# FY25 Full Year Results Presentation

## Transcript

# SSE FY25 FULL YEAR RESULTS

*Alistair Phillips-Davies*

## AT THE HEART OF THE CLEAN ENERGY TRANSITION

- Good morning and welcome to our full-year results presentation – my 12th, and final, as SSE's Chief Executive.
- I am joined today by Barry O'Regan, our Chief Financial Officer, and Martin Pibworth our Chief Executive designate.
- We'd be delighted to take your questions after we present another strong set of earnings for the Group.

## INDUSTRY LEADING INVESTMENT IN SAFETY

- Let me start with a few words on the performance measure that is paramount in everything we do.
- Our combined Total Recordable Injury Rate is at its lowest in three years and, within that, the performance among our contract partners is particularly encouraging.
- This has been an area of focus in recent years, as our investment plan has grown.
- We believe our industry-leading immersive training programme is having a positive impact with more than 8,500 employees and around 1,000 contractors having been through it in its first year.
- The initiative uses state-of-the-art technology to improve understanding of the impact and consequences of safety failures.
- In the wider interests of advancing workplace safety, we are extending the training to interested organisations outside of SSE.

## SSE PLC: DELIVERING VALUE CREATION

- We have delivered world-class assets and met our financial objectives, demonstrating yet again the value we are creating from our five-year Net Zero Acceleration Programme Plus investment plan.
- And we offer a compelling investment case: through our balanced business mix and ongoing investment we have delivered strong earnings and dividend growth in line with guidance.
- That value can be measured not only in shareholder return today, but also in the tangible contribution we are making to energy security and affordability tomorrow.
- Performance in the year has been underpinned by steadily increasing, high-quality earnings from regulated networks and renewables growth.
- Over the past three years, we have seen our regulated networks asset base increase by around 60% as we continue to build a network for net zero.
- Renewables has also seen disciplined growth come through – with volumes increasing by around 40% from flagship projects such as Seagreen and Viking.
- Together, the contribution of earnings from regulated electricity networks and renewables has increased from around 60% at the start of the investment plan to around 90% today.

- And this is before we break ground on the majority of our ASTI and LOTI projects, or see even more volume flowing from Dogger Bank.
- The improved visibility of growth we now have allows us to upgrade our expected networks asset growth rate from 15 to 20%, slightly ahead of the 15% growth rate in renewables volumes expected over the investment plan.
- Networks and renewables are at the heart of our balanced business model; they are creating both immediate value and long-term earnings growth.

## AN EVOLVING INVESTMENT PROGRAMME

- We have always been clear that as opportunities evolve we would flex the optionality we have – and that we would exercise both agility and capital discipline along the way.
- And, as opportunities for accelerated transmission growth have emerged, we have steadily upweighted our capital allocation to networks.
- That evolution continues today, as we reduce the overall size of our capital investment plan to reflect the changed macro environment and policy and planning delays.
- It should come as no surprise that the vast majority of that reduction is in our energy businesses, where we have always progressed with strict discipline.
- Our portfolio of premium investment options in those businesses will be vital to delivery of the clean energy transition, but we will only progress them when they offer the right risk-adjusted returns.
- This means we are now working to a revised £17.5bn plan, of which around 60% is weighted towards investment to upgrade the transmission and distribution grids.

## INCREASINGLY VISIBLE EARNINGS GROWTH

- The past five years have seen some extraordinary changes – from a pandemic to a worldwide economic downturn and wars in Europe and the Middle East – and the unrest continues with rapid changes in tariffs, commodity markets and policy.
- Throughout, SSE has continued to create value through focused investments in high-quality businesses that are exposed to strong, predictable regulatory environments.
- Regulated networks offer increased visibility over medium-term investment plans with stable real equity returns and inflation protection.
- And an increasing proportion of our renewables and flexibility assets also benefit from inflation protection through Government-backed Contracts for Difference and the Capacity Market.
- This provides a foundation for growth and value in almost any scenario – with ultimately inflation-linked earnings expected to account for around 70% of group EBITDA by 2027 and 91% of existing debt held at fixed rates.
- As a clean energy champion, we offer reliable earnings linked to an unstoppable drive to electrification, and this gives us every confidence in meeting our 2027 target of 175-200p Earnings Per Share.

## SSE: AT THE HEART OF THE CLEAN ENERGY TRANSITION

- Electrification is not only central to everything we do, it is central to a decarbonised economy driven by **renewables**, **networks** and **flexibility**.
- Each of these pillars underpin the clean energy transition in addition to delivering strong earnings and dividend growth, whilst maintaining a strong credit rating.
- Over the past decade we have rebuilt SSE on these three pillars and Barry and Martin have been with me at every step as we have evolved and adapted.
- So, of course, I am particularly delighted that the Group's future will be in their hands following Martin's appointment as Chief Executive Designate.
- Martin's knowledge of SSE and the energy sector is exceptional, and I share the Board's confidence that he is the best person to take the Company forward.
- PAUSE
- I'll now hand you over to Barry who will take us through today's results, before we hear from Martin on the operating outlook for each of SSE's businesses.

***Barry O'Regan***

- Thank you Alistair, and good morning everyone.
- I will now take you through the financial performance of the Group in a year that was marked by improving earnings quality, before providing some more detail on how we expect earnings and our balance sheet to evolve out to 2027.

## STRONG FINANCIAL PERFORMANCE OVER THE YEAR

- Our disciplined investment programme continues to create sustainable earnings growth, and I am delighted to start today by noting our networks and our renewables businesses have each contributed over £1bn in adjusted operating profit for the first time.
- I am also pleased to deliver on the commitments we made for the year – with 160.9p EPS achieved, despite the expected normalisation of profitability in our flexible thermal portfolio.
- And we have continued to progress our growth-enhancing investment plans, delivering record capital investment this year of around £2.9bn.

## FINANCIAL RESULTS - NETWORKS

- Turning first to our networks businesses, our combined transmission and distribution businesses delivered a 53% increase in adjusted operating profit.
- All of our licence areas need accelerated investment to meet the clean power challenge and to fund this we receive a growing level of underlying allowed revenues.
- While both businesses had some timing effects – whether inflationary catch-ups for SSEN Distribution or tax allowances for SSEN Transmission – these were expected under price control forecasts.
- Overall, our networks businesses have delivered very strong financial and strategic performance in the year.

## FINANCIAL RESULTS - RENEWABLES

- The renewables business saw a record-breaking year with adjusted operating profit increasing by 25% to just over £1bn for the first time ever.
- Capacity additions from Viking – as well as a full years' contribution from Seagreen – drove a 18% increase in output to around 13TWh, despite variable weather conditions.
- But a highly profitable year for the business in no way diminishes our commitment to capital and operational discipline.
- And that discipline has meant we have taken an exceptional £250m non-cash impairment relating to slower than anticipated build-out of some parts of our Southern Europe pipeline.
- With sector-wide delays affecting permitting and grid connections, build-out of this platform has been slower than originally planned.
- We will continue to create shareholder value rather than simply delivering volume, while sharpening our focus on efficiency in response to shifting market dynamics, as we ensure the business *remains* fit and competitive enough to deliver on its potential in the coming years.

## FINANCIAL RESULTS – FLEXIBILITY

- Lower profitability from our conventional thermal generation and gas storage businesses should come as no surprise as we fully expected markets to normalise following the volatility seen in recent years.
- However, the spark spread during the period has been low, with market distortion also affecting gas storage.
- While these business has performed strongly over the winter months to deliver profitability in line with guidance, this has been against the context of a challenging market environment.
- Despite this short term challenge, the SSE Thermal portfolio, and the pumped storage hydro and batteries offered by SSE Renewables, have a critical role to play in the UK energy system, and as Martin will set out shortly, their long-term value has never been clearer.

## FINANCIAL RESULTS – OTHER BUSINESSES

- Finally, our other businesses have delivered a 66% increase in adjusted operating profit over the year, which has been predominantly driven by strong performance from our customer-facing businesses.
- With a focus on serving customers, extending service options and expanding their product portfolio, Energy Customer Solutions continues to play a strategic role for SSE in both the GB and Irish markets.
- Tight commercial and risk controls have helped these businesses navigate volatility and minimise consumer tariffs, whilst returning margins to more sustainable levels.
- And although profitability slightly decreased in GB while an upgraded customer management system was implemented, we are already starting to see the business benefit from improvements made in customer data quality.
    - Finally, it is worth noting that we have now incorporated the activities of SSE Enterprise into other parts of the Group to simplify the organisational structure whilst enhancing their growth opportunities.

## FINANCIAL RESULTS – NET INCOME AND DIVIDEND

- Below the line, net finance charges rose, reflecting a higher level of net debt in the period as well as interest on Seagreen project finance.
- Meanwhile, a declining tax rate was driven by the “full expensing” capital allowance tax relief available on our investment programme – a decline that we expect to continue, as we will cover later.
- In light of today’s results, we are recommending a final dividend of 43.0 pence, taking the full-year dividend to 64.2 pence, which is an increase of 7% on the prior year.
- Remunerating shareholders will always be an important part of our plans, and our commitment to delivering on the growth-enabling 2027 dividend plan remains.

## BALANCE SHEET – STRENGTH AND STABILITY

- As we progress through the remainder of five-year investment programme, and with half of the investment made, our overall levels of debt remain low and leverage ratios have fallen since the start of the plan.
- This is testament to the strength of the Group’s funding strategy during a period that has seen a huge amount of energy market and interest rate volatility.
- SSE has a strong balance sheet with room to accommodate an acceleration in investment.
- In addition, leverage to the end of the fully-funded plan remains consistent with being well within investment-grade credit ratings, with the net debt-to-EBITDA ratio expected to be around four times in 2027.

## FULLY FUNDED PLAN WITH MULTIPLE FUTURE OPTIONS

- Over and above the updated funding plan you can see outlined on the chart, we have a number of levers for additional investment to 2027 and beyond. They include:
  - Additional debt capacity within strong investment grade credit ratings.
  - Access to around £2bn of additional hybrid funding, which we expect will continue to increase over time.
  - A portfolio of capital recycling options and partnering opportunities, leveraging our proven track record of realising asset value whilst enabling growth. As part of this, a minority stake sale in our Distribution business remains an option open to us.
  - Additionally, some discretionary capex remains within the existing plan, and could be subject to cancellation or delay if the right investment conditions don’t emerge.
- These levers offer additional funding headroom within our existing means.
- It’s not an exhaustive list, and we retain full optionality on funding sources.
- One thing is certain – whatever funding route we choose over the decade ahead, any decisions will be based on the option and timing that will create maximum value for shareholders.

## OUTLOOK – DISCIPLINE AND EFFICIENCY IN ACTION

- You will hear us talk a lot this morning about discipline and efficiency, so I want to take some time to outline how we deliver that in practice.
- The chart on the left-hand side details our strict hurdle rate criteria by technology, which frames our disciplined approach to capital allocation.
- These are not notional rates. They are used alongside procurement controls and project level contingencies to give us confidence to deliver strong risk-adjusted returns.
- And we have applied that discipline in practice throughout the year – whether through deferring projects in Southern Europe or even closer to home with Bhlaraidh Extension, where we chose not to take a financial investment decision reflecting the risk-return profile at this time.
- With low levels of committed value – and plenty of opportunities to deploy capex – we will continue to act with agility and discipline.
- And, as Alistair mentioned earlier, this agility and discipline will naturally mean that our investment plans will evolve to reflect market conditions.
- At the same time, our internal structures will need to evolve as well, to ensure that we remain efficient, competitive, and best able to deliver on our potential.
- To that end, over the last few months we have been simplifying our organisational design to remove duplication in resources and enhance efficiency in operating expenses.
- We expect that this exercise will deliver around £100m per annum of recurring efficiencies, but immediate savings are not the sole driver – the actions we are taking today will enable the most effective and efficient delivery of our growth tomorrow, whilst ensuring resilience and flexibility.

## OUTLOOK – REFINING MEDIUM-TERM GUIDANCE

- As with any long-term investment plan, expectations and assumptions will change over time to reflect the operating environment.
- The profit guidance for individual businesses will also change over time, but our overall outlook reflects a diverse and resilient business mix, with increasingly high-quality earnings.
- In line with our usual practice, we expect to provide earnings guidance for the Group later in the financial year, however we summarise here our expectations for each business across the next two years.

## OUTLOOK – ENHANCED CLARITY ON FY27 EARNINGS

- Our primary focus is on delivery of sustainable growth by the end of the plan.
- We are confident about meeting our 2027 target of adjusted EPS between 175 and 200p, given the strength and clarity of the opportunities immediately ahead us, and our emphasis on discipline and operational efficiency.
- This slide maps out the earnings growth to come over the next two years from the 160.9p adjusted EPS announced today.
    - In Flexibility we have already secured around £150m of additional capacity market payments in 2027 across flexible thermal and hydro renewables, increasing Earnings Per Share by around 10 pence.
    - Additional Renewables capacity – principally Dogger Bank which Martin will cover later – will deliver around a 40% increase in output. Our hedging approach has already locked in

    - strong prices for that year with over two thirds of the merchant exposure hedged at prices of around £75/MWh.
    - And in Networks, the 50% increase in gross RAV we expect over the next two years will deliver increases in allowed revenues which will more than offset any timing differences anticipated.
- At the same time the quality of our earnings continues to improve, with secured and visible revenue contracts as we pivot to where the value lies.
- We expect circa 85% of earnings to be driven by the Networks and Renewables businesses, and around 70% of EBITDA will be underpinned by regulated and contracted income.
- I'll close by reiterating that this is a particularly strong set of results, that builds on the success of recent years.
- We've shown yet again the defensive value of our strategic focus on dependable, inflation-linked earnings.
- I'll now hand over to Martin.

***Martin Pibworth***

## AN EXCITING PLATFORM FOR STRATEGIC GROWTH

- Thanks Barry.
- I'm grateful for the kind words in Alistair's introduction, and excited about the role I will take on after our AGM.
- We are the UK and Irish clean energy champion and my main focus will be in these core markets where the opportunity is huge
- These markets – and delivery of the NZAP Plus – will be front of mind as we evolve the strategy that Barry, Alistair and I have worked together on for a number of years.
- It is true that for the first time in the UK the political consensus on net zero is showing signs of fraying at the edges.
- Regardless of the politics, the climate science hasn't changed, and I genuinely believe that electrification remains an inevitable and unstoppable societal and investment trend.
- The journey will clearly be non-linear, as we've seen in the ongoing debate about the validity of net zero targets, but I believe the ultimate destination is clear: electrified economies powered by renewables-led energy systems.
- Commercial possibilities for well-positioned players are immense and thanks to its core integrated mix of businesses and assets, SSE is well set for decades of sustainable growth.
- Renewables will provide the bulk low-carbon power, Networks will be needed to transport it, and Flexibility will be required for system security.
- We have a fantastic opportunity right now to lean into the Networks investment and grow the Group, whilst always retaining the Flexibility to pivot for future opportunities.
- And while current market dynamics persist it is particularly important that we continue to maintain discipline to ensure we create optimal value from the options in our energy businesses.
- As we build out the energy needed to meet society's needs, this commerciality will be at the forefront of everything we do to ensure we maximise our opportunities.

## ONGOING REGULATORY ADVANCEMENTS

- The UK Government has set out ambitious plans for decarbonisation by 2030.
- And while it is earlier days for the Irish Government, they have also been crystal clear in their focus to deliver a legally-binding 51% emissions reduction target by 2030 ahead of net zero by 2050.

- These long-term ambitions are welcome, but they need to be accompanied by pacier policymaking decisions.
- We continue to see green shoots from government – such as the commitment to progress UK-EU carbon price linking announced earlier this week, something we have long advocated for.
- However, right now there are a number of outstanding catalysts that will influence the future shape of the sector in the UK – from decisions on market reform and zonal pricing, to determinations on networks price controls and the parameters of the upcoming allocation round for renewables contracts.
- As these are resolved in the coming weeks and months, we will have greater clarity over the speed and scale of emerging opportunities over the next 12 months, but we remain confident that our strategy, shape and strength will serve us well in all likely scenarios.
- And while we continue to engage to secure the best outcomes for all concerned, the reality is that even if progress slows, the scarcity value in our existing assets will fundamentally be worth more.
- Ultimately, we have a portfolio that can respond to all likely policy scenarios and market frameworks, giving us confidence in our future earnings growth.

## TRANSMISSION RAV GROWTH UPGRADED

- In SSEN Transmission, where we are creating the network needed to transport Scotland's immense renewables potential around the country, we have clear visibility of a transformational growth opportunity.
- Our near-term delivery is increasingly turning lines on maps into projects in the planning system and assets on the ground. And this year has seen major steps achieved, including:
    - Consents granted on Argyll and Kintyre, and Fort Augustus reinforcements;
    - Ground-breaking on the EGL2 and Orkney projects;
    - And energisation of the pioneering Shetland HVDC link.
- But we could also point to plenty of projects across the north of Scotland that illustrate our development, construction and operational strengths.
- And our confidence in these strengths has led us to upgrade our annual asset growth expectations from 20% to 25% over the plan.
- On this basis, we believe that the business is one of – if not *the* – fastest-growing regulated network in the world.

## RIIO-T3 – THE NEED FOR A FINANCABLE FRAMEWORK

- Driving that growth into the future will be our RIIO-T3 business plan, which will represent one of the most significant programmes of investment ever seen in the north of Scotland, with around £16bn of approved expenditure and potential for £9.4bn of further Uncertainty Mechanism spend.
- But the numbers alone don't do justice to the full extent of the social and economic benefit this investment will bring to the region.
- This includes new community benefit funding – projected to be over £100m and a commitment to supporting the delivery of 1,000 new homes.
- At the same time, we are underpinning inward investment in domestic manufacturing facilities and the creation of thousands of skilled supply chain jobs.
- This is a just transition not just talked about, but in action.
- And the vast majority of this plan is required under any future energy scenario.
- There is also potential for further spend, including a second link to Shetland and investment well beyond 2030 to connect Scotwind projects.
- But T3's positive impact on customer bills, energy security and economic growth can only be fully realised if the financial parameters are adequate to unlock the investment required and mitigate the related risks.

- With Draft Determinations due this summer, it is imperative that Ofgem provides fair returns and adequate cashflows for investors.

## ASTI AND LOTI: MAJOR CONSENTS SUBMITTED

- Ofgem's ASTI and LOTI projects form the backbone of our business plan – equating to some £16bn of our investment over the five-year price control.
- These projects are game-changing for the GB energy system – alleviating constraints faced by existing generation assets and underpinning the future energy system.
- They are already locked into our licence conditions, and we are progressing towards delivery at pace.
- All substation consent applications required for 2030 delivery have been submitted to the Scottish Government, with only a handful of major consents for the entire programme remaining.
- And with supply chains secured for all but one project, faster consenting is imperative.
- We welcome the recent ambition from both UK and Scottish Governments to speed up decision-making.
- This is clearly in the consumer interest and some of it is already translating into action.
- We are well set to progress these projects but the real test will be in the commitment to actual delivery on all sides.
- We have played our part with one of Scotland's largest ever public consultation processes, optimising our plans in line with community feedback.
- We're now waiting to see what comes of the commitment from Scottish ministers to a 52-week consenting timeline.

## DISTRIBUTION GROWTH NOW AND TO 2050

- Turning to SSEN Distribution, we are two years into our ED2 business plan, and this year has seen record capex delivery, alongside an additional £106m in approved Uncertainty Mechanism submissions.
- In our Scottish network we are meeting the growing demand to connect distributed renewables, whilst our Southern network continues to see higher than average uptake in EVs combined with increased demand from data centres and large industry given its geography.
- This has us uniquely positioned for near-term growth and gives us the confidence to target RAV of around £7bn by the end of plan.
- We are already seeing increased electrification and distributed energy which requires a reinforced but also more dynamic grid system able to optimise supply and demand.
- This has been backed by a recent National Infrastructure Commission report, highlighting the need for a new proactive regulatory approach and more than double annual load investment through to 2050.
- The system operator is in the process of producing regional strategic energy plans to enable this investment in an accelerated yet efficient manner – which in turn will inform the timing and scale of our own local network investment plans.
- With that work under way – and the regulator already focused on ensuring the next price control delivers investment – the pieces to unlock the next wave of growth are falling into place.
- And having prioritised data and technology deployment to improve operational effectiveness, the business is well placed to deliver the growth ahead.

## MARKET REFORM – PORTFOLIO RESILIENCE

- Turning to our market-based businesses, it is clear that the future operating environment will be shaped to a significant extent by the imminent outcome of the UK Government's Review of Electricity Market Arrangements.
- The arguments for and against zonal pricing are well known and, given it remains an option under active consideration, it is important to reiterate that SSE has strategic resilience and a balanced portfolio that can operate within any market framework.
- Firstly, we envisage zonal pricing would have no impact on the transmission build-out that will drive the bulk of our medium to long-term growth, with the projects within ASTI and LOTI playing key roles in all future energy scenarios.
- Secondly, for our existing generation plant, we would expect some level of grandfathering arrangements to be introduced to ensure that investors are kept whole and that market confidence in the UK is not shattered.
- And finally, this slide highlights that we retain an energy portfolio that has a surplus of flexibility in key zones and would therefore be less exposed to regional pricing outcomes than may have been assumed.
- It also underlines that when we argue so strongly against a zonal scenario we are doing so on the basis of general market interest rather than our own; fundamentally we believe that zonal pricing will raise risk rates, push up the price of new infrastructure and not necessarily fix any of the temporary constraint issues it is looking to resolve, which will instead be addressed through imminent network build.
- This will all impact affordability and will be to the detriment of all system users. We hope that policymakers understand this.
- With natural balance across the energy value chain we have attractive options at our disposal to navigate the ensuing market volatility it would cause.
- We continue to engage, but our position is clear: zonal is not in the market or public interest.

## RENEWABLES – DISCIPLINED INVESTMENT

- SSE Renewables is a long-term business with a pipeline of premium opportunities that create options for deployment later this decade and beyond.
- However, those opportunities have not been immune to the macro environment and wider delays to planning processes over the past 12 months.
- Our capital discipline in this environment has led us to reduce both our investment and our capacity expectations.
- We are now targeting around 7GW of installed capacity by 2027, with around 1GW under construction at that point.
- The vast majority of this growth will be delivered by the first two phases of Dogger Bank and well-progressed onshore and battery projects.
- Crucially, these investments are underpinned by long-term government-backed contracts such as CfDs or the capacity mechanism, providing price certainty and inflation protection for the vast majority of volumes produced.
- We have continued to progress a number of high-quality options during the year such as Berwick Bank and Coire Glas, where discussions over a cap and floor mechanism continue with Ofgem.
- These are strong projects with robust industrial logic, and they will be required to meet decarbonisation targets.
- But we have been clear that we will only progress if we are convinced we have a solid remuneration contract with appropriate risk-adjusted returns.

- This is the practical manifestation of our value over volume ethos, which sets a high bar for equity return on investment, demanding high-quality growth.

## RENEWABLES – EXCELLENCE IN OPERATIONS

- Disciplined investment will only pay dividends if it is matched by operational excellence, and the business has been focused on delivering its commercial potential.
- Our hedging approach continues to maximise the value of our existing operational base – capturing prices above current price curves and derisking future profit expectations.
- We have also taken action on controllable costs and efficiencies, to reset the business for the growth ahead.
- But – most importantly – we have maintained our focus on delivering high quality investments such as Viking onshore wind farm in Shetland, which underlined its position as the most productive onshore wind farm in the UK by achieving a 50% load factor in the last quarter of the financial year.
- I've already mentioned our significant battery portfolio under construction – it is well-sited and optimally sized to provide vital flexibility services and increased optionality and risk management qualities within our generation fleet.
- And as these premium projects have been delivered, we have been selectively adding others to the construction pipeline such as Strathy South onshore wind farm, which benefits from a long-term government-backed contract.

## RENEWABLES – MOMENTUM ON DOGGER BANK

- Of course, Dogger Bank A is another landmark project for the Group, and despite delays in the first half of the year, we have made strong progress over the winter months with turbine installation and commissioning work.
- Last month, the turbine installation campaign on this first phase passed the halfway mark with 55 of the 95 turbines installed as I stand here today.
- The progress we have made over the past few months is testimony to our project team and our supply partners, who have worked in difficult conditions to keep things on track for completion in the second half of calendar year 2025.
- Turning to Dogger Bank B, material progress has also been made with all 95 foundations now installed, while inter-array cable laying work is expected to complete this summer.
- A second turbine installation vessel has been contracted and we expect it will commence installation work during Q2-2026.
- Finally, on Dogger Bank C, we have now commenced installation of foundations, with 17 monopiles now installed .
- Dogger Bank will be the world's largest offshore wind farm and, with an operational life in the region of 35 years, it will create real and lasting value for decades to come.
- There are risks associated with complex projects on this scale but the high bar we set for equity returns combined with the dedication of our delivery team means we continue to expect all three phases to be comfortably in line with our hurdle rates.

## THERMAL FLEXIBILITY – FULLY CONTRACTED TO 2029

- In recent years there has been a material shift in the role played by SSE Thermal within the Group.
- The premium placed by the Capacity Mechanism on flexible thermal plant's ability to back up intermittent renewables has increased dramatically.
- In Ireland we have seen prices at €200/kW; with GB values at £60/kW.
- SSE Thermal's assets have now secured contracts out to September 2029 and the Capacity Mechanism continues to offer sustainable earnings well beyond that too.
- Not only will the fleet provide valuable back-up to the market, but it will also offer strong risk management services to our other market-facing interests.
- This flexibility shores the Group up against market volatility, protects against shortfalls in renewables output and offers mitigation from wider commodity price uncertainties.
- Over the medium-term, our pipeline of low-carbon development options in hydrogen and carbon capture and storage remains hugely valuable given the obvious need for additional flexible capacity towards the end of the decade.
- As with renewables, we will only progress investment if we are convinced we have a solid remuneration contract with strong economics in place and in the case of flexible thermal, a clear pathway to decarbonisation.
- And there is no better example of this than Tarbert Next Generation power station, where the expected capital investment has been derisked by secured long-term Government contracts and – when complete in 2027 – will add 300MW of low-carbon capacity to help an increasingly tight Irish market.

## CUSTOMERS – ROUTE TO MARKET OPTIONALITY

- SSE's various customer businesses have always provided valuable routes to market.
- A strategic re-alignment of those businesses – notably with the integration of the former SSE Enterprise – now provides an enhanced role for Energy Customer Solutions as a decarbonisation partner of choice.
- We are providing around 1.1m customers with around 17TWh of electricity and energy services, whilst expanding PPA offerings including round-the -clock green options for data centres.
- Tailored distributed energy solutions – including solar, battery and private networks – are a growing area for us, enabling customers to reduce costs and carbon, and we are establishing strategic partnerships delivering a range of services from domestic solar installation to EV charging.
- And we're advancing data-led solutions, using AI to create powerful energy management systems.
- Regulated networks, market-facing renewables and flexibility, and highly commercial customer propositions.
- These are great businesses. They are well-funded, stacked with world-class assets and run by highly-talented teams.
- I can't wait to get fully into my new role, working with Barry and the wider leadership team as we continue to shape their contribution to the clean energy transition.
- I'll now hand you back to Alistair …

***Alistair Phillips-Davies***

- Thank you, Martin.
- While these results reflect the resilience of SSE's business mix and the success of our strategy, the investment evolution we have been talking about – and our sharpening focus on controllable costs and efficiencies – are responses to the complexities of the current operating environment.

- The platform we have built provides both strength and flexibility in this environment, while also maintaining SSE's ability to create meaningful value from the steady march to electrification, which, as Martin has pointed out, is unstoppable.

## SSE: AT THE HEART OF THE CLEAN ENERGY TRANSITION

- It has been an immense privilege to be SSE's Chief Executive for the past 12 years.
- It is a source of pride that – with Martin, Barry and Barry's predecessor Gregor – I have seen SSE transformed in that time from a domestic utility company into a world-class infrastructure group: a clean energy champion building the energy system of the future.
- That future system needs more Renewables, more Networks and more Flexibility and it's worth restating that right now no-one is leaning into that reality more than SSE.
- We have new leadership that combines the best of all worlds: management stability and continuity with fresh impetus for disciplined growth and the ability to adapt to a changing world under Martin.
- This is a sustainable Company that will evolve under a team with a deep understanding of growing a business that is rooted in the society it serves.
- SSE has the assets, the pipeline, the people and the balance sheet strength to deliver not only its financial goals to 2027, but also to create lasting societal and shareholder value over the remainder of the decade and beyond.
- Thank you.
- That ends our presentation today and I will now hand over to the operator for any questions you might have.