

BRITISH ENERGY plc

INTERIM RESULTS

(1 April - 30 September 2002)

RESTRUCTURING CONTEXT

Having reviewed the longer term prospects for the business, the Board announced on 5th September 2002 that the Company had initiated discussions with the UK Government with a view to seeking immediate financial support and to enable a longer term restructuring to take place.

On 9th September 2002, the Government granted the Company a credit facility of up to £410m to provide working capital and trading collateral for the Company's immediate requirements and to stabilise its trading position in the UK and North America. On 26th September 2002, the Government agreed to a revised facility for an amount up to £650m. Since that time, the Board has been working closely with its advisors to try to secure a solvent restructuring of the Company.

On 28th November 2002, the Government confirmed its intention subject to certain terms and conditions to support the Company's proposals for restructuring intended to achieve the long term financial viability of the British Energy Group. However, given the magnitude of the financial problems facing the Company, the proposed restructuring will require certain significant creditors to compromise their claims and is expected to lead to a very significant dilution of the interests of existing shareholders. The Government also agreed, again subject to certain terms and conditions, to extend the credit facility until 9th March 2003 in order to provide financial stability and security whilst British Energy seeks the support of these significant creditors.

The Board believes that the proposed restructuring offers the best available opportunity to achieve the long term financial viability of the British Energy Group. However, the proposed restructuring requires the Company to reach, prior to 14th February 2003, formal standstill agreement with a large number of creditors with respect to diverse financial interests, as well as a successful disposal of British Energy's interests in Bruce Power (completion to take place by 14th February 2003) and AmerGen (sale to be agreed by 30th June 2003) and approvals from numerous bodies including the European Commission.

If such agreements cannot be reached, the required approvals are not forthcoming within the timescales envisaged, the assumptions underlying the restructuring proposal are not fulfilled or the conditions to the restructuring are not satisfied or waived, the Company may be unable to meet its financial obligations as they fall due. Therefore the Company may have to take appropriate insolvency proceedings, in which case the distributions, if any, to unsecured creditors may represent only a small fraction of their unsecured liabilities and there is unlikely to be any return to shareholders.

Set against this background, British Energy has a common interest with the Government in maintaining safety and security of electricity supply.

Note that the results that follow should be read in the context of the Company's announcement of 28th November 2002, a copy of which is attached herewith.

KEY POINTS FOR 6 MONTHS TO 30th SEPTEMBER 2002

- Loss before tax of £337m (£124m pre exceptional items) primarily due to exceptional items, lower output (principally in the UK) and lower UK electricity prices.
- Exceptional items totalling £213m (net) relating to the write down of the decommissioning fund and shares held in employee trusts, provision for onerous electricity contracts and restructuring costs off-set by a credit in respect of cash amounts previously received under the Nuclear Energy Agreement (NEA).
- UK nuclear output down to 30.33 TWh following unplanned outages at Torness and Dungeness B. As a result, the UK nuclear output target for 2002/03 was reduced from 67 TWh to 63 ± 1TWh.
- UK nuclear unit operating costs of 1.85 p/kWh compared with 1.74p/kWh last year due to lower output more than off-setting lower costs.
- UK achieved price of 2.02p/kWh compared to 2.08p/kWh last year primarily due to the increase in volume of Direct Sales largely off-setting the 8% fall in station gate prices to 1.73p/kWh.
- The revised NEA negotiated with Scottish Power and Scottish and Southern Energy has received regulatory approval.
- Operating contribution from AmerGen and Bruce of £81m (post minorities).
- Discussions progressing regarding sales of AmerGen and Bruce
- No interim dividend.

OVERVIEW

Key financials, including exceptional items, are shown below:

	6 months ended 30 Sep 2002 £m	6 months ended 30 Sep 2001 £m	Year ended 31 Mar 2002 £m
Turnover	909	929	2,049
Operating (loss)/ profit	(38)	70	(281)
Loss before tax	(337)	(15)	(493)

"Business performance" figures excluding exceptional items are shown below:

	6 months ended 30 Sep 2002 £m	6 months ended 30 Sep 2001 £m	Year ended 31 Mar 2002 £m
Turnover	868	929	2,049
Operating (loss)/profit	(26)	72	231
(Loss)/profit before tax	(124)	(17)	42
Net operating cashflow	(71)	63	155
Net debt	(966)	(880)	(859)
UK nuclear unit cost (p/kWh)	1.85	1.74	1.67

STATEMENT BY ADRIAN MONTAGUE, CHAIRMAN

I take up the position of Chairman at a bleak point in our Company's fortunes.

The combination of high fixed costs for our nuclear stations and low power prices, coupled with our lack of tied retail outlets and a high level of unscheduled outages, has inflicted terrible damage on our Company. These factors lay behind the Board's decision to seek Government assistance on 5th September, and the discussions with Government since then which culminated in the restructuring proposals announced on 28th November, the date on which I replaced Robin Jeffrey as your Chairman. I would like to thank him for his commitment and contribution to the Company over the recent years.

The restructuring proposals agreed with the Government offer our Company the opportunity to start on the long path to recovery. It will involve considerable sacrifice on the part of the Company's major creditors and shareholders. However these creditors have yet to agree to participate in the restructuring scheme and - if they do not, or if the restructuring cannot proceed for some other reason - the Company is likely to have to seek the protection of administration. The next few months will be decisive.

If the restructuring proceeds, it will involve a long period of retrenchment. Our future efforts are likely to be focused on the UK business while we look to dispose of our successful investments in North America. Negotiations are already underway to achieve this. The value of our domestic generating plant will have to be reviewed, almost certainly downwards. Continued efforts will be required to sustain and enhance nuclear safety performance while at the same time achieving operating efficiencies. We will also look to achieve savings reflecting the refocusing of the business on UK operations. Much of the upside in recovery will go to build up funds to meet nuclear liabilities. However, as a result of the Government's agreement to underwrite these liabilities, the Company's exposure to these costs will be limited to a more manageable level.

Nonetheless, your Board hopes, in time, that the Company will re-emerge as the UK's least cost major generator, able to compete effectively with vertically integrated producers and offering the greenhouse gas-free energy that society is coming to value increasingly.

The immediate future is uncertain, but there is no diminution in the dedication, enthusiasm and capability of British Energy's staff, whose commitment to the Company and to the case for nuclear energy has never wavered. During these troubling times they are to be commended for continuing to ensure that our plants operate with safety as our number one priority, as well as helping to maintain security of supply.

In the current circumstances, the Board has decided that no dividend will be payable for the period.

STATEMENT BY KEITH LOUGH, FINANCE DIRECTOR

Background

British Energy had for some while been seeking to renegotiate its fuel contracts with BNFL to try and significantly reduce its fixed cost base. BNFL delivered, on 3rd September 2002, its final proposal to British Energy, but the terms that they offered fell short of those which British Energy required. Having reviewed the longer-term prospects of the group, the Board concluded that it should not drawdown on existing undrawn loan facilities and decided that there was no alternative but to seek Government support. On 5th September 2002, British Energy announced that it had initiated discussions with Government with a view to seeking immediate financial support and to enable a longer term restructuring to take place.

On 9th September the Government announced that it would grant the Company a facility of up to £410m to provide working capital and to allow the Company to stabilise its trading position in the UK and North America. The original maturity date of 27th September for the facility was subsequently extended to 29th November and increased to an amount up to £650m.

The Government notified its initial financial support and its extension of the facility to the European Commission on 9th and 27th September. On 27th November, the European Commission granted approval of this aid.

An Extraordinary General Meeting was held on 4th November 2002 at which shareholders approved an ordinary resolution of the Company to increase the group's borrowing limit, as set out in the Company's Articles of Association, to £1.6 billion.

On 22nd November, Greenpeace were granted leave to commence proceedings for a judicial review of the rescue aid inherent in the facility.

On 28th November, the Government announced that it would support the restructuring proposed by the Company subject to various approvals and conditions and that it would extend the credit facility until 9th March 2003. If the necessary agreements cannot be reached, the required approvals are not forthcoming within the timescales envisaged, the assumptions underlying the restructuring proposal are not fulfilled or the conditions to the restructuring are not satisfied or waived, the Company may be unable to meet its financial obligations as they fall due. Therefore the Company may have to take appropriate insolvency proceedings, in which case the distributions, if any, to unsecured creditors may represent only a small fraction of their unsecured liabilities and there is unlikely to be any return to shareholders. The results that follow therefore need to be viewed against this background.

First Half Performance

Output was lower than expected due to unplanned outages at Torness and Dungeness B. This led to a revision in the UK nuclear output target to 63 ± 1 TWh as announced in August and increased cost per unit for the period of 1.85p/kWh.

Our North American plants have performed well with both Bruce Power and AmerGen (our joint venture with Exelon) providing positive contributions but Bruce Power's performance was affected by planned outages during the period.

There were a number of pre-tax exceptional items in this period:

- 1) write down of £103m of the decommissioning fund as a result of general equity market conditions
- 2) write down of £98m of British Energy shares held in employee trusts reflecting deterioration of the long term prospects of the Company and subsequent fall in the share price
- 3) provision of £46m for onerous long term electricity contracts reflecting continued low market prices
- 4) provision of £7m for restructuring costs and
- 5) credit of £41m in respect of cash amounts previously received under the NEA.

Outlook

In line with the Company's statement of 28th November, during the period to 9th March 2003 the Board will be working closely in conjunction with its advisors to implement a successful restructuring of the Company within the principles accepted by the Government.

Discussions are continuing regarding the sale of our North American assets, being AmerGen and Bruce Power. We announced in September that we were considering the possible sale of AmerGen. Progress has been made towards the sale. Under the restructuring proposals, the sale of AmerGen must be agreed by 30 June 2003.

Following these disposals, British Energy will be a merchant generator in the UK market with 9600 MW of nuclear plant and 2000MW of coal-fired plant at Eggborough. Output will continue to be sold directly to industrial and commercial companies in the wholesale power market or under arrangements with energy supply companies.

The Board intends to reduce the Group's exposure to wholesale electricity prices in the UK. The revised contracts, which have been agreed in principle with BNFL, will provide a partial hedge against market prices in respect of approximately 40% of British Energy's total electricity output (including Eggborough and Sizewell). In addition, the Board intends to implement a trading strategy which will seek to enter into short and medium-term power-sale contracts with market counterparties and with industrial and commercial customers, to hedge the majority of its remaining output.

Whilst we are targeting annual output from the nuclear fleet of approximately 69 TWh (82 per cent. load factor), the Board considers that a prudent judgement of the normal level of output from these plants on an annual basis should be 67 TWh (80 per cent. load factor).

As a result of the restructured BNFL contracts, cash operating costs (including maintenance capital expenditure and overheads (including corporate overheads)) in the nuclear operations are expected to be approximately 1.45p/kWh (in 2002/3 prices) assuming output of 67 TWh and at electricity prices of 1.6p/kWh (in 2002/3 prices).

Taking account of the requirements of the restructured business, and its refocus on UK operations, the Board will review the corporate overheads and take action as required to ensure an efficient and cost effective business.

Current Trading

Market conditions remain extremely challenging and have adversely impacted both ourselves and other players as has been well publicised recently. The Company released its output statement for November on 4th December. This showed that the UK nuclear plants remain on track to achieve the revised target of 63 ± 1 TWh by 31st March 2003 and that AmerGen's and Bruce Power's output remain in line with plan.

In November, it was announced that both OFGEM and the European Commission had approved the renegotiation of the NEA with Scottish Power and Scottish and Southern Energy.

GROUP FINANCIAL SUMMARY

This summary is based on "business performance" figures which exclude exceptional items (as described in note 1 to the accounts).

Turnover

Turnover was £868m as compared with £929m for the same period last year. This is primarily due to a combination of falling prices in the UK and an increased number of outages both in the UK and North America.

Operating profit

Operating profit was £98m lower than for the same period last year. The main reasons for this are set out in the table below:

	UK	Bruce	AmerGen	Group
	£m	£m	£m	£m
Electricity prices (including UK supply costs)	(42)	27		(15)
Output (see note)	(49)	(28)		(77)
Other operating cost changes	(6)	(10)	(4)	(20)
Foreign exchange rates		(2)		(2)
Other movements	11	5		16
Change in operating profit	(86)	(8)	(4)	(98)

Note: output includes an estimate of the pro-rata effect of Bruce ownership being only 4½ months to September 2001.

Financing charges and Amounts written off investments

As at 30th September 2002 the market value of the decommissioning fund (£332m) was lower than the value (£435m) that would have been derived from revalorising the cost of the investment. As a result, an exceptional charge of £103m has been

recognised to restate the decommissioning fund receivable to market value. Of this £103m, £82m represents the write-off of previous revalorisation and has been treated as an exceptional financing charge. The balance of £21m has been included in "Amounts written off investments" in the profit and loss account.

Other exceptional items

- Onerous trading contracts

The Group has certain pre-NETA contracts which are excluded from the wholesale and direct supply portfolios. As a result of the terms inherent in these contracts and the Directors' view of future market prices the contracts are considered to be onerous and a provision has been made to reflect the future discounted losses that are expected under the terms of these contracts. An exceptional charge of £46m has been made in the period to make further provision for these long term contracts.

- Own shares held

The market value of shares held by employee trusts at 30th September 2002 was £5m compared to a book value of £103m. As the long term prospects of the Company have deteriorated significantly, the Directors consider it appropriate to recognise a permanent diminution in the value of the shares held in employee trusts. As a result, an exceptional charge of £98m has been recognised within "Amounts written off investments" in the profit and loss account.

- Restructuring costs

A charge of £7m has been made in respect of costs incurred on advisory and other costs associated with restructuring the Company's activities.

- Nuclear Energy Agreement

The Company has agreed revised terms for the electricity supply agreement with Scottish Power and Scottish and Southern Energy. Under the terms of the agreement, which has now had regulatory approval, the Company is in a position to release a balance of £41m in respect of cash previously received.

Taxation

Taxation has been calculated on the loss for the six months to 30th September 2002 to take account of an allocation of net permanently disallowable items and the higher rate of tax payable on US and Canadian taxable profits, and includes the share of discount unwinding on deferred tax applicable to the period.

Economic value of UK generation fixed assets and stocks

In light of the current uncertainty surrounding the operations and prospects of the Company, the Directors have significant doubt as to whether the assumptions and estimates used to determine the carrying values of the Company's UK generation fixed assets and stocks are now the most appropriate. However, the Directors do not

believe that reasonable assumptions and estimates can be made for these items given the current uncertainty regarding the Company's financial position and as such have presented the UK generation fixed assets and stocks in the interim accounts on a basis consistent with that used in the preparation of British Energy plc group financial statements for the year ended 31st March 2002. The balance sheet drawn up at 30th September 2002 includes UK generation fixed assets with a net book value of £4,441m and stocks with a net book value of £491m.

Statement of capital

While preparing the interim accounts, the Board concluded that the net assets of British Energy plc have fallen to less than half of its called-up share capital. In these circumstances we are required by Section 142 of the Companies Act 1985 to convene an extraordinary general meeting for the purposes of considering whether any, and if so what, steps should be taken to deal with the situation. We will shortly be issuing a circular to shareholders on this matter.

Auditors' review report

The auditors' review report refers to the uncertainties regarding the carrying value of assets and the discussions regarding the Company's proposals for restructuring.

PERFORMANCE BY BUSINESS

UK Generation

The focus of UK Generation continues to be safe, reliable generation and meeting our customers' needs.

In view of the prospects for low electricity prices pertaining for the foreseeable future, the value of both our nuclear and coal generation plant will have to be reviewed and almost certainly downwards.

Nuclear

Output for the period was 30.33 TWh as compared with 32.70 TWh last year primarily due to the unplanned outages on both units at Torness following fatigue cracking within the gas circulators. Both units at Torness have been repaired and are now fully operational. Nuclear unit operating costs for the period rose by 0.11 p/kWh to 1.85p/kWh compared to the same period last year due to lower output more than off-setting lower costs.

Five statutory outages were completed in the period and the fleet is on track to meet the revised target of 63 ± 1 TWh announced in August.

The large investment in a new enterprise wide Work Management System has been successfully implemented at Hinkley, Heyshams 1 & 2 and Sizewell with the target date for implementation at seven stations by Spring 2003. Once fully enabled, the

system and associated standardised processes will enhance plant maintenance and lead to an improved reliability.

Fossil

British Energy's coal plant at Eggborough has also suffered from the reduction in wholesale electricity prices and the narrowing in the differential between winter and summer prices.

As expected, output at Eggborough, a mid-merit coal-fired plant, was lower at 1.37 TWh as compared with the same period last year (3.05 TWh) due to planned outages, lower prices and the continuing programme to install flue gas desulphurisation (FGD) equipment in two units.

The FGD project is proceeding in accordance with the committed programme. Site construction activities are now well underway and the plant is on target for hand over in September 2004 as planned. Project costs remain in line with the original predictions.

Trading

Achieved price at the National Balancing Point remained similar to last year at 2.02p/kWh (2.08p/kWh last year) but this was mainly due to the increased turnover within the Direct Sales Business. At the Station Gate, prices fell by 8% to 1.73p/kWh.

Overall market prices have fluctuated over the year and have been ~10/15% lower on average than the same period last year. British Energy's achieved price for the full year is expected to be just less than 10% below last year.

Our Direct Sales Business supplied 10.1 TWh in the first half representing an increase of 19%. It continues to provide a quality service having won its 14th successive customer satisfaction award.

In July we announced that we had re-negotiated the NEA with our counterparties Scottish Power and Scottish and Southern Energy. This has now received approval from OFGEM and the European Commission. The NEA was agreed in 1990 and was due to expire in 2005. The revised agreement will continue until the introduction of the British Electricity Transmission and Trading Arrangements or 1st April 2006, whichever occurs first. Beyond that date, the counterparties have an option for follow-on contracts up to 2011 at reduced volumes.

AmerGen

We announced in early September that we and our joint venture partner, Exelon, were considering the possible sale of AmerGen. This decision was made prior to British Energy's approach to the Government for financial assistance. It was taken because of the difficulties in growing the AmerGen business further, due to increased competition and higher prices for nuclear assets and the fact that both parties'

strategies had evolved since the joint venture was formed in 1997. Under the restructuring proposals, the sale of AmerGen must be agreed by 30th June 2003.

AmerGen's operating profit before tax contribution for the period was £45m.

All three plants, Clinton, Oyster Creek and TMI - unit 1, performed well over the period. Output was 9.67 TWh as compared with 9.59 TWh for the same period last year and the average overall load factor was 89%.

Clinton successfully completed a refuelling outage during which the steam turbine was replaced and modifications were made to the plant to enable an increase in power output of 65MW and extending the period between outages to 24 months.

Bruce Power

In November we announced that we had entered into discussions with a view to selling all, or part of, our stake in Bruce Power.

The contribution from Bruce in the period was £36m, being operating profit before tax, post minorities.

Bruce B continues to deliver good operating performance with output over the period at 10.62 TWh. The load factor was 77% (down from 93% a year ago) reflecting the higher number of planned outages. Planned maintenance work on one reactor, which began in March 2002, was completed in August.

The re-start of two units of Bruce A is planned by early summer 2003 and the first regulatory hearing is scheduled for today.

The Ontario electricity market was opened to competition on 1st May 2002 at both the wholesale and retail levels. Following a summer of record demand for electricity that resulted in a shortage of supply and higher than anticipated retail prices, the Ontario government has stated its intent to protect consumers by introducing legislated price controls at the retail level.

Regarding the potential sales of both AmerGen and Bruce, the proceeds are likely to reflect the current market in North America for merchant generating plant and also any changes in the regulatory framework, particularly for Bruce in Ontario.

UK ENERGY REVIEW

The Government Energy Review process launched in Spring 2002 involved a number of activities aimed at reaching a wide cross-section of stakeholders. The Consultation document focussed on eight key issues with security of supply, climate change and nuclear energy prominent. British Energy's submission addressed all the questions posed by the Consultation document and, in particular, highlighted the environmental and security of supply benefits of nuclear power. A White Paper is due to be published in early 2003.

NEW YORK STOCK EXCHANGE COMPLIANCE

The Directors have been notified by the New York Stock Exchange (NYSE) that British Energy does not currently comply with the NYSE's continued listing criteria relating to the minimum share price. The NYSE requires that the average closing price of a security not be less than \$1.00 over a 30-day consecutive trading period. Under NYSE rules, once notified of its failure to meet the minimum share price criteria, a company must bring its share price and average share price over the preceding 30 trading days back above \$1.00 within six months of receipt of the notification or following its next shareholders' general meeting if approval from its shareholders is necessary to give effect to any such change. We are currently in discussions with the NYSE with respect to this issue and are reviewing the options available to the Company.

FURTHER INFORMATION

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Find this News Release on our web site: www.british-energy.com

Information Regarding Forward-Looking Statements

This report contains certain "forward-looking" statements as defined in Section 21E of the United States Securities Exchange Act 1934. Such forward-looking statements include, among others, statements concerning the anticipated development of the UK electricity industry, the future development of regulation of the UK electricity industry, the effect of these developments on our business, financial condition or results of operations, our proposed restructuring, our expectations as to the growth of our business, our expectations with regard to our future investments in energy related projects in the UK and internationally and other statements of expectation, belief, future plans and strategies and other matters that are not historical facts concerning our business operations, financial condition and results of operations. These forward-looking statements involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results or performance to differ materially from those expressed or implied by such forward-looking statements. Due to the uncertainties and risks associated with these forward-looking statements, which speak only as of the date hereof, we are claiming the benefit of the safe harbour provision referred to above.