SLIDE 1: RESULTS TO 31 MARCH 2018 AND BUSINESS UPDATE

SLIDE 2: RICHARD GILLINGWATER

Presenter - Richard Gillingwater

Good morning everyone. I'd like to welcome you to this results presentation and business update. The film we've just seen shows that the safety is the top priority of everyone in the SSE team, in line with our wider commitment to responsible business conduct and decision-making.

In a moment you'll hear from Chief Executive Alistair Phillips-Davies and Finance Director Gregor Alexander. They'll cover SSE group strategy, results and financial outlook and take questions. After the break you'll hear from other members of the team about the opportunities in our Networks and Wholesale businesses.

SSE's strategic goal is to create value in a sustainable way. For society, that is reflected in economic contribution, tax, jobs, investment and infrastructure.

For shareholders, value is reflected in dividends. In today's session, the team will show how SSE has the strengths, strategy and assets; and the earnings engine, cash flow capability and focus - to deliver a five-year dividend plan.

It's a plan which:

- For 2018/19, gives clarity about the dividend in this time of transition for SSE;
- For 2019/20, reflects the expected changes to the SSE group arising from the planned SSE Energy Services transaction; and
- For the three years to 2023 sets the dividend on a path for sustainable growth.

It's a plan to which the entire Board and management team is committed to delivering.

I'll now hand you over to Alistair.

SLIDE 3: ALISTAIR PHILLIPS-DAVIES

Presenter - Alistair Phillips-Davies: Building on SSE's strengths to create value

Thank you, Richard, and good morning everyone.

SLIDE 4 – RESPONDING TO A CHANGING ENERGY SECTOR

Our dividend plan reflects our commitment to realizing the significant opportunities we see to create value in an energy system that is changing rapidly.

First, a decade on from the Climate Change Act, the momentum behind decarbonisation appears unstoppable, with the focus on clean growth supported by public policy and falling renewables costs. This presents opportunities for SSE as a leading generator and developer of renewable energy.

We've already cut the carbon intensity of the power we generate by 50% and we have a new ambition for a further 50% reduction, taking it to around 150g/kWh, by 2030.

Second, the trend to electrification is clear and is being reinforced by the focus on air quality, as well as decarbonisation, illustrated by the expansion of electricity in transport. This presents opportunities for SSE as an electricity generator and distributor; and as a utilities services provider.

Third, the commitment to a major upgrade of infrastructure is at the heart of the UK's Industrial Strategy, illustrated by the fact that public infrastructure investment is expected to have doubled in a decade by 2023. This offers opportunities for SSE as a provider of local energy, telecoms and rail solutions.

The opportunities presented by decarbonisation, electrification and infrastructure development are clearly very significant - but change brings challenges as well.

In particular, auctions to provide new infrastructure and services are a growing feature of the energy sector, with competition very strong. Meanwhile, scrutiny of the cost of energy to customers extends to networks, and the RIIO 2 process is now under way. Fundamental political questions are also being asked about the private provision of energy.

Ensuring SSE is best-placed to meet the challenges and capitalize on the opportunities will require:

- an even greater focus on core strengths and competencies in regulated networks and renewables; and
- a range of complementary businesses with relevant options and opportunities.

This, in turn, requires the capacity to make the right decisions at the right time.

SLIDE 5 – RENEWING SSE

That's why we took the strategic decision to renew SSE. We're giving each of the businesses in SSE the best platform for success in light of the challenges and opportunities that lie ahead.

We're more convinced than ever that the strategic decision to demerge our GB household retail business and combine it with npower is the right thing for customers and the energy market; and for SSE and shareholders.

Compared with the status quo of a GB household supply and services business retained within SSE, the new supplier - under Katie Bickerstaffe's leadership - will be able to secure greater value from:

- focusing entirely on strategic and operational developments in the retail sector;
- combining resources and being a stronger competitor; and
- significant synergies that we remain confident of delivering and there will be a further update in next month's shareholder circular.

These synergies are expected to contribute to lower costs for customers.

We're confident that we'll be able to demonstrate to the CMA that the proposed merger will deliver benefits for customers and the energy market as a whole; and we remain on track to complete the creation of the new, independent supplier in the second half of this financial year.

SLIDE 6 – TAKING FORWARD A NEW BUSINESS MODEL (1)

We believe that re-shaping the SSE group gives two clear advantages:

- for **SSE**, it gives a greater focus on the infrastructure and related services relied on by energy customers, which is more aligned to our core competencies; and
- for **investors**, it gives greater visibility of assets and earnings in the future, the majority of which is expected to come from regulated networks and renewables. Today's session marks the start of that.

And if you look at the last three years, and exclude the SSE Energy Services business, over 80% of the SSE group operating profit is related to regulated networks and renewables.

SLIDE 7 – TAKING FORWARD A NEW BUSINESS MODEL (2)

Going forward, networks and renewables will be core, with flexible thermal generation such as the new plant at Keadby also having a key role. In the likes of Enterprise, Business Energy and Ireland we also have businesses that are complementary and benefit from direct and indirect synergies. In all these remaining business areas the needs of energy customers will continue to be a key focus.

We also have growth and value options for the future across all of the businesses. In a fast-changing energy and infrastructure sector, where opportunities may be fleeting, this optionality is vital. It's why we need to retain a range of complementary businesses and so maintain the ability to create attractive longer-term growth and value options.

SLIDE 8 –MAKING THE MOST OF THE STRENGTHS OF SSE

It also means making the most of the strengths of the re-shaped SSE, so we're in the best possible position to:

- respond to the challenges posed by the key trends in the energy sector I mentioned earlier;
- seize the opportunities arising from decarbonisation, electrification, and infrastructure upgrade; and
- generate the earnings and cash flows that will sustain dividends in the years to come.

I want to highlight the key strengths that will enable SSE to respond to the challenges, seize the opportunities and generate the earnings.

SLIDE 9 – MAKING THE MOST OF FUTURE OPPORTUNITIES: PEOPLE

The first is the shared talent, skills and values of people throughout SSE. Earlier this year, we were recognized as the top FTSE 350 company for contribution to inclusive job growth in the UK.

I work with them every day, and I can assure you that as well as being great colleagues SSE's people are a key competitive advantage. And when you hear later from the likes of Stewart Reid and Jerry Williamson you'll see why.

SLIDE 10 – MAKING THE MOST OF FUTURE OPPORTUNITIES: SUSTAINABILITY

The achievement of our dividend targets will only be possible if we execute our strategy in a sustainable way, and this is our second key strength.

Our ability to create value for shareholders, depends on working constructively with stakeholders to improve the outcomes we can achieve for energy and infrastructure users - and for society as a whole.

We have good sustainability credentials, which help us to do that, and we want to do more. Our Director of Sustainability, Rachel McEwen, is here with us today.

SLIDE 11 – MAKING THE MOST OF FUTURE OPPORTUNITIES: DISCIPLINE

SSE's third key strength also relates to business sustainability. It's our commitment to discipline when it comes to financial and risk management. Gregor will say more about this later, but amongst other things it means a commitment to:

- a strong balance sheet;
- effective cash flow management;
- diverse funding sources;
- agility in raising capital;
- maintaining optionality; and
- a disciplined approach to capital allocation, investment and acquisitions.

SSE's capacity to generate earnings is founded on this discipline, which will be maintained in the future.

SLIDE 12 – MAKING THE MOST OF FUTURE OPPORTUNITIES: FOCUS ON CORE MARKETS

SSE is focused on core markets. The energy sector is complex. The inter-dependencies are significant, with ambiguity and change.

This requires a clear management focus which, in turn, generates greater experience of, and insight into, chosen markets. That supports effective, disciplined and timely decision-making. We've demonstrated this in the past and it will be equally important in the future.

Our market focus is the UK and Ireland, and it will remain so. But although we don't have any plans in the pipeline for now, we are open to extending to other markets our core competencies in areas such as renewables.

SLIDE 13 – MAKING THE MOST OF FUTURE OPPORTUNITIES: CULTURE OF CONTINUOUS IMPROVEMENT

The fifth strength I see in SSE is our relentless focus on operational efficiency now becoming a broader culture of continuous improvement. It's bringing clear benefits.

For example, later you'll hear how our Networks team is building a leadership position in influencing and preparing for the flexibility revolution and transition to a smarter electricity system.

And you'll hear how our Generation team is taking steps to enhance the value derived from some of our oldest assets – the hydro-electric schemes in Scotland.

SLIDE 14 - MAKING THE MOST OF FUTURE OPPORTUNITIES: QUALITY ASSETS

The quality, nature and value of our assets is a key advantage. Since the acquisition of Airtricity in March 2008, we've invested £15bn across the SSE group. This has delivered the value, range and quality of the asset base that we have today. We have ownership interests in:

- five economically-regulated energy networks;
- four classes of renewable energy capacity, including pumped storage; and
- three main types of thermal generation.

This is a prize collection of assets, to which we are continuing to add; and it is complemented by an extensive telecoms network, two B2B businesses and interests in gas production and gas storage.

SLIDE 15 - MAKING THE MOST OF FUTURE OPPORTUNITIES: PIPELINE OF OPPORTUNITIES

In a fast-changing sector, these assets present us with a strong pipeline of future opportunities for future value creation, but two examples spring to mind.

Distribution networks are central to the fight against climate change – connecting clean energy, supporting electrification of transport and facilitating change as system operators at regional and local levels.

From the point of view of the country as a whole, the DNOs are by far better placed than any possible alternative to deliver change with the focus, speed and efficiency that electricity customers deserve.

And in generation, we hold valuable prospects for each technology type - and especially offshore wind, where the market continues to grow.

SLIDE 16 – MAKING THE MOST OF FUTURE OPPORTUNITIES: DEVELOPMENT OF CAPITAL PROJECTS

When it comes to securing value from our pipeline of opportunities, the capability we've built up over the last decade in the design, development and delivery of large capital projects will stand us in very good stead.

We're regularly achieving standards that match the best in the industry. Strong management in the development and execution of capital projects is fundamental in a world of auctions and tenders. We're taking active steps to be in a strong position to compete in this changing environment.

SLIDE 17 – MAKING THE MOST OF FUTURE OPPORTUNITIES: PARTNERING

It's now 14 years since our venture with two Canadian financial institutions agreed to buy what is now SGN. The significant value created in the time since reflects the enduring success of that partnership.

Our large capital projects have also given us excellent experience of partnering with a range of organisations, so that the right risk/reward balance is struck and the ability to deliver projects from the pipeline of opportunities is maximized. Beatrice is a good example.

This partnering capability is vital for the future. We must be the type of company with which people want to do business. Our responsible approach to business and clear focus on safety are critical in securing the right partners. And securing the right partners helps unlock future opportunities.

SLIDE 18 – SETTING A STRATEGY FOR THE FUTURE (1)

So SSE is being renewed, building on core strengths and competencies to meet the challenges and realise the opportunities presented by a changing energy sector. Drawing on these strengths and competencies, the future direction of SSE is clear.

We will have a simple purpose: to responsibly provide energy and related services needed now and in the future. Our vision is to be a leading provider of energy and related services in a low-carbon world.

And our strategy is clear: to create value for shareholders and society from developing, owning and operating energy and related infrastructure and services in a sustainable way.

SLIDE 19 – SETTING A STRATEGY FOR THE FUTURE (2)

Create value means focusing on earning returns for shareholders, sustaining skilled jobs and making a positive economic and social contribution to the countries in which we operate.

Developing, owning and operating means being efficient in asset development and operations; and being agile in creating and securing value.

Energy and related infrastructure and services means maintaining a range of complementary business activities with a depth of insight into a core sector and related infrastructure.

Sustainable way means doing things responsibly, from day-to-day operations to longer-term decision-making.

When it comes to the political debates about energy, we believe that: our responsible approach to business; our support for a low carbon future; our focus on sustaining skilled jobs; and our commitment to making a positive economic and social contribution, will stand us in good stead.

SLIDE 20 – REMUNERATING SHAREHOLDERS’ INVESTMENT: DIVIDENDS

The financial objective of this strategy is to remunerate shareholders’ investment through paying dividends.

We're pleased that today's increase in the full-year dividend to 94.7 pence is the 20th successive increase since SSE was formed in 1998.

SLIDE 21 – REMUNERATING SHAREHOLDERS' INVESTMENT: DIVIDEND SUSTAINABILITY

As we said in March, this will be a year of transition for SSE.
Nevertheless, we're keen to give shareholders as much clarity as possible in this year of transition.

Drawing on a range of forecasts for RPI inflation, we intend to recommend a 3% increase in the full-year dividend for 2018/19, taking it to 97.5 pence per share. This is <u>not</u> subject to the timing of the planned SSE Energy Services transaction or of the Price Cap Bill.

SSE is committed to remunerating shareholders' investment through paying sustainable dividends for the long term.

Our long-standing view is that dividend sustainability is based on the <u>quality</u> and <u>nature</u> of the operations and assets from which earnings are derived; and on the longer-term financial outlook.

We also believe the dividend should be set at a level that allows for annual increases that at least keep pace with RPI inflation for the period for which targets are set. The next period is the five years to 2023, when the current electricity distribution price control comes to an end.

SLIDE 22 – REMUNERATING SHAREHOLDERS' INVESTMENT: A FIVE-YEAR COMMITMENT

So, through this year of transition and in anticipation of the completion of the retail transaction, the SSE team is giving you a clear and sustainable five-year dividend plan. We are:

- Giving clarity in this time of transition, intending to recommend a full-year dividend of 97.5 pence per share in 2019;
- Planning to set the first post-transaction full-year dividend at 80 pence per share in 2020 - a level that reflects the changes in the SSE group and is clearly sustainable; and
- Targeting annual full-year dividend growth that at least matches RPI inflation in each of the following three years, to 2023.

This is a five-year plan that – quite simply - reflects the underlying quality and value of SSE's assets and the earnings and cash flows they deliver.

And in addition to it, those SSE shareholders with shares in the new independent energy supplier will be able to benefit from the value created by that business in the years ahead.

SLIDE 23 – SUMMARY

This morning I've:

- summarised the significant opportunities for SSE to create value in a changing energy system;
- described how the SSE business model will evolve to seize those opportunities;
- set out the key strengths that I believe will enable SSE to seize the opportunities and create value for shareholders and society; and
- emphasized our commitment to remunerating shareholders' investment through paying dividends, with a clear and sustainable five-year plan out to 2023.

We're fully aware of the challenges the energy sector faces; but the opportunities are there to be taken. In SSE we have:

- strengths that are <u>significant</u>;
- opportunities that are <u>excellent</u>; and
- a dividend focus that is <u>enduring</u>.

I'll now hand you over to Gregor.

SLIDE 24 – GREGOR ALEXANDER

Presenter - Gregor Alexander: Maintaining financial discipline for long-term success

Thank you, Alistair, and good morning everyone.

I will, however, start with a look back at the results for the year to 31 March 2018 then look ahead to the period to 2023.

We've adapted the presentation of results within our three segments mainly to reflect the planned SSE Energy Services transaction.

SLIDE 25 – DELIVERING SOLID FINANCIAL RESULTS FOR 2017/18

Those results are in line with what we set out in March statement:

- at 94.7 pence, the full-year dividend is up 3.7%, in line with RPI inflation; and
- at 121.1 pence, adjusted EPS is ahead of our expectations at the start of the financial year.

These are solid results. They reflect good operational performance and show that we've kept a clear focus on the day job while also making important progress with reshaping and renewing SSE for the future.

Although we focus on our adjusted performance measures, the reported position for each of our businesses is also set out in this morning's statement. Looking ahead, we believe our adjusted measures will continue to provide the most objective and consistent ways of assessing performance, and we intend to retain them after the Energy Services transaction.

SLIDE 26 – EXCEPTIONAL ITEMS

Total exceptional charges were £213.3m. A significant proportion relates to the Gas Production and Retail businesses.

In Gas Production, a net impairment charge of £104.7m was recognised. This was driven mainly by the latest annual independent reserves report. It takes account of all the technical and economic variables and estimates, including current price projections for the Greater Laggan and Bacton fields.

These charges were slightly offset by a reversal of previous exceptional impairments on the ECA field following an increased estimate of hydrocarbon reserves in that field.

In Retail, the exceptional charge of £63.0m reflects an impairment assessment following November's transaction announcement. It resulted in impairments relating to discontinued software developments, including the connected homes programme, and IT related system write downs.

SLIDE 27 – EARNING OPERATING PROFIT TO SUPPORT DIVIDEND GROWTH – WHOLESALE

The results for individual businesses are also in line with what we set out in March.

In Wholesale, operating profit rose by 26.8% to £652.4m, mainly through improved performance in EPM and Generation, aided by higher electricity output from gas and renewable plant. Within this, renewable capacity has increased through sustained investment; helping to deliver a 21.3% increase in adjusted operating profit from renewables, to £474.9m.

SLIDE 28 – EARNING OPERATING PROFIT TO SUPPORT DIVIDEND GROWTH - NETWORKS

In Networks, operating profit was down 18.5% to £763.1m. This was expected following the sale of the SGN stake and the forecast reduction in revenue across the electricity networks. It reflects the mechanics of the regulatory framework and phasing of capital expenditure in Transmission.

SLIDE 29 – EARNING OPERATING PROFIT TO SUPPORT DIVIDEND GROWTH - RETAIL

In Retail, there was a relatively small fall in operating profit of 4.6% to £402.8m. GB household energy supply profit was similar to last year's, but there was a decline in Business Energy, which was offset by a recovery in performance in Enterprise.

Within the Retail total, £278.7m is attributable to the SSE Energy Services business that is the subject of the planned transaction. That compares with £273.5m a year ago.

As you know, we increased electricity prices last year to reflect rising non-energy costs. We also secured efficiency savings. These were offset by customer account losses and price caps for certain customer groups. Overall, however, the financial performance of the business was robust.

SLIDE 30 – EARNING OPERATING PROFIT TO SUPPORT DIVIDEND GROWTH – THE RE-SHAPED SSE

In 2017/18, the total operating profit for the post-transaction SSE group was £1.55bn. Excluding the impact of the partial equity disposal of SGN, operating profit for the remaining SSE Group remained broadly flat year on year.

The main elements of the £1.55bn were:

- Within Generation, Renewables comprising 31%; and
- Networks, comprising 49%.

As Alistair said, these businesses are at the core of the renewed SSE.

SLIDE 31 – DELIVERING A FIVE-YEAR DIVIDEND PLAN

This is a year of transition for SSE and it's been clear for some time that it will present some challenges and uncertainties.

Across the Networks segment, we expect adjusted operating profit to increase by a mid-single digit percentage.

In Wholesale we'll have to deal with the usual uncertainties associated with markets, plant and the weather; and adjusted operating profit will also be affected by the end of 'in the money' power purchase agreements. In addition, renewable energy output is forward-hedged at a price lower than in 2017/18.

In addition, the timing of the key SSE Energy Services developments and their impact on our financial results is not certain.

Nevertheless, we're keen to give shareholders as much clarity as possible on the dividend over the next five years – starting with this year of transition. That's why we've said we intend to deliver a full-year dividend of 97.5 pence for 2018/19. That will represent a 3% increase.

Looking at 2019/20, we've assessed the impact of the planned transaction and so intend to deliver a full-year dividend of 80 pence. This:

- reflects the fact that the SSE Energy Services business will not be contributing earnings or cash flow to the SSE group; and
- is consistent with our goal of delivering from the re-shaped SSE annual increases in the dividend that at least keep pace with RPI inflation, which we are targeting for the three years to 2023.

This five-year plan supersedes our previous focus on dividend cover because it gives shareholders visibility and clarity on the company's sustainable commitment to the dividend for years to come.

SLIDE 32 – FOCUSING ON DIVIDEND SUSTAINABILITY

We believe this is a clear, responsible and sustainable approach to the dividend as we reshape the SSE group for the future. And it's worth putting in context.

The EBITDA position from the core businesses of renewables and regulated networks, and dividends from SGN, is strong. It's supplemented by the other businesses remaining within the SSE group.

If from that you take tax, interest, typical maintenance capex and cash payments based on an 80p dividend, there remains significant headroom to support disciplined investment for growth.

This underlines the extent to which our dividend plan is sustainable.

SLIDE 33 – A STRONG ASSET BASE FROM WHICH TO DELIVER DIVIDENDS

It was through our disciplined, strategic investment in regulated networks and renewables that we started the transformation of the SSE group a decade ago. This transformation is supporting our earnings and our five year dividend plan.

Excluding SGN, we've invested £15bn across the SSE group since 2008. Around £11bn of this was in regulated electricity networks and renewables:

- In 2008, including pumped storage, we had 2.4GW of renewable energy capacity in operation. That's now 50% greater at 3.7GW, and delivering EBITDA of £692m in the last financial year.
- Also in 2008, we had an electricity networks RAV of £2.7bn. That's more than doubled to over £6bn, and delivering EBITDA of £894m in the last financial year.

Supported by excellence in operations, we've delivered a new, modern asset base that creates long-term value for shareholders and society.

It's an asset base that has expanded particularly rapidly in recent years. It means SSE has an earnings engine and cash flow capability that enables us to deliver our five-year dividend plan.

SLIDE 34 – CONTINUING TO INVEST TO EARN RETURNS 2018/19

In 2017/18, we invested over £1.5bn across the SSE group, with around 70% of this on regulated networks and renewables, building on a decade's work since the acquisition of Airtricity.

That work is continuing. In this new financial year, we expect to invest around £1.7bn, with around two thirds of that in the regulated networks and renewables category.

SLIDE 35 – CONTINUING TO INVEST TO EARN RETURNS 2018-23 (1)

By 2020, our unique and diverse portfolio of renewables will comprise over 4.2GW of capacity, capable of generating around 12TWh of electricity per annum in a typical year. Based on an electricity price of £45/MWh and a ROC price of £50/MWh – that would earn an EBITDA of around £800m.

Our five-year capex plan to 2023 includes £1.3bn investment in renewables and assumes the JVs in which SSE is involved are successful in securing some CfD contracts for additional offshore wind capacity.

For the purpose of our capex plan we've made a prudent assumption that SSE will add 1GW of additional, project financed, offshore wind capacity by 2023. This would increase our renewable generation output to almost 16TWh by 2024.

SLIDE 36 – CONTINUING TO INVEST TO EARN RETURNS 2018-23 (2)

And over the next five years, we expect to invest around £2.8bn in our electricity networks. This includes a forecast pipeline of investment of around £1.2bn in transmission. This should help take our electricity and gas RAV from around £8.3bn at March 2018 to around £10bn in 2023. And over that period, we expect our networks businesses' EBIT contribution to average around £800m a year.

This is a very strong asset base from which to deliver dividends.

SLIDE 37 - CONTINUING TO INVEST TO EARN RETURNS 2018-23 (3)

We're currently 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 last five years.

Regulated networks and renewables should account for around 70% of this. As you would expect, the capex is weighted more towards the first half of the period than the second. The capex and investment total includes £1.7bn planned in the current year 2018/19 and around £1.3bn planned for the next – although this is obviously subject to change.

Around 80% of the £6bn is committed. As well as regulated networks and renewables investment, it includes an additional multi-fuel plant and the new type of high-efficiency gas-fired plant we have decided to build at Keadby. We'll invest around £350m in the project, with a substantial proportion of the financial exposure deferred until the plant is operational.

The underlying businesses are strong and we have opportunities in Wholesale and Networks, with a good pipeline of investment options to support earnings and the dividend.

SLIDE 38 – MAINTAINING INVESTMENT DISCIPLINE

Those options extend to how opportunities are financed. Alistair described how partnering is one of the key strengths that SSE has been, and will be able, to deploy. More broadly, as an infrastructure provider, project finance structures will always be considered if they strike the best risk/reward balance of the options available to us.

Whatever the financial structure, our final investment decisions will continue to be determined by the need to secure returns that are:

- clearly greater than the cost of capital;
- enhance earnings; and
- support the delivery of our dividend targets.

Indeed, strict financial discipline is more than important than ever in a world of auctions, where taking on too many risks or accepting returns that are financially unsustainable makes absolutely no sense.

Making the right investment decisions needs to be followed by excellence in the construction and operation of assets. Achieving this leads to: value creation; contribution to earnings; and support for the dividend.

SLIDE 39 – KEEPING THE FOCUS ON VALUE

Value creation, earnings and the dividend will also be supported by three qualities that SSE has deployed in the past and which remain important for the future: optionality, agility; and discipline.

The first quality is optionality. Regulated networks and renewables are core to the reshaped SSE, and flexible thermal generation is the natural complement to our renewables business. We have a significant number of options that are not currently in our five-year plan. I have always said that optionality is key to our business model.

But our other businesses - such as Gas Production, Enterprise, Business Energy and Airtricity - benefit from direct and indirect synergies and provide us with options as the energy sector and energy provision itself evolves. These businesses generated an EBITDA of over £310m last year - around 50% was gas production.

We don't intend to acquire any more assets in gas production, but we are prepared to invest further in those we already have if the prospects for returns are good enough.

The second quality is agility. In looking at our existing and planned assets, we will always be agile in creating and securing value. We've made timely disposals to create value and support future investment in the past and will do so again in the future if the right opportunity arises.

The third is discipline. As well as discipline in financial and risk management, this means being prepared to take tough, strategic decisions to make sure that the SSE group and the businesses within it have the best platform for success. We did it with the acquisition of Airtricity a decade ago; and we're doing it again with the planned Energy Services transaction.

SLIDE 40 – BEING AGILE IN FINANCING SSE

Optionality, agility and discipline are important qualities in financing SSE. Ability to raise funds at competitive rates is fundamental to investment , as we again showed in the last financial year.

In August, we issued the biggest ever green bond by a UK company, and the first of its kind issued by a UK headquartered energy company.

This showed SSE's commitment to sustainability, responsibility and to maintaining a strong balance sheet and strong market rating - allowing this €600m of funding to be secured at just under 1%.

This takes our total fund-raising over the last 6 years, including hybrid capital and term loans, to more than £7.5bn. Excluding hybrids, our average debt maturity now stands at 7.9 years.

The re-shaping of our hybrid debt means that coupons in 2018/19 will fall to £77m, from £128m in the previous year. As a result of our wider approach to financing, our average cost of debt is now consistently below 4%.

This is a good position from which to go forward. Excluding short-term debt, £627m of borrowings will mature in this financial year and £175m will mature in the year to March 2020.

In recent years, we've sought value from shorter-dated instruments, but as the SSE group evolves, we'll be looking for longer-dated options in the future.

SLIDE 41 – MANAGING NET DEBT

As we expected, net debt increased during the year by £739m, reflecting completion of the share buy-back programme and movements in working capital.

Our continued investment means we currently expect our net debt to peak at around £10bn. But our annual capex is currently expected to decline over the five-year period to 2023; and our cashflow based on current plans should allow net debt to fall back towards £9bn by 2023. At less than 3%, a relatively small proportion of our debt is in index-linked bonds.

The net debt outlook is based on completing the transaction, the capex plans to 2023, planned changes to the Scrip and delivering our dividend plan.

At the same time, opportunism and agility will continue to be important to SSE, and if good opportunities to invest or acquire
emerge, both capex and net debt levels may be higher - but it would be in direct support of earnings and the dividend.

SLIDE 42 – MAINTAINING SSE'S FINANCIAL STRENGTH

All of this illustrates our belief that SSE should maintain a strong balance sheet with robust ratios to debt for retained cash flow and funds from operation.

In August, Standard & Poor's affirmed our 'A-'credit rating and revised the outlook from negative to stable; and Moody's affirmed our A3 rating and stable outlook.

While they are not fundamental to it, these ratings help illustrate the resilience and quality of the SSE business; and we'll always be committed to robust ratios for RCF and FFO to debt.

In recent months, we've discussed with the ratings agencies views on the appropriate rating thresholds for the remaining SSE business post the planned transaction. SSE is in the top quartile of the sector in terms of credit rating, and we don't expect that to change following those discussions.

Looking ahead, we expect to have a strong investment credit rating that supports our ability to be agile and opportunistic in the years ahead.

SLIDE 43 – REFORMING THE SCRIP DIVIDEND SCHEME

Since 2010 our Scrip dividend scheme has given shareholders the option to receive shares in place of their cash dividend payments. Take up has averaged 24% across the last 8 years.

The Scrip remains an important option for shareholders but we're entering a new phase in SSE's development and are confident about the enduring strength of the business and we think the Scrip's impact needs to be balanced. That means if Scrip take-up of the full-year dividend exceeds 20%, we now intend to buy back shares so that its dilutive effect is limited.

We believe this strikes the right balance in terms of giving shareholders choice, potentially securing cash dividend savings and managing the number of additional shares issued.

SLIDE 44 – MANAGING PENSIONS SCHEMES

In terms of pensions, across the two defined benefit company schemes, we still have a deficit on an actuarial basis, but the IFRS valuation points to a net surplus of assets over obligations totalling £334.5m before deferred tax.

The current funding levels of our pension schemes are at the highest level seen for at least a decade. This reflects asset
performance, cash funding, continued benefits of interest rate and inflation hedging and the recently implemented longevity swaps.
The planned transaction not expected to have any material impact on existing schemes.

SLIDE 45 – RENEWING SSE FOR THE LONG TERM

Our proposition to shareholders is clear. In addition to creating a new independent energy supplier with significant potential for value creation, we are:

- targeting a full-year dividend of 97.5 p for 2018/19 - regardless of the key unknowns in the Retail business;
- committed to remunerating shareholders' investment through paying dividends - with new targets out to 2023;
- building that dividend on a business with earnings from regulated networks and renewables at its core;
- confident of investment opportunities totalling around £6bn over the next five years - but disciplined in investment decision-making; and
- focused on robust financial management - with robust credit rating ratios.

Reshaping SSE is right for customers and right for investors. The SSE of the future will be a leading energy and infrastructure company. It will develop, own and operate energy and related infrastructure and services in a sustainable way. And I am
confident it will create significant value for society and for shareholders in the years to come.