SSE plc
TRADING STATEMENT

SSE plc completed the third quarter of its financial year on 31 December 2017. This trading statement:

- highlights that for 2017/18 SSE now expects to deliver adjusted earnings per share in the range of 116 to 120 pence;
- confirms that for 2017/18 SSE still expects to report an annual increase in the full-year dividend that at least keeps pace with RPI inflation;
- provides an update on SSE's operational performance and on progress with its capital investment programme for 2017/18, which is now expected to be around £1.6bn (previously £1.7bn); and
- confirms that the planned combination of SSE's household energy supply and services business in GB with npower, to create a new independent energy supplier, remains on course to be completed by the last quarter of 2018 or the first quarter of 2019.

Alistair Phillips-Davies, Chief Executive of SSE, said:
"The energy sector continues to present a number of complex challenges to manage but, throughout this financial year, we have kept our focus on delivering the best possible service for our Networks and Retail customers and on delivering our programme of investment in the energy infrastructure on which all customers depend. All of this represents an encouraging year so far for SSE.

"The SSE group will evolve significantly between now and the end of the next financial year. There will be a greater focus on creating value from owning, operating and developing assets and infrastructure; and we will contribute to the creation of a new energy supply market model that combines the resources and experience of two established players with the focus and agility of an independent supplier.

"Throughout this period of evolution, and as a responsibly-minded business, we will be fully mindful of the critical job of delivering for customers and other stakeholders through day-to-day operations and longer-term investment. We will also be fully mindful of the central importance of remunerating shareholders' investment through the payment of dividends, including an increase in the full-year dividend for 2017/18 that is at least in line with RPI inflation and targeting an annual increase of at least RPI inflation for 2018/19."

Focusing on operational efficiency
Safety: SSE's Total Recordable Injury Rate for employees and employees of other companies working on SSE sites was 0.20 per 100,000 hours worked in the 12-month period ending 31 December 2017, compared with 0.25 in the same period in 2016.

Wholesale GB, Ire	9 months to 31-Dec-2017	9 months to 31-Dec-2016
Gas- and oil-fired (incl. CHP) generation output – TWh	17.6	12.8
Coal-fired generation output – TWh	0.9	0.1
Wind generation output – TWh	4.0	3.0
Hydro generation output (incl. pumped storage) – TWh	2.5	2.1
Gas production - m therms	404	466
Gas production – mmboe	6.70	7.58
Liquids production – mmboe	0.59	0.73

Output from electricity generating plant in which SSE has an ownership interest (output based on SSE's contractual share).

Networks	9 months to 31-Dec-2017	9 months to 31-Dec-2016
Customer minutes lost (SHEPD) - average per customer	38	41
Customer minutes lost (SEPD) - average per customer	33	33
Customer interruptions (SHEPD) - per 100 customers	40	49
Customer interruptions (SEPD) - per 100 customers	40	37

Excludes exceptional events

Retail		
Electricity supplied household average (GB) – kWh	2,616	2,664
Gas supplied household average (GB) – th	256	262
Total energy customer accounts (GB, Ire) – m	7.68	8.08
Total energy customer accounts at 30 September 2017 - 7.72m		
Total Smart meters on supply	over 725,000	over 400,000
Home Services customer accounts (GB) – m	0.45	0.46

Customer account numbers and smart meters on supply as at 31 December 2017

Output of renewable energy in the nine months to 31 December 2017 was around 25% higher than in the same period in 2016, broadly in line with SSE's expectations at the start of this financial year. The increase in output resulted from wetter and windier weather conditions in 2017, meaning output was up around 14% on a like-for-like basis, with the balance from more onshore wind farm capacity in operation.

The average temperature in the UK in the nine months to 31 December 2017 was broadly similar to the same period in 2016 while energy consumption was slightly lower than the same period in 2016.

Creating value from capital and investment expenditure in building, owning and operating assets
SSE's investment and capital expenditure is still expected to be around £6bn over the four-year period to March 2020. Around £5bn of this is already committed to economically-regulated electricity networks and government-mandated renewable energy projects.

For 2017/18, SSE now expects that its capital and investment expenditure will total around £1.6bn (previously £1.7bn). Capital spend in the nine months since 1 April 2017 totals £1.1bn and has included:

- **Wholesale:** around £355m in on- and offshore wind. A total of 516MW of new onshore wind farm capacity was commissioned in the nine months to 31 December and a further 481MW of on- and offshore wind farm capacity is in construction. This includes SSE's 235MW 40% share of the Beatrice offshore windfarm where substantive progress has been made in construction, with 36 of the 86 jackets installed offshore, the transmission system commissioning underway and the project remaining on target for first turbine installation in July 2018, with project completion expected in 2019. This means SSE's total renewable energy capacity (including pumped storage) is expected to grow to 4.3GW* by March 2020, enabling SSE to generate around 12TWh of electricity from renewable sources in a typical year. As previously stated, as current arrangements to hedge the risks associated with renewable energy generation unwind, the full benefit of the returns from this investment will be reflected in earnings towards the end of the decade.
  *Assumes SSE's share of Clyde wind farm remains at 65%

- **Networks**: around £558m in Electricity Distribution and Transmission investment as it continues to invest to improve service quality for Distribution customers while also upgrading the Electricity Transmission network. This includes progress with the Caithness-Moray transmission link, the largest capital project undertaken by SSE – a complex project which nevertheless remains scheduled for completion in late 2018. The completion of the Caithness-Moray link and other projects is expected to take the total net Regulated Asset Value of all of SSE's economically-regulated networks businesses, including SSE's share of SGN, to around £9bn by 2020.

In addition, in **Retail**, in the nine months to 31 December 2017, SSE has invested around £140m, including work associated with the roll-out of smart meters. It remains committed to playing its part in the roll-out of smart meters.

Other key developments since 8 November 2017

Since SSE published its interim results on 8 November 2017, there have been important developments in:

- **Wholesale:** In November 2017, the Judicial Review proceedings in respect of the planning consent for the Seagreen offshore windfarm, a 50:50 partnership with Fluor Ltd (Phase One up to 1,050MW), came to an end, with the consent being successfully reinstated. In January 2018, SSE began the process of applying for planning permission for a 2,000 MW CCGT at its Ferrybridge site.
- **Networks:** Scottish and Southern Electricity Networks (SSEN) will shortly submit its response to Ofgem's consultation on a potential RIIO-ED1 Mid-Period Review as currently defined and on the potential extension of scope.
- **Retail:** SSE and innogy SE have been in pre-notification discussions with the Competition and Markets Authority in relation to their agreement to form a new independent energy supply and services business in GB. This engagement is pending the start of the Phase I investigation, which has a statutory timeline of 40 working days. SSE and innogy SE will continue to work constructively with the CMA and other interested parties during this process and remain confident that the creation of a new independent energy supply and services business in GB will serve the needs of customers, employees and other stakeholders in the long term.
- **Enterprise:** There has been further encouraging progress in the development of substantive, long-term opportunities in the four main business areas of Contracting, Utilities, Telecoms and Rail.

Value returned to shareholders

As originally set out in its Interim Results in November 2016, SSE has completed a return of value to shareholders by way of an on-market share buy back with a total value of £500m, representing a total of 34.77 million shares.

Financial outlook

Effective delivery of day-to-day operations during the first nine months of this financial year, together with returns from its long-term investment programme, mean SSE now expects to deliver adjusted earnings per share in the range of 116 to 120 pence for 2017/18. It also still expects to report an annual increase in the full-year dividend that at least keeps pace with RPI inflation.

SSE is, and will remain, committed to remunerating shareholders' investment through the payment of dividends. In addition to targeting an increase in the full-year dividend for 2017/18 of at least RPI inflation, it is also targeting an annual increase of at least RPI inflation for 2018/19.

SSE said on 8 November 2017 that following the expected demerger of its GB household energy supply and services business, its dividend and dividend policy will reflect the quality and nature of its assets and operations, the earnings derived from them and the longer-term financial outlook. As also stated on 8 November, more detail on this will be set out by the time the shareholder circular in respect of the demerger is published, which is expected to be in June 2018.

Notification of Close Period

SSE will issue a Notification of Close Period Statement on Thursday 29 March 2018 and its Full Year 2017/18 Preliminary Results on Friday 25 May 2018.

Enquiries

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SSE believes quarterly trading statements are a timely communication to investors, market analysts and other stakeholders, ensuring appropriate operational and financial updates.

Adjusted earnings per share: the definitions SSE uses for adjusted measures are consistently applied and are explained most recently in the Alternative Performance Measure section of SSE's Interim results statement on 8 November 2017 and in its 2016/17 Annual Report.