

Harmony Energy Income Trust plc

Quarterly update for the period ended 30 April 2023



Introduction

Harmony Energy Income Trust plc (the “Company”) invests in utility-scale battery energy storage projects in Great Britain (“GB”), targeting a dividend yield of 8 pence per Ordinary Share per annum 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
- Portfolio of **nine 2-hour duration BESS projects totalling 494.9 MW / 988.8 MWh** (the “Portfolio”)
- **Right of first refusal to acquire a further 505.6 MW** pipeline of BESS projects with ongoing right of first offer on subsequent pipeline developed by Harmony Energy Limited (the “Developer”)

Key Highlights

- NAV decreased by 6.7% to £265.89 million, or 117.07 pence per Ordinary Share, down 8.43 pence per Ordinary Share over the three months from 31 January 2023
- NAV movement for this quarter is primarily driven by:
 - a) lower near-term power price and revenue assumptions based on latest independent forecasts; and
 - b) a 20bp increase in discount rates in relation to “under construction” projects from 10.3% to 10.5%;
- 2 pence per Ordinary Share dividend was paid on 24 March 2023
- 11MW / 22MWh Broadditch project became fully operational in April 2023
- Several assets were awarded lucrative Capacity Market contracts in February 2023, adding an additional layer of contracted income to the Company’s revenue stack. Capacity Market revenues are not currently subject to a different discount rate in the Company’s valuation despite the secure nature of these revenues

Portfolio Update

The Company’s nine BESS projects have a total capacity of 494.9 MW / 988.8 MWh, of which 109 MW / 218 MWh (two projects) are operational. The balance of the Portfolio is anticipated to commence commercial operations through 2023 and 2024. The 11 MW / 22 MWh Broadditch project became fully operational in early April 2023. The 20 MW / 40 MWh Farnham project is near completion, is scheduled to energise shortly and expected to commence operations in June. Once energised this project will be classed as “operational” and subject to a revaluation accordingly, bringing it in line with a discount rate of 10.0% for operational projects. 134MW / 268MWh, across two further projects, is expected to commence operations in Q3 2023 and will take the portfolio to 253MW / 506MWh of operational assets. The Company’s other projects remain on track with the Developer’s own project management teams on site overseeing construction and are summarised in the table below.

The Company successfully bid for T-1 Capacity Market contracts in respect of the Pillswood, Farnham and Rusholme projects. Service delivery under these contracts will commence in October 2023. The T-1 auction cleared at £60/kW/year, the second highest clearing price ever achieved and significantly higher than assumed in the Investment Adviser’s revenue projections at the time of the award. In addition, the Bumpers, Wormald Green and Hawthorn Pit projects were awarded T-4 Capacity Contracts which commence in October 2026. All projects in the Company’s portfolio (bar Rye Common) now benefit from 15-year long-term index linked T-4 contracts commencing from October 2024, October 2025 or October 2026 (depending on the project).

The Pillswood project has been one of the best performing GB BESS projects during the period and has generated £2.3m in revenue between commencement of operations in late 2022 and 30 April 2023.

Project	MW / MWh	Location	Target Commercial Operations Date**	Status*
Pillswood	98 / 196	Yorkshire	Operational	Operational
Broadditch	11 / 22	Kent	Operational	Operational
Farnham	20 / 40	Surrey	June 2023	Under Construction
Rusholme	35 / 70	Yorkshire	Q3 2023	Under Construction
Bumpers	99 / 198	Bucks.	Q3 2023	Under Construction
Little Raith	49.5 / 99	Fife	Q4 2023	Under Construction
Wormald Green	33 / 66	Yorkshire	Q1 2024	Under Construction
Hawthorn Pit	49.9 / 99.8	County Durham	Q2 2024	Under Construction
Rye Common	99 / 198	Surrey	Q3 2024	Shovel Ready ⁴
Total	494.4 / 988.8			

*Status as at the date of publication of this Fact Sheet. ** Dates are based on the calendar year

Key Statistics as at 30 April 2023

Share price (pence)	117.50
NAV per share (pence)	117.07
Net Assets	£265.89 million
Market Cap.	£266.88 million
Target annual dividend (payable quarterly)	8 pence per Ordinary Share ¹
Shares in issue	227,128,295
Share price premium/(discount) to NAV	0.37%
Ongoing charges	1.36% 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 - 0.80% over £250m 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
Shéfaly 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



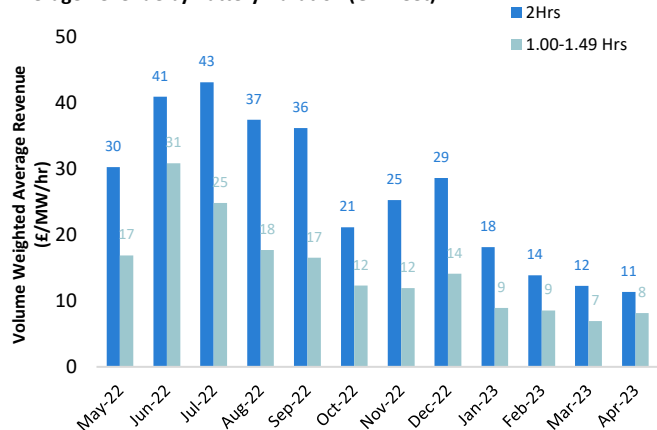
Signatory of:



Market Commentary

2-hour duration batteries continued to outperform shorter-duration batteries during the period, however revenues have fallen from the highs seen in 2022. This reduction is a result of lower gas prices leading to reduced spreads in the wholesale market, alongside the expected reduction in ancillary service pricing as these markets are increasingly saturated. Whilst third party revenue assumptions through 2023 and 2024 have come down from forecasts in late 2022, the revised revenue assumptions remain in line with those predicted at the time of the Company's IPO meaning the target project returns remain robust despite this lower revenue environment. The Investment Adviser expects the Company's projects to increase participation in the Balancing Mechanism, which offers consistently higher spreads than wholesale trading and is a key growth area for BESS in GB. This is expected to drive revenue performance improvement in the near-term. The Balancing Mechanism is particularly suited to 2-hour duration batteries and is expected to be of high potential value to National Grid as it seeks to meet its target of managing the grid with net-zero carbon by 2025.

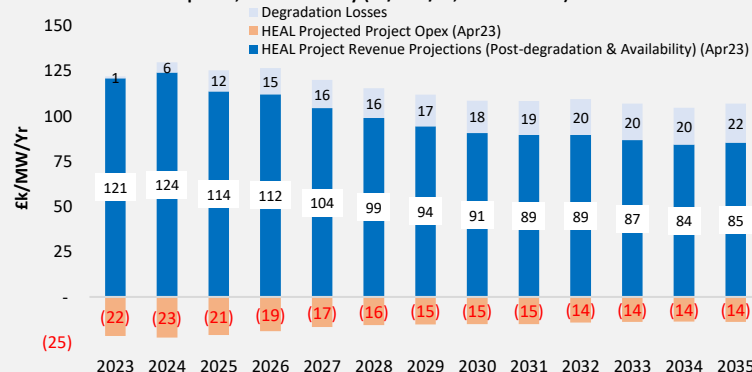
Average Revenue by Battery Duration (GB Fleet)



Forward Looking Revenue Assumptions

The chart below shows the revenue assumptions used for valuation purposes.

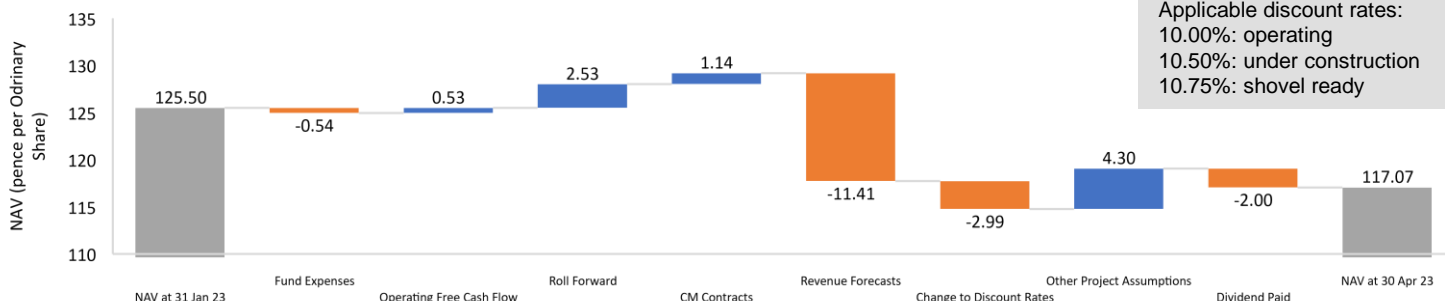
Revenue & Cost Assumptions, 2 Hour Battery (£k/MW/Yr, real Jan 2022)



NAV Update 30 April 2023

As at 30 April 2023, the Company's unaudited NAV was calculated to have decreased by 6.7% to £265.89 million (117.07 pence per Ordinary Share), down 8.43 pence per Ordinary Share over the three months from 31 January 2023. The reduction in NAV was primarily driven by lower near-term revenue assumptions (-11.41 pence per Ordinary Share) based on the latest revenue forecasts published by independent providers. These reductions are partially offset by (i) strong results in the T-1 Capacity Market where pricing exceeded modelled assumptions (+1.14 pence per Ordinary Share); (ii) the roll forward effect as other "under construction" projects become closer to revenue generation (+2.53 pence per Ordinary Share); and (iii) reductions in capex for the Rye Common project along with a reduction in modelled tax payable following a detailed capital allowance analysis (+4.30 pence per share). Further NAV growth is expected as projects progress from construction and into operations and the Investment Adviser continues to see strong valuations from third parties for shovel ready BESS projects.

Change in Net Asset Value per Share from 31 January 2023 to 30 April 2023



Applicable discount rates:
 10.00%: operating
 10.50%: under construction
 10.75%: shovel ready

Adviser Information

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