Iberdrola Transaction
UK Capital Gains Tax Information

The basic offer of the merger between ScottishPower and Iberdrola was £4 plus 0.1646 Iberdrola share for every ScottishPower share held. Shareholders could elect under the mix and match election to vary the proportion of shares and cash they received under the offer. It is therefore not possible for ScottishPower to outline the taxation impact of every permutation available under the mix and match election. The two most common elections were for the Basic Offer and for Maximum Shares. If Maximum Shares were elected for under the mix and match facility then due to scaling back of elections, the equivalent value per share was cash of £3.436 and 0.1890301 Iberdrola share for every ScottishPower share. Alternatively, if you elected to take cash for the full offer, £7.80 per Scottish Power share would have been received. Iberdrola loan notes may also have been received in lieu of cash.

There may be a capital gain or loss arising on the receipt of cash (not loan notes) in the offer. To determine the gain or loss you will need to calculate the base cost of the attributing to the cash element received. This is done by splitting the base cost of your Scottish Power shares between the cash and Iberdrola shares received on the following basis:

Basic Offer	50.722% Shares	49.278% Cash/Loan Notes
Mix and Match (max. shares)	57.914% Shares	42.086% Cash/Loan Notes

The market value on 25 April 2007 (SIBE): Iberdrola shares Euro 36.73 (€I = 68.1p).

Your base cost would generally be the amount paid for your shares or options, as adjusted for previous bonus issues etc as outlined above. If income tax was paid on the exercise of options (this will include Sharesave options exercised within 3 years of the date of grant when Iberdrola paid the income tax liability arising) the position will be different as this effectively increases your base cost. You may wish to seek professional advice if this is the case.

If prior to the offer you held 500 Scottish Power shares at a cost of £950 and took up the basic offer you would have received the following cash and shares in the offer:

Cash	£4 x 500 =	2,000
Shares	0.1646 x 500 =	82 shares

Your base cost of £950 would then be split as follows:

Cash	£950 x 49.278% =	£468
Shares	£950 x 50.722% =	£482

The gain arising on the cash received in the offer would therefore be as follows:

Cash	£2,000 - £468 =	£1,532

A gain arising prior to 5 April 2008 may also be reduced by taper relief.

If you held options and exercised these at a date later than 25 April 2007 only the basic offer could be taken up and the allocation between the shares and cash received will depend on the value of an Iberdrola share and the exchange rate at the date you exercised your options.

If loan notes were taken in place of cash, then any capital gain or loss would only arise when these were redeemed. Similarly, any gain or loss on the Iberdrola shares would only arise when these were sold. Some people opted to sell all shares received in the offer following exercise and there would therefore also be a gain or loss arising from the shares in addition to the gain/loss on the cash received.

Following the offer in April 2007, there was a subdivision of Iberdrola shares on 8 October 2007. This means that for every Iberdrola share originally held on that date, you held 4 shares following the subdivision. Your base cost remains unchanged following the subdivision.

B shares held in Scottish Power were unaffected by the Iberdrola takeover and can be redeemed as normal.