13 December 2006

Drax Group plc

Trading Update

Prior to entering its close period on 7 January 2007, Drax Group plc ("Drax") announces the following trading update.

Contracted Position for 2006, 2007 and 2008

Since issuing the 2006 Interim announcement on 12 September 2006, Drax has continued to trade in line with its expectations and to follow the stated trading strategy of making steady forward power sales with corresponding carbon and coal purchases. Drax's aim is to deliver market level or better dark green spreads across all traded market periods and, as part of this strategy, Drax retains power to be sold into the prompt (within season) power markets.

As at 6 December 2006 the contracted position for 2006, 2007 and 2008 was as follows:

	2006	**2007**	**2008**
Output – percentage of expected annual production hedged	99%	68%	53%
comprising:			
– Fixed price power sales at an average achieved price per MWh	99% at £48.8	62% at £49.9	31% at £49.2
– Fixed margin power sales	—	6%	22%
CO_2 emissions allowances – percentage of expected annual requirement (including UK NAP allocation, market purchases and structured contracts)	100%	73%	67%
Coal – percentage of expected annual requirement hedged	100%	64%	58%

Fixed margin power sales include approximately 1.3TWh in 2007 and 5.3TWh in 2008 under the five and a quarter year baseload contract with Centrica which commences on 1 October 2007. Under this contract Drax will supply power on terms which include Centrica paying Drax for coal, based on international coal prices, and delivering matching CO_2 emissions allowances amounting to approximately 4.7 million tonnes per annum. The contract provides Drax with a series of fixed dark green spreads.

Drax will provide the next update on its contracted position in its 2006 Preliminary Results Statement expected to be issued on 8 March 2007.

2006 EBITDA and Closing Cash Position Guidance

Drax expects that EBITDA for year ending 31 December 2006 will be in the range £578m to £585m (Note 1). It further expects that the closing cash position as at 31 December 2006 will be in the range £150m to £155m.

In arriving at the range for the 2006 EBITDA and the closing cash position as at 31 December 2006 Drax has taken account of:

- Market prices, as at 6 December 2006, for the uncontracted portion of power sales, and coal and carbon purchases for the period to 31 December 2006; and
- Management's assumption that there will be no significant unplanned outages for the period to 31 December 2006.

Special Dividend

The Board expects to declare a special dividend in respect of the six months ending 31 December 2006 at the 2006 Preliminary Results. The intention is to pay the special dividend at the same time as the intended final ordinary dividend of 9.1 pence per share (being approximately £33.7 million). This is expected to be in mid May 2007. Final arrangements will be announced in our Preliminary Results Statement.

Turbine re-blading

Further to our interim presentation in September, Drax is pleased to report that it has decided to proceed with the turbine re-blading project and is now in final stage negotiation with the preferred supplier.

Using proven technology Drax expects each unit, following installation, to achieve a baseload efficiency (Note 2) approaching 40%. This represents a 5% improvement on current baseload efficiency of 38%. Installation, which will be undertaken during the planned outage programme, is expected to take place between 2008 and 2011. Total costs of approximately £100million are expected to be incurred on this project over the next five years. When complete, the project is expected to deliver annual savings of approximately one million tonnes of CO_2 emissions allowances and approximately half a million tonnes of coal.

Dorothy Thompson, Chief Executive of Drax said: "I am very pleased with the continued strong performance which builds on the robust results delivered in the first half of the year. The decision to go ahead with the turbine re-blading project demonstrates our commitment to invest in the future of the business and importantly to tackling climate change, through an annual saving in CO_2 emissions equivalent to taking 275,000 cars off the road."

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

(2) Baseload efficiency is the ratio of energy out to energy in when operating at full capacity.