

# 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 2003.

In addition, it received advice from James Richards, Human Resources Manager, 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.

## 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.



Left: Hartwell, US

As part of its continued review of executive remuneration policy, and to assist with the succession management plan implemented on 1 January 2003, the Chairman consulted a number of the Company's principal institutional shareholders and other major institutional bodies regarding its executive remuneration arrangements. The Committee incorporated those arrangements into the service agreements for Philip Cox, and that held by David Crane prior to his resignation. During 2003 the Chairman consulted a number of the Company's principal institutional shareholders and other major institutional bodies regarding its process for recruiting a CEO to replace David Crane.

In 2003 the Company has introduced two new areas of remuneration policy for Executive Directors and senior managers related to paying bonuses in shares and share retention, both of which are detailed in this report.

### 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 in cash and shares)             |
| Pension   | Demerger LTIP (ceased operation on 2 October 2003) |
| Healthcare  | Performance Share Plan                             |
| Car allowance   | 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 260% of base salary. 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 2004 |          |
|----------------------------------|----------|
| NAME                             | SALARY   |
| Philip Cox                       | £475,000 |
| Mark Williamson                  | £250,000 |
| Tony Concannon                   | £235,000 |
| Steve Riley                      | £235,000 |

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 2003. In order to increase the share ownership of Executive Directors and senior management, and to further increase the alignment of remuneration package to shareholder return, the bonus award for this period has been made part in cash and part in shares.

For this period the Committee awarded Philip Cox a cash bonus of £71,411 and 71,411 shares, recognising both the significant corporate and personal achievements during the period 1 January to 31 December 2003. Mark Williamson was appointed a Director on 11 December 2003. For the period 11 December to 31 December 2003 he was awarded a cash bonus of £2,399 and 2,399 shares. The shares for Philip Cox and Mark Williamson will be released to them on 2 March 2004.

The details of these payments are set out in the Directors' aggregate remuneration table on page 54.

As part of the new 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.

It is intended that the bonuses payable for the performance years 2004 and 2005 will also be paid part in cash and part in shares, subject to the above retention arrangements.

## Share Plans for Executive Directors: Performance Conditions

### Demerger Long-Term Incentive Plan

Two separate performance conditions applied for awards to be made under this Plan. First that the average of the closing mid-market prices of an Ordinary Share on the London Stock Exchange for the 60 consecutive dealing days immediately prior to the third anniversary of the Demerger Date must have been equal to or greater than 152% of the Initial Price (the Initial Price having been fixed as being 295.175p per share) immediately following the Demerger. Second, that the average annual growth in normalised earnings per share of the Company for the financial reporting period of the Company ending on 31 December 2000 to the end of the financial reporting period ending on 31 December 2003 must have been equal to or greater than 7%. No awards have been made in respect of this plan and the plan ceased operation on 2 October 2003.

### 2002 Performance Share Plan

#### 2002 awards

The awards made under this Plan in 2002 will normally vest after the end of a three-year period commencing on 1 January 2002 and ending on 31 December 2004 (the Performance Period). The performance condition that applies to the awards made in 2002 is based on growth in normalised earnings per share (EPS growth). Under this condition, 30% of the award will vest after 31 December 2004 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.

#### 2003 awards

As part of the Company's succession management plan, a special conditional award was made in March 2003 to David Crane and Philip Cox which will normally vest after the end of a three-year period commencing on 1 January 2003 and ending on 31 December 2005 (the Performance Period). The performance condition that applies to the above award is based on growth in normalised earnings per share (EPS growth). Under this condition, 30% of the award will vest after 31 December 2005 if EPS performance for the year ended 31 December 2005 is not less than 11.5p. 100% of the award will vest if EPS performance for the year ended 31 December 2005 is equal to or greater than 14p. Vesting will be pro-rated for EPS performance between these two points. These special conditional awards represented 50% of the base salary of David Crane and Philip Cox.

Additionally, as part of the Company's annual incentive arrangements, annual awards were also made in March 2003. These will normally vest after the end of a three-year period commencing on 1 January 2003 and ending on 31 December 2005 (the Performance Period). The performance condition that applies to this annual incentive award is based on growth in normalised earnings per share (EPS growth). 30% of the award will vest after 31 December 2005 if EPS performance for the year ended 31 December 2005 is not less than 11.5p. 100% of the award will vest if EPS performance for the year ended 31 December 2005 is equal to or greater than 16p. Vesting will be pro-rated for EPS performance between these two points. David Crane and Philip Cox, being the serving Executive Directors, were given annual incentive Conditional Awards of shares to the value of 100% of their base salary, subject to performance conditions. Tony Concannon, Steve Riley and Mark Williamson participate in this award up to 50% of their base salary.

David Crane's awards under this plan lapsed upon his resignation as a Director on 30 November 2003.

#### 2004 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 earnings per share 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.

##### 2000 and 2001 Executive Share Options

The ability to exercise those options granted on 3 October 2000 and 22 March 2001 to Tony Concannon, Steve Riley and Mark Williamson are subject to the following performance condition: that the 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 must be equal to or exceed 7%.

##### 2002 Executive Share Options

Options granted to Executive Directors in May 2002 will become exercisable if average annual EPS growth over the Performance Period (being 1 January 2002 to 31 December 2004) is not less than RPI+4%. Under this grant the Executive Directors in service as at the date of

the grant were given Executive Share Options to the value of 100% of their base salary, subject to performance conditions. Each of Tony Concannon, Steve Riley and Mark Williamson participate in this Plan to the value of 50% of their base salary at the time of the award.

##### 2003 Executive Share Options

Options granted to Executive Directors in March 2003 will become exercisable based on growth in normalised earnings per share (EPS growth). Under this condition, 30% of the award will vest after 31 December 2005 if EPS performance for the year ended 31 December 2005 is not less than 11.5p. 100% of the award will vest if EPS performance for the year ended 31 December 2005 is equal to or greater than 14p. Vesting will be pro-rated for EPS performance between these two points. Under this grant the Executive Directors in service as at the date of the grant were awarded Executive Share Options to the value of 100% of their base salary. Each of Tony Concannon, Steve Riley and Mark Williamson participate in this Plan to the value of 50% of their base salary at the time of the award.

##### 2004 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 Approved and Unapproved Executive Share Option Plans. The exercise of these Options will be subject to an earnings per share performance condition. Details of the grant and the performance condition attached will be set out in a Stock Exchange announcement.

Options will become exercisable subject to the Remuneration Committee being satisfied that the applicable performance condition has been met.



Above: Lumut power plant, Malakoff, Malaysia

### Selection of performance criteria

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

For the Demerger LTIP, now closed, the performance conditions were aligned with this same objective, together with growth in the Company's share price.

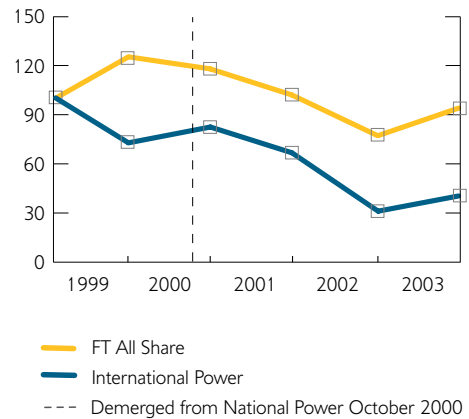
The Remuneration Committee has chosen EPS growth as the performance measure for its share plans to ensure that there is an objective measure of relative performance and the Committee has decided to measure the relative growth in EPS taking into account growth in the RPI index. This choice of EPS growth recognises that International Power is a UK-based company that operates almost entirely 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 liked 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 earnings per share, 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.

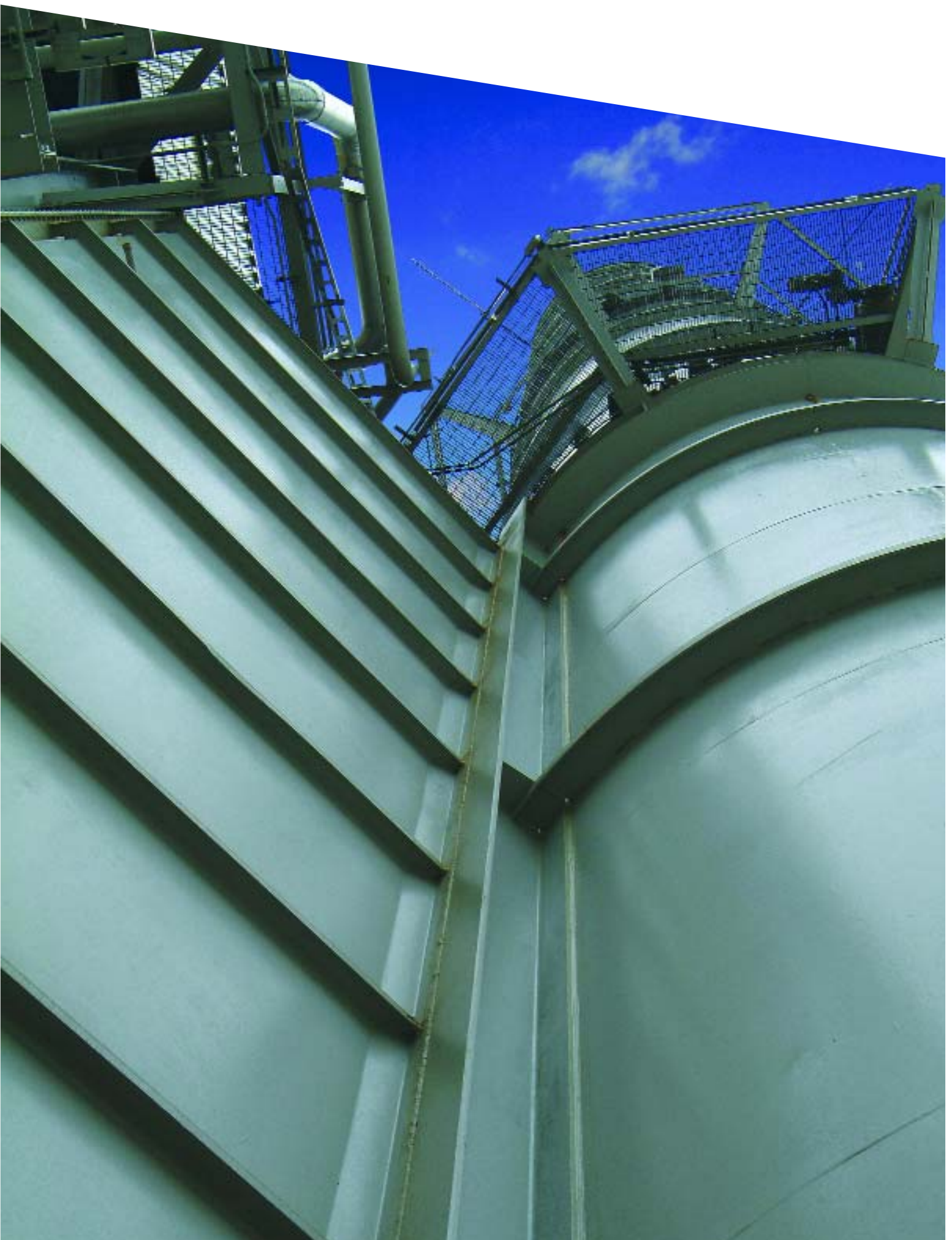
### Total shareholder return (TSR)

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 FT All Share, of which the Company is a constituent member.



Above and right: Blackstone, US





## Directors' service contracts

### Service contracts – David Crane and Philip Cox

During 2003, David Crane (who resigned on 30 November 2003) and Philip Cox each had service contracts subject to 12-months' notice by the Company. For a limited period only (1 January 2003 to 31 December 2004), if the service agreements for David Crane and Philip Cox are terminated for a change of control, the notice period is increased to 24 months. For termination other than for cause, an Executive Director may receive a payment of 125% of annual basic salary (not in addition to the 12-months' notice) to take account of the value of contractual benefits. For termination through the temporary change of control provision referred to above, this payment increases to 250% of annual basic salary (not in addition to the 24-months' notice). The date upon which these contracts were entered into was 25 February 2003.

### Service contracts – Newly appointed Directors

Mark Williamson (appointed a Director on 11 December 2003), Steve Riley and Tony Concannon (appointed Directors on 1 January 2004) 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 (not in addition to 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. Peter Giller, for the period 1 January 2003 to 31 December 2003, was Deputy Chairman and Non-Executive Director. This arrangement terminated on 31 December 2003. 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:

| Non-Executive Directors | Date contract entered into | Contract expiry   |
|-------------------------|----------------------------|-------------------|
| Adri Baan               | 30 May 2002                | AGM May 2006      |
| Peter Giller            | 1 January 2003             | 31 December 2003  |
| Tony Isaac              | 2 October 2000             | AGM May 2006      |
| Sir Neville Simms       | 22 February 2000           | 12 months' notice |
| Jack Taylor             | 2 October 2000             | 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

|                 |                  |  |
|-----------------|------------------|--|
| David Crane     | 25 February 2003 | Terminated through resignation on 30 November 2003 |
| Philip Cox      | 25 February 2003 | 12-months' notice                                  |
| Tony Concannon  | 23 February 2004 | 12-months' notice                                  |
| Steve Riley     | 23 February 2004 | 12-months' notice                                  |
| Mark Williamson | 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, 17 December 2023 for Tony Concannon, 16 August 2021 for Steve Riley and 29 December 2017 for Mark Williamson.

## Non-Executive Directors' fees and shareholding requirements

In order to maintain our Chairman and Non-Executive Directors' fee levels at a comparable scale to the market place, the Company has, effective from 1 July 2003 increased these fees. The revised fees are set out in the Directors' aggregate remuneration table on page 54. In order to receive this increase, 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:

|                   |        |
|-------------------|--------|
| Adri Baan         | 3,901  |
| Tony Isaac        | 3,901  |
| Sir Neville Simms | 10,000 |
| Jack Taylor       | 2,595  |

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 (including, but not limited to, pension, life assurance, shares, share options, bonuses and other incentive arrangements) 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 53 to 59 have been audited by the Company's external auditors.

## Directors' pension benefits

With effect from 1 January 2003 pension arrangements for David Crane and Philip Cox were 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 2/3 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 Electricity Supply Pension Scheme).

As a result of David Crane's resignation, and his having been a member of the Pension Scheme for less than 12 months, he was refunded his pension scheme contributions, which have been included in the table below.

|              | Percentage of base salary paid in lieu of pension arrangements | Cash allowance received for the year to 31 December 2003 (£000) | Cash allowance received for the year to 31 December 2002 (£000) |
|--------------|--|---|---|
| Peter Giller | n/a  | n/a   | n/a   |
| David Crane  | 30%  | 131   | 87  |
| Philip Cox   | 30%  | –   | 87  |

|                 | Accrued benefit Increase in year |                          |                          | Transfer value of accrued benefit |                          |   |   |
|-----------------|----------------------------------|--------------------------|--------------------------|-----------------------------------|--------------------------|---|---|
|                 | At 31 December 2003 £000         | including inflation £000 | excluding inflation £000 | At 31 December 2003 £000          | At 31 December 2002 £000 | Increase less Directors' contributions £000 | Increase in year excluding inflation £000 |
| Philip Cox      | 4                                | 4                        | 4                        | 45                                | –                        | 30  | 30  |
| Mark Williamson | 10                               | 4                        | 4                        | 96                                | 51                       | 37  | 29  |

- The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year. 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.
- Mark Williamson joined the Board on 11 December 2003. However his entitlement is calculated on the amounts and values at 31 December 2002 and those accrued over the period 31 December 2002 to 31 December 2003.
- Philip Cox joined the pension scheme on 1 January 2003. Prior to that date he received cash benefit in lieu of any pension arrangements.
- In addition to the above entitlements, during the year contributions of £68,911 were paid to a funded unapproved retirement benefit scheme in respect of Philip Cox.



## 2003 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 2003.

|                                   | Salary<br>£ | Fees<br>£ | Performance<br>related bonus<br>- cash<br>£ | Performance<br>related bonus<br>- shares<br>£ | Payment<br>in lieu of<br>pension<br>£ | Other<br>benefits<br>£ | Aggregate<br>remuneration<br>year to 31<br>December<br>2003<br>£ | Aggregate<br>remuneration<br>year to 31<br>December<br>2002<br>£ |
|-----------------------------------|-------------|-----------|---|---|---------------------------------------|------------------------|--|--|
| Sir Neville Simms <sup>(6)</sup>  | –           | 192,500   | –   | –   | –                                     | –                      | 192,500  | 175,000  |
| Philip Cox <sup>(7)</sup>         | 357,056     | –         | 71,411                                      | 96,762  | 68,911                                | 15,881                 | 610,021  | 509,632  |
| David Crane <sup>(2)</sup>        | 435,417     | –         | –   | –   | 130,625                               | 16,883                 | 582,925  | 513,311  |
| Peter Giller <sup>(3)(4)(5)</sup> | –           | 100,000   | –   | –   | –                                     | –                      | 100,000  | 675,843  |
| Mark Williamson <sup>(8)</sup>    | 14,113      | –         | 2,399                                       | 3,251   | –                                     | 736                    | 20,499   | –  |
| Jack Taylor <sup>(1)</sup>        | –           | 35,000    | –   | –   | –                                     | –                      | 35,000   | 30,000   |
| Tony Isaac <sup>(1)</sup>         | –           | 42,500    | –   | –   | –                                     | –                      | 42,500   | 35,000   |
| Adri Baan <sup>(1)</sup>          | –           | 37,500    | –   | –   | –                                     | –                      | 37,500   | 17,500   |
| Dennis Hendrix <sup>(1)</sup>     | –           | –         | –   | –   | –                                     | –                      | –  | 12,500   |
| Total                             | 806,586     | 407,500   | 73,810                                      | 100,013                                       | 199,536                               | 33,500                 | 1,620,945  | 1,968,786  |

#### Notes

- The International Power plc Non-Executive Directors' fees were reviewed as at 1 July 2003. The basic fee effective from this date, which covers Board membership (i.e. attendance at Board meetings, general duties as Directors, and their membership of Board Committees) is £40,000 (increased from £30,000). In addition, Tony Isaac receives an additional fee of £5,000 per annum for his role as Senior Independent Director. With effect from 1 July 2003 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.
- As a result of David Crane's resignation and him having been a member of the Pension Scheme for less than 12 months, he was refunded his Pension Scheme contributions which are included in the table above. He also received a company car allowance and private medical insurance, both of which are included in other benefits. These arrangements ceased on 30 November 2003.
- On 2 October 2000, Peter Giller received a one-off conditional award of 677,564 Ordinary Shares in the Company in respect of his three year term of employment (subject to the rules of the Restricted Share Plan). One third of the Ordinary Shares conditionally awarded to him (being 225,854) were issued to him on 2 October 2001 and a further third (225,855) were released on 2 October 2002. The final third (225,855) were issued to him on termination of his service agreement on 31 December 2002. The 2002 total remuneration stated in the table above reflects: 9/12 of the value of his 2002 release, based on the share price at 2 October 2002 of 82.875p per share at the time of the vesting of the shares; and 3/12 of the remaining third released to him on 31 December 2002 based on a share price of 95.125p per share. In addition, during 2002 he was provided with a weekly cash supplement of £1,100 in respect of housing costs.
- As part of Peter Giller's termination of his service agreement he received, on 31 December 2002, the balance of his 2003 Restricted Share Plan release and the full release of his 2002 Performance Share Plan award of 255,102 shares. Both these releases were based on a share price of 95.125p, and are reflected in the 2002 total remuneration shown in the table above. He also received, as part of termination arrangements, a relocation allowance of £25,000.
- 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.
- The Chairman's fee was reviewed as at 1 July 2003 (rather than 2 October 2002, as stated in his original contract). The fee effective from this date, is £210,000 (from £175,000).
- Philip Cox was appointed Chief Executive Officer on 11 December 2003. The increase in his salary, effective 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 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 135.5p (being the mid-market quoted price for 23 February 2004).
- Mark Williamson was appointed an Executive Director on 11 December 2003. His remuneration from that date is included in the above table. The value of the Performance related bonus-share in the above table has been calculated using a share price of 135.5p (being the mid-market quoted price for 23 February 2004).

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

### Demerger LTIP

|             | No. of shares under award as at 1 January 2003 | 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 2003 |
|-------------|--|---|---------------|---|---------------------------|--|
| David Crane | –  | –                                       | –             | –   | 2 October 2003            | –  |
| Philip Cox  | –  | –                                       | –             | –   | 2 October 2003            | –  |

Details of the qualifying conditions with respect to performance under the Demerger LTIP are given in the Directors' remuneration report on page 48. As no awards have been made under the Demerger LTIP before the end of the performance period, the Demerger LTIP ceased to operate on 2 October 2003.

### 2002 Performance Share Plan

#### Directors who served during the year

|                                | No. of shares under award as at 1 January 2003 | 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 2003 |
|--------------------------------|--|---|---------------|---|---------------------------|--|
| David Crane <sup>(1)</sup>     | 148,724  | –                                       | 24 May 2002   | 196p  | 31 December 2004          | –  |
|                                |  | 917,264                                 | 10 March 2003 | 70p   | 31 December 2005          | –  |
| Total Options                  |  |   |               |   |                           | –  |
| Philip Cox                     | 148,724  | –                                       | 24 May 2002   | 196p  | 31 December 2004          | 148,724  |
|                                |  | 675,879                                 | 10 March 2003 | 70p   | 31 December 2005          | 675,879  |
| Total Options                  |  |   |               |   |                           | 824,603  |
| Mark Williamson <sup>(2)</sup> | 31,530   | –                                       | 24 May 2002   | 196p  | 31 December 2004          | 31,530   |
|                                |  | 88,286                                  | 10 March 2003 | 70p   | 31 December 2005          | 88,286   |
| Total Options                  |  |   |               |   |                           | 119,816  |

<sup>(1)</sup> Awards lapsed following resignation of David Crane on 30 November 2003.

<sup>(2)</sup> As at date of appointment 11 December 2003.

#### Directors appointed since 31 December 2003

|                               | No. of shares under award as at 1 January 2003 | 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 2003 |
|-------------------------------|--|---|---------------|---|---------------------------|--|
| Tony Concannon <sup>(1)</sup> | 21,619   | –                                       | 24 May 2002   | 196p  | 31 December 2004          | 21,619   |
|                               |  | 60,536                                  | 10 March 2003 | 70p   | 31 December 2005          | 60,536   |
| Total Options                 |  |   |               |   |                           | 82,155   |
| Steve Riley <sup>(1)</sup>    | 28,141   | –                                       | 24 May 2002   | 196p  | 31 December 2004          | 28,141   |
|                               |  | 78,795                                  | 10 March 2003 | 70p   | 31 December 2005          | 78,795   |
| Total Options                 |  |   |               |   |                           | 106,936  |

<sup>(1)</sup> As at date of appointment 1 January 2004.

Details of the performance conditions in respect of awards made under the 2002 Performance Share Plan are given in the Directors' remuneration report on page 48.

## Executive share options

### Directors who served during the year

|                                | No. of shares under option as at 1 January 2003 | Granted during the year | Exercise price per share | Exercise period from | Exercise period to | No. of shares under option as at 31 December 2003 |
|--------------------------------|---|-------------------------|--------------------------|----------------------|--------------------|---|
| David Crane <sup>(1)</sup>     | 15,306 <sup>(3)</sup>                           |                         | 196p                     | 24 May 2005          | 24 May 2012        | –   |
|                                | 133,418 <sup>(4)</sup>                          |                         | 196p                     | 24 May 2005          | 24 May 2012        | –   |
|                                |   | 678,571 <sup>(4)</sup>  | 70p                      | 10 March 2006        | 10 March 2013      | –   |
| <b>Total Options</b>           | <b>148,724</b>                                  |                         |                          |                      |                    | <b>–</b>  |
| Philip Cox                     | 15,306 <sup>(3)</sup>                           |                         | 196p                     | 24 May 2005          | 24 May 2012        | 15,306  |
|                                | 133,418 <sup>(4)</sup>                          |                         | 196p                     | 24 May 2005          | 24 May 2012        | 133,418   |
|                                |   | 500,000 <sup>(4)</sup>  | 70p                      | 10 March 2006        | 10 March 2013      | 500,000   |
| <b>Total Options</b>           | <b>148,724</b>                                  |                         |                          |                      |                    | <b>648,724</b>                                    |
| Mark Williamson <sup>(2)</sup> | 4,811 <sup>(3)</sup>                            |                         | 311.75p                  | 3 October 2003       | 3 October 2010     | 4,811   |
|                                | 27,265 <sup>(4)</sup>                           |                         | 311.75p                  | 3 October 2003       | 3 October 2010     | 27,265  |
|                                | 6,382 <sup>(3)</sup>                            |                         | 235p                     | 22 March 2004        | 22 March 2011      | 6,382   |
|                                | 14,893 <sup>(4)</sup>                           |                         | 235p                     | 22 March 2004        | 22 March 2011      | 14,893  |
|                                | 31,530 <sup>(4)</sup>                           |                         | 196p                     | 24 May 2005          | 24 May 2012        | 31,530  |
|                                |   | 88,285 <sup>(4)</sup>   | 70p                      | 10 March 2006        | 10 March 2013      | 88,285  |
| <b>Total Options</b>           | <b>84,881</b>                                   |                         |                          |                      |                    | <b>173,166</b>                                    |

<sup>(1)</sup> Options lapsed following resignation of David Crane on 30 November 2003. <sup>(2)</sup> As at date of appointment 11 December 2003.

<sup>(3)</sup> Approved Executive Share Options. <sup>(4)</sup> Unapproved Executive Share Options.

### Directors appointed since 31 December 2003

|                               | No. of shares under option as at 1 January 2003 | Granted during the year | Exercise price per share | Exercise period from | Exercise period to | No. of shares under option as at 31 December 2003 |
|-------------------------------|---|-------------------------|--------------------------|----------------------|--------------------|---|
| Tony Concannon <sup>(1)</sup> | 6,028 <sup>(4)</sup>                            |                         | 336.21p                  | 30 November 1997     | 30 November 2004   | 6,028   |
|                               | 6,401 <sup>(4)</sup>                            |                         | 323.23p                  | 23 December 1999     | 23 December 2006   | 6,401   |
|                               | 6,188 <sup>(4)</sup>                            |                         | 386.09p                  | 2 December 2000      | 2 December 2007    | 6,188   |
|                               | 7,010 <sup>(4)</sup>                            |                         | 352.61p                  | 1 December 2001      | 1 December 2008    | 7,010   |
|                               | 3,007 <sup>(2)</sup>                            |                         | 311.75p                  | 2 October 2003       | 2 October 2010     | 3,007   |
|                               | 17,040 <sup>(3)</sup>                           |                         | 311.75p                  | 2 October 2003       | 2 October 2010     | 17,040  |
|                               | 3,989 <sup>(2)</sup>                            |                         | 235p                     | 22 March 2004        | 22 March 2011      | 3,989   |
|                               | 9,308 <sup>(3)</sup>                            |                         | 235p                     | 22 March 2004        | 22 March 2011      | 9,308   |
|                               | 5,740 <sup>(2)</sup>                            |                         | 196p                     | 24 May 2005          | 24 May 2012        | 5,740   |
|                               | 15,879 <sup>(3)</sup>                           |                         | 196p                     | 24 May 2005          | 24 May 2012        | 15,879  |
|                               |   | 60,535 <sup>(3)</sup>   | 70p                      | 10 March 2006        | 10 March 2013      | 60,535  |
| <b>Total Options</b>          | <b>80,590</b>                                   |                         |                          |                      |                    | <b>141,125</b>                                    |
| Steve Riley <sup>(1)</sup>    | 11,327 <sup>(4)</sup>                           |                         | 306.14p                  | 13 December 1998     | 13 December 2005   | 11,327  |
|                               | 10,953 <sup>(4)</sup>                           |                         | 323.23p                  | 23 December 1999     | 23 December 2006   | 10,953  |
|                               | 10,685 <sup>(4)</sup>                           |                         | 386.09p                  | 2 December 2000      | 2 December 2007    | 10,685  |
|                               | 12,379 <sup>(4)</sup>                           |                         | 352.61p                  | 1 December 2001      | 1 December 2008    | 12,379  |
|                               | 5,052 <sup>(2)</sup>                            |                         | 311.75p                  | 2 October 2003       | 2 October 2010     | 5,052   |
|                               | 28,628 <sup>(3)</sup>                           |                         | 311.75p                  | 2 October 2003       | 2 October 2010     | 28,628  |
|                               | 6,063 <sup>(2)</sup>                            |                         | 235p                     | 22 March 2004        | 22 March 2011      | 6,063   |
|                               | 16,277 <sup>(3)</sup>                           |                         | 235p                     | 22 March 2004        | 22 March 2011      | 16,277  |
|                               | 28,141 <sup>(3)</sup>                           |                         | 196p                     | 24 May 2005          | 24 May 2012        | 28,141  |
|                               |   | 78,795 <sup>(3)</sup>   | 70p                      | 10 March 2006        | 10 March 2013      | 78,795  |
| <b>Total Options</b>          | <b>129,505</b>                                  |                         |                          |                      |                    | <b>208,300</b>                                    |

<sup>(1)</sup> Date of appointment as Directors 1 January 2004. <sup>(2)</sup> Approved Executive Share Options.

<sup>(3)</sup> Unapproved Executive Share Options. <sup>(4)</sup> National Power 'Legacy' Unapproved Executive Share Options.

## Sharesave Options

### Directors who served during the year

|                                | No. of shares under option as at 1 January 2003 | Granted during the year | Exercise price per share | Exercise period from | Exercise period to | No. of shares under option as at 31 December 2003 |
|--------------------------------|---|-------------------------|--------------------------|----------------------|--------------------|---|
| David Crane <sup>(1)</sup>     | 18,250  | –                       | 90p                      | 24 December 2007     | lapsed             | –   |
| <b>Total Options</b>           |   |                         |                          |                      |                    | –   |
| Philip Cox                     | 18,250  | –                       | 90p                      | 24 December 2007     | 24 June 2008       | 18,250  |
| <b>Total Options</b>           |   |                         |                          |                      |                    | 18,250  |
| Mark Williamson <sup>(2)</sup> | 10,500  | –                       | 90p                      | 24 December 2005     | 24 June 2006       | 10,500  |
| <b>Total Options</b>           |   |                         |                          |                      |                    | 10,500  |

<sup>(1)</sup> Options lapsed upon resignation of David Crane as director on 30 November 2003.

<sup>(2)</sup> On appointment 11 December 2003.

### Directors appointed since 31 December 2003

|                               | No. of shares under option as at 1 January 2003 | Granted during the year | Exercise price per share | Exercise period from | Exercise period to | No. of shares under option as at 31 December 2003 |
|-------------------------------|---|-------------------------|--------------------------|----------------------|--------------------|---|
| Tony Concannon <sup>(1)</sup> | 8,400   | –                       | 90p                      | 24 December 2005     | 24 June 2006       | 8,400   |
| <b>Total Options</b>          |   |                         |                          |                      |                    | 8,400   |
| Steve Riley <sup>(1)</sup>    | 10,500  | –                       | 90p                      | 24 December 2005     | 24 June 2006       | 10,500  |
| <b>Total Options</b>          |   |                         |                          |                      |                    | 10,500  |

<sup>(1)</sup> Date of appointment as Directors 1 January 2004.

The middle market quotation for an Ordinary Share of the Company on 31 December 2003 was 123.5p and the daily quotations during the period ranged from 70.13p to 160.00p.

## 2002 Performance Share Plan Share Option

In respect of awards made on 10 March 2003 under the 2002 Performance Share Plan to Directors and eligible employees, on 28 March 2003 and pursuant to the rules of the Plan, the Company granted an option to the Trustee of the 2002 Performance Share Plan to acquire 3,807,057 Ordinary Shares in the Company. The option exercise price is 84p per share, being the middle market quotation for the Company's Ordinary Shares on 27 March 2003. The total number of shares that may be received by Directors in the event of exercise of this option (and assuming full performance of the performance condition) is 903,496.

## Shares held in trust

As at 31 December 2003, a total of 3,003,312 Ordinary Shares of the Company were held in two separate Employee Share Ownership Trusts (31 December 2002: 1,917,414). 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. In line with recommended practice, the fund balances are being written down to £nil over the period of service to which they relate. The book value of the shares placed in Trust as at 31 December 2003 was £2 million (31 December 2002: £1 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 230,014. Shares held in trust for this Plan relate to the Conditional Awards made in 2002.

*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 on page 56 opposite, are given on page 49.*

## Summary of LTIPs

### Directors as at 31 December 2003

| Award Date    | No. of shares under award | Market value at date of award | Prospective date of vesting |
|---------------|---------------------------|-------------------------------|-----------------------------|
| 24 May 2002   | 180,254                   | 196p                          | May 2005                    |
| 10 March 2003 | 764,165                   | 70p                           | May 2006                    |
| <b>Total</b>  | <b>944,419</b>            |                               |                             |

### Directors as at 26 February 2004

| Award Date    | No. of shares under award | Market value at date of award | Prospective date of vesting |
|---------------|---------------------------|-------------------------------|-----------------------------|
| 24 May 2002   | 230,014                   | 196p                          | May 2005                    |
| 10 March 2003 | 903,496                   | 70p                           | May 2006                    |
| <b>Total</b>  | <b>1,133,510</b>          |                               |                             |

## Summary of Directors' Unexercised Executive Share Options

### Directors as at 31 December 2003

| Grant date                    | No. of Options | Exercisable price | Date exercisable |
|-------------------------------|----------------|-------------------|------------------|
| 3 October 2000 <sup>(1)</sup> | 4,811          | 311.75p           | 2003–2010        |
| 3 October 2000 <sup>(2)</sup> | 27,265         | 311.75p           | 2003–2010        |
| 22 March 2001 <sup>(1)</sup>  | 6,382          | 235p              | 2004–2011        |
| 22 March 2001 <sup>(2)</sup>  | 14,893         | 235p              | 2004–2011        |
| 24 May 2002 <sup>(1)</sup>    | 15,306         | 196p              | 2005–2012        |
| 24 May 2002 <sup>(2)</sup>    | 164,948        | 196p              | 2005–2012        |
| 10 March 2003 <sup>(2)</sup>  | 588,285        | 70p               | 2006–2013        |
| <b>Total</b>                  | <b>821,890</b> |                   |                  |

<sup>(1)</sup> Approved Executive Share Options

<sup>(2)</sup> Unapproved Executive Share Options

### Directors as at 26 February 2004

| Grant date                      | No. of Options   | Exercisable price | Date exercisable |
|---------------------------------|------------------|-------------------|------------------|
| 30 November 1994 <sup>(3)</sup> | 6,028            | 336.21p           | 1997–2004        |
| 13 December 1995 <sup>(3)</sup> | 11,327           | 306.14p           | 1998–2005        |
| 23 December 1996 <sup>(3)</sup> | 17,354           | 323.23p           | 1999–2006        |
| 2 December 1997 <sup>(3)</sup>  | 16,873           | 386.09p           | 2000–2007        |
| 1 December 1998 <sup>(3)</sup>  | 19,389           | 352.61p           | 2001–2008        |
| 3 October 2000 <sup>(1)</sup>   | 12,870           | 311.75p           | 2003–2010        |
| 3 October 2000 <sup>(2)</sup>   | 72,933           | 311.75p           | 2003–2010        |
| 22 March 2001 <sup>(1)</sup>    | 16,434           | 235p              | 2004–2011        |
| 22 March 2001 <sup>(2)</sup>    | 40,478           | 235p              | 2004–2011        |
| 24 May 2002 <sup>(1)</sup>      | 21,046           | 196p              | 2005–2012        |
| 24 May 2002 <sup>(2)</sup>      | 208,968          | 196p              | 2005–2012        |
| 10 March 2003 <sup>(2)</sup>    | 727,615          | 70p               | 2006–2013        |
| <b>Total</b>                    | <b>1,171,315</b> |                   |                  |

<sup>(1)</sup> Approved Executive Share Options

<sup>(2)</sup> Unapproved Executive Share Options

<sup>(3)</sup> National Power 'Legacy' Unapproved Executive Share Options



## Summary of Unexercised Sharesave Options

### Directors as at 31 December 2003

| Grant date     | No. of Options | Exercisable price | Date exercisable           |
|----------------|----------------|-------------------|----------------------------|
| 1 October 2002 | 10,500         | 90p               | 24 Dec 2005 - 24 June 2006 |
| 1 October 2002 | 18,250         | 90p               | 24 Dec 2007 - 24 June 2008 |
| <b>Total</b>   | <b>28,750</b>  |                   |                            |

### Directors as at 26 February 2004

| Grant date     | No. of Options | Exercisable price | Date exercisable           |
|----------------|----------------|-------------------|----------------------------|
| 1 October 2002 | 29,400         | 90p               | 24 Dec 2005 - 24 June 2006 |
| 1 October 2002 | 18,250         | 90p               | 24 Dec 2007 - 24 June 2008 |
| <b>Total</b>   | <b>47,650</b>  |                   |                            |

## Directors' beneficial interests

### Directors as at 31 December 2003

| Director                       | As at 31 December 2003 |                   |                   | As at 1 January 2003<br>(or date of appointment if later) |                   |                   |
|--------------------------------|------------------------|-------------------|-------------------|---|-------------------|-------------------|
|                                | Ordinary Shares        | Executive Options | Sharesave Options | Ordinary Shares   | Executive Options | Sharesave Options |
| Adri Baan                      | 18,901                 | –                 | –                 | 5,000   | –                 | –                 |
| Philip Cox                     | 25,000                 | 648,724           | 18,250            | 15,000  | 148,724           | 18,250            |
| Peter Giller                   | 40,000                 | –                 | –                 | 744,568   | –                 | –                 |
| Tony Isaac                     | 8,901                  | –                 | –                 | 5,000   | –                 | –                 |
| Sir Neville Simms              | 110,000                | –                 | –                 | 30,000  | –                 | –                 |
| Jack Taylor                    | 7,595                  | –                 | –                 | 5,000   | –                 | –                 |
| Mark Williamson <sup>(1)</sup> | 28,207                 | 173,166           | 10,500            | 28,207  | 173,166           | 10,500            |

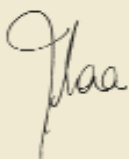
<sup>(1)</sup> Appointed as a Director on 11 December 2003

### Directors appointed since the year end

| Director       | As at 31 December 2003 |                   |                   |
|----------------|------------------------|-------------------|-------------------|
|                | Ordinary Shares        | Executive Options | Sharesave Options |
| Tony Concannon | 2,744                  | 141,125           | 8,400             |
| Steve Riley    | 15,195                 | 208,300           | 10,500            |

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  
26 February 2004