

DRAX GROUP PLC
(Symbol: DRX)

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009
- PART ONE -

Drax Group plc (“Drax” or the “Company”) announces its preliminary results for the year ended 31 December 2009 and reports on key developments.

| Year ended 31 December | 2009 | 2008 |
|---|-------------|-------------|
| <u>Key business performance measures</u> | | |
| EBITDA ⁽¹⁾ (£ million) | 355 | 454 |
| Underlying earnings per share ⁽²⁾ (pence) | 58 | 86 |
| <u>Statutory accounting measures</u> | | |
| Profit before tax (£ million) | 158 | 443 |
| Reported earnings per share (pence) | 31 | 98 |
| Proposed final dividend ⁽³⁾ (pence per share) | 9.6 | 38.3 |

Highlights

- Operational excellence helping to deliver profits ahead of market expectations
- Near-term value underpinned by strong hedge at higher average margins than for 2009
- Improved efficiency and delivering on carbon reduction capability
- Business well-positioned for the future

2009 Review

Financial

- EBITDA for 2009 of £355 million (2008: £454 million), reflecting a decrease in margins in weak commodity markets
 - 2009 EBITDA includes the benefit of £31 million arising on the close out of foreign exchange derivative contracts
- Accelerated sales position for 2010, 2011 and 2012 at higher average margins than for 2009
 - Virtually fully hedged for 2010 with opportunities to enhance value through flexibility
- £14 million reduction in underlying cost base, comfortably exceeding target
 - Continued focus on strong, active cost, capital and cash management in 2010
- Capital structure robust, following £106 million equity placing and £235 million debt refinancing in Summer 2009
- Total cash returns to shareholders in respect of 2009 of £50 million (2008: £180 million). As previously announced, revised dividend policy to target 50% pay-out of underlying earnings effective from 2010 onwards

Operations

- Excellent safety performance and plant reliability
- Continuing to maximise value from the reliability, flexibility and optionality of the plant
 - 400MW co-firing facility now in commissioning phase and on schedule to be operational by mid-2010
 - Just over halfway through turbine upgrade project

Strategic

- Haven Power Limited (“Haven”) supply business fully integrated with strong potential for further growth
 - Targeting phased development to build industrial and commercial customer base
- Dedicated biomass business progressing well
 - Remain on schedule to prove investment case on first plant by end 2010

Dorothy Thompson, Chief Executive of Drax, said:

“We delivered an excellent performance across the business in 2009 in the face of historically weak commodity prices. This enabled us to deliver earnings for the year ahead of market expectations. Weak commodity prices for coal generators persist and we are therefore particularly pleased with our decision to accelerate our hedged position for 2010, with Drax now virtually fully hedged at higher average margins than for 2009. This underpins strong earnings and cash generation in the current year.

“We have now fully integrated Haven, which has already made a good contribution to our business and offers a potential growth opportunity in the future, with the development of the industrial and commercial customer base.

“Finally, our biomass plans continue apace. We will have the capability to deliver 500MW of biomass co-firing at Drax by mid year and our new build plans for dedicated biomass plants are proceeding well. We remain positive that regulatory arrangements will be put in place to support the growth of this form of renewable power.”

Notes:

(1) EBITDA is profit before interest, tax, depreciation, amortisation and loss on disposal of fixed assets and unrealised (losses)/gains on derivative contracts. 2009 EBITDA includes £31million profit on the close out of foreign exchange derivative contracts.

(2) Underlying earnings per share excludes unrealised losses on derivative contracts totalling £130 million (2008: unrealised gains of £56 million) and the associated tax (credit)/charge.

(3) Based on the number of shares in issue as at 31 December 2009 and 31 December 2008 respectively.

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## **Forward Looking Statements**

This announcement may contain certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of Drax Group plc (“Drax”) and its subsidiaries (the “Group”) are not warranted or guaranteed. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. Although Drax believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors, many of which are beyond the control of the Group, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, factors such as: future revenues being lower than expected; increasing competitive pressures in the industry; and/or general economic conditions or conditions affecting the

relevant industry, both domestically and internationally, being less favourable than expected. We do not intend to publicly update or revise these projections or other forward-looking statements to reflect events or circumstances after the date hereof, and we do not assume any responsibility for doing so.

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Management Presentation and Conference Call

Management will host a presentation for analysts and investors at 9:00am (UK Time) today, Tuesday 23 February 2010, at the City Presentation Centre, 4 Chiswell Street, Finsbury Square, London, EC1Y 4UP.

The meeting can also be accessed remotely via a conference call or alternatively via a live webcast, as detailed below. After the meeting, a video webcast and recordings of the call will be made available and access details for these recordings are also set out below.

A copy of the presentation will be made available from 7:00am (UK time) today, Tuesday 23 February for download at www.draxgroup.plc.uk >> investors>>results and reports>>IR presentations>>2009 or use the link

http://www.draxgroup.plc.uk/investor/results_and_reports/presentations/

| | |
|------------------------------|---|
| Event Title: | Drax Group plc: Full Year Results |
| Event Date: | Tuesday 23 February 2010 |
| Event Time | 9am (UK time) |
| UK Call In Number | 020 7162 0025 |
| International Call In Number | + 44 (0)20 7162 0025 |
| US Call In Number: | + 1 334 323 6201 |
| Webcast details | Live Event Link: http://wcc.webeventservices.com/view/wl/r.htm?e=191309&s=1&k=8E35F3FF7F7C13E710924A6E4FD3D663&cb=blank |
| UK Instant Replay | |
| Start Date: | Tuesday 23 February 2010 |
| Delete Date: | Thursday 25 March 2010 |
| Dial In Number | 020 7031 4064 |
| Passcode: | 856977 |
| US Instant Replay | |
| Start Date | Tuesday 23 February 2010 |
| Delete Date: | Thursday 25 March 2010 |
| Dial In Number: | 1-954-334-0342 |
| Passcode: | 856977 |
| Video Webcast | |
| Start Date: | Tuesday 23 February 2010 |
| Delete Date: | Thursday 25 March 2010 |
| Archive Link: | http://wcc.webeventservices.com/view/wl/r.htm?e=191309&s=1&k=8E35F3FF7F7C13E710924A6E4FD3D663&cb=blank |

For further information please contact:

| | On the day | Thereafter |
|--|---------------------|---------------------|
| Drax Group plc Dorothy Thompson, Chief Executive Tony Quinlan, Finance Director | +44 (0)20 7404 5959 | +44 (0) 1757 618381 |
| Andrew Koss, Investor Relations | +44 (0)20 7404 5959 | +44 (0) 1757 612333 |
| Melanie Wedgbury, Media Contact | +44 (0)20 7404 5959 | +44 (0) 1757 612438 |
| Brunswick Michael Harrison and Nick Claydon | +44 (0)20 7404 5959 | |
| Website: www.draxgroup.plc.uk | | |

- PART TWO TO FOLLOW -