British Energy

Results Presentation

British Energy Group plc

Results for the third quarter ended 1 January 2006 of the financial year ending 31 March 2006 (Q3 05/06)

24 February 2006

Important notices

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

The results are presented before the impact of re-measurement as British Energy believes that the results shown on this basis provide a better indication of the Company's underlying performance.

Safe harbour

This presentation contains certain "forward-looking" statements as defined in Section 21E of the US Securities Exchange Act of 1934, 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. British Energy has identified some important factors that may cause such differences in its Form 20-F for the financial year ended 31 March 2005 filed with the US Securities and Exchange Commission and the report and accounts for the period ended 31 March 2005.

Due to the uncertainties and risks associated with these forward-looking statements, which speak only as to the date hereof, we are claiming the benefit of the safe harbour provision referred to above.

Speakers

British Energy

Bill Coley	**Chief Executive Officer**
Stephen Billingham	**Finance Director**

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British Energy

Bill Coley

Chief Executive Officer

Highlights 1

- Total output

	Q3 05/06 TWh	Q3 04/05 TWh	**9 months 05/06 TWh**	9 months 04/05 TWh
– Nuclear	**13.3**	14.0	**43.9**	42.7
– Coal	**2.3**	1.8	**4.8**	4.8
– Total	**15.6**	15.8	**48.7**	47.5

- Current performance is slightly below our expectations
- Reviewing investment and costs for FY 06/07
- Making progress on low collateral trades
- EBITDA[1]
  - 9 months 05/06: £517m (includes £55m unwind of contract provision)
  - Q3 05/06: £290m (includes £40m unwind of contract provision)
  - Reflects higher achieved prices for the winter season

Notes:

1. Before re-measurement; for the 9 months 05/06 and Q3 05/06 the re-measurement adjustments relate solely to the impact of IAS 39 on the results

Highlights 2

- Trading book
  - Substantially all of the FY 05/06 book fixed at average price of £33.3/MWh
  - Around 60% of FY 06/07 book now fixed at approximately £37.8/MWh excluding 5 TWh of capped contracts at around £30/MWh
  - We continue to increase the volume of sales with zero or capped collateral requirements – from 8 TWh to 15 TWh over 3.5 years and also a five year fixed price contract for 3.5 TWh per annum

- UCLF
  - UCLF increased to 19% in Q3 05/06 (9 months 05/06: 14%) primarily due to BCU inspections at Heysham 1 and Hartlepool and generator stator replacement at Hartlepool
  - Sizewell B: 276 days continuous running since statutory outage
  - Total unplanned losses to 17 February 2006 are approximately 11.5 TWh

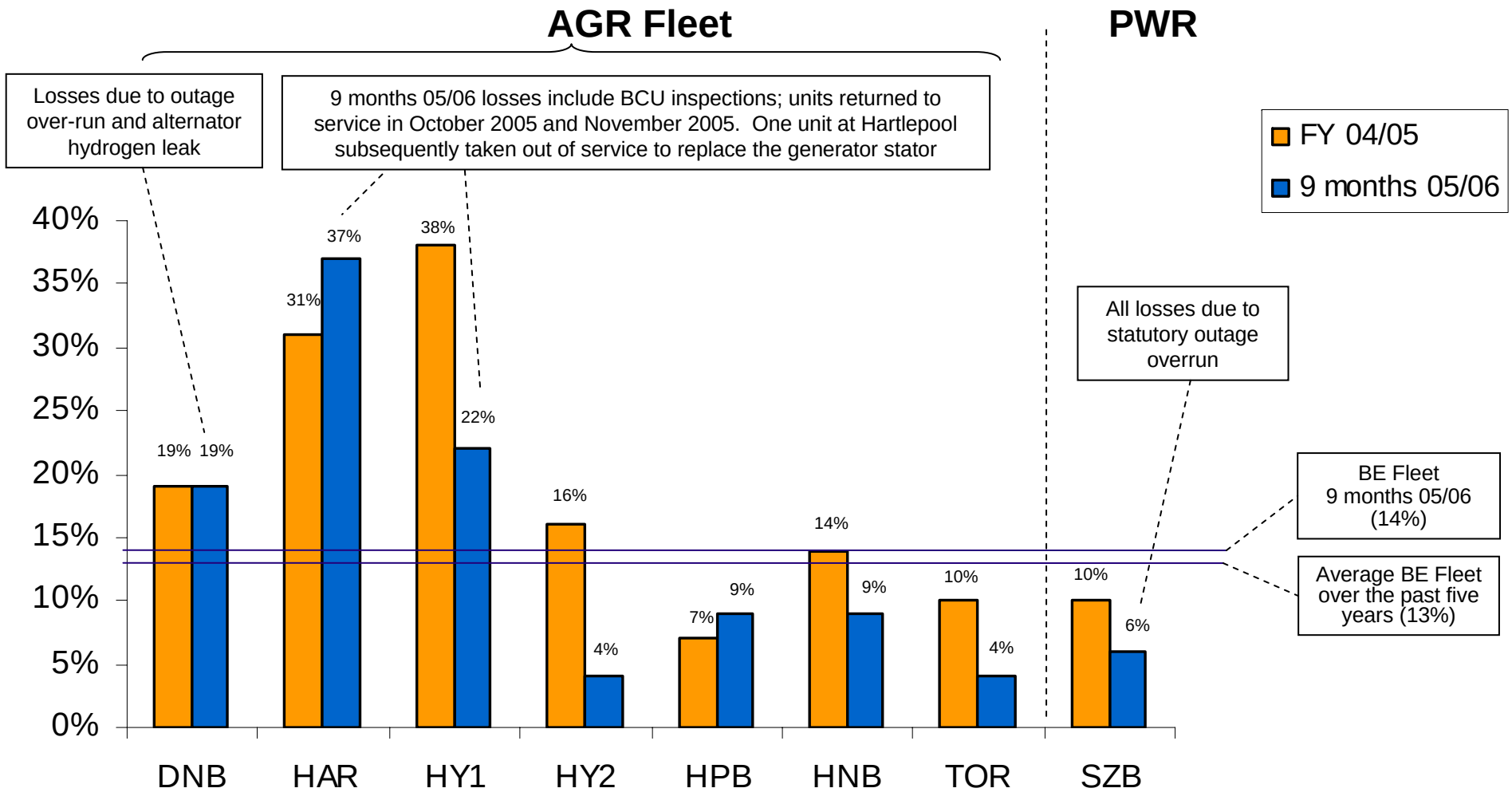
Highlights 3

- Investment in Plant
  - Progress continues FY 05/06
  - Six statutory outages completed FY 05/06
  - Six statutory outages are planned for FY 06/07, including four extended outages
  - Working to increase capacity of our projects division
  - Further skills hiring for continuous improvement
  - Cash and increased staffing enabling higher investment FY 06/07

Highlights 4

- Eggborough
  - Output 2.3 TWh Q3 05/06, 4.8 TWh 9 months 05/06
  - Clarification received from DEFRA concerning the implementation of the Large Combustion Plant Directive ('LCPD') confirmed that Eggborough should be treated as a single plant for the purpose of the LCPD
  - Detailed consideration given to the implications for Eggborough of operating under the National Emissions Reduction Plan ('NERP') vs. the Emission Limit Values ('ELV') scheme
  - Election made on 2 February 2006 to operate under NERP. Allows continued operation of the plant within the emissions bubble limit, without requiring complex installation of additional FGD equipment
  - Discussions continue with the lending banks regarding their 2010 Option

UCLF by station – 9 months 05/06*



* 9 months UCLF is not necessarily indicative of full year outturn

Nuclear metrics – 9 months 05/06

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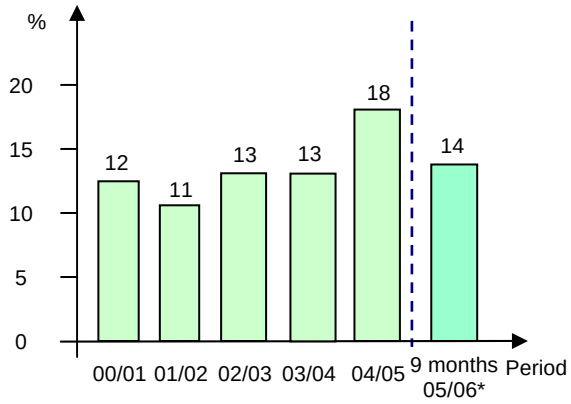
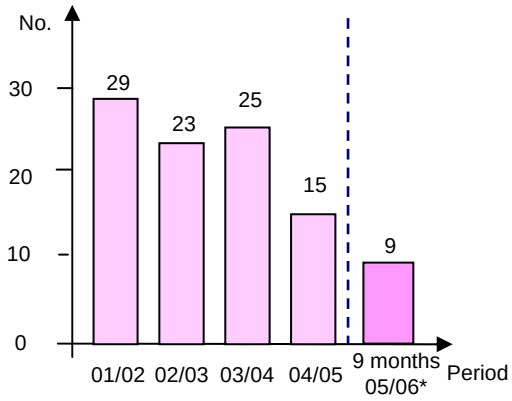
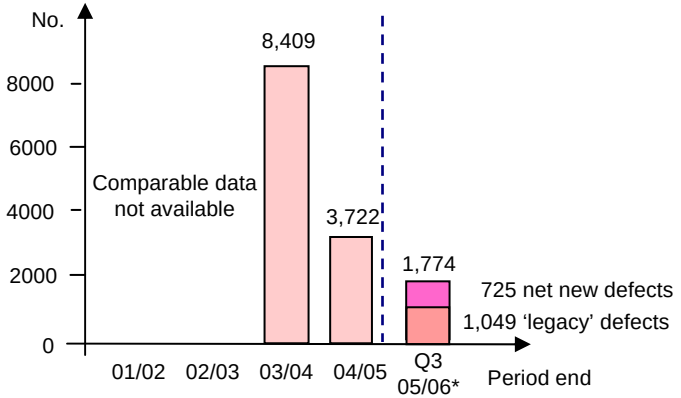
Unplanned Capability Loss Factor



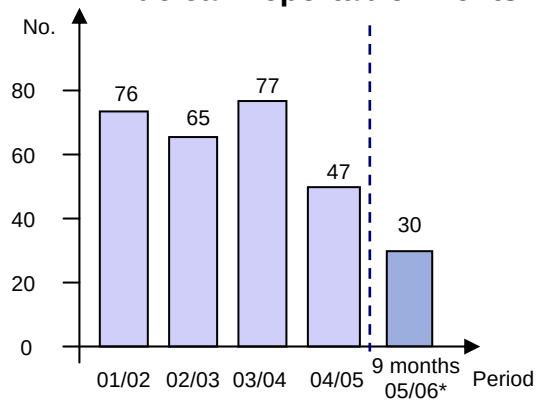
Unplanned Trips



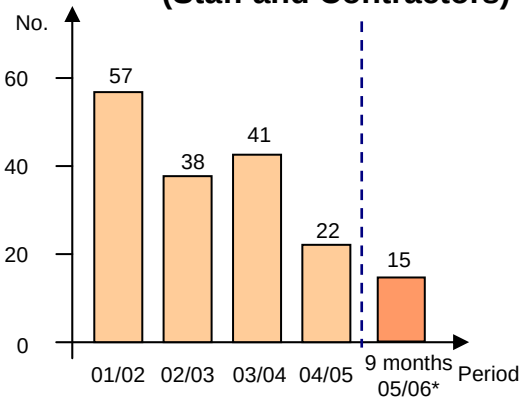
Non-Outage Defect Backlog



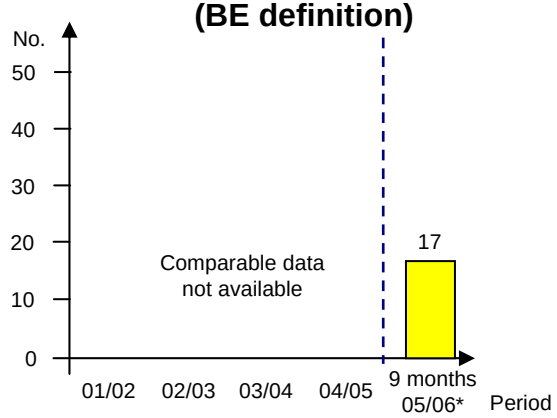
Nuclear Reportable Events



LTA's - Nuclear (Staff and Contractors)



Environmental Events (BE definition)



Notes:
* Part year

Improvements to nuclear operating metrics

Group operating metrics[1]

Safety record (LTAs)	58% reduction over 2 years
BE staff Accident Frequency Rate	75% reduction over 2 years
Unplanned automatic trips	54% reduction over 2 years
Nuclear reportable events	50% reduction over 2 years
Non-outage defect backlog	80% reduction over 2 years
Task observation	increased from 200 per month to 2,000 per month over 2 years

Notes:

1. Data as at 5 February 2006

Improvements to station performance

Still much to do, but some selected indicators of progress

- Dungeness B: Record run, last BE LTA – 471 days
- Hinkley Point B: Record run, last contractor LTA – 897 days
- Hunterston B: Record run, last reportable environmental event – 720 days
- Sizewell B: Record run, post statutory outage – 276 days to date

Notes:

1. Individual station records

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Stephen Billingham

Finance Director

Financial Highlights*

	Q3 05/06	9 months 05/06
Pre-exceptional EBITDA (£m)	290	517
– adjusted to exclude contract provision unwind (£m)	250	462
Total Output (TWh)	15.6	48.7
Realised price (£/MWh)	37.6	29.0
Total investment in plant (£m)	68	170

	Q3 05/06	9 months 05/06
Net cash flow from operating activities (£m)	121	271

(£m)	**1 January 2006**	**31 March 2005**
Total cash (including collateral)	611	456
Collateral requirement	294	216
Of which: collateral supported with cash on deposit	244	216
Of which: collateral supported by short-term LOC	50	-
Debt	(676)	(676)
Net debt	(65)	(220)

* Before re-measurement

Financial results summary* (1)

- Realised price increased to £37.6 / MWh in Q3 05/06 (9 months 05/06: £29.0 / MWh)
- Operating unit margin increased to £12.9 / MWh ** in Q3 05/06 (9 months 05/06: £6.4 / MWh **)
- BSUoS charge increased to approximately £1.0 / MWh in the Quarter due to higher National Grid balancing charges (9 months 05/06: £0.8 / MWh). Expect £0.85 / MWh for the full year FY 05/06
- Cash and cash equivalents as at 1 January 2006 includes approximately £14m to be repaid under capped contracts. Expect to reach £60m and be settled by 31 March 2006

	Q1 05/06	Q2 05/06	Q3 05/06	9 months 05/06
Realised price (£/MWh)	24.7	25.3	37.6	29.0
Operating unit margin (£/MWh)	4.1	3.5	15.5	7.5
Adjusted operating unit margin (£/MWh)**	4.0	2.8	12.9	6.4

- Around 60% of the FY 06/07 book contracted at an average price of £37.8/MWh excluding 5 TWh of capped contracts at £30/MWh

* Before re-measurement

** Excluding unwind of contract provision

Financial results summary (2)

- Cash and collateral
  - Strong cash inflow from operating activities of £121m for the quarter (9 months 05/06: £271m) reflecting high realised prices
  - Collateral requirements declined to £294m as at 1 January 2006 (£419m as at 9 December 2005) as winter contracts are delivered
  - We have increased zero collateral trading lines from 8 TWh to 15 TWh over 3.5 years. In addition, we have completed a fixed price contract for a total of 17.5 TWh (3.5 TWh per annum) over five years, with collateral capped by way of deferred receivables

Financial results summary (3)

- Investment in plant
  - Investment in plant: £170m for 9 months 05/06
  - Capital expenditure for FY 05/06: expected to be in the range £170m to £210m, including capitalised investment spend, strategic spares and capitalised outage costs
  - Expenditure and investment plans for FY 06/07 under review. Considering the range £250m to £300m

- Operating costs
  - Considering high single digit percentage increase in operating costs to reflect increased staff levels and materials and services including insurance and security costs from FY 06/07

- Quinquennial review of nuclear liabilities completed, subject to NDA approval

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Output summary

	Q3 05/06	**9 months 05/06**	9 months 04/05
Output (TWh)			
Nuclear - AGRs	10.7	**37.5**	35.9
Nuclear - PWR	2.6	**6.4**	6.8
Total Nuclear	13.3	**43.9**	42.7
Eggborough (Coal)	2.3	**4.8**	4.8
Total	15.6	**48.7**	47.5
Nuclear Unplanned Losses (TWh)	4.0(1)	**10.0(1)**	15.1(1)
Load Factors (%)			
Nuclear - AGRs	58%	**68%**	65%
Nuclear - PWR	100%	**81%**	86%
Total Nuclear	64%	**69%**	68%

Notes:

1. Includes all unplanned outages including those due to BCU investigations and statutory outage / refueling variances to full-year plan

Historic losses from outages at nuclear plants

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Losses from Unplanned and Non-Routine Events (TWh)		Q3 05/06	Q2 05/06	Q1 05/06	Q4 04/05	Q3 04/05
Q3 05/06	- Hartlepool and Heysham 1 boiler closure unit stud investigations	1.8				
	- Hartlepool generator stator / rotor replacement	0.6				
	- Dungeness B alternator hydrogen leak	0.4				
	- Heysham 2 boiler feed restriction	0.2				
	- Hartlepool generator transformer load restriction	0.2				
	- Hinkley Point B cooling water valve replacement	0.2				
Q2 05/06	- Hartlepool and Heysham 1 boiler closure unit stud investigations		1.6			
	- Hartlepool generator transformer load restriction and inspection		0.2			
Q1 05/06	- Hartlepool generator transformer load restriction			0.3		
Q4 04/05	- Heysham 1 turbine blade failure				0.8	
	- Hunterston boiler repairs				0.2	
	- Torness reactor standpipe plug leak repairs				0.2	
Q3 04/05	- Hartlepool / Heysham 1 boiler integrity, safety case, etc					3.5
	- Hartlepool cast iron repairs					0.7
	Other Outages each < 14 days:	0.6	1.5	1.5	1.4	1.6
	Total Losses due to non routine events	**4.1**	**3.3**	**1.8**	**2.7**	**5.8**
	Losses due to outage overruns[1]	(0.1)	0.4	0.5	0.1	0.1
	Total Unplanned Losses for Quarter	**4.0**	**3.7**	**2.3**	**2.8**	**5.9**

(Numbers are rounded)

Notes:

1. Includes statutory outage and refueling variances to full-year plan

Summary of results
Before re-measurement

	Q3 05/06 Before re-measurement	9 months 05/06 Before re-measurement
Output (TWh)	15.6	48.7
- Nuclear Output (TWh)	13.3	43.9
- Coal Output (TWh)	2.3	4.8
Realised price (£/MWh)	37.6	29.0
Operating unit cost (£/MWh)	22.1	21.5
Operating unit margin (£/MWh)	15.5	7.5
EBITDA (pre NLF cash sweep) (£m)	290	517
EBITDA - adjusted to exclude contract provision unwind (£m)	250	462
Profit after tax (pre NLF cash sweep) (£m)	127	194
NLF Cash Sweep (£m)	-	-
Profit attributable to shareholders (£m)	127	194

No NLF Cash Sweep

NLF Cash Sweep % - 64.66% as at 1 January 2006

Revenue
Before re-measurement

£m	Q3 05/06	9 months 05/06
Group Revenue	Before re-measurement	Before re-measurement
Wholesale generation (net sales)	288	714
Direct supply	298	699
	586	1,413
Energy purchases	7	16
Energy supply costs	102	266
Miscellaneous income	1	9
Revenue	**696**	**1,704**
% Split - excl. ESC		
Wholesale generation	49%	51%
Direct supply	51%	49%
Output (TWh)	15.6	48.7
Realised Price (£/MWh)	37.6	29.0

Operating costs
Before re-measurement

£m	Q3 05/06	9 months 05/06
Operating costs	Before re-measurement	Before re-measurement
Nuclear	77	256
Coal	49	118
Fuel costs	**126**	**374**
Materials and services	126	339
Staff Costs	85	247
Depreciation	46	136
Amortisation	2	4
Other operating income	(40)	(55)
Total operating costs excluding ESC (pre NLF cash sweep)	**345**	**1,045**
Energy purchases costs	7	16
Energy supply costs	102	266
Total operating costs	**454**	**1,327**
Nuclear Fuel Cost/TWh	5.8	5.8
Coal Fuel Cost/TWh	21.3	24.6
Total operating unit costs excluding ESC and contract provision unwind (pre NLF cash sweep)	24.7	22.6
Total operating unit costs excluding ESC (pre NLF cash sweep)	**22.1**	**21.5**

Notes:

1. Excluding the impact of back end final core provisioning, the nuclear fuel cost was £6.1m/TWh in Q3 05/06 (£5.7m/TWh in H1 05/06). Reflects higher level of fuel discharged early from the reactor, together with reduced efficiency at lower output levels
2. Coal fuel costs include the effect of market price movements on the valuation of unpurchased carbon liability as at each period end. Coal fuel costs (excluding carbon costs) were £18.3m/TWh in Q3 05/06 (£18.8m/TWh in H1 05/06)

Operating cash flow reconciliation

£m	Q3 05/06	9 months 05/06
Operating profit for the period	**244**	**347**
Amortisation charges	2	4
Depreciation	46	136
Loss on disposal of property, plant and equipment	-	1
IAS 39 movement	(2)	45
Movement in other provisions	(44)	(58)
Interest expense	(1)	(30)
Interest income	6	22
Regular contributions to NLF	(5)	(22)
Decrease/(increase) in inventories	(12)	(19)
Decrease/(increase) in trade and other receivables	(195)	(163)
Decrease/(increase) in restricted cash	30	(28)
Increase/(decrease) in trade payables and other payables	52	36
Net cash inflow from operating activities	**121**	**271**

Note: The cash flow reconciliation above is stated on a re-measured basis, reflecting the impact of IAS 39

Reconciliation of operating cash flow with change in cash

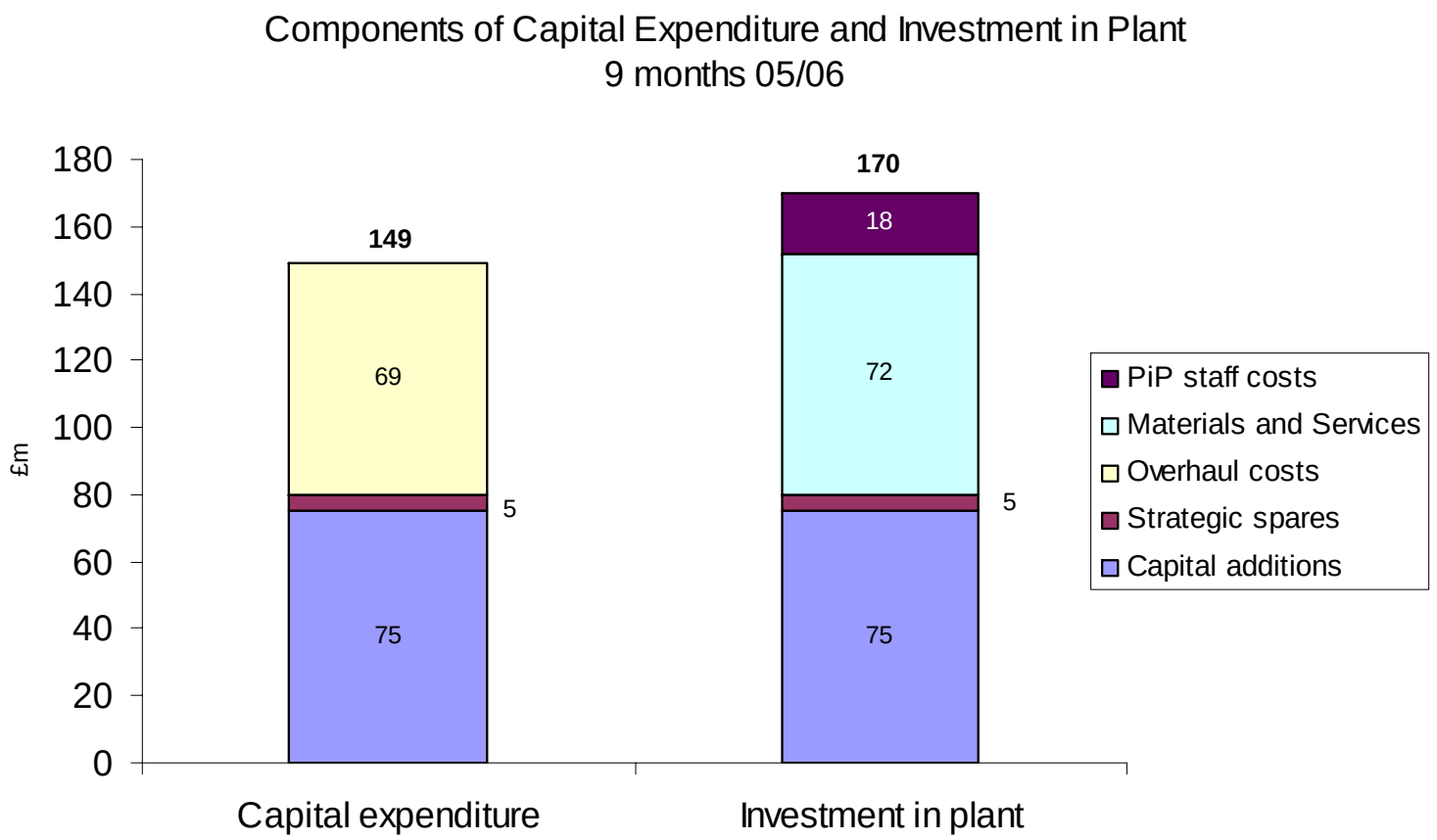
£m	Q3 05/06	9 months 05/06
Net cash inflow from operating activities	**121**	**271**
Cash flows from investing activities		
Purchases of property, plant and equipment	(48)	(145)
Purchases of intangible assets	(1)	(4)
Net cash used in investing activities	**(49)**	**(149)**
Cash flows from financing activities		
Exercise of warrants	-	8
Costs associated with sale of investments	-	(3)
Net cash used in financing activities	**-**	**5**
Net change in cash and cash equivalents	**72**	**127**

Note: The cash flow reconciliation above is stated on a re-measured basis, reflecting the impact of IAS 39

Cash/Net Debt Analysis

£m	As at 1 January 2006	As at 31 March 2005
Cash not used for collateral	362	235
Cash used for collateral	244	216
Other restricted cash	5	5
Total cash	**611**	**456**
Total debt	(676)	(676)
Less total cash	611	456
Net debt	**(65)**	**(220)**

Capital and Investment – 9 months 05/06



Note: Capital additions include software classified as intangible assets under IFRS

Reporting calendar

Event	Indicative Timing
Preliminary Results 05/06: Year ending 31 March 2006	**June 2006**
AGM	**September 2006**

Definitions

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

EBITDA - EBITDA is defined by the Company as operating income before interest, income taxes, depreciation and amortisation and has been presented both including and excluding the effects of re-measurement impact (IAS 39). The Company has included information concerning EBITDA because it believes that it is used by certain investors as one measure of the Company's financial performance. EBITDA is not a measure of financial performance under IAS and is not necessarily comparable to similarly titled measures used by other companies. EBITDA should not be construed as an alternative to operating income or to cash flows from operating activities (as determined in accordance with IAS as a measure of liquidity).

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

Energy Supply Costs (ESC) - Mainly comprise the costs incurred for the use of the distribution and transmission systems and the cost of compliance with the Renewables Obligation, recovered through turnover.

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

Definitions (cont'd)

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 SO_2, NO_x and dust. Under UK implementation of the Directive, operators are permitted to elect either the Emission Limits Value (ELV) approach or the National Emissions Reduction Plan (NERP) approach.

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

LTAs - Lost time accidents.

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

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

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

NRE - Nuclear reportable events.

Definitions (cont'd)

Operating Unit Cost - Excludes revalorisation and is calculated by dividing the total operating costs, before any re-measurement but net of energy supply costs and energy purchase costs, by total output during the period.

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

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

Realised Price - This is the average price of electricity sold during the relevant period. It is calculated by dividing revenue, excluding re-measurement impact, energy supply costs recharged to customers and miscellaneous income, and net of energy purchase costs, by the total output during the period.

Restructuring Effective Date (RED) - 14 January 2005, the date on which the Restructuring was completed.

Definitions (cont'd)

Revalorisation - Revalorisation of nuclear liabilities arises because nuclear liabilities are stated in the balance sheet at current price levels, discounted at 3% per annum real from the eventual payment dates. The revalorisation charge is the adjustment that results from restating these liabilities to take into account the effect of inflation in the period and to remove the effect of the discount for the quarter.
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. Revalorisation charges arise in respect of the fixed decommissioning obligation and the contracts provision to reflect the unwinding of the discount for the period.

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

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

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 UCLF, 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.