

International Power plc
Financial Results for the Full Year ended 31 December 2010

(London – 2 March 2011) International Power today announces its preliminary results for the year ended 31 December 2010 and reports on key developments to date.

Sir Neville Simms, former Chairman of International Power, said: “In 2010 the business performed well with underlying EPS* up 11%*** and strong free cash flow. The Board has recommended a full year dividend of 10.91 pence per share. I am pleased that the Combination of International Power and GDF SUEZ Energy International was completed on 3 February 2011, creating a leading global independent power producer.”

Dirk Beeuwsaert, Chairman of International Power, said: “The enlarged Group has a well balanced portfolio, a large pipeline of committed projects and significantly enhanced growth prospects. The new management team has already made significant progress in integrating the two businesses. Our balance sheet is strong and we are well positioned for growth.”

Highlights*

- Underlying profit from operations of £995 million (2009: £1,030 million***) – down 3%
- Underlying EPS of 29.1 pence (2009: 26.3 pence***) – up 11%
- Strong free cash flow** of £708 million (2009: £791 million****)
- Full-year dividend of 10.91 pence per share (2009: 12.53 pence) proposed
- Net debt at £4,980 million (2009: £5,059 million)
- Completion of the Combination with GDF SUEZ Energy International
 - Payment of 92 pence per share special dividend
 - Good progress on operational and financial synergies

Profit from operations*

	Year ended 31 December		
	2010	2009 (restated)	2009*** (restated) Excl Czech
	£m	£m	£m
North America	126	134	134
Europe	468	647	529
Middle East	109	85	85
Australia	230	233	233
Asia	110	101	101
Regional total	1,043	1,200	1,082
Corporate costs	(48)	(52)	(52)
Profit from operations	995	1,148	1,030
EPS	29.1p	32.4p	26.3p

Financial highlights – including exceptional items and specific IAS 39 mark to market movements

- Profit from operations of £656 million (2009: £1,390 million)
- EPS of 9.5 pence (2009: 64.5 pence)

Notes:

* Excluding exceptional items and specific IAS 39 mark to market movements. For analysis and explanation of exceptional items and specific IAS 39 mark to market movements, please see notes 1 and 4 to the financial statements which follow.

** Free cash flow is set out on pages 9 and 19.

- *** The adjusted results for 2009 have been presented to represent the 2009 performance excluding the impact of the Czech business. This adjusted result has been derived by reducing Europe profit from operations by £118 million, reducing net interest expense by £15 million and reducing the charge for taxation by £10 million. The adjustment to net interest expense includes an allowance for eleven months of notional interest income which the Group would have earned if it had held the disposal proceeds from the sale of the Czech business for the whole of 2009.
- **** Includes the Czech business.

All reference to financial performance in this commentary excludes the impact of exceptional items and specific IAS 39 mark to market movements (unless stated otherwise).

Following the Group's adoption of IFRIC 12 – Service Concession Arrangements, after its endorsement by the European Union, the year ended 31 December 2009 has been restated (refer to notes 1 and 5).

Combination of International Power and GDF SUEZ Energy International

On 3 February 2011 the Combination with GDF SUEZ's Energy International Business Areas (outside Europe) and certain assets in the UK and Turkey ("GDF SUEZ Energy International") to form an enlarged International Power (the "Combination") was successfully completed. Existing shareholders in International Power received a cash payment of 92 pence per share, by way of the special dividend, paid on 25 February 2011.

The enlarged International Power is a global leader in independent power generation, with a well balanced portfolio in terms of geographic presence, fuel mix (with reduced carbon intensity) and contract type and significantly enhanced growth prospects from a pipeline of committed projects and attractive further opportunities in high growth markets. The Group now has 70.2GW of gross capacity (41.6GW net) in operation and committed projects that will deliver 17.2GW of gross capacity (6.8GW net) by 2013 across our six core regions.

International Power has a robust capital structure that, together with the committed financial support of GDF SUEZ and an investment grade credit rating, provides significantly improved access to capital at an attractive cost.

Good progress has been made on the integration of the two businesses with a strong senior management team in place. Detailed plans are being implemented to deliver operational and financial synergies of £165 million per annum at a one-off cost of £130 million. In line with our integration plan, the US\$780 million corporate revolver facility has been cancelled, the US\$395 million Portfolio Financing for the International Power Mitsui assets has been repaid and US\$807 million of debt secured on Coletto Creek has been repaid. The US\$319 million of debt secured on the IPA Central portfolio will be repaid shortly.

North America

Profit from operations in North America decreased 6% to £126 million compared to £134 million in 2009 (down 7% at constant currency). Profit from operations in the region was principally impacted by a major planned outage and a lower write back of fair value provisions at Coletto Creek. The wind assets in Canada made a first-time full year contribution, and our US peaking plants delivered an improved contribution reflecting higher capacity payments in 2010. Our contracted assets, EcoEléctrica and Oyster Creek, performed well.

As expected, earnings in ERCOT were impacted by weak market conditions. However, total electricity consumption in 2010 improved by 3.5% compared to 2009 and, with no major new-build underway, the level of reserve capacity is expected to continue to decline over the coming years.

In New England, Bellingham and Blackstone achieved an improved performance, benefiting from warmer weather during the summer months. Earnings in New England continue to be underpinned by capacity payments under the Forward Capacity Market.

Our wind farms in Canada performed well and delivered a first-time full year contribution, following their acquisition in October 2009. Construction of the 40MW Harrow project was completed during the second half of the year. In May, power purchase agreements (PPAs) were signed for 76MW of new wind generation capacity (49MW Pointe-Aux-Roches and 27MW Plateau). These two projects are expected to commence operation in 2011 and output will be sold under a 20-year feed-in tariff arrangement to the Ontario Power Authority. A C\$117 million project financing was completed in October 2010 for Pointe-Aux-Roches.

Following completion of the Combination, International Power has interests in over 14,264MW (gross) (13,032MW net) of generation capacity in North America. The majority of these assets (87%) are thermal with the balance being mainly renewable energy. In addition to further thermal assets in Texas and New England, the enlarged portfolio includes FirstLight Power Resources, which has 16 facilities, primarily traditional hydro and pumped hydro storage, located in Massachusetts and Connecticut with a combined capacity of 1,538MW. The portfolio also includes an electricity retail company selling to commercial and industrial customers in the US, the Everett LNG terminal and Neptune LNG offshore facility in Massachusetts. In Mexico, International Power's activities now include gas distribution, gas pipelines, and three electricity-steam cogeneration plants.

Conditions in our merchant markets remain unchanged and for 2011 we have forward contracted 70%, 90% and 60% of the expected output in New England, New York City, and Texas respectively. In New York, the 575MW (gross) (173MW net) Astoria II plant is expected to commence commercial operation during 2011. The capacity from this plant has been contracted under a 20-year long-term PPA.

Europe

Profit from operations in Europe decreased 28% to £468 million from £647 million in 2009 (down 26% at constant currency). Adjusting for the sale of the Czech business, profit from operations was down 12% mainly reflecting a lower contribution from the UK. Our contracted plants in the region operated well.

As expected wholesale prices in the UK, have been affected by a high reserve margin and low gas prices during 2010. As a result, performance in the UK, and in particular at First Hydro, was down on 2009. First Hydro has maintained its strong position in the provision of reserve, response and other ancillary services.

In continental Europe, the majority of our capacity operates under long-term contracts. Construction of the Elecgas plant in Portugal has now been completed and the plant entered commercial operation in February 2011 providing power to Endesa Generacion S.A. under a 25-year tolling contract. Construction of the 420MW T-Power plant in Belgium continues to make good progress and the plant is on schedule to reach commercial operation in the first half of 2011. This plant will be divested during 2011 as a condition of achieving clearance for the Combination from the European Commission.

Following the Combination, the UK-Europe portfolio has a total capacity of 13,027MW (gross) (8,986MW net). International Power now represents 7% of the UK's installed capacity, with the addition of the 1,875MW Teesside CCGT facility, the 210MW Shotton CHP plant, and a 20MW wind farm in Craigengelt. The Combination also adds a retail business selling electricity and gas to industrial and commercial customers, which offers an alternative route to market for the UK generation assets.

For 2011 we have forward contracted 75% of the expected output at Rugeley and 90% at Saltend and an average of 15% from Deeside, Teesside and Shotton. Reduced demand and higher supply has resulted in weak forward prices in the UK. However, expected plant retirements, unpredictable levels of plant reliability, intermittent wind generation, and an uncertain timetable for new-build plant will increase pressure on the reserve margin. The UK government has proposed a set of reforms (Electricity Market Reform (EMR)) and International Power is actively engaged with the government on this process.

Middle East

In the Middle East, profit from operations increased 28% to £109 million, up from £85 million last year (up 27% at constant currency). This increase was primarily driven by a good overall operational performance across the portfolio and a first time contribution from the Fujairah F2 plant.

At Fujairah F2 in the UAE, construction of the 2,000MW, 130MIGD (gross) (400 MW, 26 MIGD net) plant has now been completed and the project commenced operation in three phases during the second half of 2010.

Following the Combination, International Power has a stronger position in the Middle East, Turkey, and Africa (META) with the addition of new operational projects, taking our capacity to 19,723MW (gross) (6,658MW net). In addition, the Group now has six projects under construction. Turkey will now become part of the META region, and therefore META will include the performance of the Uni-Mar and Baymina Enerji plants, and Izgaz, the gas distribution business.

Three power and water projects are expected to reach full commercial operation in 2011; Shuweihat S2 (1,510MW gross, 302MW net) in the UAE, Al Dur (1,234MW gross, 555MW net) in Bahrain and Ras Laffan C (2,730MW gross, 546MW net) in Qatar.

Demand for power and water in this region continues to grow at over 7% per annum and we remain active in bidding on growth projects across these markets. Our strengthened position, reputation and track record means we are well placed to deliver further growth.

Australia

Profit from operations was marginally down 1% at £230 million compared to £233 million in the previous year (down 18% at constant currency). Improved performances at Pelican Point, Loy Yang B and our Simply Energy retail business, which saw improved margins, were offset by a lower contribution from Hazelwood, principally due to major outages on two units.

In November, International Power completed the sale of its 33.33% equity interest in the 687km SEA Gas pipeline to project partners, for A\$91 million, generating a post tax profit on sale of A\$93 million.

Construction of the additional 24MW peaking unit at Port Lincoln (Synergen) in South Australia has now been completed and the unit is expected to enter commercial operation shortly, taking the total capacity of the plant to 72MW. The plant continues to operate under a ten-year ancillary services agreement until December 2018 providing transmission support to the Port Lincoln area.

Forward prices in Australia reflect recent mild weather and low volatility. For 2011, we have forward contracted 70% of the expected output for Hazelwood, 85% for Loy Yang B and 85% for Pelican Point. In late February 2011 the Australian government announced a framework for discussion on a potential price for carbon. This framework will be debated in Parliament, and discussed with industry and the community before a formal proposal is determined.

Asia

Profit from operations in Asia was £110 million, up 9% from £101 million in 2009 (up 10% at constant currency). All of our assets in the region delivered a strong operational performance and achieved availability levels above those targeted in their long-term offtake contracts. Paiton in particular achieved a five-year high in availability.

Following the Combination, International Power holds a 69.1% stake in the Glow Group, which is listed in the Stock Exchange of Thailand and has an installed capacity of 1,823MW (gross) (1,238MW net). International Power also has a 30% stake in Senoko Energy in Singapore, which includes a 2,550MW (gross) (765MW net) power generation portfolio in operation. An additional nine projects are under construction across Thailand, Indonesia, Singapore and Pakistan.

In 2011, 342MW (gross) (236MW net) of capacity at Glow in Thailand and 860MW (gross) (258MW net) at Senoko in Singapore is expected to commence operation.

Construction of the 815MW (gross) (253MW net) super-critical coal-fired Paiton 3 plant in Indonesia and the 110MW TNP2 gas-fired cogeneration plant in Thailand is progressing well. Both plants are on schedule to reach commercial operation in 2012.

In January 2011, International Power signed the financing to develop Uch II, a 375MW CCGT extension to the existing 551MW (gross) (413MW net) Uch plant in Pakistan. The project, which has a 25-year PPA, is expected to be operational in 2013.

Demand for power in the region continues to grow strongly, providing a pipeline of opportunities in existing and new markets, such as Vietnam and the Philippines.

Latin America

Following the Combination, International Power has a portfolio of 10,607MW (gross) (6,110MW net) located in Brazil, Chile, Peru, Argentina, Panama and Costa Rica, with hydro generation representing 60% of our net installed capacity in the region.

In Brazil, International Power owns 68.7% of Tractebel Energia, which is the largest independent power producer in Brazil representing approximately 6% of the country's total installed power generation capacity. In Chile, International Power has a 52.4% interest in E-CL, the largest power company in Chile's Great North Interconnected System, representing 49% of that northern market, and also holds a 63% interest in the Mejillones LNG terminal. International Power also owns 61.7% of EnerSur, Peru's second largest private power generator, with a market share of approximately 18%. International Power has several projects under construction in the region, including two large hydro projects in Brazil: Estreito (1,086MW gross, 299MW net), and Jirau (3,450MW gross, 1,728MW net).

The vast majority of the expected output from our Latin American assets has been contracted under medium to long-term contracts with inflation escalation, and the region is expected to benefit from capacity growth in 2011. The 815MW (gross) (224MW net) at Estreito is expected to commence operation this year and the output from this unit will be sold under a long-term contract. In addition 300MW (gross) (126MW net) of coal-fired generation capacity at E-CL in Chile will also come online during 2011.

The region continues to experience strong demand growth for power driven by economic expansion, a rising population and increasing industrial demand. From 2010 to 2015 our core markets in the region are expected to grow at 6% per annum, presenting further growth opportunities.

Corporate costs

Corporate costs at £48 million have decreased by £4 million compared to last year (2009: £52 million).

Interest

Net interest expense at £392 million is £47 million lower than 2009. This was driven by a reduction in average net debt, mainly as a result of the disposal of the Czech business, and the impact of paying down US\$769 million of debt secured on five US merchant plants located in Texas and New England in December 2009, partially offset by increased interest costs in Australia (when reported in sterling) arising from a strengthening of the Australian dollar.

Foreign exchange

The impact of the weakening of sterling on the results of our overseas operations, compared to the same period in 2009, is an increase in EPS of 1.0 pence. This relates primarily to the translation of profits from Australian dollar operations.

Tax

The Group tax charge has decreased by £51 million to £64 million (2009: £115 million). The effective rate of tax for the year is 16% (2009: 24%). The tax rate has benefited from a release of deferred tax balances arising from the tax rate reduction in the UK and other jurisdictions and, as in 2009, the tax rate has benefited from the resolution of some historic tax issues.

Exceptional items and specific IAS 39 mark to market movements

Exceptional items after tax amount to a loss of £249 million (2009: profit of £365 million).

Following an assessment of the impact of future dark spreads and the Industrial Emissions Directive on Rugeley and Eggborough we have impaired Rugeley by £98 million (and recognised a tax credit of £27 million) and our investment in Eggborough by £17 million.

As a result of proposed legislation published by the Italian Government on 30 November 2010, which indicates many changes to the existing regulatory regime, including a reduction in the level at which the regulator would support the green certificate price, we have impaired goodwill which arose on the acquisition of Maestrone by £175 million (€204 million).

During 2010, the Group recognised transaction costs of £27 million (and a tax credit of £1 million), relating to the Combination of GDF SUEZ Energy International and International Power.

Exceptional items after tax include a loss of £15 million arising from an impairment to the carrying value of the Derwent plant due to the end of its steam offtake contract in 2011.

In November 2010, the Group completed the sale of its 33.33% equity interest in the SEA Gas pipeline realising a profit before tax of £57 million (A\$97 million) and a related tax charge of £2 million.

The specific IAS 39 mark to market movements reported in the period amount to a net loss of £130 million before tax (2009: gain of £230 million). £23 million of the loss relates to power and gas contracts, principally arising from settlements in the period (2009: gain of £311 million which primarily related to a reduction in forward commodity prices in our merchant market regions), and £118 million (2009: loss of £109 million) of the loss relates to mark to market losses on the convertible bonds.

Tax on total specific IAS 39 mark to market movements during the year was a credit of £37 million (2009: charge of £57 million).

Cash Flow

A summary of the Group's cash flow and a reconciliation to net debt is set out below:

	Year ended 31 December	
	2010	2009 (restated)
	£m	£m
Profit for the year	197	1,132
Depreciation and amortisation	432	374
Non-cash items and other movements ⁽ⁱ⁾	579	(327)
Dividends from joint ventures and associates	154	146
Capital expenditure – maintenance	(180)	(148)
Sale of property, plant and equipment	2	1
Net (purchase)/sale of intangible assets	(23)	47
Movement in working capital	11	101
Tax and net interest paid	(464)	(535)
Free cash flow	708	791
Australian stamp duty – exceptional	(6)	(6)
Transaction costs in respect of the Combination	(13)	-
Capital expenditure – growth	(155)	(115)
Investments in (net of returns from) joint ventures, associates and investments	(114)	(18)
Acquisitions	(3)	(76)
Disposals	46	638
Dividends paid	(193)	(195)
Purchase of own shares	(10)	-
Proceeds from share issue	13	3
Net payments to non-controlling interests	(10)	(110)
Other movements in debt	(18)	(36)
Decrease in net debt	245	876
Opening net debt	(5,059)	(6,318)
Net debt on acquisition of subsidiaries	-	(49)
Net debt on disposal of subsidiaries	-	121
Effect of foreign exchange thereon	(166)	311
Closing net debt	(4,980)	(5,059)

⁽ⁱ⁾ Non-cash items and other movements are set out in the consolidated statement of cash flows. They include income statement charges for interest, tax, specific IAS 39 mark to market movements and the share of profit of joint ventures and associates. The comparatives have been restated to reflect the change of accounting policies relating to the adoption of IFRIC 12 (refer to note 1 of the consolidated financial statements).

Free cash flow for the year at £708 million was lower than 2009 (£791 million). The decrease is primarily due to an £90 million year-on-year unfavourable movement in working capital as 2009 benefited from some one-off reductions that were not repeated in 2010. In addition, 2010 was impacted by the phasing of purchases of carbon certificates to cover emissions in EUETS phase two. Interest and tax payments were £71 million lower principally as a result of the pay down of US\$769 million of debt secured on five US merchant plants located in Texas and New England, in December 2009.

Growth capex was £40 million higher in 2010, principally due to the build out of the Canadian wind portfolio and the refitting of the Maestrone wind farms in Italy. Investments in joint ventures, associates and investments has increased by £96 million over 2010 due to the funding of the Fujairah F2 and Paiton 3 projects. Disposals of £46 million in 2010 primarily relates to the disposal of the equity interest in the SEA Gas pipeline.

Summary statement of financial position

The Group's net assets are analysed as follows:

	As at 31 December 2010	As at 31 December 2009 (restated)
	£m	£m
Goodwill and intangibles	855	1,053
Property, plant and equipment	7,212	6,959
Investments	1,774	1,627
Long-term receivables and others	1,678	1,749
Non-current assets	11,519	11,388
Net current liabilities excluding net debt items	(59)	(131)
Non-current liabilities excluding net debt items	(1,505)	(1,437)
Net debt	(4,980)	(5,059)
Net assets	4,975	4,761
Gearing	100%	106%
Debt capitalisation	50%	52%
Net debt – JVs/Associates	(1,881)	(1,684)

The decrease in goodwill and intangible assets since 31 December 2009 mostly reflects the impairment of goodwill relating to Maestrone wind farms. The increase in property, plant and equipment primarily arises on retranslation due to the weakening of sterling against the Australian dollar offset by the impairment of the Rugeley plant.

Net debt has fallen from £5,059 million to £4,980 million following strong cash generation by the business offset by weakening of sterling against the Australian dollar.

International Power has a robust financial position together with the strong committed financial support of GDF SUEZ, which will provide a package of loans and facilities in excess of £3.1 billion on investment grade interest rates, to the enlarged International Power. The Combination significantly strengthens International Power's capital structure and credit ratios. This strengthened credit profile of the combined business has enabled International Power to obtain an investment grade credit rating. As a result, the Group benefits from significantly improved access to capital, at an attractive cost.

Presentation currency

International Power will change the currency in which it reports to euro from the start of the 2011 financial year. Reporting in euro will align our presentation currency with GDF SUEZ following completion of the Combination.

International Power will declare its future dividends in euro. There is no change in the currency of dividend payments and all shareholders will continue to be paid in sterling.

Hedging policy

The Group's current foreign currency hedging policy is to hedge transactional exposures as they arise. In addition, the Group hedges its investments in foreign operations by funding borrowings in the same currency as the underlying investment. Following the Combination, during 2011 the Group will consider utilising foreign exchange derivatives and other financial instruments to hedge its net investment in foreign operations into euro, subject to practical and economic constraints. If adopted, this would bring the Group's currency hedging policy in line with that of GDF SUEZ.

Dividend

The Board is proposing a final dividend of 6.52 pence per share, bringing the full-year dividend to 10.91 pence per Ordinary Share (2009: 12.53 pence per share), representing a payout ratio of 37.5%. Payment of this final dividend to shareholders registered on the Company share register on 27 May 2011 is due to be made on 23 June 2011, following approval at the 2011 AGM which will be held on 17 May 2011.

Pro forma combined 2010 financials

Pro forma combined 2010 financials are presented in an appendix to this announcement on page 39. They are prepared in order to show the results of the enlarged International Power as though the Combination took place on 1 January 2009.

Outlook

International Power has a high quality asset portfolio with significant capacity under construction, which is principally backed by secure off-take arrangements. On a pro forma basis, we expect the enlarged Group to continue to grow in 2011, in particular driven by Latin America. Our contracted assets continue to perform well and our merchant assets are well positioned to capture value from any market recovery. Good progress has been made on integration and towards the delivery of anticipated synergies, which will also benefit our financial performance in 2011. International Power has a robust financial position with an investment grade credit rating and a cash generative business that is strongly positioned to deliver sustained future growth.

Analyst and investor presentation

International Power will be hosting an analyst and investor conference at 9.00am GMT to present its 2010 Preliminary Results. A live webcast and presentation will be available on the Company's website www.iprplc-gdfsuez.com/investors/results-and-presentations

Achieved spreads and load factors

	Year ended 31 December	
	2010 Actual	2009 Actual
North America		
ISO-NE (Bellingham/Blackstone)		
Spark spread (\$/MWh)	\$23	\$24
Load factor	40%	35%
Texas (Hays)		
Spark spread (\$/MWh)	\$10	\$14
Load factor	35%	50%
Texas (Midlothian)		
Spark spread (\$/MWh)	\$9	\$13
Load factor	25%	30%
Texas (Coletto Creek)		
Dark spread (\$/MWh)	\$32	\$27
Load factor	80%	95%
United Kingdom		
Rugeley		
Dark spread (£/MWh)	£42	£26
Load factor	45%	60%
Deeside		
Spark spread (£/MWh)	£12	£16
Load factor	65%	65%
Saltend		
Spark spread (£/MWh)	£22	£25
Load factor	85%	85%
Australia		
Hazelwood		
Achieved power price (A\$/MWh)	A\$42	A\$45
Load factor	80%	80%

Notes:

North America

- ISO-NE spark spreads include income from the Forward Capacity Market and exclude the cost of CO₂.
- Dark spreads at Coletto Creek exclude the cost of SO₂ credits and non-cash write back of fair value provisions.

Europe

- Spreads at Rugeley, Deeside and Saltend exclude the cost of CO₂ and are adjusted to reflect the fuel optimisation achieved by trading our coal and gas assets as a portfolio.

International Power plc

Consolidated Income Statement

For the year ended 31 December 2010

	Year ended 31 December 2010			Year ended 31 December 2009			
	Results excluding exceptional items and specific IAS 39 mark to market movements (i)	Exceptional items and specific IAS 39 mark to market movements (i)	Results for the year	Results excluding exceptional items and specific IAS 39 mark to market movements (i)(ii) (Restated)	Exceptional items and specific IAS 39 mark to market movements (i)	Results for the year (ii) (Restated)	
Note	£m	£m	£m	£m	£m	£m	
Revenue: Group and share of joint ventures and associates	2	4,989	(112)	4,877	4,925	195	5,120
Less: share of joint ventures' revenue		(288)	-	(288)	(384)	-	(384)
Less: share of associates' revenue		(1,245)	-	(1,245)	(1,053)	-	(1,053)
Group revenue	2	3,456	(112)	3,344	3,488	195	3,683
Cost of sales		(2,639)	(184)	(2,823)	(2,551)	46	(2,505)
Gross profit		817	(296)	521	937	241	1,178
Other operating income		148	-	148	217	-	217
Other operating expenses		(208)	(44)	(252)	(237)	(25)	(262)
Share of results of joint ventures and associates		238	1	239	231	26	257
Profit from operations	2	995	(339)	656	1,148	242	1,390
Disposals of interests in businesses		-	57	57	-	449	449
Finance income		34	-	34	39	-	39
Finance expenses		(426)	(123)	(549)	(478)	(107)	(585)
Net finance costs		(392)	(123)	(515)	(439)	(107)	(546)
Profit before tax	2	603	(405)	198	709	584	1,293
Taxation		(64)	63	(1)	(115)	(46)	(161)
Profit for the year		539	(342)	197	594	538	1,132
Attributable to:							
Non-controlling interests		95	(43)	52	101	50	151
Equity holders of the parent		444	(299)	145	493	488	981
Earnings per share:							
Basic	5	29.1p		9.5p	32.4p		64.5p
Diluted	5	28.7p		9.2p	31.9p		61.8p

All results are from continuing operations.

(i) The Group separately presents certain items as exceptional. These are items which, in the judgement of the Directors, need to be disclosed separately by virtue of their size or incidence in order for the reader to obtain a proper understanding of the financial information. In addition, in order to assist the reader in understanding the underlying business performance, the Group separately discloses within the income statement specific IAS 39 mark to market movements (refer to notes 1 and 4).

(ii) The Group has adopted IFRIC 12 – Service Concession Arrangements, following its endorsement by the European Union (refer to notes 1 and 5).

International Power plc

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 £m	Year ended 31 December 2009 (Restated) £m
Profit for the year		197	1,132
Other comprehensive income:			
Net (loss)/gain on cash flow hedges	10	(46)	205
Net exchange gain recognised on net investment hedges	10	18	58
Exchange gain/(loss) arising on translation of foreign operations	10	235	(233)
Reclassification adjustments relating to foreign operations disposed of during the year	10	3	(94)
Actuarial loss on defined benefit plans	10	(10)	(13)
Tax relating to components of other comprehensive income	10	4	(3)
Other comprehensive income for the year, net of tax		204	(80)
Total comprehensive income for the year		401	1,052
Attributable to:			
Non-controlling interests		73	162
Equity holders of the parent		328	890
		401	1,052

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Consolidated Statement of Financial Position

As at 31 December 2010

	31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
	£m	£m	£m
Non-current assets			
Goodwill	713	887	941
Other intangible assets	142	166	196
Property, plant and equipment	7,212	6,959	7,297
Investments in joint ventures and associates	1,690	1,564	1,700
Other investments	84	63	47
Service concession receivables	1,296	1,266	1,340
Finance lease receivables	316	315	364
Other long-term receivables	45	103	124
Deferred tax assets	18	65	122
Derivative financial assets	3	-	30
Total non-current assets	11,519	11,388	12,161
Current assets			
Inventories	238	251	275
Trade and other receivables	804	812	949
Service concession receivables	35	35	42
Finance lease receivables	10	10	10
Derivative financial assets	190	442	477
Cash and cash equivalents	1,350	1,193	1,129
Total current assets	2,627	2,743	2,882
Total assets	14,146	14,131	15,043
Current liabilities			
Loans and bonds	324	745	421
Derivative financial liabilities	182	429	544
Trade and other payables	802	875	894
Current tax liabilities	322	354	389
Provisions	30	23	69
Total current liabilities	1,660	2,426	2,317
Non-current liabilities			
Loans and bonds	6,006	5,507	7,026
Derivative financial liabilities	492	302	522
Other payables	16	41	57
Retirement benefit obligations	108	97	82
Provisions	69	68	72
Deferred tax liabilities	820	929	969
Total non-current liabilities	7,511	6,944	8,728
Total liabilities	9,171	9,370	11,045
Net assets	4,975	4,761	3,998
Equity			
Share capital	764	761	759
Share premium account	446	436	431
Capital redemption reserve	145	145	145
Capital reserve	422	422	422
Revaluation reserve	(1)	(1)	(2)
Hedging reserve	(225)	(176)	(376)
Translation reserve	774	536	833
Retained earnings	2,300	2,351	1,555
Total equity attributable to equity holders of the parent	4,625	4,474	3,767
Non-controlling interests	350	287	231
Total equity	4,975	4,761	3,998

International Power plc

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital	Share premium account	Capital redemption reserve	Capital reserve	Revaluation reserve	Hedging reserve	Translation reserve	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2010	761	436	145	422	(1)	(176)	536	2,351	4,474	287	4,761
Total comprehensive income for the year:											
Profit for the year	-	-	-	-	-	-	-	145	145	52	197
Other comprehensive income:											
Net (loss)/gain on cash flow hedges	-	-	-	-	-	(53)	-	-	(53)	7	(46)
Exchange gain/(loss) recognised on net investment hedges	-	-	-	-	-	-	20	-	20	(2)	18
Exchange (loss)/gain arising on translation of foreign operations	-	-	-	-	-	(3)	219	-	216	19	235
Reclassification adjustments relating to foreign operations disposed of during the year	-	-	-	-	-	3	-	-	3	-	3
Actuarial loss on defined benefit plans	-	-	-	-	-	-	-	(8)	(8)	(2)	(10)
Tax relating to components of other comprehensive income	-	-	-	-	-	4	(1)	2	5	(1)	4
Other comprehensive income for the year, net of tax	-	-	-	-	-	(49)	238	(6)	183	21	204
Total comprehensive income for the year	-	-	-	-	-	(49)	238	139	328	73	401
Transactions with owners, recognised directly in equity:											
Issue of shares	3	10	-	-	-	-	-	-	13	-	13
Distributions to equity holders	-	-	-	-	-	-	-	(193)	(193)	(15)	(208)
Other movements	-	-	-	-	-	-	-	3	3	5	8
Total transactions with owners for the year	3	10	-	-	-	-	-	(190)	(177)	(10)	(187)
At 31 December 2010	764	446	145	422	(1)	(225)	774	2,300	4,625	350	4,975

International Power plc

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2010

	Share capital	Share premium account	Capital redemption reserve	Capital reserve	Revaluation reserve	Hedging reserve	Translation reserve	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2009	759	431	145	422	(2)	(376)	859	1,570	3,808	233	4,041
Impact of adopting IFRIC 12 Service Concession Arrangements (note 1)	-	-	-	-	-	-	(26)	(15)	(41)	(2)	(43)
Restated balance at 1 January 2009	759	431	145	422	(2)	(376)	833	1,555	3,767	231	3,998
Total comprehensive income for the year:											
Profit for the year	-	-	-	-	-	-	-	981	981	151	1,132
Other comprehensive income:											
Net gain on cash flow hedges	-	-	-	-	-	192	-	-	192	13	205
Exchange gain/(loss) recognised on net investment hedges	-	-	-	-	-	-	59	-	59	(1)	58
Exchange gain/(loss) arising on translation of foreign operations	-	-	-	-	-	26	(262)	-	(236)	3	(233)
Reclassification adjustments relating to foreign operations disposed of during the year	-	-	-	-	-	3	(94)	(3)	(94)	-	(94)
Actuarial loss on defined benefit plans	-	-	-	-	-	-	-	(13)	(13)	-	(13)
Tax relating to components of other comprehensive income	-	-	-	-	-	(21)	-	22	1	(4)	(3)
Transfer to retained earnings	-	-	-	-	1	-	-	(1)	-	-	-
Other comprehensive income for the year, net of tax	-	-	-	-	1	200	(297)	5	(91)	11	(80)
Total comprehensive income for the year	-	-	-	-	1	200	(297)	986	890	162	1,052
Transactions with owners, recognised directly in equity:											
Issue of shares	2	5	-	-	-	-	-	-	7	-	7
Distributions to equity holders	-	-	-	-	-	-	-	(195)	(195)	(106)	(301)
Other movements	-	-	-	-	-	-	-	5	5	-	5
Total transactions with owners for the year	2	5	-	-	-	-	-	(190)	(183)	(106)	(289)
At 31 December 2009	761	436	145	422	(1)	(176)	536	2,351	4,474	287	4,761

International Power plc

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Year ended 31 December 2010	Year ended 31 December 2009 (Restated)
Note	£m	£m
Cash flows from operating activities		
Profit for the year	197	1,132
Adjustments for:		
Tax expense	1	161
Net finance costs	515	546
Profit on disposals of interests in businesses	4 (57)	(449)
Share of profit of joint ventures and associates	(254)	(257)
Impairment of Derwent – exceptional	4 15	-
Impairment of available-for-sale investment – exceptional	4 17	25
Transaction costs in respect of the Combination – exceptional	4 27	-
Impairment of receivable relating to Levanto wind farms – exceptional	4 -	70
Impairment of goodwill relating to Maestrale wind farms – exceptional	4 175	-
Impairment of Rugeley plant – exceptional	4 98	-
Specific IAS 39 mark to market movements	23	(311)
Profit on sale of intangible assets	(48)	(47)
Other non-cash movements	20	(19)
Decrease in provisions	(14)	(51)
Decrease in service concession receivables (excluding maintenance and growth expenditure)	30	37
Decrease in finance lease receivables	10	9
Other cash movements	21	(41)
	579	(327)
Adjustment for depreciation of property, plant and equipment and amortisation of intangible assets	432	374
Dividends received from joint ventures and associates	154	146
Purchase of property, plant and equipment – maintenance	(169)	(137)
Service concession expenditure – maintenance	(11)	(11)
Proceeds from disposal of property, plant and equipment	2	1
Purchase of intangible assets	(86)	(22)
Proceeds from disposal of intangible assets	63	69
Operating cash flow before movements in working capital	1,161	1,225
Decrease in inventories	9	9
Decrease in trade and other receivables	74	151
Decrease in trade and other payables	(72)	(59)
Cash generated from operations	1,172	1,326
Taxes paid	(96)	(105)
Interest paid	(404)	(455)
Interest received	36	25
Free cash flow	708	791
Cash flows relating to exceptional items:		
Transaction costs paid in respect of the Combination – exceptional	4 (13)	-
Payment of Australian stamp duty – exceptional	(6)	(6)
Net cash inflow from operating activities	689	785

International Power plc
Consolidated Statement of Cash Flows (continued)
For the year ended 31 December 2010

	Year ended 31 December 2010	Year ended 31 December 2009 (Restated)
	£m	£m
Note		
Net cash inflow from operating activities	689	785
Cash flows from investing activities		
Purchase of property, plant and equipment – growth	(81)	(94)
Service concession expenditure – growth	(74)	(21)
Acquisitions (net of cash and cash equivalents acquired), and increase in stake, of subsidiaries	-	(34)
Acquisitions of joint ventures, associates and investments	(3)	(6)
Payments relating to disposal of a subsidiary	4 (7)	-
Proceeds from disposal of a subsidiary	4 -	563
Proceeds from disposal of investment in joint ventures and associates	4 53	33
Investments in, net of returns from, joint ventures, associates and investments	(114)	(18)
Net cash (outflow)/inflow from investing activities	(226)	423
Cash flows from financing activities		
Dividends paid	6 (193)	(195)
Purchase of own shares	(10)	-
Proceeds from share issue	13	3
Proceeds from new loans and bonds	397	187
Repayment of loans and bonds	(548)	(1,076)
Funding from non-controlling interests	4	39
Funding repaid to non-controlling interests	-	(7)
Distributions paid to non-controlling interests	(14)	(110)
Net cash outflow from financing activities	(351)	(1,159)
Net increase in cash and cash equivalents	112	49
Cash and cash equivalents at beginning of the year	1,193	1,129
Effect of foreign exchange rate changes thereon	45	15
Cash and cash equivalents at end of the year	1,350	1,193

International Power plc

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

1. Basis of preparation

General information

The financial information presented in this preliminary announcement does not constitute the statutory accounts of International Power plc for the years ended 31 December 2010 or 31 December 2009 but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial information presented in this preliminary announcement for the year ended 31 December 2010 has been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the European Union (collectively 'IFRS') at 31 December 2010. Details of the accounting policies applied are those set out in International Power plc's 2009 *Annual Report*, as updated for the change in accounting policy which is discussed within this note on the following pages.

Going concern basis

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business and financial review of the *Annual Report*. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Business and financial review. In addition, the Group's *Annual Report* and consolidated financial statements include the Group's objectives, policies and processes for financial risk management.

During the year ended 31 December 2010 the Group met its funding requirements through a combination of non-recourse project finance debt secured on project companies' assets together with convertible debt, a high yield bond, and a corporate revolver facility at International Power plc ('the Company'). Following the Combination with GDF SUEZ Energy International on 3 February 2011 ('the Combination' - refer to note 14), the enlarged International Power benefits from a significant financial package provided by GDF SUEZ S.A. under a financing agreement. This package comprises loans and facilities in excess of £3.1 billion. Of these facilities £2.1 billion is initially in place to 31 December 2013 and has a one year rolling renewal, with fifteen months' notice. Approximately £955 million is available until August 2011. The Group does not have any material refinancing falling due until June 2012, when the Hazelwood Power Partnership (refer to note 8) and Loy Yang B facilities are due for repayment.

The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group has sufficient financial resources, together with assets that are expected to generate free cash flow to the Group due to the relatively inelastic demand for the Group's primary product, electricity. As a consequence the Directors have a reasonable expectation that the Company and the Group are well placed to manage their business risks and to continue in operational existence for the foreseeable future, despite the continuing uncertain global economic outlook. Accordingly, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

1. Basis of preparation (continued)

Exceptional items and specific IAS 39 mark to market movements

The consolidated financial statements have been prepared using the historical cost convention, modified for certain items carried at fair value, as stated in the Group's accounting policies.

In order to allow a better understanding of the financial information presented, and specifically the Group's underlying business performance, the Group presents its income statement in three columns such that it identifies (i) results excluding exceptional items and specific IAS 39 mark to market movements, (ii) the effect of exceptional items and specific IAS 39 mark to market movements and (iii) results for the year. For the purposes of clarity, in the explanation of the basis of preparation applied in the consolidated financial statements, these columns are described as the 'left hand column', the 'middle column' and the 'right hand column' respectively.

Those items that the Group separately presents as exceptional are items which, in the judgement of the Directors, need to be disclosed separately by virtue of their size or incidence in order to obtain a proper understanding of the financial information. The Group discloses exceptional items in the middle column.

The Group enters into derivative contracts to economically hedge certain of its physical and financial exposures. In relation to commodities trading, the Group considers economic hedges to be those which are asset backed, i.e. where the Group is either forward selling electricity from its own generation capacity or forward buying fuel for its own generation capacity. In respect of interest rate swaps and other treasury related derivatives, the Group considers economic hedges to be those which hedge existing assets, liabilities and firm commitments.

Some of these economic hedges achieve own use treatment under IAS 39 and are accounted for on an accruals basis. Some are accounted for as cash flow hedges under IAS 39 with fair value gains and losses recorded in other comprehensive income and accumulated in the hedging reserve. Where derivative contracts do not achieve own use treatment and the Group could not, or has not sought to, apply cash flow hedge accounting, IAS 39 requires the derivative contract to be measured at fair value (marked to market) with fair value gains and losses recognised in the income statement. The Group separately presents these mark to market movements on economic hedges, in the middle column, to assist the reader's understanding of underlying business performance and to provide a more meaningful presentation.

For economic hedges, where fair value gains and losses are recorded in the income statement, in the period in which the economically hedged transaction settles, the settlement amount of the derivative, being the cumulative fair value gains and losses recognised in the current and prior periods, is presented in the left hand column so that the transaction is measured at its contracted price (i.e. the spot price less the fair value gain or loss on the derivative contract at that date).

As the cumulative mark to market movements have already been recognised in the middle column in the current and prior periods, an equal but opposite amount is presented in the middle column so that cumulatively the amount recognised in the middle column in respect of such economic hedges is zero.

By presenting fair value gains and losses in this manner, the left hand column is not affected by mark to market movements and therefore reflects the underlying business performance at contracted prices.

The amortisation of derivatives, which are acquired with a fair value other than zero, is always recorded in the left hand column. This is achieved by presenting an equal but opposite amount in the middle column, such that specific IAS 39 mark to market movements presented in the middle column are shown net of the amortisation during the period.

Ineffectiveness in qualifying cash flow hedges under IAS 39 can arise from business combinations, where the fair value of the derivatives at acquisition is not equal to zero, or as a result of the difference between the contractual profile of the economic hedge and the profile of transactions defined as the hedged item. IAS 39 requires ineffectiveness in qualifying cash flow hedges to be recorded in the income statement, and therefore the Group records this ineffectiveness in the middle column when it relates to an economic hedge.

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

1. Basis of preparation (continued)

Exceptional items and specific IAS 39 mark to market movements (continued)

Mark to market movements of the fair value of embedded derivatives in convertible bonds, which relate to conversion features where the functional currency of the parent company and other factors preclude the conversion feature being treated as equity in the consolidated financial statements, are treated as specific IAS 39 mark to market movements and as such are presented in the middle column. The Directors consider the fair value gains and losses of these embedded derivatives should be appropriately disclosed within specific IAS 39 mark to market movements, in the middle column, so as to separately identify a non-cash movement which, if the conversion option is exercised, will ultimately be extinguished by the issue of equity.

Mark to market movements relating to proprietary trading activities, the revaluation of assets held for trading and amortisation of derivatives which are acquired with a fair value other than zero comprise part of the Group's underlying business performance and are appropriately, in the judgement of the Directors, included within the left hand column.

The right hand column presents the results for the period, showing all gains and losses recorded in the consolidated income statement.

To the extent that exceptional items are separately identified in the income statement, they are also separately identified in the statement of cash flows under the respective heading to which they relate.

Changes in accounting policies

In the preparation of the consolidated financial statements, the Group has applied the same accounting policies as those presented in the Group's consolidated financial statements for the year ended 31 December 2009, as set out on pages 116 to 123 of the *2009 Annual Report*, as adjusted for the effects of the following:

Adoption of International Financial Reporting Interpretations Committee – Interpretation 12 (Service Concession Arrangements) (IFRIC 12)

IFRIC 12 was endorsed by the EU on 25 March 2009 and is applicable for annual periods beginning on or after 29 March 2009.

Service concessions are arrangements whereby a government or other public sector entity grants contracts for the supply of public services—such as roads, airports, prisons and energy and water supply and distribution facilities—to private sector operators. Control of the assets remains in public hands but the private sector operator is responsible for construction activities, as well as for operating and maintaining the public sector infrastructure. IFRIC 12 addresses how service concession operators should apply existing International Financial Reporting Standards (IFRSs) to account for the obligations they undertake and rights they receive in service concession arrangements.

IFRIC 12 draws a distinction between two types of service concession arrangement. In one, the operator receives a financial asset, i.e. an unconditional contractual right to receive cash or another financial asset from the government in return for constructing or upgrading the public sector asset. In the other, the operator receives an intangible asset, i.e. no more than a right to charge for use of the public sector asset that it constructs or upgrades. A right to charge users is not an unconditional right to receive cash because the amounts are contingent on the extent to which the public uses the service. IFRIC 12 allows for the possibility that both types of arrangement may exist within a single contract: to the extent that the government has given an unconditional guarantee of payment for the construction of the public sector asset, the operator has a financial asset; to the extent that the operator has to rely on the public using the service in order to obtain payment, the operator has an intangible asset.

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

1. Basis of preparation (continued)

Changes in accounting policies (continued)

Adoption of IFRIC 12 (continued)

The Group has several service concession arrangements in place across the Group, principally in Asia, mainland Europe and the Middle East, through contracts entered into by its subsidiaries, joint ventures and associates. Typically these arrangements are in the form of long-term power purchase agreements (agreements to sell electrical capacity and electrical output over an extended period) with government controlled offtakers.

As a consequence of the nature of the contractual arrangements in which the Group is participating, all the Group's service concession arrangements result in the recognition of service concession receivables because the Group has unconditional contractual rights to receive cash or other financial assets from the governments in return for constructing or upgrading the public sector assets. The Group has not recognised any service concession intangible assets as a direct result of the adoption of IFRIC 12.

For the arrangements within the Group which are affected by the adoption of IFRIC 12, these were previously accounted for as contracts which were, or contained, finance leases, following the requirements of IFRIC 4 (Determining whether an Arrangement contains a Lease) and IAS 17 (Leases).

In accordance with the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the change in accounting policy in relation to service concession arrangements, following a change required by IFRS, has been made retrospectively and the comparatives have been restated accordingly.

The impact of adoption of IFRIC 12 is to replace finance lease receivables and property, plant and equipment, with service concession receivables. To the extent that taxable or deductible temporary differences arise on these adjustments, deferred tax assets or liabilities have also been recognised. The carrying amounts of our investments in joint ventures and associates in the statement of financial position have also been changed to recognise the cumulative impact on earnings arising from the adoption of IFRIC 12 in those entities.

As a consequence of the restatement, at 31 December 2009 non-current finance lease receivables decreased by £1,155 million, property, plant and equipment decreased by £82 million, investments in joint ventures and associates decreased by £70 million, current finance lease receivables decreased by £47 million, and deferred tax liabilities decreased by £3 million. At 31 December 2009 non-current service concession receivables of £1,266 million and current service concession receivables of £35 million were recognised.

At 1 January 2009 non-current finance lease receivables decreased by £1,305 million, property, plant and equipment decreased by £21 million, investments in joint ventures and associates decreased by £56 million, current finance lease receivables decreased by £48 million, and deferred tax liabilities decreased by £5 million. At 1 January 2009 non-current service concession receivables of £1,340 million and current service concession receivables of £42 million were recognised.

As a result of the Group's adoption of IFRIC 12, the consolidated income statement in the comparative period, i.e. for the year ended 31 December 2009, has been restated to increase Group revenue by £17 million, increase cost of sales by £7 million, decrease share of results of joint ventures and associates by £19 million, and to increase tax expense by £2 million.

The impact on earnings per share for the prior year is outlined in note 5.

In the consolidated statement of cash flows for the year ended 31 December 2009 the movement in finance lease receivables decreased by £43 million and the adjustment for depreciation of property, plant and equipment and amortisation of intangible assets decreased by £4 million.

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

1. Basis of preparation (continued)

Adoption of International Financial Reporting Standard 3 (Business Combinations) (revised 2008) ('IFRS 3') and International Accounting Standard 27 (Consolidated and Separate Financial Statements) (revised 2008) ('IAS 27')

Following their adoption by the EU, the Group has adopted IFRS 3 and IAS 27 in the current year. The revised standards apply prospectively to business combinations effected by the Group after 1 January 2010. Business combinations which took place before 1 January 2010 do not need to be restated as a result of the adoption of these standards. The most significant changes to the Group's previous accounting policies for business combinations are as follows:

- acquisition related costs which previously would have been included in the cost of a business combination are expensed in the income statement as they are incurred;
- any pre-existing equity interest in the entity acquired is remeasured to fair value at the date of obtaining control, with any resulting gain or loss recognised in the income statement;
- any changes in the Group's ownership interest subsequent to the date of obtaining control are recognised directly in equity, with no adjustment to goodwill; and
- any changes to the cost of an acquisition, including contingent consideration, resulting from events after the date of acquisition are recognised in the income statement. Previously, such changes resulted in an adjustment to goodwill.

The revised standards have been applied to the acquisition of development companies by IPA Wind Development, LLC, as outlined in note 9.

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

2. Segment reporting

The Group is a global energy business that focuses on power generation. The international operations are managed as five separate geographic regions, namely North America, Europe, Middle East, Australia and Asia, and this reflects the different characteristics within each region. The segment disclosures are based on the components that the Board monitors in making decisions about operating matters. Such components are identified on the basis of internal reports that the Board reviews regularly in allocating resources to segments and in assessing their performance, which are prepared on a basis which excludes exceptional items and specific IAS 39 mark to market movements. As the Group is structured and managed as five regions, the segment results, assets and liabilities are presented in this way. The accounting policies applied in the presentation of results of the five reportable segments are the same as the Group's accounting policies described in the notes to the consolidated financial statements included in the *Annual Report* as adjusted for the change in accounting policy outlined in note 1.

a) Revenue (excluding exceptional items and specific IAS 39 mark to market movements)

All five reportable segments derive their revenue from electricity generation. There is no inter-segment revenue, therefore only revenue obtained from customers external to the Group is presented. The results presented reflect the geographical location of both the businesses and their customers, i.e. there are no material cross-border sales.

	Year ended 31 December 2010			Year ended 31 December 2009		
	Share of joint ventures and associates		Total	Share of joint ventures and associates		Total (Restated)
	Subsidiaries	associates		Subsidiaries (Restated)	associates (Restated)	
	£m	£m	£m	£m	£m	£m
North America	660	188	848	669	202	871
Europe	1,703	411	2,114	1,833	435	2,268
Middle East	102	280	382	99	193	292
Australia	938	10	948	841	12	853
Asia	53	644	697	46	595	641
	3,456	1,533	4,989	3,488	1,437	4,925
Exceptional items and specific IAS 39 mark to market movements			(112)			195
Revenue: Group and share of joint ventures and associates			4,877			5,120

Exceptional items and specific IAS 39 mark to market movements are outlined in note 4.

Segment revenue (including exceptional items and specific IAS 39 mark to market movements) for the year ended 31 December 2010 for North America is £869 million, Europe £1,807 million and Australia £1,122 million (2009: North America £820 million, Europe £2,395 million and Australia £972 million).

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

2. Segment reporting (continued)

b) Profit from operations (excluding exceptional items and specific IAS 39 mark to market movements)

	Year ended 31 December 2010			Year ended 31 December 2009		
	Share of joint ventures and associates		Total	Share of joint ventures and associates		Total (Restated)
	Subsidiaries	associates		Subsidiaries (Restated)	associates (Restated)	
	£m	£m	£m	£m	£m	£m
North America	83	43	126	100	34	134
Europe	417	51	468	571	76	647
Middle East	47	62	109	51	34	85
Australia	228	2	230	229	4	233
Asia	30	80	110	18	83	101
	805	238	1,043	969	231	1,200
Corporate	(48)	-	(48)	(52)	-	(52)
	757	238	995	917	231	1,148
Exceptional items and specific IAS 39 mark to market movements			(339)			242
Profit from operations (including exceptional items and specific IAS 39 mark to market movements)			656			1,390
Disposals of interests in businesses – exceptional			57			449
Net finance costs – excluding exceptional items and specific IAS 39 mark to market movements			(392)			(439)
Net finance costs – exceptional items and specific IAS 39 mark to market movements			(123)			(107)
Profit before tax			198			1,293

Exceptional items and specific IAS 39 mark to market movements are outlined in note 4.

Segment profit from operations (including exceptional items and specific IAS 39 mark to market movements) for the year ended 31 December 2010: North America profit of £155 million, Europe loss of £63 million, Australia profit of £399 million, Asia profit of £131 million and Corporate loss of £75 million (2009: Profits in North America: £149 million, Europe: £733 million, Middle East: £86 million, Australia: £353 million and Asia: £121 million).

3. Changes in inventories

Included within cost of sales are £246 million of inventories recognised as an expense during the year (2009: £309 million). Inventories with a carrying amount of £1 million (2009: £2 million) were written off during the year and recorded as an expense in cost of sales in the income statement.

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

4. Exceptional items and specific IAS 39 mark to market movements

In accordance with the basis of preparation outlined in note 1, the following exceptional items and specific IAS 39 mark to market movements are recorded within the consolidated income statement.

	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m
Specific IAS 39 mark to market movements	(112)	195
Amounts recognised in revenue	(112)	195
Impairment of Rugeley plant	(98)	-
Impairment of goodwill relating to Maestrals wind farms	(175)	-
Impairment of receivable relating to Levanto wind farms	-	(70)
Specific IAS 39 mark to market movements	89	116
Amounts recognised in cost of sales	(184)	46
Transaction costs in respect of the Combination	(27)	-
Impairment of available-for-sale investment	(17)	(25)
Amounts recognised in other operating expenses	(44)	(25)
Impairment of Derwent	(15)	-
Specific IAS 39 mark to market movements	16	26
Amounts recognised in share of results of joint ventures and associates	1	26
Disposal of SEA Gas	57	-
Disposal of International Power Opatovice	-	427
Disposal of Hartwell	-	22
Amounts recognised in disposals of interests in businesses	57	449
Specific IAS 39 mark to market movements on:		
3.75% convertible US dollar bonds 2023	(134)	(80)
3.25% convertible euro bonds 2013	10	(25)
4.75% convertible euro bonds 2015	6	(4)
Other specific IAS 39 mark to market movements	(5)	2
Amounts recognised in finance expenses	(123)	(107)
Taxation on impairment of Rugeley plant	27	-
Taxation on impairment of receivable relating to Levanto wind farms	-	19
Taxation on transaction costs in respect of the Combination	1	-
Taxation on disposal of SEA Gas	(2)	-
Taxation on disposal of Hartwell	-	(8)
Taxation on specific IAS 39 mark to market movements	37	(57)
Taxation on exceptional items and specific IAS 39 mark to market movements	63	(46)
Total exceptional items and specific IAS 39 mark to market movements after attributable taxation	(342)	538

Exceptional items recognised in cost of sales

As at 31 December 2010 the Group carried out a review of the recoverable amount of its Rugeley plant following a reduction in observable prices for forward dark spreads. The recoverable amount of the Rugeley plant was determined by its estimated value in use and resulted in an impairment to its carrying amount of £98 million before tax. A tax credit of £27 million was also recognised. This impairment is recorded within the Europe region in the segment reporting.

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

4. Exceptional items and specific IAS 39 mark to market movements (continued)

Exceptional items recognised in cost of sales (continued)

As at 31 December 2010, as part of its annual impairment testing of goodwill, the Group considered the impact of proposed legislation, approved by the Italian Government on 30 November 2010, relating to Maestrale. This draft legislation indicates many changes to the existing regulatory regime, including a reduction in the level at which the regulator would support the green certificate price received by existing capacity, and a reduction in the incentives derived from refitting wind turbines. Using a value in use methodology, the impact of the testing was to recognise within cost of sales an impairment to goodwill of £175 million (€204 million). There was no tax impact associated with this impairment. This impairment is recorded within the Europe region in the segment reporting.

As at 31 December 2009 the Group assessed whether there had been any objective evidence that the service concession receivable, relating to the Levanto portfolio of onshore wind farms, had been impaired. Using observed historical wind volumes, in order to determine more reliable forecasts of future wind volumes, and updated forecasts of operating costs, the impact on future cash flows was estimated. The result of this impairment test valuation was to recognise within cost of sales an impairment to the service concession receivable of £70 million, and within the total taxation charge for the year an associated deferred tax credit of £19 million. This impairment is recorded within the Europe region in the segment reporting.

Exceptional items recognised in other operating expenses

Transaction costs of £27 million, relating to the Combination, were expensed during the year ended 31 December 2010 (refer to note 14). These costs are recorded in Corporate in the segment reporting. Transaction costs paid were £13 million.

As at 31 December 2010 the Group assessed whether there had been any objective evidence that the carrying amount of its available-for-sale investments had been impaired. The result of this impairment test valuation was to recognise within other operating expenses an impairment of £17 million (2009: £25 million) to the carrying amount of an investment pertaining to the Eggborough power plant, in the United Kingdom. There was no tax credit associated with this impairment (2009: £nil). The impairment is recorded within the Europe region in the segment reporting.

Exceptional items recognised in share of results of joint ventures and associates

The Group owns 33% of Derwent Cogeneration Limited, a 214MW gas fired power station which operates under a long-term steam offtake contract. On 30 June 2010, following the confirmation that the existing steam offtake contract would not be renewed, the Group assessed whether there had been any objective evidence that the carrying amount of its investment in Derwent Cogeneration Limited had been impaired. The result of this impairment test valuation was to recognise an impairment of £15 million, which is recorded within the Europe region in the segment reporting.

Exceptional items recognised in disposals of interests in businesses

On 23 November 2010 the Group completed the disposal of its 33.33% equity interest in the 687km SEA Gas pipeline to project partners, Retail Employees Superannuation Trust and Australian Pipeline Trust. The Group realised a profit after tax of £55 million (A\$93 million) and a cash inflow, arising from net proceeds, of £53 million.

On 13 November 2009 the Group completed the sale of International Power Opatovice, and its interests in its joint ventures Pražská Teplárenská and Energotrans, to the Czecho-Slovak investment firm J&T Group. Net consideration from the disposal, after costs, was £593 million and the profit on disposal was £427 million. There was no tax charge associated with this disposal. In the year ended 31 December 2009 the net cash inflow to the Group from the sale was £563 million, being net consideration of £593 million, £12 million costs not paid at the end of the reporting period, less £42 million cash held by International Power Opatovice at the date of sale. During the year ended 31 December 2010 costs of £7 million have been paid.

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

4. Exceptional items and specific IAS 39 mark to market movements (continued)

Exceptional items recognised in disposals of interests in businesses (continued)

On 14 October 2009, International Power, together with its joint venture partner, completed the sale of Hartwell Energy, a 318MW gas and oil-fired peaking facility located in Georgia, US, to Oglethorpe Power Corporation. Proceeds from the 50% stake in Hartwell Energy amounted to £33 million and the profit on disposal was £22 million. A tax charge of £8 million was also recognised.

Specific IAS 39 mark to market movements

Specific IAS 39 mark to market movements are separately identified in the preceding table. For the year ended 31 December 2010 the impact of these movements on profit before tax is a loss of £130 million and on tax expense a credit of £37 million (2009: profit of £230 million and on tax expense a charge of £57 million).

5. Earnings per share

Earnings per Ordinary Share has been calculated by dividing profit attributable to equity holders of the parent for the year by the average number of Ordinary Shares. The weighted average number of Ordinary Shares for the basic earnings per share calculation for the year ended 31 December 2010 is 1,523.8 million (2009: 1,521.3 million) and for the diluted earnings per share calculation is 1,579.0 million (2009: 1,669.3 million).

Reconciliations of earnings per share before and after exceptional items and specific IAS 39 mark to market movements are as follows:

	Year ended 31 December 2010		Year ended 31 December 2009 (Restated) (Restated)	
	£m	pence	£m	pence
Basic earnings per share				
Profit attributable to equity holders of the parent before exceptional items and specific IAS 39 mark to market movements	444	29.1	493	32.4
Exceptional items and specific IAS 39 mark to market movements (net of tax and non-controlling interests)	(299)	(19.6)	488	32.1
Profit attributable to equity holders of the parent after exceptional items and specific IAS 39 mark to market movements	145	9.5	981	64.5
Diluted earnings per share				
Profit attributable to equity holders of the parent before exceptional items and specific IAS 39 mark to market movements	444	28.1	493	29.5
After tax dilutive effect of interest on convertible bonds	9	0.6	40	2.4
Profit attributable to equity holders of the parent before exceptional items and specific IAS 39 mark to market movements for the purposes of diluted EPS	453	28.7	533	31.9
Exceptional items and specific IAS 39 mark to market movements (net of tax and non-controlling interests)	(299)	(19.0)	488	29.2
After tax dilutive effect of specific IAS 39 mark to market movements on convertible bonds	(8)	(0.5)	11	0.7
Profit attributable to equity holders of the parent after exceptional items and specific IAS 39 mark to market movements for the purposes of diluted EPS	146	9.2	1,032	61.8

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

5. Earnings per share (continued)

In the accounting periods presented, the dilutive impact of the Group's convertible bonds has been treated as follows when calculating diluted earnings per share after exceptional items and specific IAS 39 mark to market movements.

	<u>Year ended 31 December 2010</u>	<u>Year ended 31 December 2009</u>
3.75% convertible US dollar bonds 2023	Anti-dilutive	Anti-dilutive
3.25% convertible euro bonds 2013	Dilutive	Dilutive
4.75% convertible euro bonds 2015	Anti-dilutive	Dilutive

The treatment of whether potential Ordinary Shares are dilutive or anti-dilutive in the calculation of diluted earnings per share before exceptional items and specific IAS 39 mark to market movements is applied consistently with its determination in the calculation of diluted earnings per share after exceptional items and specific IAS 39 mark to market movements.

Impact of change in accounting policy

As outlined in note 1, the comparatives have been restated for the effects of the change in accounting policy relating to the adoption of IFRIC 12. The impact of this change on the results for the year ended 31 December 2009 was as follows:

	<u>Year ended 31 December 2009</u>	
	<u>Profit for the year excluding exceptional items and specific IAS 39 mark to market movements</u>	<u>Profit for the year including exceptional items and specific IAS 39 mark to market movements</u>
	£m	£m
As previously presented	605	1,143
Change in accounting policy relating to IFRIC 12 (Service Concession Arrangements)	<u>(11)</u>	<u>(11)</u>
Restated	<u>594</u>	<u>1,132</u>

As a consequence of adopting the change in accounting policy, the weighted average numbers of Ordinary Shares for the basic earnings per share calculation and the diluted earnings per share calculation remain unchanged for the year ended 31 December 2009.

As a result of the change in accounting policy, the basic earnings per share before and after exceptional items and specific IAS 39 mark to market movements for the year ended 31 December 2009 decreased by 1.0 pence. For the year ended 31 December 2009, the diluted earnings per share before and after exceptional items and specific IAS 39 mark to market movements has decreased by 0.9 pence.

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

6. Dividends

At the Company's Annual General Meeting held on 18 May 2010, shareholders approved the payment of a final dividend, for the year ended 31 December 2009, of 8.28 pence per Ordinary Share to shareholders registered on the Company share register on 28 May 2010. This dividend amounted to £126 million and was paid on 24 June 2010.

In respect of the year ended 31 December 2010, an interim dividend of 4.39 pence (2009: 4.25 pence) per Ordinary Share, proposed by the Directors, was paid on 28 October 2010. The dividend amounted to £67 million (2009: £64 million). Total dividends paid in the year ended 31 December 2010 were £193 million.

Following the completion of the Combination, a special interim dividend of £1,413 million, equating to 92 pence per Ordinary Share, was paid on 25 February 2011 to the holders of such shares, excluding holders of New Ordinary Shares (refer to note 14). This dividend has not been included as a liability at 31 December 2010.

In respect of the current year, the Directors also propose a final dividend of 6.52 pence (2009: 8.28 pence) per Ordinary Share. This dividend equates to £332 million (2009: £126 million) and will be paid on 23 June 2011, subject to approval by shareholders at the Company's Annual General Meeting. This dividend has not been included as a liability at 31 December 2010.

There are no tax consequences to the Company arising from the interim, special or final dividends.

7. Property, plant and equipment

During the year ended 31 December 2010 additions and acquisitions amounted to £240 million (2009: £219 million), with major expenditure occurring at Hazelwood in Australia, Saltend, Rugeley, Deeside and Maestrale in Europe, and in the merchant fleet in North America.

8. Equity, loans and bonds

Loans and bonds

Draw downs and repayments of borrowings are presented in the consolidated statement of cash flows.

€250 million Senior Notes due 2017

On 11 May 2010, International Power Finance (2010) plc, a wholly owned subsidiary of International Power plc, received the proceeds from its €250 million 7.25% senior notes due 2017. The proceeds from the issue of the senior notes, before deducting debt issue costs, were €248 million (£213 million).

The senior notes are guaranteed on a senior unsecured basis by International Power plc and are listed on the official list of the UK Listing Authority for trading on the Professional Securities Market of the London Stock Exchange.

Upon a change of control, the senior notes may be redeemed at the holder's option at 101% of the principal amount plus accrued interest to the date fixed for redemption. As a consequence of the change in the composition of the shareholders of International Power plc, arising from the Combination on 3 February 2011 (refer to note 14), International Power Finance (2010) plc has offered to purchase all outstanding senior notes. The offer period ends on 25 March 2011.

Unless previously redeemed, the outstanding senior notes will be subject to a redemption price equivalent to their principal amount on maturity date of 11 May 2017.

Hazelwood Power Partnership

On 27 January 2010, Hazelwood Power Partnership, which owns the 1,688MW coal-fired Hazelwood power station located in Victoria, Australia completed the restructuring of its non-recourse debt of A\$742 million (£415 million). The restructured facility has a maturity date of 30 June 2012.

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

8. Equity, loans and bonds (continued)

ANP Funding 1

In December 2009, ANP Funding 1, a wholly owned subsidiary of International Power plc, repaid US\$769 million (£464 million) of debt secured on the US merchant plants located in Texas and New England.

Share issues

Issues of International Power plc's Ordinary Shares are presented in the consolidated statement of cash flows. The Company has issued shares under employee share schemes during the year. The average number of shares during the year is presented in note 5.

9. Acquisitions

Acquisition of development companies by IPA Wind Development, LLC

On 2 June 2010, IPA Wind Development, LLC. ('IPA Wind'), a wholly owned subsidiary of International Power plc, completed the acquisition of the entire issued and outstanding membership interests in nine nascent companies from Element Markets, LLC. The vendor has a call option over 30% of the project companies' equity. On completion, IPA Wind owned a development pipeline of wind businesses concentrated in Texas and Illinois. The results of the businesses have been consolidated as subsidiaries with effect from the date of completion using the acquisition method. Other than an immaterial upfront cash payment, the purchase price is wholly contingent on future events. Transaction costs, which have been expensed, were immaterial.

The terms of the acquisition include consideration to be paid to the vendor contingent upon completion of identified milestones. These milestones include execution of interconnections agreements, receipt of proceeds from project financing, execution of power purchase agreements, and achievement of commercial operations. Given the uncertainties surrounding the ability to achieve identified milestones, no material intangible asset or liabilities for contingent consideration have been recognised in these consolidated financial statements.

In the period from 2 June 2010 to 31 December 2010, IPA Wind did not contribute any revenue to the Group. It incurred an immaterial loss, which is included in the Group's results for the year. If the acquisition had taken place on 1 January 2010 the business would also not have contributed any revenue to the Group. It would also have incurred an immaterial loss.

10. Note to the statement of comprehensive income

	Year ended 31 December 2010			Year ended 31 December 2009		
	Before tax amount	Tax (expense)/ benefit	Net of tax amount	Before tax amount (Restated)	Tax (expense)/ benefit (Restated)	Net of tax amount (Restated)
	£m	£m	£m	£m	£m	£m
Net (loss)/gain on cash flow hedges	(46)	3	(43)	205	(25)	180
Net exchange gain recognised on net investment hedges	18	(5)	13	58	(16)	42
Exchange gain/(loss) arising on translation of foreign operations	235	4	239	(233)	34	(199)
Reclassification adjustments relating to foreign operations disposed of during the year	3	(1)	2	(94)	-	(94)
Actuarial loss on defined benefit plans	(10)	3	(7)	(13)	4	(9)
Movements in other comprehensive income for the year	200	4	204	(77)	(3)	(80)

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

11. Commitments

Fuel purchase and transportation commitments

At 31 December 2010 the Group had commitments for the purchase of fuel and transportation services, some of which have minimum purchase undertakings, to which the own use treatment is applied under IAS 39, i.e. accounted for on an accruals basis. Based on contract provisions, which consist of fixed prices, subject to adjustment clauses in some cases, these minimum commitments are estimated to aggregate to £597 million expiring within one year, £1,641 million expiring between one and five years and £951 million expiring after more than five years (2009: £566 million, £1,817 million and £416 million respectively).

Fuel and transport contracts, which are not treated as own use, are accounted for as derivative contracts.

Capital expenditure related commitments

Commitments relating to upgrade services under service concession arrangements, which are contracted but not provided and which will be recognised in costs of sales when the expenditure is incurred, at 31 December 2010 are £437 million (2009: £24 million).

At 31 December 2010 capital commitments contracted but not provided for, which will be recognised as property, plant and equipment when the expenditure is incurred, are £239 million (2009: £173 million).

Pensions scheme commitments

International Power plc, the employer who sponsors the International Power Group of the Electricity Supply Pension Scheme ('the Scheme'), has agreed to eliminate, through a recovery plan, the funding shortfall of the Scheme. In addition to the usual contributions to meet accruing benefits, a one-off contribution of £18 million was made during January 2011, and contributions of £6 million per annum will be made between 1 April 2011 and 31 March 2015.

First Hydro Company, as sponsoring employer to the First Hydro Company Group of the Electricity Supply Pension Scheme ('the FHCG Scheme'), together with the other participating employing companies, have agreed to eliminate, through a recovery plan, the funding shortfall of the FHCG Scheme. In addition to the usual contributions to meet accruing benefits, a one-off contribution of £6 million was made during January 2011, and contributions of £4 million per annum will be made between 1 April 2011 and 31 December 2014.

12. Contingent liabilities

Legal Proceedings

The Company is aware of claims and potential claims, which involve or may involve legal proceedings against the Group, by or on behalf of current and former employees, including former employees of the Central Electricity Generating Board (CEGB) and contractors in respect of industrial illness and injury. RWE npower has agreed to indemnify International Power plc on an after tax basis to the extent of 50% of any liability that the Company may incur whether directly or indirectly as a consequence of those proceedings to the extent such liability is not insured by Electra Insurance Limited.

Taxation

The Company is aware of a number of issues which are or may be the subject of disputes with the tax authorities in the territories where the Group has operations, including its joint ventures and associates. The Directors are of the opinion, having regards to the professional advice received, that adequate provisioning has been made for the settlement of any tax liability that might arise.

Collateral, bonds and guarantees

The Group has pledged financial assets with carrying amounts totalling £2,178 million as collateral at 31 December 2010 (2009: £1,768 million). These comprise service concession receivables, finance lease receivables, cash margining in support of commercial arrangements and trade receivables.

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

12. Contingent liabilities (continued)

Collateral, bonds and guarantees (continued)

Various growth and expansion projects are supported by bonds, letters of credit and guarantees issued by the Group totalling £442 million (2009: £551 million). Energy trading activities relating to merchant plant are supported by bonds, letters of credit and guarantees issued by the Group totalling £348 million (2009: £282 million).

The Group's joint ventures and associates also have various growth and expansion projects that are supported by bonds, letters of credit and guarantees. The Group's share of these bonds, letters of credit and guarantees amount to £89 million (2009: £82 million). These obligations are normally secured by the assets of the respective joint venture or associate. Any amounts guaranteed by International Power plc or any Group subsidiary are included within bonds and guarantees disclosed above.

13. Related party transactions

Compensation of key management personnel

During the year ended 31 December 2010, the key management personnel of International Power plc comprised the Chairman, Executive Directors and Non-Executive Directors. During the year ended 31 December 2010 the components of remuneration of key management personnel have not changed significantly from that reported in the 2009 *Annual Report*. For 2010, the compensation of key management personnel is included in the Director's remuneration report of the 2010 *Annual Report*.

Operations and maintenance contracts

In the normal course of business the Group has contracted to provide power station operation and maintenance services to joint ventures and associates. During the year the Group derived income of £92 million (2009: £85 million) from these arrangements. Included in trade receivables is £6 million (2009: £7 million) in relation to these contracts.

Retail supply contracts

In the normal course of business the Group has contracted to provide power and gas to joint ventures and associates involved in retail supply. During the year the Group derived income of £90 million (2009: £82 million) from these arrangements. Included in trade receivables is £1 million (2009: £1 million) in relation to these contracts.

Transportation contracts

In the normal course of business the Group has contracts in place in relation to fuel transportation with one of its jointly controlled entities. During the year the Group incurred costs of £12 million (2009: £10 million) in relation to these contracts.

Emission certificates

In the normal course of business the Group has contracted to provide emission certificates to one of its associates. During the year the Group derived revenue of £13 million (2009: £12 million) from these arrangements.

Development fee income

During the year the Group received £11 million in development fees from one of its associates (2009: £nil).

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

14. Events after the reporting period

Combination with GDF SUEZ Energy International

On 10 August 2010, International Power announced that it had signed a memorandum of understanding with GDF SUEZ S.A. ('GDF SUEZ') in relation to a proposed combination of the International Power Group and GDF SUEZ Energy International ('the Combination'). GDF SUEZ Energy International comprises GDF SUEZ's Energy International Business Areas (outside Europe) and certain assets in the UK and Turkey.

On 13 October 2010, following the completion by GDF SUEZ and members of the GDF SUEZ Group of consultation processes with certain of their employee representative bodies, International Power announced that it had signed a definitive Merger Deed with GDF SUEZ in respect of the Combination.

Under the terms of the Merger Deed, the Combination was to be effected by a contribution of GDF SUEZ Energy International by subsidiaries of GDF SUEZ to International Power in exchange for the issue of 3,554,347,956 Ordinary Shares in International Power ('the New Ordinary Shares') to Electrabel S.A. and other subsidiaries of GDF SUEZ in order to create an enlarged International Power.

In view of the size of GDF SUEZ Energy International when compared with the existing International Power Group, the Combination required, and was conditional upon the admission of the New Ordinary Shares, by the FSA, in its capacity as the UK Listing Authority, to listing on the Official List and to trading on the Main Market of the London Stock Exchange becoming effective ('Admission'). Closing was also subject to the satisfaction or, where permitted, waiver of a number of other conditions prior to Admission.

On 3 February 2011 Admission took place, the New Ordinary Shares were issued to Electrabel S.A. and other subsidiaries of GDF SUEZ and consequently completion of the Combination occurred. This followed the:

- approval of shareholders in a general meeting of International Power on 16 December 2010;
- receipt of certain anti-trust and regulatory approvals and confirmations;
- implementation of the necessary pre-closing restructuring to combine the assets and businesses which comprise GDF SUEZ Energy International in accordance with the terms of the Merger Deed; and
- satisfaction of other conditions pursuant to the Merger Deed.

The New Ordinary Shares held by GDF SUEZ immediately following Admission represent approximately 70 per cent. of the issued ordinary share capital of the enlarged International Power. The existing shareholders in International Power prior to Admission own approximately 30 per cent. of the issued share capital of the enlarged International Power immediately following Admission.

The shareholders in International Power before Admission benefit from their continued shareholding in the enlarged International Power and also received a cash payment of 92 pence per Ordinary Share on 25 February 2011, by way of a special dividend (refer to note 6).

The Combination has created an enlarged International Power which substantially enhances the strategic position of both International Power and GDF SUEZ through the creation of a global leader in independent power generation.

Under IFRS 3 (Business Combinations), the Combination is treated as a reverse acquisition, being the acquisition of International Power by GDF SUEZ Energy International even though, legally, International Power is the acquirer which has issued New Ordinary Shares to subsidiaries of GDF SUEZ. Therefore, the consolidated financial statements of the enlarged International Power for the year ending 31 December 2011 will reflect the continuation of the consolidated financial statements of GDF SUEZ Energy International and the acquisition of International Power by applying the IFRS 3 'acquisition method' of accounting to the International Power Group's identifiable assets acquired and liabilities assumed. International Power will be fully consolidated in the group financial statements of the enlarged International Power with effect from 3 February 2011.

International Power plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

14. Events after the reporting period (continued)

Combination with GDF SUEZ Energy International (continued)

In accordance with IFRS 3 (Business Combinations), the fair value of the consideration transferred to acquire the existing Ordinary Shares of International Power in this reverse acquisition is based on the share price of International Power's Ordinary Shares on the date of the Combination, being a more reliable measure than the estimated fair value of GDF SUEZ Energy International contributed by subsidiaries of GDF SUEZ.

The fair value of the consideration was £6,269 million, being 1,537.9 million Ordinary Shares in International Power before the Combination multiplied by the share price of £4.076 on 3 February 2011.

As a consequence of the Combination occurring after the end of the reporting period, and the proximity of the date of the Combination to the date of issue of these consolidated financial statements, it was impracticable to measure each identifiable asset and liability at its acquisition date fair value for inclusion in these consolidated financial statements.

The fair values attributed to the assets acquired and liabilities assumed will be finalised during the year following acquisition. A fair value table will be presented in both International Power's interim report for the six months ending 30 June 2011 and its consolidated financial statements to the year ending 31 December 2011.

During the year ended 31 December 2010 International Power incurred acquisition costs of £27 million. These costs were expensed and presented as an exceptional item within 'Other operating expenses' within the consolidated income statement (refer to note 4).

After the end of the reporting period, transaction costs of £69 million have been recognised.

T-Power

As part of achieving the clearance from the European Commission for the Combination, it has been agreed that International Power will divest its interest in the 420MW T-Power CCGT project in Belgium during 2011.

15. Annual report and accounts

Copies of the full *Annual Report* for the year ended 31 December 2009 are available from the Company's website www.iprplc-gdfsuez.com or by calling or writing to International Power plc, Senator House, 85 Queen Victoria Street, London EC4V 4DP. Telephone: +44 (0)20 7320 8600. The *Annual Report* for the year ended 31 December 2010 will also be made available from the same sources in due course.

International Power plc

Additional information for shareholders that does not form part of the Consolidated Financial Statements

For the year ended 31 December 2010

Effective tax rate and interest cover ratio (excluding exceptional items and specific IAS 39 mark to market movements)

The following table shows the effective tax rate and interest cover ratio for the Group (excluding exceptional items and specific IAS 39 mark to market movements) after adjusting for the presentation of results of joint ventures and associates in the consolidated income statement:

	Year ended 31 December 2010 £m	Year ended 31 December 2009 (Restated) £m
Profit from operations (excluding exceptional items and specific IAS 39 mark to market movements)	995	1,148
Add back:		
Share of JVs' and associates' interest	109	99
Share of JVs' and associates' taxation	38	69
Profit before total interest and taxation	1,142	1,316
Total net interest expense (including share of JVs and associates)	(501)	(538)
Profit before total tax expense	641	778
Total income tax expense (including share of JVs and associates)	(102)	(184)
Profit after tax	539	594
Non-controlling interests	(95)	(101)
Profit attributable to the equity holders (excluding exceptional items and specific IAS 39 mark to market movements)	444	493
Effective tax rate	16%	24%
Interest cover ratio	2.3x	2.4x

The tax rate for the year ended 31 December 2010 benefited from a release of deferred tax balances arising from the tax rate reduction in the UK and other jurisdictions. The tax rate for the year ended 31 December 2009 benefited from a reduction in deferred tax liabilities relating to unremitted foreign earnings following a change in UK tax law. The tax rates for the years ended 31 December 2009 and 2010 also both benefited from the successful resolution of a number of historic tax issues.

International Power plc

Additional information for shareholders that does not form part of the Consolidated Financial Statements

Unaudited Pro Forma Combined Financial Information for the Enlarged International Power Group

1. Introduction

The pro forma financial information of the International Power Group following the Combination ('the enlarged International Power') which follows is unaudited and does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

The unaudited pro forma combined financial information of the enlarged International Power Group assumes that the Combination had closed on 1 January 2009.

The pro forma financial information for the enlarged International Power Group has been derived from the audited consolidated financial statements of International Power for the year ended 31 December 2010 and the unaudited combined financial statements of GDF SUEZ Energy International for the year ended 31 December 2010.

The pro forma combined income statements are presented excluding exceptional items and specific IAS 39 mark to market movements, as defined in note 1 of the consolidated financial statements, included in this preliminary announcement.

Adjustment has been made to the consolidated results of International Power for the year ended 31 December 2009 to remove the impact of the Czech business which was disposed of during 2009, and which contributed to the results of the International Power Group during 2009.

Other than the exclusion of results relating to International Power's Czech business, which was disposed of during 2009 and the gain pertaining to the disposal of the Czech business, all pro forma financial adjustments are directly attributable to the Combination. No pro forma adjustments have been made to reflect synergies or cost savings that may be expected to occur after the Combination. In addition, no pro forma adjustments have been made to reflect the application of the IFRS 3 'acquisition method' of accounting as a result of the Combination, other than the recognition of pro forma goodwill.

Other than the number of Ordinary Shares, monetary amounts, unless otherwise stated, are presented in pounds sterling.

International Power plc

Additional information for shareholders that does not form part of the Consolidated Financial Statements

2. Unaudited Pro Forma Combined Income Statement (excluding exceptional items and specific IAS 39 mark-to-market movements)

In millions of pounds	Year ended 31 December 2010	Year ended 31 December 2009
Revenues	13,741	12,226
Purchases	(8,672)	(7,765)
Personnel costs	(660)	(574)
Depreciation, amortisation and provisions	(1,127)	(846)
Other operating income and expenses, net	(934)	(821)
Current operating income and income from operating activities	2,348	2,220
Financial expenses	(958)	(872)
Financial income	212	189
Net financial loss	(746)	(683)
Income tax expense	(381)	(415)
Share in net income of associates	195	168
Net income	1,416	1,290
Net income Group share	1,090	1,019
Non-controlling interests	326	271
Earnings per share – basic (pence)	21.5	20.1
Number of shares for purposes of calculating earnings per share – basic (million)	5,078.1	5,075.6

3. Unaudited Pro Forma Combined Statement of Cash Flows

In millions of pounds	Year ended 31 December 2010	Year ended 31 December 2009
Net income	1,124	1,733
- Share in net income of associates	(200)	(187)
+ Dividends received from associates	114	108
- Net depreciation, amortisation and provisions	1,529	956
- Changes in scope of combination and other non-recurring items	(260)	(431)
- Mark-to-market on commodity contracts other than trading instruments	44	(261)
- Other items with no cash impact	11	13
- Net financial loss	903	769
- Income tax expense	307	456
Cash generated from operations before income tax and working capital requirements	3,572	3,156
Other financial items – cash impact	40	37
Interest paid on net debt	(626)	(620)
Tax paid	(415)	(363)
Change in working capital requirements	71	(22)
Maintenance capex	(411)	(414)
Free cash flow	2,231	1,774

In the above table, net income includes exceptional items, such as impairments and profits on disposal of interests in businesses, and specific IAS 39 mark to market movements.

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Additional information for shareholders that does not form part of the Consolidated Financial Statements

The unaudited pro forma results presented include:

- the results and cash flows of International Power, adjusted to remove the impact of the contribution of the Czech business in 2009 prior to its disposal in 2009; adjustments for the different accounting policy applied to joint ventures (which are proportionately consolidated in these pro forma results); and the presentation of the primary statements on a consistent basis with that applied by GDF SUEZ Energy International, and which will be applied by the enlarged International Power in subsequent consolidated financial statements;
- the results and cash flows of GDF SUEZ Energy International extracted without material adjustment from the 2010 combined financial statements;
- the consolidation of Hidd Power Company B.S.C.(c) (“Hidd”) in Bahrain, because following the Combination Hidd will become a subsidiary. (Currently International Power and GDF SUEZ Energy International own 40 per cent. and 30 per cent. of Hidd respectively, and both groups currently account for their interests in Hidd under the equity method, as an associate);
- the impact of the cash injection (see below) on financial expenses, financial income and related income tax expense.

4. Unaudited Pro Forma Combined Statement of Net Assets

In millions of pounds	As at 31 December 2010	As at 31 December 2009
Goodwill and intangible assets, net	4,342	4,371
Property, plant and equipment, net	22,724	19,153
Investments	1,395	1,245
Other long-term assets	3,673	3,356
Net current assets	235	235
Non-current liabilities	(3,560)	(3,126)
Net debt excluding the impact of derivative instruments, cash collateral and amortised cost	(11,027)	(9,452)
Net assets	17,782	15,782

In addition to the adjustments and impacts outlined above, the unaudited pro forma net asset statement reflects the following:

- The terms of the Merger Deed which stated that prior to Closing, the Wider GDF SUEZ Group would make a cash injection, the terms of which were set out in the circular to shareholders. For the purpose of the pro forma combined income statement, intra-group loans of £5.0 billion have been assumed repaid as at 1 January 2009, funded by the cash injection (which are payments that Electrabel, a wholly owned subsidiary of GDF SUEZ, was obliged to make in accordance with the Merger Deed) and existing cash balances of £0.3 billion. Therefore, the pro forma combined income statement adjustment reflects the decrease in financial expenses which would have accrued on the intra-group loans, and the decrease in financial income which would have accrued on cash balances.

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- In addition to the elements of the cash injection noted above, £1.4 billion was contributed by the wider GDF SUEZ Group for the purposes of funding the special dividend of 92 pence per Ordinary Share which was paid on 25 February 2011. This element of the cash injection is deemed to have decreased the net debt of the enlarged International Power Group, with effect from 1 January 2009. This has the impact of decreasing the pro forma financial expenses. This impact is offset by a symmetrical increase of the financial expenses as the payment of the special dividend is also deemed to have taken place on 1 January 2009.
- In the pro forma statement of net assets, an adjustment of £1.4 billion reflects the payment of the special dividend. The pro forma income statement adjustment reflects the interest cost and tax thereon related to the funding of the special dividend, assuming it had been paid on 1 January 2009.
- The Combination has been accounted for as a reverse acquisition of International Power by GDF SUEZ Energy International in accordance with IFRS 3 (Revised). Transaction costs incurred by both International Power and GDF SUEZ Energy International before closing are assumed to have been expensed in the period before 1 January 2009 and are therefore not reflected in the pro forma combined income statement.
- The pro forma net assets statement does not give effect to fair value adjustments to net assets arising from the purchase price being greater than the book value of the net assets acquired. The pro forma purchase price premium has been attributed to goodwill and no pro forma amortisation nor impairment charge has been applied to the goodwill balance in the period presented. The impact of the fair value adjustments, when finalised post-acquisition, may be material.
- For the purpose of the calculation of the (basic) pro forma earnings per share, the historical weighted average number of Ordinary Shares outstanding has been adjusted to take into account the New Ordinary Shares that were issued on the date of the Combination.

5. Unaudited Pro Forma Combined Net Debt

In millions of pounds

	As at 31 December 2010			As at 31 December 2009		
	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings and debt	14,242	1,201	15,443	11,888	1,105	12,993
Impact of measurement at amortised cost	(78)	81	3	(127)	92	(35)
Cash collateral	-	21	21	-	-	-
Borrowings and debt	14,164	1,303	15,467	11,761	1,197	12,958
Derivative instruments hedging borrowings under liabilities	434	116	550	303	156	459
Gross debt	14,598	1,419	16,017	12,064	1,353	13,417
Financial assets at fair value through income	-	(16)	(16)	-	(2)	(2)
Cash and cash equivalents	-	(4,400)	(4,400)	-	(3,539)	(3,539)
Derivative instruments hedging borrowings under assets	(134)	(10)	(144)	(115)	(30)	(145)
Net cash	(134)	(4,426)	(4,560)	(115)	(3,571)	(3,686)
Net debt	14,464	(3,007)	11,457	11,949	(2,218)	9,731
Outstanding borrowings and debt	14,242	1,201	15,443	11,888	1,105	12,993
Financial assets at fair value through income	-	(16)	(16)	-	(2)	(2)
Cash and cash equivalents	-	(4,400)	(4,400)	-	(3,539)	(3,539)
Net debt excluding the impact of derivative instruments, cash collateral and amortised cost	14,242	(3,215)	11,027	11,888	(2,436)	9,452

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Additional information for shareholders that does not form part of the Consolidated Financial Statements

6. Unaudited Key Indicators by Operating Segment

EBITDA

In millions of pounds

	Year ended 31 December 2010	Year ended 31 December 2009
Latin America	1,265	916
North America	760	811
Europe	649	693
Middle East, Turkey and Africa	294	250
Australia	355	325
Asia	264	188
Corporate	(102)	(102)
	3,485	3,081

Current Operating Income

In millions of pounds

	Year ended 31 December 2010	Year ended 31 December 2009
Latin America	966	746
North America	384	525
Europe	442	519
Middle East, Turkey and Africa	240	190
Australia	233	236
Asia	198	128
Corporate	(115)	(124)
	2,348	2,220

Adjusted Current Operating Income

In millions of pounds

	Year ended 31 December 2010			Year ended 31 December 2009		
	Subsidiaries and joint ventures	Associates	Total	Subsidiaries and joint ventures	Associates	Total
Latin America	966	1	967	746	1	747
North America	384	8	392	525	8	533
Europe	442	49	491	519	39	558
Middle East, Turkey and Africa	240	75	315	190	54	244
Australia	233	-	233	236	-	236
Asia	198	62	260	128	66	194
Corporate	(115)	-	(115)	(124)	-	(124)
	2,348	195	2,543	2,220	168	2,388

In the above table current operating income has been adjusted to include the results of associates (excluding exceptional items and specific IAS 39 mark to market movements).

Disclaimer

This announcement includes certain forward-looking statements. These statements are based on current expectations and projections of the Group about future events. However, by their nature forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors including, but not limited to, the economic and business circumstances occurring from time to time in the countries in which the Group operates, changes in trends in the general, global or regional economies, changes in trends in the global energy sector, changes in regulation and natural disasters or other calamities. The Company undertakes no obligation to update any forward-looking statements.

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About International Power

International Power plc is a leading independent electricity generating company with 70,196MW (gross) (41,550MW net) in operation and 17,249MW (gross) (6,826MW net) under construction. International Power has power plants in operation or under construction in six core regions worldwide. International Power is listed on the London Stock Exchange with ticker symbol IPR. Company website: www.iprplc-gdfsuez.com