

# 2023

# Full Year Results

29 February 2024

drax



**Will Gardiner**  
Chief Executive Officer



**Andy Skelton**  
Chief Financial Officer



## Our Purpose

To enable a zero carbon,  
lower cost energy future

## Our People

Valued members of a winning team  
with a worthwhile mission



## 2023:

### **Strong financial performance and balance sheet, with additional returns to shareholders**

- Adj. EBITDA growth driven by system support services, renewable generation, and energy solutions
- Strong liquidity and balance sheet
- Progressing options for long-term growth

### **Delivering for stakeholders with large-scale renewable power, system support, energy security and investment**

## Outlook:

### **Current business provides strong long-term foundation for balance sheet, dividend and investment**


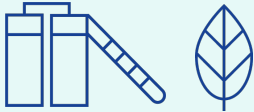


- Flexible generation and energy solutions portfolio – targeting post 2027 recurring Adj. EBITDA >£250m
- Pellet production – targeting post 2027 recurring Adj. EBITDA >£250m
- Biomass generation – strong contracted cashflows 2024–2026 and long-term value from bridging mechanism and BECCS

### **Expect to repay 2025 debt maturities through cash generation and refinancing activities in 2024**

### **Options for growth aligned with energy transition and security of supply**

- c.£4bn by 2030, additional investment through 2030s
- UK BECCS, US BECCS, pumped storage hydro and pellet production

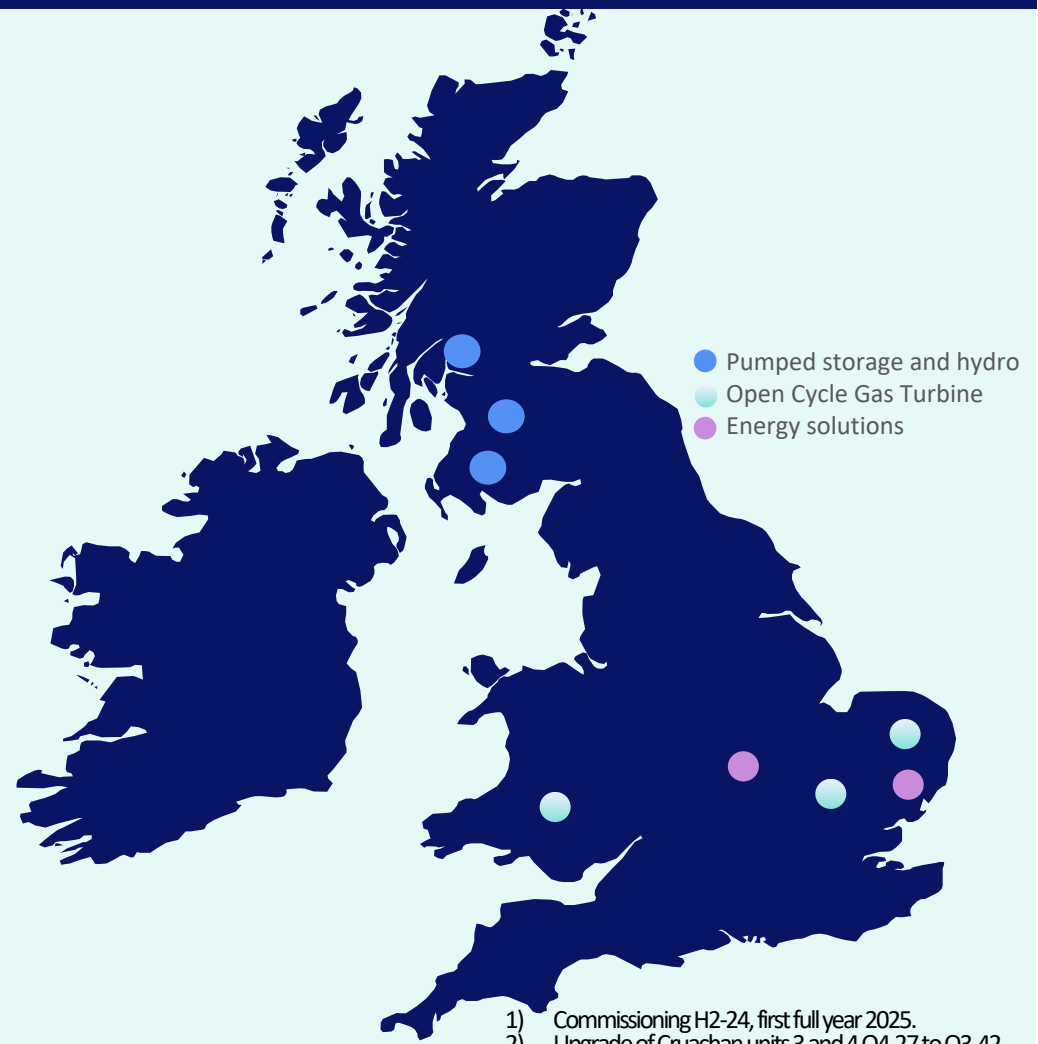
## Asset portfolio and developments aligned to global energy transition and energy security

<p><b>1 Flexible generation &amp; energy solutions</b></p>  <p>c.0.4GW Pumped storage c.0.1GW Hydro c.0.9GW OCGTs Energy solutions (Customers)</p> <p><u>Targeting post 2027 recurring Adj. EBITDA &gt;£250m</u></p>	<p><b>2 Pellet production and sales</b></p>  <p>&gt;5Mt pa of capacity Diversified logistics &gt;17Mt of third-party offtake Own-use contracts</p> <p><u>Targeting post 2027 recurring Adj. EBITDA &gt;£250m from c.5Mt output (existing assets)</u></p> <p>Additional value from development of new capacity</p>	<p><b>3 Biomass generation</b></p>  <p>c.2.6GW of flexible renewable generation</p> <ul style="list-style-type: none"> <li>Largest source of UK renewables by output</li> </ul> <p><u>Strong forward power hedges (2024–2026)</u></p> <p>Long-term value from bridging mechanism and BECCS</p>	<p><b>4 Attractive options for long-term growth</b></p>  <p>c.£4bn investments by 2030</p> <ul style="list-style-type: none"> <li>4Mt of BECCS in UK</li> <li>3Mt of BECCS in US</li> <li>0.6GW of pumped storage</li> </ul> <p><b>8Mt of pellet production</b></p> <ul style="list-style-type: none"> <li>Further development subject to clarity on UK BECCS</li> </ul> <p><b>Additional investment post 2030</b></p> <ul style="list-style-type: none"> <li>Ambition for &gt;20Mt of BECCS</li> </ul>
---	---	---	--

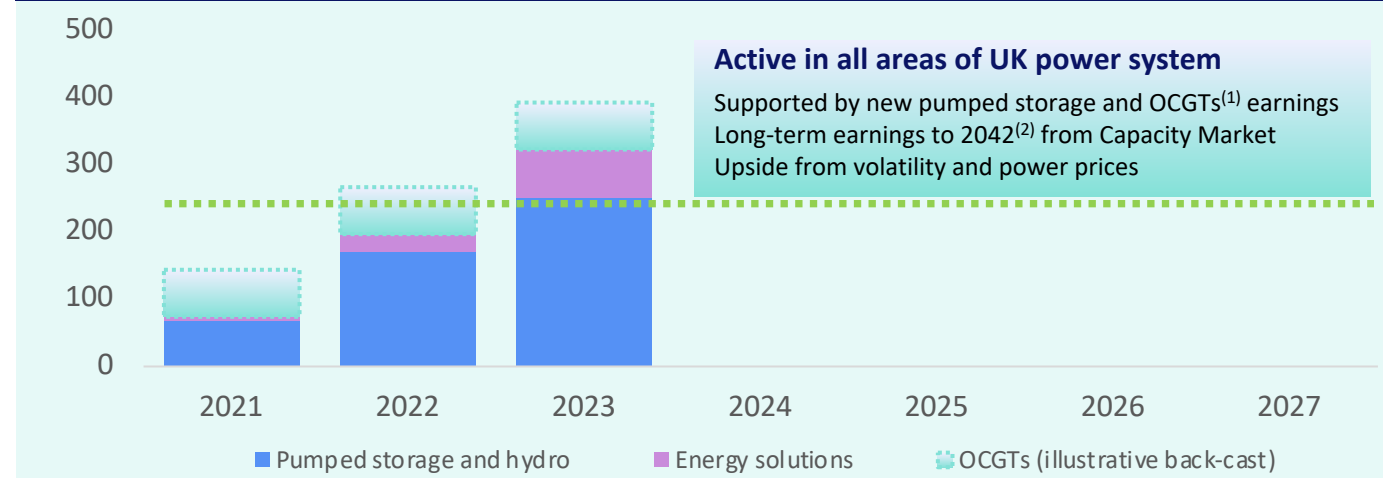
**Targeting >£500m of post 2027 Adj. EBITDA from flexible generation & energy solutions, and pellet production**

## Targeting post 2027 recurring Adj. EBITDA of >£250m pa

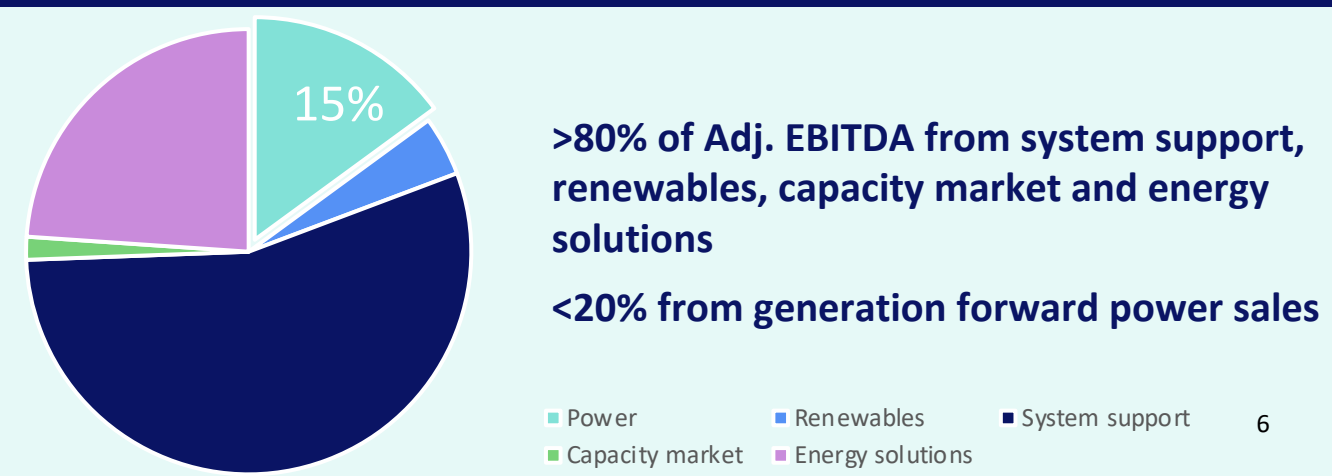
### 1.4GW portfolio of pumped storage, hydro and OCGTs



### Adj. EBITDA (£m) development aligned to growing system needs



### Strong and diversified earnings base in 2023



## Five-year payback on original investment in flexible generation, opportunities for further investment

### Five-year payback on 2018 acquisition of pumped storage, hydro and gas

#### c.£690m investment

- c.£180m divestment of gas asset (2021)

#### >£700m Adj. EBITDA contribution over five year period

	Timeframe	£m
Acquisition	December 2018	c.(690)
Gas free cash flow	2019–2021	c.40
Divestment of gas	January 2021	c.180
Pumped storage and hydro free cash flow	2019–2023	c.470

Five-year payback



### 2025–2030 development of Cruachan II

#### c.£600m investment in 600MW expansion

- Planning consent approved
- Evaluating investment models, including cap and floor scheme
- Targeting FID in 2026, with operations in 2030

### 2024–2027 upgrade and expansion of Cruachan I

#### £80m upgrade and 40MW expansion

- 2 x 20MW expansion of two units
- Improved reliability and operability
- 2024-2027 investment window

#### Investment underpinned by 15-year CM contract 2027-2042

- c.£221m of contracted revenues, plus CPI

#### 480MW site by 2027

### Targeting post 2027 recurring Adj. EBITDA >£250m pa from c.5Mt output

#### Geographically diversified supply chain with opportunities for trading and optimisation

- 18 operational pellet plants and developments
- c.5Mt of operational production capacity and 0.6Mt of developments
- Access to major North American fibre baskets
- Multiple ports with access to Atlantic and Pacific routes

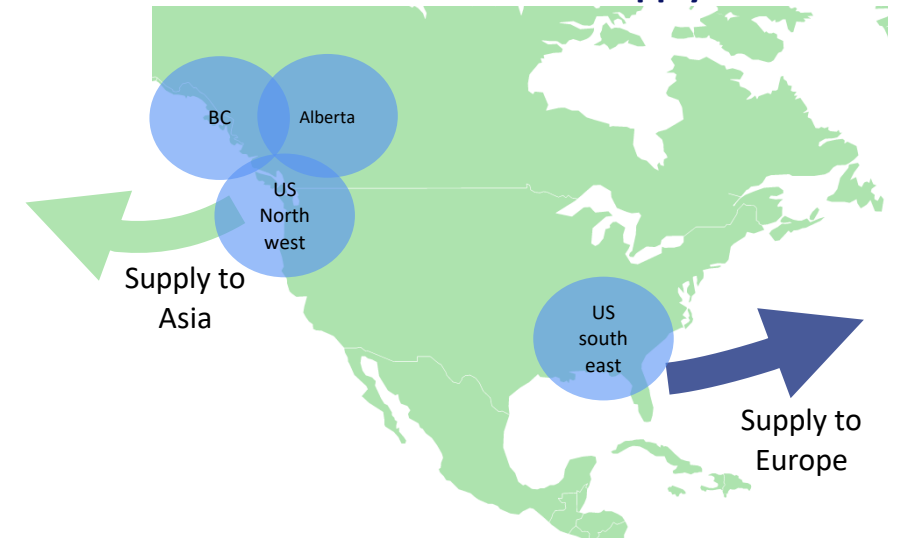
#### Integrated supply chain provides opportunities in the current market

- Production, own-use or third-party supply

#### Third-party order book extending to mid-2030s

- >17Mt of contracted sales to high quality Asian and European counterparties

#### Diversified North American supply chain



### Further opportunities to expand production capacity to 8Mt, subject to clarity on UK BECCS

#### Growing pipeline for third-party sales

- 0.5Mt contract to Japan, commenced in 2023
- Letter of Intent for the sale of up to 1Mt of biomass to European utility, for projects including SAF



**2024-2026:  
Strong forward power hedges, primarily from biomass generation**

Contracted power sales (26 Feb-24)	2024	2025	2026
Net RO, hydro and gas (TWh) <sup>(1)</sup>	10.8	9.3	2.2
Average achieved £ per MWh <sup>(2)</sup>	149.0	111.1	89.6
CfD (TWh)	2.6	-	-

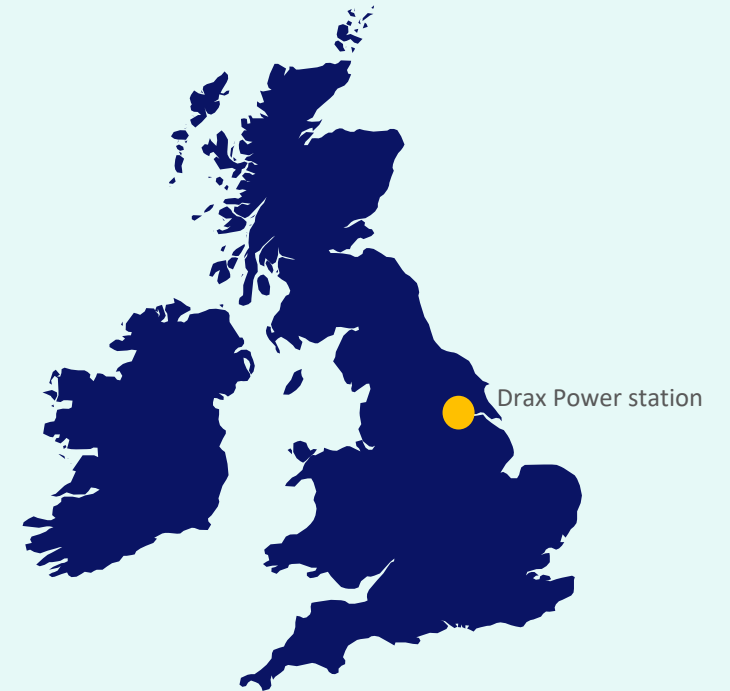
**RO, pumped storage and hydro forward sales**

- £2.8 billion of forward power sales between 2024 and 2026
- 22.3TWh at an average price of £127.3/MWh
- RO generation – fully hedged in 2024 and >90% hedged in 2025
- >£1.2bn of associated ROCs

**CfD generation**

- Expect additional CfD generation through 2026

**Long-term:  
Strategic asset – flexible, renewable power and carbon removals**



**UK’s largest single source of renewables by output  
2.6GW capacity ~80% capacity of Hinkley Point C**

**Expect long-term value from bridging mechanism and BECCS**

1) Includes 3.5TWh 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 ROC units and highly correlated to forward power prices.  
 2) Presented net of cost of closing out gas positions at maturity and replacing with forward power sales.

## Options for c.£4bn of growth investment in energy transition and security of supply by 2030 Additional investment opportunities in 2030s

<b>Carbon removals</b>	<b>Ambition for &gt;20Mt pa of carbon removals from BECCS</b> <ul style="list-style-type: none"><li>• UK – targeting first unit (4Mt pa) by 2030 in line with Government target, with second unit (4Mt pa) to follow</li><li>• Global BECCS – targeting first project (3Mt pa) by 2030<ul style="list-style-type: none"><li>• First site selected in US South, moving to FEED in 2024</li><li>• Evaluating additional sites for greenfield and brownfield BECCS</li></ul></li></ul>
<b>Biomass pellet supply</b>	<b>Targeting 8Mt of production capacity, subject to clarity on UK BECCS</b> <ul style="list-style-type: none"><li>• c.5Mt of current production capacity</li></ul> <b>Growing pipeline for third-party sales</b>
<b>Dispatchable, renewable generation</b>	<b>0.6GW option for new pumped storage by 2030</b> <ul style="list-style-type: none"><li>• Cruachan II planning approval granted (July 2023)</li></ul>

---

# Financial & Operational Review

A strong performance delivering high levels of renewable generation and system support services, utilising the Group's flexible, vertically-integrated biomass supply chain and dispatchable generation assets to support security of supply



## Strong financial performance

**Adj. EBITDA (excl. EGL)<sup>(1/2)</sup>**  
**£1,214m**  
 (2022: £731m)

**Total Cash and  
 Committed Facilities  
 December 2023**  
**£639m**  
 (December 2022: £698m)

**Cash Generated from  
 Operations**  
**£1,111m**  
 (2022: £320m)

**Net Debt  
 December 2023<sup>(3)</sup>**  
**£1,084m**  
 (December 2022 £1,206m)

**Adj. EBITDA (incl. EGL)<sup>(1/2)</sup>**  
**£1,009m**  
 (2022: £731m)

**Adj.  
 Basic Earnings Per Share**  
**119.6p/share**  
 (2022: 85.1p/share)

**Proposed Final Dividend**  
**13.9p/share<sup>(4)</sup> (£53m)**  
 (2022: 12.6p/share, £50m)

**Full Year Dividend**  
**23.1p/share<sup>(4)</sup> (£89m)**  
 (2022: 21.0p/share, £84m)

- 1) 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.
- 2) In December 2022, the UK Government confirmed the details of a windfall tax – the Electricity Generator Levy (or EGL) – on renewable and low-carbon generators, implemented in 2023 and running to 31 March 2028. The levy applies to the three biomass units operating under the Renewables Obligation (RO) scheme and run-of-river hydro operations. It does not apply to the Contract for Difference (CfD) biomass or pumped storage hydro units. Following review, we have concluded that EGL will be accounted for as a levy within Gross Profit and therefore Adj. EBITDA. For 2023 we have presented Adj. EBITDA including and excluding EGL for ease of comparison.
- 3) Net debt comprised of cash and short-term investments of £380m less borrowings of £1,426m (less impact of hedging instruments within borrowings of £38m).
- 4) Final dividend remains conditional on shareholder approval at the AGM in April 2024.

## Targeting >£500m of post 2027 recurring Adj. EBITDA from flex. gen. & energy solutions, and pellet production

2023 Adj. EBITDA (incl. EGL)	1 Flex gen & energy solutions	2 Pellet production and sales	3 Biomass generation	4 Options for long-term growth	Total
Pellet production	-	89	-	-	89
Biomass generation	-	-	703	-	703
Pumped storage & hydro	230	-	-	-	230
Customers	72	-	-	-	72
Global BECCS	-	-	-	(57)	(57)
Innovation & capital projects	-	-	-	(28)	(28)
<b>2023 Total</b>	<b>302</b>	<b>89</b>	<b>703</b>	<b>(85)</b>	<b>1,009</b>
<i>OCGTs (back-cast)</i>	<i>&gt;70</i>				
<b>Illustrative total</b>	<b>&gt;372</b>				

### Flexible generation & energy supply – targeting post 2027 recurring Adj. EBITDA >£250m

- 2023: >80% of Adj. EBITDA from system support, renewables, capacity market and energy solutions, <20% from generation power sales
- OCGTs (back-cast) 2021-2023, on average >£70m Adj. EBITDA pa

### Pellet production and sales – targeting post 2027 recurring Adj. EBITDA >£250m

- Increasing production with addition of Longview pellet plant and commissioning Aliceville expansion (c.0.6Mt)
- Sales into existing and new markets including Sustainable Aviation Fuels (SAF) and other industrial processes

### Biomass generation – strong forward power hedges (2024-2026) with long-term value from bridging mechanism and BECCS

## Strong balance sheet and liquidity

### Strong cash generated from operations

- 2023: £1,111m (after £155m inflow of collateral)
- 2022: £320m (after £407m outflow of collateral)

### Reduction in net debt

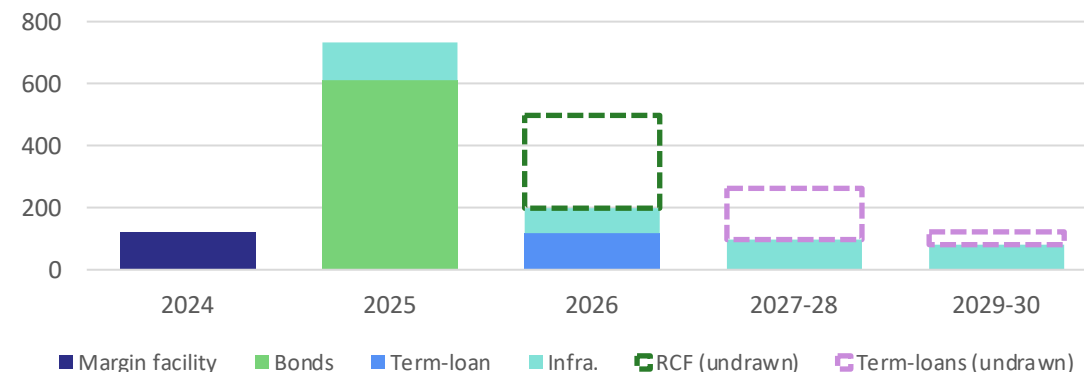
- Dec-23: 1.1 net debt to Adj. EBITDA (incl. EGL)
- Dec-22: 1.6 net debt to Adj. EBITDA (incl. EGL)

### Good progress on financing activities

- ESG term loan, extended maturity to 2026 and reduced size to C\$200m
- £144m of infrastructure facilities repaid
- Extension of £300m revolving credit facility to 2026
- New £258m term-loan facilities with 2027-2029 maturities (undrawn)

### Expect to repay Q4 2025 debt maturities through cash generation and refinancing activities in 2024

Maturity profile (as at February 2024) (£m)



Instrument	Maturity	Description
Margin facility <sup>(1)</sup>	2024	£120m
Bonds	2025	\$500m
	2025	€250m
ESG term-loan	2026	C\$200m
Revolving credit facility (RCF)	2026	£300m (undrawn)
Infrastructure facilities <sup>(2)</sup>	2025-2030	£444m
2024 term-loan facilities <sup>(3)</sup>	2027-2029	£258m (undrawn)

1) Drawn in September 2023 to cover cash collateral calls of exchange-based commodity trading.

2) Maturities – £123m in 2025, £80m and €70m (£64m) in 2026, £45m in 2027, £53m in 2028, £50m in 2029 and €31m (£30m) in 2030.

3) Maturities – £165m in 2027 and £93m in 2029.

## Investment in core assets and strategy

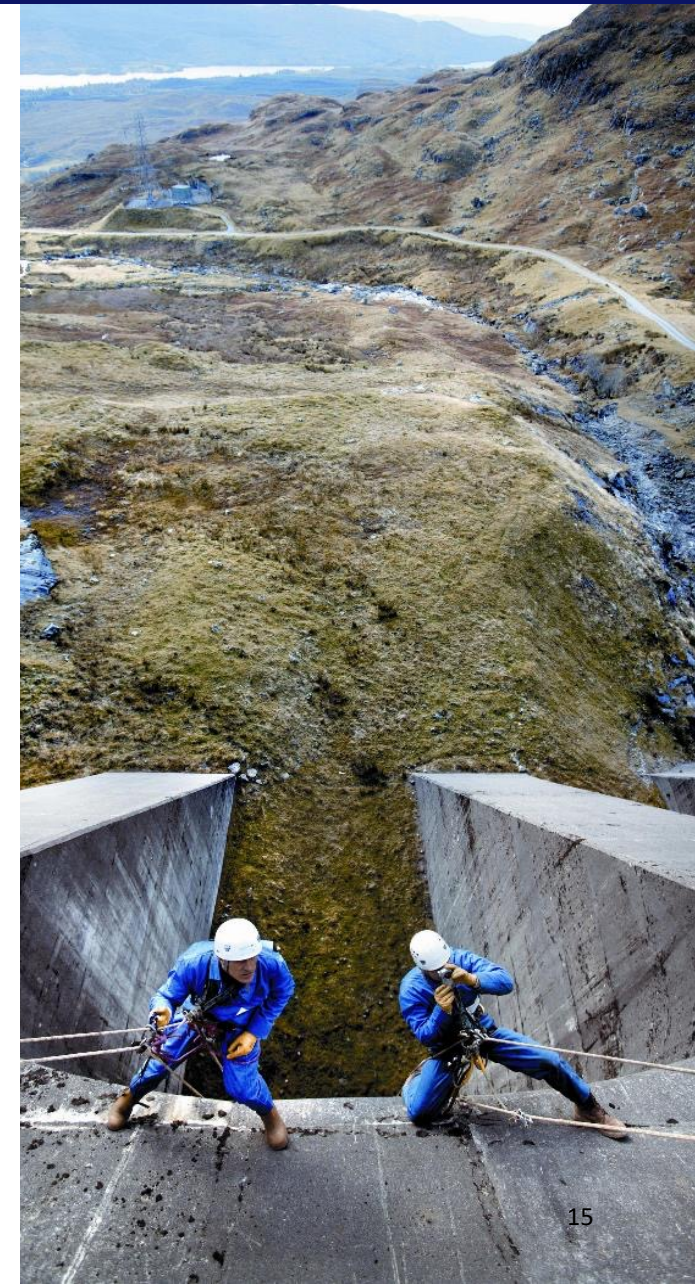
	Key areas	2024 Estimate £m	2023 Actual £m
<b>Growth</b>	Biomass, BECCS, OCGTs and enhancement projects	~290	332
<b>Maintenance</b>	Includes major planned biomass outages	~100	143
<b>Other</b>	Health, safety, environment and IT	~40	44
<b>Total</b>		<b>410-450</b>	<b>519</b>

### Growth – targeting returns significantly in excess of cost of capital

- Longview pellet plant, OCGTs and Cruachan refurbishment

### Maintenance and other investment

- Supports delivery of good operational performance and compliance in current asset base
- 2023 included one major planned outages (one in 2024)



**Implemented in 2017, designed to support strategy**

1. Maintain credit rating

2. Invest in core business

3. Sustainable and growing dividend

4. Return surplus capital beyond investment requirements



---

# Operational and strategic pillars

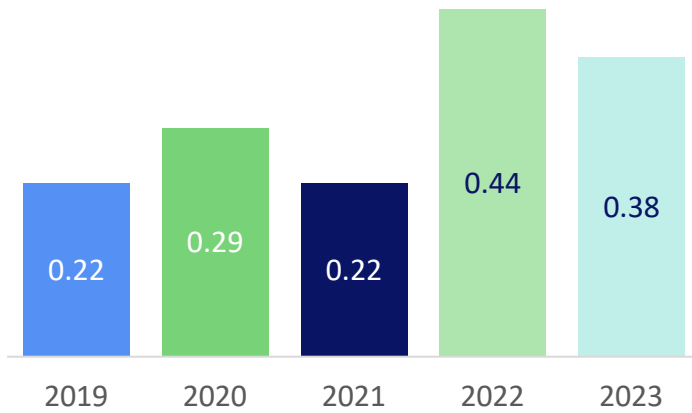
Safety, compliance and sustainability

Opportunities to develop and improve existing systems



## Enhanced reporting and disclosure, with opportunities to deliver further improvements

### Total Recordable Injury Rate (TRIR)



#### Increase in 2022

- First full year of Pinnacle and wider scope of reporting

#### Improvements in 2023

- Investment in training
- Strengthened HSE reporting culture



## Continued development of reporting and disclosure, with opportunities to deliver further improvements



National Audit Office

### **The Government's Support for Biomass**

- Review of UK Government's Biomass Strategy
- Recognises the role of biomass in net zero
- Outlines opportunities to develop assurance and standards – consistent with statements from UK Government



### **Annual audit of biomass sustainability (May 2023)**

- Annual assessment of compliance with the Renewables Obligation scheme – “Good” rating (highest available rating)

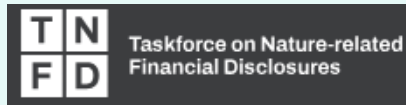
### **Biomass profiling data investigation**

- May 2023 – ongoing

## Continued development of sustainability

### Sustainability developments

- Compliance with TCFD reporting requirements
- SBTi targets approved
- TNFD pilot complete



### BECCS Done Well: Conditions for Success for BECCS

- Forum for the Future set out 30 conditions for success
- Initial Drax response July 2023
- Further update in 2024



### Sustainability accreditations



**Climate A-  
Forest B**



**As of 2023, Drax Group plc received an MSCI ESG Rating of A<sup>(1)</sup>**



**B- prime  
As of 21/02/24**



**23.5/100  
Rank 15/85 in sub-industry group  
As of September 2023**

1) The use by Drax Group PLC of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of the MSCI logos, trademarks, service marks or index names herein, do not constitute sponsorship, endorsement, recommendation, or promotion of Drax Group PLC by MSCI. MSCI services and data are the property of MSCI or its information providers and the providers are 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.  
 2) Copyright ©2024 Morningstar Sustainalytics. All rights reserved. The information, data, analyses and opinions contained herein: (1) includes the proprietary information of Sustainalytics and/or its content providers; (2) may not be copied or redistributed except as specifically authorized; (3) do not constitute investment advice nor an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (4) are provided solely for informational purposes; and (5) are not warranted to be complete, accurate or timely. The ESG-related information, methodologies, tool, ratings, data, and opinions contained or reflected herein are not directed to or intended for use or distribution to Indian resident individuals or entities and their distribution to Indian resident individuals or entities is not permitted. Neither Morningstar Inc., Sustainalytics, nor their content providers accept any liability for the use of the information, for actions of third parties in respect to the information, nor are responsible for any trading decisions, damages or other losses related to the information or its use. The use of the data is subject to conditions available at <https://www.sustainalytics.com/legal-disclaimers>

---

# Strategy Update

Objective 1: to be a global leader in carbon removals

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

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



# BECCS at Drax Power Station

## Clarity on bridging mechanism and progress on BECCS expected in 2024

### Targeting first BECCS unit online by 2030

- 1<sup>st</sup> unit (4Mt pa) by 2030, 2<sup>nd</sup> unit to follow

### Sequencing aligned with UK Government GGR ambitions

- 5Mt pa by 2030 and 23Mt pa by 2035

### Targeting FID on first unit by 2027

- Subject to appropriate investment framework

### Progress in 2023

- UK Government Biomass Strategy (August 2023)
- Planning consent granted for two BECCS units (January 2024)
- Consultation on BECCS bridging mechanism launched (January 2024) – Government targeting completion of process in 2024
- MoU with Harbour Energy and bp to assess options to transport and store CO<sub>2</sub> (February 2024)
- Ongoing engagement with UK Government regarding bridging mechanism and BECCS

### Key milestones and catalysts for UK BECCS in 2024

- Project selection for Track 1 expansion and Track 2 complete
- Confirmation of T&S infrastructure
- Power BECCS business model and heads of terms
- Completion of bridging mechanism process

### Judicial reviews of UK Government decisions

- UK Biomass Strategy
- Drax Power Station DCO (planning permission)



Department for  
Energy Security  
& Net Zero

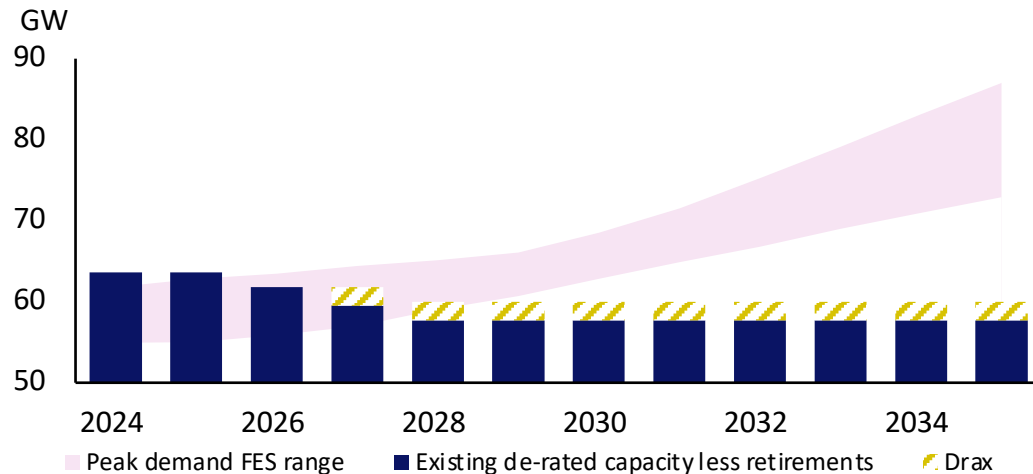
### Bridging mechanism

*Bioenergy with Carbon Capture and Storage (power BECCS) is expected to play an important role in the UK's drive towards offsetting emissions as we strive towards a greener future (Bridging Mechanism Consultation, January 2024)*

## Value for Money of BECCS at Drax

### Bridging mechanism from 2027 to BECCS

#### An effective way to help support energy security



#### Considerations

- c.7GW of nuclear and coal expected to close between 2024 and 2030
- >10% increase in peak demand in 2030
- New capacity and demand side response required to bridge the gap
- Risk of delays to new capacity, including nuclear

### BECCS at Drax Power Station from 2030 onwards

#### The only credible option for near-term, large-scale carbon removals available to meet the UK targets

- Contributing 80% to UK target of 5Mt of carbon removals by 2030

#### Projected to save £15bn vs. the next best alternative

- Equivalent to £25 per household per year for 20 years

#### Important security of supply benefits

- >2GW of dispatchable and flexible capacity
- 2.5 days of UK electricity contained in supply chain
- Key source of non-generation system support services
- Supports flexible generation alongside BECCS
- Helps secure long-term fuel supplies needed for generation and BECCS

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

### Prioritising development in US South

- Supportive environment under Inflation Reduction Act
- Proximity to fibre
- Proximity to T&S

### Structuring Global BECCS for growth

- Global HQ in Houston, Texas
- Appointment of Global BECCS President

### Development of US BECCS

- One site shortlisted, targeting FEED in 2024
- Targeting FID in 2026
- Operations from 2030
- MoU for fibre supply agreed with Molpus (January 2024)

### Requirements for FID

- Agreement of long-term offtake agreements for CDRs and power
- Agreement for fibre supply
- Agreement for T&S
- Full engineering package and costings

### New-build BECCS illustrative site details





## 2023:

### **Strong financial performance and balance sheet, with additional returns to shareholders**

- Adj. EBITDA growth driven by system support services, renewable generation, and energy solutions
- Strong liquidity and balance sheet
- Progressing options for long-term growth

### **Delivering for stakeholders with large-scale renewable power, system support, energy security and investment**

## Outlook:

### **Current business provides strong long-term foundation for balance sheet, dividend and investment**

- Flexible generation and energy solutions portfolio – targeting post 2027 recurring Adj. EBITDA of >£250m
- Pellet production – targeting post 2027 recurring Adj. EBITDA >£250m
- Biomass generation – strong contracted cashflows 2024-2026 and long-term value from bridging mechanism and BECCS

### **Expect to repay 2025 debt maturities through cash generation and refinancing activities in 2024**

### **Options for growth aligned with energy transition and security of supply**

- c.£4bn by 2030, additional investment through 2030s
- UK BECCS, US BECCS, pumped storage hydro and pellet production

# Appendices

29 February 2024

drax

## 1 and 15-year contracts provide strong underpin for investment in flexible generation business

c. £580m<sup>(1)</sup> of capacity agreements agreed

Asset	Payment period	Value £m
Pumped storage	1 year contracts (2024-2028)	68
Pumped storage	15-year contracts (2027-2042)	221
Hydro	1 year contracts (2024-2028)	17
OCGTs	15-year contract (2024-2039)	275
<b>Total existing capacity agreements</b>		<b>580</b>
Potential future agreements at £35/KW		c.270
<b>Illustrative Capacity Market Income 2024 to 2042</b>		<b>c.850</b>

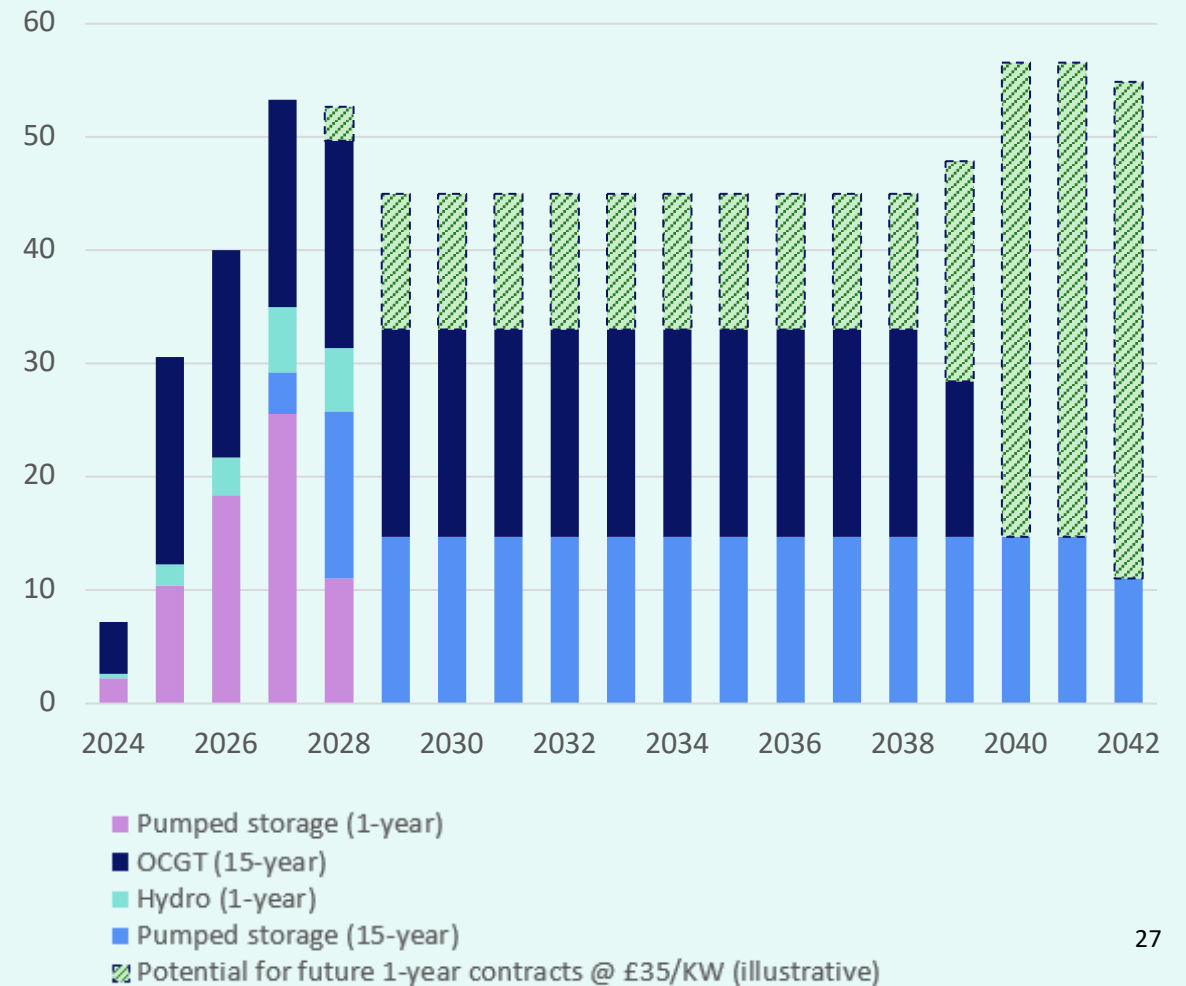
### T-4 auction (February 2024)

- Clearing price £65/KW, plus CPI

### Opportunities from future auctions

- Existing assets remain eligible for one-year contracts in future auctions
- Illustrative only – £35/KW

Capacity agreements profile and illustration (£m)



1) Real values, 2022/23, no additional inflation assumed.

## Flexible, renewable generation, system support and energy solutions with opportunity for carbon removals

### Flexible generation and energy solutions

- 440MW pumped storage
- 125MW hydro
- 900MW OCGTs
- 16TWh I&C energy solutions

### Biomass generation

- 2.5GW

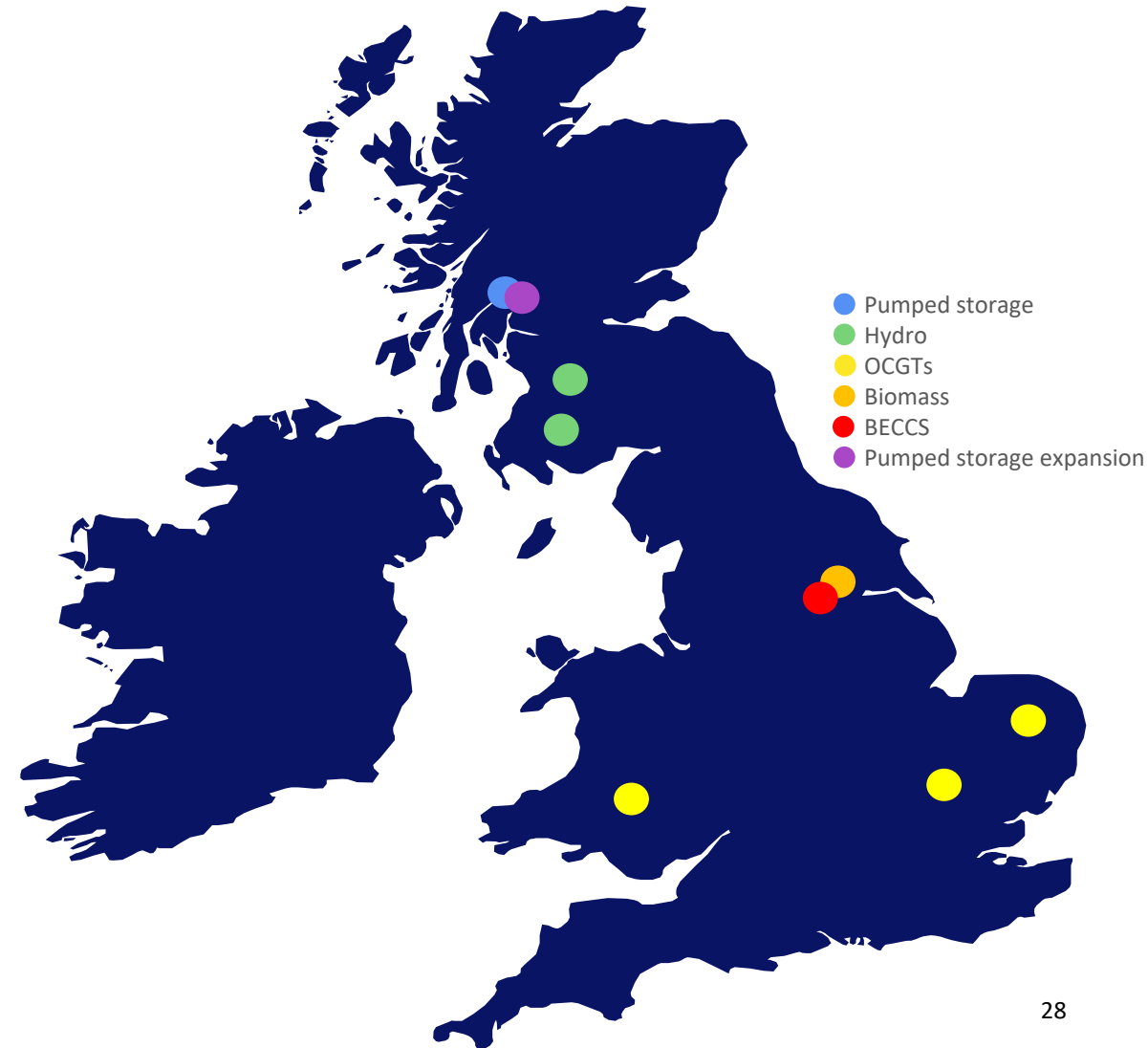
### Development opportunities

- 40MW pumped storage expansion
- 600MW pumped storage expansion
- 8Mt pa of carbon removals from BECCS

### 4GW of operational assets and development projects

- UK's largest portfolio of flexible, dispatchable renewable generation
- 4% of total UK power generation
- 8% of UK renewables<sup>(1)</sup>
- 16% of UK peak renewables
- >60% of UK in-day peak

1) Measured by output Q2 2022 to Q1 2023.



## Flexible, dispatchable generation and system support assets, commissioning in H2 2024

**3 x 299MW units designed for system support with ability to provide reactive power, inertia and other non-generation services**

### **Multiple earnings opportunities aligned with system needs**

- Peak power generation
- Ancillary and system support services
- Capacity payments – 15-year index linked contracts from October 2024

**Low fixed-cost base**

**Capital investment largely covered by capacity payments through 2039**

**Highly complementary to existing flexible generation assets**

**Continue to evaluate options, including future sale**



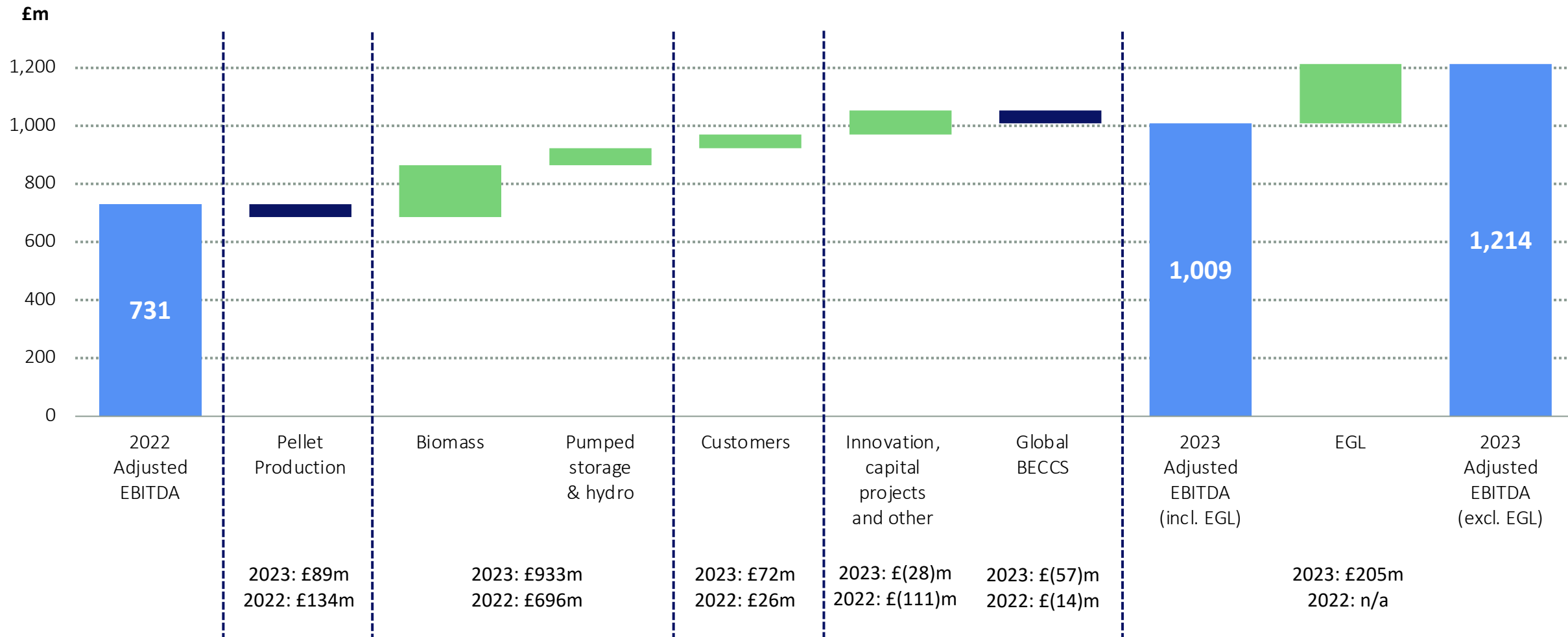
## High-quality earnings from a multi-technology portfolio and integrated supply chain

Business unit	Assets	Capacity	FY23 Adj. EBITDA (£m)	FY22 Adj. EBITDA (£m)	2022 Restated for cost reallocation (£m) <sup>(2)</sup>
Pellet Production	18 pellet plants and developments in Canada and US Access to five deep water ports	>5Mt	89	134	125
Biomass Generation <sup>(1)</sup>		2.6GW	703	525	453
Pumped storage and hydro Generation	Cruachan – pumped storage Lanark and Galloway – hydro Daldowie – energy from waste	0.6GW	230	171	171
Energy Solutions	I&C and SME supply		72	26	20
Corporate <sup>(2)</sup>			(28)	(111)	(24)
Global BECCS <sup>(2)</sup>			(57)	(14)	(14)
<b>Adj. EBITDA (incl. EGL)</b>			<b>1,009</b>	<b>731</b>	<b>731</b>
EGL <sup>(3)</sup>			205	-	-
<b>Adj. EBITDA (incl. EGL)</b>			<b>1,214</b>	<b>731</b>	<b>731</b>

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

2) 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 £85m in 2023 is comprised of £57m for Global BECCS (2022: £14m) and £28m of other corporate and innovation costs, including the development of options for pumped storage expansion (2022: £24m) and intercompany eliminations.

3) Biomass £182m and pumped storage £23m.



In £m	2023			2022		
	Adj.	Exceptional	Total	Adj.	Exceptional	Total
Revenue	7,842	283	8,125	8,159	(384)	7,775
Cost of sales	(5,884)	(83)	(5,967)	(6,838)	86	(6,752)
Electricity Generator Levy	(205)	-	(205)	-	-	-
<b>Gross profit</b>	<b>1,753</b>	<b>200</b>	<b>1,954</b>	<b>1,322</b>	<b>(298)</b>	<b>1,023</b>
Operating and administrative expenses	(712)	-	(712)	(543)	-	(543)
Impairment losses on financial assets	(33)	-	(33)	(48)	-	(48)
<b>Adj. EBITDA including EGL</b>	<b>1,009</b>	<b>n/a</b>	<b>n/a</b>	<b>731</b>	<b>n/a</b>	<b>n/a</b>
Depreciation	(196)	-	(196)	(208)	-	(208)
Amortisation	(29)	-	(29)	(31)	-	(31)
Impairment losses on non-current assets	(2)	(69)	(71)	(17)	(25)	(42)
Other gains/(losses)	1	(5)	(4)	(6)	-	(6)
Share of (losses)/profits from associates	(2)	-	(2)	1	-	1
<b>Operating profit</b>	<b>782</b>	<b>127</b>	<b>908</b>	<b>469</b>	<b>(323)</b>	<b>146</b>
Foreign exchange (losses)/gains	(14)	5	(9)	15	(4)	11
Net interest charge	(102)	-	(102)	(79)	-	(79)
<b>Profit before tax</b>	<b>665</b>	<b>131</b>	<b>796</b>	<b>405</b>	<b>(327)</b>	<b>78</b>
Tax (charge) / credit	(196)	(40)	(236)	(67)	72	4
<b>Profit after tax</b>	<b>469</b>	<b>92</b>	<b>561</b>	<b>338</b>	<b>(256)</b>	<b>83</b>



## Robust performance in a challenging environment

### 2023

- Lower output – higher unplanned outage rate and port restrictions
- Increased maintenance and labour costs
- Higher proportion of sales to fulfil long-term third-party legacy contracts
- Other costs steady or reducing (fibre, port charges, utilities and transport)

### Outlook

- \$300m investment in capacity – c.0.6Mt
  - Aliceville expansion operational (Q1 2024)
  - Longview pellet plant operational (Q1 2025)
- Expect higher production in 2024 to support improved profitability
- Targeting post 2027 recurring Adj. EBITDA of >£250m pa
  - Increased production volumes
  - Improved margins on legacy third-party contracts
  - Sales into existing and new markets including SAF

In £m	2023	2022
Revenue	822	803
Cost of sales	(512)	(502)
<b>Gross profit</b>	<b>311</b>	<b>301</b>
Operating costs	(222)	(167) <sup>(1)</sup>
<b>Adj. EBITDA</b>	<b>89</b>	<b>134</b>
<b>Production (Mt)</b>	<b>3.8</b>	<b>3.9</b>
<b>Sales to 3<sup>rd</sup> parties (Mt)</b>	<b>2.5</b>	<b>2.2</b>

1) Not restated for corporate recharge.

## High levels of flexible, renewable generation and system support services supporting decarbonisation of energy system and security of supply

In £m	2023	2022
<b>Revenue</b>		
Power sales	4,981	5,603
System support and optimisation	343	243
ROC sales	1,277	1,278
CfD income/(payment)	(63)	(29)
Capacity Market income	6	12
Gas sales to Customers business	116	122
Fuel sales and other income	127	130
	<b>6,787</b>	<b>7,358</b>
<b>Cost of sales</b>		
Generation fuel costs	(1,341)	(1,463)
System support and optimisation	(98)	(68)
ROC support	586	639
Carbon certificates	(6)	(11)
Renewable certificates sold or utilised	(1,300)	(1,275)
Cost of power purchases	(3,115)	(4,167)
Grid charges	(46)	(136)
EGL	(205)	-
	<b>(5,525)</b>	<b>(6,479)</b>
<b>Gross profit</b>	<b>1,262</b>	<b>879</b>
Operating costs	(328)	(184)
<b>Adj. EBITDA (incl. EGL)</b>	<b>933</b>	<b>696</b>
EGL	205	-
<b>Adj. EBITDA (excl. EGL)</b>	<b>1,138</b>	<b>696</b>

	2023	2022
<b>Generation Adj. EBITDA (incl. EGL) (£m)<sup>(1)</sup></b>	<b>933</b>	<b>696</b>
Biomass	703	525 <sup>(2)</sup>
Pumped storage and hydro	230	171 <sup>(2)</sup>
<b>Generation (TWh)</b>	<b>12.2</b>	<b>13.3</b>
Biomass	11.5	12.7
Pumped storage and hydro <sup>(3)</sup>	0.7	0.6
<b>System support and optimisation<sup>(4)</sup></b>		
Revenue	343	243
Cost of sales	(98)	(68)
<b>Margin from system support and optimisation</b>	<b>245</b>	<b>175</b>
<b>Average achieved power price</b>		
Gross power sales (£m)	4,981	5,603
Cost of power purchases (£m)	(3,115)	(4,167)
<b>Net power sales (£m)</b>	<b>1,866</b>	<b>1,436</b>
Net power sales (TWh)	12.2	13.2
<b>Average achieved price (£/MWh)</b>	<b>153.0</b>	<b>108.8</b>

1) Electricity Generator Levy—comprised of £182m biomass ROC and £23m hydro.

2) Not restated for corporate recharge.

3) Gross output from pumped storage and hydro schemes.

4) Balancing mechanism, ancillary services and portfolio optimisation.

## Renewable power and energy solutions

### Strong operational and financial performance in I&C business

- Strong underlying performance of I&C supply portfolio
- Effective route to market to maximise value of large-scale renewable generation
- Lower balancing costs

### Good progress developing portfolio of decarbonisation products

- Growth in EV charge point services activities, enhanced by BMM acquisition
- Flexibility services, including the Demand Flexibility Service
- Renewable PPA portfolio with c.2,000 smaller generators
- Provision of high quality carbon offsets in preparation for future Drax CDR sales

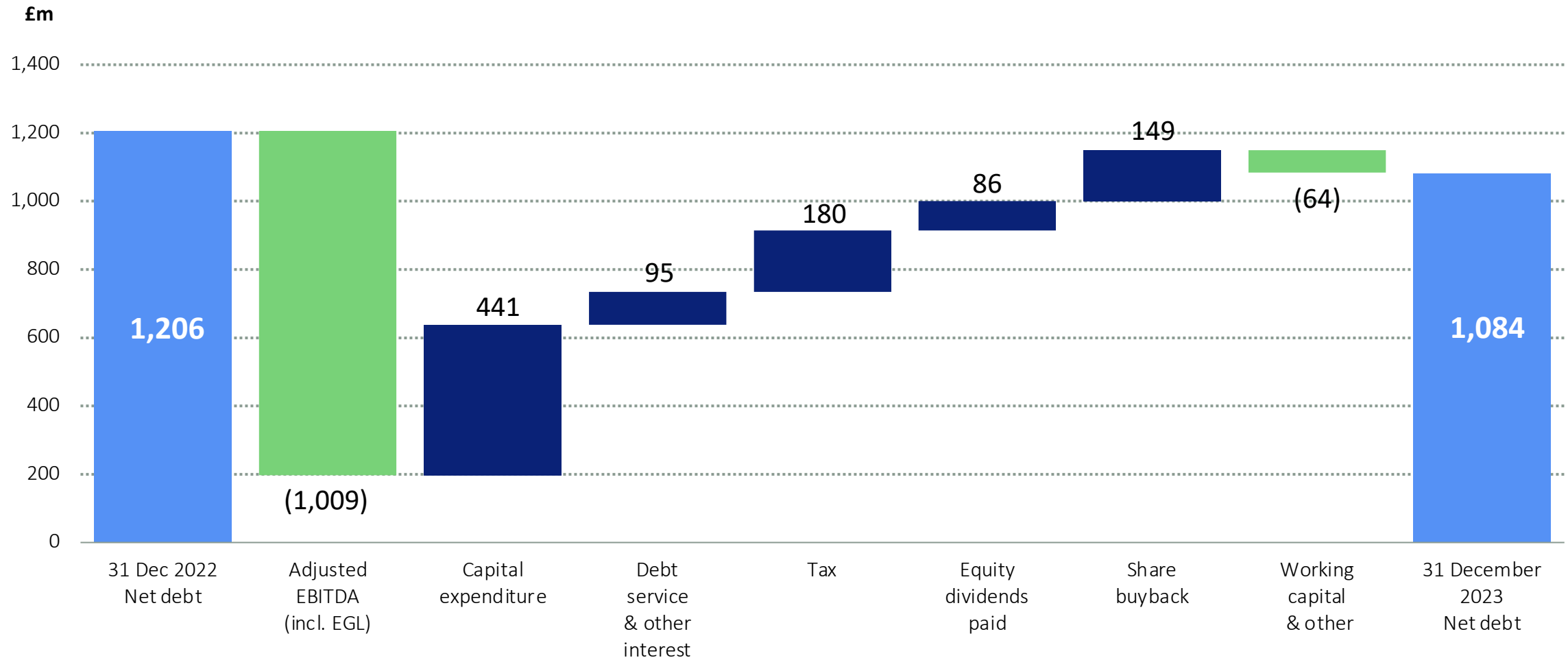
### Impairment of Opus Energy SME energy solutions business

- £69m following transfer of renewables activities to Drax Energy Solutions (along with £145m of Goodwill) and the previously announced ending of gas sales

In £m	2023	2022
<b>Revenue</b>	<b>4,958</b>	<b>4,143</b>
<b>Cost of sales</b>		
Cost of power and gas purchases	(3,193)	(2,607)
Grid charges	(759)	(731)
Other costs	(810)	(647)
	<b>(4,763)</b>	<b>(3,985)</b>
<b>Gross profit</b>	<b>196</b>	<b>158</b>
Operating costs	(91)	(84)
Bad debt charge	(33)	(48)
<b>Adj. EBITDA</b>	<b>72</b>	<b>26</b>
<b>I&amp;C sales (TWh)</b>	<b>15.8</b>	<b>14.8</b>

1) Not restated for corporate recharge.

In £m	2023	2022
Adj. EBITDA (incl. EGL)	1,009	731
Working capital (excluding collateral)	(47)	4
Collateral	155	(407)
Other	(6)	(8)
<b>Cash generated from operations</b>	<b>1,111</b>	<b>320</b>
Debt service and other interest	(95)	(74)
Tax	(180)	(39)
<b>Net cash from operating activities</b>	<b>836</b>	<b>208</b>
Capital investment	(441)	(175)
Acquisitions and Purchase of equity in associates	(11)	(8)
Net financing	15	(16)
Equity dividends paid	(86)	(79)
Purchase of own shares	(149)	-
Other	(17)	(16)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>146</b>	<b>(85)</b>
Cash and cash equivalents at the beginning of the period	238	317
Net cash flow	146	(85)
Effect of changes in foreign exchange rates	(4)	6
<b>Cash and cash equivalents at the end of the period</b>	<b>380</b>	<b>238</b>



## Drax portfolio provides a full suite of services

		Pump storage	Hydro	Biomass	OCGTs	Nuclear	Wind	Solar
<b>Power generation</b>	Power	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Renewable generation</b>	Renewable power	Yes	Yes	Yes	No	No	Yes	Yes
	Clean power	Yes	Yes	Yes	No	Yes	Yes	Yes
<b>System Support</b>	Dispatchable	Yes	Yes	Yes	Yes	No	Partial	Partial
	Inertia	Yes	Yes	Yes	Yes	Yes	No	No
	Reserve	Yes	Yes	Yes	Yes	No	Partial	No
	Reactive power	Yes	Yes	Yes	Yes	Yes	Partial	No
	Black start	Yes	Yes	Yes	Yes	Partial	No	No
<b>Capacity</b>		Yes	Yes	Yes	Yes	Yes	Yes	Yes

**Through its biomass and hydro activities Drax is able to deliver 24/7 renewable power**  
**Growing demand for renewable power has led to growth in renewable certification schemes**

## **REGOs**

- Certificate scheme which demonstrates electricity has been generated from a renewable source
- Supply businesses use REGOs to demonstrate the % of renewable energy they supply
- Total REGOS = total renewable power produced on the grid

## **1 REGO per MWh of renewable power**

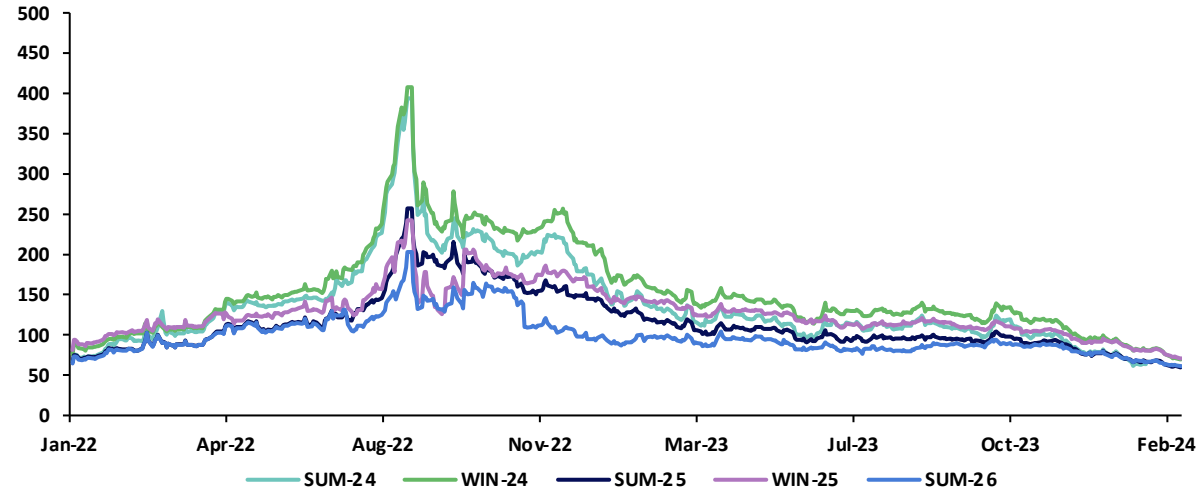
- Additional to RO and CfD schemes

## **REGOs at Drax**

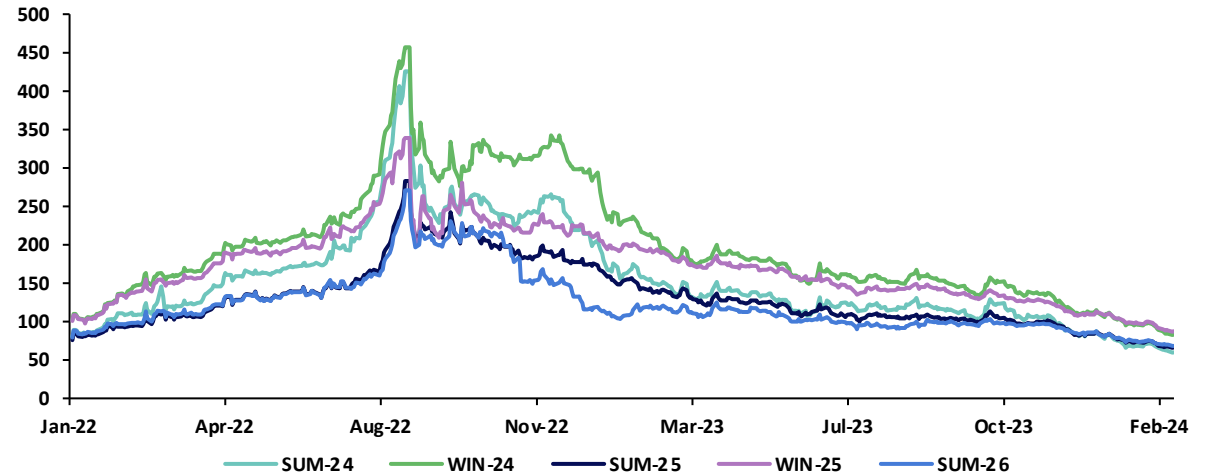
- Biomass and hydro are eligible
- Generation business earns c.10-15m REGOs per year
- Customer business provides a route to market
- Forward hedging means prices are locked in up to two years in advance

**REGOs have increased in value, but outlook remains uncertain**

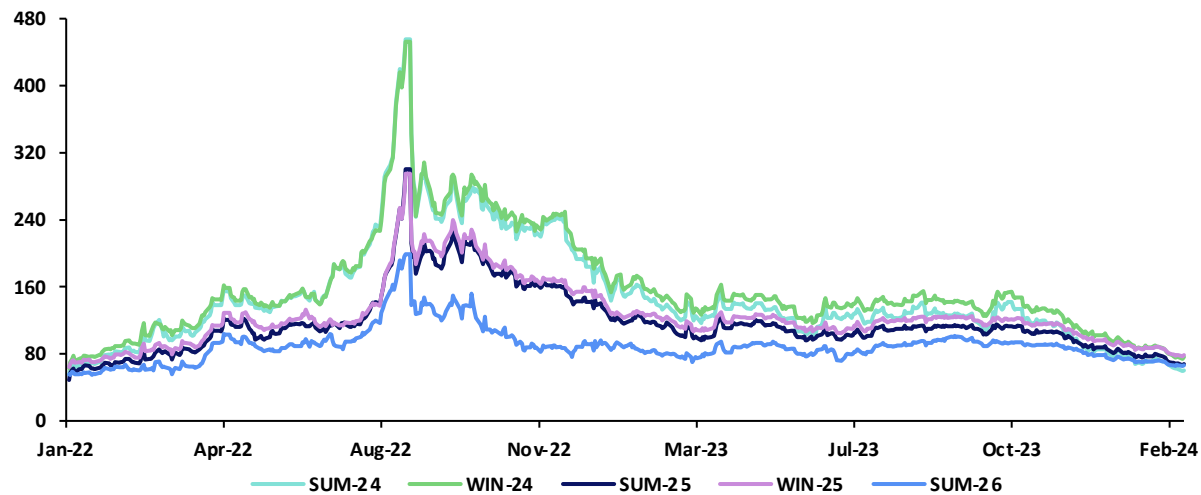
## Baseload Power Price (£/MWh)



## Peak Power Price (£/MWh)

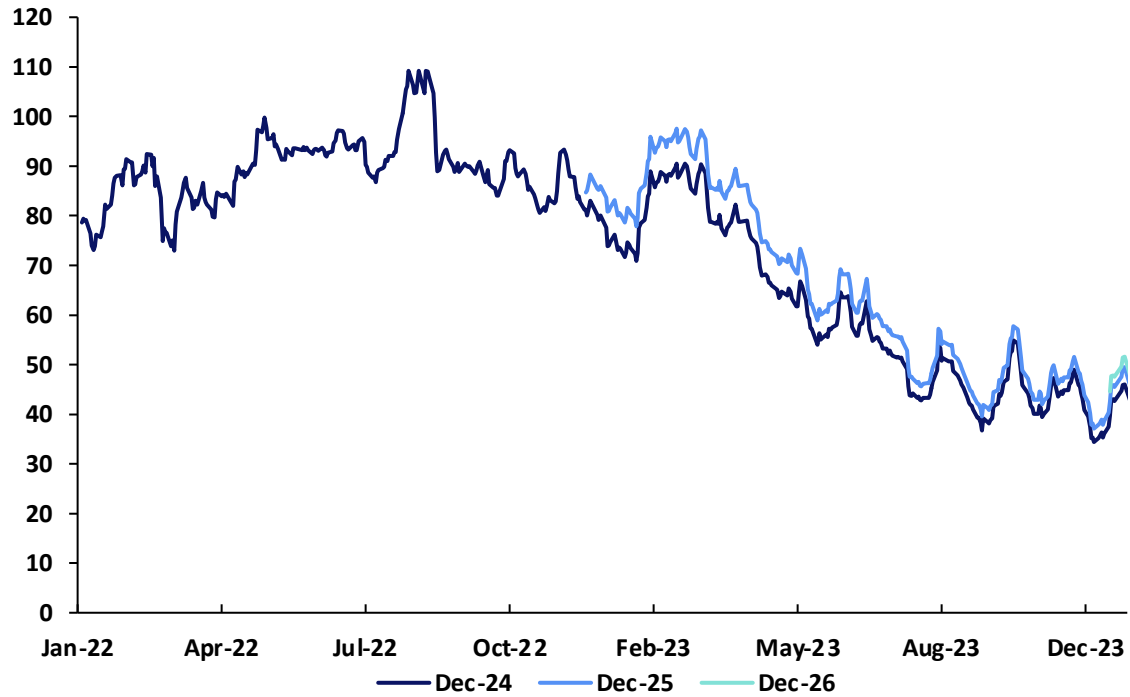


## NBP Gas Price (p/therm)



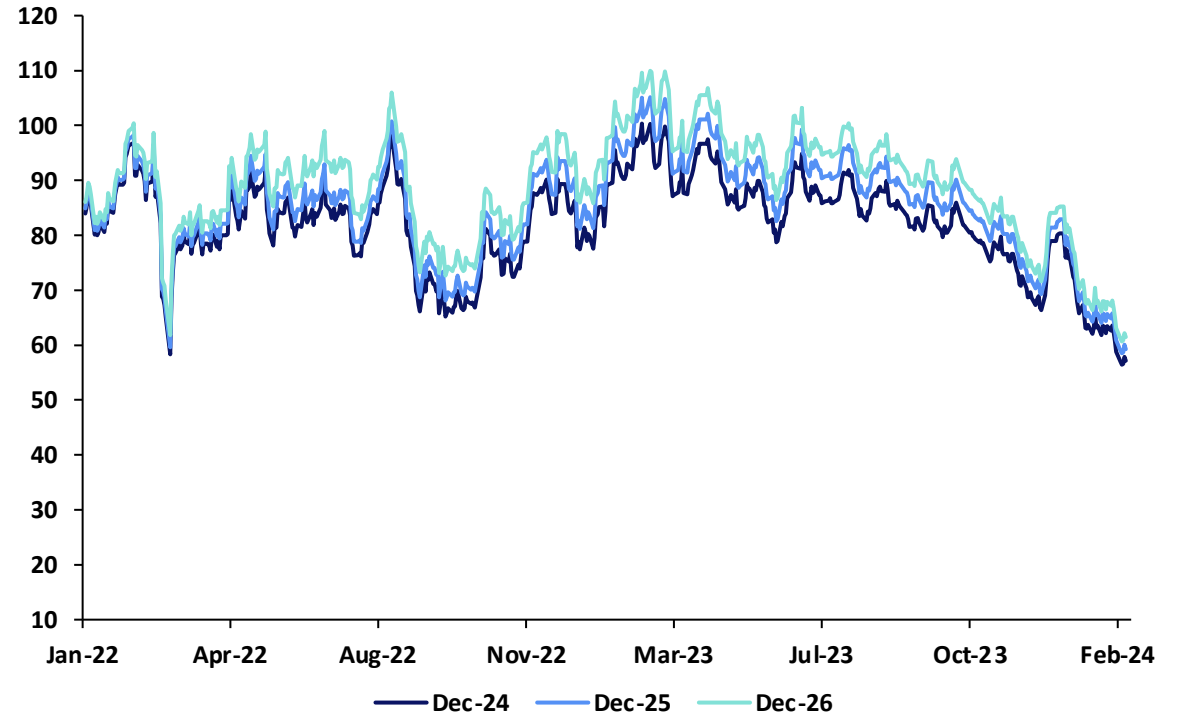


## UKA Carbon (£/t)



Source: ICE

## EU ETS Carbon (€/t)



Source: ICE

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 the Company’s current view and no assurance can be given that they will prove to be correct. Such events and statements involve risks and uncertainties. Actual results and outcomes may differ materially from those expressed or implied by those forward-looking statements. There are a number of factors, many of which are beyond the control of the Group, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These include, but are not limited to, factors such as: future revenues being lower than expected; increasing competitive pressures in the industry; uncertainty as to future investment and support achieved in enabling the realisation of strategic aims and objectives; and/or general economic conditions or conditions affecting the relevant industry, both domestically and internationally, being less favourable than expected, including the impact of prevailing economic and political uncertainty, the impact of strikes, the impact of adverse weather conditions or events such as wildfires. We do not intend to publicly update or revise these projections or other forward-looking statements to reflect events or circumstances after the date hereof, and we do not assume any responsibility for doing so.

# 2023

# Full Year Results

29 February 2024

drax