# Generating a more sustainable future

# NextEnergy Solar Fund Limited

## Interim Results Presentation

**23 November 2020**

# Presented by NextEnergy Capital, Investment Adviser - Contents


NEC FOUNDING PARTNER & CEO


NEC MANAGING PARTNER & CIO


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Staughton (50MW)
Bedfordshire
Energised December 2019

# Investment Update

# Investment Highlights

**30 September 2020**

- NAV – £583.5m
- NAV/share – 99.6p
- GAV – £994m

**31 March 2020**

- NAV – £578.6m
- NAV/share – 99.0p
- GAV – £991m

Generation vs. budget **(+11.1%)** translates into additional revenues of **£6.0m** during the period

**£5.4m** benefit from power price contract fixes vs baseload prices during the period

**43MW** of development work in progress for Anglian Water - power directly sold through private wire agreements

**755MW** total diversified capacity through **90** solar assets

**8.5MW** subsidy-free project **High Garrett** energised post the period-end taking the total installed capacity to **763MW**

Issuance of £200m preference estimated to increase cashflows by **£6.0m** during the current financial year compared to a proforma debt financing

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# Environmental, Social and Governance (ESG)

- NESF considers the three pillars of Climate Change, Biodiversity and Human Rights as an integral part of the investment process
- NESF is committed to supporting the UK Government in its ambitious objective of bringing all greenhouse gas emissions to net zero by 2050 and limiting global average temperature rise to 2$^{O}$C from pre-industrial era levels
- NESF has contracted the Green Investment Group ("GIG") to independently verify our positive impact on mitigating climate change


**551GWh** total electricity generation

**142,600** homes powered, equivalent to Oxford and York combined powered for one year [(1)]

**237,500** tonnes of $CO_2e$ emissions avoided during the 6 month period [(2)]

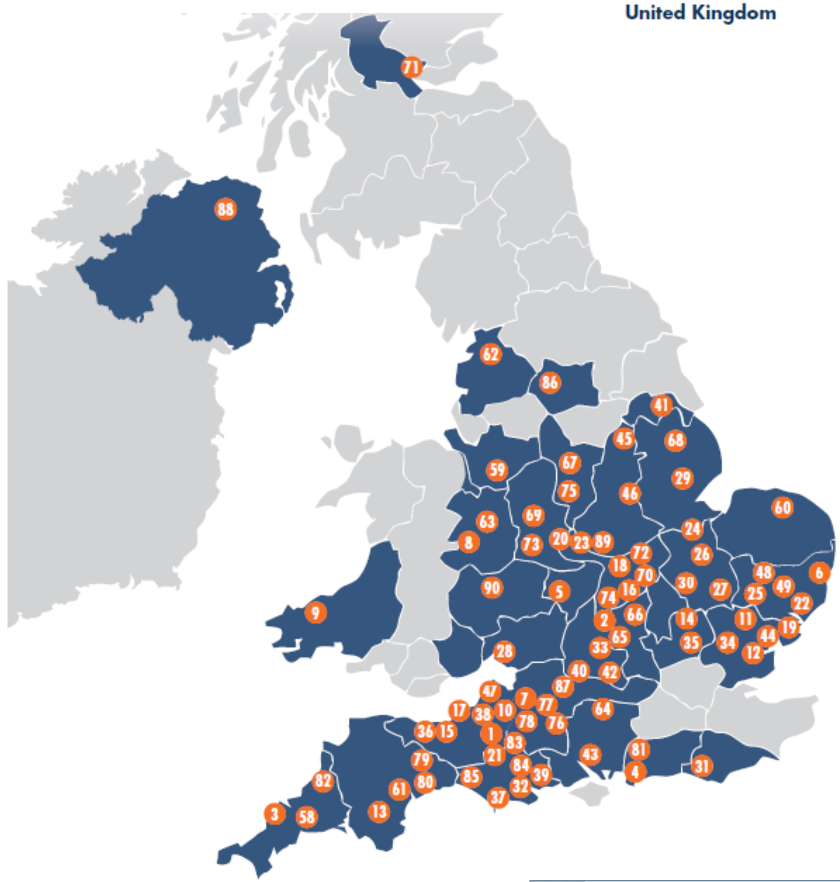
Equivalent to removing **170,500** petrol/diesel cars off the road for a year [(3)]

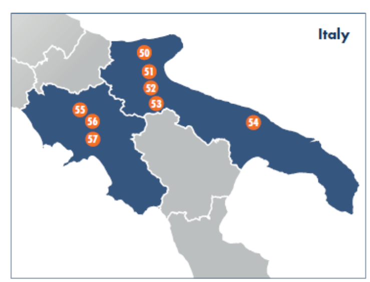
Notes:
(1) www.gov.uk/government/statistics/energy-consumption-in-the-uk
(2) greeninvestmentgroup.com/green-impact/green-investment-handbook
(3) https://www.gov.uk/government/publications/new-car-carbon-dioxide-emissions

# Operating Portfolio

- **High Garrett**, an 8.5MW extension to the 5MW ROC asset known as Kentishes acquired in 2016, was energised post the period end on 22 October 2020

- We are currently seeking to identify value creating opportunities **in OECD countries** in line with the amended Investment Policy to maximise shareholder returns and increase diversification




**Total capacity installed as at 30 September 2020**

**755MW**

(31 March 2020: 755MW)

**Operating solar assets as at 30 September 2020**

**90**

(31 March 2020: 90)

**Total electricity generation for six months ended 30 September 2020**

**551GWh**

(30 September 2019: 515GWh)

**Generation above budget for six months ended 30 September 2020**

**11.1%**

(30 September 2019: 5.0%)

# Continuous Operating Outperformance

- The portfolio consistently generates more electricity than its acquisition budget (+6.0% since IPO)
- NESF has achieved continuous operating outperformance each year since IPO
- The portfolio outperformance is partially due to higher solar irradiation than forecasts (+3.4% since IPO) and to the Asset Management performance (+2.6% since IPO)
- The Asset Management Alpha for half year 2020/21 would have been +0.8% if DNO outages were excluded

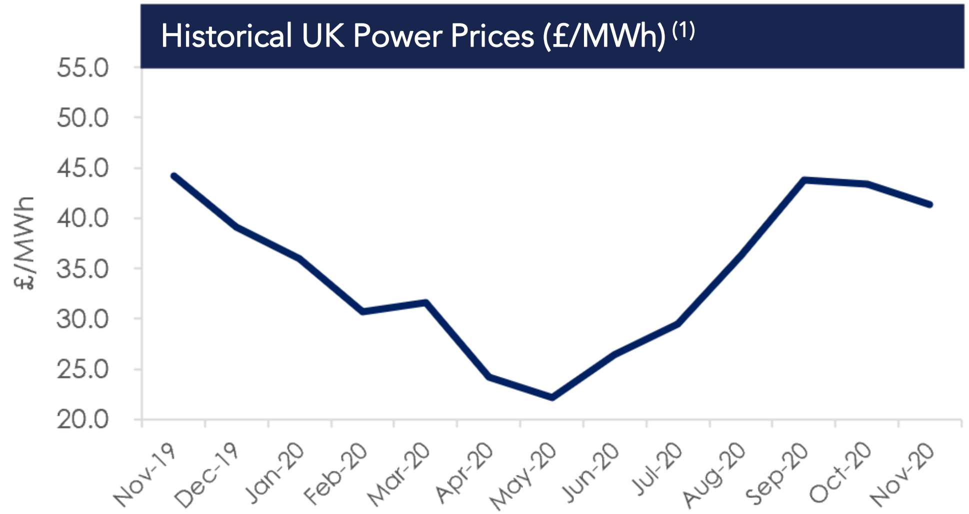
| Period | Assets monitored | Irradiation (delta vs. budget) | Generation (delta vs. budget) | Asset Management Alpha[1] |
|---|---|---|---|---|
| First half 2015/16 | 17 | +2.9% | +5.7% | **+2.8%** |
| First half 2016/17 | 31 | +0.0% | +3.2% | **+3.2%** |
| First half 2017/18 | 41 | +0.5% | +2.0% | **+1.5%** |
| First half 2018/19 | 84 | +8.4% | +7.9% | **-0.5%** |
| First half 2019/20 | 85 | +4.8% | +5.0% | **+0.2%** |
| First half 2020/21 | 86 | +10.8% | +11.1% | **+0.3%** |
| Cumulative from IPO to 30 September 2020 | 86 | +3.4% | +6.0% | +2.6% |

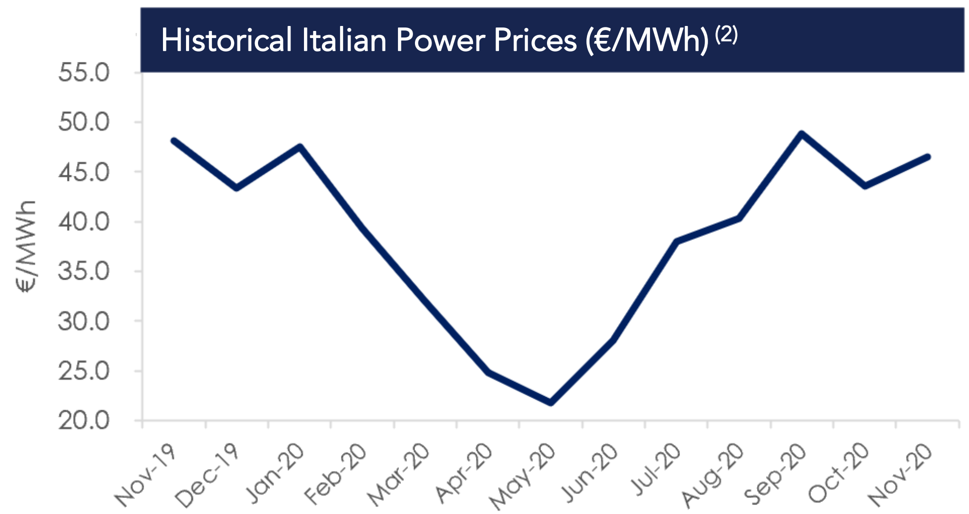
Generation outperformance during the period of 11.1% translated into additional revenue of c.£6m

Notes:
(1) Asset Management Alpha defined as energy generated by portfolio vs budget (adjusted for delta in irradiation)

# Historical Power Prices (12-month)

- The Company's flexible PPA framework locked in additional revenues of **£5.4m** from power price contract fixes vs baseload prices during the period
- UK power prices were declining into March 2020 as a result of lower gas prices and milder weather patterns
- In March 2020, the "oil price war" between the USA, Saudi Arabia and Russia and the first effects of the COVID-19 pandemic further impacted prices
- Power prices for the three forward seasons have picked up significantly from their lows in May 2020

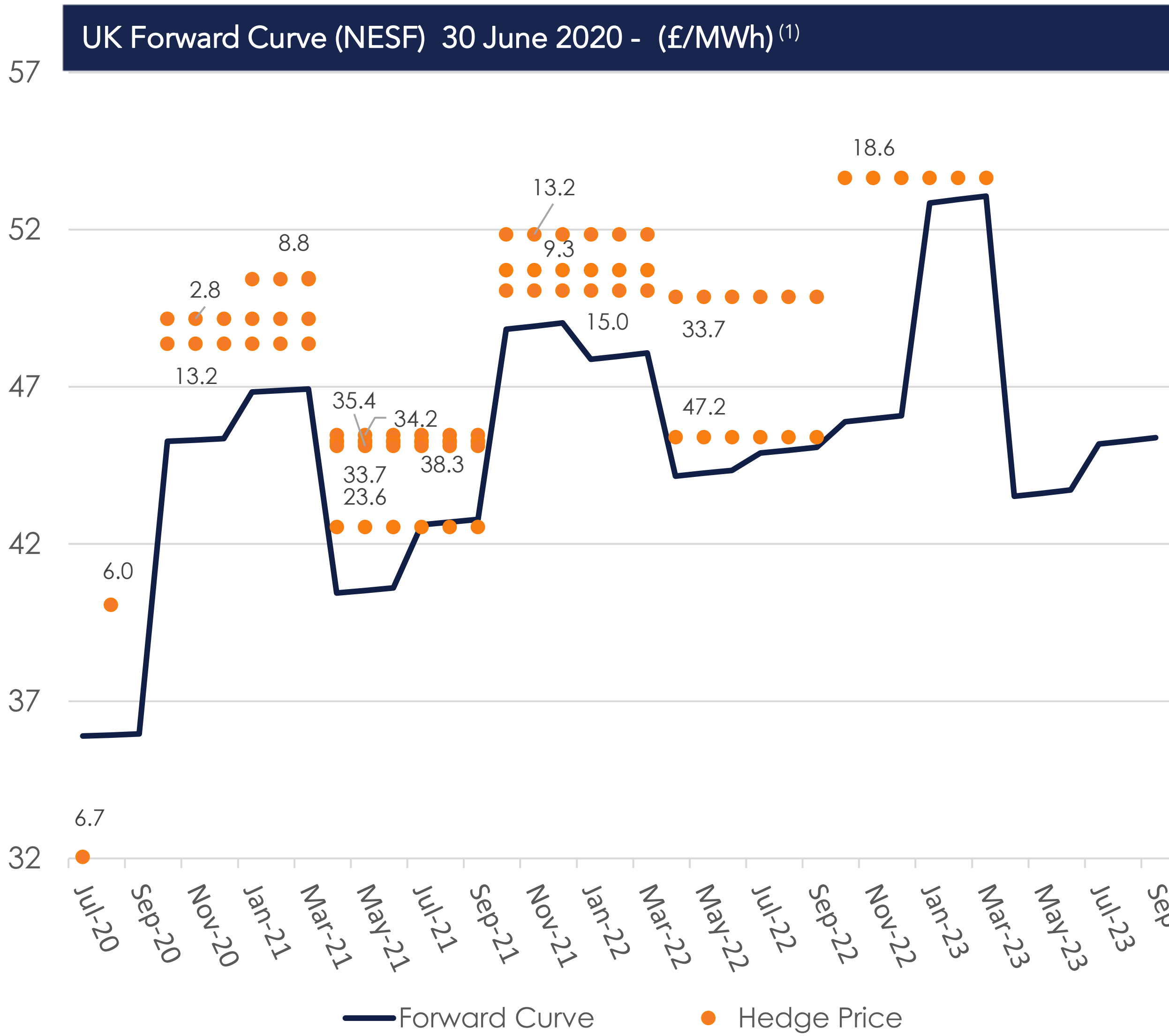



(1) Source: N2EX – UK Baseload – day ahead
(2) Source: Gestore del Mercato Elettrico S.p.A

# Hedges from 1 July 2020 vs Forward Curve

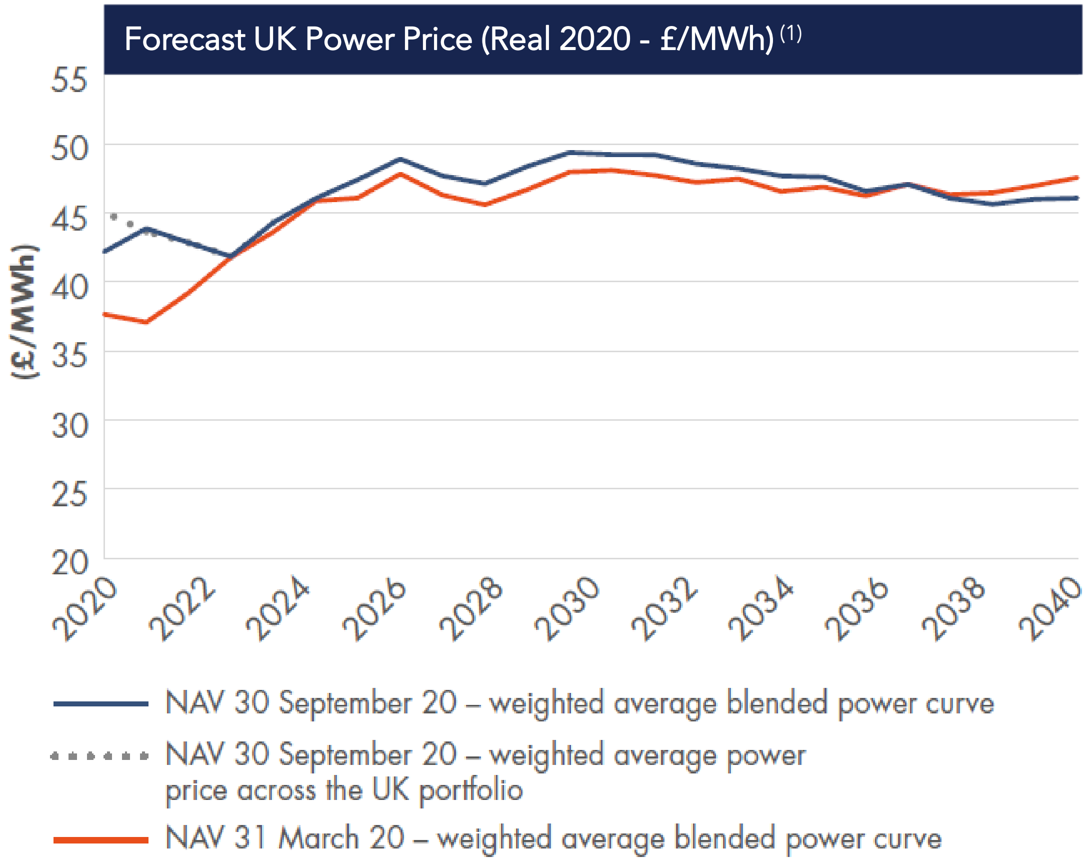
- Graph shows UK Forward Curve (NESF) as of 30 June 2020
- Hedges are shown with orange dots
- With the exception of one trade in July 2020 for our newly commissioned subsidy-free site Staughton, all hedges are above the forward curve
- Numbers next to the orange dots show MW of capacity hedged based on proportion of MWh for the whole UK part of NESF portfolio
- For example, 6.0 in August 2020 represents the proportional hedge of 6.0MWh/695MWh or 0.86% of the MWh generated at c.£40/MWh




Notes:
(1) Source: Independent Energy Market Consultants

# UK Forecast Power Prices (Real 2020)

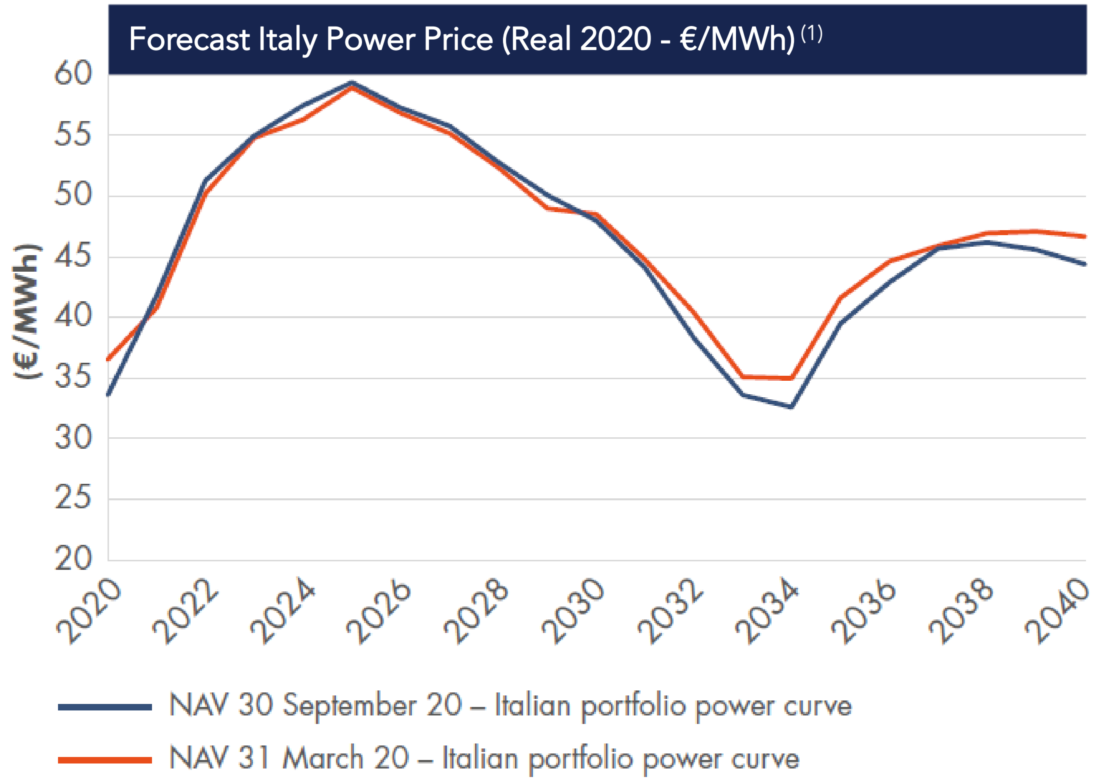
- For the period 2020-2040, the average UK solar capture price is approximately £46.7/MWh
- At the short end (the next two years), where PPAs are in place we use the PPA prices and, for periods where there are no PPAs in place, we use the short-term market forward prices
- After year two, we use a simple average of three leading independent energy market consultants' long-term projections




Notes:
(1) Source: Independent Energy Market Consultants

# Italy Forecast Power Prices (Real 2020)

- For the period 2020-2040, the average Italian solar capture price is approximately €46.5/MWh
- The drivers for power prices are different in the UK and Italy, resulting in power price risk diversification
- The decline in forecast power prices after 2025 is attributable to the expected increase in new solar capacity installed




Notes:
(1) Source: Independent Energy Market Consultant

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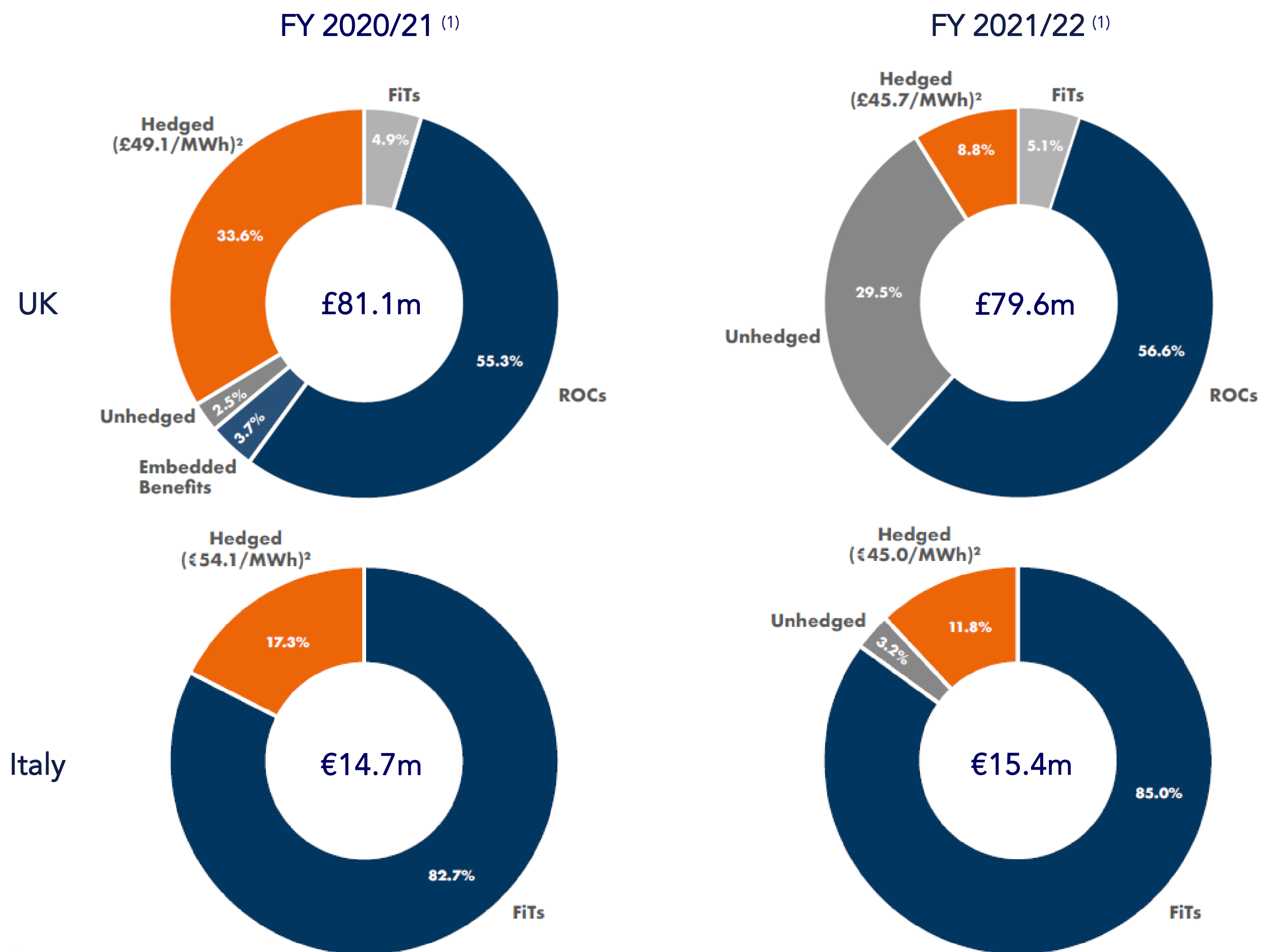
# Forecast Revenue Breakdown

- NESF proactively hedges its forward generation profile
- Hedging strategy designed to eliminate exposure to day-ahead power prices and outperform the forward curve




Notes:
(1) Projected revenues
(2) Generation weighted price

# Subsidy-free Asset Strategy

- NESF is targeting a subsidy-free portfolio of c.150MW
- The Anglian Water (43MW) projects have similar characteristics to subsidised assets and are therefore not included in the 150MW subsidy-free strategy
- The Company will consider divesting those subsidy-free project rights that are in excess of the current target of 150MW or that based on current assumptions would be unable to generate financial returns in line with the Company's target
- Strensham and Llanwern development projects were disposed of in May 2020

- As at 30 September 2020 NESF has energised **55MW** of subsidy-free assets (Hall Farm II and Staughton Airfield)
- Including High Garrett **(8.5MW)**, which was energised on 22 October 2020, the total is **64MW**
- The Company has sourced a further development pipeline of projects, significantly greater than its target of **150MW**
- Such pipeline will provide a broad set of investment options from which NESF can select the most attractive projects to construct and form part of its portfolio


High Garrett (8.5MW)


Hall Farm II (5.4MW)


Staughton (50.0MW)

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# Strategic Focus 2020/21

1

## Target a total of 150MW in subsidy-free solar plants

- Building upon our experience with Hall Farm II (5MW), Staughton (50MW) and High Garrett (8.5MW)

2

## Focus on progressing our electricity sales strategy

- Exploring corporate PPAs and direct-wire agreements to maximise revenue, and reduce power price risk

3

## Increase internationalisation

- Investment Policy amended to allow up to 30% of GAV outside UK, significant value-adding opportunities currently being considered in attractive international markets

4

## Optimise revenues and reduce operating expenses

- NESF is best placed to deliver this strategy through its Operating Asset Manager - WiseEnergy

5

## Extend the life of the remaining sites

- 35 assets have secured life extensions. A further 9 sites are targeted for FY2020/21

Hall Farm II (5.4MW)
Leicestershire
Energised August 2019

# Financial Highlights

# Financial Highlights

- During the period, the uncertainty surrounding the COVID-19 pandemic resulted in global equity markets suffering an unprecedented decline
- As a result, at 30 September 2020, NESF had achieved an ordinary shareholder annualised total return since IPO of 6.4% and an NAV annualised total return since IPO of 6.1%
- As at the 20 November 2020, NESF's share price was 105.2p, resulting in an ordinary shareholder annualised total return since IPO of 6.9%

**NAV per ordinary share as at 30 September 2020**
**99.6p**
(31 March 2020: 99.0p)

**Ordinary shareholders' NAV as at 30 September 2020**
**£583.5m**
(31 March 2020: £578.6 m)

**Financial debt gearing as at 30 September 2020[1]**
**21%**
(31 March 2020: 22%)

**Dividends declared per ordinary share for six months ended 30 September 2020**
**3.53p**
(30 September 2019: 3.44p)

**Cash dividend cover (pre-scrip dividends) for six months ended 30 September 2020**
**1.2x**
(30 September 2019: 1.3x)

**Total gearing as at 30 September 2020[2]**
**41%**
(31 March 2020: 42%)

**NAV total return per ordinary share for six months ended 30 September 2020**
**4.1%**
(30 September 2019: 3.2%)

**Ordinary shareholder total return for six months ended 30 September 2020**
**3.9%**
(30 September 2019: 6.7%)

**Ordinary shareholder annualised total return since IPO**
**6.4%**
(31 March 2020: 6.3%)

Notes:
(1) Financial debt gearing excludes the £200m preference shares
(2) Total gearing is the aggregate of financial debt and £200m of preference shares. The preference shares are equivalent to non-amortising debt with repayment in shares

NEXTENERGY SOLAR FUND

# Track Record

- Targeting a dividend of **7.05p** per share for the year ending 31 March 2021
- As at 30 September 2020, the dividend yield of **6.9%** was the highest in the sector
- Financial debt gearing of **21%** (excluding preference shares) is the lowest amongst the peer group
- Ongoing charges ratio stable at **1.1%**
- Issuance of £200m preference shares estimated to improve cashflows by **£6.0m** during the year compared to a proforma debt financing

| **Financial** | **2016** | **2017** | **2018** | **2019** | **2020** | **Six months ended 30 Sep 2020** |
|---|---|---|---|---|---|---|
| Ordinary shares in issue | 278.0m | 456.4m | 575.7m | 581.7m | 584.2m | 585.7m |
| Ordinary share price | 97.75p | 110.5p | 111.0p | 117.5p | 101.5p | 102.0p |
| Market capitalisation of ordinary shares | £272m | £504m | £639m | £683m | £593m | £597m |
| NAV per ordinary share[1] | 98.5p | 104.9p | 105.1p | 110.9p | 99.0p | 99.6p |
| Total ordinary NAV[1] | £274m | £479m | £605m | £645m | £579m | £583.5m |
| Premium/(discount) to NAV[1] | (0.8%) | 5.3% | 5.6% | 6.0% | 2.5% | 2.4% |
| Earnings per ordinary share | 0.78p | 13.81p | 5.88p | 12.37p | (5.09p) | 4.04p |
| Dividends per ordinary share | 6.25p | 6.31p | 6.42p | 6.65p | 6.87p | 7.05p |
| Dividend yield[1] | 6.39% | 5.71% | 5.78% | 5.66% | 6.77% | 6.91% |
| Cash dividend cover – pre-scrip dividends[1] | 1.2x | 1.1x | 1.1x | 1.3x | 1.2x | 1.2x |
| Preference shares in issue | – | – | – | 100m | 200m | 200m |
| Financial debt outstanding at subsidiaries level | £217m | £270m | £270m | £269m | £214m | £213m |
| GAV | £489m | £749m | £875m | £1,014m | £991m | £994m |
| Financial debt gearing (financial debt/GAV)[1] | 44% | 36% | 31% | 27% | 22% | 21% |
| Total gearing (financial debt + preference shares/GAV)[1] | 44% | 36% | 31% | 36% | 42% | 41% |
| Ordinary shareholder total return – cumulative since IPO | 6.1% | 26.7% | 33.6% | 46.7% | 37.5% | 41.5% |
| Ordinary shareholder total return – annualised since IPO | 3.2% | 9.1% | 8.5% | 9.5% | 6.3% | 6.4% |
| Ordinary shareholder total return | 0.2% | 21.1% | 6.2% | 11.8% | (7.8%) | 3.9% |
| Ordinary NAV total return[1] | 3.7% | 14.4% | 6.3% | 11.8% | (4.6%) | 4.1% |
| Ordinary NAV total return – annualised since IPO[1] | 1.9% | 4.9% | 7.0% | 8.1% | 5.9% | 6.1% |
| Ongoing charges ratio[1] | 1.2% | 1.2% | 1.1% | 1.1% | 1.1% | 1.1% |
| Weighted average discount rate | 7.7% | 7.9% | 7.3% | 7.0% | 6.8% | 6.8% |
| Weighted average cost of capital | 5.8% | 5.9% | 5.8% | 5.4% | 5.5% | 5.4% |

# Valuation of Investment Portfolio

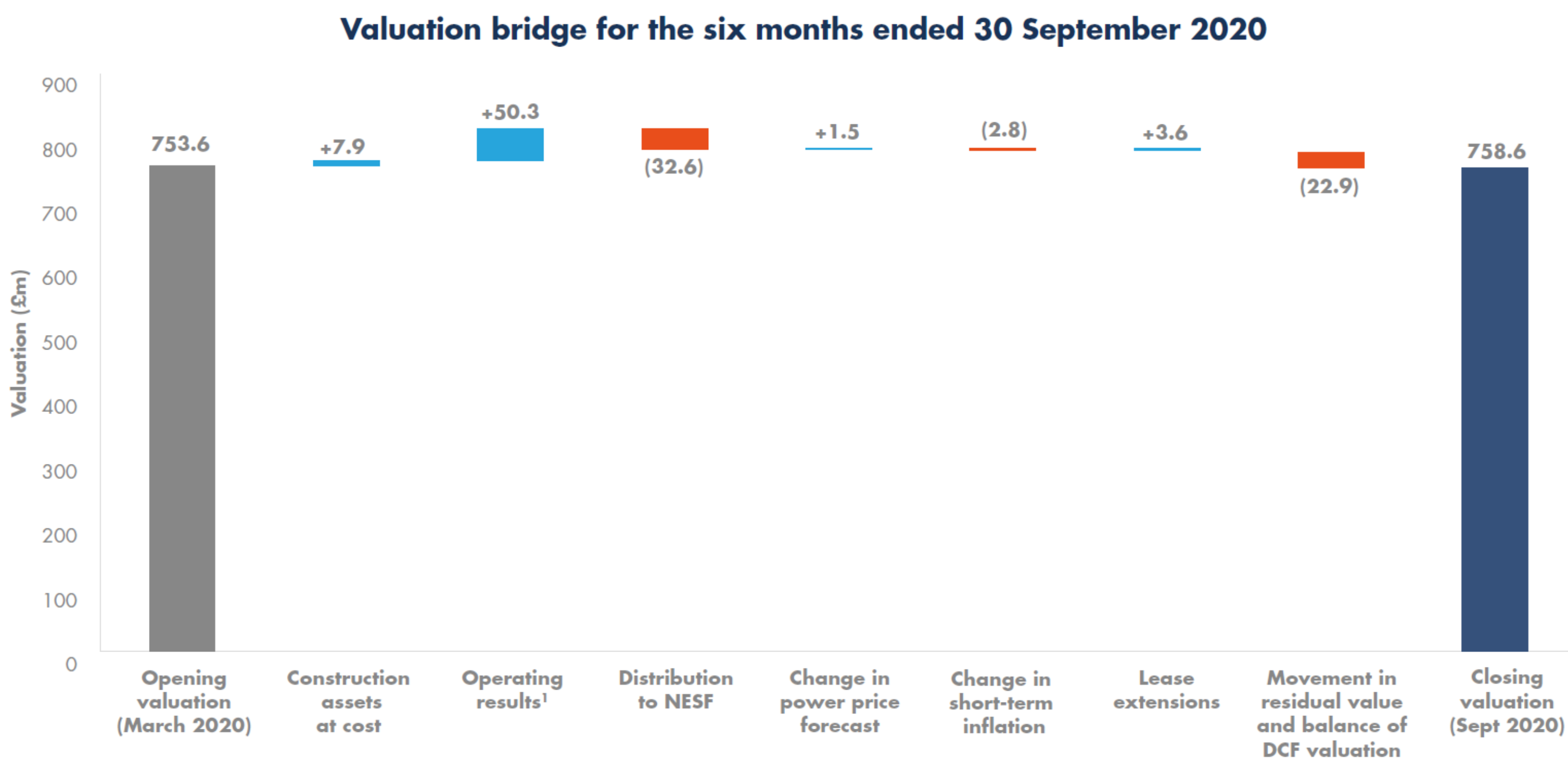
Discount rates

- **6.25% unlevered discount rate** for UK operating assets
- **Levered discount rates** of up to **7.25%** (up to 1.0% risk premium)
- **7.75% unlevered discount rate** for Italian operating assets implying **1.5% country risk premium**
- **7.25% unlevered discount rate** for subsidy-free operating assets implying **1.0% risk premium**
- **1.0% risk premium** for cash flows after 30 years where leases have been extended
- Weighted average discount rate of **6.8%**
- Weighed average cost of capital of **5.4%**

Valuation movements were driven by the following factors:

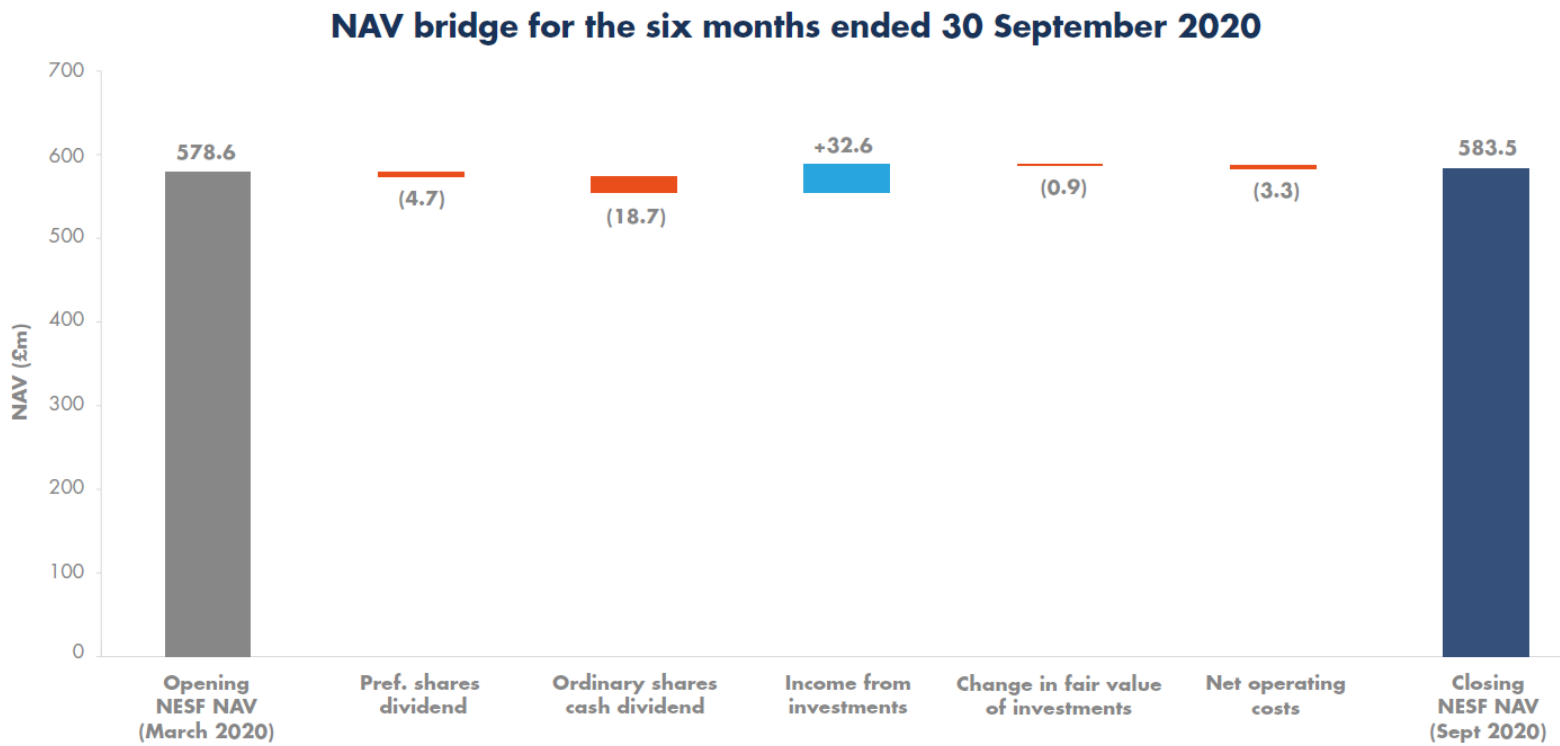
- The upward revisions in the UK forecasts for power prices provided by the three Consultants (31 March 2020: two Consultants), being 3.3% higher compared to the assumptions at 31 March 2020 (the Company uses the forecasts released by the Consultants up to the date of preparation of this Interim Report);
- The uplift arising from lease extensions;
- The operating results achieved by the Company's solar assets;
- The downward revision of short-term inflation forecasts; and
- The cash dividends paid by the Company during the period and the Company's operating costs.

# Portfolio Valuation Bridge




Notes:
(1) Operating result includes excess cash generated for the period of £4.5m

# NAV Bridge




Ordinary NAV per share (p) 99.0p

99.6p

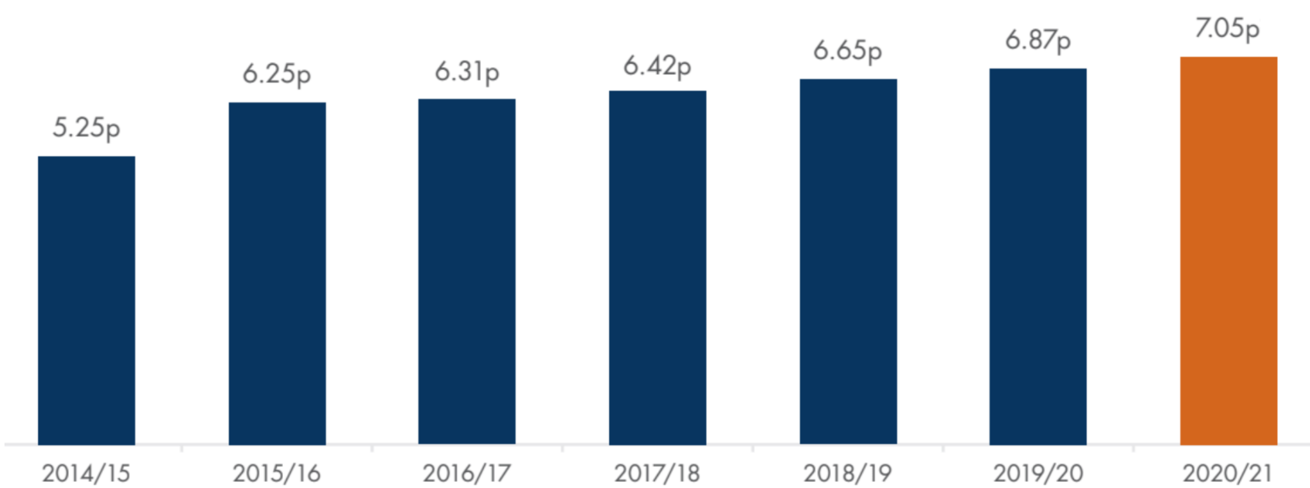
# Robust Dividend Cover

- The Board has concluded its review of the Company's dividend policy. To the extent the Board considers it appropriate, we will each year target **increasing** the total annual dividend paid to shareholders

- In deciding the total annual dividend, the Board will take into account: projected **future power prices** and associated **price hedges**; **inflation** in our markets; historic and budgeted **technical and operational performance** of our portfolio; and the appropriate **ratio of ordinary earnings** and **cash cover** to proposed dividend payments

- Target dividend of **7.05p** per share for the year ending 31 March 2021 remains unchanged

| Six months ended 30 September 2020 | £'000 | Pre-scrip dividends £'000 |
|---|---|---|
| Cash income for period[1,2] | 32,490 | |
| Net operating expenses for period | (3,299) | |
| Preference shares dividend | (4,750) | |
| Net cash income available for distribution | 24,441 | |
| Ordinary shares dividend paid during period | | 20,344 |
| **Cash dividend cover[2]** | | 1.2x |




Notes:
(1) Cash income differs from the Income in the Statement of Comprehensive Income. This is because the Statement of Comprehensive Income is on an accruals basis.
(2) Alternative Performance Measure

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# Optimised Capital Structure

- As at 30 September 2020, total financial debt facilities outstanding of £213m represent 21% of GAV (excluding preference shares)
- Of the financial debt, £194m was long-term fully amortising debt, £19m was RCF
- NESF has a £70m Santander RCF and additional £20m NIBC RCF
- NESF's financial debt gearing is the lowest in the peer group meaning NESF is the least exposed to secured debt financing and has the simplest debt structure

**Equity**

Ordinary Shareholders

- 585.7m Ordinary Shares in issue, targeting a total dividend of 7.05p per ordinary share for the financial year ending 31 March 2021

**Preference shares**

BAE SYSTEMS, USS

- Two £100m tranches issued in November 2018 and August 2019
- Non-redeemable and non-voting shares entitled to a fixed preferred dividend of 4.75% p.a. with conversion rights from 1 April 2036 at nominal value
- Option to redeem at nominal value starting from 1 April 2030 for six years at sole discretion of the Company

**Financial debt facilities**

MACQUARIE, CommonwealthBank, nab

- Fully amortising facility (£146.8m outstanding) expiring in 2035 drawn to finance the Apollo portfolio
- Unique NAV-enhancing features (grace period, DSRF, flexible PPA)

Macquarie Infrastructure Debt Investment Solutions ("MIDIS")

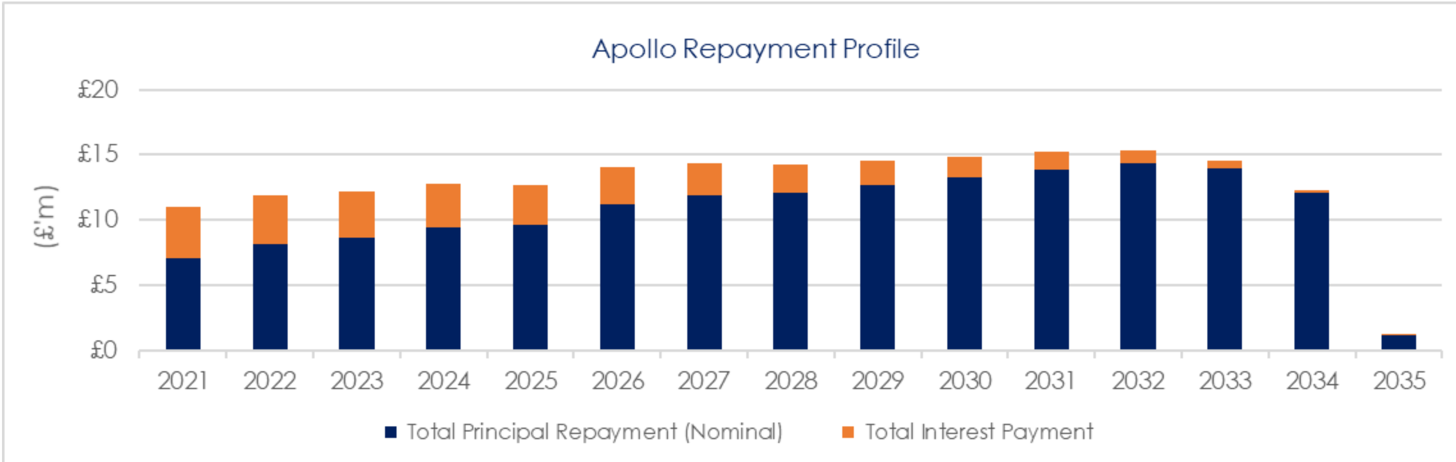
- Fully amortising facility (£47m outstanding) expiring in 2034
- Debt in place at completion of Radius portfolio in April 2016
- Replacement of DSRA with LoC in March 2018

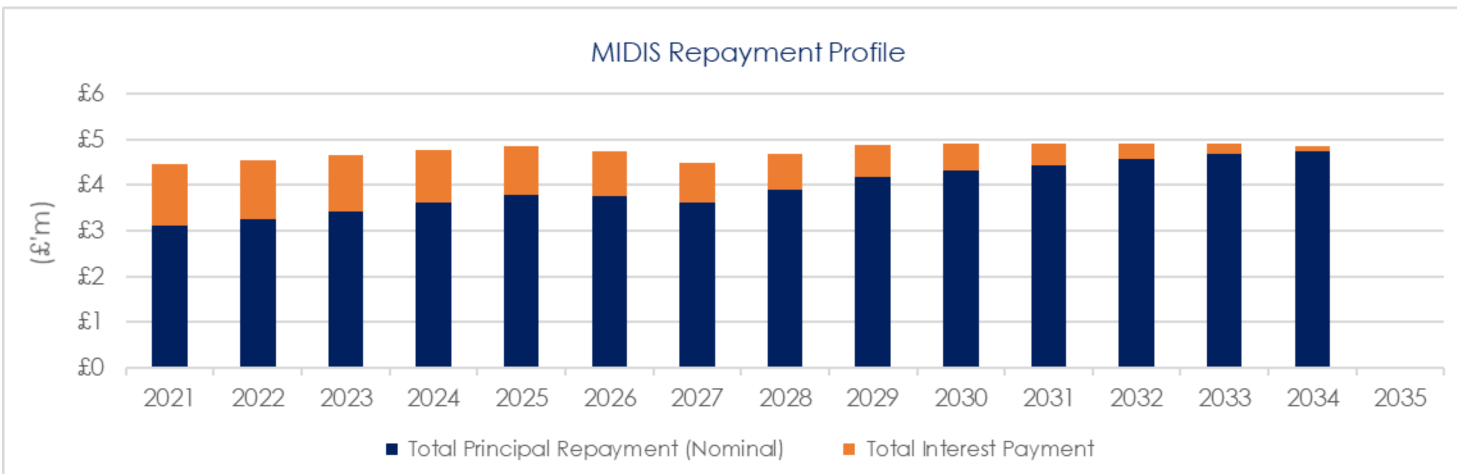
Santander, NIBC

- NIBC RCF of £20m, undrawn and available until February 2022
- Santander RCF of £70m, partially drawn (£18.9m) and available until July 2022

# Long-term Debt Repayment Profile

- As at 30 September 2020, £194m of the financial debt was long-term fully amortising
- The charts show the precise yearly repayment profile for both long-term debt facilities (interest plus principal) until maturity in 2035
- The Apollo facility has 21 solar assets secured comprising 241MW
- The MIDIS facility has 5 solar assets secured comprising 84MW



Great Wilbraham (38MW)
Cambridgeshire
Energised March 2016

# Q&A and Appendices

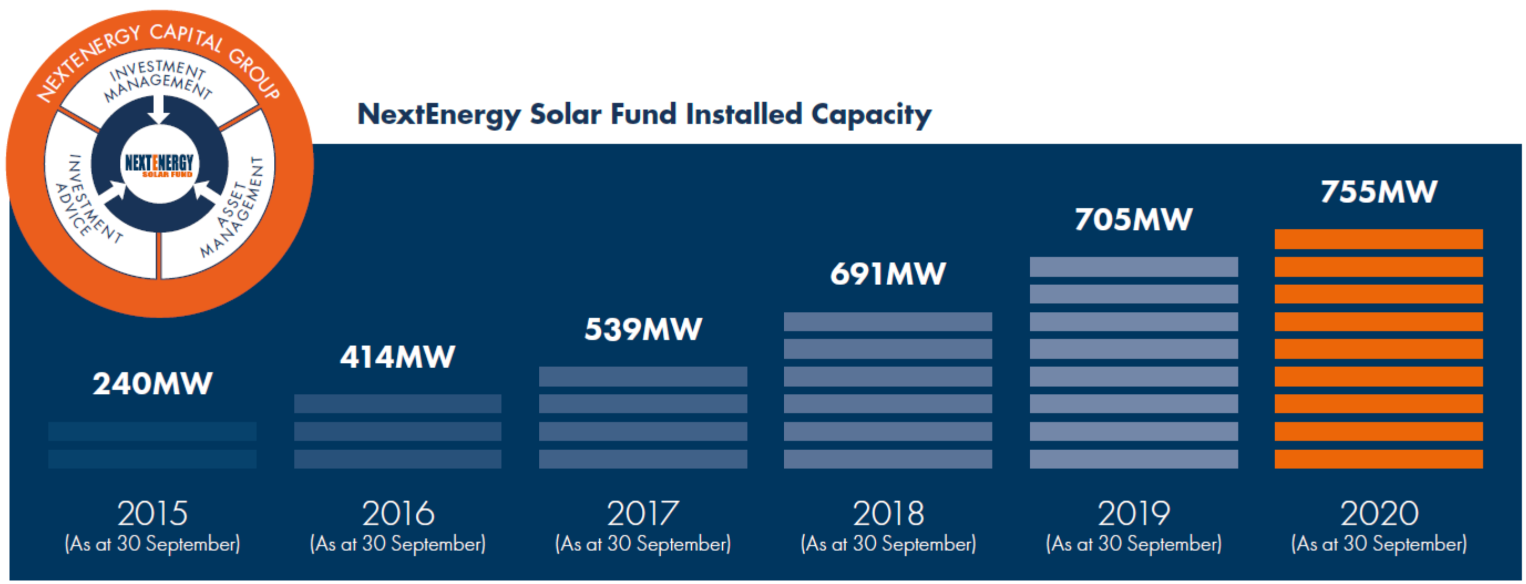
NEXTENERGY SOLAR FUND

# NESF Overview

- NextEnergy Capital IM Ltd and NextEnergy Capital Ltd are both members of the NEC Group. NextEnergy Capital Limited acts as the investment adviser to NextEnergy Capital IM Limited, the Investment Manager of NESF
- Through WiseEnergy, the NEC group has provided operating asset management, monitoring, technical due diligence and other services to over 1,500 utility-scale solar power plants with an installed capacity in excess of 2.3GW
- The NEC Group has AuM of c.$2.3Bn, including NextPower II LP, a €232m private equity fund dedicated to solar PV investments in Italy, and NextPower III LP, a $750m private equity fund dedicated to solar PV investments globally

## NextEnergy Solar Fund

- Attractive acquisition values sourced by NextEnergy Capital
- Operational outperformance supported by WiseEnergy ensuring optimal asset management
- Protective balance sheet structure with innovative debt financings in place
- Targeting a dividend of 7.05p/share for the financial year ending 31 March 2021
- Reinvestment of cash surplus to sustain NAV over time



# Ongoing COVID-19 Response

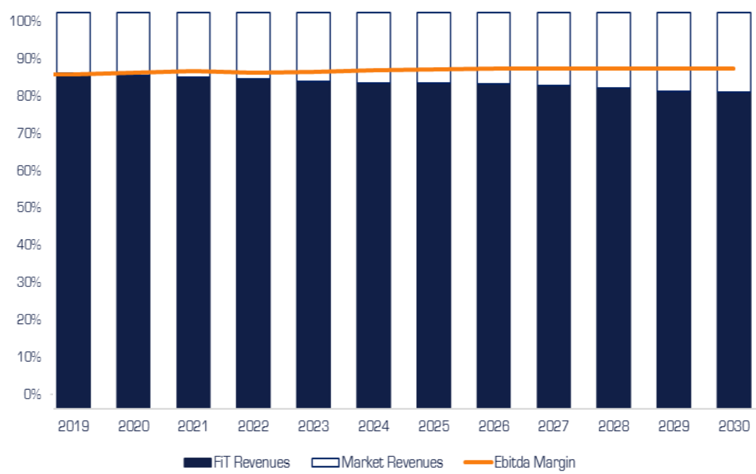
| | |
|---|---|
| NEXTENERGY SOLAR FUND | ▪ The emergence of the COVID-19 pandemic in early 2020 presented an unprecedented operational challenge to NESF and its stakeholders<br>▪ In these extraordinary times, the NESF Board will continue to monitor closely the impacts of COVID-19 on the UK and Italian economies, and the effect they may have on the Company and its assets |
| NEXTENERGY CAPITAL | ▪ The Investment Adviser acted rapidly and migrated its global workforce to remote working and established a 'COVID-19 Response Plan'<br>▪ They continue to monitor closely the impact of COVID-19 in the UK and Italy and will continue to work with the Board and the Company's other key service providers and suppliers to anticipate and mitigate, where possible, arising risks |
| WISE ENERGY | ▪ The Asset Manager engaged with key portfolio operational counterparties to assess operational, financial and health and safety risks<br>▪ Plans put in place to minimise the risk of operational disruption due to O&M response capabilities or supply-chain problems<br>▪ Power price impact mitigated by short-term price fixing arrangements already in place |
| KEY SERVICE PROVIDERS and SUPPLIERS | ▪ The Company's other key service providers and suppliers have also enabled their business continuity plans and continue to provide contracted services on a "business as usual" basis in all material respects<br>▪ The Asset Manager and Investment Adviser remain in close contact with them and continuously monitor and review their ability to perform in light of COVID-19 developments |

# Solis Portfolio

- High risk-adjusted returns (9.4% at acquisition)
- Positive contribution to dividend cover – 1.4x supporting the Company's overall dividend targets
- NAV accretion – Solis portfolio is valued with a discount rate of 7.75% (2019: 8.0%) as a result of deleverage and increased market value of solar PV assets in Italy
- Low risk profile – c.85% of revenues are subsidised, debt fully repaid, stable EBITDA margins in excess of 80% and efficient currency hedge
- Diversify market risk – Italy is amongst the ten largest solar market globally

## Business Case: Solis Acquisition and performance

- Acquisition of eight solar plants in Italy in December 2017 for a total installed capacity of 34.5MWp and total value of €132m
- The €74.7m long term project financing in place was fully repaid following issuance of the preference shares in November 2018
- FX hedging structure extended - 92% of the expected cashflows generated by the Solis portfolio are fully hedged until 2032 at an average FX rate of 0.89 EUR/GBP inclusive of all hedging costs
- Positive Asset Management Alpha of 0.3% for the financial period ending 30 September 2020




| | *Since Acquisition* | | |
|---|---|---|---|
| **Assets Monitored** | **Irradiation Delta (%)** | **Generation Delta (%)** | **Generation Alpha (%)** |
| Armiento | 5.6 | 4.8 | -0.8 |
| Lacovangelo | 4.3 | 6.3 | 2.0 |
| Inicorbaf | 4.9 | 7.2 | 2.3 |
| Macchia Rotonda | 5.2 | 6.4 | 1.2 |
| Gioia del Colle | -0.5 | 3.2 | 3.8 |
| Carinola | 2.0 | 5.3 | 3.3 |
| Marcianise | 2.7 | 3.7 | 1.0 |
| Riardo | 1.9 | 1.5 | -0.4 |
| Solis Portfolio | +3.0% | +4.4% | +1.4% |

NEXTENERGY SOLAR FUND

# Biodiversity Overview

- NESF aims to leads the way in biodiversity. We have an unique opportunity to make a difference, and have taken it
- Exemplar sites continue to be monitored to gauge the ecological improvements to the sites (Berwick, Boxted, Emberton, Burrowton and Langenhoe)
- A 15 further UBMP (Universal Biodiversity Management Plan) sites are in the implementation phase and we are planning to increase the number to 30 UBMP sites by 2021
- NextEnergy Capital, the Fund's Investment Manager, has pledged at least 5% of its own profits to NextEnergy Foundation

## Boxted Airfield - Exemplar case study

- **Plant species** in 2017 = **20 which increased to 37** in 2020
- Invertebrates - **since 2017 substantial increase in both bumblebee (+500%) and butterfly observations (+300%)** have been brought about by the creation of the wildflower meadow areas with the range of flowering herbs

A hibernaculum at Langenhoe Solar Farm

Wild flower area at Emberton Solar Farm

Mix wild flower seeding at Berwick Solar Farm by NEC team

Inter row chamomile crop. Harvested (hand picked by the NEC Group) at Emberton

5 beehives located at Boxted that were put up with the local community

Solar thermal beehives at Berwick

# Investment Portfolio Diversification

## By Subsidy

| | |
|---|---|
| 0.8% | 2.0 ROCs |
| 14.5% | 1.6 ROCs |
| 46.9% | 1.4 ROCs |
| 3.5% | 1.3 ROCs |
| 13.9% | 1.2 ROCs |
| 1.1% | 1.4 NIROCs |
| 7.4% | FiTs (UK) |
| 4.6% | FiTs (Italy) |
| 7.3% | Subsidy-free |

% of assets by MW capacity

## By Installed Capacity

| | |
|---|---|
| 56.7% | 0-5MWp |
| 20.0% | 6-10MWp |
| 23.3% | >10MWp |

% of assets

## By Inverter Manufacturer

| | |
|---|---|
| 30.5% | SMA |
| 19.5% | Power Electronics |
| 10.3% | Huawei |
| 8.1% | Emerson |
| 7.3% | Schneider |
| 6.5% | Gamesa |
| 5.7% | ABB |
| 4.5% | Power-One |
| 7.6% | Other |

% of assets by MW capacity

## By Revenue Type

| | |
|---|---|
| 15.4% | FiTs |
| 45.9% | ROCs |
| 3.5% | Embedded benefits |
| 4.3% | Brown power – wholesale |
| 30.9% | Brown power – fixed PPA |

% of total revenue for six months ended 30 September 2020

## By Location

| | |
|---|---|
| 87.8% | UK |
| 12.2% | Italy |

% of invested capital

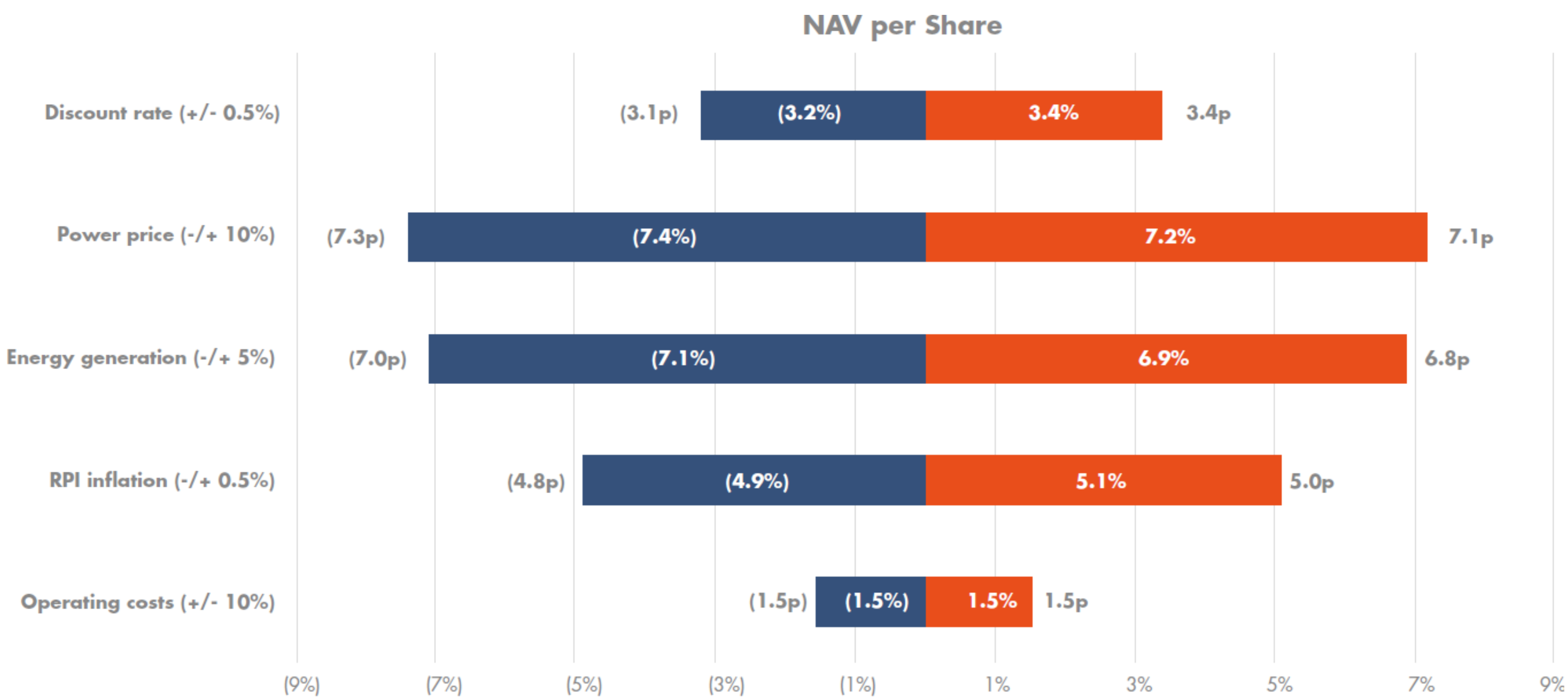
## By Solar Module Manufacturer

| | |
|---|---|
| 23.2% | Hanwha Q Cells |
| 12.4% | Yingli |
| 9.5% | REC |
| 8.6% | Jinko Solar |
| 8.6% | LDK Solar |
| 8.0% | TRINA |
| 6.5% | Canadian Solar |
| 4.7% | BYD |
| 4.4% | Renesola |
| 14.1% | Other |

% of total revenue for six months ended 30 September 2020

# NAV Sensitivities

- The sensitivity highlights the percentage change in the portfolio resulting from a change in the underlying variables
- It also shows the impact on the NAV per share

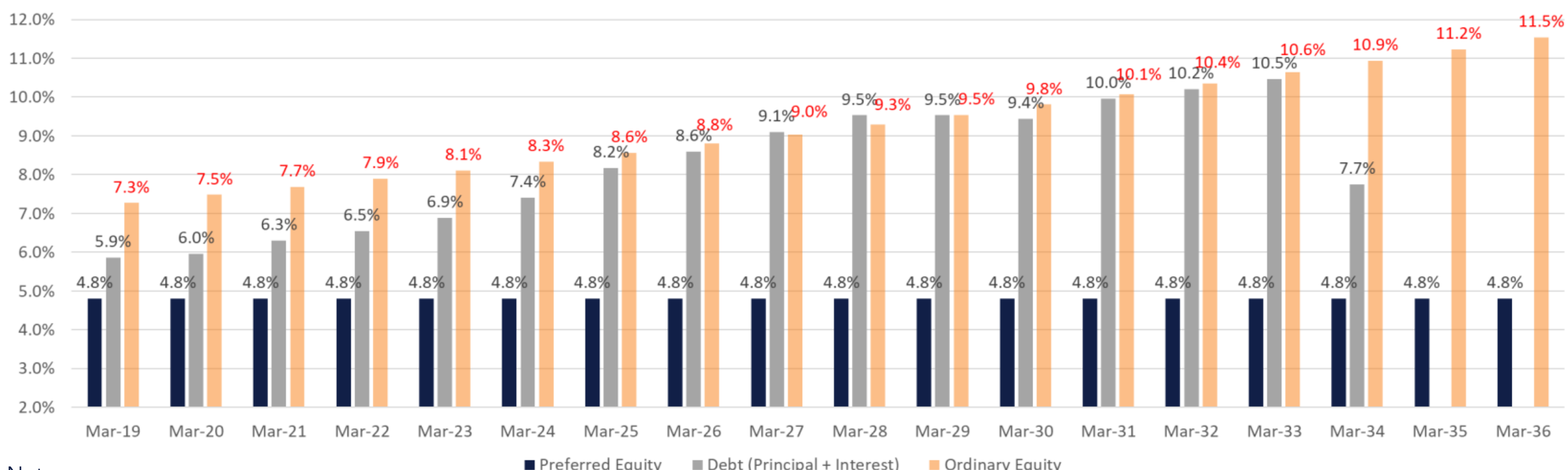


# Preference Shares

- An issuance of £200m is expected to increase dividend cover by 0.15x and returns by 1.09% for ordinary shareholders [(2)]
- Preference shares simplify the capital structure by reducing the exposure to secured debt financing
- Preference shares provide protection against diminishing power prices compared to traditional debt financing used by peers and have no refinancing risk

- On 8 November 2018, the Shareholders approved the issuance of £200m of Preference Shares. The Company issued the first tranche of £100m in November 2018, and the second tranche of £100m Preference Shares were issued in August 2019
- Value accretive features:
  - lower issue cost of 1.1% compared to other capital raising avenues
  - lower cash cost with a fixed preferred dividend of 4.75% and no redemption requirements
  - option to redeem at nominal value starting from 1 April 2030 for six years at sole discretion of the Company
  - non-redeemable / non voting shares[(1)] with holder's conversion right starting from 1 April 2036 at nominal value (plus unpaid dividend if any) relative to NAV per Ordinary Share at the date of conversion (thus no refinancing risk)

## Alternative Funding Sources - Comparison of Fully-Costed Cost of Capital




Notes:
(1) Redemption rights in the event of delisting or change of control of the Company – Voting rights in the event of detrimental changes to the Investment Policy or Articles.
(2) Estimates only based on a typical UK solar portfolio and when compared to issuance of new ordinary shares.

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# Summary of the Financial Debt outstanding

- Total debt outstanding at 30 September 2020 was £213m which represents a financial debt gearing of 21% (excluding £200m preference shares)
- The Santander RCF of £70m has been extended from July 2020 to July 2022
- Weighted average cost of debt is 3.1%
- NESH V entered into a 15 year FX hedging arrangement with Intesa over the expected dividends from the Solis portfolio. In March 2019, the hedging was increased to an additional c.€89m with an average forward exchange rate of 0.89 EUR/GBP including costs

| Provider/ arranger | Type | Borrower | No. of power plants secured[1] | Loan-to value (LTV) [2] | Tranches | Facility amount £m | Amount out-standing £m | Termi-nation (including options to extend) | Applicable rate |
|---|---|---|---|---|---|---|---|---|---|
| MIDIS/CBA/NAB | Fully-amortising long-term debt[3] | NESH | 21 (241MW) | 50.4% | Medium-term | 48.4 | 48.4 | Dec-26 | 2.91%[4] |
| | | | | | Floating long-term | 24.2 | 24.2 | Jun-35 | 3.68%[4] |
| | | | | | Index linked long-term | 38.7 | 35.5 | Jun-35 | RPI + 0.36% |
| | | | | | Fixed long-term | 38.7 | 38.7 | Jun-35 | 3.82% |
| | | | | | Debt service reserve facility | 7.5 | – | Jun-26 | 1.50% |
| MIDIS | Fully-amortising long-term debt[3] | NESH IV | 5 (84MW) | 47.5% | Inflation-linked | 27.5 | 22.2 | Sep-34 | RPI + 1.44% |
| | | | | | Fixed long-term | 27.5 | 24.8 | Sep-34 | 4.11% |
| **Total long-term debt** | | | | | | | **193.8** | | |
| NIBC | Revolving credit facility | NESH II | 2 (28MW) | | n/a | 20.0 | – | Feb-22 | LIBOR + 2.20% |
| Santander | Revolving credit facility | NESH VI | 13 (100MW) | | n/a | 70.0 | 18.9 | July-22 | LIBOR + 1.9% |
| **Total short-term debt** | | | | | | | **18.9** | | |
| **Total debt** | | | | | | | **212.6** | | |

Notes:
1) NESF has 325MW under long-term debt financing, 128MW under short-term debt financing and 302MW without debt financing
2) LTV defined as 'Debt outstanding / GAV'
3) Long-term debt is fully amortised over the period secured assets receive subsidies (ROCs and others)
4) Applicable rate represents the swap rate

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# Investment Policy Limits

### Investment Objective

- To provide ordinary shareholders with attractive risk-adjusted returns, principally in the form of regular dividends, by investing in a diversified portfolio of primarily UK-based solar energy infrastructure assets

| | |
|---|---|
| **Technology Limit** | ▪ The Company may also invest in standalone energy storage systems (not ancillary to or co-located with solar PV assets owned by the Company) up to an aggregate limit of 10% of the Gross Asset Value (calculated at the time of investment). |
| **Private Equity Limit** | ▪ 15% of the Gross Asset Value may be invested in solar assets through private equity structures (calculated at the time of investment). |
| **Geographical Limit** | ▪ The Company is permitted to invest up to 30% of GAV (at the time of investment) in OECD countries outside the UK<br>▪ The Company may acquire an interest in solar PV assets located in non-OECD countries where those assets form part of a portfolio of solar PV assets in which the Company acquires an interest and where the Company's aggregate investment in any such assets is, at the time any such investment is made, not greater than 3% of the Gross Asset Value |
| **Development Limit** | ▪ The Company mostly acquires operating solar assets, but it may also invest in solar assets that are under development (that is, at the stage of origination, project planning or construction) when acquired.<br>▪ Such assets in aggregate will not constitute (at the time of investment) more than 10% of GAV |
| **Single Asset Limit** | ▪ No single investment by the Company in any one solar asset will constitute (at the time of investment) more than 30% of GAV.<br>▪ In addition, the four largest solar assets will not constitute (at the time of investment) more than 75% of GAV. |
| **Gearing Level** | ▪ Leverage of up to 50% of GAV |

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