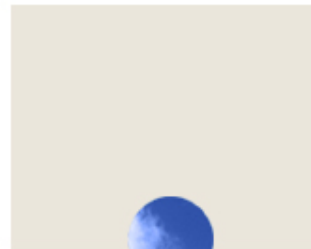


Unaudited results for the first
quarter of financial year ending
31 March 2005

(Q1 05) ended 30 June 2004



Important notice

The principal terms of British Energy's Proposed Restructuring were agreed by the Company, the Secretary of State for Trade and Industry (the 'Secretary of State') and certain of its creditors in October 2003. However, the Proposed Restructuring remains subject to a large number of significant uncertainties and important conditions. These are amplified in slide 4.3.

If for any reason British Energy is unable to implement the Proposed Restructuring it may be unable to meet its financial obligations as they fall due, in which case it may have to take appropriate insolvency proceedings. If British Energy were to commence insolvency proceedings, distributions, if any, to unsecured creditors may represent only a small fraction of their unsecured liabilities and it is highly unlikely that there would be any return to shareholders. Even if the Proposed Restructuring is completed, the return, if any, for shareholders will represent a very significant dilution of their existing interests.

This document is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration.

The information in this presentation is drawn from the results for the First Quarter ended 30 June 2004 (unaudited), the results for the First Half ended 30 September 2004 (unaudited), the results for the Second Half ended 31 March 2004 (unaudited), and the audited results for the Financial Year ended 31 March 2004. This presentation is a summary and reading it is not a substitute for reading the Results in their entirety.

All numbers are derived from UK GAAP, unless otherwise stated. Definitions are set out in Appendices.

Safe Harbour

This document 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 British Energy's Form 20-F annual report for the year ended 31 March 2004 filed with the US Securities and Exchange Commission.

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1.1 Overview: Financial performance important issues

- **ASSET IMPAIRMENT** - The Company conducted an asset impairment review at 31 March 2003 writing down fixed assets by £3,738m. The carrying value of fixed assets was reviewed again as at 31 March 2004, and, as a result, there was a non-cash accounting upward adjustment of £295m for the partial reversal of the write-down of fixed assets in the prior year principally due to an expectation of higher electricity prices.
- **CAPEX** - Following the asset impairment reviews all expenditure of a capital nature has been expensed through the profit and loss account. Capex excludes all non-recurring revenue expenditure and expenditure on strategic spares. The Group has expensed Capex of £15m which may have been capitalised in the absence of the impairment review. The Company will continue to expense capital items until such time as it is possible to demonstrate they result in an enhancement to the carrying value of the fixed assets at that time. There is no certainty as to when this condition will be satisfied. Based on UK GAAP, Capex, as referred to above, cannot be added back to EBITDA.
- **BNFL** - Cash payments are being made to BNFL as if the revised back end contracts, which are contingent on the restructuring being implemented successfully, had become effective on 1 April 2003. The effect of the revised BNFL back end contracts is reflected in the cash flow statements but not in the P&L account for either FY 04 or Q1 05 and will not be reflected in the P&L Account until completion of the Proposed Restructuring. In the quarter the incremental charge would have been £1m compared to a benefit in H1 04 of £31m.
- **EBITDA** - EBITDA has been reduced by Capex expensed to the P&L Account. The effect of the revised BNFL back end contracts is not reflected in EBITDA and will not be until completion of the Proposed Restructuring. EBITDA is defined by the Company as earnings before interest, taxes, depreciation, amortisation, and related exceptional items. 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. Further details are set out in slide 5.1 - Definitions.
- **DEBT** - Debt / borrowings on the balance sheet is stated on a pre-restructured basis and is higher than the proforma total debt post restructuring of £700m and excludes any drawings under the Receivables Facility.
- **RESTRUCTURING** - The financial statements have been prepared on a pre-restructured basis, although cash payments are being made to BNFL as if the revised back end contracts, contingent on the successful restructuring, had become effective on 1 April 2003.
- **SEASONALITY** - In general, both output and realised prices are lower in the summer quarters.

1.2 Overview: Financial performance summary of results ^{(1) (2) (3)}

(£m)	Q1 05 ⁽¹⁾	H1 04	H2 04	FY04
UK operating (loss) / profit before exceptional items	(20)	(9)	66	57
Net exceptional operating (charges) / credits	(16)	(24)	307	283
UK operating (loss) / profit after exceptional items	(36)	(33)	373	340
Group (loss) / profit after tax and exceptional items	(115)	(79)	313	234
UK (loss) before tax and before exceptional items - continuing activities ⁽⁴⁾	(101)	(134)	(60)	(194)

Notes:

- (1) This presentation contains the Company's results prepared under UK GAAP for the first quarter ended 30 June 2004 (Q1 05). Since this is the first time the Company has published results for its first quarter, this report does not contain any comparative quarterly information.
- (2) The Q1 05 results include Capex expensed to the P&L of £15m (£47m in H1 04 and £70m in FY 04) and exclude the incremental charges arising from the revised BNFL back end contracts of £1m (benefits of £31m in H1 04 and FY 04 P&L £58m). See slide 5.7 for details of the revised BNFL back end contracts.
- (3) The results are stated on the basis of continuing activities, except for Group (loss) / profit after tax, which is summarised in slide 5.2.
- (4) As summarised on Slide 5.2.

1.3 Overview: Financial performance

EBITDA and cash flow

(£m)	Q1 05	H1 04	H2 04	FY 04
EBITDA - continuing activities ⁽¹⁾⁽³⁾⁽⁵⁾	(2)	16	91	107
Adjusted EBITDA - continuing activities ⁽²⁾⁽³⁾ (after including P&L adjustment from revised BNFL back end contracts)	(3)	47	118	165
Capex expensed in the P&L	15	47	23	70
Group operating cash (outflow) / inflow ⁽⁴⁾	(61)	(26)	182	156
(Decrease) / increase in Total Cash ⁽⁵⁾	(72)	26	214	240

- Following the asset impairment reviews in FY 03 and FY 04, Capex of £15m in Q1 05 (£47m in H1 04 and £70m in FY 04) was expensed in the P&L. Capex in the table is shown for presentation purposes only. Capex will continue to be fully expensed in the P&L until it is possible to demonstrate that it enhances the value of the Company after taking account of the impairment review. There is no certainty as to when this condition will be satisfied. Based on UK GAAP, Capex, as referred to above, cannot be added back to EBITDA.
- The savings / charges from the revised BNFL back end contracts represent only one adjustment of several that will arise after restructuring.

Notes:

- (1) Q1 05 EBITDA does not include the incremental charges resulting from the revised BNFL back end contracts of £1m (benefit of £31m in H1 04 and £58m in FY 04), and is after Capex expensed of £15m (£47m in H1 04 and £70m in FY 04). Q1 05 results were affected by unplanned outages at Sizewell B, Torness and Heysham 2 that lasted more than 14 days contributing lost output of approximately 1.7TWh.
- (2) Q1 05 Adjusted EBITDA - continuing activities includes the incremental charge of £1m resulting from revised BNFL back end contracts and is after Capex expensed of £15m.
- (3) See Slide 2.3 for reconciliation of (loss)/profit with EBITDA and EBITDA - continuing activities.
- (4) Based on the Group cash flow statement.
- (5) See Slide 5.1 for definitions.

1.4 Overview: Financial performance cash / net debt - pre restructuring and post restructuring proforma

(£m)	31 Aug 04	30 Jun 04	31 Mar 04
Cash not used for collateral	252	180	276
Cash used for collateral	300	321	297
Total cash ⁽¹⁾	<u>552</u>	<u>501</u>	<u>573</u>
Total Debt: Pre Restructuring ⁽²⁾	883	883	883
Less: total cash	(552)	(501)	(573)
Net debt	<u>331</u>	<u>382</u>	<u>310</u>
Proforma total debt ⁽³⁾	700	700	700
Less: Total Cash	(552)	(501)	(573)
Proforma net debt (if restructuring had been effected)	<u>148</u>	<u>199</u>	<u>127</u>

- At 31 August 2004, at 30 June 2004 and at 31 March 2004 there were no drawings under the Government Facility, nor any drawings between those dates. The Receivables Facility⁽⁴⁾ has never been drawn.

Notes:

- See Slide 2.6 for summary of movements in cash during FY 04 and Q1 05.
- Includes only debt amounts and excludes other significant trade creditors affected by the restructuring.
- Under the terms of the Proposed Restructuring £700m of debt will replace the historic debt of £883m, PPAs of £316m, the Eggborough related interest rate swaps, and the RBS letter of credit.
- See Slide 5.1 under Definitions.



1.5 Overview: Operating performance output / prices / costs

	Q1 05	H1 04	H2 04	FY 04
Output (TWh)				
- Nuclear	15.0	33.2	31.8	65.0
- Coal	1.4 ⁽¹⁾	2.3	5.3	7.6
	<u>16.4</u>	<u>35.5</u>	<u>37.1</u>	<u>72.6</u>
(£/MWh)				
Realised price ⁽²⁾	18.0	15.8	17.9	16.9
Total operating unit costs ⁽²⁾	19.6	16.4	16.6	16.5
Margin	<u>(1.6)</u>	<u>(0.6)</u>	<u>1.3</u>	<u>0.4</u>
Impact of adjustments on unit costs:-				
Total operating unit costs ⁽²⁾	19.6	16.4	16.6	16.5
Revised BNFL back end contracts	0.1	(0.9)	(0.7)	(0.8)
Depreciation	<u>(1.1)</u>	<u>(0.7)</u>	<u>(0.7)</u>	<u>(0.7)</u>
Adjusted operating unit cost ⁽³⁾	<u>18.6</u>	<u>14.8</u>	<u>15.2</u>	<u>15.0</u>
Adjusted margin	<u>(0.6)</u>	<u>0.9</u>	<u>2.8</u>	<u>1.9</u>

(Numbers are rounded to one decimal place)

- Adjusted cost per MWh includes Capex expensed in the P&L amounting to £0.9 / MWh for Q1 05 and £1.0/MWh for FY 04. Capex will continue to be fully expensed in the P&L until it is possible to demonstrate that it enhances the carrying value of fixed assets at that time. Based on UK GAAP, Capex as referred to above, cannot be added back to adjusted operating unit cost.

Notes:

- Output of approximately 1.7TWh was lost due to unplanned outages, lasting for fourteen days or more at Sizewell B, Torness and Heysham 2, out of a total 3.4TWh lost output during the quarter due to unplanned outages. See slide 3.1 for year-on-year quarterly output comparisons.
- See Slide 5.1 under Definitions. Total operating unit costs represent average cost for whole generation fleet including historic BNFL back end contracts, depreciation and Capex expensed of £15m in Q1 05 (£47m in H1 04 and £70m in FY 04).
- Adjusted operating unit costs include Capex expensed in the P&L of £15m in Q1 05 (£70m in FY 04). See slide 3.6 for analysis.

1.6 Overview: Board/Management Changes

- **Board Directors**

– Finance Director	Stephen Billingham	Joined 25 August 2004, appointed 16 September
– Chief Nuclear Officer	Roy Anderson	Joined 05 July 2004, appointed 16 September
– Non-Executive with Trading Experience	David Pryde	Joined 01 September 2004
– Managing Director BE Generation	David Gilchrist	Resigned 05 August 2004
– Interim Finance Director	Martin Gatto	Stepped down 16 September 2004

- **Executive Management**

– Chief Financial Officer	Martin Gatto	With effect from 16 September 2004
– Trading Director	Neil O'Hara	Joined 04 May 2004
– Group Financial Controller	Neil Johnson	Joined 05 July 2004

1.7 Overview: Recent events and outlook

- Nuclear output was down by 12% to 15TWh compared with 17TWh in the equivalent period last year which was largely due to a number of unplanned outages. Sizewell B , Torness and Heysham 2 all had unplanned outages that lasted more than 14 days in the quarter. A rotor earth fault at Sizewell B in April caused one unit to be shut down to carry out repairs and the unit did not return to service until mid June. A unit at Torness was shut down for most of May for the extension to a planned outage for boiler modifications and Heysham 2 was out of service between May and June as blocked boiler tubes were cleared.
- The Company recently announced its revised target of annual nuclear output in its statement dated 30 July 2004 to around 61.5TWh for the year FY 05 having taken account of work required to demonstrate the integrity of certain boilers at Heysham 1 and Hartlepool, which is in progress. The expected annual nuclear output for the year-ending 31 March 2005 will be given in the prospectus which is expected to be published pursuant to the Proposed Restructuring.
- Realised price was £18.0/MWh for Q1 05 which compares favourably to £16.9/MWh for the year ended 31 March 2004 (an increase of 7%), and to £15.8/MWh in the first half of the previous year. The market price for electricity is highly seasonal with lower prices and lower demand during the summer months. Our realised price for Q1 05 was marginally higher than the average price of £17.8/MWh for Summer season contracts traded in FY 04.
- As of mid September 2004 the Company had in place contracts for volume equivalent to virtually all of planned output for FY05, of which a large majority were at fixed prices. The average price for these contracts for FY 05 is £20.8/MWh. The market price for forward baseload contracts has continued to rise during the period. Annual contracts for delivery from October 2004 onwards have risen from around £23.5/MWh at the end of March 2004 to over £30/MWh by mid September 2004, an increase of some 28%.

1.7 Overview: Recent events and outlook (Cont'd)

- Total operating unit costs were £19.6/MWh for the quarter. This compared to £16.5/MWh for the year ended 31 March 2004, an increase of 19% mainly due to lower output and increases in fuel, staff and depreciation costs. Adjusted operating unit costs were £18.6/MWh⁽¹⁾ for Q1 05 and £15.0/MWh⁽¹⁾ for FY 04, after adjusting for depreciation and the revised BNFL back end contracts.
- The European Commission announced its approval of the Government's State aid application. The approval was subject to certain compensatory measures the details of which were announced by the Department of Trade and Industry on 22 September 2004.
- The Company has recently secured a three year £60m full-recourse receivables (debt purchase) facility expiring on 24 August 2007. On completion of the Proposed Restructuring the receivables facility will be guaranteed by the other principal companies within the Group (excluding Eggborough Power Limited). This is an important step as, upon HMG receiving State aid approval from the European Commission no further drawings can be made under the credit facility provided by HMG.
- On 23 September 2004 the Company announced that it had received indicative non-investment grade credit ratings from Moodys, Standard and Poors and Fitch for the £550m of New Bonds that are to be issued to certain of the Company's creditors and to the Nuclear Liabilities Fund Limited upon completion of the Proposed Restructuring pursuant to the terms that were announced on 1 October 2003.
- On 24 September 2004 the United Kingdom Office for National Statistics (ONS) announced that with effect from 9 September 2002, the Company would be classified as in the public sector. This classification was stated by the ONS to reflect the degree of control that can be exercised by the Government over the Group, first through the Government Facility and then as a result of the terms of the Proposed Restructuring.

Notes:

⁽¹⁾ Includes estimated Capex expensed of £15m in Q1 05 (£47m in H1 04 and £70m in FY 04).

1.7 Overview: Recent events and outlook (Cont'd)

- There are currently and on Admission will continue to be, certain restrictions on and factors affecting our ability to pay dividends. As a result of these restrictions and after making a prudent allowance for collateral requirements the directors consider that the earliest period for which a dividend may be declared is FY 07.
- Phase one of our Performance Improvement Programme (PIP) is now complete. This focussed on people, organisational structure, processes, organisational culture, a plant asset review and the prioritisation of remedial action to be taken.
- The implementation phase has now started with the near term focus on leadership, processes and training. The Company is committed to ensuring that the next phase of PIP implementation is progressed and that the funds set aside for improving the materiel condition of our plant are expended in a structured programme targeted at improving output and long term reliability as well as reducing our maintenance backlog. However, because of the programme's wide ranging nature, British Energy does not expect to see any benefits of the improvement in operational reliability in the short-term. The Board expects, though, that PIP, when fully implemented, should lead to improvements in nuclear output in the medium term. We expect that investment in plant projects, major repairs and strategic spares across the whole group in the year ending 31 March 2005 which includes incremental PIP of approximately £20m, will be in the range of £150m to £180m (£128m in FY 04). Based on its current expectations of future electricity prices and output the Company believes that annual investment in plant projects, major repairs and strategic spares across the whole group which includes incremental PIP annual expenditure will be in the range £220m to £255m in the two years ending 31 March 2006 and 2007.
- Our Trading Development Programme to improve and extend trading capability and asset utilisation remains on schedule.

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2.1 Financial performance: Summary of results

(£m)	Q1 05	H1 04	H2 04	FY 04
Turnover	372	677	839	1,516
UK operating (loss) / profit before exceptional items	(20)	(9)	66	57
Net exceptional operational (charges) / credits	(16)	(24)	307	283
UK operating (loss) / profit after exceptional items	(36)	(33)	373	340
Group (loss) / profit after tax and exceptional items	(115) ⁽¹⁾	(79)	313	234
UK (loss) before tax and exceptional items - continuing activities	(101)	(134)	(60)	(194)

- The Q1 05 results above include Capex expensed of £15m (£47m in H1 04 and £70m in FY 04) and exclude the incremental charges of the revised BNFL back end contracts of £1m (benefit of £31m in H1 04 and £58m in FY 04).
- All results are stated on the basis of continuing activities with the exception of the Group (loss) / profit.

Notes:

⁽¹⁾ See slide 5.2 – Simplified P&L statements.

2.2 Financial performance: EBITDA - continuing activities

(£m)	Q1 05	H1 04	H2 04	FY 04
UK operating (loss) / profit before exceptional items	(20)	(9)	66	57
Add: Depreciation	18	25	25	50
EBITDA - continuing activities	(2)	16	91	107
Add: P&L effect of revised BNFL back end contracts	(1)⁽¹⁾	31	27	58
Adjusted EBITDA - continuing activities	<u>(3)</u>	<u>47</u>	<u>118</u>	<u>165</u>
Capex expensed in the P&L	15	47	23	70

- Following the asset impairment review in 2003, Capex of £15m in Q1 05 (£47m in H1 04 and of £70m in FY 04) was expensed in the P&L. Capex in the table is shown for presentation purposes only. Capex will continue to be fully expensed in the P&L until it is possible to demonstrate that it enhances the carrying value of the fixed assets at that time. Based on UK GAAP, Capex, as referred to above, cannot be added back to EBITDA.
- Output of approximately 1.7TWh was lost due to unplanned outages lasting for fourteen days or more at Sizewell B, Torness and Heysham 2, out of a total 3.4TWh lost output during the quarter due to unplanned outages. The target nuclear output in FY 05 is around 61.5TWh.
- The depreciation charge has increased compared to the prior year due to the partial write back of £295m to fixed assets at 31 March 2004 as a result of an impairment review.

Notes:

- ⁽¹⁾ Represents incremental charges from revised BNFL back end contracts amounting to £1m in Q1 05 (benefit of £58m in FY 04) which will not be reflected in the P&L until completion of the Proposed Restructuring. Excludes impact on revalorisation.

2.3 Reconciliation of (loss) / profit with EBITDA

(£m)	Q1 05	H1 04	H2 04	FY 04
(Loss) / profit after tax and exceptional items ⁽¹⁾	(115)	(79)	313	234
Interest (incl. exceptional items)	14	22	37	59
Revalorisation (incl. exceptional items) ⁽²⁾	69	59	58	117
Tax	0	8	(10)	(2)
Depreciation	18	25	25	50
Exceptional depreciation/(impairment reversal)	3	0	(295)	(295)
EBITDA ⁽¹⁾	(11)	35	128	163
Gain on sale	(4)	0	(47)	(47)
AmerGen (loss)/profit	0	(43)	22	(21)
Net exceptional charges/(credits) (excl. depreciation and financing)	13	24	(12)	12
EBITDA - continuing activities ⁽¹⁾	(2)	16	91	107

Notes:

(1) Includes Capex expensed in the P&L of £15m for Q1 05 (£47m in H1 04 and £70m for FY 04). P&L excludes incremental charges from revised BNFL back end contracts of £1m (benefit of £31m in H1 04 and £58m in FY 04).

(2) Revalorisation is higher compared to the equivalent period in FY 04 due to higher inflation during the quarter and a charge based on a higher opening nuclear liabilities balance.

2.4 Financial performance: Operating cash flow

(£m)	Q1 05	H1 04	H2 04	FY 04
UK operating (loss) / profit before exceptional items⁽¹⁾	(20)	(9)	66	57
Depreciation	18	25	25	50
EBITDA - continuing activities⁽¹⁾	(2)	16	91	107
Nuclear liabilities non-cash	35	63	67	130
Nuclear liabilities paid	(42) ⁽²⁾	(28)	(50)	(78)
Movements in other provisions	0	(2)	(1)	(3)
Working capital	(47)	(56)	81	25
Cash exceptional items	(5)	(19)	(6)	(25)
Net cash flow from operating activities⁽³⁾	(61)	(26)	182	156

- The movement on working capital of £47m primarily comprises a decrease in creditors reflecting deferred fuel payments at 31 March 2004 of £20m, reduced quarterly trading of £61m and an increase in prepayments of £9m offset by reduced trade debtors of £40m due to the reduced levels of quarterly trading.
- Net cash flow from operating activities already includes the £25m cash flow benefit from the revised BNFL back end arrangements, as set out in slide 5.7. The analysis of the cash flow benefits for Q1 05 and the P&L savings under the revised BNFL back end contracts which are not included in the P&L for Q1 05 are set out in the table below:

£(m)	Q1 05	FY 04
Cash flow savings under revised BNFL back end arrangements:	25	179
P&L (charge)/ savings under revised BNFL back end contracts:	(1)	58

Notes:

- (1) Includes Capex expensed in the P&L of £15m in Q1 05 (£47m in H1 04 and £70m in FY04) and excludes a £1m incremental P&L charge arising from the revised BNFL back end contracts (a benefit of £31m in H1 04 and £58m in FY 04).
- (2) This includes £20m of deferred payments from FY 04.
- (3) This is stated after Capex expensed of £15m and reflects the cash flow savings under the revised BNFL back end arrangements noted above.

2.5 Financial performance: Reconciliation of operating cash flow with changes in Total Cash

(£m)	Q1 05	H1 04	H2 04	FY 04
Net cash flow from operating activities ⁽¹⁾	(61)	(26)	182	156
Net interest paid	(15)	(39)	(36)	(75)
Taxation paid	0	(15)	3	(12)
Net receipts from sale of investments	4	9	162	171
Sub-total	(72)	(71)	311	240
Drawings/(repayments) under Government Facility	0	97	(97)	0
(Decrease)/increase in Total Cash ⁽²⁾	(72)	26	214	240

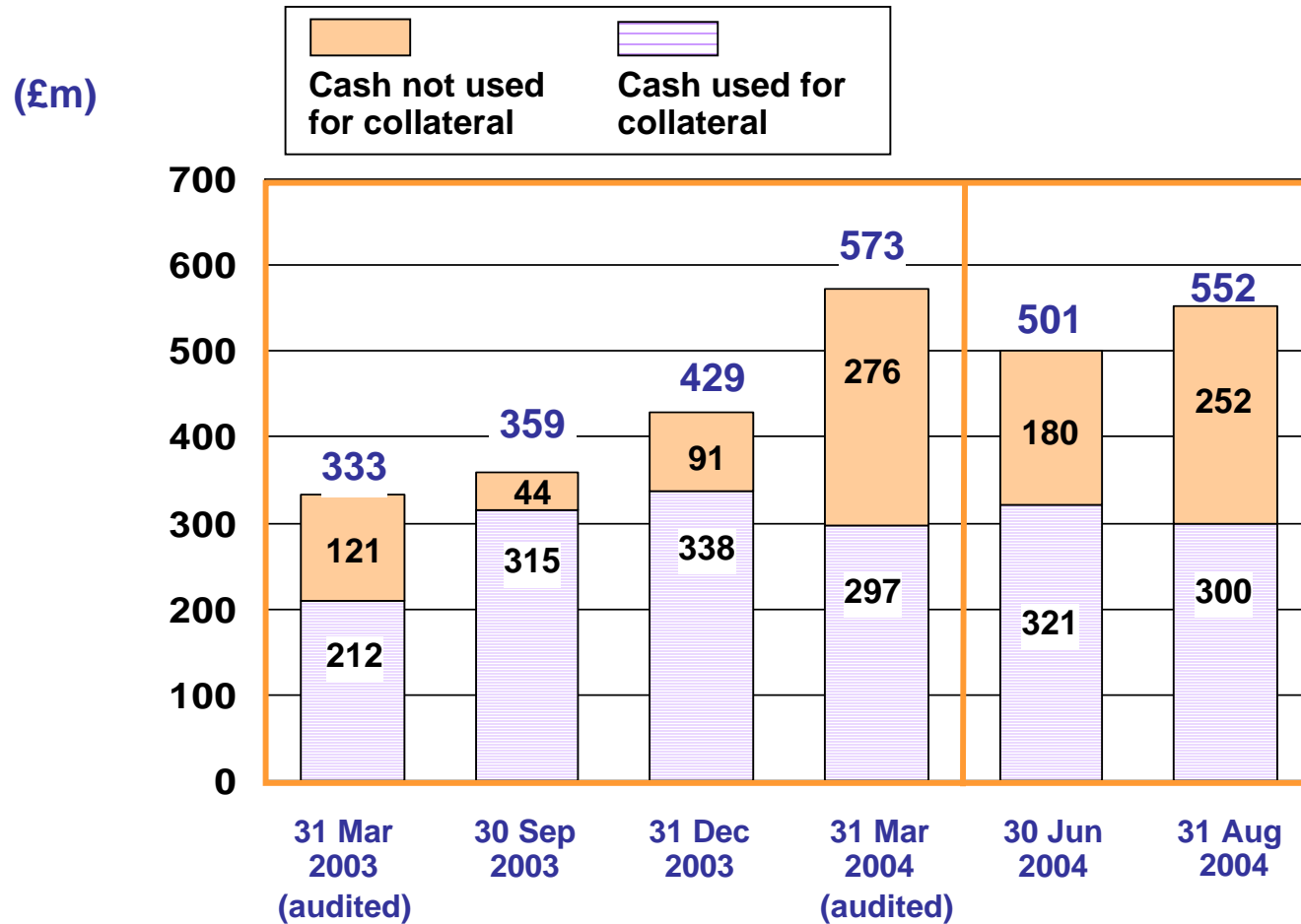
- Net cash flow from operating activities already includes the £25m cash flow benefit from the revised BNFL back end arrangements.

Notes:

⁽¹⁾ Includes Capex expensed in the P&L of £15m for Q1 05 (£47m in H1 04 and £70m in FY 05) and reflects the cash flow benefit from the revised BNFL back end arrangements noted above.

⁽²⁾ See Slide 5.1 - Definitions.

2.6 Financial performance: Movements in cash



There have been no drawings under the Government Facility from end December 2003 to date and no drawings under the Receivables Facility.

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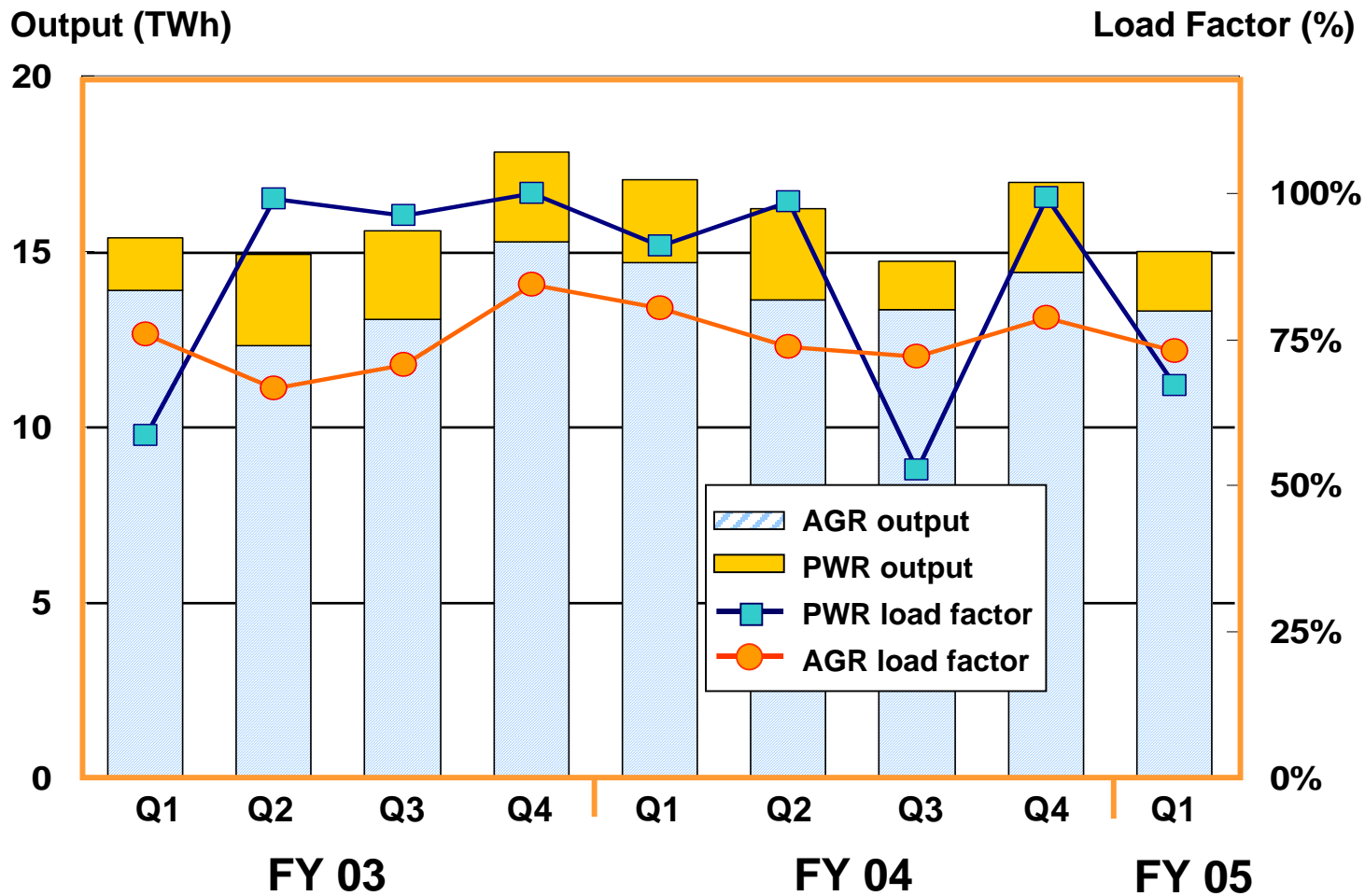
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3.1 Operating performance: Output summary

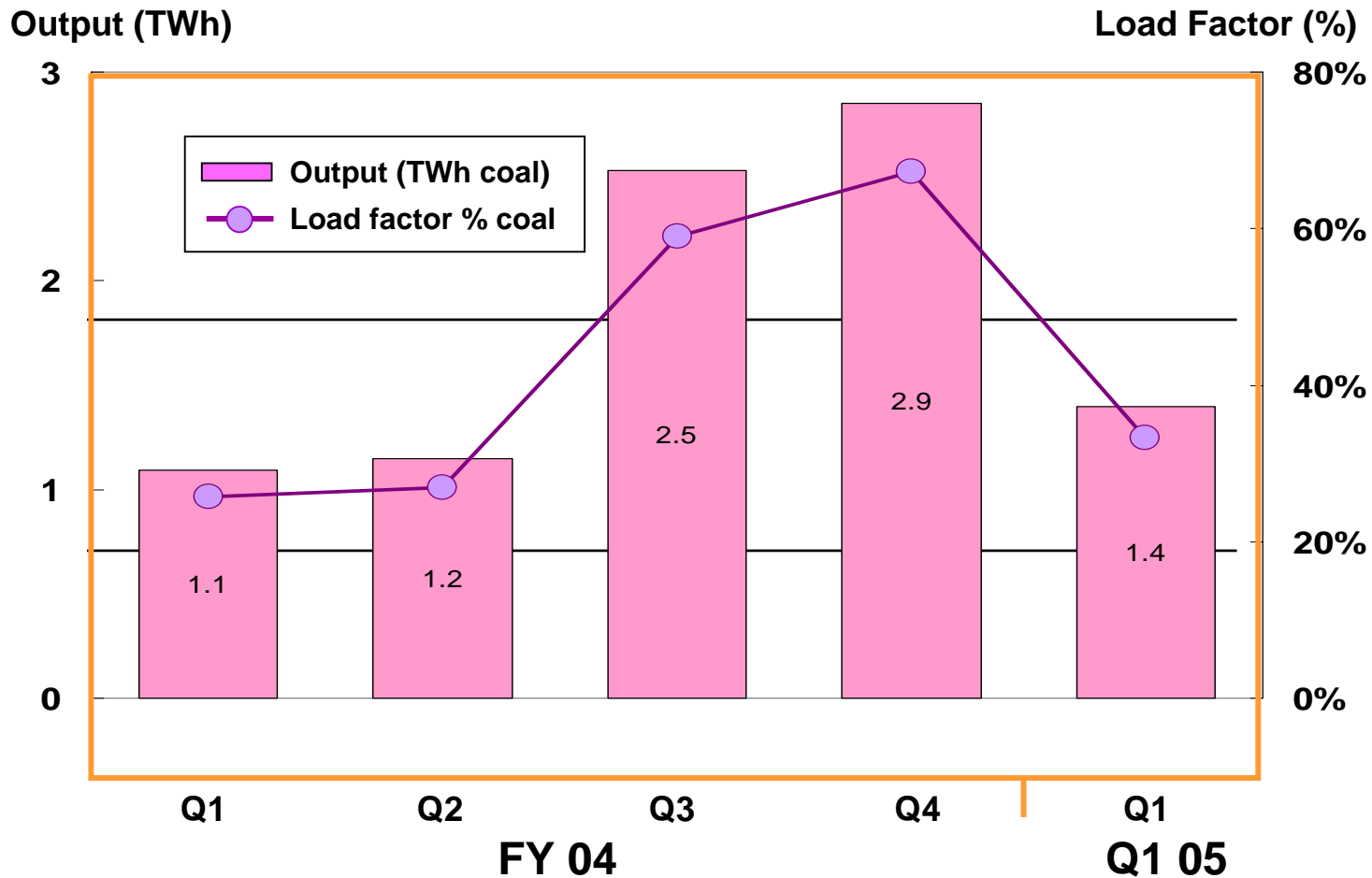
	Q1 05	Q1 04	FY 04
Output (TWh)			
Nuclear - AGRs	13.3	14.7	56.1
Nuclear - PWR	1.7	2.3	8.9
Total Nuclear	15.0	17.0	65.0
Coal	1.4	1.1	7.6
Total	16.4	18.1	72.6
Load Factors (%)			
Nuclear - AGRs	73%	80%	76%
Nuclear - PWR	67%	91%	85%
Total Nuclear	72%	82%	77%
Coal	33%	26%	45%

An increase in unplanned losses from non-routine events accounted for the majority of the variance from the current quarter to the equivalent period last year. Sizewell B, the PWR, developed a rotor earth fault resulting in a loss of output of 0.8TWh. A unit at Torness was shut down for most of May for the extension to a planned outage for boiler modifications with the overall loss of output of 0.5TWh in the quarter, and at Heysham 2 blocked boiler tubes accounted for a loss of output of 0.4TWh.

3.2 Operating performance: Nuclear output / load factors



3.3 Operating performance: Eggborough - output / load factors



- Work on the Flue Gas Desulphurisation (FGD) equipment being fitted at Eggborough continued through the period.

3.4 Operating performance: Losses from outages of nuclear plant

	Impact on Output (TWh)
• Planned losses from routine events:	
– 2 Statutory Outages:	1.4
– Refuelling:	0.9
	<u>2.2</u>
• Unplanned losses from non-routine events:	
– Sizewell B - rotor earth fault:	0.8
– Torness - boiler modifications ⁽¹⁾ :	0.5
– Heysham 2 - boiler feed restriction repair outage	0.4
– Other Outages each < 14 days:	1.7
	<u>3.4</u>

In FY 04 planned and unplanned losses had an impact on output of 7.8TWh and 10.7 TWh respectively

Notes:

⁽¹⁾ A unit at Torness was shut down for most of May for the extension to a planned non-routine outage for boiler modifications with the overall loss of output of 0.5TWh. The planned non-routine work accounted for a loss of 0.3TWh of output and unplanned losses accounted for a further 0.2TWh.

3.5 Operating performance: Turnover analysis

(£m)	Q1 05	H1 04	H2 04	FY 04
Wholesale generation	153	323	380	703
Direct supply incl. energy supply costs	213	340	442	782
Less: energy supply costs ⁽¹⁾	(70)	(103)	(157)	(260)
Turnover excl. energy supply costs	<u>296</u>	<u>560</u>	<u>665</u>	<u>1,225</u>
% split - excl. energy supply costs				
Wholesale generation	52%	58%	57%	57%
Direct supply	48%	42%	43%	43%
Output (TWh)	16.4	35.5	37.1	72.6
Realised price (£/MWh)	18.0	15.8	17.9	16.9

Notes:

⁽¹⁾ Energy supply costs mainly comprise the costs incurred for the use of the distribution and transmission systems and include the cost of compliance with Renewables Obligation, recovered through turnover.

3.6 Operating performance: Operating costs

(£m)	Q1 05	H1 04	H2 04	FY 04
Fuel costs				
Nuclear (historic BNFL contracts)	81	155	163	318
Coal ⁽¹⁾	23	29	66	95
Total fuel costs	104	184	229	413
Materials and services	127	262	250	512
Depreciation	18	25	25	50
Staff costs	73	112	112	224
Total operating costs - excluding energy supply costs and exceptionals	322	583	616	1,199
£/MWh				
Total operating unit costs ⁽²⁾⁽³⁾	19.6 ⁽¹⁾	16.4	16.6	16.5
Less:				
BNFL revised back end contract costs / (savings)	0.1	(0.9)	(0.7)	(0.8)
Depreciation	(1.1)	(0.7)	(0.7)	(0.7)
Adjusted operating unit costs ⁽³⁾	18.6	14.8	15.2	15.0

- Adjusted operating unit costs per MWh includes Capex expensed in the P&L amounting to £0.9/MWh in Q1 05 and £1.0/MWh in FY 04. Capex will continue to be fully expensed in the P&L until it is possible to demonstrate that it enhances the value of the Company after taking account of the impairment review. Based on UK GAAP, Capex, as referred to above, cannot be added back to EBITDA.

Notes:

- Coal purchase prices have increased by approximately 27% between Q1 05 and H1 04.
- Total operating unit cost represents the average cost of generation of BE's entire output (both coal and nuclear), includes depreciation, and Capex expensed to P&L of £15m (£47m in H1 04 and £70m in FY 04) but does not include the incremental charges of the revised BNFL back end contracts of £1m (benefit of £31m in H1 04 and £58m in FY 04).
- Total operating unit costs and adjusted operating unit costs include Capex expensed in the P&L of £15m in Q1 05 (£47m in H1 04 and £70m in FY04).

3.6 Operating performance: Operating costs (Cont'd)

- There has been a significant increase in nuclear costs year on year which is largely due to an increase in market base load electricity prices upon which front end payments made to BNFL are calculated ⁽¹⁾.
 - Coal costs have significantly increased when compared on a pro rata basis with H1 04 reflecting both higher coal prices (approximately 27% higher year on year) and higher output.
 - Depreciation has increased compared to the prior year due to the partial write back of £295m to fixed assets at 31 March 2004 as a result of an impairment review.
 - The elimination of BNFL savings is due to the increase in power prices and the consequential upward adjustment of fuel processing costs in accordance with the terms of the revised BNFL backend contracts.
-

- The increase in total operating unit costs of £3.2/MWh from £16.4/MWh in H1 04 to £19.6/MWh in Q1 05 is represented by a £1.4/MWh increase due to lower output; a £0.73/MWh increase due to higher fuel costs; a £0.24/MWh decrease due to lower materials and services costs; a £1.04/MWh increase due to staff costs and a £0.34/MWh increase due to higher depreciation.⁽²⁾

Notes:

⁽¹⁾ See slide 5.7 BNFL Arrangements.

⁽²⁾ The variance has been calculated on the basis of 50% of H1 04 output and costs adjusted for the variance in output between Q1 05 and 50% of the output in H1 04, and therefore the variances are for illustrative purposes only.

3.7 Operating performance: Comparison of average realised price in Q1 05 vs forward price curve traded in 2003/4



- The average realised price of £18.0/MWh during Q1 05 is marginally higher than the average price of the FY05 contract traded during 2003/4.
- The realised price benefited to some extent from recent rises in market prices.

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4.1 Restructuring: Background

- Proposed Restructuring based on heads of terms agreed in February 2003.
- 1 October 2003 – Principal terms of the Proposed Restructuring contractually agreed by BE with Secretary of State for Trade and Industry (SoS), BNFL and certain creditors. ⁽¹⁾
- 31 October 2003 – All Eggborough banks/swap providers and holders of over three quarters of each series of bonds signed up to terms of Proposed Restructuring.
- 22 September 2004 - State aid to British Energy was approved by the European Commission.

Notes:

⁽¹⁾ Includes RBS, members of the Ad Hoc Committee of Bondholders and significant creditors being: TPL, Enron and Total. TPL, Enron and Total have since transferred their positions to Deutsche Bank.

4.2 Restructuring: Key elements

- Nuclear Liabilities Fund Limited (NLF) (underwritten by HMG) assumes financial responsibility for certain uncontracted nuclear liabilities and costs of decommissioning in exchange for annual payments of c£20m, £275m of new BE bonds, PWR fuel payment, and an annual payment not to exceed 65% of BE's adjusted consolidated cash flow ('NLF cash sweep payment').
- NLF cash sweep payment only applies if BE's total cash exceeds the Target Cash Reserve initially set at £490m plus the amount by which cash employed as collateral exceeds £200m. The NLF cash sweep payment is subject to adjustment but capped at 65% and NLF can convert its entitlement into an equivalent percentage of BE's new shares. As an example if the Proposed Restructuring had been implemented in full as at 31 March 2004, no cash sweep payment would have arisen because the Target Cash Reserve would not have been reached.
- HMG assumes financial responsibility for certain liabilities under the historic spent fuel contracts with BNFL.
- Bondholders to get 51%⁽¹⁾ of new BE shares and £154.1m of new BE bonds.
- RBS to get 4.6% of new BE shares and £14.2m of new BE bonds.
- Eggborough Power Limited lenders to get 13.7%⁽¹⁾ of new BE shares, £150m of CTA bonds and £20m of new BE bonds.
- Significant creditors⁽²⁾ to get 28.2%⁽¹⁾ of new BE shares and £87m of new bonds.
- Current shareholders to get 2.5%⁽¹⁾ of new BE shares and warrants⁽³⁾ up to a maximum of 5% of new BE shares if the members scheme is implemented. If the members scheme is not implemented but shareholders approve the disposal of BE's business they will only receive the warrants. If the members scheme is not implemented and the disposal is not approved, the shareholders will not receive any shares or warrants and the company will be delisted, if not already delisted⁽⁴⁾

Notes:

(1) Stated before conversion of the NLF's cash sweep payment into 65% of BE shares and assumes 2.5% allocation for current shareholders dependent on implementation of Members' Scheme. For these reasons, the figures are different to 1 October 2003 announcement.

(2) Significant creditors did include TPL, Enron and Total. All have now transferred their positions to Deutsche bank.

(3) Warrants have a strike price of £550m (in reference to BE's post-restructuring equity market capitalisation pre HMG conversion) and an aggregate subscription price of £28.95m.

(4) The Company issued a circular on 23 September 2004 giving notice of the delisting of its shares.

4.3(a) Restructuring: Remaining steps

- In October 2003, BE reached contractual agreements with HMG, BNFL and certain creditors regarding the terms of the Proposed Restructuring.
- BE is continuing to work with its advisers to achieve the Proposed Restructuring. This requires, amongst others:
 - preparation and publication of scheme documentation and a prospectus in relation to the new shares, new bonds and warrants to be issued under the Proposed Restructuring
 - settling certain documents with creditors
 - the holding of creditors' and members' meetings
 - implementation and London listing of the new shares and bonds
- BE has agreed to make efforts to obtain a listing of the restructured Group's ordinary shares in the form of ADRs on the New York Stock Exchange.
- BE has also agreed to report its quarterly and annual financial results in compliance with US generally accepted accounting principles (US GAAP), generally to comply with the requirements of the Sarbanes-Oxley Act, and to file reports containing information required by Forms 10K and 10Q, as if it were a US domestic reporting company. (See slides 5.3, 5.5 and 5.6).

4.3(b) Restructuring: Remaining steps (Cont'd)

- There are a large number of important conditions that need to be satisfied, including:
 - no material adverse change ⁽¹⁾
 - continuation of the standstill arrangements
 - agreement of presently unsettled documents with creditors
 - the approval of the Court of Session, Scotland; and
 - listing of the new shares and new bonds referred to above
- There are also a large number of significant uncertainties which may affect the Group's cash flow position, performance or outlook.
- If for any reason BE ⁽²⁾ is unable to implement the Proposed Restructuring it may be unable to meet its financial obligations as they fall due, in which case it may have to take appropriate insolvency proceedings. If BE were to commence insolvency proceedings, distributions, if any, to unsecured creditors may represent only a small fraction of their unsecured liabilities and it is highly unlikely that there would be any return to shareholders. Even if the Proposed Restructuring is completed, the return, if any, for shareholders will represent a very significant dilution of their existing interests.

Notes:

(1) See Slide 5.1 definition.

(2) See slide 4.4.

4.4 Polygon and Brandes: Requisitioned EGM

- On 3 September 2004 British Energy received a formal request from two shareholders holding together in excess of 10% of the issued share capital, Polygon Investment Partners and Brandes Investment Partners, to convene an extraordinary general meeting of British Energy (EGM) to consider three special resolutions and two ordinary resolutions which if approved, could prevent the Proposed Restructuring being implemented.
- The Company announced on 23 September 2004 that the requisitioned EGM will be held on 22 October 2004 and that as a result of this attempt to frustrate the Proposed Restructuring we would be applying to the UKLA to cancel the listings of our Ordinary and A Shares. As a consequence, the NYSE suspended trading in our ADRs prior to the opening of trading on 28 September 2004. The NYSE has advised us that it intends to institute delisting proceedings.
- Furthermore in a circular to shareholders dated 24 September 2004, the Company stated that it intended to take steps to extend the long-stop date in the Creditor Restructuring Agreement and execute a business transfer agreement.
- These steps are intended to mitigate the damage that might be caused if the resolutions are passed.
- On 30 September 2004 Polygon announced that it would withdraw its support for the EGM and consequently has confirmed that it will vote against the resolutions and not further oppose the Proposed Restructuring.

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5.1 Definitions

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

BEPET - British Energy Power & Energy Trading Limited

Base load 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

BNFL - British Nuclear Fuels plc

DSB - Direct Supply Business

EBITDA - Earnings before interest, taxes, depreciation, amortisation and related exceptional items. EBITDA does not include the incremental adjustments resulting from the revised BNFL back end contracts of £1m and is after Capex expensed. 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 United Kingdom generally accepted accounting principles 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 United Kingdom generally accepted accounting principles) as a measure of liquidity.

Energy Supply Costs - 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.

5.1 Definitions (Cont'd)

EPL - Eggborough Power Limited

Government Facility - revolving credit facility made available by HMG to BE in September 2002 which, following receipt of State Aid approval from the European Commission can no longer be drawn upon.

HMG - Her Majesty's Government

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

Market Price - Represents the price for annual forward baseload contracts

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

Material Adverse Change - A clause often included in bond documentation - "there being no material adverse change in the current or future business or operations, the financial or trading position, profits or prospects of the group as a whole or of EPL or which is likely to have a material adverse effect on the value of the new bonds, the new ordinary shares, the CTA bonds or the new Eggborough arrangements."

Material 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)

5.1 Definitions (Cont'd)

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

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

Realised Price - Previously described as 'achieved price'. This is the average price of electricity sold during the relevant period. It is calculated by dividing UK turnover, net of energy supply costs and miscellaneous income, by total output during the period

Receivables Facility - On 25 August 2004 British Energy Generation Limited (BEG) entered into a three year £60m trade receivables financing facility under which, on utilisation, BEG will sell to the financial institution on a full recourse basis receivables arising from its direct supply business. On completion of the Proposed Restructuring the Receivables Facility will be guaranteed by the other principal companies within the Group (excluding EPL).

5.1 Definitions (Cont'd)

Revalorisation - Revalorisation arises because nuclear liabilities are stated in the balance sheet at current price levels, discounted at 3% per year 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. A similar revalorisation credit arises from restatement of the decommissioning fund assets

RPI - Retail Price Index

Target Cash Reserve - Under the terms of the Proposed Restructuring, the Company is required to establish and maintain a cash reserve to provide collateral for trading and operations, cover lost revenue and costs resulting from plant outages and to meet working capital requirements. The initial target amount for the cash reserve is £490m plus the amount by which cash employed as collateral exceeds £200m

Total Cash - This is the sum of cash at bank and term deposits / bank balances

Total Operating Unit Cost - This is calculated by dividing the total UK operating costs, net of exceptional items and energy supply costs, by total output. In the period, this excludes incremental charges from revised BNFL back end contracts of £1m and revalorisation charges, but includes depreciation of £18m and Capex expensed in P&L of £15m

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

5.2(a) Simplified P&L statements

(£m)	Q1 05	H1 04	H2 04	FY 04
Operating (loss) / profit (before exceptionals) ⁽¹⁾	<u>(20)</u>	<u>(9)</u>	<u>66</u>	<u>57</u>
Group:				
(Loss) / profit before financing charges and exceptionals⁽¹⁾	(20)	34	44	78
Financing charges - Interest	(14)	(25)	(39)	(64)
- Revalorisation	(67)	(99)	(86)	(185)
(Loss) before exceptionals and tax ⁽¹⁾	(101)	(90)	(81)	(171)
Net exceptional (charges) / credits	(14)	19	384	403
(Loss) / profit before tax ⁽¹⁾	(115)	(71)	303	232
Tax	0	(8)	10	2
(Loss) / profit after tax and exceptional items ⁽¹⁾	<u>(115)</u>	<u>(79)</u>	<u>313</u>	<u>234</u>

Notes:

⁽¹⁾ Does not include the incremental charges from the revised BNFL back end contracts of £1m (benefit of £31m in H1 04 and £58m in FY 04), and is after Capex expensed of £15m (£47m in H1 04 and £70m in FY 04).

5.2(b) Simplified P&L statements

(£m)	Group		Continuing Ordinary Activities	
	Q1 05	FY 04	Q1 05	FY 04
Operating (loss)/ profit (before exceptionals) ⁽¹⁾	<u>(20)</u>	<u>78</u>	<u>(20)</u>	<u>57</u>
(Loss) / profit before financing charges ⁽¹⁾	<u>(20)</u>	<u>78</u>	<u>(20)</u>	<u>57</u>
Financing charges - Interest	(14)	(64)	(14)	(64)
- Revalorisation	(67)	(185)	(67)	(187)
(Loss) before exceptionals and tax ⁽¹⁾	<u>(101)</u>	<u>(171)</u>	<u>(101)</u>	<u>(194)</u>
Net exceptional (charges) / credits	(14)	403		
(Loss) / profit before tax ⁽¹⁾	<u>(115)</u>	<u>232</u>		
Tax	<u>0</u>	<u>2</u>		
(Loss) / profit after tax and exceptional items ⁽¹⁾	<u>(115)</u>	<u>234</u>		

Notes:

⁽¹⁾ Does not include the incremental charges from the revised BNFL back end contracts of £1m (a benefit of £31m in H1 04 and £58m in FY 04), and is after Capex expensed of £15m (£47m in H1 04 and £70m in FY 04).

5.3 Reconciliation of profit / (loss) to EBITDA

Q1 05 (£m)

UK GAAP US GAAP

(Loss) / profit after tax and exceptional items

(115)⁽¹⁾

(159)

Interest (incl. exceptional items)

14

15

Revalorisation (incl. exceptional items)

69

0

Tax

0

(18)

Depreciation and amortisation (incl. exceptional items)

21

29

EBITDA

(11)⁽²⁾

(133)

Difference

(122)

FAS 133 (mark to market of certain trading contracts)

(91)

Capitalisation of fixed asset expenditure under US GAAP

15

Pension costs

4

Impact of nuclear liabilities (restated for US GAAP) classified as operating cost

(50)

(122)

Notes:

(1) Includes Capex expensed in the P&L of £15m (£47m in H1 04 and £70m in FY 04). P&L excludes incremental charges of revised BNFL back end contracts of £1m (benefit of £31m in H1 04 and £58m in FY 04).

(2) EBITDA - continuing activities was negative £2m (see slide 2.3)

5.4 Exceptional items

(£m)	Q1 05	FY 04
(Depreciation)/Impairment reversal	(3)	295
Restructuring costs	(5)	(43)
Severance costs	(8)	0
Siemens settlement	0	18
UK decommissioning fund credits	0	13
Net operating exceptional (debits)/credits	(16)	283
UK decommissioning fund (debits)/credits	(2)	46
US decommissioning fund credits	0	22
Interest rate swap provisions credits	0	5
Net operating/financing exceptional (debits)/credits	(18)	356
Exceptional gain on disposal	4	47
Total net exceptional (debits)/credits	(14)	403

5.5 Reconciliation of UK to US GAAP income statement

Q1 05 (£m)

(Loss) under UK GAAP	(115)
Adjustments:	
FAS 133 (mark to market of certain trading contracts)	(91)
Deferred tax credit recognised under US GAAP	18
Capitalisation of fixed asset expenditure under US GAAP	15
Revalorisation and amortisation of back end fuel liability	10
Pension costs	4
Decommissioning fund revalorisation through OCI for US GAAP	(8)
Decommissioning liability	5
Lower depreciation under US GAAP	4
Bonds renegotiation in 1999 not recognised for US GAAP	(1)
(Loss) under US GAAP	<u>(159)</u>

5.6 Reconciliation of UK to US GAAP Equity

Q1 05 (£m)

Equity shareholders' deficit under UK GAAP	<u>(3,374)</u>
Adjustments:	
FAS 133 (mark to market of certain trading contracts)	(170)
Deferred tax liability recognised under US GAAP	(161)
Fixed asset impairment adjustments	(205)
Back end fuel liability	1,634
Decommissioning liability	752
Pension costs	(212)
Bonds renegotiation in 1999 not recognised for US GAAP	23
	1,661
Non equity shareholders' funds	93
Total shareholders' deficit under US GAAP	<u>(1,620)</u>

5.7 BNFL arrangements

On 16 May 2003, the Company announced that amendments to the existing contracts and the revised contracts had been agreed consistent with the terms announced on 28 November 2002 between British Energy and BNFL for front-end (relating to the supply of advanced gas-cooled reactor ('AGR') fuel) and back end (relating to the disposal of spent AGR fuel) fuel services.

The amendments to the existing front-end contracts became effective on 1 April 2003, although the amendments will automatically terminate (except in relation to the uranium supply arrangements with British Energy Generation) if, inter alia, the Proposed Restructuring is not completed. The new front-end contracts will also terminate in those circumstances.

The back end contracts are conditional on, inter alia, completion of the Proposed Restructuring but, under the terms of the standstill agreement, payments to BNFL are being made as if the revised back end contracts had become effective on 1 April 2003.

The principal payment terms of the new front-end and back end fuel services contracts with BNFL are as follows:

With respect to the front-end AGR fuel fabrication services:

- a fixed payment of £28.5 million per annum until 2006 which falls to £25.5 million thereafter. These payments are subject to discount between wholesale baseload electricity prices of £18.00/MWh and £15.00/MWh on a variable basis. The minimum payment is £13.5 million per annum at a market price of £15.00/ MWh.

- a payment of £191,000 per tonne of AGR fuel delivered

With respect to the back end fuel services (for fuel loaded into British Energy's AGR reactors on or after the date on which the restructuring has become effective - i.e. new spent fuel): and

5.7 BNFL arrangements (Cont'd)

- a payment of £150,000 per tonne of AGR fuel, payable on loading of such new spent fuel into one of British Energy's AGR reactors;
- a rebate or surcharge against the payment equivalent to 50 per cent. of the difference between the market baseload price in a year and £16.00 per MWh multiplied by the MWh produced by the AGR fleet in that year. The market baseload price used in the calculation will not be less than £14.80 and not more than £19.00 per MWh; and
- if the market baseload price exceeds £19.00 per MWh, a surcharge against that payment equivalent to 25 per cent. of the difference between the market baseload price in a year and £19.00 per MWh multiplied by the MWh produced in the AGR fleet in that year. The market baseload price used in that calculation will not be less than £19.00 and not more than £21.00 per MWh.

All of the above monetary amounts are indexed to RPI.

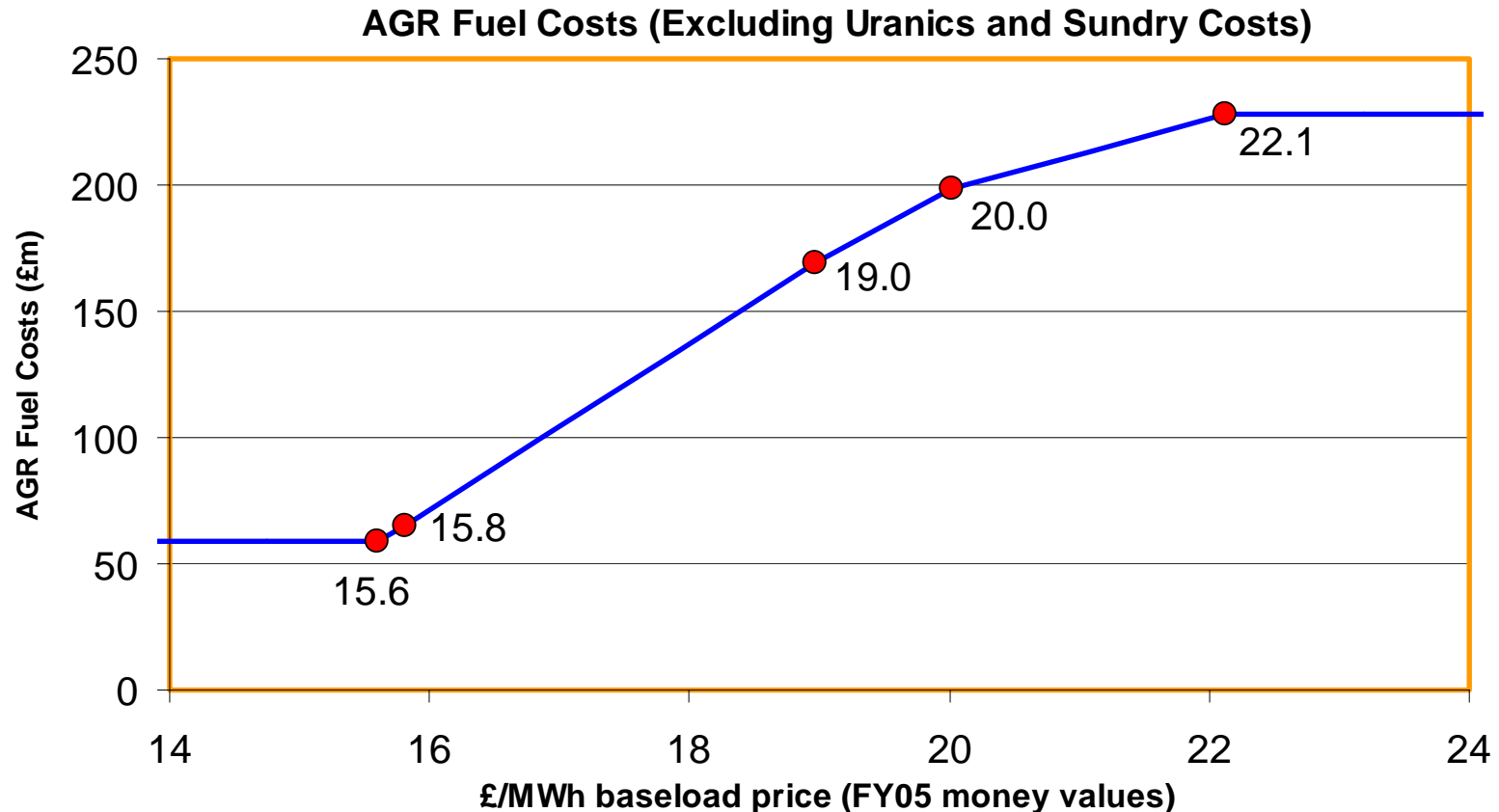
The market reference price as noted above is an out turn electricity price and is calculated by reference to a range of publicly quoted market indices on a monthly basis.

Under the new back end fuel services agreements BNFL takes title to and hence assumes responsibility for the ultimate disposal of new spent fuel.

On 16 May 2003, British Energy also announced that it had sold the majority of its uranium stocks on 31 March 2003 for approximately £50 million to BNFL, which has contracted to provide British Energy with a full uranium supply service in the future. The cost of any uranium supplied to British Energy is based on the cost incurred by BNFL. British Energy also pays a fee for additional services provided by BNFL in respect of the uranium contained in the fuel supplied. On 9 July 2003, British Energy announced the sale of most of its remaining uranium stocks to BNFL for a cash consideration of £7.8 million.

In addition, British Energy has contracted to provide computer implementation support services to BNFL for a fee of £10 million per annum plus certain incremental costs. The contract terminates on 31 March 2005.

5.8 BNFL AGR fuel arrangements



The BNFL deal

- The deal comprises front-end (fuel delivery and assembly) and back-end (spent fuel removal and processing).
- If market prices fall below £15.6 MWh or rise above £22.1 MWh the amount paid to BNFL is fixed - but at different levels. However if market prices fall within this range the amount we pay BNFL will vary.
- This effectively provides a hedge in profitability as an increase/decrease in our fuel costs will be offset by an equivalent increase/decrease in revenue from sales made over the same period.
- The size of the hedge varies but is largest between £15.8 MWh and 19.0 MWh where covers an equivalent to just over 50% of the output from our AGR stations or ~34TWh of sales.
- Numbers are based on FY05 market values and assumes inflation of 2.5%.

5.9 BNFL back end contracts

(£m)	Q1 05	FY 04
Cash costs		
Nuclear fuel under historic contracts	109	431
(Savings) / costs under revised back end arrangements	(25)	(179)
	<u>84</u>	<u>252</u>
Nuclear fuel under revised contracts		
P&L effect		
Nuclear fuel under historic contracts	81	318
(Savings) / costs under revised back end contracts ⁽¹⁾	1	(58)
Nuclear fuel under revised contracts	<u>82</u>	<u>260</u>

- The savings / costs to the Group of the revised BNFL back end contracts in any period will depend, in part, on the prevailing electricity price during that period.
- The incremental charges under the revised BNFL back end contracts of £1m will not be recognised until the restructuring is completed.
- The cash savings above arise under the standstill arrangements agreed with BNFL as part of the restructuring.

Notes:

⁽¹⁾ Excludes impact on revalorisation