

BRITISH ENERGY GROUP PLC
RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007
OF THE FINANCIAL YEAR ENDING 31 MARCH 2008

Key Points

- While the level of small unplanned losses incurred during the period shows significant improvement from prior periods, nuclear output has been adversely impacted by previously reported boiler inspection outages and load restrictions at Hinkley Point B and Hunterston B. In addition, the remainder of the financial year will be significantly impacted by the boiler closure unit (BCU) issue at Hartlepool and Heysham 1.

	Six months ended 30 September 2007 (H1 2007/08)	Six months ended 1 October 2006 (H1 2006/07)
<i>Adjusted EBITDA* (£m)</i>	511	481
<i>Operating profit before NLF Cash Sweep Payment credit, NLF Cash Sweep Payment and amortisation of conversion asset (£m)</i>	329	331
<i>Adjusted net profit for the period attributable to shareholders** (£m)</i>	247	229

Adjusted earnings per share after taking account of NLF Cash Sweep economic interest at 35.2% (H1 2006/07: 64.3%)*	15.6p	14.3p
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IFRS net profit for the period attributable to shareholders £243m (comparable period: £189m), basic earnings per share 28.2p (comparable period: 33.2p); includes Cash Sweep Payment credit £134m (comparable period: £nil) and amortisation of conversion asset £70m (comparable period: £nil).

- Total output for the period was 30.7TWh (nuclear 27.8TWh, coal 2.9TWh), down from 31.9TWh for the comparable period (nuclear 29.0TWh, coal 2.9TWh), due to boiler issues at Hinkley Point B and Hunterston B. Output stated after total non-routine nuclear losses of 8.3TWh (being unplanned losses of 3.3TWh attributable to operations at Hinkley Point B and Hunterston B, losses of 1.6TWh attributable to other stations and 3.4TWh losses at Hinkley Point B and Hunterston B that were planned at the start of the year) compared to 6.3TWh losses in the comparable period.
- The four units at Hartlepool and Heysham 1 remain out of service, following identification of a legacy wire winding issue during inspection of the BCUs at Hartlepool Reactor 1. A failed wire has also been identified at Heysham 1 Reactor 1. Inspection of the two remaining reactors is in progress. A timetable and agreed programme of work for return to service can only be formed when inspections and a full assessment have been completed. Action taken to manage the contract book position has progressed well.
- As disclosed in the Q1 2007/08 results, the four units at Hinkley Point B and Hunterston B are currently operating in a range around 60% load. Further boiler balancing work will be directed at delivering approximately 70% load, in a phased process during planned outages over the next financial year. A decision on life extension will be made by 31 March 2008, at the latest.

- Adjusted EBITDA increased in the period to £511m, reflecting higher realised prices, offsetting higher unit operating cost.
 - Realised price was £38.4/MWh for the period, up £2.7/MWh (8%) from the comparable period. As at 9 November 2007, fixed price contracts in place for 60TWh for the financial year 2007/08 at an average contract price of £41/MWh (including the impact of 5TWh of contracts, capped at around £31/MWh).
 - Unit operating cost increased to £25.9/MWh for the period from £24.0/MWh in the comparable period, partially reflecting reduced output. Other cost increases in line with previous guidance for the full year. Operating margin increased to £12.5/MWh from £11.7/MWh in the comparable period.
- Investment in plant projects, major repairs and strategic spares was £124m for the period, down from £138m in the comparable period. We expect to continue to invest toward the higher end of the range £250m to £300m in financial year 2007/08, excluding incremental expenditure on BCU inspections and assessment, currently expected to be around £20m.
- Total output for the current financial year to 4 November 2007 was 36.4TWh (32.3TWh nuclear, 4.1TWh coal), after total non-routine nuclear losses of 10.7TWh (being unplanned losses of 3.7TWh attributable to operations at Hinkley Point B and Hunterston B, losses of 3.0TWh attributable to other stations and 4.1TWh losses at Hinkley Point B and Hunterston B that were planned at the start of the year).
- As at 9 November 2007, fixed price contracts in place for approximately 40TWh for the financial year 2008/09 at an average price of £42/MWh excluding the impact of capped price contracts at around £32/MWh. The capped contracts are for delivery of approximately 5TWh per annum up to March 2011.
- As at 9 November 2007, we had approximately 104TWh of zero/capped collateral trades that will deliver over the period to March 2013 at fixed prices (excluding power already delivered under these contracts), up from 62TWh at 12 November 2006.
- The Board intends to consider an additional dividend from available cash in February 2008 at the time of the third quarter results announcement. 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 additional dividend.
- The public consultation on the future of nuclear power in the UK closed on 10 October 2007, which should enable the Government to take a decision on new nuclear build around the end of the calendar year. We expect to provide a further update on our partnering discussions before the end of the financial year.

The NLF Cash Sweep percentage was 35.2% as at 30 September 2007, down from 64.0% at 31 March 2007 principally as a result of the partial conversion into equity by the NLF of its cash sweep entitlement in June 2007. This transaction resulted in the issue and sale of 450m ordinary shares and resulted in an increase in share capital and share premium of £45m and £2,295m respectively and a conversion asset of £2,340m. The conversion asset is being amortised over the accounting lives of the stations, accordingly an amortisation charge of £70m has been recorded in the results for the period. On 22 October 2007 the Court of Session, Edinburgh approved a reduction of £2,295m in British Energy Group plc's share premium reserve, thereby increasing the level of distributable reserves available by £2,295m.

The NLF agreed to waive a portion of the Cash Sweep Payment in respect of the financial year 2006/07 to maintain economic parity between the NLF and shareholders, reducing the amount payable from £305m to £171m and resulting in an income statement credit of £134m being recognised this period. Accordingly, a Cash Sweep Payment of £171m was made to the NLF in July 2007. In line with our accounting policy, no accrual has been made as at 30 September 2007 for any NLF Cash Sweep Payment in respect of the financial year 2007/08.

Bill Coley, CEO of British Energy, said:

"The first half of the year has shown many operating metrics across the entire fleet at "best ever" recorded levels. That is a tribute to the operational focus of our employees and the investments made in improving the material condition of our plant.

It is unfortunate that the output in the second half will be impacted by the BCU issue at Hartlepool and Heysham 1, which stems from the original design and construction of the stations. The team is in place to deal with this issue.

We look forward to the outcome of the Government's nuclear consultation and the opportunity for British Energy to grow shareholder value. Sizewell B, which is representative of designs that will be built across the industry, continues to perform on par with any PWR in the world."

	Six months ended 30 September 2007 (H1 2007/08)	Six months ended 1 October 2006 (H1 2006/07)
Revenue (£m)	1,390	1,359
Operating and energy costs (£m)	(879)	(878)
Adjusted EBITDA* (£m)	511	481
Depreciation and other amortisation (£m)	(123)	(103)
Other operating income (£m)	9	29
Other exceptional operating expenses (£m)	-	(17)
Unrealised net losses on derivative financial instruments and commodity contracts (£m)	(68)	(59)
Operating profit before NLF Cash Sweep Payment credit, NLF Cash Sweep Payment and amortisation of conversion asset (£m)	329	331
Adjusted net profit for the period attributable to shareholders** (£m)	247	229
NLF Cash Sweep Payment credit** (£m)	134	-
NLF Cash Sweep Payment*** (£m)	-	-
Amortisation of conversion asset** (£m)	(70)	-
Adjustments in respect of taxation** (£m)	(68)	(40)
Net profit for the period attributable to shareholders (£m)	243	189
Basic earnings per share (p)	28.2	33.2

Realised price (£/MWh)	38.4	35.7
Unit operating cost (£/MWh)	25.9	24.0
Operating margin (£/MWh)	12.5	11.7

Adjusted operating profit (excluding certain items)**** (£m)	388	378
Adjusted net profit (excluding certain items)**** (£m)	288	264
Adjusted earnings per share (excluding certain items)**** after taking account of NLF Cash Sweep economic interest at 35.2% (H1 2006/07: 64.3%)*** (p)	18.1	16.5

Nuclear unplanned capability loss factor (%)	15.0	10.9
Total output (TWh)	30.7	31.9
Nuclear (TWh)	27.8	29.0
Coal (TWh)	2.9	2.9

	As at 30 September 2007	As at 31 March 2007
Cash and cash equivalents (excluding restricted cash and other financial assets) (£m)	1,068	1,101
Debt (£m)	(573)	(573)
Net cash/(debt) (excluding restricted cash and other financial assets) (£m)	495	528

Restricted cash and other financial assets***** (£m)	193	146
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**Adjusted EBITDA is defined as profit before financing (charges)/credits, taxation, depreciation, amortisation of conversion asset, other amortisation, unrealised net (losses)/gains on derivative financial instruments and commodity contracts, NLF Cash Sweep Payment, NLF Cash Sweep Payment credit, other exceptional operating expenses and other operating income. The Directors believe that the adjusted measure provides a better indication of underlying business performance.*

***The reported results for the period include a credit of £134m to reflect the waiver by the NLF of a portion of the Cash Sweep Payment in respect of the financial year 2006/07, reducing the amount payable from £305m to £171m, and a charge of £70m in respect of amortisation of the conversion asset recorded upon partial conversion. These items have been excluded in the calculation of adjusted net profit for the period attributable to shareholders, together with the corresponding adjustments to taxation thereon, as described below.*

****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 British Energy Group plc. As described in note 10 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, NLF Cash Sweep Payment credit and amortisation of conversion asset, divided by the enlarged number of shares that would have been in issue had the NLF fully converted its remaining interest at 30 September 2007. This would result in an adjusted earnings per share of 15.6p for the period ended 30 September 2007 (Q2 2006/07: 14.3p).*

*****Results for the period ended 30 September 2007 have been adjusted to exclude unrealised net (losses)/gains on derivative financial instruments and commodity contracts, NLF Cash Sweep Payment, NLF Cash Sweep Payment credit, amortisation of conversion asset, other operating income, non-recurring severance costs and other exceptional operating expenses and include where appropriate the corresponding adjustments to taxation and revaluation thereon.*

******Cash and cash equivalents reflect classification of £56m (£51m as at 31 March 2007) in respect of cash provided to satisfy variation margin calls as restricted cash and other financial assets.*

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, 13 November 2007 and dial in facilities can be accessed by dialling:

UK dial in: 0845 113 0049
International dial in: +44 (0) 1452 542303

There will be a replay facility for 7 days:

UK dial in: 0845 245 5205
International dial in: +44 (0) 1452 550 000
PIN (access) no: 18326729

Principally for the benefit of US investors, management will host a further conference call for analysts, institutional investors and bondholders at 2:00pm (UK time), 13 November 2007. The conference can be accessed by dialling:

UK dial in: 0845 113 0049
International dial in: +44 (0) 1452 542303

There will be a replay facility for 7 days:

UK dial in: 0845 245 5205
International dial in: +44 (0) 1452 550 000
PIN (access) no: 18326744

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

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.

CHIEF EXECUTIVE'S OPERATIONAL REVIEW

Overview

While the level of small unplanned losses incurred during the period shows significant improvement from prior periods, nuclear output has been adversely impacted by the previously reported boiler inspection outages and load restrictions at Hinkley Point B and Hunterston B. In addition, the remainder of the financial year will be significantly impacted by the boiler closure unit (BCU) issue at Hartlepool and Heysham 1.

The four units at Hartlepool and Heysham 1 remain out of service, pending assessment and completion of inspection of the BCUs. Further details are set out below.

To meet temperature specifications at all points in the boilers, the four units at Hinkley Point B and Hunterston B continue to operate in a range around 60% load. Further boiler balancing work will be directed at delivering approximately 70% load, in a phased process during planned outages over the next financial year. A decision on life extension will be made by 31 March 2008, at the latest. Currently, no factors ruling out life extension of these stations have been identified.

We continue to focus on the working practices and investment programme that have delivered improvements in small unplanned losses across the fleet during the period. Operational safety and excellence remains our first priority.

We look forward to the outcome of the Government's nuclear consultation. We are optimistic that we will be able to create partnerships that deliver value for our shareholders if the policy framework is in place. We expect to provide a further update before the end of the financial year.

Plant Output and Performance

Total output for the period was 30.7TWh (nuclear 27.8TWh, coal 2.9TWh), down from 31.9TWh for the comparable period (nuclear 29.0TWh, coal 2.9TWh). Nuclear output for the period was lower than the comparable period primarily due to losses incurred in connection with boiler issues at Hinkley Point B and Hunterston B, partially offset by a reduction in other unplanned losses, and reflects a nuclear unplanned capability loss factor of 15% up from 11% for the comparable period. Excluding Hinkley Point B and Hunterston B, nuclear unplanned capability loss factor was 7% for the period, down from 10% in the comparable period.

Total non-routine nuclear losses in the period were 8.3TWh (being unplanned losses of 3.3TWh attributable to operations at Hinkley Point B and Hunterston B, losses of 1.6TWh attributable to other stations and 3.4TWh losses at Hinkley Point B and Hunterston B that were planned at the start of the year) compared to 6.3TWh losses in the comparable period.

Output from our coal-fired power station at Eggborough was 2.9TWh during both the current and comparable periods.

Total output to 4 November 2007 for the current financial year ending 31 March 2008 was 36.4TWh (nuclear 32.3TWh, coal 4.1TWh) after total non-routine nuclear losses for the period to 4 November 2007 of 10.7TWh (being unplanned losses of 3.7TWh attributable to operations at Hinkley Point B and Hunterston B, losses of 3.0TWh attributable to other stations and 4.1TWh losses at Hinkley Point B and Hunterston B that were planned at the start of the year).

Boiler Closure Unit update

During the statutory outage at Hartlepool Reactor 1, we conducted a planned inspection of the BCUs. There are eight BCUs on each reactor, forming part of the reactor pressure boundary. Each BCU is pre-stressed with nine layers of wire windings, wound around its outer periphery. An issue related to one wire winding has been identified, which has delayed the restart of this unit, originally scheduled for November 2007. We took the conservative decision to take the sister units at Hartlepool and Heysham 1 out of service, pending inspection and assessment.

We have subsequently undertaken partial inspections of the wire windings at Heysham 1 Reactor 1. Initial results from this inspection at Heysham 1 Reactor 1 identified a similar issue to that identified at Hartlepool Reactor 1, whereby one wire has failed as a result of corrosion. Inspection of Heysham 1 Reactor 2 and Hartlepool Reactor 2 is in progress.

This is a legacy issue of the initial construction, identified during the course of inspections. While this component of the plant was not originally designed to be inspected, improved technology and innovative inspection techniques have been developed which have now allowed inspection as part of the improvement programme. The boiler closure units are unique to Hartlepool and Heysham 1 power stations.

We are in the process of developing the methodology to secure the return to service of the units. This is a complex issue and a timetable and agreed programme of work for the return to service of these units can only be formed when inspections and a full assessment of the situation have been completed.

Action taken to manage the contract position has progressed well. We have incurred a net cost of approximately £30m to date in connection with buybacks of power, and we may have to buy back further power if the stations are offline for the remainder of the financial year. We continue to monitor the potential impact on financial performance for the remainder of the financial year.

Boiler issues update

As disclosed in the Q1 2007/08 results, we completed the boiler inspections and required repairs at Hinkley Point B and Hunterston B during the period. The NII agreed to the restart of all four units during May 2007 and they were subsequently returned to service. Our safety case sets temperature restrictions for boiler operation and following the return to service some control system adjustments were required together with output adjustments and temperature trimming. Two further shutdowns were necessary, one on Hunterston B Reactor 3 to make control system adjustments and one on Hunterston B Reactor 4 to balance boiler temperatures. Further boiler balancing work will be directed at delivering approximately 70% load, in a phased process during planned outages over the next financial year.

The next planned boiler inspection will be at Hunterston B Reactor 3, expected to be undertaken in early 2008.

Hot Box Dome update

The load restrictions for Heysham 1 Reactor 2 (as disclosed in the financial year 2006/07 Preliminary Results) remain in force. As disclosed in the Q1 2007/08 results, during the statutory outage at Heysham 1, we have performed camera inspections of the Hot Box Dome insulation of Reactor 1, revealing no visible abnormalities. We plan to submit a safety case to the NII later this financial year, to increase the operating temperature limit on the Hot Box Domes at Heysham 1 and Hartlepool by a small margin. Subject to NII approval, this would enable us to marginally increase power at Heysham 1 Reactor 2 above current levels.

Heysham 2 fuelling machine update

We expect to carry out further inspection of the Heysham 2 fuelling machine, which has suffered intermittent problems during refuelling operations, in the scheduled fuel route outage in early 2008.

Investment

Investment in plant projects, major repairs and strategic spares for the period was £124m compared to £138m in the comparable period. We expect to continue to invest toward the higher end of the range £250m to £300m in financial year 2007/08, excluding incremental expenditure on BCU inspections and assessment, currently expected to be around £20m.

Investment in plant over the medium term is likely to be affected by the outcome of our boiler management strategy and life extension decisions for Hinkley Point B and Hunterston B.

During the period, we completed statutory outages at Heysham 2 and Heysham 1. Statutory outages at Torness and Hartlepool were completed after the period end, although Hartlepool remains out of service for BCU inspections as described above. Later this financial year, a statutory outage is planned for Sizewell B and a boiler inspection outage for Hunterston B Reactor 3.

Safety and Environmental Performance

Our overriding priority is to ensure that the nuclear, industrial, radiological and environmental safety of our operations is effectively managed and assured.

During the period, there were nine lost time accidents for the nuclear fleet (comparable period: eight ⁽¹⁾ lost time accidents), two nuclear reportable events (comparable period: 12 events) and seven environmental events (comparable period: nine events). The environmental events during this period were in the lowest two categories of the Environment Agency scale (i.e. had minor or no environmental impact).

We continue to identify and embed best practices throughout the fleet and work with our contract partners in pursuit of continuously improving safety performance.

Trading

Market Conditions

The forward price of annual baseload electricity commencing April 2008 rose from around £38.6/MWh at the start of April 2007 to around £48.1/MWh as at 4 November 2007. This increase was mainly driven by strengthening UK gas prices due to problems and uncertainties surrounding UK domestic and Norwegian gas supplies and rising oil, coal and Phase II carbon prices.

Clean dark spread prices for Summer 08 and Winter 08 have traded in the range £3-8/MWh and £8-14/MWh respectively between April and October 2007. Increasing power prices have been largely offset by increases in coal and Phase II carbon prices.

Coal prices have risen to record highs. The price of annual coal delivered to European ports commencing January 2008 rose from around \$72/tonne at the start of April 2007 to \$114/tonne as at 4 November 2007. This largely reflects the disruptions to Australian ports caused by flooding and the severe weather conditions in India and Indonesia which have contributed to higher coal and freight prices.

Prices of Phase II carbon allowances for delivery in December 2008 have risen from around €18/tCO₂ at the start of April 2007 to €22/tCO₂ as at 4 November 2007. This increase largely reflects the EU's tightening of Phase II National Allocation Plans.

The Large Combustion Plant Directive (LCPD) is due to become effective on 1 January 2008 and will introduce new requirements relating to emissions by Eggborough. Under the relevant provisions, Eggborough will operate within a cap-and-trade regime for sulphur dioxide, nitrogen oxides and particulate matter. Eggborough is provided with free allowances of emissions and is required to submit allowances equal to its actual emissions. Shortfalls or surpluses in allowances may be bought or sold to achieve this. The price will be determined by the overall cap and the demand for allowances.

Eggborough has elected to operate within the National Emission Reduction Plan (NERP) regime under the LCPD. The plant is expected to continue to operate at levels broadly consistent with generation achieved during the last five years. As previously indicated, we keep under review the option of mothballing one of the non-FGD units.

The market price of Uranium has increased significantly from the level at which we entered our existing fuel agreements. The long-term market price of Uranium was US\$95 per pound as at 29 October 2007, up from US\$85 per pound as at 31 March 2007. If Uranium and Uranium related services remain at October 2007 long-term market prices, this would eventually increase our total nuclear fuel costs by approximately £160m per annum from the current costs, the increase starting from May 2010. It is anticipated that the incremental expense would be recognised by 31 March 2016. We currently have stocks and contracts in place which provide nearly 100% coverage of our anticipated requirements until 31 March 2012.

Trading Performance

Realised price for the period was £38.4/MWh, an increase of £2.7/MWh compared with a realised price of £35.7/MWh for the comparable period. Our contracted price position continues to include the impact of capped price contracts entered into at a time when significantly lower market prices prevailed. A contract for 5TWh per annum at a price below £20/MWh ended on 1 April 2007. 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 9 November 2007, we had fixed price contracts in place for 60TWh for the financial year 2007/08 at an average contract price of £41/MWh (including the impact of capped contracts). The capped contracts are for delivery of approximately 5TWh per annum up to March 2011, at prices currently capped at around £31/MWh.

In addition, as at 9 November 2007, we had fixed price contracts in place for approximately 40TWh for the financial year 2008/09 at an average contract price of £42/MWh (excluding the impact of approximately 5TWh of capped contracts at around £32/MWh).

As at 9 November 2007, we had 104TWh of zero/capped collateral trades that will deliver over the period to March 2013 at fixed prices (excluding power already delivered under these contracts), up from 62TWh at 12 November 2006 for delivery over the period to April 2011. One of these trades will defer cash receipts by a total of approximately £300m during the two years ending 31 March 2008. This cash will be received over the period up to 2011 or sooner to the extent substituted by letters of credit.

Lifetime extensions

A decision on lifetime extensions for Hinkley Point B and Hunterston B will be made by 31 March 2008. This is a decision for British Energy, subject to consent from the NDA, based on economics and maximising value, incorporating our lifetime boiler management plan. Currently, no factors ruling out lifetime extensions for Hinkley Point B and Hunterston B have been identified.

New Nuclear Build

The public consultation on the future of nuclear power in the UK closed on 10 October 2007, which should enable the Government to take a decision on new nuclear build around the end of calendar year.

We have the operational skills, experience and sites that make us well placed to play a key role at the heart of any new build programme. We have received significant interest from potential partners and are making good progress in our discussions with a number of parties. We are optimistic that we will be able to create partnerships that deliver value for our shareholders as and when the appropriate policy framework is in place. We will provide a further update on our partnering discussions before the end of the financial year.

In August 2007, the regulatory bodies began their safety assessments of four candidate reactor designs for potential deployment in the UK. We are carrying out our own broader assessment of all four candidate designs. Our assessment will consider their technical suitability for the UK Grid, construction and operational requirements, expected performance and cost.

We continue to develop the options for the sites that we own. We have commissioned a range of geological, environmental impact, marine and transmission system studies to build on our existing knowledge. We will continue to invest prudently to maintain these sites as strong candidates for new build. Decisions on site selection will be made following the Government's strategic siting assessment, which should start in 2008, subject to a positive decision on new nuclear.

The local communities around our sites are very important both to our existing operations and for new build. We will continue to keep them appraised of our plans and provide opportunities for dialogue.

⁽¹⁾ Six lost time accidents were originally reported in the comparable period, but due to the subsequent reporting of a further accident in the comparable period and a reclassification, the figure has been revised to eight lost time accidents.

FINANCIAL REVIEW

Financial Performance

Summary of Results

The unaudited results for the six months ended 30 September 2007 (the period) and 1 October 2006 (the comparable period) are summarised as follows:

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m
Revenue	1,390	1,359
Operating and energy costs	(879)	(878)
Adjusted EBITDA ⁽¹⁾	511	481
Other operating income	9	29
Other exceptional operating expenses	-	(17)
Cash Sweep Payment credit	134	-
Cash Sweep Payment	-	-
Depreciation	(119)	(100)
Amortisation of conversion asset	(70)	-
Other amortisation	(4)	(3)
Unrealised net losses on derivative financial instruments and commodity contracts	(68)	(59)
Operating profit	393	331
Financing (charges)/credits		
Interest payable	(39)	(27)
Interest receivable	40	23
Other finance income/(expenses)	13	2
Profit before taxation	407	329
Taxation	(164)	(140)
Net profit for the period attributable to shareholders	243	189

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

Revenue and Output

Revenue consists primarily of wholesale generation sales and sales by the group's direct supply business, British Energy Direct. The analysis of revenue is as follows:

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m
Revenue		
Wholesale generation sales	695	577
Direct supply sales excluding recovery of energy supply costs and renewable energy purchases recharged to customers	483	561
Revenue from generated electricity	1,178	1,138
Energy supply costs recharged to customers	190	192
Renewable energy purchases recharged to customers	17	24
Miscellaneous income	5	5
Total revenue	1,390	1,359

Output is analysed as follows:

	Six months ended 30 September 2007 TWh	Six months ended 1 October 2006 TWh
Nuclear power stations	27.8	29.0
Coal-fired power station - Eggborough	2.9	2.9
Total output	30.7	31.9

The group's output in the period of 30.7TWh was 4% less than the output achieved in the comparable period, due to losses incurred in connection with boiler issues at Hunterston B and Hinkley Point B. The impact of the reduced output has been mitigated by an increase in realised price from £35.7/MWh in the comparable period to £38.4/MWh in this period. Realised price is calculated as revenue from generated electricity divided by total output. Wholesale generation sales have increased by £118m and direct supply sales, excluding recovery of energy supply costs and renewable energy purchases recharged to customers, have decreased by £78m from the comparable period. The increase in wholesale generation sales relates to the higher realised prices obtained due to the movements in market prices and the completion on 1 April 2007 of an annual 5TWh contract at a price below £20/MWh. The reduced direct supply sales reflect lower volume delivered to direct supply customers at a lower realised price in comparison with the comparable period. Direct supply contracts are primarily contracted in two rounds which are completed by April and October and are influenced by the wholesale prices in the period immediately before these months. The reduced direct supply realised prices reflect the movement in prices during these contract rounds in comparison to those in the comparable period.

Operating and Energy Costs Summary

The group's operating and energy costs are analysed as follows:

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m
Fuel costs – nuclear	160	160
Fuel costs – Eggborough	63	54
Total fuel costs	223	214
Materials and services	251	264
Staff costs	198	184
Operating costs of generated electricity	672	662
Energy supply costs recharged to customers	190	192
Renewable energy purchases recharged to customers	17	24
Total operating and energy costs	879	878

Unit Operating Cost and Operating Margin

Unit operating cost increased to £25.9/MWh for the period from £24.0/MWh in the comparable period, and is calculated as operating costs of generated electricity plus depreciation and software amortisation, divided by total output. The increase in unit operating costs of £1.9/MWh is mainly due to reduced output and increases in fuel and depreciation costs. For further discussion on each category of costs refer to the sections below.

Deducting unit operating cost from realised price per unit results in an operating margin per unit of £12.5/MWh for the period (2006: £11.7/MWh).

Operating and Energy Costs

Fuel Costs

Nuclear fuel costs consist of the costs of procurement of uranium, conversion and enrichment services and fuel element fabrication (front end) and the costs of reprocessing, long-term storage and eventual disposal of the resulting waste products (back end). Full provision is also made for the projected back end costs of unburnt fuel at station closure.

Nuclear fuel costs have remained constant at £160m (2006: £160m), with the reduced nuclear output being offset by an increase in nuclear fuel cost from £5.5/MWh to £5.8/MWh. This increase is due to the revaluation of the provision for unburnt fuel at station closure, which is not linked to output for the period but to the amount of unburnt fuel in each individual reactor at the balance sheet date. After adjusting for this provision movement, the underlying unit cost is broadly consistent with the comparable period.

Eggborough fuel costs totalled £63m for the period (2006: £54m), or £21.7/MWh (2006: £18.6/MWh). Eggborough fuel costs include the cost of coal, oil, biomass and carbon allowances. Excluding carbon allowances, Eggborough fuel costs were £57m (2006: £52m), or £19.7/MWh (2006: £17.9/MWh). The increase in unit costs reflects upward movement in coal prices.

Carbon allowance costs totalled £6m for the period (2006: £2m). Due to the collapse in market prices of Phase I carbon allowances to virtually zero the carbon cost for the period's generation was £nil (2006: £10m). The carbon costs recognised relate primarily to losses on the close out of forward contracts, net of a credit from the revaluation of the previous year's unsettled carbon allowance liability. It is anticipated that a further charge of £58m will be recognised in fuel costs during this financial year. This charge relates to unrealised losses on Phase I carbon allowance forward contracts and has been recognised in unrealised net losses on derivative financial instruments and commodity contracts in the year ended 31 March 2007. It should be noted that it is the group's policy to lock in the costs at the time of selling Eggborough's output forward and therefore losses on forward contracts is the accounting entry that matches the sales recognised in the revenue line of the consolidated income statement.

Materials and Services

Materials and services costs comprise the operating expenses of the power stations and support functions. These costs of £251m (2006: £264m) have decreased by £13m from the comparable period. The group does not expect this reduction to continue for the full year.

Staff Costs

Staff costs totalled £198m in the period (2006: £184m), an increase of £14m from the comparable period. Higher staff numbers and the annual pay rise accounted for the increase.

Energy Supply Costs

Energy supply costs were £190m (2006: £192m) and primarily comprise the costs to the group of the Renewables 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.

Energy Purchases

The volume of energy purchased from renewable sources in the period was 0.6TWh, consistent with the comparable period. A reduction in the price paid for renewable energy resulted in a reduction in the cost of renewable energy purchases to £17m in the period (2006: £24m).

Other Operating Income

Other operating income relates to the utilisation of the contracts provision of £1m (2006: £29m), which was established at the Restructuring Effective Date (RED) and an £8m (2006: £nil) realisation of a contingent asset relating to the group's disposal of its interest in Bruce Power LP.

NLF Partial Conversion, Cash Sweep Payment Credit and Amortisation of Conversion Asset

As part of the Contribution Agreement made at the time of Restructuring, British Energy Group plc has an obligation to make annual Cash Sweep Payments to the Nuclear Liabilities Fund (NLF) should certain criteria be met. The annual Cash Sweep Payment was initially equal to 65% of the group's net cash flow, adjusted for certain items outlined in the Contribution Agreement. The NLF has the right to convert some or all of its entitlement to receive Cash Sweep Payments into convertible shares and to sell those shares. On disposal, the convertible shares automatically convert into ordinary shares of British Energy Group plc. On full conversion, the NLF would hold up to 65% of the enlarged equity share capital of British Energy Group plc.

On 30 May 2007 the Secretary of State for Trade and Industry announced his intention to direct the NLF to convert and sell part of its interest in British Energy Group plc. On 1 June 2007 British Energy Group plc received notice from the NLF intimating its intention to convert and sell approximately 400 million shares in the Company, with an over allotment option of a further 50 million shares in the Company. As a result on 6 June 2007 British Energy Group plc issued 450 million convertible shares of 10p each to the NLF, which were re-designated as 450 million ordinary shares of 10p each and admitted to the Official List of the UKLA and to trading on the London Stock Exchange on the same day. Following the conversion and share issue the Cash Sweep Payment percentage was reduced to approximately 36% and resulted in the recognition of a conversion asset of £2,340m, additional equity share capital of £45m and additional share premium of £2,295m representing the excess of the conversion share price of £5.20 over the nominal value of shares issued. The conversion asset represents the fair value of the obligation which was removed as a result of the exercise of the conversion right.

Following initial recognition, the conversion asset is being amortised over the estimated useful lives of the group's power stations. For the period from 6 June 2007 to 30 September 2007 the amortisation charge was £70m (2006: £nil).

Under the terms of the original Contribution Agreement, on a conversion by the NLF of part or all of its Cash Sweep Payment right, the NLF was entitled to both a Cash Sweep Payment on the part converted for the period up to conversion and any dividend in respect of the same period on the shares arising from the conversion. British Energy Group plc obtained agreement from the NLF and the Secretary of State for Trade and Industry to an amendment to the Cash Sweep Payment right and Cash Sweep Payment percentage adjustment formula in relation to the partial conversion, which took place in the period, so as to ensure the principle of economic parity was maintained and to avoid an unintended dilution of the Company's equity shareholders' interests. As a result, the £305m accrued in the 2007 Annual Report and Accounts for the Cash Sweep Payment due for the year ended 31 March 2007 was reduced by £134m to £171m to reflect the NLF's agreement to waive the proportion of the 2007 obligation due that was extinguished by the partial conversion in June 2007. The £134m reduction has been recognised as a credit in the consolidated income statement for this period; the remaining £171m obligation was paid in July 2007. In the event of further NLF conversions British Energy Group plc plans to seek similar agreements to maintain economic parity between the NLF and shareholders. Additionally, the new shares issued on conversion were entitled to the base dividend of 13.6p per ordinary share approved at British Energy Group plc's AGM on 19 July 2007. The effect of the new shares issued was to increase the amount of dividends paid on 31 July 2007 from the £80m anticipated in the 2007 Annual Report and Accounts to £140m.

Refer to page 19 of British Energy Group plc's 2007 Annual Report and Accounts for further details of the adverse effect on shareholders as a result of the current Cash Sweep Payment mechanism.

The Cash Sweep Payment percentage was 35.2% as at 30 September 2007, down from 64.0% at 31 March 2007. It reduced by approximately 28% because of the NLF's partial conversion into equity of its Cash Sweep Payment right in June 2007. The remainder of the decrease relates to the exercise of 6,051,999 of British Energy Group plc's Warrants and the Cash Sweep Payment, offset by the impact of the dividend payment made during the period.

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 for the 2008 financial year.

Depreciation and Other Amortisation

Depreciation of £119m (2006: £100m) was £19m higher than the comparable period due to increased expenditure on power stations and other plant and equipment, including overhaul. Other amortisation of £4m (2006: £3m) relates to amortisation on software in the period.

Unrealised Net Losses on Derivative Financial Instruments and Commodity Contracts

Unrealised net losses or gains on derivative financial instruments and commodity contracts arise as a result of fair value movements in the group's commodity contracts which fall within the scope of IAS 39 – Financial Instruments: Recognition and Measurement (IAS 39). Some of these are accounted for as cash flow hedges, with the movements in fair value taken directly to equity in the hedge reserve. The fair value movements of all other contracts in the scope of IAS 39 are presented in the unrealised net losses on derivative financial instruments and commodity contracts line of the consolidated income statement.

The charge to the consolidated income statement in the period of £68m (2006: £59m) represents a credit for the fair value movements in carbon allowance forward contracts of £5m (2006: £55m charge) offset by a charge for the fair value movement of electricity and other forward contracts of £73m (2006: £4m charge).

Financing (Charges)/Credits

Interest payable of £39m (2006: £27m) relates primarily to interest on British Energy's Bonds, together with finance fees on structured trading contracts. In line with the annual repayment of the bond principal in March 2007, the interest payable on the Bonds has declined by £2m to £20m.

Interest receivable of £40m (2006: £23m) relates to interest earned on cash deposits. This has increased as a result of higher interest bearing cash deposits and higher interest rates compared with the comparable period.

For details of other finance income of £13m (2006: £2m), refer to note 7 in the financial statements.

Taxation

A tax charge of £164m (2006: £140m) has been recognised in the consolidated income statement for the period; this comprises a deferred tax credit of £25m (2006: £140m charge) and a current tax charge of £189m (2006: £nil). 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 39% 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 of 39% is higher than the standard tax rate of 30% due to the forecast Cash Sweep Payment, accrued only at the year end, and conversion asset amortisation, which are treated as operating costs, being disallowable for tax purposes.

Net Profit and Earnings Per Share

Net profit for the period attributable to shareholders was £243m compared to £189m for the comparable period.

Basic earnings per share for the period was 28.2p (2006: 33.2p). This is based on the net profit for the period divided by the weighted average number of ordinary shares in issue during the period. For this calculation the net profit includes £134m relating to the waiver of the Cash Sweep Payment for the year ended 31 March 2007.

The diluted earnings per share for the period was 28.0p (2006: 32.3p). This is based on the net profit for the period, including the £134m Cash Sweep Payment credit, divided by the weighted average number of ordinary shares in issue, together with the dilutive weighted average of potential ordinary shares in respect of British Energy Group plc's Warrants issued to shareholders on Restructuring.

The adjusted earnings per share for the period was 15.6p (2006: 14.3p). As described in note 10 to the financial statements, the Cash Sweep Payment and the net profit attributable to shareholders do not necessarily reflect the respective economic interests of the NLF and equity shareholders in the profits of British Energy. 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 reserves (Forecast Expenditure Reserve).

An adjusted earnings per share has therefore been calculated by excluding the following from the net profit for the period attributable to shareholders:

- the Cash Sweep Payment credit relating to the year ended 31 March 2007 and related tax effect;
- the amortisation of the conversion asset for the period; and
- the impact of the Cash Sweep Payment and amortisation of the conversion asset for the year ending 31 March 2008 on the effective tax rate used for the six months' charge.

The weighted average share capital is adjusted by the number of shares that would have been in issue if the NLF had fully converted their remaining interest at the balance sheet date and the impact of the partial conversion had taken place at the start and not during the period.

Investment Programme

The group's priority of achieving operational safety and excellence requires significant expenditure to improve the reliability of the group's power stations. The group incurred the following costs as part of its continuing programme of investment:

	Six months ended 30 September 2007 Capital expenditure £m	Six months ended 30 September 2007 Investment in Plant £m	Six months ended 1 October 2006 Capital expenditure £m	Six months ended 1 October 2006 Investment in Plant £m
Capital additions	47	47	56	56
Strategic spares	1	1	7	4
Statutory outage costs	56	-	75	-
Capitalised expenditure	104	48	138	60
Non-recurring repair expenditure projects (NRR)	-	63	-	66
PiP staff costs	-	13	-	12
Total	104	124	138	138

Of the £104m (2006: £138m) of capital expenditure, £99m (2006: £135m) was capitalised within property, plant and equipment, and the remaining £5m (2006: £3m), relating to systems software, was capitalised in intangible assets. The group expects to continue to invest towards the higher end of the range £250m to £300m for the full financial year, excluding incremental expenditure on boiler closure unit inspections and assessment, currently expected to be around £20m.

Financial Position

Analysis of Cash Flows

At 30 September 2007 British Energy had cash and cash equivalents of £1,068m compared to £1,101m at 31 March 2007. The decrease in cash and cash equivalents is analysed in the following table:

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m
Net cash inflow generated from operations	207	305
Net cash used in investing activities	(104)	(138)
Net cash used in financing activities	(136)	(4)
Net (decrease)/increase in cash and cash equivalents	(33)	163
Cash and cash equivalents at the beginning of the period	1,101	638
Cash and cash equivalents at the end of the period	1,068	801

Net cash inflow generated from operations was £207m in comparison with £305m inflow in the comparable period. The improved operating profit performance was more than offset by increased Cash Sweep Payments, tax payments and working capital movements. The cash utilised in investing activities related to property, plant and equipment and software additions. The £136m (2006: £4m) utilised in financing activities relates to the payment of the base dividend and the purchase of British Energy Group plc's shares for share incentive schemes less proceeds from Warrants exercised during the period.

In addition to the cash and cash equivalents of £1,068m (31 March 2007: £1,101m), there are restricted cash and other financial assets of £193m (31 March 2007: £146m) at 30 September 2007 of which £132m (31 March 2007: £90m) is cash posted as collateral in support of trading activities. The total debt of £573m remains unchanged from the 31 March 2007 position.

Retirement Benefit Assets/(Obligations)

The group's retirement benefit obligations have reduced from a liability of £65m at 31 March 2007 to an asset of £147m at 30 September 2007. During this period the discount rate used to value the retirement benefit obligations increased from 5.4% to 5.9%. This and the return on the schemes investments are the main reasons for the significant actuarial gain in the period.

The retirement benefit obligations have been estimated as required by IAS 19 – Employee Benefits on the basis of the full triennial valuation carried out by an independent actuary at 31 March 2004. It is anticipated that the latest triennial valuation as at 31 March 2007 will be finalised towards the end of the financial year ending 31 March 2008. The group is working with the Trustees of the pension schemes to meet this timeframe. It is expected that updates to the actuarial mortality tables used in 2004 are likely to turn this period's reported surplus into a deficit.

Other Financial Issues

Dividend Policy

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

Following approval at British Energy Group plc's AGM, a base dividend of 13.6p per ordinary share (equivalent to £140m in total) was paid on 31 July 2007. It is anticipated that the annual base dividend will be sustainable for the foreseeable future based on the group's assessment of forecast electricity prices and output.

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

Distributable Reserves

The amount British Energy Group plc is able to distribute lawfully (by way of a dividend or other distribution) is governed by, amongst other things, 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.

The NLF partial conversion in June 2007, and any subsequent conversions, could have an impact on British Energy Group plc's future dividend policy. The impact could arise because the partial conversion significantly increased the carrying value of British Energy Group plc's investments in its subsidiary and intermediate group holding company, British Energy Holdings plc due to the recognition of a conversion asset of £2,340m in its subsidiary British Energy Generation Limited. The increase in carrying value of the investments increases the risk that impairment charges arising at a later date may impact upon British Energy Group plc's distributable reserves position and could restrict its ability to pay dividends to the enlarged shareholder base, following the conversion and sale by the NLF, in accordance with the dividend policy.

On 22 October 2007 the Court of Session in Edinburgh approved a £2,295m reduction of British Energy Group plc's share premium account, thereby creating distributable reserves of this value. The reduction of the share premium reserve by £2,295m equates to the amount of new share premium created in relation to the NLF partial conversion. If the reduction had applied at 30 September 2007 British Energy Group plc's share premium account would have reduced to £56m.

Eggborough Legal Proceedings

During the year ended 31 March 2007, the group instigated legal proceedings against Credit Suisse, in connection with the lending banks' options to acquire Eggborough in 2010. On 19 June 2007, British Energy Group plc announced that it had been successful in its court action. The outcome preserves the effect of the group's pre-emption rights, should the lending banks seek to sell or transfer their option rights to a third party before 31 March 2010. On 26 September 2007, Credit Suisse was granted leave to appeal. The appeal hearing has been scheduled to commence today, 13 November 2007.

Post Balance Sheet Event

On 21 March 2007, the Government announced its intention to reduce the corporation tax rate from 30% to 28% and phase out industrial buildings allowances, both with effect from 1 April 2008. The change in corporation tax rate has been reflected in the half-yearly financial report in relation to the impact on deferred tax. The phasing out of industrial buildings allowances was not included in the 2007 Finance Act and so is not considered to be substantively enacted at the balance sheet date. An estimate of the financial effect of this change, calculated at 28%, is that it would increase the net deferred tax liability by £43m.

On 22 October 2007 and 6 November 2007, British Energy Group plc made announcements in respect of an issue at Hartlepool and Heysham 1. A further update on this issue is included in the Chief Executive's Operational Review.

Forward-looking Statements

This document contains certain 'forward-looking' statements, including statements with respect to the group'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 the group. 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 the group 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.

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)

	Notes	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m	Three months ended 30 September 2007 £m	Three months ended 1 October 2006 £m
Revenue	4	1,390	1,359	722	630
Operating and energy costs	5	(879)	(878)	(464)	(438)
		511	481	258	192
Other operating income		9	29	8	14
Other exceptional operating expenses		-	(17)	-	(17)
Cash Sweep Payment credit	6	134	-	-	-
Cash Sweep Payment		-	-	-	-
Depreciation		(119)	(100)	(61)	(51)
Amortisation of conversion asset		(70)	-	(55)	-
Other amortisation		(4)	(3)	(2)	(1)
Unrealised net losses on derivative financial instruments and commodity contracts		(68)	(59)	(42)	(21)
Operating profit		393	331	106	116
Financing (charges)/credits					
Interest payable	7	(39)	(27)	(24)	(13)
Interest receivable	7	40	23	20	13
Other finance income/(expenses)	7	13	2	9	3
Profit before taxation		407	329	111	119
Taxation	8	(164)	(140)	(47)	(5)
Net profit for the period attributable to shareholders	12	243	189	64	114
Earnings per share (pence):					
Basic	10	28.2	33.2	6.2	20.0
Diluted	10	28.0	32.3	6.2	19.5

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)

	Notes	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m	Three months ended 30 September 2007 £m	Three months ended 1 October 2006 £m
Net (losses)/gains on hedged items for the period	12	(42)	47	(35)	23
Actuarial gains and losses on retirement benefit assets/(obligations) for the period (see note 11)	12	190	(52)	58	(54)
Tax on items taken directly to equity for the period	12	(44)	2	(6)	10
Net income recognised directly in equity		104	(3)	17	(21)
Net profit for the period attributable to shareholders	12	243	189	64	114
Total recognised income and expense		347	186	81	93

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2007 (UNAUDITED)

	Notes	As at 30 September 2007 £m	As at 31 March 2007 £m	As at 1 October 2006 £m
Assets				
Non-current assets				
Conversion asset		2,050	-	-
Property, plant and equipment		1,690	1,710	1,728
NLF and nuclear liabilities receivables		5,345	5,274	5,163
Deferred income tax asset		-	-	106
Goodwill and intangible assets		367	390	364
Trade and other receivables		257	168	83
Retirement benefit assets	11	147	-	-
		9,856	7,542	7,444
Current assets				
Conversion asset		220	-	-
Inventories		423	399	375
Nuclear liabilities receivable		201	195	193
Trade and other receivables		356	478	393
Restricted cash and other financial assets		193	146	227
Cash and cash equivalents		1,068	1,101	801
Derivative financial instruments and commodity contracts		22	105	34
		2,483	2,424	2,023
Total assets		12,339	9,966	9,467
Liabilities				
Current liabilities				
Borrowings		(57)	(57)	(53)
Trade and other payables		(383)	(776)	(508)
Current tax liability		(178)	(10)	-
Nuclear liabilities		(201)	(195)	(193)
Provisions for other liabilities and charges		(23)	(25)	(78)
Derivative financial instruments and commodity contracts		(98)	(74)	(74)
		(940)	(1,137)	(906)
Non-current liabilities				
Borrowings		(516)	(516)	(573)
Retirement benefit obligations	11	-	(65)	(247)
Nuclear liabilities		(5,345)	(5,274)	(5,163)
Deferred income tax liability		(82)	(63)	-
Provisions for other liabilities and charges		(44)	(50)	(88)
NLF liabilities		(187)	(194)	(198)
Deferred income		(5)	(5)	(5)
Derivative financial instruments and commodity contracts		(18)	(15)	-
		(6,197)	(6,182)	(6,274)
Total liabilities		(7,137)	(7,319)	(7,180)
Net assets		5,202	2,647	2,287
Equity				
Called up share capital	12	104	58	57
Share premium	12	2,351	40	26
Capital reserve	12	767	767	767
Hedge reserve	12	(28)	1	2
Warrant reserve	12	13	24	34
Retained earnings	12	1,995	1,757	1,401
Total shareholders' equity (including non-equity shareholders' interests)	12	5,202	2,647	2,287

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m
Operating activities		
Operating profit	393	331
Depreciation	119	100
Amortisation of conversion asset	70	-
Other amortisation	4	3
Share-based payments	4	4
Unrealised net losses on derivative financial instruments and commodity contracts	68	59
Movement in provisions for other liabilities and charges	(8)	(21)
Decrease in Cash Sweep Payment accrual	(134)	-
Cash Sweep Payment	(171)	(105)
Interest paid	(29)	(16)
Interest received	40	21
NLF liabilities payment	(11)	(11)
Difference between pension contributions paid and amounts recognised in consolidated income statement	(5)	(5)
Taxation paid	(21)	-
Increase in inventories	(24)	(33)
Decrease/(increase) in trade and other receivables	33	(21)
Increase in restricted cash and other financial assets	(47)	(21)
Decrease in trade payables and other payables	(98)	(22)
Decrease in intangible assets	24	42
Net cash inflow generated from operations	207	305
Cash flows from investing activities		
Purchases of property, plant and equipment	(99)	(135)
Purchases of software	(5)	(3)
Net cash used in investing activities	(104)	(138)
Cash flows from financing activities		
Purchase of own shares for share incentive schemes	(2)	(5)
Exercise of Warrants	6	1
Equity dividends paid	(140)	-
Net cash used in financing activities	(136)	(4)
Net (decrease)/increase in cash and cash equivalents	(33)	163
Cash and cash equivalents at the beginning of the period	1,101	638
Cash and cash equivalents at the end of the period	1,068	801

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

In preparing the half-yearly financial statements for the six months ended 30 September 2007, the Board of Directors have used the principal accounting policies and methods of computation as set out in British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2007 and the policy in note 2 below. The half-yearly financial report has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and with IAS 34 – Interim Financial Reporting as adopted by the European Union. The half-yearly financial statements should be read in conjunction with British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2007, which have been prepared in accordance with IFRS as adopted by the European Union.

The preparation of the half-yearly 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 2007 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 2007 was unqualified and did not contain a statement under Section 237 of the Companies Act 1985.

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

The half-yearly financial statements for the six months ended 30 September 2007 are unaudited but have been reviewed by the auditors and their report to British Energy Group plc is set out below.

This half-yearly financial report was approved by the Board of Directors on 13 November 2007.

2. Accounting Policies

In addition to the accounting policies set out in British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2007, British Energy has adopted the following policy in relation to the conversion asset.

Conversion Asset

The conversion asset represents the asset which arose following exercise of the NLF's conversion right.

The NLF conversion has been accounted for under IFRS 2 - Share-based Payment. The issue of new shares by British Energy Group plc, gave rise to the recording of ordinary share capital, together with share premium representing the excess of the conversion share price over the nominal value of shares issued. The conversion also gave rise to a conversion asset which represents the fair value of the obligation which is removed as a result of the exercise of the conversion right. The conversion asset is allocated between current and non-current assets as appropriate on the consolidated balance sheet.

The fair value of the conversion asset recorded as a result of the exercise of the conversion right has been deemed to be the fair value of the new equity issued at the conversion date. Following initial recognition, the conversion asset is measured at cost less amortisation and any accumulated impairment losses.

The charge for amortisation is calculated so as to write the conversion asset off on a straight line basis over the estimated useful lives of the nuclear power stations.

If at the balance sheet date an indication exists that the conversion asset may have suffered an impairment loss, the recoverable amount of the conversion asset is estimated to determine the extent of any impairment loss.

The application of this new accounting policy following the NLF conversion at a conversion share price of £5.20 resulted in shareholders' funds at 30 September 2007 being increased by £2,270m and the profit for the six months ended 30 September 2007 being reduced by £70m.

3. Seasonality of Operations

Electricity demand in the UK is seasonal, in that demand and prices are generally lower in the summer than in the winter. As a result, the group schedules a significant proportion of planned outages for the summer months. This seasonality in both prices and output has a direct effect on financial performance and cash flows.

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Output, Revenue and Segmental Information

	Six months ended 30 September 2007 TWh	Six months ended 1 October 2006 TWh	Three months ended 30 September 2007 TWh	Three months ended 1 October 2006 TWh
Output				
Nuclear power stations	27.8	29.0	14.8	13.7
Coal-fired power station - Eggborough	2.9	2.9	2.1	1.2
Total output	30.7	31.9	16.9	14.9

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m	Three months ended 30 September 2007 £m	Three months ended 1 October 2006 £m
Revenue				
Wholesale generation sales	695	577	382	255
Direct supply sales excluding recovery of energy supply costs and renewable energy purchases recharged to customers	483	561	233	272
Revenue from generated electricity	1,178	1,138	615	527
Energy supply costs recharged to customers	190	192	95	89
Renewable energy purchases recharged to customers	17	24	9	11
Miscellaneous income	5	5	3	3
Total revenue	1,390	1,359	722	630

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.

5. Operating and Energy Costs

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m	Three months ended 30 September 2007 £m	Three months ended 1 October 2006 £m
Fuel costs – nuclear	160	160	88	80
Fuel costs – Eggborough	63	54	39	20
Total fuel costs	223	214	127	100
Materials and services	251	264	129	143
Staff costs	198	184	104	95
Operating costs of generated electricity	672	662	360	338
Energy supply costs recharged to customers	190	192	95	89
Renewable energy purchases recharged to customers	17	24	9	11
Total operating and energy costs	879	878	464	438

6. Cash Sweep Payment Credit

As part of the Contribution Agreement made at the time of Restructuring, British Energy Group plc has an obligation to make annual Cash Sweep Payments to the Nuclear Liabilities Fund (NLF) should certain criteria be met. Under the terms of the original Contribution Agreement, on a conversion by the NLF of part or all of its Cash Sweep Payment right, the NLF was entitled to both a Cash Sweep Payment on the part converted for the period up to conversion and any dividend in respect of the same period on the shares arising from the conversion. British Energy Group plc obtained agreement from the NLF and the Secretary of State for Trade and Industry to an amendment to the Cash Sweep Payment right and Cash Sweep Payment percentage adjustment formula in relation to the partial conversion, which took place in the period, so as to ensure the principle of economic parity was maintained and to avoid an unintended dilution of British Energy Group plc's equity shareholders' interests. As a result, the £305m accrued in the 2007 Annual Report and Accounts for the Cash Sweep Payment due for the year ended 31 March 2007 was reduced by £134m to £171m to reflect the NLF's agreement to waive the proportion of the 2007 obligation due that was extinguished by the partial conversion in June 2007. The £134m reduction has been recognised as a credit in the consolidated income statement for this period; the remaining £171m obligation was paid in July 2007.

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Other Finance Charges/(Credits)

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m	Three months ended 30 September 2007 £m	Three months ended 1 October 2006 £m
Interest payable:				
Interest payable on bonds	20	22	10	11
Other interest payable	19	5	14	2
Total interest payable	39	27	24	13

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m	Three months ended 30 September 2007 £m	Three months ended 1 October 2006 £m
Interest receivable:				
Interest receivable	(40)	(23)	(20)	(13)
Total interest receivable	(40)	(23)	(20)	(13)

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m	Three months ended 30 September 2007 £m	Three months ended 1 October 2006 £m
Other finance (income)/expenses:				
Revalorisation of nuclear liabilities	179	217	61	83
Revalorisation of nuclear liabilities receivable	(73)	(93)	(25)	(35)
Revalorisation of NLF receivable	(106)	(124)	(36)	(48)
Revalorisation of contracts provision	-	3	-	1
Revalorisation of NLF liabilities	4	10	-	3
Net revalorisation charges	4	13	-	4
Expected return on plan assets in the pension schemes (see note 11)	(91)	(82)	(46)	(41)
Interest on defined benefit obligations (see note 11)	74	67	37	34
Total other finance income	(13)	(2)	(9)	(3)

8. Taxation

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m	Three months ended 30 September 2007 £m	Three months ended 1 October 2006 £m
Current tax:				
UK corporation tax	189	-	91	-
	189	-	91	-
Deferred tax:				
Temporary differences	(25)	140	(44)	5
	(25)	140	(44)	5
Tax charged to the consolidated income statement	164	140	47	5

The tax charge for the six months ended 30 September 2007 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 39% 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 of 39% is higher than the standard tax rate of 30% due to the forecast Cash Sweep Payment, accrued only at the year end, and conversion asset amortisation, which are treated as operating costs, being disallowable for tax purposes.

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Dividends Paid

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m	Three months ended 30 September 2007 £m	Three months ended 1 October 2006 £m
Declared and paid during the period:				
Equity dividends on ordinary shares:				
Base dividend, payable as a final dividend: 13.6p per share (2006: £nil)	140	-	140	-
Total dividends paid	140	-	140	-

10. Earnings per Share

	Six months ended 30 September 2007	Six months ended 1 October 2006	Three months ended 30 September 2007	Three months ended 1 October 2006
Basic earnings per share:				
Net profit for the period attributable to shareholders (£m)	243	189	64	114
Weighted average share capital (number of shares, million)	863	570	1,028	570
Earnings per share (pence)	28.2	33.2	6.2	20.0
Diluted earnings per share:				
Net profit for the period attributable to shareholders (£m)	243	189	64	114
Diluted weighted average share capital (number of shares, million)	869	586	1,034	586
Diluted earnings per share (pence)	28.0	32.3	6.2	19.5
Adjusted earnings per share:				
Net profit for the period attributable to shareholders (£m)	243	189	64	114
Adjustment in respect of Cash Sweep Payment credit (£m)	(134)	-	-	-
Adjustment in respect of conversion asset amortisation (£m)	70	-	55	-
Adjustments in respect of taxation (£m)	68	40	37	(31)
Adjusted net profit for the period attributable to shareholders (£m)	247	229	156	83
Basic weighted average share capital (number of shares, million)	863	570	1,028	570
Adjustment to weighted average share capital for timing of conversion share issue (number of shares, million)	164	-	-	-
Maximum Cash Sweep conversion at balance sheet date (number of shares, million)	560	1,027	560	1,027
Adjusted weighted average share capital (number of shares, million)	1,587	1,597	1,588	1,597
Adjusted earnings per share (pence)	15.6	14.3	9.8	5.2

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 863 million (comparable period: 570 million) ordinary shares in issue together with the dilutive weighted average of potential ordinary shares of 6 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 British Energy. 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 following from the net profit for the period attributable to shareholders:

- the Cash Sweep Payment credit relating to the year ended 31 March 2007 and related tax effect;
- the amortisation of the conversion asset for the period; and
- the impact of the Cash Sweep Payment and amortisation of the conversion asset for the year ending 31 March 2008 on the effective tax rate used for the six months' charge.

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The weighted average share capital is adjusted by the number of shares that would have been in issue if the NLF had fully converted their remaining interest at the balance sheet date and the impact of the partial conversion had taken place at the start and not during the period.

11. Retirement Benefit Assets/(Obligations)

(i) Pension Schemes

The group operates two separate defined benefit pension arrangements in the UK within the Electricity Supply Pension Scheme (ESPS), the British Energy Generation Group (BEGG) for the majority of employees and the British Energy Combined Group (BECG) for the employees at Eggborough power station. The ESPS is a defined benefit scheme, which is externally funded and subject to triennial actuarial valuation. Each pension group that participates in the ESPS is financially independent from the other groups.

Formal triennial valuations of the BEGG and the BECG pension schemes at 31 March 2007 are currently being undertaken. It is anticipated that the latest triennial valuation as at 31 March 2007 will be finalised towards the end of the financial year ending 31 March 2008. It is expected that updates to the actuarial mortality tables used in 2004 are likely to turn this period's reported surplus into a deficit.

(ii) Amounts Recognised in the Consolidated Balance Sheet

The changes in the retirement benefit assets/(obligations) recognised in the consolidated balance sheet are as follows:

	As at 30 September 2007 £m	As at 1 October 2006 £m
Opening retirement benefit obligations at 1 April	(65)	(215)
Current service cost	(35)	(33)
Past service cost	(2)	(7)
Other finance income	17	15
Contributions by employer	42	45
Net actuarial gains and losses	190	(52)
Closing retirement benefit assets/(obligations)	147	(247)

During the period ended 30 September 2007 the discount rate used to value the retirement benefit obligations increased from 5.4% at 31 March 2007 to 5.9% at 30 September 2007.

12. 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 2007	58	40	767	1	24	1,757	2,647
Net profit for the period attributable to shareholders	-	-	-	-	-	243	243
Equity dividends paid (see note 9)	-	-	-	-	-	(140)	(140)
Net (expense)/income recognised directly in equity	-	-	-	(42)	-	190	148
Deferred tax on items recognised directly in equity	-	-	-	13	-	(57)	(44)
Total income for the period	-	-	-	(29)	-	236	207
Shares issued	45	2,295	-	-	-	-	2,340
Share-based payments	-	-	-	-	-	4	4
Purchase of own shares for share incentive schemes	-	-	-	-	-	(2)	(2)
Exercise of Warrants	1	16	-	-	(11)	-	6
Balance as at 30 September 2007	104	2,351	767	(28)	13	1,995	5,202

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On 30 May 2007 the Secretary of State for Trade and Industry announced his intention to direct the NLF to convert and sell part of its interest in British Energy Group plc. On 1 June 2007 British Energy Group plc received notice from the NLF intimating its intention to convert and sell approximately 400 million shares in the Company, with an over allotment option of a further 50 million shares in the Company. As a result on 6 June 2007 British Energy Group plc issued 450 million convertible shares of 10p each to the NLF, which were re-designated as 450 million ordinary shares of 10p each and admitted to the Official List of the UKLA and to trading on the London Stock Exchange on the same day. Following the conversion and share issue the Cash Sweep Payment percentage was reduced to approximately 36% and resulted in the recognition of a conversion asset of £2,340m, additional equity share capital of £45m and additional share premium of £2,295m representing the excess of the conversion share price of £5.20 over the nominal value of shares issued. The conversion asset represents the fair value of the obligation which was removed as a result of the exercise of the conversion right.

On 22 October 2007 the Court of Session in Edinburgh approved a £2,295m reduction of British Energy Group plc's share premium account, thereby creating distributable reserves of this value. The reduction of the share premium reserve by £2,295m equates to the amount of new share premium created in relation to the NLF partial conversion. If the reduction had applied at 30 September 2007 British Energy Group plc's share premium account would have reduced to £56m.

	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
Net profit for the period attributable to shareholders	-	-	-	-	-	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

13. Contingent Assets

The group had certain contingent assets as a result of its disposal of its 82.4% interest in Bruce Power LP. During the period the group received a payment of C\$15m as additional consideration in respect of the restart of Bruce A Units 3 and 4. This has been recognised within the consolidated income statement in other operating income. There have been no other significant changes to the group's other contingent assets as disclosed in British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2007.

14. Contingent Liabilities

There have been no significant changes to the group's contingent liabilities as disclosed in British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2007.

15. Related Parties

British Energy Group plc is a public limited company owned by its shareholders and operates within an extensive contractual framework established as part of the Restructuring. The most significant contract, in terms of the limitations it places on the business, is the Contribution Agreement between the Secretary of State and British Energy Group plc. Within this contractual framework, British Energy Group plc is managed independently by the Board, which continues to direct the finances and operating policies of the group and is subject to the normal private sector disciplines, fiduciary duties and Companies Act requirements. British Energy Group plc considers that no party is a controlling party under the terms of IAS 24 – Related Party Disclosures.

The following transactions were carried out with related parties:

(i) Entities with Significant Influence over the group

The group considers Her Majesty's Government (HMG) to be a related party due to the significant influence exercised by HMG following the group's Restructuring. The following transactions took place during the period with HMG and sponsored bodies under its control:

- HMG meets the group's historic contracted nuclear liabilities to BNFL, a Government controlled body. The nuclear liabilities receivable is recognised on the consolidated balance sheet in relation to these liabilities and decreased from £2,223m at 31 March 2007 to £2,195m at 30 September 2007.
- The group made fixed decommissioning funding contributions to the NLF of £11m (2006: £11m). In the year ended 31 March 2007, a payment of £6m was made in respect of PWR fuel loaded into the Sizewell B reactor. No such payment has been made this period. Additionally the group made a payment of £1m in the period in respect of the group's share of the NLF's administration costs for the year to 31 March 2007.

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- The group made payments to BNFL of £167m (2006: £162m) during the period in respect of front and back end fuel costs. In addition, under the Government indemnity in respect of historic nuclear liabilities, consideration of £102m (2006: £97m) was passed to BNFL in the period. The balance outstanding due to BNFL at the end of the period was £25m (31 March 2007: £16m). Amounts due from the group to BNFL at 30 September 2007 under the Historic Liability Funding Agreement amounted to £2,195m (2006: £2,223m).
- The group is required to make Cash Sweep Payments to the NLF depending on certain criteria being met. See note 6 for further details.

The NLF, a Government controlled company, was issued with Bonds of £275m by British Energy Holdings plc as part of the Restructuring on 15 January 2005, however, as they are bearer bonds the group is unable to confirm the total value held by the NLF at 30 September 2007. The outstanding amount of Bonds issued to the NLF is included within the £573m of borrowings outstanding at 30 September 2007. The group has also entered into a number of material transactions in its normal course of business with other sponsored bodies and departments of HMG including HM Revenue and Customs.

16. Post Balance Sheet Events

On 21 March 2007, the Government announced its intention to reduce the corporation tax rate from 30% to 28% and phase out industrial buildings allowances, both with effect from 1 April 2008. The change in corporation tax rate has been reflected in the half-yearly financial statements in relation to the impact on deferred tax. The phasing out of industrial buildings allowances was not included in the 2007 Finance Act and so is not considered to be substantively enacted at the balance sheet date. An estimate of the financial effect of this change, calculated at 28%, is that it would increase the net deferred tax liability by £43m.

On 22 October 2007 and 6 November 2007, British Energy Group plc made announcements in respect of an issue at Hartlepool and Heysham 1. A further update on this issue is included in the Chief Executive's Operational Review.

**BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors confirm that this condensed set of half-yearly financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the Chief Executive's Operational Review and the Financial Review herein include a fair review of the information required by Disclosure and Transparency Rules (DTR) 4.2.7 and DTR 4.2.8.

The Directors of British Energy Group plc are listed in British Energy Group plc's Annual Report and Accounts for 31 March 2007. A list of current Directors is maintained on the British Energy Group plc website: www.british-energy.com



Bill Coley
13 November 2007
Chief Executive



Stephen Billingham
13 November 2007
Finance Director

Independent review report to British Energy Group plc

Introduction

We have been engaged by British Energy Group plc to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007, which comprises the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, consolidated statement of cash flows and related condensed notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 - Interim Financial Reporting, as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.



PricewaterhouseCoopers LLP

Chartered Accountants
13 November 2007
Edinburgh

Notes:

- (a) The maintenance and integrity of the British Energy Group plc website is the responsibility of the Directors; the work carried out by auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the half-yearly financial 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.

BRITISH ENERGY HOLDINGS PLC
RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007
OF THE FINANCIAL YEAR ENDING 31 MARCH 2008

BRITISH ENERGY HOLDINGS PLC HALF-YEARLY REPORT

BACKGROUND

British Energy Holdings plc acts as an intermediate holding company within the British Energy group. British Energy Holdings plc has debt listed on the London Stock Exchange and therefore is required to prepare a consolidated half-yearly financial report for the six month period ended 30 September 2007 under the requirements of the Disclosure and Transparency Rules (DTR).

CHIEF EXECUTIVE'S OPERATIONAL REVIEW AND FINANCIAL REVIEW

The commentary included within the Chief Executive's Operational Review and the Financial Review for British Energy Group plc within this report, is mainly applicable to the Holdings Group with the following exceptions:

Financial Performance

Financing (Charges)/Credits

Interest payable of £58m (2006: £27m) relates primarily to interest on British Energy's Bonds, together with finance fees on structured trading contracts and interest payable to British Energy Group plc.

For details of other finance income of £11m (2006: £1m), refer to note 4 in the financial statements.

Taxation

A tax charge of £161m (2006: £140m) has been recognised in the consolidated income statement for the period; this comprises a deferred tax credit of £23m (2006: £140m charge) and a current tax charge of £184m (2006: £nil). 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% 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 of 40% is higher than the standard tax rate of 30% due to the forecast Cash Sweep Payment, accrued only at the year end, and conversion asset amortisation, which are treated as operating costs, being disallowable for tax purposes.

**BRITISH ENERGY HOLDINGS PLC FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)**

	Notes	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m
Revenue		1,390	1,359
Operating and energy costs		(879)	(878)
		511	481
Other operating income		9	29
Other exceptional operating expenses		-	(17)
Cash Sweep Payment credit		134	-
Cash Sweep Payment		-	-
Depreciation		(119)	(100)
Amortisation of conversion asset		(70)	-
Other amortisation		(4)	(3)
Unrealised net losses on derivative financial instruments and commodity contracts		(68)	(59)
Operating profit		393	331
Financing (charges)/credits			
Interest payable	4	(58)	(27)
Interest receivable	4	40	25
Other finance income/(expenses)	4	11	1
Profit before taxation		386	330
Taxation	5	(161)	(140)
Net profit for the period attributable to shareholders	6	225	190

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)**

	Notes	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m
Net (losses)/gains on hedged items for the period	6	(42)	47
Actuarial gains and losses on retirement benefit assets/(obligations) for the period	6	190	(52)
Tax on items taken directly to equity for the period	6	(44)	2
Net income recognised directly in equity		104	(3)
Net profit for the period attributable to shareholders	6	225	190
Total recognised income and expense		329	187

BRITISH ENERGY HOLDINGS PLC FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2007 (UNAUDITED)

	Notes	As at 30 September 2007 £m	As at 31 March 2007 £m	As at 1 October 2006 £m
Assets				
Non-current assets				
Conversion asset		2,050	-	-
Property, plant and equipment		1,690	1,710	1,728
NLF and nuclear liabilities receivables		5,345	5,274	5,163
Deferred income tax asset		-	-	106
Goodwill and intangible assets		367	390	364
Trade and other receivables		257	168	83
Retirement benefit assets		147	-	-
		9,856	7,542	7,444
Current assets				
Conversion asset		220	-	-
Inventories		423	399	375
Nuclear liabilities receivable		201	195	193
Trade and other receivables		488	493	401
Restricted cash and other financial assets		193	146	227
Cash and cash equivalents		1,068	1,101	801
Derivative financial instruments and commodity contracts		22	105	34
		2,615	2,439	2,031
Total assets		12,471	9,981	9,475
Liabilities				
Current liabilities				
Borrowings		(57)	(57)	(53)
Trade and other payables		(917)	(1,306)	(515)
Current tax liability		(173)	(10)	-
Nuclear liabilities		(201)	(195)	(193)
Provisions for other liabilities and charges		(23)	(25)	(78)
Derivative financial instruments and commodity contracts		(98)	(74)	(74)
		(1,469)	(1,667)	(913)
Non-current liabilities				
Borrowings		(516)	(516)	(573)
Retirement benefit obligations		-	(65)	(247)
Nuclear liabilities		(5,345)	(5,274)	(5,163)
Deferred income tax liability		(84)	(63)	-
Provisions for other liabilities and charges		(44)	(50)	(88)
NLF liabilities		(187)	(194)	(198)
Deferred income		(5)	(5)	(5)
Derivative financial instruments and commodity contracts		(18)	(15)	-
		(6,199)	(6,182)	(6,274)
Total liabilities		(7,668)	(7,849)	(7,187)
Net assets		4,803	2,132	2,288
Equity				
Called up share capital	6	10	10	10
Share premium	6	880	880	880
Capital reserve	6	3,001	731	731
Hedge reserve	6	(28)	1	2
Retained earnings	6	940	510	665
Total shareholders' equity (including non-equity shareholders' interests)	6	4,803	2,132	2,288

BRITISH ENERGY HOLDINGS PLC FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m
Operating activities		
Operating profit	393	331
Depreciation	119	100
Amortisation of conversion asset	70	-
Other amortisation	4	3
Share-based payments	4	4
Unrealised net losses on derivative financial instruments and commodity contracts	68	59
Movement in provisions for other liabilities and charges	(8)	(21)
Decrease in Cash Sweep Payment accrual	(134)	-
Cash Sweep Payment	(171)	(105)
Interest paid	(29)	(16)
Interest received	40	21
NLF liabilities payment	(11)	(11)
Difference between pension contributions paid and amounts recognised in consolidated income statement	(5)	(5)
Taxation paid	(21)	-
Increase in inventories	(24)	(33)
Increase in trade and other receivables	(84)	(26)
Increase in restricted cash and other financial assets	(47)	(21)
Decrease in trade payables and other payables	(115)	(16)
Decrease in intangible assets	24	42
Net cash inflow generated from operations	73	306
Cash flows from investing activities		
Purchases of property, plant and equipment	(99)	(135)
Purchases of software	(5)	(3)
Net cash used in investing activities	(104)	(138)
Cash flows from financing activities		
Purchase of shares for share incentive schemes	(2)	(5)
Net cash used in financing activities	(2)	(5)
Net (decrease)/increase in cash and cash equivalents	(33)	163
Cash and cash equivalents at the beginning of the period	1,101	638
Cash and cash equivalents at the end of the period	1,068	801

BRITISH ENERGY HOLDINGS PLC FINANCIAL STATEMENTS CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

In preparing the half-yearly financial statements for the six months ended 30 September 2007, the Board of Directors have used the principal accounting policies and methods of computation as set out in British Energy Holdings plc's financial statements for the year ended 31 March 2007 and the policy in note 2 below. The half-yearly financial report has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and with IAS 34 – Interim Financial Reporting as adopted by the European Union. The half-yearly financial statements should be read in conjunction with British Energy Holdings plc's financial statements for the year ended 31 March 2007, which have been prepared in accordance with IFRS as adopted by the European Union and British Energy Group plc's financial statements for the period ended 30 September 2007 as highlighted in note 3.

The preparation of the half-yearly 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 2007 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 2007 was unqualified and did not contain a statement under Section 237 of the Companies Act 1985.

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

The half-yearly financial statements for the six months ended 30 September 2007 are unaudited but have been reviewed by the auditors and their report to British Energy Holdings plc is set out below.

This half-yearly financial report was approved by the Board of Directors on 13 November 2007.

2. Accounting Policies

In addition to the accounting policies set out in British Energy Holdings plc's financial statements for the year ended 31 March 2007, the Holdings Group has adopted the following policy in relation to the conversion asset.

Conversion Asset

The conversion asset represents the asset which arose following exercise of the NLF's conversion right.

The issue of new shares by British Energy Group plc gave rise to the recording of a conversion asset and a capital reserve in the Holdings Group's financial statements. The conversion asset represents the fair value of the obligation which was removed as a result of the exercise of the conversion right. The conversion asset is allocated between current and non-current assets as appropriate on the consolidated balance sheet.

The fair value of the conversion asset recorded as a result of the exercise of the conversion right has been deemed to be the fair value of the new equity issued by British Energy Group plc at the conversion date. Following initial recognition, the conversion asset is measured at cost less amortisation and any accumulated impairment losses.

The charge for amortisation is calculated so as to write the conversion asset off on a straight line basis over the estimated useful lives of the nuclear power stations. The capital reserve is released each period to retained earnings by an amount equal to the amortisation charge.

If at the balance sheet date an indication exists that the conversion asset may have suffered an impairment loss, the recoverable amount of the conversion asset is estimated to determine the extent of any impairment loss.

The application of this new accounting policy following the NLF conversion at a conversion share price of £5.20 resulted in shareholders' funds at 30 September 2007 being increased by £2,270m and the profit for the six months ended 30 September 2007 being reduced by £70m.

3. Notes to the Consolidated Financial Statements

In addition to the notes to the half-yearly financial statements contained within the British Energy Holdings plc's half-yearly report reference should be made to notes 3 to 6, 11 and 13 to 16 of British Energy Group plc's financial statements, which are also applicable to the Holdings Group.

**BRITISH ENERGY HOLDINGS PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

4. Other Finance Charges/(Credits)

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m
Interest payable:		
Interest payable on bonds	20	22
Other interest payable	19	5
Interest payable to ultimate parent company	19	-
Total interest payable	58	27

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m
Interest receivable:		
Interest receivable	(40)	(23)
Interest receivable from ultimate parent company	-	(2)
Total interest receivable	(40)	(25)

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m
Other finance (income)/expenses:		
Revalorisation of nuclear liabilities	179	217
Revalorisation of nuclear liabilities receivable	(73)	(93)
Revalorisation of NLF receivable	(106)	(124)
Revalorisation of contracts provision	-	3
Revalorisation of NLF liabilities	4	10
Net revalorisation charges	4	13
Guarantee fees payable to ultimate parent company	2	1
Expected return on plan assets in the pension schemes	(91)	(82)
Interest on defined benefit obligations	74	67
Total other finance income	(11)	(1)

5. Taxation

	Six months ended 30 September 2007 £m	Six months ended 1 October 2006 £m
Current tax:		
UK corporation tax	184	-
	184	-
Deferred tax:		
Temporary differences	(23)	140
	(23)	140
Tax charged to the consolidated income statement	161	140

The tax charge for the six months ended 30 September 2007 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% 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 of 40% is higher than the standard tax rate of 30% due to the forecast Cash Sweep Payment, accrued only at the year end, and conversion asset amortisation, which are treated as operating costs, being disallowable for tax purposes.

BRITISH ENERGY HOLDINGS PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Equity

	Called up equity share capital £m	Share premium £m	Capital reserve £m	Hedge reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2007	10	880	731	1	510	2,132
Net profit for the period attributable to shareholders	-	-	-	-	225	225
Net (expense)/income recognised directly in equity	-	-	-	(42)	190	148
Deferred tax on items recognised directly in equity	-	-	-	13	(57)	(44)
Total income for the period	-	-	-	(29)	358	329
Recognition of conversion asset	-	-	2,340	-	-	2,340
Release of capital reserve	-	-	(70)	-	70	-
Share-based payments	-	-	-	-	4	4
Purchase of shares for share incentive schemes	-	-	-	-	(2)	(2)
Balance as at 30 September 2007	10	880	3,001	(28)	940	4,803

On 30 May 2007 the Secretary of State for Trade and Industry announced his intention to direct the NLF to convert and sell part of its interest in British Energy Group plc. On 1 June 2007 British Energy Group plc received notice from the NLF intimating its intention to convert and sell approximately 400 million shares, with an over allotment option of a further 50 million shares. As a result on 6 June 2007 British Energy Group plc issued 450 million convertible shares of 10p each to the NLF, which were re-designated as 450 million ordinary shares of 10p each and admitted to the Official List of the UKLA and to trading on the London Stock Exchange on the same day. Following the conversion and share issue the Cash Sweep Payment percentage was reduced to approximately 36% and resulted in the recognition of a conversion asset of £2,340m, additional equity share capital of £45m and additional share premium of £2,295m representing the excess of the conversion share price of £5.20 over the nominal value of shares issued in British Energy Group plc's financial statements. The conversion asset represents the fair value of the obligation which was removed as a result of the exercise of the conversion right.

In the Holdings Group financial statements, a conversion asset of £2,340m was also recognised and a capital reserve of £2,340m. The conversion asset is amortised over the estimated useful lives of the group's power stations and an amount equal to the amortisation charge has been released to retained earnings from the capital reserve.

	Called up equity share capital £m	Share premium £m	Capital reserve £m	Hedge reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2006	10	880	731	(31)	512	2,102
Net profit for the period attributable to shareholders	-	-	-	-	190	190
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	154	187
Share-based payments	-	-	-	-	(1)	(1)
Balance as at 1 October 2006	10	880	731	2	665	2,288

**BRITISH ENERGY HOLDINGS PLC FINANCIAL STATEMENTS
STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors confirm that this condensed set of half-yearly financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the Chief Executive's Operational Review and the Financial Review herein include a fair review of the information required by Disclosure and Transparency Rules (DTR) 4.2.7 and DTR 4.2.8.

The Directors of British Energy Holdings plc are listed in British Energy Holdings plc's financial statements for 31 March 2007. A list of current directors can be obtained from the Company Secretary at British Energy Holdings plc, Systems House, Alba Campus, Livingston, EH54 7EG.



Bill Coley
13 November 2007
Chief Executive



Stephen Billingham
13 November 2007
Finance Director

Independent review report to British Energy Holdings plc

Introduction

We have been engaged by British Energy Holdings plc to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007, which comprises the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, consolidated statement of cash flows and related condensed notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 - Interim Financial Reporting, as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.



PricewaterhouseCoopers LLP

Chartered Accountants
13 November 2007
Edinburgh

Notes:

- (a) The maintenance and integrity of the British Energy Group plc website is the responsibility of the Directors; the work carried out by auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the half-yearly financial 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 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.

BNGSL

British Nuclear Group Sellafield Limited.

Bruce

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

BSUoS

Balancing Services Use of System.

Contribution Agreement

The agreement dated 14 January 2005 and now between the Secretary of State, NLF, British Energy Generation Limited, British Energy Group plc and British Energy Holdings plc (as amended from time to time).

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.

DUoS

Distribution Use of System.

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

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.

EU ETS

European Union Emissions Trading Scheme.

FGD (Flue Gas Desulphurisation)

Equipment fitted to coal-fired power stations to reduce sulphur dioxide emissions.

Forward market price

The average of the mid-point of the daily closing prices over the relevant year for forward annual baseload power (starting with the average forward price of the next six month winter and following six month summer season contracts and thereafter the average forward price of the same following six month summer season contract and subsequent six month winter contract) as reported on European Daily Electricity Markets, published by Heren Energy.

GTMA

Grid Trade Master Agreement.

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.

Investment in Plant

Investment expenditure on plant projects, major repairs and strategic spares across the whole group, and incremental costs associated with the Performance Improvement Programme including associated staff costs.

ISDA

International Swap Dealers Association.

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 50MW thermal, that takes into account recent advances in combustion and abatement technologies to introduce revised limits for releases of SO₂, NO_x 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.

Levy Exemption Certificates (LECs)

The climate change levy is a tax on the use of energy in industry, commerce and the public sector. The purpose of the levy is to encourage the efficient use of energy, therefore a range of measures are in place to assist energy users to improve energy efficiency, one of which is the exemption for the use of renewable power. LECs are provided as proof that this exemption is valid. 1 LEC equals 1MWh of renewable energy.

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.

Load Factor

The electricity produced by a power station expressed as a percentage of the electricity it could have produced if operating at its reference energy generation over a fixed time period, usually one year.

Lost Time Accident (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.

Nuclear Reportable Events (NRE)

Nuclear Reportable Events

Nuclear Installations Inspectorate (NII)

A part of the Nuclear Safety Division Directorate of the Health and Safety Executive, which administer nuclear site licences.

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.

PiP

The Performance Improvement Programme

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 (ROCs)

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

Renewable Obligation Scheme

Scheme introduced by Utilities Act (2000) requiring electricity suppliers to ensure a proportion of sales are derived from renewable sources.

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 year and to remove the effect of one year'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.

TNUoS

Transmission Use of System.

TW (Terawatt): TWh (Terawatt-hour)

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

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.

Unplanned Energy Loss

In the context of Unplanned Capability Loss Factor, unplanned energy loss is energy that was not produced during the period because of unplanned shutdowns, outage extensions, or unplanned load reductions due to causes under plant management control. Causes of energy losses are considered to be unplanned if they are not scheduled at least four weeks in advance.

UKLA

United Kingdom Listing Authority.

Warrants

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