

16 December 2009

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

Symbol:DRX

Trading Update

Prior to entering its close period on 4 January 2010, Drax announces the following trading update.

Trading Performance and Distributions

Although the UK market has experienced historically low near-term dark green spreads during the year, our earnings have been enhanced by both a strong forward contracted position and our ability to capture value from Drax Power Station's strategic position in the UK generation fleet.

In particular, we are taking advantage of the plant's flexibility and reliability to improve profitability in such market conditions. These features of the plant enable us to participate more actively in the real-time electricity trading market and also buy back power in the market to meet forward contracted positions, when prices fall below our marginal cost of production. The real-time market is managed on a daily basis by National Grid through the balancing mechanism.

As a result, we now anticipate that full year EBITDA for 2009 will be modestly ahead of current market consensus.

After adjusting for movements in working capital, we further anticipate that total distributions for 2009 will be in line with current market consensus of £50m.

For 2010, we are very strongly hedged at higher average margins than for 2009, which substantially underpins next year's cash and earnings. We also have a strong forward contracted position for 2011, reducing our exposure to the weaker forward spreads currently being seen for that period.

Positions under Contract for 2009, 2010 and 2011

As at 11 December 2009, the positions under contract for 2009, 2010 and 2011 were as follows:

	2009	2010	2011
Power sales (TWh) comprising:	22.5	22.2	14.7
– Fixed price power sales (TWh) at an average achieved	22.5	16.4	6.8
Price (per MWh) (1)	at £51.8	at £53.1	at £59.2
– Fixed margin power sales (TWh) (2)	0.0	5.8	7.9
CO ₂ emissions allowances hedged including UK NAP allocation, market purchases, structured contracts, and benefit of biomass co-firing (TWh equivalent)	22.2	22.5	20.3
Solid fuel at fixed price/hedged including structured contracts (TWh equivalent)	22.3	20.6	13.5

Notes

1. Fixed price power sales include approximately 5.3TWh supplied to Centrica in the period 1 January 2009 to 11 December 2009 under the five-and-a-quarter year baseload contract with Centrica which commenced on 1 October 2007.
2. Fixed margin power sales consist of 5.8TWh in 2010 and 7.9TWh in 2011 in connection with the above contract and the five year 300MW baseload contract commencing 1 October 2010 with Centrica, announced on 5 November 2009. Under these contracts the Group will supply power on terms which include Centrica paying for coal, based on international coal prices, and delivering matching CO₂ emissions allowances amounting in aggregate to approximately 5.4 million tonnes in 2010 and approximately 7.2 million tonnes in 2011. 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 23 February 2010 when we announce our Preliminary Results for the year ending 31 December 2009.

Co-Firing Update

We have commenced commissioning for the £80m 400MW co-firing facility at Drax in line with the proposed construction schedule. The facility is due to be fully operational by end-June 2010 and will increase Drax's total co-firing capacity to 500MW.

Haven Power and Dedicated Biomass

We are pleased to announce that, following an encouraging feasibility study, we have started to sell power to large industrial and commercial customers, through our retail supply business, Haven Power. We believe that this can provide a substantial route to market for our generation capacity over time.

With respect to our dedicated biomass business, we have submitted a section 36 application for the Immingham site and have received consent from both the district and county councils for our section 36 application at the Drax site. We have also commenced the pre-qualification process for selection of the engineering, procurement and construction contractors for the first plant.

Dorothy Thompson, Chief Executive of Drax said:

“This is a good performance in what remains a challenging market environment. I am also particularly pleased with our contracted position for 2010 which underpins strong earnings and cash generation for next year.

Beyond 2010, forward markets are currently weak, although our contracted position for 2011 provides us with a reasonable foundation for that year. Nevertheless, we will retain a strong focus on cost, cash and risk management to ensure we navigate successfully these potentially difficult conditions, whilst at the same time being in a position to maximise opportunities when markets recover”.

Conference Call

Management will host a conference call for analysts and investors at 9:00am (UK Time) today. After the call a recording will be made available. Access details for both are set out below.

Event Title:	Drax Group plc: Trading Update
Event Date:	Wednesday 16 December 2009
Event Time:	9:00am (UK time)
Event Link Registration	https://eventreg1.conferencing.com/webportal3/reg.html?Acc=369581&Conf=169667
UK Instant Replay	
Start Date:	Wednesday 16 December 2009
Delete Date:	Friday 15 January 2010
Dial In Number:	0800 358 1860
Passcode:	852322
US Instant Replay	
Start Date:	Wednesday 16 December 2009
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Dial In Number:	1 888 365 0240
Passcode:	852322

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