

This document is important and requires your immediate attention. If you have any doubts about what action you need to take, you should immediately contact your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000.

If you have sold or transferred all of your holding of ordinary shares in Drax Group plc you should pass this booklet and the accompanying documents to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.



Chairman's letter & Notice of Annual General Meeting

To Drax Group plc ordinary shareholders

Dear Shareholder

Annual General Meeting ("AGM")

I am pleased to enclose the Notice of the inaugural AGM of Drax Group plc (the "Company") and a copy of the Company's Annual Report and Accounts 2005. The AGM will be held at 11.00 am on Friday 12 May 2006 at The City Presentation Centre, 4 Chiswell Street, London EC1Y 4UP.

The Notice of Meeting is set out on pages 2 and 3 of this document, with the explanatory notes to the resolutions set out on pages 4 and 5. There will be an opportunity for shareholders to ask questions appropriate to the business of the AGM, at the meeting.

Election of Directors

I would like to take this opportunity to make particular reference to resolutions 3 to 10 which relate to the election of the directors.

Because this is the first year of incorporation of the Company, all of the directors of the Company stand for election by shareholders at the forthcoming AGM. There are no directors retiring by rotation as defined in the Company's Articles of Association. The biographical details of the directors are set out on page 24 of the Annual Report & Accounts.

The Board considers that Tim Barker, Charles Berry, Jamie Dundas and Mike Grasby are independent of management and free from any relationships or circumstances that could affect, or appear to affect, the exercise of their independent judgement.

As foreshadowed in the Listing Particulars issued on 28 October 2005, I relinquished my executive position and became the non-executive Chairman on 7 March 2006. However, because I have held an executive position within the Company, I cannot be considered wholly independent within the meaning of the Combined Code on Corporate Governance.

Voting arrangements

Voting on each of the resolutions to be put to the AGM will be by poll, rather than a show of hands, so that all shares voted are included, whether or not the shareholder is able to attend the meeting. The Board believes this to be the most democratic procedure for voting on resolutions. The results of the polls will be announced to the London Stock Exchange as soon as practicable following the meeting and will also be published on the Company's website www.draxgroup.plc.uk.

The Company has included on the Form of Proxy an "Abstain" option in order for shareholders to abstain on any particular resolution. However, an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "For" or "Against" the relevant resolution.

Recommendation

Your Board considers each of the proposed resolutions to be in the best interests of the Company and its shareholders as a whole. Accordingly, the directors unanimously recommend that you vote in favour of the resolutions; as they intend to do in respect of their own beneficial shareholdings.

Yours sincerely

A handwritten signature in black ink, appearing to read "Gordon Horsfield".

Gordon Horsfield

Chairman

7 April 2006

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Drax Group plc (the "Company") will be held **at 11.00 am on 12 May 2006 at The City Presentation Centre, 4 Chiswell Street, London EC1Y 4UP** for the following purposes:

Ordinary business

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. To receive and adopt the Company's Report and Accounts for the year ended 31 December 2005.
2. To approve the Directors' Remuneration Report contained within the Report and Accounts for the year ended 31 December 2005.
3. To elect Tim Barker as a director of the Company.
4. To elect Charles Berry as a director of the Company.
5. To elect Gordon Boyd as a director of the Company.
6. To elect Jamie Dundas as a director of the Company.
7. To elect Peter Emery as a director of the Company.
8. To elect Mike Grasby as a director of the Company.
9. To elect Gordon Horsfield as a director of the Company.
10. To elect Dorothy Thompson as a director of the Company.
11. To reappoint Deloitte & Touche LLP as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting.
12. To authorise the directors to determine the auditors' remuneration.

Special Business

To consider and, if thought fit, pass resolutions 13, 14 and 15 as ordinary resolutions and resolutions 16 and 17 as special resolutions:

13. That the directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act"), and in substitution for any existing power to allot relevant securities, to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £13,564,255 for a period expiring 15 months after the passing of this resolution or if earlier, on the date of the Annual General Meeting of the Company in 2007, but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the directors may allot relevant securities in pursuance of such offers or arrangements.
14. That the Company be authorised to make donations to EU political organisations and to incur EU political expenditure in an aggregate amount not exceeding £100,000 in each successive period of 12 months beginning on the date of this resolution and ending on the date falling 48 months after the passing of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2010 unless previously renewed, varied or revoked by the Company in general meeting.
15. That Drax Power Limited, being a wholly-owned subsidiary of the Company be authorised to make donations to EU political organisations and to incur EU political expenditure in an aggregate amount not exceeding £100,000 in each successive period of 12 months beginning on the date of this resolution and ending on the date falling 48 months after the passing of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2010 unless previously renewed, varied or revoked by the Company in general meeting.

For the purposes of resolutions 14 and 15, the expressions "donations", "EU political organisations" and "EU political expenditure" have the meanings set out in Part XA of the Companies Act 1985 (as amended by the Political Parties, Election and Referendums Act 2000).

Notice of Annual General Meeting continued

16. That the directors be and they are hereby empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority given by Resolution 13, and to transfer equity securities (within the meaning of section 94 of the Act) which are held by the Company in treasury, as if section 89(1) of the Act did not apply to any such allotments or transfers, provided that this power shall be limited to the allotment or transfer of equity securities:
- (a) in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the directors, to holders of ordinary shares and such other equity securities of the Company as the directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory); and
 - (b) (otherwise than pursuant to sub paragraph (a) above) up to an aggregate nominal amount of £2,034,638, and, unless renewed, the authority hereby conferred shall expire 15 months after the passing of this resolution or if earlier, at the conclusion of the next Annual General Meeting of the Company, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities in pursuance of such offers or agreements.
17. That the Company be generally and unconditionally authorised pursuant to section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 10p each in the capital of the Company ("ordinary shares") provided that:
- (a) the maximum aggregate number of ordinary shares authorised to be purchased is 40,692,766 (representing 10% of the issued ordinary share capital);
 - (b) the minimum price (exclusive of expenses) which may be paid for an ordinary share is 10p (exclusive of expenses);
 - (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle-market quotations of an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased;
 - (d) this authority shall expire 15 months after the date of the passing of this resolution, or if earlier, at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this resolution, unless previously revoked, varied or renewed by the Company in general meeting; and
 - (e) the Company may at any time prior to the expiry of such authority make a contract or contracts to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By order of the Board



P J Rothwell

Company Secretary

Drax Power Station, PO Box 3, Selby, North Yorkshire YO8 8PQ

7 April 2006

Explanatory notes to the Notice of Meeting

Resolution 1 – To receive the Company's Report and Accounts

The directors are required to present to the meeting the audited accounts and the directors' and auditors' reports for the financial year ended 31 December 2005. This is a standard form of resolution, common to AGMs.

Resolution 2 – To approve the Directors' Remuneration Report

In accordance with section 241A of the Companies Act 1985, shareholders are required to approve the Directors' Remuneration Report. The Directors' Remuneration Report for the financial year ended 31 December 2005 is set out on pages 34 to 41 of the Annual Report and Accounts 2005.

Resolutions 3 to 10 – To elect the directors

The Company's articles of association permit any director appointed by the Board since the date of the last AGM to hold office only until the date of the next AGM following their appointment. The director is then eligible for election by shareholders. As the Company has not previously held an AGM and all directors have been appointed by the Board, then all directors stand for election by shareholders.

Each of the directors, whose biographical details are set out on page 24 of the Annual Report & Accounts, are proposed for election through the separate resolutions numbered 3 to 10.

Resolutions 11 & 12 – Reappointment of auditors and determination of their remuneration

The Company must appoint or reappoint auditors at every general meeting at which accounts are presented and it is normal practice for a company's directors, acting through the audit committee, to be authorised to agree the auditor's remuneration. Deloitte & Touche LLP has advised of its willingness to stand for reappointment as the auditor of the Company.

Resolutions 13 & 16 – To give power to the Board to allot shares and disapply pre-emption rights

Resolution 13, which will be proposed as an ordinary resolution will, if passed, authorise the directors to allot the Company's unissued shares up to a maximum nominal amount of £13,564,255, which represents one-third of the total ordinary share capital in issue as at 7 March 2006 excluding treasury shares. As at 7 March 2006, the Company did not hold any treasury shares in the Company. This authority will expire no later than 15 months after the date of the AGM. Other than in relation to the Company's employee share plans, the directors have no present intention of exercising this authority.

Resolution 16, which will be proposed as a special resolution, seeks authority to issue equity securities of the Company for cash without application of the pre-emption rights provided by section 89 of the Act. Other than in connection with rights or scrip dividend, or other similar issue, the authority contained in this resolution will be limited to an aggregate nominal value of £2,034,638 which represents less than 5% of the issued ordinary share capital of the Company as at 7 March 2005. This authority will expire no later than 15 months after the date of the AGM.

The authority sought and the limits set by this resolution will also disapply the application of section 89 of the Act from a sale of treasury shares to the extent also specified in this resolution. In accordance with the guidelines issued by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds Limited, the Board confirms its intention that no more than 7.5% of the issued share capital will be issued for cash on a non pre-emptive basis during any rolling three year period. The directors have no present intention of exercising this authority.

Resolutions 14 & 15 – To give authority to make certain expenditure in accordance with the Political Parties, Elections and Referendums Act 2000

The Political Parties, Elections and Referendums Act 2000 amended the Act and imposed restrictions on companies making donations to EU political organisations or incurring EU political expenditure (as defined in the Act) without shareholders' consent. It is not the policy of the Company to make donations to political parties and the directors have no intention of changing that policy. However, as the definitions used in the Act are broad, it is possible that normal business activities, which might not be thought to be political expenditure in the usual sense, could be caught. For example, activities such as communicating with Government and political parties at local, national and European level, expenditure on organisations concerned with policy review, law reform and representation of the business community and making provisions for employees to take time off work to campaign for and hold public office could fall within the definition of EU political expenditure. In view of the broad wording and the Board's wishes to avoid any inadvertent infringement of the Act it is seeking the authority to incur total annual expenditure, for the Company and its subsidiary Drax Power Limited, for such purposes of £100,000 per annum for a period of four years (being the maximum period permitted by the Act) from the date of the Annual General Meeting. This authority will not be used to make political donations as they are normally understood, including contributions towards any general political party expenses or in connection with general election campaigns.

Explanatory notes to the Notice of Meeting continued

Resolution 17 – To authorise the Company to purchase its own shares

Resolution 17, which will be proposed as a special resolution, gives the Company authority to buy back its own ordinary shares in the market as permitted by the Act. The authority limits the number of shares that could be purchased to a maximum of 40,692,766 (representing less than 10% of the issued share capital of the Company as at 7 March 2006 and sets minimum and maximum prices. This authority will expire no later than 15 months after the date of the AGM.

The directors have no present intention of exercising the authority to purchase the Company's ordinary shares other than to satisfy any requirements under the Company's share plans, but will keep the matter under review. Except in the case of satisfying share plans requirements, the authority will be exercised only if the directors believe that to do so would result in an increase in earnings per share and would be in the interests of shareholders generally.

Any purchases of ordinary shares would be by means of on-market purchases through the London Stock Exchange. If any ordinary shares purchased pursuant to this authority are not held by the Company as treasury shares then such shares would immediately be cancelled in which event the number of ordinary shares in issue would be reduced.

Administrative notes

Form of Proxy

A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a shareholder. A Form of Proxy is enclosed and notes for completion can be found on the form and should be read carefully before it is completed.

CREST Proxy Voting (Non-certificated shareholders)

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the relevant Register of Members of the Company as at 6.00 pm on 10 May 2006 (or if the meeting is adjourned, 6.00 pm on the day two days prior to the day fixed for the adjourned meeting) shall be entitled to attend or vote at the AGM in respect of the number of shares registered in their name at that time. Changes to entries on the relevant Register of Members after 6.00 pm on 10 May 2006 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting services provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this Notice of AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting services provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

Meeting arrangements

The doors of The City Presentation Centre, will open at 10.00 am and the AGM will start promptly at 11.00 am

Please bring the Attendance Card which is attached to the Form of Proxy with you if you attend the meeting. It will authenticate your right to attend, speak and vote and will speed up your admission to the meeting.

Documents available for inspection

There will be available for inspection at the Company's registered office during usual business hours and at the place of the AGM from 10.00 am until the close of the meeting:

- (a) copies of the executive directors' service contracts and non-executive directors' appointment letters; and
- (b) the Register of Directors' Interests in the share capital of the Company;

General enquiries

Capita Registrars maintain the Company's share register. They also provide a telephone helpline service (telephone number 0870 162 3100). If you have any queries about voting or about your shareholding, please contact Capita Registrars.