SCOTTISH POWER PLC
Form 6-K
February 08, 2006

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

For the month of February, 2006

SCOTTISH POWER PLC

(Translation of Registrant s Name Into English)

CORPORATE OFFICE, 1 ATLANTIC QUAY, GLASGOW, G2 8SP

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F __X__ Form 40-F ______

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes ______ No __X__

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-____ .)

FORM 6-K: TABLE OF CONTENTS

1. Notification by Scottish Power plc, dated February 08, 2006, of 3rd Quarter Results.

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 08, 2006

By: /s/ Donald McPherson

Donald McPherson
Deputy Company Secretary

SCOTTISH POWER plc

2005/06 NINE MONTH RESULTS including 3rd Quarter to 31 December 2005

- **Strong profit growth from continuing operations**
  - **Adjusted operating profit*: £559m for nine months, up 34%**
  - **Adjusted profit before tax*: £470m for nine months, up 42%**
  - **Adjusted earnings per share*: 20.20p for nine months, up 49%**
- **Continuing businesses deliver on strategic priorities**
  - **Energy Networks benefits from increased regulatory revenues and improved network performance**
  - **Higher customer numbers and plant acquisitions in the prior year drive strong growth in Energy Retail and Wholesale**
  - **PPM Energy reports growth in gas storage profits and increased contribution from wind investments**
  - **Capital investment of £742m, for the nine months, with 70% for growth, driven by windfarm developments in UK & US**
  - **Corporate restructuring on track to deliver savings of £10m this year**
- **Continued growth in group earnings and dividends**
  - **Adjusted earnings per share*: 10.80p for quarter, up 6%; 31.30p for nine months, up 18%**
  - **Reported earnings per share: 18.59p for quarter, up 66%; 31.17p for nine months, up 8%**
  - **Dividend per share: 5.2p for quarter, up 5%; 15.6p for nine months, up 5%**
  - **As previously advised, proposed full year dividend of 25 pence per share, up 11%**
- **Sale of PacifiCorp proceeding well**

Philip Bowman, ScottishPower Chief Executive, said:

The first nine months demonstrate a strong performance from continuing operations. Despite the cost pressures currently being experienced throughout the sector, the Company remains on track to deliver performance for the full year in line with our expectations.

The sale of PacifiCorp is proceeding well and we have now exceeded several of our original timetable objectives. As a result, completion of the sale may take place a little earlier than our original guidance of May to November 2006.

*Note: Items marked * represent adjusted results, further details of which are given in the Financial Overview section, below.*

CHIEF EXECUTIVE S REVIEW

I became Chief Executive of ScottishPower on 16 January 2006. The sale of PacifiCorp, once completed, will provide the Company with greater focus and highlight the progress that has been made in improving the performance of the UK businesses and growing PPM Energy.

My first priority has been to visit the Company s operations and meet the workforce to gain a better understanding of the business priorities. While our scale may fall behind that of some of our European competitors, the Company holds solid positions in its key businesses and continues to show good growth. Unsurprisingly we also face a number of opportunities and challenges as the industry within which we operate goes through a period of significant change.

The sale of PacifiCorp is proceeding well. All of the Federal approvals have now been received and settlement agreements have been reached and stipulations filed with utility commissions in all of the states in which PacifiCorp operates. A final order approving the sale has been received from the Utah Public Service Commission. As a result of this progress, completion of the sale of PacifiCorp may take place a little earlier than our original guidance of May to November 2006.

During the next financial year we will move from reporting quarterly to bi-annually once the sale of PacifiCorp is completed. This is in line with the rest of our sector peer group. As previously announced, the Company will also move to paying dividends bi-annually from the completion of the PacifiCorp sale.

FINANCIAL OVERVIEW

The group s results and comparatives have been prepared in accordance with IFRS. IAS 39 (Financial Instruments: Recognition and Measurement) has been applied prospectively from 1 April 2005 and as a result the statutory reported results are not directly comparable to last year largely due to the recognition of fair value gains and losses relating to IAS 39. The main focus of our results is on our continuing operations, as PacifiCorp is now reported as a discontinued operation. Items marked * represent adjusted results, further details of which are given below. These adjustments have been made in order to present the results on a comparable basis and we believe this provides a better indication of underlying business performance.

Quarter 3			**Nine Months**		
2005/06	**2004/05**		**2005/06**	**2004/05**	**Change**
		Continuing operations			
233	183	Adjusted operating profit* (£m)	559	416	143
197	143	Adjusted profit before tax* (£m)	470	332	138
7.36	5.74	Adjusted earnings per share* (pence)	20.20	13.55	6.65
291	208	Reported operating profit (£m)	488	478	10
329	168	Reported profit before tax (£m)	345	393	(48)
12.12	6.70	Reported earnings per share (pence)	16.87	15.87	1.00
		Group			
10.80	10.20	Adjusted earnings per share* (pence)	31.30	26.44	4.86
18.59	11.18	Reported earnings per share (pence)	31.17	28.77	2.40

Unless otherwise stated nine months relates to the nine months to 31 December 2005, and quarter relates to the three months to 31 December 2005. Items marked * represent the results of our operations adjusted to: (i) exclude the effects of IAS 39; (ii) for 2004/05, exclude the impact of contracts which were previously marked to market or otherwise fair valued but are now subject to IAS39; (iii) exclude exceptional items; and (iv) in relation to PacifiCorp, include depreciation and amortisation charges on non-current assets held for sale, which under IFRS are not recognised in the group from 24 May 2005. Reconciliations from the reported to the adjusted results are provided in Note 13 to the Quarterly Accounts.

Continuing Operations

We delivered another period of strong profit growth from our continuing businesses, with adjusted operating profit for continuing operations up 27% to £233 million* for the quarter and up 34% to £559 million* for the nine months. All our businesses contributed to this growth, which was driven by higher regulatory revenues in Energy Networks, including returns from network assets; customer growth in the prior year in Energy Retail; improved owned and contracted gas storage profits in PPM Energy; and strong investment returns from Energy Wholesale s new generation and from renewables in both the UK and US. Unallocated income and expenses were lower principally due to reduced Synfuel royalties and one-off gains in the prior year, partly offset by lower corporate costs.

Adjusted profit before tax for continuing operations increased by 38% to £197 million* for the quarter and by 42% to £470 million* for the nine months. The growth was driven by our strong operational results. Adjusted net finance costs for continuing operations, although lower in the quarter, increased by £5 million to £89 million* for the nine months.

The adjusted income tax charge includes benefits from settled claims, which contributed to the lower adjusted effective rate of tax for the nine months of 20.8%* compared to 24.7%* for the same period last year. The effective tax rate for the full year will be in line with our expectations, before taking account of any potential tax impact of IAS 39.

In summary, the improved operational performance and our success in delivering returns from our organic investment programme increased adjusted earnings per share for continuing operations by 28% to 7.36 pence* for the quarter and by 49% to 20.20 pence* for the nine months.

Cash generated from continuing operations increased by £56 million to £345 million for the nine months, with operating cash of £741 million partly off set by £396 million of working capital requirements. This included increased seasonal movements in PPM Energy s gas storage inventories, which are expected to largely reverse by the end of the financial year.

Net debt for continuing operations increased by £935 million from 1 April 2005 to £2,980 million. Cash generated from operations of £345 million was absorbed by: £80 million of net tax and interest payments; £723 million of capital investment mainly associated with our organic investment programme; £121 million equity investment, net of dividends, made into PacifiCorp; £332 million dividend payments; and £24 million of other movements. Net debt in relation to discontinued operations is now disclosed within assets and liabilities held for sale.

Reported operating profit for continuing operations, which includes the impact of IAS 39 and exceptional items, increased by 39% to £291 million for the quarter and by 2% to £488 million for the nine months. Reported operating profit for the nine months included an adverse IAS 39 impact of £93 million and a net exceptional credit of £22 million. The IAS 39 movement comprised mark-to-market losses of £145 million and hedge ineffectiveness of £17 million, offset by a contribution of £69 million from the unwind of the opening balance sheet position. The £22 million net exceptional credit comprised: the gain on sale of Byley; charges relating to the corporate restructuring; and an impairment provision within the retained US non-regulated business. In connection with the corporate restructuring a further pre-tax exceptional charge of £10 million was recorded in the quarter. This takes the total restructuring charges booked to date to £31 million.

Reported net finance costs for continuing operations for the nine months were £59 million higher at £143 million, including adverse IAS 39 movements of £54 million largely caused by the impact of the rise in our share price on the fair value of the $700 million convertible bond. For the quarter, we reported net finance income of £38 million due principally to favourable IAS 39 movements.

Reported profit before tax for continuing operations nearly doubled in the quarter to £329 million due to the favourable impact of IAS 39 on operating profit and finance costs as well as our strong operating results. However, in the nine months the adverse impact of IAS 39 more than offset our operational growth and the net favourable exceptional items, resulting in reported profit before tax reducing by £48 million to £345 million.

For the quarter, reported earnings per share for continuing operations improved by 81% to 12.12 pence, with the favourable IAS 39 movements enhancing the growth in underlying earnings. For the nine months reported earnings per share increased by 6% to 16.87 pence, with unfavourable IAS 39 movements, partially offset by the exceptional credit, diluting the strong growth in underlying earnings.

Total Group

Group adjusted earnings per share grew by 6% to 10.80 pence* for the quarter and by 18% to 31.30 pence* per share for the nine months, with the strong continuing operations performance being partly offset by a lower contribution from discontinued operations following a reduction in the interest rate differential benefit arising from changes in our balance sheet hedging composition and a reduced UK/US interest rate gap. Group reported earnings per share improved by 66% to 18.59 pence for the quarter with the favourable IAS 39 movements and the non-depreciation of assets held for sale enhancing the growth in underlying earnings. For the nine months, there was an 8% improvement to 31.17 pence per share, as our underlying earnings growth, the exceptional credit and the non-depreciation of non-current assets held for sale, more than offset the adverse impact of IAS 39.

Group net assets of £4,798 million were £840 million higher than at 31 March 2005. The implementation of IAS 39 has increased net assets by £607 million (gross of tax) at 31 December 2005, principally within Energy Wholesale, as a consequence of our effective economic hedging strategy and rising commodity prices.

The dividend for the third quarter of 2005/06 will be 5.20 pence per share, payable on 28 March 2006. The ADS dividend will be confirmed in a separate announcement today. This takes the dividend for the nine months to 15.60 pence per share.

Return of Capital: we have previously announced that we intend to return approximately £2.5 billion to shareholders following successful completion of the PacifiCorp sale. We plan to announce the mechanism for the return and the exact quantum once the sale has completed, and a review of the Company s financing requirements (including the deficit on the pension fund) has been concluded.

OPERATIONAL REVIEW   CONTINUING BUSINESSES

Energy Networks

Energy Network s adjusted operating profit rose by £15 million to £139 million* in the quarter and by £63 million to £382 million* for the nine months. The key driver was increased regulated revenues. The implementation of the recent regulatory reviews has increased allowances for taxation and pension costs and also increased both the level and the allowed cost of capital. We expect this revenue growth to continue for the remainder of the year.

The Distribution Price Control Review resulted in a 55% increase in our capital expenditure programme, over the five year period of the review, which earns allowed returns. Our programme is focused on network reinforcement and expansion and driving improved network performance. In the nine months we invested £191 million with £49 million (26%) for growth. We expect our Regulated Asset Base to amount to some £2.9 billion at the end of the financial year.

We are undertaking a number of initiatives to further improve the reliability and performance of our network including the installation of some 5,000 network controllable points over the next three years that will enable us to minimise the impact of outages on our customers. For the nine months our underlying fault rate has improved by over 3% compared to last year. In addition as part of Ofgem s Innovation Funding Initiative we have established industrial, manufacturing and academic partnerships aimed at improving the performance of the network and are currently developing new network designs to accommodate distributed generation.

During the quarter we completed the four year programme to upgrade the capacity of the Anglo-Scottish interconnector to 2.2 GW by completing the final works and further progress has also been achieved on the section of the Denny to Beauly line that we are responsible for as part of the Transmission Investment for Renewable Generation.

Energy Retail & Wholesale

Energy Retail & Wholesale s adjusted operating profit for the quarter was higher by £11 million at £52 million* and for the nine months was higher by £91 million at £142 million*. The key drivers were: our ability to extract value from our plant fleet, including Damhead Creek and Brighton; renewable investments, particularly Black Law; value from the growth in our customer base over the past year; strong energy management activities including Balancing Mechanism and hedging gains. Cost pressures due to higher commodity prices more than offset increased revenues from tariff rises.

The Energy Retail business serves 5.2 million customers, an increase of 92,000 since March 2005. This modest rate of growth compared to the prior year reflects the business s continued focus on gaining profitable customers and our related decision to slow our rate of customer growth during this period of high wholesale prices. Energy Retail is committed to maximising the value of its customer base and has increased its direct debit penetration compared to last year, with direct debit customers now representing some 55% of our retail customer base. From a customer service perspective the implementation of a new virtual telephony system has resulted in improved call handling and the quality of our bills has also improved following the implementation of a number of new meter reading contracts.

The Energy Wholesale business continues to perform well in the new BETTA environment, benefiting from flexible and competitive generating plant which has contributed some £23 million in the Balancing Mechanism this year. For the nine month period our load following accuracy was 99%. Our recent investment in our coal fired and CCGT plants has improved their flexibility enabling us to run the plants at the most economically optimal times in an environment where wholesale power prices have increased by some 80% over the last year.

As a result of our forward commodity procurement strategy our weighted average cost of commodities is below current market prices, however further sustained periods of high wholesale power prices may necessitate future price rises across the industry. We are currently more than 95% hedged for the remainder of this winter and almost 90% hedged for next winter across all commodities, including carbon dioxide emissions. In addition, in November we announced a 10-year gas supply agreement, for 500 million cubic metres per annum with Statoil, which combined with our existing long-term contracts, will help provide a secure, stable, long-term gas supply for our customers.

Energy Retail & Wholesale invested £165 million for the nine months, with 53% for growth as we continue to progress our strategic investment programme, focusing largely on value enhancing windfarm developments. ScottishPower is the largest windfarm generator in the UK with 271 MW operational. The amount of our generation output qualifying for Renewable Obligation Certificates has increased by more than 100% over the previous year. In addition, ScottishPower has 75 MW under construction and planning permission has also been received to extend three existing windfarms totalling 94 MW. Our 97 MW Black Law site, which was recently voted Best Renewable Project at the Scottish Green Energy Awards and one of the best renewable projects of 2005 by the DTI, was officially opened in January.

On 3 February we announced that our 2,304 MW Longannet power station would be opted into the Large Combustion Plant Directive. Flue Gas Desulphurisation (FGD) equipment will be installed at the plant using seawater based technology at an estimated cost of £170 million. Installing FGD will help us to maintain a balanced portfolio, will contribute significantly to the security of energy supply in Scotland and has the potential to extend Longannet s life beyond 2020.

PPM Energy

PPM Energy delivered strong results for the quarter, with adjusted operating profit up £31 million at £43 million*. This performance brought the business s nine month results in £18 million ahead of last year at £53 million*.

Adjusted dollar operating profit was $53 million higher for the quarter at $74 million* and $34 million higher for the nine months at $89 million*. The key drivers were: the contribution from our owned and contracted gas storage; returns from our owned windfarms; and the contribution from energy management activities; partially offset by increased development costs.

Our owned gas storage activities benefited from higher volumes and prices and we are now realising contracted gas storage profits earlier than anticipated as gas is withdrawn under our forward gas sales positions. Profits will continue into the fourth quarter as the business realises the full value of its gas storage inventory. The contribution from owned wind generation benefitted from the new windfarms commissioned in the quarter and reflects a 100% increase in generating capacity over the prior year. Partly offsetting this were lower profits from contracted wind due to some underperformance experienced at third-party plants, from which PPM Energy purchases output. Energy management activities focus on the management of core assets and the optimisation of wholesale energy positions and delivered an improved contribution as the business continues to grow.

PPM Energy s net capital investment was £386 million for the nine months. The business has completed the construction of four of this year s wind projects and this capacity is now contributing to operating profit. Construction of the partly operational Shiloh wind project will be completed in the fourth quarter.

PPM Energy plans to build at least 800-900 MW of new wind power in the 2006 and 2007 calendar years including the 200 MW Big Horn wind project, announced last October. The entire output of Big Horn has now been sold under a long-term contract.

DISCONTINUED OPERATIONS - PACIFICORP

PacifiCorp s adjusted profit after tax reduced by £34 million to £204 million* for the nine months. Adjusted operating profit improved marginally driven by regulated revenue growth offset by higher net power costs and movements in non-recurring items but adjusted net finance costs were higher primarily due to a reduction in the interest rate differential benefit. However, reported profit after tax improved by £24 million to £263 million largely due to the lower depreciation costs more than offsetting the adverse impact of IAS 39 on net finance costs.

PacifiCorp s net capital investment was £411 million for the nine months, with £197 million (48%) invested for organic growth. Net debt for discontinued operations was £2,548 million at 31 December 2005, an increase of £192 million compared to 1 April 2005.

Detail relating to PacifiCorp s regulatory filings is contained within PacifiCorp s Form-10Q: Part II : Other Information : Information Regarding Recent Regulatory Developments , for the quarter ended 31 December 2005, that will be available at www.pacificorp.com in due course.

INVESTOR TIMETABLE

15 February 2006	Shares go ex-dividend for the third quarter
17 February 2006	Last date for registering transfers to receive the third quarter dividend
28 March 2006	Third quarter dividend payable
24 May 2006	Announcement of results for the fourth quarter and full year ending 31 March 2006
June 2006	Fourth quarter dividend payable

Safe Harbor

Some statements contained herein may include statements regarding our assumptions, projections, expectations or beliefs about future events. These statements are intended as Forward-Looking Statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements with respect to us, our corporate plans, future financial condition, future results of operations, future business plans, strategies, objectives and beliefs and other statements that are not historical facts are forward looking. Statements containing the words may , will , expect , anticipate , believe , intend , estimate , continue , plan , project , target , on track to , meet or other similar words are also forward-looking. These statements are based on our management s assumptions and beliefs in light of the information available to us. These assumptions involve risks and uncertainties which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

We wish to caution readers and others to whom forward-looking statements are addressed, that any such forward-looking statements are not guarantees of future performance and that actual results may differ materially from estimates in the forward-looking statements. We undertake no obligation to revise these forward-looking statements to reflect events or circumstances after the date hereof. Important factors that may cause results to differ from expectations include, for example:

- the success of reorganisational and cost-saving or other strategic efforts, including the proposed sale of PacifiCorp;
- any regulatory changes (including changes in environmental regulations and legislation or regulatory outcomes limiting the ability of public utilities to recover income tax expense in retail rates such as Oregon Senate Bill 408) that may increase the operating costs of the group, may require the group to make unforeseen capital expenditures or may prevent the regulated business of the group from achieving acceptable returns;
- the outcome of general rate cases and other proceedings conducted by regulatory commissions;
- the cost, feasibility and eventual outcome of hydroelectric facility relicensing proceedings;
- future levels of industry generation and supply, demand and pricing, political stability, competition and economic growth in the relevant areas in which the group has operations;
- the availability of acceptable fuel at favorable prices;
- weather and weather-related impacts;

- the availability of operational capacity of plants;

- adequacy and accuracy of load and price forecasts that could impact the hedging strategy and costs to balance electricity load and supply;

- timely and appropriate completion of the Request for Proposals process, unanticipated construction delays, changes in costs, receipt of required permits and authorizations, and other factors that could affect future generation plants and infrastructure additions;

- the impact of interest rates and investment performance on pension and post-retirement expense;

- the impact of new accounting pronouncements on results of operations; and

- development and use of technology, the actions of competitors, natural disasters and other changes to business conditions.

Further Information:

Jennifer Lawton	Director, Investor Relations	0141-636-4527
David Ross	Group Investor Relations Manager	0141-566-4853
Colin McSeveny	Director, Media Relations	0141-636-4515

Group Income Statement

		Three months ended 31 December				Nine months ended 31 December			
		Before exceptional items	**Exceptional items**	**Total**		**Before exceptional items**	**Exceptional items**	**Total**	
		2005	**2005**	**2005**	**2004**	**2005**	**2005**	**2005**	**2004**
	Notes	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Continuing operations									
Revenue	2	1,615.3		1,615.3	1,300.7	3,772.4		3,772.4	3,206.5
Cost of sales		(1,202.0)		(1,202.0)	(941.3)	(2,698.7)		(2,698.7)	(2,263.8)
Transmission and distribution costs		(78.6)		(78.6)	(83.2)	(231.8)		(231.8)	(221.8)
Administrative expenses before exceptional items		(109.1)		(109.1)	(82.8)	(294.6)		(294.6)	(265.2)
Restructuring costs	3		(10.3)	(10.3)			(31.4)	(31.4)	
Impairment of finance lease receivables	3						(25.4)	(25.4)	
Administrative expenses		(109.1)	(10.3)	(119.4)	(82.8)	(294.6)	(56.8)	(351.4)	(265.2)
Fair value gains/(losses) on operating derivatives	2	67.7		67.7		(92.9)		(92.9)	
Other operating income		7.2		7.2	10.9	12.2		12.2	20.6
Share of profit/(loss) of jointly controlled entities		0.4		0.4	1.2	(0.5)		(0.5)	(1.6)
Share of profit of associates		0.1		0.1	2.9	0.1		0.1	2.9
Gain on disposal of subsidiary	3						78.6	78.6	
Operating profit/(loss)	2	301.0	(10.3)	290.7	208.4	466.2	21.8	488.0	477.6
Finance income		38.1		38.1	49.0	143.3		143.3	149.1
Fair value gains/(losses) on financing derivatives	4	74.4		74.4		(53.9)		(53.9)	
Finance costs	5	(74.6)		(74.6)	(89.1)	(232.3)		(232.3)	(233.5)
Net finance income/(costs)		37.9		37.9	(40.1)	(142.9)		(142.9)	(84.4)
Profit/(loss) before tax		338.9							