

Harmony Energy Income Trust plc

Quarterly update for the period ended 31 July 2024



Introduction

Harmony Energy Income Trust plc (the “Company”) invests in utility-scale battery energy storage system (“BESS”) assets in Great Britain (“GB”).

Key Features

- Focussing on **longer duration 2-hour 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 **eight 2-hour duration BESS projects totalling 790.8 MWh / 395.4 MW** (the “Portfolio”), of which **625 MWh / 312.5 MW** (79% of the Portfolio by MW) 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.

Key Highlights

- The unaudited NAV at 31 July 2024 was £215.43 million, or 94.84 pence per Ordinary Share, a decrease of 1.37 pence per Ordinary Share (-1.4%) compared to 30 April 2024. The decrease was mainly driven by a negative mark-to-market valuation of the Company’s interest rate swap (-1.15 pence per Ordinary Share), partly offset by the positive revaluation of the Rusholme project following energisation (+0.30 pence per Ordinary Share).
- 70 MWh / 35 MW Rusholme project (located in North Yorkshire) was successfully energized during the quarter and has now commenced trading, taking the Company’s total operational capacity to 625 MWh / 312.5 MW (79% of the Portfolio by MW).
- Target Commercial Operations Dates for the two remaining BESS projects in the Portfolio remain on track for end of September 2024.
- Portfolio revenues of £45.3k/MW/Yr for the quarter, driven by lower wholesale market spreads across the quarter, and low Portfolio availability in June. Captured balancing mechanism volumes continue to grow, with May 2024 seeing a new monthly high.
- Total operational revenues for the current Financial Year (up to 31 July) of £11.08 million (£53.2k/MW/Yr).
- Post-quarter end, increased levels of wind and solar generation in August correlates with Portfolio revenue improvement (£67.2k/MW/Yr, month-to-date).
- Asset sale process to seek offers for some or all of the Company’s assets is progressing. Interest from potential bidders is strong and indicative non-binding offers are expected before the end of September.

Portfolio Update

The Portfolio consists of eight 2-hour duration BESS projects totaling 790.8 MWh / 395.4 MW, of which 625 MWh / 312.5 MW (79% of the capacity of the Portfolio) is operational.

Energisation dates for the Company’s Wormald Green and Hawthorn Pit projects have been scheduled for the coming weeks and the latest estimate remains that they will commence commercial operations before the end of September 2024. The Investment Adviser (“IA”) is collaborating closely with the contractor to expedite completion as soon as possible.

The liquidated damages claimed by the Company in relation to the delays to energisation have not yet been recognised in the Company’s revenue updates.

Project	MWh / MW	Location	Target Commercial Operations Date*	Status
Pillswood	196 / 98	Yorkshire	Operational	Operational
Broadditch	22 / 11	Kent	Operational	Operational
Farnham	40 / 20	Surrey	Operational	Operational
Bumpers	198 / 99	Bucks.	Operational	Operational
Little Raith	99 / 49.5	Fife	Operational	Operational
Rusholme	70 / 35	Yorkshire	Operational	Operational
Wormald Green	66 / 33	Yorkshire	Q3 2024	Under Construction
Hawthorn Pit	99.8 / 49.9	County Durham	Q3 2024	Under Construction
Total	790.8 / 395.4			

* Dates are based on the calendar year

Asset Sale Process

As previously announced, the Board instructed the IA to explore the potential for one or more asset sales. The process has attracted strong interest and marketing materials have now been distributed to selected third parties. The Company expects to receive initial indicative bids before the end of September.

Key Statistics as at 31 July 2024

Share price (pence)	52.60
NAV per share (pence)	94.84
Net Assets	£215.43 million
Market Cap.	£119.48 million
Target annual dividend	>85% of Operating Free Cash Flow
Shares in issue	227,128,295
Share price premium/(discount) to NAV	(44.5)%
Ongoing charges	1.11% 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 ¹
Address	The Scalpel 18th Floor 52 Lime St London EC3M 7AF

Board (Independent Non-Executive)

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

Harmony Energy Group

Harmony Energy Advisors Limited (the “IA”) ²	Investment Adviser
Harmony Energy Limited	Experienced developer of renewable and battery storage projects

Strong focus on ESG



Signatory of:



Market Commentary

Average revenues (across the GB BESS fleet) fluctuated during the quarter but were particularly impacted by a sharp decrease in wind generation during July. This, coupled with lower gas and carbon prices, reduced average monthly wholesale price spreads (-28% versus June). The reduced opportunity in the wholesale markets increased competition in ancillary services, leading to lower clearing prices. Wholesale spreads have widened again during August (month-to-date) due to higher daily average wind and solar generation (+17.8% and +5.73% respectively) coupled with rising gas prices.

We welcome the new Labour government's manifesto pledges to double onshore wind capacity, triple solar capacity, and quadruple offshore wind capacity by 2030. The latest Future Energy Scenarios published by National Grid ESO make clear that the build-out of BESS must materially increase and accelerate in order for the UK to be in line with its Net Zero goals. In line with this, we are pleased to continue to see strong correlation between BESS revenues and levels of renewable generation (i.e. BESS performing well during periods of high wind/solar generation). The delivery of targeted additional renewable capacity combined with an under-supplied GB BESS market should provide strong support for revenues over the medium to long term.

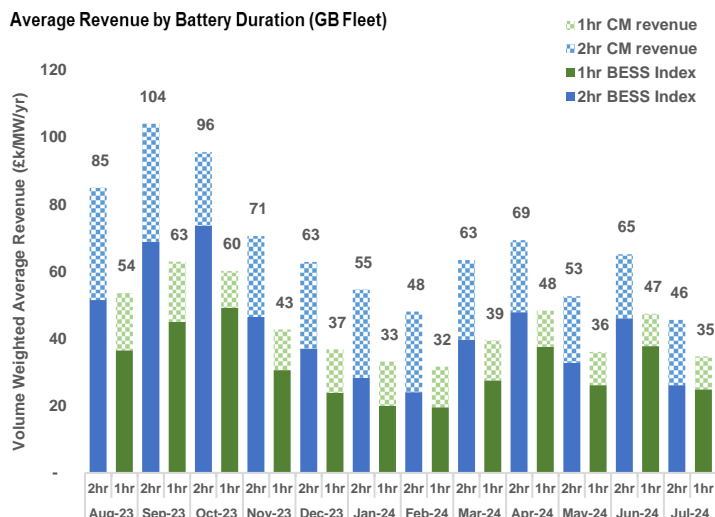
Portfolio Performance

The Company's operational Portfolio generated revenue (net of all electricity import charges and state of charge management costs) of £3.14 million over the quarter (£45.3k/MW/Yr). For the current Financial Year (9 months up to 31 July), the Portfolio generated revenue (net of all electricity import charges and state of charge management costs) of £11.08 million (£53.2k/MW/Yr). The Portfolio continued to experience a high number of outage events during June, due to continued short-term DNO technical works. The IA estimates that, had the Portfolio been fully available during the quarter, the revenue would have been c.£52k/MW/Yr. The Portfolio returned to full availability at the end of June.

Volumes captured in the Balancing Mechanism ("BM") continued to grow, with May 2024 seeing a new monthly high of over 14,000 MWh captured by the Portfolio. The average quarterly BM volume captured during the quarter was 33% higher than the previous quarter (c.9,000 MWh). As previously reported, spreads in the BM are consistently wider than in the wholesale markets. Therefore an increase in capture rates helps 2-hr duration BESS cushion the impact of falling wholesale spreads. For example, average monthly wholesale spreads fell 28% in July but portfolio revenues only dropped 11.5%.

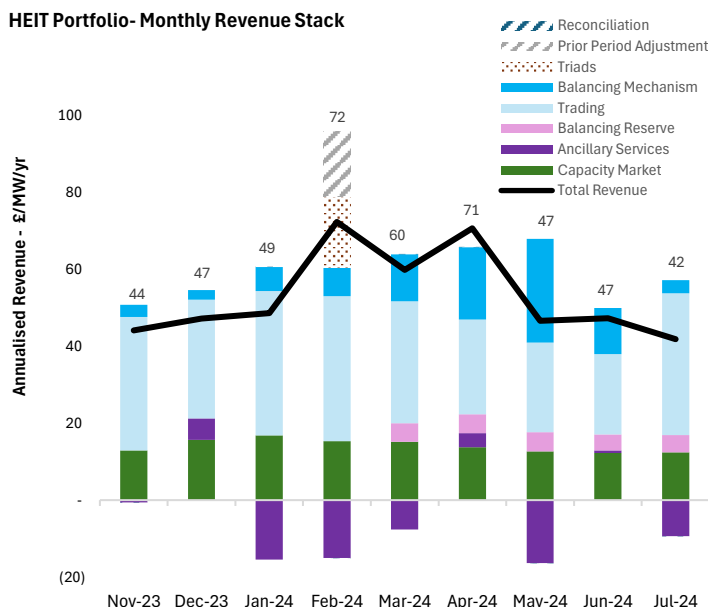
Post-quarter, the increased levels of wind and solar generation in August referred to above correlates with a marked improvement in Portfolio revenues (£67.2k/MW/Yr, estimated month-to-date).

Average Revenue by Battery Duration (GB Fleet)



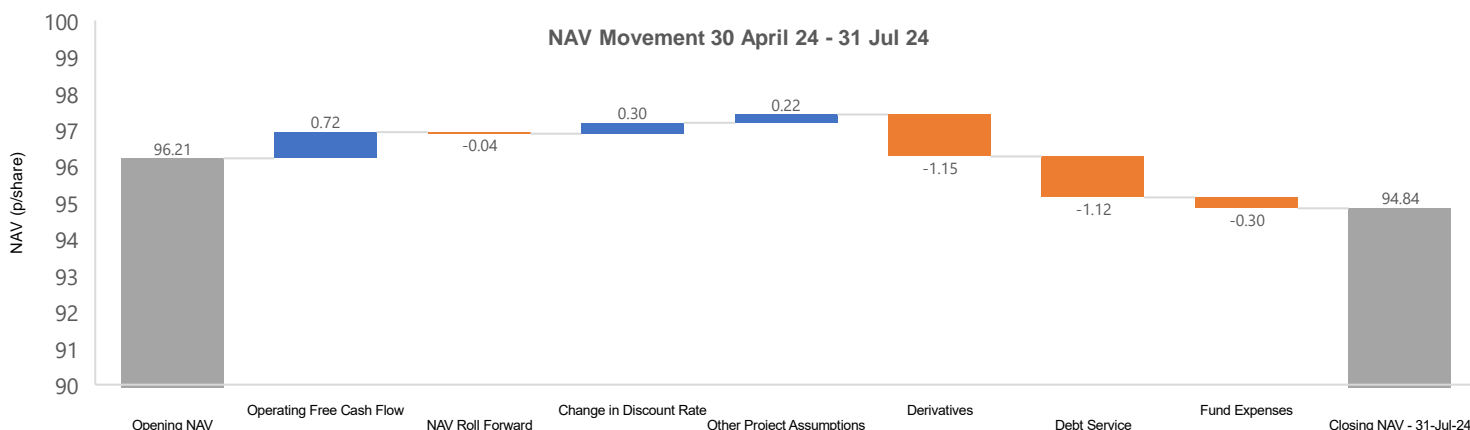
Source: Harmony Energy Advisors Ltd, using data from Modo Energy and National Grid.
 Note: 2hr BESS index includes assets with a duration 1.5 hrs+, 1hr BESS index includes assets with a duration of less than 1.5 hrs.

HEIT Portfolio- Monthly Revenue Stack



NAV Update 31 July 2024

As at 31 July 2024, the Company's unaudited NAV was £215.43 million (94.85 pence per Ordinary Share). This represents a decrease of 1.37 pence per Ordinary Share (-1.4%) compared to 30 April 2024. The principal movements are (i) a decrease in value of the Company's interest rate swap, reflecting lower interest rates; and (ii) an increase in valuation of the Rusholme project (reducing the discount rate from 10.50% to 10.25%, in line with the Company's current valuation policy). Movements are shown in the chart below.

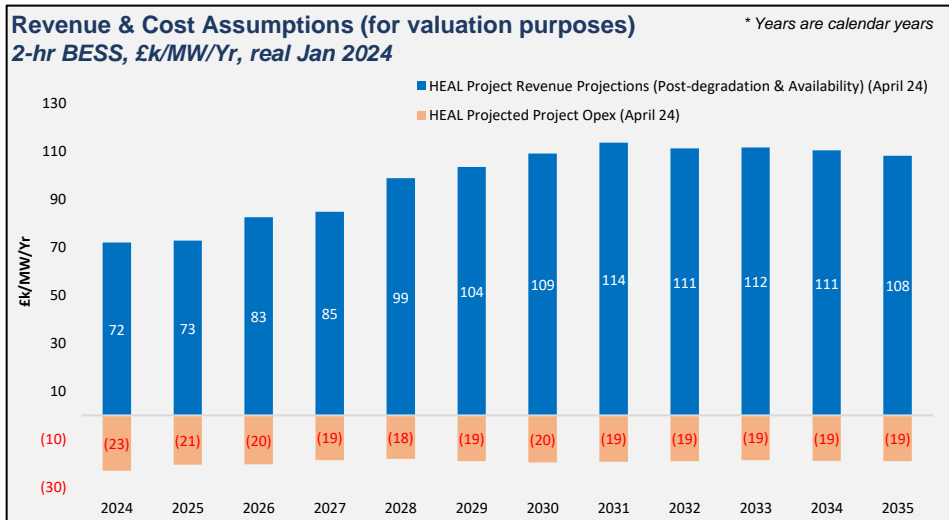


Revenue Assumptions and Discount Rates

Long-term opex and revenue assumptions (the latter derived from third party revenue forecasts) have not changed since 30 April 2024.

Discount rates and inflation assumptions also remain unchanged.

The IA has reduced the discount rate applied to the Company's Rusholme project from 10.50% to 10.25% to reflect its energisation during the reporting period.



Applicable discount rates (unchanged from 31 January):

- 10.00%: operating with >3 months track record
- 10.25%: operating with <3 months track record
- 10.50%: under construction

Inflation assumptions: 3% (2024); 2.5% (2025); 2% (2026+)



- PILLSWOOD**
98 MW / 196 MWH
STATUS: OPERATIONAL
- BROADDITCH**
11 MW / 22 MWH
STATUS: OPERATIONAL
- FARNHAM**
20 MW / 40 MWH
STATUS: OPERATIONAL
- RUSHOLME**
35 MW / 70 MWH
STATUS: OPERATIONAL
- BUMPERS**
99 MW / 198 MWH
STATUS: OPERATIONAL
- LITTLE RAITH**
49.5 MW / 99 MWH
STATUS: OPERATIONAL
- WORMALD GREEN**
33 MW / 66 MWH
TARGET COD: Q3 2024
STATUS: COLD COMMISSIONED
- HAWTHORN PIT**
49.9 MW / 99.8 MWH
TARGET COD: Q3 2024
STATUS: COLD COMMISSIONED

● OPERATIONAL ASSETS (625 MWH / 312.5 MW)
● COLD COMMISSIONED ASSETS (165.8 MWH / 82.9 MW)
COD COMMERCIAL OPERATIONS DATE



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