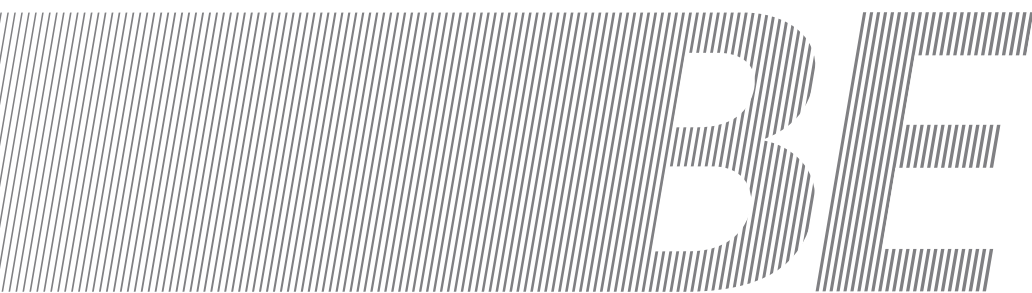


Chairman's Letter 2005/06

The road to excellence



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 Wednesday 20 September 2006 at the Murrayfield Stadium Conference Centre, Edinburgh EH12 5PJ.

Information for shareholders attending the Annual General Meeting.

Chairman's Letter

Sir Adrian Montague CBE

BE confident

Dear Shareholder

Annual General Meeting

20 September 2006

I enclose details of our forthcoming Annual General Meeting (AGM). I hope you will be able to join us on Wednesday 20 September. 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 3 and 4 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 2006.

Re-appointment of Directors (Resolutions 2 to 5)

Our Articles of Association 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. Bob Davies, who was appointed in May, is putting himself forward for election. Bill Coley, Sir Robert Walmsley and I are also seeking re-election.

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).

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 the audit and non-audit work and of the work undertaken by the auditors during the year ended 31 March 2006 are contained in the Annual Report and Accounts.

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

Remuneration Committee Report (Resolution 8)

Shareholders are invited to vote on the Remuneration Committee Report which can be found on pages 31 to 38 of the Annual Report and Accounts. A summary also appears on pages 24 to 27 of the Annual Review. The vote on this resolution is advisory, enabling the views of shareholders to assist the Company in shaping remuneration policy.

British Energy Group plc Long Term Incentive Plan (Resolution 9)

Awards made under the British Energy Group plc Long Term Deferred Bonus Plan (the 'LT Plan') can currently only be satisfied by the issue of shares. To provide greater flexibility the Remuneration Committee would like to have the choice of using new issue, treasury or market purchased shares to satisfy awards. This requires some technical changes to the rules of the LT Plan, for which your approval will be sought.

Political Donations (Resolution 10)

The Political Parties, Elections and Referendums Act 2000 amended the Companies Act 1985 (the 'Act') and has imposed restrictions on companies making donations to political organisations or incurring EU political expenditure (as defined in the Act) without shareholder consent. It is not the policy of the Company to make donations to political parties and the Directors have no intention of changing that policy. However, as the definitions used in the Act are broad it is possible that some normal expenditure and business activities which might not be thought to be political in the usual sense could be caught. For example, activities such as communicating with Government and political parties at local, national and European level and making provisions for employees to take time off work to campaign for and hold public office, together with normal expenditure such as expenditure on organisations concerned with policy review, law reform and representation of the business community could be construed as political expenditure.

or as a donation to a political organisation and fall within the restrictions of the Act. The Act covers not only the United Kingdom but also the entire European Union. The Board therefore considers that the authority sought under Resolution 10 is necessary to avoid inadvertent infringement of the Act. Resolution 10 seeks authority for the Company both to make donations to EU political organisations and to incur total EU political expenditure not exceeding £50,000 in aggregate in the current and each of the forthcoming three financial years. **This authority will not be used to make political donations as they are normally understood, including contributions towards any general political party expenses and expenses in connection with general election or referenda campaigns.**

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

Recent changes to company law have extended the circumstances in which the Company may indemnify Directors and officers of the Company (including obtaining insurance to do so). In order to protect Directors and officers of the Company in the proper conduct of their duties the Company proposes to amend its Articles of Association to allow it to indemnify Directors and officers of the Company to the extent permitted by the Act (as amended).

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

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 Company's Articles of Association 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 renewal by shareholders. Resolution 12 will, if approved, authorise the Directors to allot up to 188,000,000 ordinary shares (which

is equivalent to approximately 33% of the issued ordinary share capital of the Company as at 20 June 2006 excluding treasury shares (the Company currently holds no treasury shares)). This authority will expire at the end of the AGM in 2007 or, if earlier, 20 December 2007.

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 2007 or, if earlier, 20 December 2007, is limited to allotments of up to £2,850,000 of ordinary shares (representing approximately 5% of the issued ordinary share capital of the Company as at 20 June 2006), and to allotments in connection with a rights issue.

These authorities 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% 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.

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, 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 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 Monday 18 September 2006**.

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 Sunday 17 September 2006**.

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 13 inclusive to be proposed at the AGM, as they propose to do in respect of their beneficial shareholdings.



Sir Adrian Montague CBE
Chairman

28 July 2006

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the second AGM of British Energy Group plc ('the Company') will be held at the Murrayfield Stadium Conference Centre, Edinburgh EH12 5PJ on Wednesday 20 September 2006 at 11.00 am for the following purposes:

Ordinary Business

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. To receive the Annual Report and Accounts for the year ended 31 March 2006.
2. To re-appoint Sir Adrian Montague as a Director.
3. To re-appoint Bill Coley as a Director.
4. To re-appoint Bob Davies as a Director.
5. To re-appoint Sir Robert Walmsley 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.

Special Business

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

8. To approve the Remuneration Committee Report contained within the Annual Report and Accounts for the year ended 31 March 2006.
9. THAT the Remuneration Committee be authorised to amend the rules of the British Energy Group plc Long Term Deferred Bonus Plan as summarised in the Chairman's Letter.

10. THAT, in accordance with section 347C of the Companies Act 1985 (as amended) (the 'Act'), the Company be authorised to:

- (a) make donations to EU political organisations; and
- (b) incur EU political expenditure;
 - of no more than £50,000 in aggregate in each year (as the terms donation, EU political organisations and EU political expenditure are defined in section 347A of the Act), in each case commencing on the date of this resolution and ending on 19 September 2010 or, if sooner, the conclusion of the AGM of the Company in 2010.

11. THAT the Company's Articles of Association be and are hereby amended by the deletion of existing Article 137 and the insertion of the following as new Article 137:

'137 Indemnity of officers, funding directors' defence costs and power to purchase insurance

- (1) To the extent permitted by the Statutes and without prejudice to any indemnity to which he may otherwise be entitled, every person who is or was a director or other officer of the Company (other than any person (whether or not an officer of the Company) engaged by the Company as auditor) shall be and shall be kept indemnified out of the assets of the Company against all costs, charges, losses and liabilities incurred by him (whether in connection with any negligence, default, breach of duty or breach of trust by him or otherwise) in relation to the Company or its affairs provided that such indemnity shall not apply in respect of any liability incurred by him:
 - (a) to the Company or to any associated company; or
 - (b) to pay a fine imposed in criminal proceedings; or

- (c) to pay a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (howsoever arising); or
- (d) in defending any criminal proceedings in which he is convicted; or
- (e) in defending any civil proceedings brought by the Company, or an associated company, in which judgement is given against him; or
- (f) in connection with any application under any of the following provisions in which the court refuses to grant him relief, namely:
 - (i) section 144(3) or (4) of the Act (acquisition of shares by innocent nominee); or
 - (ii) section 727 of the Act (general power to grant relief in case of honest and reasonable conduct).

(2) In article 137(1)(d), (e) or (f) the reference to a conviction, judgement or refusal of relief is a reference to one that has become final. A conviction, judgement or refusal of relief becomes final:

- (a) if not appealed against, at the end of the period for bringing an appeal; or
- (b) if appealed against, at the time when the appeal (or any further appeal) is disposed of.

An appeal is disposed of:

- (a) if it is determined and the period for bringing any further appeal has ended; or
 - (b) if it is abandoned or otherwise ceases to have effect.
- (3) For the purposes of this article, 'associated company', in relation to the Company, means a company which is a subsidiary of the Company, or a holding company of or a subsidiary of any holding company of the Company.

- (4) Without prejudice to article 137(1) or to any indemnity to which a director may otherwise be entitled, and to the extent permitted by the Statutes and otherwise upon such terms and subject to such conditions as the Board may in its absolute discretion think fit, the Board shall have the power to make arrangements to provide a Director with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings or in connection with an application under section 144(3) or (4) of the Act (acquisition of shares by innocent nominee) or section 727 of the Act (general power to grant relief in case of honest and reasonable conduct) or to enable a Director to avoid incurring any such expenditure.
- (5) Where at any meeting of the Board or a committee of the Board any arrangement falling within article 137(4) above is to be considered, a Director shall be entitled to vote and be counted in the quorum at such meeting unless the terms of such arrangement confers upon such Director a benefit not generally available to any other Director; in that event, the interest of such Director in such arrangement shall be deemed to be a material interest for the purposes of article 101(3) and he shall not be so entitled to vote or be counted in the quorum.
- (6) To the extent permitted by the Statutes, the Board may exercise all the powers of the Company to purchase and maintain insurance for the benefit of a person who is or was:
- a Director, alternate Director, secretary or auditor of the Company or of a company which is or was a subsidiary undertaking of the Company or in which the Company has or had an interest (whether direct or indirect); or
 - a trustee of a retirement benefits scheme or other trust in which a person referred to in sub-paragraph (a) above is or has been interested,
- indemnifying him and keeping him indemnified against liability for negligence, default, breach of duty or breach of trust or other liability which may lawfully be insured against by the Company.'
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 £18,800,000 for a period expiring on the date of the AGM of the Company in 2007 or, if earlier, on 20 December 2007, 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:
- will expire on the date of the AGM of the Company in 2007 or, if earlier, on 20 December 2007, 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 offer or agreement as if the power conferred by this resolution had not expired; and
- (b) is limited to:
- allotments of equity securities in connection with a rights issue (as defined in article 8 of the Company's Articles of Association); and
 - allotments of equity securities for cash (otherwise than pursuant to sub-paragraph (i) above) up to an aggregate nominal amount of £2,850,000 calculated, in the case of equity securities which are rights to subscribe for, or to convert securities into, relevant shares (within the meaning of s.94(5) of the Act) by reference to the aggregate nominal amount of relevant shares which may be allotted pursuant to such rights.

Registered Office
Systems House
Alba Campus
Livingston EH54 7EG
28 July 2006
Registered in Scotland Number 270184

By order of the Board



Robert Armour
Company Secretary

Information for shareholders attending the Annual General Meeting

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 which would prefer to register the appointment of their proxy electronically via the internet can do so through the Sharevote website, 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 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 18 September 2006. 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 18 September 2006 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 18 September 2006 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 Long Term Deferred Bonus Plan as it is proposed that it will be amended by resolution 9, 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 Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ 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.

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 following, 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 page opposite.

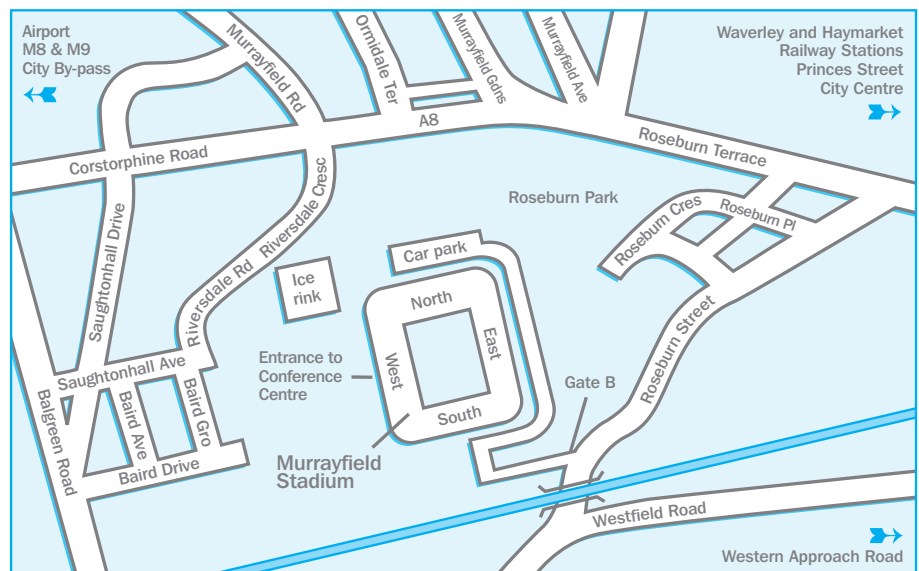
How to find us

Murrayfield Stadium Conference Centre is situated in west Edinburgh on Roseburn Street off the A8 at Roseburn.

Murrayfield Stadium is 6 miles from Edinburgh Airport, 3 miles from Edinburgh Waverley Railway Station and 1 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 ten minutes from the city centre to Roseburn Terrace.



British Energy Group plc

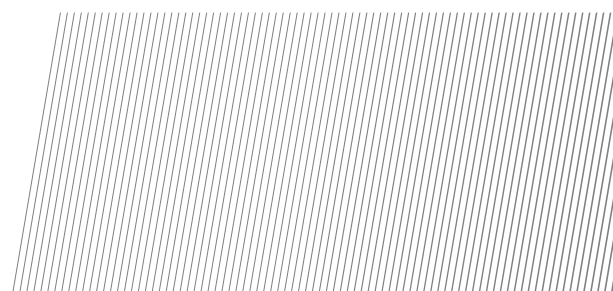
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