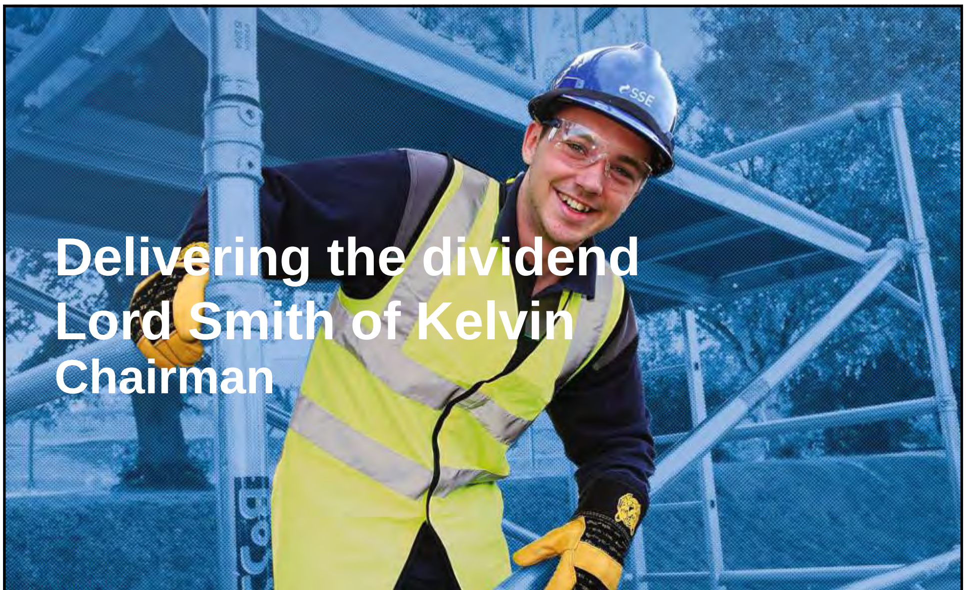
SSE
Financial Results

Six months to 30 September 2012



Delivering the dividend
Lord Smith of Kelvin
Chairman

The SSE Team

Lord Smith of Kelvin
Chairman

Lady Rice
Non-Executive Director

Gregor Alexander
Finance Director

Ian Marchant
Chief Executive

Alistair Phillips-Davies
Deputy Chief Executive

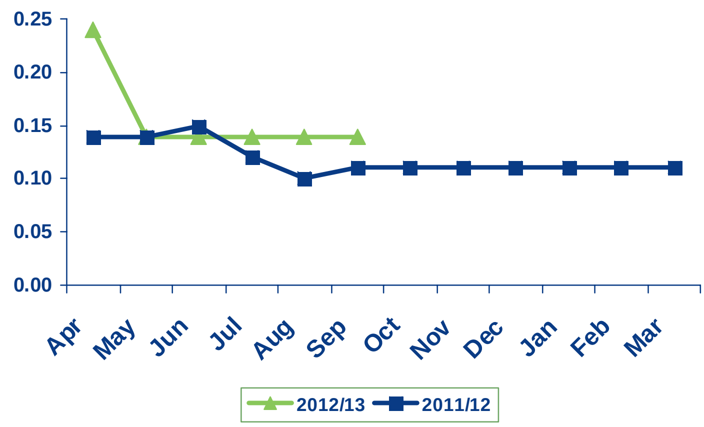
Paul Smith
MD Generation

Will Morris
MD Retail

Alan Young
MD Corporate Affairs

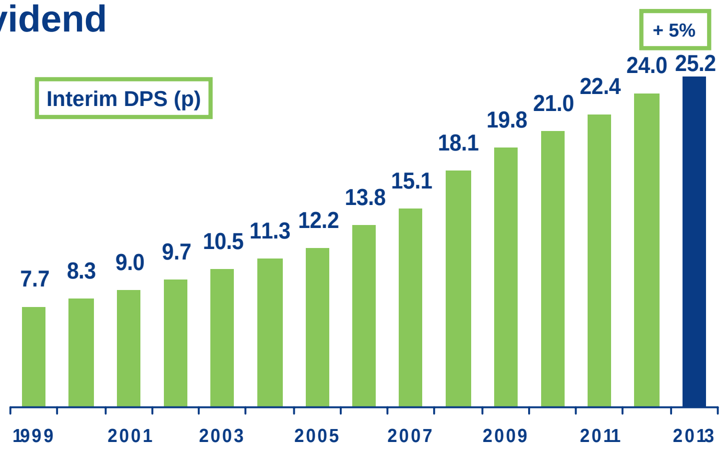
Safety comes first

Total Recordable Injury Rate*



*TRIR – per 100,000 hours worked

Delivering another increase in the interim dividend



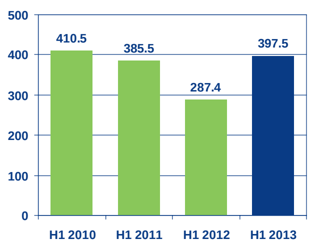
Building on our dividend record is our top financial priority, and that's why we are targeting:

- **RPI plus 2% increase for this year's full dividend**
- **Forecast full-year 2012/13 dividend of c84p**
- **Above-RPI increases in years after that**

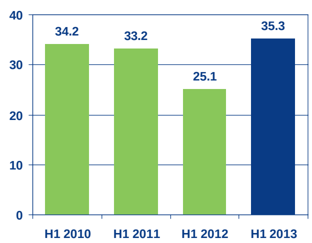
Delivering increases in adjusted profit before tax and earnings per share

6 months to 30 September	**2012 £m**	2011 £m	2010 £m
Adjusted profit before tax	**397.5**	287.4	385.5
Fair value re-measurements (IAS 39)	**(330.5)**	(354.3)	629.7
Exceptional items	**(88.7)**	(13.1)	(388.8)
Tax on JCEs and associates	**(5.1)**	(1.3)	18.4
Reported (loss)/profit before tax	**(26.8)**	(81.3)	644.8
Adjusted effective tax rate	**16.1%**	18.1%	20.5%
Adjusted earnings per share	**35.3p**	25.1p	33.2p

Increase in adjusted PBT, £m



Increase in adjusted EPS, pence

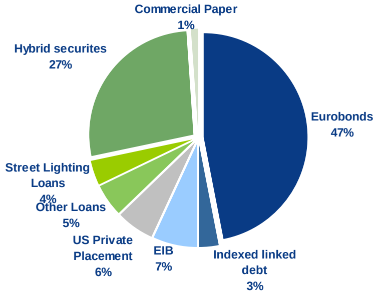


- **Continued good performance in Networks**
- **Return to profit in Retail – increase in gas consumption**
- **Reduced Wholesale profits**
- **Value in maintaining balanced range of businesses**

Making sure SSE is well-financed

	Sep 2012	Mar 2012
Adjusted net debt and hybrid capital - £m	**(7,054.2)**	**(6,755.8)**
Capital expenditure and investment	699.2	1,706.9
Average interest rate	5.17%	5.19%

Diverse sources of funding

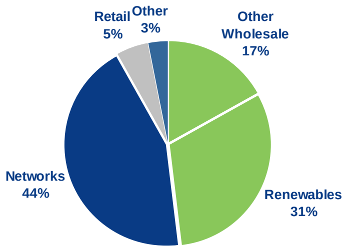


Good financial management

- Adjusted net debt and hybrid capital increased by just under £300m
- 33% uptake of Scrip dividend scheme
- Almost £1.5bn of new debt issued
- Remain committed to current criteria for a single A credit rating
  - FFO/debt of 20% (S&P)
  - RCF/debt of 13% (Moody's)

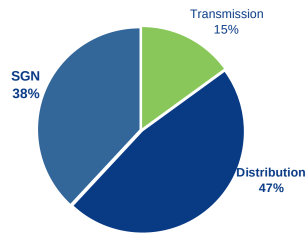
Investing in new assets to sustain dividend growth

Capex in six months to 30 September



Total capex of £699.2m

Networks RAV split



Total Networks' RAV of £6.1bn

In six months to 30 September:

- Commissioned 188MW of renewable capacity, excluding disputed turbines*
- Commissioned 281MW of renewable capacity, including disputed turbines*
- Added c£200m to RAV of economically-regulated Networks
- Networks capex exceeded renewables capex – first time since 2008

Expect capital and investment expenditure to total c£1.6bn this year

*At Greater Gabbard

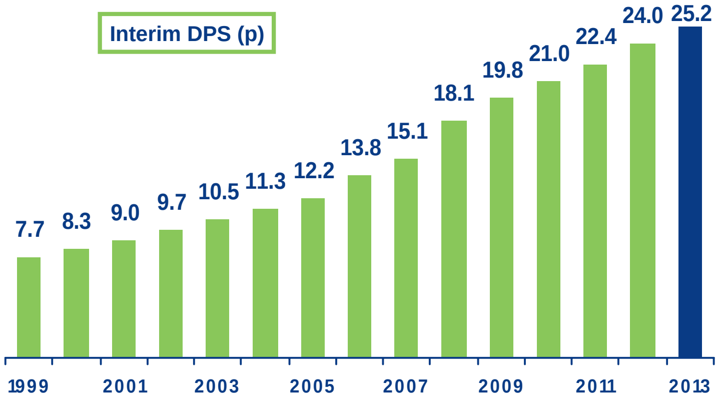
Building a solid base for the future

Energy markets are challenging

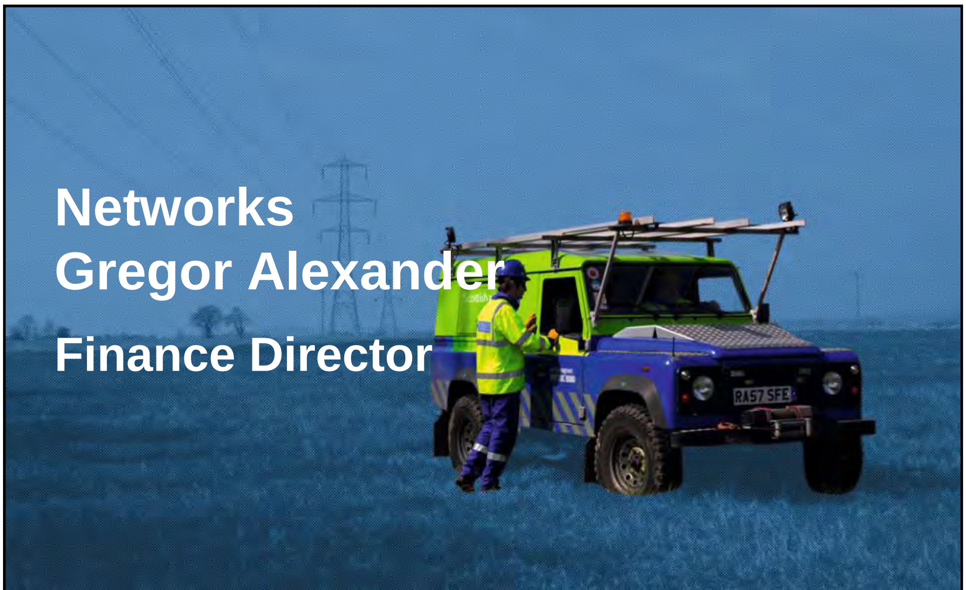
- Spark spreads weak
- Wholesale gas costs higher
- Other costs of supplying energy going up

A solid base for the future

- Balanced business model
- Priority given to dividend
- Commitment to financial discipline
- Focus on operations and investments



SSE



Networks
Gregor Alexander
Finance Director

SSE

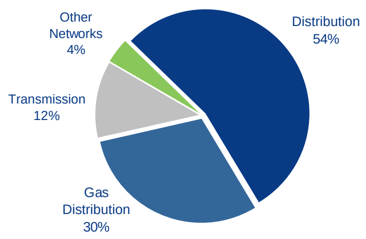
Managing Networks in a fast-moving environment

6 months to 30 September	**2012 £m**	2011 £m	Change %
Transmission	48.7	37.8	28.8
Distribution	213.4	163.5	30.5
Gas Distribution*	122.7	114.6	7.1
Other networks	14.7	19.1	(23.1)
Networks segment operating profit	**399.5**	**335.0**	**19.3**

Movements in Networks operating profit

- **Increase in Electricity Transmission RAV**
- **Electricity Distribution operating profit up due to timing and level of allowed revenue recovery**
- **Gas Distribution profit up due to timing of revenue recovery**
- **Other Networks' profit fell – reflecting difficult economic environment**

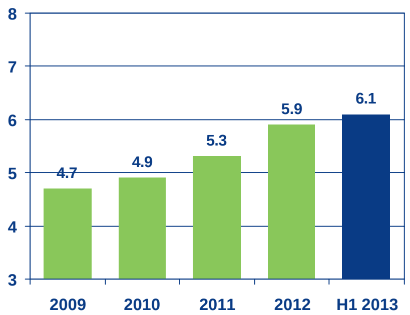
Networks operating profit split



*SSE share

Making investments in Networks

Growth in Regulated Asset Networks, £bn



Investment in Networks

- **Networks' total RAV should be around £6.3bn at year end**
- **In first six months, driven by:**
  - **£88.8m* of capital and replacement expenditure in SGN**
  - **£117.7m of investment in Electricity Distribution**
  - **£167.5m of investment in Electricity Transmission**

2012/13 Capex

- **Investment on this scale expected to continue for next few years**
- **Networks' total RAV should reach over £7bn by March 2015**
- **Good news for profitability and supportive of our credit ratios**

*SSE share

Upgrading the Electricity Transmission network

Upgrading the network

- Finished Knocknagael
- Four other big transmission projects – construction well under way
- £131m invested in these five projects in six months to 30 September
- Expect to invest c£325m in Transmission in 2012/13

2013 21 Price Control

- Progress updates and consultation documents published in September
- Continuing to develop other significant Transmission upgrades – needed to accommodate renewable energy
- Flexibility within 2013-21 business plan to make investment if needs case backs it up


Knocknagael substation

Upgrading the Electricity Distribution network

- Since April 2010 our two networks' combined RAV has increased by more than £300m

Efficiency

- Use of directional drilling techniques
- £30m network upgrade between Bracknell and Camberly

Responsiveness

- Draw on experience gained in the very tough storms last winter
- Will help us prepare better – customer communications being the key area

Innovation

- Continuing to lead the transition to smart grids
- Using combination of technologies to create smart electricity system on Shetland

- 2015-23 Price Control preparations started – publication of initial consultation document – "Innovating for a greener, more efficient future"

Delivering efficiency and value in Gas Distribution

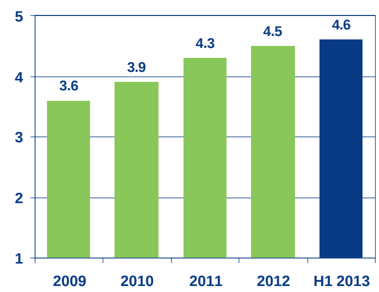
Conclusion of current Gas Price Control

- Publication of Final Proposals for next Gas Distribution Price Control due next month
- Main goal is that 'totex' level is enough to allow SGN to maintain safe and reliable networks – and secure a fair return for doing so

Performance in current Price Control

- SGN's efficiency and value has increased
- External net debt at £3.3bn
- RAV at £4.6bn
- SGN well placed to deliver even more efficiency and value in future

SGN s RAV growth, £bn



Offering an efficient, responsive and innovative multi-utility solution

Progress since March

- 9 additional out-of-area electricity networks – total now at 127
- 8,000 additional gas connections – total now past 100,000 for the first time
- 3 additional water inset appointments – total now at 18
- Significant progress in heat networks – 3 more schemes where SSE is preferred bidder

Heart of East Greenwich Development

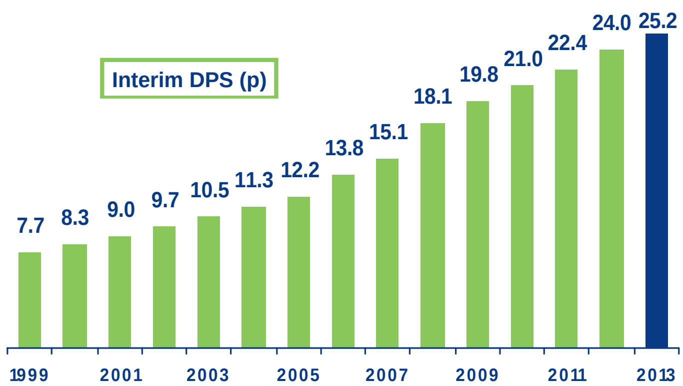
- Work within Utility Solutions typified by new contract to provide electricity, gas, water and heat services
- Ability to offer genuine multi-utility solution to customers
- Reinforces wider business-to-business proposition

Heart of East Greenwich Development, artist impression

Maintaining commitment to the dividend

Networks really matter

- Give an operational focus – safety, customer service, values and culture
- Provide an important balance to Wholesale and Retail
- Index-linked revenue underpin our financial principles and our commitment to the dividend
- Provide significant investment opportunities to add to our RAV



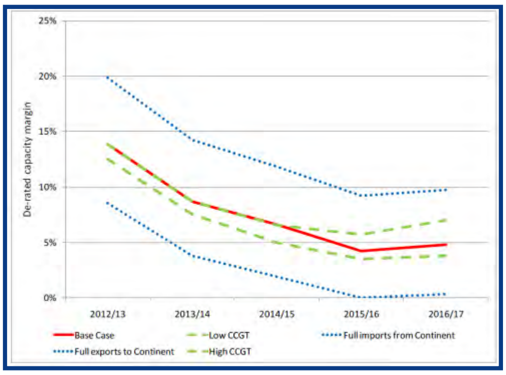
SSE

SSE

Managing Wholesale businesses in a complex environment

- Legislation on renewable energy at EU and Member State levels continuing to have profound effect on operations and investment in electricity production
- Continuing integration of UK energy prices into wider global market
- Global demand for gas (up 65%) and coal (up 25%) forecast to rise over next 25 years
- Everyone, including Ofgem, expects capacity margin tightening

OFGEM s assessment of de rated capacity margin in the UK



Source: Ofgem assessment

Managing Wholesale businesses through a challenging period

6 months to 30 September	**2012 £m**	2011 £m	Change %
EPM* and electricity generation	99.8	189.1	(47.2)
Gas storage	6.9	15.4	(55.2)
Gas production	16.5	17.3	(4.6)
Wholesale segment operating profit	**123.2**	**221.8**	**(44.5)**

Movements in Wholesale operating profit

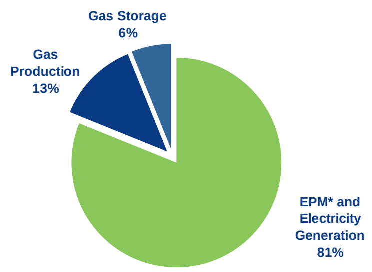
Wholesale business had a difficult six months

- Low prices in power market
- Underlying fall in renewables output
- Reduction in price received for gas storage

£88.7m exceptionals

- Restructuring of carbon allowances portfolio – continuing low market prices
- Agreed payment with insurers arising from 2008 unplanned outage at Medway

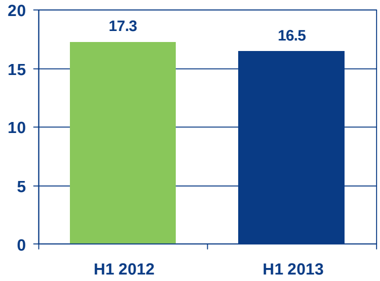
Wholesale operating profit split



*EPM = Energy Portfolio Management

Building up a good position in gas

Gas production operating profit, £m



Gas production output was 80m therms

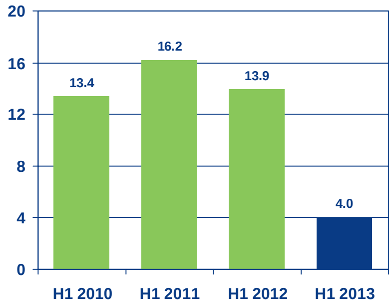
- New source of primary fuel and hedge for gas generation and supply activities
- Hope to add to our presence in sector over time – with focus being on mature, producing, gas-weighted assets
- Increased equity interest in Apollo, Minerva and Mercury by 50% – a £33m deal

Long term fuel supply contracts

- 10 year contract with Statoil – started
- 10 year contract with Shell – begins in 2015
- Will cover a useful portion of future gas needs

Preparing gas-fired power stations for change

Gas fired output, TWh



Role of gas fired generation will change

- Gas-fired power stations likely to be critical during de-carbonisation
- Focus on system flexibility and stability
- The way in which they will operate and be remunerated is changing

Keadby and Medway

- Contributed c40% of fall in gas-fired output
- Investment to support greater two-shifting
- Expect to finish work before end of this financial year – then decision on best options in terms of future deployment

Adding to the CCGT portfolio

Great Britain

- Current market conditions tough

- Consent to build new CCGT at Abernedd
- Decision on Abernedd dependent on DECC's capacity market proposals
- Do not expect to make any investment decisions until after end of this financial year at the earliest

Ireland

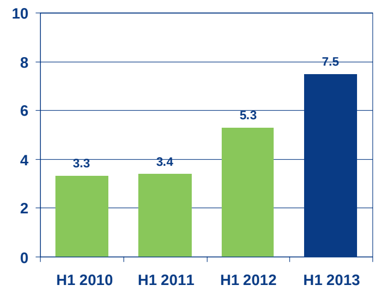
- Fixed costs and plant availability remunerated through capacity payment

- Great Island (460MW) – will provide balanced generation portfolio in Ireland
- Lower CO_2 intensity than market average
- Will be able to generate two thirds of power needed to supply our customers on the island

- New East-West interconnector
  - Greater interconnection between Ireland and GB
  - Allow more two-way flow of electricity
  - Increasing harmonisation of the two markets

Preparing coal-fired power stations for change

Coal fired output, TWh



Coal fired power station upsides

- Available and flexible
- Reduce reliance on costly gas
- Output up c40% compared to six months to September 2011

Tackling coal fired power station downsides

CO_2

- Ferrybridge project – demonstrating capture plant operational characteristics, capturing, on average, 90 tonnes of CO_2 per day

NO_X

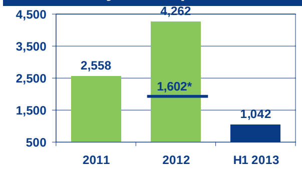
- Installation of abatement equipment on one 500MW unit at Fiddler's Ferry
- Provides more options for operating the unit up to and beyond 2023

Looking further ahead

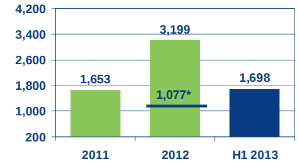
- ROC banding review reduced scope to increase generation from biomass – not going ahead with any new biomass investment at coal-fired power stations
- Solid fuel – remains important part of our generation mix for some time – multi-fuel facility (68MW) at Ferrybridge

Delivering new assets for renewable energy

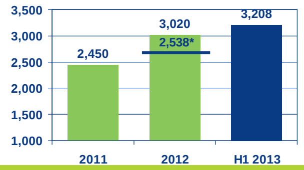
Hydro output, GWh



Wind farm output, GWh



Renewable generation capacity, MW



Phase one: to end of 2007

- Upgrading our existing hydro fleet, and starting to develop, build and operate first wind farms
- Airtricity acquisition – target to have around 3,500MW of renewable energy capacity

Phase two: 2008 2012

- Second renewables investment phase about realising ambition
- Now have 3,208MW of renewable capacity
- 93MW disputed turbines at Greater Gabbard
- 305MW in construction or pre-construction

Phase three: post Airtricity

- Renewables to play a smaller – but still important – part of capex plans
- Focus on smaller number of developments
- One pumped storage option – Coire Glas (passed by Highland Council)

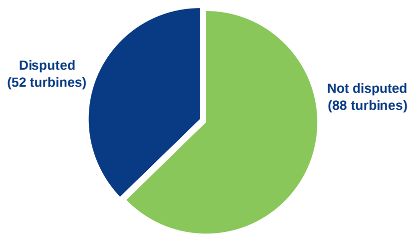
*As at September 2011

Managing the issues at Glendoe and Greater Gabbard

Glendoe

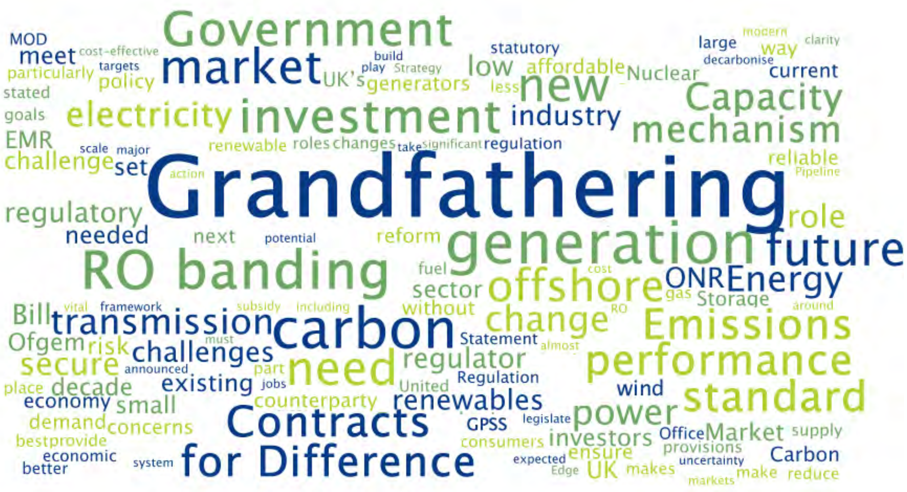
- Electricity generation resumed
- Substantial engineering, insurance and legal exercise
- Glendoe had generated over 30GWh by end of October
- Evidence of strategic value of asset

Greater Gabbard



- Awaiting the outcome of the legal process on first part of the dispute – Fluor's claim against the JV
- Determination of the JV's claim against Fluor will be resolved later
- Greater Gabbard is now an asset, generating 132.2GWh in September and October

Dealing with Electricity Market Reform (EMR)



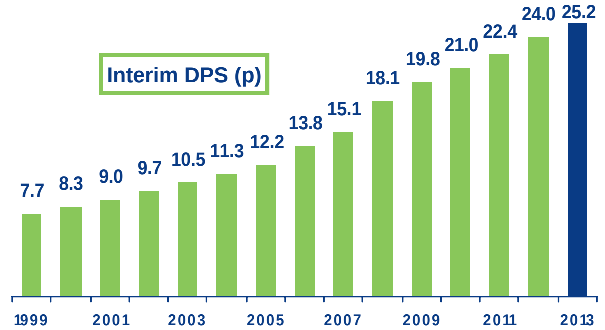
Maintaining commitment to the dividend

Completed a lot of big projects like Clyde and Greater Gabbard

Added important new construction projects – Great Island CCGT, multi-fuel at Ferrybridge

Extended options in core operations at Fiddler's Ferry, Keadby and Medway

Confirmed our approach to biomass and hydro – inc pumped storage



- Diverse nature of generation portfolio means SSE well placed for power market recovery

Retail
Ian Marchant
Chief Executive

Managing Retail in a political environment

Simplified tariffs	Increased transparency	Improved service	Ensured fairness

- For the past 18 months, we have led the industry on trust
- We were concerned about the lack of political and regulatory action – SSE is pleased by the developments in October

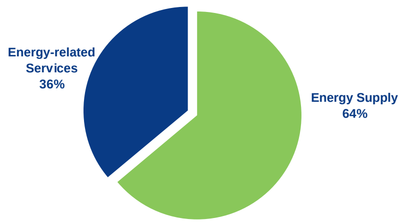
Earning a sustainable profit in Retail

6 months to 30 September	2012 £m	2011 £m
Energy supply	48.7	(133.7)
Energy-related services	27.0	32.3
Retail segment operating profit	**75.7**	**(101.4)**

Movements in Retail s operating profit

- Return to profit in Energy Supply mainly due to significantly higher household gas consumption arising from colder weather
- Expect profit margin in Energy Supply business to average c5% over the medium term
- In 2011/12 it was 3.5% - in the first half of this year it was 1.5%
- Energy-related Services operating profit fell – reflecting difficult market conditions

Retail s operating profit split



Capping household prices for GB customers

- We’re guaranteeing our prices won’t increase until at least second half of 2013

Managing customer account numbers in competitive markets

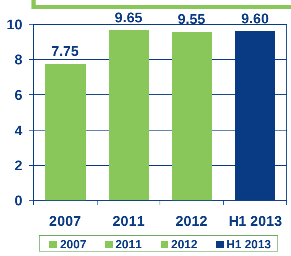
Great Britain

- During six months to September, net loss of 115,000 customers or less than 1.5% in GB
- Retention of customers impeded by under-charging activities of some of our competitors
- Political and regulatory interventions should result in this being stopped
- Rate of 'churn' in six months to September around one third lower

Ireland

- Now have 780,000 energy customer accounts in Ireland
- Third largest supplier
- Strong customer base
- Combination of acquisition and organic growth

Total energy customer accounts up 50,000 – thanks to Ireland



Giving customers value for their money

SSE leads in customer service

- Fair prices, simple products and excellent service
- Launching Customer Charter in New Year
- Three commitments:
  - Helping customers find ways to save money
  - Making life easier for customers
  - Helping customers when they need us most
- Practical commitments, organisational culture and calibre of people take us to next level of service provision
  - Recruited 200 people in Havant – translating Building Trust into action

Consumer Focus
Campaigning for a fair deal

Only supplier to consistently achieve the 5 star rating – been achieved for four consecutive quarters

Preparing for the future in Energy Supply

Green Deal	Smart Meters	Digital Media
		
The challenge… Obligations we must meet as an energy supplier	Good customer experience is essential for the roll out of smart meters to be successful	In Ireland, almost half of customer interactions via online self-service channel
The opportunity… Being a Green Deal provider	Programme subject to the Major Projects Governance Framework	Since June launch, mobile App become one of the most popular Apps in the market
Insulations of solid walls, cavity walls and lofts being the dominant measure	Long-term, smart meters will change the relationship between suppliers and customers	Benefit of operating in different markets – can take experience from one into the other

Growing all three segments to support the dividend

Investing in the businesses

Networks RAV of £6.1bn

Largest portfolio of renewable energy across GB and Ireland

Second largest energy supplier in GB, third largest in Ireland

Earning the right to make a profit

Transparency | Simplicity | Fairness | Service

Meeting the needs of customers and supporting a reasonable, but not excessive, profit margin

Sticking to financial principles

Strength

Committed to the current criteria for a single A credit rating

Rigour

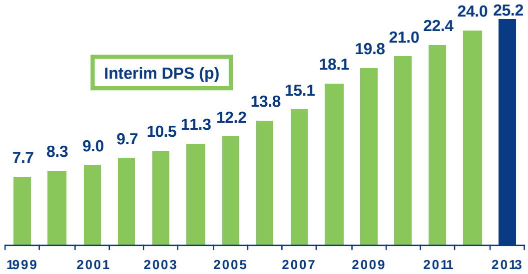
Committed to investments that are well-founded, not just well-intentioned

Discipline

Committed to a disciplined approach to acquisitions

Measurement

Committed to benchmarking financial decisions against share buy-backs



Committed to the dividend, and our goal is still to increase it by more than RPI inflation every year

Maintaining commitment to the dividend

Core values

- Safety
- Service
- Efficiency
- Sustainability
- Excellence
- Teamwork

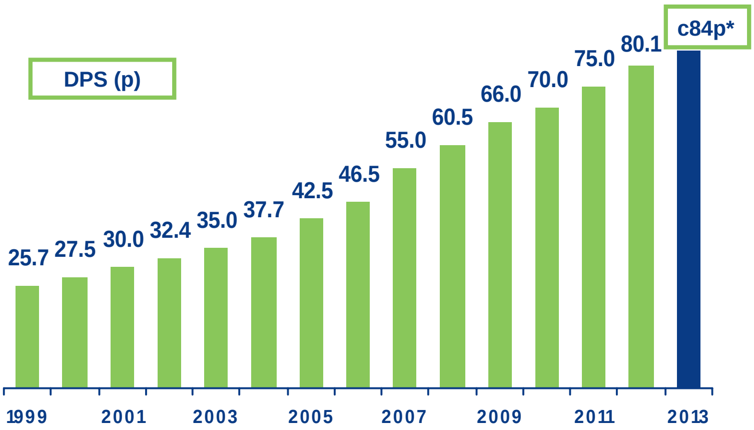
Financial Principles

- Strength
- Rigour
- Discipline
- Measurement

Strategy

- Focus on efficient operations
- Investment in balanced range of businesses

Maintaining commitment to the dividend



Building on our dividend record is our top financial priority, and that's why we are targeting:

- RPI plus 2% increase for this year's full dividend
- Forecast full-year 2012/13 dividend of c84p
- Above-RPI increases in the years after that

SSE

*Forecast full-year 2012/13 dividend