Good Energy Group PLC

Interim Report

to Shareholders

for the six months ended 30 June 2016

2016

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to Shareholders

for the six months ended 30 June 2016

2016

Key highlights
Interim Report for the six months ended 30 June 2016

Good Energy Group PLC (the Company) is an AIM listed, vertically integrated, independent renewable energy supplier and generation business.

The Company supplies electricity and gas, and Feed in Tariff site administration services to more than 239,750 domestic and commercial customer meter points.

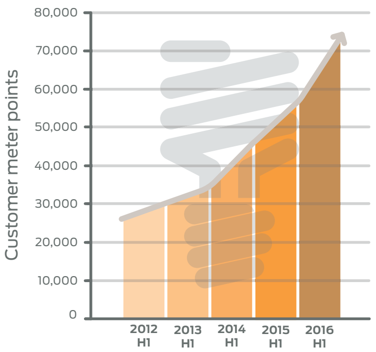
It also operates a renewable electricity generation business and development pipeline comprising a range of wind and solar renewable energy projects.

Good Energy Group PLC is pleased to announce its interim results for H1 2016. The Company has delivered a strong financial performance due to customer growth, internal efficiencies and cost management. Its market share across the electricity and gas supply and Feed in Tariff (FiT) administration customer bases has grown, with overall customer numbers increasing by 36%.

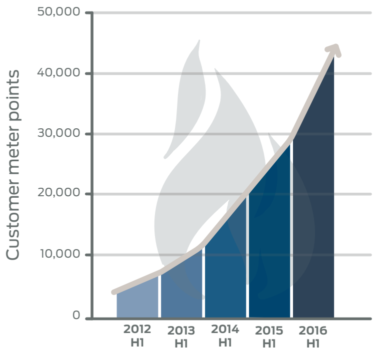
Financial highlights

- Revenue increased by 40% to £45.6m (H1 2015: £32.6m)
- Gross profit increased by 50% to £15.3m (H1 2015: £10.2m)
- Profit before tax increased by 164% to £1.4m (H1 2015: £0.5m)
- EBITDA increased by 72% to £6.2m (H1 2015: £3.6m)
- Net operating cash inflow of £0.4m (H1 2015: outflow of £4.1m) an increase of £4.5m
- Basic earnings per share of 7.9p (H1 2015: 2.6p)
- Interim dividend of 1p per ordinary share declared (H1 2015: 1p)
- On track to meet full year market expectations

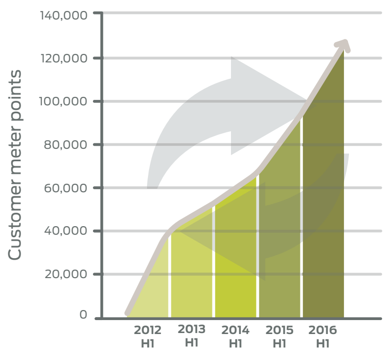
Customer growth



Electricity



Gas



FiT

Growth in customers

- Electricity customer meter points increased by 31% to 72,250 (H1 2015: 55,000).
- Gas customer meter points increased by 54% to 43,000 (H1 2015: 28,000).
- Feed in Tariff (FiT) administration customer meter points increased by 33% to 124,500 (H1 2015: 93,500).

Generation

- The generation business has performed in line with expectations with total portfolio generation up 19% to 43.2GWh with the full benefit of 18.3MW of solar generation in the period, however there was 11% lower wind generation given the above average wind speeds in H1 2015.
- Planning approval was received to develop an additional 2MW of solar assets making 150MW of solar consented by the Company since 2012.
- The construction of two additional 5MW solar sites (Newton Downs and Brywhiliach) is expected to be completed before the subsidy deadline of 31 March 2017.

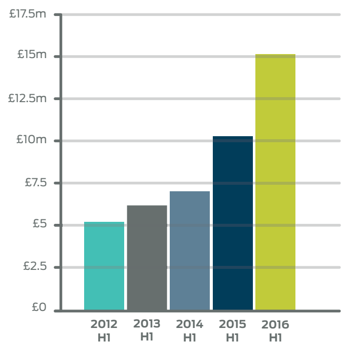
Financial key performance indicators

Revenue

Compound annual growth over five years: 26%

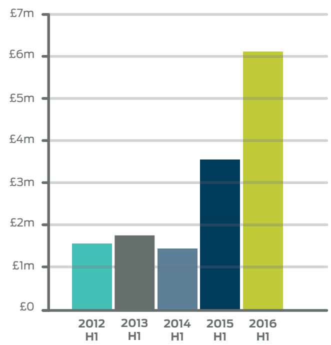
Gross profit

Compound annual growth over five years: 24%



EBITDA

Compound annual growth over five years: 30%

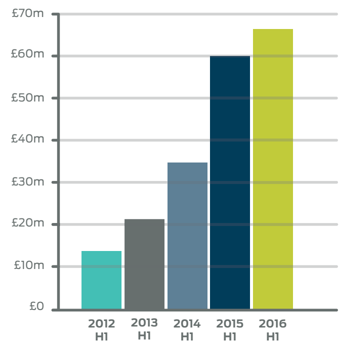


PBT

Compound annual growth over five years: 11%

Non current assets

Compound annual growth over the years: 37%



Chief Executive Officer's Review

Overview

In the first half of 2016, I am pleased to report that we have delivered strong revenue and profit growth. We have also made solid progress against our strategic pillars as we continue to focus on the delivery of our five-year strategy of a fivefold increase in customer sales by 31 December 2020 through sustainable, profitable growth.

As an established UK energy company that has a track record of managing uncertainty, Good Energy continues to grow and adapt as the UK energy market continues to evolve.

Our customer meter points increased by 36% to 239,750 (H1 2015: 176,500) with over 20,000 new customers meter points since the end of 2015. Electricity and gas customer meter point growth in H1 2016 was 29% greater than over the same period in H1 2015. Total business customer consumption increased 38% to approximately 61.5GWh as businesses recognise the importance of climate change issues to consumers and the role that renewable energy can play in reducing their impact on the environment.

The funds from our significantly oversubscribed share offer are being used to develop our generation portfolio to maximise the value of our current assets and accelerate investment in our operational platform.

In the first half of the year we continued to invest in and strengthen our senior leadership team and digital capabilities with the appointment of a Head of Digital, Marketing and Brand, and published our first Progress Report, outlining our aims and how we put our values into practice.

As the UK energy regulatory environment evolves the UK Government continues to show positive commitments to reducing the UK's carbon emissions with the passing of the 5th carbon budget.

These forces, combined with more UK consumers making the switch every day, make Good Energy's mission to tackle climate change and help the UK achieve energy security more relevant than ever.

Financial Performance Review

Consolidated revenue continued its strong growth, up 40% to £45.6m (H1 2015: £32.6m) with increases across all segments of the business with growing customers, increased generation and a site sale in H1 2016.

The consolidated gross profit increased 50% to £15.3m (H1 2015: £10.2m) delivering a gross margin of 33% (H1 2015: 31%). Although the gas business margins increased we were still able to pass through a 7.2% gas price reduction reflecting the decrease in wholesale costs and to support further acquisition of customers. FiT margins improved as the business focused on process efficiencies. Electricity margins softened with continued strategic growth in lower margin business volumes.

Administration expenses increased by 48% to £11.7m (H1 2015: £7.9m) reflecting the growth in the business and costs associated with our investment in the new Customer Information System (CIS) and strengthening the management team and other key functions of the business. Investment in the Company continues as it positions itself to deliver on its strategic ambitions.

EBITDA increased 72% to £6.2m (H1 2015: £3.6m) and operating profit increased 60% to £3.6m (H1 2015: £2.3m) reflecting our continued drive to find efficiencies and starting to benefit from economies of scale in our cost base.

Net finance costs increased 29% to £2.2m (H1 2015: £1.7m) as borrowing increased in line with funds drawn against generation assets from our facility with GCP Infrastructure Investments Limited in H2 2015 and a full H1 period of interest costs was incurred.

Profit before tax increased 164% to £1.4m (H1 2015: £0.5m) with the sale of Wrotham Heath and reduction in costs following the restructure of the development business.

The Board is therefore pleased to announce an interim dividend of 1p per ordinary share for the period 30 June 2016 (H1 2015: 1p). The dividend is payable on 19 October 2016 to shareholders whose names are on the register at close of business on 22 September 2016. The shares will trade ex-dividend on 23 September 2016.

The Directors have again decided to offer shareholders the opportunity to elect to receive dividends in the form of new shares in the Company as an alternative to a cash dividend payment which allows the ongoing support of customer shareholders.

Total Assets increased 13% to £99.6m (H1 2015: £88.2m) with higher working capital associated with growth and increased generation base.

Total borrowings increased slightly by 1% to £60.5m (H1 2015: £59.7m) as funds were drawn against investments in assets in H2 2015 and £0.4m of borrowings were repaid in H1 2016.

Share premium account increased 28% to £12.6m (H1 2015: £9.8m) due to the successful customer share offer completed in June 2016.

Operational cash flow was an inflow of £0.4m, an increase of £4.5m compared to the same point last year (H1 2015: an outflow of £4.1m). This was driven by improved margins in the supply business along with the sale of Wrotham Heath and the restructure of our Development division.

The existing working capital overdraft facility with Lloyds Bank was renewed in April 2016 with a £2.5m increase in the facility to £7.5m. This facility was undrawn as at 30 June 2016.

Customer share offer

In June 2016 we offered our customers the opportunity to invest directly in the Company through a share offer. We were delighted to receive an overwhelming response with the placing significantly oversubscribed. The gross proceeds of £3.1m are being used to accelerate our growth strategy through investments in our operational platform and maximising the value of our development portfolio.

This support demonstrates our customers' ongoing commitment of Good Energy which can also be seen in our churn rate which is one of the lowest in the industry.

Strong customer growth

We continue to make progress on our growth ambitions of a fivefold increase in customer household equivalents by 31 December 2020.

Total customer meter points are up 36% to 239,750 (H1 2015: 176,500). As at 30 June 2016, electricity customer meter points increased by 31% to 72,250 (H1 2015: 55,000), gas customer meter points by 54% to 43,000 (H1 2015: 28,000) and Feed-in Tariff ("FIT") administration customer meter points by 33% to 124,500 (H1 2015: 93,500).

We remain committed to passing on wholesale cost reductions where possible to our customers, and for the second year running we were delighted to lower our gas prices, this time by 7.2% in April 2016, more than the majority of UK energy suppliers. For the average dual fuel customer, this equates to a saving of around £42 off their annual bill compared to the £32 average saving the 'Big Six' are offering through their gas price reductions.

Electricity supply to business customers increased 38% to 61.5GWh (H1 2015: 44.5GWh) with companies keen to demonstrate their Corporate Social Responsibility and green credentials by seeking credible green alternatives to reduce their carbon foot print. Alongside this, the World Resources Institute (WRI) published new guidance as to how businesses report their carbon emissions, which means companies that buy 100% renewable electricity can report zero carbon emissions and reduce their carbon footprint.

FiT customer meter points grew strongly by 33% to 124,500 (H1 2015: 93,500) as changes to the FiT scheme announced by the Government came into force in H1 2016. While we continue to see FiT customer meter point growth we expect future growth to be lower than historical levels. As the market matures our focus will be on customer retention and offering additional services to FiT customers.

Excellence in customer service is key to our continuing success. It is therefore pleasing that we continue to perform well in the annual Which? energy company customer satisfaction survey, having achieved first or second place in each of the last four years. In addition, we have been voted number one for customer service twice by MoneySavingExpert readers and increased our customer advocacy score (Net Promoter Score) to 46 from 40, significantly higher than the highest of the Big Six (-18) and above other smaller suppliers such as Ovo (40) and First Utility (45).

A key focus for the Company in 2016 is the investment and implementation of our CIS system in order to drive scalable growth to meet our 2020 targets.

We currently provide energy to 0.21% of the UK domestic energy market. Enhancing our systems and digital capabilities allows us to connect with more people by exploiting new digital markets, developing new partnerships and identifying new distribution and acquisition channels. Attracting and retaining customers is achieved through a combination of our brand, propositions and price.

While we are renowned for our green credentials, ethical approach and customer service we are focused on continuing to improve our brand awareness, which is currently just under 7%. Developing our brand awareness and digital presence increases name recognition and conversion and is core to the ongoing growth strategy.

This year we have enhanced our customer propositions with the introduction of carbon neutral green gas, an electronic vehicle tariff and a peer to peer energy trading platform. As the UK energy market transitions to SMART operations and our system and digital sophistication increases so will our customer propositions.

Enhancing our digital capabilities allows us to become more efficient and provides us the opportunity to further improve our customer pricing in the market.

Generation and development

As a generator, as well as a supplier of renewable energy, we now own and operate a total of seven solar sites and two wind farms for a total of 52MW (H1 2015:42.5MW) of installed capacity.

During the period, we successfully commissioned a new 5MW solar site “Oaklands Plantation” near Wareham, Dorset and sold Wrotham Heath, a 4.65MW solar site at Wrotham, near Maidstone, Kent, to a member of the Trina Solar group. The sale of Wrotham Heath followed a competitive tender process and generated a net profit on sale of approximately £0.5m, which was realised in the first half of this year.

We also received planning permission for an additional 2MW solar farm located next to our wind farm at Delabole, in Cornwall. As at 30 June 2016, the Company had consented over 150MW of solar assets, enough to supply renewable electricity to over 40,000 average UK homes. The majority had either been sold or constructed by the end of 2015.

The total output from our generation portfolio increased 19% to 43.2GWh (H1 2015: 36.4GWh). Solar output increased 107% to 19.0GWh (H1 2015: 9.2GWh) with 23.3MW of solar brought online throughout 2015 and H1 2016. Wind output was 11% lower at 24.2GWh (H1 2015: 27.2GWh) due to above average wind speeds in H1 2015.

Our growth ambitions require sources of renewable electricity generation. As announced at our 2015 year end, our immediate focus is to maximise the value of our existing development portfolio that qualify for Government support before 31 March 2017 of which we currently have two 5MW sites (Newton Downs, Dorset and Brynwhilach, South Wales) that could meet the required deadline.

With the removal of subsidy support our medium term generation focus has shifted to wind power of which we have over 90MW currently in development. Our longer term focus is on tidal, which we believe will offer a significant source of energy in the future.

We will continue to monitor and review the role that solar will play as part of our generation portfolio, with its participation mainly influenced by the evolution of construction costs after the removal of subsidies as well as additional revenues or optimisations that could be derived from new technologies such as battery storage.

We continue to actively manage our generation and development portfolio to realise the maximum value for Good Energy and enable its optimal development and diversification.

Propositions and Innovation

Good Energy has a long history of innovation and investing in new technology to help change the way we generate and use electricity as a country.

In April 2016, we launched our carbon neutral Green Gas, an enhanced gas product which contains over 6% of all biomethane sourced in the UK.

In May 2016 we successfully completed our six-month trial of the UK’s first ‘peer to peer’ energy trading platform with Open Utility. The platform provides an online service which gives consumers and generators direct access to each other and control over the sourcing and selling of their electricity, the “Ebay” of energy. The scheme was warmly received with 37 consumers and generators taking part in the trial including the National Trust, City of Cardiff Council and Eden Project. Following the successful trial we are working with demand and generation trial users to assess the wider commercial opportunities for the platform.

In May we also signed a Memorandum of Understanding with ITM Power, an energy storage and clean fuel company, to explore green electricity tariffs for hydrogen production at ITM’s refuelling stations across the UK. This allows both companies to explore the provision of renewable energy contracts and direct coupling to renewable power generation in their portfolios for the production of hydrogen fuel across the UK.

Sustainability Report

In June 2016, we published our first Progress Report to demonstrate how Good Energy aims to make a positive impact and put our values into every day practice. The report also details our aims to ensure that all of our renewable energy projects deliver local benefits, bringing investment to the local economy, and enhancing the natural environment to leave a positive legacy for years to come.

Strategy

We continued to make progress against our four strategic pillars in H1 2016.

Get Efficient – drive down cost to serve

Drive process efficiency of existing processes and maximise the impact of new systems capacity on driving down cost to serve.

In the first six months we have been getting efficient with investment in our CIS system and middleware as well as upgrading our website with the first rollouts scheduled for H2 2016.

Get Clever – build a platform for 2020 growth

Build capacity of our people and systems to support the Good Energy strategy.

In the first six months of the year we have been getting clever through the appointment of a Head of Digital, Marketing and Brand and the sale of our solar site at Wrotham Heath. The sale released funds allowing us to continue to invest in our development portfolio.

Get Great – create compelling propositions

Use the capabilities we are building to create compelling offers for our customers.

In the first six months of the year we have been getting great with the publishing of our Progress Report on environmental performance, completing our peer to peer energy trial and announcing our partnership with ITM Power Limited.

Get Big – get famous, drive scale and profitability

Telling the right stories in compelling ways and making sure we can source the energy for them.

In the first six months of the year we have been getting big by connecting our 7th solar farm, launching our green gas product and dropping our gas prices by 7.2%, to widen our appeal to new customers, getting the Renewable Energy Association Customer Service and Company of the Year awards and with the success of our customer share offer.

Regulatory, political and market environment

The UK energy market continues to evolve with the final recommendations of the CMA review, SMART rollout and the transfer of energy policy to the Department of Business, Energy and Industrial Strategy following the dissolution of Department of Energy and Climate Change and we welcome the alignment of energy and business policy. While the Government continues to show positive commitments to climate change with the passing of the 5th carbon budget we note additional challenges for the Government with decarbonising the heat and transport networks.

Given the UK's reliance on imported fuels we are seeing increased volatility of wholesale energy prices following the BREXIT vote. As a result of this volatility some supply market participants are increasing their prices. Good Energy operates a hedging policy that is the combination of over 1,000 small and medium generators, our own generation assets and trading in the market with a mix of short term balancing and other medium to long term hedging arrangements.

We consider this market volatility offers opportunities for Good Energy given our vertical integration, hedging policy and over 16 years of UK energy market experience.

Outlook

H1 2016 has seen a strong performance which has benefitted from the sale of Wrotham Heath and reflects the seasonality of the business, with greater profitability expected in the first 6 months of the year from the supply business. We expect to make further progress in the second half of the year including continuing to invest in growing the business and the Board remains confident of meeting the market's full year expectations.

The first stage of our CIS system and middleware investment as well as website updates are expected to be implemented in H2 2016 and this presents Good Energy with some exciting opportunities. Additional releases will continue across the business in 2017.

We continue to make progress against our four strategic objectives, keeping us on track to achieve our long term objective of a five-fold increase in customer sales by 31 December 2020.

Summary

Good Energy has had a strong start to 2016 increasing customers, profit and cash flow.

Investment in our systems and digital capabilities form the platform that allows the Company to be competitive in the future UK energy market.

We believe our low carbon offering to homes and businesses from a supplier who is renewable, ethical and innovative is new and will continue to be a key differentiator in the UK energy market.

Juliet Davenport

Chief Executive
13 September 2016

Consolidated Statement of Comprehensive Income (Un-audited)
For the 6 months ended 30 June 2016

	Notes	Un-audited 6 months to 30/06/2016 £000's	Un-audited 6 months to 30/06/2015 £000's	Audited 12 months to 31/12/2015 £000's
REVENUE		**45,567**	*32,590*	64,281
Cost of Sales		**(30,286)**	*(22,428)*	(42,982)
GROSS PROFIT		**15,281**	*10,162*	21,299
Administrative Expenses		**(11,675)**	*(7,903)*	(17,065)
OPERATING PROFIT		**3,606**	*2,259*	4,234
Finance Income		**11**	*17*	23
Finance Costs		**(2,255)**	*(1,760)*	(4,129)
PROFIT BEFORE TAX		**1,362**	*516*	128
Taxation		**(211)**	*(146)*	(323)
PROFIT/(LOSS) FOR THE PERIOD		**1,151**	*370*	(195)
Other comprehensive income for the year, net of tax		**-**	*-*	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		**1,151**	*370*	(195)
Earnings per share from profit for the period				
- Basic	6	**7.9p**	*2.6p*	(1.4p)
- Diluted	6	**7.6p**	*2.4p*	(1.4p)

Consolidated Statement of Financial Position (Un-audited)

As at 30 June 2016

	Notes	Un-audited 30/06/2016 £000's	*Un-audited 30/06/2015 £000's*	*Audited 31/12/2015 £000's*
ASSETS				
Non-current assets				
Property, plant and equipment		**60,668**	56,181	60,984
Intangible assets		**2,727**	3,323	3,317
Restricted deposit assets		**2,833**	-	2,803
Available-for-sale financial assets		**500**	500	500
Total non-current assets		**66,728**	60,004	67,604
Current assets				
Inventories		**11,448**	9,169	9,482
Trade and other receivables		**14,614**	9,487	11,598
Current tax receivable		**-**	-	126
Cash and cash equivalents		**6,832**	9,533	4,751
Total current assets		**32,894**	28,189	25,957
TOTAL ASSETS		**99,622**	88,193	93,561
Equity and Liabilities				
Capital and reserves				
Called up share capital	8	**823**	748	748
Share premium account	8	**12,558**	9,777	9,786
EBT shares		**(1,064)**	(1,074)	(1,074)
Retained Earnings		**8,306**	8,254	7,483
Total equity attributable to members of the parent company		**20,623**	17,705	16,943
Non-current liabilities				
Deferred taxation		**502**	119	567
Borrowings		**55,770**	53,344	55,911
Total non-current liabilities		**56,272**	53,463	56,478
Current liabilities				
Borrowings		**4,770**	6,365	5,626
Trade and other payables		**17,795**	10,627	14,514
Current tax payable		**162**	33	-
Total current liabilities		**22,727**	17,025	20,140
Total liabilities		**78,999**	70,488	76,618
TOTAL EQUITY AND LIABILITIES		**99,622**	88,193	93,561

Consolidated Statement of Changes in Equity (Un-audited)

For the 6 months ended 30 June 2016

	Share Capital £000's	Share Premium £000's	Other Reserves £000's	Retained Earnings £000's	Total £000's
At 1 January 2015	**733**	**9,077**	**(127)**	**8,260**	**17,943**
Profit for the period	-	-	-	370	370
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	**370**	**370**
Issue of new shares	15	700	-	-	715
Tax credit relating to share option scheme	-	-	-	(39)	(39)
Sale of shares by EBT	-	-	203	(4)	199
Purchase of shares by EBT	-	-	(1,150)	-	(1,150)
Dividend Paid	-	-	-	(333)	(333)
Total contributions by and distributions to owners of the Parent, recognised directly in equity	15	700	(947)	(376)	(608)
At 30 June 2015	**748**	**9,777**	**(1,074)**	**8,254**	**17,705**
At 1 July 2015	**748**	**9,777**	**(1,074)**	**8,254**	**17,705**
Profit for the period	-	-	-	(565)	(565)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	**(565)**	**(565)**
Share based payments	-	-	-	51	51
Issue of new shares	-	9	-	-	9
Tax credit relating to share option scheme	-	-	-	(112)	(112)
Dividend Paid	-	-	-	(145)	(145)
Total contributions by and distributions to owners of the Parent, recognised directly in equity	-	9	-	(206)	(197)
At 31 December 2015	**748**	**9,786**	**(1,074)**	**7,483**	**16,943**
At 1 January 2016	**748**	**9,786**	**(1,074)**	**7,483**	**16,943**
Profit for the period	-	-	-	1,151	1,151
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	**1,151**	**1,151**
Share based payments	-	-	-	25	25
Issue of new shares	75	2,772	-	-	2,847
Tax credit relating to share option scheme	-	-	-	(20)	(20)
Sales of shares by EBT	-	-	10	-	10
Dividend paid	-	-	-	(333)	(333)
Total contributions by and distributions to owners of the Parent, recognised directly in equity	75	2,772	10	(328)	2,529
At 30 June 2016	**823**	**12,558**	**(1,064)**	**8,306**	**20,623**

Consolidated Statement of Cash Flows (Un-audited)
For the 6 months ended 30 June 2016

	Notes	Un-audited 30/06/2016 £000's	Un-audited 30/06/2015 £000's	Audited 31/12/2015 £000's
Cash flows from operating activities:				
Cash generated from operations		**3,246**	*(3,358)*	*1,590*
Finance income		**-**	*17*	*23*
Finance cost		**(2,811)**	*(770)*	*(3,277)*
Income tax repaid		**-**	*62*	*59*
Net cash flows from operating activities	7	**435**	*(4,049)*	*(1,605)*
Cash flows from investing activities:				
Purchase of property, plant and equipment		**(605)**	*(12,470)*	*(17,748)*
Purchase of intangible fixed assets		**(123)**	*(84)*	*(492)*
Deposit into restricted accounts		**(30)**	*-*	*(2,803)*
Net cash flows used in investing activities		**(758)**	*(12,554)*	*(21,043)*
Cash flows from financing activities:				
Payments of dividends		**-**	*(316)*	*(451)*
Proceeds from borrowings		**-**	*21,861*	*24,749*
Repayments of borrowings		**(430)**	*(8,858)*	*(10,348)*
Proceeds from issue of shares		**2,824**	*-*	*-*
Purchase of own shares		**-**	*(453)*	*(453)*
Sale of own shares		**10**	*199*	*199*
Net cash flows from financing activities		**2,404**	*12,433*	*13,696*
Net increase/(decrease) in cash and cash equivalents		**2,081**	*(4,170)*	*(8,952)*
Cash and cash equivalents at beginning of period		**4,751**	*13,703*	*13,703*
Cash and cash equivalents at end of period		**6,832**	*9,533*	*4,751*

Notes to the Interim Accounts
For the 6 months ended 30 June 2016

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 13 September 2016. 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 2015 were approved by the Board of Directors on 11 April 2016 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 2015, 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 2015, as described in those Annual Financial Statements. Where new standards or amendments to existing standards have become effective during the year, there has been no material impact on the net assets or results of the Group.

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 opportunites 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 2015.

Notes to the Interim Accounts
For the 6 months ended 30 June 2016

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 2015.

5. Segmental analysis

H1 2016	Electricity Supply £000's	FIT Admin-istration £000's	Gas Supply £000's	Total Supply Companies £000's	Electricity Generation £000's	Generation Development £000's	Holding Company/ Consolidation Adjustments £000's	Total £000's
Revenue	*25,874*	*2,766*	*13,694*	**42,334**	4,247	786	(1,800)	45,567
Cost of sales	*(19,500)*	*(1,545)*	*(8,606)*	**(29,651)**	(2,096)	(339)	1,800	(30,286)
Gross profit	*6,374*	*1,221*	*5,088*	**12,683**	2,151	447	-	15,281
Gross margin	*25%*	*44%*	*37%*	**30%**	51%	57%	0%	34%
Admin costs				**(9,609)**	(196)	(244)	(1,626)	(11,675)
Operating profit / (loss)				**3,074**	1,955	203	(1,626)	3,606
Net finance costs				**1**	(2,243)	-	(2)	(2,244)
Profit /(loss) before tax				**3,075**	(288)	203	(1,628)	1,362
Taxation				**(247)**	36	-	-	(211)
Net profit /(loss) for the period				**2,828**	(252)	203	(1,628)	1,151
Depreciation & amortisation				**(1,260)**	(1,294)	(1)	-	(2,555)
EBITDA				**4,334**	3,249	204	(1,626)	6,161

EBITDA is calculated using operating profit before depreciation and amortisation charges in the period.

Good Energy Group PLC

Notes to the Interim Accounts
For the 6 months ended 30 June 2016

5. Segmental analysis (continued)

H1 2015	Electricity Supply £000's	FIT Admin-istration £000's	Gas Supply £000's	Total Supply Companies £000's	Electricity Generation £000's	Generation Development £000's	Holding Company/ Consolidation Adjustments £000's	Total £000's
Revenue	*19,783*	*1,748*	*9,029*	**30,560**	3,832	200	(2,002)	32,590
Cost of sales	*(14,281)*	*(1,313)*	*(7,054)*	**(22,647)**	(1,453)	(329)	2,002	(22,428)
Gross profit / (loss)	*5,503*	*435*	*1,975*	**7,913**	2,379	(129)	-	10,162
Gross margin	*28%*	*25%*	*22%*	**26%**	62%	(65%)	0%	31%
Admin costs				**(6,600)**	(173)	(570)	(559)	(7,903)
Operating profit / (loss)				**1,313**	2,206	(700)	(559)	2,259
Net finance costs				**34**	(1,717)	(148)	88	(1,743)
Profit / (loss) before tax				**1,347**	489	(848)	(471)	516
Taxation				**(74)**	(32)	(10)	(30)	(146)
Net profit /(loss) for the period				**1,272**	457	(858)	(501)	370
Depreciation & amortisation				**(425)**	(888)	(2)	(1)	(1,316)
EBITDA				**1,738**	3,094	(699)	(559)	3,575

6. Earnings per share

The calculation of basic earnings per share at 30 June 2016 was based on a weighted average number of ordinary shares outstanding for the six months to 30 June 2016 of 14,552,351 (for the six months to 30 June 2015: 14,463,037 and for the full year 2015: 14,454,565) 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 2016 was 206p (for the six months to 30 June 2015: 225p and for the full year 2015: 222p). The dilutive effect of share-based incentives was 589,018 shares (for the six months to 30 June 2015: 663,466 shares and for the full year 2015: nil).

Notes to the Interim Accounts
For the 6 months ended 30 June 2016

7. Net cash flows from operating activities

The operating cash inflow for the six months to 30 June 2016 is £0.4m (for the six months to 30 June 2015: £4.0m outflow and for the full year 2015: £1.6m outflow). This includes £1.1m (for the six months to 30 June 2015: £2.7m and for the full year 2015: £2.8m) of spend on inventory relating to generation projects.

8. Share issue

A share issue was completed in June 2016. 1,495,899 ordinary shares were issued at 208p per share, raising £3.1m before costs of £0.3m.

9. Related party transactions

Further to the related party transactions detailed in the Group's 2015 Annual Financial Report, there have been no new related party transactions in the reporting period.

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