

DIRECTORS' REMUNERATION REPORT



THE SETTING OF REMUNERATION POLICY AND THE DETERMINATION OF THE COMPENSATION OF EXECUTIVE DIRECTORS IS UNDERTAKEN ON BEHALF OF THE BOARD BY THE REMUNERATION COMMITTEE.

The Committee has access to external independent advice in relation to remuneration. During the year the Remuneration Committee appointed Towers Perrin to provide specialist advice on Director and senior management remuneration. Towers Perrin did not undertake any other services on behalf of the Company during the year ended 31 December 2004.

In addition, it received advice from James Richards, head of human resources, with regard to all aspects

of remuneration. The CEO attended Committee meetings to report on Executive Directors' performance (other than his own).

This report to the shareholders by the Committee covers the following: remuneration policy (including information on share options, long-term incentive plans, Directors' service contracts and Directors' pension benefits); Directors' aggregate remuneration and compensation; and Directors' interests in the Company's shares.



Loy Yang B, Victoria

Remuneration policy

The Company's remuneration policy for each Executive Director takes account of the changing nature of the business in both the UK and overseas. In order to compete with and meet these challenges, the Committee has designed executive remuneration along the following principles:

- Total remuneration levels that will retain and motivate top quality executives.
- All remuneration packages have a significant performance-related element.
- Incentives are based on meeting specific, measurable performance objectives, and align executives' rewards with creating value for our shareholders.

- Total remuneration packages that include significant opportunities to acquire International Power shares consistent with our strategy of reinvestment and building a strong share ownership culture.

This policy applies to the current year and the Committee intends to continue it for the foreseeable future, taking into account developing market practice.

At the start of each financial year the Remuneration Committee establishes a framework of individual and corporate performance targets against which performance is measured.

Consideration is also given to remuneration levels in comparator companies both within the UK

and internationally. The Committee also has regard to the pay of staff and management generally within the Group, to ensure that an appropriate balance is maintained in remuneration levels.

In order to maintain market level remuneration packages, in 2004 the Remuneration Committee increased the maximum level of bonuses available to Executive Directors from 60% of base salary to 70%, for implementation in the 2005 financial year onwards. This is detailed in this report.



Pluak Daeng, Thailand



Bellingham, Massachusetts

Elements of remuneration

Executive Directors receive a remuneration package aligned with short and medium-term corporate and personal targets. The package comprises a market competitive base salary; performance related annual bonus (satisfied part in cash and part in shares); medium and long-term share related incentives; pension benefits; and other benefits including a health care programme and a company car allowance.

With regard to the performance related elements of Executive Director remuneration packages, they are structured to provide significant awards for superior performance.

Main fixed and performance related elements of remuneration	
Fixed elements	Performance elements
Base salary	Annual bonus (paid part in cash and part in shares)
Pension	Performance Share Plan
Benefits (e.g. car allowance, healthcare)	Executive Share Option Scheme

The total value of the fixed elements of remuneration referred to in the table above represents 137% of base salary. The value of the performance related elements (annual bonus and long-term incentives) represents 270% of base salary (260% for 2004). The level of remuneration actually receivable in respect of the performance related elements will be dependent upon the extent to which the relevant performance conditions are achieved over the relevant performance period.

Base salary as at 1 January 2005	
Name	Salary
Philip Cox	£525,000
Mark Williamson	£310,000
Tony Concannon	£285,000
Steve Riley	£285,000

The International Power annual performance bonus is a non-pensionable payment for achieving targets set by the Board (including EPS, cash flow and personal targets). The maximum

annual bonus opportunity for Executive Directors was set at 60% of base salary for the performance year 1 January to 31 December 2004. As set out in last year's annual report, in order to increase the share ownership of Executive Directors and senior management, and to further increase the alignment of the remuneration package to shareholder return, the bonus award for 2003, 2004 and 2005 will be made part in cash and part in shares.

For the 2004 performance period the Committee reviewed the performance of each Executive Director against their qualitative and quantitative objectives. In addition they agreed that the new executive team had worked well in this their first year together, in particular to deliver the ANP refinancing and the EME acquisition whilst maintaining good operational results from the regions.

The Committee agreed that, taking into consideration the above and without setting precedent, the Remuneration Committee would use its discretionary powers to award the Executive Directors the maximum bonus for 2004. This resulted in the following awards:

	Cash bonus	Shares
Philip Cox	£142,500	142,500
Mark Williamson	£75,000	75,000
Tony Concannon	£70,500	70,500
Steve Riley	£70,500	70,500

The shares referred to above will be released to each Executive Director on 14 March 2005. The details of these payments are set out in the Directors' aggregate remuneration table on page 62.

As part of International Power's share retention arrangements, these shares (less a proportion of the shares sold to meet taxation liabilities) are required to be held until January 2007. An Executive Director may dispose of these shares prior to January 2007 if his total beneficial interest in the shares of the Company is equal to or greater than 100% of his base salary.

The bonus payable for the performance year 2005 will also be paid part in cash and part in shares, subject to the above retention arrangements.

The maximum target bonus levels for 2005 have been established on the following basis:

Maximum 2005 bonus achievable					
	Personal	EPS (Group)	Free cash flow (Group)	PBIT (Region)	Free cash flow (Region)
Philip Cox	10%	50%	10%	–	–
Mark Williamson	10%	50%	10%	–	–
Tony Concannon	10%	–	–	50%	10%
Steve Riley	10%	–	–	50%	10%

Selection of performance criteria

For the 2002 Performance Share Plan and the Approved and Unapproved Executive Share Option Plans shown overleaf, the performance conditions have been aligned with the key objective of growth in EPS of the Company.

The Remuneration Committee has chosen EPS growth as the performance measure for its share plans to ensure that there is an objective measure of relative performance and the Committee has decided to measure the relative growth in EPS taking into account growth in the Retail Price Index. This choice of EPS growth recognises that International Power is a UK-based company that operates principally outside the UK, that there is no comparator group of companies against which the Company's performance can adequately be measured in terms of Total Shareholder Return (TSR), and that EPS is an objective financial measure that can be tracked. Whilst the Committee recognises that this is not a measure that is universally accepted by shareholders, the Committee believes that the targets set are challenging and, if achieved, will demonstrate significant financial performance on the part of the Directors and employees of the Company.

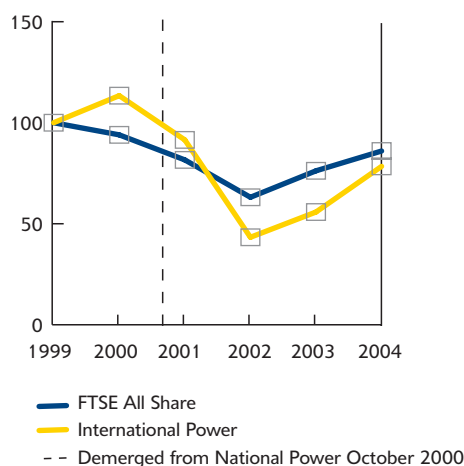
This approach will continue to be adopted for further awards under the 2002 Performance Share Plan and grants under the Approved and Unapproved Executive Share Option Plans.

The Remuneration Committee will assess the level of performance in respect of any performance condition objectively.

Given that the principal performance measure for the Company's Share Plans is based on growth in EPS, the Committee will take into account, and adjust appropriately for, the enhancement effects of any purchase and subsequent cancellation of shares, or placing of shares into treasury, by the Company.

Total shareholder return

As required by the Directors' remuneration report regulations, below is a graph showing TSR for the Company as marked against a broadbased market equity index over the last five years. The index that has been used is the FTSE All Share, of which the Company is a constituent member.



Share Plans for Executive Directors: performance conditions

2002 Performance Share Plan

The annual awards made under this Plan will normally vest after the end of a three-year period. Each award attracts a performance condition that reflects EPS. The performance conditions for awards made to date are as follows:

Date of award	Performance period	Minimum performance condition	Maximum performance condition	Vesting period
24 May 2002	1 January 2002 to 31 December 2004	30% of the award will vest if average annual EPS growth over the Performance Period is not less than RPI+7%	100% of the award will vest if average annual EPS growth over the Performance Period is equal to or greater than RPI+12%.	Vesting will be pro-rated for EPS growth between these two points.
Failed to meet performance condition				
10 March 2003 (Philip Cox only *)	1 January 2003 to 31 December 2005	30% of the award will vest if EPS performance for the year ended 31 December 2005 is not less than 9.7p.	100% of the award will vest if EPS performance for the year ended 31 December 2005 is equal to or greater than 11.5p.	Vesting will be pro-rated for EPS performance between these two points.
10 March 2003	1 January 2003 to 31 December 2005	30% of the award will vest if EPS performance for the year ended 31 December 2005 is not less than 9.7p.	100% of the award will vest if EPS performance for the year ended 31 December 2005 is equal to or greater than 13.0p.	Vesting will be pro-rated for EPS performance between these two points.
2 March 2004	1 January 2004 to 31 December 2006	30% of the award will vest if EPS performance for the year ended 31 December 2006 is not less than 8.2p.	100% of the award will vest if EPS performance for the year ended 31 December 2006 is equal to or greater than 11.5p.	Vesting will be pro-rated for EPS performance between these two points.

* As part of the Company's 2003 succession management plan, a special conditional award was made in March 2003 to Philip Cox.

Executive Directors receive an annual incentive conditional award of shares to the value of 100% of their base salary, subject to performance conditions. Mark Williamson, Tony Concannon and Steve Riley participate in the 2002 and 2003 awards up to 50% of their base salary and, following their appointment as Executive Directors, received a Conditional Award of 100% of their base salary in the 2004 award.

2005 awards

After the release of its preliminary results, the Company will award Executive Directors 100% of their base salary in conditional shares under the 2002 Performance Share Plan. This award will be subject to an EPS performance condition. Details of the awards and the performance condition attached will be set out in a Stock Exchange announcement. Shares will vest subject to the Remuneration Committee being satisfied with the level of achievement of the applicable performance condition.

Approved and Unapproved Executive Share Option Plans

Pre-Demerger 'Legacy' Share Options

In accordance with the rules at the time, there are no performance conditions attached to the National Power 'Legacy' Unapproved Options granted to Tony Concannon and Steve Riley prior to the demerger of National Power.

International Power Share Options

The options granted under this Plan will normally become exercisable after the end of a three-year period. Each grant attracts a performance condition that reflects EPS. There will be no retesting of performance conditions applicable to each option grant. The performance conditions for options granted made to date are as follows:

Date of award	Performance period	Minimum performance condition	Maximum performance condition	Vesting period
3 October 2000	1 January 2000 to 31 December 2003	Fully exercisable if average annual growth in normalised earnings per International Power share for the financial reporting period ending on 31 December 2000 to the reporting period ending on 31 December 2003 is equal to or exceeds 7%.		
22 March 2001	1 January 2000 to 31 December 2003			
24 May 2002	1 January 2002 to 31 December 2004	Fully exercisable if average annual EPS growth over the Performance Period (being 1 January 2002 to 31 December 2004) is not less than RPI+4%.		
10 March 2003	1 January 2003 to 31 December 2005	30% of the award will vest if EPS performance for the year ending 31 December 2005 is not less than 9.7p.	100% of the award will vest if EPS performance for the year ending 31 December 2005 is equal to or greater than 11.5p.	Vesting will be pro-rated for EPS performance between these two points.
2 March 2004	1 January 2004 to 31 December 2006	Fully exercisable if EPS for the 2006 financial year is not less than 8.7p.		

2000 and 2001 Executive Share Options

Mark Williamson, Tony Concannon and Steve Riley participate in the 2000 and 2001 Executive Share Option Scheme at 50% of base salary for each option grant.

2002 and 2003 Executive Share Options

Under these grants, Philip Cox was given Executive Share Options to the value of 100% of his base salary. Each of Mark Williamson, Tony Concannon and Steve Riley participate in these grants to the value of 50% of their base salary at the time of the award.

2004 Executive Share Options

Under this grant all Executive Directors were awarded Executive Share Options to the value of 100% of their base salary.

2005 Executive Share Options

After the release of its preliminary results, the Company will grant Executive Directors 100% of their base salary in Executive Share Options under the Unapproved Executive Share Option Plan. The exercise of these Options will be subject to an EPS performance condition. Details of the grant and the performance condition attached will be set out in a Stock Exchange announcement.

Directors' service contracts

Service contract – Philip Cox

Philip Cox has a service contract subject to 12-months' notice by the Company. For termination other than for cause, he may receive a payment of 125% of annual basic salary (which includes the 12-months' notice) to take account of the value of contractual benefits. The date upon which this contract was entered into was 25 February 2003.

Service contracts – Mark Williamson, Steve Riley and Tony Concannon

Mark Williamson, Steve Riley and Tony Concannon have service contracts which are subject to 12-months' notice by the Company. For termination by the Company, an Executive Director may receive a payment of 125% of annual basic salary (which includes the 12-months' notice) which will be paid on a monthly basis until the Executive Director secures alternative employment, up to a maximum of 12 monthly payments. The date upon which these contracts were entered into was 23 February 2004.

Service contracts – Non-Executive Directors

The Chairman of International Power plc, Sir Neville Simms, has a letter of appointment with a 12-month notice period. The letter of appointment was signed on 22 February 2000. The other Non-Executive Directors are appointed on a three-year fixed-term, annual fixed-fee basis.

The following table summarises the appointment and termination dates for Directors:

	Date contract entered into	Contract expiry
Non-Executive Directors		
Sir Neville Simms	22 February 2000	12 months' notice
Tony Isaac	2 October 2000	AGM May 2006
Adri Baan	30 May 2002	AGM May 2006
Jack Taylor	2 October 2000	31 December 2005
Struan Robertson	1 August 2004	AGM May 2005

Sir Neville Simms' contract will expire at the 2010 AGM, following his 65th birthday, or earlier, subject to the above notice period.

Executive Directors

Philip Cox	25 February 2003	12-months' notice
Mark Williamson	23 February 2004	12-months' notice
Tony Concannon	23 February 2004	12-months' notice
Steve Riley	23 February 2004	12-months' notice

Executive Director contracts automatically terminate on the date they reach normal retirement age which is 22 September 2011 for Philip Cox, 29 December 2017 for Mark Williamson, 17 December 2023 for Tony Concannon and 16 August 2021 for Steve Riley.

Non-Executive Directors' fees and shareholding requirements

The Company last increased the fees of our Chairman and Non-Executive Directors on 1 July 2003. The fees are set out in the Directors' aggregate remuneration table on page 62. In order to receive the increased level of fees, the Chairman and Non-Executive Directors have committed to use the net value of the increase, each year, to purchase International Power shares. In addition, as part of a new shareholding requirement, they will also be required to hold these shares until their appointment terminates.

As part of this arrangement, the Chairman and Non-Executive Directors acquired the following shares in March 2004:

Sir Neville Simms	15,377
Tony Isaac	6,582
Adri Baan	6,582
Jack Taylor	4,383

The structure of any further review of the Chairman's or Non-Executive Directors' fees will be agreed at the time of that review, and may not involve the requirement to purchase shares over and above the arrangement set out above. Save as set out above, no remuneration or other benefits are provided as consideration for the performance of their duties.

Audit

The detail of the Directors' remuneration, pensions and interests in share options and long-term incentive plans as disclosed on pages 61 to 66 have been audited by the Company's external auditors.

Directors' pension benefits

The pension arrangements for Philip Cox and Mark Williamson are provided through the Senior Section of the International Power Group of the Electricity Supply Pension Scheme, which is a scheme approved by the Inland Revenue. The scheme provides for: a normal retirement age of 60; an accrual rate of one thirtieth of pensionable salary; four times salary death-in-service benefits; a widow's pension of two-thirds of executive's pension; and executive's contribution of 6% of salary up to 15% of Inland Revenue earnings limits.

The benefits provided through the scheme are restricted by Inland Revenue earnings limits. These arrangements are supplemented by the Company making contributions to personal pensions, life assurance, and a Funded Unapproved Retirement Benefit Scheme, up to a cost to the Company of 30% of salary (which includes the cost of the benefit provided through the Senior Section of the International Power Group of the Electricity Supply Pension Scheme).

The pension arrangements for Tony Concannon and Steve Riley are also provided through the Senior Section of the International Power Group of the Electricity Supply Pension Scheme. As they are not restricted by the Inland Revenue earnings limit, the scheme provides for them: a normal retirement age of 60; an accrual rate of one forty-fifth of pensionable salary; four times salary death-in-service benefits; a widow's pension of two-thirds of executive's pension; and executive's contribution of 6% of salary. The Company does not supplement this arrangement.

	Accrued benefit Increase in year			Transfer value of accrued benefit			
	At 31 December 2004	including inflation	excluding inflation	At 31 December 2004	At 31 December 2003	Increase less Directors' contributions	Transfer value of increase in accrued pension excluding inflation less Directors' contribution
	£	£	£	£	£	£	£
Philip Cox	7,200	3,700	3,600	106,400	44,600	46,700	38,400
Mark Williamson	14,700	4,400	4,200	164,100	96,400	52,700	31,400
Steve Riley	65,200	34,000	33,200	686,100	278,200	393,900	334,700
Tony Concannon	61,300	37,100	36,400	579,600	194,300	373,000	331,700

- The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year. In addition to the pension shown above for service prior to 2 October 2000, Mark Williamson has an entitlement to an accrued lump sum of £325, Steve Riley has an entitlement to an accrued lump sum of £132,405, and Tony Concannon has an entitlement to an accrued lump sum of £125,669. The normal retirement age is 60.
- Dependants' pensions on death are 58% of members' pension in respect of service prior to 2 October 2000 and two-thirds of members' pension in respect of service thereafter. On death in service a lump sum of four times salary is payable. On death within the first five years of retirement, a lump sum is payable equal to the balance outstanding of the first five years' pension payments.
- Post-retirement increases are expected to be in line with inflation (guaranteed up to the level of 5% p.a. and discretionary above that level).
- The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.
- Members of the pension scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.
- In addition to the above entitlements, during the year contributions of £86,819 were paid to a funded unapproved retirement benefit scheme in respect of Philip Cox, and £53,778 were paid to a funded unapproved retirement benefit scheme in respect of Mark Williamson.

The Committee is considering the implications of the change in pensions legislation, which will be effective from 1 April 2006.

2004 Directors' remuneration and interests

Directors' aggregate remuneration

The table below shows the aggregate remuneration of the International Power plc Directors for the year ended 31 December 2004.

	Salary £	Fees £	Performance related bonus - cash £	Performance related bonus - shares £	Payment in lieu of pension £	Other benefits £	Aggregate remuneration year to 31 December 2004 £	Aggregate remuneration year to 31 December 2003 £
Sir Neville Simms	–	210,000	–	–	–	–	210,000	192,500
Philip Cox	475,000	–	142,500	254,363	91,675	15,863	979,401	610,021
Mark Williamson	250,000	–	75,000	133,875	54,862	13,122	526,859	20,499
Tony Concannon	235,000	–	70,500	125,843	–	89,243	520,586	–
Steve Riley	235,000	–	70,500	125,843	–	124,836	556,179	–
David Crane	–	–	–	–	–	–	–	582,925
Tony Isaac	–	50,000	–	–	–	–	50,000	42,500
Adri Baan	–	45,000	–	–	–	–	45,000	37,500
Jack Taylor	–	40,000	–	–	–	–	40,000	35,000
Struan Robertson	–	10,000	–	–	–	–	10,000	–
Peter Giller	–	–	–	–	–	–	–	100,000
Total	1,195,000	355,000	358,500	639,924	146,537	243,064	2,938,025	1,620,945

- The International Power plc Non-Executive Directors' basic fee, which covers Board membership (i.e. attendance at Board meetings, general duties as Directors, and their membership of Board Committees) is £40,000. In addition, Tony Isaac receives an additional fee of £5,000 per annum for his role as Senior Independent Director. Tony Isaac also receives £5,000 per annum for his role as Chairman of the Audit Committee, and Adri Baan receives an additional fee of £5,000 per annum for his role as Chairman of the Remuneration Committee. Struan Robertson joined the Company on 1 October 2004.
- As part of Peter Giller's role as Deputy Chairman and Non-Executive Director, he received a fee of £100,000. This arrangement terminated on 31 December 2003.
- Sir Neville Simms' fee is £210,000 per annum.
- Philip Cox was appointed Chief Executive Officer on 11 December 2003. His salary is included in the above table. The Payment in lieu of pension detailed in the above table sets out the contributions made to Philip Cox's Death In Service insurance premium and Funded Unapproved Retirement Benefits Scheme. He also received a company car allowance and private medical insurance, both of which are included in Other benefits. The value of the Performance related bonus-share in the above table has been calculated using a share price of 178.50p (being the mid-market quoted price for 9 March 2005).
- Mark Williamson was appointed an Executive Director on 11 December 2003. His salary is included in the above table. The Payment in lieu of pension detailed in the above table sets out the contributions made to his Death In Service insurance premium and Funded Unapproved Retirement Benefits Scheme. He also received a company car allowance and private medical insurance, both of which are included in Other benefits. The value of the Performance related bonus-share in the above table has been calculated using a share price of 178.50p (being the mid-market quoted price for 9 March 2005).
- Tony Concannon was appointed an Executive Director on 1 January 2004. His salary is included in the above table. He also received a company car allowance and private medical insurance, both of which are included in Other benefits. Also included in Other benefits is the value of his relocation and expatriate support. The value of the Performance related bonus-share in the above table has been calculated using a share price of 178.50p (being the mid-market quoted price for 9 March 2005).
- Steve Riley was appointed an Executive Director on 1 January 2004. His salary is included in the above table. He also received a company car allowance and private medical insurance, both of which are included in Other benefits. Also included in Other benefits is the value of his relocation and repatriation support. The value of the Performance related bonus-share in the above table has been calculated using a share price of 178.50p (being the mid-market quoted price for 9 March 2005).

The following information shows the interests of the Directors as at the end of the financial year in the Company's Long-Term Incentive Plans, Executive Share Option Plans and the Sharesave Plan. Additionally, as both Tony Concannon and Steve Riley were appointed Directors of the Company on the first day of the current financial year, full information on the interests of each of Tony Concannon and Steve Riley in the same plans is also given in this section, in the interests of full disclosure.

Long-term incentive plans

2002 Performance Share Plan

Directors who served during the year

	No. of shares under award as at 1 January 2004	Conditional awards made during the year	Date of award	Market value of an Ordinary Share as at date of award (pence)	End of performance period	No. of shares under award as at 31 December 2004
Philip Cox	926,220	–	24 May 2002	174.50p	31 December 2004	167,051
		–	10 March 2003	62.32p	31 December 2005	759,169
		384,529	2 March 2004	123.53p	31 December 2006	384,529
Total awards	926,220	384,529				1,310,749
Mark Williamson	134,579	–	24 May 2002	174.50p	31 December 2004	35,415
		–	10 March 2003	62.32p	31 December 2005	99,164
		202,384	2 March 2004	123.53p	31 December 2006	202,384
Total awards	134,579	202,384				336,963
Tony Concannon	92,276	–	24 May 2002	174.50p	31 December 2004	24,282
		–	10 March 2003	62.32p	31 December 2005	67,994
		190,240	2 March 2004	123.53p	31 December 2006	190,240
Total awards	92,276	190,240				282,516
Steve Riley	120,113	–	24 May 2002	174.50p	31 December 2004	31,608
		–	10 March 2003	62.32p	31 December 2005	88,505
		190,240	2 March 2004	123.53p	31 December 2006	190,240
Total awards	120,113	190,240				310,353

Executive share options

Directors who served during the year

	Approved /Unapproved	No. of shares under option as at 1 January 2004	Granted /(lapsed) during the year	Exercise price per share	Exercise period from	Exercise period to	No. of shares under option as at 31 December 2004
Philip Cox	A	17,191		174.50	24.05.2005	24.05.2012	17,191
	U	149,859		174.50	24.05.2005	24.05.2012	149,859
	U	561,616		62.32	10.03.2006	10.03.2013	561,616
	U		384,529	123.53	02.03.2007	02.03.2014	384,529
Total options		728,666	384,529				1,113,195
Mark Williamson	A	5,403		277.55	02.10.2003	02.10.2010	5,403
	U	30,624		277.55	02.10.2003	02.10.2010	30,624
	A	7,168		209.22	22.03.2004	22.03.2011	7,168
	U	16,728		209.22	22.03.2004	22.03.2011	16,728
	U	35,415		174.50	24.05.2005	24.05.2012	35,415
	U	99,164		62.32	10.03.2006	10.03.2013	99,164
	U		202,384	123.53	02.03.2007	02.03.2014	202,384
Total options		194,502	202,384				396,886
Tony Concannon	U	6,770*	(6,770)	299.31	30.11.1997	30.11.2004	–
	U	7,189		287.76	23.12.1999	23.12.2006	7,189
	U	6,950		343.73	02.12.2000	02.12.2007	6,950
	U	7,873		313.92	01.12.2001	01.12.2008	7,873
	A	3,377		277.55	02.10.2003	02.10.2010	3,377
	U	19,139		277.55	02.10.2003	02.10.2010	19,139
	A	4,480		209.22	22.03.2004	22.03.2011	4,480
	U	10,455		209.22	22.03.2004	22.03.2011	10,455
	A	6,447		174.50	24.05.2005	24.05.2012	6,447
	U	17,835		174.50	24.05.2005	24.05.2012	17,835
	U	67,994		62.32	10.03.2006	10.03.2013	67,994
	U		190,240	123.53	02.03.2007	02.03.2014	190,240
Total options		158,509	183,470				341,979
Steve Riley	U	12,722		272.55	13.12.1998	13.12.2005	12,722
	U	12,302		287.76	23.12.1999	23.12.2006	12,302
	U	12,001		343.73	02.12.2000	02.12.2007	12,001
	U	13,904		313.92	01.12.2001	01.12.2008	13,904
	A	5,674		277.55	02.10.2003	02.10.2010	5,674
	U	32,155		277.55	02.10.2003	02.10.2010	32,155
	A	6,810		209.22	22.03.2004	22.03.2011	6,810
	U	18,282		209.22	22.03.2004	22.03.2011	18,282
	U	31,608		174.50	24.05.2005	24.05.2012	31,608
	U	88,505		62.32	10.03.2006	10.03.2013	88,505
	U		190,240	123.53	02.03.2007	02.03.2014	190,240
Total options		233,963	190,240				424,203

* Lapsed on 30.11.2004

Sharesave Options

Directors who served during the year

	No. of shares under option as at 1 January 2004	Granted during the year	Exercise price per share	Exercise period from	Exercise period to	No. of shares under option as at 31 Dec 2004
Philip Cox	20,499	–	80.12p	24 December 2007	24 June 2008	20,499
Total Options						20,499
Mark Williamson	11,793	–	80.12p	24 December 2005	24 June 2006	11,793
Total Options						11,793
Tony Concannon	9,435	–	80.12p	24 December 2005	24 June 2006	9,435
Total Options						9,435
Steve Riley	11,793	–	80.12p	24 December 2005	24 June 2006	11,793
Total Options						11,793

The middle market quotation for an Ordinary Share of the Company on 31 December 2004 was 154.50p and the daily quotations during the period ranged from 108.84p to 160.75p.

2002 Performance Share Plan Share Option

In respect of awards made on 2 March 2004 under the 2002 Performance Share Plan to Directors and eligible employees, the Company did not need to acquire further shares to meet this award. There were sufficient shares already available in the Trust.

Shares held in trust

As at 31 December 2004, a total of 3,607,734 Ordinary Shares of the Company were held in two separate Employee Share Ownership Trusts (31 December 2003: 3,003,312). The Directors (together with all other employees of the Company and its subsidiaries) being potential beneficiaries of these shares have an interest in all of these shares. Of these shares, 1,273,138 were purchased in 2002 in respect of awards made under the 2002 Performance Share Plan at a cost (net of administration expenses) of £2.5 million. 255,102 of these shares were released at the end of 2002 to Peter Giller. An additional 1,800,000 shares were acquired by the Employee Share Ownership Trusts on 28 March 2003 at a total cost (net of administration expenses) of £1.5 million for the purposes of the bonus and share retention plan. An additional 571,710 shares were acquired by the Employee Share Ownership Trusts on 31 December 2004 at a total cost (net of administration expenses) of £887,497 for the purpose of a bonus award to employees (excluding Directors) as part of the EME acquisition. In line with recommended practice the fund balances are being written down to £nil over the period of vesting to which they relate. The book value of the shares placed in Trust as at 31 December 2004 was £2 million (31 December 2003: £2 million).

In respect of awards made to Directors under the Performance Share Plan as at the date of this report, the number of shares that may vest to Directors if full performance of the relevant performance condition is achieved is 2,240,581. Shares held in trust for this Plan relate to the Conditional Awards made in 2002.

Summary of LTIPs

Directors as at 31 December 2004

Award Date	No. of shares under award	Market value at date of award	Prospective date of vesting
24 May 2002	258,356	174.50p	May 2005
10 March 2003	1,014,832	62.32p	March 2006
2 March 2004	967,393	123.53p	March 2007
Total	2,240,581		

Details of the performance conditions that apply with respect to the ability to exercise options under both the Approved and Unapproved Executive Share Option Plans, detailed opposite, are given on page 59.

Summary of Unexercised Executive Share Options

Directors as at 31 December 2004

Grant date	No. of Options	Exercisable price	Date exercisable
13 December 1995 ⁽³⁾	12,722	272.55p	1998–2005
23 December 1996 ⁽³⁾	19,491	287.76p	1999–2006
2 December 1997 ⁽³⁾	18,951	343.73p	2000–2007
1 December 1998 ⁽³⁾	21,777	313.92p	2001–2008
3 October 2000 ⁽¹⁾	14,454	277.55p	2003–2010
3 October 2000 ⁽²⁾	81,918	277.55p	2003–2010
22 March 2001 ⁽¹⁾	18,458	209.22p	2004–2011
22 March 2001 ⁽²⁾	45,465	209.22p	2004–2011
24 May 2002 ⁽¹⁾	23,638	174.50p	2005–2012
24 May 2002 ⁽²⁾	234,717	174.50p	2005–2012
10 March 2003 ⁽²⁾	817,279	62.32p	2006–2013
2 March 2004 ⁽²⁾	967,393	123.53p	2007–2014
Total	2,276,263		

⁽¹⁾ Approved Executive Share Options⁽²⁾ Unapproved Executive Share Options⁽³⁾ National Power 'Legacy' Unapproved Executive Share Options

Summary of Unexercised Sharesave Options

Directors as at 31 December 2004

Grant date	No. of Options	Exercisable price	Date exercisable
1 October 2002	33,021	80.12p	24 Dec 2005–24 June 2006
1 October 2002	20,499	80.12p	24 Dec 2007–24 June 2008
Total	53,520		

Directors' beneficial interests

Directors as at 31 December 2004

Director	As at 31 December 2004			As at 1 January 2004 (or date of appointment if later)		
	Ordinary Shares	Executive Options	Sharesave Options	Ordinary Shares	Executive Options	Sharesave Options
Adri Baan	33,892	–	–	18,901	–	–
Philip Cox	89,285	1,113,195	20,499	25,000	728,666	20,499
Tony Concannon	20,962	341,979	9,435	2,744	158,509	9,435
Steve Riley	41,552	424,203	11,793	15,195	233,963	11,793
Tony Isaac	20,592	–	–	8,901	–	–
Sir Neville Simms	167,751	–	–	110,000	–	–
Jack Taylor	13,280	–	–	7,595	–	–
Mark Williamson	61,568	396,886	11,793	28,207	194,502	11,793
Struan Robertson	–	–	–	–	–	–

No Director had, at any time during the financial year, any beneficial interest in the shares of any subsidiary undertaking.



Adri Baan

Chairman of the Remuneration Committee

On behalf of the Board of Directors of International Power plc

9 March 2005

