NS Net Asset Value(s)

HARMONY ENERGY INCOME TRUST PLC

PORTFOLIO UPDATE AND NET ASSET VALUE

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Harmony Energy Income Trust plc
(the "Company" or "HEIT")

Portfolio Update and Net Asset Value

Harmony Energy Income Trust plc, which invests in battery energy storage system (**"BESS"**) assets in Great Britain, announces its unaudited Net Asset Value (**"NAV"**) update, together with a portfolio and operational update for the three months ended 31 January 2024 (the **"Period"**).

Key Highlights

- 2 pence per Ordinary Share dividend paid on 22 December 2023, totalling 8 pence per Ordinary Share distributed in relation to the Financial Year 2023, in line with target.
- The unaudited NAV at 31 January 2024 was £236.3 million, or 104.06 pence per Ordinary Share, a decrease of 11.34 pence per Ordinary Share (-9.8%) compared to 31 October 2023. The decrease was driven by weaker-than-expected GB BESS revenues over the Period, resulting in the Investment Adviser (**"IA"**) reducing the 2024 and 2025 modelled revenue assumptions. This reduction will be reviewed by the Independent Valuer for the next quarterly NAV update, with reference to new long-term BESS revenue forecasts expected to be published by independent third party providers in April.
- Following the end of the Period (as previously announced):
  - the Company secured contracts in the T-1 Capacity Market auction for 2024/25 delivery, adding £1.7 million of contracted income not yet factored into valuation models;
  - the Company postponed the declaration of the first FY 2024 quarterly dividend of 2 pence per Ordinary Share, pending a review of the Company's dividend policy; and
  - the Company completed a refinancing of its debt facilities on 21 February 2024, lowering costs.

Portfolio Update

The Company's portfolio consists of eight 2-hour duration BESS projects totalling 790.8 MWh / 395.4 MW (the **"Portfolio"**), of which 555 MWh / 227.5 MW (70% of the Portfolio across five projects) is operational.

Of the remaining three projects, the Rusholme project (70 MWh / 35 MW) has completed BESS installation and the DNO has re-mobilised on site to execute requisite connection works. At the Wormald Green and Hawthorn Pit projects, the contractor is progressing the installation and connection of the Envision battery modules, which are on site.

Following the end of the Period, the Company secured additional contracts in the T-1 Capacity Market auction held in February 2024, for delivery between October 2024 and September 2025. This increases contracted revenue over the delivery period to £3.2 million, of which £1.7 million has not yet been factored into the Company's valuation models but will be included in the next quarterly update.

Project	MWh / MW	Location	Target Commercial Operations Date[1]	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	Q2 2024	Cold Commissioned
Wormald Green	66 / 33	Yorkshire	Q2 2024	Under Construction
Hawthorn Pit	99.8 / 49.9	County Durham	Q2 2024	Under Construction
Total	790.8 / 395.4			

[1] *Dates are based on calendar year*

External Debt Update

The Company drew the balance of its £130 million of senior debt facilities during the Period in order to fund construction milestone payments. Post-Period end, the Company completed the amendment and restatement of its debt facilities, structuring a long term sculpted amortisation profile until February 2031 with reduced margins. Applicable debt covenant ratios have been reset against updated revenue forecasts to ensure ongoing headroom in the current revenue environment. The Company executed an interest rate swap on 22 February 2024 which "fixes" SONIA at a rate of 4.10% per annum. When combined with the margin of 2.75% applicable for the initial two years of the new facility, the total cost of debt is therefore 6.85%.

Market Commentary

Average GB BESS revenues over the Period were disappointing, declining month-on-month. Average day-ahead wholesale power market spreads narrowed to £52/MWh in January, the lowest since June 2021 and 64% lower than January 2023. This correlates with a continued decline in gas prices and carbon prices over the Period, coupled with relatively mild weather. In November, National Grid ESO (**"NG ESO"**) upgraded its auction methodology and bidding structure in relation to ancillary services. This is known as the Enduring Auction Capability (**"EAC"**). Amongst other changes, the EAC allows clearing prices for ancillary services to be negative, further reducing net ancillary service revenues for BESS. Continued depressed pricing in ancillary services markets is encouraging greater participation in arbitrage revenue strategies (wholesale trading and Balancing Mechanism), which are more favourable for 2-hour duration BESS relative to shorter-duration BESS.

The launch of the Open Balancing Platform (**"OBP"**) by NG ESO in December 2023 was interrupted by technical issues and re-launched in early January 2024. Volumes captured by BESS in the Balancing Mechanism increased over January but inconsistent application of the new software by NG ESO has created challenges for revenue optimisers looking to predict market behaviours. These teething issues are expected to be overcome and a widening of wholesale spreads is expected to generate greater revenues for BESS via the Balancing Mechanism.

The Company's operational portfolio generated revenue of £3.2 million over the Period. 74% of revenues came from wholesale and Balancing Mechanism trading. Balancing Mechanism volume has increased since the re-launch of OBP in January, but the prevalence of low wholesale market spreads means that the full impact is yet to be seen.

NAV Update 31 January 2024

As at 31 January 2024, the Company's unaudited NAV was calculated to be £236.35 million (104.06 pence per Ordinary Share). This represents a decrease of 11.34 pence per Ordinary Share (-9.83%) compared to 31 October 2023. The principal movement relates to a reduction in modelled revenues throughout 2024 and 2025 (-9.26 pence per Ordinary Share). Other negative movements relate to an increase in budgeted cost for operational project insurance (-1.52 pence per Ordinary Share) following recent observed trends, a reduction in the value of the Company's interest rate cap (-0.28 pence per Ordinary Share), debt service over the Period (-1.53 pence per Ordinary Share) and the dividend paid in December 2023 (-2.00 pence per Ordinary Share).

The above negative movements were partially offset by (i) the roll forward effect as "under construction" projects become closer to revenue generation (+1.55 pence per Ordinary Share); and (ii) a reduction in discount rate of the Little Raith and Bumpers projects from 10.25% to 10.00% following three months of operations (combined +1.36 pence per Ordinary Share) and operating free cash flow generated (+1.04 pence per Ordinary Share).

Revised Revenue Assumptions

Having analysed revenues currently being generated by BESS projects in GB, the Company is publishing updated forward-looking revenue assumptions used for performing asset valuations. Compared to previous assumptions, this significantly reduces modelled revenues in 2024 and 2025, which translates to a negative impact on NAV.

Revised long-term forecasts are expected to be published by independent providers in April 2024. However the IA has taken this action now in recognition that the current forecasts do not reflect the near-term revenue environment being experienced.

The IA will analyse new forecasts when they are released and will work with the Company's Independent Valuer to agree revised revenue assumptions during the April 2024 valuation process.

The Company's factsheet for 31 January 2024 (including, inter alia, a NAV bridge and detailed long term revenue, cost and inflation assumptions) is available on the Company's website at: https://www.heitp.co.uk/investors/results-reports-and-presentations/

Norman Crighton, Chair of Harmony Energy Income Trust plc, said:

"The strong performance of the Company in delivering 555 MWh of operating assets in time for winter 2023/24 has, regrettably, not been followed by the high revenue environment such efforts deserved. In recognition of the lower-than-anticipated BESS revenue experienced by the sector pre-and post-Christmas, we have taken the proactive step of lowering modelled revenue assumptions for 2024 and 2025. This, together with a growing amount of support from contracted capacity market income, lower debt costs and a review of dividend policy will provide a platform for the Company to use its technical advantages and commercially skilled team to take maximum advantage of any reversal of recent revenue trends."

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About Harmony Energy Advisors Limited (the "Investment Adviser")

The Investment Adviser is a wholly owned subsidiary of Harmony Energy Limited.

The management team of the Investment Adviser have been exclusively focussed on the energy storage sector (across multiple projects) in Great Britain for over seven years, both from the point of view of asset owner/developer and in a third-party advisory capacity. The Investment Adviser is an appointed representative of Laven Advisors LLP, which is authorised and regulated by the Financial Conduct Authority.

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This announcement contains (or may contain) certain forward-looking statements with respect to certain of the Company's plans and/or the plans of one or more of its investee companies and their respective current goals and expectations relating to their respective future financial condition and performance and which involve a number of risks and uncertainties. The Company's target returns are a target only and there is no guarantee that these will be achieved. This Company cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements.

It should also be noted that any future NAV per Ordinary Share announced by the Company in due course will, in addition to the matters described in this announcement, also be affected by valuation movements in the Company's Portfolio and other factors including, without limitation, purchase prices of battery energy storage systems and components, project development and construction costs, income and pricing from contracts with National Grid ESO and other counterparties, the potential for trading profitability in the wholesale electricity markets and/or Balancing Mechanism, performance of the Company's investments, and the availability of projects which meet the Company's minimum return parameters in accordance with the Company's investment policy .

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