in the event of a delisting or change of control of the Company.

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Notes to Editors:

NESF is a specialist investment company that invests primarily in operating solar power plants in the UK. It is able 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.

As at 30 June 2019, NESF has raised equity proceeds of £692m (including £100m of Preference Shares) since its initial public offering on the main market of the London Stock Exchange in April 2014. The Company’s subsidiaries have bank and other external finance outstanding of £289m, on a look-through basis and including at project level. Of this, £199m was long-term fully amortising financing, and £90m was drawn under a short-term credit facility.

NESF 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 nextenergysolarfund.com, nextenergycapital.com and wise-energy.eu.