International Power plc
Interim Results for the six months ended 30 June 2003

(London – 4 September 2003) International Power today announces its financial results for the six-month period ended 30 June 2003 and reports on key developments to date.

"As expected, 2003 has been challenging, particularly in North America and the UK, where wholesale power prices and spark spreads remained low. However, the rest of our portfolio continued to perform well and we remain on track to deliver earnings in line with our guidance for this year," said Sir Neville Simms, Chairman of International Power.

"In the first half of this year, we have been able to capitalise on the current market environment and have executed selected business and financial transactions that will enhance shareholder value," Sir Neville added.

Highlights

- Profit before interest and tax of £138 million (pre exceptional items)
- Operating cash flow of £131 million
- Earnings per share of 5.1p (pre exceptional items)
- Successful placement of US$252 (£158) million senior convertible bond
- US$1.77 billion financing of Umm Al Nar completed
- Achieved exclusivity to acquire interest in 4,000 MW Drax power plant

Financial Summary	**Six months ended 30 June**	
	2003	**2002**
	£m	£m
Profit on ordinary activities before interest and tax		
Excluding exceptional items	138	229
Including exceptional items	146	208
Profit on ordinary activities before taxation		
Excluding exceptional items	88	162
Including exceptional items	96	141
Earnings per share – Basic (EPS)		
Excluding exceptional items	5.1p	9.9p
Including exceptional items	5.8p	8.6p
Operating cash flow from ordinary activities	131	221

North America

In North America, losses in the first quarter attributable to the unusual weather conditions in Texas and the high cost of gas transportation in New England, together with the continued weak pricing conditions in both markets in the second quarter, resulted in poor financial performance for the half year, with profit before interest and tax of £1 million. Due to improved plant availability, compensation for lost income from our main contractor (Alstom) was lower in the first half of 2003 compared to the

equivalent period last year. In New England, power prices remained low during the third quarter due to soft demand and mild weather. In Texas, prices continued to be below expectations through August, notwithstanding a short period of record demand.

Near-term improvement in power prices in both markets remains dependent on withdrawal of inefficient capacity in order to effect a fundamental shift in the supply-demand balance. A high degree of uncertainty continues to impact the generation sector in both of our North American markets, with four of the largest portfolio generators in New England in Chapter 11, and two of the largest generation companies in Texas in the process of being sold. As a result, a certain inertia has existed on the supply side in both markets since we last reported. In the absence of withdrawal of some existing capacity, current forward prices are likely to remain low for the foreseeable future.

Europe & Middle East

All contracted assets, namely Pego, EOP, Marmara and Al Kamil, delivered robust financial and operational performance, and the Europe and Middle East region generated profit before interest and tax of £49 million. Earnings are lower in comparison to the same period last year, primarily due to the termination of the tolling contract with TXU Europe at Rugeley in late November 2002, and weak wholesale power prices in the UK during the first half of this year.

However, electricity prices in the UK have recently shown modest improvement, and although a portion of our UK generation capacity is contracted until March 2004, our uncontracted capacity remains well positioned to capture higher peak prices.

We have entered into an exclusive arrangement with AES Drax Holdings Limited (Drax) to participate in Drax's restructuring in order to acquire debt and equity, for maximum total cash cost of £130 million. We look forward to a successful conclusion of this process and our eventual participation in the ownership and management of Drax.

In Italy, our 800MW CCGT Paduli project near Naples, which is being developed in association with Ansaldo Energia, has received a key environmental authorisation (VIA) from the Italian Ministry of Environment. This authorisation is an important step towards obtaining complete approval to commence construction. Alongside the permitting process, we continue to work towards securing viable tolling or offtake contracts for Paduli and our other Italian projects.

In the Middle East, despite the backdrop of uncertainty associated with the conflict in Iraq, together with our partners Tokyo Electric, Mitsui and ADWEA, we successfully secured a US$1.77 billion financing package for the acquisition and associated expansion of the Umm Al Nar power and water plant in Abu Dhabi. As the principal operator, we have taken over control of plant operations (both power and water desalination) and in the first month the plant has delivered good performance. Preliminary construction related work on the expansion site has also commenced. Our total equity commitment to Umm Al Nar is approximately £56 million for our 20% shareholding.

With over 6,000 people working on site, construction of the Shuweihat S1 power and water plant in Abu Dhabi continues to make good progress. The first two (of a total of five) gas turbines have been successfully synchronised with the power grid and have been tested on full load. The plant is expected to commence commercial operation in Q3 2004.

Australia

Profit before interest and tax in Australia increased by 12% to £55 million from £49 million last year. This increase was attributable to a combination of the contractual prices secured together with tight control of operating expenditure. Looking ahead, although forward prices have weakened, we remain largely contracted through 2004 and moderately into 2005.

Construction of the SEAGas pipeline (650 km gas pipeline from Victoria to South Australia) continues. Over 580 km of pipe has now been laid.

Rest of the World (ROW)

All assets in our ROW business segment performed well and generated profit before interest and tax of £46 million.

We continue to monitor the value of all our investments in order to take advantage of opportunities to realise value as they arise. In line with this approach, we have monetised part of our investment in Hubco (in Pakistan) and have generated cash of £21 million and a profit of £8 million, through the sale of a 5% stake. Our equity interest in Hubco now totals 20.7%.

Interest

Interest at £50 million has benefited from a combination of lower interest rates on our floating debt and the impact of exchange translation gains on monetary assets.

Tax

The tax rate is 32%, compared to 30% last year, primarily reflecting the expiry of some overseas tax holidays.

Capital Structure

In July, we announced the successful issue of a US$252 million (£158 million) convertible bond, which has a minimum seven year term at a highly attractive coupon of 3.75%. We expect to use the proceeds from this bond to refinance in part the potential 'put' of the Company's 2% Convertible Bond in November 2003, and to repay the US$60 million Euro-Dollar Bond, due in December 2003.

In May, we initiated a share buyback programme. To date we have purchased, for cancellation, 5.5 million shares at a total cost of £6.7 million at prices ranging from 114p per share to 132p per share. The share buyback programme remains in effect.

In relation to the non-recourse US credit facility, which was raised to finance International Power's merchant power plant construction programme in the US, all technical defaults previously claimed by the US bank group were waived in May. The outstanding debt of £615 million has therefore been re-designated in the balance sheet from current debt to long term debt, reflecting its maturity date of June 2006.

We have now completed the restructuring of the Rugeley credit facility, which was in default as a consequence of the collapse of TXU Europe. The revised terms include a reduction in debt from £160 million to £90 million, through a £70 million repayment by International Power, offset by the cancellation of a £70 million letter of credit that we had previously provided.

Cash Flow

A summary of the Group cash flow is set out below:

	Six months ended 30 June 2003 £m	**Six months ended 30 June 2002** £m	**Year ended 31 December 2002** £m
Operating profit (pre JVs and associates)	51	86	105
Impairment	-	45	103
	51	131	208
Depreciation and amortisation	54	46	112
Movement in working capital and provisions	(34)	(35)	(44)
Dividends from JVs/ associates/ investments	60	79	115
Operating cash flow	131	221	391
Capital expenditure – maintenance	(39)	(29)	(48)
Interest and tax	(47)	(58)	(108)
Exceptional items			
- Kapco dividend	-	24	42
- Hazelwood refinancing	-	(25)	(25)
Free cash flow	45	133	252
Capital expenditure – growth	(37)	(60)	(96)
Acquisitions and disposals	21	(133)	(144)
Share buy back	(6)	-	-
Foreign exchange and hedging	(35)	38	85
Other	(10)	(2)	(12)
Movement in net debt	(22)	(24)	85
Opening net debt	(812)	(897)	(897)
Closing net debt	(834)	(921)	(812)

The group has generated positive operating and free cash flow at £131 million and £45 million respectively. However, cash flow performance is down in the half year, principally due to the reduced profitability of our subsidiaries in the US and the UK.

Balance Sheet

A summarised, reclassified presentation of the Group balance sheet is set out below:

	As at 30 June 2003 £m	As at 30 June 2002 £m	As at 31 December 2002 £m
Fixed assets			
Intangibles and tangibles	2,562	2,633	2,474
Investments	500	513	507
	3,062	3,146	2,981
Net current liabilities	(81)	(145)	(138)
Provisions and creditors > one year	(278)	(271)	(262)
Net debt	(834)	(921)	(812)
Net assets	1,869	1,809	1,769
Gearing	45%	51%	46%
Debt capitalisation	31%	34%	31%

Net assets at 30 June 2003 have increased by £100 million since 31 December 2002. This increase is due to the profitability of the group in the period, of £65 million, together with exchange gains of £35 million reflecting the impact of foreign exchange on the net investment in foreign entities and their related borrowings.

Corporate Social Responsibility

Pego (600MW coal fired plant) in Portugal, has for the sixth consecutive year received a gold award from the Royal Society for the Prevention of Accidents (ROSPA) for continuous improvement in occupational safety management.

Hub (1,290MW oil fired plant) in Pakistan, which is operated and maintained by International Power, has also received an award from ROSPA for outstanding performance in the area of health and safety.

Outlook

The lack of liquidity in our markets in the US means that current forward prices cannot be relied upon to predict the ultimate level of future prices. In the UK wholesale prices over the short term have shown some signs of improvement. Nonetheless, we believe that it is still too early to make any solid assumptions regarding prices in 2004. We can, however, reaffirm our stated earnings per share guidance for 2003 of 9p to 11p.

While these uncertain conditions prevail in two of our key markets, we continue to focus on maximising value from our existing asset base and pursuing a wide range of new investment opportunities within our existing markets.

Note:

With effect from 1 July 2003, in order to better reflect the nature of our business around the world and the way in which our operations will be managed, we will change the format of the geographic segmental analysis within our financial reports. Included in the Interim Announcement is the geographical segmental analysis in both the current and proposed formats, together with details of the composition of the current and proposed segments by plants in operation.

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About International Power:

International Power plc is a global independent power producer with 10,990MW (net) in operation and 610MW (net) under construction. Among the countries where International Power has facilities in operation are Australia, the United States, the United Kingdom, the Czech Republic, Oman, the UAE, Portugal, Turkey, Malaysia, Pakistan, and Thailand. International Power was created in October 2000 and its shares are traded on the London Stock Exchange, and as ADRs on the New York Stock Exchange under the ticker symbol “IPR”.

International Power plc

Consolidated Profit and Loss Account

For the six months ended 30 June 2003

		Six months ended 30 June			Six months ended 30 June		
	Note	Excluding exceptional items 2003 £m	Exceptional items 2003 £m	Including exceptional items 2003 £m	Excluding exceptional items 2002 £m	Exceptional items 2002 £m	Including exceptional items 2002 £m
Turnover: Group and share of joint ventures and associates	2	639	-	639	568	-	568
Less: share of joint ventures' turnover		(74)	-	(74)	(63)	-	(63)
Less: share of associates' turnover		(145)	-	(145)	(161)	-	(161)
Group turnover		420	-	420	344	-	344
Net operating costs	3	(369)	-	(369)	(213)	(45)	(258)
Operating profit		51	-	51	131	(45)	86
Share of operating profit of:							
Joint ventures		19	-	19	18	-	18
Associates		50	-	50	63	-	63
Income from fixed asset investments		18	-	18	17	24	41
Operating profit and investment income		138	-	138	229	(21)	208
Non operating exceptional items	3	-	8	8	-	-	-
Profit on ordinary activities before interest and taxation	2	138	8	146	229	(21)	208
Net interest and similar charges							
Group		(32)	-	(32)	(50)	-	(50)
Joint ventures and associates		(18)	-	(18)	(17)	-	(17)
		(50)	-	(50)	(67)	-	(67)
Profit on ordinary activities before taxation		88	8	96	162	(21)	141
Taxation		(28)	-	(28)	(48)	6	(42)
Profit on ordinary activities after taxation		60	8	68	114	(15)	99
Minority interests – equity		(3)	-	(3)	(3)	-	(3)
Profit for the financial period		57	8	65	111	(15)	96
Earnings per share							
Basic		5.1p	0.7p	5.8p	9.9p	(1.3)p	8.6p
Diluted		5.1p	0.7p	5.8p	9.6p	(1.3)p	8.3p

International Power plc

Consolidated Profit and Loss Account

For the year ended 31 December 2002

	Note	Year ended 31 December		
		Excluding exceptional items 2002 £m	Exceptional items 2002 £m	Including exceptional items 2002 £m
Turnover: Group and share of joint ventures and associates	2	1,129	-	1,129
Less: share of joint ventures' turnover		(122)	-	(122)
Less: share of associates' turnover		(290)	-	(290)
Group turnover		717	-	717
Net operating costs	3	(509)	(103)	(612)
Operating profit		208	(103)	105
Share of operating profit of:				
Joint ventures		26	-	26
Associates		123	-	123
Income from fixed asset investments		31	42	73
Operating profit and investment income		388	(61)	327
Non operating exceptional items	3	-	-	-
Profit on ordinary activities before interest and taxation	2	388	(61)	327
Net interest and similar charges				
Group		(97)	-	(97)
Joint ventures and associates		(35)	-	(35)
		(132)	-	(132)
Profit on ordinary activities before taxation		256	(61)	195
Taxation		(77)	1	(76)
Profit on ordinary activities after taxation		179	(60)	119
Minority interests – equity		(6)	-	(6)
Profit for the financial year		173	(60)	113
Earnings per share				
Basic		15.5p	(5.4)p	10.1p
Diluted		15.5p	(5.4)p	10.1p

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Consolidated Balance Sheet

As at 30 June 2003

	Note	30 June 2003 £m	30 June 2002 £m	31 December 2002 £m
Fixed assets				
Intangible assets		2	(1)	1
Tangible assets		2,560	2,634	2,473
Investments		500	513	507
Total fixed assets		3,062	3,146	2,981
Current assets				
Stocks		61	30	55
Debtors		153	159	134
Investments		63	71	43
Cash at bank and in hand		796	734	799
Total current assets		1,073	994	1,031
Creditors: amounts falling due within one year				
Secured loans without recourse	4	(225)	(87)	(810)
Other current liabilities		(559)	(334)	(595)
Creditors: amounts falling due within one year		(784)	(421)	(1,405)
Net current assets/ (liabilities)		289	573	(374)
Total assets less current liabilities		3,351	3,719	2,607
Creditors: amounts falling due after more than one year		(1,209)	(1,647)	(583)
Provisions for liabilities and charges		(273)	(263)	(255)
Net assets employed		1,869	1,809	1,769
Capital and reserves				
Shareholders' funds – equity		1,834	1,780	1,740
Minority interests – equity		35	29	29
Total equity		1,869	1,809	1,769

Net debt	(834)	(921)	(812)
Gearing	*44.6%*	*50.9%*	*45.9%*
Debt capitalisation	*30.9%*	*33.7%*	*31.5%*

The gearing percentage represents net debt as a proportion of net assets employed. The debt capitalisation percentage represents net debt as a percentage of net assets employed plus net debt.

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Consolidated Cash Flow Statement

For the six months ended 30 June 2003

	Note	Six months ended 30 June 2003 £m	Six months ended 30 June 2002 £m	Year ended 31 December 2002 £m
Net cash inflow from operating activities	5	71	142	276
Dividends received from joint ventures and associates		42	62	84
Dividends received from fixed asset investments				
Ordinary		18	17	31
Cashflow from ordinary operating activities		131	221	391
Dividends received from fixed asset investments				
Exceptional		-	24	42
Returns on investments and servicing of finance				
Ordinary		(37)	(46)	(88)
Exceptional		-	(25)	(25)
		(37)	(71)	(113)
Taxation		(10)	(12)	(20)
Capital expenditure and financial investment		(79)	(89)	(159)
Acquisitions and disposals		21	(133)	(144)
Net cash inflow/ (outflow) before management of liquid resources and financing activities		26	(60)	(3)
Management of liquid resources		(14)	(21)	-
Financing activities				
Share buy back		(6)	-	-
Debt financing		(21)	206	210
		(27)	206	210
(Decrease)/ increase in cash in period		(15)	125	207

Consolidated Reconciliation of Net Cash Flow to Movement in Net Debt

For the six months ended 30 June 2003

	£m	£m	£m
(Decrease)/ increase in cash in period	(15)	125	207
Cash outflow/ (inflow) from decrease/ (increase) in debt financing	21	(206)	(210)
Cash outflow from increase in liquid resources	14	21	-
Change in net debt resulting from cash flows	20	(60)	(3)
Translation differences	(35)	38	98
Other non-cash movements	(7)	(2)	(10)
Movement in net debt in the period	(22)	(24)	85
Net debt at the start of the period	(812)	(897)	(897)
Net debt at the end of the period	(834)	(921)	(812)

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Consolidated Statement of Total Recognised Gains and Losses

For the six months ended 30 June 2003

	Six months ended 30 June 2003 £m	Six months ended 30 June 2002 £m	Year ended 31 December 2002 £m
Profit for the financial period	65	96	113
Exchange differences on the retranslation of net investments and borrowings	35	14	(42)
Share of recognised loss of associated undertaking	-	-	(1)
Total recognised gains and losses for the period	100	110	70

Reconciliation of Movements in Shareholders' Funds – Equity

For the six months ended 30 June 2003

	Six months ended 30 June 2003 £m	Six months ended 30 June 2002 £m	Year ended 31 December 2002 £m
Profit for the financial period	65	96	113
Other recognised gains and losses relating to the period (net)	35	14	(43)
Share buy back	(6)	-	-
Net addition to shareholders' funds	94	110	70
Opening shareholders' funds	1,740	1,670	1,670
Closing shareholders' funds	1,834	1,780	1,740

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Notes to the Accounts

For the six months ended 30 June 2003

1. Basis of preparation

The accounts for the six months ended 30 June 2003 have been prepared under the historical cost convention and in accordance with applicable Accounting Standards, using the same accounting policies as those adopted for the year ended 31 December 2002. Minor adjustments have been made to comparative figures to make them consistent with the current period.

The financial statements are unaudited but have been reviewed by the auditors and their report is set out on page 16. These statements do not constitute statutory accounts of the group within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2002 have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain statements under Section 237 of the Companies Act 1985.

2. Geographical segmental analysis

Current segmentation

	Six months ended 30 June 2003 £m	Six months ended 30 June 2002 £m	Year ended 31 December 2002 £m
Group turnover			
North America	224	130	315
Europe and Middle East	229	242	440
Australia	116	110	226
Rest of World	70	86	148
	639	568	1,129
Less: turnover of joint ventures	(74)	(63)	(122)
Less: turnover of associates	(145)	(161)	(290)
	420	344	717
Profit before interest and taxation (excluding exceptional items)			
North America	1	59	99
Europe and Middle East	49	77	109
Australia	55	49	101
Rest of World	46	56	108
	151	241	417
Corporate costs	(13)	(12)	(29)
	138	229	388

Notes

1. North America profit before interest and taxation includes other income in respect of the late commissioning and performance recovery of new power plants amounting to £14 million (six months ended 30 June 2002: £61 million; year ended 31 December 2002: £102 million).
2. During the six months ended 30 June 2003, we also received £34 million (US$52 million) from contractors in relation to compensation for plants not achieving the long-term performance levels specified in the original contracts. These amounts have been recorded as a reduction in the cost of the plant and therefore not included in income.

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Notes to the Accounts (continued)

For the six months ended 30 June 2003

2. Geographical segmental analysis (continued)

With effect from 1 July 2003, we will change the geographical segmental analysis to better represent how we manage our business following a reallocation of the responsibilities between our regional teams. The table below presents our results under the proposed segmentation, our Q3 results will be presented in this regional grouping. Appendix II details the composition of the current and proposed segments by operating plant.

Proposed segmentation

	Six months ended 30 June 2003 £m	Six months ended 30 June 2002 £m	Year ended 31 December 2002 £m
Group turnover			
North America	224	130	315
Europe	219	242	440
Middle East	38	40	63
Australia	116	110	226
Rest of World	42	46	85
	639	568	1,129
Less: turnover of joint ventures	(74)	(63)	(122)
Less: turnover of associates	(145)	(161)	(290)
	420	344	717
Profit before interest and taxation (excluding exceptional items)			
North America	1	59	99
Europe	43	67	100
Middle East	36	49	86
Australia	55	49	101
Rest of World	16	17	31
	151	241	417
Corporate costs	(13)	(12)	(29)
	138	229	388

Notes

1. North America profit before interest and taxation includes other income in respect of the late commissioning and performance recovery of new power plants amounting to £14 million (six months ended 30 June 2002: £61 million; year ended 31 December 2002: £102 million).
2. During the six months ended 30 June 2003, we also received £34 million (US$52 million) from contractors in relation to compensation for plants not achieving the long-term performance levels specified in the original contracts. These amounts have been recorded as a reduction in the cost of the plant and therefore not included in income.

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Notes to the Accounts (continued)

For the six months ended 30 June 2003

3. Exceptional items

	Six months ended 30 June 2003 £m	Six months ended 30 June 2002 £m	Year ended 31 December 2002 £m
Net operating exceptional items charged			
Deeside impairment	-	(45)	(45)
Rugeley impairment	-	-	(58)
Net operating exceptional items	-	(45)	(103)
Exceptional income from investments			
Backlog dividend received from Kapco	-	24	42
Non-operating exceptional items credited			
Profit on disposal of a 5% holding in Hubco	8	-	-
Non-operating exceptional items	8	-	-
Total exceptional items before attributable taxation	8	(21)	(61)
Taxation on exceptional items	-	6	1
Total exceptional items after attributable taxation	8	(15)	(60)

4. Secured bank loans without recourse

Secured bank loans without recourse are those where the obligation to repay lies solely with the subsidiary and are secured solely on the assets of the subsidiary concerned.

At 31 December 2002, we were in discussions with bank groups in relation to non-recourse debt for Rugeley and the US merchant asset portfolio. As these issues were not formally resolved and documented at 31 December 2002, the debt at Rugeley and ANP was reported as current non-recourse debt in our accounts.

In May 2003, our US bank group waived all claimed technical defaults on our US non-recourse financing and therefore this debt has now been redesignated to its original maturity.

As previously reported, the termination of the tolling contract between Rugeley and TXU Europe triggered an event of default under the terms of our non-recourse term debt facility of £160 million. On 29 August 2003, we reached formal agreement with our bank group resolving these issues and therefore the debt at Rugeley will be redesignated to its contractual maturity at our next reporting date.

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Notes to the Accounts (continued)

For the six months ended 30 June 2003

5. Reconciliation of operating profit to net cash inflow from operating activities

	Six months ended 30 June 2003 £m	Six months ended 30 June 2002 £m	Year ended 31 December 2002 £m
Operating profit	51	86	105
Impairment	-	45	103
	51	131	208
Depreciation and amortisation	54	46	112
Movement in working capital	(31)	(36)	(47)
Movement in provisions	(3)	1	3
Net cash inflow from operating activities	71	142	276

6. Annual Report and Accounts

Copies of the full Annual Report and Accounts for the year ended 31 December 2002 are available from the company's website www.ipplc.com or by calling or writing to International Power plc, Senator House, 85 Queen Victoria Street, London EC4V 4DP or sending an e-mail to ir@ipplc.com. Telephone: 020 7320 8600.

Independent review report by KPMG Audit Plc to International Power plc

Introduction

We have been engaged by the company to review the financial information set out on pages 7 to 15 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2003.

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB

3 September 2003

International Power plc
Quarterly Results
For the quarter ended
30 June 2003

International Power plc

Consolidated Profit and Loss Account

For the quarter ended 30 June 2003

	Note	Quarter to 30 June			Quarter to 30 June		
		Excluding exceptional items 2003 £m	Exceptional items 2003 £m	Including exceptional items 2003 £m	Excluding exceptional items 2002 £m	Exceptional items 2002 £m	Including exceptional items 2002 £m
Turnover: Group and share of joint ventures and associates	2	308	-	308	298	-	298
Less: share of joint ventures' turnover		(31)	-	(31)	(25)	-	(25)
Less: share of associates' turnover		(71)	-	(71)	(87)	-	(87)
Group turnover		206	-	206	186	-	186
Net operating costs	3	(189)	-	(189)	(124)	(45)	(169)
Operating profit		17	-	17	62	(45)	17
Share of operating profit of:							
Joint ventures		6	-	6	6	-	6
Associates		23	-	23	37	-	37
Income from fixed asset investments		17	-	17	17	24	41
Operating profit and investment income		63	-	63	122	(21)	101
Non operating exceptional items	3	-	8	8	-	-	-
Profit on ordinary activities before interest and taxation	2	63	8	71	122	(21)	101
Net interest and similar charges							
Group		(13)	-	(13)	(28)	-	(28)
Joint ventures and associates		(10)	-	(10)	(8)	-	(8)
		(23)	-	(23)	(36)	-	(36)
Profit on ordinary activities before taxation		40	8	48	86	(21)	65
Taxation		(13)	-	(13)	(25)	6	(19)
Profit on ordinary activities after taxation		27	8	35	61	(15)	46
Minority interests – equity		(1)	-	(1)	(1)	-	(1)
Profit for the financial period		26	8	34	60	(15)	45
Earnings per share							
Basic		2.3p	0.7p	3.0p	5.3p	(1.3)p	4.0p
Diluted		2.3p	0.7p	3.0p	5.2p	(1.3)p	3.9p

International Power plc

Consolidated Balance Sheet

As at 30 June 2003

	30 June 2003 £m	30 June 2002 £m
Fixed assets		
Intangible assets	2	(1)
Tangible assets	2,560	2,634
Investments	500	513
Total fixed assets	3,062	3,146
Current assets		
Stocks	61	30
Debtors	153	159
Investments	63	71
Cash at bank and in hand	796	734
Total current assets	1,073	994
Creditors: amounts falling due within one year		
Secured loans without recourse	(225)	(87)
Other liabilities	(559)	(334)
Creditors: amounts falling due within one year	(784)	(421)
Net current assets	289	573
Total assets less current liabilities	3,351	3,719
Creditors: amounts falling due after more than one year	(1,209)	(1,647)
Provisions for liabilities and charges	(273)	(263)
Net assets employed	1,869	1,809
Capital and reserves		
Shareholders' funds – equity	1,834	1,780
Minority interests – equity	35	29
Total equity	1,869	1,809

Net debt	(834)	(921)
Gearing	*44.6%*	*50.9%*
Debt capitalisation	*30.9%*	*33.7%*

The gearing percentage represents net debt as a proportion of net assets employed. The debt capitalisation percentage represents net debt as a percentage of net assets employed plus net debt.

International Power plc

Consolidated Cash Flow Statement

For the quarter ended 30 June 2003

	Quarter to 30 June 2003 £m	Quarter to 30 June 2002 £m
Net cash inflow from operating activities	40	68
Dividends received from joint ventures and associates	21	30
Dividends received from fixed asset investments – ordinary	17	17
Cashflow from ordinary operating activities	78	115
Dividends received from fixed asset investments – exceptional	-	24
Returns on investments and servicing of finance	(18)	(24)
Taxation	(5)	(10)
Capital expenditure and financial investment	(41)	(48)
Acquisitions and disposals	21	-
Net cash inflow before management of liquid resources and financing activities	35	57
Management of liquid resources	12	22
Financing activities		
Share buy back	(6)	-
Debt financing	29	167
	23	167
Increase in cash in period	70	246

Consolidated Reconciliation of Net Cash Flow to Movement in Net Debt

For the quarter ended 30 June 2003

	£m	£m
Increase in cash in period	70	246
Cash inflow from increase in debt financing	(29)	(167)
Cash inflow from decrease in liquid resources	(12)	(22)
Change in net debt resulting from cash flows	29	57
Translation differences	(3)	86
Other non-cash movements	(4)	(5)
Movement in net debt in the period	22	138
Net debt at the start of the period	(856)	(1,059)
Net debt at the end of the period	(834)	(921)

International Power plc

Consolidated Statement of Total Recognised Gains and Losses

For the quarter ended 30 June 2003

	Quarter to 30 June 2003 £m	Quarter to 30 June 2002 £m
Profit for the financial period	34	45
Exchange differences on the retranslation of net investments and borrowings	(18)	(27)
Share of recognised loss of associated undertaking	-	-
Total recognised gains and losses for the period	16	18

Reconciliation of Movements in Shareholders' Funds – Equity

For the quarter ended 30 June 2003

	Quarter to 30 June 2003 £m	Quarter to 30 June 2002 £m
Profit for the financial period	34	45
Other recognised gains and losses relating to the period (net)	(18)	(27)
Share buy back	(6)	-
Net addition to shareholders' funds	10	18
Opening shareholders' funds	1,824	1,762
Closing shareholders' funds	1,834	1,780

International Power plc

Notes to the Accounts

For the quarter ended 30 June 2003

1. Basis of preparation

The accounts for the three months ended 30 June 2003 have been prepared under the historical cost convention and in accordance with applicable Accounting Standards, using the same accounting policies as those adopted for the year ended 31 December 2002. Minor adjustments have been made to comparative figures to make them consistent with the current period.

2. Geographical segmental analysis

	Quarter to 30 June 2003 £m	Quarter to 30 June 2002 £m
Group turnover		
North America	120	78
Europe and Middle East	100	117
Australia	54	55
Rest of World	34	48
	308	298
Less: turnover of joint ventures	(31)	(25)
Less: turnover of associates	(71)	(87)
	206	186
Profit before interest and taxation (excluding exceptional items)		
North America	6	28
Europe and Middle East	11	36
Australia	21	20
Rest of World	31	43
	69	127
Corporate costs	(6)	(5)
	63	122

Notes

1. North America profit before interest and taxation includes other income in respect of the late commissioning and performance recovery of new power plants amounting to £5 million (quarter ended 30 June 2002: £29 million).

International Power plc

Notes to the Accounts (continued)

For the quarter ended 30 June 2003

2. Geographical segmental analysis (continued)

With effect from 1 July 2003, we will change the geographical segmental analysis to better represent how we manage our business following a reallocation of the responsibilities between our regional teams. The table below presents our results under the proposed segmentation, our Q3 results will be presented in this regional grouping. Appendix II details the composition of the current and proposed segments by operating plant.

Proposed segmentation

	Quarter ended 30 June 2003 £m	Quarter ended 30 June 2002 £m
Group turnover		
North America	120	78
Europe	97	117
Middle East	16	23
Australia	54	55
Rest of World	21	25
	308	298
Less: turnover of joint ventures	(31)	(25)
Less: turnover of associates	(71)	(87)
	206	186
Profit before interest and taxation (excluding exceptional items)		
North America	6	28
Europe	11	26
Middle East	23	43
Australia	21	20
Rest of World	8	10
	69	127
Corporate costs	(6)	(5)
	63	122

Notes

1. North America profit before interest and taxation includes other income in respect of the late commissioning and performance recovery of new power plants amounting to £5 million (quarter ended 30 June 2002: £29 million).

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Notes to the Accounts (continued)

For the quarter ended 30 June 2003

3. Exceptional items

	Quarter to 30 June 2003 £m	Quarter to 30 June 2002 £m
Net operating exceptional items charged		
Deeside impairment	-	(45)
Net operating exceptional items	-	(45)
Exceptional income from investments		
Backlog dividend received from Kapco	-	24
Non-operating exceptional items credited		
Profit on disposal of a 5% holding in Hubco	8	-
Non-operating exceptional items	8	-
Total exceptional items before attributable taxation	8	(21)
Taxation on exceptional items	-	6
Total exceptional items after attributable taxation	8	(15)

4. Annual Report and Accounts

Copies of the full Annual Report and Accounts for the year ended 31 December 2002 are available from the company's website www.ipplc.com or by calling or writing to International Power plc, Senator House, 85 Queen Victoria Street, London EC4V 4DP or by sending an e-mail to ir@ipplc.com. Telephone: 020 7320 8600.

Current segmentation

Composition of segment by operating plant:

North America
Hartwell, Georgia, USA
Oyster Creek, Texas, USA
Hays, Texas, USA
Midlothian I and II, Texas, USA
Blackstone, Massachusetts, USA
Milford, Massachusetts, USA
Bellingham, Massachusetts, USA

Australia
Hazelwood, Victoria
Synergen, South Australia
Pelican Point, South Australia

Europe and Middle East
EOP, the Czech Republic
Deeside, United Kingdom
Rugeley, United Kingdom
Elcogas, Spain
Pego, Portugal
Marmara, Turkey
Al Kamil, Oman
Umm Al Nar, UAE
Shuweihat S1, UAE

Rest of World
Hubco, Pakistan
Kapco, Pakistan
Malakoff, Malaysia
Pluak Daeng, Thailand

Proposed segmentation

Composition of segment by operating plant:

North America
Hartwell, Georgia, USA
Oyster Creek, Texas, USA
Hays, Texas, USA
Midlothian I and II, Texas, USA
Blackstone, Massachusetts, USA
Milford, Massachusetts, USA
Bellingham, Massachusetts, USA

Australia
Hazelwood, Victoria
Synergen, South Australia
Pelican Point, South Australia

Europe
EOP, the Czech Republic
Deeside, United Kingdom
Rugeley, United Kingdom
Elcogas, Spain
Pego, Portugal
Marmara, Turkey

Middle East
Al Kamil, Oman
Umm Al Nar, UAE
Shuweihat S1, UAE
Hubco, Pakistan
Kapco, Pakistan

Rest of World
Malakoff, Malaysia
Pluak Daeng, Thailand