16 December 2008

Drax Group plc
(“Drax” or the “Group”)

Symbol:DRX

Trading Update

Prior to entering its close period on 3 January 2009, Drax announces the following trading update.

Trading Performance and Outlook

Since issuing our Interim Management Statement on 23 October 2008 we have continued to trade in line with expectations for the current year.

Commodity prices have been highly volatile in the period since the announcement of our Interim Management Statement, and for 2009 and beyond we have experienced a contraction in dark green spreads, although spreads remain healthy. We will continue to actively manage our working capital position to optimise cash flow next year.

Positions under Contract for 2008, 2009 and 2010

We continue to follow our stated trading strategy of making steady forward power sales with corresponding purchases of CO_2 emissions allowances and solid fuel purchases. Our aim is to deliver market level or better dark green spreads across all traded market periods and, as part of this strategy, we retain power to be sold into the prompt (within season) power markets.

As at 12 December 2008, the positions under contract for 2008, 2009 and 2010 were as follows:

	2008	2009	2010
Power sales (TWh) comprising:	25.5	19.8	17.0
– Fixed price power sales (TWh) at an average achieved price (per MWh)	25.2 At £58.1	14.5 At £51.6	11.1 At £56.6
– Fixed margin and structured power sales (TWh)	0.3	5.3	5.9
CO2 emissions allowances hedged (TWh equivalent) (1)	25.4	19.9	17.9
Solid fuel at fixed price/hedged (TWh equivalent) (2)	26.2	19.6	15.3

(1) Including UK NAP allocation, market purchases, structured contracts, and benefit of biomass co-firing
(2) Including structured contracts

Fixed price power sales include approximately 5.0TWh supplied to Centrica in the period 1 January 2008 to 12 December 2008 under the five-and-a-quarter year baseload contract with Centrica which commenced on 1 October 2007.

Fixed margin and structured power sales include approximately 0.3TWh in 2008 and 5.3TWh in each of 2009 and 2010 in connection with this Centrica 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 to approximately 4.8 million tonnes per annum. The contract provides the Group with a series of fixed dark green spreads which were agreed in the first quarter of 2006.

Based on prevailing market conditions, we expect our fuel costs for 2009, excluding the cost of purchasing CO_2 emissions allowances, to be at a similar level to those for the current year.

We will provide the next update on the Group's positions under contract in our 2008 Preliminary Results Statement which is expected to be issued on 3 March 2009.

Closing Cash Position Guidance and Distributions

In the absence of unforeseen circumstances, we expect that the closing cash position as at 31 December 2008 will be in the range £125m to £130m.

In accordance with our distribution policy for 2008 and 2009, as communicated on 23 October, we expect to distribute all excess cash from operations to shareholders.

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