



**Value for customers and
value for investors**



Alistair Phillips-Davies

Chief Executive

Topics for today

- | | |
|--|-----|
| Simplifying our business and securing efficiencies through a value programme | GA |
| Focusing on value in investment decision-making, including offshore wind | GA |
| Easing the burden on bill-payers through our price freeze to 2016 | APD |
| Demonstrating our appetite for reform and our commitment to having a voice in the debate around UK energy markets and policy | APD |

Today is about all of SSE's stakeholders

Core purpose

- Provide energy people need in a reliable and sustainable way

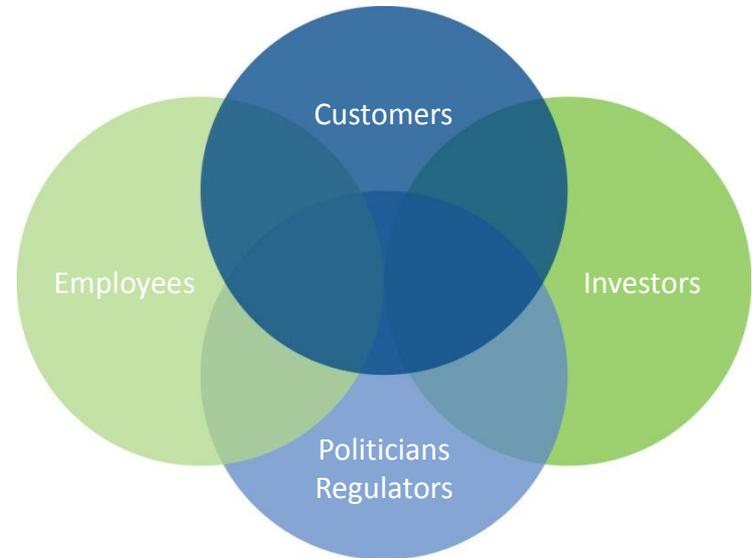
Strategy

- Deliver efficient operation of, and investment in, a balanced range of businesses

Financial objective

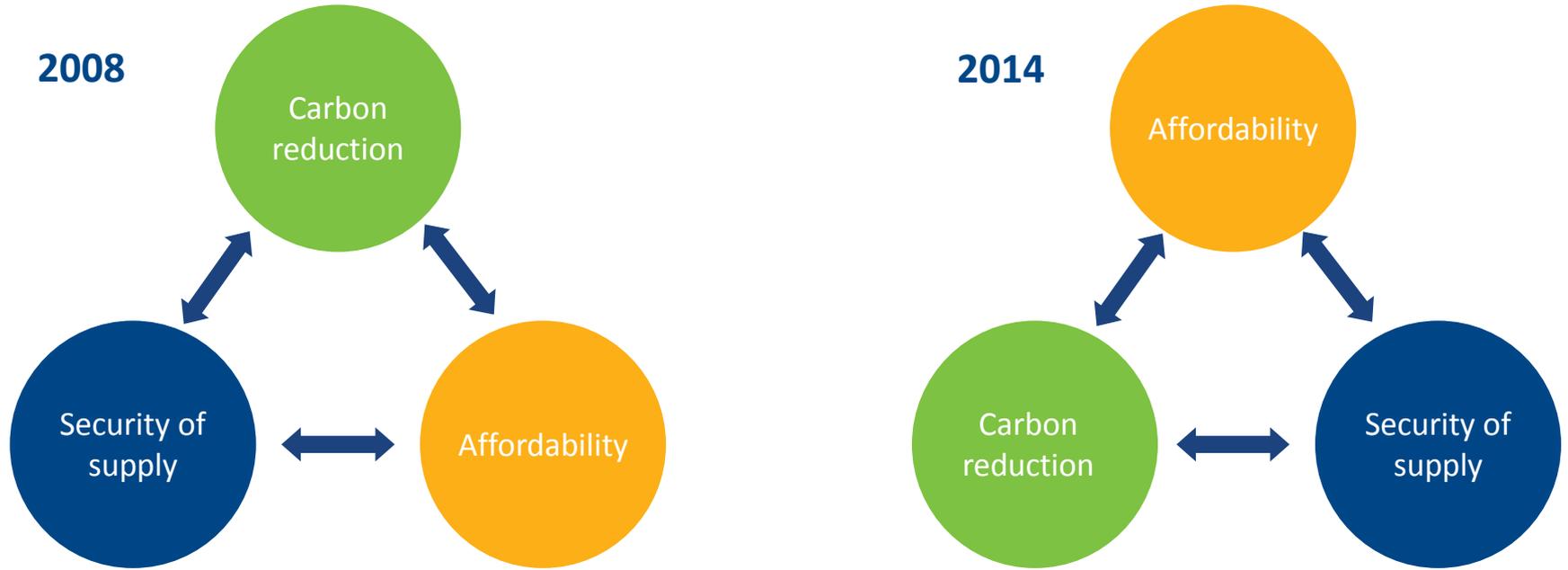
- Increase annually the dividend by at least RPI inflation

Setting a positive agenda



Addressing concerns

The GB energy debate has changed



Constructive engagement - SSE is part of the solution

Gregor Alexander

Finance Director

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Demonstrating our appetite for reform and our commitment to having a voice in the debate around UK energy markets and policy APD

2013/14 results set to be in line with expectations*

2013/14 outlook *

Dividend up by around 3% (nominal)

Adjusted EPS up by between 2-4%

Adjusted PBT up around 9%

Capex over £1.5bn

Net Debt to increase to £7.8bn

Retail operating profit *

Down by around 25%

Higher wholesale costs and lower energy consumption



Wholesale operating profit *

Up by around 20%

Mainly due to April 2013 E&P acquisition and higher renewables output



Networks operating profit *

Up by around 10%

Mainly due to capital investment in Transmission



Building on SSE's track record of efficiency

Networks *

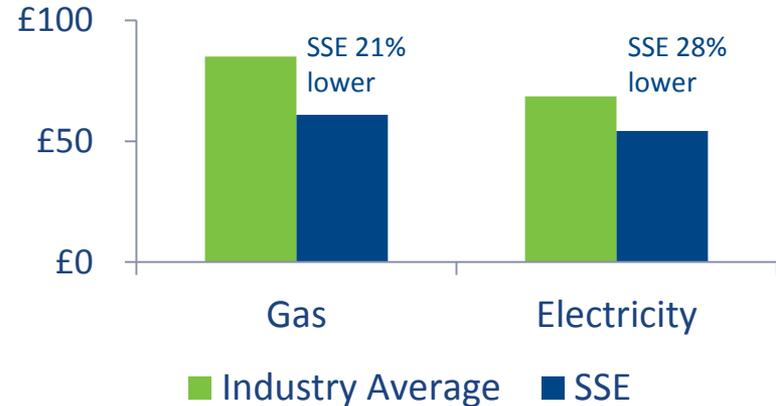
Efficiency assessment



*Based on Ofgem's assessment of July 13 ED1 business plans. 100% being target efficiency

Retail**

Cost to serve domestic customers

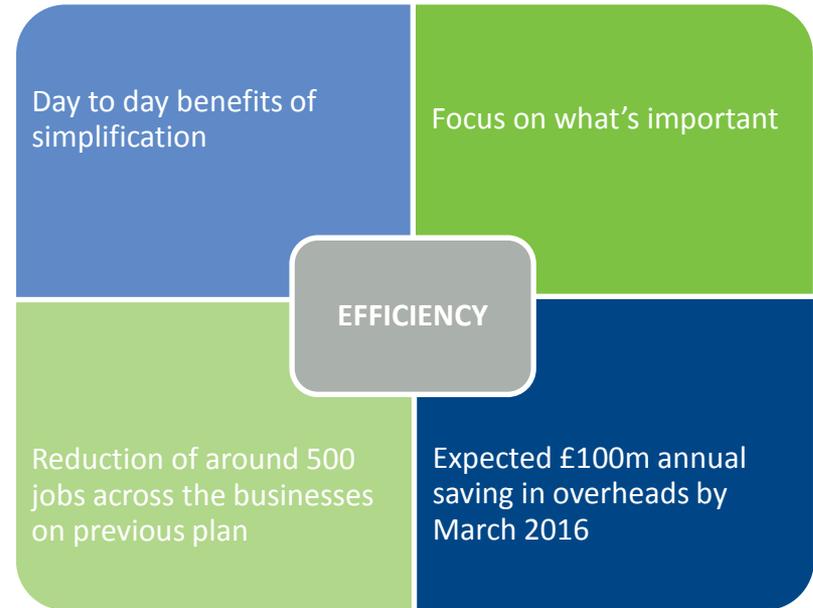
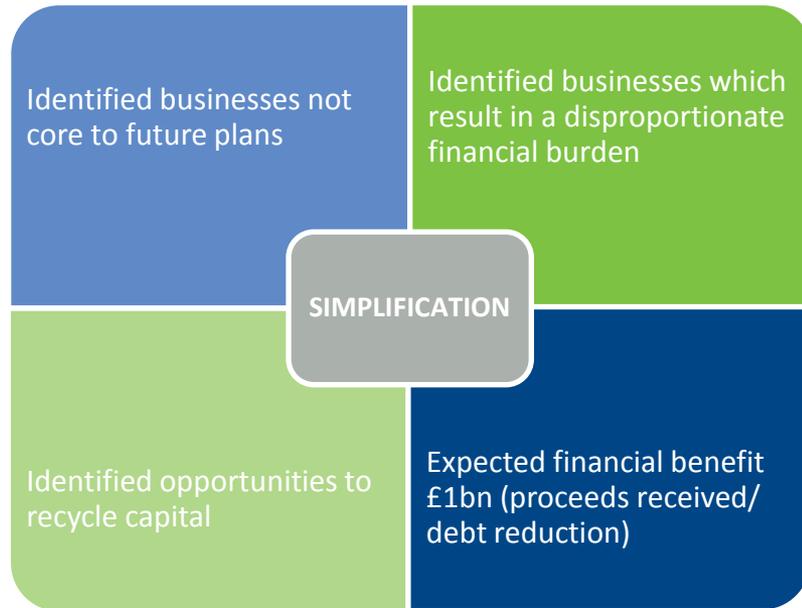


**SSE assessment based on data published in Consolidated Segmental Statements year ended Dec 12 & Mar 13



Operational and financial discipline remain important

A value programme to ensure effective use of people and capital



Focusing on value in capital expenditure:

Offshore wind development

Cost and risks of development remain high

- Limited support for offshore wind under Levy Control Framework
- Construction costs have not reduced proportionately

Reduce offshore development portfolio

- Near term focus on up to 375MW at Beatrice
- Work with partners on other projects to secure value

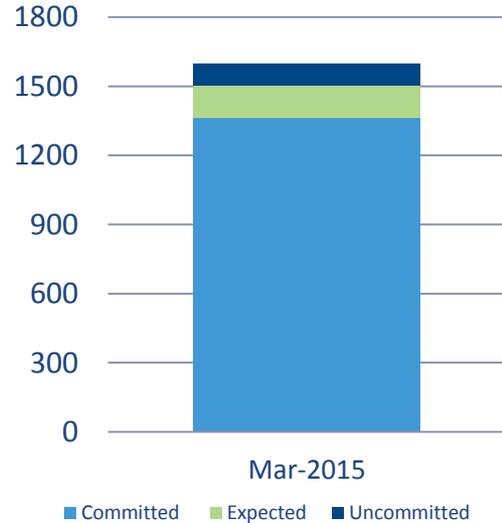
Assets in operation performing well

- 350MW offshore wind in operation



Focusing on value in capital expenditure: 2014/15

Forecast capex



Committed

- Regulated networks
- Completion of wholesale projects in construction
- Wholesale maintenance
- Other committed spend

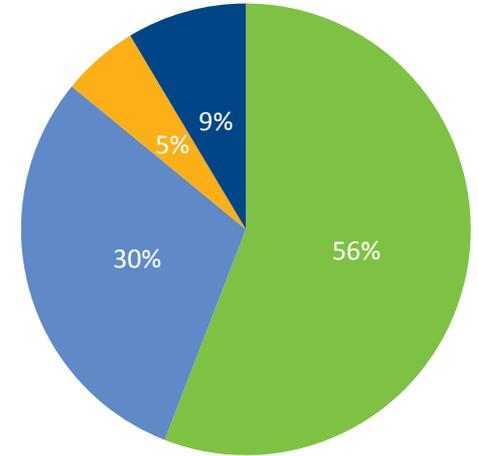
Expected

- Caithness Moray project

Uncommitted

- ROCable onshore wind
- Other discretionary spend

Forecast capex split



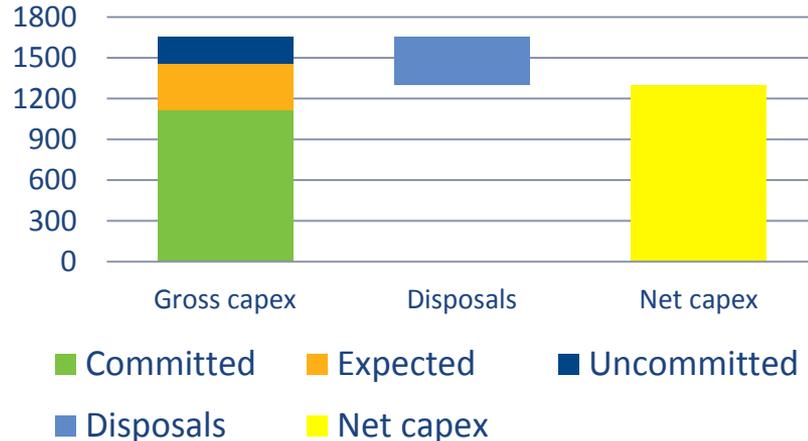
■ Networks ■ Wholesale ■ Retail ■ Other

Focusing on value in capital expenditure:

Future plans

Average net capex *

3 years to March 18



* Forecast

Average net capex in the three years to March 18 expected to comprise:

Committed

- Regulated networks
- Completion of wholesale projects in construction
- Wholesale maintenance
- Other committed spend

Expected

- Caithness Moray project

Uncommitted

- ROCable onshore wind
- Other discretionary spend

Disposals

- Non-core assets and businesses
- 'Re-cycling ' onshore wind

Focusing on value in capital expenditure:

'Recycling' and sale of non-core assets

Target £1bn proceeds and net debt reduction from disposal of assets and businesses

SSE's Wind Portfolio



- Disposals of street lighting PFI contracts will reduce debt

SSE has:

- Expertise in developing and building onshore wind
- Portfolio of ROCable developments
- Demonstrated value through Greencoat transaction

Disposals



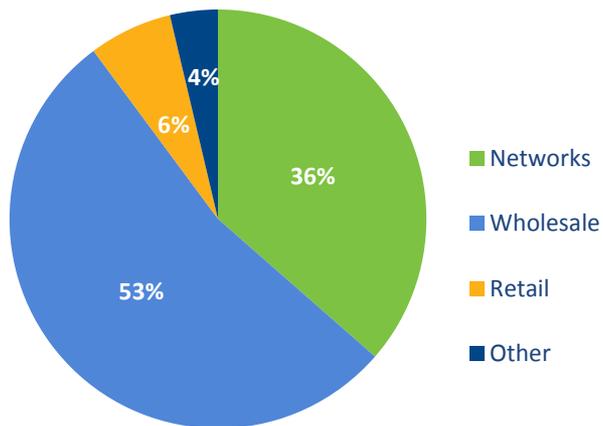
*on and offshore ** onshore only



Discipline around the balance sheet and capital constraint

Financial discipline for strong foundations

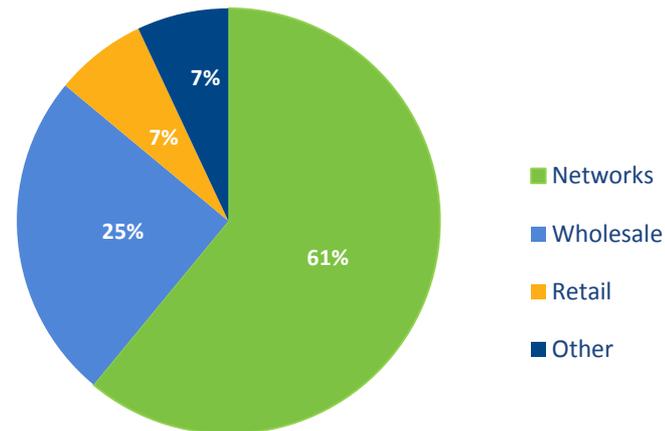
Last 4 years capex



Four key steps

- Reduction in net capex
- Reduction in offshore wind development
- Renewed focus on operational efficiencies
- Drive to simplify and streamline the business

Next 4 years capex*



Lower risk investments and re-balancing the business

Alistair Phillips-Davies

Chief Executive

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APD

Demonstrating our appetite for reform and our commitment to having a voice in the debate around UK energy markets and policy

APD

Easing the burden on energy bill payers

Making a difference to customers and creating opportunity to influence the energy debate

Price freeze

Price freeze until 2016

Lower Retail margins

Working with politicians and regulators

Government can help

Move environmental and social costs to tax

Price freeze could be extended

Helps customers

Demonstrating SSE's appetite for reform

Energy industry is complex

Trade all
electricity on
external
exchange

Free credit
commitment for
small suppliers

Customer Service
Guarantee

End of cold
calling

Wholesale/Retail
legal separation

Reform that is in the interest of customers

A strong business with the essential features

Balanced operating profit £m (FY)



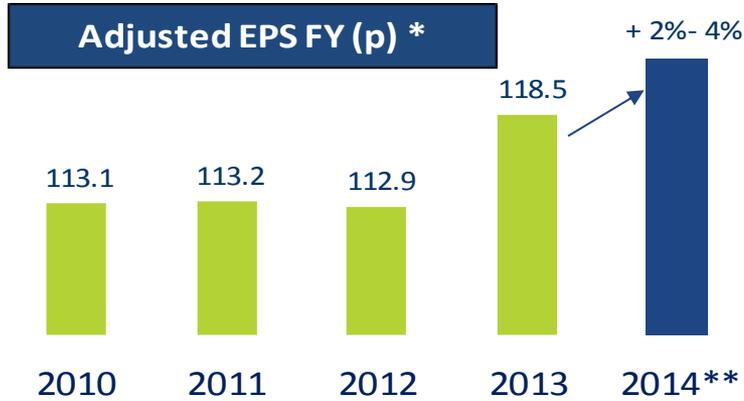
SSE has:

- a balanced range of businesses;
- clear geographical focus in GB and Ireland;
- operational and investment efficiency; and
- strong financial management.

Our job:

- deliver the best possible service for customers;
- maintain and build the right assets for the future energy needs of the country; and
- pay dividends to the shareholders who invest in SSE.

What this means for SSE's financial outlook



* Restated **Forecast

Potential future impacts

Market conditions and geopolitical developments

Legislative, constitutional and regulatory change

- EPS 14/15 expected to be around or slightly higher than 13/14
- Higher risk to dividend cover range in 16/17

Continue to earn the right to make a profit

Deliver dividend growth over the long term

Dividend per share FY (p)



The energy debate has changed

- Acting in the best interest of all stakeholders for the long term

Dividend cover FY

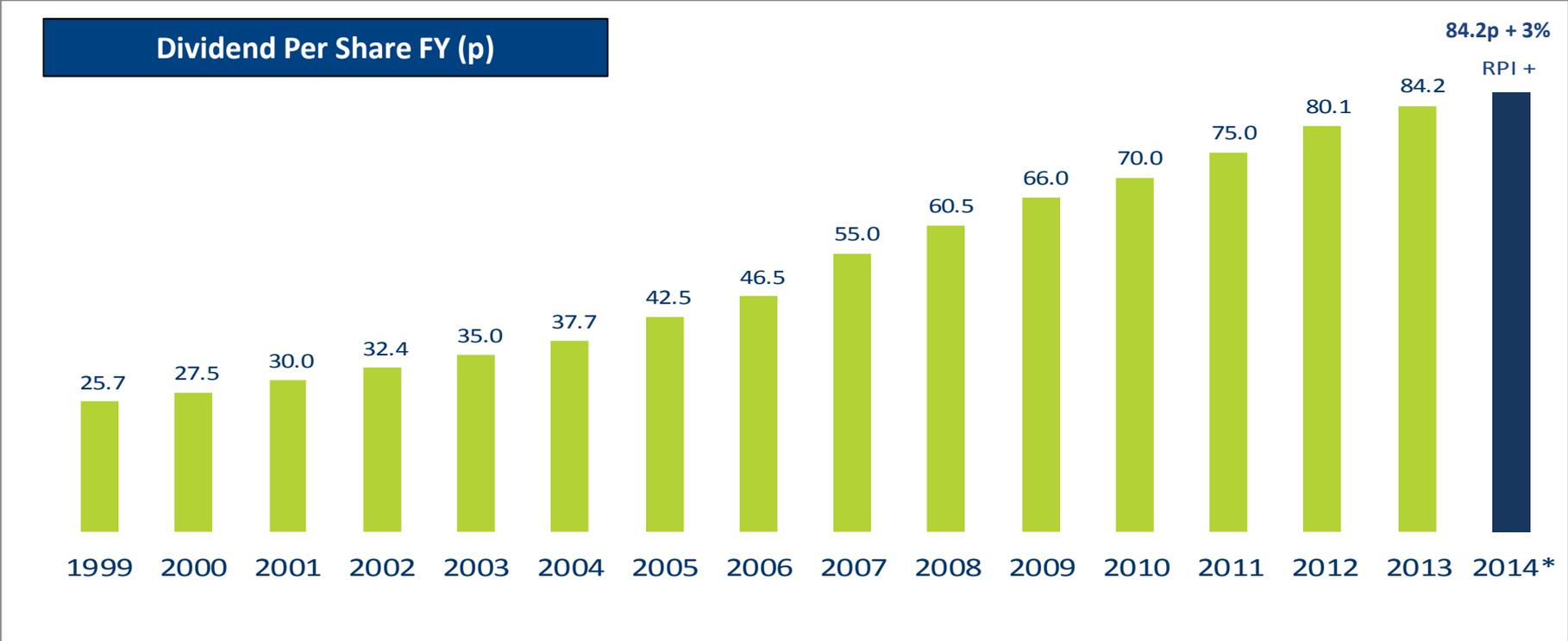


Giving shareholders a return on their investment

- Annual dividend increases of at least RPI inflation targeted

* Forecast

A positive practical approach to deliver dividend growth



Still targeting dividend growth

*forecast



**Value for customers and
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Q and A**