

SSE plc

PUBLICATION OF SHAREHOLDER CIRCULAR

SSE plc has today published a Circular and a Notice of General Meeting for shareholders in respect of the proposed demerger of SSE Energy Services and, subject to regulatory approval, subsequent combination of that business with Npower Group Limited under a new holding company ('the new company') to be listed on the Premium Segment of the Main Market of the London Stock Exchange. These documents are available on sse.com.

The new company will be an independent energy supply and services business that will create a new market model by combining the resources and experience of two established players with the focus and agility of an independent supplier.

At the General Meeting, which will take place at 2pm in Perth on 19 July 2018, following SSE's Annual General Meeting, two ordinary Resolutions will be proposed, seeking shareholders' approval of:

- the declaration of a special dividend (in kind in the form of shares in the new company*) to give effect to the demerger; and
- the waiver of the obligation on innogy, which owns Npower Group Limited, to make a general offer for all of the issued shares in the new company on completion (under Rule 9.1 of the City Code on Takeovers and Mergers*).

*SSE shareholders will retain their existing SSE shares and will also hold one share in the new company for every existing SSE plc share they hold at the demerger record time. The new company will be owned up to 65.58% by SSE shareholders. innogy will hold 34.42% of the shares in the new company on completion.

The demerger will not become effective unless both Resolutions are passed by SSE shareholders, representing a simple majority of the total voting rights of SSE shareholders who attend the General Meeting and vote.

In accordance with Listing Rule 9.6.1(R), a copy of the Circular has been submitted to the FCA and will shortly be available for inspection via the National Storage Mechanism, which can be accessed at: <http://www.morningstar.co.uk/uk/NSM>

The Circular contains, amongst other things, a letter from the Chairman of SSE to shareholders, a summary of the principal terms and conditions of the transaction, risk factors, unaudited pro forma financial information of the new company and of the SSE retained group, historical financial information on SSE Energy Services and Npower Group Limited and information about taxation.

It confirms that the Chief Executive Designate of the new company, Katie Bickerstaffe, is expected to take up her appointment on 24 September, and that Gordon Boyd, the Chief Financial Officer Designate of the new company, is expected to take up his appointment on 4 July.

The Circular also sets out the conditions that must be satisfied or waived for the transaction to be completed.

Richard Gillingwater, Chairman of SSE plc, said:

'The Circular is an important document that shareholders should read and consider carefully before casting their votes in respect of the two Resolutions at next month's General Meeting.

'The Board believes that demerging SSE Energy Services and combining it with npower has strong strategic logic and the potential to drive significant benefits for the business and its customers. It believes that a standalone household energy and services business will benefit from its own dedicated board of directors and specialist management team, supported by skilled employees and focused entirely on strategic and operational developments in the energy retail sector, including the competitive and regulatory environment.

'A standalone business will also have the ability to determine and allocate its own capital, allowing day-to-day decision-making to be more closely aligned with strategy and thereby facilitating the delivery of greater benefits to all stakeholders going forward, including customers and employees.

'The Board unanimously recommends that shareholders vote in favour of the Resolutions to be proposed at the General Meeting.'

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