

Harmony Energy Income Trust plc

Quarterly update for the period ended 31 October 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.
- Fully Operational** Portfolio of eight **2-hour duration BESS** projects totalling **790.8 MWh / 395.4 MW** (the “Portfolio”).
- Right of first refusal to acquire a further 369.4 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 October 2024 was £201.04 million, or 88.51 pence per Ordinary Share, a decrease of 6.33 pence per Ordinary Share (-6.68%) compared to 31 July 2024. The decrease was driven by an increase (+25bps) in the discount rate applied to operating projects together with lower revenue assumptions and an increase in opex budget for FY 2025. The fall was partially offset by the roll forward effect and an increase in the mark-to-market valuation of the Company's interest rate swap.
- Increased opex budget is driven by recent increases in network access charges (set by individual DNOs).
- Wormald Green (66 MWh / 33 MW) and Hawthorn Pit (99.8 MWh / 49.9 MW) were successfully energised during the quarter and have commenced trading, taking the Company's total operational capacity to 790.8 MWh / 395.4 MW (100% of the Portfolio). Revenue for these projects is recognised from November 2024 onwards.
- Portfolio revenues of £62.4k/MW/Yr for the quarter, an increase of 38% vs the previous quarter (£45.3k/MW/Yr). Performance was driven by higher wholesale market spreads and increasing balancing mechanism volumes. Revenue growth was offset by some Portfolio unavailability due to scheduled network outages.
- Total operational revenues for the current Financial Year (up to 31 October) of £15.96 million (£55.5k/MW/Yr).
- Further improved revenue performance in November (£67.8k/MW/Yr, estimated month-to-date and on a full-Portfolio basis).
- Asset sale process continues to progress well. An encouraging number of non-binding offers were received, with a short-list of bidders progressing through to the detailed due diligence stage. Subject to receipt of sufficiently attractive final offers, the intention would be to enter exclusivity with a preferred bidder in December and sign binding agreements in January 2025.

Portfolio Update

The Portfolio is now fully operational and consists of eight 2-hour duration BESS projects totalling 790.8 MWh / 395.4 MW. The Wormald Green and Hawthorn Pit projects commenced trading in October and have been active in wholesale markets and the Balancing Mechanism (“BM”) during November. Both projects will soon enter the Ancillary Service markets.

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

Asset Sale Process

As previously announced, the Board appointed JLL to seek offers for some or all of the Company's assets. The process has attracted strong interest and an encouraging number of non-binding offers were received in September, relating to both individual assets as well as the full portfolio. A selected number of parties were allowed to progress through to the detailed due diligence stage. The level of due diligence being undertaken is thorough and has resulted in bidders requesting more time. The transaction timetable has therefore extended by one month. Subject to receipt of sufficiently attractive final offers, the intention would be for the Company to enter exclusivity with a preferred bidder in December with a view to signing binding agreements in January 2025.

Key Statistics as at 31 October 2024

Share price (pence)	49.80
NAV per share (pence)	88.51
Net Assets	£201.04 million
Market Cap.	£113.11 million
Target annual dividend	>85% of Operating Free Cash Flow
Shares in issue	227,128,295
Share price premium/(discount) to NAV	(43.7)%
Ongoing charges	1.2% 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

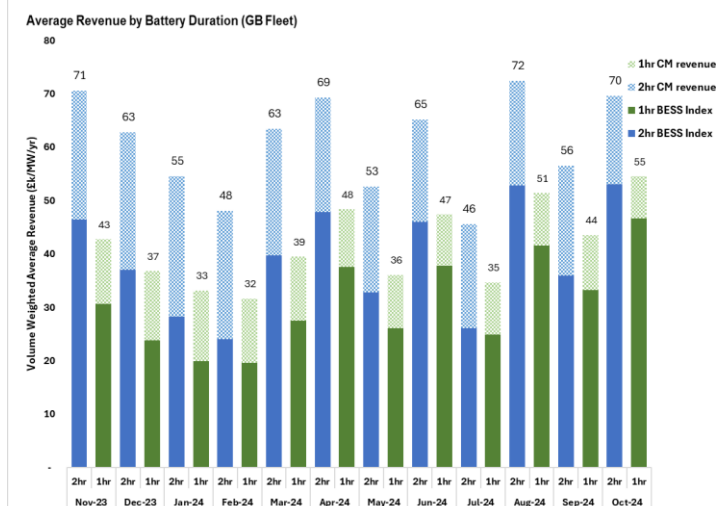
August revenues rebounded from July, increasing to £72k/MW/year average across 2-hour GB fleet, driven by high wind generation paired with periods of low demand. This dynamic resulted in 49 hours of negative Day-Ahead wholesale pricing, significantly widening price spreads and creating lucrative opportunities for BESS to capitalise on market volatility. October also saw higher average 2-hour BESS revenues, hitting £70k/MW/year, boosted by the widest wholesale price spreads observed since December 2023: Day-Ahead power price spreads averaged £83/MWh, with daily spreads exceeding £100/MWh on ten occasions during the month. High levels of BM dispatches also played a key role, enabling BESS to provide flexibility during periods of wind curtailment, further enhancing revenue performance. The strong correlation between BESS performance and levels of renewable power generation experienced during 2024 (year to date) highlights the critical role of storage in the UK's energy transition.

Portfolio Performance and Outlook

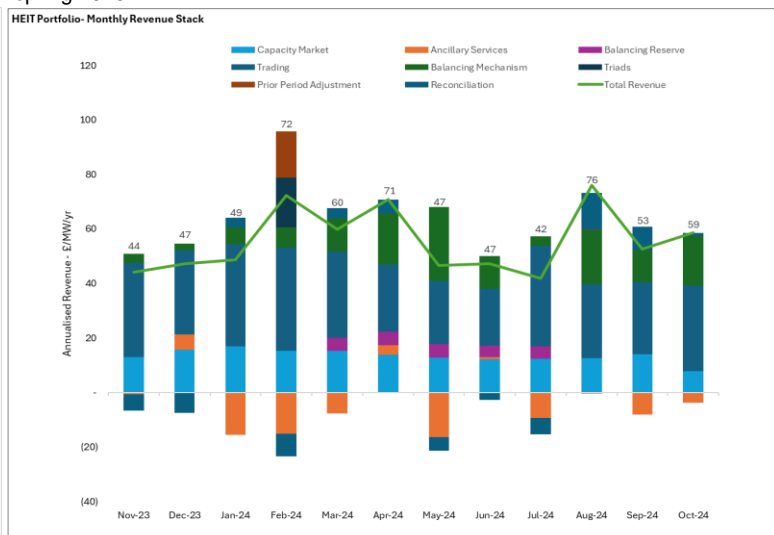
The Company's operational Portfolio generated revenue (net of all electricity import charges and state of charge management costs) of £4.88 million over the quarter (£62.4k/MW/Yr). For the full Financial Year (up to 31 October), the Portfolio generated revenue (net of all electricity import charges and state of charge management costs) of £15.96 million (£55.5k/MW/Yr). The Portfolio continued to experience a higher than usual number of outage events during September and October, due to scheduled short-term DNO technical works at local sub-stations and connection points. The IA estimates that, had the Portfolio been fully available during the quarter, the revenue would have been c.£69k/MW/Yr. The IA continues to work closely with DNOs to maximise project availability.

Volumes captured in the BM continued to grow, with August 2024 seeing the second-highest monthly total of over 12,000 MWh captured by the Portfolio, generating £522k in revenue (£20k/MW/Yr). Since the relaunch of the Open Balancing Platform (OBP) and the removal of the '15-minute' rule in Q2, average BM monthly dispatch volumes have increased by approximately 300%, rising from c.2,920 MWh to c.11,456 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 any negative impact of volatile wholesale spreads.

Strong revenue performance has continued through November (£67.6k/MW/Yr estimated month-to-date on a full-Portfolio basis), with wholesale gas prices trending upwards, volatile temperatures and stormy weather conditions. The Company expects these conditions to continue through winter and will seek to capitalise by increasing average cycling over the coming months. In addition, the Company is engaging with third party service providers to explore opportunities to increase levels of contracted income across the Portfolio from spring 2025.



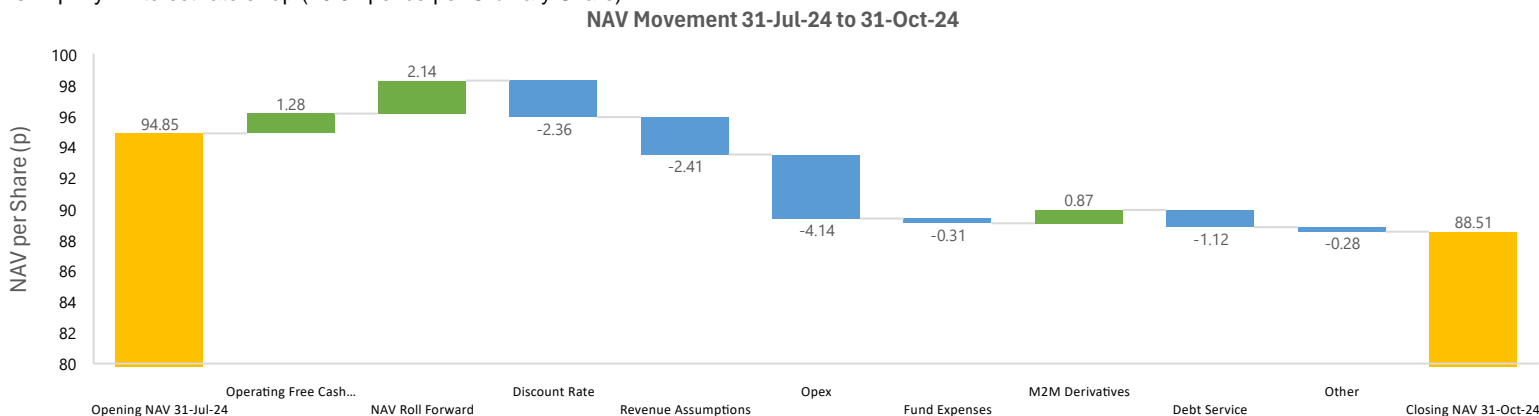
Source: Harmony Energy Advisors Ltd, using data from Modo Energy and National Grid. Note: 2hr BESS index includes assets with a duration 1.5 hrs+, 1hr BESS index includes assets with a duration of less than 1.5 hrs.



Source: Harmony Energy Advisors Ltd. Figures for October do not include revenues from Hawthorn Pit & Wormald Green, as these assets were not operational in all markets

NAV Update 31 October 2024

As at 31 October 2024, the Company's unaudited NAV was £201.04 million (88.51 pence per Ordinary Share). This represents a decrease of 6.33 pence per Ordinary Share (-6.68%) compared to 31 July 2024. The principal movements are (i) an increase (+25bps) in the discount rates applicable to operating projects (-2.36 pence per Ordinary Share); (ii) a reduction in third party revenue forecasts (-2.41 pence per Ordinary Share); (iii) an increase in opex assumptions, largely driven by higher network access charges (-4.14 pence per Ordinary Share); and (iv) an increase in the mark-to-market valuation of the Company's interest rate swap (+0.87 pence per Ordinary Share)



Revenue Assumptions and Discount Rates

Long-term revenue assumptions (derived from third party revenue forecasts) have reduced since 31 July 2024 by 0.9% (in NPV terms). Decreases in the long-term revenue assumptions were partially offset by small increases applied to the next three years (being a partial recovery from the larger reductions published earlier this year, reflecting the positive movements in the underlying fundamentals).

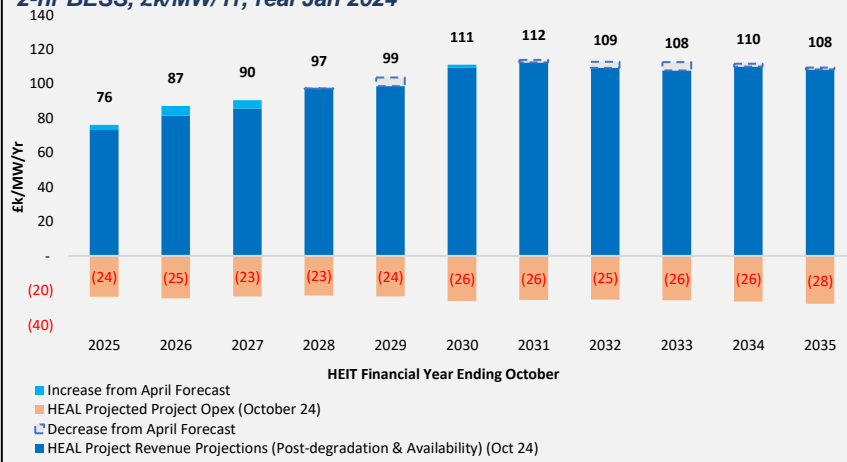
In addition, and in line with guidance from the Company's Independent Valuer, the discount rate for operational projects has been increased by 25bps (10.25% from 10.00%). The discount rates for projects with less than 3 months operating history has also increased by 25bps (10.50% up from 10.25%).

Applying the above, the applicable discount rates for Rusholme, Hawthorn Pit & Wormald Green remain at 10.50%, with 10.25% applied to the balance of the Portfolio. The applicable discount rate for projects under construction has been removed from the analysis given that 100% of the Portfolio is now operational.

Applicable discount rates (as at 31 October 2024):

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

Revenue & Cost Assumptions (for valuation purposes) 2-hr BESS, £k/MW/Yr, real Jan 2024



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



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

● OPERATIONAL ASSETS (790.8 MWh / 395.4 MW)



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