



Results Presentation

Results for the six months ended 1 October 2006 of the financial year ending 31 March 2007 (H1 06/07)



17 November 2006

Important notices

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

Forward-looking statements

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

Speakers



Adrian Montague

Chairman

Bill Coley

Chief Executive Officer

Stephen Billingham

Finance Director



Adrian Montague

Chairman

1 Operational Review

2 Financial Review

3 Appendix



Bill Coley

Chief Executive Officer

Highlights 1

	H1 06/07	H1 05/06
◆ Average realised price (£/MWh)	35.7	25.0
◆ Unit operating cost (£/MWh)	24.0	21.6
◆ Adjusted EBITDA (£m)	481	212
◆ Net profit attributable to shareholders ^{(1),(2)} (£m)	189	45
◆ <i>Adjusted earnings per share</i> ⁽³⁾	14.3p	3.5p

Notes:

1. Includes other exceptional operating expenses of £17m (H1 05/06 – nil)
2. In line with our accounting policy, no accrual has been made for the NLF Cash Sweep in the period
3. Economic earnings per share after taking account of NLF Cash Sweep interest at 64.27%. See Slides 24 and 37

Highlights 2

◆ Total output

- Nuclear
- Coal
- Total

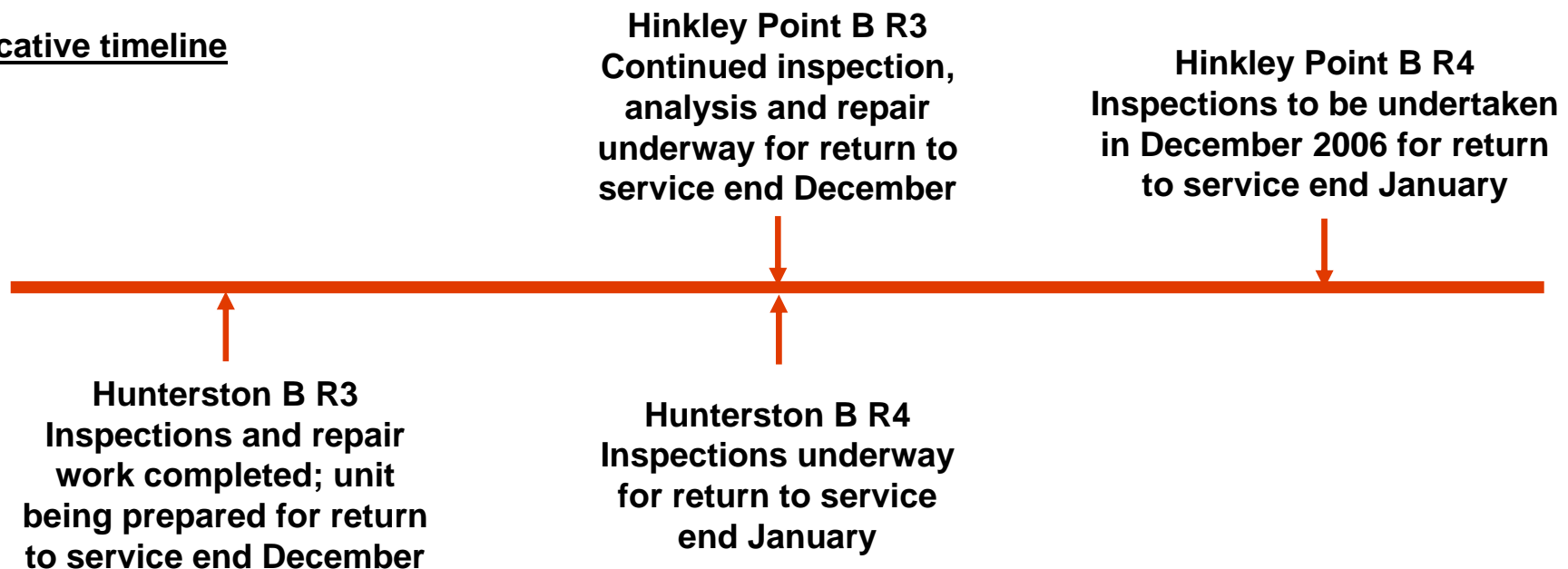
	Q2 06/07 TWh	Q2 05/06 TWh	H1 06/07 TWh	H1 05/06 TWh
	13.7	14.9	29.0	30.6
	1.2	0.8	2.9	2.5
	14.9	15.7	31.9	33.1

- ◆ Reflects 10.9% nuclear unplanned capability loss factor (10.8% in H1 05/06)
- ◆ Boiler issues at Hunterston B and Hinkley Point B will significantly affect nuclear output for FY 06/07
- ◆ Continuing work to bring Hunterston B and Hinkley Point B R3 and R4 units back at 70% capacity with an aim to return to full power in due course
- ◆ Prudent to assume that Hunterston B and Hinkley Point B operate at 70% capacity up to the end of March 2008

Boiler inspection update 1

- ◆ Completed inspections at Hunterston B R3: unit being prepared for return to service
- ◆ Resources secured to undertake all remaining inspection work
- ◆ Continued inspection and analysis underway at Hinkley Point B R3: repair work nearing completion
- ◆ Inspection of Hunterston B R4 underway and Hinkley Point B R4 to follow shortly

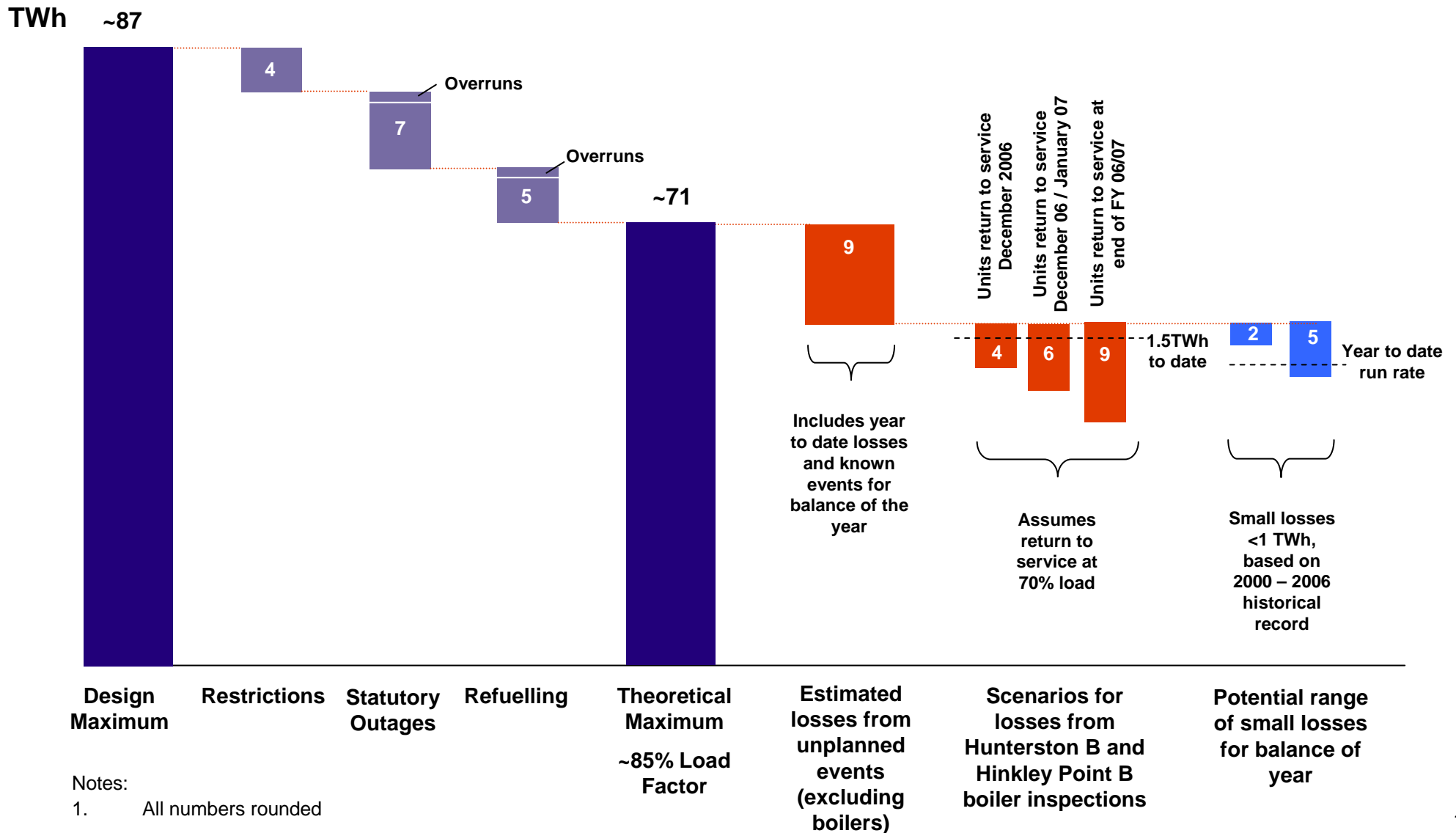
Indicative timeline



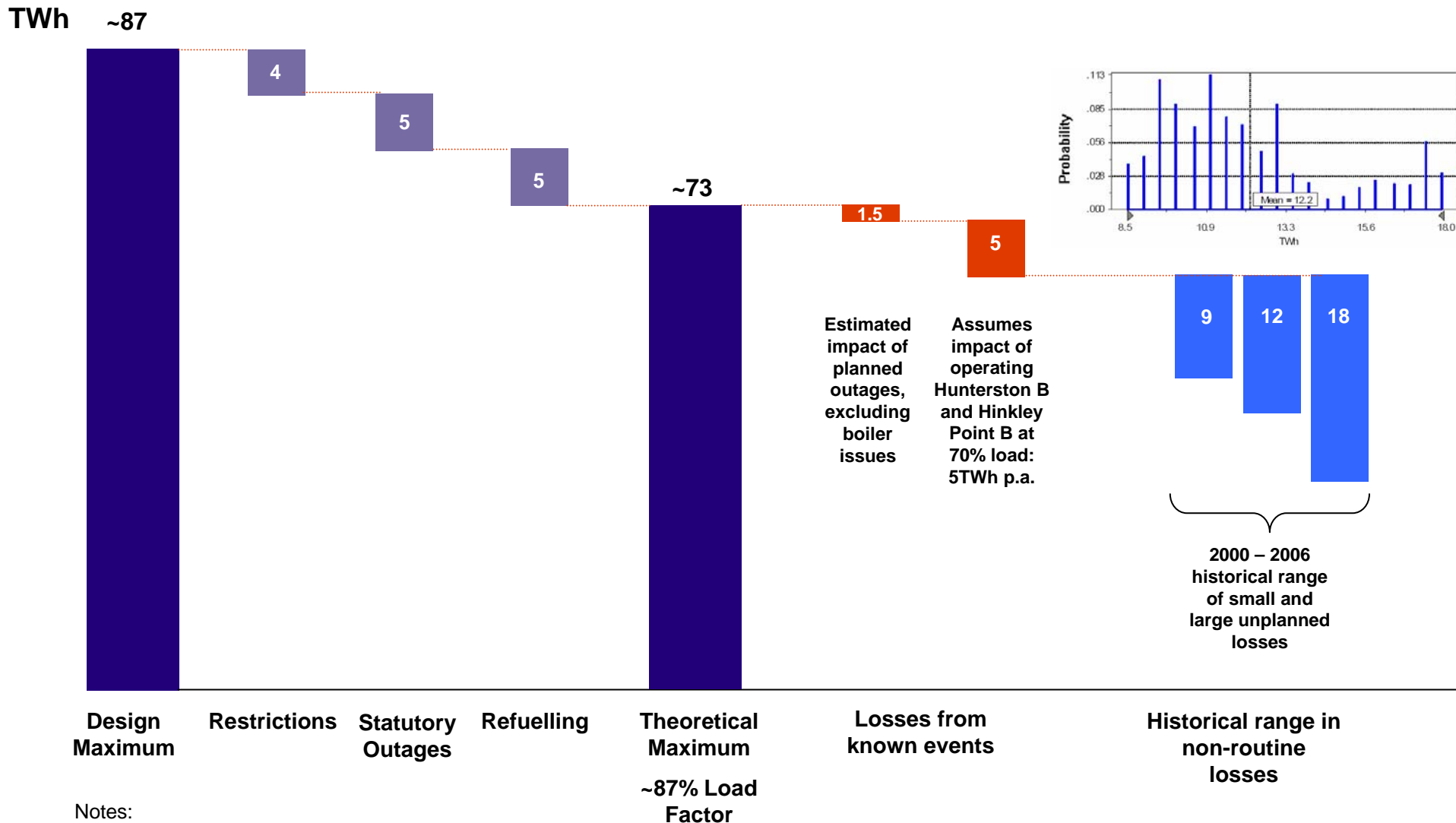
Boiler inspection update 2

- ◆ Undertake a long term boiler management programme
- ◆ Aim to bring units back at reduced load of around 70% of full capacity, with aim to raise load further in due course. Decisions will be made taking into account the inter-relationship with boiler life, station life and safety cases with the aim of maximising value
- ◆ It is prudent at this stage to assume that Hunterston B and Hinkley Point B will operate at 70% of full capacity during FY 07/08. Impact: 5TWh per annum
- ◆ In the short term, expect statutory outages to be reduced to 2 year intervals for additional inspection (previously 3 years)

Understanding nuclear output 06/07



Understanding nuclear output 07/08



Notes:

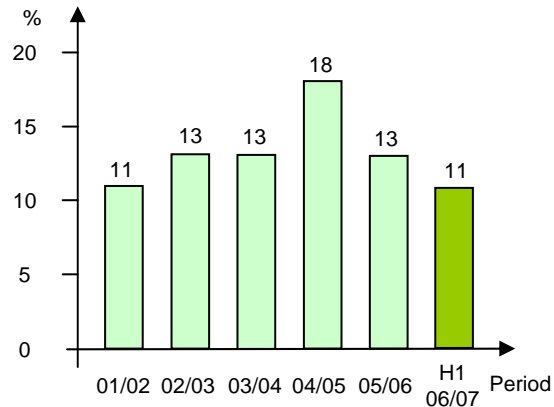
1. All numbers rounded

- ◆ Statutory outages completed at Torness, Dungeness B, Sizewell B, Hartlepool and Hunterston B and underway at Hinkley Point B

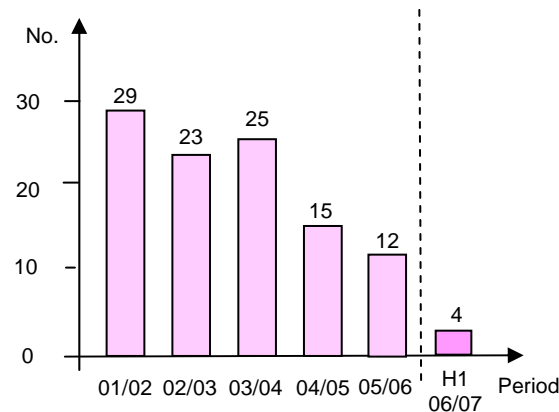
- ◆ Investment in plant £138m for H1 06/07, up from £102m in H1 05/06. Includes:
 - replacement of reactor pressure vessel head and upgrade of refuelling machine – Sizewell B
 - data processing system replacement (ongoing) – Dungeness B
 - cast iron replacement (ongoing) – Hinkley Point B and Hunterston B
 - boiler tube inspection and repair – Hinkley Point B and Hunterston B

Nuclear metrics – H1 06/07

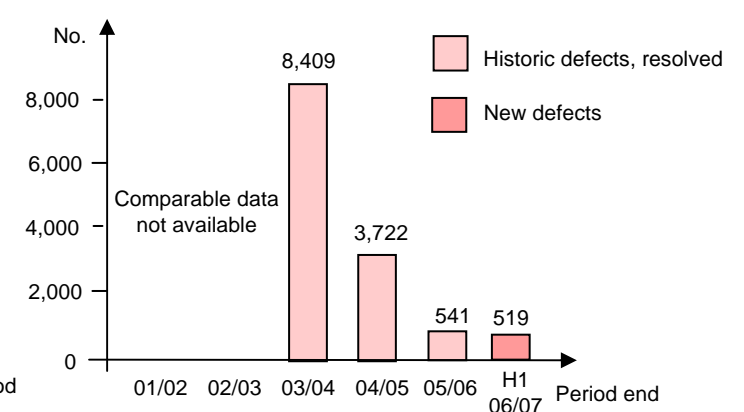
Unplanned Capability Loss Factor



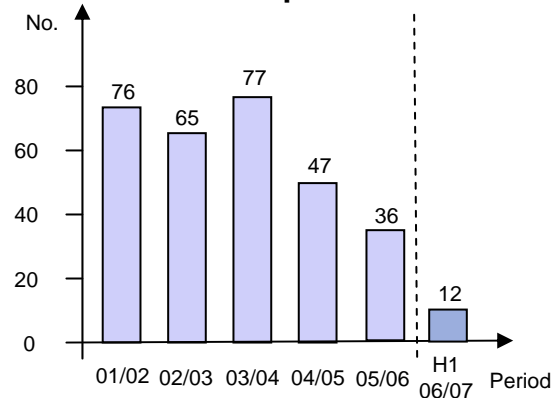
Unplanned Automatic Trips



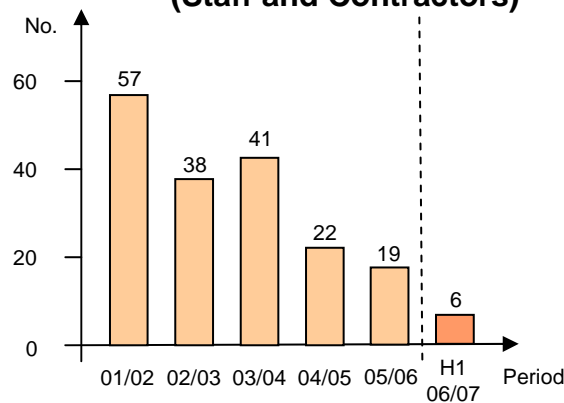
Non-Outage Defect Inventory



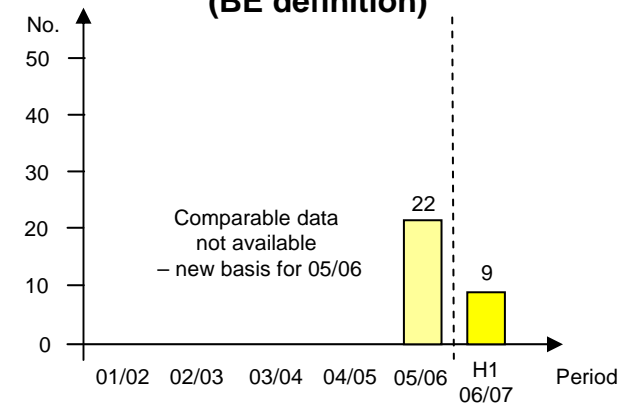
Nuclear Reportable Events



LTA's - Nuclear (Staff and Contractors)



Environmental Events (BE definition)



Sizewell B: World class performance



- ◆ Sizewell B, achieved 471 day ‘breaker to breaker’ run
- ◆ Sizewell B’s largest ever statutory outage undertaken - including replacement of reactor pressure vessel head completed in 49 days, ahead of plan
- ◆ Smooth return to service achieved. Operating at 100% load post outage
- ◆ World class 12 month performance – compared with WANO performance indicators

WANO Performance Indicator	WANO median 2005 ¹	Sizewell B ²
Unit Capability Factor	86.8%	99.5%
Unplanned Capability Loss Factor	1.6%	0.1%
Forced Loss Rate	1.2%	0.1%
Unplanned Automatic Trips	0.6 ³	0.0
Collective Radiation Dose ⁴	0.65	0.03
Industrial Safety Accident Rate ⁵	0.26	0.25

1. WANO data, covering all reactors worldwide reporting to WANO, for the year ended 31 December 2005 (latest published data)

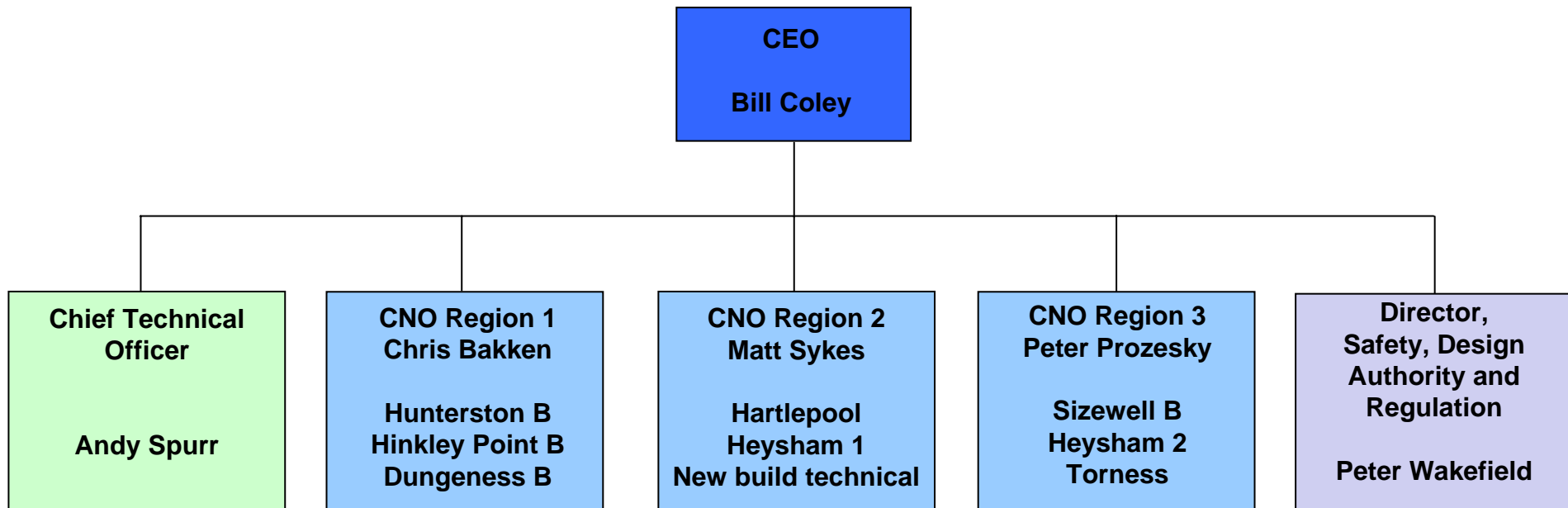
2. For the year ended 30 June 2006

3. WANO indicator is the mean of worldwide reactor values, per 7,000 operating hours

4. Man-Sieverts per unit; WANO comparatives are for worldwide PWRs

5. Number of accidents per 200,000 person hours

Organisational changes - Nuclear



New appointments 1

Andy Spurr



- Joined the business in 1975
- Fellow of the I.Mech.E, IET and I.Nuc.E.
- Positions held include Station Director at Dungeness B, Engineering Director, Operations Director and Deputy Chief Nuclear Officer

Peter Wakefield



- Joined the Company in April 2005
- Electrical engineering degree and executive management education from South Africa and Switzerland
- Joined from Eskom the vertically integrated South African power utility. Involved with nuclear programme for 28 years.

New appointments 2

Chris Bakken



- Joined BE in May 2006 as Head of Operations East
- 10 years experience in operations improvement of underperforming assets
- Previous roles include president and CNO of PSEG Nuclear, CNO of AEP, and past board member of South Texas Nuclear Operating Company

Matt Sykes



- Joined BE at Hartlepool in 1987, having worked previously in fossil plants
- Assisted with commissioning of Sizewell B, before being appointed Station Director in 2003
- Appointed Head of Operations West in July 2005

Peter Prozesky



- Joined BE in July 2005 as Head of Operations East. Appointed Head of Outage and Supply Chain, 2006
- Previously acting General Manager of nuclear generation, Eskom and Station Director, Koeberg Power Station (PWR)
- Awarded WANO 2005 Nuclear Excellence Award

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- 2 Financial Review**
- 3 Appendix



Stephen Billingham

Finance Director

Financial highlights



	H1 06/07	H1 05/06
Adjusted EBITDA (£m)	481	212
Total output (TWh)	31.9	33.1
Realised price (£/MWh)	35.7	25.0
Total investment in plant (£m)	138	102

	H1 06/07	H1 05/06
Net cash inflow generated from operations (£m)	300	150

(£m)	1 October 2006	31 March 2006
Cash and cash equivalents (excluding restricted cash)	801	638
Debt	(626)	(626)
Present value of NLF decommissioning payments	(220)	(221)
Net cash/(debt) less present value of decommissioning payments (excluding restricted cash)	(45)	(209)
Restricted cash	227	206

Summary of results (1)

	H1 06/07	H1 05/06
Output (TWh)	31.9	33.1
- Nuclear output (TWh)	29.0	30.6
- Coal output (TWh)	2.9	2.5
Realised price (£/MWh)	35.7	25.0
Unit operating cost (£/MWh)	24.0	21.6
Unit operating margin (£/MWh)	11.7	3.4
Adjusted EBITDA (£m)	481	212
Profit after tax (pre NLF Cash Sweep Payment) (£m)	189	45
<i>Adjusted earnings per share (pence)</i>	<i>14.3p</i>	<i>3.5p</i>
NLF Cash Sweep (£m)	-	-
Net profit for the period attributable to shareholders (£m)	189	45

- ◆ Adjusted earnings per share reflects economic interest of NLF at 64.27% as at 1 October 2006 (See slides 24 and 37). Includes contract provision unwind, £29m, IAS 39, £(59)m and other exceptional operating expenses, £(17)m

Summary of results (2)

- ◆ Realised price increased to £35.7/MWh in H1 06/07 (H1 05/06: £25.0/MWh)
- ◆ Nearly all of the FY 06/07 book contracted at an average price of £44/MWh including 5 TWh of capped contracts at £30/MWh. FY 07/08 book: more than 35TWh fixed at £46/MWh
- ◆ Unit operating cost increased to £24.0/MWh in H1 06/07 (H1 05/06: £21.6/MWh) broadly in line with previous cost increase guidance and increased investment spend. Given current operational issues, cost pressure in H2 06/07
- ◆ Cash and collateral
 - Continued strong cash inflow from operating activities of £300m for the first half (H1 05/06: £150m) reflecting higher realised prices
 - Increased zero/capped collateral trades to 62TWh for delivery over the period to April 2011
 - Additional £150m letter of credit facility in place (total: £300m)

Comparison between Adjusted Income Statement and Reported Income Statement



£m	Adjusted* H1 06/07	Reported H1 06/07
Adjusted EBITDA	481	481
Other operating income**	N/I	29
Other exceptional operating expenses	N/I	(17)
Depreciation	(100)	(100)
Amortisation and other charges	(3)	(3)
Unrealised net gains on financial instruments and commodity contracts	N/I	(59)
Operating profit	378	331
Interest payable (net)	(4)	(4)
Other finance income	5	2
Taxation	(155)	(140)
Net profit before Cash Sweep Payment	224	189
Cash Sweep Payment	-	-
Net profit for the period attributable to shareholders	224	189
Adjustment for impact of Cash Sweep Payment on taxation	40	40
Adjusted net profit for the period attributable to shareholders	264	229
Earnings per share (pence)		
Basic	39.3	33.2
Adjusted for Sweep Conversion***	16.5	14.3

N/I - Not Included

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

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

*** Computed on the basis of Net profit before Cash Sweep Payment, adjusted for the impact of the NLF Cash Sweep Payment on taxation (£40m), divided by the enlarged number of shares that would have been in issue had the NLF fully converted its interest at 1 October 2006 (1,597m)

Balance sheet

£m

Cash and cash equivalents (excluding restricted cash)
Debt
Present value of NLF fixed decommissioning payments
Net debt less present value of fixed decommissioning payments (excluding restricted cash)
Restricted cash
Letter of credit facilities

As at 1 October 2006
801
(626)
(220)
<hr/>
(45)
227
300

- ◆ Cash and LC facilities to provide further financial flexibility in volatile electricity markets
- ◆ Investment requirements for operational improvement
- ◆ Required to maintain year end minimum level of cash £490m¹ in calculation of cash available for distribution

Notes:

1. Target Amount as required by the Government Contribution Agreement

- ◆ Dividend policy:
 - Annual base dividend of £80m equivalent to 13.6p per share (fully diluted), paid annually in July
 - Consider special distribution, after taking account a number of factors. Payable after Q3 results in February, after peak collateral requirements
 - First base dividend expected after AGM in July 2007
 - First special distribution to be considered in February 2008

- ◆ Special distribution to be determined after taking into account a number of factors including:
 - pension requirements
 - increasing financial stability
 - meeting investment requirements

- ◆ Strategic flexibility retained: Eggborough pre-emption / replacement

- ◆ Limited costs incurred in developing new nuclear

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Output summary

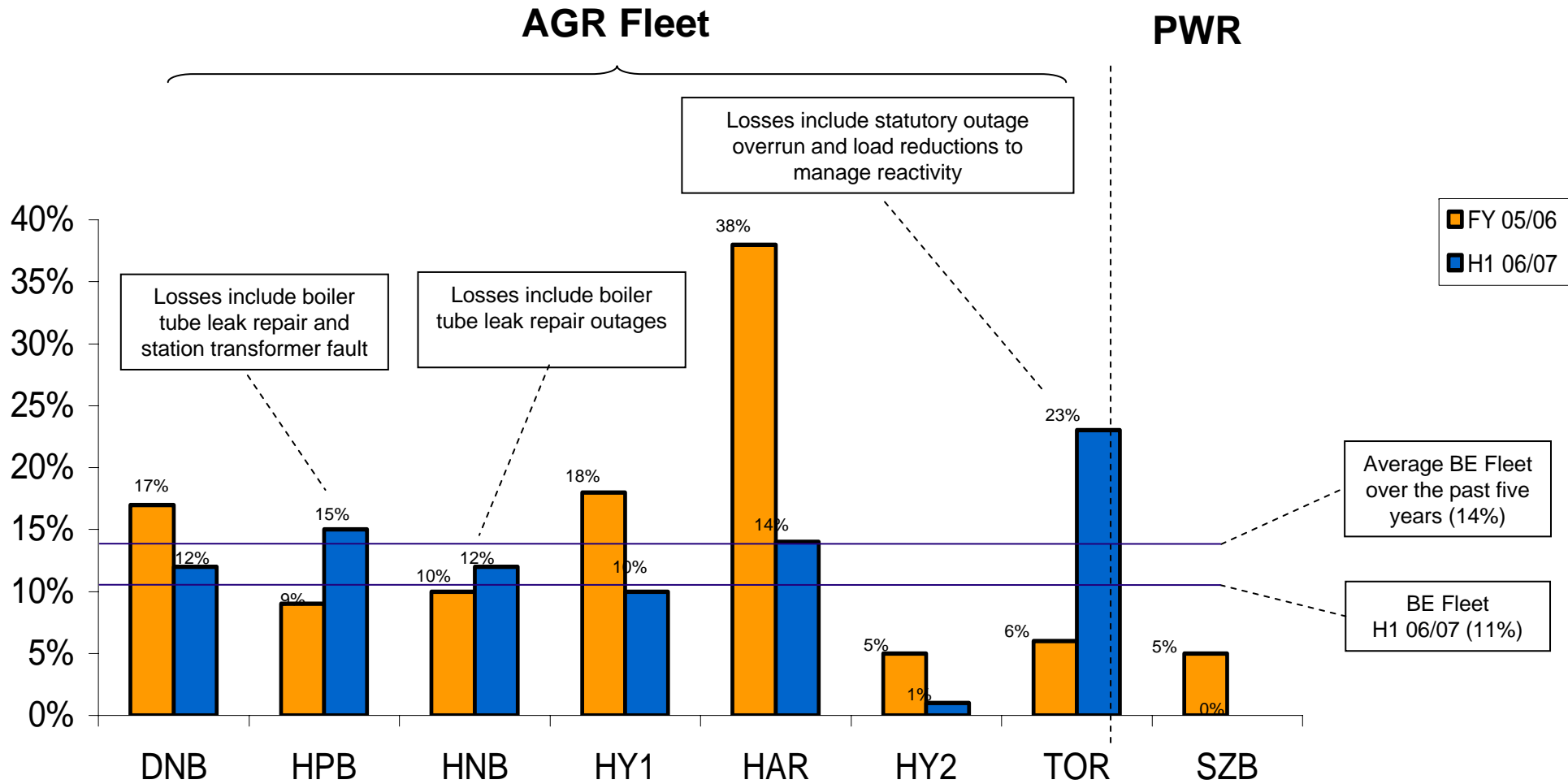
	Q2 06/07	Q2 05/06	H1 06/07	H1 05/06
Output (TWh)				
Nuclear - AGRs	12.0	12.3	24.6	26.8
Nuclear - PWR	1.7	2.6	4.3	3.8
Total Nuclear	13.7	14.9	29.0	30.6
Eggborough (Coal)	1.2	0.8	2.9	2.5
Total	14.9	15.7	31.9	33.1
Nuclear unplanned losses (TWh)	2.8⁽¹⁾	3.7 ⁽¹⁾	6.3⁽¹⁾	6.0 ⁽¹⁾
UCLF (%)				
Nuclear - AGRs	10%	15%	12%	11%
Nuclear - PWR	0%	0%	0%	9%
Total Nuclear	9%	13%	11%	11%

Notes:

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

(Numbers rounded)

UCLF by station – H1 06/07



Historic losses from unplanned and non-routine events

Losses from unplanned and non-routine events (TWh)

- Torness seaweed ingress
- Heysham 1 boiler tube leak
- Torness reactivity management
- Hunterston B boiler tube leaks²
- Heysham 1 BCU inspections (planned)
- Hinkley Point B boiler tube leaks²
- Hartlepool generator stator / rotor replacement
- Hartlepool generator transformer load restriction
- Hartlepool and Heysham 1 BCU stud investigations
- Dungeness B alternator issues
- Heysham 2 boiler feed restriction
- Hinkley Point B cooling water valve replacement

Other outages each < 14 days:

Total losses due to non-routine events

Losses due to outage overruns(1)

Total unplanned losses for quarter

	Q2 06/07	Q1 06/07	Q4 05/06	Q3 05/06
	0.3			
	0.2	0.1		
	0.3	0.5		
		0.4		
	0.2	0.2		
		0.2		
			1.0	0.6
			0.1	0.2
				1.8
				0.4
				0.2
				0.2
	1.6	1.4	2.2	0.6
	2.7	2.8	3.3	4.1
	0.2	0.6	(0.4)	(0.1)
	2.9	3.4	2.9	4.0

(Numbers rounded)

Notes:

1. Includes statutory outage and refuelling variances to plan
2. Boiler tube leaks stated in this analysis are not associated with the ongoing Hunterston B and Hinkley Point B boiler inspections and repair

Revenue

£m	H1 06/07	H1 05/06
Wholesale generation sales	577	426
Direct supply sales net of energy supply costs	561	401
Revenue from generated electricity	1,138	827
Energy supply costs recharged to customers	192	164
Energy purchases	24	9
Miscellaneous income	5	8
Total revenue	1,359	1,008
% Split		
Wholesale generation	51%	52%
Direct supply	49%	48%
Output (TWh)	31.9	33.1
Realised price (£/MWh)	35.7	25.0

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

Note: Realised price is calculated as revenue from generated electricity divided by total output

Operating costs

£m	H1 06/07	H1 05/06
Fuel costs	214	248
Materials and services	264	213
Staff Costs	184	162
Operating costs of generated electricity	662	623
Depreciation	100	90
Software amortisation	3	2
	765	715
Nuclear fuel cost/TWh	5.5	5.8
Eggborough fuel cost/TWh	18.6	27.6
Unit operating cost/TWh	24.0	21.6

- ◆ Controllable operating costs increased broadly in line with previous guidance
- ◆ Underlying nuclear fuel costs £5.7/MWh excluding accounting effects (£5.7/MWh in H1 05/06)
- ◆ Eggborough fuel costs £18.6/MWh, reflecting reduction in market price of carbon from c. £19/tonne at 31 March 2006 to c. £9/tonne at 1 October 2006. Eggborough fuel costs excluding carbon costs were £18.0/MWh in H1 06/07 (£19.2/MWh in H1 05/06)

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

Operating cash flow reconciliation

£m

Operating profit for the half year

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

Adjusted EBITDA

Non income statement business costs

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

Movement in working capital

Movement in restricted cash

Interest (net)

Cash Sweep paid

Net cash inflow generated from operations

Capex

Cash flows from financing activities

- Exercise of Warrants
- Repayment of borrowings

Taxation

Net increase in cash and cash equivalents

H1 06/07
331
103
59
17
(29)
-
481
(11)
(5)
(10)
(34)
(21)
5
(105)
300
(138)
1
-
-
163

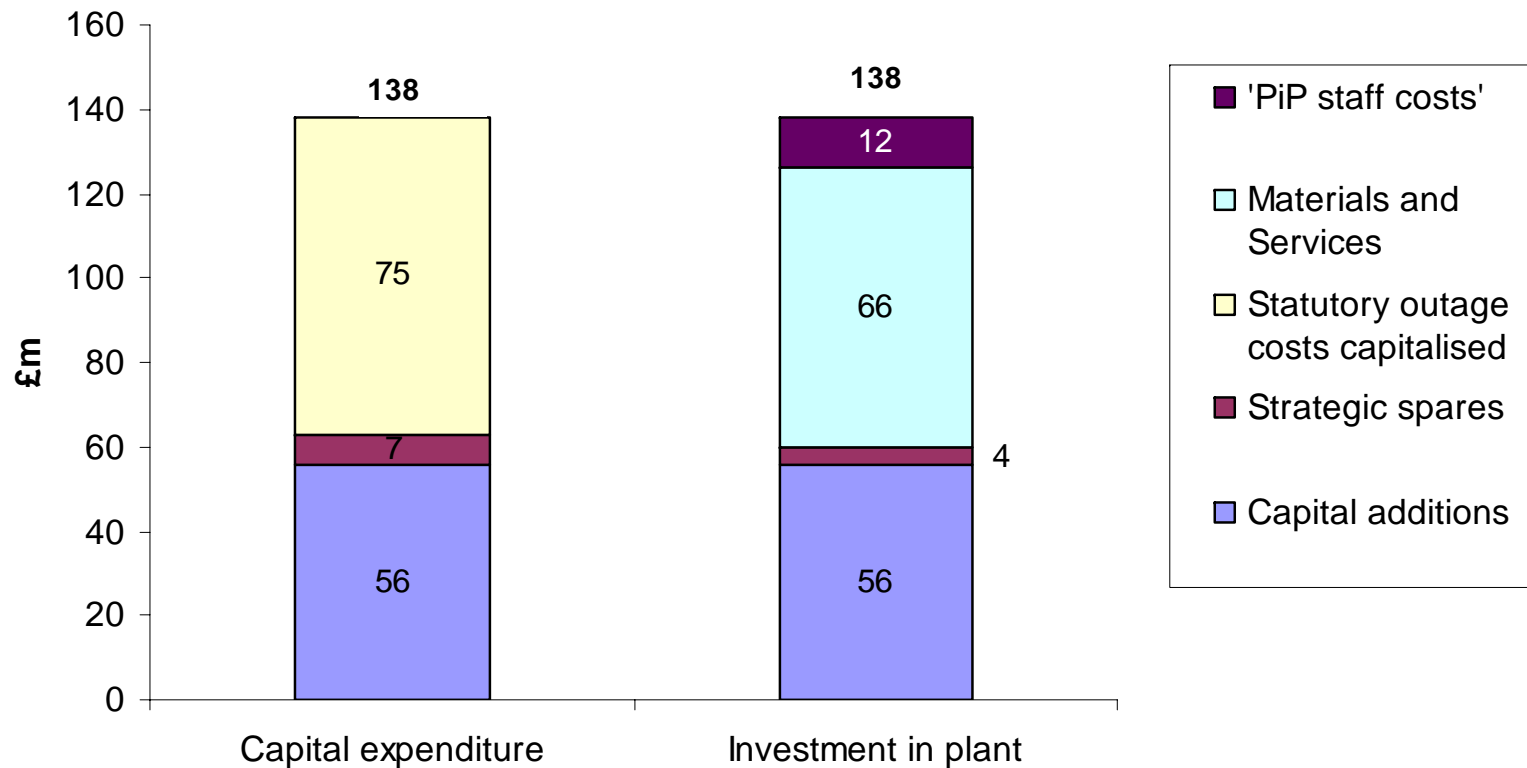
Note: Slide corrected 20 November 2006 to reflect correct Adjusted EBITDA

Cash/net debt analysis

£m	As at 1 October 2006	As at 31 March 2006
Cash and cash equivalents (excluding restricted cash)	801	638
Debt	(626)	(626)
Present value of NLF fixed decommissioning payments	(220)	(221)
Net cash/(debt) less present value of fixed decommissioning payments (excluding restricted cash)	(45)	(209)
Restricted cash	227	206

Capital and investment – H1 06/07

Components of capital expenditure and investment in plant H1 06/07



Notes:

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

Reporting calendar



Event

Q3 06/07 results announcement

Indicative Timing

February 2007

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

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

The Directors believe that a more appropriate measure of adjusted earnings per share can be computed on the basis of earnings before the NLF Cash Sweep Payment, adjusted for the impact of the NLF Cash Sweep Payment on taxation, divided by the enlarged number of shares that would have been in issue had the NLF fully converted its interest at 1 October 2006. This would result in an adjusted earnings per share of 14.3p for the quarter ended 1 October 2006.

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

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

Definitions (cont'd)

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

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

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

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

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

Definitions (cont'd)

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

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

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

NRE - Nuclear reportable events.

Outage (Planned and Unplanned) - A period during which a reactor is shut down. The periodic shutdown of a reactor including for maintenance, inspection and testing or, in some cases, for 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.

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

Definitions (cont'd)

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

RED – The Restructuring Effective Date, 14 January 2005.

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

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

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

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

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

Definitions (cont'd)

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.