11 May 2011

Drax Group plc
("Drax" or the "Group")

Symbol:DRX

Interim Management Statement

Drax today publishes its interim management statement for the period from 1 January 2011 to date.

Trading Performance

Trading conditions in the commodity markets in which we operate have improved so far this year, although they remain volatile and we are therefore cautious in our outlook. We have taken advantage of better dark green spreads to strengthen our contracted position. This, together with continued good operating performance, currently underpins expectations for the full year.

Positions Under Contract for 2011, 2012 and 2013

As at 3 May 2011, the positions under contract for 2011, 2012 and 2013 were as follows:

	2011	2012	2013
Power sales (TWh) comprising:	22.6	11.5	3.2
– Fixed price power sales (TWh)	17.7	3.6	0.6
at an average achieved price (per MWh) (1)	at £55.3	at £58.3	at £55.1
– Fixed margin and structured power sales (TWh) (2)	4.9	7.9	2.6
CO_2 emissions allowances hedged, including UK NAP allocation, market purchases, structured contracts, and benefit of biomass co-firing (TWh equivalent)	23.0	20.9	4.1
Solid fuel at fixed price/hedged, including structured contracts (TWh equivalent)	23.8	12.9	6.3

Notes to Positions Under Contract:

(1) Fixed price power sales include approximately 3.0TWh supplied to Centrica in the period 1 January 2010 to 3 May 2011 under the five and a quarter year 600MW baseload contract which commenced on 1 October 2007 and the five year 300MW baseload contract which commenced on 1 October 2010.

(2) Fixed margin and structured power sales include approximately 4.9TWh in 2011, 7.9TWh in 2012 and 2.6TWh in 2013 in connection with the above contracts. Under these contracts the Group will supply power on terms which include Centrica paying for coal, based on international coal prices, and delivering matching CO_2 emissions allowances amounting in aggregate to approximately 7.2 million tonnes in each of 2011 and 2012 and 2.4 million tonnes in 2013. The contracts provide the Group with a series of fixed dark green spreads, with the spreads in the first contract having been agreed in the first quarter of 2006 and with those in the second contract having been agreed in October 2009.

We will next update the market on the Group's positions under contract on 2 August 2011, when we announce our half year results for the six months ending 30 June 2011.

Eurobond Tax Position Agreed

On 5 April 2011, we announced that we had reached agreement with HM Revenue & Customs ("HMRC") in relation to the Group's Eurobond financing structure [(1)], which will result in the release of £180 million cash tax relief for the business. In addition, a number of other minor legacy tax issues were also agreed.

This agreement, and in particular the resolution of the Eurobond position, provides certainty over cash tax relief for the Group now and in the future, as follows:

- Cash ring fenced on the balance sheet at 31 December 2010 of £117 million now released to the business; and
- Remaining agreed losses with cash tax value of approximately £63 million will be realised over the coming years [(2)].

We noted in the tax announcement that if we received appropriate regulatory support, this cash would form an integral part of the capital required to deliver our biomass strategy, which in turn would provide the UK with cost effective, reliable and flexible renewable electricity.

Other than as described above, there have been no material events or transactions, nor any material change in the underlying financial position of the Group during the period.

Notes to Eurobond Tax Position:

(1) Eurobond financing structure

- The Eurobond debt structure was put in place under a previous financing in 1999 to acquire Drax Power Station.
- Under this structure, the Group prepaid an amount of interest which facilitated its refinancing and listing on the London Stock Exchange in 2005. In accordance with accounting and tax rules, we would ordinarily have expected to obtain tax relief for this interest in the ensuing years to 2015.
- In 2008, HMRC issued draft legislation which updated rules on the tax deductibility of such interest. As a consequence, the Eurobond structure was unwound in December 2008 in order to protect past benefits. This resulted in the acceleration of interest deductions where tax losses with a cash tax value of approximately £220 million were crystallised, subject to confirmation by HMRC.

(2) Remaining losses

- The remaining losses, which are calculated based on current corporation tax rates, are non-trade losses and can only be offset against future non-trade profits.

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