26 July 2016

DRAX GROUP PLC (Symbol: DRX)
HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016
Achieving c.70% renewable energy generation, providing c.20% of UK renewable electricity

Six months ended 30 June	H1 2016	H1 2015
Key financial performance measures		
EBITDA (£ million)[(1)]	70	120
Underlying earnings (£ million)[(2)]	17	41
Underlying earnings per share (pence)[(2)]	4.2	10.2
Total dividends (pence per share)[(3)]	2.1	5.1
Closing cash (£ million)[(4)]	235	282
Statutory accounting measures		
Profit before tax (£ million)	184	53
Reported basic earnings per share (pence)	37	10

Financial and Operational Highlights

- EBITDA down £50 million on H1 2015
  - Year on year reduction driven by loss of LECs[(5)] and deterioration in commodity markets
  - Impact mitigated by growth in system support markets
- Statutory profit before tax includes unrealised gains related to foreign currency hedging
- Healthy cash flows and balance sheet

Biomass Highlights

- c.70% of generation from biomass in H1 2016 (H1 2015: 37%)
- Investment on schedule and budget
- US pellet operations performing in line with plan

Outlook

- Underlying business performing in line with expectations expressed in April[(6)]
- EU state aid approval of CfD contract expected in Autumn
- Full year EBITDA remains subject to timing of CfD award – now expected to be around the low end of the consensus range[(7)]

Dorothy Thompson, Chief Executive of Drax, said:

“Drax delivered a good operational performance over the last six months, a period during which around 70% of our electricity generation was renewable – enough to power Leeds, Manchester, Sheffield and Liverpool combined – truly a renewable northern powerhouse.

“Whilst we have seen signs of power and commodity prices improving, our financial performance was impacted by the challenging environment in which we operate.

“With our reliable and flexible generation we are well placed to support the country’s electricity system as we prepare for the tightest winter in many years. With the right conditions, we can do even more, upgrading further units to use compressed wood pellets in place of coal. This is the fastest and most reliable way to decarbonise the UK whilst minimising the cost to the consumer.”

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NOTES FOR ANALYSTS AND EDITORS

H1 2016 Group Financial Review

- EBITDA for H1 2016 down 42% at £70 million
  - Adverse impact of LEC[5] removal and deterioration in commodity markets
  - Mitigated by flexible operation, increasing Ancillary Services income and cost reductions
- Underlying earnings per share decreased 59% to 4.2 pence
  - Lower net interest charge, reflecting revaluation of US dollar denominated balances following depreciation of sterling; a non cash item
- Reported basic earnings per share of 37 pence includes unrealised gains on derivative contracts of £163 million (and the associated tax), principally related to foreign currency hedging programme to support biomass procurement activities
- Tax charge on underlying profits in line with UK corporation tax rate
- Capital investment: biomass transformation in line with original cost guidance of £650 - £700 million (3 unit conversions, US supply chain investments and IED[8] compliance)
  - H1 2016 capital investment of £38 million
  - Full year capital investment guidance unchanged at £80 - £100 million
- Interim dividend of 2.1 pence per share, or £8 million (H1 2015: 5.1 pence per share, or £21 million), in line with policy to distribute 50% of underlying earnings
- Net debt of £85 million (31 Dec 2015: £187 million), including cash on hand of £235 million

H1 2016 Business Review

<u>Generation</u>

- Generation: electricity output (net sales) of 10.9TWh (H1 2015: 14.0TWh)
  - Significant increase in biomass generation to 7.5TWh (H1 2015: 5.2TWh)
- Fuel: good progress with biomass volumes
  - CfD necessary to underpin acceleration of long-term supply chain development
- Increase in Ancillary Services revenue to £20 million (H1 2015: £6 million)
- Revised coal strategy
  - Focus on short-term markets and reduced major planned outage investment in 2017

<u>Retail</u>

- Sales targets achieved, improving profitability
  - Gross profit of £10 million (H1 2015: £8 million)

<u>Biomass Supply</u>

- Port and pellet plants – good operations, in line with plan

Notes:

(1) EBITDA is defined as profit before interest, tax, depreciation (including asset obsolescence charges and gains and losses on asset disposals), amortisation and unrealised gains and losses on derivative contracts.

(2) H1 2016 underlying earnings exclude unrealised gains on derivative contracts of £163 million (H1 2015: unrealised losses of £3 million) and the associated tax.

(3) Based on 50% of underlying earnings.

(4) Cash and cash equivalents plus short-term investments.

(5) LEC is Levy Exemption Certificate.

(6) Ancillary Services Contract RNS, 1 April 2016.

(7) Based on a range of market forecasts for EBITDA, published since 1 April, of £146 million to £185 million. These forecasts generally assume a CfD Investment Contract for Drax's third unit conversion with a strike price of £100/MWh (2012 real terms) by July 2016. The Investment Contract remains subject to approval by the European Commission.

(8) IED is Industrial Emissions Directive.

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Forward Looking Statements

This announcement may contain certain statements, statistics and projections 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 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 expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. 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 factors include, but are not limited to, factors such as: future revenues being lower than expected; increasing competitive pressures in the industry; and/or general economic conditions or conditions affecting the relevant industry, both domestically and internationally, being less favourable than expected. We do not intend to publicly update or revise these projections or other forward-looking statements to reflect events or circumstances after the date hereof, and we do not assume any responsibility for doing so.

This announcement contains inside information for the purpose of Article 7 of Regulation (EU) No 596/2014.

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Results presentation meeting and webcast arrangements

Management will host a presentation for analysts and investors at 9:00am (UK time), Tuesday 26 July 2016, at **The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED.**

Would anyone wishing to attend please confirm by either emailing epayne@brunswickgroup.com or calling Emma Payne at Brunswick Group on +44 (0) 20 7396 5323.

The meeting can also be accessed remotely via live webcast, as detailed below. After the meeting, the webcast will be made available and access details of this recording are also set out below.

A copy of the presentation will be made available from 7:00am (UK time) on Tuesday 26 July 2016 for download at: www.drax.com>>investors>>results_and_reports>>IR presentations>>2016 or use the link http://www.drax.com/investors/results-and-reports/ir-presentations/

Event Title:	Drax Group plc: Half Year Results
Event Date:	Tuesday 26 July 2016
Event Time:	9:00am (UK time)
Webcast Live Event Link	http://cache.merchantcantos.com/webcast/webcaster/4000/7464/16531/62965/Lobby/default.htm
Start Date:	Tuesday 26 July 2016
Delete Date:	Monday 17 July 2017
Archive Link:	http://cache.merchantcantos.com/webcast/webcaster/4000/7464/16531/62965/Lobby/default.htm

For further information please contact Emma Payne at Brunswick Group on +44 (0) 20 7396 5323.

Website:	www.drax.com

Chairman’s introduction

Drax Group delivered a good operational performance in the first half of 2016, though financially we continue to feel the effect of weak commodity markets and the removal of the Climate Change Levy exemption. It is for this reason Group EBITDA was down 42% to £70 million (H1 2015: £120 million). This delivered underlying earnings per share of 4.2p which, in line with our dividend policy, will result in a payment to shareholders of 2.1 pence per share (H1 2015: 5.1 pence).

The business we have today is operationally strong, with a robust supply chain and backed by world-leading innovation and technology. As well as delivering around 8% of the UK's total electricity, during the six month period we accounted for around 20% of the UK’s renewable electricity. We also play an increasingly critical role in supporting the stability and efficiency of the UK’s electricity grid network.

Over the period, solid progress has been made across all parts of the business. In the US our biomass manufacturing business performed well, demonstrating our ability to supply good quality compressed wood pellets. Our power station in Yorkshire remains critical to the UK electricity system, a key reason why it was successful in winning an Ancillary Services contract from National Grid. Haven, our retail business, had another successful period of sales. Of particular note is that for the period in question, of the 10.9 TWh of energy we produced, circa 70% was generated using compressed wood pellets. We are now, firmly, a predominantly renewable energy generator, and one of the largest in the UK.

These hard won achievements demonstrate the ability of the Drax Group to respond in agile ways to varying market and regulatory conditions and uncertainty. We remain an essential part of the UK energy mix and an emerging supplier of choice for compressed wood pellets to the energy sector. Together these will create long-term shareholder value, but we operate in a complex market that is changing rapidly and which will continue to present both threats and opportunities. It is for this reason that the Board will continue to focus on the strategic direction of the business, on optimising shareholder value and ensuring the Group is able to quickly capitalise on attractive opportunities for growth.

We remain convinced that the use of compressed wood pellets instead of coal has a critical role to play in the affordable decarbonisation of the UK. We also understand fully that the sourcing of this material has to be done with the greatest of care. This is why we require all our suppliers to pass tough independently conducted screening and sustainability audits. We never cause deforestation or forest decline. We only take wood from working forests that grow back and stay as forests. We never source from areas that are officially protected or where our activities would harm endangered species.

I would like to place on record my thanks to Melanie Gee who left the Board in April. Melanie made a strong contribution and departs with our best wishes for the future.

I would also like to recognise the hard work and dedication of our people for helping us achieve what are, given the challenging macro environment, a good set of results. We are an ambitious business with world leading biomass technology and remain focussed on driving growth and delivering shareholder value.

Philip Cox CBE

Chairman

25 July 2016

Chief Executive’s statement

In the first six months of the year we achieved our long-term ambition of becoming a predominantly renewable electricity generator. We also grew our retail business to supply some 7.2 TWh (H1 2015: 6.8 TWh) of electricity to UK businesses. Of the 10.9 TWh we generated, 7.5 TWh came from the use of compressed wood pellets, approximately 70% of the total. For the corresponding period in 2013 (the start of our transformation) we achieved only a tenth of that, some 0.7 TWh. This has only been possible because of significant investment in developing and installing leading edge biomass technology at our power station in Yorkshire and throughout our entire supply chain. As we have said previously, we stand ready, with the right support, to further deploy our world leading biomass technology to become 100% renewable.

Financially, the business continues to be impacted by weak commodity markets and the removal of the Climate Change Levy exemption, which has driven the reduction in earnings. Lower power prices have been partially offset by a stronger than expected operational performance and efficiency savings. Consequently revenues have decreased by 2% to £1,487 million (H1 2015: £1,511 million) and EBITDA by 42% to £70 million (H1 2015: £120 million).

At our full year results I announced a reassessment of our coal strategy and an efficiency enhancement programme focused on deploying Lean Management principles in key areas of the business. We are making good progress with both of these and are confident that we will deliver significant cost savings. We are also confident that we will achieve market expectations for full-year operating expenditure of £230-240 million.

There are signs of recovery in the forward power markets (albeit from very low levels) driven largely by a broader recovery in commodity prices. This, together with the fact that supply for this coming winter remains very tight, gives the Group some cause for cautious optimism. However, this is offset somewhat by the current macro political and economic uncertainty, especially as to the level and direction of support the new UK Government will provide to renewable generation technologies.

The vote by the UK electorate to leave the European Union presents no immediate risk to Drax. However, we remain concerned about the impact that a prolonged period of uncertainty may have on the regulatory framework within which we operate. We have received assurance from senior officials in both Whitehall and Brussels that the state aid process currently in progress regarding the awarding of a Contract for Difference (CfD) for our third coal to biomass conversion is continuing as planned and will not be affected. We restate our confidence that a positive decision will be reached in the Autumn.

Our power station remains a key strategic asset for the UK. With the continued and steady demise of large thermal generators and no sign of any new similar capacity coming online in the near term, our ability to generate the “quality” megawatts needed to ensure grid stability, will help us improve returns for our shareholders.

Operational update

Safety

There is no greater priority than the safety of our people, our contractors and our communities. I am therefore pleased to be able to report that our safety performance remains in the top quartile for our peer group with a total recordable injury rate to date of 0.17, half the comparable figure for 2015 of 0.33. We will continue to seek improvements across all areas of the business.

Sustainability

Our sustainability team, supported by a wide range of external experts, has continued to develop and strengthen our rigorous supplier compliance verification and auditing process. It is worth noting that since the beginning of the year the sustainability criteria we comply with to secure our Renewable Obligation Certificates have been a legal requirement.

Following the introduction of the Industrial Emission Directive (IED) on 1 January 2016, we are on track to deliver a 60% reduction in our emissions of Nitrogen Oxides (NOx) compared to 2015. This is being achieved through increased renewable generation, the introduction of new technologies, such as Selective Non-Catalytic Reduction, and using a greater percentage of low-nitrogen coal.

Supply (Drax Biomass)

Our compressed wood pellet manufacturing business has performed well. The production gains we have been able to achieve have improved per-unit operating costs, resulting in a more competitive business that is better positioned to respond to changing market conditions.

Over the period the business filled two key leadership positions, Senior Vice President for Operations and Chief Financial Officer, with seasoned professionals with extensive experience in the wood pellet and energy sectors. These hires represent a deliberate shift from the start-up and commissioning phase to a growth-oriented business.

During the second half of 2016, Drax Biomass will continue to increase its wood pellet production volumes. It will also explore the potential for entering into new long-term supply contracts with credit-worthy parties in Asia, Europe and other regions where the use of compressed wood pellets is gaining government support as an important component of a low-carbon, renewable energy future. In addition to diversifying income this will also help underpin further investment.

Generation (Drax Power)

Our power station provides both baseload generation and a more responsive, flexible service, utilising both biomass and coal units.

As a whole the station performed well. There was increased prompt market and system balancing activity which played to our strengths and demonstrated, yet again, our importance to the Grid to ensure system stability and security.

The decision by National Grid to award the business a new 12 month Ancillary Services contract was a clear demonstration of the value of Drax in helping to keep the UK electricity system robust. With the reduction in thermal generation capacity and the absence of new capacity coming online to replace it, the value of those plants still able to provide despatchable and controllable system support can only increase over the near-term.

Over the period we generated 7.5 TWh of power from compressed wood pellets (H1 2015: 5.2 TWh) and 3.4 TWh from coal (H1 2015: 8.8 TWh). We expect a similar performance in H2.

As part of a revised coal strategy, in March of this year we commenced a review of our long-term approach to maintenance of our three coal units given that they may not be required to run over future summer periods. We decided that we would reduce our investment programme for the coal unit that is due for its four year major maintenance outage in 2017. This means that we will execute a restricted scope for the outage. It is worth noting that this follows a standard double major outage for another of our coal units and one of our biomass units in 2016. With lower investment comes risk of lower reliability but we are confident that the unit will continue to achieve an appropriate rate-of-return, as well as be available to provide critical system support should the grid require it. The future maintenance regime for our other coal unit, due to have its major outage in 2018, remains under review.

The wood pellet market continues to be soft after three successive warm winters in Europe. Spot prices are low and liquidity remains limited. This has placed some pellet producers in financial distress. Longer term we expect prices to stabilise as new demand comes on line, specifically from Lynemouth and the MGT plant in Teesside in the UK and new biomass generation projects in the Netherlands, Belgium, Korea and Japan. Our strategy has always been to secure our base requirements through long-term contracts providing secure revenue for our suppliers and secure supplies to meet our requirements. We also look to hedge the commodity and foreign exchange exposures that arise in relation to those contracts up to five years out. During the period our supply chain continued to work efficiently and effectively, delivering wood pellets for generation as required.

Retail (Haven Power and Billington Bioenergy)

Haven is a credit-efficient outlet for more than half of the electricity the Group generates as well as providing an alternative route to market for the ROCs and REGOs earned when the Group generates renewable power. It is a robust business with significant scale and our focus is to improve its contribution to Group EBITDA whilst maintaining our high levels of customer service and excellent renewal rate.

Renewals remained strong especially amongst large business, with Santander and Manchester Airport Group both signing contract extensions. A significant volume of these extensions is for renewable power.

Billington performed in line with expectations although it, along with the rest of the UK domestic wood pellet supply sector, continues to suffer because of the changes to the Renewable Heat Incentive.

Regulatory update

We have been advised that the recent decision by the UK to leave the European Union should have no impact on state aid approval for the CfD awarded to our third unit conversion. We remain fully engaged with officials in both Whitehall and Brussels and are confident that approval will be given in the Autumn.

We have previously expressed disappointment that biomass along with other renewable technologies were excluded from the last round of CfD auctions. We believe that for decarbonisation to be as affordable as possible, all technologies should be allowed to compete for support on an equal basis. We were therefore pleased with the recent recommendation by the Competition and Markets Authority that "…a technology neutral competitive auction should be

DECC's starting point when considering how to allocate CfDs." However, like many in the renewable industry, we were disappointed with DECC's response disagreeing with the CMA's conclusion.

It is now more than six months since the Secretary of State announced a consultation on the closure of coal by 2025, and its restricted use from 2023. We have been very clear on our desire to move away from coal as quickly as is practicable but as yet there has been no further information provided by the UK Government, although we note recent comments from the former Minister for Energy on the paramount importance of security of electricity supply. We continue to work closely with government on regulatory support for biomass technology. We also continue to make the case that further deployment of biomass technology is the fastest, most affordable and reliable way to move away from the fossil fuels of the past to the renewable energy technology of the future.

Team changes

Over the last six months we have restructured our executive team to allow us to better respond to the current challenges in the energy sector as well as be ready to capitalise on any opportunities should they materialise. At the beginning of the year Pete Madden assumed executive responsibility for DBI, taking over from Matthew Rivers who has become Group Corporate Affairs Director, retaining his responsibility for Sustainability, Regulation and Communications. Jonathan Kini joined the business in January and is now CEO of Haven. Andy Koss, in addition to joining the plc Board, remains CEO of our Generation business.

I am delighted with our re-modelled and leaner senior team. We have a depth and breadth of experience which is already beginning to positively challenge and question existing practices as well as introduce new and more efficient approaches.

Outlook

We said at our full year results, that 2015 was a tough year and 2016 would be equally challenging. Whilst there has been some recovery in forward power prices they are still well below what might be considered historic norms. With electricity supply for this coming winter expected to be very tight, there may well be short-term price spikes if there is a cold winter in the UK and continental Europe.

Our power station remains a key strategic asset with the ability to generate electricity well into the 2030s. The grid still needs large thermal plants to ensure its stability but the options available are limited. Logically then, the services we can provide will accrue value and we have seen that with the recent Ancillary Services contract.

Our immediate priorities are to continue to improve our wood pellet production, secure the CfD for our third unit conversion and develop our retail proposition. We are alert to the need to identify and develop attractive new opportunities for growth in order to secure the long-term.

Britain needs affordable decarbonisation. With our world leading biomass technology, Drax stands ready and able to convert further units in order to help the country achieve its renewable energy objectives in a pragmatic and affordable way. We look forward to re-making our case to the new UK Government.

Dorothy Thompson CBE
Chief Executive Officer
25 July 2016

CFO's report

Introduction

Our financial performance was in line with our expectations and in the context of difficult and variable market conditions during the first half of 2016.

Power prices have shown signs of a limited recovery in recent weeks, but the environment in which we do business remains challenging. Despite this we have continued to deliver strong operations, characterised by increasing renewable generation and the successful shift to running our remaining coal units as a flexible generation facility offering essential grid support services.

Our EBITDA for the six months ending 30 June 2016 of £70 million is materially lower than for the same period last year (H1 2015: £120 million), reflecting the loss of LEC income (approx. £30 million) and more challenging commodity markets, (£50 million) in Generation, partially offset by the benefit of higher Ancillary Services revenues from National Grid (£14 million), improved performance in Retail and Biomass Supply and lower operating costs. While we are subject to the challenges of government regulation and commodity prices, we are working hard to mitigate those risks, as well as to take actions that counterbalance them.

As mentioned above, the decision by the UK electorate to leave the European Union presents no immediate risk to Drax. Our long-standing policy to hedge our purchases of compressed wood pellets has insulated us from the impact of the significant depreciation of sterling, particularly against the US dollar. This is reflected in the significant unrealised gains on our forward currency portfolio.

Our balance sheet remains strong and we have delivered net cash flows from operating activities of £151 million in the period. We remain confident in the ability of the business to deliver real value to shareholders in the longer term and continue to focus on identifying opportunities to deliver efficiencies and improvements, particularly in working capital and our operating cost base. This will be underpinned by revenues which are increasingly contractual in nature, providing greater certainty to our earnings.

Group Financial Performance

The financial performance of each of our business units is presented in further detail in note 2 to the Condensed Consolidated Financial Statements (see page 23).

Trading Performance

Gross Margin

Our Generation business continues to contribute the majority of our gross margin and has adapted well to the challenging environment in which it now operates. Not only have we achieved our vision for Drax Power Station to become a predominantly renewable generator but our remaining coal units have successfully transitioned to a flexible running regime in order to maximise value in market conditions that do not favour coal-fired generation. At the same time we continue to provide the essential support services to the UK's electricity network that reliable thermal plant is well-positioned to provide.

Total generation output for the six months ending 30 June 2016 was 10.9 TWh, a reduction from 14.0 TWh for the same period in 2015. This is reflective of lower coal-fired generation resulting from both the modification of a third unit to run as a "high-biomass" unit in the second half of 2015 and the more flexible running regime of the remaining coal units in response to difficult market conditions.

We are now a predominantly renewable generator with compressed wood pellets accounting for 7.5 TWh, or circa 70%, of our total output (H1 2015: 5.2 TWh, 37%). We continue to believe that further deployment of biomass technology represents the fastest, easiest and most affordable way for the UK to move away from fossil fuels to a lower carbon energy future.

In addition to the baseload generation revenues from compressed wood pellets, excellent progress has also been made with Ancillary Services income, which contributed £20 million to our revenue for the period, compared to £6 million for the same period last year. This is largely due to a new 12-month Ancillary Services contract signed in April 2016. This is a clear demonstration of the broader value of Drax's reliable, flexible thermal generation to the UK, enabling the deployment of more renewables.

However, despite these positive developments, our financial results have not been immune to external factors. Commodity markets remain challenging and our average captured power price is down £3 / MWh compared to the first half of 2015. In addition, the loss of LEC income from August 2015 (described fully in our 2015 Annual Report & Accounts) removed approximately £30 million from our earnings for the first half when compared to the same period last year.

As a result, Generation gross margin for the six months ended 30 June 2016 of £167 million is 27% lower than £228 million for the same period in 2015.

Haven Power has now delivered its annual sales growth targets, equivalent to £1.3 billion in revenues and more than half of our generation output. Haven remains an important alternative and credit-efficient route to market for our power and continues to deliver a high-quality customer experience. Sales performance has remained strong in the first six months of 2016, with total sales of 7.2 TWh compared to 6.8 TWh for the same period last year, whilst third-party costs (that is, those other than the wholesale cost of electricity) have been in line with our expectations.

Retail gross margin of £10 million is slightly ahead of the same period last year (H1 2015: £8 million). Haven remains a net contributor of cash to the Group and plays a key role in accelerating ROC cash flows (discussed further under Working Capital, below). Looking forward, the focus for the business is to continue improving profitability.

Billington Bioenergy, acquired in March 2015, operates on a smaller scale than the rest of the Group's operations, with sales in the period of £4 million, but continues to trade in line with our expectations and delivered breakeven performance at EBITDA level for the six months.

Performance at Drax Biomass, our compressed wood pellet supply business in the US, has been encouraging. The business has demonstrated the ability to produce at or close to maximum capacity and total output for the first six months of the year is in line with our expectations. 251 kt of pellets have been shipped to the UK in the six months ending 30 June 2016 (H1 2015: 53 kt).

Fibre costs are the main driver of margin in this business and they are currently higher than our long-term expectations as we work through existing contracts; however per-capita costs of production are falling as output improves. As a result, Drax Biomass' gross margin for the six months ending 30 June 2016 is £7 million (H1 2015: loss of £2 million).

We have increasing confidence in the robustness of our facilities and expect a further ramp up in production over the next 12-18 months. Self-supply remains a critical part of our plans to secure the biomass supply chain, and we are evaluating options for further development of the business.

Overall, consolidated gross margin of £182 million for the Group is £52 million lower than for the same period last year, principally reflecting lost LEC income and the more challenging commodity environment.

Operating & Administrative Costs

We have made good progress with our plans to reduce the operating cost base of the business. As mentioned above, we are undertaking a reassessment of our coal strategy and an efficiency enhancement programme focused on Lean Management principles in key areas of the business. We are making good progress with both of these initiatives and are confident that we will achieve market expectations for operating expenditure of £230-240 million for the full year.

At the halfway stage of the year, we have made encouraging progress with these projects, with the target savings either realised or secured in our forecasts. Total operating costs of £112 million in the six months ended 30 June 2016 are £2 million lower than for the same period last year (H1 2015: £114 million). These savings have been delivered without impacting the operational capabilities of the business. As our Lean program and the reassessment of our coal strategy continue, we expect to continue reducing costs into the second half and beyond. Our changes to the coal outage strategy for next year are a further example of this.

EBITDA

As a result of the factors described above, consolidated EBITDA for the six months ending 30 June 2016 was £70 million, compared to £120 million for the same period last year.

Depreciation, Finance Costs & Taxation

Depreciation Charges

Depreciation charges (including losses on disposal of assets) for the six months ended 30 June 2016 of £52 million are slightly higher than £50 million for the same period in 2015. This is in line with our expectations and reflects the continuing progress made over the preceding 18 months in fully commissioning the assets associated with our biomass transformation, in particular the pellet plant and port assets in the US, which entered commercial operations in July 2015.

During the period we undertook a review of the useful economic lives of the Generation assets and in particular the coal units. Whilst there are legitimate questions around the life of the coal units following UK Government announcements and available margins, we do not believe that a curtailment of the current lives is appropriate given the forecast grid capacity constraints, the flexibility of the plant and the Ancillary Services income available. This is consistent with the recent announcement regarding the new 12-month Ancillary Services contract with National Grid.

Finance Costs

Finance costs reflect a net credit of £3 million for the period (H1 2015: cost of £14 million). This includes net interest costs of £10 million offset by £13 million of gains generated principally from the revaluation of dollar-denominated investments and balances following the depreciation of sterling during June. These gains form part of our underlying results and, as such, are included in the calculation of the interim dividend payment. A breakdown of the components of the net credit is included in note 3 to the condensed consolidated financial statements on page 25.

As described under "Net Debt and Funding", below, our financing platform has remained largely consistent year-on-year and accordingly cash interest charges on our term loans and revolving credit facility are in line with those incurred in 2015.

Taxation

The total tax charge for the six months ended 30 June 2016 was £36 million (H1 2015: £14 million), an effective rate of 19% (H1 2015: 27%).

The tax charge arising on underlying profit before tax, that is excluding the impact of unrealised gains on derivative contracts as described below, for the six months ended 30 June 2016 was £4 million (H1 2015: £15 million), an effective rate of 19% (H1 2015: 26%).

The tax charges were partially offset in the effective tax rate by the positive impact of R&D tax credits received in respect of prior year R&D activity tax claims which have now been agreed with HMRC, worth approximately £3 million.

The tax charge excludes the potential future tax benefit arising from start-up tax losses in the wood pellet supply business, which have not been recognised in the period. We will recognise these future benefits at the point a sufficient level of output is reached and maintained that will result in taxable income against which these losses can be offset. Taking these items together, the effective tax rate on underlying earnings is slightly lower than the standard rate of tax in the UK of 20%.

In the 2016 Budget the UK Government proposed a reduction in the rate of corporation tax from 18% to 17% from 1 April 2020. The effect of this reduction has not been recognised in the condensed consolidated financial statements as it has not been substantively enacted at the balance sheet date. Once legislated, currently expected to be in the second half of 2016, this will result in tax credits as we revalue our deferred tax liabilities.

As a result, it is likely that our underlying effective tax rate for the full year will be well below the standard rate of tax in the UK. In future years we would expect underlying tax rates to be closer to the standard UK corporate tax rate.

Profit After Tax & Underlying Earnings

The reported earnings of our Group are materially affected by volatility in the valuation of our derivative forward contracts for both the commodities we purchase to generate electricity and the financial contracts we use to secure sterling cash flows (such as forward contracts for the purchase of foreign currencies).The types of forward contracts we enter into and the accounting for these contracts is unchanged from the previous period and are described fully within our 2015 Annual Report and Accounts on pages 138 to 141.

Unrealised gains on derivative contracts, recognised in the income statement, were £163 million in the six months ended 30 June 2016 (H1 2015: unrealised losses of £3 million), this significant volatility reflecting the effect of the substantial weakening of sterling following the UK's vote to leave the European Union in June 2016 on our forward currency contract portfolio.

A further £214 million of unrealised gains on contracts designated into accounting hedge relationships in accordance with IFRS have been recognised within the hedge reserve in the period.

Whilst not reflective of our underlying trading performance in the current period, the unrealised gains figures do demonstrate the value of our forward hedging programme and the protection it provides our business from short-term market fluctuations as we continue to purchase biomass fuel through contracts denominated in US dollars.

Taking into account these unrealised gains and the deferred tax thereon, consolidated profit after tax for the six months ended 30 June 2016 was £149 million an increase of £110 million compared to the same period in 2015.

Underlying earnings is adjusted to exclude the impact of unrealised gains and losses on derivative contracts and, where relevant, certain one-off transactions that are not reflective of the underlying trading performance of the Group (such as, for example, non-cash asset obsolescence charges in 2015). A full description of the non-IFRS measures we report and a reconciliation from reported earnings are included within the interim financial statements on pages 17 and 27 of this report respectively.

Underlying earnings for the six months ended 30 June 2016 were £17 million, compared to £41 million for the same period last year.

Capital Expenditure

Total capital expenditure of £38 million for the first half of 2016 is a reduction on the same period last year (H1 2015: £54 million) and reflects the expected reduction in capital spend as we conclude our biomass transformation.

The biomass transformation will be fully delivered by the end of 2016, including the necessary investment required to ensure Drax Power Station complies with the requirements of the Industrial Emissions Directive (IED). We will deliver this in line with our original cost guidance of £650 - £700 million, which includes the three unit conversions and supporting infrastructure at the power station, our US wood pellet manufacturing investments as well as IED compliance work.

Once the transformation concludes our expenditure is expected to reduce. Future investment in our existing plant will be managed carefully to deliver quality compressed wood pellets, baseload renewable power and flexible coal operations, whilst realising new business opportunities. This is consistent with the decision to reduce our outage programme during 2017 (as described on page 6).

Net Debt & Funding

Our primary funding platform remains unchanged and underpins a balance sheet that remains robust. Our term loan package consists of £325 million of loans, fully drawn down, with a maturity profile that extends out to 2024.

This is supported by a £400 million revolving credit facility, which we successfully renewed in December 2015 and now matures in December 2019. At 30 June 2016 we had letters of credit totalling £45 million drawn under this facility (H1 2015: £49 million).

In addition, our funding package includes a commodity trading line, also successfully renewed in December 2015, which enables us to transact prescribed volumes of commodity trades without having to post collateral.

Further detail in relation to our funding arrangements can be found on page 125 of our 2015 Annual Report & Accounts.

With cash balances at the end of the period of £235 million, net debt stands at £85 million compared to £187 million at the end of 2015.

Working Capital

We continue to focus on working capital and benefitted from strong cash inflows during the six month period.

The commercial cycle for ROCs remains the biggest drain on our short-term cash resources, with ROCs earned on a monthly basis through the generation of renewable power but the cash not being received until the ROC is sold to a third party, which can be up to 18 months later. An additional £126 million of ROCs were earned and not sold in the first half of 2016; this was comparable with £110 million for the same period last year, despite significantly increased biomass generation in 2016 to date. The relatively modest increase reflects our improved ability to monetise these assets, both in the marketplace and by using available facilities.

In June 2016 we enhanced our working capital management capabilities by implementing a new monetisation facility that enables the Group to sell certain of its receivables and accelerate delivery of the associated cash flows. We utilised this facility in the period to help drive a net £198 million cash inflow from working capital (other than ROCs).

This is a positive performance in challenging market conditions and we will continue to seek ways to further optimise our working capital position.

Cash Generated from Operations

Cash generated from operations in the six months ended 30 June 2016 was £153 million, compared to £199 million in the same period last year, the reduction principally reflecting lower EBITDA.

The Group remains significantly cash-generative and, with a robust balance sheet, we are confident we are well-placed to respond to changes in what has been, and remains, a very challenging marketplace.

The overall net cash inflow for the first six months of 2016 of £101 million (H1 2015: £82 million) reflects cash spend on capital assets of £48 million and dividends paid of £2 million.

Other information

Going Concern

The Group's business activities, together with the factors likely to affect future developments, financial position and financial performance, including principal risks and uncertainties, are set out within the Chief Executive's statement (on pages 5 to 7) and this Chief Financial Officer's report, with reference to our 2015 Annual Report and Accounts where appropriate.

Our cash flows and borrowing facilities are described above. In addition, section 7 to the consolidated financial statements contained within the 2015 Annual Report and Accounts explains our approach to capital risk management, exposure to financial risks (including credit, counterparty and liquidity risk) and gives details of financial instruments and hedging activities used to mitigate these risks and exposures.

We presently have substantial headroom in our banking facilities, a recent history of cash generation and strong covenant compliance despite the challenging operating conditions faced by the Group. We retain good visibility in near-term forecasts due to our progressive hedging strategy. Our business plan is updated quarterly and takes account of our capital investment plans and reasonably possible changes in trading performance, including sensitivity analysis on downside scenarios.

We are satisfied that we are able to operate the business within the current level of our banking facilities, that we will remain compliant with our covenants and that we will have sufficient cash available to meet our obligations as they fall due for the foreseeable future.

Consequently, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, as a result, continue to prepare the financial statements on a going concern basis.

Seasonality of Trading

The primary activities of our Group are affected by seasonality. Demand in the UK, for both electricity and heat, is typically higher and thus drives higher prices and dispatch in the winter period (October to March) when temperatures are colder. Conversely, dispatch is typically lower in the summer months (April to September), when prices are lower and plant availability is affected by planned outages.

This trend is experienced by all of our UK-based businesses, as they operate within the domestic electricity and heat markets, and is most notable within the Generation business due to its scale and the flexible operation of coal-fired plant when prices are low in the summer. The US-based Biomass Supply business has a regular production and despatch schedule, which insulates it from demand fluctuations caused by seasonality.

Cash flow during the summer months can thus be materially reduced due to the combined effects of lower demand, prices and output, while maintenance expenditures are increased due to the timing of major planned outages. The Group's £400 million working capital and letter of credit facility assists in managing cash low points in the cycle if required.

Distribution Policy

We continue to follow our policy of distributing 50% of underlying earnings each year. Underlying earnings for the period ending 30 June 2016 were £17 million (2015: £41 million) providing the basis for the interim dividend proposal. We currently have no plans to change our approach.

Dividends Paid

On 22 February 2016, the Board resolved, subject to approval by shareholders at the Annual General Meeting on 20 April 2016, to pay a final dividend in respect of the year ended 31 December 2015 of 0.6 pence per share (£2 million). The dividend was subsequently paid on 13 May 2016**.**

Dividends Proposed

On 25 July 2016, the Board resolved to pay an interim dividend for the six months ended 30 June 2016 of 2.1 pence per share (£8 million), representing 50% of the underlying earnings for the period. The interim dividend will be paid on or before 7 October 2016 and shares will be marked ex-dividend on 22 September 2016.

Principal risks and uncertainties

We manage the commercial and operational risks faced by the Group in accordance with policies approved by the Board. We set out in our 2015 Annual Report and Accounts (pages 52-55) the principal risks and uncertainties that could impact performance. These risks remain unchanged and are as follows:

- Regulatory and political risk
- Biomass risks
- Generating plant operating risk
- Trading and commodity risk
- Corporate risks

Regulatory and political risk remains the greatest challenge for the Group. Following the UK's decision to leave the European Union (EU) we recognise that this may increase the level of regulatory and political risk as arrangements are made for the UK Parliament to take full control of all policy-making which impacts the UK energy industry. The Board is monitoring this situation closely, and recognises the current uncertainty, but at this stage we do not detect increasing risks for the Group. This position will remain under review as events unfold in the coming months.

Our comprehensive hedging strategy, which includes sales of power and ROCs, purchases of fuel, foreign currency and CO_2 emissions allowances, provides some protection against short-term volatility in commodity and currency markets, such as that seen in the immediate aftermath of the EU decision. Progressive hedging of power covers the period of the liquid market (typically up to two years) and for foreign currency extends five years. As a result of this action, there is no immediate increased risk to the Group arising from the recent weakening of sterling.

In addition, our position is increasingly supported by contractual-based revenues not reliant on commodity price movements. We also keep the operating cost base of the Group under constant review, making adjustments when appropriate, and take opportunities to optimise value from our trading activities as they arise.

We continue to promote the benefits of biomass and are engaged with government and regulators in the UK and internationally to ensure the Group's views and positions on current and forthcoming legislation and regulations, and on energy and environmental policy issues that may have implications for our business, are represented.

Related parties

The Group set out in its 2015 Annual Report and Accounts (page 145) the related party transactions arising which were in relation to remuneration of management personnel. There have been no new related party transactions, other than the remuneration of key management personnel, since 31 December 2015.

The contents of this report were approved by the Board on 25 July 2016.

Will Gardiner
Chief Financial Officer
25 July 2016

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

Dorothy Thompson	**Will Gardiner**
Chief Executive	Chief Financial Officer
25 July 2016	25 July 2016

Interim Condensed Consolidated Financial Statements

Introduction

The Interim Condensed Consolidated Financial Statements provide detailed information about the financial performance (Condensed consolidated income statement), 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 financial statements provide additional information on the items in the Condensed consolidated income statement, Condensed consolidated balance sheet and Condensed consolidated cash flow statement. The notes include explanations of the information presented. In general, the additional information in the notes to the financial statements is required by IFRS or other regulations to facilitate increased understanding of the primary statements.

Basis of preparation

This section describes the accounting standards we have followed in preparing these financial statements and the interpretation of those accounting standards into accounting policies which are relevant to our Group. We have not changed any of our accounting policies in the period, nor have any new accounting standards had a material effect on our financial statements.

The Interim Condensed Consolidated Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with IAS 34 "Interim Financial Reporting". The information provided in respect of year ended 31 December 2015 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. 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 Interim Condensed Consolidated Financial Statements have been prepared on the going concern basis, as explained on page 13, and on the historical cost basis, except for certain assets and liabilities that have been measured at fair value (principally derivative financial instruments – see note 7).

The Interim Condensed Consolidated Financial Statements were approved by the Board on 25 July 2016.

Intra-group trading

Intra-group transactions are carried out on arm's-length, commercial terms that where possible equate to market prices at the time of the transaction.

The impact of all intra-group transactions, including any unrealised profit arising (£1.9 million at 30 June 2016), is eliminated on consolidation.

Adoption of new and revised accounting standards

Since the 2015 Annual Report and Accounts were published one new standard (Annual improvements to IFRS 2011-2013 cycle) became effective during the first 6 months of 2016. The adoption of this standard has not had a material impact on the financial statements of the Group.

The accounting policies adopted in the preparation of the financial information presented here are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

Judgements, estimates and uncertainties

The judgements, estimates and uncertainties relevant to the preparation of the financial information presented are consistent with those described in detail on pages 104-105 of the Group's Annual Report and Accounts for 2015.

Section 2.3 (pages 114-115) of the 2015 Annual Report and Accounts sets out our further consideration of the risk of impairment as at 31 December 2015.

Whilst market conditions have improved in the first half of 2016, the key assumptions set out in that section remain relevant. In the event of material adverse changes to the assumptions made, significant impairment charges could arise in future periods.

Non-IFRS measures of financial performance

We present two non-IFRS measures on the face of our income statement.

EBITDA is the primary measure we use to assess our financial performance. EBITDA is defined as profit before interest, tax, depreciation (including asset obsolescence charges and gains or losses on asset disposals), amortisation and unrealised gains on derivative contracts.

Underlying measures, including underlying profit before and after tax and underlying earnings per share (EPS) exclude the impact of unrealised gains on derivative contracts and asset obsolescence charges. Underlying profit after tax and EPS exclude the tax effect of these items.

Under our current distribution policy, dividends are calculated based upon 50% of underlying profit after tax. A reconciliation of profit for the year attributable to equity holders to underlying profit after tax is provided in note 6.

Condensed consolidated income statement

	Notes	Six months ended 30 June 2016 (Unaudited) £m	Six months ended 30 June 2015 (Unaudited) £m	Year ended 31 December 2015 (Audited) £m
Revenue		**1,486.5**	1,511.2	3,065.0
Fuel costs in respect of generation		**(516.4)**	(579.0)	(1,309.9)
Cost of power purchases		**(457.1)**	(395.9)	(851.3)
Grid charges		**(181.7)**	(184.1)	(369.5)
Other retail costs		**(149.1)**	(118.0)	(125.5)
Total cost of sales		**(1,304.3)**	(1,277.0)	(2,656.2)
Gross profit		**182.2**	234.2	408.8
Other operating and administrative expenses		**(111.9)**	(114.3)	(239.8)
EBITDA[(1)]		**70.3**	119.9	169.0
Depreciation and amortisation		**(49.3)**	(49.8)	(100.4)
Asset obsolescence charges		**-**	-	(109.2)
Loss on disposal		**(2.7)**	-	(7.1)
Unrealised gains/(losses) on derivative contracts		**163.4**	(3.0)	123.7
Operating profit		**181.7**	67.1	76.0
Net interest credit/(charge)	3	**2.5**	(14.1)	(17.0)
Profit before tax		**184.2**	53.0	59.0
Tax charge	4	**(35.5)**	(14.2)	(2.7)
Profit for the period attributable to equity holders		**148.7**	38.8	56.3
Earnings per share		**pence**	pence	pence
– Basic	6	**36.6**	9.6	13.9
– Diluted	6	**36.3**	9.5	13.8
		£m	£m	£m
Underlying profit for the period [(2)]	6	**16.9**	41.2	46.0
		pence	pence	pence
Underlying earnings per share [(2)]	6	**4.2**	10.2	11.3

All results relate to continuing operations.

(1) EBITDA is defined as profit before interest, tax, depreciation (including asset obsolescence charges and gains or losses on asset disposals), amortisation and unrealised gains and losses on derivative contracts.

(2) Underlying profit for the period is calculated as the profit or loss attributable to equity holders excluding the after-tax effect of unrealised gains or losses on derivative contracts and asset obsolescence charges. A full reconciliation of the profit or loss for the period to underlying profit is provided in note 6 to the condensed consolidated financial statements. Underlying measures are described fully on page 17.

Condensed consolidated statement of comprehensive income

	Six months ended 30 June		Year ended 31 December
	2016 (Unaudited) £m	2015 (Unaudited) £m	2015 (Audited) £m
Profit for the period	**148.7**	38.8	56.3
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on defined benefit pension scheme	**5.4**	(0.3)	1.2
Deferred tax on actuarial gains/(losses) on defined benefit pension scheme	**(1.0)**	0.1	(0.2)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations	**(8.0)**	0.6	(2.9)
Fair value gains/(losses) on cash flow hedges	**214.3**	(52.9)	23.4
Deferred tax on cash flow hedges	**(39.4)**	10.6	(4.7)
Impact of corporation tax rate change on deferred tax on cash flow hedges	**-**	-	(0.2)
Other comprehensive income/(expense) for the period	**171.3**	(41.9)	16.6
Total comprehensive income/(expense) for the period attributable to equity holders	**320.0**	(3.1)	72.9

Condensed consolidated balance sheet

	Notes	As at 30 June 2016 (Unaudited) £m	As at 30 June 2015 (Unaudited) £m	As at 31 December 2015 (Audited) £m
Assets				
Non-current assets				
Goodwill and other intangible assets		**14.5**	14.5	26.3
Property, plant and equipment		**1,640.2**	1,694.4	1,653.8
Derivative financial instruments	7	**481.2**	94.8	278.4
		2,135.9	1,803.7	1,958.5
Current assets				
Inventories		**222.7**	185.4	224.0
ROC and LEC assets		**396.2**	294.5	270.1
Trade and other receivables		**232.5**	285.4	319.3
Derivative financial instruments	7	**330.2**	156.5	330.8
Short-term investments		**-**	20.0	-
Cash and cash equivalents		**234.8**	262.4	133.8
Current tax assets		**-**	-	0.6
		1,416.4	1,204.2	1,278.6
Liabilities				
Current liabilities				
Trade and other payables		**590.5**	469.2	488.0
Current tax liabilities		**7.0**	4.2	-
Borrowings		**0.9**	0.6	0.3
Derivative financial instruments	7	**192.4**	169.5	274.3
		790.8	643.5	762.6
Net current assets		**625.6**	560.7	516.0
Non-current liabilities				
Borrowings		**318.9**	321.7	320.1
Derivative financial instruments	7	**206.3**	250.2	300.1
Provisions		**30.9**	30.1	30.5
Deferred tax liabilities		**261.7**	184.5	191.9
Retirement benefit obligations		**20.6**	32.6	29.5
		838.4	819.1	872.1
Net assets		**1,923.1**	1,545.3	1,602.4
Shareholders' equity				
Issued equity		**47.0**	46.9	46.9
Capital redemption reserve		**1.5**	1.5	1.5
Share premium		**424.2**	424.2	424.2
Merger reserve		**710.8**	710.8	710.8
Hedge reserve	9	**209.8**	(25.9)	34.9
Retained profits		**529.8**	387.8	384.1
Total shareholders' equity		**1,923.1**	1,545.3	1,602.4

Condensed consolidated statement of changes in equity

	Issued equity £m	Capital redemption reserve £m	Share premium £m	Merger reserve £m	Hedge reserve £m	Retained profits £m	Total £m
At 1 January 2015	**46.8**	**1.5**	**422.8**	**710.8**	**16.4**	**374.3**	**1,572.6**
Profit for the year	-	-	-	-	-	56.3	56.3
Other comprehensive income	-	-	-	-	18.5	(1.9)	16.6
Total comprehensive income for the year	-	-	-	-	18.5	54.4	72.9
Equity dividends paid	-	-	-	-	-	(49.9)	(49.9)
Issue of share capital	0.1	-	1.4	-	-	-	1.5
Movement in equity associated with share-based payments	-	-	-	-	-	5.3	5.3
At 31 December 2015	**46.9**	**1.5**	**424.2**	**710.8**	**34.9**	**384.1**	**1,602.4**
At 1 January 2015	**46.8**	**1.5**	**422.8**	**710.8**	**16.4**	**374.3**	**1,572.6**
Profit for the period	-	-	-	-	-	38.8	38.8
Other comprehensive (expense)/income	-	-	-	-	(42.3)	0.4	(41.9)
Total comprehensive (expense)/income for the period	-	-	-	-	(42.3)	39.2	(3.1)
Equity dividends paid	-	-	-	-	-	(29.2)	(29.2)
Issue of share capital	0.1	-	1.4	-	-	-	1.5
Movement in equity associated with share-based payments	-	-	-	-	-	3.5	3.5
At 30 June 2015	**46.9**	**1.5**	**424.2**	**710.8**	**(25.9)**	**387.8**	**1,545.3**
At 1 January 2016	**46.9**	**1.5**	**424.2**	**710.8**	**34.9**	**384.1**	**1,602.4**
Profit for the period	-	-	-	-	-	148.7	148.7
Other comprehensive income/(expense)	-	-	-	-	174.9	(3.6)	171.3
Total comprehensive income for the period	-	-	-	-	174.9	145.1	320.0
Equity dividends paid	-	-	-	-	-	(2.4)	(2.4)
Issue of share capital	0.1	-	-	-	-	-	0.1
Movement in equity associated with share-based payments	-	-	-	-	-	3.0	3.0
At 30 June 2016	**47.0**	**1.5**	**424.2**	**710.8**	**209.8**	**529.8**	**1,923.1**

Condensed consolidated cash flow statement

	Notes	Six months ended 30 June 2016 (Unaudited) £m	Six months ended 30 June 2015 (Unaudited) £m	Year ended 31 December 2015 (Audited) £m
Cash generated from operations	10	**152.7**	198.9	167.3
Income taxes refunded/(paid)		**1.6**	(2.4)	(3.8)
Other gains/(losses) [(1)]		**5.2**	(19.6)	(3.1)
Interest paid		**(8.6)**	(11.5)	(11.9)
Interest received		**0.2**	0.7	1.5
Net cash from operating activities		**151.1**	166.1	150.0
Cash flows from investing activities				
Purchases of property, plant and equipment		**(47.8)**	(72.8)	(179.1)
Acquisition of subsidiary		**-**	(4.0)	(4.0)
Redemption of short-term investments	11	**-**	20.1	40.1
Net cash used in investing activities		**(47.8)**	(56.7)	(143.0)
Cash flows from financing activities				
Equity dividends paid	5	**(2.4)**	(29.2)	(49.9)
Proceeds from issue of share capital		**0.1**	1.5	1.5
Other financing costs paid		**-**	(0.2)	(5.7)
Net cash used in financing activities		**(2.3)**	(27.9)	(54.1)
Net increase/(decrease) in cash and cash equivalents	11	**101.0**	81.5	(47.1)
Cash and cash equivalents at beginning of the period		**133.8**	180.9	180.9
Cash and cash equivalents at end of the period		**234.8**	262.4	133.8

(1) Other gains/(losses) include the effect of changes in foreign exchange rates and, in 2015, the net payment made in settlement of the Group's obligations under CESP, as described on page 39 of the 2014 Annual Report and Accounts.

Notes to the condensed consolidated financial statements

1. General information

These notes provide additional detail on the disclosures within the condensed consolidated financial statements. Further information, and a full set of explanations, can be found in our 2015 Annual Report and Accounts on pages 104 – 145. Throughout the notes, we have included explanations of the information presented.

Drax Group plc (the Company) is incorporated in England and Wales under the Companies Act. The Company and its subsidiaries (together, the Group) predominantly operate in the electricity generation and supply industry within the UK. 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

The Group is organised into three business units with a dedicated management team for each; the generation of electricity at Drax Power Station (Generation), production of sustainable wood pellets at our processing facilities in the US (Biomass Supply) and the supply of power to business customers and wood pellets to the domestic heat market (Retail). Each of these business units is considered to be an operating segment for the purpose of segmental reporting.

Information reported to the Board for the purposes of assessing performance and making investment decisions is organised into these three operating segments. The measure of profit or loss for each reportable segment presented to the Board on a regular basis is EBITDA, with sales between segments being carried out at arm's-length.

Operating costs are allocated to segments to the extent they are directly attributable to the activities of that segment. Unallocated costs are included in central operating costs.

Segment revenues and results

The following is an analysis of the Group's results by reporting segment in the six months ended 30 June 2016:

	Six months ended 30 June 2016 (Unaudited)				
	Generation £m	Retail £m	Biomass Supply £m	Adjustments [1] £m	Consolidated £m
Revenue					
External sales	**843.8**	**642.7**	**-**	**-**	**1,486.5**
Inter-segment sales	**338.5**	**-**	**31.6**	**(370.1)**	**-**
Total revenue	**1,182.3**	**642.7**	**31.6**	**(370.1)**	**1,486.5**
Segment gross profit	**167.2**	**9.7**	**7.2**	**(1.9)**	**182.2**
Segment EBITDA	**85.8**	**(2.4)**	**(2.8)**	**-**	**80.6**
Central operating costs					**(10.3)**
Consolidated EBITDA					**70.3**
Depreciation and amortisation					**(49.3)**
Loss on disposal					**(2.7)**
Unrealised gains on derivative contracts					**163.4**
Operating profit					**181.7**
Net finance costs					**2.5**
Profit before tax					**184.2**

[1] Adjustments represent the elimination of intra-group transactions.

The following is an analysis of the Group's results by reporting segment in the six months ended 30 June 2015:

	Six months ended 30 June 2015 (Unaudited)				
	Generation £m	Retail £m	Biomass Supply £m	Adjustments [1] £m	Consolidated £m
Revenue					
External sales	882.1	629.1	-	-	1,511.2
Inter‑segment sales	364.1	-	6.1	(370.2)	-
Total revenue	1,246.2	629.1	6.1	(370.2)	1,511.2
Segment gross profit	228.4	7.9	(1.6)	(0.5)	234.2
Segment EBITDA	148.6	(4.0)	(9.0)	-	135.6
Central operating costs					(15.7)
Consolidated EBITDA					119.9
Depreciation and amortisation					(49.8)
Loss on disposal					-
Unrealised gains on derivative contracts					(3.0)
Operating profit					67.1
Net finance costs					(14.1)
Profit before tax					53.0

[1] Adjustments represent the elimination of intra-group transactions.

The following is an analysis of the Group's results by reporting segment in the year ended 31 December 2015:

	Year ended 31 December 2015 (Audited)				
	Generation £m	Retail £m	Biomass Supply £m	Adjustments [1] £m	Consolidated £m
Revenue					
External sales	1,775.0	1,290.0	-	-	3,065.0
Inter‑segment sales	863.2	-	28.4	(891.6)	-
Total revenue	2,638.2	1,290.0	28.4	(891.6)	3,065.0
Segment gross profit	390.1	19.3	1.0	(1.6)	408.8
Segment EBITDA	214.6	(6.3)	(14.8)	-	193.5
Central operating costs					(24.5)
Consolidated EBITDA					169.0
Depreciation and amortisation					(100.4)
Asset obsolescence charges					(109.2)
Loss on disposal					(7.1)
Unrealised losses on derivative contracts					123.7
Operating profit					76.0
Net finance costs					(17.0)
Profit before tax					59.0

[1] Adjustments represent the elimination of intra-group transactions.

The accounting policies of the reportable segments are the same as the Group's accounting policies which are described in the Group's latest Annual Report and Accounts. The revenue and results of all segments are subject to seasonality as detailed in the CFO's Report on page 13.

Interest, tax, assets and working capital are monitored on a Group basis with no separate disclosure by segment made in the management accounts, and hence no separate asset disclosure is provided in this report. However, spend on key capital projects is monitored. Total spend on the biomass transformation project during the first 6 months of 2016 was £12 million (H1 2015: £28 million), of which £3 million related to construction of assets within our US business.

Major customers
Total revenue for the six months ended 30 June 2016 includes amounts of £545.1 million and £267.8 million (H1 2015: £221.5 million and £173.8 million) derived from two customers (H1 2015: two customers), each representing 10% or more of the Group's revenue for the period.

3. Net interest credit/(charge)

	Six months ended 30 June		Year ended 31 December
	2016 (Unaudited) £m	2015 (Unaudited) £m	2015 (Audited) £m
Interest payable and similar charges:			
Interest payable on bank borrowings	**(9.1)**	(9.1)	(18.0)
Unwinding of discount on provisions	**(0.4)**	(0.4)	(0.7)
Amortisation of deferred finance costs	**(1.1)**	(1.5)	(3.7)
Net finance cost in respect of defined benefit scheme	**(0.5)**	(0.6)	(1.1)
Other financing charges	**-**	(0.7)	(0.8)
Total interest payable and similar charges	**(11.1)**	(12.3)	(24.3)
Interest receivable and similar income:			
Interest income on bank deposits	**0.3**	0.4	1.4
Other financing income	**0.3**	-	-
Total interest receivable and similar income	**0.6**	0.4	1.4
Foreign exchange gains/(losses)	**13.0**	(2.2)	5.9
Net interest credit/(charge)	**2.5**	(14.1)	(17.0)

The net interest credit for the six months ended 30 June 2016 includes foreign exchange gains of £13 million (H1 2015: loss of £2 million) arising on the revaluation of investments and balances denominated in foreign currencies at the balance sheet date. These gains were driven by the significant depreciation of sterling following the UK Brexit vote in June 2016.

4. Taxation

The tax charge includes both current and deferred tax. For interim periods, the tax charge is based upon the expected tax rate for the full year and applied to taxable profits for the interim period.

Current tax, including UK corporation tax and foreign tax, is the amount payable on taxable profits (profit before tax adjusted for items upon which we are not required to pay tax, or in some cases for items upon which we are required to pay additional tax in respect of tax-disallowed expenditure) in the period. Deferred tax is an accounting adjustment which reflects where more or less tax is expected to arise in the future due to differences between the accounting and tax rules.

In the 2016 Budget the UK Government proposed a reduction in the rate of corporation tax from 18% to 17% from 1 April 2020. The effect of this reduction has not been recognised in the condensed consolidated financial statements as it has not been substantively enacted at the balance sheet date. Once legislated, currently expected to be in the second half of 2016, this will result in tax credits as we revalue our deferred tax liabilities.

	Six months ended 30 June		Year ended 31 December
	2016 (Unaudited) £m	2015 (Unaudited) £m	2015 (Audited) £m
Tax charge comprises:			
Current tax	**6.1**	4.9	1.8
Deferred tax before impact of corporation tax change:	**29.4**	9.3	18.7
Deferred tax impact of corporation tax change:	**-**	-	(17.8)
Tax charge	**35.5**	14.2	2.7

The Group has not recognised deferred tax assets with an estimated value of £28 million at 30 June 2016 (H1 2015: £13 million) in respect of UK and US losses that are carried forward to offset against future taxable income. In both cases the business units involved have a history of making losses and until operational performance is established and maintained at a level sufficient to deliver future taxable income the utilisation of the benefit against this income is not considered to be probable.

5. Dividends

		Six months ended 30 June		Year ended 31 December
	Pence per share	**2016 (Unaudited) £m**	2015 (Unaudited) £m	2015 (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 2015 paid 13 May 2016	**0.6**	**2.4**	-	-
Interim dividend for the year ended 31 December 2015 paid 9 October 2015	5.1	**-**	-	20.7
Final dividend for the year ended 31 December 2014 paid 15 May 2015	7.2	-	29.2	29.2
		2.4	29.2	49.9

On 25 July 2016, the Board resolved to pay an interim dividend for the six months ended 30 June 2016 of 2.1 pence per share (equivalent to approximately £8 million) on or before 7 October 2016. The interim dividend has not been included as a liability as at 30 June 2016.

6. Earnings per share

Earnings per share (EPS) represents the amount of our earnings (post-tax profits) attributable to each ordinary share or dilutive potential ordinary share we have in issue. Basic EPS is calculated by dividing our earnings by the weighted average number of ordinary shares in issue during the period. Diluted EPS demonstrates the impact upon the basic EPS if all outstanding share options, that are expected to vest on their future maturity dates, were exercised and treated as ordinary shares as at the balance sheet date.

In addition to EPS, we calculate underlying EPS. Our current dividend policy is to pay a dividend equivalent to 50% of underlying earnings. Underlying EPS is based upon underlying earnings and strips out the post-tax effect of fair value movements on derivative contracts and any one-off items from earnings (such as the asset obsolescence charges recognised in 2015). Multiplying underlying EPS by 50% will give the dividend per share for the period.

Reconciliations of the earnings and weighted average number of shares used in the calculation are set out below.

	Six months ended 30 June		Year ended 31 December
	2016 (Unaudited) £m	2015 (Unaudited) £m	2015 (Audited) £m
Earnings:			
Earnings attributable to equity holders of the Company for the purposes of basic and diluted earnings	**148.7**	38.8	56.3
Adjusted for:			
Unrealised gains and losses on derivative contracts	**(163.4)**	3.0	(123.7)
Asset obsolescence charges	**-**	-	109.2
Tax impact of the above adjustments	**31.6**	(0.6)	4.2
Underlying earnings attributable to equity holders of the Company	**16.9**	41.2	46.0

	Six months ended 30 June		Year ended 31 December
	2016 (Unaudited)	2015 (Unaudited)	2015 (Audited)
Number of shares:			
Weighted average number of ordinary shares for the purposes of basic earnings per share (millions)	**406.7**	405.6	406.0
Effect of dilutive potential ordinary shares under share plans	**2.5**	1.9	1.3
Weighted average number of ordinary shares for the purposes of diluted earnings per share (millions)	**409.2**	407.5	407.3

Earnings per share – basic (pence)	**36.6**	9.6	13.9
Earnings per share – diluted (pence)	**36.3**	9.5	13.8
Underlying earnings per share – basic (pence)	**4.2**	10.2	11.3
Underlying earnings per share – diluted (pence)	**4.1**	10.1	11.3

7. Derivative financial instruments

The accounting rules for derivative contracts are complex. Where such contracts do not qualify for the own use exemption (described on page 138 in our 2015 Annual Report and Accounts) we account for them at fair value, which is in essence the difference between the price we have secured in the contract and the price we could achieve in the market at the balance sheet date. The tables and commentary below provide additional information about how these valuations are determined and the changes in underlying market conditions that drive their movements.

The fair values of the Group's derivative financial instruments which are marked to market and recorded in the balance sheet were as follows:

	As at 30 June		As at 31 December
	2016 (Unaudited) £m	2015 (Unaudited) £m	2015 (Audited) £m
Assets			
Commodity contracts	**160.1**	180.9	372.3
Financial contracts	**651.3**	70.4	236.9
	811.4	251.3	609.2
Liabilities			
Commodity contracts	**(138.5)**	(138.0)	(373.6)
Financial contracts	**(260.2)**	(281.6)	(200.8)
	(398.7)	(419.6)	(574.4)

Contracts for the delivery of commodities are entered into to secure market-level dark green and bark spreads on future power sales.

Financial contracts are principally comprised of forward foreign currency exchange contracts utilised to secure future sterling cash flows on commodity purchases denominated in foreign currencies.

As described in our latest Annual Report and Accounts on page 139, the fair value of commodity contracts and financial contracts is largely determined by comparison between forward market prices and the contract price. These contracts have therefore been grouped into Level 2 within the fair value hierarchy in their entirety.

The Group has no financial instruments with fair values derived solely from unadjusted quoted prices (Level 1) or unobservable inputs (Level 3). There have been no transfers of any assets or liabilities between levels of the fair value hierarchy during the current or preceding period.

Net unrealised gains on our derivative contract portfolio in the first six months of 2016 were £377 million, with £163 million recognised in the income statement and £214 million in the hedge reserve.

The change in fair value of our derivative portfolio in the period has been driven predominantly by changes in currency exchange rates.

We have a large portfolio of forward currency purchase contracts, which fixes the sterling cost of our future biomass fuel purchases denominated in foreign currencies. Given the size of the portfolio, its fair value is highly sensitive to changes in foreign currency exchange rates. Sterling weakened substantially against all of our principal foreign currencies (Euro, USD and CAD) following the UK vote to leave the European Union in June, resulting in the asset value of our currency contract portfolio increasing significantly at the end of the first six months of 2016.

8. Other financial instruments

We hold a variety of other non-derivative financial instruments, including cash and cash equivalents, borrowings, payables and receivables arising from our operations.

Fair value

Cash and cash equivalents, short-term investments, trade and other receivables, and trade and other payables generally have short times to maturity. For this reason, their carrying values approximate to their fair value. The Group's borrowings relate principally to amounts drawn down against term loans, the carrying amounts of which approximate their fair values by virtue of being floating rate instruments.

9. Hedge reserve

Changes in the fair value of our derivative contracts for purchases and sales of commodities and foreign currencies, to the extent that they qualify as effective cash flow hedges under accounting rules are recognised within the hedge reserve, a component of shareholders' equity. The cumulative gains and losses unwind and are released to the income statement as the related contracts mature and we take delivery of the associated commodity or currency.

The Group designates certain hedging instruments used to address commodity price risk and foreign exchange risk as cash flow hedges. At the inception of the hedge, the relationship between the hedging instrument and hedged item is documented, along with its risk management objectives. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instruments used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Changes in fair value of contracts designated into such hedging relationships are recognised within the hedge reserve to the extent they are effective, ineffectiveness is recognised in the income statement.

Amounts held within the hedge reserve are then released as the related contract matures and the hedged transaction impacts profit or loss. For commodity contracts, this is when the underlying commodity is delivered. For financial contracts this is when the associated foreign currency transaction is recognised.

The expected release profile from equity of post-tax hedging gains and losses is as follows:

	As at 30 June 2016 (Unaudited)			
	Within 1 year £m	**1–2 years £m**	**>2 years £m**	**Total £m**
Commodity contracts	**5.5**	**(3.0)**	**(0.2)**	**2.3**
Financial contracts	**13.1**	**30.0**	**164.4**	**207.5**
	18.6	**27.0**	**164.2**	**209.8**

	As at 30 June 2015 (Unaudited)			
	Within 1 year £m	1–2 years £m	>2 years £m	Total £m
Commodity contracts	19.1	0.6	(1.6)	18.1
Financial contracts	(8.1)	2.6	(38.5)	(44.0)
	11.0	3.2	(40.1)	(25.9)

	As at 31 December 2015 (Audited)			
	Within 1 year £m	1–2 years £m	>2 years £m	Total £m
Commodity contracts	27.9	4.8	(0.8)	31.9
Financial contracts	7.8	(10.0)	5.2	3.0
	35.7	(5.2)	4.4	34.9

10. Cash generated from operations

The table below reconciles our profit for the period to the amount of physical cash we have generated from our operations (i.e. sourcing, generating and selling electricity) by adjusting for any non-cash accounting items.

	Six months ended 30 June		Year ended 31 December
	2016 (Unaudited) £m	2015 (Unaudited) £m	2015 (Audited) £m
Profit for the period	**148.7**	38.8	56.3
Adjustments for:			
Net interest (credit)/charge	**(2.5)**	14.1	17.0
Tax charge (note 4)	**35.5**	14.2	2.7
Depreciation and amortisation	**49.3**	49.8	100.4
Asset obsolescence charges	**-**	-	109.2
Losses on disposal	**2.7**	-	7.1
Unrealised (gains)/losses on derivative contracts	**(163.4)**	3.0	(123.7)
Defined benefit pension scheme charge	**3.0**	3.2	6.4
Non-cash charge for share-based payments	**3.0**	3.5	5.3
Operating cash flows before movement in working capital	**76.3**	126.6	180.7
Changes in working capital:			
Decrease in inventories	**1.3**	61.7	18.4
Decrease in receivables	**86.8**	78.0	49.3
Increase in payables	**109.5**	48.3	27.3
Total decrease in working capital	**197.6**	188.0	95.0
Decrease/(increase) in carbon assets	**11.8**	-	(11.8)
Increase in ROC and LEC assets	**(126.1)**	(110.0)	(85.6)
Defined benefit pension scheme contributions	**(6.9)**	(5.7)	(11.0)
Cash generated from operations	**152.7**	198.9	167.3

The decrease in receivables included within the net decrease in working capital in the table above for the six months ended 30 June 2016 includes the benefit of £50 million of cash inflows arising from the sale of trade receivables under the facility agreed in June 2016, described in the CFO's Report on page 11.

11. Reconciliation of net debt

This note reconciles our net debt position in terms of changes in our cash on hand, short-term investments and borrowings.

	As at 30 June		As at 31 December
	2016 (Unaudited) £m	2015 (Unaudited) £m	2015 (Audited) £m
Net debt at 1 January	**(186.6)**	(98.6)	(98.6)
Increase/(decrease) in cash and cash equivalents	**101.0**	81.5	(47.1)
Decrease in short-term investments	**-**	(20.1)	(40.1)
Decrease/(Increase) in net borrowings	**0.6**	(2.7)	(0.8)
Net debt at period end	**(85.0)**	(39.9)	(186.6)

12. Contingent Liabilities

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

Guaranteed Minimum Pension (GMP)

The UK Government intends to implement legislation to equalise the GMP, resulting in an increase in the value of GMP for males. This would correspondingly increase the defined benefit pension obligation of the Group. At present, the methodology for implementing the equalisation is uncertain and thus the impact cannot be reliably measured. As a result, no allowance has been made for GMP equalisation in the calculation of the defined benefit obligation within these condensed consolidated financial statements.

Borrowings

In addition to the amount drawn down against the bank loans, certain members of the Group guarantee the obligations of a number of banks in respect of letters of credit issued by those banks to counterparties of the Group. As at 30 June 2016 the Group's contingent liability in respect of letters of credit issued under the revolving credit facility amounted to £44.9 million (H1 2015: £48.5 million).

Independent review report to Drax Group plc

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 2016 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. 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.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed within the Basis of preparation section, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. 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 Ireland) 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.

Conclusion

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 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
25 July 2016

Glossary

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

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

Balancing mechanism
The sub-set of the market through which the System Operator can call upon additional generation/consumption or reduce generation/consumption, through market participants' bids and offers, in order to balance the system minute-by-minute.

Bark spread
The difference between the power price and the cost of biomass, net of renewable support.

Contracts for difference (CfD)
A mechanism to support investment in low-carbon electricity generation. 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 from suppliers for the additional amount. Conversely if the reference price is above the strike price, the generator must pay back the difference.

Dark green spread
The difference between the power price and the cost of coal and carbon.

EBITDA
Profit before interest, tax, depreciation (including asset obsolescence charges and gains or losses on asset disposals), amortisation and unrealised gains on derivative contracts.

Grid charges
Includes transmission network use of system charges (TNUoS), balancing services use of system charges (BSUoS) and distribution use of system charges (DUoS).

H1 2015
The six-month period ended 30 June 2015.

H2 2015
The six-month period ended 31 December 2015.

H1 2016
The six-month period ended 30 June 2016.

IFRS
International Financial Reporting Standards.

Industrial Emission Directive (IED)
The Industrial Emission Directive (IED) is a European Union directive which commits European Union member states to control and reduce the impact of industrial emissions on the environment.

Lean Management
The philosophy of continually identifying and reducing or eliminating waste and inefficiency.

LECs
Levy Exemption Certificates. Evidence of Climate Change Levy exempt electricity supplies generated from qualifying renewable sources.

Lost time injuries
Lost time injuries are defined as occurrences where the injured party is absent from work for more than 24 hours.

Net debt
Comprises cash and cash equivalents, short-term investments less overdrafts and borrowings net of deferred finance costs.

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

Renewable support
Term used to refer to any financial incentive in respect of renewable energy generation. At present this predominantly reflects the value ascribed to ROCs and LECs, which is accounted for as a deduction from fuel costs within costs of sales.

REGO
A Renewable Energy Guarantee of Origin (REGO) is certification provided as proof of energy being generated from renewable sources.

ROCs
A Renewables Obligation Certificate (ROC) is a certificate issued to an accredited generator for electricity generated from eligible renewable sources. The Renewables Obligation is currently the main support scheme for renewable electricity projects in the UK.

Summer
The calendar months April to September.

Total recordable injury rate (TRIR)
The frequency rate is calculated on the following basis: (lost time injuries + worse than first aid injuries)/hours worked times 100,000.

Winter
The calendar months October to March.

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