



Financial Update

Andy Skelton, CFO

Strong Financial Characteristics

Aligned with UK's long-term energy objectives

High degree of earnings visibility,
reducing commodity exposure

- Reduced business risk – multi-site, multi-technology asset base
- High proportion of non-commodity earnings – renewables, system support services and capacity payments
- Long-term fuel and fx hedging programmes

Good underlying growth

- Index-linked CfD and ROC contracts
- Growing role in provision of system support services
- Profitable and growing biomass supply business, with reducing cost base

Long-term growth options aligned to
UK energy needs

- Biomass self-supply – low-cost supply chain target to provide 5mt of biomass
- Potential for BECCS
- Customers – operational efficiency and development of energy services
- Options for development of gas generation

Strong financial position

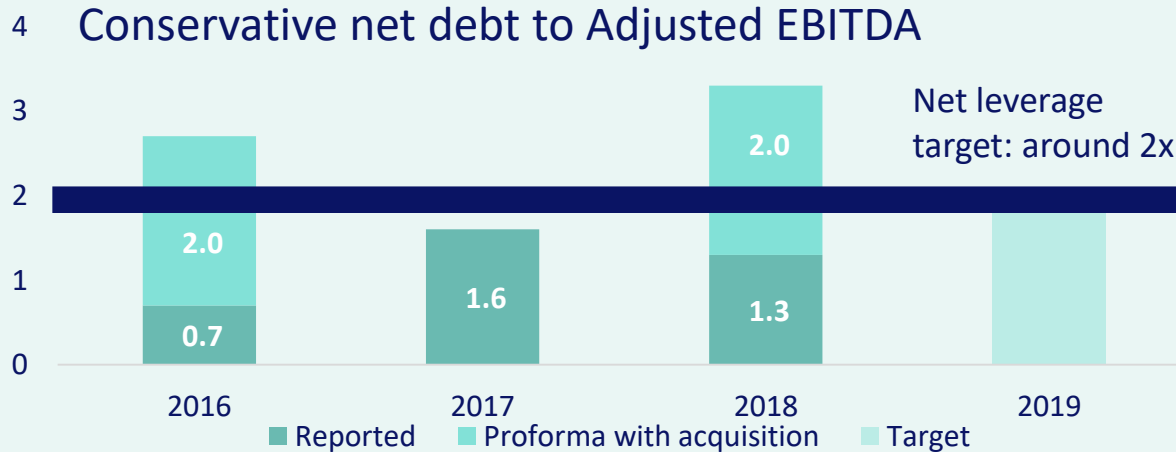
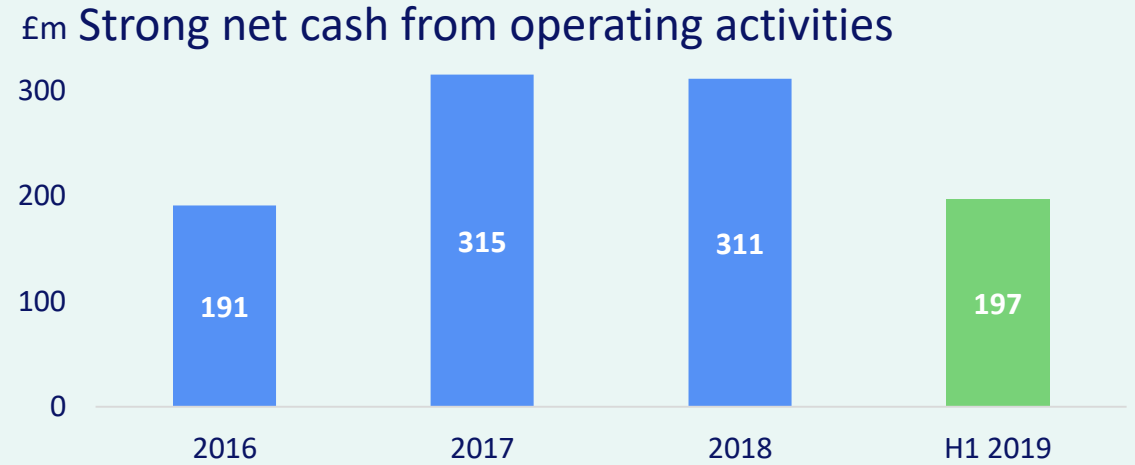
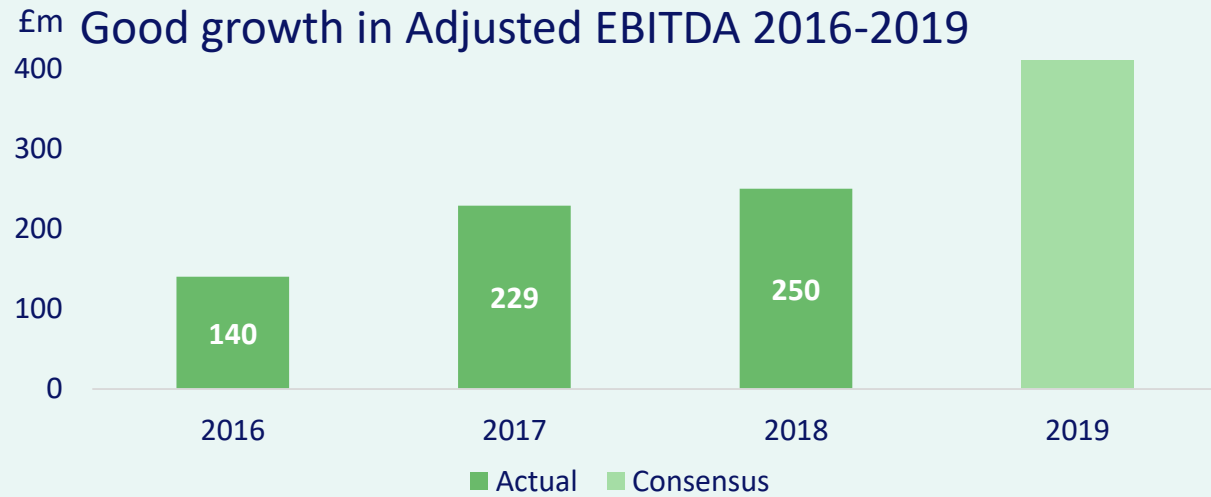
- Strong balance sheet with appropriate leverage – on track for around 2x ND/EBITDA by end of 2019
- Strong cash conversion
- Further opportunities for balance sheet optimisation

Clear capital allocation policy

- Maintain credit rating
- Invest in core business
- Pay a sustainable and growing dividend
- Return surplus capital to shareholders

Growing and Sustainable Cash Generation

Supports leverage targets, investment activities and returns to shareholders



Adjusted EBITDA drives strong EPS over time

| | 2016 | 2017 | 2018 | 2019 |
|------------------------------------|---------------|---------------|---------------|--------------------------------|
| Adjusted Results | Actual | Actual | Actual | Consensus⁽¹⁾ |
| EBITDA (£m) | 140 | 229 | 250 | 409 |
| D&A and disposal (£m) | (113) | (182) | (174) | - |
| Net interest and tax (£m) | (6) | (44) | (34) | - |
| Profit after tax (£m) | 21 | 3 | 42 | - |
| EPS Basic (pence per share) | 5 | 1 | 10 | 29 |

Biomass Generation Economics – Pre 2027

Expect to generate significantly higher levels of earnings and cash

| £/MWh | ROC | Peak | Biomass | Bark |
|-----------------|-------------------|-------------------|---------------------|-----------|
| Current | 52 ⁽¹⁾ | 58 ⁽²⁾ | (75) ⁽³⁾ | 35 |
| Indexation | 9 ⁽⁴⁾ | - | - | 9 |
| Reduced biomass | - | - | 25 ⁽⁵⁾ | 25 |
| Bark | 61 | 58 | (50) | 69 |

| £/MWh | CfD | Peak | Biomass | Bark |
|-----------------|--------------------|------|---------------------|-----------|
| Current | 114 ⁽⁶⁾ | - | (75) ⁽³⁾ | 39 |
| Indexation | 18 ⁽⁷⁾ | - | - | 18 |
| Reduced biomass | - | - | 25 ⁽⁵⁾ | 25 |
| Bark | 132 | - | (50) | 82 |

CfD – baseload generation to 2027 (one unit)

- Indexed to 2027

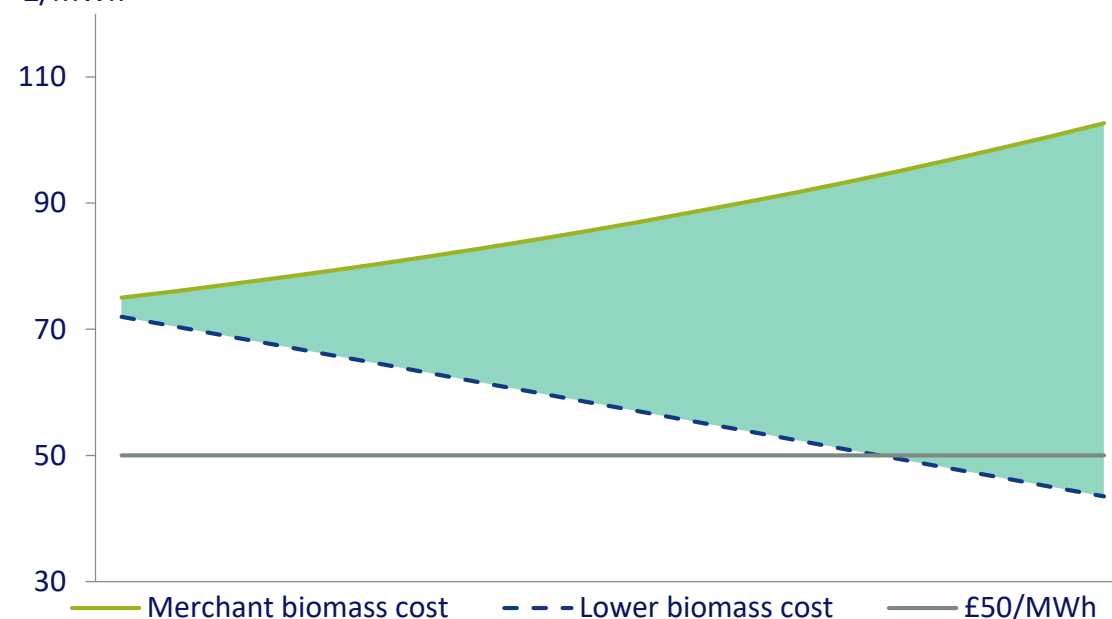
ROC – optimise generation (three units)

- ROC buyout price indexed to 2027

Margin expansion drives significant increase in cash flows

- Indexation of ROC and CfD to 2027
- Capture value from lower biomass costs
- ROC – focus on periods of higher power price and demand

£/MWh Illustrative margin enhancement from lower biomass cost



- (1) 2019/20 ROC buyout plus 10% headroom
- (2) Peak power, Winter 2020, ICE
- (3) Current biomass portfolio cost
- (4) Indexation of (1) to 2027
- (5) Biomass cost reduction ambition
- (6) CfD strike price, 2012 real, plus indexation
- (7) Indexation of (6) to 2027

Biomass Economics – Post 2027

Continued need for biomass as part of 2050 net zero

Characteristics of generation model⁽¹⁾

- Low-cost biomass generation
- Flexible operation targeted on periods of higher power price and demand
- Provision of system support services
- Opportunity for capacity payments
- Operational efficiencies and lower operating cost beyond coal
- Potential for BECCS

Characteristics of pellet production model⁽²⁾

- 5mt of low-cost biomass available to sell in an under supplied global market

**Basic illustrative
assumptions support
profitable biomass
operations post 2027
EBITDA >£100m^(1,2)**

Balance Sheet

Long-term structures in place to support growth

Refinancing of acquisition bridge facility complete

Extended maturity profile 2024 to 2029

- \$200m fixed rate bond issue (completed May 2019)
- £375m infrastructure private placement (completed July 2019)
- £125m ESG facility (completed July 2019)

Group cost of debt now below 4%

- New facilities (infrastructure placement and ESG) below 3%
- Evaluate options to further improve terms

Maintain credit rating – BB+/BBB-

- Supportive of trading strategy
- Robust to low points in business cycle

Long-term target of 2x net debt to Adjusted EBITDA

Reduction in cost of capital

| Instrument | Maturity | Description |
|----------------------------------|-----------|----------------------|
| Infrastructure private placement | 2024-2029 | £375m |
| High yield bonds | 2025 | \$500m |
| | 2022 | £350m |
| ESG facility | 2022 | £125m |
| Revolving Credit Facility | 2021 (+1) | £350m ⁽¹⁾ |

Clear Capital Allocation Policy

Implemented in 2017, designed to support strategy

Maintain credit rating

Invest in core business

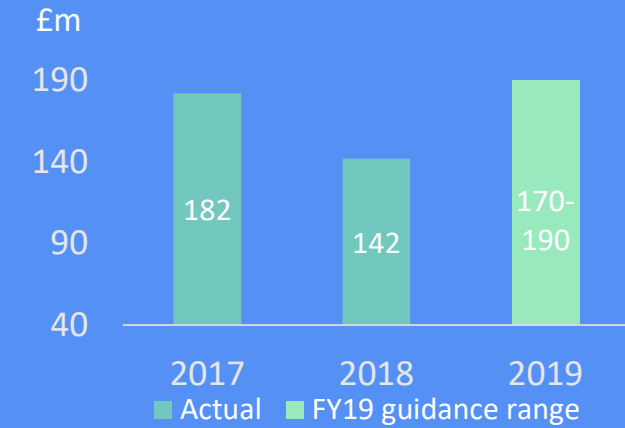
Pay a sustainable and growing dividend

Return surplus capital to shareholders

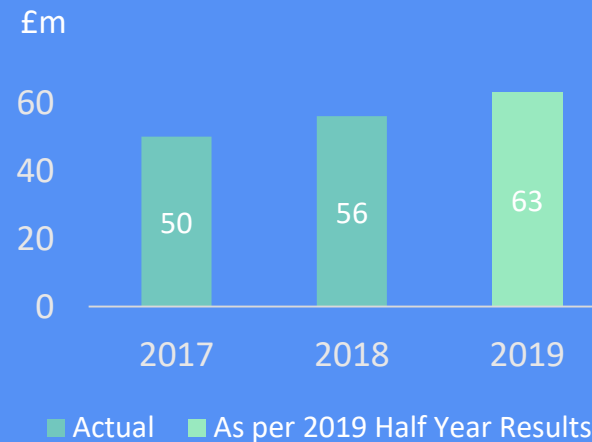
Maintain credit rating

BB+/BBB-

Invest in core business



Pay a sustainable and growing dividend



Return surplus capital

£50m share buy back in 2018

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Summary

Will Gardiner, CEO

19 November 2019

Summary

Drax has a clear purpose: to enable a zero carbon, lower cost energy future

Drax has a clear strategy

- To be the leading provider of power system stability
- To give our customers control of their energy
- To build a long-term future for sustainable biomass

Over the last four years, Drax has successfully transformed and significantly increased profitability

The next step in our journey to deliver our purpose and strategy

- Increase biomass self-supply to five million tonnes and reduce the cost to c.£50/MWh

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Q&A

19 November 2019

Directors, Executives and Senior Managers Joining Us Today

Board

David Nussbaum – Senior Non-executive Director

Biomass

Arabella Freeman – Director of Biomass Strategy

BECCS

Carl Clayton – Head of BECCS

Corporate

Clare Harbord – Director of Corporate Affairs

Penny Small – Chief Transformation Officer

Matt Willey – Director of External Affairs

Customers

Paul Sheffield – Managing Director – Customers

Gas Project

Esa Heiskanen – EVP Capital Projects

David Ball – Development Director

Generation

Charlotte Rhodes – Director of Trading

Ian Foy – Head of Ancillary Services

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Drax Capital Markets Day

19 November 2019