SCOTTISH POWER PLC
Form 6-K
October 29, 2004

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 October 2004

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-____ .)

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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 October 29, 2004

By: /s/ Donald McPherson

Donald McPherson

Assistant Secretary

SCOTTISH POWER plc

2004/05 1st QUARTER RESULTS to 30 June 2004

ScottishPower management assesses the underlying performance of its businesses by adjusting UK Generally Accepted Accounting Principles (GAAP) statutory results to exclude items it considers to be non-recurring or non-operational in nature. In the periods presented, goodwill amortisation has been excluded. Therefore, to provide more meaningful information, ScottishPower has focused its discussion of business performance on the results excluding goodwill amortisation. In accordance with guidance from the UK Auditing Practices Board, the UK Listing Authority, and the US Securities and Exchange Commission, where non-GAAP figures are discussed comparable UK GAAP figures have also been discussed and reconciled to the non-GAAP figures. The quarterly statutory results are presented in the Group Profit and Loss Account and in Note 2 Segmental information.

CHIEF EXECUTIVE S REVIEW

I believe this quarter s performance had several strong aspects, although our earnings per share, excluding the impact of goodwill amortisation, for the quarter were 2% lower than last year. Statutory earnings per share for the quarter were in line with last year. In the UK Division, profit increased substantially reflecting improved margins and customer growth. We won a further 250,000 customers in the quarter (750,000 in the last 12 months), taking our customer base to 4.5 million. We acquired the 800 MW Damhead Creek CCGT power station for £320 million, which supports our growth in customer numbers.

Profits in PacifiCorp were, as anticipated, lower in the period. Last year we enjoyed a very strong first quarter due to unusually hot weather and good plant availability. This year we had milder weather than usual in April and May and reduced plant availability. However, performance improved as the quarter progressed and PacifiCorp remains committed to achieving $1 billion EBIT (earnings before interest and tax, excluding goodwill amortisation) in 2004/05.

The Distribution Price Control Review is progressing on schedule, Ofgem having published its statement at the end of June. We continue to argue strongly for higher allowed rates of return and capital expenditure allowances sufficient to meet customer quality of supply expectations and the long-term need for network reliability.

We continued to make good progress with the growth of our gas storage business in the US and UK. Development work is underway on the Waha project in Texas and we received Government approval for the Byley development in England.

INVESTING FOR GROWTH

Our net capital investment for the quarter was £522 million, of which £122 million (23%) was invested refurbishing our existing asset base and £400 million (77%) was invested in growth projects including the £320 million acquisition of the 800 MW Damhead Creek CCGT power plant in Kent. In the quarter, net capital investment represented fixed asset additions of £213 million and the £320 million acquisition of Damhead Creek, less £11 million of capital grants and customer contributions.

In PacifiCorp, net capital investment was £109 million, with £47 million (43%) invested for organic growth. Of this, £23 million was spent on new generation, primarily on our 525 MW Currant Creek plant in Utah, with construction on target for commercial operations to commence in summer 2005. We also invested £24 million in new connections and network reinforcement, including our ongoing major network expansion project along the Wasatch Front in Utah, which now totals 1,046 MVA of capacity to date.

In our Infrastructure Division, net capital investment was £57 million, with £18 million (32%) of this invested for organic growth. Included in this investment were new windfarm and customer connections, and initiatives which form part of the proposals outlined in the Renewable Energy Transmission Study (RETS) project. We announced in June 2004, that we aim to invest £400 million to upgrade or construct high-voltage transmission lines in Scotland to meet the Scottish Executive s 2010 renewable energy target.

In our UK Division, net capital investment was £353 million, of which £334 million (95%) was invested for growth. This included the £320 million acquisition of the 800 MW Damhead Creek CCGT power plant. This modern and efficient natural gas plant with high thermal efficiency, favourable transmission location and station life is already contributing to profit. With an expected internal rate of return substantially above our target hurdle rates, Damhead Creek is expected to provide an excellent return on invested capital. Other organic growth projects included the Black Law windfarm and the Byley gas store.

PPM s net capital investment was £3 million for the quarter, including expenditure on the Klamath Falls peaking generation plant and Waha gas storage expansion. PPM s wind activities continue to focus on building a pipeline of projects, totalling 8,000 MW, to develop once the federal production tax credit is renewed.

Including the investment in Damhead Creek, we currently forecast investing approximately £1.5 billion in the year to March 2005, in generation, networks and gas storage, all of which will deliver a range of attractive returns, some 60% of which is expected to be invested for growth.

OPERATIONAL PERFORMANCE

PacifiCorp

PacifiCorp s operating profit as shown in Table 1, was £88 million for the quarter, compared to £137 million last year. Excluding goodwill amortisation, operating profit was £117 million for the quarter compared to £169 million ($198 million compared to $258 million), down £33 million against the same period last year before the adverse effect of the weaker US dollar of £19 million. This year s first quarter started less strongly than our expectations, as reported in the preliminary results in May, arising from a combination of milder weather impacting on residential demand, lower hydro resource and lower thermal plant availability. In contrast, last year s first quarter benefited from higher than expected retail revenues due to favourable weather conditions and improved thermal plant generation. With a return to more normal

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weather conditions and thermal generation plant operating at higher levels, business performance improved in the second half of the quarter. Rate recoveries, other revenue increases and cost efficiency savings offset higher net costs arising mainly from employee related and maintenance expenditure. PacifiCorp remains committed to achieving $1 billion EBIT in 2004/05.

Table 1 PacifiCorp (£m)	**Quarter 1 2004/05**	**Quarter 1 2003/04**
Operating profit	**88.1**	136.5
Goodwill amortisation	**28.6**	32.0
Operating profit excluding goodwill	**116.7**	168.5

In July, PacifiCorp was named best for overall customer satisfaction in a nation-wide survey of commercial and industrial electricity customers by TQS Research, an improvement from third-place last year.

Of the annualised rate increases awarded last year, more than $92 million is contributing to the current financial year. This will help offset the $44 million reduction in deferred power cost recoveries, which are expected to be approximately $47 million and $13 million per year for this year and next year respectively. In June, the Idaho Public Utilities Commission approved a rate settlement worth approximately $4 million. In July, a request was filed with the Wyoming Public Service Commission to pass on approximately $12 million of increased costs associated with net power purchases.

On 4 August, PacifiCorp filed a general rate case request with the Utah Public Service Commission for approximately $111 million related to operating cost increases and recovery of investments that support Utah s growing demand and the need for enhanced network reliability. The filing, which includes a request for a future test year, represents a 9.6% increase in rates and a requested return on equity of 11.125%. The case is expected to be resolved by April 2005.

Infrastructure Division

Infrastructure Division increased operating profit by £11 million to £101 million primarily through increased regulated revenues, a favourable change in the mix of capital and revenue activities and lower net costs in the quarter. Property gains were £6 million lower than the first quarter of last year, however a rebate of £6 million was received in the quarter from the National Grid Company, resulting from a change in their charging methodology.

The Distribution Price Control Review is progressing on schedule, Ofgem having published its statement at the end of June. A further update is expected in September and final proposals in November. We continue to press Ofgem for higher allowed rates of return and capital expenditure allowances sufficient to meet customer quality of supply expectations and the long-term need for network reliability.

UK Division

Our customer success story continued. Having gained 750,000 customers in the last 12 months, of which 250,000 were won in the first three months of this year, the total number of UK customers at the end of June 2004 was 4.5 million. Operating profit as shown in Table 2, was £22 million for the quarter, compared to £1 million last year. Excluding goodwill amortisation, operating profit increased substantially to £24 million, an improvement of £22 million.

Electricity and gas margins improved due to continued customer growth, higher prices and the first contribution from Damhead Creek. These gains were partly offset by higher net costs to support customer growth and our energy efficiency commitments.

In respect of our Longannet and Cockenzie power plants, we have decided to opt out of the Large Combustion Plant Directive (LCPD), effective from January 2008, and not invest in flue gas de-sulphurisation equipment as we do not currently believe this would provide a good return for shareholders. Our coal plant will continue to play a significant role within our generation portfolio for many years to come. The LCPD provides opted-out plant with 20,000 running hours of operations from 2008. We will therefore continue to invest in these assets to improve their flexibility and performance.

Table 2 UK Division (£m)	**Quarter 1 2004/05**	**Quarter 1 2003/04**
Operating profit	**22.4**	0.9
Goodwill amortisation	**1.2**	1.2
Operating profit excluding goodwill	**23.6**	2.1

PPM

PPM continues to build on its impressive growth record. Operating profit as shown in Table 3, rose by £3 million ($5 million) to £8 million ($14 million) mainly from increased volumes from new wind generation resources, much of which commenced in December 2003. Increased contribution from gas storage and the Klamath generation facility partly offset a reduction in energy management profitability and higher operating costs including depreciation.

Table 3 PPM (£m)	**Quarter 1 2004/05**	**Quarter 1 2003/04**
Operating profit	**8.3**	5.1
Goodwill amortisation	**0.2**	0.1
Operating profit excluding goodwill	**8.5**	5.2

Development work is underway on PPM s 7 BCF Waha gas storage and hub services project in west Texas. This facility is expected to cost approximately $74 million and will be developed in several phases over the next six years, with the first 2.4 BCF commissioned in 2006. Other potential gas storage projects under review include acquisition and internal development projects in the Gulf Coast that would add to PPM s 67 BCF of capacity under control.

Responsible for almost a third of new wind developments in the US in 2003, PPM has received final permit approval for two new windfarm sites in Minnesota and Oregon. These new windfarm developments are expected to start when the US Production Tax Credit is passed by Congress, currently anticipated either later in the year or early in calendar 2005.

FINANCIAL REVIEW

ScottishPower employs a financial hedging strategy which continues to mitigate the impact on earnings of the weaker US dollar and we expect this benefit to continue for the full year to March 2005 with an expected hedge translation rate in the range $1.50 - $1.55.

Group turnover to June 2004 increased by £236 million to £1,481 million. The weaker US dollar reduced sterling revenues of PacifiCorp and PPM by £69 million, which is mitigated by our hedging strategy at an earnings level. PacifiCorp s dollar turnover increased marginally, primarily due to rate increases in retail revenue partially offset by reduced recoveries of deferred power costs. Infrastructure Division s turnover increased by 9% due to higher regulated revenues. The UK Division s turnover increased by 44% mainly as a result of revenues from energy balancing activities, improved retail electricity and gas sales reflecting the increased customer base and higher prices, and the inclusion of Damhead Creek turnover for the first time. PPM s turnover was higher by £70 million (103%) due to increased energy management revenues from optimisation of storage assets and sales of natural gas; and added revenues from new wind facilities and increased production at Stateline.

Group operating profit as shown in Table 4, reduced by £13 million in the quarter to £220 million, and, excluding goodwill amortisation, was lower by £16 million at £250 million. As previously discussed, PacifiCorp started the year less strongly, with operating profit, excluding goodwill amortisation, lower by £52 million. However, significant operating profit improvements were delivered by Infrastructure, UK Division and PPM of £11 million, £22 million and £3 million, respectively.

Table 4 Group operating profit (£m)	**Quarter 1 2004/05**	**Quarter 1 2003/04**
Operating profit	**219.9**	232.5
Goodwill amortisation	**30.0**	33.3
Operating profit excluding goodwill	**249.9**	265.8

The net interest charge reduced by £12 million to £50 million in the quarter, including the translation benefit from the weaker US dollar and the benefit to interest from our dollar balance sheet hedging strategy.

Profit before tax as shown in Table 5 was £170 million, in line with last year. Excluding goodwill amortisation, profit before tax reduced by £4 million to £200 million due to the impact of PacifiCorp s results, substantially offset by operating profit improvements in our other businesses and lower interest charges.

Table 5 Profit before tax (£m)	**Quarter 1 2004/05**	**Quarter 1 2003/04**
Profit before tax	**170.4**	170.7
Goodwill amortisation	**30.0**	33.3
Profit before tax excluding goodwill	**200.4**	204.0

In line with last year s results, the effective rate of tax, excluding goodwill amortisation, as shown in Table 6, has remained at 27%. As shown in Table 6, the effective rate of tax is calculated by dividing the tax charge by profit before tax, expressed as a percentage. The effective rate of tax on profit before tax, including goodwill amortisation, was 32%, in line with the equivalent period last year. The tax rate benefits from the release of provisions relating to prior years following agreement of specific items with tax authorities, the group s financing arrangements and tax credits from US wind generation.

Table 6 Effective rate of tax (£m)	**Quarter 1 2004/05**	**Quarter 1 2003/04**
Tax charge	**54.1**	55.1
Profit before tax	**170.4**	170.7

Goodwill amortisation	**30.0**	33.3
Profit before tax excluding goodwill	**200.4**	204.0
Effective rate of tax	**32%**	32%
Effective rate of tax excluding goodwill	**27%**	27%

Earnings per share as shown in Table 7, improved by 0.03 pence to 6.29 pence for the quarter. Excluding the impact of goodwill amortisation, earnings per share reduced by 0.15 pence to 7.93 pence.

Table 7 Earnings per share (pence)	Quarter 1 2004/05	Quarter 1 2003/04
Earnings per share (EPS)	**6.29**	6.26
EPS impact of goodwill amortisation	**1.64**	1.82
EPS excluding goodwill	**7.93**	8.08

Cash flows from operating activities reduced by £160 million to £136 million for the quarter, mainly due to lower operating profit in PacifiCorp, and an increase in working capital including higher gas stocks in PPM and higher coal stocks in UK Division which will benefit performance later in the year. Interest, tax and dividend payments totalled £188 million. Other net inflows which impact net debt, other than net investment in assets and acquisitions, were £50 million, mainly as a result of a £68 million cash receipt arising on the maturing of cross-currency swaps. Net capital investment cash spend including Damhead Creek was £528 million. After the £35 million adverse effect of foreign exchange and other non-cash movements, net debt at 30 June 2004 was £4,289 million, £565 million higher than at 31 March 2004. Gearing (net debt/equity shareholders funds) was 91%, compared to 79% as at 31 March 2004. The group remains committed to maintaining its A- credit rating for its principal operating subsidiaries.

The group s net capital investment was £522 million in the quarter, with growth expenditure totalling £400 million and £122 million invested in refurbishment. In PacifiCorp, £62 million was spent on generation plant refurbishment and overhauls, network reinforcement and replacement and on hydro relicensing, mining and information technology projects. In Infrastructure Division, £39 million was primarily spent on refurbishing the network and included equipment replacement and modernisation programmes. Within the UK Division, other capital investment of £19 million included spend on generation plant overhauls and ongoing refurbishment projects at our hydro stations which will allow the capture of Renewables Obligation Certificates. In PPM other capital expenditure of £2 million was primarily spent on enhanced pollution control at the Klamath Falls peaking plant.

The dividend for the first quarter of 2004/05 will be 4.95 pence per share, an increase of 4.2% on the prior year, payable on 28 September 2004. The ADS dividend rate will be $0.3602. The dividend for each of the first three quarters of 2004/05 is set at 4.95 pence per share with the balance of the total dividend to be set in the fourth quarter. We remain committed to our aim to grow dividends broadly in line with earnings.

We remain on track to commence reporting our consolidated Accounts in accordance with International Financial Reporting Standards with effect from 1 April 2005.

INVESTOR TIMETABLE

Key investor dates going forward are as follows:

18 August 2004	Shares go ex-dividend for the first quarter
20 August 2004	Last date for registering transfers to receive the first quarter dividend
28 September 2004	First quarter dividend payable
10 November 2004	Announcement of results for the second quarter and half year ending 30 September 2004

Safe Harbor

Some statements contained herein are 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 , intend , estimate , continue , plan , project , target , on track to , strategy , 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:

any regulatory changes (including changes in environmental regulations) 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;

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;

the availability of operational capacity of plants;

weather and weather related impacts;

the success of reorganizational and cost-saving efforts; and

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

Further Information:

Bob Hess	Vice President of Investor Relations	0141 636 4527
David Ross	Investor Relations Manager	0141 566 4853
Colin McSeveny	Group Media Relations Manager	0141 636 4515

Group Profit and Loss Account

for the three months ended 30 June 2004

		Unaudited	
		Three months ended 30 June	
		2004	2003
	Notes	£m	£m
Turnover: group and share of joint ventures and associates		**1,492.8**	1,252.7
Less: share of turnover in joint ventures		**(11.2)**	(7.1)
Less: share of turnover in associates		**(0.3)**	(0.2)
Group turnover	2	**1,481.3**	1,245.4
Cost of sales		**(962.4)**	(741.7)
Gross profit		**518.9**	503.7
Transmission and distribution costs		**(148.9)**	(122.8)
Administrative expenses (including goodwill amortisation)		**(156.3)**	(156.8)
Other operating income		**6.2**	8.4
Operating profit	2	**219.9**	232.5
Share of operating profit/(loss) in joint ventures		**0.2**	(0.1)
Share of operating profit in associates		**0.2**	0.1
Profit on ordinary activities before interest		**220.3**	232.5
Net interest and similar charges			
Group		**(48.2)**	(60.5)
Joint ventures		**(1.7)**	(1.3)
		(49.9)	(61.8)
Profit on ordinary activities before taxation		**170.4**	170.7
Taxation	3	**(54.1)**	(55.1)
Profit after taxation		**116.3**	115.6
Minority interests (including non-equity)		**(1.0)**	(1.0)
Profit for the period		**115.3**	114.6
Dividends	5	**(91.1)**	(87.5)
Profit retained		**24.2**	27.1
Earnings per ordinary share	4	**6.29p**	6.26p
Diluted earnings per ordinary share	4	**6.12p**	6.25p
Dividend per ordinary share	5	**4.95p**	4.75p

The above results relate to continuing operations.

The Notes on pages x to x form part of these Accounts.

Group Cash Flow Statement

for the three months ended 30 June 2004

	Unaudited Three months ended 30 June 2004 £m	2003 (As restated Note 1) £m
Cash inflow from operating activities	**135.6**	295.4
Returns on investments and servicing of finance	**(56.4)**	(76.4)
Taxation	**(18.2)**	(48.3)
Capital expenditure and financial investment	**(208.2)**	(168.7)
Cash flow before acquisitions and disposals	**(147.2)**	2.0
Acquisitions and disposals	**(319.4)**	(1.3)
Equity dividends paid	**(112.9)**	(132.2)
Cash outflow before use of liquid resources and financing	**(579.5)**	(131.5)
Management of liquid resources	**131.5**	(8.9)
Financing		
Issue of ordinary share capital	**9.5**	2.8
Redemption of preferred stock of PacifiCorp	**(4.1)**	(4.6)
Maturity of cross-currency swaps	**67.7**	
Net purchase of own shares held under trust	**(23.5)**	(25.9)
Increase in debt	**31.4**	144.0
	81.0	116.3
Decrease in cash in period	**(367.0)**	(24.1)

Reconciliation of Net Cash Flow to Movement in Net Debt

for the three months ended 30 June 2004

	Unaudited Three months ended 30 June 2004 £m	2003 £m
Decrease in cash in period	**(367.0)**	(24.1)
Cash inflow from increase in debt	**(31.4)**	(144.0)

Cash (inflow)/outflow from movement in liquid resources	**(131.5)**	8.9
Change in net debt resulting from cash flows	**(529.9)**	(159.2)
Foreign exchange movement	**(31.9)**	104.0
Other non-cash movements	**(3.2)**	(2.2)
Movement in net debt in period	**(565.0)**	(57.4)
Net debt at end of previous period	**(3,724.5)**	(4,321.0)
Net debt at end of period	**(4,289.5)**	(4,378.4)

The Notes on pages x to x form part of these Accounts.

Group Balance Sheet

as at 30 June 2004

		Unaudited
	Notes	30 June 2004