



Turbine hall, Deeside, UK

Financial highlights

- Profit from operations (excluding exceptional items) of £501 million (2004: £222 million) – up 126%
- EPS (excluding exceptional items) of 13.5p (2004: 8.6p) – up 57%
- EPS (including exceptional items) of 19.4p (2004: 7.5p) – up 159%
- Free cash flow of £285 million (2004: £104 million) – up 174%
- DPS of 4.5p – up 80%
- Dividend pay out ratio raised to 33% of EPS (subject to shareholder approval)

Operational highlights

- Strong performance from acquired assets
- US and UK continued market recovery
- Acquisition of 1,200 MW CCGT Saltend plant completed

Business and financial review

Financial highlights

Income statement

	Year ended 31 December 2005	Year ended 31 December 2004
	£m	£m
Excluding exceptional items		
Revenue – (including joint ventures and associates)	2,936	1,267
Profit from operations		
– from subsidiaries	303	109
– from joint ventures and associates	198	113
Profit from operations	501	222
Interest	(202)	(77)
Profit before tax	299	145
Tax	(55)	(25)
Minority interests	(45)	(8)
Profit attributable to equity holders of the parent	199	112
Earnings per share (basic)	13.5p	8.6p
Including exceptional items		
Profit attributable to equity holders of the parent	285	98
Earnings per share (basic)	19.4p	7.5p

Balance sheet

	As at 31 December 2005	As at 31 December 2004
	£m	£m
Net assets	2,375	2,058
Net debt	2,979	2,745
Gearing	125%	133%
Debt capitalisation	56%	57%

Strong financial performance with EPS (excluding exceptional items) at 13.5p – up 57%, profit from operations up in all regions with acquisitions performing well, UK and US merchant markets continuing recovery and 2006 expected to show further growth.

Segmental results – excluding exceptional items

	Subsidiaries		Share of joint ventures and associates		Total	
	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2004
	£m	£m	£m	£m	£m	£m
Revenue						
North America	523	188	171	72	694	260
Europe	990	308	397	212	1,387	520
Middle East	24	24	43	30	67	54
Australia	369	223	51	8	420	231
Asia	27	25	341	177	368	202
	1,933	768	1,003	499	2,936	1,267
Profit/(loss) from operations						
North America	20	(29)	29	8	49	(21)
Europe	205	52	55	45	260	97
Middle East	12	13	12	7	24	20
Australia	119	96	6	2	125	98
Asia	6	9	96	51	102	60
Segmental profit from operations	362	141	198	113	560	254
Corporate costs	(59)	(32)	–	–	(59)	(32)
Profit from operations (excluding exceptional items)	303	109	198	113	501	222
Exceptional items	110	11	–	–	110	11
Profit from operations	413	120	198	113	611	233

The regional performance is discussed in more detail on pages 14-33. Corporate costs and exceptional items are discussed on pages 34 and 35.

Dividend

The Board is proposing a dividend of 4.5p per share (2004: 2.5p), an increase of 80% year-on-year and representing a pay-out ratio of 33% of pre-exceptional EPS. We have increased our pay-out ratio earlier than planned (previously 30%), in light of our strong financial performance. Our intention to progressively move towards a dividend pay-out ratio of 40% in the medium-term remains unchanged.

Payment of this dividend, to shareholders registered on the Company share register on 26 May 2006, is due to be made on 23 June 2006 following approval at the 2006 AGM, which will be held on 17 May 2006.

Outlook

We expect 2006 to be a year of further growth. This is driven principally by continued recovery in two of our key merchant markets, namely the UK and the US, and our new build programme in the Middle East progressively reaching commercial operation. We will continue our disciplined approach to value enhancing growth opportunities in our core regions, alongside our commitment to increase our dividend pay-out over the medium-term.