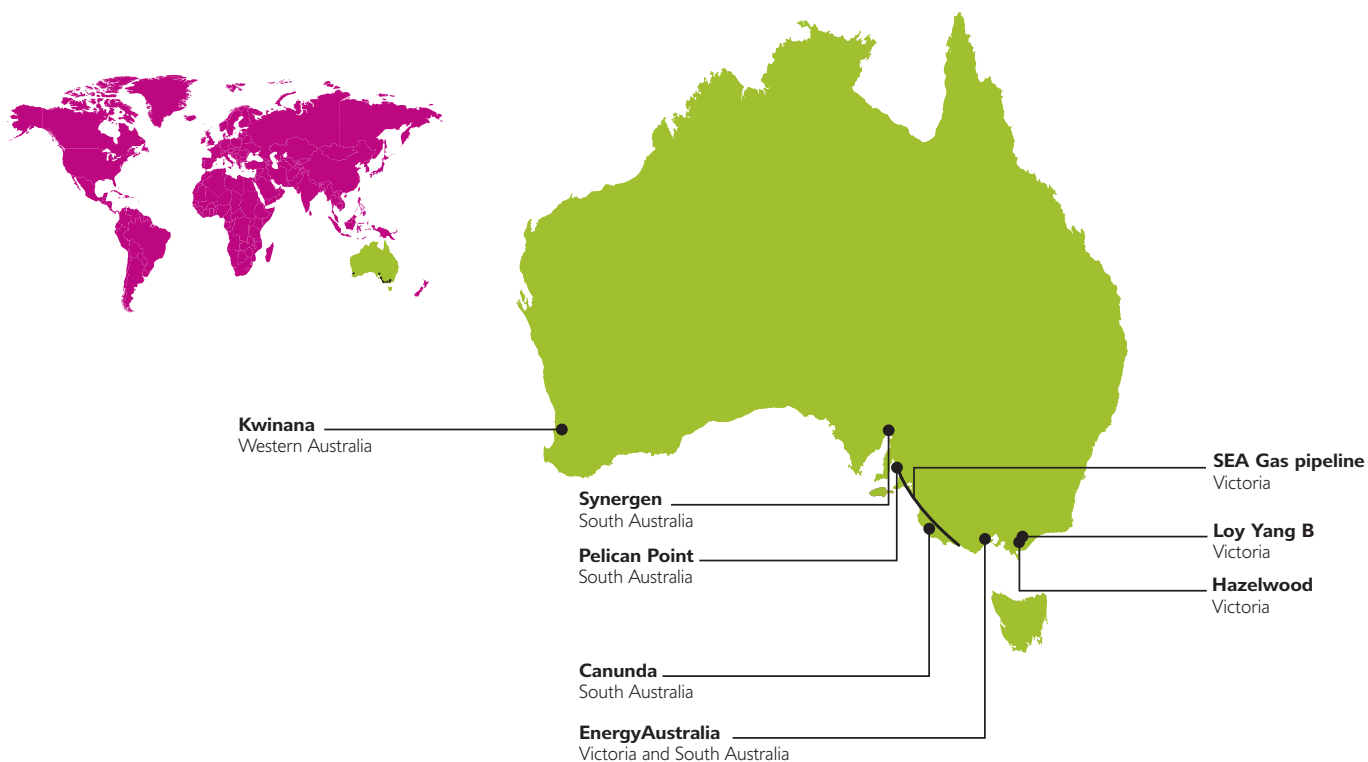


# Regional review Australia



Profit from operations in Australia decreased 11% to £124 million (£140 million in 2005) primarily due to the expected reduction in achieved prices at Hazelwood and the sale of the 300 MW Valley Power peaking plant in August 2005.

- ➔ Profit from operations reduced to £124 million from £140 million last year
- ➔ Improved forward prices in Victoria and South Australia
- ➔ Reserve margin continues to tighten

	Year ended 31 December 2006 £m	Year ended 31 December 2005 £m
Profit from operations	74	125
Exceptional items and specific IAS 39 mark to market movements – (profits)/losses	50	15
PFO (excluding exceptional items and specific IAS 39 mark to market movements)	124	140

As at 5 March 2007

	Fuel / Type	Gross capacity power MW	Net capacity power MW	Gross capacity heat (MWth)	Net capacity heat (MWth)
<b>Assets in operation</b>					
Canunda, South Australia	Wind	46	46	–	–
Pelican Point, South Australia	Gas (CCGT)	485	485	–	–
Synergen, South Australia	Gas/distillate	360	360	–	–
Hazelwood, Victoria	Coal	1,635	1,500	–	–
Loy Yang B, Victoria	Coal	1,010	707	–	–
Kwinana, Western Australia	Gas (CCGT)	118	58	–	–
<b>Australia total in operation</b>		<b>3,654</b>	<b>3,156</b>		
<b>Other assets and investments</b>					
EnergyAustralia, Victoria and South Australia <sup>(1)</sup>	Electricity and gas retailer	–	–	–	–
SEA Gas pipeline, Victoria and South Australia	687 km gas pipeline from Victoria to South Australia	–	–	–	–

<sup>(1)</sup> EnergyAustralia (50% owned by International Power) services circa 415,000 electricity and gas retail accounts in Victoria and South Australia.

Low levels of hydro generation and a tightening reserve margin have contributed to an improvement in forward electricity prices in Victoria. In 2008 and 2009 base load prices have risen to over A\$40/MWh. Expected output for 2007 is largely contracted and therefore International Power should benefit from these price increases from 2008.

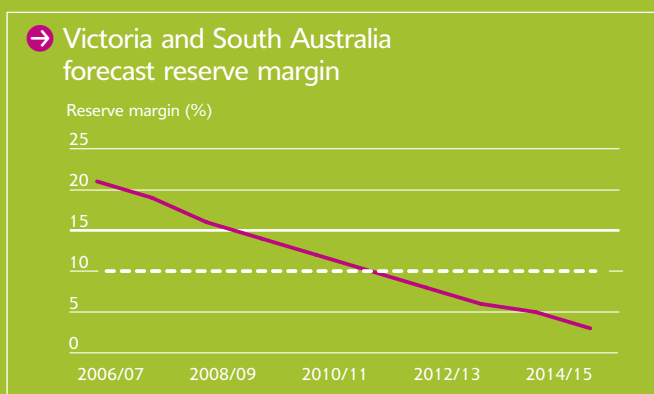
	Achieved power price (A\$/MWh)			Load factor (%)		
	2005	2006	2007 forecast	2005	2006	2007 forecast
Hazelwood	34	33	34	80	80	80

The retail partnership with EnergyAustralia in Victoria and South Australia continues to increase its customer base, with the number of power and gas accounts now at some 415,000, up from 175,000 on formation of the partnership in July 2005.

In October, Hazelwood was awarded an A\$80 million grant by the federal and Victorian governments to develop innovative retrofit low emission technology to one of its 200 MW generating units. The project includes coal drying and turbine efficiency improvements and is targeting a reduction in greenhouse gas emissions. The project also includes a pilot CO<sub>2</sub> capture scheme which is expected to be operational by mid 2008.

Driven by steady demand growth, the reserve margin in Victoria and South Australia continues to tighten, and forward prices have risen.

We will consider growth opportunities (greenfield and acquisitions) in our existing and other Australian markets (e.g. New South Wales and Western Australia) that meet our investment criteria.



Hazelwood, Victoria