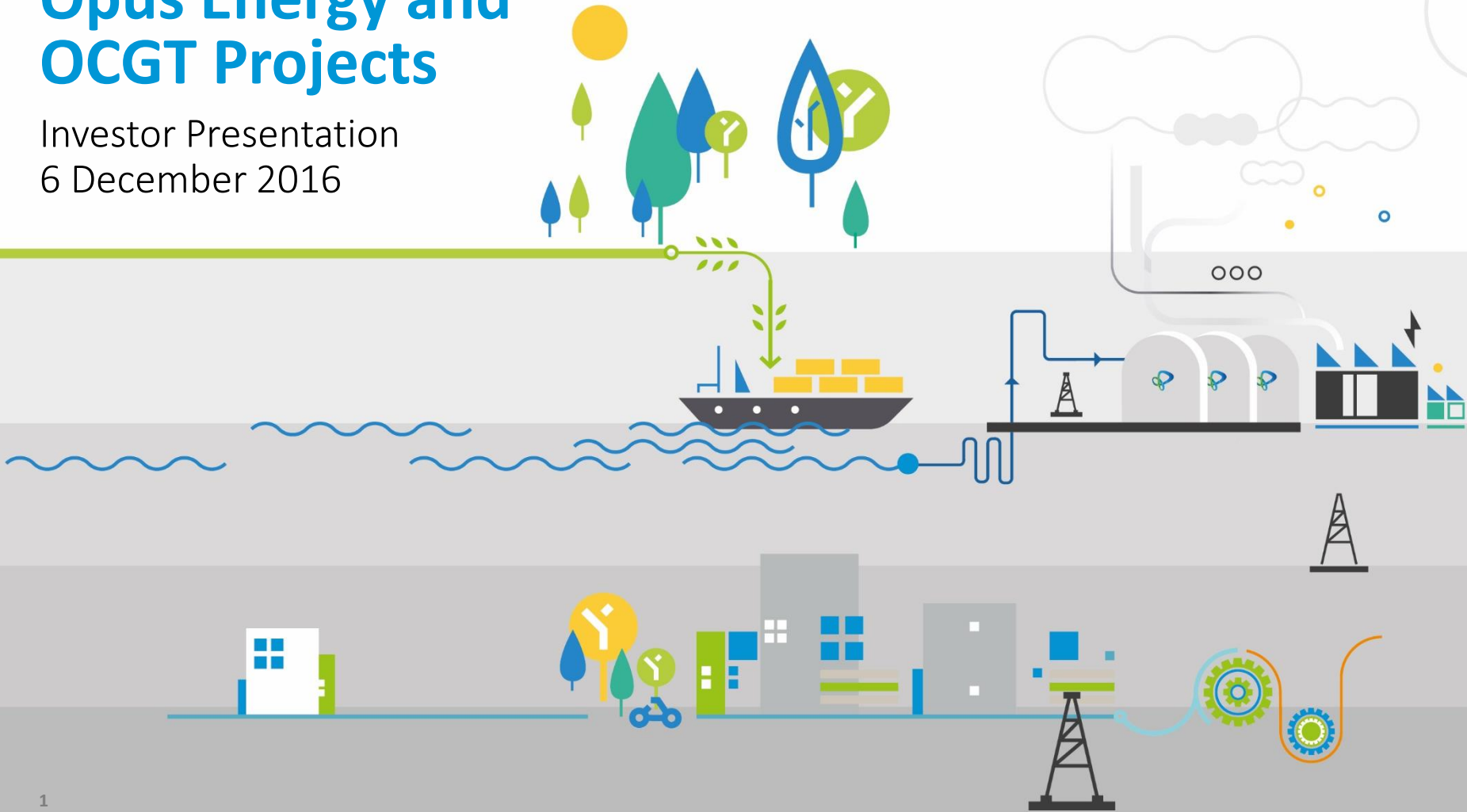


Strategy Update, Opus Energy and OCGT Projects

Investor Presentation
6 December 2016



Agenda

New Drax

Dorothy Thompson – Chief Executive Officer

Opus Energy & OCGT Projects

Dorothy Thompson

Will Gardiner – Chief Financial Officer

Summary

Dorothy Thompson



New Drax



Strategy Review

A key catalyst is State aid approval

Remain confident of CfD approval

- Long-term private law contract with strong revenue visibility
- Solid foundation to the strategy

Context to strategy update

Biomass transformation project to complete in 2016

Comprehensive review for strategy post completion

2016 EBITDA remain in line with expectations at H1 2016 results announcement

2016 H1 results announcement updated on strategy and objectives

Higher quality diversified earnings and management of commodity market exposure

- An increase in contractual and non commodity related earnings
- Broader and more diversified earnings

Targeted long-term growth opportunities

- Priority on post 2027 earnings
- Creating new opportunities in all the markets in which we operate

Our Purpose

To help change the way energy is generated, supplied and used for a better future

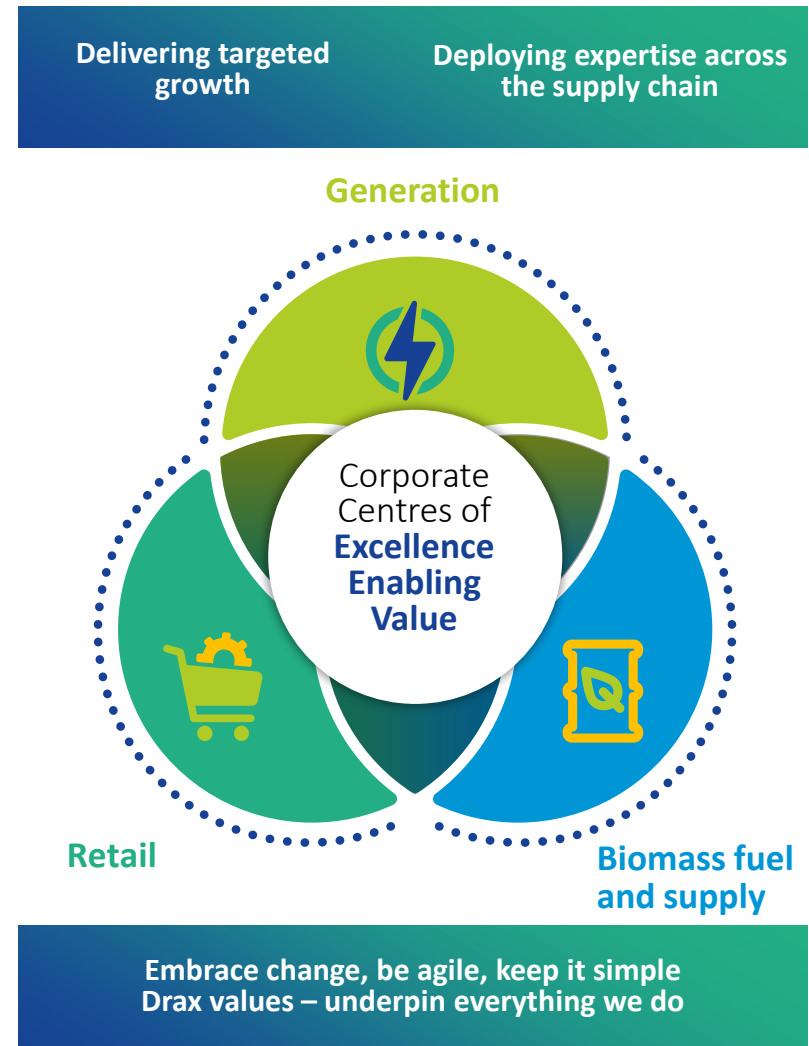
How

By providing inspiring, flexible energy solutions that make a difference to customers

Result

A diversified energy business with expertise and operations in a range of markets interacting with each other

A strong, sustainable business model, with higher quality earnings and cash flows from a broader base of long-term business opportunities



Strategic Summary

A strategy for all areas, with long-term benefits for all stakeholders

Source

At least 20-25% biomass self-supply
New biomass markets



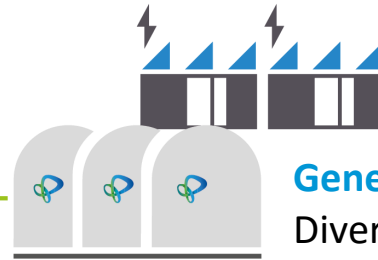
Supply

Profitable business with critical mass



Generate

Diversified generation and capacity
Flexible, reliable operations and contract based revenues

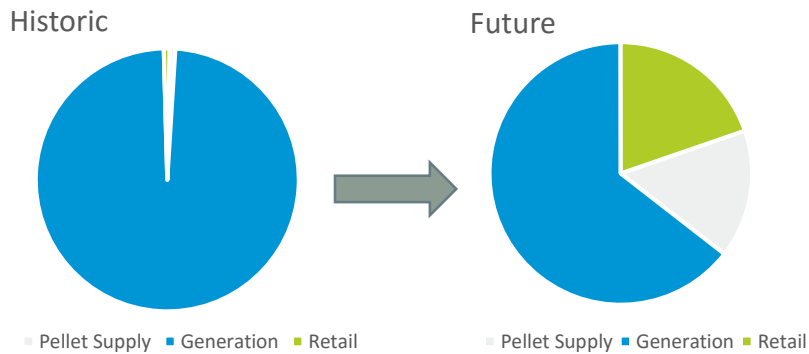


Diversification of Base

Creation of a long-term higher quality, more diversified earnings base

Increasingly diversified earnings...

(illustrative earnings)



Creating opportunities for scale in all areas

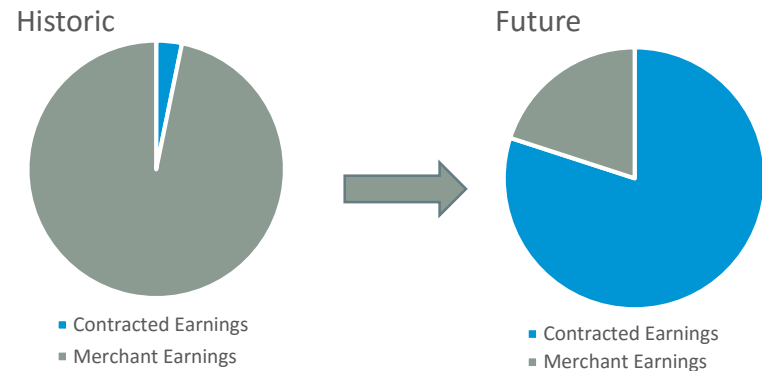
Pellet supply

Generation – existing and new

Retail

...offering higher quality and greater visibility

(illustrative earnings)

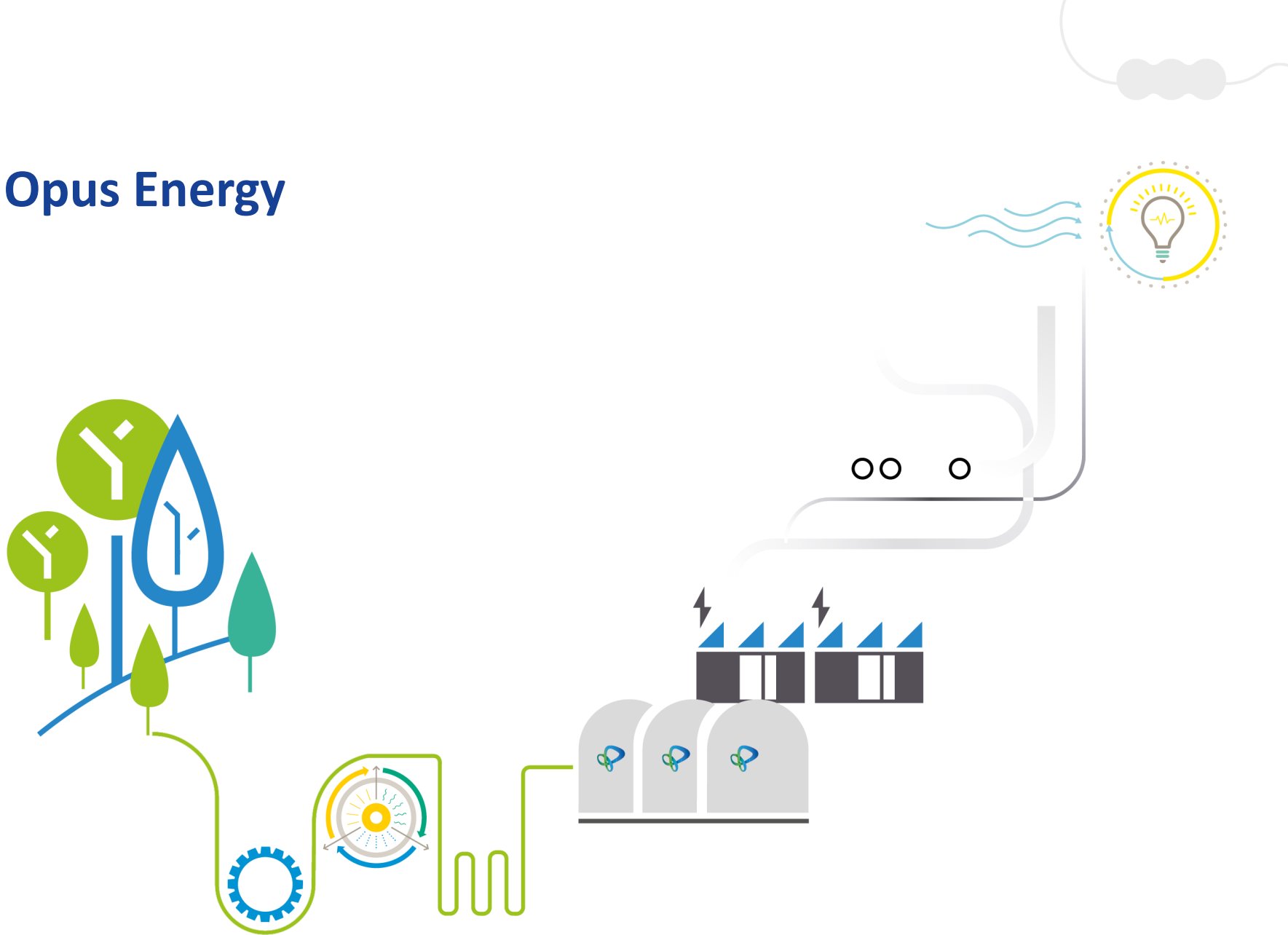


Increasing contracted earnings, retaining upside to higher power prices

Contracted earnings – CfD, Ancillary Services, capacity payments, retail, biomass pellet supply

Merchant earnings – Coal and ROC generation, balancing market activity

Opus Energy



Proposed Acquisition of Opus Energy (Opus) for £340m

The leading “challenger brand” in the SME market

A large, well established and proven business

Founded in 2002 by current management team

- Experienced management team – those critical to Drax committed to stay
- A consistent track record of profitable growth⁽¹⁾
- Strong credit and risk management including commodity risk

Opus has always focused on the Small Medium Enterprise (SME) market

- An attractive market segment
- Supplier of electricity and gas
- The UK’s 6th largest non-domestic electricity supplier by meters

A low cost business model

- Customers acquired using brokers and direct sales
- Commitment to customer service, high levels of customer retention

Key Facts⁽²⁾

£573m
Revenues

£33m EBIT
6% Margin

265K Customer
Meters

4.0TWh
Electricity

1.7TWh
Gas

c.870⁽³⁾
Staff

Shareholders
Management, Engie
and Telecom Plus

(1) Underlying profit reflecting removal of Climate Change Levy Exemptions

(2) YE March 2016

(3) Current headcount

Drax is a Natural Owner of Opus

Compatible and complementary to existing retail business

Complementary market positions

- Haven Power has strength in the I&C market
 - Haven Power has a well established platform for supplying large I&C customers
- Opus is well established in the SME market
 - Offering a platform and capability for establishing a strong position in the SME market

Good cultural fit

- Challenger mentality
- Disciplined focus on risk management
- Common focus on customer service
- Integration team established, full integration plan well advanced

Opportunities and benefits across the Group

- Trading and risk management benefits from combined power and commodity position
- Leverage on Drax flexible, reliable, renewable power generation offering to create energy solutions for customer

Strategic Benefits of Acquisition

Acceleration of Drax's retail strategy

Large and profitable SME business today

- Immediate market share
- High levels of customer retention >85%
- Gas sales expertise

Focused on profitable SME customers

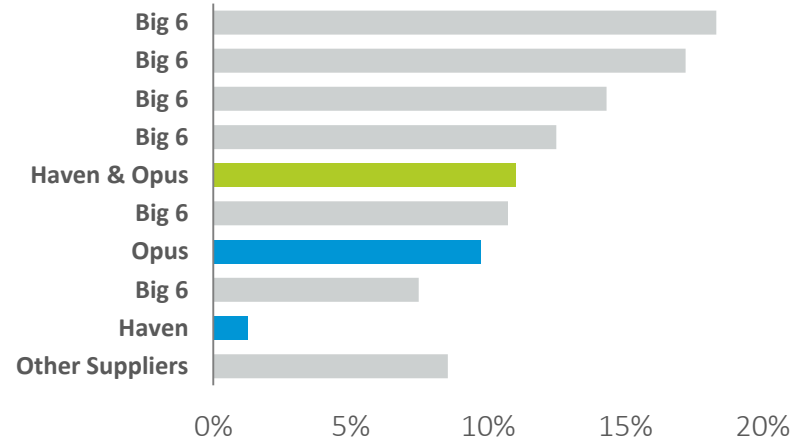
A proven financial and operational track record

- Consistent sales and profit growth⁽¹⁾

Platform for further growth

- Infrastructure and expertise to support growth
- Established routes to market for power and gas in SME
- Opportunities for new products and services

Non Domestic Electricity Market Share by Meters



Source: Cornwall Energy (sub 30GWh markets)

(1) Underlying profit reflecting removal of Climate Change Levy Exemptions

A Strong Investment Case

A compelling range of strategic and financial benefits

Acquisition benefits to Drax Group

- Acceleration of Drax's retail strategy
 - Platform for growth
 - Compatible and complementary to existing retail business
- Advances transition to broader, higher quality long-term earnings
- Attractive financial returns
- Synergy potential

Funding

All cash consideration, fully underwritten

- Credit facility agreed



A Strong New Retail Business

Complementary businesses, with scale today in I&C and SME markets

Key Metrics	Haven YE Dec 2015	Opus YE Mar 2016	Proforma
Revenues (£m)	1,290	573	1,863
Gross Profit (£m)	19	107	126
<i>Gross profit margin</i>	1%	19%	
Customer Meters (000's)	30	265	295
Power (TWh)	13.8	4.0	17.8
Gas (TWh)	-	1.7	1.7
Staff	c.400	c.870	c.1,270

Attractive Financial & Growth Profile in the SME Market

Solid historic financial performance, proven growth and low capital intensity

Financial Metrics	Mar-14	Mar-15	Mar-16
Revenues (£m)	434	524	573
<i>Year on year growth %</i>		21%	9%
Gross Profit (£m)	79	97	107
<i>Gross profit margin %</i>	18%	19%	19%
Operating Cost (£m)	49	60	73
EBITDA (£m) ⁽¹⁾	30	38	34
EBIT (£m) ⁽¹⁾	29	37	33
Cash from Operations (£m)	28	32	34

Operational Metrics	Mar-14	Mar-15	Mar-16
Meters (000's)	175	223	265
<i>Year on year growth %</i>		27%	19%
Power (TWh)	3.4	3.8	4.0
Gas (TWh)	0.8	1.2	1.7

Strong financial and growth performance

Track record of customer and revenue growth

Consistent mid single digit EBIT margin

2017 profit in line with 2016

Strong cash conversion and low capital intensity

(1) Reduction in 2016 reflects removal of Climate Change Levy Exemptions

Financial Benefits of Acquisition

Advances transition to higher quality long-term earnings

Creation of new long-term retail earnings

Visibility of initial contract length (1-3 years) and a high level of customer retention >85%

Opportunity for alternative hedge to commodity market exposure

Attractive financial returns

Return on invested capital greater than cost of capital

Significantly accretive to earnings, with strong cash flow generation

Synergies

Elimination of the majority of historic trading arrangement costs – c.£6m

Opportunity for traditional operational efficiencies over time

Funding and Process

Funding the acquisition

New facility agreed to fully debt fund

Robust sub-investment grade business model

– S&P's BB rating affirmed in November 2016

Expect to refinance debt in 2017

Timetable

6 December – share purchase agreement signed and announced

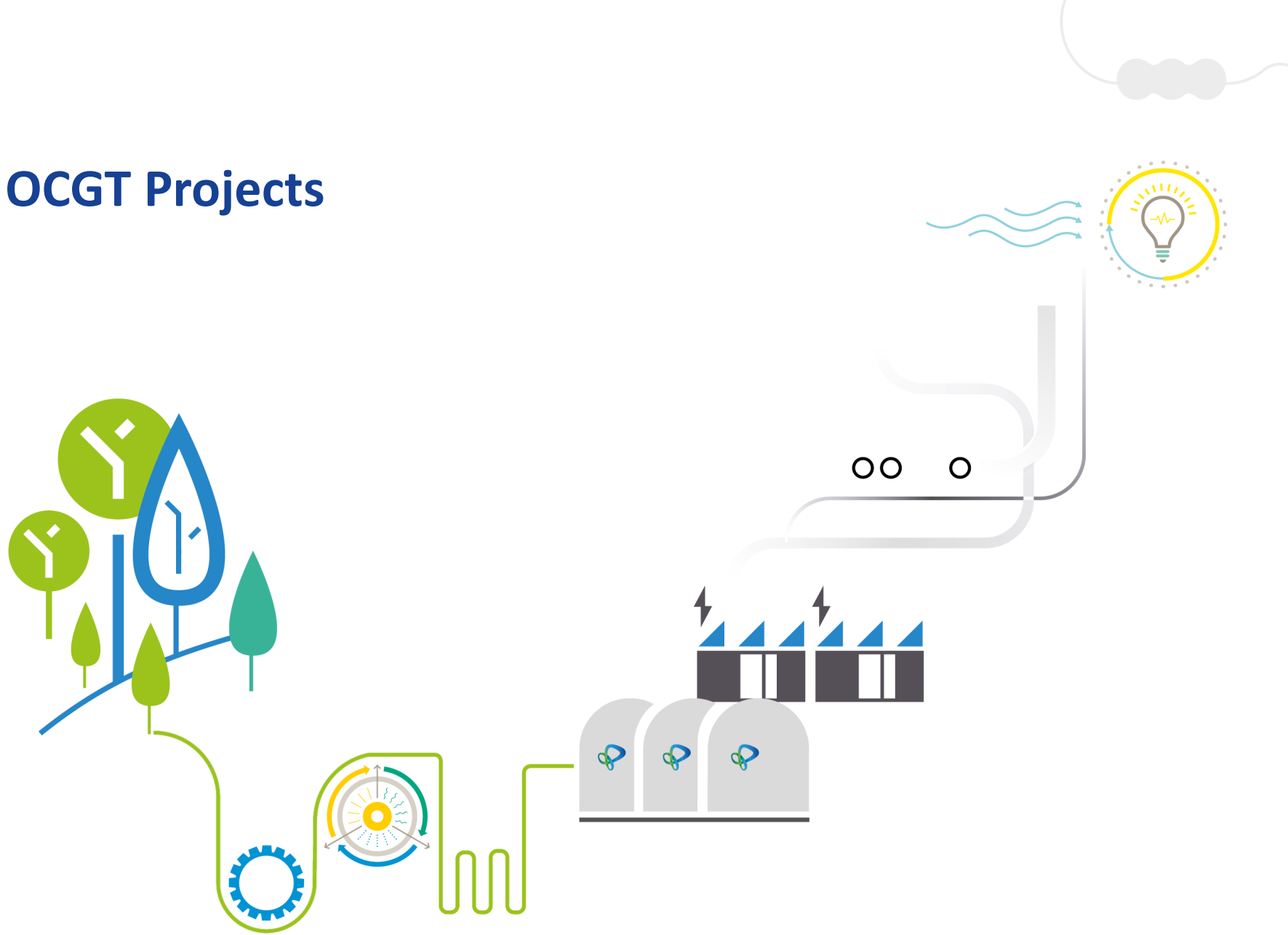
Early 2017 – Class 1 circular distributed and notice of General Meeting sent to shareholders

Conditions

Subject to approval of CfD contract by European Commission

Subject to shareholder approval

OCGT Projects



A Response to a Changing System Dynamic

Open Cycle Gas Turbine (OCGT)

A response to changing generation dynamic

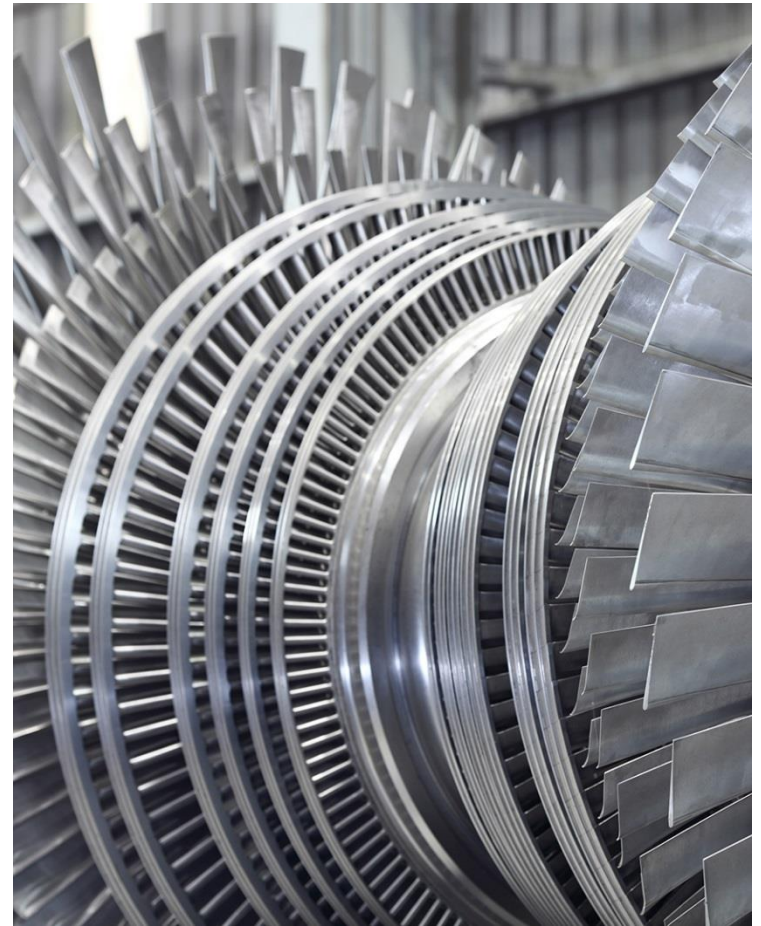
- Growth of intermittent generation
- Closure of large thermal plant
- Continued generation from inflexible nuclear

Government targeting new gas capacity

- Supported by 15 year contract in capacity market, subject to clearing price

Fast response assets for system stability services

- Highly flexible capacity
- From cold to full load in ten minutes
- Mid merit plant, dispatch at times of system stress
- Low capital and operating cost, 10-15 permanent staff per unit



Details of Acquisition

Potential development of c.1,200MW of OCGT backed by 15 year CM contract

OCGT Projects

Four OCGT sites with total capacity of c.1,200MW

- Two sites with principal permits
 - Registered in 2016 T-4 capacity market auction for 2020/21
- Two sites in permit process
 - Targeted for 2019 T-4 capacity market auction for 2023/24
- Full development cost per project £80-100m

Acquisition Terms

- Initial purchase price £18.5m
- Additional payment depending on clearing price

Funding the acquisition

- Consideration paid from cash

Location Map



Strategic Benefits of Acquisition

Opportunity to enhance Drax's generation strategy

Lower carbon future

Capacity and flexibility support

- Essential market support to enable wind, solar and nuclear
- Complementary to Drax's low carbon, flexible biomass generation

Using core competencies

- Engineering
- Electricity and gas trading
- Project execution

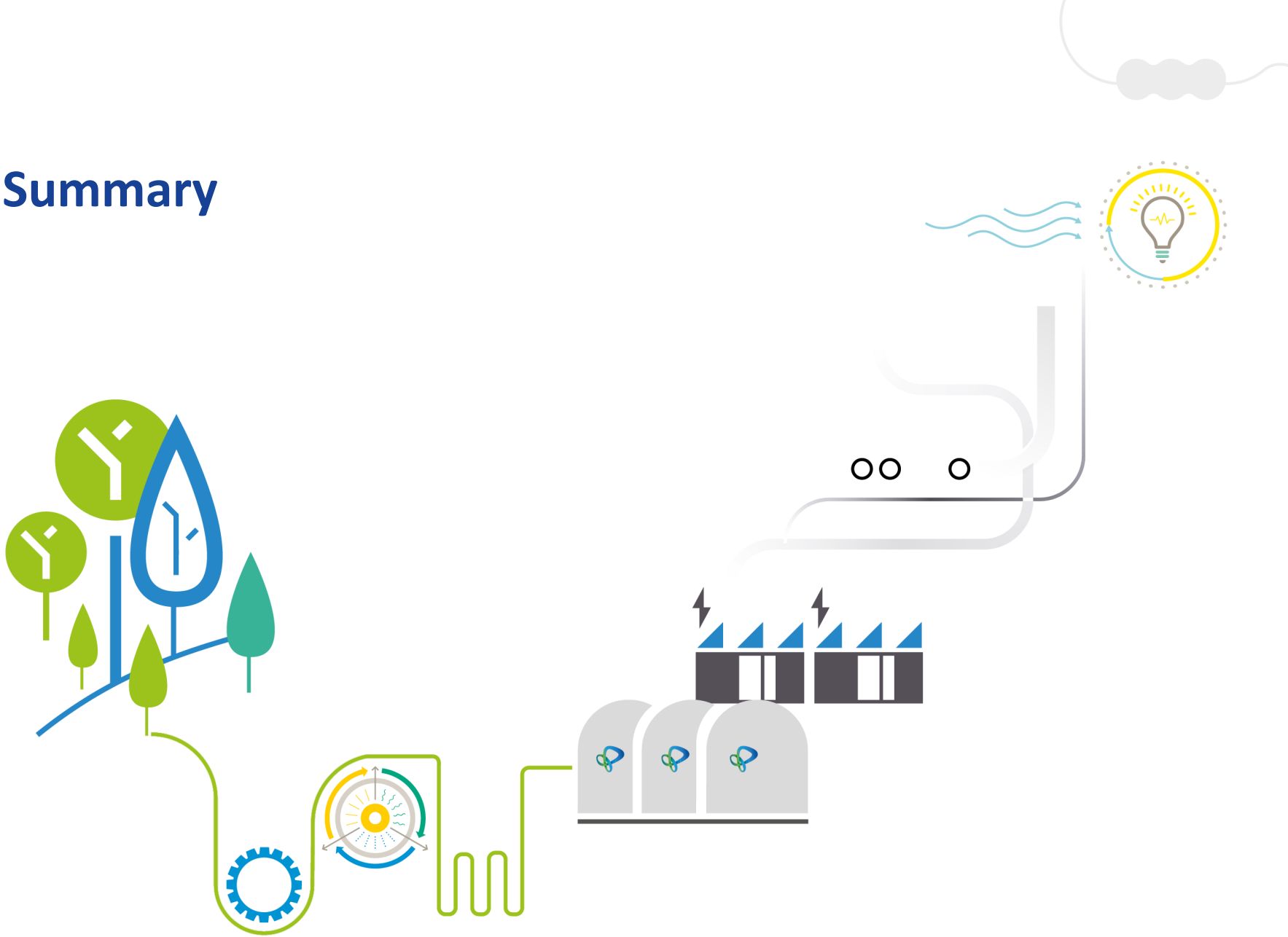
Creation of new long-term generation earnings

- High level of earnings visibility supported by 15 year capacity market contract, subject to clearing price
- Market opportunities in peak price periods

Diversified generation mix

Generation assets in different transmission zones

Summary



Creation of a Long-term Higher Quality, More Diversified Earnings Base

Opus

Proposed acquisition of Opus for £340m

A well established and proven retail business serving the SME market

Compelling range of strategic and financial benefits

Diversifies Drax earnings base

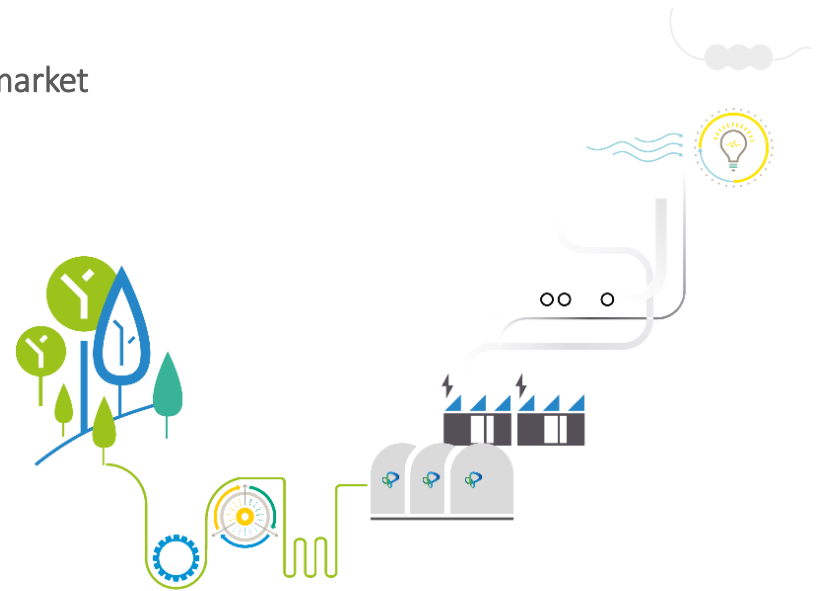
OCGT Projects

A response to changing energy requirements

Acquisition of OCGT projects for £18.5m, with additional consideration payable dependent on clearing price in capacity market auctions

Four c.300MW OCGT gas-fired plant development projects

Diversifies Drax's generation mix



Changing the way energy is generated, supplied and used for a better future

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