

Harmony Energy Income Trust plc

Quarterly update for the period ended 31 October 2022



HARMONY ENERGY
INCOME TRUST PLC

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 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”)

Key Highlights

- Ordinary share NAV increased by 5.64% to £257.81 million, or 122.77 pence per ordinary share, up 6.55 pence per ordinary share over the three months from 31 July 2022;
- NAV increase for this quarter is primarily driven by:
 - a) increased revenue projections - projections have increased by 6% (in NPV terms) compared to previous projections (April 2022); and
 - b) mark to market valuation of the Company’s interest rate swap in relation to its £60m debt facility from NatWest;
- During the period, construction of Pillswood progressed in line with the planned schedule and has now (post 31 October) been successfully energised. As the project was not operational during the period, the discount rate for this project has not been revised in the NAV calculation as at 31 October. A revision will form part of the next NAV calculation;
- The Company remains on track to pay dividends in line with previously stated targets; namely a further 1 pence per ordinary share dividend in December 2022 in addition to the 1 pence per ordinary share paid in July 2022, increasing to 8 pence per ordinary share in 2023;
- In October 2022, the Company issued 14.78 million C Shares at a value of £1 per C Share (the “C Share Issue”). The C Share NAV is £14.54 million (98.45 pence per C Share, taking into account issue costs; and
- The Company expects to acquire 181.9 MW of “shovel ready” pipeline projects (subject to financing and due diligence) by the end of 2022 using the net proceeds of the C Share Issue. Post-acquisition, the Company expects to convert the existing C Shares to ordinary shares.

Portfolio Update

The construction of the Portfolio continues to progress well and the Company is on track to deliver its target returns in 2022 and 2023. As at 31 October, all projects within the Portfolio were categorised as “under construction” and targeting to commence operations in accordance with the table below. The Company expects to acquire 181.9 MW of “shovel ready” pipeline projects (subject to financing and due diligence) by the end of 2022. The Company intends to convert C Shares to Ordinary Shares shortly after acquisition of these three projects.

| Project | MW / MWh | Location | Target Commercial Operations Date | Status (as at 31.10.2022) |
|---|--------------------|-----------------|-----------------------------------|--|
| Existing Portfolio | | | | |
| Pillswood | 98 / 196 | Yorkshire | Q4 2022 | Under Construction (post-period now energised) |
| Broadditch | 11 / 22 | Kent | Q4 2022 | Under Construction |
| Farnham | 20 / 40 | Surrey | Q1 2023 | Under Construction |
| Rusholme | 35 / 70 | Yorkshire | Q3 2023 | Under Construction |
| Bumpers | 99 / 198 | Buckinghamshire | Q3 2023 | Under Construction |
| Little Raith | 49.5 / 99 | Fife | Q4 2023 | Under Construction |
| Sub Total | 312.5 / 625 | | | |
| Short Term Pipeline (acquisition expected by end 2022) | | | | |
| Wormald Green | 33 / 66 | Yorkshire | Q1 2024 | Exclusivity |
| Hawthorn Pit | 50 / 100 | County Durham | Q2 2024 | Exclusivity |
| Rye Common | 99 / 198 | Surrey | Q4 2024 | Exclusivity |
| Sub Total | 182 / 364 | | | |
| Total | 494.5 / 989 | | | |

Key Statistics as at 31 October 2022

| | |
|---|---|
| Share price (pence) | 111.75 Ord 102.00 C Share |
| NAV per share (pence) | 122.77 Ord 98.45 C Share |
| Total Net Assets | £272.35 million |
| Combined Market Cap. | £249.74 million |
| Target annual dividend | 8 pence per Ordinary Share ¹ |
| Shares in issue | 210,000,000 Ordinary 14,771,364 C Shares |
| Share price premium/ (discount) to NAV | (8.97)% Ord 3.61% C Share |
| Ongoing charges | 1.18% per annum |

Key information

| | |
|---|---|
| Tickers: Ordinary: HEIT C Share: HEIC | |
| Listing: | LSE (Specialist Fund Segment) |
| Year-end | 31 October |
| Currency | GBp |
| ISIN | GB00BLNNFY18 (Ord) GB00BLNNFZ25 (C Share) |
| 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 Advisers 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:

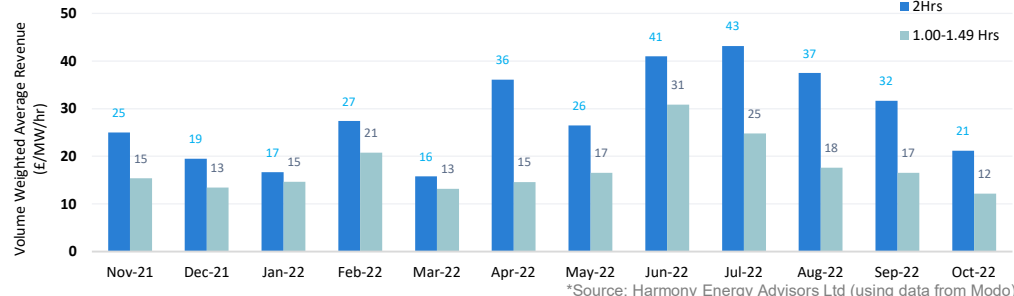


1. 2 pence per Ordinary Share in 2022, with 8 pence per Ordinary Share per annum thereafter.
2. per annum on the lesser of the Company’s NAV or Market Capitalisation.
3. The IA is an appointed representative of Laven Advisors LLP, which is authorised and regulated by the Financial Conduct Authority.

Market Commentary

The Revenue performance of battery storage assets in Great Britain remains at a higher level than the Company's long-term projections. However the average level of revenue has recently fallen from the historic highs seen in Q3. This is due to a combination of (i) consistent high wind generation across peak demand periods; (ii) low consumer demand due to warmer than expected temperatures; and (iii) high levels of natural gas storage across Europe. 2-hour duration batteries continue to outperform shorter-duration batteries on a £/MWh/hr basis, the additional duration providing the opportunity to stack trading and ancillary services. Deployment of new batteries continues to fall short of National Grid Net Zero targets. This combined with continued issues with the French nuclear fleet create a positive near-term outlook for revenues as we move into the winter period.

Average Revenue by Battery Duration (GB Fleet)*



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



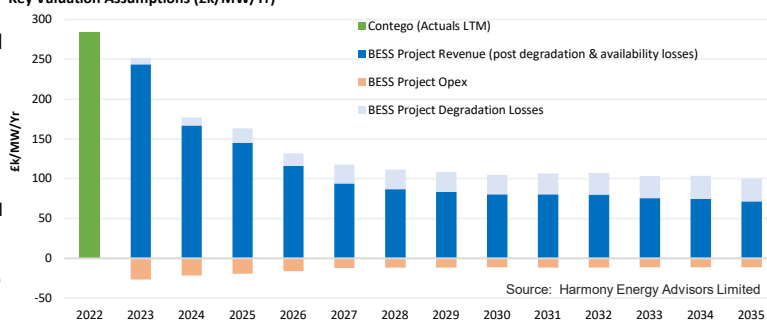
The Company's Pillswood project (98MW/196 MWh), in final preparation for energisation (9 Nov 2022)

Illustrative Valuation Assumptions

The chart to the right shows an illustrative example of key revenue and opex assumptions underpinning the Company's asset valuation. The chart also shows the Contego¹ project's actual revenue over the last twelve months.

- Independent revenue projections until 2026 have increased compared to previous forecasts - most notable increases in 2023 and 2024
- Longer term forecasts remain broadly in line with previous projections
- Decrease in assumed revenues driven by anticipated normalisation in natural gas prices
- Chart also demonstrates impact of assumed battery degradation over time
- Inflation Assumptions²: 2021: 7.5%, 2022: 5%, 2023: 3%, 2024 onwards: 2%
- Inflation assumptions considered in conjunction with independent revenue projections to avoid double-counting of inflation through increased revenues

Key Valuation Assumptions (£k/MW/Yr)



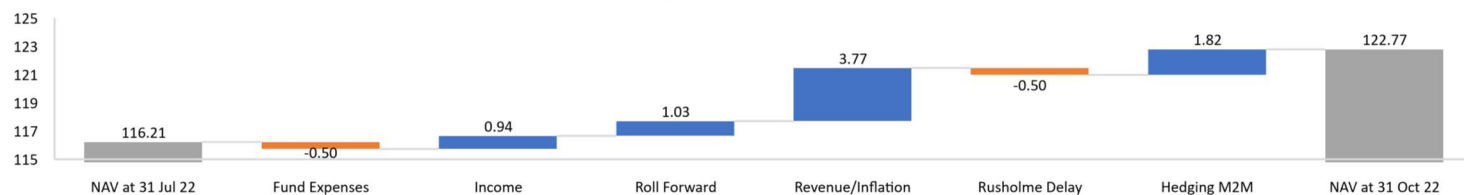
Source: Harmony Energy Advisors Limited

There can be no assurance that these revenues will be met and they should not be taken as an indication of the Company's expected future results. Revenue projections are not profit forecasts and they are based on various assumptions which may or may not materialise. Neither the Company nor the Investment Adviser take any responsibility for these projections and no reliance may be placed on them for any purpose.

NAV Update 31 October 2022

As at 31 October 2022, the Company's unaudited NAV is calculated to have increased by 5.64% to £257.81 million (122.77 pence per ordinary share), up 6.55 pence per ordinary share over the three months from 31 July 2022. This increase was largely driven by (a) an increase in revenue projections of 6% (in NPV terms) compared to previous projections (April 2022). A minor revision to the assumed commencement of operations for the Rusholme project slightly offset some of this increase by 0.50 pence per ordinary share. A 10.50% discount rate is applied to all projects (in line with previous guidance for in-construction projects). Although energised during November 2022, the Pillswood project has not been revalued as part of this update. A revision will form part of the next NAV calculation. C Share NAV is £14.54 million (98.45 pence per C Share).

Change in Net Asset Value per Share from 31 July 2022 to 31 October 2022



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