



Results Presentation

Results for the first quarter ended 2 July 2006 of the financial year ending 31 March 2007 (Q1 06/07)

A large, stylized logo consisting of the letters 'BBE' in a bold, sans-serif font. The letters are filled with a pattern of vertical lines, creating a textured effect. The logo is positioned on the right side of the slide, partially overlapping a background image of an industrial worker.

BBE

16 August 2006



Electricity demand in the UK is seasonal, in that demand and prices are generally lower in summer than in winter. As a result, British Energy (and other generators) schedules a significant proportion of planned outages for the summer months. This seasonality in both prices and output has a direct effect on financial performance and cash flows.

Forward-looking statements

This document contains certain ‘forward-looking’ statements, including statements with respect to British Energy’s business plans, the performance of its stations, electricity prices and other matters that are not historical facts concerning the business operations, financial condition and results of operations of British Energy. These forward-looking statements typically contain words such as ‘intends’, ‘expects’, ‘anticipates’, ‘estimates’, ‘aim’, ‘believe’, ‘assume’, ‘should’, and words of similar import, which are predictions of or indicate future events or future trends. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which are in some cases beyond the control of British Energy and may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements. Due to the uncertainties and risks associated with these forward-looking statements they relate only as to the date hereof.

Speakers

Bill Coley

Chief Executive Officer

Stephen Billingham

Finance Director

1 Operational Review

2 Financial Review

3 Appendix



Bill Coley

Chief Executive Officer

Highlights 1

◆ Total output

- Nuclear
- Coal
- Total

Q1 06/07 TWh	Q1 05/06 TWh
15.3	15.7
1.7	1.7
17.0	17.4

- ◆ Year to date output is below our expectations
- ◆ Reflects 3.4TWh nuclear unplanned losses* (up from 2.3TWh in Q1 05/06)
- ◆ No losses >1TWh in FY 06/07 to date
- ◆ Hunterston B inspections: boiler tube cracking above that expected
- ◆ FY 06/07 nuclear output: whilst very challenging, continue to work towards achieving 63TWh. Expect nuclear output to be in the range 61TWh to 63TWh

* Includes 0.6TWh in respect of outage and refueling overruns and 0.2TWh planned boiler closure unit inspections

Highlights 2

- ◆ Average realised price (£/MWh)
- ◆ Unit operating cost (£/MWh)

- ◆ Adjusted EBITDA (£m)
- ◆ Net profit attributable to shareholders (£m)
- ◆ *Adjusted earnings per share**

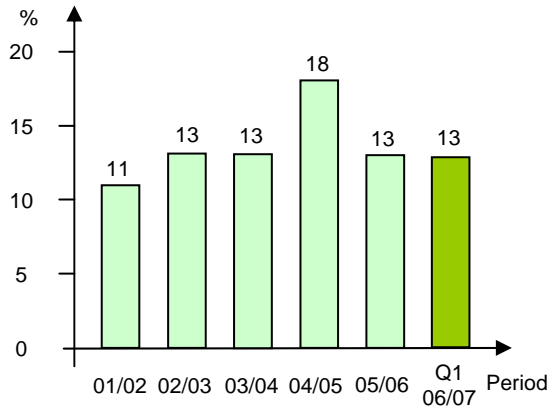
Q1 06/07	Q1 05/06
35.9	24.7
22.1	20.7
289	118
75	16
9.1p	1.4p

* Economic earnings per share after taking account of NLF Cash Sweep interest at 64.62%. See Slides 16 and 28

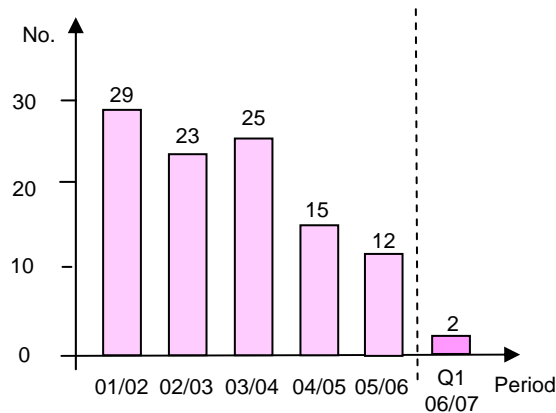
- ◆ Sizewell B, 449 days continuous running since last statutory outage. No reduction in output due to water temperature during recent warm weather
- ◆ Investment in plant £54m for the Quarter, up from £41m in Q1 05/06. Expect £250m - £300m FY 06/07
- ◆ Losses have largely occurred in areas still to be addressed by proposed investment
- ◆ Statutory outages completed at Torness and Dungeness B and underway at Hartlepool and Hunterston B
- ◆ Excluding unplanned losses, continued improvement in other key nuclear metrics

Nuclear metrics – Q1 06/07

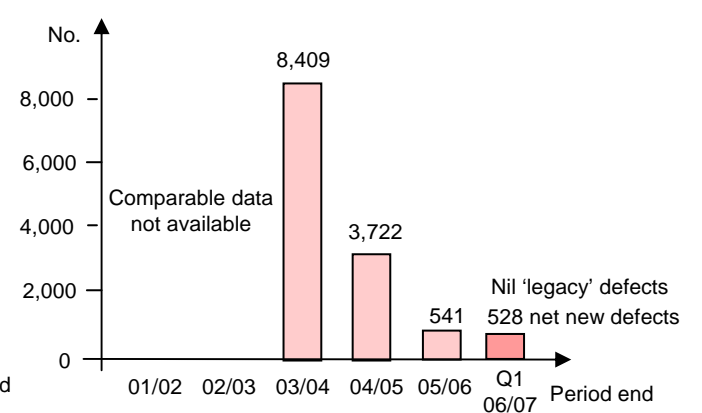
Unplanned Capability Loss Factor



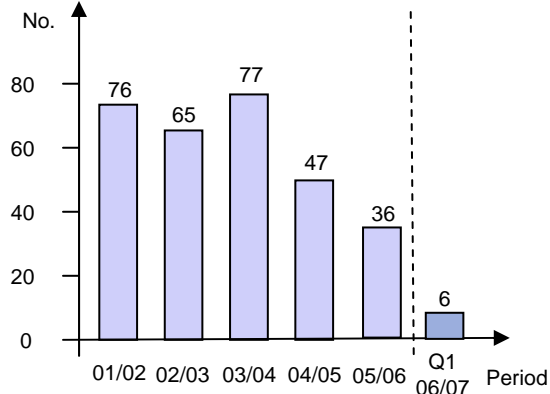
Unplanned Automatic Trips



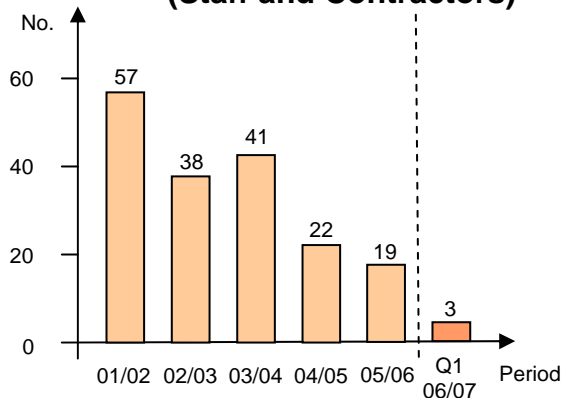
Non-Outage Defect Inventory



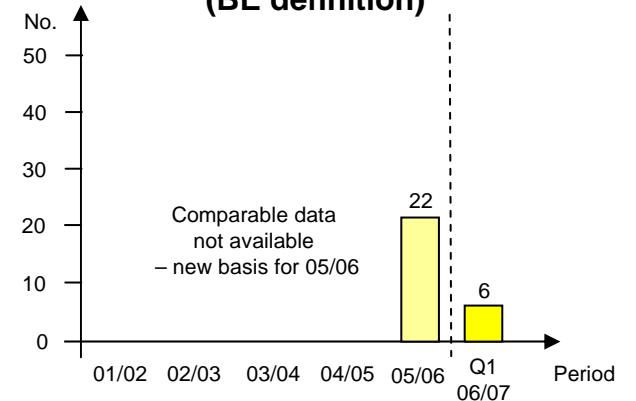
Nuclear Reportable Events



LTA's - Nuclear (Staff and Contractors)



Environmental Events (BE definition)



- ◆ Principal areas of losses during the year to date:
 - Isolated human performance events
 - Outage overruns
 - Fuel route: reactivity constraints
 - Boiler tube leaks

- ◆ FY 06/07 fixed price book approximately 76% fixed at £44/MWh as at 6 August 2006
- ◆ Zero/capped collateral trades up to 51.2TWh for up to five years, from 35.9TWh as at June 2006
- ◆ Government Energy Review – confirms role of nuclear power as part of a balanced energy portfolio. Certainty required over planning process and regulation to assure safe, economic and reliable generation
- ◆ Government actively considering conversion and sale of part of NLF Cash Sweep via a capital markets transaction

- 1 Operational Review
- 2 Financial Review**
- 3 Appendix



Stephen Billingham

Finance Director

Financial highlights

	Q1 06/07	Q1 05/06
Adjusted EBITDA (£m)	289	118
Total output (TWh)	17.0	17.4
Realised price (£/MWh)	35.9	24.7
Total investment in plant (£m)	54	41

	Q1 06/07	Q1 05/06
Net cash inflow generated from operations (£m)	195	59

(£m)	2 July 2006	31 March 2006
Total cash (including collateral)	1,016	844
Collateral and other restricted cash	233	206
Debt	(626)	(626)
Net cash	390	218
Net cash (excluding restricted cash)	157	12

Summary of results (1)

	Q1 06/07	Q1 05/06
Output (TWh)	17.0	17.4
- Nuclear output (TWh)	15.3	15.7
- Coal output (TWh)	1.7	1.7
Realised price (£/MWh)	35.9	24.7
Unit operating cost (£/MWh)	22.1	20.7
Unit operating margin (£/MWh)	13.8	4.0
Adjusted EBITDA (£m)	289	118
Profit after tax (pre NLF Cash Sweep Payment) (£m)	75	16
<i>Adjusted earnings per share (pence)</i>	9.1p	1.4p
NLF Cash Sweep (£m)	-	-
Net profit for the year attributable to shareholders (£m)	75	16

- ◆ Adjusted earnings per share reflects economic interest of NLF at 64.62% as at 2 July 2006 (See slides 16 and 28). Includes contract provision unwind, £15m and IAS 39, £(38)m

Comparison between Adjusted Income Statement and Reported Income Statement

£m	Adjusted* Q1 06/07	Reported Q1 06/07
Adjusted EBITDA	289	289
Other operating income/(costs)**	N/I	15
Depreciation	(49)	(49)
Amortisation and other charges	(2)	(2)
Unrealised net gains on financial instruments and commodity contracts	N/I	(38)
Operating profit	238	215
Interest payable (net)	(4)	(4)
Other finance expenses	1	(1)
Taxation	(142)	(135)
Net profit before Cash Sweep Payment	93	75
Cash Sweep Payment	-	-
Net profit for the period attributable to shareholders	93	75
Adjustment for impact of Cash Sweep Payment on taxation	71	71
Adjusted net profit for the period attributable to shareholders	164	146
Earnings per share (pence)		
Basic	16.3	13.2
Adjusted for Sweep Conversion***	10.2	9.1

N/I - Not Included

* Adjusted to exclude unrealised net gains/(losses) on financial instruments and commodity contracts, NLF Cash Sweep Payment and other operating income/(costs) and includes the corresponding adjustments to taxation and revalorisation thereon

** Represents unwind of the fair value of the contract provision established at Restructuring

*** Computed on the basis of Net profit before Cash Sweep Payment, adjusted for the impact of the NLF Cash Sweep Payment on taxation (£71m), divided by the enlarged number of shares that would have been in issue had the NLF fully converted its interest at 2 July 2006 (1,612m)

Summary of results (2)

- ◆ Realised price increased to £35.9/MWh in Q1 06/07 (Q1 05/06: £24.7/MWh)
- ◆ Around 76% of the FY 06/07 book contracted at an average price of £44/MWh excluding 5 TWh of capped contracts at £30/MWh
- ◆ Unit operating cost increased to £22.1/MWh in Q1 06/07 (Q1 05/06: £20.7/MWh)
 - Controllable operating costs increased in line with previous guidance
 - Partially offset by a reduction in Eggborough fuel costs, largely due to the impact of significantly lower carbon prices
- ◆ Cash and collateral
 - Continued strong cash inflow from operating activities of £195m for the Quarter (Q1 05/06: £59m) reflecting higher realised prices
 - Increased zero/capped collateral trades to 51.2TWh for delivery over the period to April 2011

Operating cash flow reconciliation

£m

Operating profit for the quarter

- Depreciation and amortisation
- Unrealised net losses on financial instruments and commodity contracts
- Other operating income
- Cash Sweep Payment accrual

Adjusted EBITDA

Non income statement business costs

- NLF Liabilities payment
- Difference between pension contributions paid and amounts recognised in income
- Other

Movement in working capital

Movement in restricted cash

Interest (net)

Net cash inflow generated from operations

Capex

Cash flows from financing activities

- Exercise of Warrants
- Repayment of borrowings

Taxation

Cash Sweep paid

Net increase in cash and cash equivalents

Q1 06/07

215

51

38

(15)

-

289

(6)

(2)

(7)

(48)

(27)

(4)

195

(51)

1

-

-

-

145

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Output summary

	Q1 06/07	Q1 05/06
Output (TWh)		
Nuclear - AGRs	12.6	14.5
Nuclear - PWR	2.6	1.2
Total Nuclear	15.3	15.7
Eggborough (Coal)	1.7	1.7
Total	17.0	17.4
Nuclear unplanned losses (TWh)	3.4 ⁽¹⁾	2.3 ⁽¹⁾
Load Factors (%)		
Nuclear - AGRs	68%	77%
Nuclear - PWR	99%	45%
Total Nuclear	72%	73%
Eggborough (Coal)	39%	40%

Notes:

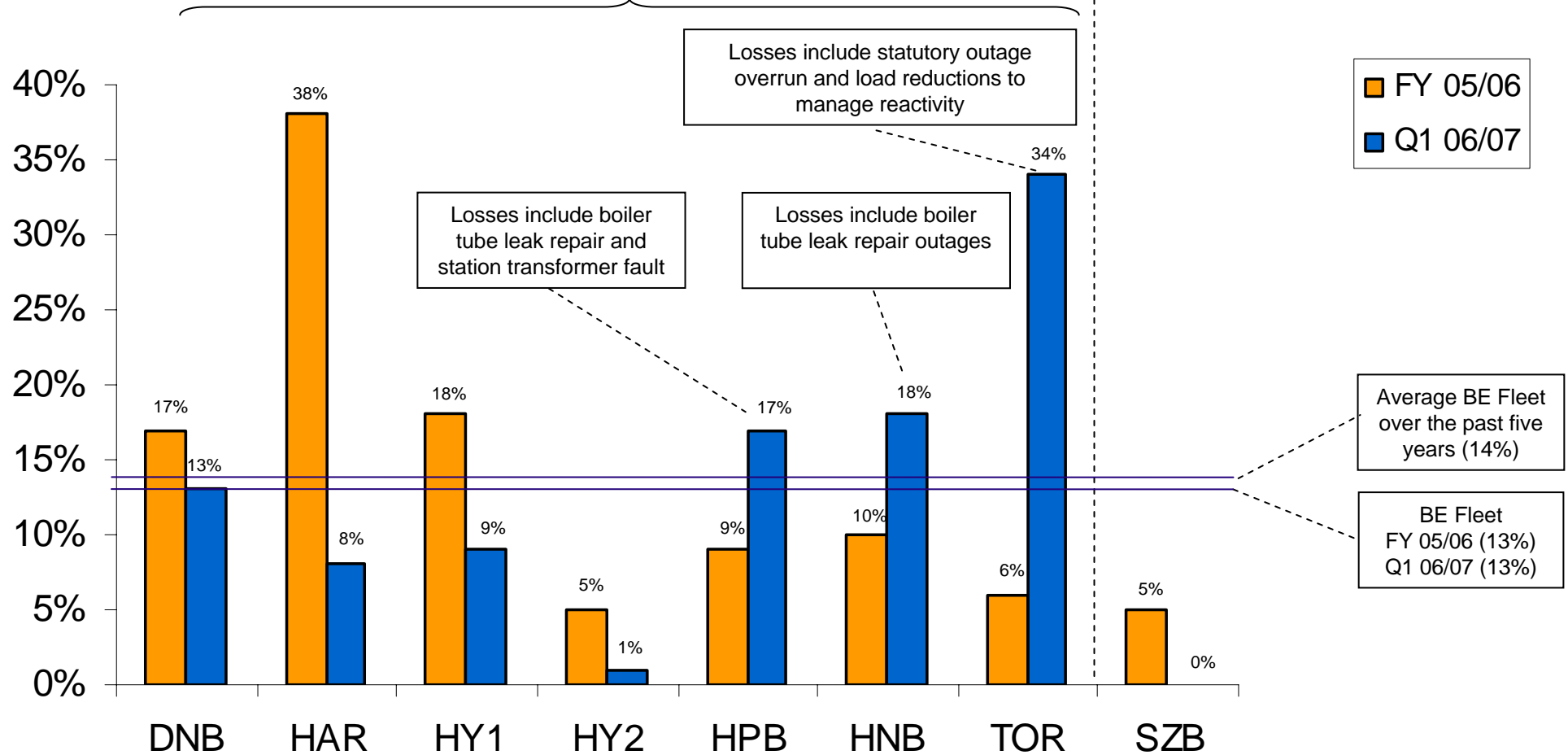
1. Unplanned losses and non routine events including statutory outage overruns and refueling variance against plan

(Numbers rounded)

UCLF by station – Q1 06/07

AGR Fleet

PWR



Historic losses from unplanned and non-routine events

Losses from unplanned and non-routine events (TWh)

	Q1 06/07	Q4 05/06	Q3 05/06	Q2 05/06
Q1 06/07				
- Torness reactivity management	0.5			
- Hunterston B boiler tube leaks	0.4			
- Heysham 1 BCU inspections (planned)	0.2			
- Hinkley Point B boiler tube leaks	0.2			
Q4 05/06				
- Hartlepool generator stator / rotor replacement		1.0		
- Hartlepool generator transformer load restriction		0.1		
Q3 05/06				
- Hartlepool and Heysham 1 BCU stud investigations			1.8	
- Hartlepool generator stator / rotor replacement			0.6	
- Dungeness B alternator issues			0.4	
- Heysham 2 boiler feed restriction			0.2	
- Hartlepool generator transformer load restriction			0.2	
- Hinkley Point B cooling water valve replacement			0.2	
Q2 05/06				
- Hartlepool and Heysham 1 BCU stud investigations				1.6
- Hartlepool gen. transformer load restriction / inspection				0.2
Other outages each < 14 days:	1.5	2.2	0.6	1.5
Total losses due to non-routine events	2.8	3.3	4.1	3.3
Losses due to outage overruns(1)	0.6	(0.4)	(0.1)	0.4
Total unplanned losses for quarter	3.4	2.9	4.0	3.7

Notes:

1. Includes statutory outage and refueling variances to plan

(Numbers rounded)

Revenue

£m	Q1 06/07	Q1 05/06
Wholesale generation sales	322	226
Direct supply sales net of energy supply costs	289	204
Revenue from generated electricity	611	430
Energy supply costs recharged to customers	103	82
Energy purchases	13	4
Miscellaneous income	2	5
Total revenue	729	521
% Split		
Wholesale generation	53%	53%
Direct supply	47%	47%
Output (TWh)	17.0	17.4
Realised price (£/MWh)	35.9	24.7

- ◆ Revenue is stated after deduction of BSUoS market participation charge (expect around £1/MWh FY 06/07) and illiquidity costs incurred through output variation and unreliability (expect around £1/MWh FY 06/07)

Operating costs

£m	Q1 06/07	Q1 05/06
Fuel costs	114	137
Materials and services	121	100
Staff Costs	89	80
Operating costs of generated electricity	324	317
Depreciation	49	43
Software amortisation	2	1
	375	361
Nuclear fuel cost/TWh	5.2	5.4
Eggborough fuel cost/TWh	20.0	31.2
Unit operating cost/TWh	22.1	20.7

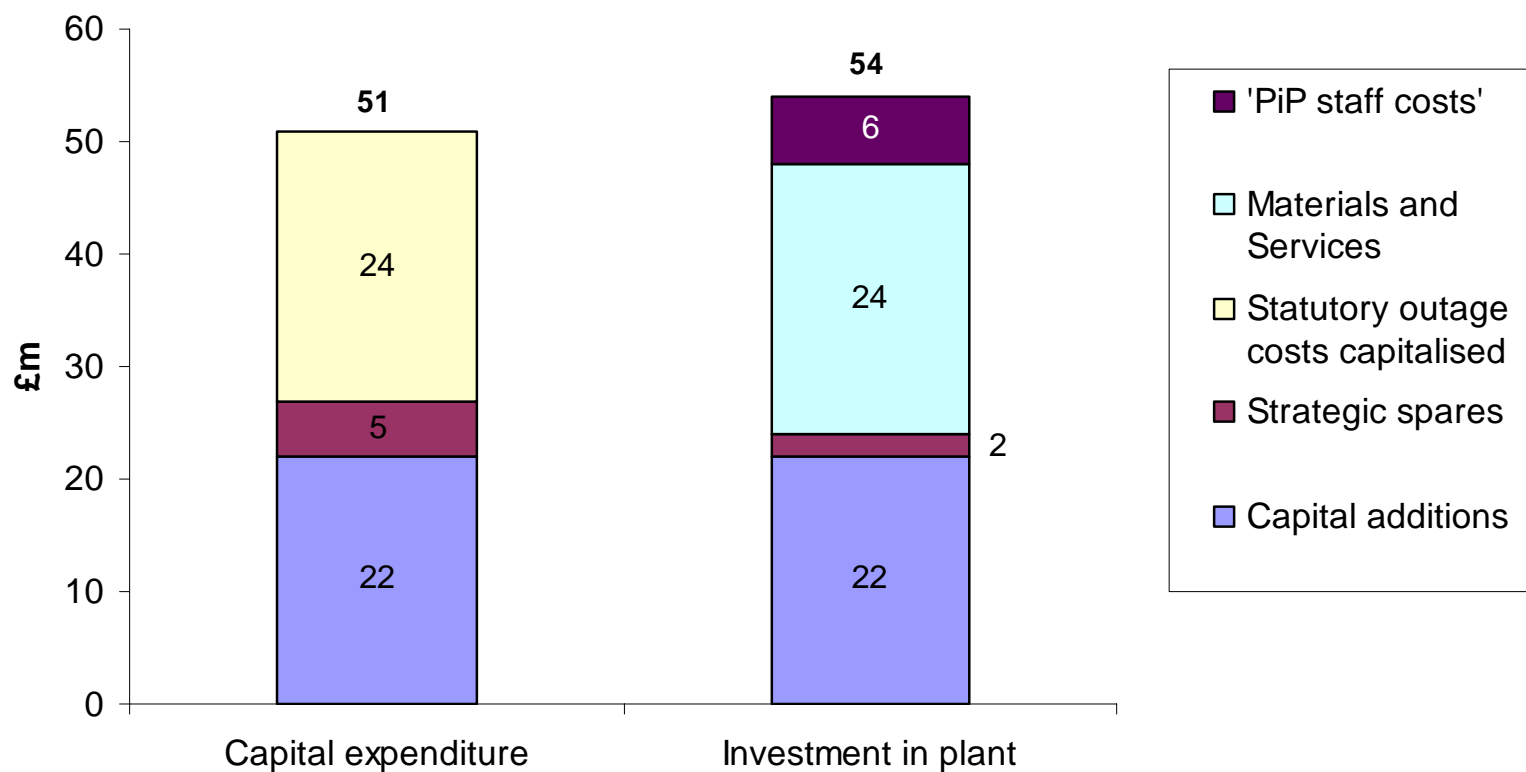
- ◆ Controllable operating costs increased in line with previous guidance
- ◆ Underlying nuclear fuel costs £5.5/MWh excluding accounting effects
- ◆ Eggborough fuel costs £20.0/MWh, reflecting reduction in market price of carbon from c. £19/tonne at 31 March 2006 to c. £11/tonne at 30 June 2006. Coal fuel costs (excluding carbon costs) were £17.5/MWh in Q1 06/07 (£18.0/MWh in FY 06/07)

Note: Unit operating cost is calculated as operating costs of generated electricity plus depreciation and software amortisation, divided by total output

Cash/net debt analysis

£m	As at 2 July 2006	As at 31 March 2006
Cash not used for collateral	783	638
Cash used for collateral	228	201
Other restricted cash	5	5
Total Cash	1,016	844
Total debt	(626)	(626)
Net cash	390	218
Net cash excluding restricted cash	157	12

Components of capital expenditure and investment in plant Q1 06/07



Notes:

1. Capital additions include software classified as intangible assets under IFRS
2. Certain additions capitalised as strategic spares are excluded under the classification criteria for investment in plant

Event

AGM

Q2 06/07 results announcement

Indicative Timing

20 September 2006

November 2006

Adjusted EBITDA – Defined by the Company as profit before financing (charges)/credits, taxation, depreciation, amortisation and other charges, unrealised net gains/(losses) on financial instruments and commodity contracts, NLF Cash Sweep Payment, other exceptional operating expenses and other operating income/(costs).

Adjusted earnings per share – The amount of the NLF Cash Sweep Payment and the net profit attributable to equity shareholders in any given financial year does not necessarily reflect the respective economic interests of the NLF and equity shareholders in the profits of the Group. As described in Note 6 to the financial statements, the computation of the annual Cash Sweep Payment is based on cash flows and the retention of appropriate cash (Target Amount) and expenditure (Forecast Expenditure Reserve) reserves.

The Directors believe that a more appropriate measure of adjusted earnings per share can be computed on the basis of earnings before the NLF Cash Sweep Payment, adjusted for the impact of the NLF Cash Sweep Payment on taxation, divided by the enlarged number of shares that would have been in issue had the NLF fully converted its interest at 2 July 2006. This would result in an adjusted earnings per share of 9.1p for the quarter ended 2 July 2006.

AGR (Advanced Gas-cooled Reactor) - The second generation of civil gas-cooled nuclear reactor built in the UK.

Emission Limit Values (ELV) – Emission limits imposed under the Large Combustion Plant Directive, requiring operators to maintain emissions within a rate limit at all points in time.

Energy Supply Costs (ESC) - Mainly comprise the costs incurred for the use of the distribution and transmission systems, recovered through revenue, and costs of Renewable Obligation Certificates (ROCs).

Investment in Plant - Investment expenditure on plant projects, major repairs and strategic spares across the whole Group, and incremental costs associated with the Performance Improvement Programme including associated staff costs.

Large Combustion Plant Directive (LCPD) – EC Directive applicable to combustion plants exceeding 50MW thermal, that takes into account recent advances in combustion and abatement technologies to introduce revised limits for releases of SO₂, NO_x and dust. Under UK implementation of the Directive, operators are permitted to elect either the Emission Limits Value (ELV) approach or the National Emissions Reduction Plan (NERP) approach.

Load factor - The electricity produced by a power station expressed as a percentage of the electricity it could have produced if operating at its reference energy generation over a fixed time period, usually one year.

Lost Time Accidents (LTAs) – An incident which causes one or more days off work (consecutive or not) after, but not including, the day of occupational injury or illness.

MW (Megawatt): MWh (Megawatt-hour) - One megawatt equals 1,000 kW: one megawatt-hour represents one hour of electricity consumption at a constant rate of 1 MW.

National Emissions Reduction Plan (NERP) - Emission limits imposed under the Large Plant Combustion Directive, requiring operators to maintain emissions within an annual 'bubble' limit.

Non Outage Defect Inventory - Total of outstanding plant defects which are work requests that have been partially assessed by maintenance, or are still awaiting action after screening by the station Work Review Groups based on a priority weighting set by the Nuclear Performance Review Committee.

NRE - Nuclear reportable events.

Outage (Planned and Unplanned) - A period during which a reactor is shut down. The periodic shutdown of a reactor including for maintenance, inspection and testing or, in some cases, for refueling is known as a planned outage. In the UK, some planned outages are known as statutory outages and are required by the conditions attached to the nuclear site licence needed to operate the station. Unscheduled shutdown of a reactor for a period is known as an unplanned outage.

PWR (Pressurised Water Reactor) - The most recent type of nuclear reactor to be constructed in the UK which uses pressurised water as both the coolant and the moderator.

Realised Price - Calculated by dividing revenue from generated electricity by total output for the period.

Restructuring – The restructuring of the Group completed on 14 January 2005.

RED – The Restructuring Effective Date, 14 January 2005.

Revalorisation - Revalorisation arises because nuclear liabilities are stated in the balance sheet at current price levels, discounted at 3% per annum from the eventual payment dates. The revalorisation charge is the adjustment that results from restating these liabilities to take into account the effect of inflation in the period and to remove the effect of one period's discount as the eventual dates of payment become one year closer.

Revalorisation charges arise in respect of the fixed decommissioning obligation to reflect the unwinding of the discount for the period. A revalorisation credit arises in respect of movements in the value of nuclear liabilities and the NLF receivable to take account of the underlying movement in nuclear liabilities.

Total Cash - This is the sum of cash, cash equivalents and restricted cash.

TW (Terawatt): TWh (Terawatt-hour) - One terawatt equals 1,000 GW: one terawatt-hour represents one hour of electricity consumption at a constant rate of 1 TW.

Unit Operating Costs - Calculated by dividing the operating costs of generated electricity plus depreciation and software amortisation by total output for the period.

Unplanned Capability Loss Factor (UCLF) - Unplanned capability loss factor is defined as the ratio of the unplanned energy losses during a given period of time, to the reference energy generation, expressed as a percentage.

Unplanned Energy Loss - In the context of Unplanned Capability Loss Factor, unplanned energy loss is energy that was not produced during the period because of unplanned shutdowns, outage extensions, or unplanned load reductions due to causes under plant management control. Causes of energy losses are considered to be unplanned if they are not scheduled at least four weeks in advance.