1 May 2025

Drax Group plc
("Drax", "the Group", "Drax Group", "the Company"; Symbol: DRX)

Trading update - strong performance, disciplined capital allocation

Highlights

- Strong performance - FlexGen[1], Pellet Production and Biomass Generation
- Full year 2025 expectations for Adj. EBITDA[2] around the top end of consensus estimates[3]
- Continuing to target post 2027 recurring Adj. EBITDA[2] of £600-700 million
    - FlexGen, Pellet Production and Biomass Generation[4]
- £300 million share buyback programme progressing, c.£207 million complete
- Final dividend of 15.6 pence per share, subject to shareholder approval at today's AGM
    - Total dividend for 2024 of 26.0 pence per share (2023: 23.1 pence per share)

Drax Group CEO, Will Gardiner said: "Through delivering strong operational performance we have supported energy security. Thousands of workers at Drax and throughout our supply chain keep the lights on for millions of this country's homes and businesses.

"The UK's target for a clean power system and increase in intermittent renewables means more dispatchable and reliable generation will be required to help keep the lights on when the wind isn't blowing or the sun isn't shining.

"We are working to create value and growth in the short, medium and long-term, aligned to the UK's energy needs and underpinned by a strong balance sheet and cash generation, a disciplined approach to capital allocation and attractive returns for shareholders."

Full year expectations

Reflecting a strong performance across the Group in the first three months of 2025, Drax now expects 2025 full year Adj. EBITDA to be around the top end of consensus estimates[3].

Full year expectations remain subject to continued good operational performance.

FlexGen

The Group's pumped storage and hydro business is continuing to provide flexible and renewable power generation and a wide range of system support services.

Drax believes that the retirement of older thermal assets and increased reliance on intermittent renewables, as well as an increase in power demand, will drive a growing need for dispatchable power and system support services. Drax believes this will create long-term enduring earnings opportunities for, and value from, the Group's FlexGen assets. As such, and in line with its ambition to be a UK leader in flexible renewable generation, the Group continues to assess opportunities for the development of its portfolio.

Pumped Storage and Hydro

An £80 million investment to refurbish and upgrade two units at Cruachan Power Station is progressing, with units 3 and 4 undertaking an initial planned outage programme through 2025. The project, which is underpinned by a 15-year Capacity Market agreement worth over £220 million[5] (c.£15 million Adj. EBITDA pa), will add 40MW of additional capacity by 2027 and improve unit operations.

An additional planned outage programme associated with a transformer upgrade on units 1 and 2 will take place during 2025 during 2025.

Cruachan II

In 2024, Drax completed initial design and engineering work on an option for a 600MW expansion of Cruachan. Drax believes that the Cruachan II project is well aligned with the long-term system need for flexible generation and energy storage and, given its location, is well placed to support system constraints between Scotland and England.

In April 2025, the UK Government invited applications from developers for the first phase of a cap and floor scheme, intended to incentivise the development of new long duration capacity.

The projected cost of Cruachan II has risen over the past two years, whilst at the same time the recoverability of all capital invested in the project remains unclear. Therefore, Drax will not participate in this first phase of the cap and floor scheme but will retain the option for potential future development, subject to an appropriate balance of risk and return.

Drax remains committed to disciplined capital expenditure which seeks to balance the risk and return of individual projects against other uses of capital, to maximise value.

Open Cycle Gas Turbines (OCGTs)

Commissioning of three new-build OCGTs at two sites in central England and one in Wales is expected to commence in 2025, with the first unit scheduled to enter service in summer 2025. This is later than originally planned, primarily due to delays in grid connection by the relevant authorities. The OCGTs will provide combined capacity of c.900MW and be remunerated under 15-year Capacity Market agreements, worth over £250 million, in addition to revenues from peak power generation and system support services.

Capacity Market agreements

In March 2025, Drax provisionally secured agreements to provide a total of 434MW of capacity (de-rated 402MW) principally from its pumped storage and hydro assets[6]. The agreements are for the delivery period October 2028 to September 2029, at a price of £60/kW/year[7], with income of c.£24 million in that period. These are in addition to agreements for existing assets which extend to September 2028.

Drax also provisionally secured an agreement to provide a total of 24MW of capacity (de-rated 22MW) for the refurbishment of Glenlee[8]. The agreements are for the delivery period October 2028 to September 2043, at a price of £60/kW/year[7], with income of c.£20 million in that period.

Taken together with existing agreements for pumped storage, hydro and OCGTs, Drax has over £650 million[5] of index-linked agreements, providing high-quality earnings which extend visibility of the Group's contracted earnings to 2043.

Energy Solutions

In February 2025, Drax agreed the sale of residual Opus Energy SME customer meter points. The sale reflects Energy Solutions' focus on core I&C and renewables services, which are continuing to perform well. The sale is expected to complete in the second quarter of 2025.

Pellet Production

The Group's Pellet Production business is performing well, with production levels ahead of the equivalent period in 2024, benefiting from good operational performance and benign weather conditions.

Biomass Generation

Drax Power Station, the UK's largest single source of 24/7 renewable power is performing well, supporting UK energy security with flexible and reliable renewable power generation and a wide range of system support services. Drax believes that the size, flexibility and location of the asset enable it to be an integral long-term part of the UK energy system.

There are no major planned outages scheduled for 2025.

Generation contracted power sales

As at 29 April, Drax had c.£2 billion of contracted forward power sales between 2025 and 2027 on its Renewable Obligation (RO) biomass, pumped storage and hydro generation assets - 21.1TWh[9] at an average price of

£93.6/MWh[10]. RO generation is fully hedged for 2025 and c.90% for 2026, with over £1 billion of associated ROCs.

The Group has a further 4.0TWh of CfD generation contracted for 2025 and 2026.

Contracted power sales as at 29 April 2025	**2025**	**2026**	**2027**
Net RO, hydro and gas (TWh)[9]	*10.4*	*9.0*	*1.7*
Average achieved £ per MWh[10]	*110.8*	*76.8*	*78.1*
CfD (TWh)	*3.8*	*0.2*	*-*

Low-carbon dispatchable CfD agreement

In February 2025, Drax agreed a non-binding heads of terms with the UK Government with regards to a low-carbon dispatchable CfD for Drax Power Station which would cover the period April 2027 to March 2031.

Drax and the UK Government are currently negotiating the final contract for the CfD, with signing targeted during summer 2025. The process remains subject to Parliamentary procedures, including the passage of the requisite Statutory Instrument. The Statutory Instrument was first laid before Parliament in March 2025. The agreement will also be subject to the UK subsidy control regime.

Sale of Pulverised Fuel Ash

In March 2025, Drax agreed a 20-year joint venture (JV) agreement with Power Minerals Limited (PML) for the sale of pulverised fuel ash (PFA) into low-carbon cement markets. Under the agreement PML will construct and operate a facility at Drax Power Station which will process PFA which was historically deposited on land adjacent to Drax Power Station. Under the agreement, Drax will sell PFA to the JV as well as provide utilities to the site, in addition to sharing the profits of the JV.

PFA is a key ingredient in lowering carbon emissions during the production of cement, a process which contributes around 8% of global carbon emissions annually, with PML expecting the project to reduce carbon emissions by at least 6Mt compared to conventional cements.

Drax believes the project could contribute incremental Adj. EBITDA of c.£5 million pa for the Group post 2027.

Sustainability

In February 2025, Drax published a new Sustainability Framework, which supports the Group's commitment to develop and enhance its approach to sustainability across the three pillars of Climate, Nature and People. This is underpinned by an updated Biomass Sourcing Policy, which was published in March 2025. The updated policy reflects changes in biomass standards and regulation and supports the Group's aim to be a leader in sourcing biomass sustainably.

In April 2025, Drax published a Climate Transition Plan, which includes actions to meet near-term (2030) targets (validated SBTi[11] targets) and a long-term (2040) Net Zero target (in validation with SBTi).

Capital returns

In July 2024, Drax announced a share buyback programme for the purchase of up to £300 million of Drax shares over a two-year period. The programme commenced in August 2024 with a first £75 million tranche. A second £75 million tranche commenced in October 2024 and a third £75 million tranche, which commenced in February 2025, is close to completion. A fourth £75 million tranche is expected to commence following the completion of the third, subject to shareholder approval of the required authority at the AGM on 1 May 2025.

To date, the programme has purchased c.33 million shares for c.£207 million. The total number of voting rights in Drax Group, excluding treasury shares, as at 30 April 2025 was c.356 million.

Drax will continue to assess capital allocation in line with its policy.

Other matters

Drax will report its half year results on Thursday 31 July 2025.

Notes:

(1) Flexible Generation (FlexGen) is Flexible Generation & Energy Solutions.

(2) Earnings before interest, tax, depreciation, amortisation, excluding the impact of exceptional items and certain remeasurements. Adj. EBITDA includes the Electricity Generator Levy (EGL).
(3) As of 24 April 2025, analyst consensus for 2025 Adj. EBITDA was £874 million, with a range of £848 - 896 million. The details of this consensus are displayed on the Group's website.
Consensus - Drax Global
(4) Excludes Investment Opportunities including development expenditure in Elimini, Innovation, Capital Projects and Other.
(5) 2025, real-terms.
(6) Cruachan Pumped Storage (units 1 and 2), the Galloway hydro scheme (Tongland and Kendoon) and three small legacy gas turbines at Drax Power Station (92MW, de-rated 86MW).
(7) Capacity Market agreements stated in 2023/24 real-terms, with payments indexed to UK CPI.
(8) Glenlee is a hydro scheme within the Galloway run-of-river hydro scheme. It is comprised of 2 x 12MW turbines, which will be refurbished as a part of the works on the site.
(9) Includes 0.7TWh of structured power sales in 2026 and 2027 (forward gas sales as a proxy for forward power), transacted for the purpose of accessing additional liquidity for forward sales from RO units and highly correlated to forward power prices.
(10) Presented net of cost of closing out gas positions at maturity and replacing with forward power sales.
(11) Science Based Targets Initiative.

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Forward Looking Statements

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

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