

Third Quarter Results

3 months ended 31 December 2003

The Company wishes to draw the following statement to shareholders' attention.

This document is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities in the United States will be made by means of a prospectus that will contain detailed information about the company and management as well as financial statements.

British Energy's Proposed Restructuring remains subject to a large number of significant uncertainties and important conditions, including receipt by the Secretary of State for Trade and Industry (the '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 this notification 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.

If for any reason British Energy is unable to implement the Proposed Restructuring it may be unable to meet its financial obligations as they fall due in which case it may have to take appropriate insolvency proceedings. If British Energy were to commence insolvency proceedings, distributions, if any, to unsecured creditors may represent only a small fraction of their unsecured liabilities and it is highly unlikely that there would be any return to shareholders. Even if the Proposed Restructuring is completed, the return, if any, for shareholders will represent a very significant dilution of their existing interests.

The information in this presentation is drawn from the Quarterly unaudited Results of British Energy for the 3 months ended 31 December 2003. This presentation is a summary and reading it is not a substitute for reading the Third Quarter Results in their entirety.

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SAFE HARBOUR

This document contains certain "forward-looking" statements as defined in Section 21E of the US Securities Exchange Act of 1934, including statements with respect to British Energy's business plans, the performance of its stations, electricity prices and other matters that are not historical facts concerning the business operations, financial condition and results of operations of British Energy. These forward-looking statements typically contain words such as "intends", "expects", "anticipates", "estimates", "aim", "believe", "assume", "should" and words of similar import, which are predictions of or indicate future events or future trends. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which are in some cases beyond the control of British Energy and may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements. British Energy has identified some important factors that may cause such differences in British Energy's Form 20-F annual report for the year ended 31 March 2003 filed with the US Securities and Exchange Commission.

Key Points

- Good progress on restructuring continued, with sale of AmerGen interest (US\$277m). Provisional gain on sale of £35m. The restructuring remains subject to significant uncertainties
- Group operating profit, after exceptional items, of £12m in the quarter, compared with loss of £21m in the nine month period
- Total UK output of 17.3 TWh in the quarter (down 4% year on year); 52.7 TWh for the nine month period (up 6% year on year)
- Operating cash inflow, after capex, was £1m in the nine month period
- Net debt was reduced by £167m to £454m in the quarter, primarily as a result of the AmerGen net proceeds. HMG Credit Facility reverted to £200m

Update since 31 December 2003

- Total UK output of 59.5 TWh up to 31 January 2004 (up 5% year on year)
- Revised UK nuclear output forecast for the year of around 65.5 TWh confirmed, compared with 63.8 TWh in 2002/03 (up 3% year on year)
- Dispute with Siemens settled. Siemens to pay £18.3m to British Energy
- Nil drawings under HMG Credit Facility as at 24 February 2004

Performance Overview - Restructuring

Events in Q3

- Agreed formal terms of proposed restructuring with creditors and HMG
- Sold 50% interest in AmerGen for US\$277m, subject to adjustments
- HMG Credit Facility reverted to £200m on sale of AmerGen - (after temporary increase to £275m)
- Sold Offshore Wind Limited for £2m

Remaining Steps

- European Commission decision on State Aid, and satisfaction of other important conditions
- Implementation of Proposed Restructuring
- Application for new shares/bonds/warrants to be listed and publication of Listing Particulars

Performance Overview - Output / Trading / Costs

- Output:
 - 52.7 TWh for 9 months (nuclear - 48.0TWh; coal - 4.7TWh); up 6% year on year
 - 17.3 TWh in the quarter (nuclear - 14.7TWh; coal - 2.6 TWh); down 4% year on year
 - Heysham 1 and Sizewell B outages in the quarter resulted in 2.1TWh of lost output
 - Load factor of 73% for 9 months, compared with 69% in same period in 2002
- Trading:
 - The market price for annual forward baseload contracts in December 2003 had increased by some 25% since March 2003. Limited benefit because of the high proportion of fixed price contracts in place.
 - Achieved price of £17.6/MWh in the quarter, compared with £16.4/MWh in the 9 month period to December 2003
 - Direct Sales volumes of 29.3 TWh expected for full financial year to 31 March 2004, representing year on year increase of 31% in volume.
- Costs:
 - Total operating costs of £297m in the quarter (excluding energy supply costs and exceptional items) equates to £17.2/MWh:
 - Capex of £13m has been expensed in materials and services in the quarter.

Performance Overview - Performance Improvement Programme

- Safety - Performance Improvement - Culture Change

- Mobilisation Phase initiated January 2004
 - Initial focus on people and organisation
 - station structure
 - leadership development
 - review of central support functions
 - Benefits
 - improved organisational effectiveness
 - clear responsibilities and increased personal accountability
 - the right people with the right skills in the right jobs
 - operational focus

- Beyond Mobilisation Phase
 - Defined asset management plans
 - Defined human performance plans
 - Implementation

Performance Overview - Prices and Costs

Market Price
£/MWh



Source: British Energy

NB - This graph is illustrative only and the market prices shown should not be relied upon

Financial Performance - Simplified Profit and Loss

	3 Months Ended 31 Dec 2003 £m	9 Months Ended 31 Dec 2003 £m
Group Turnover	<u>369</u>	<u>1,046</u>
Operating profit - UK (before exceptional operating costs)	15	6
AmerGen - 50% Share	<u>(21)</u>	<u>22</u>
(Loss)/Profit pre financing charges	(6)	28
Gain on disposals	37	37
Financing charges - Interest	(29)	(54)
_____ - Revalorisation	<u>(40)</u>	<u>(139)</u>
(Loss) Before exceptionals and tax	(38)	(128)
Tax	<u>7</u>	<u>(1)</u>
Loss after tax	(31)	(129)
Exceptional items	<u>28</u>	<u>47</u>
Loss after tax and exceptional items	<u><u>(3)</u></u>	<u><u>(82)</u></u>

Financial Performance - EBITDA - Analysis

	3 Months Ended 31 Dec 2003 £m	9 Months Ended 31 Dec 2003 £m
Loss after tax and exceptional items	(3)	(82)
Interest	29	54
Revalorisation	40	139
Tax	(7)	1
Depreciation	11	36
Gain on sale	(37)	(37)
AmerGen loss/(profit)	21	(22)
Net exceptional credits	(28)	(47)
EBITDA continuing activities	<u>26</u>	<u>42</u>
Capex included in operating costs	<u>13</u>	<u>60</u>
Net cash flow from operating activities	<u>27</u>	<u>1</u>

Note: This table does not take account of the impact of the revised BNFL contracts, which would be one of the financial adjustments to be made on Restructuring.

Financial Performance - BNFL Contracts

Analysis of Contingent Asset

The financial statements for the reporting period have been drawn up on the basis of the historic BNFL contracts in respect of back-end fuel costs, pending satisfaction of the restructuring conditions set out in the revised contracts. Consequently, a contingent asset of £259m has been accumulated, but not recognised, in the financial statements for the period ended 31 December 2003 in respect of the difference in amounts payable between the revised contracts and the historic contracts. The components of the contingent asset are analysed below

	£m	£m
Analysis of Contingent Asset:		
Principal amounts due to BNFL at 31 March 2003 under the historic contracts		113
Amounts accrued for 9 months to 31 December 2003 under the historic contracts	185	
Less: Amounts payable for 9 months to 31 December 2003 under the revised contracts		
- Amounts paid in period	(32)	
- Amounts accrued at period end	<u>(16)</u>	
Benefit of the revised back-end contracts within the nine-month period which will be recognised upon the Proposed Restructuring		137
Finance charges accrued on principal amounts stoodstill		<u>9</u>
Contingent asset recorded at 31 December 2003 (see Note 12 to the financial statements)		<u><u>259</u></u>

The contingent asset will be recognised upon the Proposed Restructuring together with other restructuring related adjustments.

Financial Performance - Exceptionals

	3 Months Ended 31 Dec 2003 £m	9 Months Ended 31 Dec 2003 £m
Restructuring costs	(3)	(40)
UK decommissioning fund credit		
- Operating items	-	13
- Financing items	21	47
US decommissioning fund credit	8	22
Interest rate swap provisions credit	<u>2</u>	<u>5</u>
Net exceptional credits	<u>28</u>	<u>47</u>

Financial Performance - Analysis of Turnover

	3 Months Ended 31 Dec 2003		9 Months Ended 31 Dec 2003		Year Ended 31 Mar 2003	
	£m	%	£m	%	£m	%
Wholesale Generation	152	(42%)	475	(46%)	852	(59%)
Direct Supply	209	(58%)	549	(54%)	603	(41%)
	361	<u>(100%)</u>	1,024	<u>(100%)</u>	1,455	<u>(100%)</u>
Miscellaneous Income	<u>8</u>		<u>22</u>		<u>32</u>	
	<u>369</u>		<u>1,046</u>		<u>1,487</u>	

- Direct Supply volumes of 29.3 TWh expected for full financial year to 31 March 2004, with 1,300 customers and over 6,000 business sites.
- Direct Supply turnover includes energy supply costs (mainly for distribution and transmission) which are passed through to customers.
- Due to the growth in the Direct Supply business, wholesale generation's share of total turnover has diminished.

Financial Performance - Operating Costs

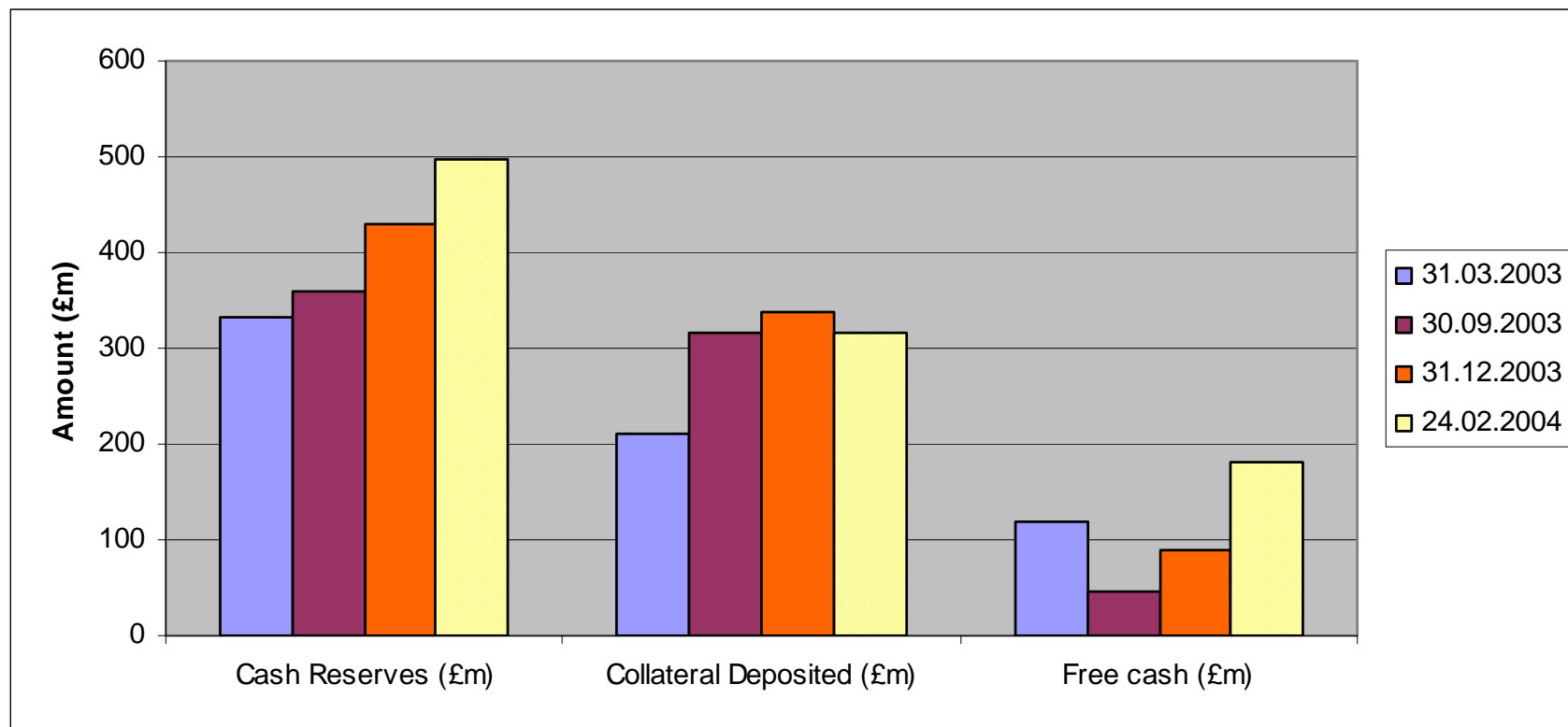
(excluding exceptional items)

	3 Months Ended 31 Dec 2003		9 Months Ended 31 Dec 2003	
	£m	£m	£m	£m
Fuel				
- Nuclear (historic contract price)	78		233	
- Coal	<u>31</u>		<u>60</u>	
		109		293
Materials and services				
- Capex	13		60	
- Revenue expenditure	<u>105</u>		<u>320</u>	
		118		380
Staff costs		59		171
Depreciation		<u>11</u>		<u>36</u>
Total - excl. energy supply costs		297		880
Energy supply costs		<u>57</u>		<u>160</u>
Total operating costs		<u>354</u>		<u>1,040</u>

Financial Performance - Cash Flow

	3 Months Ended 31 Dec 2003 £m	9 Months Ended 31 Dec 2003 £m
Operating profit/(loss) including exceptional items	12	(21)
Exceptional items	<u>3</u>	<u>27</u>
Operating profit excluding exceptional items	15	6
Depreciation	11	36
Nuclear liabilities non-cash	33	96
Nuclear liabilities paid	(17)	(45)
Movements in other provisions	-	(2)
Working capital	(2)	(60)
Exceptional items paid	<u>(13)</u>	<u>(30)</u>
Net cash flow from operating activities	<u>27</u>	<u>1</u>

Financial Performance - Cash Balances / Collateral Requirements / Free Cash



HMG Credit Facility of £200m was temporarily increased in November to £275m but then reverted to £200m following the receipt of AmerGen sale proceeds. The drawings under the Credit Facility were c£12m at 31.03.03 and c£97m at 30.09.03. There was no drawing at 31.12.03.

Outlook

Q4

- On the basis of the nuclear output forecast for the year of around 65.5TWh, as revised in December, we expect nuclear output of around 17.5TWh in Q4

2004/5

- Fixed price sales contracts are in place covering over half of planned output in 2004/05 at an average price of £18.7/MWh
- Performance Improvement Programme - seeking to implement cultural and leadership changes. Update to be provided at Preliminary Results
- British Energy will seek new credit rating prior to the issue of bonds
- Exploring initiatives to reduce trading collateral requirements and achieve sufficient liquid resources to implement the Proposed Restructuring
- As previously stated, the Board does not expect to declare or propose any dividend for any period prior to the 2005/06 financial year
- The Board does not expect to pay a dividend in respect of the financial year ending 31 March 2005