

SCOTTISH POWER PLC  
Form SC 14D9  
December 12, 2006

ANNEX C

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14D-9

SOLICITATION/RECOMMENDATION STATEMENT UNDER  
SECTION 14(D) (4) OF THE SECURITIES EXCHANGE ACT OF 1934

SCOTTISH POWER PLC  
(Name of Subject Company)

SCOTTISH POWER PLC  
(Name of Person(s) Filing Statement)

Ordinary shares of 42p each ("Ordinary Shares")

American Depositary Shares ("ADSs"), each of which represents four Ordinary Shares  
(Title of Class of Securities)

81013T804  
(CUSIP Number of Class of Securities)

Sheelagh Duffield  
Company Secretary  
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Glasgow G2 8SP  
Scotland  
0141-636-4544

(Name, Address and Telephone Number of Person Authorized to Receive Notices  
and Communications on Behalf of the Person(s) Filing Statement)

With a Copy to:  
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1 New Fetter Lane  
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Check the box if the filing relates solely to preliminary communications made before the  
commencement of a tender offer.

ScottishPower Update 1  
Word Document of Utilised Text

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**Under Offer: what it means**

The Board of Scottish Power plc received a proposed Offer for our company from Iberdrola SA on 28 November 2006. Iberdrola has been attracted by our strength as an integrated electricity company and a world leader in the development of wind energy. It is the Board's legal responsibility to consider any such proposal and, if we consider it to be in the best interest of our shareholders, to put such an Offer to our shareholders for consideration.

During an Offer Period, there are strict guidelines - set out in the UK Offer Takeover Code - which dictate what information can be released, when it should be released and the manner in which it's released. These supplement the ongoing requirements of the Stock Exchange and stipulate that we must inform the Stock Exchange of material developments in relation to an Offer for our company before anyone else. News services monitor the releases from the Stock Exchange constantly and it is therefore possible that you will hear news relating to the Offer via national media before you have been able to access it through company channels, particularly if you are not desk-based during your working day. However, we will do everything within our power to provide accurate and relevant information direct to our employees as soon as legally possible. This will be done through a dedicated section on the intranet or emails, for speed, supported by editions of this Update and face-to-face briefings where appropriate.

This Offer Period will run until such time as the Offer from Iberdrola is completed or withdrawn. We will therefore inform employees of all developments as soon as we are legally allowed.

What has Iberdrola proposed?

Under the terms of the Offer, ScottishPower shareholders will receive 400p in cash and 0.1646 of a new Iberdrola share for every 4 ScottishPower share. The value of this fraction is 365p, which reflects the market closing price of an Iberdrola share on Monday 27th November and an exchange rate of 0.6777 £/EUR. In addition, a further Special Dividend of 12p per share will be paid to all ScottishPower shareholders, following a successful completion of the offer. Taken together, this Offer values each ScottishPower share at 777p. ScottishPower shareholders will also continue to receive the dividend announced in our Interim Results.

Now that an Offer has been made, what happens next?

The Board's recommendation that shareholders of ScottishPower consider and vote if favour of the Offer from Iberdrola, does not represent acceptance. As a publicly-owned company, it is the shareholders who will make the final decision. The next step is for Iberdrola's proposed Offer to be formally presented to our shareholders in writing, and for them to vote on whether or not to accept it at a Court Meeting and an Extraordinary General Meeting (EGM), which are expected to take place in April 2007. To proceed, the Offer must be accepted by at least a majority in number who represent 75% or more of the relevant shareholders, voting either in person or by proxy at the Court Meeting and EGM.

At the same time, in the EU and US, competition authorities will review the proposed transaction. Their approval must be received before the transaction can close. If these approvals are all given, then the transaction could be finalised by the end of April 2007. At this stage, we understand that there is a great deal of uncertainty in the minds of all our employees in both the UK and US. There is much to be done before the Offer can be completed. Our first priority throughout this entire process is our people, keeping you informed and motivated so that you continue to perform at the highest level possible - for until any transaction is finalised, we have a legal responsibility to our shareholders, among them many employees, to operate the business as usual. The Executive Team recognises that these are difficult times. But we ask you all to continue to

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exhibit the drive that enabled us to achieve the excellent half-year results in November. They are a testament to all the hard work of the past few years. The Executive Team is committed to doing this as well.

So what do we mean by business as usual?

Simply, sustaining our excellent performance and delivering and exceeding against our Operational Goals and targets.

**Pull Quote:** We will do everything in our power to provide accurate and relevant information direct to our employees as soon as legally possible.

### Page 1

#### Philip Bowman Foreword

"As events develop through the course of the current Offer Period, ScottishPower Update will bring you news and information as soon as it becomes available. The Executive Team and I are making a personal commitment to support communication through this difficult and uncertain period.

In this first Update, we answer some initial questions addressed to HR and invite you to submit others using the dedicated section on the intranet. This will bring together all internal and external announcements and information relating to the Offer Period." Philip Bowman, Chief Executive

### Page 1

#### Offer Period Timeline

28 November

£12bn: Valuation of the company by Iberdrola

March 07

Scheme document mailed to shareholders

April 07

Possible date for Extraordinary General Meeting and Court Hearings to approve transaction

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#### Information Resources

ScottishPower Update will bring you information on developments during the Offer Period as soon as it is available.

Intranet

Go to the Iberdrola Offer site for the latest information and an archive of all communications relating to the Offer Period, including regular web casts from Philip Bowman and PDFs of Update.

All employee emails

As soon as announcements have been issued to the Stock Exchange and regulatory authorities, this information will be shared with employees. You should contact Group Internal Communications if you are aware of any message that you have not received.

Face-to-face briefings

As the future position starts to be clarified, there will be Executive Team face-to-face staff briefings, answering questions and listening to your feedback and concerns.

**Page 2**  
**Who is Iberdrola?**

Find out more about Iberdrola on its web site at [www.iberdrola.es](http://www.iberdrola.es)  
Click on 'English' in the top left corner.

Iberdrola is a Spanish electricity company, committed to being the consumers' favourite company because of its commitment to creating value, improving people's quality of life and care of the environment.

Its strategy is to increase profitability via growth, efficiency and international expansion, with an underlying commitment to the environment and sustainable development.

Iberdrola wants to extend its world leadership in the sector of renewable energy and aims to generate 10,000MW through renewable sources by 2011. Supply quality is also a basic pillar of its operations.

The Iberdrola vision is founded on five values:

1) Ethics and corporate responsibility: Iberdrola is committed to the best practices of corporate governance, the principles of business ethics and transparency in all areas of activity within the company.

2) Economic results: Iberdrola has set growth and profit objectives in its Strategic Plan, available at [www.iberdrola.es](http://www.iberdrola.es)

3) Respect for the environment: Iberdrola is committed to clean energy. It wants its respect for the environment perceived and recognised as a value that distinguishes and identifies the company.

4) Confidence: Iberdrola wants to generate confidence among all those in or around the company, through permanent dialogue.

5) Sense of belonging: Iberdrola endeavours to create strong, permanent ties with its interest groups, forging a feeling of belonging to an outstanding company. "The commitments assumed by Iberdrola in the vision and values of the company, far from a mere declaration of principles, are put into practice in its everyday activities and in the day-to-day management of the company in all areas of business."

**Pull Quote:** its strategy is to increase profitability via growth, efficiency and international expansion, with an underlying commitment to the environment and sustainable development.

**Page 3**  
**Message from Stephen Dunn**  
**Director HR and Communications**

The past few weeks have been a very difficult time for all of us. Whilst we have been the subject of merger speculation before, the reality of an Offer Period cannot be anything other than a worrying time.

Like many of you, I have been with ScottishPower for many years, and witnessed considerable changes within the business over that time. I have always been impressed by the way in which we respond as a team; we focus on the job at hand and continue to deliver for the company.

At times such as these, our colleagues look to HR and Communications to support their needs. Although it is too early yet to provide full answers to many of your questions, we will share with you all relevant information as soon as possible and some initial questions are answered on the following pages.

The proposed transaction must be considered by our shareholders and approved by the relevant regulatory authorities. This is the start of a long process that may take several months to complete. In the meantime it is vital that we continue to operate as normal.

Protecting employees

Many of you have asked about the protection for employees within the terms of the proposed transaction.

Iberdrola has a reputation as a good employer and has given the Board assurances

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that it will honour the contractual terms and conditions, benefits and existing severance policy of ScottishPower's employees (including pension rights) for at least two years. Together with Sheelagh Duffield, our Company Secretary, I have worked with Iberdrola to detail the full benefits and conditions we have enjoyed at ScottishPower. During these discussions, I have been impressed by the similar values and strong relations that Iberdrola enjoys with its existing workforce. We are confident that Iberdrola will treat people with dignity and respect and offer appropriate support.

In the coming weeks we will seek clarity on what level of support will be provided and will share this with you as soon as we can. Iberdrola understands that people are very anxious to know what the future holds. If the transaction proceeds, it will want to protect the business it has just acquired and ensure a smooth transition. Iberdrola knows we have talented people and talented people are always in demand.

Finally, let me assure you that everyone in the Executive Team and within HR and Communications is determined to do the best job we can on your behalf. We are also determined to respond to your concerns as quickly and openly as we can over the coming months, as the transaction process proceeds.

Thank you for your patience and co-operation.

**Pull Quote:** we will share with you all relevant information as soon as possible.

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#### Philip Bowman Quote

"There are many questions that I cannot answer today, but during the meetings and discussions, which I and members of the Executive Team have had with Iberdrola, it is clear that it recognises the importance of the people in ScottishPower to the ongoing success of its business. Iberdrola strongly believes that the acquisition of ScottishPower will deliver growth in sales, profits and shareholder value. Furthermore the enlarged group will have greater scale, human capital and balance sheet strength to compete more effectively in the changing European energy landscape. "Iberdrola has given the Board of ScottishPower assurances it will honour the contractual terms and conditions, benefits and existing severance policy of ScottishPower's employees (including pension rights) for at least two years. In addition, Iberdrola has agreed to consider and implement alternative benefits to replace existing share schemes. More information will follow shortly regarding any impact on share schemes." Philip Bowman, Chief Executive.

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#### Q&A1

Stephen Dunn, Director of HR and Communications answers some of your initial questions

The Directors will make a lot of money out of the deal. Haven't they been motivated by personal gain?

The Executive Directors did not seek the bid. They have the same legal obligations to all shareholders as the NEDs (non-executive directors) and have taken the best independent advice. The offer has been recommended by the PLC Board which has a majority of non-executive directors. The recommendation is made in the best interests of shareholders and for no other reason.

What happens if this offer is not successful?

We have to continue to do the best job we can of running the business during the Offer Period and during whatever happens after that. It will be difficult but we rely on the professionalism of our people and we ask everybody to keep the businesses in good shape for the future, whatever it may be.

Is Iberdrola going to sell any part of our business after the deal closes - we

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have read in the press that this might be the case? We can't speculate about what its intentions might be. We can simply stay focused on our business and our people during this period of uncertainty.

If I am part of a business chosen to be divested what would this mean for me as an employee?

Iberdrola has not stated that it intends to divest any part of the Company. If such a situation were to arise, we would expect Iberdrola to deal with people appropriately at the time.

What will the impact be on jobs? Will jobs be lost as a result of the sale? If there is a restructure of the business, what would the selection process be to populate the new structure?

It will take Iberdrola some time to work through any such implications. However, it has a reputation as a good employer and such a process would take into account its legal obligations.

Will there be voluntary redundancy available? Will there be compulsory redundancies arising from the sale? It will take Iberdrola some time to work through any such implications. As a result, we do not know what Iberdrola's intentions are.

### Individual Issues

What support will I be offered if I am made redundant?

We believe that Iberdrola is a good employer. We are confident it will treat people with dignity and respect and offer appropriate support. In the coming weeks, we will seek clarity on what support will be provided and will share this with you as soon as we can.

Will my service with ScottishPower count as continuous employment?

Assurances have been given that Iberdrola will honour the contractual terms and conditions, benefits and existing severance policy of ScottishPower's employees (including pension rights) for at least two years.

Will my contract be honoured? What will happen to my salary and bonus benefits? Iberdrola has given the Board assurances that the existing contractual employment rights of all employees will be fully safeguarded for a period of at least two years.

What happens to my share options and/or performance shares?

The rules of the ScottishPower plans are unchanged. If the offer is completed as proposed, it will constitute a takeover in terms of plan rules. We will provide more information about what this means to individuals as soon as possible.

When will I know if I still have a job?

It will take Iberdrola some time to work through the detailed implications. However, it has a reputation as a good employer and understands that many people will be very anxious to know what the future holds. It will also want to protect the business it has just acquired. It knows we have talented people and talented people are always in demand. However, in the event that some people are made redundant, Iberdrola has agreed to honour our severance policies for a period of two years from completion of the transaction.

If I am made redundant, how will my compensation be calculated?

We have redundancy or severance arrangements already in place in most locations. Where these are statutory, the statutory provisions will continue to apply. Where these are contractual or negotiated schemes we have provided Iberdrola with details and Iberdrola has undertaken to apply these for a period of two years from completion of the transaction.

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What will happen to my pension?

Iberdrola shall continue, for a period of two years from the effective date, to provide ScottishPower's current employees with retirement and death benefits that are no worse than those to which each employee is currently entitled. This applies to all ScottishPower's current employees and not just those who benefit from statutory protection under the Electricity (Protected Persons) (Scotland) Regulations 1990.

I am on secondment currently within SP and wish to return to my substantive role.

Can I make this happen?

The company has an obligation to continue with business as usual. Therefore, there is no reason for your secondment to end. Any concerns should be discussed with your line manager on an individual basis.

I have applied for another internal opportunity within ScottishPower. Can I now withdraw?

There is no reason arising from Iberdrola's Offer to review any new or existing roles. However, you are free to withdraw your application at any time as per our normal recruitment policy and procedures.

What effect will the takeover have on Corporate functions?

It will take some time for Iberdrola to work through any such implications. As a result, we do not know what Iberdrola's intentions are.

Will there be relocation packages available for those redeployed?

It is too early to consider what, if any, redeployment would take place should the transaction be completed.

I don't want to work for Iberdrola? What are my options?

Iberdrola has a reputation as a good employer and we believe it will provide existing and future employees with an attractive future. However, if the deal is finalised, individuals must consider their own needs and decide whether they wish to continue as an employee.

What will the impact be on ScottishPower policies and procedures?

There is no intention to amend policies and procedures during the Offer Period. However, as is always the case, ScottishPower will continue to review policies and procedures on an ongoing basis to ensure they are legally compliant and fit for purpose.

Could this lead to a change in my terms and conditions?

Existing contractual rights of all ScottishPower employees will remain unaffected during the Offer Period and will be honoured by Iberdrola for at least two years afterwards.

How will longer term pay deals be affected by this takeover (e.g., EnergyNetworks three year deal)?

Assurances have been given that contractual rights, including pay deals that have consequently been incorporated into terms and conditions, will be honoured for at least two years post completion of the Offer.

Who will make decisions about my future?

For the time being it is 'business as usual' so your line managers will still be your first line of reporting and supervision. Obviously, we will be as helpful as we can in representing the skills, experience and achievements of our people, in any discussions with Iberdrola going forward.

Immediate future

Will you be consulting the union?

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Yes. There is no obligation to consult, but we have always valued our relationship with employee representatives and continue to do so.

When will this deal be completed?

We expect the process to be completed by the end of April 2007, but regulatory clearances could extend this.

How do you expect us to work on a 'business as usual' basis in these circumstances? How do you expect us to meet difficult targets when the business is being sold and we could lose our jobs?

Business as usual will be very difficult; but we must do our best to hand over our businesses in the best shape possible. The stronger our performance, the better the prospects for jobs in the future. We are a proud business with a lot of dedicated, skilled people who will do the best job they can whatever the circumstances.

Will we be offered any retention incentives to stay until the deal is complete, or work during any transition period?

This will be a matter for Iberdrola to judge and act according to circumstances on a case by case basis.

I am leaving at the end of March under the last restructure with good leavers status. What will this mean for me? Individuals due to leave under the restructure will not be detrimentally impacted as a result of Iberdrola's Offer. I am due a bonus dependent on 2006/07 business performance. How will this be impacted by this takeover? Business and individual performance and any associated payment will be discussed on an ongoing basis with your manager.

What can we say to our customers, distributors and suppliers, unions and agencies? Those people who deal with external stakeholders will be fully briefed and we will ensure that they are fully informed as the situation develops over the forthcoming months.

Communications

How will I be kept informed of what is happening and how it affects me?

On a general basis we will use the intranet to provide the latest information and an archive of all communication relating to the Offer Period. This area will include regular web casts from Philip Bowman and PDF's of Update. As soon as announcements have been issued to the Stock Exchange, they will be posted to all PC-based employees. You should contact Group Internal Communications if you become aware of any message that you have not received. On an individual basis your line manager and the HR team will deal with questions initially.

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Reading the Headlines

**Media views Offer as a stepping stone on a global stage**

ScottishPower agrees to £11.6bn Spanish bid  
Iberdrola to buy ScottishPower  
ScottishPower agrees £12bn takeover by Spanish giant

The Guardian led its coverage by highlighting that the deal will leave Iberdrola as Europe's third largest utility. It quoted Philip Bowman; "The combination of the two businesses will enable ScottishPower to compete on a global scale in an increasingly competitive environment and the terms offered by Iberdrola provide an attractive price for ScottishPower shareholders and allow shareholders the opportunity to maintain an interest in the enlarged Iberdrola Group."

The report ended by noting that shares in ScottishPower fell 6p to 740p in early trading, reflecting disappointment that the terms of the deal include a paper element rather than all cash.

The BBC noted that the deal is the latest in a number of UK takeovers by Spanish



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companies. It quoted Iberdrola that the deal was: "strategically attractive, creating a leading European integrated utilities group with a broad geographical presence and a strong platform for future growth".

The Financial Times expected the deal, which they speculated would complete in April 2007, "to be earnings enhancing from the start." They forecast operating cost savings before tax of £88m along with annual capital expenditure savings of £30m and an enterprise value for Iberdrola of more than £43bn. The FT also quoted early analyst reaction that the deal "was a good price for Scottish Power shareholders... it represented a premium of 40 per cent on his bank's calculation of the worth of the sum of the part of the group. "On this basis, the chances of another bidder emerging look slim, although an all-cash offer might receive consideration."

The FT also highlighted ScottishPower's "better than expected interim results, benefiting from its ability to increase coal-fired generation, which allowed it to cash in on high electricity prices without paying the downstream cost of high gas prices. Its hedging policy also proved successful." The Herald reported that Iberdrola employs 17,000 people worldwide and is a world leader in wind power. The Guardian reflected that the deal left only two of the UK's six biggest energy companies under British ownership, Centrica and SSE.

The Independent quoted Ignacio Galan, chairman of Iberdrola saying that "the deal would act as a springboard for further expansion in Europe and the US." The Times believed Iberdrola had "disappointed investors with a cash and shares bid that came in lower than expected.

"While ScottishPower shares initially jumped 1.5 per cent higher on the bid, worth 700p a share, they then fell more than 1 per cent."

The Sunday Herald quoted SNP MEP Alyn Smith, who has written to the European competition commissioner Neelie Kroes asking her to intervene in the Offer. This is based on competition issues arising as a result of state aid. Saturday's Scotsman speculated that an investigation, if launched, may take up to 90 days to complete.

**Pull Quote:** The combination of the two businesses will enable ScottishPower to compete on a global scale.

This document has been made available to shareholders of ScottishPower plc ("ScottishPower"). If Iberdrola, S.A. ("Iberdrola") conducts a tender offer for securities of the ScottishPower, ScottishPower will file a Solicitation/Recommendation Statement on Schedule 14D-9. Investors are urged to read this document when it is filed by ScottishPower with the U.S. Securities and Exchange Commission (the "SEC"), as it will contain important information. The Solicitation/Recommendation Statement and other public filings made from time to time by ScottishPower with the SEC are available without charge from the SEC's website at [www.sec.gov](http://www.sec.gov) and at ScottishPower's principal executive offices in Glasgow, Scotland.

This announcement does not constitute an offer for sale of any securities or an offer or an invitation to purchase any securities in any jurisdiction. The new Iberdrola ordinary shares will only be distributed to existing ScottishPower shareholders. The new Iberdrola ordinary shares to be issued to ScottishPower shareholders have not been, and if they are issued pursuant to a scheme of arrangement will not be, registered under the U.S. Securities Act of 1933, as amended, or under the securities laws of any state, district or other jurisdiction of the United States, and no regulatory clearances in respect of the registration of the new Iberdrola ordinary shares have been, or if issued pursuant to a scheme of arrangement, will be will be, applied for in any jurisdiction. In the United States, if the new Iberdrola ordinary shares are issued pursuant to a scheme of arrangement, they will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act of 1933, as amended, provided by Section 3(a)(10) thereof. Under U.S. securities laws applicable to such circumstances, ScottishPower shareholders and holders of ScottishPower ADSs who are affiliates of ScottishPower or Iberdrola prior to, or

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will be affiliates of Iberdrola after, the Effective Date will be subject to certain U.S. transfer restrictions relating to the new Iberdrola ordinary shares and any new Iberdrola ADSs received in connection with the Scheme.

Loan notes that may be issued in connection with the transaction have not been and will not be registered under the US Securities Act or under the relevant securities laws of any state or territory or other jurisdiction of the United States. Accordingly, loan notes may not be offered or sold in the United States, except in a transaction not subject to, or in reliance on an exemption from, the registration requirements of the US Securities Act and state securities laws.

### Cautionary Statement Regarding Forward Looking Statements:

The documents relating to the Offer contain forward-looking statements, including for the purposes of the US Private Securities Litigation Reform Act. All statements other than statements of historical facts included in documents relating to the Offer may be forward-looking statements. Without limitation, any statements preceded or followed by or that include the words 'targets', 'plans', 'believes', 'expects', 'aims', 'intends', 'will', 'should', 'may', 'anticipates', 'estimates', 'synergies', 'cost savings', 'projects', 'strategy' or words or terms of similar substance or the negative thereof are forward-looking statements. Forward-looking statements include statements relating to the following (i) the expected timetable for completing this transaction, future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects of Iberdrola, ScottishPower or the combined company; (ii) business and management strategies and the expansion and growth of Iberdrola's, ScottishPower's or the combined company's operations and potential synergies resulting from the Offer; and (iii) the effects of government regulation on Iberdrola's, ScottishPower's or the combined company's business.

THESE FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE. THEY HAVE NOT BEEN REVIEWED BY THE AUDITORS OF IBERDROLA OR OF SCOTTISHPOWER. THESE FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF ANY SUCH PERSON, OR INDUSTRY RESULTS, TO BE MATERIALLY DIFFERENT FROM ANY RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE BASED ON NUMEROUS ASSUMPTIONS REGARDING THE PRESENT AND FUTURE BUSINESS STRATEGIES OF SUCH PERSONS AND THE ENVIRONMENT IN WHICH EACH WILL OPERATE IN THE FUTURE. YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE THEY WERE MADE. ALL SUBSEQUENT ORAL OR WRITTEN FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO IBERDROLA OR SCOTTISHPOWER OR ANY OF THEIR RESPECTIVE MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES OR ANY PERSONS ACTING ON THEIR BEHALF ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENT ABOVE. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN DOCUMENTS RELATING TO THE OFFER ARE BASED ON INFORMATION AVAILABLE TO SCOTTISHPOWER ON THE DATE HEREOF. INVESTORS SHOULD NOT PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS, AND SCOTTISHPOWER DOES NOT UNDERTAKE ANY OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

**ScottishPower**

**RECOMMENDED CASH AND SHARE OFFER FOR SCOTTISH POWER PLC BY IBERDROLA, S.A.**

**QUESTION & ANSWER DOCUMENT - ORDINARY SHARES**

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### **Q. What has been announced?**

- A. On 28 November 2006, the Board of Iberdrola S.A. announced that it had received the unanimous recommendation of the Board of Scottish Power plc of the terms of an offer for the acquisition of ScottishPower by Iberdrola.

A copy of the announcement is in the process of being posted to all shareholders and is available on the ScottishPower website.

### **Q. What are the key terms of the offer?**

- A. Under the terms of the offer, for each ScottishPower share you will receive 400 pence in cash plus 0.1646 of a new Iberdrola share. In addition, it is intended to declare a special dividend of 12 pence per ScottishPower share, to be paid shortly after the offer becomes effective.

### **Q. So what is the total price per share being offered?**

- A. Under the terms of the offer you will receive 400 pence and 0.1646 of a new Iberdrola share for each ScottishPower share and a special dividend of 12 pence per share. Based on the closing share price and exchange rate on 27 November 2006, the offer values each ScottishPower share at 777 pence.

### **Q. What are the record and payment dates for the special dividend?**

- A. The special dividend will be paid to ScottishPower shareholders on the register on the Scheme Record Date (6pm on the business day before the scheme becomes effective). The dividend will be paid shortly after the scheme becomes effective.

### **Q. Where will the new Iberdrola shares be listed/traded?**

- A. The new shares will be listed in Spain.

### **Q. Can shareholders choose the split of cash and shares received?**

- A. Yes, to a limited extent. Shareholders (including shareholders in the UK and United States) will be given the option to vary the proportions of new Iberdrola shares and cash they receive for their ScottishPower shares - this is called the mix and match facility. However, this is subject to the elections made by other ScottishPower shareholders as the total number of new Iberdrola shares and the total amount of cash payable in terms of the offer will not be varied. If not all mix and match elections can be satisfied in full, they will be scaled down on a pro rata basis.

### **Q. Are there any other alternatives?**

- A. Yes, ScottishPower shareholders (other than shareholders in the United States, Australia, Canada and Japan) will be able to elect to receive some or all of the cash consideration in the form of loan notes up to a maximum aggregate amount of £750 million loan notes. If ScottishPower shareholders elect to receive loan notes which, in aggregate, exceed this cap, each shareholder's entitlement will be scaled down on a pro rata basis.

Further details are set out in the announcement dated 28 November 2006.

### **Q. Does this require shareholder approval?**

- A. Yes.

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It is intended that the offer will be implemented by way of a scheme of arrangement. As such, the scheme will need to be approved by ScottishPower's shareholders at a meeting convened by the Court of Session in Edinburgh. This requires the approval of a majority in number of those voting who hold 75% by value of the votes cast.

ScottishPower will also convene an Extraordinary General Meeting at which ScottishPower's shareholders will be asked to consider and pass a special resolution to approve certain elements of the scheme. This will also require a 75% majority of votes cast.

In addition, the offer will require to be approved by Iberdrola's shareholders.

**Q. What is the expected timetable?**

A. The definitive details of the offer will be set out in the Scheme Document. It is expected that this will be posted to you in March 2007. Subject to the satisfaction of certain conditions, it is hoped that the scheme will then become effective during April 2007, with consideration being dispatched to ScottishPower shareholders no later than 14 days after the effective date. On this basis, it is likely that the EGM will be convened in Spring 2007 - details will be provided in due course.

**Q. When will the ScottishPower shares be delisted?**

A. Subject to FSA approval, it is intended that the shares will be delisted with effect as of or shortly following the effective date (expected to be during the second quarter of 2007).

**Q. What if I hold a small number of shares - can I just sell them?**

A. Subject to clarification of certain issues, Iberdrola has agreed to offer a free share dealing facility to ScottishPower shareholders who own 5,000 or fewer ScottishPower shares. Under this facility, the new Iberdrola shares to which these shareholders become entitled will be sold on their behalf at no cost provided they sell their entire holding.

**Q. What currency will future dividends be paid in?**

A. Following completion of the acquisition, ScottishPower shareholders will, subject to complying with certain conditions, be able to have dividends paid on new Iberdrola shares paid in Sterling.

**Q. Will you still pay the final dividend in June 2007?**

A. If the effective date of the acquisition is later than 31 May 2007, a final dividend will be declared by ScottishPower which will be retained by ScottishPower shareholders on the register on such date.

**Q. How does the offer affect the B shares issued in June 2006?**

A. The B shares (and the deferred shares created following the payment of the single B share dividend) are not included in the offer and the rights attaching to them remain unchanged. The B share dividend will continue to be payable annually in arrears on 28 May or such later date as the Directors of Iberdrola and/or ScottishPower may determine.

**Q. What should I do with my share certificate?**

A. You should retain it - you are not required to do anything with it at the moment.

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This document has been made available to shareholders of ScottishPower plc ("ScottishPower"). If Iberdrola, S.A. ("Iberdrola") conducts a tender offer for securities of the ScottishPower, ScottishPower will file a Solicitation/Recommendation Statement on Schedule 14D-9. Investors are urged to read this document when it is filed by ScottishPower with the U.S. Securities and Exchange Commission (the "SEC"), as it will contain important information. The Solicitation/Recommendation Statement and other public filings made from time to time by ScottishPower with the SEC are available without charge from the SEC's website at [www.sec.gov](http://www.sec.gov) and at ScottishPower's principal executive offices in Glasgow, Scotland.

This announcement does not constitute an offer for sale of any securities or an offer or an invitation to purchase any securities in any jurisdiction. The new Iberdrola ordinary shares will only be distributed to existing ScottishPower shareholders. The new Iberdrola ordinary shares to be issued to ScottishPower shareholders have not been, and if they are issued pursuant to a scheme of arrangement will not be, registered under the U.S. Securities Act of 1933, as amended, or under the securities laws of any state, district or other jurisdiction of the United States, and no regulatory clearances in respect of the registration of the new Iberdrola ordinary shares have been, or if issued pursuant to a scheme of arrangement, will be will be, applied for in any jurisdiction. In the United States, if the new Iberdrola ordinary shares are issued pursuant to a scheme of arrangement, they will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act of 1933, as amended, provided by Section 3(a)(10) thereof. Under U.S. securities laws applicable to such circumstances, ScottishPower shareholders and holders of ScottishPower ADSs who are affiliates of ScottishPower or Iberdrola prior to, or will be affiliates of Iberdrola after, the Effective Date will be subject to certain U.S. transfer restrictions relating to the new Iberdrola ordinary shares and any new Iberdrola ADSs received in connection with the Scheme.

Loan notes that may be issued in connection with the transaction have not been and will not be registered under the US Securities Act or under the relevant securities laws of any state or territory or other jurisdiction of the United States. Accordingly, loan notes may not be offered or sold in the United States, except in a transaction not subject to, or in reliance on an exemption from, the registration requirements of the US Securities Act and state securities laws.

### Cautionary Statement Regarding Forward Looking Statements:

The documents relating to the Offer contain forward-looking statements, including for the purposes of the US Private Securities Litigation Reform Act. All statements other than statements of historical facts included in documents relating to the Offer may be forward-looking statements. Without limitation, any statements preceded or followed by or that include the words 'targets', 'plans', 'believes', 'expects', 'aims', 'intends', 'will', 'should', 'may', 'anticipates', 'estimates', 'synergies', 'cost savings', 'projects', 'strategy' or words or terms of similar substance or the negative thereof are forward-looking statements. Forward-looking statements include statements relating to the following (i) the expected timetable for completing this transaction, future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects of Iberdrola, ScottishPower or the combined company; (ii) business and management strategies and the expansion and growth of Iberdrola's, ScottishPower's or the combined company's operations and potential synergies resulting from the Offer; and (iii) the effects of government regulation on Iberdrola's, ScottishPower's or the combined company's business.

THESE FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE. THEY HAVE NOT BEEN REVIEWED BY THE AUDITORS OF IBERDROLA OR OF SCOTTISHPOWER. THESE

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FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF ANY SUCH PERSON, OR INDUSTRY RESULTS, TO BE MATERIALLY DIFFERENT FROM ANY RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE BASED ON NUMEROUS ASSUMPTIONS REGARDING THE PRESENT AND FUTURE BUSINESS STRATEGIES OF SUCH PERSONS AND THE ENVIRONMENT IN WHICH EACH WILL OPERATE IN THE FUTURE. YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE THEY WERE MADE. ALL SUBSEQUENT ORAL OR WRITTEN FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO IBERDROLA OR SCOTTISHPOWER OR ANY OF THEIR RESPECTIVE MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES OR ANY PERSONS ACTING ON THEIR BEHALF ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENT ABOVE. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN DOCUMENTS RELATING TO THE OFFER ARE BASED ON INFORMATION AVAILABLE TO SCOTTISHPOWER ON THE DATE HEREOF. INVESTORS SHOULD NOT PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS, AND SCOTTISHPOWER DOES NOT UNDERTAKE ANY OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

/s/ Scottish Power plc

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(Registrant)

Date: December 12, 2006

By: /s/ Mrs Sheelagh Duffield

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Mrs Sheelagh Duffield  
Company Secretary