



**POWERING THE LOW CARBON GENERATION**

**This document is important and requires your immediate attention.**

If you are in any doubt as to what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other adviser immediately.

If you have sold or transferred all your shares in British Energy Group plc please pass this document and the accompanying proxy form to the stockbroker, bank or other agent through whom you made the sale or transfer, for transmission to the purchaser or transferee.

Explanation of the business to be considered at the Annual General Meeting.

Notice of the Annual General Meeting to be held at 11.00 am on Thursday 19 July 2007 at the Murrayfield Stadium Conference Centre, Edinburgh EH12 5PJ.

Information for shareholders attending the Annual General Meeting.



## Chairman's Letter

SIR ADRIAN MONTAGUE CBE

### Dear Shareholder

#### Annual General Meeting 19 July 2007

I enclose details of our forthcoming Annual General Meeting (AGM). I hope you will be able to join us on Thursday 19 July. Your Board always values the opportunity, not only to address shareholders and update them on the Company's progress, but also to meet with many of them and discuss our business.

The notice of the meeting and the resolutions to be considered are set out on pages 5 and 6 of this letter. At the meeting a number of items of ordinary business will be put to shareholders. These are:

#### Annual Report and Accounts (Resolution 1)

You will be asked to receive the Annual Report and Accounts for the year ended 31 March 2007.

#### Re-appointment of Directors (Resolutions 2 to 5)

Our Articles of Association (Articles) provide that at each AGM some of our Directors will step down and can offer themselves for re-election. This includes any Directors appointed since the last AGM. Our Articles also provide that a Director should retire at the age of 66 but may stand for re-election, therefore Sir Robert Walmsley is putting himself forward for re-election. Stephen Billingham, Pascal Colombani and John Delucca are also seeking re-election. Following a performance evaluation of the Board, the Chairman and individual Directors, the Board is happy to recommend the re-appointment of these Directors.

Biographical information on all our Directors is contained in both the Annual Review and the Annual Report and Accounts. In addition, current biographical details for all our Directors can be found on the Company's website ([www.british-energy.com](http://www.british-energy.com)).

#### Re-appointment of Auditors and Authority to Fix their Remuneration (Resolutions 6 and 7)

You will be asked to re-appoint PricewaterhouseCoopers LLP as auditors of the Company until the next AGM and to authorise the Audit Committee to fix their remuneration. Details of the Company's policy with regard to audit and non-audit work and of the work undertaken by the auditors during the year ended 31 March 2007 are contained on pages 28, 29 and 57 of the Annual Report and Accounts.

#### Declaration of a final dividend for 2006/07 (Resolution 8)

You will be asked to approve the payment of a final dividend of 13.6 pence per ordinary share. The dividend will be paid on 31 July 2007 to shareholders on the Register of Members at the close of business on 29 June 2007. Further details on our dividend policy are contained on pages 19 and 20 of the Annual Report and Accounts and pages 25 and 26 of the Annual Review.

At the meeting six items of special business will also be put to shareholders. These are:

#### Remuneration Committee Report (Resolution 9)

Shareholders are invited to vote on the Remuneration Committee Report which can be found on pages 33 to 40 of the Annual Report and Accounts. A summary also appears on pages 27 to 31 of the Annual Review. The vote on this resolution is advisory, but allows shareholders to express their views on remuneration policy and assists the Company in shaping its policy.

#### British Energy Group plc Performance Share Plan (Resolution 10)

You will be asked to approve the implementation of a new long-term share incentive arrangement for senior managers of British Energy.

The new arrangement, named the British Energy Group plc Performance Share Plan (the PSP), will replace the current incentive strategy focused through the British Energy Group plc Long Term Deferred Bonus Plan (the LT Plan).

The LT Plan was introduced to support the strategy that was agreed with the Company's bondholders as part of the restructuring process and, as a result, focused on the delivery of short-term performance objectives, namely restoring stability to the Company's operations. The long-term element of the plan was engineered through a deferral of any payouts for an extended period.

Since the restructuring, the Company's primary focus has been to improve operational performance. Significant progress has been made in a number of key areas and our most modern power station, Sizewell B, is now consistently achieving world class performance. However, this progress has been overshadowed in 2006/07 by the problems with the boilers at Hunterston B and Hinkley Point B.

The market in which British Energy operates has changed significantly since 2004. There has been a fundamental shift towards investment in new nuclear facilities across the world with new plants under development in Europe, Asia and North America. Most recently, the UK Government has launched a consultation on whether new nuclear facilities should be an option in this country.

New nuclear build represents a significant opportunity for British Energy and we are already involved in exploratory discussions with a number of interested parties.

It is important that the executive remuneration is structured to facilitate the recruitment, retention and incentivisation of key talent during the next phase of the Company's development. The Remuneration Committee has undertaken a review of the LT Plan and concluded that, although the maximum potential remuneration appears competitive, the overriding focus on short-term performance is inappropriate given the current stage of the Company's development and the changing global market. In addition, it was initially intended that the LT Plan would only operate for three performance cycles and it was appropriate for a formal review of future incentive policy be undertaken.

As a result of the review, the Remuneration Committee is proposing to replace the existing LT Plan in 2007/08 and later years with the following:

- Separate short and long-term incentive plans;
- Short-term performance targets that support the key objective of improving operational performance;
- Long-term performance targets that provide immediate alignment between management and shareholders; and
- Share ownership guidelines linked to the outturn of the new PSP.

The new PSP is proposed to address the long-term performance objective. A summary of the principal terms of the PSP is set out in Part 1 of the Appendix (which can be found on page 7 of this letter).

Summary information as to the proposed revised bonus arrangements to deliver the short-term focused objective can be found on page 28 of the Annual Review and 35 of Annual Report and Accounts.

#### **Amendment of the Articles of Association of the Company (Resolution 11)**

*(Resolution 11(1))*

On 20 January 2007, certain provisions of the Companies Act 2006 (the 2006 Act) came into force. In particular there are new provisions relating to electronic communications and the procedures for calculating and disclosing substantial interests in shares. This resolution is proposed in order to ensure that the Articles are consistent with the new provisions.

Existing company legislation permitted the Company to communicate to a certain extent with shareholders electronically (e.g. by fax, email or by means of a website) but new legislation allows companies: (i) to deliver all Company notices, documents and other information ('shareholder information') to shareholders electronically, provided that they agree to this and supply an appropriate address (e.g. email address); and (ii) if shareholders are invited to agree that the Company may send or supply shareholder information by means of a website, to deem that those who do not respond within 28 days have agreed to the Company communicating shareholder information to them by means of a website.

The Company would like to take advantage of the new legislation as early as possible. Increased use of electronic communications will deliver significant savings to the Company in terms of administration, printing and postage costs. It will also speed up the communication of information to shareholders in a convenient form, whilst at the same time delivering significant environmental benefits through reduced use of paper and of the energy required for its production and distribution. If passed, the alterations to the Articles to be made by paragraph (1) of Resolution 11 will enable the Company to take full advantage of the new provisions.

*(Resolution 11(2))*

The 2006 Act also made changes to the law on the notification of acquisitions or disposals of major proportions of voting rights. The Articles contain certain limitations on shareholdings and include a procedure which the Board must follow if, to their knowledge, any person (with certain exceptions as set out in the Articles) has voting rights in the Company's shares of 15 per cent. or more of the total votes attaching to the Relevant Share Capital (as defined in the Articles). The changes to the Articles in paragraph 2 of Resolution 11 are proposed to ensure that the Articles refer to the current procedures for calculating and notifying voting rights under the 2006 Act and the Disclosure and Transparency Rules.

*(Resolution 11(3))*

A number of additional amendments are proposed in order to align the definitions used and Companies Act 1985 (the Act) section numbers referred to in the Articles with those set out in the 2006 Act.

The full text of the proposed changes to the Articles is set out in Parts 2, 3 and 4 of the Appendix (which can be found on pages 9 to 14 of this letter).

#### **Authority to Allot Unissued Shares and Disapplication of Pre-emption Rights (Resolutions 12 and 13)**

*(Resolution 12)*

Under the Act, the Directors of a company may only allot unissued shares if authorised to do so. The Act also prohibits allotments for cash other than to existing shareholders in proportion to their holdings unless the Directors are authorised to allot them without regard to that requirement. The Articles give a general authority to the Directors to allot unissued shares and disapply the statutory pre-emption rights but that authority and power is subject to periodic



## Chairman's Letter

renewal by shareholders. Resolution 12 will, if approved, authorise the Directors to allot up to 190,280,000 ordinary shares (which is equivalent to approximately 33 per cent. of the issued ordinary share capital of the Company as at 30 May 2007 excluding treasury shares (the Company currently holds no treasury shares)). This authority will expire at the end of the AGM in 2008 or, if earlier, 19 October 2008.

#### *(Resolution 13)*

Resolution 13 (which will be proposed as a special resolution and which requires the approval of three-quarters of the votes cast at the meeting) will, if approved, renew the Directors' authority to allot shares for cash, free from the pre-emption restrictions set out in the Act. This authority, which will expire at the end of the AGM in 2008 or, if earlier, 19 October 2008, is limited to allotments of up to £2,883,000 of ordinary shares (representing approximately 5 per cent. of the issued ordinary share capital of the Company as at 30 May 2007), and to allotments in connection with a rights issue.

The authorities sought under Resolutions 12 and 13 are standard resolutions for most UK companies each year, and are intended to ensure that the interests of existing shareholders are protected so that, for example, in the event of a share issue not being a rights issue, the proportionate interest of existing shareholders could not, without their agreement, be reduced by more than 5 per cent. by the issue of new shares for cash to new shareholders.

The Board has no current plans to allot shares except in connection with the employee share schemes and on the conversion of Company Warrants.

#### **Reduction of the Share Premium Account of the Company (Resolution 14)**

You will be asked to approve the reduction of the Company's share premium account in order to support, amongst other things, the Company's dividend policy. As a result of the NLF's disposal of part of its interest in the Company in June 2007, a credit has been created in the Company's share premium account. Under Company law, share premium reserves are not distributable to shareholders, therefore, it is proposed that the Company's share premium account be reduced and an amount equal to the reduction transferred to reserves. A detailed explanation of Resolution 14, and why the Company considers it necessary to proceed in this manner, is set out in Part 5 of the Appendix (which can be found on pages 14 and 15 of this letter).

#### **Forms of Proxy**

You will find enclosed a Form of Proxy for the AGM. It covers all the resolutions to be proposed at the meeting. If you do not intend to be present at the meeting, please complete, sign and return the Form of Proxy as soon as possible in accordance with the instructions printed thereon.

Shareholders who would prefer to register the appointment of their proxy electronically via the internet can do so through the Sharevote website, [www.sharevote.co.uk](http://www.sharevote.co.uk), using the Reference Number, Card ID and Account Number given on their Form of Proxy. Alternatively, shareholders who have already registered with Lloyds TSB Registrars' online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at [www.shareview.co.uk](http://www.shareview.co.uk) and clicking on 'Company Meetings'. Full details and instructions on these electronic proxy facilities are given on the websites.

Forms of Proxy should be returned to Lloyds TSB Registrars as soon as possible. In any event, to be valid for the AGM they must be received not later than 11.00 am on Tuesday 17 July 2007.

If you return a Form of Proxy, this will not preclude you from attending and voting in person if you so wish.

Shareholders who have transferred their shares to Lloyds TSB Registrars Corporate Nominee Limited under the CREST Nominee Service should note that in order to be valid for the AGM their Form of Direction must be received no later than 11.00 am on Monday 16 July 2007.

#### **Recommendation**

The Directors believe that the proposals referred to in this letter are in the best interests of shareholders as a whole and, accordingly, unanimously recommend you to vote in favour of Resolutions 1 to 14 inclusive to be proposed at the AGM, as they propose to do in respect of their shareholdings.



**Sir Adrian Montague CBE**  
Chairman  
18 June 2007



## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the third AGM of British Energy Group plc (the Company) will be held at the Murrayfield Stadium Conference Centre, Edinburgh EH12 5PJ on Thursday 19 July 2007 at 11.00 am for the following purposes:

### Ordinary Business

To consider and, if thought fit, pass Resolutions 1 to 8 as ordinary resolutions:

1. To receive the Annual Report and Accounts for the year ended 31 March 2007.
2. To re-appoint Sir Robert Walmsley, who has attained the age of 66, as a Director, special notice having been given to the Company pursuant to sections 293 and 379 of the Companies Act 1985 (the Act).
3. To re-appoint Stephen Billingham as a Director.
4. To re-appoint Pascal Colombani as a Director.
5. To re-appoint John Delucca as a Director.
6. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company, from the conclusion of the meeting until the conclusion of the next general meeting at which accounts are laid before the Company.
7. To authorise the Audit Committee to fix the auditors' remuneration.
8. To declare a final dividend of 13.6 pence per ordinary share of the Company for the year ended 31 March 2007 which shall be payable on 31 July 2007 to shareholders who are on the Register of Members at the close of business on 29 June 2007.

### Special Business

To consider and, if thought fit, pass Resolutions 11, 13 and 14 as special resolutions and the remainder as ordinary resolutions:

9. To approve the Remuneration Committee Report contained within the Annual Report and Accounts for the year ended 31 March 2007.
10. THAT the rules of the British Energy Group plc Performance Share Plan (the PSP) produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be approved, and the Board be authorised to:
  - (a) adopt the PSP and to do all such other acts and things as they may consider appropriate to implement the PSP; and
  - (b) establish further plans based on the PSP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the PSP.
11. THAT the Company's Articles of Association be and are hereby amended:
  - (1) by the deletion of Articles 17 (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), and (13), and the substitution thereof of the Articles set out in Part 2 of the Appendix;
  - (2) by the deletion of Articles 129 and 130 and the substitution thereof of the Articles set out in Part 3 of the Appendix; and
  - (3) as specified in Part 4 of the Appendix.
12. THAT the Directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Act and Article 7 of the Company's Articles of Association to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £19,028,000 for a period expiring on the date of the AGM of the Company in 2008 or, if earlier, on 19 October 2008, but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred by this resolution had not expired.
13. THAT, subject to the passing of Resolution 12 above and in accordance with section 95 of the Act and Article 8 of the Company's Articles of Association, the Directors be and are hereby empowered to allot equity securities (within the meaning of section 94(2) of the Act) of the Company for cash as if section 89(1) of the Act did not apply to the allotment, provided that the power conferred by this resolution:
  - (a) will expire on the date of the AGM of the Company in 2008 or, if earlier, on 19 October 2008, but the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that

## Notice of Annual General Meeting

offer or agreement as if the power conferred by this resolution had not expired; and

- (b) is limited to:
- (i) allotments of equity securities in connection with a rights issue (as defined in Article 8 of the Company's Articles of Association); and
  - (ii) allotments of equity securities for cash (otherwise than pursuant to sub-paragraph (i) above) up to an aggregate nominal amount of £2,883,000 calculated, in the case of equity securities which are rights to subscribe for, or to convert securities into, relevant shares (within the meaning of section 94(5) of the Act) by reference to the aggregate nominal amount of relevant shares which may be allotted pursuant to such rights.

14. That the Share Premium Account of the Company be reduced by £2,295 million.

### Registered Office

Systems House  
Alba Campus  
Livingston EH54 7EG

Registered in Scotland Number 270184


By order of the Board



**Robert Armour**  
Company Secretary  
18 June 2007

### Notes to the Resolutions

- (1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A Form of Proxy is enclosed. Shareholders who would prefer to register the appointment of their proxy electronically via the internet can do so through the Sharevote website, [www.sharevote.co.uk](http://www.sharevote.co.uk), using the Reference Number, Card ID and Account Number given on the Form of Proxy. Shareholders who have already registered with Lloyds TSB Registrars' online portfolio service, Shareview, can appoint a proxy electronically by logging on to their portfolio at [www.shareview.co.uk](http://www.shareview.co.uk) and clicking on 'Company Meetings'. To be effective, the Form of Proxy together with the Power of Attorney or other authority, if any, under which it is signed (or a notarially certified copy of any such power or authority) must be lodged with the Company's Registrars not later than 11.00 am on 17 July 2007. Return of a completed Form of Proxy will not preclude a member from attending and voting personally at the meeting.
- (2) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only the voting shareholders who hold shares in the Company entered on the Company's register of members as at 6.00 pm on 17 July 2007 shall be entitled to attend and
- vote at the meeting. Such shareholders may only cast votes in respect of shares registered in their name at such time. Changes to entries on the register of members after 6.00 pm on 17 July 2007 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (3) Copies of the Service Contracts of the Directors of the Company, the Register of Directors' Interests and the current Articles of Association are available for inspection at the Company's Registered Office during normal business hours on a weekday (public holidays excluded) from the date of this Notice and will be available for inspection at the place of the AGM from 10.15 am until the conclusion of the AGM.
- (4) The Rules of the British Energy Group plc Performance Share Plan as they will be amended by Resolution 10, if passed, and the form of the Articles of Association of the Company incorporating the amendments proposed by Resolution 11 will be available for inspection at the Company's Registered Office and at the offices of New Bridge Street Consultants LLP, 20 Little Britain, London EC1A 7DH during normal business hours on a weekday (public holidays excluded) from the date of this Notice until the conclusion of the AGM and will be available for inspection at the place of the AGM from 10.15 am until the conclusion of the AGM.



## Appendix

### Part 1 Summary of the principal terms of the British Energy Group plc Performance Share Plan (the PSP).

#### Operation

The Remuneration Committee (the Committee) will supervise the operation of the PSP.

#### Eligibility

Any employee (including an executive director) of the Company and its subsidiaries will be eligible to participate in the PSP at the discretion of the Committee. It is currently intended that only the Company's executive team and selected direct reports to the Chief Executive will participate.

#### Grant of awards

The Committee may grant awards to acquire ordinary shares in the Company (Shares) within six weeks following the Company's announcement of its results for any period. The Committee may also grant awards within six weeks of shareholder approval of the PSP or at any other time when the Committee considers there are exceptional circumstances which justify the granting of awards. It is intended that the first awards will be made shortly following the adoption of the PSP.

The Committee will ordinarily grant awards as nil (or nominal) cost options but the PSP will also provide flexibility to structure awards as conditional shares.

The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

An award may not be granted more than 10 years after shareholder approval of the PSP.

No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

#### Individual limit

An employee may not receive awards in any financial year over Shares having a market value in excess of 200 per cent. of his annual base salary in that financial year. As a matter of policy, the initial awards envisaged under the PSP will be restricted in quantum to awards having market value of no more than 150 per cent., 125 per cent. and 100 per cent. of salary in respect of awards to the Chief Executive, the other Executive Directors and direct report grades respectively.

#### Performance conditions

The vesting of awards will be subject to a performance condition set by the Committee.

In the case of the 2007 awards under the PSP the proposed performance condition is based on relative total shareholder return (TSR) performance. The Company's TSR performance over the period 1 April 2007 to 31 March 2010 will be considered against a group of 23 energy companies primarily involved in mining, oil extraction and electricity production, namely:

- Anglo American
- Antofagasta
- Anglo Pacific
- BG Group
- BHP Billiton
- BP
- Burren Energy
- Cairn Energy
- Dana Petroleum
- Drax Group
- International Power
- JKC Oil & Gas
- Kazakhmys
- Lonmin
- Premier Oil

- Rangold Resources
- Rio Tinto
- Scottish and Southern Energy
- Shell
- Tullow Oil
- Vedanta Resources
- Venture Production
- Xstrata

No part of the initial awards may vest unless the Company's TSR performance over the measurement period would rank at least median within the comparator group results, thereafter the following vesting schedule will apply:

Rank of British Energy's TSR against comparator group	Level of vesting (% of total award)
Less than median	0
Median	25
Upper quartile	100
Between median and upper quartile	25 to 100 straight line pro-rating

TSR calculations for all companies will be averaged over three months prior to the beginning and prior to the end of the relevant performance period.

The performance period over which performance conditions (as is the case for the initial awards) will normally begin on the first day of the financial year in which awards are granted and there will be no facility to re-test the performance condition.

The Committee can set a different performance condition or conditions from those described above for future awards provided that, in the reasonable opinion of the Committee, the new targets are not materially less challenging in the circumstances than those described above.



## Appendix

The Committee may also vary the performance condition or conditions applying to existing awards if an event has occurred which causes the Committee to consider that it would be appropriate to amend the performance condition or conditions, provided the Committee considers the varied condition or conditions are fair and reasonable and not materially less challenging than the original condition or conditions would have been but for the event in question.

### **Vesting of awards**

Awards normally vest three years after grant to the extent that the applicable performance conditions (see above) have been satisfied and provided the participant is still employed in the Company's group.

### **Leaving employment**

As a general rule, an award will lapse upon a participant ceasing to hold employment or be a director within the Company's group. However, if a participant ceases to be an employee or a director because of his death, injury, disability, retirement, redundancy, his employing company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the Committee, then his award will ordinarily continue until the normal vesting date at which time the extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which the performance condition has been satisfied over the full performance period; and (ii) the pro-rating of the award to reflect the reduced period of time between its grant and the date of cessation, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

If a participant ceases to be an employee or director in the Company's group for one of the "good leaver" reasons specified

above, the Committee can decide at its discretion that his award will vest when he leaves, subject to: (i) the performance condition measured at that time over the curtailed period; and (ii) pro-rating by reference to the time of cessation as described above.

### **Corporate events**

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation) all awards will vest early subject to: (i) the extent that the performance condition has been satisfied at that time; and (ii) the pro-rating of the awards to reflect the reduced period of time between their grant and vesting, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that awards should vest on the basis which would apply in the case of a takeover.

### **Participants' rights**

Awards will not confer any shareholder rights until the awards have vested or the options have been exercised and the participants have received their Shares.

Participants will receive a payment (normally in Shares) on or shortly following the vesting of their awards, of an amount equivalent to the dividends that would have been paid on those Shares between the time when the awards were granted and the time when they vest.

### **Rights attaching to Shares**

Any Shares allotted when an award vests or is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

### **Variation of capital**

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Shares, the Committee may make such adjustment as it considers appropriate to the number of Shares subject to an award and/or the exercise price payable (if any).

### **Overall PSP limits**

The PSP may operate over new issue Shares, treasury Shares or Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than:

- (a) 10 per cent. of the issued ordinary share capital of the Company under the PSP and any other employee share plan adopted by the Company; and
- (b) 5 per cent. of the issued ordinary share capital of the Company under the PSP and any other executive share plan adopted by the Company.

Treasury Shares will count as new issue Shares for the purposes of these limits unless corporate governance guidelines cease to require them to be counted in this way.

### **Alterations to the PSP**

The Committee may, at any time, amend the PSP in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury Shares, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the PSP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group. Shareholder approval will also not be required for any amendments to any performance condition applying to an award.

#### Overseas Plans

The shareholder resolution to approve the PSP will allow the Board to establish further plans for overseas territories, any such plan to be similar to the PSP, but modified to take account of local tax, exchange control or securities laws, provided that any Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the PSP.

#### Part 2 Substitute Articles 17 (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12) and (13)

(2) In this article

(a) "Additional Case" means voting rights, the exercise of which the person is, or could be, entitled to control, under, any provision of any agreement and "agreement":-

(1) includes any agreement or arrangement and reference to any provision of an agreement:-

(i) includes any undertaking, expectation or understanding operative under any arrangement, and


(ii) (without prejudice to the above) also includes any provision whether express or implied and whether absolute or not;

(2) does not include an agreement which is not legally binding unless it involves mutuality in the undertakings, expectations or understandings of the parties to it;

- (b) "Clearing House" means a pooled nominee service provided by an Operator of any relevant system, the Operator of any relevant system itself (in its capacity as such) or its nominee (of it in that capacity),
- (c) "DTR" means the Disclosure Rules and Transparency Rules produced by the Financial Services Authority as amended, supplemented or re-enacted from time to time,
- (d) "Holder" means a person who holds, or appears to the board to hold, voting rights in shares of the Company evidenced by American Depository Receipts issued by an ADR Depository,
- (e) "Permitted Person" means
- (i) an ADR Depository, acting in its capacity as such,
- (ii) a Clearing House, acting in its capacity as such,
- (iii) the chairman of a meeting of the Company or of a meeting of the holders of Relevant Share Capital or the holders of any class thereof when exercising the voting rights conferred on him under paragraph (7) below,
- (iv) a trustee (acting in that capacity) of any employees' share scheme of the Company,
- (v) the Crown or one of Her Majesty's Secretaries of State, another Minister of the Crown, the Solicitor for the affairs of Her Majesty's Treasury and any other person acting on behalf of the Crown,
- (vi) NLF or its nominee,
- (vii) any person who has voting rights but who, if the incidents of his voting rights were governed by the laws of England

and Wales, would in the opinion of the board be regarded as a bare trustee of those voting rights, in respect of those voting rights only,

- (viii) an underwriter in respect of voting rights which exist only by virtue of a contingent obligation to purchase or subscribe for voting shares pursuant to underwriting or sub-underwriting arrangements approved by the board or, for a period of three months, in respect of voting rights purchased or subscribed for by it pursuant to such an obligation,
- (ix) any other person who (under arrangements approved by the board) subscribes or otherwise acquires voting rights in respect of Relevant Share Capital which has been allotted or issued with a view to that person (or purchasers from that person) offering the same to the public, for a period not exceeding three months from the date of the relevant allotment or issue (and in respect only of the voting rights so subscribed or otherwise acquired),
- (x) Depository Trust Company and/or its nominee acting in the capacity of a clearing agency in respect of dealings in American Depository Receipts, or
- (xi) any person who has voting rights, and who shows to the satisfaction of the board that he has them, by virtue only of being entitled to exercise or control the exercise (within the meaning of section 823(3) of the Original 2006 Act) of one third or more of the voting power at general meetings of any company which is a Permitted Person within (i) to (x) above,



## Appendix


- (f) **"Relevant Person"** means any person (whether or not identified) who holds, or who appears to the board to hold, voting rights in the Company which (a) give rise to a notifiable obligation under section 5.1.2 of DTR; and (b) are equal to or exceed 15 per cent. of the total number of voting rights in the Relevant Share Capital;
- (g) **"Relevant Share Capital"** means the shares (as defined in section 792 of the 2006 Act) of the Company,
- (h) **"Relevant Shares"** means all shares comprised in the Relevant Share Capital in respect of which a Relevant Person holds, or appears to the board to hold, voting rights or which are deemed for the purposes of this article to be Relevant Shares; and
- (i) **"Required Disposal"** means a disposal or disposals of such a number of Shares or voting rights as will cause a Relevant Person to cease to be a Relevant Person, not being a disposal to another Relevant Person (other than a Permitted Person) or a disposal which constitutes any other person (other than a Permitted Person) a Relevant Person,
- (j) references to 'shares' shall be construed in accordance with section 792 of the 2006 Act, and, for the purposes of this article, where the board resolves that it has made reasonable enquiries and that it is unable to determine whether or not a particular person is a Relevant Person, the person shall be deemed to be a Relevant Person.
- (3) Subject to the provisions of this paragraph, and without prejudice to article 44, the provisions of section 5 of DTR shall apply in relation to the Company as if the Additional Case were a case listed in section 5.2.1 of DTR and accordingly, the rights and obligations arising under section 5 of DTR shall apply in relation to the Company, its members and all persons who hold voting rights, as extended by this paragraph; but so that they shall be entered in a register kept by the Company for that purpose all voting rights disclosed to the Company under this article. The rights and obligations created by this paragraph are in addition to and separate from those arising under DTR. No penalty or sanction shall be levied against the Company or any of its officers in respect of any failure to comply with DTR in connection with Additional Cases.
- (4) If, to the knowledge of the board, any person other than a Permitted Person is or becomes a Relevant Person (including, without limitation, by virtue of being deemed to be one), the board shall promptly give notice to that person and to the Special Shareholder of that fact and of the voting rights which the Relevant Person holds or who appears to the board to hold. If the Special Shareholder gives notice to the board within 28 days of the receipt of the board's notice that, in the Special Shareholder's opinion, ownership or control of the voting rights in the Company by the Relevant Person would be contrary to the interests of national security, the board shall give notice to all persons (other than persons referred to in paragraph (9) below) who appear to the board to be Relevant Persons and, if different, to the registered holders of those shares. The notice shall set out the restrictions referred to in paragraph (7) below and call for a Required Disposal to be made within 21 days of the giving of the notice to the registered holder or such longer period as the board considers reasonable. If the Relevant Shares are held by an ADR Depository, the notice shall state that
- (a) a specified purchaser or specified purchasers (the "Relevant Purchaser(s)") or a specified Holder or specified Holders (the "Relevant Holder(s)"), as the case may be, is or are believed or deemed to be a Relevant Person or Persons or is or are persons through whom a Relevant Person or Persons holds or is or are believed or deemed to hold voting rights of the Company in either case as specified in the notice, and
- (b) the board believes that each Relevant Purchaser or Relevant Holder, or the Relevant Person or Persons (as the case may be) believed or deemed to hold voting rights in the Company, is or are deemed to hold voting rights in respect of the number of shares of the Company specified in relation to that person in the notice.
- The board may extend the period in which any such notice is required to be complied with and may withdraw any such notice (whether before or after the expiration of the period referred to) if it appears to it that there is no Relevant Person in relation to the shares or voting rights concerned. After the giving of such a notice, and save for the purpose of a Required Disposal under this or the following paragraph, no transfer of any of the Relevant Shares or the voting rights therein may be made or registered until either the notice is withdrawn or a Required Disposal has been made to the satisfaction of the board and registered.
- (5) If a notice given under paragraph (4) above has not been complied with in all respects to the satisfaction of

the board and has not been withdrawn, the board shall, so far as it is able, make a Required Disposal (or procure that a Required Disposal is made) and shall give written notice of the disposal to those persons on whom the notice was served. The Relevant Person(s) and the registered holder(s) of the shares or voting rights duly disposed of shall be deemed irrevocably and unconditionally to have authorised the board to make such Required Disposal. The manner, timing and terms of any such Required Disposal made or sought to be made by the board (including but not limited to the price or prices at which the same is made and the extent to which assurance is obtained that no transferee, except a Permitted Person, is or would become a Relevant Person) shall be such as the board determines, based on advice from bankers, brokers, or other persons the board considers appropriate consulted by it for the purpose, to be reasonably practicable having regard to all the circumstances, including but not limited to the number of shares or voting rights to be disposed of and the requirement that the disposal be made without delay, and the board shall not be liable to any person (whether or not a Relevant Person) for any of the consequences of reliance on such advice. If, in relation to a Required Disposal to be made by the board, Relevant Shares or the voting rights therein are held by more than one holder (treating joint holders of any Relevant Shares as a single holder) the board shall cause as nearly as practicable the same proportion of each holding (so far as known to it) of the Relevant Shares or the voting rights therein to be sold.

- (6) For the purpose of effecting any Required Disposal, the board may authorise in writing any officer or employee of the Company to execute any necessary transfer on behalf of any holder and may enter the name of the transferee in the Register in respect of the transferred shares notwithstanding the absence of any share certificate and may issue a new certificate to the transferee and an instrument of transfer executed by such person shall be as effective as if it had been executed by the registered holder of the transferred shares and the title of the transferee shall not be affected by any irregularity or invalidity in the proceedings relating thereto. The net proceeds of the disposal shall be received by the Company whose receipt shall be a good discharge for the purchase money, and shall be paid (without any interest being payable in respect of it and after deduction of any expenses incurred by the board in the sale) to the former holder (or, in the case of joint holders, the first of them named in the Register) together with, if appropriate, a new certificate in respect of the balance of the Relevant Shares to which he is entitled upon surrender by him or on his behalf of any certificate in respect of the Relevant Shares sold and formerly held by him. For the purposes of effecting a Required Disposal of any shares held in uncertificated form the board may exercise any of the powers conferred on the Company by article 5(5).
- (7) A Relevant Person to whom a notice has been given under (and complying with) paragraph (4) above shall not be entitled, until such time as the notice has been complied with to the satisfaction of the board or withdrawn, to attend or vote at any general meeting of the Company

or meeting of the holders of Relevant Share Capital or of any class thereof, or to exercise any other right conferred by membership in relation to any such meeting, and the rights to attend (whether in person or by representative or proxy), to speak and to demand and vote on a poll which would have attached to that person shall vest in the chairman of any such meeting. The manner in which the chairman exercises or refrains from exercising any such rights shall be entirely at his discretion. The chairman of any such meeting shall be informed by the board of any share becoming or being deemed to be a Relevant Share.


- (8) Without prejudice to the provisions of the Act and/or the 2006 Act and/or DTR and subject to the provisions of this article, the board may assume without enquiry that a person is not a Relevant Person unless the information kept by the Company in accordance with section 5 of DTR or the separate register to be kept under paragraph (3) above, appears to the board to indicate to the contrary or the board has reason to believe otherwise, in which circumstances the board shall make reasonable enquiries to discover whether any person is a Relevant Person.
- (9) The board shall not be obliged to give any notice required under this article to be given to any person if it does not know either his identity or his address. The absence of such a notice in those circumstances and any accidental error in or failure to give any notice to any person to whom notice is required to be given under this article shall not prevent the implementation of, or invalidate, any procedure under this article.



## Appendix

- (10) If any director has reason to believe that a person (not being a Permitted Person) is a Relevant Person, he shall inform the other directors.
- (11) Save as otherwise provided in this paragraph, the provisions of these articles applying to the giving of notice of meetings to members shall apply to the giving to a member of any notice required by this article. Any notice required by this article to be given to a person who is not a member, or who is a member or, in the case of joint holders, who is the person first named in the Register, whose registered address is not within the United Kingdom and who has not given to the Company an address within the United Kingdom at which notices may be given to him, shall be deemed validly served if it is sent through the post in a pre-paid envelope addressed to that person at the address (or, if more than one, at one of the addresses), if any, at which the board believes him to be resident or carrying on business or to his last known address as shown on the Register or a register of Holders maintained by an ADR Depository. The notice shall in such a case be deemed to have been given on the day following that on which the envelope containing the same is posted, unless it was sent by second class post or there is only one class of post, in which case it shall be deemed to have been given on the day next but one after it was posted. Proof that the envelope was properly addressed, pre-paid and posted shall be conclusive evidence that the notice was given.
- (12) Any resolution or determination of, or decision or exercise of, any discretion or power by, the board or any director or by the chairman of any meeting under or pursuant to the provisions of this article
- (including without prejudice to the generality of the foregoing as to what constitutes reasonable enquiry or as to the manner, timing and terms of any Required Disposal made by the board under paragraph (5) above) shall be final and conclusive, and any disposal or transfer made, or other thing done, by or on behalf of, or on the authority of, the board or any director pursuant to the foregoing provisions of this article shall be conclusive and binding on all persons concerned. The board shall not be required to give any reasons for any decision, determination or declaration taken or made in accordance with this article.
- (13) Paragraph (3) of this article shall not apply to an ADR Depository or a Clearing House acting in each case in its capacity as such. Where in that capacity shares in the Company are held by an ADR Depository or a Clearing House, for the purposes of this article:
- (c) any person who has voting rights in relation to shares in the Company in which such an ADR Depository or Clearing House holds shall be deemed to be a holder of the number of voting rights in respect of the shares in the Company for which such an ADR Depository or Clearing House is or may become liable to account to him, and
- (d) any rights which, by virtue of his being a tenant in common in relation to or holding as common property, voting rights in respect of shares in the Company so held by such an ADR Depository or Clearing House, he would otherwise be treated for the purposes of this article as having in respect of a larger number of votes in the
- Company shall (in the absence of any other reason why he should be so treated) be disregarded.
- ### Part 3 Substitute Articles 129 and 130
- 129 **Notices to be in writing or in electronic communication**  
Any notice to be served on or given to any person or by any person pursuant to these articles (other than a notice convening a meeting of the board or of a committee of the board or as may otherwise be expressly stated in these articles) may be:-
- (a) in writing;
- (b) in an electronic communication to an address for the time being notified for that purpose to the person giving the notice; or
- (c) published on a website in accordance with the 2006 Act. The signature (if applicable) on any notice given by the Company may be printed or reproduced by mechanical means
- 130 **Service of notices**  
(1) A notice or other document may be sent or supplied by the Company to any member
- (a) personally,
- (b) by sending it through the post in a pre-paid envelope addressed to the member at his registered address (or at another address notified for the purpose),
- (c) by leaving it at that address in an envelope addressed to the member,
- (d) subject to any requirement of the Statutes and provided that the Company has complied with all applicable regulatory requirements by sending it by electronic communication to an address for the time being notified to the Company by the

- (e) member for that purpose, by being made available on a website in accordance with Article 130(3) or
  - (f) by any other means authorised by the member concerned.
- (2) Documents, information or notices sent or supplied by electronic communication will be validly served if:-
- (a) the member has agreed either generally or specifically (or in the case of a company is deemed to have agreed by a provision in the 2006 Act) that documents, information or notices can be sent in electronic form;
  - (b) the documents, information or notices are documents, information or notices to which the agreement applies; and
  - (c) the documents, information or notices are sent in electronic form to the address notified or deemed to have been notified by the member to the Company for that purpose.
- (3) Subject to the Statutes, documents, information or notices sent or supplied by way of publication on a website will be validly served if:
- (a) the member has agreed either generally or specifically (or is deemed to have agreed by a provision in the 2006 Act) that the notice or document or information may be sent or supplied to him in that manner and such agreement has not been revoked;
  - (b) the notice or document is one to which that agreement applies;
  - (c) the member is notified in accordance with Article 129 of:
    - (i) the publication of the notice or document or information on a website;
    - (ii) the address of that website;
    - (iii) the place on that website where the notice or document may be accessed, and how it may be accessed; and
- (4) the notice or document is published on that website throughout the publication period, provided that, if the notice or document is published on that website for a part, but not all of, the publication period, the notice or document shall be treated as being published throughout that period if the failure to publish that notice or document throughout that period is wholly attributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid.
- A notice or document served under this article 130(3) is deemed to be served at the time of the notification under article 130(3)(c).
- (4) In article 130(4) "**publication period**" means:
- (a) in the case of a notice of an adjourned meeting pursuant to article 55(4), a period of not less than seven clear days before the date of the adjourned meeting, beginning on the day following that on which the notification referred to in article 130(3)(c) is sent or (if later) is deemed sent;
  - (b) in the case of a notice of a poll pursuant to article 58(3), a period of not less than seven clear days before the taking of the poll, beginning on the day following that on which the notification referred to in article 130(3)(c) above is sent or (if later) is deemed sent;
- (5) Where a member has been sent a notice, document or other information by the Company otherwise than in hard copy form, the Company will, without charge, send a copy of such notice, document or other information in hard copy form to the member concerned within 21 days after receipt by the Company of a request in writing therefore from such member.
- (6) In the case of joint holders of a share service or delivery of any notice or other document on or to the joint holder who is named first in the Register in respect of the joint holders shall be sufficient service on or delivery to all the holders of the share
- (7) A member (meaning, for this purpose, in the case of joint holders the person first named in the Register) whose registered address is not within the United Kingdom and who gives to the Company an address within the United Kingdom at which notices or other documents may be served on him, or an address to which notices may be given by electronic communication, shall be entitled to have notices or other documents served on him at that address but, unless he does so, shall not be entitled to receive any notice or other document from the Company."



## Appendix

### Part 4 Alterations to Articles to be made by Resolution 11(3)

- (a) the inclusion in Article 2(1)(a):-
  - (i) before the defined term "Act", of the following term and definition:-  
"2006 Act" means the Companies Act 2006,";
  - (ii) before the defined term "director," of the following term and definition:-  
"DTR" shall have the meaning attributed to it in article 17(2)(c);"
- (b) the substitution in Article 2(1)(a):-
  - (i) in the definition of "Relevant Person", of 17(2)(h) "for" 17(2)(g);"
  - (ii) in the definition of "Required Disposal", of "17(2)(k) for" "17(2)(j);"
  - (iii) in the defined term "section 212 notice" of "793" for "212";
- (c) the insertion in Article 2(1)(a), in the definition of "Statutes", immediately following the word "Act", of ",the 2006 Act";
- (d) the deletion in Article 2(1)(a) of the defined term "Original Act" and the definition thereof;
- (e) the deletion in Article 2(1)(b)(ii) of the words "which do not constitute equity share capital (as defined in section 744 of the Act" and the substitution of the words "to which Part 22 of the 2006 Act does not apply";
- (f) the deletion of Article 17(b)(i) and the substitution thereof of the following Article:-  
"shares to which Part 22 of the 2006 Act applies";
- (g) the deletion in the second sentence of Article 17(1) of the word "separate";

- (h) the deletion in Articles 44 and 44A of the words:-
  - (i) "section 212 notice" wherever they appear and the substitution thereof of the words "section 793 notice";
  - (ii) "section 212 of the Act" wherever they appear and the substitution thereof of the words "section 793 of the 2006 Act";
  - (iii) "Section 428(1) of the Act" where they appear in Article 44(8)(a)(iii) and the substitution thereof of the words "section 974 of 2006 Act";
  - (iv) "216 of the Act" where they appear in Article 44(9) and the substitution thereof of the words "794 of the 2006 Act";
  - (v) "section 216(i)" where they appear in Article 44(9) and the substitution thereof of "section 794(1)";
- (i) the deletion in Article 44A(12) of the words "Part VI of the Act" and the substitution thereof of the words "Part 22 of the 2006 Act";
- (j) the deletion of Article 48(7);
- (k) the deletion in Article 49(2) of:-
  - (i) "130(2)" and the substitution of "130(3)";
  - (ii) "130(2)(b)" and the substitution of "130(3)(d)";
- (l) the deletion in Article 101(3)(d) of the words "sections 198 to 211 of the Act" and the substitution thereof of the words "Part 22 of the 2006 Act";
- (m) the deletion in Article 132(3) of "130(2)" and the substitution thereof of "130(3)";
- (n) the deletion in Article 132(7) of the words "sections 212 of the Act" and the substitution thereof of the words "section 793 of the 2006 Act".

### Part 5

The amount the Company is able to distribute lawfully (by way of dividend or other distribution) is governed, amongst other things, by the Companies Act 1985 and the application of UK GAAP, and requires that distributable reserves be available within the listed parent company. Share premium reserves are not distributable to shareholders.

Following the restructuring of the British Energy Group in January 2005, the Group's contracted historic nuclear liabilities, un-contracted nuclear liabilities and decommissioning costs were taken on by the Nuclear Liabilities Fund Limited (the NLF). In return, the Group agreed to make a contribution to the NLF by way of, amongst other things, payment on an ongoing basis of a certain percentage of its future annual adjusted free cash flow (the cash sweep). That percentage was, as at 30 May 2007, 64.04 per cent. of the annual adjusted free cashflow.

The NLF additionally acquired the right to convert all or part of its right to receive the cash sweep into convertible shares in the Company and to sell those shares. On disposal to a third party, the convertible shares automatically convert into ordinary shares of the Company.

On 30 May 2007, the Secretary of State for Trade and Industry announced that he intended to direct the NLF to sell part of its interest in the Company. The Secretary of State directed the NLF to convert and sell approximately 400,000,000 shares in the Company to qualified institutional investors with an over-allotment option of a further 50,000,000 shares in the Company. A notice in respect of 450,000,000 shares (conditional on admission of the shares to the Official List of the UKLA and admission of those shares

to trading on the London Stock Exchange) intimating the NLF's intention to convert was served on the Company by the NLF on 1 June 2007. On 6 June 2007, 450,000,000 convertible shares were allotted to the NLF, those 450,000,000 shares were, on sale to the qualified institutional investors, redesignated as ordinary shares of the Company and admitted to the Official List of the UKLA and to trading on the London Stock Exchange. The effect of the NLF's conversion and sale was to reduce the NLF's economic interest in the Company by way of the Cash Sweep to approximately 36 per cent. In addition, the Company's issued share capital increased by £45 million and a credit of £2,295 million was taken to the Company's share premium account. The share premium was calculated on the basis of the offer price of the Company's convertible shares at the time of the conversion and sale.

This conversion, and any subsequent conversions, could have an impact on the Company's future dividend policy. The impact could arise because conversion significantly increases the carrying value of the Company's investment in its subsidiary and intermediate group holding company, British Energy Holdings plc. The increase in carrying value of the investments in subsidiaries would be equivalent to the fair value of the cash sweep obligation extinguished by conversion, and would be valued for these purposes on the basis of the aggregate market price of the shares issued upon a conversion, and, for the purposes of this conversion, would amount to £2,340 million. Further, the increase in carrying value of the investments would increase the risk that impairment charges arising at a later date might impact upon the Company's distributable reserves position and could restrict the Company's ability to pay dividends to the enlarged shareholder base, following conversion and sale by the NLF, in accordance with the Company's stated dividend policy.

Considering the nature of the Group's operations, the requirement to recognise an impairment could be triggered by commercial issues (such as a decline in projected long-term electricity prices) or adverse operational issues that reduce projected station output or increase the operational cost base. In addition the payment of dividends to the Company by British Energy Holdings plc to enable the Company to pay dividends represents the realisation of value in the Company and may require the carrying value of the Company's investment in British Energy Holdings plc to be impaired. The impairment charges arising from such events would be charged to the Company's profit and loss account and could, either immediately or over time, eliminate the Company's reserves available for distribution to shareholders.

Under the Companies Act 1985, a company may reduce or cancel its share premium account, subject to obtaining shareholder approval and the confirmation of the Court. Accordingly, with a view to reducing the exposure of distributable reserves to impairment risks and the potential impact on the Company's ability to pay dividends in accordance with its stated dividend policy, it is proposed to reduce the Company's share premium account by £2,295 million and to transfer the amount by which it is so reduced to reserves, subject to any conditions as to the use of that reserve that the Court may impose.

The Directors believe it to be important that the Company be in a position to pay dividends to shareholders and to make purchases of its own shares where to do so would benefit the Company. The reserve would be available (subject to the approval of the Court and the protection of creditors of the Company) for the funding of dividends, to facilitate the buy back of the Company's shares subject to the

appropriate authority being granted or for any other general corporate purposes which the Directors may consider appropriate, including, without limitation, the absorption of impairments described above.

It should not be assumed, however, that the Company will necessarily use the distributable reserve created by the reduction of the Company's share premium account to make dividend payments or to facilitate the purchase of its own shares subject to the appropriate authority being granted. The Directors simply wish to avoid a situation where they feel able from a commercial standpoint to recommend the payment of or to declare a dividend but are precluded from doing so because there are insufficient reserves. The Directors have no immediate plans to make any purchase of the Company's own shares but would like to be able to act quickly if circumstances arose in which they considered such purchases to be desirable. Nor do the Directors want the Company to have less distributable reserves than it otherwise would have had as a result of the conversion of the entitlement to the cash sweep payment into convertible shares and the resulting impairment risk. The likelihood of the Company having insufficient reserves to act as the Directors determine will be significantly reduced by the release to a distributable reserve of £2,295 million of the amount standing to the credit of the Company's share premium account.

To implement this proposal, it will be necessary for the shareholders to pass a special resolution at the Annual General Meeting (requiring the approval of three quarters of the votes cast) and thereafter for the Company to seek confirmation by the Court of the reduction. It is expected that the final hearing by the Court on the Company's application will take place later this year.



## Information for Shareholders attending the Annual General Meeting

### General Information for Shareholders

After his opening remarks, the Chairman will explain the procedures for the conduct of the meeting, particularly for asking questions and voting on the resolutions. The resolutions, which are set out in the Notice of the AGM, will then be put to the meeting.

### How to Ask Questions

At the meeting, shareholders may ask questions about any resolution. British Energy staff will be available to help you.

A Question Registration Desk will be open from 10.15 am on the day of the meeting to enable shareholders to register in advance any question they may wish to ask during the meeting.

### How to Vote

You should hold up the voting card (which you will receive when you register) indicating that you are voting either for or against a particular resolution when it is put to the vote by the Chairman. Only shareholders or authorised representatives of corporate shareholders may vote on a show of hands.

### General Information

#### Time

The doors will open at 10.15 am and the meeting will begin promptly at 11.00 am.

No cameras or video or audio recording equipment will be allowed into the meeting. Mobile telephones and other mobile electronic devices must be switched off during the meeting.

#### Disabled Persons

Special arrangements have been made to help disabled shareholders. Guide dogs will be permitted. Disabled shareholders may wish to advise the Company in advance if they are planning to arrive by car so that appropriate parking arrangements can be made.

#### Emergency Precautions

An announcement will be made if there is a fire alarm or other emergency. Emergency exits are clearly marked around the hall.

### Travel and Car Parking

Murrayfield Stadium Conference Centre is situated in west Edinburgh on Roseburn Street off the A8 at Roseburn. The Conference Centre is six miles from Edinburgh Airport, three miles from Edinburgh Waverley Railway Station and one mile from Haymarket Railway Station.

Car parking is available free of charge in the Stadium's North Stand car park. The only entrance to the Conference Centre is via Gate B on Roseburn Street (nearest to the railway bridge). This entrance brings you in at the south end of the Stadium where signs will direct you to the Murrayfield Stadium hospitality car park.

Regular bus services run every five to 10 minutes from the city centre to Roseburn Terrace.

A location map, showing how to get to the Murrayfield Stadium Conference Centre, appears on the back page.







## ➔ How to find us

The 2007 AGM will be held at the Murrayfield Stadium Conference Centre which is situated in west Edinburgh on Roseburn Street off the A8 at Roseburn.

The Conference Centre is six miles from Edinburgh Airport, three miles from Edinburgh Waverley Railway Station and one mile from Haymarket Railway Station.

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