

BRITISH ENERGY GROUP PLC
RESULTS FOR THE NINE MONTHS ENDED 30 DECEMBER 2007
OF THE FINANCIAL YEAR ENDING 31 MARCH 2008

Key Points

	Nine months ended 30 December 2007	Nine months ended 31 December 2006
<i>Adjusted EBITDA* (£m)</i>	745	775
<i>Operating profit before NLF Cash Sweep Payment credit, NLF Cash Sweep Payment and amortisation of conversion asset (£m)</i>	563	626
<i>Adjusted net profit for the period attributable to shareholders** (£m)</i>	420	433
Adjusted earnings per share after taking account of NLF Cash Sweep economic interest at 35.2% (9 months 2006/07: 64.2%)***	26.4p	27.1p

IFRS net profit for the period attributable to shareholders £383m (comparable period: £360m), basic earnings per share 41.6p (comparable period: 63.2p); includes Cash Sweep Payment credit £134m (comparable period: £nil) and amortisation of conversion asset £122m (comparable period: £nil).

- Total output for the period was 45.7TWh (nuclear 39.5TWh, coal 6.2TWh), up from 44.0TWh for the comparable period (nuclear 38.9TWh, coal 5.1TWh). This reflects continued improvement in the level of small unplanned losses and a less extensive statutory outage programme than the comparable period, partially offset by the boiler closure unit (BCU) issue at Hartlepool and Heysham 1 and load limits at Hinkley Point B and Hunterston B.
- Notwithstanding the BCU and boiler issues, there has been significant operational progress during the period. Dungeness B Reactor 22 has achieved its longest recorded run without an unplanned automatic trip, being over 660 days; both units at Hinkley Point B have operated continuously for over 240 days since returning to service in the first quarter of this financial year; Heysham 2 Reactor 8 achieved a continuous period of operation in excess of 230 days; and Sizewell B has been continuously online for over 470 days since its last statutory outage. In addition, we have resolved the intermittent fault on the Heysham 2 fuelling machine.
- The four units at Hartlepool and Heysham 1 remain out of service as a result of the legacy wire winding issue identified during planned inspections of the BCUs. As previously reported on 18 January 2008, remedial work is required to enable the return to service of all four reactors, currently expected to be achieved in a phased process over the second and third quarters of financial year 2008/09. We continue to manage the trading book accordingly.
- Planned boiler inspections at Hunterston B Reactor 3 have commenced. The units at Hunterston B and Hinkley Point B have been operating on average at 62% load. This is an improvement from previously reported levels, when these stations were operating on average at 60% load. Further boiler balancing work will be directed at delivering approximately 70% load, during planned outages over the next financial year. In December 2007, the decision was taken to extend the accounting lives of both stations by five years to 2016. Further studies will be conducted by 2013 regarding the potential for additional life extension beyond 2016.

- Adjusted EBITDA decreased in the period to £745m, reflecting lower realised prices and higher unit operating cost.
 - Realised price was £40.2/MWh for the period, down £0.6/MWh (1.5%) from the comparable period. As at 3 February 2008, fixed price contracts were in place for approximately 58.3TWh for financial year 2007/08 at an average contract price of £41/MWh (including the impact of 5TWh of contracts, capped at around £31/MWh).
 - Unit operating cost increased to £28.1/MWh for the period from £26.8/MWh in the comparable period, mainly attributable to higher depreciation charges and the impact of Phase I carbon costs. Cost increases remain in line with previous guidance for the full year. Operating margin decreased to £12.1/MWh from £14.0/MWh in the comparable period.
- Investment in Plant was £175m for the period, down from £195m in the comparable period (excluding, in both cases, PiP staff costs, which were previously included within the definition of Investment in Plant).
- Total output for the current financial year to 3 February 2008 was 50.7TWh (43.8TWh nuclear, 6.9TWh coal), after total non-routine nuclear losses of 18.7TWh.
- As at 3 February 2008, fixed price contracts were in place for approximately 35.5TWh for financial year 2008/09 at an average price of £41/MWh 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.
- As at 3 February 2008, we had approximately 100TWh of zero/capped collateral sales that will deliver over the period to March 2013 at fixed prices (excluding power already delivered under these contracts), up from 71TWh at 4 February 2007.
- The Board declares an additional dividend of 14.5p per share, payable on 3 April 2008 to shareholders on the register as at 7 March 2008.
- We welcome the Government's White Paper on Nuclear Power and continue to take steps to ensure that we are well positioned for a central role in the new build programme. Negotiations with a number of potential partners are ongoing and we expect to provide a further update around the end of this financial year.

The NLF Cash Sweep percentage was 35.2% as at 30 December 2007, down from 64.0% as at 31 March 2007 principally as a result of the partial conversion into equity by the NLF of its cash sweep entitlement in June 2007. In line with our accounting policy, no accrual has been made as at 30 December 2007 for any NLF Cash Sweep Payment in respect of the financial year 2007/08.

Bill Coley, CEO of British Energy, said:

"The level of large losses has had a significant impact on nuclear output. However, we have made good progress in addressing the BCU issue, having developed a clear path to return the units to service and work is ongoing to deliver further improvements in output from Hinkley Point B and Hunterston B. I am also pleased with the ongoing improvement in the level of small losses across the fleet compared to prior years.

Last month, the Government published its White Paper on Nuclear Power, confirming that nuclear has a role to play in the country's future energy mix. Ensuring the safe operation of the existing fleet underpins British Energy's role in delivering the future of nuclear power in the United Kingdom. The investment we have made in our people and in the fleet stands us in good stead to be among the leaders in new build."

	Nine months ended 30 December 2007	Nine months ended 31 December 2006
Revenue (£m)	2,158	2,113
Operating and energy costs (£m)	(1,413)	(1,338)
Adjusted EBITDA* (£m)	745	775
Depreciation and other amortisation (£m)	(186)	(155)
Other operating income (£m)	10	52
Other exceptional operating expenses (£m)	-	(17)
Unrealised net losses on derivative financial instruments and commodity contracts (£m)	(6)	(29)
Operating profit before NLF Cash Sweep Payment credit, NLF Cash Sweep Payment and amortisation of conversion asset (£m)	563	626
Adjusted net profit for the period attributable to shareholders** (£m)	420	433
NLF Cash Sweep Payment credit** (£m)	134	-
NLF Cash Sweep Payment*** (£m)	-	-
Amortisation of conversion asset** (£m)	(122)	-
Adjustments in respect of taxation** (£m)	(49)	(73)
Net profit for the period attributable to shareholders (£m)	383	360
Basic earnings per share (p)	41.6	63.2

Realised price (£/MWh)	40.2	40.8
Unit operating cost (£/MWh)	28.1	26.8
Operating margin (£/MWh)	12.1	14.0

Adjusted operating profit (excluding certain items)**** (£m)	559	620
Adjusted net profit (excluding certain items)**** (£m)	418	432
Adjusted earnings per share (excluding certain items)**** after taking account of NLF Cash Sweep economic interest at 35.2% (9 months 2006/07: 64.2%)*** (p)	26.3	27.1

Nuclear unplanned capability loss factor (%)	20	20
Total output (TWh)	45.7	44.0
Nuclear (TWh)	39.5	38.9
Coal (TWh)	6.2	5.1

	As at 30 December 2007	As at 31 March 2007
Cash and cash equivalents (excluding restricted cash and other financial assets) (£m)	1,067	1,101
Debt (£m)	(573)	(573)
Net cash (excluding restricted cash and other financial assets) (£m)	494	528

Restricted cash and other financial assets***** (£m)	279	146
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**Adjusted EBITDA is defined as profit before financing (charges)/credits, taxation, depreciation, amortisation of conversion asset, other amortisation, unrealised net (losses)/gains on derivative financial instruments and commodity contracts, NLF Cash Sweep Payment, NLF 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.*

***The reported results for the 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 £122m 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, together with the corresponding adjustments to taxation thereon, as described below.*

****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 British Energy Group plc. As described in note 10 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 NLF Cash Sweep Payment, NLF 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 30 December 2007. This would result in an adjusted earnings per share of 26.4p for the period ended 30 December 2007 (9 months 2006/07: 27.1p).*

*****Results for the period ended 30 December 2007 have been adjusted to exclude unrealised net (losses)/gains on derivative financial instruments and commodity contracts, NLF Cash Sweep Payment, NLF Cash Sweep Payment credit, amortisation of conversion asset, other operating income, non-recurring severance costs and other exceptional operating expenses and include where appropriate the corresponding adjustments to taxation and revaluation thereon.*

******Cash and cash equivalents reflect classification of £3m (£51m as at 31 March 2007) in respect of cash provided to satisfy variation margin calls as restricted cash and other financial assets.*

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 February 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: 203000#

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 February 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: 203004#

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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

The level of small unplanned losses incurred during the period continues to show improvement from prior years, however the level of large losses is having a significant impact on nuclear output.

We continue to focus on the working practices and the investment programme that have delivered improvements in small unplanned losses across the fleet during the period. We announced the life extension of Hinkley Point B and Hunterston B power stations during the period, extending their accounting lives by five years to 2016. Operational safety and excellence remains our first priority as we continue to focus on work execution and the investment programme.

The Board's decision to declare the payment of an additional dividend of 14.5p per ordinary share to shareholders takes into account, amongst other things, our assessment of the prospects for operational and financial performance over the remainder of this financial year and in the coming financial year, and the steps we have taken to improve financial flexibility.

We welcome the Government's White Paper on Nuclear Power and continue to take steps to ensure that we are well positioned for a central role in the new build programme. Negotiations with a number of potential partners are ongoing and we expect to provide a further update around the end of this financial year.

Plant Output and Performance

Total output for the period was 45.7TWh (nuclear 39.5TWh, coal 6.2TWh), up from 44.0TWh for the comparable period (nuclear 38.9TWh, coal 5.1TWh). This reflects continued improvement in the level of small unplanned losses and a less extensive statutory outage programme than last year, partially offset by the BCU issue at Hartlepool and Heysham 1 and load limits at Hinkley Point B and Hunterston B. Nuclear unplanned capability loss factor for the period was 20%, unchanged from the comparable period.

Output is stated after total non-routine nuclear losses of 15.4TWh compared to 13.9TWh losses in the comparable period. Losses in the period comprise 9.0TWh of losses attributable to operations at Hinkley Point B and Hunterston B (of which 5.0TWh were planned at the start of the year), 3.6TWh attributable to the BCU issue at Hartlepool and Heysham 1 and 2.8TWh attributable to other stations.

Notwithstanding the BCU and boiler issues, there has been significant operational progress during the period. Dungeness B Reactor 22 has achieved its longest recorded run without an unplanned automatic trip, being over 660 days; both units at Hinkley Point B have operated continuously for over 240 days since returning to service in the first quarter of this financial year; Heysham 2 Reactor 8 achieved a continuous period of operation in excess of 230 days; and Sizewell B has been continuously online for over 470 days since its last statutory outage. In addition, we have resolved the intermittent fault on the Heysham 2 fuelling machine.

Output from Eggborough, our coal-fired power station, was 6.2TWh for the period, up from 5.1TWh in the comparable period.

Total output to 3 February 2008 for the current financial year ending 31 March 2008 was 50.7TWh (nuclear 43.8TWh, coal 6.9TWh). This is stated after total non-routine nuclear losses for the period to 3 February 2008 of 18.7TWh. Non-routine nuclear losses comprise 9.8TWh of losses attributable to operations at Hinkley Point B and Hunterston B (of which 5.7TWh were planned at the start of the year), 5.5TWh attributable to the BCU issue at Hartlepool and Heysham 1 and 3.4TWh attributable to other stations.

Boiler Closure Unit status

The four units at Hartlepool and Heysham 1 remain out of service following identification of a legacy wire winding issue during inspection of the BCUs. The BCUs are unique to Hartlepool and Heysham 1 power stations.

The remedial work required to enable the return to service of all four reactors is underway. A number of engineering modifications will be needed. These include: a mechanism to lock in the existing pre-stress in the BCUs; improvements to the structure of the BCUs; upgrade to the BCU cooling systems; and enhancements to the instrumentation to monitor the BCUs whilst in operation.

Return to service of all four units requires regulatory approval of the appropriate safety case for each reactor. The regulator continues to be closely involved in the process.

As reported on 18 January 2008, we currently expect that the return to service of the four units will be achieved in a phased process over the second and third quarters of financial year 2008/09, with the effect of reducing output by approximately 11TWh. We have a dedicated restart team in place, to deliver the smooth return to service of the units.

The cost of the engineering modifications is not expected to exceed £50m, and will be incurred in financial year 2008/09. This is in addition to the cost of inspection and assessment of the units incurred in financial year 2007/08 of around £20m. Action to manage the trading book position in line with the estimated phasing of return to service continues.

Boiler issues status

A planned outage at Hunterston B Reactor 3 has commenced to inspect and balance the boilers and perform any necessary repair work. The units at Hunterston B and Hinkley Point B have been operating on average at 62% load. Further boiler balancing work on these units will be directed at delivering approximately 70% load, during planned outages over the next financial year. In December 2007, the decision was taken to extend the accounting lives of both stations by five years to 2016.

We will consider the technical and economic case to increase load above 70%, taking account of the associated investment requirements, in due course.

Hot Box Dome status

The temperature restrictions for Heysham 1 Reactor 2 (as disclosed in the financial year 2006/07 Preliminary Results) remain. These restrict output to approximately 87% of full load. We are preparing a safety case to permit an increase in the operating temperature limit on the Hot Box Domes by a small margin. Subject to NII approval, this would enable us to marginally increase power at Heysham 1 Reactor 2 when this unit returns to service. Resolution of the BCU issue at Hartlepool and Heysham 1 has been prioritised over the Hot Box Dome project. We therefore expect to submit the Hot Box Dome safety case in financial year 2008/09.

Heysham 2 fuelling machine status

The intermittent problem with the fuelling machine during operations at Heysham 2 was determined to be related to the turret top bearing and has been corrected. This has resulted in consistent performance of the refuelling machine. We will continue to monitor its performance to confirm that no further remedial maintenance is required.

Dungeness fuel plug status

The length of refuelling outages at Dungeness B has been temporarily extended since September 2006 to address the issue with certain welds within the fuel plug units. Work is progressing on the installation of a machine which will mechanically lock any movement in the fuel plug unit. A safety case has been prepared which, subject to regulatory approval, will allow the station to return to normal refuelling patterns.

The station has generated consistently throughout the financial year to date, and Reactor 22 has achieved over 660 days without an unplanned automatic trip, its longest recorded period.

The regulator approved the Periodic Safety Review (PSR) for Dungeness B power station on 31 January 2008, for the period up to 2018, subject to the satisfactory completion of an agreed programme of work.

Safety and Environmental Performance

Our overriding priority is to ensure that the nuclear, industrial, radiological and environmental safety of our operations is effectively managed and assured.

During this period, the Company has had the lowest recorded number of nuclear reportable events in its history – 2 events compared with 17 over the same period last year. British Energy and contractor employees had 12 lost time accidents for the nuclear fleet, compared to 15 over the comparative period last year. It should be noted that the safety performance of the British Energy employees is the best in the Company's history and we continue to work with our contractor partners towards continuously improving safety performance. British Energy has chosen to measure environmental performance on a scale far more stringent than that used by the Environment Agency. There were 13 environmental events in the period, up from 12 in the same period last year, all of which fell into the lowest reporting level category (i.e. minor or no environmental impact).

Investment

Investment in Plant for the period was £175m in total for the group, compared to £195m in the same period last year (excluding in both cases PiP staff costs, which were previously included within the definition of Investment in Plant).

Investment in Plant in the period includes: regulatory and essential works, including preparation of Periodic Safety Review documentation; works to enhance the prospects of lifetime extensions, including investment in underground cast iron pipework and in boiler safety cases for Hartlepool and Heysham 1; and works to maintain reliability, including the fleet fuel route investment programme and investment in sea water pipework replacement at Heysham 2 and Torness.

We continue to focus on human performance across the business and recently opened our Nuclear Power Academy at Barnwood, a facility specifically designed to support operational safety and excellence and reinforce the key principles of nuclear professionalism.

Investment also continues at Hinkley Point B and Hunterston B for boiler inspections and balancing and at Hartlepool and Heysham 1 in connection with the BCU recovery project.

Statutory outages have been completed at Heysham 2, Heysham 1, Torness and Hartlepool. Later this financial year, a statutory outage is planned to commence for Sizewell B and a boiler inspection outage is underway at Hunterston B Reactor 3.

As discussed in further detail below, the decision was taken in December 2007 to extend the accounting lives of Hinkley Point B and Hunterston B power stations by five years to 2016. To enable the stations to operate over their extended lives, we expect to spend an additional £90m in excess of the current investment programme for these stations, over the three years commencing 1 April 2008.

In financial year 2007/08, Investment in Plant is expected to be in the range £190m to £210m. This excludes investment at Hinkley Point B and Hunterston B of £60m to £70m and incremental expenditure on inspection and assessment of the BCUs at Hartlepool and Heysham 1 of around £20m.

In financial year 2008/09, Investment in Plant is expected to be in the range £200m to £215m. This excludes investment at Hinkley Point B and Hunterston B of £80m to £90m and BCU engineering modification costs of up to £50m at Hartlepool and Heysham 1.

Staff costs associated with our performance improvement programme (PiP) are now included as normal operating costs, and therefore are excluded from our definition of Investment in Plant.

Lifetime Extensions

As announced on 11 December 2007, having completed the necessary technical and economic evaluation and received the relevant external consents, it was decided to extend the accounting lives of Hinkley Point B and Hunterston B by five years to 2016. The decision extends the life of these stations for accounting purposes to 40 years. Further studies will be conducted by 2013 regarding the potential for additional life extension beyond 2016.

Lifetime extensions of other stations will be considered, subject to technical and economic evaluations to be completed a minimum of three years before the scheduled closure date of each station.

Trading

Market conditions

The forward price of annual baseload electricity commencing April 2008 rose from around £39/MWh at the start of April 2007 to around £53/MWh as at 3 February 2008.

Coal prices have risen to record highs during the period. The price of annual coal delivered to European ports commencing January 2009 rose from around \$71/tonne at the start of April 2007 to \$118/tonne as at 3 February 2008. Prices of Phase II carbon allowances for delivery in December 2008 averaged €21/tCO₂ in the period.

Clean dark spread prices (being the electricity price, less costs of coal and carbon allowances) for the Summer 08 and Winter 08 seasons narrowed during the first six months of the period as coal prices rose. The spreads then widened as power prices increased and coal prices remained relatively stable. The clean dark spread prices for Summer 08 and Winter 08 as at 3 February 2008 were £10.3/MWh and £15.5/MWh respectively.

The Large Combustion Plant Directive (LCPD) became effective on 1 January 2008 and introduced new requirements relating to emissions by Eggborough. Eggborough is now operating within the National Emission Reduction Plan (NERP) regime under the LCPD. The plant continues to operate at levels broadly consistent with generation achieved during the last five years. As previously indicated, we keep under review the option of mothballing one of the non-FGD units.

The market price of Uranium has increased significantly from the level at which we entered our existing fuel agreements. The long-term market price of Uranium was US\$95 per pound as at 28 January 2008, up from US\$85 per pound as at 31 March 2007. If the costs of Uranium and Uranium related services increased to January 2008 long-term market prices, this could eventually increase our total nuclear fuel costs by £146m per annum, based on current nuclear output. It is anticipated that this increase would start within the financial year ending 31 March 2011 and be fully recognised in the income statement by 31 March 2016. We currently have stocks and contracts in place which provide nearly 100% coverage of our anticipated requirements until 31 March 2012.

Trading performance

Realised price for the period was £40.2/MWh, a decrease of £0.6/MWh compared with a realised price of £40.8/MWh for the comparable period. Our contracted price position continues to include the impact of capped price contracts entered into at a time when significantly lower market prices prevailed. A contract for 5TWh per annum at a price below £20/MWh ended on 1 April 2007. 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.

As at 3 February 2008, we had fixed price contracts in place for approximately 58.3TWh for the financial year 2007/08 at an average contract price of £41/MWh (including the impact of capped contracts). This takes into account the difference between the purchase price of power in connection with buybacks (for delivery in financial year 2007/08) and the average contract price of fixed price contracts in place prior to unplanned losses associated with Hartlepool and Heysham 1, being approximately £70m. The capped contracts are for delivery of approximately 5TWh per annum up to March 2011, at prices currently capped at around £31/MWh.

In addition, as at 3 February 2008, we had fixed price contracts in place for approximately 35.5TWh for the financial year 2008/09 at an average contract price of £41/MWh (excluding the impact of approximately 5TWh of capped contracts at around £32/MWh). This takes into account the difference between the purchase price of power in connection with buybacks (for delivery in financial year 2008/09) and the average contract price of fixed price contracts in place prior to unplanned losses associated with Hartlepool and Heysham 1, being approximately £50m.

As at 3 February 2008, we had approximately 100TWh of zero/capped collateral sales that will deliver over the period to March 2013 at fixed prices (excluding power already delivered under these contracts), up from 71TWh at 4 February 2007 for delivery over the period to April 2012. One of these sales defers cash receipts by a total of approximately £300m, excluding interest, during the two years ending 31 March 2008. This cash will be received over the period up to April 2011 or sooner to the extent substituted by letters of credit.

New Nuclear Build

On 10 January 2008, the Government published a White Paper on Nuclear Power, announcing that new nuclear power stations should have a role in this country's future energy mix, and that it is in the public interest to allow energy companies to invest in new nuclear power stations.

The Government has committed to facilitate new construction through improvements to the planning system, strategic assessment of siting options, co-ordinated regulatory reviews and strengthening the emissions trading scheme.

We welcome this clear statement of support for new nuclear within a balanced energy policy. We are making prudent investments to have a central role in a new build programme to maximise the value of our sites and, especially, the contribution from our experienced and dedicated team of employees.

The Company owns eight sites next to existing licensed nuclear facilities that rank among the best potential candidates for the construction of new nuclear power stations. We are continuing an active dialogue with local stakeholders around our sites and we are carrying out detailed assessment work, including environmental, geological and marine studies. In November 2007, we also secured transmission connection and construction agreements with National Grid from 2016 for a total of approximately 10.8GW gross capacity at four sites in the South of England – Sizewell, Hinkley Point, Dungeness and Bradwell. In line with standard industry terms, we have provided security of £1/kW of transmission capacity to National Grid. This will increase by a further £1/kW in each of the next two years. The agreements are assignable and can be varied, but the security is not refunded in the event that the applicant decides to withdraw.

We are reviewing four candidate reactor designs to assess construction and operational requirements, performance and suitability for use in the United Kingdom.

The statement of Government policy and intent also allows us to move forward with partnerships to develop new nuclear power stations in a way that delivers value to our shareholders. We expect to give a further update on progress around the end of the financial year.

Lewis Wind Power

Lewis Wind Power Limited, a 50:50 joint venture between British Energy and AMEC, is seeking to build a 650MW windfarm, the largest onshore windfarm in the United Kingdom. This project can make a significant contribution to the country's renewable power commitments. The Company has been seeking to permit this project for some time and permission to proceed is dependent on approval of the Scottish Ministers. There can be no guarantee that approval will be granted.

FINANCIAL REVIEW

Financial Performance

Summary of Results

The unaudited results for the nine months ended 30 December 2007 (the period) and 31 December 2006 (the comparable period) are summarised as follows:

	Nine months ended 30 December 2007 £m	Nine months ended 31 December 2006 £m
Revenue	2,158	2,113
Operating and energy costs	(1,413)	(1,338)
Adjusted EBITDA ⁽¹⁾	745	775
Other operating income	10	52
Other exceptional operating expenses	-	(17)
Cash Sweep Payment credit	134	-
Cash Sweep Payment	-	-
Depreciation	(180)	(150)
Amortisation of conversion asset	(122)	-
Other amortisation	(6)	(5)
Unrealised net losses on derivative financial instruments and commodity contracts	(6)	(29)
Operating profit	575	626
Financing (charges)/credits		
Interest payable	(59)	(45)
Interest receivable	65	36
Other finance income/(expenses)	18	5
Profit before taxation	599	622
Taxation	(216)	(262)
Net profit for the period attributable to shareholders	383	360

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

	Nine months ended 30 December 2007 £m	Nine months ended 31 December 2006 £m
Revenue		
Wholesale generation sales	1,089	877
Direct supply sales excluding recovery of energy supply costs and renewable energy purchases recharged to customers	748	916
Revenue from generated electricity	1,837	1,793
Energy supply costs recharged to customers	281	279
Renewable energy purchases recharged to customers	33	33
Miscellaneous income	7	8
Total revenue	2,158	2,113

Output is analysed as follows:

	Nine months ended 30 December 2007 TWh	Nine months ended 31 December 2006 TWh
Nuclear power stations	39.5	38.9
Coal-fired power station - Eggborough	6.2	5.1
Total output	45.7	44.0

The group's output in the period of 45.7TWh was 4% higher than the output achieved in the comparable period. This was due to the continued improvement in the level of small unplanned losses and a less extensive statutory outage programme than the comparable period, partially offset by the Boiler Closure Unit (BCU) issue at Hartlepool and Heysham 1 and the load limits at Hinkley Point B and Hunterston B. The beneficial impact on revenue of increased output has been partially offset by a reduction in realised price from £40.8/MWh in the comparable period to £40.2/MWh in this period. Realised price is calculated as revenue from generated electricity divided by total output.

Wholesale generation sales have increased by £212m and direct supply sales, excluding recovery of energy supply costs and renewable energy purchases recharged to customers, have decreased by £168m from the comparable period. The increase in wholesale generation sales results from higher volumes delivered, higher market prices and the end on 1 April 2007 of a 5TWh per annum contract, at a price below £20/MWh. The reduced direct supply sales reflect lower volumes at lower realised prices. Direct supply contracts are primarily contracted in two rounds which are completed by April and October and are influenced by the wholesale prices in the period immediately before these months. The reduced direct supply realised prices reflect the movement in prices during these contract rounds in comparison to those in the comparable period.

Operating and Energy Costs Summary

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

	Nine months ended 30 December 2007 £m	Nine months ended 31 December 2006 £m
Fuel costs – nuclear	225	216
Fuel costs – Eggborough	183	113
Total fuel costs	408	329
Materials and services	395	413
Staff costs	296	284
Operating costs of generated electricity	1,099	1,026
Energy supply costs recharged to customers	281	279
Renewable energy purchases recharged to customers	33	33
Total operating and energy costs	1,413	1,338

Unit Operating Cost and Operating Margin

Unit operating cost increased to £28.1/MWh for the period from £26.8/MWh in the comparable period, and is calculated as operating costs of generated electricity plus depreciation and software amortisation, divided by total output. The increase in unit operating costs of £1.3/MWh is mainly due to increases in the cost of carbon allowances and depreciation charges. For further discussion on each category of costs refer to the sections below.

Deducting unit operating cost from realised price per unit results in an operating margin per unit of £12.1/MWh for the period (2006: £14.0/MWh).

Operating and Energy Costs

Fuel 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 increased by £9m to £225m (2006: £216m) as a result of the increased nuclear output and an increase in nuclear fuel cost from £5.6/MWh to £5.7/MWh. This increase is mainly due to the revaluation of the provision for unburnt fuel at station closure, which is not linked to output for the period but to the amount of unburnt fuel in each individual reactor at the balance sheet date. After adjusting for this provision movement, the underlying unit cost is broadly consistent with the comparable period.

Eggborough fuel costs totalled £183m for the period (2006: £113m), or £29.5/MWh (2006: £22.2/MWh). Eggborough fuel costs include the cost of coal, oil, biomass and carbon allowances. Excluding carbon allowances, Eggborough fuel costs were £117m (2006: £94m), or £18.9/MWh (2006: £18.4/MWh). The increase in unit costs reflects upward movement in coal prices.

Carbon allowance costs totalled £66m for the period (2006: £19m). This reflects the recognition of £58m (2006: £30m) for the write down in the value of Phase I carbon allowances to almost zero, that had been purchased forward but delivered in the period. The impact on fuel costs has previously been reflected in unrealised net losses on derivative financial instruments and commodity contracts when the contracts were marked to market. It should be noted that it is the group's policy to lock in fuel costs at the time of selling Eggborough's output forward and therefore losses on forward purchase contracts of carbon allowances are matched with the revenue derived from the associated forward sales contracts of Eggborough output recognised in the period.

Materials and Services

Materials and services costs comprise the operating expenses of the power stations and support functions. These costs of £395m (2006: £413m) have decreased by £18m from the comparable period. The group does not expect this reduction to continue for the full year.

Staff Costs

Staff costs totalled £296m in the period (2006: £284m), an increase of £12m from the comparable period. Higher staff numbers and the annual pay rise accounted for the increase.

Energy Supply Costs

Energy supply costs were £281m (2006: £279m) 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.

Energy Purchases

The volume of energy purchased from renewable sources in the period was 1.1TWh (2006: 0.8TWh). A reduction in the price paid for the renewable energy resulted in the £33m (2006: £33m) cost of renewable energy purchases remaining at the same level as the comparable period.

Other Operating Income

Other operating income relates to the utilisation of the contracts provision of £2m (2006: £52m), which was established at the Restructuring Effective Date (RED) and an £8m (2006: £nil) realisation of a contingent asset relating to the group's disposal of its interest in Bruce Power LP.

NLF Partial Conversion, Cash Sweep Payment Credit and Amortisation of Conversion Asset

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. 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. On full conversion, the NLF would hold up to 65% of the enlarged equity share capital of British Energy Group plc.

On 30 May 2007 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 conversion and share issue the Cash Sweep Payment percentage was reduced to approximately 36% and resulted in the recognition of a conversion asset of £2,340m, additional equity share capital of £45m and additional share premium of £2,295m representing the excess of the conversion share price of £5.20 over the nominal value of shares issued. The conversion asset represents the fair value of the obligation which was removed as a result of the exercise of the conversion right.

Following initial recognition, the conversion asset is being amortised over the estimated useful accounting lives of the group's power stations. For the period from 6 June 2007 to 30 December 2007 the amortisation charge was £122m (2006: £nil).

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 period, so as to ensure the principle of economic parity was maintained and to avoid an unintended dilution of the Company'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 this period; the remaining £171m obligation was paid in July 2007. Additionally, the new shares issued on conversion were entitled to the base dividend of 13.6p per ordinary share approved at British Energy Group plc's AGM on 19 July 2007. The effect of the new shares issued was to increase the amount of dividends paid on 31 July 2007 from the £80m anticipated in the 2007 Annual Report and Accounts to £140m. In the event of further NLF conversions, British Energy Group plc plans to seek a similar waiver. The NLF and the Secretary of State for Business Enterprise and Regulatory Reform have not given any commitment to agree to waive the NLF's entitlement to any additional Cash Sweep Payment amounts in respect of any future NLF conversions.

The formula in the Contribution Agreement which adjusts the Cash Sweep Payment percentage after the Cash Sweep Payments and dividends has also been amended with the agreement of the Secretary of State for Business Enterprise and Regulatory Reform and the NLF so as to more clearly adhere to the principle of economic parity and to partially mitigate any unintended dilution of the Company's equity shareholders' interests under the formula in the original Contribution Agreement.

The Cash Sweep Payment percentage was 35.2% as at 30 December 2007, down from 64.0% at 31 March 2007. It reduced by approximately 28% because of the NLF's partial conversion into equity of its Cash Sweep Payment right in June 2007. The remainder of the decrease relates to the exercise of 6,328,440 of British Energy Group plc's Warrants and the Cash Sweep Payment, offset by the impact of the dividend payment made during the period. At 30 December 2007 there were 7,391,426 unexercised Warrants remaining.

In accordance with the group's accounting policy, no accrual has been made for any potential future Cash Sweep Payment that may be payable based on the full year results for the 2008 financial year.

Depreciation and Other Amortisation

Depreciation of £180m (2006: £150m) was £30m higher than the comparable period due to increased expenditure on power stations and other plant and equipment, including overhaul. Other amortisation of £6m (2006: £5m) relates to amortisation on software in the period.

Unrealised Net Losses on Derivative Financial Instruments and Commodity Contracts

Unrealised net losses or gains 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 are accounted for as cash flow hedges, with the movements in fair value taken directly to equity in the hedge reserve. The fair value movements of all other contracts in the scope of IAS 39 are presented in the unrealised net (losses)/gains on derivative financial instruments and commodity contracts line of the consolidated income statement.

The charge to the consolidated income statement in the period of £6m (2006: £29m) represents a credit for the fair value movements in carbon allowance forward contracts of £64m (2006: £56m charge) offset by a charge for the fair value movement of electricity and other forward contracts of £70m (2006: £27m credit).

Financing (Charges)/Credits

Interest payable of £59m (2006: £45m) relates to interest on British Energy'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 2007, the interest payable on the Bonds has declined by £3m to £30m.

Interest receivable of £65m (2006: £36m) relates to interest earned on cash deposits. This has increased as a result of higher interest bearing cash deposits and higher interest rates compared with the comparable period.

For details of other finance income of £18m (2006: £5m), refer to note 7 in the financial statements.

Taxation

A tax charge of £216m (2006: £262m) has been recognised in the consolidated income statement for the period. This comprises a deferred tax charge of £68m (2006: £255m) and a current tax charge of £148m (2006: £7m). 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 36% and this has been applied to the period's results. In addition the standard tax rate of 30% is applied to the IAS 39 adjustments in the period. The forecast full year effective tax rate of 36% is higher than the standard tax rate of 30% 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 £383m compared to £360m for the comparable period.

Basic earnings per share for the period was 41.6p (2006: 63.2p). This is based on the net profit for the period divided by the weighted average number of ordinary shares in issue during the period. For this calculation the net profit includes £134m relating to the waiver of the Cash Sweep Payment for the year ended 31 March 2007.

The diluted earnings per share for the period was 41.4p (2006: 61.5p). This is based on the net profit for the period, including the £134m Cash Sweep Payment credit, divided by the weighted average number of ordinary shares in issue, together with the dilutive weighted average of potential ordinary shares in respect of British Energy Group plc's Warrants issued to shareholders on Restructuring.

The adjusted earnings per share for the period was 26.4p (2006: 27.1p). As described in note 10 to the financial statements, the Cash Sweep Payment 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 British Energy. 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 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 Cash Sweep Payment credit relating to the year ended 31 March 2007 and related tax effect;
- the amortisation of the conversion asset for the period; and
- the impact of the Cash Sweep Payment and amortisation of the conversion asset for the year ending 31 March 2008 on the effective tax rate used for the nine months' charge.

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 the impact of the partial conversion had taken place at the start and not during the period.

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:

	Nine months ended 30 December 2007 Capital expenditure £m	Nine months ended 30 December 2007 Investment in Plant £m	Nine months ended 31 December 2006 Capital expenditure £m	Nine months ended 31 December 2006 Investment in Plant £m
Capital additions	73	73	83	83
Strategic spares	1	1	9	6
Statutory outage costs	65	-	94	-
Capitalised expenditure	139	74	186	89
Non-recurring repair expenditure projects (NRR)	-	101	-	106
Total	139	175	186	195

Of the £139m (2006: £186m) of capital expenditure, £131m (2006: £181m) was capitalised within property, plant and equipment, and the remaining £8m (2006: £5m), relating to systems software, was capitalised in intangible assets. For the full financial year the group expects Investment in Plant to be in the range £190m to £210m. This excludes investment at Hinkley Point B and Hunterston B of £60m to £70m and incremental expenditure on inspection and assessment of the BCUs at Hartlepool and Heysham 1 of around £20m.

Financial Position

Analysis of Cash Flows

At 30 December 2007 British Energy had cash and cash equivalents of £1,067m compared to £1,101m at 31 March 2007. The decrease in cash and cash equivalents is analysed in the following table:

	Nine months ended 30 December 2007 £m	Nine months ended 31 December 2006 £m
Net cash inflow generated from operations	237	453
Net cash used in investing activities	(135)	(186)
Net cash used in financing activities	(136)	(3)
Net (decrease)/increase in cash and cash equivalents	(34)	264
Cash and cash equivalents at the beginning of the period	1,101	638
Cash and cash equivalents at the end of the period	1,067	902

Net cash inflow generated from operations was £237m in comparison with £453m inflow in the comparable period. The decrease mainly relates to lower operating profit and increases in collateral requirements. The cash utilised in investing activities related to property, plant and equipment and software additions, less receipts from the disposal of land. The £136m (2006: £3m) utilised in financing activities relates to the payment of the base dividend and the purchase of British Energy Group plc's shares for share incentive schemes less proceeds from Warrants exercised during the period.

In addition to the cash and cash equivalents of £1,067m (31 March 2007: £1,101m), there are restricted cash and other financial assets of £279m (31 March 2007: £146m) at 30 December 2007 of which £266m (31 March 2007: £90m) is cash posted as collateral in support of trading activities. The total debt of £573m remains unchanged from 31 March 2007.

Retirement Benefit Assets/(Obligations)

The group's retirement benefit obligations have reduced from a liability of £65m at 31 March 2007 to an asset of £172m at 30 December 2007. During this period the discount rate used to value the retirement benefit obligations increased from 5.4% to 5.8%. This and the return on the schemes' investments are the main reasons for the significant actuarial gain in the period.

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 2004. It is anticipated that the latest triennial valuation as at 31 March 2007 will be finalised towards the end of the financial year ending 31 March 2008. The group is working with the Trustees of the pension schemes to meet this timeframe. It is expected that updates to the actuarial mortality tables used in 2004 are likely to significantly reduce or eliminate this period's reported surplus.

Other Financial Issues

Dividend Policy

In the Restructuring Prospectus, the Board stated its intention to distribute to shareholders as much of the group's cash flow as prudently possible.

Following approval at British Energy Group plc's AGM in July 2007, a base dividend of 13.6p per ordinary share (equivalent to £140m in total) was paid on 31 July 2007. It is anticipated that the annual base dividend will be sustainable for the foreseeable future based on the group's assessment of forecast electricity prices and its current view of output.

In addition to the base dividend, the Board intends to consider the payment each year of an additional dividend from available cash in February at the time of the third quarter results announcement. The Board will seek to return all surplus capital to shareholders as an additional dividend after taking into account the group's need to increase financial stability, make appropriate investments, address the pension scheme funding requirements, meet the collateral requirements of the group and, over time, allow for its investment in new nuclear build. It is anticipated that the amount of additional dividend will vary from year to year.

Additional Dividend Distribution

Nuclear output in the year to date has been significantly impacted by the level of large losses, attributable to the boiler issues at Hinkley Point B and Hunterston B and to the boiler closure unit issue at Hartlepool and Heysham 1. These events have given rise to the significant unplanned and non-routine losses during the period, and are expected to continue to have a significant adverse impact in the remainder of this financial year and in the next financial year.

The Board has undertaken detailed analysis of the expected cash position of the group, taking into account a range of output and power price scenarios. The analysis also takes into account the investment requirements of the business and the probable funding requirements of the group pension scheme, following completion of the triennial actuarial valuation. Currently the group has £350m of letter of credit facilities, which may be posted in lieu of collateral. The group has taken action to extend the expiry date of £175m of these existing letter of credit facilities, from September 2008 to September 2009.

Taking all of these factors into account, the Board declares an additional dividend, payable as an interim dividend, of 14.5p per ordinary share. The Board has determined that this is a level at which the forecast cash flows of the business are sufficient to sustain the payment of the base dividend under reasonable downside scenarios, while allowing the potential for additional dividend payments in future years, under base case and upside scenarios. The additional dividend will be recognised as a distribution in the consolidated financial statements when it is paid.

The group has taken the decision to pay the additional dividend on 3 April 2008, payable to shareholders on British Energy Group plc's shareholder register at close of business on 7 March 2008. Payment on 3 April 2008 allows the group to utilise around £45m of surplus Advance Corporation Tax against the corporation tax liability for the current financial year.

Distributable Reserves

The amount British Energy Group plc is able to distribute lawfully (by way of a dividend or other distribution) is governed by, amongst other things, the Companies Act 1985 and the application of UK GAAP, and requires that distributable reserves be available within the listed parent company. Share premium reserves are not distributable to shareholders.

The NLF partial conversion in June 2007, and any subsequent conversions, could have an impact on British Energy Group plc's future dividend policy. The impact could arise because the partial conversion significantly increased the carrying value of British Energy Group plc's investments in its subsidiary and intermediate group holding company, British Energy Holdings plc due to the recognition of a conversion asset of £2,340m in British Energy Generation Limited. The increase in carrying value of the investments increases the risk that impairment charges arising at a later date may impact upon British Energy Group plc's distributable reserves position and could restrict its ability to pay dividends to the enlarged shareholder base, following the conversion and sale by the NLF, in accordance with the dividend policy.

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.

Hinkley Point B and Hunterston B Accounting Life Extensions

On 11 December 2007, British Energy Group plc extended the accounting lives of Hinkley Point B and Hunterston B power stations by five years to 2016. Following the change, the level of undiscounted estimated nuclear liabilities remains the same, however, the decommissioning workstreams will occur later, therefore reducing the discounted nuclear liabilities by £123m. The Government has indemnified any future shortfall of NLF funding in respect of qualifying decommissioning costs and therefore the reduction in liabilities is fully offset by a corresponding decrease in the Government's indemnity. As a result there is no net revalorisation impact for this change. Additionally the change has not had a significant impact on the property, plant and equipment depreciation charge or the conversion asset amortisation during the period from 11 December 2007 to 30 December 2007. As a result of these extensions the group expects the impact next financial year to be that nuclear liabilities revalorisation and NLF receivable revalorisation will both decrease by £7m, therefore having no income statement impact, amortisation of the conversion asset will reduce by £41m and property, plant and equipment depreciation will reduce by £22m.

Eggborough Legal Proceedings

During the year ended 31 March 2007, the group instigated legal proceedings against Credit Suisse, in connection with the lending banks' options to acquire Eggborough in 2010. On 19 June 2007, British Energy Group plc announced that it had been successful in its court action, however, on 26 September 2007 Credit Suisse was granted leave to appeal. On 7 February 2008 British Energy Group plc announced that, in a unanimous judgement of the court, Credit Suisse's appeal was dismissed. British Energy Group plc was awarded its costs of the appeal. The outcome preserves the group's pre-emption rights, should the lending banks seek to sell or transfer their option rights to a third party before 31 March 2010.

Post Balance Sheet Event

On 21 March 2007, the Government announced its intention to reduce the corporation tax rate from 30% to 28% and phase out industrial buildings allowances, both with effect from 1 April 2008. The change in corporation tax rate has been reflected in the interim financial statements in relation to the impact on deferred tax. The phasing out of industrial buildings allowances was not included in the 2007 Finance Act and so 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 increase the net deferred tax liability by £43m.

On 18 January 2008 British Energy Group plc made an announcement in respect of an issue at Hartlepool and Heysham 1. Details of this announcement can be found in the Chief Executive's Operational Review.

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 NINE MONTHS ENDED 30 DECEMBER 2007 (UNAUDITED)

	Notes	Nine months ended 30 December 2007 £m	Nine months ended 31 December 2006 £m	Three months ended 30 December 2007 £m	Three months ended 31 December 2006 £m
Revenue	4	2,158	2,113	768	754
Operating and energy costs	5	(1,413)	(1,338)	(534)	(460)
		745	775	234	294
Other operating income		10	52	1	23
Other exceptional operating expenses		-	(17)	-	-
Cash Sweep Payment credit	6	134	-	-	-
Cash Sweep Payment		-	-	-	-
Depreciation		(180)	(150)	(61)	(50)
Amortisation of conversion asset		(122)	-	(52)	-
Other amortisation		(6)	(5)	(2)	(2)
Unrealised net (losses)/gains on derivative financial instruments and commodity contracts		(6)	(29)	62	30
Operating profit		575	626	182	295
Financing (charges)/credits					
Interest payable	7	(59)	(45)	(20)	(18)
Interest receivable	7	65	36	25	13
Other finance income/(expenses)	7	18	5	5	3
Profit before taxation		599	622	192	293
Taxation	8	(216)	(262)	(52)	(122)
Net profit for the period attributable to shareholders	12	383	360	140	171
Earnings per share (pence):					
Basic	10	41.6	63.2	13.6	30.0
Diluted	10	41.4	61.5	13.5	29.2

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE NINE MONTHS ENDED 30 DECEMBER 2007 (UNAUDITED)

	Notes	Nine months ended 30 December 2007 £m	Nine months ended 31 December 2006 £m	Three months ended 30 December 2007 £m	Three months ended 31 December 2006 £m
Net (losses)/gains on hedged items for the period	12	(87)	70	(45)	23
Actuarial gains and losses on retirement benefit assets/(obligations) for the period (see note 11)	12	203	(21)	13	31
Tax on items taken directly to equity for the period	12	(35)	(14)	9	(16)
Net income recognised directly in equity		81	35	(23)	38
Net profit for the period attributable to shareholders	12	383	360	140	171
Total recognised income and expense		464	395	117	209

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET
AS AT 30 DECEMBER 2007 (UNAUDITED)

	Notes	As at 30 December 2007 £m	As at 31 March 2007 £m	As at 31 December 2006 £m
Assets				
Non-current assets				
Conversion asset		2,039	-	-
Property, plant and equipment		1,657	1,710	1,724
NLF and nuclear liabilities receivables		5,289	5,274	5,230
Goodwill and intangible assets		390	390	384
Trade and other receivables		314	168	126
Retirement benefit assets	11	172	-	-
Derivative financial instruments and commodity contracts		-	-	1
		9,861	7,542	7,465
Current assets				
Conversion asset		179	-	-
Inventories		447	399	398
Nuclear liabilities receivable		204	195	197
Trade and other receivables		429	478	533
Restricted cash and other financial assets		279	146	175
Cash and cash equivalents		1,067	1,101	902
Derivative financial instruments and commodity contracts		37	105	77
		2,642	2,424	2,282
Total assets		12,503	9,966	9,747
Liabilities				
Current liabilities				
Borrowings		(57)	(57)	(53)
Trade and other payables		(473)	(776)	(570)
Current tax liability		(102)	(10)	-
Nuclear liabilities		(204)	(195)	(197)
Provisions for other liabilities and charges		(25)	(25)	(52)
Derivative financial instruments and commodity contracts		(91)	(74)	(65)
		(952)	(1,137)	(937)
Non-current liabilities				
Borrowings		(516)	(516)	(573)
Retirement benefit obligations	11	-	(65)	(206)
Nuclear liabilities		(5,289)	(5,274)	(5,230)
Deferred income tax liability		(166)	(63)	(25)
Provisions for other liabilities and charges		(41)	(50)	(78)
NLF liabilities		(190)	(194)	(196)
Deferred income		(5)	(5)	(5)
Derivative financial instruments and commodity contracts		(23)	(15)	-
		(6,230)	(6,182)	(6,313)
Total liabilities		(7,182)	(7,319)	(7,250)
Net assets		5,321	2,647	2,497
Equity				
Called up share capital	12	104	58	57
Share premium	12	56	40	29
Capital reserve	12	767	767	767
Hedge reserve	12	(60)	1	18
Warrant reserve	12	13	24	32
Retained earnings	12	4,441	1,757	1,594
Total shareholders' equity (including non-equity shareholders' interests)	12	5,321	2,647	2,497

BRITISH ENERGY GROUP PLC FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 DECEMBER 2007 (UNAUDITED)

	Nine months ended 30 December 2007 £m	Nine months ended 31 December 2006 £m
Operating activities		
Operating profit	575	626
Depreciation	180	150
Amortisation of conversion asset	122	-
Other amortisation	6	5
Share-based payments	6	4
Unrealised net losses on derivative financial instruments and commodity contracts	6	29
Movement in provisions for other liabilities and charges	(10)	(57)
Decrease in Cash Sweep Payment accrual	(134)	-
Cash Sweep Payment	(171)	(105)
Interest paid	(49)	(34)
Interest received	65	36
NLF liabilities payment	(11)	(17)
Difference between pension contributions paid and amounts recognised in consolidated income statement	(8)	(7)
Taxation paid	(56)	(27)
Increase in inventories	(48)	(56)
Increase in trade and other receivables	(97)	(187)
(Increase)/decrease in restricted cash and other financial assets	(133)	31
(Decrease)/increase in trade payables and other payables	(8)	40
Decrease in intangible assets	2	22
Net cash inflow generated from operations	237	453
Cash flows from investing activities		
Purchases of property, plant and equipment	(131)	(181)
Purchases of software	(8)	(5)
Proceeds from disposal of property, plant and equipment	4	-
Net cash used in investing activities	(135)	(186)
Cash flows from financing activities		
Purchase of own shares for share incentive schemes	(2)	(5)
Exercise of Warrants	6	2
Equity dividends paid	(140)	-
Net cash used in financing activities	(136)	(3)
Net (decrease)/increase in cash and cash equivalents	(34)	264
Cash and cash equivalents at the beginning of the period	1,101	638
Cash and cash equivalents at the end of the period	1,067	902

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 nine months ended 30 December 2007, 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 2007 and the policy in note 2 below. The interim 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 2007, 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 2007 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 2007 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 'British Energy' are to the Company and its subsidiaries.

The interim financial statements for the nine months ended 30 December 2007 are unaudited but have been reviewed by the auditors and their report to British Energy Group plc is set out below.

These interim financial statements were approved by the Board of Directors on 13 February 2008.

2. Accounting Policies and Estimates

In addition to the accounting policies set out in British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2007, British Energy has adopted the following policy in relation to the conversion asset.

Conversion Asset

The conversion asset represents the asset which arose following exercise of the NLF's conversion right.

The NLF conversion has been accounted for under IFRS 2 - Share-based Payment. The issue of new shares by British Energy Group plc, gave rise to the recording of ordinary share capital, together with share premium representing the excess of the conversion share price over the nominal value of shares issued. The conversion also gave rise to a conversion asset which represents the fair value of the obligation which is removed as a result of the exercise of the conversion right. The conversion asset is allocated between current and non-current assets as appropriate on the consolidated balance sheet.

The fair value of the conversion asset recorded as a result of the exercise of the conversion right has been deemed to be the fair value of the new equity issued at the conversion date. Following initial recognition, the conversion asset is measured at cost less amortisation and any accumulated impairment losses.

The charge for amortisation is calculated so as to write the conversion asset off on a straight line basis over the estimated useful accounting lives of the nuclear power stations.

If at the balance sheet date an indication exists that the conversion asset may have suffered an impairment loss, the recoverable amount of the conversion asset is estimated to determine the extent of any impairment loss.

The application of this new accounting policy following the NLF conversion at a conversion share price of £5.20 resulted in shareholders' funds at 30 December 2007 being increased by £2,218m and the profit for the nine months ended 30 December 2007 being reduced by £122m.

In the period British Energy changed the following accounting estimate.

Property, Plant and Equipment and Depreciation

On 11 December 2007, British Energy Group plc extended the useful accounting lives of two of the group's nuclear power stations by five years. The change in accounting estimate has been accounted for prospectively and the effect from 11 December 2007 to 30 December 2007 was to decrease nuclear liabilities revalorisation by £123m, reduce NLF receivable revalorisation by £123m, reduce the conversion asset amortisation by £3m and reduce property, plant and equipment depreciation by £1m.

As a result of these life extensions for the year ended 31 March 2009, the group expects that nuclear liabilities revalorisation will decrease by £7m, NLF receivable revalorisation will decrease by £7m, therefore having no income statement impact, amortisation of the conversion asset will reduce by £41m and property, plant and equipment depreciation will reduce by £22m.

3. 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.

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

4. Output, Revenue and Segmental Information

	Nine months ended 30 December 2007 TWh	Nine months ended 31 December 2006 TWh	Three months ended 30 December 2007 TWh	Three months ended 31 December 2006 TWh
Output				
Nuclear power stations	39.5	38.9	11.7	9.9
Coal-fired power station - Eggborough	6.2	5.1	3.3	2.2
Total output	45.7	44.0	15.0	12.1

	Nine months ended 30 December 2007 £m	Nine months ended 31 December 2006 £m	Three months ended 30 December 2007 £m	Three months ended 31 December 2006 £m
Revenue				
Wholesale generation sales	1,089	877	394	300
Direct supply sales excluding recovery of energy supply costs and renewable energy purchases recharged to customers	748	916	265	355
Revenue from generated electricity	1,837	1,793	659	655
Energy supply costs recharged to customers	281	279	91	87
Renewable energy purchases recharged to customers	33	33	16	9
Miscellaneous income	7	8	2	3
Total revenue	2,158	2,113	768	754

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.

5. Operating and Energy Costs

	Nine months ended 30 December 2007 £m	Nine months ended 31 December 2006 £m	Three months ended 30 December 2007 £m	Three months ended 31 December 2006 £m
Fuel costs – nuclear	225	216	65	56
Fuel costs – Eggborough	183	113	120	59
Total fuel costs	408	329	185	115
Materials and services	395	413	144	149
Staff costs	296	284	98	100
Operating costs of generated electricity	1,099	1,026	427	364
Energy supply costs recharged to customers	281	279	91	87
Renewable energy purchases recharged to customers	33	33	16	9
Total operating and energy costs	1,413	1,338	534	460

6. 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 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 this period; the remaining £171m obligation was paid in July 2007.

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

7. Other Finance Charges/(Credits)

	Nine months ended 30 December 2007 £m	Nine months ended 31 December 2006 £m	Three months ended 30 December 2007 £m	Three months ended 31 December 2006 £m
Interest payable:				
Interest payable on bonds	30	33	10	11
Other interest and finance charges payable	29	12	10	7
Total interest payable	59	45	20	18

	Nine months ended 30 December 2007 £m	Nine months ended 31 December 2006 £m	Three months ended 30 December 2007 £m	Three months ended 31 December 2006 £m
Interest receivable:				
Interest receivable	(65)	(36)	(25)	(13)
Total interest receivable	(65)	(36)	(25)	(13)

	Nine months ended 30 December 2007 £m	Nine months ended 31 December 2006 £m	Three months ended 30 December 2007 £m	Three months ended 31 December 2006 £m
Other finance (income)/expenses:				
Revalorisation of nuclear liabilities	176	329	(3)	112
Revalorisation of nuclear liabilities receivable	(122)	(141)	(49)	(48)
Revalorisation of NLF receivable	(54)	(188)	52	(64)
Revalorisation of contracts provision	1	4	1	1
Revalorisation of NLF liabilities	7	14	3	4
Net revalorisation charges	8	18	4	5
Expected return on plan assets in the pension schemes (see note 11)	(136)	(123)	(45)	(41)
Interest on defined benefit obligations (see note 11)	110	100	36	33
Total other finance income	(18)	(5)	(5)	(3)

8. Taxation

	Nine months ended 30 December 2007 £m	Nine months ended 31 December 2006 £m	Three months ended 30 December 2007 £m	Three months ended 31 December 2006 £m
Current tax:				
UK corporation tax	148	7	(41)	7
	148	7	(41)	7
Deferred tax:				
Temporary differences	68	255	93	115
	68	255	93	115
Tax charged to the consolidated income statement	216	262	52	122

The tax charge for the nine months ended 30 December 2007 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 36% and this has been applied to the period's results. In addition the standard tax rate of 30% is applied to the IAS 39 adjustments in the period. The forecast full year effective tax rate of 36% is higher than the standard tax rate of 30% 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.

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

9. Dividends Paid

	Nine months ended 30 December 2007 £m	Nine months ended 31 December 2006 £m	Three months ended 30 December 2007 £m	Three months ended 31 December 2006 £m
Declared and paid during the period:				
Equity dividends on ordinary shares:				
Base dividend, payable as a final dividend: 13.6p per share (2006: £nil)	140	-	-	-
Total dividends paid	140	-	-	-

10. Earnings per Share

	Nine months ended 30 December 2007	Nine months ended 31 December 2006	Three months ended 30 December 2007	Three months ended 31 December 2006
Basic earnings per share:				
Net profit for the period attributable to shareholders (£m)	383	360	140	171
Weighted average share capital (number of shares, million)	920	570	1,031	570
Earnings per share (pence)	41.6	63.2	13.6	30.0
Diluted earnings per share:				
Net profit for the period attributable to shareholders (£m)	383	360	140	171
Diluted weighted average share capital (number of shares, million)	926	585	1,037	585
Diluted earnings per share (pence)	41.4	61.5	13.5	29.2
Adjusted earnings per share:				
Net profit for the period attributable to shareholders (£m)	383	360	140	171
Adjustment in respect of Cash Sweep Payment credit (£m)	(134)	-	-	-
Adjustment in respect of conversion asset amortisation (£m)	122	-	52	-
Adjustments in respect of taxation (£m)	49	73	(19)	33
Adjusted net profit for the period attributable to shareholders (£m)	420	433	173	204
Basic weighted average share capital (number of shares, million)	920	570	1,031	570
Adjustment to weighted average share capital for timing of conversion share issue (number of shares, million)	108	-	-	-
Maximum Cash Sweep conversion at balance sheet date (number of shares, million)	560	1,027	560	1,027
Adjusted weighted average share capital (number of shares, million)	1,588	1,597	1,591	1,597
Adjusted earnings per share (pence)	26.4	27.1	10.9	12.8

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 920 million (comparable period: 570 million) ordinary shares in issue together with the dilutive weighted average of potential ordinary shares of 6 million (comparable period: 15 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 British Energy. 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 Cash Sweep Payment credit relating to the year ended 31 March 2007 and related tax effect;
- the amortisation of the conversion asset for the period; and
- the impact of the Cash Sweep Payment and amortisation of the conversion asset for the year ending 31 March 2008 on the effective tax rate used for the nine months' charge.

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

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 the impact of the partial conversion had taken place at the start and not during the period.

11. Retirement Benefit Assets/(Obligations)

(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.

Formal triennial valuations of the BEGG and the BECG pension schemes at 31 March 2007 are currently being undertaken. It is anticipated that the latest triennial valuation as at 31 March 2007 will be finalised towards the end of the financial year ending 31 March 2008. It is expected that updates to the actuarial mortality tables used in 2004 are likely to significantly reduce or eliminate this period's reported surplus.

(ii) Amounts Recognised in the Consolidated Balance Sheet

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

	As at 30 December 2007 £m	As at 31 December 2006 £m
Opening retirement benefit obligations at 1 April	(65)	(215)
Current service cost	(52)	(50)
Past service cost	(3)	(7)
Other finance income	26	23
Contributions by employer	63	64
Net actuarial gains and losses	203	(21)
Closing retirement benefit assets/(obligations)	172	(206)

During the period ended 30 December 2007 the discount rate used to value the retirement benefit obligations increased from 5.4% at 31 March 2007 to 5.8% at 30 December 2007.

12. 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 2007	58	40	767	1	24	1,757	2,647
Net profit for the period attributable to shareholders	-	-	-	-	-	383	383
Equity dividends paid (see note 9)	-	-	-	-	-	(140)	(140)
Net (expense)/income recognised directly in equity	-	-	-	(87)	-	203	116
Deferred tax on items recognised directly in equity	-	-	-	26	-	(61)	(35)
Total (expense)/income for the period	-	-	-	(61)	-	385	324
Shares issued	45	2,295	-	-	-	-	2,340
Capital reduction	-	(2,295)	-	-	-	2,295	-
Share-based payments	-	-	-	-	-	6	6
Purchase of own shares for share incentive schemes	-	-	-	-	-	(2)	(2)
Exercise of Warrants	1	16	-	-	(11)	-	6
Balance as at 30 December 2007	104	56	767	(60)	13	4,441	5,321

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

On 30 May 2007 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 conversion and share issue the Cash Sweep Payment percentage was reduced to approximately 36% and resulted in the recognition of a conversion asset of £2,340m, additional equity share capital of £45m and additional share premium of £2,295m representing the excess of the conversion share price of £5.20 over the nominal value of shares issued. The conversion asset represents the fair value of the obligation which was removed as a result of the 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.

	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 2006	57	24	767	(31)	35	1,249	2,101
Net profit for the period attributable to shareholders	-	-	-	-	-	360	360
Net income/(expense) recognised directly in equity	-	-	-	70	-	(21)	49
Deferred tax on items recognised directly in equity	-	-	-	(21)	-	7	(14)
Total income for the period	-	-	-	49	-	346	395
Share-based payments	-	-	-	-	-	4	4
Purchase of own shares for share incentive schemes	-	-	-	-	-	(5)	(5)
Exercise of Warrants	-	5	-	-	(3)	-	2
Balance as at 31 December 2006	57	29	767	18	32	1,594	2,497

13. Contingent Assets

The group had certain contingent assets as a result of its disposal of its 82.4% interest in Bruce Power LP. During the period the group received a payment of C\$15m as additional consideration in respect of the restart of Bruce A Units 3 and 4. This has been recognised within the consolidated income statement in other operating income. There have been no other significant changes to the group's other contingent assets as disclosed in British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2007.

14. 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 2007.

15. Post Balance Sheet Events

On 21 March 2007, the Government announced its intention to reduce the corporation tax rate from 30% to 28% and phase out industrial buildings allowances, both with effect from 1 April 2008. The change in corporation tax rate has been reflected in the interim financial statements in relation to the impact on deferred tax. The phasing out of industrial buildings allowances was not included in the 2007 Finance Act and so 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 increase the net deferred tax liability by £43m.

On 18 January 2008, British Energy Group plc made an announcement in respect of an issue at Hartlepool and Heysham 1. Details of this announcement can be found in the Chief Executive's Operational Review.

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 nine months ended 30 December 2007, 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 nine months ended 30 December 2007 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 February 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.

AMEC

AMEC Project Investment Limited.

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 Holdings plc.

British Energy Direct

British Energy Direct Limited.

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.

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 Holdings 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 Renewable Obligation Certificates (ROCs).

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

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 1 kW.

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 1,000 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.

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

Nuclear Installations Inspectorate (NII)

A part of the Nuclear Safety Division Directorate of the Health and Safety Executive, which administer 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.

PiP

The Performance Improvement Programme

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.

Renewable 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.

Renewable 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.

RPIX

Retail Price Index minus mortgage interest payments.

Shares

Ordinary shares in British Energy Group plc.

Statutory Outage

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

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.