# Half-Year Report 2019

**Good Energy Group PLC**

Un-audited Half Year Report for the 6 months ended 30 June 2019

**October 2019**

**Good Energy Group PLC**

Un-audited Half Year Report for the 6 months ended 30 June 2019

**Strong performance despite challenging market**

100% renewable electricity supplier and localised self-generation power service provider, Good Energy Group PLC ("Good Energy" or "the Company"), today announces its Half Year Report for the six months ended 30 June 2019.

| **Period ended 30 June**<br><br>**£m** | **H1 2019**<br><br>**Continued operations** | **H1 2018**<br><br>**Continued operations** | **% Change**<br><br>**Continued operations** |
|---|---|---|---|
| Revenue | **£63.5m** | £61.8m | **+2.8%** |
| Gross Profit | **£17.1m** | £18.4m | **-7.0%** |
| Administration costs | **£(12.3)m** | £(13.8)m | **-10.9%** |
| Operating profit | **£4.8m** | £4.6m | **+4.6%** |
| Profit before tax | **£2.5m** | £2.4m | **+8.0%** |
| Net Debt | **£40.4m** | £51.4m | **-21.4%** |
| Basic earnings per share (p) | **15.3p** | 10.8p | **+41.7%** |
| Interim dividend per share (p) | **1.1p** | 1.0p | **+10.0%** |

***Juliet Davenport, Founder and Chief Executive Officer, said:***

*"Continuing to deliver good financial results in this challenging market is a reflection of the strength of our strategy. It indicates the potential for our recent investments to add long term value as we roll out new propositions, from smart metering to electric vehicle charging solutions, providing more energy services to our customers.*

*In addition, the energy regulator Ofgem's recent decision to exempt Good Energy from the price cap provides validation of our model. It is recognition that we support renewable generation across the UK and that our customers are choosing to be a part of that support.*

*It is an exciting time for Good Energy as the market continues to undergo a significant period of change. As energy switches from 'supply' to 'share', we are ideally positioned, having helped homes and businesses share clean power through our innovations over the last 20 years. The strategic partnerships and innovative technology solutions we are delivering now provide us with strong growth opportunities for a cleaner, greener future."*

**Financial highlights**

Continuing operations

- Revenue increased 2.8% to £63.5m through increased business supply volume growth, pricing, offset against lower domestic customers

- Gross profit decreased 7.0% to £17.1m with a gross profit margin of 26.9% (H1 2018: 29.8%) largely due to our strategy to focus and increase business customers and a well-documented increase in commodity prices in 2018
- Profit before tax increased 8.0% to £2.5m
- Strong operating cash generation driving a decrease in net debt
- Repayment of the remainder of Good Energy Bond 1 of £3.6m in June 2019 following sale of Brynwhilach solar site
- Basic Earnings Per Share (EPS) increased by 41.7% to 15.3p (H1 2018: 10.8p)
- Interim dividend of 1.1p up from 1.0p in the prior year. Dividend timetable and details of scrip dividend alternative to be announced in due course.

**Operating Highlights**

Good Energy has had a strong start to 2019 following on from performance trends seen throughout 2018. Business supply has experienced strong growth, particularly in our small and medium enterprise (SME) business customers and feed in tariff (FiT) customers. However, in the domestic supply market price continues to be a key sticking point which has led to a continued, but anticipated, reduction in domestic customer numbers as we continue to evolve our business strategy.

- Customer numbers increased slightly by 1.4% to 261.7k, as we transition to higher volume business supply customers
- Business supply customers saw significant growth largely driven by SME growth following increased investment in business sales team in 2018 with a strong pipeline in place for H2 2019. Domestic FiT customers grew significantly following a surge in registrations before the scheme closure in Q1 2019.
- Investment in ZapMap, a catalyst for the energy sharing economy and at the forefront of EV market growth
- Continued investment across the business focused on systems, leadership training, focused marketing, updated tariffs and digital investment starting to drive customer growth in business

*Strategic Developments*

- As outlined at the beginning of the year, the strategy to transition from a traditional renewable energy generation model to a broader based services provider continues apace;

- Using energy insight from Smart Technology to enable customers to take control of how they use power through ongoing research projects

- Working in partnership with several companies to locate EV charging points where there is the most demand and launched a new Electric Vehicle (EV) proposition for businesses
- Launch of next generation SMART meters underway. Ongoing research through HAVEN and BestRes projects. Using energy insight from Smart Technology to enable customers to take control of how they use power
- Innovation projects such as EV car batteries to power homes and using clean technology to balance the grid
- Investment in ZapMap, a catalyst for the energy sharing economy and at the forefront of EV market growth
- The more recent political and social shift in climate crisis focus represents an opportunity to build on our proven history as pioneers in renewables and self-generation markets
- Continued to deliver on our purpose of powering the choice of a cleaner, greener future to enable consumers be part of the climate crisis solution.

**Enquiries:**

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**Notes to editors:**

**About Good Energy** www.goodenergy.co.uk

Good Energy was founded in 1999 by Juliet Davenport OBE with the ambition to tackle climate change by generating and investing in renewable energy. Its purpose is to power the choice of a cleaner, greener future together with its customers, employees and investors.

Since it started, the company has been supplying clean power, sourced from its own generation assets as well as from independent, UK-based renewable generators. Good Energy also pioneered a more localised approach to energy by supporting home generation, launching the HomeGen scheme in 2004, which became the blueprint for the Feed-in Tariff.

Today, it continues to support and invest in localised energy generation, as the only UK energy company with more home-generation customers than supply. From using digital innovation to help UK households and businesses manage their energy usage more efficiently, to empowering more people to generate, store and share clean power, it is leading the charge towards a cleaner, distributed energy system.

**CEO Report**

**Business review**

***Business update***

Good Energy has had a strong start to 2019 building on the progress made in 2018. Business supply has experienced strong growth, particularly from our small and medium enterprise (SME) business customers.

However, the domestic supply market has remained extremely price competitive which has led to a continued, but anticipated, reduction in domestic customer numbers as we continue to evolve our business strategy. This was offset by strong growth from domestic feed in tariff (FiT) customers, following a surge in sign-ups before the scheme closure in Q1 2019.

2018 was a pivotal year in the energy industry with all industry players witnessing a shifting competitive landscape; the introduction of further market regulations and the continued development and introduction of new energy technologies that will undoubtedly lead to a further evolution of our operating environment.

We have seen these trends continue throughout 2019 and whilst commodity prices have reduced from their 2018 peaks, price competitiveness has remained high. We remain committed to being more than a passive energy supplier and have continued to support and invest in localised energy generation, as the only UK energy company with more home-generation customers than supply.

We have and will continue lead the charge towards a cleaner, distributed energy system through the investment and adoption of digital innovation to help UK households and businesses manage their energy usage more efficiently and by empowering more people to generate, store and share clean power.

Overall, we have delivered a strong operational and financial performance in the first half of 2019 whilst broadly maintaining overall customer numbers. Furthermore, we ensured that our customers have been at the heart of every decision we have made, and we remain on track to deliver a year of significant financial progress for the Group in line with management expectations.

**Our Industry and Market Dynamics**

***The Competitive landscape***

The wholesale market has seen a reversal of the spiking prices which resulted in 12 suppliers going out of business in 2018. In line with prior years, we made a proactive decision to implement a price rise early in the year to enable us not only to plan for the full year ahead, but also forward purchase our power to maintain our ambition of providing our customers with clarity for the whole year ahead, rather than implementing multiple price changes due to commodity spot price movements.

During the first half of 2019, we have seen a softening in commodity prices, falling over 30% from 2018 levels, but due to our long-term hedging policy, the timing of our price rise and our associated commodity purchasing, we have incurred higher cost of sales for the period.

The domestic market remains highly price competitive reflecting the ongoing energy price sensitiveness across the wider economy. Despite a fundamental shift in politics, policies and societal change as the climate crisis begins to take a larger role in peoples everyday decision making, consumers still demand value from their services.

This general caution in consumers is being driven by the wider macroeconomic uncertainty that has permeated 2019. The installation of the new Government has fuelled this uncertainty further and we expect to see this impact on consumers continue throughout 2019 until we have clarity on next steps as a nation.

Despite this ongoing macro and political uncertainty, this has had a relatively limited impact on our performance in the period and we remain well positioned to respond to ongoing market challenges. We will continue to put our customers at the heart of our decision making, focusing on service, quality and a solid value proposition.

***Standard variable tariff price cap***

On 1 August 2019, OFGEM announced that we had been awarded permanent derogation from the price cap by the energy regulator OFGEM, in recognition of the many ways in which the Company continues to support renewable energy generation across the UK. This was confirmation from OFGEM that this exemption from the price cap will apply for the full duration of the price cap until it is removed in 2023.

As with all its tariffs, Good Energy's variable electricity and gas tariffs directly support renewable generation across the UK. OFGEM's decision recognises Good Energy's commitment to providing our customers with 100% renewable power and carbon neutral gas in a way which supports increased renewable generation and the transition to a low carbon economy.

***Energy services and the future***

We continue to progress on our journey from energy generation and supply to energy services as a business model for the future.

In 2019, we have made tangible steps on the road to achieving this goal by further developing our capabilities across SMART metering and investing in technology enabled services to support the rapidly growing electric vehicle (EV) market.

***Supply – a continued shift to business***

Customer numbers increased by 1.4% to 261.8k. Within that, we saw a continued shift in customer mix in line with our ambitions to focus on the business sector. Business customer numbers increased 4.1% to 124.3k, whilst domestic customer numbers fell by 0.9% to 137.5k.

Whilst overall volumes decreased 5.3% in the period, this includes the unusual comparative impact from the abnormally cold weather experienced in H1 2018.  Total electricity volumes increased 0.3% and gas volumes fell 9.4% following lower usage after a warmer than anticipated winter.

We anticipate this shifting focus from domestic to business customers will result in our overall volumes increasing, assuming seasonal weather conditions follow a normal pattern.

Our overall customer mix was split 53% domestic customers and 47% business customers. This has shifted from a 54% domestic to 46% business split in 2018.  Domestic supply volumes, including gas, represent 73.9% of total volumes, down from 78.0% in 2018, while business supply volumes represent 26.1% up from 22.0% in 2018. This is as expected, and we believe that business customers and volumes will continue to grow throughout 2019 and beyond.

Importantly, the business market is driven through quality renewable products and our ability to deliver a more sophisticated solution for businesses than the consumer market. This creates a wide range of potential customers to engage with, particularly in the SME segment of the business supply market. We have a clear policy focused on delivering profitable growth, built around a fair price and better service.

## Business supply

The business supply team performed well, as we increased investment in our personnel, technical resources and overall customer service and sales capabilities. In particular, we are realising the benefits of the investment in our Customer Relationship Management ("CRM") system, implemented in the second half of 2018. This has enabled the team to make a more targeted approach to growing our customer base, which has been demonstrated by the growth in new business customers in the first half of 2019; the strong confirmed pipeline for the second half of 2019 and high retention rates for existing customers.

Marketing spend was reduced in the period as we prioritise investment towards the second half of 2019 with an improved digital proposition. Growth in the supply business will be focused on acquiring customers in a carefully targeted manner.

Our aim is to grow our business customer base sustainably, whilst maintaining high retention rates and operating margins with a clear and effective marketing plan and brand promise aimed at driving customer engagement and brand awareness.

Our digital proposition will be enhanced through the launch of our new app and improvements to our online customer portal and energy supplier switching tool.

## Domestic Supply

Domestic UK supply continued to be a challenging marketplace during the period with consumers remaining price sensitive given the significant increase in commodity costs witnessed in 2018. Due to this increase, 12 independent companies went out of business. In 2019, we have seen a reversal to this with the commodity price falling over 30% YTD. As a result, price has remained a keen area of focus for many consumers.

However, despite the challenging backdrop in the retail supply market, we have been satisfied with the overall performance of the business with customer numbers only declining by less than 1%. Beneath the surface, we have actually seen some small improvements in the overall customer retention rate, reflecting the actions we have taken to rectify historic operational issues and improving our overall customer service.

Billing accuracy has been maintained at over 99%, which alongside investment in customer services, is continuing to improve the overall customer experience.

*FiT scheme*

On 19 July 2018, the Government confirmed that the FiT scheme would close to new entrants on 31 March 2019. FiT payments will continue for existing customers for up to 20 years.

We continue to administer the scheme for both our domestic and business FiT customers. The FiT proposition, in which we have one of the largest market positions, remains an important aspect of our business as it is the foundation of energy as a service in our business model.

Business FiT customers increased 1.9% to 116.3k in the period with a committed pipeline in place for the second half of the year that will accelerate this growth further. Domestic FiT customer growth increased by 27.7% to 42.8k customers, driven by an uptake in registrations ahead of the scheme closure in Q1 2019.

**Generation**

Our generation portfolio now consists of 6 solar and 2 wind sites, following the successful sale of Brynwhilach solar site this year. The focus has shifted to delivering value from our existing sites, where generation levels performed well in the period.

Looking to the future we are committed to working on our existing sites and delivering value to stakeholders. The sale of the Brynwhilach solar site completed in May 2019, with the site planned to end up in community ownership longer term.

We continue to take a prudent approach to the value of the generation business, reflecting the underlying economics of each asset. We constantly monitor both the performance and outlook of all the sites to ensure that our valuation is reflective of current market conditions.

**Our future strategy**

In 2018, we described how the business model of energy production was evolving to a new generation of technology enabled energy services, with customers and technology innovation driving and enabling this change respectively. There is a significant opportunity for us to invest further in our proven capabilities in this new energy business model and to lead the market in the next stage of its evolution.

Our purpose remains to power a cleaner, greener future together by enabling people to be part of the solution to the climate crisis, which is at the core of who we are as a Company today and into the future.

As a result, our addressable market continues to expand as we lead the industry from the old model of energy supply, and into the energy sharing economy. It is our belief that the clean energy grid of the future will no longer be a few large fossil fuels and nuclear based Gigawatt generators, but millions of households and businesses generating, using and sharing their own renewable and clean energy. This tectonic shift in supply and demand represents a significant opportunity for the Company as we are already recognised pioneers in renewables and in self-generation including FiT, Smartgen and PPA. We expect to accelerate our leadership in this field.

***Energy services - the business model***
The shift from the old world of energy generation and supply towards technology enabled energy services has seen a continued evolution of the Company's business model over the past three years. We see the future of our business being focused on energy services, enabled by technology to facilitate the sharing of clean power for all.

This journey has taken us from a business built on generation and supply to making the first steps into the future of energy as a service. Our vertically integrated business model allows us to directly interact with customers throughout the entire value chain, from energy generating, to consuming clean energy all the way through to how customers utilise, interact and enhance their individual energy consumption. We are at the heart of this change and this is what differentiates us from our competitors.

In our vision of the energy sharing future, we will no longer simply be selling energy, we will be selling the services that enable energy sharing. Our business already has a foothold in this future so we intend to leverage this strong position.

***Strategy in action***

***SMART rollout***
During 2019, we commenced our next generation smart metering rollout - the great enabler for a shared energy future, specifically in the domestic market.

One of our key investments has been in the new SMART metering technology, which is allowing households and businesses to track and manage energy consumption. Moreover, the Government has called on <u>all</u> energy suppliers to install SMART meters in 53m British homes by 2020. This represents a significant and positive policy shift.

We deliberately held off rolling out the traditional SMETS1 meters due to the commercial interoperability challenges this technology faces.

Instead, our planned SMART programme, based on second generation, 'SMETS2' meters and other advanced integration technology, will give our customers the option to monitor energy usage via an app on their smartphone. This will eliminate the need for a display in the home, further reducing waste and the associated environmental footprint.

Whilst SMART meters are the foundation of this new energy market, it is the data they produce, distilled at the right time, securely, with the required permissions, that provides real customer value. The data will provide with greater insight into our customer's behaviours, preferences and habits. It is this added focus on data across the organisation which is allowing us to develop better business intelligence and integration capability. A better understanding of when our customers consume their power allows us to refine our tariffs and purchase more effectively, allows us to forecast and bill more accurately and provide greater insight to improve customer service and working capital improvements. Transparency around usage will help give us a commercial edge.

Data will empower consumers of all types to understand the potential value of investment in new technologies like energy usage control, storage, electric vehicles and renewable energy. Ultimately technology allows us to deliver on our brand and customer promises, become more engaged with our customers and help to deliver a truly tailored product to address customer needs.

Our vision for the future is to see energy as a service, enabled by SMART technology. Our pipeline of new products will continue to enhance our overall customers propositions.

***Electric vehicle growth***

In Zap-Map, we have invested in the leading electric vehicle data platform, creating huge opportunities for services in the crucial area of clean transport and a catalyst for the sharing economy.

Zap-Map is the go-to app for Britain's fast growing 200,000 electric vehicle ("EV") drivers - planning routes, identifying charge points, checking their availability and sharing power. Its 70,000 and growing monthly users can choose from over 11,000 charging devices located across service stations, car parks, retail sites and private driveways from its easily navigable & intuitive app. Both the number of EV drivers in the Zap-Map community and the number of charge points in its network have been increasing rapidly, which enhances the data by actively logging the status and availability of the national charging network.

The growth potential for the UK EV market is compelling. The UK Government has targeted 60% of all new vehicles on British roads to be electric by 2030, with the UK EV market forecast to grow at an annual compound growth rate of over 25% in that timeframe. Government subsidies & exemptions for EV purchases, home & workplace charging, and annual road tax exemptions are encouraging rapid adoption of EVs, with over 30 new EV models1 are expected to enter the market in the next twelve months alone, while £400m has been pledged to the Charging Infrastructure Investment Fund already.

This growth is continuing at a rapid rate, and in May 2019 the number of EV charging locations in the UK overtook the number of petrol stations in the UK; a key milestone in diminishing the perceived range anxiety for current and future EV drivers. Alongside this, we continue to work with a range of businesses to put EV charging where it is needed. From destinations to workplace charging. A greater number of businesses are reacting to the societal shift in EVs. Our EV knowledge and proposition allows them to provide charging and clean power for their customers and employees. We are encouraged by this investment, our positioning in EV and the potential for the UK EV market in general.

***Decentralisation and partnerships***

We continue to work with multiple partners to bring our 'decentralised' energy vision to life.

*HAVEN – the home as a virtual network*

In our HAVEN project researching vehicle to home energy sharing, we are developing how clean transport and the smart home interact. We are working closely with Honda, Upside Energy and Salford University to test how EVs can impact home energy efficiency. The project is exploring how an EV battery source could be attached to home energy systems such as solar panels, heating and hot water. This supports the development of our battery storage and home energy services proposition for domestic customers. We see this as an exciting area of new development as far as energy in the home is concerned.

*Zap-Map*

Alongside our localised power strategy, Zap-Map's Zap-Home feature also highlights selected private charging locations, where households and businesses have chosen to share electricity with other Zap-Map registered drivers. Access times and charging costs are set by the owner – or supplier – of each one, with some choosing to offer electricity for free. Where peer-to-peer payments apply, these can also be securely made within the Zap-Map app.

In the future, we will be working with the Zap-Map application to integrate this seamlessly alongside energy tariffs, billing process and overall energy consumption analysis. Our ability to integrate both the supply and energy services solution for our customers, is a vital next step on our energy journey. Data and digital capability linked to new energy technologies will be the key to the future low carbon market, and we are looking to build on our existing position by continue to invest in this both in 2019 and beyond.

*Eden project*

In 2018 we extended our partnership with the environmental educational charity, the Eden Project to include a battery storage trial. As well as powering the events, we set up an experiential feature for people to engage with and learn about renewable clean energy and climate change. This battery storage trial project is allowing us to test and bring to market a scalable battery storage proposition for businesses We view commercial battery storage as another area of growth in the future energy market.

*BestRes*

Our Home Innovation Trial is part of the European-wide BestRes project, which is researching how to better integrate renewable generation into energy grids. We provided each household that signed up to the trial with a smart hub and linked app, which measured energy usage by different types of appliance. The aim is to explore and better understand energy usage and management in the home.

The data is analysed to establish baseline consumption profiles, allowing us to see the savings each household could make by changing their usage behaviour. Throughout the trial, we used the data to create engaging content to educate people about where they were using the most energy. The trial entered its final stage at the end of 2018, in which the households were encouraged to turn their new insight into energy-saving action.

***Summary***

Overall the first half of 2019 was another period of strong performance, as we invested across the business to improve our and technological capabilities to build the platform to ensure that we are well positioned for future growth and the decentralised market

The business has continued to demonstrate resilience to challenging conditions in the supply market, through successful diversification and we are well placed for developing opportunities in tomorrow's technology enabled world.

In the second half of 2019, we will focus on sustainable growth with our business and domestic customers, continue to roll out our new SMART meters to customers, build on our business EV charging proposition and also progress the other strategic pillars focused on energy services.

We expect 2019 to be a year of financial progress for the group. We continue to reshape the business to reflect the needs of the future energy market and continue to spearhead the change from old energy to the new generation.

**Financial performance**

*Profit and loss*

Revenue increased by 2.8% in the period to £63.5m (H1 2018: £61.8m) driven by business supply volume growth offset by lower domestic supply customers and relatively lower usage driven by the one-off impact of Beast from the East in H1 2018.

Cost of sales increased by 6.9% to £46.4m (H1 2018: £43.4m). This was predominantly driven by a market wide increase in commodity prices during 2018.

Gross profit decreased by 7.0% to £17.1m (H1 2018: £18.4m) driven by the increase in commodity prices during 2018, lower domestic gas volumes and planned shift to lower margin business supply customers. Gross profit margin decreased to 26.9% (H1 2018: 29.8%).

Administration costs decreased 10.9% to £12.3m (H1 2018: £13.8m) primarily because of a one-off bad debt provision increase of £1.4m in 2018, whilst costs remained broadly stable.

Operating margin increased to 7.6% (H1: 2018 7.5%).

Finance costs increased by 1.0% to £2.3m, as overall debt paydown was offset by an increase in reported finance costs following the implementation of IFRS16.

Profit before tax increased by 8.0% to £2.5m (H1 2017: £2.4m).

The tax charge includes the effects of the increase in the Annual Investment Allowance effective 1st January 2019 and Substantial Shareholder Exemption on the sale of Good Energy Brynwhilach Solar Park Ltd.

*Cash Flow and Cash Generation*

Our business model is cash generative with £3.1m cash generated from operations (H1 2018: £4.5m), with £5.8m generated before movements in working capital (H1 2018: £5.2m). Despite a warmer winter than seasonally average, the impacts of ROC payment phasing and underlying additional working capital utilisation in the first half of the year drove an overall working capital outflow.

There was a cash inflow of £3.9m from investing activities (H1 2018: outflow £1.5m) following the sale of Brynwhilach solar site in May 2019. This was offset by a net outflow of £4.4m (H1 2018: £8.5m) from financing activities following the repayment in full of Good Energy Bond I June 2019.

*Funding and Debt*

Good Energy continues to have good access to a range of funding on good terms to support our growth.

The remaining £3.6m of Good Energy Bond I was repaid in full in June 2019. Following the repayment of Bond I, group finance costs will be significantly lower and is a positive step towards lowering the Company's ongoing financing costs and reducing the gearing ratio over the medium term.

Net debt decreased 21.4% to £40.4m (H1 2018: £51.4m) following the bond repayment with gearing ratio decreasing to 66.6% down from 72.8%. H1 2019 includes an IFRS 16 debt impact of £4.4m, 2018 has not be restated.

The Group continues to maintain a robust financial position. We look to ensure we optimise our use of capital by continually reviewing the returns on our assets, balancing operating requirements, investment for growth, and payment of dividends back to shareholders.

The Group is currently evolving its strategy towards energy services and remains mindful of the need to capitalise on strategic business development and investment opportunities. Prudent balance sheet management remains a key priority.

*Earnings and dividend*

Basic Earnings per share increased to 15.3p from 10.8p as a result of the strong performance and increased profitability. The Group has maintained a progressive dividend policy, and an interim dividend of 1.1p has been declared, up from 1.0p in H1 2018.

*Investment valuations*

As part of our overall financial review, we continue to monitor the fair value of all of our investments thorough both an understanding of the wider environment in addition to the underlying economics of all assets across the business. As a result of this process, the Board has decided to fully write down the value of our investment in its remaining un-developed wind farm site.

The investment had a carrying value as at 31 December 2018 of £1.3m and is reported under Discontinued Operations.

*IFRS16*

The business implemented IFRS16 as a new accounting standard in the period. Further details can be found in the notes to the accounts.

**Financial outlook**

The business continues to perform in line with management expectations.

In 2019, profits are expected to be weighted towards the first half of the year, in line with cyclical trends. It is anticipated that the underlying split will not be as exacerbated as 2018, which saw above average seasonal temperatures in both winter and summer and the more sustained increase in commodity prices over the year.

Increased investment is planned for the second half, including system improvements, digital and online capabilities in order to drive future growth and the longer-term strategy.

**Notes:** *To present the performance of the company in a clear and consistent format, unless otherwise stated, all references to revenue, profit, costs, tax and EPS refer to the continuing operations.*

**Consolidated Statement of Comprehensive Income (Un-audited)**

**For the 6 months ended 30 June 2019**

| | | Notes | Unaudited 6 months to 30/06/2019 £000's | Unaudited 6 months to 30/06/2018 £000's | Audited 12 months to 31/12/2018 £000's |
|---|---|---|---|---|---|
| REVENUE | | | 63,544 | 61,820 | 116,915 |
| Cost of Sales | | | (46,425) | (43,414) | (83,466) |
| GROSS PROFIT | | | 17,119 | 18,406 | 33,466 |
| Administrative Expenses[1] | | | (12,280) | (13,780) | (26,800) |
| OPERATING PROFIT | | | 4,839 | 4,626 | 6,649 |
| Finance Income | | | 16 | 5 | 16 |
| Finance Costs[1] | | | (2,306) | (2,272) | (4,361) |
| PROFIT BEFORE TAX | | | 2,549 | 2,359 | 2,304 |
| Taxation | | | (85) | (619) | (660) |
| PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS | | | 2,464 | 1,740 | 1,644 |
| DISCONTINUED OPERATIONS | | | | | |
| Loss from discontinued operations, after tax | | 6 | (1,031) | (698) | (743) |
| PROFIT/(LOSS) FOR THE PERIOD | | | 1,433 | 1,042 | 901 |
| Other comprehensive income for the period, net of tax | | | - | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY | | | 1,433 | 1,042 | 901 |
| Earnings per share | - Basic | 8 | 8.9p | 6.5p | 5.6p |
| | - Diluted | 8 | 8.8p | 6.4p | 5.5p |
| Earnings per share from continuing operations | - Basic | 8 | 15.3p | 10.8p | 10.2p |
| | - Diluted | 8 | 15.1p | 10.7p | 10.0p |

[1] 1. The Group has initially applied IFRS 16 Leases (IFRS 16) at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the data of initial application. Details are set out in note 10.

**Consolidated Statement of Financial Position (Un-audited)**

As at 30 June 2019

| | Notes | Un-audited 30/06/2019 £000's | Un-audited 30/06/2018 £000's | Audited 31/12/2018 £000's |
|---|---|---|---|---|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment[1] | | 53,033 | 51,829 | 50,351 |
| Intangible assets | | 4,156 | 3,499 | 3,586 |
| Restricted deposit assets | | 4,337 | 4,168 | 4,166 |
| Fair value through profit or loss assets | 5 | 681 | - | - |
| Total non-current assets | | 62,207 | 59,496 | 58,103 |
| Current assets | | | | |
| Inventories | | 15,589 | 10,284 | 8,580 |
| Trade and other receivables | | 28,270 | 35,211 | 29,796 |
| Cash and cash equivalents | | 16,452 | 6,059 | 15,662 |
| Current assets held for sale | 6 | 520 | 5,453 | 6,649 |
| Total current assets | | 60,831 | 57,007 | 60,687 |
| TOTAL ASSETS | | 123,038 | 116,503 | 118,790 |
| EQUITY AND LIABILITIES | | | | |
| Capital and reserves | | | | |
| Called up share capital | | 829 | 826 | 829 |
| Share premium account | | 12,719 | 12,652 | 12,719 |
| EBT shares | | (816) | (804) | (810) |
| Retained earnings | | 7,521 | 6,526 | 6,088 |
| Total equity attributable to members of the parent company | | 20,253 | 19,200 | 18,826 |
| Non-current liabilities | | | | |
| Deferred taxation | | 960 | 352 | 927 |
| Borrowings[1] | | 57,765 | 59,132 | 54,464 |
| Provision for liabilities | | 1,272 | 1,250 | 1,446 |
| Total non-current liabilities | | 59,997 | 60,734 | 56,837 |
| Current liabilities | | | | |
| Borrowings | | 3,407 | 2,445 | 6,263 |
| Trade and other payables | | 39,381 | 34,124 | 36,864 |
| Total current liabilities | | 42,788 | 36,569 | 43,127 |
| Total liabilities | | 102,785 | 97,303 | 99,964 |
| TOTAL EQUITY AND LIABILITIES | | 123,038 | 116,503 | 118,790 |

[1] 1. The Group has initially applied IFRS 16 Leases (IFRS 16) at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the data of initial application. Details are set out in note 10.

**Consolidated Statement of Changes in Equity (Un-audited)** [1]

**For the 6 months ended 30 June 2019**

| | Share Capital £000's | Share Premium £000's | Other Reserves £000's | Retained Earnings £000's | Total £000's |
|---|---|---|---|---|---|
| At 1 January 2018 | 826 | 12,652 | (946) | 5,553 | 18,085 |
| Profit for the period | - | - | - | 1,042 | 1,042 |
| Other comprehensive income for the period | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | 1,042 | 1,042 |
| Share based payments | - | - | - | 127 | 127 |
| Tax charge relating to share option scheme | - | - | - | (69) | (69) |
| Sale of shares by EBT | - | - | 142 | (127) | 15 |
| Total contributions by and distributions to owners of the parent, recognised directly in equity | - | - | 142 | (69) | 73 |
| At 30 June 2018 | 826 | 12,652 | (804) | 6,526 | 19,200 |
| | | | | | |
| At 1 July 2018 | 826 | 12,652 | (804) | 6,526 | 19,200 |
| Loss for the period | - | - | - | (141) | (141) |
| Other comprehensive income for the period | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | (141) | (141) |
| Share based payments | - | - | - | 231 | 231 |
| Tax credit relating to share option scheme | - | - | - | 4 | 4 |
| Issue of ordinary shares | 3 | 67 | - | - | 70 |
| Exercise of options | - | - | (6) | - | (6) |
| Dividend paid | - | - | - | (532) | (532) |
| Total contributions by and distributions to owners of the parent, recognised directly in equity | 3 | 67 | (6) | (297) | (233) |
| At 31 December 2018 | 829 | 12,719 | (810) | 6,088 | 18,826 |
| | | | | | |
| At 1 January 2019 | 829 | 12,719 | (810) | 6,088 | 18,826 |
| Profit for the period | - | - | - | 1,433 | 1,433 |
| Other comprehensive income for the period | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | 1,433 | 1,433 |
| Share based payments | - | - | - | - | - |
| Tax charge relating to share option scheme | - | - | - | - | - |
| Exercise of options | - | - | (6) | - | (6) |
| Total contributions by and distributions to owners of the parent, recognised directly in equity | - | - | (6) | - | (6) |
| At 30 June 2019 | 829 | 12,719 | (816) | 7,521 | 20,253 |

**Consolidated Statement of Cash Flows (Un-audited)**[1]
**For the 6 months ended 30 June 2019**

| | Notes | Un-audited 30/06/2019 £000's | Un-audited 30/06/2018 £000's | Audited 31/12/2018 £000's |
|---|---|---|---|---|
| Cash flows from operating activities[2] | | | | |
| Cash inflow from continuing operations | | 3,140 | 4,460 | 18,069 |
| Finance income | | 16 | 5 | 16 |
| Finance cost[3] | | (1,833) | (2,111) | (4,156) |
| Income tax repaid | | (83) | - | 66 |
| Net cash flows from operating activities | 9 | 1,240 | 2,354 | 13,995 |
| | | | | |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | | (404) | (135) | (326) |
| Purchase of intangible fixed assets | | (192) | (429) | (1,287) |
| Deposit into restricted accounts | | (171) | (948) | (946) |
| Disposal of subsidiaries | | 4,692 | - | - |
| Net cash flows used in investing activities | | 3,925 | (1,512) | (2,559) |
| | | | | |
| Cash flows from financing activities[4] | | | | |
| Payments of dividends | | - | - | (462) |
| Proceeds from borrowings | | - | 1,147 | - |
| Repayment of borrowings | | (4,142) | (9,620) | (8,655) |
| Capital repayment of finance leases | | (232) | (45) | (447) |
| Sale of own shares | | - | 15 | 70 |
| Net cash flows from financing activities | | (4,374) | (8,503) | (9,494) |
| | | | | |
| Net increase/(decrease) in cash and cash equivalents | | 790 | (7,661) | 1,942 |
| Cash and cash equivalents at beginning of period | | 15,662 | 13,720 | 13,720 |
| Cash and cash equivalents at end of period | | 16,452 | 6,059 | 15,662 |

[2] Short-term lease payments, payments for leases of low-value assets, and variable lease payments not included in the measurement of the lease liability are classified within operating activities.
[3] Cash payments for the interest portion of the lease liability are classified applying the requirements in IAS 7 for interest paid.
[4] A lessee is required to classify cash payments for the principal portion of the lease liability within financing activities.

**Notes to the Interim Accounts**

**For the 6 months ended 30 June 2019**

**1. General information and basis of preparation**

Good Energy Group PLC is an AIM listed company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company's registered office and its principal place of business is Monkton Reach, Monkton Hill, Chippenham, Wiltshire, SN15 1EE.

The Interim Financial Statements were prepared by the Directors and approved for issue on 10th September 2019. These Interim Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 were approved by the Board of Directors on 1 May 2019 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain statements under 498 (2) or (3) of the Companies Act 2006 and did not contain any emphasis of matter.

As permitted these Interim Financial Statements have been prepared in accordance with UK AIM rules and the IAS 34, 'Interim financial reporting' as adopted by the European Union. They should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2018 which have been prepared in accordance with IFRS as adopted by the European Union. The accounting policies applied are consistent with those of the Annual Financial Statements for the year ended 31 December 2018, as described in those Annual Financial Statements.

<u>Changes in accounting standards:</u>

IFRS 16 – Leases
The Group recognises a right of use asset and a lease liability for leases unless the lease term is 12 months or less or the underlying asset has a low value. The interest rate implicit in the lease is determined by finding the incremental borrowing rate, by taking observable debt yields and adjusting for the length of the lease term, security, or credit ratings etc.

The right of use asset is initially measured at the amount of the lease liability (the Group has taken the practical expedient to not recognise initial direct costs incurred by the lessee). The lease liability is measured at the present value of the lease payments payable over the lease term. The lease liability will be subsequently remeasured to reflect changes in the lease term, or future lease payments resulting from a change in an index or rate used to determine those payments. Variable lease payments are recognised in profit or loss in the period.

<u>New accounting policies:</u>

The Group has initially applied IFRS 16 Leases (IFRS 16) at 1 January 2019. The effect of this change is that lessees recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This has an impact on Finance Costs, Administrative Expenses, Property Plant and Equipment (Right of use assets), and Borrowings (Lease liabilities). A number of land and building leases for both generation entities and office buildings have been affected by the standard, and the treatment has changed under IFRS 16. A full assessment of changes and key judgements made can be seen in note 10 below.

Certain statements within this report are forward looking. The expectations reflected in these statements are considered reasonable. However, no assurance can be given that they are correct. As these statements involve risks and uncertainties the actual results may differ materially from those expressed or implied by these statements.

The Interim Financial Statements have not been audited.

## 2. Going concern basis

The Group meets its day to day capital requirements through positive cash balances held on deposit or through its bank facilities. The current economic conditions continue to create opportunities and uncertainties which can impact the level of demand for the Group's products and the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of the possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

After making enquiries, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

## 3. Estimates

The preparation of Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this set of condensed Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Financial Statements for the year ended 31 December 2018. Additional judgements are due to the implementation of IFRS 16, and have been described in note 1 above

## 4. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, currency risk, credit risk and liquidity risk. The condensed Interim Financial Statements do not include all financial risk management information and disclosures required in the Annual Financial Statements. They should be read in conjunction with the Annual Financial Statements as at 31 December 2018.

**5. Equity investment**

Fair value through profit or loss assets of £681k (for the six months to 30 June 2018: £nil and for the full year 2018: £nil) relate to an investment in the unlisted shares of Next Green Car Ltd (ZapMap), plus an investment in ZapMap in the form of convertible loan.

**6. Discontinued operations**

As announced in a previous financial year, the Group is discontinuing its Generation Development activities and continues to explore a number of potential options to realise value from the portfolio of development sites. The results of this segment are shown in the segmental analysis of the Group statement of comprehensive income in note 7.

The major class of assets of the Generation Development segment relate solely to Generation development site inventories. A write-down to expected realisable value was performed in the period. These assets are included in current assets held for sale on the consolidated statement of financial position and at 30 June 2019 are valued at £0.5m (for the six months to 30 June 2018: £1.3m and for the full year 2018: £6.6m).

**7. Segmental analysis**

| H1 2019 | Electricity Supply £000s | FIT Administration *£000s* | Gas Supply £000s | Total Supply Companies £000s | Electricity Generation £000s | Holding Company/ Consolidated Adjustments £000s | **Total – Continuing Operations £'000's** | Generation Development (Discontinued) £000s | **Total £000s** |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 43,993 | 2,641 | 15,585 | 62,219 | 4,399 | (3,074) | **63,544** | - | **63,544** |
| Cost of sales | (35,803) | (1,484) | (10,185) | (47,473) | (2,026) | 3,074 | **(46,425)** | (995) | **(47,420)** |
| Gross profit | 8,190 | 1,157 | 5,400 | 14,746 | 2,373 | - | **17,119** | (995) | **16,124** |
| Gross margin | 19% | 44% | 35% | 24% | 54% | - | **27%** | n/a | **25%** |
| Admin costs | | | | (11,035) | (167) | (1,078) | **(12,280)** | (38) | **(12,318)** |
| Operating profit/(loss) | | | | 3,711 | 2,206 | (1,078) | **4,838** | (1,033) | **3,806** |
| Net finance costs | | | | (129) | (1,509) | (652) | **(2,290)** | - | **(2,290)** |
| Profit/(loss) before tax | | | | 3,582 | 697 | (1,730) | **2,548** | (1,033) | **1,516** |

| H1 2018 | Electricity Supply<br><br>£000s | FIT Administration<br><br>£000s | Gas Supply<br><br>£000s | Total Supply Companies<br><br>£000s | Electricity Generation<br><br>£000s | Holding Company/ Consolidated Adjustments<br>£000s | **Total – Continuing Operations**<br><br>**£'000's** | Generation Development (Discontinued)<br><br>£000s | **Total**<br><br>**£000s** |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 40,096 | 2,418 | 16,932 | 59,446 | 4,412 | (2,038) | **61,820** | 8 | **61,828** |
| Cost of sales | (30,715) | (1,824) | (10,677) | (43,216) | (2,236) | 2,038 | **(43,414)** | (123) | **(43,537)** |
| Gross profit/(loss) | 9,381 | 594 | 6,255 | 16,230 | 2,176 | - | **18,406** | (115) | **18,291** |
| Gross margin | 23% | 25% | 37% | 27% | 49% | 0% | **30%** | n/a | **30%** |
| Admin costs | | | | (11,750) | (163) | (1,867) | **(13,780)** | (583) | **(14,363)** |
| Operating profit/(loss) | | | | 4,480 | 2,013 | (1,867) | **4,626** | (698) | **3,928** |
| Net finance costs | | | | 2 | (1,847) | (422) | **(2,267)** | - | **(2,267)** |
| Profit/(loss) before tax | | | | 4,482 | 166 | (2,289) | **2,359** | (698) | **1,661** |

## 8. Earnings per share

The calculation of basic earnings per share at 30 June 2019 was based on a weighted average number of ordinary shares outstanding for the six months to 30 June 2019 of 16,128,305 (for the six months to 30 June 2018: 16,063,243 and for the full year 2018: 16,109,346 after excluding the shares held by Clarke Willmott Trust Corporation Limited in trust for the Good Energy Group Employee Benefit Trust.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all potentially dilutive ordinary shares. Potentially dilutive ordinary shares arise from awards made under the Group's share-based incentive plans. When the vesting of these awards is contingent on satisfying a service or performance condition, the number of the potentially dilutive ordinary shares is calculated based on the status of the condition at the end of the period. Potentially dilutive ordinary shares are actually dilutive only when the Company's ordinary shares during the period exceeds their exercise price (options) or issue price (other awards). The greater any such excess, the greater the dilutive effect. The average market price of the Company's ordinary shares over the six month period to 30 June 2019 was 118p (for the six months to 30 June 2018: 140p and for the full year 2018: 125p). The dilutive effect of share-based incentives was 163,886 shares (for the six months to 30 June 2018: 199,221 shares and for the full year 2018: 289,262).

## 9. Net cash flows from operating activities

The operating cashflow for the six months to 30 June 2019 is an inflow of £1.2m (for the six months to 30 June 2018: £2.4m inflow and for the full year 2018: £14.0m inflow). The difference in the cashflow between the half year 2019 and its comparative for the same period is mainly due to timing of working capital related items.

## 10. IFRS 16 transition

The Group has initially applied IFRS 16 Leases (IFRS 16) at 1 January 2019. The effect of this change is that lessees recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This has an impact on Finance Costs, Administrative Expenses, Property Plant and Equipment (Right of use assets), and Borrowings (Lease liabilities).

The key judgements involved in applying IFRS 16 are as follows:

- Determining whether a contract contains a lease. A process of examining the contracts to ensure that the conditions for a lease was met took place, including assessing the length of the lease, and the value of the underlying asset.
- Determining the lease term. The lease term was explicit in each of the lease contracts, with no residual value payments.
- Determining the split between service and lease components of a lease contract. The Group will be applying the practical expedient IFRS 16.15 whereby it does not separate non-lease components from lease components, and instead accounts for any lease component and associated non-lease components as a single lease component. The contracts do not have significant non-lease components.

The Group has applied IFRS 16 using the modified retrospective approach, and applying the following practical expedients:

- To apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- To exclude initial direct costs in the measurement of the right of use asset.
- To not separate non-lease components from lease components.

The change in accounting policy affected the following items in the face statements as at 30 June 2019:

**Leases in the Statement of Financial Position:**

| | **H1 2019** |
|---|---|
| **Assets** | **£'000s** |
| Property Plant and Equipment | 4,406 |
| **Equity and Liabilities** | |
| Borrowings | 4,406 |

**Leases in the Statement of Comprehensive Income:**

| | H1 2019 |
|---|---|
| **Administrative expenses** | **£'000s** |
| Short term lease expenses | - |
| Low-value lease expenses | 2 |
| Depreciation of right of use assets | 269 |
| | |
| **Net finance costs** | |
| Interest expense on lease liabilities | 144 |

The change in accounting policy affected line items in the Statement of Comprehensive Income. Administrative expenses decreased in the half year by £94,424 compared to the IAS 17 treatment, and finance costs increased by £144,108 compared to the IAS 17 treatment.

The following reconciliation to the opening balance for the lease liabilities as at 1 January 2019 is based upon the operating lease obligations as at 31 December 2018:

| **Reconciliation of Lease Liabilities:** | **H1 2019** |
|---|---|
| | £'000s |
| **Operating lease obligations at 31 December 2018** | **8,874** |
| Relief option for short term leases | - |
| Relief option for leases of low value assets | (3) |
| Lease-type obligations (service components) | - |
| **Gross lease liabilities at 1 January 2019** | **8,871** |
| Discounting | (3,755) |
| Impact of RPI increases | (710) |
| **Additional lease liabilities as a result of the initial application of IFRS 16 as at 1 January 2019** | **4,406** |

The weighted average incremental borrowing rate is 6.54%.

**11. Related party transactions**

As at 30th June 2019, Tidal Lagoon Power Ltd owed the Group £21,791 in respect of electricity supplied to its head office. Tidal Lagoon Power Ltd entered into a company voluntary agreement (CVA) in 2018 and this process is ongoing. The electricity was supplied by the Group in the ordinary course of its business and on arm's length rates and terms. The CEO of Tidal Lagoon Power Ltd is Mark Shorrock, the husband of Juliet Davenport.