



Q3 Results Presentation

Results for the nine months ended 31 December 2006 of the financial year ending 31 March 2007 (Q3 06/07)



13 February 2007

Important notices

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

Forward-looking statements

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

Speakers



Bill Coley

Chief Executive

Stephen Billingham

Finance Director

1 Overview

2 Financial Review

3 Operational Review

4 Q&A



Bill Coley

Chief Executive

Highlights

	9 months 06/07	9 months 05/06
◆ Average realised price (£/MWh)	40.8	29.0
◆ Unit operating cost (£/MWh)	26.8	22.6
◆ Adjusted EBITDA (£m)	775	462
◆ Net profit before NLF Cash Sweep Payment ^{(1),(2)} (£m)	360	173
◆ <i>Adjusted earnings per share</i> ⁽³⁾	27.1p	13.6p

Notes:

1. Includes other exceptional operating expenses of £17m (9 months 05/06 – nil)
2. In line with our accounting policy, no accrual has been made for the NLF Cash Sweep in the period
3. Economic earnings per share after taking account of NLF Cash Sweep interest at 64.2%. See Slides 31 and 37

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Stephen Billingham

Finance Director

Summary of results (1)

	9 months 06/07	9 months 05/06
Output (TWh)	44.0	48.7
- Nuclear output (TWh)	38.9	43.9
- Coal output (TWh)	5.1	4.8
Realised price (£/MWh)	40.8	29.0
Unit operating cost (£/MWh)	26.8	22.6
Unit operating margin (£/MWh)	14.0	6.4
Adjusted EBITDA (£m)	775	462
Profit after tax (pre NLF Cash Sweep Payment) (£m)	360	173
<i>Adjusted earnings per share (pence)</i>	<i>27.1p</i>	<i>13.6p</i>
NLF Cash Sweep (£m)	-	-
Net profit for the period attributable to shareholders (£m)	360	173

- ◆ Adjusted earnings per share reflects economic interest of NLF at 64.2% as at 31 December 2006 (See slides 31 and 37). Includes contract provision unwind, £52m, IAS 39, £(29)m and other exceptional operating expenses, £(17)m

Summary of results (2)

- ◆ Unit operating cost increased to £26.8/MWh in 9 months 06/07 (9 months 05/06: £22.6/MWh) reflecting reduced output for the period and increases in costs due to cost pressure in H2 06/07 in line with previous guidance and boiler issues

- ◆ Cash and collateral
 - Strong cash inflow from operating activities of £448m for 9 months 06/07 (9 months 05/06: £271m) reflecting higher realised prices

 - Cash and cash equivalent (excluding restricted cash) £902m as at 31 December 2006 (£638m as at 31 March 2006)

 - Restricted cash (including collateral) £175m as at 31 December 2006 (£206m as at 31 March 2006)

Operating costs

£m	9 months 06/07	9 months 05/06
Fuel costs	329	374
Materials and services	413	339
Staff Costs	284	247
Operating costs of generated electricity	1,026	960
Depreciation	150	136
Software amortisation	5	4
	1,181	1,100
Nuclear fuel cost/TWh	5.6	5.8
Eggborough fuel cost/TWh	22.2	24.6
Unit operating cost/TWh	26.8	22.6

- ◆ Underlying nuclear fuel costs £5.9/MWh excluding accounting effects (£5.8/MWh in 9 months 05/06)
- ◆ Eggborough fuel costs £22.2/MWh, including the effect of delivery of December 2006 carbon allowances which were contracted during the year. Eggborough fuel costs excluding carbon costs were £18.4/MWh (£18.5/MWh in 9 months 05/06)

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

Incremental cost analysis

Unit operating cost: 9 months 05/06

Change in costs:

Impact of lower output

Nuclear fuel⁽¹⁾

Coal⁽¹⁾

Materials and services⁽²⁾

Staff⁽³⁾

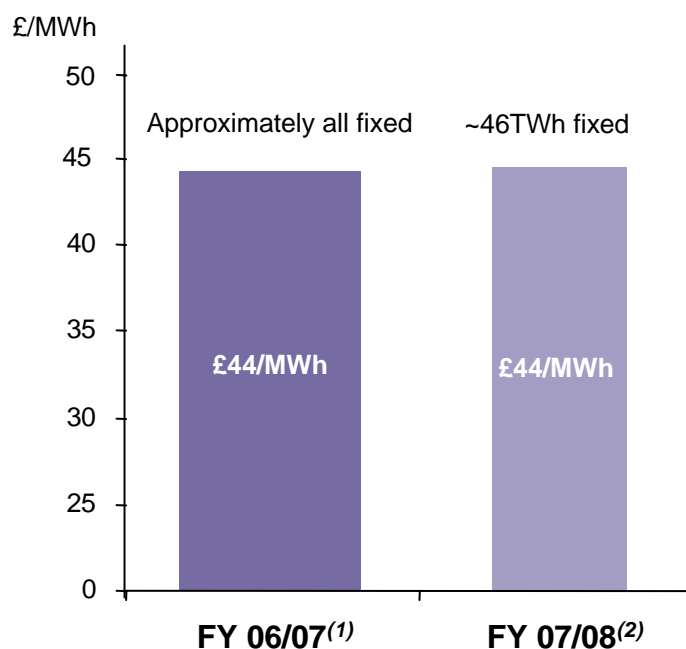
Depreciation and software amortisation

Unit operating cost: 9 months 06/07

£/MWh
22.6
1.6
(0.3)
0.1
1.7
0.8
0.3
26.8

- ◆ Unit operating cost increased from £22.6/MWh in the 9 months 05/06 to £26.8/MWh in the 9 months 06/07, reflecting the impact of lower output (£1.6/MWh) and other operating cost increases, primarily Materials and services (£1.7/MWh)⁽²⁾ and Staff costs (£0.8/MWh)⁽³⁾
- ◆ Expect costs in H2 06/07 in line with previous guidance and boiler issues
 1. Fuel costs are treated as wholly variable. Increases per unit are each calculated by reference to total output
 2. The £1.7/MWh increase in Materials and services cost includes increased investment in plant (£0.8/MWh), insurance (£0.2/MWh), transmission credits (£0.1/MWh) and other costs associated with the station maintenance programme (£0.6/MWh). Included within the increase of £1.7/MWh in Materials and services cost is approximately £0.2/MWh in respect of boiler issues in the 9 months.
 3. The £0.8/MWh increase in Staff costs includes headcount increases, overtime and salary increments (£0.4/MWh) and pension costs (£0.2/MWh)

Fixed Forward Contracts



- ◆ Approximately all planned output for FY 06/07 fixed at £44/MWh⁽¹⁾
- ◆ Approximately 46TWh fixed for FY 07/08 at £44/MWh⁽²⁾
- ◆ Increased zero/capped collateral trades to 70.9TWh to April 2012 as at 4 February 2007 up from 62.0TWh to April 2011 as at 12 November 2006

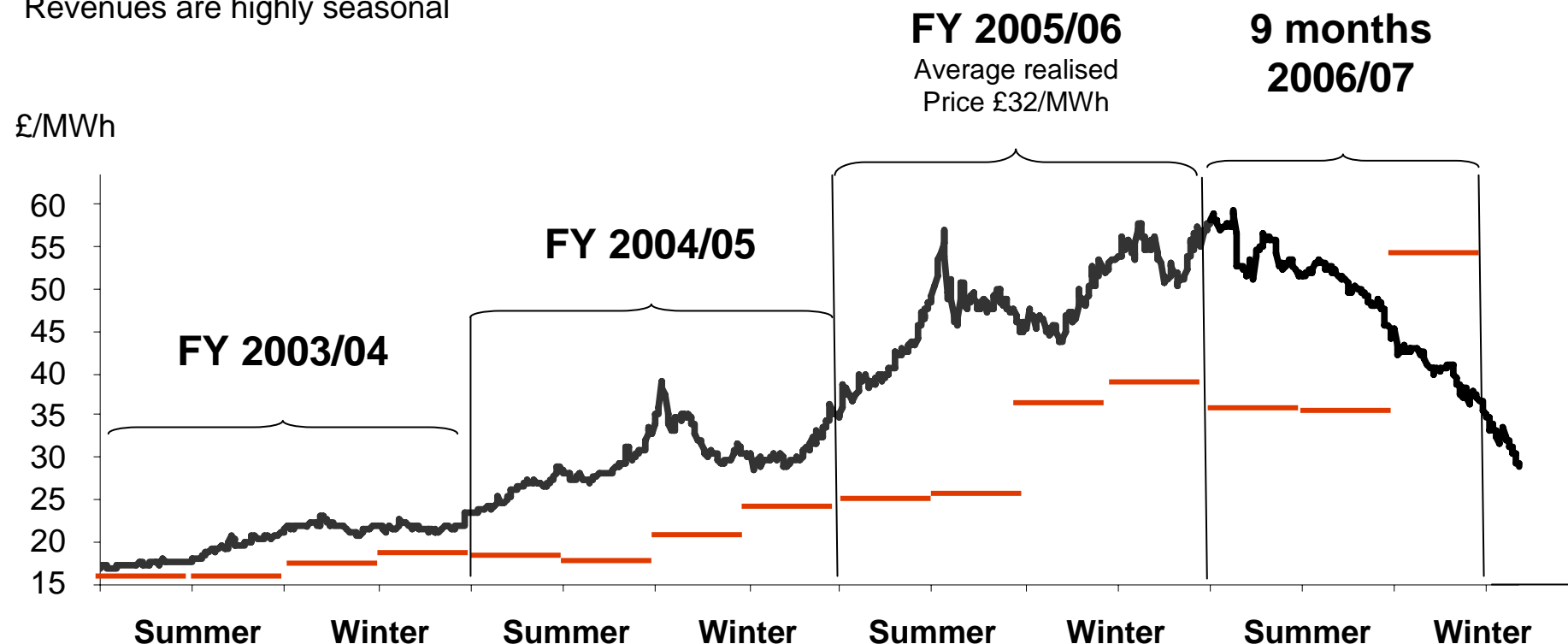
(1) As at 4 February 2007, fixed price contracts in place for approximately all of planned output for FY 06/07 at approximately £44/MWh including the impact of 5TWh of capped contracts

(2) As at 4 February 2007, fixed price contracts in place for approximately 46TWh for FY 07/08 at an average price of approximately £44/MWh. Excludes the impact of capped price arrangements of approximately 5TWh at around £30/MWh

Baseload forward prices vs average realised price

- ◆ Average realised price lags forward market prices due to, inter alia:
 - Large volume of sales fixed ahead for up to 5 years
 - Certain long term historic contracts significantly below market
- ◆ Revenues are highly seasonal

Forward Market Price⁽¹⁾
 Ave Realised Price



As at 4 February 2007, the Company had fixed price contracts in place for approximately all of its planned output for the financial year 2006/07 at an average contract price of approximately £44/MWh including the impact of 5TWh of capped contracts.

Source: Heren, British Energy Results, S – Summer, W – Winter

(1) See Definitions

- 1 Overview
- 2 Financial Review
- 3 Operational Review**
- 4 Q&A



Bill Coley

Chief Executive

Hunterston B and Hinkley Point B Boiler Issues (1)

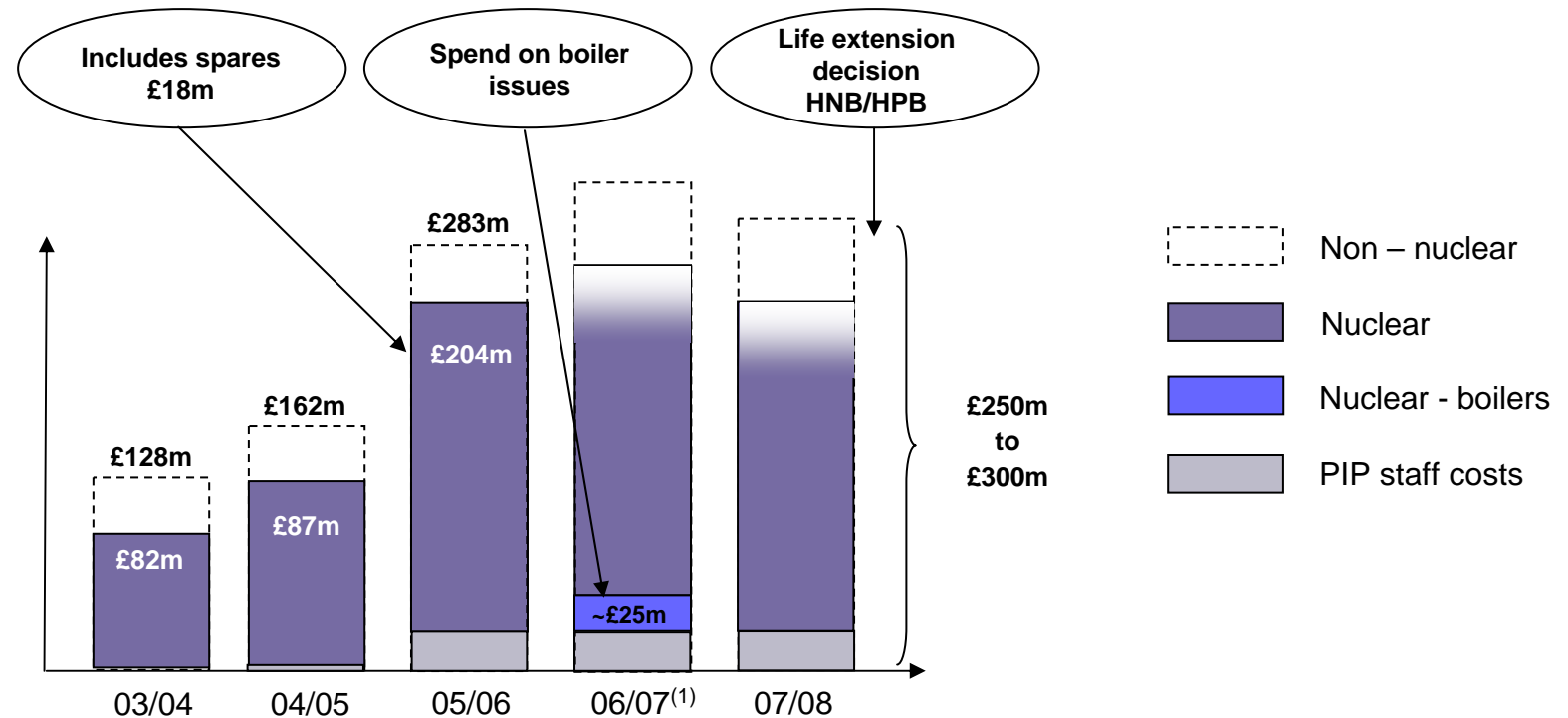
- ◆ Boiler inspections completed at Hinkley Point B and Hunterston B
- ◆ Boiler repair work completed at Hinkley Point B. Hunterston B to be completed mid March 2007.
- ◆ Safety cases submitted to NII for return to service of all 4 units at around 70% load factor. Expect to resolve safety cases in February and March 2007
- ◆ Further non-boiler work required at Hunterston B brought forward
- ◆ 2 units at Hinkley Point B expected to return to service in March 2007
- ◆ Work brought forward at Hunterston B may entail 1 or potentially 2 units return to service in April 2007

Hunterston B and Hinkley Point B Boiler Issues (2)

- ◆ Intend to complete assessment as to whether the 4 units can be operated at higher capacity. Assessment will take into account the inter-relationship with boiler life, station life and safety cases with the aim of maximising value
- ◆ Further inspections will be undertaken over the next 2 financial years to provide further data to support capacity and lifetime decisions
- ◆ Impact of limiting output to around 70% load factor in FY 07/08: ~ 6TWh
- ◆ Life extensions decision for Hinkley Point B and Hunterston B expected by 31 March 2008. Decision process may be challenging, subject to load factor and electricity prices

- ◆ Investment in plant £213m for 9 months 06/07, up from £170m in 9 months 05/06
- ◆ Expect investment in plant to be toward the higher end of the range £250m to £300m for FY 06/07, excluding approximately £25m for boiler issues at Hinkley Point B and Hunterston B
- ◆ Expect to continue to invest at the higher end of the range £250m to £300m in FY 07/08
- ◆ Considering an increase in the proportion of spend directed towards maintenance in future years
- ◆ Future investment will be influenced by the outcome of the Hinkley Point B and Hunterston B boiler management programme and life extension decisions
- ◆ Continue to target investment to sustain and improve operational performance and improve prospects for life extension

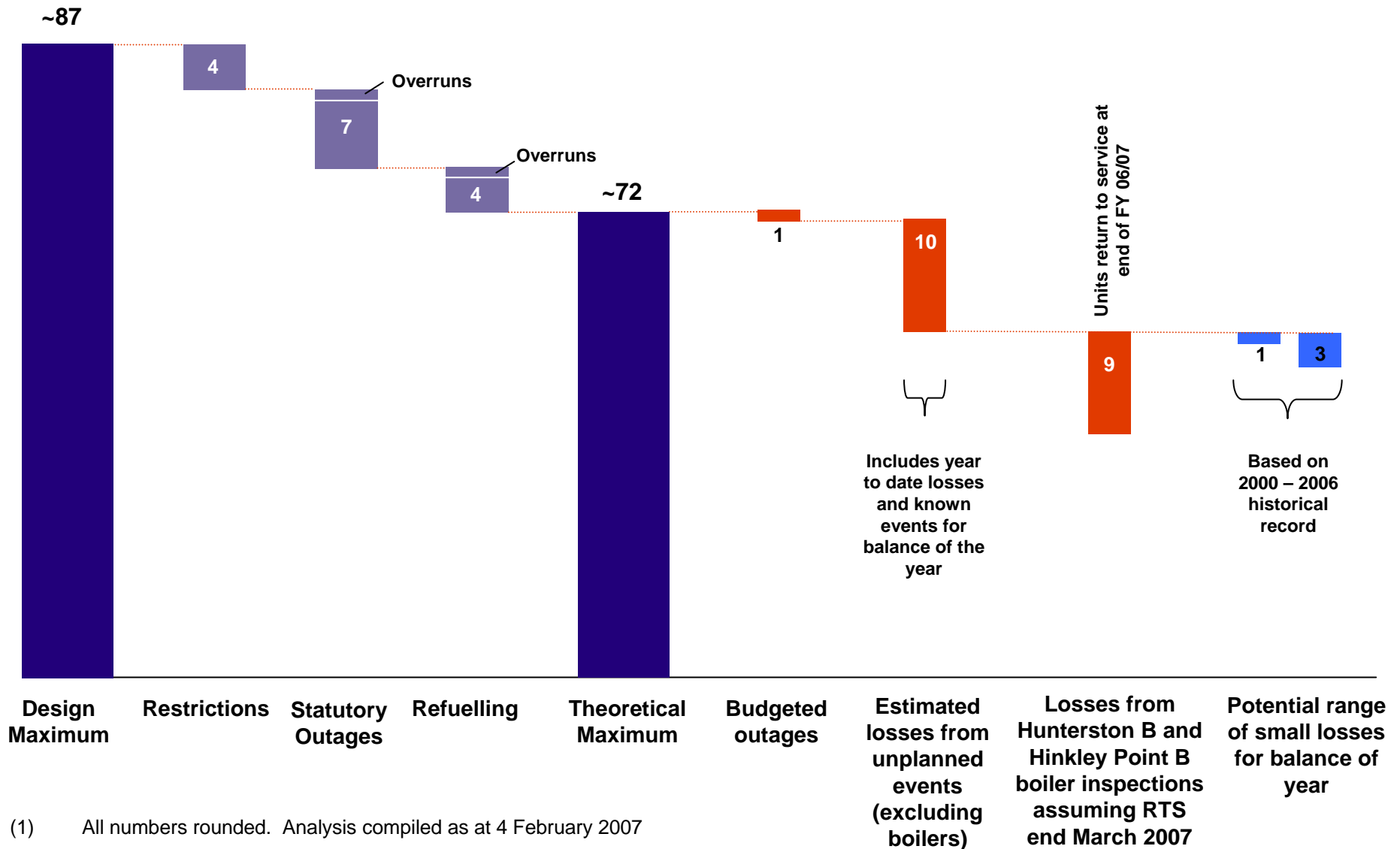
Investment in Nuclear Plant



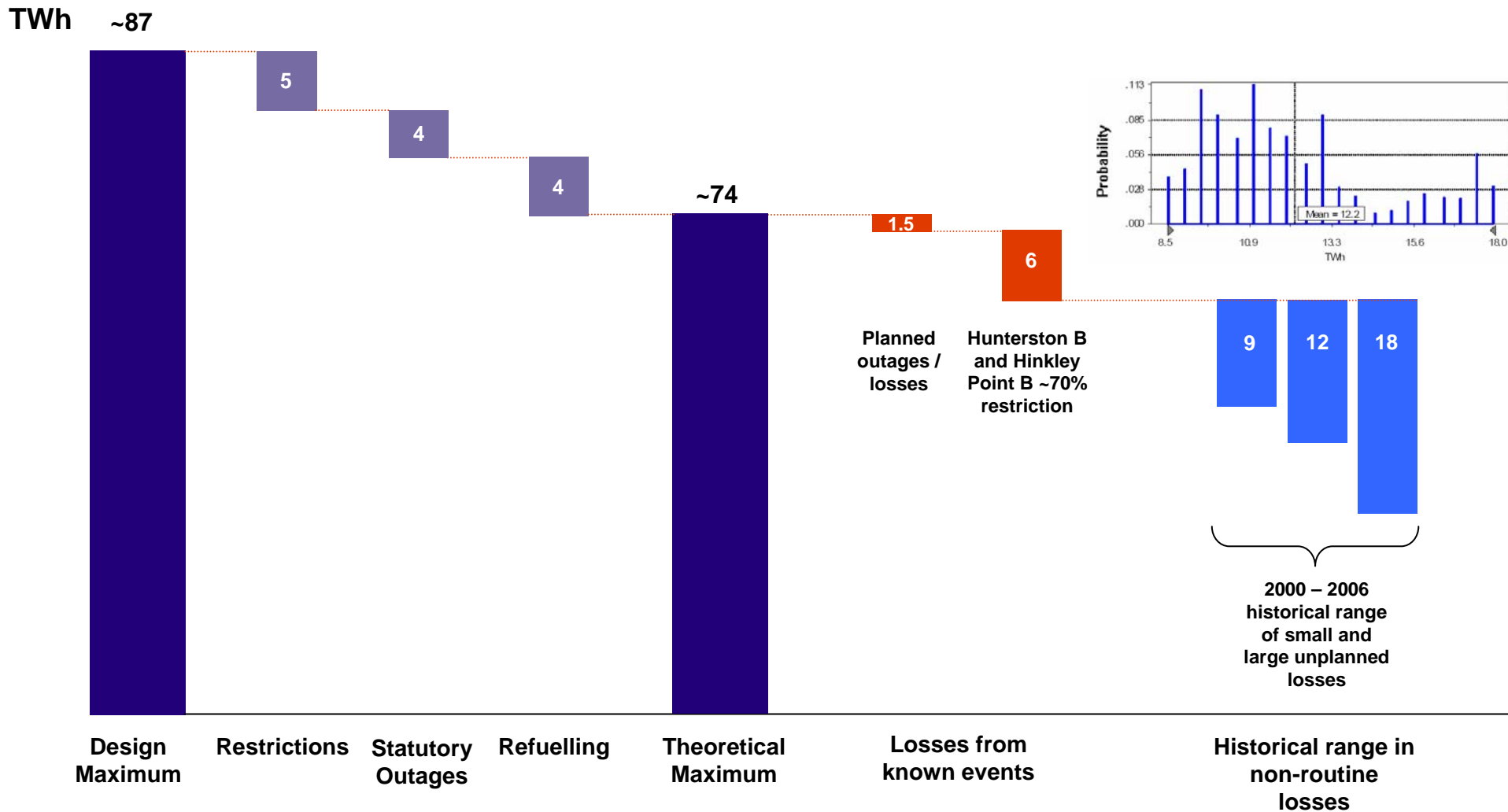
- ◆ Future investment will be influenced by the outcome of the Hinkley Point B and Hunterston B boiler management programme and life extension decisions

(1) FY 06/07 Investment in plant projects, major repairs and strategic spares expected to be toward the higher end of the range £250m to £300m excluding approximately £25m incurred in connection with boiler issues at Hinkley Point B and Hunterston B

Understanding nuclear output FY 06/07



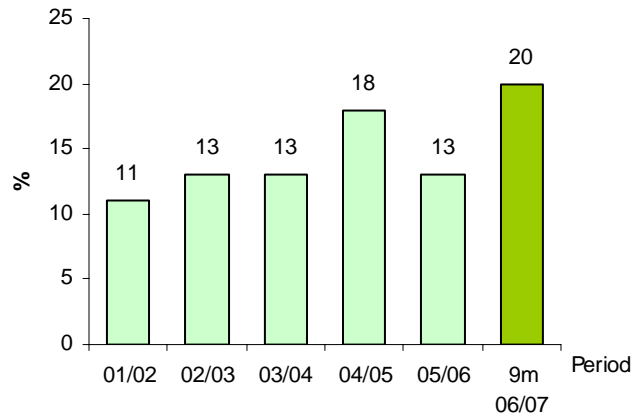
Understanding nuclear output FY 07/08



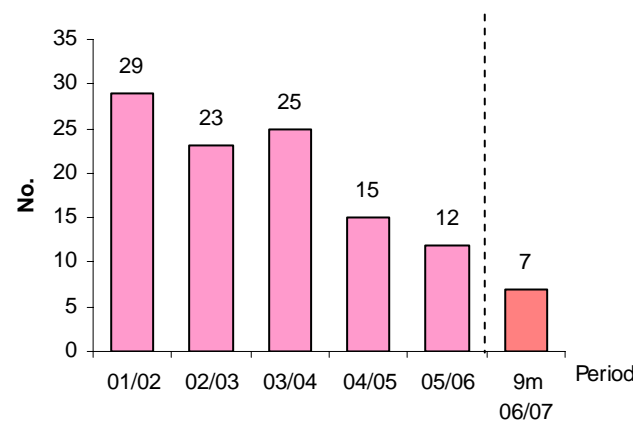
(1) All numbers rounded. Analysis compiled as at 4 February 2007

Nuclear metrics – 9 months 06/07

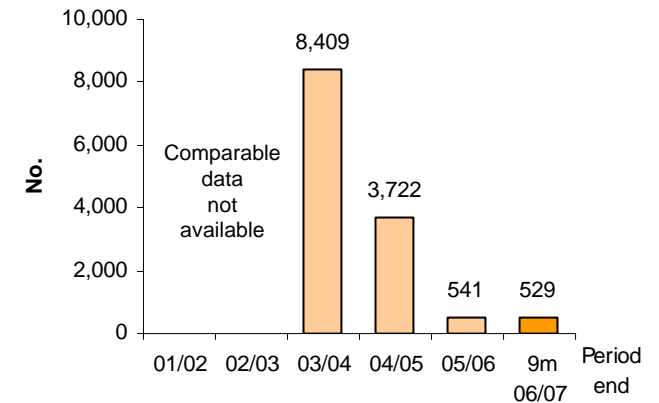
Unplanned Capability Loss Factor



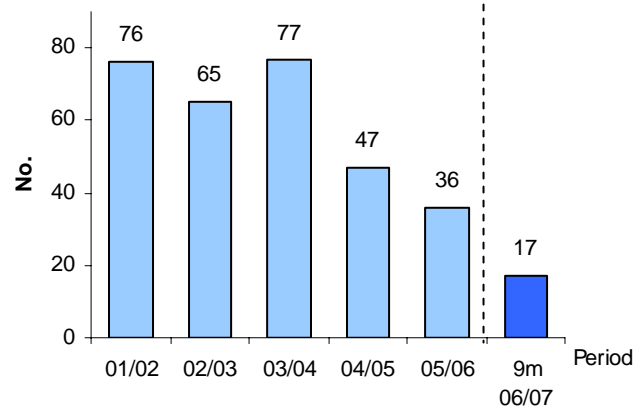
Unplanned Automatic Trips



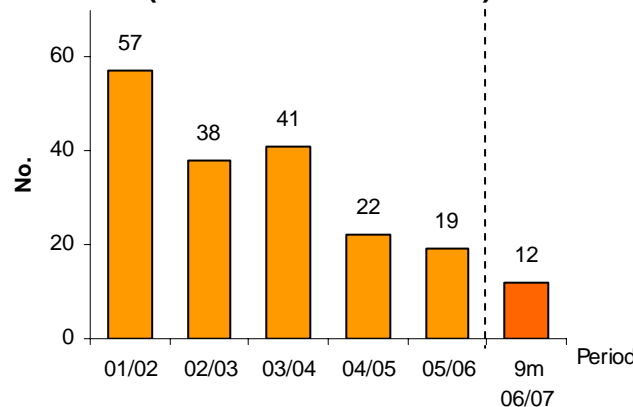
Non-Outage Defect Inventory



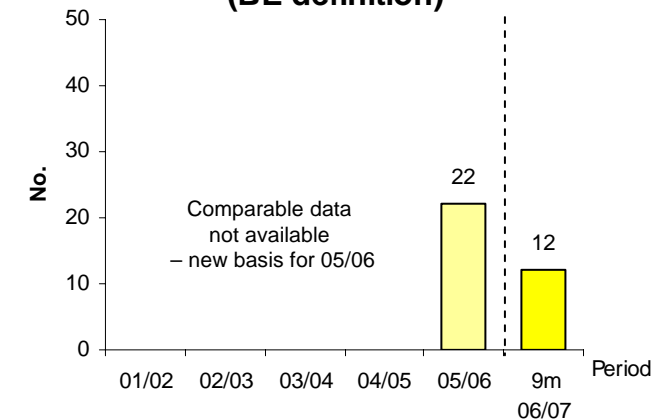
Nuclear Reportable events



LTA's - Nuclear (Staff and Contractors)



Environmental Events (BE definition)



Position for Nuclear New Build

- ◆ Launching process to invite partner proposals for new nuclear generation
- ◆ Energy White Paper, including nuclear policy, expected Spring 2007
- ◆ Further work by Industry, Government and regulators to address:
 - Long term arrangements for Carbon reduction
 - Arrangements for waste, decommissioning, planning and regulatory approvals
 - Pre-licensing several designs to maintain competitive choice
 - Strategic Site Assessment, site suitability and Environmental Impact Assessments
- ◆ Deploy British Energy's experience, skills and sites to maximise shareholder value

- ◆ Boiler issues – good progress. All boiler issues to be resolved by end of March 2007 as previously projected
- ◆ Hunterston B double reactor outage planned for April 2007 brought forward. Further non-boiler work expected to be completed in April 2007
- ◆ Current financial performance and performance for FY07/08 supported by success at extending the forward sales book
- ◆ New nuclear – Maximising the value of our sites and experienced employees. Inviting interest from potential partners to work with British Energy



Questions and Answers

- 1 Overview
- 2 Financial Review
- 3 Operational Review
- 4 Appendix**

Output summary

	Q3 06/07	Q3 05/06	9 months 06/07	9 months 05/06
Output (TWh)				
Nuclear - AGRs	8.0	10.7	32.6	37.6
Nuclear - PWR	2.0	2.6	6.3	6.4
Total Nuclear	10.0	13.3	38.9	43.9
Eggborough (Coal)	2.2	2.3	5.1	4.8
Total	12.1	15.6	44.0	48.7
Nuclear unplanned losses (TWh)	7.6⁽¹⁾	4.0 ⁽¹⁾	13.9⁽¹⁾	10.0 ⁽¹⁾
UCLF (%)				
Nuclear - AGRs	43%	21%	22%	14%
Nuclear - PWR	0%	0%	0%	6%
Total Nuclear	37%	18%	20%	13%

Notes:

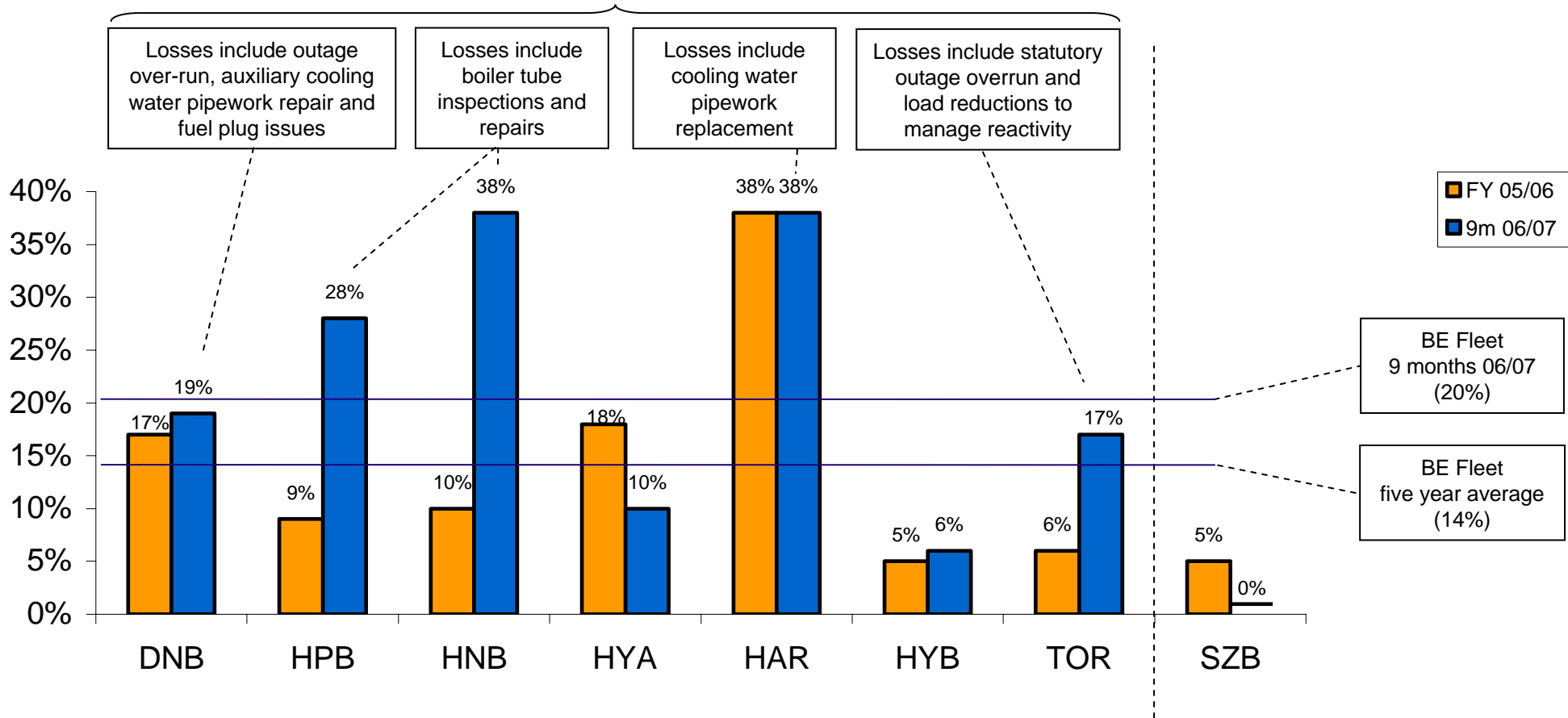
1. Unplanned losses and non routine events including statutory outage overruns and refuelling variance against plan

(Numbers rounded)

UCLF by station – 9 months 06/07

AGR Fleet

PWR



Historic losses from unplanned and non-routine events

Losses from unplanned and non-routine events (TWh)

- Hinkley Point B / Hunterston B boiler inspections/repair
- Hartlepool cooling water pipework replacement
- Dungeness B auxiliary cooling water pipework repair
- Heysham 1 reactor temperature limit
- Torness seaweed ingress
- Heysham 1 boiler tube leak⁽¹⁾
- Torness reactivity management
- Hunterston B boiler tube leaks⁽¹⁾
- Heysham 1 BCU inspections (planned)
- Hinkley Point B boiler tube leaks⁽¹⁾
- Hartlepool generator stator / rotor replacement
- Hartlepool generator transformer load restriction

Other outages each < 14 days:

Total losses due to non-routine events

Losses due to outage overruns⁽²⁾

Total unplanned losses for quarter

	Q3 06/07	Q2 06/07	Q1 06/07	Q4 05/06
	3.9	0.1		
	2.0			
	0.2			
	0.2			
		0.3		
		0.2	0.1	
		0.3	0.5	
			0.4	
		0.2	0.2	
			0.2	
				1.0
				0.1
	1.5	1.6	1.4	2.2
	7.9	2.7	2.8	3.3
	(0.3)	0.2	0.6	(0.4)
	7.6	2.9	3.4	2.9

(Numbers rounded)

Notes:

1. Boiler tube leaks stated in this analysis are not associated with the ongoing Hinkley Point B and Hunterston B boiler inspections and repair
2. Includes statutory outage and refuelling variances to plan (including the impact of the Dungeness B fuel plug unit issue)

Comparison between Adjusted Income Statement and Reported Income Statement



£m	Adjusted* 9m 06/07	Reported 9m 06/07
Adjusted EBITDA	775	775
Other operating income**	N/I	52
Other exceptional operating expenses	N/I	(17)
Depreciation	(150)	(150)
Amortisation and other charges	(5)	(5)
Unrealised net losses on financial instruments and commodity contracts	N/I	(29)
Operating profit	620	626
Interest payable (net)	(9)	(9)
Other finance income	9	5
Taxation	(261)	(262)
Net profit before Cash Sweep Payment	359	360
Cash Sweep Payment	-	-
Net profit for the period attributable to shareholders	359	360
Adjustment for impact of Cash Sweep Payment on taxation	73	73
Adjusted net profit for the period attributable to shareholders	432	433
Earnings per share (pence)		
Basic	63.0	63.2
Adjusted for Sweep Conversion***	27.1	27.1

N/I - Not Included

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

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

*** Computed on the basis of Net profit before Cash Sweep Payment, adjusted for the impact of the NLF Cash Sweep Payment on taxation (£73m), divided by the enlarged number of shares that would have been in issue had the NLF fully converted its interest at 31 December 2006 (1,597m)

Revenue

£m	9 months 06/07	9 months 05/06
Wholesale generation sales	877	714
Direct supply sales	916	699
Revenue from generated electricity	1,793	1,413
Energy supply costs recharged to customers	279	266
Energy purchases	33	16
Miscellaneous income	8	9
Total revenue	2,113	1,704
% Split		
Wholesale generation	49%	51%
Direct supply	51%	49%
Output (TWh)	44.0	48.7
Realised price (£/MWh)	40.8	29.0

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

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

Operating cash flow reconciliation

£m

Operating profit for the 9 months

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

Adjusted EBITDA

Non income statement business costs

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

Movement in working capital

Movement in restricted cash

Interest (net)

Cash Sweep paid

Net cash inflow generated from operations

Capex

Cash flows from financing activities

- Exercise of Warrants
- Repayment of borrowings

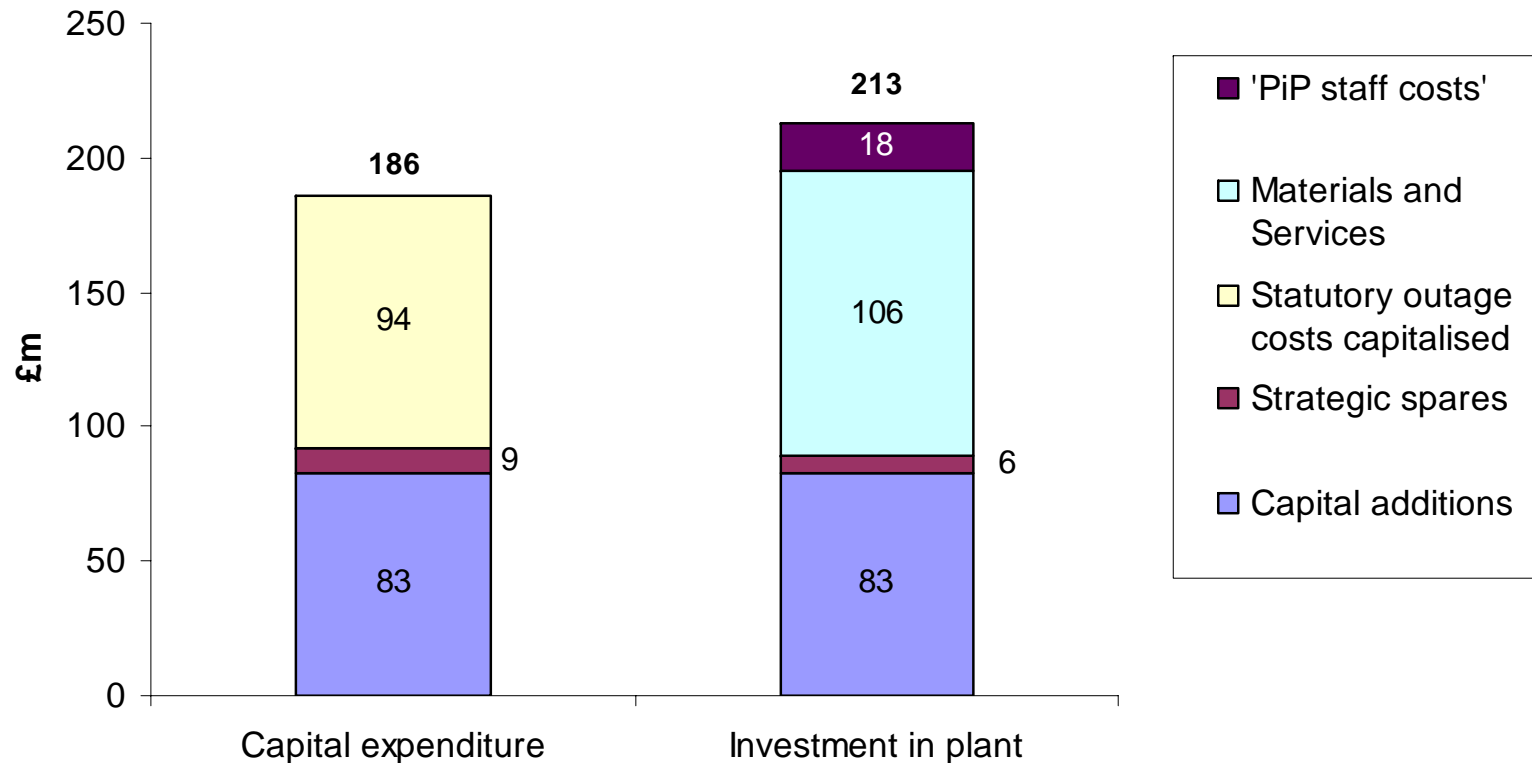
Net increase in cash and cash equivalents

9 months
06/07
626
155
29
17
(52)
-
775
(17)
(7)
(27)
(23)
(181)
31
2
(105)
448
(186)
2
-
264

Cash/net debt analysis

£m	As at 31 December 2006	As at 31 March 2006
Cash and cash equivalents (excluding restricted cash)	902	638
Debt	(626)	(626)
Present value of NLF fixed decommissioning payments	(218)	(221)
Net cash/(debt) less present value of fixed decommissioning payments (excluding restricted cash)	58	(209)
Restricted cash	175	206
Committed facilities		
Letter of credit facilities (undrawn)	300	-
Receivables facility (undrawn)	60	60

Components of capital expenditure and investment in plant 9 months 06/07



Notes:

1. Capital additions include software classified as intangible assets under IFRS
2. Certain additions capitalised as strategic spares are excluded under the classification criteria for investment in plant
3. Investment in plant in the 9 months 06/07 includes £6m in respect of boiler issues at Hinkley Point B and Hunterston B

Reporting calendar



Event

Indicative Timing

Preliminary results announcement

June 2007

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

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

The Directors believe that a more appropriate measure of adjusted earnings per share can be computed on the basis of earnings before the NLF Cash Sweep Payment, adjusted for the impact of the NLF Cash Sweep Payment on taxation, divided by the enlarged number of shares that would have been in issue had the NLF fully converted its interest at 31 December 2006. This would result in an adjusted earnings per share of 27.1p for the nine months ended 31 December 2006 (comparable period: 13.6p).

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

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

Definitions (cont'd)

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

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.

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

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

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

Definitions (cont'd)

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

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.

Nuclear Installations Inspectorate (NII) – a part of the Nuclear Safety Division Directorate of the Health and Safety Executive, which administers nuclear site licences.

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

NRE - Nuclear reportable events.

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

Definitions (cont'd)

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

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

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

RED – The Restructuring Effective Date, 14 January 2005.

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

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

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

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

Definitions (cont'd)

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.