

SCOTTISH POWER PLC  
Form SC14D9C  
February 02, 2007

ANNEX C

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14D-9C

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  
1 Atlantic Quay  
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:

Richard C. Morrissey  
Sullivan & Cromwell LLP  
1 New Fetter Lane  
London EC4A 1AN  
England  
011 44 20 7959 8900

X Check the box if the filing relates solely to preliminary communications made before the  
commencement of a tender offer

Update 2 - February 1st 2007

Page 1

Contents

in this issue

IBERDROLA P3

MARKET REACTION P4

MESSAGE FROM STEPHEN DUNN P5

SPANISH REACTION P6

Main Headline

Offer transaction proceeds on schedule

Main Standfirst

In this latest Update, Philip Bowman provides a detailed overview of the progress of Iberdrola's Sharesave and ESOP schemes.

Main Text

Following the announcement of Iberdrola's offer, both companies are now engaged in preparing the offer before shareholders. After the initial activity around the announcement, it may appear strange that the market is quiet. However, as I outlined in the January edition of ScottishPower News, the transaction is on track pending the SEC and FERC approval of the transaction in the US, which is an important regulatory step.

We understand that as employees you are keen to know more about the treatment of the ESOP and Sharesave offer. It is planned to send detailed communication, explanation and instructions to you at the same time as the provision of information to the company's shareholders. We will try wherever possible to supplement this with further assistance in the form of management briefings, intranet updates, Q&A's and help-lines.

The Offer, once completed, will trigger certain provisions in the Company's share scheme rules. A key objective of ScottishPower and Iberdrola is to ensure that Sharesave and ESOP participants do not suffer any disadvantage by the change of control.

Boxed Headline

at a glance

Boxed Text

"As far as possible, the management of ScottishPower and Iberdrola are keen to ensure that Sharesave and ESOP participants do not suffer additional costs or are not unduly disadvantaged by the change of control." - Philip Bowman

Boxed Points

Offer Statistics

£43.2bn - Pro forma Enterprise Value of combined company

9% - Increase in Scottish Power share price on day of announcement

18 million - The number of Iberdrola's customers worldwide

Page 2

Main Text

When a participant validly exercises an option he or she will receive an aggregate payment of 412 shares - just as other shareholders will receive.

Sharesave

Participants in the Sharesave scheme will be able to continue their monthly savings contracts with the company and exercise their options during the six months following the completion of the transaction using their existing accounts at that time. Under the terms of the offer, ScottishPower and Iberdrola have agreed that they will provide compensation for any additional income tax liability that they incur as a result of early exercise of their options.

If a three or five year savings contract cannot be completed before the last date for exercise of the option, the participant will receive a cash payment equivalent to the value of the option at that time.

## Edgar Filing: SCOTTISH POWER PLC - Form SC14D9C

months following completion), compensation will be paid for the resulting loss of profit, grossed how this will work using the value of an Iberdrola share prevailing at the time the transaction was completed. Please note that the value of an Iberdrola share changes on a daily basis:

Sharesave example

1 A participant entered into a five year savings contract in June 2006 and was granted an option to purchase shares at a price of £3.74 per share.

2 The participant continues to make monthly contributions for the six months after the transaction closes (assumed to be April 2007).

3 A participant exercising in October, 2007 (at the latest possible time) will have saved for 17 months of  $17/60 \times 4,020$  shares = 1,139 shares.

4 The participant will also receive compensation calculated as follows...  
(4,020 - 1,139 shares x (£7.77 - £3.74) i.e. 2,881 shares x £4.03 = £11,610.43\*

\*This sum will be grossed up for income tax purposes.

In summary, this participant exercising the SAYE option at the latest possible date will receive 17 months of ScottishPower shares which will no longer be listed, these shares will automatically be transferred to the participant. The participant will instead receive 412 pence and 0.1646 of an Iberdrola share for each ScottishPower share. The compensation for the 2,881 ScottishPower shares, which he or she was unable to buy due to early exercise at an earlier date (say, June 2007) he or she would acquire fewer ScottishPower shares than the number of ScottishPower shares that he or she was unable to buy due to early exercise would still be calculated as if they had been bought in October 2007 and the participant acquired the maximum number of shares that could have been bought.

ESOP

At around the time of the completion of the transaction, the ESOP will close to new entrants and existing members that ESOP members will effectively stop making contributions and the scheme will run as a closed scheme.

The terms of the offer will allow participants to exchange their ScottishPower Shares in the same way as for the cash element that you are entitled to receive you may want to elect to receive loan notes instead of cash (interest bearing IOU under which Iberdrola promises to pay you the same amount as you would have received had you elected down to the nearest pound) repayable on set dates in the future. Electing to receive loan notes instead of cash offers a favourable tax treatment that an ESOP provides to continue until the end of the usual holding period without incurring an additional tax liability. A tax charge will arise if you choose to receive cash and you will need to pay this tax charge.

Boxed Headline

Communication > information resources

Boxed Text

Going forward, internal communication will remain a key priority. We will bring you further news and information previously, as soon as it becomes available.

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

Intranet

Go to the Iberdrola Offer site for the latest information and an archive of all communications received, including regular web casts from Philip Bowman and PDFs of Update. Visit [www.iberdrola.es](http://www.iberdrola.es) and click on the offer corner.

All employee emails

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

Briefings

As the future position starts to be clarified, there will be staff briefings, answering questions and addressing any concerns.

Main Headline

The facts about Iberdrola

Main Standfirst

Originating from Spain, Iberdrola has over 100 years experience in both national and international markets and has developed into one of the leading private electric utility companies and now supplies over 18 million people (10 million in Spain alone).

Main Text

It is the world's leading wind energy company and one of the largest operators in renewable energy. Through its efforts it has made in recent years and to its commitment to varying technologies, such as wind, solar, hydro, and plants, to emerging technologies such as thermoelectric solar and wave energy.

The proposed merger agreement with ScottishPower will allow the Company to enter new markets, become a leading wind power producer, with a strong presence in the US market and become one of Europe's largest. Iberdrola believes that a merger with ScottishPower is strategically attractive, creating a leading global group with a broad geographical presence and a strong platform for future growth. The combination of a European utility company with a pro forma Enterprise Value of £43.2 billion (Euro 63.8 billion).

Boxed Text

Ignacio Galan, CEO Iberdrola, recently received awards for CEO of the Year and Energy Company of the Year at the Energy Awards. The Platts Awards are the most prestigious awards in the world energy sector and recognize the accomplishments from energy businesses worldwide.

On collecting the awards Galan declared, "The effort and capability of our employees has made us one of the world's electricity companies, present in 35 countries, the world's wind power leader and one of Europe's largest electricity generating installations".

Main Headline

Shareholder reaction to the Iberdrola Offer

Main Text

The market responded well to the Offer announcement, although it came as no real surprise because the Offer has been heavily trailed in the media in the previous weeks. The Offer has generally been viewed as a significant improvement on the Offer from E-ON last year. For example, analysts at Credit Suisse have highlighted the compelling value to ScottishPower shareholders. We expect holders to broadly support the deal".

In the days following the announcement, Philip Bowman, Simon Lowth and Peter Durman, the Investor Relations team, had conversations with all of our key shareholders. In addition, ScottishPower's brokers have been gauging Shareholders have been keen to understand the background to the Offer and the extent of any discussion with other parties.

They also wanted to understand why the Directors were recommending the Offer to shareholders.

Another theme that emerged was that holders have been impressed with the strong results and the growth in management has made in turning the business around. One investor said "it is good to see that management have really grown in confidence". Several investors made comments that they are keen to see the SPP involved in the combined entity.

Many shareholders have been keen to understand the next steps in the Offer timetable. In particular, they follow the regulatory approvals process very closely to give themselves comfort that everything is on track. The regulatory filings, the next step in the process is the preparation of the various documents that will be sent to shareholders. The Investor Relations team is working to support the preparation of these documents and the transaction, including responding to questions from investors.

The ScottishPower share price has reacted well to the news flow about the Offer. On the day that the Offer was announced, the share price rose by almost 9%. It then rose in the following days to a range of around 738p to 760p. The volume of shares traded on a daily basis has also increased.

## Edgar Filing: SCOTTISH POWER PLC - Form SC14D9C

spikes on both announcement days. Over 122 million shares were traded on the day of the Offer and compares with a normal daily average of around 12 million. In contrast, Iberdrola's share price reflects concerns from its shareholders over the Offer for ScottishPower. Iberdrola's share price ACS, the Spanish-based construction firm, bought 6.3% of Iberdrola's share capital.

Since the Offer announcement, ScottishPower's share price is tending to track in line with Iberdrola that almost 50% of the Offer consideration is in new Iberdrola shares. At constant exchange rates Iberdrola's share price represents a change of around 11 pence in the value of the Offer for Scot

Page 5

Main Headline  
Dealing with change

Main Text  
Merger Offers, like the one facing ScottishPower, create great uncertainty. This is because, based on bidding companies are not able to discuss detailed plans regarding the future of the business with until the information has been released to shareholders. This means that many of our questions can't be answered those revolving around the most crucial questions for all: what's going to happen to my role and simply, we all want to be in control of the situation. We need to be able to plan our personal and professional life can't, it is much harder to concentrate on what would normally be day-to-day activities.

So, what actions can you take to stay focussed?

Boxed Headline  
Stephen Dunn , HR & Communications Director

Boxed Standfirst  
Stephen Dunn has led HR and managed a wide range of situations where proactive management of change offers advice on how to stay focussed and maintain morale during the months ahead.

Boxed Text  
Proactive Communications  
The first step is to communicate, communicate and communicate. This is a two-way street. Absorb it throughout the company (either through our dedicated Intranet site or the regular Update newsletter) the media and also make sure that you ask your management team any questions and discuss your concerns. If answered, the better you will feel. Understand that there will be many questions that can't be answered but will be as soon as there is something concrete to share. One example of this is the information included in this issue. We have been inundated with questions relating to the schemes. However, we will not until we are in a position to communicate with all shareholders. In the meantime we all need to be aware of the reaction to the situation, try to avoid speculating, because ultimately, you won't know the facts until they are officially, or you actually hear them from the management team.

Our Vision and Goals remain unchanged  
Our vision to become the UK's best integrated energy supplier and a world leader in renewables, remains unchanged. In difficult situations, we forget to recognise the good work of others and of ourselves. Celebrating even the smallest achievements together and helps to give purpose and context to time spent at work during a challenging period. It gives everyone an opportunity to concentrate on business as usual. If the Offer Period has affected the business, it is the opportunity to develop your skills and help out in another area of the business that might be affected by business-critical activity.  
Our commitment towards Operational Excellence remains unchanged as we focus on our respective business targets and objectives we have been set.

Boxed Pull Quote  
We have been inundated with questions relating to the schemes. However, we are limited in what we can do to communicate with all shareholders.

Page 6

Main Headline  
WHAT THE PAPERS SAY

## Edgar Filing: SCOTTISH POWER PLC - Form SC14D9C

### Main Standfirst

Media views Iberdrola in a positive light

### Main Text

The Scottish press widely covered the visit of Iberdrola CEO, Ignacio Sanchez Galan, to Glasgow in Scotland. Jack McConnell, said he'd received personal assurances that ScottishPower's headquarters would remain in Glasgow.

The Scottish Daily Express quoted the First Minister, "Most importantly for the longer term they want to see us in Scotland to bid for and to secure further investment in Scotland in the energy industry."

The Herald quoted continued SNP caution but said SNP Deputy Leader, Nicola Sturgeon had "received personal assurances of retention of ScottishPower's identity and a commitment to renewable energy."

The Scotsman focused on Mr Galan's record at Iberdrola, where share values have doubled in the five years since he joined. The growth of Iberdrola has been due to investments abroad - largely in windfarms and investment in a £1.5 billion investment between 2007 and 2009."

The Scotsman added "Mr Galan, who joined the company in 2001 from Vodafone's Spanish operation in 2001, was named Entrepreneur of the Year three years in a row."

The Scotsman also quoted Mr Galan on the question of Spanish tax incentives for the deal, which the UK Competition Commission to investigate before the transaction is concluded. Mr Galan said "Different countries have different taxes, there is nothing new in that."

The Spanish press was virtually unanimous in its support for the merger which it said would push the company well as allowing further expansion in Spain through the more liberal EU regulatory regime. El Pais daily, said: "It is interesting that a Spanish company is pushing through an international deal that pits it against the major players of Germany, France and Italy."

El Correo, based in Iberdrola's home city of Bilbao, also praised the proposed merger and reported that it had received from the Basque National Party (PNV). "The PNV has interceded in support of Iberdrola with the SNP praising the company and its likely approach to matters of national identity and labour relations."

### Main Pull Quote

Jack McConnell, said he'd received personal assurances that ScottishPower's headquarters would remain in Glasgow.

### Disclaimer

This document has been made available to shareholders of ScottishPower plc ("ScottishPower"). If ScottishPower conducts a tender offer for securities of the ScottishPower, ScottishPower will file a Solicitation Statement on Schedule 14D-9. Investors are urged to read this document when it is filed by ScottishPower with the SEC Commission (the "SEC"), as it will contain important information. The Solicitation/Recommendation Statement made from time to time by ScottishPower with the SEC are available without charge from the SEC's website. 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 sell in any jurisdiction. The new Iberdrola ordinary shares will only be distributed to existing ScottishPower shareholders. If Iberdrola ordinary shares to be issued to ScottishPower shareholders have not been, and if they are not, the arrangement will not be, registered under the U.S. Securities Act of 1933, as amended, or under the laws of any district or other jurisdiction of the United States, and no regulatory clearances in respect of the offering of ordinary shares have been, or if issued pursuant to a scheme of arrangement, will be will be, applicable in the United States, if the new Iberdrola ordinary shares are issued pursuant to a scheme of arrangement. Reliance upon the exemption from the registration requirements of the U.S. Securities Act of 1933, Section 3(a)(10) thereof. Under U.S. securities laws applicable to such circumstances, ScottishPower shareholders who are affiliates of ScottishPower or Iberdrola prior to, or will be affiliates of, ScottishPower on the Date will be subject to certain U.S. transfer restrictions relating to the new Iberdrola ordinary shares 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 relevant securities laws of any state or territory or other jurisdiction of the United States. They may not be offered or sold in the United States, except in a transaction not subject to, or in reliance upon the registration requirements of the US Securities Act and state securities laws.

## Edgar Filing: SCOTTISH POWER PLC - Form SC14D9C

### Cautionary Statement Regarding Forward Looking Statements:

The documents relating to the Offer contain forward-looking statements, including for the purpose of the Securities Litigation Reform Act. All statements other than statements of historical facts included in documents are forward-looking statements. Without limitation, any statements preceded or followed by or that include the words 'believes', 'expects', 'aims', 'intends', 'will', 'should', 'may', 'anticipates', 'estimates', 'is', '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 the completion of the Offer; (ii) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, dividend policy, losses and future prospects of Iberdrola, ScottishPower or the combined company; (iii) strategies and the expansion and growth of Iberdrola's, ScottishPower's or the combined company's 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 OR APPROVED BY OR OF SCOTTISHPOWER. THESE FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER CAUSES THAT MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF ANY SUCH PERSON, OR INDUSTRY RESULTS, TO DIFFER MATERIALLY FROM THE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE FORWARD-LOOKING STATEMENTS ARE BASED ON NUMEROUS ASSUMPTIONS REGARDING THE PRESENT AND FUTURE BUSINESS STRATEGIES OF SUCH PERSON AND THE ECONOMIC ENVIRONMENT WILL OPERATE IN THE FUTURE. YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THE FORWARD-LOOKING STATEMENTS AS OF THE DATE THEY WERE MADE. ALL SUBSEQUENT ORAL OR WRITTEN FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO SCOTTISHPOWER OR ANY OF THEIR RESPECTIVE MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES OR ANY PERSONS ACTING ON THEIR BEHALF ARE HEREBY DISAVOWED IN ENTIRETY BY THE CAUTIONARY STATEMENT ABOVE. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN DOCUMENTS ARE LIMITED TO THE INFORMATION AVAILABLE TO SCOTTISHPOWER ON THE DATE HEREOF. INVESTORS SHOULD NOT PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, AND SCOTTISHPOWER DOES NOT UNDERTAKE ANY OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY SUCH STATEMENT AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

ENDS

### 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

\_\_\_\_\_  
(Registrant)

Date: February 2, 2007

By: /s/ Mrs Sheelagh Duffield

\_\_\_\_\_  
Mrs Sheelagh Duffield  
Company Secretary