

BRITISH ENERGY GROUP PLC
RESULTS FOR THE SIX MONTHS ENDED 28 SEPTEMBER 2008
OF THE FINANCIAL YEAR ENDING 31 MARCH 2009

Key Points

- Nuclear output lower than the comparable period, primarily reflecting the continuing impact of the Boiler Closure Unit (BCU) outage at Hartlepool and Heysham 1. There is the opportunity for improved output and performance in H2 2008/09 as we expect to return five reactors to service before the end of December 2008
- Good progress has been made across all four reactors at Hartlepool and Heysham 1 with installation of engineering modifications to enable return to service well advanced. Installation of the circumferential bands is complete on the lead unit, Heysham 1 Reactor 1, and 61% complete on Hartlepool Reactor 1. We currently plan to return two reactors to service by the end of calendar year 2008 and two in early 2009
- Level of small unplanned losses sustained at low levels
- Dungeness B Reactor 21 returned to service in October 2008. The statutory and refuelling outage of Reactor 22 is ongoing, with return to service expected in December 2008. Heysham 2 Reactor 7 is in the process of returning to service following its planned statutory outage
- Following the return to service in August 2008 of Hinkley Point B Reactor 3 and Hunterston B Reactor 4 after planned outages, all four reactors at Hinkley Point B and Hunterston B have been operating at around 70% load, as planned
- On 24 September 2008, the Boards of EDF and British Energy announced that they had reached agreement on the terms of Recommended Offers to be made by Lake Acquisitions Limited, a wholly owned subsidiary of EDF S.A., for the entire issued and to be issued share capital of British Energy Group plc (excluding the Special Share). The Recommended Offers are subject to, among other things, shareholder acceptance and European Commission competition clearance

Bill Coley, Chief Executive of British Energy, said –

“There is the opportunity for improved output and performance in H2 2008/09 as we expect to return five reactors to service before the end of December 2008. Delivering the safe return to service of Hartlepool and Heysham 1 is the immediate priority. I am pleased with the dedication and ingenuity shown by the British Energy team and our contract partners on this challenging project.”

	Six months ended 28 September 2008 (H1 2008/09)	Six months ended 30 September 2007 (H1 2007/08)
Nuclear (TWh)	19.2	27.8
Coal (TWh)	3.5	2.9
Total output (TWh)	22.7	30.7
Adjusted EBITDA ⁽¹⁾ (£m)	257	511
Adjusted operating profit (excluding certain items) ⁽⁵⁾ (£m)	138	388
Adjusted net profit (excluding certain items) ⁽⁵⁾ (£m)	83	288
Net profit for the period attributable to shareholders (£m)	23	243
Adjusted earnings per share (excluding certain items) ⁽⁵⁾ after taking account of Cash Sweep economic interest at 35.6% (H1 2007/08: 35.2%) ⁽²⁾ (p)	5.2	18.1

Reported net profit for the period attributable to shareholders £23m (H1 2007/08: £243m), basic earnings per share 2.2p (H1 2007/08: 28.2p); includes Cash Sweep Payment credit, £nil (H1 2007/08 £134m ⁽³⁾), Cash Sweep Payment accrual, £nil (H1 2007/08: £nil) and amortisation of conversion asset, £89m (H1 2007/08: £70m ⁽³⁾).

- Total output for the period was 22.7TWh (H1 2007/08: 30.7TWh), comprising nuclear output of 19.2TWh (H1 2007/08: 27.8TWh) and coal output of 3.5TWh (H1 2007/08: 2.9TWh). The reduction in nuclear output largely reflects the BCU outages at Hartlepool and Heysham 1
- Adjusted EBITDA was £257m, down from £511m in the comparable period, principally reflecting lower output and higher costs incurred in respect of the BCU recovery project. Increased operating costs, including higher staff costs and higher coal costs, were partially offset by higher realised price, including the effect of net revenue from the flexible operation of Eggborough
 - Realised price was £47.2/MWh for the period, up £8.8/MWh from £38.4/MWh in the comparable period
 - Unit operating cost increased to £41.3/MWh for the period from £25.9/MWh in the comparable period
 - Operating margin decreased to £5.9/MWh from £12.5/MWh in the comparable period
- Investment in Plant in financial year 2008/09 is expected to be around £305m. In addition, we expect to incur BCU modification costs of around £125m. In line with existing guidance, Investment in Plant in financial year 2009/10 is expected to be in the range £260m to £280m
- As at 9 November 2008 we had fixed price contracts in place for approximately 47.2TWh for the financial year 2008/09 at an average price of £46/MWh (net of illiquidity costs incurred in the year to date), including the impact of capped price contracts at around £34/MWh. The capped contracts are for delivery of approximately 5TWh per annum up to March 2011
- In addition, as at 9 November 2008 we had fixed price contracts in place for approximately 35.4TWh for the financial year 2009/10 at an average price of £44/MWh, excluding the impact of capped price contracts at around £35/MWh
- As at 9 November 2008, we had approximately 100TWh of zero/capped collateral sales that will deliver over the period to March 2013 at fixed prices (excluding power already delivered under these contracts), down from 104TWh at 9 November 2007
- We have taken prudent action to limit our financial exposure to the financial market in the light of current economic conditions in global financial markets
- Since September 2008, as permitted under the arrangements entered into as part of the Restructuring in 2005, the Eggborough Banks have had the right to access the station assets and historical records for the purpose of preparing an evaluation of Eggborough power station

	Six months ended 28 September 2008 (H1 2008/09)	Six months ended 30 September 2007 (H1 2007/08)
Revenue (£m)	1,281	1,390
Operating and energy costs (£m)	(1,024)	(879)
Adjusted EBITDA ⁽¹⁾ (£m)	257	511
Depreciation and other amortisation (£m)	(119)	(123)
Other operating income (£m)	13	9
Unrealised net gains/(losses) on derivative financial instruments and commodity contracts (£m)	8	(68)
Operating profit before Cash Sweep Payment credit, Cash Sweep Payment accrual and amortisation of conversion asset (£m)	159	329
Adjusted net profit for the period attributable to shareholders ⁽³⁾ (£m)	97	247
<i>Adjusted earnings per share after taking account of Cash Sweep economic interest at 35.6% (H1 2007/08: 35.2%) ^{(2),(4)} (p)</i>	6.1	15.6

Cash Sweep Payment credit ⁽³⁾ (£m)	-	134
Cash Sweep Payment accrual ⁽²⁾ (£m)	-	-
Amortisation of conversion asset ⁽³⁾ (£m)	(89)	(70)
Adjustments in respect of taxation ⁽³⁾ (£m)	15	(68)
Net profit for the period attributable to shareholders (£m)	23	243

Realised price (£/MWh)	47.2	38.4
Unit operating cost (£/MWh)	41.3	25.9
Operating margin (£/MWh)	5.9	12.5

Adjusted operating profit (excluding certain items) ⁽⁵⁾ (£m)	138	388
Adjusted net profit (excluding certain items) ⁽⁵⁾ (£m)	83	288
Adjusted earnings per share (excluding certain items) ⁽⁵⁾ after taking account of Cash Sweep economic interest at 35.6% (H1 2007/08: 35.2%) ⁽²⁾ (p)	5.2	18.1

Nuclear unplanned capability loss factor (%)	32	15
Total output (TWh)	22.7	30.7
Nuclear (TWh)	19.2	27.8
Coal (TWh)	3.5	2.9

	As at 28 September 2008	As at 31 March 2008
Cash and cash equivalents (excluding restricted cash and other financial assets) (£m)	759	1,028
Debt (£m)	(516)	(516)
Net cash (excluding restricted cash and other financial assets) (£m)	243	512

Restricted cash and other financial assets (£m)	250	286
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(1) Adjusted EBITDA is defined as profit before financing (charges)/credits, taxation, depreciation, amortisation of conversion asset, other amortisation, unrealised net gains/(losses) on derivative financial instruments and commodity contracts, Cash Sweep Payment accrual, Cash Sweep Payment credit, other exceptional operating expenses and other operating income. The Directors believe that the adjusted measure provides a better indication of underlying business performance.

(2) The Cash Sweep percentage was 35.6% as at 28 September 2008, up from 35.1% as at 31 March 2008, reflecting the payment on 3 April 2008 of the additional dividend of 14.5p per share in respect of financial year 2006/07, the payments of the Cash Sweep Payment of £102m and the base dividend of 13.6p per share on 23 July 2008 and 31 July 2008 respectively in respect of financial year 2007/08 and the exercise of approximately 0.5 million Warrants in the period. In line with our accounting policy, no accrual has been made as at 28 September 2008 for any Cash Sweep Payment in respect of financial year 2008/09.

(3) The reported results for the comparable period include a credit of £134m to reflect the waiver by the NLF of a portion of the Cash Sweep Payment in respect of the financial year 2006/07, reducing the amount payable from £305m to £171m and a charge of £70m in respect of the amortisation of the conversion asset recorded upon partial conversion. These items have been excluded in the calculation of adjusted net profit for the period attributable to shareholders in the comparable period, together with the corresponding adjustments to taxation thereon.

(4) The amount of the Cash Sweep Payment and the net profit attributable to equity shareholders in any given financial year does not reflect the respective economic interests of the NLF and equity shareholders in the profits of British Energy Group plc. As described in note 9 to the financial statements, the computation of the annual Cash Sweep Payment is based on cash flows and the retention of an appropriate cash amount (Target Amount) and a forecast expenditure amount (Forecast Expenditure Reserve). The Directors believe that a more appropriate measure of earnings per share can be computed on the basis of net profit before the Cash Sweep Payment accrual, Cash Sweep Payment credit and amortisation of conversion asset, divided by the enlarged number of shares that would have been in issue had the NLF fully converted its remaining interest at 28 September 2008. This would result in an adjusted earnings per share of 6.1p for the period ended 28 September 2008 (H1 2007/08: 15.6p).

(5) Results for the period ended 28 September 2008 and the comparable period have been adjusted to exclude unrealised net gains/(losses) on derivative financial instruments and commodity contracts, Cash Sweep Payment accrual, Cash Sweep Payment credit, amortisation of conversion asset, other operating income and other exceptional operating expenses and include where appropriate the corresponding adjustments to taxation and revaluation thereon.

Certain defined terms used in these results are contained in the Glossary at the back of this statement.

Management Presentation and Conference Call

Management will host a conference call and webcast for analysts, institutional investors and bondholders at 9:15am (UK time) today, 18 November 2008 and dial in facilities can be accessed by dialling:

UK dial in: +44 (0)20 8609 0582

Principally for the benefit of US Qualified Institutional Buyers and Qualified Purchasers, management will host a further conference call at 2:00pm (UK time), 18 November 2008. The conference can be accessed by dialling:

UK dial in: +44 (0)20 8609 0582

US access no: 1 866 388 1925

For further information please contact:

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A copy of this release and a copy of the presentation in pdf file format can be found on our website at www.british-energy.com.

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.

CHIEF EXECUTIVE'S OPERATIONAL REVIEW

Overview

Operational performance in the period has been significantly impacted by the ongoing outage at Hartlepool and Heysham 1 power stations. There is the opportunity for improved output and performance in H2 2008/09 as we expect to return five reactors to service before the end of December 2008.

We are now in the final construction phase of the BCU project - the installation of the engineering solutions which will enable the units to be returned to service. Installation of the circumferential bands is complete on the lead unit, Heysham 1 Reactor 1, and 61% complete on Hartlepool Reactor 1. We have also submitted the long-term Boiler Closure Unit safety case to the Regulator for approval, which is an important milestone in the recovery project.

Hinkley Point B and Hunterston B have been operating at around 70% load, as planned, and one of the reactors at Dungeness B has been returned to service, following the successful design and implementation of a solution that will allow the station to achieve normal refuelling patterns by the end of calendar year 2009. In addition, the low level of small losses across the remainder of the fleet has been sustained.

We continue our prudent trading strategy, adjusting as appropriate to this period of extreme volatility in commodity markets. Our fixed price trading book has progressively been managed to account for the expected return to service dates of the power stations at Hartlepool and Heysham 1.

The announcement of the Recommended Offers for the Company is an important development for British Energy. As the Recommended Offers are being considered by shareholders and the competition authorities, our focus at British Energy is unchanged - achieving the best possible performance from our plant and our people remains our key objective. Delivering the safe return to service of Hartlepool and Heysham 1 is the immediate priority.

Plant Output and Performance

Total output for the period was 22.7TWh (nuclear: 19.2TWh, coal: 3.5TWh), down from 30.7TWh in the comparable period (nuclear: 27.8TWh, coal: 2.9TWh), largely due to the Boiler Closure Unit (BCU) outage at Hartlepool and Heysham 1. As a result, nuclear unplanned capability loss factor for the period increased to 32%, up from 15% for the comparable period.

Output is stated after total non-routine nuclear losses of 16.2TWh compared to 8.3TWh of losses in the comparable period. Losses in the period comprise 9.0TWh attributable to the BCU outage (8.7TWh of which were planned at the start of the year), 4.3TWh attributable to boiler inspection/repair work and the load limits at Hinkley Point B and Hunterston B (all of which was planned at the start of the year), 1.1 TWh attributable to the fuel plug issue at Dungeness B and 1.8TWh attributable to other events. The level of small unplanned losses continues to be low at 1.5TWh in the period and compares with the best ever annual run rate of around 4TWh achieved last financial year.

We continue to benefit from the contribution from Eggborough, our coal-fired power station, optimising its operation against volatile power, coal and carbon prices, and at the same time meeting our environmental commitments. Eggborough is now operating within the National Emission Reduction Plan (NERP) regime under the LCPD. We keep under review the option of mothballing one of the non-FGD units. As a result of higher clean dark spread prices, output from Eggborough increased to 3.5TWh for the period, compared to 2.9TWh in the comparable period. We have rescheduled the planned maintenance outage of one unit at Eggborough, originally scheduled for November 2008, to early 2009.

Total output to 9 November 2008 for the current financial year ending 31 March 2009 was 28.1TWh (nuclear: 23.3TWh, coal: 4.8TWh). This is stated after total non-routine nuclear losses for the period to 9 November 2008 of 19.8TWh. Non-routine nuclear losses comprise 11.3TWh attributable to the BCU outage at Hartlepool and Heysham 1 (9.8TWh of which were planned at the start of the year), 5.1TWh of losses attributable to the operations at Hinkley Point B and Hunterston B (all of which were planned at the start of the year), 1.2TWh attributable to the fuel plug unit issue at Dungeness B and 2.2TWh attributable to other events. The level of small unplanned losses to 9 November 2008 was 2.1TWh.

Boiler Closure Unit status

As announced on 10 October 2008, work to address the BCU issue at Hartlepool and Heysham 1 power stations is progressing well to bring the units back into service, but has taken longer than originally planned.

Regulatory approval to commence installation of the circumferential bands was received on 21 August 2008. Installation of the circumferential bands on the lead reactor (Heysham 1 Reactor 1) is now complete and installation on the second unit (Hartlepool Reactor 1) is 61% complete.

Good progress has been made across all four reactors on other installation work required to return the BCUs to service. This includes installation of thermal shielding, secondary restraint components, cooling water systems and commissioning of enhanced instrumentation systems.

Whilst the reactors have been out of service, we have brought forward work originally scheduled for future outages. This includes the replacement of a generator stator and main generator transformer at Hartlepool and replacement of some 3km of cast iron cooling water pipe work at both stations. In addition, a significant number of minor projects aimed at improving the reliability of the stations has been undertaken. This work is progressing to plan.

Regulatory approval for each reactor will be required before they can return to service. The long-term safety case has been submitted to the Regulator, following completion of our own internal verification. The Regulator has had full view of the project and we are pleased with the approach they are taking to conclude the assessment of the case, marking the culmination of over a year of work.

It is currently planned that two reactors at Hartlepool and Heysham 1 will return to service by the end of calendar year 2008, and that the remaining two reactors will return to service in early 2009. However, the work involved in completing the repairs to the units is complex and first of a kind in nature and it is not possible to forecast precisely when the work will be completed and regulatory consent obtained, which could further delay returning the units to service.

As a result of the extent of work involved (over two million man hours to date) we now expect that the costs in this financial year of commissioning and installing the engineering modifications will be around £125m. In the event of any additional slippage in return to service timing, incremental costs may be expected to arise.

Dungeness fuel plug status

The length of refuelling outages at Dungeness B has been temporarily extended since September 2006 to address an issue with certain welds within the fuel plug units. A crimping machine to lock the fuel plugs in place has been developed and constructed and is now in service.

Reactor 21 was returned to service on 16 October 2008 following completion of crimping and inspection of the fuel assemblies. Inspection and repair of shielding supports was also performed during the outage.

The statutory and refuelling outage of Reactor 22 is underway and we are proceeding with the crimping and inspection of fuel assemblies. The unit is expected to return to service in December 2008, subject to the normal

Regulatory approval of the statutory outage. Normal refuelling patterns are expected to be achieved for both units by the end of the calendar year 2009 as remaining fuel plug units are crimped in place and inspected.

Incremental losses arising in financial year 2008/09 as a result of this work are expected to be around 2.3TWh, including the additional work to inspect and repair shielding supports on both units.

Boiler issues status

Following the return to service in August 2008 of both Hinkley Point B Reactor 3 and Hunterston B Reactor 4 after planned outages, all four reactors have been operating at around 70% load, as planned.

A number of alternative engineering solutions are being considered to enable operating load to be increased above the 70% level. Evaluation of the prototype 'clamshell' device designed to insulate the boiler tube bifurcations has indicated that this device will not provide sufficient margin for increasing load, thus other options are being evaluated.

A planned statutory outage at Hinkley Point B Reactor 4 commenced on 19 September 2008. Boiler inspections, necessary repairs and further balancing work have been completed and results are in line with expectations. The safety case for return to service of the unit is currently being prepared. The unit is expected to return to service and progressively raise load to around 70% in December 2008.

Eggborough Options

Under the arrangements entered into as part of the Restructuring in 2005, the Eggborough Banks have the right to purchase the shares or assets of Eggborough Power Limited on 31 March 2010 for consideration of £104m, together with cancellation of the then outstanding payments under the Amended Credit Agreement (£83m). The Options are exercisable at any time prior to 31 August 2009. From September 2008, as permitted under the arrangements, the Eggborough Banks have the right to access the station assets and historical records for the purposes of preparing an evaluation of the station.

Safety and Environmental Performance

Our overriding priority is to ensure the nuclear, industrial, radiological and environmental safety of our operations. Maintaining a strong safety culture throughout the organisation is key to achieving this.

There were five nuclear reportable events during the period compared to two in the corresponding period last year. None of these events were rated higher than Level 1 of the International Nuclear Event Scale (INES), where Level 1 represents events that have no impact on the safety of the general public or our workforce. We continue to work to maintain a low level of nuclear reportable events.

There was a total of ten lost time accidents (LTAs) during the period, compared to nine in the comparable period. During the period, two of the ten LTAs were sustained by British Energy employees and eight by contractors. While significant progress has been made in recent years, it is disappointing to have sustained an increase in this important metric and we are increasing our efforts internally and with our contractor partners to reverse this trend.

British Energy measures environmental performance on a scale more stringent than that of the Environment Agency. There were eight environmental events in this period up from seven in the comparable period, all of which were rated by our environmental regulators as having minor or no environmental impact.

Investment in Plant and People

Investment in Plant for the period was £146m, compared to £111m in the same period last year. Additional costs of £63m were incurred during the period in respect of the BCU recovery project. Investment in Plant in the period includes: regulatory and essential works, including work on Period Safety Review documentation and investment in strategic spares; works in support of lifetime extensions, including boiler inspections at Hunterston B and

Hinkley Point B, investment in intermediate level waste storage facilities at Sizewell B and underground cast iron pipework across the fleet; and works to maintain reliability, including the fleet fuel route investment programme, investment in coolant gas systems across the fleet, and investment in fuel plug units at Dungeness B.

In financial year 2008/09, Investment in Plant is expected to be around £305m. In addition, expenditure on the BCU recovery project is now expected to be around £125m.

This financial year, 2008/09, marks the largest number of planned outages and one of the largest programmes of investment in the Company's history. Statutory outages have been completed at Sizewell B, Heysham 1 Reactor 2 and Hunterston B Reactor 4 (including boiler inspections) and are ongoing at Dungeness B Reactor 22, Heysham 2 Reactor 7 and Hinkley Point B Reactor 4.

Trading

Market conditions

The forward price of annual baseload electricity commencing October 2008 was £60/MWh at the start of April 2008 rising to £92/MWh as at 28 September 2008. The price of annual coal delivered to European ports, commencing January 2009, rose from \$122/tonne at the start of April 2008 to \$157/tonne as at 28 September 2008, reaching a peak of \$218/tonne in July 2008. Prices of Phase II carbon allowances for delivery in December 2008 have traded between €20-30/tonne CO₂ in the period, closing at €25/tonne CO₂ as at 28 September 2008.

Clean dark spread prices (being the electricity price, less costs of coal and carbon allowances) for the Winter 08 and Summer 09 seasons rose from £21/MWh and £11/MWh respectively at the start of April 2008 to £54/MWh and £22/MWh respectively as at 28 September 2008.

At 9 November 2008, the forward price of annual baseload electricity commencing April 2009 was £61/MWh. Clean dark spread prices for the Summer 09 and Winter 09 seasons were £13/MWh and £19/MWh respectively.

We currently have stocks and contracts in place which provide nearly 100% coverage of our anticipated requirements of uranium and uranium related services until 31 March 2011. The current market price of uranium, while having declined in recent months, is still above the level of these existing fuel agreements. The long-term market price of uranium was US\$70 per pound as at 3 November 2008, down from US\$95 per pound as at 31 March 2008. If uranium and uranium related services increased to 3 November 2008 long-term market prices, this could eventually increase the Group's total nuclear fuel costs by approximately £149m per annum, based on nuclear output for the financial year ending 31 March 2008. These prices could begin to be substantially reflected in the income statement within the financial year ending 31 March 2012, as supply under existing stocks and contracts are used, and would continue to rise until the full impact of the prevailing uranium price is reflected during the financial year ending 31 March 2017.

Trading performance

Realised price for the period was £47.2/MWh, an increase of £8.8/MWh compared with a realised price of £38.4/MWh for the comparable period. Our contracted price position continues to include the impact of capped price contracts entered into at a time when significantly lower market prices prevailed. The contract portfolio also includes profiled contracts (both wholesale and direct sales) and therefore the contracted price is not directly comparable to a baseload market price.

We have progressively undertaken the necessary work to balance the trading book and remain appropriately positioned, taking into account the return to service dates of the four units at Hartlepool and Heysham 1. As at 9 November 2008, we had fixed price contracts in place for approximately 47.2TWh for the financial year 2008/09 at an average contract price of £46/MWh (net of illiquidity costs incurred in the year to date and including the impact of capped contracts). The capped contracts are for delivery of approximately 5TWh per annum up to

March 2011 at prices currently capped at around £34/MWh, reflecting current estimates of inflation and market related costs.

As at 9 November 2008, we had fixed price contracts in place for approximately 35.4TWh for the financial year 2009/10 at an average contract price of £44/MWh (excluding the impact of approximately 5TWh of capped contracts at around £35/MWh, reflecting current estimates of inflation and market related costs).

As at 9 November 2008, we had 100TWh of zero/capped collateral sales that will deliver over the period to March 2013 at fixed prices (excluding power already delivered under these contracts), down from 104TWh at 9 November 2007, for delivery over the period to March 2013.

At 28 September 2008, we had £230m (31 March 2008: £267m) cash posted as collateral in support of trading activities.

Nuclear New Build

We are continuing to progress Nuclear New Build activities for our potential development sites at Hinkley Point, Sizewell, Bradwell and Dungeness. These activities include undertaking detailed environmental, socio-economic and other survey activities. We are also proceeding with public consultation and engagement activities and have commenced a series of public meetings with the communities around our sites, including Hinkley Point, where British Energy and EDF have adjoining land interests.

The Government continues to reinforce its position on the potential for Nuclear New Build in the UK. Amongst their activities, they are currently consulting on the strategic siting assessment process and siting criteria for new nuclear power stations in the UK. This is intended to be a high level process to identify sites which are potentially suitable for new nuclear development and the results will be incorporated into a National Policy Statement on nuclear power. At this stage we have no reason to believe any of our sites should be excluded, although the nomination process will not apply to sites in Scotland. The formal invitation to nominate sites for inclusion in the assessment process is expected around the turn of the year.

On 3 October 2008, the Government announced the formation of a new Department of Energy and Climate Change, to focus on solving the twin challenges of climate change and energy supply. The Department of Energy and Climate Change includes the Office of Nuclear Development, which was established on 12 June 2008.

Recommended Offers for the Company

On 24 September 2008, the Boards of EDF and British Energy announced that they had reached agreement on the terms of the Recommended Offers to be made by Lake Acquisitions Limited, a wholly owned subsidiary of EDF S.A., for the entire issued and to be issued share capital of British Energy Group plc (excluding the Special Share). The Recommended Offers are subject to, among other things, shareholder acceptance and European Commission competition clearance.

On 3 November 2008, EDF submitted the Form CO competition filing to the European Commission. On 5 November 2008, the Offer Document and Prospectus were posted to eligible British Energy Group plc shareholders. The Recommended Offers are initially open for acceptance until 5 December 2008.

FINANCIAL REVIEW

Financial Performance

Summary of Results

The unaudited results for the six months ended 28 September 2008 (the period) and 30 September 2007 (the comparable period) are summarised as follows:

	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m
Revenue	1,281	1,390
Operating and energy costs	(1,024)	(879)
Adjusted EBITDA ⁽¹⁾	257	511
Other operating income	13	9
Cash Sweep Payment credit	-	134
Cash Sweep Payment accrual	-	-
Depreciation	(114)	(119)
Amortisation of conversion asset	(89)	(70)
Other amortisation	(5)	(4)
Unrealised net gains/(losses) on derivative financial instruments and commodity contracts	8	(68)
Operating profit	70	393
Financing (charges)/credits		
Interest payable	(41)	(39)
Interest receivable	38	40
Net other finance (expense)/income	(9)	13
Profit before taxation	58	407
Taxation	(35)	(164)
Net profit for the period attributable to shareholders	23	243

(1) Adjusted EBITDA is defined as profit before financing (charges)/credits, taxation, depreciation, amortisation of conversion asset, other amortisation, unrealised net gains/(losses) on derivative financial instruments and commodity contracts, Cash Sweep Payment accrual, Cash Sweep Payment credit, other exceptional operating expenses and other operating income

Revenue and Output

Revenue consists primarily of wholesale generation sales and sales by the Group's direct supply business, British Energy Direct. The analysis of revenue is as follows:

	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m
Revenue		
Wholesale generation sales	499	695
Direct supply sales excluding recovery of energy supply costs and renewable energy purchases recharged to customers	572	483
Revenue from generated electricity	1,071	1,178
Energy supply costs recharged to customers	187	190
Renewable energy purchases recharged to customers	18	17
Miscellaneous income	5	5
Total revenue	1,281	1,390

Output is analysed as follows:

	Six months ended 28 September 2008 TWh	Six months ended 30 September 2007 TWh
Nuclear power stations	19.2	27.8
Coal-fired power station – Eggborough	3.5	2.9
Total output	22.7	30.7

The Group's output in the period of 22.7TWh was 26% lower than the output achieved in the comparable period. The reduction in nuclear output is in line with management's expectation and is primarily due to the ongoing Boiler Closure Unit (BCU) outages at Hartlepool and Heysham 1. The fall in nuclear output has been partially offset by the increased output from Eggborough in response to the significant increase in clean dark spreads in the period. The impact on revenue of decreased nuclear output has been partially offset by an increase in realised price from £38.4/MWh in the comparable period to £47.2/MWh in this period. Realised price is calculated as revenue from generated electricity divided by total output.

Operating and Energy Costs Summary

The Group's operating and energy costs are analysed as follows:

	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m
Fuel costs – nuclear	112	160
Fuel costs – Eggborough	146	63
Total fuel costs	258	223
Materials and services	343	251
Staff costs	218	198
Operating costs of generated electricity	819	672
Energy supply costs recharged to customers	187	190
Renewable energy purchases recharged to customers	18	17
Total operating and energy costs	1,024	879

Unit Operating Cost and Operating Margin

Unit operating cost increased to £41.3/MWh for the period from £25.9/MWh in the comparable period, and is calculated as operating costs of generated electricity plus depreciation and software amortisation, divided by total output. The main factors behind the significant increase in unit operating cost are the reduction in output, the increase in coal prices and the costs of the BCU recovery project at Hartlepool and Heysham 1. For further discussion on each category of costs refer to the sections below.

Realised price less unit operating cost results in an operating margin per unit of £5.9/MWh for the period (2007: £12.5/MWh).

Operating and Energy Costs

Nuclear fuel costs consist of the costs of procurement of uranium, conversion and enrichment services and fuel element fabrication (front end) and the costs of reprocessing, long-term storage and eventual disposal of the resulting waste products (back end). Full provision is also made for the projected costs of unburnt fuel at station closure.

Nuclear fuel costs have decreased by £48m to £112m (2007: £160m) as a result of reduced nuclear output. Nuclear fuel unit cost is unchanged at £5.8/MWh. Nuclear fuel costs have benefited by £16m, or £0.9/MWh, from a change in the methodology in the period of charging certain back end costs to the consolidated income statement. This benefit has offset the increase in nuclear fuel unit cost due to the impact of lower output on the fixed and semi variable elements of nuclear costs. Excluding the impact of the change in methodology the nuclear fuel unit cost for the period is £6.7/MWh.

Eggborough fuel costs in respect of coal, oil, biomass and carbon allowances totalled £146m for the period (2007: £63m), or £41.7/MWh (2007: £21.7/MWh). Excluding carbon allowances, Eggborough fuel costs were £118m (2007: £57m), or £33.7/MWh (2007: £19.7/MWh). The rise in unit cost reflects the significant increase in coal and carbon prices, despite this, clean dark spreads have also significantly widened and the output at Eggborough has increased to take advantage of current market conditions.

Materials and services costs comprise the operating expenses of the power stations and support functions. These costs of £343m (2007: £251m) have increased by £92m from the comparable period. This is primarily due to £63m (2007: £nil) of costs in relation to the BCU recovery project at Hartlepool and Heysham 1, as well as an increase in expenditure on Non-Recurring Revenue (NRR) expenditure projects in accordance with the Group's investment programme. The increase also reflects a doubtful debt provision of £2m raised following the filing under Chapter 11 of the United States Bankruptcy Code by Lehman Brothers Holdings Inc. in September 2008. This represents the full exposure to this counterparty.

Staff costs totalled £218m in the period (2007: £198m), an increase of £20m from the comparable period. Higher average staff numbers and the annual pay rise accounted for £13m of the increase, along with increased pension costs of £4m and increased overtime costs of £3m due to a higher level of outage activity in the period.

Energy supply costs were £187m (2007: £190m) and primarily comprise the costs to the Group of the Renewables Obligation Scheme, Transmission and Distribution Use of System costs (TNUoS and DUoS) and Balancing Services Use of System costs (BSUoS), all of which are fully recovered within revenue.

The cost of renewable energy purchases for the period is £18m (2007: £17m).

Other Operating Income

Other operating income relates to the utilisation of the contracts provision of £2m which was established at the Restructuring Effective Date (RED) and £11m of distributions received from an Enron insolvency claim.

Cash Sweep Payment and Amortisation of Conversion Asset

As part of the Contribution Agreement made at the time of Restructuring, the Group has an obligation to make annual Cash Sweep Payments to the Nuclear Liabilities Fund (NLF) should certain criteria be met. The annual Cash Sweep Payment was initially equal to 65% of the Group's net cash flow, adjusted for certain items outlined in the Contribution Agreement. The NLF has the right to convert some or all of its entitlement to receive Cash Sweep Payments into convertible shares and to sell those shares. On disposal, the convertible shares automatically convert into ordinary shares of British Energy Group plc.

As a result of the partial conversion into equity by the NLF of its Cash Sweep entitlement in June 2007 the NLF Cash Sweep percentage was reduced to approximately 36%. This transaction resulted in the issue and sale of 450 million ordinary shares and resulted in an increase to share capital of £45m, share premium of £2,295m and the recognition of a conversion asset of £2,340m. The conversion asset is being amortised over the accounting lives of the stations. The conversion asset amortisation charge for this period is £89m (2007: £70m). As part of the transaction the NLF agreed to waive a portion of the Cash Sweep Payment in respect of the financial year ended 31 March 2007, reducing the amount payable from £305m to £171m and accordingly a Cash Sweep Payment credit of £134m was recognised in the consolidated income statement for the comparable period. Further details on the June 2007 transaction and the accounting for the conversion asset are contained in British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2008.

In accordance with the Group's accounting policy, no accrual has been made as at 28 September 2008 for any potential future Cash Sweep Payment that may be payable based on the full year results for the year ending 31 March 2009.

On a full conversion of its remaining interest, the NLF would hold up to approximately 36% of the thereby enlarged equity share capital of British Energy Group plc.

As previously reported, the Cash Sweep percentage adjustment formula that is applied upon payment of a Cash Sweep Payment or cash distribution did not adequately maintain the relative economic interests of shareholders and the NLF. On 17 July 2008, a supplementary deed was signed with the NLF and the Secretary of State to amend the Contribution Agreement to correct this imbalance.

Depreciation and Other Amortisation

Depreciation of £114m (2007: £119m) was £5m lower than the comparable period due to the accounting life extensions at Hinkley Point B and Hunterston B, announced in December 2007, partially offset by increased expenditure on power stations and other plant and equipment, including overhaul. Other amortisation of £5m (2007: £4m) relates to amortisation on software in the period.

Unrealised Net Gains/(Losses) on Derivative Financial Instruments and Commodity Contracts

Unrealised net gains or losses on derivative financial instruments and commodity contracts arise as a result of fair value movements in the Group's commodity contracts which fall within the scope of IAS 39 – Financial Instruments: Recognition and Measurement (IAS 39). Some of these contracts are accounted for as cash flow hedges, with movements in fair value taken directly to equity in the hedge reserve. The fair value movements in all other contracts within the scope of IAS 39 are presented in the unrealised net gains/(losses) on derivative financial instruments and commodity contracts line of the consolidated income statement.

The credit to the consolidated income statement in the period of £8m (2007: £68m charge) represents the fair value movements on electricity, coal, carbon allowances and other forward contracts.

Financing (Charges)/Credits

Interest payable of £41m (2007: £39m) relates to interest on the Group's Bonds, together with finance fees on structured trading contracts and committed letter of credit facilities. In line with the annual repayment of the bond principal in March 2008, the interest payable on the Bonds decreased by £2m to £18m.

Interest receivable of £38m (2007: £40m) relates to interest earned on cash deposits and interest earned on deferred cash receipts in respect of a capped collateral power sales contract. This has decreased as a result of lower interest bearing cash deposits and lower interest rates compared with the comparable period. This has been offset by higher interest received on deferred cash receipts as a result of increased amounts due under this contract.

For details of net other finance expense of £9m (2007: £13m income), refer to note 6 in the financial statements.

Taxation

A tax charge of £35m (2007: £164m) has been recognised in the consolidated income statement for the period. This comprises a current tax charge of £29m (2007: 189m) and a deferred tax charge of £6m (2007: £25m credit). The tax charge has been computed in accordance with the generally accepted practice which provides that the forecast effective tax rate on the forecast full year profits before tax and IAS 39 adjustments be applied to the actual reported profit before tax and IAS 39 adjustments for the period. The forecast full year effective tax rate on this basis is 67%. In addition, the standard tax rate of 28% is applied to the IAS 39 adjustments in the period. The forecast full year effective tax rate of 67% is higher than the standard tax rate of 28% due to the forecast Cash Sweep Payment, accrued only at the year end, and conversion asset amortisation, which are treated as operating costs, being disallowable for tax purposes. The increase in the forecast full year effective tax rate also reflects an additional deferred tax charge as a result of the introduction of legislation to phase out industrial buildings allowances.

Net Profit and Earnings Per Share

Net profit for the period attributable to shareholders was £23m (2007: £243m).

Basic earnings per share for the period was 2.2p (2007: 28.2p). This is based on the net profit for the period divided by the weighted average number of ordinary shares in issue during the period. The net profit for the comparable period includes £134m relating to the waiver of the Cash Sweep Payment for the year ended 31 March 2007. If the waiver had not been granted by the NLF the basic earnings per share for the comparable period would have been 12.6p.

Diluted earnings per share for the period was 2.2p (2007: 28.0p). The diluted earnings per share calculation is based on the weighted average number of ordinary shares in issue, together with the dilutive weighted average of potential ordinary shares in respect of Warrants.

Adjusted earnings per share for the period was 6.1p (2007: 15.6p). As described in note 9 to the financial statements, the Cash Sweep Payment accrual and the net profit attributable to shareholders do not necessarily reflect the respective economic interests of the NLF and equity shareholders in the profits of the Group. The calculation in any given year of the annual Cash Sweep Payment accrual is based on cash flows and the retention of an appropriate cash amount (Target Amount) and a forecast expenditure amount (Forecast Expenditure Reserve).

An adjusted earnings per share has therefore been calculated by excluding the following from the net profit for the period attributable to shareholders:

- the amortisation of the conversion asset for the period;
- the impact of the Cash Sweep Payment and amortisation of the conversion asset for the year ending 31 March 2009 on the effective tax rate used for the six months' charge; and
- for the comparable period, the Cash Sweep Payment credit relating to the year ended 31 March 2007 and related tax effect.

The weighted average share capital is adjusted by the number of shares that would have been in issue if:

- the NLF had fully converted their remaining interest at the balance sheet date; and
- for the comparable period, the partial conversion had taken place on 1 April 2007 and not on the actual partial conversion date of 6 June 2007.

Investment Programme

The Group's priority of achieving operational safety and excellence requires significant expenditure to improve the reliability of the Group's power stations. The Group incurred the following costs as part of its continuing programme of investment:

	Six months ended 28 September 2008 Capital expenditure £m	Six months ended 28 September 2008 Investment in Plant £m	Six months ended 30 September 2007 Capital expenditure £m	Six months ended 30 September 2007 Investment in Plant £m
Capital additions	65	65	47	47
Strategic spares	2	2	1	1
Statutory outage costs	59	-	56	-
Capitalised expenditure	126	67	104	48
Non-recurring revenue (NRR) expenditure projects	-	79	-	63
Total	126	146	104	111

Of the £126m (2007: £104m) of capital expenditure, £122m (2007: £99m) was capitalised within property, plant and equipment, and the remaining £4m (2007: £5m), relating to systems software was capitalised in intangible assets. In addition to the costs above, £63m (2007: £nil) was incurred during the period in respect of the BCU recovery project at Hartlepool and Heysham 1.

For the full financial year ending 31 March 2009 the Group expects Investment in Plant to be around £305m. The additional investment expenditure on the BCU recovery project at Hartlepool and Heysham 1 is now expected to be around £125m.

Financial Position

Analysis of Cash Flows

At 28 September 2008 the Group had cash and cash equivalents of £759m compared to £1,028m at the beginning of the period. The decrease in cash and cash equivalents is analysed as follows:

	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m
Net cash inflow generated from operations	157	207
Net cash used in investing activities	(126)	(104)
Net cash used in financing activities	(300)	(136)
Net decrease in cash and cash equivalents	(269)	(33)
Cash and cash equivalents at the beginning of the period	1,028	1,101
Cash and cash equivalents at the end of the period	759	1,068

Net cash inflow generated from operations was £157m in comparison with £207m inflow in the comparable period. The decrease mainly relates to lower operating profit.

Net cash used in investing activities relates to property, plant and equipment and software additions.

The £300m (2007: £136m) utilised in financing activities relates to:

- the payment of the additional dividend of £150m (2007: £nil) on 3 April 2008 in respect of the year ended 31 March 2007;
- the payment of the base dividend for the year ended 31 March 2008 of £141m (2007: £140m) on 31 July 2008;
- the purchase of own shares to satisfy share incentive schemes of £9m (2007: £2m); and
- for the comparable period only, receipts of £6m from Warrants exercised in that period.

In addition to the cash and cash equivalents, there are restricted cash and other financial assets of £250m at 28 September 2008 (31 March 2008: £286m) of which £230m (31 March 2008: £267m) is cash posted as collateral in support of trading activities. Total debt of £516m remains unchanged from 31 March 2008.

Retirement Benefit (Obligations)/Assets

The Group's retirement benefit obligations have increased from £216m at 31 March 2008 to £347m at 28 September 2008. The decrease of the schemes' asset values is the primary reason for the increase in the reported deficit. This was partially mitigated by an increase, from 6.0% to 6.2%, in the discount rate used to value the schemes' liabilities.

Due to the significant decrease in equity values reported in October 2008, a further review of the deficit was carried out at the end of October 2008. This indicated that there was no significant change to the deficit valuation as at 28 September 2008. The further decrease of the schemes' asset values had been offset by decreases in the schemes' liabilities, due primarily to a reduction in price inflation assumptions during October 2008.

Other Financial Issues

Dividends

An additional dividend distribution relating to the year ended 31 March 2007, payable as an interim dividend, of 14.5p per share (equivalent to £150m in total) was paid on 3 April 2008.

Following approval at British Energy Group plc's AGM on 17 July 2008, a base dividend in respect of the year ended 31 March 2008 of 13.6p per share (equivalent to £141m in total) was paid on 31 July 2008.

The Group's dividend policy remains unchanged. Please refer to British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2008 for further details.

Financial Risk Management

As part of an exercise to manage the Group's counterparty credit risk, in response to current volatile economic conditions in the world financial markets, the following actions have been taken:

- Short term letters of credit amounting to £200m were drawn in October 2008 and substituted against deferred cash receipts accrued in respect of power already delivered. The amounts received of £200m plus accrued interest, have increased the Group's cash and cash equivalents balance in October 2008.
- The Group has reduced individual counterparty limits and average duration for individual deposits, which has resulted in an increase in the number of counterparties used to deposit cash and cash equivalents.
- A portion of the Group's cash and cash equivalents has been placed with Her Majesty's Government (HMG) in October 2008, an arrangement available due to the Group being classified to the public sector by the Office of National Statistics for HMG's reporting purposes.

Forward-looking Statements

This document contains certain 'forward-looking' statements, including statements with respect to the Group'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 the Group. The 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 the Group 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.

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 28 SEPTEMBER 2008 (UNAUDITED)

	Notes	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m	Three months ended 28 September 2008 £m	Three months ended 30 September 2007 £m
Revenue	3	1,281	1,390	652	722
Operating and energy costs	4	(1,024)	(879)	(524)	(464)
		257	511	128	258
Other operating income		13	9	-	8
Cash Sweep Payment credit	5	-	134	-	-
Cash Sweep Payment accrual		-	-	-	-
Depreciation		(114)	(119)	(59)	(61)
Amortisation of conversion asset		(89)	(70)	(44)	(55)
Other amortisation		(5)	(4)	(2)	(2)
Unrealised net gains/(losses) on derivative financial instruments and commodity contracts		8	(68)	(60)	(42)
Operating profit/(loss)		70	393	(37)	106
Financing (charges)/credits					
Interest payable	6	(41)	(39)	(21)	(24)
Interest receivable	6	38	40	18	20
Net other finance (expense)/income	6	(9)	13	(3)	9
Profit/(loss) before taxation		58	407	(43)	111
Taxation	7	(35)	(164)	4	(47)
Net profit/(loss) for the period attributable to shareholders	11	23	243	(39)	64
Earnings/(loss) per share (pence):					
Basic	9	2.2	28.2	(3.8)	6.2
Diluted	9	2.2	28.0	(3.8)	6.2

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE SIX MONTHS ENDED 28 SEPTEMBER 2008 (UNAUDITED)

	Notes	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m	Three months ended 28 September 2008 £m	Three months ended 30 September 2007 £m
Net (losses)/gains on hedged items for the period	11	(16)	(42)	15	(35)
Net actuarial (losses)/gains on retirement benefit (obligations)/assets for the period	10,11	(150)	190	153	58
Tax on items taken directly to equity for the period	11	46	(44)	(48)	(6)
Net (expense)/income recognised directly in equity		(120)	104	120	17
Net profit/(loss) for the period attributable to shareholders	11	23	243	(39)	64
Total recognised income and expense		(97)	347	81	81

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET
AS AT 28 SEPTEMBER 2008 (UNAUDITED)

	Notes	As at 28 September 2008 £m	As at 31 March 2008 £m	As at 30 September 2007 £m
Assets				
Non-current assets				
Conversion asset		1,904	1,993	2,050
Property, plant and equipment		1,671	1,665	1,690
NLF and nuclear liabilities receivables		5,451	5,310	5,345
Goodwill and intangible assets		365	413	367
Trade and other receivables		281	317	257
Retirement benefit assets	10	-	-	147
		9,672	9,698	9,856
Current assets				
Conversion asset		180	180	220
Inventories		496	448	423
Nuclear liabilities receivable		211	202	201
Trade and other receivables		520	451	356
Restricted cash and other financial assets		250	286	193
Cash and cash equivalents		759	1,028	1,068
Derivative financial instruments and commodity contracts		117	53	22
		2,533	2,648	2,483
Total assets		12,205	12,346	12,339
Liabilities				
Current liabilities				
Borrowings		(61)	(61)	(57)
Trade and other payables		(599)	(659)	(383)
Current tax liability		(29)	(23)	(178)
Nuclear liabilities		(211)	(202)	(201)
Provisions for other liabilities and charges		(14)	(19)	(23)
Derivative financial instruments and commodity contracts		(214)	(142)	(98)
		(1,128)	(1,106)	(940)
Non-current liabilities				
Borrowings		(455)	(455)	(516)
Retirement benefit obligations	10	(347)	(216)	-
Nuclear liabilities		(5,451)	(5,310)	(5,345)
Deferred income tax liability		(5)	(45)	(82)
Provisions for other liabilities and charges		(36)	(42)	(44)
NLF liabilities		(188)	(185)	(187)
Deferred income		(5)	(5)	(5)
Derivative financial instruments and commodity contracts		-	-	(18)
		(6,487)	(6,258)	(6,197)
Total liabilities		(7,615)	(7,364)	(7,137)
Net assets		4,590	4,982	5,202
Equity				
Called up share capital	11	103	103	104
Share premium	11	60	59	2,351
Capital reserve	11	767	767	767
Hedge reserve	11	(83)	(71)	(28)
Warrant reserve	11	11	12	13
Retained earnings	11	3,732	4,112	1,995
Total shareholders' equity (including non-equity shareholder's interest)	11	4,590	4,982	5,202

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 28 SEPTEMBER 2008 (UNAUDITED)

	Notes	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m
Operating activities			
Operating profit		70	393
Depreciation		114	119
Amortisation of conversion asset		89	70
Other amortisation		5	4
Share-based payments		5	4
Unrealised net (gains)/losses on derivative financial instruments and commodity contracts		(8)	68
Movement in provisions for other liabilities and charges		(3)	(8)
Decrease in Cash Sweep Payment accrual		-	(134)
Cash Sweep Payment		(102)	(171)
Interest paid		(32)	(29)
Interest received		38	40
NLF liabilities payment		(6)	(11)
Difference between pension contributions paid and amounts recognised in consolidated income statement		(17)	(5)
Taxation paid		(23)	(21)
Increase in inventories		(48)	(24)
(Increase)/decrease in trade and other receivables		(33)	33
Decrease/(increase) in restricted cash and other financial assets		36	(47)
Increase/(decrease) in trade payables and other payables		23	(98)
Decrease in intangible assets		49	24
Net cash inflow generated from operations		157	207
Cash flows from investing activities			
Purchases of property, plant and equipment		(122)	(99)
Purchases of software		(4)	(5)
Net cash used in investing activities		(126)	(104)
Cash flows from financing activities			
Purchase of own shares for share incentive schemes		(9)	(2)
Exercise of Warrants		-	6
Equity dividends paid	8	(291)	(140)
Net cash used in financing activities		(300)	(136)
Net decrease in cash and cash equivalents		(269)	(33)
Cash and cash equivalents at the beginning of the period		1,028	1,101
Cash and cash equivalents at the end of the period		759	1,068

**BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

1. Basis of Preparation

In preparing the half-yearly financial statements for the six months ended 28 September 2008, the Board of Directors have used the principal accounting policies and methods of computation as set out in British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2008. The half-yearly financial report has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and with IAS 34 – Interim Financial Reporting (IAS 34) as adopted by the European Union. The half-yearly financial statements should be read in conjunction with British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2008, which have been prepared in accordance with IFRS as adopted by the European Union.

The preparation of the half-yearly financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The information shown for the year ended 31 March 2008 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and has been extracted from the statutory accounts for the year ended on that date, which have been filed with the Registrar of Companies. The report of the auditors on the statutory accounts for the year ended 31 March 2008 was unqualified and did not contain a statement under Section 237 of the Companies Act 1985.

References to the 'Company' are to British Energy Group plc. References to the 'Group' are to the Company and its subsidiaries.

The half-yearly financial statements for the six months ended 28 September 2008 are unaudited but have been reviewed by the auditors and their report to British Energy Group plc is set out below.

This half-yearly report was approved by the Board of Directors on 18 November 2008.

During the period there has been no change to the Group's accounting policies as a result of new accounting standards and interpretations. Please refer to British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2008 for further details.

2. Seasonality of Operations

Electricity demand in the UK is seasonal, in that demand and prices are generally lower in the summer than in the winter. As a result, the Group 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.

3. Output, Revenue and Segmental Information

	Six months ended 28 September 2008 TWh	Six months ended 30 September 2007 TWh	Three months ended 28 September 2008 TWh	Three months ended 30 September 2007 TWh
Output				
Nuclear power stations	19.2	27.8	9.7	14.8
Coal-fired power station – Eggborough	3.5	2.9	1.6	2.1
Total output	22.7	30.7	11.3	16.9
	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m	Three months ended 28 September 2008 £m	Three months ended 30 September 2007 £m
Revenue				
Wholesale generation sales	499	695	251	382
Direct supply sales excluding recovery of energy supply costs and renewable energy purchases recharged to customers	572	483	299	233
Revenue from generated electricity	1,071	1,178	550	615
Energy supply costs recharged to customers	187	190	93	95
Renewable energy purchases recharged to customers	18	17	6	9
Miscellaneous income	5	5	3	3
Total revenue	1,281	1,390	652	722

The Group's activities are in one business segment being the generation and sale of electricity and are in one geographic segment being the United Kingdom. There are no other significant classes of business or geographic areas.

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Operating and Energy Costs

	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m	Three months ended 28 September 2008 £m	Three months ended 30 September 2007 £m
Fuel costs – nuclear	112	160	55	88
Fuel costs – Eggborough	146	63	67	39
Total fuel costs	258	223	122	127
Materials and services	343	251	190	129
Staff costs	218	198	113	104
Operating costs of generated electricity	819	672	425	360
Energy supply costs recharged to customers	187	190	93	95
Renewable energy purchases recharged to customers	18	17	6	9
Total operating and energy costs	1,024	879	524	464

5. Cash Sweep Payment Credit

As part of the Contribution Agreement made at the time of Restructuring, British Energy Group plc has an obligation to make annual Cash Sweep Payments to the Nuclear Liabilities Fund (NLF) should certain criteria be met. Under the terms of the original Contribution Agreement, on a conversion by the NLF of part or all of its Cash Sweep Payment right, the NLF was entitled to both a Cash Sweep Payment on the part converted for the period up to conversion and any dividend in respect of the same period on the shares arising from the conversion. British Energy Group plc obtained agreement from the NLF and the Secretary of State for Business, Enterprise and Regulatory Reform to an amendment to the Cash Sweep Payment right and Cash Sweep Payment percentage adjustment formula in relation to the partial conversion, which took place in the comparable period, so as to ensure the principle of economic parity was maintained and to avoid an unintended dilution of British Energy Group plc's equity shareholders' interests. As a result, the £305m accrued in the 2007 Annual Report and Accounts for the Cash Sweep Payment due for the year ended 31 March 2007 was reduced by £134m to £171m to reflect the NLF's agreement to waive the proportion of the 2007 obligation due that was extinguished by the partial conversion in June 2007. The £134m reduction has been recognised as a credit in the consolidated income statement for the comparable period, the remaining £171m obligation was paid in July 2007.

6. Financing Charges/(Credits)

	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m	Three months ended 28 September 2008 £m	Three months ended 30 September 2007 £m
Interest payable:				
Interest payable on bonds	18	20	9	10
Other interest and finance charges payable	23	19	12	14
Total interest payable	41	39	21	24

	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m	Three months ended 28 September 2008 £m	Three months ended 30 September 2007 £m
Interest receivable:				
Interest receivable	(38)	(40)	(18)	(20)
Total interest receivable	(38)	(40)	(18)	(20)

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m	Three months ended 28 September 2008 £m	Three months ended 30 September 2007 £m
Other finance expenses/(income):				
Revalorisation of nuclear liabilities	247	179	84	61
Revalorisation of nuclear liabilities receivable	(97)	(73)	(33)	(25)
Revalorisation of NLF receivable	(150)	(106)	(51)	(36)
Revalorisation of contracts provision	1	-	-	-
Revalorisation of NLF liabilities	10	4	4	-
Net revalorisation charge	11	4	4	-
Expected return on plan assets in the pension schemes (see note 10)	(89)	(91)	(44)	(46)
Interest on defined benefit obligations (see note 10)	87	74	43	37
Net credit to finance charges for retirement benefit (obligations)/assets	(2)	(17)	(1)	(9)
Net other finance expense/(income)	9	(13)	3	(9)

7. Taxation

	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m	Three months ended 28 September 2008 £m	Three months ended 30 September 2007 £m
Current tax:				
UK Corporation tax	29	189	8	91
	29	189	8	91
Deferred tax:				
Temporary differences	6	(25)	(12)	(44)
	6	(25)	(12)	(44)
Tax charged/(credited) to the consolidated income statement	35	164	(4)	47

The tax charge for the six months ended 28 September 2008 has been computed in accordance with the generally accepted practice which provides that the forecast effective tax rate on the forecast full year profits before tax and IAS 39 adjustments be applied to the actual reported profit before tax and IAS 39 adjustments for the period. The forecast full year effective tax rate on this basis is 67%. In addition, the standard tax rate of 28% is applied to the IAS 39 adjustments in the period. The forecast full year effective tax rate of 67% is higher than the standard tax rate of 28% due to the forecast Cash Sweep Payment, accrued only at the year end, and conversion asset amortisation, which are treated as operating costs, being disallowable for tax purposes. The increase in the forecast full year effective tax rate also reflects an additional deferred tax charge as a result of the introduction of legislation to phase out industrial buildings allowances.

8. Dividends Paid

	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m	Three months ended 28 September 2008 £m	Three months ended 30 September 2007 £m
Paid:				
2008 Base dividend, paid as a final dividend: 13.6p per share	141	-	141	-
2007 Additional dividend, paid as an interim dividend: 14.5p per share	150	-	-	-
2007 Base dividend, paid as a final dividend: 13.6p per share	-	140	-	140
Total dividends paid	291	140	141	140

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Earnings per Share

	Six months ended 28 September 2008	Six months ended 30 September 2007	Three months ended 28 September 2008	Three months ended 30 September 2007
Basic earnings per share:				
Net profit/(loss) for the period attributable to shareholders (£m)	23	243	(39)	64
Weighted average share capital (number of shares, million)	1,031	863	1,031	1,028
Earnings/(loss) per share (pence)	2.2	28.2	(3.8)	6.2
Diluted earnings per share:				
Net profit/(loss) for the period attributable to shareholders (£m)	23	243	(39)	64
Diluted weighted average share capital (number of shares, million)	1,036	869	1,036	1,034
Diluted earnings/(loss) per share (pence)	2.2	28.0	(3.8)	6.2
Adjusted earnings per share:				
Net profit/(loss) for the period attributable to shareholders (£m)	23	243	(39)	Revised* 64
Adjustment in respect of Cash Sweep Payment credit (£m)	-	(134)	-	-
Adjustment in respect of conversion asset amortisation (£m)	89	70	44	55
Adjustments in respect of taxation (£m)	(15)	68	(13)	2*
Adjusted net profit/(loss) for the period attributable to shareholders (£m)	97	247	(8)	121*
Basic weighted average share capital (number of shares, million)	1,031	863	1,031	1,028
Adjustment to weighted average share capital for timing of partial conversion share issue (number of shares, million)	-	164	-	-
Maximum Cash Sweep conversion at balance sheet date (number of shares, million)	571	560	571	560
Adjusted weighted average share capital (number of shares, million)	1,602	1,587	1,602	1,588
Adjusted earnings/(loss) per share (pence)	6.1	15.6	(0.5)	7.6*

The basic earnings per share for the period has been calculated by dividing the net profit for the period attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

The diluted earnings per share calculation is based on the weighted average of 1,031 million (comparable period: 863 million) ordinary shares in issue together with the dilutive weighted average of potential ordinary shares of 5 million (comparable period: 6 million) in respect of Warrants.

The Directors consider that the adjusted earnings per share calculation is a more appropriate earnings measure because the Cash Sweep Payment accrual and the net profit attributable to shareholders does not necessarily reflect the respective economic interests of the NLF and equity shareholders in the profits of the Group. The calculation in any given year of the annual Cash Sweep Payment accrual is based on cash flows and the retention of an appropriate cash amount (Target Amount) and a forecast expenditure amount (Forecast Expenditure Reserve).

The adjusted earnings per share has been calculated by excluding the following from the net profit for the period attributable to shareholders:

- the amortisation of the conversion asset for the period;
- the impact of the Cash Sweep Payment and amortisation of the conversion asset for the year ending 31 March 2009 on the effective tax rate used for the six months' charge; and
- for the comparable period, the Cash Sweep Payment credit relating to the year ended 31 March 2007 and related tax effect.

The weighted average share capital is adjusted by the number of shares that would have been in issue if:

- the NLF had fully converted their remaining interest at the balance sheet date; and
- for the comparable period, the partial conversion had taken place on 1 April 2007 and not on the actual partial conversion date of 6 June 2007.

There would be no significant change to the adjusted earnings per share if calculated on a diluted basis.

* Revised from previous disclosure of 9.8p, following a revision to the methodology for the tax adjustment.

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Retirement Benefit (Obligations)/Assets

(i) Pension Schemes

The Group operates two separate defined benefit pension arrangements within the Electricity Supply Pension Scheme (ESPS), the British Energy Generation Group (BEGG) for the majority of employees and the British Energy Combined Group (BECG) for the employees at Eggborough power station. The ESPS is a defined benefit scheme, which is externally funded and subject to triennial actuarial valuation. Each pension group that participates in the ESPS is financially independent from the other groups.

The cash funding requirements of the pension schemes are determined by triennial actuarial valuations by an independent scheme actuary. The most recent triennial valuations of the BEGG and BECG schemes were carried out at 31 March 2007 and have been agreed by the Trustees. Any deficit disclosed in the BEGG or BECG schemes following a triennial actuarial valuation will be funded by the Group. The balance sheet valuations for accounting purposes under IAS 19 – Employee Benefits have been carried out by a separate independent actuary using the projected unit method.

(ii) Amounts Recognised in the Consolidated Balance Sheet

The changes in the retirement benefit (obligations)/assets recognised in the consolidated balance sheet are as follows:

	As at 28 September 2008 £m	As at 30 September 2007 £m
Opening retirement benefit obligations at 1 April	(216)	(65)
Current service cost	(39)	(35)
Past service cost	-	(2)
Other finance income	2	17
Contributions by employer	56	42
Net actuarial (losses)/gains	(150)	190
Closing retirement benefit (obligations)/assets	(347)	147

11. Equity

	Called up equity share capital	Share premium £m	Capital reserve £m	Hedge reserve £m	Warrant reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2008	103	59	767	(71)	12	4,112	4,982
Net profit for the period attributable to shareholders	-	-	-	-	-	23	23
Net expense recognised directly in equity	-	-	-	(16)	-	(150)	(166)
Deferred tax on items recognised directly in equity	-	-	-	4	-	42	46
Total expense for the period	-	-	-	(12)	-	(85)	(97)
Equity dividends paid (see note 8)	-	-	-	-	-	(291)	(291)
Share-based payments	-	-	-	-	-	5	5
Purchase of own shares for share incentive schemes	-	-	-	-	-	(9)	(9)
Exercise of Warrants	-	1	-	-	(1)	-	-
Balance as at 28 September 2008	103	60	767	(83)	11	3,732	4,590

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Called up equity share capital £m	Share premium £m	Capital reserve £m	Hedge reserve £m	Warrant reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2007	58	40	767	1	24	1,757	2,647
Net profit for the period attributable to shareholders	-	-	-	-	-	243	243
Net (expense)/income recognised directly in equity	-	-	-	(42)	-	190	148
Deferred tax on items recognised directly in equity	-	-	-	13	-	(57)	(44)
Total (expense)/income for the period	-	-	-	(29)	-	376	347
Equity dividends paid (see note 8)	-	-	-	-	-	(140)	(140)
Shares issued	45	2,295	-	-	-	-	2,340
Share-based payments	-	-	-	-	-	4	4
Purchase of own shares for share incentive schemes	-	-	-	-	-	(2)	(2)
Exercise of Warrants	1	16	-	-	(11)	-	6
Balance as at 30 September 2007	104	2,351	767	(28)	13	1,995	5,202

On 30 May 2007 the Secretary of State for Trade and Industry (now the Secretary of State for Business, Enterprise and Regulatory Reform) announced his intention to direct the NLF to convert and sell part of its interest in British Energy Group plc. On 1 June 2007 British Energy Group plc received notice from the NLF intimating its intention to convert and sell approximately 400 million shares in the Company, with an over allotment option of a further 50 million shares in the Company. As a result on 6 June 2007 British Energy Group plc issued 450 million convertible shares of 10p each to the NLF, which were re-designated as 450 million ordinary shares of 10p each and admitted to the Official List of the UKLA and to trading on the London Stock Exchange on the same day. Following the partial conversion and share issue the Cash Sweep Payment percentage was reduced to approximately 36% and resulted in the recognition of a conversion asset of £2,340m, additional equity share capital of £45m and additional share premium of £2,295m representing the excess of the partial conversion share price of £5.20 over the nominal value of shares issued. The conversion asset represents the fair value of the obligation which was removed as a result of the partial exercise of the conversion right.

On 22 October 2007 the Court of Session in Edinburgh approved a £2,295m reduction of British Energy Group plc's share premium account, thereby creating distributable reserves of this value. The reduction of the share premium reserve by £2,295m equates to the amount of new share premium created in relation to the NLF partial conversion.

12. Contingent Assets

The Group has certain contingent assets as a result of its disposal of its 82.4% interest in Bruce Power LP.

A tax refund of approximately C\$10.4m relating to the treatment of expenditure at the Bruce Power Station during the period of the Group's interest has been accepted by the Canadian tax authorities and paid to the consortium which purchased the Group's 82.4% interest in Bruce Power LP. This amount is not likely to be received by the Group until all related claims are finalised.

In addition, the Group has commenced an appeal of a decision made by the Canadian tax authorities not to allow certain other expenditure for tax purposes and this could result in a rebate of a material amount of tax to the Group (see note 13).

13. Contingent Liabilities

On 12 February 2004 British Energy Limited and British Energy International Holdings Limited received a notice of warranty claims from the consortium which purchased the Group's 82.4% interest in Bruce Power LP alleging breach of certain warranties and representations relating to tax and to the condition of certain plant at the Bruce Power Station.

The principal tax claim relates to the treatment of expenditure at the Bruce Power Station during the period of the Group's interest. The Canadian tax authorities have issued a decision confirming agreement in part with the Group's proposed tax treatment, resulting in a tax refund of approximately C\$10.4m being paid to the consortium. This amount is not likely to be received until all related claims are finalised. In addition, the respective Group companies have commenced an appeal of a decision by the Canadian tax authorities not to allow certain other expenditure for tax purposes. The treatment proposed by the respective Group companies could result in a rebate of a material amount of tax to the Group that has not been recognised in the consolidated financial statements, it is impracticable to provide an estimate of the potential amount of the tax rebate. The consortium claims that allowance of the expenditure for that period would cause it to lose future deductions. The respective Group companies have rejected the tax claim and expect to defend the claim if pursued further. The Group is confident that the amount of the claim should not, in any event, materially exceed the amount of the rebate, and that the tax claim should have no material economic impact on the Group.

The claim relating to the condition of the plant is based upon alleged erosion of certain parts of the steam generators, including the support plates, through which boiler tubes pass, which it is alleged resulted in an extended outage of one unit at the plant to carry out repair works and loss of revenues and costs of approximately C\$64.5m. The consortium also claims that the alleged erosion may reduce the operating life of the unit and/or result in further repairs involving further losses. On 10 February 2006, British Energy

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Limited and British Energy International Holdings Limited filed a Notice of Action against Ontario Power Generation (OPG) and Bruce Power LP with the Ontario Superior Court of Justice seeking a contribution and indemnity from OPG and Bruce Power LP with respect to any amounts for which British Energy Limited or British Energy International Holdings Limited may be found liable as a result of the steam generator claim brought on 12 February 2004 by the consortium which acquired the Group's 82.4% interest in the Bruce Power plant. On 21 October 2008, the consortium served a statement of claim confirming that it was seeking to recover C\$64.5m in respect of repair costs and lost revenues arising from an extended outage at one unit and C\$189.1m in respect of repair costs and lost revenues from a proposed outage to replace the steam generators. The respective Group companies expect to defend the claim.

On 7 December 2006, the consortium served a notice of arbitration on British Energy Limited and British Energy International Holdings Limited in relation to the purchase price payable by the consortium on the purchase of Bruce Power LP. Under the disposal arrangements, the parties agreed a post-completion adjustment to the purchase price to account for the value of the Bruce Power pension plan as determined by a mutually appointed actuarial adviser, Watson Wyatt. The consortium alleged that the valuation was incorrect, resulting in the Group benefiting by C\$23.1m which the consortium sought to reclaim together with interest and costs. On 11 August 2008, a panel of arbitrators found in favour of the respective Group companies and the consortium's claim was dismissed.

The consortium has also commenced legal proceedings against Watson Wyatt, David Proctor (an actuary and one of their employees) and Mebs Merali (an actuary and former employee) who were responsible for evaluating the Bruce Power pension plan and post-completion adjustment to the purchase price payable by the consortium. On 15 May 2007 Watson Wyatt and David Proctor served notice of a third party action on British Energy Limited and British Energy International Holdings Limited seeking an indemnity against any amounts for which they may be found liable. On 11 September 2007 Mebs Merali served a similar notice on British Energy Limited and British Energy International Holdings Limited. The respective Group companies expect to defend the claims. British Energy Limited and British Energy International Holdings Limited commenced a fourth party claim against Bruce Power LP and Bruce Power Inc in respect of the third party claim by Watson Wyatt and David Proctor and a separate third party claim by Mebs Merali on 21 February 2008 and 20 February 2008 respectively, seeking a contribution, indemnity and relief from any damages/costs for which British Energy Limited and British Energy International Holdings Limited may be found liable or incur in the third party claims or the arbitration by the consortium.

Under the agreement with the consortium C\$20m is retained in trust to meet any representation and warranty claims, and this may be retained pending agreement or determination of the claims.

The Group has given certain indemnities and guarantees in respect of its subsidiary undertakings. No losses are anticipated to arise under these indemnities and guarantees, provided relevant subsidiary undertakings continue on a going concern basis.

The Group is involved in a number of other claims and disputes arising in the normal course of business which are not expected to have a material effect on the Group's financial position.

14. Related Parties

British Energy Group plc is a public limited company owned by its shareholders and operates within an extensive contractual framework established as part of the Restructuring. The most significant contract, in terms of the limitations it places on the business, is the Contribution Agreement between the Secretary of State and British Energy Group plc. Within this contractual framework, British Energy Group plc is managed independently by the Board, which continues to direct the finances and operating policies of the Group and is subject to the normal private sector disciplines, fiduciary duties and Companies Act requirements. British Energy Group plc considers that no party is a controlling party under the terms of IAS 24 – Related Party Disclosures.

The following transactions were carried out with related parties:

(i) Entities with Significant Influence over the Group

The Group considers Her Majesty's Government (HMG) to be a related party due to the significant influence exercised by HMG following the Group's Restructuring. The following transactions took place during the period with HMG and sponsored bodies under its control:

- HMG meets the Group's historic contracted nuclear liabilities to BNFL, a Government controlled body. The nuclear liabilities receivable is recognised on the consolidated balance sheet in relation to these liabilities and decreased from £2,168m at 31 March 2008 to £2,160m at 28 September 2008.
- The Group made payments to the NLF of £13m (2007: £12m). The payments were in relation to fixed decommissioning funding contributions of £6m (2007: £11m) and £7m (2007: £nil) in respect of PWR fuel loaded into the Sizewell B reactor. In the period to 30 September 2007 a payment of £1m was made in respect of the Group's share of the NLF's administration costs, with no equivalent payment made in the period ended 28 September 2008.
- The Group made payments to BNFL of £115m (2007: £167m) during the period in respect of front and back end fuel costs. In addition, under the Government indemnity in respect of historic nuclear liabilities, consideration of £106m (2007: £102m) was passed to BNFL in the period. The balance outstanding due to BNFL at the end of the period was £21m (31 March 2008: £16m). Amounts due from the Group to BNFL at 28 September 2008 under the Historic Liability Funding Agreement amounted to £2,160m (31 March 2008: £2,168m).
- The Group is required to make Cash Sweep Payments to the NLF depending on certain criteria being met. See note 5 for further details.

**BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

The NLF, a Government controlled company, was issued with Bonds of £275m by British Energy Bond Finance plc as part of the Restructuring on 15 January 2005, however, as they are bearer bonds the Group is unable to confirm the total value held by the NLF at 28 September 2008. The outstanding amount of Bonds issued to the NLF is included within the £516m of borrowings outstanding at 28 September 2008.

The Group has also entered into a number of material transactions in its normal course of business with other sponsored bodies and departments of HMG including HM Revenue and Customs.

The Group has identified Lake Acquisitions Limited, a wholly owned subsidiary of EDF S.A., as a related party. During the period the Group has entered into a number of material transactions in its normal course of business with certain subsidiary companies of EDF S.A..

**BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors confirm that this condensed set of half-yearly financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the Chief Executive's Operational Review and the Financial Review herein include a fair review of the information required by the Disclosure and Transparency Rules (DTR) 4.2.7 and DTR 4.2.8.

The Directors of British Energy Group plc are listed in British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2008. A list of current Directors is maintained on the British Energy Group plc website: www.british-energy.com



Bill Coley
18 November 2008
Chief Executive



Stephen Billingham
18 November 2008
Finance Director

Independent review report to British Energy Group plc

Introduction

We have been engaged by British Energy Group plc to review the condensed set of financial statements in the half-yearly financial report for the six months ended 28 September 2008, which comprises the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, consolidated statement of cash flows and related condensed notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 28 September 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.



PricewaterhouseCoopers LLP

Chartered Accountants
18 November 2008
Edinburgh

Notes:

- (a) The maintenance and integrity of the British Energy Group plc website is the responsibility of the Directors; the work carried out by auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the half-yearly financial report since it was initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

BRITISH ENERGY BOND FINANCE PLC
RESULTS FOR THE SIX MONTHS ENDED 28 SEPTEMBER 2008
OF THE FINANCIAL YEAR ENDING 31 MARCH 2009

BRITISH ENERGY BOND FINANCE PLC HALF-YEARLY REPORT

BACKGROUND

British Energy Bond Finance plc acts as an intermediate holding company within the British Energy group. British Energy Bond Finance plc has debt listed on the London Stock Exchange and therefore is required to prepare a consolidated half-yearly financial report for the six month period ended 28 September 2008 under the requirements of the Disclosure and Transparency Rules (DTR).

CHIEF EXECUTIVE'S OPERATIONAL REVIEW AND FINANCIAL REVIEW

The commentary included within the Chief Executive's Operational Review and the Financial Review for British Energy Group plc within this report, is mainly applicable to the Bond Finance Group (as defined in note 1) with the following exceptions:

Financial Performance

Financing (Charges)/Credits

Interest payable of £54m (2007: £60m) relates primarily to interest on British Energy's Bonds, together with finance fees on structured trading contracts and interest payable to British Energy Group plc.

Interest receivable of £43m (2007: £42m) relates to interest earned on cash deposits, deferred cash receipts in respect of a capped collateral power sales contract and interest receivable from British Energy Group plc.

For details of net other finance expense of £14m (2007: £11m income), refer to note 3 in the financial statements.

Taxation

A tax charge of £28m (2007: £161m) has been recognised in the consolidated income statement for the period. This comprises a current tax charge of £22m (2007: £184m) and a deferred tax charge of £6m (2007: £23m credit). The tax charge has been computed in accordance with the generally accepted practice which provides that the forecast effective tax rate on the forecast full year profits before tax and IAS 39 adjustments be applied to the actual reported profit before tax and IAS 39 adjustments for the period. The forecast full year effective tax rate on this basis is 70%. In addition the standard tax rate of 28% is applied to the IAS 39 adjustments in the period. The forecast full year effective tax rate of 70% is higher than the standard tax rate of 28% due to the forecast Cash Sweep Payment, accrued only at the year end, and conversion asset amortisation, which are treated as operating costs, being disallowable for tax purposes. The increase in the forecast full year effective tax rate also reflects an additional deferred tax charge as a result of the introduction of legislation to phase out industrial buildings allowances.

Earnings Per Share

This section is not relevant to the Bond Finance Group.

Net Profit

Net profit for the period attributable to shareholders was £17m (2007: £225m).

Financial Position

Analysis of Cash Flows

At 28 September 2008 the Bond Finance Group had cash and cash equivalents of £759m compared to £1,028m at the beginning of the period. The decrease in cash and cash equivalents is analysed as follows:

	Six months ended 28 September 2008 £m	Six months Ended 30 September 2007 £m
Net cash (outflow)/inflow generated from operations	(134)	73
Net cash used in investing activities	(126)	(104)
Net cash used in financing activities	(9)	(2)
Net decrease in cash and cash equivalents	(269)	(33)
Cash and cash equivalents at the beginning of the period	1,028	1,101
Cash and cash equivalents at the end of the period	759	1,068

Net cash outflow generated from operations was £134m in comparison with £73m inflow in the comparable period. The decrease mainly relates to lower operating profit.

Net cash used in investing activities relates to property, plant and equipment and software additions.

The £9m (2007: £2m) utilised in financing activities relates to the purchase of shares in British Energy Group plc to satisfy share incentive schemes.

Other Financial Issues

Dividends

No dividend was paid by British Energy Bond Finance plc during the period (2007: £nil).

**BRITISH ENERGY BOND FINANCE PLC FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 28 SEPTEMBER 2008 (UNAUDITED)**

	Notes	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m
Revenue		1,281	1,390
Operating and energy costs		(1,024)	(879)
		257	511
Other operating income		13	9
Cash Sweep Payment credit		-	134
Cash Sweep Payment accrual		-	-
Depreciation		(114)	(119)
Amortisation of conversion asset		(89)	(70)
Other amortisation		(5)	(4)
Unrealised net gains/(losses) on derivative financial instruments and commodity contracts		8	(68)
Operating profit		70	393
Financing (charges)/credits			
Interest payable	3	(54)	(60)
Interest receivable	3	43	42
Net other finance (expense)/income	3	(14)	11
Profit before taxation		45	386
Taxation	4	(28)	(161)
Net profit for the period attributable to shareholders	5	17	225

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE SIX MONTHS ENDED 28 SEPTEMBER 2008**

	Notes	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m
Net losses on hedged items for the period	5	(16)	(42)
Net actuarial (losses)/gains on retirement benefit (obligations)/assets for the period	5	(150)	190
Tax on items taken directly to equity for the period	5	46	(44)
Net (expense)/income recognised directly in equity		(120)	104
Net profit for the period attributable to shareholders	5	17	225
Total recognised income and expense		(103)	329

BRITISH ENERGY BOND FINANCE PLC FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET
AS AT 28 SEPTEMBER 2008 (UNAUDITED)

	Notes	As at 28 September 2008 £m	As at 31 March 2008 £m	As at 30 September 2007 £m
Assets				
Non-current assets				
Conversion asset		1,904	1,993	2,050
Property, plant and equipment		1,671	1,665	1,690
NLF and nuclear liabilities receivables		5,451	5,310	5,345
Goodwill and intangible assets		365	413	367
Trade and other receivables		281	317	257
Retirement benefit assets		-	-	147
		9,672	9,698	9,856
Current assets				
Conversion asset		180	180	220
Inventories		496	448	423
Nuclear liabilities receivable		211	202	201
Trade and other receivables		676	595	488
Restricted cash and other financial assets		250	286	193
Cash and cash equivalents		759	1,028	1,068
Derivative financial instruments and commodity contracts		117	53	22
		2,689	2,792	2,615
Total assets		12,361	12,490	12,471
Liabilities				
Current liabilities				
Borrowings		(61)	(61)	(57)
Trade and other payables		(879)	(1,212)	(917)
Current tax liability		(29)	(23)	(173)
Nuclear liabilities		(211)	(202)	(201)
Provisions for other liabilities and charges		(14)	(19)	(23)
Derivative financial instruments and commodity contracts		(214)	(142)	(98)
		(1,408)	(1,659)	(1,469)
Non-current liabilities				
Borrowings		(455)	(455)	(516)
Retirement benefit obligations		(347)	(216)	-
Nuclear liabilities		(5,451)	(5,310)	(5,345)
Deferred income tax liability		(5)	(45)	(84)
Provisions for other liabilities and charges		(36)	(42)	(44)
NLF liabilities		(188)	(185)	(187)
Deferred income		(5)	(5)	(5)
Derivative financial instruments and commodity contracts		-	-	(18)
		(6,487)	(6,258)	(6,199)
Total liabilities		(7,895)	(7,917)	(7,668)
Net assets		4,466	4,573	4,803
Equity				
Called up share capital	5	10	10	10
Share premium	5	880	880	880
Capital reserve	5	2,815	2,904	3,001
Hedge reserve	5	(83)	(71)	(28)
Retained earnings	5	844	850	940
Total shareholders' equity (including non-equity shareholder's interests)	5	4,466	4,573	4,803

**BRITISH ENERGY BOND FINANCE PLC FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 28 SEPTEMBER 2008 (UNAUDITED)**

	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m
Operating activities		
Operating profit	70	393
Depreciation	114	119
Amortisation of conversion asset	89	70
Other amortisation	5	4
Share-based payments	5	4
Unrealised net (gains)/losses on derivative financial instruments and commodity contracts	(8)	68
Movement in provisions for other liabilities and charges	(3)	(8)
Decrease in Cash Sweep Payment accrual	-	(134)
Cash Sweep Payment	(102)	(171)
Interest paid	(32)	(29)
Interest received	38	40
NLF liabilities payment	(6)	(11)
Difference between pension contributions paid and amounts recognised in consolidated income statement	(17)	(5)
Taxation paid	(23)	(21)
Increase in inventories	(48)	(24)
Increase in trade and other receivables	(51)	(84)
Decrease/(increase) in restricted cash and other financial assets	36	(47)
Decrease in trade payables and other payables	(250)	(115)
Decrease in intangible assets	49	24
Net cash (outflow)/inflow generated from operations	(134)	73
Cash flows from investing activities		
Purchases of property, plant and equipment	(122)	(99)
Purchases of software	(4)	(5)
Net cash used in investing activities	(126)	(104)
Cash flows from financing activities		
Purchase of shares for share incentive schemes	(9)	(2)
Net cash used in financing activities	(9)	(2)
Net decrease in cash and cash equivalents	(269)	(33)
Cash and cash equivalents at the beginning of the period	1,028	1,101
Cash and cash equivalents at the end of the period	759	1,068

**BRITISH ENERGY BOND FINANCE PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

1. Basis of Preparation

In preparing the half-yearly financial statements for the six months ended 28 September 2008, the Board of Directors have used the principal accounting policies and methods of computation as set out in British Energy Bond Finance plc's financial statements for the year ended 31 March 2008. The half-yearly financial report has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and with IAS 34 – Interim Financial Reporting (IAS 34) as adopted by the European Union. The half-yearly financial statements should be read in conjunction with British Energy Bond Finance plc's financial statements for the year ended 31 March 2008, which have been prepared in accordance with IFRS as adopted by the European Union and British Energy Group plc's financial statements for the period ended 28 September 2008 as highlighted in note 2.

The preparation of the half-yearly financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The information shown for the year ended 31 March 2008 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and has been extracted from the statutory accounts for the year ended on that date, which have been filed with the Registrar of Companies. The report of the auditors on the statutory accounts for the year ended 31 March 2008 was unqualified and did not contain a statement under Section 237 of the Companies Act 1985.

References to the 'Bond Finance Group' are to British Energy Bond Finance plc and its subsidiaries.

The half-yearly financial statements for the six months ended 28 September 2008 are unaudited but have been reviewed by the auditors and their report to British Energy Bond Finance plc is set out below.

This half-yearly report was approved by the Board of Directors on 18 November 2008.

During the period there has been no change to the Bond Finance Group's accounting policies as a result of new accounting standards and interpretations. Please refer to British Energy Bond Finance plc's financial statements for the year ended 31 March 2008 for further details.

2. Notes to the Consolidated Financial Statements

In addition to the notes to the half-yearly financial statements contained within the British Energy Bond Finance plc's half-yearly report reference should be made to notes 2 to 5, 10 and 12 to 14 of British Energy Group plc's financial statements, which are also applicable to the Bond Finance Group.

3. Financing Charges/(Credits)

	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m
Interest payable:		
Interest payable on bonds	18	20
Other interest and finance charges payable	23	19
Interest payable to ultimate parent company	13	21
Total interest payable	54	60
	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m
Interest receivable:		
Interest receivable	(38)	(40)
Interest receivable from ultimate parent company	(5)	(2)
Total interest receivable	(43)	(42)

For the period ended 28 September 2008 interest payable to ultimate parent company and interest receivable from ultimate parent company have been individually disclosed, rather than being disclosed net within interest payable to ultimate parent company. This has resulted in an increase of £5m (2007: £2m) to both interest payable to ultimate parent company and interest receivable from ultimate parent company and has had no impact on net profit for the year attributable to shareholders (2007: £nil) or net assets (2007: £nil).

**BRITISH ENERGY BOND FINANCE PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m
Other finance expenses/(income):		
Revalorisation of nuclear liabilities	247	179
Revalorisation of nuclear liabilities receivable	(97)	(73)
Revalorisation of NLF receivable	(150)	(106)
Revalorisation of contracts provision	1	-
Revalorisation of NLF liabilities	10	4
Net revalorisation charge	11	4
Guarantee fees payable to ultimate parent company	5	2
Expected return on plan assets in the pension schemes	(89)	(91)
Interest on defined benefit obligations	87	74
Net other finance expense/(income)	14	(11)

4. Taxation

	Six months ended 28 September 2008 £m	Six months ended 30 September 2007 £m
Current tax:		
UK Corporation tax	22	184
	22	184
Deferred tax:		
Temporary differences	6	(23)
	6	(23)
Tax charged to the consolidated income statement	28	161

The tax charge for the six months ended 28 September 2008 has been computed in accordance with the generally accepted practice which provides that the forecast effective tax rate on the forecast full year profits before tax and IAS 39 adjustments be applied to the actual reported profit before tax and IAS 39 adjustments for the period. The forecast full year effective tax rate on this basis is 70%. In addition the standard tax rate of 28% is applied to the IAS 39 adjustments in the period. The forecast full year effective tax rate of 70% is higher than the standard tax rate of 28% due to the forecast Cash Sweep Payment, accrued only at the year end, and conversion asset amortisation, which are treated as operating costs, being disallowable for tax purposes. The increase in the forecast full year effective tax rate also reflects an additional deferred tax charge as a result of the introduction of legislation to phase out industrial buildings allowances.

5. Equity

	Called up equity share capital £m	Share premium £m	Capital reserve £m	Hedge reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2008	10	880	2,904	(71)	850	4,573
Net profit for the period attributable to shareholders	-	-	-	-	17	17
Net expense recognised directly in equity	-	-	-	(16)	(150)	(166)
Deferred tax on items recognised directly in equity	-	-	-	4	42	46
Total expense for the period	-	-	-	(12)	(91)	(103)
Release of capital reserve	-	-	(89)	-	89	-
Share-based payments	-	-	-	-	5	5
Purchase of shares for share incentive schemes	-	-	-	-	(9)	(9)
Balance as at 28 September 2008	10	880	2,815	(83)	844	4,466

BRITISH ENERGY BOND FINANCE PLC FINANCIAL STATEMENTS
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Called up equity share capital £m	Share premium £m	Capital reserve £m	Hedge reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2007	10	880	731	1	510	2,132
Net profit for the period attributable to shareholders	-	-	-	-	225	225
Net (expense)/income recognised directly in equity	-	-	-	(42)	190	148
Deferred tax on items recognised directly in equity	-	-	-	13	(57)	(44)
Total (expense)/income for the period	-	-	-	(29)	358	329
Recognition of conversion asset	-	-	2,340	-	-	2,340
Release of capital reserve	-	-	(70)	-	70	-
Share-based payments	-	-	-	-	4	4
Purchase of shares for share incentive schemes	-	-	-	-	(2)	(2)
Balance as at 30 September 2007	10	880	3,001	(28)	940	4,803

On 30 May 2007, the Secretary of State for Trade and Industry (now the Secretary of State for Business, Enterprise and Regulatory Reform) announced his intention to direct the NLF to convert and sell part of its interest in British Energy Group plc. On 1 June 2007 British Energy Group plc received notice from the NLF intimating its intention to convert and sell approximately 400 million shares, with an over allotment option of a further 50 million shares. As a result on 6 June 2007 British Energy Group plc issued 450 million convertible shares of 10p each to the NLF, which were re-designated as 450 million ordinary shares of 10p each and admitted to the Official List of the UKLA and to trading on the London Stock Exchange on the same day. Following the partial conversion and share issue the Cash Sweep Payment percentage was reduced to approximately 36% and resulted in the recognition of a conversion asset of £2,340m, additional equity share capital of £45m and additional share premium of £2,295m representing the excess of the conversion share price of £5.20 over the nominal value of shares issued in British Energy Group plc's financial statements. The conversion asset represents the fair value of the obligation which was removed as a result of the partial exercise of the conversion right.

In the Bond Finance Group's financial statements, a conversion asset of £2,340m was also recognised along with a capital reserve of £2,340m. The conversion asset is amortised over the estimated useful lives of the Bond Finance Group's power stations and an amount equal to the amortisation charge has been released to retained earnings from the capital reserve, which is non-distributable.

**BRITISH ENERGY BOND FINANCE PLC FINANCIAL STATEMENTS
STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors confirm that this condensed set of half-yearly financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the Chief Executive's Operational Review and the Financial Review herein include a fair review of the information required by the Disclosure and Transparency Rules (DTR) 4.2.7 and DTR 4.2.8.

The Directors of British Energy Bond Finance plc are listed in British Energy Bond Finance plc's financial statements for the year ended 31 March 2008. A list of current Directors can be obtained from the Company Secretary at British Energy Bond Finance plc, GSO Business Park, East Kilbride, G74 5PG.



Bill Coley
18 November 2008
Chief Executive



Stephen Billingham
18 November 2008
Finance Director

Independent review report to British Energy Bond Finance plc

Introduction

We have been engaged by British Energy Bond Finance plc to review the condensed set of financial statements in the half-yearly financial report for the six months ended 28 September 2008, which comprises the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, consolidated statement of cash flows and related condensed notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Bond Finance Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 28 September 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.



PricewaterhouseCoopers LLP

Chartered Accountants
18 November 2008
Edinburgh

Notes:

- (a) The maintenance and integrity of the British Energy Group plc website is the responsibility of the Directors; the work carried out by auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the half-yearly financial report since it was initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

GLOSSARY

AGR (Advanced Gas-Cooled Reactor)

The second generation of gas-cooled nuclear reactor built in the UK.

Baseload Generation

Mode of operation of a power station at a constant high level of output for a sustained period of time to assist in meeting minimum national demand.

BCU (Boiler Closure Unit)

Concrete and steel structure forming part of the reactor pressure boundary, unique to Hartlepool and Heysham 1.

BERR

Department of Business, Enterprise and Regulatory Reform.

BETTA

British Electricity Transmission and Trading Arrangements.

BNFL

British Nuclear Fuels plc.

BNGSL

British Nuclear Group Sellafield Limited.

Bonds

Bonds issued by British Energy Bond Finance plc.

British Energy Direct

British Energy Direct Limited.

Bruce

The Bruce A and B nuclear power stations in Ontario, Canada.

BSUoS

Balancing Services Use of System.

Capital Expenditure

Expenditure on property, plant and equipment and software, which is capitalised and expensed to the consolidated income statement over the estimated useful life of the respective asset.

Clean Dark Spread

The price of electricity less the cost of coal and carbon.

Contribution Agreement

The agreement dated 14 January 2005 and now between the Secretary of State, NLF, British Energy Generation Limited, British Energy Group plc and British Energy Bond Finance plc (as amended from time to time).

Decommissioning

The process whereby a nuclear power station is shut down at the end of its economic life, eventually dismantled, and the site made available for other purposes.

DUoS

Distribution Use of System.

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

Mainly comprise the costs incurred for the use of the distribution and transmission systems, recovered through revenue, and costs of Renewables Obligation Certificates (ROCs).

Environmental Events

Environmental Events are events arising from both radioactive and non-radioactive wastes or discharges above permitted levels, or breaches of permitted conditions at British Energy sites, including nuclear power stations, district survey laboratories and offices.

EPL

Eggborough Power Limited.

EU ETS

European Union Emissions Trading Scheme.

FGD (Flue Gas Desulphurisation)

Equipment fitted to coal-fired power stations to reduce sulphur dioxide emissions.

Forward market price

The average of the mid-point of the daily closing prices over the relevant year for forward annual baseload power (starting with the average forward price of the next six month winter and following six month summer season contracts and thereafter the average forward price of the same following six month summer season contract and subsequent six month winter contract) as reported on European Daily Electricity Markets, published by Heren Energy.

GTMA

Grid Trade Master Agreement.

GW (Gigawatt): GWh (Gigawatt-hour)

One gigawatt equals 1,000MW: one gigawatt-hour represents one hour of electricity consumed at a constant rate of 1GW.

Investment in Plant

Investment expenditure on plant projects, major repairs and strategic spares across the whole Group.

ISDA

International Swap Dealers Association.

kW (Kilowatt): kWh (Kilowatt-hour)

A kilowatt is a unit of power, representing the rate at which energy is used or produced: one kilowatt-hour is a unit of energy and represents one hour of electricity consumption at a constant rate of 1kW.

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.

Levy Exemption Certificates (LECs)

The climate change levy is a tax on the use of energy in industry, commerce and the public sector. The purpose of the levy is to encourage the efficient use of energy, therefore a range of measures are in place to assist energy users to improve energy efficiency, one of which is the exemption for the use of renewable power. LECs are provided as proof that this exemption is valid. 1 LEC equals 1MWh of renewable energy.

LLW, ILW, HLW (Low, Intermediate, High Level Waste)

Radioactive waste is classified as low, intermediate or high level waste according to its heat generating capacity and radioactivity. LLW comprises slightly radioactive materials, such as discarded protective clothing and used wrapped materials. ILW comprises more radioactive materials, including sludges and resins from the cleaning of fuel storage pond water, fuel cladding and other materials arising from the reprocessing of spent fuel, and some radioactive components arising from the decommissioning of plant. HLW comprises nuclear waste products separated out from uranium and plutonium during the reprocessing of spent nuclear fuel.

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 Accident (LTA)

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

Market Price

The price for annual forward baseload contracts.

Materiel Condition

A term used by nuclear operators, particularly in the United States, in relation to nuclear power stations, and used to describe the physical condition of plant and equipment and the condition of operating procedures, engineering drawings, specifications and manuals (taking safety, maintenance and plant reliability into consideration).

MW (Megawatt): MWh (Megawatt-hour)

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

National Emissions Reduction Plan (NERP)

Emission limits imposed under the Large Combustion Plant Directive, requiring operators to maintain emissions within an annual 'bubble' limit.

NDA

Nuclear Decommissioning Authority.

NLF

An independently administered fund into which the Group makes contributions to cover all qualifying uncontracted nuclear liabilities including costs of decommissioning nuclear power stations and PWR back end fuel costs.

Nuclear Reportable Events (NRE)

Nuclear Reportable Events are events reported to the Nuclear Installations Inspectorate in compliance with British Energy's nuclear site licences.

Nuclear Installations Inspectorate (NII)

A part of the Nuclear Safety Division Directorate of the Health and Safety Executive, which administers nuclear site licences.

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 refuelling 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.

Quinquennial Review

The five-yearly review of the assumptions underlying the Group's provision for certain nuclear liabilities.

Realised Price

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

Recommended Offers

Offers announced on 24 September 2008 and recommended by the Board of British Energy Group plc for the issued and to be issued share capital of British Energy Group plc by Lake Acquisitions Limited, a wholly-owned subsidiary of EDF S.A..

Renewables Obligation Certificates (ROCs)

Eligible renewable generators receive ROCs for each MWh of electricity generated. These certificates can then be sold to suppliers, in order to fulfil their renewables obligation.

Renewables Obligation Scheme

Scheme introduced by Utilities Act 2000 requiring electricity suppliers to ensure a proportion of sales are derived from renewable sources.

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 year and to remove the effect of one year'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.

RPI

Retail Price Index.

Shares

Ordinary shares in British Energy Group plc.

Small Losses

Events less than 1TWh.

Special Share

The special rights redeemable preference share of £1 held in British Energy jointly by the Secretary of State and the Secretary of State for Scotland.

Statutory Outage

The planned shutdown of nuclear reactors for regulatory inspection and maintenance.

Strategic Spares

Major power station spare parts, which are capitalised within property, plant and equipment.

TNUoS

Transmission Use of System.

TW (Terawatt): TWh (Terawatt-hour)

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

Unit Capability Factor

The percentage of maximum energy generation that a plant is capable of supplying to the electrical grid, limited only by factors within the control of plant management.

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.

UKLA

United Kingdom Listing Authority.

Warrants

Warrants entitling the holder to subscribe for shares in British Energy Group plc.