SSE Interim Results for the period to 30 September 2023

DELIVERY, DRIVE AND DISCIPLINE

Alistair Phillips-Davies

1. **TITLE SLIDE: DELIVERY, DRIVE AND DISCIPLINE**

2. **Disclaimer**

3. **TODAY'S PRESENTERS**

   Good morning and thank you for joining us for this presentation of our interim results to 30 September 2023.

   I'm joined for today's presentation by Gregor Alexander, who is presenting his 43rd and final set of results as Finance Director; Martin Pibworth, our Chief Commercial Officer; and Barry O'Regan, who succeeds Gregor as Chief Financial Officer later this month.

4. **PUTTING SAFETY FIRST**

   I'd like to start with a few words about safety, which is always SSE's primary objective.

   As we continue to deliver our strategy to provide energy that is cleaner, homegrown and secure, construction activity has increased which, in turn, has driven an increase in our TRIR measure in the first half.

   We are continuing to invest in new initiatives, including the launch of an immersive training programme, to enhance our existing sector-leading safety controls, as we redouble efforts to address this drop in safety performance.

   And, finally, I would like to pause to pay respect to Richard Ellis. Richard was an employee of one of our contractors who sadly lost his life in a tragic accident on a public highway in Sussex last month. Our thoughts go out to his family and friends.

5. **AGENDA – PART 1: OVERVIEW**

   Over the next 40 minutes or so, we will explain how greater visibility of SSE's growth options is underpinning a fully-funded update to our capex plan, and how the reliability of earnings from our balanced business mix is giving us added confidence in our guidance.

6. **DELIVERY, DRIVE AND DISCIPLINE**

   Our underlying strategy is built on the fact that networks, renewables and flexibility will be the bedrock of a future energy system with electricity at its heart.

And, as we move into a UK General Election year, it is clear that policy and delivery in each area will not always move at the same pace.

But the imperative to simultaneously secure affordable energy supplies whilst tackling climate change remains firm. Alongside an increasing desire to deliver jobs and industrial growth, this results in a societal trend and political consensus that remains very solid.

That's why we've positioned SSE at the heart of the energy transition – able to fine tune our investment plans across the electricity value chain.

And you can see this in action today. Just six months on from upgrading our Net Zero Acceleration Programme we are increasingly confident in our ability to deliver the earnings we have promised this year, and double-digit growth through the five years of our NZAP Plus.

We're **delivering** on a fully-funded capital investment programme that is investing around £10m a day across the plan in critical national infrastructure. And within this, as we'll explain shortly, growth in networks is coming through even faster than we anticipated.

We're **driving** long-term sustainable earnings growth with our balanced mix of index-linked and market-based businesses that have demonstrated both their resilience and ability to capture upside when conditions are favourable.

And we have the proven financial **discipline and optionality** to invest in opportunities only when the value proposition is crystal clear and it meets returns expectations.

7. DELIVERING ON OUR CAPITAL INVESTMENT

Dogger Bank made global headlines last month when it exported its first power, but the world's biggest offshore wind farm is just one entry in a roll-call of highly complex major projects that we are progressing at pace.

Seagreen is now fully operational, with the capacity to power 1.6m UK homes, and Viking has all of its turbines now in place. These projects provide meaningful progress towards our ambitious growth targets; they complement our existing portfolio of assets; and they will enter a market where power prices are expected to be higher for longer than originally anticipated.

At the same time, growth opportunities are being realised in networks with greater visibility of future growth in Transmission making it one of the fastest growing networks in the world. We now expect £2.5bn of additional, fully-funded capex to be invested in the business which I will talk through later on. This means the Group's capex forecast is now £20.5bn across the five years to FY 2027.

This revised outlook demonstrates the accretive opportunities that continue to emerge from the transition to net zero, most notably in the near term for transmission and renewables, which comprise around 70% of our investment to FY27, but also for the distribution and thermal businesses as we look further out.

8. **GUIDANCE DRIVEN BY VISIBILITY OF EARNINGS**

And this blend of alignment to societal trends, high quality investment options and increased visibility is driving confidence in delivering shareholder returns.

The Group offers stability, reliable returns and natural hedges. Networks and renewables businesses are highly complementary electricity asset businesses with similar growth characteristics and combined financial strength. We then have further synergies and optionality from our energy businesses with their own mix of stable revenues and in-built flexibility.

With this mix and our revised spending plans we now have greater confidence that we will be comfortably within the 175-to-200 pence target guidance range for FY27. This is underpinned by our businesses' significant indexation to inflation, and our strong balance sheet with the vast majority of debt held at fixed rates.

We are seeing strong returns today from an existing portfolio of world-class assets which are continuing to grow as major projects such as Seagreen reach production. We're also building more world-class assets that will continue to deliver step-ups in earnings, with our diversified pipeline promising far more value to come over the decade and beyond.

9. **CAPITAL DISCIPLINE AND OPTIONALITY**

The worldwide transition to net zero is unstoppable, but that's not to say that we should throw caution to the wind. In the recent market environment SSE's customary discipline has never been more important.

Take the recent AR5 offshore auction round in the UK. Here we decided to hold back from an offshore process that did not meet our investment criteria but were fully rewarded with over 600MW of onshore contracts secured at a 13% premium to AR4 prices.

The message is clear: where contracts don't offer the right returns, or where seabed can't be secured for the right price, we will maintain our discipline.

We have the flexibility to dial up our capital allocation and prioritise investment to the asset classes that offer the best returns in the prevailing market conditions.

And right now, as we look across the clean energy value chain on a risk-adjusted basis, continuing to upweight our investment in regulated networks feels like the right course of action.

I'll now hand you over to Gregor.

Gregor Alexander

10. **AGENDA – PART 2: RESULTS TO 30 SEPTEMBER 2023**

Thank you, Alistair and good morning everyone. With this being my final results presentation for SSE, I'm pleased to be able to talk you through such a strong set of half-year numbers.

11. **FINANCIAL RESULTS – SEGMENTALS**

Looking at the breakdown across the segments, around 50% of adjusted operating profit was driven by our regulated networks businesses, with around 30% from energy generation and gas storage and the remaining 20% from our customer businesses.

I will run through the financial performance for each of the businesses in due course, however it is clear that our networks businesses have continued to perform well, whilst our renewables and thermal businesses have demonstrated their portfolio value in the current market environment.

12. **FINANCIAL RESULTS – OVERVIEW**

Overall, at the Group level, you can see the stability benefits of a balanced business mix in a consistent set of numbers, despite the dramatically different market conditions from a year ago:

- Adjusted operating profit decreased by 3% to £693.2m;
- Adjusted profit before tax increased by 1% to £565.2m;
- And adjusted earnings per share was 37.0p, well above pre-close guidance due to stronger operational performance combined with a lower effective rate of tax.

This result reflects the normal seasonal nature of operations that deliver the majority of annual earnings in the second half of SSE's financial year.

13. **FINANCIAL RESULTS – ADJUSTED AND REPORTED**

The success of our long-standing hedging approach has been clear over the last two years, as reduced exposure to short-term commodity price movements has meant our businesses have delivered strong profitability despite unpredictable markets.

At times this approach has driven significant gains or losses through unrealised fair value movements which are unrelated to underlying operating performance. However, in this period there has been minimal fair value movement, with forward commodity prices holding at more stable, albeit elevated, levels.

As Martin will elaborate on later, the acquisition of Triton Power has been an unqualified success. In the 13 months since acquisition, it has already generated over £130m of cash thereby paying back more than our original £123m cash consideration. However, as these strong cashflows have been realised by Triton it has triggered a technical non-cash impairment in the carrying value of this asset during the period. This impairment reverses previous non-cash valuation increases and Triton remains a value-enhancing acquisition that will be profitable on a cash basis going forward.

14. **SSEN TRANSMISSION**

Turning to SSEN Transmission's performance, adjusted operating profit increased by 3% to £215.6m, mainly driven by increases in allowed revenues under RIIO-T2, together with a positive timing impact from tariffs.

As the business continued to deliver asset growth, this increase was partially offset by additional operational costs including a higher headcount, and depreciation.

15. **SSEN DISTRIBUTION**

SSEN Distribution operating profit is down 31% year-on-year to £120.1m. As we highlighted in May, this is attributable to continued inflationary increases in the cost base not being reflected in the tariffs for the regulatory year which were set in December 2021.

Whilst the timing of the Distribution tariff setting process means that allowed revenues are not expected to keep pace with inflation this year, this is a timing difference that will reverse in FY25 as tariffs are updated for the current cost environment.

16. **SSE RENEWABLES**

In Renewables, adjusted operating profit increased to £86.8m as the business saw the year-on-year benefit from higher average hedge prices, combined with lower levels of hedge buy-backs required.

But while profitability has increased, Renewables performance remains below our expectations at the start of the year, mainly due to exceptional weather conditions with output around 19% behind plan for the first six months. This represents around a 7% shortfall to the full year's planned output.

17. **SSE THERMAL**

Despite this summer delivering the second-lowest summer seasonal spark spread on record, our flexible thermal fleet returned a record half-year profit. With the benefit of capacity additions from Keadby 2 and Triton Power, and improved year-on-year availability, our efficient fleet was able to achieve strong generation capture prices whilst also using our flexibility to optimise our market positions.

Meanwhile, as flagged in the Pre-Close Statement, a more stable market environment has driven a seasonal half-year loss for Gas Storage, but we anticipate that this will revert to a strong profit of more than £75m for the full year as gas is withdrawn.

18. **OTHER BUSINESSES**

Turning now to our other businesses, SSE Business Energy recorded an adjusted operating profit of £88m whilst which reflects the phasing of customer contract margins in competitive conditions.

SSE Airtricity recorded a small profit in the period and at the year-end – in more benign market conditions – we expect it to return to more normalised earnings, having decided to return profits last year to customers in recognition of the cost-of-living crisis.

Our Energy Portfolio Management business, now known simply as SSE Energy Markets, delivered an adjusted operating profit of £9m in the period, reflecting improved market stability.

And finally, losses from SSE Enterprise and Neos Networks continued in the period as they build out their respective asset bases.

19. **FINANCIAL RESULTS – CAPITAL INVESTMENT**

Investment levels remain at higher than historical averages reflecting the range of delivery across the Group and – excluding the acquisitions last half-year of the Southern European onshore development platform and Triton – the £1.1bn we have spent this period is in line with our run rate last year.

Almost half of this investment has been spent on regulatory networks as Transmission delivers on existing large capital projects such as the Shetland HVDC, whilst Distribution progresses with delivery of the ambitious ED2 price control.

And an almost equal amount has been spent on our renewables projects, with in-flight projects such as Seagreen, Viking and Yellow River receiving increased levels of investment.

20. **FINANCIAL RESULTS – BALANCE SHEET**

SSE's strong balance sheet continues to be underpinned by high-quality assets and disciplined investment in long-term infrastructure.

In September, we successfully issued a €750m eight-year Green Bond at a fixed coupon of 4.0%, placing SSE at the top of the UK corporate league for Green Bonds.

Adjusted net debt was just below £9bn, with over 90% of financing still held at fixed rates and at an average debt maturity of around six years.

Our credit ratings continue to compare favourably to our peers, reflecting the resilience of the business mix and its ability to create value whilst paying dividends.

Meanwhile, our pension schemes remain in surplus, our cash collateral is comfortably within existing facilities and we have good liquidity.

This strong financial footing provides the foundation for the NZAP Plus investment plan and delivery of high-quality projects that create long-term value for the Group.

As Alistair said, after 33 years with the Company and 21 years as Finance Director, this is my last results presentation. I would like to express my thanks to the many colleagues, investors and others – past and present – who have so ably supported me during my tenure as Finance Director. I would like to thank particularly Alistair, Martin and Barry for being part of a great team. It has been an absolute privilege and honour working for SSE and playing my part in progressing a purpose, culture and heritage that has become a driving force behind net zero.

I will clearly miss it, but I am delighted to be continuing my association with SSE in my role as Chair of SSEN Transmission and as a Board member of Neos Networks.

I will now hand you over to Alistair for the networks part of the operating review….

21. **AGENDA: OPERATING REVIEW (Continued)**

Alistair Phillips-Davies

…thanks Gregor.

Before I move on I would like to pay tribute to Gregor.

In a career that has spanned 33 years at SSE, and 21 years as our Finance Director, he has made a huge contribution to the Company: from the original merger, and through a number of transformations and chapters – some challenging but all of them moving SSE forward.

Throughout he has done so with considerable skill, professionalism and humour.

He has demonstrated enormous energy and enthusiasm for the business and especially the people in it, and I have found him an outstanding colleague.

All of us at SSE wish him well in his retirement.

22. **SSEN TRANSMISSION – DELIVERY IN 1H**

SSEN Transmission is playing a critical role in unlocking the exceptional renewable resources in the North of Scotland.

The business is half-way through the RIIO-T2 price control out to FY26, and good progress continues to be made on all major projects within the base plan. This includes the first energisation last month of Kintore Phase 1, part of the North East Scotland Upgrade, and successful installation of the towers for the Inveraray to Crossaig overhead line.

Elsewhere, the Shetland HVDC transmission link also continues to make excellent progress. With the entire 260km of cable now installed, the project is well on track for energisation in 2024.

23. **SSEN TRANSMISSION – UNCERTAINTY MECHANISMS**

Looking to the current project pipeline, all LOTI projects have now been granted approval of need by Ofgem, and the creation of the ASTI framework is a game changer.

Critically, this process allows early supply chain engagement, and vital upfront community engagement to occur ahead of planning submission.

All eight of SSE's ASTI projects are in different stages of development as you can see on the slide. The most advanced of these projects is Eastern Green Link 2 – or EGL2 as we like to call it – which will see a 2GW HVDC subsea link connect Peterhead to Drax and relieve constraints in the network.

As you would expect in the current climate, we are seeing increases in delivery costs through the project assessment and refinement stages.

For example, SSE's share of EGL2, which is a Joint Venture with National Grid, is now expected to cost over £2bn, owing to a combination of supply chain inflation and project specification changes.

While we would be wrong to read this magnitude of increase across to all projects, our latest estimates of nominal gross spend to deliver our three LOTI projects is around £3bn, while our ASTI projects are expected to cost around £17bn.

With Scotland's resources making it the natural home of so much renewable investment, it is critical that we deliver the wider benefit that will come from this Government-approved vital infrastructure in a way that recognises the views of the communities who will host it.

We are consulting widely and continue to call for an ambitious approach to community benefit funding to help ensure an equitable distribution of cost and benefit between those using the output from the infrastructure and those hosting it.

24. **SSEN TRANSMISSION – FY27 RAV TARGET UPDATE**

Clearly, the connections to be constructed under ASTI and LOTI are significant infrastructure projects, requiring investment which is expected to be phased over a number of years spanning out beyond the five-year plan.

Nearer term, as a result of these revised cost estimates, we now expect adjusted net capex for Transmission of around £7.5bn across the fives years to FY27, with the increase since NZAP Plus weighted towards the outer years of the plan.

We've also increased our RAV outlook to FY27, from between £8 - 9bn to at least £10bn gross, on a nominal basis.

25. **SSEN TRANSMISSION – GROWTH POTENTIAL**

And there is likely to be further growth beyond the period of the plan and into the next decade.

The ASTI framework delivers on the projects identified by the system operator's Holistic Network Design – or HND – as needed to enable 2030 offshore wind targets.

And the sequel to the HND, the HND Follow-Up Exercise, due early next year, is expected to outline the strategic network that bridges the current design which connects 11GW of ScotWind, to one which connects 28GW.

We see potential for enormous growth, but until any new models and plans are confirmed by Ofgem, our focus remains on delivering the investment and RAV growth that we have increasing visibility over through the LOTI and ASTI frameworks.

We were pleased with positive signals on simplification and streamlining of regulation in Ofgem's recently published decision on the Future System and Network Regulation framework, which is an important first step in the next price control review process.

We also welcome the amendment of the regulator's existing duties to include reference to net zero targets, from the passing into law of the Energy Act 2023.

We will work constructively with Ofgem to ensure the future regulatory framework enables us to deliver the network infrastructure needed to secure the country's future energy independence and fully decarbonise our economy.

26. **SSEN DISTRIBUTION – RIIO-ED2 AND BEYOND**

In Distribution, we bring net zero to the doorstep and we believe that the more localised grids which SSEN Distribution operates will need the same kind of forward thinking regulatory support that has helped get the necessary long-term strategic investment in the transmission network.

There is sufficient flexibility within the RIIO-ED2 price control to create additional value and ease constraints through Uncertainty Mechanisms, and that is what we are seeking to do with targeted, strategic investment on the Isle of Wight for example.

Distribution may not have the mega projects of the other businesses, but there are many, many smaller investments that compound up. And we are making progress with the £3.6bn baseline plan, with the potential for up to £700m of additional funding through Uncertainty Mechanisms.

The business is also making good progress improving operations. We are the fastest improving DNO for customer service and we are accelerating procurement to get ahead of the supply chain. We also have a new divisional Finance Director and a promising transformation project under way.

We believe Distribution is increasingly becoming fit for the future, but – as I've said – to fully play its part in enabling net zero we will need more of the long-term, strategic thinking that Ofgem has already applied to transmission.

I'll now hand over to Martin to cover the energy businesses.

Martin Pibworth

27. **CONTINUED SUPPORTIVE PRICE ENVIRONMENT**

Thank you Alistair and good morning everyone.

The trends driving the strong growth of our business are undeniable.

Around the world, renewables will be the engine of decarbonisation. Cheap, local, and indigenous, any future energy model in any country has them in abundance. And whilst different renewables technologies complement each other well, their increased deployment will create a greater need for flexibility, be it from older gas plant, hydro and batteries today, or carbon capture and storage, biofuels and hydrogen as we move through the decade.

And at SSE, we have the UK's premier renewables portfolio and arguably the most flexible large thermal fleet operating in tandem with it. This portfolio means we can weather a low-price environment or equally perform well commercially in a higher-price environment, particularly one where volatility exists.

It's worth reiterating how this plays out and why confidence in our longer-term earnings profile is growing.

Firstly, while our baseload power price assumption in FY27 is £85/MWh, this remains conservative compared to current forward prices with new assets such as Seagreen landing into a more supportive price environment than envisaged when the final investment decisions were taken.

And this comes at a time when UK carbon prices are underperforming compared to their European equivalents, which we feel is unlikely to persist in the longer term.

Secondly, we have the benefits of flexibility across our portfolio.

In the last three years we've had periods of low wind speeds that have created very high power prices and we've also had times when there have been negative power prices when the weather shifts and more renewables are running.

Our portfolio means we have been able to capture value whether the wind is blowing or not. And the interim results demonstrate that point clearly – as renewables output was affected by unseasonable weather, thermal flexibility provided the cover and captured considerable value.

Indeed, with markets now used to volatility and planning for it – participants buy our flexible energy in advance to cover their positions. This then opens up the option for us subsequently to re-optimise ahead of delivery. In short, our flexibility has flexibility built into it.

Along with our gas storage flexibility and our first battery projects now coming through, we are very well set for the next decade.

28. **SSE RENEWABLES –INVESTMENT PLAN**

Since announcing Full-year Results, SSE Renewables has made significant progress against its plan.

Dogger Bank A produced power for the first time last month and a week later Seagreen was fully operational. Whilst there have been delays on both, that is to be expected for complex, first-of-a-kind major infrastructure projects. Critically, the teams have worked hard to ensure that any additional costs have been minimised within existing project contingencies.

Viking was among our onshore wind projects that recently received CfD support of over £52 in 2012 prices, and construction work has begun at Yellow River, in Ireland, which now has a RESS contract.

Further afield, where we anticipate returns beyond the five-year plan, we are making progress constructing the Chaintrix project in France and the Southern European team are seeking selectively to add to the portfolio.

And work continues at pace on building out our battery fleet with our recent announcement that we have taken a financial investment decision on one of the UK's largest batteries at Monk Fryston, while similar projects are already under construction at Salisbury and Ferrybridge, and the delivery of flexibility of a different nature continues as we make good progress repowering Tummel Bridge hydro.

In short, we have focused on delivery, kept our heads in auctions and maintained discipline, whilst selectively securing long-term value through offtake agreements where available.

Ultimately, if we feel we can achieve better risk adjusted returns in networks or flexibility, we will not put through suboptimal renewables projects to reach GW targets.

And this does not impact our confidence in achieving our NZAP Plus earnings targets, as it is the assets we are contracting, constructing and delivering today that will drive the majority of the earnings growth to FY27.

29. **SSE RENEWABLES – KEY PROJECTS UPDATE**

There’s a lot of detail on this slide which I don’t propose to read through now but suffice to say that our flagship projects have strong fundamentals, index-linked revenue agreements, and a stable cost base which was largely locked in when we took final investment decisions between 2020 and 2021 – all of which means we continue to expect to achieve:

- Near double digit equity returns on Seagreen;
- Mid-teens equity returns on Dogger Bank;
- And high single digit project returns on Viking.

All credit to the project teams for their work in getting us to a place where we have much to celebrate.

30. **SSE RENEWABLES – DELIVERY DRIVING GROWTH**

Taking all this together, we expect that there will be a sharp rise in output to FY27 as our flagship projects come online. And our recent offtake contract successes mean SSE Renewables has a growing proportion of contracted, indexed volumes giving relative pricing certainty.

With a strong mix of attractive power prices, indexed contracts and its own flexibility through hydro, pumped storage and batteries, we remain confident in our expectation that EBIT for this business will grow by around 20% on average each year to FY27.

31. **SSE THERMAL – KEY INVESTMENTS**

We believe the longer-term future of our thermal fleet is in carbon capture and hydrogen, and while policy mechanisms are being progressed, we are on record as saying we are disappointed that there is currently insufficient ambition to support multiple projects quickly enough.

The reality is that the UK in particular will need to progress clean flexibility much faster than we are at present, and with aging and more polluting stations on the system, more efficient gas and biofuels are becoming an important bridge to ensure secure supplies and to enable renewables at greater scale.

Keadby 2 is the most efficient gas-fired power station in Europe and has already started to provide valuable flexible power to the system. And we acquired Triton Power at an opportune time, the cash generated by the assets having already paid back our initial outlay.

SSE’s flexible thermal fleet is set to provide value for years to come as we make it more efficient and then replace the assets with decarbonised alternatives – as and when policy allows us to.

And speaking of value, there are some positive trends that I don’t think are always fully appreciated.

32. **SSE THERMAL – CONSTRUCTIVE MARKET TRENDS**

There's a traditional view that that returns for our CCGT fleet are entirely dependent on the intrinsic value of prevailing market baseload sparks, which are uncertain, unbankable and exposed to the variability of international energy markets or trends.

But this is outdated and ignores several constructive trends supporting the fleet.

Flexibility has clearly become a more prominent feature in the market, demonstrated by the Capacity Mechanism which is underpinning more than £300m in Thermals' FY27 revenue.

But this is not the only structural change in the market. As the level of intermittent renewables increases, the natural variability in wind speeds is increasing the volatility of spark outturns. Historically spark spreads traded in a daily range of maybe at most £20/MWh. More recently, the day-to-day difference between a very windy day and a still, colder day might be over £100/MWh.

Put simply, high wind production levels create a surplus of power and, usually, negative spark outturns; whereas low wind creates a scarcity of supply and, at times, very strong price signals.

In this volatility, the flexible thermal fleet stabilises the market. When prices are low, the fleet can buy back its hedged positions and reduce the surplus on the system by not running. Conversely, when prices are high, the fleet can ramp up production to meet demand.

Ultimately, flexible thermal reduces the impact from renewables intermittency, covers the plant failure risk that can come from volumes imported across interconnectors, and aids the management of localised system imbalances.

33. **SSE THERMAL – NEW NORMAL UNDERPINS PROFITS**

For SSE the capabilities of our fleet give us the options to create value whether the spark prices are positive or negative – high or low. The option can be traded in forward markets and then re-optimised and offered to grid operators as an intraday-day physical response. And these earnings are underpinned by the stability from already secured, largely index-linked capacity mechanism income which helps protect us from O&M supply chain inflation.

We value these assets very highly indeed and their portfolio value to the Group is immense.

I'll now pass over to Barry who will take you through our wider financial outlook.

Barry O'Regan

34. **AGENDA – PART 3: FINANCIAL OUTLOOK**

Good morning everyone, and thank you Martin. And special thanks to Gregor, not just for his support and guidance over the years, but also for passing on an impressive legacy and a resolute commitment to delivering disciplined growth that I wholeheartedly share.

35. **COMMITMENT TO INVESTMENT CRITERIA**

Let me be clear, I firmly believe that only value-creating growth should make it through our governance procedures. Maintaining attractive returns from our world-class capabilities and pipeline is imperative. And this means prioritising value over volume, as we did recently in AR5, the ORESS 1 process in Ireland and other international seabed auctions.

Our integrated business mix allows risk mitigation and enables us to be selective in the routes to market we take to progress individual projects.

We have been able to progress Viking, Yellow River and Seagreen in this measured way, capturing revenue stabilisation where it meets hurdle rates whilst de-risking returns.

And we are committed to taking this disciplined approach with new technologies too. We see a critical role for forms of lower-carbon thermal, such as hydrogen and carbon capture and storage; and for pumped hydro storage and batteries; but our commitment to devex is measured, and clearer signals are needed on supportive policy frameworks before we invest at scale.

With a wealth of opportunities, we must remain focused in selecting the most accretive projects to take forward … as I said, we will always choose value over volume.

36. **FY24 FINANCIAL OUTLOOK**

Turning to the remainder of the current financial year, I am today reiterating our full-year guidance of ‘more than 150 pence’ for adjusted EPS. This takes account of renewables performance, the power price environment, and the ongoing contribution made by our flexible thermal fleet..

It is also subject to weather, plant availability and market conditions as we move through the key winter months. But, following the strong performance in the first half of the year, our business-by-business operating view remains unchanged.

37. **INCREASING VISIBILITY ON MEDIUM-TERM OUTLOOK**

Switching to our medium-term, the increased visibility we have of our growth options and the value coming through our asset base give us greater confidence over our outlook.

This is driven by the progress of our major projects, the higher power price environment, and the portfolio effect from our asset base that Martin discussed.

It is also underpinned by the large proportion of stable indexed revenues across the Group, be they from regulated networks, CfD renewables, ROCs or capacity payments.

This means much of our future earnings are protected, predictable and deliverable from our existing asset base.

38. **CLEAR LINE OF SIGHT ON FY27 EPS**

Importantly, this means our guidance is based on existing and contracted projects, and is not contingent on the acquisition of additional seabed or assets.

And our underlying assumptions on factors like funding costs, power price, normalised weather and plant availability, remain unchanged.

This position, alongside the £2.5bn of further investment in Transmission that we've outlined today, drives greater confidence that we will be comfortably within our 175-to-200 pence guidance range for FY27.

39. **RECONFIRMING DIVIDEND PLAN**

The NZAP Plus set a dividend policy out to FY27 that enables disciplined growth of the Group whilst rewarding shareholders appropriately.

The rebasing to 60 pence in 2024 remains an integral part of that plan, and we reconfirm the commitment made in the NZAP Plus to grow the dividend by 5 to 10% annually out to 2027 while keeping the 25% cap on scrip.

40. **UPDATING CAPITAL ALLOCATION**

Alistair talked earlier about how we have the optimal balance of renewables, networks and flexibility giving us the ability to fine tune capital allocation. In November 2021 we set capital allocation across the Group to reflect our evolving portfolio and greenhouse gas emissions targets. Then, in May of this year, we tweaked the ratios as part of our NZAP Plus.

We're a business that can respond to policy pace. And with current policy direction meaning that networks is currently running faster, we have made further adjustments accordingly.

We have yet again acted to increase the capex invested across our primary engines of growth, with regulated networks upweighted to 55% to account for greater visibility on the transmission investment opportunity.

The phasing of this incremental capex will be loaded towards the back end of the investment programme but we are comfortable with making that commitment in the current environment given the strong, predictable regulatory frameworks in place that mean real equity returns are expected to be stable, relative to inflation.

41. **STRONG BALANCE SHEET AND CREDIT RATINGS**

SSE has a strong financial footing that provides the foundation for the NZAP Plus investment plan. We have a track record of successful refinancing in the market and, with world-class set of assets and businesses, we are confident of continuing to secure funding at attractive rates.

With less than £1.5bn of long-term debt maturing over the next 24 months, and an average debt maturity of six years, we have relatively limited refinancing requirements in the near-term.

And it is this balance sheet strength, combined with headroom on our investment grade credit ratings, that provides us with the ability to invest further in our engines of growth, when the opportunity appears.

42. **FULLY-FUNDED INVESTMENT PLAN**

A key objective of the original NZAP was to strike the right balance between capital investment, debt issuance and securing value through disposals, whilst maintaining a strong net debt / EBITDA ratio – and today's update is no different.

On this slide we have set out our updated funding plan over the five years to 2027. We are expecting to see an increase in interest rates over the plan. But given the increased investment and the current market environment we forecast that this will be more than matched by operational cashflow from our index-linked asset base.

The £2.5bn net increase in capital investment, is therefore expected to be funded through the additional issuance of around £2bn of new debt – predominantly weighted towards the back end of the plan.

However, given the increased visibility and confidence we have in our earnings growth, we continue to expect that we will stay within our 3.5 – 4.0 times net debt to EBITDA leverage target within the updated plan. And it in turn is well within our strong investment-grade rating targets.

43. **FINANCIAL OUTLOOK – CONCLUSION**

To conclude, we have:

- Highly visible growth opportunities;
- A fully-funded £20.5bn investment plan;
- Increased confidence in our outlook;
- A growth-enhancing dividend policy; and
- Capital discipline that favours value over volume.

This is the solid financial framework on which SSE's strong growth and sizable contribution to net zero is being built.

I will now hand back to Alistair to summarise before we take your questions.

Alistair Phillips-Davies

44. **AGENDA – PART 4: SUMMARY**

Thanks, Barry.

45. **STEPS TO A SUSTAINABLE FUTURE ENERGY SYSTEM**

I mentioned at the start that networks, renewables and flexibility will be the bedrock of a decarbonised economy. And this slide shows the steps that SSE can take to reach a sustainable future energy system that is cleaner, more secure and more affordable.

Investment will be flexed – depending on returns, policy support and the pace of consents – but SSE is there every step of the way.

Ultimately, everything we have in the plan will need to built at some point if government net zero targets are to be met.

As you've heard this morning, for us, it is all about fine tuning investment to maximise the value we can create not only for shareholders, but for society too.

- End-to-end exposure across the clean energy value chain.
- Balance sheet strength.
- Exceptional optionality and capability.
- Visibility of sustainable earnings growth.

These are the constituent parts of a compelling investment proposition. And it is a proposition underpinned by shareholder-backed, science-based targets; a sector-leading strategy for a just transition; solid ESG index ratings and broad societal consensus on net zero.

46. **ON TRACK TO ACHIEVE NZAP PLUS TARGETS**

The targets we set out in May were only ever a floor, not a ceiling, to our ambitions. And whilst our targets remain and we are confident in attaining them, we will not meet them at the expense of appropriate returns.

Adjustments will continue to be made. Networks have long been an underlying driver of value creation for SSE, and that value is even clearer now. Our updated targets therefore reflect the prospects we see for Transmission, and the corresponding shift in capital allocation.

For a long-term business like SSE, it is all about sustainable, high-quality, value-accretive growth.

47. **DELIVERY DRIVE AND DISCIPLINE**

To summarise what we have outlined today, we are an electricity company experiencing what looks set to be an extended period of higher power prices, market volatility and cost inflation. Our business is built to not only weather all environments but deliver attractive growth.

The delivery, drive and discipline that we have been talking about is the NZAP Plus in action.

Delivering on large capital projects, **driving** earnings from existing assets within our world-class portfolio, and applying **discipline** to the way in which we exercise our optionality across a balanced mix of regulated and market-based businesses.

This gives us every confidence in the guidance we have given for earnings growth for this year, and beyond to FY27.

We’ll now be delighted to take your questions.