RNS Number : 9278X
Drax Group PLC
26 July 2024

26 July 2024

DRAX GROUP PLC (Symbol: DRX)

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

Strong operational and financial performance, improved outlook for 2024 and £300m buyback

Six months ended 30 June	**H1 2024**	**H1 2023**
Key financial performance measures		
Adjusted EBITDA[(1/2/3)] (£ million)	515	417
Net debt[(4)] (£ million)	1,035	1,274
Adjusted basic EPS[(1)] (pence)	65.6	46.0
Dividend per share (pence)	10.4	9.2
Total financial performance measures		
Operating profit (£ million)	518	392
Profit before tax (£ million)	463	338

Will Gardiner, CEO of Drax Group, said: "Drax has delivered a strong operational performance, playing an important role supporting the UK energy system with dispatchable, renewable power, keeping the lights on for millions of homes and businesses, while supporting thousands of jobs throughout our supply chain.

"As well as celebrating 50 years of operations in 2024, we are excited about the opportunities for Drax Power Station, including bioenergy with carbon capture and storage (BECCS). Both the National Grid ESO and the UK's Climate Change Committee have recently reiterated that BECCS is important for the UK to achieve its decarbonisation goals.

"We look forward to working with the newUK Government to help grow the economy and take steps urgently to deliver a net zero electricity system by 2030. We believe that Drax and our partners across the Humber and Scotland can accelerate growth, create thousands of new jobs and channel billions in private investment into carbon capture and green energy projects, subject to the right government policies to support regional development plans.

"Outside of the UK, through our plans for global BECCS, we are continuing to develop opportunities to provide long-term, large-scale carbon removals and attractive opportunities for growth as part of a potentially trillion-dollar market."

Financial highlights - strong operational and financial performance

- Adj. EBITDA growth driven by renewable generation, pellet production and Industrial & Commercial (I&C)
- Strong liquidity and balance sheet
  - £515 million of cash and committed facilities at 30 June 2024
  - £682 million of new facilities maturing 2027-2029 and repayment of £949 million[(5)] of shorter dated maturities
- Sustainable and growing dividend - expected full year dividend up 12.6% to 26.0 p/share (2023: 23.1 p/share)
  - Interim dividend of 10.4 p/share (H1 2023: 9.2 p/share) - 40% of full year expectation
- Up to £300 million two-year share buyback to commence in Q3 2024

Financial outlook

- Full year 2024 expectations for Adj. EBITDA around the top end of analysts' consensus estimates[(6)]
- Outlook for 2025 Adj. EBITDA underpinned by a strong hedge book - fully hedged on RO units

Progress in H1 towards >£500 million EBITDA post 2027 from FlexGen & Energy Solutions and Pellet Production

- FlexGen & Energy Solutions - targeting post 2027 recurring Adj. EBITDA of >£250 million
  - Continued development of three new OCGTs (c.900MW)
  - Sale of non-core SME customer meters
- Pellet Production - targeting post 2027 recurring Adj. EBITDA >£250 million
  - Increased production, including Aliceville expansion
  - Pipeline of opportunities for sales in existing and new markets, including sustainable aviation fuel (SAF)

Biomass generation - Drax Power Station

- Biomass generation - 2.6GW of flexible 24/7 renewable generation - important role inUK energy security
  - >£1 billion of est. post-tax operating cash flow (Jan 2024 to Mar 2027) underpinned by forward power hedges
  - Expect long-term value from bridging mechanism, BECCS and other opportunities
  - Bridging mechanism - targeting clarity in 2024, ongoing discussions withUK Government

Attractive opportunities to invest for long-term growth linked to energy transition and security of supply

- Options for c.£4 billion of growth investment by 2030, with additional investment through 2030s
  - UK BECCS - targeting first unit (4Mt pa) by 2030 in line withUK ambition, with second unit (4Mt pa) to follow
  - Global BECCS - first potential site shortlisted, targeting operations from 2030
  - Pumped Storage - targeting 600MW expansion of Cruachan Power Station, FID 2026, operational by 2030

Capital returns

- In line with our capital allocation policy and reflecting (a) a strong balance sheet, (b) investment requirements and (c) the mitigation of equity dilution expected to arise from share schemes, Drax will commence a share buyback programme for the purchase of up to £300 million of Drax shares over a two-year period, expected to begin in Q3 2024
- Drax remains committed to its current capital allocation policy, which remains unchanged and will continue to assess its capital requirements in line with the current policy

Operational and financial review

£ million	H1 2024	H1 2023(7)
Adj. EBITDA breakdown	**515**	**417**
Biomass Generation	393	226
Pellet Production	65	43
Pumped Storage and Hydro	76	141
Energy Solutions - I&C	36	27
- SME	(14)	7
Global BECCS	(20)	(6)
Innovation, Capital Projects and Other	(21)	(20)

Pellet Production - *supporting UK generation and sales to third parties*

- Improved operational and financial performance versus H1 2023
  - 2.0Mt of pellets produced (H1 2023: 1.9Mt) and improved margin
- Development of new capacity
  - Aliceville expansion commissioned H1 2024 (130kt)
  - Longview pellet plant (450kt)

Generation - *energy security with dispatchable renewable generation and system support services*

- Pumped storage and hydro - performance supportive of post 2027 Adj. EBITDA target
  - Strong system support earnings with lower forward power sales, as expected, compared to H1 2023
  - Progressing c.£80 million refurbishment and upgrade (40MW) of Cruachan underpinned by 15-year Capacity Market agreement (>£220 million)
- Biomass generation - increased level of renewable generation and continuing system support role
  - 7.0TWh - c.32% increase on H1 2023 (5.3TWh)
  - Single major planned outage on track, expected to complete August 2024
- Strong contracted power and renewables position
  - As at 22 July 2024 c.£3.1 billion of forward power sales between 2024 and 2026 on RO biomass, pumped storage and hydro generation assets - 25.8TWh at an average price of £120.7/MWh(8/9)
  - RO generation - fully hedged in 2024 and 2025, with >£1 billion of associated ROCs
  - A further 4.7TWh of CfD generation contracted for 2024/25

Contracted power sales as at 22 July 2024	**2024**	**2025**	**2026**
Net RO, hydro and gas (TWh)(8)	*11.0*	*10.0*	*4.8*
Average achieved £ per MWh(9)	*150.9*	*107.1*	*79.7*
CfD (TWh)	*3.9*	*0.8*	-

Energy Solutions (Customers) - *renewable power sales and energy services*

- Strong underlying I&C performance
  - Increase in achieved margin offsetting small reduction in power sales - 7.6TWh (H1 2023: 8.0TWh)
  - Growing value from 100% renewable power products
  - Development of Energy Solutions business including system support services via demand response, and electric vehicle services following acquisition of BMM (August 2023)
- SME business (Opus Energy)
  - Asset sale of majority of Opus Energy's meter points (c.90,000) (expected to complete Q3 2024), reflecting focus on core I&C business
  - Employee consultation process underway to reflect reduced customer base

Other financial information

Capital investment

- Capital investment of £147 million (H1 2023: £210 million)
- 2024 FY expected capital investment of c.£360-400 million - growth, maintenance and other
  - Growth - c.£270 million, primarily the development of a new pellet plant (Longview), three new OCGTs (continuing to evaluate options for these projects) and refurbishment of Cruachan units 3 and 4
  - Maintenance - c.£100 million, including major planned outage at Drax Power Station

Cash and balance sheet

- Cash generated from operations £400 million (H1 2023: £404 million)
- Net working capital outflow (£93 million) inclusive of an increase in renewable certificate assets
- Net debt at 30 June 2024 of £1,035 million (31 December 2023: £1,084 million), including cash and cash equivalents of £263 million (31 December 2023: £380 million)
- £682 million of new loan facilities maturing 2027-2029 and repayment of £949 million(5) of shorter dated maturities
  - New c.£383 million term-loan facilities, maturing 2027-2029
  - New €350 million Eurobond, maturing 2029
  - Repaid £347 million of infrastructure facilities, maturing 2025-2026
  - Repaid $500 million US bond, maturing 2025
  - Repaid €106 million of €250 million Eurobond through tender offer, bond maturing 2025
  - Repaid £120 million collateral facility in July 2024

Notes:

(1) Financial performance measures prefixed with "Adjusted/Adj." are stated after adjusting for exceptional items and certain remeasurements (including impairment of non-current assets, proceeds from legal claims, change in fair value of financial instruments and impact of tax rate changes). Adj. EBITDA and EPS measures exclude earnings from associates and amounts attributable to non-controlling interests.

(2) Earnings before interest, tax, depreciation, amortisation, other gains and losses and impairment of non-current assets, excluding the impact of exceptional items and certain remeasurements, earnings from associates and

earnings attributable to non-controlling interests.

(3) In January 2023 the UK Government introduced the Electricity Generator Levy (EGL) which runs to 31 March 2028. The EGL applies to the three biomass units operating under the RO scheme and run-of-river hydro operations. It does not apply to the Contract for Difference (CfD) biomass or pumped storage hydro units. EGL is included in Adj. EBITDA and amounted to £114 million in H1 2024 (H1 2023: £35 million).

(4) Net debt is calculated by taking the Group's borrowings, adjusting for the impact of associated hedging instruments, and subtracting cash and cash equivalents. Net debt excludes the share of borrowings and cash and cash equivalents attributable to non-controlling interests.
Borrowings includes external financial debt, such as loan notes, term-loans and amounts drawn in cash under revolving credit facilities. Net debt does not include financial liabilities such as pension obligations, trade and other payables, lease liabilities, working capital facilities linked directly to specific payables that provide short extension of payment terms of less than 12 months and balances related to supply chain finance. Net debt includes the impact of any cash collateral receipts from counterparties or cash collateral posted to counterparties.

(5) Includes repayment of £120 million collateral facility in July 2024.

(6) As of 17 July 2024, analyst consensus for 2024 Adj. EBITDA was £961 million, with a range of £881 - 996 million. The details of this consensus are displayed on the Group's website.
Consensus - Drax Global

(7) In 2023 a review of the mechanism for corporate recharges was performed, leading to a greater proportion being recharged to business units, primarily Generation. The remaining £21 million in H1 2024 is comprised of Innovation, Capital Projects and Other costs, including the development of options for pumped storage expansion and intercompany eliminations (H1 2023: £20 million). H1 2023 in the table shows the figures on the re-presented basis.

(8) Includes 2.9TWh of structured power sales in 2025 and 2026 (forward gas sales as a proxy for forward power), transacted for the purpose of accessing additional liquidity for forward sales from RO units and highly correlated to forward power prices.

(9) Presented net of cost of closing out gas positions at maturity and replacing with forward power sales.

Forward-looking statements

This announcement 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 conflict including those in the Middle East and Ukraine, the impact of cyber attacks on IT and systems infrastructure (whether operated directly by Drax or through third parties), 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.

Results presentation webcast arrangements

Management will host a webcast presentation for analysts and investors at 9:00am (BST) on Friday 26 July 2024.

The presentation can be accessed remotely via a live webcast link, as detailed below. After the meeting, the webcast recording will be made available and access details of this recording are also set out below.

A copy of the presentation will be made available from 7:00am (BST) on Friday 26 July 2024 for download at: https://www.drax.com/investors/announcements-events-reports/presentations/

Event Title:	Drax Group plc - Half Year Results 2024
Event Date:	Friday 26 July 2024
	9:00am (BST)
Webcast Live Event Link:	https://secure.emincote.com/client/drax/drax029
Conference call and pre-register Link:	https://secure.emincote.com/client/drax/drax029/vip_connect
Start Date:	Friday 26 July 2024
Delete Date:	Sunday 27 July 2025
Archive Link:	https://secure.emincote.com/client/drax/drax029

For further information, please contact: rosie.corbett@fticonsutling.com

Website:	www.drax.com

CEO's review

Drax sits at the heart of the UK energy system and in the first half of 2024 we have continued to deliver a strong financial and operational performance that has supported energy security. Our dispatchable 24/7 generation portfolio, backed up by our resilient North American supply chain, enables us to operate the UK's largest single source of renewable power by output, and through our flexibility we are an enabler of more wind power on the system. At the same time, we have continued to support our Energy Solutions customers on their decarbonisation journeys.

The UK and the world must continue to seek ways to decarbonise in a cost-effective manner, while protecting energy security and delivering a Just Transition. Our purpose - to enable a zero carbon, lower cost energy future - is well aligned with these competing priorities.

The UK has led the way in decarbonising its power system but there is much more to do. We look forward to working with the new Government to help them to deliver on their commitments to a clean electricity system by 2030 - a target which we believe can only be achieved with the inclusion of biomass power and large-scale carbon removals (BECCS). While 2030 seems far away, we need to make significant investments in 2025 to deliver that deadline, and clarity on a bridging mechanism in the coming months is necessary to give us the market signals and certainty required to invest. Delays in the previous Government's plans mean we need to work expeditiously with the current Government to help them achieve their aims.

Across the Group, the business is generating significant free cash flow and we stand ready to invest in our strategy and opportunities to create value from our asset base, including options for the use of Drax Power Station. Any investment remains subject to appropriate regulatory structures and investment returns. In the short-term those structures are not yet sufficiently developed and so, in line with the Group's capital allocation policy, we will commence a share buyback programme, for the purchase of up to £300 million over a two-year period, expected to begin in Q3 2024.

Summary of H1 2024

Safety remains a primary focus and, in the first half of 2024, we achieved an improvement in performance with a Total Recordable Incident Rate of 0.24 (H1 2023: 0.47). This reflects continued investment in training and the strengthening of our safety culture as we continue to work hard to further reduce the number of incidents.

Adjusted EBITDA of £515 million, represents a 24% increase on H1 2023 (£417 million). This reflects a strong renewable power generation and system support performance across the portfolio and an improvement in Pellet Production, with both higher production and margins versus H1 2023.

Our balance sheet is strong, with total cash and committed facilities of £515 million and Net debt of £1,035 million. Since the start of the year, we have put in place £682 million of new facilities with maturities 2027-2029, extending the tenure of the Group's debt, and repaid £949 million of shorter dated maturities (including a £120 million collateral facility repaid in July 2024).

We expect to propose a dividend for the 2024 financial year of 26.0 pence per share, a 12.6% increase on 2023, consistent with our policy to pay a dividend which is sustainable and expected to grow. As has been our practice since we implemented the policy in 2017, 40% of the expected full year dividend will be paid for the first six months of 2024, of 10.4 pence per share.

Pellet Production

Adjusted EBITDA of £65 million (H1 2023: £43 million) reflects an increase in production output and improved margin. During the first half of 2024 we also commissioned a 130kt expansion of the Aliceville pellet plant.

As a vertically integrated producer, user, buyer, and seller of biomass, we operate a differentiated biomass model from our peers and see the current global biomass market as having a favourable balance of risks and opportunities. In the short term, we are focused on managing risks in our supply chain, while at the same time remaining alert to opportunities. Longer term, we are positive on the outlook for biomass demand and expect this to grow, as sustainable biomass is increasingly used for other applications, for example, BECCS and SAF.

Generation

Adjusted EBITDA of £469 million was an increase of 28% on H1 2023 (£367 million). This primarily reflects a strong renewable power generation performance, in addition to the provision of system support services which have increased in value over the last five years.

<u>Biomass</u>

Drax Power Station is the largest power station in the UK and the country's largest single source of renewable power by output. The site has four fully flexible and independent biomass units providing 2.6GW of capacity for secure 24/7 renewable power.

Between April 2023 and March 2024 (the most recent period for which data is available) the plant generated over 4% of the UK's electricity and 9% of its renewable power. During this period, it produced on average 16% of the UK's renewable power at times of peak demand and on certain days over 60%. This performance demonstrates the important role that Drax plays in security of supply in the UK.

Biomass generation is underpinned by a robust and diversified international supply chain, using sustainable biomass material from the Group's own production capacity and third-party suppliers across the US, Canada and Europe. This diversification also provides operational redundancy designed to mitigate potential disruptions at the supplier level.

In the UK, Drax utilises dedicated port facilities at Hull, Immingham, Tyne and Liverpool, with annual throughput capacity significantly in excess of the Group's typical annual biomass usage.

Drax Power Station has around 300,000 tonnes of onsite biomass storage capacity. Taken together with volumes throughout the supply chain, the Group currently has visibility of around one million tonnes of biomass in inventories. This adds to the resilience of the UK power market in periods of high demand.

The strategically important role which Drax Power Station plays highlights the importance of continued investment to ensure good operational performance and availability. As part of this investment, a major planned outage is currently under way on one unit, which is expected to return to service in August 2024.

<u>FlexGen (pumped storage, hydro and OCGTs - Open Cycle Gas Turbines</u>)

Adjusted EBITDA of £76 million (H1 2023: £141 million) is significantly above the historical average first half performance (since acquisition in 2018) of c.£40 million (c.£94 million pa).

H1 2023 included the benefit of a high peak/off-peak power split. As forward power prices have reduced, we expected a lower level of Adjusted EBITDA in 2024 compared to 2023, although reduced, we expected a lower level of Adjusted EBITDA in 2024 compared to 2023, although above the average achieved since acquisition in 2019 and consistent with our target for post 2027 EBITDA of more than £250 million pa from FlexGen and Energy Solutions.

In February 2024, the Group secured a 240MW (226MW de-rated) 15-year (2027-2042) Capacity Market agreement for the refurbishment and upgrade of two units at Cruachan, which would result in a 40MW increase in capacity and improved operability. Development is underway and the expected capital cost is c.£80 million.

We are continuing to construct three new-build OCGTs at two sites in England and one in Wales, with commissioning due to commence from Q4 2024 and full operations in 2025. The plants will provide combined capacity of around 900MW and be remunerated under 15-year Capacity Market agreements (2024-2039), in addition to revenues from peak power generation and system support services. We are continuing to assess options for these assets, including their potential sale.

Energy Solutions (Customers)

Adjusted EBITDA of £22 million was down 35% on H1 2023 (£34 million), comprised of a profitable Industrial and Commercial (I&C) business, and a loss-making Small & Medium-sized Enterprise (SME) business.

I&C Adjusted EBITDA performance has improved compared to H1 2023, underpinned by margin growth on contracted power prices. Alongside supplying renewable energy, this business is increasingly active in the provision of value adding services, including asset optimisation and electric vehicle (EV) services.

Opus Energy (Opus), the Group's SME business, was loss making at the Adjusted EBITDA level, reflecting an exit from gas supply as part of the Group's decarbonisation strategy and lower customer numbers.

Opus was acquired by Drax in 2017 and over the past seven years, elements of the acquired business have been transferred to our core I&C business. Those transfers included the Renewables business holding the Group's Power Purchase Agreements with renewable generators, and certain other customers. These businesses have contributed to the strong underlying performance in the I&C business.

In June 2024 we reached agreement for the sale of c.90,000 SME customer meter points to EDF Energy Customers Limited. The transaction is an asset sale for most of the Opus customer meter points and follows the completion of a strategic review of the SME business. The transaction is expected to complete in Q3 2024. An employee consultation process is underway to reflect the reduced customer base.

Progressing towards >£500 million pa of Adjusted EBITDA post 2027 from FlexGen & Energy Solutions and Pellet Production

In February 2024 we set out a target to deliver more than £250 million pa of recurring Adjusted EBITDA from our FlexGen & Energy Solutions businesses and more than £250 million pa from Pellet Production.

The FlexGen & Energy Solutions portfolio consists of our pumped storage and hydro assets, plus the new OCGTs which will begin commissioning later in 2024, and our Energy Solutions business. This combined portfolio made good progress in the first half of 2024 and we expect to benefit in future years from the full operation of the OCGTs, as well as the 40MW expansion of Cruachan, both of which are underpinned by 15-year Capacity Market agreements.

We also believe that the restructuring of the SME supply assets will support the development of the I&C business.

More work is required to deliver our target for the Pellet Production business but H1 2024 was a robust performance which, we believe, represents progress towards our post 2027 target, which is based on annual volume of 5Mt, comprised of sales to third parties or own use of wood pellets. We expect to build on this performance through additional output from existing capacity and existing developments, as well as the development of a pipeline of sales into existing and new markets, including SAF.

Long-term strategy

Our strategy is designed to realise our purpose of enabling a zero carbon, lower cost energy future. It includes three complementary strategic pillars, closely aligned with global energy policies: (1) to be a UK leader in dispatchable, renewable generation, (2) to be a global leader in carbon removals; and (3) to be a global leader in sustainable biomass pellets.

<u>A UK leader in dispatchable, renewable generation</u>

The UK's plans to achieve net zero by 2050 will require the electrification of sectors such as heating and transport systems, resulting in a significant increase in demand for electricity. We believe that intermittent renewable and inflexible low-carbon energy sources - wind, solar and nuclear - could help meet this demand. However, this will only be possible if other power sources can provide the dispatchable power and non-generation system support services required to ensure security of supply.

With demand for these services growing, and the retirement of older thermal plants meaning that there are fewer assets capable of providing these services, this is a challenge for the power system but also an opportunity for the Group.

Biomass, pumped storage and hydro all have an important role to play and we are looking at ways to supplement the existing portfolio and create long-term value. This includes a potential 600MW expansion of Cruachan, increasing total capacity to c.1GW by 2030. The location, flexibility and range of services Cruachan can provide makes it strategically important to the UK power system and an enduring source of long-term earnings and cash flows linked to the UK's energy transition.

Planning permission for the project was granted in July 2023 and we expect to commence a detailed engineering study later this year. In January 2024, the UK Government launched a detailed engineering study later this year. In January 2024, the UK Government launched a consultation on an investment mechanism to support the development of new long-duration storage projects, like pumped storage, with a "minded to" preference for a "cap and floor" mechanism. No investment decision has been taken at this stage.

Taken together with current developments, we could create a FlexGen portfolio of scale with c.1.2GW of pumped storage and hydro capacity by 2030 and c.0.9GW of OCGT capacity, in addition to biomass generation at Drax Power Station.

<u>A global leader in carbon removals</u>

The Group is continuing to develop a pipeline of projects for BECCS in the UK, US and elsewhere.

Drax Power Station - UK BECCS and Biomass Generation

We continue to develop an option for BECCS at Drax Power Station, with plans to add post-combustion carbon capture technology from Mitsubishi Heavy Industries to two of the existing biomass units that use sustainable biomass. In total the project could capture up to 8Mt of carbon per year with the first unit operational by 2030, making a major contribution to the UK's legally binding net zero targets in addition to providing 24/7 renewable power and energy security.

In January 2024, the UK Government launched a consultation on a bridging mechanism to support large-scale biomass generators transitioning from their existing renewable schemes to BECCS. The publication of the Government's response to the consultation was delayed due to the UK general election, which curtailed many Government announcements, and we now expect publication in the second half of 2024.

Through 2024, Drax has continued to formally engage with the UK's Department for Energy Security and Net Zero (DESNZ) regarding a bridging mechanism and UK BECCS, and we expect this process to continue in the second half of 2024 under the leadership of the new UK Government.

We believe that a bridging mechanism offers the most effective way to build a link between the end of the current renewable schemes in 2027 and BECCS operations. This could provide multi-year certainty, allowing Drax to secure long-term biomass supplies and continue to support energy security via flexible and reliable renewable biomass generation in advance of BECCS.

Global BECCS

The US represents an attractive investment environment for large-scale carbon removals. It combines good access to both fibre and carbon storage, thereby shortening our supply chain, in addition to a supportive investment environment.

Over the last 18 months we have been putting in place the infrastructure to support growth, including the appointment of a President for the Global BECCS business and the opening of a new Global BECCS headquarters in Houston, Texas.

We have a first site selected for a potential new-build BECCS plant (power and carbon capture) located in the US southeast, which is progressing through pre-FEED (front-end engineering design). Investment will be subject to long-term Carbon Dioxide Removal (CDR) offtake agreements with corporate counterparties, and power purchase agreements for 24/7 renewable power, for which discussions with prospective counterparties are underway.

We are also continuing to assess options for BECCS in other regions.

<u>A global leader in sustainable biomass pellets</u>

We believe that the global market for sustainable biomass will grow significantly, creating international opportunities. These will include sales to third parties, own use and other long-term uses of biomass, including SAF. Reflecting that growth, we are developing a pipeline of new contracts for biomass supply into new markets and uses to supplement our existing long-term third-party supply arrangements.

To support this expected growth in demand for biomass products, we are targeting 8Mt of pellet production capacity. This will require over 2Mt of new biomass pellet production capacity to supplement existing capacity. Development of additional new capacity is subject to clarity on demand for biomass from Drax Power Station.

Artificial Intelligence (AI) and data centres

The growing demand for 24/7 power to meet the needs from AI and data centres provides opportunities for generators like Drax. National Grid ESO's Future Energy Scenarios indicate a potential doubling of demand for power consumption from data centres, which should be supportive of power prices.

We believe Drax's proposition of large-scale 24/7 renewable power and cooling solutions from secure sites backed up by a resilient North American supply chain, and a route to large-scale high-integrity carbon removals via BECCS, is well aligned with the needs of this growing industry and we are actively exploring opportunities alongside a bridging mechanism and BECCS.

Ofgem

In May 2023, Ofgem announced the opening of an investigation into Drax Power Limited's annual biomass profiling reporting under the Renewables Obligation scheme. At that time, Ofgem confirmed that it had not established any non-compliance that would affect the issuance of ROCs. We await the conclusion of this investigation.

Outlook

We are continuing to play an important role in supporting energy security in the UK. Our dispatchable 24/7 generation portfolio, backed up by our resilient North American supply chain, enables us to operate the UK's largest single source of renewable power by output and through system support services and flexibility we are also an enabler of more wind power onto the system.

Our long-term focus remains on progressing our strategy, underpinned by the development of BECCS, subject to the appropriate regulatory structures and investment returns. We will continue to apply our capital allocation policy with a focus on balance sheet strength, investment in the core business and strategy, a sustainable and growing dividend, and to the extent there are residual cash flows beyond the current needs of the Group, additional returns to shareholders.

Through these strategic objectives and a disciplined approach to capital allocation, we expect to create opportunities for growth in the UK and beyond, underpinned by strong cash generation and attractive returns for shareholders.

Will Gardiner,
CEO

CFO's financial review

Financial highlights

		Six months ended 30 June	
		2024	2023
Financial performance (£m)	**Total gross profit**	**979**	**847**
	Operating and administrative expenses	**(333)**	(326)
	Impairment losses on financial assets	**(15)**	(19)
	Depreciation and amortisation	**(108)**	(109)
	Other	**(5)**	-
	Total operating profit	**518**	**392**
	Exceptional costs and certain remeasurements	**(115)**	(85)
	Adjusted operating profit	**402**	**308**
	Adjusted depreciation, amortisation, asset obsolescence charges and other	**113**	109
	Adjusted EBITDA	**515**	**417**
Capital expenditure (£m)	Capital expenditure	**147**	210
Cash and Net debt (£m unless otherwise stated)	Cash generated from operations	**400**	404
	Net debt	**1,035**	1,274
	Net debt to (last twelve months) Adjusted EBITDA (times)	**0.9**	**1.4**
	Cash and committed facilities	**515**	586
Earnings (pence per share)	Adjusted basic	**65.6**	46.0
	Total basic	**88.1**	61.8
Distributions (pence per share)	Interim dividend	**10.4**	9.2

Throughout this document we distinguish between Adjusted measures and Total measures, which are calculated in accordance with International Financial Reporting Standards (IFRS). We calculate Adjusted financial performance measures, which exclude income statement volatility from derivative financial instruments and the impact of exceptional items. This allows management and stakeholders to better compare the performance of the Group between the current and previous period without the effects of this volatility and one off or non-operational items. Adjusted financial performance measures are described in more detail in the APMs glossary, with a reconciliation to their closest IFRS equivalents in note 6. Adjusted EBITDA includes the impact of the Electricity Generator Levy (EGL) throughout.

During 2023 a review of the mechanism for corporate recharges was performed, leading to an increase in the amount of central costs recharged to the reportable segments. Following this change the remaining Innovation, capital projects and other costs constitute development expenditure on projects which have not yet met the capitalisation criteria, and intra-group eliminations. Comparatives within this financial review have been re-presented to reflect the increased cost re-allocation. Further information is included in note 6.

Tables in this financial review may not add down or across due to rounding. The comparative period refers to H1 2023 throughout.

Introduction

Adjusted EBITDA of £515 million represents an increase of 24% on the prior period (H1 2023: £417 million). Total operating profit of £518 million represents an increase of 32% on the prior period (H1 2023: £392 million). Strong cash generated from operations of £400 million (H1 2023: £404 million) led to a closing Net debt to Adjusted EBITDA of 0.9 times (30 June 2023: 1.4 times).

We have made significant progress with refinancing activities in H1 2024. New facilities totalling £682 million have been drawn down, with 3-to-5-year terms, thereby extending the Group's debt maturity profile beyond 2027. The proceeds from these new facilities were used to fully redeem the outstanding $500 million US bond and tender for the redemption of the outstanding €250 million Eurobond, of which €106 million was accepted. Both of these bonds were set to mature in November 2025. In addition, we repaid £347 million of infrastructure facilities.

Capital expenditure in H1 2024 totalled £147 million (H1 2023: £210 million), of which £108 million related to projects supporting strategic growth, including £48 million in respect of development of three OCGT projects and £34 million on the Longview pellet plant development (in Washington State). Of the balance, £34 million relates to maintenance and £5 million to health, safety, environment and IT.

The Group is committed to paying a sustainable and growing dividend. The proposed interim dividend of 10.4 pence per share for H1 2024 represents a 12.6% increase on the 2023 interim dividend (H1 2023: 9.2 pence per share).

Financial performance

Adjusted EBITDA by segment

Pellet Production's Adjusted EBITDA of £65 million is a 51% increase on H1 2023 (£43 million). The business produced and sold more pellets (2.0Mt produced, 2.5Mt sold) compared to H1 2023 (1.9Mt produced, 2.2Mt sold) and at a higher average margin per tonne, supported by a higher proportion of sales to Drax Power Station. In H1 2024, 1.5Mt of sales were to Drax Power Station (H1 2023: 0.9Mt).

A portion of our legacy third-party contract book achieved a lower than average margin. As these contracts come to an end, we expect to renew at prices similar to those achieved on own-use contracts, supported by prices achieved on recent agreements.

Generation's Adjusted EBITDA of £469 million is a 28% increase on H1 2023 (£367 million), primarily reflecting higher levels of biomass generation and captured power prices, but lower value from pumped storage hydro.

Biomass Generation Adjusted EBITDA of £393 million is a 74% increase on H1 2023 (£226 million) reflecting higher captured power prices and volume of biomass generation (H1 2024: 7.0TWh, H1 2023: 5.3TWh), as we continue to support the UK power system with large volumes of reliable renewable power.

Pumped storage and hydro Adjusted EBITDA of £76 million (H1 2023: £141 million) reflects a strong underlying system support performance and is materially above historical levels. H1 2023 included forward selling of pumped storage hydro power which was not expected to recur at the same level in 2024.

Adjusted EBITDA in our Energy Solutions (Customers) business of £22 million (H1 2023: £34 million) is comprised of £36 million from Industrial and Commercial (I&C) and Renewables, and a loss of £14 million from Small and Medium-sized Enterprise (SME) (H1 2023: £27 million from I&C and Renewables and £7 million profit from SME).

The Adjusted EBITDA loss in our SME business reflected reduced margins as the business exited gas supply and the recording of additional billing provisions. Further, one-off benefits from the sale of excess hedged power not required by customers in H1 2023 did not repeat. The majority of the meter points in the SME business are expected to be sold in Q3 2024. Further information is provided in 'Other information' below.

Our core I&C and Renewables business delivered Adjusted EBITDA of £36 million (H1 2023: £27 million), which primarily reflects an improvement in Adjusted EBITDA margin achieved.

Costs incurred in respect of Innovation, capital projects and other totalled £41 million (H1 2023: £26 million). The spend relates to strategic projects which have not yet reached the stage of capitalisation, primarily Global BECCS.

Total operating profit

Total operating profit for the Group of £518 million represents an increase of 32% on the prior period (H1 2023: £392 million), driven by an increase in Total gross profit of £132 million.

Total operating profit includes a benefit of £115 million from certain remeasurements (H1 2023: £85 million) which is not included in Adjusted EBITDA. The main driver of the H1 2024 benefit was a movement in gas market prices positively impacting the mark-to-market value of gas-for-power trades.

Depreciation and amortisation of £108 million is in line with H1 2023 (£109 million).

Profit after tax and Earnings per share

Total net finance costs for H1 2024 were £54 million (H1 2023: £54 million). The new facilities described in the 'Refinancing activity' section below were predominantly drawn later in H1 2024, resulting in a limited impact on interest costs for the period.

For interim periods, the Group's effective tax rate is based on the forecast effective tax rate for the full year. This includes the impact of the Electricity Generator Levy (EGL) (which is not allowable for corporation tax purposes), partially offset by benefits from patent box and research and development credits. As a result, the effective tax rate for H1 2024 is 27%, which is above the headline corporation tax rate in the UK of 25% but in line with the H1 2023 rate of 28%.

Reflecting the above, Adjusted basic EPS was 65.6 pence for H1 2024 (H1 2023: 46.0 pence), and Total basic EPS was 88.1 pence for H1 2024 (H1 2023: 61.8 pence).

Capital expenditure

Major components of the £147 million capitalised during the period were the development of three Open Cycle Gas Turbine (OCGT) projects (£48 million), and the Longview pellet plant (£34 million). The OCGTs will begin commissioning in Q4 2024, slightly later than originally planned, reflecting a delay in the provision of grid connections from the service provider.

We are continuing to develop the Longview pellet plant, including the necessary permitting requirements for the site. This is an ongoing process and we have revised our capital expenditure expectations accordingly to reflect a lower level of investment in 2024. Our medium-term expectations for pellet capacity and volumes remain unchanged.

Capitalised spend on UK BECCS was £2 million (H1 2023: £13 million). Expenditure on UK BECCS is being minimised as the Group awaits clarity from the UK Government on support for BECCS at Drax Power Station.

Cash and Net debt

Refinancing activity

In the first half of 2024 £682 million of new facilities, with 3-to-5-year maturities, were drawn down. During 2024 we have repaid £949 million of debt with 2024-2026 maturities, including £120 million in respect of the short-term collateral facility, which was repaid during July 2024. These activities extend our debt maturity profile beyond 2027.

New facilities

In February the Group signed a £258 million term-loan facility with maturities of £165 million in 2027 and £93 million in 2029. As at 30 June 2024 this facility was fully drawn.

In April the Group agreed a new £125 million term-loan facility, with an optional uncommitted extension of £25 million. The maturities are £95 million in 2027 and £30 million in 2029. As at 30 June 2024 this £125 million term-loan facility was fully drawn.

In May the Group issued a €350 million senior secured bond with a fixed interest rate of 5.875% at 100 per cent of nominal value, due in 2029.

Repayments

In January the Group repaid £144 million of infrastructure facilities, with a further £203 million repaid in May. These were set to mature between January 2024 and January 2026.

The outstanding $500 million bond was repaid in May 2024, along with €106 million of the outstanding €250 million bond. Both of these were set to mature in November 2025.

In July 2024 the £120 million collateral facility balance outstanding at 30 June 2024 was repaid in full.

Net cash movements

Net cash movements

Cash generated from operations of £400 million for H1 2024 is broadly in line with H1 2023 of £404 million, after incorporating a working capital outflow of £93 million (H1 2023: £13 million inflow). After reflecting cash outflows on investing activities, financing activities and net other cash flows, the net decrease in cash and cash equivalents for H1 2024 was £124 million (H1 2023: £113 million).

The working capital outflow was primarily driven by an increase in the value of renewable certificates held at 30 June 2024 (30 June 2024: £980 million, 31 December 2023: £292 million). This outflow was partially offset by strong profitability and cash inflows on other working capital items: receivables (£318 million, H1 2023: £202 million), payables (£212 million, H1 2023: £33 million) and collateral (£61 million, H1 2023: £51 million).

Cash outflows relating to purchases of property, plant and equipment of £188 million (H1 2023: £155 million) were in excess of the value capitalised of £147 million (H1 2023: £210 million), primarily attributable to timing of payments in relation to the construction of three OCGT developments.

Financing activities showed a net outflow of £147 million on debt facilities, in line with the 'Refinancing activity' section above.

Liquidity

	30 June 2024 **£m**	**31 December 2023** **£m**	**30 June 2023** **£m**
Cash and cash equivalents	263	380	125
RCF available but not utilised	252	260	261
Short term liquidity facility	-	-	200
Total cash and committed facilities	**515**	**639**	**586**

Cash and committed facilities at 30 June 2024 provide substantial headroom over our short-term liquidity requirements. The reduction since 31 December 2023 is predominantly attributable to a reduction in cash, as explained in the 'Net cash movements' section.

The Group has a £300 million ESG-linked Revolving Credit Facility (RCF) which was extended in January 2024 and now expires in January 2026. No cash has been drawn under the RCF since its inception in 2020 but £48 million was drawn for letters of credit at 30 June 2024 (31 December 2023: £46 million).

At 30 June 2024 the Group had net cash collateral posted of £17 million (31 December 2023: £79 million). This will be returned to the Group as the associated contracts mature. Depending on market movements, collateral may need to be posted in future by the Group.

During the second quarter of 2024, the Group's Issuer Credit Ratings were affirmed as 'BB+' by Fitch and S&P and as 'BBB (low)' by DBRS, with a Stable Outlook in each case.

Net debt and Net debt to Adjusted EBITDA

	30 June 2024 **£m**	**31 December 2023** **£m**	**30 June 2023** **£m**
Cash and cash equivalents	263	380	125
Current borrowings	(120)	(264)	(323)
Non-current borrowings	(1,143)	(1,161)	(1,040)
Impact of hedging instruments and NCI	(35)	(38)	(36)
Net debt	**(1,035)**	**(1,084)**	**(1,274)**
Adjusted EBITDA (LTM*)	1,107	1,009	923
Net debt to Adjusted EBITDA	**0.9**	**1.1**	**1.4**

*Adjusted EBITDA is shown on a last twelve month basis.

Net debt to Adjusted EBITDA is significantly below the Group's long-term target of around 2.0 times.

Distributions

In line with our long-standing capital allocation policy, the Group is committed to paying a growing and sustainable dividend. At the Annual General Meeting on 25 April 2024, shareholders approved payment of a final dividend for the year ended 31 December 2023 of 13.9 pence per share. This dividend was paid on 17 May 2024. On 25 July 2024, the Board resolved to pay an interim dividend for the six months ended 30 June 2024 of 10.4 pence per share, representing 40% of the expected full year dividend. The interim dividend will be paid on 25 October 2024 with a record date of 20 September 2024.

In line with our capital allocation policy and reflecting (a) a strong balance sheet, (b) investment requirements and (c) the mitigation of equity dilution expected to arise from share schemes, we will commence a share buyback programme for the purchase of up to £300 million of Drax shares over a two-year period, expected to begin in Q3 2024.

Other information

Sale of SME customer book

On 26 June 2024 the Group announced it had reached agreement for an asset sale of c.90,000 Opus Energy customer meter points. Over the past seven years the renewables business holding the Group's Power Purchase Agreements with renewable generators, and certain other customers acquired with the Opus Energy business in 2017, have been transferred to Drax Energy Solutions.

The Energy Solutions business is unaffected by the sale of the Opus Energy SME assets and there is no change to the Group's Energy Solutions Adjusted EBITDA expectations as a result of this process.

The transaction is expected to complete in Q3 2024.

Further information is set out in note 15.

Going concern and viability

The Group's financial performance in H1 2024 was strong, delivering improved profitability and a decrease in Net debt to Adjusted EBITDA. Following the refinancing activity during H1 2024, the Group's debt maturities have been extended, with a significant proportion now beyond April 2027, and significant liquidity headroom is available from both committed and uncommitted facilities.

The Group refreshes its business plan and forecasts throughout the year, including scenario modelling designed to test the resilience of the Group's financial position and performance to several possible downside cases. Based on its review of the latest forecast, the Board is satisfied that the Group has sufficient headroom in its cash and committed facilities and covenants headroom, combined with available mitigating actions, to be able to meet its liabilities as they fall due across a range of scenarios. Consequently, the Directors have a reasonable expectation that the Group will continue in existence for a period of at least twelve months from the date of the approval of the interim financial statements and have therefore adopted the going concern basis.

Andy Skelton,
CFO

The contents of the CEO's review and CFO's financial review were approved by the Board on 25 July 2024.

Principal risks and uncertainties

The Group's financial and operating performance, as well as the realisation of its strategy, is subject to various risks and uncertainties. The nature of these risks ranges from those which are not directly within the Group's control, such as the wider economic and political environment, to others which the Group is better placed to influence, such as the development and execution of our strategy or management of health and safety. We seek to address the potential impact of all risks faced by the Group through the application of policies approved by the Board and management, applying the Group's risk management framework and appropriate mitigations.

The Board, as part of its half year processes, considered reports from management reviewing the Group's Principal risks and uncertainties and how these might evolve during the second half of 2024. This review took account of the continuing geopolitical conflict in the Middle East, the potential implications of the UK and US 2024 political elections, and ongoing regulatory scrutiny in the energy market. These areas are discussed further below.

As a result of its assessment, and consideration of the below factors, the Board is satisfied that the Group's Principal Risks, as reported in the 2023 Annual report and accounts, remain materially unchanged and are not currently expected to materially change during the remainder of 2024. This includes the risk associated with the planning and execution of large-scale capital construction projects which are central to our strategy. This area continues to be considered an emerging risk.

Further details of the Group's Principal risks and uncertainties can be found on pages 94-107 of the Group's 2023 Annual report and accounts, which is available at www.drax.com.

UK and US political elections

On 4 July 2024 a UK general election took place, resulting in the formation of a new Labour Government. A US presidential election is scheduled for later in 2024.

The change of Government in the UK and the potential for a change in the US, could result in amendments or delays to key energy policies. Any such changes at a regional or national level in the countries in which we operate, may increase the cost to operate our businesses, reduce operational efficiency, and affect our ability to realise our strategy. Uncertainties or changes in UK Government policy may slow down ongoing processes around both a bridging mechanism for ongoing biomass generation at Drax Power Station, and the expansion of the CCS cluster sequencing programme. This lack of clarity may ultimately impact the Group's capital investment and project related decision-making around its UK BECCS project.

The Group's 2023 Annual report and accounts explained that political risk had materially increased as a result of both the UK and US elections scheduled during 2024. Whilst nothing communicated to date by any of the key political parties involved in these elections has caused this risk to increase further, the Board has concluded it remains heightened consistent with the Group's 2023 Annual report and accounts.

Geopolitical conflict

In addition to escalating tensions arising from the war in Ukraine, the Board is cognisant of the ongoing conflict in the Middle East and the potential for this to escalate further. The possible impacts on the Group, based on the status of the conflict in these regions at the time of signing this report, have been considered including market volatility, supply chain disruption and pricing pressures.

Because of the mitigations and contingencies in place, including high biomass hedge levels and alternative sourcing options, the Board does not currently expect these impacts to be material. However, the Board notes that future events are uncertain, and any escalation of these conflicts could change this assessment.

Increased geopolitical risk has been known to heighten the risk of cyber-attacks. This has been reflected in a heightened risk assessment for cyber security, initially disclosed in the Group's 2022 Annual report and accounts, as a result of the Russia-Ukraine conflict. We continue to respond to the UK Government's request for Critical Infrastructure to bolster their cyber defences to meet this growing challenge.

As a result of the above considerations, the Board does not believe there has been a material change relating to geopolitical risk during H1 2024. However, it is believed cyber-security risk remains significantly higher than historical levels experienced prior to the Russia-Ukraine conflict remains significantly higher than historical levels experienced prior to the Russia-Ukraine conflict. This is consistent with the conclusions discussed in the Group's 2023 Annual report and accounts.

Regulatory scrutiny

Regulators continue to apply a high level of scrutiny to the energy market, partly as a result of recent volatility in commodity markets. We remain confident in our compliance as regulations continue to evolve, however, requirements can change rapidly. Any non-compliance could result in unforeseen costs, impact our reputation and impede our strategic progress. This is particularly relevant to the Group given the potential expansion of the use of biomass for the purposes of BECCS.

As a result of the review performed in association with approval of this report, the Board has concluded that there has not been a material change in the risk of compliance with regulatory requirements during H1 2024.

As a result of their assessment, and consideration of the above factors, the Board is satisfied that there has been no material change in the Group's Principal Risks since their previous disclosure in the Group's 2023 Annual report and accounts.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

a) The condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";

b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Will Gardiner
Chief Executive Officer
25 July 2024

Condensed consolidated interim financial statements

Introduction

The Condensed consolidated interim financial statements provide information about the financial performance (Condensed consolidated income statement and Condensed consolidated statement of comprehensive income), financial position (Condensed consolidated balance sheet), and cash flows (Condensed consolidated cash flow statement) of Drax Group plc (the Company) together with all of the entities controlled by the Company (collectively, the Group).

The notes to the Condensed consolidated interim financial statements provide additional information on certain items in the Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated balance sheet and Condensed consolidated cash flow statement. In general, the additional information in the notes to the Condensed consolidated interim financial statements is required by International Financial Reporting Standards (IFRS), other regulations or has been included to facilitate increased understanding of the condensed consolidated primary statements.

Basis of preparation

The Condensed consolidated interim financial statements have been prepared using accounting policies consistent with the United Kingdom adopted International Accounting Standards in accordance with UK adopted IAS 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. The information provided in this report in respect of the year ended 31 December 2023 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 but is derived from those accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The Condensed consolidated interim financial statements have been prepared on the going concern basis and on the historical cost basis, except for certain assets and liabilities that have been measured at fair value, principally derivative financial instruments, and the assets and liabilities of the Group's defined benefit pension scheme, measured at fair value and using the projected unit credit method respectively.

The accounting policies adopted in the preparation of the Condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's 2023 Annual report and accounts, except for the adoption of new standards, interpretations and amendments effective as of 1 January 2024 (see below for further details), and the presentation of revenues and cost of sales with respect to certain electricity trades (see note 17 for further details).

Going concern

In assessing going concern the Directors have considered the period up to September 2025, taking account of any committed outflows beyond that period. The Group's business activities, along with future developments that may affect its financial performance, financial position and cash flows, are discussed in the CEO's review, and current market conditions and financial performance are considered in the CFO's financial review.

The going concern assessment primarily focuses on cash flow forecasts, available liquidity and continued compliance with banking covenants over the period being assessed. During the first half of 2024, the Group refinanced a number of debt facilities, extending the Group's average debt maturity profile and further strengthening the Group's liquidity position. Further details on the refinancing activity can be found in the CFO's financial review and note 9. At 30 June 2024, the Group had cash and committed facilities of £515.1 million (see note 6) and borrowings of £1,263.4 million (see note 9).

Based on the assessment performed, the Group is expected to have continued significant liquidity headroom and strong financial covenant headroom. The Directors have therefore concluded that they have a reasonable expectation that the Group will continue to meet its concluded that they have a reasonable expectation that the Group will continue to meet its liabilities as they fall due for a period of at least 12 months from the date these Condensed consolidated interim financial statements were authorised for issue and have therefore adopted the going concern basis of preparation.

The Condensed consolidated interim financial statements were approved by the Board on 25 July 2024.

Adoption of new and amended accounting standards

The adoption of new standards, interpretations and amendments in the current period has not had a material impact. The Group has not early-adopted any standard, interpretation or amendment that has been issued but was not effective at 30 June 2024.

A full listing of new standards, amendments, and pronouncements under IFRS applicable to these Condensed consolidated interim financial statements is presented in note 16.

Judgements and estimates

The preparation of financial statements requires judgement to be applied in forming the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenditure. Actual results may subsequently differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected. Judgements are also reviewed on an ongoing basis to ensure they remain appropriate, factoring in any changes or new information. As part of these reviews, the Group considers whether there are any new significant judgements or key sources of estimation uncertainty, and whether the previously disclosed significant judgements and key sources of estimation uncertainty are still appropriate to be disclosed as such.

These reviews have concluded that the significant judgements and key sources of estimation uncertainty applicable to the preparation of the Condensed consolidated interim financial statements are the same as those described on pages 179-181 of the Group's 2023 Annual report and accounts. In each case, judgements have been applied consistently and estimates have been made using a consistent methodology, with inputs and assumptions updated as appropriate to reflect the Group's latest forecasts and prevailing market conditions at the reporting date.

Comparative information

The Group provides comparative financial information in these Condensed consolidated interim financial statements for both the six months ended 30 June 2023 and the year ended 31 December 2023. Where included within text, Condensed consolidated income statement comparatives refer to the six months ended 30 June 2023 and Condensed consolidated balance sheet comparatives are as at 31 December 2023, unless otherwise stated.

Restatements

The Group has restated comparatives for the six months to 30 June 2023 and for the year ended 31 December 2023 for its revised application of the agent requirements of IFRS 15 to sleeve trades. This restatement is a presentational change impacting the revenue and cost of sales lines in the Condensed consolidated income statement. There is no impact from this change on the Group's profit for the period, nor on gross profit or any other Condensed consolidated income statement subtotals. There is no impact on the Condensed consolidated balance sheet, Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity or the Condensed consolidated cash flow statement.

The Group has also restated comparatives as at 30 June 2023 for its revised application of the offsetting requirements of IAS 32 to physically settled derivative contracts. This application was first reflected in the full year results as at 31 December 2023. This restatement is a presentational change impacting the 'derivative financial instruments' asset and liability lines in the Condensed consolidated balance sheet for the 30 June 2023 comparative period. There is no impact from this change on the Group's net assets or shareholders' equity, nor any impact on the Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity or the Condensed consolidated cash flow statement.

The Group has restated comparatives for the six months to 30 June 2023 in the Condensed consolidated statement of comprehensive income to recognise fair value movements on cash flow hedges, cost of hedging, and the related deferred tax balances that were previously classified as 'Items that will not subsequently be reclassified to profit or loss', within 'Items that may subsequently be reclassified to profit or loss'. This is to reflect the fact that, whilst considered unlikely, there are some potential future scenarios that may lead to these items being reclassified to profit or loss. This restatement is a presentational change. There is no impact from this change on the Group's Other comprehensive income for the period or Total comprehensive income for the period. There is no impact from this change on the net assets or shareholders' equity, nor any impact on the Condensed consolidated income statement, Condensed consolidated statement of changes in equity or the Condensed consolidated cash flow statement.

See note 17 for further details on these restatements.

Alternative performance measures (APMs)

The Group uses APMs throughout the Condensed consolidated interim financial statements that are not defined within IFRS but provide additional information about the Group's financial performance and position that is used by the Board and the Executive Committee to evaluate performance. These measures have been defined internally and may therefore not be comparable to similar APMs presented by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself a measure defined by IFRS. Such measures should not be viewed in isolation or as an alternative to the equivalent IFRS measure.

Defined below are the key APMs used by the Board and the Executive Committee to assess performance. The APMs and their definitions are consistent with those presented as at 31 December 2023. See the APMs glossary table at the end of this report for full details of each APM used, the APM's closest IFRS equivalent, the reason why the APM is used by the Group and a definition of how the APM is calculated. See note 6 for further details and calculations of the Group's APMs.

Adjusted results

The Group's financial performance for the period, measured in accordance with IFRS, is shown in the Total results column on the face of the Condensed consolidated income statement. Exceptional items and certain remeasurements are deducted from the Total results in arriving at the Adjusted results for the period. The Group's Adjusted results are consistent with the way in which the Board and the Executive Committee assess the performance of the Group. Adjusted results are intended to reflect the underlying trading performance of the Group's businesses and are presented to assist users of the Condensed consolidated interim financial statements in evaluating the Group's trading performance and progress against strategic objectives.

Exceptional items and certain remeasurements

Exceptional items are those transactions that, by their nature, do not reflect the trading performance of the Group in the period. For a transaction to be considered exceptional management considers the nature of the transaction, the size of the transaction, the frequency of similar events, any related precedent, and commercial context. Any presentation of a transaction as exceptional is approved by the Audit Committee in accordance with an agreed policy. This policy includes certain de minimis thresholds for classifying items as exceptional. The policy is reviewed biennially by the Audit Committee, with the last review taking place during 2023. This review did not result in any significant changes to the policy.

Certain remeasurements comprise fair value gains and losses on derivative contracts to the extent those contracts do not qualify for hedge accounting (or hedge accounting is not effective) which, under IFRS, are recorded in revenue, cost of sales, interest payable and similar charges or foreign exchange gains or losses. Management believes that adjusting for fair value gains and losses recognised on derivative contracts provides readers of the accounts with useful information, as this removes the volatility caused by movements in market prices over the life of the derivative. The Group regards all of its forward contracting activity to represent economic hedges and, therefore, the contracted price at delivery or maturity is relevant to the Group and its performance, rather than how the contracted price compares to the prevailing market price, as the Group is not primarily entering into these contracts to make trading profits through market price movements.

The impact of excluding these fair value remeasurements is to reflect commodity sales and purchases at contracted prices (the price paid or received in respect of delivery of the commodity in question) in Adjusted results in the period the transaction takes place, and also take into account the impact of associated financial derivative contracts (such as forward foreign currency purchases) in Adjusted results on maturity, being the period these contracts are intended to hedge.

Further information on exceptional items and certain remeasurements in the current and comparative periods is included in note 6 to the Condensed consolidated interim financial statements.

Adjusted EBITDA

Adjusted EBITDA is the primary measure used by the Board and the Executive Committee to assess the financial performance of the Group as it provides a comparable assessment of the Group's trading performance period-on-period. It is also a key metric used by the investor community to assess the performance of the Group's operations.

Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, other gains or losses and impairment of non-current assets, excluding the impact of exceptional items and certain remeasurements (as defined above). Adjusted EBITDA excludes any earnings from associates and the share of Adjusted EBITDA directly attributable to non-controlling interests.

Adjusted basic earnings per share

Adjusted basic earnings per share (Adjusted basic EPS) is Adjusted profit attributable to owners of the parent company divided by the weighted average number of ordinary shares outstanding in the period. Repurchased shares held in the Treasury shares reserve are not included in the weighted average calculation of shares. This is the same denominator used when calculating Basic EPS (see note 7). This metric is used in discussions with the investor community.

Net debt

The Group defines Net debt as total borrowings less cash and cash equivalents. Borrowings denominated in foreign currencies where the Group has entered into hedging arrangements associated with the currency exposure are translated at the hedged rate for the purposes of calculating Net debt. This is to take into account the effect of financial instruments entered into to hedge movements in, for example, foreign exchange rates in relation to debt principal repayments. Borrowings that have no hedging instruments attributed to them are translated at the prevailing rates at the reporting date.

Borrowings includes external financial debt, such as loan notes, term loans and amounts drawn in cash under revolving credit facilities (RCFs) (see note 9). Borrowings do not include other financial liabilities such as pension obligations, trade and other payables, lease liabilities calculated in accordance with IFRS 16 and working capital facilities linked directly to specific payables (such as credit cards and deferred letters of credit) that provide a short extension of payment terms of less than 12 months. The Group does not include balances related to supply chain financing in borrowings, as there are no changes to the Group's payment terms under this arrangement, nor would there be if the arrangement was to cease.

Net debt excludes the proportion of cash and borrowings in non-wholly owned entities that would be attributable to the non-controlling interests. Net debt includes the impact of any cash collateral receipts from counterparties or cash collateral posted to counterparties.

As noted above, the Group does not include lease liabilities, calculated in accordance with IFRS 16, in the definition of Net debt. This reflects the nature of the contracts included in this balance, which are predominantly entered into for operating purposes rather than as a way to finance the purchase of an asset. The exclusion of lease liabilities from the calculation of Net debt is also consistent with the Group's covenant reporting requirements.

Net debt is a key metric used by debt rating agencies and the investor community, often in conjunction with other financial measures (e.g. Adjusted EBITDA), to measure a company's ability to repay its debt or assess its leverage against peers or relevant benchmarks.

Net debt to Adjusted EBITDA ratio

This metric is the ratio of Net debt to Adjusted EBITDA on a last twelve months (LTM) basis, expressed as a multiple. The Group has a long-term target for Net debt to Adjusted EBITDA of around 2.0 times.

The Net debt to Adjusted EBITDA ratio gives an indication of the size of the Group's Net debt in relation to its trading performance and is a key metric used by debt rating agencies and the investor community to assess the performance of the Group's operations.

Condensed consolidated income statement

		Six months ended 30 June 2024 (Unaudited)			Six months ended 30 June 2023 (Unaudited)		
	Notes	**Adjusted results(1) £m**	**Exceptional items and certain remeasure-ments £m**	**Total results £m**	Restated(2) Adjusted results(1) £m	Exceptional items and certain remeasure-ments £m	Restated(2) Total results £m
Revenue	3	**3,062.8**	**95.5**	**3,158.3**	3,765.5	126.0	3,891.5

Cost of sales		**(2,085.5)**	**19.7**	**(2,065.8)**	(2,968.1)	(41.2)	(3,009.3)
Electricity Generator Levy		**(113.7)**	**-**	**(113.7)**	(35.3)	-	(35.3)
Gross profit		**863.6**	**115.2**	**978.8**	762.1	84.8	846.9
Operating and administrative expenses		**(333.1)**	**-**	**(333.1)**	(326.4)	-	(326.4)
Impairment losses on financial assets		**(15.3)**	**-**	**(15.3)**	(18.6)	-	(18.6)
Depreciation		**(99.7)**	**-**	**(99.7)**	(95.4)	-	(95.4)
Amortisation		**(8.6)**	**-**	**(8.6)**	(14.0)	-	(14.0)
Other (losses)/gains		**(3.4)**	**-**	**(3.4)**	0.5	-	0.5
Share of losses from associates		**(1.1)**	**-**	**(1.1)**	(0.6)	-	(0.6)
Operating profit		**402.4**	**115.2**	**517.6**	307.6	84.8	392.4
Foreign exchange (losses)/gains	4	**(11.1)**	**0.4**	**(10.7)**	(6.7)	-	(6.7)
Interest payable and similar charges	4	**(54.2)**	**(0.2)**	**(54.4)**	(54.3)	(0.1)	(54.4)
Interest receivable and similar gains	4	**10.7**	**-**	**10.7**	6.8	-	6.8
Profit before tax		**347.8**	**115.4**	**463.2**	253.4	84.7	338.1
Total tax charge	5	**(95.2)**	**(28.8)**	**(124.0)**	(69.7)	(21.2)	(90.9)
Profit for the period		**252.6**	**86.6**	**339.2**	183.7	63.5	247.2

Attributable to:							
Owners of the parent company		**253.1**	**86.6**	**339.7**	184.6	63.5	248.1
Non-controlling interests		**(0.5)**	**-**	**(0.5)**	(0.9)	-	(0.9)

Earnings per share		**Pence**		**Pence**	Pence		Pence
For net profit for the period attributable to owners of the parent company							
- Basic	7	**65.6**		**88.1**	46.0		61.8
- Diluted	7	**64.9**		**87.1**	45.0		60.4

(1) Adjusted results are stated after adjusting for exceptional items and certain remeasurements. See note 6 for further details.

(2) Comparative amounts have been restated to reflect the Group's revised application of the agent requirements of IFRS 15 to sleeved electricity trades. See the Net presentation of sleeved electricity trades section in note 17 for further details on this restatement.

A comparative Consolidated income statement for the year ended 31 December 2023 is reproduced in note 18.

Condensed consolidated statement of comprehensive income

	Six months ended 30 June	
	2024 (Unaudited) £m	Restated(1) 2023 (Unaudited) £m
Profit for the period	**339.2**	247.2
Items that will not subsequently be reclassified to profit or loss:		
Remeasurement of defined benefit pension scheme	**6.0**	(24.2)
Deferred tax on remeasurement of defined benefit pension scheme	**(1.5)**	6.1
Items that may subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(3.9)**	(19.8)
Exchange differences on translation of foreign operations attributable to non-controlling interests	**(0.3)**	(0.3)
Net fair value gains on cost of hedging	**16.4**	22.6
Deferred tax on cost of hedging	**(4.1)**	(5.7)
Net fair value gains on cash flow hedges	**48.9**	76.9
Net (losses)/gains on cash flow hedges reclassified to the Condensed consolidated income statement	**(181.1)**	320.8
Deferred tax on cash flow hedges	**33.0**	(98.8)
Other comprehensive (expense)/income for the period	**(86.6)**	277.6
Total comprehensive income for the period attributable to equity holders	**252.6**	524.8
Attributable to:		

Owners of the parent company	**253.4**	526.0
Non-controlling interests	**(0.8)**	(1.2)

(1) The Group has restated comparatives for the six months to 30 June 2023 to reclassify certain amounts from 'Items that will not subsequently be reclassified to profit or loss' to 'Items that may subsequently be reclassified to profit or loss'. See the Other comprehensive income reclassification section in note 17 for further details of this restatement.

A comparative Consolidated statement of comprehensive income for the year ended 31 December 2023 is reproduced in note 18.

Condensed consolidated balance sheet

		As at 30 June		As at 31 December
			Restated[1]	
		2024	2023	2023
		(Unaudited)	(Unaudited)	(Audited)
	Notes	**£m**	£m	£m
Assets				
Non-current assets				
Goodwill		**416.3**	419.3	416.7
Intangible assets		**73.7**	131.0	81.5
Property, plant and equipment		**2,751.7**	2,473.7	2,698.8
Right-of-use assets		**107.1**	130.0	122.2
Investments		**8.7**	9.7	8.9
Retirement benefit surplus		**25.0**	21.5	18.4
Deferred tax assets		**52.3**	39.1	52.9
Derivative financial instruments	13	**134.0**	272.8	293.6
		3,568.8	3,497.1	3,693.0
Current assets				
Inventories		**327.4**	318.3	328.4
Renewable certificate assets		**980.2**	487.2	292.2
Trade and other receivables and contract assets		**552.6**	953.3	976.9
Derivative financial instruments	13	**313.8**	360.3	368.4
Current tax assets		**2.5**	21.8	-
Cash and cash equivalents		**262.8**	124.9	379.5
Assets classified as held for sale	15	**10.3**	-	-
		2,449.6	2,265.8	2,345.4
Liabilities				
Current liabilities				
Trade and other payables and contract liabilities		**(1,676.2)**	(1,609.7)	(1,539.6)
Lease liabilities		**(25.0)**	(23.2)	(25.1)
Current tax liabilities		**-**	-	(20.6)
Borrowings	9	**(120.0)**	(323.3)	(264.2)
Provisions		**(6.1)**	-	(6.6)
Derivative financial instruments	13	**(110.1)**	(358.4)	(231.6)
		(1,937.4)	(2,314.6)	(2,087.7)
Net current assets/(liabilities)		**512.2**	(48.8)	257.7
Non-current liabilities				
Borrowings	9	**(1,143.4)**	(1,039.8)	(1,161.1)
Lease liabilities		**(98.2)**	(119.8)	(110.7)
Provisions		**(78.1)**	(54.2)	(72.2)
Deferred tax liabilities		**(358.8)**	(265.7)	(317.1)
Derivative financial instruments	13	**(228.2)**	(336.2)	(306.6)
		(1,906.7)	(1,815.7)	(1,967.7)
Net assets		**2,174.3**	1,632.6	1,983.0
Shareholders' equity				
Issued equity	11	**49.4**	49.0	49.1
Share premium		**443.0**	440.6	441.2
Hedge reserve		**108.7**	130.1	207.4
Cost of hedging reserve		**11.5**	45.2	18.7
Other reserves		**584.5**	617.9	588.2
Retained profits		**965.7**	337.7	666.4
Total equity attributable to owners of the parent company		**2,162.8**	1,620.5	1,971.0
Non-controlling interests		**11.5**	12.1	12.0
Total shareholders' equity		**2,174.3**	1,632.6	1,983.0

(1) Comparative amounts as at 30 June 2023 have been restated to reflect the Group's revised application of the offsetting criteria on physically settled derivative contracts. The revised application was first recognised in the year ended 31 December 2023 and so the amounts reported at 31 December 2023 have not been restated. See the offsetting section in note 17 for further details on this restatement.

Condensed consolidated statement of changes in equity

	Issued equity £m	Share premium £m	Hedge reserve £m	Cost of hedging reserve £m	Other reserves[1] £m	Retained profits £m	Non-controlling interests £m	Total £m
	Year ended 31 December 2023 (Audited)							
At 1 January 2023	47.9	433.3	(152.0)	40.1	747.7	193.8	13.4	1,324.2
Profit/(loss) for the year	-	-	-	-	-	562.2	(1.3)	560.9

year						562.2	(1.3)	560.9
Other comprehensive income/(expense)	-	-	391.9	5.6	(10.3)	(21.2)	(0.4)	365.6
Total comprehensive income/(expense) for the year	-	-	391.9	5.6	(10.3)	541.0	(1.7)	926.5
Equity dividends paid	-	-	-	-	-	(86.3)	-	(86.3)
Issue of share capital	1.2	7.9	-	-	-	-	-	9.1
Contributions from non-controlling interests	-	-	-	-	-	-	0.3	0.3
Repurchase of own shares	-	-	-	-	(149.2)	-	-	(149.2)
Total transactions with owners in their capacity as owner	1.2	7.9	-	-	(149.2)	(86.3)	0.3	(226.1)
Movements on cash flow hedges released directly from equity	-	-	(43.4)	-	-	-	-	(43.4)
Deferred tax on cash flow hedges released directly from equity	-	-	10.9	-	-	-	-	10.9
Movements on cost of hedging released directly from equity	-	-	-	(36.0)	-	-	-	(36.0)
Deferred tax on cost of hedging released directly from equity	-	-	-	9.0	-	-	-	9.0
Movements in equity associated with share-based payments	-	-	-	-	-	13.4	-	13.4
Tax on share-based payments released directly from equity	-	-	-	-	-	4.5	-	4.5
At 31 December 2023	49.1	441.2	207.4	18.7	588.2	666.4	12.0	1,983.0

	Issued equity £m	Share premium £m	Hedge reserve £m	Cost of hedging reserve £m	Other reserves[1] £m	Retained profits £m	Non-controlling interests £m	Total £m
	Six months ended 30 June 2023 (Unaudited)							
At 1 January 2023	47.9	433.3	(152.0)	40.1	747.7	193.8	13.4	1,324.2
Profit/(loss) for the period	-	-	-	-	-	248.1	(0.9)	247.2
Other comprehensive income/(expense)	-	-	298.9	16.9	(19.8)	(18.1)	(0.3)	277.6
Total comprehensive income/(expense) for the period	-	-	298.9	16.9	(19.8)	230.0	(1.2)	524.8
Equity dividends paid	-	-	-	-	-	(50.6)	-	(50.6)
Issue of share capital	1.1	7.3	-	-	-	-	-	8.4
Distributions to non-controlling interests	-	-	-	-	-	-	(0.1)	(0.1)
Repurchase of own shares	-	-	-	-	(110.0)	(40.0)	-	(150.0)
Total transactions with owners in their capacity as owner	1.1	7.3	-	-	(110.0)	(90.6)	(0.1)	(192.3)
Movements on cash flow hedges released directly from equity	-	-	(21.5)	-	-	-	-	(21.5)
Deferred tax on cash flow hedges released directly from equity	-	-	4.7	-	-	-	-	4.7
Movements on cost of hedging released directly from equity	-	-	-	(15.8)	-	-	-	(15.8)
Deferred tax on cost of hedging released directly from equity	-	-	-	4.0	-	-	-	4.0
Movements in equity associated with share-based payments	-	-	-	-	-	5.3	-	5.3

Tax on share-based payments	-	-	-	-	-	(0.8)	-	(0.8)
At 30 June 2023	49.0	440.6	130.1	45.2	617.9	337.7	12.1	1,632.6

	Issued equity £m	Share premium £m	Hedge reserve £m	Cost of hedging reserve £m	Other reserves[1] £m	Retained profits £m	Non-controlling interests £m	Total £m
			Six months ended 30 June 2024 (Unaudited)					
At 1 January 2024	**49.1**	**441.2**	**207.4**	**18.7**	**588.2**	**666.4**	**12.0**	**1,983.0**
Profit/(loss) for the period	**-**	**-**	**-**	**-**	**-**	**339.7**	**(0.5)**	**339.2**
Other comprehensive (expense)/income	**-**	**-**	**(99.2)**	**12.3**	**(3.9)**	**4.5**	**(0.3)**	**(86.6)**
Total comprehensive (expense)/income for the period	**-**	**-**	**(99.2)**	**12.3**	**(3.9)**	**344.2**	**(0.8)**	**252.6**
Equity dividends paid	**-**	**-**	**-**	**-**	**-**	**(53.7)**	**-**	**(53.7)**
Issue of share capital	**0.3**	**1.8**	**-**	**-**	**0.2**	**-**	**-**	**2.3**
Contributions from non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**0.3**	**0.3**
Total transactions with owners in their capacity as owner	**0.3**	**1.8**	**-**	**-**	**0.2**	**(53.7)**	**0.3**	**(51.1)**
Movements on cash flow hedges released directly from equity	**-**	**-**	**0.7**	**-**	**-**	**-**	**-**	**0.7**
Deferred tax on cash flow hedges released directly from equity	**-**	**-**	**(0.2)**	**-**	**-**	**-**	**-**	**(0.2)**
Movements on cost of hedging released directly from equity	**-**	**-**	**-**	**(26.0)**	**-**	**-**	**-**	**(26.0)**
Deferred tax on cost of hedging released directly from equity	**-**	**-**	**-**	**6.5**	**-**	**-**	**-**	**6.5**
Movements in equity associated with share-based payments	**-**	**-**	**-**	**-**	**-**	**8.8**	**-**	**8.8**
At 30 June 2024	**49.4**	**443.0**	**108.7**	**11.5**	**584.5**	**965.7**	**11.5**	**2,174.3**

(1) Other comprehensive expense in respect of other reserves relates wholly to movements in the translation reserve.

Condensed consolidated cash flow statement

		Six months ended 30 June		Year ended 31 December
	Notes	**2024 (Unaudited) £m**	2023 (Unaudited) £m	2023 (Audited) £m
Cash generated from operations	10	**399.9**	404.3	1,111.0
Income taxes paid		**(69.7)**	(102.0)	(180.0)
Interest paid		**(42.0)**	(51.2)	(106.1)
Interest received		**8.6**	5.4	10.7
Net cash from operating activities		**296.8**	256.5	835.6
Cash flows from investing activities				
Purchases of property, plant and equipment		**(188.3)**	(154.7)	(429.8)
Purchases of intangible assets		**(4.6)**	(3.9)	(11.3)
Purchases of equity in associates		**-**	(1.7)	(1.7)
Contributions to associates		**(1.0)**	-	-
Acquisition of businesses net of cash acquired		**-**	-	(9.0)
Net cash used in investing activities		**(193.9)**	(160.3)	(451.8)
Cash flows from financing activities				
Equity dividends paid	8	**(53.7)**	(50.6)	(86.3)
Distributions from/(contributions to) non-controlling interests		**0.3**	(0.1)	0.3
Proceeds from issue of share				

capital		**2.2**	8.4	8.6
Repurchase of own shares		**-**	(110.0)	(149.2)
Drawdown of borrowings	9	**681.8**	-	140.0
Repayment of borrowings	9	**(829.2)**	(43.4)	(125.3)
Net payment on financing derivatives		**(6.7)**	-	-
Payment of principal of lease liabilities		**(14.2)**	(13.7)	(25.8)
Other financing costs paid		**(7.7)**	-	(0.2)
Net cash absorbed by financing activities		**(227.2)**	(209.4)	(237.9)
Net (decrease)/increase in cash and cash equivalents		**(124.3)**	(113.2)	145.9
Cash and cash equivalents at beginning of the period		**379.5**	238.0	238.0
Effect of changes in foreign exchange rates		**7.6**	0.1	(4.4)
Cash and cash equivalents at end of the period		**262.8**	124.9	379.5

Notes to the Condensed consolidated interim financial statements

1. General information

These notes provide additional information about the disclosures within the Condensed consolidated interim financial statements. Further information can be found in the Group's 2023 Annual report and accounts on pages 188-274.

Drax Group plc (the Company) is a public company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The Company and its subsidiaries (collectively, the Group) have three principal activities as outlined in note 2.

The Group's activities are principally based within the UK, US and Canada. The address of the Company's registered office and principal establishment is Drax Power Station, Selby, North Yorkshire, YO8 8PH, United Kingdom.

2. Segmental reporting

Reportable segments are presented in a manner consistent with internal reporting provided to the chief operating decision maker, which is considered to be the Board. The Group is organised into three businesses, with a dedicated management team for each. In addition, Central corporate and commercial functions provide certain specialist and shared services, including optimisation of the Group's positions. The Board reviews the performance of each of these businesses separately, and each represents a reportable segment:

- **Pellet Production**: production and subsequent sale of biomass pellets from the Group's processing facilities in North America;
- **Generation**: the generation and sale of electricity in the UK; and
- **Energy Solutions (Customers)**: supply of electricity and gas to non-domestic customers in the UK.

Operating costs that can be reasonably allocated to the activities of a reportable segment are included within the results of that reportable segment. Central corporate function costs that cannot be reasonably allocated to the activities of a reportable segment are included within Innovation, capital projects and other. Innovation, capital projects and other is not a reportable segment as it does not earn revenues, however it is included in the information presented below to enable reconciliation of the segmental amounts presented to the consolidated IFRS results contained in these Condensed consolidated interim financial statements.

When defining gross profit within the Condensed consolidated interim financial statements, the Group follows the principal trading considerations applied by its Pellet Production, Generation and Energy Solutions (Customers) businesses when making a sale. In respect of the Pellet Production business, this reflects the direct costs of production, being the fibre, fuel and drying costs, direct freight and port costs, or third-party pellet purchases. In respect of the Generation business, this reflects the direct costs of the commodities to generate the power, the relevant grid connection costs that arise and the Electricity Generator Levy (EGL) arising on applicable renewable and low-carbon generation. In respect of the Energy Solutions (Customers) business, this reflects the direct costs of supply, being the costs of the power or gas supplied, together with costs levied on suppliers such as network costs, broker costs and renewables incentive mechanisms.

Accordingly, cost of sales excludes indirect overheads and staff costs (presented within operating and administrative expenses), and depreciation (presented separately on the face of the Condensed consolidated income statement).

Seasonality of trading

The primary activities of the Group are affected by seasonality. Demand in the UK for electricity and gas is typically higher in the winter period (October to March) when temperatures are lower, which drives higher prices and higher generation. Conversely, demand is typically lower in the summer months (April to September) when temperatures are milder, and therefore prices and levels of generation are generally lower.

This trend is experienced by all of the Group's UK-based businesses, as they operate within the UK electricity and gas markets. It is most notable within the Generation business due to its scale and the flexible operation of its thermal generation plant.

The Pellet Production business incurs certain costs that are higher in winter months due to the impact of weather conditions, such as fibre drying costs and heating costs. Production volumes and margins are typically higher in the summer months. The Pellet Production business is protected from demand fluctuations due to seasonality by regular production and dispatch schedules under its contracts with customers, both intra-group and externally.

Segment revenues and results

The following is an analysis of the Group's performance by reportable segment for the six months ended 30 June 2024. Revenue for each segment is split between sales to external parties and inter-segment sales. Inter-segment sales are eliminated in the intra-group eliminations column along with any adjustment required for unrealised profits (primarily inventory in transit from the Pellet Production segment to the Generation segment at the reporting date).

Adjusted EBITDA by reportable segment is presented in note 6.

	Six months ended 30 June 2024 (Unaudited)						
	Pellet Production £m	**Generation £m**	**Energy Solutions (Customers) £m**	**Innovation, capital projects and other £m**	**Intra-group eliminations £m**	**Adjusted results £m**	**Exceptional items and certain remeasure-ments £m**
Revenue							
External sales	**160.8**	**835.5**	**2,066.5**	**-**	**-**	**3,062.8**	**95.5**
Inter-segment sales	**281.1**	**1,445.0**	**-**	**-**	**(1,726.1)**	**-**	**-**
Total revenue	**441.9**	**2,280.5**	**2,066.5**	**-**	**(1,726.1)**	**3,062.8**	**95.5**
Cost of sales	**(270.2)**	**(1,543.3)**	**(1,988.9)**	**-**	**1,716.9**	**(2,085.5)**	**19.7**
Electricity Generator Levy	**-**	**(113.7)**	**-**	**-**	**-**	**(113.7)**	**-**
Gross profit	**171.7**	**623.5**	**77.6**	**-**	**(9.2)**	**863.6**	**115.2**
Operating and administrative expenses	**(107.1)**	**(152.6)**	**(42.1)**	**(31.9)**	**0.6**	**(333.1)**	**-**
Impairment losses on financial assets	**-**	**(2.0)**	**(13.3)**	**-**	**-**	**(15.3)**	**-**
Depreciation	**(47.1)**	**(52.1)**	**(0.3)**	**(1.4)**	**1.2**	**(99.7)**	**-**
Amortisation	**(2.3)**	**(1.0)**	**(5.0)**	**(0.3)**	**-**	**(8.6)**	**-**
Other losses	**(2.4)**	**(1.0)**	**-**	**-**	**-**	**(3.4)**	**-**
Share of losses from associates	**(0.6)**	**-**	**-**	**(0.5)**	**-**	**(1.1)**	**-**
Operating profit/(loss)	**12.2**	**414.8**	**16.9**	**(34.1)**	**(7.4)**	**402.4**	**115.2**

Included within the Innovation, capital projects and other segment historically have been certain corporate costs relating to activities that are utilised by the wider Group. The amount recharged to the respective reportable segments for the six months ended 30 June 2024 was: £2.5 million to Pellet Production, £63.1 million to Generation and £4.3 million to Energy Solutions (Customers). This updated allocation methodology has not been applied to the comparative amounts presented for the six months ended 30 June 2023. During the year ended 31 December 2023 recharges for each reportable segment were: £10.8 million to Pellet Production, £81.9 million to Generation and £7.5 million to Energy Solutions (Customers).

	Six months ended 30 June 2023 (Unaudited)							
	Pellet Production £m	Restated(1) Generation £m	Energy Solutions (Customers) £m	Innovation, capital projects and other £m	Intra-group eliminations £m	Restated(1) Adjusted results £m	Exceptional items and certain remeasure-ments £m	Restated(1) Total results £m
Revenue								
External sales	207.9	909.2	2,648.4	-	-	3,765.5	126.0	3,891.5
Inter-segment sales	178.0	2,167.3	-	-	(2,345.3)	-	-	-
Total revenue	385.9	3,076.5	2,648.4	-	(2,345.3)	3,765.5	126.0	3,891.5
Cost of sales	(239.2)	(2,505.6)	(2,553.9)	-	2,330.6	(2,968.1)	(41.2)	(3,009.3)
Electricity Generator Levy	-	(35.3)	-	-	-	(35.3)	-	(35.3)
Gross profit	146.7	535.6	94.5	-	(14.7)	762.1	84.8	846.9
Operating and administrative expenses	(99.2)	(114.2)	(38.8)	(79.5)	5.3	(326.4)	-	(326.4)
Impairment losses on financial assets	-	-	(18.6)	-	-	(18.6)	-	(18.6)
Depreciation	(40.2)	(52.6)	(0.6)	(1.3)	(0.7)	(95.4)	-	(95.4)
Amortisation	(2.4)	(0.5)	(10.8)	(0.3)	-	(14.0)	-	(14.0)
Other (losses)/gains	(0.6)	1.1	-	-	-	0.5	-	0.5
Share of losses from associates	(0.6)	-	-	-	-	(0.6)	-	(0.6)
Operating profit/(loss)	3.7	369.4	25.7	(81.1)	(10.1)	307.6	84.8	392.4

(1) Comparative amounts have been restated to reflect the Group's revised application of the agent requirements of IFRS 15 to sleeved electricity trades. This restatement wholly relates to the Generation segment. See the Net presentation of sleeved electricity trades section in note 17 for further details on this restatement.

Year ended 31 December 2023 (Unaudited)(1)

Innovation, capital | Energy | Exceptional items and certain | Restated(1)

	Pellet Production £m	Restated(2) Generation £m	Energy Solutions (Customers) £m	capital projects and other £m	Intra-group eliminations £m	Restated(2) Adjusted results £m	certain remeasure-ments £m	Restated Total results £m
Revenue								
External sales	397.8	2,094.2	4,958.3	-	-	7,450.3	282.9	7,733.
Inter-segment sales	424.6	4,300.7	-	-	(4,725.3)	-	-	
Total revenue	822.4	6,394.9	4,958.3	-	(4,725.3)	7,450.3	282.9	7,733.
Cost of sales	(511.8)	(4,928.6)	(4,763.3)	-	4,711.4	(5,492.3)	(82.7)	(5,575.(
Electricity Generator Levy	-	(204.6)	-	-	-	(204.6)	-	(204.6
Gross profit	310.6	1,261.7	195.0	-	(13.9)	1,753.4	200.2	1,953.
Operating and administrative expenses	(221.7)	(328.2)	(90.7)	(78.1)	7.0	(711.7)	-	(711.7
Impairment losses on financial assets	-	-	(32.5)	-	-	(32.5)	-	(32.5
Depreciation	(89.3)	(100.5)	(0.9)	(2.7)	(2.2)	(195.6)	-	(225.(
Amortisation	(4.7)	(2.5)	(21.6)	(0.6)	-	(29.4)	-	(29.4
Impairment of non-current assets	(2.8)	1.1	-	-	-	(1.7)	(69.1)	(70.8
Other gains/(losses)	0.5	0.2	-	-	-	0.7	(4.5)	(3.8
Share of (losses)/profits from associates	(1.7)	-	-	0.1	-	(1.6)	-	(1.6
Operating (loss)/profit	(9.1)	831.8	49.3	(81.3)	(9.1)	781.6	126.6	908.

(1) The year ended 31 December 2023 amounts presented above are fully audited, apart from the restatement of revenue and cost of sales for sleeve trades. See further details of this restatement in note 17.

(2) Comparative amounts have been restated to reflect the Group's revised application of the agent requirements of IFRS 15 to sleeved electricity trades. This restatement wholly relates to the Generation segment. See the Net presentation of sleeved electricity trades section in note 17 for further details on this restatement.

The accounting policies applied for the purpose of measuring the reportable segments' profits or losses, assets and liabilities are the same as those used in measuring the corresponding amounts in the Group's 2023 Annual report and accounts.

Capital expenditure by segment

Assets and working capital are monitored on a consolidated basis; however, capital expenditure is monitored by reportable segment.

	Six months ended 30 June				Year ended 31 December	
	2024 (Unaudited)		2023 (Unaudited)		2023 (Audited)	
	Capital additions to intangible assets £m	**Capital additions to property, plant and equipment £m**	Capital additions to intangible assets £m	Capital additions to property, plant and equipment £m	Capital additions to intangible assets £m	Capital additions to property, plant and equipment £m
Pellet Production	**-**	**45.9**	-	42.8	-	163.0
Generation	**0.4**	**92.9**	0.7	158.2	1.9	333.4
Energy Solutions (Customers)	**1.9**	**-**	1.0	-	2.7	0.2
Innovation, capital projects and other	**1.3**	**4.2**	2.2	5.4	5.3	12.6
Total	**3.6**	**143.0**	3.9	206.4	9.9	509.2

Geographical analysis of revenue and non-current assets

	Revenue (based on location of customer)		
	Six months ended 30 June		Year ended 31 December
	2024 (Unaudited) £m	Restated(1) 2023 (Unaudited) £m	Restated(1) 2023 (Audited) £m
North America (Canada and US)	**4.6**	4.8	8.5
Europe (excluding UK)	**13.8**	36.7	60.3

Europe (excluding UK)	**[illegible]**	[illegible]	[illegible]
Asia	**122.7**	156.9	280.1
UK	**3,017.2**	3,693.1	7,384.3
Total	**3,158.3**	3,891.5	7,733.2

(1) Comparative amounts have been restated to reflect the Group's revised application of the agent requirements of IFRS 15 to sleeved electricity trades. This restatement wholly relates to the Generation segment. See the Net presentation of sleeved electricity trades section in note 17 for further details on this restatement.

(2) Comparative amounts have been re-presented for the six months ended 30 June 2023 to allocate an additional £9.3 million of revenue to Europe (excluding UK) and an additional £38.8 million of revenue to Asia that were previously allocated to North America (Canada and US).

	Non-current assets(1) (based on asset's location)		
	As at 30 June		As at 31 December
	2024 (Unaudited) £m	2023 (Unaudited) £m	2023 (Audited) £m
Canada	**375.6**	523.8	406.7
US	**685.9**	478.4	666.0
Asia	**0.2**	-	0.3
UK	**2,295.8**	2,161.5	2,255.1
Total	**3,357.5**	3,163.7	3,328.1

(1) Non-current assets comprise goodwill, intangible assets, property, plant and equipment, right-of-use assets and investments.

3. Revenue

Revenue represents amounts receivable for goods or services provided to customers in the normal course of business, net of trade discounts, VAT and other sales-related taxes and excludes transactions between Group companies.

Given the principal activity of the Generation segment is a generator and seller of electricity, the Condensed consolidated income statement includes all revenue from sales of electricity during the period. In a majority of cases the Group is acting as principal in these sales contracts under IFRS. In the instance where electricity is purchased rather than generated to fulfil a sale, either due to operational or other requirements, the cost of this purchase is recorded within cost of sales. Where the Group enters into sleeved electricity trades, the Group is primarily acting as an agent under IFRS rather than a principal. As such, these transactions are presented net within revenue. See Net presentation of sleeved electricity trades in note 17 for further details of revised accounting treatment applied in these Condensed consolidated interim financial statements.

During the period, the Group made sales (and subsequent purchases) of Renewables Obligation Certificates (ROCs) to help optimise the Group's working capital position. External sales of renewable certificates in the table below includes £50.8 million of such sales (six months ended 30 June 2023: £253.0 million), with a similar value reflected in cost of sales.

For further details on the revenue streams listed below see pages 191-193 of the Group's 2023 Annual report and accounts.

The sources of revenue were as follows:

	Six months ended 30 June 2024 (Unaudited)		
	External £m	**Inter-segment £m**	**Total £m**
Pellet Production			
Pellet sales	**157.0**	**281.1**	**438.1**
Other income	**3.8**	**-**	**3.8**
Total Pellet Production	**160.8**	**281.1**	**441.9**
Generation			
Electricity sales	**695.4**	**1,402.1**	**2,097.5**
Renewable certificate sales	**80.1**	**21.5**	**101.6**
CfD income	**22.8**	**-**	**22.8**
Ancillary services	**22.2**	**-**	**22.2**
Other income	**15.0**	**21.4**	**36.4**
Total Generation	**835.5**	**1,445.0**	**2,280.5**
Energy Solutions (Customers)			
Electricity and gas sales	**2,030.2**	**-**	**2,030.2**
EBRS and EBDS income	**14.6**	**-**	**14.6**
Renewable certificate sales	**21.7**	**-**	**21.7**
Total Energy Solutions (Customers)	**2,066.5**	**-**	**2,066.5**
Elimination of inter-segment sales	**-**	**(1,726.1)**	**(1,726.1)**
Total consolidated revenue in Adjusted results	**3,062.8**	**-**	**3,062.8**
Certain remeasurements	**95.5**	**-**	**95.5**
Total consolidated revenue in Total results	**3,158.3**	**-**	**3,158.3**

	Six months ended 30 June 2023 (Unaudited)		
	Restated(1) External	Inter-segment	Restated(1) Total

	External £m	segment £m	Total £m
Pellet Production			
Pellet sales	204.2	178.0	382.2
Other income	3.7	-	3.7
Total Pellet Production	207.9	178.0	385.9
Generation			
Electricity sales	647.8	2,132.4	2,780.2
Renewable certificate sales	265.4	34.9	300.3
CfD payment	(57.7)	-	(57.7)
Ancillary services	25.5	-	25.5
Other income	28.2	-	28.2
Total Generation	909.2	2,167.3	3,076.5
Energy Solutions (Customers)			
Electricity and gas sales	2,282.8	-	2,282.8
EBRS and EBDS income	340.0	-	340.0
Renewable certificate sales[2]	25.2	-	25.2
Other income	0.4	-	0.4
Total Energy Solutions (Customers)	2,648.4	-	2,648.4
Elimination of inter-segment sales	-	(2,345.3)	(2,345.3)
Total consolidated revenue in Adjusted results	3,765.5	-	3,765.5
Certain remeasurements	126.0	-	126.0
Total consolidated revenue in Total results	3,891.5	-	3,891.5

(1) Comparative amounts have been restated to reflect the Group's revised application of the agent requirements of IFRS 15 to sleeved electricity trades. This restatement wholly relates to the Generation segment. See the Net presentation of sleeved electricity trades section in note 17 for further details on this restatement.

(2) In the above table, renewable certificate sales for the Energy Solutions (Customers) segment that were previously included within electricity and gas sales, have been re-presented to be shown separately.

	Year ended 31 December 2023 (Unaudited)[1]		
	Restated[2] External £m	Inter-segment £m	Restated[2] Total £m
Pellet Production			
Pellet sales	391.3	424.6	815.9
Other income	6.5	-	6.5
Total Pellet Production	397.8	424.6	822.4
Generation			
Electricity sales	1,208.2	3,817.2	5,025.4
Renewable certificate sales	842.6	434.8	1,277.4
CfD payment	(63.0)	-	(63.0)
Ancillary services	55.4	-	55.4
Other income	51.0	48.7	99.7
Total Generation	2,094.2	4,300.7	6,394.9
Energy Solutions (Customers)			
Electricity and gas sales	4,554.4	-	4,554.4
EBRS and EBDS income	365.8	-	365.8
Renewable certificate sales	37.9	-	37.9
Other income	0.2	-	0.2
Total Energy Solutions (Customers)	4,958.3	-	4,958.3
Elimination of inter-segment sales	-	(4,725.3)	(4,725.3)
Total consolidated revenue in Adjusted results	7,450.3	-	7,450.3
Certain remeasurements	282.9	-	282.9
Total consolidated revenue in Total results	7,733.2	-	7,733.2

(1) The year ended 31 December 2023 amounts presented above are fully audited, apart from the restatement of revenue and cost of sales for sleeve trades. See further details of this restatement in note 17.

(2) Comparative amounts have been restated to reflect the Group's revised application of the agent requirements of IFRS 15 to sleeved electricity trades. This restatement wholly relates to the Generation segment. See the Net presentation of sleeved electricity trades section in note 17 for further details on this restatement.

4. Net finance costs

Net finance costs reflect expenses incurred in managing the debt structure (such as interest payable on bonds) as well as foreign exchange gains and losses, the unwinding of discounts on provisions for reinstatement of the Group's sites at the end of their useful lives, and interest on lease liabilities. These are partially offset by interest income on both the Group's defined benefit pension scheme plan assets and through the use of short-term cash surpluses, for example through money market fund deposits.

	Six months ended 30 June		Year ended 31 December
	2024 (Unaudited) £m	2023 (Unaudited) £m	2023 (Audited) £m
Interest payable and similar charges:			

Interest payable and similar charges:			
Interest payable	**(52.8)**	(53.4)	(113.2)
Unwinding of discount on provisions	**(1.4)**	(0.9)	(1.9)
Other financing charges	**-**	-	(0.1)
Total interest payable and similar charges included in Adjusted results	**(54.2)**	(54.3)	(115.2)
Interest receivable and similar gains:			
Interest income on bank deposits	**8.4**	5.4	11.0
Interest income on defined benefit pension surplus	**0.4**	1.1	2.1
Other interest income	**0.2**	0.3	-
Gain on repurchase of loan notes	**1.7**	-	-
Total interest receivable and similar gains included in Adjusted results	**10.7**	6.8	13.1
Foreign exchange losses included in Adjusted results	**(11.1)**	(6.7)	(14.3)
Net finance costs included in Adjusted results	**(54.6)**	(54.2)	(116.4)
Certain remeasurements on financing derivatives	**0.2**	(0.1)	4.6
Net finance costs included in Total results	**(54.4)**	(54.3)	(111.8)

Interest payable and similar charges for the six months ended 30 June 2024 is stated net of £3.1 million (six months ended 30 June 2023: £3.0 million) of capitalised interest included within the cost of qualifying assets in property, plant and equipment during the period. These charges represent fees payable on deferred letters of credit that have been used specifically to finance the construction of the qualifying assets.

Foreign exchange gains and losses within net finance costs arise on the retranslation of balances denominated in foreign currencies to prevailing rates at the reporting date.

The Group has a number of intercompany loans denominated in the functional currency of certain foreign subsidiaries, that are owed to a sterling functional currency entity. Due to the weakening of sterling during the six months ended 30 June 2024 (six months ended 30 June 2023: strengthening), this has resulted in a foreign exchange gain of £2.1 million (six months ended 30 June 2023: loss of £16.0 million) on the retranslation of intercompany loans in the income statement of the sterling functional currency entity. This gain (six months ended 30 June 2023: loss) is recognised within the Condensed consolidated income statement and within the Foreign exchange losses included in Adjusted results line in the table above. Conversely, within the net gain or loss on translating the net assets of the foreign subsidiaries into the Group's sterling presentational currency, there is a foreign exchange loss (six months ended 30 June 2023: gain) relating to the translation of the foreign subsidiaries' intercompany loans. This impacts the translation reserve with the movement recognised in Other comprehensive income.

5. Taxation

The tax charge for the period includes both current and deferred tax. The tax charge is based upon the expected tax rate for the full year, which is applied to taxable profits for the period, together with any charge or credit in respect of prior periods and the tax effect of any exceptional items and certain remeasurements (see note 6).

Current tax includes UK corporation tax, corporate income tax in Canada, and US income tax. It is calculated as the income taxes payable on taxable profits, or recoverable in respect of tax losses, for the period. Deferred tax is calculated as the income taxes payable or recoverable in future accounting periods in respect of temporary differences which may be taxable or allowed as deductible. Temporary differences themselves represent the difference between the carrying amount of an asset or liability in the Condensed consolidated interim financial statements and the relevant tax base thereon.

	Six months ended 30 June		Year ended 31 December
	2024 (Unaudited) £m	2023 (Unaudited) £m	2023 (Audited) £m
Tax charge comprises:			
Current tax			
- Current period charge	**48.0**	60.2	188.1
- Adjustments in respect of prior periods	**-**	-	(2.0)
Deferred tax			
- Before impact of tax rate changes	**76.0**	30.7	46.7
- Adjustments in respect of prior periods	**-**	-	(0.3)
- Effect of changes in tax rate	**-**	-	3.0
Tax charge	**124.0**	90.9	235.5

The majority of the Group's anticipated full year profit is UK-based. The headline statutory rate of taxation on UK profits for 2024 is 25.0%, following the rate increase from 19.0% to 25.0% effective 1 April 2023.

The expected full year effective tax rate of 27.4% is in line with the prior year rate of 27.5%. The Electricity Generator Levy (EGL) is disallowable from a tax perspective with this increasing the effective tax rate above the statutory rate. The primary current tax rate benefits are in respect of UK corporation tax reliefs for full expensing of qualifying capital expenditure, patent box and research and development expenditure.

The Group falls within the scope of the Organisation for Economic Co-operation and Development's (OECD's) Global Anti-Base Erosion Rules, which provide for an internationally co-ordinated system of taxation to ensure that large multinational groups pay a minimum level of corporate income tax in countries in which they operate, referred to as Pillar Two.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15.0%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. This will be applicable to the Group for the year ending 31 December 2024.

The Group is reviewing this legislation and also monitoring the status of implementation of the OECD model rules outside of the UK to understand the potential impact on the Group. Based on the Group's initial assessment of the above legislation, no material top-up tax exposures have been identified. The Group has applied the mandatory exemption under IAS 12, so that the Group neither recognises, nor discloses information about deferred tax assets and liabilities related to the Pillar Two the Pillar Two.

6. Alternative performance measures (APMs)

The APMs glossary table to these Condensed consolidated interim financial statements provides details on all APMs used, each APM's closest IFRS equivalent, the reason why the APM is used by the Group and a definition of how each APM is calculated.

The Group presents Adjusted results in the Condensed consolidated income statement. Management believes that this approach is useful as it provides a clear and consistent view of underlying trading performance. Exceptional items and certain remeasurements are excluded from Adjusted results and presented in a separate column in the Condensed consolidated income statement. Management believes that this presentation provides useful information about financial performance and is consistent with the way the Board and the Executive Committee assess the performance of the Group.

The Group has a policy and framework for the determination of transactions as exceptional. Exceptional items are excluded from Adjusted results as they are transactions that are deemed to be one-off or unlikely to reoccur in future years due to their nature, size, the expected frequency of similar events, or the commercial context. Excluding these amounts provides users of the Condensed consolidated interim financial statements with a more representative view of the financial performance of the Group, and enables comparison with other reporting periods. All transactions presented as exceptional are approved by the Audit Committee. See the Audit Committee Report on pages 132-143 of the Group's 2023 Annual report and accounts for further details.

During the current and comparative period, no items have been designated as exceptional. The following transactions were designated as exceptional items and presented separately during the year ended 31 December 2023:

- Impairment charges related to the Opus Energy cash generating unit (2023, Energy Solutions (Customers)).
- Proceeds from a legal settlement relating to a supplier's failure to perform under their contract (2023, Energy Solutions (Customers)).
- Change in the fair value of contingent consideration (2023, Generation).
- Impact of the UK tax rate change on deferred tax balances (2023, Generation and Energy Solutions (Customers)).

Certain remeasurements comprise gains or losses on derivative contracts to the extent that those contracts do not qualify for hedge accounting, or hedge accounting is not effective, and those gains or losses are either i) unrealised and relate to derivative contracts with a maturity in future periods, or ii) are realised in relation to the maturity of derivative contracts in the current period. Gains and losses on derivative contracts prior to maturity generally reflect the difference between the contracted price and the current market price, which management does not believe provides meaningful information, as the Group is not primarily entering into contracts with the intention of creating value from changes in market prices.

The Group is entering into forward contracts as economic hedges to secure prices and rates, and lock in value for its future expected pellet production, generation or energy supply activities. The effect of excluding certain remeasurements from Adjusted results is that commodity sales and purchases are recognised in the period they are intended to hedge, at their contracted prices, i.e. at the all-in-hedged amount paid or received in respect of the delivery of the commodity in question. It also results in the total impact of associated financial contracts being recognised in the period they are intended to hedge. Management believes this better reflects the performance of the Group, as it more accurately represents the intention of entering into the underlying derivative contracts.

	Six months ended 30 June		Year ended 31 December
	2024 (Unaudited) £m	2023 (Unaudited) £m	2023 (Audited) £m
Exceptional items:			
Impairment of non-current assets	**-**	-	(69.1)
Net credit from legal claim	**-**	-	13.7
Change in fair value of contingent consideration	**-**	-	(18.2)
Exceptional items included in operating profit	**-**	-	(73.6)
Tax on exceptional items	**-**	-	10.8
Impact of tax rate change	**-**	-	0.7
Exceptional items after tax	**-**	-	(62.1)
Certain remeasurements:			
Net certain remeasurements included in revenue	**95.5**	126.0	282.9
Net certain remeasurements included in cost of sales	**19.7**	(41.2)	(82.7)
Certain remeasurements included in operating profit	**115.2**	84.8	200.2
Net certain remeasurements included in interest payable and similar charges	**(0.2)**	(0.1)	(0.3)
Net certain remeasurements included in foreign exchange (losses)/gains	**0.4**	-	4.9
Certain remeasurements included in profit before tax	**115.4**	84.7	204.8
Tax on certain remeasurements	**(28.8)**	(21.2)	(48.1)
Impact of tax rate change	**-**	-	(3.1)
Certain remeasurements after tax	**86.6**	**63.5**	153.6
Reconciliation of profit after tax:			
Adjusted profit after tax	**252.6**	183.7	469.4
Exceptional items after tax	**-**	-	(62.1)
Certain remeasurements after tax	**86.6**	63.5	153.6
Total profit after tax	**339.2**	247.2	560.9

For each item designated as exceptional or as a certain remeasurement, the table below summarises the impact of the item on the Adjusted and Total profit after tax, Basic EPS and net summarises the impact of the item on the Adjusted and Total profit after tax, Basic EPS and net cash flow from operating activities.

Six months ended 30 June 2024 (Unaudited)

	Revenue £m	Gross profit £m	Operating profit £m	Profit before tax £m	Tax charge £m	Profit for the period £m	Basic earnings per share Pence	Net cash from operating activities £m
Total results IFRS measure	**3,158.3**	**978.8**	**517.6**	**463.2**	**(124.0)**	**339.2**	**88.1**	**296.8**
Certain remeasurements:								
Net fair value remeasurement on derivative contracts	**(95.5)**	**(115.2)**	**(115.2)**	**(115.4)**	**28.8**	**(86.6)**	**(22.5)**	**-**
Adjusted results	**3,062.8**	**863.6**	**402.4**	**347.8**	**(95.2)**	**252.6**	**65.6**	**296.8**

Six months ended 30 June 2023 (Unaudited)

	Restated(1) Revenue £m	Gross profit £m	Operating profit £m	Profit before tax £m	Tax charge £m	Profit for the period £m	Basic earnings per share Pence	Net cash from operating activities £m
Total results IFRS measure	3,891.5	846.9	392.4	338.1	(90.9)	247.2	61.8	256.5
Certain remeasurements:								
Net fair value remeasurement on derivative contracts	(126.0)	(84.8)	(84.8)	(84.7)	21.2	(63.5)	(15.8)	-
Adjusted results	3,765.5	762.1	307.6	253.4	(69.7)	183.7	46.0	256.5

(1) Comparative amounts have been restated to reflect the Group's revised application of the agent requirements of IFRS 15 to sleeved electricity trades. See the Net presentation of sleeved electricity trades section in note 17 for further details on this restatement.

Year ended 31 December 2023 (Audited)

	Restated(1) Revenue £m	Gross profit £m	Operating profit £m	Profit before tax £m	Tax charge £m	Profit for the period £m	Basic earnings per share Pence	Net cash from operating activities £m
Total results IFRS measure	7,733.2	1,953.6	908.2	796.4	(235.5)	560.9	142.8	835.6
Certain remeasurements:								
Net fair value remeasurement on derivative contracts	(282.9)	(200.2)	(200.2)	(204.8)	48.1	(156.7)	(39.7)	-
Impact of tax rate change	-	-	-	-	3.1	3.1	0.8	-
Exceptional items:								
Impairment of non-current assets	-	-	69.1	69.1	(13.5)	55.6	14.1	-
Proceeds from legal claim	-	-	(13.7)	(13.7)	2.7	(11.0)	(2.8)	(9.3)
Change in fair value of contingent consideration	-	-	18.2	18.2	-	18.2	4.6	-
Impact of tax rate change	-	-	-	-	(0.7)	(0.7)	(0.2)	-
Total	(282.9)	(200.2)	(126.6)	(131.2)	39.7	(91.5)	(23.2)	(9.3)
Adjusted results	7,450.3	1,753.4	781.6	665.2	(195.8)	469.4	119.6	826.3

(1) Comparative amounts have been restated to reflect the Group's revised application of the agent requirements of IFRS 15 to sleeved electricity trades. See the Net presentation of sleeved electricity trades section in note 17 for further details on this restatement.

	Six months ended 30 June 2024 (Unaudited)		
	Attributable to		
	Owners of the parent company £m	**Non-controlling interests £m**	**Total £m**
Adjusted operating profit/(loss)	**402.8**	**(0.4)**	**402.4**

Depreciation	**99.2**	**0.5**	**99.7**
Amortisation	**8.6**	**-**	**8.6**
Other losses	**3.4**	**-**	**3.4**
Share of losses from associates	**1.1**	**-**	**1.1**
Adjusted EBITDA	**515.1**	**0.1**	**515.2**

	Six months ended 30 June 2023 (Unaudited)		
	Attributable to		
	Owners of the parent company £m	Non-controlling interests £m	Total £m
Adjusted operating profit/(loss)	308.3	(0.7)	307.6
Depreciation	94.9	0.5	95.4
Amortisation	14.0	-	14.0
Other gains	(0.5)	-	(0.5)
Share of losses from associates	0.6	-	0.6
Adjusted EBITDA	417.3	(0.2)	417.1

	Year ended 31 December 2023 (Audited)		
	Attributable to		
	Owners of the parent company £m	Non-controlling interests £m	Total £m
Adjusted operating profit/(loss)	782.9	(1.3)	781.6
Depreciation	194.3	1.3	195.6
Amortisation	29.4	-	29.4
Other gains	(0.7)	-	(0.7)
Share of losses from associates	1.6	-	1.6
Impairment of non-current assets	1.7	-	1.7
Adjusted EBITDA	1,009.2	-	1,009.2

	Six months ended 30 June		Year ended 31 December
	2024 (Unaudited) £m	2023 (Unaudited) £m	2023 (Audited) £m
Segment Adjusted EBITDA:			
Pellet Production	**64.5**	47.7	88.9
Generation	**468.9**	421.4	933.5
Energy Solutions (Customers)	**22.2**	37.1	71.8
Innovation, capital projects and other	**(31.9)**	(79.5)	(78.1)
Intra-group eliminations	**(8.6)**	(9.4)	(6.9)
Total Adjusted EBITDA	**515.1**	417.3	1,009.2

Included within the Innovation, capital projects and other segment historically has been certain corporate costs relating to activities that are utilised by the wider Group. The allocation methodology for these corporate costs was updated in the second half of 2023 and has been applied to the six months ended 30 June 2024 and the year ended 31 December 2023 amounts above. See note 2 for further details of the amounts recharged. This updated methodology has not been applied to the comparative amounts presented for the six months ended 30 June 2023 in the table above. Presented below to enable comparability is the segment Adjusted EBITDA for the six months ended 30 June 2023 if the updated allocation methodology had been applied.

	Six months ended 30 June 2023		
	As reported (Unaudited) £m	Impact of updated allocation methodology (Unaudited) £m	Total (Unaudited) £m
Segment Adjusted EBITDA:			
Pellet Production	47.7	(5.2)	42.5
Generation	421.4	(54.1)	367.3
Energy Solutions (Customers)	37.1	(3.4)	33.7
Innovation, capital projects and other	(79.5)	62.7	(16.8)
Intra-group eliminations	(9.4)	-	(9.4)
Total Adjusted EBITDA	417.3	-	417.3

Net debt

Net debt is calculated by taking the Group's borrowings (see note 9), adjusting for the impact of associated hedging instruments, and subtracting cash and cash equivalents. Net debt excludes the share of borrowings and cash and cash equivalents attributable to non-controlling interests. See the Alternative performance measures (APMs) section in the basis of preparation for further details on the Group's definition of Net debt.

The Group has entered into foreign currency forwards, fixing the sterling value of the principal repayments, and cross-currency interest rate swaps, fixing the sterling value of the principal repayments and interest, in respect of the Group's US dollar (USD), euro (EUR) and Canadian dollar (CAD) denominated debt. See note 13 for further details of the hedging instruments used by the Group. For the purpose of calculating Net debt, USD, EUR and CAD borrowings balances are translated at the hedged rate, rather than the rate prevailing at the reporting date, which impacts the carrying amount of the Group's borrowings. The impact of translating borrowings at the hedged rate rather than rate prevailing at the reporting date is recognised in the Impact of hedging instruments line below. See the APMs glossary table and the APMs section within the Basis of preparation for further details on the calculation of Net debt.

	As at 30 June		As at 31 December
	2024 (Unaudited) £m	2023 (Unaudited) £m	2023 (Audited) £m
Borrowings (note 9)	**(1,263.4)**	(1,363.1)	(1,425.3)
Cash and cash equivalents	**262.8**	124.9	379.5
Net cash and borrowings	**(1,000.6)**	(1,238.2)	(1,045.8)
Non-controlling interests' share of cash and cash equivalents in non-wholly owned subsidiaries	**(0.5)**	(0.2)	(0.3)
Impact of hedging instruments	**(34.2)**	(36.0)	(37.8)
Net debt	**(1,035.3)**	(1,274.4)	(1,083.9)

The table below reconciles Net debt in terms of changes in these balances across the period:

	Six months ended 30 June		Year ended 31 December
	2024 (Unaudited) £m	2023 (Unaudited) £m	2023 (Audited) £m
Net debt at beginning of the period	**(1,083.9)**	(1,206.0)	(1,206.0)
(Decrease)/increase cash and cash equivalents	**(116.7)**	(113.1)	141.5
(Increase)/decrease in non-controlling interests' share of cash and cash equivalents in non-wholly owned subsidiaries	**(0.2)**	0.5	0.4
Decrease in borrowings	**161.9**	77.8	15.6
Movement in the impact of hedging instruments	**3.6**	(33.6)	(35.4)
Net debt at end of the period	**(1,035.3)**	(1,274.4)	(1,083.9)

As explained in the Basis of preparation, the Group has a long-term target for Net debt to Adjusted EBITDA ratio of around 2.0 times. Adjusted EBITDA in the table below is expressed on a last twelve months (LTM) basis.

	As at 30 June		Year ended 31 December
	2024 (Unaudited)	2023 (Unaudited)	2023 (Audited)
Adjusted EBITDA LTM basis (£m)	**1,107.0**	923.4	1,009.2
Net debt (£m)	**(1,035.3)**	(1,274.4)	(1,083.9)
Net debt to Adjusted EBITDA ratio	**0.9**	1.4	1.1

Cash and committed facilities

The table below reconciles the Group's available cash and committed facilities:

	As at 30 June		Year ended 31 December
	2024 (Unaudited) £m	2023 (Unaudited) £m	2023 (Audited) £m
Cash and cash equivalents	**262.8**	124.9	379.5
RCF available but not utilised(1)	**252.3**	261.2	259.9
Liquidity facility available but not utilised(2)	**-**	200.0	-
Total cash and committed facilities	**515.1**	586.1	639.4

(1) The Group's available balance on the RCF facility (includes £300 million RCF (31 December 2023: £300 million and C$10 million RCF), see note 9) is reduced by letters of credit drawn under the RCF. As at 30 June 2024 £47.7 million letters of credit were drawn (31 December 2023: £46.1 million).

(2) In December 2022, the Group secured a new £200 million committed liquidity facility with banks within its lending group. This facility provided an additional source of liquidity to the Group's existing undrawn RCFs until December 2023. As at 31 December 2023 the facility had matured.

Further commentary on cash and committed facilities is contained within the CFO's financial review.

Adjusted EPS is another APM used by the Group, see note 7 for further details.

7. Earnings per share

Earnings per share (EPS) represents the amount of earnings (post-tax profits or losses) attributable to the weighted average number of ordinary shares outstanding in the period. Basic EPS is calculated by dividing the Group's earnings attributable to owners of the parent company (profit or loss after tax, excluding amounts attributable to non-controlling interests) by the weighted average number of ordinary shares that were outstanding during the period. Diluted EPS demonstrates the impact of all outstanding share options that would vest on their future maturity dates if the conditions at the end of the reporting period were the same as those at the end of the contingency period (such as those to be issued under employee share schemes), and the options were exercised and treated as ordinary shares as at the reporting date. Repurchased shares of 40.3 million (31 December 2023: 40.3 million) held in the Treasury shares reserve are not included in the weighted average calculation of shares. For the purpose of calculating Diluted EPS, the weighted average calculation of shares excludes any share options that would have an anti-dilutive impact.

	Six months ended 30 June		Year ended 31 December
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)

	(Unaudited)	(Unaudited)	(Audited)
Number of shares (millions):			
Weighted average number of ordinary shares for the purposes of calculating Basic earnings per share	**386.0**	401.4	393.8
Effect of dilutive potential ordinary shares under share plans	**4.3**	9.1	9.3
Weighted average number of ordinary shares for the purposes of calculating Diluted earnings per share	**390.3**	410.5	403.1

The tables below detail the earnings and EPS attributable to owners of the parent company:

	Six months ended 30 June				Year ended 31 December	
	2024 (Unaudited)		2023 (Unaudited)		2023 (Audited)	
	Adjusted results	**Total results**	Adjusted results	Total results	Adjusted results	Total results
Earnings - Profit after tax (£m)	**253.1**	**339.7**	184.6	248.1	470.7	562.2
Earnings per share - Basic (Pence)	**65.6**	**88.1**	46.0	61.8	119.6	142.8
Earnings per share - Diluted (Pence)	**64.9**	**87.1**	45.0	60.4	116.8	139.5

8. Dividends

	Pence per share	Six months ended 30 June **2024 (Unaudited) £m**	2023 (Unaudited) £m	Year ended 31 December 2023 (Audited) £m
Amounts recognised as distributions to equity holders in the period (based on the number of shares in issue at the record date):				
Final dividend for the year ended 31 December 2023 paid on 17 May 2024	13.9	**53.7**	-	-
Interim dividend for the year ended 31 December 2023 paid on 6 October 2023	9.2	**-**	-	35.7
Final dividend for the year ended 31 December 2022 paid on 19 May 2023	12.6	**-**	50.6	50.6
Total distributions		**53.7**	50.6	86.3

On 25 July 2024, the Board resolved to pay an interim dividend of 10.4 pence per share, representing 40% of the expected full year dividend. The interim dividend will be paid on 25 October 2024 and the record date for entitlement to the dividend will be on 20 September 2024.

Distributable reserves

The capacity of the Group to make dividend payments is primarily determined by the availability of retained distributable profits and cash resources.

Page 281 of the Group's 2023 Annual report and accounts discloses the basis of the parent company's distributable reserves. Sufficient reserves are available across the Group as a whole to make future distributions in accordance with the Group's capital allocation policy for the medium term.

The majority of the Group's distributable reserves are held in holding and operating subsidiaries. Management actively monitors the level of distributable reserves in each company in the Group, ensuring adequate reserves are available for upcoming dividend payments and that the parent company has access to these reserves.

The immediate cash resources of the Group of £262.8 million are comprised of cash and cash equivalents that are accessible on demand. The recent history of operating cash generation is set out in note 10. The majority of these cash resources are held centrally within the Group for treasury management purposes and are available for funding the working capital and other requirements of the Group.

The Group's financing facilities (see note 9) place customary conditions on the amount of dividend payments to be made in any given period. The Group expects to be able to make dividend payments, in line with its policy, within these conditions for the medium term.

9. Borrowings

The Group's borrowings at each period end were as follows:

	As at 30 June **2024 (Unaudited) £m**	2023 (Unaudited) £m	Year ended 31 December 2023 (Audited) £m
Non-current secured borrowings at amortised cost:			
2.625% loan notes 2025 €250m[1]	**121.7**	213.6	215.7
6.625% loan notes 2025 $500m[2]	**-**	392.0	391.5
5.875% loan notes 2029 €350m[3]	**295.2**	-	-
UK infrastructure private placement facility (2019)[4]	[illegible]	[illegible]	[illegible]

(2019) (4)	**49.7**	250.8	251.4
UK infrastructure private placement facility (2020) (5)	**182.1**	183.4	184.7
C$300m CAD term facility (6)	**114.9**	-	117.8
GBP and EUR term loan facility (2024) (7)	**255.4**	-	-
£125m Term loan facility (2024) (8)	**124.4**	-	-
Current secured borrowings at amortised cost:			
UK infrastructure private placement facility (2019) (4)	**-**	122.5	122.5
UK infrastructure private placement facility (2020) (5)	**-**	21.5	21.7
CAD term facility C$300m (6)	**-**	179.3	-
Current unsecured borrowings at amortised cost:			
Collateral facility (9)	**120.0**	-	120.0
Total borrowings	**1,263.4**	1,363.1	1,425.3
Split between:			
Current liabilities	**120.0**	323.3	264.2
Non-current liabilities	**1,143.4**	1,039.8	1,161.1

(1) These loan notes mature in 2025. Cross-currency interest rate swaps have been used to fix the sterling value of interest payments. This instrument also fixed the sterling repayment of the principal. This equates to an effective sterling interest rate of 4.6%. In May 2024 the Group completed a tender offer on €106.2 million of the principal, bringing the principal amount outstanding down to €143.8 million.

(2) These loan notes were due to mature in 2025 but were fully redeemed in May 2024. Cross-currency interest rate swaps had been used to fix the sterling value of interest payments. These instruments also fixed the sterling repayment of the principal. They equated to an effective sterling interest rate of 6.1%.

(3) These loan notes mature in 2029. Cross-currency interest rate swaps have been used to fix the sterling value of interest payments. This instrument also fixed the sterling repayment of the principal. This equates to an effective sterling interest rate of 7.5%.

(4) These comprise committed facilities with a remaining £50.0 million maturing in 2029. Interest rate swaps have been used to fix floating rates. This equates to an effective sterling interest rate of 3.8%.

(5) These comprise committed facilities totalling £98.0 million and €101.5 million with a range of maturities extending out to between 2026 and 2030. Interest rate swaps have been used to fix sterling floating rates on sterling facilities. Cross-currency interest rate swaps have been used to fix the sterling value of interest payments on euro facilities. This instrument also fixed the sterling repayment of the principal. This equates to an effective sterling interest rate of 2.7%.

(6) This facility matures in 2026. The Group has used a foreign currency forward contract to hedge the principal repayment on the loan at a fixed amount in sterling. Cross-currency interest rate swaps have been used to fix the sterling value of the CORRA (Canadian Overnight Repo Rate Average) linked interest payments. The average fixed interest rate on this facility is 6.1%.

(7) These comprise committed facilities totalling £100.0 million and €185.0 million with a range of maturities extending out to between 2027 and 2029. Interest rate swaps have been used to fix sterling floating rates on sterling facilities. Cross-currency interest rate swaps have been used to fix the sterling value of interest payments on euro facilities. This equates to an effective sterling interest rate of 5.5%. A foreign currency forward contract has been used to hedge the principal repayment on the loan at a fixed amount in sterling.

(8) These comprise committed facilities totalling £125.0 million with a range of maturities extending out to between 2027 and 2029. Interest rate swaps have been used to fix floating rates. This equates to an effective sterling interest rate of 6.2%.

(9) This is a short-term collateral facility. The £120.0 million outstanding was repaid in July 2024. The interest rate on the outstanding amount of £120.0 million was fixed to maturity at 7.5%.

During the period the Group has refinanced a number of existing facilities to extend the Group's average debt maturity profile. Further details of this refinancing activity is provided below and in the CFO's financial review.

In January 2024, £122.5 million of the UK infrastructure private placement facility (2019) was repaid, as well as €25.0 million of the UK infrastructure private placement facility (2020).

In February 2024, the Group signed a new secured committed GBP and EUR term loan facility (2024) with five banks for £258.0 million (sterling equivalent). This comprised of €135.0 million and £50.0 million due to mature in 2027 and a further €50.0 million and £50.0 million due to mature in 2029. The €135.0 million due to mature in 2027 contains options to extend for up to a further two years, subject to lender approval. These amounts were fully drawn in April 2024. Interest on the term loans is set at a margin over EURIBOR (Euro Interbank Offered Rate) or SONIA (Sterling Overnight Index Average).

In April 2024, the Group signed a new secured committed£125m Term loan facility (2024) with two banks comprising of £95.0 million due to mature in 2027 and £30.0 million due to mature in 2029. These amounts were fully drawn in May 2024. Interest on the term loans is set at a margin over SONIA. The agreement also included an option for the Group to increase the facility by up to a further £25.0 million, if agreed between the Group and its lenders.

In April 2024, the Group completed a €350.0 million offering of senior secured loan notes. The loan notes mature in 2029 and have a fixed interest rate of 5.875%. These loan notes were fully drawn on 2 May 2024. On the same date, the Group elected to redeem in full the $500.0 million of 6.625% loan notes due to mature in 2025 at 100% of the principal value.

In May 2024, the Group completed a tender offer on €106.2 million of the principal of the 2.625% loan notes due to mature in 2025 at 97.875% of the principal value (€103.9 million). Following completion of this offer on 2 May 2024, the remaining principal of these notes outstanding is €143.8 million.

In May 2024, the Group chose to repay £122.5 million and £80.0 million of the UK infrastructure private placement facility (2019), with maturities in 2025 and 2026 respectively.

The Group has a committed £300.0 million revolving credit facility (RCF). The Group has never had cash drawings under this facility since its inception in 2020. In January 2024, the Group agreed with lenders of the RCF to exercise the extension option within the facility and extend the final maturity date from January 2025 to January 2026. The Group previously had a C$10.0 million RCF that matured in January 2024 and was not extended.

See note 6 for further details on the Group's cash and committed facilities. The Group also has access to certain non-recourse trade receivable monetisation facilities and payment facilities, as described in note 10, which are utilised to accelerate working capital cash inflows and defer cash outflows.

The Group has complied with the financial covenants of its borrowing facilities during the current period and prior year. The Group has significant headroom against these covenants, and expects to remain compliant in future periods under all reasonably possible downside scenarios.

The weighted average interest rate payable at the reporting date on the Group's borrowings was 5.64% (as at 31 December 2023: 4.79%).

Reconciliation of borrowings

Changes in borrowings during the current and prior periods were as follows:

	Six months ended 30 June		Year ended 31 December
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	£m	£m	£m
Borrowings at beginning of the period	**1,425.3**	1,440.9	1,440.9
Cash movements:			
Repayment of uncommitted short-term loan facility	**-**	(43.4)	(43.4)
Drawdown of collateral facility loan	**-**	-	140.0
Repayment of collateral facility loan	**-**	-	(20.0)
Borrowings acquired in business combinations	**-**	-	1.8
Repayment of borrowings acquired in business combinations	**-**	-	(1.8)
Repayment of CAD term facility	**-**	-	(60.1)
Repayment of 2020 private placement facility	**(21.6)**	-	-
Repayment of 2019 private placement facility	**(325.0)**	-	-
Repayment of 2025 USD loan notes	**(393.9)**	-	-
Repayment of 2025 EUR loan notes	**(88.7)**	-	-
Drawdown of 2024 GBP and EUR term loan facilities	**258.0**	-	-
Drawdown of 2024 term loan £125m facilities	**125.0**	-	-
Drawdown of 2029 EUR loan notes	**298.8**	-	-
Transaction costs	**(7.7)**	-	(0.2)
Interest payments	**(37.2)**	(38.7)	(82.8)
Non-cash movements:			
Interest costs	**42.8**	40.7	86.3
Gain on repurchase of EUR loan notes	**(1.7)**	-	-
Effect of changes in foreign exchange rates	**(10.7)**	(36.4)	(35.4)
Borrowings at end of the period	**1,263.4**	1,363.1	1,425.3

Letters of credit and surety bonds

As at 30 June 2024, the Group had issued letters of credit totalling £191.9 million (31 December 2023: £180.3 million) of which £25.0 million (31 December 2023: £14.5 million) were utilised to cover commodity trading collateral requirements and £120.0 million (31 December 2023: £120.0 million) to cover the Collateral facility described above. As at 30 June 2024, the Group had surety bonds with a number of issuers totalling £79.0 million (31 December 2023: £119.0 million) of which £30.0 million (31 December 2023: £70.0 million) were utilised to cover commodity trading collateral requirements.

10. Cash generated from operations

The table below reconciles the Group's net profit for the period to the amount of cash generated from the Group's operations.

	Six months ended 30 June		Year ended 31 December
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	£m	£m	£m
Profit for the period	**339.2**	247.2	560.9
Adjustments for:			
Interest payable and similar charges	**54.4**	54.3	115.2
Interest receivable and similar gains	**(10.7)**	(6.8)	(13.1)
Tax charge	**124.0**	90.9	235.5
Research and development tax credits	**(1.0)**	(3.3)	(2.0)
Share of losses from associates	**1.1**	0.6	1.6
Depreciation of property, plant and equipment	**86.1**	82.6	168.7
Depreciation of right-of-use assets	**13.6**	12.8	26.9
Amortisation of intangible assets	**8.6**	14.0	29.4
Impairment of non-current assets	**-**	-	70.8
Losses on disposal of fixed assets	**-**	-	2.6
Other losses/(gains)	**4.6**	(0.5)	18.2
Certain remeasurements of derivative contracts[1]	**(120.5)**	(95.1)	(222.0)

Non-cash charge for share-based payments	**8.8**	5.3	13.9
Effect of changes in foreign exchange rates	**(15.7)**	(2.7)	6.2
Operating cash flows before movement in working capital	**492.5**	399.3	1,012.8
Changes in working capital:			
Decrease in inventories	**3.6**	32.2	20.6
Increase in renewable certificate assets	**(688.0)**	(299.4)	(104.4)
Decrease in receivables	**318.4**	201.5	71.4
Increase/(decrease) in payables	**212.1**	33.3	(30.8)
Net movement in collateral	**61.4**	51.0	155.4
Decrease in provisions	**-**	(5.3)	(4.4)
Total cash (absorbed by)/released from working capital	**(92.5)**	13.3	107.8
Net movement in defined benefit pension obligations	**(0.1)**	(8.3)	(9.6)
Cash generated from operations	**399.9**	404.3	1,111.0

(1) Certain remeasurements of derivative contracts includes the effect of non-cash unrealised gains and losses recognised in the Condensed consolidated income statement and their subsequent cash realisation. It also includes the cash and non-cash impact on deferring and recycling gains and losses on derivative contracts designated into hedge relationships under IFRS 9, where the gain or loss is held in the hedge reserve and then released to the Condensed consolidated income statement in the period the hedged transaction occurs.

The Group has generated cash from operations of £399.9 million during the period (six months ended 30 June 2023: £404.3 million). This resulted from a cash inflow from operating activities before movement in working capital of £492.5 million (six months ended 30 June 2023: £399.3 million) offset by a net working capital outflow of £92.5 million (six months ended 30 June 2023: £13.3 million inflow) and £0.1 million cash outflow (six months ended 30 June 2023: £8.3 million) in respect of pension obligations. The most significant factors making up these cash movements are explained in further detail below.

The £120.5 million adjustment (six months ended 30 June 2023: £95.1 million) for certain remeasurements of derivative contracts in the current period mainly relates to a net cash outflow due to realised losses on maturing trades. The adjustment for realised losses was in part offset by unrealised losses recognised within the Condensed consolidated income statement on trades that are yet to mature.

The Group actively manages its liquidity requirements. This includes managing collateral associated with the hedging of power and other commodities, as well as other contractual arrangements. In certain situations, the Group is able to use non-cash collateral, such as letters of credit and surety bonds, in place of cash collateral.

The Group has had a netcash inflow of £61.4 million from the movement in cash collateral during the six months ended 30 June 2024 (six months ended 30 June 2023: £51.0 million), as trades have matured and mark-to-market liabilities have reduced. As at 30 June 2024, the Group held £3.5 million (31 December 2023: £20.3 million) in cash collateral receipts, recognised in payables, and had posted £20.7 million (31 December 2023: £98.9 million) of cash collateral payments, recognised in receivables. The Group had also utilised £25.0 million (31 December 2023: £14.5 million) of letters of credit and £30.0 million (31 December 2023: £70.0 million) of surety bonds to cover commodity trading collateral requirements.

The Group has a strong focus on cash flow discipline and managing liquidity. The Group enhances its working capital position by managing payables, receivables, inventories and renewable certificate assets to ensure that working capital committed is closely aligned with operational requirements. The impact of these actions on the cash flows of the Group is explained further below.

The table below sets out the key arrangements utilised by the Group to manage working capital:

	As at 30 June 2024 (Unaudited) £m	As at 31 December 2023 (Audited) £m	**Working capital inflow/ (outflow) in the period (Unaudited) £m**
Receivables monetisation	**400.0**	400.0	**-**
ROC monetisation sales	**-**	298.4	**(298.4)**
Supply chain finance	**(49.0)**	(48.6)	**0.4**
Deferred letters of credit	**(225.7)**	(224.7)	**1.0**

None of the balances in the table above are included within the Group's definition of Net debt or borrowings (see note 6 for further details on Net debt and note 9 for further details on borrowings). The receivables monetisation facility is non-recourse in nature and therefore there is no future liability associated with these amounts. Through standard ROC sales and ROC purchase arrangements the Group is able to manage the working capital cycle of inflows and outflows of these assets. The supply chain finance and deferred letters of credit facilities are linked directly to specific payables that provide a short extension of payment terms of less than 12 months. The impact of these facilities on the cash flows of the Group is explained further below.

During the six months to 30 June 2024 therewas a £688.0 million outflow due to a combination of generation, utilisation, purchases and sales of renewable certificates (six months 30 June 2023: £299.4 million). The outflow is predominantly due to an increase in the value of renewable certificates generated and still held by the Group, and a reduced level of ROC monetisation sales utilised in managing working capital in line with operational requirements. At 30 June 2024 the Group had not monetised any ROCs from using these standard renewable certificate sales (31 December 2023: £298.4 million).

The £318.4 million cash inflow due to a decrease in receivables in the six months ended 30 June 2024 (six months ended 30 June 2023: £201.5 million) is largely the result of lower power prices across the Generation and Energy Solutions (Customers) businesses.

The Energy Solutions (Customers) business has access to a facility which enables it to accelerate cash flows associated with amounts receivable from energy supply customers on a non-recourse basis. This facility size is £400.0 million until March 2025 and then reduces to £300.0 million, until the facility matures in January 2027. Utilisation of the facility was £400.0 million at 30 June 2024 (31 December 2023: £400.0 million). As the facility was fully utilised at 31 December 2023 and 30 June 2024 this has had no cash flow impact in the period (six months ended 30 June 2023: no cash flow impact).

Payables have increased since 31 December 2023 with a cash inflow of £212.1 million in the six months ended 30 June 2024 (six months ended 30 June 2023: £33.3 million). This increase is predominantly due to an increase in renewable certificate accruals as a result of being further through the compliance periods. Certain of the Group's suppliers are able to access a supply chain finance facility provided by a bank, for which funds can be accelerated in advance of normal payment terms. At 30 June 2024, the Group had trade payables of £49.0 million (31 December 2023: £48.6 million) related to this supply chain finance facility. The facility does not directly impact the Group's working capital, as payment terms remain unaltered with the Group and would remain the same should the facility fall away.

The Group also utilises deferred letters of credit which provide a working capital benefit for the Group due to a short extension of payment terms of less than 12 months. The amount outstanding under deferred letters of credit at 30 June 2024 was £225.7 million (31 December 2023: £224.7 million). Of the total deferred letters of credit outstanding, £153.0 million (31 December 2023: £155.1 million) were utilised for capital expenditure and £72.7 million (31 December 2023: £69.6 million) were utilised for trade payables. Utilisation of deferred letters of credit has impacted the purchases of property, plant and equipment line in the Condensed consolidated cash flow statement and the movement in payables line above.

11. Share capital

The Group's ordinary share capital reflects the total number of shares in issue, which are publicly traded on the London Stock Exchange.

Issued equity
The movement in allotted and fully paid share capital of the Company during the period was as follows:

	£m (Unaudited)	Number (Unaudited)
Issued and fully paid:		
At 1 January 2024	**49.1**	**424,923,406**
Issue of shares	**0.3**	**2,495,197**
At 30 June 2024	**49.4**	**427,418,603**

The Company has only one class of shares, which are ordinary shares of 11 $\frac{16}{29}$ pence each, carrying no right to fixed income. Throughout the period, shares were issued in satisfaction of options vesting in accordance with the rules of the Group's employee share schemes. For further details of the schemes, refer to note 6.2 in the Group's 2023 Annual report and accounts.

During 2023, the Group undertook a £150 million share buyback programme. The shares purchased by the Group have not been cancelled and so continue to be included in the issued shares in the above table. See note 2.11 in the Group's 2023 Annual report and accounts for further details.

12. Financial risk management

The Group's activities expose it to a variety of financial risks, including commodity price risk, foreign currency risk, interest rate risk, liquidity risk, inflation risk, counterparty risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of commodity and financial markets and seeks to manage potential adverse effects on the Group's financial performance.

The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is overseen by the Risk management committees which identify, evaluate and manage financial risks in close coordination with the Group's trading and treasury functions, under policies approved by the Board.

See pages 251-272 of the Group's 2023 Annual report and accounts for further details on the Group's financial risk management.

13. Fair value financial instruments

The Group makes use of derivative financial instruments to manage its exposure to the financial risks set out in note 12.

The own-use exemption within IFRS applies to certain commodity contracts that are entered into for the purpose of physical receipt or delivery in accordance with the Group's expected purchase, sale or usage requirements. Other contracts are outside the scope of IFRS 9 as there is not a sufficiently liquid market for the commodity to bring the contracts into scope. In both cases, these contracts are excluded from the requirement to apply fair value mark-to-market accounting.

Contracts that do not meet the requirements of the own-use exemption (principally power, gas, financial oil and carbon emissions allowances) are accounted for as derivatives in accordance with IFRS 9 and are recorded in the Condensed consolidated balance sheet at fair value. Changes in the fair value of derivative financial instruments are reflected through Other comprehensive income within the Condensed consolidated statement of comprehensive income, to the extent that the contracts are designated as effective hedges in accordance with IFRS 9, or in the Condensed consolidated income statement where the hedge accounting requirements are not met, or the hedges are ineffective. Movements on these derivatives are excluded from Adjusted results in the Condensed consolidated income statement until the relevant contract matures. See note 6 for further details on the timing and recognition of derivative contracts in Adjusted results.

For financial reporting purposes, the Group has classified derivative financial instruments into the following categories:

- Commodity contracts - forward contracts for the sale or purchase of a commodity, including both contracts that are expected to be settled through physical delivery and financial contracts.
- Foreign currency exchange contracts - currency related contracts including forwards, swaps, vanilla options and structured option products.
- Interest rate and cross-currency contracts - contracts which swap one interest rate for another in a single currency, including floating-to-fixed interest rate swaps, and contracts which swap interest and principal cash flows in one currency for another currency.

which swap interest and principal cash flows in one currency for another currency, including fixed-to-fixed and floating-to-fixed cross-currency interest rate swaps.

- Inflation rate swaps -floating-to-fixed swap contracts that are linked to an inflation index, such as the UK Retail Price Index (RPI) or the UK Consumer Price Index (CPI).

The table below details the carrying amounts recognised for the Group's derivative financial instruments:

	As at 30 June		As at 31 December
	2024 (Unaudited) £m	2023 Restated(1) (Unaudited) £m	2023 (Audited) £m
Derivative assets			
Commodity contracts	**330.1**	394.0	528.1
Foreign currency exchange contracts	**104.2**	191.2	108.5
Interest rate and cross-currency contracts	**13.5**	47.9	25.4
Total derivative assets	**447.8**	633.1	662.0
Split between:			
Non-current assets	**134.0**	272.8	293.6
Current assets	**313.8**	360.3	368.4
Derivative liabilities			
Commodity contracts	**(70.1)**	(340.3)	(193.2)
Foreign currency exchange contracts	**(43.3)**	(51.7)	(59.5)
Interest rate and cross-currency contracts	**(39.4)**	(33.4)	(35.1)
Inflation rate contracts	**(185.5)**	(269.2)	(250.4)
Total derivative liabilities	**(338.3)**	(694.6)	(538.2)
Split between:			
Non-current liabilities	**(228.2)**	(336.2)	(306.6)
Current liabilities	**(110.1)**	(358.4)	(231.6)
Total net derivative financial instruments	**109.5**	(61.5)	123.8

(1) Comparative amounts as at 30 June 2023 have been restated to reflect the Group's revised application of the offsetting criteria to physically settled derivative contracts. This impacted the presentation of derivative assets and liabilities recognised in the Condensed consolidated balance sheet. The valuation of derivatives and the overall net asset position remain unchanged. See the Offsetting section in note 17 for further details on this restatement.

IFRS 13 requires categorisation of the Group's financial instruments measured at fair value, including the derivative financial instruments detailed in the table above, in accordance with the following hierarchy in order to explain the basis on which their fair values have been determined:

- Level 1 - Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Fair value measurements are those derived from inputs, other than quoted prices, included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Categorisation within this fair value measurement hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset or liability.

The table below details the carrying amounts of fair value financial instruments including their levels in the fair value hierarchy:

	As at 30 June		As at 31 December
	2024 (Unaudited) £m	2023 Restated(1) (Unaudited) £m	2023 (Audited) £m
Assets			
Level 2:			
Derivative financial instruments (as above)	**447.8**	633.1	662.0
Level 3:			
Contingent consideration(2)	**9.2**	27.4	9.2
Total assets	**457.0**	660.5	671.2
Liabilities			
Level 2:			
Derivative financial instruments (as above)	**(338.3)**	(694.6)	(538.2)
Total liabilities	**(338.3)**	(694.6)	(538.2)

(1) Comparative amounts as at 30 June 2023 have been restated to reflect the Group's revised application of the offsetting criteria to physically settled derivative contracts. This has impacted the presentation of derivative assets and liabilities recognised in the Condensed consolidated balance sheet. The valuation of derivatives and the overall net asset position remain unchanged. See the Offsetting section in note 17 for further details on this restatement.

(2) Contingent consideration is presented within Trade and other receivables and contract assets within the Condensed consolidated balance sheet.

There have been no transfers during the period between Level 1, 2 or 3 category inputs.

The Group has a large portfolio of commodity and financial contracts (including forward power sales, financial gas sales and financial oil purchases) and also has a large portfolio of forward currency contracts which fix the sterling cost of future fuel purchases denominated in foreign currencies. The Group has entered into a number of inflation swap contracts in order to hedge annual price increases in certain elements of its generation activities, such as its CfD revenue and Capacity Market revenue, both linked to UK CPI. The Group also has a number of interest rate and cross-currency swaps to hedge the foreign exchange and interest rate risk on the Group's borrowings.

Fair value measurement

- Commodity contracts - the fair value of open commodity contracts that do not qualify for the own-use exemption or are otherwise outside of the scope of IFRS 9, is calculated by reference to forward market prices at the reporting date.
- Foreign currency exchange contracts - the fair value of foreign currency exchange contracts is determined using forward currency exchange market rates at the reporting date.
- Interest rate and cross-currency contracts - the fair value of interest rate swaps is calculated by reference to forward market curves at the reporting date for the relevant interest index. The fair value of cross-currency interest rate swaps is calculated using the relevant forward currency exchange market rates for fixed-to-fixed swaps and by using the relevant forward currency exchange market rates and interest index for floating-to-fixed swaps.
- Inflation rate contracts - the fair value of inflation rate swaps is calculated by reference to forward market curves at the reporting date for the relevant inflation index.

Given the maturity profile of all these contracts, liquid forward market price curves are available for the duration of the contracts.

The fair values of all derivative financial instruments are discounted to reflect both the time value of money and credit risk inherent within the instrument.

The fair value of commodity contracts, foreign currency exchange contracts, interest rate swaps, cross-currency contracts and inflation swaps are largely determined by comparison between observable, liquid, forward market prices or rates, and the trade price or rate; therefore, these contracts are categorised as Level 2 in the IFRS 13 fair value hierarchy. Credit risk is not a significant input to the fair value calculations.

Level 3 fair values

The contingent consideration receivable by the Group relates to the sale of the Combined Cycle Gas Turbine (CCGT) portfolio in 2021. The gross nominal value of £29.0 million is contingent on certain triggers in respect of the option to develop the Damhead Creek 2 land disposed of as part of the sale of these assets. The fair value measurement for the contingent consideration has been categorised as Level 3 based on the inputs to the valuation technique used. The fair value was measured at £9.2 million as at 30 June 2024 (31 December 2023: £9.2 million) and there have been no significant changes to the inputs or valuation techniques used since 31 December 2023. For further details on the valuation process, valuation technique, and the observable and unobservable inputs used, please see pages 253-254 of the Group's 2023 Annual report and accounts.

A reconciliation of the contingent consideration is detailed below:

	Six months ended 30 June		Year ended 31 December
	2024 (Unaudited) £m	2023 (Unaudited) £m	2023 (Audited) £m
Balance at beginning of the period	**9.2**	27.4	27.4
Net change in fair value (unrealised)(1)	**-**	-	(18.2)
Balance at end of the period	**9.2**	27.4	9.2

(1) The net change in fair value of the contingent consideration was presented within other gains or losses as an exceptional item in the Consolidated income statement for the year ended 31 December 2023.

The sensitivity of the fair value measurement to changes in unobservable inputs is consistent with that disclosed on pages 253-254 of the Group's 2023 Annual report and accounts.

14. Contingent liabilities

Contingent liabilities are potential future outflows of cash that are dependent on a future event that is outside of the control of the Group. The amount or timing of any payment is uncertain and cannot be measured reliably.

Ofgem investigation

On 31 May 2023, Ofgem announced the opening of an investigation into Drax Power Limited's annual biomass profiling reporting under the Renewables Obligation scheme. Ofgem's announcement stated that the opening of an investigation does not imply any finding of non-compliance. Ofgem separately confirmed that they have not established any non-compliance that would affect the issuance of ROCs to Drax Power Limited, and therefore the associated financial benefit.

Like all energy generators, the Company receives regular requests from Ofgem. We continue to cooperate fully throughout the investigation and have confidence in our compliance with the Renewables Obligation scheme criteria.

No amount has been provided in respect of this matter in the Condensed consolidated interim financial statements, given the stage of the process and the uncertainty in future outcome.

15. Assets classified as held for sale

On 26 June 2024 the Group announced that it had reached an agreement for the sale of up to 90,000 Small & Medium-sized (SME) customer meter points from Opus Energy to EDF Energy Customers Limited (EDF).

Completion of the transaction is dependent on certain conditions being met, and therefore at the reporting date the sale was not unconditionally binding. An amount of £10.3 million, representing the disposal group for this expected transaction, has been reclassified to held for sale. This amount represents the remaining balance of the customer-related assets, recognised on acquisition of Opus Energy by the Group, and the carrying value of the due debt balances to be transferred.

The consideration to be received for the sale will reflect the balances on the date of completion, expected in the third quarter of 2024. Any associated provisions for restructuring or reorganisation of the remaining business are expected to be recognised once the conditions precedent are met and the sale completes.

16. Adoption of new and amended accounting standards

The following amendments became effective for the first time in 2024:

- IFRS 16 (amended) - Lease Liability in a Sale and Leaseback - effective from 1 January 2024
- IAS 1 (amended) - Classification of Liabilities as Current and Non-current - effective from 1 January 2024
- IAS 1 (amended) - Non-current Liabilities with Covenants - effective from 1 January 2024
- IAS 7 (amended) and IFRS 7 (amended) - Supplier Finance Arrangements - effective from 1 January 2024

The adoption of these amendments to IFRS 16 and IAS 1 in the current period has not had a material impact on these Condensed consolidated interim financial statements. The Group has supplier finance arrangements (as outlined in note 10) and so the adoption of the amendment to IAS 7 will result in the additional disclosures in the Group's Annual report and accounts for the year ending 31 December 2024. The new disclosures are not required to be presented in these Condensed consolidated interim financial statements.

At the date of approval of this report, the following new or amended standards and relevant interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IAS 21 (amended) - Lack of Exchangeability - effective from 1 January 2025*
- IFRS 18 - Presentation and Disclosure in Financial Statements - effective from 1 January 2027*

*Pending endorsement by the UK Endorsement Board (UKEB).

On 9 April 2024, the International Accounting Standards Board (IASB) issued IFRS 18 'Presentation and Disclosure in Financial Statements', which is expected to be effective for periods commencing on or after 1 January 2027, subject to UK endorsement, with early adoption permitted. The standard will replace IAS 1 'Presentation of financial statements'. Whilst IFRS 18 will not directly impact recognition or measurement, it will impact how amounts are presented, with the principal changes being:

- Categorisation of all income and expenditure into three new defined categories: Operating, Investing and Financing;
- Introducing two new defined subtotals to be presented within the income statement: Operating profit and Profit before financing and income taxes;
- New disclosure requirement for Management Performance Measures (MPMs); and
- New requirements regarding the aggregation and disaggregation of information to be presented in the financial statements.

The Group is considering the impact of applying IFRS 18 in the period prior to adoption.

Adoption of other new or amended standards and relevant interpretations in future periods is not expected to have a material impact on the Condensed consolidated interim financial statements of the Group.

17. Restatements

Net presentation of sleeved electricity trades

The Group enters into electricity sale and purchase contracts for a number of reasons, in the course of its principal activity as a generator and seller of electricity. The majority of these electricity trades are shown on a gross basis, meaning that electricity sales are recognised in revenue and any electricity purchases are recognised in cost of sales. The Group enters certain sleeved electricity trades in order to increase overall market liquidity and increase access to trading counterparties. In such trades the Group acts as an intermediary to enable two other counterparties to trade. The buy and sell trades the Group enters into in these cases are equal and opposite in volume terms.

During the period, the Group has reassessed these trades against the agent and principal requirements of IFRS 15 and concluded that the Group is acting primarily as an agent. As such, these transactions are now presented net within revenue. Previously, the electricity sales were presented within revenue and the electricity purchases were presented within cost of sales.

The Condensed consolidated income statement comparatives for the six months ended 30 June 2023 have been restated to reflect this revised application. This restatement is purely a presentational change impacting the revenue and cost of sales lines in the Condensed consolidated income statement, as summarised in the table below. This restatement wholly relates to the Generation segment. There is no impact from this change on the Group's profit for the period, net assets, shareholders' equity, nor on gross profit or any other Condensed consolidated income statement subtotals. There is no impact on the Condensed consolidated balance sheet, Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity or the Condensed consolidated cash flow statement.

	Six months ended 30 June 2023 (Unaudited)					
	Adjusted results			Total results		
	Previously reported £m	Restatement £m	Restated £m	Previously reported £m	Restatement £m	Restated £m
Revenue	3,964.4	(198.9)	3,765.5	4,090.4	(198.9)	3,891.5
Cost of sales	(3,167.0)	198.9	(2,968.1)	(3,208.2)	198.9	(3,009.3)

See note 18 for details of the impact of this restatement on the amounts recognised for the year ended 31 December 2023.

Other comprehensive income reclassification

The Group has restated comparatives for the six months to 30 June 2023 in the Condensed consolidated statement of comprehensive income to recognise fair value movements on cash flow hedges, cost of hedging, and the related deferred tax that were previously classified as 'items that will not subsequently be reclassified to profit or loss', to 'items that may subsequently be reclassified to profit or loss'. This is to reflect the fact that, whilst considered unlikely, there are some potential future scenarios that may lead these items being reclassified to profit or loss. This restatement is a presentational change. There is no impact on the Group's Other comprehensive income for the period or Total comprehensive income for the period from this change. There is no impact from this change on the net assets or shareholders' equity, nor any impact on the Condensed consolidated income statement, Condensed consolidated statement of changes in equity or the Condensed consolidated cash flow statement.

Offsetting

IAS 32 requires financial assets and financial liabilities to be offset and the net amount presented in the Condensed consolidated balance sheet when the Group has both a current legally enforceable right to offset the recognised amounts, and also has the intention to settle on a net basis. The offsetting requirements and relevant guidance is based on the principle of reflecting the entity's expected future cash flows, and requires careful assessment around how the requirements should be applied to derivative contracts that will be settled in part through physical delivery of a non-financial asset.

Previously, the Group did not consider derivatives that resulted in physical delivery of a non-financial asset and were not settled solely in cash or another financial instrument to meet the requirements for offsetting. During the second half of 2023, the Group revised its application of how the offsetting criteria were applied to derivative contracts that are physically settled. This resulted in a number of physically settled derivatives being deemed to meet the offsetting criteria. The Group has applied offsetting based on a contract level unit of account. This application was first reflected in the full year results as at 31 December 2023.

The Condensed consolidated balance sheet for the 30 June 2023 comparative period has been restated to reflect the revised application. The impact of this change is summarised in the table below. There is no impact from this change on the Group's net assets or shareholders' equity, nor any impact on the Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity or the Condensed consolidated cash flow statement.

	As at 30 June 2023 (Unaudited)		
	Previously reported £m	Restatement £m	Restated £m
Non-current assets			
Derivative financial instruments	299.0	(26.2)	272.8
Total non-current assets	3,523.3	(26.2)	3,497.1
Current assets			
Derivative financial instruments	541.4	(181.1)	360.3
Total current assets	2,446.9	(181.1)	2,265.8
Current liabilities			
Derivative financial instruments	(539.5)	181.1	(358.4)
Total current liabilities	(2,495.7)	181.1	(2,314.6)
Non-current liabilities			
Derivative financial instruments	(362.4)	26.2	(336.2)
Total non-current liabilities	(1,841.9)	26.2	(1,815.7)
Net assets	1,632.6	-	1,632.6

See the Offsetting of financial assets and financial liabilities section of the Critical accounting judgements section on page 180 of the Group's 2023 Annual report and accounts for further details on the Group's offsetting of financial assets and financial liabilities.

18. Reproduction of comparative financial information

Consolidated income statement for the year ended 31 December 2023

For information, the full Consolidated income statement and Consolidated statement of comprehensive income for the year ended 31 December 2023 are reproduced below:

Consolidated income statement	Year ended 31 December 2023 (Unaudited)(1)		
	Restated(1) Adjusted results(2) £m	Exceptional items and certain remeasurements £m	Restated(1) Total results £m
Revenue	7,450.3	282.9	7,733.2
Cost of sales	(5,492.3)	(82.7)	(5,575.0)
Electricity Generator Levy	(204.6)	-	(204.6)
Gross profit	1,753.4	200.2	1,953.6
Operating and administrative expenses	(711.7)	-	(711.7)
Impairment losses on financial assets	(32.5)	-	(32.5)
Depreciation	(195.6)	-	(195.6)
Amortisation	(29.4)	-	(29.4)
Impairment of non-current assets	(1.7)	(69.1)	(70.8)
Other gains/(losses)	0.7	(4.5)	(3.8)
Share of losses from associates	(1.6)	-	(1.6)
Operating profit	781.6	126.6	908.2
Foreign exchange (losses)/gains	(14.3)	4.9	(9.4)
Interest payable and similar charges	(115.2)	(0.3)	(115.5)
Interest receivable	13.1	-	13.1
Profit before tax	665.2	131.2	796.4
Tax			
- Before effect of changes in tax rate	(195.2)	(37.3)	(232.5)
- Effect of changes in tax rate	(0.6)	(2.4)	(3.0)
Total tax charge	(195.8)	(39.7)	(235.5)
Net profit for the period	469.4	91.5	560.9

Attributable to:			
Owners of the parent company	470.7	91.5	562.2
Non-controlling interests	(1.3)	-	(1.3)

Earnings per share	Pence	Pence
For net result for the period attributable to owners of the parent company		
- Basic	119.6	142.8
- Diluted	116.8	139.5

(1) The year ended 31 December 2023 amounts above have been restated to reflect the Group's revised application of the agent requirements of IFRS 15 to sleeved electricity trades. The amounts presented above are fully audited apart from this restatement. See further details of this restatement in the net presentation of sleeved electricity trades section in note 17.
(2) Adjusted results are stated after adjusting for exceptional items and certain remeasurements. See note 6 for further detail.

Consolidated statement of comprehensive income

	Restated(1) Year ended 31 December 2023 (Unaudited)(1) £m
Profit for the period	560.9
Items that will not be subsequently reclassified to profit or loss:	
Remeasurement of defined benefit pension scheme	(28.8)
Deferred tax on remeasurement of defined benefit pension scheme	7.2
Gain on equity investments	0.4
Items that may be subsequently reclassified to profit or loss:	
Exchange differences on translation of foreign operations attributable to owners of the parent company	(10.3)
Exchange differences on translation of foreign operations attributable to non-controlling interests	(0.4)
Net fair value gains on cost of hedging	7.5
Deferred tax on cost of hedging	(1.9)
Net fair value gains on cash flow hedges	266.5
Net gains on cash flow hedges reclassified to profit or loss	256.1
Deferred tax on cash flow hedges	(130.7)
Other comprehensive income for the period	365.6
Total comprehensive income for the period	926.5
Attributable to:	
Owners of the parent company	928.2
Non-controlling interests	(1.7)

(1) The year ended 31 December amounts above have been restated to reclassify certain amounts from 'Items that will not subsequently be reclassified to profit or loss', to 'Items that may subsequently be reclassified to profit or loss'. The amounts presented above are fully audited apart from this restatement. See further details of this restatement in the Other comprehensive income reclassification section in note 17.

The table below shows the impact of the restatement of sleeved electricity trades on the Consolidated income statement for the year ended 31 December 2023. See note 17 for further details on this restatement.

	Year ended 31 December 2023					
	Adjusted results			Total results		
	Previously reported (Audited) £m	Restatement (Unaudited) £m	Restated (Unaudited) £m	Previously reported (Audited) £m	Restatement (Unaudited) £m	Restated (Unaudited) £m
Revenue	7,842.4	(392.1)	7,450.3	8,125.3	(392.1)	7,733.2
Cost of sales	(5,884.4)	392.1	(5,492.3)	(5,967.1)	392.1	(5,575.0)

19. Post balance sheet events

On 25 July 2024, the Board approved a share buyback programme of up to £300.0 million over a two-year period. The share buyback programme is expected to begin in the third quarter of 2024.

Independent review report to Drax Group plc

Report on the condensed consolidated interim financial statements

Our conclusion
We have reviewed Drax Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half Year Results of Drax Group plc for the 6 month period ended 30 June 2024 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct

Authority.

The interim financial statements comprise:

- the Condensed consolidated balance sheet as at 30 June 2024;
- the Condensed consolidated income statement and Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended;
- the Condensed consolidated cash flow statement for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half Year Results of Drax Group plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion
We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half Year Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern
Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors
The Half Year Results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Half Year Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half Year Results, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
Leeds
25 July 2024

Alternative performance measures (APMs) glossary table

The measures described below are used throughout the Condensed consolidated interim financial statements and are measures that are not defined within IFRS but provide additional information about financial performance and position that is used by the Board and the Executive Committee to evaluate the Group's trading performance. These measures have been defined internally and to evaluate the Group's trading performance. These measures have been defined internally and may therefore not be comparable to APMs presented by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself a measure defined under IFRS. Such measures should not be viewed in isolation or as an alternative to the equivalent IFRS measure.

APM	**Closest IFRS equivalent measure**	**Purpose**	**Definition**
Adjusted results	Total results	The Group's Adjusted results are consistent with the way the Board and the Executive Committee assess the performance of the Group. Adjusted results are intended to reflect the underlying trading performance of the Group's businesses and are presented to assist users of the Condensed consolidated interim financial statements in evaluating the Group's trading performance and performance against strategic objectives on a consistent basis. Adjusted results exclude exceptional items and certain remeasurements. Exceptional items are those transactions that, by their nature, do not reflect the trading performance of the Group in the period. Certain remeasurements comprise fair value gains and losses that do not qualify for hedge accounting (or hedge accounting is not effective). The Group regards all of its forward contracting activity to represent economic hedges and therefore by excluding the volatility caused by recognising fair value gains and losses prior to maturity of the contracts, the Group can reflect these contracts at the contracted prices on maturity, reflecting the intended purpose of entering these contracts and the Group's underlying performance.	Total results measured in accordance with IFRS excluding the impact of exceptional items and certain remeasurements. Exceptional items and certain remeasurements are defined in note 6.
Adjusted EBITDA	Operating profit(1)	Adjusted EBITDA is a primary measure used by the Board and the Executive Committee to assess the financial performance of the Group as it provides a more comparable assessment of the Group's period-on-period trading performance. It is also a key metric used by the investor community to assess performance of the Group's operations.	Earnings before interest, tax, depreciation, amortisation, other gains and losses and impairment of non-current assets, excluding the impact of exceptional items and certain remeasurements (defined in note 6). Adjusted EBITDA includes the cost of EGL and excludes any earnings from associates or the share of Adjusted EBITDA directly attributable to non-controlling interests.
Adjusted basic EPS	Basic EPS	Adjusted basic EPS represents the amount of Adjusted earnings (Adjusted profit or loss after tax) attributable to each ordinary share outstanding.	Adjusted basic EPS is calculated by dividing the Group's Adjusted profit or loss after tax attributable to owners of the parent company by the weighted average number of ordinary shares outstanding during the period.
Adjusted diluted EPS	Diluted EPS	Adjusted diluted EPS demonstrates the impact upon the Adjusted basic EPS if all outstanding share options, that are expected to vest on their future maturity dates and where the shares are considered to be dilutive, were exercised and treated as ordinary shares as at the reporting date.	Adjusted diluted EPS is calculated by dividing the Group's Adjusted profit or loss after tax attributable to owners of the parent company by the weighted average number of ordinary shares outstanding during the period and dilutive potential ordinary shares outstanding under share plans.
Borrowings	n/a(2)	Borrowings provide information relating to the Group's use of debt. It is a key measure of leverage.	Borrowings include drawn debt facilities including bonds, term loans, revolving credit facilities (RCFs) (to the extent drawn in cash) and other drawn debt facilities available for general use. Borrowings do not include other financial liabilities such as lease liabilities calculated in accordance with IFRS 16, pension obligations, and trade and other payables. Borrowings do not include working capital facilities that are linked to specific payables and give an extension in payment terms of less than 12 months such as supply chain finance, deferred letters of credit, credit cards and receivables working capital facilities.
Net debt	Borrowings less cash and cash equivalents	Net debt is a key metric used by debt rating agencies and the investor community, often in conjunction with other financial measures (e.g. Adjusted EBITDA), to measure a company's ability to repay its debt and assess its leverage against peers or relevant benchmarks. Net debt is used as a basis by debt rating agencies to assess credit risk, and in the calculation of the Group's financial covenant requirements. The impact of hedging instruments included within Net debt shows the economic substance of the Net debt position, in terms of actual expected future cash flows to settle that debt.	Borrowings (as defined above) including the impact of hedging instruments less cash and cash equivalents. Net debt excludes the proportion of cash and borrowings in non-wholly owned entities that would be attributable to the non-controlling interests. Net debt includes the impact of foreign currency hedging instruments, meaning that any borrowings that have associated hedging instruments in place are adjusted to reflect those borrowings at the hedged rate. Net debt includes the impact of any cash collateral receipts from counterparties or cash collateral posted to counterparties.
Net debt to Adjusted EBITDA ratio	Borrowings less cash and cash equivalents divided by operating profit(1)	The Net debt to Adjusted EBITDA ratio is a debt ratio that gives an indication of how many years it would take the Group to pay back its debt if Net debt and Adjusted EBITDA are held constant. The Group has a long-term target for Net debt to Adjusted EBITDA ratio of around 2.0 times.	Net debt divided by Adjusted EBITDA for the last twelve months, expressed as a multiple.
Cash and	Cash and cash	This is a key measure of the Group's	Total cash and cash equivalents plus

Cash and committed facilities	Cash and cash equivalents	This is a key measure of the Group's available liquidity and the Group's ability to manage its current obligations. It shows the value of cash available to the Group in a short period of time.	Total cash and cash equivalents plus the value of the Group's committed but undrawn facilities (including the Group's RCFs and loan facilities.
Capital expenditure	Property, plant and equipment (PPE) additions and intangible asset additions	Used to show the Group's total investment in PPE and intangible assets in a period.	PPE additions plus intangible asset additions.

(1) Operating profit is presented on the Group's Condensed consolidated income statement; however, it is not defined per IFRS. It is a generally accepted measure of profit.

(2) Borrowings are presented in the Group's Condensed consolidated balance sheet; they are a commonly used balance sheet line item heading however borrowings are not defined by IFRS, therefore the Group's borrowings may not be comparable to borrowings presented by other companies.

Glossary

Ancillary services and system support
Services provided to National Grid used for balancing supply and demand or maintaining secure electricity supplies within acceptable limits, for example reactive power and frequency response contracts. They are described in Connection Condition 8 of the Grid Code.

Availability
Average percentage of time the units were available for generation.

BECCS
Bioenergy with carbon capture and storage.

Biomass
Organic material of non-fossil origin, including organic waste, that can be converted into bioenergy through combustion. The Group uses sawmill and other wood industry residues and forest residuals (which includes low grade roundwood, thinnings, branches and tops) in the form of compressed wood pellets, to generate electricity at Drax Power Station or sell the pellets to third parties.

Capacity Market
Part of the UK Government's Electricity Market Reform, the Capacity Market is intended to ensure security of electricity supply by providing a payment for reliable sources of capacity.

Carbon capture and storage (CCS)
The process of trapping or collecting carbon emissions from a large-scale source and then permanently storing them.

CCUS
Carbon Capture, Usage and Storage.

CDRs
Carbon dioxide removals.

Contracts for Difference (CfD)
A mechanism to support investment in low-carbon electricity generation. The CfD works by stabilising revenues for generators at a fixed price level known as the 'strike price'. Generators will receive revenue from selling their electricity into the market as usual, however, when the market reference price is below the strike price they will also receive a top-up payment for the additional amount. Conversely, if the market reference price is above the strike price, the generator must pay back the difference.

Dispatchable power
An electricity generator produces dispatchable power when the power can be ramped up or down, and switched on or off, at short notice to provide (or dispatch) a flexible response to changes in electricity demand. Biomass, pumped storage, battery storage, coal, oil, and gas electricity generation can meet these criteria and hence can be dispatchable power sources. Nuclear can be dispatched against an agreed schedule but is not flexible. Wind and solar electricity cannot be scheduled and hence are not dispatchable. An electricity system requires sufficient dispatchable power to operate and remain safe.

EBDS
The UK Government's Energy Bills Discount Scheme.

EBRS
The UK Government's Energy Bill Relief Scheme.

EGL
The Electricity Generator Levy.

ESG
Environmental, Social and Governance.

EURIBOR
Euro Interbank Offered Rate.

Forced outage/Unplanned outage
Any reduction in plant availability, excluding planned outages.

FSC®
Forest Stewardship Council: an international non-governmental organisation which promotes responsible management of the world's forests.

IFRS
International Financial Reporting Standards.

Mt pa
Million tonnes per annum.

MWh
Megawatt hour.

Open Cycle Gas Turbine (OCGT)
A free-standing gas turbine, using compressed air, to generate electricity.

Planned outage
A period during which scheduled maintenance is executed according to the plan set at the outset of the year.

REGO
Renewable Energy Guarantee of Origin.

ROC
Renewables Obligation Certificate.

SONIA
Sterling Overnight Index Average.

Summer
The calendar months April to September.

Sustainable biomass
Biomass which complies with the definition of "sustainable source", Schedule 3, Land Criteria, UK Renewables Obligation Order 2015.

System operator
National Grid Electricity Transmission. Responsible for the co-ordination of electricity flows onto and over the transmission system, balancing generation supply and user demand.

Total Recordable Incident Rate (TRIR)
The Group's Total Recordable Incident Rate (TRIR) is a frequency rate which is calculated on the following basis: (fatalities, lost time injuries and worse than first aid injuries)/hours worked x 100,000.

TWh
Terawatt hour.

Winter
The calendar months October to March.

Drax Group plc
Drax Power Station
Selby
North Yorkshire YO8 8PH
Telephone: +44 (0)1757 618381
www.drax.com