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24 September 2008



**LAKE ACQUISITIONS LIMITED
(A WHOLLY-OWNED SUBSIDIARY OF EDF S.A.)**

RECOMMENDED OFFERS FOR BRITISH ENERGY GROUP PLC

Recommended Cash Offer of 774 pence for each British Energy Ordinary Share and Partial CVR Alternative of 700 pence in cash and one Nuclear Power Note for each British Energy Ordinary Share

Recommended Cash Offer of 774 pence for each British Energy Convertible Share

Introduction

- The Boards of EDF and British Energy are pleased to announce that they have reached agreement on the terms of the recommended offers to be made by Lake Acquisitions Limited, a wholly-owned subsidiary of EDF S.A., for the entire issued and to be issued share capital of British Energy.

The Offers

- British Energy Ordinary Shareholders who validly accept the Ordinary Offer may elect to participate in respect of their British Energy Ordinary Shares for an all cash offer (the Cash Offer) and Eligible British Energy Ordinary Shareholders may alternatively elect for the Partial CVR Alternative:
 - the Cash Offer for the British Energy Ordinary Shares will be 774 pence in cash for each British Energy Ordinary Share;
 - a Partial CVR Alternative will also be made available under which Eligible British Energy Ordinary Shareholders may elect to receive, subject to availability, in respect of all or part of their holding of British Energy Ordinary Shares, 700 pence in cash and one Nuclear Power Note (issued by Barclays Bank PLC) for each British Energy Ordinary Share. The Nuclear Power Notes will be issued for a cash price, to be satisfied by the issue to Barclays by Lake Acquisitions of the underlying Lake CVRs. This Partial CVR Alternative is intended to afford Eligible British Energy Ordinary Shareholders economic exposure to wholesale power prices and the output of British Energy's existing nuclear fleet, subject to minimum, maximum and cumulative

constraints and in accordance with the terms and conditions of the Nuclear Power Notes;

- as part of the Partial CVR Alternative, an Additional CVR Election Facility will also be made available, which will enable Eligible British Energy Ordinary Shareholders who elect for the Partial CVR Alternative to elect to receive, subject to availability, two additional Nuclear Power Notes, in lieu of receiving cash consideration of 74 pence in respect of each additional Nuclear Power Note.
- The Cash Offer for the British Energy Convertible Shares (the Convertible Offer) will also be 774 pence in cash for each British Energy Convertible Share. HM Government has the ability to direct Nuclear Liabilities Fund Limited to exercise, subject to procedural restrictions, its right to convert its financial interest existing from time to time (in the form of the NLF Cash Sweep Payment) in British Energy (currently representing approximately 35.58 per cent. of the enlarged share capital of British Energy) and require British Energy to issue British Energy Convertible Shares to NLF (the "NLF Conversion Right"). NLF (at the direction of the Secretary of State) has entered into an irrevocable undertaking with Lake Acquisitions to exercise this right and accept the Convertible Offer in respect of its entire resulting holding provided that the Offers have been or will, upon receipt of such acceptance from NLF, be declared unconditional in all respects. British Energy also has the benefit of certain provisions in this irrevocable undertaking.
- Invesco, currently British Energy's largest shareholder, has entered into an irrevocable undertaking with Lake Acquisitions to accept the Ordinary Offer in respect of its entire holding of British Energy Ordinary Shares, representing approximately 14.86 per cent. of the existing issued share capital of British Energy (9.57 per cent. of the enlarged share capital of British Energy).
- Including the irrevocable undertakings also received from each of the British Energy Directors, Lake Acquisitions has therefore received irrevocable undertakings in respect of British Energy Shares representing in aggregate 45.16 per cent. of the enlarged share capital of British Energy.
- The Cash Offers value British Energy at approximately £12.5 billion. The price of 774 pence per British Energy Share represents a premium of:
 - 35.4 per cent. over the closing middle market price of a British Energy Ordinary Share of 571.5 pence on 14 March 2008, the business day immediately prior to 17 March 2008, the date on which British Energy issued an announcement that it was in discussions which might or might not lead to an offer for the company and prior to the payment of the dividends of 14.5 pence per British Energy Ordinary Share on 3 April 2008 and 13.6 pence per British Energy Ordinary Share on 31 July 2008;
 - 8.2 per cent. to the average closing middle market price of a British Energy Ordinary Share of 715 pence for the six months prior to 24 September 2008; and
 - 6.9 per cent. to the closing middle market price of a British Energy Ordinary Share of 724 pence on 23 September 2008, being the business day immediately prior to the date of this Announcement.

Recommendation

- The British Energy Board, which has been so advised by Rothschild (as lead financial adviser) and by Gleacher Shacklock, considers the terms of the Cash Offers to be fair and reasonable and, subject to the factors referred to below, considers the terms of the Partial CVR Alternative to be fair and reasonable. Accordingly, the British Energy Board intends unanimously to recommend that British Energy Shareholders accept the Cash Offers (in relation to the Ordinary Offer and the Convertible Offer, as applicable) and consider, subject to the factors referred to below, electing for the Partial CVR Alternative. Rothschild has an existing relationship with EDF and, as a consequence, is a connected party to EDF. Gleacher Shacklock is therefore providing independent advice to the British Energy Board on the Offers for the purposes of Rule 3 of the Code. In providing their advice, Rothschild and Gleacher Shacklock have had regard to the British Energy Board's commercial assessments. The British Energy Directors have irrevocably agreed to accept the Ordinary Offer in respect of their entire beneficial holdings of British Energy Ordinary Shares (amounting to, in aggregate, 162,737 British Energy Ordinary Shares, representing approximately 0.02 per cent. of the existing issued share capital of British Energy).
- The Partial CVR Alternative enables electing Eligible British Energy Ordinary Shareholders to realise cash for the majority of their investment in British Energy, but to retain an exposure to wholesale power prices and to the output of British Energy's existing nuclear fleet through the Nuclear Power Notes. The Partial CVR Alternative may lead to holders of British Energy Ordinary Shares who accept it receiving, in the long-term, either more or less than the Cash Offer, depending on wholesale power prices and the level of British Energy's output over the duration of the Nuclear Power Notes. British Energy Shareholders' attention is drawn to the information and risk factors about the Nuclear Power Notes contained in Appendix IV to this Announcement and to the illustrations of the potential payments that may accrue to the Nuclear Power Notes in different scenarios contained in Appendix IV. British Energy Shareholders should note that the Nuclear Power Notes will not be listed by the UKLA. It is, however, intended that they will be admitted to trading on PLUS-quoted and potentially another EEA exchange.
- The British Energy Board believes that, in reaching a decision whether to elect for the Partial CVR Alternative, British Energy Ordinary Shareholders should take into account among others, the following factors:
 - that any payments under the Nuclear Power Notes will be spread over the next 10 years;
 - that trading in them could be illiquid or otherwise affected by factors not directly related to the electricity market or British Energy's output. This may affect the price which could be obtained on any sale during the lifetime of the Nuclear Power Notes;
 - that the price and value of the Nuclear Power Notes and any payments under the Nuclear Power Notes may fluctuate significantly over their life;
 - that:
 - increased output from British Energy's existing nuclear power stations; or
 - higher output resulting from station life extensions; or

- a sustained period of wholesale power prices at levels such as have been experienced recently,
- may cause the Partial CVR Alternative to pay a higher amount over time than the Cash Offer, as illustrated in Part 4 of Appendix IV; and
- that:
 - unplanned large output losses (such as British Energy has experienced in 2006/07 and 2007/08); or
 - earlier than currently anticipated closure of one or more of the power stations; or
 - a sustained period of lower than current wholesale electricity prices,
 could have a significantly detrimental impact on any payout from the Nuclear Power Notes.
- Further information about the Partial CVR Alternative and the Nuclear Power Notes (including risk factors in addition to those contained in Appendix IV to this Announcement) will be provided in the Offer Document and the Prospectus which will be posted/made available in due course.
 - British Energy Ordinary Shareholders who wish to accept the Ordinary Offer are strongly recommended to take their own independent advice having regard to their own particular circumstances and investment objectives before deciding whether to opt for the Cash Offer and/or the Partial CVR Alternative.

Arrangements with HM Government

- HM Government's energy policy has been developed in recognition that new nuclear power stations can help the UK to meet its objectives on climate change and energy security, at a time of increasing energy demand and finite and decreasing resources. Whilst pursuing its ambition to become an active player in the nuclear revival in the UK, EDF recognises HM Government's policy of ensuring that there is more than one new nuclear operator in the UK.
- As stated above, NLF (at the direction of the Secretary of State) has entered into an irrevocable undertaking with Lake Acquisitions to exercise the NLF Conversion Right and accept the Convertible Offer in respect of its entire resulting holding provided that the Offers have been or will be, upon receipt of such acceptance from NLF, declared unconditional in all respects. British Energy also has the benefit of certain provisions in this irrevocable undertaking.
- EDF, the Secretary of State and the NDA have also entered into agreements, conditional on the Acquisition becoming wholly unconditional, which require EDF, in certain circumstances, to dispose of specified areas of land in the vicinity of existing nuclear sites including some land currently owned by British Energy. EDF's objective in entering into these arrangements is to ensure that the Enlarged Group has access to sites suitable for the construction of four new EPR type nuclear reactors in the UK. The agreements should also facilitate the entry of other new nuclear power generators into the UK, which will help achieve an HM Government policy objective.

- The Restructuring Agreements were originally entered into in January 2005 by British Energy with, amongst others, the Secretary of State as part of the financial restructuring plan which British Energy agreed with certain key creditors and HM Government. Under these Restructuring Agreements, in relation to the British Energy Group's existing nuclear operations and subject to certain exceptions:
 - NLF (at the direction of the Secretary of State) agreed to fund, to the extent of its assets: (i) qualifying uncontracted nuclear liabilities; and (ii) qualifying costs of decommissioning in relation to the British Energy Group's existing nuclear power stations; and
 - the Secretary of State agreed to fund: (i) qualifying uncontracted nuclear liabilities and qualifying costs of decommissioning to the extent that they exceed the assets of NLF; and (ii) subject to a cap, qualifying contracted liabilities for historic spent fuel of the British Energy Group.

The Secretary of State has agreed, and has directed NLF to consent, conditional on the Acquisition becoming wholly unconditional, to limited amendments to the Restructuring Agreements in connection with the Acquisition. These amendments do not impact their respective contractual funding commitments to the British Energy Group. The amendments, among other things and subject to exceptions, restrict the rights and obligations imposed by the Restructuring Agreements on British Energy and its subsidiaries and subsidiary undertakings and, accordingly, do not extend similar rights and obligations to EDF, or its subsidiaries and subsidiary undertakings.

- The State Aid Deed was originally entered into on 8 October 2004, pursuant to which British Energy Limited (formerly British Energy plc) and, following completion of the Restructuring Plan, British Energy have undertaken to HM Government to comply with restrictions that substantially mirror the restrictions imposed on HM Government by the 2004 State Aid Decision together with additional reporting and compliance obligations.

Limited amendments will be made to the State Aid Deed, conditional on the Acquisition becoming wholly unconditional.

Reasons for the Offers

- British Energy's management has made considerable progress since the implementation of the financial restructuring plan in 2005 and has re-established British Energy as a key contributor to the UK's generation sector. For EDF, the Acquisition represents a unique opportunity to:
 - become an active player in the growth of the UK nuclear industry, in line with its aim of constructing, operating and investing in ten new EPR type nuclear power stations worldwide to be in operation by 2020, using British Energy's and EDF's combined nuclear expertise and skills to build four EPRs in the UK whilst maximising the operational life of the existing British Energy fleet where economic and safe to do so;
 - reinforce its assets and employees' skills in the UK, a long-time core market, as part of its strategy to extend its position in Europe by securing additional skills and expertise; and
 - expand operations in a market where building new nuclear facilities as soon as possible is a key element of HM Government's policy to secure future energy

supply, by diversifying the energy generation mix, and to meet the UK's obligations on climate change.

- The combination of British Energy and EDF is expected to create synergies in New Nuclear Build and generally through increased trading, retail growth opportunities and cost reductions.
- EDF recognises and appreciates the importance of British Energy's employees and has given assurances to British Energy that the existing employment rights, including pension rights, of the management and employees of British Energy will be fully safeguarded upon the Offers becoming or being declared unconditional in all respects.

Discussions with Centrica

- EDF and Centrica are in discussions in relation to an option for Centrica to acquire a 25 per cent. interest in Lake Acquisitions at the same implied price per share as EDF pays for British Energy, subject to certain costs to be agreed. Centrica would also be entitled to participate in EDF's New Nuclear Build activities in the UK on a 75/25 (EDF/Centrica) basis.
- Any agreement would be subject to conditions precedent including completion of the Acquisition by Lake Acquisitions and merger control approval from the UK competition authorities. No agreement has yet been reached with Centrica. There is no certainty that EDF and Centrica will succeed in reaching legally binding agreements or that the conditions to the implementation of such agreements will be satisfied.
- EDF's willingness to proceed with the Acquisition is in no way dependent upon reaching an agreement with Centrica; the making of the Offers is not conditional upon any such agreement being reached between EDF and Centrica and there will be no conditions to the Offers relating to any such agreement. EDF retains sole control and discretion in relation to the Acquisition, including the structure and conduct of the Offers and Centrica will exercise no control or influence over the terms or conditions of the Offers.

Indicative timetable

- The Offers are on and subject to the terms and conditions set out in Appendix I to this Announcement and the further terms and conditions to be set out in the Offer Document. In particular, the Ordinary Offer will be conditional upon:
 - Lake Acquisitions having acquired, agreed to acquire, or received valid acceptances in respect of not less than 75 per cent. of the voting rights relating to British Energy Shares to which the Offers relate (or such lower percentage as Lake Acquisitions may decide provided that such condition will not be satisfied unless Lake Acquisitions has acquired, agreed to acquire, or received valid acceptances in respect of more than 50 per cent. of the voting rights attaching to British Energy Shares) provided that a valid acceptance has been received from NLF in respect of its British Energy Convertible Shares;
 - insofar as the Acquisition falls within the scope of the European Commission Merger Regulation (ECMR), the European Commission issuing or having been deemed to have issued a decision pursuant to Article 6(1)(b) or 6(2) of the ECMR that the Acquisition is compatible with the common market (a Phase I clearance decision) or the European Commission taking a decision to refer the whole or part of the Acquisition to the competent authorities of one or more Member States

under Article 9(1) of the ECMR and the relevant authority taking a decision equivalent to a Phase I clearance decision and with respect to any part of the Acquisition retained by the European Commission, it taking a Phase I clearance decision;

- to the extent that they have jurisdiction to review the Acquisition, confirmation having been received in terms and in a form reasonably satisfactory to Lake Acquisitions that neither the Office of Fair Trading nor the Secretary of State intends to refer the Acquisition to the UK Competition Commission; and
- neither GEMA nor HSE having sought and not having indicated any intention to:
 - (i) seek any modifications to, issue any directions or attach any conditions to, or vary or revoke any existing conditions to, any licence held by any member of the British Energy Group or EDF Energy Group, as the case may be, under the Electricity Act 1989 or Nuclear Installations Act 1965; or (ii) seek any undertakings of assurances from any member of the EDF Group, any of which would be material in context of the British Energy Group taken as a whole, or the EDF Energy Group taken as a whole or the EDF Group taken as a whole, or the Acquisition, as applicable, except on terms reasonably satisfactory to Lake Acquisitions.
- Should the conditions to the Offers be satisfied, the Acquisition is expected to become effective in the last quarter of 2008 or early 2009. In the event that the European Commission instigates proceedings under Article 6(1)(c) of the ECMR or, to the extent it has jurisdiction, the Office of Fair Trading refers the Acquisition to the UK Competition Commission (Phase II investigation) and the Acquisition is subsequently:
 - approved by the European Commission issuing a decision under Article 8(1) or 8(2) of the ECMR ("EC Approval"); and/or
 - approved by the UK Competition Commission either in whole or in part within the stipulated time period and, to the extent that any remedies are considered appropriate, within the requisite time for the agreement to and acceptance by the UK Competition Commission of any remedies reasonably acceptable to EDF which are required to remedy, mitigate or prevent the significant lessening of competition found by the UK Competition Commission in its decision or the making by the UK Competition Commission of any order reasonably acceptable to EDF to the same effect ("CC Approval"),

EC Approval and/or CC Approval, as the case may be, being referred to as "Phase II Approval", EDF has given a conditional undertaking to British Energy to make a new offer, subject to an agreed upward price adjustment to reflect the delay in receipt of consideration by British Energy Shareholders. Any breach of this undertaking will entitle British Energy to claim a reverse break fee from EDF, which shall be the sole remedy for any such breach.

Information on EDF and Lake Acquisitions

- The EDF Group is an integrated energy company with a presence in a wide range of electricity related businesses: generation, transmission, distribution, sale and energy trading. The EDF Group is France's historic electricity operator and has a strong position in the three other main European markets (Germany, the UK and Italy), making it one of Europe's main electricity concerns as well as a recognised player in the gas industry. With worldwide installed power capacity totalling 126.7GW (124.5GW in Europe, 63GW from nuclear generation) and global generation of 610.6TWh (418.0TWh from nuclear

generation) in 2007, it has the largest generating capacity of all the major European energy corporations with the lowest level of carbon dioxide emissions due to the significant proportion of nuclear and hydroelectric power in its generation mix. The EDF Group employs over 158,000 people worldwide. The EDF Group supplies gas, electricity and associated services to more than 38 million customer accounts worldwide (including more than 28 million in France and 5.5 million in the UK).

- Lake Acquisitions is a wholly-owned subsidiary of EDF established for the purpose of making the Offers.

Information on British Energy

- British Energy is the UK's largest electricity generator, employing over 6,000 people. The British Energy Group owns and operates eight nuclear power stations in the UK: seven of these are Advanced Gas-cooled Reactor (AGR) stations, located at Dungeness, Hartlepool, Heysham (two stations), Hinkley Point, Hunterston, Torness and the only civil Pressurised Water Reactor (PWR) station in the UK, located at Sizewell in Suffolk. British Energy also owns and operates the Eggborough coal-fired power station in Yorkshire. British Energy's total current capacity is 10.6GW (of which 8.7GW from nuclear generation) with delivered output of 58.4TWh (of which 50.3TWh comprises nuclear output) for the year ended March 2008. British Energy is the lowest carbon emitter of the UK's major electricity generators.

Commenting on the Offer, Sir Adrian Montague, Chairman of British Energy said:

"Today's announcement is very important in the development of British Energy and will enable us to build on the work started at the time of the relisting of the company in January 2005.

It will also allow us to develop fully British Energy's role in New Nuclear Build, improve British Energy's financial strength and in so doing help create a secure, long term future for our business and our staff.

Together, the businesses of EDF and British Energy will have broader access to markets and a unique blend of engineering expertise, project management skills and physical assets available for the development of New Nuclear Build in the UK. In addition, this combination will be better able to prolong the contribution of our existing fleet to the energy needs of the UK.

For our shareholders, the Offers represent good value and an opportunity, if desired, to continue to participate in the performance of the existing nuclear fleet and retain exposure to UK power prices."

Commenting on the Offer, Pierre Gadonneix, Chairman and CEO of EDF said:

"We are delighted that the British Energy Board is unanimously recommending our offer to its shareholders. EDF and British Energy complement each other perfectly and this is an exciting announcement for us both. For EDF, this is an historic milestone in our strategic development plans in Europe and enables the EDF Group to develop significantly in the UK, one of its key markets. For British Energy, it places it at the vanguard of New Nuclear Build in the UK and at the centre of the global nuclear renaissance.

There is a great fit between our two companies. Combining the people, knowledge, skills, experience and assets of EDF and British Energy will set the standard for the delivery of safe, economic, low carbon generation both in Britain and around the world. We look forward to welcoming British Energy's management and employees into the Enlarged Group.

For UK business and retail customers, this paves the way for huge investment in secure, economic energy supplies. This investment will help secure affordable energy for our customers for the long term. It is a responsible step towards addressing their concerns about wholesale energy prices and dwindling world fossil fuel supplies.

In the UK, the EDF Energy Group is committed to reducing the carbon intensity of its generation by 60 per cent. by 2020 by investing in a diverse energy mix including nuclear and renewables. Together with British Energy, we will build on that commitment through helping customers save energy, cut carbon emissions and safeguard the needs of the planet."

Merrill Lynch is acting as financial adviser and corporate broker to EDF and Lake Acquisitions. BNP Paribas is also acting as financial adviser to EDF and Lake Acquisitions.

Rothschild is acting as lead financial adviser to British Energy. Gleacher Shacklock is acting as independent financial adviser to British Energy for the purposes of Rule 3 of the Code. JPMorgan Cazenove and Citi are acting as joint corporate brokers to British Energy and are also providing financial advice to British Energy.

This summary should be read in conjunction with the full text of the following Announcement. The conditions and certain further terms of the Offers are set out in Appendix I to this Announcement. Appendix II contains further details of the contracts entered into in connection with the Acquisition. Appendix III contains details of irrevocable undertakings received in connection with the Acquisition. Appendix IV contains a summary of the principal terms and conditions, risk factors and other information about the Nuclear Power Notes. Appendix V contains the sources and basis of calculations in this Announcement and Appendix VI contains the definitions of certain terms used in this Announcement.

A press conference will take place at 9.00 a.m. (Paris time) at the Pavillon d'Armenonville, Allée de Longchamp, 75116 Paris.

An analysts conference will take place at 10:45 a.m. (Paris time) at the same address and will be available by webcast at: <http://investisseurs.edf.com/the-edf-group/edf-investors-117002.html>.

There will be a photocall and press conference at 2.30 p.m. (London time) today at the Millennium Hotel, 44 Grosvenor Square, London W1K 2HP.

British Energy will be hosting an investor and analyst call at 7.45 a.m. (London time) which can be accessed by dialling +44 (0)20 8609 3822 (local and international).

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This Announcement is an advertisement and not a prospectus and investors should not subscribe for or purchase Nuclear Power Notes, as referred to in this Announcement, except on the basis of information in the Prospectus expected to be published by Barclays on or before 5 November 2008 (consent to such delayed posting having been obtained from the Panel) or such later date as the Panel may permit. A further announcement will be made at the time of publication. Copies of the Prospectus will, following publication, be available free of charge from the registered offices of (i) Barclays at 1 Churchill Place, London E14 5HP (ii) Merrill Lynch at 2 King Edward Street, London EC1A 1HQ. It is not intended that an offer will be made for Lake CVRs in any circumstances which will be issued by Lake Acquisitions only to Barclays in connection with the Partial CVR Alternative.

This Announcement does not constitute, or form any part of, any offer for, or solicitation of any offer for, securities. Any acceptance or other response to the Offers should be made on the basis of the information contained in the Offer Document and the Forms of Acceptance and, in connection with the Partial CVR Alternative where available, the Prospectus.

Merrill Lynch is acting for EDF and Lake Acquisitions and no one else in connection with the Offers and will not be responsible to anyone other than EDF or Lake Acquisitions for providing the protections afforded to clients of Merrill Lynch or for providing advice in relation to the Offers.

BNP Paribas, which is regulated in the United Kingdom by the Financial Services Authority, is acting for EDF and Lake Acquisitions and no one else in connection with the Offers and will not be responsible to anyone other than EDF or Lake Acquisitions for providing the protections afforded to clients of BNP Paribas or for providing advice in relation to the Offers.

Rothschild, which is regulated in the United Kingdom by the Financial Services Authority, is acting for British Energy and no one else in connection with the Offers and will not be responsible to anyone other than British Energy for providing the protections afforded to clients of Rothschild or for providing advice in relation to the Offers.

Gleacher Shacklock, which is regulated in the United Kingdom by the Financial Services Authority, is acting for British Energy and no one else in connection with the Offers and will not be responsible to anyone other than British Energy for providing the protections afforded to clients of Gleacher Shacklock or for providing advice in relation to the Offers.

JPMorgan Cazenove, which is regulated in the United Kingdom by the Financial Services Authority, is acting for British Energy and no one else in connection with the Offers and will not be responsible to anyone other than British Energy for providing the protections afforded to clients of JPMorgan Cazenove or for providing advice in relation to the Offers.

Citi, which is regulated in the United Kingdom by the Financial Services Authority, is acting for British Energy and no one else in connection with the Offers and will not be responsible to anyone other than British Energy for providing the protections afforded to clients of Citi or for providing advice in relation to the Offers.

Goldman Sachs International, which is regulated in the United Kingdom by the Financial Services Authority, is acting for Centrica and no one else in connection with discussions with EDF and will not be responsible to anyone other than Centrica for providing the protections afforded to clients of Goldman Sachs International or for providing advice in relation to these discussions.

This document does not constitute an offer in the United States. Subject to certain limited exceptions solely with respect to the Cash Offer (in compliance with applicable US federal securities laws and the securities laws of any state or territory or other jurisdiction of the United States), the Offers will not be made directly or indirectly, in or into, or by the use of the mails of, or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, the United States or to or for the account or benefit of US Persons, and acceptances from US Persons will not be accepted (other than, in respect of the Cash Offer only, from persons who are both QIBs and QPs). Accordingly, unless Lake Acquisitions, in accordance with applicable US federal securities laws and the securities laws of any state or territory or other jurisdiction of the United States, determines otherwise, copies of this document, and any related offering documents are not being mailed or otherwise distributed or sent in or into the United States or to US Persons (including to British Energy Ordinary Shareholders or Warrantholders or Optionholders with registered addresses in the United States). Persons receiving such documents (including without limitation, custodians, nominees and trustees) must not distribute or send them in, into or from the United States or to US Persons and so doing may invalidate any purported acceptance of the Offers.

The issuer of the Nuclear Power Notes and the issuer of the Lake CVRs have not been and will not be registered under the US Investment Company Act. In addition, the Nuclear Power Notes and the Lake CVRs that may be issued pursuant to the Acquisition have not been and will not be registered under the US Securities Act or under the relevant securities laws of any state or territory or other jurisdiction of the United States. Accordingly, the Nuclear Power Notes and the Lake CVRs may not and will not be offered or sold in the United States or to or for the account or benefit of US Persons.

Barclays is acting for Lake Acquisitions and no one else in connection with the issue of the Nuclear Power Notes and will not be responsible to anyone other than Lake Acquisitions for providing the regulatory protections afforded to clients of Barclays or for providing advice in relation to the issue of the Nuclear Power Notes or any other advice. Barclays is regulated in the United Kingdom by the Financial Services Authority.

The Offers will not be made, directly or indirectly, in or into Australia, Canada or Japan, or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction. This document does not constitute an offer in Australia, Canada or Japan and the Offers will not be capable of acceptance from or within Australia, Canada or Japan or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction. Accordingly, except as required by applicable law, copies of this Announcement are not being, and may not be, mailed, forwarded or otherwise distributed or sent in, into or from, Australia, Canada or Japan, including to British Energy Ordinary Shareholders or Warrantholders or Optionholders with registered addresses in Australia, Canada or Japan or to persons whom Lake Acquisitions knows to be nominees holding British Energy Shares for such persons. Persons receiving this Announcement (including without limitation nominees, trustees or custodians) must not forward, distribute or send it into Australia, Canada or Japan, or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction.

Unless Lake Acquisitions otherwise determines, the relevant clearances and registrations have not been, nor will they be, sought or obtained, nor have any steps been taken, nor will any steps be

taken, to enable the Nuclear Power Notes to be publicly offered in compliance with applicable securities laws in any jurisdiction outside the EEA or in any EEA Excluded Jurisdiction. Accordingly, the Nuclear Power Notes may not be offered, sold, resold, transferred, or delivered, directly or indirectly, in, into or from, any jurisdiction outside the EEA, any EEA Excluded Jurisdiction or any other jurisdiction if to do so would violate the laws of that jurisdiction or would require registration thereof in such jurisdiction.

It is currently intended to seek admission of the Nuclear Power Notes to trading on the PLUS-quoted market of PLUS Markets. However, the possibility of listing the Nuclear Power Notes on a regulated market (either instead of, or in addition to, the admission to trading on PLUS-quoted) is being considered. However, the Partial CVR Alternative will not be conditional upon any admission to listing or trading being achieved and therefore in certain circumstances the Nuclear Power Notes may be unlisted. PLUS-quoted is a self-regulated market designed primarily for securities issued by emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. Securities admitted to PLUS-quoted are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such securities and should make the decision to invest only after due and careful consideration and, if appropriate, consultation with an independent financial adviser.

To the extent permitted by applicable law, in accordance with the Code and normal UK market practice and pursuant to class exemptive relief granted by the Staff of the Division of Market Regulation of the US Securities and Exchange Commission from Rule 14e-5 of the US Exchange Act, Lake Acquisitions and its affiliates or their nominees or brokers (acting as agents) may from time to time during the period in which the Ordinary Offer remains open for acceptance make certain purchases of, or arrangements to purchase, British Energy Shares otherwise than under the Offer, such as in open market or privately negotiated purchases. Such purchases, or arrangements to purchase, will comply with all applicable UK rules, including the Code and the rules of the London Stock Exchange. In addition, in accordance with the Code, normal UK market practice and Rule 14e-5 of the US Exchange Act, Merrill Lynch and BNP Paribas will continue to act as exempt principal traders in British Energy Shares on the London Stock Exchange. Information regarding such activities which is required to be made public in the United Kingdom pursuant to the Code will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at www.londonstockexchange.com. This information will also be publicly disclosed in the United States to the extent that such information is made public in the United Kingdom.

Rule 8 Notice

Under the provisions of Rule 8.3 of the Code, if any person is, or becomes, "interested" (directly or indirectly) in 1 per cent. or more of any class of "relevant securities" of British Energy, all "dealings" in any "relevant securities" of that company (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by no later than 3.30 p.m. (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which the Offers become, or are declared, unconditional as to acceptances, lapse or are otherwise withdrawn or on which the "offer period" otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of British Energy, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the Code, all "dealings" in "relevant securities" of British Energy by British Energy, or by any of its respective "associates", must be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Panel's website at www.thetakeoverpanel.org.uk.

"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, you should consult the Panel.

Forward-looking statements

This Announcement contains certain forward-looking statements, including statements regarding EDF's plans, objectives and expected performance. Such statements relate to events and depend on circumstances that will occur in the future and are subject to risks, uncertainties and assumptions. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements, including, among others, the failure to satisfy any condition to the Offers; the enactment of legislation or regulation that may impose costs or restrict activities; the re-negotiation of contracts or licences; fluctuations in demand and pricing in the energy industry; fluctuations in exchange controls; changes in government policy and taxations; industrial disputes; war and terrorism. These forward-looking statements speak only as at the date of this Announcement.

The Cash Offers value British Energy at approximately £12.5 billion. The price of 774 pence per British Energy Share represents a premium of:

- 35.4 per cent. over the closing middle market price of a British Energy Ordinary Share of 571.5 pence on 14 March 2008, the business day immediately prior to 17 March 2008, the date on which British Energy issued an announcement that it was in discussions which might or might not lead to an offer for British Energy, and prior to the payment of the dividends of 14.5 pence per British Energy Ordinary Share paid on 3 April 2008 and 13.6 pence per British Energy Ordinary Share paid on 31 July 2008;
- 8.2 per cent. to the average closing middle market price of a British Energy Ordinary Share of 715 pence for the six months prior to 24 September 2008; and
- 6.9 per cent. to the closing middle market price of a British Energy Ordinary Share of 724 pence on 23 September 2008, being the business day immediately prior to the date of this Announcement.

3. Partial Contingent Value Right (CVR) Alternative

The Partial CVR Alternative is intended to afford Eligible British Energy Ordinary Shareholders economic exposure to wholesale power prices and the output of British Energy's existing nuclear fleet, subject to minimum, maximum and cumulative constraints and in accordance with the terms and conditions of the Nuclear Power Notes.

In connection with the Acquisition, Lake Acquisitions will issue Lake CVRs to Barclays. Barclays will correspondingly issue Nuclear Power Notes to the Eligible British Energy Ordinary Shareholders nominated by Lake Acquisitions as having validly elected for the Partial CVR Alternative or, failing such nomination, to Lake Acquisitions. The Nuclear Power Notes will be unsecured. Subject to the provisions of the Nuclear Power Notes, payments will be made by Barclays to Noteholders only to the extent that payments are made by Lake Acquisitions (or EDF Energy as guarantor) under the Lake CVRs.

The Nuclear Power Notes are highly complex instruments and British Energy Shareholders' attention is drawn to the risk factors relating to the Nuclear Power Notes set out in Part 1 of Appendix IV to this Announcement.

Partial CVR Alternative

As an alternative to the Cash Offer, Eligible British Energy Ordinary Shareholders who validly accept the Ordinary Offer and validly elect for the Partial CVR Alternative in respect of all or part of their holding of British Energy Ordinary Shares will, subject to availability, receive:

for each British Energy Ordinary Share

**700 pence in cash and
one Nuclear Power Note**

Accordingly, Eligible British Energy Ordinary Shareholders who wish to receive only cash in respect of their holdings of British Energy Ordinary Shares should not elect for the Partial CVR Alternative.

The Partial CVR Alternative will be conditional upon the Ordinary Offer becoming or being declared unconditional in all respects, approval by the UK Listing Authority of the Prospectus and valid elections for the Partial CVR Alternative having been received (and not, where permitted, withdrawn) by the First CVR Calculation Date, in respect of not fewer than 40 million British Energy Ordinary Shares.

The Nuclear Power Notes will be issued by Barclays in accordance with and subject to the provisions of the Barclays Implementation Agreement. Nuclear Power Notes will be issued to satisfy valid elections for the Partial CVR Alternative up to the Maximum Nuclear Power Note Number. To the extent that valid elections for Nuclear Power Notes pursuant to the Partial CVR Alternative (excluding any elections for the Additional CVR Election Facility) and the number of Nuclear Power Notes required to be reserved to satisfy any Eligible British Energy Ordinary Shareholder who may validly elect for Nuclear Power Notes under the Compulsory Acquisition Procedure (if applicable) together exceed the Maximum Nuclear Power Note Number at the First CVR Calculation Date, the entitlement of Eligible British Energy Ordinary Shareholders validly electing for the Partial CVR Alternative (excluding any elections for the Additional CVR Election Facility) will be scaled down as nearly as reasonably practicable pro rata to the number of British Energy Ordinary Shares in respect of which they have so elected. The minimum entitlement (after scale back) will be 0.5 of a Nuclear Power Note per British Energy Ordinary Share. Fractions of Nuclear Power Notes will not be issued.

On the First CVR Settlement Date, any Eligible British Energy Ordinary Shareholder who has validly elected for the Partial CVR Alternative but not the Additional CVR Election Facility and whose election for the Partial CVR Alternative has not been satisfied in full will have paid to him cash consideration in place of the Remaining Fraction equal to the Remaining Fraction multiplied by 74 pence per British Energy Ordinary Share so elected.

The Partial CVR Alternative will be closed on either: (i) the First Closing Date of the Offers, if the Offers have not become or otherwise been declared unconditional as to acceptances on that date; or (ii) 14 days after the Offers have become or are declared unconditional as to acceptances, but will be made available under the Compulsory Acquisition Procedure, if any.

Additional CVR Election Facility

An Eligible British Energy Ordinary Shareholder who validly accepts the Ordinary Offer and who validly elects for the Partial CVR Alternative will also have the right as part of the Partial CVR Alternative to elect for the Additional CVR Election Facility in respect of any British Energy Ordinary Shares in respect of which they have elected for the Partial CVR Alternative. The Additional CVR Election Facility will enable Eligible British Energy Ordinary Shareholders who elect for the Partial CVR Alternative to elect to receive, subject to availability, two additional Nuclear Power Notes, in lieu of receiving cash consideration of 74 pence in respect of each additional Nuclear Power Note.

Each Eligible British Energy Ordinary Shareholder who validly elects for the Additional CVR Election Facility will have his entitlement to receive part of the cash consideration to which it would otherwise be entitled under the Ordinary Offer deferred until the Second CVR Settlement Date. Such entitlement will be 148 pence plus (where Eligible British Energy Ordinary Shareholders' entitlements under the Partial CVR Alternative have been scaled back as described above) the Remaining Fraction multiplied by 74 pence per British Energy Ordinary Share.

On the Second CVR Settlement Date and following allocation of Nuclear Power Notes to any Eligible British Energy Ordinary Shareholder who validly elects for the Partial CVR Alternative under the Compulsory Acquisition Procedure, any Nuclear Power Notes that remain unallocated (up to the Maximum Nuclear Power Note Number at the Second CVR Calculation Date) will be issued (i) firstly, to satisfy in full so far as possible these Remaining Fractions (if any) for the Eligible British Energy Ordinary Shareholders who have validly elected for the Additional CVR Election Facility under the Ordinary Offer and the Compulsory Acquisition Procedure; and (ii) secondly, for the Additional CVR Election Facility pro rata to the number of British Energy

Ordinary Shares in respect of which Eligible British Energy Ordinary Shareholders have so validly elected.

To the extent that valid elections for Nuclear Power Notes pursuant to the Partial CVR Alternative exceed the Maximum Nuclear Power Note Number at the Second CVR Calculation Date, the entitlement of Eligible British Energy Ordinary Shareholders validly electing for the Additional CVR Election Facility (either under the Ordinary Offer or under the Compulsory Acquisition Procedure) will be scaled down as nearly as reasonably practicable pro rata to the number of British Energy Ordinary Shares in respect of which they have so elected. Fractions of Nuclear Power Notes will not be issued.

On the Second CVR Settlement Date, any validly electing Eligible British Energy Ordinary Shareholder who elected for the Additional CVR Election Facility whose election under the Partial CVR Alternative has not been satisfied in full, will have paid to him cash consideration in place of the Nuclear Power Note(s) or fraction thereof that he did not receive at the rate of 74 pence per Nuclear Power Note, together with interest on such amount measured from the date that such cash consideration would otherwise have been paid (absent any election under the Additional CVR Election Facility) to the Second CVR Settlement Date.

The Additional CVR Election Facility will be closed at the same time as, and as part of, closure of the Partial CVR Alternative.

Rights attaching to and terms of the Nuclear Power Notes

In connection with the Acquisition, Lake Acquisitions will issue Lake CVRs to Barclays. Barclays will correspondingly issue Nuclear Power Notes to the Eligible British Energy Ordinary Shareholders nominated by Lake Acquisitions as having validly elected for the Partial CVR Alternative or, failing such nomination, to Lake Acquisitions. The Nuclear Power Notes will be unsecured.

The Lake CVRs will provide Barclays, as holder of the Lake CVRs, and consequently Noteholders under the Nuclear Power Notes, with a contingent right to receive cash payments over a 10 year period. Each payment (if any) due under the Lake CVRs will be paid on 31 January (or, if 31 January is not a business day, the next business day) each year, starting on 31 January 2010 and ending on 31 January 2019, calculated on the basis of a formula using actual output of British Energy's existing nuclear fleet in the preceding year and actual power price indices in that same preceding year, subject to certain limitations, thereby giving the holder of the Lake CVRs, and consequently Noteholders, economic exposure to the power output of British Energy's existing nuclear fleet.

Each payment (if any) due under the Nuclear Power Notes to Noteholders will be limited to the amount paid (if anything) in respect of Lake CVRs. A summary of the payment terms of the Nuclear Power Notes, together with a table illustrating the net present value of the possible stream of payments under the Lake CVRs and therefore the Nuclear Power Notes on the basis of the assumptions described in that table, and the further terms of the Nuclear Power Notes and the Lake CVRs, are set out in Appendix IV to this Announcement.

It is intended that the Nuclear Power Notes will be issued under the Fiscal Agency Agreement which will be governed by, and construed in accordance with, English law. The consideration for the issue of the Nuclear Power Notes by Barclays will be satisfied by the issue to Barclays of the underlying Lake CVRs.

The trustee appointed by Lake Acquisitions under the Lake Trust Deed will carry out the duties of a trustee in relation to the Lake CVRs. Barclays will instruct the Lake Trustee (subject to certain conditions) to enforce covenants given by Lake Acquisitions in respect of the Lake CVRs as directed by Noteholders.

The Nuclear Power Notes will be issued by Barclays and will be freely transferable (subject to restrictions on transfer in accordance with applicable securities laws). It is currently intended to seek admission of the Nuclear Power Notes to trading on the PLUS-quoted market of PLUS Markets. However, the possibility of listing the Nuclear Power Notes on a regulated market (either instead of, or in addition to, the admission to trading on PLUS-quoted) is being considered. However, the Partial CVR Alternative will not be conditional upon any admission to listing or trading being achieved and therefore in certain circumstances the Nuclear Power Notes may be unlisted.

BNP Paribas, Merrill Lynch and JPMorgan Cazenove have agreed with Barclays that they will use best endeavours to act as market makers in respect of the Nuclear Power Notes. However there is no guarantee that a secondary market in the Nuclear Power Notes will develop.

It is intended that the Nuclear Power Notes issued at the First CVR Settlement Date will be admitted to listing and/or trading (as the case may be) on such date. The Prospectus, when published by Barclays, will set out further information in relation to the Nuclear Power Notes and will include key factors (including full risk factors) that may be relevant to the decision of Eligible British Energy Ordinary Shareholders as to whether to elect for the Partial CVR Alternative, including the Additional CVR Election Facility.

The Partial CVR Alternative will be dependent on certain additional conditions which do not apply to the Cash Offer. If the additional conditions to the Partial CVR Alternative set out in paragraph 2 of Appendix I to this Announcement are not satisfied or, if applicable, waived, Eligible British Energy Ordinary Shareholders who elected for the Partial CVR Alternative will be deemed to have accepted the Cash Offer in respect of such British Energy Ordinary Shares.

Any decision as to whether to accept the Ordinary Offer and to elect for the Partial CVR Alternative and thereby to receive a lesser amount of cash will depend on the individual circumstances of each Eligible British Energy Ordinary Shareholder. Any British Energy Ordinary Shareholder in doubt as to the action that should be taken is urged to seek independent financial advice. Summary information on United Kingdom taxation will be included in the Offer Document.

The attention of British Energy Ordinary Shareholders is drawn to the further information, and in particular the risk factors, relating to the Nuclear Power Notes set out in Appendix IV to this Announcement and the risk factors to be included in the Prospectus when published.

Barclays is acting for Lake Acquisitions and no-one else in connection with the issue of the Nuclear Power Notes and will not be responsible to anyone other than Lake Acquisitions for providing the regulatory protections afforded to clients of Barclays.

The issuer of the Nuclear Power Notes has not been and will not be registered under the US Investment Company Act. In addition, the Nuclear Power Notes that may be issued pursuant to the Acquisition have not been and will not be registered under the US Securities Act or under the relevant securities laws of any state or territory or other jurisdiction of the United States. Accordingly, the Nuclear Power Notes may not and will not be offered or sold in the United States or to or for the account or benefit of US Persons.

Unless Lake Acquisitions otherwise determines, the relevant clearances and registrations have not been, nor will they be, sought or obtained, nor have any steps been taken, nor will any steps be taken, to enable the Nuclear Power Notes to be publicly offered in compliance with applicable securities laws in any jurisdiction outside the EEA or in any EEA Excluded Jurisdiction. Accordingly, the Nuclear Power Notes may not be offered, sold, resold, transferred, or delivered, directly or indirectly, in, into or from, any jurisdiction outside the EEA, any EEA Excluded Jurisdiction or any other jurisdiction if to do so would violate the laws of that jurisdiction or would require registration thereof in such jurisdiction.

A summary of the principal terms and conditions of the Nuclear Power Notes will be set out in the Prospectus together with details of how Eligible British Energy Ordinary Shareholders can make an election under the Partial CVR Alternative including, if desired, the Additional CVR Election Facility.

4. Recommendation

The British Energy Board, which has been so advised by Rothschild (as lead financial adviser) and by Gleacher Shacklock, considers the terms of the Cash Offers to be fair and reasonable and, subject to the factors referred to below, considers the terms of the Partial CVR Alternative to be fair and reasonable. Accordingly, the British Energy Board intends unanimously to recommend that British Energy Shareholders accept the Cash Offers (in relation to the Ordinary Offer and the Convertible Offer, as applicable) and consider, subject to the factors referred to below, electing for the Partial CVR Alternative. Rothschild has an existing relationship with EDF and, as a consequence, is a connected party to EDF. Gleacher Shacklock is therefore providing independent advice to the British Energy Board on the Offers for the purposes of Rule 3 of the Code. In providing their advice, Rothschild and Gleacher Shacklock have had regard to the British Energy Board's commercial assessments. The British Energy Directors have irrevocably agreed to accept the Ordinary Offer in respect of their entire beneficial holdings of British Energy Ordinary Shares (amounting to, in aggregate, 162,737 British Energy Ordinary Shares, representing approximately 0.02 per cent. of the existing issued share capital of British Energy).

The Partial CVR Alternative enables electing Eligible British Energy Ordinary Shareholders to realise cash for the majority of their investment in British Energy, but to retain an exposure to wholesale power prices and to the output of British Energy's existing nuclear fleet through the Nuclear Power Notes. The Partial CVR Alternative may lead to holders of British Energy Ordinary Shares who accept it receiving, in the long-term, either more or less than the Cash Offer, depending on wholesale power prices and the level of British Energy's output over the duration of the Nuclear Power Notes. British Energy Shareholders' attention is drawn to the information and risk factors about the Nuclear Power Notes contained in Appendix IV to this Announcement and to the illustrations of the potential payments that may accrue to the Nuclear Power Notes in different scenarios contained in Appendix IV. British Energy Shareholders should note that the Nuclear Power Notes will not be listed by the UKLA. It is, however, intended that they will be admitted to trading on PLUS-quoted and potentially another EEA exchange.

The British Energy Board believes that, in reaching a decision whether to elect for the Partial CVR Alternative, British Energy Ordinary Shareholders should take into account among others, the following factors:

- that any payments under the Nuclear Power Notes will be spread over the next 10 years;

- that trading in them could be illiquid or otherwise affected by factors not directly related to the electricity market or British Energy's output. This may affect the price which could be obtained on any sale during the lifetime of the Nuclear Power Notes;
- that the price and value of the Nuclear Power Notes and any payments under the Nuclear Power Notes may fluctuate significantly over their life;
- that:
 - increased output from British Energy's existing nuclear power stations; or
 - higher output resulting from station life extensions; or
 - a sustained period of wholesale power prices at levels such as have been experienced recently,

may cause the Partial CVR Alternative to pay a higher amount over time than the Cash Offer, as illustrated in Part 4 of Appendix IV; and

- that:
 - unplanned large output losses (such as British Energy has experienced in 2006/07 and 2007/08); or
 - earlier than currently anticipated closure of one or more of the power stations; or
 - a sustained period of lower than current wholesale electricity prices,

could have a significantly detrimental impact on any payout from the Nuclear Power Notes.

Further information about the Partial CVR Alternative and the Nuclear Power Notes (including risk factors in addition to those contained in Appendix IV to this Announcement) will be provided in the Offer Document and the Prospectus which will be posted/made available in due course.

British Energy Ordinary Shareholders who wish to accept the Ordinary Offer are strongly recommended to take their own independent advice having regard to their own particular circumstances and investment objectives before deciding whether to opt for the Cash Offer and/or the Partial CVR Alternative.

5. Background to and reasons for the Offers

EDF believes that the Acquisition is a major step in the EDF Group development. EDF expects the Acquisition to:

- strengthen EDF's role in worldwide New Nuclear Build by building four EPRs in the UK with the aim of having the first EPR on-stream by the end of 2017;
- utilise EDF's and British Energy Group's combined nuclear expertise and skills, investing to grow overall capability;

- enhance its existing position in the UK power generation market through an immediate acquisition of output and maximisation of the lives of the existing fleet where economic and safe to do so;
- lead to revenue, cost and operational synergies in the Enlarged Group of approximately €200 million; and
- meet the investment criteria of the EDF Group whilst enabling it to maintain a healthy balance sheet.

New Nuclear Build

The combination of British Energy, the UK nuclear energy generator, and EDF, one of the world's main nuclear power utilities, will represent an important event in the European market, at a time when nuclear power is viewed in many parts of the world as an important component of the future global energy mix.

With its fleet of 58 nuclear reactors, its engineering skills and its experience in building a third generation nuclear plant in France, EDF is ideally positioned to be an active player in the countries identified as EDF's priority targets, namely the United States, China, the UK and South Africa. The EDF Group's target is to be an operator and investor in 10 new nuclear reactors (EPRs) worldwide on-stream by 2020. EDF has already made significant progress towards reaching this target in 2007. In China, EDF signed an agreement with CGNPC, a Chinese utility, to create a joint-venture in which EDF has a 30 per cent. stake that will build, own and operate two EPRs in the Guandong province. EDF signed a 50/50 joint venture agreement with Constellation Energy Group, an American utility, to build, own and operate at least four EPRs in the United States.

In the UK, EDF believes that it can provide expertise and resources to complement those of the British Energy Group, enabling the Combined UK Group to build and operate four EPRs. EDF is aiming to have the first EPR on-stream by the end of 2017. EDF and British Energy have identified certain of British Energy Group's sites as being suitable for New Nuclear Build. Together with AREVA, EDF has already submitted an application to the relevant UK authorities for certification of an EPR plant model for use in the UK. Additionally, EDF has already ordered critical components required to build the first two EPRs in the UK. New Nuclear Build in the UK is a major opportunity for UK businesses and workers. EDF will work closely with the UK supply chain to explore fully the opportunities New Nuclear Build can offer and expects involvement of various UK based companies and employees in any EPR new build programme to be considerable both during construction and operation.

HM Government's energy policy has been developed in recognition that new nuclear power stations can help the UK to meet its objectives on climate change and energy security, at a time of increasing energy demand and finite and decreasing resources. Whilst pursuing its ambition to become an active player in the nuclear revival in the UK, EDF recognises HM Government's policy to promote the emergence of more than one nuclear power generator or operator in the UK. As part of the Acquisition, EDF has concluded agreements with HM Government and NDA, conditional on the Acquisition becoming wholly unconditional, which will require EDF, in certain circumstances, to dispose of specified areas of land in the vicinity of existing nuclear sites, including land currently owned by British Energy, as described in Appendix II. EDF's objective in entering into these agreements is to ensure that the Enlarged Group will have access to sites suitable for the construction of four EPRs in the UK. The Sites Undertaking should also facilitate the entry of other new nuclear power generators into the UK which will help achieve an HM Government policy objective.

Nuclear expertise

The culture and heritage of EDF and British Energy are steeped in nuclear tradition. Both companies exhibit a demonstrable commitment to safety and security and have a long history of close co-operation with the relevant safety authorities. EDF firmly believes that bringing together the two companies will strengthen the pool of talent, deepen the expertise of the Enlarged Group and create value from the combination of resources.

Through the Acquisition, EDF will be acquiring core skills, good management and technical expertise as well as assets. The combined skills of the Enlarged Group will be deployed to operate the existing nuclear plants of the Enlarged Group as well as in the construction and operation of new nuclear plants, both in the UK and internationally. British Energy has unparalleled expertise in, and knowledge of, the UK regulatory and safety environment which will be essential in operating the existing fleet and in New Nuclear Build. Coupled with the expertise within EDF on the construction, operation and decommissioning of nuclear plants, the skills base of the Enlarged Group will be at the technical forefront of the global nuclear industry. The cross-fertilisation of ideas and expertise will help the Enlarged Group become one of the world's leading players in the nuclear field, while the financial strength of EDF will provide a sound, stable environment for ongoing operation and future development.

European and UK positions

EDF also aims to strengthen its position in the UK through a substantial capital expenditure programme.

As a result of the Acquisition, the Enlarged Group will become more international, with 49 per cent. of sales (approximately €30.9 billion) and 40 per cent. of EBITDA (approximately €6.5 billion) being generated outside France (46 per cent. of sales, approximately €7.4 billion, and 34 per cent. EBITDA, approximately €5.2 billion in 2007, respectively, prior to the Acquisition) (pro forma, EDF financial year ending 31 December 2007 and British Energy financial year ending 31 March 2008).

The existing generation capacity of British Energy will remain central to the overall strategic vision of EDF in the UK for a number of reasons. In the UK, the combination of British Energy's generation output from its existing fleet and EDF Energy Group will provide a more competitive business profile for the Enlarged Group and will increase EDF Energy Group's generation capacity threefold. The addition of the British Energy capacity will allow the Combined UK Group to better manage its overall exposure to UK power prices by reducing the Combined UK Group's exposure to short term movements of gas and coal prices through access to a low carbon generation position. EDF's credit rating will improve the strength of the business case both for work on the existing fleet (maintenance, replacement of equipment, safety assessments for operational life extension) and for New Nuclear Build by allowing more efficient trading on the wholesale market. Customers will also benefit as the Combined UK Group will be in a better position to offer value to UK energy customers and to grow its customer base.

The Combined UK Group will have a better balance between regulated and non-regulated activities with the non-regulated EBITDA share increasing from 15 per cent. to 58 per cent. (pro forma, EDF Energy Group financial year ending 31 December 2007 and British Energy financial year ending 31 March 2008).

The Acquisition will result in the Enlarged Group having a total installed nuclear generation capacity of 71.7 GW worldwide from the Acquisition Effective Date, a significant contribution to global nuclear power generation.

Synergies

EDF expects the Acquisition to generate synergies positively impacting EBITDA of €200 million three years after the Acquisition Effective Date. The potential synergies have been calculated on the basis of EDF acquiring and retaining 100 per cent. ownership of British Energy and delisting British Energy. The potential synergies have been calculated on the basis of a number of subjective assumptions made by EDF, for example in relation to potential procurement costs and other areas of overlap, future retail customer numbers, customer demand and profits on power sales.

Revenue synergies will result from enhanced existing trading operations and access to an improved credit rating for British Energy Group operations, as well as an ability to grow the end customer base of the Combined UK Group.

EDF recognises the expertise and commitment of the British Energy Group employees who operate and maintain the existing generating stations. EDF will support, maintain and invest in the existing generating stations and their employees, as well as seek to utilise the British Energy Group as a platform for New Nuclear Build. There is a good fit between EDF Energy Group, in which the vast majority of employees are engaged in customer service and distribution network operation, and the British Energy Group which is primarily involved in generation. Overlap in some areas in the two organisations creates the opportunity for best practice and cost synergies, which would be realised as EDF and British Energy work together to shape the organisation of the Combined UK Group.

The amendments to the Restructuring Agreements will provide an additional mechanism by which the obligation on British Energy to maintain a minimum cash reserve, which was, as at 31 March 2008, £490 million plus the amount by which cash employed as collateral exceeds £200 million ("Incremental Collateral Amount"), can be suspended upon the occurrence of certain events.

In addition to the synergies that will enhance the performance and continued operation of British Energy's existing nuclear fleet, relating to the existing operations, EDF also expects significant synergies in New Nuclear Build, as British Energy and EDF employees have extensive experience in the nuclear industry and the Enlarged Group will be in a position to harness cost and investment savings as a result of economies of scale and standardisation.

Financial rationale

The Acquisition is consistent with all of the investment criteria of the EDF Group. In particular, the Acquisition is expected to be accretive to EDF earnings per share from 2009.

EDF believes that each new EPR, under the assumption of approximately 1,600 MW and 60 years of operation, under conservative hypotheses on initial investment, operating costs and market prices, will generate a positive net present value. This value creation has a long-term horizon with the first EPR planned to be connected to the UK national grid by the end of 2017.

In the long term, the transaction will provide EDF with the ability to play an active role in the New Nuclear Build in the UK, which will provide substantial cash flow and earnings contributions.

6. Background to and reasons for the Recommendation

British Energy has made considerable progress since it emerged from financial restructuring in 2005. The new management team's investment programme has improved the condition of British Energy's AGR stations and small losses have declined recently. Also large increases in

the realised and forward price of electricity have greatly added to the profits and cashflow of British Energy. However, events have occurred which have significantly affected output and there remains a risk of future large unplanned losses, especially as British Energy's plants age further. These could materially affect profitability. Moreover, seven of the eight nuclear stations have accounting lives which imply closure within the next 6 to 15 years, although there may be opportunities for life extensions.

At the time of the company's relisting in 2005, there seemed to be little likelihood of new nuclear plant being built in the UK. Accordingly, the restructuring was designed to facilitate the operation of the existing fleet. Subsequently, HM Government's desire to improve security of supply and increase the proportion of carbon free generation led to a change in policy and the likelihood of a large programme of new nuclear construction. The British Energy Board believes that it will be important for British Energy to play a major role in this programme as it represents a clear opportunity to secure the long term future of the business.

British Energy has a considerable base of skills in its workforce which can be deployed in any New Nuclear Build programme, not least because the programme would probably adopt technology similar to that of British Energy's Sizewell B station. British Energy has a strong presence in the communities where new plants are likely to be located and it owns a significant number of the sites in the UK identified as being suitable for new nuclear projects. British Energy's participation in the New Nuclear Build programme would therefore offer opportunities for employment and value creation over the longer term. It would also help to preserve British Energy's capability to maintain the lives and value of its existing stations.

Accordingly, on 13 February 2007, British Energy announced that it was launching a process to invite potential partners for new nuclear generation projects in the UK. Discussions with prospective partners indicated that they shared the view that British Energy could play a major role. Considerable interest was shown by a number of major groups who indicated their willingness to invest alongside British Energy and recognise the value of the scarce skills and assets which British Energy would bring to a partnership.

In 2008, HM Government set out its policy and announced that new nuclear power stations should have a role to play in the energy mix and that there should be no restriction on the number of new nuclear power stations. HM Government indicated the potential to develop new build on a large scale and the British Energy Board recognised that the financial commitment required to participate in such an extensive programme would be challenging for a business of British Energy's size, particularly since much of the expenditure would occur when a number of British Energy's existing stations were scheduled to be decommissioned.

The British Energy Board therefore decided to widen the process of seeking a partner for New Nuclear Build to encompass a full review of the strategic options available to British Energy. The British Energy Board's aim was to maximise value for shareholders, having regard to various factors including those outlined above, and to improve prospects for employees from these opportunities. At the same time, the British Energy Board was concerned to have regard to British Energy's responsibilities as a major nuclear generator.

A number of parties expressed an interest in acquiring British Energy and the British Energy Board instigated discussions with several parties to see whether an offer could be obtained which it could recommend to British Energy Shareholders. The Offers represent the culmination of these discussions. EDF is the world's largest operator of nuclear power stations and already has a major energy business in the UK. It is therefore well placed both to continue to support

British Energy's existing fleet and, with access to the skills and experience of British Energy's staff, to become a major and early participant in the next phase of nuclear operation in the UK.

7. Irrevocable undertakings

Lake Acquisitions has received irrevocable undertakings from the British Energy Directors to accept the Ordinary Offer in respect of a total of 162,737 British Energy Ordinary Shares.

Lake Acquisitions has received an irrevocable undertaking from NLF (at the direction of the Secretary of State) to exercise the NLF Conversion Right and accept the Convertible Offer in respect of its entire resulting holding of British Energy Convertible Shares provided that the Offers have been or will, upon receipt of such acceptance, be declared unconditional in all respects. British Energy also has the benefit of certain provisions of the irrevocable undertaking given by NLF.

Invesco, currently British Energy's largest shareholder, has entered into an irrevocable undertaking with Lake Acquisitions to accept the Ordinary Offer in respect of its entire holding of British Energy Ordinary Shares, representing approximately 14.86 per cent. of the existing issued share capital of British Energy (9.57 per cent. of the enlarged share capital of British Energy).

Lake Acquisitions has therefore received irrevocable undertakings in respect of British Energy Shares representing in aggregate 45.16 per cent. of the enlarged share capital of British Energy.

Further details of these irrevocable undertakings, including the circumstances in which they will cease to be binding, are set out in Appendix III.

8. Information on EDF

The EDF Group is an integrated energy company with a presence in a wide range of electricity-related businesses: generation, transmission, distribution, sale and energy trading. It is France's historic electricity operator and has a strong position in the three other main European markets (Germany, the UK and Italy), making it one of Europe's main electricity concerns as well as a recognised player in the gas industry. With worldwide installed power capacity totalling 126.7GW (124.5GW in Europe, 63GW from nuclear generation) and global generation of 610.6TWh (418.0TWh from nuclear generation) in 2007, it has the largest generating capacity of all the major European energy corporations with the lowest level of carbon dioxide emissions due to the significant proportion of nuclear and hydroelectric power in its generation mix. The EDF Group employs more than 158,000 people. The EDF Group supplies gas, electricity and associated services to more than 38 million customers accounts worldwide (including more than 28 million in France and 5.5 million in the UK). In its consolidated financial statements for the year ended 31 December 2007, EDF reported revenue of €9.6 billion (2006: €8.9 billion), of which around 44 per cent. was in Europe excluding France, and net income of €5.6 billion (2006: €5.6 billion).

EDF is listed on the Paris Stock Exchange and is a member of the CAC 40 index.

9. Information on Lake Acquisitions

Lake Acquisitions is a private limited company which was incorporated in England and Wales on 5 June 2008 and established for the purpose of enabling EDF to make the Offers. Lake Acquisitions has no commercial activities other than in connection with the proposed Acquisition. Lake Acquisitions is a wholly-owned indirect subsidiary of EDF.

The current directors of Lake Acquisitions are Daniel Camus, Gérard Wolf, Marianne Laigneau, Anne Le Lorier, Vincent de Rivaz and Humphrey Cadoux-Hudson. Further information relating to Lake Acquisitions will be set out in the Offer Document and Prospectus.

10. Information on British Energy

British Energy is the UK's largest electricity generator, employing over 6,000 people. The British Energy Group owns and operates eight nuclear power stations in the UK: seven of these are Advanced Gas-cooled Reactor (AGR) stations, located at Dungeness, Hartlepool, Heysham (two stations), Hinkley Point, Hunterston, Torness and the only civil Pressurised Water Reactor (PWR) station in the UK, located at Sizewell in Suffolk. British Energy also owns and operates the Eggborough coal-fired power station in Yorkshire. British Energy's total current capacity is 10.6GW (of which 8.7GW from nuclear generation) with delivered output of 58.4TWh (of which 50.3TWh comprises nuclear output) for the year ended March 2008. British Energy is the lowest carbon emitter of the UK's major electricity generators.

For the year ending 31 March 2008, British Energy reported revenues of £2,811 billion (2007: £2,999 billion) and net profit attributable to shareholders of £335 million (2007: £465 million).

British Energy is listed on the Official List of the UK Listing Authority and is a member of the FTSE 100 index.

11. Financing arrangements

The consideration required for the Acquisition will be provided from a combination of new acquisition finance facilities totalling £11 billion arranged and underwritten by the Bank of Tokyo-Mitsubishi UFJ Ltd, Barclays Capital (the investment banking division of Barclays Bank PLC), BNP Paribas, Calyon, HSBC, The Royal Bank of Scotland plc and Société Générale Corporate & Investment Banking (the corporate and investment banking division of Société Générale) and EDF's existing cash resources. Under the agreement for the provision of the new acquisition finance facilities, EDF has agreed, save as may be required by the Panel, not to amend, vary, waive, withdraw, fail to enforce or treat as satisfied any other term or condition of the Offers in any material respect without the consent of the lenders under the credit facility agreement. Assuming full acceptance of the Offers and the maximum elections for the Partial CVR Alternative, the Offers will result in a total cash payment of approximately £12.1 billion to British Energy Shareholders (assuming full acceptance of the Offers and no elections for the Partial CVR Alternative, a total cash payment of approximately £12.5 billion would be required).

Merrill Lynch and BNP Paribas are satisfied that sufficient resources are available to Lake Acquisitions to satisfy the full cash consideration payable under the terms of the Offers.

12. Implementation Agreement

British Energy, EDF and Lake Acquisitions have entered into an Implementation Agreement, which contains mutual undertakings and assurances in relation to the parties' commitment to implement the Acquisition and related matters, including provisions governing the conduct of business of British Energy in the ordinary course and other transaction protection measures. EDF has also reserved the right to switch to implement the Acquisition by means of the Scheme, with the consent of the Panel.

The Implementation Agreement provides that British Energy has agreed to pay a break fee to EDF in the amount of up to £50 million. The break fee is payable in certain circumstances and in two instalments.

The first instalment (of £20 million) becomes due in the event that the British Energy Board:

- (i) does not unanimously and unqualifiedly recommend British Energy Shareholders accept the Cash Offer, either under the Offers or the New Offers (or the Scheme or New Scheme);
- (ii) withdraws or adversely qualifies or amends such recommendation;
- (iii) recommends a Competing Proposal; or
- (iv) proposes or submits to British Energy Shareholders, for approval in a general meeting, any resolution in connection with a Competing Proposal or which would constitute approval of any frustrating action under Rule 21.1 of the Code (except where requisitioned by members and the British Energy Board have recommended against its approval).

However, no first instalment becomes due on any of these events, save in certain limited circumstances, if the Offers or the New Offers (or the Scheme or New Scheme) do not include the Partial CVR Alternative (or they have been withdrawn or adversely qualified).

The British Energy break fee will not be payable in circumstance where the reverse break fee described below has been triggered.

The second instalment (of £30 million) becomes due if the first instalment becomes due and a Competing Proposal completes. British Energy has also undertaken not to enter into any break fee arrangement in connection with a Competing Proposal with any third party.

EDF has also agreed to pay a reverse break fee to British Energy in the amount of £50 million where:

- (i) there has been a material breach of the obligations on EDF and Lake Acquisitions to use all reasonable endeavours to obtain Phase II Approval;
- (ii) there has been a breach of the undertaking by EDF and Lake Acquisitions to make an announcement under Rule 2.5 of the Code of the New Offers (or New Scheme) following Phase II Approval;
- (iii) following the New Offers, EDF invokes the acceptance condition (unless (a) another condition is incapable of satisfaction in any respect which is significant in the context of the British Energy Group taken as a whole; or (b) it is after the sixtieth day following posting of the Offer Document);
- (iv) Phase II Approval is not granted.

However, the reverse break fee will not be payable in circumstances where the first instalment of the British Energy break fee has been triggered beforehand.

Further information regarding the Implementation Agreement is set out in Appendix II.

13. Agreements with HM Government

Umbrella Agreement

The Secretary of State, NLF, EDF and Lake Acquisitions have entered into an umbrella agreement providing certain assurances in relation to the implementation of the Acquisition.

Sites Agreements

EDF, Lake Acquisitions and the Secretary of State have entered into an undertaking conditional on the Acquisition becoming wholly unconditional which requires EDF, in certain circumstances, to dispose of specified areas of land in the vicinity of existing nuclear sites owned at Bradwell and adjacent to existing stations at one of Heysham or Dungeness, and if not otherwise required under the simultaneous marketing agreement (see next paragraph), land owned by EDF at Wylfa.

EDF and EDF Development Company Limited have also entered into a conditional agreement with the NDA for the simultaneous marketing through an auction of EDCL's land at Wylfa and the NDA's land at Wylfa, Bradwell and Oldbury.

EDF's objective in entering into these arrangements is to ensure that it will, following the Acquisition, have access to sites suitable for the construction of four EPR type nuclear power stations in the UK. The Sites Undertaking is designed to facilitate the entry of other nuclear power generators in the UK, which will help achieve an HM Government policy objective.

Gleacher Shacklock has been informed by the Secretary of State that the arrangements between EDF and the Secretary of State for the potential disposal of potential nuclear sites at Wylfa, Bradwell, Dungeness and Heysham have been negotiated by the Secretary of State in furtherance of national energy policy and accordingly that no direct economic benefit shall accrue to the Secretary of State as a result of the arrangements. Consequently Gleacher Shacklock is satisfied that the Secretary of State has not been acting, and will receive no benefit, in his capacity as a potential shareholder in British Energy. NDA has also confirmed to Gleacher Shacklock that arrangements between EDF and NDA for the joint marketing of land for potential nuclear sites at Wylfa, have been negotiated by NDA and EDF on an arm's length basis, consistent with other negotiations NDA has been having with other landowners at Wylfa and at other locations in the UK. Accordingly, and on this basis, Gleacher Shacklock believes that the arrangements are fair and reasonable so far as British Energy Shareholders are concerned.

Further information regarding the Umbrella Agreement and the Sites Agreements are also set out in Appendix II.

Restructuring Agreements and State Aid Deed

The Restructuring Agreements were originally entered into on 14 January 2005 as part of the Restructuring Plan. Under the terms of the Restructuring Agreements, in relation to the British Energy Group's existing nuclear operations and subject to certain exceptions:

- NLF (at the direction of the Secretary of State) agreed to fund, to the extent of its assets: (i) qualifying uncontracted nuclear liabilities; and (ii) qualifying costs of decommissioning in relation to British Energy Group's existing nuclear power stations;
- the Secretary of State agreed to fund: (i) qualifying uncontracted nuclear liabilities and qualifying costs of decommissioning to the extent that they exceed the assets of NLF; and (ii) subject to a cap, qualifying contracted liabilities for historic spent fuel of the British Energy Group; and
- the British Energy Group is responsible for funding certain excluded or disqualified liabilities and the obligations of British Energy, BEG and BEBF to NLF and the Secretary of State are guaranteed by (and, in the case of the Decommissioning Default Payment, secured against the assets of) the principal members of the British Energy Group.

The State Aid Deed was originally entered into on 8 October 2004, pursuant to which British Energy Limited (formerly British Energy plc) and, following completion of the Restructuring Plan, British Energy have undertaken to HM Government to comply with restrictions that substantially mirror the restrictions imposed on HM Government by the 2004 State Aid Decision together with additional reporting and compliance obligations.

The Secretary of State and EDF have agreed (and, at the direction of the Secretary of State, NLF has consented) to limited amendments to the Restructuring Agreements and the State Aid Deed (conditional on the Acquisition becoming wholly unconditional) in connection with the Acquisition. Appendix II contains a summary of the key amendments to the terms of the Restructuring Agreements and the State Aid Deed as they are expected to be amended on and from the Acquisition Effective Date. The amendments, among other things and subject to limited exceptions, restrict the majority of rights and obligations imposed by the Restructuring Agreements to British Energy and its subsidiaries and subsidiary undertakings, and, accordingly, do not extend similar rights and obligations to EDF, or its subsidiaries and subsidiary undertakings. The amendments do not impact on the contractual funding commitments of the Secretary of State or NLF to the British Energy Group.

14. Discussions with Centrica

EDF and Centrica are in discussions in relation to an option for Centrica to acquire a 25 per cent. interest in Lake Acquisitions at the same implied price per share as EDF pays for British Energy, subject to certain costs to be agreed. Centrica would also be entitled to participate in EDF's New Nuclear Build activities in the UK on a 75/25 (EDF/Centrica) basis.

EDF would retain control of British Energy through its 75 per cent. interest in Lake Acquisitions and be responsible for running all British Energy's power stations. Centrica's 25 per cent. interest in Lake Acquisitions would give it the right to offtake at least 25 per cent. of the uncontracted output of British Energy's existing generation fleet. Profits of Lake Acquisitions would be distributed to EDF and Centrica in proportion to their equity interests.

The above terms are reflected in a non-legally binding Memorandum of Understanding. Any agreement would be subject to conditions precedent including completion of the Acquisition by Lake Acquisitions and merger control approval from the UK competition authorities. No agreement has yet been reached with Centrica. There is no certainty that EDF and Centrica will succeed in reaching legally binding agreements or that the conditions to the implementation of such agreements will be satisfied.

In relation to their discussions to date, EDF and Centrica entered into a standstill agreement dated 7 May 2008, under which Centrica confirmed to EDF that it held no interest in British Energy shares and undertook to EDF from that date forth not to acquire any such interest until the earlier of the Panel ceasing to regard EDF and Centrica as acting in concert with one another (in relation to British Energy) and such time as the Offers or a Competing Transaction is declared wholly unconditional.

EDF's willingness to proceed with the Acquisition is in no way dependent upon reaching an agreement with Centrica; the making of the Offers is not conditional upon any such agreement being reached between EDF and Centrica and there will be no conditions to the Offers relating to any such agreement.

EDF retains sole control and discretion in relation to the Acquisition, including the structure and conduct of the Offers and Centrica will exercise no control or influence over the terms or conditions of the Offers.

15. Management and employees

EDF has given assurances to British Energy that the existing employment rights, including pension rights, of the management and employees of British Energy will be fully safeguarded upon the Offers becoming or being declared unconditional in all respects. EDF attaches great importance to the skills and experience of the existing management and employees of British Energy and believes that the opportunities for them will be enhanced in the event that the Offers become or are declared unconditional in all respects. EDF, both in France and the UK, has a strong track record of dealing with employees and unions fairly, consistently and openly. It seeks to avoid compulsory redundancies, preferring voluntary severance, redeployment and relocation where appropriate.

The British Energy professional, technical and engineering workforce is regarded as a major potential asset for EDF, both in safeguarding and shepherding the existing British Energy fleet and in providing a base from which to create a strong UK capability to underpin EDF's plans for New Nuclear Build. Combining these teams with those of EDF will create a unique and powerful skills base. EDF would intend to continue to invest in training, including apprenticeship programmes and graduate recruitment, in order to sustain and enhance these capabilities.

EDF acknowledges the importance of having a number of significant locations across the UK, reflecting the skills and expertise of people in those localities and a desire to build skills for the future, both to manage existing assets and work on new ones. EDF is committed to maintaining the East Kilbride office as part of its plan for the future. Significant new employment and career opportunities relating to New Nuclear Build will be created by EDF's investment and it is anticipated that the staff at East Kilbride and other British Energy locations including Barnwood will benefit from these opportunities.

EDF recognises the achievements of the British Energy Board since the Restructuring Plan and values their support. Over the coming months EDF will work with the British Energy Directors to determine the impact of the Acquisition on their roles. Bill Coley and Stephen Billingham, respectively Chief Executive and Finance Director of British Energy, have indicated to EDF that they will remain with the company after the Acquisition in order to ensure an orderly transition.

EDF has held amicable and constructive discussions with the trustees of both British Energy pension schemes who have been independently advised in this process by Penfida Partners. The trustees have agreed with EDF a range of provisions including accelerated deficit funding, maintenance of specified covenant strength following the transaction, triggers for new valuations, future pensions strategy of British Energy as an employer and other matters. The trustees have confirmed that as a direct result of the Acquisition they have no plans to seek contributions above the levels which EDF has agreed to provide or to call for any actuarial valuation earlier than agreed with EDF. This agreement remains subject to the Offers becoming unconditional in all respects.

16. British Energy Warrants

The Ordinary Offer will extend to any British Energy Ordinary Shares issued or unconditionally allotted, prior to the date on which the Ordinary Offer closes (or such earlier date as Lake Acquisitions may, subject to the Code, decide), including any which are so allotted pursuant to the exercise of the existing Warrants. Should the Offers (or the New Offers) become or be

declared unconditional as to acceptances, the Offers will remain open for acceptance for not less than 30 days after the date on which they would otherwise have expired and Lake Acquisitions will make an offer of 774 pence less the Subscription Price (as defined in the Warrants) at that date for each Warrant that has not been exercised prior to the expiry of such 30 day period that the trustee appointed by British Energy pursuant to the terms of the Warrants can accept.

17. British Energy Share Schemes

The Ordinary Offer will extend to any British Energy Ordinary Shares issued or unconditionally allotted prior to the date on which the Ordinary Offer closes (or such earlier date as Lake Acquisitions may, subject to the Code, decide) including any which are so allotted pursuant to the exercise of existing options granted under the British Energy Share Schemes. Appropriate proposals will be made as soon as practicable to Optionholders and those proposals will be conditional on the Offers becoming or being declared unconditional in all respects.

18. Disclosure of interests in British Energy Shares

Except as disclosed below neither EDF, nor any of its directors, nor, to the best of EDF's knowledge and belief, any person acting in concert with EDF, is interested in or has any rights to subscribe for any British Energy Shares or has borrowed or lent any British Energy Shares nor does any such person have any short position whether conditional or absolute and whether in the money or otherwise (including a short position under a derivative) or any arrangement in relation to British Energy Shares. For these purposes "interest" includes any long economic exposure, whether conditional or absolute, to changes in the price of securities and a person is treated as having an "interest" by virtue of the ownership or control of securities or by virtue of any option in respect of, or derivative referenced to, securities and "arrangement" includes any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery of British Energy Shares and also includes any indemnity or option arrangement, any agreement or understanding, formal or informal, of whatever nature relating to British Energy Shares which may be an inducement to deal or refrain from dealing in such securities.

<u>Party</u>	<u>Interests in British Energy securities</u>	
BNP Paribas	Long	1,231,514
	Short	N/A
	Net	1,231,514
Centrica's pension funds	Long	498,600
	Short	N/A
	Net	498,600
Goldman Sachs International (financial adviser to Centrica)	Long	5,400
	Short	N/A
	Net	5,400

19. Further details of the Offers

The Offers are subject to the terms and conditions set out in Appendix I to this Announcement and the further terms and conditions to be set out in the Offer Document. In particular, Lake Acquisitions and EDF draw your attention to the following.

The Ordinary Offer will be conditional upon:

- (a) Lake Acquisitions having acquired, agreed to acquire, or received valid acceptances in respect of not less than 75 per cent. of the voting rights relating to British Energy Shares to which the Offers relate (or such lower percentage as Lake Acquisitions may decide provided that such condition will not be satisfied unless Lake Acquisitions has acquired, agreed to acquire, or received valid acceptances in respect of more than 50 per cent. of the voting rights attaching to British Energy Shares) provided that a valid acceptance has been received from NLF in respect of its British Energy Convertible Shares;
- (b) insofar as the Acquisition falls within the scope of the ECMR, the European Commission issuing a decision pursuant to Article 6(1)(b) or 6(2) of the ECMR or having been deemed to have issued a decision that the Acquisition is compatible with the common market (a Phase I clearance decision) or the European Commission taking a decision to refer the whole or part of the Acquisition to the competent authorities of one or more Member States under Article 9(1) of the ECMR and the relevant authority taking a decision equivalent to a Phase I clearance decision and with respect to any part of the Acquisition retained by the European Commission, it taking a Phase I clearance decision;
- (c) to the extent that they have jurisdiction to review the Acquisition under any provisions of the Enterprise Act 2002, confirmation having been received in terms and in a form reasonably satisfactory to Lake Acquisitions that neither the Office of Fair Trading nor the Secretary of State intends to refer the Acquisition to the UK Competition Commission; and
- (d) neither GEMA nor HSE having sought and not having indicated any intention to: (i) seek any modifications to, issue any directions or attach any conditions to, or vary or revoke any existing conditions to, any licence held by any member of the British Energy Group or EDF Energy Group, as the case may be, under the Electricity Act 1989 or Nuclear Installations Act 1965; or (ii) seek any undertakings of assurances from any member of the EDF Group, any of which would be material in context of the British Energy Group taken as a whole, or the EDF Energy Group taken as a whole or the EDF Group taken as a whole, or the Acquisition, as applicable, except on terms reasonably satisfactory to Lake Acquisitions.

The Partial CVR Alternative is conditional upon:

- (a) the Ordinary Offer becoming or being declared unconditional in all respects;
- (b) approval of the Prospectus by the UK Listing Authority in its capacity as competent authority under Part VI of the Financial Services and Markets Act 2000; and
- (c) valid elections for the Partial CVR Alternative being received (and not, where permitted, withdrawn) by the First CVR Calculation Date, in respect of not fewer than 40 million British Energy Ordinary Shares.

Subject to the requirements of the Panel, Lake Acquisitions reserves the right to waive condition (c) above.

If these additional conditions to the Partial CVR Alternative are not satisfied or, if applicable, waived, those Eligible British Energy Ordinary Shareholders who validly elected for the Partial CVR Alternative in respect of any British Energy Ordinary Shares will be deemed to have accepted the Cash Offer in respect of such British Energy Ordinary Shares.

Should the conditions to the Offers be satisfied, the Acquisition is expected to become effective in the last quarter of 2008 or early 2009. In the event that the European Commission instigates proceedings under Article 6(1)(c) of the ECMR or, to the extent it has jurisdiction, the Office of Fair Trading refers the Acquisition to the UK Competition Commission (Phase II investigation) and the Acquisition is subsequently:

- (i) approved by the European Commission issuing a decision under Article 8(1) or 8(2) of the ECMR ("EC Approval"); and/or
- (ii) approved by the UK Competition Commission either in whole or in part within the stipulated time period and, to the extent that any remedies are considered appropriate, within the requisite time for the agreement to and acceptance by the UK Competition Commission of any remedies reasonably acceptable to EDF which are required to remedy, mitigate or prevent the significant lessening of competition found by the UK Competition Commission in its decision or the making by the UK Competition Commission of any order reasonably acceptable to EDF to the same effect ("CC Approval"),

EC Approval and/or CC Approval, as the case may be, being referred to as "Phase II Approval", EDF has given a conditional undertaking to British Energy to make a new offer, subject to an agreed upward price adjustment to reflect the delay in receipt of consideration by British Energy Shareholders. Any breach of this undertaking will entitle British Energy to claim a reverse break fee from EDF, which shall be the sole remedy for any such breach.

EDF has agreed with British Energy that it may elect to implement the Acquisition by way of a scheme of arrangement under Part 26 of the Companies Act 2006 (sections 895 to 901 inclusive). In such event, the Scheme will be implemented on the same terms, so far as applicable, as those which would apply to the Offers (subject to appropriate amendments). In particular, condition 1.1.1 of the Conditions would not apply and the Scheme would become effective and binding following:

- (a) approval of the Scheme at the court meeting (or any adjournment thereof) by a majority of the British Energy Ordinary Shareholders present and voting either in person or by proxy representing 75 per cent. or more in value of British Energy Ordinary Shareholders;
- (b) the resolutions required to approve and implement the Scheme being those set out in the notice of general meeting of the British Energy Ordinary Shareholders being passed by the requisite majority at such general meeting; and
- (c) the sanction of the Scheme and confirmation of the reduction of capital by the Court (in each case with or without modification, and any such modification to be on terms reasonably acceptable to British Energy and Lake Acquisitions) and an office copy of the order of the Court sanctioning the Scheme and confirming the cancellation of share capital which forms part of it being delivered for registration to the Registrar of Companies in Scotland and being registered by him.

Lake Acquisitions has undertaken that in the event that the Acquisition is implemented by way of a Scheme, it shall procure that the Scheme shall be structured in such a manner that allows NLF to participate in the Acquisition (including, if applicable, by accepting the Partial CVR Alternative) and to exercise in full the NLF Conversion Right after the issue by the Court of Session in Edinburgh of an order sanctioning the Scheme (and prior to any court hearing to confirm any reduction of capital) and for the British Energy Convertible Shares arising on such conversion to be bound by the Scheme (and to be cancelled in any associated reduction of capital).

20. Compulsory acquisition, de-listing and cancellation of trading

Upon the Offers becoming or being declared unconditional in all respects and sufficient acceptances having been received (that is, in respect of more than 90 per cent. of the British Energy Shares to which the Offers relate), Lake Acquisitions intends to apply the provisions of sections 979 to 991 (inclusive) of the Companies Act 2006 to acquire compulsorily the remaining British Energy Ordinary Shares on the same terms as the Offers.

If the Offers become or are declared unconditional in all respects, Lake Acquisitions intends to procure that British Energy applies to the UK Listing Authority for the cancellation of listing of British Energy Ordinary Shares on the Official List and to the London Stock Exchange for the cancellation of admission to trading of British Energy Ordinary Shares on its main market for listed securities. Such cancellation of listing and admission to trading will take effect no earlier than 20 business days after (a) Lake Acquisitions having, by virtue of its shareholding (if any) and acceptances under the Offers, acquired or agreed to acquire 75 per cent. of the issued share capital of British Energy or (b) the first date of issue of compulsory acquisition notices under section 979 of the Companies Act 2006.

The cancellation of listing and admission to trading of British Energy Ordinary Shares would significantly reduce the liquidity and marketability of any British Energy Ordinary Shares not assented to the Offers.

21. Offer Document, Prospectus and Forms of Acceptance

The Offer Document and a Form of Acceptance will be posted to British Energy Shareholders, Warranholders and Optionholders (other than British Energy Ordinary Shareholders, Warranholders or Optionholders with registered addresses in Australia, Canada, Japan or any jurisdiction where it would be unlawful to do so or, subject to the limited exception set forth below, who are US Persons) on or before 5 November 2008 (consent to such delayed posting having been obtained from the Panel) or such later date as the Panel may permit. Other British Energy Ordinary Shareholders who are not Eligible British Energy Ordinary Shareholders, including US Persons that are both QIBs and QPs, will be sent the Offer Document and a Form of Acceptance that will permit acceptance of the Cash Offer only.

The Prospectus will not be made available or sent in or into a non-EEA jurisdiction, an EEA Excluded Jurisdiction, the United States or to US Persons and any purported acceptance of the Partial CVR Alternative received from a US Person or from an address within a non-EEA jurisdiction, an EEA Excluded Jurisdiction or the United States will be disregarded. Any person electing for the Partial CVR Alternative will be required to make certain representations and warranties in order to ensure compliance with applicable securities laws. A further announcement will be made at the time of publication of the Offer Document and Prospectus.

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services

and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

22. General

This Announcement does not constitute an offer or an invitation to purchase any securities.

The conditions and certain further terms of the Offers are set out in Appendix I to this Announcement. Appendix II contains further details of the contracts entered into in connection with the Acquisition. Appendix III contains details of irrevocable undertakings received in connection with the Acquisition. Appendix IV contains a summary of the principal terms and conditions, risk factors and other information about the Nuclear Power Notes. Appendix V contains the sources and basis of calculations in this Announcement and Appendix VI contains the definitions of certain terms used in this Announcement.

Merrill Lynch is acting as financial adviser and corporate broker to EDF and Lake Acquisitions. BNP Paribas is also acting as financial adviser to EDF and Lake Acquisitions.

Rothschild is acting as lead financial adviser to British Energy. Gleacher Shacklock is acting as independent financial adviser to British Energy for the purposes of Rule 3 of the Code. JPMorgan Cazenove and Citi are acting as joint corporate brokers to British Energy and are also providing financial advice to British Energy.

A press conference will take place at 9.00 a.m. (Paris time) at the Pavillon d'Armenonville, Allée de Longchamp, 75116 Paris.

An analysts conference will take place at 10:45 a.m. (Paris time) at the same address and will be available by webcast at: <http://investisseurs.edf.com/the-edf-group/edf-investors-117002.html>.

There will be a photocall and press conference at 2.30 p.m. (London time) today at the Millennium Hotel, 44 Grosvenor Square, London W1K 2HP.

British Energy will be hosting an investor and analyst call at 7.45 a.m. (London time) which can be accessed by dialling +44 (0)20 8609 3822 (local and international).

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This Announcement is an advertisement and not a prospectus and investors should not subscribe for or purchase Nuclear Power Notes, as referred to in this Announcement, except on the basis of information in the Prospectus expected to be published by Barclays on or before 5 November 2008 (consent to such delayed posting having been obtained from the Panel) or such later date as the Panel may permit. A further announcement will be made at the time of publication. Copies of the Prospectus will, following publication, be available free of charge from the registered offices of (i) Barclays at 1 Churchill Place, London E14 5HP and (ii) Merrill Lynch at 2 King Edward Street, London EC1A 1HQ. It is not intended that an offer will be made in any circumstances for Lake CVRs which will be issued by Lake Acquisitions only to Barclays in connection with the Partial CVR Alternative.

This Announcement does not constitute, or form any part of, any offer for, or solicitation of any offer for, securities. Any acceptance or other response to the Offers should be made on the basis of the information contained in the Offer Document and the Forms of Acceptance and, in connection with the Partial CVR Alternative where available, the Prospectus.

Merrill Lynch is acting for EDF and Lake Acquisitions and no one else in connection with the Offers and will not be responsible to anyone other than EDF or Lake Acquisitions for providing the protections afforded to clients of Merrill Lynch or for providing advice in relation to the Offers.

BNP Paribas, which is regulated in the United Kingdom by the Financial Services Authority, is acting for EDF and Lake Acquisitions and no one else in connection with the Offers and will not be responsible to anyone other than EDF or Lake Acquisitions for providing the protections afforded to clients of BNP Paribas or for providing advice in relation to the Offers.

Rothschild, which is regulated in the United Kingdom by the Financial Services Authority, is acting for British Energy and no one else in connection with the Offers and will not be responsible to anyone other than British Energy for providing the protections afforded to clients of Rothschild or for providing advice in relation to the Offers.

Gleacher Shacklock, which is regulated in the United Kingdom by the Financial Services Authority, is acting for British Energy and no one else in connection with the Offers and will not be responsible to anyone other than British Energy for providing the protections afforded to clients of Gleacher Shacklock or for providing advice in relation to the Offers.

JPMorgan Cazenove, which is regulated in the United Kingdom by the Financial Services Authority, is acting for British Energy and no one else in connection with the Offers and will not be responsible to anyone other than British Energy for providing the protections afforded to clients of JPMorgan Cazenove or for providing advice in relation to the Offers.

Citi, which is regulated in the United Kingdom by the Financial Services Authority, is acting for British Energy and no one else in connection with the Offers and will not be responsible to anyone other than British Energy for providing the protections afforded to clients of Citi or for providing advice in relation to the Offers.

Goldman Sachs International, which is regulated in the United Kingdom by the Financial Services Authority, is acting for Centrica and no one else in connection with discussions with

EDF and will not be responsible to anyone other than Centrica for providing the protections afforded to clients of Goldman Sachs International or for providing advice in relation to these discussions.

This document does not constitute an offer in the United States or to or for the account or benefit of US Persons. Subject to certain limited exceptions solely with respect to the Cash Offer (in compliance with applicable US federal securities laws and the securities laws of any state or territory or other jurisdiction of the United States), the Offers will not be made directly or indirectly, in or into, or by the use of the mails of, or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, the United States or to or for the account or benefit of US Persons, and acceptances from US Persons will not be accepted (other than, in respect of the Cash Offer only, from persons who are both QIBs and QPs). Accordingly, unless Lake Acquisitions, in accordance with applicable US federal securities laws and the securities laws of any state or territory or other jurisdiction of the United States, determines otherwise, copies of this document, and any related offering documents are not being mailed or otherwise distributed or sent in or into the United States or to US Persons (including to British Energy Ordinary Shareholders or Warranholders or Optionholders with registered addresses in the United States). Persons receiving such documents (including without limitation, custodians, nominees and trustees) must not distribute or send them in, into or from the United States or to US Persons and so doing may invalidate any purported acceptance of the Offers.

The issuer of the Nuclear Power Notes and the issuer of the Lake CVRs have not been and will not be registered under the Investment Company Act. In addition, the Nuclear Power Notes and the Lake CVRs that may be issued pursuant to the Acquisition have not been and will not be registered under the US Securities Act or under the relevant securities laws of any state or territory or other jurisdiction of the United States. Accordingly, the Nuclear Power Notes and the Lake CVRs may not and will not be offered or sold in the United States or to or for the account or benefit of US Persons.

Barclays is acting for Lake Acquisitions and no one else in connection with the issue of the Nuclear Power Notes and will not be responsible to anyone other than Lake Acquisitions for providing the regulatory protections afforded to clients of Barclays or for providing advice in relation to the issue of the Nuclear Power Notes or any other advice. Barclays is regulated in the United Kingdom by the Financial Services Authority.

The Offers will not be made, directly or indirectly, in or into Australia, Canada or Japan, or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction. This document does not constitute an offer in Australia, Canada or Japan and the Offers will not be capable of acceptance from or within Australia, Canada or Japan or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction. Accordingly, except as required by applicable law, copies of this Announcement are not being, and may not be, mailed, forwarded or otherwise distributed or sent in, into or from, Australia, Canada or Japan, including to British Energy Ordinary Shareholders or Warranholders or Optionholders with registered addresses in Australia, Canada or Japan or to persons whom Lake Acquisitions knows to be nominees holding British Energy Shares for such persons. Persons receiving this Announcement (including without limitation nominees, trustees or custodians) must not forward, distribute or send it into Australia, Canada or Japan, or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction.

Unless Lake Acquisitions otherwise determines, the relevant clearances and registrations have not been, nor will they be, sought or obtained, nor have any steps been taken, nor will any steps

be taken, to enable the Nuclear Power Notes to be publicly offered in compliance with applicable securities laws in any jurisdiction outside the EEA or in any EEA Excluded Jurisdiction. Accordingly, the Nuclear Power Notes may not be offered, sold, resold, transferred, or delivered, directly or indirectly, in, into or from, any jurisdiction outside the EEA, any EEA Excluded Jurisdiction or any other jurisdiction if to do so would violate the laws of that jurisdiction or would require registration thereof in such jurisdiction.

It is currently intended to seek admission of the Nuclear Power Notes to trading on the PLUS-quoted market of PLUS Markets. However, the possibility of listing the Nuclear Power Notes on a regulated market (either instead of, or in addition to, the admission to trading on PLUS-quoted) is being considered. However, the Partial CVR Alternative will not be conditional upon any admission to listing or trading being achieved and therefore in certain circumstances the Nuclear Power Notes may be unlisted. PLUS-quoted is a self-regulated market designed primarily for securities issued by emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. Securities admitted to PLUS-quoted are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such securities and should make the decision to invest only after due and careful consideration and, if appropriate, consultation with an independent financial adviser.

To the extent permitted by applicable law, in accordance with the Code and normal UK market practice and pursuant to class exemptive relief granted by the Staff of the Division of Market Regulation of the US Securities and Exchange Commission from Rule 14e-5 of the US Exchange Act, Lake Acquisitions and its affiliates or their nominees or brokers (acting as agents), may from time to time during the period in which the Ordinary Offer remains open for acceptance make certain purchases of, or arrangements to purchase, British Energy Shares otherwise than under the Offer, such as in open market or privately negotiated purchases. Such purchases, or arrangements to purchase, will comply with all applicable UK rules, including the Code and the rules of the London Stock Exchange. In addition, in accordance with the Code, normal UK market practice and Rule 14e-5 of the US Exchange Act, Merrill Lynch and BNP Paribas will continue to act as exempt principal traders in British Energy Shares on the London Stock Exchange. Information regarding such activities which is required to be made public in the United Kingdom pursuant to the Code will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at www.londonstockexchange.com. This information will also be publicly disclosed in the United States to the extent that such information is made public in the United Kingdom.

Rule 8 Notice

Under the provisions of Rule 8.3 of the Code, if any person is, or becomes, "interested" (directly or indirectly) in 1 per cent. or more of any class of "relevant securities" of British Energy, all "dealings" in any "relevant securities" of that company (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by no later than 3.30 pm (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which the Offers become, or are declared, unconditional as to acceptances, lapse or are otherwise withdrawn or on which the "offer period" otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of British Energy, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the Code, all "dealings" in "relevant securities" of British Energy by British Energy, or by any of their respective "associates", must be disclosed by no

later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Panel's website at www.thetakeoverpanel.org.uk.

"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, you should consult the Panel.

Forward-looking statements

This Announcement contains certain forward-looking statements, including statements regarding EDF's plans, objectives and expected performance. Such statements relate to events and depend on circumstances that will occur in the future and are subject to risks, uncertainties and assumptions. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements, including, among others, the failure to satisfy any condition to the Offers; the enactment of legislation or regulation that may impose costs or restrict activities; the re-negotiation of contracts or licences; fluctuations in demand and pricing in the energy industry; fluctuations in exchange controls; changes in government policy and taxations; industrial disputes; war and terrorism. These forward-looking statements speak only as at the date of this Announcement.

APPENDIX I

CONDITIONS AND CERTAIN FURTHER TERMS OF THE OFFERS

The Offers will be made on the terms and conditions set out in the Offer Document.

1. CONDITIONS OF THE ORDINARY OFFER

1.1 The Ordinary Offer will be subject to the following conditions:

1.1.1 valid acceptances being received in respect of the Ordinary Offer and the Convertible Offer (and not, where permitted, withdrawn) by 3.00 p.m. on the first closing date of the Ordinary Offer (or such later time or times as Lake Acquisitions may, subject to the rules of the Code, decide) in respect of such number of British Energy Shares to which the Ordinary Offer and the Convertible Offer relate, which, together with British Energy Shares acquired or agreed to be acquired by Lake Acquisitions or parties acting in concert with it, carry, in aggregate, not less than 75 per cent. (or such lesser percentage as Lake Acquisitions may decide) of the Voting Rights, provided that this condition will not be satisfied unless:

- (A) Lake Acquisitions shall have acquired or agreed to acquire, whether pursuant to the Ordinary Offer, the Convertible Offer or otherwise, British Energy Shares carrying, in aggregate, more than 50 per cent. of the Voting Rights; and
- (B) a valid acceptance has been received (and not, where permitted, withdrawn) from NLF in respect of all of the British Energy Convertible Shares which would be issued to it on exercise in full of the NLF Conversion Right,

and for this purpose:

- (1) the expression "Voting Rights" shall mean the voting rights then exercisable at general meetings of British Energy, including for this purpose to the extent (if any) required by the Panel, any such voting rights attaching to any British Energy Shares that may be unconditionally allotted or issued before the Ordinary Offer becomes or is declared unconditional as to acceptances whether pursuant to the exercise of any outstanding conversion or subscription rights or otherwise;
- (2) the expression "shares that may be unconditionally allotted or issued" shall include any Treasury Shares which are unconditionally transferred or sold by British Energy; and
- (3) shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights which they will carry on being entered into the register of members of British Energy;

1.1.2 insofar as the Acquisition falls within the scope of Council Regulation (EC) 139/2004 (the "ECMR"):

- (A) the European Commission having issued a decision pursuant to Article 6(1)(b) or 6(2) of the ECMR, or having been deemed to have issued a decision, declaring the Acquisition compatible with the common market; or
 - (B) the European Commission taking a decision (or being deemed to have taken a decision) to refer the whole or part of the Acquisition to the competent authorities of one or more Member States under Article 9(1) of the ECMR and each such authority taking a decision with equivalent effect to paragraph 1.1.2(A) above and with respect to any part of the Acquisition retained by the European Commission, the European Commission taking a decision with equivalent effect to paragraph 1.1.2(A) in respect of that part of the Acquisition;
- 1.1.3 to the extent that they have jurisdiction to review the proposed acquisition of British Energy by Lake Acquisitions under any provisions of the Enterprise Act 2002 (as amended), confirmation having been received in writing by Lake Acquisitions from the Office of Fair Trading (the "OFT") and/or, if appropriate, the Secretary of State, in terms and in a form reasonably satisfactory to Lake Acquisitions, that the OFT or, as the case may be, the Secretary of State does not intend to refer the proposed acquisition of British Energy by Lake Acquisitions to the UK Competition Commission;
- 1.1.4 GEMA, in connection with the Acquisition, not having sought, and not having indicated that it intends to seek, any modifications to any licence held by any member of the British Energy Group or any member of the EDF Energy Group under the Electricity Act 1989 which are material in the context of the British Energy Group taken as a whole or in the context of the EDF Energy Group taken as a whole (as the case may be) (except, in each case, on terms reasonably satisfactory to Lake Acquisitions) and neither British Energy nor any member of the British Energy Group having agreed to any such modifications which are material in the context of the British Energy Group taken as a whole (except, in each case, on terms reasonably satisfactory to Lake Acquisitions);
- 1.1.5 GEMA, in connection with the Acquisition: (i) not having sought, and not having indicated that it intends to seek, undertakings or assurances from any member of the EDF Group which are material in the context of the EDF Group taken as a whole (except on terms reasonably satisfactory to Lake Acquisitions) or (ii) not having issued, and not having indicated that it intends to issue, any directions which are material in the context of the EDF Group taken as a whole with respect to the licences referred to in condition 1.1.4 (except, in each case, on terms reasonably satisfactory to Lake Acquisitions);
- 1.1.6 HSE, in connection with the Acquisition, not having sought, and not having indicated that it intends to seek, modifications, or attach any additional conditions or vary or revoke any existing conditions, to any Nuclear Site Licence held by any member of the British Energy Group which are material in the context of the British Energy Group taken as a whole (except on terms reasonably satisfactory to Lake Acquisitions) and neither British Energy nor any member of the British Energy Group having agreed to the same (except, in each case, on terms reasonably satisfactory to Lake Acquisitions);

- 1.1.7 HSE, in connection with the Acquisition: (i) not having refused to approve, and not having indicated that it intends to refuse to approve any change to the organisational structure or resources of any licensee under a Nuclear Site Licence which is a member of the British Energy Group, which change would or may result from or arise in connection with the Acquisition and is material in the context of the British Energy Group taken as a whole; or (ii) not having amended, and not having indicated that it intends to amend, such approval (if received) or conditions or impose any additional terms or conditions, which in each case is/are material in the context of the British Energy Group taken as a whole (except, in each case, on terms reasonably satisfactory to Lake Acquisitions); or (iii) not having withdrawn and not having indicated that it intends to withdraw such approval (if received) and such approval (if received) remaining in full force and effect;
- 1.1.8 HSE, in connection with the Acquisition: (i) not having sought, and not having indicated that it intends to seek, undertakings or assurances from any member of the EDF Group which are material in the context of the Acquisition (except on terms reasonably satisfactory to Lake Acquisitions); and (ii) not having issued, and not having indicated that it intends to issue, any direction under Condition 36 of any Nuclear Site Licence of which any member of the British Energy Group is a licensee, to halt any change to the organisational structure or resources of the licensee which change would or may result from or arise in connection with the Acquisition and is material in the context of the British Energy Group taken as a whole (except, in each case, on terms reasonably satisfactory to Lake Acquisitions);
- 1.1.9 no government or governmental, quasi-governmental, supranational, statutory, administrative or regulatory body, authority, court, trade agency, association, institution or environmental body or any other similar person or body in any jurisdiction (each a "Relevant Authority") having decided to take, instituted, implemented or threatened any action, proceedings, suit, investigation, enquiry or reference, or made, proposed or enacted any statute, regulation, order or decision or taken any other steps and there not continuing to be outstanding any statute, regulation, order or decision, which would or might:
- (A) make either of the Offers or the Acquisition, or control of British Energy or any of its subsidiaries or subsidiary undertakings or any associate undertaking or any company of which 20 per cent. or more of the voting capital is held by any member of the British Energy Group or any partnership, joint venture, firm or company in which any member of the British Energy Group may be interested (the "wider British Energy Group") by Lake Acquisitions void, illegal or unenforceable or otherwise restrict, restrain, prohibit, delay or interfere with the implementation thereof, or impose additional conditions or obligations with respect thereto, or require amendment thereof or otherwise challenge or interfere therewith, to an extent which in any such case is material in the context of the British Energy Group taken as a whole;
- (B) require or prevent the divestiture by British Energy or any member of the wider British Energy Group or by EDF or any member of the EDF Group of all or a material portion of their respective businesses,

assets or property or impose a limitation on the ability of any of them to conduct their respective businesses or own or control any of their respective assets or property to an extent which in any such case is material in the context of the Acquisition or the EDF Group taken as a whole (as the case may be);

- (C) impose any limitation on or result in a delay in the ability of any member of the wider British Energy Group or the EDF Group to acquire or to hold or to exercise effectively any rights of ownership of shares or loans or securities convertible into shares held or owned by it in any member of the wider British Energy Group or the EDF Group or to exercise management control over any member of the wider British Energy Group or the EDF Group in any such case to an extent which is material in the context of the British Energy Group taken as a whole or the EDF Group taken as a whole (as the case may be);
- (D) require any member of the EDF Group or the wider British Energy Group to acquire or offer to acquire any shares or other securities in any member of the British Energy Group (other than in the implementation of the Acquisition) where such acquisition would be material in the context of the British Energy Group taken as a whole;
- (E) limit the ability of any member of the EDF Group or any member of the wider British Energy Group to integrate or coordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the EDF Group or any other member of the wider British Energy Group respectively which in any such case is adverse to an extent which is material in the context of the Acquisition; or
- (F) otherwise affect the assets, business, profits, financial or trading position or prospects of any member of the EDF Group or of any member of the wider British Energy Group in a manner which, in any such case, is adverse to an extent which is material in the context of the Acquisition,

and all applicable waiting and other time periods (including any extensions of such waiting and other time periods) during which any such Relevant Authority could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference having expired, lapsed or been terminated (as appropriate);

- 1.1.10 all notifications and filings which are considered by Lake Acquisitions (acting reasonably) to be necessary having been made, all applicable waiting periods (including any extensions thereof) under any applicable legislation or regulations of any jurisdiction having expired, lapsed or been terminated, in each case in respect of the Offers and the acquisition of any British Energy Shares, or of control of British Energy, by Lake Acquisitions, and all authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals ("Authorisations") which are considered by Lake Acquisitions (acting reasonably) to be necessary in any

jurisdiction for, or in respect of, the Offers and the proposed acquisition of any British Energy Shares, or of control of British Energy, by Lake Acquisitions and to carry on the business of any member of the British Energy Group having been obtained, in terms and in a form reasonably satisfactory to Lake Acquisitions, from all appropriate Relevant Authorities and from any persons or bodies with whom any member of the British Energy Group has entered into contractual arrangements, in each case where the direct consequence of a failure to make such a notification or filing or to wait for the expiry, lapse or termination of any waiting period or to comply with such obligation or obtain such Authorisation would have a material adverse effect in the context of the British Energy Group taken as a whole ("Required Authorisations") and all such Required Authorisations remaining in full force and effect at the time at which the Offers become unconditional in all respects and Lake Acquisitions having no notice of any intention to revoke, suspend, restrict or modify or not to renew any of the same;

- 1.1.11 except as publicly announced by British Energy (by the delivery of an announcement to a Regulatory Information Service) or fairly disclosed by British Energy to EDF prior to the date hereof, there being no provision of any arrangement, agreement, licence, permit or other instrument to which any member of the wider British Energy Group is a party or subject or by or to which any such member or any of their assets is or may be bound, entitled or be subject to and which, in consequence of the Offers or the acquisition or proposed acquisition of any British Energy Shares, or control of British Energy, by Lake Acquisitions, would or might be reasonably considered to be likely, to an extent which is material in the context of the British Energy Group taken as a whole, to result in:
- (A) any monies borrowed by, or other indebtedness actual or contingent of, any such member of the wider British Energy Group being or becoming repayable or being capable of being declared repayable immediately or prior to its or their stated maturity, or the ability of any such member to borrow monies or incur any indebtedness being inhibited or becoming capable of being withdrawn;
 - (B) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member of the wider British Energy Group or any such security (whenever arising or having arisen) being enforced or becoming enforceable;
 - (C) any such arrangement, agreement, licence or instrument or the rights, liabilities, obligations or interests of any such member of the wider British Energy Group thereunder being, or becoming capable of being, terminated or adversely modified or affected or any action being taken of an adverse nature or any obligation or liability arising thereunder;
 - (D) any asset or interest of any such member of the wider British Energy Group being disposed of or falling to be disposed of or ceasing to be available to such member or any right arising under which any such asset or interest could be required to be disposed of or could cease to

be available to such member, otherwise than in the ordinary course of business;

- (E) the rights, liabilities, obligations or interests or business of any such member of the wider British Energy Group under any such arrangement, agreement, licence, permit or other instrument or the interests or business of any such member in or with any firm or body or person, or any agreements or arrangements relating to such interests or business, being terminated or adversely modified or affected;
- (F) any such member of the wider British Energy Group ceasing to be able to carry on business under any name under which it presently does so;
- (G) the creation of liabilities (actual or contingent) by any such member of the wider British Energy Group; or
- (H) the financial or trading position or the prospects of any such member of the wider British Energy Group being prejudiced or adversely affected,

and no event having occurred which, under any provision of any arrangement, agreement, licence, permit or other instrument to which any member of the wider British Energy Group is a party or is subject, or by or to which any such member or any of its assets may be bound, entitled or subject, would or might be reasonably considered to be likely, to an extent which is material in the context of the British Energy Group taken as a whole, to result in any of the events or circumstances as are referred to in paragraphs (A) to (H) of this condition 1.1.11;

1.1.12 except as publicly announced by British Energy (by the delivery of an announcement to a Regulatory Information Service) or fairly disclosed by British Energy to EDF prior to the date hereof, no member of the British Energy Group having, since 31 March 2008:

- (A) issued, agreed to issue or proposed the issue of any additional shares or securities of any class, or any securities convertible into, or exchangeable for or rights, warrants or options to subscribe for or acquire, any such shares, securities or convertible securities (save as between British Energy and wholly-owned subsidiaries of British Energy and save for options granted, and for any British Energy Shares allotted upon exercise of options granted or otherwise issued, under the British Energy Share Schemes before the date hereof and save for any British Energy Shares allotted upon exercise of the Warrants), or redeemed, purchased, repaid or reduced any part of its share capital;
- (B) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend (other than the Base Dividend) or other distribution other than to British Energy or a wholly-owned subsidiary of British Energy;
- (C) agreed, authorised, proposed or announced its intention to propose:

- (1) any merger, demerger, acquisition or disposal of any asset (including any body corporate, partnership or business) which is material in the context of the British Energy Group taken as a whole; or
- (2) any acquisition, disposal, transfer, mortgage, charging, creation of security interest over or other encumbrance of: (i) any asset (including shares in any undertaking and trade investments) which is material in the context of the British Energy Group taken as a whole; and (ii) any right, title or interest in such asset,

in each case unless otherwise permitted under the Implementation Agreement;

- (D) made or authorised any material change in its share or loan capital (except as between itself and British Energy or itself and another wholly-owned subsidiary of British Energy);
- (E) issued, agreed to issue, authorised or proposed the issue or amendment of any debentures or (except as between itself and British Energy or itself and another wholly-owned subsidiary of British Energy) incurred or increased any indebtedness or (otherwise than in the ordinary course of business) any actual or contingent liability and in either case which is material in the context of the British Energy Group taken as a whole;
- (F) entered into or varied or announced its intention to enter into or vary any contract, arrangement or commitment (whether in respect of capital expenditure or otherwise) other than in the ordinary course of business which is of a long-term or unusual nature or magnitude or involves or could involve an obligation of such duration, nature or magnitude and which is material in the context of the British Energy Group taken as a whole;
- (G) committed any breach of any of the following:
 - (1) contribution agreement of 14 January 2005 originally between the Secretary of State, NLF, British Energy Generation (UK) Limited, British Energy Generation Limited, British Energy and British Energy Bond Finance plc (formerly British Energy Holdings plc) (as amended, restated and/or supplemented prior to the date hereof);
 - (2) nuclear liabilities funding agreement of 14 January 2005 originally between the Secretary of State, NLF, British Energy Generation (UK) Limited, British Energy Generation Limited, British Energy and British Energy Bond Finance plc (formerly British Energy Holdings plc) (as amended, restated and/or supplemented prior to the date hereof);

- (3) historic liabilities funding agreement of 14 January 2005 originally between the Secretary of State, British Energy Generation (UK) Limited, British Energy Generation Limited, British Energy and British Energy Bond Finance plc (formerly British Energy Holdings plc) (as amended, restated and/or supplemented prior to the date hereof);
- (4) option agreement of 14 January 2005 originally between the Secretary of State, British Energy Generation (UK) Limited, British Energy Generation Limited, British Energy and British Energy Bond Finance plc (formerly British Energy Holdings plc) (as amended, restated and/or supplemented prior to the date hereof);
- (5) guarantee and indemnity of 14 January 2005 originally between and the Secretary of State, NLF, British Energy Generation (UK) Limited, British Energy Generation Limited, British Energy, British Energy Bond Finance plc (formerly British Energy Holdings plc), British Energy Limited (formerly British Energy plc), British Energy Trading and Sales Limited (formerly British Energy Power and Energy Trading Limited), British Energy Investment Limited, District Energy Limited, British Energy International Holdings Limited, Peel Park Funding Limited, British Energy Treasury Finance Limited, British Energy Renewables Limited and British Energy Direct Limited (as amended, restated and/or supplemented prior to the date hereof);
- (6) decommissioning default payment debenture of 14 January 2005 between the Secretary of State, NLF, British Energy Generation (UK) Limited, British Energy Generation Limited, British Energy, British Energy Bond Finance plc (formerly British Energy Holdings plc), British Energy Limited (formerly British Energy plc), British Energy Trading and Sales Limited (formerly British Energy Power and Energy Trading Limited), British Energy Investment Limited, District Energy Limited, British Energy International Holdings Limited, Peel Park Funding Limited, British Energy Treasury Finance Limited, British Energy Renewables Limited and British Energy Direct Limited (as amended, restated and/or supplemented prior to the date hereof); and
- (7) the deed of 8 October 2004 originally between British Energy Limited (formerly British Energy plc) and the Secretary of State relating to the decision of the Commission of the European Communities (as amended, restated and/or supplemented prior to the date hereof),

in each case to an extent which is material in the context of the British Energy Group taken as a whole;

- (H) entered into or proposed or announced its intention to enter into any reconstruction, amalgamation, transaction, scheme or arrangement in respect of itself or any other member of the British Energy Group (unless otherwise permitted under the Implementation Agreement) which is material in the context of the British Energy Group taken as a whole;
- (I) other than in respect of a body corporate which is dormant and was solvent at the relevant time taken any action and not had any steps taken or legal proceedings instituted or threatened against it or petition presented or order made for its winding-up, dissolution or reorganisation or for it to enter into any arrangement or composition for the benefit of its creditors, or for the appointment of a receiver, administrator, trustee or similar officer of all or any part of its assets and revenues, in each case such as would have a material adverse effect in the context of the British Energy Group taken as a whole;
- (J) been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business, in each case such as would have a material adverse effect in the context of the British Energy Group taken as a whole;
- (K) entered into or materially varied or made any offer to enter into or materially vary the terms of any service contract, agreement, commitment, transaction or arrangement (unless otherwise permitted under the Implementation Agreement) with any of the directors or senior executives of the British Energy Group;
- (L) waived, compromised or settled any claim which is material in the context of the British Energy Group;
- (M) made any material alteration to its memorandum or articles of association;
- (N) made or agreed or consented to any change to:
 - (1) the terms of the trust deeds constituting the pension scheme(s) established for its directors, employees or their dependants; or
 - (2) the benefits which accrue or to the pensions which are payable thereunder; or
 - (3) the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined; or
 - (4) the basis upon which the liabilities (including pensions) of such pension schemes have been agreed to be funded, in accordance with the 31 March 2007 actuarial valuation documentation (including the schedules of contributions) for the pension schemes dated 12 June 2008 (and as enhanced in accordance with the supplemental and accelerated funding

commitments made by EDF to the trustees of the pension schemes prior to the date hereof, in the context of the Acquisition),

which in each such case would be so adverse as to be material in the context of the Acquisition;

- (O) unless otherwise permitted under the Implementation Agreement proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme, bonus scheme or other benefit relating to the employment or termination of employment of any person employed by the British Energy Group;
- (P) unless otherwise permitted under the Implementation Agreement, entered into any contract, agreement, arrangement, commitment or transaction or passed any resolution or made any offer (which remains open for acceptance) with respect to any of the transactions, matters or events referred to in this condition 1.1.12;

1.1.13 since 31 March 2008, except as disclosed in British Energy's annual report and accounts for the year then ended or as publicly announced by British Energy (by the delivery of an announcement to a Regulatory Information Service) or fairly disclosed by British Energy to EDF prior to the date hereof:

- (A) there having been no adverse change in the business, assets, financial or trading position or profits or prospects of any member of the wider British Energy Group which in any such case is material in the context of the wider British Energy Group taken as a whole; or
- (B) no litigation, arbitration proceedings, prosecution or other legal proceedings having been instituted, announced or threatened by or against or remaining outstanding against any member of the wider British Energy Group and no enquiry or investigation by or complaint or reference to any Relevant Authority against or in respect of any member of the wider British Energy Group having been threatened, announced or instituted or remaining outstanding which in any such case could be reasonably considered to have a material adverse affect in the context of the wider British Energy Group taken as a whole; or
- (C) no contingent or other liability having arisen or been incurred which might reasonably be expected to adversely affect any member of the British Energy Group in a manner which is material in the context of the British Energy Group taken as a whole;

1.1.14 EDF not having discovered that, save as publicly announced by British Energy (by the delivery of an announcement to a Regulatory Information Service) or fairly disclosed by British Energy to EDF prior to the date hereof:

- (A) the financial, business or other information concerning the wider British Energy Group which has been disclosed at any time by or on behalf of any member of the wider British Energy Group whether

publicly (by the delivery of an announcement to a Regulatory Information Service) or to a member of the EDF Group or its professional advisers, either contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not misleading, to an extent which is material in the context of the wider British Energy Group taken as a whole;

- (B) any member of the wider British Energy Group is subject to any liability, contingent or otherwise, which is not disclosed in the annual report and accounts of British Energy for the financial year ended 31 March 2008 and which is material in the context of the wider British Energy Group taken as a whole;
- (C) any past or present member of the wider British Energy Group (while a member of the British Energy Group) has not complied with all applicable legislation or regulations of any jurisdiction or any notice or requirement of any Relevant Authority with regard to the storage, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health which non-compliance would be likely to give rise to any liability (whether actual or contingent) on the part of any member of the wider British Energy Group and which in each case is material in the context of the British Energy Group taken as a whole;
- (D) there has been a disposal, spillage, emission, discharge or leak of waste or hazardous substance or any substance likely to impair the environment or harm human health on, or from, any land or other asset now or previously owned, occupied or made use of by any past or present member of the wider British Energy Group (while a member of the wider British Energy Group), or which any such member (while a member of the wider British Energy Group) may now or previously have had an interest, which would be likely to give rise to any liability (whether actual or contingent) on the part of any member of the British Energy Group and which in each case is material in the context of the British Energy Group taken as a whole;
- (E) there is or is likely to be any obligation or liability (whether actual or contingent) on a present member of the wider British Energy Group to make good, repair, reinstate or clean up any property now or previously owned, occupied or made use of by any past or present member of the wider British Energy Group or in which any such member may now or previously have had an interest under any environmental legislation or regulation or notice, circular or order of any Relevant Authority in any jurisdiction and which in each case is material in the context of the British Energy Group taken as a whole; or
- (F) circumstances exist whereby a person or class of persons would be likely to have any claim or claims against a present member of the British Energy Group in respect of any product or process of

generation or manufacture, or materials used therein, now or previously generated or manufactured, sold or carried out by any past or present member of the wider British Energy Group which claim or claims would be likely to have an adverse effect to an extent which is material in the context of the British Energy Group taken as a whole.

- 1.2 Lake Acquisitions reserves the right to waive, in whole or in part, all or any of conditions 1.1.2 to 1.1.14 inclusive. In addition, Lake Acquisitions reserves the right to waive condition 1.1.1(B) provided that it has received the written consent of the Secretary of State. Lake Acquisitions also reserves the right, subject to the consent of the Panel, to extend the time allowed under the Code for satisfaction of condition 1.1.1 until such time as conditions 1.1.2 to 1.1.14 have been satisfied, fulfilled or, to the extent permitted, waived.

2. CONDITIONS OF THE PARTIAL CVR ALTERNATIVE

- 2.1 The Partial CVR Alternative will be conditional upon:

- 2.1.1 the Ordinary Offer becoming or being declared unconditional in all respects;
- 2.1.2 approval of the Prospectus by the UK Listing Authority in its capacity as competent authority under Part VI of the Financial Services and Markets Act 2000; and
- 2.1.3 valid elections for the Partial CVR Alternative being received (and not, where permitted, withdrawn) by the First CVR Calculation Date in respect of not fewer than 40 million British Energy Ordinary Shares.

Subject to the requirements of the Panel, Lake Acquisitions reserves the right to waive the condition set out in paragraph 2.1.3 above.

- 2.2 No election for the Additional CVR Election Facility shall be valid to the extent that the number of British Energy Ordinary Shares to which it relates is greater than the number of British Energy Ordinary Shares in respect of which the same Eligible British Energy Ordinary Shareholder has validly elected for the Partial CVR Alternative.

3. CONDITION OF THE CONVERTIBLE OFFER

The Convertible Offer will be conditional upon the Ordinary Offer becoming or being declared unconditional in all respects.

4. FURTHER TERMS OF THE OFFERS

- 4.1 If Lake Acquisitions is required by the Panel to make an offer or offers for British Energy Shares under the provisions of Rule 9 of the Code, Lake Acquisitions may make such alterations to the above conditions, including condition 1.1.1 above, as are necessary to comply with the provisions of that Rule.
- 4.2 Lake Acquisitions has agreed with British Energy that it may elect to implement the acquisition of the British Energy Shares by way of a Scheme. In such event, the Scheme will (with the Panel's consent if required) be implemented on the same terms (subject to appropriate amendments), so far as applicable, as those which would apply to the

Ordinary Offer and the Convertible Offer. In particular, condition 1.1.1 will not apply and the Scheme will become effective and binding following:

- 4.2.1 approval of the Scheme at the court meeting (or any adjournment thereof) by a majority of the British Energy Ordinary Shareholders present and voting either in person or by proxy representing 75 per cent. or more in value of British Energy Ordinary Shareholders;
 - 4.2.2 the resolutions required to approve and implement the Scheme being those set out in the notice of general meeting of the British Energy Ordinary Shareholders being passed by the requisite majority at such general meeting; and
 - 4.2.3 the sanction of the Scheme and confirmation of the reduction of capital by the Court (in each case with or without modification, and any such modification to be on terms reasonably acceptable to British Energy and Lake Acquisitions) and an office copy of the order of the Court sanctioning the Scheme and confirming the cancellation of share capital which forms part of it being delivered for registration to the Registrar of Companies in Scotland and being registered by him.
- 4.3 The Offers will lapse unless the conditions set out above (other than condition 1.1.1) are fulfilled or (if capable of waiver) waived by no later than 21 days after the later of the First Closing Date or the date on which the Offers become or are declared unconditional as to acceptances, or such later date as Lake Acquisitions may, with the consent of the Panel, decide. Lake Acquisitions shall be under no obligation to waive or treat as satisfied any of conditions 1.1.2 to 1.1.14 inclusive by a date earlier than the latest date specified above for the satisfaction thereof notwithstanding that the other conditions of the Offers may at such earlier date have been waived or fulfilled or satisfied and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfilment or satisfaction.
- 4.4 The Offers will lapse if, in respect of the Acquisition or any part thereof:
- 4.4.1 the European Commission initiates proceedings under Article 6(1)(c) of the ECMR; or
 - 4.4.2 there is a reference to the UK Competition Commission by the Secretary of State or the OFT under any provision of the Enterprise Act 2002, as amended (whether following a referral by the European Commission under Article 9(1) of the ECMR or otherwise),
- in either case before 3.00 p.m. on the First Closing Date or the date on which the Ordinary Offer becomes or is declared unconditional as to acceptances, whichever is the later. If the Offers so lapse the Offers will cease to be capable of further acceptance and accepting British Energy Shareholders and Lake Acquisitions will cease to be bound by acceptances received before the time when the Offers lapse.
- 4.5 In the event that an Eligible British Energy Ordinary Shareholder who has validly elected for the Partial CVR Alternative exercises any right of withdrawal in accordance with section 87Q of FSMA following the publication of a supplementary prospectus (as defined by FSMA) by Barclays or Lake Acquisitions in connection with the offer of Nuclear Power Notes pursuant to the Ordinary Offer, such exercise of the right of

withdrawal shall be a valid withdrawal from the Partial CVR Alternative and shall only relate to the issue of Nuclear Power Notes pursuant to the Partial CVR Alternative and not to the acceptance of the Ordinary Offer and such Eligible British Energy Ordinary Shareholder shall, notwithstanding the exercise of such right of withdrawal, be deemed to have accepted the Ordinary Offer but not to have elected for the Partial CVR Alternative and shall receive all consideration payable under the Ordinary Offer in cash. For the avoidance of doubt, if for any reason the Ordinary Offer becomes or is declared unconditional in all respects but the Partial CVR Alternative does not, any Eligible British Energy Ordinary Shareholders who have validly accepted the Ordinary Offer and made an election for the Partial CVR Alternative shall nevertheless be deemed to have accepted the Ordinary Offer and shall receive all consideration thereunder in cash.

- 4.6 The Ordinary Offer will extend to all British Energy Ordinary Shares unconditionally allotted or issued on the date on which the Ordinary Offer is made, and any further British Energy Ordinary Shares unconditionally allotted or issued including pursuant to an exercise of a Warrant by a holder thereof, and any Treasury Shares unconditionally sold or transferred by British Energy, in each case, while the Ordinary Offer remains open for acceptance (or such earlier date or dates as Lake Acquisitions may, subject to Code decide).
- 4.7 The Convertible Offer will extend to all British Energy Convertible Shares which, following the exercise of the NLF Conversion Right, are unconditionally allotted or issued and fully paid, and any further British Energy Convertible Shares unconditionally allotted or issued while the Convertible Offer remains open for acceptance (or such earlier date or dates as Lake Acquisitions may, subject to the Code, decide).
- 4.8 The British Energy Shares are to be acquired by Lake Acquisitions fully paid and free from all liens, charges and encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever and together with all rights attaching thereto, including the right to all dividends or other distributions declared, paid or made after the date hereof.
- 4.9 The Offers will not be made, directly or indirectly, in or into Australia, Canada or Japan or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction. This document does not constitute an offer in Australia, Canada or Japan and the Offers will not be capable of acceptance from or within Australia, Canada or Japan or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction. Copies of this document and any related offering documents are not being mailed or otherwise distributed or sent into Australia, Canada or Japan, including to British Energy Ordinary Shareholders or Warranholders or Optionholders with registered addresses in Australia, Canada or Japan or to persons whom Lake Acquisitions knows to be nominees holding British Energy Shares for such persons. Persons receiving such documents (including, without limitation, custodians, nominees and trustees) must not distribute or send them in, into or from Australia, Canada or Japan or any other jurisdiction if to do so would and so doing may invalidate any purported acceptance of the Offer. The availability of the Offers to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.
- 4.10 This document does not constitute an offer in the United States. Subject to certain limited exceptions solely with respect to the Cash Offer (in compliance with applicable

US federal securities laws and the securities laws of any state or territory or other jurisdictions of the United States), the Offers will not be made, directly or indirectly, in or into, or by the use of the mails of, or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, the United States or to or for the account or benefit of US Persons and acceptances from US Persons will not be accepted (other than, in respect of the Cash Offer only, from persons who are both QIBs and QPs). Accordingly, unless Lake Acquisitions, in accordance with applicable US federal securities laws and the securities laws of any state or territory or other jurisdiction of the United States, determines otherwise, copies of this document and any related offering documents are not being mailed or otherwise distributed or sent in or into the United States or to US Persons (including to British Energy Ordinary Shareholders or Warrantholders or Optionholders with registered addresses in the United States). Persons receiving such documents (including, without limitation, custodians, nominees and trustees) must not distribute or send them in, into or from the United States or to US Persons and so doing may invalidate any purported acceptance of the Offers.

- 4.11 The Nuclear Power Notes will not be offered directly or indirectly in or into any jurisdiction outside the EEA or in any EEA Excluded Jurisdiction and any purported acceptance of the Partial CVR Alternative by any person resident in any such jurisdiction may be deemed invalid.
- 4.12 The Offers will be governed by English law and be subject to the jurisdiction of the English courts, and to the terms and conditions set out above and to be set out in the formal Offer Document and the forms of acceptance thereto. The Offers will comply with the rules of the Code.

APPENDIX II

ACQUISITION RELATED CONTRACTS

1. IMPLEMENTATION AGREEMENT

British Energy, EDF and Lake Acquisitions have entered into an Implementation Agreement, which contains mutual undertakings and assurances in relation to the parties' commitment to implement the Acquisition and related matters, including provisions governing the conduct of business of British Energy in the ordinary course and other transaction protection measures. EDF has also reserved the right to switch to implement the Acquisition by means of the Scheme, with the consent of the Panel.

Undertakings to implement the Acquisition

British Energy, EDF and Lake Acquisitions have given mutual undertakings to use all reasonable endeavours to implement the Acquisition and in particular to achieve the satisfaction of the conditions to the Acquisition as promptly as reasonably practicable.

British Energy has agreed that the British Energy Directors will (i) unanimously and unqualifiedly recommend to accept the Cash Offer and (ii) unanimously recommend to consider electing for the Partial CVR Alternative (subject to their fiduciary duties).

In the event that the Acquisition is referred for a Phase II investigation, EDF has undertaken not to withdraw the notification and to use all reasonable endeavours to obtain Phase II Approval of the Acquisition from the European Commission or the UK Competition Commission (as the case may be). If Phase II Approval is obtained, Lake Acquisitions has undertaken that it shall, within 21 days (or such later date as the Panel may consent to), announce a firm intention under Rule 2.5 of the Code to make the New Offers or to implement the Acquisition by means of a New Scheme.

The announcement of the New Offers (or New Scheme) is subject to the British Energy Directors resolving that they will unanimously and unqualifiedly recommend that British Energy Shareholders accept the Cash Offer. There will be no obligation to make the Partial CVR Alternative available if, on the New Offers (or New Scheme), EDF is not able to procure, having used all reasonable endeavours, (i) Barclays issue the Nuclear Power Notes; or (ii) an alternative issuer of the Nuclear Power Notes within 14 days of Phase II Approval; or (iii) the UKLA's approval of the Prospectus.

The announcement of the New Offers (or New Scheme) will be in the form contemplated by this Announcement of the present Offers save that:

- (i) the price per British Energy Ordinary Share and British Energy Convertible Share shall be an amount equal to: $774p + (4p)Y$; and
- (ii) the Partial CVR Alternative per British Energy Ordinary Share shall be: 1 Nuclear Power Note and $700p + (4p)Y$,

where Y is the number of calendar months (or part thereof, pro rata) from the date that the referral to Phase II is announced to the date that the Phase II Approval is announced.

Non-solicitation arrangements and information rights

British Energy has undertaken not to directly or indirectly solicit, initiate or otherwise seek to procure any approach from any person in connection with a Competing Proposal. Subject to British Energy's confidentiality obligations, in the case of such an approach, it undertakes to inform EDF of the:

- (i) material terms of (or material changes to) any Competing Proposal; and
- (ii) identity of the person making such approach.

British Energy has also undertaken to provide details surrounding any request for information made to British Energy under Rule 20.2 of the Code.

Break fee and prohibition on any break fee with a third party

The first instalment (of £20 million) becomes due in the event that the British Energy Board:

- (i) does not unanimously and unqualifiedly recommend British Energy Shareholders accept the Cash Offer, either under the Offers or the New Offers (or the Scheme or New Scheme);
- (ii) withdraws or adversely qualifies or amends such recommendation;
- (iii) recommends a Competing Proposal; or
- (iv) proposes or submits to British Energy Shareholders, for approval in a general meeting, any resolution in connection with a Competing Proposal or which would constitute approval of any frustrating action under Rule 21.1 of the Code (except where requisitioned by members and the British Energy Board have recommended against its approval).

However, no first instalment becomes due on any of these events, save in certain limited circumstances, if the Offers or the New Offers (or the Scheme or New Scheme) do not include the Partial CVR Alternative (or they have been withdrawn or adversely qualified).

The British Energy break fee will not be payable in circumstances where the reverse break fee described below, has been triggered beforehand.

The second instalment (of £30 million) becomes due if the first instalment becomes due and a Competing Proposal completes. British Energy has also undertaken not to enter into any break fee arrangement in connection with a Competing Proposal with any third party. The British Energy break fee, if triggered, would be EDF's sole remedy under the Implementation Agreement.

Reverse break fee

EDF has also agreed to pay a reverse break fee to British Energy in the amount of £50 million where:

- (i) there has been a material breach of the obligations on EDF and Lake Acquisitions to use all reasonable endeavours to obtain Phase II Approval;
- (ii) there has been a breach of the undertaking by EDF and Lake Acquisitions to make an announcement under Rule 2.5 of the Code of the New Offers (or New Scheme) following Phase II Approval;

- (iii) following the New Offers, EDF invokes the acceptance condition (unless (a) another condition is incapable of satisfaction in any respect which is significant in the context of the British Energy Group taken as a whole; or (b) it is after the sixtieth day following posting of the Offer Document);
- (iv) Phase II Approval is not granted.

However, the reverse break fee will not be payable in circumstances where the first instalment of the British Energy break fee has been triggered beforehand. The reverse break fee, if triggered, would be British Energy's sole remedy under the Implementation Agreement.

Termination

The Implementation Agreement may be terminated in the following circumstances, without prejudice to the rights of the parties which have arisen prior to termination:

- (i) the Offer Document is not despatched within 28 days of the announcement of the Offers or the New Offers or such later time as agreed by the Panel;
- (ii) the Offer or New Offers (or Scheme or New Scheme) lapses or is withdrawn or any condition is invoked so as to cause the Acquisition not to proceed;
- (iii) the British Energy Board (a) recommends a Competing Proposal; (b) proposes or submits to British Energy Shareholders any resolution in connection with a Competing Proposal or which would constitute approval of any frustrating action under Rule 21.1 of the Code (except where requisitioned by members and the British Energy Directors have recommended against its approval); or (c) recommends British Energy Shareholders do not approve the Acquisition;
- (iv) a Competing Proposal completes;
- (v) upon receipt of a valid demand for payment of the reverse break fee;
- (vi) if agreed in writing between the parties to the Implementation Agreement;
- (vii) save in certain circumstances, in the event the Offer or New Offer (or Scheme or New Scheme) does not include a Partial CVR Alternative or the Partial CVR Alternative is withdrawn; or
- (viii) the Acquisition does not become effective by 30 September 2009.

In the event that British Energy withdraws or adversely qualifies its recommendation otherwise than in combination with the circumstances described in (iii) above, the Implementation Agreement does not terminate.

2. UMBRELLA AGREEMENT

The Secretary of State, NLF, EDF and Lake Acquisitions have entered into an umbrella agreement which contains certain assurances in relation to the implementation of the Acquisition. In particular, the Umbrella Agreement contains the principal provisions set out below and may continue to apply in connection with the Offers whether amended, revised or renewed, including in the event of a new offer being made as contemplated by the Implementation Agreement if the European Commission approves the Acquisition subsequent to having initiated proceedings under Article 6(1)(c) of the ECMR.

Undertakings in relation to the NLF Cash Sweep Payment and the NLF Conversion Right

The Secretary of State and NLF have undertaken to EDF and Lake Acquisitions that NLF shall not from the date of this Announcement require to be paid or accept payment of any NLF Cash Sweep Payment, unless the Acquisition has lapsed or been withdrawn or has not become Effective prior to the date on which the NLF Cash Sweep Payment is required to be paid for the financial year ending 31 March 2009. While the irrevocable undertaking from NLF has effect the Secretary of State and NLF have also agreed that NLF shall not require to be paid or accept payment of any Cash Sweep Payment in respect of a period representing less than a full financial year.

Further, the Secretary of State and NLF have undertaken to EDF and Lake Acquisitions that, if British Energy redeems the New Bonds prior to the due date for the redemption of the New Bonds by means of a substantially contemporaneous financing from a member of the EDF Group, such redemption will not result in an Accelerated Decommissioning Payment becoming payable to NLF.

The Secretary of State and NLF have also consented to a subsequent reduction of the share capital of British Energy if the Acquisition becomes Effective.

Convertible Offer acceptance condition

Lake Acquisitions undertakes to NLF and the Secretary of State that: (i) it shall not waive condition 1.1.1(B) to the Ordinary Offer (that NLF shall have accepted the Convertible Offer in respect of all the British Energy Convertible Shares issued to it on the exercise in full of the NLF Conversion Right); and (ii) any new or revised Offers shall contain a similar condition.

Scheme

Lake Acquisitions has undertaken that in the event that the Acquisition is implemented by way of a Scheme, it shall procure that the Scheme shall be structured in such a manner that allows NLF to participate in the Acquisition (including, if applicable, by accepting the Partial CVR Alternative) and to exercise in full the NLF Conversion Right after the issue by the Court of Session in Edinburgh of an order sanctioning the Scheme (and prior to any court hearing to confirm any reduction of capital) and for the British Energy Convertible Shares arising on such conversion to be bound by the Scheme (and to be cancelled in any associated reduction of capital).

Special Share

From the date of this Announcement (unless there is a change in "control" of EDF, Lake Acquisitions or any direct or indirect parent company of Lake Acquisitions, prior to the Offers becoming Effective) the Secretary of State shall not and shall seek to procure that the Secretary of State for Scotland shall not exercise the right attaching to the Special Share to give any notice to the British Energy Board in relation to EDF or Lake Acquisitions in relation to the making or implementation of the Acquisition.

For the avoidance of doubt, no offer is being made for the Special Share.

Restructuring Agreements and State Aid Deed

By no later than the first Business Day after the Offers have become Effective, or, if British Energy's shares remain admitted to trading on the Official List and any such transaction requires approval under the Listing Rules, the earlier of the date on which any approval which is required pursuant to the Listing Rules is obtained and the date on which British Energy's shares

cease to be admitted to trading on the Official List, the Secretary of State and NLF (as appropriate) will execute the amendment and restatement agreements in respect of the Restructuring Agreements and the Variation to the State Aid Deed.

The Secretary of State warrants to Lake Acquisitions that it has not committed any breach of the Restructuring Agreements or the State Aid Deed and is not aware of any material breach of the Restructuring Agreements by any other party thereto which has been committed in the three years prior to the date of this Announcement.

NLF warrants to Lake Acquisitions that the directors of NLF are not aware that NLF has committed in the three years prior to the date of this Announcement any material breach of the Restructuring Agreements to which it is a party.

Sites

The Secretary of State undertakes to EDF and Lake Acquisitions that other than pursuant to the Sites Agreements, it shall not require, in connection with the Acquisition, Lake Acquisitions or any member of the EDF Group to sell, dispose of or encumber any land which it owns or any land required for New Nuclear Build or any interest in such land.

Any transfer of assets

Each of the Secretary of State and NLF (as appropriate) agrees not unreasonably to withhold its consent at any time on or after the Acquisition becomes Effective to the transfer from the relevant member of the British Energy Group to such person as Lake Acquisitions may decide any of the Eggborough power station, British Energy's district power business, British Energy's direct supply business, British Energy's trading business and British Energy's renewables business. The Secretary of State and NLF (as appropriate) agree, subject to all applicable laws and regulations, to give any consents required under the Restructuring Agreements or otherwise to such transfers provided that no enforcement event has occurred under the DDP Debenture, that such transfers will not breach the provisions of the State Aid Deed or any Restructuring Agreement and that such transfers will be on arm's length terms.

Land required for New Nuclear Build

Each of the Secretary of State and NLF agrees to release, at any time on or after the Acquisition becomes Effective, the land required for New Nuclear Build and the proceeds of any sale of such land from the fixed security granted under the DDP Debenture and the Scottish standard securities granted by BEG to NLF in respect of the Hunterston 'B' and Torness power stations and to consent to the transfer of such land from the relevant member of the British Energy Group to such person as Lake Acquisitions may decide. Such release and consent is conditional upon there having been no enforcement event under the DDP Debenture and the transfer being on arm's length terms and is subject to the grant and reservation of the rights and easements required for the continued enjoyment of the transferring land and the retained land. The transferee must also comply with the provisions of the Option Agreement which relate to the identification of additional land to be included in a transfer following the exercise by the Secretary of State of an option to acquire land either for the operation or decommissioning of a BEG nuclear power station and compliance with all applicable laws and regulations.

Amendments to the Contribution Agreement

If Lake Acquisitions (or the EDF Group collectively) holds 100 per cent. of British Energy Shares, the existing grid trade master agreement between BETS and EDF Energy dated 23 March 2001 (as amended, the "GTMA") will be amended, most likely to provide for EDF

Energy to take 100 per cent. of BETS' uncontracted power on an evergreen basis (save for power sold by BETS to existing counterparties, pursuant to bespoke trades and pursuant to such other trades as EDF may approve) unless and until such GTMA is amended or terminated by the parties with the consent of the Secretary of State, at market prices determined in accordance with independent and visible pricing indices.

It has been agreed that if and when such an amendment agreement to the GTMA is executed, EDF shall procure that notice is given to the Secretary of State, NLF, British Energy, BEG and BEBF. NLF and the Secretary of State have undertaken to execute on receipt of that notice, and EDF shall procure that British Energy, BEG and BEBF execute after delivery of that notice, an amendment agreement to the Contribution Agreement, pursuant to which:

- (a) the Target Amount (as defined below) will be reduced to £290 million and the amount by which cash employed as collateral exceeds £200 million ("Incremental Collateral Amount") will be deleted, in anticipation of the amount of collateral required to be posted by members of the British Energy Group being substantially reduced;
- (b) collateral will become restricted expenditure subject to the Cash Tests (see below); and
- (c) the requirement by BEG's ultimate parent company and each of its subsidiaries and subsidiary undertakings to adopt and comply with prudent trading policies will no longer apply, in anticipation of collateral no longer being required to be posted by members of the British Energy Group.

3. SITES AGREEMENTS

3.1 Simultaneous Marketing Agreement

- 3.1.1 EDF and EDCL have agreed to enter into a simultaneous marketing agreement with NDA which is conditional upon the Acquisition becoming or being declared wholly unconditional.
- 3.1.2 Under this agreement, NDA will offer for sale by auction (or equivalent open price mechanism sale) (the "Auction") its lands at Bradwell, Oldbury and Wylfa and at the same time EDCL will offer for sale its lands at Wylfa.
- 3.1.3 Under the Auction, the highest price for each lot will be disclosed to all bidders (but the identity of the bidder will not be revealed). The Auction will close when no further bids have been received for a defined period.
- 3.1.4 EDF or any member of the EDF Group will be able to bid for NDA's land at Bradwell but (pursuant to the Sites Undertaking with HM Government described in paragraph 3.2 below) will not be able to bid for NDA's land at Oldbury or Wylfa.
- 3.1.5 The Auction is to take place as soon as reasonably practicable after the Acquisition Effective Date and by no later than 31 December 2010. Completion of the sale of all EDCL's land at Wylfa is subject to the sale conditions agreed with HM Government in the Sites Undertaking being met.
- 3.1.6 NDA's lands at Oldbury and Bradwell will be offered as separate lots. EDCL has agreed that two small parcels of its land at Wylfa will be included as one lot in the Auction with NDA's land at Wylfa. EDCL will receive its purchase

costs for these two parcels of land and otherwise the sale proceeds will go to NDA. EDCL's remaining land at Wylfa will be offered as another separate lot.

3.2 Sites Undertaking

- 3.2.1 EDF and HM Government have entered into an agreement conditional on the Acquisition becoming wholly unconditional which requires EDF to dispose of (at various stages): (i) the land EDCL owns at Wylfa to the extent that it is not required to do so pursuant to the Simultaneous Marketing Agreement; (ii) land currently owned by British Energy at Bradwell and any land at Bradwell that EDF or any member of the EDF Group may acquire under the Auction; and (iii) land adjacent to existing stations at Heysham or Dungeness (at the election of the Secretary of State) which is currently owned by British Energy and which adjoin existing stations operated by British Energy.
- 3.2.2 These disposals are subject to the satisfaction of various conditions intended to ensure that EDF will (by virtue of land it already owns or may acquire under the process outlined in paragraph 3.1 above and land it will acquire on the Acquisition Effective Date) following the Acquisition Effective Date, have access to sites suitable for the construction of four EPRs in the UK.
- 3.2.3 In particular, EDF will only be obliged to sell the land at Wylfa detailed in paragraph 3.2.1 if it is reasonably satisfied that it will be able to build two EPRs at each of Sizewell and Hinkley Point. EDF will be obliged to sell the land at Bradwell detailed in paragraph 3.2.1 above only if it goes on to secure planning consent for two EPRs at Sizewell. If EDF then goes on to secure planning consent for two EPRs at Hinkley Point, it will be obliged to sell land identified as potentially suitable for New Nuclear Build at either Heysham or Dungeness (HM Government will select which plot is to be sold) to a party chosen by EDF (provided that party is a credible nuclear operator).
- 3.2.4 EDF has agreed to procure that the relevant members of the British Energy Group will enter into an agreement for shared services to enable any purchaser of such land at Heysham or Dungeness (as applicable) to develop and operate the site.
- 3.2.5 EDF has agreed that EDF and British Energy shall be subject to a number of obligations in relation to the conduct of their business including so as to enable (and not to prejudice) Heysham and Dungeness to receive the necessary planning consents for nuclear new build as soon as possible.
- 3.2.6 EDF is required to grant credible nuclear operators access to the Bradwell, Heysham, Dungeness and Wylfa sites (including for the purposes of carrying out site surveys and investigations) and to provide information in respect of those sites to credible nuclear operators.
- 3.2.7 EDF is required to procure the transfer to the buyer of land sold pursuant to the Sites Undertaking of any applicable grid connections held by members of its group.

4. RESTRUCTURING AGREEMENTS

The Restructuring Agreements were originally entered into on 14 January 2005, and the State Aid Deed was originally entered into 8 October 2004, as part of the Restructuring Plan. Pursuant to the 2004 State Aid Decision, the European Commission notified the Secretary of State that in so far as the restructuring involved the grant of State aid by HM Government to the British Energy Group such aid was compatible with the common market and the objectives of the Euratom Treaty, subject to certain conditions.

The following sections in this Appendix II set out a summary of the key amendments to the terms of the Restructuring Agreements agreed between the Secretary of State and EDF (and, at the direction of the Secretary of State, consented to by NLF) in connection with the Acquisition and expected to be entered into with effect from the Acquisition Effective Date or, if British Energy's shares remain admitted to trading on the Official List and any such transactions require approval under the Listing Rules, the earlier of the date on which any approval which is required pursuant to the Listing Rules is obtained and the date on which British Energy's shares cease to be admitted to trading on the Official List (except in the case of the amendments to the trading related provisions of the Contribution Agreement (see paragraph 2 above)).

The key amendments agreed between the Secretary of State and EDF (and at the direction of the Secretary of State, consented to by the NLF) are identified in this section by the words "Amendments on Acquisition".

4.1 Ring Fencing Amendments

- 4.1.1 Certain rights and obligations provided for in the Restructuring Agreements would, following a change of control of British Energy, extend to apply to any new ultimate parent company and its subsidiaries and subsidiary undertakings (i.e., EDF and its subsidiaries and subsidiary undertakings following the Acquisition).
- 4.1.2 **Amendments on Acquisition:** On and from the Acquisition Effective Date, the Restructuring Agreements will generally be amended to restrict the rights and obligations imposed by the Restructuring Agreements to the British Energy Group only, including restricting the existing ultimate parent company obligations to British Energy (the "Ring Fencing Amendments"). Accordingly, the majority of the rights and obligations set out in the Restructuring Agreements will not extend to EDF or the Wider Group. The key Ring Fencing Amendments made to each of the Restructuring Agreements are dealt with in more detail below. Exceptions to the Ring Fencing Amendments include:
- (A) the set-off and withholding provision of the Contribution Agreement, which will extend to members of the same group for tax purposes; and
 - (B) a new obligation in the Option Agreement on EDF Group members not to unreasonably withhold their consent to the assignment, transfer or novation of a relevant contract to a station purchaser following the exercise of a station option by HM Government.

4.2 **NLFA**

Under the NLFA, NLF, subject to certain exceptions, meets the qualifying costs of decommissioning and discharging uncontracted nuclear liabilities in relation to BEG's existing nuclear power stations (together the "Costs of Discharging Liabilities"). The Secretary of State funds the Costs of Discharging Liabilities to the extent that they exceed the assets of NLF. The British Energy Group remains responsible for funding certain British Energy excluded liabilities and disqualified liabilities.

Covenants

- 4.2.1 The NLFA imposes restrictions on BEG's ultimate parent company and its subsidiaries and subsidiary undertakings, in relation to:
- (A) transactions entered into by such company with affiliates which, save in relation to specified types of transactions, are required to be on arm's length terms; and
 - (B) the creation of security interests by any such company (which, subject to detailed exceptions, broadly follow the equivalent covenants in the terms and conditions of the New Bonds).
- 4.2.2 **Amendments on Acquisition:** On and from the Acquisition Effective Date, as part of the Ring Fencing Amendments, the NLFA will be amended to provide that the covenants described in paragraph 4.2.1 above, apply only to the British Energy Group (and do not apply to EDF or the Wider Group although such companies will be affiliates for the purposes of the covenant referred to in paragraph 4.2.1(A) above).

Scheduled closure date

- 4.2.3 The Licensees are required to give notice to the NDA of changes in the scheduled closure date of any of its stations and obtain NDA's (a) consent to extend the station life if this may increase the Costs of Discharging Liabilities and (b) approval of decommissioning plans, contracting strategy and other relevant documents produced in respect of the management of qualifying liabilities.
- 4.2.4 **Amendments on Acquisition:** On and from the Acquisition Effective Date, the Secretary of State's right to require a Licensee to postpone the scheduled closure date of, or to continue operating at, a power station after the scheduled closure date will be confirmed to be limited to postponements or continuations of no longer than an aggregate total of 12 months from the unamended scheduled closure date.

4.3 **HLFA**

- 4.3.1 Under the HLFA, the Secretary of State makes payments in respect of contracted liabilities for the management of spent fuel loaded into the AGRs at BEG's existing nuclear power stations before 15 January 2005. This comprises, broadly, the fixed monthly payments that are payable by British Energy, and incremental liabilities that arise, under certain spent fuel management contracts which were originally with Sellafield Limited (previously British Nuclear Fuels plc).

- 4.3.2 **Amendments on Acquisition:** On and from the Acquisition Effective Date, Ring Fencing Amendments will be made to the HLFA. There are no other key amendments to the HLFA.

4.4 **Contribution Agreement**

Contributions

- 4.4.1 Under the Contribution Agreement, BEBF issued to NLF £275 million of New Bonds. In addition BEG is required to pay to NLF:
- (A) an annual cash sum currently equal to approximately 35 per cent. of the British Energy Group's consolidated net cash flow after tax and financing costs (each such payment an "NLF Payment");
 - (B) fixed decommissioning contributions of £20 million per annum (in March 2003 values and indexed to RPI) tapering off as BEG's nuclear power stations were scheduled to close at the time of the Restructuring Plan (the "Decommissioning Payments"); and
 - (C) £150,000 (in March 2003 values and indexed to RPI) for every tonne of uranium in the PWR Fuel loaded into the Sizewell B reactor.

NLF may, at any time, elect to convert all or part of its entitlement to NLF Payments into convertible ordinary shares of British Energy ("Conversion Shares").

- 4.4.2 **Amendments on Acquisition:** On and from the Acquisition Effective Date, since NLF is expected to convert its entitlement to NLF Payments into Conversion Shares as part of the Acquisition, the following redundant provisions will be removed:
- (A) the NLF Payment provisions;
 - (B) the Conversion Shares provisions; and
 - (C) the provisions dealing with, or consequential to, the NLF Payment or Conversion Shares.

Cash reserves and Target Amount

- 4.4.3 The Contribution Agreement requires certain levels of cash to be maintained and available in the group comprising BEG's ultimate parent company and each of its subsidiaries and subsidiary undertakings (the "Target Amount"). Such cash reserves must be invested and used only in accordance with such group's treasury policy for investments (subject to the prior written consent of the Secretary of State).
- 4.4.4 The Contribution Agreement provides for the Target Amount to be reduced:
- (a) if the group comprising BEG's ultimate parent company and each of its subsidiaries and subsidiary undertakings achieves an investment grade rating;
 - or (b) to the extent committed bank facilities are available and maintained and intended and expected to be used for the purposes for which the cash reserves would have been applied.

4.4.5 **Amendments on Acquisition:** On and from the Acquisition Effective Date:

- (A) as part of the Ring Fencing Amendments, the obligation to maintain the Target Amount will be limited to the British Energy Group only (and does not extend to EDF or the Wider Group);
- (B) provisions reserving funds for existing or planned capital expenditure and other expenses ("Forecast Expenditure Reserve") will be removed;
- (C) the Target Amount may be reduced (a) to zero, if the British Energy Group achieves an investment grade rating; or (b) to the extent committed facilities made available by a third party financial institution or a member of the Wider Group which has an investment grade rating (or whose obligations under the facility are guaranteed by a member of the Wider Group which has an investment grade rating) are available for, and intended and expected to be used for, the purposes for which the cash reserves may be applied, on a pound for pound basis; and
- (D) if the British Energy Group ceases to have that rating or if such a committed facility ceases to be available or is repaid, the Target Amount will automatically be increased by the amount by which it was formerly reduced.

Restrictive covenants

4.4.6 The Contribution Agreement contains covenants restricting the making of distributions or acquisitions and the incurrence of certain restricted expenditure except for specified purposes or unless certain cash tests (the "Cash Tests") are satisfied. There are two Cash Tests which require, in broad terms, that prior to any distributions being made, consideration for acquisitions being paid or expenditure being incurred:

- (A) the amount of cash reserves as at the end of the previous financial period exceed the sum of, *inter alia*, the Target Amount and (in the case of distributions and acquisitions) the amount proposed to be distributed or paid by way of consideration and all other such amounts distributed or paid by way of consideration (including NLF Payments) since the end of the previous financial period (the "look-back tests"); and
- (B) the amount of cash reserves at the end of the current financial period would or would be likely to exceed the Target Amount assuming that all proposed distributions, cash consideration for acquisitions and restricted expenditure, in each case since the end of the previous financial period, have been made, paid or incurred (the "look-forward tests").

4.4.7 Such covenants apply to BEG's ultimate parent company and each of its subsidiaries and subsidiary undertakings.

4.4.8 **Amendments on Acquisition:** On and from the Acquisition Effective Date:

- (A) as part of the Ring Fencing Amendments, the Contribution Agreement will be amended such that the restrictive covenants described in paragraph 4.4.6 above will apply only to the British Energy Group (and will not apply to EDF or the Wider Group);
- (B) the "look-back tests" in the Contribution Agreement will be amended such that prior to any distributions being made, consideration for acquisitions being paid or restricted expenditure being incurred, the amount of cash reserves at the end of the previous financial period (or if necessary at the date of interim accounts prepared for the purpose) will be required to exceed the sum of the Target Amount and (in the case of distributions and acquisitions) the aggregate amount of cash proposed to be distributed or paid by way of consideration since the end of the previous financial period or the date of interim accounts prepared for the purpose (as the case may be); and
- (C) each of BEG, British Energy and BEBF will be required to inform the Secretary of State as soon as reasonably practicable upon it becoming aware from a credit rating agency that they can reasonably expect that any lender or guarantor of any committed facility may lose its investment grade rating.

Amendment Agreement to Contribution Agreement

4.4.9 As described in paragraph 2 above, it is contemplated that additional amendments to the Contribution Agreement will be made pursuant to an amendment agreement to be signed following execution, and entry into effect of, an amendment agreement to the GTMA.

4.5 DDP Debenture

4.5.1 Under the DDP Debenture, British Energy and certain of its subsidiaries (each, an "Obligor") granted security by way of fixed and floating charges over substantially all of their assets and undertakings (subject to specific exclusions) in favour of NLF to secure the payment and discharge of the Decommissioning Default Payment and related costs and expenses under the Contribution Agreement.

4.5.2 The DDP Debenture requires that, if NLF requires, BEG's ultimate parent company and any of its subsidiaries must become additional Obligors under the DDP Debenture.

4.5.3 ***Amendments on Acquisition:*** On and from the Acquisition Effective Date, as part of the Ring Fencing Amendments, these provisions will apply to the British Energy Group only (and will not apply to EDF or the Wider Group).

4.6 Option Agreement

4.6.1 Pursuant to the Option Agreement, the Secretary of State has an option allowing it or its nominee ("Station Purchaser") to acquire for £1 each of BEG's nuclear power stations (excluding specified assets) and their associated sites (each a "Station Site"), either to decommission a station (the "option to decommission") or to continue operation of a station beyond the relevant

station's scheduled closure date or its early closure date (the "option to operate" and together with the option to decommission, the "options").

- 4.6.2 Under the Option Agreement the land which the Station Purchaser has a right to acquire includes each Station Site identified in the plans annexed to the agreement together with any additional land: (a) the Station Purchaser requires to obtain a nuclear site licence, as long as it is within specified areas shown on plans annexed to the agreement (the "Retained Land"); and/or (b) shown as being required for the purposes of decommissioning the station in the decommissioning plans most recently delivered to the NDA.

Land for the option to operate

- 4.6.3 ***Amendment on Acquisition:*** On and from the Acquisition Effective Date, the Option Agreement will be amended such that:
- (A) as currently, on exercise of the option to operate the Station Purchaser will be entitled to call for a transfer of all the land owned by BEG within the nuclear site licence in respect of each relevant station; and
 - (B) where any such land is no longer subject to the relevant nuclear site licence following re-licensing or de-licensing, BEG will have an option to repurchase such land for £1. This option to repurchase will not extend to any land required for decommissioning purposes.

New nuclear build land

- 4.6.4 ***Amendment on Acquisition:*** On and from the Acquisition Effective Date, the Option Agreement will be amended such that, where no decommissioning plans (being plans in respect of each station, among other things, identifying land required for decommissioning) have been approved by NDA in respect of a British Energy nuclear power station, BEG shall provide NDA with plans identifying the land needed for decommissioning the power station at least 18 months prior to the making of any planning application for New Nuclear Build adjacent to that Station Site. BEG will be prohibited from including within any such application land already shown as required for decommissioning in the most recent decommissioning plans approved by the NDA.

Additional "Relevant Land" for decommissioning

- 4.6.5 ***Amendment on Acquisition:*** On and from the Acquisition Effective Date, the Option Agreement will be amended such that where the Secretary of State exercises an option to acquire a Station Site, if the land within the relevant Station Site (as identified on the plans annexed to the Option Agreement) is not sufficient or appropriate for the purposes of decommissioning, the Station Purchaser will, subject to provisions in respect of Alternative Land described below, be entitled to acquire in addition the following land (the "Relevant Land"):
- (A) land outside the Station Site which was identified as being required for decommissioning in the most recent decommissioning plans approved by the NDA prior to the making of a planning application in respect of New Nuclear Build; and

- (B) any other land specified by BEG (in consultation with the NDA) which:
 - (1) is not land identified in the amended Option Agreement for New Nuclear Build and for which BEG intends to apply or has applied for planning permission for the construction or operation of new nuclear generation facilities (such land being "NNB Land");
 - (2) is owned by BEG or another member of the Wider Group; and
 - (3) is located within a two mile radius of the relevant Station Site, and which is required for the purposes of decommissioning the relevant Station Site.

Alternative land for decommissioning

4.6.6 ***Amendment on Acquisition:*** On and from the Acquisition Effective Date, instead of transferring the Relevant Land, BEG will be able to elect in its absolute discretion, but in consultation with the NDA, to:

- (A) add to the relevant transfer of land to the Station Purchaser ("Site Transfer") such other land owned by BEG or another member of the Wider Group and located within a two mile radius of the relevant Station Site ("Alternative Land") where provision of such Alternative Land would not increase the cost of decommissioning that Station Site; or
- (B) add to the relevant Site Transfer such Alternative Land, but in addition pay to NLF an amount equivalent to the increase in cost of decommissioning the Station Site as a result of the Relevant Land not being included in the Site Transfer; or
- (C) pay to NLF an amount equivalent to the increase in cost of decommissioning the relevant Station Site as a result of such Relevant Land not being included in the relevant Site Transfer and no Alternative Land being provided.

Other alternatives to extra land

4.6.7 ***Amendment on Acquisition:*** On and from the Acquisition Effective Date, BEG and the NDA may agree that, rather than Relevant Land or Alternative Land being transferred or compensation being paid, alternative arrangements (such as a lease, licence or other agreement involving the grant of rights over such land) may be entered into so as to give the Station Purchaser the ability to carry out decommissioning.

Site footprint adjusted but unnecessary land to be excluded

4.6.8 ***Amendment on Acquisition:*** On and from the Acquisition Effective Date, the footprint constituting each Station Site will be adjusted in new plans to be scheduled to the Option Agreement. The adjustment differs in relation to each station and consequently the new Station Site may include areas of land not

previously covered but may also exclude areas which were previously included.

4.6.9 ***Amendment on Acquisition:*** On and from the Acquisition Effective Date, on exercise of any options, the land to be transferred shall exclude any land that is:

(A) in the case of an option to decommission, not required for decommissioning; or

(B) in the case of the exercise of an option to operate, not included in the relevant nuclear site licence and is not shown as being required for decommissioning in the most recent decommissioning plans approved by NDA,

even if such land forms part of the relevant Station Site (unless it is shown as within the existing security fence boundary on the plans attached to the Option Agreement).

Successors bound

4.6.10 ***Amendment on Acquisition:*** On and from the Acquisition Effective Date, the Option Agreement will be amended to make clear that successors in title to any land owned by BEG at the date of the amendment to the Option Agreement (including the NNB Land) will be subject to the provisions referred to above as any transfer of such Station Sites will be conditional upon the completion of an agreed form accession deed.

Shared facilities

4.6.11 ***Amendment on Acquisition:*** On and from the Acquisition Effective Date, the Option Agreement will be amended to grant a new right to BEG and/or the Station Purchaser (exercisable up until six months after the relevant Site Transfer), to apply to use a facility (being land and buildings the use of which is required by more than one party for the purposes of operating or decommissioning the relevant site), the terms of the use of which facility will be agreed between the parties. It will be provided that such use will automatically terminate on the loss of the nuclear site licence in relation to the relevant site.

Disputes

4.6.12 ***Amendment on Acquisition:*** On and from the Acquisition Effective Date, disputes concerning the provisions of the Option Agreement described in paragraphs 4.6.3 to 4.6.11 above (which under the original wording were to be resolved by reference to an independent expert) will be referred for determination by the Secretary of State (who is to act impartially and as an expert).

Timing of exercise and completion to the option to operate

4.6.13 Pursuant to the Option Agreement, an option to decommission is exercisable at any time and an option to operate may (unless BEG has given notice that it will close the station early) be exercised at any time up to and including the date which is two years before the scheduled closure date of a power station.

- 4.6.14 ***Amendment on Acquisition:*** On and from the Acquisition Effective Date, the Option Agreement will be amended to confirm that the asset transfer resulting from the exercise of an option to operate or an option to decommission will not be completed before the scheduled or early closure date of the relevant station (unless otherwise agreed).

Ring fencing of transfer of assets

- 4.6.15 The Option Agreement requires that specified contracts and assets of BEG's ultimate parent company and its subsidiaries must be transferred to, or be accessible by, the Station Purchaser.

- 4.6.16 ***Amendment on Acquisition:*** On and from the Acquisition Effective Date, as part of the Ring Fencing Amendments, the Option Agreement will be amended such that these provisions are limited to the British Energy Group only (and will not apply to EDF or the Wider Group). However, as an exception to the Ring Fencing Amendments, it has also been agreed that members of the Wider Group must not unreasonably withhold their consent to the assignment, transfer or novation of a relevant contract to a Station Purchaser following the exercise of an option by the Secretary of State.

4.7 Guarantee and Indemnity

Additional guarantors

- 4.7.1 Under the Guarantee and Indemnity, British Energy and certain of its subsidiaries (each, a "Guarantor") jointly and severally guarantee to NLF, the Secretary of State and any assignee or nominee of the Secretary of State the obligations of the Licensees, BEBF and British Energy under or pursuant to each of the NLFA, the Option Agreement, the Contribution Agreement, the HLFA, the Guarantee and Indemnity and the Nirex Option Agreement. BEG's ultimate parent company is required to become, and the Secretary of State may require that a "material subsidiary" of the ultimate parent company become, an additional Guarantor under the Guarantee and Indemnity, where "material subsidiary" is determined by reference to the percentage which such subsidiary contributes to the consolidated assets, turnover or profits (before interest and taxation) of BEG's ultimate parent company and each of its subsidiaries and subsidiary undertakings.

- 4.7.2 ***Amendments on Acquisition:*** On and from the Acquisition Effective Date, as part of the Ring Fencing Amendments:

- (A) the Guarantee and Indemnity will be amended such that these provisions apply to the British Energy Group only and any ultimate parent company obligations apply to British Energy only. Accordingly, EDF and material subsidiaries of the Wider Group cannot be required to become additional Guarantors under the Guarantee and Indemnity; and
- (B) the Guarantee and Indemnity will be amended such that whether an entity is a "material subsidiary" will be determined by reference to the consolidated assets, turnover or profits (before interest and taxation) of the British Energy Group only and not the consolidated accounts of

BEG's ultimate parent company and its subsidiaries and subsidiary undertakings.

Covenants

- 4.7.3 The Guarantee and Indemnity imposes restrictions (which mirror those in the NLFA as described above) in relation to transactions with affiliates and the creation of security interests which apply to BEG's ultimate parent company and each of its subsidiaries and subsidiary undertakings.
- 4.7.4 **Amendments on Acquisition:** On and from the Acquisition Effective Date, as part of the Ring Fencing Amendments, the Guarantee and Indemnity will be amended such that these restrictions will be limited to the British Energy Group only (and will not apply to EDF or the Wider Group although such companies will be affiliates for the purposes of the covenant restricting transactions with affiliates referred to at paragraph 4.2.1(A) above).

5. STATE AID DEED

- 5.1 Pursuant to the State Aid Deed, British Energy Limited (formerly British Energy plc) and, following completion of the Restructuring Plan, British Energy have undertaken to HM Government to comply with restrictions that substantially mirror the restrictions imposed on HM Government by the 2004 State Aid Decision together with additional reporting and compliance obligations.
- 5.2 The State Aid Deed also requires any person assuming the conduct of, *inter alia*, the electricity supply business, the electricity trading business, the nuclear generation business or the non-nuclear generation business of the British Energy Group to accede to be bound by the terms of the State Aid Deed.
- 5.3 In addition, the State Aid Deed also contains an undertaking that the British Energy Group will not dispose of all or part of its nuclear generation or electricity supply business or carry out any corporate restructuring of the British Energy Group without the Secretary of State's consent (not to be unreasonably withheld) that arrangements are in place such that on implementation of any such disposal or restructuring, the Secretary of State will continue to be in compliance with the terms of the 2004 State Aid Decision.
- 5.4 **Amendments on Acquisition:** On and from the Acquisition Effective Date, the State Aid Deed will be amended such that:
 - 5.4.1 the restriction on disposals is extended also to apply to any disposal of the electricity trading business or non-nuclear generation business of the British Energy Group; and
 - 5.4.2 where the Secretary of State's consent has been obtained for the disposal of any business pursuant to such restriction, the person assuming conduct of such business will not be required to accede to be bound by the terms of the State Aid Deed.

APPENDIX III

Details of irrevocable undertakings

The irrevocable undertakings received by Lake Acquisitions are:

- (a) an irrevocable undertaking from NLF to accept the Convertible Offer in respect of all of the British Energy Convertible Shares issued to it upon the exercise in full of the NLF Conversion Right or, if the Offers are implemented by way of a Scheme, to undertake to be bound by the provisions of the Scheme, provided that:
- (1) in the event that the Offers are implemented by a contractual offer, Lake Acquisitions has served notice on NLF and the Secretary of State confirming that either (i) all of the conditions to the Ordinary Offer have been satisfied or (where possible) waived; or (ii) all of the conditions to the Ordinary Offer other than condition 1.1.1 to the Ordinary Offer have been satisfied or waived and Lake Acquisitions has received valid acceptances of the Ordinary Offer in respect of such number of British Energy Ordinary Shares which when aggregated with NLF's valid acceptances of the Convertible Offer and any other British Energy Ordinary Shares acquired or agreed to be acquired by Lake Acquisitions would satisfy condition 1.1.1 to the Ordinary Offer; or
 - (2) in the event that the Offers are implemented by a Scheme, Lake Acquisitions has served notice on NLF and the Secretary of State confirming that the resolutions proposed by British Energy or the court to approve the Offers at any shareholder and court meeting have been passed by the requisite majorities and the Court of Session in Edinburgh has issued an order sanctioning the Scheme and such order has been delivered to the registrar of companies in Scotland.

The irrevocable undertaking from NLF may continue to apply in connection with the Offers whether amended, revised or renewed, and in the event of a New Offer or New Scheme being made as contemplated by the Implementation Agreement if the European Commission approves the Acquisition subsequent to having referred it for a Phase II investigation.

The irrevocable undertaking from NLF shall cease to have effect if, amongst other things: (i) the Acquisition lapses or is withdrawn or is not Effective on or before the 180th day after the release of this Announcement (unless the Acquisition is referred for a Phase II investigation and subsequently a New Offer is made); (ii) the British Energy Board withdraws or in any material way qualifies its recommendation of the Cash Offers before the irrevocable undertaking takes effect; or (iii) there has been an amendment to the terms of the Acquisition which in the reasonable opinion of the Secretary of State results in the Cash Offers being less favourable than the Partial CVR Alternative and the Secretary of State has not served notice on Lake Acquisitions that the Partial CVR Alternative is to be extended to NLF.

Pursuant to the irrevocable undertaking entered into by NLF and the Secretary of State with Lake Acquisitions, NLF has undertaken not to request the Panel to require Lake Acquisitions to provide a Partial CVR Alternative to the Convertible Offer and not to accept any such alternative if one were to be provided. This undertaking shall cease to have effect and lapse and Lake Acquisitions shall extend the Partial CVR Alternative to the Convertible Offer in the event that it announces any revision of the terms of the Acquisition which in the reasonable opinion of the Secretary of State, results in the Cash Offers being less favourable than the Partial CVR Alternative.

Where the Offers are implemented by a Scheme, the undertaking by NLF to be bound by the provisions of the Scheme are also given for the benefit of British Energy. British Energy also has the benefit of covenants which are, inter alia, relevant to the implementation of the Offers by the Scheme, including (i) the undertaking by NLF not to revoke or withdraw its undertaking to be bound by the provisions of the Scheme and (ii) the undertaking by NLF not to exercise voting rights attaching to the British Energy Convertible Shares in any manner which would frustrate the Acquisition or prevent the Acquisition becoming effective.

- (b) Invesco has undertaken to accept the Ordinary Offer in respect of its holding of 153,638,156 British Energy Ordinary Shares. This undertaking shall cease to be binding in the event of a Competing Offer and shall also cease to apply to any British Energy Ordinary Shares owned by an underlying client of Invesco if such client terminates its relationship with Invesco in circumstances where the client is not bound to honour any pre-existing any obligations of Invesco. The undertaking shall also apply to any additional interests in British Energy Ordinary Shares acquired by Invesco subsequent to the giving of the undertaking, provided that Invesco shall not be permitted to acquire any further interests in British Energy Ordinary Shares without having obtained the confirmation of the Panel that such acquisition would not result in Invesco and Lake Acquisitions being deemed to be acting in concert for the purpose of the Code; and
- (c) provided that the Offer Document is posted to the British Energy Shareholders on or before the date falling 28 days after the date of this Announcement or such later date as may be agreed by the Panel, the British Energy Directors have given irrevocable undertakings to accept the Ordinary Offer in respect of 162,737 British Energy Ordinary Shares. These irrevocable undertakings will remain binding in the event of a Competing Offer for British Energy. The number of British Energy Ordinary Shares to which each irrevocable undertaking relates is stated below with the proportion of the issued share capital of British Energy which these British Energy Ordinary Shares represent.

<i>British Energy Directors</i>	<i>Number of British Energy Ordinary Shares</i>	<i>Percentage of issued share capital of British Energy</i>
<i>A Montague</i>	<i>19,068*</i>	<i>0.00%</i>
<i>S Billingham</i>	<i>87,370</i>	<i>0.01%</i>
<i>B Coley</i>	<i>8,905</i>	<i>0.00%</i>
<i>P Colombani</i>	<i>7,233</i>	<i>0.00%</i>
<i>B Davies</i>	<i>4,380</i>	<i>0.00%</i>
<i>J Delucca</i>	<i>7,321</i>	<i>0.00%</i>
<i>I Harley</i>	<i>7,357</i>	<i>0.00%</i>
<i>D Pryde</i>	<i>12,357</i>	<i>0.00%</i>
<i>R Walmsley</i>	<i>8,746</i>	<i>0.00%</i>
<i>Total</i>	<i>162,737</i>	<i>0.02%</i>

** A Montague also holds 91 Warrants. British Energy Ordinary Shares resulting from any exercise of these warrants are also subject to the irrevocable undertaking given by A Montague to accept the Ordinary Offer.*

APPENDIX IV

SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE NUCLEAR POWER NOTES

PART 1

RISK FACTORS

INVESTMENT IN THE NUCLEAR POWER NOTES INVOLVES SUBSTANTIAL RISKS AND IS SUITABLE ONLY FOR ELIGIBLE BRITISH ENERGY ORDINARY SHAREHOLDERS THAT HAVE THE KNOWLEDGE AND EXPERIENCE IN FINANCIAL MATTERS NECESSARY TO ENABLE THEM TO EVALUATE THE RISKS AND THE MERITS OF AN INVESTMENT IN THE NUCLEAR POWER NOTES. THIS ANNOUNCEMENT SETS OUT INDICATIVE TERMS OF THE NOTES ONLY AND ONLY SOME OF THE RISKS INVOLVED. ELIGIBLE BRITISH ENERGY ORDINARY SHAREHOLDERS SHOULD REFER TO THE PROSPECTUS TO BE PREPARED BY BARCLAYS IN RELATION TO THE NUCLEAR POWER NOTES FOR A MORE DETAILED DESCRIPTION OF THE RISKS INVOLVED WITH AN INVESTMENT IN THE NUCLEAR POWER NOTES. PRIOR TO INVESTING IN THE NOTES ELIGIBLE BRITISH ENERGY ORDINARY SHAREHOLDERS SHOULD (I) CONSIDER CAREFULLY THE TERMS OF THE NUCLEAR POWER NOTES AS SET OUT IN THE PROSPECTUS, (II) CONSIDER CAREFULLY ALL RISKS OF AND RELATING TO THE NUCLEAR POWER NOTES AND (III) MAKE THEIR OWN INVESTIGATIONS, INCLUDING CONSULTING THEIR PROFESSIONAL INDEPENDENT FINANCIAL ADVISER AND LEGAL, ACCOUNTANCY, TAX AND OTHER ADVISERS.

Key risks associated with the Nuclear Power Notes include but are not limited to the following (and a full list of risk factors associated with the Nuclear Power Notes, including further risk factors relating to British Energy's output, will be set out in the Prospectus):

- Each Eligible British Energy Ordinary Shareholder should consult its own advisors, including legal and tax advisors, regarding these matters before making any investment decision in the proposed transaction. It must conduct its own due diligence of the risks relating to the Nuclear Power Notes and Lake CVRs, Lake Acquisitions, EDF Energy and British Energy, and Barclays will have no responsibility therefore. Each Eligible British Energy Ordinary Shareholder must determine the suitability and appropriateness of an investment in the Nuclear Power Notes in light of its own circumstances, in particular any regulatory and investment restrictions to which it is subject, its knowledge and experience to make a meaningful evaluation of the Nuclear Power Notes, its financial resources and liquidity, and its ability to bear the risks associated with the Nuclear Power Notes. Each Noteholder will be deemed to have undertaken all such action and Barclays accepts no responsibility or liability in respect thereof.
- Barclays is acting solely as principal and not as advisor or fiduciary. Barclays does not provide, and has not provided, any investment advice or recommendation (personal or otherwise) to investors in relation to the Nuclear Power Notes or the Lake CVRs or otherwise. Eligible British Energy Shareholders may not rely on any communication (written or oral) from Barclays as investment advice or as a recommendation (personal or otherwise) to enter into any transaction. Accordingly Barclays is under no obligation to, and

shall not, determine the suitability or appropriateness for any investor of an investment in the Nuclear Power Notes.

- Barclays is acting for Lake Acquisitions and no-one else in connection with the issue of the Nuclear Power Notes and will not be responsible to anyone other than Lake Acquisitions for providing the regulatory protections afforded to clients of Barclays. Barclays accepts no liability whatsoever for any consequential losses arising from the use of this Announcement or reliance on the information contained herein.
- The Nuclear Power Notes are not principal protected at maturity. In certain circumstances, Noteholders risk losing all or part of their initial investment.
- The Nuclear Power Notes are unsecured and Noteholders will assume: (i) the credit risk of Barclays, and (ii) the credit risk of Lake Acquisitions and EDF Energy.
- There are no events of default in respect of the Nuclear Power Notes triggering early redemption of the Nuclear Power Notes. In the event of any non-payment of an amount due and payable by Barclays under the Nuclear Power Notes or the insolvency of Barclays, the Nuclear Power Notes will not be subject to early redemption.
- Barclays and its affiliates do not make any representation (express or implied) with respect to the Lake CVRs or the condition (financial or otherwise), business affairs, prospects or results of the operations of Lake Acquisitions and EDF Energy or with respect to British Energy or any member of the British Energy Group or any information provided in relation thereto. Barclays does not assume any fiduciary responsibility and will not provide any advice to Eligible British Energy Ordinary Shareholders in relation thereto or in relation to the Offers or any assets to be acquired thereunder or to the Nuclear Power Notes or the Lake CVRs and do not accept any responsibility for any information provided by Lake Acquisitions (including any information provided by Lake Acquisitions relating to the requirements of any relevant authority relating to any listing and/or admission to trading of the Nuclear Power Notes wherever listed or admitted to trading).
- The Lake CVRs will be issued with the benefit of the Lake Trust Deed. Barclays as initial holder of the Lake CVRs and in its capacity as beneficiary of trusts, created under the Lake Trust Deed may direct the Lake Trustee to enforce Lake Acquisitions' covenants at any time (subject to indemnifying and/or securing and/or prefunding the Lake Trustee to its satisfaction) and will instruct the Lake Trustee to enforce Lake Acquisitions' covenants as directed by the Noteholders provided that any such Noteholders' instructions do not conflict with any instruction previously received from Barclays or from the Barclays Relevant Subsidiary holding the Lake CVRs and provided further that the Lake Trustee is indemnified and/or secured or prefunded to its satisfaction. However, a Noteholder does not have a direct claim against Lake Acquisitions. Barclays or the Barclays Relevant Subsidiary holding the Lake CVRs will only have a direct claim against Lake Acquisitions to the extent that the Lake Trustee has been directed to take action against Lake Acquisitions but has failed to do so within a reasonable period. No assurance is given that Barclays or the Barclays Relevant Subsidiary holding the Lake CVRs will exercise or enforce any of its rights as holder of the Lake CVRs or in its capacity as beneficiary under the Lake Trust Deed or indemnify, secure or prefund the Trustee. However, it may do so without consultation with, or liability to, the Noteholders and subject to being indemnified to its satisfaction.

- Eligible British Energy Ordinary Shareholders should note that Lake Acquisitions' covenants are limited in scope. In the event that such covenants are breached by Lake Acquisitions, Noteholders may, provided that such direction does not conflict with any direction previously given by Barclays, direct the Lake Trustee (provided that it is indemnified and/or secured or prefunded to its satisfaction) to enforce Lake Acquisitions' covenants and in certain situations, the Lake Trustee may in addition to any other remedies available to it at law, petition for the winding up of Lake Acquisitions. No representation is made as to the amount for which the Lake CVRs may be realised in such circumstances. Eligible British Energy Ordinary Shareholders should also note that there are no provisions for the early redemption of the Lake CVRs such as, for example, events of default for non-payment and breach of covenant. Whilst Lake Acquisitions may purchase Nuclear Power Notes on-market or off-market (and in such circumstances a corresponding number of Lake CVRs will be cancelled), Lake Acquisitions is under no obligation to do so.
- The market value of the Nuclear Power Notes will vary over time and may be significantly less than par. The Nuclear Power Notes may not trade at par or at all. In addition to the performance of the Lake CVRs, the value of the product may be influenced and/or materially adversely affected by complex and interrelated political, economic, financial and other factors that affect capital markets generally and the power industry specifically.
- Any amount payable by Lake Acquisitions under the Lake CVRs is calculated on the basis of the performance of the Lake CVRs which in turn depends on the output of British Energy's existing nuclear fleet and the price of power. This output and price may vary significantly from time to time. Unplanned large output losses, earlier than currently anticipated closure of one or more of the power stations or a sustained period of lower than current wholesale electricity prices could have a significantly detrimental impact on the payment from the Nuclear Power Notes and in certain circumstances Noteholders risk losing all of their initial investment.
- The amount of any payout on the Nuclear Power Notes may be materially reduced (or conceivably reduced to zero) as a result of the imposition of a windfall tax on companies carrying on power generating activities which is payable by the current British Energy Group or because there is an increase in the rate of UK corporation tax.
- Commodities markets, indices or exchanges may be subject to temporary distortions or lack of availability due to various factors such as market disruption events. These circumstances could adversely affect the value or liquidity of the Nuclear Power Notes.
- The payment certification is relevant to the determination of payments on the Lake CVRs. Eligible British Energy Ordinary Shareholders should note that whilst it is required that such certification will be countersigned by the auditors of Lake Acquisitions, the auditors will only certify that the calculation of the relevant payment instalment has been performed correctly and accurately. There will be no third party certification or verification of the amount of output of British Energy's existing nuclear fleet and the price of power or any other relevant statistic. Eligible British Energy Ordinary Shareholders should note that Barclays accepts no responsibility for the contents of payment certification or the calculation of any amounts payable in respect of the Lake CVRs.
- Barclays is not providing liquidity in the Nuclear Power Notes. Noteholders are reliant on the appointment of market makers to provide liquidity in the Nuclear Power Notes and the agreement of such market makers to use best endeavours to make a market in the Nuclear Power Notes. Eligible British Energy Ordinary Shareholders should note that any such

market in the Nuclear Power Notes may cease at any time. There may also be wide bid/offer spreads and there may be limited liquidity in the market. The valuations of market makers will be subjective and based upon: (i) their view on the forward power price; (ii) their view on output at British Energy's existing nuclear fleet; and (iii) their view on all other constituents of the calculation of any payment instalment; (iv) their view on taxation (including any windfall taxation). Valuation of the Nuclear Power Notes will be complex to determine and may require specialist valuation techniques.

- It is possible that no application for listing or admission to trading will be successful and in this event the Nuclear Power Notes will not be listed or admitted to trading. In the event that any application for listing and/or admission to trading is successful, Eligible British Energy Ordinary Shareholders should note that the listing and/or admission to trading of the Nuclear Power Notes will only be maintained if Barclays complies with its relevant continuing obligations in respect of the Nuclear Power Notes and provided that such continuing obligations are not unduly onerous. The ability of Barclays to comply with such continuing obligations is however contingent in part on Lake Acquisitions complying with Lake Acquisitions' continuing obligations.
- In the event that, in the determination of Barclays, it is unduly onerous for Barclays to maintain the listing of the Nuclear Power Notes, or in the case of non-provision of information by Lake Acquisitions, Barclays may apply for de-listing of the Nuclear Power Notes. In this case, the marketability (if any) of the Nuclear Power Notes will be adversely affected.
- Application will be made to CREST for settlement of the Nuclear Power Notes. There can be no guarantee that such application will be successful.
- BNP Paribas, Merrill Lynch and JPMorgan Cazenove have agreed with Barclays that they will use best endeavours to act as market makers in respect of the Nuclear Power Notes. However there is no guarantee that a secondary market in the Nuclear Power Notes will develop. If it is possible to sell the Nuclear Power Notes, the price may be less than (and in some cases substantially less than) the reduction in cash consideration received by each Eligible British Energy Ordinary Shareholder under the Partial CVR Alternatives. In the event that any of BNP Paribas, Merrill Lynch and JPMorgan Cazenove do not act as market makers in respect of the Nuclear Power Notes or if there is a change in the form of market making provided by the market makers, the liquidity of the Nuclear Power Notes (if any) may be adversely affected.
- Barclays may have existing or future business relationships with Lake Acquisitions, EDF Energy and/or other entities in which Lake Acquisitions and/or EDF Energy may make investments, and in relation to the Nuclear Power Notes and Lake CVRs, will pursue actions and take steps that it deems necessary or appropriate to protect its interests arising therefrom or such other of its interests, any of which may differ from the interests of the Noteholders, without regard to the consequences for the Noteholders. Consequently, the value of the Nuclear Power Notes may be adversely affected if any such actions or steps are taken.
- Information provided to Noteholders in respect of Lake Acquisitions will be limited to the information described in Part 2 of this Appendix.

- The total of the payments (if any) due on the Nuclear Power Notes on any payment date shall be limited to the amount paid in respect of the corresponding payment (if any) made by Lake Acquisitions (or EDF Energy, as guarantor) in respect of the Lake CVRs. The obligation of Barclays to pay on the Nuclear Power Notes is limited to such extent. If the amount paid in respect of the Lake CVRs in any one year is zero, the payment on the Nuclear Power Note in that year will be zero. Eligible British Energy Ordinary Shareholders should note that in such a case, this does not constitute a default under the terms and conditions of the Nuclear Power Notes and a Noteholder will not have any recourse against Barclays.
- Each Noteholder is responsible for paying all taxes and expenses relating to its ownership or transfer of or payments received by it under any Nuclear Power Notes. Each Noteholder shall bear any transfer taxes or similar charges payable in connection with any delivery of the Lake CVRs and any third party charges payable in connection with the delivery of the Lake CVRs. If Barclays is required by law to deduct any amount from a payment to a Noteholder, the amount payable to that Noteholder will be the net amount after such deduction and Barclays will not have any obligation to pay any additional amount to that Noteholder to make up the deducted amount.

PART 2

FURTHER TERMS OF THE NUCLEAR POWER NOTES AND LAKE CVRS

For the purposes of this Part 2 of Appendix IV, "Further Terms of the Nuclear Power Notes and Lake CVRs", Barclays means Barclays Bank PLC excluding any of its affiliates and/or subsidiaries other than any Barclays Relevant Subsidiary (where any such Barclays Relevant Subsidiary is an issuer of Nuclear Power Notes or is a holder of Lake CVRs).

NUCLEAR POWER NOTES

The Nuclear Power Notes will be issued by Barclays under the Fiscal Agency Agreement. The Nuclear Power Notes constitute obligations of Barclays under the Fiscal Agency Agreement to make yearly payments (if any) to Noteholders, the amount of which will be limited to and no greater than the corresponding payment (if any) paid by Lake Acquisitions (or EDF Energy, as guarantor) to Barclays (or its affiliate) in respect of the Lake CVRs. The Nuclear Power Notes will be unsecured and will be issued with the benefit of the Fiscal Agency Agreement.

The documentation under which the Nuclear Power Notes will be constituted will be customary English law documentation for such an instrument.

The Nuclear Power Notes will be freely transferable (subject to restrictions on transfer in accordance with applicable securities laws) and free from any equity, set-off, or counterclaim between Barclays and the original, or any subsequent, Noteholder. Payments by Barclays to the Noteholders (if any) will be made subject to and after any deduction or withholding of tax required by law; Barclays will not be required to pay any additional or further amounts in respect of any such deduction or withholding.

Application will be made to CREST for settlement of the Nuclear Power Notes. In the event that such application is successful, the Nuclear Power Notes will be issued in uncertificated registered form.

The total of the payments (if any) due on the Nuclear Power Notes will be limited to the amount paid in respect of the corresponding payments (if any) made by Lake Acquisitions (or EDF Energy as guarantor) in respect of the Lake CVR. Payments on the Nuclear Power Notes will be made on the first business day following the scheduled payment date in respect of the Lake CVRs (being 31 January in each year, or where this is not a business day, the next following business day, commencing 31 January 2010 and ending on 31 January 2019). Where payments in respect of the Lake CVRs are paid on any unscheduled payment date, the payments in respect of the Nuclear Power Notes will be made on the fifth business day following such payment as determined by the calculation agent.

Each yearly payment (if any) to the Noteholders will include (in whole or in part) a scheduled yearly redemption amount and, to the extent that any yearly payment is less than the scheduled yearly redemption amount, the amount of the yearly shortfall will be added to the scheduled yearly redemption amount in respect of the next following yearly payment date. This "carry forward" technique will be applied cumulatively. In the event that no yearly payment has been made on the Nuclear Power Notes on any yearly payment date and no yearly redemption amount would otherwise be due and payable on the maturity date, or if applicable, an early redemption date, Barclays will pay the sum of one penny as a final principal payment in respect of each Nuclear Power Note on the maturity date, or, if applicable, the early redemption date. For the avoidance of doubt, the yearly payment date scheduled to fall in February 2019 shall be the final yearly payment date, regardless of whether the final yearly payment is less than the scheduled yearly redemption amount (or zero). The "carry forward" technique shall not be applied on or after the yearly payment date scheduled to fall in February 2019. To the extent that any yearly payment (if any) received by Barclays in respect of the Lake CVRs exceeds the amount of corresponding scheduled yearly redemption amount, Barclays will apply the excess to paying a coupon amount to each Noteholder.

The Nuclear Power Notes will be direct, unsubordinated and unsecured obligations of Barclays and will rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of Barclays (except as prescribed by law).

Barclays may at any time purchase Nuclear Power Notes in any manner and at any price. Subject to suitable arrangements having been entered into with Lake Acquisitions for the simultaneous cancellation of an equal number of Lake CVRs, any Nuclear Power Notes which are so purchased by Barclays may be cancelled.

Lake Acquisitions or any of its affiliates may, but is not required to, at any time, hold Nuclear Power Notes (including as from the issue date) or purchase Nuclear Power Notes at any price in the open market or by tender or private treaty, subject to fulfilling all legal and regulatory requirements in respect of such purchase. Barclays has agreed with Lake Acquisitions that in such case, if so requested by Lake Acquisitions, it will enter into arrangements with Lake Acquisitions for a corresponding cancellation of the relevant number of Nuclear Power Notes together with a corresponding number of Lake CVRs following any such purchase and cancellation.

Barclays will have the right to convene meetings of Noteholders to consider any matter affecting their interests. In addition, Lake Acquisitions will have the right to convene a meeting of Noteholders to consider a proposal by Lake Acquisitions to acquire all outstanding Nuclear Power Notes. If 75 per cent. of votes cast at the meeting (excluding any votes cast by or on behalf of Lake Acquisitions) vote in favour of the clear-up scheme, it will be binding on all Noteholders.

So long as Barclays continues to hold Lake CVRs Barclays will instruct the Lake Trustee to enforce the covenants given by Lake Acquisitions in respect of the Lake CVRs, as instructed by Noteholders, provided that such instructions do not conflict with instructions previously given by Barclays or the relevant affiliate holding the Lake CVRs and provided that the Lake Trustee is indemnified and/or secured and/or prefunded to its satisfaction.

Barclays will procure that information made available by Lake Acquisitions to Barclays as the holder of the Lake CVRs will be made available to Noteholders.

Specified events relating to illegality, adverse tax or change in regulatory treatment and the cancellation or termination of the Lake CVRs will constitute early redemption events giving Barclays, where it in good faith considers the relevant event to be material, the right to initiate early redemption of the Nuclear Power Notes. If early redemption is initiated, Noteholders will be given the right to receive physical delivery of the Lake CVRs, or if this is not possible or the holder of the Nuclear Power Notes does not so elect, the Noteholder shall receive a cash amount equal to the proceeds received from the realisation of the Lake CVRs pursuant to a specified realisation process. Barclays and any selling entity appointed by Barclays in connection with such realisation process shall have no responsibility for the amount of any realisation proceeds and shall have no duty to take into account whether the realisation process takes place at the optimum time or to seek the best available terms at any relevant time.

Barclays will have the right to substitute a Barclays Relevant Subsidiary to act as obligor in respect of the Nuclear Power Notes, provided that the new entity has at least the same rating in respect of its long term, unsecured, unsubordinated and unguaranteed debt obligations as Barclays Bank PLC or whose obligations (except where such substitute is a branch) will be guaranteed by Barclays Bank PLC (excluding its affiliates and subsidiaries).

The Fiscal Agency Agreement and the Nuclear Power Notes will be governed by English law (including non-contractual disputes) and subject to the exclusive jurisdiction of the English courts for disputes.

LAKE CVRS

The Lake CVRs will be created by Lake Acquisitions under the Lake Trust Deed and will be issued to Barclays. They will constitute a contractual promise by Lake Acquisitions to make payments (if any) in accordance with their terms and conditions, being a contingent obligation of Lake Acquisitions. The Lake CVRs will be unsecured and unlisted. Lake Acquisitions will have the right in certain circumstances to substitute the issuer of the Lake CVRs with another EDF Group company. The Lake CVRs will be guaranteed by EDF Energy (with the right in certain circumstances to substitute the guarantor with another member of the EDF Group with an equivalent or higher credit rating). A trustee will be appointed under the Lake Trust Deed to perform the role of the Lake Trustee.

The documentation under which the Lake CVRs will be constituted will be customary English law documentation for such an instrument and will be agreed with the Lake Trustee. The Lake CVRs will be transferable free from any equity, set-off, or counterclaim between Lake Acquisitions and Barclays or any subsequent holder of the Lake CVRs, subject to the transfer being: (i) a transfer to any Barclays Relevant Subsidiary as permitted by the terms of the Nuclear Power Notes; or (ii) in connection with an early redemption event in respect of the Nuclear Power Notes. Any payments by Lake Acquisitions under the Lake CVRs will be made subject to and after any deduction or withholding of tax required by law. Lake Acquisitions will not be required to pay any additional or further amounts in respect of any such deduction or withholding.

Application may be made to clear Lake CVRs through Euroclear/Clearstream (Luxembourg).

Payments in respect of the Lake CVRs (if any), which will be calculated on the basis set out in Part 3 of this Appendix IV, will be made on 31 January in each year (or if not a business day, the next following business day), commencing 31 January 2010 and ending on 31 January 2019. Payments will be preceded by the issuance of a payment calculation notice certified by an officer of Lake Acquisitions. The calculation of the payment shown in the payment calculation notice will be audited by Lake Acquisitions' auditors and certified by such auditors. Such notice will be issued yearly (whether or not a payment is due), and will include cumulative revenue figures and any taxation (including the applicable taxation rate).

Lake Acquisitions will subordinate its intra-group debt obligations to other members of the EDF Group to the obligations to make payments under the Lake CVRs on Lake CVR payment dates and on the insolvency of Lake Acquisitions. The Lake CVRs will otherwise rank *pari passu* with other senior and unsecured obligations of Lake Acquisitions (except as prescribed by law). Other than as set out below, there will be no restriction on Lake Acquisitions in relation to borrowing, disposals, charging of assets or otherwise.

Lake Acquisitions will covenant to, among other things: (i) make the payments due under the Lake CVRs; (ii) issue yearly payment calculation notices; (iii) maintain ownership of the British Energy Group; (iv) procure that the British Energy Group maintains ownership of British Energy's existing nuclear fleet, subject in the case of each nuclear power station always to (x) the Option Agreement and (y) the commencement of decommissioning; (v) provide to Barclays specified information in relation to Lake Acquisitions, EDF Energy, the British Energy Group and the existing nuclear power plants except to the extent that it becomes impossible to do so; (vi) assist Barclays in maintaining admission to trading and/or listing of the Nuclear Power Notes on PLUS-quoted or such other EEA exchange on which the Notes may be listed or quoted except where unduly onerous; (vii) except where impossible or unduly onerous, to provide such further information in respect of Lake Acquisitions, EDF Energy, the British Energy Group and British Energy's existing nuclear fleet for Barclays to comply with its continuing disclosure obligations from time to time under any relevant listing or market rules for the Nuclear Power Notes; and (viii) not to apply for any listing of the Lake CVRs on any market or clearance of the Lake CVRs through any alternative clearing system for so long as Barclays or a Barclays Relevant Subsidiary is the holder of the Lake CVRs, without the consent of Barclays or the Barclays Relevant Subsidiary holding the Lake CVRs (as applicable).

Lake Acquisitions will provide to Barclays: (i) quarterly statements in respect of the previous quarter's power output, prices and cumulative power output; (ii) quarterly guidance on likely maximum theoretical output for each relevant year; and (iii) quarterly details of scheduled power outages. In addition, Lake Acquisitions will provide: (x) price sensitive information to the standard of a listing of the Nuclear Power Notes on the Official List and admission to trading on the regulated market of the London Stock Exchange (even though the Nuclear Power Notes may not be so listed); and (y) information to meet such other requirements of any relevant authority relating to any listing or quoting, or of the Nuclear Power Notes, wherever so listed or admitted to trading.

In the event of non-payment after 30 calendar days of a payment becoming due and payable under the Lake CVRs by Lake Acquisitions or EDF Energy (as applicable), the Lake Trustee, in addition to any other remedies available to the Lake Trustee as a matter of law, may petition for winding-up of Lake Acquisitions.

If requested by Lake Acquisitions, Barclays must send a notice to Noteholders to consider a proposal by Lake Acquisitions to make changes to the terms and conditions of the Lake CVRs

(including corresponding changes to terms of the Nuclear Power Notes) unless Barclays objects by delivering a certificate to Lake Acquisitions setting out details of material prejudice which Barclays would suffer in connection with such modification and in such event notice to Noteholders shall not be given. Any resolution to modify the terms and conditions of the Lake CVRs shall require the approval of 75 per cent. of votes cast at a meeting.

The Lake Trust Deed and the Lake CVRs will be governed by English law (including non-contractual disputes) and subject to the exclusive jurisdiction of the English courts for disputes.

PART 3

SUMMARY OF THE COMMERCIAL TERMS OF THE LAKE CVRs

Legal form	Created by Lake Acquisitions further to a board resolution and under a trust deed
Status	Contingent obligations of Lake Acquisitions, with variable value; will not contain any restrictions on borrowing, disposal or charging of assets of the Issuer
Issuer	Lake Acquisitions Limited
Payment date	January 31 st of each year from 2010 to 2019
Eligible Nuclear Output	Eligible Nuclear Output means the total of the actual net metered output exported by all of the Existing British Energy Nuclear Fleet in the preceding calendar year ending December 31 st , subject to a combined maximum of 65.0 TWh
Existing British Energy Nuclear Fleet	Dungeness B Hartlepool Heysham 1 Heysham 2 Hinkley Point B Hunterston B Sizewell B Torness
Committed Nuclear Output (2009, 2010 and 2011)	December 31 st 2009: 100% of the Eligible Nuclear Output December 31 st 2010: 35.0 TWh

	December 31 st 2011: 25.0 TWh
Uncommitted Nuclear Output (2010 and 2011)	Eligible Nuclear Output less Committed Nuclear Output
Power Market Ratio (2010 and 2011) labelled as “PMR”	The ratio of Uncommitted Nuclear Output divided by Eligible Nuclear Output
Base Nuclear Output	<p>Base Nuclear Output:</p> <p>December 31st 2009: 50.0 TWh</p> <p>December 31st 2010: 50.0 TWh</p> <p>December 31st 2011: 50.0 TWh</p> <p>December 31st 2012: 50.0 TWh</p> <p>December 31st 2013: 50.0 TWh</p> <p>December 31st 2014: 50.0 TWh</p> <p>December 31st 2015: 40.0 TWh</p> <p>December 31st 2016: 40.0 TWh</p> <p>December 31st 2017: 31.5 TWh</p> <p>December 31st 2018: 31.5 TWh</p>
Market Power Price	<p>Is the simple average value of the 12 published Heren UK OTC Power Price Assessments – Baseload Month Ahead Price Index (the "HI") values for the relevant calendar year</p> <p>If the HI is not published within a specified period of its scheduled publication date, then the following cascade of alternatives will replace HI:</p> <ul style="list-style-type: none"> - Platt's UK Forward Base Load Index; - Argus UK Month Ahead Index; then - An average of quotes from three leading traders or brokers
Relevant Power Price	<p>2009: 82.0 £/MWh</p> <p>2010: $PMR \times \text{Market Power Price} + (1-PMR) \times 84.1 \text{ £/MWh}$</p> <p>2011: $PMR \times \text{Market Power Price} + (1-PMR) \times 86.2 \text{ £/MWh}$</p>

	For each calendar year commencing January 2012 ending December 2018: Market Power Price
Capped Relevant Power Price	<p>2009: 82.0 £/MWh</p> <p>2010: The minimum of the Relevant Power Price and $PMR \times 94.6 \text{ £/MWh} + (1-PMR) \times 84.1 \text{ £/MWh}$</p> <p>2011: The minimum of the Relevant Power Price and $PMR \times 96.9 \text{ £/MWh} + (1-PMR) \times 86.2 \text{ £/MWh}$</p> <p>2012-2018: Relevant Power Price, subject to maximum of:</p> <p>2012: 99.3 £/MWh</p> <p>2013: 101.8 £/MWh</p> <p>2014: 104.4 £/MWh</p> <p>2015: 107.0 £/MWh</p> <p>2016: 109.7 £/MWh</p> <p>2017: 112.4 £/MWh</p> <p>2018: 115.2 £/MWh</p>
Base Power Price	<p>2009: 82.0 £/MWh</p> <p>2010: 84.1 £/MWh</p> <p>2011: 86.2 £/MWh</p> <p>2012: 56.4 £/MWh</p> <p>2013: 57.8 £/MWh</p> <p>2014: 59.3 £/MWh</p> <p>2015: 60.7 £/MWh</p> <p>2016: 62.3 £/MWh</p> <p>2017: 63.8 £/MWh</p> <p>2018: 65.4 £/MWh</p>

Capped Relevant Revenue per year	For each year from 2009 to 2018: (Eligible Nuclear Output X Capped Relevant Power Price) Minus Windfall Tax in that year
Relevant Revenue per year	For each year from 2009 to 2018: (Eligible Nuclear Output X Relevant Power Price) Minus Windfall Tax in that year
Discount Rate	Fixed at 8.5% per year
Cumulative Relevant Revenue per year	For each year from 2009 to 2018: 2009: Relevant Revenue 2009 2010: Cumulative Relevant Revenue 2009 * (1 + Discount Rate) + Relevant Revenue 2010 2011: Cumulative Relevant Revenue 2010 * (1 + Discount Rate) + Relevant Revenue 2011 2012: Cumulative Relevant Revenue 2011 * (1 + Discount Rate) + Relevant Revenue 2012 2013: Cumulative Relevant Revenue 2012 * (1 + Discount Rate) + Relevant Revenue 2013 2014: Cumulative Relevant Revenue 2013 * (1 + Discount Rate) + Relevant Revenue 2014 2015: Cumulative Relevant Revenue 2014 * (1 +

	<p>Discount Rate) + Relevant Revenue 2015</p> <p>2016:</p> <p>Cumulative Relevant Revenue 2015 * (1 + Discount Rate) + Relevant Revenue 2016</p> <p>2017:</p> <p>Cumulative Relevant Revenue 2016 * (1 + Discount Rate) + Relevant Revenue 2017</p> <p>2018:</p> <p>Cumulative Relevant Revenue 2017 * (1 + Discount Rate) + Relevant Revenue 2018</p>
Base Revenue per year	<p>For each year from 2009 to 2018:</p> <p>Base Nuclear Output</p> <p>X</p> <p>Base Power Price</p>
Cumulative Base Revenue per year	<p>For each year from 2009 to 2018:</p> <p>2009:</p> <p>Base Revenue 2009</p> <p>2010:</p> <p>Cumulative Base Revenue 2009 * (1 + Discount Rate) + Base Revenue 2010</p> <p>2011:</p> <p>Cumulative Base Revenue 2010 * (1 + Discount Rate) + Base Revenue 2011</p> <p>2012:</p> <p>Cumulative Base Revenue 2011 * (1 + Discount Rate) + Base Revenue 2012</p> <p>2013:</p> <p>Cumulative Base Revenue 2012 * (1 + Discount Rate) + Base Revenue 2013</p> <p>2014:</p> <p>Cumulative Base Revenue 2013 * (1 + Discount Rate) + Base Revenue 2014</p>

	<p>2015: Cumulative Base Revenue 2014 * (1 + Discount Rate) + Base Revenue 2015</p> <p>2016: Cumulative Base Revenue 2015 * (1 + Discount Rate) + Base Revenue 2016</p> <p>2017: Cumulative Base Revenue 2016 * (1 + Discount Rate) + Base Revenue 2017</p> <p>2018: Cumulative Base Revenue 2017 * (1 + Discount Rate) + Base Revenue 2018</p>
<p>Payment per CVR on every 31st of January from 2010 to 2019 subject to the precondition below</p>	<p>62% x Min ((Capped Relevant Revenue minus Base Revenue) and (Cumulative Relevant Revenue Minus Cumulative Base Revenue)) x (1- Applicable Corporate Tax Rate) / Fully diluted number of British Energy Shares Payments cannot be less than zero in any year.</p>
<p>Condition precedent for the annual payment on every 31st of January from 2010 to 2019</p>	<p>Cumulative Relevant Revenue is in excess of Cumulative Base Revenue in the preceding calendar year</p>

Applicable Corporate Tax Rate	The time weighted average of the UK corporation tax rate for the relevant calendar year (e.g. for 2008, this would be 28.5 %, being 30% for 3 months and 28% for 9 months)
Windfall Tax in each year from 2009 to 2018	<p>Means taxes, levies, duties, imposts or other charges in the nature of taxation imposed on or by reference to power generation activities or imposed on companies carrying on power generation activities</p> <p>Cash windfall tax paid by the current British Energy Group</p> <p>If payment is not deductible for UK corporation tax purposes, the amount taken into consideration shall be the cash windfall tax paid divided by (1 – Applicable Corporate Tax rate)</p> <p>Any impact from recently announced Home Energy Saving Programme is specifically excluded</p>
Maximum principal to be issued	Never to exceed the number equal to 32.28% of all British Energy Shares acquired by the Issuer (or any other member of the EDF Group) (whether under the Offers, in the Compulsory Acquisition or otherwise)
Transferability	Yes
Listing	Yes
Jurisdiction/governing law	English law/jurisdiction

PART 4

LAKE CVR NET PRESENT VALUE ILLUSTRATION

The characteristics, mechanisms and risk on the payments (if any) that could be made in respect of the Nuclear Power Notes and the Lake CVRs are explained below. The illustrations and examples contained in this Part 4 of Appendix IV are being provided for illustrative purposes only and should not be regarded as providing any guarantee or indication of likely performance.

Payments under the Lake CVRs are calculated on the basis of a formula using:

- (i) actual power output of British Energy's existing nuclear fleet (as at the closing of the Offers) in the preceding calendar year above a base level and subject to a cap; and

- (ii) £80/MWh inflated for a defined committed nuclear output in the first three years; for the rest of the nuclear output in the first three years and for the total nuclear output from 2012 onwards actual power price indices in that same preceding year subject to a cap.

The committed nuclear output, as defined in Part 3 above, the Summary of the Commercial Terms of the Lake CVRs, is 100 per cent. of British Energy's nuclear output for the year ending 31 December 2009, 35.0TWh for the year ending 31 December 2010 and 25.0TWh for the year ending 31 December 2011.

The actual yearly payments paid to Barclays as holder of Lake CVRs will depend on the nuclear output achieved by British Energy's existing nuclear fleet and prevailing power prices over the period (not power prices achieved by British Energy), and are capped at a maximum level. The minimum payment in one or more years, or over the entire period, could be zero.

There will be no involvement or interest conferred by a Lake CVR, and consequently, the Nuclear Power Notes, in other economic activities of the combined entity such as profits from power trading or the proposed New Nuclear Build programme.

The Takeover Panel has determined that an estimate of the value of a Lake CVR or a Nuclear Power Note in accordance with Rule 24.10 will not be included in the Offer document.

Those Eligible British Energy Ordinary Shareholders that choose to take up the Partial CVR Alternative may make a number of different assumptions across a number of variables and arrive at a broad range of values for a Lake CVR and, consequently, the Nuclear Power Notes. These assumptions relate to, *inter alia*, discount rate, power price and nuclear output for the term of the instrument. There is a very wide range of defensible values for each of these input assumptions and hence there is potentially a very wide range for a Lake CVR's fundamental valuation and for the value at which it might trade. Certain of the assumptions required to arrive at an estimated valuation of a Lake CVR are examined below.

A key determinant of the estimated value of a Lake CVR is the projected wholesale power price over the next ten years. Power prices are very volatile and therefore difficult to forecast with any meaningful level of certainty. From 2001 to 2008, average monthly baseload wholesale power prices in the UK have been between £12.7/MWh and £87.1/MWh. As such, Eligible British Energy Ordinary Shareholders may have a wide range of views regarding likely future prices.

The Lake CVR payments are linked to output from the plants in British Energy's existing nuclear fleet. These plants have historically incurred significant unplanned outages over their operating lives. The nature of any future possible outages may significantly impact the nuclear output achieved from British Energy's existing nuclear fleet over the term of the Lake CVRs and consequently the Nuclear Power Notes.

Five of the plants in British Energy's existing nuclear fleet have a current accounting closure date that falls within the term of the Lake CVRs and consequently the Nuclear Power Notes. The decision as to whether the life of a station is extended beyond the current accounting closure date is primarily an economic decision, taking into account a range of factors including projected power price, investment spend requirements and ongoing running costs. This adds to the complexity of forecasting power generation over the term of the Lake CVRs and consequently the Nuclear Power Notes. For the financial years ended 31 March 2000 to 31

March 2008 inclusive, British Energy's nuclear output ranged from 50.3TWh to 67.6TWh, and the total level of unplanned losses in any one year ranged from 9TWh to 20TWh over the same period.

The structure of a Lake CVR contains certain nuclear output and power price thresholds required to trigger the Lake CVR payments. If these thresholds are not met, there would be no payment. Moreover, it also implies a maximum yearly payment. There is a deemed upper limit to the nuclear output of the British Energy's existing nuclear fleet; the Lake CVRs holders will not benefit from any power generated above this level except in a catch up situation with respect to the cumulative revenue constraint. There is also a cap on the price of power above which Lake CVRs holder will not receive any additional payment, except in the circumstances of catching up with respect to the cumulative revenue constraint. Any estimated valuation would also be heavily influenced by the discount rate that an individual investor would apply when assessing the present value of potential future payments under a Lake CVR, and consequently the Nuclear Power Notes. In addition, given the very specific nature of a Lake CVR, and consequently the Nuclear Power Notes, and an absence of listed comparable securities, there is also significant uncertainty as to the market price of the listed Nuclear Power Notes in relation to the present value of its future cash flows which are in themselves uncertain.

The Lake CVR payment is subject to an annual cumulative revenue constraint. The payment will be calculated by reference to the lower of the excess revenue generated over the base revenue threshold in the given year and a similar test based on cumulative revenue and base cumulative revenue threshold in prior years of the Lake CVR term.

The tables in section 1 below show the net present value (in pence per Lake CVR), as at 31 October 2008, of the cash flows attributable to a Lake CVR, under a range of illustrative long term nuclear output levels, power prices and discount rates. These outcomes assume that a Lake CVR is held for the entire 10 year term of the instrument. The range of assumptions shown are for illustrative purposes only; they do not represent maximum or minimum possible values and are not expectations of future nuclear output levels, power prices or discount rates. When assessing the net present value of the potential cash flows from a Lake CVR, and consequently the Nuclear Power Notes, Eligible British Energy Ordinary Shareholders will need to make an assumption about the appropriate discount rate to use. The discount rates used to calculate the values shown in section 1 are for illustrative purposes only and the actual rate which investors use may be above or below these illustrative levels. Eligible British Energy Shareholders may consider that an appropriate discount rate is higher than British Energy's weighted average cost of capital. For reference, the underlying assumptions used to calculate these values and British Energy's historic nuclear output performance are detailed in sections 2 and 3 respectively.

No account has been taken of the taxation position of individual Noteholders.

Accordingly, the values shown in the tables below do not represent amounts that a Noteholder may realise on any future sale of a Nuclear Power Note nor the price at which a Nuclear Power Note might trade which may be subject to considerable volatility or illiquidity. The realised value of a Lake CVR, and consequently a Nuclear Power Note may be materially higher or lower than the illustrative values.

1. Net present value illustration (pence per Lake CVR)

All illustrative tables below assume

- an inflation rate of 2.5 per cent. per annum and

- an Applicable Tax Rate of 28 per cent.

a) Assuming the plants in British Energy's existing nuclear fleet operate for their current accounting lives (no further life extensions) and an 8.5 per cent. annual discount rate

		Annual Nuclear Output (TWh base)				
		45	50	55	60	65
Real power price (£/ MWh base)	40	0	0	10	21	34
	45	0	0	10	31	67
	50	0	0	19	63	106
	55	0	0	54	98	149
	60	0	22	83	135	192
	65	0	54	115	175	235
	70	21	85	150	214	278
	75	49	117	185	253	321
	80	76	148	220	292	364
	85	104	180	255	331	407
	90	131	211	291	370	450
	95	140	211	291	370	450

b) Assuming the plants in British Energy's existing nuclear fleet operate for their current accounting lives (no further life extensions) and a 10 per cent. annual discount rate

		Annual Nuclear Output (TWh base)				
		45	50	55	60	65
Real power price (£/ MWh base)	40	0	0	10	20	33
	45	0	0	10	30	64
	50	0	0	18	59	99
	55	0	0	50	91	139
	60	0	20	77	126	179
	65	0	49	106	162	219
	70	19	78	138	198	258
	75	44	107	170	234	298
	80	69	136	203	270	338
	85	94	164	235	306	377
	90	120	193	268	342	417
	95	127	193	268	342	417

c) Assuming potential additional plant life extensions for plants in British Energy's existing nuclear fleet, per the assumptions outlined in paragraph 2 below, and an 8.5 per cent. annual discount rate

		Annual Nuclear Output (TWh base)				
		45	50	55	60	65
Real power price (£/ MWh base)	40	0	0	10	51	85
	45	0	0	36	87	130
	50	0	13	77	127	175
	55	0	50	118	168	225
	60	24	86	154	212	275
	65	56	123	192	258	325
	70	88	160	232	303	375
	75	121	197	273	349	425
	80	153	234	314	394	475
	85	185	270	355	440	525
	90	218	307	396	486	575
	95	226	307	396	486	575

d) Assuming potential additional plant life extensions for plants in British Energy's existing nuclear fleet, per the assumptions outlined in paragraph 2 below, and a 10 per cent. annual discount rate

		Annual Nuclear Output (TWh base)				
		45	50	55	60	65
Real power price (£/ MWh base)	40	0	0	10	47	78
	45	0	0	33	80	119
	50	0	11	70	116	161
	55	0	44	107	154	207
	60	21	77	139	194	252
	65	49	110	174	236	298
	70	78	144	210	277	344
	75	108	177	248	319	390
	80	137	211	286	361	436
	85	166	245	324	403	481
	90	196	278	361	444	527
	95	204	278	361	444	527

2. Assumptions

a) Illustrative nominal power price assumptions (£/MWh)

- January 2009 to December 2011 set at £80/MWh for committed nuclear output, inflated at 2.5 per cent. per annum, as set out in Part 3 of this Appendix IV

- For the uncommitted nuclear output from January 2009 to December 2011 and for the total nuclear output thereafter, illustrative prices, base year assumptions of £50/MWh to £90/MWh in increments of £5/MWh adjusted for inflation at 2.5 percent. per annum. Actual reference prices will be, as set out in Part 3 of this Appendix IV, the lower of: (i) the simple average of the 12 published Heren UK electricity baseload month ahead price indices for the relevant year; or (ii) £90/MWh (inflated from 31 December 2008 at 2.5 per cent. per annum)

Year	Power Price (£/MWh)								
	50	55	60	65	70	75	80	85	90
2009	51.3	56.4	61.5	66.6	71.8	76.9	82.0	87.1	92.3
2010	52.5	57.8	63.0	68.3	73.5	78.8	84.1	89.3	94.6
2011	53.8	59.2	64.6	70.0	75.4	80.8	86.2	91.5	96.9
2012	55.2	60.7	66.2	71.7	77.3	82.8	88.3	93.8	99.3
2013	56.6	62.2	67.9	73.5	79.2	84.9	90.5	96.2	101.8
2014	58.0	63.8	69.6	75.4	81.2	87.0	92.8	98.6	104.4
2015	59.4	65.4	71.3	77.3	83.2	89.2	95.1	101.0	107.0
2016	60.9	67.0	73.1	79.2	85.3	91.4	97.5	103.6	109.7
2017	62.4	68.7	74.9	81.2	87.4	93.7	99.9	106.2	112.4
2018	64.0	70.4	76.8	83.2	89.6	96.0	102.4	108.8	115.2

b) Illustrative nuclear output assumptions (TWh) – plants in British Energy's existing nuclear fleet operate for their current accounting lives (no further life extensions)

- Assumes nuclear output of 45, 50, 55, 60 and 65 TWh per annum in the period 2009 to 2014 and closures of plants in British Energy's existing nuclear fleet consistent with their current accounting lives (Hartlepool and Heysham 1 power stations in 2014, Hinkley Point B and Hunterston B power stations in 2016 and Dungeness B in 2018)
- Actual reference nuclear output will be determined from the nuclear output in the relevant preceding calendar year ending 31 December. For the purpose of calculating the yearly payment, there will be a maximum eligible nuclear output in each year, as set out in Part 3 of this Appendix IV. The nuclear output will be determined as the aggregate output in the relevant year from all eight of the plants in British Energy's existing nuclear fleet with no adjustment for periods within the year that any or all of the plants are not operational

Year	Annual Nuclear Output (TWh)				
-----	-----				
base	45	50	55	60	65
-----	-----	-----	-----	-----	-----
2009	45.0	50.0	55.0	60.0	65.0
2010	45.0	50.0	55.0	60.0	65.0
2011	45.0	50.0	55.0	60.0	65.0
2012	45.0	50.0	55.0	60.0	65.0
2013	45.0	50.0	55.0	60.0	65.0
2014	45.0	50.0	55.0	60.0	65.0
2015	34.8	38.7	42.6	46.5	50.3
2016	34.8	38.7	42.6	46.5	50.3
2017	26.0	28.9	31.8	34.7	37.6
2018	26.0	28.9	31.8	34.7	37.6

c) Illustrative nuclear output assumptions (TWh) – assuming certain further life extensions

- Assumes nuclear output of 45, 50, 55, 60 and 65 TWh per annum in the period 2009 to 2014 and then flat thereafter (rather than declining) due to assumed life extensions to those plants in the British Energy existing nuclear fleet with accounting lives that end before 31 December 2018 (Hartlepool and Heysham 1 power stations in 2014, Hinkley Point B and Hunterston B power stations in 2016 and Dungeness B in 2018)
- Actual reference nuclear output will be determined from the nuclear output in the relevant preceding calendar year ending 31 December. For the purpose of calculating the yearly payment, there will be a maximum eligible nuclear output in each year, as set out in the Contingent Value Rights Note Commercial Term Sheet. The nuclear output is determined as the aggregate output in the relevant year from all eight of the plants in the British Energy existing nuclear fleet with no adjustment for periods within the year that any or all of the plants are not operational

Year	Annual Nuclear Output (TWh)				
-----	-----				
base	45	50	55	60	65
-----	-----	-----	-----	-----	-----
2009	45.0	50.0	55.0	60.0	65.0
2010	45.0	50.0	55.0	60.0	65.0
2011	45.0	50.0	55.0	60.0	65.0
2012	45.0	50.0	55.0	60.0	65.0
2013	45.0	50.0	55.0	60.0	65.0
2014	45.0	50.0	55.0	60.0	65.0
2015	45.0	50.0	55.0	60.0	65.0
2016	45.0	50.0	55.0	60.0	65.0
2017	45.0	50.0	55.0	60.0	65.0
2018	45.0	50.0	55.0	60.0	65.0

3. Historical nuclear output performance of British Energy's existing nuclear fleet

The table below sets out power output from British Energy's existing nuclear fleet in each of the last ten financial years:

Year to -----	Nuclear Output (TWh) -----
March 1999	68.2
March 2000	62.2
March 2001	62.5
March 2002	67.6
March 2003	63.8
March 2004	65.0
March 2005	59.8
March 2006	60.4
March 2007	51.2
March 2008	50.3

Furthermore, the table below sets out British Energy's power output from its nuclear fleet in each of the last ten calendar years, as well as the latest quarter:

Year to -----	Nuclear Output (TWh) -----
December 1998	67.8
December 1999	63.6
December 2000	61.6
December 2001	67.2
December 2002	63.2
December 2003	65.8
December 2004	59.7
December 2005	60.8
December 2006	55.5
December 2007	51.9
Jan – Mar 2008	10.7

When considering the historic output profile above, one should note that from 1 April 2007 Hinkley Point B and Hunterston B have been restricted to approximately 70 per cent load, due to boiler temperature restrictions.

British Energy's latest quarterly results presentation provided an indicative output before unplanned losses of 49.5TWh for the year ending March 2009 (guidance as of 13 August 2008). This is the indicative output after taking account of losses of known events but before new unplanned losses in the balance of the year. This guidance also takes into account approximately 12TWh of known losses for the year ending March 2009 from the BCU (Boiler Closure Units) outages at Hartlepool and Heysham 1 (assuming return to service during Q4 2008/Q1 2009).

APPENDIX V

SOURCES AND BASES

1. British Energy is valued by the Cash Offers at approximately £12.5 billion, based on all cash consideration for each British Energy Share and on there being 1,611,519,535 British Energy Shares on a fully diluted basis (as provided by British Energy). The current issued share capital of British Energy is 1,034,065,128 and the enlarged share capital of British Energy (assuming the NLF Conversion Right is fully exercised into ordinary British Energy Shares but no warrants are exercised) is 1,605,269,862. There are 6,249,673 warrants currently in issue.
2. Unless otherwise stated, financial information relating to British Energy has been extracted from the published audited Annual Report and Accounts 2007/08 of British Energy and/or other public statements made by British Energy. Unless otherwise stated, financial information relating to EDF has been extracted from the 2007 Document de Référence and/or other public statements made by EDF.
3. British Energy's total current capacity is 10.6GW (8.7GW from nuclear generation). These capacities quoted reflect expectations for the reference energy generation from the units. In particular, Hinkley Point B and Hunterston B have been adjusted to reflect planned operation at approximately 70 per cent. load, due to boiler temperature restrictions. British Energy's installed capacity at construction is 11.5GW (9.5GW from nuclear generation).
4. Under the NLF Conversion Right, NLF has the right to receive British Energy Convertible Shares representing approximately 35.58 per cent. of the enlarged share capital of British Energy. This percentage assumes no warrant conversions since 15 September 2008 and a 60 day British Energy average share price, as at 23 September 2008, of 718 pence.
5. The prices of British Energy Ordinary Shares on a particular date are derived from the Daily Official List of the London Stock Exchange and represent the closing middle market price on the relevant date.
6. The potential approximate synergies relate to events and depend on circumstances that will occur in the future and are subject to risks, uncertainties and assumptions. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such synergy statements and, in particular, the potential synergies have been calculated on the basis of EDF acquiring 100 per cent. ownership of British Energy.
7. The EDF Group supplies to 38 million customers. A customer may have two customer accounts: one for electricity and one for gas.

APPENDIX VI

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"2004 State Aid Decision"	the European Commission decision of 22 September 2004 on the giving of State aid by the United Kingdom to the British Energy Group
"Accelerated Decommissioning Payment"	the payment to be made in certain circumstances to NLF by British Energy, equal to the product of the proportion of the New Bonds to be redeemed and the net present value of the Decommissioning Payments over the forthcoming five year period indexed to the retail price index, pursuant to the Contribution Agreement
"Acquisition"	the proposed acquisition by Lake Acquisitions of the entire issued and to be issued share capital of British Energy (excluding the Special Share) to be implemented by means of the Offers, or should Lake Acquisitions so elect, by means of a Scheme
"Acquisition Effective Date"	the date on which the Offers become or are declared unconditional in all respects
"Additional CVR Election Facility"	the facility under the Partial CVR Alternative allowing, subject to scaling back, each Eligible British Energy Ordinary Shareholder who validly accepts the Ordinary Offer and who validly elects for the Partial CVR Alternative to elect to receive: (i) the Remaining Fraction (if any); and (ii) instead of 148 pence to which they would otherwise be entitled under the Ordinary Offer, two additional Nuclear Power Notes per British Energy Ordinary Share
"AGR"	advanced gas-cooled reactor, a type of nuclear reactor
"Announcement"	this announcement of a firm intention to make an offer for the entire issued and to be issued share of British Energy capital (excluding the Special Share) to be implemented by means of the Offers
"Australia"	the Commonwealth of Australia, its states, territories and possessions
"Barclays Bank PLC" or "Barclays"	Barclays Bank PLC of 1 Churchill Place, London, E14 5HP, its subsidiaries and/or affiliates
"Barclays Implementation Agreement"	the agreement between Barclays, EDF Energy and Lake Acquisitions under which Lake Acquisitions undertakes, among other things, to issue the Lake CVRs to Barclays and Barclays undertakes, among other things, to issue the Nuclear Power Notes

"Barclays Relevant Subsidiary"	means a wholly-owned subsidiary of Barclays PLC or a branch of Barclays Bank PLC
"Base Dividend"	the final dividend in respect of British Energy's financial year ended 31 March 2008 of 13.6 pence per Ordinary Share announced by British Energy on 28 May 2008 and paid to shareholders of record as at 27 June 2008
"BEBF"	British Energy Bond Finance plc (formerly British Energy Holdings plc), issuer of the New Bonds
"BEG"	British Energy Generation Limited
"BEG (UK)"	British Energy Generation (UK) Limited
"BETS"	British Energy Trading and Sales Limited (formerly British Energy Power and Energy Trading Limited)
"BNP Paribas"	BNP Paribas S.A., joint financial adviser to EDF and Lake Acquisitions
"British Energy"	British Energy Group plc of GSO Business Park, East Kilbride, G74 5PG
"British Energy Board"	the directors of British Energy
"British Energy Convertible Shareholders"	holders of British Energy Convertible Shares
"British Energy Convertible Shares"	the convertible shares of 10p in the capital of British Energy or any other share in the capital of British Energy which, pursuant to any exercise of the NLF Conversion Right, are unconditionally allotted or issued and fully paid, in each case, before the date on which the Convertible Offer closes
"British Energy Directors"	the directors of British Energy as at the date of this Announcement
"British Energy Group"	British Energy Group plc and its subsidiaries and subsidiary undertakings
"British Energy Ordinary Shareholders"	holders of British Energy Ordinary Shares
"British Energy Ordinary Shares"	the existing unconditionally allotted or issued and fully paid ordinary shares of 10 pence each in the capital of British Energy and any further such shares which are unconditionally allotted or issued and fully paid, in each case, before the date on which the Offers closes (or such earlier date(s) as Lake Acquisitions may, subject to the Code, determine), including any such shares so unconditionally allotted or issued pursuant to the exercise of warrants or options granted under the British Energy Share Schemes

"British Energy Shareholders"	British Energy Ordinary Shareholders and British Energy Convertible Shareholders
"British Energy Shares"	British Energy Ordinary Shares and British Energy Convertible Shares
"British Energy Share Schemes"	the share-based incentive schemes operated by British Energy or for the benefit of British Energy employees from time to time, including the British Energy Share Incentive Plan, the British Energy Long Term Deferred Bonus Plan, the British Energy Deferred Incentive Plan and the British Energy Interim Deferred Bonus Plan
"Business Day"	any day other than a Saturday or a Sunday or public holiday when banks generally are open in London for general banking business
"Canada"	Canada, its provinces and territories and all areas subject to its jurisdiction and any political sub-division thereof
"Cash Offer(s)"	774 pence in cash for each British Energy Share
"CC Approval"	approval by the UK Competition Commission either in whole or in part within the stipulated time period and, to the extent that any remedies are considered appropriate, within the requisite time for the agreement to and acceptance by the UK Competition Commission of any remedies reasonably acceptable to EDF which are required to remedy, mitigate or prevent the significant lessening of competition found by the UK Competition Commission in its decision or the making by the UK Competition Commission of any order reasonably acceptable to EDF to the same effect
"Centrica"	Centrica plc, of Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD
"Citi"	Citigroup Global Markets Limited, joint corporate broker and financial adviser to British Energy
"Code"	the City Code on Takeovers and Mergers
"Combined UK Group"	Lake Acquisitions, EDF Energy Group, and the British Energy Group after the Acquisition
"the Companies Act 1985"	the Companies Act 1985, as amended
"the Companies Act 2006"	the Companies Act 2006
"Competing Offer"	an offer made or to be made by a third party for all of the issued and to be issued share capital of British Energy or any other proposal made or to be made by a third party having substantially the effect of a merger of British Energy into or with any other entity

"Competing Proposal"	(a) any offer (construed in accordance with the Code and whether or not subject to pre-conditions), possible offer or proposal from, or on behalf of, any person (other than: (i) any member of the EDF Group, or (ii) any other person who has any agreement or arrangement with any member of the EDF Group pursuant to which such person has agreed to make the Competing Proposal), with a view to such person, directly or indirectly, acquiring (in one transaction or a series of transactions) an interest in shares in British Energy carrying at least a simple majority of the voting rights exercisable in general meeting or (b) any transaction or series of transactions howsoever implemented that would be reasonably likely to preclude the implementation of the Acquisition
"Compulsory Acquisition Procedure"	a compulsory acquisition procedure carried out pursuant to sections 979 to 991 (inclusive) of the Companies Act 2006
"Contribution Agreement"	the contribution agreement of 14 January 2005 originally between the Secretary of State, NLF, BEG (UK), BEG, British Energy and BEBF (as amended, restated and/or supplemented from time to time prior to the date of this Announcement)
"Convertible Offer"	the recommended cash offer to be made by Lake Acquisitions to acquire all of the British Energy Convertible Shares on the terms and subject to the conditions to be set out in the Offer Document and the Form of Acceptance relating thereto, and including, where the context so requires, any subsequent revision, variation, extension or renewal of such offer
"CREST"	means the computer-based system and procedures which enable title to units of a security to be evidenced and transferred without a written instrument and in respect of which Euroclear UK & Ireland Limited (Euroclear) is the Operator (as defined in the Uncertified Securities Regulations 2001)
"Decommissioning Default Payment"	the payment to be made in certain circumstances to NLF by BEG, equal to the net present value of the aggregate Decommissioning Payments remaining to be paid at the time of a default event under the DDP Debenture, pursuant to the Contribution Agreement
"Decommissioning Payment"	the payment to be made by BEG in connection with the costs of decommissioning the BEG's power stations pursuant to the Contribution Agreement

"DDP Debenture"	the decommissioning default payment debenture of 14 January 2005 originally between the Secretary of State, NLF, BEG (UK), BEG, BEBF, British Energy Limited (formerly British Energy plc), BETS, British Energy Investment Limited, District Energy Limited, British Energy International Holdings Limited, Peel Park Funding Limited, British Energy Treasury Finance Limited, British Energy Renewables Limited and British Energy Direct Limited (as amended, restated and/or supplemented from time to time prior to the date of this Announcement)
"ECMR"	Council Regulation (EC) 139/2004
"EC Approval"	issuance by the European Commission of a decision under Article 8(1) or 8(2) of the ECMR
"EDCL"	EDF Development Company Limited
"EDF"	Electricité de France S.A. of 22-30 avenue de Wagram, 75008 Paris, France
"EDF Energy"	EDF Energy plc of 40 Grosvenor Place, London SW1X 7EN
"EDF Energy Group"	EDF Energy (UK) Limited of 40 Grosvenor Place, London SW1X 7EN, its subsidiaries and subsidiary undertakings, and any other EDF Group company which owns and/or operates EDF's UK business operations
"EDF Group"	EDF, its subsidiaries and subsidiary undertakings
"EEA"	the European Economic Area, being all of the Member States of the European Union (Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK) together with Iceland, Liechtenstein and Norway
"EEA Eligible Jurisdictions"	the UK, Belgium, Germany, Iceland, Liechtenstein, Poland, the Republic of Ireland, Sweden and the Netherlands
"EEA Excluded Jurisdictions"	the jurisdictions in the EEA other than the EEA Eligible Jurisdictions
"Effective"	in respect of the Offers, when they have been declared or become wholly unconditional in all respects or, if the Offers are implemented by way of a Scheme, such Scheme having become effective pursuant to its terms
"Eligible British Energy Ordinary Shareholders"	British Energy Ordinary Shareholders who are resident in an EEA Eligible Jurisdiction and who are not US Persons
"Enlarged Group"	the EDF Group and the British Energy Group together
"EPR"	European pressurised reactor, a type of nuclear reactor

"Euratom Treaty"	the Treaty establishing The European Atomic Energy Community (as amended)
"Fiscal Agency Agreement"	the fiscal agency agreement to be entered into by Barclays and agents in respect of the Nuclear Power Notes under which the Nuclear Power Notes will be issued
"First Closing Date"	the first closing date of the Offers, expected to be 20 United States business days after the Offers are made
"First CVR Calculation Date"	four days prior to the First CVR Settlement Date
"First CVR Settlement Date"	the later of: (i) 14 days after the Ordinary Offer becomes or is declared wholly unconditional; and (ii) four days after the Partial CVR Alternative is closed
"Forms of Acceptance"	the respective forms of acceptance and election to be sent by or on behalf of Lake Acquisitions pursuant to which (i) a British Energy Ordinary Shareholder may accept the Ordinary Offer; or (ii) an Eligible British Energy Ordinary Shareholder may make an election under the Partial CVR Alternative in respect of some or all of their British Energy Ordinary Shares; or (iii) a British Energy Convertible Shareholder may accept the Convertible Offer
"GEMA"	the Gas and Electricity Markets Authority
"Gleacher Shacklock"	Gleacher Shacklock LLP, independent financial adviser to British Energy for the purposes of Rule 3 of the Code
"Guarantee and Indemnity"	the guarantee and indemnity of 14 January 2005 originally between the Secretary of State, NLF, BEG (UK), BEG, British Energy, BEBF, British Energy Limited (formerly British Energy plc), BETS, British Energy Investment Limited, District Energy Limited, British Energy International Holdings Limited, Peel Park Funding Limited, British Energy Treasury Finance Limited, British Energy Renewables Limited and British Energy Direct Limited (as amended, restated and/or supplemented from time to time prior to the date of this Announcement)
"HLFA"	the historic liabilities funding agreement of 14 January 2005 originally between the Secretary of State, BEG (UK), BEG, British Energy and BEBF (as amended, restated and/or supplemented from time to time prior to the date of this Announcement)
"HM Government"	Her Majesty's Government of the United Kingdom
"holding company"	has the meaning given to it in the Companies Act 1985
"HSE"	the Health and Safety Executive

"Implementation Agreement"	the implementation agreement to be entered into by British Energy, EDF and Lake Acquisitions relating to the Acquisition
"Invesco"	INVESCO Asset Management Limited
"JPMorgan Cazenove"	JPMorgan Cazenove Limited, joint corporate broker and financial adviser to British Energy
"Lake Acquisitions"	Lake Acquisitions Limited of 40 Grosvenor Place Victoria London SW1X 7EN
"Lake CVR(s)"	the contingent value right units to be issued to Barclays by Lake Acquisitions
"Lake Trust Deed"	the trust deed to be entered in to, inter alios, by Lake Acquisitions, EDF Energy and the Lake Trustee pursuant to which the Lake CVRs will be constituted
"Lake Trustee"	the trustee to be appointed under the terms of the Lake Trust Deed
"Licensees"	BEG and any person who adheres to, or is deemed to be a licensee pursuant to, the NLFA
"Listing Rules"	the listing rules issued by the UK Listing Authority pursuant to Part VI of the Financial Services and Markets Act 2000
"London Stock Exchange"	London Stock Exchange plc
"Maximum Nuclear Power Note Number"	the maximum number of Nuclear Power Notes available under the CVR Partial Alternative, being the lower of (i) 520,157,401 and (ii) such number as represents 32.28 per cent. of the number of British Energy Shares acquired or agreed to be acquired by Lake Acquisitions or any other member of the EDF Group (howsoever acquired whether under the Offers or pursuant to the Compulsory Acquisition Procedure or otherwise) at any relevant time
"Merrill Lynch"	Merrill Lynch International, joint financial adviser to EDF and Lake Acquisitions and joint corporate broker to EDF
"Nirex Option Agreement"	the option agreement dated 14 January 2005 between the Secretary of State, BEG, BEG (UK) , British Energy and BEBF, pursuant to which BEG and BEG (UK) each granted an option to the Secretary of State to acquire their respective interests in shares of, and loans to, United Kingdom Nirex Limited.
"NDA"	Nuclear Decommissioning Authority
"New Bonds"	7 per cent. guaranteed bonds due 2005 to 2022 issued by BEBF with a principal amount of £700 million

"New Nuclear Build"	the construction and operation of new nuclear power generation facilities
"New Offers"	the new offers for the entire issued and to be issued equity share capital of British Energy (excluding the Special Share) following Phase II Approval
"New Scheme"	the scheme of arrangement to implement the Acquisition following Phase II Approval
"NLFA"	the nuclear liabilities funding agreement of 14 January 2005 originally between the Secretary of State, NLF, BEG (UK), BEG, British Energy and BEBF (as amended, restated and/or supplemented from time to time prior to the date of this Announcement)
"NLF" or "Nuclear Liabilities Fund Limited"	Nuclear Liabilities Fund Limited of 16 Rothesay Place Edinburgh, EH3 7SQ, incorporated on 28 March 1996 with the principal object of providing arrangements for funding certain long-term costs of decommissioning the nuclear power stations of British Energy Group existing at 20 March 1996
"NLF Cash Sweep Payment"	the annual payment to be made to NLF by British Energy in respect of each of its financial periods pursuant to clause six of the Contribution Agreement
"NLF Conversion Right"	the right of NLF from time to time to convert all or part of its right to receive the NLF Cash Sweep Payment into British Energy Convertible Shares
"Noteholder"	a holder of Nuclear Power Notes
"Nuclear Power Note(s)"	the Lake CVR Linked notes due 2019 to be issued by Barclays to satisfy elections of Eligible British Energy Ordinary Shareholders for the Partial CVR Alternative
"Nuclear Site Licence"	a nuclear site licence issued under the Nuclear Installations Act 1965
"Offer Document"	the document to be posted to British Energy Shareholders on behalf of Lake Acquisitions containing the terms and conditions of the Offers
"Offers"	the Ordinary Offer and the Convertible Offer
"Official List"	the official list maintained by the UK Listing Authority pursuant to Part VI of the Financial Services and Markets Act 2000
"OFT"	Office of Fair Trading

"Option Agreement"	the option agreement of 14 January 2005 originally between the Secretary of State, BEG (UK), BEG, British Energy and BEBF (as amended, restated and/or supplemented from time to time prior to the date of this Announcement)
"Optionholders"	participants in the British Energy Share Schemes
"Ordinary Offer"	the recommended offer to be made by Lake Acquisitions to acquire all of the British Energy Ordinary Shares not already held by Lake Acquisitions and persons connected with it on the terms and subject to the conditions to be set out in the Offer Document and the Forms of Acceptance relating thereto (comprising the Cash Offer in so far as it relates to the British Energy Ordinary Shares, and, subject to certain additional conditions being satisfied, the Partial CVR Alternative), and including, where the context so requires, any subsequent revision, variation, extension or renewal of such offer
"Panel"	the Panel on Takeovers and Mergers
"Partial CVR Alternative"	the alternative under which Eligible British Energy Ordinary Shareholders who validly accept the Ordinary Offer may elect to receive, in exchange for all or part of their holding of British Energy Ordinary Shares, 700 pence and, subject to scaling back, one Nuclear Power Note per British Energy Ordinary Share, on the terms and subject to the conditions to be set out in the Offer Document, the Form of Acceptance and the Prospectus relating thereto, instead of 74 pence per British Energy Ordinary Share to which they would otherwise be entitled under the Cash Offer, and may further elect for the Additional CVR Election Facility
"Phase I Approval"	clearance of the Acquisition by the relevant antitrust authorities without any Phase II investigation
"Phase II Approval"	EC Approval and/or CC Approval, as the case may be
"PLUS Markets"	PLUS Markets Group plc, a Recognised Investment Exchange
"PLUS-quoted"	the market of that name operated and regulated by PLUS Markets
"Prospectus"	the prospectus to be published by Barclays in connection with the offer of Nuclear Power Notes pursuant to the Partial CVR Alternative
"PWR"	pressurised water reactor, a type of nuclear reactor
"PWR Fuel"	the nuclear fuel from time to time loaded into the Sizewell B reactor

"QIB"	a "qualified institutional buyer", as defined in Rule 144A under the US Securities Act
"QP"	a "qualified purchaser", as defined in Section 2(a)(51) of the US Investment Company Act
"Regulatory Information Service"	a Regulatory Information Service that is approved by the Financial Services Authority and is on the list maintained by the Financial Services Authority in LR App 3 to the Listing Rules
"Remaining Fraction"	any remaining fraction of the one Nuclear Power Note per British Energy Ordinary Share offered under the Partial CVR Alternative not having been issued on the First CVR Settlement Date as a result of scaling back under the Partial CVR Alternative
"Restructuring Agreements"	the NLFA, the HLFA, the Contribution Agreement, the DDP Debenture, the Option Agreement and the Guarantee and Indemnity
"Restructuring Plan"	the financial restructuring plan agreed by the British Energy Group with certain key creditors and the Secretary of State in 2003
"Rothschild"	NM Rothschild & Sons, lead financial adviser to British Energy
"Scheme"	a scheme of arrangement under Part 26 of the Companies Act 2006 between British Energy and the British Energy Shareholders (should Lake Acquisitions elect to make the Acquisition by way of a scheme of arrangement (as that term is defined in the Companies Act 2006))
"Second CVR Calculation Date"	the earliest of: <ul style="list-style-type: none"> (i) the date on which any Compulsory Acquisition Procedure is completed; (ii) the date on which the Ordinary Offer is closed without sufficient acceptances to commence a Compulsory Acquisition Procedure; and (iii) five months after the date on which the Ordinary Offer becomes wholly unconditional, if a Compulsory Acquisition Procedure has not been commenced by such date
"Second CVR Settlement Date"	four days after the Second CVR Calculation Date
"Secretary of State"	the Secretary of State for Business, Enterprise and Regulatory Reform

"Simultaneous Marketing Agreement"	the agreement of that name entered into between NDA, EDCL and EDF currently held in escrow and to become effective on the date on which the Acquisition becomes Effective
"Sites Agreements"	the Simultaneous Marketing Agreement and Sites Undertaking together
"Sites Undertaking"	the agreement of that name entered into between the Secretary of State, Lake Acquisitions and EDF on the date of this Announcement
"Special Share"	the special rights redeemable preference share of £1 held jointly by the Secretary of State and the Secretary of State for Scotland in British Energy
"State Aid Deed"	the deed of 8 October 2004 originally between British Energy Limited (formerly British Energy plc) and the Secretary of State relating to the decision dated 22 September 2004 of the Commission of the European Communities (as amended, restated and/or supplemented from time to time prior to the date of this Announcement)
"subsidiary" and "subsidiary undertaking"	have the meanings given to them in the Companies Act 1985
"Treasury Shares"	shares held as treasury shares as defined in section 162A(3) of the Companies Act 1985
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority" or "UKLA"	the Financial Services Authority as the competent authority under Part VI of the Financial Services and Markets Act 2000
"Umbrella Agreement"	the agreement of that name entered into between the Secretary of State, NLF, Lake Acquisitions and EDF on the date of this Announcement
"United States"	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to its jurisdiction
"US Exchange Act"	the United States Securities Exchange Act of 1934 (as amended)
"US Investment Company Act"	the United States Investment Company Act of 1940 (as amended)
"US Person"	a US Person, as defined in Regulation S under the US Securities Act
"US Securities Act"	the United States Securities Act of 1933 (as amended)

"Variation to the State Aid Deed "	the deed of variation to the State Aid Deed setting out amendments to the State Aid Deed which the Secretary of State has agreed to make in connection with the Acquisition
"Warrantholders"	holders of a Warrant
"Warrants"	the warrants issued by British Energy pursuant to a warrant instrument dated 13 January 2005 and entitling the holder to subscribe for British Energy Ordinary Shares
"wholly-owned subsidiary"	when used in relation to British Energy, includes any subsidiary which would be a wholly-owned subsidiary of British Energy but for the special share(s) held by the Secretary of State and/or the Secretary of State for Scotland in such subsidiary
"Wider Group"	the Wider Group Ultimate Parent Company and its subsidiaries from time to time (other than the British Energy Group)
"Wider Group Ultimate Parent Company"	in relation to BEG, British Energy or such other person from time to time as is a holding company of BEG and is not itself a subsidiary of any other person
"€" or "Euros"	euros, the official currency of the European Union (EU) which fifteen member states have adopted
"£" or "Sterling"	pounds sterling, the lawful currency for the time being of the UK and references to "pence" and "p" shall be construed accordingly.