

Preliminary Results

Year Ended 31 December 2010

22 February 2011



Agenda

2010 Business Review **Market Review**

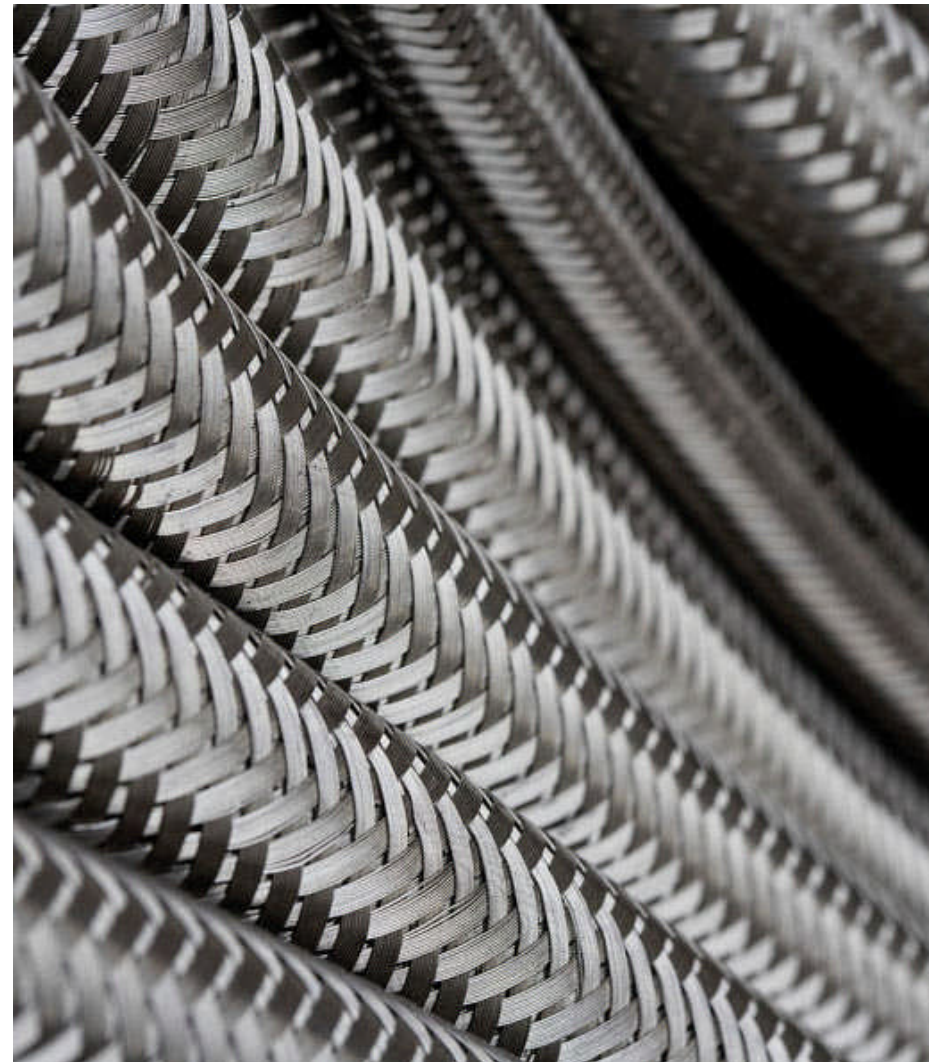
Dorothy Thompson
Chief Executive

2010 Financial Review

Tony Quinlan
Finance Director

Regulation **Future Developments**

Dorothy Thompson
Chief Executive



2010 Business Review

Dorothy Thompson - Chief Executive

Operational excellence delivered
record plant performance

Improved 2010 profits underpinned by
strong hedge; market outlook challenging

Continuing to progress biomass operations;
highest renewable output from single UK facility

Stand ready to expand renewable capacity
with appropriate regulatory support

EBITDA

£391m +10%

Underlying PBT

£315m +10%

Underlying EPS

64p +10%

Total Dividends

32.0p/share (£117m)

2009: 13.7p/share (£50m)

2010 Business Review

Operational Excellence

Record year for operations

92% Availability (2009: 89%)

3.4% Forced Outage Rate (2009: 6.5%)

- 4.6% Planned Outage Rate (2009: 4.7%)
- Net generation 26.4TWh (2009: 22.6TWh)
- Long-term FOR target of 5%
- Incremental output due to cold weather and high availability – low margin

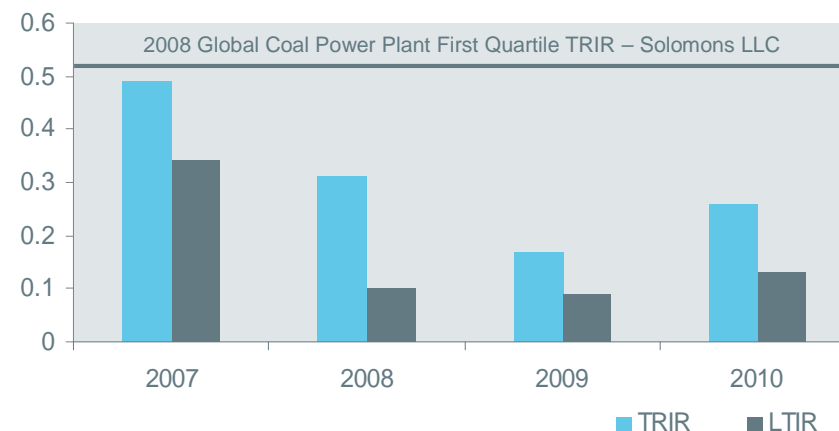
80% Load Factor (2009: 68%)

- Other UK coal plant average c.35%

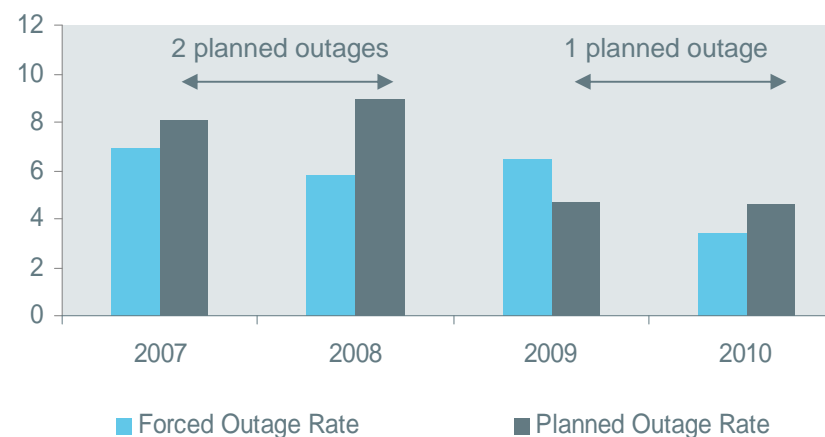
Reliable power generator

- Unseasonably cold winter months
 - December 2010: -10°C to -20°C overnight

Safety Performance



Operating Performance



2010 Business Review

Operational Excellence

Tight cost control

- Underlying costs held flat
- Continuing process re-engineering

Significant project activity

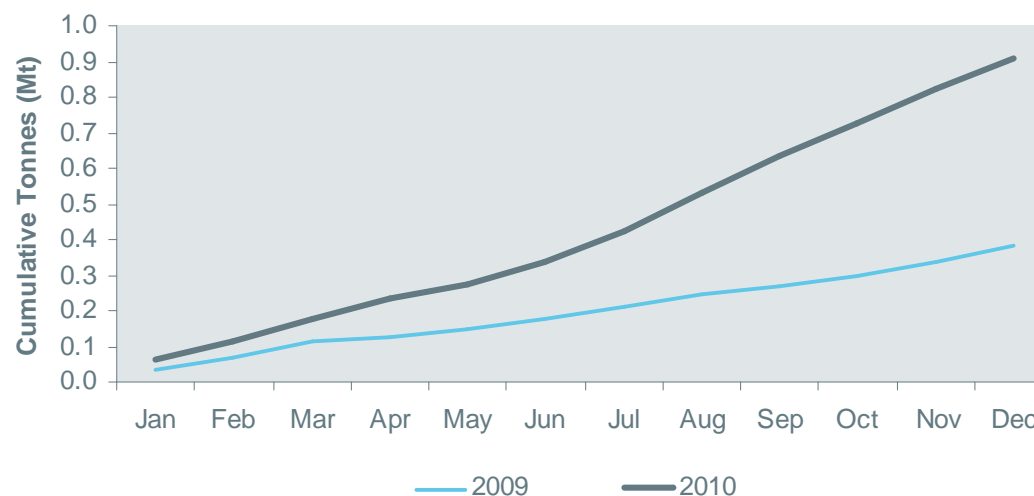
- Turbine upgrade completed for 4 units
 - Widened efficiency gap between Drax and 24GW of other coal plant
 - Saves > 0.5Mt CO₂ pa
 - Single unit outage and upgrade in 2011
 - Final turbine upgrade in 2012
- Improved fuel flexibility
 - 12% advantaged fuels
- Commissioned co-firing facility
 - On schedule and to budget

Fuel Mix

	2010		2009	
	Tonnes	Mix ⁽¹⁾	Tonnes	Mix ⁽¹⁾
Coal	9,430kt	88%	8,181kt	88%
Biomass	907kt	6%	381kt	3%
Petcoke	210kt	3%	478kt	7%
Pond fines	408kt	3%	116kt	1%
Other	27kt	0%	48kt	1%

(1) Percentages based on fuel burn by heat

2010 Biomass Burn by Month (cumulative)



2010 Business Review

Biomass Operations

Highest renewable output from single UK facility in 2010

World's biggest co-firing facility

- 500MW renewable electricity capacity
- At full capacity saves > 2.5Mt CO₂ pa

Highest UK renewable output (7% ⁽¹⁾ total UK)
– despite operating at less than full capacity

- 2010 biomass burn of 0.9Mt (2009: 0.4Mt)
- Do not expect full utilisation at current ROC support

70kt port storage and rail loading facility
commissioned

New biomass rail wagons in operation

Complementary 100kt per annum straw
pellet plant

All biomass procured against robust
sustainability policy



(1) Drax estimate based on Ofgem Renewables and CHP Register data, adjusted for banding

2010 Business Review

Haven Power Update

Valuable alternative to wholesale market

- Credit risk more controllable than collateral risk

Targeting 10 - 15TWh business

- Across Small and Medium Enterprises (“SME”) and Industrial and Commercial (“I&C”) markets

I&C market discovery ongoing

Substantial growth delivered in 2010

- 2.4TWh contracted for next 12 months
- Sales secured at reasonable margins

Customer focused sales proposition

- No. 2 for customer satisfaction in Datamonitor 2010 B2B Major Energy User Survey

Investment in systems and staff

- Break-even from 2013



2010 Business Review

Trading

Positions Under Contract as at 14 February 2011	2011	2012	2013
Power Sales - TWh	18.1	10.3	3.0
Comprising:			
▪ Fixed price TWh at average achieved price £ per MWh	11.3 @ 55.4	2.4 @ 58.2	0.4 @ 53.5
▪ Fixed margin and structured contracts TWh	6.8	7.9	2.6
Carbon – TWh equivalent			
Emissions allowances hedged (including UK NAP allocation, market purchases, structured contracts and benefit of biomass co-firing)	18.0	20.8	4.1
Solid Fuel – TWh equivalent			
At fixed price / hedged (including structured contracts)	18.1	10.9	6.2

Continued strategy of progressive dark green spread hedging

Broad objective 60:40:20 hedge profile (1:2:3 years forward)

- Consistent with retaining 650 - 1,300MW capacity to sell in near-term market (up to 9 months)

11% of forward hedge now through Haven Power (January 2010: 2%)

Market Review: Power

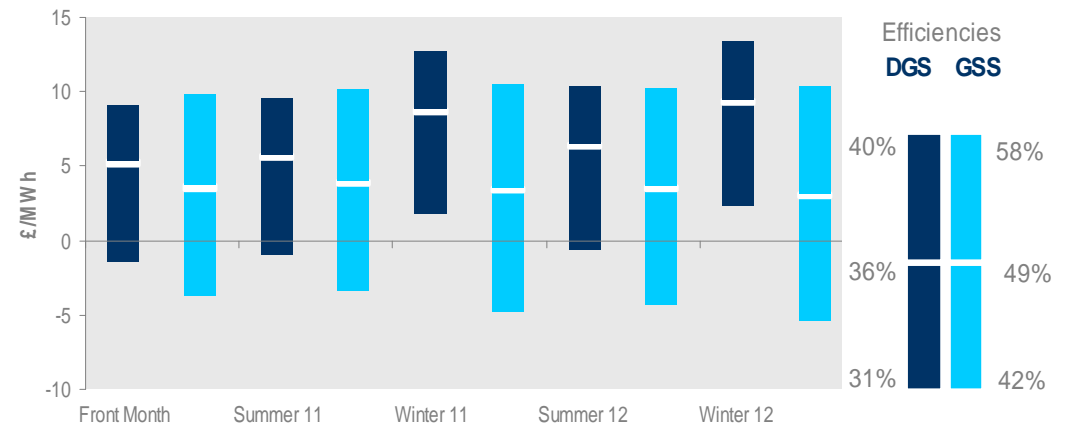
UK power market

- Power prices continue to be driven by gas market

Despatch dynamics

- Plant efficiencies significant factor in load profiles
 - Different load factors for same fuel plant
- Increasing system balancing support
 - Drax will continue to play a key role
- Wind generation below expectations
 - UK wind facilities average load factor 25% over last 5 years
 - December – record low temperatures; least windy month since 2001

Range of Market DGS and GSS by Efficiency (Baseload)



Source: Brokered Data, based on market prices on 9 February 2011

Market Review: Gas

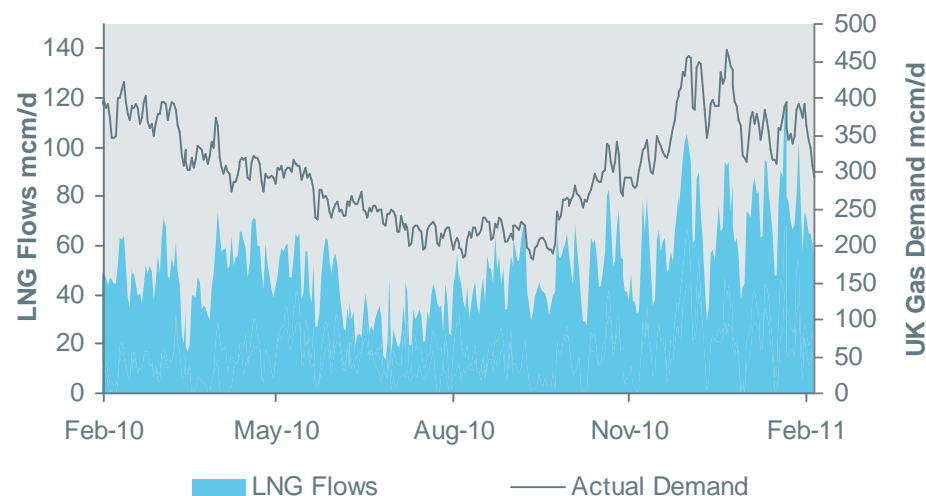
UK gas prices resilient

- Stronger, more balanced global gas market than 2009
- Summer 2010 prices supported by:
 - Lower than expected LNG supply
 - High exports to the continent through IUK
- Winter 2010 – high demand, no stress
 - Pressure on UK storage
 - Reliance on LNG

UK pricing dynamics – complex relationships

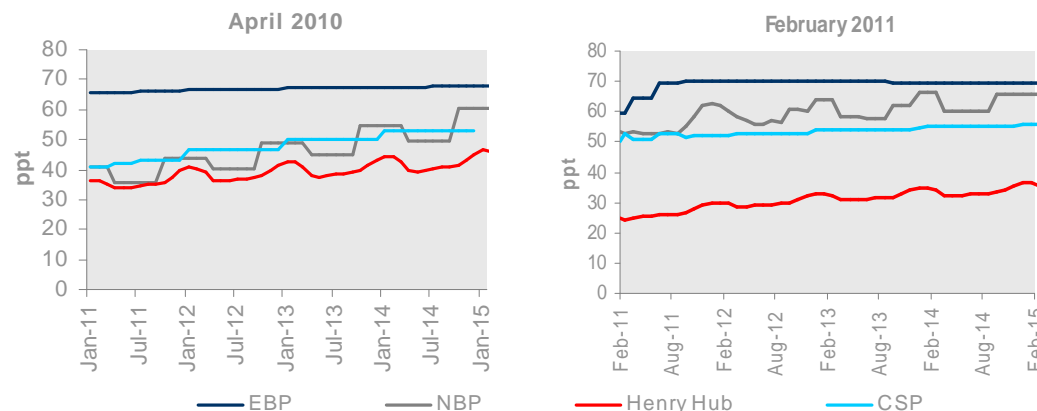
- UK now trading at a significant premium to US prices
- Trend to oil indexed European contract pricing
- Coal Switching Price (CSP) currently acting as a floor

UK LNG Flows and UK Gas Demand



Source: National Grid

NBP, Henry Hub and EBP™ Index Forward Curves



Market Review: Steam Coal

Global steam coal market

- International traded market (0.7bnt) is 12% of world consumption (c. 6bnt)
- China the biggest influence
 - Consumption estimate in excess of 2bnt – forecast to be c. 4bnt by 2020
 - Small supply / demand differential – big impact on traded market
 - 2010 net importer – 10% traded market

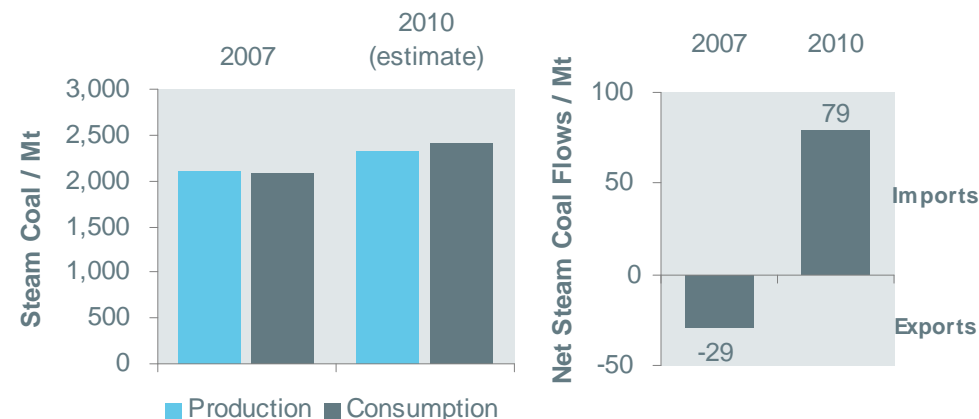
Pacific market tight

- Asian demand for Atlantic coal continues to support European prices
 - Asia securing supplies from South Africa, Colombia, USA and Russia
- Severe weather causing supply constraints in Australia, Indonesia and Colombia

Forward curve contango now eroded

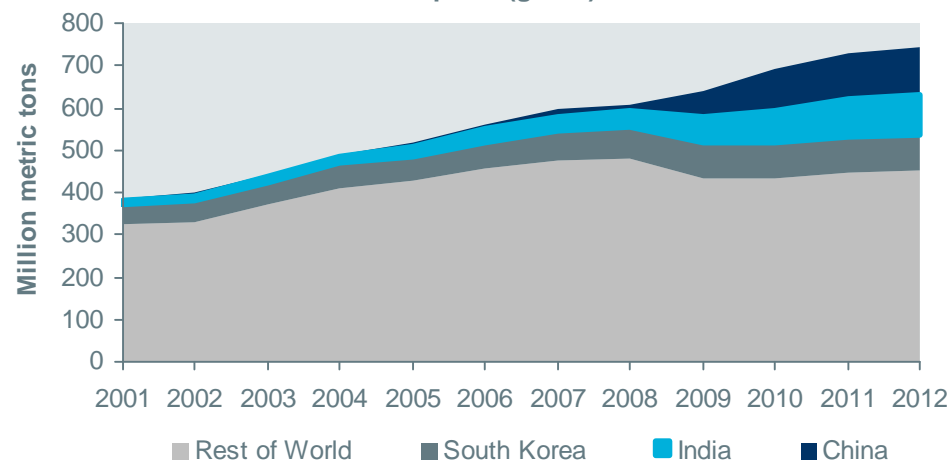
- January 2010: 30% differential between spot market and 2012

Steam Coal Production and Consumption in China



Source: IHS CERA's Global Steam Coal Advisory Service

Steam Coal Seaborne Imports (gross)



Source: IHS CERA's Global Steam Coal Advisory Service

2010 Financial Review – Highlights

Tony Quinlan - Finance Director

EBITDA

£391m +10%

Net Cash ⁽²⁾

£204m

Underlying Profit Before Tax ⁽¹⁾

£315m +10%

Total Dividends

32.0p/share (£117m)

2009: 13.7p/share (£50m)

Underlying Earnings Per Share ⁽¹⁾

64p +10%

Final Dividend

17.9p/share (£65m)

2009: 9.6p/share (£35m)

(1) Excludes unrealised losses on derivative contracts totalling £61m, less tax where applicable

(2) Includes notionally ring fenced tax cash totalling c.£117m

2010 Financial Review

Summary Income Statement

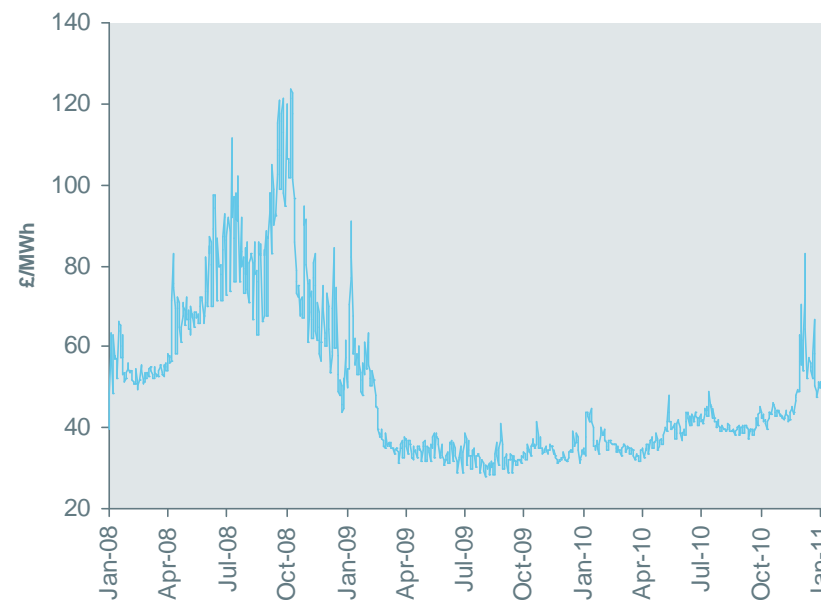
In £m (unless otherwise stated)	2010	2009	% Year-on-Year
Revenue	1,648	1,476	12%
Cost of sales	(1,097)	(973)	13%
Gross Margin	551	503	10%
Operating Costs	(160)	(148)	8%
EBITDA	391	355	10%
IAS39 Unrealised Losses on Derivative Contracts	(61)	(130)	
Depreciation	(52)	(52)	
Operating Profit	278	173	
Net Finance Costs	(23)	(15)	
Profit Before Tax	255	158	
Tax Charge	(67)	(47)	
Reported Earnings	188	111	
Underlying Earnings	233	204	14%
Reported Earnings Per Share (pence)	52	31	
Underlying Earnings Per Share (pence)	64	58	10%
Total Dividends Per Share (pence)	32.0	13.7	134%

2010 Financial Review

Revenue

In £m (unless otherwise stated)	2010	2009
Total Revenue	1,648	1,476
Wholesale Power Sales	1,458	1,345
Retail Power Sales	124	65
Electrical Output (Net Sales) (TWh)	26.4	22.6
Average Achieved Price (£ per MWh)	51.6	52.0
ROC / LEC Sales	23	39
Ancillary Services	35	20
Other Revenues	8	7
Total Other Revenues	66	66

Day Ahead Power Prices



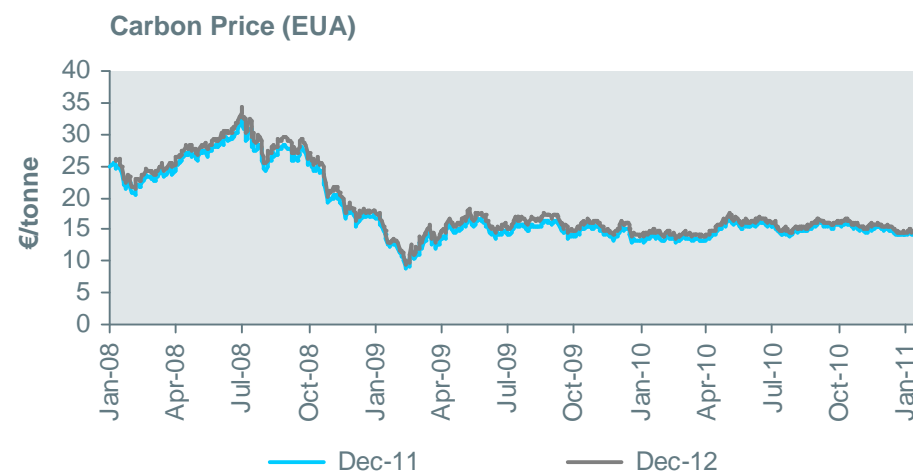
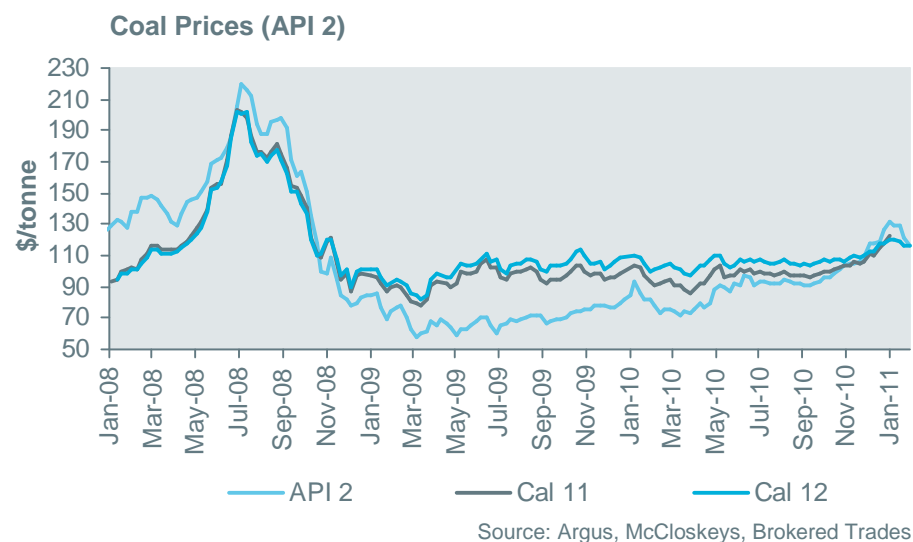
Sources: Brokered Trades, Prebon, Spectron, ICAP, GFI

2010 Financial Review

Cost of Sales and Fuel Costs

	2010	2009
Total Cost of Sales	£1,097m	£973m
Fuel and Carbon Costs	£841m	£691m
Cost of Power Purchases	£165m	£210m
Grid Charges and Other Retail Cost of Sales	£91m	£72m
Average Fuel Cost (excl. CO₂ Allowances)	£25.7/MWh	£25.4/MWh*
Average Fuel Cost (incl. CO₂ Allowances)	£31.9/MWh	£32.0/MWh*
Average Cost of Purchased CO₂ Allowances	£12.6/tonne	£14.3/tonne

* Excludes benefit of £31m on foreign exchange close outs

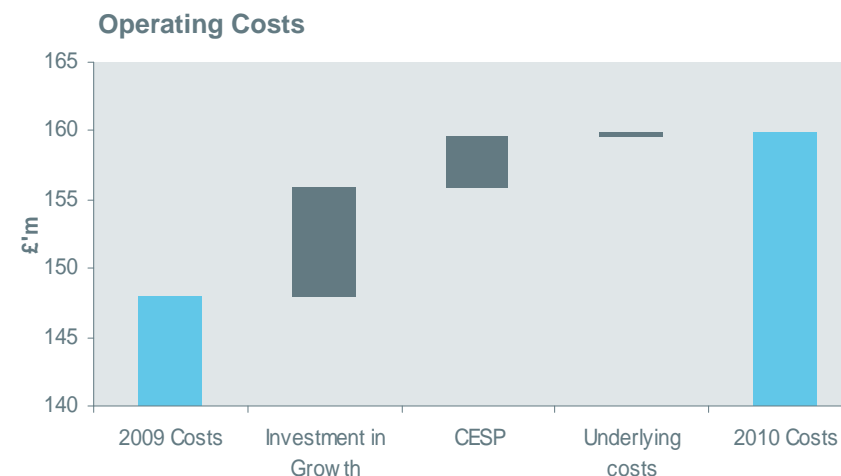


2010 Financial Review

Operating Costs and Capital Investment

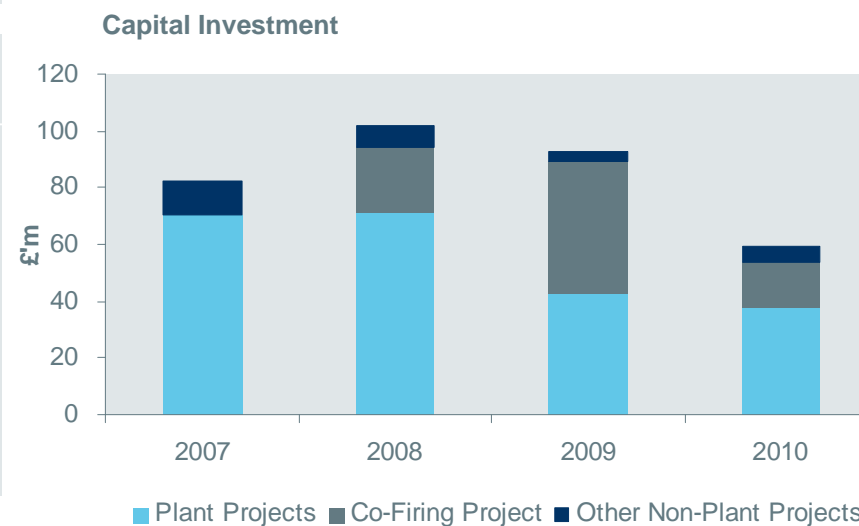
Operating Costs - £160m in 2010

- Underlying costs held flat year-on-year
 - Continued process re-engineering
- Total £12m increase due to:
 - Investment in growth: Haven
 - CESP year 1 obligations
- Operating cost guidance for 2011: £185m
 - Underlying costs: +£5m (3%)
 - Investment in growth; Haven, dedicated biomass, biomass R&D: +£20m



Capital Investment – additions £59m in 2010

- Co-firing facility and turbine upgrade continues investment in emission reductions
 - Together £37m in 2010
 - Co-firing facility completed to time / budget
- Capital investment under tight control; rigorous investment return criteria driving capital allocation
- Capex guidance for 2011: £40m



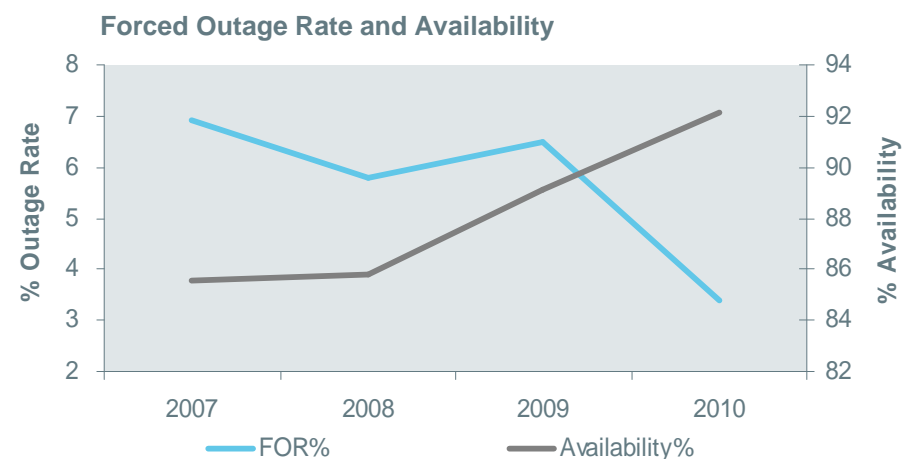
2010 Financial Review

Top Quartile Cost Performance

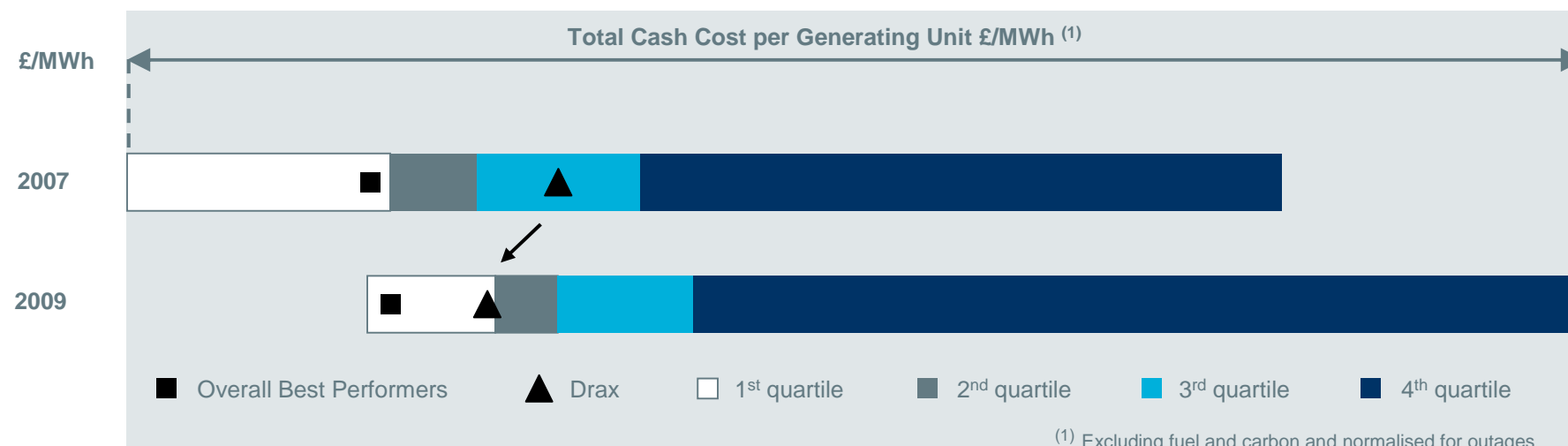
Recent period characterised by careful cash management

- Cost per generating unit improvement from 3rd to 1st quartile in 2009 independent benchmarking study

Improvements in cost control not detrimental to plant performance

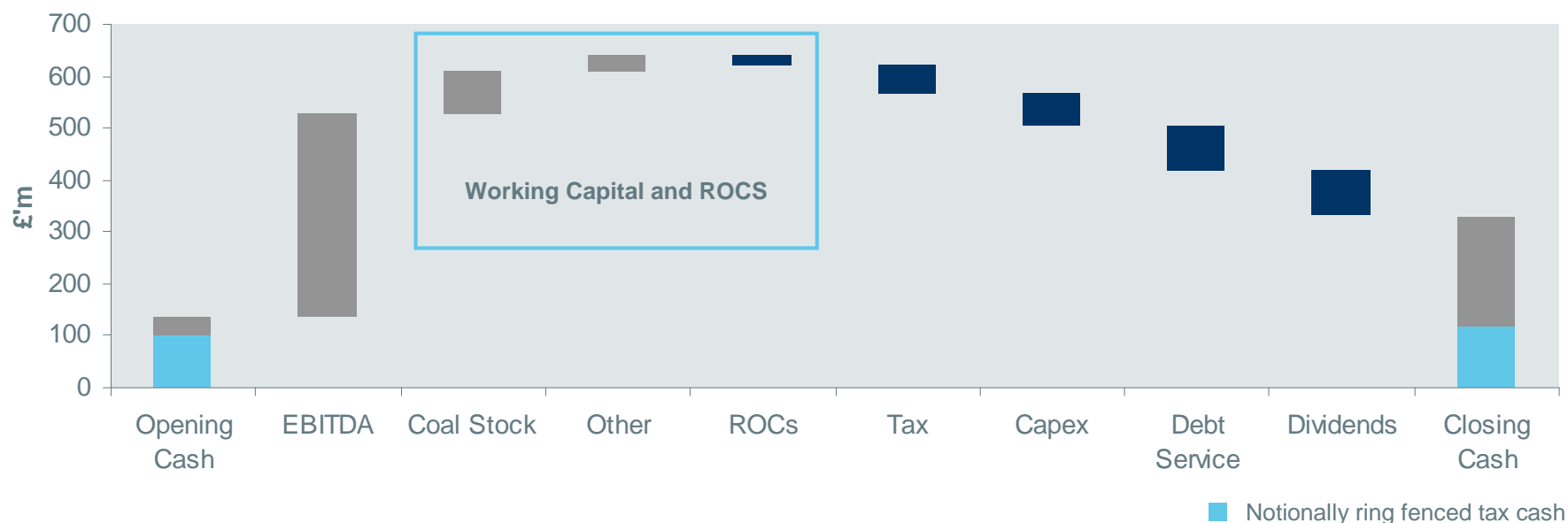


International Operating Cost Benchmarking Study



2010 Financial Review

Cash Flow



Working Capital and ROCs	Tax and Capex	Debt Service	Dividends	Closing Cash
£95m	(£118m)	(£86m)	(£87m)	£331m
Coal stocks £84m 1.6Mt reduction to 1.2Mt	Tax £56m Payments on account for 2009/10 liability Capex payments £62m Includes co-firing facility and turbine upgrade £37m	Term Loan repayment of £65m Net interest and financing costs paid of £21m		Includes c.£117m of ring fenced tax cash

2010 Financial Review

Tax and Pensions

Eurobond debt structure unwound in December 2008

- Unwind followed proposed introduction of new tax rules
- Decision taken to protect past benefits

Unwind accelerated up to £220m additional cash tax benefit

- Subject to confirmation by HMRC

Cash saved to date of £117m ring fenced

- No benefit taken to profit
- Cash not available for investment or distribution until relevant tax returns agreed with HMRC

Continued dialogue with HMRC

3-year pension scheme valuation recently concluded

- Deficit of £47m (2007 valuation: deficit £16m)
- 8-year deficit repair plan



2010 Financial Review

Debt Facilities

Debt facilities at 31 December 2010:

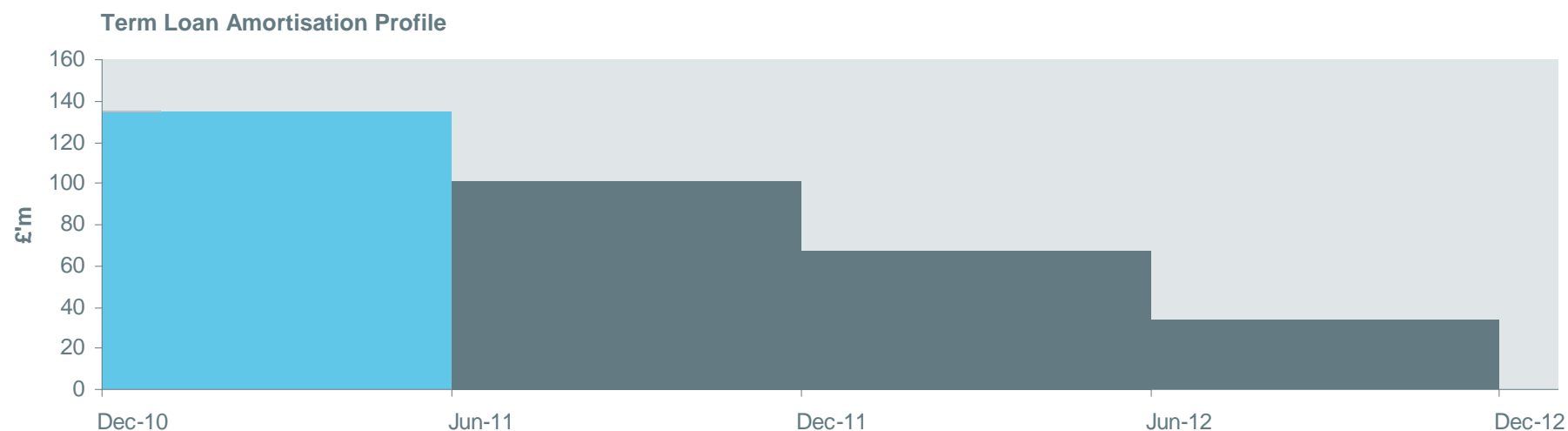
- Term Loan balance £135m, after repayments of £65m in 2010
- £200m Letter of Credit facility; £100m Working Capital facility
- New £135m trading facility executed earlier in 2010

Current debt rating BBB- stable

- Re-affirmed in August 2010
- Still targeting investment grade – but could operate as sub investment grade if necessary

Net cash of £204m at 31 December 2010

- Includes notionally ring fenced cash tax of £117m
- Cash likely to form integral part of funding solution for biomass expansion



2010 Financial Review

Summary

Improved 2010 profitability

- Underpinned by accelerated hedge and strong operations

Commodity market outlook challenging

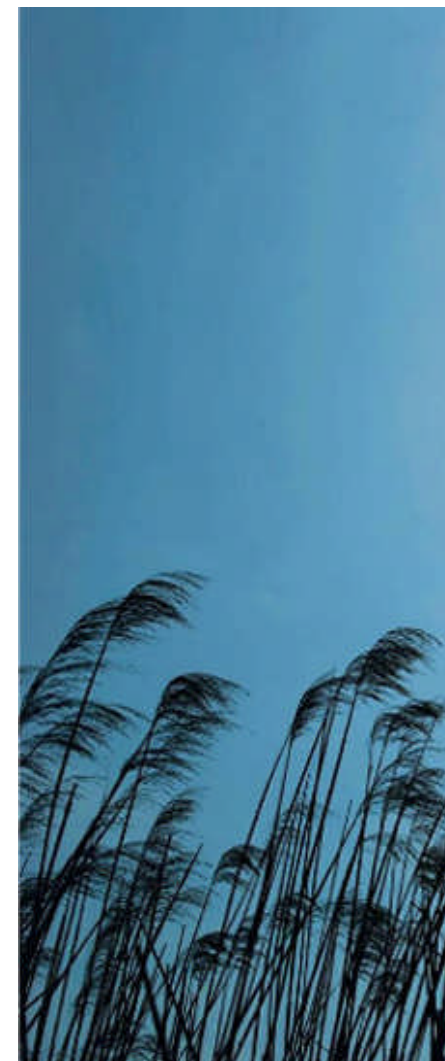
- Forward power sales of 18TWh for 2011
- Drive on operations, advantaged fuels and cash management
- Markets recognise profitability will be lower in 2011 unless there is a significant improvement in spreads

Strong balance sheet

- Net cash of over £200m
- Low level of debt

Total dividends for 2010 of 32.0 pence per share (£117m)

- 2009: 13.7 pence per share (£50m)



Regulation

Dorothy Thompson – Chief Executive

Electricity Market Reform Consultations (“EMR”) – December 2010

	What it does	Our View
Feed-in-tariffs for low carbon generation	<ul style="list-style-type: none"> Contract for difference feed-in-tariff Proposed as lead support for renewables post 2017 	<ul style="list-style-type: none"> ✓ Level playing field for new entrants and independent generators ✓ Greater income stability ✓ Value to consumer – no windfall profits
Capacity payments for back-up generation	<ul style="list-style-type: none"> Proposal focused on extreme peak demand 5GW provided by low-load peaking plant from 2020 	<ul style="list-style-type: none"> ✗ Too narrow to provide desired security of supply → Advocate alternative – ensure adequate returns for making capacity available → Reward flexibility
Carbon price floor	<ul style="list-style-type: none"> Boost returns from low carbon generation 	<ul style="list-style-type: none"> ✗ Expensive for the consumer – windfall profits ✗ Supports specific technologies – likely to distort wholesale market ✗ Does not achieve CO₂ abatement across EU

Regulation

Renewables Obligation

Renewables Obligation consultation

DECC position on biomass firing in coal plants evolving

- Sustainability standards introduced
 - Mandatory from 2013
- Recognition dedicated biomass should be grandfathered
- Consideration being given to supporting:
 - Investment in higher levels of co-firing
 - Fossil fuel conversion to biomass

Accelerated Renewables Obligation banding review

DECC timetable accelerated

- Consultation on proposed support in H2 2011
- Implementation April 2013



"We remain of the opinion that the conversion of co-firing generation to dedicated biomass generation has a great deal of potential to help us meet our renewable targets."

"An additional option might be to change the levels of support for co-firing depending on the proportion of generation from biomass"

**DECC Response to 2011
Renewables Obligation
Consultation**

December 2010

Future Developments

Biomass Strategy

Summer 2010	December 2010	H2 2011	Q1 2012	April 2013
Consultation on RO	Accelerated RO Banding Review	Consultation on new bands	Confirmation of new bands	Implementation of new bands

Ahead of regulatory clarity – continue biomass R&D work

Explore higher levels of co-firing and unit conversion options at Drax

- Logistics, storage, materials handling and engineering solutions

Working with Siemens Project Ventures to progress dedicated biomass developments

Will only commit to further significant investment with appropriate regulatory support



Future Developments

IED and CCS

Industrial Emissions Directive (“IED”)

More stringent emissions standards (NO_x and SO_x) from 2016

- EU agreed flexibility measures – better idea of compliance window

Timing of closures / plant retrofit a major determinant of future UK reserve margin

Continuing R&D work on technical solutions

- Range of technologies under review – including SCR
- Solution dependent on fuel mix – biomass burn level

Clarity required over biomass support levels

Carbon capture and storage (“CCS”)

Joint application lodged with DECC for UK and EU funding

- Drax, Alstom and National Grid
- Demonstration project – new 426MW oxy-fired CCS plant at Drax site



Conclusion

Stand ready to expand
biomass business

Low carbon

Low cost

Low risk

Operational excellence delivered
record plant performance

Improved 2010 profits underpinned by
strong hedge; market outlook challenging

Continuing to progress biomass operations;
highest renewable output from single UK facility

Stand ready to expand renewable capacity
with appropriate regulatory support

Questions



Appendices

1. Definitions
2. Financial Calendar
3. IAS39 Treatment
4. Commodity Prices
5. UK Generation Capacity
6. Gas Market
7. Coal Market
8. UK Weather Profile
9. ROC Banding
10. Plant Flexibility
11. Biomass Development



Appendix 1: Definitions

API2/4/6		API2 is the main reference price (including cost, freight and insurance) for steam coal to be delivered to Amsterdam, Rotterdam and Antwerp. API4 is the reference price for steam coal to be delivered free on board ("FOB") to Richards Bay, South Africa. API6 is the reference price for steam coal to be delivered FOB to Newcastle, Australia.
	AVERAGE ACHIEVED PRICE	Power revenues divided by volume of net sales (includes imbalance charges).
BM	BALANCING MECHANISM	The period during which the System Operator can call upon additional generation/consumption or reduce generation/consumption, through market participants' bids and offers, in order to balance the system minute by minute.
CESP	COMMUNITY ENERGY SAVING PROGRAMME	CESP has been created as part of the Government's Home Energy Saving Programme. It requires gas and electricity suppliers and electricity generators to deliver energy saving measures to domestic consumers in specific low income areas of Great Britain. CESP came into force on 1 September 2009. The CESP obligation period will run from 1 October 2009 to 31 December 2012.
DECC	DEPARTMENT FOR ENERGY AND CLIMATE CHANGE	
	DIRECT INJECTION	A process whereby biomass is fed directly (i.e. avoiding the pulverising mills) to the burners situated in the boiler walls.
EBITDA		Profit before interest, tax, depreciation, amortisation, gain/(loss) on disposal of fixed assets and unrealised gains/(losses) on derivative contracts.
ELV	EMISSION LIMIT VALUES	One of the mechanisms available to implement the LCPD. This sets annual limits on the emissions of NO _x , SO ₂ and particulate which will be incorporated into the forthcoming PPC permit.
EUA	EU ALLOWANCE	European Union Allowances, the tradable unit under the EU ETS. Equals 1 tonne of CO ₂ .
EU ETS	EU EMISSIONS TRADING SCHEME	Trading Scheme within the European Union. The first compliance phase is from 2005-07, the second compliance phase continues from 2008-12 and the third phase is proposed to run from 2013-2020.
IUK	INTERCONNECTOR UK	Sub sea gas pipeline and terminal facilities providing a bi-directional link between the UK and continental European energy markets.
LCPD	LARGE COMBUSTION PLANT DIRECTIVE	European Union Large Combustion Plant Directive sets emission standards for NO _x , SO ₂ and particulate from all Large Combustion Plant (>50MW).
LEC	LEVY EXEMPTION CERTIFICATE	Evidence of Climate Change Levy exempt electricity supplies generated from qualifying renewable sources.

Appendix 1: Definitions

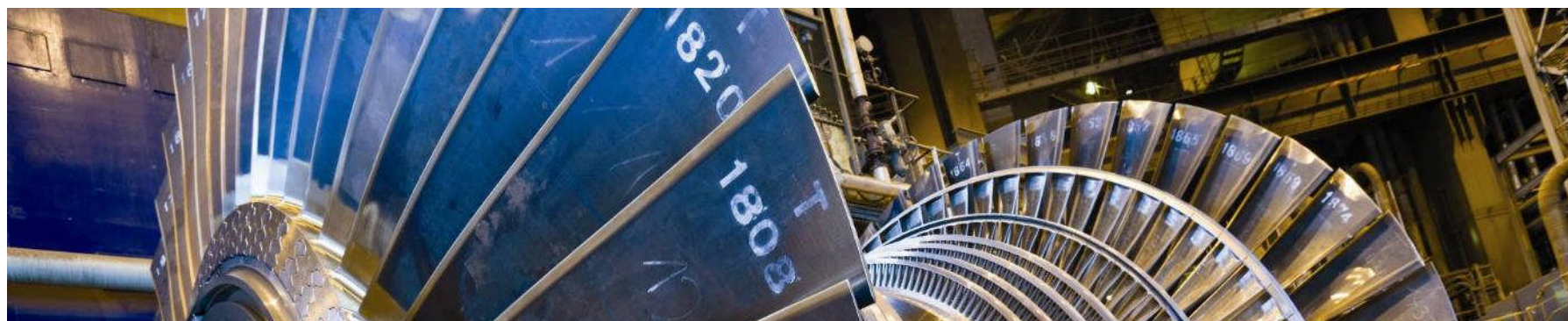
LNG	LIQUIFIED NATURAL GAS	
LTIR	LOST TIME INJURY RATE	The frequency rate calculated on the following basis (number of accidents/hours worked * 100,000). Accidents are defined as occurrences where the injured party is absent from work for more than 24 hours.
NERP	NATIONAL EMISSIONS REDUCTION PLAN	One of the mechanisms available to implement the LCPD and the one selected by Drax. This sets annual limits on the emissions of NO _x , SO ₂ and particulate which will be incorporated into the forthcoming PPC permit.
NO_x		Nitrogen oxides, emissions of which are regulated under the LCPD.
OFGEM	OFFICE FOR GAS AND ELECTRICITY MARKETS	
	OPTED- IN / OPTED-OUT	An opted-in plant is a power station that has elected to comply with the LCPD emissions standards. Opted-out plant has not elected to comply and is therefore only permitted to run for 20,000 hours and must in any event close by the end of 2015.
	POND FINES	Coal dust and waste coal from the cleaning and screening process which can be used for coal-fired power generation.
RO	RENEWABLES OBLIGATION	The obligation placed on licensed electricity suppliers to deliver a specified amount of their electricity from eligible renewable sources.
ROC	RENEWABLES OBLIGATION CERTIFICATE	The obligation requires licensed electricity suppliers to ensure that specified and increasing amounts of the electricity they supply are from renewable sources. Eligible generators of electricity using renewable energy sources currently receive 1 ROC for each MWh of electricity generated from renewable sources. These certificates can then be traded.
ROSPA	ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS	
SO₂		Sulphur dioxide, emissions of which are regulated under the LCPD.
TRIR	TOTAL RECORDABLE INJURY RATE	TRIR is calculated on the following basis (lost time injuries + worse than first aid)/hours worked * 100,000.
UKCS	UK CONTINENTAL SHELF	Gas reserves found off shore in UK waters.
UK NAP	UK NATIONAL ALLOCATION PLAN	Allocation of UK emissions allowances at the national level to individual sites under EU ETS.

Appendix 2: Financial Calendar

Event	2011
Annual General Meeting	13 April
Ordinary shares marked ex-dividend	27 April
Record date for final dividend	3 May
Interim Management Statement	12 May
Final dividend payment date	13 May
Announcement of Half Year Results	2 August
Interim Management Statement	15 November
Financial year end	31 December

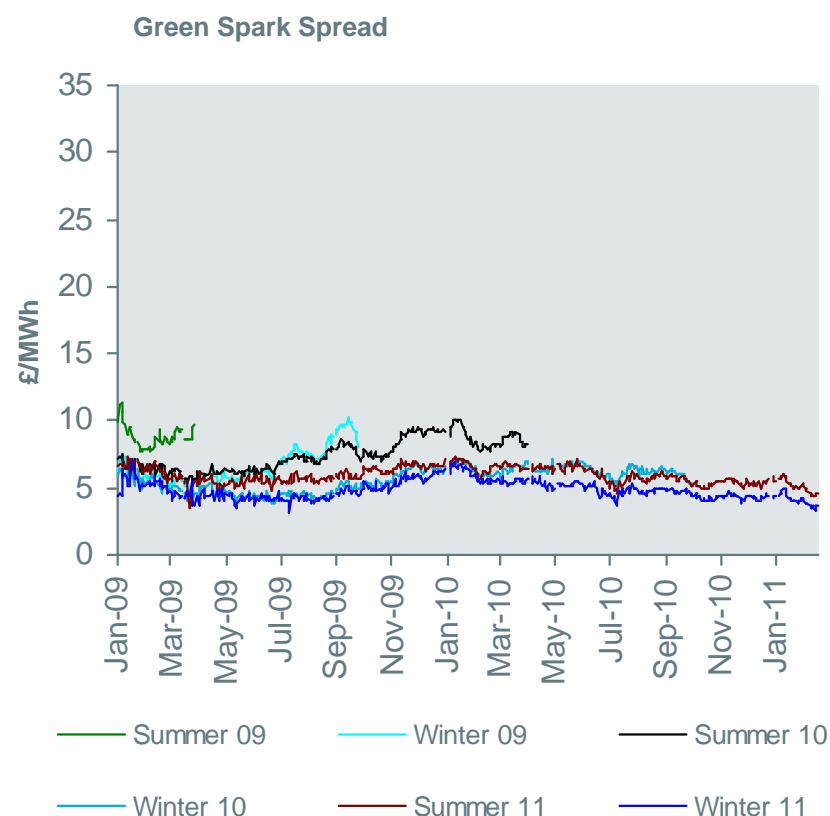
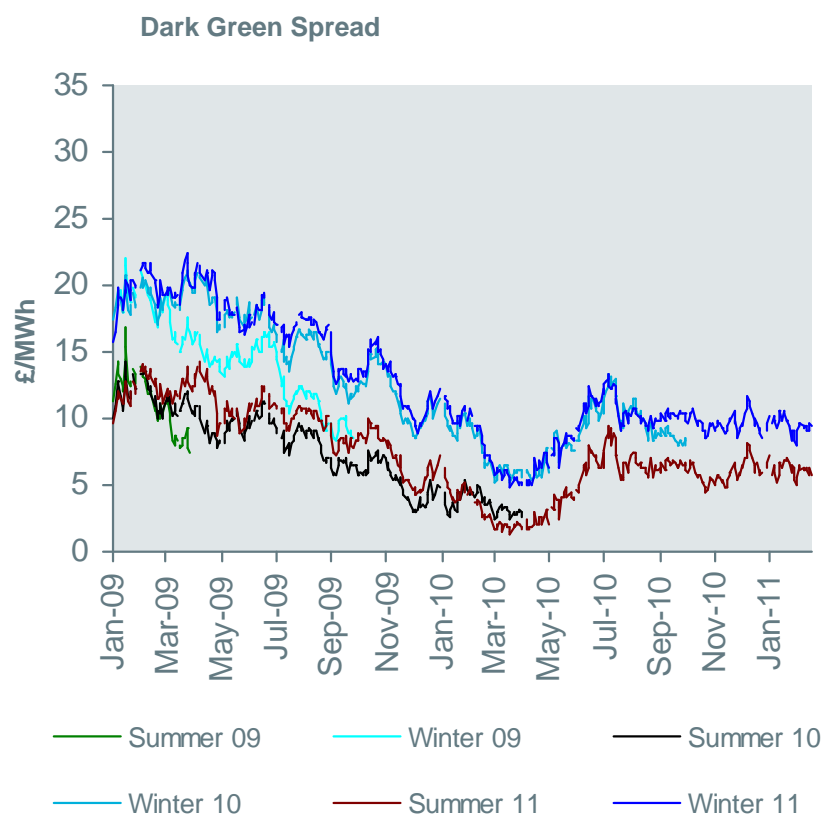
Appendix 3: IAS39 Treatment

Financial Instrument	Location of gains and losses in the 2011 Consolidated Financial Statements
Power	Hedge Reserve
International Coal	Hedge Reserve and Income Statement
Financial Coal	Largely Income Statement
Foreign Exchange	Hedge Reserve and Income Statement
Interest Rate Swaps	Largely Income Statement
Carbon	Hedge Reserve



Appendix 4: Commodity Prices

UK Forward Spread Movements – to 16 February 2011

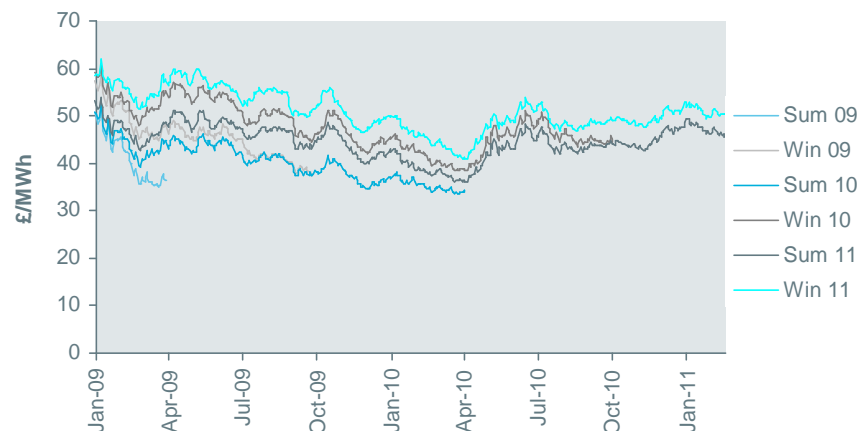


Assumed typical efficiencies: Dark Spread - 36%, Spark Spread - 49.1%

Appendix 4: Commodity Prices

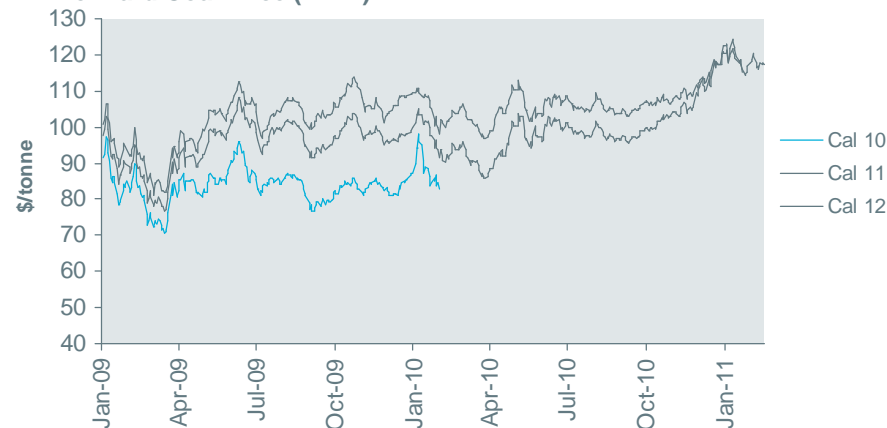
Commodity Price Movements – to 16 February

Forward Power Price



Sources: Brokered Trades, Prebon, Spectron, ICAP, GFI

Forward Coal Price (API 2)



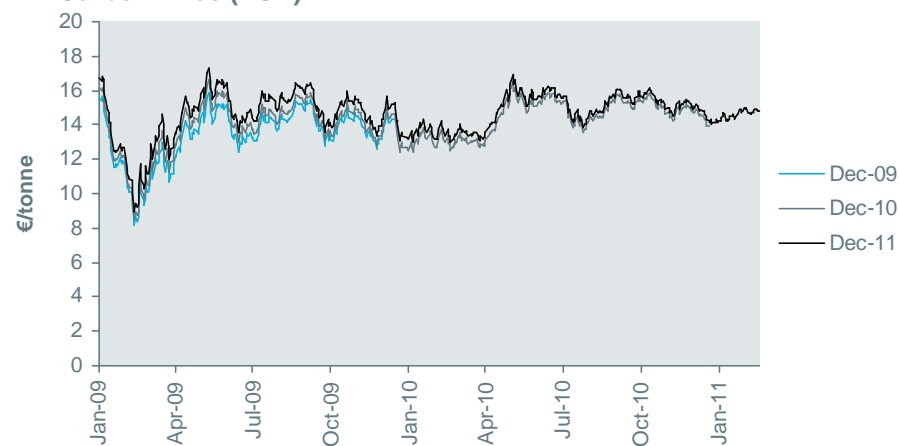
Source: Brokered Trades, McCloskey

Forward Gas Price



Source: Brokered Trades, Spectron

Carbon Price (EUA)



Source: ICE

Appendix 4: Commodity Prices

Carbon Price Movements – to 16 February

Market price continues to be predominantly driven by sentiment around EU policy

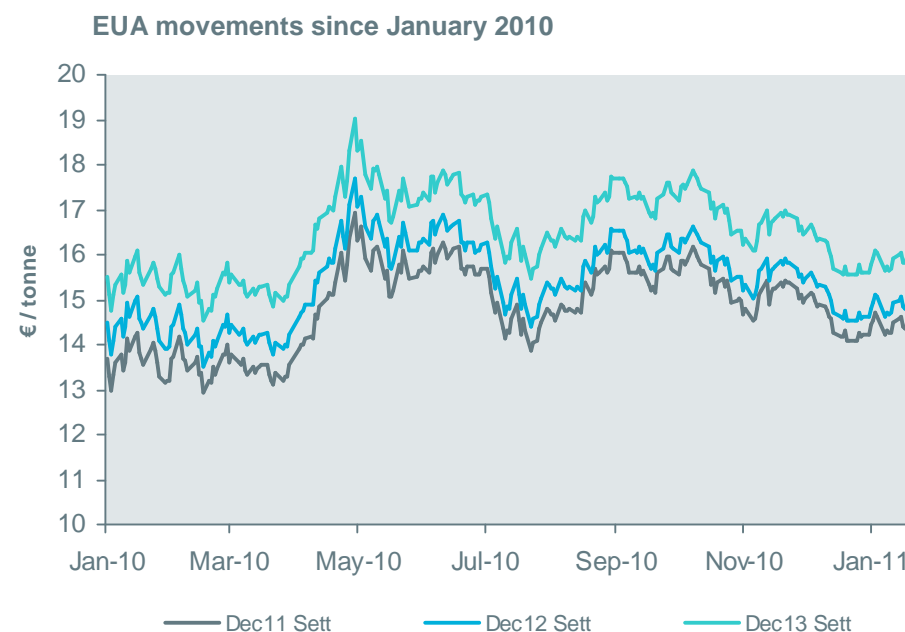
- No market reaction to UK carbon floor

High expectation Phase II will be in surplus

Phase II surplus bankable into Phase III (2013 to 2020)

Key drivers of Phase III pricing:

- Renewable generation build rate
- Economic conditions
- Possible increase in CO₂ reduction target from 20% to 30%



Source: ICE

Appendix 5: UK Generation Capacity

Summary of LCPD Elections

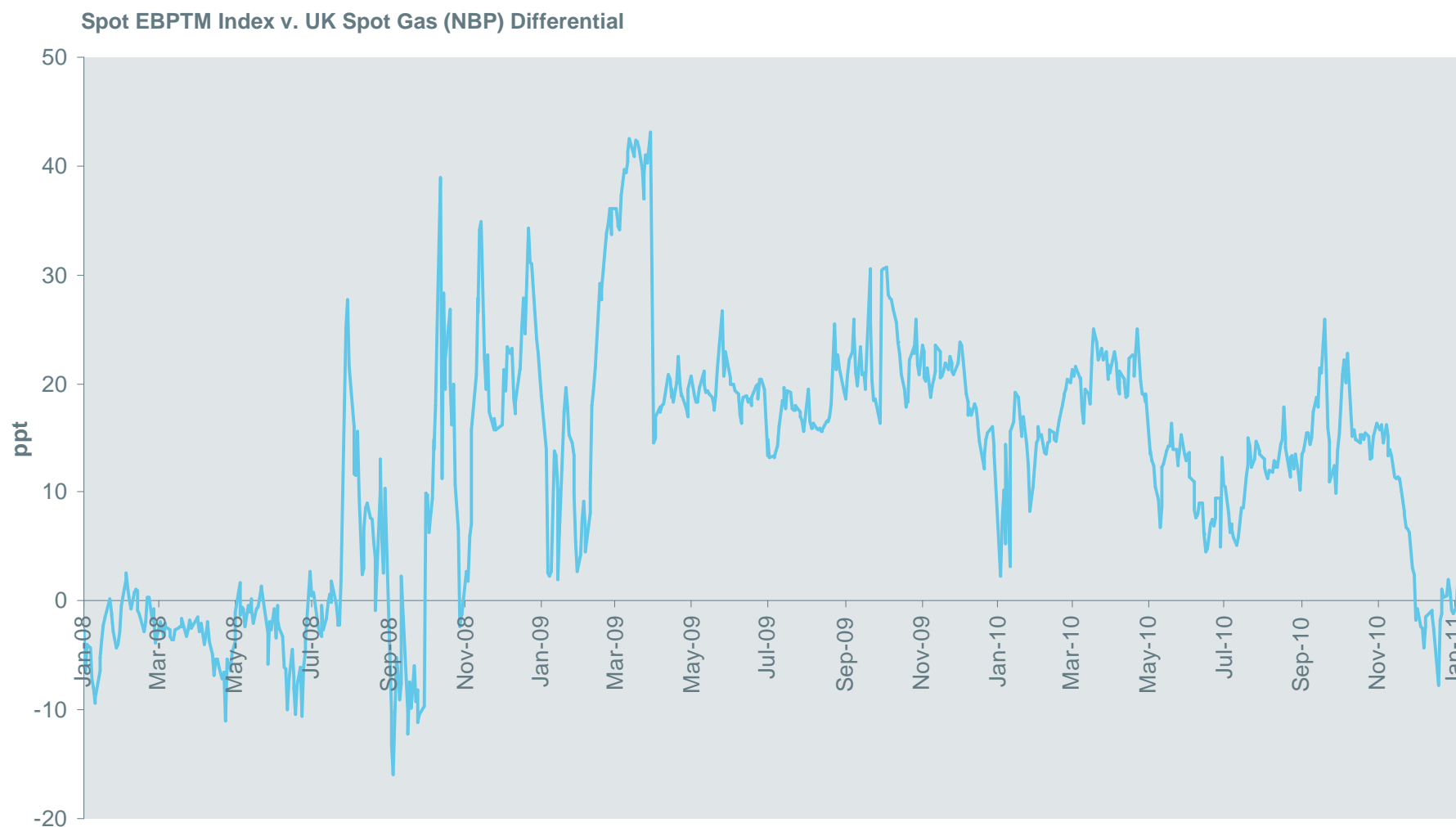
Installation	Operator	Fuel	Installed Capacity (MWe)	Capacity Opted In (MW)	Capacity Opted In NERP (MW)	Capacity Opted In ELV (MW)	Capacity Opted Out (MW)	Opted Out Hours Remaining (Elexon - 25th Jan 2011)
Drax	Drax Power	Coal	3870	3870	3870	0	0	
Eggborough	EPL	Coal	1960	1960	1960	0	0	
Cottam	EDF Energy	Coal	2008	2008	0	2008	0	
West Burton	EDF Energy	Coal	1972	1972	0	1972	0	
Kingsnorth	E.ON UK	Coal	1940	0	0	0	1940	42%
Ratcliffe	E.ON UK	Coal	2000	2000	0	2000	0	
Ironbridge	E.ON UK	Coal	970	0	0	0	970	70%
Rugeley	International Power	Coal	996	996	0	996	0	
Ferrybridge	Scottish & Southern Energy	Coal	1960	980	0	980	980	U1&2 66%
Fiddlers Ferry	Scottish & Southern Energy	Coal	1961	1961	0	1961	0	
Longannet	Scottish Power	Coal	2304	2304	2304	0	0	
Cockenzie	Scottish Power	Coal	1152	0	0	0	1152	U1&2 22% U3&4 31%
Uskmouth	Scottish & Southern Energy	Coal	393	393	0	393	0	
Didcot A	RWE npower	Coal	1940	0	0	0	1940	60%
Tilbury	RWE npower	Coal	1020	0	0	0	1020	BOIL 7&8 46% BOIL 9&10 44%
Aberthaw	RWE npower	Coal	1455	1455	0	1455	0	
Grain*	E.ON UK	Oil	c.1300	0	0	0	c.1300	88%
Littlebrook*	RWE npower	Oil	c.1100	0	0	0	c.1100	88%
Fawley*	RWE npower	Oil	c.1000	0	0	0	c.1000	92%
Total			31301	19899	8134	11765	11402	

Source: Elexon, Oxera, Drax data as at Jan 2011

* Denotes Derogation type VIII(A2)

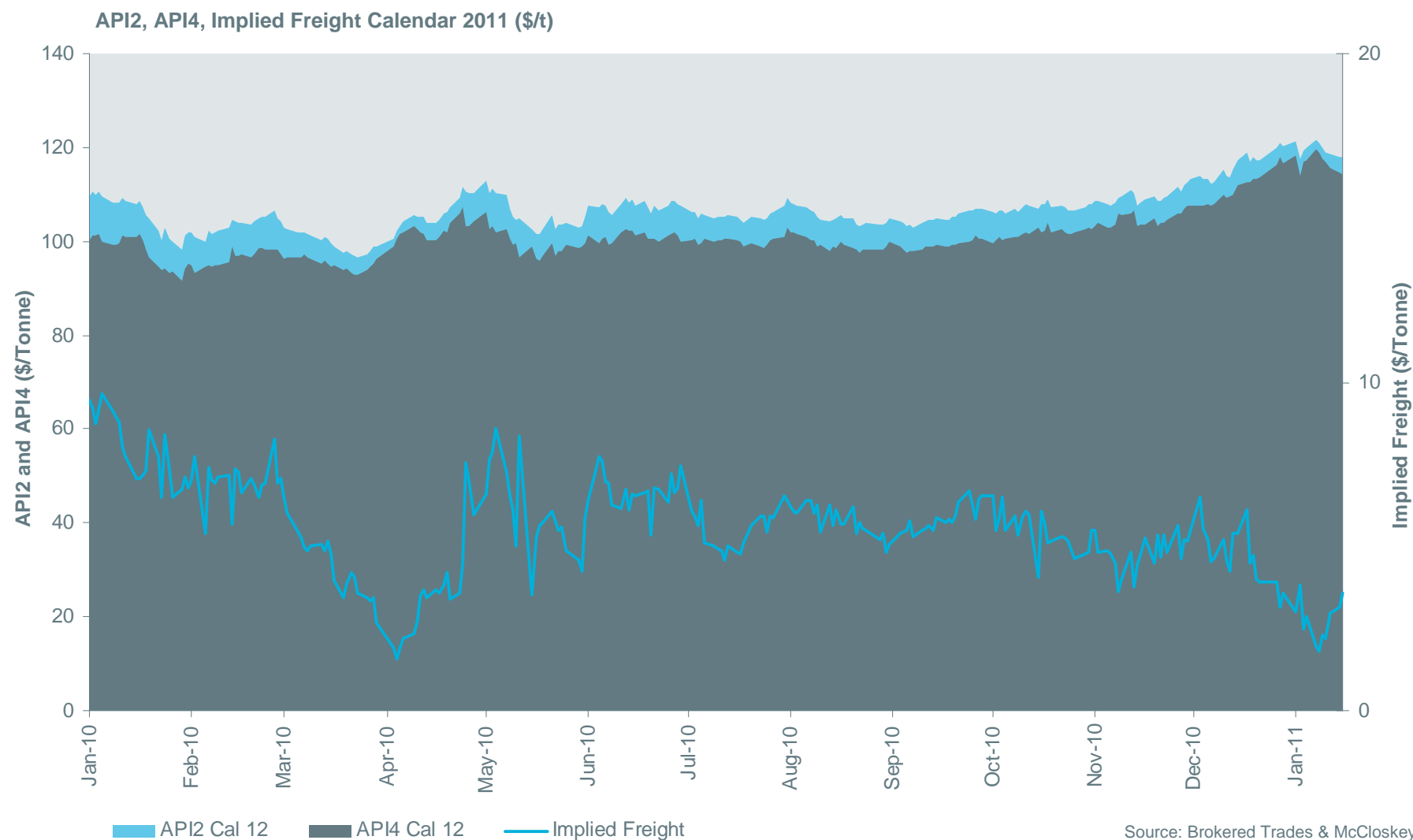
Appendix 6: Gas Market

European to UK Gas Price Differentials

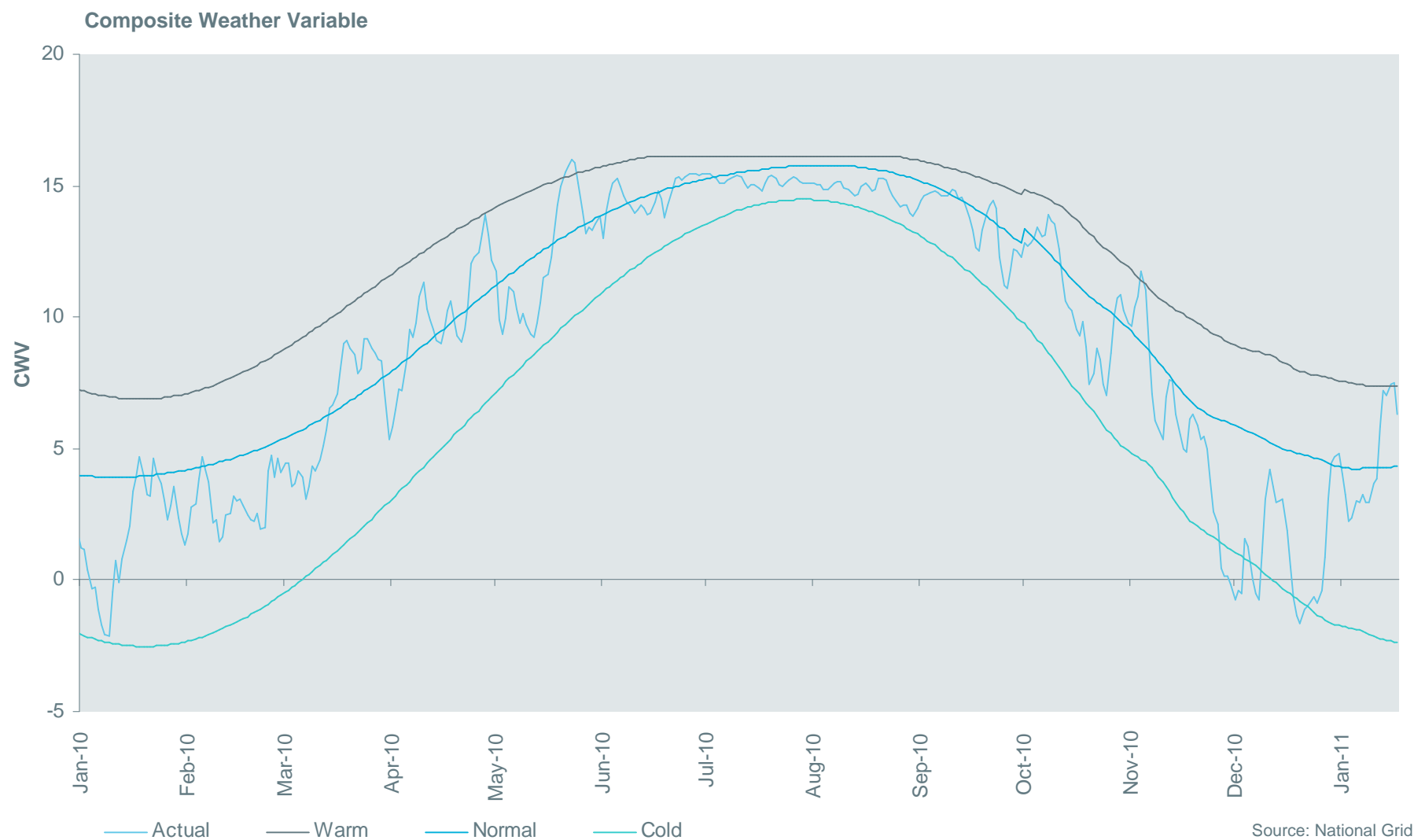


Sources: European Benchmark Price (EBPTM Index): Eclipse Energy Group
NBP and Henry Hub: Bloomberg and brokered Trades EBP is a trademark owned by Eclipse Energy Group

Appendix 7: Coal Market



Appendix 8: UK Weather Profile



Appendix 9: ROC Banding

Band Support	Technologies	Level of ROCs / MWh
Established I	Landfill gas	0.25
Established II	Sewage gas; co-firing of non-energy crop (regular) biomass (subject to a 12.5% cap from 1 Apr 2010 on the number of co-fired non-energy crop ROCs which can be presented by a supplier in any one year)	0.5
Reference	Onshore wind; hydro-electric; co-firing of energy crops ; energy from waste with combined heat and power; other not specified	1.0
Post-demonstration	Offshore wind (although 2 ROCs for projects accredited before 31 March 2014); dedicated regular biomass	1.5
Emerging technologies	Wave; tidal-stream; advanced conversion technologies (gasification, pyrolysis and anaerobic digestion); dedicated biomass burning energy crops (with or without CHP); dedicated regular biomass with CHP ; solar photovoltaics; geothermal	2.0



Appendix 10: Plant Flexibility

The market provides power to meet forecast demand - it does not provide the required system reserve/flexibility

National Grid (NG) must maintain both positive and negative reserve to balance the system second by second

- Upward response to sudden loss in generation or increase in demand
- Downward response to sudden loss in demand or increase in generation
- To respond generation needs to be reliable and controllable

Flexibility on the system is achieved by NG trading with plant to get a position that provides room to turn up generation (head-room) or turn down generation (foot-room)

Why is this important to Drax?

Increasing wind and nuclear generation lowers the amount of flexible plant able to run in low demand periods

In future inflexible plant may be 'bought off' and replaced with flexible units to provide the required reserve levels

- To reduce their price exposure, NG contracted 3 Drax units for Summer 2010 overnights
- Part loaded to 420MW; capable of providing +90 / -70MW per unit in 10 seconds

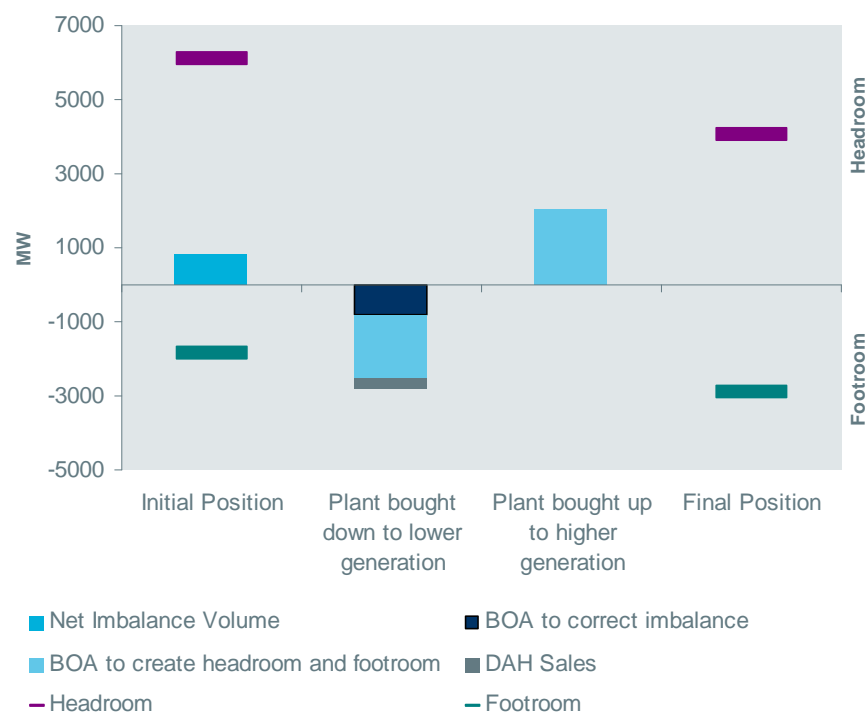
Example - Snapshot Period 11 Sunday June 27th 2010

NG was presented with a system that was 800MW long

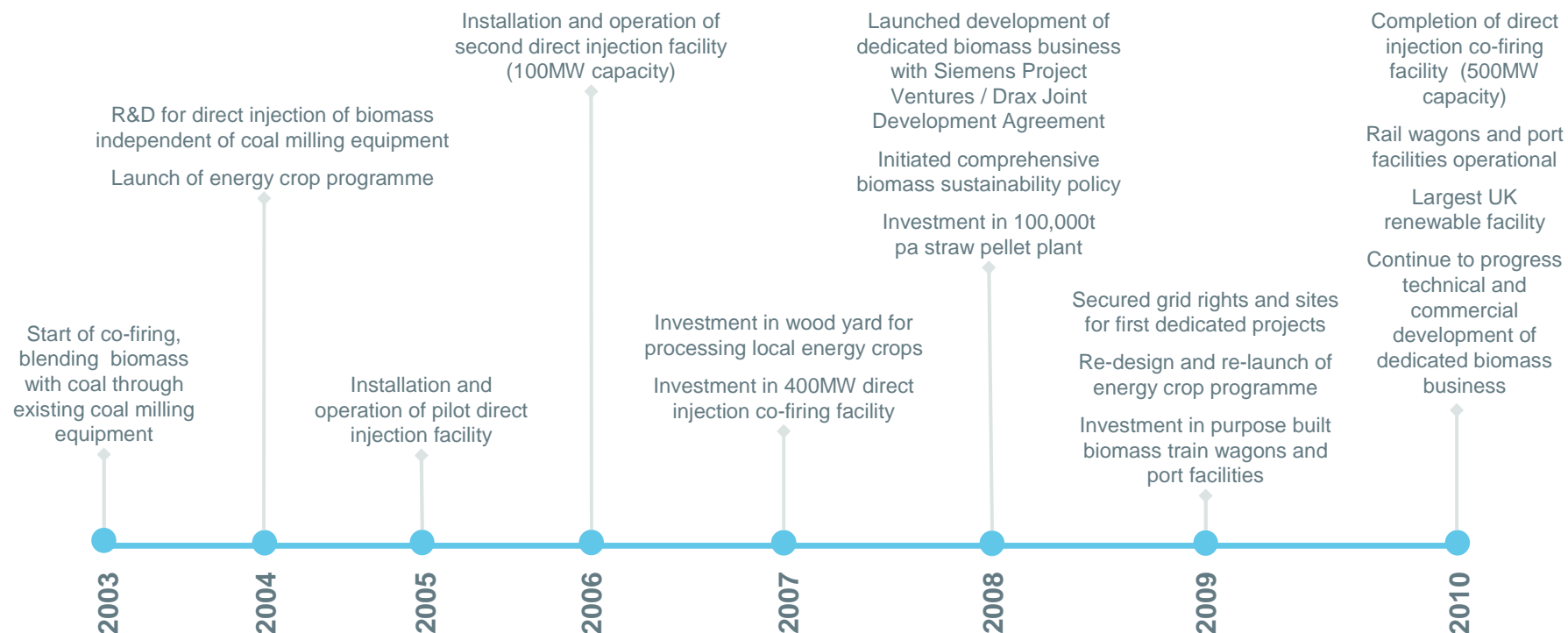
- Estimated Footroom of c1.5GW, headroom of 6GW.

In order to balance the system and provide the required flexibility, the grid had to reposition 26 units.

- Increased output on 20 units and desynchronised 5



Appendix 11: Biomass Development



EMR consultations reinforce our commitment to electricity generation from biomass

Stand ready to expand renewable biomass capacity

- At Drax and through construction of dedicated plant
- Deliver value to our shareholders
- Deliver competitive, reliable and flexible renewable power to UK consumer

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Preliminary Results

Year Ended 31 December 2010

22 February 2011