

Harmony Energy Income Trust plc

Quarterly update for the period ended 31 July 2022



Introduction

Harmony Energy Income Trust plc (the “Company”) was launched in November 2021 to invest in utility-scale battery energy storage projects in Great Britain (“GB”), targeting a dividend yield of 8 pence per Ordinary Share per annum¹ with a target total return of 10-12% per annum.

Key Features

- Focussing on longer duration 2-hour battery energy storage systems (“BESS”) in GB to take advantage of increases in wholesale market revenue opportunities
- Six projects currently under construction totalling 312.5 MW (the “Portfolio”)
- Pre-emptive rights to acquire further 687.5 MW pipeline of BESS projects with ongoing right of first offer on subsequent pipeline developed by Harmony Energy Limited (the “Developer”)
- Portfolio is fully contracted with Tesla to supply and install 2-hour batteries (“EPC”). These projects also benefit from maintenance (“O&M”) and revenue optimisation contracts with Tesla, using Tesla’s Autobidder software platform

Key Highlights

- NAV increased by 6.72% to £244.05 million, or 116.21 pence per share, up 7.32 pence per share over the three months from 30 April 2022
- NAV increase for this quarter is primarily driven by:
 - a) the acquisition on 29 July 2022 by the Company of the first pipeline project from the Developer: Bumpers (99 MW / 198 MWh) at a discount to fair market value; and
 - b) the revaluation of both the Bumpers and Little Raith (49.5 MW / 99 MWh) projects to reflect lower risk as these projects are now categorised as “under construction”. Contracts with Tesla were signed on 30 June 2022 (Little Raith) and 29 July 2022 (Bumpers), with target commercial operations dates of September 2023 (Bumpers) and October 2023 (Little Raith)
- Revenue projections have not been revised since 30 April 2022. Next revision due 31 October 2022
- 1 pence per Ordinary Share dividend paid on 29 July 2022, as per the timetable forecast at IPO, taking NAV Total Return in the period to 7.64%. The Company remains on track to meet its target returns of paying a 2 pence per Ordinary Share dividend in 2022, increasing to 8 pence per Ordinary Share in 2023
- Target commercial operations date of Pillswood project remains on track for November 2022
- £60 million debt facility with NatWest agreed on 21 June 2022, which will facilitate the construction of the Bumpers project; and
- Company expects pipeline of c.500 MW “shovel ready” projects ready for acquisition (subject to financing and due diligence) by the end of 2022, with some projects capable of acquisition during Q4

Portfolio Update

The construction of the Portfolio continues to progress well and the company is on track to deliver target returns in 2022 and 2023. All projects within the Portfolio are now categorised as “under construction” and targeting to commence operations in accordance with the table below (which, other than the change in status in relation to Little Raith and Bumpers, remain unchanged from 30 April 2022).

Project	MW / MWh	Location	Target Commercial Operations Date	Status
Pillswood	98 / 196	Yorkshire	November 2022	Under Construction
Broadditch	11 / 22	Kent	December 2022	Under Construction
Farnham	20 / 40	Surrey	March 2023	Under Construction
Rusholme	35 / 70	Yorkshire	April 2023	Under Construction
Bumpers	99 / 198	Buckinghamshire	September 2023	Under Construction
Little Raith	49.5 / 99	Fife	October 2023	Under Construction
Total	312.5 / 625			

By end of 2022, the Company expects to have 109 MW of operating projects, 203.5 MW “under construction” and a pipeline of c.500 MW “shovel ready” projects ready for acquisition (subject to financing and due diligence), with a number of these being capable of acquisition during Q4. These pipeline projects benefit (or will benefit) from near-term grid energisation dates ranging from Q3 2023 to Q4 2024. All pipeline projects are expected to be at least 2-hour duration battery systems.

Key Statistics as at 31 July 2022

Share price (pence)	110.50
NAV per share (pence)	116.21
Net Assets	£244.05 million
Market Cap.	£232.05 million
Target annual dividend (payable quarterly)	8 pence per Ordinary Share ¹
Shares in issue	210,000,000
Share price premium/(discount) to NAV	(4.92)%
Ongoing charges	1.28% per annum

Key information

Ticker:	HEIT
Listing:	LSE (Specialist Fund Segment)
Year-end	31 October
Currency	GBP
ISIN	GB00BLNNFY18
Investment Adviser Fee	0.90% per annum ²
Address	The Scalpel 18th Floor 52 Lime St London EC3M 7AF

Board (Non-Executive)

Norman Crighton	Chair
Janine Freeman	Director
Hugh McNeal	Director
William Rickett	Director
Shefaly Yogendra	Director

Harmony Group

Harmony Energy Advisors Limited (the “IA”) ³	Investment Adviser
Harmony Energy Limited (the “Developer”)	Experienced developer of renewable and battery storage projects

Strong focus on ESG



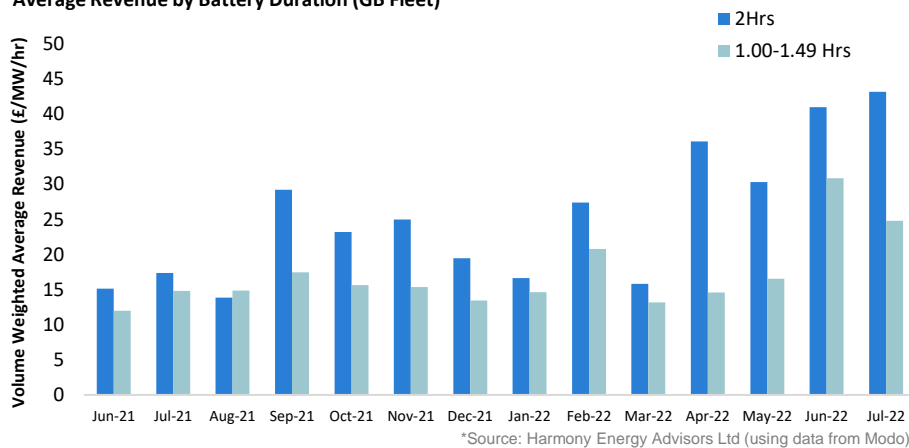
Signatory of:



Market Commentary

The strong revenue performance of battery storage assets in Great Britain has continued through the quarter, with average monthly revenues hitting record levels in June and July 2022. Ancillary Service pricing has remained strong, and the 2-hour duration batteries continue to benefit from strong pricing in the Dynamic Regulation service. Wholesale trading volumes remained low compared to winter months, but some batteries (especially those with more than 1-hour duration) still benefited from some large wholesale spread opportunities: On 18th July 2022, the unusually hot weather and low levels of forecast wind generation prompted National Grid ESO to issue Capacity Market Notices (later cancelled), and this pushed the GB evening wholesale peak price as high as £647/MWh. The chart below demonstrates how 2-hour duration batteries have generally outperformed lower-duration batteries over the past year. The overall market outlook remains strong with high gas prices forecast to continue until 2026.

Average Revenue by Battery Duration (GB Fleet)*



*Source: Harmony Energy Advisors Ltd (using data from Modo)

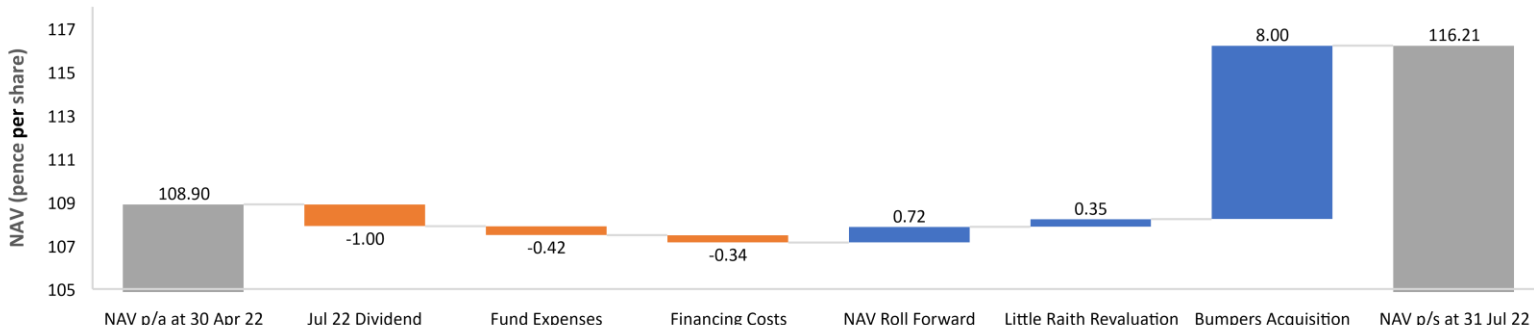


The Company's Pillswood Project (98 MW / 196 MWh). Steel platforms being prepared to receive delivery of the Tesla Megapacks, the first batch of which are expected on site before end August 2022

NAV Update 31 July 2022

The Company's NAV as at 30 April 2022 was £228.69 million (108.90 pence per share). As at 31 July 2022, the unaudited NAV is calculated to have increased by 6.72% to £244.05 million (116.21 pence per share), up 7.32 pence per share over the three months from 30 April 2022. This increase was largely driven by (a) the acquisition of the Bumpers project (99 MW / 198 MWh) at a discount to fair market value (as supported by the independent valuer's opinion); and (b) the revaluation of both the Little Raith and Bumpers projects by virtue of the Company executing EPC, O&M and revenue optimisation contracts with Tesla during the period, thereby allowing the projects to be categorised as "under construction". The payment of the 1 pence per Ordinary Share dividend on 29 July 2022 offset some of these increases. Revenue projections have not been revised since 30 April 2022, with the next revision due in the coming quarter.

Change in Net Asset Value per share from 30 April 2022 to 31 July 2022



Adviser Information

Broker

Joh. Berenberg, Gossler & Co. KG,
60 Threadneedle Street
EC2R 8HP London
United Kingdom

Public Relations

Camarco
Cannongate House
62-64 Cannon Street
London, EC4N 6AE

AIFM

JTC Global AIFM Solutions Ltd,
Ground Floor, Dorey Court,
Admiral Park, St Peter Port,
Guernsey, GY1 2HT

Administrator/Company Secretary:

JTC (UK) Ltd, The Scalpel, 18th
Floor, 52 Lime Street, London,
EC3M 7AF

Contact (incl. shareholder notifications): harmony.cosec@jtcgroup.com

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