

Directors' remuneration report

The establishment of remuneration policy and the determination of the compensation of Executive Directors is undertaken on behalf of the Board by the Remuneration Committee.

The Company's remuneration policy for each Executive Director takes account of the changing nature of the business in both the UK and overseas.

Executive Directors receive a remuneration package aligned with short and medium-term corporate and personal targets. The package comprises:

- a market competitive salary;
- a performance related annual bonus;
- a long-term share-related incentive scheme;
- pension benefits;
- other benefits (healthcare, company car allowance).

The Remuneration Committee has access to external independent remuneration advice. Towers Perrin has been appointed by the Committee to provide specialist advice on Executive Director and senior management remuneration. Towers Perrin did not undertake any other services on behalf of the Company during the year ended 31 December 2006.

In addition, the Committee received advice from Penny Chalmers, director of global resources, on 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.

Remuneration policy

The Company's remuneration policy for the Executive Directors takes account of the changing nature of the business and remuneration practices both in the UK and overseas. The Committee has based its executive remuneration policy on the following principles to ensure that it remains relevant to business needs in the medium term:

- Total remuneration levels will be sufficient to retain and motivate top quality executives;
- Remuneration packages will include a significant performance related element;
- Incentives will be based upon the achievement of specific and measurable performance objectives that align executives' rewards with the creation of value for shareholders;
- Remuneration packages will include significant opportunities to acquire, and obligations to retain, International Power shares, consistent with our strategy of building a strong share ownership culture.

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

→ The establishment of remuneration policy and the determination of Executive Directors' compensation is undertaken on behalf of the Board by the Remuneration Committee

→ Executive Directors receive a remuneration package aligned with short and medium-term corporate and personal targets

→ The Company's remuneration policy for the Executive Directors takes account of the changing nature of the business and in remuneration practices both in the UK and overseas

→ Our pay policy is to be competitive around the median of the FTSE 51-100 group of companies. This reflects the Company's market capitalisation in the FTSE 100

Our pay policy is to be competitive around the median of the FTSE 51-100 group of companies. This reflects the Company's market capitalisation in the FTSE 100. 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.

During 2006 the Company consulted with major institutional shareholders, together with the ABI and RREV, regarding changes to the remuneration arrangements of our Executive Directors.

In order to maintain market level remuneration packages for Executive Directors, from 1 January 2006, the Remuneration Committee decided:

- to increase the maximum level of bonuses from 70% of base salary to 100%, for implementation in the 2006 financial year onwards. The target bonus for hitting budget is increased from 47% to 67%;
- to increase Performance Share Plan awards to 200% of base salary for the CEO, and to 150% of base salary for other Executive Directors.

The Committee has concluded that the maximum level of bonus and the Performance Share Plan awards set out above will also apply for 2007.

Also, effective from 1 January 2006, the Remuneration Committee removed, for Executive Directors:

- The Bonus Share Retention Plan, which has achieved its objectives of providing a mechanism for Directors to increase substantially their shareholdings in the Company by foregoing a portion of their cash annual bonus. Therefore, no more awards will be made under this arrangement;
- Participation in the annual grants of the Executive Share Option Schemes.

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 (for 2006 satisfied wholly in cash); a long-term share-related incentive; pension benefits; and other benefits including a healthcare programme and a company car allowance.

Executive Director remuneration packages are structured to provide significant awards for superior performance.

Main fixed and performance related elements of remuneration effective from 1 January 2007

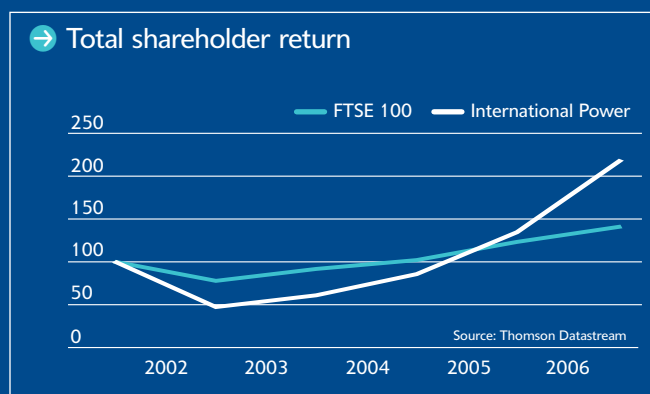
Fixed elements	Performance elements
Base salary	Annual bonus
Pension	Performance Share Plan
Benefits (e.g. car allowance, healthcare)	

The face value of the performance related elements (annual bonus and long-term incentives) represents 300% of base salary for the CEO and 250% of base salary for other Executive Directors. The level of remuneration receivable in respect of the performance-related elements is dependent upon the achieved level of performance in the relevant performance period.

Total shareholder return (TSR)

The graph shows the TSR performance of International Power's shares relative to the FTSE 100 index from the year 2002 to 2006.

The FTSE 100 index is considered to be the most appropriate benchmark for comparative purposes as the Company is a constituent member of the FTSE 100.



Base salary as at 1 January 2007

Salaries for the Executive Directors were reviewed with effect from 1 January 2007 against the background of the Directors' Remuneration Report 2005 which noted shareholders' concerns about escalating base pay. As a result the Committee has determined that unless there are changes of role, salary increases are only likely to be in line with inflation and market movements. This approach was followed in setting salaries for Executive Directors, effective from 1 January 2007, as set out below, and, therefore the salaries for UK-based Executive Directors increased by an average of 6%.

After a careful consideration of Bruce Levy's pay positioning against the US market, taking into account total pay including base pay, annual bonus and long-term incentives the Committee concluded that a salary increase of 25% should be awarded to him. The increase was required to establish his total pay on a market median competitive basis.

Name	Salary
Philip Cox	£650,000
Mark Williamson	£382,000
Tony Concannon	£350,000
Steve Riley	£350,000
Bruce Levy	US\$750,000

Annual bonus

The International Power annual performance bonus is a non-pensionable payment for the achievement of targets set by the Remuneration Committee at the start of each financial year. The 2006 targets included EPS and regional profit from operations, both excluding exceptional items and specific IAS 39 mark to market movements, Group free cash flow, regional free cash flow, regional return on equity and personal targets. The maximum annual bonus opportunity for Executive Directors was set at 100% of base salary for the performance year 1 January to 31 December 2006 which will be paid fully in cash (i.e. no longer part in cash and part in shares).

For the 2006 performance period, the Committee reviewed the performance of each Executive Director against their qualitative and quantitative objectives. EPS and regional profit from operations, both excluding exceptional items and specific IAS 39 mark to market movements, Group free cash flow, regional free cash flow and regional return on equity all exceeded target in each region for the performance year 2006. In addition the Committee agreed that the Executive Director team had worked well to deliver the benefits of integrating the assets purchased as part of the Coleto Creek, Indian Queens and Levanto acquisitions whilst maintaining good operational results from the regions.

The Committee used their discretion to enhance the 2006 bonus for Bruce Levy to recognise the contribution of the significantly improved performance from our North American business.

Name	Bonus	Award
Philip Cox	100%	£610,000
Mark Williamson	100%	£360,000
Tony Concannon	100%	£330,000
Steve Riley	100%	£330,000
Bruce Levy	200%	£650,336

The details of these payments are set out in the Directors' aggregate remuneration table.

For 2007 the maximum target bonus levels have been established on the following basis:

Maximum 2007 bonus achievable					
	Personal	EPS (Group)	Free cash flow (Group)	Profit from operations (Region)	Free cash flow (Region)
Philip Cox	10%	60%	30%	-	-
Mark Williamson	10%	60%	30%	-	-
Tony Concannon	10%	30%	15%	30%	15%
Steve Riley	10%	30%	15%	30%	15%
Bruce Levy	10%	30%	15%	30%	15%

Selection of performance criteria

For awards previously made under the 2002 Performance Share Plan and the Approved, Unapproved and Global Executive Share Option Plans, the performance conditions have been aligned with the key objective of growth in the EPS measure, which reflects the underlying business performance of the Company, as presented in the financial statements.

Prior to 2006 the performance condition for Performance Share Plan awards was based exclusively on EPS growth. In 2006 the Remuneration Committee concluded that the performance condition should include an element of TSR. As a result, 50% of the 2006 award is subject to a TSR performance condition measured against companies in the FTSE 51-100, whilst 50% of the award is subject to the achievement of a specific EPS growth target. The inclusion of a significant TSR element recognised shareholders' wishes to have a relative, market-based measure, when assessing performance and will be incorporated into the performance condition for future Performance Share Plan awards.

For the TSR element of the performance measure, 25% of this element of the award will vest for median TSR performance and 100% will vest for upper quartile performance. In addition, before releasing any award in respect of the TSR element, the Remuneration Committee will satisfy itself that the Company's TSR performance is a genuine reflection of the underlying performance of the Company.

For the 2007 Performance Share Plan awards, the threshold and maximum EPS performance conditions have been fixed at 27p (representing 6.4% compound annual growth on 2006 EPS performance) and 34p (representing 14.9% compound annual growth on 2006 EPS performance) respectively. They have been selected to provide a challenging performance requirement.

Straight line pro-rating will apply for performance between the threshold and maximum data points for both the TSR and EPS growth elements.

If either the TSR or EPS performance measure is not achieved the other half of the award may still vest if the relevant performance measure has been achieved. The extent of vesting will be dependent upon achieved performance as described above.

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

Given that the principal performance measures for the Company's share plans is based on growth in EPS and TSR, the Committee will also 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.

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 incorporates a performance condition that from 2002 – 2005 has reflected only EPS. For the award made in 2006, the performance condition was based on EPS and TSR. The performance conditions for awards currently outstanding are as follows:

Date of award	Performance period	Threshold performance condition	Maximum performance condition	Vesting rate
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.
		2005 EPS 13.5p: Performance condition met. 100% of the award vested on 8 March 2006.		
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.
		2005 EPS 13.5p: Performance condition met. 100% of the award vested on 8 March 2006.		
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.
		2006 EPS 22.4p: Performance condition met. 100% of the award to vest on 12 March 2007.		
11 March 2005	1 January 2005 to 31 December 2007	30% of the award will vest if EPS performance for the year ended 31 December 2007 is not less than 13.7p.	100% of the award will vest if EPS performance for the year ended 31 December 2007 is equal to or greater than 15.0p.	Vesting will be pro-rated for EPS performance between these two points.
8 March 2006	1 January 2006 to 31 December 2008	12.5% of the award will vest if EPS performance for the year ended 31 December 2008 is not less than 21.0p.	50% of the award will vest if EPS performance for the year ended 31 December 2008 is equal to or greater than 24.0p.	Vesting will be pro-rated for EPS performance between these two points.
		12.5% of the award will vest at the median of FTSE 51-100 companies' TSR performance for the three years ended 31 December 2008.	50% of the award will vest at the upper quartile of FTSE 51-100 companies' TSR performance for the three years ended 31 December 2008.	Vesting will be pro-rated for TSR 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.

2007 awards

After the release of its preliminary results, the Company will make Performance Share Plan awards to Philip Cox equivalent to 200% of his base salary, and to Mark Williamson, Tony Concannon, Steve Riley and Bruce Levy equivalent to 150% of their base salary. These awards are subject to the performance conditions described under 'Selection of performance criteria'. Shares will vest subject to the Remuneration Committee being satisfied with the level of achievement against the applicable performance conditions.

Approved, Unapproved and Global Executive Share Option Plans

Pre-Demerger “Legacy” Share Option Plans

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 from National Power.

International Power Share Option Plans

Options granted under these plans will normally become exercisable after the end of a three-year period. Each grant includes a performance condition reflecting EPS growth. There is no re-testing of the performance condition applicable to each option grant. Performance conditions for options granted are as follows:

Date of award	Performance period	Threshold performance condition	Maximum performance condition	Vesting rate
3 October 2000	1 January 2001 to 31 December 2003	Fully exercisable if average annual growth in normalised earnings per International Power Ordinary 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%.		
		Performance condition achieved.		
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%.		
		Performance condition not achieved.		
10 March 2003	1 January 2003 to 31 December 2005	30% of the award will be exercisable if EPS performance for the year ending 31 December 2005 is not less than 9.7p.	100% of the award will be exercisable 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.
		2005 EPS 13.5p: Performance condition met, 100% of the award exercisable from 10 March 2006.		
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.		
		2006 EPS 22.4p: Performance condition met. 100% of the award fully exercisable from 7 March 2007.		
11 March 2005	1 January 2005 to 31 December 2007	30% of the award will be exercisable if EPS performance for the year ending 31 December 2007 is not less than 13.7p.	100% of the award will be exercisable if EPS performance for the year ending 31 December 2007 is equal to or greater than 14.5p.	Vesting will be pro-rated for EPS performance between these two points.

No awards of Executive Share Options were made to the Executive Directors in 2006 and the Executive Directors will not participate in future grants of Executive Share Options.

As a result of the 2006 performance conditions being met, the following shares under the Performance Share Plan will be released to the Executive Directors on 12 March 2007; also the following Executive Share Options become exercisable from 7 March 2007:

	Performance Shares	Executive Share Options
Philip Cox	384,529	384,529
Mark Williamson	202,384	202,384
Tony Concannon	190,240	190,240
Steve Riley	190,240	190,240

Pensions policy

The Committee has reviewed its pensions policy for the Executive Directors against the background of the changes in pensions legislation effective from 6 April 2006. The Committee has concluded that no compensatory payments will be made as a result of this change in legislation.

The Remuneration Committee has agreed to maintain the application of the earnings cap on pensionable earnings to members who joined the Electricity Supply Pension Scheme on or after 1 June 1989.

The Committee has also concluded that from April 2006 no further contributions should be paid into a Funded Unapproved Retirement Benefit Scheme (FURBS) fund. In lieu of future contributions to a FURBS fund, from April 2006, a non-pensionable cash allowance will be paid. The cost ceiling for the provision of pension benefits for the Executive Directors who are affected by the earnings cap is 33% of salary. The value of the allowance payable is determined by deducting from the cost ceiling an allowance for actual pension provision and the cost of unapproved life cover.

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, these Executive Directors 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.

Appointment agreement – Bruce Levy

Bruce Levy has a US appointment agreement which is subject to 12-months' notice by the Company. For termination by the Company, he may receive a payment of 125% of annual basic salary (which includes the 12-months' notice) which will be paid in semi-monthly instalments, plus benefit continuation. If the Company elects to release Bruce Levy from the restrictive covenants in his contract, he can be required to account for any salary received to reduce the amount of these semi-monthly payments, to a maximum of 24 semi-monthly payments. The date upon which his agreement was entered into was 21 December 2005.

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. Their appointment is reviewed at the end of each three-year period and extended for a period of one to three years if both parties agree.

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

	Date contract entered into	Contract expiry
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
Bruce Levy	21 December 2005	12-months' notice
Non-Executive Directors		
Sir Neville Simms	22 February 2000	12-months' notice
Tony Isaac	2 October 2000	AGM May 2009
Adri Baan	30 May 2002	31 December 2007
Jack Taylor	2 October 2000	17 May 2006
Struan Robertson	27 September 2004	AGM May 2008
John Roberts	18 May 2006	18 May 2009

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

Non-Executive Directors' fees and shareholding requirements

Non-Executive Director fee levels were reviewed with effect from 1 January 2006 (last increased in July 2003). Non-Executive Directors will no longer be required to use a proportion of their fee to purchase International Power shares. The annual fees for 2006 are set out below:

Sir Neville Simms	£250,000
Tony Isaac	£60,000
Adri Baan	£55,000
Jack Taylor	£45,000
Struan Robertson	£45,000
John Roberts	£45,000

The above fees for the Non-Executive Directors comprise a basic fee, which covers Board membership (i.e. attendance at Board meetings, general duties as Directors and their membership of Board committees) of £45,000, a fee of £10,000 per annum for chairing each of the Audit and Remuneration Committees and a fee of £5,000 per annum for acting as Senior Independent Director.

Audit

The detail of the Directors' remuneration, pensions and interests in share options and long-term incentive plans as disclosed below have been audited by the Company's external auditor.

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 an Her Majesty's Revenue and Customs (HMRC)-registered scheme. The scheme provides for: a normal retirement age of 60; an accrual rate that targets two-thirds of pensionable salary at normal retirement age; 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 an earnings cap based on the limits previously imposed by HMRC.

The benefits provided through the scheme are also restricted by an earnings cap based on that previously imposed by HMRC. To compensate for this, the scheme benefits are supplemented by the Company arranging additional life assurance cover and, until 31 March 2006, paying contributions to a FURBS. The cost ceiling for the provision of pension benefits is 33% of salary. The contributions to the FURBS were determined by deducting from the cost ceiling an allowance for actual pension provision and the cost of unapproved life cover. With effect from 1 April 2006 the contributions to the FURBS were replaced by a non-pensionable cash allowance.

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 HMRC earnings limit, the scheme provides for them: a normal retirement age of 60; an accrual rate that targets two-thirds of pensionable salary at normal retirement age; 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			Transfer value of accrued benefit			Transfer value of increase in accrued pension excluding inflation less Directors' contributions £
	At 31 December 2006 £	Increase in year		At 31 December 2006 £	At 31 December 2005 £	Increase less Directors' contribution £	
		Including inflation £	Excluding inflation £				
Philip Cox	15,400	4,200	3,900	292,200	194,000	82,000	57,200
Mark Williamson	22,900	4,200	3,600	362,200	257,000	89,100	41,500
Steve Riley	105,500	20,400	18,100	1,551,200	1,090,100	444,100	249,100
Tony Concannon	98,900	19,000	16,900	1,307,900	920,300	370,500	206,000

- The accrued benefit, as at 31 December 2006, is the pension entitlement which would be paid annually on retirement based on service to the end of 2006. 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 £346, Steve Riley has an entitlement to an accrued lump sum of £185,930 and Tony Concannon has an entitlement to an accrued lump sum of £176,471. 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 to 31 March 2006, contributions to a FURBS were £32,000 in respect of Philip Cox, and £20,900 in respect of Mark Williamson.

The pension arrangements for Bruce Levy are provided through a 401k Savings Plan, a Retirement Plan and a Supplemental Retirement Plan, which are money purchase schemes operated by International Power America (formerly American National Power), up to a cost to the Company of 30% of salary. With effect from 1 January 2006, this cost ceiling was increased to 33%.

2006 Directors' remuneration and interests

Directors' aggregate remuneration

The table below shows the aggregate remuneration of the Directors of International Power plc for the year ended 31 December 2006.

	Salary	Fees	Performance related bonus – cash	Payment in lieu of pension	Other benefits	Aggregate remuneration year to 31 December 2006	Aggregate remuneration year to 31 December 2005
	£	£	£	£	£	£	£
Sir Neville Simms	–	250,000	–	–	–	250,000	210,000
Philip Cox	610,000	–	610,000	137,512	16,109	1,373,621	1,342,397
Mark Williamson	360,000	–	360,000	86,429	13,441	819,870	801,173
Tony Concannon	330,000	–	330,000	–	97,860	757,860	728,148
Steve Riley	330,000	–	330,000	–	74,008	734,008	765,061
Bruce Levy	325,168	–	650,336	107,306	46,458	1,129,268	453,905
Tony Isaac	–	60,000	–	–	–	60,000	50,000
Adri Baan	–	55,000	–	–	–	55,000	45,000
Jack Taylor	–	22,500	–	–	–	22,500	40,000
Struan Robertson	–	45,000	–	–	–	45,000	40,000
John Roberts	–	27,944	–	–	–	27,944	–
Total	1,955,168	460,444	2,280,336	331,247	247,876	5,275,071	4,475,684

- 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) was £45,000. In addition, Tony Isaac received an additional fee of £5,000 for his role as Senior Independent Director. Tony Isaac also received £10,000 for his role as Chairman of the Audit Committee, and Adri Baan received an additional fee of £10,000 for his role as Chairman of the Remuneration Committee. John Roberts joined the Company on 18 May 2006. Jack Taylor resigned as a Director on 17 May 2006.
- Sir Neville Simms' fee for 2006 was £250,000.
- For Philip Cox, the payment in lieu of pension detailed in the above table sets out the contributions made to his death-in-service insurance premium, Funded Unapproved Retirement Benefits Scheme (FURBS) to April 2006 and a cash allowance in lieu of contributions to a FURBS from April 2006. He also received a company car allowance and private medical insurance, which are included in 'Other benefits'.
- For Mark Williamson, the payment in lieu of pension detailed in the above table sets out the contributions made to his death-in-service insurance premium, FURBS to April 2006 and a cash allowance in lieu of contributions to a FURBS from April 2006. He also received a company car allowance and private medical insurance, which are included in 'Other benefits'.
- Tony Concannon was appointed an Executive Director on 1 January 2004. He 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. In addition, International Power Australia Pty Ltd incurs local charges regarding taxation of remuneration. For 2006, this cost is £348,157 (2005: £318,028) which was fully funded by Tony Concannon.
- Steve Riley was appointed an Executive Director on 1 January 2004. He 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.
- Bruce Levy was appointed an Executive Director on 1 June 2005. His salary from that date is included in the above table. The payment in lieu of pension detailed in the above table sets out the contributions made to Bruce Levy's 401k Savings Plan, a Retirement Plan and a Supplemental Retirement Plan. 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 support. The values shown in the above table have been converted from US dollars to sterling using the average annual exchange rate of 1.8452.

The following information shows the interests of the Directors as at the end of the financial year in the Company's Performance Share Plans, Executive Share Option Plans and the Sharesave Plan.

Long-term incentive plans

i) 2002 Performance Share Plan

Conditional rights awarded over International Power plc Ordinary Shares under the 2002 Performance Share Plan held by Directors at 1 January 2006 and 31 December 2006 (together with details of awards made and vested during the period) were as follows:

	As at 1 January 2006	Awards made ⁽¹⁾	Market value as at date of Award (pence)	End of performance period	Awards vested ⁽²⁾	Market value on vesting date (pence)	As at 31 December 2006
Philip Cox	759,169	–	62.32	31 December 2005	(759,169)	268.50	–
	384,529	–	123.53	31 December 2006	–	–	384,529
	292,887	–	179.25	31 December 2007	–	–	292,887
	–	434,163	281.00	31 December 2008	–	–	434,163
	1,436,585	434,163			(759,169)		1,111,579
Mark Williamson	99,164	–	62.32	31 December 2005	(99,164)	268.50	–
	202,384	–	123.53	31 December 2006	–	–	202,384
	172,942	–	179.25	31 December 2007	–	–	172,942
	–	192,170	281.00	31 December 2008	–	–	192,170
	474,490	192,170			(99,164)		567,496
Tony Concannon	67,994	–	62.32	31 December 2005	(67,994)	268.50	–
	190,240	–	123.53	31 December 2006	–	–	190,240
	158,995	–	179.25	31 December 2007	–	–	158,995
	–	176,156	281.00	31 December 2008	–	–	176,156
	417,229	176,156			(67,994)		525,391
Bruce Levy	158,995	–	179.25	31 December 2007	–	–	158,995
	–	184,432	281.00	31 December 2008	–	–	184,432
	158,995	184,432			–		343,427
Steve Riley	88,505	–	62.32	31 December 2005	(88,505)	268.50	–
	190,240	–	123.53	31 December 2006	–	–	190,240
	158,995	–	179.25	31 December 2007	–	–	158,995
	–	176,156	281.00	31 December 2008	–	–	176,156
	437,740	176,156			(88,505)		525,391

The performance conditions that must be satisfied for the vesting of awards are given in the Remuneration section of the *Annual Report* on page 67.

⁽¹⁾ Awards made on 8 March 2006. The performance conditions that must be satisfied before these awards may be released are set out in the Remuneration Report on page 67.

⁽²⁾ Awards vested on 8 March 2006. The aggregate of the theoretical gain made by Directors on the vesting of the Performance Share Plan Awards during the year was £2,724,824 (2005: nil). This is calculated by reference to the closing mid-market price of the shares on the date of vesting, disregarding whether such shares were sold or retained on exercise, and is stated before tax.

The pension arrangements for Bruce Levy are provided through a 401k Savings Plan, a Retirement Plan and a Supplemental Retirement Plan, which are money purchase schemes operated by International Power America (formerly American National Power), up to a cost to the Company of 30% of salary. With effect from 1 January 2006, this cost ceiling was increased to 33%.

2006 Directors' remuneration and interests

Directors' aggregate remuneration

The table below shows the aggregate remuneration of the Directors of International Power plc for the year ended 31 December 2006.

	Salary	Fees	Performance related bonus – cash	Payment in lieu of pension	Other benefits	Aggregate remuneration year to 31 December 2006	Aggregate remuneration year to 31 December 2005
	£	£	£	£	£	£	£
Sir Neville Simms	–	250,000	–	–	–	250,000	210,000
Philip Cox	610,000	–	610,000	137,512	16,109	1,373,621	1,342,397
Mark Williamson	360,000	–	360,000	86,429	13,441	819,870	801,173
Tony Concannon	330,000	–	330,000	–	97,860	757,860	728,148
Steve Riley	330,000	–	330,000	–	74,008	734,008	765,061
Bruce Levy	325,168	–	650,336	107,306	46,458	1,129,268	453,905
Tony Isaac	–	60,000	–	–	–	60,000	50,000
Adri Baan	–	55,000	–	–	–	55,000	45,000
Jack Taylor	–	22,500	–	–	–	22,500	40,000
Struan Robertson	–	45,000	–	–	–	45,000	40,000
John Roberts	–	27,944	–	–	–	27,944	–
Total	1,955,168	460,444	2,280,336	331,247	247,876	5,275,071	4,475,684

- 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) was £45,000. In addition, Tony Isaac received an additional fee of £5,000 for his role as Senior Independent Director. Tony Isaac also received £10,000 for his role as Chairman of the Audit Committee, and Adri Baan received an additional fee of £10,000 for his role as Chairman of the Remuneration Committee. John Roberts joined the Company on 18 May 2006. Jack Taylor resigned as a Director on 17 May 2006.
- Sir Neville Simms' fee for 2006 was £250,000.
- For Philip Cox, the payment in lieu of pension detailed in the above table sets out the contributions made to his death-in-service insurance premium, Funded Unapproved Retirement Benefits Scheme (FURBS) to April 2006 and a cash allowance in lieu of contributions to a FURBS from April 2006. He also received a company car allowance and private medical insurance, which are included in 'Other benefits'.
- For Mark Williamson, the payment in lieu of pension detailed in the above table sets out the contributions made to his death-in-service insurance premium, FURBS to April 2006 and a cash allowance in lieu of contributions to a FURBS from April 2006. He also received a company car allowance and private medical insurance, which are included in 'Other benefits'.
- Tony Concannon was appointed an Executive Director on 1 January 2004. He 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. In addition, International Power Australia Pty Ltd incurs local charges regarding taxation of remuneration. For 2006, this cost is £348,157 (2005: £318,028) which was fully funded by Tony Concannon.
- Steve Riley was appointed an Executive Director on 1 January 2004. He 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.
- Bruce Levy was appointed an Executive Director on 1 June 2005. His salary from that date is included in the above table. The payment in lieu of pension detailed in the above table sets out the contributions made to Bruce Levy's 401k Savings Plan, a Retirement Plan and a Supplemental Retirement Plan. 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 support. The values shown in the above table have been converted from US dollars to sterling using the average annual exchange rate of 1.8452.

ii) Executive Share Options

Options over International Power plc Ordinary Shares granted under the National Power Legacy Executive Share Option Scheme, the International Power UK Approved and Unapproved Executive Share Option Schemes and the Global Executive Share Option Schemes held by Directors at 1 January 2006 and 31 December 2006 (together with details of options exercised during the period), were as follows:

	As at 1 January 2006	Exercise price per share (pence)	Exercised during the year	Date of exercise	Market value on date of exercise (pence)	Exercise period from	Exercise period to	As at 31 December 2006
Philip Cox	17,191	174.50				24.05.2005	24.05.2012	17,191
	149,859	174.50				24.05.2005	24.05.2012	149,859
	561,616	62.32	(561,616)	14.08.2006	319.25	10.03.2006	10.03.2013	–
	384,529	123.53				02.03.2007	02.03.2014	384,529
	292,887	179.25				11.03.2008	11.03.2015	292,887
	1,406,082		(561,616)					844,466
Mark Williamson	5,403	277.55				02.10.2003	02.10.2010	5,403
	30,624	277.55				02.10.2003	02.10.2010	30,624
	7,168	209.22				22.03.2004	22.03.2011	7,168
	16,728	209.22				22.03.2004	22.03.2011	16,728
	35,415	174.50				24.05.2005	24.05.2012	35,415
	99,164	62.32	(99,164)	14.08.2006	319.25	10.03.2006	10.03.2013	–
	202,384	123.53				02.03.2007	02.03.2014	202,384
	172,942	179.25				11.03.2008	11.03.2015	172,942
	569,828		(99,164)					470,664
Tony Concannon	7,189	287.76	(7,189)	13.12.2006	388.25	23.12.1999	23.12.2006	–
	6,950	343.73				02.12.2000	02.12.2007	6,950
	7,873	313.92				01.12.2001	01.12.2008	7,873
	3,377	277.55				02.10.2003	02.10.2010	3,377
	19,139	277.55				02.10.2003	02.10.2010	19,139
	4,480	209.22				22.03.2004	22.03.2011	4,480
	10,455	209.22				22.03.2004	22.03.2011	10,455
	6,447	174.50				24.05.2005	24.05.2012	6,447
	17,835	174.50				24.05.2005	24.05.2012	17,835
	67,994	62.32	(67,994)	14.08.2006	319.25	10.03.2006	10.03.2013	–
	190,240	123.53				02.03.2007	02.03.2014	190,240
	158,995	179.25				11.03.2008	11.03.2015	158,995
	500,974		(75,183)					425,791
Bruce Levy	158,995	179.25				11.03.2008	11.03.2015	158,995
	158,995							158,995
Steve Riley	12,302	287.76	(12,302)	14.08.2006	319.25	23.12.1999	23.12.2006	–
	12,001	343.73				02.12.2000	02.12.2007	12,001
	13,904	313.92				01.12.2001	01.12.2008	13,904
	5,674	277.55	(5,674)	14.08.2006	319.25	02.10.2003	02.10.2010	–
	32,155	277.55	(32,155)	14.08.2006	319.25	02.10.2003	02.10.2010	–
	6,810	209.22	(6,810)	14.08.2006	319.25	22.03.2004	22.03.2011	–
	18,282	209.22	(18,282)	14.08.2006	319.25	22.03.2004	22.03.2011	–
	31,608	174.50				24.05.2005	24.05.2012	31,608
	88,505	62.32	(88,505)	14.08.2006	319.25	10.03.2006	10.03.2013	–
	190,240	123.53				02.03.2007	02.03.2014	190,240
	158,995	179.25				11.03.2008	11.03.2015	158,995
	570,476		(163,728)					406,748

No grants of Executive Share Options were made to Directors during the period 1 January 2006 to 31 December 2006.

Options exercisable prior to October 2003 were granted under the National Power Legacy Executive Share Option Scheme (Tony Concannon and Steve Riley). Options exercisable after October 2003 were granted under the International Power Approved and Unapproved Executive Share Option Plans (Philip Cox, Mark Williamson, Tony Concannon and Steve Riley) and the Global Executive Share Option Plan (Bruce Levy).

Details of performance criteria attaching to options capable of exercise from October 2003 onwards are given in the Remuneration section of the *Annual Report* on page 68. Options exercisable from October 2003, March 2004 and March 2006 achieved their performance criteria in full and are capable of exercise in total. Options exercisable from May 2005 did not meet their performance criteria. No performance conditions applied to those options exercisable prior to October 2003.

The aggregate of the theoretical gain made by Directors on the exercise of options during the year was £2,154,335 (2005: nil). This is calculated by reference to the difference between the closing mid-market price of the shares on the date of exercise and the exercise price of the options, disregarding whether such shares were sold or retained on exercise, and is stated before tax.

iii) Sharesave Options

Options over International Power plc Ordinary Shares granted under the International Power Sharesave Plan and Global Sharesave Plan held by Directors at 1 January 2006 and 31 December 2006 (together with details of options exercised during the period), were as follows:

	As at 1 January 2006	Granted	Exercised	Market value ⁽³⁾ (pence)	Option price (pence)	Exercise period		As at 31 December 2006
						From	To	
Philip Cox ⁽¹⁾	20,499	–	–	–	80.12	24.12.2007	24.06.2008	20,499
Mark Williamson ⁽¹⁾	11,793	–	(11,793)	272.00	80.12	24.12.2005	24.06.2006	–
	–	8,050	–	–	200.00	01.03.2011	31.08.2011	8,050
Tony Concannon ⁽¹⁾	–	8,050	–	–	200.00	01.03.2011	31.08.2011	8,050
Bruce Levy ⁽²⁾	–	8,050	–	–	200.00	01.03.2011	31.08.2011	8,050
Steve Riley ⁽¹⁾	–	4,675	–	–	200.00	01.03.2009	31.08.2009	4,675

⁽¹⁾ Options held under the UK Approved Sharesave Scheme

⁽²⁾ Options held under the Global Sharesave Scheme.

⁽³⁾ Date of exercise of option 21 March 2006.

ii) Executive Share Options

Options over International Power plc Ordinary Shares granted under the National Power Legacy Executive Share Option Scheme, the International Power UK Approved and Unapproved Executive Share Option Schemes and the Global Executive Share Option Schemes held by Directors at 1 January 2006 and 31 December 2006 (together with details of options exercised during the period), were as follows:

	As at 1 January 2006	Exercise price per share (pence)	Exercised during the year	Date of exercise	Market value on date of exercise (pence)	Exercise period from	Exercise period to	As at 31 December 2006
Philip Cox	17,191	174.50				24.05.2005	24.05.2012	17,191
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	384,529	123.53				02.03.2007	02.03.2014	384,529
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	1,406,082		(561,616)					844,466
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	7,168	209.22				22.03.2004	22.03.2011	7,168
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	99,164	62.32	(99,164)	14.08.2006	319.25	10.03.2006	10.03.2013	–
	202,384	123.53				02.03.2007	02.03.2014	202,384
	172,942	179.25				11.03.2008	11.03.2015	172,942
	569,828		(99,164)					470,664
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	6,950	343.73				02.12.2000	02.12.2007	6,950
	7,873	313.92				01.12.2001	01.12.2008	7,873
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	4,480	209.22				22.03.2004	22.03.2011	4,480
	10,455	209.22				22.03.2004	22.03.2011	10,455
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	190,240	123.53				02.03.2007	02.03.2014	190,240
	158,995	179.25				11.03.2008	11.03.2015	158,995
	500,974		(75,183)					425,791
Bruce Levy	158,995	179.25				11.03.2008	11.03.2015	158,995
	158,995							158,995
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	6,810	209.22	(6,810)	14.08.2006	319.25	22.03.2004	22.03.2011	–
	18,282	209.22	(18,282)	14.08.2006	319.25	22.03.2004	22.03.2011	–
	31,608	174.50				24.05.2005	24.05.2012	31,608
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	190,240	123.53				02.03.2007	02.03.2014	190,240
	158,995	179.25				11.03.2008	11.03.2015	158,995
	570,476		(163,728)					406,748

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Details of performance criteria attaching to options capable of exercise from October 2003 onwards are given in the Remuneration section of the *Annual Report* on page 68. Options exercisable from October 2003, March 2004 and March 2006 achieved their performance criteria in full and are capable of exercise in total. Options exercisable from May 2005 did not meet their performance criteria. No performance conditions applied to those options exercisable prior to October 2003.

The aggregate of the theoretical gain made by Directors on the exercise of options during the year was £2,154,335 (2005: nil). This is calculated by reference to the difference between the closing mid-market price of the shares on the date of exercise and the exercise price of the options, disregarding whether such shares were sold or retained on exercise, and is stated before tax.

iii) Sharesave Options

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	As at 1 January 2006	Granted	Exercised	Market value ⁽³⁾ (pence)	Option price (pence)	Exercise period		As at 31 December 2006
						From	To	
Philip Cox ⁽¹⁾	20,499	–	–	–	80.12	24.12.2007	24.06.2008	20,499
Mark Williamson ⁽¹⁾	11,793	–	(11,793)	272.00	80.12	24.12.2005	24.06.2006	–
	–	8,050	–	–	200.00	01.03.2011	31.08.2011	8,050
Tony Concannon ⁽¹⁾	–	8,050	–	–	200.00	01.03.2011	31.08.2011	8,050
Bruce Levy ⁽²⁾	–	8,050	–	–	200.00	01.03.2011	31.08.2011	8,050
Steve Riley ⁽¹⁾	–	4,675	–	–	200.00	01.03.2009	31.08.2009	4,675

⁽¹⁾ Options held under the UK Approved Sharesave Scheme

⁽²⁾ Options held under the Global Sharesave Scheme.

⁽³⁾ Date of exercise of option 21 March 2006.

Shares held in trust

As at 31 December 2006, a total of 1,241,452 Ordinary Shares of the Company were held in two separate Employee Share Ownership Trusts (31 December 2005: 2,081,573). Being potential recipients, the Directors (together with all other employees of the Company and its subsidiaries) have an interest in these shares. No shares were purchased and placed into trust during the financial year ended 31 December 2006 (2005: Nil).

Directors' beneficial interests as at 31 December 2006

The beneficial interest of the Directors in office at 31 December 2006 in the Ordinary Shares of the Company are shown in the table below:

Director	At 31 December 2006	At 1 January 2006
Sir Neville Simms	178,220	178,220
Philip Cox	528,133	173,360
Mark Williamson	121,000	105,818
Tony Concannon	123,278	71,992
Bruce Levy	90,364	30,000
Steve Riley	112,226	94,932
Adri Baan	38,801	38,801
Tony Isaac	25,501	25,501
John Roberts	25,000	–
Struan Robertson	3,163	3,163

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

The middle market quotation for an Ordinary Share of the Company on 31 December 2006 was 381.75p (2005: 239.50p) and the daily quotations during the year ranged from 243.00p to 395.25p.



Adri Baan

Chairman of the Remuneration Committee

On behalf of the Board of Directors of International Power plc

5 March 2007

