



2011 Full Year Results



**Delivering...Dividend Growth for the
Long Term
Lord Smith of Kelvin**

The SSE Team



Ian Marchant
Chief Executive Officer



Lord Smith of Kelvin
Chairman



Gregor Alexander
Finance Director



Colin Hood
Chief Operating Officer

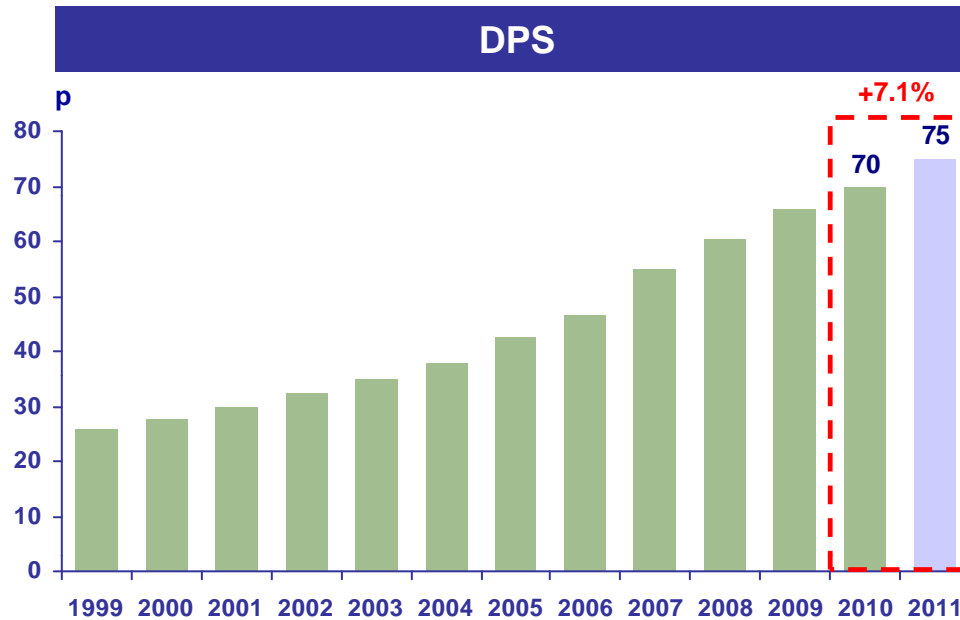


Alistair Phillips-Davies
Energy Supply Director



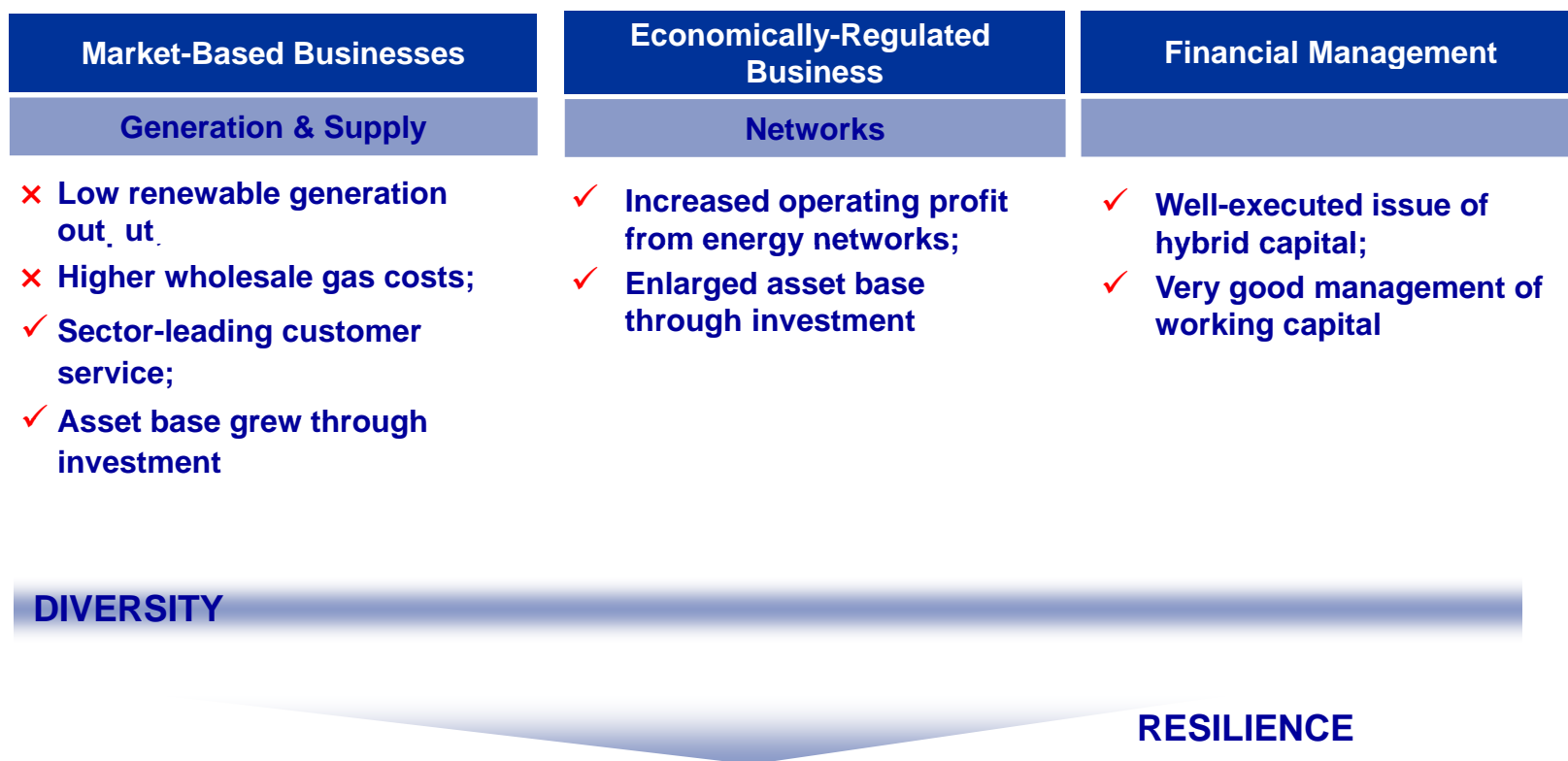
Rob McDonald
Managing Director of Regulation and Strategy

Delivering – A Twelfth Successive Dividend Increase



- ✓ Committed to increase the full-year dividend per share by at least 2% more than Retail Price Index (RPI) inflation in each of the two financial years to March 2013, with annual above-inflation increases also being targeted for the subsequent years

Delivering...Through a Diverse Business



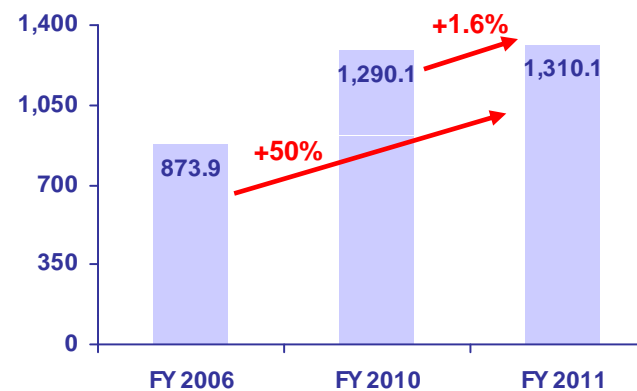
- ✓ SSE is well-financed, with robust and realistic plans for the future that means it is well-placed to deliver real dividend growth in the years ahead

Delivering...Another Adjusted PBT Increase

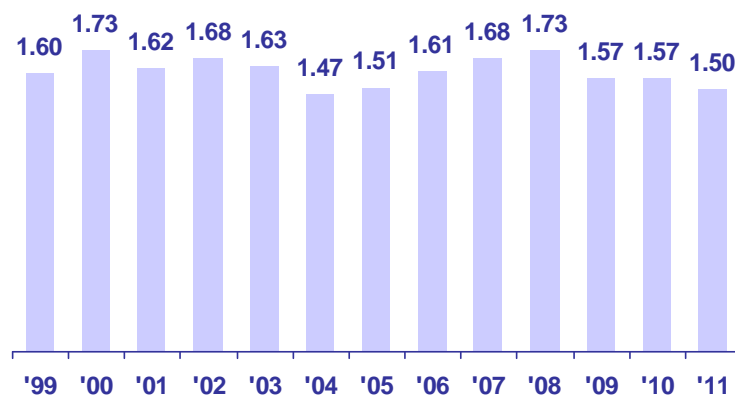
12 months to March	2011 £m	2010 £m
Adjusted Profit Before Tax	1,310.1	1,290.1
Fair value re-measurements (IAS 39) (1)	1,423.3	399.8
Exceptional Items (2)	(625.0)	-
Tax on JCEs and Associates	3.3	(51.3)
Reported Profit Before Tax	2,111.7	1,638.6
Adjusted Effective Tax Rate	20.5%	21.2%
Adjusted Earnings Per Share (3)	112.3p	110.2p

- 1) IAS 39 positive movement mainly due to a switch from 'out of the money' to 'in the money' reflecting higher market prices
- 2) Exceptional items are almost entirely non-cash and relate mainly to impairment of generation plant
- 3) Based on 927.6m shares

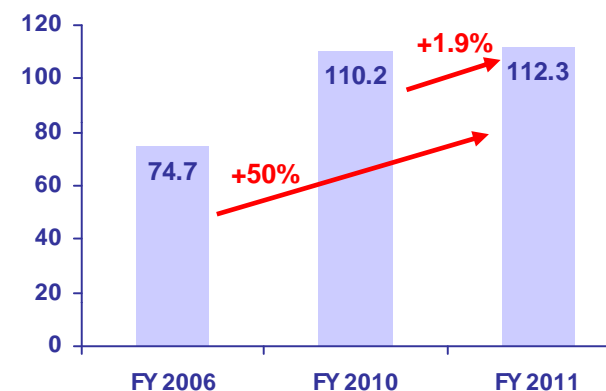
FY Adjusted PBT, £m



FY Dividend Cover



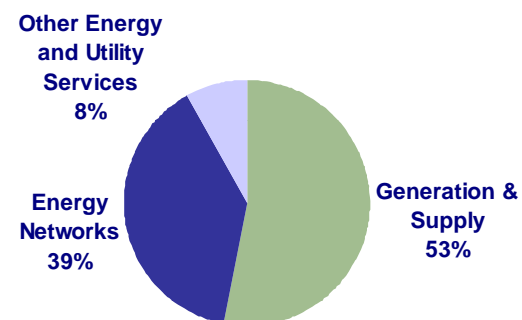
FY Adjusted EPS, p



Delivering...Another Operating Profit Increase

12 months to March	2011 £m	2010 £m	Change %
Energy Networks	642.3	599.5	7.1%
Generation and Supply	882.8	896.0	-1.5%
Gas Storage	23.7	41.8	-43.3%
Gas Production	...	N/A	
C, US & M	88.5	80.2	10.3%
Telecoms	17.9	16.4	9.1%
Other	(6.9)	(7.9)	12.7%
Total	1,652.9	1,626.0	1.7%

2011 Adjusted Operating Profit



Profit Driven by...

Growth in Energy Networks as a result of:

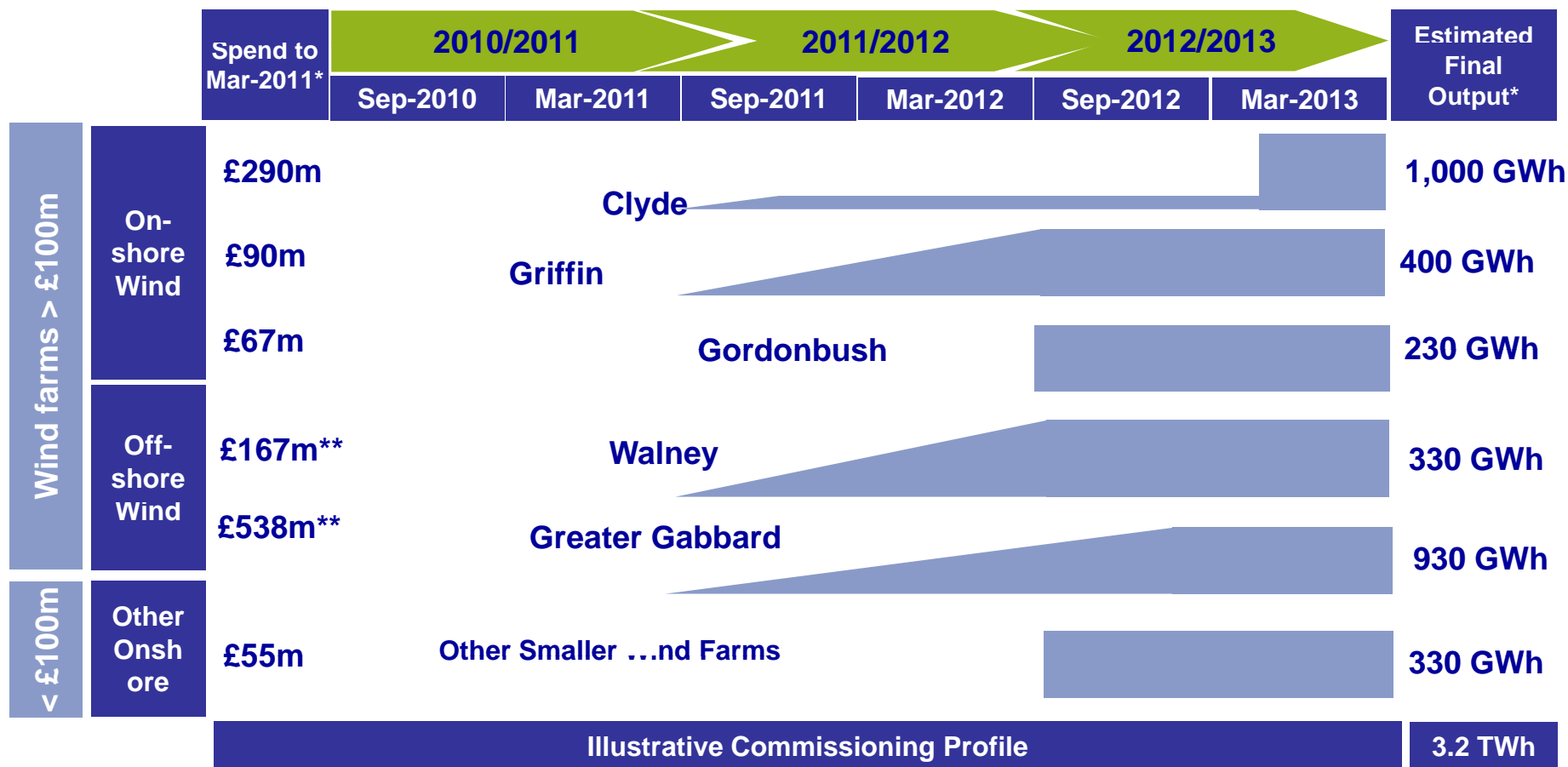
- ✓ Changes in the price of electricity units distributed following the new Price Control.
- ✓ Higher than forecast unit volumes;
- ✓ Increased allowed revenue for transmission; and
- ✓ Continuing focus on efficiency and cost control.
- ~ Mixed performance in Other Businesses

Profit Constrained by...

Issues in Generation & Supply:

- ✗ Low output of renewable energy, which was around 20% lower than forecast;
- ✗ 2.5% underlying fall in electricity used by household customers; and
- ✗ Higher-than-forecast wholesale gas prices;
- ✗ Upward pressure on some Generation costs.

Delivering...Major Projects for Dividend Growth (1)



✓ Total spend to date on these projects is £1,207m

*SSE share ** Excl. Offshore Transmission Owner (OFTO) spend

Delivering...Major Projects for Dividend Growth (2)

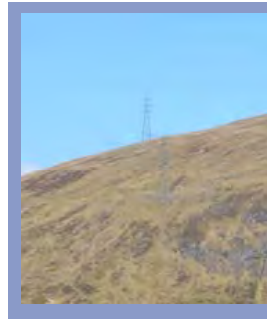
Aldbrough



- JV with Statoil (UK) Ltd., SSE share 66.6%;
- Total capacity will be c.350mcm in 9 caverns;
- 6 caverns and 170mcm now available;
- Construction due to be completed in summer 2012 with total capex of £290m*.

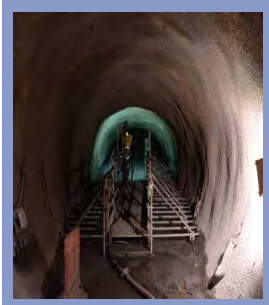
*SSE share

Beaully-Denny



- Consent to install a 400,000 volt overhead electricity transmission line;
- Initial funding of £58.8m, total capex of c.£500m;
- Major progress on resolving planning conditions allows full construction work to get under way in summer 2011.

Glendoe



- The first of the two new tunnels required to by-pass the blockage has been completed and work on the second tunnel has progressed beyond the geological fault zone at the site;
- Re-filling of the reservoir is expected to begin this winter.

Northern Transmission*



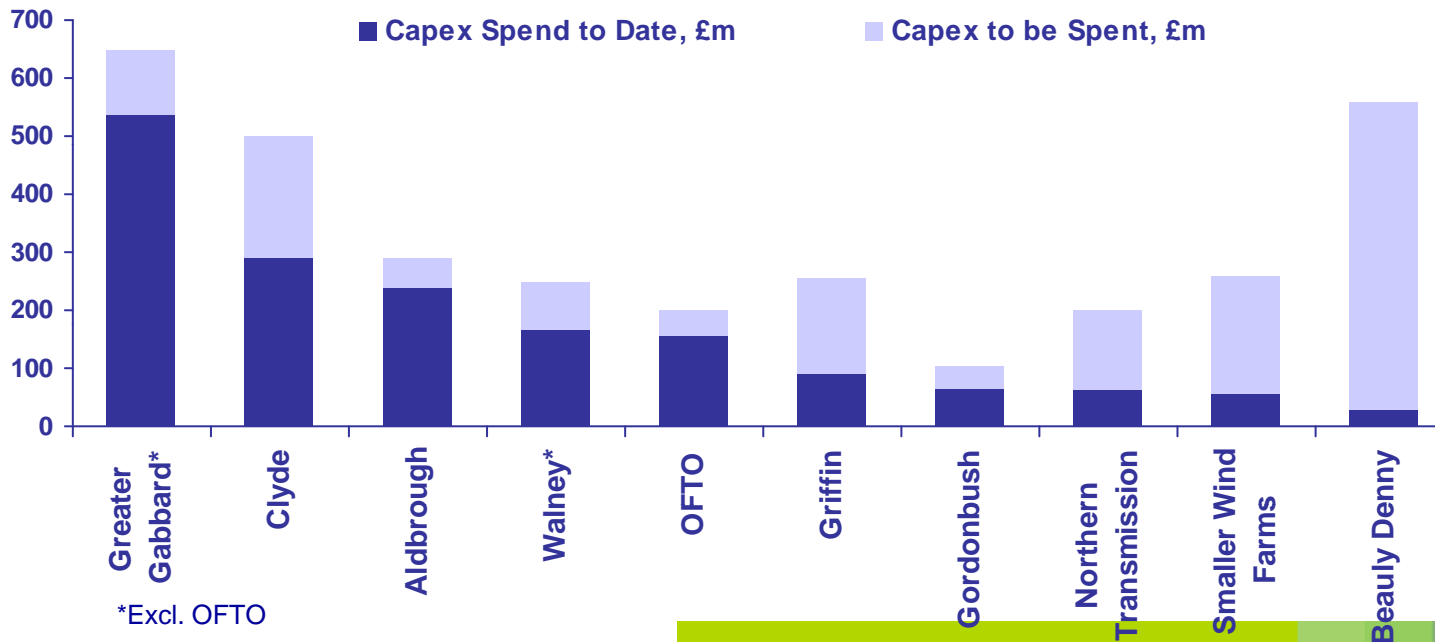
- Upgrade in the SHETL area, a part of the 1st phase of transmission projects to help connect renewable energy to the electricity network;
- Total value of the projects £200m with completion between 2011 and 2015.

*Knocknagael Substation, Beaully-Blackhillock-Kintore and Beaully-Dounreay

Delivering...Major Projects For Dividend Growth (3)

- ✓ We believe that the issues at **Greater Gabbard** can be resolved in a way that allows the wind farm to be completed as planned in 2012;
- ✓ Material progress at the **other major projects**, and at **Glendoe** as well;
- ✓ We have invested £1.5bn (incl. OFTO) in assets under construction and not yet earning;
- ✓ The majority of those assets are due to make a contribution to earnings this financial year and be fully operational by the end of the next financial year;
- ✓ All projects will achieve a return greater than their hurdle rate.

Graph below shows all major projects; some have already contributed to earnings.



Delivering...Major Projects For Dividend Growth (4)

- ✓ In support of our investment programme, we operate a large capital project governance framework



Jim Smith
Director of
Offshore
Renewables



David Gardner
Director of
Onshore
Renewables



Colin Nicol
Director of Large
Capital Projects
Support



Ian Funnell
Director of
Transmission
Projects



Rhys Stanwix
Director of
Thermal &
Nuclear
Development

- ✓ Appointed project management partner KBR to support the in-house major projects team;
- ✓ External review confirmed that the framework is 'comprehensive', embedded 'throughout the company' and has a 'robust set of checks and balances' to provide assurance on a project-by-project basis;
- ✓ SSE has resources and skills in place to deliver pipeline of major new assets



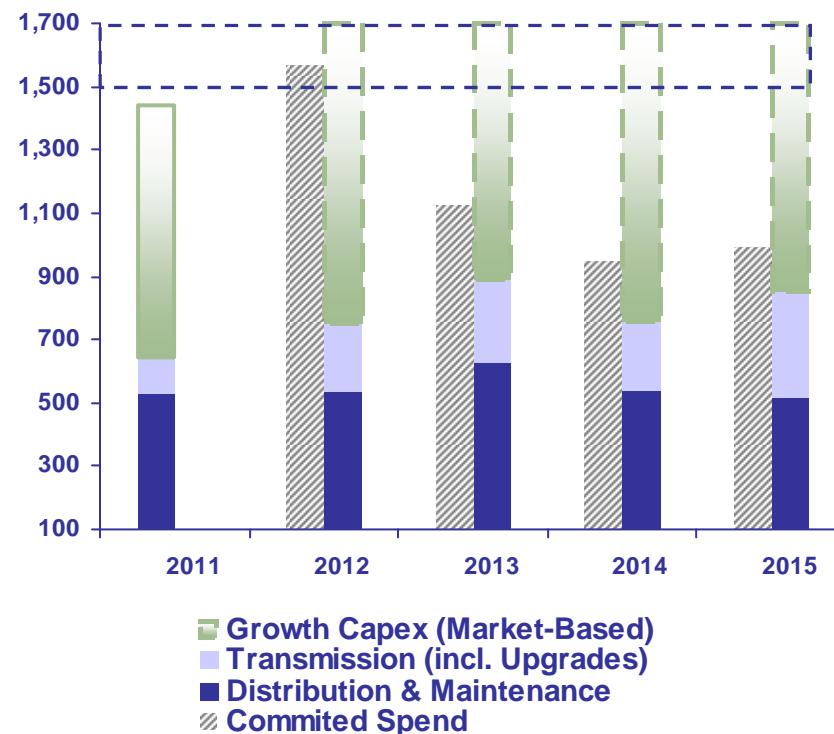
KBR

Delivering...Major Projects For Dividend Growth (5)

- ✓ Investment* and capital expenditure in the range of £1.5-£1.7bn in each of the four years to March 2015;
- ✓ 2011/12 capex is expected to be at the top of the range due to phasing;
- ✓ Around one third of the potential total spend over the four years to 2015 is uncommitted;
- ✓ Each individual investment made against financial principles and in the context of commitment to maintaining a diverse range of assets within economically-regulated and market-based businesses;
- ✓ Designed to remain consistent with the criteria for single A credit rating without the need to issue new equity.

*Excluding acquisition of Hess assets

FY Capex S lit £m

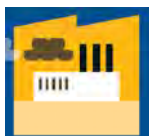


Delivering...Diverse Options for Investment

- ✓ Companies with a commitment to the long-term, like SSE, must be disciplined when managing their balance sheets and cautious in financing their activities; and
- ✓ We believe we've got enough financial flexibility to pursue the best opportunities to increase earnings



- **NETWORKS:**
 - Knocknagael Substation, Beauly-Denny , Western Isles...
 - Making electricity networks smart



- **GAS:**
 - Gas CCGT at Abernedd, Keadby and Barking
 - CCS at Peterhead



- **COAL:**
 - Alternative fuel plant at Ferrybridge
 - Biomass at Uskmouth



- **HYDRO:**
 - Hydro power station Kildermorie
 - Pumped storage: Sloy, Coire glas, Balmacaan



- **WIND:**
 - Developing the pipeline of new onshore and offshore wind farms
 - Building a supply chain for offshore wind

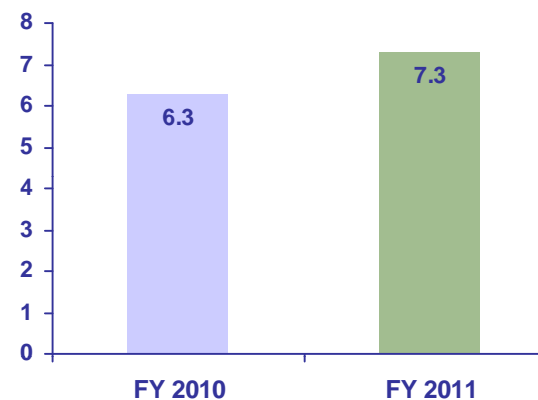
Delivering...Good Financial Management (1)

	FY 2011 £m	FY 2010 £m
Cash from operating activities	2,108.8	2,175.3
Movement in outstanding liquid funds	(80.6)	(169.0)
Capital expenditure acquisitions and investments	(1,728.0)	(1,381.6)
Dividends paid	(513.7)	(618.5)
Other	(384.8)	(476.5)
Increase in adjusted net debt and hybrid capital	(598.3)	(470.3)
Adjusted net debt and hybrid capital*	(5,890.6)	(5,292.3)

*Since the year end we have received proceeds of £178.4m from a sale of some wind farm assets

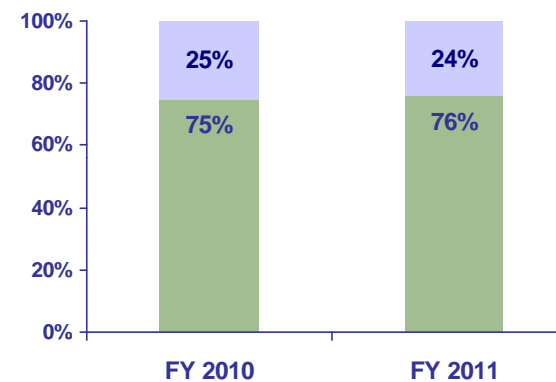
- ✓ **Adjusted net debt and hybrid capital is lower than expected due to:**
 - Lower-than-forecast capex due to phasing;
 - Savings on cash dividends as a result of the high uptake on the Scrip dividend; and
 - Strong operating cash flow through improved working capital.
- ✓ **Bad debt charge reduced by £28.7m compared to last year**

Interest Cover**



**Excl. hybrid

Fixed vs. Floating Debt



■ Fixed debt ■ Floating debt

Delivering...Good Financial Management (2)

Credit Ratings

- Ratings consistent with securing funding at a reasonable cost
- **Moody's A3 Stable; S&P A- Stable**

Financial Management

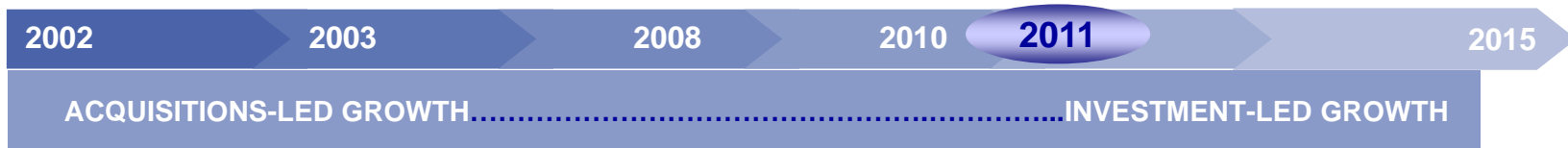
- Scrip reduced cash dividend by £146m
- Successful launch of hybrid capital securities in September 2010
- **Issue comprised £750m and €500m**
- **All-in funding cost of c.5.6% p.a.**

Strong Liquidity

- Agreement with banks to extend revolving credit facilities (£1bn) by 3 years to 2015 and reduce their price
- **Facility is expected to remain undrawn and our liquidity position is very strong**

- ✓ **SSE will move quickly to take the right financing options, including bonds and loans**
- ✓ **SSE is a very well-financed company and is in a strong position to sustain the disciplined investment programme for the period to 2015**

Delivering...Good Financial Management (3)



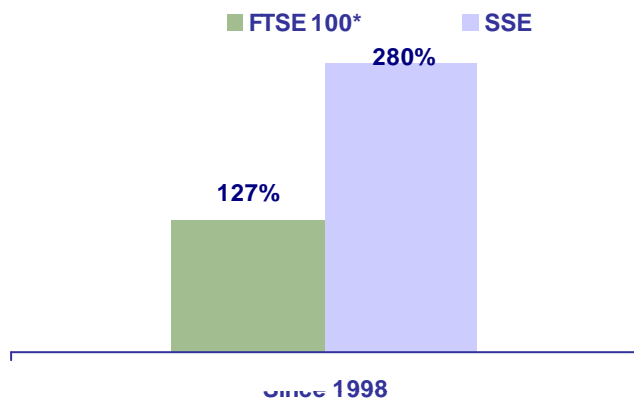
- ✓ Focused on cost control, credit management and funding;



Delivering...A Long-Term Approach for Dividend Growth

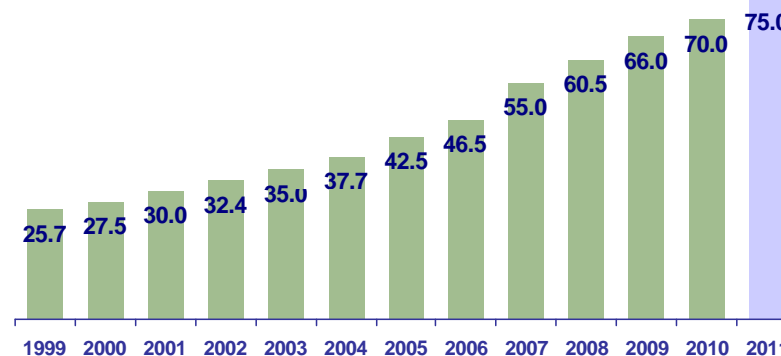
- ✓ **Returns:** Receiving - and reinvesting - dividends is by far the biggest source of an investor's return over the long term;
- ✓ **Income:** Dividends provide income for investors who do not wish to reinvest them;
- ✓ **Accountability:** Clear dividend targets provide a simplicity and transparency and make management genuinely accountable; and
- ✓ **Discipline:** The focus on dividend drives a disciplined, consistent and long-term approach to operations, investments and acquisitions.

Total Shareholder Return



*FTSE 100 in above analysis includes only those current FTSE 100 companies that were included in the index as at December 1998

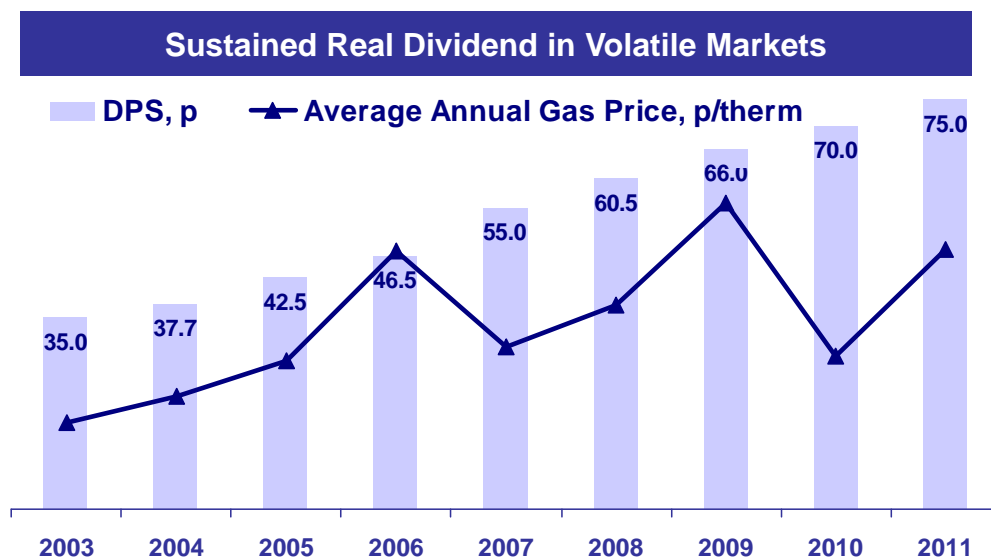
Sustained Real Dividend, p



Delivering...Certainty in an Uncertain World

Since our half-year results in November:

- UK government has published its Electricity Market Reform consultation and announced details of Carbon Price Support;
- Political unrest has broken out in the fuel-rich Middle East;
- Events at Fukushima have changed the outlook for new nuclear power;
- Ofgem has published its RIIO strategy for transmission and gas distribution; and
- Initial proposals have come from Ofgem's retail market review.



- ✓ SSE can pursue operational, investment or acquisition opportunities throughout the UK and Irish electricity and gas sectors;
- ✓ We have the breadth, depth and diversity from which to support sustained real dividend growth.

Delivering...In Energy Networks (1)

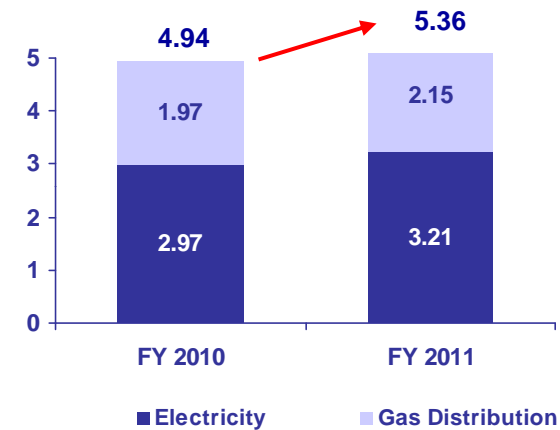
Networks really matter...

- ✓ Give SSE a financial backbone and operational focus;
- ✓ Are central to our commitment to sustained real annual dividend growth;
- ✓ Provide us with significant investment opportunities.

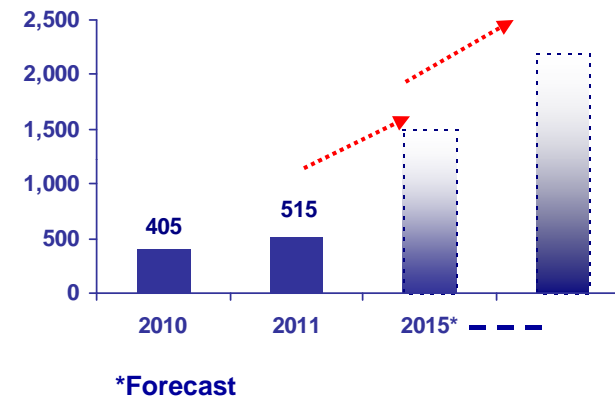
Regulatory Framework

- ✓ RIIO, final judgement only after a price control process is completed;
- ✓ Key issues like depreciation and cost of equity are moving in a positive direction;
- ✓ Current focus is on business plans (submission by 30 July 2011).

Energy Networks RAV, £bn



Transmission RAV and Upgrades, £m



Delivering...In Energy Networks (2)

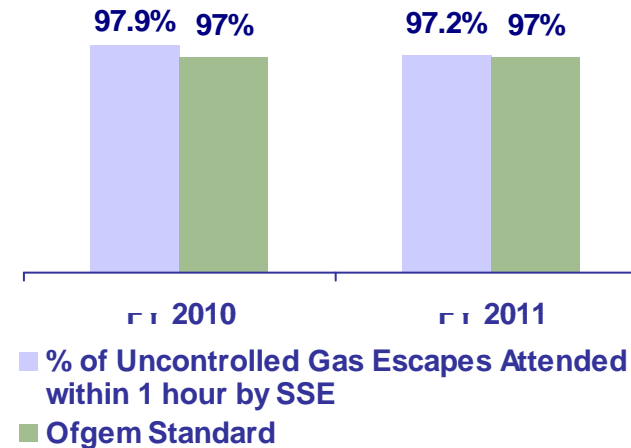
Performance in Distribution

- ✓ Capability and efficiency to deliver a post-tax real return in excess of 5% between now and 2015;
- ✓ SSE is still among the top performing distribution companies on core measures like customer interruptions and minutes lost; and
- ✓ The culture of innovation is becoming fully embedded in distribution

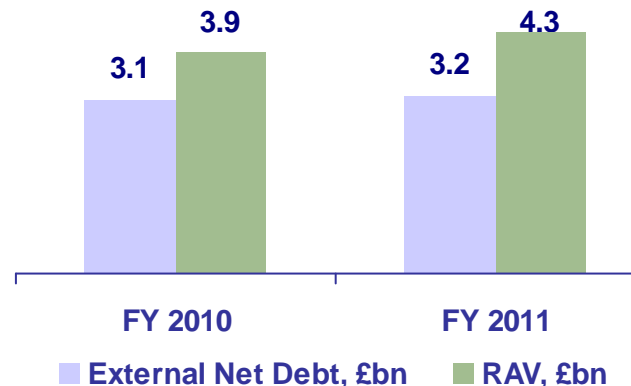
Innovation in Distribution

- ✓ Shetland – smart grid work is under way;
- ✓ New ‘wash-over’ drill head injecting water at high pressure to loosen soil around cabling;
- ✓ Gas Distribution – biomethane project in Oxfordshire.

SGN Operational Performance



SGN Financial Performance



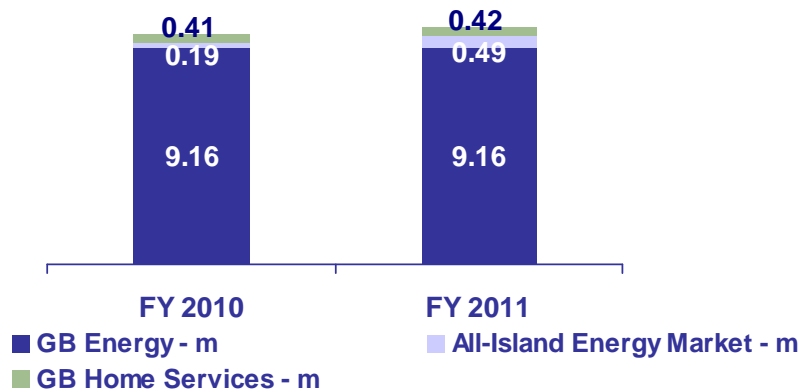
Delivering...A Constructive Approach to the Retail Market Review

Ofgem's Retail Market Review	SSE's Response
<ul style="list-style-type: none"> ▪ Efficient firms to make profit: 	<ul style="list-style-type: none"> ✓ An important point which often gets overlooked;
<ul style="list-style-type: none"> ▪ Various responses to 2008 Probe remedies: 	<ul style="list-style-type: none"> ✓ Positive response to Probe remedies;
<ul style="list-style-type: none"> ▪ Retail Prices have gone up more quickly than they have fallen: 	<ul style="list-style-type: none"> ✓ Underestimation of the downward pressure on suppliers' margins (falling average energy use, price increase needed to recover fixed costs per customer);
<ul style="list-style-type: none"> ▪ Tariff simplification proposals: 	<ul style="list-style-type: none"> ✓ Proposals potentially remove customer choice and stifle tariff innovation.
<ul style="list-style-type: none"> ▪ Ofgem can respond positively to reasoned arguments and that's exactly what we are presenting them with 	

Delivering...Change in Energy Supply

Customer Accounts

- ✓ Reached 500,000 customers in Ireland in May 2011 and have built scale and brand identity



Smart Products and Services

- ✓ Shifted from straightforward retailing to a wide range of smarter products and services;
- ✓ The Renewable Heat Incentive, roll-out of smart meters and launch of Green Deal;
- ✓ Over 3 million accounts on programmes like energyplus Argos and M&S energy;
- ✓ A cautious approach to smart metering with a plan to install 10,000 meters in the year

Leading in Service

Utility	Jul-10 UKCSI	Sep-10 Uswitch	Sep-10 Consumer Focus	Oct-10 JD Power Electricity	Oct-10 JD Power Gas	Jan-11 UKCSI
SSE	1st	1st	1st	1st	3rd	1st
EDF	2nd	2nd	Joint 4th	3rd	1st	2nd
E.ON	3rd	Joint 3rd	3rd	2nd	2nd	3rd
Scottish Power	4th	Joint 3rd	Joint 4th	6th	5th	5th
British Gas	5th	5th	2nd	5th	4th	4th
Npower	6th	6th	Joint 4th	4th	6th	6th

Delivering...A Workable Package from EMR

Timetable

- **Consultation** – December 2010/ March 2010
- **Budget** – April 2011
- **White Paper** – Summer 2011
- **Energy Bill** – ‘Aspiration’ for Second Session Bill from May 2012
- **Implementation** – 2014?

Key Elements

- Carbon Price Support
- Capacity Mechanism
- Low Carbon support
- Emissions Performance standard

Workable Package

- ✓ Robust carbon price over the medium and long term;
- ✓ General capacity mechanism; and
- ✓ Continuing market-based support for renewable energy.

Delivering...On Key Principles in Generation

SSE Principles

- **Capacity** to meet electricity needs of our customers
 - ✓ Capacity of over 11 GW
- **Diversity** to avoid over-dependence on any fuel or technology
 - ✓ 40/40/20 split between gas, coal and renewables
- **Availability** to respond to customer demand and market conditions
 - ✓ We are updating the long-term gas turbine maintenance agreements at Keadby and Medway
- **Flexibility** to ensure that changes in demand for electricity can be accommodated
 - ✓ Demonstrated flexibility in coal and building it in gas (Peterhead)
- **Sustainability** to deliver a 50% cut in carbon intensity
 - ✓ More flexible operation of thermal stations;
 - ✓ New MWs of wind capacity;
 - ✓ Building on our leading position in wind and hydro to maintain diversity in renewables;
 - ✓ Developing long-term, low carbon options at Uskmouth, Slough and Ferrybridge.

Delivering...An Upstream Gas Business

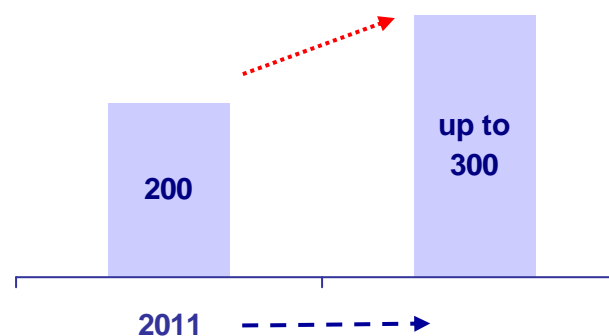
Gas Production

- ✓ Completed the acquisition from Hess Limited of North Sea natural gas and infrastructure assets for the total cash consideration of £197.2m;
- ✓ Subject to the success and phasing of development fields, peak production could increase up to 300 million therms per annum;
- ✓ The main production asset operators are BG Group, BP and Perenco.

Faroe Petroleum

- ✓ Signed agreement with Faroe Petroleum plc to work together to identify, assess and acquire producing oil and gas assets in the North Sea;
- ✓ Subscribed in a placing for just over 5% of the enlarged share capital of Faroe Petroleum plc at a cost of around £18m.

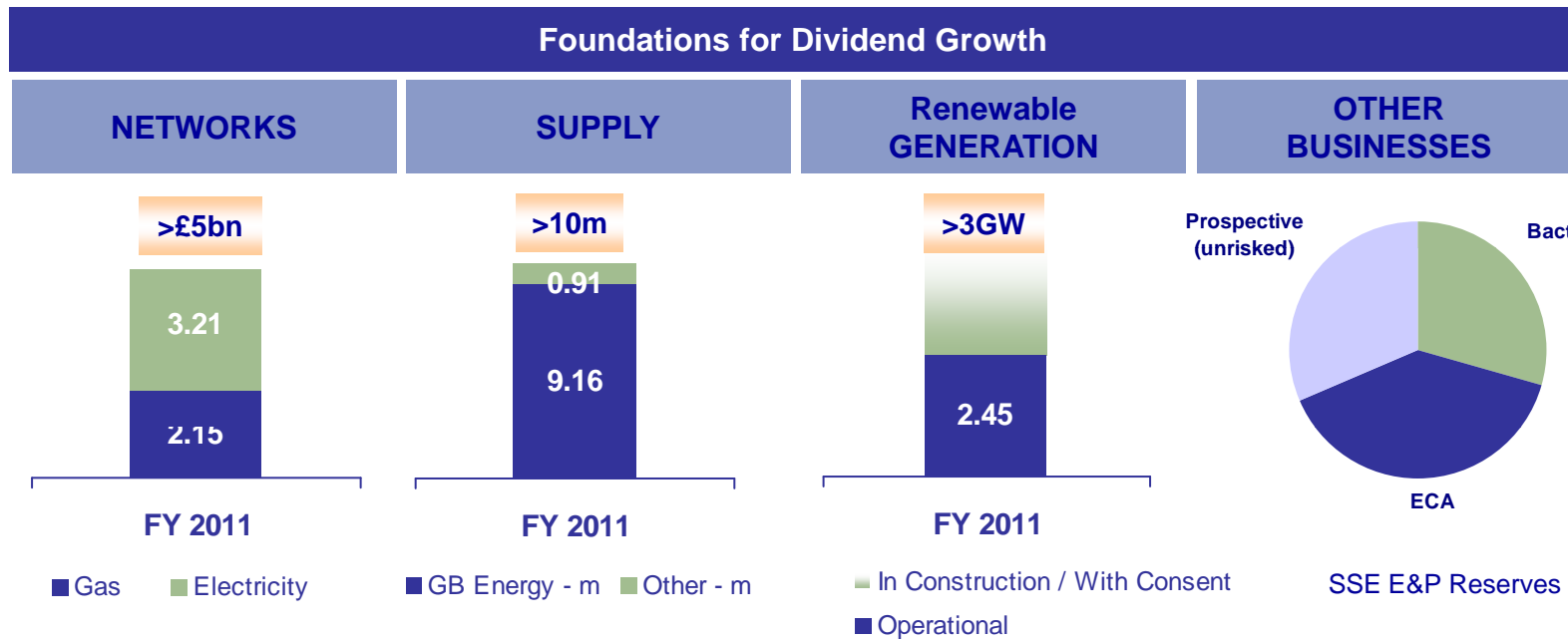
Gas Volume, m therms



Offshore Production Platform



Delivering...Dividend Growth for the Long Term (1)



- ✓ Passed £5bn RAV;
- ✓ Expect to build on it with innovation in distribution and investment in transmission.

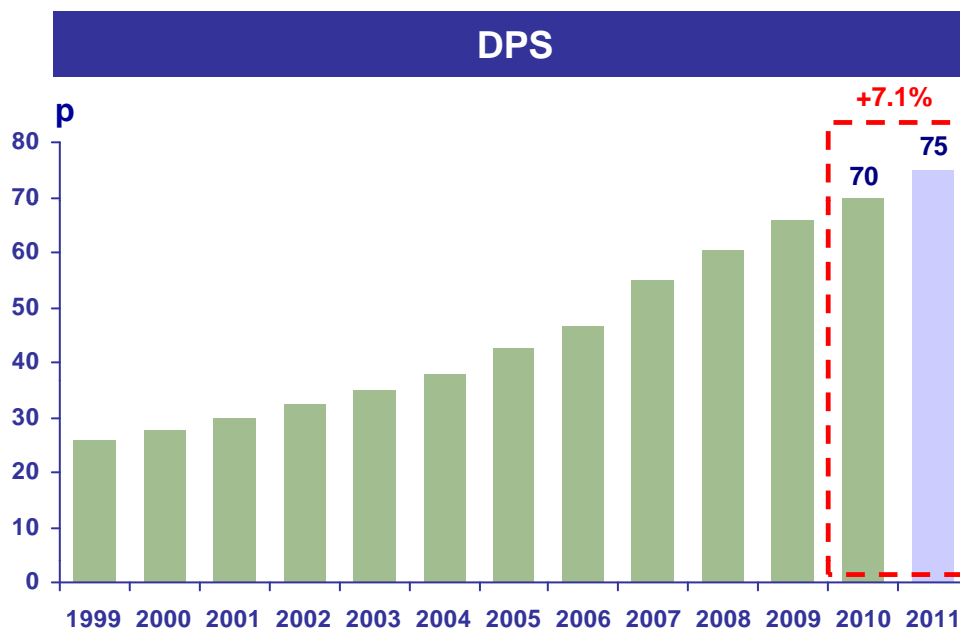
- ✓ Passed 10m customers;
- ✓ Plan to build on it with leadership in products and services.

- ✓ Passed 3GW of renewable capacity in operation or construction;
- ✓ Building on it with a strong pipeline.

- ✓ Passed 'Go' in upstream gas;
- ✓ Plan to build on that when the right opportunity arises.

☑ **SSE is one of just six FTSE 100 companies to have delivered a real dividend increase every year since 1999**

Delivering...Dividend Growth for the Long Term (2)



- ✓ Committed to increase the full-year dividend per share by at least 2% more than Retail Price Index (RPI) inflation in each of the two financial years to March 2013, with annual above-inflation increases also being targeted for the subsequent years