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13 June 2017

## **NextEnergy Solar Fund Limited ("NESF" or the "Company")**

### **Company Update and Proposed Placing**

#### **Highlights**

- Unaudited NAV as at 31 May 2017 of £475.4m (31 December 2016: £466.6m).
- Unaudited NAV per share as at 31 May 2017 increased to 104.2p (31 December 2016: 102.6p).
- Investment portfolio of 48 operating solar PV plants with a total capacity of 483MWp and an investment value of £554.4m. In addition, NESF has acquired project rights to build 59.8MWp of solar plants.
- NESF currently has c.£100m of cash and credit facilities available to fund new investments. The Company is currently in advanced negotiations on a pipeline of projects secured under letters of intent in respect of 98.5MWp with an investment value of c.£111m and is in negotiations on a further c.170MWp of projects with an investment value of c.£147m.
- As a result of NESF's funding requirements for its pending transaction activity, the Board is proposing a placing of New Ordinary Shares at 110p per share to raise a target of £100m (the "**Placing**") pursuant to its Share Issuance Programme.
- In addition, having consulted investors representing the majority of NESF's issued share capital and subject to the FCA's prior approval, the Board intends to seek Shareholder approval at the Company's 2017 annual general meeting to broaden NESF's investment policy to permit up to 15% of Gross Asset Value to be invested in solar assets in OECD countries (other than the UK).

## Company Update

- The Company's unaudited NAV as at 31 May 2017 was £475.4m (31 December 2016: £466.6m).
- The unaudited NAV per Ordinary Share as at 31 May 2017 increased to 104.2p (31 December 2016: 102.6p). As at 12 June 2017, the Ordinary Share price was 114.625p, which equates to a premium of 10% to the unaudited NAV per Ordinary Share as at 31 May 2017.
- The increase in the NAV per Ordinary Share was driven principally by continued operating outperformance, higher inflation expectations, reduction in discount rates and the impact of the £150m long-term refinancing secured in January 2017, which were partially offset by lower power price forecasts.
  - During the year ended 31 March 2017, energy generated from the portfolio amounted to 394GWh, 3.3% above budget (despite solar irradiation being lower by 0.3%) with an Asset Management Alpha of +3.6%. The valuation of one further plant now includes a higher estimate for future operating outperformance, bringing the total to four plants whose valuations includes a higher forecast electricity generation on the basis of their historical performance.
  - NESF's equity discount rate was lowered by 0.25% to 7.25% for unlevered assets to reflect the increasing market value of UK operating solar assets. The risk premium for levered assets was unchanged at between 0.7% to 1.0%.
- The Company's current portfolio comprises 48 operating plants with a total capacity of 483MWp and an investment value of £554.4m. In addition, NESF has acquired project rights to build four solar plants with a total installed capacity of 59.8MWp (the acquisition value of this development portfolio was less than 0.25% of the Company's net asset value).
- NESF currently has c.£100m of cash and credit facilities available to fund new investments.
- NESF is currently in advanced negotiations on a further 23 operating plants, secured by letters of intent granting exclusivity rights, for a total capacity of 98.5MWp with an investment value of c.£111m and has a significant pipeline of additional UK investment opportunities in negotiations in respect of c.170MWp for a total investment value of c.£147m, as well as being in discussions on a further c.331MWp with an investment value of c.£248m.

## The Placing

As a result of the funding requirements for its pending transaction activity, the Board is proposing an issue of New Ordinary Shares at 110p per share (the "**Placing Price**"), targeting gross proceeds of £100m, by way of a non-pre-emptive placing pursuant to the Share Issuance Programme. The Placing Price represents:

- a premium of 5.6% to the NAV per Ordinary Share of 104.2p as at 31 May 2017; and
- a discount of 4.0% to the mid-market price per Ordinary Share of 114.625p as at 12 June 2017.

The Placing, and an investor's participation in it, is subject to the terms and conditions of the Placing set out in Part 8 of the Securities Note which forms part of the Prospectus. Copies of the Prospectus may, subject to any applicable law, be obtained from the Company's registered office, on the Company's website ([www.nextenergysolarfund.com](http://www.nextenergysolarfund.com)) or via the National Storage Mechanism ([www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM)).

Participation in the Placing will be available only to qualifying investors (as defined in section 86(7) of the Financial Services and Markets Act 2000 (as amended)). Such investors are invited to apply for New Ordinary Shares by contacting Cantor Fitzgerald, Fidante Capital, Macquarie or Shore Capital.

The Directors reserve the right to increase the size of the Placing in the event of material excess demand for the New Ordinary Shares.

Applications will be made to the FCA for admission of the New Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities ("**Admission**"). It is expected that Admission will become effective and that unconditional dealings in the New Ordinary Shares will commence at 8.00 a.m. (London time) on 22 June 2017.

The New Ordinary Shares will, when issued, rank pari passu with the existing Ordinary Shares. The New Ordinary Shares will rank for the first interim dividend for the year ending 31 March 2018, which is expected to be announced in August 2017 and payable in September 2017.

It is intended that the proceeds of the Placing will be used to fund new investments in accordance with the Company's investment policy.

### ***Expected Timetable***

|   |                                      |
|---|--------------------------------------|
| Placing opens   | Tuesday, 13 June 2017                |
| Latest time for receipt of Placing commitments  | 3.00 p.m. on Tuesday, 20 June 2017   |
| Result of Placing Issue announced   | Wednesday, 21 June 2017              |
| Admission becomes effective and dealings in New Ordinary Shares on London Stock Exchange's main market for listed securities commence | 8.00 a.m. on Friday, 23 June 2017    |
| CREST accounts credited in respect of New Ordinary Shares issued pursuant to Placing in uncertificated form                           | Friday, 23 June 2017                 |
| Share certificates despatched in respect of New Ordinary Shares issued pursuant to Placing in certificated form                       | Week commencing Monday, 26 June 2017 |

*\*The dates and times specified above are references to London times and are subject to change, in which event details of the new times and dates will be notified, as required, through an RIS.*

### **Proposed Broadening of Investment Policy**

There continue to be significant investment opportunities in the UK solar market and the Company's Investment Adviser continues to focus on securing investment opportunities at attractive acquisition metrics / returns on capital employed. NESF has a large pipeline of opportunities secured by letters of intent or in negotiations and advanced discussions. However, increased interest by new market entrants and existing financial investors is leading to increasing price pressures for previously-constructed solar power plants. Over the past year, NESF has focused on securing multiple smaller projects from a broader group of counterparts to drive attractively-priced portfolio growth.

Looking forward, future portfolio growth in the UK is expected to result from the acquisition of previously-constructed solar plants as well as, over the next 12 to 24-month period, from the acquisition of subsidy-free solar plants. Subsidy-free solar plants are expected to become financially viable in the UK over that time frame as solar investment values and operating costs continue to decline significantly. The Company's Investment Adviser is seeking to be at the forefront of working with suppliers to drive investment values and operating costs down to sustainable levels.

Beyond the UK, there are a number of international solar markets in developed economies that have very similar characteristics to the domestic solar market. The Board believes that solar expertise is readily transferred across geographies, as already demonstrated by the Company's Investment Adviser, which has taken its expertise developed in Italy and has successfully deployed it in the UK and South African solar markets, and that the systems and know-how of WiseEnergy, the Company's asset manager, are deployable in an efficient manner across international markets. In addition, in many instances the market participants in these solar markets are well-known to NESF and its Investment Adviser due to their activities in the UK market.

Having consulted Shareholders representing the majority of the Company's issued share capital, the Board is proposing that the Company should be permitted to invest up to 15% of its Gross Asset Value (calculated at the time of investment) in solar PV assets that are located outside the UK. Investments outside the UK would be made only in Organisation for Economic Co-operation and Development ("OECD") countries that the Investment Manager and Investment Adviser believe have a stable solar energy regulatory environment and provide investment opportunities with similar, or better, investment characteristics and risk-weighted returns relative to available solar investments in the UK. Furthermore, it is envisaged that, where investments are made in currencies other than sterling, currency hedging may be carried out to seek to provide protection to the level of sterling dividends and other distributions that the Company aims to pay on the Ordinary Shares and in order to reduce the risk of currency fluctuations and the volatility of returns that may result from such currency exposure.

The Board believes that broadening the geographic scope of the Company's investment policy will increase the range of investment opportunities available to the Company at attractive acquisition metrics / returns on capital employed and is consistent with the Company's target returns to Shareholders.

The proposed changes to the Company's investment policy are material and, as required by the Listing Rules, are subject to approval by the FCA and by Shareholders. Shareholder approval will be sought at the next annual general meeting of the Company, which is expected to be held in late August 2017.

**For further information:**

|   |               |
|---|---------------|
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| <b>Fidante Capital</b>                    | 020 7832 0900 |
| Robert Peel                               |               |
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| <b>Macquarie Capital (Europe) Limited</b> | 020 3037 2000 |
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**Notes to Editors:**

***NextEnergy Solar Fund***

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

NESF has raised equity proceeds of £465m since its initial public offering on the main market of the London Stock Exchange in April 2014. It also has credit facilities of £270.2m in place (£150m from a syndicate including MIDIS, NAB and CBA; MIDIS: £54.7m; Bayerische Landesbank: £43.8m; and NIBC: £21.7m).

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, providing solar asset management, monitoring and other services to over 1,250 utility-scale solar power plants with an installed capacity in excess of 1.7 GW.

Further information on NESF, NEC Group and WiseEnergy is available at [www.nextenergysolarfund.com](http://www.nextenergysolarfund.com), [www.nextenergycapital.com](http://www.nextenergycapital.com) and [www.wise-energy.eu](http://www.wise-energy.eu).

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