drax

2021
Full Year Results

24 February 2022

Presenters

Will Gardiner:
Chief Executive Officer

Andy Skelton:
Chief Financial Officer

Agenda

Future Positive

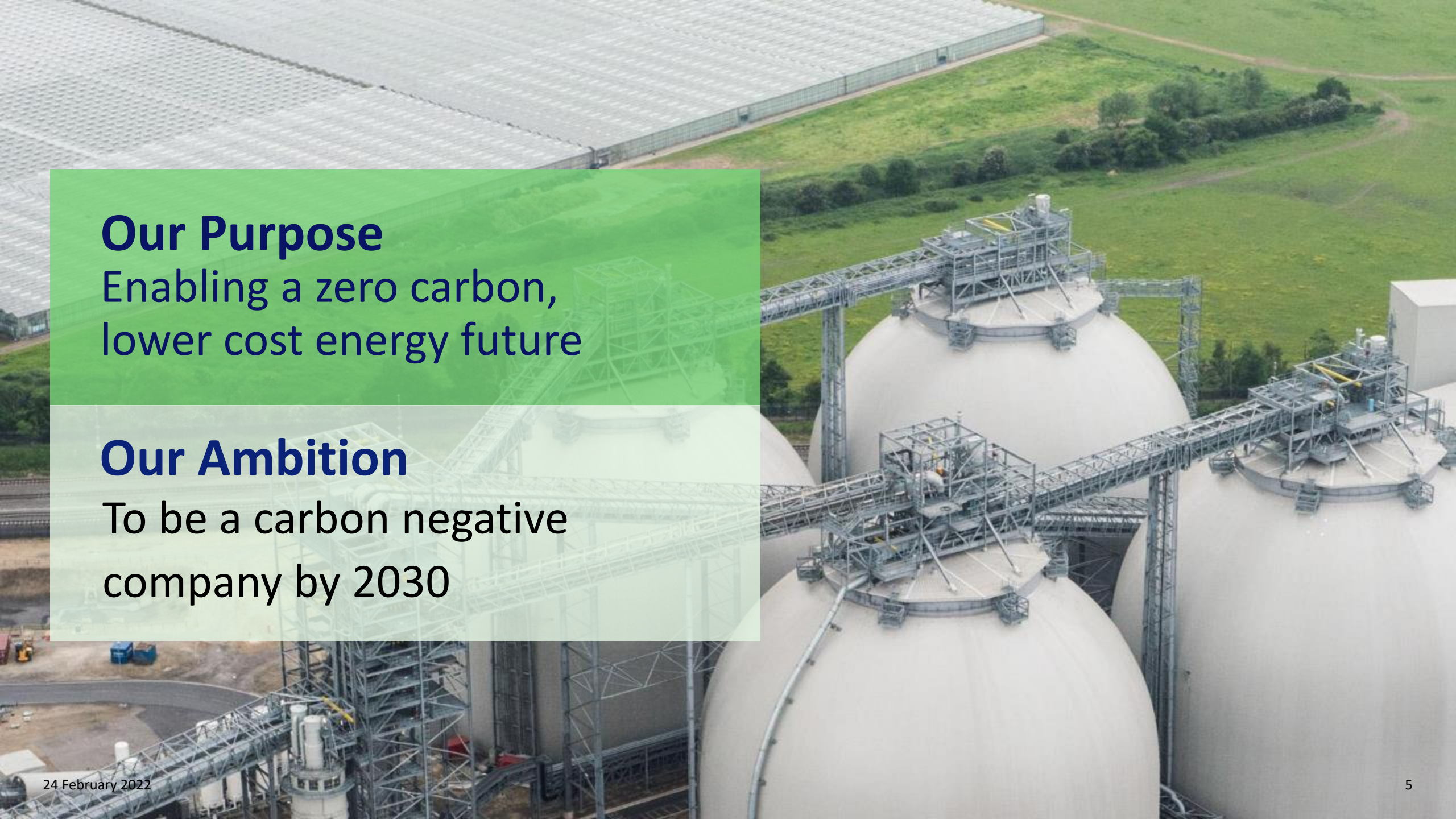
Operational Review

Financial Review

Strategy Update

Forward Looking Statements

This presentation may contain certain statements, expectations, statistics, projections and other information that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans, beliefs and objectives for the management of future operations of Drax Group plc ("Drax") and its subsidiaries (the "Group"), are not warranted or guaranteed. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. Although Drax believes that the statements, expectations, statistics and projections and other information reflected in such statements are reasonable, they reflect 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; future investment and support for the Group's objectives; and/or general economic conditions or conditions affecting the relevant industry, both domestically and internationally, being less favourable than expected. We do not intend to publicly update or revise these projections or other forward-looking statements to reflect events or circumstances after the date hereof, and we do not assume any responsibility for doing so.



Our Purpose

Enabling a zero carbon, lower cost energy future

Our Ambition

To be a carbon negative company by 2030

2021 Highlights

Strong financial performance in a transformational year, positioned for low-carbon growth

Financial

- £398m Adjusted EBITDA
- Strong cash generation, liquidity and balance sheet
- 10% increase in total dividend

Operational

Pellet Production

- Production output more than doubled
- 7% reduction in $/tonne production costs

Generation

- >95% reduction in CO_2 vs 2012
- 5% increase in biomass generation
- Strong system support performance

Customers

- Return to profitability

Strategic

- Acquisition of Pinnacle – capacity expansion, 3rd party sales and cost reduction
- End of commercial coal generation and sale of CCGT generation assets
- £3bn fully funded growth plans – UK BECCS, biomass and pumped storage

Future Positive

Future Positive

Strategic ambition underpinned by safety, sustainability and biomass cost reduction

People Positive

- Two new North America based Non-Executive Directors
- Compliant with Hampton Alexander and Parker recommendations
- Schools programmes and community outreach – UK/North America
- Talent pipeline – four year technical apprenticeships

Nature Positive

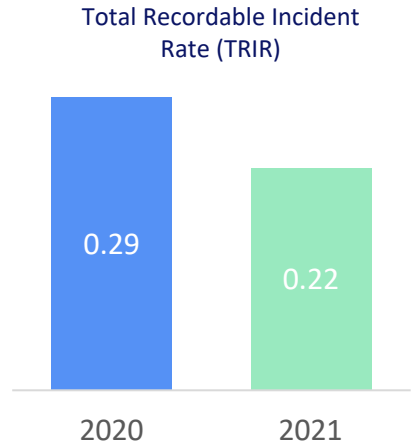
- Science-based sustainability policy compliant with UK and EU law on sustainable sourcing
- 100% of woody biomass produced by Drax verified against SBP, SFI, FSC® (C119787) or PEFC Chain of Custody certification

Climate Positive

- >95% reduction in CO_2 from generation since 2012
- >90% of generation from renewable and low-carbon sources
- >80% of Group EBITDA from renewable and low-carbon activities

UN Sustainable Development Goals

Safety is key



TCFD supporter

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Climate Positive

The world's leading sustainable biomass generation and supply business

>95% reduction in generation emissions since 2012 and >90% of generation from renewable and low-carbon sources

>£2bn investment in renewables since 2012

Coal-to-biomass conversion, biomass supply chain, pumped storage and hydro

Ending use of fossil fuels

End of commercial coal generation

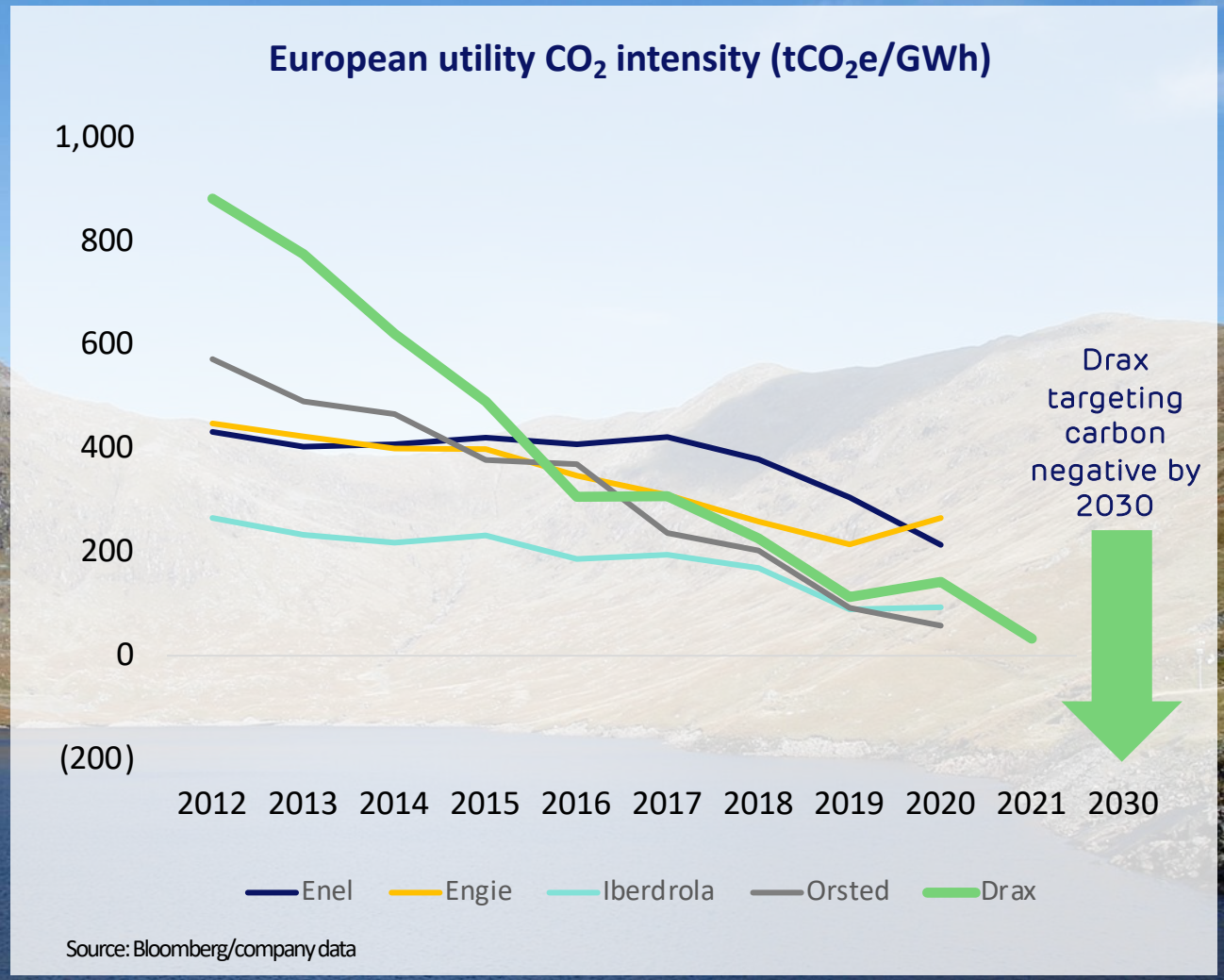
Sale of CCGT generation assets

Reducing residual emissions

New targets for scope 1, 2 and 3

42% reduction in emissions vs. 2020 base by 2030

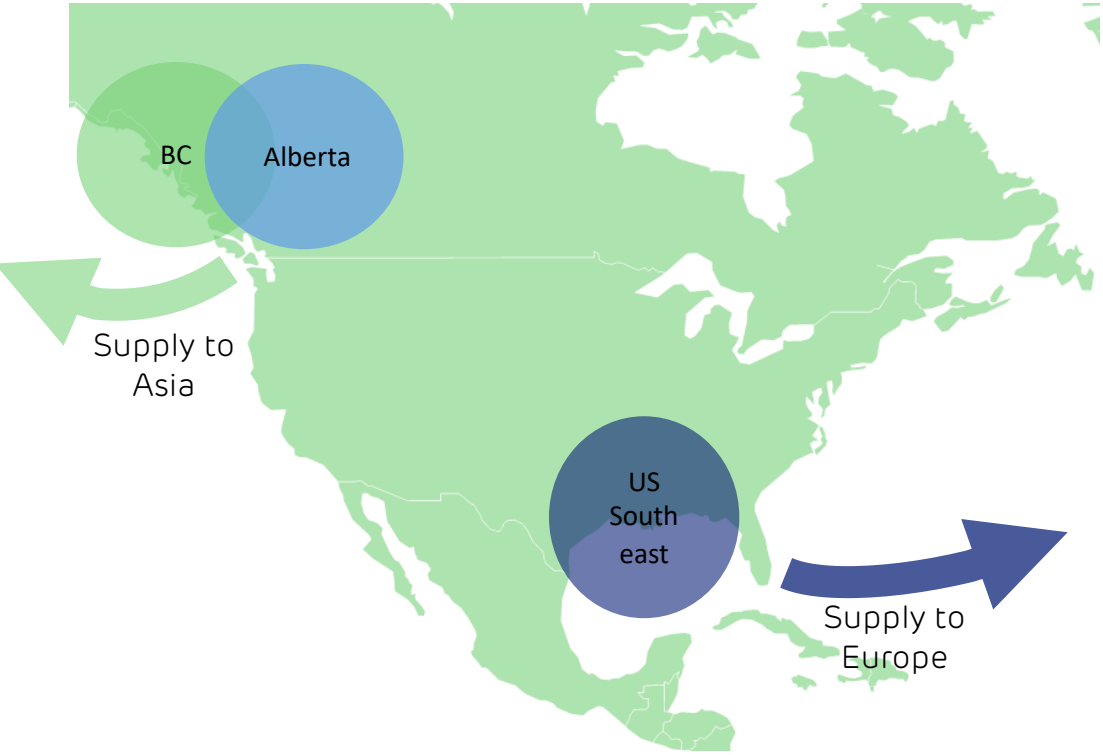
Carbon negative by 2030



Operational Review

Pellet Production – Geographically Diversified Production Capacity

Strategically located in key sustainable fibre baskets with proximity to Asian and European markets



17 pellet plants and developments with c.5Mt of production capacity

- 13 operational plants, 4 commissioning or in development

Access to three major fibre baskets

- British Columbia, Alberta and US southeast
- Sustainable long-term sources of residues and low-value wood
- Typical plant fibre baskets radius of 50 miles

4 deep water ports with c.8Mt of throughput capacity

Established presence and relationships in Asian and European markets

Targeting 8Mt of production capacity and 4Mt of 3rd party sales by 2030

British Columbia
Plants: Smithers, Houston, Burns Lake, Meadowbank, Williams Lake, Armstrong, Lavington
Ports: Prince Rupert, Vancouver

Alberta
Plants: High Level, Entwistle

US Southeast
Plants: Amite, Morehouse, LaSalle, Aliceville
Developments: Demopolis, Leola, Russellville, additional plant/capacity
Ports: Baton Rouge, Mobile

Pellet Production – Operational Review

Increased production capacity, sales to 3rd parties and cost reduction accelerated by acquisition of Pinnacle

Strategic progress driving improving operational metrics

- 107% increase in production
- 7% reduction in $/tonne production cost
- 65% increase in Adjusted EBITDA

Pinnacle integration

- Prioritise safe, efficient and sustainable operations across enlarged supply chain

Operational challenges

- Extreme weather, wild fires and fire at Westview port
- Impact limited through diversified supply chain

Continued focus on operational efficiency and cost reduction

- Addition of Pinnacle and capacity expansion
- Increase in sawmill residues in production mix

Adjusted EBITDA
£86m
(2020: £52m)

Production cost
$143/t(1/2)
(2020: $153/t)

Pellet production
3.1Mt
(2020: 1.5Mt)

Sales to Drax
2.0Mt(3)
(2020: 1.3Mt)

Sales to 3rd parties
1.2Mt(3/4)
(2020: n/a)

Fibre sources	2021	2020
Sawmill residues	57%	21%
Branches, tops and bark	5%	-
Thinnings	22%	44%
Low-grade round wood	16%	35%
Total	**100%**	**100%**

1) Cost of production in Pellet Production – raw fibre, processing into a wood pellet, delivery to Drax port facilities in US and Canada and loading to vessel for shipment and overheads – Free on Board (FOB). Cost of ocean freight, UK port and rail cost reflected in Generation business accounts in addition to price paid to Pellet Production for the wood pellet.
2) Cost per tonne stated at a constant CAD:USD rate of 1.30.
3) Inclusive of Pinnacle from 13 April 2021.
4) Includes de minimis purchases in addition to pellets produced to meet sales demand.

Pellet Production – Developments

Capacity expansion and opportunities for further growth

c.0.6Mt of new capacity in US Southeast (2021/22)

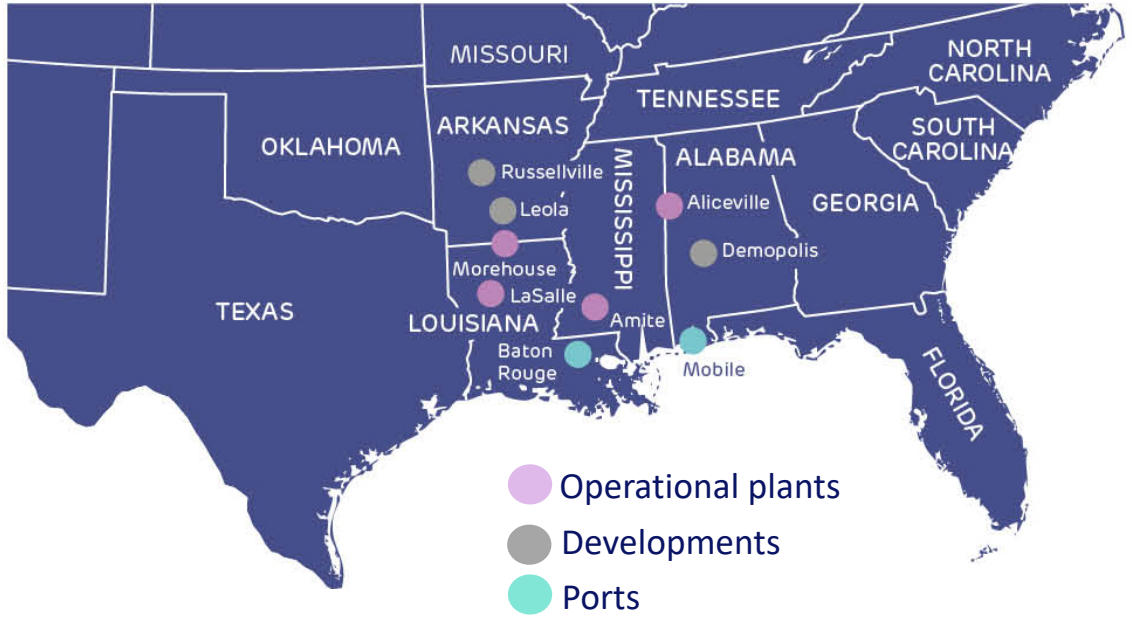
- LaSalle and Morehouse expansions completed (150kt)
- Demopolis plant commissioning (360kt)
- 1st satellite plant (Leola) commissioning (40kt)
- 2nd satellite plant (Russellville) under construction (40kt)

Development of new capacity

- Targeting FID on 0.5-1Mt of new capacity in 2022

Continued investment in innovation

Drax operations in US southeast



Leola satellite plant

Pellet Production – Strong Long-term Order Book

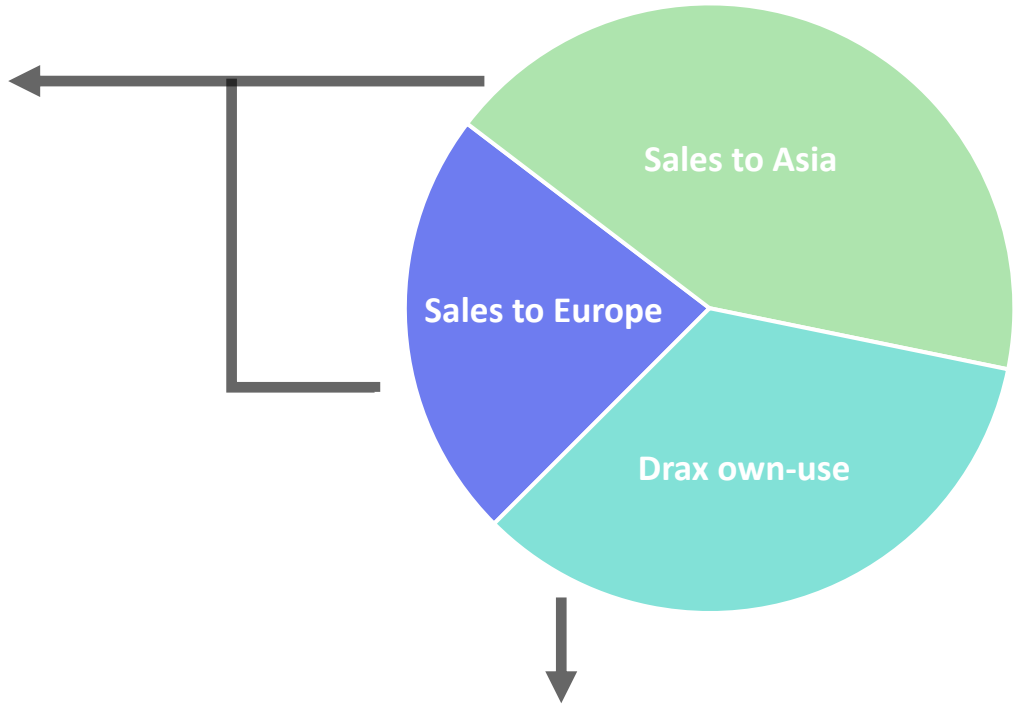
3rd party supply and own-use

Attractive 3rd party supply business

- US$4.5bn of contracted sales to 3rd parties
- 22Mt of contracted sales to 3rd parties
- Contracts extending to mid-2030s
- High-quality Asian and European counterparties

Mitsubishi Corporation
Sumitomo Corporation
MITSUI&CO.
EPH
HANWA
中广核 CGN
uniper
RWE
UBE INDUSTRIES,LTD.
GS Global
TOYOTA TSUSHO CORPORATION

Diversified long-term offtake



Additional capacity for own-use

14Mt own-use through 2026

Long-term capacity to support BECCS, additional 3rd party supply and generation models

New capacity required to support further growth in 3rd party demand and own-use

Generation – Operations

UK's largest source of renewable power by output

End of commercial coal generation and sale of CCGT assets

Biomass operational performance

- Major planned outage on CfD unit successfully completed
- 5% increase in biomass generation
- Higher cost of sale – impact of historic FX hedging and increased system costs

Strong system support performance across portfolio

Adjusted EBITDA[1] £372m (2020: £446m)	**System support[2]** £160m (2020: £118m)	**% of UK renewables** 12%[3] (Q4 2019 to Q3 2020: 11%)
Biomass availability[4] 88% (2020: 87%)	**Biomass generation** 14.8TWh (2020: 14.1TWh)	**Hydro generation[5]** 0.5TWh (2020: 0.7TWh)
Gas generation 0.6TWh (2020: 2.8TWh)	**Coal generation** 0.4TWh (2020: 1.6TWh)	**CO_2 intensity** 0.03t/MWh (2020: 0.14t/MWh)

1) Includes £20m of discontinued operations – gas (2020: £46m).
2) Balancing mechanism, Ancillary Services and portfolio optimisation.
3) Measured by output Q4 2020 to Q3 2021.
4) Equal weighting given to all four biomass units.
5) Gross output from pumped storage and hydro schemes.

Generation – Trading and Optimisation

Forward power sales provide revenue visibility, with operational flexibility for system support services

Strong contracted power sales on ROC and hydro 2022-2024

- 20.4TWh contracted at £70.2/MWh (2022-2024)

Strong contracted biomass supply through 2026

- Own-use pellet production and 3rd party contracts
- Rolling five-year FX hedge protects from changes in rates

Contracted power sales – 21 Feb 2022	2022	2023	2024
ROC (TWh)(1)	**10.9**	**6.9**	**2.4**
-Average achieved £ per MWh	**70.0**	**70.0**	**70.6**
Hydro (TWh)	0.2	-	-
-Average achieved £ per MWh	90.9	-	-
Gas hedges (TWh equivalent)(2)	-	0.5	0.4
-Pence per therm	-	105	101

CfD(1)

Typical annual output c.5TWh

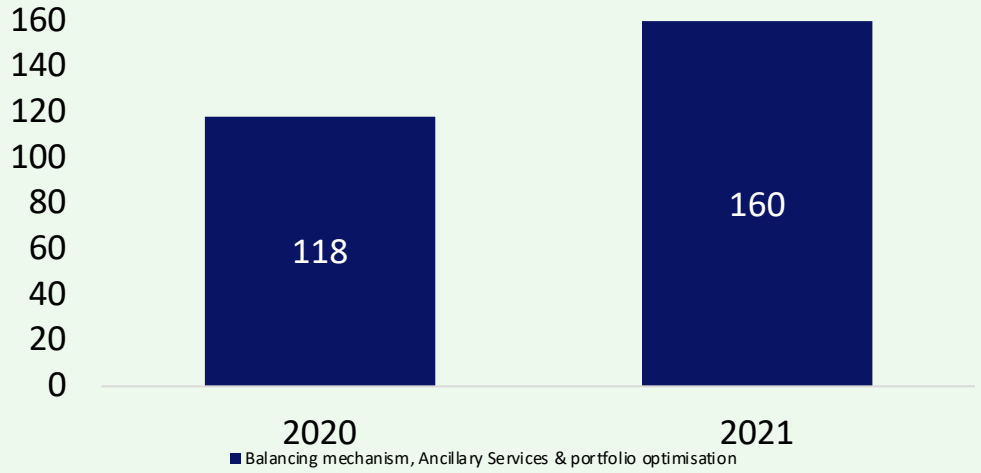
Current strike price £118.5/MWh(3)

Strong system support performance across portfolio

- Biomass, pumped storage and hydro represent majority of value
- Coal – activity in Q1 and limited actions in H2 at request of system operator
- CCGT – activity in January prior to sale

Increase in system charges

Value from system support and optimisation (£m)



1) Estimated annual biomass generation from ROC and CfD units c.15TWh based on estimated biomass availability.
2) Structured power sales in 2023 and 2024 (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.
3) To March 2022, UK CPI increase from April 2022.

Development of UK BECCS

Drax Power Station – targeting 8Mt pa of negative emissions from BECCS by 2030

Good progress in 2021

Technology

- Selection of technology partner – Mitsubishi Heavy Industries
- Completion of pre-FEED study
- Commencement of full FEED study and site preparation

Planning

- Commencement of planning application, including formal public consultation on project

Transportation and storage

- Selection of the East Coast Cluster as a priority cluster for deployment of Carbon Capture and Storage infrastructure

Government commitments

- Net Zero Strategy – Greenhouse Gas Removal ambition
  - *5Mt pa by 2030, 23Mt pa by 2035 and up to 81Mt pa by 2050*
  - *Retrofit BECCS power could be deployed by the late 2020s*
- Biomass Policy Statement

2022 milestones

Progress workstreams to remain on track for FID in 2024

Technology

- £40m investment in FEED study and site preparation

Planning

- Planning application submitted

Government commitments

- Run competitive process for Gas CCS, industrial CCS and hydrogen projects
- Develop and initiate selection process for BECCS and other greenhouse gas removal projects
- Publish Bioenergy Strategy Review

Development of New-build BECCS

Targeting 4Mt pa of negative emissions from new-build BECCS outside UK by 2030

Good progress in 2021

- Appointed Bechtel to support technical evaluation of new-build BECCS outside UK
- Global location screening
- Fibre availability, transport and storage options
- Evaluation of technologies
- Evaluation of existing support schemes
- Initial assessment of corporate interest in renewable power and negative emission packages

2022 milestones

- Program of government engagement
- Site location filtering
- Progress discussions on renewable power and negative emission packages
- Commence detailed CO_2 storage evaluation program
- Refine technical concepts

Customers

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

Good operational and financial performance

- Return to profit at Adjusted EBITDA level
- Includes industry mutualisation charges from supplier failure and residual impact of Covid-19

100% renewable supply offering

- Efficient route to market for large volumes of Drax renewable power generation
- 9% increase in I&C sales versus 2020

Developing portfolio of decarbonisation products

- Route to market for over 2,000 renewable generators
- Demand Side Response propositions, supporting grid stability and benefiting customers
- Electric Vehicle charge point services – a new dedicated portal for fleet customers

I&C alignment with wider Group renewable strategy

- Haven Power rebranded to Drax Energy Solutions, re-enforcing closer alignment of Customers business with Group strategy and customers who share Drax ESG ambitions

Adjusted EBITDA
£6m(1)
(2020: £39m loss)

Drax I&C power sales
11.9TWh
(2020: 10.9TWh)

1) Includes £16m estimated impact of Covid-19 and £10m mutualisation costs from failure of other energy supply businesses.

Financial Review

Financial Summary

Strong financial performance

Adjusted EBITDA(1/2)
£398m
(2020: £412m)

Total Cash and Committed Facilities December 2021
£549m
(2020: £682m)

Net Debt December 2021(3)
£1,044m
(December 2020: £776m)

Expect to be below 2x Net Debt to Adjusted EBITDA by end of 2022

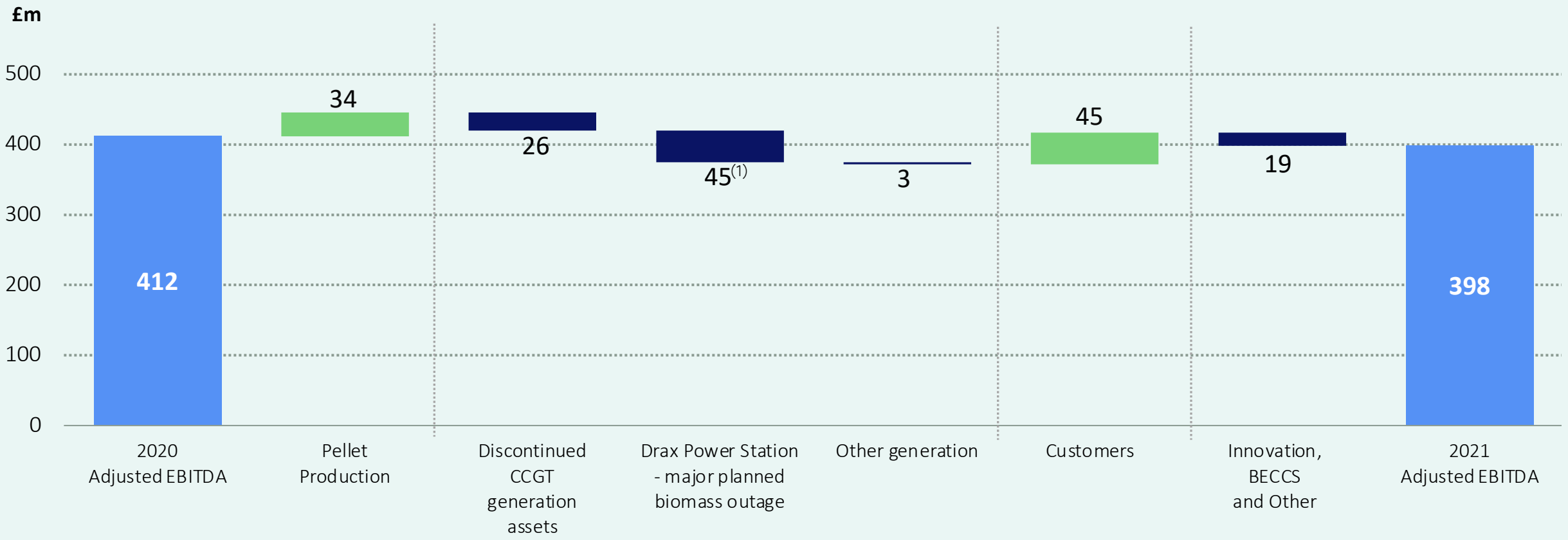
Adjusted Basic Earnings Per Share(1/2)
26.5p/share(1/2)
(2020: 29.6p/share)

Proposed Final Dividend
11.3p/share (£45m)
(2020: 10.3p/share, £41m)

Total Dividend
18.8p/share (£75m)
(2020: 17.1p/share, £68m)

1) Financial performance measures prefixed with "Adjusted" are stated after adjusting for material one-off exceptional items that, by their nature, do not reflect the trading performance of the Group (write-down revaluation of deferred tax asset balances reflecting future increases in UK CT rates, acquisition costs, gain on sale of gas generation assets, restructuring costs, debt restructuring costs and asset obsolescence charges), and certain remeasurements on derivative contracts. Adjusted EBITDA and EPS measures exclude amounts attributable to non-controlling interests.
2) Includes continuing and discontinued operations (£20m of discontinued operation – CCGT generation assets, 2020: £46m).
3) Cash and short-term investments of £317m less borrowings of £1,361m.

Adjusted EBITDA Bridge 2020 to 2021



Pellet Production
2021: £86m
2020: £52m

Generation
2021: £372m
2020: £446m

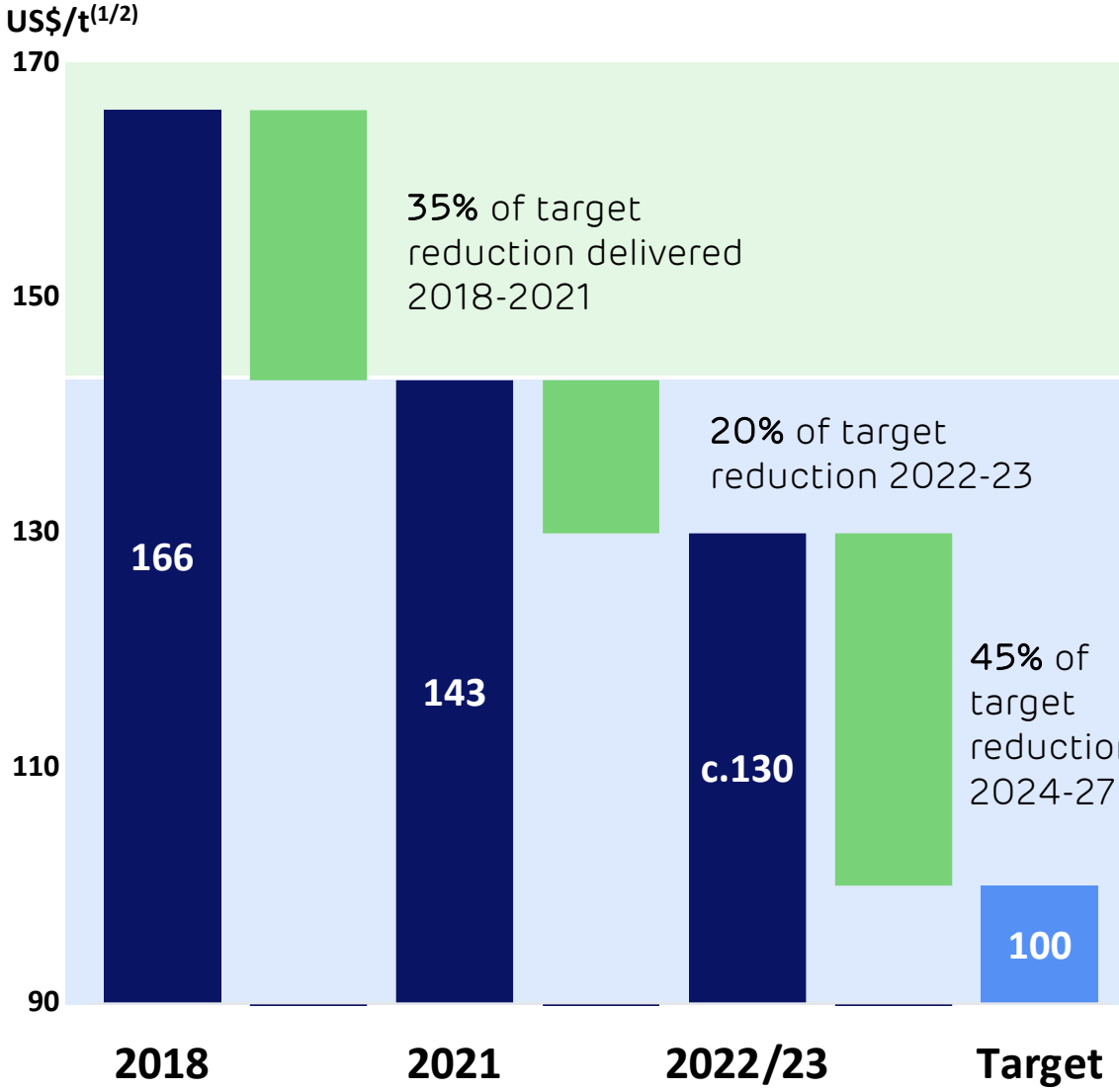
Customers
2021: £6m
2020: £(39)m

Innovation, BECCS and Other
2021: £(66)m
2020: £(47)m

(1) Estimated opportunity cost of CfD generation during major planned outage on U1.

Continued Reduction in Pellet Production Cost

Expect 55% of target $/t cost reductions to be delivered by 2023, with opportunities for further savings



Operational efficiencies, improvements, expansion and acquisition

- Increased use of sawmill residues
- Co-location with sawmills
- Rail logistics improvements
- Increase in lower cost production capacity

Acquisition of Pinnacle

New capacity, continued operational efficiencies and improvement and innovation

- Demopolis and Leola plants commissioning
- Russellville under construction

Actions required to realise further savings and efficiencies

- Lower cost, wider range of biomass materials
- Continued optimisation
- Development technologies and innovation

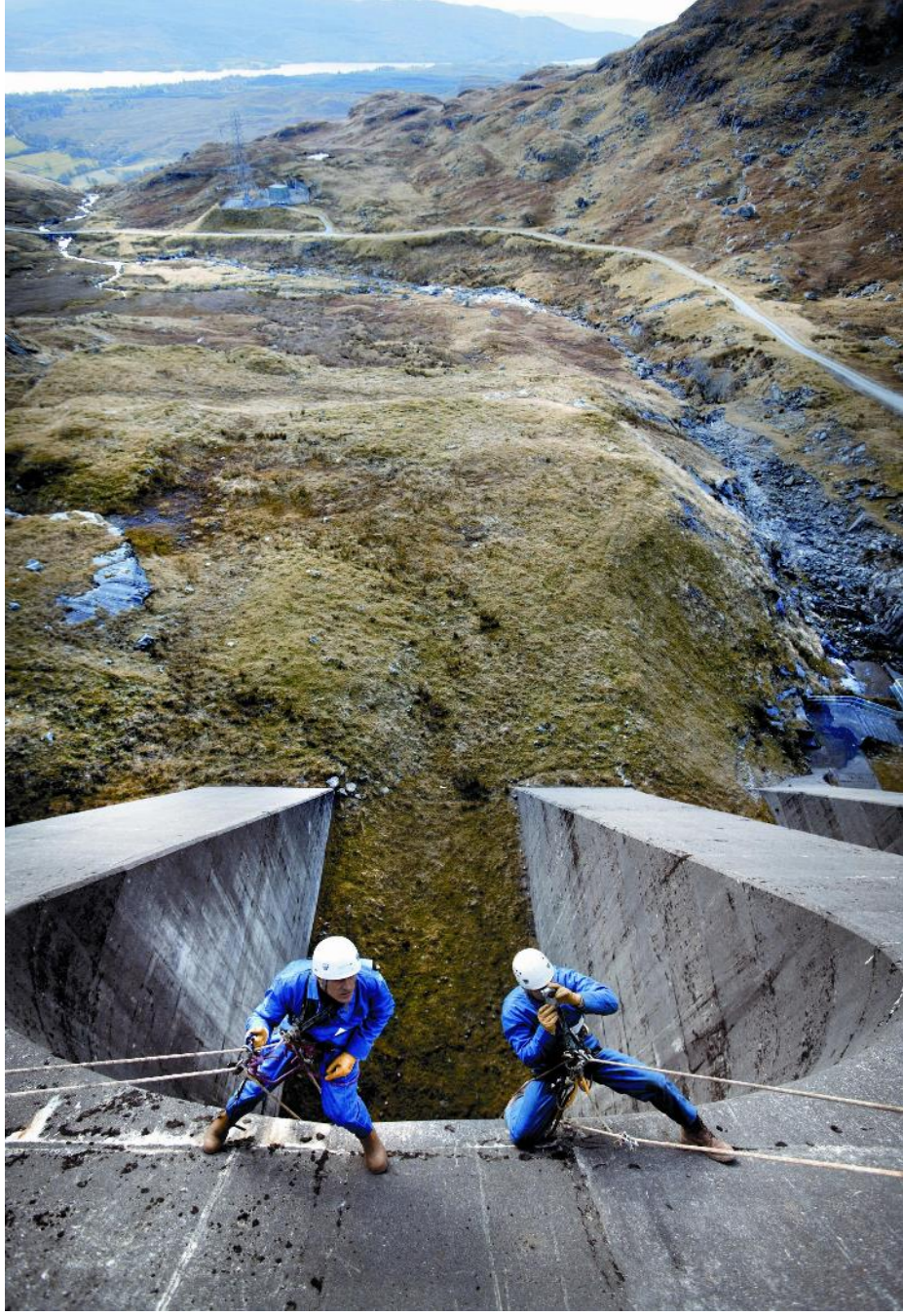
(1) Free On Board – cost of raw fibre, processing into a wood pellet, delivery to Drax port facilities in US and Canada, loading to vessel for shipment and overheads.
(2) Cost per tonne stated at a constant CAD:USD rate of 1.30.

Capital Investment

Investment to drive operational efficiency, strategic initiatives and growth

2021 actual	Key areas	Investment
Maintenance	Maintain operational performance	£77m
Enhancement	Efficiency and operational improvements	£28m
Strategic	Biomass self-supply Pinnacle	£57m £47m
Other	Safety and environmental	£21m
Total		**£230m**

2022 estimate	Key areas	Investment
Maintenance	Maintain operational performance	£70-80m
Enhancement	Efficiency and operational improvements	£20m
Strategic[(1)]	UK BECCS New pellet plants (subject to FID) Biomass and other	£40m £40m £30-40m
Other	Safety and environmental	£30m
Total		**£230-250m**



1) Excludes any material investment in Open Cycle Gas Turbine developments – continuing to evaluate options, including sale, but continue to invest as appropriate to fulfil obligations under the Capacity Market agreements and to maximise value from any sale. In the event of a sale Drax expects to recover any capital expenditure incurred during the year, which could total up to £100 million.

Balance Sheet

Long-term structures in place to support growth

Facilities in place to support growth and decarbonisation

- Infrastructure facilities extend maturity profile to 2030
- ESG facilities with margin linked to carbon emissions

Group cost of debt now <3.5%

- Replaced Pinnacle debt with new lower cost ESG facility

Strong credit profile

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

Pinnacle acquisition

- Funded from cash and existing agreements
- Refinanced Pinnacle facilities July 2021, reduction in cost

Further opportunities for efficiency and reduced cost

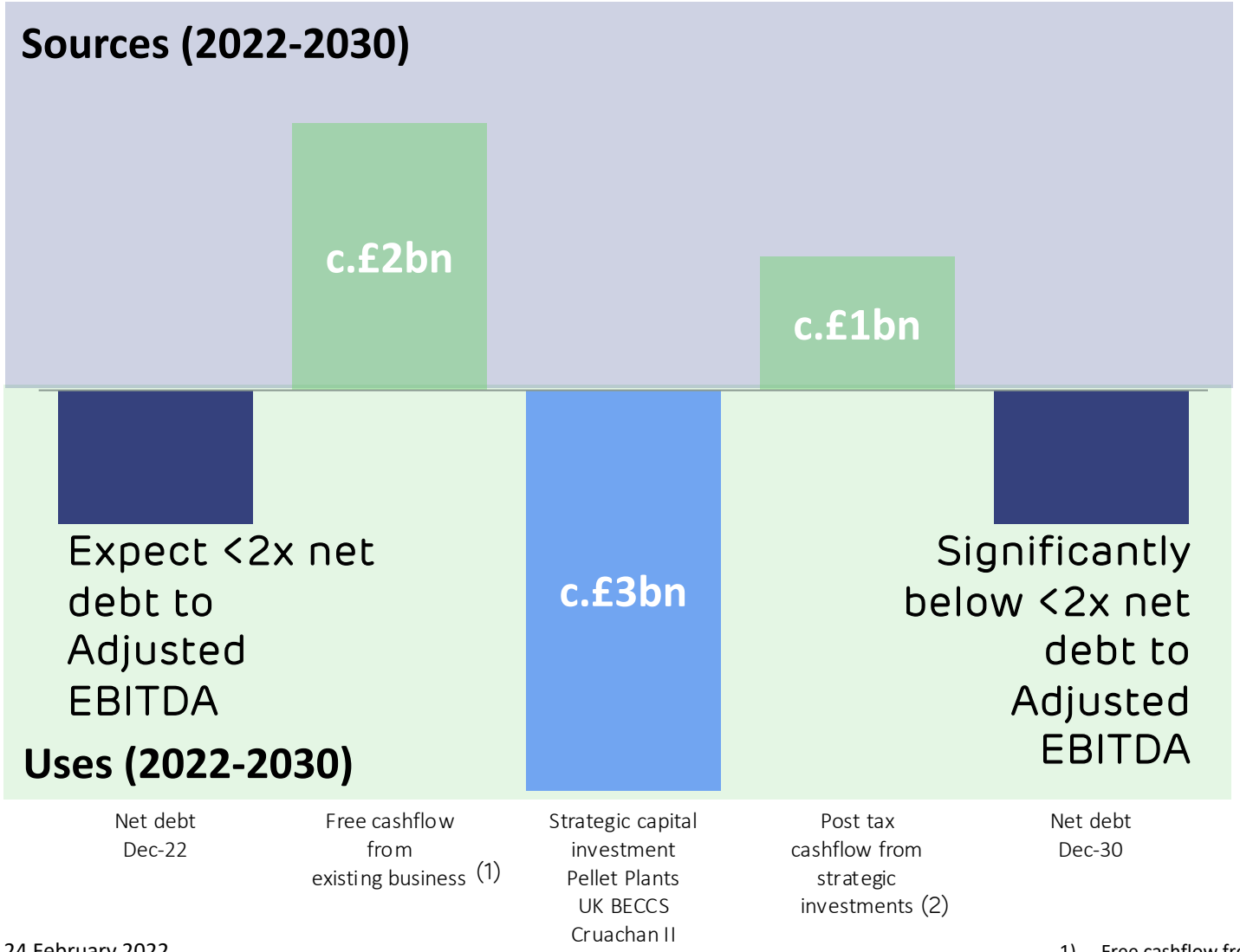
Expect <2x net debt to Adjusted EBITDA by end of 2022	£549m cash and committed facilities	Maturity profile to 2030

Instrument	Maturity	Description
Infrastructure facilities		
2019	2024-2029	£375m
2020	2024-2030	c.£213m(1)
Bonds	2025	$500m
	2025	€250m
ESG Revolving Credit Facility	2025	£300m (undrawn for cash)
ESG term-loan(2)	2024	C$300m
Index-linked term-loan	2022	£35m

1) c.£213m – €25m in 2024 (£23m), €70m (£63m) in 2026, £45m in 2027, £53m in 2028 and €31.5m (£29m) in 2030, of which £130m was undrawn at December 2020, subsequently drawn February 2021.
2) Refinanced July 2021, reduced from C$435m at 30 June.

Sources and Uses of Cash – Fully Funded Investment Plan to 2030

Investment for growth funded by existing cash generation and EBITDA growth consistent with long-term target of 2x net debt



Strategic capital investments

- Pellet plants, UK BECCS, Cruachan II

Investment and funding

- Investments backed by long-term contracted cashflows
- No new equity, funding from cash generation and debt
- High-quality portfolio provides range of options for financing
- Peak investment period 2024-2027
- Net debt to Adjusted EBITDA <2x in 2030, with additional free cashflow available to support other investments, including new-build BECCS

Returns

- Target high single to low double-digit returns depending on risk profile and proportion of contracted earnings

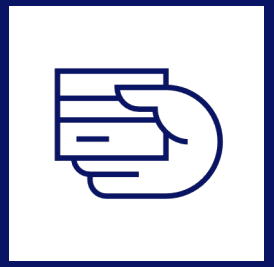
Remain committed to current dividend policy

- Average growth rate over last 5 years of 10%

1) Free cashflow from existing business = Adjusted EBITDA less interest, tax, dividend and maintenance capex.
2) Post tax cashflow from strategic investments = Adjusted EBITDA less tax and interest.

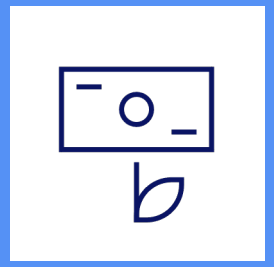
Clear Capital Allocation Policy

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

Strategy Update

Strategic Objectives

Positioning Drax for growth opportunities linked to global renewable energy and decarbonisation initiatives

Pellet Production

Objective 1: to be a global leader in sustainable biomass pellets

- 3rd party sales, own-use, cost reduction, fibre sourcing and technology

Negative Emissions

Objective 2: to be a global leader in negative emissions

- Development of projects in UK and internationally
- Carbon negative by 2030

Dispatchable, Renewable Power

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

- Biomass, pumped storage and hydro
- Renewable power and energy services to strategic customers

All underpinned by safety, sustainability and cost reduction

A Global Leader in Sustainable Biomass Pellets

Significant increase in demand for biomass in industrial wood pellet markets

Expansion of biomass supply chain to maximise value of biomass use across three strategies

- 3rd party sales
- BECCS
- Generation

Targets

- Double sales to 3rd parties from 2Mt to 4Mt pa by 2030
- Increase pellet production capacity from 4Mt to 8Mt pa by 2030

Meeting Pellet Demand Growth

Opportunities to maximise value across 3rd party biomass sales, BECCS and generation

Demand/Supply	Sources	Current	2030
Demand	Sales to 3rd parties	2Mt	4Mt
	Own-use UK BECCS (2 units)	-	5Mt
	Own-use generation	7Mt	1-2Mt
		9Mt	**10-11Mt**
Supply	Drax produced	4Mt	8Mt
	Other lower cost biomass sources and 3rd party supply	5Mt	2-3Mt
		9Mt	**10-11Mt**

Increase biomass capacity from 4Mt up to 8Mt by 2030 for 3rd party sales, UK BECCS and generation, balance of supply from other lower cost biomass sources and 3rd parties

Potential for further demand from development of new BECCS projects and other uses of biomass

A Global Leader in Negative Emissions

Global net zero and 1.5°C strategies will require negative emissions technologies

- BECCS, DACS and afforestation
- Intergovernmental Panel on Climate Change, Coalition for Negative Emissions and UK Government all identify a clear role for BECCS

Targeting 8Mt pa of negative emissions from UK BECCS by 2030

- Retrofit of BECCS at Drax Power Station could be world's first negative carbon plant at scale
- First mover advantage in the deployment of negative emissions
- Development of model for further BECCS retrofit

Targeting 4Mt pa of negative emissions from new-build BECCS outside UK by 2030

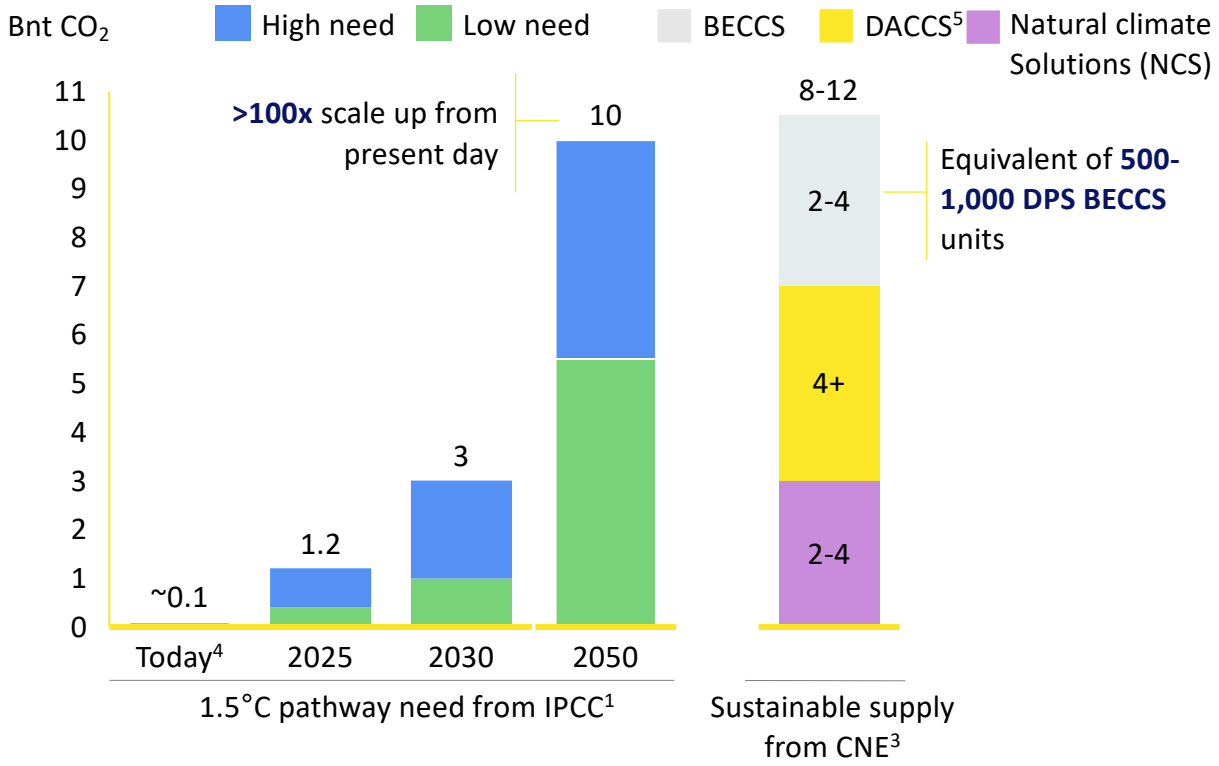
- Development of models for North America and Europe
- Evaluating biomass availability, infrastructure, demand and political conditions

Negative Emissions – a Trillion Dollar Market Opportunity

Negative emissions are a critical part of the 1.5°C climate pathway and BECCS has an essential role

Only a portfolio that includes BECCS can meet the negative emissions need

Negative emissions needed in 1.5°C pathway (IPCC[1,2]) vs. supply



1. Intergovernmental Panel on Climate Change.
2. Range of median values for three 1.5°C warming pathways published by the IPCC (less than 1.5°C, low overshoot, high overshoot).
3. Coalition for Negative Emissions.
4. Where Company A pays Company B to reduce emissions, but Company A takes all credit for the reduction. Can be criticised for lack of additionality.
5. Direct Air Capture Capture and Storage.

The world is starting to value negative emissions, paving the way to a valuable market

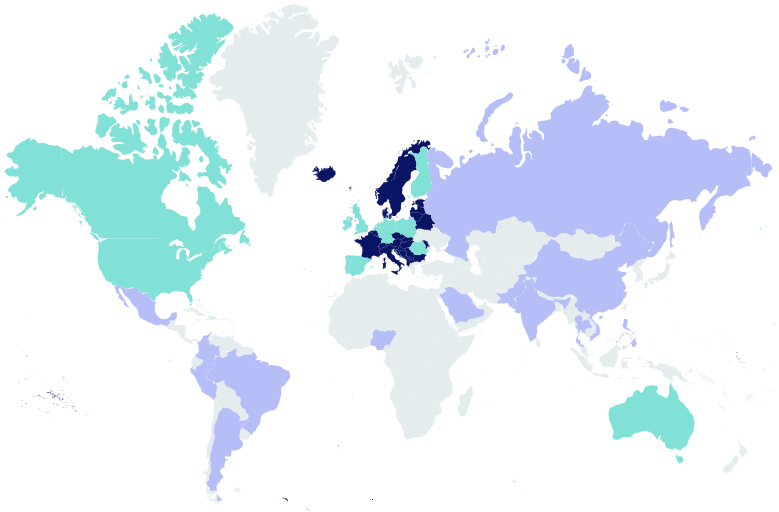
Microsoft **$100/t**

As an example, Microsoft publicly expects to pay ~$100/tonne for removals long-term

TASKFORCE ON SCALING VOLUNTARY CARBON MARKETS **1.5-2Bnt**

The world's largest gathering of voluntary carbon offset stakeholders expect to buy 1.5-2.0Bnt in 2030; with a shift from low-quality offsets (e.g. reduction offsets[4]) in favour of negative emissions

COP26: 90% of countries have net zero targets, 30% before COP26



UN-backed Principles for Responsible Investment estimate that the negative emissions market could be in the trillions of dollars by 2050

Source: IPCC; NGFS; McKinsey; PRI

A UK Leader in Dispatchable, Renewable Power

Significant increase in demand for power

- Electrification of heating and transport
- Increasing dependence on intermittent renewables

Increasing long-term role for dispatchable, renewable power

- Biomass and pumped storage
- Targeting option for 600MW of new pumped storage capacity at Cruachan by 2030

Milestones for 2022

Biomass pellet production	- Expect to take final investment decision on 0.5-1Mt of new capacity
Biomass pellet sales	- Establishment of Tokyo field office - Establishment of European business development - Expansion of international affairs capability
Biomass cost reduction	- Continued reduction in pellet production costs - Approve new fuels, expanding fuel mix to deliver >100kt of lower cost sustainable biomass
UK BECCS	- £40m investment in FEED and site preparation - Planning application submitted - Government to run competitive process for Gas CCS, industrial CCS and hydrogen projects - Government to develop and initiate selection process for BECCS and other greenhouse gas removal projects in priority CCS clusters - Government to publish Bioenergy Strategy Review
International BECCS	- Program of government engagement - Site location filtering - Progress discussions on renewable power and negative emission packages - Commence detailed CO_2 storage evaluation program - Refine technical concepts
Pumped Storage	- Submission of Cruachan II planning application to Scottish Government - BEIS consult on investment support mechanism - Connection agreement secured from National Grid

Outlook

Drax strategic objectives closely aligned with net zero policies, providing attractive opportunities for long-term growth

UK and international policies increasingly support the use of biomass, BECCS and the role of dispatchable generation

Pellet Production	- Targeting 4Mt pa of 3rd party pellet sales by 2030 - Targeting 8Mt pa of pellet production capacity by 2030
Negative Emissions	- Targeting 8Mt pa of negative emissions from UK BECCS by 2030 - Targeting 4Mt pa of negative emissions from new-build BECCS outside UK by 2030
Dispatchable, Renewable Power	- Long-term system need for biomass generation - Develop option for additional 600MW pumped storage by 2030
Underpinned by safety, sustainability and biomass cost reduction	- Continue to target biomass cost reduction – $100/t(1) by 2027 - Investment in resources to deliver strategy and purpose

(1) Free On Board – cost of raw fibre, processing into a wood pellet, delivery to Drax port facilities in US and Canada, loading to vessel for shipment and overheads.

drax

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Appendices

Group Adjusted EBITDA

Group Income Statement – Continuing Operations

Group Income Statement
– Continuing Operations Consolidated Adjusted EBITDA

Group Income Statement – Adjusted Results
– Continuing and Discontinued Operations

Consolidated Adjusted EBITDA
– Continuing and Discontinued Operations

Pellet Production – Adjusted EBITDA

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Group Cash Flow Statement
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Global Policies to Address Climate Change

UK Energy Policy

Sources of Biomass Supply

Merchant Forward Commodity Prices

Merchant Forward Carbon Prices

Merchant Forward Spreads

Group Adjusted EBITDA

High-quality, enduring earnings from a multi-technology portfolio and integrated value chain

Business unit		Assets	Capacity	2021 Adjusted EBITDA (£m)	2020 Adjusted EBITDA (£m)
Pellet Production		17 pellet plants and developments in Canada and USA Access to 4 deep water ports (with control of 2)	c.5Mt c.8Mt	**86**	**52**
Generation	Drax Power Station – biomass and legacy coal		2.6GW/1.3GW[1]	**284**	**327**
	Hydro	Cruachan Pumped Storage Lanark and Galloway hydro schemes Daldowie – energy from waste	0.6GW	**68**	**73**
	Gas	Discontinued gas generation assets	2.0GW	**20**	**46**
Customers		I&C, Corporate and SME supply		**6**	**(39)**
Central Costs & Other	Innovation, capital projects and core services			**(66)**	**(47)**
Total				**398**	**412**

1) Drax Power Station – ended commercial coal generation March 2021, limited operation in H2 2021 at request of system operator, formal closure of coal September 2022.

Group Income Statement – Continuing Operations

	2021			2020		
In £m	**Adjusted**	**Exceptional**	**Total**	**Adjusted**	**Exceptional**	**Total**
Revenue	5,174	(86)	5,088	4,235	10	4,245
Cost of sales	(4,331)	134	(4,197)	(3,435)	(84)	(3,519)
Gross profit	**843**	**48**	**891**	**800**	**(74)**	**726**
Operating and administrative expenses	(449)	(21)	(470)	(391)	(32)	(423)
Impairment losses on trade receivables	(16)	-	(16)	(43)	-	(43)
Adjusted EBITDA from continuing operations	**378**	**-**	**-**	**366**	**-**	**-**
Depreciation	(164)	-	(164)	(133)	-	(133)
Amortisation	(34)	-	(34)	(38)	-	(38)
Asset obsolescence charges	-	-	-	-	(239)	(239)
Loss on disposal of fixed assets	(10)	-	(10)	(6)	-	(6)
Operating profit / (loss)	**170**	**27**	**197**	**189**	**(345)**	**(156)**
Foreign exchange gains	1	(5)	(4)	(2)	(1)	(3)
Net interest charge	(71)	-	(71)	(68)	(8)	(76)
Profit / (loss) before tax	**100**	**21**	**121**	**119**	**(354)**	**(235)**
Tax	(12)	(54)	(66)	(23)	63	40
Net result from continuing operations	**88**	**(33)**	**55**	**96**	**(291)**	**(195)**

Group Income Statement – Adjusted Results – Continuing and Discontinued Operations

	2021			2020		
In £m	**Continuing**	**Discontinued**	**Total**	**Continuing**	**Discontinued**	**Total**
Revenue	5,174	52	5,226	4,235	206	4,441
Cost of sales	(4,331)	(32)	(4,363)	(3,435)	(127)	(3,562)
Gross profit	**843**	**20**	**863**	**800**	**79**	**879**
Operating expenses	(449)	-	(449)	(391)	(33)	(424)
Impairment losses on trade receivables	(16)	-	(16)	(43)	-	(43)
Adjusted EBITDA	**378**	**20**	**398**	**366**	**46**	**412**
Depreciation	(164)	-	(164)	(133)	(19)	(152)
Amortisation	(34)	-	(34)	(38)	-	(38)
Loss on disposal of fixed assets	(10)	-	(10)	(6)	-	(6)
Operating profit	**170**	**20**	**190**	**189**	**27**	**216**
Foreign exchange gains	1	-	1	(2)	-	(2)
Net interest charge	(71)	-	(71)	(68)	(1)	(69)
Profit before tax	**100**	**20**	**120**	**119**	**26**	**145**
Tax	(12)	(3)	(15)	(23)	(5)	(27)
Profit for the period	**88**	**17**	**105**	**96**	**21**	**118**
Basic earnings per share (pence)	**22.3**	**4.2**	**26.5**	**24.3**	**5.3**	**29.6**

Consolidated Adjusted EBITDA – Continuing and Discontinued Operations

2021 £m	Power Generation	Discontinued	Pellet Production	Customers	Adjustments[1]	Consolidated
Segment Adjusted EBITDA	**352**	**20**	**86**	**6**	**6**	**470**
Innovation, BECCS and Central Costs						(72)
Consolidated Adjusted EBITDA						**398**

2020 £m	Power Generation	Discontinued	Pellet Production	Customers	Adjustments[1]	Consolidated
Segment Adjusted EBITDA	**400**	**46**	**52**	**(39)**	**3**	**462**
Innovation, BECCS and Central Costs						(50)
Consolidated Adjusted EBITDA						**412**

24 February 2022 1) Intercompany eliminations

Pellet Production – Adjusted EBITDA

In £m	2021	2020
Revenues	450	231
Cost of sales	(267)	(127)
Gross profit	**183**	**104**
Operating costs	(97)	(52)
Adjusted EBITDA	**86**	**52**

FOB total cost

USD$	2021	2020
Cost of sales ($m)	367	164
Operating costs ($m)	132	67
Total cost ($m)	**499**	**231**
Other adjustments ($m)(1)	(47)	(3)
Underlying cost of Drax pellets ($m)	**452**	**228**
Drax pellet production (Mt)	3.2	1.5
Cost per tonne ($/t)(2)	**143**	**153**

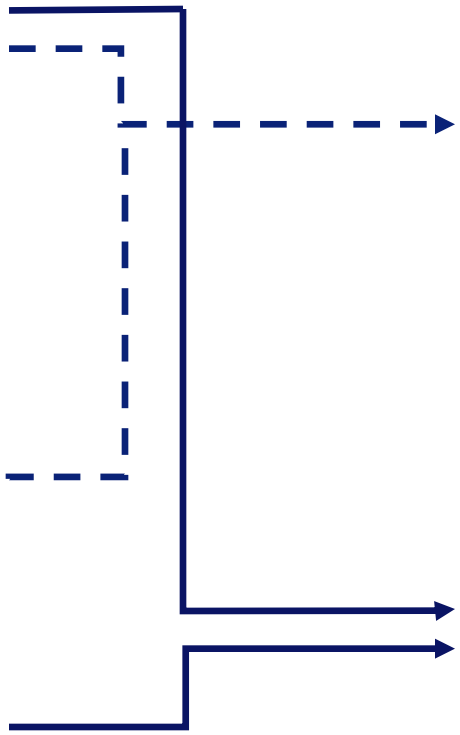
Revenues

- FOB price for biomass at Drax US and Canadian ports
- Generation business incurs cost of ocean freight, UK port and rail costs

(1) Removal of 3rd party pass-through volumes, freight costs on CIF contracts and non-controlling interest adjustments.
(2) Cost per tonne stated at a constant CAD:USD rate of 1.30.

Generation – Adjusted EBITDA – Continuing and Discontinued Operations

In £m	2021	2020
Revenue		
Power sales	3,274	2,164
System support and optimisation	197	146
ROC sales	881	1,024
CfD income	231	342
Capacity Market income	39	73
Gas sales to Customers business	73	60
Fuel sales	26	32
Other income	13	10
	4,734	**3,851**
Cost of sales		
Generation fuel costs	(1,338)	(1,216)
Cost of system support and optimisation	(37)	(28)
Fuel sold	(11)	(18)
ROC support	645	495
Carbon tax	(12)	(44)
Carbon certificates	(21)	(63)
ROCs sold or utilised	(858)	(1,026)
Cost of power purchases	(2,419)	(1,194)
Grid charges	(113)	(70)
	(4,164)	**(3,164)**
Gross profit	**570**	**687**
Operating costs	(198)	(241)
Total Adjusted EBITDA[1]	**372**	**446**



System support and optimisation

£m	2021	2020
System support and optimisation		
System support and optimisation revenues	197	146
System support and optimisation cost of sale	(37)	(28)
Margin from system support and optimisation	**160**	**118**

Average achieved power price

	2021	2020
Gross power sales (£m)	3,274	2,164
Cost of power purchases (£m)	(2,419)	(1,194)
Net power sales (£m)	**855**	**970**
Net power sales (TWh)	16.3	19.2
Average achieved price (£/MWh)	**52.5**	**50.5**

1) Includes £20m of discontinued operations – gas (2020: £46m).

Customers – Adjusted EBITDA

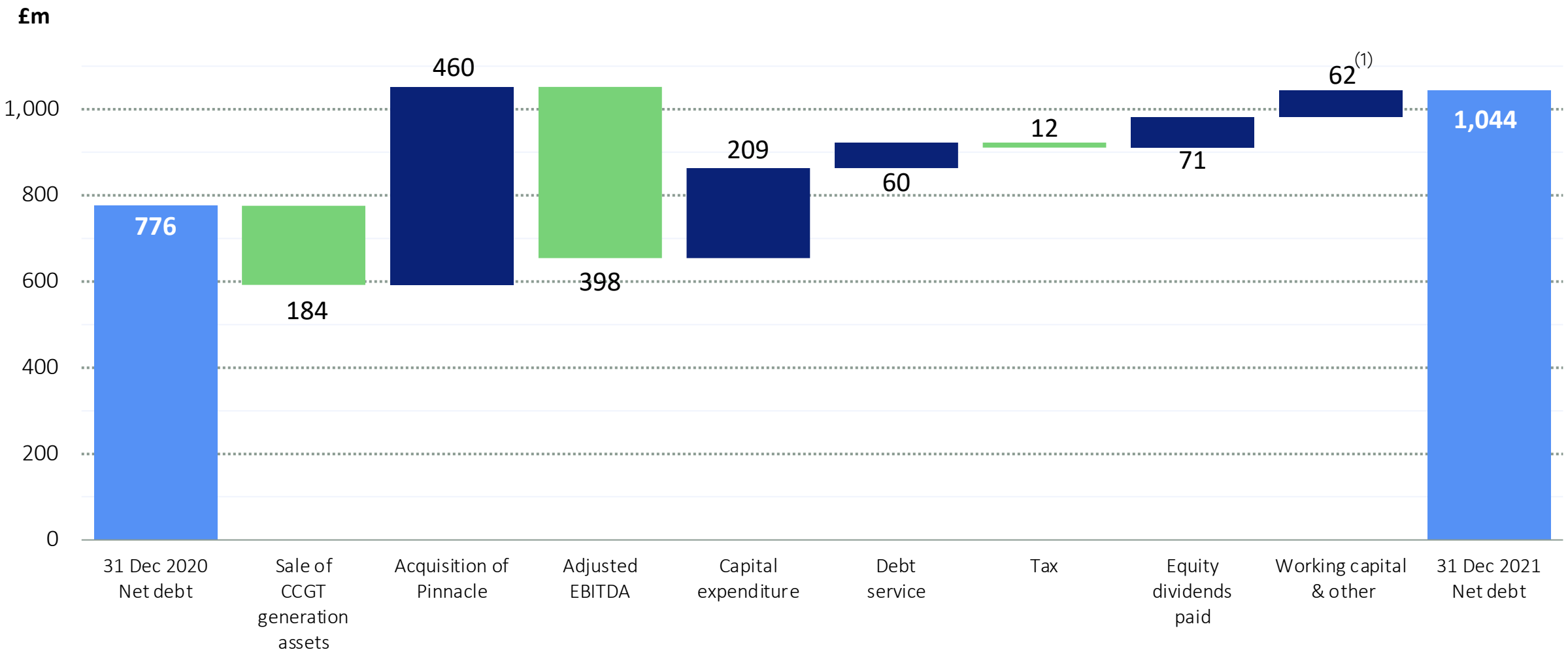
In £m	2021	2020
Revenue	**2,360**	**2,119**
Cost of sales		
Cost of power and gas purchases	(1,098)	(858)
Grid charges	(510)	(464)
Other costs	(648)	(713)
	(2,256)	**(2,035)**
Gross profit	**104**	**84**
Operating costs	(82)	(80)
Bad debt charge	(16)	(43)
Adjusted EBITDA	**6**	**(39)**

Group Cash Flow Statement – Continuing and Discontinued Operations

In £m	2021	2020
Adjusted EBITDA[1]	398	412
Working capital and other	(44)	1
Cash generated from operations	**354**	**413**
Debt service	(60)	(59)
Tax	12	(48)
Net cash from operating activities	**306**	**306**
Capital investment	(209)	(174)
Disposal of subsidiary	184	-
Acquisition of subsidiaries	(204)	-
Net refinancing	34	(176)
Equity dividends paid	(71)	(65)
Other	(13)	(5)
Increase in cash and cash equivalents	**27**	**(114)**
Cash and cash equivalents at the beginning of the period	290	404
Net cash flow	27	(114)
Cash and cash equivalents at the end of the period	**317**	**290**

1) Includes £20m of discontinued operations – gas (2020: £46m).

Group Net Debt Bridge



1) Includes Pacific Bioenergy and acquisition of Joint Venture Interest from Westervelt.

Sustainable Biomass Sourcing and Carbon Life Cycle

Science-led biomass sourcing policy ensures long-term sustainability and contribution to natural environment

Key principles

- No deforestation
- Positive impacts in the areas where we source

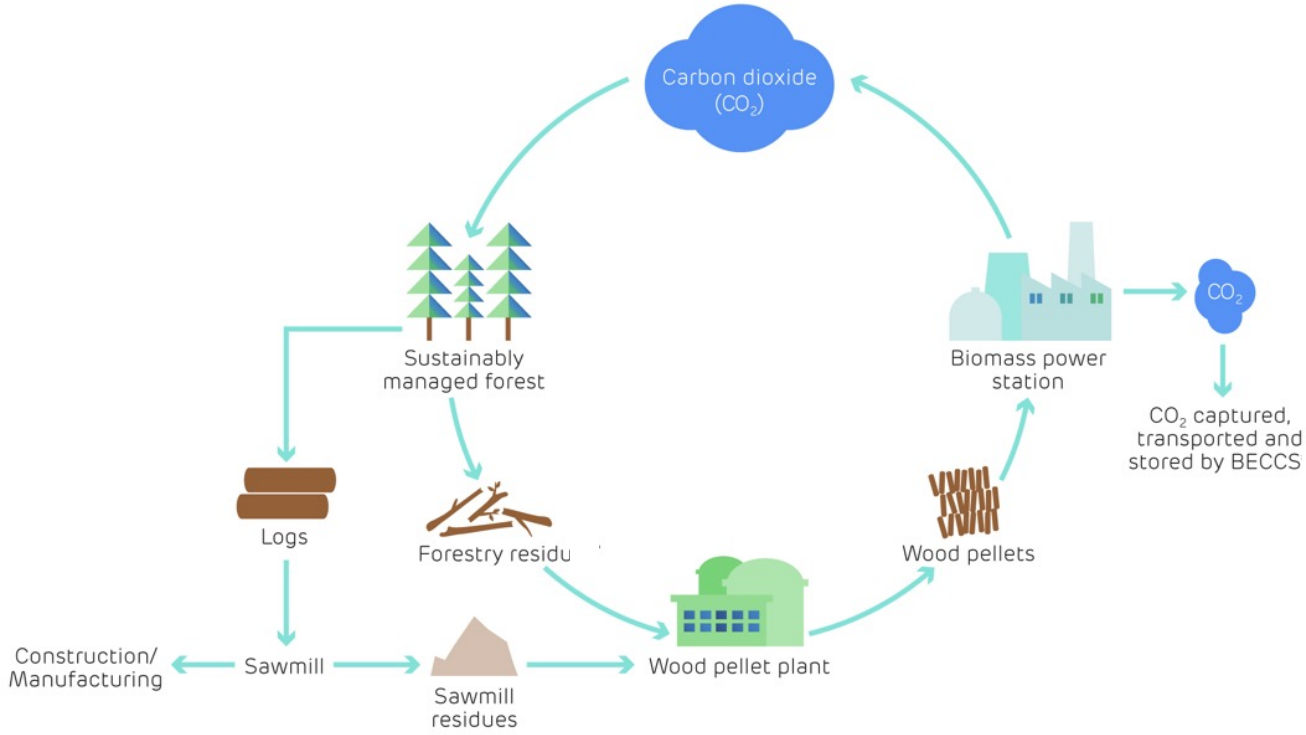
Objectives

- Reduce CO_2 emissions
- Protect the natural environment
- Support people and societies
- Research, outreach and intervention

Policy

- Reflects Committee on Climate Change bioenergy review and Forest Research[1] recommendations
- Independent Advisory Board
- Independent assurance of sources

Biomass generation carbon life cycle



Strong regulatory mechanisms ensure biomass sustainability

- European Union REDII and Taxonomy, continued with REDIII – emphasis on BECCS
- UK ROC and CfD renewable schemes

1) Forest Research is Great Britain's principal organisation for forestry and tree related research and is internationally renowned for the provision of evidence and scientific services in support of sustainable forestry.

Global Policies to Address Climate Change

Sustainable biomass and negative emissions have a key role to play

"biomass will have to be a part of our energy portfolio if we are to remove our dependency on fossil fuels"

Frans Timmermans – EC Commissioner for Green Deal (November 2021)

Japan	- Accelerated coal closure – 7GW of closure between 2020 and 2030 - Biomass use will double from 4GW to 8GW - 46% reduction in greenhouse gases by 2030, targeting net zero by 2050
Rest of Asia	- **Indonesia:** co-firing in all coal-fired power stations – c.9Mt of coal will be replaced with biomass - **South Korea:** increased renewables from 10% to 25%, closure of 30 coal plants by 2034 and net zero target by 2050 with key strategic pillar being deployment of CCS
Europe	- **EU:** bioenergy use to grow c.70% by 2050 to meet EU net zero targets; biomass power focused on coal dependent regions; BECCS encouraged through €40bn innovation fund and new negative emissions regulation - **Germany:** coal exit agreement brought forward to 2030; targeting 80% renewables; new biomass strategy and recognition of the need for negative emissions - **Poland:** coal phase out agreed by 2049; biomass seen as key pillar of maintaining energy security in the energy transition
US and Canada	- **US:** targeting carbon-free grid by 2035; net zero target by 2050; long-term strategy recognises the need for biomass and BECCS - **Canada:** coal phase-out by 2030; net zero electricity system by 2035 and federal carbon price plan to increase $15/t per year from 2023 to reach $170/t by 2030

UK Energy Policy

To date the UK has been a leader in renewables and the decarbonisation of power
Clear Government commitments to negative emissions, biomass and BECCS

Dec-20

UK Government Energy White Paper

- "Biomass is unique amongst renewable technologies in the wide array of applications in which it can be used as a substitute for fossil-fuel based products and activities, from power generation to hydrogen production and even new forms of plastics. Along with its ability to deliver negative emissions, this makes biomass one of our most valuable tools for reaching net zero emissions."

Oct-21

Net Zero Strategy – Greenhouse Gas Removal (GGR) ambition

- 5Mt pa by 2030, 23Mt pa by 2035 and up to 81Mt pa by 2050
- Retrofit BECCS power could be deployed by the late 2020s
- Consultation on business models for GGRs due in Spring 2022
- Independent regulator for GGR monitoring by 2024
- Value of permanent removal vs. nature-based removal recognised
- Climate Change Act amended to enable GGRs to contribute to UK carbon budgets

Nov-21

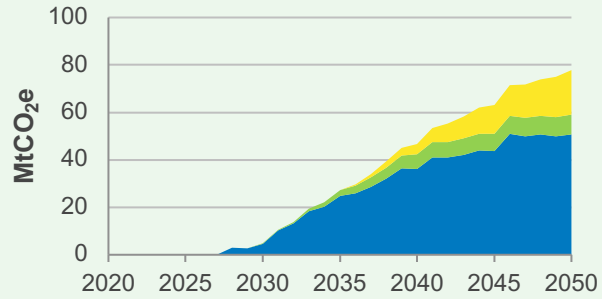
Biomass Policy Statement

- Biomass is considered a renewable, low-carbon energy source
- Policy aims for sustainable biomass use across the economy
- Commitment to develop a separate BECCS business model

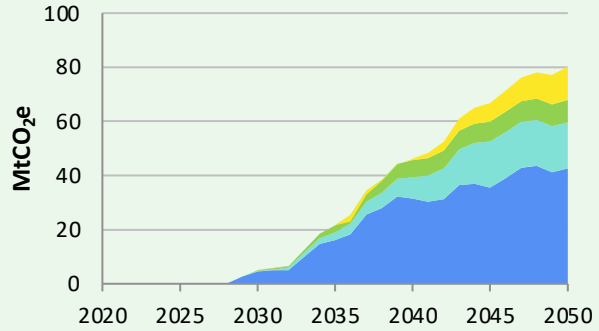
NG Future Energy Scenarios – Negative Emissions

- Scenarios consistent with net zero assume large-scale negative emissions

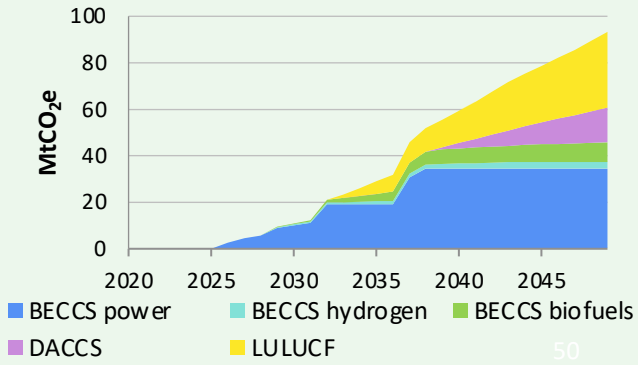
Consumer Transformation



System Transformation



Leading the Way



Sources of Biomass Supply

Drax Group sources of fibre by location – 2021[1]

	Sawmill residues	Branches, tops and bark	Thinnings	Low grade round wood	Agri. residues	Total
USA	21%	4%	14%	21%	1%	**67%**
Canada	17%	2%	<1%	2%	-	**15%**
Latvia	1%	-	<1%	7%	-	**7%**
Estonia	1%	-	<1%	1%	-	**3%**
Portugal	<1%	1%	<1%	1%	<1%	**1%**
Brazil	-	-	-	2%	<1%	**4%**
Other European	1%	-	-	<1%	2%	**3%**
Total	**42%**	**7%**	**15%**	**34%**	**2%**	**100%**

Drax Group sources of fibre by location – 2020

	Sawmill residues	Branches, tops and bark	Thinnings	Low grade round wood	Agri. residues	Total
USA	23%	1%	15%	24%	-	**63%**
Canada	14%	2%	-	1%	-	**17%**
Latvia	3%	-	-	6%	-	**9%**
Estonia	-	-	-	1%	-	**1%**
Portugal	-	-	1%	2%	-	**2%**
Brazil	-	-	-	2%	-	**2%**
Other European	3%	-	-	-	3%	**6%**
Total	**43%**	**3%**	**16%**	**35%**	**3%**	**100%**

Drax Pellet Production sources of fibre – 2021[1]

	Sawmill residues	Branches, tops and bark	Thinnings	Low grade round wood	Agri. residues	Total
USA	27%	-	22%	14%	-	**63%**
Canada[2]	30%	5%	-	2%	-	**37%**
Total	**57%**	**5%**	**22%**	**16%**	**-**	**100%**

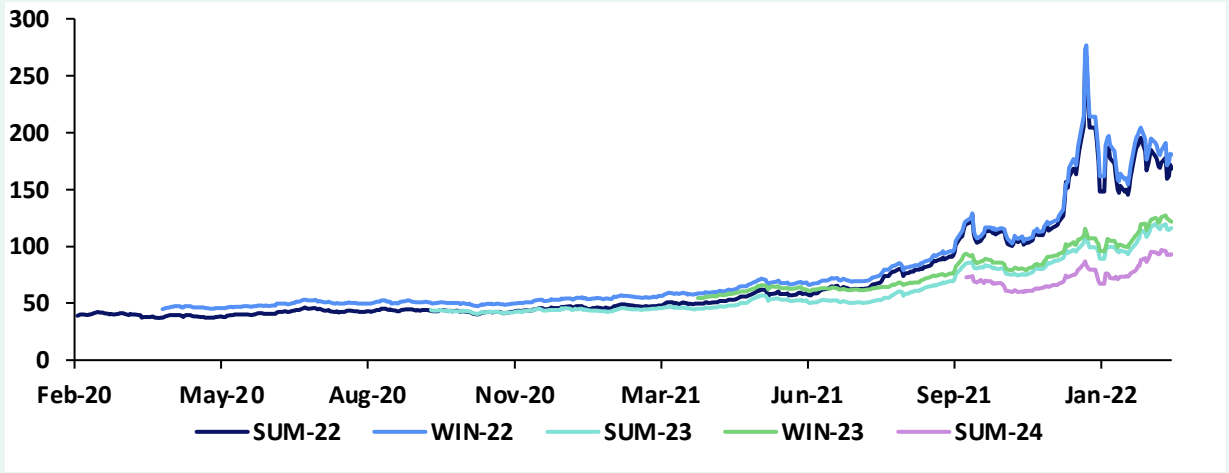
Drax Pellet Production sources of fibre – 2020

	Sawmill residues	Branches, tops and bark	Thinnings	Low grade round wood	Agri. residues	Total
USA	21%	-	44%	35%	-	**100%**
Canada	-	-	-	-	-	**-**
Total	**21%**	**-**	**44%**	**35%**	**-**	**100%**

1) December data calculated based on weighted average sources of fibre for January to November 2021 actual data.
2) Inclusive of Pinnacle from 13 April 2021.

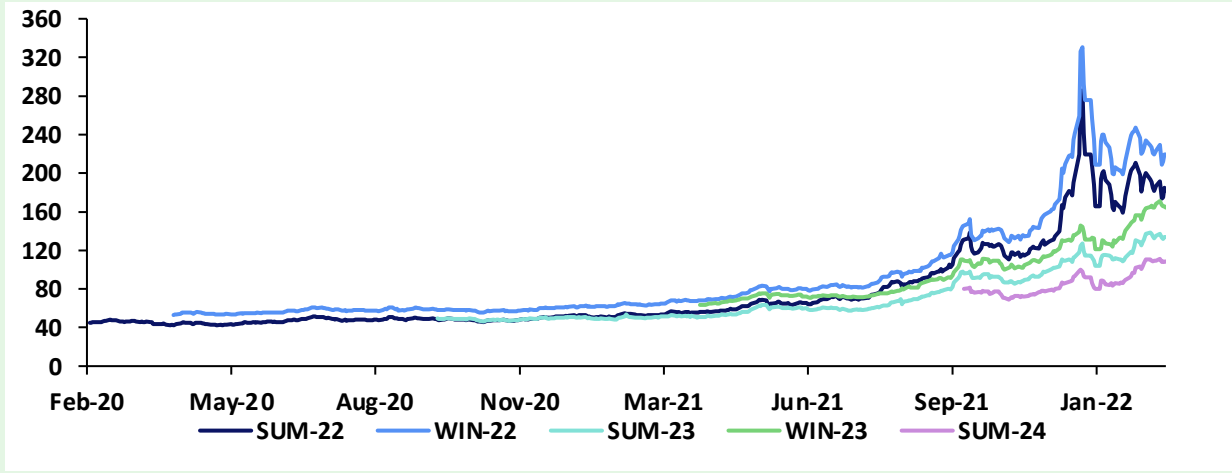
Merchant Forward Commodity Prices

Baseload Power Price (£/MWh)



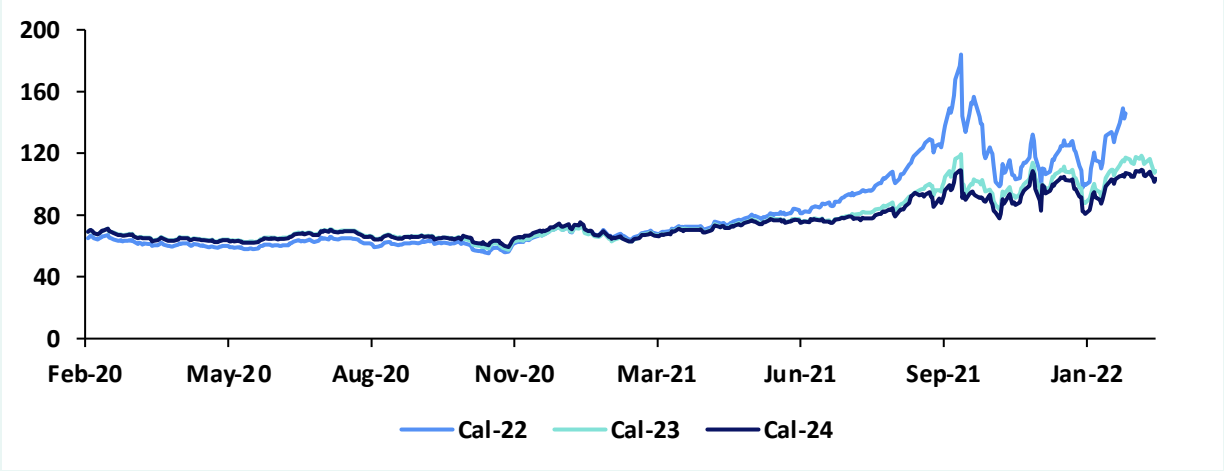
Source: ICE

Peak Power Price (£/MWh)



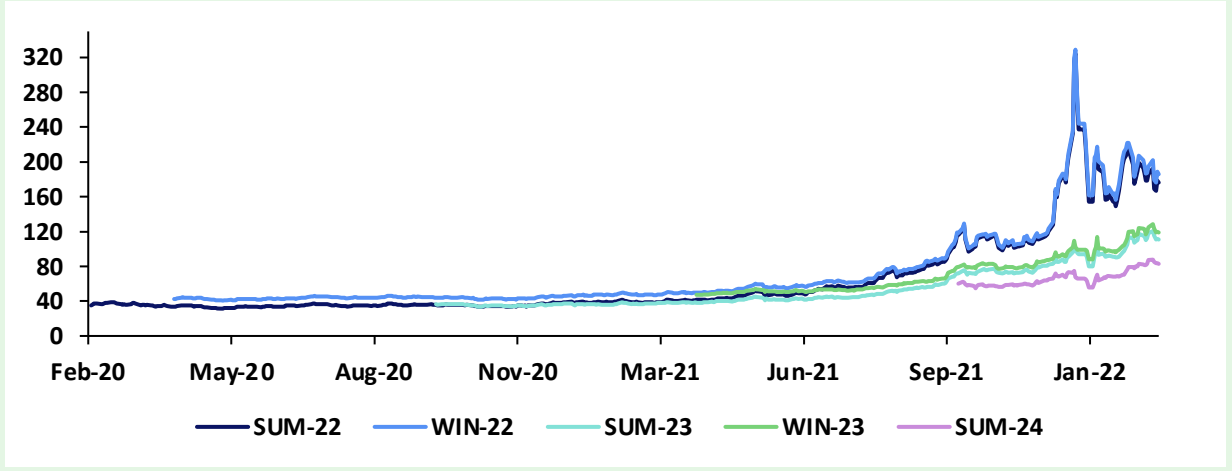
Source: ICE

API2 Coal Price ($/t)



Source: ICE

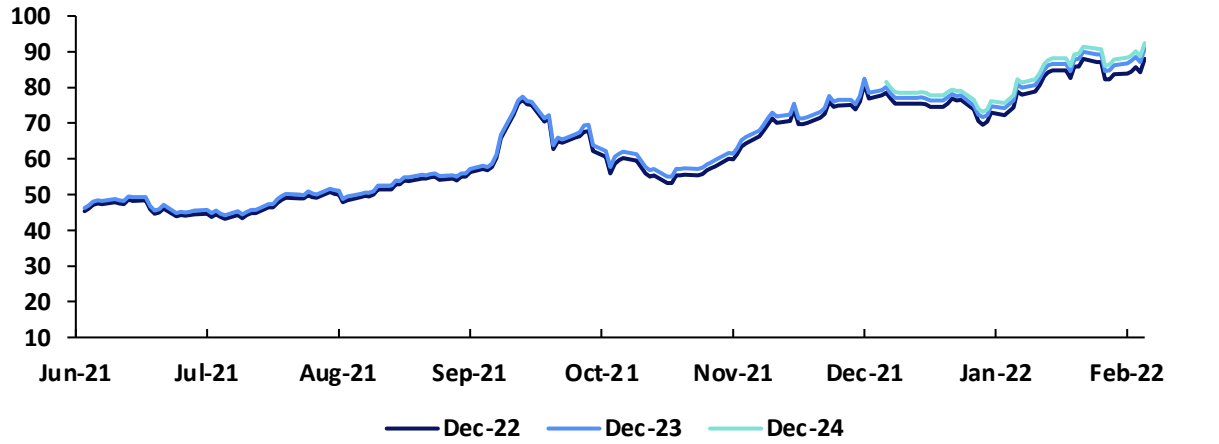
NBP Gas Price (p/therm)



Source: ICE

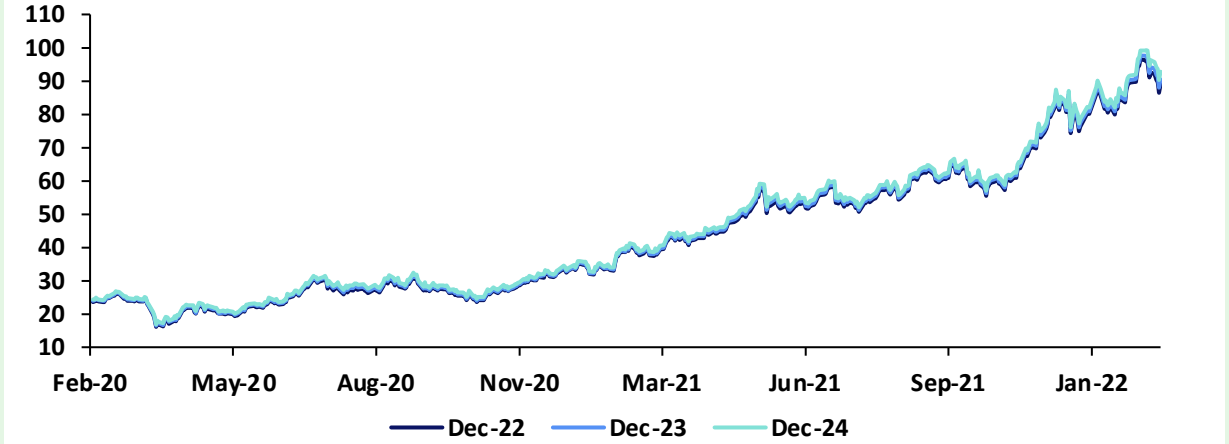
Merchant Carbon Prices

UKA Carbon (£/t)



Source: ICE

EU ETS Carbon (€/t)



Source: ICE/Spectron

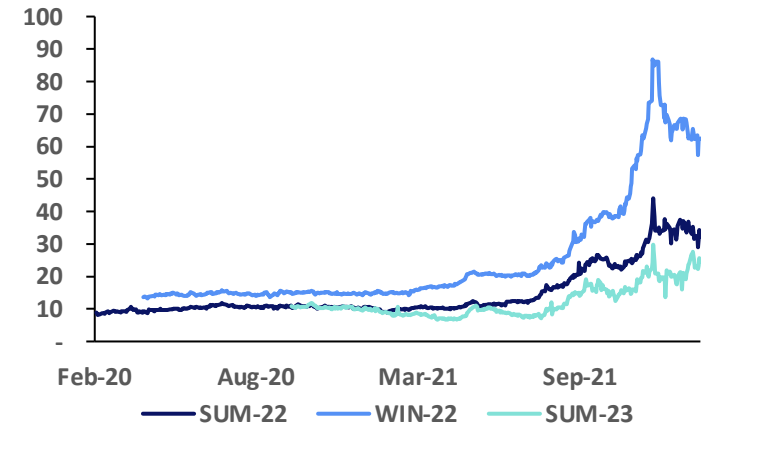
21 February 2022

Source: ICE

Source: ICE

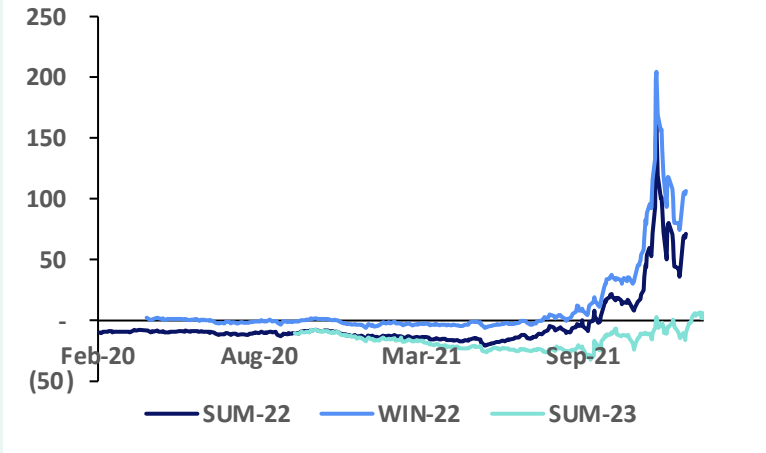
Merchant Forward Spreads

Peak CSS (£/MWh)



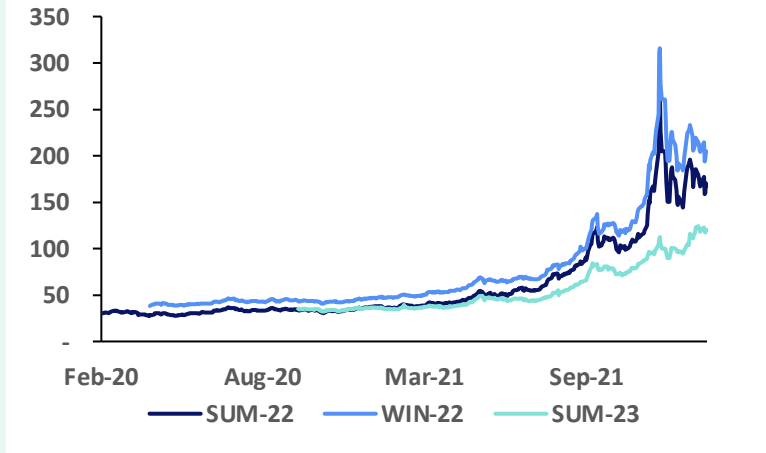
Source: ICE, Reuters and Drax

Peak DGS (£/MWh)



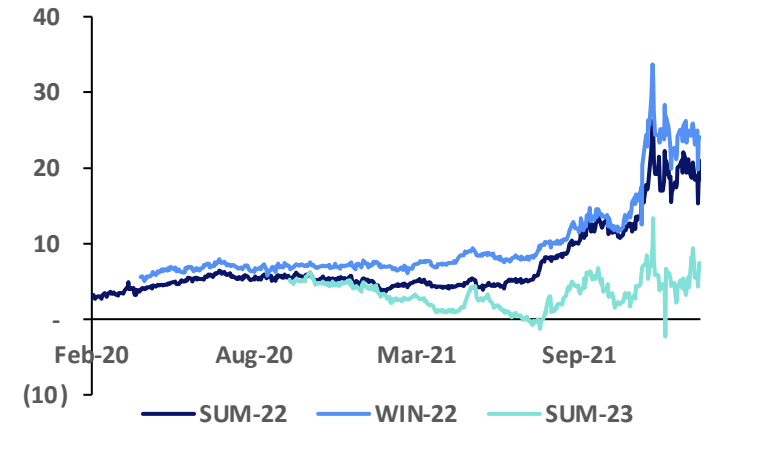
Source: ICE, Reuters and Drax

Peak ROC Bark Spread (£/MWh)



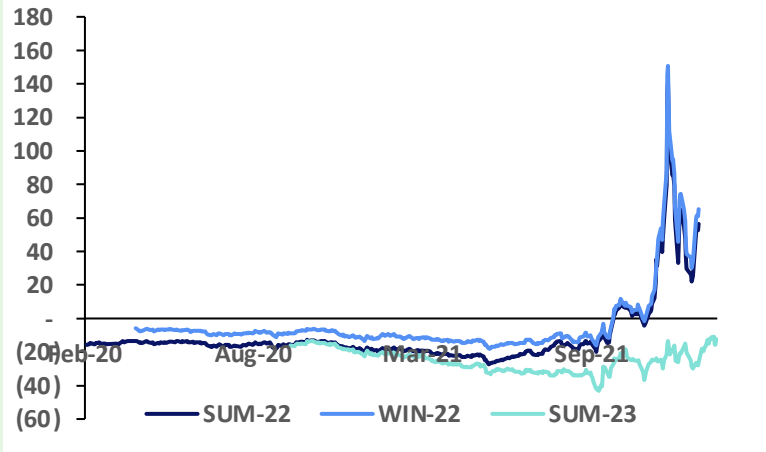
Source: ICE, Reuters and Drax

Baseload CSS (£/MWh)



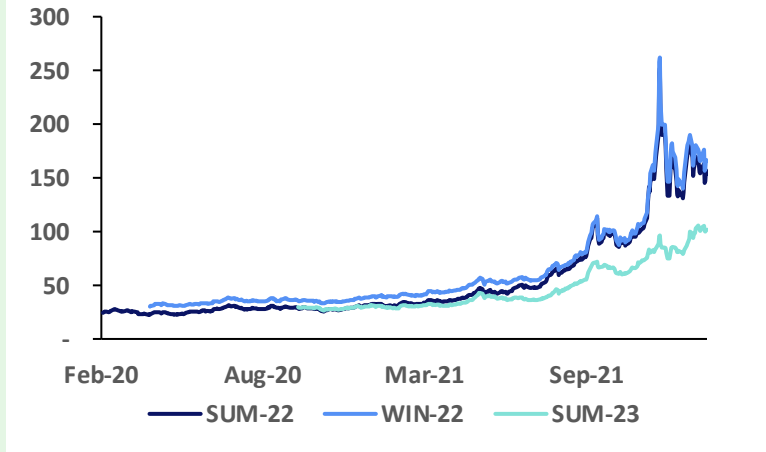
Source: ICE, Reuters and Drax

Baseload DGS (£/MWh)



Source: ICE, Reuters and Drax

Baseload ROC Bark Spread (£/MWh)



Source: ICE, Reuters and Drax

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2021
Full Year Results

24 February 2022