RNS Number : 3301H
Drax Group PLC
27 July 2023

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DRAX GROUP PLC (Symbol: DRX)
HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Strong system support and generation performance, returns to shareholders, development of BECCS

Six months ended 30 June	2023	2022
Key financial performance measures		
Adjusted EBITDA (£ million)[1][2] (excl. Electricity Generator Levy) (EGL)[3]	453	225
Adjusted EBITDA (£ million)[1][2] (incl. EGL)[3]	417	225
Net debt (£ million)[4]	1,274	1,116
Adjusted basic EPS (pence)[1]	46.0	20.0
Dividend (pence per share)	9.2	8.4
Total financial performance measures		
Operating profit (£ million)	392	207
Profit before tax (£ million)	338	200

Will Gardiner, CEO of Drax Group, said: "In the first half of 2023, we delivered a strong system support and generation performance, providing dispatchable, renewable power for millions of UK homes and businesses. Drax Power Station remained the UK's single largest provider of renewable energy by output during the period.

"We continue to focus on our role as the UK's leading generator of flexible renewable power and our ambition to be a world leader in carbon removals. To that end, in the US, we have made good progress screening options for BECCS projects which can deliver long-term, large-scale carbon removal and attractive opportunities for growth.

"We are excited about the opportunity for BECCS in the UK and are in formal discussions with the UK Government to facilitate the transition to BECCS at Drax Power Station by 2030. Our plans could create thousands of new jobs in the Humber region, help the UK meet its carbon removals targets and support long-term energy security."

Financial highlights - strong financial performance and returns to shareholders

- Adjusted EBITDA (excl. EGL) of £453 million up 101% (H1 2022: £225 million)
  - Driven by system support services and dispatchable, renewable generation
- Strong liquidity and balance sheet - £586 million of cash and committed facilities at 30 June 2023
  - Expect Net debt to Adjusted EBITDA (incl. EGL) to be significantly below 2 times target at the end of 2023
- Sustainable and growing dividend - expected full year dividend up 10% to 23.1 p/share (2022: 21.0 p/share)
  - Interim dividend of 9.2 p/share (H1 2022: 8.4 p/share) - 40% of full year expectation
- £150 million share buy-back programme ongoing[5]

2023 outlook

- Full year expectations for Adjusted EBITDA and EGL unchanged and in line with analysts' consensus estimates[6], inclusive of increased development expenditure on US BECCS
- For the remainder of 2023 Drax will present Adjusted EBITDA including and excluding EGL

Progressing options for £7 billion of strategic growth opportunities 2024-2030, primarily BECCS

- Ambition for the development of over 20Mt pa of carbon removals - 14Mt pa by 2030
  - New-build BECCS - two sites selected in US - targeting c.6Mt pa by 2030
  - Evaluating additional sites for greenfield and brownfield BECCS in US
  - Drax Power Station - targeting 8Mt pa by 2030
- Targeting 8Mt pa of pellet production capacity and 4Mt pa of third-party sales by 2030
- Targeting 600MW expansion of Cruachan Pumped Storage Power Station by 2030
  - Planning approval granted (July 2023)

UK BECCS

- UK BECCS investment paused, subject to further clarity on support for BECCS at Drax Power Station
- Formal discussions with UK Government - bridging mechanism between end of current renewable schemes in 2027 and BECCS

Operational review

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

- Adjusted EBITDA £48 million (H1 2022: £45 million)
- Integrated supply chain model supports resilience and opportunities in a challenging market

- Producer, user and seller of biomass pellets across multiple international markets

- Production of 1.9Mt (H1 2022: 2.0Mt)
  - Unplanned outages, wind damage at Port of Baton Rouge and temporary suspension of production at one site due to wildfires, partially offset by production at the Demopolis plant
  - Ongoing disruption in H2 from wildfires and industrial action by Canadian transport workers in July
- Increase in production cost (maintenance, labour, transport, energy and fibre costs) offset by revenue growth
- Progressing development of new Longview pellet plant and Aliceville expansion
  - Investment of c.$300 million, operational 2025, 0.6Mt of new capacity
- Third-party sales - heads of terms agreed for sale of 0.5Mt of biomass over five years to a Japanese customer

Generation - *renewable generation and system support services*

- UK's largest source of renewable power by output, primarily biomass generation at Drax Power Station
  - 9% of annualised UK renewables(7)
- Adjusted EBITDA (excl. EGL) £457 million up 123% (H1 2022: £205 million)
  - Adjusted EBITDA (incl. EGL) £421 million up 106% (H1 2022: £205 million, £nil EGL)
- Biomass generation - strong system support and renewable generation performance
  - Period-on-period reduction in generation
    - Maintenance - first major planned outage completed, second major planned outage in H2 2023 and forced outage on one unit due to a transformer issue - unit back in service
  - Higher achieved power price and value from system support
  - Higher biomass costs
- Pumped storage and hydro - strong system support and generation performance
  - £154 million Adjusted EBITDA (excl. EGL) (H1 2022: £53 million)
    - Includes forward sale of peak power (winter 2022)
  - Increased level of wind capacity, intermittency and volatility underpin long-term need for dispatchable generation
- Coal - no generation in 2023 - currently decommissioning following formal closure (March 2023)
- As at 21 July 2023, Drax had 28.1TWh of power hedged between 2023 and 2025 on its ROC, pumped storage and hydro generation assets at an average price of £150.0/MWh(8)
  - Excludes sales under the CfD mechanism, which remains available subject to good ROC unit operational performance and market conditions

Contracted power sales as at 21 July 2023	**2023**	**2024**	**2025**
Net ROC, hydro and gas (TWh)(8/9/10)	*11.7*	*11.2*	*5.2*
- Average achieved £ per MWh	*162.7*	*147.5*	*126.2*

Lower expected level of ROC generation in 2023 due to major planned outages on two units

Customers - *renewable power sales to high-quality Industrial & Commercial (I&C) customers*

- Adjusted EBITDA of £37 million (H1 2022: £24 million) reflects continued improvement in I&C portfolio
  - 8.0TWh of power sales to I&C customers - c.16% increase compared to H1 2022 (6.9TWh)

Other financial information

Adjusted EBITDA and EGL

- Accrued costs for EGL for the first time in H1 2023 and reported EGL within Adjusted EBITDA
  - H1 charge of £35 million
  - H2 charge expected to increase significantly reflecting higher achieved power price in H2
- For the remainder of 2023 Drax will present Adjusted EBITDA including and excluding EGL

Profits

- Total operating profit of £392 million (H1 2022: £207 million), including £85 million mark-to-market gain on derivative contracts
- Total profit after tax of £247 million (H1 2022: £148 million profit after tax, including an £8 million non-cash charge from revaluing deferred tax balances) includes an increase in the headline rate of corporation tax in the UK from 19% to 25% from 1 April 2023
- Depreciation and amortisation of £109 million (H1 2022: £121 million)

Capital investment

- Capital investment of £210 million (H1 2022: £60 million) - primarily maintenance and development of OCGTs
- 2023 expected capital investment of £520-580 million
  - Includes £120-140 million maintenance, including two major planned outages on biomass units; £30 million enhancements; £340-380 million strategic, including OCGT and pellet plant developments
  - OCGTs - c.900MW - three new-build sites in England and Wales, commissioning in 2024 - continuing to evaluate options for these projects, including their potential sale
  - Reduction in expected annual investment due to pause in investment in UK BECCS

Cash and interest

- Group cost of debt c.4.6%
- Cash generated from operations £404 million (H1 2022: £185 million)
- Net debt of £1,274 million (31 December 2022: £1,206 million), including cash and cash [illegible]

equivalents of £125 million (31 December 2022: £238 million)

Capital allocation policy - unchanged

- Continue to assess capital requirements in line with the current policy
  - Considerations include the timing of capital deployment, leverage profile, any dilution from share issuance and divestment of non-core assets

Notes:

(1) Financial performance measures prefixed with "Adjusted" are stated after adjusting for one-off exceptional items that, by their nature, do not reflect the trading performance of the Group (revaluation of deferred tax balances reflecting future increases in UK corporation tax rates, acquisition costs, restructuring costs and certain asset obsolescence charges and impairments), and certain remeasurements on derivative contracts. Adjusted EBITDA and EPS measures exclude earnings from associates and amounts attributable to non-controlling interests.

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

(3) In December 2022, the UK Government confirmed the details of a windfall tax - the Electricity Generator Levy (or EGL) - on renewable and low-carbon generators, due for implementation in 2023 and running to 31 March 2028. The levy applies to the three biomass units operating under the Renewables Obligation (RO) scheme and our run-of-river hydro operations. It does not apply to the Contract for Difference (CfD) biomass or pumped storage hydro units. Following review, we have concluded that EGL will be accounted for as a levy within Gross Profit and therefore Adjusted EBITDA. For the remainder of 2023 we will present Adjusted EBITDA including and excluding EGL for ease of comparison.

(4) Borrowings including the impact of hedging instruments less cash and cash equivalents, excluding amounts attributable to non-controlling interests.

(5) In May 2023 the Group commenced a £150 million share buy-back. The programme is ongoing and has to date purchased 21 million shares (£122 million).

(6) As of 21 July 2023, analyst consensus for 2023 Adjusted EBITDA was £1,172 million, with a range of £1,100 - 1,203 million. The details of this company collected consensus are displayed on the Group's website. https://www.drax.com/investors/announcements-events-reports/presentations/

(7) Q2 2022 to Q1 2023.

(8) Includes structured power sales (forward gas sales as a proxy for forward power), transacted for the purpose of accessing additional liquidity for forward sales from ROC units and highly correlated to forward power prices. 2024: 0.4TWh, 2025: 1.5TWh, presented net of cost of closing out gas positions at maturity and replacing with forward power sales.

(9) Incrementally lower in 2023 due to major planned outages on two ROC units.

(10) 2023 includes forward selling of pumped storage generation resulting in higher captured prices but lower system support availability.

Forward Looking Statements

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

CEO's review

In the first half of 2023 we have delivered a strong financial performance as we continue to play a critical role supporting energy security through the provision of dispatchable, renewable generation, from the Group's portfolio of biomass, pumped storage, and hydro assets. Our purpose is to enable a zero carbon, lower cost energy future and we are the UK's largest source of renewable power by output, a leading source of reliable and flexible generation, and our ambition is to become a carbon negative company by 2030.

The world must act now to address the climate crisis and limit global warming to 1.5°C above pre-industrial levels. We need more renewable energy, more flexible energy systems to make the best use of intermittent wind and solar energy, and crucially, carbon removal technologies, like BECCS, to remove carbon from the atmosphere.

In May 2023, we updated on these plans to realise our ambition with opportunities for the development of over 20Mt pa of carbon removals, 14Mt pa by 2030, as part of a £7 billion investment plan for US and UK BECCS, pumped storage hydro and an expansion of our biomass supply chain.

Through our strategy we are creating exciting opportunities for growth and attractive returns aligned to global decarbonisation efforts. Investments remain subject to the right frameworks from governments and regulators and will be underpinned by high-quality earnings and cash flows from our core business, which is delivering for shareholders today, paying a sustainable and growing dividend and additional returns via a share buy-back, in line with our capital allocation policy.

Summary of H1 2023

Safety remains a primary focus and, in the first half of 2023, the Total Recordable Incident Rate was 0.47 (H1 2022: 0.41). As we explained in our 2022 full year results, the increase reflects two

developments. Firstly, a widening of the scope of reporting to include contractor incidents. Secondly, improvements in the recording of incidents in our Pellet Production business, including the Pinnacle sites we acquired in 2021.

We have implemented a health, safety and environmental (HSE) improvement plan across our North American operations and invested in training, human resource, and capital projects to deliver improved performance, as well as increased levels of leadership site engagement. We are committed to a strong safety culture across the Group and remain focused on improving performance.

Adjusted EBITDA of £453 million (excluding EGL), represents a 101% increase on H1 2022 (£225 million). This reflects a strong system support and renewable power generation performance across the portfolio, and improved profitability in our Customers business.

We now expect to include the EGL within Adjusted EBITDA and for the remainder of 2023 will present Adjusted EBITDA including and excluding the EGL. Our full year expectations for Adjusted EBITDA remain unchanged and in line with analysts' consensus estimates.

Our balance sheet is strong, with total cash and committed facilities of £586 million and Net debt of £1,274 million.

We expect to propose a dividend for the 2023 financial year of £90 million, a 7% increase on 2022, consistent with our policy to pay a dividend which is sustainable and expected to grow. As has been our practice since we implemented the policy in 2017, 40% of the expected full year dividend will be paid for the first six months of 2023, £36 million or 9.2 pence per share.

In addition, in May 2023, in line with our capital allocation policy, the Group commenced a £150 million share buy-back programme, which is currently ongoing.

Operational performance

Pellet Production

In North America, our Pellet Production business reported Adjusted EBITDA of £48 million (H1 2022: £45 million). This small period-on-period increase reflects an incrementally higher cost base offset by higher revenues.

Pellet production was 1.9Mt (H1 2022: 2.0Mt), reflecting forced outages and the temporary suspension of production at Entwistle due to the plant's proximity to wildfires in Canada. These factors were partially offset by production at the Demopolis plant.

In June 2023, the loading systems at the Port of Baton Rouge were damaged by high winds, requiring the use of back-up systems and logistics, increasing costs and restricting the speed of operations. Repairs are currently underway.

In July 2023, operations at Burns Lake, Smithers and Houston, BC, Canada, were temporarily suspended due to their proximity to wildfires, and industrial action by longshoremen continues to disrupt the Ports of Vancouver and Prince Rupert, BC, impacting on our Canadian operations.

We continued to see incrementally higher costs associated with in-country transportation and energy costs, in addition to an increase in maintenance and labour costs, and fibre prices. The impact of these costs has been balanced by an increase in revenues. We remain focused on opportunities to reduce the cost of biomass but will balance this against the need to optimise our supply chain to deliver value for the Group.

In December 2022, the Group took a Final Investment Decision (FID) to develop two new pellet production projects. The first is a 450kt new-build pellet plant at Longview (Washington State) that includes the development of a new port facility at the location. The second is a 130kt expansion of our Aliceville site (Alabama). The combined investment in these projects will be in the region of $300 million.

The development of the new plant at Longview will provide the Group with access to a new fibre basket and we will also develop port infrastructure at the Port of Longview, adding a fifth port to the Group's North American supply chain, with the opportunity to consolidate additional capacity in the future.

The US Pacific North-West will be the Group's fourth major area of fibre supply alongside the US Southeast; British Columbia; and Alberta. The new facility is expected to support further diversification of the Group's fibre sourcing production and export capacity, supporting sales into Asian and European markets, as well as own-use.

Taken together, existing operations and developments will give Drax a network of 18 pellet plants (c. 5.4Mt of capacity), with access to five deep-water ports on the East Coast and West Coast of North America.

Development is underway at both sites, which are expected to be operational by 2025.

We have continued to target opportunities to sell biomass to third parties. In July 2023, we agreed Heads of Terms with a major Japanese customer for the supply of about 450kt of biomass pellets over a five-year period, commencing in late 2023.

Generation

Adjusted EBITDA of £457 million (excl. EGL) was an increase of 123% on H1 2022 (£205 million). This reflects a strong system support and renewable power generation performance across the portfolio - providing high levels of dispatchable renewable and low-carbon power, and system support services - offsetting incrementally higher biomass costs.

Our portfolio generated over 4% of the UK's electricity between April 2022 and April 2023 (the most recent period for which data is available). We also generated 9% of the UK's renewable electricity over the same period, making Drax the largest renewable generator by output. In addition, in the first six months of 2023 our assets produced on average 14% of the UK's renewables at times of peak demand and up to 52% on certain days. This underlines the important role that Drax plays in security of supply in the UK.

Biomass

The current operating environment increases the importance of appropriate investment to ensure good operational performance and availability. In July we completed a major planned outage programme on one biomass unit with a second to commence shortly. The programme represents a significant undertaking with each outage taking around three months to complete.

In May we also experienced a forced outage due to a transformer on one unit. Through the skill of our commercial, maintenance and engineering teams we were able to minimise the impact and return the unit to service.

Taking into account optimisation activities and outages, our biomass units produced around 50% more power in the winter months (January to March) compared to the summer months (April to June). Prioritising biomass supplies to generate more in the winter, when demand is higher allows us to support the UK power system and capture higher power prices.

The process of moving generation and biomass supply between lower and higher demand periods is not without cost as we incur additional costs associated with buying back and shaping generation as well as biomass logistics.

Most of the biomass we use is under long-term contracts. However, as we flagged during 2022, upstream inflationary pressures in certain aspects of our supply chain have led to some cost increases and we are continuing to see this in 2023. In addition, we have seen an increase in labour costs at Drax Power Station adding to the fixed cost base of the plant.

Pumped storage and hydro

Our pumped storage and hydro operations - Cruachan Pumped Storage Power Station (Cruachan) and the Lanark and Galloway hydro assets - performed strongly in the first half of 2023. Together with the Daldowie energy from waste plant, Adjusted EBITDA was £154 million (H1 2022: £53 million) excluding any EGL associated with hydro generation.

The primary driver of this strong performance was a high level of activity at Cruachan, which delivered system support services via the balancing mechanism, ancillary services and peak-off peak power generation. As forward power prices have reduced, we expect a lower level of Adjusted EBITDA in the second half of 2023.The location, flexibility and range of services Cruachan can provide makes it strategically important to the UK power system. This underpins our plans for a potential investment in a 600MW expansion of the site, increasing total capacity to c.1GW. We continue to target operations from 2030. Planning permission for the project was granted in July 2023.

To move towards net zero, theUK needs to reduce its reliance on fossil fuel generation, like gas. It also needs to increase the amount of renewables, likely from intermittent wind and solar. In this context, the role of dispatchable assets like biomass and pumped storage hydro has never been more important and we believe they represent a long-term part of the UK power mix.

Coal

At the end of March 2023 our remaining two coal units at Drax Power Station closed. Decommissioning is underway.

OCGTs

We are continuing to construct three new-build Open Cycle Gas Turbine (OCGT) projects at two sites in England and one in Wales, targeting commissioning in 2024. The three plants will provide combined capacity of c.900MW and be remunerated under 15-year Capacity Market agreements (2024 to 2039), in addition to peak power generation and system support services. Capital investment is in the region of £100 million per plant. We are continuing to assess options for these assets, including their potential sale.

Customers

Adjusted EBITDA of £37 million was an increase of 54% on H1 2022 (£24 million). In the first half of this year the business has benefitted from the resale of excess forward hedged power and lower balancing costs. Similar to the prior period we do not expect this to recur in the second half of the year.

The primary driver of this improvement is growth in our core I&C supply business, which has performed well with growth in contracted sales to high-quality customers and the development of our renewables product proposition.

We see an important role in supporting the decarbonisation of I&C businesses through the supply of renewable energy, asset optimisation, electric vehicle services, and carbon offset certificates, which we believe could evolve in the future to the provision of carbon removals.

The business has seen a reduction in bad debt, reflecting our continued commitment to strong credit controls and the processes which we have put in place.

Carbon Removals - Global BECCS

Our strategy is designed to realise our purpose of enabling a zero carbon, lower cost energy future and our ambition to be a carbon negative company by 2030. It includes three complementary strategic pillars, closely aligned with global energy policies, (1) to be a global leader in carbon removals, (2) to be a global leader in sustainable biomass pellets, and (3) to be a UK leader in dispatchable, renewable generation.

In May 2023, the Group hosted a Capital Markets Day which updated on our plans to be a global leader in carbon removals. Our ambition is to develop over 20Mt pa of carbon removals globally, with 14Mt pa by 2030, using our expertise with biomass to develop options for BECCS.

Research by the Intergovernmental Panel on Climate Change (IPCC), the world's leading authority on climate science, states that Carbon Dioxide Removal (CDR) methods, including BECCS, are needed to mitigate residual emissions and keep the world on a pathway to limit global warming to 1.5^{o}C.

All of the illustrative mitigation pathways assessed by the IPCC use significant volumes of carbon removals, including BECCS, as a key tool for mitigating climate change. The IPCC has assessed that globally up to 9.5 billion tonnes of CDRs from BECCS could be required per year by 2050.

Over the past two years, Drax has been progressing a number of work streams to develop its options for BECCS, with a primary focus on North America. This includes the development of plans for a new-build BECCS power unit capable of producing c.2TWh pa of renewable electricity from sustainable biomass and capturing c.3Mt pa. Two initial sites in the US South have been selected, although the precise details remain commercially sensitive. The two sites combined could enable the capture of c.6Mt pa of carbon by 2030.

Total investment is estimated to be in the region of $2 billion per plant with a target FID in 2026 and commercial operation by 2030. The capital cost reflects the construction of new-build power generation as well as carbon capture and storage (CCS) systems.

The design of new-build BECCS enables a wider choice of biomass materials, including non-pelletised material, such as woodchips. Drax aims to locate new plants in regions which are closer to sources of sustainable biomass and carbon transportation and storage systems. This is expected to significantly reduce the operating cost of a new-build BECCS plant compared to a retrofit, as well as reducing carbon emissions in the supply chain. However, we may need to source from further afield to ensure consistent access to the volumes of fibre required.

We are continuing to evaluate further sites in North America, with the aim of creating a pipeline of development opportunities into the 2030s.

We are also assessing options to add a carbon capture process to an existing pellet plant in Louisiana and developing BECCS projects using existing non-Drax assets, in addition to screening other regions for BECCS potential, including Europe and Australasia.

Across all of these opportunities we are allocating resources. We now have over 80 employees working on our Global BECCS opportunities and are opening a Global BECCS headquarters in Houston, Texas and, as a result, we expect to continue to invest development expenditure as we progress these opportunities through our project pipeline.

UK BECCS

In March 2023, the UK Government confirmed its commitment to support the deployment of large-scale Power-BECCS projects by 2030 and that the Drax Power Station BECCS project has passed the deliverability assessment for the Power-BECCS project submission process.

Formal bilateral discussions with the Government are ongoing to move the project forward and help the Government to deliver its commitment to 5Mt pa of engineered greenhouse gas removals by 2030. These discussions include a bridging mechanism between the end of the current renewable schemes in 2027 and the commissioning of BECCS at Drax Power Station.

We believe that BECCS at Drax Power Station is the only project in the UK that can enable the Government to achieve this goal, in addition to the large-scale renewable power and system support services it provides to the UK power system.

The UK Government has also confirmed that during 2023 it will set out a process for the expansion of its wider carbon capture and storage programme (*Track 1 expansion* and *Track 2 process*).

Policy support for biomass and BECCS

In June 2023, the UK's Climate Change Committee published a report on progress towards net zero, highlighting that much more needs to be done, as well as recognising the important contribution which will be required from carbon removal technologies, including BECCS.

In July 2023 we also published our response to the Forum for the Future's report on *BECCS Done Well*, which outlined our position on the 30 suggested conditions for the successful implementation and operation of BECCS.

Capital allocation

The Group's investment opportunities in BECCS - two new-build US BECCS plants, CCS on a pellet plant and UK BECCS - alongside a 600MW expansion of Cruachan and the addition of c.3Mt of pellet capacity (to 8Mt of pellet production capacity), represent an investment of c.£7 billion.

Reflecting strong expected cash generation from existing assets and new investments, Drax could fully fund these opportunities and return to a Net debt to Adjusted EBITDA below 2 times by the end of 2031, but we will also continue to assess a wider range of funding options, including project finance.

We remain committed to our capital allocation policy, established in 2017, which has delivered average annual dividend per share growth of around 11% and provides for the return of excess capital to shareholders.

Outlook - 2023 and beyond

We are continuing to play an important role in supporting energy security of supply in the UK, using our supply chain and dispatchable, renewable generation portfolio to provide large volumes of reliable renewable power and system support services. In this context the strategic importance of our portfolio and its contribution to the UK power system is clear and will, we expect, have a long-term role to play as the UK manages the need to decarbonise whilst maintaining energy security.

Our long-term focus remains on progressing our strategy and our ambition to become a carbon negative company by 2030, underpinned by the development of BECCS. The potential for the growth in carbon removals, the opportunity this could afford BECCS in the UK and our plans for North America are significant, and we expect to make further progress on these options during 2023.

Through these strategic objectives, we expect to create opportunities for long-term international growth underpinned by strong cash generation and attractive returns for shareholders, and to

growth underpinned by strong cash generation and attractive returns for shareholders, and to deliver value for our stakeholders.

Will Gardiner

Chief Executive Officer

CFO's financial review

		Six months ended	
		30 June 2023	30 June 2022
Financial performance (£m)	**Total gross profit**	**847**	**616**
	Operating and administrative expenses	(326)	(237)
	Impairment losses on financial assets	(19)	(26)
	Depreciation and amortisation	(109)	(121)
	Impairment of non-current assets	-	(25)
	Total operating profit	**392**	**207**
	Exceptional costs and certain remeasurements	(85)	(103)
	Adjusted operating profit	**308**	**104**
	Adjusted depreciation, amortisation, other gains and losses and earnings from associates	109	121
	Adjusted EBITDA including EGL	**417**	**225**
	EGL	35	-
	Adjusted EBITDA excluding EGL	**453**	**225**
Capital expenditure (£m)	Capital expenditure	210	60
Cash and Net debt* (£m unless otherwise stated)	Cash generated from operations	404	185
	Net debt	1,274	1,116
	Net debt to (last twelve months) Adjusted EBITDA excluding EGL (times)	1.3	2.6
	Cash and committed facilities	586	539
Earnings (pence per share)	Adjusted Basic	46.0	20.0
	Total Basic	61.8	37.2
Distributions (pence per share)	Interim dividend	9.2	8.4

We calculate Adjusted financial performance measures, which exclude income statement volatility from derivative financial instruments and the impact of exceptional items. This allows management and stakeholders to better compare the performance of the Group between the current and previous period without the effects of this volatility and one off or non-operational items. Adjusted financial performance measures are described more fully in the APMs glossary, with a reconciliation to their statutory equivalents in note 6.

Throughout this document we distinguish between Adjusted measures and Total measures, which are calculated in accordance with International Financial Reporting Standards (IFRS). The Electricity Generator Levy (EGL) has been presented as a separate line on the face of the Condensed consolidated income statement and throughout, particularly for Adjusted EBITDA, it has been stated whether this is before or after the impact of EGL. Further information on EGL can be found in the Basis of preparation section of the Condensed consolidated interim financial statements. Tables in this financial review may not add down/across due to rounding.

*In the comparative period Net debt was presented on a 'before the impact of hedging' basis. However, we consider including the impact of foreign currency hedges associated with borrowings to better reflect the economic reality of the Group's indebtedness, i.e. to reflect the fixed GBP cash flows of foreign currency denominated debt. Thus, all references to 'Net debt' now refer to the position including the impact of hedging, unless otherwise stated. A comparison of the measures can be seen in the Basis of preparation section of the Condensed consolidated interim financial statements.

Introduction

Adjusted EBITDA (excl. EGL) of £453 million is an increase of 101% on the comparative period (H1 2022: £225 million). Adjusted EBITDA (incl. EGL) of £417 million is an increase of 85% on H1 2022. EGL charges totalled £35 million in the period, all of which is reflected in the Generation results. There was no EGL charge in H1 2022. Strong cash generated from operations of £404 million is an increase compared to the comparative period (H1 2022: £185 million).

Total operating profit of £392 million in H1 2023 compares to £207 million in the comparative period. An increase in gross profit across all business units amounting to £231 million, was partially offset by an £89 million increase in operating and administrative expenses, as we continue to invest in the future growth of the Group.

Closing Net debt to Adjusted EBITDA (excl. EGL) of 1.3 times (H1 2022: 2.6 times) is significantly below the Group's long-term target of 2.0 times. The ratio increases to 1.4 times when calculated based on Adjusted EBITDA (incl. EGL). The Adjusted EBITDA numbers used to calculate these ratios are on a last twelve months basis.

Capital expenditure of £210 million compares to £60 million in H1 2022, with £125 million spent on major strategic projects, including £101 million in relation to the development of our OCGT projects. We have paused capital expenditure on our UK BECCS project, whilst bilateral discussions with the Government on support mechanisms are ongoing. Year to date capital expenditure on this project has totalled £13 million and relates to expenditure which had been committed in Q1 2023.

The proposed interim dividend of 9.2 pence per share represents a 10% increase on the comparative period. The Group is committed to paying a sustainable and growing dividend in line with its long-standing capital allocation policy. In accordance with this policy, on 26 April 2023 the Group announced a £150 million share buy-back programme. By 30 June 2023, £110 million

had been returned to shareholders, with a further £12 million of shares being purchased by 26 July 2023.

Financial performance

Adjusted EBITDA and EGL

Adjusted EBITDA (excl. EGL) of £453 million (H1 2022: £225 million) reflects growth in all business units, and an increase in Innovation, capital projects and other costs, as the Group continues to invest in future growth, including US BECCS opportunities. The EGL charge of £35 million is entirely attributable to the Generation business. For Group and Generation we state below whether the Adjusted EBITDA number includes EGL or not, for other business units we do not, as EGL is not applicable to them.

Adjusted EBITDA of £48 million in the Pellet Production business was a small increase on H1 2022 (H1 2022: £45 million). The business produced 1.9Mt of pellets in the first half of 2023 (H1 2022: 2.0Mt) and shipped 2.2Mt (H1 2022: 2.4Mt). Of the volume shipped, 1.2Mt was to third parties (H1 2022: 1.0Mt).

Production at our Demopolis site increased period-on-period as commissioning was completed in H1 2022. We did see an impact at other sites from extreme weather events, which caused operational challenges. This included wind damage at the Port of Baton Rouge in the US South-East, and Canadian wildfires which caused the temporary closure of one pellet plant in May, and a further three in July. We have property damage and business interruption insurance which we believe should substantially offset the financial impact of such incidents in the Pellet Production business.

Pellet Production revenues increased by 8%, primarily as a result of higher achieved sales prices in the period. This increase has been partially offset by higher production costs. The Group continues to see opportunities for cost reductions in the Pellet Production business.

Generation Adjusted EBITDA (excl. EGL) of £457 million is a 123% increase on the comparative period (H1 2022: £205 million). The EGL charge for the six months ended 30 June 2023 of £35 million relates entirely to the Generation business. Including EGL Adjusted EBITDA increased by 106%.

The increase in performance was predominantly driven by system support activities and higher achieved power prices compared to the comparative period, leading to a £285 million increase in gross margin, before the impact of EGL (£35 million) and increased operating and administrative expenses (£33 million), largely associated with costs in relation to the major planned outage.

A major planned biomass outage on one of the RO units which commenced in May was completed in July and there was also a five-week unplanned outage on a separate RO unit during H1 2023. Despite costs related to buying back power and managing fuel supplies, actions taken by our commercial and operational teams limited the impact of this unplanned outage. A further major planned outage is scheduled during the second half of the year. This compares to no major planned outages during 2022.

Our run-of-river hydro assets at Lanark and Galloway, as well as Cruachan Pumped Storage Power Station, continued to perform strongly. Combined with the Daldowie energy from waste plant they contributed of Adjusted EBITDA (excl. EGL) of £154 million (H1 2022: £53 million). This was achieved through higher levels of generation and achieved power prices, coupled with an increased value derived from system support services provided to the system operator. A large proportion of the generation in the first half of the year related to Cruachan, for which hedged prices in the second half of the year are lower.

In December 2022, the UK Government confirmed the details of the EGL, which applies to the Group's RO units at Drax Power Station and run-of-river hydro assets, but not the CfD unit at Drax Power Station or Cruachan. Whilst the legislation bringing this levy into force was not enacted by the Balance sheet date, it has subsequently been confirmed on 11 July 2023, and its implementation was deemed virtually certain at 30 June 2023.

The Group has recognised an EGL charge of £35 million, within the Generation results. EGL is payable at 45% on revenues above a set benchmark level, after deducting an allowance for increased fuel costs. It is therefore expected that this charge will be higher in periods where earnings are higher, and for 2023 we expect this to be weighted to the second half of the year. As EGL has been assessed as a levy for accounting purposes, rather than a tax, it is recognised within Adjusted results within gross profit.

The end of March 2023 saw the conclusion of the winter contingency coal contract with National Grid, and with it the end of coal generation at Drax Power Station. All balances related to the service period have now been settled. As we have separately reported, decommissioning of the assets is in progress.

Our Customers business generated £37 million of Adjusted EBITDA in H1 2023 (H1 2022: £24 million). This improved performance reflects an increase in energy sales to 10.0TWh (H1 2022: 9.4TWh) and increased value from renewable products, as well as lower than expected system and renewable costs.

The bad debt charge for H1 2023 of £19 million represents a 27% decrease compared to the comparative period (H1 2022: £26 million). The overall bad debt provision of £66 million compares to £61 million at 31 December 2022. Bad debt risk is typically higher within the SME sector of the business, however we remain vigilant to stresses across the wider portfolio. This includes our larger I&C customers, and those in the water industry, reflecting a challenging operating environment.

Our focus remains on developing our I&C and renewables activities, moving beyond supplying renewable energy and into supporting customers with their broader decarbonisation ambitions. This includes continuing to grow our fleet electrification and charge point services, and developing our demand side response product, which enables customers to benefit from adjusting their consumption during periods of high prices whilst supporting the stability of the grid. Within our SME activities we are focused on managing both the profitability and risk of the portfolio.

Innovation, capital projects and other costs of £89 million (H1 2022: £49 million) reflect increased spend on major projects which have not yet reached the stage of capitalisation, including Global BECCS and Cruachan II, as the Group continues to invest in its strategic growth plan.

Other costs include the movement in the provision against unrealised profit in the first half of the year, relating to intercompany biomass sales between the Pellet Production and Generation business. This cost increased to £9 million (H1 2022: £5 million), reflecting an increase in both the volume of biomass still held in the Group's inventory, and the sales prices.

Total operating profit

Total operating profit of £392 million is an 89% increase on the comparative period (H1 2022: £207 million), with the increase in Total gross profit of £231 million offset by an increase in Total operating and administrative expenses of £89 million reflecting the factors described above. Total operating profit also includes an additional benefit of £85 million from net adjustments for certain remeasurements (H1 2022: £130 million benefit) that are not included in Adjusted EBITDA. The main driver behind the certain remeasurements credit was a decrease in gas prices. No exceptional costs were recognised during H1 2023 (H1 2022: £27 million).

Depreciation and amortisation decreased by 10% to £109 million (H1 2022: £121 million), with the main decrease being in the Pellet Production business, as the accelerated depreciation recognised in H1 2022 has not been repeated to the same level in H1 2023.

Profit after tax & Earnings per share

Total finance costs for H1 2023 totalled £54 million, compared to £7 million in H1 2022. Although the majority of the Group's debt is at fixed rates, an element is charged at a floating rate. Increases in rates on the floating proportion of debt led to an increase in the interest charge of £8 million. The Customers receivables monetisation facility saw an increase in both value (in response to the higher price environment) and rate, leading to a further increase in charges of £8 million. This was partially offset by a £6 million increase in interest receivable, predominantly on bank deposits. Foreign exchange losses in the period of £7 million compare with a gain of £28 million in H1 2022.

For interim periods, the effective tax rate is based on the forecast effective tax rate for the full year. This includes the impact of EGL, which is not allowable for corporation tax purposes, partially offset by benefits from patent box, research and development credits, and the final allowances for the 'super-deduction' for qualifying plant and machinery expenditure that ended in March 2023. The effective tax rate for the period is 28%, which is above both the headline corporation tax rate in the UK for the year (23.5%, reflecting an increase from 19% to 25% effective 1 April 2023) and the H1 2022 rate of 19%.

The result of all of the above was thatAdjusted basic EPS was 46.0 pence (H1 2022: 20.0 pence), and Total basic EPS was 61.8 pence (H1 2022: 37.2 pence).

Capital expenditure

Total capital expenditure for the period was £210 million, an increase of £150 million on the comparative period (H1 2022: £60 million). Of this, £125 million was on strategic initiatives, including £101 million on the development of our three OCGT projects. Expenditure on maintenance projects totalled £57 million, and £28 million was spent on Enhancement, Health, Safety, Environment and IT.

Development of three OCGT projects continues and they are on track to be operational at the commencement of their Capacity Market contracts during 2024.

Capitalised expenditure on UK BECCS was £13 million in the period. As previously communicated, we have now paused further investment as the Group awaits clarity from UK Government on support for this project. Formal discussions are ongoing, and the Group remains confident in the prospects for this project.

Cash and Net debt

Net cash movements

Improved operating cash flows, before movements in working capital and pension payments, of £399 million (H1 2022: £245 million), reflects the increase in Total operating profit. Careful working capital management resulted in an inflow of £13 million (H1 2022: £56 million outflow) and overall Cash generated from operations of £404 million (H1 2022: £185 million). Included within this, cash collateral showed a net inflow of £51 million, following an outflow of £407 million in full-year 2022, as underlying trades matured and power prices reduced during H1 2023.

Capital expenditure cash flows for H1 2023 totalled £159 million (H1 2022: £83 million). Cash flows associated with capital expenditure on the three OCGT projects are significantly lower than the accounting additions recorded because of the use of deferred letters of credit. The amount outstanding under these arrangements at 30 June 2023 was £140 million (30 June 2022: £nil).

During the period, corporation tax payments totalled £102 million (H1 2022: £9 million), reflecting higher UK payments on account in respect of the increased profits chargeable to corporation tax, and the increase in headline corporation tax rate in the UK from 19% to 25% in April 2023.

Cash outflows in relation to the share buy-back programme during the period were £110 million (H1 2022: £nil), with a corresponding increase in Treasury shares.

Net debt and Net debt:Adjusted EBITDA

	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Cash and cash equivalents	125	288	238

Borrowings	(1,363)	(1,388)	(1,441)
Impact of hedging instruments	(36)	(16)	(2)
Net debt	**(1,274)**	**(1,116)**	**(1,206)**
Collateral posted/(received)	183	(47)	234
Net debt excluding collateral	**(1,091)**	**(1,163)**	**(972)**
Adjusted EBITDA (excl. EGL) (LTM*)	959	437	731
Net debt to Adjusted EBITDA (excl. EGL) (times)	**1.3**	**2.6**	**1.6**
Net debt excl. collateral to Adjusted EBITDA (excl. EGL) ratio	**1.1**	**2.7**	**1.3**

*For the periods ended 30 June, Adjusted EBITDA (excl. EGL) is shown on a last twelve months basis, consistent with the way the Net debt to Adjusted EBITDA (incl. EGL) metrics are presented.

Calculating the leverage ratio on Adjusted EBITDA (incl. EGL) gives a Net debt to Adjusted EBITDA ratio of 1.4 times at 30 June 2023. Both measures of Net debt to Adjusted EBITDA are significantly below the Group's long-term target of 2.0 times.

The leverage ratio excluding collateral on Adjusted EBITDA (incl. EGL) gives a ratio of 1.2 times at 30 June 2023.

Liquidity

	30 June 2023 £m	**30 June 2022 £m**	**31 December 2022 £m**
Cash and cash equivalents	125	288	238
RCF available but not utilised	261	250	260
Short term liquidity facility	200	-	200
Total cash and committed facilities	**586**	**539**	**698**

Cash and committed facilities at 30 June 2023 of £586 million (31 December 2022: £698 million) provide substantial headroom over our short-term liquidity requirements. The reduction in Cash and cash equivalents since 31 December 2022 is broadly in line with the cash outflow in relation to the share buy-back programme. In addition to cash-on-hand, the Group has access to a £300 million ESG Revolving Credit Facility (RCF), a C$10 million RCF and a £200 million liquidity facility, to manage low points in the cash cycle. The £300 million ESG RCF expires in January 2025, with a one-year extension clause. No cash has been drawn under this RCF since its inception in 2020, but £45 million was drawn for letters of credit at 30 June 2023 (31 December 2022: £46 million drawn for letters of credit). The £200 million liquidity facility expires in December 2023.

At 30 June 2023 the Group had net cash collateral posted of £183 million (31 December 2022: £234 million posted) which will be returned to the Group as the associated contracts mature.

During H1 2023, the Group's Issuer Credit Ratings have been affirmed as 'BB+' by Fitch and S&P and as 'BBB (low)' by DBRS, with a Stable Outlook in each case.

Derivatives

We use derivatives to hedge commodity price and foreign exchange risk. Decreases in pricing in several of these markets in H1 2023 led to a net £85 million credit related to certain remeasurements, which we continue to adjust for when presenting Adjusted results. The gains were predominantly driven by falling gas prices.

Rebasing is a process whereby the rates agreed in a contract are modified to current market rates. This leads to an initial cash inflow, as the mark-to-market on the contract is settled at the time of rebasing, with a subsequent outflow in future years, compared to if no action had been taken. The Group rebased contracts during the first half of 2020 to realise working capital benefits in light of the developing Covid-19 pandemic. At 30 June 2023, outstanding cash received from rebased cross-currency swap trades was £nil (31 December 2022: £43 million).

Distributions

In line with our long-standing capital allocation policy, the Group is committed to paying a growing and sustainable dividend. At the Annual General Meeting on 26 April 2023, shareholders approved payment of a final dividend for the year ended 31 December 2022 of 12.6 pence per share. This dividend was paid on 19 May 2023.

On 26 July 2023, the Board resolved to pay an interim dividend for the six months ended 30 June 2023 of 9.2 pence per share (£36 million), representing 40% of the expected full year dividend. The interim dividend will be paid on 6 October 2023 with a record date of 25 August 2023.

In addition to the proposed dividend, on 26 April 2023 the Group announced a share buy-back programme totalling £150 million. By 30 June 2023, £110 million had been returned to shareholders.

Going concern and viability

The Group's financial performance in H1 2023 was strong, delivering improved profitability and a decrease in Net debt to Adjusted EBITDA. Our financing platform is stable, with most of our principal debt repayments due from 2025 onwards and significant liquidity headroom is available from both committed and uncommitted facilities.

The Group refreshes its business plan and forecasts throughout the year, including scenario modelling designed to test the resilience of the Group's financial position and performance to several possible downside cases. Based on its review of the latest forecast, the Board is satisfied that the Group has sufficient headroom in its cash and committed facilities, combined with available mitigating actions, to be able to meet its liabilities as they fall due across a range of

scenarios. Consequently, the Directors have a reasonable expectation that the Group will continue in existence for a period of at least twelve months from the date of the approval of the interim financial statements and have therefore adopted the going concern basis.

The contents of the CEO's review and CFO's financial review were approved by the Board on 26 July 2023.

Principal risks and uncertainties

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

The Board, as part of its half year processes, considered reports from management reviewing the Group's Principal risks and uncertainties and how these might evolve during the second half of 2023. This review took account of the ongoing impacts of such issues as the Russia-Ukraine conflict, and more generally the continued political and macro-economic volatility affecting global economies. Additionally, developments in regulatory reform and government policy, in relation to BECCS for example, were evaluated in terms of their potential impact on the realisation of the Group's strategy and conduct of its operations. Finally, consideration was given to the operational impact of climate change, which is causing extreme weather-related occurrences in North America such as the wildfires mentioned above. All of these areas are discussed further below.

The Group continues to operate in an environment of higher inflation and higher interest rates. This has the potential to put our customers and suppliers in financial distress and we remain vigilant to indications of financial deterioration in our key customers or suppliers, so that where possible, appropriate actions can be taken to mitigate financial or operational exposure on a timely basis. Over 80% of the Group's outstanding debt currently has fixed interest rates via hedges. We regularly perform stress tests over our existing debt, considering potential increases in interest rates, alongside other factors. Such analysis is also incorporated into the final decision-making process for any future debt issuances and interest rate hedges.

As a result of their assessment, and consideration of the below factors, the Board is satisfied that the Group's Principal risks, as reported as part of the 2022 Annual report and accounts, remain materially unchanged and are not expected to materially change in the remainder of 2023. This includes the risk of significant planned capital construction associated with the execution of our strategy, which continues to be considered an emerging risk. It is noted, however, that some risks referenced in the 2022 Annual report and accounts are no longer relevant to the Group, for example the extended availability of coal-fired units, which ceased in March 2023.

Further details of the Group's Principal risks and uncertainties can be found on pages 78 - 91 of the 2022 Annual report and accounts, which is available at www.drax.com.

Cyber-security

As reported in the 2022 Annual report and accounts, the Board believes the Russia-Ukraine conflict has increased risk exposure to attacks on systems operated by the Group and also those of our suppliers on whom the Group relies for integrity of service. In April 2023, the National Cyber Security Centre issued an official alert to operators of Critical National Infrastructure that they face a heightened threat from state-aligned adversaries following the Russian invasion of Ukraine.

The Group has responded to this heightened risk with additional mitigating actions. However, we recognise that cyber-attacks are growing in sophistication and complexity, requiring frequent re-assessment and evaluation of possible responses available to address vulnerabilities.

The scale, pace and nature of exposure also continues to evolve and responding immediately with commensurate mitigations may not always be possible. As a result of the review performed in association with approval of this report, the Board has concluded that, whilst there has been no further material increase in cyber-security risk during H1 2023, it remains significantly higher than historic levels experienced prior to the Russia-Ukraine conflict.

Market price volatility and biomass availability

In the first half of 2023, current and forward energy prices have experienced a reduction from the highs of 2022, on the back of mild weather and reducing risk premiums associated with European gas storage levels. This reduces the potential impact of having to buy back power in the market as a result of unplanned outages, and can also present optimisation opportunities.

However, energy prices remain substantially higher than historic long-term averages over the last decade, indicating a more sustained increase. The associated risk from plant outages continues to be managed through holding back a proportion of generation capacity as a mitigation.

The global biomass market remains under pressure, and we continue to see upstream inflationary pressures in certain aspects of our supply chain. While most of the third party biomass we use is under long-term contracts, we have incurred some additional costs to underpin the resilience of our supply chain.

This may also result in the Group being exposed to volatile energy prices, as biomass shortfalls from key suppliers could result in a requirement to buy back previously sold power volumes at elevated prices, or pay a premium to secure additional biomass. Therefore, the ability of our suppliers to fulfil contracted volumes continues to be closely monitored. Drax currently has high biomass stock levels leading into the winter period to mitigate this risk.

The 2022 Annual report and accounts explained that the Trading and commodity Principal risk had materially increased as a result of heightened energy prices. As a result of the review performed in association with the approval of this report, the Board has concluded that this risk remains heightened, as energy prices remain significantly above historic levels and there is

continuing pricing pressure in the biomass market.

UK Power-BECCS

In March 2023, the UK Government announced the conclusion of its 'Power-BECCS assessment process' run in parallel with its 'CCS cluster sequencing process' and determined that the Group had met the criteria for deliverability with its UK BECCS project. At the same time, they also announced that their shortlist for Track-1 eligible projects did not include this project, nor any other CCUS projects in the Humber region due to 'infrastructure constraints'. In the same announcement the Government stated that they will engage further with the Group following the assessment outcome and confirmed that they remain committed to achieving 5Mt pa of engineered Greenhouse Gas Removals (such as those deliverable through BECCS) by 2030.

Since March 2023, the UK Government has confirmed that it will be running a 'Track-1 expansion' and 'Track-2' cluster sequencing process with the intent of deploying further carbon transportation and storage infrastructure and projects across the UK (including the Humber region). Power-BECCS at Drax Power Station is eligible to be selected as either a Track-1 expansion or a Track-2 eligible project with the Government looking to confirm these by the end of 2023.

The Government is also in the process of developing a business model to support Power-BECCS projects. In March 2023, they published their response to the Power-BECCS business model consultation, confirming their intent to design a business model based on a dual CfD approach, supporting both power and carbon removal revenue streams.

The Government has stated that it will work closely with electricity generators currently using biomass to facilitate a transition to Power-BECCS, for example via a 'bridging mechanism' to provide support following the expiry of existing subsidies and the commencement of a Power-BECCS contract. It is anticipated that the Government's Biomass Strategy will be published imminently, providing further clarity on the delivery of Power-BECCS, the Power-BECCS business model, and the bridging mechanism.

In parallel, the Group has been progressing several work streams to develop its options for Global BECCS, with a primary focus on North America. Two initial sites in the US South have been selected, although the precise details remain commercially sensitive. The two sites combined could enable the capture of c.6Mt pa of carbon by 2030. The Group is continuing to evaluate nine further sites in North America, creating a pipeline of development opportunities into the 2030s.

As a result of the above considerations, the Board does not believe that recent Government announcements have materially impacted the Principal risks and uncertainties facing the Group, in particular its strategic objectives, but recognises the critical need for clarity if its UK BECCS project is to continue as planned.

Energy market reform

Global economic challenges such as inflation and volatility in commodity markets have created the potential for an accelerated timeline of political and regulatory reform, as governments and regulatory bodies seek to ensure fiscal policy and regulation remain fit for purpose and protect consumers. To date, this has included the introduction of the Electricity Generator Levy (EGL) and the launch of the UK Government's Capacity Market consultation, seeking views on proposed reforms to strengthen the security of supply and provide greater clarity around the transition to net zero. The UK Government has also opened a consultation on Review of Energy Market Arrangements (REMA) however it currently remains unclear the scale of the impact of any such reform. The Government has stated its intention to publish a second REMA consultation in 2023.

Regulators continue to apply a high level of scrutiny to the energy market. This includes ensuring the use of sustainable biomass, especially in jurisdictions such as the UK where electricity generation from biomass benefits from public subsidies. This is particularly relevant to the Group given the potential expansion of the use of biomass for the purposes of BECCS, and we remain confident in our compliance as regulations continue to evolve.

The EU has now concluded negotiations on REDIII, including an update on their sustainability criteria for biomass. The outcome maintains sustainability standards, by setting a high bar in relation to the types of fibre deemed compliant for biomass use, whilst still being workable for Drax and others. Further policy decisions and publications relevant to biomass are also expected in 2023, including the UK Government's Biomass Strategy.

Whilst regulatory reform to date continues to align to our current and planned future strategy, the ongoing focus on sustainability and energy market operation is likely to result in further political and regulatory scrutiny. We therefore have our internal regulatory compliance processes under continual review and remain vigilant to any resulting impact on our business model or future strategy.

Climate change

Over the last 12 months, we have seen an increase in weather-related disruption in the regions in which we operate, including North America. Severe cold weather through the Canadian winter, wildfires caused by extreme heat, and hurricanes in the south of the US, have the ability to cause significant disruption across our North American operations. We continue to consider the measures available to us in order to mitigate against the operational impact of such weather-related incidents in addition to safeguarding our employees and protecting our assets.

We hold property damage and business interruption insurance which we believe should substantially offset the financial impact of such incidents in the Pellet Production business. However, the impact on availability of fuel supplied to Drax Power Station requires careful management across our portfolio of self-supply and third-party supply arrangements.

We will continue to monitor the potential operational and financial impact of weather disruption, but assessments to date do not currently indicate a materially increased risk to the Group.

As a result of their assessment, and consideration of the above factors, the Board is satisfied that there has been no material change in the Group's Principal risks since their previous disclosure in the 2022 Annual report and accounts.

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Directors' Responsibility Statement

We confirm that to the best of our knowledge:

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

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

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

By order of the Board

Will Gardiner
Chief Executive Officer
26 July 2023

Condensed consolidated interim financial statements

Introduction

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

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

Basis of preparation

The Condensed consolidated interim financial statements have been prepared using accounting policies consistent with the United Kingdom adopted International Accounting Standards (as issued by the UK Endorsement Board) and in accordance withUK adopted IAS 34 'Interim Financial Reporting'. The information provided in respect of the year ended 31 December 2022 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 but is derived from those accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

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

See the CFO's financial review for further details on the application of the going concern basis.

The Condensed consolidated interim financial statements were approved by the Board on 26 July 2023.

Adoption of new and amended accounting standards

The accounting policies adopted in the preparation of the Condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's 2022 Annual report and accounts, except for the adoption of new standards, interpretations and amendments effective as of 1 January 2023. The adoption of new standards, interpretations and amendments in the current period has not had a material impact. The Group has not early-adopted any standard, interpretation or amendment that has been issued but is not yet effective at 30 June 2023.

A full listing of new standards, amendments, and pronouncements under IFRS applicable to these Condensed consolidated interim financial statements is presented in note 15.

Electricity Generator Levy

In December 2022, theUK Government confirmed the details of a windfall tax - the Electricity Generator Levy (EGL) - on renewable and low-carbon generators, for implementation in 2023. The levy applies to the Group's three biomass units operating under the Renewables Obligation (RO) scheme and its run-of-river hydro operations. It does not apply to the Group's Contract for Difference (CfD) biomass unit or its pumped storage hydro operations. The EGL applies at a rate of 45% to receipts from in-scope forms of electricity generation that exceed a defined benchmark level, after the deduction of certain costs, from 1 January 2023 to 31 March 2028.

After consideration of the legislation underpinning the EGL, the Group has determined that it should be treated as a levy under IFRIC 21 'Levies', rather than a tax under IAS 12 'Income taxes'. Accordingly, the cost is recognised above gross profit. Further, given the quantum of the charge it was determined that the EGL should be presented as a separate line on the face of the Condensed consolidated income statement and is included within Adjusted results, to provide users of the Condensed consolidated interim financial statements with visibility of the charge in this period. A reconciliation of Adjusted EBITDA including EGL to Adjusted EBITDA excluding EGL can be found in note 6.

In accordance with IFRIC 21, a liability for a levy is recognised once the obligating event, being the activity that triggers the payment of the levy, has occurred. A liability to pay a levy is recognised progressively if the obligating event occurs over time. If an obligation to pay a levy is triggered when a minimum threshold is reached the corresponding liability is recognised only when that minimum activity threshold is reached. The EGL is triggered based on average generation receipts for in-scope revenue schemes over a reporting period being higher than the threshold set in the legislation. A liability is therefore recognised if the average actual generation receipts to date in a financial period are above the threshold. The current threshold is £75 per MWh. The assessment is based on receipts above this threshold after adjusting for allowable cost increases.

As at 30 June 2023 the finance bill that includes EGL had passed its third reading in the House of Commons and therefore only had the formality of the readings in the House of Lords before receiving Royal Assent. As such, at 30 June 2023, it was deemed virtually certain to be enacted, and so a charge and associated liability have been recognised in these Condensed consolidated interim financial statements. See note 6 for further details on the EGL charge recognised in the six months ended 30 June 2023. The bill subsequently received Royal Assent on 11 July 2023.

Judgements and estimates

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

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

These reviews have concluded that the significant judgements and key sources of estimation uncertainty applicable to the preparation of the Condensed consolidated interim financial statements are the same as those described on pages 178-179 of the Group's 2022 Annual report and accounts. Particular consideration was given to UK BECCS and the estimate of the useful economic life (UEL) of property, plant and equipment at Drax Power Station and the judgement around the capitalisation of UK BECCS project development costs. It was determined these remain a key source of estimation uncertainty and a significant judgement, respectively. No changes were required to UELs and relevant UK BECCS costs are still appropriate to be capitalised, due to the continued expectation of the successful development of the project, as outlined in the CEO's review.

In each case, judgements have been applied consistently and estimates made using a consistent methodology, with inputs and assumptions updated to reflect the Group's latest forecasts and prevailing market conditions at the reporting date as appropriate.

Comparative information

The Group provides comparative financial information in these Condensed consolidated interim financial statements for both the six months ended 30 June 2022 and the year ended 31 December 2022. Where included within text, Condensed consolidated income statement comparatives refer to the six months ended 30 June 2022 and Condensed consolidated balance sheet comparatives are as at 31 December 2022, unless otherwise stated.

Alternative Performance Measures (APMs)

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

Defined below are the key APMs used by the Board and Executive management to assess performance. The APMs and their definitions are consistent with those presented as at 31 December 2022 apart from following the introduction of EGL, the Group now presents both Adjusted EBITDA including EGL and Adjusted EBITDA excluding EGL. See the APMs glossary table at the end of this report for full details of all APMs used, the APM's closest IFRS equivalent, the reason why the APM is used by the Group and a definition of how the APM is calculated. See note 6 for further details and calculations of the Group's APMs.

Adjusted results

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

Exceptional items and certain remeasurements

Exceptional items are those transactions that, by their nature, do not reflect the trading performance of the Group in the period. For a transaction to be considered exceptional, management consider the nature of the transaction, the size of the transaction, the frequency of similar events, any related precedent, and commercial context. Presentation of a transaction as exceptional is approved by the Audit Committee in accordance with an agreed policy.

During the year ended 31 December 2022, the application guidance for this policy was enhanced, in particular, setting de minimis thresholds for classifying items as exceptional. These de minimis limits were applied during the second half of 2022 and throughout the first half of 2023. The policy has been re-reviewed by the Audit Committee during the six months ended 30 June 2023. This review did not result in any significant changes to the policy.

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

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

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

Adjusted EBITDA including EGL and Adjusted EBITDA excluding EGL

The Group previously presented Adjusted EBITDA. Due to the introduction of EGL the Group now presents both Adjusted EBITDA including EGL and Adjusted EBITDA excluding EGL. Both Adjusted EBITDA including EGL and Adjusted EBITDA excluding EGL are primary measures used by the

EBITDA including EGL and Adjusted EBITDA excluding EGL are primary measures used by the Board and Executive management to assess the financial performance of the Group as they provide a comparable assessment of the Group's trading performance period-on-period. They are also key metrics used by the investor community to assess the performance of the Group's operations.

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

Adjusted EBITDA excluding EGL is the same as Adjusted EBITDA including EGL apart from it does not include the cost of EGL.

Adjusted basic earnings per share

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

Net debt

The Group defines Net debt as total borrowings less cash and cash equivalents. Borrowings denominated in foreign currencies, and where the Group has entered into hedging arrangements associated with this currency exposure, are translated at the hedged rate. This is to take into account the effect of financial instruments entered into to hedge movements in, for example, foreign exchange rates in relation to debt principal repayments. Borrowings that have no hedging instruments attributed to them are translated at the closing rate. Total borrowings includes external financial debt, such as loan notes, term loans and amounts drawn in cash under revolving credit facilities (RCFs) (see note 10) but excludes other financial liabilities such as pension obligations, trade and other payables and lease liabilities calculated in accordance with IFRS 16. Net debt excludes the proportion of cash and borrowings in non-wholly owned entities that would be attributable to non-controlling interests. Net debt includes the impact of any cash collateral receipts from counterparties or cash collateral posted to counterparties.

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

Net debt is a key metric used by debt rating agencies and the investor community as a measure of liquidity and the ability of the Group to manage its current obligations.

In the Condensed consolidated interim financial statements to 30 June 2022, the Group's definition of Net debt did not include translating borrowings denominated in foreign currencies, for which the Group had entered into hedging arrangements associated with the currency exposure, at the hedged rate. The impact of relevant hedging instruments was presented alongside the Net debt figures rather than being included in the definition.

In the second half of 2022, the Group updated its definition of Net debt to include translating borrowings at the hedged rate. This is deemed to provide more useful information and to better reflect the economic reality, as it includes the sterling value of borrowings that will ultimately be settled.

The table below shows Net debt at 30 June calculated using both the current and prior period definitions:

	As at 30 June	
	2023 (Unaudited) £m	2022 (Unaudited) £m
Current definition (including impact of hedging)	**1,274.4**	1,116.3
Previous definition (excluding impact of hedging)	**1,238.4**	1,100.8

Net debt to Adjusted EBITDA including EGL ratio

This metric is the ratio of Net debt to Adjusted EBITDA including EGL, expressed as a multiple. The Group has a long-term target for Net debt to Adjusted EBITDA including EGL of around 2.0 times. This target has not changed as a result of the update in the definition of Net debt described above, nor have the Group's expectations in regard to meeting this target.

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

Net debt to Adjusted EBITDA excluding EGL ratio

The Group also presents a Net debt to Adjusted EBITDA excluding EGL ratio to enable readers to compare, on a consistent basis, the Net debt ratio in prior periods in which EGL was not applicable.

Condensed consolidated income statement

		Six months ended 30 June 2023 (Unaudited)			Six months ended 30 June 2022 (Unaudited)		
	Notes	**Adjusted results(1) £m**	**Exceptional items and certain remeasure-ments £m**	**Total results £m**	Adjusted results(1) £m	Exceptional items and certain remeasure-ments £m	Total results £m
Revenue	3	**3,964.4**	**126.0**	**4,090.4**	3,621.5	(64.4)	3,557.1
Cost of sales		**(3,167.0)**	**(41.2)**	**(3,208.2)**	(3,134.7)	194.0	(2,940.7)
Electricity Generator Levy		**(35.3)**	**-**	**(35.3)**	-	-	-
Gross profit		**762.1**	**84.8**	**846.9**	486.8	129.6	616.4
Operating and							

	Note						
administrative expenses		**(326.4)**	**-**	**(326.4)**	(235.7)	(1.6)	(237.3)
Impairment losses on financial assets		**(18.6)**	**-**	**(18.6)**	(26.4)	-	(26.4)
Depreciation		**(95.4)**	**-**	**(95.4)**	(105.4)	-	(105.4)
Amortisation		**(14.0)**	**-**	**(14.0)**	(15.2)	-	(15.2)
Impairment of non-current assets		**-**	**-**	**-**	-	(24.9)	(24.9)
Other gains/(losses)		**0.5**	**-**	**0.5**	(1.0)	-	(1.0)
(Expense)/income from associates		**(0.6)**	**-**	**(0.6)**	0.8	-	0.8
Operating profit		**307.6**	**84.8**	**392.4**	103.9	103.1	207.0
Foreign exchange (losses)/gains	4	**(6.7)**	**-**	**(6.7)**	28.4	-	28.4
Interest payable and similar charges	4	**(54.3)**	**(0.1)**	**(54.4)**	(36.4)	(0.2)	(36.6)
Interest receivable	4	**6.8**	**-**	**6.8**	1.1	-	1.1
Profit before tax		**253.4**	**84.7**	**338.1**	97.0	102.9	199.9
Tax:							
Before impact of changes in tax rates		**(69.7)**	**(21.2)**	**(90.9)**	(18.0)	(26.2)	(44.2)
Effect of changes in tax rates		**-**	**-**	**-**	-	(7.8)	(7.8)
Total tax charge	5	**(69.7)**	**(21.2)**	**(90.9)**	(18.0)	(34.0)	(52.0)
Profit for the period		**183.7**	**63.5**	**247.2**	79.0	68.9	147.9
Attributable to:							
Owners of the Parent Company		**184.6**	**63.5**	**248.1**	80.0	68.9	148.9
Non-controlling interests		**(0.9)**	**-**	**(0.9)**	(1.0)	-	(1.0)
Earnings per share		**Pence**		**Pence**	Pence		Pence
For net profit for the period attributable to owners of the Parent Company							
- Basic	7	**46.0**		**61.8**	20.0		37.2
- Diluted	7	**45.0**		**60.4**	19.3		35.9

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

A comparative income statement for the year ended 31 December 2022 is reproduced in note 16.

Condensed consolidated statement of comprehensive income

	Six months ended 30 June	
	2023 (Unaudited) £m	2022 (Unaudited) £m
Profit for the period	**247.2**	147.9
Items that will not subsequently be reclassified to profit or loss:		
Remeasurement of defined benefit pension schemes	**(24.2)**	25.7
Deferred tax on remeasurement of defined benefit pension schemes	**6.1**	(6.3)
Net fair value gains/(losses) on cost of hedging	**22.6**	(31.8)
Deferred tax on cost of hedging	**(5.7)**	5.9
Net fair value (losses)/gains on cash flow hedges	**(73.0)**	183.1
Deferred tax on cash flow hedges	**18.9**	(43.2)
Items that may subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(19.8)**	48.3
Exchange differences on translation of foreign operations attributable to non-controlling interests	**(0.3)**	2.8
Net fair value gains/(losses) on cash flow hedges	**149.9**	(420.9)
Net gains on cash flow hedges reclassified to the Condensed consolidated income statement	**320.8**	6.8
Deferred tax on cash flow hedges	**(117.7)**	103.3
Other comprehensive income/(expense) for the period	**277.6**	(126.3)
Total comprehensive income for the period attributable to		

equity holders	**524.8**	21.6
Attributable to:		
Owners of the Parent Company	**526.0**	19.8
Non-controlling interests	**(1.2)**	1.8

Condensed consolidated balance sheet

	Notes	As at 30 June 2023 (Unaudited) £m	As at 30 June 2022 (Unaudited) £m	As at 31 December 2022 (Audited) £m
Assets				
Non-current assets				
Goodwill		**419.3**	431.6	424.2
Intangible assets		**131.0**	156.7	142.3
Property, plant and equipment		**2,473.7**	2,327.0	2,388.0
Right-of-use assets		**130.0**	124.3	138.3
Investments		**9.7**	7.5	6.9
Retirement benefit surplus		**21.5**	78.5	38.5
Deferred tax assets		**39.1**	28.0	37.3
Derivative financial instruments	13	**299.0**	439.2	421.7
		3,523.3	3,592.8	3,597.2
Current assets				
Inventories		**318.3**	281.7	348.1
Renewable certificate assets		**487.2**	357.0	187.8
Trade and other receivables and contract assets		**953.3**	673.5	1,227.0
Derivative financial instruments	13	**541.4**	1,458.8	796.3
Current tax assets		**21.8**	-	-
Cash and cash equivalents		**124.9**	288.4	238.0
		2,446.9	3,059.4	2,797.2
Liabilities				
Current liabilities				
Trade and other payables and contract liabilities		**(1,609.7)**	(1,326.8)	(1,527.9)
Lease liabilities		**(23.2)**	(17.2)	(22.7)
Current tax liabilities		**-**	(1.5)	(23.3)
Borrowings	10	**(323.3)**	-	(44.3)
Derivative financial instruments	13	**(539.5)**	(1,706.1)	(989.4)
		(2,495.7)	(3,051.6)	(2,607.6)
Net current (liabilities)/assets		**(48.8)**	7.8	189.6
Non-current liabilities				
Borrowings	10	**(1,039.8)**	(1,388.4)	(1,396.6)
Lease liabilities		**(119.8)**	(116.2)	(130.4)
Provisions		**(54.2)**	(74.3)	(58.6)
Deferred tax liabilities		**(265.7)**	(202.0)	(141.6)
Derivative financial instruments	13	**(362.4)**	(523.8)	(735.4)
		(1,841.9)	(2,304.7)	(2,462.6)
Net assets		**1,632.6**	1,295.9	1,324.2
Shareholders' equity				
Issued equity		**49.0**	47.9	47.9
Share premium		**440.6**	433.1	433.3
Hedge reserve		**130.1**	(336.2)	(152.0)
Cost of hedging reserve		**45.2**	42.5	40.1
Other reserves		**617.9**	754.3	747.7
Retained profits		**337.7**	329.5	193.8
Total equity attributable to owners of the Parent Company		**1,620.5**	1,271.1	1,310.8
Non-controlling interests		**12.1**	24.8	13.4
Total shareholders' equity		**1,632.6**	1,295.9	1,324.2

Condensed consolidated statement of changes in equity

	Issued equity £m	Share premium £m	Hedge reserve £m	Cost of hedging reserve £m	Other reserves[1] £m	Retained profits £m	Non-controlling interests £m	Total £m
At 1 January 2022	**47.7**	**432.2**	**(177.4)**	**78.5**	**706.0**	**198.3**	**21.5**	**1,306.8**
Profit/(loss) for the year	-	-	-	-	-	85.1	(2.6)	82.5
Other comprehensive income/(expense)	-	-	39.7	(16.8)	42.4	(18.3)	3.4	50.4
Total comprehensive income/(expense) for the year	**-**	**-**	**39.7**	**(16.8)**	**42.4**	**66.8**	**0.8**	**132.9**
Equity dividends paid	-	-	-	-	-	(78.9)	-	(78.9)
Issue of share capital	0.2	1.1	-	-	-	-	-	1.3
Contributions from								

non-controlling interests	-	-	-	-	-	-	1.3	1.3
Acquisition of non-controlling interests without a change in control	-	-	-	-	(0.7)	(9.3)	(10.2)	(20.2)
Total transactions with owners in their capacity as owner	**0.2**	**1.1**	**-**	**-**	**(0.7)**	**(88.2)**	**(8.9)**	**(96.5)**
Movements on cash flow hedges released directly from equity	-	-	(19.1)	-	-	-	-	(19.1)
Deferred tax on cash flow hedges released directly from equity	-	-	4.8	-	-	-	-	4.8
Movements on cost of hedging released directly from equity	-	-	-	(28.8)	-	-	-	(28.8)
Deferred tax on cost of hedging released directly from equity	-	-	-	7.2	-	-	-	7.2
Movements in equity associated with share-based payments	-	-	-	-	-	9.5	-	9.5
Deferred tax on share-based payments	-	-	-	-	-	7.4	-	7.4
At 31 December 2022	**47.9**	**433.3**	**(152.0)**	**40.1**	**747.7**	**193.8**	**13.4**	**1,324.2**

	Issued equity £m	Share premium £m	Hedge reserve £m	Cost of hedging reserve £m	Other reserves[1] £m	Retained profits £m	Non-controlling interests £m	Total £m
At 1 January 2022	**47.7**	**432.2**	**(177.4)**	**78.5**	**706.0**	**198.3**	**21.5**	**1,306.8**
Profit/(loss) for the period	-	-	-	-	-	148.9	(1.0)	147.9
Other comprehensive (expense)/income	-	-	(170.9)	(25.9)	48.3	19.4	2.8	(126.3)
Total comprehensive (expense)/income for the period	**-**	**-**	**(170.9)**	**(25.9)**	**48.3**	**168.3**	**1.8**	**21.6**
Equity dividends paid	-	-	-	-	-	(45.2)	-	(45.2)
Issue of share capital	0.2	0.9	-	-	-	-	-	1.1
Contributions from non-controlling interests	-	-	-	-	-	-	1.5	1.5
Total transactions with owners in their capacity as owner	**0.2**	**0.9**	**-**	**-**	**-**	**(45.2)**	**1.5**	**(42.6)**
Movements on cash flow hedges released directly from equity	-	-	15.9	-	-	-	-	15.9
Deferred tax on cash flow hedges released directly from equity	-	-	(3.8)	-	-	-	-	(3.8)
Movements on cost of hedging released directly from equity	-	-	-	(13.3)	-	-	-	(13.3)
Deferred tax on cost of hedging released directly from equity	-	-	-	3.2	-	-	-	3.2
Movements in equity associated with share-based payments	-	-	-	-	-	4.5	-	4.5
Deferred tax on share-based payments	-	-	-	-	-	3.6	-	3.6
At 30 June 2022	**47.9**	**433.1**	**(336.2)**	**42.5**	**754.3**	**329.5**	**24.8**	**1,295.9**

	Issued equity £m	Share premium £m	Hedge reserve £m	Cost of hedging reserve £m	Other reserves[1] £m	Retained profits £m	Non-controlling interests £m	Total £m
At 1 January 2023	**47.9**	**433.3**	**(152.0)**	**40.1**	**747.7**	**193.8**	**13.4**	**1,324.2**
Profit/(loss) for the period	**-**	**-**	**-**	**-**	**-**	**248.1**	**(0.9)**	**247.2**
Other comprehensive income/(expense)	**-**	**-**	**298.9**	**16.9**	**(19.8)**	**(18.1)**	**(0.3)**	**277.6**
Total comprehensive income/(expense) for the period	**-**	**-**	**298.9**	**16.9**	**(19.8)**	**230.0**	**(1.2)**	**524.8**
Equity dividends paid	**-**	**-**	**-**	**-**	**-**	**(50.6)**	**-**	**(50.6)**
Issue of share capital	**1.1**	**7.3**	**-**	**-**	**-**	**-**	**-**	**8.4**
Distribution to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Repurchase of own shares	**-**	**-**	**-**	**-**	**(110.0)**	**(40.0)**	**-**	**(150.0)**

Total transactions with owners in their capacity as owner	**1.1**	**7.3**	**-**	**-**	**(110.0)**	**(90.6)**	**(0.1)**	**(192.3)**
Movements on cash flow hedges released directly from equity	**-**	**-**	**(21.5)**	**-**	**-**	**-**	**-**	**(21.5)**
Deferred tax on cash flow hedges released directly from equity	**-**	**-**	**4.7**	**-**	**-**	**-**	**-**	**4.7**
Movements on cost of hedging released directly from equity	**-**	**-**	**-**	**(15.8)**	**-**	**-**	**-**	**(15.8)**
Deferred tax on cost of hedging released directly from equity	**-**	**-**	**-**	**4.0**	**-**	**-**	**-**	**4.0**
Movements in equity associated with share-based payments	**-**	**-**	**-**	**-**	**-**	**5.3**	**-**	**5.3**
Deferred tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**(0.8)**	**-**	**(0.8)**
At 30 June 2023	**49.0**	**440.6**	**130.1**	**45.2**	**617.9**	**337.7**	**12.1**	**1,632.6**

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

Condensed consolidated cash flow statement

		Six months ended 30 June		Year ended 31 December
		2023	2022	2022
		(Unaudited)	(Unaudited)	(Audited)
	Notes	**£m**	£m	£m
Cash generated from operations	11	**404.3**	185.4	320.3
Income taxes paid		**(102.0)**	(9.0)	(38.7)
Interest paid		**(51.2)**	(33.0)	(77.2)
Interest received		**5.4**	0.6	3.3
Net cash from operating activities		**256.5**	144.0	207.7
Cash flows from investing activities				
Purchases of property, plant and equipment		**(154.7)**	(78.4)	(163.9)
Purchases of intangible assets		**(3.9)**	(4.4)	(10.8)
Proceeds from the sale of property, plant and equipment		**--**	-	1.6
Purchases of equity in associates		**(1.7)**	-	-
Acquisition of businesses net of cash acquired		**-**	-	(7.6)
Net cash used in investing activities		**(160.3)**	(82.8)	(180.7)
Cash flows from financing activities				
Equity dividends paid	8	**(50.6)**	(45.2)	(78.9)
(Distributions to)/contributions from non-controlling interests		**(0.1)**	1.5	1.3
Acquisition of non-controlling interests without a change in control		**-**	-	(19.6)
Proceeds from issue of share capital		**8.4**	0.9	1.2
Draw down of facilities		**-**	-	188.5
Repayment of facilities	10	**(43.4)**	(41.4)	(186.4)
Repurchase of own shares	9	**(110.0)**	-	-
Payment of principal of lease liabilities		**(13.7)**	(8.5)	(18.0)
Net cash absorbed by financing activities		**(209.4)**	(92.7)	(111.9)
Net decrease in cash and cash equivalents		**(113.2)**	(31.5)	(84.9)
Cash and cash equivalents at beginning of the period		**238.0**	317.4	317.4
Effect of changes in foreign exchange rates		**0.1**	2.5	5.5
Cash and cash equivalents at end of the period		**124.9**	288.4	238.0

Notes to the Condensed consolidated interim financial statements

1. General information

These notes provide additional information about the disclosures within the Condensed consolidated interim financial statements. Further information can be found in the Group's 2022 Annual report and accounts on pages 186-276.

Drax Group plc (the Company) is incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The Company and its subsidiaries (collectively, the Group) have three principal activities:

- Production and subsequent sale of biomass pellets for use in electricity generation;
- Electricity generation; and
- Electricity and gas supply to non-domestic customers.

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

2. Segmental reporting

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

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

Operating costs are allocated to the reportable segments to the extent they are directly attributable to the activities of that segment. Central corporate and commercial function costs that are not directly attributable to the activities of a reportable segment are included within Innovation, capital projects and other costs. Innovation, capital projects and other costs is not a reportable segment as it does not earn revenues.

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

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

Seasonality of trading

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

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

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

Segment revenues and results

The following is an analysis of the Group's performance by reportable segment for the six months ended 30 June 2023. Revenue for each segment is split between sales to external parties and inter-segment sales. Inter-segment sales are eliminated in the intra-group eliminations column along with any adjustment required for unrealised profits (primarily inventory in transit from the Pellet Production segment to the Generation segment at the reporting date).

	Six months ended 30 June 2023 (Unaudited)							
	Pellet Production £m	Generation £m	Customers £m	Innovation, capital projects and other £m	Intra-group eliminations £m	Adjusted results £m	Exceptional items and certain remeasure-ments £m	
Revenue								
External sales	**207.9**	**1,108.1**	**2,648.4**	**-**	**-**	**3,964.4**	**126.0**	**4**
Inter-segment sales	**178.0**	**2,167.3**	**-**	**-**	**(2,345.3)**	**-**	**-**	
Total revenue	**385.9**	**3,275.4**	**2,648.4**	**-**	**(2,345.3)**	**3,964.4**	**126.0**	**4**
Cost of sales	**(239.2)**	**(2,704.5)**	**(2,553.9)**	**-**	**2,330.6**	**(3,167.0)**	**(41.2)**	**(3,**
Electricity Generator Levy	**-**	**(35.3)**	**-**	**-**	**-**	**(35.3)**	**-**	
Gross profit	**146.7**	**535.6**	**94.5**	**-**	**(14.7)**	**762.1**	**84.8**	
Operating and administrative expenses	**(99.2)**	**(114.2)**	**(38.8)**	**(79.5)**	**5.3**	**(326.4)**	**-**	**(**
Impairment losses on financial assets	**-**	**-**	**(18.6)**	**-**	**-**	**(18.6)**	**-**	
Depreciation and amortisation	**(42.6)**	**(53.1)**	**(11.4)**	**(1.6)**	**(0.7)**	**(109.4)**	**-**	**(**
Other (losses)/gains	**(0.6)**	**1.1**	**-**	**-**	**-**	**0.5**	**-**	

Expense from associates	**(0.6)**	**-**	**-**	**-**	**-**	**(0.6)**	**-**
Operating profit/(loss)	**3.7**	**369.4**	**25.7**	**(81.1)**	**(10.1)**	**307.6**	**84.8**

	Six months ended 30 June 2022 (Unaudited)							
	Pellet Production £m	Generation £m	Customers £m	Innovation, capital projects and other £m	Intra-group eliminations £m	Adjusted results £m	Exceptional items and certain remeasure-ments £m	Total results £m
Revenue								
External sales	157.9	1,795.1	1,668.5	-	-	3,621.5	(64.4)	3,557.1
Inter-segment sales	199.6	1,337.4	-	-	(1,537.0)	-	-	-
Total revenue	357.5	3,132.5	1,668.5	-	(1,537.0)	3,621.5	(64.4)	3,557.1
Cost of sales	(241.8)	(2,846.7)	(1,578.1)	-	1,531.9	(3,134.7)	194.0	(2,940.7)
Gross profit	115.7	285.8	90.4	-	(5.1)	486.8	129.6	616.4
Operating and administrative expenses	(70.6)	(81.1)	(40.2)	(43.8)	-	(235.7)	(1.6)	(237.3)
Impairment losses on financial assets	-	-	(26.4)	-	-	(26.4)	-	(26.4)
Depreciation and amortisation	(59.4)	(47.1)	(12.4)	(1.7)	-	(120.6)	-	(120.6)
Impairment of non- current assets	-	-	-	-	-	-	(24.9)	(24.9)
Other losses	(0.3)	(0.7)	-	-	-	(1.0)	-	(1.0)
Income from associates	0.8	-	-	-	-	0.8	-	0.8
Operating (loss)/profit	(13.8)	156.9	11.4	(45.5)	(5.1)	103.9	103.1	207.0

	Year ended 31 December 2022 (Audited)							
	Pellet Production £m	Generation £m	Customers £m	Innovation, capital projects and other £m	Intra-group eliminations £m	Adjusted results £m	Exceptional items and certain remeasure-ments £m	Total results £m
Revenue								
External sales	377.2	3,638.9	4,143.1	-	-	8,159.2	(383.9)	7,775.3
Inter-segment sales	425.4	3,719.3	-	-	(4,144.7)	-	-	-
Total revenue	802.6	7,358.2	4,143.1	-	(4,144.7)	8,159.2	(383.9)	7,775.3
Cost of sales	(501.9)	(6,479.2)	(3,985.0)	-	4,128.4	(6,837.7)	85.7	(6,752.0)
Gross profit/(loss)	300.7	879.0	158.1	-	(16.3)	1,321.5	(298.2)	1,023.3
Operating and administrative expenses	(167.3)	(183.5)	(84.3)	(113.6)	5.9	(542.8)	-	(542.8)
Impairment losses on financial assets	-	-	(48.0)	-	-	(48.0)	-	(48.0)
Depreciation and amortisation	(119.9)	(98.6)	(25.5)	(3.3)	7.9	(239.4)	-	(239.4)
Impairment of non-current assets	-	(16.6)	-	-	-	(16.6)	(24.9)	(41.5)
Other losses	(2.0)	(3.8)	-	-	-	(5.8)	-	(5.8)
Income from associates	0.5	-	-	-	-	0.5	-	0.5
Operating profit/(loss)	12.0	576.5	0.3	(116.9)	(2.5)	469.4	(323.1)	146.3

The accounting policies applied for the purpose of measuring the segments' profits or losses, assets and liabilities are the same as those used in measuring the corresponding amounts in the Group's 2022 Annual report and accounts.

Capital expenditure by segment

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

30 June 2023 (Unaudited)		30 June 2022 (Unaudited)	31 December 2022 (Audited)
Capital	**Capital**	Capital	Capital

	Capital additions to intangible assets £m	**Capital additions to property, plant and equipment £m**	Capital additions to intangible assets £m	Capital additions to property, plant and equipment £m	Capital additions to intangible assets £m	Capital additions to property, plant and equipment £m
Pellet Production	**-**	**42.8**	-	28.8	-	66.0
Generation	**0.7**	**158.2**	0.8	26.3	2.8	171.5
Customers	**1.0**	**-**	1.8	-	2.3	0.3
Innovation, capital projects and other	**2.2**	**5.4**	1.3	1.2	4.3	8.2
Total	**3.9**	**206.4**	3.9	56.3	9.4	246.0

Geographical analysis of revenue and non-current assets

	Revenue (based on location of customer)		
	30 June 2023 (Unaudited) £m	30 June 2022 (Unaudited) £m	31 December 2022 (Audited) £m
North America	**53.1**	5.6	10.6
Europe	**27.4**	18.0	27.6
Asia	**118.1**	94.6	275.4
UK	**3,891.8**	3,438.9	7,461.7
Total	**4,090.4**	3,557.1	7,775.3

	Non-current assets[1] (based on asset's location)		
	30 June 2023 (Unaudited) £m	30 June 2022 (Unaudited) £m	31 December 2022 (Audited) £m
Canada	**523.8**	551.6	542.6
US	**478.4**	507.5	502.6
UK	**2,161.5**	1,988.0	2,054.5
Total	**3,163.7**	3,047.1	3,099.7

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

3. Revenue

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

During the period, the Group made sales (and subsequent purchases) of Renewable Obligation Certificates (ROCs) to help optimise the Group's working capital position. External sales of Renewable certificates below include £253.0 million of such sales (six months ended 30 June 2022: £276.3 million), with a similar value reflected in cost of sales.

To support the Group's ambition to be carbon negative by 2030, a decision was made in January 2023 to phase out the Group's gas supply contracts in the Customers business. Having already ceased acquiring new gas customers, following internal processes and a regulatory driven 60-day grace period, no renewal contracts have been offered since May 2023. It is anticipated that the portfolio will be fully phased out by 2027.

The UK Government introduced the Energy Bills Discount Scheme (EBDS) running from 1 April 2023 to 31 March 2024. Under this scheme, energy supplied to eligible non-domestic customers will have a discount applied to cap their energy tariff. Certain customers may be eligible for higher levels of support dependant on the sector in which they operate. The discount provided can then be claimed back from the UK Government by the supplier.

EBDS replaced the Energy Bill Relief Scheme (EBRS) which supported non-domestic customers between 1 October 2022 and 31 March 2023. The discounted price of electricity and gas supplied under both the EBRS and the EBDS is recognised in revenue as it is supplied. The discount claimed back from the UK Government is recognised within revenue over the same period as the underlying discounted revenue to which it relates is recognised. The revenue received under these schemes is included in the EBRS and EBDS income line in the table below. Amounts recognised under the EBDS are significantly smaller than under the EBRS due to the reduced level of support provided under the scheme and lower market prices in the period since its introduction. The Group does not recognise any additional revenue from the schemes than it would have done if they were not introduced.

For further details on the revenue streams listed below see pages 189-191 of the Group's 2022 Annual report and accounts.

The sources of revenue were as follows:

	Six months ended 30 June 2023 (Unaudited)		
	External £m	**Inter-segment £m**	**Total £m**
Pellet Production			
Pellet sales	**204.2**	**178.0**	**382.2**
Other income	**3.7**	**-**	**3.7**
Total	**207.9**	**178.0**	**385.9**
Generation			

	External	Inter-segment	Total
Electricity sales	**846.7**	**2,132.4**	**2,979.1**
Renewable certificate sales	**265.4**	**34.9**	**300.3**
CfD payment	**(57.7)**	**-**	**(57.7)**
Ancillary services	**25.5**	**-**	**25.5**
Other income	**28.2**	**-**	**28.2**
Total	**1,108.1**	**2,167.3**	**3,275.4**
Customers			
Electricity and gas sales	**2,308.0**	**-**	**2,308.0**
EBRS and EBDS income	**340.0**	**-**	**340.0**
Other income	**0.4**	**-**	**0.4**
Total	**2,648.4**	**-**	**2,648.4**
Elimination of inter-segment sales	**-**	**(2,345.3)**	**(2,345.3)**
Total consolidated revenue in Adjusted results	**3,964.4**	**-**	**3,964.4**
Certain remeasurements	**126.0**	**-**	**126.0**
Total consolidated revenue in Total results	**4,090.4**	**-**	**4,090.4**

	Six months ended 30 June 2022 (Unaudited)		
	External £m	Inter-segment £m	Total £m
Pellet Production			
Pellet sales	153.1	199.5	352.6
Other income	4.8	0.1	4.9
Total	157.9	199.6	357.5
Generation			
Electricity sales	1,363.6	1,312.6	2,676.2
Renewable certificate sales	370.7	24.8	395.5
CfD payment	(8.3)	-	(8.3)
Ancillary services	32.6	-	32.6
Other income	36.5	-	36.5
Total	1,795.1	1,337.4	3,132.5
Customers			
Electricity and gas sales	1,668.5	-	1,668.5
Total	1,668.5	-	1,668.5
Elimination of inter-segment sales	-	(1,537.0)	(1,537.0)
Total consolidated revenue in Adjusted results	3,621.5	-	3,621.5
Certain remeasurements	(64.4)	-	(64.4)
Total consolidated revenue in Total results	3,557.1	-	3,557.1

	Year ended 31 December 2022 (Audited)		
	External £m	Inter-segment £m	Total £m
Pellet Production			
Pellet sales	369.3	425.2	794.5
Other income	7.9	0.2	8.1
Total	377.2	425.4	802.6
Generation			
Electricity sales(1)	2,633.1	3,293.3	5,926.4
Renewable certificate sales	851.5	426.0	1,277.5
CfD payment	(45.7)	-	(45.7)
Ancillary services	73.0	-	73.0
Other income	127.0	-	127.0
Total	3,638.9	3,719.3	7,358.2
Customers			
Electricity and gas sales	3,853.1	-	3,853.1
EBRS income	289.2	-	289.2
Other income	0.8	-	0.8
Total	4,143.1	-	4,143.1
Elimination of inter-segment sales	-	(4,144.7)	(4,144.7)
Total consolidated revenue in Adjusted results	8,159.2	-	8,159.2
Certain remeasurements	(383.9)	-	(383.9)
Total consolidated revenue in Total results	7,775.3	-	7,775.3

(1) Electricity sales in the Generation segment were net of a £6.1 million payment to Ofgem's Voluntary Energy Redress Fund.

4. Net finance costs

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

Year ended

	Six months ended 30 June		Year ended 31 December
	2023 (Unaudited) £m	2022 (Unaudited) £m	2022 (Audited) £m
Interest payable and similar charges:			
Interest payable on borrowings measured at amortised cost	**(47.4)**	(29.5)	(68.6)
Interest on lease liabilities	**(3.8)**	(3.2)	(6.8)
Unwinding of discount on provisions	**(0.9)**	(0.4)	(1.1)
Amortisation of deferred finance costs (note 10)	**(2.2)**	(3.3)	(6.1)
Other financing charges	**-**	-	(0.5)
Total interest payable and similar charges included in Adjusted results	**(54.3)**	(36.4)	(83.1)
Interest receivable:			
Interest income on bank deposits	**5.4**	0.6	3.3
Interest income on defined benefit pension surplus	**1.1**	0.5	1.0
Other interest income	**0.3**	-	-
Total interest receivable included in Adjusted results	**6.8**	1.1	4.3
Foreign exchange (losses)/gains included in Adjusted results	**(6.7)**	28.4	14.8
Net finance costs included in Adjusted results	**(54.2)**	(6.9)	(64.0)
Certain remeasurements on financing derivatives	**(0.1)**	(0.2)	(4.2)
Net finance costs included in Total results	**(54.3)**	(7.1)	(68.2)

The Group has a number of intercompany loans denominated in the functional currency of certain foreign subsidiaries, that are owed to a sterling functional currency entity. Due to the strengthening of sterling during the six months ended 30 June 2023 (six months ended 30 June 2022: weakening), this has resulted in a foreign exchange loss of £16.0 million (six months ended 30 June 2022: £28.5 million gain) on the retranslation of intercompany loans in the income statement of the sterling functional currency entity. This loss (six months ended 30 June 2022: gain) is recognised within the Condensed consolidated income statement and within the Foreign exchange (losses)/gains included in Adjusted results line in the table above. Conversely, the foreign exchange gain (six months ended 30 June 2022: loss)on translating the foreign subsidiaries' intercompany loans into the Group's sterling presentational currency impacts the translation reserve, with the movement recognised in Other comprehensive income. As such, on consolidation, a foreign exchange loss (six months ended 30 June 2022: gain)arises in the Consolidated income statement and an offsetting gain (six months ended 30 June 2022: loss)is recognised in Other comprehensive income.

5. Taxation

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

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

	Six months ended 30 June		Year ended 31 December
	2023 (Unaudited) £m	2022 (Unaudited) £m	2022 (Audited) £m
Tax charge comprises:			
Current tax			
- Current period charge	**60.2**	10.2	66.0
- Adjustments in respect of prior periods	**-**	-	(1.9)
Deferred tax			
- Before impact of tax rate changes	**30.7**	33.7	(61.9)
- Adjustments in respect of prior periods	**-**	0.3	0.1
- Effect of changes in tax rate	**-**	7.8	(6.7)
Tax charge/(credit)	**90.9**	52.0	(4.4)

This majority of the Group's anticipated full year profit isUK-based. The headline statutory rate of taxation on UK profits for 2023 is 23.5%, following the rate increase from 19% to 25% effective 1 April 2023.

The expected full year effective tax rate of 27.5% is higher than the prior year rate of 18.5%. This is due to the increase in the UK corporation tax rate from 19% to 25% from 1 April 2023, and the introduction of the non-deductible Electricity Generator Levy from 1 January 2023. The primary current tax rate benefits are in respect of UK corporation tax reliefs for the super deduction (until 31 March 2023), patent box and research and development.

6. Alternative performance measures (APMs)

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

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

business.

The Group has a policy and framework for the determination of transactions as exceptional. All transactions presented as exceptional are also approved by the Audit Committee. See the Audit Committee Report on pages 116-126 of the Group's 2022 Annual report and accounts for further details.

No items have been designated as exceptional during the period. The following transactions were designated as exceptional items and presented separately during the six months ended 30 June 2022 and the year ended 31 December 2022:

- Impairment charges incurred on costs associated with the Customers billing system (see page 238 of the Group's 2022 Annual report and accounts for more information) (Customers segment).
- Impairment charges incurred on the application of the Group's accounting policy for Software as a Service costs consistent with the IFRIC agenda decision (All segments).
- Impact of UK tax rate change on deferred tax balances (Generation and Customers segments).

Certain remeasurements comprise gains or losses on derivative contracts to the extent that those contracts do not qualify for hedge accounting (or hedge accounting is not effective), and those gains or losses are either i) unrealised and relate to derivative contracts with a maturity in future periods, or ii) are realised in relation to the maturity of derivative contracts in the current period. The effect of excluding certain remeasurements from Adjusted results is to reflect commodity sales and purchases at contracted prices, i.e. at the all-in-hedged amount paid or received in respect of the delivery of the commodity in question, and financial contracts in the period they are intended to hedge, to reflect the underlying trading performance of the Group in Adjusted results.

2022 saw high prices and volatility in financial and commodity markets. This resulted in significant movements in the remeasurement gains and losses on certain derivative financial instruments which do not qualify for hedge accounting, or where hedge accounting is ineffective, as shown in the table below, principally relating to gas, certain foreign currency contracts, inflation and oil. In the first half of 2023 prices have reduced compared to 2022 but remain above historical norms. Further detail on the Group's derivative financial instruments is provided in notes 12 and 13.

	Six months ended 30 June		Year ended 31 December
	2023 (Unaudited) £m	2022[1] (Unaudited) £m	2022 (Audited) £m
Exceptional items:			
Restructuring costs[2]	**-**	(0.5)	-
Integration costs[2]	**-**	(1.1)	-
Impairment of non-current assets	**-**	(24.9)	(24.9)
Exceptional items included in operating profit	**-**	(26.5)	(24.9)
Tax on exceptional items	**-**	5.2	4.7
Impact of tax rate change	**-**	(8.6)	(9.8)
Exceptional items after taxation	**-**	(29.9)	(30.0)
Certain remeasurements:			
Net certain remeasurements included in revenue	**126.0**	(64.4)	(383.9)
Net certain remeasurements included in cost of sales	**(41.2)**	194.0	85.7
Certain remeasurements included in operating profit	**84.8**	129.6	(298.2)
Net certain remeasurements included in interest payable and similar charges	**(0.1)**	(0.2)	(0.4)
Net certain remeasurements included in foreign exchange gains/(losses)	**-**	-	(3.8)
Certain remeasurements included in profit before tax	**84.7**	129.4	(302.4)
Tax on certain remeasurements	**(21.2)**	(31.4)	57.5
Impact of tax rate change	**-**	0.8	19.4
Certain remeasurements after tax	**63.5**	98.8	(225.5)
Reconciliation:			
Adjusted profit after tax	**183.7**	79.0	338.0
Exceptional items after tax	**-**	(29.9)	(30.0)
Certain remeasurements after tax	**63.5**	98.8	(225.5)
Total profit after tax	**247.2**	147.9	82.5

(1) Comparative amounts for the six months ended 30 June 2022 have been re-presented to split out the impact of tax rate change between exceptional items and certain remeasurements.

(2) In the second half of 2022, the application guidance for the Group's policy on determining whether a transaction is exceptional was updated. This update included setting revised thresholds for designating items as exceptional. As a result, restructuring costs of £0.5 million and integration costs of £1.1 million designated as exceptional in the 2022 Condensed consolidated interim financial statements were not designated as exceptional items in the 2022 Annual report and accounts.

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

	Six months ended 30 June 2023 (Unaudited)							
	Revenue £m	**Gross profit £m**	**Operating profit £m**	**Profit before tax £m**	**Tax charge £m**	**Profit for the period £m**	**Basic earnings per share Pence**	**Cash flow from operating activities £m**
Total results IFRS measure	**4,090.4**	**846.9**	**392.4**	**338.1**	**(90.9)**	**247.2**	**61.8**	**256.5**
Certain remeasurements:								

Net fair value remeasurement on derivative contracts	**(126.0)**	**(84.8)**	**(84.8)**	**(84.7)**	**21.2**	**(63.5)**	**(15.8)**	**-**
Adjusted results totals	**3,964.4**	**762.1**	**307.6**	**253.4**	**(69.7)**	**183.7**	**46.0**	**256.5**

	Six months ended 30 June 2022 (Unaudited)							
	Revenue £m	Gross profit £m	Operating profit £m	Profit before tax £m	Tax charge £m	Profit for the period £m	Basic earnings per share Pence	Cash flow from operating activities £m
Total results IFRS measure	3,557.1	616.4	207.0	199.9	(52.0)	147.9	37.2	144.0
Certain remeasurements:								
Net fair value remeasurement on derivative contracts	64.4	(129.6)	(129.6)	(129.4)	31.4	(98.0)	(24.5)	-
Impact of tax rate change(1)	-	-	-	-	8.6	8.6	2.2	-
Exceptional items:								
Impairment of non-current assets	-	-	24.9	24.9	(5.0)	19.9	5.0	-
Restructuring costs(2)	-	-	0.5	0.5	(0.1)	0.4	0.1	0.4
Integration costs(2)	-	-	1.1	1.1	(0.1)	1.0	0.2	1.0
Impact of tax rate change(1)	-	-	-	-	(0.8)	(0.8)	(0.2)	-
Total	64.4	(129.6)	(103.1)	(102.9)	34.0	(68.9)	(17.2)	1.4
Adjusted results totals	3,621.5	486.8	103.9	97.0	(18.0)	79.0	20.0	145.4

(1) Comparative amounts for the six months ended 30 June 2022 have been re-presented to split out the impact of tax rate change between exceptional items and certain remeasurements.

(2) In the second half of 2022, the application guidance for the Group's policy on determining whether a transaction is exceptional was updated. This update included setting revised thresholds for designating items as exceptional. As a result, restructuring costs of £0.5 million and integration costs of £1.1 million designated as exceptional in the 2022 Condensed consolidated interim financial statements were not designated as exceptional items in the 2022 Annual report and accounts.

	Year ended 31 December 2022 (Audited)							
	Revenue £m	Gross profit £m	Operating profit £m	Profit before tax £m	Tax charge £m	Profit for the period £m	Basic earnings per share Pence	Cash flow from operating activities £m
Total results IFRS measure	7,775.3	1,023.3	146.3	78.1	4.4	82.5	21.3	207.7
Certain remeasurements:								
Net fair value remeasurement on derivative contracts	383.9	298.2	298.2	302.4	(57.5)	244.9	61.2	-
Impact of tax rate change	-	-	-	-	(19.4)	(19.4)	(4.8)	-
Exceptional items:								
Impairment of non-current assets	-	-	24.9	24.9	(4.7)	20.2	5.0	-
Impact of tax rate change	-	-	-	-	9.8	9.8	2.4	-
Total	383.9	298.2	323.1	327.3	(71.8)	255.5	63.8	-
Adjusted results totals	8,159.2	1,321.5	469.4	405.4	(67.4)	338.0	85.1	207.7

A cost of £35.3 million has been recognised in relation to EGL for the first six months of 2023. The cost has been recognised within the Electricity Generator Levy line in the Condensed consolidated income statement. The liability for EGL has been recognised within Trade and other payables and contract liabilities within the Condensed consolidated balance sheet. No cash payments have yet been made or fallen due.

Both Adjusted EBITDA including EGL and Adjusted EBITDA excluding EGL are presented below. Management believe that providing both measures provides useful information, as it enables readers to compare, on a consistent basis, the current period Adjusted EBITDA to prior periods in which the EGL was not applicable, and also to see the impact of EGL, which is relevant for comparison in future periods.

Six months ended 30 June 2023

	Six months ended 30 June 2023 (Unaudited)		
	Attributable to		
	Owners of the Parent Company £m	**Non-controlling interests £m**	**Total £m**
Adjusted operating profit/(loss)	**308.3**	**(0.7)**	**307.6**
Depreciation and amortisation	**108.9**	**0.5**	**109.4**
Other gains	**(0.5)**	**-**	**(0.5)**
Expense from associates	**0.6**	**-**	**0.6**
Adjusted EBITDA including Electricity Generator Levy	**417.3**	**(0.2)**	**417.1**
Electricity Generator Levy	**35.3**	**-**	**35.3**
Adjusted EBITDA excluding Electricity Generator Levy	**452.6**	**(0.2)**	**452.4**

	Six months ended 30 June 2022 (Unaudited)		
	Attributable to		
	Owners of the Parent Company £m	Non-controlling interests £m	Total £m
Adjusted operating profit/(loss)	104.9	(1.0)	103.9
Depreciation and amortisation	119.8	0.8	120.6
Other losses	1.0	-	1.0
Income from associates	(0.8)	-	(0.8)
Adjusted EBITDA*	224.9	(0.2)	224.7

*EGL was not applicable in 2022

	Year ended 31 December 2022 (Audited)		
	Attributable to		
	Owners of the Parent Company £m	Non-controlling interests £m	Total £m
Adjusted operating profit/(loss)	472.0	(2.6)	469.4
Depreciation and amortisation	237.2	2.2	239.4
Impairment losses on non-current assets	16.6	-	16.6
Other losses	5.7	0.1	5.8
Income from associates	(0.5)	-	(0.5)
Adjusted EBITDA*	731.0	(0.3)	730.7

*EGL was not applicable in 2022

	Six months ended 30 June		Year ended 31 December
	2023 (Unaudited) £m	2022 (Unaudited) £m	2022 (Audited) £m
Segment Adjusted EBITDA excluding Electricity Generator Levy:			
Pellet Production	**47.7**	45.3	133.7
Generation	**456.7**	204.7	695.5
Customers	**37.1**	23.8	25.8
Innovation, capital projects and other	**(79.5)**	(43.8)	(113.6)
Intra-group eliminations	**(9.4)**	(5.1)	(10.4)
Total Adjusted EBITDA excluding Electricity Generator Levy	**452.6**	224.9	731.0
Electricity Generator Levy	**(35.3)**	-	-
Total Adjusted EBITDA including Electricity Generator Levy	**417.3**	224.9	731.0

The Electricity Generator Levy relates wholly to the Generation segment, therefore Adjusted EBITDA including Electricity Generator Levy for the Generation segment is £421.4 million.

Net debt

Net debt is calculated by taking the Group's borrowings (note 10), adjusting for the impact of associated hedging instruments, and subtracting cash and cash equivalents. Net debt excludes the share of borrowings and cash and cash equivalents attributable to non-controlling interests.

The Group has entered into cross-currency interest rate swaps, fixing the sterling value of the principal repayments and interest in respect of the Group's US dollar (USD) and euro (EUR) denominated debt (see note 13). For the purpose of calculating Net debt USD and EUR balances are translated at the hedged rate, rather than the rate prevailing at the reporting date, which impacts the carrying amount of the Group's borrowings. See the APMs glossary and the APMs section within the Basis of preparation for further details on the calculation of Net debt.

	As at 30 June		As at 31 December
	2023 (Unaudited) £m	2022 (Unaudited) £m	2022 (Audited) £m
Borrowings	**(1,363.1)**	(1,388.4)	(1,440.9)
Cash and cash equivalents	**124.9**	288.4	238.0
Net cash and borrowings	**(1,238.2)**	(1,100.0)	(1,202.9)
Non-controlling interests' share of cash and cash			

equivalents in non-wholly owned subsidiaries	**(0.2)**	(0.8)	(0.7)
Impact of hedging instruments	**(36.0)**	(15.5)	(2.4)
Net debt	**(1,274.4)**	(1,116.3)	(1,206.0)
Collateral posted/(received)	**183.0**	(46.6)	234.0
Net debt excluding collateral	**(1,091.4)**	(1,162.9)	(972.0)

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

	Six months ended 30 June		Year ended 31 December
	2023 (Unaudited) £m	2022 (Unaudited) £m	2022 (Audited) £m
Net debt at beginning of period	**(1,206.0)**	(1,108.0)	(1,108.0)
Decrease in owners of the Parent Company's share of cash and cash equivalents	**(112.7)**	(32.3)	(85.6)
Decrease/(increase) in net borrowings	**41.4**	37.5	(8.6)
Effect of changes in foreign exchange rates	**36.5**	(62.4)	(65.8)
Movement in the impact of hedging instruments	**(33.6)**	48.9	62.0
Net debt at end of period	**(1,274.4)**	(1,116.3)	(1,206.0)

Borrowings include listed bonds, bank debt and RCFs (to the extent drawn in cash), net of any deferred finance costs. Borrowings do not include other financial liabilities such as lease liabilities and trade and other payables (including working capital facilities).

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

	As at 30 June		Year ended 31 December
	2023 (Unaudited)	2022 (Unaudited)	2022 (Audited)
Adjusted EBITDA including EGL LTM basis	**923.4**	437.4	731.0
Adjusted EBITDA excluding EGL LTM basis	**958.7**	437.4	731.0
Net debt (£m)	**(1,274.4)**	(1,116.3)	(1,206.0)
Net debt excluding collateral (£m)	**(1,091.4)**	(1,162.9)	(972.0)
Net debt to Adjusted EBITDA including EGL ratio	**1.4**	2.6	1.6
Net debt excluding collateral to Adjusted EBITDA including EGL ratio	**1.2**	2.7	1.3
Net debt to Adjusted EBITDA excluding EGL ratio	**1.3**	2.6	1.6
Net debt excluding collateral to Adjusted EBITDA excluding EGL ratio	**1.1**	2.7	1.3

Cash and committed facilities

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

	As at 30 June		Year ended 31 December
	2023 (Unaudited) £m	2022 (Unaudited) £m	2022 (Audited) £m
Cash and cash equivalents	**124.9**	288.4	238.0
RCF available but not utilised[(1)]	**261.2**	250.1	260.1
Liquidity facility available but not utilised	**200.0**	-	200.0
Total cash and committed facilities	**586.1**	538.5	698.1

(1) The Group's available balance on the RCF facility (includes £300 million and C$10 million RCF, see note 10) is reduced by letters of credit drawn under the RCF. As at 30 June 2023 £44.7 million letters of credit were drawn (31 December 2022: £46.0 million).

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

Adjusted EPS is another key APM used by the Group. See note 7 for further details on this APM.

7. Earnings per share

Earnings per share (EPS) represents the amount of earnings (post-tax profits or losses) attributable to the weighted average number of ordinary shares outstanding in the period. Basic EPS is calculated by dividing the Group's earnings attributable to owners of the Parent Company (profit or loss after tax, excluding amounts attributable to non-controlling interests) by the weighted average number of ordinary shares that were outstanding during the period. Diluted EPS demonstrates the impact of all outstanding share options that would vest on their future maturity dates if the conditions at the end of the reporting period were the same as those at the end of the contingency period (such as those to be issued under employee share schemes), and the options were exercised and treated as ordinary shares as at the reporting date. Repurchased shares held in the Treasury shares reserve are not included in the weighted average calculation of shares. See note 9 for further details on the Treasury shares reserve. For the purpose of calculating Diluted EPS, the weighted average calculation of shares excludes any share options that would have an anti-dilutive impact.

	Six months ended 30 June		Year ended 31 December
	2023 (Unaudited)	2022 (Unaudited)	2022 (Audited)
Number of shares:			
Weighted average number of ordinary shares for the purposes of Basic earnings per share (millions)	**401.4**	400.0	400.4
Effect of dilutive potential ordinary shares under share plans (millions)	**9.1**	14.8	14.0

Weighted average number of ordinary shares for the purposes of Diluted earnings per share (millions)	**410.5**	414.8	414.4

The tables below detail the earnings and EPS attributable to owners of the Parent Company:

	Six months ended 30 June				Year ended 31 December	
	2023 (Unaudited)		2022 (Unaudited)		2022 (Audited)	
	Adjusted results	**Total results**	Adjusted results	Total results	Adjusted results	Total results
Earnings - Profit after tax (£m)	**184.6**	**248.1**	80.0	148.9	340.6	85.1
Earnings per share - Basic (Pence)	**46.0**	**61.8**	20.0	37.2	85.1	21.3
Earnings per share - Diluted (Pence)	**45.0**	**60.4**	19.3	35.9	82.2	20.5

8. Dividends

		Six months ended 30 June		Year ended 31 December
	Pence per share	**2023 (Unaudited) £m**	2022 (Unaudited) £m	2022 (Audited) £m
Amounts recognised as distributions to equity holders in the period (based on the number of shares in issue at the record date):				
Final dividend for the year ended 31 December 2022 paid 19 May 2023	12.6	**50.6**	-	-
Interim dividend for the year ended 31 December 2022 paid 7 October 2022	8.4	**-**	-	33.7
Final dividend for the year ended 31 December 2021 paid 13 May 2022	11.3	**-**	45.2	45.2
		50.6	45.2	78.9

On 26 July 2023, the Board resolved to pay an interim dividend of 9.2 pence per share (£36 million), representing 40% of the expected full year dividend in line with the Group's dividend policy. The interim dividend will be paid on 6 October 2023 and the record date for entitlement to the dividend will be on 25 August 2023.

Distributable reserves

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

The Parent Company (Drax Group plc) has distributable reserves at 30 June 2023 of £166.3 million. Sufficient reserves are available across the Group as a whole to make future distributions in accordance with the Group's dividend policy for the medium term.

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

The immediate cash resources of the Group of £124.9 million are comprised of cash and cash equivalents that are accessible on demand. The recent history of operating cash generation is set out in note 11. The majority of these cash resources are held centrally within the Group for treasury management purposes and are available for funding the working capital and other requirements of the Group.

The Group's financing facilities (see note 10) place customary conditions on the amount of dividend payments to be made in any given period. The Group expects to be able to make dividend payments, in line with its policy, within these conditions for the medium term.

9. Share buy-back programme

On 26 April 2023, the Group announced the commencement of a non-discretionary and irrevocable £150.0 million share buy-back programme. This led to the initial recognition of a liability of £150.0 million, recognised in accruals, with a corresponding reduction to retained earnings. This reduces the distributable reserves available to the Group by £150.0 million. When these shares are re-purchased, the liability is reduced and the cost of the shares purchased is transferred from retained earnings to the Treasury shares reserve. As at 30 June 2023, the Group had repurchased 19.1 million ordinary shares as part of the programme at a total cost, including transaction costs, of £110.0 million. These shares are held in a separate Treasury shares reserve awaiting reissue or cancellation and have no voting rights attached to them. As at 30 June 2023 the Treasury shares reserve was £160.4 million, made up of £50.4 million previously held at 31 December 2022 and the £110.0 million repurchased in 2023 as part of the share buy-back programme.

Subsequent to the reporting date and up to 26 July 2023, a further 2.2 million ordinary shares have been repurchased for consideration, including transaction costs, of £12.2 million.

10. Borrowings

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

	As at 30 June	Year ended 31 December

	As at 30 June		December
	2023 (Unaudited) £m	2022 (Unaudited) £m	2022 (Audited) £m
Secured borrowings at amortised cost:			
2.625% loan notes 2025 €250m[(1)]	**213.6**	212.8	219.8
6.625% loan notes 2025 $500m[(2)]	**392.0**	408.8	412.8
UK infrastructure private placement facilities (2019) [(3)]	**373.3**	371.4	372.5
UK infrastructure private placement facilities (2020) [(4)]	**204.9**	204.3	207.9
CAD term facility C$300m [(5)]	**179.3**	191.1	183.6
Unsecured borrowings at amortised cost:			
Uncommitted short-term loan facility €50m [(6)]	**-**	-	44.3
Total borrowings	**1,363.1**	1,388.4	1,440.9
Split between:			
Current liabilities	**323.3**	-	44.3
Non-current liabilities	**1,039.8**	1,388.4	1,396.6

(1) These loan notes mature in 2025. Cross-currency interest rate swaps have been used to fix the sterling value of interest payments. This instrument also fixed the sterling repayment of the principal. This equates to an effective sterling interest rate of 4.6%.
(2) These loan notes mature in 2025. Cross-currency interest rate swaps have been used to fix the sterling value of interest payments. This instrument also fixed the sterling repayment of the principal. This equates to an effective sterling interest rate of 6.2%.
(3) These comprise committed facilities totalling £375.0 million with a range of maturities extending out to between 2024 and 2029. Interest rate swaps have been used to fix floating rates. This equates to an effective sterling interest rate of 3.3%.
(4) These comprise committed facilities totalling £98.0 million and €126.5 million with a range of maturities extending out to between 2024 and 2030. Interest rate swaps have been used to fix sterling floating rates on sterling facilities. Cross-currency interest rate swaps have been used to fix the sterling value of interest payments on euro facilities. This instrument also fixed the sterling repayment of the principal. This equates to an effective weighted average sterling interest rate of 2.6%.
(5) This facility matures in 2024 and has a customary margin grid reference over the Canadian dollar offered rate (CDOR). No interest rate or cross-currency interest rate swaps are in place to hedge the facility, so the Group is exposed to movements in both floating interest rates and movements in the Canadian dollar.
(6) This is an uncommitted short-term facility. The average fixed interest rate for this facility is 2.4%.

The current borrowings of £323.3 million relate to the Group's C$300 million term facility (£179.3 million), £122.5 million of the UK infrastructure private placement facilities (2019) and £21.5 million of the UK infrastructure private placement facilities (2020), all with maturity dates in 2024.

The Group has a committed £300 million revolving credit facility (RCF) and C$10 million RCF. The Group has never had cash drawings under the £300 million RCF facility since its inception in 2020. The Group also has access to certain non-recourse trade receivable monetisation facilities and payment facilities, as described in note 11, which are utilised to accelerate working capital cash inflows and defer cash outflows.

In December 2022, the Group secured a new £200 million committed liquidity facility with banks within its lending group. This facility provides an additional source of liquidity to the Group's existing undrawn RCFs, until December 2023. At 30 June 2023 £nil was drawn (31 December 2022: £nil). The Group has a €50 million uncommitted facility that has €nil drawn at 30 June 2023 (31 December 2022: €50 million).

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

The weighted average interest rate payable at the reporting date on the Group's borrowings was 4.65% (as at 31 December 2022: 4.14%).

Analysis of borrowings

Changes in borrowings during the current and prior periodswere as follows:

	Six months ended 30 June 2023 (Unaudited)		
	Borrowings before deferred finance costs £m	**Deferred finance costs £m**	**Borrowings £m**
Borrowings as at 1 January 2023	**1,449.8**	**(8.9)**	**1,440.9**
Cash movements:			
Repayment of Uncommitted short-term loan facility	**(43.4)**	**-**	**(43.4)**
Non-cash movements:			
Amortisation of deferred finance costs (note 4)	**-**	**2.2**	**2.2**
Amortisation of USD loan note premium	**(0.2)**	**-**	**(0.2)**
Effect of changes in foreign exchange rates	**(36.4)**	**-**	**(36.4)**
Borrowings as at 30 June 2023	**1,369.8**	**(6.7)**	**1,363.1**

	Six months ended 30 June 2022 (Unaudited)		
	Borrowings before deferred finance costs £m	Deferred finance costs £m	Borrowings £m

Borrowings as at 1 January 2022	1,376.2	(15.2)	1,361.0
Cash movements:			
Repayment of Index-linked loan	(41.4)	-	(41.4)
Non-cash movements:			
Indexation of linked loan	0.8	-	0.8
Amortisation of deferred finance costs (note 4)	-	3.3	3.3
Amortisation of USD loan note premium	(0.2)	-	(0.2)
Effect of changes in foreign exchange rates	64.9	-	64.9
Borrowings as at 30 June 2022	1,400.3	(11.9)	1,388.4

	Year ended 31 December 2022 (Audited)		
	Borrowings before deferred finance costs £m	Deferred finance costs £m	Borrowings £m
Borrowings as at 1 January 2022	1,376.2	(15.2)	1,361.0
Cash movements:			
Repayment of Index-linked loan	(41.4)	-	(41.4)
Draw down of facilities	188.5	-	188.5
Repayment of facilities	(145.0)	-	(145.0)
Non-cash movements:			
Indexation of linked loan	0.8	-	0.8
Amortisation of deferred finance costs (note 4)	-	6.1	6.1
Amortisation of USD loan note premium	(0.4)	-	(0.4)
Effect of changes in foreign exchange rates	71.1	0.2	71.3
Borrowings as at 31 December 2022	1,449.8	(8.9)	1,440.9

11. Cash generated from operations

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

	Six months ended 30 June		Year ended 31 December
	2023 (Unaudited) £m	2022 (Unaudited) £m	2022 (Audited) £m
Profit for the period	**247.2**	147.9	82.5
Adjustments for:			
Interest payable and similar charges	**54.3**	36.6	83.1
Interest receivable	**(6.8)**	(1.1)	(4.3)
Tax charge/(credit)	**90.9**	52.0	(4.4)
Research and development tax credits	**(3.3)**	(3.1)	(5.5)
Expense/(income) from associates	**0.6**	(0.8)	(0.5)
Depreciation of property, plant and equipment	**82.6**	95.6	187.7
Depreciation of right-of-use assets	**12.8**	9.8	20.3
Amortisation of intangible assets	**14.0**	15.2	31.4
Impairment of non-current assets	**-**	24.9	41.5
Other (gains)/losses	**(0.5)**	1.0	5.8
Certain remeasurements of derivative contracts[(1)]	**(95.1)**	(136.8)	288.7
Non-cash charge for share-based payments	**5.3**	4.5	9.6
Effect of changes in foreign exchange rates	**(2.7)**	(0.9)	(2.2)
Operating cash flows before movement in working capital	**399.3**	244.8	733.7
Changes in working capital:			
Decrease/(increase) in inventories	**32.2**	(75.2)	(133.4)
Decrease/(increase) in receivables[(2)]	**201.5**	(32.8)	(379.0)
Increase in payables[(2)]	**33.3**	233.8	431.8
Net movement in collateral[(2)]	**51.0**	(126.2)	(406.8)
Decrease in provisions	**(5.3)**	-	(29.1)
(Increase)/decrease in renewable certificate assets	**(299.4)**	(55.6)	113.7
Total cash released from/(absorbed by) working capital	**13.3**	(56.0)	(402.8)
Net movement in defined benefit pension obligations	**(8.3)**	(3.4)	(10.6)
Cash generated from operations	**404.3**	185.4	320.3

(1) Certain remeasurements of derivative contracts includes the effect of non-cash unrealised gains and losses recognised in the Condensed consolidated income statement and their subsequent cash realisation. It also includes the cash and non-cash impact on deferring and recycling gains and losses on derivative contracts designated into hedge relationships under IFRS 9, where the gain or loss is held in the hedge reserve and then released to the Condensed consolidated income statement in the period the hedged transaction occurs. The £95.1 million reduction (six months ended 30 June 2022: £136.8 million reduction) for certain remeasurements of derivative contracts in the current period predominantly relates to maturing trades where the mark-to-market losses on these trades had been recognised in prior periods. At 30 June 2023 the Group had accelerated £nil of cash flows through the use of rebasing (as at 31 December 2022: £43.1 million).

(2) The £126.2 million decrease in collateral received in the prior period has been re-presented. Previously this was included in the movement in receivables as a £4.8 million decrease in receivables and movement in payables as a £131.0 million decrease in payables.

The Group has generated cash from operations of £404.3 million during the period (six months ended 30 June 2022: £185.4 million). This resulted from a cash inflow from operating activities before working capital of £399.3 million (six months ended 30 June 2022: £244.8 million inflow)

and a net working capital inflow of £13.3 million (six months ended 30 June 2022: £56.0 million outflow). This was offset by an £8.3 million (six months ended 30 June 2022: £3.4 million) cash outflow in respect of pension obligations.

The Group has a strong focus on cash flow discipline and managing liquidity, and actively manages its working capital position to ensure that the amount committed is closely aligned with operational requirements. The most significant factors making up the movement in working capital during the period are explained in further detail below.

The £32.2 million cash inflow due to a decrease in inventory in the six months ended 30 June 2023 (six months ended 30 June 2022: £75.2 million outflow) is mainly attributable to a reduction in the average cost per tonne of biomass in inventory at 30 June 2023 compared to 31 December 2022.

The £201.5 million cash inflow due to a decrease in receivables in the six months ended 30 June 2023 (six months ended 30 June 2022: £32.8 million cash outflow due to an increase in receivables) is the result of lower power prices across the Generation and Customers businesses.

The Customers business has access to a facility which enables it to accelerate cash flows associated with amounts receivable from energy supply customers on a non-recourse basis. The Group refinanced this facility in the prior year, extending the maturity to January 2027 and increasing the size of the facility to £300.0 million from £200.0 million. The Group also agreed a further increase in the limit, from £300.0 million to £400.0 million, for the period November 2022 to January 2024. Utilisation of the facility was £400.0 million at 30 June 2023 (31 December 2022: £400.0 million). As the facility was fully utilised at 31 December 2022 and 30 June 2023 this has had no cash flow impact in the period (six months ended 30 June 2022: £100.0 million cash inflow).

During the six months ended 30 June 2023, there was a £33.3 million cash inflow from an increase in payables during the six months ended 30 June 2023 (six months ended 30 June 2022: £233.8 million cash inflow due to an increase in payables).

The Group has sought to normalise payments across its supplier base resulting in certain suppliers extending payment terms and some reducing terms. The Group's suppliers are able to access a supply chain finance facility provided by a bank, for which funds can be accelerated in advance of the normal payment terms. At 30 June 2023, the Group had trade payables of £23.2 million (31 December 2022: £53.9 million) related to reverse factoring. This facility does not directly impact the Group's working capital, as payment terms remain unaltered with the Group, and would remain the same should the facility fall away.

The Group also has access to a number of payment facilities to leverage scale and efficiencies in transaction processing, whilst providing a working capital benefit for the Group due to a short extension of payment terms of less than 12 months. The amount outstanding under these facilities as at 30 June 2023 was £252.8 million (31 December 2022: £214.5 million) resulting in a net cash inflow of £38.3 million in the period (six months ended 30 June 2022: £3.2 million net cash outflow). Utilisation of these payment facilities has reduced the cash outflow in the purchases of property, plant and equipment line in the Condensed consolidated cash flow statement by £30.4 million during the period (six months ended 30 June 2022: £17.1 million) with the remaining £7.9 million (six months ended 30 June 2022: offsetting £20.3 million) movement being within the overall change in working capital shown above.

The Group has had a net cash inflow of £51.0 million during the six months ended 30 June 2023 due to collateral (six months ended 30 June 2022: £126.2 million outflow). 2022 saw high prices and volatility in financial and commodity markets. Prices have reduced during 2023 but remain above historical norms. Cash collateral is sometimes paid or received in relation to the Group's commodity and treasury trading activities. When derivative positions are out of the money for the Group, collateral may be required to be paid to the counterparty. When derivative positions are in the money, collateral may be received from counterparties. These positions reverse when contracts are settled and the collateral is returned.

The Group actively manages the liquidity requirements, including collateral, associated with the hedging of power and other commodities. In addition, the design of the Group's trading agreements and methods of posting collateral, such as being able to utilise letters of credit and surety bonds to meet collateral requirements, aims to minimise cash outflows resulting from collateral requirements where possible. At 30 June 2023 the Group held £16.4 million in cash collateral receipts (31 December 2022: £nil) recognised in payables and had posted £199.4 million (31 December 2022: £234.0 million) of cash collateral payments recognised in receivables. The Group also had £15.0 million (31 December 2022: £54.5 million) of letters of credit and £110.0 million (31 December 2022: £165.0 million) of surety bonds utilised covering commodity trading collateral requirements. Letters of credit and surety bonds utilised reduce the requirement for cash collateral payments.

There has been a £299.4 million cash outflow (six months ended 30 June 2022: £55.6 million cash outflow) due to renewable certificates. This is predominantly due to additional renewable certificates generated in the period of £287.0 million (six months ended 30 June 2022: £279.3 million) that have not yet been sold onto third parties as cash from renewable certificate assets, and in particular ROCs, is realised several months after the end of the compliance period, which runs from April to March the following year. However, the Group has standard ROC sales and ROC purchase agreements in place to enable it to accelerate these cash flows over a portion of these assets. The net impact of these ROC purchases and ROC sales on operating cash flows for the six months ended 30 June 2022 was a £31.9 million outflow (six months ended 30 June 2022: £146.4 million inflow). At 30 June 2023 the Group had accelerated £299.3 million of cash flows using these standard ROC sales (31 December 2022: £331.2 million).

12. Financial risk management

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

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

under policies approved by the Board of directors.

2022 saw high prices and volatility in financial and commodity markets, in part due to the conflict in Ukraine. This volatility impacted economies and markets around the world, including the UK energy market, which has in part contributed to rising inflation. Commodity prices have reduced during 2023, but remain above historical norms, whilst sterling has strengthened. The geopolitical environment and concerns over the macro-economic outlook have also contributed to ongoing volatility in currency markets. See the Principal risks and uncertainties section for further details on market price volatility and how macro-economic conditions have impacted the Group. As a result of these factors, the Group's derivative financial instrument balances, in particular power, gas, foreign currency contracts and oil, have reduced compared to the elevated levels seen in 2022, which can be seen within note 13 below.

See pages 257-270 of the Group's 2022 Annual report and accounts for further details on the Group's financial risk management.

13. Fair value financial instruments

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

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

Contracts that do not meet the requirements of the own-use exemption, and fall within the scope of IFRS 9, are accounted for as derivatives and are recorded in the Condensed consolidated balance sheet at fair value. Changes in the fair value of derivative financial instruments are reflected through Other comprehensive income within the Condensed consolidated statement of comprehensive income to the extent that the contracts are designated as effective hedges in accordance with IFRS 9, or in the Condensed consolidated income statement where the hedge accounting requirements are not met, or the hedges are ineffective. To ensure the movements on these derivatives are not reflected in the underlying performance of the Group, they are excluded from Adjusted results in the Condensed consolidated income statement until the contract matures.

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

· Commodity contracts - forward contracts for the sale or purchase of a commodity which is expected to be settled through physical delivery.

· Financial contracts - contracts for commodities that are not expected to be settled through physical delivery of the commodity, as well as weather-related contracts.

· Foreign currency exchange contracts- currency related contracts including forwards, swaps, vanilla options and structured option products.

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

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

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

	As at 30 June		As at 31 December
	2023 (Unaudited) £m	2022 (Unaudited) £m	2022 (Audited) £m
Derivative assets			
Commodity contracts	**460.8**	1,159.4	634.1
Financial contracts	**140.1**	395.8	232.8
Foreign currency exchange contracts	**191.6**	308.2	297.1
Interest rate and cross-currency contracts	**47.9**	34.6	54.0
Total derivative assets	**840.4**	1,898.0	1,218.0
Split between:			
Non-current assets	**299.0**	439.2	421.7
Current assets	**541.4**	1,458.8	796.3
Derivative liabilities			
Commodity contracts	**(237.3)**	(1,475.3)	(866.8)
Financial contracts	**(309.8)**	(403.8)	(467.0)
Foreign currency exchange contracts	**(52.2)**	(106.8)	(69.4)
Interest rate and cross-currency contracts	**(33.4)**	(12.8)	(14.3)
Inflation rate contracts	**(269.2)**	(231.2)	(307.3)
Total derivative liabilities	**(901.9)**	(2,229.9)	(1,724.8)
Split between:			
Non-current liabilities	**(362.4)**	(523.8)	(735.4)
Current liabilities	**(539.5)**	(1,706.1)	(989.4)
Total net derivative financial instruments	**(61.5)**	(331.9)	(506.8)

IFRS 13 requires categorisation of the Group's financial instruments in accordance with the following hierarchy in order to explain the basis on which their fair values have been determined:

· Level 1 - Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 - Fair value measurements are those derived from inputs, other than quoted prices, included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

	As at 30 June		As at 31 December
	2023 (Unaudited) £m	2022 (Unaudited) £m	2022 (Audited) £m
Assets			
Level 2			
Derivative financial instruments (as above)	**840.4**	1,898.0	1,218.0
Level 3			
Equity investment	**-**	1.5	1.5
Contingent consideration[1]	**27.4**	27.7	27.4
Total assets	**867.8**	1,927.2	1,246.9
Liabilities			
Level 2			
Derivative financial instruments (as above)	**(901.9)**	(2,229.9)	(1,724.8)
Total liabilities	**(901.9)**	(2,229.9)	(1,724.8)

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

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

During the period, the Level 3 equity investment was reclassified to investments in associates following a further investment by the Group. The investment is now accounted for under the equity method in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

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

Fair value measurement

- Commodity contracts - the fair value of open commodity contracts that do not qualify for the own-use exemption, or are otherwise outside of the scope of IFRS 9, is calculated by reference to forward market prices at the reporting date.

- Financial contracts - the fair value of financial contracts is calculated by reference to forward market prices at the reporting date.

- Foreign currency exchange contracts- the fair value of foreign currency exchange contracts is determined using forward currency exchange market rates at the reporting date.

- Interest rate contracts - the fair value of interest rate swaps is calculated by reference to forward market curves at the reporting date for the relevant interest index.

- Cross-currency interest rate swap contracts- the fair value of cross-currency interest rate swaps is calculated using the relevant forward currency exchange market rates for fixed-to-fixed swaps and by using the relevant forward currency exchange market rates and interest index for floating-to-fixed swaps.

- Inflation rate contracts - the fair value of inflation rate swaps is calculated by reference to forward market curves at the reporting date for the relevant inflation index.

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

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

The fair value of commodity contracts, financial contracts, foreign currency exchange contracts, interest rate contracts, cross-currency contracts and inflation swaps are largely determined by comparison between forward market prices and the contract price; therefore, these contracts are categorised as Level 2.

Level 3 fair values

The fair value of the Group's UK CPI inflation swaps comprises an RPI and CPI component. Whilst the RPI component is based on observable market rates, CPI is based on unobservable rates and therefore deemed to be Level 3 in the fair value hierarchy. However, this component is not material to the overall valuation and therefore the instruments as a whole have been classified as Level 2.

The contingent consideration receivable by the Group relates to the sale of the Combined Cycle Gas Turbine (CCGT) portfolio in 2021. The gross nominal value of £29.0 million is contingent on certain triggers in respect of the option to develop the Damhead Creek 2 land disposed of as part of the sale of these assets. The fair value measurement for the contingent consideration has been categorised as Level 3 based on the inputs to the valuation techniques used. The fair value was measured at £27.4 million as at 30 June 2023 (31 December 2022: £27.4 million) and there

have been no significant changes to the inputs or valuation techniques used since 31 December 2022. Further details on the valuation process, the valuation technique used, the Level 3 inputs and sensitivities can be found on pages 254-255 of the Group's 2022 Annual report and accounts.

14. Contingent assets and contingent liabilities

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

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

The contingent assets and liabilites are consistent with those disclosed in the Group's 2022 Annual report and accounts apart from the changes to contingent liabilities noted below:

Smart meter targets

In late February 2023, the Group received notice from Ofgem that its failure to fully achieve installation targets for Smart meter installations in the Opus Energy business during 2022 had been referred to Ofgem's Enforcement team. The Group subsequently received confirmation from Ofgem that no enforcement action will be taken in relation to this matter.

Ofgem investigation

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

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

15. Adoption of new and amended accounting standards

The following amendments became effective for the first time in 2023:

- IFRS 17 - Insurance Contracts - effective from 1 January 2023.
- IAS 1 (amended) - Disclosure of Accounting Policies - effective from 1 January 2023.
- IAS 8 (amended) - Definition of Accounting Estimates - effective from 1 January 2023.
- IAS 12 (amended) - Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction - effective from 1 January 2023.
- IAS 12 (amended) - International Tax Reform - Pillar Two Model Rules - effective from 1 January 2023.

The adoption of these amendments in the current period has not had a material impact.

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

- IFRS 10 (amended) - Consolidated Financial Statements and IAS 28 (amended) - Investments in Associates and Joint Ventures (2011) - effective date deferred indefinitely.
- IAS 1 (amended) - Classification of Liabilities as Current and Non-current - effective from 1 January 2024.*
- IFRS 16 (amended) - Lease Liability in a Sale and Leaseback - effective from 1 January 2024.
- IAS 1 (amended) - Non-current Liabilities with Covenants - effective from 1 January 2024.
- IAS 7 (amended) and IFRS 7 (amended) - Supplier Finance Arrangements - effective from 1 January 2024.*

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

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

16. Reproduction of comparative financial information

Consolidated income statement for the year ended 31 December 2022

For information, the full Consolidated income statement and Consolidated statement of comprehensive income for the year ended 31 December 2022 is reproduced below.

Consolidated income statement	Year ended 31 December 2022 (Audited)		
	Adjusted results[1] £m	Exceptional items and certain remeasurements £m	Total results £m
Revenue	8,159.2	(383.9)	7,775.3
Cost of sales	(6,837.7)	85.7	(6,752.0)
Gross profit	**1,321.5**	**(298.2)**	**1,023.3**
Operating and administrative expenses	(542.8)	-	(542.8)
Impairment losses on financial assets	(48.0)	-	(48.0)
Depreciation	(208.0)	-	(208.0)
Amortisation	(31.4)	-	(31.4)
Impairment of non-current assets	(16.6)	(24.9)	(41.5)
Other losses	(5.8)	-	(5.8)
Income from associates	0.5	-	0.5
Operating profit/(loss)	**469.4**	**(323.1)**	**146.3**
Foreign exchange gains/(losses)	14.8	(3.8)	11.0

Interest payable and similar charges	(83.1)	(0.4)	(83.5)
Interest receivable	4.3	-	4.3
Profit/(loss) before tax	**405.4**	**(327.3)**	**78.1**
Tax			
- Before effect of changes in tax rate	(64.5)	62.2	(2.3)
- Effect of changes in tax rate	(2.9)	9.6	6.7
Total tax (charge)/credit	(67.4)	71.8	4.4
Net profit/(loss) for the period	**338.0**	**(255.5)**	**82.5**
Attributable to:			
Owners of the Parent Company	340.6	(255.5)	85.1
Non-controlling interests	(2.6)	-	(2.6)

Earnings per share	Pence		Pence
For net result for the period attributable to owners of the Parent Company			
- Basic	85.1		21.3
- Diluted	82.2		20.5

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

Consolidated statement of comprehensive income

	Year ended 31 December 2022 (Audited) £m
Profit for the period	**82.5**
Items that will not be subsequently reclassified to profit or loss:	
Remeasurement of defined benefit pension schemes	(24.4)
Deferred tax on remeasurement of defined benefit pension schemes	6.1
Net fair value losses on cost of hedging	(19.0)
Deferred tax on cost of hedging	2.2
Net fair value gains on cash flow hedges	205.5
Deferred tax on cash flow hedges	(49.5)
Items that may be subsequently reclassified to profit or loss:	
Exchange differences on translation of foreign operations attributable to owners of the Parent Company	42.4
Exchange differences on translation of foreign operations attributable to non-controlling interests	3.4
Net fair value losses on cash flow hedges	(593.1)
Net gains on cash flow hedges reclassified to profit or loss	432.9
Deferred tax on cash flow hedges	43.9
Other comprehensive income for the period	**50.4**
Total comprehensive income for the period	**132.9**
Attributable to:	
Owners of the Parent Company	132.1
Non-controlling interests	0.8

Independent review report to Drax Group Plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the income statement, statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement, and related notes 1 to 16.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed above, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the group a

conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Statutory Auditor

London, UK

26/07/2023

Alternative performance measures (APMs) glossary table

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

APM	Closest IFRS equivalent measure	Purpose	Definition
Adjusted results	Total results	The Group's Adjusted results are consistent with the way the Board and Executive management assess the performance of the Group. Adjusted results are intended to reflect the underlying trading performance of the Group's businesses and are presented to assist users of the Condensed consolidated interim financial statements in evaluating the Group's trading performance and performance against strategic objectives on a consistent basis. Adjusted results exclude exceptional items and certain remeasurements. Exceptional items are those transactions that, by their nature, do not reflect the trading performance of the Group in the period. Certain remeasurements comprise fair value gains and losses that do not qualify for hedge accounting (or hedge accounting is not effective). The Group regards all of its forward contracting activity to represent economic hedges and therefore by excluding the volatility caused by recognising fair value gains and losses prior to maturity of the contracts, the Group can reflect these contracts at the contracted prices on maturity, reflecting the intended purpose of entering these contracts and the Group's underlying performance. Adjusted results are the metrics used in the calculation of Adjusted basic and Adjusted diluted EPS.	Total results measured in accordance with IFRS excluding the impact of exceptional items and certain remeasurements (defined in note 6).
Adjusted EBITDA including EGL and Adjusted EBITDA excluding EGL	Operating profit*	Adjusted EBITDA including EGL is a primary measure used by the Board and Executive management to assess the financial performance of the Group as it provides a more comparable assessment of the Group's period-on-period trading performance. It is also a key metric used by the investor community to assess performance of the Group's operations. The Group presents Adjusted EBITDA excluding EGL to enable readers to compare, on a consistent basis, the Adjusted EBITDA in prior	Earnings before interest, tax, depreciation, amortisation, other gains and losses and impairment of non-current assets, excluding the impact of exceptional items and certain remeasurements (defined in note 6). Adjusted EBITDA including EGL includes the cost of EGL and excludes any earnings from associates or attributable to non-controlling interests. Adjusted EBITDA excluding EGL is Adjusted EBITDA including EGL, less the cost of EGL.

		Adjusted EBITDA in prior periods in which EGL was not applicable.	
Adjusted basic EPS	Basic EPS	Adjusted basic EPS represents the amount of Adjusted earnings (Adjusted post-tax earnings) attributable to each ordinary share.	Adjusted basic EPS is calculated by dividing the Group's Adjusted earnings attributable to owners of the Parent Company (Adjusted profit after tax) by the weighted average number of ordinary shares outstanding during the period.
Adjusted diluted EPS	Diluted EPS	Adjusted diluted EPS demonstrates the impact upon the Adjusted basic EPS if all outstanding share options, that are expected to vest on their future maturity dates and where the shares are considered to be dilutive, were exercised and treated as ordinary shares as at the reporting date.	Adjusted diluted EPS is calculated by dividing the Group's Adjusted earnings attributable to owners of the Parent Company (Adjusted profit after tax) by the weighted average number of ordinary shares outstanding during the period and dilutive potential ordinary shares outstanding under share plans.
Net debt	Borrowings less cash and cash equivalents	Net debt is a key measure of the Group's liquidity and its ability to manage current obligations. Net debt is used as a basis by debt rating agencies and in the calculation of the Group's financial covenant requirements. The impact of hedging instruments included within Net debt shows the economic substance of the Net debt position, in terms of actual expected future cash flows to settle that debt.	Total borrowings including the impact of hedging instruments less cash and cash equivalents. Total borrowings include external financial debt, such as loan notes, term loans and amounts drawn in cash under RCFs but excludes other financial liabilities such as lease liabilities calculated in accordance with IFRS 16, pension obligations and trade and other payables. Net debt excludes the proportion of cash and borrowings in non-wholly owned entities that would be attributable to non-controlling interests. Net debt includes the impact of foreign currency hedging instruments, meaning that any borrowings that have associated hedging instruments in place are adjusted to reflect those borrowings at the hedged rate. Net debt includes the impact of any cash collateral receipts from counterparties or cash collateral posted to counterparties.
Net debt to Adjusted EBITDA including EGL ratio and Net debt to Adjusted EBITDA excluding EGL ratio	Borrowings less cash and cash equivalents divided by operating profit*	The Net debt to Adjusted EBITDA including EGL ratio is a debt ratio that gives an indication of how many years it would take the Group to pay back its debt if Net debt and Adjusted EBITDA including EGL are held constant. The Group has a long-term target for Net debt to Adjusted EBITDA including EGL ratio of around 2.0 times. The Group presents a Net debt to Adjusted EBITDA excluding EGL ratio to enable readers to compare, on a consistent basis, the Net debt ratio in prior periods in which EGL was not applicable.	Net debt divided by Adjusted EBITDA including/excluding EGL for the last twelve months. Expressed as a multiple.
Cash and committed facilities	Cash and cash equivalents	This is a key measure of the Group's available liquidity and the Group's ability to manage its current obligations. It shows the value of cash available to the Group in a short period of time.	Total cash and cash equivalents plus the value of the Group's committed but undrawn facilities (including the Group's RCFs, loan facilities and the Customers trade receivable factoring facility).
Capital expenditure	Property, plant and equipment (PPE) additions and intangible asset additions	Used to show the Group's total investment in PPE and intangible assets in a period.	PPE additions plus intangible asset additions.

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

Glossary

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

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

BECCS
Bioenergy with carbon capture and storage, with carbon resulting from power generation captured and stored.

Black start
Procedure used to restore power in the event of a total or partial shutdown of the national electricity transmission system.

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

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

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

CCUS
Carbon Capture, Usage and Storage.

CDRs
Carbon dioxide removals.

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

Combined Cycle Gas Turbines (CCGT)
A form of energy generation technology that combines a gas-fired turbine with a steam turbine.

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

EBDS
The UK Government's Energy Bills Discount Scheme.

EBRS
The UK Government's Energy Bill Relief Scheme.

ESG
Environmental, Social and Governance.

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

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

IFRS
International Financial Reporting Standards.

Mt pa
Million tonnes per annum.

MWh
Megawatt hour.

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

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

Rebasing
Rebasing is when the Group releases cash from an open derivative contract that is in a mark-to-market asset position by modifying the rate per the contract. A cash payment equivalent to the reduction in the mark-to-market asset is received by the Group from the counterparty, less any applicable fees.

REGO
Renewable Energy Guarantee of Origin.

ROC
A Renewable Obligation Certificate (ROC) is a certificate issued to an accredited generator for electricity generated from eligible renewable sources.

Summer
The calendar months April to September.

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

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

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

TWh
Terawatt hour.

Winter
The calendar months October to March.

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