



Bluefield

SOLAR INCOME FUND
INTERIM ACCOUNT RESULTS
FOR THE SIX MONTHS ENDING DECEMBER 2017

CONFIDENTIAL

BLUEFIELD SOLAR INCOME FUND

Sterling income fund with revenues largely uncorrelated to traditional markets



- **Sterling income** fund listed on the London Stock Exchange.
- Primary objective to deliver stable, long-term sterling income via quarterly dividends.
- Majority regulated revenues **directly linked to RPI**.



- Mandate to invest only UK solar PV assets.
- Portfolio of utility-scale ground-based solar farms.
- **446.5 MWp¹** of generating capacity.



- **£576.3m** Directors' valuation and market capitalisation of **£436m¹**
- Full pay-out model with target dividend for FYE June 2018 **of 7.4pps**

BSIF – 2017/18 INTERIM RESULTS HIGHLIGHTS

Operational outperformance continues to increase

PORTFOLIO PERFORMANCE AGAINST BUDGET¹

Variable	H2 2017	FY 2017	FY 2016
Irradiation	-4.4%	-0.3%	-3.7%
Operational performance	+2.7%	+2.6%	+1.8%
Generation performance	-1.8%	+2.3%	-2.5%
Revenue performance	-1.7%	+3.5%	-5.9%

VALUATION & RETURNS (6-MONTH PERIOD)¹

Variable	H2 2017
Net Asset Value (NAV)	112.4pps
WACC	5.9%
Equity discount rate:	7.02%
Total Shareholder Return (TSR)	5.22%
Total NAV return	4.4%

EARNINGS & DIVIDENDS (6-MONTH PERIOD)¹

Variable	H2 2017
Total earnings and reserves	4.24 pps
Debt amortisation	1.97 pps
Dividend distribution	1.80 pps
Reserves end of half-year	0.47 pps

SOLAR PV: REVENUE GENERATION

Converting power generation to revenues

Power Generation Process

Solar irradiation

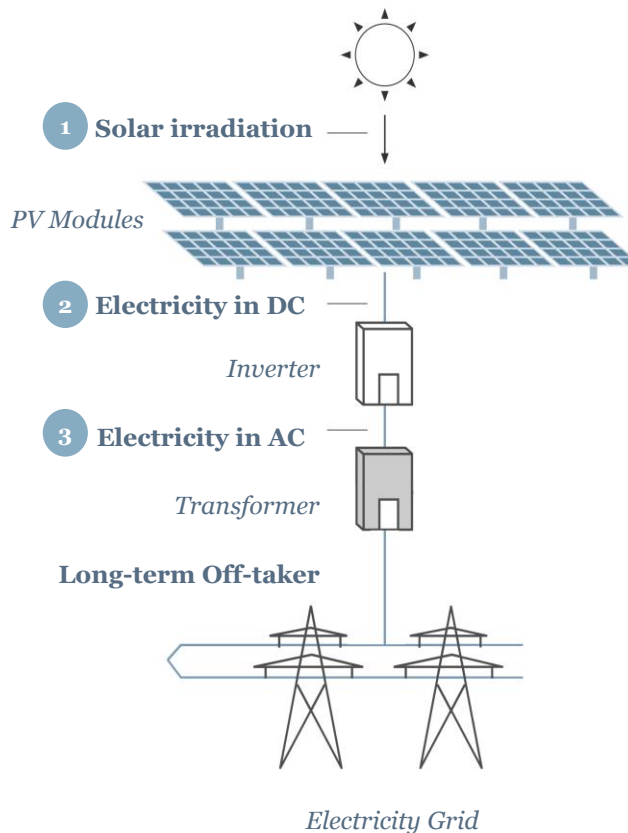
- Expected variability +/- 7% based on 90% confidence interval

Plant Performance

- Warranted by contractor
- Expectations set by lenders technical advisor based on analysis of plant design and expected losses

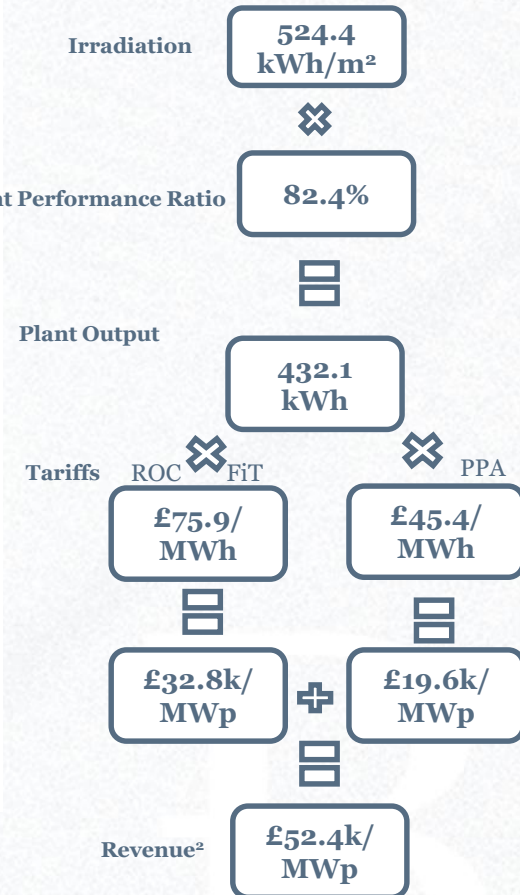
Output

- Power revenues based on PPAs fixed contracts
- ROC/FiT tariffs fixed on commissioning for 20-25 years



Revenue Generation Process¹

Actuals achieved in H2 2017/MWp¹



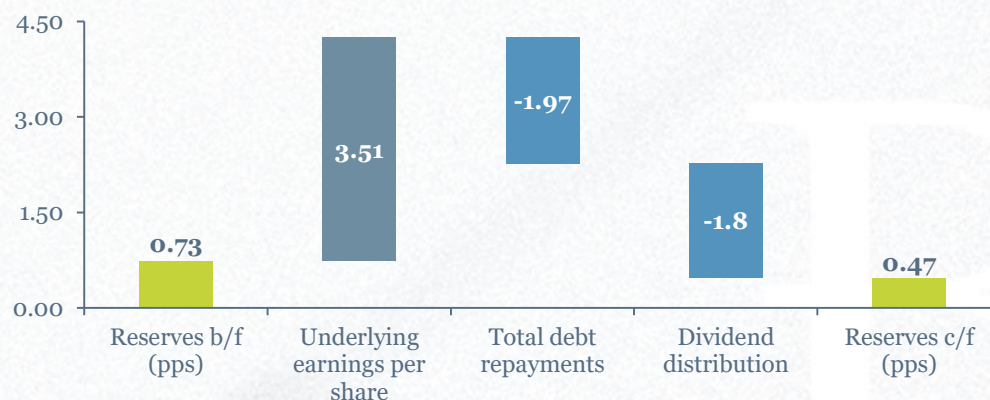
CONSOLIDATED PORTFOLIO EARNINGS

Strong portfolio income allows debt amortisation and 7.43p distribution

	Half year period to 31 Dec 17 (£m) ¹	Half year period to 31 Dec 16 (£m) ¹	17/18 Commentary
Portfolio Income	23.4	21.6	£23.1m revenue + £0.3m liquidated damages earned in the period
Portfolio and project finance interest costs	(6.2)	(5.7)	£0.4m interest payments for Project Durrants
Total Portfolio Income Earned	17.2	15.9	
Group Operating Costs*	(2.2)	(1.9)	Ongoing charges (annualised): 1.10%
Group Third Party Interest Costs	(2.0)	(2.3)	Interest on Aviva long-term & RCF financing
Underlying Earnings	13.0	11.7	

BSIF earnings & dividend flows (pps)²

Underlying earnings of £13.0m =
 3.51 pps
 +
 Reserves of 0.73 pps
 =
4.24 pps



VALUATION

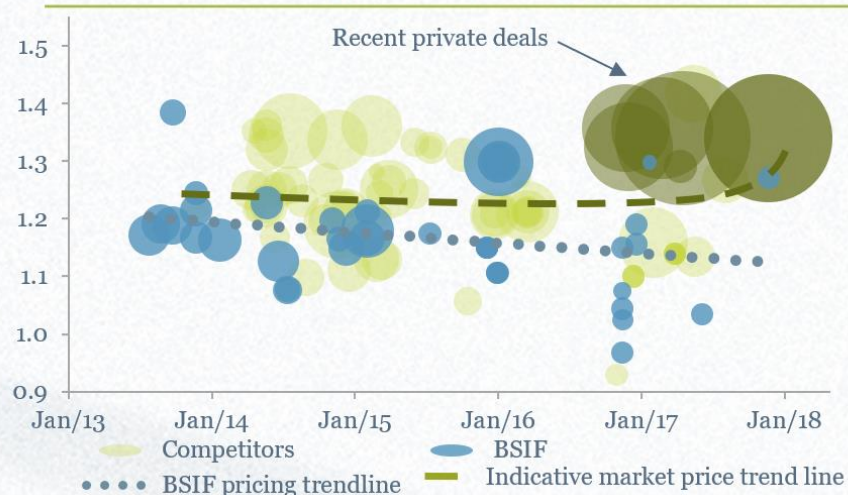
Market activity maintains pricing tension for UK solar assets

- Continued competition for large scale UK solar assets has meant the Director's valuation is benchmarked at £1.29m/MWp (£1.28m/MWp in Jun 17) and underpinned by three main assumption changes:
 - Fall in the blended long **term power forecast** (c.8% from Jun 17);
 - Adoption of **interest shielding** from £80m Eurobonds following passing of the Finance Bill in November 2017;
 - Reduction in WACC of 0.25%.**
- Total NAV return (inc. dividends) of 4.4% for the six months ending 31 December 2017¹.

Valuation Highlights¹

Valuation Component (£m)	Dec 2017	June 2017	Dec 2016	June 2016
Portfolio EV	568.5	558.6	510.5	479.7
Project Co Debt	-12.9	-13.2	-13.6	-13.9
Projects valued at cost	6.3	5.0	25.0	0.0
Project Net Current Assets	14.4	23.0	9.2	17.9
Directors' Valuation	576.3	573.4	531.1	483.7

UK solar acquisition pricing (£m/MWp)²



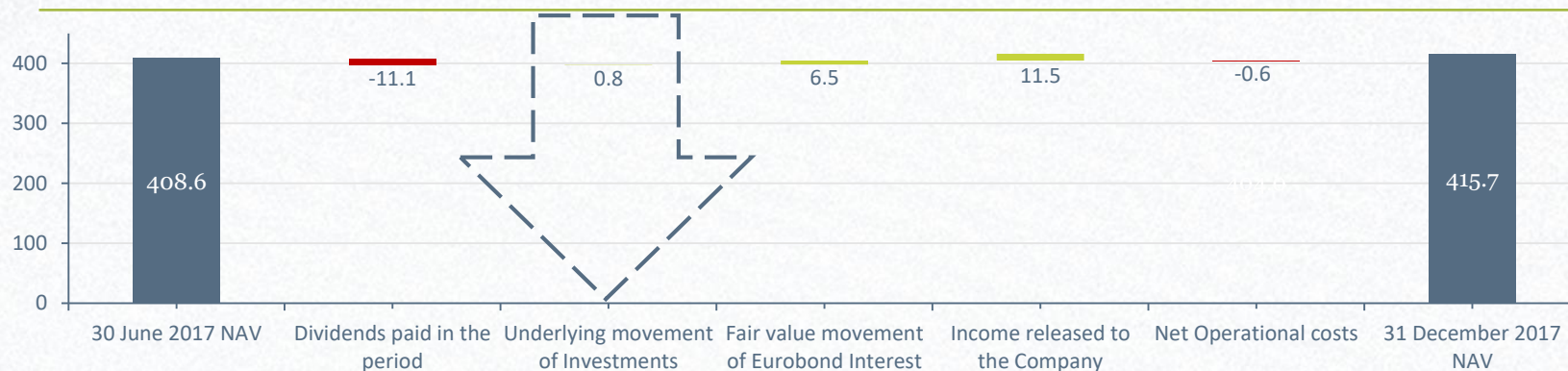
Valuation Parameters Overview¹

	WACC	Equity discount rate	Effective cost of debt	Leverage
BSIF Dec 2017	5.90%	7.02%	3.7%	32%
BSIF June 2017	6.15%	7.43%	3.1%	33%

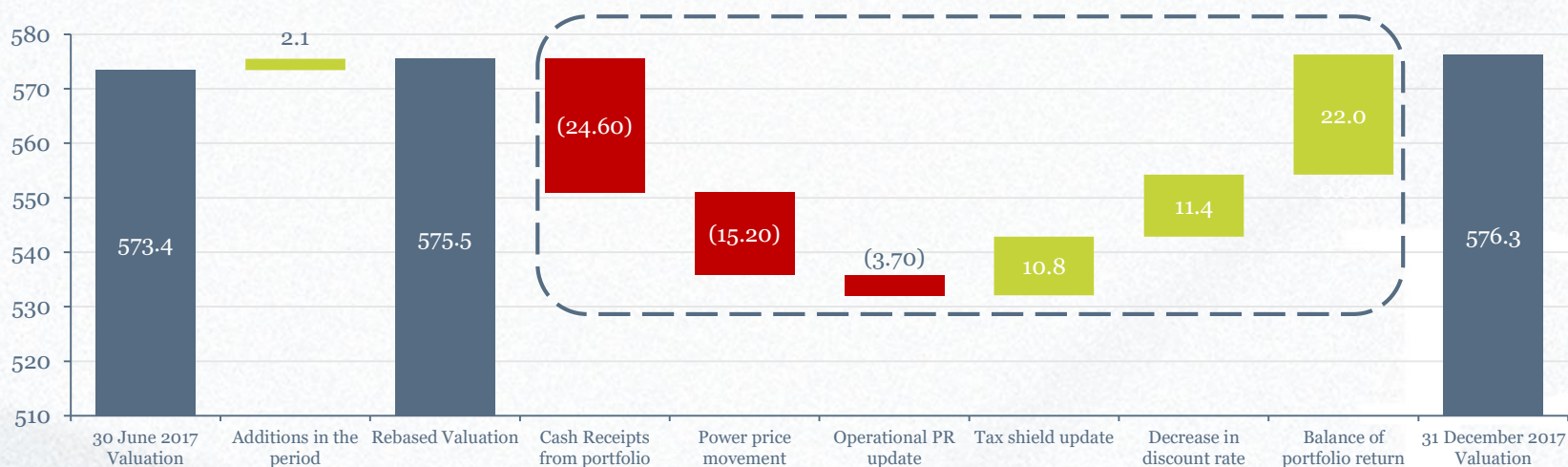
VALUATION MOVEMENT

NAV benefits from lower discount rate and conservative interest shield uplift

NAV Movement in Period (£m)¹



Portfolio Valuation Movement in Period (£m)¹

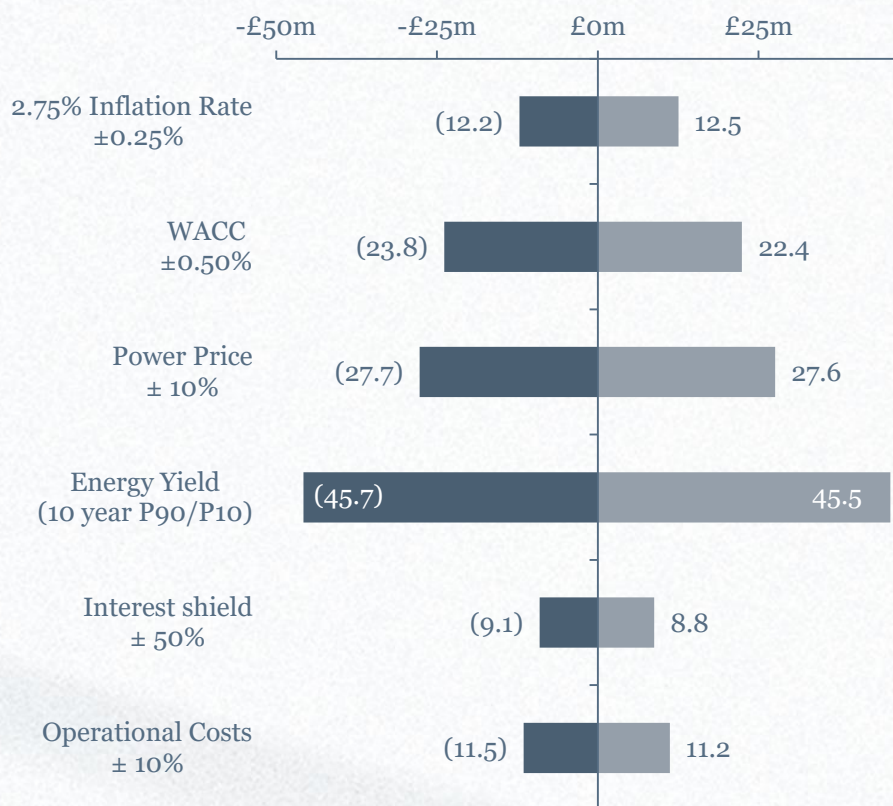


SENSITIVITY ANALYSIS

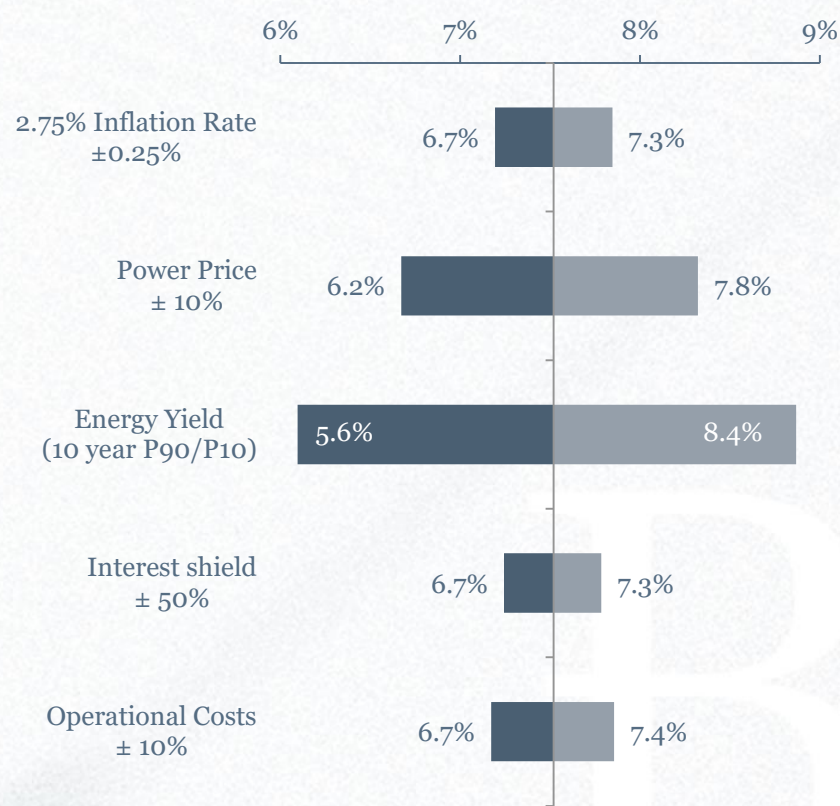
BSIF valuation remains robust against fluctuations of key parameters

- With the introduction of BEPS (Base Erosion and Profit Shifting) the Company has now included additional interest shielding in relation to c£80m of intercompany Eurobond loans.
- Total interest shielding within the Company's valuation is now equivalent to c18.5% of EBITDA. Full tax shielding, if assumed as per the BEPS fixed ratio rule of 30% of EBITDA, would add a further **£11.4m** uplift.

Directors' Valuation: £576.3m



Equity IRR: 7.02%

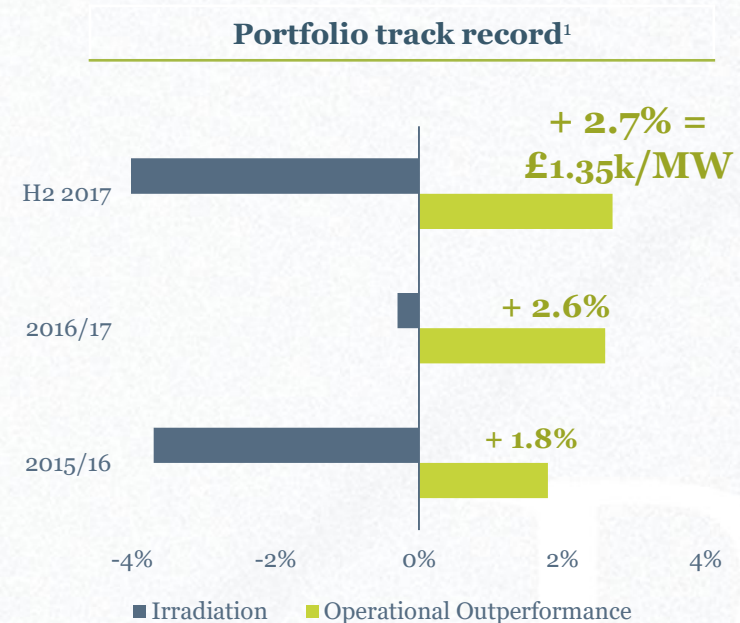
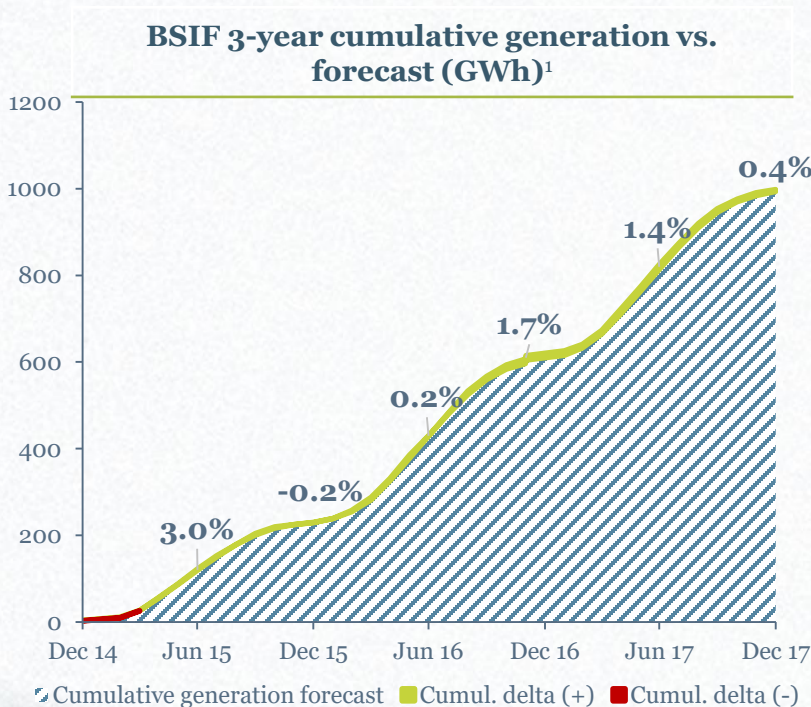


OPERATIONAL PERFORMANCE

Bluefield Services drives outstanding operational performance

- 2,700 hours analysing plant performance.
- 240 hours assessing performance calculations for milestone payments.
- 800 hours onsite inspecting the portfolio.

- The work of Bluefield Services again delivered increasing operational outperformance at 2.7% above budget in H2 2017, equivalent to £1.35k/MW in extra revenue.



INFLATIONARY ENVIRONMENT

Resilient business model under high inflation

Commentary

With inflation hitting 4% in January 2018³, the Company has a highly resilient business model that can outperform under varying inflation levels:

Capital Structure¹

- Conservative capital structure with a leverage of only around 1/3 of gross assets.
- Interest payments on the debt are largely fixed. Only 1/3 of debt has inflation-linked interest rate.

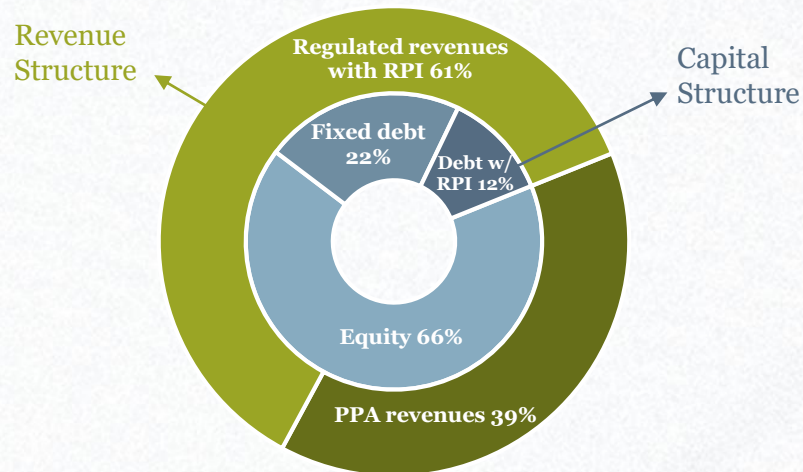
Revenues¹

- 61% of the Company's revenues are directly linked to RPI through regulated subsidies.

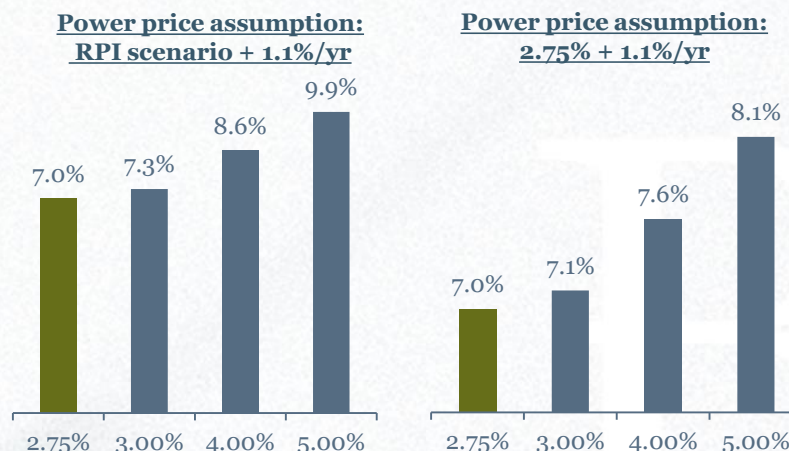
Cost¹

- While the internal valuation of the Company assumes all operating costs to go up with inflation, in reality only a limited number of contracts actually have an inflation link.

Capital & Revenues structure¹



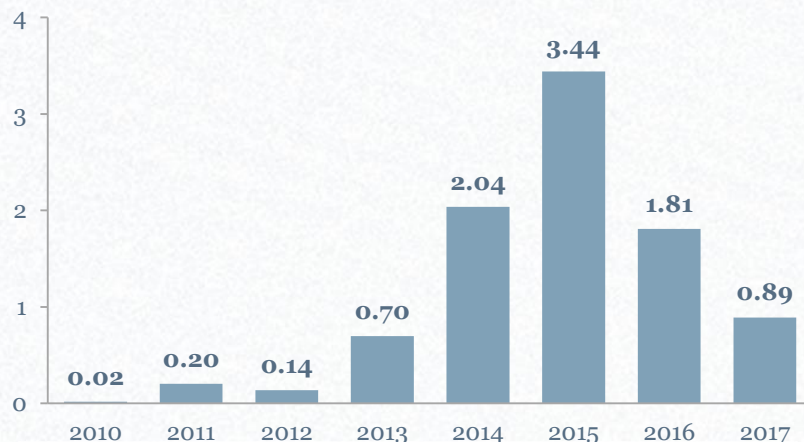
Equity IRR under various inflation scenarios²



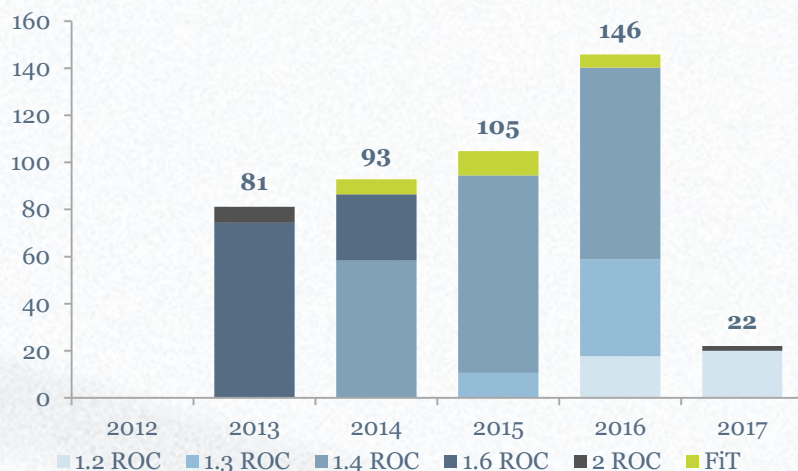
UK SOLAR MARKET DEVELOPMENT

BSIF acquisition discipline remains consistent in changing UK solar market

UK solar market capacity additions (GW)¹



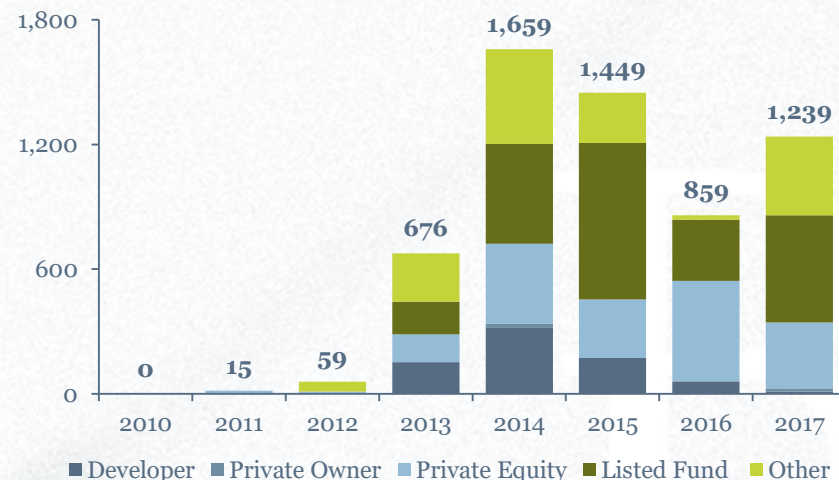
BSIF acquisition track record (MW)³



Commentary

- The closure of the ROC scheme in April 2017 led to a steep drop in solar installations in 2017¹. This follows three strong years, in which the UK was one of the leading solar markets in Europe².
- As the sector is moving from a primary to a secondary market, M&A activity has recovered markedly in 2017. Expectations are for faster growth in coming years.
- BSIF capacity growth has closely followed the build-out of the UK market as a whole. With M&A activity picking up and pricing becoming competitive, the Company has kept its discipline of acquiring projects with accreditative returns.

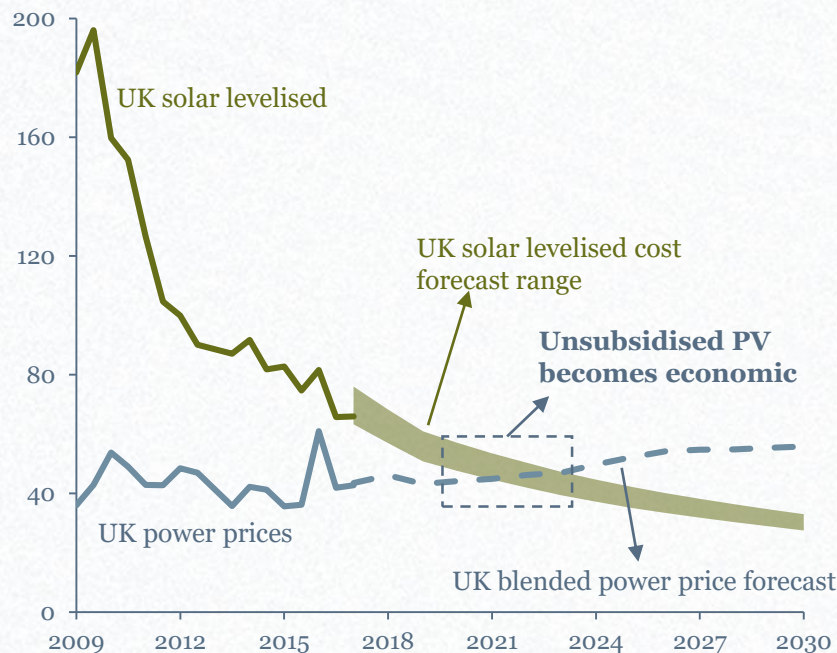
UK solar market M&A activity (MW)⁴



UNSUBSIDISED RENEWABLE ENERGY IN THE UK

Improving solar economics offer prospects for unsubsidised PV projects

UK solar levelised cost vs power prices (£/MWh)^{1, 2}



Commentary

- The cost of producing electricity from solar PV has dropped considerably over the last decade. From close to £200/MWh in 2009, the levelised cost (LCOE) have fallen to around £60/MWh in 2017 according to a leading market intelligence provider.
- This trend is expected to continue for the foreseeable future with LCOE decreasing below £50/MWh by around 2020. At the same time, wholesale power prices have remained roughly constant and are expected to face inflationary pressures according to market forecasters.
- This has raised the prospects of unsubsidised solar becoming economically viable in the UK. A handful of developers has started to launch projects and Bluefield will continue to monitor the market and become active, when the economics are favourable.

CONCLUSION

Message from the Chairman

“It has been another robust six months for the Company in which, although a period in which irradiation levels were significantly below our expectations, the portfolio has continued to perform well and remains on track to meet its full year target dividend of 7.43 pence per share.

Our priority still lies in maximising revenues and income efficiency from our existing portfolio. This has been possible through strong operational management from Bluefield Services, the Company’s technical asset manager, who spent approximately 2,700 hours analysing plant performance during the period.

Against a backdrop of soft power prices, we continue to seek to further enhance revenues from the portfolio to deliver reliable sterling income for our shareholders.”

John Rennocks, Chairman, 26 February, 2018

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