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June 2006

Dear Shareholder

I am delighted to invite you to the third Annual General Meeting of Northumbrian Water Group plc, which will be held at 12 noon on Thursday 27 July 2006 in the Bishops Suite, Ramside Hall Hotel & Golf Club, Carrville, Durham, DH1 1TD (the Meeting). The business to be covered at the Meeting is set out on pages 1 and 2 of this booklet.

You are welcome to join me and my fellow directors for light refreshments from 11.30 am. Please bring the enclosed admission card with you to speed up your entry to the Meeting.

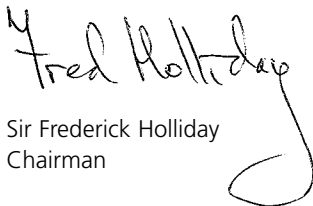
If you are unable to attend but would like to raise a question about the business to be conducted at the Meeting, please do not hesitate to write to me or the Company Secretary at the address above, or send an email to shareholders@nwl.co.uk.

The directors encourage you to exercise your right to vote by completing the enclosed proxy form and sending it to our Registrars to arrive no later than 12 noon on 25 July 2006. The results of the proxy votes on each resolution will be available at the Meeting and on the Company's website shortly after the Meeting. If you return the proxy form you may still attend the Meeting and vote in person, in place of your proxy vote.

I hope the Annual report and financial statements have been of interest to you.

I look forward to meeting those of you who are able to attend the Meeting on 27 July.

Yours sincerely,



Sir Frederick Holliday
Chairman

Notice of Annual General Meeting

Notice is hereby given that the third Annual General Meeting of Northumbrian Water Group plc (the Company) will be held in the Bishops Suite, Ramside Hall Hotel & Golf Club, Carrville, Durham, DH1 1TD on 27 July 2006 at 12 noon for the following purposes:

Ordinary Business

1. To receive and adopt the audited financial statements and the reports of the Directors and the Auditors for the year ended 31 March 2006.
2. To approve the Directors' remuneration report set out on pages 42 to 48 of the Annual report and financial statements for the year ended 31 March 2006.
3. To declare a final dividend of 7.04 pence per ordinary 10 pence share.
4. To appoint as a director Ron Lepin who was appointed to the Board since the last annual general meeting.
5. To re-appoint as a director John Cuthbert who retires by rotation.
6. To re-appoint as a director Chris Green who retires by rotation.
7. To re-appoint Ernst & Young LLP as auditors and to authorise the directors to determine their remuneration.

Special Business

8. To consider and, if thought fit, pass the following as an ordinary resolution:

THAT the Company and its wholly-owned subsidiary Northumbrian Water Limited be and are hereby authorised to make Donations to EU political organisations and to incur EU political expenditure in an aggregate amount not exceeding £20,000 during the period beginning with the date of this resolution and ending at the close of the annual general meeting of the Company to be held in 2007 or on 26 October 2007 (whichever is the sooner). For the purposes of this resolution, the terms "Donations", "EU political organisations" and "EU political expenditure" have the meanings set out in section 347A of the Companies Act 1985.

By Order of the Board

Martin Parker

Company Secretary
6 June 2006

Registered Office:

Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ
Company Number: 4760441

Explanatory notes

Resolution 1 – Financial statements and Directors’ and Auditors’ reports

The directors must present to shareholders at the Meeting the audited financial statements of the Company and the Directors’ and Auditors’ reports for the year ended 31 March 2006. An information desk will be provided at the Meeting to answer any shareholders’ detailed questions relating to these reports and financial statements.

Resolution 2 – Directors’ remuneration report

The Directors’ remuneration report for the year has been prepared in accordance with The Directors’ Remuneration Report Regulations 2002 (the Regulations) and has been approved by the Board. The Directors’ remuneration report is set out on pages 42 to 48 of the Annual report and financial statements for the year. In accordance with the Regulations, shareholders must also be given the opportunity to approve the Directors’ remuneration report. The shareholder vote will be advisory only. The directors ask that the shareholders approve this report.

Resolution 3 – Declaration of final dividend

A final dividend of 7.04 pence per ordinary 10 pence share is recommended by the directors for payment to shareholders who are on the Register of Members at the close of business on 18 August 2006. It is proposed that shareholders declare this dividend by passing this resolution. Final dividends must be declared by shareholders, but must not exceed the amount recommended by the directors. If declared, the date of payment of the final dividend will be 15 September 2006.

Resolution 4 – Appointment of director

In accordance with the Company’s Articles of Association, any director appointed by the Board since the last annual general meeting (AGM) must seek appointment at the next AGM. Ron Lepin was appointed by the Board on 24 October 2005 and is therefore seeking appointment at the Meeting. The Board recommends that Ron Lepin be appointed to the Board because of the experience and expertise that he brings, as evidenced by his biography, and the valuable contribution that he has made and will continue to make to the Board. Information on Ron Lepin can be found on page 3 of this booklet and on page 13 of the Annual report and financial statements.

Resolutions 5 and 6 – Re-appointment of directors

In accordance with the Company’s Articles of Association and good corporate governance, at least one third of the Company’s directors must retire by rotation at each AGM. Two directors are therefore retiring and seeking re-appointment at the Meeting. The Board recommends that John Cuthbert and Chris Green are each re-appointed to the Board because of the experience and expertise that they each bring, as evidenced by their biographies, and the very significant contribution that they each make and will continue to make to the Board. Information on the directors seeking re-appointment at the Meeting can be found on page 3 of this booklet and on page 12 of the Annual report and financial statements.

Resolution 7 – Re-appointment and remuneration of the Auditors

It is a requirement that the auditors of a Company are re-appointed at each general meeting at which accounts are presented. Ernst & Young LLP have expressed their willingness to continue in office for a further year and this resolution proposes their re-appointment and, in accordance with standard practice, authorises the directors to determine the auditors’ remuneration.

Resolution 8 – Political donations and expenditure

It is the Company’s policy that it does not make what are commonly regarded as donations to any political party. The definition of donations in the Political Parties, Elections and Referendums Act 2000 (PPERA 2000) is wide and covers activities which form part of the normal relationship between the Company and political organisations, such as sponsoring receptions and fringe meetings at party conferences and taking tables at dinners, intended to heighten awareness within the political arena of key industry issues and matters affecting the Company. The Company is therefore seeking the authority under this resolution to avoid any technical breach of the PERA 2000. Political expenditure and/or donations up to a total of £25,000 for the Group until the date of the 2006 AGM were approved by the shareholders at the Company’s AGM in 2005. During the year, the Group made political donations, applying the wide definitions from the PERA 2000, totalling £7,715 (£10,995 in the previous year). This resolution will allow the Company and Northumbrian Water Limited to incur total expenditure up to £20,000 in the period ending at the conclusion of the AGM of the Company to be held in 2007 or on 26 October 2007 (whichever is the sooner). No other subsidiary of the Company incurs expenditure of this nature.

Biographies of directors seeking appointment and re-appointment

The Chairman has evaluated the performance of the directors seeking appointment and re-appointment. The Chairman believes that Ron Lepin is fully committed to his role in scrutinising the performance of management, the achievement of goals and the integrity of the company's financial information, controls and risk management systems. Ron brings a wealth of experience from other utility businesses to the Board and has participated fully in discussions on the Company's strategy. The Chairman confirms that both John Cuthbert and Chris Green, as executive directors, have met all of their personal targets, and continue to demonstrate commitment to their roles and to contribute effectively and enthusiastically to the Board.

Ron Lepin

Non-executive Director (40)

Ron was appointed to the Board on 24 October 2005.

He began his career at a Toronto law firm, Torys. In 1997

he joined a privatisation and project finance group at

PricewaterhouseCoopers, where he advised a number of foreign

and domestic governments and companies on privatisations

and project finance transactions. Ron joined Ontario Teachers'

Pension Plan Board in 2002 and, since March 2003, has been

Vice President of their Infrastructure division. Ontario Teachers'

Pension Plan Board holds 25% of the issued share capital of the

Company, and Ron is therefore not an independent director.

John Cuthbert

Managing Director (53)

John Cuthbert joined the water industry in 1991 and was

appointed Managing Director of North East Water plc in 1993.

Following the acquisition of the former Northumbrian Water

Group plc by Lyonnaise des Eaux in 1996, he transferred within

the Group to become Managing Director of Essex & Suffolk

Water plc. John took over as Managing Director of the former

Northumbrian Water Group plc, and also of Northumbrian

Water Limited, in 2001.

Chris Green

Finance Director (51)

Chris Green joined the former Northumbrian Water Group

plc in 1990 and was appointed its Finance Director in 1997.

Chris was appointed as Finance Director of Northumbrian

Water Limited and oversaw the merger of Northumbrian Water

Limited and Essex & Suffolk Water plc in 2000.

General notes

Entitlement to attend and vote

To be entitled to attend and vote at the Meeting (and for the purpose of determining the number of votes cast) shareholders must be entered on the Company's Register of Members not less than 48 hours before the time set for the Meeting. This time limit will also apply for the purpose of determining who is entitled to attend and vote at the Meeting (and for the purpose of determining the number of votes cast) if the Meeting is adjourned from its scheduled time by 48 hours or less. If the Meeting is adjourned for a longer period, shareholders who wish to attend and vote at the adjourned Meeting must be entered on the Company's Register of Members not less than 48 hours before the time set for the adjourned Meeting. Persons who are not shareholders of Northumbrian Water Group plc will not be admitted to the Meeting unless prior arrangements are made with the Company. If you wish to attend the Meeting you should bring with you the admission card, which is attached to the form of proxy.

A shareholder entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a shareholder of the Company. A form of proxy for the Meeting is enclosed with this Notice. To be valid, a form of proxy together with, if applicable, the Power of Attorney or other authority under which it is signed, or a certified copy thereof, must be lodged with or posted to Proxy Department, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU to be received not later than 12 noon on 25 July 2006. If you appoint a proxy other than the Chairman of the Meeting, please ensure that your proxy brings to the Meeting some form of identification. Completion and return of a form of proxy will not prevent a shareholder attending and voting at the Meeting in person should he or she wish to do so.

Documents on display

The following documents are available for inspection at the registered office of the Company during normal business hours on any weekday from the date of this Notice until and including the date of the Meeting and will be available at the Ramside Hall Hotel & Golf Club, Carrville, Durham, DH1 1TD from 11.30 am on the day of the Meeting and during the Meeting:

- Copies of the executive directors' service contracts.
- Copies of the terms and conditions of appointment of the non-executive directors.
- Deed of indemnity dated 28 November 2005.
- Register of the interests of the directors and connected persons.
- A copy of the Memorandum and Articles of Association.
- Terms of reference of the Audit, Nomination and Remuneration Committees of the Board.

Electronic proxy voting

The Company does not propose to use electronic proxy voting for this Meeting. During the year, the Company received only two requests from shareholders who were interested in using this service. As there is a cost in providing such a service, the Company does not feel that the level of interest registered at present justifies that expense. The Company will review this annually and is keen to hear from any other investors who would like to use electronic voting at future general meetings. Shareholders are invited to write to the Company Secretary, Northumbrian Water Group plc, Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ or to contact the Secretariat by telephone on 0191 301 6704, or by email at shareholders@nwl.co.uk.

Employee share plan

An employee whose shares are held by the trustees under the Northumbrian Water Group Share Incentive Plan is not entitled to attend the Meeting in respect of those shares. However, the employee can, in the meantime, instruct the trustees of the plan how to vote on his or her behalf on any resolution set out in the Notice of Annual General Meeting, should the resolution be put to a formal vote by poll. Voting direction forms will be sent to those employees concerned and should be returned to the address on the reverse of that form to be received no later than close of business on 17 July 2006.

Further information and special requirements

If you have any questions about the Meeting, or require any special access or facilities, please contact the Secretariat on 0191 301 6701.

Venue location and directions

The Meeting is being held in the Bishops Suite at the Ramside Hall Hotel & Golf Club, Carrville, Durham, DH1 1TD, which is just two miles from Durham City and 400 yards from Junction 62 on the A1(M). It is approximately two miles from Durham Station, 24 miles from Newcastle International Airport and 26 miles from Durham Tees Valley Airport. There is a location map on the back of the admission card included with this booklet.

Directions are as follows:

From the north or south, take the A1/A1(M) to junction 62 (A690, A691, Sunderland, Durham and Consett). Leave the A1(M) and take the exit from the roundabout for the A690 towards Sunderland. After about 400 yards, pass under a railway bridge and take the filter lane to turn right, almost immediately, into the entrance of the hotel.



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