

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 (but not the personalised Form of Proxy or Form of Direction) to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.



Registered Office: Drax Power Station, PO Box 3, Selby, North Yorkshire YO8 8PQ
Registered in England and Wales Number 5562053

This document contains:

Part A	Letter from the Chairman
Part B	Notice of the Annual General Meeting
Part C	Explanatory notes to the Notice of the Annual General Meeting
Part D	Explanation of the Proposed Special Dividend and Share Consolidation
Part E	Explanation of the Distribution Uplift Proposal relating to the Drax Group plc Executive Share Incentive Plan
Part F	Definitions

Notice of the Annual General Meeting of the Company to be held at 11.00am on 26 April 2007 at The City Presentation Centre, 4 Chiswell Street, London EC1Y 4UP is set out on pages 4 and 5 of this document.

For shareholders, a Form of Proxy is enclosed with this document and, if used, should be lodged with the Company's Registrar, Capita Registrars, at the Proxy Processing Centre, Telford Road, Bicester OX26 4LD no later than 11.00am on 24 April 2007.

For Share Incentive Plan ("SIP") participants, a Form of Direction is enclosed with this document and, if used, should be lodged with the Trustee of the SIP, Capita IRG Trustees Limited, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 11.00am on 20 April 2007.

If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST proxy instruction to Capita Registrars (CREST participant ID RA10) so that it is received by no later than 11.00am on 24 April 2007. The return of a completed Form of Proxy or CREST proxy instruction will not prevent you from attending the Annual General Meeting and voting in person if you wish to do so.

Drax Group plc

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Directors

Gordon Horsfield (Chairman)
Dorothy Thompson (Chief Executive)
Tim Barker
Charles Berry
Gordon Boyd
Jamie Dundas
Peter Emery
Mike Grasby

To:**Shareholders and Participants in the Drax Approved Share Incentive Plan**

For Information only to:
Participants in the Drax Approved Savings Related Share Option Plan and
the Drax Executive Share Incentive Plan

Dear Shareholder,

Annual General Meeting ("AGM") and Proposed Special Dividend and Share Consolidation

I am pleased to enclose the Notice of the second AGM of Drax Group plc (the "Company" or "Drax") and a copy of the Company's Annual Report and Accounts 2006. The AGM will be held at 11.00am on Thursday 26 April 2007 at The City Presentation Centre, 4 Chiswell Street, London EC1Y 4UP.

Notice of Meeting

The Notice of Meeting is set out in Part B on pages 4 and 5 of this document. In addition to what is generally considered "routine" AGM business, the necessary resolutions will be proposed to approve a Share Consolidation (which is associated with the Special Dividend approved by the Board), to put in place an authority to enable the Company to make market purchases of New Ordinary Shares, to approve an amendment to the ESIP Rules to allow the Remuneration Committee to uplift existing and future awards to reflect distributions paid by the Company and to amend the Articles of Association of the Company to reflect changes to the law made by the Companies Act 2006.

Explanatory Notes

The explanatory notes to the resolutions are set out in Part C on pages 6 to 8.

Proposed Special Dividend and Share Consolidation

At the last AGM, held on 12 May 2006, I reaffirmed Drax's distribution policy and its intention to distribute 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.

In October 2006, the Board returned £326 million of surplus cash to shareholders by way of a Special Dividend and a related consolidation of Drax's share capital was also implemented.

The Board is now proposing to return a further £121 million of surplus cash in the form of a Special Dividend of 32.9 pence per Existing Ordinary Share. This is in addition to the £34 million proposed to be paid to shareholders by way of the Final Dividend mentioned below. In order to maintain comparability of the Drax share price and earnings and dividend per share before and after the payment of the Special Dividend, and to maintain the position of participants under certain of the Drax Share Plans, the Board is also seeking Shareholder approval to implement a consolidation of Drax's share capital.

Pages 9 to 15 contain detailed information, in shareholder circular format, of all matters relating to the Special Dividend and Share Consolidation.

There will be an opportunity for shareholders to ask questions appropriate to the business of the AGM, at the meeting.

Final Dividend

In addition to the Special Dividend, the Board is proposing the payment of a Final Dividend of 9.1 pence per Existing Ordinary Share. The timetable for the payment of the Final Dividend runs broadly in parallel with that of the Special Dividend.

Details of the record, ex-dividend and payment dates can be found in the Expected timetable of principal events 2007 on page 10 of this document.

Proposed Amendments to the ESIP

The Remuneration Committee of the Board has been advised by independent remuneration consultants, Kepler Associates, that a better alignment will be achieved between participants and shareholders if the number of shares subject to awards granted under the ESIP is uplifted to reflect the value of ordinary dividends declared by the Company during the award period.

Accordingly, the Board is seeking shareholder approval to amend the rules of the ESIP. Part E, on pages 16 and 17 sets out a summary of the proposed amendments.

The proposed uplift in the number of shares will not take account of the Special Dividend or any future Special Dividend which is directly linked to a Share Consolidation which has the effect of automatically adjusting the value of an award for the Special Dividend.

Action to be taken

Ordinary Shareholders

Whether or not you propose to attend the AGM, you are requested to complete and sign the enclosed Form of Proxy in accordance with the instructions printed thereon. Completed Forms of Proxy should be returned to Capita Registrars, at the Proxy Processing Centre, Telford Road, Bicester OX26 4LD as soon as possible and in any event so as to be received by Capita Registrars no later than 11.00 am on 24 April 2007.

If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST proxy instruction to Capita Registrars (CREST participant ID RA10) so that it is received by no later than 11.00 am on 24 April 2007. The return of a completed Form of Proxy or CREST proxy instruction will not prevent you from attending the AGM and voting in person if you wish to do so.

SIP Participants

You are requested to complete and sign the enclosed Form of Direction in order to instruct the Trustee of the SIP how you would like it to vote on your behalf. Completed Forms of Direction should be returned to Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and in any event so as to be received by Capita IRG Trustees Limited no later than 11.00am on 20 April 2007.

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 that the Proposals are in the best interests of the Shareholders as a whole. Your Board has received financial advice from Deutsche Bank and Dresdner Kleinwort in respect of the Special Dividend and Share Consolidation and, in giving that financial advice, Deutsche Bank and Dresdner Kleinwort have placed reliance on the Board's commercial assessments.

Accordingly, the directors unanimously recommend shareholders to vote in favour of the resolutions to be proposed at the AGM as they intend to do in respect of their own beneficial interests of 2,626,705 Existing Ordinary Shares representing 0.71% of the existing issued ordinary share capital of the Company.

Yours sincerely

Gordon Horsfield
Chairman
20 March 2007



Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Drax Group plc (the "Company") will be held at **11.00am on Thursday 26 April 2007 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 2006.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2006 contained within the Report and Accounts.
3. To approve the Final Dividend of 9.1 pence per share
4. To re-elect Mike Grasby as a director of the Company.
5. To re-elect Gordon Horsfield as a director of the Company.
6. To re-appoint 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.
7. To authorise the directors to determine the auditors' remuneration.
8. To approve the proposed amendments to the Executive Share Incentive Plan ("ESIP") as shown in the draft rules of the ESIP produced to the Meeting and initialled by the Chairman of the meeting for the purpose of identification.

Special Business

To consider and, if thought fit, pass resolutions 9, 10, 11 and 12 as ordinary resolutions and resolutions 13, 14 and 15 as special resolutions:

9. Subject to and conditional upon admission of the New Ordinary Shares (as defined below) to the Official List of the United Kingdom Listing Authority and to trading on the London Stock Exchange becoming effective:
 - a. all the ordinary shares of 11 ¹/₂₉ pence each in the capital of the Company which at 4.30pm on 27 April 2007 (or such other time and date as the directors of the Company may determine) are shown in the books of the Company as authorised, whether issued or unissued, shall be sub-divided into New Ordinary Shares of ⁵/₂₉ pence each in the capital of the Company (the "Intermediate Shares");
 - b. immediately thereafter:
 - (i) all Intermediate Shares that are unissued shall be consolidated into New Ordinary Shares of 11 ¹⁶/₂₉ pence each in the capital of the Company (the "Unissued New Ordinary Shares"), provided that, where such consolidation would otherwise result in a fraction of an Unissued New Ordinary Share, that number of Intermediate Shares which would otherwise constitute such fraction shall be cancelled pursuant to section 121(2)(e) of the Companies Act 1985 (the "Act"); and
 - (ii) all Intermediate Shares that are in issue shall be consolidated into New Ordinary Shares of 11 ¹⁶/₂₉ pence each in the capital of the Company (the "New Ordinary Shares"), provided that, where such consolidation results in any member being entitled to a fraction of a New Ordinary Share, such fraction shall, so far as possible, be aggregated with the fractions of a New Ordinary Share to which other members of the Company may be entitled and the directors of the Company be and are hereby authorised to sell (or appoint any other person to sell to any person), on behalf of the relevant members, all the New Ordinary Shares representing such fractions at the best price reasonably obtainable in the market at the time of, or shortly after, the instruction to sell is given, and, subject to Article 45.1.1 of the Company's Articles of Association to distribute the proceeds of sale (net of expenses) in due proportion among the relevant members entitled thereto (save that any fraction of a penny which would otherwise be payable shall be rounded up or down in accordance with the usual practice of the registrar of the Company) and that any director of the Company (or any person appointed by the directors of the Company) shall be and is hereby authorised to execute an instrument of transfer in respect of such shares on behalf of the relevant members and to do all acts and things as the directors consider necessary or expedient to effect the transfer of such shares to, or in accordance with the directions of, any buyer of any such shares.
10. That the directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of 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 £13,569,514 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 2008, 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.

- 11.** 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 beginning on the date of this resolution and ending at the conclusion of the Annual General Meeting of the Company in 2008 unless previously renewed, varied or revoked by the Company in general meeting.
- 12.** 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 beginning on the date of this resolution and ending at the conclusion of the Annual General Meeting of the Company in 2008 unless previously renewed, varied or revoked by the Company in general meeting.

For the purposes of resolutions 11 and 12, the expressions "donations", "EU political organisations" and "EU political expenditure" have the meanings set out in Part XA of the Act (as amended by the Political Parties, Election and Referendums Act 2000).

- 13.** 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 10, 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 £2,035,427, 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.
- 14.** Subject to and conditional on the passing of resolution 9 above and the same becoming effective, the Company be generally and unconditionally authorised in substitution for all such existing authorities to make one or more market purchases (within the meaning of Section 163(3) of the Act) of New Ordinary Shares on such terms and in such manner as the directors of the Company may from time to time determine, provided that:
- a.** the maximum aggregate number of New Ordinary Shares authorised to be purchased is 35,200,000 representing approximately 10% of the issued ordinary share capital;
 - b.** the minimum price (exclusive of expenses) which may be paid for a New Ordinary Share shall be the nominal amount of such New Ordinary Share (exclusive of expenses);
 - c.** the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall not exceed 105% of the average middle market quotations for a New Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days in respect of which such Daily Official List is published immediately preceding the day on which the share is contracted to be 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 make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partially after the expiry of such authority and may make a purchase of its own shares in pursuance of any such contract as if the authority conferred hereby had not expired.
- 15.** That the draft regulations produced to the meeting and signed by the Chairman for the purposes of identification be adopted as the Articles of Association of the Company (in substitution for and to the exclusion of all the existing Articles of Association) with effect from the conclusion of the meeting.

By order of the Board

Peter Rothwell
Company Secretary
Drax Power Station, PO Box 3, Selby, North Yorkshire YO8 8PQ
20 March 2007



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 2006.

Resolution 2 - To approve the Directors' Remuneration Report

In accordance with Section 241A of the Companies Act 1985 (the "Act"), the approval of shareholders is sought in respect of the Directors' Remuneration Report. The Directors' Remuneration Report for the financial year ended 31 December 2006, entitled the Remuneration Committee report, is set out on pages 49 to 58 of the Annual Report and Accounts 2006.

Resolutions 3

To approve the Final Dividend of 9.1 pence per share.

Resolution 4 & 5 - To elect the directors

The Company's Articles of Association require that one-third of directors retire by rotation each year. The directors selected to retire by rotation are Mike Grasby and Gordon Horsfield and both being eligible, offer themselves for re-election. Each of the directors biographical details are set out on pages 36 and 37 of the Annual Report and Accounts.

Resolutions 6 & 7 - Re-appointment of auditors and determination of their remuneration

The Company must appoint or re-appoint 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 re-appointment as the auditor of the Company.

Resolution 8 - Amendments to ESIP Rules

This resolution seeks to amend the rules of the ESIP to provide for the number of shares subject to awards granted under the ESIP to be increased to reflect the value of dividends (excluding the Special Dividend or any future Special Dividend which is directly linked to a Share Consolidation which has the effect of automatically maintaining the value of an award following payment of the Special Dividend) declared by the Company during the award period. Further details are set out in Part E, on pages 16 and 17 of this document. A copy of the draft rules of the ESIP as proposed to be amended and to be produced to the meeting is available from the Company Secretary and on the Company website.

Resolution 9 - Share Consolidation

This resolution to be put to the AGM will effect the Share Consolidation, following which the total number of issued Ordinary Shares will be reduced and the nominal value of the Ordinary Shares will change.

Resolutions 10 & 13 - To give power to the Board to allot shares and disapply pre-emption rights

Resolution 10, 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 £13,569,514, which represents one-third of the total ordinary share capital in issue as at 8 March 2007 excluding treasury shares. As at 8 March 2007, 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 13, 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 £2,035,427 which represents less than 5% of the issued ordinary share capital of the Company as at 8 March 2007. 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 11 & 12 - 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 for the Company and its subsidiary Drax Power Limited, to each incur total annual expenditure for such purposes of £100,000 until the conclusion of the 2008 AGM. 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.

It is the intention that the Company will seek to renew this authority, if appropriate, at each subsequent AGM.

Resolution 14 - To authorise the Company to purchase its own shares

Resolution 14, 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 35,200,000 (representing approximately 10% of the expected new issued share capital following the Share Consolidation taking effect) 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 with a view to their use for the Company's share plans, but will keep the matter under review. Except in relation to share plans, 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.

Resolution 15 - Alterations to the Articles of Association

Certain provisions of the Companies Act 2006 were brought into force on 1 January 2007 and 20 January 2007 and additional provisions will come into effect on 6 April 2007. It is proposed that alterations be made to the Articles of Association to reflect those new provisions. The principal alterations to the Articles of Association, which are proposed to be made by resolution 15 in the Notice of Annual General Meeting, are summarised below:

1. To add a definition for the Companies Act 2006 (Article 2.1).
2. To add a new definition of "Voting Share" to be used to determine the type of share to which the revised Article 80 (Failure to disclose interests in shares) relates, and to amend the Article to reflect the repeal of Sections 212 to 220 of the Companies Act 1985 (which gave the Company the power to investigate the beneficial ownership of its shares) and their replacement with Sections 791 to 810 of the Companies Act 2006. In accordance with Section 792 of the Companies Act 2006, a "Voting Share" is a share of the Company which carries the right to vote at general meetings and includes shares held in treasury (Article 2.1).
3. To add references to the Companies Act 2006 where required to reflect the changes in law brought into force by the Companies Act 2006 and replace existing references to the Companies Act 1985 (as amended) where these have been repealed and, where appropriate, replaced with new Sections in the Companies Act 2006 (Articles 2.4, 118.1, 132.1.4, 155.1 and 163.1).
4. To reflect the change in the law relating to age discrimination and the repeal of Section 293 of the Companies Act 1985 so that a director of the Company may continue as a director notwithstanding he or she has reached the age of 70, through the deletion of Article 96.

The remainder of the Companies Act 2006 is expected to come into force later this year and/or during 2008. In addition, various regulations that relate to certain of these provisions have yet to be finalised. Consequently it will be necessary for the Company to undertake a further review of its Articles of Association in order to reflect these other provisions. As these further changes to the Articles will be reasonably substantial in number, it is anticipated that the Company will adopt a new set of Articles of Association at its Annual General Meeting in 2008.

Administrative Notes

1. A member of the Company entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. Appointing a proxy will not prevent a member from attending in person and voting at the meeting.

Explanatory notes to the notice of the Annual General Meeting (continued)

2. A Form of Proxy is enclosed. To be effective, the Form of Proxy together with the power of attorney or authority, if any, under which it is signed (or a duly certified copy of any such power or authority) must be lodged with the Company's Registrars not later than 48 hours before the time of the meeting or must be lodged using the CREST proxy voting services – see note 5 below. Return of a completed Form of Proxy will not preclude a member from attending and voting personally at the meeting.
3. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered on the register of members at 6.00pm on the day two days before the date of the meeting (or any adjourned meeting) shall be entitled to attend or vote thereat in respect of the number of shares registered in their name at that time and changes to the register thereafter shall be disregarded in determining rights to attend and vote.
4. If you have sold or transferred all your shares, these documents should be passed to the person through whom the sale or transfer was made for transmission to the purchaser or transferee.
5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the AGM to be held on 26 April 2007 and any adjournment(s) thereof utilising the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service 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 (Capita Registrars CREST participant ID RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. 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 service 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.
6. The issued share capital of the Company with voting rights on 20 March 2007, being the latest practicable date prior to the printing of this document was 368,921,151 ordinary shares of 11 ¹/₂₉ pence each. The Company does not hold any shares in treasury.

Meeting Arrangements

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

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 normal business hours Monday to Friday (public holidays excepted) and at the place of the AGM from 10.00am until the close of the meeting:

- a. this document
- b. copies of the executive directors' service contracts and non-executive directors' appointment letters;
- c. the Register of Directors' Interests in the share capital of the Company;
- d. the ESIP Rules;
- e. the Articles of Association (as amended); and
- f. the written consents referred to in paragraph 8, of Section 2 to Part D on page 15 of this document.

General Enquiries

If you have any queries about voting or about your shareholding you can contact Capita Registrars, who maintain the Company's share register, using their telephone helpline service on 0870 162 3100. Calls will be charged at national rates for all calls from within the United Kingdom. Callers from outside the United Kingdom should call +44 (0)20 8639 2157.

The helpline will be available between 9.00am and 5.00pm Monday to Friday.

Part D

Explanation of the proposed special dividend and share consolidation

THIS PART OF THE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should immediately seek advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000.

Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFin - Federal Financial Supervising Authority) and with respect to UK commodity derivatives business by the Financial Services Authority; regulated by the Financial Services Authority for the conduct of UK business. Deutsche Bank AG is acting for Drax Group plc and no-one else in connection with the Proposals and will not be responsible to anyone other than Drax Group plc for providing the protections afforded to clients of Deutsche Bank nor for providing advice in connection with the Proposals.

Dresdner Kleinwort Limited, which is authorised and regulated by the Financial Services Authority, is acting for Drax Group plc and for no-one else in connection with the contents of this document, and will not be responsible to anyone other than Drax Group plc for providing the protections afforded to customers of Dresdner Kleinwort Limited or for affording advice in relation to the contents of this document or any matters referred to herein.

Application will be made to the UK Listing Authority for the New Ordinary Shares arising from the proposed Share Consolidation to be admitted to the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that dealings in the Existing Ordinary Shares will continue until close of business on 27 April 2007 and that Admission of the New Ordinary Shares will become effective and dealings for normal settlement will commence at 8.00am on 30 April 2007.

The New Ordinary Shares have not been marketed and are not available to the public, in whole or in part, in connection with the application for the listing of such shares.

Assuming the resolutions are passed at the Annual General Meeting, no further action will be required in order for shareholders to receive the Special Dividend, a cheque for their fractional entitlement (where applicable) and their New Ordinary Shares.

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Expected timetable of principal events 2007

Latest time for receipt of Forms of Direction from SIP participants to be valid at the AGM	11.00am on 20 April
Latest time for receipt of Forms of Proxy and CREST proxy instructions to be valid at the AGM	11.00am on 24 April
Existing Ordinary Shares marked ex-Final Dividend	25 April
Annual General Meeting	11.00am on 26 April
Last time for dealings in Existing Ordinary Shares	27 April
Record Date for entitlement to the Final Dividend, Special Dividend and for the Share Consolidation. Existing Ordinary Share register closes and Existing Ordinary Shares disabled in CREST	4.30pm on 27 April
Existing Ordinary Shares marked ex-Special Dividend	30 April
Admission of New Ordinary Shares and dealings commence	8.00am on 30 April
New Ordinary Shares credited to CREST accounts	30 April
Despatch of share certificates for New Ordinary Shares and cheques in respect of the sale of fractional entitlements to New Ordinary Shares	15 May
Payment date for the Final Dividend and for the Special Dividend	16 May

Notes:

1. References to time in this document are to UK time.
2. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on a Regulatory Information Service.
3. All events in the above timetable following the AGM are conditional on the passing of resolution 9 at the AGM and on Admission.

Telephone helpline:

If, having read this document, you still have questions on the Proposals, Drax has set up a shareholder helpline on 0870 162 3121 which you can call and which will be charged at national rates for all calls from within the United Kingdom. This helpline will be available between 9.00am and 5.00pm Monday to Friday (excluding public holidays). Callers from outside the United Kingdom should call +44(0)20 8639 2157.

For legal reasons, the shareholder helpline will not be able to provide advice on the merits of the Special Dividend or Share Consideration or to provide legal, financial or personal taxation advice.

Section 1

Overview of the Special Dividend and Share Consolidation

The purpose of this section of the document is to provide further details of the Special Dividend and the Share Consolidation and to explain why the Board considers the Special Dividend and Share Consolidation to be in the best interests of the Company and its Shareholders as a whole.

Special Dividend

The Board intends to return cash it considers surplus to its current and foreseen requirements to Shareholders in the form of a Special Dividend.

There are currently 368,921,151 Existing Ordinary Shares in issue.

The Special Dividend of 32.9 pence per Existing Ordinary Share will be payable to Shareholders who are on the Register at 4.30pm on the Record Date. The Special Dividend equates to an aggregate return of funds to Shareholders of approximately £121 million (based on the number of Existing Ordinary Shares in issue as at 20 March 2007). The Special Dividend is expected to be paid to Shareholders on 16 May 2007.

Share Consolidation

The ratio used for the purposes of the Share Consolidation has been determined by reference to the closing mid-market price per Existing Ordinary Share on 20 March 2007 (being the last practicable day prior to the date of posting of this document) when there were 368,921,151 Existing Ordinary Shares in issue.

As at the close of business on 20 March 2007, the total amount of the Special Dividend was equivalent to just under 4.4% of the market capitalisation of the Company. The effect of the Share Consolidation will be to reduce the number of Ordinary Shares in issue by approximately the same percentage.

The Share Consolidation is intended to maintain comparability of the Company's share price and earnings and dividend per share before and after the payment of the Special Dividend and to maintain the position of participants under certain of the Drax Share Plans.

As all ordinary shareholdings in the Company will be consolidated, shareholders' percentage holdings in the issued share capital of the Company will (save in respect of fractional entitlements) remain unchanged. The New Ordinary Shares will be traded on the London Stock Exchange in the same way as the Existing Ordinary Shares and will have the same rights, including voting and dividend rights, as the Existing Ordinary Shares.

The Share Consolidation will replace every 67 Existing Ordinary Shares with 64 New Ordinary Shares. Fractional entitlements arising from the Share Consolidation will be aggregated and sold in the market on behalf of the relevant Shareholders. The proceeds of sale are expected to be sent to Shareholders on 15 May 2007. The value of any Shareholder's fractional entitlement will not exceed the value of one New Ordinary Share and, in accordance with Article 45.1.1 of the Company's Articles of Association, if the amount due to a holder is less than £3, it shall not be distributed and shall be retained for the benefit of the Company.

For purely illustrative purposes, examples of the effects of the Special Dividend and the Share Consolidation in respect of certain holdings of Existing Ordinary Shares are set out below:

Existing Ordinary Shares	New Ordinary Shares	Special Dividend
100	95	£32.90
250	238	£82.25
500	477	£164.50
1,000	955	£329.00

These examples do not show fractional entitlements, the value of which will depend on the market value of the New Ordinary Shares at the time of sale, as detailed in Section 2 below.

Following the Share Consolidation, the Company's authorised ordinary share capital will comprise 954,746,287 New Ordinary Shares and, assuming 11 further shares are issued (so as to make the number of ordinary shares in issue divisible by 67) between the date of this document and the Share Consolidation becoming effective, the issued ordinary share capital will comprise 352,402,304 New Ordinary Shares.

Further details of the Special Dividend and Share Consolidation are included in Section 2.

Share Plans

Details of the Special Dividend and the Share Consolidation with respect to the Drax Share Plans are set out in paragraph 3 of Section 2.

Taxation

A summary of the taxation consequences of the Special Dividend and the Share Consolidation for certain categories of UK resident Shareholders is set out in paragraph 4 of Section 2. As more particularly set out in that paragraph, the directors have been advised that:

- the tax treatment of UK resident Shareholders who receive the Special Dividend will generally be similar to the tax treatment of such holders receiving any other dividend paid by the Company since 6 April 2006; and
- UK resident Shareholders should not be treated as having made a disposal of their Existing Ordinary Shares for the purposes of UK taxation of chargeable gains as a result of the Share Consolidation.

Shareholders should read paragraph 4 of Section 2 and, if they are in any doubt as to their tax position, should consult their professional advisers.

Share Certificates

New Ordinary Share Certificates will only be issued following Admission. It is therefore important, if you hold certificates in respect of your Existing Ordinary Shares, that you retain them until New Ordinary Share certificates are despatched, which is expected to be on 15 May 2007. When Shareholders receive their share certificates for their holdings of New Ordinary Shares, they should destroy their certificates for the Existing Ordinary Shares, as those certificates will be no longer valid nor hold value.

For shareholders wishing to hold any New Ordinary Shares in Uncertificated Form through the CREST system, the relevant CREST securities accounts are expected to be credited on 30 April 2007.

Shareholders holding New Ordinary Shares in Uncertificated Form through the CREST system will not receive any share certificates.

Section 2

Further details of the Special Dividend and Share Consolidation

1. Share Consolidation

The effect of the Share Consolidation will be that Shareholders on the Register at 4.30pm on the Record Date, which is expected to be 27 April 2007, will, on the implementation of the Share Consolidation, exchange:

67 Existing Ordinary Shares for 64 New Ordinary Shares

and in that proportion for any other number of Existing Ordinary Shares then held. Although each Shareholder will hold fewer Ordinary Shares than before, his or her shareholding as a proportion of the total number of New Ordinary Shares in issue, and therefore his or her ownership of the Company will be the same before and after the Share Consolidation, subject only to minor adjustments to reflect any fractional entitlement. Apart from having a different nominal value, each New Ordinary Share will carry the same rights as set out in the Company's Articles of Association that currently attach to the Existing Ordinary Shares.

To effect the Share Consolidation it may be necessary to issue a small number of additional Existing Ordinary Shares so that the number of the Company's Existing Ordinary Shares is exactly divisible by 67.

Shareholders whose holdings of Existing Ordinary Shares cannot be consolidated into an exact number of New Ordinary Shares will be left with a fractional entitlement. Such shareholders will receive cash in respect of fractional entitlements to New Ordinary Shares following the Share Consolidation. New Ordinary Shares representing such fractional entitlements will be sold in the market on behalf of the relevant shareholders. The value of any shareholder's fractional entitlement will not exceed the value of one New Ordinary Share. Cheques in respect of the net proceeds of sale are expected to be despatched on 15 May 2007. Shareholders who hold only one Existing Ordinary Share will only receive cash. In accordance with Article 45.1.1 of the Company's Articles of Association, if the amount due to a holder is less than £3, it shall not be distributed and shall be retained for the benefit of the Company.

2. Conditions

Payment of the Special Dividend and the Share Consolidation are conditional on resolution 9 set out in the Notice of Annual General Meeting being passed and becoming unconditional and effective. This resolution is conditional on the New Ordinary Shares being admitted to the Official List by the UK Listing Authority and being admitted to trading on the London Stock Exchange.

3. Drax Share Plans

SIP Participants

Participants in the SIP will be entitled to receive the Special Dividend through the Trustee of the plan. As outlined in the Letter from the Chairman, they may also give instructions to the Trustee on how they would like it to vote at the AGM. SIP participants will also be affected by the Share Consolidation in the same way that Shareholders are and therefore should take time to read and understand paragraph 1 above.

Participants in the SAYE Plan

Participants in the SAYE Plan are not entitled to receive the Special Dividend. As the effect of the Share Consolidation will be broadly to preserve the value of the share options granted under the SAYE Plan (subject to normal market fluctuations), no adjustment to the share options is required. Following the Share Consolidation, holders of options under the SAYE Plan will be entitled, on the maturity of options, to receive the same number of New Ordinary Shares as their previous entitlement to Existing Ordinary Shares.

As at 20 March 2007 (being the last practicable date prior to the publication of this document), the total number of outstanding SAYE options to acquire Ordinary Shares was 878,167 which, if the Ordinary Shares were subscribed for, would represent approximately 0.24% of the Company's issued equity share capital as at that date. If the resolutions are passed and become unconditional, and no further options have been exercised or Ordinary Shares repurchased, these options will represent approximately 0.25% of the Company's issued equity share capital immediately after the Share Consolidation.

ESIP

Participants in the ESIP are not entitled to receive the Special Dividend. As the effect of the Share Consolidation will be broadly to preserve the value of the awards made under the ESIP (subject to normal market fluctuations), no adjustment to the awards is required. Following the Share Consolidation, holders of awards under the ESIP will be entitled, on the vesting of the awards, to receive the same number of New Ordinary Shares as their previous entitlement to Existing Ordinary Shares.

Following the Share Consolidation, the directors have determined that the Drax Share Plans will be operated in such a way as to ensure that New Ordinary Shares are not issued to employees under the Drax Share Plans in excess of the maximum permitted number of the Existing Ordinary Shares which may currently be so issued under the rules of the Drax Share Plans.

4. Taxation

The following summary is intended as a general guide only and relates only to the UK taxation treatment of the Special Dividend and the related Share Consolidation. It is based on current UK law and current published HM Revenue & Customs ("HMRC") practice for Shareholders who (except where otherwise indicated) are resident in the UK for tax purposes, who are the beneficial owners of those shares and who hold them as investments. The summary may not apply to certain classes of Shareholders, such as brokers, dealers in securities or persons regarded as having obtained their Existing Ordinary Shares by reason of their employment. Shareholders who are in any doubt about their tax position, or who are subject to tax in any jurisdiction other than the UK, should consult their own appropriate professional advisers.

Special Dividend

There is no UK withholding tax on dividends.

An individual Shareholder should generally be entitled to a tax credit in respect of the Special Dividend which he or she can offset against his or her total income tax liability. The amount of the tax credit is equal to 10% of the aggregate of the dividend and the tax credit (the "gross dividend") (one-ninth of the amount of the net cash dividend). The gross dividend is included in computing the income of such an individual holder for UK tax purposes.

The rate of income tax on dividends is 10% of the gross dividend for taxpayers liable to income tax at rates not exceeding the basic rate. The tax credit will discharge the income tax liability on the Special Dividend of an individual Shareholder who is not liable to income tax at a rate higher than the basic rate. A higher rate taxpayer will be liable to tax on the Special Dividend at the rate of 32.5% of the gross dividend; so after the tax credit has been set against his or her tax liability, he or she will have to account for tax equal to 22.5% of the gross dividend (25% of the net cash dividend received) to the extent that the gross dividend, being treated as the top slice of his or her income, falls above the threshold for higher rate income tax.

UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will generally not be entitled to claim repayment of the tax credit in respect of the Special Dividend.

A UK resident corporate Shareholder will not normally be liable to corporation tax in respect of the Special Dividend. Such a holder will not be able to claim any repayment of tax credits.

The right of Shareholders who are not resident in the UK for tax purposes to reclaim tax credits attaching to the Special Dividend will depend upon the existence and terms of an applicable double tax treaty. In most cases, the amount that can be paid to such Shareholders will be reduced to nil as a result of the terms of the relevant treaty. Shareholders who are not resident in the UK for tax purposes should consult their own tax advisers concerning their tax liabilities on the Special Dividend in the UK and in any other country.

Share Consolidation

It is expected that for the purposes of UK taxation on chargeable gains the Share Consolidation will be treated as follows:

- a. the New Ordinary Shares arising from the Share Consolidation will result from a reorganisation of the share capital of the Company. Accordingly, a Shareholder will not generally be treated as making a disposal of all or part of the Shareholder's holding of Existing Ordinary Shares by reason of the Share Consolidation being implemented, and the New Ordinary Shares which replace a Shareholder's holding of Existing Ordinary Shares ("the new holding") as a result of the Share Consolidation will be treated as the same asset acquired at the same time as the Shareholder's holding of Existing Ordinary Shares was acquired. Subject to sub-paragraph (b) below, the Shareholder's new holding will have the same tax base cost as the Shareholder's Existing Ordinary Shares;
- b. to the extent that a Shareholder receives cash by virtue of a sale on his or her behalf of any New Ordinary Shares to which he or she has a fractional entitlement, the Shareholder will not in practice normally be treated as making a part disposal of the Shareholder's holding of Existing Ordinary Shares, the proceeds instead being deducted from the tax base cost of the Shareholder's new holding; and
- c. on a subsequent disposal of the whole or part of the New Ordinary Shares from within the new holding, a Shareholder may, depending on his or her circumstances, be subject to tax on the amount of any chargeable gain realised.

Section 703 of the Income and Corporation Taxes Act 1988 ("ICTA")

Under the provisions of Section 703 ICTA, the HMRC can, in certain circumstances, counteract tax advantages arising in relation to certain transactions in securities. No clearance has been or will be sought under Section 707 ICTA that the HMRC will not seek to apply those provisions to Shareholders in relation to the Special Dividend. The Company has been advised, however, that these provisions should not affect the taxation of Shareholders who receive the Special Dividend while continuing to hold their Ordinary Shares.

Shareholders considering transactions in respect of their Existing Ordinary Shares are advised to take independent advice on the potential application of Section 703 ICTA in the light of their own particular circumstances.

5. Dealings and Settlement

Application will be made for the New Ordinary Shares to be admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange. Subject to the Share Consolidation becoming effective, it is expected that dealings in the New Ordinary Shares will commence at 8.00am on 30 April 2007.

The Company will apply for the New Ordinary Shares to be admitted to CREST with effect from listing so that general market transactions in New Ordinary Shares may be settled within CREST.

New share certificates in respect of the New Ordinary Shares are expected to be posted at the risk of Shareholders on 15 May 2007 to those Shareholders who hold their shares in Certificated Form. These will replace existing certificates which should then be destroyed. Pending the receipt of new certificates, transfers of New Ordinary Shares held in Certificated Form will be certified against the Register.

Shareholders who hold their entitlement to New Ordinary Shares in Uncertificated Form through CREST will have their CREST accounts adjusted to reflect their entitlement to New Ordinary Shares on 30 April 2007. As from 27 April 2007, each holding of Existing Ordinary Shares credited to any stock account in CREST will be disabled and all Existing Ordinary Shares will be removed from CREST.

6. Record Date

Subject to Admission, Shareholders who are on the Register on the Record Date will receive the Special Dividend and have their holdings consolidated.

Persons who acquire Existing Ordinary Shares but who are not on the Register as at the Record Date should apply to the broker or other intermediary through whom they bought the Existing Ordinary Shares to arrange for delivery to them of the New Ordinary Shares, the Special Dividend and the proceeds of the sale of any fractional entitlement.

7. Overseas Shareholders

Cheques in respect of the Special Dividend, certificates in respect of New Ordinary Shares and, where applicable, cheques in respect of fractional entitlements will be distributed to overseas Shareholders by post in accordance with the timetable set out in this document.

8. Consent

Deutsche Bank AG has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which it appears.

Dresdner Kleinwort Limited has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which it appears.

Explanation of the distribution uplift proposal relating to the Drax Group plc Executive Share Incentive Plan ("ESIP")

Proposal

Following advice from remuneration consultants Kepler Associates ("Kepler"), shareholders are asked to consider a proposal for the uplift of the number of shares subject to existing and future awards granted under the ESIP (the "Awards") to reflect distributions paid by the Company during the relevant award period prior to vesting (the "Distribution Uplift" proposal).

Background

The Association of British Insurer's ("ABI") guidelines relating to share incentive schemes recommend that "where Long-Term Incentive Plan ("LTIP") awards are made over whole shares, a better alignment of interest with shareholders will be achieved if, in respect of those shares that do vest, equivalent value to that which has accrued to shareholders by way of dividends during the period from the date of grant also vests in the hands of LTIP recipients. To the extent that the shares conditionally awarded do not vest then nor should any scrip or cash amounts representing the rolled-up dividends."

Accordingly, Kepler has advised that in line with practice recommended by the ABI, the ESIP is amended to provide that to the extent that Awards vest participants will receive an additional number of shares equivalent to the value of distributions which would have been payable on the vested shares had they been issued and held by the participant over the relevant Award period (i.e. from grant to final vesting).

It is proposed that Distribution Uplift will apply to Awards granted by the Company in 2006 and Awards granted in the future. The Remuneration Committee shall have discretion to decide on the occasion of each distribution whether Distribution Uplift will apply to Awards in existence at the time.

The Distribution Uplift applicable to the 2006 Awards granted on 19 September 2006 will include the Final Dividend and the Interim Dividend paid in October last year but not the Special Dividend of 80 pence paid in October and the Special Dividend expected to be paid on 16 May 2007.

Proposed ESIP Amendments and Impact on Other Terms of the ESIP

Further details of the Distribution Uplift proposal and the required amendments to the ESIP are set out below.

1. Distribution Uplift

The ESIP rules will be amended to provide that the number of shares subject to Awards shall be increased immediately following payment of a distribution if the Remuneration Committee determines this to be appropriate. The additional shares will be subject to all the terms applicable to the Award and in particular the vesting and performance conditions.

Shareholders will recall that for the purpose of calculating the number of shares which vest, the ESIP provides for awards to be made over either:

- a. a "Maximum Number of Shares" whereby the actual number of shares received by the participant is scaled back to the extent that the performance targets are not met; or
- b. a "Base Number of Shares" whereby the actual number of shares received by the participant may be higher or lower than the base number to the extent that performance is above or below the performance target.

The 2006 Awards have been granted over a Maximum Number of Shares which is scaled back to the extent that the performance target (relating to Total Shareholder Return ("TSR") measured against an index of comparator companies) is not achieved.

For the purpose of determining the number of shares which vest and are delivered to the participant as a result of the performance measure, the additional shares resulting from the Distribution Uplift (as calculated below) shall be added to the Base Number of Shares or Maximum Number of Shares (as the case may be).

The number of additional shares by which Awards shall increase as a result of the Distribution Uplift following payment of a distribution shall be calculated using the following formula:

$$\text{Number of additional shares} = \frac{A \times B}{C}$$

Where:

A is the Base Number of Shares or the Maximum Number of Shares (as the case may be)

B is the value of the distribution per Ordinary Share in pence and including any associated tax credit

C is the mid-market closing price of an Ordinary Share in pence on the first dealing day on which the shares are traded without the benefit of the relevant distribution (that is the day on which the Shares are marked ex-dividend).

2. Individual Limit

The ESIP limits the Base Number of Shares subject to Awards granted to an individual in any financial year to 100% of his/her basic salary, save in circumstances the Remuneration Committee considers exceptional when the limit is 200%.

Shares resulting from the Distribution Uplift do not count for the purpose of calculating this individual limit.

3. Dilution Limits

Shares issued to participants as a result of the Distribution Uplift will count against the standard overall 10% dilution limit and the 5% executive ESIP limit.

4. Distributions other than Dividends Paid in the Normal Course

The Remuneration Committee shall have the discretion on each occasion of a distribution to determine whether Distribution Uplift will apply to Awards. It is expected that the Remuneration Committee would consider it appropriate to apply Distribution Uplift to dividends paid in the normal course but not to Special Dividends paid in connection with Share Consolidations (as explained above). Other types of distribution would need to be considered at the relevant time.

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Part F

Definitions

The following definitions apply throughout this document and in the accompanying Form of Proxy, (or in the case of SIP participants, the Form of Direction), unless the context requires otherwise:

"Act" or "Companies Act"	the Companies Act 1985 (as amended)
"Admission"	admission of the New Ordinary Shares to the Official List and to trading on the London Stock Exchange's market for listed securities and "Admission becoming effective" means it becoming effective in accordance with paragraph 7.1 of the Listing Rules and paragraph 2 of the admission and disclosure standards published by the London Stock Exchange
"Annual General Meeting" or "AGM"	the Annual General Meeting of the Company to be held at 11.00am on 26 April 2007 (and any adjournment thereof)
"Board" or "directors"	the directors of Drax
"Certificated" or "in Certificated Form"	not in Uncertificated Form
"Company's Registrars"	Capita Registrars (a trading name of Capita IRG Plc), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
"CREST"	the relevant systems (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in such regulations)
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
"Daily Official List"	The Stock Exchange Daily Official List published by the London Stock Exchange
"Deutsche Bank"	Deutsche Bank AG
"Dresdner Kleinwort"	Dresdner Kleinwort Limited
"Drax" or the "Company"	Drax Group plc
"Drax Share Plans"	the SIP, SAYE Plan and ESIP
"ESIP"	the Drax Executive Share Incentive Plan
"Existing Ordinary Shares"	the existing issued ordinary shares of 11 $\frac{1}{2}$ pence each in the capital of the Company
"Final Dividend"	the final base dividend of 9.1 pence per Existing Ordinary Share
"Form of Direction"	the form enclosed with this document specifically for SIP participants, who may then use it to instruct the Trustee how to vote at the AGM
"Form of Proxy"	the proxy form enclosed with this document for use at the AGM
"Group"	Drax and its subsidiary and associated undertakings
"Listing Rules"	the listing rules of the UK Listing Authority
"London Stock Exchange"	London Stock Exchange plc
"LTIP"	Long-Term Incentive Plan
"New Ordinary Shares"	ordinary shares of 11 $\frac{16}{29}$ pence each in the capital of the Company resulting from the proposed Share Consolidation
"Official List"	the official list of the UK Listing Authority
"Ordinary Shares"	prior to the Share Consolidation, the Existing Ordinary Shares and, thereafter, the New Ordinary Shares
"Proposals"	the Share Consolidation and the declaration of the Special Dividend
"Record Date"	4.30pm on 27 April 2007
"Register"	the register of members of the Company

“Resolutions”	the resolutions set out in the notice convening the AGM
“SAYE Options”	the share options granted under the SAYE Plan
“SAYE Plan”	the Drax Approved Savings Related Share Option Plan
“Share Consolidation”	the proposed consolidation to be effected by consolidating every 67 Existing Ordinary Shares, or 67 authorised but unissued ordinary shares respectively into 64 New Ordinary Shares
“Shareholders”	holders of Existing Ordinary Shares and/or New Ordinary Shares, as the context may require
“SIP”	the Drax Approved Share Incentive Plan
“Special Dividend”	an Interim Dividend described as the Special Dividend of 32.9 pence per Existing Ordinary Share
“TSR”	Total Shareholder Return
“Trustee”	Capita IRG Trustees Limited as trustee of the SIP
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“Uncertificated” or “in Uncertificated Form”	recorded on the Register as being held in uncertificated form in CREST and title to which, recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	The United Kingdom of Great Britain and Northern Ireland

