BRITISH ENERGY GROUP PLC

2006/07 INTERIM RESULTS

FOR THE SIX MONTHS ENDED 1 OCTOBER 2006

OF THE FINANCIAL YEAR ENDING 31 MARCH 2007

Key Points

- British Energy Group plc (British Energy) has delivered an improvement in financial performance for the six months ended 1 October 2006 (the period) compared with the six months ended 2 October 2005 (the comparable period), having benefited from higher achieved electricity prices despite nuclear output being below our expectations.

	Six months ended 1 October 2006	**Six months ended 2 October 2005**
Adjusted EBITDA* (£m)	**481**	**212**
Operating profit before NLF Cash Sweep Payment (£m)	**331**	**103**
Net profit before NLF Cash Sweep Payment (£m)	**189**	**45**

Basic earnings per share	***33.2p***	***8.0p***
*Adjusted earnings per share after taking account of NLF Cash Sweep economic interest at 64.27%***	***14.3p***	***3.5p***

- The results for the period reflect the benefit of higher electricity prices with an operating margin increased to £11.7/MWh for the period from £3.4/MWh in the comparable period.

- Realised price was £35.7/MWh for the period, up £10.7/MWh (43%) from the comparable period.

- The result for the period is stated after an exceptional operating expense of £17m related to employee severance costs. The Company expects the provision for these costs to be utilised over the next 18 months.

- Operating cash inflow was £300m for the period. Net cash increased in the period by £184m to a net positive cash position of £402m including collateral of £222m. Cash and cash equivalents and restricted cash were £1,028m as at 1 October 2006 (£844m as at 31 March 2006).

- Total output for the period was 31.9TWh, down from 33.1TWh for the comparable period.

- Total output for the period was lower than the comparable period due to higher losses from planned outages and reflects nuclear unplanned capability loss factor of 10.9% for the period, largely unchanged from 10.8% for the comparable period.

- Sizewell B, our PWR station, achieved a continuous run of 471 days with no unplanned outages between statutory outages.

- As announced on 16 October 2006, the Company continues to undertake work to resolve boiler issues at Hinkley Point B and Hunterston B which are expected to have a significant impact on output for the financial year. Resources secured to undertake all remaining inspection work. An update on boiler issues is provided in the Operational Review.

- Total output for the period to 12 November 2006 for the financial year 2006/07 was 36.7TWh (nuclear 33.2TWh, coal 3.6TWh) after total nuclear unplanned losses for the period to 12 November 2006 of 10.0TWh (being unplanned losses of 8.5TWh excluding boiler issues; and unplanned losses of 1.5TWh due to boiler issues).

- Dependent on scenarios for work required for the return to service of Hunterston B and Hinkley Point B, nuclear unplanned losses due to boiler issues for the financial year 2006/07 are expected to be in the range (i) assuming units return to service in December 2006, 4TWh (ii) assuming units return to service in December 2006/January 2007, 6TWh or (iii) assuming units return to service at the end of the financial year 2006/07, 9TWh.

- Investment in plant is expected to be toward the higher end of the range £250m to £300m for the financial year ending 31 March 2007. The Company expects to continue to invest at these levels in financial year 2007/08.

- As at 12 November 2006, the Company had fixed price contracts in place for approximately all of its planned output for the financial year 2006/07 at an average contract price of approximately £44/MWh including the impact of 5TWh of capped contracts.

- In addition, as at 12 November 2006, the Company had fixed price contracts in place for more than 35TWh for the financial year 2007/08 at an average price of approximately £46/MWh excluding 5TWh of capped contracts at around £30/MWh.

- As at 12 November 2006, the Company had 62.0TWh of zero/capped collateral trades (up from 51.2TWh at 6 August 2006) that will deliver over the period to April 2011 at fixed prices (excluding power already delivered under these contracts). The Company has extended the weighted average life of its structured contract portfolio from around 16 months as at the beginning of this financial year to around 19 months as at 12 November 2006.

- The Company has increased its committed letter of credit facilities from £150m to £300m to provide further financial flexibility in volatile electricity markets.

- Roy Anderson has stepped down as chief nuclear officer effective today. Reorganisation to appoint three chief nuclear officers from within the Company reporting directly to Bill Coley (chief executive officer).

- The Company has updated its dividend policy to return all surplus capital to shareholders on a prudent basis after taking account of the Company's need to increase financial stability, make appropriate investments, address the pension scheme deficit, meet the collateral requirements of the Company and, over time, allow for its investment in nuclear new build.

- Annual base dividend of £80m p.a., equivalent to 13.6p per share (fully diluted), payable after the AGM expected in July.

- In addition the Board intends to consider a special distribution each year in February following the 3rd Quarter results announcement commencing in 2008. The amount of any special distribution will represent any surplus cash flow eligible and available for distribution at the time.

- In respect of the financial year 2006/07, we anticipate paying our first base dividend after the Company's AGM expected in July 2007 and intend to consider a special distribution payable in February 2008. In the light of current operating difficulties, the amount of any special distribution will take into account recent performance history and any liquidity issues.

The Secretary of State for Trade and Industry stated on 20 July 2006 that the Government is actively considering a sale of part of its stake in British Energy via a capital markets transaction. We expect that the Government will need to take into account current operational issues when considering any potential share sale.

The NLF Cash Sweep percentage was 64.27% as at 1 October 2006, down from 64.63% at 31 March 2006 as a result of the exercise of approximately 0.8 million of the Company's Warrants and the Cash Sweep adjustment of approximately 0.3% due to the NLF Cash Sweep Payment in September 2006.

No accrual for any potential NLF Cash Sweep Payment in respect of the financial year 2006/07 has been made in these interim financial statements in line with the Group's accounting policy. An accrual will be made at 31 March 2007 for any NLF Cash Sweep Payment in respect of the financial year 2006/07.

Bill Coley, Chief Executive of British Energy said:

“Whilst output has been disappointing in the year to date, the first six months of the year 2006/07 have shown an improvement in financial performance compared to the first half last year largely due to higher achieved electricity prices. We remain focused on our strategy to improve the long term reliability and output of our power stations and are encouraged with certain areas of performance improvement. I have shortened the reporting lines by appointing three highly qualified chief nuclear officers from within the Company who will report directly to me.”

	Six months ended 1 October 2006	Six months ended 2 October 2005
Revenue (£m)	1,359	1,008
Operating and energy costs (£m)	(878)	(796)
Adjusted EBITDA * (£m)	**481**	**212**
Depreciation and amortisation (£m)	(103)	(92)
Other operating income (£m)	29	15
Other exceptional operating expenses (£m)	(17)	-
Unrealised net losses on financial instruments and commodity contracts (£m)	(59)	(32)
Operating profit before NLF Cash Sweep Payment (£m)	**331**	**103**
Net profit before NLF Cash Sweep Payment (£m)	**189**	**45**
NLF Cash Sweep Payment ** (£m)	-	-
Net profit for the period attributable to shareholders (£m)	189	45

Realised price (£/MWh)	35.7	25.0
Unit operating cost (£/MWh)	24.0	21.6
Operating margin (£/MWh)	11.7	3.4

Adjusted operating profit (excluding certain items)* (£m)**	**378**	**120**
Adjusted net profit (excluding certain items)* (£m)**	**264**	**73**
Adjusted earnings per share (excluding certain items)* after taking account of NLF Cash Sweep economic interest at 64.27% ** (p)**	**16.5**	**4.5**

Nuclear unplanned capability loss factor (%)	10.9	10.8
Total output (TWh)	31.9	33.1
Nuclear (TWh)	29.0	30.6
Coal (TWh)	2.9	2.5

	As at 1 October 2006	As at 2 October 2005	As at 31 March 2006
Cash and cash equivalent (excluding restricted cash) (£m)	801	290	638
Debt (£m)	(626)	(676)	(626)
Present value of NLF fixed decommissioning payments****	(220)	(227)	(221)
Net cash/(debt) less present value of fixed decommissioning payments (excluding restricted cash) (£m)	(45)	(613)	(209)

Restricted cash (£m)	227	279	206

**Adjusted EBITDA is defined as profit before financing (charges)/credits, taxation, depreciation, amortisation and other charges, unrealised net gains/(losses) on financial instruments and commodity contracts, NLF Cash Sweep Payment, other exceptional operating expenses and other operating income/(costs). The Directors believe that the adjusted measure provides a better indication of underlying business performance.*

***The amount of the NLF Cash Sweep Payment and the net profit attributable to equity shareholders in any given financial year does not necessarily reflect the respective economic interests of the NLF and equity shareholders in the profits of the Group. As described in note 6 to the financial statements, the computation of the annual Cash Sweep Payment is based on cash flows and the retention of appropriate cash (Target Amount) and expenditure (Forecast Expenditure Reserve) reserves.*

The Directors believe that a more appropriate measure of earnings per share can be computed on the basis of Net Profit before the NLF Cash Sweep Payment, adjusted for the impact of the NLF Cash Sweep Payment on taxation, divided by the enlarged number of shares that would have been in issue had the NLF fully converted its interest at 1 October 2006. This would result in an adjusted earnings per share of 14.3p for the six months ended 1 October 2006.

****Results for the six months ended 1 October 2006 have been adjusted to exclude unrealised net gains/(losses) on financial instruments and commodity contracts, NLF Cash Sweep Payment, other operating income/(costs) and other exceptional operating expenses and include where appropriate the corresponding adjustments to taxation and revalorisation thereon.*

*****The Group makes fixed decommissioning payments to the NLF which, though not interest bearing, have some characteristics similar to debt including the benefit of a charge over the Group's nuclear power stations and the right to prepayment in certain circumstances if the Bonds are prepaid.*

Certain defined terms used in these results are contained in the Glossary at the back of this statement.

Management Presentation and Conference Call
Management will host a conference call and webcast for analysts, institutional investors and bondholders at 9:15am (UK time) today, 17 November 2006 and dial in facilities can be accessed by dialling:

UK dial in:	0845 113 0049
International dial in:	+44 (0) 1452 542 303

There will be a replay facility for 5 days:

UK dial in:	0845 245 5205
International dial in:	+44 (0) 1452 550 000
PIN (access) no:	8276316#

Management will host a further conference call at 2.00pm (UK time), 17 November 2006. The conference can be accessed by dialling:

UK dial in:	0845 146 2010
International dial in:	+44 (0) 1452 542 304

There will be a replay facility for 5 days:

UK dial in:	0845 245 5205
International dial in:	+44 (0) 1452 550 000
PIN (access) no:	8278939#

For further information please contact:

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A copy of this release and a copy of the presentation in pdf file format can be found on the Company's website at www.british-energy.com.

CHAIRMAN'S STATEMENT

The first half of the financial year has shown improvement in financial performance compared to the prior half year largely due to higher achieved electricity prices although forward power prices have declined over the period. We have, however, been affected by a number of issues at our power stations that will significantly reduce output over the second half of the financial year. We are working hard to resolve boiler issues at Hinkley Point B and Hunterston B although considerable uncertainty will remain until we have completed further work. We intend to address these issues and provide further guidance as to the framework for life extension decisions at Hinkley Point B and Hunterston B power stations. We will, of course, provide an update as soon as possible.

We remain focused on our strategy to improve reliability and output of our power stations, improve financial stability and seek to extend the lives of our power stations. The issues we face this year are an indication of the challenges presented by the improvement programme, and it is expected to take longer to rectify under-investment in prior years. Improvement in nuclear output will take time.

Despite disappointing output this year, we have made progress on our objectives, which are important in improving the value of our existing assets. We have also provided input into the wider UK energy debate and the policy framework for nuclear new build. The Energy Review Report stated that "the Government believes that nuclear has to play a role in the future UK generating mix because of its contribution to increased diversity of energy supplies and its role as a source of low carbon generation".

The Company aims to position itself for nuclear new build and intends to undertake preliminary work to identify options that create value for shareholders and to build on its position as an existing operator with the benefit of skills, experience and attractive sites for nuclear new build. The Company's role in any nuclear new build programme is subject to certain Government restrictions under the Restructuring agreements.

Eggborough, our coal fired power station, provides important flexibility to our trading division. There is no immediate need to make any decision with respect to Eggborough. We will, however, seek to maintain the capability and flexibility Eggborough provides and we will develop and monitor a range of options either to exercise the Company's pre-emption rights over the Eggborough Option or to build or acquire other generating assets or enter into contracts to provide a similar benefit.

Roy Anderson has decided to step down as chief nuclear officer and member of the board. Roy has led the nuclear generation division in its turnaround programme and has recruited and developed a team of highly qualified and experienced professionals to lead and secure the future of British Energy, and I would like to thank Roy for his contribution to the significant changes we have made over the last two years. Bill Coley will take direct control of nuclear operations as part of the resulting reorganisation and we are implementing certain further organisational changes to improve station performance.

I am pleased to report that the board of directors has updated our dividend policy. We now anticipate our first dividend to be a base dividend for 2006/07 payable after the Company's AGM expected in July 2007 and intend to consider a special dividend to be paid after the third quarter results expected in February 2008. In light of current operating difficulties, the Board expects to pay particular attention to recent performance history and any liquidity issues in determining the amount of any special distribution.

In line with our previous guidance, our policy is intended to return all surplus capital to shareholders after taking into account the Company's need to increase financial stability, make appropriate investments, address the pension scheme deficit, meet the collateral requirements of the Group and, over time, allow for its investment in nuclear new build.

CHIEF EXECUTIVE'S REVIEW

Whilst output has been disappointing in the year to date, the first six months of the financial year 2006/07 have shown an improvement in financial performance compared to the first half last year largely due to higher achieved electricity prices. Operating profit rose to £331m for the period (comparable period: £103m). Adjusted EBITDA rose to £481m compared to £212m for the comparable period, benefiting from a 43% increase in average realised price. Adjusted earnings per share was 14.3p for the period (comparable period: 3.5p).

Boiler issues at Hunterston B and Hinkley Point B will have a significant impact on output for this financial year. Work is being completed at Hunterston B R3 to return the unit to service at around 70% of full capacity. We have secured the resources to undertake all other inspection work. We are in the process of continued inspections and analysis at Hinkley Point B R3 and inspection is underway at Hunterston R4 with Hinkley Point B R4 to follow shortly. We intend to complete the work required to return these 3 units to service at approximately 70% of full capacity and will complete in due course further work to determine the extent to which load can be increased up to 100% of full capacity, taking into account a life time boiler management programme to maximise value.

We remain focused on our strategy to improve the long term reliability and output of our power stations. I have shortened the reporting lines by appointing three highly qualified chief nuclear officers from within the Company to improve station performance.

The three chief nuclear officers will report directly to me together with the chief technical officer and safety and technical director encompassing all functions and activities for station operation, performance improvement and life extension.

Despite a number of specific issues with our plant this year, the team has made progress across a large number of performance areas. Our performance in the year to date includes an excellent operating record for Heysham 2, which operated with only 1% UCLF over the period, and Sizewell B which ran 471 days non-stop between its refuelling outages. The team at Sizewell B completed the station's biggest ever outage, including replacement of the reactor pressure vessel head and upgrade of the refuelling machine, well ahead of the initial plan, with no lost time accidents, no nuclear reportable events and no environmental events and, as is the fine measure of a successful outage, returned to service smoothly and continues to run at full capacity. A great example of what the British Energy team can do.

OPERATIONAL REVIEW

Plant Output and Performance
Total output was 31.9TWh for the period (comparable period: 33.1TWh) of which nuclear output was 29.0TWh (comparable period: 30.6TWh). This was lower than output for the comparable period primarily due to higher losses from statutory outages. Nuclear fleet losses from unplanned and non-routine events totalled 6.3TWh consisting of 0.8TWh loss in respect of statutory outage and refuelling overruns, 0.4TWh planned boiler closure unit inspections and the remainder being primarily equipment related including boiler tube leaks and reactivity constraints affecting a number of plants.

Boiler Issues Update
Hunterston B R3. Boiler inspections have been completed at Hunterston B R3 and the unit is being prepared to return to service at approximately 70% of full capacity by end December 2006. Further repairs are to be completed during a planned outage in the financial year 2007/08.

Hinkley Point B R3. In the process of continued inspection and analysis. Repair work nearing completion to support a return to service at 70% of full capacity expected to be by end December 2006.

Hunterston B R4. Inspections are underway. Subject to any repairs to be undertaken, expect return to service at 70% of full capacity by end January 2007.

Hinkley Point B R4. Inspections to be undertaken in December 2006. Subject to any repairs to be undertaken, expect return to service at 70% of full capacity by end January 2007.

Resources have been secured to undertake all remaining inspection work in order to assess any repair work and provide base line data to assess operating and life time decisions. We will return the units to service at approximately 70% of full capacity. It is prudent to assume this will continue for the period up to the end of March 2008 whilst we develop a long term boiler management programme. The extent to which load can be raised up to 100% of full capacity is subject to analysis of the inter relationship with boiler life, station life and safety cases with the aim of maximising value.

Running at a load of 70% of full capacity of all 4 units would be expected to reduce output by around 5 TWh per annum. In the short term, the boiler management programme will require statutory outages to be undertaken and boiler inspections of these units to be completed every two years (as compared to the current 3 year statutory outage cycle). The Company is due to make a decision whether to extend the accounting lives of Hinkley Point B and Hunterston B by 31 March 2008.

Repair work is currently being undertaken following a significant (non-radioactive) leak in an underground cast iron pipe in the cooling water systems at Hartlepool. Work on the cooling water systems had been scheduled as part of the Company’s cast iron replacement programme. The Company now expects the return to service of both units at Hartlepool in December 2006.

Dungeness B has encountered issues with the operation of its fuel route affecting both units which relate to the original construction of certain components of the fuel assembly. This is expected to result in extended refuelling outages during this financial year to allow work to be undertaken. The Company expects to return these units to normal operation during the course of the next financial year.

Total output for the period to 12 November 2006 for the current financial year ending 31 March 2007 was 36.7TWh (nuclear 33.2TWh, coal 3.6TWh) after total nuclear unplanned losses for the period to 12 November 2006 of 10.0TWh (being unplanned losses of 8.5TWh excluding boiler issues and unplanned losses of 1.5TWh due to boiler issues).

Dependent on scenarios for work required for the return to service of both units at Hunterston B and both units at Hinkley Point B, nuclear unplanned losses due to boiler issues for the financial year 2006/07 (including boiler losses to 12 November 2006) are expected to be in the range (i) assuming units return to service in December 2006, 4TWh, (ii) assuming units return to service in December 2006/January 2007, 6TWh or (iii) assuming units return to service at the end of the financial year 2006/07, 9TWh.

Continuous Improvement
Investment in the period was £138m, up from £102m in the comparable period. Statutory outages have been completed at Torness, Dungeness B, Sizewell B, Hartlepool and Hunterston B and are underway at Hinkley Point B.

Significant plant investment in the period includes the replacement of the reactor pressure vessel head and upgrade of the refuelling machine at Sizewell B, replacement of the data processing system at Dungeness B, cast iron pipework replacement at Hinkley Point B and Hunterston B, and boiler tube inspection and repair at Hinkley Point B and Hunterston B.

Investment in plant is expected to be toward the higher end of the range £250m to £300m (£225m to £275m excluding PIP staff costs) for the financial year ending 31 March 2007. The Company expects to continue to invest at these levels in 2007/08.

Investment in plant projects, major repairs and strategic spares is targeted to sustain and improve operational performance and improve the prospects for life extension.

Investment in plant includes;

- regulatory and essential works (including work required to sustain safety cases),
- maintenance costs associated with maintaining reliability,
- costs incurred in connection with a view to enhancing the prospects of accounting lifetime extensions of nuclear power stations,
- cost incurred following decisions taken to extend the accounting lives of nuclear power stations,
- acquisition of strategic spares, and
- staff costs associated with the performance improvement programme.

The majority of this can be considered to be of a recurring nature.

Safety and Environmental Performance
During the period, six lost time accidents were incurred (comparable period: 10 lost time accidents); there were 12 nuclear reportable events (comparable period: 19 events) and nine environmental events (comparable period: 10 events).

An overriding priority for the Group is to ensure that the industrial, nuclear, radiological and environmental safety of our operations is effectively managed and assured. Our focus on industrial safety is reinforced through regular consultation with employees and safety representatives, and by actively involving contractor partners in all British Energy locations.

We are committed to identifying and embedding best practices throughout the fleet as a means of continually reinforcing our health and safety programme and improving our performance.

TRADING REVIEW

Market Conditions
The forward price for annual baseload electricity commencing in April 2007 fell during the period, from around £55/MWh at the start of April 2006 to around £44/MWh at the end of September 2006, a reduction of around 20%.

Electricity prices were dominated by events in the gas market as confidence increased in the expected delivery of new infrastructure. Winter gas prices fell from 88 pence per therm at the end of March 2006 to 62 pence per therm at the end of September 2006. Winter 2006 power prices reached a high of approximately £72/MWh in April 2006 and then fell back to end the half year at approximately £52/MWh.

The price of Phase 1 carbon allowances fell from approximately €30/tonne towards the end of April 2006 to a low of €9/tonne on 12 May 2006, following announcement by a number of EC member states that they were expecting to report a larger surplus of carbon allowances than previously envisaged. The price subsequently increased to end the half year at approximately €13/tonne.

Winter 2006 coal prices for delivery to European ports traded in the range \$61-\$73/tonne during the half year (comparable period: \$55-\$73/tonne).

Trading Strategy Update
The Company will continue to follow a prudent trading strategy while operating within collateral constraints necessary to protect the business against volatile power prices.

The Company continues to look for ways to reduce its financial exposure to price volatility by minimising collateral requirements and increasing the average life of the fixed price portion of its trading book. The Company aims to do this by increasing the volume of low collateral sales and seeking low and zero-collateral sales in the wholesale market.

In addition, the Company intends to maintain sufficient financial flexibility to extend the fixed price portion of the trading book in the wholesale market while allowing for potentially volatile collateral requirements by maintaining sufficient cash or, as an alternative form of credit support, letter of credit facilities. The Company has increased committed letter of credit facilities to £300m as at 12 November 2006. Cash collateral was £222m as at 1 October 2006, compared to £201m as at 31 March 2006 and reached a peak in financial year 2005/06 of £452m in December 2005. As at 12 November 2006, cash collateral had increased to £268m.

Trading Performance
Realised price for the half year was £35.7/MWh, an increase of 43% compared with a realised price of £25.0/MWh for the comparable period. The increase is mainly due to higher market prices.

Our contracted price position continues to include the impact of a number of fixed and capped price contracts entered into at a time when significantly lower market prices prevailed. The contract portfolio also includes profiled contracts (both wholesale and direct sales) and therefore the contracted price is not directly comparable to a baseload market price.

As at 12 November 2006, we had 62.0TWh of zero/capped collateral trades that require British Energy to deliver electricity over the period to April 2011 at fixed prices (some volume has already been delivered under these contracts and has therefore not been included in this calculation). Certain of these trading arrangements will defer cash receipts by approximately £300m in the period up to 31 March 2008. This cash will be received over the period up to 2011 or sooner to the extent substituted by letters of credit. As at 12 November 2006, we had extended the weighted average life of our structured contract portfolio to 19 months from approximately 16 months as at the beginning of April 2006.

As at 12 November 2006, we had fixed price contracts in place for approximately all of our planned output for the financial year 2006/07 at an average contract price of approximately £44/MWh, including the impact of 5TWh of capped contracts. In addition, we had fixed price contracts in place for more than 35TWh for the financial year 2007/08 at an average price of approximately £46/MWh excluding 5TWh of capped contracts at around £30/MWh. These prices exclude Balancing Services Use of System and other electricity market participation charges expected to be around £1/MWh and market costs incurred through output variation and unreliability expected to be around £1/MWh.

FINANCIAL REVIEW

Summary of Results

The unaudited results for the six months ended 1 October 2006 (the period) and 2 October 2005 (the comparable period) are summarised as follows:

	Six months ended 1 October 2006 £m	Six months ended 2 October 2005 £m
Revenue	**1,359**	1,008
Operating and energy costs	**(878)**	(796)
Adjusted EBITDA (1)	**481**	212
Other operating income	**29**	15
Other exceptional operating expenses	**(17)**	-
Cash Sweep Payment	**-**	-
Depreciation	**(100)**	(90)
Amortisation	**(3)**	(2)
Unrealised net losses on financial instruments and commodity contracts	**(59)**	(32)
Operating profit	**331**	103
Financing (charges)/credits		
Interest payable	**(27)**	(25)
Interest receivable	**23**	12
Other finance income/(expenses)	**2**	(9)
Profit before taxation	**329**	81
Taxation	**(140)**	(36)
Net profit for the period attributable to shareholders	**189**	45

(1) Adjusted EBITDA is defined as profit before financing (charges)/credits, taxation, depreciation, amortisation and other charges, unrealised net gains/(losses) on financial instruments and commodity contracts, Cash Sweep Payment, other exceptional operating expenses and other operating income/(costs)

Revenue and Output

Group revenue consists primarily of wholesale generation sales and sales by our direct supply business, British Energy Direct. The analysis of revenue is as follows:

	Six months ended 1 October 2006 £m	Six months ended 2 October 2005 £m
Revenue		
Wholesale generation sales	**577**	426
Direct supply sales	**561**	401
Revenue from generated electricity	**1,138**	827
Energy supply costs recharged to customers	**192**	164
Energy purchases	**24**	9
Miscellaneous income	**5**	8
Total revenue	**1,359**	1,008

Wholesale generation sales and direct supply sales have increased by £151m and £160m respectively from the comparable period. This is due to higher electricity prices which resulted in a realised price in the period of £35.7/MWh compared to the £25.0/MWh realised price in the comparable period. Realised price is calculated as revenue from generated electricity divided by total output. Our output in the period at 31.9TWh was 4% less than the output achieved in the comparable period.

Output is analysed as follows:

	Six months ended 1 October 2006 TWh	Six months ended 2 October 2005 TWh
Nuclear	**29.0**	30.6
Coal-fired power station - Eggborough	**2.9**	2.5
Total	**31.9**	33.1

Operating and Energy Costs Summary
The Group's operating and energy costs are analysed as follows:

	Six months ended 1 October 2006 £m	Six months ended 2 October 2005 £m
Fuel costs – nuclear	**160**	179
– Eggborough	**54**	69
Total fuel costs	**214**	248
Materials and services	**264**	213
Staff costs	**184**	162
Operating costs of generated electricity	**662**	623
Energy purchases	**24**	9
Energy supply costs	**192**	164
Total operating and energy costs	**878**	796

The operating costs of generated electricity for the period were £662m; the 6% increase from the comparable period is in line with our expectations.

Unit Operating Cost and Operating Margin
Unit operating costs for the period were £24.0/MWh, compared to £21.6/MWh in the comparable period. Unit operating costs are calculated as operating costs of generated electricity plus depreciation and software amortisation, divided by total output. The increase in unit operating costs of £2.4/MWh is due to the decline in output, increased materials and services and staff costs, partially offset by a decrease in fuel costs. For further discussions on each of these refer to the sections below.

Deducting our unit operating cost from our realised price per unit results in an operating margin per unit of £11.7/MWh for the period compared to £3.4/MWh for the comparable period.

Operating and Energy Costs
Fuel Costs
Total fuel costs for the period were £214m compared to £248m in the comparable period.

Nuclear fuel costs for the period were £160m, or £5.5/MWh of nuclear output after taking into account the required accounting treatment of back end final core costs, compared to £179m, or £5.8/MWh of nuclear output, in the comparable period. The decrease of £19m includes the benefit of an increased credit from a back end final core provision movement of £9m; the value of back end final core costs is linked to the amount of fuel that remains unburned in the reactors at the period end rather than being directly linked to the output of the period. Adjusting for this back end final core provision movement results in an underlying unit nuclear fuel cost of £5.7/MWh for the period, which is consistent with the comparable period.

Eggborough fuel costs for the period were £54m, or £18.6/MWh of Eggborough output, compared to £69m, or £27.6/MWh of Eggborough output, for the comparable period. Eggborough fuel costs include the costs of coal, oil, biomass and costs related to carbon allowances. The decrease of £15m from the comparable period is mainly due to a reduction in carbon costs as a result of prices of carbon allowances being lower. This is combined with a downward trend in prices of carbon allowances in the period compared to an upward trend in the comparable period. This was partly offset by increased coal costs linked to higher output from Eggborough. The market price of Phase I carbon allowances has decreased in the period from approximately €27/tonne at 31 March 2006 to approximately €13/tonne at 1 October 2006 (€23/tonne at 2 October 2005). Excluding costs related to carbon allowances, Eggborough fuel costs were £52m, or £18.0/MWh of Eggborough output, compared to £48m, or £19.2/MWh of Eggborough output, in the comparable period.

Materials and Services
Materials and services costs comprise the operating expenses of the power stations and support functions and totalled £264m for the period compared to £213m in the comparable period. The increase of £51m is mainly due to an increase in expenditure related to the investment programme to improve the materiel condition of our plant, which increased from £41m in the comparable period to £66m in the period, supplemented by an increase in the level of maintenance and resource required to support the investment programme, which increased by £23m compared to the comparable period.

Staff Costs
Staff costs were £184m for the period, compared to £162m in the comparable period. The increase of £22m is primarily due to a combination of an increase in staff numbers, annual pay increases and increased overtime costs totalling £12m and the increase in the current service cost of the Group's defined benefit pension schemes of £6m.

Energy Purchases
The Company purchases energy from renewable sources for two reasons, firstly to satisfy its customers' demands for energy to be produced from renewable sources and secondly to obtain Renewable Obligation Certificates (ROCs) to contribute towards satisfying our Renewable Obligation. The cost of electricity is accounted for in electricity purchases, net of the value of ROCs and Levy Exemption Certificates (LECs); the value of the ROCs and LECs are accounted for separately within intangible assets. The volume of energy purchased from renewable resources was higher in the period compared to the comparable period, increasing from 0.2TWh to 0.6TWh and has resulted in the energy purchases increasing from £9m in the comparable period to £24m in this period.

Energy Supply Costs
Energy supply costs primarily comprise the costs to the Group of the Renewable Obligation Scheme, Transmission and Distribution Use of System costs (TNUOS and DUOS) and Balancing Services Use of System costs (BSUOS): all of which are fully recovered within revenue. The increase in energy supply costs from £164m in the comparable period to £192m in this period are primarily due to £14m increased charges from the Grid relating to the TNUOS and BSUOS costs and an increase of £10m in Renewable Obligation costs compared to the comparable period. The increase in the Renewable Obligation costs is due primarily to the progressive annual increase in the percentage of direct supply sales that must be sourced from renewable resources.

Other Operating Income
Other operating income of £29m for the period (comparable period: £15m) relates to the utilisation of the contracts provision, established at the Restructuring Effective Date (RED), which unwinds over the lives of the contracts in place at RED.

Other Exceptional Operating Expenses
Other exceptional operating expenses of £17m for the period (comparable period: £nil) relates to employee severance costs. It is anticipated that the provision for these severance costs will be utilised over the next 18 months.

Cash Sweep Payment
As a consequence of the Restructuring, the Company has an obligation to make payments to the Nuclear Liabilities Fund (NLF) should certain criteria be met. In accordance with the Group's accounting policy, no accrual has been made for any potential future Cash Sweep Payment that may be payable based on the full year results. In accordance with the Government Contribution Agreement, an accrual will be made for the weighted average Cash Sweep percentage payment applied to adjusted net cash flow as at 31 March 2007 to the extent adjusted net cash flow arising from operations during the year is above £290m plus posted collateral (subject to a £200m minimum) at 31 March 2007.

The Cash Sweep percentage was 64.27% as at 1 October 2006, down from 64.63% at 31 March 2006 as a result of the exercise of 793,661 of the Company's Warrants and, in accordance with the terms of the Contribution Agreement, the Cash Sweep percentage was reduced by approximately 0.3% to reflect the fact that the NLF benefited from receiving a Cash Sweep Payment in respect of the year ended 31 March 2006 with no corresponding distribution to shareholders. This reduction in Cash Sweep percentage therefore maintains the respective economic interests of the NLF and shareholders. The Cash Sweep Payment of £105m relating to the year ended 31 March 2006 was made on 11 September 2006.

The Contribution Agreement provides for adjustments to the Cash Sweep percentage on the occurrence of certain events to preserve economic parity between shareholders and the NLF. Currently, on a conversion by the NLF of part or all of its Cash Sweep Payment right, the NLF may be entitled to both a Cash Sweep Payment for the period up to conversion and a dividend in respect of the same period on the shares arising from the conversion. In the event of a conversion by the NLF, the Company will seek to agree with the NLF and the Government an amendment to the Cash Sweep percentage adjustment formula so as to ensure the principle of economic parity is maintained.

Financing (Charges)/Credits
Interest payable was £27m for the period compared to £25m in the comparable period. Interest payable relates primarily to interest on the Group's Bonds, together with finance fees on our structured trading contracts. Due to the annual repayment of the bond principal in March 2006, the interest payable on the Bonds has declined by £2m to £23m; this has been offset by finance fees on certain of our structured trading contracts of £4m which are being charged to the income statement over the lives of the contracts.

Interest receivable was £23m for the period compared to £12m in the comparable period. Interest receivable relates to interest earned on cash deposits and has increased as a result of higher interest bearing cash and cash equivalent balances compared with the comparable period.

Other financing income of £2m for the period comprises a net credit in respect of retirement benefit obligations of £15m (comparable period: £4m) offset by a net revalorisation charge of £13m (comparable period: £13m).

The net credit of £15m (comparable period: £4m) for the period in respect of the retirement benefit obligation comprises a credit of £82m (comparable period: £68m) relating to the expected return on plan assets and a charge of £67m (comparable period: £64m) for the expected unwind of discount interest on the retirement benefit obligation.

The net revalorisation charge of £13m comprises a revalorisation charge of £3m in respect of the contracts provision established at RED (comparable period: £7m) and a £10m charge in respect of the NLF liabilities, relating to fixed decommissioning payments (comparable period: £6m). The increase in revalorisation relating to the NLF liabilities is a result of a larger increase in RPI over the period compared with the comparable period.

In addition, the net revalorisation charge includes a revalorisation charge for nuclear liabilities of £217m (comparable period: £148m), exactly offset by a revalorisation credit for the NLF and nuclear liabilities receivables of £217m (comparable period: £148m). The revalorisation charge and credit have increased compared to the comparable period as a result of a larger rise in RPI in the period compared to the comparable period, as well as revalorisation being calculated on a higher opening balance in the period compared to the comparable period.

Following the Quinquennial Review the estimated values attributed to uncontracted nuclear liabilities and decommissioning costs at RED were increased by £956m to £5,265m, on a discounted basis. The corresponding value of the related NLF receivable balance was also increased by an equal amount. Therefore, there was no economic exposure to the Group from this increase in nuclear decommissioning costs. This has resulted in the revalorisation on these balances being restated for the comparable period.

Unrealised Net Losses on Financial Instruments and Commodity Contracts
Unrealised net losses on financial instruments and commodity contracts arise as a result of a fair value movement in our commodity contracts which fall within the scope of IAS 39 – Financial Instruments: Recognition and Measurement (IAS 39). Of those contracts which fall within IAS 39, certain are accounted for as cash flow hedges, with the movements in fair value being accounted for directly in equity in the hedge reserve. The fair value movements of all other contracts within the scope of IAS 39 are presented in the unrealised net losses on financial instruments and commodity contracts line of the income statement. An analysis of the movements in financial instruments and commodity contracts is as follows:

	Financial instruments and commodity contracts £m
As at 31 March 2006	(28)
Charge to the income statement	(59)
Increase in hedge reserve through the statement of recognised income and expense	47
As at 1 October 2006	**(40)**

The charge to the income statement of £59m in the period (comparable period: £32m) largely relates to the fair value movement in forward contracts to purchase carbon allowances, reflecting the significant fall in prices of carbon allowances in the period. The remaining movement in the income statement and the movement in the hedge reserve represent the delivery of volumes over the period together with the impact of the trend in future market prices of electricity.

Taxation

A tax charge of £140m has been recognised in the income statement for the period; this is comprised entirely of a deferred tax charge. There is no current tax charge for the period as taxable profits are fully sheltered by tax losses brought forward. The tax charge has been computed in accordance with the generally accepted practice which provides that the forecast effective tax rate on the forecast full year profits before tax and IAS 39 adjustments be applied to the actual reported profit before tax and IAS 39 adjustments for the period. The forecast full year effective tax rate on this basis is 40.6% and this has been applied to the period's results. In addition the standard tax rate of 30% is applied to the IAS 39 adjustments in the period. The forecast full year effective tax rate decreased from 58.9%, which was applied in the quarter ended 2 July 2006, as a result of a decrease in the projected Cash Sweep Payment for the year. The forecast full year effective tax rate of 40.6% is higher than the standard tax rate of 30% due to the forecast Cash Sweep Payment, which is treated as an operating cost and accrued only at the year end date, being disallowable for tax purposes.

Tax losses carried forward for the subsidiaries within the Group as at 31 March 2006 were £869m. We anticipate that the tax losses relating to our Generation subsidiary will be fully utilised against this subsidiary's projected taxable profits in this financial year and, therefore, we expect to become liable for corporation tax at 31 March 2007. In anticipation of this liability the Group paid an instalment of corporation tax in October 2006. We anticipate that the remaining tax losses will be utilised.

Net Profit and Earnings Per Share

Net profit for the period attributable to shareholders was £189m for the period compared to £45m for the comparable period.

Basic earnings per share was 33.2p for the period compared to 8.0p for the comparable period, based on net profit for the period, divided by the weighted average number of ordinary shares in issue during the period.

The diluted earnings per share was 32.3p for the period compared to 7.7p for the comparable period. This is based on the net profit for the period divided by the weighted average number of ordinary shares in issue, together with the dilutive weighted average of potential ordinary shares in respect of the Company's Warrants issued to shareholders on Restructuring.

The adjusted earnings per share was 14.3p for the period compared to 3.5p for the comparable period. As described in note 6 to the financial statements, the Cash Sweep Payment and the net profit attributable to shareholders does not necessarily reflect the respective economic interests of the NLF and equity shareholders in the profits of the Group. The calculation in any given year of the annual Cash Sweep Payment is based on cash flows and the retention of appropriate cash (Target Amount) and expenditure (Forecast Expenditure Reserve) reserves.

Therefore, an adjusted earnings per share has been calculated by excluding the impact of the Cash Sweep Payment for the year ending 31 March 2007 on the effective tax rate used to compile the tax charge in this period and adjusting the weighted average share capital by the number of shares that would have been in issue if the NLF had fully converted their interest at the balance sheet date.

Analysis of Cash Flows

Net cash inflow generated from operations was £300m for the period, compared to £150m for the comparable period. After taking into account capital expenditure in relation to property, plant and equipment of £135m (comparable period: £97m), capital expenditure on software of £3m (comparable period: £3m) and proceeds from the exercise of Warrants of £1m (comparable period: £8m), there was an increase in cash of £163m in the period (comparable period: £55m). Cash and cash equivalents have increased from £638m at 31 March 2006 to £801m at 1 October 2006.

Cash and cash equivalents as at 1 October 2006 include £37m to be repaid in respect of balances relating to capped contracts. We expect the total amount repayable under capped contracts to be approximately £110m by 31 March 2007. These amounts are expected to be settled by 31 March 2007.

Investment Programme
As part of a continuing programme of investment in our business we incurred costs of £138m during the period of which £60m was capitalised, being £53m in respect of performance improvement projects, £4m on acquisition of strategic spares and £3m on systems software. This expenditure, apart from the systems software which was capitalised in intangible assets, was capitalised in property, plant and equipment. A further £66m relates to major projects to improve the materiel condition of the plant and was included in our materials and services operating costs; the balance of £12m represents 'PIP staff costs' included in our staff costs. The investment programme will continue to address our plant reliability issues and we expect investment in the current year to be towards the higher end of the range £250m to £300m.

In addition to the £60m in the investment programme that was capitalised, a further £75m of expenditure that was incurred on the statutory outages during the period and £3m on other spares was also capitalised during the period. £135m of this expenditure was capitalised in property, plant and equipment and £3m in intangible assets.

Dividend Policy
In the Restructuring Prospectus, the Board stated its intention to distribute to shareholders as much of the Company's cash flow as prudently possible.

The Board currently intends that the Company will pay £80m per annum as a base dividend, payable as a final dividend as approved at the Company's AGM. It is anticipated that the annual base dividend will be sustainable for the foreseeable future based on the Company's assessment of forecast electricity prices and output.

The amount of the base dividend will increase if the NLF converts its contractual right to the Cash Sweep into shares.

In addition to the base dividend the Board intends to consider the payment each year of a special dividend from available cash in February following the third Quarter results announcement. The Board will seek to return all surplus capital to shareholders as a special dividend after taking into account the Company's need to increase financial stability, make appropriate investments, address the pension scheme deficit, meet the collateral requirements of the Group and, over time, allow for its investment in nuclear new build. It is anticipated that the amount of special dividend will vary from year to year.

The amount of cash the Company is able to pay out as dividends is subject to restrictions under the Contribution Agreement. These require the Company a) to maintain as a cash reserve £490m plus the amount by which cash employed as collateral exceeds £200m (Target Amount) and b) not to pay a dividend unless i) the cash at the financial year end prior to the year in which the dividend is to be paid exceeded the aggregate of, amongst other things, the dividend proposed and the Target Amount and ii) the cash at the financial year end in which the dividend is paid would or would be likely to exceed the aggregate of, amongst other things, the dividend proposed and the Target Amount. The restrictions are also, in effect, replicated in the terms of the Bonds.

The amount the Company is able to lawfully distribute will also depend on the availability of sufficient distributable reserves. The Company's distributable reserves may be adversely impacted as a result of the accounting treatment arising on any conversion by the NLF of its contractual right to the Cash Sweep. For further details refer to the section on distributable reserves set out below.

In respect of the 2006/07 financial year the Board intends that the Company will pay a base dividend of £80m as a final dividend after the Company's AGM expected to be in July 2007. In addition, a special dividend, as agreed by the Board, may be paid after the 2007/08 third Quarter results announcement expected in February 2008.

Distributable Reserves
The payment of dividends by the Company is governed, among other things, by the Companies Act 1985 and the application of UK GAAP, and requires that distributable reserves be available within the listed parent company. Share premium reserves are not distributable to shareholders.

If the NLF were to exercise its right, under the Contribution Agreement, to convert its entitlement to future Cash Sweep Payments into share capital (the conversion) this could have an impact on future dividend policy. The impact could arise because such a conversion would create additional share premium reserves, as well as potentially significantly increasing the carrying value of British Energy Group plc's investments in subsidiaries. The increase in carrying value of the investments in subsidiaries would be equivalent to the fair value of the Cash Sweep Payment obligation extinguished by the conversion, and would be valued for these purposes on the basis of the aggregate market price of the shares issued upon a conversion. The increase in carrying value of the investments would increase the risk that impairment charges arising at a later date may impact upon the Company's distributable reserves position and could restrict the Company's ability to pay dividends to an enlarged shareholder base, post-conversion, in accordance with the dividend policy.

With a view to attempting to minimise the risk of impairment charges adversely affecting the Company's distributable reserves position in the event of a conversion, the Company would expect to take steps to implement a Court approved reduction of share premium reserve in order to enable this reserve to be distributable. And, in the event of such a Court process being unsuccessful the Company would explore other alternatives to mitigate the risk.

Non-adjusting Post Balance Sheet Events
On 16 October 2006, the Company made an announcement in respect of boiler issues. A further update on boiler issues is included in these interim results.

Forward-looking Statements
This document contains certain 'forward-looking' statements, including statements with respect to British Energy's business plans, the performance of its stations, electricity prices and other matters that are not historical facts concerning the business operations, financial condition and results of operations of British Energy. These forward-looking statements typically contain words such as 'intends', 'expects', 'anticipates', 'estimates', 'aim', 'believe', 'assume', 'should', and words of similar import, which are predictions of or indicate future events or future trends. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which are in some cases beyond the control of British Energy and may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements. Due to the uncertainties and risks associated with these forward-looking statements they relate only as to the date hereof.

NON-GAAP FINANCIAL MEASURES

Realised Price
Realised price is calculated by dividing revenue from generated electricity by total output for the period.

Unit Operating Costs
Unit operating costs are calculated by dividing the operating costs of generated electricity plus depreciation and software amortisation by total output for the period. This represents a change from the comparable period, in which the calculation of total operating unit costs included other operating income/(costs). The Directors believe that the revised measure provides a better indication of the underlying financial performance of the Group.

Adjusted EBITDA
Adjusted EBITDA is profit before financing (charges)/credits, taxation, depreciation, amortisation and other charges, unrealised net gains/(losses) on financial instruments and commodity contracts, Cash Sweep Payment, other exceptional operating expenses and other operating income/(costs). The Group has included information concerning adjusted EBITDA because it believes that it is used by certain investors as one measure of the Group's financial performance. Adjusted EBITDA is not a measure of financial performance under IFRS and is not necessarily comparable to similarly titled measures used by other companies. Adjusted EBITDA should not be construed as an alternative to operating profit or to cash flows generated from operations (as determined in accordance with IFRS) as a measure of liquidity.

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 1 OCTOBER 2006 (UNAUDITED)

	Notes	Six months ended 1 October 2006 £m	Six months ended 2 October 2005 £m
Revenue	2	**1,359**	1,008
Operating and energy costs	3	**(878)**	(796)
		481	212
Other operating income		**29**	15
Other exceptional operating expenses		**(17)**	-
Cash Sweep Payment		**-**	-
Depreciation		**(100)**	(90)
Amortisation		**(3)**	(2)
Unrealised net losses on financial instruments and commodity contracts		**(59)**	(32)
Operating profit		**331**	103
Financing (charges)/credits			
Interest payable	4	**(27)**	(25)
Interest receivable	4	**23**	12
Other finance income/(expenses)	4	**2**	(9)
Profit before taxation		**329**	81
Taxation	5	**(140)**	(36)
Net profit for the period attributable to shareholders	7	**189**	45
Earnings per share (pence):			
Basic	6	**33.2**	8.0
Diluted	6	**32.3**	7.7

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE SIX MONTHS ENDED 1 OCTOBER 2006 (UNAUDITED)

	Notes	Six months ended 1 October 2006 £m	Six months ended 2 October 2005 £m
Net gains/(losses) on hedged items for the period	7	**47**	(50)
Actuarial gains and losses on retirement benefit obligations for the period	7	**(52)**	(89)
Tax on items taken directly to equity for the period	7	**2**	41
Net income and expense recognised directly in equity		**(3)**	(98)
Profit for the period	7	**189**	45
Total recognised income and expense		**186**	(53)
Adjustment for the implementation of IAS 39 after taxation at 1 April 2005		**-**	(15)
	7	**186**	(68)

CONSOLIDATED BALANCE SHEET
AS AT 1 OCTOBER 2006 (UNAUDITED)

	Notes	As at 1 October 2006 £m	As at 2 October 2005 (restated) £m	As at 31 March 2006 £m
Assets				
Non-current assets				
Property, plant and equipment		**1,728**	1,692	1,693
NLF and nuclear liabilities receivables		**5,163**	5,015	5,051
Deferred income tax asset		**106**	441	244
Goodwill and intangible assets		**364**	372	406
Receivables due after more than one year		**-**	2	-
		7,361	7,522	7,394
Current assets				
Inventories		**375**	338	342
Nuclear liabilities receivable		**193**	188	186
Trade and other receivables		**476**	289	455
Restricted cash		**227**	279	206
Cash and cash equivalents		**801**	290	638
Financial instruments and commodity contracts		**34**	13	29
		2,106	1,397	1,856
Total assets		**9,467**	8,919	9,250
Liabilities				
Current liabilities				
Borrowings		**(53)**	(50)	(53)
Trade and other payables		**(508)**	(405)	(623)
Nuclear liabilities		**(193)**	(188)	(186)
Provisions for other liabilities and charges		**(78)**	(161)	(127)
Financial instruments and commodity contracts		**(74)**	(120)	(57)
		(906)	(924)	(1,046)
Non-current liabilities				
Borrowings		**(573)**	(626)	(573)
Retirement benefit obligations		**(247)**	(459)	(215)
Nuclear liabilities		**(5,163)**	(5,015)	(5,051)
Provisions for other liabilities and charges		**(88)**	(112)	(59)
NLF liabilities		**(198)**	(206)	(200)
Deferred income		**(5)**	(5)	(5)
Financial instruments and commodity contracts		**-**	(9)	-
		(6,274)	(6,432)	(6,103)
Total liabilities		**(7,180)**	(7,356)	(7,149)
Net assets		**2,287**	1,563	2,101
Equity				
Called up share capital	7	**57**	57	57
Share premium	7	**26**	20	24
Capital reserve	7	**767**	767	767
Hedge reserve	7	**2**	(56)	(31)
Warrant reserve	7	**34**	38	35
Retained earnings	7	**1,401**	737	1,249
Total shareholders' equity (including non-equity shareholders' interests)	7	**2,287**	1,563	2,101

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 1 OCTOBER 2006 (UNAUDITED)

	Six months ended 1 October 2006 £m	Six months ended 2 October 2005 £m
Operating activities		
Operating profit	**331**	103
Depreciation	**100**	90
Amortisation	**3**	2
Share-based payments	**(1)**	2
Loss on disposal of property, plant and equipment	**-**	1
Unrealised net losses on financial instruments and commodity contracts	**59**	47
Movement in provisions for other liabilities and charges	**(21)**	(14)
Interest paid	**(16)**	(29)
Interest received	**21**	16
NLF liabilities payment	**(11)**	(17)
Difference between pension contributions paid and amounts recognised in consolidated income statement	**(5)**	(7)
Increase in inventories	**(33)**	(7)
(Increase)/decrease in trade and other receivables	**(21)**	32
Increase in restricted cash	**(21)**	(58)
Decrease in trade payables and other payables	**(22)**	(6)
Decrease in Cash Sweep Payment accrual	**(105)**	-
Decrease/(increase) in intangible assets	**42**	(5)
Net cash inflow generated from operations	**300**	150
Cash flows from investing activities		
Purchases of property, plant and equipment	**(135)**	(97)
Purchases of software	**(3)**	(3)
Net cash used in investing activities	**(138)**	(100)
Cash flows from financing activities		
Exercise of Warrants	**1**	8
Costs associated with sale of investments	**-**	(3)
Net cash used in financing activities	**1**	5
Net increase in cash and cash equivalents	**163**	55
Cash and cash equivalents at the beginning of the period	**638**	235
Cash and cash equivalents at the end of the period	**801**	290

Notes to the financial statements

1. Basis of Preparation

The interim financial statements for the period ended 1 October 2006 have been prepared using the principal accounting policies as set out in the Group's Annual Report and Accounts for the year ended 31 March 2006 and are in accordance with the Listing Rules of the Financial Services Authority. The Group has chosen not to adopt IAS 34 – Interim Financial Statements, in preparing these interim financial statements, and therefore this information is not wholly compliant with International Financial Reporting Standards. The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The information shown for the year ended 31 March 2006 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and has been extracted from the statutory accounts for the year ended on that date, which have been filed with the Registrar of Companies. The report of the auditors on the statutory accounts for the year ended 31 March 2006 was unqualified and did not contain a statement under Section 237 of the Companies Act 1985.

References to 'British Energy' or the 'Company' are to British Energy Group plc. References to the 'Group' are to the Company and its subsidiaries.

Following the Quinquennial Review (see note 8) the estimated values attributed to uncontracted nuclear liabilities and decommissioning costs at RED were increased on a discounted basis. The corresponding value of the related NLF receivable balance was also increased by an equal amount. Consequently, nuclear liabilities and NLF and nuclear liabilities receivables, together with the revalorisation on these balances, have been restated in the comparable period.

The interim financial statements for the period ended 1 October 2006 are unaudited but have been reviewed by the auditors and their report to the Company is set out below.

These interim financial statements were approved by the Board of Directors on 17 November 2006.

2. Output, revenue and segmental information

	Six months ended 1 October 2006 TWh	Six months ended 2 October 2005 TWh
Output		
Nuclear power stations	**29.0**	30.6
Coal-fired power station	**2.9**	2.5
Total output	**31.9**	33.1

	Six months ended 1 October 2006 £m	Six months ended 2 October 2005 £m
Revenue		
Wholesale generation sales	**577**	426
Direct supply sales net of energy supply costs	**561**	401
Revenue from generated electricity	**1,138**	827
Energy supply costs recharged to customers	**192**	164
Energy purchases	**24**	9
Miscellaneous income	**5**	8
Total revenue	**1,359**	1,008

The Group's activities are in one business segment being the generation and sale of electricity and are in one geographic segment being the United Kingdom. There are no other significant classes of business or geographic areas.

3. Operating and energy costs

	Six months ended 1 October 2006 £m	Six months ended 2 October 2005 £m
Fuel costs – nuclear	**160**	179
– Eggborough	**54**	69
Total fuel costs	**214**	248
Materials and services	**264**	213
Staff costs	**184**	162
Operating costs of generated electricity	**662**	623
Energy purchases	**24**	9
Energy supply costs	**192**	164
Total operating and energy costs	**878**	796

4. Other finance charges/(credits)

	Six months ended 1 October 2006 £m	Six months ended 2 October 2005 £m
Interest payable		
Interest payable on bonds	**22**	24
Other interest payable	**5**	1
Total interest payable	**27**	25

	Six months ended 1 October 2006 £m	Six months ended 2 October 2005 £m
Interest receivable		
Interest receivable	**(23)**	(12)
Total interest receivable	**(23)**	(12)

	Six months ended 1 October 2006 £m	Six months ended 2 October 2005 (restated) £m
Other finance expenses		
Revalorisation of nuclear liabilities		
– changes in price levels	**139**	70
– discharge of discount for period	**78**	78
Revalorisation of nuclear liabilities receivable	**(93)**	(66)
Revalorisation of NLF receivable	**(124)**	(82)
Revalorisation of contracts provision	**3**	7
Revalorisation of NLF liabilities	**10**	6
Net revalorisation charges	**13**	13
Net credit to finance charges for retirement benefit obligations	**(15)**	(4)
Total other finance (income)/expenses	**(2)**	9

Following the Quinquennial Review the estimated values at RED attributed to uncontracted nuclear liabilities and decommissioning costs were increased by £956m, on a discounted basis. The corresponding value of the related NLF receivable balance was also increased by an equal amount. The revalorisation on these balances has been restated.

5. Taxation

A tax charge of £140m has been recognised in the income statement for the period; this is comprised entirely of a deferred tax charge. There is no current tax charge for the period as taxable profits are fully sheltered by tax losses brought forward. The tax charge has been computed in accordance with the generally accepted practice which provides that the forecast effective tax rate on the forecast full year profits before tax and IAS 39 adjustments be applied to the actual reported profit before tax and IAS 39 adjustments for the period. The forecast full year effective tax rate on this basis is 40.6% and this has been applied to the six months' results. In addition the standard tax rate of 30% is applied to the IAS 39 adjustments in the period. The forecast full year effective tax rate decreased from 58.9%, which was applied in the quarter ended 2 July 2006, as a result of a decrease in the projected Cash Sweep Payment for the year. The forecast full year effective tax rate of 40.6% is higher than the standard tax rate of 30% due to the forecast Cash Sweep Payment, which is treated as an operating cost and accrued only at the year end date, being disallowable for tax purposes.

6. Earnings per share

	Six months ended 1 October 2006	**Six months ended 2 October 2005**
Basic earnings per share		
Net profit for the period attributable to shareholders (£m)	**189**	45
Weighted average share capital (number of shares, million)	**570**	565
Earnings per share (pence)	**33.2**	8.0
Diluted earnings per share		
Net profit for the period attributable to shareholders (£m)	**189**	45
Diluted weighted average share capital (number of shares, million)	**586**	581
Diluted earnings per share (pence)	**32.3**	7.7
Adjusted earnings per share		
Net profit for the period attributable to shareholders (£m)	**189**	45
Adjustment in respect of taxation (£m)	**40**	11
Adjusted net profit for the period attributable to shareholders (£m)	**229**	56
Basic weighted average share capital (number of shares, million)	**570**	565
Maximum Cash Sweep conversion at balance sheet date (number of shares, million)	**1,027**	1,042
Adjusted weighted average share capital (number of shares, million)	**1,597**	1,607
Adjusted earnings per share (pence)	**14.3**	3.5

The basic earnings per share for the period has been calculated by dividing the net profit for the period attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

The diluted earnings per share calculation is based on the weighted average of 570 million (comparable period: 565 million) ordinary shares in issue together with the dilutive weighted average of potential ordinary shares of 17 million (comparable period: 16 million ordinary shares) in respect of Warrants.

The Directors consider that the adjusted earnings per share calculation is a more appropriate earnings measure because the Cash Sweep Payment and the net profit attributable to shareholders does not necessarily reflect the respective economic interests of the NLF and equity shareholders in the profits of the Group. The calculation in any given year of the annual Cash Sweep Payment is based on cash flows and the retention of appropriate cash (Target Amount) and expenditure (Forecast Expenditure Reserve) reserves.

The adjusted earnings per share has been calculated by excluding the impact of the Cash Sweep Payment for the year ending 31 March 2007 on the effective tax rate used for the six monthly charge from earnings and adjusting the weighted average share capital by the number of shares that would have been in issue if the NLF had fully converted their interest at the balance sheet date.

7. Equity

	Called up equity share capital £m	Share premium £m	Capital reserve £m	Hedge reserve £m	Warrant reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2006	57	24	767	(31)	35	1,249	2,101
Profit for the period	-	-	-	-	-	189	189
Net income/(expense) recognised directly in equity	-	-	-	47	-	(52)	(5)
Deferred tax on items recognised directly in equity	-	-	-	(14)	-	16	2
Total income for the period	-	-	-	33	-	153	186
Share-based payments	-	-	-	-	-	(1)	(1)
Exercise of Warrants	-	2	-	-	(1)	-	1
Balance as at 1 October 2006	**57**	**26**	**767**	**2**	**34**	**1,401**	**2,287**

8. Acquisition of British Energy plc

On 14 January 2005 British Energy Group plc acquired British Energy plc, which was provisionally valued and stated in the 31 March 2005 financial statements. In accordance with IFRS 3 – Business Combinations, an adjustment has been made for amendments to those provisional fair values as at 14 January 2005, as stated in the 31 March 2005 financial statements, following the completion of the Quinquennial Review. The provisional and amended values of the net assets acquired are as follows:

	Provisional fair values £m	Adjustments £m	Amended fair values £m
Assets			
Non-current assets	6,331	956	**7,287**
Current assets	1,382	-	**1,382**
Total assets	7,713	956	**8,669**
Liabilities			
Current liabilities	(893)	-	**(893)**
Non-current liabilities	(5,629)	(956)	**(6,585)**
Total liabilities	(6,522)	(956)	**(7,478)**
Net assets acquired	1,191	-	**1,191**
Goodwill arising on acquisition	345	-	**345**
Consideration paid	1,536	-	**1,536**

The adjustments in the table arose following the Quinquennial Review, which is subject to final agreement with the NDA and the other regulators (Nuclear Installations Inspectorate, the Environment Agency and the Scottish Environment Protection Agency). The level of the estimated nuclear liabilities has increased by £956m, on a discounted basis, resulting in the total liability at RED being restated at £5,265m. As part of the Restructuring arrangements, the Group is indemnified by the Government for any future shortfall on NLF funding of qualifying nuclear liabilities and decommissioning costs. Therefore the increase in liabilities was fully offset by a corresponding increase in the indemnity from the Government at that date.

9. Contingent Assets

The Group has certain contingent assets as a result of its disposal of its 82.4% interest in Bruce Power LP. In addition to the consideration payable by the consortium under the master purchase agreement, up to a further C$100m was payable to British Energy contingent upon the restart of two of the Bruce A units under a trust agreement (the Trust Agreement) entered into on the same date. Had the first unit restarted by 15 June 2003, C$50m would have been released to British Energy and an additional C$50m would have been released to British Energy had the second unit restarted by 1 August 2003. An amount of C$5m was to be deducted from the C$50m payable in respect of each unit for its failure to restart by the scheduled restart date or by the first day of each successive calendar month following the scheduled restart date. The Group received C$20m on 22 March 2004 and C$10m on 25 May 2004 in partial consideration under the Trust Agreement. British Energy commenced arbitration proceedings in Ontario against the Ontario Provincial Government (the Province) in December 2004 seeking the payment of additional consideration under the Trust Agreement on the basis that Bruce A Units 3 and 4 restarted earlier than the dates claimed by the Province. No additional amounts appear on the consolidated balance sheet at 1 October 2006 because of uncertainties regarding their realisation. The amounts recoverable in respect of the restarted units will be substantially lower than the maximum C$100m but the amounts and timing of the payments have still to be confirmed.

10. Contingent Liabilities

On 12 February 2004 British Energy Limited and British Energy International Holdings Limited received a notice of warranty claims from the consortium which purchased the Group's 82.4% interest in Bruce Power LP alleging breach of certain warranties and representations relating to tax and to the condition of certain plant at the Bruce Power Station.

The principal tax claim relates to the treatment of expenditure at the Bruce Power Station during the period of the Group's part ownership and is currently being considered by the Canadian tax authorities. The treatment proposed by the Group could result in a rebate of a material amount of tax to the Group that has not been recognised in the consolidated financial statements. The consortium claims that allowance of the expenditure for that period would cause it to lose future deductions. British Energy International Holdings Limited has rejected the tax claim and expects to defend it if it is pursued further. The Group is confident that the amount of the claim should not, in any event, materially exceed the amount of the rebate, and that the tax claim should have no material cash flow impact on the Group.

The claim relating to the condition of the plant is based upon alleged erosion of certain parts of the steam generators, including the support plates, through which boiler tubes pass, which it is alleged resulted in an extended Outage of one unit at the plant to carry out repair works and loss of revenues and costs of approximately C$64.5m. The consortium also claims that the alleged erosion may reduce the operating life of the unit and/or result in further repairs involving further losses. On 10 February 2006, British Energy Limited and British Energy International Holdings Limited filed a Notice of Action against OPG and Bruce Power LP with the Ontario Superior Court of Justice seeking a contribution and indemnity from OPG and Bruce Power LP with respect to any amounts for which British Energy Limited or British Energy International Holdings Limited may be found liable as a result of the steam generator claim brought on 12 February 2004 by the consortium which acquired British Energy Limited's 82.4% interest in the Bruce Power plant.

Under the agreement with the consortium C$20m is retained in trust to meet any representation and warranty claims, and this may be retained pending agreement or determination of the claims.

The Group has given certain indemnities and guarantees in respect of its subsidiary undertakings. No losses are anticipated to arise under these indemnities and guarantees, provided relevant subsidiary undertakings continue on a going concern basis.

The Group is involved in a number of other claims and disputes arising in the normal course of business which are not expected to have a material effect on the Group's financial position.

11. Non-adjusting Post Balance Sheet Events

On 16 October 2006, the Company made an announcement in respect of boiler issues. A further update on boiler issues is included in these interim results.

Independent review report to British Energy Group plc

Introduction
We have been instructed by the Company to review the financial information contained in the interim report for the six months ended 1 October 2006 which comprises the consolidated balance sheet as at 1 October 2006, the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated statement of cash flows for the six months then ended and the related notes.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities
The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding Annual Accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the basis set out in note 1.

Review work performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purposes of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 1 October 2006.

PricewaterhouseCoopers LLP
Chartered Accountants
Edinburgh
17 November 2006

Notes:

(a) The maintenance and integrity of the British Energy Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

GLOSSARY

AGR (Advanced Gas-cooled Reactor)
The second generation of civil gas-cooled nuclear reactor built in the UK.

Baseload Generation
Mode of operation of a power station at a constant high level of output for a sustained period of time to assist in meeting minimum national demand.

Bonds
Bonds issued by British Energy Holdings plc.

British Energy Direct
British Energy Direct Limited.

BETTA
British Electricity Transmission and Trading Arrangements.

BNFL
British Nuclear Fuels plc.

Bruce
The Bruce A and B nuclear power stations in Ontario, Canada.

Decommissioning
The process whereby a nuclear power station is shut down at the end of its economic life, eventually dismantled, and the site made available for other purposes.

Emission Limit Values (ELV)
Emission limits imposed under the Large Combustion Plant Directive, requiring operators to maintain emissions within a rate limit at all points in time.

Energy Supply Costs (ESC)
Mainly comprise the costs incurred for the use of the distribution and transmission systems, recovered through revenue, and costs of Renewable Obligation Certificates (ROCs).

EPL
Eggborough Power Limited.

ETS
Emissions Trading Scheme.

FGD (Flue Gas Desulphurisation)
Equipment fitted to coal-fired power stations to reduce sulphur dioxide emissions.

GW (Gigawatt): GWh (Gigawatt-hour)
One gigawatt equals 1,000 MW: one gigawatt-hour represents one hour of electricity consumed at a constant rate of 1 GW.

kW (Kilowatt): kWh (Kilowatt-hour)
A kilowatt is a unit of power, representing the rate at which energy is used or produced: one kilowatt-hour is a unit of energy and represents one hour of electricity consumption at a constant rate of 1 kW.

Large Combustion Plant Directive (LCPD)
EC Directive applicable to combustion plants exceeding 50 MW thermal, that takes into account recent advances in combustion and abatement technologies to introduce revised limits for releases of SO2, NOx and dust. Under UK implementation of the Directive, operators are permitted to elect either the Emission Limits Value (ELV) approach or the National Emissions Reduction Plan (NERP) approach.

LLW, ILW, HLW (Low, Intermediate, High Level Waste)
Radioactive waste is classified as low, intermediate or high level waste according to its heat generating capacity and radioactivity. LLW comprises slightly radioactive materials, such as discarded protective clothing and used wrapped materials. ILW comprises more radioactive materials, including sludges and resins from the cleaning of fuel storage pond water, fuel cladding and other materials arising from the reprocessing of spent fuel, and some radioactive components arising from the decommissioning of plant. HLW comprises nuclear waste products separated out from uranium and plutonium during the reprocessing of spent nuclear fuel.

Lost Time Accidents (LTA)
An incident which causes one or more days off work (consecutive or not) after, but not including, the day of an occupational injury or illness.

Market Price
The price for annual forward baseload contracts.

Materiel Condition
A term used by nuclear operators, particularly in the United States, in relation to nuclear power stations, and used to describe the physical condition of plant and equipment and the condition of operating procedures, engineering drawings, specifications and manuals (taking safety, maintenance and plant reliability into consideration).

MW (Megawatt): MWh (Megawatt-hour)
One megawatt equals 1,000 kW: one megawatt-hour represents one hour of electricity consumption at a constant rate of 1 MW.

National Emissions Reduction Plan (NERP)
Emission limits imposed under the Large Plant Combustion Directive, requiring operators to maintain emissions within an annual 'bubble' limit.

NDA
Nuclear Decommissioning Authority.

NLF
An independently administered fund into which the Group makes contributions to cover all qualifying uncontracted nuclear liabilities including costs of decommissioning nuclear power stations and PWR back end fuel costs.

Non Outage Defect Inventory
Total of outstanding plant defects which are work requests that have been partially assessed by maintenance, or are still awaiting action after screening by the station Work Review Groups, based on a priority weighting set by the Technical Advisory Committee.

Outage (Planned and Unplanned)
A period during which a reactor is shut down. The periodic shutdown of a reactor including for maintenance, inspection and testing or, in some cases, for refuelling is known as a planned outage. In the UK, some planned outages are known as statutory outages and are required by the conditions attached to the nuclear site licence needed to operate the station. Unscheduled shutdown of a reactor for a period is known as an unplanned outage.

PWR (Pressurised Water Reactor)
The most recent type of nuclear reactor to be constructed in the UK which uses pressurised water as both the coolant and the moderator.

Quinquennial Review
The five-yearly review of the assumptions underlying the Group's provision for certain nuclear liabilities.

Realised Price
Calculated by dividing revenue from generated electricity by total output for the period.

Renewable Obligation Certificates
Eligible renewable generators receive Renewable Obligation Certificate (ROCs) for each MWh of electricity generated. These certificates can then be sold to suppliers, in order to fulfil their renewables obligation.

Restructuring
The restructuring of the Group completed on 14 January 2005.

RED
The Restructuring Effective Date, 14 January 2005.

Revalorisation
Revalorisation arises because nuclear liabilities are stated in the balance sheet at current price levels, discounted at 3% per annum from the eventual payment dates. The revalorisation charge is the adjustment that results from restating these liabilities to take into account the effect of inflation in the period and to remove the effect of one period's discount as the eventual dates of payment become one year closer. Revalorisation charges arise in respect of the fixed decommissioning obligation to reflect the unwinding of the discount for the period. A revalorisation credit arises in respect of movements in the value of nuclear liabilities and the NLF receivable to take account of the underlying movement in nuclear liabilities.

RPI
Retail Price Index.

RPIX
Retail Price Index minus mortgage interest payments.

Shares
Ordinary shares in British Energy Group plc.

Statutory Outage
The planned shutdown of nuclear reactors for regulatory inspection and maintenance.

TW (Terawatt): TWh (Terawatt-hour)
One terawatt equals 1,000 GW: one terawatt-hour represents one hour of electricity consumption at a constant rate of 1 TW.

Unit Capability Factor
The percentage of maximum energy generation that a plant is capable of supplying to the electrical grid, limited only by factors within the control of plant management.

Unit Operating Costs
Calculated by dividing the operating costs of generated electricity plus depreciation and software amortisation by total output for the period.

Unplanned Capability Loss Factor (UCLF)
Unplanned capability loss factor is defined as the ratio of the unplanned energy losses during a given period of time, to the reference energy generation, expressed as a percentage.

UKLA
United Kingdom Listing Authority.

Warrants
Warrants entitling the holder to subscribe for shares in British Energy Group plc.