18 December 2007

Drax Group plc

Trading Update

Prior to entering its close period on 4 January 2008, Drax Group plc ("Drax" or "the Company") announces the following trading update.

Contracted Position for 2007, 2008 and 2009

Since issuing the 2007 Interim Results announcement on 6 September 2007, 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 solid fuel 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. Power markets have continued to be volatile and achieved power prices reflect the timing of when sales were made. International coal prices have been at record levels for much of the second half of 2007.

As at 11 December 2007 the contracted position for 2007, 2008 and 2009 was as follows:

	2007	2008	2009
Power Sales – TWh	24.7	19.7	14.3
comprising:			
– Fixed price TWh at an average achieved price per MWh (note 1)	24.4 at £45.2	14.4 at £45.6	9.0 at £41.7
– Fixed margin TWh (note 2)	0.3	5.3	5.3
CO_2 emissions allowances hedged (including UK NAP allocation, market purchases and structured contracts) - TWh equivalent	25.2	19.5	15.2
Solid fuel at fixed price / hedged (including structured contracts) – TWh equivalent	26.0	19.6	13.8

The contracted position for CO_2 emissions allowances includes allocations made under the EU Emissions Trading Scheme, market purchases and allowances due to be delivered under the terms of the Centrica contract (note 2).

The position for solid fuel includes estimated deliveries due under fixed price contracts and the coal volumes specified under the terms of the Centrica contract (note 2) the terms of which effectively remove the risk from Drax of price movements in respect of that coal.

The Company will provide the next update on its contracted position in its 2007 Preliminary Results Statement which is expected to be issued on 4 March 2008.

Share buy back programme

The Board is pleased to announce that the Company has completed the £83 million share buy back programme announced in the Interim Results Statement issued on 6 September 2007. 13,005,304 shares, representing approximately 3.7% of the shares in issue as at 6 September 2007, were purchased at an average price of approximately 638 pence. Following the purchase and cancellation of these shares, the number of ordinary shares in issue is 339,397,000.

Refinancing

The Interim Results Statement also noted that Drax expected to embark on a refinancing of existing facilities later in 2007 (market conditions permitting) to ensure balance sheet efficiency is maintained. Conditions in the debt markets have continued to deteriorate since the Interim Statement was issued and the Company has therefore chosen not to proceed with a refinancing at the present time. The Board remains committed to ensuring balance sheet efficiency is maintained and will continue to keep the position under review.

The existing debt facilities expire at the end of 2010 and the scheduled amortisation in 2008 is £35 million.

2007 EBITDA and Closing Cash Position Guidance

In the absence of unforeseen circumstances Drax expects that EBITDA for year ending 31 December 2007 will be around £500 million. It further expects that the closing cash position as at 31 December 2007 will be in the range £55 million to £60 million. The expected closing cash position reflects payments totalling £80 million made and to be made in the current year under the scheduled amortisation programme for the senior secured debt facilities. Senior secured debt as at 31 December 2007 is expected to be £405 million.

In arriving at the estimate for the 2007 EBITDA and the closing cash position as at 31 December 2007 Drax has taken account of:

- Market prices as at 11 December 2007 for the uncontracted portion of power sales, and solid fuel and carbon purchases for the period to 31 December 2007; and
- Management's assumption that there will be no significant unplanned outages for the period to 31 December 2007.

Distributions to Shareholders

The Board has previously stated that the Company will pay a stable amount (£50 million) by way of ordinary dividend each year (the base dividend) subject to the availability of cash and appropriate reserves. In addition to the base dividend, the Board has also stated that substantially all of any remaining cash flow, subject to the availability of reserves and after making provision for debt payments, debt service requirements (if any), capital expenditure and other expected business requirements, will be distributed to shareholders. The Board currently expects the next special distribution to be made by way of a special dividend but continues to keep under review the most appropriate method for making special distributions..

Within its 2007 Preliminary Results Statement on 4 March 2008, the Board expects to recommend a final ordinary dividend of 9.9 pence per share, being approximately £33.6 million, and the quantum of the special dividend in respect of the year ending 31 December 2007. The level of special distribution will take account of the closing cash position, the working capital, capital expenditure and any other needs of the business, and the expected final ordinary dividend.

Notes:

1. Fixed price power sales include approximately 1.0TWh supplied to Centrica in the period 1 October to 11 December 2007 under the contract described in note 2 below. The achieved price for this power is calculated according to the contractual terms and is the sum of the relevant coal and CO_2 prices and the fixed margin applicable to the period. Prior to delivery this power was classified as fixed margin power sales.

2. Fixed margin power sales include approximately 0.3TWh in 2007 and 5.3TWh in each of 2008 and 2009 under the five and a quarter year baseload contract with Centrica which commenced on 1 October 2007. Under this contract Drax is supplying 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 4.8 million tonnes per annum. The contract provides Drax with a series of fixed dark green spreads which was agreed in the first quarter of 2006.

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