

CHAIRMAN'S LETTER

IMPROVEMENT THROUGH INVESTMENT 04-05

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IN PARTICULAR, IF YOU ARE THE REGISTERED HOLDER OF SHARES IN BRITISH ENERGY GROUP PLC AND ARE RESIDENT IN THE UNITED STATES, OR IF YOU HOLD SHARES FOR, OR ON BEHALF OF, SOMEBODY ELSE WHO IS RESIDENT IN THE UNITED STATES, IT IS IMPORTANT THAT YOU READ THIS DOCUMENT IN FULL, TOGETHER WITH THE ACCOMPANYING DOCUMENTATION, AND FOLLOW THE INSTRUCTIONS SET OUT THEREIN.

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 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, FOR TRANSMISSION TO THE PURCHASER.

EXPLANATION OF THE BUSINESS TO BE CONSIDERED AT THE ANNUAL GENERAL MEETING

INFORMATION FOR SHAREHOLDERS ATTENDING THE ANNUAL GENERAL MEETING

NOTICE OF THE ANNUAL GENERAL MEETING TO BE HELD AT 11.00 AM ON THURSDAY 15 SEPTEMBER 2005 AT THE MURRAYFIELD STADIUM CONFERENCE CENTRE EDINBURGH EH12 5PJ

More Information

Visit: www.british-energy.com

CHAIRMAN'S LETTER

ADRIAN MONTAGUE, CBE, CHAIRMAN

DEAR SHAREHOLDER

ANNUAL GENERAL MEETING 15 SEPTEMBER 2005

I enclose details of our forthcoming Annual General Meeting. I hope you will be able to join us on Thursday 15 September as the meeting is a valuable opportunity for the Board to provide shareholders with an update of the Company's activities and progress following the successful implementation of the restructuring of the British Energy Group in January 2005.

The notice of the meeting and the resolutions to be considered are set out on page 3 of this letter. At the meeting a number of items of ordinary business will be put to shareholders. These are:

REPORT AND ACCOUNTS (RESOLUTION 1)

You will be asked to receive and adopt the Report and Accounts for the period ended 31 March 2005.

RE-APPOINTMENT OF DIRECTORS (RESOLUTIONS 2 TO 11)

As the implementation of the restructuring means this is the first Annual General Meeting of the Company, all Directors are required by our Articles of Association to stand for re-appointment. This gives shareholders the opportunity to vote on Board appointments. Biographical information on all our Directors is contained in both the Review and also the 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 12 AND 13)

You will be asked to re-appoint PricewaterhouseCoopers LLP as auditors of the Company until the next Annual General Meeting 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 period ended 31 March 2005 are contained in the Report and Accounts.

REMUNERATION REPORT (RESOLUTION 14)

Shareholders are invited to vote on the Remuneration Committee Report which can be found on pages 38 to 44 of the Report and Accounts. A summary also appears on pages 23 to 28 of the Review. The vote on this resolution is advisory, enabling the views of shareholders to assist the Company in shaping remuneration policy.

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

BRITISH ENERGY GROUP PLC LONG TERM INCENTIVE PLAN (RESOLUTION 15)

You will be asked to approve certain amendments to the British Energy Group plc Long Term Deferred Bonus Plan (the 'LT Plan'). The LT Plan was adopted last year prior to admission of the Company's shares to trading on the London Stock Exchange on 17 January 2005. The LT Plan is now the sole long-term share-based incentive arrangement for members of the British Energy Group's executive team, comprising currently the seven most senior executives. The exception is our new Chief Executive, Bill Coley, for whom we are in the process of agreeing separate and demanding incentive arrangements. The Remuneration Committee has reviewed the proposed operation of the LT Plan and believes that there are certain aspects which could be improved to ensure that it acts as a genuine incentive and retention tool for members of the British Energy Group's executive team. A summary of all the proposed amendments to the LT Plan is set out in Section (A) of the Appendix (which can be found on page 7 of this letter).

DE-REGISTRATION FROM THE SEC AND AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY (RESOLUTION 16)

In light of the Company's small United States shareholder base (currently less than 100 beneficial holders of the Company's shares are believed to be resident in the United States), the sale of its businesses in North America, the fact that the Company

is no longer listed on the New York Stock Exchange and recent reforms to United States securities laws, your Board considers that the burden and expense to the Company of complying with United States reporting and registration obligations, which are additional to the existing statutory, regulatory and governance requirements to which it is subject as a UK-listed company, now far outweigh the benefits derived by the Company from its registration with the United States Securities and Exchange Commission (the 'SEC').

Consequently, after full and careful consideration of these factors, the Board has concluded that de-registration is in the best interests of the Company and this resolution therefore seeks to amend the Company's Articles of Association by inserting a new article which will allow the Directors to restrict the number of shareholders resident in the United States to below 300 (the maximum permissible by the SEC in these circumstances). Shareholders who support the Company's proposed de-registration are therefore asked to vote in favour of this change to the Company's Articles of Association.

Shareholders are directed to Section (B) of the Appendix (which can be found on page 8 of this letter), which contains further details on the proposed de-registration and, in particular, the amendments which the Company is seeking to make to the bonds issued by British Energy Holdings plc.

POLITICAL DONATIONS (RESOLUTION 17)

The Political Parties, Elections and Referendums Act 2000 amended 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 the 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 17 is necessary to avoid inadvertent infringement of the Act. Resolution 17 seeks authority for the Company both to make donations to EU political organisations and to incur total EU political expenditure not exceeding £25,000 in aggregate in each of the forthcoming four 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.**

AUTHORITY TO ALLOT UNISSUED SHARES AND DISAPPLICATION OF PRE-EMPTION RIGHTS (RESOLUTIONS 18 AND 19)

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 18 will, if approved, authorise

the Directors to allot up to 185,000,000 ordinary shares (which is equivalent to approximately 33% of the issued share capital of the Company as at 12 August 2005). This authority will expire at the end of the Annual General Meeting in 2006 or, if earlier, 15 December 2006.

Resolution 19 (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 Annual General Meeting in 2006 or, if earlier, 15 December 2006, is limited to allotments of up to £2,806,000 of ordinary shares (representing approximately 5% of the issued ordinary share capital of the Company as at 12 August 2005), 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 and the exercise of warrants by warrant holders.

FORMS OF PROXY

You will find enclosed a Form of Proxy for the Annual General Meeting. 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.

Forms of Proxy should be returned to Lloyds TSB Registrars as soon as possible. In any event, to be valid for the Annual General Meeting they must be received not later than 11.00 am on Tuesday 13 September 2005.

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 Annual General Meeting their Form of Direction must be received no later than 11.00 am on Monday 12 September 2005.

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 19 inclusive to be proposed at the Annual General Meeting, as they propose to do in respect of their beneficial shareholdings.



ADRIAN MONTAGUE, CBE, CHAIRMAN
12 AUGUST 2005

INFORMATION FOR SHAREHOLDERS ATTENDING THE ANNUAL GENERAL MEETING

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 Annual General Meeting below, 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 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.

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.

Murrayfield Stadium 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 ten minutes from the city centre to Roseburn Terrace.

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.

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

NOTICE IS HEREBY GIVEN that the first Annual General Meeting of British Energy Group plc ('the Company') will be held at the Murrayfield Stadium Conference Centre, Edinburgh EH12 5PJ on Thursday, 15 September 2005 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 and adopt the Report and Accounts for the period ended 31 March 2005.
2. To re-appoint Adrian Montague as a Director.
3. To re-appoint Bill Coley as a Director.
4. To re-appoint Roy Anderson as a Director.
5. To re-appoint Stephen Billingham as a Director.
6. To re-appoint Pascal Colombani as a Director.

7. To re-appoint John Delucca as a Director.
8. To re-appoint Ian Harley as a Director.
9. To re-appoint David Pryde as a Director.
10. To re-appoint Clare Spottiswoode as a Director.
11. To re-appoint Sir Robert Walmsley as a Director.
12. 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.
13. To authorise the Audit Committee to fix the auditors' remuneration.
14. To approve the Remuneration Committee Report contained within the Report and Accounts for the period ended 31 March 2005.

SPECIAL BUSINESS

To consider and, if thought fit, pass resolutions 15, 17 and 18 as ordinary resolutions and the remainder as special resolutions:

15. THAT the British Energy Group plc Long Term Deferred Bonus Plan be and is hereby amended in accordance with the schedule of amendments provided to the Meeting and initialled by the Chairman for the purposes of identification.
16. THAT the Company's Articles of Association be and are hereby amended as follows:
 - (a) by deleting the word 'and' at the end of the definition of 'uncertificated' at article 2(1)(a);
 - (b) by deleting the full stop at the end of the definition of 'United Kingdom' at article 2(1)(a) and replacing it with '; and';

- (c) by inserting the following new definitions at article 2(1)(a):
- “Required Transfer” shall have the meaning given in article 44A(2)(b);’
- “Register of US Holders” shall have the meaning given in article 44A(2)(c);’
- “United States” shall have the meaning given in article 44A(2)(d);’
- “US-held Shares” shall have the meaning given in article 44A(2)(e); and’
- “US Holder” shall have the meaning given in article 44A(2)(f).’; and
- (d) by inserting after article 44 a new article 44A as follows:
- ‘44A. Limitations on shareholdings by US Holders’.
- (1) The purpose of this article is to restrict the number of US Holders who hold or have an interest in shares of any class in the capital of the Company, so as to enable the Company to suspend its obligations under the United States Securities Exchange Act of 1934 and to afford the Company the ability to prevent any such obligations from arising again in the future, should it choose to do so.
- (2) For the purposes of this article:
- (a) ‘interest’ shall have the same meaning given in article 17(2)(d);
- (b) ‘Required Transfer’ means in relation to any US-held Shares a disposal or disposals of such shares or interests therein which will result in such shares ceasing to be US-held Shares;
- (c) ‘Register of US Holders’ means the register to be maintained in accordance with article 44A(7);
- (d) ‘United States’ means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;
- (e) ‘US-held Shares’ means shares in the Company (including, without limitation, shares now or at any time represented by American Depositary Receipts) which are held by US Holders in any manner described in Rule 12g 3-2(a)(1) of the United States Securities Exchange Act of 1934 (including directly or through or as nominee) or which are deemed pursuant to this article to be so held; and
- (f) ‘US Holder’ means:
- (i) persons resident in the United States who hold shares in the Company (including, without limitation, shares now or at any time represented by American Depositary Receipts) in any manner described in Rule 12g 3-2(a)(1) of the United States Securities Exchange Act of 1934 (including directly or through or as nominee); and
- (ii) persons who appear, at any time, to the board to fall within sub-paragraph (i) of this definition of US Holder.
- (3) The Board may by notice in writing require any member or other person appearing to be interested or appearing to have been interested in shares in the Company to disclose to the Company in writing such information as the Board shall require relating to the ownership of or interests in the shares in question as lies within the knowledge of such member or other person (supported if the Board so requires by a statutory declaration and/or by independent evidence) including (without prejudice to the generality of the foregoing) any information which the Company is entitled to seek pursuant to article 44 and section 212 of the Act and any information which the Board shall deem necessary or desirable in order to determine whether any shares are US-held shares.
- (4) Whether or not a notice pursuant to article 44A(3) has been given, the Board may by notice in writing require any member or other person appearing to be interested or appearing to have been interested in shares in the Company to show to the satisfaction of the Board that the shares in question are not US-held shares. Any person on whom such a notice has been served and any other person who is interested in such shares may within 14 days of such notice (or such longer period as the Board may consider reasonable) make representations to the Board as to why such shares should not be treated as US-held shares but if, after considering any such representations and such other information as seems to them relevant, the Board believes such shares to be US-held shares, the Board may determine that such shares shall be deemed to be US-held shares and they shall thereupon be treated as such for all purposes of this article.
- (5) The Board may give a notice pursuant to article 44A(3) or (4) or both of them at any time and the Board may give one or more than one such notice to the same member or other person in respect of the same shares.
- (6) Each member shall notify the Company immediately upon becoming aware that any shares in which he is interested:
- (a) is or has become a US-held share; or
- (b) has ceased to be a US-held share.
- (7) The Board shall maintain, in addition to the Register, a Register of US Holders, in which there shall be entered particulars of any shares which are or have been deemed to be US-held shares. The particulars entered on the Register of US holders in respect of any share shall comprise, in addition to the name of the holder, the name of any US holder interested or who appears to the Board to be interested in such share and such information as has been supplied to the Board pursuant to article 44A(3) or 44A(4) or otherwise or, if no such information has been supplied, such information as the Board considers appropriate.

- (8) The Board shall remove from the Register of US Holders particulars of any share if there has been furnished to it a declaration (in such form as the Board may from time to time prescribe) by the holder of such share, together with such other evidence as the Board may require, that satisfies the Board that such share is no longer a US-held share.
- (9) The Board may give notice to the holder of any US-held shares and, if it so chooses, to any other person appearing to it to be interested in such US-held shares calling for a Required Transfer of some or all of the US-held shares held by him to be made within 21 days or such longer period as the Board considers reasonable. 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 the shares to which the notice relates are not or are no longer US-held shares or in any other circumstances the Board sees fit. If the Board is not satisfied that a Required Transfer has been made by the expiry of the 21 day period (as may be extended), no transfer of any of the US-held shares to which the notice relates may be made or registered other than a transfer made pursuant to article 44A(10) or unless such notice is withdrawn.
- (10) If a notice given under article 44A(9) above has not been complied with in all respects to the satisfaction of the Board or withdrawn, the Board shall, so far as it is able, make a Required Transfer (or procure that a Required Transfer is made) and shall give written notice of such disposal to those persons on whom the notice was served. The holder of the shares duly disposed of and all other persons interested in such shares shall be deemed irrevocably and unconditionally to have authorised the Board to make such Required Transfer. The manner, timing and terms of any such Required Transfer 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 is or would become a US holder) shall be such as the Board determines (based on advice from bankers, brokers, or other persons the Board considers appropriate to be consulted by it for the purpose) to be reasonably obtainable having regard to all the circumstances, including but not limited to the number of shares to be disposed of and any requirement that the disposal be made without delay; and the Board shall not be liable to any person (whether or not a US holder) for any of the consequences of reliance on such advice.
- (11) For the purpose of effecting any Required Transfer, the Board may:
- (a) authorise in writing any officer or employee of the Company to execute any necessary transfer on behalf of any holder; and/or
 - (b) convert any share from uncertificated form to certificated form, 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 any officer or employee of the Company so authorised by the Board shall be as effective as if it has been executed by the holder of the transferred shares and the title of the transferee shall not be affected by any irregularity or invalidity in the proceedings relating to the sale. The proceeds of the Required Transfer shall be received by the Company or by any person nominated 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) upon surrender by him or on his behalf to the Company for cancellation of any instrument of transfer reasonably required by the Board and any certificate in respect of the transferred shares.
- (12) Nothing in this article shall require the Board to assume that any person is a US holder unless the information contained in the Register, the registers kept by the Company under Part VI of the Act or in the Register of US Holders, appears to the Board to indicate to the contrary or the Board has reason to believe otherwise, in which circumstances the Board shall make enquiries in good faith to discover whether any person is a US holder.
- (13) The Board shall not be obliged to give any notice otherwise required under this article 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.
- (14) Save as otherwise provided in this article, the provisions of these articles applying to the giving of notice of meetings to members shall apply to the giving 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 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 in the Register. The notice shall in such a case be deemed to have been given on the third day following that on which the envelope containing the same is posted. Proof that the envelope was properly addressed, pre-paid and posted shall be conclusive evidence that the notice was given.

(15) 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 enquiries made in good faith or as to the manner, timing and terms of any Required Transfer made by the Board in accordance with articles 44A(9), 44A(10) and 44A(11) 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 and shall not be open to challenge, whether as to its validity or otherwise on any ground whatsoever. The Board shall not be required to give any reasons for any decision, determination or declaration taken or made in accordance with this article.

(16) Nothing in this article shall constitute the holders of US-held shares as a separate class.

(17) This article shall apply notwithstanding any provision in any other of these articles which is inconsistent with or contrary to it.

17. 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 £25,000 in aggregate (as the terms EU political organisations and EU political expenditure are defined in section 347A of the Act), from the conclusion of the meeting until 30 September 2006 or, if sooner, the conclusion of the next Annual General Meeting of the Company.

18. 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 £18,500,000 for a period expiring on the date of the Annual General Meeting of the Company in 2006 or, if earlier, on 15 December 2006, 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.

19. THAT, subject to the passing of resolution 18 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 Annual General Meeting of the Company in 2006 or, if earlier, on 15 December 2006, 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:

- (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 £2,806,000, 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.

Registered Office:
Systems House
Alba Campus
Livingston EH54 7EG
12 August 2005

Registered in Scotland Number 270184



By order of the Board
Robert Armour
Company Secretary

NOTES

- (1) A member of the Company entitled to attend and vote at the meeting may 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. 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 13 September 2005. Return of a completed Form of Proxy will not preclude a member from attending and voting personally at the meeting.

- (2) Shareholders who hold shares in the Company must be entered on the Company's register of members on 13 September 2005 at 11.00 am to be entitled to attend and vote at the meeting. Such shareholders may only cast votes in respect of shares held at such time.
- (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 until the conclusion of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting from 10.15 am until its conclusion.
- (4) Copies of the Rules of the British Energy Group plc Long Term Deferred Bonus Plan and the Schedule of amendments thereto proposed by resolution 15, and the form of the Articles of Association of the Company incorporating the amendments proposed by resolution 16, 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 Annual General Meeting and will be available for inspection at the place of the Annual General Meeting from 10.15 am until its conclusion.

APPENDIX

(A) Proposed amendments to the British Energy Group plc Long Term Deferred Bonus Plan (the 'LT Plan') (resolution 15)

The following amendments are proposed to the LT Plan:

1. Currently an award under the LT Plan takes the form of an award of shares in the Company at no cost (although the rules already permit awards to take other forms, including nil cost options to acquire shares in the Company), with one-third of the shares being released immediately, and normally a further one-third being released on the first anniversary of the date of grant and the final third of the shares being released on the second anniversary. It is proposed to amend the way in which part of an award is provided (but not the timetable for the release of the award), so that of the one-third that is released immediately on grant, 66% of that one-third will be payable in cash (subject to a maximum of 0.50 x salary), with the balance in shares. The releases on the first and second anniversaries will continue to be entirely in shares.
2. The shareholding requirement will be enhanced to provide that participants must retain all shares released to them under the LT Plan (after selling sufficient to meet their PAYE tax liability on the release of shares) until they have built a shareholding (which would take into account shares subject to nil price options granted under the LT Plan) equal, in the case of executive directors of the Company, to 100% of their gross salary (previously the shareholding requirement for executive directors of the Company was 50% of their gross salary) and for other members of the Company's Executive Committee, equal to 50% of their gross salary. In addition, once these shareholding requirements have been reached, participants will be required to retain 33% of the shares they subsequently receive (after selling sufficient to meet their PAYE tax

liability) under the LT Plan, shares subject to nil cost options counting towards this holding requirement.

3. It is proposed to reduce the potential total maximum award for participants with a consequential change to the level of award for meeting the Adjusted Group Targets for financial years ending after 31 March 2006. For the financial years ending 31 March 2007 and 2008 the maximum award will be reduced from 5.6 x Basic Annual Salary to 4.2 x Basic Annual Salary for each of those years if all the Group Targets were met. In the light of the proposed reduction in the maximum awards, the Remuneration Committee also proposes to remove the restriction on weighting of the Nuclear Output at Adjusted Group Target of 3 x Basic Annual Salary which currently applies for the financial years ending 31 March 2006 and 31 March 2007. Furthermore, to reflect market practice, the Basic Annual Salary will be set at the beginning of the financial year in question, not the date of publication of the prospectus and listing particulars relating to the initial admission to listing of shares and warrants issued by the Company and bonds issued by British Energy Holdings plc (such date of publication being 29 November 2004) (the 'Prospectus'). It should be noted that, as currently provided by the LT Plan, the potential award for the Chief Nuclear Officer is increased by a factor of 1.67, a level necessary to attract and retain the unique skills associated with this role and this increased factor will also apply to his shareholding requirement.
4. It is proposed to set not only Group Targets and Adjusted Group Targets, but also, for financial years ending 31 March 2007 and subsequently (but not for the financial year ending 31 March 2006), Threshold Group Targets. If the Threshold Group Target is achieved for each of the performance targets, an award equal in amount to 10% of the maximum award will be granted to participants who meet the necessary conditions. Above the Threshold Group Target, a straight line calculation of

awards will apply between the Threshold Group Target, the Adjusted Group Target and the Group Target respectively, the awards for which will be at 50% and 100% of the maximum annual award.

5. It is proposed to amend the LT Plan so that the Remuneration Committee can set different EBITDA and Nuclear Output targets from those disclosed in the Prospectus.

The Remuneration Committee has already adjusted the Nuclear Output Adjusted Group Target and Group Target for the financial year ending 31 March 2006 to the figures set out below in accordance with existing adjustment provisions contained in the LT Plan. The targets for EBITDA for the financial year ending 31 March 2006 remain those disclosed in the Prospectus but the Remuneration Committee proposes for future years to make adjustments as it considers appropriate to the EBITDA targets to reflect the change in Nuclear Output and other factors affecting the Company's business. The targets for EBITDA and the adjusted targets for Nuclear Output for the financial year ending 31 March 2006 are therefore as follows:

	Adjusted Group target	Group target
EBITDA	£800m	£1000m
Nuclear output	62 TWh	64 TWh

The Remuneration Committee also proposes to change the weightings of the targets for the financial year ending 31 March 2006 as set out below.

Further, it is proposed that the Remuneration Committee will be able to set annually each of the performance measures and targets (including the Equity Market Capitalisation target) and the weighting of those targets

	Safety and environment	EBITDA	Nuclear output	Non-outage defect backlog	Trading measure	Free cash flow	Equity market capitalisation
Current	17.5%	30%	20%	10%	5%	7.5%	10%
Proposed	20%	20%	30%	10%	5%	5%	10%

shortly after the beginning of the relevant financial year. In determining these measures and targets, the Remuneration Committee will take into account the condition of the power stations and support services, investment needs, the market for electricity in the UK and other regulatory and safety issues. The targets will also be set after taking account of the annual budget agreed by the Board for the financial year in question.

The Remuneration Committee does not believe that it would be in the interests of shareholders to disclose these targets for reasons of commercial sensitivity, and so does not propose to disclose the targets other than those disclosed above.

Finally, the rules of the LT Plan currently vest most discretions relating to the operation of the LT Plan in the Remuneration Committee but some are given to the independent Non-Executive Directors as a body. The Remuneration Committee proposes to amend the rules of the LT Plan so that all discretions within the LT Plan are vested in the Remuneration Committee, which comprises independent Non-Executive Directors.

Note: Copies of the Rules of the British Energy Group plc Long Term Deferred Bonus Plan and the schedule of proposed amendments 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 letter until the conclusion of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting from 10.15 am until its conclusion. The Directors reserve the right up to the time of the Annual General Meeting to make such amendments and additions as they may consider necessary

or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this Appendix.

(B) Proposals to enable the Company to terminate its reporting obligations under the US Securities Exchange Act of 1934 (resolution 16)

INTRODUCTION

In light of the Company's small United States shareholder base (currently less than 100 beneficial holders of the Company's shares are believed to be resident in the United States), the sale of its businesses in North America, the fact that the Company is no longer listed on the New York Stock Exchange and recent reforms to United States securities laws, your Board considers that the burden and expense to the Company of complying with United States reporting and registration obligations, which are additional to the existing statutory, regulatory and governance requirements to which it is subject as a UK-listed company, now far outweigh the benefits derived by the Company from its registration with the United States Securities and Exchange Commission (the 'SEC') in accordance with the United States Securities Exchange Act of 1934 (the 'Exchange Act'). Consequently, after full and careful consideration of these factors, the Board has concluded that shareholders resident in the United States should not be considered to be in the same position as other shareholders and that the proposed amendments to the Articles of Association and the other de-registration steps described further below are in the best interests of the Company and its shareholders as a whole.

The Board has therefore decided to seek shareholder approval to its proposal to take steps to terminate its reporting obligations and registration pursuant to the Exchange Act. As a Company listed on the London Stock Exchange, the Company will continue to be subject to the UK Listing Rules and the Combined Code on Corporate Governance like any other UK-listed company, and will continue to maintain high standards of corporate governance

under this regime.

PROCEDURE FOR DE-REGISTRATION

The Company is able to de-register from the SEC so long as the number of shareholders resident in the United States, whether holding directly or through nominees, is below 300. Furthermore, the number of shareholders resident in the United States must remain below 300 after termination of registration, in order to avoid re-commencement of SEC reporting requirements. It is estimated that there are currently approximately 100 shareholders resident in the United States, holding approximately 21% of the issued share capital of the Company. Subject to receiving shareholder approval to proceed with de-registration, the Board believes the Company would be in a position to commence de-registration proceedings before the end of 2005. De-registration will occur 90 days after filing a certificate with the SEC that the number of shareholders resident in the United States is below 300.

AMENDMENTS TO ARTICLES OF ASSOCIATION AND BONDS TO FACILITATE DE-REGISTRATION

(i) ARTICLES OF ASSOCIATION

As mentioned above, it is possible for the SEC reporting requirements to recommence if, following de-registration, the number of shareholders resident in the United States once again increases above 300. Accordingly, it is common for companies who de-register to also take preventative measures to allow them to limit the number of shareholders resident in the United States going forward. The Board therefore proposes that the Company amend its Articles of Association to include a new provision conferring upon the Board the power to require shares which are held by persons resident in the United States to be sold to persons resident outside the United States. This compulsory transfer power would not be limited in time but would be generally available to the Board to exercise from time to time.

Under the terms of the proposed amendments to the Company's Articles of Association:

- The Company will be entitled to serve notices on shareholders or other persons appearing to the Company to have an

interest in any shares, requiring them to provide information relating to the ownership of such shares to the Company or to show that such shares are not held by or for a shareholder resident in the United States.

- Shareholders resident in the United States will be required to notify the Company of all shares held by them.
- The Company will maintain a register of shareholders whom the Board considers to be resident in the United States. Shareholders will be notified by the Company if their name has been added to, or removed from, that register, and shareholders will be entitled to make representations to the Company as to their inclusion on that register.
- The Board may give notice to any one or more shareholders resident in the United States requiring that they sell their shares within 21 days of receipt of that notice. If such notice is not complied with, the Directors may appoint a broker to sell such shares at the best price reasonably obtainable in the market at the time of sale. The sale proceeds will be paid to the holder of the shares so sold (after deduction of any expenses incurred by the Board in the sale) upon surrender by the holder of any instrument of transfer reasonably required by the Board and any share certificate in respect of such shares. It should be noted that the price at which the shares may be sold pursuant to the compulsory transfer provisions may be lower or higher than the market value of the shares at the date of this document.

Assuming the Articles of Association are so amended, the Board will be free to exercise the compulsory transfer provisions in its absolute discretion. If the Board decides to exercise the compulsory transfer power, it will do so solely with the objective of maintaining the number of shareholders resident in the United States below 300. Subject to the applicable legal, fiduciary and regulatory requirements and costs, in exercising the compulsory transfer provisions the Board expects to take account of the length of time for which United States resident shareholders have held shares in the Company, the size of the respective holdings of United

States resident shareholders, and such other factors as they may in their absolute discretion consider appropriate in the circumstances. Before the Board exercises the compulsory transfer power, the Company will make an appropriate announcement through a regulatory information service.

Given that it is currently estimated there are no more than 100 shareholders resident in the United States, the Board does not expect to require use of the proposed compulsory transfer powers prior to commencing de-registration proceedings, although if shareholders approve the amendments to the Company's Articles of Association the Board reserves the right to use such powers should the number of shareholders resident in the United States approach 300 at any time prior to de-registration becoming effective.

(ii) BONDS ISSUED BY BRITISH ENERGY HOLDINGS PLC

In addition to the reporting requirements outlined above which the Company is required to observe by virtue of its Exchange Act registration, the terms and conditions of the bonds (the 'Bonds') issued by the Company's wholly-owned subsidiary, British Energy Holdings plc ('Holdings') upon successful completion of the British Energy Group's financial restructuring in January 2005, stipulate further United States reporting and governance requirements that the Company must observe.

In particular, the Bonds require the Company to additionally prepare and file (i) quarterly reports with the SEC containing consolidated income statements, balance sheets and cash flows which have been prepared in accordance with generally accepted accounting practices in the United States (known as 'US GAAP'), and (ii) annual reports which have been prepared in accordance with, as opposed to reconciled to, US GAAP. There are further obligations in the Bonds with respect to filing of information in the United States, which broadly speaking require the Company to report in the same manner and to the same (higher) level of detail as a domestic listed company in the United States. Full details of the terms and conditions of the Bonds can be found in the prospectus

and listing particulars published by the Company and Holdings on 29 November 2004 (the 'Prospectus').

If the Company is successful in terminating its Exchange Act registration, for practical reasons it will no longer be possible for the Company to comply with these Bond requirements (as the SEC will not accept filings from companies that do not have an Exchange Act registration). Accordingly, in addition to seeking shareholder consent to de-register, the Company therefore also wishes to take this opportunity to inform shareholders that it intends to commence discussions with bondholders with a view to amending the terms and conditions of the Bonds so as to remove those United States reporting obligations. The Company may also use this opportunity to seek other amendments to the terms and conditions of the Bonds in addition to the removal of such reporting obligations.

It should be noted that there can be no guarantee that bondholders will consent to any amendments to the Bonds, even if shareholders separately vote in favour of the proposed amendments to the Company's Articles of Association described above. The Board intends to seek bondholder consent to such amendments prior to commencing de-registration proceedings. Should consent from Bondholders not be forthcoming, it is unlikely that the Company would commence de-registration proceedings, as (for the reasons outlined above) this may jeopardise the Company's ability to comply with the Bonds.

INFORMATION FOR SHAREHOLDERS RESIDENT IN THE UNITED STATES

(i) GENERAL

Following de-registration, the Company's shares will continue to be listed on the London Stock Exchange, and clearing and settlement of them will continue through CREST, the UK clearing and settlement system.

All future cash payments in respect of shares will continue to be paid in pounds sterling (£). Persons wishing to transfer their shares will need to comply with applicable UK registration requirements.

Any enquiries, including inquiries with respect to such registration requirements, will need to be referred to Lloyds TSB Registrars, The Causeway, Worthing BN99 6DA.

(ii) UK STAMP DUTY AND STAMP DUTY RESERVE TAX

Transfers on sale of shares (whether effected pursuant to the compulsory transfer provisions or otherwise) will generally be subject to United Kingdom stamp duty at the rate of 0.5% of the consideration given for the transfer. The purchaser normally pays the stamp duty.

An agreement to transfer shares will normally give rise to a charge to stamp duty reserve tax at a rate of 0.5% of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the condition is satisfied) any stamp duty reserve tax paid is repayable, generally with interest, and otherwise the stamp duty reserve tax charge is cancelled. Stamp duty reserve tax is generally payable by the purchaser.

Paperless transfers of shares within the CREST system will generally be liable to stamp duty reserve tax, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration payable under the relevant agreement to transfer the shares. CREST is obliged to collect stamp duty reserve tax on relevant transactions settled within the CREST system. Stamp duty or stamp duty reserve tax is generally payable by the purchaser. Deposits of shares into CREST will not generally be subject to stamp duty reserve tax, unless the transfer into CREST is itself made for consideration.

(iii) INFORMATION TO BE AVAILABLE TO PERSONS IN THE UNITED STATES FOLLOWING DE-REGISTRATION

The Company is currently subject to the Exchange Act's reporting obligations, and therefore files with the SEC an annual report on Form 20-F and furnishes to the SEC certain reports on Form 6-K. Notwithstanding the effectiveness of any amendments to the Company's Articles of

Association, the Company will continue to file with and submit to the SEC these same reports, unless and until de-registration becomes effective. After such de-registration and for so long as the Company remains de-registered, the Company will be exempt from these reporting requirements and will no longer file any reports with the SEC.

As noted above, the terms and conditions of the Bonds oblige the Company to furnish certain additional information to the SEC. Should bondholders consent to the amendments to the Bonds described above, the Company will cease to comply with those additional reporting requirements immediately. However, for so long as the Company continues to be registered under the Exchange Act, it will continue to comply with the SEC's reporting requirements in the manner described above.

BRITISH ENERGY GROUP PLC

SYSTEMS HOUSE
ALBA CAMPUS
LIVINGSTON
EH54 7EG
UNITED KINGDOM

REGISTERED IN SCOTLAND NUMBER 270184

BRITISH ENERGY GROUP PLC

WWW.BRITISH-ENERGY.COM

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.

