

BRITISH ENERGY GROUP PLC
RESULTS FOR THE THREE MONTHS ENDED 29 JUNE 2008
OF THE FINANCIAL YEAR ENDING 31 MARCH 2009

Key Points

- Nuclear output lower than the comparable period of the previous financial year, primarily reflecting the continuing impact of the Boiler Closure Unit (BCU) outages at Hartlepool and Heysham 1
- Adjusted EBITDA of £129m, down from £253m in the comparable period, reflecting lower output and higher costs incurred in respect of the BCU modifications. Increased costs partially offset by higher realised price, reflecting higher prices on previously uncontracted nuclear sales and the benefit of higher clean dark spreads and net revenue from flexible operation of Eggborough
- Run rate for small unplanned losses continues to be broadly in line with best ever levels achieved in financial year 2007/08
- BCU recovery project progressing well, with Heysham 1 Reactor 1 identified as lead unit for return to service. Regulatory approval to commence installation of circumferential bands expected within the next few days. Total project costs in financial year 2008/09 now expected to be around £115m (up from £50m), driven by increased costs for inspections and increased costs of design, fabrication and installation of modifications. More than 1,200,000 man-hours have been spent on the project to date which is on track to deliver return to service in the third quarter of this financial year
- Hinkley Point B Reactor 3 returned to service following successful planned inspection outage. Hunterston B Reactor 4 restart process initiated
- Advanced discussions continue in connection with a potential offer for the Company. British Energy remains uniquely positioned to play a pivotal role in Nuclear New Build

Bill Coley, Chief Executive of British Energy, said -

"We have continued to make good progress towards resolving the plant issues that have significantly impacted our performance in the year to date. Two of the four units at Hinkley Point B and Hunterston B have already achieved operation at 70% load as planned and we expect to raise load on the remaining two units to this level in due course. In addition, we remain on track to deliver the return to service of Hartlepool and Heysham 1 in the third quarter of this financial year.

The role for nuclear new build as an integral part of UK energy policy is now firmly established. We welcome the steps being taken by Government to drive forward the new nuclear agenda while, at the same time, we continue with our preparations for nuclear new build. As we continue discussions in respect of a potential transaction, we remain clear that the expertise of our people, together with our sites, makes British Energy uniquely positioned to play a pivotal role in nuclear new build."

	Three months ended 29 June 2008	Three months ended 1 July 2007
Nuclear (TWh)	9.5	13.0
Coal (TWh)	1.9	0.8
Total output (TWh)	11.4	13.8
<i>Adjusted EBITDA⁽¹⁾ (£m)</i>	129	253
<i>Adjusted operating profit (excluding certain items)⁽⁵⁾ (£m)</i>	71	193
<i>Adjusted net profit (excluding certain items)^{(5),(6)} (£m)</i>	47	143
<i>Adjusted earnings per share (excluding certain items)^{(5),(6)} after taking account of Cash Sweep economic interest at 35.7% (Q1 2007/08: 36.0%)⁽²⁾ (p)</i>	2.9	8.9

Reported net profit for the period attributable to shareholders £62m (Q1 2007/08: £179m), basic earnings per share 6.0p (Q1 2007/08: 25.8p); includes Cash Sweep Payment credit, £nil (Q1 2007/08: £134m⁽³⁾), Cash Sweep Payment accrual, £nil (Q1 2007/08: £nil) and amortisation of conversion asset, £45m (Q1 2007/08: £15m⁽³⁾).

- Total output for the period was 11.4TWh (Q1 2007/08: 13.8TWh), comprising nuclear output of 9.5TWh (Q1 2007/08: 13.0TWh) and coal output of 1.9TWh (Q1 2007/08: 0.8TWh). The reduction in nuclear output largely reflects the BCU outages at Hartlepool and Heysham 1
- Adjusted EBITDA of £129m, down from £253m in the comparable period, reflecting lower output and higher costs incurred in respect of the BCU modifications. Increased costs partially offset by higher realised price, reflecting higher prices on previously uncontracted nuclear sales and the benefit of higher clean dark spreads and net revenue from flexible operation of Eggborough
 - Realised price was £45.7/MWh for the period, up £4.9/MWh from £40.8/MWh in the comparable period
 - Unit operating cost increased to £39.6/MWh for the period from £27.0/MWh in the comparable period
 - Operating margin decreased to £6.1/MWh from £13.8/MWh in the comparable period
- Statutory and maintenance outages at Dungeness B Reactors 21 and 22 ongoing. Safety case to allow movement of fuel approved by the Regulator and crimping machine commissioned. Proceeding with crimping and inspection of the fuel assemblies. Incremental losses now expected to be around 2TWh, incorporating additional work to repair a number of shielding supports on both units, before refuelling and returning the units to service
- Investment in Plant in financial year 2008/09 is expected to be in the range £280m to £305m. In addition, we expect to incur around £115m in respect of BCU modification costs, up from £50m. Investment in Plant in financial year 2009/10 is expected to be in the range £260m to £280m
- As at 3 August 2008 we had fixed price contracts in place for approximately 42.2TWh for the financial year 2008/09 at an average price of £47/MWh (net of illiquidity costs in the year to date) excluding the impact of capped price contracts at around £32/MWh. The capped contracts are for delivery of approximately 5TWh per annum up to March 2011
- In addition, as at 3 August 2008 we had fixed price contracts in place for approximately 33.3TWh for the financial year 2009/10 at an average price of £42/MWh excluding the impact of capped price contracts at around £33/MWh
- As at 3 August 2008, we had approximately 107TWh of zero/capped collateral sales that will deliver over the period to March 2013 at fixed prices (excluding power already delivered under these contracts), up from 100TWh at 12 August 2007

	Three months ended 29 June 2008	Three months ended 1 July 2007
Revenue (£m)	629	668
Operating and energy costs (£m)	(500)	(415)
Adjusted EBITDA ⁽¹⁾ (£m)	129	253
Depreciation and other amortisation (£m)	(58)	(60)
Other operating income (£m)	13	1
Unrealised net gains / (losses) on derivative financial instruments and commodity contracts (£m)	68	(26)
Operating profit before Cash Sweep Payment credit, Cash Sweep Payment accrual and amortisation of conversion asset (£m)	152	168
Adjusted net profit for the period attributable to shareholders ^{(3),(6)} (£m)	105	126
<i>Adjusted earnings per share after taking account of Cash Sweep economic interest at 35.7% (Q1 2007/08: 36.0%) ^{(2),(4),(6)} (p)</i>	6.5	7.9

Cash Sweep Payment credit ⁽³⁾ (£m)	-	134
Cash Sweep Payment accrual ⁽²⁾ (£m)	-	-
Amortisation of conversion asset ⁽³⁾ (£m)	(45)	(15)
Adjustments in respect of taxation ^{(3),(6)} (£m)	2	(66)
Net profit for the period attributable to shareholders (£m)	62	179

Realised price (£/MWh)	45.7	40.8
Unit operating cost (£/MWh)	39.6	27.0
Operating margin (£/MWh)	6.1	13.8

Adjusted operating profit (excluding certain items) ⁽⁵⁾ (£m)	71	193
Adjusted net profit (excluding certain items) ^{(5),(6)} (£m)	47	143
Adjusted earnings per share (excluding certain items) ^{(5),(6)} after taking account of Cash Sweep economic interest at 35.7% (Q1 2007/08: 36.0%) ⁽²⁾ (p)	2.9	8.9

Nuclear unplanned capability loss factor (%)	34	19
Total output (TWh)	11.4	13.8
Nuclear (TWh)	9.5	13.0
Coal (TWh)	1.9	0.8

	As at 29 June 2008	As at 31 March 2008
Cash and cash equivalents (excluding restricted cash and other financial assets) (£m)	897	1,028
Debt (£m)	(516)	(516)
Net cash (excluding restricted cash and other financial assets) (£m)	381	512

Restricted cash and other financial assets (£m)	284	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 35.7% as at 29 June 2008, up from 35.1% as at 31 March 2008, principally due to the payment on 3 April 2008 of the additional dividend in respect of financial year 2006/07, partially offset by the exercise of approximately 0.4 million Warrants in the period. In line with our accounting policy, no accrual has been made as at 29 June 2008 for any Cash Sweep Payment in respect of financial year 2008/09. At the Company's AGM on 17 July 2008, shareholders approved the payment of a base dividend of 13.6p per ordinary share in respect of financial year 2007/08. The dividend, totalling £141m, was paid on 31 July 2008 to shareholders of record as at 27 June 2008. The Cash Sweep Payment of £102m in respect of financial year 2007/08 was paid on 23 July 2008. As a result of the Cash Sweep Payment and the base dividend payment, the Cash Sweep percentage was 35.6% as at 31 July 2008. The Company's dividend policy remains unchanged.

(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 £15m in respect of 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, as described below.

(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 appropriate cash (Target Amount) and expenditure (Forecast Expenditure Reserve) reserves. 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 29 June 2008. This would result in an adjusted earnings per share of 6.5p for the period ended 29 June 2008 (Q1 2007/08: 7.9p).

(5) Results for the period ended 29 June 2008 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 revalorisation thereon.

(6) Adjusted net profit and adjusted earnings per share have been revised for the comparable period following a change in methodology for the adjustment in respect of taxation. Accordingly, the adjustment in respect of taxation for Q1 2007/08 has been revised from £31m as previously disclosed, to £66m.

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, 13 August 2008 and dial in facilities can be accessed by dialling:

UK dial in: 020 8609 0582
International dial in: +44 (0)20 8609 0582

There will be a replay facility for 5 days:

UK dial in: 020 8609 0289
International dial in: +44 (0)20 8609 0289
PIN (access) no: 223453#

Principally for the benefit of US investors, management will host a further conference call for analysts, institutional investors and bondholders at 2:00pm (UK time), 13 August 2008. The conference can be accessed by dialling:

UK dial in: 020 8609 0582
International dial in: +44 (0)20 8609 0582
US access no: 1 866 388 1925

There will be a replay facility for 5 days:

UK dial in: 020 8609 0289
International dial in: +44 (0)20 8609 0289
PIN (access) no: 222456#

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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

We have been able to benefit from the higher power prices prevailing during the period through the sales of previously uncontracted volumes, higher clean dark spreads and flexible operation of Eggborough. However, the significant level of outage work and higher costs for BCU remediation have adversely affected our financial performance.

Returning Hartlepool and Heysham 1 to service is our most immediate priority. More than 1,200,000 man-hours have been incurred thus far in the project and I am extremely pleased with the progress the team is making. We are working closely with the Regulator to secure the necessary approvals for installation of the circumferential bands on the lead unit, Heysham 1 Reactor 1.

Our target was to be able to increase load to approximately 70% at Hinkley Point B and Hunterston B following boiler inspections. Two units have already achieved operation at around 70% load, and we expect to raise load on the other two units to this level in due course.

At Dungeness B, we have designed and successfully commissioned a machine to crimp the fuel plug units. Work to repair a number of shielding supports on both units is required before returning the units to service.

Our sites and the expertise of our people uniquely positions British Energy for a pivotal role in Nuclear New Build. We continue discussions in respect of a potential transaction.

Plant Output and Performance

Total output for the period was 11.4TWh (nuclear: 9.5TWh, coal: 1.9TWh), down from 13.8TWh for the comparable period (nuclear: 13.0TWh, coal: 0.8TWh), largely due to the Boiler Closure Unit (BCU) issue at Hartlepool and Heysham 1. As a result, nuclear unplanned capability loss factor for the period increased to 34%, up from 19% for the comparable period. There were four unplanned automatic trips in the period, up from two in the comparable period, attributable to instrumentation on the plant. We are replacing ageing instrumentation across the fleet as part of our forward investment programme.

Output is stated after total non-routine nuclear losses of 8.3TWh compared to 5.0TWh of losses in the comparable period. Losses in the period comprise 4.1TWh attributable to the BCU issue at Hartlepool and Heysham 1 (all of which were planned at the start of the year), 2.2TWh attributable to boiler inspection/repair work and the load limits at Hinkley Point B and Hunterston B (all of which were planned at the start of the year), 0.7TWh attributable to the fuel plug unit issue at Dungeness B and 1.3TWh attributable to other events. The level of small unplanned losses continues to be low at 1.0TWh in the period, broadly in line with the best ever annual run rate of around 4TWh achieved last financial year.

We continue to maximise 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. The Large Combustion Plant Directive (LCPD) became effective on 1 January 2008 and introduced new requirements impacting emissions by Eggborough. Eggborough is now operating within the National Emission Reduction Plan (NERP) regime under the LCPD. The maximum achievable output while complying with the emissions restrictions would be around 9TWh per annum. As a result of higher clean dark spreads, output from Eggborough increased to 1.9TWh for the period, compared to 0.8TWh in the comparable period.

Total output to 3 August 2008 for the current financial year ending 31 March 2009 was 15.5TWh (nuclear: 13.0TWh, coal: 2.5TWh). This is stated after total non-routine nuclear losses for the period to 3 August 2008 of 11.3TWh. Non-routine nuclear losses comprise 6.0TWh attributable to the BCU issue at Hartlepool and Heysham 1 (all of which were planned at the start of the year), 3.2TWh of losses attributable to operations at Hinkley Point B and Hunterston B (all of which were planned at the start of the year), 0.7TWh attributable to the fuel plug unit issue at Dungeness B and 1.4TWh attributable to other events. The level of small unplanned losses to 3 August 2008 was 1.1TWh.

Boiler Closure Unit status

We have made significant progress towards returning Hartlepool and Heysham 1 to service, following identification of the BCU issue in October 2007. The issue is resolved by locking in the existing pre-stress in the BCUs, through a combination of circumferential bands and secondary restraints, together with enhanced cooling and instrumentation systems. Cooling modifications and instrumentation installation is underway on the lead unit at each station and we have submitted a safety case to the Regulator for consent to commence installation of the circumferential bands on all units. Regulatory consent is expected within the next few days.

Regulatory approval of the safety case for each reactor is required before the units can return to service. The Regulator has had full view of the project and we continue to work with the Regulator to ensure the smooth return to service of all four units. This is a complex project involving many engineering disciplines, a variety of contract partners and bespoke technical solutions. As previously reported, taking into account the work that remains to be completed in the final stages of the project, we expect the units to return to service in the third quarter of this financial year.

As a result of the number of work hours incurred and the complexity of delivering the solution, we now expect the cost of commissioning and installing the engineering modifications to be significantly higher than the initial estimate of £50m, at around £115m. In the event of any additional slippage in return to service timing, incremental costs may be expected to arise.

We continue to manage our trading book position in line with the expected phased return to service of the units.

Boiler issues status

Hinkley Point B Reactor 4 and Hunterston B Reactor 3 have both achieved consistent operation at around 70% load, as planned.

Hinkley Point B Reactor 3 returned to service on 3 August 2008, following its planned graphite core inspection and maintenance outage. We also performed boiler balancing work by replacing the boiler tube orifices with the objective of returning the unit to service at 70% load. We have also returned a number of additional boiler tubes to service. Load is currently being raised on this unit following refuelling.

In addition, a statutory outage has also been completed at Hunterston B Reactor 4, including boiler inspections, necessary repairs and balancing work with the objective of achieving operation at around 70% load. The restart process has now been initiated and, once turbine balancing has been completed, the unit will be synchronised to the National Grid.

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. Regulatory approval of the safety case to recommence movement of fuel has been received and we are proceeding with the crimping and inspection of the fuel assemblies. Incremental losses are now expected to be around 2TWh, incorporating additional work to inspect and repair a number of shielding supports on both units at Dungeness B. Completion of this work, together with approval from the Regulator, is required before the units are refuelled and returned to service.

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 within the organisation is crucial to achieving these goals.

There were two nuclear reportable events during the period compared to one in the corresponding period last year. During the period our contractors had three lost time accidents (LTAs) and no LTAs were incurred by British Energy employees. A total of two LTAs were recorded during the comparable period last year. We continue to place a high priority on our collaborative work with contractor partners to deliver continuous improvements in safety performance.

British Energy measures environmental performance on a scale more stringent than that of the Environment Agency. There was one environmental event in this period, which was rated by our environmental regulators as having minor or no environmental impact. This is a significant improvement on the same period last year, in which five events occurred.

Investment in Plant and People

Investment in Plant for the period was £67m, compared to £50m in the same period last year. Additional costs during the period of £20m were incurred in respect of the BCUs at Hartlepool and Heysham 1. Investment in Plant in the period includes: continued work across the fleet on Periodic Safety Review documentation; 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 investment in underground cast iron pipework across the fleet; and works to maintain reliability, including the fleet fuel route investment programme and investment in fuel plug units at Dungeness B.

In financial year 2008/09, Investment in Plant is expected to be in the range £280m to £305m. In addition, expenditure on the BCU recovery project at Hartlepool and Heysham 1 is now expected to be around £115m, up from £50m.

Financial year 2008/09 will see 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. Later this financial year, statutory outages are planned at Hinkley Point B Reactor 4 (including boiler inspections and rebalancing) and at Heysham 2 Reactor 7.

We continue to focus on human performance across the business through the use of industry best practice tools and techniques. The British Energy Nuclear Power Academy in Barnwood was opened in May 2008 to support training and assure we have a qualified workforce to accommodate retirements, to operate stations over extended lives and to provide a core of employees for Nuclear New Build. In September 2008, we commence a residential programme for our apprentices, in association with Flagship Training, at HMS Sultan in Gosport, Hampshire.

Trading

Market conditions

The forward price of annual baseload electricity commencing October 2008 rose from £60/MWh at the start of April 2008 to £88/MWh as at 29 June 2008. The price of annual coal delivered to European ports, commencing January 2009, rose from \$122/tonne at the start of April 2008 to \$208/tonne as at 29 June 2008. Prices of Phase II carbon allowances for delivery in December 2008 rose from €22/tonne CO₂ at the start of April 2008 to €28/tonne CO₂ as at 29 June 2008.

Clean dark spread prices (being the electricity price, less costs of coal and carbon allowances) for Winter 08 and Summer 09 rose from £21/MWh and £11/MWh respectively at the start of April 2008 to £28/MWh and £18/MWh respectively as at 29 June 2008.

We currently have stocks and contracts in place which provide nearly 100% coverage of our anticipated requirements until 31 March 2011. The current market price of uranium has increased significantly from the level at which we entered into these existing fuel agreements. The long-term market price of uranium was US\$80 per pound as at 4 August 2008, down from US\$95 per pound as at 31 March 2008. At the prevailing long-term market price for uranium and uranium related services, our existing stocks and contracts provide a fuel cost advantage of approximately £115m per annum, based on nuclear output for the financial year 2008/09. It is anticipated that this fuel cost advantage will gradually reduce between the financial years ending 31 March 2012 and 31 March 2017. Thereafter full market prices are expected to be recognised in the income statement.

Trading performance

Realised price for the period was £45.7/MWh, an increase of £4.9/MWh compared with a realised price of £40.8/MWh for the comparable period, reflecting higher prices on previously uncontracted nuclear sales and the benefit of higher clean dark spreads together with net revenue from flexible operation of Eggborough. 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 continue to manage our trading book in line with the expected phased return to service of the four units at Hartlepool and Heysham 1 in the third quarter of this financial year. As at 3 August 2008, we had fixed price contracts in place for approximately 42.2TWh for the financial year 2008/09 at an average contract price of £47/MWh (net of illiquidity costs in the year to date and excluding 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 £32/MWh.

As at 3 August 2008, we had fixed price contracts in place for approximately 33.3TWh for the financial year 2009/10 at an average contract price of £42/MWh (excluding the impact of approximately 5TWh of capped contracts at around £33/MWh).

As at 3 August 2008, we had 107TWh of zero/capped collateral sales that will deliver over the period to March 2013 at fixed prices (excluding power already delivered under these contracts), up from 100TWh at 12 August 2007, for delivery over the period to March 2013. One of these trades has cash receipts deferred by a total of approximately £300m, excluding interest, for the two years ended 31 March 2007 and 2008. Approximately £30m is expected to be received in financial year 2008/09, with a further £80m in financial year 2009/10, £140m in financial year 2010/11 and the remaining £50m in April 2011.

At 29 June 2008, we had £270m (31 March 2008: £267m) cash posted as collateral in support of trading activities.

Nuclear New Build

Following the White Paper on Nuclear Power published in January 2008, the Government has affirmed its commitment to nuclear power as part of a balanced energy mix, and we have continued to take forward our new build activities.

On 5 June 2008, the Nuclear Industry Association submitted an application for “justification” of the practice of operating new nuclear power stations in the UK. This application was submitted on behalf of six companies, including British Energy, and will be determined by the Department for Business, Enterprise and Regulatory Reform, following a public consultation. Justification is a high level assessment process required by European Union legislation.

On 12 June 2008 the Government announced the creation of the Office of Nuclear Development within Government to be a focal point for Government issues in the path of new nuclear development. A Nuclear Development Forum was also announced to bring together Government and the industry to facilitate Nuclear New Build. The Nuclear Installations Inspectorate has begun detailed assessment of three nuclear reactor designs, which is due to be completed by 2011.

On 22 July 2008, the Government published a consultation on the strategic siting assessment process and siting criteria for new nuclear power stations in the UK. Once the final criteria are published early next year, we will nominate all of our sites which meet these criteria. At this stage we have no reason to exclude any of our sites, although the nomination process will not apply to sites in Scotland.

Our new build team is continuing to progress preliminary work on our sites, including consultation with local stakeholders and communities. Surveys of both terrestrial and marine ecology are underway to establish baseline data and to define the scope of the environmental impact assessment.

FINANCIAL REVIEW

Financial Performance

Summary of Results

The unaudited results for the three months ended 29 June 2008 (the period) and 1 July 2007 (the comparable period) are summarised as follows:

	Three months ended 29 June 2008 £m	Three months ended 1 July 2007 £m
Revenue	629	668
Operating and energy costs	(500)	(415)
Adjusted EBITDA ⁽¹⁾	129	253
Other operating income	13	1
Cash Sweep Payment credit	-	134
Cash Sweep Payment accrual	-	-
Depreciation	(55)	(58)
Amortisation of conversion asset	(45)	(15)
Other amortisation	(3)	(2)
Unrealised net gains/(losses) on derivative financial instruments and commodity contracts	68	(26)
Operating profit	107	287
Financing (charges)/credits		
Interest payable	(20)	(15)
Interest receivable	20	20
Net other finance (expense)/income	(6)	4
Profit before taxation	101	296
Taxation	(39)	(117)
Net profit for the period attributable to shareholders	62	179

(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:

	Three months ended 29 June 2008 £m	Three months ended 1 July 2007 £m
Revenue		
Wholesale generation sales	248	313
Direct supply sales excluding recovery of energy supply costs and renewable energy purchases recharged to customers	273	250
Revenue from generated electricity	521	563
Energy supply costs recharged to customers	94	95
Renewable energy purchases recharged to customers	12	8
Miscellaneous income	2	2
Total revenue	629	668

Output is analysed as follows:

	Three months ended 29 June 2008 TWh	Three months ended 1 July 2007 TWh
Nuclear power stations	9.5	13.0
Coal-fired power station - Eggborough	1.9	0.8
Total output	11.4	13.8

The Group's output in the period of 11.4TWh was 17% 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) issue 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 £40.8/MWh in the comparable period to £45.7/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:

	Three months ended 29 June 2008 £m	Three months ended 1 July 2007 £m
Fuel costs – nuclear	57	72
Fuel costs – Eggborough	79	24
Total fuel costs	136	96
Materials and services	153	122
Staff costs	105	94
Operating costs of generated electricity	394	312
Energy supply costs recharged to customers	94	95
Renewable energy purchases recharged to customers	12	8
Total operating and energy costs	500	415

Unit Operating Cost and Operating Margin

Unit operating cost increased to £39.6/MWh for the period from £27.0/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 £6.1/MWh for the period (2007: £13.8/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 £15m to £57m (2007: £72m) as a result of reduced nuclear output being partially offset by an increase in nuclear fuel unit cost from £5.5/MWh to £6.0/MWh. The increase in nuclear fuel unit cost is mainly due to the impact of lower nuclear output on the semi variable and fixed elements of nuclear fuel costs and the accounting for the unburnt fuel provision. During the period there has been a change in the methodology of charging certain back end costs to the income statement. This change has resulted in a reduction in nuclear fuel costs of £8m in the period.

Eggborough fuel costs in respect of coal, oil, biomass and carbon allowances totalled £79m for the period (2007: £24m), or £41.6/MWh (2007: £30.0/MWh). Excluding carbon allowances, Eggborough fuel costs were £60m (2007: £17m), or £31.6/MWh (2007: £21.3/MWh). The rise in unit cost reflects the significant increase in coal prices; despite this, clean dark spreads have also significantly widened and the output at Eggborough has been 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 £153m (2007: £122m) have increased by £31m from the comparable period primarily due to the costs in relation to the BCU recovery project of £20m (2007: £nil).

Staff costs totalled £105m in the period (2007: £94m), an increase of £11m from the comparable period. Higher staff numbers and the annual pay rise accounted for the increase.

Energy supply costs were £94m (2007: £95m) 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 volume of energy purchased from renewable sources in the period was 0.16TWh (2007: 0.26TWh). The increased cost in renewable energy purchased of £12m (2007: £8m) is as a result of a significant increase in the average price paid, offset by lower volumes purchased.

Other Operating Income

Other operating income relates to the utilisation of the contracts provision of £2m (2007: £1m), which was established at the Restructuring Effective Date (RED) and £11m of distributions received in respect of the Enron insolvency claim raised in the year ended 31 March 2002.

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 initial NLF Cash Sweep 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 was £45m (2007: £15m). 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 29 June 2008 for any potential future Cash Sweep Payment that may be payable based on the full year results for the 2009 financial year.

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 £55m (2007: £58m) was £3m 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 £3m (2007: £2m) 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 £68m (2007: £26m charge) represents a credit for the fair value movements in carbon allowance forward contracts of £2m (2007: £6m) and a credit for the fair value movement of electricity, coal and other forward contracts of £66m (2007: £32m charge).

Financing (Charges)/Credits

Interest payable of £20m (2007: £15m) 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 has decreased by £1m to £9m.

Interest receivable of £20m (2007: £20m) relates to interest earned on cash deposits and interest earned on deferred cash receipts in respect of a capped collateral sales contract. This is unchanged from the comparable period as a result of lower interest bearing cash deposits offset by higher interest rates compared with the comparable period and 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 £6m (2007: £4m income), refer to note 6 in the financial statements.

Taxation

A tax charge of £39m (2007: £117m) has been recognised in the consolidated income statement for the period. This comprises a deferred tax charge of £18m (2007: £19m) and a current tax charge of £21m (2007: £98m). 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 59% and this has been applied to the period's results. 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 59% 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.

Net Profit and Earnings Per Share

Net profit for the period attributable to shareholders was £62m compared to £179m for the comparable period.

Basic earnings per share for the period was 6.0p (2007: 25.8p). 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.

Diluted earnings per share for the period was 6.0p (2007: 25.4p). 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 6.5p (2007: 7.9p*). 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 appropriate cash (Target Amount) and expenditure reserves (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 three 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.

* Revised from previous disclosure of 5.7p, following a revision to the methodology for the tax adjustment within this calculation.

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:

	Three months ended 29 June 2008 Capital expenditure £m	Three months ended 29 June 2008 Investment in Plant £m	Three months ended 1 July 2007 Capital expenditure £m	Three months ended 1 July 2007 Investment in Plant £m
Capital additions	31	31	19	19
Strategic spares	1	1	-	-
Statutory outage costs	33	-	31	-
Capitalised expenditure	65	32	50	19
Non-recurring repair expenditure projects (NRR)	-	35	-	31
Total	65	67	50	50

Of the £65m (2007: £50m) of capital expenditure, £63m (2007: £48m) was capitalised within property, plant and equipment, and the remaining £2m (2007: £2m), relating to systems software, was capitalised in intangible assets. The NRR expenditure in the period excludes £20m (2007: £nil) of expenditure in respect of the BCU recovery project at Hartlepool and Heysham 1.

For the full financial year the Group expects Investment in Plant to be in the range £280m to £305m. This excludes investment expenditure on the BCU recovery project at Hartlepool and Heysham 1 of around £115m.

Financial Position

Analysis of Cash Flows

At 29 June 2008 the Group had cash and cash equivalents of £897m compared to £1,028m at 31 March 2008. The decrease in cash and cash equivalents is analysed in the following table:

	Three months ended 29 June 2008 £m	Three months ended 1 July 2007 £m
Net cash inflow generated from operations	93	240
Net cash used in investing activities	(65)	(50)
Net cash used in financing activities	(159)	(2)
Net (decrease)/increase in cash and cash equivalents	(131)	188
Cash and cash equivalents at the beginning of the period	1,028	1,101
Cash and cash equivalents at the end of the period	897	1,289

Net cash inflow generated from operations was £93m in comparison with £240m inflow in the comparable period. The decrease mainly relates to lower operating profit.

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

The £159m (2007: £2m) utilised in financing activities relates to the payment of the year ended 31 March 2007 additional dividend on 3 April 2008 and the purchase of own shares to satisfy share incentive schemes.

In addition to the cash and cash equivalents, there are restricted cash and other financial assets of £284m (31 March 2008: £286m) at 29 June 2008 of which £270m (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 a liability of £216m at 31 March 2008 to a liability of £509m at 29 June 2008. During this period the discount rate used to value the retirement benefit obligations increased from 6.0% to 6.1%. The retirement benefit obligations have been estimated, as required by IAS 19 – Employee Benefits, on the basis of the full triennial valuation carried out by an independent actuary at 31 March 2007.

Changes in key financial assumptions, which are linked to inflation, and the return on the schemes' investments, are the main reasons for the significant actuarial loss in the period, partially offset by the increase in the discount rate.

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 declared following the 2008 third quarter results announcement. This 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 ordinary 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.

Post Balance Sheet Event

On 21 March 2007, the Government announced its intention to introduce legislation to phase out industrial buildings allowances from 1 April 2008. This change has not been reflected in the financial statements at 29 June 2008 because the draft legislation needed to introduce this change is not considered to be substantively enacted at the balance sheet date. An estimate of the financial effect of this change, calculated at 28%, is that it would change the deferred tax asset reflected in the balance sheet of £31m, as at 29 June 2008, to a deferred tax liability of £5m.

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. 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 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 THREE MONTHS ENDED 29 JUNE 2008 (UNAUDITED)

	Notes	Three months ended 29 June 2008 £m	Three months ended 1 July 2007 £m
Revenue	3	629	668
Operating and energy costs	4	(500)	(415)
		129	253
Other operating income		13	1
Cash Sweep Payment credit	5	-	134
Cash Sweep Payment accrual		-	-
Depreciation		(55)	(58)
Amortisation of conversion asset		(45)	(15)
Other amortisation		(3)	(2)
Unrealised net gains/(losses) on derivative financial instruments and commodity contracts		68	(26)
Operating profit		107	287
Financing (charges)/credits			
Interest payable	6	(20)	(15)
Interest receivable	6	20	20
Net other finance (expense)/income	6	(6)	4
Profit before taxation		101	296
Taxation	7	(39)	(117)
Net profit for the period attributable to shareholders	11	62	179
Earnings per share (pence):			
Basic	9	6.0	25.8
Diluted	9	6.0	25.4

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE THREE MONTHS ENDED 29 JUNE 2008 (UNAUDITED)

	Notes	Three months ended 29 June 2008 £m	Three months ended 1 July 2007 £m
Net losses on hedged items for the period	11	(31)	(7)
Net actuarial (losses)/gains on retirement benefit (obligations)/assets for the period (see note 10)	11	(303)	132
Tax on items taken directly to equity for the period	11	94	(38)
Net (expense)/income recognised directly in equity		(240)	87
Net profit for the period attributable to shareholders	11	62	179
Total recognised income and expense		(178)	266

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET
AS AT 29 JUNE 2008 (UNAUDITED)

	Notes	As at 29 June 2008 £m	As at 31 March 2008 £m	As at 1 July 2007 £m
Assets				
Non-current assets				
Conversion asset		1,948	1,993	2,105
Property, plant and equipment		1,673	1,665	1,700
NLF and nuclear liabilities receivables		5,424	5,310	5,338
Deferred income tax asset		31	-	-
Goodwill and intangible assets		416	413	395
Trade and other receivables		307	317	212
Retirement benefit assets	10	-	-	78
		9,799	9,698	9,828
Current assets				
Conversion asset		180	180	220
Inventories		469	448	418
Nuclear liabilities receivable		208	202	199
Trade and other receivables		484	451	375
Restricted cash and other financial assets		284	286	134
Cash and cash equivalents		897	1,028	1,289
Derivative financial instruments and commodity contracts		168	53	60
		2,690	2,648	2,695
Total assets		12,489	12,346	12,523
Liabilities				
Current liabilities				
Borrowings		(61)	(61)	(57)
Trade and other payables		(677)	(659)	(608)
Current tax liability		(38)	(23)	(87)
Nuclear liabilities		(208)	(202)	(199)
Provisions for other liabilities and charges		(14)	(19)	(25)
Derivative financial instruments and commodity contracts		(220)	(142)	(66)
		(1,218)	(1,106)	(1,042)
Non-current liabilities				
Borrowings		(455)	(455)	(516)
Retirement benefit obligations	10	(509)	(216)	-
Nuclear liabilities		(5,424)	(5,310)	(5,338)
Deferred income tax liability		-	(45)	(120)
Provisions for other liabilities and charges		(40)	(42)	(46)
NLF liabilities		(191)	(185)	(192)
Deferred income		(5)	(5)	(5)
Derivative financial instruments and commodity contracts		-	-	(11)
		(6,624)	(6,258)	(6,228)
Total liabilities		(7,842)	(7,364)	(7,270)
Net assets		4,647	4,982	5,253
Equity				
Called up share capital	11	103	103	103
Share premium	11	60	59	2,335
Capital reserve	11	767	767	767
Hedge reserve	11	(93)	(71)	(4)
Warrant reserve	11	11	12	24
Retained earnings	11	3,799	4,112	2,028
Total shareholders' equity (including non-equity shareholder's interests)	11	4,647	4,982	5,253

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 29 JUNE 2008 (UNAUDITED)

	Three months ended 29 June 2008 £m	Three months ended 1 July 2007 £m
Operating activities		
Operating profit	107	287
Depreciation	55	58
Amortisation of conversion asset	45	15
Other amortisation	3	2
Share-based payments	2	2
Unrealised net (gains)/losses on derivative financial instruments and commodity contracts	(68)	26
Movement in provisions for other liabilities and charges	(2)	(4)
Decrease in Cash Sweep Payment accrual	-	(134)
Interest paid	(11)	(5)
Interest received	20	20
NLF liabilities payment	-	(6)
Difference between pension contributions paid and amounts recognised in consolidated income statement	(9)	(3)
Taxation paid	(6)	(21)
Increase in inventories	(21)	(19)
(Increase)/decrease in trade and other receivables	(23)	59
Decrease in restricted cash and other financial assets	2	12
Increase/(decrease) in trade and other payables	3	(44)
Increase in intangible assets	(4)	(5)
Net cash inflow generated from operations	93	240
Cash flows from investing activities		
Purchases of property, plant and equipment	(63)	(48)
Purchases of software	(2)	(2)
Net cash used in investing activities	(65)	(50)
Cash flows from financing activities		
Purchase of own shares for share incentive schemes	(9)	(2)
Equity dividends paid	(150)	-
Net cash used in financing activities	(159)	(2)
Net (decrease)/increase in cash and cash equivalents	(131)	188
Cash and cash equivalents at the beginning of the period	1,028	1,101
Cash and cash equivalents at the end of the period	897	1,289

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

1. Basis of Preparation

In preparing the interim financial statements for the three months ended 29 June 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. These financial statements have 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 as adopted by the European Union. The interim 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 interim 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 interim financial statements for the three months ended 29 June 2008 are unaudited but have been reviewed by the auditors and their report to British Energy Group plc is set out below.

These financial statements were approved by the Board of Directors on 13 August 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

	Three months ended 29 June 2008 TWh	Three months ended 1 July 2007 TWh
Output		
Nuclear power stations	9.5	13.0
Coal-fired power station - Eggborough	1.9	0.8
Total output	11.4	13.8
	Three months ended 29 June 2008 £m	Three months ended 1 July 2007 £m
Revenue		
Wholesale generation sales	248	313
Direct supply sales excluding recovery of energy supply costs and renewable energy purchases recharged to customers	273	250
Revenue from generated electricity	521	563
Energy supply costs recharged to customers	94	95
Renewable energy purchases recharged to customers	12	8
Miscellaneous income	2	2
Total revenue	629	668

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

	Three months ended 29 June 2008 £m	Three months ended 1 July 2007 £m
Fuel costs – nuclear	57	72
Fuel costs – Eggborough	79	24
Total fuel costs	136	96
Materials and services	153	122
Staff costs	105	94
Operating costs of generated electricity	394	312
Energy supply costs recharged to customers	94	95
Renewable energy purchases recharged to customers	12	8
Total operating and energy costs	500	415

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. Other Finance Charges/(Credits)

	Three months ended 29 June 2008 £m	Three months ended 1 July 2007 £m
Interest payable:		
Interest payable on bonds	9	10
Other interest and finance charges payable	11	5
Total interest payable	20	15
	Three months ended 29 June 2008 £m	Three months ended 1 July 2007 £m
Interest receivable:		
Interest receivable	(20)	(20)
Total interest receivable	(20)	(20)

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

	Three months ended 29 June 2008 £m	Three months ended 1 July 2007 £m
Other finance (income)/expenses:		
Revalorisation of nuclear liabilities	163	118
Revalorisation of nuclear liabilities receivable	(64)	(48)
Revalorisation of NLF receivable	(99)	(70)
Revalorisation of contracts provision	1	-
Revalorisation of NLF liabilities	6	4
Net revalorisation charge	7	4
Expected return on plan assets in the pension schemes (see note 10)	(45)	(45)
Interest on defined benefit obligations (see note 10)	44	37
Net credit to finance charges for retirement benefit (obligations)/assets	(1)	(8)
Net other finance expense/(income)	6	(4)

7. Taxation

	Three months ended 29 June 2008 £m	Three months ended 1 July 2007 £m
Current tax:		
UK Corporation tax	21	98
	21	98
Deferred tax:		
Temporary differences	18	19
	18	19
Tax charged to the consolidated income statement	39	117

The tax charge for the three months ended 29 June 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 59% and this has been applied to the period's results. 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 59% 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.

8. Dividends Paid and Declared

	Three months ended 29 June 2008 pence per share	Three months ended 1 July 2007 pence per share	Three months ended 29 June 2008 £m	Three months ended 1 July 2007 £m
Paid:				
2007 Additional dividend, paid as an interim dividend	14.5	-	150	-
Declared:				
2007 Base dividend, paid as a final dividend	-	13.6	-	140
2008 Base dividend, paid as a final dividend	13.6	-	141	-

The 2008 base dividend was approved at the Annual General Meeting on 17 July 2008 and paid on 31 July 2008. This dividend is therefore not recognised as a distribution in these consolidated financial statements as it was not paid until after the balance sheet date.

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

9. Earnings per Share

	Three months ended 29 June 2008	Three months ended 1 July 2007
Basic earnings per share:		
Net profit for the period attributable to shareholders (£m)	62	179
Weighted average share capital (number of shares, million)	1,032	695
Earnings per share (pence)	6.0	25.8
Diluted earnings per share:		
Net profit for the period attributable to shareholders (£m)	62	179
Diluted weighted average share capital (number of shares, million)	1,037	706
Diluted earnings per share (pence)	6.0	25.4
Adjusted earnings per share:		
		<u>Revised*</u>
Net profit for the period attributable to shareholders (£m)	62	179
Adjustment in respect of Cash Sweep Payment credit (£m)	-	(134)
Adjustment in respect of conversion asset amortisation (£m)	45	15
Adjustments in respect of taxation (£m)	(2)	66*
Adjusted net profit for the period attributable to shareholders (£m)	105	126
Basic weighted average share capital (number of shares, million)	1,032	695
Adjustment to weighted average share capital for timing of partial conversion share issue (number of shares, million)	-	330
Maximum Cash Sweep conversion at balance sheet date (number of shares, million)	574	577
Adjusted weighted average share capital (number of shares, million)	1,606	1,602
Adjusted earnings per share (pence)	6.5	7.9*

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 1,032 million (comparable period: 695 million) ordinary shares in issue together with the dilutive weighted average of potential ordinary shares of 5 million (comparable period: 11 million) ordinary shares 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 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 is based on cash flows and the retention of appropriate cash (Target Amount) and expenditure (Forecast Expenditure Reserve) reserves.

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 three 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 5.7p, following a revision to the methodology for the tax adjustment.

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Retirement Benefit (Obligations)/Assets

(i) Pension Schemes

The Group operates two separate defined benefit pension arrangements in the UK 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 the independent scheme actuaries. 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 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 29 June 2008 £m	As at 1 July 2007 £m
Opening retirement benefit obligations at 1 April	(216)	(65)
Current service cost	(19)	(17)
Past service cost	-	(1)
Other finance income	1	8
Contributions by employer	28	21
Net actuarial (losses)/gains	(303)	132
Closing retirement benefit (obligations)/assets	(509)	78

The movement in the retirement benefit obligations has been driven by changes in key financial assumptions, as discussed in the Financial Review.

11. Equity

	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 2008	103	59	767	(71)	12	4,112	4,982
Net profit for the period attributable to shareholders	-	-	-	-	-	62	62
Net expense recognised directly in equity	-	-	-	(31)	-	(303)	(334)
Deferred tax on items recognised directly in equity	-	-	-	9	-	85	94
Total expense for the period	-	-	-	(22)	-	(156)	(178)
Equity dividends paid (see note 8)	-	-	-	-	-	(150)	(150)
Share-based payments	-	-	-	-	-	2	2
Purchase of own shares for share incentive schemes	-	-	-	-	-	(9)	(9)
Exercise of Warrants	-	1	-	-	(1)	-	-
Balance as at 29 June 2008	103	60	767	(93)	11	3,799	4,647

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	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	-	-	-	-	-	179	179
Net (expense)/income recognised directly in equity	-	-	-	(7)	-	132	125
Deferred tax on items recognised directly in equity	-	-	-	2	-	(40)	(38)
Total (expense)/income for the period	-	-	-	(5)	-	271	266
Shares issued	45	2,295	-	-	-	-	2,340
Share-based payments	-	-	-	-	-	2	2
Purchase of own shares for share incentive schemes	-	-	-	-	-	(2)	(2)
Balance as at 1 July 2007	103	2,335	767	(4)	24	2,028	5,253

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

There have been no significant changes to the Group's contingent assets as disclosed in British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2008.

13. Contingent Liabilities

There have been no significant changes to the Group's contingent liabilities as disclosed in British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2008.

14. Post Balance Sheet Events

On 21 March 2007, the Government announced its intention to introduce legislation to phase out industrial buildings allowances from 1 April 2008. This change has not been reflected in the financial statements at 29 June 2008 because the draft legislation needed to introduce this change is not considered to be substantively enacted at the balance sheet date. An estimate of the financial effect of this change, calculated at 28%, is that it would change the deferred tax asset reflected in the balance sheet of £31m, as at 29 June 2008, to a deferred tax liability of £5m.

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 interim financial report for the three months ended 29 June 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 interim 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 interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim 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 interim 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 interim 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 interim financial report for the three months ended 29 June 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
13 August 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 the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial report since it was initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements 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.

Bonds

Bonds issued by British Energy Bond Finance plc (formerly British Energy Holdings plc).

British Energy Direct

British Energy Direct Limited.

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.

BCU (Boiler Closure Unit)

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

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.

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.

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.