2023
Half Year Results

27 July 2023

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Presenters

Will Gardiner
Chief Executive Officer

Andy Skelton
Chief Financial Officer

Agenda

- **Operational Review**
- **Financial Review**
- **Strategy Update**

Forward Looking Statements

This presentation may contain certain statements, expectations, statistics, projections and other information that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans, beliefs and objectives for the management of future operations of Drax Group plc (“Drax”) and its subsidiaries (the “Group”), are not warranted or guaranteed. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. Although Drax believes that the statements, expectations, statistics and projections and other information reflected in such statements are reasonable, they reflect Drax’s current view and no assurance can be given that they will prove to be correct. Such events and statements involve risks and uncertainties. Actual results and outcomes may differ materially from those expressed or implied by those forward-looking statements. There are a number of factors, many of which are beyond the control of the Group, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These include, but are not limited to, factors such as: future revenues being lower than expected; increasing competitive pressures in the industry; uncertainty as to future investment and support achieved in enabling the realisation of strategic aims and objectives; and/or general economic conditions or conditions affecting the relevant industry, both domestically and internationally, being less favourable than expected including the impact of prevailing economic and political uncertainty, the impact of strikes, the impact of adverse weather conditions or events such as wildfires. We do not intend to publicly update or revise these projections or other forward-looking statements to reflect events or circumstances after the date hereof, and we do not assume any responsibility for doing so.

Our Purpose

Enabling a zero carbon, lower cost energy future

Our People

Valued members of a winning team with a worthwhile mission

Our Ambition

To be a carbon negative company by 2030

H1-23 Highlights

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Strong financial and operational performance, returns to shareholders, development of BECCS options

Financials
- 101% increase in Adjusted EBITDA (excluding Electricity Generator Levy)
- 10% increase in dividend per share
- £150m share buy-back programme ongoing

Operations
- High levels of dispatchable, renewable generation and system support services
- Strong pumped storage and hydro performance
- Increase in Total Recordable Injury Rate
- Coal decommissioning

£7bn of strategic growth opportunities
- Ambition for over 20Mt pa of carbon removals – 14Mt pa by 2030
- US BECCS – two initial sites selected
- Ongoing discussions with UK Government re bridging mechanism and BECCS

Operational Review

High levels of renewable generation and system support services, utilising the Group’s flexible, vertically-integrated biomass supply chain and dispatchable generation assets to support security of supply

Pellet Production

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Production and sales to support UK generation, and third party sales

7% increase in Adjusted EBITDA

- Integrated supply chain model supports production and supply in a challenging operational environment

5% reduction in production

- Unplanned outages, wind damage at Port of Baton Rouge and temporary curtailment of one site due to wildfire
- Partially offset by production at Demopolis plant

Cost increases offset by revenue growth

- Maintenance, labour, in-country transport, energy and fibre costs

Progressing new Longview pellet plant and Aliceville expansion

- Investment of c.$300m, operational by 2025, 0.6Mt of new capacity

Biomass R&D investment

- Sugar extraction plant

Heads of terms agreed for new sales to Japanese counterparty (July 2023)

- c.0.5Mt over 5 years

Adjusted EBITDA
£48m
(H1-22: £45m)

Pellet production
1.9Mt
(H1-22: 2.0Mt)

Sales to 3rd parties
1.2Mt
(H1-22: 1.0Mt)

Strong renewable generation and system support performance

Biomass

- Two major planned outages over summer 2023
- Forced outage on one unit due to transformer issue – unit returned to service

Pumped storage and hydro

- Power generation and system support services

Coal

- Completion of winter contingency contract March 2023 – no generation
- Decommissioning commenced April 2023

Adjusted EBITDA (excl. EGL) £457m (H1-22: £205m)	**EGL[1]** £35m (H1-22: n/a)	**System support[2]** £127m (H1-22: £71m)
Biomass availability[3] 87% (H1-22: 86%)	**Biomass generation** 5.3TWh (H1-22: 6.1TWh)	**Hydro generation[4]** 0.3TWh (H1-22: 0.2TWh)
% of UK renewables 9%[5] (Q2 2021 to Q1 2022: 11%)	**% of UK renewables** 14% at peak	**% of UK renewables** Up to 52% of in-day peak

1) Electricity Generator Levy – comprised of £23m biomass ROC and £12m hydro.
2) Balancing mechanism, ancillary services and portfolio optimisation.
3) Equal weighting given to all four biomass units.
4) Gross output from pumped storage and hydro schemes.
5) Measured by output Q2 2022 to Q1 2023.

Generation – Pumped Storage and Hydro

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Strong system support and renewable generation performance

Adjusted EBITDA[1]	Generation[2]
£154m	0.3TWh
(H1-22: £53m)	(H1-22: 0.2TWh)

H1 performance

- Strong system support performance
- Pumped storage – forward power sales (Q1 2023)

Full range of power generation and system services

- Increase in demand for system services reflects changing system dynamic

SYSTEM SERVICES	Pumped Storage	Biomass	GAS	NUCLEAR	WIND	SOLAR	BATTERIES	INTERCO
Clean electricity	YES	YES	NO	YES	YES	YES	PARTIAL	PARTIAL
Controllable / Dispatchable	YES	YES	YES	NO	PARTIAL	PARTIAL	YES	YES
Inertia	YES	YES	YES	YES	NO	NO	NO	NO
Dynamic response	YES	YES	YES	NO	PARTIAL	NO	YES	YES
Reserve	YES	YES	YES	NO	PARTIAL	NO	YES	YES
Reactive Power	YES	YES	YES	YES	PARTIAL	NO	YES	YES
Black Start	YES	YES	YES	PARTIAL	NO	NO	NO	YES

Pumped storage and hydro portfolio

Pumped Storage – Cruachan

- 440MW – large-scale storage and flexible generation
- Long duration storage – over 16 hours
- Option for 600MW expansion of Cruachan

Hydro – Lanark and Galloway

- 126MW – combined run-of-river and storage

1) Excludes EGL of £12m.
2) Gross output from pumped storage and hydro schemes.

Renewable power and decarbonisation services to high-quality I&C and corporate customers

Strong operational and financial performance
- Continued improvement in Adjusted EBITDA
- Sale of forward hedged power not required and lower system costs

Renewable supply offering
- Efficient route to market for large volumes of Drax power generation
- 16% increase in supply volumes

Developing portfolio of decarbonisation products
- Route-to-market for over 2,000 renewable generators
- Increasing demand for Electric Vehicle charge point services
- Second largest provider to the Demand Flexibility Service

I&C alignment with Group strategy
- Route-to-market for large volumes of renewable power
- Potential route-to-market for carbon removal certificates

Adjusted EBITDA
£37m
(H1-22: £24m)

Drax I&C power sales
8.0TWh
(H1-22: 6.9TWh)

Financial Review

A strong performance utilising the Group's flexible, vertically-integrated biomass supply chain and dispatchable generation assets to support UK security of supply and value creation for the Group

Committed to capital allocation policy

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Strong financial performance

Adjusted EBITDA (excl. EGL)[1]
£453m
(H1-22: £225m)

Total Cash and Committed Facilities June 2023
£586m
(Dec-22: £698m)

Cash Generated from Operations
£404m
(H1-22: £185m)

Net Debt June 2023[2]
£1,274m
(H1-22 £1,116m)

Adjusted EBITDA (incl. EGL)[1]
£417m
(H1-22: £225m)

Adjusted Basic Earnings Per Share[1]
46.0p/share[2/3]
(H1-22: 20.0p/share)

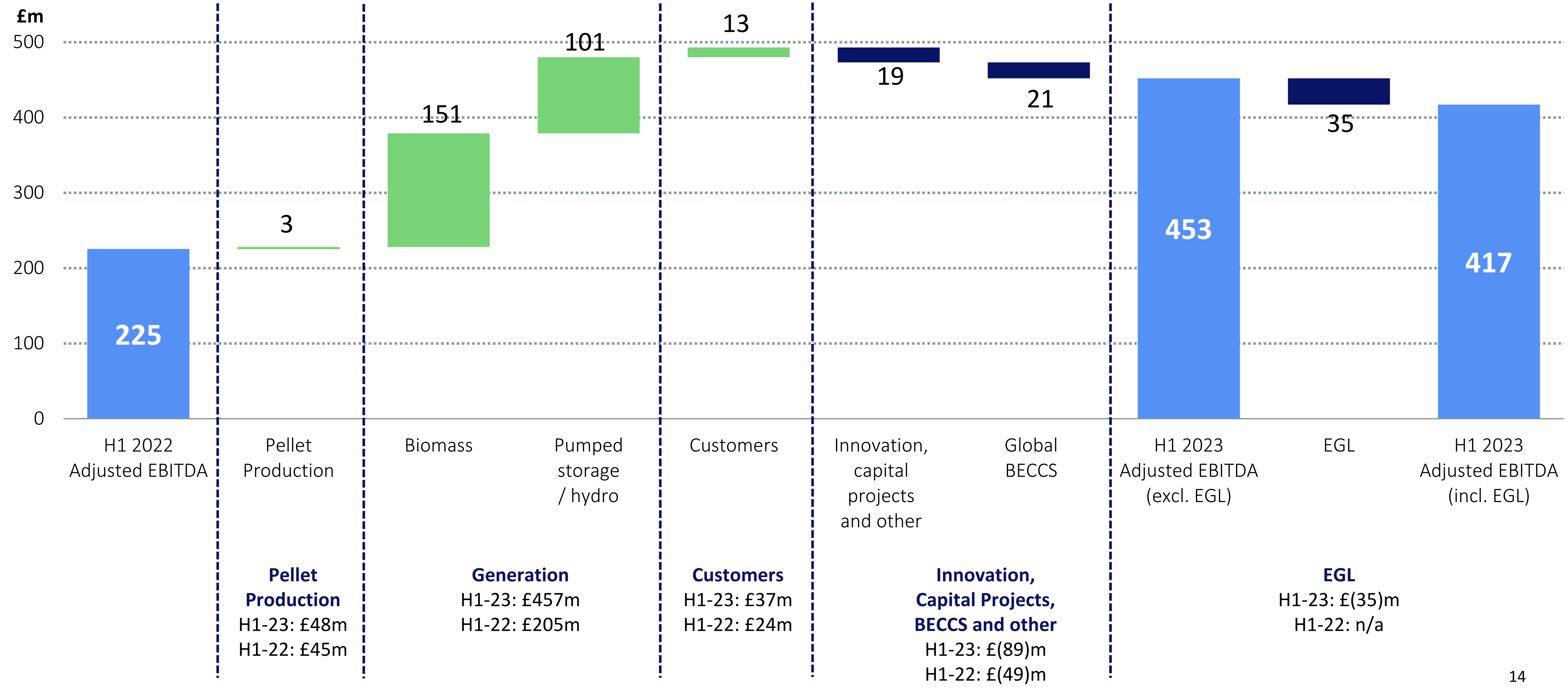
Interim Dividend
9.2p/share (£36m)
(H1-22: 8.4p/share, £34m)

Expected Full Year Dividend
23.1p/share[3] (£90m)
(2022: 21.0p/share, £84m)

1) In December 2022, the UK Government confirmed the details of a windfall tax – the Electricity Generator Levy (EGL) – on renewable and low-carbon generators between 2023 and March 2028. The levy applies to the three biomass units operating under the Renewables Obligation (RO) scheme and our run-of-river hydro operations. It does not apply to the Contract for Difference (CfD) biomass or pumped storage hydro units. Following review, we have concluded that EGL will be accounted for as a levy within Gross Profit and therefore Adjusted EBITDA. For the remainder of 2023 we will present Adjusted EBITDA including and excluding EGL for ease of comparison.
2) Cash and short-term investments of £125m less borrowings of £1,363m (less impact of hedging instruments within borrowings of £36m).
3) Final dividend remains conditional on final Board determination and shareholder approval at the next AGM.

Adjusted EBITDA Bridge

101% increase in Adjusted EBITDA



Capital Investment

Investment in core assets and strategy

2023 estimate	Key areas	Investment
Maintenance	Includes two major planned biomass outages	£120-140m
Enhancement	Efficiency and operational improvements	£30m
Strategic and growth	Biomass, BECCS and OCGT	£340-380m
Other	Health, safety, environmental and IT	£30m
Total		**£520-580m**

H1 2023: £210m, including first of two major planned outages

Full year outlook

- Investment in development of UK BECCS substantially paused pending clarity from UK Government
- OCGT investment of c.£220m
- Continued investment in Longview pellet plant and Aliceville expansion

Strong balance sheet and liquidity supporting power sales and system support activities

Facilities in place to support growth and decarbonisation
- Infrastructure facilities extend maturity profile to 2030
- ESG facilities with margin linked to carbon emissions

Active management of liquidity

Group cost of debt 4.6%
- Primarily fixed rate facilities

Strong credit profile
- S&P/Fitch (BB+ stable) and Fitch senior secured rating
- DBRS investment grade rating (BBB low stable)

Expect significantly <2x Net debt to Adjusted EBITDA incl. EGL by end of 2023

Total cash and committed facilities June 2023 £586m (Dec-22: £698m)

Maturity profile to 2030

Instrument	Maturity	Description
Infrastructure facilities	2024-2030	£587m[1]
Bonds	2025	$500m
	2025	€250m
ESG revolving credit facility	2025	£300m (undrawn)
Liquidity facility[2]	2023	£200m (undrawn)
ESG term-loan	2024	C$300m

1) 2019 infrastructure facility of £375m – £123m in 2024, £123m in 2025, £80m in 2026 and £50m in 2029.
2020 infrastructure facility of c.£212m – €25m in 2024 (£23m), €70m (£63m) in 2026, £45m in 2027, £53m in 2028 and €31m (£28m) in 2030.
2) In December 2022, Drax agreed a new £200m credit facility with banks within its lending group. The facility provides an additional source of liquidity to the Group's undrawn £300m revolving credit facility over the next 12 months.

Implemented in 2017, designed to support strategy

1. Maintain credit rating
2. Invest in core business
3. Sustainable and growing dividend
4. Return surplus capital beyond investment requirements

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Strategy Update

Objective 1: to be a global leader in carbon removals

Objective 2: to be a global leader in sustainable biomass pellets

Objective 3: to be a UK leader in dispatchable, renewable generation

Attractive Opportunities to Invest for Long-term Growth

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£7bn of strategic investment opportunities aligned with climate solutions, net zero and energy security
Attractive opportunities for long-term growth and positive climate, nature and people outcomes

Carbon removals	**Ambition for >20Mt pa of carbon removals from BECCS – 14Mt pa by 2030** • 2 sites selected in US South – targeting c.6Mt pa by 2030 • Evaluating additional sites in US for greenfield and brownfield BECCS • Development of option for CCS on a pellet plant – targeting FID in 2024/25, commissioning in 2026 • MoUs agreed for sale of >2Mt • 8Mt pa of carbon removals at Drax Power Station by 2030
Biomass pellet supply	**Targeting 8Mt of production capacity by 2030** • c.5Mt of current production capacity • 18 fully operational pellet plants and developments across four major fibre baskets and five ports • c.2.5Mt of new capacity, plus 0.6Mt in development • Continue to target 4Mt pa of sales to third parties by 2030
Dispatchable, renewable generation	**Increased value from pumped storage and option for 600MW expansion of Cruachan by 2030** • Multiple earnings sources aligned with system needs • Underpinned by long-term earnings stability via a cap and floor mechanism • Planning approval granted (July 2023) **Construction of c.900MW Open Cycle Gas Turbine plants across three sites in England and Wales**

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Drax ready to invest c.£2bn in UK BECCS, pending clarity from UK Government

UK Government	**Supportive of deployment of Power-BECCS by 2030 – progress in H1 2023** • Reaffirmed commitment to 5Mt of carbon removals pa by 2030 (and 23Mt by 2035) • June 2023 – consultation on UK Emissions Trading Scheme (ETS) – inclusion of Greenhouse Gas Removals (GGR) into ETS to provide a long-term market for the negative emissions produced by GGR • July 2023 – GGR consultation – confirms policy support needed to enable investment in BECCS and CfD as preferred model • Business model to support Power-BECCS under development • Bioenergy Strategy Review expected summer 2023
Drax	**Targeting BECCS at Drax Power Station between 2027 and 2030** • Formal discussions with UK Government – bridging mechanism between end of current renewable schemes and BECCS **Key milestones and catalysts for UK BECCS (6-12 months)** • Bridging mechanism • Funding envelope for Track 1 expansion and Track 2, including selection of Drax Power Station • Confirmation of T&S infrastructure to connect to Drax Power Station • Power-BECCS business model and heads of terms

Developing a pipeline of project options in North America to provide attractive investment opportunities in long-term, large-scale carbon removals

Scientific and political support for BECCS

- IPCC – median requirement of 2.8 billion tonnes of carbon removals pa from BECCS by 2050 could be required to maintain a 1.5°C pathway

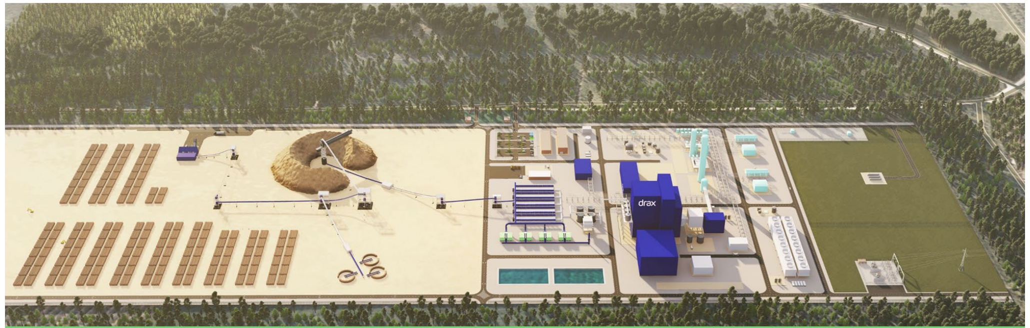
Key considerations

- Regulatory and political environment
- Proximity to sustainable fibre
- Geology and T&S infrastructure

Prioritising US development

- Supportive environment under Inflation Reduction Act

New-build BECCS illustrative site details



Generation capacity:
c.270MW net
c.400MW gross

Carbon dioxide captured:
c.3Mt
of carbon sequestered annually

Healthy forests:
c.3Mt
green tonnes of low-grade fibre

Renewable power generated:
c.2.0 TWh
of 24/7 renewable baseload power

Investment:
c.$2bn
initial capital investment from Drax

Job creation:
1,000+
permanent jobs supported by plant operations and across supply chain

Summary

Strong financial and operational performance, returns to shareholders, development of BECCS options

Near-term focus on renewable generation and system support services

- Utilising Group’s flexible, vertically-integrated biomass supply chain and dispatchable generation assets to support security of supply

Medium / long-term – development of pipeline of attractive investment opportunities

- Aligned with climate solutions, net zero and energy security

A disciplined approach to capital allocation

- Strong balance sheet
- Investment in core business and growth opportunities
- Sustainable and growing dividend
- Returns to shareholders – £150m share buy-back ongoing

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Half Year Results

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Appendices

Group Adjusted EBITDA

Group Income Statement

Segmental Adjusted EBITDA

Pellet Production – Adjusted EBITDA

Generation – Adjusted EBITDA

Customers – Adjusted EBITDA

Group Cash Flow Statement

Group Net Debt Bridge

Contracted Generation Power Sales

Drax Role in UK System Support and Energy Security

Electricity Generator Levy

Merchant Forward Commodity Prices

Merchant Forward Carbon Prices

Group Adjusted EBITDA

High-quality earnings from a multi-technology portfolio and integrated supply chain

Business unit		Assets	Capacity	H1-23 Adjusted EBITDA (£m)	H1-22 Adjusted EBITDA (£m)
Pellet Production		18 pellet plants and developments in Canada and US Access to five deep water ports	>5Mt	48	45
Generation	Biomass[1]		2.6GW	303	152
	Hydro	Cruachan – pumped storage Lanark and Galloway – hydro Daldowie – energy from waste	0.6GW	154	53
Customers		I&C and SME supply		37	24
Innovation, Capital Projects, BECCS and other				(89)	(49)
Adjusted EBITDA (excl. EGL)				**453**	**225**
EGL				(35)	-
Adjusted EBITDA (incl. EGL)				**417**	**225**

1) Drax Power Station – formal closure of coal at the end of March 2023.

Group Income Statement

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In £m	H1-23 Adjusted	H1-23 Exceptional	H1-23 Total	H1-22 Adjusted	H1-22 Exceptional	H1-22 Total
Revenue	3,964	126	4,090	3,621	(64)	3,557
Cost of sales	(3,167)	(41)	(3,208)	(3,135)	194	(2,941)
Electricity Generator Levy	(35)	-	(35)	-	-	-
Gross profit	**762**	**85**	**847**	**486**	**130**	**616**
Operating and administrative expenses	(327)	-	(327)	(235)	(2)	(237)
Impairment losses on financial assets	(19)	-	(19)	(26)	-	(26)
Adjusted EBITDA including EGL	**417**	**n/a**	**n/a**	**225**	**n/a**	**n/a**
Depreciation	(95)	-	(95)	(106)	-	(106)
Amortisation	(14)	-	(14)	(15)	-	(15)
Impairment losses on non-current assets	-	-	-	-	(25)	(25)
Other gains/(losses)	1	-	1	(1)	-	(1)
(Expense)/income from associates	(1)	-	(1)	1	-	1
Operating profit	**308**	**85**	**392**	**104**	**103**	**207**
Foreign exchange (losses)/gains	(7)	-	(7)	28	-	28
Net interest charge	(48)	-	(48)	(35)	-	(35)
Profit before tax	**253**	**85**	**338**	**97**	**103**	**200**
Tax	(70)	(21)	(91)	(18)	(34)	(52)
Net result	**184**	**64**	**247**	**79**	**69**	**148**

Segmental Adjusted EBITDA

H1-23 In £m	Power Generation	Pellet Production	Customers	Adjustments[1]	Innovation, Capital Projects, BECCS and other	Consolidated
Adjusted EBITDA (excl. EGL)	**457**	**48**	**37**	**(9)**	**(80)**	**453**
EGL	(35)	-	-	-	-	(35)
Adjusted EBITDA (incl. EGL)	**421**	**48**	**37**	**(9)**	**(80)**	**417**

H1-22 In £m	Power Generation	Pellet Production	Customers	Adjustments[1]	Innovation, Capital Projects, BECCS and other	Consolidated
Adjusted EBITDA (excl. EGL)	**205**	**45**	**24**	**(5)**	**(44)**	**225**
EGL	-	-	-	-	-	-
Adjusted EBITDA (incl. EGL)	**205**	**45**	**24**	**(5)**	**(44)**	**225**

1) Intercompany eliminations

Pellet Production – Adjusted EBITDA

In £m	H1-23	H1-22
Revenues	386	358
Cost of sales	(239)	(242)
Gross profit	**147**	**116**
Operating costs	(99)	(71)
Adjusted EBITDA	**48**	**45**

Generation – Adjusted EBITDA

In £m	H1-23	H1-22
Revenue		
Power sales	2,722	2,549
System support and optimisation	195	91
ROC sales	300	396
CfD payment to LCCC	(58)	(8)
Capacity Market income	2	8
Gas sales to Customers business	85	60
Fuel sales and other income	29	37
	3,275	**3,133**
Cost of sales		
Generation fuel costs	(713)	(620)
System support and optimisation	(67)	(20)
ROC support	252	267
Carbon certificates	(3)	(2)
ROCs sold or utilized	(315)	(400)
Cost of power purchases	(1,823)	(2,017)
Grid charges	(35)	(55)
EGL	(35)	-
	(2,739)	**(2,847)**
Gross profit	**536**	**286**
Operating costs	(114)	(81)
Adjusted EBITDA incl. EGL	**422**	**205**
EGL	35	-
Adjusted EBITDA excl. EGL	**457**	**205**

System support and optimisation

£m	H1-23	H1-22
System support and optimisation		
Revenues	195	91
Cost of sales	(68)	(20)
Margin from system support and optimisation	**127**	**71**

Average achieved power price

	H1-23	H1-22
Gross power sales (£m)	2,722	2,549
Cost of power purchases (£m)	(1,823)	(2,017)
Net power sales (£m)	**899**	**532**
Net power sales (TWh)	5.6	6.3
Average achieved price (£/MWh)	**163**	**84**

Customers – Adjusted EBITDA

In £m	H1-23	H1-22
Revenue	**2,648**	**1,668**
Cost of sales		
Cost of power and gas purchases	(1,774)	(934)
Grid charges	(361)	(319)
Other costs	(418)	(325)
	(2,553)	**(1,578)**
Gross profit	**95**	**90**
Operating costs	(39)	(40)
Bad debt charge	(19)	(26)
Adjusted EBITDA	**37**	**24**

Group Cash Flow Statement

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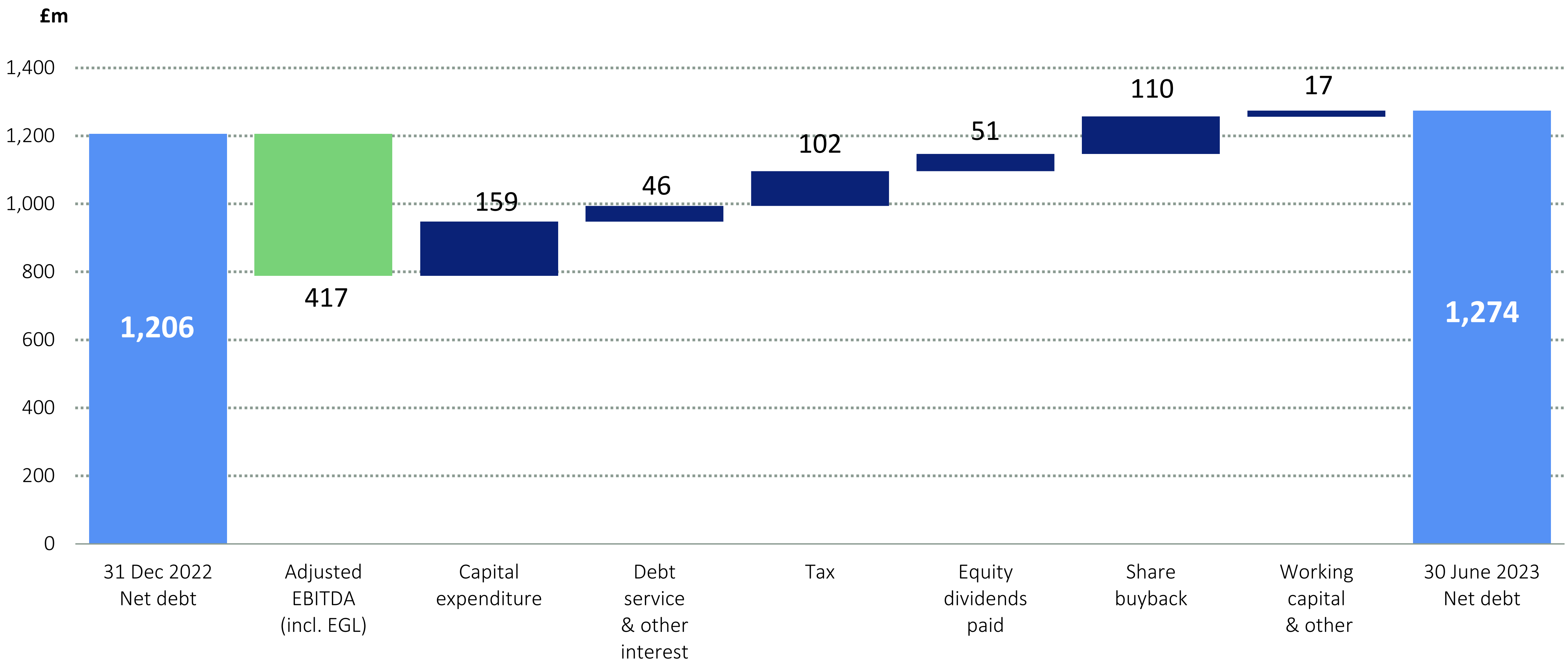
In £m	H1-23	H1-22
Adjusted EBITDA (incl. EGL)	417	225
Working capital and other	(13)	(40)
Cash generated from operations	**404**	**185**
Debt service and other interest	(46)	(32)
Tax	(102)	(9)
Net cash from operating activities	**256**	**144**
Capital investment	(159)	(83)
Purchase of equity in associates	(2)	-
Net financing	(43)	(41)
Equity dividends paid	(51)	(45)
Purchase of own shares	(110)	-
Other	(4)	(7)
Decrease in cash and cash equivalents	**(113)**	**(32)**
Cash and cash equivalents at the beginning of the period	238	317
Net cash flow	(113)	(32)
Effect of changes in foreign exchange rates	-	3
Cash and cash equivalents at the end of the period	**125**	**288**

Group Net Debt Bridge



Contracted Generation Power Sales

Contracted power sales 21 July 2023	2023	2024	2025
Net ROC, hydro and gas (TWh)[1/2]	11.7	11.2	5.2
-Average achieved £ per MWh	162.7	147.5	126.2

Strong contracted power sales on ROC and Hydro 2023-2025

- 28.1TWh contracted at £150.0/MWh

1) Includes structured power sales (forward gas sales as a proxy for forward power), transacted for the purpose of accessing additional liquidity for forward sales from ROC units and highly correlated to forward power prices. 2024: 0.4TWh, 2025: 1.5TWh, presented net of cost of closing out gas positions at maturity and replacing with forward power sales.
2) 2023 includes forward selling of pumped storage generation resulting in higher captured prices but lower system support availability.

UK's largest source of renewable energy by output

- 4% of total annual power generation
- 9% of total annual renewable generation
- Up to 52% of in-day peak renewable generation

A UK leader in dispatchable generation – 3.1GW of capacity

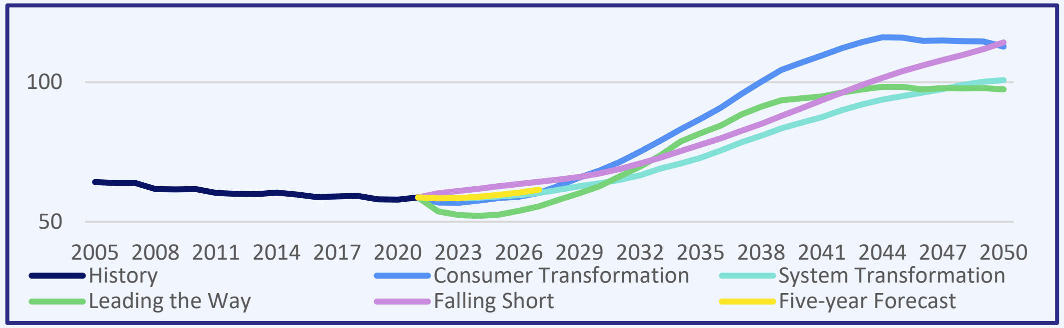
- Growth in wind, solar and nuclear = intermittency, inflexibility and volatility
- Greater role for dispatchable assets = opportunity for value

Security of supply – underpinned by integrated supply chain

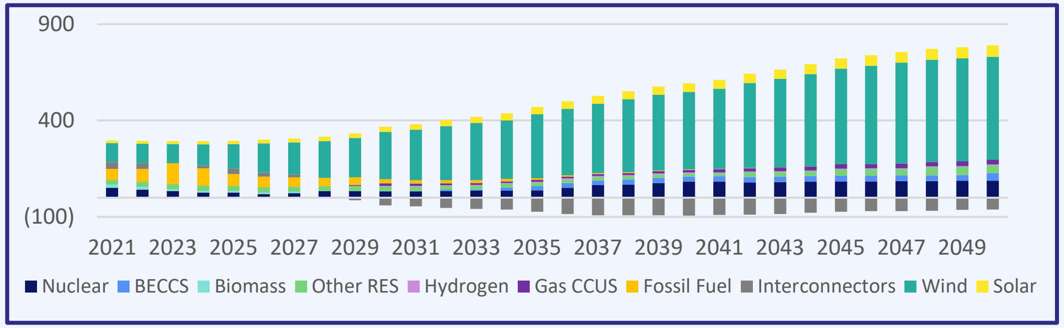
Multiple earnings opportunities

- Forward power sales up to two years in advance
- Index-linked renewable incentive schemes
- System support services via power markets, balancing mechanism and ancillary services
- Capacity payments

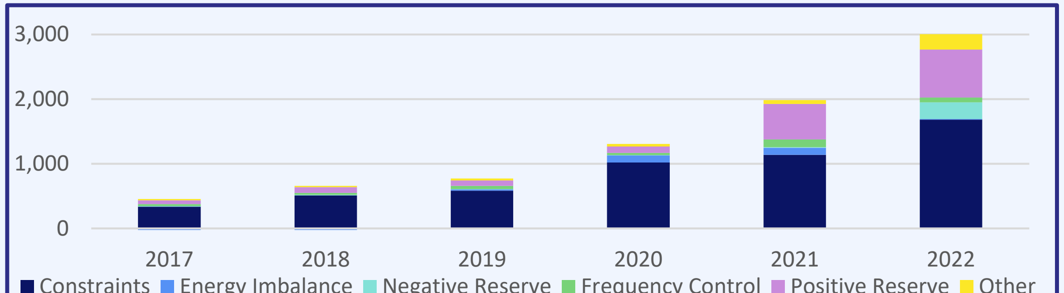
Significant increase in demand – peaks (TWh)



Increase in intermittent and inflexible generation capacity (TWh)



Growing value from system support services – BSUoS (£m)



Sources: National Grid Future Energy Scenarios and system support service data

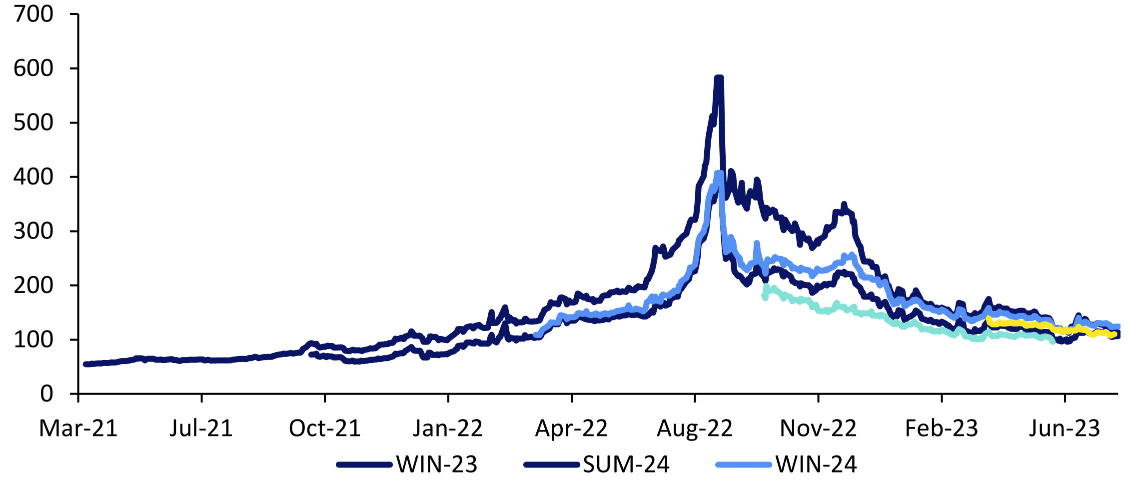
Electricity Generator Levy

A levy on renewable and low-carbon generators

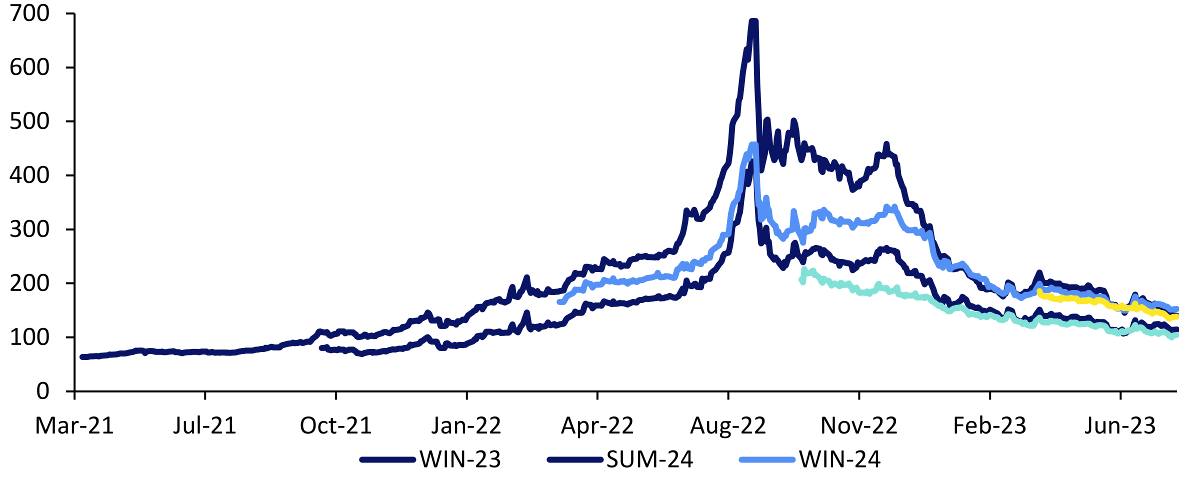
- Applies to the biomass units operating under the Renewable Obligation scheme and run of river hydro operations
- Does not apply to CfD biomass and pumped storage hydro units
- Structured as a levy on power sales above a benchmark of £75/MWh (indexed to CPI from April 2024)
- Includes an allowable exceptional fuel cost element which increases the benchmark and is calculated retrospectively based on the actual cost above a baseline fuel cost of £65/MWh or historical levels, whichever is lower
- Applies to revenues on electricity generated between January 2023 and March 2028
- EGL is a levy but is administered as a tax and subject to agreement with HMRC

Merchant Forward Commodity Prices

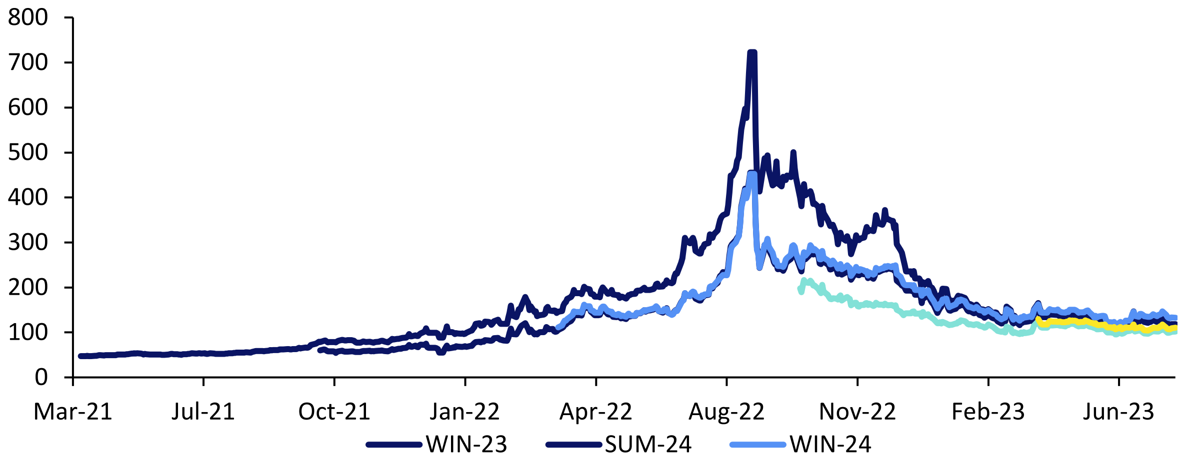
Baseload Power Price (£/MWh)



Peak Power Price (£/MWh)



NBP Gas Price (p/therm)



Source: ICE

Merchant Carbon Prices

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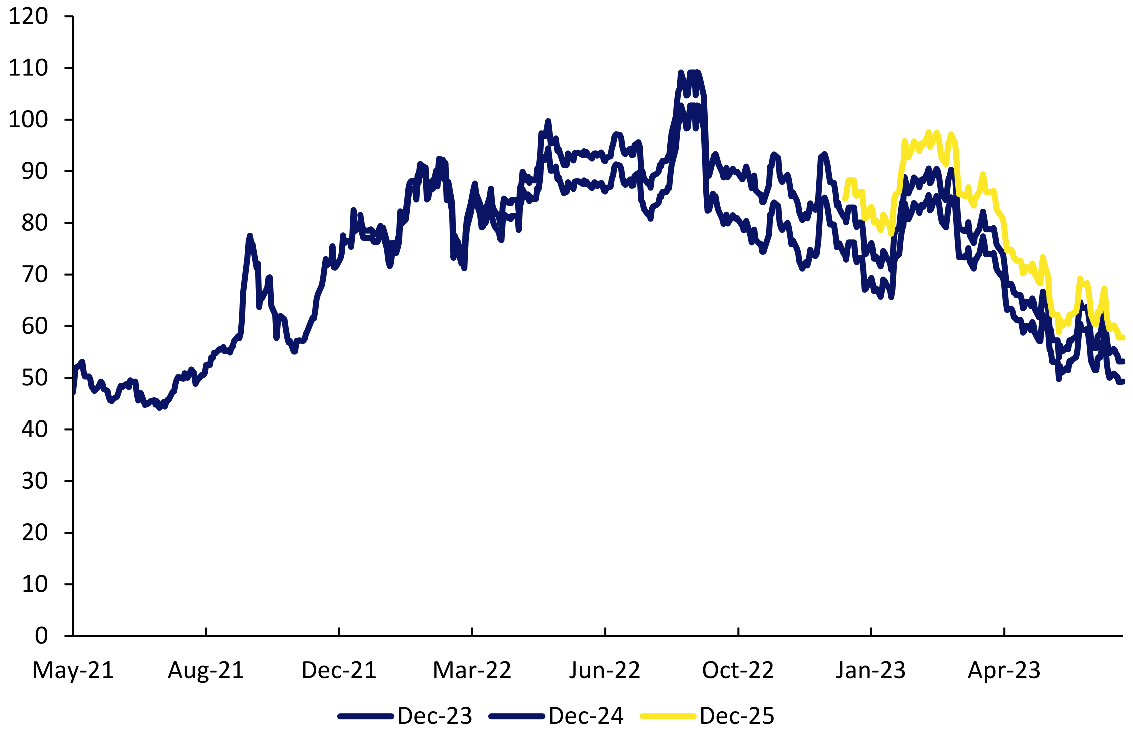
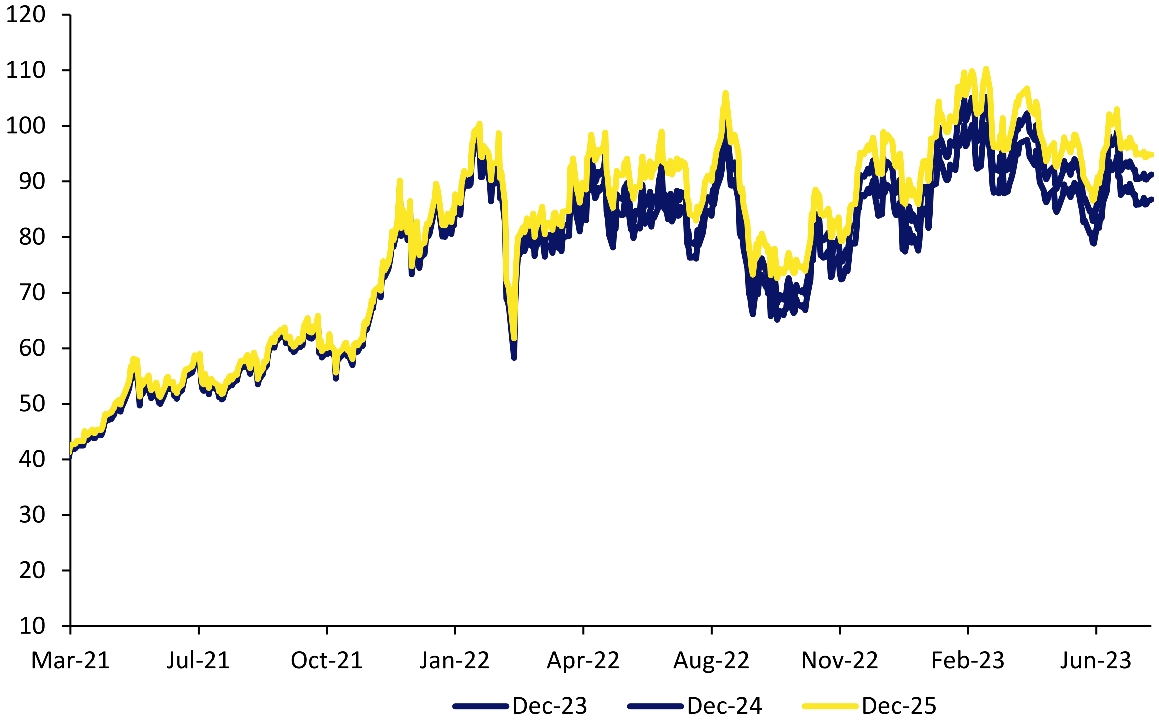
UKA Carbon (£/t)



Source: ICE

EU ETS Carbon (€/t)



Source: ICE

2023
Half Year Results

27 July 2023

drax