

Harmony Energy Income Trust plc

Quarterly update for the period ended 31 July 2023



Introduction

Harmony Energy Income Trust plc (the “Company”) invests in utility-scale battery energy storage projects in Great Britain (“GB”), targeting a dividend 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 as increased renewable energy generation leads to higher levels of energy intermittency and power price volatility
- Portfolio of **nine 2-hour duration BESS projects totalling 494.4 MW / 988.8 MWh** (the “Portfolio”), of which **129 MW / 258 MWh (26% of portfolio) is operational**
- **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

- 2 pence per Ordinary Share dividend was paid on 16 June 2023, meaning the Company has distributed 50% of the 8p target in relation to the Financial Year 2023.
- 20 MW / 40 MWh Farnham project became fully operational in June 2023
- The unaudited NAV as at 31 July was £260.72 million, or 114.79 pence per Ordinary Share – as further described below
- Bumpers and Little Raith projects (combined 148.5 MW / 297 MWh) are tracking ahead of schedule and targeting energisation in September 2023. Early energisation has enabled the Company to procure a T-1 Capacity Market contract via the secondary market, creating £403,150 of additional revenue over 12 months from October 2023 (to be factored into NAV in next period). The Investment Adviser is seeking to procure further contracts
- The Company has appointed BP as revenue optimiser for the Wormald Green and Hawthorn Pit projects (combined 82.9 MW / 165.8 MWh)

Portfolio Update

The Company’s nine BESS projects have a total capacity of 494.4 MW / 988.8 MWh, of which:

- 129 MW / 258 MWh (three projects, 26% of portfolio by capacity) are operational;
- 266.4 MW / 533.8 MWh (five projects, 54%) is under construction; and
- 99 MW / 198 MWh (one project, 20%) is “shovel ready”.

The 20 MW / 40 MWh Farnham project energised in late-May and was fully operational in June, having satisfied relevant market and capacity tests. Bumpers and Little Raith (combined 148.5 MW / 297 MWh) are tracking ahead of schedule and targeting energisation in September, more than doubling the operational capacity of the portfolio. The Rusholme project (35 MW / 70 MWh) has achieved “cold-commissioning” (i.e. the BESS is fully installed) but the distribution network operator is experiencing delays with its grid connection works and the latest estimates are that energisation will be delayed until Q1 2024. The Company’s other projects are progressing with the Investment Adviser’s own project management teams on site overseeing construction and are summarised in the table below.

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	Operational	Operational
Bumpers	99 / 198	Bucks.	Q3 2023	Under Construction
Little Raith	49.5 / 99	Fife	Q3 2023	Under Construction
Rusholme	35 / 70	Yorkshire	Q1 2024	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
Total	494.4 / 988.8			

* Dates are based on the calendar year

The Company’s portfolio continues to perform well relative to peers. As at the date of publication of this Factsheet, the Company ranks as #1 year-to-date amongst owners of GB BESS portfolios (min 50MW threshold), with Pillswood (Phase 1) also ranking #1 year-to-date at the project level⁴. In line with the Company’s continuing ambition to diversify its supplier base, and having completed a full tender process, the Company has appointed BP to provide revenue optimisation services for the Wormald Green and Hawthorn Pit projects. These services will commence upon the commercial operation date of the respective projects.

Key Statistics as at 31 July 2023

Share price (pence)	95.40
NAV per share (pence)	114.79
Net Assets	£260.72 million
Market Cap.	£216.68 million
Target annual dividend (payable quarterly)	8 pence per Ordinary Share ¹
Shares in issue	227,128,295
Share price premium/(discount) to NAV	(16.9)%
Ongoing charges	1.24% 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
Shafaly 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



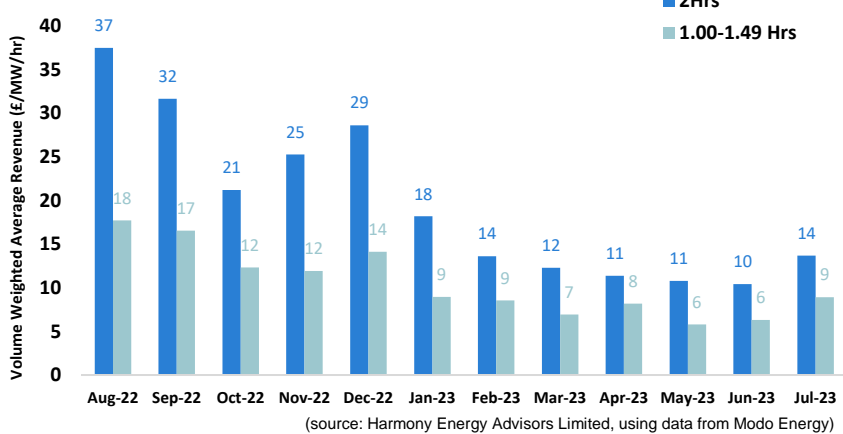
Signatory of:



Market Commentary

Average GB BESS revenues trended up over the quarter, with 2-hour duration batteries continuing to outperform shorter-duration batteries. July was a particularly interesting month: high levels of wind and solar generation coincided with low levels of energy demand over two separate weekends, causing wholesale market prices to turn negative on three occasions and hit record-level low prices. Negative wholesale prices provide an opportunity for BESS to be paid to charge, increasing demand on the network. This not only helps National Grid to keep the national supply/demand balance stable in real-time, but also means that some of the surplus renewable energy can be stored and then released back onto the grid later when national demand is higher. Average spreads in the wholesale markets were 20% higher in July versus June, and a 2-hour duration BESS is able to trade twice as much volume than a 1-hour duration during these high-pricing periods (source: Modo Energy). The IA expects average revenues to increase during winter in line with seasonal trends.

Average Revenue by Battery Duration (GB Fleet)

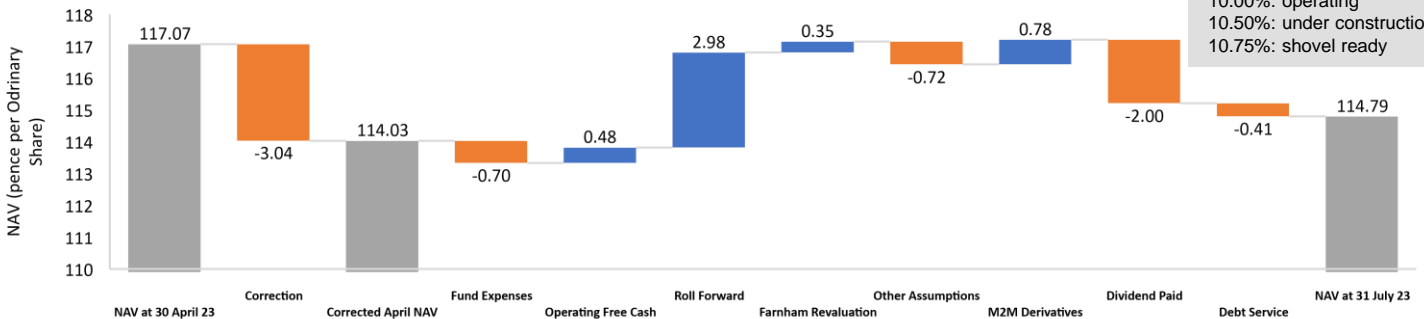


The Company's Little Raith project (49.5 MW / 99 MWh) in Fife, Scotland, which is nearing energisation

NAV Update 31 July 2023

As at 31 July 2023, the Company's unaudited NAV was calculated to be £260.72 million (114.79 pence per Ordinary Share). This represents a decrease of 2.28 pence per Ordinary Share (-1.95%) compared to 30 April 2023. Part of this decrease (3.0p) was due to a correction in valuation methodology used in previous valuations. Adjusting for this correction, NAV increased in the period by 0.76 pence per Ordinary Share (0.67%) driven by the energization of Farnham and the roll forward effect due to the approaching energization of Bumpers and Little Raith as well as continuing construction progress on the other projects (3.3p). Other factors impacting the NAV included the revision to the energization date for the Rusholme project (-0.7p) and payment of the quarterly dividend (-2.0p). Revenue assumptions and discount rates remain unchanged.

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



Applicable discount rates (unchanged from 30 April):
 10.00%: operating
 10.50%: under construction
 10.75%: shovel ready

Adviser Information

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