British Energy

17 December 2003

INTERIM RESULTS

6 months ended 30 September 2003

CHAIRMAN'S STATEMENT

"The UK Government, creditors and shareholders have continued to support the proposed restructuring plan to secure British Energy's future and long term viability. For our part, we will continue to focus on delivering a successful restructuring whilst rebuilding a company which can perform effectively in the UK energy market."

Summary

- Substantially reduced loss before tax of £71m in the 6 month period ended 30 September 2003 compared with a loss of £337m in the corresponding period in 2002/3. The loss before exceptionals and tax was £90m compared with a loss of £124m in the corresponding period in 2002/3.
- No dividend has been declared for the period. The Board does not expect to declare or propose any dividend for any period prior to the 2005/06 financial year.
- UK nuclear output up 10% to 33.3 TWh. On the assumption that Heysham 1 returns to service during the first half of February 2004, it is expected that total UK nuclear output will be around 65.5TWh. This compares with total UK nuclear output of 63.8TWh in the prior year.
- Operating costs on continuing activities before exceptionals fell £40m in the period mainly due to lower depreciation following the fixed asset writedown at 31 March 2003 Operating profit in the UK for the full year will be consistent with the Board's expectations, notwithstanding the impact of recent developments relating to the Sizewell B and Heysham 1 outages.
- Operating cash outflow, after capital expenditure, was £26m, compared with an outflow of £71m in the corresponding period in 2002/03, an improvement of £45m. This reflects a reduction of £9m in UK capital expenditure, lower payments to British Nuclear Fuels plc (BNFL) and the absence of outflows to Bruce Power following the sale of our interest in February 2003.
- The Company is fully contracted for the current financial year with limited price exposure, and has fixed price sales contracts in place covering over half of its planned output in 2004/05. The Company will, dependent upon electricity market prices, also benefit from reduced market risk via the price hedging arrangements under the revised contracts with BNFL.
- Restructuring events up to 30 September 2003:
  - Exchange of contracts with BNFL covering front-end and back-end fuel contracts. The Company also sold uranics stocks to BNFL for approximately £58m.
  - The European Commission published its preliminary views and the procedures for considering the State Aid application by the UK Government.
- Restructuring events since 30 September 2003:
  - The Group agreed the proposed disposal of its 50% interest in AmerGen to Exelon for US$277m, subject to various adjustments and conditions including a break fee of US$8.295m payable to FPL Group Inc. (FPL). All US regulatory approvals have now been received and the Group expects to complete the disposal shortly and, in any event no later than 31 March 2004.
  - The Company achieved formal agreements on the terms of the proposed restructuring (the Proposed Restructuring) and the continuation of standstill arrangements with certain creditors and the UK Government. The creditors who have signed up to the Creditor Restructuring Agreement have agreed, subject to a large number of important conditions, to exchange their existing claims for the issue of new bonds and bond equivalent payments under new arrangements for Eggborough and at least 97.5% of the new ordinary shares of the new parent company of the British Energy Group.
  - Under the Proposed Restructuring, it is proposed that existing shareholders will receive 2.5% of the equity of the new parent company of the British Energy Group plus warrants to subscribe for 5% of the new equity, subject to the proposed scheme of arrangement with shareholders being approved and implemented as part of the Proposed Restructuring.
  - The UK Government granted a temporary increase in its credit facility to the Company (the Credit Facility) to £275m from the previous level of £200m due to pressures on the Company's liquidity resulting from the combined effects of the increasing levels of collateral brought about by the increased volatility in electricity prices and the recent outages

at Sizewell B and Heysham 1. The additional £75m will mature by the earlier of receipt by British Energy of the AmerGen disposal proceeds or 22 February 2004.

Key financials are shown below:

	6 Months Ended 30 Sept 2003 £m	6 Months Ended 30 Sept 2002 £m	Year Ended 31 March 2003 £m
Turnover	**677**	909	1,903
Operating Loss	**(33)**	(157)	(3,802)
Loss Before Tax	**(71)**	(337)	(4,292)
Net Operating Cashflow	**(26)**	(71)	54
Net Debt	**(621)**	(966)	(550)
Total Unit Costs (including revalorisation)	1.92p/KWh	2.35p/kWh	2.16p/kWh

The Proposed Restructuring, if implemented, will result in significant changes to British Energy's financial position, including significant changes to the Company's liabilities and costs. The financial information contained in this document does not take into account those significant changes, which will not take effect unless and until the Proposed Restructuring is implemented.

Further details regarding the Company's business and financial performance are set out in the Management's Discussion and Analysis (MD&A) and Financial Statements, which appear later in this document. In addition the circular sent to shareholders on 5 December 2003 regarding the proposed disposal of the Company's 50% interest in AmerGen includes detailed information regarding the Company and the Proposed Restructuring.

Restructuring

On 1 October 2003 British Energy entered into a formal agreement (the Creditor Restructuring Agreement) with Teesside Power Limited, Total Gas & Power Limited, Enron Capital & Trade Europe Finance LLC, The Royal Bank of Scotland plc (RBS), BNFL and the ad hoc committee of British Energy's bondholders in relation to the continuation of the standstill and ultimate recognition and compromise of their claims and an agreement with the UK Government and others in relation to the restructuring of the Group's nuclear liabilities. By 31 October 2003 bondholders representing with RBS 88.8% of the combined amount owing to bondholders and RBS, together with all the lenders and swap providers in the Eggborough bank syndicate had signed up to the Creditor Restructuring Agreement.

The creditors who have signed up to the Creditor Restructuring Agreement have agreed, subject to a large number of important conditions, to exchange their claims for new bonds and bond equivalent payments under new arrangements for Eggborough and at least 97.5% of the new ordinary shares in the restructured group excluding the impact of any warrants issued. In the case of the bondholders and RBS the exchange will be made pursuant to a scheme of arrangement with them (the Creditors' Scheme) which will require approval at meetings of the bondholders and RBS and the sanction of the court. RBS and the bondholders who have signed up the Creditor Restructuring Agreement have agreed to vote in favour of the Creditors' Scheme.

As part of the Proposed Restructuring, British Energy will seek to restructure shareholders' interests either:

i. By a scheme of arrangement with shareholders (the Members’ Scheme) requiring shareholder approval and the sanction of the court; or

ii. If the shareholders do not vote in favour of the Members’ Scheme (or if it otherwise lapses) by the disposal by the Company of all of its subsidiaries and other assets with shareholder approval (the Disposal Route).

However, if the shareholders do not vote in favour of the Members' Scheme and shareholder approval in respect of the Disposal Route is not obtained, all of the Company's shares will be de-listed (if not already de-listed to give effect to the AmerGen disposal) in order for the Proposed Restructuring to be completed without the requirement for a shareholder vote.

If the proposed Members' Scheme is implemented, shareholders will receive new shares representing 2.5% of the issued share capital of the new parent company of the Group immediately following implementation of the Proposed Restructuring. In addition, existing shareholders will also receive warrants entitling them to subscribe for new shares equal to 5% of the fully diluted share capital of the new parent company of the Group immediately following completion of the Proposed Restructuring, exercisable 5 years from the completion of the restructuring. The subscription price for the warrants is £28.95m in aggregate equivalent to an equity market capitalisation of the Group of £550m following implementation of the Proposed Restructuring. In the event that the Members' Scheme is not implemented, but the Disposal Route is approved, shareholders would not receive any new shares but would receive the same warrants entitling them to subscribe for new shares equal to 5% of the equity. In the event that shareholders did not vote in favour of either the Members' Scheme or the Disposal Route, they would receive nothing.

In the circular (the AmerGen Circular) sent to shareholders on 5 December 2003 concerning the proposed disposal of British Energy's interest in AmerGen (the Disposal) the Board gave notice that in view of the importance of the Disposal in the context of the Proposed Restructuring, if shareholders did not vote in favour of the Disposal then in order to try and secure the financial stability of the Company, the Board had decided that it would de-list the Company's shares from the Official List of the UKLA and cease trading on the London Stock Exchange in order to proceed with the Disposal without the approval of shareholders (which upon de-listing will cease to be required). This decision was taken reluctantly by the Board and reflects their belief that the Disposal is a critical part of a successful restructuring of the Group.

Going Concern

The AmerGen Circular included a statement on and a description of working capital of which the following is an extract:

"The Board is of the opinion that the working capital available to the Resultant Group is not sufficient for the present requirements of the Resultant Group, that is, for at least the next twelve months from the date of this document.

The Company is taking steps, with a view to improving this situation. The Board has agreed with the Secretary of State a temporary increase in the Government Facility. The Company expects to receive the proceeds from the Disposal before 31 March 2004 which will significantly increase the Group's financial flexibility. Over the longer term, the Board is exploring initiatives to reduce the demand for trading collateral and to achieve sufficient liquid resources to implement the Proposed Restructuring."

(Within the AmerGen Circular, "The Resultant Group" was defined as British Energy and its subsidiary undertakings after closing; the "Government Facility" was defined as the Credit Facility; and "the Disposal" was defined as the proposed disposal by British Energy of its interest in AmerGen to Exelon).

This statement was prepared for the purposes of the Listing Rules of the UK Listing Authority. The standards which govern the preparation of financial statements are different and require the Board to consider the going concern requirements for the foreseeable future, a period greater than 12 months. Notwithstanding this statement, the Board has decided to publish these Interim Results on a going concern basis because the Company is seeking to implement the Proposed Restructuring. Further details are set out in Note 1 - Basis of Preparation - in the Notes to the Financial Statements.

Whilst we have made significant progress in taking forward the Proposed Restructuring, it remains subject to a large number of significant uncertainties and important conditions, including receipt by the Secretary of State of Trade and Industry (Secretary of State) of a satisfactory notification from the European Commission that in so far as the proposals involve the grant of State Aid by the UK Government, such aid is compatible with the common market. The Secretary of State expects to receive the European Commission's decision by mid 2004. Furthermore, the Secretary of State is entitled not to proceed with the Proposed Restructuring if, in her opinion, the Group will not be viable in all reasonably foreseeable conditions without access to additional financing (beyond that which is committed and will continue to be available when required) and in the meantime may require prepayment of the Credit Facility if she concludes that the Proposed Restructuring cannot be completed in the manner or timescale envisaged.

If the Disposal is not completed, or if there is a material downwards adjustment to the consideration for the Disposal, or if the conditions to the Proposed Restructuring are not fulfilled, or if the Company's cash generating initiatives are not achieved, in each case within the timescales envisaged or required, or if there is a material deterioration in the Group's cashflow performance or outlook or if the Credit Facility ceases to be available or if the standstill or restructuring arrangements which the Group has entered into with certain creditors are terminated, British Energy may be unable to meet its financial obligations as they fall due and consequently the Group may have to take appropriate insolvency proceedings, in which case the distributions to unsecured creditors may represent only a small fraction of their unsecured liabilities and there is unlikely to be any return to shareholders.

New York Stock Exchange (NYSE)

On 28 August 2003, the Company was notified by the NYSE that British Energy did not at that time comply with the NYSE's continued listing standard relating to minimum market capitalisation and shareholders' equity. The Company is currently in discussions with the NYSE with regard to its ability to meet the continued listing standard. The Company currently does not, and may not in the future, comply with the minimum listing standard of the NYSE, and may, therefore, lose its listing on the NYSE.

Bruce Disposal

The disposal of British Energy's 82.4% interest in Bruce Power was completed on 14 February 2003 to a consortium of three parties for a consideration of C$677m subject to various adjustments. Under the master purchase agreement, a further C$100m was payable to British Energy contingent upon the restart of two of the four Bruce A units. C$50m would have been released had the first unit restarted by 15 June 2003 and an additional C$50m would have been released to British Energy had the second unit restarted by 1 August 2003. C$5m is deducted from the C$50m payable in respect of each unit for its failure to restart by the scheduled restart date and a further C$5m is deducted on the first day of each successive calendar month that each reactor fails to re-start.

Bruce A Unit 4 was restarted in October 2003 and Unit 3 has now received regulatory clearance to restart. In view of the delays incurred the amounts recoverable in respect of the restarts will be significantly lower than the maximum of C$100m but the amounts and the timing of the payments still have to be confirmed.

A further withholding of C$20m in respect of potential adjustments for pension deficits was paid to British Energy in full on 28 April 2003.

The proceeds received in respect of the disposal of Bruce Power have been used to repay or collateralise amounts drawn under the Credit Facility and to fund working capital requirements.

Dividend Policy

The Board intends to distribute to shareholders as much of the Company's available cash flow as prudently possible, consistent with the long-term development of the business. However, under the terms of the Proposed Restructuring, there are certain restrictions on the Board's ability to pay dividends, as follows:

- British Energy is required to fund a cash reserve out of the Company's post-debt service cash flow in order to support British Energy's collateral and liquidity requirements post-restructuring. The initial target amount for the cash reserve is £490m plus the amount by which cash employed as collateral exceeds £200m (the Target Amount). It is expected that, when the Proposed Restructuring is completed, the level of the cash reserves will be below the Target Amount and therefore there will be no distributions to shareholders until such time as the cash reserve is at the required level. As a result of the requirement to fund the cash reserves, the Board does not expect to pay a dividend in respect of the financial year ending 31 March 2005.

- The terms of the Nuclear Liabilities Agreements also require that once the cash reserve is funded to the level to the Target Amount, British Energy must make Cash Sweep Payments to the Nuclear Liabilities Fund (NLF). The NLF Cash Sweep Payment is initially defined as 65% of the movement in cash, cash equivalents and other liquid assets during the year after adjusting for, among other things, certain payments made to the NLF or dividends paid in the year. The requirement to make the NLF Cash Sweep Payment will greatly reduce the amount of cash that would otherwise be available for distribution to shareholders.
- The terms of the New Bonds contain certain covenants, including a restriction that allows British Energy to pay a dividend only if no event of default has occurred.

Board Changes & Staff

Earlier this year, I referred to the appointment of new Independent Directors. Following the appointment of William Coley and Pascal Colombani to the Board on 1 June, Sir Robert Walmsley was appointed as an Independent Director on 1 August 2003. Sir Robert was previously a nuclear expert in the Ministry of Defence in the UK. This combined experience of these three appointments reinforces the Board's nuclear credentials as we focus on the performance and reliability of the UK nuclear fleet.

Under the terms of our Proposed Restructuring, we will be looking to appoint two further Independent Directors from candidates proposed by the Bondholders, subject to review and nomination to the Board by the Nominations Committee.

The Board has decided to undertake an evaluation of its performance and functioning, as recommended in the Higgs review, which will consider advice from stakeholders.

On 8 December Keith Lough, our Finance Director, resigned from the Board of British Energy but stays with us for the time being to undertake special projects. Keith joined British Energy as Finance Director in September 2001 and has played a critical role in taking forward the Proposed Restructuring and I would like to thank Keith for the tremendous work he has done in seeking to secure British Energy's restructuring. On 8 December 2003, the Company appointed Martin Gatto to the Board as Interim Finance Director. Martin was previously with Midlands Electricity and Somerfield plc. The Board has arranged for there to be sufficient overlap in the transition period to ensure that the responsibilities of the Finance Director are fulfilled at all times.

In these trying and difficult times, I would like to thank all our staff and to congratulate them on continuing to conduct themselves in a highly professional manner.

ADRIAN MONTAGUE

CHIEF EXECUTIVE'S REVIEW OF OPERATING PERFORMANCE

The Company continues to make significant progress towards achieving the Proposed Restructuring, which, if it is fully approved, offers us an opportunity to demonstrate that we can deliver improved performance. The challenge for us is to deliver enhanced and reliable output from our stations thereby enabling us to build up our cash reserves and restore our profitability. In this respect, I am pleased to report an improvement in our overall operational performance as well as a good start for our programmes to tackle the root causes of under-performance. However, the current unplanned outage at Heysham 1 and the extended statutory outage at Sizewell B represent a clear indication of the scale of the challenges facing us.

The key figures in the results were the loss before tax of £71m compared with a loss of £337m a year ago. There were exceptional credits amounting to £19m in the period and details of these are covered elsewhere in the report.

The reduction in the Group's loss before tax reflected an increase in UK output of 3.8 TWh and a net reduction of £40m in UK operating costs, with lower depreciation (as a result of the substantial write downs of generation assets last year) more than off setting increases in other operating costs. The Group's results include a contribution from our 50% share in AmerGen but there was no contribution from Bruce Power following the sale of our interest in February 2003.

UK Nuclear Generation

Total UK nuclear output increased to 33.3 TWh in the period compared with output of 30.3 TWh a year ago. There were strong performances from the Sizewell B and Heysham 2 power stations. During the period British Energy completed four statutory maintenance outages, being the majority of such work in this financial year. Output in the first half of the previous year was adversely affected by unplanned outages at Torness.

Since 30 September 2003, the Company's output has been adversely affected by the extended statutory maintenance outage at Sizewell B and the on-going unplanned outage at Heysham 1. This is covered in more detail in Current Trading and Outlook, later in this Statement.

UK nuclear costs per unit excluding revalorisation fell 17% to 1.53p/kWh as compared with 1.85p/kWh in the same period last year. The operating unit costs for the reporting period are calculated by taking the total operating costs before exceptional items which were £686m and subtracting £177m applicable to non-nuclear activities. The resulting figure of £509m was then divided by nuclear output of 33.3 TWh.

The principal reasons for the reduction in nuclear unit costs relate to the higher output and the lower depreciation charge. Fuel costs were £8m higher primarily as a result of the increased output, offset by a price reduction. When the revised BNFL arrangements, which underpin our cost improvement strategy are fully implemented, nuclear front-end and back-end fuel costs will be significantly reduced. In addition these contracts simplify our AGR fuel procurement activities.

At the time of the Preliminary Results in June 2003, we announced that we had launched a number of programmes to tackle the root causes of under-performance. Shortly afterwards we engaged an external team to assist us to scope the problem and make recommendations on what needed to be done. We have received their initial suggestions and are reviewing these with them. These programmes underline the importance that the Company is placing on achieving greater reliability whilst consistently meeting its targets for cost efficient operations and striving to achieve high operational standards.

The programmes are unlikely to have a material effect on the expected level of capital and revenue expenditure i in the current financial year or the financial year ending 31 March 2005. For the period thereafter, we are undertaking further analysis of the impact of the programmes, focusing on costs and benefits, in order to determine how far the levels of investment in the nuclear fleet will require to be greater than expected in the business plan and in the Company's announcement of 1 October 2003. The Board believes that it is likely to increase the level of investment that will be required compared to previous expectations but these should deliver greater plant reliability. The Company will give a further up-date on the progress of these programmes at the time of our next Preliminary Results.

UK Power & Energy Trading

Trading conditions were volatile through the period. Forward base load prices for the period from October 2002 to September 2003 have varied significantly, ranging from 1.7p/kWh to over 2.1p/kWh.

The revised front-end and back-end fuel contracts that have been agreed with BNFL provide an important partial hedge against market price movement on approximately 50% of the Company's total nuclear output. Further risk mitigation has been (and will continue to be) delivered through the Group's trading strategy. The Board believes that short-term and medium-term risk reduction will continue to be achieved through a trading mix that includes medium-term direct sales to industrial and commercial customers as well as contracting in the wholesale electricity markets.

Overall our UK achieved selling price for the period was 1.58p/kWh versus 1.73p/kWh in the comparable period in 2002. This decline reflects intense competition in generation, which resulted in lower market prices. These lower prices for both wholesale and directly supplied power prevailed through the latter half of 2002 and the first half of 2003, when the bulk of the Company's generation for delivery in the period was sold. The achieved price compared with total UK generation costs of 1.92p/kWh (including nuclear, Eggborough and corporate overheads plus revalorisation) which was 18% lower than the same period last year. We managed our risk exposure by continuing to use diverse channels to market and making best use of the flexibility of our Eggborough 2000MW coal fired plant. The average achieved selling price was calculated by taking the total sales which were £560m, excluding energy supply costs of £103m and miscellaneous income of £14m and dividing this by total output of 35.5 TWh.

Eggborough generated 2.2 TWh in the period. Apart from providing a backup in the event of nuclear unplanned outages, Eggborough also provides shape to our nuclear base load output thereby enabling us to better meet our customers' needs. It is also used to meet short-term requirements in the balancing market.

In September 2002, in view of the Group's financial position, the Board decided to revise the Group's wholesale contracting policy. Following this, the decision was taken to fix a greater proportion of the Group's income to minimise risks and reduce the Group's exposure to volatility in the wholesale price of electricity. As a result, the Group is fully-contracted for the current financial year with limited price exposure for the rest of the year and a current forecast for average achieved price of 1.74p/KWh. For future years, the Group has less forward cover. For Summer 2004 and Winter 2004/2005, the Group has in total contracted to sell approximately 96 per cent. of its planned output and has fixed price sales contracts in respect of approximately 55 per cent. of its output. The fixed price contracts for next year are at an average price of 1.81p/kWh . When taken together with the hedge provided by the revised BNFL contracts, the exposure of the Group to the market price for electricity in the financial year ending March 2005 is only 4 per cent of its total output or approximately 3TWh.

We extended our Direct Sales Business to an annual volume of 29 TWh. It now has over 1200 customers and serves over 6500 sites. This represents an increase of 30% in volume, 40% in customers and 30% in sites on an annualised basis. The Direct Supply Business continues to be highly rated for its customer service, having won its 18th consecutive quarterly customer service award.

A revised date of April 2005 has been announced by Ofgem, the industry regulator, for the implementation of the British Electricity Transmission and Trading Arrangements (BETTA), an enlarged market covering England, Wales and Scotland, subject to legislation which was announced in the Queen's Speech to Parliament on 26 November 2003.

The Nuclear Energy Agreement (NEA) under which all of British Energy's electricity generated from its two Scottish stations is sold will terminate on the earlier of the introduction of BETTA or 1 April 2006, subject to European Commission approval.

UK Operating Costs

Total materials and services costs for the whole business which comprise the operating expenses of all our power stations and support functions excluding fuel costs, staff costs and depreciation increased by £28m when compared to the prior period. The increase included a reduction of £111m in depreciation charges due to the fixed asset write-down in 2002/03 and a reduction of £16m related to exceptional items and an increase of £47m due to the expensing of capital investment expenditure. Capital investment expenditure has been expensed to the profit and loss account in the reporting period, following the fixed asset write down carried out at 31 March 2003. Staff costs have increased in line with salary inflation.

North America

The operating profit for our 50% interest in AmerGen was £43m in the period, compared with £45m in the same period in 2002/03. AmerGen achieved total output of 10.6 TWh in the period representing an average load factor of 98%.

In September 2003, British Energy announced the proposed sale of its interest in AmerGen to the FPL Group Inc (FPL) subject to Exelon’s first right of refusal. Exelon subsequently exercised this right and has agreed, subject to various conditions, to acquire our 50% interest in AmerGen for US$277m subject to various adjustments including a break fee payable to FPL for US$8.295m. All US regulatory approvals relating to this sale have now been received.

There was no operating contribution from Bruce Power in the period following the sale of our interest in February 2003.

Current Trading & Outlook

For the period from 1 April 2003 to 30 November 2003, the total output of the Group (excluding AmerGen) amounted to 46.7 TWh, of which 42.8 TWh was derived from its nuclear fleet and 3.9 TWh from the Eggborough coal-fired station. However, British Energy's trading strategy has limited the benefit from price rises in the current year.

As announced on 23 and 29 October 2003, during a routine maintenance outage at Sizewell B, the Company discovered certain anomalies in 2 welds that required further investigation. This investigation was completed and Sizewell B returned to service on 15 November 2003.

On 16 December the Company announced that having now reviewed the results of the inspections of the sea water cooling pipework at Heysham 1, it has decided that it is necessary to extend the current outage in order to replace further pipework. In light of this, the Company has revised its annual UK nuclear output forecast for the year ending 31 March 2004 downwards from 67TWh to around 65.5TWh on the assumption that Heysham 1 returns to service in the first half of February 2004.

Based on the above assumption it is estimated that the lost output arising from the continuing outage at Heysham 1, together with the recent extended statutory outage at Sizewell B, will be approximately 3.2 TWh with an aggregate gross cash cost of approximately £95m. This compares with the previously announced estimates of 1.7 TWh and £50m respectively.

The Board believes that operating profit in the UK for the full year will be consistent with its expectations, notwithstanding the impact of developments relating to the Sizewell B and Heysham 1 outages discussed above and the impact of the increased level of prices in the UK generation market. However, as a result of the non-cash impact of revised revalorisation assumptions, profit before tax for the full year is likely to come in below the Board’s previous expectations.

Based on the performance in the year to date in controlling operating costs and in achieving fuel efficiencies, the Company remains confident that it will achieve the margin improvements of £25m over its business plan in the current financial year. The improvement is reflected in the lower total costs of 1.92p/kWh in the period, compared with 2.35p/kWh in the corresponding period in 2002 and 2.17p/kWh in the year ended 31 March 2003.

In the light of increased pressure on the Group's liquid resources and as a result of a combination of the recent unplanned outages and the increased levels of collateral and costs of such outages brought about by the increased volatility of electricity prices, the Company has taken steps with a view to improving the working capital position of the Group. The Board has agreed with the Secretary of State a temporary increase in the Credit Facility from £200m to £275m. The additional £75m will mature by the earlier of the receipt by British Energy of the proceeds of the AmerGen Disposal or 22 February 2004. The Company expects to receive the proceeds from the disposal of AmerGen shortly and, in any event, no later than 31 March 2004 which will significantly increase the Group's financial flexibility. Over the longer term, the Board is exploring initiatives to reduce the demand for trading collateral and to achieve sufficient liquid resources to implement the Proposed Restructuring.

As at 12 December 2003, excluding amounts reserved for interest payments, British Energy had cash, including amounts placed as collateral, of £379m. Of this, £359m was deposited as collateral in support of the Group's trading and operational requirements. As at 12 December 2003, the Group had drawings of £94m under the Credit Facility, leaving availability under such facility of £106m (not taking into account the temporary increase of £75m described above).

Future Reporting Requirements

In the lead up to restructuring becoming effective, British Energy is moving to quarterly reporting of results as required under the terms of the restructuring agreements. By the June 2004 quarter, the published results will include full US GAAP financial statements and disclosures as if the Company were a US domestic registrant.

MIKE ALEXANDER

Further Information

Contacts

<u>Investor Relations</u>
Paul Heward
Telephone 01355 262201

<u>Media Enquires</u>
Andrew Dowler
Telephone 0207 831 3113

There will be an investor/analyst conference call for investors at 15:30hrs UK time. Dial in: 0845 1462004; International dial in: +441452 556 640.

Find this News Release on our web site: www.british-energy.com

Information Regarding Forward-Looking Statements

This report contains certain "forward-looking" statements as defined in Section 21E of the United States Securities Exchange Act 1934. Such forward-looking statements include, among others, statements concerning 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 operations, our Proposed restructuring, our expectations as to the growth of our business, our expectations with regard to our future investments in energy related projects in the UK and internationally and other statements of expectation, belief, future plans and strategies and other matters that are not historical facts concerning our 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 our control and may cause our 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 speak only as of the date hereof, we are claiming the benefit of the safe harbour provision referred to above.