

**29 June 2007**

**Drax Group plc**

**Trading Update**

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

**Contracted Position for 2007, 2008 and 2009**

Since issuing the 2006 Preliminary Results announcement on 8 March 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 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 25 June 2007 the contracted position for 2007, 2008 and 2009 was as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Power Sales – TWh	21.4	15.4	10.0
comprising:			
– Fixed price TWh at an average achieved price per MWh	20.1 at £46.4	10.1 at £46.5	4.7 at £38.9
– Fixed margin TWh (note)	1.3	5.3	5.3
CO <sub>2</sub> emissions allowances hedged (including UK NAP allocation, market purchases and structured contracts) - TWh equivalent	22.5	16.9	17.3
Solid fuel at fixed price / hedged (including structured contracts) – TWh equivalent	23.1	15.9	13.0

The contracted position for CO<sub>2</sub> emissions allowances includes the annual allocation made under the EU Emissions Trading Scheme, market purchases and allowances due to be delivered under the terms of the Centrica contract (note). 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 the terms of which effectively remove the risk from Drax of price movements in respect of that coal.

Drax will provide the next update on its contracted position in its 2007 Interim Results Statement expected to be issued on 6 September 2007.

**Distributions to Shareholders**

The Board has previously stated that the Group will pay a stable amount (£50m) 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 expects to declare an interim ordinary dividend and a special distribution in respect of the six months ending 30 June 2007 with the 2007 Interim Results. The Board continues to keep under review the most appropriate method for making special distributions. 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 interim ordinary dividend of approximately £17m. Drax expects that the closing cash position as at 30 June 2007 will be in the range £160m to £165m. Working capital and capital expenditure needs will be impacted by the planned outages on two of the Drax generating units and the capital expenditure programme. Payments relating to each of these are weighted towards the second half of this financial year.

Note:

Fixed margin power sales include approximately 1.3TWh in 2007 and 5.3TWh in each of 2008 and 2009 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<sub>2</sub> emissions allowances amounting to approximately 4.7 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.

Enquiries:

Chief Executive: Dorothy Thompson  
Finance Director: Gordon Boyd  
+44 (0) 1757 618 381

Drax Investor Relations: Andrew Jones  
+44 (0) 1757 612 938

Media:

Drax External Relations: Melanie Wedgbury  
+44 (0) 1757 612 438

Tulchan Communications  
David Trenchard and Peter Hewer  
+44 (0) 20 7353 4200

Website: [www.draxgroup.plc.uk](http://www.draxgroup.plc.uk)