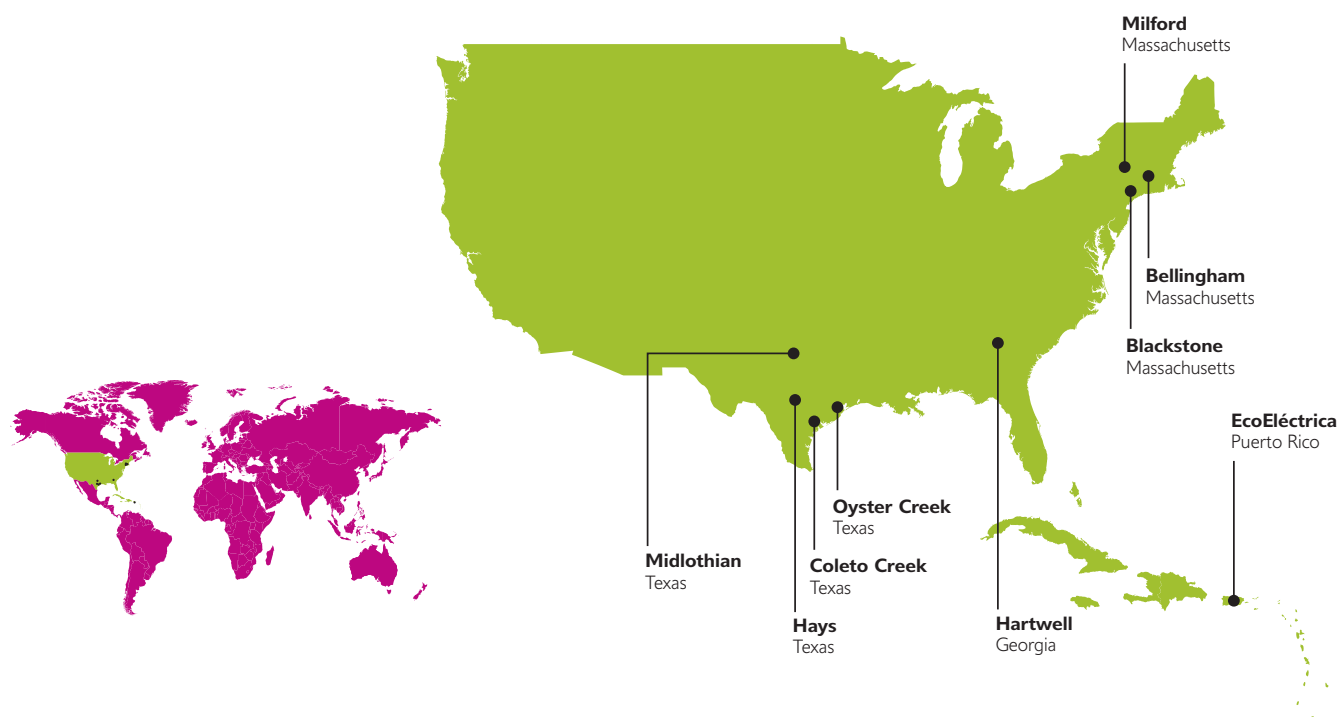


# Regional review North America



Profit from operations increased to £101 million compared to £48 million last year.

This increase in profitability was driven by an improved performance from the merchant assets and a first time contribution from Coletto Creek, which was acquired in July 2006. EcoEléctrica and the other contracted assets, Hartwell and Oyster Creek, also performed well delivering a consistent financial performance.

In Texas and New England, International Power benefited from increased output and improving spreads. At Midlothian in Texas, the achieved spread increased from \$12/MWh to \$14/MWh at a load factor of 60% compared to 55% in 2005. The Hays plant, which was mothballed until May 2005, delivered a full year of contribution with an average achieved

spread of \$14/MWh at a 55% load factor. In New England, the achieved spread increased significantly from \$6/MWh to \$12/MWh and our plants in the region ran at a 60% load factor compared to 40% in 2005.

The acquisition of the 632 MW coal fired Coletto Creek plant in Texas was successfully completed in July for a total consideration of \$1.14 billion (£621 million). Since acquisition Coletto Creek has operated with excellent availability of 98% and at a load factor of 98% setting an all time annual generation record for this plant. Construction of the dust emission reduction equipment continues with completion expected in Q2 2007.

- ➔ Profit from operations increased to £101 million compared to £48 million last year
- ➔ Increased output and improved spread at merchant assets
- ➔ First time contribution from Coletto Creek, acquired in July 2006

	Year ended 31 December 2006 £m	Year ended 31 December 2005 £m
Profit from operations	111	49
Exceptional items and specific IAS 39 mark to market movements – (profits)/losses	(10)	(1)
PFO (excluding exceptional items and specific IAS 39 mark to market movements)	101	48

	Fuel / Type	Gross capacity power MW	Net capacity power MW	Gross capacity heat (MWth)	Net capacity heat (MWth)
<b>Assets in operation</b>					
Hartwell, Georgia	Gas (OCGT)	310	155	–	–
Bellingham, Massachusetts <sup>(1)</sup>	Gas (CCGT)	570	570	–	–
Blackstone, Massachusetts <sup>(1)</sup>	Gas (CCGT)	570	570	–	–
Milford, Massachusetts	Gas (CCGT)	160	160	–	–
EcoEléctrica, Puerto Rico	LNG (CCGT)	524	183	–	–
Coletto Creek, Texas	Coal	632	632	–	–
Hays, Texas <sup>(1)</sup>	Gas (CCGT)	1,100	1,100	–	–
Midlothian, Texas <sup>(1)</sup>	Gas (CCGT)	1,650	1,650	–	–
Oyster Creek, Texas	Gas (Cogen/CCGT)	425	213	100 MWth	50 MWth
<b>North America total in operation</b>		<b>5,941</b>	<b>5,233</b>		

<sup>(1)</sup> Capacity shown for these assets is the nameplate capacity.

For 2007, approximately 55% of our expected merchant combined cycle gas turbine (CCGT) output in Texas and New England has been forward contracted and 95% of Coletto Creek's expected output for 2007 has also been forward contracted.

The Texas and New England markets continue their recovery. Driven by warm weather and a heat wave, 2006 saw new demand peaks in both Texas and New England. In Texas, peak demand touched 62,339 MW, up 3.5% on 2005, and in New England peak demand reached 28,130 MW, up 4.5% on 2005. With consistent demand growth, Texas and New England will require additional capacity over the next 3-5 years in order to maintain sufficient reserve margins.

In order to encourage new capacity, the system operator in New England has launched a capacity market. The Forward Capacity Market (FCM) started operating in December 2006, and our assets are benefiting from this regime. Under this market incremental payments are made to generators based on plant availability, and from 2010 capacity payments will be determined through planned auctions.

In Texas, reserve margins continue to tighten and this supports the need for capacity additions throughout the state. In 2006, TXU and other generators announced plans to install additional generation capacity of around 14,000 MW to meet growing demand, although 6,900 MW of these additions have since been cancelled. These cancellations are expected to result in a further tightening of reserve margins.

The tightening reserve margin in both Texas and New England provides potential growth opportunities for our business in these markets.

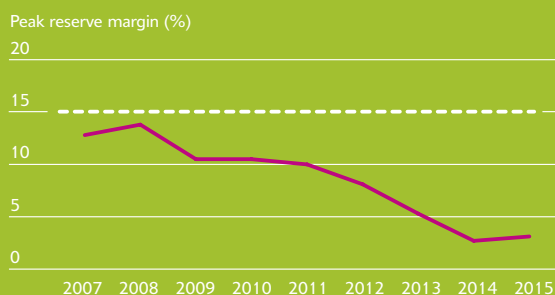
	Spread (\$/MWh)			Load factor (%)		
	2005	2006	2007 forecast	2005	2006	2007 forecast
<b>Blackstone &amp; Bellingham, New England*</b>	6	12	21	40	60	45
<b>Midlothian, Texas</b>	12	14	17	55	60	55
<b>Hays, Texas**</b>	12	14	13	65	55	50
<b>Coletto Creek, Texas***</b>	n/a	24	28	n/a	98	80

\* Includes FCM payments

\*\* Hays mothballed until 2005

\*\*\* Excludes SO<sub>2</sub> costs

### → Projected reserve margin – Texas



### → Projected reserve margin – New England

