

BRITISH ENERGY GROUP PLC

NINE MONTHS including THIRD QUARTER TO 1 JANUARY 2006 of the FINANCIAL YEAR ENDING 31 MARCH 2006

Key Points

- British Energy has built on the positive half year results, delivering a good financial performance for the nine months. We continue to focus on improving our operational reliability.
 - Adjusted operating profit* of £377m for the nine months, £242m for the third quarter.
 - Adjusted EBITDA* of £517m for the nine months, £290m for the third quarter.
 - Results reflect the benefit of higher electricity prices and contracted winter prices in the third quarter with an operating margin increased to £7.5/MWh for the first nine months compared to £3.9/MWh for the half year.
- Total output for the nine months was 48.7 TWh (nuclear 43.9 TWh, coal 4.8 TWh), up from 47.5 TWh for the nine months of financial year 2004/05 (nuclear 42.7 TWh, coal 4.8 TWh).
- Realised price was £29.0/MWh for the nine months, compared to £25.0/MWh for the half year.
- Operating cash inflow from operations was £271m for the nine months. Net debt decreased in the nine months by £155m to £65m. Cash and cash equivalents and restricted cash were £611m as at 1 January 2006. Collateral requirements were £294m as at 1 January 2006.
- As at 17 February 2006, the Company had fixed contracts in place for substantially all planned output for the financial year 2005/06 at an average price of £33.3/MWh. Financial year 2006/07 book around 60% fixed at an average price of approximately £37.8/MWh excluding 5 TWh of capped contracts.
- Total output for the current financial year to 17 February 2006 was 59.4 TWh (nuclear 52.9 TWh, coal 6.5 TWh) after total unplanned losses for the period to 17 February 2006 of 11.5 TWh. Current performance is slightly below our expectations. We expect nuclear output for the financial year 2006/07 to be around 63 TWh.
- Investment in plant of £170m for the nine months.
- We are currently reviewing our plans for expenditure and investment in plant for the financial year 2006/07. We are considering investment in plant in the range £250m to £300m. We are also considering a high single digit percentage increase in operating costs starting in the financial year 2006/07 (including the effect of inflation) to reflect increased staff levels and materials and services costs including insurance and security costs.

The NLF Cash Sweep percentage was 64.66% as at 1 January 2006, down from 64.99% at 31 March 2005 as a result of the exercise of a number of the Company's warrants.

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

In accordance with the dividend policy set out within the accounts for the period ended 31 March 2005, no interim dividend was declared.

Bill Coley, British Energy CEO said:

"We continue to build on our performance for the half year, delivering good financial performance benefiting from higher electricity prices. We continue to target our investment programme to improve reliability and output and are considering an increase in planned investment for the financial year 2006/07. Our entry to the FTSE 100 marks an important milestone toward enhancing shareholder value."

	Quarter ended 1 January 2006	Nine months ended 1 January 2006
Business Performance		
Revenue, as adjusted (£m) *	696	1,704
Operating costs, as adjusted (£m) *	454	1,327
Operating profit, as adjusted (£m) *	242	377
EBITDA, as adjusted (£m) *	290	517

Total Results (including re-measurements)		
Revenue (£m)	696	1,675
Operating costs (£m)	452	1,328
Operating profit (£m)	244	347
EBITDA (£m)	292	487

Realised price (£/MWh)	37.6	29.0
Operating unit cost (£/MWh)	22.1	21.5
Operating margin (£/MWh)	15.5	7.5

Cash and liquid funds (£m)		611
Net (debt) (£m)		(65)

Output (TWh)	15.6	48.7
Nuclear	13.3	43.9
Coal	2.3	4.8

The Group's nine months results have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. This is the first time since completion of the restructuring of the Group on 14 January 2005 that British Energy Group plc has published nine months results. Therefore this report does not contain any comparative financial information but, where appropriate, does contain comparative non-financial information.

*Items marked * represent the results of operations adjusted to reflect the results before exceptional charges and other movements arising from re-measurement. During the nine months and quarter there were no exceptional charges. For the nine months and quarter the re-measurement adjustments relate solely to the re-measurement impact of IAS 39 on the results for the nine months and quarter. British Energy believes that the adjusted measures provide a better indication of the underlying business performance.*

Business Performance adjusted to exclude unwind of contract provision	Quarter ended 1 January 2006	Nine months ended 1 January 2006
EBITDA, as adjusted (£m) * (excluding unwind of contract provision) #	250	462
Operating unit cost (£/MWh) (excluding unwind of contract provision) #	24.7	22.6
Operating margin (£/MWh) (excluding unwind of contract provision) #	12.9	6.4

The results for the nine months and the quarter include a credit in respect of the unwind of the fair value of the contract provision established at restructuring and British Energy believes that readers should be aware of the impact on EBITDA and the operating margin of this. Items marked # represent the results of operations adjusted to reflect the results before the contract provision unwind.

Certain defined terms used in these nine months 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, 24 February 2006 and dial in facilities can be accessed by dialling;

UK dial in: 0845 113 0049
International dial in: +44 (0) 1452 542 303
US dial in: 1 866 389 9778

There will be a replay facility for 7 days:

UK local rate no: 0845 245 5205
UK International no: +44 (0) 1452 550 000
UK PIN (access) no: 5011170#

Management will host a further conference call for U.S. analysts, institutional investors and bondholders at 2.00pm (UK time), 24 February 2006. The conference can be accessed by dialling;

UK dial in: 0845 146 2010
International dial in: +44 (0) 1452 542 304
US dial in: 1 866 389 9780

For further information please contact:

John Searles	01506 408 715	(Investor Relations)
Andrew Dowler	020 7831 3113	(Media Enquiries)

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

CHIEF EXECUTIVE'S REVIEW

The first nine months has demonstrated a continued improvement in financial performance largely due to rising electricity prices and to an improvement in output compared to last year. Operating profit rose to £377m for the nine months. EBITDA rose to £517m compared to £227m for the first half, reflecting an increase in average realised price to £29.0/MWh. Earnings per share was 34.3p for the nine months.

Total output was 48.7 TWh for the nine months following marginally lower than expected output for the third quarter of 15.6 TWh, largely due to outages related to boiler closure unit inspections at Heysham 1 and Hartlepool. Total output to 17 February 2006 was 59.4 TWh of which nuclear output was 52.9 TWh. Unplanned losses to 17 February 2006, excluding net additional unplanned losses due to boiler closure units at Heysham 1 and Hartlepool of 3.4 TWh, were 8.1 TWh.

The financial year will continue to be a year of consolidation in operational performance. There have been continued improvements compared with the equivalent period in 2004/05 in unplanned small losses less than 1TWh. One unit at Hartlepool is expected to remain shutdown until March 2006 for replacement of the generator stator. Current performance is slightly below our expectations.

We have continued to make good progress with the investment programme bringing total investment in plant to £170m for the nine months. Six statutory outages have been completed to date, completing our statutory outage programme for the financial year 2005/06. The out-turn of these statutory outages and higher unplanned losses will lead to higher costs.

The realised price improved in the third quarter reflecting rising winter power prices and good management of balancing costs despite outages at Heysham 1 and Hartlepool. The focus remains on managing cash and collateral in a volatile electricity market.

The Group has improved substantially the fixed prices for expected output this year in a period when energy markets continue to be highly volatile. This requires us to remain focused on managing cash and collateral. We have increased the amount of zero collateral trades from 8 TWh to 15 TWh over 3.5 years. In addition, we have completed a fixed price contract for a total of 17.5 TWh (3.5 TWh per annum) over five years with collateral capped by way of deferred receivables.

We are currently reviewing our plans for expenditure and investment for the financial year 2006/07 to take advantage of expected increased cash flow. We are considering investment in the range £250m to £300m. We are also considering a high single digit percentage increase in operating costs starting in the financial year 2006/07 (including the effect of inflation) to reflect increased staff levels and materials and services costs including insurance and security costs.

The Energy Review is underway as the Government considers how best to meet its goals. We believe British Energy can continue to make a significant contribution to the energy needs of the UK by providing secure, reliable energy for business and industry.

We are also pleased to report that the Group gained entry to the FTSE 100 list of leading companies on 26 January 2006.

OPERATIONAL REVIEW

Plant Output and Performance

Nuclear output was 13.3 TWh (64% load factor) for the quarter and 43.9 TWh (69% load factor) for the nine months. The nuclear output for the quarter ended 31 December 2004 was 14.0 TWh (66% load factor) and for the nine months ended 31 December 2004 was 42.7 TWh (68% load factor). Unplanned capability loss factor increased to 19% for the quarter and 14% for the nine months. During the quarter statutory outages were completed at Heysham 2, Hinkley Point B and Dungeness B. Since successfully completing its statutory outage in May 2005, Sizewell B has operated continuously. There were planned outages amounting to 3.4 TWh of lost output in the quarter and 9.6 TWh for the nine months. Unplanned losses for the quarter were 4.0 TWh and 10.0 TWh for the nine months, including outage overruns.

Output from our coal-fired power station at Eggborough was 2.3 TWh during the quarter and 4.8 TWh for the nine months. For the quarter ended 31 December 2004, the output was 1.8 TWh and for the nine months ended 31 December 2004, the output was 4.8 TWh.

On 16 December 2005, the Department for Environment, Food and Rural Affairs clarified its position regarding the implementation of the Large Combustion Plant Directive (LCPD). This means that Eggborough shall be treated as a single plant for the purposes of the LCPD. Having performed a detailed evaluation of the options available, we elected on 2 February 2006 to operate the plant under the National Emissions Reduction Plan (NERP) regulations. This allows the plant to be operated at levels broadly consistent with historic generation without requiring the installation of additional Flue Gas Desulphurisation equipment. Discussions continue with the lending banks regarding their 2010 Option.

Operational Update

As part of its ongoing work to achieve improved operational performance, the Company has developed a continuous improvement function, reporting to the Chief Nuclear Officer. The process of embedding the improvements identified into the business has been largely completed and is an important transition for the Company. The establishment of this function has been welcomed by the industry as a typical trait of a high performing world class utility.

The Company's non-outage defect backlog has reduced by 52% over the last three quarters. Both nuclear reportable events and unplanned automatic trips continue to show an improvement in the nine months compared with the equivalent period in 2004/05.

Our human performance programme was also recognised by the industry as being at the forefront of such programmes in Europe.

We have continued to make good progress with the investment programme bringing the total investment in plant, human performance, projects, major repairs and strategic spares to £170m for the nine months. The main investment in plant included additional boiler safety work at Hartlepool and Heysham 1, turbine work at Heysham 1, low pressure rotor refurbishment at Heysham 2 and Hunterston B, generator transformer refurbishment and generator stator replacement at Hartlepool and cast iron replacement at Hinkley Point and Hunterston B. Investment replacing the data process system at Dungeness B commenced. Investment has also been made in strategic spares, including generator rotors, stator and transformers.

Capital expenditure, including capitalised investment spend, strategic spares and capitalised outage costs, is now expected to be in the range £170m to £210m (previously £125m to £150m) for the financial year 2005/06.

Safety and Environmental Performance

A fundamental priority of the Group is to effectively manage the safety of our plant. The British Energy industrial safety accident rate for the quarter is the lowest it has ever been. We continue to provide practical support, help and encouragement as we work with our contractor partners to help them achieve safety performance levels similar to those achieved by British Energy staff.

Environmental performance indicators in the year to date are ahead of the Group's expectations.

Quinquennial Review

In the report and accounts for the period ended 31 March 2005 we highlighted that the value attributed to uncontracted nuclear liabilities and decommissioning costs was provisional pending completion of a Quinquennial Review to re-cost the nuclear liabilities.

The Quinquennial Review has now been completed, subject to final agreement with the Nuclear Decommissioning Authority (NDA). The review has been carried out in consultation with the NDA and the costings have been verified by external consulting engineers. Following the review the level of estimated liabilities at RED has increased by £956m, on a discounted basis, resulting in the total liability at RED being restated to £5,265m. The increase equates to £2,032m on an undiscounted basis. Liabilities are discounted at a real rate of 3% per annum.

The increase in estimate is primarily due to higher costs being assessed for decommissioning. The estimate is based on a highly detailed costing study, which draws on experience gained in both the US and UK, and includes provision for the earlier completion of certain decommissioning workstreams.

As part of the restructuring arrangements we will be indemnified by the Government for any future shortfall on Nuclear Liabilities Fund (NLF) funding of qualifying nuclear liabilities and decommissioning costs. Therefore the increase in liabilities is fully offset by a corresponding increase in the Government's indemnity at that date and will have no impact on the level of the Group's future cash contributions to the NLF. Further details are provided in note 7 to the quarterly financial statements.

The value of the NLF's unexercised conversion right, to convert the 64.66% cash sweep payment rights into convertible shares of the Company, has increased by some £3,700m since the restructuring effective date of 14 January 2005 based on a share price of £6.20.

TRADING REVIEW

Trading Position

The electricity market has continued to be highly volatile throughout the quarter, responding to continuing uncertainty over gas supplies. The forward contract price for baseload electricity for 2006/07 rose from around £45/MWh at the end of September to almost £54/MWh at the end of the quarter. Since the end of the quarter, the forward market has remained volatile, with baseload for financial year 2006/07 trading in the range £50/MWh to £57/MWh.

We have continued our strategy of progressively closing out the exposure to market prices for 2005/06, and as at 17 February 2006, the Company had secured an average contract price of £33.3/MWh for substantially all of this year's output. This price includes the impact of capped price arrangements of approximately 5 TWh at around £30/MWh and the benefit of higher prices achieved as a result of Eggborough taking advantage of the differential between peak and baseload prices. This price excludes Balancing Services Use of System and other electricity market participation charges which have increased to around £1.0/MWh in the quarter and are now expected to be around £0.85/MWh for the financial year 2005/06. It also excludes the market costs incurred through output variation and unreliability expected to be around £1.0/MWh.

Our direct supply business to large industrial and commercial customers, British Energy Direct, has maintained its market share under difficult trading conditions with customers showing increased price sensitivity following steep rises in market prices.

Realised price was £29.0/MWh for the nine months and £37.6/MWh for the quarter.

We have continued to build the fixed price contract position for 2006/07 subject to limits on trading collateral, with around 60% of planned output fixed to date at a price of approximately £37.8/MWh. This price excludes the impact of capped price arrangements of approximately 5 TWh at around £30/MWh and the benefit of higher prices that may be achieved as a result of Eggborough taking advantage of the differential between peak and base load prices.

Collateral

The Group's strategy for securing part of its income through fixed price contracts means that in a volatile electricity market collateral requirements are also volatile. The Group's ability to secure longer term price certainty is limited by the amount of collateral and headroom available. However, we have increased the volume of sales which do not require collateral, and are continuing to develop further structures of this type.

The Group actively manages its use of collateral by selling electricity through a number of routes to market including through our direct supply business, British Energy Direct, which requires minimal collateral and also through the use of financial products and low collateral contractual structures.

Collateral requirements at 1 January 2006 were £294m, of which £244m is supported by cash balances on deposit and £50m is supported by a short term Letter of Credit. Collateral requirements as at 31 March 2005 were £216m.

FINANCIAL REVIEW

Group Performance

The unaudited results for the quarter and nine months are summarised as follows:

	3 months ended 1 January 2006 Business performance £m	3 months ended 1 January 2006 Re- measurement £m	3 months ended 1 January 2006 Total £m	9 months ended 1 January 2006 Business performance £m	9 months ended 1 January 2006 Re- measurement £m	9 months ended 1 January 2006 Total £m
Group revenue	696	-	696	1,704	(29)	1,675
EBITDA	290	2	292	517	(30)	487
Operating profit/(loss)	242	2	244	377	(30)	347
Financing charges	(11)	-	(11)	(33)	-	(33)
Profit/(loss) before tax	231	2	233	344	(30)	314

The discussion below focuses on the business performance results that are adjusted to reflect the results before exceptional charges and other movements arising from re-measurement. During the nine months and quarter there were no exceptional charges. For the nine months and quarter the re-measurement adjustments relate solely to the re-measurement impact of IAS 39. British Energy believes that this adjusted measure provides a better indication of underlying performance.

Revenue

Group revenue comprised generation sales, direct supply sales and miscellaneous income. Revenue was £1,704m for the nine months and £696m for the quarter. Revenue increased from the second quarter to the third quarter despite a reduction in output as a result of higher achieved prices.

The analysis of revenue is as follows:

	3 months ended 1 January 2006 £m	9 months ended 1 January 2006 £m
Group revenue		
Wholesale generation sales	288	714
Direct supply sales net of energy supply costs	298	699
	586	1,413
Energy supply costs recharged to customers	102	266
Energy purchases	7	16
Miscellaneous income	1	9
Revenue	696	1,704

Output is analysed as follows:

	3 months ended 1 January 2006 TWh	9 months ended 1 January 2006 TWh
Nuclear	13.3	43.9
Eggborough	2.3	4.8
Total	15.6	48.7

The realised price for the nine months was £29.0/MWh and £37.6/MWh for the quarter, calculated as revenue (before any re-measurement impact, energy supply costs recharged to customers, miscellaneous income and energy purchase costs) divided by total output.

Operating Costs

Operating costs were £1,327m for the nine months and £454m for the quarter, as detailed below.

	3 months ended 1 January 2006	9 months ended 1 January 2006
	£m	£m
Fuel costs – nuclear	77	256
Fuel costs – fossil	49	118
Total fuel costs	126	374
Materials and services	126	339
Staff costs	85	247
Depreciation	46	136
Amortisation	2	4
Other operating income	(40)	(55)
	345	1,045
Energy purchases	7	16
Energy supply costs	102	266
NLF Cash Sweep payment	-	-
Total operating costs	454	1,327

Total operating unit costs were £21.5/MWh for the nine months and £22.1/MWh for the quarter, calculated as total operating costs (before any re-measurement, energy supply costs recharged to customers and energy purchase costs) divided by total output.

The component elements of the operating costs are discussed below.

Fuel Costs

Total fuel costs amounted to £374m for the nine months and £126m for the quarter. Nuclear fuel costs were £256m for the nine months and £77m for the quarter. The decrease of £18m from the second quarter includes a £6m reduction as a result of reduced output in the quarter and a lower back end final core movement in provision of £12m. The value of back end final core costs is linked to the amount of fuel that remains unburned in reactors at the period end rather than being directly linked to the output of the period.

Eggborough fuel costs for the nine months were £118m and £49m for the quarter. The increase from the second quarter reflects the increased output at the station. Eggborough fuel costs include costs attributable to carbon, which are based on the market price of carbon net of purchases at the period end, and for the nine months were £29m and £7m for the quarter.

The market price of CO₂ allowances have decreased in the quarter from approximately €23/tonne at 2 October 2005 to approximately €21/tonne at 1 January 2006. The cost of CO₂ allowances impacts the marginal cost of coal and gas generation.

Materials and Services

Materials and services costs comprise the operating expenses of the power stations and support functions excluding fuel costs, staff costs and depreciation. These costs were £339m during the nine months and £126m during the quarter. The increase in costs from the second quarter was mainly due to additional investment expenditure incurred.

Staff Costs

Staff costs were £247m for the nine months and £85m for the quarter and included pension costs of £42m and £14m respectively.

Employer contributions to the pension scheme were £54m for the nine months and £20m for the quarter reflecting the impact of increased contributions agreed as part of deficit repair and new salary sacrifice arrangements introduced from 1 April 2005.

Other Operating Income

The other operating income of £55m for the nine months and £40m for the quarter relates to the unwind of the net commodity contracts provision, which was established on restructuring.

NLF Cash Sweep Payment

The NLF Cash Sweep percentage was 64.66% as at 1 January 2006, down from 64.99% at 31 March 2005 as a result of the exercise of a number of the Company's warrants. In accordance with the Group's accounting policy no accrual has been made for any potential future NLF Cash Sweep payment that may be payable based on the full year results. In accordance with the Government Contribution Agreement, an accrual will be made for the weighted average NLF Cash Sweep percentage payment applied to adjusted net cash flow as at 31 March 2006 to the extent adjusted net cash flow arising from operations during the year is above £290m plus posted collateral (subject to a £200m minimum) at 31 March 2006.

Operating Profit

The Group operating profit was £377m for the nine months and £242m for the quarter.

Financing Charges

The total financing charges are analysed below:

	3 months ended 1 January 2006 £m	9 months ended 1 January 2006 £m
Revalorisation of nuclear liabilities	66	212
Revalorisation of nuclear liabilities receivable and NLF receivable	(66)	(212)
Revalorisation of fixed decommissioning obligation	3	9
Revalorisation of contracts provision	3	10
Total revalorisation	6	19
Net interest expense	7	20
Net credit to finance charge for pension liability	(2)	(6)
Total financing charges	11	33

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

Revalorisation of nuclear liabilities arises because nuclear liabilities are stated in the balance sheet at current price levels, discounted at 3% per annum real from the eventual payment dates. The revalorisation charge is the adjustment that results from restating these liabilities to take into account the effect of inflation in the period and to remove the effect of the discount for the period.

A revalorisation credit arises in respect of movements in the value of nuclear liabilities receivable and the NLF receivable to take account of the underlying movement in nuclear liabilities.

Revalorisation charges arise in respect of the fixed decommissioning obligation and the contracts provision to reflect the unwinding of the discount for the nine months and quarter.

IAS 39 and Contract Provisions

The total movements on the IAS 39 values and the net commodity contracts provision established as part of the fair value exercise are analysed below:

	IAS 39 values £m	Contract provision £m	Total £m
As at 1 April 2005	34	238	272
Charge/(credit) to the income statement	32	(3)	29
Revalorisation	-	4	4
Increase in hedge reserve through the statement of recognised income and expense	52	-	52
As at 3 July 2005	118	239	357
Credit to the income statement	-	(12)	(12)
Revalorisation	-	3	3
Decrease in hedge reserve through the statement of recognised income and expense	(2)	-	(2)
As at 2 October 2005	116	230	346
Credit to the income statement	(2)	(40)	(42)
Revalorisation	-	3	3
Decrease in hedge reserve through the statement of recognised income and expense	(7)	-	(7)
As at 1 January 2006	107	193	300

Following the adoption of IAS 39 at 1 April 2005, the opening balance of £34m has risen by £73m to £107m. The effect on operating profit in the nine months has been a reduction of £30m with the balance of £43m being recognised through the statement of recognised income and expense.

The contract provision relates to contracts outside the scope of IAS 39, which were initially valued at the restructuring effective date of 14 January 2005. The provision is being utilised over the lives of these contracts. The provision has decreased by £45m in the nine months.

Taxation

Income tax is calculated on the profit for the period, before taking account of the income statement effect of any adjustments to the measurement and classification of financial instruments required by IAS 39, at the anticipated annual effective rate applicable to this profit. Any charge for the NLF Cash Sweep payment included in the annual results will not be tax deductible and therefore the anticipated annual effective rate is significantly higher than the standard rate of 30%. Adjustments to profit arising from the application of measurement and classification rules for financial instruments contained in IAS 39 are tax effected at the standard rate of 30%. There is no current tax charge in the period due to the availability of trading losses carried forward. The charge of £150m before re-measurement and £141m after re-measurement in the nine months and £104m before re-measurement and £105m after re-measurement for the quarter consists of deferred tax only.

Profit after Tax

As a result of the factors discussed above, the net profit for the period attributable to equity shareholders was £194m before re-measurement and £173m after re-measurement for the nine months and £127m before re-measurement and £128m after re-measurement for the quarter.

Earnings per Share (before NLF Cash Sweep)

There was an earnings per share of 34.3p for the nine months and 22.3p for the quarter, based on the net profit for the period before the effect of re-measurement divided by the weighted average number of ordinary shares in issue during the period. After the effect of re-measurement, earnings per share was 30.6p for the nine months and 22.5p for the quarter.

The diluted earnings per share for the nine months was 33.3p before the effect of re-measurement and 29.7p after the effect of re-measurement and for the quarter was 21.7p before the effect of re-measurement and 21.9p after the effect of re-measurement. The conversion rights of the NLF Cash Sweep are not considered dilutive.

Actuarial Loss on Pensions

There has been one significant change in the actuarial assumptions adopted at 1 January 2006 compared with 31 March 2005 that mainly contributed to the actuarial loss on pensions of £114m for the nine months that has been recorded in the statement of recognised income and expense. The discount rate used to value the liabilities has

changed from 5.5% per annum to 4.8% per annum in line with market changes in the yield on long-dated corporate bonds over the period. The discount rate used to value the liabilities has changed from 5.0% per annum at 2 October 2005 to 4.8% at 1 January 2006. The effect of the change in the discount rate is to place a higher value on the pension liabilities, resulting in a significant actuarial loss in the quarter.

Cash Flow and Net Debt

The operating cash inflow from operations was £271m for the nine months. When adjusted for the increase in restricted cash (£28m), capital expenditure (£149m), the exercise of warrants (£8m) and the costs associated with the sale of investments (£3m) there was an increase in total cash of £155m. The net debt has therefore reduced from £220m at 31 March 2005 to £65m at 1 January 2006.

Cash and cash equivalents include £14m to be repaid in respect of balances relating to capped contracts, as at 1 January 2006. We expect the total amount repayable under capped contracts to be approximately £60m by 31 March 2006. These amounts are expected to be settled by 31 March 2006.

SEC De-registration

On 16 December 2005, the Company filed a Form 15 with the US Securities and Exchange Commission (SEC), in connection with its de-registration from the SEC. As a consequence, our obligation to file reports with the SEC has been suspended. The de-registration process is expected to conclude by 16 March 2006.

Safe Harbour

Certain statements in this document are 'forward-looking' statements as defined in Section 21E of the US Securities Exchange Act of 1934. Such forward-looking statements include, among others:

- the anticipated development of the UK electricity industry, the future development of regulation of the UK electricity industry, the effect of these developments on our business, financial condition or results of operation; and
- other matters that are not historical facts concerning the Group's business operations, financial condition and results of operations.

These forward-looking statements involve known and unknown risks, uncertainties and other factors which are in some cases beyond the Group's control and may cause its actual results or performance to differ materially from those expressed or implied by such forward-looking statements. Due to the uncertainties and risks associated with these forward-looking statements, which apply only as at the date hereof, the Company is claiming the benefit of the safe harbour provision contained in Section 21E of the US Securities Exchange Act of 1934.

NON-GAAP FINANCIAL MEASURES

Business Performance

Business performance excludes certain re-measurement items (see below) and is presented as management believes that exclusion of these items provides readers with a clear and consistent presentation of the underlying operating performance of the Group's business.

Re-measurement

The impact of re-measurement reflects exceptional charges and other movements, including the impact of IAS 39. The scope of IAS 39 includes all financial instruments i.e. loans, trade receivables, payables, investments, cash and derivatives, as well as certain commodity contracts. The standard requires that all derivatives, including certain commodity contracts, are fair valued on the balance sheet, with changes from re-measurement being recorded in the income statement unless cash flow hedge accounting is applied.

Unrealised gains and losses in respect of commodity contracts are disclosed separately as re-measurements. Realised gains and losses relating to these contracts are included in business performance. Management considers that this presentation best reflects the underlying performance of the business since it distinguishes between the temporary timing differences associated with re-measurement under IAS 39 rules and actual realised gains and losses.

Exceptional charges, by their nature, are not indicative of the underlying operating performance of the Group.

For a reconciliation between the overall results and business performance and details of re-measurement items, see the consolidated income statement.

Realised Price

Realised price is calculated by dividing revenue (before any re-measurement impact, energy supply costs recharged to customers and miscellaneous income, and net of energy purchase costs) by total output during the period. The adjustments to revenue allow management and investors a better understanding of the net price that customers are paying for our electricity.

Total Operating Unit Costs

Total operating unit costs are calculated by dividing the total operating costs (before any re-measurement, energy supply costs recharged to customers and energy purchase costs) by total output during the period.

EBITDA

EBITDA is operating profit before interest, income taxes, depreciation and amortisation and has been presented both including and excluding the effects of re-measurement. The Company has included information concerning EBITDA because it believes that it is used by certain investors as one measure of the Company's financial performance. EBITDA is not a measure of financial performance under IFRS and is not necessarily comparable to similarly titled measures used by other companies. EBITDA should not be construed as an alternative to operating income or to cash flows from operating activities (as determined in accordance with IFRS) as a measure of liquidity.

CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTHS AND NINE MONTHS ENDED 1 JANUARY 2006 (UNAUDITED)

	Notes	3 months ended 1 January 2006 Business performance £m	Re-measurement	3 months ended 1 January 2006 Total £m	9 months ended 1 January 2006 Business performance £m	9 months ended 1 January 2006 Re-measurement £m	9 months ended 1 January 2006 Total £m	2 July 2004 to 31 March 2005 £m
Revenue	2	696	-	696	1,704	(29)	1,675	499
Energy purchases		(7)	3	(4)	(16)	3	(13)	(17)
Fuel costs		(126)	(1)	(127)	(374)	(4)	(378)	(127)
Materials and services		(126)	-	(126)	(339)	-	(339)	(82)
Staff costs		(85)	-	(85)	(247)	-	(247)	(82)
Energy supply costs		(102)	-	(102)	(266)	-	(266)	(73)
Other operating income/(costs)		40	-	40	55	-	55	(8)
Operating profit/(loss) before depreciation and amortisation (EBITDA)		290	2	292	517	(30)	487	110
Depreciation		(46)	-	(46)	(136)	-	(136)	(40)
Amortisation		(2)	-	(2)	(4)	-	(4)	(1)
Operating profit/(loss)		242	2	244	377	(30)	347	69
Financing (charges)/credits								
Net revaluation charges	3	(6)	-	(6)	(19)	-	(19)	(5)
Interest payable		(13)	-	(13)	(38)	-	(38)	(10)
Interest receivable		6	-	6	18	-	18	5
Net credit to finance charges for pension liabilities		2	-	2	6	-	6	1
Profit/(loss) before tax		231	2	233	344	(30)	314	60
Taxation	4	(104)	(1)	(105)	(150)	9	(141)	(19)
Net profit/(loss) for the period attributable to equity shareholders		127	1	128	194	(21)	173	41
Earnings/(deficit) per share (p):								
Basic	5	22.3	0.2	22.5	34.3	(3.7)	30.6	7.3
Diluted	5	21.7	0.2	21.9	33.3	(3.6)	29.7	7.0

The Income Statement for the period 2 July 2004 to 31 March 2005 represents the trading results for the period from 15 January 2005 to 31 March 2005, the period after the acquisition of British Energy Limited by British Energy Group plc.

**CONSOLIDATED BALANCE SHEET
AS AT 1 JANUARY 2006 (UNAUDITED)**

	Notes	As at 1 January 2006 £m	As at 31 March 2005 (restated) £m
Assets			
Non-current assets			
Property, plant and equipment		1,694	1,686
NLF receivable		2,955	2,831
Nuclear liabilities receivable		2,078	2,131
Deferred income tax asset		341	429
Goodwill and intangible assets		376	376
Receivables due after more than one year		1	4
Financial instruments - commodity contracts		1	-
		7,446	7,457
Current assets			
Inventories		350	331
Nuclear liabilities receivable		190	181
Trade and other receivables		478	327
Cash and cash equivalents		362	235
Restricted cash		249	221
Financial instruments - commodity contracts		13	-
		1,642	1,295
Total assets		9,088	8,752
Liabilities			
Current liabilities			
Borrowings		(50)	(50)
Trade and other payables		(472)	(378)
Nuclear liabilities		(190)	(181)
Provisions for other liabilities and charges		(144)	(230)
Financial instruments - commodity contracts		(113)	-
		(969)	(839)
Non-current liabilities			
Borrowings		(626)	(626)
Pension fund liability	6	(478)	(381)
Provision for nuclear liabilities		(2,955)	(2,831)
Provisions for other liabilities and charges		(86)	(108)
Nuclear liabilities		(2,078)	(2,131)
NLF liabilities		(204)	(210)
Financial instruments - commodity contracts		(8)	-
Deferred income		(5)	(5)
		(6,440)	(6,292)
Total liabilities		(7,409)	(7,131)
Net assets		1,679	1,621
Equity			
Called up equity share capital		57	56
Share premium		22	-
Other reserves		767	767
Hedge reserve		(51)	-
Warrant reserve		36	51
Retained earnings		848	747
Total equity		1,679	1,621

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE THREE AND NINE MONTHS ENDED 1 JANUARY 2006 (UNAUDITED)**

	3 months ended 1 January 2006 £m	9 months ended 1 January 2006 £m	2 July 2004 to 31 March 2005 £m
Gains/(losses) on hedges recognised for the period	7	(43)	-
Actuarial (losses)/gains on retirement benefits for the period	(25)	(114)	82
Tax on items taken directly to equity for the period	5	46	(25)
Net (expense)/income recognised directly in equity for the period	(13)	(111)	57
Adjustment for the implementation of IAS 39 after tax at 1 April 2005	-	(15)	-
Net (expense)/income recognised directly in equity	(13)	(126)	57
Profit for the period	128	173	41
Total recognised income and expense	115	47	98

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE AND NINE MONTHS ENDED 1 JANUARY 2006 (UNAUDITED)**

	Called up equity share capital £m	Other reserves £m	Hedge reserve £m	Warrant reserve £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 April 2005	56	767	-	51	-	747	1,621
Adjustment for the implementation of IAS 39 after tax at 1 April 2005	-	-	(15)	-	-	-	(15)
Net income/(expense) recognised directly in equity	-	-	(42)	-	-	(115)	(157)
Share based payments	-	-	-	-	-	1	1
Profit for the period	-	-	-	-	-	16	16
Exercise of warrants	1	-	-	(9)	13	-	5
Balance at 3 July 2005	57	767	(57)	42	13	649	1,471
Net income/(expense) recognised directly in equity	-	-	1	-	-	58	59
Share based payments	-	-	-	-	-	1	1
Profit for the period	-	-	-	-	-	29	29
Exercise of warrants	-	-	-	(4)	7	-	3
Balance at 2 October 2006	57	767	(56)	38	20	737	1,563
Net income/(expense) recognised directly in equity	-	-	5	-	-	(18)	(13)
Share based payments	-	-	-	-	-	1	1
Profit for the period	-	-	-	-	-	128	128
Exercise of warrants	-	-	-	(2)	2	-	-
Balance at 1 January 2006	57	767	(51)	36	22	848	1,679

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED 1 JANUARY 2006 (UNAUDITED)**

	3 months ended 1 January 2006 £m	9 months ended 1 January 2006 £m	2 July 2004 to 31 March 2005 £m
Operating activities			
Operating profit for the period	244	347	69
Amortisation charges	2	4	1
Depreciation	46	136	40
Loss on disposal of property, plant and equipment	-	1	-
IAS 39 movement	(2)	45	-
Movement in other provisions	(44)	(58)	19
Interest paid	(1)	(30)	(12)
Interest received	6	22	3
Regular contributions to NLF	(5)	(22)	(5)
(Increase)/decrease in inventories	(12)	(19)	23
(Increase)/decrease in trade and other receivables	(195)	(163)	65
Decrease/(increase) in restricted cash	30	(28)	69
Increase/(decrease) in trade payables and other payables	52	36	(84)
Net cash inflow generated from operations	121	271	188
Cash flows from investing activities			
Net cash acquired with subsidiary	-	-	113
Purchases of property, plant and equipment	(48)	(145)	(35)
Purchases of intangible assets	(1)	(4)	-
Proceeds from disposal of property	-	-	7
Net cash used in investing activities	(49)	(149)	85
Cash flows from financing activities			
Exercise of warrants	-	8	-
Repayments of borrowings	-	-	(28)
Share issue expense	-	-	(10)
Proceeds from sale of own shares	-	-	3
Costs associated with sale of investments	-	(3)	(3)
Net cash used in financing activities	-	5	(38)
Net change in cash and cash equivalents	72	127	235
Cash and cash equivalents at beginning of the period	290	235	-
Cash and cash equivalents at the end of the period	362	362	235

The Statement of Cash Flows for the period 2 July 2004 to 31 March 2005 represents the trading cash flows for the period from 15 January 2005 to 31 March 2005, the period after the acquisition of British Energy Limited by British Energy Group plc, except the financing category which, prior to the date of the acquisition, also reflects the cash flows from the issue of equity by the Company following its incorporation.

Notes to the financial statements

1. Basis of Preparation

These interim financial statements have been prepared on a basis consistent with International Financial Reporting Standards (IFRS) in issue and adopted by the EU that are effective or available for early adoption at the Group's first annual reporting date, 31 March 2006, but do not include all the disclosures in IAS 34 on interim reporting. Based on these IFRS, the Board of Directors has made assumptions about the accounting policies expected to be adopted when the first IFRS annual financial statements are prepared for the year ending 31 March 2006. The interim financial statements require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The accounting policies are consistent with those that the Directors intend to use in the next annual financial statements as set out in the 'Restatement of Results for Transition to International Financial Reporting Standards' as published on 21 September 2005. The Group's proposed accounting policies were included in the 'Results for the Quarter Ended 3 July 2005'. Notwithstanding this, the IFRS that will be effective or available for voluntary early adoption in the annual financial statements for the year ending 31 March 2006 are subject to change and to the issue of additional interpretations and therefore cannot be determined with certainty.

This is the first set of interim results for the first nine months of the financial year for British Energy and therefore no comparative information is provided.

To assist investors to compare the underlying financial performance of the Group, 'business performance' income statement figures are shown before the impact of exceptional charges and other movements arising from re-measurement. For the first nine months the adjustments relate solely to the re-measurement under IAS 39. The definition of 'business performance' is given in the Non-GAAP Financial Measures section of this report.

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

The financial statements for the three months and nine months ended 1 January 2006 are unaudited but have been reviewed by the auditors and their report to the Company is set out below.

These interim financial statements were approved by the Board of Directors on 24 February 2006.

2. Output, Revenue and Segment Information

Through consideration of our product, geographic area and regulatory environment, the Group has concluded that it has one business, being the generation and sale of electricity in the UK, resulting in one operating segment of Generation and Trading.

	3 months ended 1 January 2006	9 months ended 1 January 2006	15 January to 31 March 2005
	TWh	TWh	TWh
Output			
Nuclear power stations	13.3	43.9	14.3
Coal-fired power station	2.3	4.8	2.5
	15.6	48.7	16.8

	3 months ended 1 January 2006 Business performance	3 months ended 1 January 2006 Re- measurement	3 months ended 1 January 2006 Total	9 months ended 1 January 2006 Business performance	9 months ended 1 January 2006 Re- measureme nt	9 months ended 1 January 2006 Total	2 July 2004 to 31 March 2005
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Wholesale generation sales	288	3	291	714	(26)	688	233
Direct supply sales net of energy supply costs	298	-	298	699	-	699	170
	586	3	589	1,413	(26)	1,387	403
Energy supply costs recharged to customers	102	-	102	266	-	266	73
Energy purchases	7	(3)	4	16	(3)	13	17
Miscellaneous income	1	-	1	9	-	9	6
	696	-	696	1,704	(29)	1,675	499

Wholesale generation sales includes revenue from Energy Purchases which cost £7m and £16m for the three and nine months ended 1 January 2006 respectively (2004/05 £17m).

3. Net Revalorisation Charges

	3 months ended 1 January 2006	9 months ended 1 January 2006	2 July 2004 to 31 March 2005 (restated)
	£m	£m	£m
Revalorisation of nuclear liabilities			
– changes in price levels	28	97	29
– discharge of discount for period	38	115	33
Revalorisation of nuclear liabilities receivable	(30)	(96)	(29)
Revalorisation of NLF receivable	(36)	(116)	(33)
Revalorisation of contracts provision	3	10	2
Revalorisation of fixed decommissioning obligations	3	9	3
Net revalorisation charges	6	19	5

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

4. Taxation

There is no current tax charge in the period due to the availability of trading losses carried forward. The charge for the three and nine months of £104m and £150m before re-measurement and £105m and £141m after re-measurement respectively consists solely of deferred tax.

5. Earnings Per Share

The basic earnings per share for the period has been calculated by dividing the profit after taxation 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 569 million and 566 million ordinary shares in issue together with the dilutive potential of 16 million ordinary shares in respect of warrants for the three and nine months. The effect of the NLF Cash Sweep is not considered to be dilutive. The adjustment mechanism for the NLF Cash Sweep percentage set out in the Contribution Agreement is designed such that the shareholders' interest in the Group after taking account of the NLF Cash Sweep remains consistent. For example, in the event that a NLF Cash Sweep payment is made without a corresponding dividend then the NLF Cash Sweep percentage is diluted as if shareholders had reinvested a corresponding amount as new equity in the Group.

	3 months ended 1 January 2006 Basic	3 months ended 1 January 2006 Diluted	9 months ended 1 January 2006 Basic	9 months ended 1 January 2006 Diluted	2 July 2004 to 31 March 2005 Basic	2 July 2004 to 31 March 2005 Diluted
Net profit for the period (£m)	128	128	173	173	41	41
Weighted average share capital (number of shares, million)	569	585	566	582	561	579

6. Pension Costs

There has been one significant change in the actuarial assumptions adopted at 1 January 2006 compared with 31 March 2005. The discount rate used to value the liabilities has changed from 5.5% per annum to 4.8% per annum in line with changes in the yield on long-dated corporate bonds over the period. The discount rate used to value the liabilities has changed from 5.0% per annum at 2 October 2005 to 4.8% at 1 January 2006. The effect of the change in the discount rate is to place a higher value on the pension liabilities, giving rise to a significant actuarial loss over the period.

7. Acquisition of British Energy Limited

On 14 January 2005 British Energy Group plc acquired British Energy Limited, which was provisionally valued and stated in the 31 March 2005 accounts. In accordance with IFRS 3 – Business Combinations, an adjustment has been made in the accounts for the three and nine months ended 1 January 2006 for amendments to that provisional fair value, following the completion of the Quinquennial Review that is subject to final agreement with the NDA. Provisional and amended values of net assets acquired, as stated in the 31 March 2005 accounts, are as follows:

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

The adjustments in the table arose following the Quinquennial Review. The level of the estimated nuclear liabilities has increased by £956m, on a discounted basis, resulting in the total liability at RED being restated at £5,265m. As part of the restructuring arrangements the Group is indemnified by the Government for any future shortfall on NLF funding of qualifying nuclear liabilities and decommissioning costs. Therefore the increase in liabilities is fully offset by a corresponding increase in the indemnity from the Government at that date.

8. Contingent Assets

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

9. Contingent Liabilities

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

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

The claim relating to the condition of the plant is based upon alleged erosion of certain parts of the steam generators, including the support plates, through which boiler tubes pass, which it is alleged resulted in an extended outage of one unit at the plant to carry out repair works and loss of revenues and costs of approximately C\$64.5m. The consortium also claims that the alleged erosion may reduce the operating life of the unit and/or result in further repairs involving further losses. British Energy has rejected the claim and expects to defend it if it is pursued further.

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

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

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

10. Post Balance Sheet Events

On 16 December 2005, the Department for Environment, Food and Rural Affairs clarified its position regarding the implementation of the Large Combustion Plant Directive (LCPD). This means that Eggborough shall be treated as a single plant for the purposes of the LCPD. Having performed a detailed evaluation of the options available, we elected on 2 February 2006 to operate the plant under the National Emissions Reduction Plan (NERP) regulations. This allows the plant to be operated at levels broadly consistent with historic generation without requiring the installation of additional Flue Gas Desulphurisation equipment. Discussions continue with the lending banks regarding their 2010 Option.

INDEPENDENT REVIEW REPORT TO BRITISH ENERGY GROUP PLC

Introduction

We have been instructed by the company to review the financial information contained in the interim report which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of recognised income and expense, consolidated statement of changes in equity, consolidated statement of cash flows, and associated notes. We have read the other information contained in the quarterly report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with accounting standards adopted for use in the European Union. This interim report has been prepared in accordance with the basis set out in note 1.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in note 1, there is, however, a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with accounting standards adopted for use in the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 March 2006 are not known with certainty at the time of preparing this interim financial information.

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the three months and nine months ended 1 January 2006.

PricewaterhouseCoopers LLP

Chartered Accountants

Edinburgh

24 February 2006

Notes:

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

BEDL

British Energy Direct Limited.

BETTA

British Electricity Transmission and Trading Arrangements.

Bruce

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

Decommissioning

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

Emission Limit Values (ELV)

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

Energy Supply Costs

These mainly comprise the costs incurred for the use of the distribution and transmission systems, recovered through revenue, and accrued costs of Renewable Obligation Certificates (ROCs).

EPL

Eggborough Power Limited.

ETS

Emissions Trading Scheme.

FGD (Flue Gas Desulphurisation)

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

Large Combustion Plant Directive (LCPD)

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

Market Price

The price for annual forward baseload contracts.

Materiel Condition

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

MW (megawatt): MWh (megawatt-hour)

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

National Emissions Reduction Plan (NERP)

Emission limits imposed under the Large Plant Combustion Directive, requiring operators to maintain emissions within an annual 'bubble' limit.

NDA

Nuclear Decommissioning Authority.

NLF

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

Non-Outage Defect Backlog

Total of outstanding plant defects which are work requests that have been partially accessed by maintenance, or are still awaiting action after screening by the station Work Review Groups based on a priority weighting set by the Nuclear Performance Review Committee.

Outage (Planned and Unplanned)

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

PWR (Pressurised Water Reactor)

The most recent type of nuclear reactor to be constructed in the UK which uses pressurised water as both the coolant and the moderator.

Quinquennial Review

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

Renewable Obligation Certificates

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

Restructuring

The restructuring of the Group completed on 14 January 2005.

Restructuring Effective Date (RED)

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.

Statutory Outage

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

TW (terawatt): TWh (terawatt-hour)

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

Unit Capability Factor

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

Unplanned Capability Loss Factor

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.

Warrants

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