Half Year Report 2023

Good Energy Group PLC

Un-audited Half Year Report for the six months ended 30 June 2023

19 September 2023

Good Energy Group PLC

(“Good Energy” or the “Company”)

Un-audited interim results for the six months ended 30 June 2023

Strong financial performance and delivery of strategy

Good Energy, the 100% renewable electricity supplier and innovative energy services provider, today announces its interim results for the six months ended 30 June 2023.

Financial highlights

- Revenue increased 45.6% to £156.1m (H1 2022: £107.6m) driven by rising wholesale costs leading to price rises throughout the year.
- Gross profit increased 168% to £32.7m (H1 2022: £12.2m) with gross profit margin of 20.9% (H1 2022: 11.4%). 683
- Gross profit increased due to a strong H1 2023 performance and cost advantages from our power purchase agreements. However, we anticipate a one-off loss in H2 2023 due to lagging commodity costs and tariff reductions.
- Operating profit of £14.1m (H1 2022: -£0.5m loss). Some of this is expected to unwind in H2 given the falling commodity cost environment since late last year.
- Zapmap reported a loss of £1.1m for our 49.9% shareholding.
- Reported profit after tax for the period of £12.0m (H1 2022: £0.3m).
- Reported earnings per share of 72.0p (H1 2022: 7.4p).
- Cash and cash equivalents of £34.9m (FY2022: £24.5m) reflecting strong profitability in H1 and continued focus on working capital management.
- Following a good operational performance in H1 2023 and reflecting our confidence in the ongoing business, the Board has declared an interim dividend for 2023 of 1.00p per ordinary share (H1 2022: 0.75p).

Operational highlights

The first half of 2023 demonstrates significant evidence that our transition has accelerated and is beginning to scale. Achievements made during the period include:

- Launched new services to help scale our energy services offering.
    - A new market leading smart export tariff for households with solar panels live in March 2023.
    - Rolled out smart export and Solar Savings propositions to 40,000 customers. Targeting 75,000 by end of 2023.
    - Further propositions for businesses planned to launch in H2 2023.
- Growing our solar and heat installation footprint through two acquisitions of installers.
    - Acquisition of WessexECO Energy in June 2023, an established UK based solar installation business for £2.5 million.
    - Wessex completed 155 installs in 2022 and is on track for 200 installs in 2023. The new business plan looks to double capacity by the end of 2024.
    - The heat pump business will see 2023 as a year of investment as we look to build out the acquired Igloo platform and installation capacity. We are targeting 100 installs in 2023, with increasing uptake in recent months. Earnings growth is expected from H2 2024.
    - The balance of 2023 and the first half of 2024 are a period of planned investment. Elevated installation capacity is expected to drive material earnings accretion from 2025, leveraging corporate overheads to deliver effective customer acquisition and cost to serve. Performance since the acquisitions has been in line with expectations.
    - Wessex will continue to operate under its own brand, whilst the heat pump business has been rebranded to Good Energy Works.
- Zapmap growth provides a pathway of electric vehicle (EV) drivers for energy services propositions.

    - Registered users increased 52% to 683k and 80% of all EV drivers registered on the platform.
    - Monthly active users increased to record number at 285k.
    - Subscriptions, data insights and B2B API tools continue to drive growth ahead of planned fundraise.
- Continued delivery of energy services enabling functions.
    - Smart meter rollout progressing, with 44,000 installed to date.
    - Maintaining excellent service quality with 4.7* Trustpilot rating achieved in supply and installations.

Outlook highlights

- Good Energy has successfully evolved into an energy services business and much of this has been achieved over the past six months.
- We have acquired installation capability and launched new services across the solar, heat pump and EV market during the period and are rolling these out to our established customer base.
- Our established customer base is showing strong interest in these new services, creating a strong pipeline for the future.
- Impressive solar and EV market growth continues, and we are well placed to capitalise on this.
- We will continue to capitalise on this market growth by building our installation capabilities and increasing our presence across the UK. We continue to invest across energy services through a clear buy and build strategy.
- Our FY23 expectations remain unchanged, with a strong H1 performance partly offset with an expected one-off loss in H2 due to lagging commodity costs and tariff reductions
- The strong cash generated during the period positions us well to meet our working capital requirements and to invest for further growth.

Nigel Pocklington, Chief Executive Officer of Good Energy, said:

> *"Good Energy has hit an inflection point in the past six months. The company is now more than an energy supplier, it's a heat pump and solar installer with over 40,000 customers live on smart export tariffs. Combined with continued strong growth in Zapmap, we are delivering our strategy and well on our way to achieving our mission of helping one million homes and businesses cut their carbon.*
>
> *"We have made great strides through acquisitions to offer new hardware services and launching new services whilst delivering a positive performance for the first half of the year as we continue to navigate a volatile energy market. Our robust cash position serves dual purposes: enabling strategic growth initiatives and providing a buffer against market uncertainties. Whilst we expect some of the energy trading factors which have bolstered profit to unwind through the remainder of the year, we are in a very positive financial position for Good Energy to continue to grow and capitalise on its untapped potential.*
>
> *"With its legacy as a truly renewable supplier serving one of the UK's largest solar microgenerator customer bases, Good Energy is uniquely positioned to continue to launch and grow services that make it easy for customers to go green. Our goal is to be a one-stop solution for green-minded customers, offering a suite of products that help them reduce carbon, save money, and stay with us longer. By focusing on multiple product areas that function harmoniously, we aim to lower churn rates, cut acquisition costs, cross-sell services and boost the overall lifetime value of our growing number of customers."*

A briefing for Analysts will be held at 9:00am today. Analysts wishing to attend the presentation either in person or virtually should register their interest by emailing investor.relations@goodenergy.co.uk or telephoning 0124 976 5573.

An investor presentation and Q&A will be held today at 11:00am. Investors can sign up to Investor Meet Company for free and add to meet Good Energy via: https://www.investormeetcompany.com/good-energy-group-plc/register-investor.

A video overview of the results from the Chief Executive Officer, Nigel Pocklington, is available to watch here https://www.fmp-tv.co.uk/2023/09/15/good-energy-h1-results/.

Enquiries

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About Good Energy www.goodenergy.co.uk

Good Energy is a supplier of 100% renewable power and an innovator in energy services. It has long term power purchase agreements with a community of 1,700 independent UK generators.

Since it was founded over 20 years ago, the Company has been at the forefront of the charge towards a cleaner, distributed energy system. Its mission is to power a cleaner, greener world and make it simple to generate, share, store, use and travel by clean power. Its ambition is to support one million homes and businesses to cut carbon from their energy and transport used by 2025.

Good Energy is recognised as a leader in this market, through green kite accreditation with the London Stock Exchange, Which? Eco Provider status and Gold Standard Uswitch Green Tariff Accreditation for all tariffs.

CEO’s review

Overview

Good Energy’s direction is crystal clear: we're on a journey to become the UK's leading green energy services company in a future where energy is decentralised, digitised, and green. This vision gained urgency in 2022, as the flaws of our current fossil fuel-based system became painfully obvious and in 2023 we have made great strides delivering against this. As one of the UK's largest administrators of the Feed-in-Tariff (FiT) serving a large microgenerator customer base, we're already a major player in this future grid. With a greater number of our customers generating their own power than buying ours, we hold a c. 20% market share in the UK's largest decentralised energy scheme, setting us up for a transformative role in the energy landscape.

Strong financial performance and continuing to invest

The first six months of 2023 have seen Good Energy focus on delivering against our exciting growth strategy in energy services. We have continued the expansion of our energy services portfolio, launched new services for customers and acquired a further solar installation business, following the acquisition of a heat pump installation business in December 2022. These businesses will help to build out installation capacity in solar PV, storage and heat pumps. We have launched new export tariffs, as well as trialled innovative new solutions for our business customers.

Throughout the energy crisis over the past 18 to 24 months, our energy supply business had remained robust despite the market volatility surrounding us. With clear communication to customers, we maintained and even built on the trust we have secured over years — essential as we expand our green energy services business. However, as the energy market has stabilised, wider macroeconomic uncertainty has grown, with rising inflation rates demanding an elevated interest rate environment. We are conscious of the impact this could have on many of our customers and we continue to work closely with them.

Earlier this year, we were pleased to have signed our largest ever deal with renewable energy giant Ørsted to provide clean power to UK homes and businesses. Utilising the power from one of the world’s largest offshore windfarms, Ørsted’s Hornsea 1 offshore windfarm in the North Sea, the three year deal will provide 110GWh per annum, the most significant in terms of volume in Good Energy's history — and enough to supply almost 38,000 homes. This is testament to the strong working relationship we have built with Ørsted and speaks to the partnership approach we have.

We remain in robust financial health and have continued to invest throughout the period, both organically in new product launches and inorganically through our acquisitions. Our financial performance in the first half of the year has been excellent, and whilst we expect to see some of this unwind in the second half given the falling commodity cost environment since late last year, we foresee closing the year in a strong position. We have a strong cash balance and are committed to investing to accelerate the growth across our energy services offering.

Capital allocation

Our substantially debt free position and strong cash balance allows us to continue to invest for sustainable growth, including further acquisitions in energy services and our capital allocation policy reflects this. However, we recognise the importance of a dividend to many shareholders.

Following a good operational performance in 2023 and reflecting our confidence in the ongoing business, the Board has therefore declared an interim dividend for 2023 of 1.00p per ordinary share. This dividend will be paid on 27 October 2023 to shareholders on the register at the close of business on 29 September 2023.

Outlook

Good Energy is now well on its way to becoming the UK's top green energy services company. We're expanding solar services and heat installations and eyeing further M&A to boost our capabilities. Zapmap's Series B fundraise is on the horizon, which will set the stage for its B2B and international growth. Our FY23 expectations remain unchanged, with a strong H1 performance partly offset with an expected one-off loss in H2 due to lagging commodity costs and tariff reductions.

Nigel Pocklington, CEO

Strategic update - our transition to a green energy services company

Good Energy’s purpose is to power a cleaner, greener world by making it simple to generate, share, store, use and travel by clean power. We work towards this purpose by supporting one million homes and businesses cut carbon from their energy and transport use by 2025.

The first half of 2023 has been a critical period in which that shift has truly begun to take place, as we have delivered new services, underpinned by energy supply.

Clean energy services operate as a harmonious 'virtuous circle'. For example for many customers, electric vehicles are the starting point. According to Zapmap data, if you drive an EV, you're seven times more likely to have solar panels installed than the national average. And with our investment in Zapmap, the UK's leading EV mapping platform, we're positioned to take advantage of this. To build on this insight, our installation partner data shows that over 80% of our solar installs now include a battery storage system. Continuing the trend, historic MCS data shows that around 60% of new heat pump installations are in homes that already have solar. We're launching smart tariffs and this Winter we will be participating in the upcoming demand flexibility events with the National Grid to make all of this as cost-effective and carbon-friendly as possible. Helping our customers go green, cut carbon and save money.

We see ourselves as not an energy supply firm that offers energy services but as an energy services firm, of which energy supply is just one part of what we can offer our customers. In 2023, we have made good progress delivering against this strategy to date.

We have rolled out solar services and export tariffs for our microgeneration customers, including launching smart export for our Feed-in-Tariff customers and piloted Solar Savings (formerly Power for Good) at a market leading 10p/kwh export rate. As Solar Savings now comes out of its beta phase, we are bolstering the rates to 15p/kWh with an even more attractive 20p/kWh rate for customers who install their solar PV with us through Wessex ECOEnergy. This positions our export tariffs among the best rate on the market, level with the highest per unit payments for flat rate tariffs available.

We intend to launch a time of use tariff for electric vehicles in the final quarter of 2023, to help EV drivers charge at cheaper and greener times. We have developed our capability to install both solar and heat pumps and are looking to double this by the end of 2024. We acquired Wessex Eco Energy in June to increase our solar installation capability and expect to acquire further businesses to help increase our installation capacity. We have supported Zapmap on its journey as to launch new B2B API services, simplified and grow its B2C subscription offering and built a strong data business relied on across the industry. We are pleased with how we are executing our vision.

We believe that this is both the future of energy and makes us a better business in the long term. We're excited about the road ahead, not just because we're targeting a £5 billion market that could grow to £10 billion (company research and MCS data), but because we're doing it in sectors like solar, heat pumps, and EVs that offer fast growth, good margins, and low working capital requirements. This positions us well for both short-term and long-term returns, especially compared to the lower margin and more working capital intense energy supply markets. Our research indicated that our already engaged, green-minded customer base is showing strong interest in these new services, reinforcing our role in accelerating the transition to renewables. We're eager to share updates in what promises to be another transformative year for Good Energy.

By offering multiple harmonious cleaner energy products, we aim to lower churn rates, cut acquisition costs, and boost customer lifetime value. We are carving out a suite of services that can allow our customers to become energy efficient in every aspect of their lives.

A targeted energy supply offering

We continue to operate in both the domestic and business UK energy supply markets but remain a premium provider for green-minded customers. We provide a range of import and export services, which underpin our overall offering. Our import services provide 100% real renewable electricity to domestic, small businesses and smaller half hourly business customers. We do not focus on large scale industrial customers. Our export services provide power purchase agreements (PPAs), Feed-in-Tariff administration services and smart generation offers for domestic and business customers. For generators who take both services, our intention is to make it cheaper than a comparable standard supply contract without generation. We want to incentivise people to go green and save money.

In domestic supply, we are witnessing a market with limited growth potential with the introduction of the market stabilisation charge, high wholesale costs and increased working capital requirements for purchasing power. We have continued to make progress with our smart meter roll out and now have nearly 44,000 installed to date. Earlier this year, we achieved a 5* Trust pilot rating, making us one of the most trusted energy suppliers in the country.

In business supply, we have a clear size and sectoral targeting. Small, medium sized enterprises (SMEs), and half hourly metered business sites, with a focus on purpose driven businesses looking for a truly green supply product. Where possible we are also starting to offer smart export and solar installation propositions to our business customers. We have recently launched innovative new services for business customers to match their hourly energy use to time-based renewable generation, giving them even greater transparency on their carbon footprint.

Our purchasing of PPA's is what sets us apart and allows us to provide 100% renewable electricity. This is sourced from over 1,700 individual generators including a mix of wind, solar, hydro and anaerobic digestion.

We believe it is important that we have the right type of customers. Those individuals and businesses that support our mission and are more likely to go on this journey with us.

Delivering a leading position in electric vehicles through Zapmap

The electric vehicle market saw continued growth into 2023, following impressive growth in recent years. Total EVs on the road now totals almost 1.4m as of August 2023, with over 60% of these being battery electric vehicles (Zapmap and SMMT data 2023). These battery electric vehicles are Zapmap's core market.

The Battery EV market grew 60% to over 817,000 in the 12 months to June 2023 and has a 2-year CAGR of 71% (June 2021 to June 2023). Cumulatively, Zapmap now has over 1.2 million downloads of the app and over 683,000 registered users, up over 50% in 2023 and a 2 year CAGR of 70%. It continues to retain its position as the market leader in the high growth electric vehicle market, with registered user penetration at 80% of all electric vehicle drivers.

<u>Zapmap: Building scale and recurring revenue</u>

Zapmap has made good progress against its business plan throughout 2023, and since their £9m series A fundraise in August 2022. Zapmap has seen both registered users (683k +51%) and monthly active users (285k +16%) rise, and they are on track to more than double revenue in 2023, and close Q4 2023 on a £2m annual recurring revenue run rate.

Alongside a refreshed brand and website, subscriptions were simplified and relaunched earlier in the year. This allows drivers to access everything needed for simple EV charging, including the location and live availability of chargers on the move using Android Auto or Apple CarPlay. Zapmap plus and premium were combined to one premium offer at a lower monthly price of £2.99 / month, or £29.99 / year. This led to material increases in subscriber numbers.

Zapmap Spark was launched to enable third party digital platforms with EV charging search, plan and payment services and has a strong pipeline of commercial customers. The data and insights business has expanded significantly with new products and channel revenues driving strong performance in 2023.

In 2024 and beyond, Zapmap will focus on four key areas. First, the consumer app aims to simplify charging solutions in the UK, with plans to expand internationally, including the EU and North America. Second, B2B services will offer comprehensive charging data and insights. Third, Zapmap Spark plans to scale through API-enabled tech solutions. Finally, a Series B funding round in 2024 will enable further growth and scaling of these services into new markets. We expect to participate in this round to support Zapmap's growth plan. Our collaboration with Zapmap will also extend to developing energy services products, aimed at helping the UK's EV drivers cut carbon and save money.

Solar and generation

<u>Impressive solar market growth continues whilst heat market is slower</u>

The UK solar market saw near record levels of growth through 2022 as energy prices remained high. Installs increased over 125% to over 130,000 rising to the near the record highs of 2015. In 2023 H1 sales started strongly, with sales in the first six months rising to over 90k installs and forecast to increase over 18% year on year (Company research and MCS database 2023).

We anticipate cumulative capacity on the grid to be 7.5GWh by 2030 in order to be on track with net zero targets, which outlines a 9.9% CAGR to 2030.[i] This requires a 2.9% annual growth in install levels to c. 167k per year, with almost that number expected to be achieved in 2023. With energy costs unlikely to be falling quickly in the short term, we see this as the main driver for install growth, which will continue to build momentum.

<u>New services for generators</u>

In early 2023 we launched a beta market leading smart export tariff for a limited number of households with solar panels. 'Solar Savings' (formerly Power for Good) pays a 10p per kWh variable export tariff rate, materially better than the standard rates offered under the Government's Smart Export Guarantee. Solar Savings is Good Energy's first tariff available to generators that installed their solar panels after the Feed-in-Tariff scheme closed in 2019.

It is now moving out of beta, with enhanced rates of 15p/kWh and 20p/kWh for customers who install their solar through Good Energy, positioning Solar Savings amongst the best flat rate export tariffs available on the market. We are targeting rolling this out to c. 5,000 customers by the end of 2023.

This is in addition to our new smart export services for existing FiT customers, allowing them to receive an export payment based on the actual amount of power that they provide to the grid, rather than the volume they are deemed to have exported. Our data shows that at times many customers have exported around 20% more than the deemed amount, meaning that smart export provides an opportunity for these customers to earn more. With the enhanced rates offered by Solar Savings enabling them to earn further still.

As the largest voluntary FiT administrator with over 180,000 customers for whom we process hundreds of millions of pounds in payments, this is a significant shift. And we have already rolled the service out to over 40,000 customers, targeting more than 70,000 by the end of the year.

We believe that people who have solar panels should be getting a fair price for their power and our ambition is for Good Energy to be known as the as the go-to supplier if you want the best tariffs for the power you generate from the panels on your roof. Customers still get paid for what they generate, but now also get paid for everything that they export, using readings from their smart meter.

There are significant commercial benefits for Good Energy in this shift too, providing substantial tradeable power and efficiencies through lower costs to serve. We expect this to start providing a very tangible positive financial impact in 2024.

Scaling installation services

Installation of solar panels, battery storage and heat pumps are a key step on the path to decarbonisation. They are a building block of our energy services strategy and provide access to high growth, high margin and low working capital markets. In December 2022, we acquired Igloo Works a heat pump installer and in June 2023 we acquired Wessex Eco Energy, a solar installer based in the South West of the UK.

Wessex completed 155 installs in 2022 and is on track for 200 installs in 2023. The new business plan looks to double capacity by the end of 2024.

The heat pump business will see 2023 as a year of investment as we look to build out the acquired Igloo platform and installation capacity. We are targeting 100 installs in 2023, with increasing uptake in recent months. Earnings growth is expected from H2 2024.

The balance of 2023 and the first half of 2024 are a period of planned investment. Elevated installation capacity is expected to drive material earnings accretion from 2025, leveraging corporate overheads to deliver effective customer acquisition and cost to serve. Performance since the acquisitions has been in line with expectations.

Coupled with installations, we have been working with Wessex to provide improved export tariffs for Customers to increase their overall savings.

Our ambition is to continue to increase our installation capacity, through both organic and inorganic growth in the near term. The solar installation market remains highly fragmented with over 2,000 registered installers and the vast majority installing less than 200 installs per year. Our growth strategy is focused on targeting specific regions to develop a fully national capacity in time.

OPERATING REVIEW

Wholesale energy market conditions

Wholesale Power & Gas prices

Over the past 12 months we have seen a period of decline from the peak pricing pressures seen in H2 2022. Since late August 2022, when the day ahead gas prices hit at £6.44/therm, we have seen a significant decline in wholesale costs. By the end of 2022 gas prices had fallen to £1.75/therm and have averaged c.£0.90/therm since late April 2023. However significant unpredictability is still present, and whilst the trend has been downwards there have still been periods of significant volatility. This general reduction in wholesale costs takes time to flow into lower tariffs. Hedging agreements, fixed tariff durations, and an OFGEM managed price cap window all impact when wholesale cost benefits are seen for end consumers.

Weather conditions seen in 2023 continue to reflect what is a warming and uncertain climate future. Worldwide temperature records have been broken, and the UK is no exception to this. Provisionally H1 2023 saw a mean UK temperature of 8.5 degrees, which is highest it has been since 2007. These warmer, milder conditions, coupled with the higher tariffs facing consumers in H1 2023 has seen reduction in average usage by consumers. Good Energy's customers are no exception to this with gas usage down 13% to 227 GWh in H1 2023 (H1 2022 259GWh). Electricity supplied volumes are also reduced year-on year by 28% to 257 GWh (2022 356), but this is down to a combination of factors including a strategic shift within the business supply sector, alongside lower average domestic consumption.

Our renewable supply business

Cash collections

Cash collections in H1 2023 remained strong with customer bills and payments being augmented by continued Government support scheme payments through the winter and spring period.

There is a continued focus on good quality business partners to ensure the supply of energy comes hand in hand with good collections performance – the business is very much focused on quality over quantity when it comes to customer acquisition and renewal.

Whilst wholesale costs are showing signs of stabilisation, volatility still exists, and cash management is key to managing well through this environment. The economic environment remains challenging for consumers and businesses alike, and whilst certain customers have seen debt levels increase, total live-customer aged debt has remained at a similar level to the end of 2022, with an increase in domestic customer debt offset by a corresponding reduction in business debt. We remain particularly vigilant to ongoing trends across the industry as we approach the winter.

Business

Total business supply customers fell by 12.1% to 7.0k (8.0k). This reflects the company's focus on good quality business partners).

Domestic

We remain committed to ensuring that we offer fair priced, transparent 100% renewable electricity proposition. High but stabilising energy prices have the potential to open up the domestic supply market to increased switching in the future. The business will continue to counter this by being very clear on its renewable credentials alongside its strategic energy services offering.

Feed in Tariff ("FIT")

FIT administration provides the foundation of our energy services model. Despite the FIT scheme closing to new entrants in March 2019, we continue to administer the scheme for domestic and business customers. Customer numbers increased 3.6% to 184k versus 2022.

CFO REVIEW

Overview

Financial performance

Profit and loss

Revenue increased 45% in the period to £156.1m (2022: £107.6m) driven by higher tariffs which now reflected the full effect of the steep rise in wholesale costs in 2022 caused by worldwide volatility in wholesale power and gas costs. Cost of sales increased by 29% to £122.8m (2022 £95.4m) driven largely by geopolitical impacts on wholesale costs.

Reported gross profit increased 168% to £32.7m (2022: £12.2m). The increase reflects a recovery from a loss making H1 2022 as well as a strong H1 2023 performance. Our electricity power purchase agreements(PPAs), which are typically contracted over a 12-18 month period, provided a cost advantage over the H1 period, although this will reverse in H2 as commodity costs have fallen steadily since Sept-22 and tariffs have significantly reduced from Apr-23 onwards following those wholesale cost reductions. We had planned and are managing the financial outcome of the year as a whole, recognising that H2 2023 will be a one-off loss making period as those commodity input costs lag the sales tariff reductions that we have continued to provide for our variable tariff Domestic and SME supply customers since the start of July.

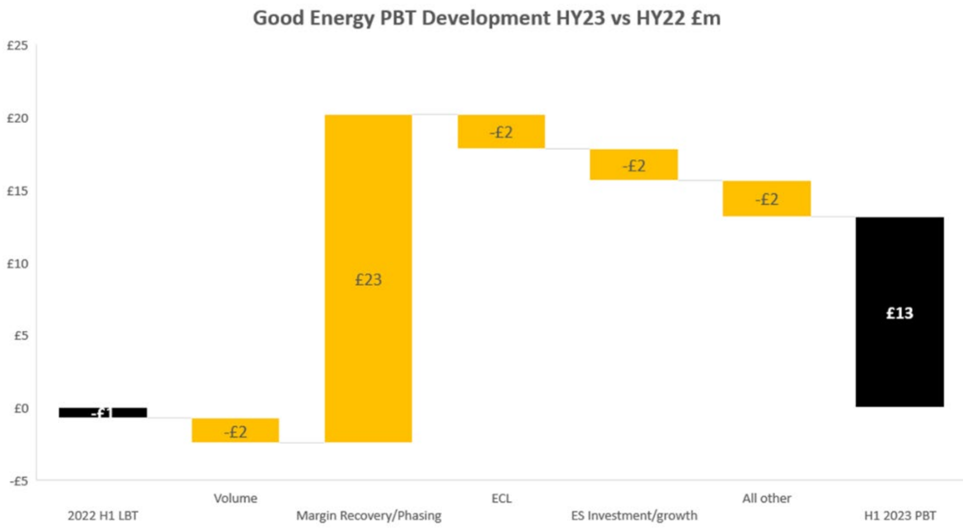
Total administration costs increased 47% to £18.6m. This increase relates to the strategic expansion into Energy Services; additional debt provisioning reflecting the higher revenue levels; and regulatory costs.

The business reported net finance income of £0.1m as a result of the higher cash balance, whilst gross debt remained at £5m.

Reported profit before tax of £13.1m. Adding back £1.7m of depreciation, amortisation, finance income & share in loss of associate gives £14.9m EBITDA for the period.

The tax liability for H1 2023 was £1.2m (2022 credit of £1.0m).

The reported profit for the period was £12.0m (2022: £0.8m).



**A profit bridge slide has been included in the Investor presentation, which is available on the Company's website. (https://www.goodenergy.co.uk/investors/results-presentations/)*

<u>Cash flow and cash generation</u>

The profitability seen in H1 2023 has driven strong cash generation alongside it.

There was a net increase in cash of £10.4m and this is after an initial investment of £2.5m for the purchase of the Wessex EcoEnergy Business.

Cash and cash equivalents at the end of June 2023 were £34.9m, with a further £8.4m held in restricted deposit accounts; £3.0m of which relates to Government support scheme monies held separately pending the full scheme reconciliations being concluded.

<u>Funding and debt</u>

Our business is debt free on a net basis.

Substantial progress has been made against reducing Group finance costs and reducing the gearing ratio over the last 2 years. The remaining Good Energy Bonds II outstanding (£4.9m) is held within short term liabilities. This is due to an annual redemption request window for bondholders in December with repayment in June each year.

The Group continues to maintain capital flexibility, balancing operating requirements, investments for growth and payment of dividends. Our business remains mindful of the need to capitalise on strategic business development and investment opportunities. Prudent balance sheet management remains a key priority.

<u>Earnings</u>

Reported basic earnings per share increased to 72.0p (HY 2022 7.4p).

<u>Dividend</u>

The Board has declared an interim dividend for H1 2023 of 1.00p per ordinary share.

Good Energy continues to operate a scrip dividend scheme and the payment timetable of the interim dividend will be announced in due course.

<u>Expected Credit Loss (ECL)</u>

ECL charge for H1 2023 was £3.7m, this is an increase of £2.2m (2022: £1.5m).

The main impact in year, is significantly elevated revenue from the higher tariffs resulting in a larger H1 provision level. H2 2023 ECL charges are expected to be lower reflecting reductions in tariffs for this period.

<u>Wessex EcoEnergy</u>

On 21 June 2023, Good Energy acquired the entire share capital of Wessex EcoEnergy Limited for an initial consideration of £2.5m.

Consolidated Statement of profit or loss (Un-audited)

For the 6 months ended 30 June 2023

	Notes	**Unaudited 6 months to 30/06/2023 £000's**	**Unaudited 6 months to 30/06/2022 £000's**	**Audited 12 months to 31/12/2022 £000's**
REVENUE		156,114	107,600	248,682
Cost of Sales		(123,457)	(95,379)	(218,768)
GROSS PROFIT		32,657	12,221	29,914
Administration Expenses		(18,574)	(12,725)	(28,109)
Other operating income		47	-	66
OPERATING PROFIT		14,130	(504)	1,871
Finance Income		299	1	633
Finance Costs		(169)	(247)	(351)
Gain on loss of control of subsidiary		-	-	7,767
Share of loss of associate		(1,139)	-	(712)
PROFIT BEFORE TAX		13,121	(750)	9,208
Taxation		(1,156)	1,044	(637)
PROFIT FOR THE PERIOD		11,965	294	8,571
Profit from discontinued operations before tax		-	82	64
Tax on discontinued operations		-	440	-
Profit for the period		**11,965**	**816**	**8,635**
Attributable to:				
Equity holders of the parent		11,965	1,217	9,227
Non-controlling interest		-	(401)	(592)
Earnings per Share				
- Basic	10	72.0p	7.4p	55.7p
- Diluted	10	68.6p	7.4p	55.6p
- Basic (continuing operations)		72.0p	4.2p	51.7p
- Diluted (continuing operations)		68.6p	4.2p	51.7p

Consolidated Statement of profit or loss (Un-audited)

For the 6 months ended 30 June 2023

	Notes	**Unaudited 6 months to 30/06/2023 £000's**	**Unaudited 6 months to 30/06/2022 £000's**	**Audited 12 months to 31/12/2022 £000's**
Profit for the period		11,965	816	8,635
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		**11,965**	**816**	**8,635**
Attributable to: Equity holders of the parent		11,965	1,217	9,227
Non-controlling interest		-	(401)	(592)

Consolidated Statement of Financial Position (Un-audited)
As at 30 June 2023

	Notes	**Unaudited 6 months to 30/06/2023 £000's**	**Unaudited 6 months to 30/06/2022 £000's**	**Audited 12 months to 31/12/2022 £000's**
ASSETS				
Non-current assets				
Property, plant and equipment		306	171	117
Right-of-use assets		46	850	324
Intangible assets	12	5,517	4,233	3,503
Deferred tax asset		87	1,280	162
Equity investments in associate		11,440	-	12,578
Total non-current assets		**17,396**	**6,534**	**16,684**
Current assets				
Inventories		20,252	17,893	9,212
Trade and other receivables	6	49,482	38,262	57,497
Restricted deposit accounts	7	8,489	2,816	8,462
Cash and cash equivalents	8	34,926	21,690	24,487
Total current assets		**113,149**	**80,661**	**99,658**
TOTAL ASSETS		**130,545**	**87,195**	**116,342**
EQUITY AND LIABILITIES				
Capital and reserves				
Called up share capital		844	842	844
Share premium account		12,915	12,790	12,915
EBT shares		(7)	(444)	(7)
Retained earnings		36,863	17,281	25,234
Total equity attributable to members of the parent company		**50,615**	**30,469**	**38,986**
Non-controlling Interest		-	(726)	-
Total equity		**50,635**	**29,743**	**38,986**

Consolidated Statement of Financial Position (Un-audited)
As at 30 June 2023

Non-current liabilities				
Borrowings	9	89	276	4,927
Total non-current liabilities		89	276	4,927
Current liabilities				
Borrowings	9	5,169	5,436	294
Trade and other payables		73,517	51,683	72,135
Current tax payable		1,155	59	-
Total current liabilities		79,841	57,176	72,429
Total liabilities		79,930	57,452	77,356
TOTAL EQUITY AND LIABILITIES		**130,545**	**87,195**	**116,342**

Consolidated Statement of Changes in Equity (Un-audited)

For the 6 months ended 30 June 2023

	Share Capital £000's	Share Premium £000's	Other Reserves £000's	Retained Earnings £000's	Revaluation surplus £000's	Non-controlling interest £000's	Total £000's
At 1 January 2022	**840**	**12,790**	**(444)**	**4,773**	**11,693**	**(325)**	**29,327**
Profit for the year	-	-	-	816	-	(401)	415
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**816**	**-**	**(401)**	**415**
Transfer of revaluation to retained earnings	-	-	-	11,693	(11,693)	-	-
Dividend paid	-	-	-	(187)	-	-	(187)
Total contributions by and distributions to owners of the parent, recognised directly in equity	**-**	**-**	**-**	**11,506**	**(11,693)**	**-**	**(187)**
At 1 July 2022	**840**	**12,790**	**(444)**	**17,095**	**-**	**(726)**	**29,555**
Profit / (Loss) for the period	-	-	-	8,411	-	(191)	8,220
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**8,411**	**-**	**(191)**	**8,220**
Exercise of options	1	-	437	(232)	-	-	206
Share based payments	-	-	-	198	-	-	198
Scrip dividends issued	3	125	-	(128)	-	-	-
Dividend paid	-	-	-	(110)	-	-	(110)
Disposal of Subsidiary	-	-	-	-	-	917	917
Total contributions by and distributions to owners of the parent, recognised directly in equity	**4**	**125**	**437**	**(272)**	**-**	**917**	**1,211**
At 31 December 2022	**844**	**12,915**	**(7)**	**25,234**	**-**	**-**	**38,986**

Consolidated Statement of Changes in Equity (Un-audited)

For the 6 months ended 30 June 2023

At 1 January 2023	**844**	**12,915**	**(7)**	**25,234**	**-**	**-**	**38,986**
Profit/(Loss) for the period				11,965	-	-	11,965
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**11,965**	**-**	**-**	**11,965**
Dividends declared	-	-	-	(336)	-	-	(336)
Total contributions by and distributions to owners of the parent, recognised directly in equity	-	-	-	(336)	-	-	(336)
At 30 June 2023	**844**	**12,915**	**(7)**	**36,863**	**-**	**-**	**50,615**

Consolidated Statement of Cash Flows (Un-audited)
For the 6 months ended 30 June 2023

	Notes	Un-audited 30/06/2023 £000's	Un-audited 30/06/2022 £000's	Audited 31/12/2022 £000's
Cash flows from operating activities				
Cash inflow from continuing operations		13,033	(2,173)	5,180
Finance income		65	(1)	17
Finance cost		(145)	(348)	(70)
Net cash flows from operating activities	11	12,953	(2,522)	5,127
Cash flows from investing activities				
Purchase of property, plant and equipment		(61)	-	(9)
Purchase of intangible fixed assets		(3)	(342)	(125)
Deposit into restricted accounts		-	(401)	-
Investment in associate		-	-	(3,494)
Proceeds from disposal of held for sale assets		-	19,575	20,351
Acquisition of subsidiary, net of cash acquired		(2,163)	-	(1,725)
Net cash flows used in investing activities		(2,227)	18,832	14,998
Cash flows from financing activities				
Payments of dividends		-	-	(297)
Repayment of borrowings		(30)	(1,000)	(1,619)
Capital repayment of leases		(257)	(321)	(626)
Proceeds from issue of shares		-	-	-
Proceeds from sale of share options		-	2	205
Net cash flows from financing activities		(287)	(1,319)	(2,337)
Net increase/(decrease) in cash and cash equivalents		10,439	14,991	17,788
Cash and cash equivalents at beginning of period		24,487	6,699	6,699
Cash and cash equivalents at end of period		34,926	21,690	24,487

Notes to the Interim Accounts

For the 6 months ended 30 June 2023

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 Park Offices, Monkton Park, Chippenham, Wiltshire, United Kingdom, SN15 1GH.

The Interim Financial Statements were prepared by the Directors and approved for issue on 18 September 2023. 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 2022 were approved by the Board of Directors on 5 May 2023 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 United Kingdom. They should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2022 which have been prepared in accordance with IFRS as adopted by the European Union.

In accordance with IAS 34, the tax charge is estimated on the weighted average annual income tax rate expected for the full financial year. The accounting policies applied are consistent with those of the Annual Financial Statements for the year ended 31 December 2022, as described in those Annual Financial Statements.

The Interim Financial Statements have not been audited.

2. Going concern basis

The Group has seen a strong start to 2023 reflecting the benefit from when power purchase agreements were secured versus market tariffs. The Group has performed a going concern review, going out until the mid-2025 considering both an internal base case, and various externally provided scenarios. The scenarios were provided by Ofgem in mid-2023 as part of their ongoing check into the financial stability of UK Energy suppliers. Having reviewed this forecast, and having applied a reverse stress test, the possibly that financial headroom could be exhausted is remote.

The Directors are confident in the ongoing stability of the Group, and its ability to continue operation and meet commitments as they fall due over the going concern period. 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 2022.

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 2022.

5.Segmental analysis

H1 2023	Electricity Supply £000s	FIT Administration £000s	Gas Supply £000s	Total Supply Companies £000s	Energy as a service £000s	Holding Company/ Consolidated Adjustments £000s	**Total £000s**
Revenue	122,092	2,730	30,890	155,712	402	-	**156,114**
Cost of sales	(92,003)	(93)	(30,797)	(122,893)	(564)	-	**(123,457)**
Gross profit/(loss)	30,089	2,637	93	32,819	(162)	-	**32,657**
Gross margin	*25%*	*97%*	*0%*	*21%*	*-40%*		***21%***
Admin costs				(16,102)	(1,500)	(925)	**(18,527)**
Operating profit/(loss)				16,717	(1,662)	(925)	**14,130**
Net finance costs				-	(53)	183	**130**
Share of loss of associate				-	(1,139)	-	**(1,139)**
Profit/(loss) before tax				16,717	(2,854)	(742)	**13,121**

H1 2022	Electricity Supply £000s	FIT Administration £000s	Gas Supply £000s	Total Supply Companies £000s	Electricity Generation £000s	Energy as a service £000s	Holding Company/ Consolidated Adjustments £000s	**Total** **£000s**
Revenue	88,510	2,849	15,638	106,997	-	603	-	**107,600**
Cost of sales	(84,282)	(325)	(10,573)	(95,180)	-	(155)	(45)	**(95,380)**
Gross profit/(loss)	4,228	2,524	5,065	11,817	-	448	(45)	**12,220**
Gross margin	*5%*	*89%*	*32%*	*11%*	-	*74%*	*0%*	***11%***
Admin costs				(9,716)	-	(1,227)	(1,779)	**(12,725)**
Operating profit/(loss)				2,098	-	(779)	(1,824)	**(505)**
Net finance costs				(5)	-	(24)	(216)	**(245)**
Share of loss of associate				-	-	-	-	**-**
Profit/(loss) before tax				2,093	-	(803)	(2,040)	**(750)**

6. Trade Receivables

	Unaudited	**Audited**
	As at 30/06/2023	**As at 31/12/2022**
	£000s	**£000s**
Gross trade receivables	63,919	69,007
Provision for impairment/non-payment of trade receivables	(17,203)	(15,428)
Net trade receivables	46,716	53,579
Prepayments and other taxation	2,766	3,918
Total	49,482	57,497

The movements on the provision for impairment and non-payment of trade receivables is shown below:

Movement on the provision for impairment and non-payment of trade receivables	**Unaudited As at 30/06/2023**	**Audited As at 31/12/2022**
	£000's	£000's
Balance at 1 January	15,428	11,792
Increase in allowance for impairment/non-payment	1,775	3,636
Balance at 30 June 2023 / 31 December 2022	17,203	15,428

Unaudited As at 30/06/2023	**Current**	Days past due **<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
	£000's	£000's	£000's	£000's	£000's	£000's
Expected credit loss rate	9.7%	14.0%	26.0%	41.6%	86.9%	
Estimated total gross carrying amount at default	27,162	4,271	1,970	1,564	14,755	49,722
Expected credit loss	**2,622**	**600**	**513**	**650**	**12,818**	**17,203**

Audited As at 31/12/2022	**Current**	Days past due **<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
	£000's	£000's	£000's	£000's	£000's	£000's
Expected credit loss rate	6.4%	15.0%	27.1%	39.1%	87.9%	
Estimated total gross carrying amount at default	41,471	3,041	1,805	1,492	12,780	60,589
Expected credit loss	**2,662**	**456**	**490**	**584**	**11,236**	**15,428**

7. Restricted deposit accounts

	Unaudited As at 30/06/2023 £000s	Audited As at 31/12/2022 £000s
Restricted deposit accounts	8,489	8,462
Total	8,489	8,462

Restricted deposit accounts include an amount of £2,984,085 (December 2022: £4,533,381) that relates to Government support scheme monies received for application to business and domestic customer accounts. At the end of each scheme all unallocated funds are due to be returned to the Government.

8. Cash and cash equivalents

	Unaudited As at 30/06/2023 £000s	Audited As at 31/12/2022 £000s
Cash at bank and in hand	34,545	24,063
Security deposits	381	424
Total	34,926	24,487

Included within cash at bank and in hand for both the Parent Company and the Group is £6,911 (December 2022: £592,893) in respect of monies held by the Good Energy Employee Benefit Trust.

9. Borrowings

Current:	Unaudited As at 30/06/2023 £000s	Audited As at 31/12/2022 £000s
Bond	4,926	10
Bank loans	178	-
Lease liabilities	65	284
Total	5,169	294

Non-current:	Unaudited As at 30/06/2023 £000s	Audited As at 31/12/2022 £000s
Bond	-	4,921
Bank Loans	19	-
Lease liabilities	70	6
Total	89	4,927

The fair values of borrowings have been calculated taking into account the interest rate risk inherent in the bond. The fair value estimates and carrying values of borrowings (excluding issue costs) in place are:

	Unaudited As at 30/06/2023 Fair value £000s	Unaudited As at 30/06/2023 Carrying value £000s	Audited As at 31/12/2022 Fair value £000s	Audited As at 31/12/2022 Carrying value £000s
Corporate bond	4,847	4,456	4,820	4,486

10. Earnings per share

The calculation of basic earnings per share at 30 June 2023 was based on a weighted average number of ordinary shares outstanding for the six months to 30 June 2023 of 16,609,219 (for the six months to 30 June 2022: 16,528,000 and for the full year 2022: 16,574,697) 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 2023 was 187p (for the six months to 30 June 2022: 258p and for the full year 2022: 242p). The dilutive effect of share-based incentives was 839 shares (for the six months to 30 June 2022: 208,252 shares and for the full year 2022: 10,497).

11. Net cash flows from operating activities

The operating cashflow for the six months to 30 June 2023 is an inflow of £13m (for the six months to 30 June 2022: £2.5m outflow and for the full year 2022: £5.1m inflow). The difference in the cashflow between the half year 2023 and its comparative for the same period is primarily due to timing of working capital related items.

12. Business Combinations

On 21 June 2023, Good Energy Group PLC acquired the entire share capital of Wessex EcoEnergy Limited, an established UK based solar installation business. Building on its acquisition of Igloo Works in December 2022, the acquisition represents a further milestone in delivering on Good Energy's strategy to expand its capability in decentralised energy services.

	Unaudited **As at 30/06/2023** **Fair value** **£000s**	**Unaudited** **As at 30/06/2023** **Carrying value** **£000s**	**Audited** **As at 31/12/2022** **Fair value** **£000s**	**Audited** **As at 31/12/2022** **Carrying value** **£000s**
Property, plant and equipment	171	171	23	23
Inventories	362	362	20	20
Receivables	243	243	125	125
Cash	353	353	34	34
Payables	(1,010)	(1,010)	(194)	(194)
Total identifiable net assets	**119**	**119**	**8**	**8**

	Unaudited **As at 30/06/2023** **£000s**	**Audited** **As at 31/12/2022** **£000s**
Goodwill	2,401	1,805
Consideration	2,520	1,813

The goodwill recognised in respect of the acquisition of Wessex EcoEnergy at 30th June 2023 is provisional, subject to a fair value assessment of identifiable intangible assets separable from goodwill in accordance with the provisions of IFRS3: Business Combinations.

[i] Based on Acuity Knowledge Partners research conducted for Good Energy combined with government targets - 9.9% CAGR based on current volume installed today, vs requirement by 2030