9 May 2014

DRAX GROUP PLC
(Symbol: DRX)

Interim Management Statement

Drax today publishes its interim management statement for the period from 1 January 2014 to date.

Trading Performance

Since publishing our preliminary results on 18 February, power prices have fallen further, with mild weather across Europe resulting in weaker gas markets. In addition, we currently anticipate some further weakness in ROC(1) prices this year, exacerbated by abnormally high wind generation. As a result, we now anticipate that, unless markets improve in the coming months, full year EBITDA(2) and underlying earnings per share(3) for 2014 will be below current market forecasts(4).

Power Sales Contracted for 2014 and 2015

We have extended our contracted position, including additional power sales of approximately 3TWh for each of 2014 and 2015 compared to the position reported in February.

As at 1 May 2014, the power sales contracted for 2014 and 2015 were as follows:

	2014	2015
Power sales (TWh) comprising:	25.0	10.3
– Fixed price power sales (TWh)	23.2	8.4
at an average achieved price (per MWh) (5)	at £51.9	at £54.3
– Fixed margin and structured power sales (TWh) (6)	1.8	1.9

Biomass Transformation

We have continued to make very good progress with the Group's on-going transformation to a predominantly biomass-fuelled electricity generator. Overall, capital investment remains on schedule and budget.

Commissioning of the new on-site biomass facilities is on schedule to complete in the third quarter of this year. Two of the four storage domes are now in service and the new facility at Port of Hull is fully operational. In the US, we continue to expect commercial operations at our first pellet plant and port facility to begin in the first quarter of 2015, with commercial operations at the second pellet plant following on in the second quarter.

Operationally, our first converted unit, which was commissioned in April 2014, continues to perform very well and we now have over twelve months' experience operating the largest converted unit in the world. We have made further good progress with the unit optimisation work and remain confident that we will deliver industry leading operating performance.

Finally, as anticipated, at the beginning of May one of our coal units began to operate as an enhanced co-firing unit, burning at least 85% biomass. The unit is now beginning a phased commissioning process.

Unit Eligibility for Early CfDs

On 23 April we announced that Drax had been offered an Investment Contract under the early Contracts for Difference ("CfDs") mechanism for the third unit conversion, but that the Government had rejected our second unit conversion, advising it was no longer eligible for an Investment Contract. Support for the second unit conversion is available under the existing Renewables Obligation regime, where eligibility has been confirmed, and may also be available under the enduring CfD mechanism.

Legal advice confirmed that Drax has a good foundation to challenge the Government's decision to exclude this second unit from the award of an Investment Contract. We have therefore initiated proceedings.

The Government's decision has caused some uncertainty, which will lead to delay in biomass supply and logistics development. We do, however, remain fully committed to our strategy of transforming Drax into a predominantly biomass-fuelled generator, initially through the conversion of three of our six generating units, with a fourth unit conversion under evaluation.

Other Matters

We have agreed a new private placement for £100 million with various funds managed by M&G Investments, which will be used for general business purposes. This strengthens our balance sheet and maintains a smooth profile for the Group's debt maturities. The all-in cost of this debt is very competitive.

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.

We will announce our half year results for the six months ending 30 June 2014 on 29 July 2014.

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Notes:

(1) Renewables Obligation Certificates.

(2) EBITDA is profit before interest, tax, depreciation, amortisation and unrealised gains/losses on derivative contracts.

(3) Underlying earnings per share excludes the after tax impact of unrealised gains and losses on derivative contracts, and exceptional items.

(4) Based on a range of market forecasts (published since our preliminary results on 18 February) of £240 million to £261 million for EBITDA and 27 pence to 30 pence for underlying earnings per share.

(5) Fixed price power sales include approximately 0.8TWh supplied to Centrica in the period 1 January 2014 to 1 May 2014 under the five year 300MW baseload contract which commenced on 1 October 2010.

(6) Fixed margin and structured power sales include approximately 1.8TWh in 2014 and 1.9TWh in 2015 in connection with the above contract. Under this contract 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 2.4 million tonnes in 2014 and 1.8 million tonnes in 2015. The contract provides the Group with a series of fixed dark green spreads agreed in October 2009.
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