

SSE plc - INTERIM RESULTS 2018: PRESENTATION SCRIPT

TITLE SLIDE – FOCUS ON THE CORE; VISIBILITY ON VALUE

SLIDE 2 ALISTAIR PHILLIPS-DAVIES, CHIEF EXECUTIVE

Good morning everyone and welcome to this Interim Results presentation. Gregor and Richard will also present and, with Martin, we'll take your questions. There's clearly a lot to get through, but safety must come first.

SLIDE 3 - GIVING PEOPLE A SAFETY LICENCE

The Total Recordable Injury Rate among people working on behalf of SSE is now 0.20 per 100, 000 hours worked. It was 0.19 a year ago.

By many standards, this is a reasonable performance, but our ultimate goal is injury-free working. That's why we've given every employee working on our behalf a licence to ensure safe working: *If it's not safe, we don't do it.* As well as looking after people, this is about ensuring we have the right culture and attract employees with the right values.

SLIDE 4 – FOCUS ON THE CORE; VISIBILITY ON VALUE

The last few weeks have clearly been difficult. Analysts' notes haven't made for comfortable reading; and shareholders' feedback hasn't made for easy listening.

Our regret at the EPM situation cannot be over-stated; and nor can our disappointment that the Energy Services transaction is proving more difficult to complete than we expected.

In respect of EPM, we've taken significant action to limit future exposures in this financial year and the next; and to define a clear new approach to managing commodity price exposures, giving investors enhanced visibility.

And in respect of the Energy Services transaction, we're continuing to do all the work we can to seek to achieve the formation and listing of the new company, while recognising there can be no certainty the transaction will be completed as originally planned.

In terms of where we go from here, let me be clear about three things.

First, in assessing any potential changes to the commercial terms of the Energy Services transaction, the interests of customers, employees and shareholders will be paramount.

Second, we still believe that the best future for the Energy Services business is outside the SSE group; and we remain committed to the strategy we set out in May for creating value from focusing on economically-regulated networks and renewables.

Third, we've made material progress across our investment programme in key assets like Caithness-Moray, Stronelaig and Beatrice and they will deliver sustainable value for many years to come.

We intend to build on that. In focusing on those core businesses, we're also aiming to give greater visibility of assets, earnings and value for investors. That's what lies behind the plan we've announced this morning to create SSE Renewables.

SLIDE 5 – FOCUSING ON THE FIVE-YEAR DIVIDEND PLAN

Although the last few months have presented particular challenges in relation to EPM and Energy Services, it's the value and quality of our core networks and renewables businesses, and their financial outlook, that underpins our five-year dividend plan.

This morning's interim dividend of 29.3 pence, up 3.2%, is the first step in delivering that plan; and we look forward to recommending a full-year dividend of 97.5 pence per share in May.

Later I'll say more about how we will focus even more on those core businesses of networks and renewables and about the significant progress made in positioning them for sustained value creation. Before then, Gregor will cover the results and summarise the action we've taken to limit future exposures in EPM and define a new approach to hedging.

SLIDE 6 – GREGOR ALEXANDER

Thanks, Alistair, and good morning.

SLIDE 7 - RESULTS TO 30 SEPTEMBER 2018 - OVERVIEW

These results reflect the fact that Energy Services is being held for disposal and therefore accounted for as a discontinued operation, with the resulting need to restate the September 2017 and March 2018 position for the SSE group

The results themselves are actually ahead of where we expected to be in September, although clearly well short of what we hoped to achieve at the start of the financial year.

On a like-for-like basis, adjusted PBT is down 41%, to £246.4m; and adjusted EPS is down 40% at 19.6 pence.

The exceptional items include: two renewables-related gains totalling £88.4m; and, in Energy Services, property impairment and transaction costs totalling £67.1m. Most of those transaction costs actually relate to the business hive down.

SLIDE 8 - RESULTS TO 30 SEPTEMBER 2018 – NETWORKS BUSINESSES

Across the Networks businesses, adjusted operating profit rose by 7% to £379.7m. The increases were in:

- Transmission, where phasing of revenue helped operating profit increase 30% to £127.4m; and
- SGN, where RPI-related revenue increases, and improved performance in earnings incentives, took adjusted operating profit up 5% to £85.4m.

SLIDE 9 - RESULTS TO 30 SEPTEMBER 2018 – RETAIL BUSINESSES

Across our continuing Retail businesses, adjusted operating profit fell by 13% to £67.3m. This was mainly due to a £10.6m fall in Airtricity related to timing of Refit payments - but results are expected to recover in the second half of the year.

In terms of the Energy Services businesses held for disposal, GB household supply saw an adjusted operating loss of £68.7m. An operating loss in the first half of the year is not unprecedented and this year reflects:

- lower demand;
- higher energy costs; and
- decisions to minimise the impact of those costs on customers through smaller tariff increases.

Over the year, we expect to record an adjusted operating profit margin of between 2% and 3%.

SLIDE 10 – MAKING PROGRESS WITH THE PLANNED SSE ENERGY SERVICES TRANSACTION

The planned SSE Energy Services transaction is in line with our strategic themes of focus, visibility of assets and earnings and platforms for success for each of our businesses. Since then:

- the Energy Services business has been successfully hived down from the rest of the SSE group;
- the CMA has confirmed that the planned transaction does not raise competition concerns; and
- key appointments have been made, and integration planning has made good progress.

SLIDE 11 – WORKING TO ACHIEVE FORMATION AND LISTING OF NEW COMPANY

As you know, this is a complex transaction, in a sector undergoing major change. It has to be taken forward in line with rules and obligations, including in relation to information sharing and the fact the companies involved are still competing.

Following Default Tariff Cap final decisions and the end of the CMA appeal period last week, we announced discussions about the commercial terms of the transaction.

We're not in a position to comment on the discussions until we issue an update on their progress – which we will do as soon as we can and by mid-December at the latest – but I can say four things:

- First, the issues in EPM have had no bearing whatsoever on the progress or terms of the transaction – the two things are unrelated.
- Second, we continue to believe that creating a new, independent energy supplier has the potential to deliver real benefits for customers and the market as a whole, and that remains our objective.
- Third, in assessing potential changes to the commercial terms of the proposed transaction, the interests of customers, employees and shareholders will be paramount. For this reason, there is less certainty it will be completed as originally envisaged.

- Fourth, as Alistair said, we still believe the best future for the Energy Services business is outside the SSE group and we remain committed to the strategy we set out in May to focus on economically-regulated networks and renewables.

SLIDE 12 - RESULTS TO 30 SEPTEMBER 2018 – WHOLESALE BUSINESSES

Looking now at results for the Wholesale businesses, adjusted operating profit fell from £159.9m to £2.3m, reflecting the impact of the issues in EPM and Renewables. In Renewables, lower output along with lower achieved prices contributed to a 50% fall in adjusted operating profit to £74.8m, the drop also reflects the fact that last year's results benefited from a £24m gain on disposal. Output since September has been more encouraging.

SLIDE 13 – RESULTS TO 30 SEPTEMBER 2018 – REMEASUREMENTS

Looking at the EPM position, the adjusted operating loss of £85.9m for the six months is lower than the £100m forecast in September, due to out-turn prices being more favourable than expected.

The adverse movement on operating derivatives under IFRS 9 of £565.4m arose mainly from a deterioration in the fair value of forward gas contracts. While indicative of a direction of travel there are limitations to IFRS 9 if using it to assess SSE's commodity exposure, namely:

- The IFRS 9 values do not reflect all contracts but only those designated as 'held for trading'; and
- The IFRS 9 movement in operating derivatives represents the position up to 30 September 2018, and does not reflect price movements and actions taken since that date.

In the last two months, we've taken a series of actions to manage the overall position and the associated exposures, thereby providing greater clarity through to the end of the next financial year. As at 13 November, EPM is expected to report an adjusted operating loss of:

- around £300m in 2018/19; and
- around £115m in 2019/20, with a potential variation around the number for that year of +/-£25m.

Thereafter EPM is expected to earn a small profit through service provision.

SLIDE 14 – REDUCING SHORT TERM EXPOSURE TO VARIATIONS IN VALUE OF ENERGY COMMODITIES

We've set out today a new approach to managing commodity price exposures, and giving investors the maximum possible visibility over it. Looking ahead, SSE will be exposed to variations in the value of energy commodities through activities in:

- Renewables;
- Flexible thermal generation;
- Business energy sales; and
- Gas production.

Our new hedging approach addresses each of these, with the objective of reducing SSE's exposure to volatility in energy commodities - and so make their impact on shorter-term earnings more visible and predictable.

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This means SSE will now generally seek to hedge its broad exposure to commodity price variation 12 months in advance of delivery - and will aim to transition towards this approach being fully in place from April 2020.

The five principal commodities that SSE trades, listed in our document this morning, have different liquidity characteristics. This means where there's insufficient liquidity, we may trade alternative commodities to give an effective proxy hedge.

There are three areas where significant variations in earnings cannot be fully mitigated through hedging:

- the impact of the weather on renewable output;
- the impact of operational matters such as unplanned outages; and
- the ability of flexible thermal plant to earn income by providing services to the electricity system and responding to electricity market conditions.

Quite simply, our new approach means a much more systematic approach to hedging.

SLIDE 15 – PUTTING THE NEW HEDGING APPROACH IN THE RIGHT FRAMEWORK

The implementation of this hedging strategy will be supported by

- capping **Value at Risk** at a daily limit of £10m; and
- introducing **Profit at Risk** as a leading indicator of the downside risk to profitability.

We're setting up a new Board Committee, with a non-Executive Chair, Tony Cocker, which will oversee the implementation of the new hedging approach.

Commodity risk will be managed within individual business units with EPM becoming an operational function responsible for implementing hedging approach and ensuring business units' risk requirements are met.

SLIDE 16 – ENSURING VISIBILITY OVER SSE'S NEW HEDGING APPROACH

We're confident we've identified the right hedging approach and support framework, and we'll give visibility over the practical implementation of the approach in each financial reporting period.

That means including in each half- and full-year results statement information and commentary on the hedge position. This will include the proportion of hedged volumes and the average hedge price achieved in respect of the policies on wind, hydro, and thermal generation, as well as those for business energy and gas production.

And if, in the future, we believe it is in SSE's shareholders' interests to evolve this hedging approach, we will disclose any changes and the rationale for them.

The cumulative impact of the hedging approach, supporting framework, governance and disclosure commitment should be assurance that traded commodity positions cannot and will not have a major influence on shorter-term SSE group earnings – or take investors by surprise. It should allow investors and analysts to see what changes in commodity prices mean for SSE's portfolio of assets over time.

SLIDE 17 - RESULTS TO 30 SEPTEMBER 2018 – THE CORE OF THE NEW SSE

It's a portfolio that will be focused on regulated networks and renewables. In the six months to 30 September, total adjusted operating profit for these businesses was down 10% at £454.5m, reflecting the impact of dry and still weather on renewables, but still a major contribution showing the underlying value of these businesses. That's why they're at the core of the new SSE.

SLIDE 18 - INVESTING TO EARN RETURNS 2018/19

In the six months to 30 September, we invested £783.5m across the SSE group. Over 75% of this was on regulated networks and renewables, with a further 8% on thermal generation, including multi-fuel. We're still on course to invest around £1.7bn across the group in this financial year, with around two thirds of that in regulated networks and renewables, with complementary investment in thermal on top of that. It is returns from investment like this that will support our dividend for many years to come.

In Networks, good progress continues to be made with the Caithness-Moray transmission link, which is now in the advanced stage of commissioning. The project remains on track for delivery in the next few weeks. The RAV of our networks businesses has now reached £8.6bn, and is on course to reach £10bn by 2023.

In Renewables, good progress continues to be made onshore at Stronelairg and offshore at Beatrice:

- At Stronelairg, 57 of the 66 turbines are commissioned and the project remains on course for completion as planned in the spring of next year.
- At Beatrice, 33 of the 84 turbines are exporting power and this project too remains on course for completion as planned, again in Spring 2019.

The progress of Beatrice is reflected in the fact that a 'Start Date Notice' has been submitted to the Low Carbon Contracts Company to trigger commencement of CfD payments.

These two developments will add a net 463MW to our current renewables capacity of 3.7GW. Recent market transactions indicate the huge value that capacity on this scale will create for the SSE group; and a comparison with the current value of retail businesses is highly instructive.

SLIDE 19 - CREATING AND SECURING VALUE FROM EXISTING AND PLANNED ASSETS

Our renewables capacity may go down by around 150MW if we sell stakes of up to 50% in the Stronelairg and Dunmaglass wind farms. These are quality assets, with P50 load factors of 40% and 44% respectively - and illustrate how onshore wind could and should have a growing future in the UK's energy mix.

Should a sale go ahead, we'll continue to operate the wind farms and take the power from them. As you know, we've previously sold onshore wind assets as part of a capital recycling programme to optimise our portfolio. Our strategy is to create value from development and operation of assets, as well as ownership; and the potential sale of stakes in Stronelarig and Dunmaglass is entirely in line with it.

Market asset values are currently very encouraging and we're seeing significant interest in the wind farm stakes. We'd expect the new SSE Renewables business to be equally agile in taking opportunities to create and deliver value.

We also expect to seek new partners for the Seagreen offshore wind farm development and – as with the onshore projects – are confident of a good level of interest.

In taking forward these opportunities, I believe we can point to a strong record of delivering significant value creation through disposals, most recently illustrated by the gains on sale in respect of Clyde wind farm and Indigo pipelines, which equate to around £125m.

When it comes to proceeds from future disposals of businesses, assets or investments we'll look at several options, or combination of options, including:

- debt management;
- returning value to shareholders through share buy backs; and
- creating value through future investment.

SLIDE 20 - INVESTING TO EARN RETURNS 2018-2023

We're still expecting capital and investment spend to total around £6bn across the five years to March 2023, giving an annual average of £1.2bn across the period. That compares with an average of £1.6bn in the previous five years.

Our core businesses of regulated networks and renewables should account for around 70% of this, with complementary developments at Keadby 2 and in multi-fuel accounting for around a further 10%.

This is an investment programme focused on core businesses and key assets that meet the long-term needs of energy customers. In May, we called out the key strategic trends of decarbonisation, electrification and infrastructure. Our

core businesses have a critical part to play as these trends make their impact felt, through the investment and growth options that go with them.

SLIDE 21 - BEING AGILE IN FINANCING SSE

Ability to raise funds at competitive rates is fundamental to investment. Our fund-raising over the last 5 years, including hybrid capital and term loans, now totals £5.8bn. Excluding hybrids, our average debt maturity is now 7.3 years. This is lower than was the case some years ago, but reflects where value in fund-raising can best be achieved.

That £5.8bn total includes our second Green Bond, which we issued in August. It's a nine-year/€650m euro bond with a coupon of 1.375%. Proceeds have been swapped back into Sterling and the all-in funding cost is around 2.6%. This affirmed SSE as the largest issuer of green bonds from the UK corporate sector and the only UK corporate to offer up multiple benchmark sized tranches in the Euro market.

As a result of our wider approach to financing, our average cost of debt is now consistently below 4.0%.

SLIDE 22 - MANAGING NET DEBT

At 30 September, adjusted net debt and hybrid capital stood at just under £9.9bn, largely reflecting our ongoing investment programme; and the increase in debt across the first six months is consistent with previous years. We're forecasting adjusted net debt and hybrid capital of around £9.8bn for the current year-end.

This year's disappointing financial results will also obviously have an impact on debt; and, as I said earlier, debt management will be one of the options for using proceeds from asset and business disposals. Opportunism and agility will continue to be important to SSE. As we've said before, capex and net debt levels may be different if there were opportunities to create value from disposing of assets, or from further investments or acquisitions.

SLIDE 23 - FOCUSING ON FINANCIAL STRENGTH

In considering the options, we'll be focusing on our commitment to a strong balance sheet, with robust ratios to debt for retained cash flow and funds from operation.

We've always said that credit ratings help illustrate the resilience and quality of the SSE business, rather than being fundamental to it. Following their respective announcements in September, we're engaging constructively with Standard & Poors and with Moody's.

Whatever the outcome of their reviews, our ongoing commitment to a strong balance sheet, our high quality portfolio of assets and focus on the core businesses of regulated networks and renewables are absolutely clear.

SLIDE 24 - OUTLOOK FOR 2018/19

This is a year of transition for SSE, and to this can be added the impact of the EPM position. Looking ahead to the rest of the financial year:

- Networks is on course to deliver the expected mid-single digit percentage increase in adjusted operating profit; and
- Wholesale remains subject to the range of factors set out at the start of the financial year.

Within Wholesale, we now expect the adjusted operating loss in EPM to be slightly lower than expected in September, at around £300m.

Taking all of this into account, and excluding Energy Services, we expect to deliver adjusted EPS in line with analysts' consensus, in the range of 70-75 pence for this financial year - which on a like-for-like basis compares with 98.3 pence last year.

This is clearly not where we wanted to be, although it's worth noting that adjusted EPS excludes gains on sale relating to Clyde wind farm and Indigo Pipelines of around £125m, equivalent to over 10 pence on EPS.

SLIDE 25 - DELIVERING THE FIVE-YEAR DIVIDEND PLAN

The last few months have clearly been difficult. But delivery of the five-year dividend plan will be underpinned by three things:

- our high quality portfolio of assets – in particular regulated networks and renewables;
- focus on core businesses and the optionality they provide; and
- commitment to giving businesses the best platform for success.

This means we look forward to recommending next May a full-year dividend of 97.5 pence.

We also look forward to recommending a full-year dividend of 80 pence per share in 2020, with three years of annual RPI growth after that. Our five-year dividend plan represents a total payout that's likely to be at least £4.25 per share over the period. It's founded on high quality assets that are delivering value and well-positioned for the future. Away from the difficult headlines, real progress is being made.

I'll now hand you back to Alistair.

SLIDE 26 - ALISTAIR PHILLIPS-DAVIES, CHIEF EXECUTIVE

Thanks Gregor.

SLIDE 27 - GETTING READY FOR A NEW SSE

Gregor summarised three strategic themes that underpin the renewal of the SSE group of businesses and delivery of the dividend plan:

- **Focus**, especially on the core businesses of regulated networks and renewables, complemented by flexible thermal generation and business energy;
- **Visibility of assets and earnings** for investors; and
- **Platforms for success** and growth for each business in SSE.

In practical terms, that means ensuring each business in the SSE group has:

- a part to play in helping SSE be a leading energy provider in a low carbon world; and
- a meaningful contribution to make to delivery of the dividend plan.

This demands a clear strategic purpose and focused management that is effective at allocating capital and driving delivery of strong business performance; and this means taking forward the new business model for focus, visibility and success that we set out in May.

Throughout the challenges of the last few months, we've been:

- encouraged by the response to our plans to build a new SSE around regulated networks and renewables

- pleased with material progress achieved in our capital investment programme and the value created and pleased also with day-to-day operations in these areas; and
- clear about opportunities to go further to emphasise the central importance of these businesses to our future and to delivery of our five-year dividend plan.

More than ever, it's about focus on the core and visibility on value.

SLIDE 28 – SECURING VALUE IN TELECOMS

Since he joined SSE two years ago, Neil Kirkby has brought dynamic leadership to our Enterprise businesses. This especially applies in Telecoms. It earned EBITDA of £35.2m in the last financial year, and has continued to expand its network, increase its customer base and enter into new partnerships. We also continue to invest in this business, with capex of £17m in the first half of the year. We believe the partnerships it has and those it has the potential to create will help deliver future value for customers and shareholders.

SLIDE 29 – SECURING VALUE IN GAS PRODUCTION

Total's September announcement of a major gas discovery on the Glendronach prospect, in which SSE has a 20% stake, represents an important addition to SSE's gas investment portfolio. Recoverable resources equivalent to around 10 billion therms have been estimated by Total, although not yet on a net proven and probable basis. It's expected that the discovery can be developed quickly, benefiting from existing infrastructure.

Glendronach is good news and we'll continue to support exploration and appraisal activities around our existing assets. But we've said for some time that we won't acquire any new assets. For SSE gas production is an investment - not a business which we're required to develop or operate. Ultimately, it's not consistent with the focus on decarbonisation of the energy system that we set out in May.

This focus on low carbon means it is an example of a non-core business with different routes available for securing value, and we would expect disposal over the next couple of years to be the most likely outcome.

SLIDE 30 - FOCUSING ON THE CORE – CREATING A SEPARATE RENEWABLES BUSINESS (1)

Our view of the future for Gas Production is the natural outcome of our commitment to focusing on regulated networks and renewable energy. And our focus on creating value through investment in renewables is exemplified by the good progress in our key investments.

- The construction of Stronelairg has so far gone extremely well, despite the challenging altitude and topography, and this speaks to our ability to compete in onshore wind if future opportunities arise.
- The construction of Beatrice has also gone very well and is currently on course to come in under budget. This speaks to our future potential in offshore wind.

These assets have a value that market evidence clearly states is very high and value that is sustainable in every way.

Our commitment is to a new business model that gives greater focus on core businesses; gives investors greater visibility of assets and earnings; and gives each business the best platform for success. That's why we've decided to consolidate the development, operation and ownership of all our renewable energy assets under a single entity.

Called SSE Renewables, and including JV interests, we'll bring under a single entity SSE's existing operational assets and assets under development and construction in:

- onshore wind;
- offshore wind;
- flexible hydro;
- run-of-river hydro; and
- pumped storage.

Prior to any further disposals, SSE Renewables' operational assets are expected to: total around 4.2GW in Spring 2019; be capable of generating around 12TWh of electricity in a typical year from 2020 onwards; and earn annual EBITDA of around £800m (based on market and ROC price assumptions).

The business will be led by a newly-appointed Managing Director, Jim Smith, who probably has the broadest and deepest experience of anyone in the UK renewables sector, and a strong management team focused entirely on creating and delivering the long-term value and future opportunities which

renewable energy represents. This means a strategy designed to fulfil the potential of offshore and reinvigorating the onshore wind farm sector.

SLIDE 31 - FOCUSING ON THE CORE – CREATING A SEPARATE RENEWABLES BUSINESS (2)

SSE has a unique portfolio of renewable energy assets and a valuable pipeline of future opportunities, not least with offshore wind auctions set for next year. The creation of SSE Renewables will build on our established skills in asset management and large capital project development and put the business in a strong position to succeed in a sector that's rapidly changing – and rapidly decarbonising. It will have five key opportunities:

- A strong and experienced management team, supported by skilled employees, focused entirely on creating value from developing, operating and owning renewable energy assets;
- Enhanced ability to raise finance from diverse sources, building on SSE's position as the largest issuer of green bonds from the UK corporate sector;
- Greater scope to enter into strategic and financial partnerships and joint ventures with companies with a shared commitment to decarbonisation, taking forward SSE's established capability in partnering with other organisations;
- Greater visibility for investors, with comprehensive financial and operational disclosures through renewables-specific reporting; and
- More potential to add to future growth opportunities by extending its core competencies in renewable energy to other technologies and geographies, where the right risk/reward balance can be achieved. We're now actively looking at this.

This means we'll focus more business development on other geographies while also maintaining a clear focus on the UK and Ireland.

Work on separating the renewables business is under way and we intend to have an identifiable separate business by next April. I'm looking forward to the huge contribution I believe it will make to society through decarbonisation and to value creation for shareholders through earning returns to support dividends.

SLIDE 32 – COMPLEMENTING THE CORE: FLEXIBLE THERMAL GENERATION

Our flexible gas-fired power stations will play a key part in the transition to a low carbon economy. They also contribute to a robust electricity system by providing reliable capacity at scale in response to variability in output from renewables or market changes. As we said in May, participating in National Grid's Balancing Mechanism has earned annual operating profit of between £50m and £100m in each of the last three years.

SSE's CCGTs continue to demonstrate that they're amongst the most flexible on the GB electricity system; and work is now under way on the first-of-a kind, high efficiency gas-fired generation plant at Keadby 2. In return for an investment of £350m, we'll get 840MW of state-of-the-art thermal capacity. And it is our intention to participate in future capacity market auctions to secure an agreement for this plant.

SLIDE 33 – COMPLEMENTING THE CORE: BUSINESS ENERGY

Business Energy also complements our core assets, providing a route to less liquid markets for electricity output both through standard contracts and corporate power purchase agreements. We also have a real opportunity to build on strong competencies in commercial insight, sales and service in what is a deeply segmented market.

In the first six months, we added 25k customer accounts and delivered £41.6m in adjusted operating profit.

As part of SSE, Business Energy is in a good position to price and hedge most customer requirements at a time when there is a clear trend towards end users seeking those sorts of solutions. It's clearly linked to the core business of electricity generation and is an important part of SSE.

SLIDE 34 - FOCUSING ON THE CORE – INVESTING IN ELECTRICITY TRANSMISSION

The strategic priority for Transmission has been enabling the transition to a low carbon economy, through building the infrastructure needed to connect renewable energy and transmit it across the GB transmission system. The capacity of renewables connected to our network is continuing to grow and is now over 6GW.

One of the key features of the Transmission business is the continued and substantial growth in RAV, which will support earnings for years to come.

Gregor described earlier the progress of the new Caithness-Moray transmission link, which is now in the advanced stages of commissioning. It's more than a link: it's a £1.1bn group of complex projects that combined has required outstanding skill, focus and execution capability. It bodes well for Transmission's pipeline of projects which includes £1.2bn of capex in:

- Projects associated with on- and offshore wind generation developments; and
- Projects to renew infrastructure dating back to the 1950s and 1960s

This will take the RAV to around £3.8 bn by March 2023.

We also have visibility on a further £700m of contingent projects, dependent on the progress of onshore wind developments, which means the timing and ultimate need for them is not yet clear.

In addition, we're continuing to prepare to deliver links to the Scottish islands groups. Following the submission of the Orkney Needs Case in March, we've now submitted final Needs Cases for both the Western Isles and Shetland. Both links would deliver a 600MW subsea cable, subject to the main renewable developers on both islands groups being successful in next year's CfD auction.

These three island links could provide an investment opportunity of £1.5bn.

SLIDE 35 – FOCUSING ON THE CORE - DELIVERING IN ELECTRICITY DISTRIBUTION

In May, our Networks MD Colin Nicol described how our networks businesses share services and skills, but also operate separately on a day-to-day basis. In Electricity Distribution, we're delivering significant changes to our operations, processes and standards to meet the needs of customers. We're bearing down on costs and delivering against the measures as set by the ED1 framework, while also getting ready for RIIO 2. This business, too, has a key part to play in the transition to a low carbon economy.

This translates into four key areas of focus:

- First, **incentives**, especially in relation to customer supply interruptions, customer satisfaction and stakeholder engagement.

- Second, **investment** in a major programme of capital investment across both networks to deliver significant improvements for customers, support local economic development and add to the RAV.
- Third, regulatory **outputs** and delivering transformational changes that enhance customers' experience of the networks while driving operational efficiencies.
- Fourth, leading on networks **innovation** and preparing for the transition to a smart, flexible electricity system through trialling new technologies and alternative network solutions. SSE is in a leadership position in getting ready for the DSO transition.

Electricity Distribution is a business with a big part to play in the transformation of the electricity system and decarbonisation of the economy. I believe we've built a leadership position in preparing for this so far and are well-placed to strengthen it further towards the end of RIIO 1 and throughout RIIO 2.

SLIDE 36 – FOCUSING ON THE CORE – PREPARING FOR RIIO 2

Enabling the decarbonisation of the electricity system must be a key feature of the RIIO 2 framework - from 2021 for Transmission; and 2023 for Distribution.

As we look forward to the next stages of the price control process, it's crucial that the regulatory framework provides fair and sustained returns for high-performing networks companies. We're confident that it will; that Ofgem can still deliver this equitable outcome; and that we will own and operate networks that come into the high-performing category throughout RIIO 2.

We'll continue to engage constructively with Ofgem and other stakeholders as the RIIO-2 process moves forward, helping to ensure the evidence base is robust; the outcomes are clear; and the views of customers, stakeholders and investors are fully considered.

And when it comes to the introduction of competition in Transmission, we strongly believe Ofgem should not effectively reopen the current Price Control and therefore risk delays to the delivery of well-established and advanced projects. We also believe that competition, if it is to be introduced, should be done so in an open and transparent manner in the new Price Control.

Our current Director of Transmission, David Gardner, has decided to step down from SSE next year, after an outstanding contribution to the company. Leading

our Transmission business through the next critical period will be Rob McDonald. He will take into the Transmission business over 20 years' experience of negotiating Price Controls and is the ideal person to lead the preparations for, and implementation of, RIIO2.

SLIDE 37 - DELIVERING THE FIVE-YEAR DIVIDEND PLAN

Looking across SSE group, the strategic goal is creating value for shareholders and society. For society, value is reflected in economic contribution, tax, jobs, investment and infrastructure. For shareholders, it's reflected in dividends.

We plan to create value through:

- Focus, particularly on the core businesses of regulated networks and renewables, complemented by flexible thermal and business energy;
- Visibility of assets and earnings for investors; and
- Platforms for success and growth for each of SSE's businesses.

This morning, we've set out plans and routes for creating value for businesses and been clear about our focus on the core. In summary, we see regulated networks and renewables driving us towards our vision of being a leading energy company in a low carbon world. We've highlighted material progress made in these businesses.

In May, we set out a five-year dividend plan. With today's interim dividend announcement, we've started to deliver it. This is a company with a growing portfolio of highly valuable assets in a sector that's yielding investment opportunities that go with the grain of the political, economic and environmental focus on decarbonisation. That's why we're confident of our ability to deliver the rest of our dividend plan in the years ahead.

I'll now hand you over to Richard.

SLIDE 38 - RICHARD GILLINGWATER – CHAIRMAN

Thanks, Alistair, and good morning everyone.

SLIDE 39 – FOCUS ON THE CORE; VISIBILITY ON VALUE

I would like to highlight five key points from today's results presentation that show how we are focusing on the core and giving visibility on value.

First, we're all disappointed about the impact of the decisions we took earlier this year to mitigate commodity price risk; but we're also all right behind the action we've taken since September to manage the overall position and associated exposures and we're confident that we have the right approach to hedging for the future.

Second, we're continuing to work hard to take forward the planned SSE Energy Services transaction. While there can be no certainty this transaction will be completed as originally envisaged, we have no doubt that the best future for SSE Energy Services – including its customers and employees – lies outside the SSE group.

Third, we've developed further the strategy we announced in May with plans for an even more focused SSE group with businesses that give clear visibility on value.

Fourth, we're taking a decisive step forward with SSE Renewables, which will make a huge contribution to society through decarbonisation and to value creation for shareholders through earning returns to support dividends.

Fifth, we've set out a clear direction for networks – delivering the Transmission pipeline; leading in innovation and targeting frontier performance in the RIIO 2 price control.

SLIDE 40 – FIRST STEP IN DELIVERING THE FIVE-YEAR DIVIDEND PLAN

All of this means SSE is a company with a clear strategy for core businesses and growing portfolio of highly valuable assets in regulated networks and renewables.

It has major opportunities in a sector that's yielding investment opportunities that go with the grain of political, economic and environmental focus on decarbonisation. As I said a moment ago, We're committed to focusing on this core; and giving visibility on value.

For SSE's shareholders, value starts with dividends. The 29.3 pence interim dividend that we've announced this morning is the first step in delivering our five year dividend plan and paves the way for the 97.5 pence full-year dividend we expect to recommend in May.

Looking ahead to May and beyond, this is a sector that's yielding future opportunities that support our vision of being a leading energy company in a low carbon world.

We have continued to demonstrate our strengths in regulated networks and renewables and our ability to create value from them.

That's why we're so confident about the long-term outlook for SSE group and about its ability to deliver dividends in the years to come.

I'd now like to invite questions. **ENDS**