24 July 2018

DRAX GROUP PLC (Symbol: DRX)

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Full year expectations unchanged, H1 impacted by two unplanned outages

Six months ended 30 June	H1 2018	H1 2017
Key financial performance measures		
EBITDA (£ million)(1)	102	121
Underlying earnings (£ million)(2)	7	9
Underlying earnings per share (pence)(2)	1.6	2.2
Interim dividends (pence per share)	5.6	4.9
Net cash from operating activities (£ million)	112	197
Net debt (£ million)(3)	366	372
Statutory accounting measures		
Operating profit/(loss) (£ million)	12	(61)
Loss before tax (£ million)	(11)	(104)
Reported basic loss per share (pence)	(1)	(21)

Financial and Operational Highlights

- H1 EBITDA lower year on year due to two unplanned outages, other areas performing well
- Statutory loss before tax includes lower level of H1 EBITDA and asset write off
- Refinancing complete – swapped floating for fixed rate debt with 7.5-year maturity
- Sustainable and growing dividend
  - Increase in 2018 interim dividend to £22.4 million (5.6 pence per share) (H1 2017: £20 million)
  - Expected 2018 full year dividend of £56 million
  - Ongoing £50 million share buy-back programme – £13 million at 30 June 2018

Good progress with strategic initiatives, on track to deliver long-term objectives

- Third biomass pellet plant, LaSalle Bioenergy, commissioning ahead of plan – full capacity Q1 2019
- Conversion of fourth biomass generating unit on schedule and budget, commissioning late summer
- Programme for long-term reduction in biomass cost including sawmill co-location and rail spur investment
- Confident in growing requirement for system support services over coming years
- Development of options for future generation:
  - Coal-to-gas repowering – detailed planning application accepted for review June 2018
  - Four OCGTs(4) – two projects in next capacity market auction, planning applications accepted for review for remaining two projects
- B2B Energy Supply delivering solid progress to grow number of customer meters

2018 outlook

- Full year financial expectations unchanged
  - Generation – fourth biomass unit conversion, improved margins, on target availability and capacity payments
  - Continued growth in Pellet Production and B2B Energy Supply
- Capital Markets Day, 13 November

Will Gardiner, Chief Executive of Drax Group plc, said:

“Drax continues to be at the heart of decarbonising UK energy, securing government support to convert a fourth unit to biomass and piloting a Bioenergy Carbon Capture and Storage project, supporting the UK Government’s carbon capture and storage ambitions.

“Full year EBITDA expectations remain unchanged. However, first half EBITDA was lower, principally due to two specific generation outages. We made excellent progress with our Pellet Production business, driving down costs while producing at record levels and our B2B Energy Supply business continues to increase customer numbers. We also remain on track with our investment projects: the conversion of a fourth unit to biomass, and the development of our OCGT and coal-to-gas repowering options.

"We remain focused on safe and efficient operations and returns to shareholders and expect to declare a full year dividend of £56 million for 2018."

Group Financial Review

- Increase to operating profit includes unrealised gains on derivative contracts of £24 million (2017: loss £86 million)
- Decrease in underlying earnings per share – principally reflects lower EBITDA from biomass generation in H1 2018 vs H1 2017
- Reported basic earnings per share – a loss of 1.0 pence, which includes write off of coal-specific assets (£27 million) following commencement of fourth biomass unit conversion, largely offset by unrealised gains on derivative contracts (£24 million)
- Tax – tax credit reflecting benefit of Patent Box claims
- Capital investment of £46 million, full year investment expectation unchanged at £100–£110 million
  - Core maintenance (£50 million), improvement and optimisation projects (£20-£30 million) and conversion of a fourth biomass unit (£30 million)
- Net debt of £366 million (31 Dec 2017: £367 million), including cash on hand of £245 million

Operational Review

Pellet Production – *Good quality pellets at lowest cost*

- EBITDA up £14 million to £10 million
  - 80% increase in pellet production to 0.7 million tonnes (H1 2017: 0.4 million tonnes)
  - 12% reduction in cost per tonne
- LaSalle Bioenergy (LaSalle) commissioning complete, full capacity Q1 2019
- Biomass cost reduction initiatives
  - Co-location and offtake agreement with Hunt Forest Products for low-cost sawmill residues at LaSalle
  - Investment in LaSalle rail spur (£11 million) – reduced transport cost to Baton Rouge port facility

Power Generation – *Optimisation of existing assets and decarbonisation projects*

- EBITDA down £49 million to £88 million
  - Rail unloading building outage restricted operation of two ROC[(5)] units (January 2018)
  - Generator outage on one ROC[(5)] unit (February 2018)
  - System support and flexibility £36 million (H1 2017: £48 million) – lower due to specific Black Start contract (Q1 2017)
  - Offset by 2016 insurance proceeds and lower carbon cost following decision to convert a fourth unit to biomass
- Electricity output (net sales) down 17% to 8.9TWh (H1 2017: 10.7TWh)
  - Two unplanned outages on ROC[(5)] units in Q1 and reduced coal generation
  - High biomass availability in Q2
- 71% of generation from biomass (H1 2017: 68%)
- Commenced Bioenergy Carbon Capture and Storage (BECCS) pilot project, £0.4 million cost

B2B Energy Supply – *Profitable business with growth in customer meters*

- EBITDA up £4 million to £16 million
  - 9% increase in customer meter points to 387,000 (H1 2017: 356,000)
  - Increase in bad debt reflecting challenging business environment for some customers
- Strong renewable proposition – 59% of sales renewable
- Continued investment in next generation IT systems
- Development of flexibility and system support market

Notes:

(1) EBITDA is defined as earnings before interest, tax, depreciation, amortisation and material one-off items that do not reflect the underlying trading performance of the business.

(2) Underlying earnings exclude unrealised gains on derivative contracts of £24m (H1 2017: unrealised losses of £86m) and material one-off items that do not reflect the underlying performance of the business (finance costs of £7m (2017: £24m), acquisition and restructuring costs of £3m (2017: £6m), write off of coal-specific assets of £27m (H1 2017: £Nil), and the associated tax effect.

(3) Borrowings less cash and cash equivalents.

(4) Open Cycle Gas Turbine.

(5) Renewable Obligation Certificate.

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 24 July 2018, at **JP Morgan, 60 Victoria Embankment, London, EC4Y 0JP.**

Would anyone wishing to attend please confirm by e-mailing Christopher.Laing@fticonsulting.com or calling Christopher Laing at FTI Consulting on +44 (0)20 3319 5650.

The meeting can also be accessed remotely via a 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 24 July 2018 for download at: www.drax.com>>investors>>results-reports-agm>> #investor-relations-presentations or use the link https://www.drax.com/investors/results-reports-agm/#investor-relations-presentations

Event Title:	Drax Group plc: Half Year Results
Event Date:	Tuesday 24 July 2018
Event Time	9:00am (UK time)
Webcast Live Event Link	http://cache.merchantcantos.com/webcast/webcaster/4000/7464/16531/105055/Lobby/default.htm
Start Date:	Tuesday 24 July 2018
Delete Date:	Monday 15 July 2019
Archive Link:	http://cache.merchantcantos.com/webcast/webcaster/4000/7464/16531/105055/Lobby/default.htm

For further information please contact Christopher Laing on +44 (0)20 3319 5650.
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Website:	www.drax.com

Business Review

Summary of H1 2018

We have continued to make good progress with the delivery of our strategy, although EBITDA of £102 million for the first six months of 2018 was lower than the prior year. This was principally due to the fire we experienced in our biomass rail unloading facilities at the end of 2017, which restricted biomass operations on two ROC units in early January 2018. We also experienced a generator outage on one of our biomass units in February, with the unit returning to service in March. Flexible and responsive operation of our coal generating units and a strong team effort across the Group helped mitigate the impact of these unplanned outages and our Pellet Production and B2B Energy Supply businesses performed well, with year-on-year EBITDA growth.

On a statutory basis we recorded a loss after tax of £4 million, which includes the lower level of EBITDA and a write off relating to coal-specific assets on the fourth generating unit following the commencement of work to convert the unit to biomass, offset by the movement in unrealised gains and losses on derivative contracts.

We replaced floating with longer-term fixed rate debt, reducing our overall cost of debt, extending the maturity profile and further strengthening our already strong balance sheet.

In line with our policy to pay a sustainable and growing dividend we are announcing our expectation to declare total dividends for the 2018 financial year of £56 million, 40% of which will be paid for the first six months of 2018 (£22.4 million, 5.6 pence per share). Alongside the £50 million share buy-back programme we announced in February this demonstrates the Board's confidence in future earnings and underlines our commitment to returns to shareholders.

Total Recordable Injury Rate (TRIR), our primary safety measure, was 0.18. This was a good performance, although below H1 2017, which was a record performance. We continue to make progress in Pellet Production and B2B Energy Supply, although as always there is more we can do in our pursuit of zero incidents.

Operational review

In the US, our **Pellet Production** operations saw growth in EBITDA and record levels of pellets produced, with output of 0.7 million tonnes, up 80%, and our Amite and Morehouse plants producing at full capacity on a consistent basis. The commissioning of our third pellet plant LaSalle Bioenergy (LaSalle) is complete and contributing to these levels. We expect LaSalle to increase output through this year and achieve full production from Q1 2019.

As part of our focus on the US Gulf we have relocated our US head office from Atlanta, Georgia to Monroe, Louisiana, providing operational savings and supporting our focus on delivering good quality pellets at the lowest cost. Increased volumes, operational improvements and a focus on cost contributed to a 12% reduction in the cost per tonne of pellets produced.

In addition to increasing pellet production we are keenly focused on the material we use to make wood pellets and the potential to reduce costs. A positive step is the signing of a co-location agreement with Hunt Forest Products, a saw mill operator, which will see them develop a sawmill next to LaSalle. The agreement will enable a greater proportion of lower cost sawmill residues to be used, reducing transportation and the number of steps in the production process thereby reducing the cost.

We have also identified an opportunity to develop a new rail spur linking LaSalle to the regional rail network and our port facility at Baton Rouge. This will increase transportation efficiency, provide economies of scale and further reduce our carbon footprint.

In **Power Generation**, the unit supported by the Contract for Difference (CfD) scheme, which provides an index-linked price for the power produced until March 2027, performed strongly. The two unplanned outages on the units supported by the ROC mechanism resulted in reduced output and lower Generation EBITDA, although since returning to service the units have performed well with high availability during the second quarter of the year. We will continue to invest in the plant as part of our drive for continuous improvement in personal and process safety, and operational efficiency.

Notwithstanding outages our biomass units produced 11% of the UK's renewable electricity – enough to power four million homes. In doing so, we are making a vital contribution to the UK's ambitious targets for decarbonisation across electricity generation, heating and transport – an 80% reduction by 2050 vs. 1990 levels.

In June we commenced the conversion of a fourth generating unit from coal to biomass. This low-cost option will, from late summer 2018, allow us to produce a greater amount of renewable electricity at times of high demand, which are typically periods of higher carbon intensity. In this way we plan to provide more renewable electricity, whilst supporting system stability at minimum cost to the consumer.

The flexibility and dispatchable nature of our generation capacity is an important source of value, providing system support and flexibility revenues of £36 million in the first half of 2018. This, combined with the renewable nature of biomass, means we are strongly placed to play a long-term role in the UK's energy mix. Accordingly, we continue to see long-term biomass generation as an enabler of the UK's decarbonisation targets and strategically important to the system operator.

In May we commenced a low-cost pilot project looking at the potential for Bioenergy Carbon Capture and Storage. Whilst at an early stage this project offers the potential for biomass to deliver carbon negative generation, which will be required if the UK is to achieve its decarbonisation targets, further supporting the case for biomass generation in the long-term.

The market for coal generation remains challenging with weak margins for forward power sales and as such our two remaining coal units continue to operate in the short-term markets. We firmly believe in the need for flexible, large scale dispatchable generation, but this must be lower carbon and supportive of the UK's energy objectives.

We believe gas is consistent with these objectives and will be required as part of the future energy mix, providing large-scale flexible generation and system support services, such as inertia, black start and voltage control, thereby enabling increased use of intermittent renewables and inflexible nuclear. We are increasingly confident that there is a growing requirement for system support services in the coming years and in the value of flexible generation. These services, when combined with increasing power market volatility and potential capacity payments represent a value opportunity for the Group.

To that end we are making progress with the development of options for four new standalone Open Cycle Gas Turbine plants to provide fast-response peak demand generation and ancillary services. Development of these projects requires support in a future capacity auction which, if successful, could provide a 15-year index linked capacity agreements, providing a clear investment signal and extending visibility of our contract-based earnings out to the late 2030s.

The first two projects participated in the capacity auction which took place in February 2018 but did not accept contracts. We expect these projects to participate in the next capacity market auction in February 2019. The third and fourth projects also took a step towards the award of planning approval after the Planning Inspectorate accepted both projects for consideration. Once planning approval and acceptable capacity market contracts are secured we expect each project to proceed to construction.

The planning application for our coal-to-gas repowering option was accepted for consideration in June and we aim to obtain planning approval in time to enable us to be operational and providing capacity by late 2023. Through utilising existing infrastructure to reduce the capital cost we believe that this project can be competitive in a future capacity auction.

In **B2B Energy Supply**, EBITDA has increased by over £4 million (including a full period of results from Opus Energy) and we have added over 30,000 meter points, a 9% increase, and a high level of customer retention has been maintained. Growth in EBITDA is inclusive of an increase in bad debt, reflecting a more challenging operating environment for some customers, and the impact of unseasonably harsh winter weather.

Integration of Opus Energy is progressing well and in March we completed the consolidation of Northampton operations into a single site, which we expect to deliver operational efficiencies and cost savings.

The business also has a strong renewable proposition, with 59% of power sales renewable in H1 2018, a level which we expect to increase. Opus Energy also provides a route to market for over 2,000 small embedded renewable sites.

Digitisation of supply is a growing feature of the market and our investment in a new technology platform will provide commercial opportunities, a reduced cost to service and an enhanced customer experience. It will also provide scalable world-class, data analytics capability and builds upon the opportunity the Smart meter rollout creates to deliver targeted and tailored customer propositions.

As the energy system requires flexibility to balance the system, demand management has an important role to play in an increasingly decentralised and low-carbon energy market. We are working with large customers to create value from their portfolios through the provision of demand-side response services and access to energy trading markets. In time, enabled by the deployment of Smart meter technology, we also see an opportunity to offer behind-the-meter services and the aggregation of information and capacity to smaller customers, opening up the flexibility market to more customers. With flexible low-carbon generation and trading expertise, Drax is uniquely placed in this market, to create shared value for customers and the Group.

Safety and sustainability

The health, safety and wellbeing of our employees and contractors is vital to the success of the Group and remains our priority.

The fire at our biomass rail unloading facilities in December 2017 did not lead to physical injuries but was nonetheless a significant event. We launched an investigation to ensure that our personal and process safety management procedures are robust, and a number of improvements are being implemented.

Biomass sustainability remains at the heart of the Group and we have continued to maintain our rigorous and robust approach, ensuring the wood pellets we use are sustainable, low-carbon and fully compliant with the UK's mandatory sustainability standards for biomass. The biomass we use to generate electricity provides an 86% carbon emissions saving against coal, inclusive of supply chain emissions. Our biomass lifecycle carbon emissions are 36g CO^2/MJ, less than half the UK Government's 79g CO^2/MJ limit.

The sustainability credentials of biomass have been further reinforced by the EU's Renewable Energy Directive which was agreed by both the European Parliament and Council in June. This includes biomass sustainability criteria which is consistent with our views and should reinforce the credentials of sustainable biomass.

Governance and people

Strong corporate governance is crucial and a key part of this is the important role our non-executive directors play. During the first half of 2018 we complemented our already strong Board with the appointment of two new non-executive directors – Nicola Hodson and Vanessa Simms. Their experience will provide significant value as the Group delivers its strategy.

In March we published our gender pay gap data. While the data showed that our businesses were in line with the energy sector overall, it highlighted that we have not been good enough. We have taken steps to address this and by 2020 our aim is to have 40% of senior leadership roles across Drax Group held by women.

We have also implemented policies and process around General Data Protection Regulation (GDPR), which have modified ways of working across the Group. Each business area includes nominated GDPR champions.

Outlook

Our full year expectations for 2018 are unchanged.

In Generation we expect an increase to EBITDA in H2, built upon the good availability of biomass generation since April. The conversion of a fourth biomass generating unit in late summer 2018, which will support greater generation at times of peak demand with higher achieved margins, stronger achieved power prices for Winter 2018 and the commencement of new capacity payments for coal from October will all contribute to the improvement from H1.

In our Pellet Production business, we expect to continue building production levels and reducing pellet costs as well as realising net savings from the closure of the Atlanta office.

In the B2B Energy Supply business the increase in customer meters and good customer retentions is expected to be reflected in revenue and EBITDA growth. At the same time, we continue to be mindful of the challenging operating environment for some of our customers.

Beyond 2018 our focus remains on the delivery of our strategy and long-term ambitions for earnings growth, underpinned by safety, sustainability, operational excellence and expertise in our markets.

In Pellet Production we are continuing to commission LaSalle, which will be at full capacity in early 2019. We remain focused on the production of good quality pellets at the lowest cost, cross-supply chain optimisation and identifying low-cost options to increase self-supply.

In Power Generation, we continue to explore ways to optimise our existing operations whilst meeting the needs of the changing UK electricity system. We believe that biomass has an important role to play and that our proposition is strong – reliable, flexible, low-carbon renewable electricity and system support which, combined with an effective fuel hedging strategy, will provide long-term earnings visibility. We remain focused on ways to increase supply chain efficiency and make biomass competitive beyond 2027. We believe that gas, alongside biomass, has an important role to play in supporting the transition to a lower carbon future and continue to develop our projects in that area.

In B2B Energy Supply, we are investing in infrastructure to ensure we can continue to grow, offer market leading digital propositions and develop our presence in the market for flexible demand management and other value added services.

We have made good progress with the delivery of our strategy and will continue to build on this as we progress forwards our targets for 2025, playing an important role in our markets and helping to change the way energy is generated, supplied and used for a better future.

Financial Review

Introduction

The Group's EBITDA for the first six months of the year of £102 million was lower than prior year (H1 2017: £121 million), principally due to outages in our Power Generation business during the first quarter, which have reduced gross margin and increased operating costs. This followed the fire in December 2017 in our biomass rail unloading facilities, as well as a further unplanned outage on one of our biomass units. The combination of these events resulted in lower biomass generation in the first three months of 2018.

Notwithstanding these outages, the Group delivered strong operating performances, with US Pellet Production reaching record levels for all three plants, and our B2B Energy Supply business delivering growth in sales through customer acquisition and retention. Biomass generating unit availability is expected to reach our full year target, despite the quarter 1 outages.

Losses before tax for the period reduced to £11 million (H1 2017: £104 million), which reflects lower EBITDA along with the write off of coal-specific assets (£27 million), offset by non-cash movements on financial instruments, generating unrealised gains of £24 million (30 June 2017: £86 million unrealised losses), and a reduction in net interest costs of £19 million.

The Group improved its access to capital in the period, with the issue of USD$300 million loan notes at a fixed interest rate, which mature in November 2025. The proceeds were used to redeem £200 million loan notes with a floating interest rate and maturity date of May 2022, thereby extending the tenor of Drax's senior debt and giving increased certainty regarding future interest costs.

There has been a continued focus on working capital and cash optimisation in the period, with the Group entering into new working capital arrangements (see below). These contributed to positive cash inflows and a closing net debt position of £366 million, broadly in line with 31 December 2017.

The Condensed Consolidated Interim Financial Statements contain certain adjustments to comparatives used at 30 June 2017 and 31 December 2017, reflecting adoption of new accounting standards and alignment of methodologies during 2017. These are explained in the Basis of Preparation below.

Financial performance

Consolidated revenue for the period of £2,079 million was £279 million higher than prior year, principally driven by ROC sales, the full period impact of Opus Energy, which was acquired in February 2017, and growth in sales in our B2B Energy Supply business.

Revenue in our Generation business rose to £1,451 million (H1 2017: £1,198 million), despite a reduction in electrical output, as a result of ROC sales to accelerate cash flows. Electrical output fell to 8.9TWh (H1 2017: 10.7TWh) following outages on our biomass units during quarter 1, as described above. This included generation from renewable biomass of 71% (H1 2017: 68%). Coal generation continued to operate in short-term power markets and to provide system support services to the Grid.

The reduction in Generation margin was partially offset by the receipt of insurance proceeds in respect of a claim for loss of generation from our biomass units during 2016 (£8 million recognised in the income statement, £2 million in capital). In addition, the conversion of the fourth generating unit from coal to biomass, announced in June 2018, has resulted in a reduction in our estimated carbon emissions, which in turn has reduced the number of carbon emission allowances we will be required to present under the EU ETS. As a result, we have closed out in-the-money trades used to hedge these carbon allowances, which has led to gains of approximately £9 million being recognised in the income statement in the period.

The biomass outages during quarter 1 impacted the volume of biomass stock required during the period. To manage the inventory position, some shipments from third parties were sold (£41 million) rather than received at site, incurring a net loss of £2 million.

B2B Energy Supply revenues increased from £940 million at 30 June 2017 to £1,109 million at 30 June 2018, based on strong customer retention performance, and also benefitting from an additional month of Opus Energy revenue (£76 million).

Revenues and margins for our US-based Pellet Production business continued to rise, as we increased production from 366kT in the first half of 2017 to 660kT this year. This includes output from LaSalle Bioenergy, which we acquired in 2017. We completed the capital upgrade of the new plant at the end of the first quarter, with full capacity expected to be reached in early 2019. All three of our plants are now demonstrating an improvement in operating performance, having produced at record levels through the second quarter.

Consolidated gross margin to 30 June 2018 was £278 million, compared to £264 million in the same period in 2017.

Operating costs of £176 million were higher than for the first six months of 2017 (£143 million), primarily driven by the outages in Generation and a full six months of costs in Opus. In addition, the B2B Energy Supply business has experienced a £9 million increase in bad debt charges in the period, following a deterioration in cash collection rates and market conditions, despite ongoing work to maximise cash collections. Operating cost increases were partially offset by savings in central costs.

As a result of these costs and the gross margin performance, consolidated EBITDA for 30 June 2018 was £102 million, compared to £121 million in 2017. See page 15 for a reconciliation of EBITDA to operating profit.

During the period, we announced the relocation of our US head office from Atlanta to Monroe, Louisiana, in close proximity to the pellet production and port facilities. As at 30 June 2018, we had incurred £2 million of costs in relation to this transition, which have been included in acquisition and restructuring costs. Total acquisition and restructuring costs of £3 million (H1 2017: £6 million) were incurred in the period. Prior year acquisition and restructuring costs consist of Opus Energy acquisition costs.

Depreciation and amortisation charges decreased slightly from £90 million in the first six months of 2017 to £83 million this year, as expected.

In June, we commenced the conversion of a fourth generating unit from coal to biomass. £27 million of coal-specific assets in relation to this unit have been fully written down in the period, as they are no longer required to support generation activity. This charge is shown separately in the income statement and is excluded from the calculation of underlying earnings.

A key component of the Group's risk management strategy is the use of forward contracts to secure and de-risk the future cash flows of the business. Whilst these contracts are all entered into for risk management purposes, a proportion of our portfolio is not designated into a hedge accounting relationship under IFRS. Where this is the case, the unrealised gains and losses arising from the change in fair market value of these contracts is recognised in our income statement.

In the period to 30 June 2018, we recognised total unrealised gains of £24 million (H1 2017: unrealised losses of £86 million) within the income statement in respect of outstanding contracts for future delivery. This is excluded from EBITDA and underlying earnings. The unrealised gain in 2018 was driven by movements in the fair value of oil contracts used as part of our hedging programme. The prior year losses resulted from the strengthening of Sterling against the US dollar. The accounting for these contracts is set out in further detail in note 13.

The net interest charge of £24 million for the period to 30 June 2018 has reduced by £19 million since 2017. The current period charges include £7 million of refinancing costs and accelerated deferred finance costs related to the £200 million senior secured floating rate loan notes, which have now been repaid. The prior year included £24 million of early repayment charges and accelerated deferred costs for loans redeemed as part of the 2017 refinancing. Interest on borrowings has increased by £9 million in the period to 30 June 2018, as a result of a full six-month interest charge on loan notes which were drawn down in May 2017. A full breakdown of interest costs is shown in note 4.

The loss before tax of £11 million includes the write off of coal-specific assets (£27 million), acquisition and restructuring costs of £3 million, and Group refinancing costs of £7 million. This compared to a loss of £104 million for the six months to June 2017. The movement reflects lower EBITDA in 2018, and the write off, offset by the movement in unrealised gains and losses on derivative contracts.

After a tax credit for the period of £7 million (H1 2017: credit of £18 million), the loss after tax was £4 million (H1 2017: loss of £86 million), delivering a basic loss per share of 1.0 pence (H1 2017: loss per share of 21.0 pence). The effective estimated tax rate is lower than the standard Corporation Tax rate in the UK, principally due to some of our profits benefiting from the lower rate (10%) applicable to Patent Box claims. This drove cash taxes refunded during the period, totalling £7 million (H1 2017: £9 million). In the period to 2027, Patent Box benefits are expected to reduce the blended corporation tax rate below the 19% standard rate.

Underlying earnings measures the performance of the Group, after tax without income statement volatility arising from unrealised gains or losses on financial instruments, and other material non-recurring items that do not reflect the operating performance of the business. Underlying earnings for the six months were £7 million (H1 2017: £9 million) or 1.6 pence per share (H1 2017: 2.2 pence per share). A reconciliation of IFRS earnings to underlying earnings is shown in note 6.

Financial position

Assets

The total carrying value of property, plant and equipment fell in the period by £60 million, reflecting the write off of obsolete coal assets (see above), and depreciation. There was no change in the valuation of our four OCGT assets, which remain under development, or in the associated contingent consideration.

Capital Expenditure

Capital expenditure in the period was £46 million, significantly reduced from £80 million in the first six months of 2017. 2017 included one-off expenditure on the pellet production assets of LaSalle Bioenergy (£27 million).

Current year capital expenditure includes the early stages of work to convert a fourth biomass generating unit, projects to develop future generation, continued investment in US pellet production capacity and expenditure in B2B Energy Supply on the development of a new information technology platform and on the Smart meter adoption programme.

Pension

The Group operates one defined benefit and four defined contribution pension schemes. The actuarial review of our defined benefit pension scheme at 30 June 2018, applying assumptions consistent with the methodology adopted in previous accounting periods, has resulted in a funding surplus of £22 million (30 June 2017: deficit of £16 million). This is largely driven by an increase in the discount rate assumption to 2.95% (30 June 2017: 2.7%), which has reduced the value of the scheme liabilities by £22 million since 31 December 2017.

The defined benefit scheme triennial valuation, which was last completed as at 31 March 2016, is based on more conservative discount rate and cost assumptions and resulted in a technical provisions deficit. The Group has committed to make contributions towards the repair of this deficit until 2025.

The terms of the Trust Deed for the defined benefit scheme allow the Group to recover any surplus once the liabilities of the scheme have been settled. We have therefore recognised the funding surplus at 30 June 2018 in non-current assets within the balance sheet.

Net Debt and Funding

Cash generated from operations amounted to £121 million in the six months to June compared to £235m at 30 June 2017.

The Group has a strong focus on cash flow discipline and uses various methods to manage liquidity through the business' cash generation cycle. In addition to the Revolving Credit Facility, the Group optimises its trade receivables, trade payables, and ROC assets to manage the day to day working capital position as described below.

The B2B Energy Supply business has access to a facility which enables it to accelerate cash flows associated with trade receivables on a non-recourse basis which generated a cash inflow of £31 million in the period (Six months to 30 June 2017: £15 million). The facility terms were amended during the period to reduce the frequency of cash sweeps from daily to monthly, further improving our overall liquidity and risk profile.

The Group also changed its payment facilities to support a more efficient and optimal payment mechanism for travel, expenses and other payables generating a cash inflow in the period of £38 million (30 June 2017: £nil).

Cash from ROCs is typically realised several months after the ROC is earned. However, through market standard ROC master arrangements, we can manage the timing of cash flows over a proportion of these assets. ROC transactions during the period led to an overall net cash outflow, which included cash settlements under these agreements of £121 million in June 2018 in addition to other ROC transactions (cash inflows and outflows) during the period. We also have access to facilities enabling us to accelerate cash flows associated with ROC trade receivables. These facilities were unused at 30 June 2018 and 2017.

In the period to 30 June 2018, these arrangements led to a net reduction in working capital of £12 million (30 June 2017: £48 million) following a large outflow in the first quarter.

In April, the Group successfully completed a refinancing to convert floating for fixed debt and to extend the debt maturity out to November 2025. The Group issued USD$300 million loan notes with a fixed interest rate of 6.625%, which were swapped back to Pounds Sterling upon issuance at an effective interest rate of 5%. The proceeds of the new issue have been used to repay in full the £200 million floating rate loan notes issued in 2017 with a maturity of 2022. The Group's borrowings at 30 June totalled £611 million (31 December 2017: £590 million).

Incremental costs of the new borrowing (£4 million) have been deferred and will be amortised to net interest costs in the income statement over the term of the loan notes. Deferred financing costs related to the repaid floating rate notes of £5 million have been written off in the period as noted above. See note 9 for further detail.

Net debt at 30 June was £366 million, compared to £372 million at the end of June 2017. This gave a net debt/EBITDA ratio for the last twelve months (to 30 June 2018) of 1.8.

Distributions

On 20 April 2018, the Group commenced a £50 million share buy-back programme, designed to reduce share capital and return funds to shareholders. We expect to complete this by January 2019. At 30 June 2018, the Group had bought back £13 million of shares which are held in a separate treasury share reserve until they are either cancelled or reissued.

At the Annual General Meeting on 25 April 2018, shareholders approved payment of a final dividend for the year ended 31 December 2017 of 7.4 pence per share (£30 million). The final dividend was subsequently paid on 11 May 2018.

On 23 July 2018, the Board resolved to pay an interim dividend for the six months ended 30 June 2018 of 5.6 pence per share (£22.4 million), representing 40% of the expected full year dividend. The interim dividend will be paid on 12 October 2018 and shares will be marked ex-dividend on 20 September 2018.

The Board expects to recommend a full year dividend of £56 million with regards to the 2018 financial year. This represents a statement of confidence in the Group's ability to invest in growth whilst delivering strong future cash flows to support a sustainable and growing basic dividend.

Other information

New Accounting Standards
During the period we have adopted two new accounting standards; IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'.

The application of IFRS 9 has resulted in certain retrospective adjustments to comparatives for 2017.

We have elected to recognise fair value gains and losses on certain foreign exchange forward contracts through Other Comprehensive Income (OCI), which were previously recognised in the income statement, in order to reduce income statement volatility. This policy change results in a reduction in unrealised gains and losses recognised in the income statement at 30 June 2017 of £17 million and at 31 December 2017 of £17 million. These unrealised losses are now included in the cost of hedging reserve within the OCI. See the Basis of Preparation note below for further detail.

Adoption of IFRS 15 has not resulted in any changes in the timing or amount of revenue recognised. Accordingly, no retrospective adjustments have been made.

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 discussed within the Business review, this Group Financial Review and our 2017 Annual Report and Accounts.

Our cash flows and borrowing facilities are described above. In addition, note 12 explains our approach to capital risk management and 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.

Following the refinancing described above, we have substantial headroom in our banking facilities, a recent history of cash generation and strong covenant compliance. We retain good visibility in near-term forecasts, supported by stable revenue streams. 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 will continue in existence for the next 12 months and, therefore, have adopted the going concern basis in preparing these financial statements.

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 detail in our 2017 Annual Report and Accounts (pages 51-57) the principal risks and uncertainties that could impact performance. We have reviewed the principal risks and consider they are broadly unchanged.

The ongoing negotiations on the withdrawal of the UK from the European Union and the evolving trade policy of the US administration continue to increase political and regulatory uncertainty. The Group continues to monitor these situations closely. 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.

Seasonality of trading
Cash flow during the summer months can be materially reduced due to the combined effects of lower demand, prices and output, while maintenance expenditures can be increased due to the timing of major planned outages. The Group's £315 million working capital and revolving credit facility assists in managing cash low points in the cycle if required.

Related parties

The Group set out in its 2017 Annual Report and Accounts (page 171) 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 2017.

The contents of the Business review and Financial review were approved by the Board on 23 July 2018.

Will Gardiner
Chief Executive Officer
23 July 2018

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

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

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

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

By order of the Board

Will Gardiner
Chief Executive Officer
23 July 2018

Condensed Consolidated Interim Financial Statements

Introduction

The Condensed Consolidated Interim 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. 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

The Condensed Consolidated Interim 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 2017 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 Condensed Consolidated Interim Financial Statements have been prepared on the going concern basis, as explained above, and on the historical cost basis, except for certain assets and liabilities that have been measured at fair value (principally derivative financial instruments and acquired intangible assets).

The Condensed Consolidated Interim Financial Statements were approved by the Board on 23 July 2018.

Adoption of new and revised accounting standards

The accounting policies adopted in the preparation of the Condensed Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'. Adoption of IFRS 15 has not resulted in any changes in the timing or amount of revenue recognised. The application of IFRS 9 has resulted in some retrospective adjustments to comparatives which we have restated. The nature and effect of these changes are shown in note 19.

Judgements and estimates

The judgements and estimates applied in preparing of the Condensed Consolidated Interim Financial Statements are consistent with those described on pages 119-120 of the Group's 2017 Annual Report and Accounts, except as noted below:

- Judgements made in the initial application of the new IFRS standards, IFRS 9 and IFRS 15. (see note 19)
- An actuarial gain on the Group's defined benefit pension scheme has resulted in an accounting surplus arising on the Group's defined benefit pension scheme at 30 June 2018. The terms of the Trust Deed allow the Group to recover any surplus once the liabilities of the scheme have been settled, accordingly the surplus has been recognised in full as a non-current asset on the balance sheet.

Restatement of comparatives

The financial information for the comparative periods has been restated for the following items:

- Information for June 2017 has been restated to align the presentation with changes made in the Annual Report and Accounts for December 2017. This includes:
    i. The restatement of broker commissions from operating expenses into cost of sales;

ii. The restatement of goodwill on acquisition of Opus Energy to reflect the final assessment of the acquisition opening balance sheet (remeasurements between June and December 2017 resulted in a reduction in the fair value of net assets acquired of £4.4 million); and

iii. the transfer of software assets from property, plant and equipment into intangible assets.

- There have also been retrospective adjustments made following the application of IFRS 9 for the first time in 2018. These adjustments are described in note 19.

Alternative performance measures (APMs)

We present two APMs (measures without formal definition within IFRS) on the face of our income statement to assist investors in evaluating the comparability of the Group's financial performance and the performance against strategic objectives.

EBITDA is the primary measure we use to assess our financial performance. The purpose of EBITDA is to provide a consistent, comparable measure of the trading performance of the Group's businesses year on year.

EBITDA is defined as earnings before interest, tax, depreciation, amortisation and material items that do not reflect the underlying trading performance of the business, including unrealised gains/losses on derivative contracts. The items not included in EBITDA are shown separately on the face of the income statement.

Underlying earnings is defined as profit after tax, as calculated in accordance with IFRS, adjusted to exclude unrealised gains and losses on derivative contracts and material one-off items that do not reflect the underlying performance of the business.

The purpose of underlying earnings is to provide a consistent, comparable measure of the overall financial performance of the Group's businesses year on year, including costs of servicing the existing debt and tax.

EBITDA is reconciled to both gross profit and operating profit on the face of the income statement. A reconciliation of underlying earnings to profit after tax attributable to shareholders is provided in note 6.

Condensed consolidated income statement

	Notes	Six months ended 30 June 2018 (Unaudited) £m	Six months ended 30 June 2017 Restated (Unaudited) £m	Year ended 31 December 2017 Restated (Audited) £m
Revenue	3	**2,079.0**	1,800.5	3,685.2
Fuel costs in respect of generation		**(718.7)**	(561.5)	(1,356.8)
Cost of power purchases		**(455.7)**	(489.2)	(974.6)
Grid charges		**(250.1)**	(239.2)	(498.7)
Other energy supply costs		**(376.5)**	(246.7)	(310.1)
Total cost of sales		**(1,801.0)**	(1,536.6)	(3,140.2)
Gross profit		**278.0**	263.9	545.0
Operating and administrative expenses		**(158.3)**	(134.1)	(297.4)
Impairment losses on trade receivables		**(18.1)**	(9.0)	(18.7)
EBITDA(1)		**101.6**	120.8	228.9
Depreciation		**(60.7)**	(67.9)	(122.7)
Amortisation		**(21.9)**	(21.7)	(43.6)
Asset obsolescence charge		**(26.8)**	-	-
Loss on disposal		**(1.2)**	-	(15.4)
Unrealised gains/(losses) on derivative contracts		**24.4**	(85.7)	(176.9)
Other losses		**-**	-	(0.4)
Acquisition and restructuring costs (2)		**(3.1)**	(6.3)	(7.8)
Operating profit/(loss)		**12.3**	(60.8)	(137.9)
Foreign exchange gains/(losses)	4	**4.1**	(6.3)	(10.6)
Cost of debt restructuring(3)	4	**(7.2)**	(24.2)	(24.2)
Interest payable and similar charges	4	**(20.9)**	(12.4)	(31.5)
Interest receivable and similar income	4	**0.4**	-	0.2
Loss before tax		**(11.3)**	(103.7)	(204.0)
Tax:				
– Before effect of changes in rate of tax		**7.3**	18.3	51.8
– Effect of changes in rate of tax		**-**	-	(15.7)
Total tax credit	5	**7.3**	18.3	36.1
Loss for the period attributable to equity holders		**(4.0)**	(85.4)	(167.9)
Underlying earnings (4)	6	**6.6**	8.9	2.7
Loss per share		pence	pence	pence
– Basic	8	**(1.0)**	(21.0)	(41.3)
– Diluted	8	**(1.0)**	(20.8)	(40.9)

All results relate to continuing operations.

(1) EBITDA is defined as: Earnings before interest, tax, depreciation, amortisation and material items that do not reflect the underlying trading performance of the business.

(2) Acquisition and restructuring costs principally reflect costs relating to the restructuring of the US business (2017: Costs associated with the acquisition and integration of Opus Energy).

(3) Cost of debt restructuring are one-off costs associated with the refinancing of the Group's debt.

(4) Underlying earnings is defined as: Loss after tax, as calculated in accordance with IFRS, adjusted to exclude unrealised gains and losses on derivative contracts and material one-off items that do not reflect the underlying performance of the business (see note 6).

Condensed consolidated statement of comprehensive income

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
		Restated	Restated
	(Unaudited)	(Unaudited)	(Audited)
	£m	£m	£m
Loss for the period	**(4.0)**	(85.4)	(167.9)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains on defined benefit pension scheme	**20.9**	11.3	21.4
Deferred tax on actuarial gains on defined benefit pension scheme	**(4.0)**	(2.2)	(4.1)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations	**(2.5)**	0.2	3.4
Fair value gains on equity investments	**0.3**	-	-
Fair value gains/(losses) on cash flow hedges	**4.2**	(142.3)	(219.2)
Cost of hedging on cash flow hedges	**(1.0)**	17.0	16.8
Deferred tax on cash flow hedges	**(0.5)**	27.4	39.9
Other comprehensive income/(expense) for the period	**17.4**	(88.6)	(141.8)
Total comprehensive income/(expense) for the period attributable to equity holders	**13.4**	(174.0)	(309.7)

Condensed consolidated balance sheet

	Notes	As at 30 June 2018 (Unaudited) £m	2017 Restated (Unaudited) £m	As at 31 December 2017 Restated (Audited) £m
Assets				
Non-current assets				
Goodwill		**169.9**	174.6	169.9
Intangible assets		**225.3**	245.6	232.0
Property, plant and equipment		**1,601.8**	1,635.1	1661.9
Other fixed asset investments		**1.7**	-	1.3
Retirement benefit surplus		**21.8**	-	-
Deferred tax assets		**22.3**	39.0	22.7
Derivative financial instruments	13	**224.1**	301.3	190.7
		2,266.9	2,395.6	2,278.5
Current assets				
Inventories		**214.1**	207.8	272.1
ROC assets		**369.4**	365.8	145.5
Trade and other receivables		**358.4**	356.9	417.5
Derivative financial instruments	13	**221.3**	271.3	175.5
Current tax assets		**-**	-	6.2
Cash and cash equivalents		**245.3**	197.0	222.3
		1,408.5	1,398.8	1,239.1
Liabilities				
Current liabilities				
Trade and other payables		**868.3**	785.2	736.5
Current tax liabilities		**4.5**	35.4	-
Borrowings	9	**9.6**	0.8	18.6
Derivative financial instruments	13	**164.1**	165.9	109.6
		1,046.5	987.3	864.7
Net current assets		**362.0**	411.5	374.4
Non-current liabilities				
Borrowings	9	**601.8**	568.3	571.1
Derivative financial instruments	13	**74.4**	78.5	94.2
Provisions		**37.1**	34.9	36.3
Deferred tax liabilities		**222.9**	236.3	230.0
Retirement benefit obligations		**-**	15.5	1.2
		936.2	933.5	932.8
Net assets		**1,692.7**	1,873.6	1,720.1
Shareholders' equity				
Issued equity		**47.0**	47.0	47.0
Share premium		**424.4**	424.3	424.3
Treasury shares	17	**(12.9)**	-	-
Hedge reserve	15	**129.8**	190.5	126.1
Cost of hedging reserve	19	**(41.7)**	(40.5)	(40.7)
Other reserves	16	**703.0**	702.3	705.5
Retained profits		**443.1**	550.0	457.9
Total shareholders' equity		**1,692.7**	1,873.6	1,720.1

Condensed consolidated statement of changes in equity

	Issued equity £m	Share premium £m	Treasury shares £m	Hedge reserve £m	Cost of hedging Restated £m	Other reserves £m	Retained profits Restated £m	Total £m
At 1 January 2017	**47.0**	**424.2**	**–**	**305.4**	**(57.5)**	**702.1**	**624.0**	**2,045.2**
Loss for the year	–	–	–	–		–	(167.9)	(167.9)
Other comprehensive expense	–	–	–	(179.3)	16.8	3.4	17.3	(141.8)
Total comprehensive loss for the year	–	–	–	(179.3)	16.8	3.4	(150.6)	(309.7)
Equity dividends paid	–	–	–	–	–	–	(21.6)	(21.6)
Issue of share capital	–	0.1	–	–	–	–	–	0.1
Movement in equity associated with share-based payments	–	–	–	–	–	–	6.1	6.1
At 31 December 2017	**47.0**	**424.3**	**–**	**126.1**	**(40.7)**	**705.5**	**457.9**	**1,720.1**
At 1 January 2017	**47.0**	**424.2**	**–**	**305.4**	**(57.5)**	**702.1**	**624.0**	**2,045.2**
Loss for the period	–	–	–	–	–	–	(85.4)	(85.4)
Other comprehensive expense	–	–	–	(114.9)	17.0	0.2	9.1	(88.6)
Total comprehensive loss for the period	–	–	–	(114.9)	17.0	0.2	(76.3)	(174.0)
Equity dividends paid	–	–	–	–	–	–	(1.6)	(1.6)
Issue of share capital	–	0.1	–	–	–	–	–	0.1
Movement in equity associated with share-based payments	–	–	–	–	–	–	3.9	3.9
At 30 June 2017	**47.0**	**424.3**	**–**	**190.5**	**(40.5)**	**702.3**	**550.0**	**1,873.6**
At 1 January 2018	**47.0**	**424.3**	**–**	**126.1**	**(40.7)**	**705.5**	**457.9**	**1,720.1**
Loss for the period	–	–	–	–	–	–	(4.0)	(4.0)
Other comprehensive income	–	–	–	3.7	(1.0)	(2.5)	17.2	17.4
Total comprehensive income for the period	–	–	–	3.7	(1.0)	(2.5)	13.2	13.4
Equity dividends paid	–	–	–	–	–	–	(30.1)	(30.1)
Issue of share capital	–	0.1	–	–	–	–	–	0.1
Repurchase of shares(i)	–	–	(12.9)	–	–	–	–	(12.9)
Movement in equity associated with share-based payments	–	–	–	–	–	–	2.1	2.1
At 30 June 2018	**47.0**	**424.4**	**(12.9)**	**129.8**	**(41.7)**	**703.0**	**443.1**	**1,692.7**

(i) Repurchase of shares reflects the cost of acquiring ordinary shares as part of the share buy-back programme announced on 20 April 2018. At 30 June 2018 these shares have not been cancelled and are recognised as treasury shares.

Condensed consolidated cash flow statement

	Notes	Six months ended 30 June 2018 (Unaudited) £m	2017 Restated (Unaudited) £m	Year ended 31 December 2017 (Audited) £m
Cash generated from operations	10	**121.0**	235.2	375.7
Income taxes refunded/(paid)		**7.4**	(9.0)	(14.0)
Other gains/(losses)		**0.9**	(0.9)	(0.1)
Interest paid		**(17.9)**	(29.1)	(46.6)
Interest received		**0.4**	0.3	0.2
Net cash from operating activities		**111.8**	196.5	315.2
Cash flows from investing activities				
Purchases of property, plant and equipment		**(32.6)**	(76.6)	(159.0)
Purchases of software assets		**(15.2)**	(6.6)	(15.7)
Acquisition of subsidiaries		**-**	(379.8)	(379.8)
Net cash used in investing activities		**(47.8)**	(463.0)	(554.5)
Cash flows from financing activities				
Equity dividends paid	7	**(30.1)**	(1.6)	(21.6)
Proceeds from issue of share capital		**0.1**	-	0.1
Purchases of own shares		**(12.9)**	-	-
Repayment of borrowings		**(209.0)**	(493.8)	(493.8)
New borrowings drawn down	9	**213.3**	750.0	768.5
Other financing costs paid		**(3.7)**	(17.4)	(17.9)
Net cash (absorbed by)/generated from financing activities		**(42.3)**	237.2	235.3
Net increase/(decrease) in cash and cash equivalents	11	**21.7**	(29.3)	(4.0)
Cash and cash equivalents at beginning of the period		**222.3**	228.4	228.4
Effect of changes in foreign exchange rates		**1.3**	(2.1)	(2.1)
Cash and cash equivalents at end of the period		**245.3**	197.0	222.3

Notes to the condensed consolidated interim financial statements

1. General information

These notes provide additional information about the disclosures within the Condensed Consolidated Interim Financial Statements. Further information can be found in our 2017 Annual Report and Accounts on pages 121-171.

Drax Group plc (the Company) is incorporated in England and Wales under the Companies Act. The Company and its subsidiaries (together, the Group) operate in the electricity, gas and heat markets 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 businesses, with a dedicated management team for each, and a central head office providing certain corporate functions. Our businesses are:

- Power Generation: power generation activities in the UK, including at Drax Power Station and the development of OCGT projects;
- Pellet Production: production of sustainable compressed wood pellets at our processing facilities in the US; and
- B2B Energy Supply: the supply of electricity and gas to business customers in the UK.

Each business is 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 (as defined on page 14).

Operating costs are allocated to segments to the extent they are directly attributable to the activities of that segment. Corporate office costs are included within central costs.

The results for the B2B Energy Supply segment for the six months ended 30 June 2017 include five months of Opus Energy Group, which was acquired on 8 February 2017.

Seasonality of trading

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

This trend is experienced by all of our UK-based businesses, as they operate within the UK electricity and gas 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 Pellet Production business has a regular production and dispatch schedule, driven by regular demand from the Generation business for wood pellets, which largely insulates it from demand fluctuations caused by seasonality.

Segment revenues and results

	Six months ended 30 June 2018 (Unaudited)				
	Power Generation £m	**B2B Energy Supply £m**	**Pellet Production £m**	**Adjustments (1) £m**	**Consolidated £m**
Revenue					
External sales	**969.7**	**1,109.3**	**–**	**–**	**2,079.0**
Inter-segment sales	**481.1**	**–**	**95.3**	**(576.4)**	**–**
Total revenue	**1,450.8**	**1,109.3**	**95.3**	**(576.4)**	**2,079.0**
Segment gross profit	**172.3**	**73.9**	**28.8**	**3.0**	**278.0**
Segment EBITDA	**88.0**	**15.6**	**9.8**	**3.1**	**116.5**
Central costs					**(14.9)**
Consolidated EBITDA					**101.6**
Depreciation and amortisation					**(82.6)**
Asset obsolescence					**(26.8)**
Loss on disposal					**(1.2)**
Unrealised gains on derivative contracts					**24.4**

Acquisition and restructuring costs	**(3.1)**
Operating profit	**12.3**
Net finance costs	**(23.6)**
Loss before tax	**(11.3)**

(1) Adjustments represent the elimination of intra-group transactions. 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.

	Six months ended 30 June 2017 (Unaudited) Restated				
	Power Generation £m	B2B Energy Supply £m	Pellet Production £m	Adjustments (1) £m	Consolidated £m
Revenue					
External sales	860.4	940.1	-	-	1,800.5
Inter-segment sales	337.9	-	54.3	(392.2)	-
Total revenue	1,198.3	940.1	54.3	(392.2)	1,800.5
Segment gross profit	203.6	49.5	13.0	(2.2)	263.9
Segment EBITDA	136.7	11.4	(4.4)	(2.2)	141.5
Central costs					(20.7)
Consolidated EBITDA					120.8
Depreciation and amortisation					(89.6)
Loss on disposal					-
Unrealised gains on derivative contracts					(85.7)
Acquisition and restructuring costs					(6.3)
Operating loss					(60.8)
Net finance costs					(42.9)
Loss before tax					(103.7)

(1) Adjustments represent the elimination of intra-group transactions. 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.

	Year ended 31 December 2017 (Audited) Restated				
	Power Generation £m	B2B Energy Supply £m	Pellet Production £m	Adjustments (1) £m	Consolidated £m
Revenue					
External sales	1,686.2	1,999.0	–	–	3,685.2
Inter-segment sales	1,033.4	–	135.7	(1,169.1)	–
Total revenue	2,719.6	1,999.0	135.7	(1,169.1)	3,685.2
Segment gross profit	398.4	117.4	39.0	(9.8)	545.0
Segment EBITDA	237.5	29.4	5.5	(9.8)	262.6
Central Costs					(33.7)
Consolidated EBITDA					228.9
Acquisition and restructuring costs					(7.8)
Depreciation and amortisation					(166.3)
Other losses					(0.4)

Loss on disposal	(15.4)
Unrealised losses on derivative contracts	(176.9)
Operating Loss	(137.9)
Net finance costs	(66.1)
Loss before tax	(204.0)

(1) Adjustments represent the elimination of intra-group transactions. 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 accounting policies applied for the purpose of measuring the segment's profits or losses, assets and liabilities are the same as those used in measuring the corresponding amounts in the Group's financial statements.

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

	Capital additions to intangible assets 30 June 2018 Unaudited £m	**Capital additions to property, plant and equipment 30 June 2018 Unaudited £m**	Capital additions to intangible assets 30 June 2017 Unaudited £m	Capital additions to property, plant and equipment 30 June 2017 Unaudited £m	Capital additions to intangible assets 31 December 2017 Audited £m	Capital additions to property, plant and equipment 31 December 2017 Audited £m
B2B Energy Supply	**8.6**	**2.5**	4.2	11.0	12.6	17.6
Power Generation	**6.0**	**19.5**	2.1	24.5	2.4	77.0
Pellet Production	**0.2**	**6.4**	0.2	37.3	0.4	66.2
Corporate unallocated	**0.4**	**2.3**	-	0.3	0.6	3.8
Total	**15.2**	**30.7**	6.5	73.1	16.0	164.6

Capital additions for the prior year in the Pellet Production segment included the acquisition of the LaSalle pellet plant for $35.0 million (£27.4 million) in April 2017.

Major customers
Total revenue for the six months ended 30 June 2018 includes £297.1 million from one customer (H1 2017: £214.7 million and £204.4 million derived respectively from two customers) that represents 10% or more of the Group's total revenue for the period. These revenues arose in the Power Generation segment.

3. Revenue

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

The sources of income were as follows:

	Six months ended 30 June 2018 (unaudited)		
	External £m	**Intra-group £m**	**Total £m**
Power Generation			
Electricity sales	434.5	481.0	915.5
ROC sales	338.6	0.1	338.7
CfD income	165.1	–	165.1
Ancillary services	9.1	–	9.1
Other income	22.4	–	22.4
Total	969.7	481.1	1,450.8
B2B Energy Supply			
Electricity and gas sales	1,107.7	–	1,107.7

Other income	1.6	–	1.6
Total	1,109.3	–	1,109.3
Pellet Production			
Pellet sales	–	95.3	95.3
Total	–	95.3	95.3
Elimination of intra-group sales	–	(576.4)	(576.4)
Total consolidated revenue	2,079.0	–	2,079.0

	Six months ended 30 June 2017 (unaudited)		
	External £m	Intra-group £m	Total £m
Power Generation			
Electricity sales	552.7	337.9	890.6
ROC and LEC sales	126.2	–	126.2
CfD income	156.0	–	156.0
Ancillary services	21.3	–	21.3
Other income	4.2	–	4.2
Total	860.4	337.9	1,198.3
B2B Energy Supply			
Electricity and gas sales	935.5	–	935.5
Pellet sales	4.6	–	4.6
Total	940.1	–	940.1
Pellet Production			
Pellet sales	–	54.3	54.3
Total	–	54.3	54.3
Elimination of intra-group sales	–	(392.2)	(392.2)
Total consolidated revenue	1,800.5	–	1,800.5

	Year ended 31 December 2017 (audited)		
	External £m	Intra-group £m	Total £m
Power Generation			
Electricity sales	1,030.9	774.5	1,805.4
ROC and LEC sales	367.8	258.9	626.7
CfD income	248.2	–	248.2
Ancillary services	30.7	–	30.7
Other income	8.6	–	8.6
Total	1,686.2	1,033.4	2,719.6
B2B Energy Supply			
Electricity and gas sales	1,933.9	–	1,933.9
Pellet sales	6.3	–	6.3
Other income	58.8	–	58.8
Total	1,999.0	–	1,999.0
Pellet Production			
Pellet sales	–	135.7	135.7
Total	–	135.7	135.7
Elimination of intra-group sales	–	(1,169.1)	(1,169.1)
Total consolidated revenue	3,685.2	–	3,685.2

The amounts previously reported in respect of revenue have not changed as a result of the adoption of IFRS 15 in the period (see note 19).

4. Net interest and other finance charges

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
	(Unaudited)	(Unaudited)	(Audited)
	£m	£m	£m
Interest payable and similar charges:			
Interest payable on borrowings	**(18.6)**	(9.5)	(25.6)
Unwinding of discount on provisions	**(0.8)**	0.4	(0.7)
Amortisation of deferred finance costs	**(1.6)**	(1.7)	(3.5)
Net finance cost in respect of defined benefit scheme	**0.1**	(0.3)	(0.5)
Other financing charges	–	(1.3)	(1.2)
Total interest payable and similar charges	**(20.9)**	(12.4)	(31.5)
Interest receivable:			
Interest income on bank deposits	**0.4**	-	0.2
Total interest receivable	**0.4**	-	0.2
Foreign exchange gains/(losses)	**4.1**	(6.3)	(10.6)
Total underlying net interest charge	**(16.4)**	(18.7)	(41.9)
Other finance charges:			
Fees to exit existing facilities	**(2.0)**	(13.8)	(13.8)
Acceleration of deferred costs in relation to previous facilities	**(5.2)**	(10.4)	(10.4)
Total other finance charges	**(7.2)**	(24.2)	(24.2)
Total net interest charge	**(23.6)**	(42.9)	(66.1)

On 26 April 2018, the Group refinanced part of its existing debt to reduce its exposure to interest rate fluctuations and extend the tenor of its debt profile (see note 9 for further details). The resulting cost of £7.2 million (H1 2017: £24.2 million) reflects the costs incurred to extinguish the existing debt together with the write off of the related deferred borrowing costs.

In the prior year, the Group incurred costs as a result of a larger refinancing exercise, issuing £550 million loan notes listed on the Luxembourg Stock Exchange and repaying £494 million of term loans that existed at the time.

5. Taxation

The tax charge includes both current and deferred tax. The tax charge is based upon the expected tax rate for the full year which is applied to taxable profits/(losses) for the interim period, together with any charge or credit in respect of prior years.

Current tax, including UK corporation tax and US tax, is the amount payable on taxable profits or recoverable in respect of tax losses for 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.

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
		Restated	Restated
	(Unaudited)	(Unaudited)	(Audited)
	£m	£m	£m
Tax credit comprises:			
Current tax			
- Current period charge	**8.6**	45.6	20.3
- Adjustments in respect of prior periods	**(4.9)**	-	(10.6)
Deferred tax			
- Deferred tax before impact of corporation tax change	**(11.0)**	(63.9)	(61.5)
- Deferred tax impact of corporation tax change	-	-	15.7
Tax credit	**(7.3)**	(18.3)	(36.1)

The expected tax rate for the full year is lower than the standard Corporation Tax rate applicable in the UK, principally due to the tax rate benefit arising to the Group from UK Patent Box claims.

When the effect of prior period adjustments are taken into account (totalling a £5.4 million credit), the overall tax credit for the six months ending 30 June 2018 amounts to £7.3 million.

Underlying earnings

Underlying earnings is defined as profit after tax, as calculated in accordance with IFRS, adjusted to exclude unrealised gains and losses on derivative contracts and material one-off items that do not reflect the underlying performance of the business.

This note analyses the items which are included in our results for the current and previous periods but are excluded from underlying earnings:

- Unrealised gains and losses on derivative contracts: calculated in accordance with IFRS 9 and excluded due to the inherent volatility;
- Acquisition and restructuring costs: costs, including legal and professional fees and severance costs, associated with the acquisition and integration of Opus Energy in 2017 and the closure and relocation of the US head office in 2018;
- Cost of refinancing: material costs incurred as a result of refinancing the Group’s debt, including break costs and the acceleration of the amortisation of deferred finance costs associated with the previous facilities;
- Asset obsolescence charge: the write off of coal-specific assets with no further operational use following the decision to convert a fourth unit to biomass fuel; and
- Related tax charges and credits

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
		Restated	Restated
	(Unaudited)	(Unaudited)	(Audited)
	£m	£m	£m
Earnings:			
Earnings attributable to equity holders of the Company for the purposes of basic and diluted earnings	**(4.0)**	(85.4)	(167.9)
Adjusted for:			
Unrealised (gains)/losses on derivative contracts	**(24.4)**	85.7	176.9
Acquisition and restructuring costs	**3.1**	6.3	7.8
Cost of debt restructuring	**7.2**	24.2	24.2
Asset obsolescence charge	**26.8**	-	-
Tax impact of the above adjustments	**(2.1)**	(21.9)	(38.3)
Underlying earnings	**6.6**	8.9	2.7

6. Dividends

		Six months ended 30 June		Year ended 31 December
	Pence per share	**2018 (Unaudited) £m**	2017 (Unaudited) £m	2017 (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 2017 paid 11 May 2018	**7.4**	**30.1**	-	-
Interim dividend for the year ended 31 December 2017 paid 4 October 2017	4.9	**-**	-	20.0
Final dividend for the year ended 31 December 2016 paid 12 May 2017	0.4	-	1.6	-
		30.1	1.6	20.0

On 23 July 2018, the Board resolved to pay an interim dividend of 5.6 pence per share (£22.4 million), representing 40% of the expected full year dividend in line with our dividend policy. The interim dividend will be paid on 12 October 2018 and shares will be marked ex-dividend on 20 September 2018.

Distributable profits

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

The immediate cash resources of the Group of £245.3 million, comprised of cash and cash equivalents that are accessible on demand, and the recent history of operating cash generation are set out in note 10.

The Parent Company has distributable reserves at 30 June 2018 of £265.0 million. It also has access to distributable reserves held by certain subsidiaries. In total, Group-wide distributable reserves, accessible by the Parent, are sufficient to make distributions in accordance with the Group’s dividend policy for the foreseeable future.

The Group's financing facilities (see note 9) place certain conditions on the amount of dividend payments that can be made in any year. We do not expect these conditions to restrict the Group’s ability to make dividend payments, in line with our policy, for the foreseeable future.

7. Loss per share / underlying earnings per share

Loss per share represents the amount of post-tax losses attributable to each ordinary share or dilutive potential ordinary share we have in issue. Basic loss per share is calculated by dividing our earnings by the weighted average number of ordinary shares in issue during the period. Diluted loss per share reflects the impact upon the basic loss per share 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 loss per share, we calculate underlying earnings per share. Underlying earnings per share is based on underlying earnings as shown in note 6.

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

Treasury shares are not included in the weighted average number of ordinary shares.

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
		Restated	Restated
	(Unaudited)	(Unaudited)	(Audited)
Number of shares:			
Weighted average number of ordinary shares for the purposes of basic loss per share (millions)	**406.7**	406.8	406.8
Effect of dilutive potential ordinary shares under share plans	**2.2**	3.7	3.5
Weighted average number of ordinary shares for the purposes of diluted loss per share (millions)	**408.9**	410.5	410.3

Loss per share – basic (pence)	**(1.0)**	(21.0)	(41.3)
Loss per share – diluted (pence)	**(1.0)**	(20.8)	(40.9)
Underlying earnings per share – basic (pence)	**1.6**	2.2	0.7
Underlying earnings per share – diluted (pence)	**1.6**	2.2	0.7

8. Borrowings

On 26 April 2018, the Group issued USD $300 million loan notes, listed on the Luxembourg Stock Exchange. The notes have a fixed interest rate of 6.625% and mature in 2025. The proceeds of the issue were used to repay in full the £200 million floating rate loan notes issued in 2017.

The purpose of the new loan notes is to extend the maturity date of the Group's senior debt and reduce exposure to potential future interest rate increases.

Incremental costs of the new borrowing (£3.7 million) have been deferred and are being amortised over the period to maturity of the debt instrument. Deferred costs of £5.2 million in relation to the floating rate notes have been written off in the period, in addition to an early repayment charge of £2.0 million (see note 4).

In addition, the Group's financing structure includes £350 million fixed rate loan notes, due 2022 and a £35 million index-linked term loan due 2022. The Group also benefits from a £315 million Revolving Credit Facility (RCF) and a $15 million Revolving Facility in the US business.

The loan notes and index-linked loan were fully drawn down at 30 June 2018.

Undrawn amounts on the RCF and Revolving US Facility at 30 June 2018 were £315 million and $2.5 million respectively.

Analysis of borrowings

Changes in borrowings during the period were as follows:

	As at 30 June 2018 (Unaudited)		
	Borrowings before deferred finance costs £m	**Deferred finance costs £m**	**Net borrowings £m**
Borrowings at 1 January	605.2	(15.5)	589.7
Repayment of US Revolving Facility	(9.0)	–	(9.0)
US 2025 loan notes drawn down	213.3	(3.7)	209.6
Floating rate loan notes repaid on 1 May 2018	(200.0)	5.2	(194.8)
Indexation of index-linked loan	0.5	–	0.5
Amortisation of deferred finance costs (note 4)	–	1.6	1.6
Retranslation of US 2025 loan notes	13.8	–	13.8
Borrowings at 30 June	**623.8**	**(12.4)**	**611.4**

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

	As at 30 June 2018 (Unaudited)		
	Borrowings before deferred finance costs £m	**Deferred finance costs £m**	**Net borrowings £m**
2022 fixed rate loan notes	**350.0**	**(8.7)**	**341.3**
2025 USD loan notes	**227.1**	**(3.7)**	**223.4**
Index linked loan	**36.4**	**–**	**36.4**
US revolving facility	**9.5**	**–**	**9.5**
Finance lease liabilities	**0.8**	**–**	**0.8**
Total borrowings	**623.8**	**(12.4)**	**611.4**
Split between:			
Current liabilities	**9.6**	**–**	**9.6**
Non-current liabilities	**614.2**	**(12.4)**	**601.8**

	As at 30 June 2017 (Unaudited)		
	Borrowings before deferred finance costs £m	Deferred finance costs £m	Net borrowings £m
Loan notes	550	(15.5)	534.5
Term loans	35.9	–	35.9
US revolving facility	–	–	–
Finance lease liabilities	0.8	–	0.8
Total borrowings	586.7	(15.5)	571.2
Split between:			
Current liabilities	0.8	–	0.8
Non-current liabilities	585.9	(15.5)	570.4

	As at 31 December 2017 (Audited)		
	Borrowings before deferred finance costs £m	Deferred finance costs £m	Net borrowings £m
Loan notes	550.0	(15.5)	534.5
Term loans	35.9	–	35.9
US revolving facility	18.5	–	18.5
Finance lease liabilities	0.8	–	0.8
Total borrowings	605.2	(15.5)	589.7
Split between:			
Current liabilities	18.6	–	18.6
Non-current liabilities	586.6	(15.5)	571.1

9. Cash generated from operations

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

	Six months ended 30 June		Year ended 31 December
	2018	2017 Restated	2017 Restated
	(Unaudited)	(Unaudited)	(Audited)
	£m	£m	£m
Loss for the period	**(4.0)**	(85.4)	(167.9)
Adjustments for:			
Interest payable and other charges	**24.0**	42.9	66.3
Interest receivable	**(0.4)**	–	(0.2)
Tax (credit) (note 5)	**(7.3)**	(18.3)	(36.1)
Depreciation and amortisation	**82.6**	89.6	166.3
Losses on disposal	**1.2**	–	15.4
Asset obsolescence	**26.8**	–	–
Other losses	–	–	0.4
Unrealised (gains)/losses on derivative contracts	**(24.4)**	85.7	176.9
Defined benefit pension scheme charge	**3.4**	3.7	7.3
Share-based payments charge	**2.1**	3.9	6.1
Close out of derivative contracts (1)	**(2.8)**	(7.4)	(9.8)
Operating cash flows before movement in working capital	**101.2**	114.7	224.7
Changes in working capital:			
Decrease in inventories	**58.0**	79.7	15.4
Decrease in receivables	**60.8**	120.5	60.6
Increase/(decrease) in payables	**130.3**	35.0	(22.4)
Decrease in carbon assets	**-**	0.6	0.6
(Increase)/decrease in ROC assets	**(223.9)**	(108.2)	112.1
Total decrease in working capital	**25.2**	127.6	166.3
Defined benefit pension scheme contributions	**(5.4)**	(7.1)	(15.3)
Cash generated from operations	**121.0**	235.2	375.7

(1) When the Group closes forward purchase or sale contracts via net settlement, a cash inflow or outflow is realised. Where these contracts are designated into hedge accounting relationships under IFRS 9, the associated gain or loss is held in the hedge reserve and recognised in the income statement in the period the hedged transaction occurs. The net loss for 2018 includes a net £3 million gain in respect of such contracts for which the cash has been received in a previous period.

The Group actively seeks to minimise utilisation of the RCF facility (see note 9) by optimising operating cash flows through careful management of working capital. The key activities that had an impact on these cash flows in the period were:

- Optimisation of ROC cash flows. Cash from ROCs is typically realised several months after the ROC is earned; however, through standard ROC sales arrangements we are able to accelerate cash flows over a proportion of these assets. The net impact of ROC purchases and sales in the period on operating cash flows was a £57.2 million outflow (H1 2017: £33.5 million inflow). We also have access to facilities enabling us to sell ROC trade receivables on a non-recourse basis. These facilities were unused at the period end (2017: £Nil).
- Purchasing card facilities. The Group has obtained access to purchasing card facilities in the period which were used to manage cash payments across a variety of payables. These facilities typically extend terms beyond the statement date by up to 60 days, improving closing cash balances by £38.3 million (H1 2017: £Nil) with no impact on the timing of payments for suppliers.
- Monetisation of B2B Energy Supply receivables. The Group continues to benefit from a receivables monetisation facility in the B2B Energy Supply business, under which both billed and unbilled trade receivables are sold on a non-recourse basis. During the period, additional receivables have been sold under this arrangement, enhancing cash inflows by £31.3 million in the period (H1 2017: £15.0 million).

As a result, £12.4 million of the £25.2 million net cash inflow from changes in working capital is a direct result of these activities.

10. Reconciliation of net debt

Net debt is calculated by taking our borrowings (note 9) and subtracting cash and cash equivalents. The table below reconciles net debt in terms of changes in these balances in the period.

	As at 30 June		As at 31 December
	2018 (Unaudited) £m	2017 (Unaudited) £m	2017 (Audited) £m
Net debt at 1 January	**(367.4)**	(93.5)	(93.5)
Increase/(decrease) in cash and cash equivalents	**21.7**	(29.3)	(4.0)
Increase in net borrowings	**(21.8)**	(247.2)	(267.8)
Effect of changes in foreign exchange rates	**1.3**	(2.1)	(2.1)
Net debt at period end	**(366.2)**	(372.1)	(367.4)

11. Financial risk management

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

The Group has a comprehensive system of risk management policies, processes and controls. Extensive use of derivative financial instruments is made in order to hedge certain risk exposures. Risk management is overseen by risk management committees which identify, evaluate and hedge financial risks in close coordination with the Group's trading function under policies approved by the Board of directors.

Commodity price risk

The Group is exposed to the effect of fluctuations in commodity prices, particularly the price of electricity, coal, sustainable compressed wood pellets, fibre used to produce the wood pellets, other fuels, and CO_2 emissions allowances.

The Group enters into forward contracts for the purchase and sale of physical commodities (principally power, gas, coal, sustainable biomass and CO_2 emissions allowances) to secure market-level bark and dark green spreads on future electricity sales.

Foreign currency risk

The Group purchases the majority of its fuels for use in the Power Generation business under long-term contracts denominated in foreign currencies (principally US dollars, Canadian dollars and Euros). As a result, the Group is exposed to the effect of fluctuations in foreign currency exchange rates.

Exchange rate exposures are managed within approved policy parameters utilising a variety of foreign currency exchange contracts. The Group enters into both forward currency purchase and currency option contracts to manage its anticipated foreign currency requirements over a rolling five-year period for both contracted and forecast transactions.

The Group is also exposed to exchange rate risk arising from the $300 million USD-denominated fixed rate loan notes (see note 9). The Group has entered into a five-year cross-currency interest rate swap to hedge the exchange rate volatility arising from both interest and principal payments under the loan note agreement, fixing the pounds sterling cost of these payments.

Liquidity risk

Liquidity risk is the risk that the Group has insufficient cash to meet its short-term financial requirements.

The treasury function is responsible for liquidity, funding and settlement management under policies approved by the Board of directors. Liquidity needs are monitored using regular forecasting of operational cash flows and financing commitments. The Group maintains a combination of cash and cash equivalents, and committed and uncommitted facilities in order to ensure sufficient funding is available for business requirements.

The Group's £315 million RCF facility (described in further detail in note 9) is used principally to manage low points in the operating cash cycle. At 30 June 2018, £Nil was drawn down under this facility.

As explained in note 10, the Group has access to various uncommitted facilities that enable it to accelerate the cash flows associated with its ROC assets and trade receivables arising from B2B Energy Supply sales on a non-recourse basis. The Group also has access to purchasing card facilities which can be used to manage the timing of operational cash outflows within an extended trade credit period.

These facilities and activities allow us to optimise our working capital position and enable the Group to manage the cash flow impacts arising from the inherent seasonality of the UK energy market.

Interest rate risk

The Group has limited exposure to interest rate risk, principally in relation to cash and cash equivalents and to the extent arising from floating rate debt instruments. At June 2018, our only exposure under floating rate debt instruments was in relation to the US Revolving Facility of £9.5 million. The Group has taken out a fixed to fixed cross-currency interest rate swap to hedge the future cash flows associated with the USD $300 million 2025 fixed rate loan notes converting them to sterling fixed rate cash flows.

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date.

Credit exposure is controlled by counterparty limits that are reviewed and approved by risk management committees. Where considered appropriate, counterparties are required to provide credit support in the form of a parent company guarantee, letter of credit, deed of charge, surety bond or cash collateral. In addition, where deemed appropriate, the Group has historically purchased credit default swaps.

The investment of surplus cash is undertaken to maximise the return within Board-approved policies. These policies manage credit risk exposure by setting out the minimum rating, maximum investment requirements with any one counterparty and the maturity profile.

The three operating segments are all exposed to different levels and concentrations of credit risk, largely reflecting the number, size and nature of their respective customers. The highest risk is in the B2B Energy Supply segment, with a high number of customers of varying sizes operating in a variety of markets. The acquisition of Opus Energy in February 2017 increased the Group's overall exposure to credit risk. Opus Energy carries lower concentrations but higher levels of credit risk owing to a customer base comprised largely of smaller retail and commercial entities. This was reflected in the increase in the allowance for doubtful debts when the Group obtained control of Opus Energy.

In the six months to 30 June 2018, the Group continued to observe challenging economic conditions, particularly in relation to smaller business customers. This is reflected in the increase in impairment of trade receivables in the period. The Group has responded to this challenge by introducing enhanced credit vetting procedures and outsourcing credit collection activities to sector experts in certain areas of the business, to mitigate the perceived increase in exposure to credit risk.

12. Derivative financial instruments

As described above, the Group makes extensive use of derivative financial instruments for the purpose of managing its exposure to the risks set out in note 12.

Where possible, the Group has taken advantage of the own-use exemption which allows qualifying contracts to be excluded from fair value mark-to-market accounting. This applies to certain contracts for physical commodities entered into and held for our own purchase, sale or usage requirements, including forward contracts for the purchase of biomass, ROCs and coal from domestic sources.

Contracts which do not qualify for the own-use exemption – principally power, gas, financial oil, financial coal, CO_2 emissions allowances and forward foreign currency exchange contracts – are accounted for as derivatives in accordance with IFRS 9 and are recorded in the balance sheet at fair value (which is 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). Changes in fair value are recognised in the hedge reserve (note 15) to the extent that the contracts are designated as effective hedges in accordance with IFRS 9, or the income statement where the hedge accounting requirements are not met. The Group enters into forward contracts solely for the purpose of financial risk management and considers all of its contracts to be economic hedges (or components of a wider strategy to fix target prices), regardless of whether or not the specific criteria for hedge accounting are met.

For financial reporting purposes, the Group has classified derivative financial instruments into two categories; commodity contracts and financial contracts. Commodity contracts comprise forward contracts for the sale of power, purchase of coal from international sources, purchase of CO_2 emissions allowances and gas. Financial contracts include financial coal, financial oil, interest rate and foreign currency exchange contracts. These financial instruments are carried in the balance sheet at fair value as follows:

	As at 30 June	As at 31 December

	2018 (Unaudited) £m	2017 (Unaudited) £m	2017 (Audited) £m
Assets			
Commodity contracts	**100.5**	52.0	69.4
Financial contracts	**344.9**	520.6	296.8
	445.4	572.6	366.2
Liabilities			
Commodity contracts	**(138.3)**	(72.1)	(94.8)
Financial contracts	**(100.2)**	(172.3)	(109.0)
	(238.5)	(244.4)	(203.8)

Net unrealised gains on our derivative contract portfolio in the first six months of 2018 were £44.6 million, with £24.4 million recognised in the income statement, £1.0 million in the cost of hedging reserve and £19.2 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 and oil prices.Whilst exchange rate volatility has been reduced in 2018 compared to recent periods, we have a large portfolio of forward currency purchase contracts, which fix the sterling cost of our future fuel purchases denominated in foreign currencies. Given the size of the portfolio, its fair value is highly sensitive to small changes in foreign currency exchange rates.

We use financial oil derivatives to reduce our exposure to oil-linked indexation in forward biomass purchase contracts. The rise in oil prices during the first six months of 2018 has resulted in unrealised gains across our financial oil portfolio.

Fair value measurement

Commodity contracts:

- **Commodity contracts fair value –** The fair value of open commodity contracts that do not qualify for the own use exemption is calculated by reference to forward market prices at the balance sheet date. As contracts are generally short-term, forward market price curves are available for the duration of the contracts. The quoted market price used for financial assets held by the Group is the current bid price; the quoted price for financial liabilities is the current ask price.

Financial contracts:

- **Forward foreign currency exchange contracts fair value –** The fair value of forward foreign currency exchange contracts is determined using forward currency exchange market rates at the balance sheet date.
- **Other financial contracts fair value –** The fair value of other financial contracts that do not qualify for the own use exemption is calculated by reference to forward market prices at the balance sheet date. As contracts are generally short-term, forward market price curves are available for the duration of the contracts.

The fair values of all derivative financial instruments are discounted to reflect the credit risk inherent within the instrument.

The fair values of commodity contracts and financial contracts are largely determined by comparison of observable forward market prices with the contract price; therefore, these contracts are categorised at Level 2 of the fair value hierarchy under IFRS 9.

13. 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 the publicly traded high-yield loan notes and amounts drawn down against term loans.

The financial liabilities have been measured at amortised cost. The terms of the instruments have been reviewed for the existence of embedded derivatives. The 2022 fixed rate loan notes and the 2025 USD loan notes both contain an early repayment option that meets the definition of an embedded derivative. However in both cases, these have not been separated as they are deemed to be closely related to the host contract.

At 30 June 2018, the fair value of the loan notes was £5.6 million and in excess of the carrying value of £577.1 million (based on quoted market prices).

14. Hedge reserve

Changes in the fair value of derivative contracts for commodity, financial and currency contracts, to the extent that they qualify as effective cash flow hedges under accounting rules, are recognised in the hedge reserve, a component of shareholders' equity. The cumulative gains and losses unwind and are released to the income statement to match the effect of the hedged cash flows.

As described above, following the decision to convert the fourth generating unit at Drax power station to run on biomass, the expected level of required carbon emissions allowances for the remainder of 2018 was materially reduced. As a result, during the first six months of 2018 the Group terminated a number of in-the-money hedged carbon positions. As the hedged item (cash outflows for the purchase of required emissions allowances) is no longer expected to occur, the £8.8 million realised gain was reclassified to cost of sales in the income statement when the trades were terminated.

The expected release profile of post-tax hedging gains/(losses) to the income statement is as follows:

	As at 30 June 2018 (Unaudited)			
	Within 1 year £m	**1–2 years £m**	**2-5 years £m**	**Total £m**
Commodity contracts	**(22.6)**	**2.0**	**0.5**	**(20.1)**
Financial contracts	**37.7**	**61.0**	**51.2**	**149.9**
	15.1	**63.0**	**51.7**	**129.8**

	As at 30 June 2017 (Unaudited)			
	Within 1 year £m	1–2 years £m	2-5 years £m	Total £m
Commodity contracts	(18.1)	(3.1)	-	(21.2)
Financial contracts	54.0	37.0	120.7	211.7
	35.9	33.9	120.7	190.5

	As at 31 December 2017 (Audited)			
	Within 1 year £m	1–2 years £m	2-5 years £m	Total £m
Commodity contracts	2.3	(1.7)	-	0.6
Financial contracts	40.0	39.9	45.6	125.5
	42.3	38.2	45.6	126.1

15. Other reserves

	Capital redemption reserve £m	Merger reserve £m	Translation reserve £m	Other £m
At 1 January 2017	1.5	710.8	(10.2)	702.1
Other comprehensive income	–	–	3.4	3.4
Total comprehensive income for the year	–	–	3.4	3.4
31 December 2017	1.5	710.8	(6.8)	705.5
At 1 January 2017	1.5	710.8	(10.2)	702.1
Other comprehensive income	–	–	0.2	0.2
Total comprehensive income for the period	–	–	0.2	0.2
At 30 June 2017	1.5	710.8	(10.0)	702.3
At 1 January 2018	**1.5**	**710.8**	**(6.8)**	**705.5**
Other comprehensive expense	**–**	**–**	**(2.5)**	**(2.5)**
Total comprehensive expense for the period	**–**	**–**	**(2.5)**	**(2.5)**
At 30 June 2018	**1.5**	**710.8**	**(9.3)**	**703.0**

16. Share buy-back programme

On 20 April 2018, the Group announced the commencement of a £50.0 million share buy-back programme. As at 30 June 2018, the Group had repurchased 3,919,979 ordinary shares as part of the programme at a cost of £12.9 million. These shares are held as a separate component of reserves awaiting reissue or cancellation and have no voting rights attached to them.

17. 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 to arise.

Guaranteed Minimum Pension (GMP)

The UK Government has proposed equalisation of 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 in these Condensed consolidated interim financial statements.

A case is due to be heard at the High Court in the second half of this year. The resolution of this case will provide further clarity on the potential liability.

Guarantees

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 2018 the Group’s contingent liability in respect of letters of credit issued under the revolving credit facility amounted to £20.7 million (H1 2017: £46.1 million).

The Group also guarantees obligations in the form of surety bonds with a number of insurers amounting to £57.5 million (H1 2017: £Nil).

18. Adoption of new accounting standards

In the six months ended 30 June 2018, the Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. It applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. Adoption of IFRS 15 has not resulted in any changes to the amounts recognised in these financial statements compared to the previous requirements, nor any restatement of the prior period comparative information.

The accounting policies, as disclosed in the Annual Report and Accounts for 31 December 2017, have not materially changed. Particular areas for consideration have been in respect of the growing B2B Energy Supply Segment which supplies to businesses ranging from micro-businesses to large Industrial & Commercial participants. These customers actively rather than passively renew their supply contracts. These contracts have been separated into two main categories; those with a fixed price for a contracted period of time, and those with a variable or flexible price where the contract price varies according to changes in the cost of supply.

For fixed price contracts, progress is measured with reference to the costs of supply incurred at the point the energy is delivered and revenue is accrued or deferred accordingly. For variable rate and flexible contracts, revenue is recognised at a point in time when the energy is supplied and is measured at the contracted price per unit supplied.

The B2B businesses accrue revenue based on estimated usage each period and this is recognised on the balance sheet as accrued income. Where the consideration received from the customer is in advance of supply revenue is deferred on the balance sheet.

Generation revenue continues to be recognised at the point of delivery. Activities within the scope of IFRS 9 (see below) are outside the scope of IFRS 15.

IFRS 9 – financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for periods beginning on or after 1 January 2018, bringing together all three aspects of accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

On transition to IFRS 9, the key change in the Group's accounting policy for financial instruments is to recognise the 'cost of hedging' (explained below) in a reserve, rather than the unrealised gains/losses line in the income statement. This change in policy has been applied retrospectively with comparative information for the period beginning 1 January 2017 being adjusted as though the requirements of IFRS 9 have always been in force.

In respect of accounting for trade and other receivables, the Group has applied IFRS 9's simplified approach to provisioning and has calculated this using lifetime expected losses. This calculation has had no material impact on the financial statements.

The transition to the new standard is complete; however, the Group will monitor emerging developments and interpretations of the new standard.

The impact on the previously reported amounts in the balance sheet, income statement and statement of comprehensive income, due to changes in accounting policy under IFRS 9, are set out in the tables below.

Impact on the income statement (increase/(decrease)) for:

	Adjustments	Six months to 30 June 2017 £m	Year ended 31 December 2017 £m
Loss for the period		(68.4)	(151.1)
Operating and administrative expenses	b)	9.0	18.7
Impairment losses on trade receivables	b)	(9.0)	(18.7)
Unrealised gains/losses on derivative contracts	a)	(21.0)	(20.8)
Tax charge	d)	4.0	4.0
Restated loss for the period		(85.4)	(167.9)

Impact on other comprehensive income (increase/(decrease)) for:

	Adjustments	Six months to 30 June 2017 £m	Year ended 31 December 2017 £m
Other comprehensive expense		(105.6)	(158.6)
Cost of hedging	a)	21.0	20.8
Tax charge	d)	(4.0)	(4.0)
Restated other comprehensive expense		(88.6)	(141.8)

(a) Cost of hedging

A large proportion of our derivative contracts relate to foreign exchange contracts, including forward contracts, options and swaps. Consistent with prior periods, the Group has continued to designate the change in fair value of the spot rate in the Group's cash flow hedge relationships. As part of the transition, an election has been made to designate the cost of hedging – being the change in fair value associated with forward points – to other comprehensive income. This change in policy has been applied retrospectively. As a result, the Group's loss on initial application has decreased and the corresponding increase was taken through other comprehensive income into a new cost of hedging reserve.

(b) Impairment losses on trade receivables

Impairment losses on trade receivables are now disclosed separately on the face of the income statement (previously included within operational and administrative expenses). Application of IFRS 9 has not had a material impact on the value of trade receivable impairment losses.

(c) Other losses

There were no material adjustments to the Group's classification and measurement of financial instruments.

The Group has changed its policy regarding the classification of listed equity investments from fair value through profit and loss to fair value through other comprehensive income (FVOCI).

(d) Tax charge

Upon adoption of IFRS 9, deferred tax and income tax values were adjusted as necessary.

19. Impact of standards issued but not yet applied by the entity

IFRS 16 – leases

The Group continues to make progress in assessing the impact of the new leasing standard, which will affect the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately £40 million. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit or loss and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases.

The Group is also completing a review of service contracts previously assessed as not being a lease under IAS 17 and IFRIC 4 to ensure that this assessment is still appropriate under the new requirements.

The Group currently expects to adopt IFRS 16 in the period it becomes mandatory, which is 1 January 2019 subject to EU endorsement.

IFRS 17 – insurance contracts

The Group does not issue insurance contracts and accordingly does not expect this standard to have any impact on the financial statements. Existing contracts are being reviewed to ensure they do not have characteristics of an insurance contract as defined by IFRS 17.

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 2018 which comprises the condensed consolidated income statement, 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 20. 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 Financial Reporting Council. 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 above, 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 Financial Reporting Council 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 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 2018 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

Statutory Auditor

London, United Kingdom

23 July 2018

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. Also referred to as system support.

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

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

Blackstart
The process of restoring an electric power station or a part of an electric grid to operation without relying on the external electric power transmission network to recover from a total or partial shutdown.

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
EBITDA is defined as earnings before interest, tax, depreciation, amortisation and material one-off items that do not reflect the underlying trading performance of the business.

EU ETS
EU Emissions Trading System

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 2017
The six-month period ended 30 June 2017.

H2 2017
The six-month period ended 31 December 2017.

H1 2018
The six-month period ended 30 June 2018.

Inertia
The energy stored in the rotating generators which resists variations in system frequency resulting from changes in the supply/demand balance. A level of inertia is vital to slow down the rate of change of frequency thereby maintain a stable, reliable supply particularly at times of system faults.

IFRS
International Financial Reporting Standards.

Lost time injuries
Lost time injuries are 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.

OCGT
Open Cycle Gas Turbine

Patent box regime
The Patent Box enables companies to apply a lower rate of Corporation Tax of 10% to profits earned from patented inventions.

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

Power
The provision of electricity and/or gas.

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 CfD.

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.

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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