

15 June 2017

**DRAX GROUP PLC**  
**(Symbol: DRX)**

**Capital Markets Event and Trading Update**

**Capital markets event**

Drax is today hosting a capital markets event for investors and analysts.

The event will provide an update on the Group's strategy, outlining a plan for 2025 EBITDA in excess of £425<sup>(1)</sup> million – more than a third of which is expected to come from Retail (>£80 million) and Biomass Supply (>£75 million) operations. This will be delivered by maximising the opportunities from the existing portfolio of assets and targeted value creative investment in long-term growth opportunities, underpinned by a robust financial model and capital allocation plan.

The event will provide further insight into the Group's three areas of operation and how these support the strategy:

**Retail** – an annuity-like income stream with profitable SME<sup>(2)</sup> and I&C<sup>(3)</sup> businesses;

**Generation** – visible biomass earnings, flexible operations, the development of options for rapid response gas and long-term opportunities to repurpose coal assets; and

**Biomass Supply** – lower cost, good quality pellets, with visible earnings and the capacity to provide at least 30 per cent of the Group's fuel requirements.

These activities are underpinned by safety, sustainability, operational excellence and expertise in our markets. Drax is committed to using research and innovation to help reduce supply chain costs, identify new long-term opportunities and to maximise value across the Group.

The event will be led by Dorothy Thompson, Group CEO, supported by the senior management team from across the business.

**Dividend policy and capital allocation**

Following discussion with shareholders, Drax today announces a new dividend policy.

Drax expects to pay a growing dividend consistent with maintaining its credit rating and investing in its business.

Drax expects to recommend a dividend of £50m with regards to the 2017 financial year. The Board is confident that this dividend is sustainable and expects it to grow from this level as the implementation of the strategy generates an increasing proportion of stable earnings and cash flow. In determining the rate of growth in dividends the Board will take account of future investment opportunities and the less predictable cash flows from the Group's commodity-based businesses.

If there is a build-up of capital in excess of the Group's investment needs the Board will consider the most appropriate mechanism to return this to shareholders.

Dorothy Thompson said:

“Britain’s energy market is changing. Drax has embraced these changes with a strategy which will help change the way energy is generated, supplied and used for a better future.

“Through our operations in retail, generation and biomass supply we expect to deliver a significant increase in high quality, visible, contracted earnings for the Group.

“With the optimisation of our existing asset portfolio combined with acquisitions across our markets the strategy is already delivering, allowing the Group to create long-term opportunities in all areas of the business.

“We are confident in the strategy and our ability to deliver high quality earnings, growth and value for shareholders, supported by a strong financial model and clear capital allocation policy, including a sustainable dividend that we expect to grow from a level of £50m in 2017.”

### **Trading and Operational Performance**

Since publishing our full year results on 16 February 2017, trading conditions in the markets in which we operate have remained unchanged and operational performance has been good.

These factors underpin our expectations for full year EBITDA<sup>(4)</sup>, which remain unchanged.

### **Capital markets webcast and presentation material**

The event will be webcast from 9.30am and the material made available on the Group website at the same time. Joining instructions for the webcast and presentation are included in the links below.

<http://cache.merchantcantos.com/webcast/webcaster/4000/7464/16531/90093/Lobby/default.htm>

<https://www.drax.com/investors/capital-markets-day/>

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#### **Notes:**

- (1) Three business areas, including an assumed central cost, based on £21m actual in 2016.
- (2) Small and Medium-sized Enterprise.
- (3) Industrial and Commercial.
- (4) EBITDA is defined as profit before interest, tax, depreciation, amortisation and unrealised gains and losses on derivative contracts.

### **THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

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