WE POWER CHANGE

Interim Results for the six months to 30 September 2022

sse

Disclaimer

This financial report contains forward-looking statements about financial and operational matters. These statements are based on the current views, expectations, assumptions and information of management, and are based on information available to the management as at the date of this financial report. Because they relate to future events and are subject to future circumstances, these forward-looking statements are subject to unknown risks, uncertainties and other factors which may not have been in contemplation as at the date of the financial report. As a result, actual financial results, operational performance and other future developments could differ materially from those envisaged by the forward-looking statements. Neither SSE plc nor its affiliates assumes any obligations to update any forward-looking statements.

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Definitions

The financial information set out in these interim statements has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and UK adopted International Accounting Standard 34 Interim Financial Reporting. The interim financial information is unaudited but has been formally reviewed by the Group's statutory auditor and its report to the Company is set out after the Interim Financial Statements.

In order to present the financial results and performance of the Group in a consistent and meaningful way, SSE applies a number of adjusted accounting measures throughout this financial report. These adjusted measures are used for internal management reporting purposes and are believed to present the underlying performance of the Group in the most useful manner for ordinary shareholders and other stakeholders.

The definitions SSE uses for adjusted measures are explained in the Alternative Performance Measures section before the Summary Financial Statements. SSE continues to prioritise the monitoring of developing practice in the use of Alternative Performance Measures, ensuring the financial information in its results statements is clear, consistent, and relevant to the users of those statements.

For the purpose of calculating the 'Net Debt to EBITDA' metric, 'Net Debt' represents the group adjusted net debt and hybrid capital and 'EBITDA' represents the full year group adjusted EBITDA. 'Adjusted EBITDA' is further adjusted to remove the proportion of adjusted EBITDA from equity-accounted Joint Ventures relating to project financed debt.

Important note: Discontinued Operations – Gas Production and Scotia Gas Networks

On 14 October 2021 the Group completed the sale of its Gas Production business and on 22 March 2022 the Group completed the sale of its 33.3% investment in Scotia Gas Networks ('SGN') (see note 6.1 of the Interim Financial Statements). Both businesses have been classified as discontinued operations. The Group's adjusted measures therefore exclude the contribution from both of these businesses in all periods presented. The Group retains a 60% share of the decommissioning obligation of the Gas Production business. Adjustments to the decommissioning obligation are accounted for through the Group's consolidated income statement and removed from the Group's adjusted profit measures as the revaluation of the provision is not considered to be part of the Group's core continuing operations.

Important note: Other disposals

On 30 June 2021, the Group completed the sale of its Contracting and Rail business and on 10 February 2022 the Group competed the sale of a 10% stake in the Dogger Bank C offshore wind farm development (see note 12 of the Interim Financial Statements). As these businesses do not individually constitute a separate major line of business for SSE, they have not been classified as discontinued operations, and their result continues to be included within the Group's adjusted profit-based measures to the point of disposal.

Impact of discontinued operations on the Group's Alternative Performance Measures ('APM')

The following Alternative Performance Measures have been adjusted in all periods presented to exclude the contribution of the Group's investment in Scotia Gas Networks Limited which was disposed on 22 March 2022 and Group's Gas Production operations which were disposed on 14 October 2021:

- Adjusted EBITDA;
- Adjusted operating profit;
- Adjusted net finance costs;
- Adjusted profit before tax;
- Adjusted current tax charge; and
- Adjusted earnings per share.

'Adjusted net debt and hybrid capital', 'adjusted investment and capital expenditure' and 'adjusted investment, capital and acquisition expenditure', have not been amended as the Group continued to fund the discontinued operations until the date of disposal.

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SSE PLC

INTERIM RESULTS
FOR THE SIX MONTHS TO 30 SEPTEMBER 2022

16 NOVEMBER 2022

NAVIGATING VOLATILITY TO DELIVER CRITICAL ENERGY INFRASTRUCTURE AND A STRONG PERFORMANCE

- **Investing at record levels, far greater than profits,** in projects that will enhance energy security while creating green jobs and supporting local communities.
- Reporting **adjusted earnings per share of 41.8p,** in line with pre-close guidance, reflecting strength of balanced, integrated business model and importance of assets for system security.
- Making strategic progress on SSE's £12.5bn Net Zero Acceleration Programme, which is the **optimal pathway for SSE to deliver long term growth as the UK's clean energy champion**.
- Strong balance sheet with prudent use of debt markets, meaning **minimal long-term debt refinancing expected until FY25 and a strong liquidity position** for cash collateral requirements.
- In the context of the prevailing volatile, complex and challenging market conditions, SSE's guidance of **adjusted earnings per share for 2022/23 of at least 120p remains unchanged.** Also continue to expect 2022/23 capital investment (including acquisitions) in excess of £2.5bn and leverage well below the target 4.5x net debt to EBITDA ratio.
- Total Recordable Injury Rate reduced to 0.15 from 0.16 in the same period last year.

FINANCIAL SUMMARY (continuing operations)

	Adjusted			Reported		
	Sept 2022	Sept 2021	% mvmt	Sept 2022	Sept 2021	% mvmt
Operating profit / (loss) (£m)	716.0	376.8	+90%	(635.1)	1,904.4	-133%
Profit / (loss) before tax (£m)	559.4	174.2	+221%	(511.0)	1,686.1	-130%
Earnings / (loss) per share (p)	41.8	10.5	+298%	(39.7)	103.6	-138%
Investment, capital and acquisitions (£m)	1,743.2	1,042.8	+67%	1,432.6	1,056.6	+36%
Net Debt and Hybrid Capital (£bn)	(10.0)	(9.6)	+4%	(9.1)	(8.9)	+2%

Alistair Phillips-Davies, Chief Executive, said:

"One year on and despite unprecedented volatility in the operating environment, our Net Zero Acceleration Programme has never been more relevant to society. We are investing around £12.5bn in the five years to March 2026, with further opportunities that could take the total to over £25bn this decade in the UK and Ireland alone. This direct investment primarily in offshore wind, UK electricity networks and flexible thermal will create the technologies to support long-term energy security.

"Over the past six months we have been delivering on our domestic investment programme at pace whilst increasing our pipeline diversity, through exporting our renewables expertise into selected markets overseas where net zero ambitions have also increased. This has been complemented by our Triton acquisition and organic growth potential in networks as they keep pace with increasingly ambitious government policy.

"The strength and optionality of our resilient mix of market-based and regulated businesses have shone through in this period, with recent trading conditions highlighting the true value to society of a portfolio that balances intermittent renewables with flexible generation when the system needs it most. Our business model and strategy are delivering for our stakeholders today, whilst creating future long-term societal value."

STRATEGIC HIGHLIGHTS

- **Continuing execution of Net Zero Acceleration Programme**, with record levels of capex far greater than profits, across a range of projects and technologies.
- **First power achieved at 1,075MW Seagreen offshore wind project** with commercial operations now expected in summer 2023, and significant progress on Dogger Bank and Viking projects which are progressing to plan.
- Further RAV growth in Transmission, with **cable installation under way, connecting Shetland islands to the mainland** ahead of expected energisation in FY24.
- Diversified and enhanced pipeline through **acquisition of Southern European onshore wind development platform**, adding 2.2GW (secured) and up to 3GW (prospective) onshore wind and solar hybridisation projects. Acquisition provides a platform for building the onshore pipeline over the course of this decade.
- **Completion of 1.3GW Triton Power acquisition**, in a 50:50 Joint Venture with Equinor, strengthens SSE's position in hydrogen and carbon capture technologies to support long-term decarbonisation of the UK power system whilst contributing to security of supply and grid stability.
- Energy policy environment continues to evolve with **short-term interventions counterbalanced by accelerated longer-term ambition** in key markets.

FINANCIAL HIGHLIGHTS

- **Adjusted earnings per share of 41.8p, in line with pre-close guidance**.
- **Reported loss per share of (39.7)p, reflecting a number of exceptional items and certain re-measurements,** most notably the negative impact from £(1.5)bn of fair value remeasurements, principally arising on forward commodity contracts.
- **Profitability in Renewables negatively affected by pace of project delivery and unfavourable weather**, exacerbated by the associated requirement to buy back hedges in a higher-price environment.
- **Strong performance in Thermal Energy**, with thermal generation and gas storage providing **vital flexibility and security of supply to the energy system** in a time of crisis.
- **Raised £1.7bn** in Hybrid Capital, Eurobonds and Private Placements in the period which, together with expected disposal proceeds, mean the Group expects to have **minimal long-term debt refinancing requirements until FY25.**
- Ample liquidity within SSE's two pension schemes, with **liability-driven investment strategies unaffected by October gilt rates spike** and no additional company support required
- **Adjusted investment, capital and acquisition expenditure of £1.7bn**
- **Adjusted net debt and hybrid capital at £10.0bn, in line with pre-close guidance**.

INTERIM DIVIDEND IN LINE WITH DIVIDEND PLAN TO 2026

- **Interim dividend of 29.0p per share** in line with policy (assuming FY23 average RPI of 12.7%).
- Continue to target RPI increase for FY23 followed by rebase to 60p in FY24, with attractive **annual growth of at least 5%** to FY26 underpinned by strong earnings growth forecasts.
- **Scrip uptake capped at 25%** on full-year dividends to FY26 as previously announced.

FINANCIAL OUTLOOK FOR 2022/23 AND BEYOND

- Continue to expect **adjusted earnings per share for the full year of at least 120p**.
- Remain on course to report **record FY23 capex in excess of £2.5bn** (including acquisitions).
- Expect FY23 leverage to be **lower than the target 4.5x net debt/EBITDA ratio.**
- Continue to expect **adjusted EPS to grow at a CAGR of between 7-10% over the five years to March 2026**, from an FY21 baseline of 87.5p.

KEY PERFORMANCE INDICATORS

Key Financial Indicators (continuing operations)	Adjusted Sept 2022	Adjusted Sept 2021	Reported Sept 2022	Reported Sept 2021
Operating profit / (loss) by business £m				
- SSEN Transmission	**208.4**	**181.7**	208.4	181.7
- SSEN Distribution	**174.6**	**153.3**	174.6	153.3
- SSE Renewables	**22.5**	**25.4**	(29.3)	(33.6)
- SSE Thermal & Gas Storage	**248.2**	**64.8**	887.5	479.5
- Other businesses	62.3	(48.4)	(1,876.3)	1,123.5
Operating profit / (loss) £m	**716.0**	**376.8**	(635.1)	1,904.4
EBITDA £m	**1,109.3**	**700.2**	(224.7)	2,247.2
Profit / (loss) before tax £m	**559.4**	**174.2**	(511.0)	1,686.1
Earnings / (loss) per share (EPS) pence	**41.8**	**10.5**	(39.7)	103.6
Interim dividend per share (DPS) pence	**29.0**	**25.5**		
Investment and capital expenditure £m				
- SSEN Transmission	**270.9**	**291.0**	270.9	291.0
- SSEN Distribution	**175.8**	**171.3**	222.0	201.4
- SSE Renewables	**426.3**	**417.5**	635.4	116.0
- SSE Thermal & Gas Storage	**95.7**	**94.1**	37.8	58.1
- Other businesses	134.5	68.9	266.5	390.1
Acquisition consideration £m	640.0	-	-	-
Investment, capital and acquisitions £m	**1,743.2**	**1,042.8**	1,432.6	1,056.6
Net debt and hybrid capital £m	**9,988.6**	**9,611.4**	9,076.4	8,877.7

Operational Key Performance Indicators	Sept 2022	Sept 2021
Thermal generation – GWh[1]	9,158	7,812
Renewable generation – GWh (inc. pumped storage and constrained off)	3,725	2,853
Other generation – GWh[2]	38	50
Total generation output – all plant – GWh	**12,921**	**10,715**
SSEN Transmission RAV - £m	4,590	3,875
SSEN Distribution RAV - £m	4,525	3,862
SSE Total Electricity Networks RAV - £m	**9,115**	**7,737**
Business Energy Electricity Sold – GWh	5,806	6,161
Business Energy Gas Sold – mtherms	65	73
Airtricity Electricity Sold – GWh	2,693	2,485
Airtricity Gas Sold – mtherms	69	66

Notes: [1]HY23 excludes 651GWh of pre-commissioning output from Keadby 2. [2]Other generation comprises SSE's small biomass capability which is managed by SSE Distributed Energy and which generated 30GWh in HY23; and 37GWh HY22 in addition to 8GWh in HY23 and 13GWh in HY22 generated by other SSE Distributed Energy assets.

ESG Key Performance Indicators	Sept 2022	March 2022	Sept 2021
Carbon emissions (scopes 1&2) $MtCO_2e$	-	6.24	-
Scope 1 GHG intensity gCO_2e/kWh	271	259	292
Total water consumed (million cubic meters)	-	0.8	-
Total recordable injury rate per 100,000 hours worked	0.15	0.17	0.16
Total economic contribution – UK/Ireland (£bn/€m)[1]	-	5.8/438	-
Jobs supported – UK/Ireland (headcount)[2]	-	45,290/1,840	-
Total taxes paid UK/Ireland (£m/€m)	-	335.3/46.4	-
Employee retention/turnover rate (%)[3]	-	90.5/9.5	
Employee engagement index (%)[4]	84	82	82
Average board tenure – years[5]	3.9	3.8	3.3
Female board members (%)	46	50	50
Independent board members (%)[6]	75	73	73
Total number of board members	13	12	12

Notes: [1] Direct, indirect and induced Gross Value Added, from PwC analysis. [2] Direct, indirect and induced jobs supported, PwC analysis. [3] Includes voluntary and involuntary turnover, excludes end of fixed term contracts and internal transfers. [4] Results from SSE's annual employee engagement survey. [5] Non-Executive directors including non-Executive Chair. [6] Excludes non-Executive Chair.

FURTHER INFORMATION

Investor Timetable

Interim ex-dividend date	12 January 2023
Record date	13 January 2023
Scrip reference pricing days	12-18 January 2023
Scrip reference price confirmed and released via RNS	19 January 2023
Q3 Trading Statement	7 February 2023
Final date for receipt of scrip elections	10 February 2023
Interim dividend payment date	9 March 2023
Notification of Closed Period	by 31 March 2023
Preliminary results for the year ended 31 March 2023	24 May 2023
AGM and Q1 Trading Statement	20 July 2023

Contact Details

Institutional investors and analysts	ir@sse.com	+ 44 (0)345 0760 530
Shareholder services	SSE@linkgroup.co.uk	+ 44 (0)345 143 4005
Media, Sam Peacock, Glenn Barber	media@sse.com	+ 44 (0)345 0760 530
MHP Communications, Oliver Hughes	oliver.hughes@mhpc.com	+ 44 (0)7885 224 532
MHP Communications, Simon Hockridge	simon.hockridge@mhpc.com	+ 44 (0)7709 496 125

Management presentation webcast and teleconference

SSE will present its interim results for the six months to 30 September 2022 on Wednesday 16 November at 08:30am GMT.

You can join the webcast by visiting www.sse.com and following the links on either the homepage or investor pages; or directly using:

https://edge.media-server.com/mmc/p/ui6sj7uu

This will also be available as a teleconference, for which participants can register to receive a unique pin code and conference call number using:

https://register.vevent.com/register/BId3fb30052edf496899a18ed65f1c18ff

Both facilities will be available to replay.

Online Information

News releases and announcements are made available on SSE's website at www.sse.com/investors and you can register for RNS news alerts using the following link: sse.com/investors/regulatory-news/regulatory-news-alerts/. You can also follow the latest news from SSE at www.twitter.com/sse.

STRATEGIC OVERVIEW

THE RIGHT STRATEGY AT THE RIGHT TIME

In the year since the announcement of SSE's Net Zero Acceleration Programme much has changed in the world. We have seen war in Europe, market and political turmoil, and three British prime ministers. Through it all, SSE has remained resolute in its commitment to a long-term strategy that is focused on contributing to the UK's net zero ambitions, but we have also been able to respond directly to an energy crisis few of us could have foreseen.

We believe that programme, referred to simply as the 'NZAP', remains the optimal pathway to consolidate SSE's position as a national clean energy champion. It includes a fully-funded investment programme that will see us spend £12.5bn on critical infrastructure by 2026.

The NZAP is also the platform that could invest in excess of £25bn over the coming decade in the UK and Ireland alone, primarily in offshore wind and UK electricity networks, but also in the deployment of vital flexibility solutions. There is scope for further investment through the export of SSE's renewables capabilities overseas.

PERFORMANCE THROUGH VOLATILITY

By any measure the current operating environment is challenging. However, market conditions that influenced financial performance in the first half of the year have also highlighted the value of our integrated business model, with lower-than-expected renewables output being more than offset by earnings derived from gas storage and thermal assets that have been responding to system demand when needed most.

SSE's carefully balanced portfolio comprises regulated networks businesses that are insulated from power price movements and a range of generation and storage assets that are able to manage volatility. The Group is also well placed to withstand inflationary pressures; our Networks RAV is index-linked and so too are renewables contracts and capacity payments. A strong balance sheet and stable debt profile, meanwhile, continue to provide a solid financial buffer.

DELIVERING, INVESTING AND CREATING VALUE

As detailed in the Business Unit Operating Review later in this document, SSE has been getting on with delivery of its objectives set in the NZAP. The operational performance seen in the first half is testament to the commitment and resilience of SSE's direct employees and contractors. Keeping those people safe will always be our first priority and we have all has been deeply affected by the tragic death of a young contractor working on Shetland in June.

Progress is being made on flagship large capital projects at Dogger Bank, Seagreen and Viking wind farms; on repowering of existing hydro plant at Tummel Bridge; at our new, high-efficiency CCGT at Keadby 2; constructing the Shetland HVDC transmission link; and finalising a net zero-enabling distribution business plan for RIIO-ED2.

At the same time, expansion into Southern Europe and Japan is exporting SSE's developer expertise in renewable energy abroad. Completion of the Southern European development platform acquisition this year helps grow SSE's secured pipeline from 10GW to nearly 14GW plus over 10GW of future prospects even before upcoming auction processes. The development pipeline is progressing at home too with Coire Glas, Berwick Bank, Ossian (ScotWind), Seagreen 1A and North Falls; and developments in CCS, hydrogen, solar and battery technologies are creating further near-and medium-term growth options. And SSE Thermal's fleet has been complemented with the addition of the Triton Power acquisition with Equinor, which holds significant CCS and hydrogen potential at its Saltend plant.

With a Certain View of around £2.6bn totex to 2026, SSEN Transmission is investing at pace to connect new generation in the North of Scotland. Projections of double-digit growth could see RAV exceeding £12bn by 2031. SSEN Transmission is meeting societal need and in doing so is becoming an engine of growth. Completion of the 25% minority stake, which is expected in the coming weeks, will help propel SSE forward, unlocking further investment and expansion in Transmission and across the Group as we rebalance capital allocation.

SUPPORTING NATIONAL ENERGY SECURITY …

SSE recognises the social impact of an energy-linked cost of living crisis and while government has rightly taken responsibility for providing short-term support to bill-payers, industry must invest – and have the right conditions to invest – in creating a long-term pathway out of the current difficulties. By SSE's own estimates, if the system investment required to meet 2030 electricity targets had been made by 2022, Britain would have saved around £30bn on gas expenditure this year. The cheaper energy is coming. We just need the infrastructure; and SSE is building it at pace.

… AND ADDRESSING THE CLIMATE EMERGENCY

While SSE's develop, build, operate and invest strategy is helping to address the current energy crisis, its purpose is also to build a better world of energy for tomorrow. SSE's current plans would deliver 20% of the electricity networks and 20% of the offshore wind needed in the UK by 2030 to meet government net zero targets.

In 2019, SSE took the decision to align to the UN's Sustainable Development Goals (SDGs) with four core associated 2030 Goals. The NZAP is the shorter-term plan that will enable SSE to meet those broad goals in 2030. SSE is contributing to every step of the clean electricity value chain and has verified, science-based targets to hold it accountable along the way. Recognising that the transition to net zero represents a radical economic transformation, affecting working people, their communities and consumers, SSE has continued to advance the case for a just energy transition, attracting talent from high-carbon industries and working to deliver 'smart and fair' smart grids at a local level.

SSE has deliberately chosen to remain invested in the transition of flexible thermal electricity generation due to the key role it plays in a renewables-led, net zero, electricity system. SSE's greenhouse gas inventory gained additional scope 3 emissions through the Triton Power acquisition, and the Joint Venture partners (SSE Thermal and Equinor) are developing a net zero pathway for the plant.

LEADING INTO A NEW ENERGY LANDSCAPE

One thing we know for certain about the future energy landscape is that it will be electric. And as a well-balanced business with world-class electricity infrastructure capabilities we see plenty of opportunity alongside the challenges that will come over the short, medium and longer term.

In the short term, we are navigating the choppy waters of market and policy uncertainty. We have actively contributed to the debate, offering solutions to the significant cost pressures on household incomes and at the same time we are getting on with creating value for stakeholders.

Over the medium term, we see real opportunity for structural energy market reform that will both encourage investment and benefit consumers. And we are encouraged by increasingly positive policy direction in a number of overseas markets where we are exporting our developer expertise.

SSE's strategy is delivering for us now, but it is a long-term plan consistent with legally binding net zero goals that have cross-party support at home and policy momentum abroad.

The Net Zero Acceleration Programme looks even better than it did a year ago. It is our platform for delivery and growth, underpinned by a socially responsible purpose and a value-creating strategy, investing record amounts in clean, green energy infrastructure.

Alistair Phillips-Davies
Chief Executive
SSE plc

GROUP FINANCIAL REVIEW

SIX MONTHS TO 30 SEPTEMBER 2022

This Group Financial Review sets out the financial performance of the SSE Group for the six months ended 30 September 2022. See also the separate sections on Group Financial Outlook, 2022/23 and beyond and Supplemental Financial Information.

The definitions SSE uses for adjusted measures are consistently applied and are explained in the Alternative Performance Measures section of this document, before the Summary Financial Statements.

Key Financial Metrics (continuing operations)	Adjusted		Reported	
	Sept 2022 £m	Sept 2021 £m	Sept 2022 £m	Sept 2021 £m
Operating profit / (loss)	716.0	376.8	(635.1)	1,904.4
Net Finance (costs) / income	(156.6)	(202.6)	124.1	(218.3)
Profit / (loss) before Tax	559.4	174.2	(511.0)	1,686.1
Current Tax (charge) / credit	(70.3)	(12.7)	122.4	(542.3)
Effective current tax rate (%)	*12.6*	*7.3*	*24.0*	*32.2*
Profit / (loss) after Tax	489.1	161.5	(388.6)	1,143.8
Less: hybrid equity coupon payments	(38.8)	(50.7)	(38.8)	(50.7)
Profit / (loss) after Tax attributable to ordinary shareholders	450.3	110.8	(427.4)	1,093.1
Earnings / (loss) per share (pence)	41.8	10.5	(39.7)	103.6
Number of shares for basic/reported and adjusted EPS (million)	1,077.2	1,054.7	1,077.2	1,054.7
Shares in issue at 30 September (million)*	1,085.9	1,065.5	1,085.9	1,065.5

** Excludes treasury shares.*

Dividend per Share	March 2023	March 2022
Interim Dividend (pence)	29.0	25.5
Full Year Dividend (pence)	85.7 + RPI	85.7

IMPACT FROM MARKET VOLATILITY

The Group's balanced mix of economically regulated and market-based businesses provides a natural hedge against short-term commodity price volatility. Nevertheless, the continued high and variable power and gas price environment, combined with rising inflation rates, has had an impact on SSE's businesses which can be summarised below:

SSEN Transmission and **SSEN Distribution** operate under a regulatory price control framework which is set by Ofgem. Returns under this framework have no direct relationship to the power and gas market prices. However, both allowed revenues and Regulated Asset Values are index linked (Transmission to CPI(H), and Distribution to RPI (for RIIO-ED1) and CPI(H) (for RIIO-ED2)).

Within **SSE Renewables**, the established hedging approach generally reduces its broad exposure to commodity price variation at least 12 months in advance of delivery. This approach secures value for the business, by reducing exposure to short-term commodity price movements which would drive variable financial performance. Hedges may be achieved either through the forward sale of power or gas and carbon equivalents – when the latter approach is taken, a "spark spread" will be realised when the hedges are converted into power before delivery which will either increase or decrease the average hedge price. Whilst this hedging approach provides relatively stable realised power prices, market volatility in periods where wind volume output is significantly lower than expected could mean 'buy-backs' of excess forward sales contracts could be at higher prices which would reduce the trading result, as has been seen in HY23.

For **SSE Thermal** (as well as the Hydro plant within SSE Renewables), value has come from the ability of the plant to respond to market conditions and provide vital balancing services to provide security of

supply and flexibility in less predictable market conditions. This business aims to establish a hedge for the expected economic output in the six months prior to delivery, although this approach is closely monitored for any unexpected changes in exposures due to market volatility. The current market conditions are generally positive for these businesses; however, if plant is unavailable at times of system stress then excess forward sales contracts would again require to be 'bought back' in the market which would impact the trading result.

The **Gas Storage** assets are operated on a merchant basis, to optimise value arising from changes in the spread between summer and winter prices, market volatility and plant availability. As such, the current market conditions are generally positive for this business, to the extent that the assets can respond to volatility and capture the positive gas price spreads arising. To the extent that gas remains in storage at the period end, a remeasurement gain or loss may also be recognised with reference to the forward month market price. However, this remeasurement does not take into account the mark-to-market movement on forward contracted sales in future periods, which will impact the trading result.

EPM, through its exposure to unsettled commodity contracts, has experienced significant unrealised mark-to-market remeasurement losses in this period of heightened volatility. However, EPM is not expected to realise significant gains or losses upon settlement of these contracts, as these revaluations are unrelated to operating performance and traded volumes are backed by SSE's future generation output. Whilst EPM is permitted to take small positions in the market to manage the Group's trading requirements and execute optimisation opportunities, this is contained within strict Value at Risk ('VAR') limits that limit trading exposure.

In addition, market volatility and increased margining requirements has resulted in a significant increase in the collateral necessary to allow the businesses to continue to trade with counterparties and on exchanges as required. Increased collateral requirements have historically been managed by issuing new Letters of Credit, Guarantees and Performance Bonds; however, with increased trading through the exchanges, cash collateral requirements have increased during the period with the amount of collateral required subject to volatility in recent months. The Group closely monitors this and maintains more than sufficient liquidity to manage these increased collateral requirements.

SSE Business Energy and **SSE Airtricity** (aside from Northern Ireland, where SSE Airtricity is subject to a regulatory pricing mechanism) are not subject to a regulated price cap and therefore variable tariffs are adjusted dynamically and fixed tariff rates are reset for new customers as wholesale costs increase or decrease. Although the businesses are insulated against gas price rises insofar as they are fully hedged, there are external circumstances that would result in hedge adjustments such as weather, supplier failures and broader economic conditions. In addition, the higher and volatile market price environment has amplified the seasonality of profits particularly for fixed tariff customer contracts. A dynamic forecasting approach has been implemented to help the business respond quickly to volume changes. In relation to Airtricity, vertical integration of generation and customer businesses in the Irish market limits commodity exposures with some benefit received through Renewable Energy Feed-in Tariffs ('REFIT') receipts on legacy wind assets. Non-commodity costs for these businesses can also be impacted by unpredictable, variable market conditions.

Finally, **SSE Group** is well funded with a strong investment grade credit rating; a high proportion of the £10.0bn adjusted net debt (c.92%) is fixed rate and the average maturity of SSE's debt is 6.5 years. The Group has been successful despite challenging debt markets, issuing €1bn of Hybrid Bonds, a £350m Private Placement and a €650m Eurobond in the past six months. SSE's balance sheet strength allows the Group to meet additional collateral increases on higher and volatile commodity contracts, while the high proportion of fixed rate debt provides robust financing in an inflationary environment.

OPERATING PROFIT PERFORMANCE FOR SIX MONTHS TO SEPTEMBER 2022

Business-by-business segmental	Adjusted		Reported	
	Sept 2022 £m	Sept 2021 £m	Sept 2022 £m	Sept 2021 £m
Operating profit / (loss)				
SSEN Transmission	208.4	181.7	208.4	181.7
SSEN Distribution	174.6	153.3	174.6	153.3
Electricity networks total	**383.0**	**335.0**	**383.0**	**335.0**
SSE Renewables	**22.5**	**25.4**	**(29.3)**	**(33.6)**
SSE Thermal	100.4	36.1	342.7	215.6
Gas Storage	147.8	28.7	544.8	263.9
Thermal Total	**248.2**	**64.8**	**887.5**	**479.5**
SSE Business Energy (GB)	60.5	2.4	60.5	2.4
SSE Airtricity (NI and Ire)	14.9	(2.9)	14.8	(2.9)
Energy Customer Solutions Total	**75.4**	**(0.5)**	**75.3**	**(0.5)**
Energy Portfolio Management	**30.3**	**5.7**	**(1,958.0)**	**1,209.7**
Distributed Energy	**(8.0)**	**(7.3)**	**(8.0)**	**(24.8)**
Neos Networks	**(6.5)**	**(5.8)**	**(11.2)**	**(14.2)**
Corporate unallocated	**(28.9)**	**(40.5)**	**25.6**	**(46.7)**
Total operating profit / (loss) from continuing operations	**716.0**	**376.8**	**(635.1)**	**1,904.4**
Net finance (costs) / income	(156.6)	(202.6)	124.1	(218.3)
Profit / (loss) before tax from continuing operations*	**559.4**	**174.2**	**(511.0)**	**1,686.1**

** The table above excludes any result from discontinued operations, being the Group's investment in Scotia Gas Networks Limited which was disposed on 22 March 2022 (HY23: £nil; HY22: adjusted operating profit of £21.0m) and the Group's Gas Production operations which were disposed on 14 October 2021 (HY23: adjusted operating profit of £35.0m; HY22: adjusted operating profit of £77.7m).*

In order to present the financial results and performance of the Group in a consistent and meaningful way, SSE applies a number of adjusted accounting measures throughout this financial report. These adjusted measures are used for internal management reporting purposes and are believed to present the underlying performance of the Group in the most useful manner for shareholders and other stakeholders.

Following the acquisition in the period of Triton Power Limited (JV with Equinor, SSE's share 50%), the definitions SSE uses for adjusted measures have been refined to consider the treatment of fair value gains arising from acquisition of a business or a joint venture interest. Aside from this refinement, the definitions are consistently applied and a reconciliation of adjusted operating profit by segment to reported operating profit by segment can be found in Note 5(b) to the Interim Financial Statements.

Segmental EBITDA results are included in Note 5(c) to the Interim Financial Statements

OPERATING PROFIT

Adjusted and reported operating profits/losses in SSE's business segments for the six months to 30 September 2022 are set out below; comparisons are with the same period to 30 September 2021 unless otherwise stated.

SSEN Transmission: Adjusted and reported operating profit increased by 15% to £208.4m, primarily due to higher allowed revenues in line with phasing of totex in the second year of RIIO-T2. This was partially

offset by a negative timing impact on lower volumes versus Electricity System Operator expectations, plus increases in operating costs and depreciation charges as the business continues to enhance its operational capability and deliver growth in the asset base.

SSEN Distribution: Adjusted and reported operating profit increased by 14% to £174.6m, with higher allowed revenues including previously under-recovered allowances following the impact of coronavirus on volumes in FY21, partially offset by a negative timing impact on lower-than-expected volumes, with a small decrease in operating costs and a small increase in depreciation broadly offsetting one another.

SSE Renewables: Adjusted operating profit decreased by 11% to £22.5m, with increased volumes across technologies and strong prices captured by hydro and pumped storage more than offset by the need to buy back hedges at very high prices. Having experienced exceptionally still and dry weather in the prior year, volumes increased 0.8TWh or 28% in the current year but were still 0.5TWh or 13% behind planned levels due to unfavourable weather and delays to the Seagreen construction project which is now expected to complete in summer 2023. The increase in hedge buyback costs was largely driven by very high power prices and included £(57)m of costs related to delay of the Seagreen construction project.

Reported operating loss was £(29.3)m compared to a loss of £(33.6)m in the prior period. In addition to the factors noted above, the prior period saw an exceptional tax charge of £(24.0)m recognised in joint ventures due to the substantive enactment of the UK Corporation Tax rate change impacting deferred tax balances, with no such exceptional item appearing in the current year. This was partially offset by an increase in the share of joint venture interest and tax of £(16.8)m, whilst depreciation on fair value uplifts remained constant at £(9.4)m.

SSE Thermal: Adjusted operating profit increased 178% to £100.4m, compared to £36.1m in the prior period. The higher and more volatile gas and power market price environment, which began in early 2022, has continued during the period with the flexible generation plant continuing to respond to those market conditions. As a result, the market income achieved increased by £187m on prior period due to a combination of higher volume (+27% year on year), higher power prices and strong performance in the balancing market to support the provision of security of supply for consumers. This was partially offset by £76m of hedge buy-back losses due to unplanned outages – mainly arising from Great Island CCGT which did not generate for most of the period due to an outage caused by a cooling system fault and subsequent turbine overhaul – as well as a £23m reduction in Capacity Market income and a £25m increase in depreciation due to impairment reversals recognised in September 2021 and March 2022.

Reported operating profit increased to £342.7m from £215.6m in the prior period which had included a reversal of historic impairment charges totalling £181.6m reflecting the higher observable power price environment. In addition to the factors affecting operational performance highlighted above, the reported result includes a £141m gain on acquisition of Triton Power during the period – as the acquisition was completed in a higher power price environment than the acquisition price considered – as well as a gain on disposal of the Fiddler's Ferry site of £89m and the reversal of the remaining £18m of historic impairment charges for Great Island CCGT.

Gas Storage: Adjusted operating profit increased 415% to £147.8m, compared to £28.7m in the prior period. As with SSE Thermal, the higher and more volatile gas market price environment continued during the period with the assets operating on a merchant basis to capture the positive gas price spreads that have arisen. In normal market conditions, the seasonal price spread occurs between summer and winter which results in minimal profitability for this segment in the first half of the year. However, due to low Russian gas supplies and increased European demand as gas stores were built up for winter, the usual spread was inverted, with summer gas prices higher than winter at points during the period. That inversion led to around £46m of profits in the period, with a further £79m of trading profits driven by the generally volatile market conditions. The assets remain well placed to also capture the usual winter spread with almost 150m therms of gas stored at 30 September – over 80% of SSE's capacity – enabling them to provide vital energy security in times of high gas demand across the winter. The strong performance of the business, as with Thermal, affirms SSE's decision during previous years when

earnings were weaker to continue investing in these critical assets, recognising the value they offer to the system.

Reported operating profit increased to £544.8m from £263.9m in the prior period which included a £235.2m positive mark-to-mark movement in the fair value of physical gas inventory held at the period end. The equivalent fair value movement in the current period was £195.9m; however, as has been noted in previous periods, this does not take into account any negative mark-to-market movement on forward contracted sales for the second half of the current financial year. Therefore, similar to the unsettled commodity contracts held by EPM at fair value, the majority of this valuation movement is not expected to be realised by the business. In addition to this fair value movement, the reported operating profit included a £201m impairment reversal which represented a full reversal of historic impairments on the Aldbrough Gas Storage Assets.

SSE Business Energy: Adjusted and reported operating profit of £60.5m compared to a £2.4m profit across the same period last year. The market volatility that has been seen since the start of 2022 creates a challenging environment for consumers and consumer-facing businesses such as Business Energy and Airtricity. This environment has seen aged debt (60 days past due) increase by 75% from prior period to £127.3m, with a corresponding £46m increase in bad debt expense. In addition, in a higher price environment, the seasonal phasing of margins recognised by this business has been amplified particularly for fixed tariff customer contracts. This has resulted in a significant adjusted operating profit being recognised in the first half of the year, which is expected to reverse during the second half into a close to break-even position for the full year.

SSE Airtricity: Adjusted operating profit of £14.9m compared to an adjusted operating loss of £(2.9)m across the same period last year. The prior period result included one-off adjustments which reduced adjusted operating profit by a net £(17)m – excluding these adjustments, the period-on-period result is broadly consistent. With tariffs being kept as low as possible for all consumers, frozen for financially vulnerable customers until the end of March 2023 and with the launch of a €25m customer support fund we do not expect to record a profit within our SSE Airtricity business this financial year, even after accounting for the income from REFIT contracts which are recognised within Airtricity.

Reported operating profit of £14.8m compares to a reported operating loss of £(2.9)m, with the £(0.1)m movement from current period adjusted operating profit due to SSE's share of interest and tax from the Marron Activ8 Energies joint venture.

Energy Portfolio Management: Adjusted operating profit has increased to £30.3m from £5.7m profit in the prior period. EPM continues to generate a relatively low level of operating earnings through service provision to those SSE businesses requiring access to the energy markets in addition to taking small optimisation opportunities within strict VAR limits. The increase on prior period is due to the heightened volatility and price of power and gas trades in the market, which has driven higher profits from the trading and optimisation activities for this business.

Reported operating loss of £(1,958.0)m compares to a reported operating profit of £1,209.7m across the same period last year. This movement reflects a significant adverse net-remeasurement movement in the current period on unsettled, previously significantly in-the-money, fair value forward commodity contracts. Following the unrealised movement in the period, those contracts continue to have a small positive net mark-to-market valuation of £301m for EPM. In line with prior years, this result excludes remeasurement of 'own use' contracts and is unrelated to underlying operating performance.

Distributed Energy: An adjusted operating loss of £(8.0)m was recognised, compared to a loss of £(7.3)m in the prior period. The business continues to make a loss as it invests in both its 'whole system' approach to connecting localised and flexible energy assets, as well as its nascent solar and battery storage business.

The reported operating loss was also £(8.0)m, compared to a £(24.8)m loss in the prior period, which included a £(18.1)m exceptional loss on disposal recognised on completion of the sale of the Contracting & Rail business in that period.

Neos Networks: SSE's remaining 50% share in the Telecoms business Neos Networks Limited recorded an adjusted operating loss of £(6.5)m compared to £(5.8)m in the prior period. The reported operating loss of £(11.2)m includes SSE's share of interest and tax charges from the company.

Corporate unallocated: Adjusted operating loss of £(28.9)m compared to £(40.5)m in the prior period. Whilst there continues to be an unwind of historic transition service agreements with SSE Energy Services (disposed to Ovo in January 2020), Neos Networks (part-disposed in January 2019) and SSE Contracting (disposed to Aurelius in July 2021), the segment has benefited from a review of the corporate cost base in the period.

Reported operating profit of £25.6m compares to a £(46.7)m loss in the prior period which included a £(6.2)m adverse adjustment on contingent consideration recognised in respect of the Neos Networks part-disposal. The reported result for the current period reflects a £54.5m revaluation adjustment to SSE's 60% share of the Gas Production decommissioning provision which was retained following disposal of that business in October 2021.

ADJUSTED EARNINGS PER SHARE

To monitor its financial performance over the medium term, SSE reports on its adjusted earnings per share measure. This measure is calculated by excluding the charge for deferred tax, interest costs on net pension liabilities, exceptional items, depreciation on fair value adjustments, revaluation adjustments to the retained 60% Gas Production decommissioning obligation and the impact of certain remeasurements.

SSE's adjusted EPS measure provides an important and meaningful measure of underlying financial performance. In adjusting for depreciation on fair value adjustments, revaluation adjustments to the retained 60% Gas Production decommissioning obligation, exceptional items and certain remeasurements, adjusted EPS reflects SSE's internal performance management, avoids the volatility associated with mark-to-market IFRS 9 remeasurements and means that items deemed to be exceptional due to their nature and scale do not distort the presentation of SSE's underlying results. For more detail on these and other adjusted items please refer to the Adjusted Performance Measures section of this statement.

In the six months to 30 September 2022, SSE's adjusted earnings per share on continuing operations was 41.8p. This compares to 10.5p for the six months to 30 September 2021 and reflects the movements in adjusted operating profit outlined in the section above.

GROUP FINANCIAL OUTLOOK – 2022/23 AND BEYOND

FINANCIAL OUTLOOK FOR 2022/23

SSE's balanced portfolio of assets of electricity networks, renewables and flexible generation and storage mean that the Group is performing well in volatile market conditions. The first half of SSE's financial year has seen good performance from gas storage and flexible thermal as they have demonstrated their value to the energy system. However, Renewables performance has been behind expectations in the period. Whilst a higher price environment provides further opportunities for value creation, it also increases costs and operational risks for the business significantly which has impacted renewables and, to a lesser extent, flexible thermal financial performance when output is lower than expected.

In May 2022, SSE set out that it expected to deliver adjusted earnings per share for 2022/23 of at least 120 pence. Most of SSE's profits are earned in the second half of its financial year and, in the context of the prevailing volatile, complex and challenging market conditions, SSE's guidance of adjusted earnings per share for 2022/23 of at least 120 pence remains unchanged. As well as being influenced by market conditions, SSE's 2022/23 adjusted earnings per share will be determined by potential policy interventions, plant availability and weather conditions. It is for all of these reasons that SSE does not expect to provide further detail on profit expectations for the full-year until later in the year.

The Group remains on course to report record 2022/23 capex in excess of £2.5bn (including acquisitions) and expects leverage in March 2023 to be lower than the target 4.5 times net debt to EBITDA ratio.

NET ZERO ACCELERATION PROGRAMME

SSE set out its 'Net Zero Acceleration Programme' in November 2021 to accelerate clean growth, lead the energy transition and maximise value for all stakeholders. This fully funded programme included plans to rebase the dividend to 60 pence in 23/24 and to invest £12.5bn, largely in projects that will provide long-term solutions that help reduce the UK's exposure to volatile international gas prices, whilst keeping leverage lower than the target 4.5 times net debt to EBITDA ratio.

The Group continues to expect that this investment programme will deliver an adjusted EPS CAGR of between 7 – 10%, against a baseline adjusted EPS of 87.5p (before restatement for disposal of Scotia Gas Networks Limited in FY22) and assuming a 25% minority interest disposal of the SSEN Transmission and Distribution businesses during FY24. This growth is underpinned by index-linked revenue streams driving around 60% of adjusted EBITDA over the five-year period.

DISPOSAL OF MINORITY STAKE IN NETWORKS

SSE continues to regard partnering as vital for the future and an important means of unlocking future opportunities in its businesses.

As previously disclosed in May 2022, the Group has initiated a sales process for a 25% share of the SSEN Transmission business. The process is continuing in line with expectations, and the Group expects to announce an agreement in the coming weeks, with completion following receipt of certain regulatory approvals.

Given the SSEN Distribution business has been focussed on the RIIO-ED2 business case negotiations with Ofgem, it is expected that the process for a similar stake sale will commence in early 2023.

Whilst these are high-quality, core businesses and SSE will retain strategic, financial and operational control, the scale of potential growth and the associated investment required mean that bringing in non-controlling partners will create greater long-term value by enabling SSE to harness this significant growth whilst maintaining an attractive balance of capital allocation across the Group.

SUPPLEMENTAL FINANCIAL INFORMATION

Adjusted Investment and Capex Summary	Sept 2022 Share %	Sept 2022 £m	Sept 2021 £m
SSEN Transmission	16	270.9	291.0
SSEN Distribution	10	175.8	171.3
Regulated networks total	**26**	**446.7**	**462.3**
SSE Renewables	**24**	**426.3**	**417.5**
SSE Thermal	5	89.2	93.3
Gas Storage	-	6.5	0.8
Thermal Total	**5**	**95.7**	**94.1**
Energy Customer Solutions	1	26.0	24.8
Energy Portfolio Management	-	2.4	0.9
Gas Production*	-	-	11.6
Distributed Energy	4	62.2	7.3
Corporate unallocated	3	43.9	24.3
Adjusted investment and capital expenditure, before refunds	**63**	**1,103.2**	**1,042.8**
Project finance development expenditure refunds	-	-	-
Adjusted investment and capital expenditure	**63**	**1,103.2**	**1,042.8**
Acquisitions	37	640.0	-
Adjusted investment, capital and acquisitions expenditure	**100**	**1,743.2**	**1,042.8**

** Discontinued operation, the Gas Production business was disposed on 14 October 2021.*

PROGRESS IN SSE'S CAPITAL EXPENDITURE PROGRAMME

During the six months to 30 September 2022, SSE's adjusted investment, capital and acquisitions expenditure totalled £1,743.2m, representing an increase of 67% versus the same period last year. The amount recorded includes £640m of expenditure in respect of the Southern European onshore wind development platform acquisition, plus SSE's share of the purchase of Triton Power Holdings, in transactions which both completed on 1 September 2022. The remainder of spend was focused on SSE's Renewables, Networks and Thermal divisions, including:

In SSEN Transmission, progress continues on its RIIO-T2 capex programme, with expenditure in the period including £92m the Shetland HVDC link which will connect the Shetland islands to the GB Transmission system for the first time, as well as £71m on the East Coast Development project. Elsewhere, £28m was spent on the Inveraray-Crossaig projects as part of the wider Argyll and Kintyre 275kV Strategy, and £1.5m on the first two circuits connecting Seagreen offshore wind farm to Tealing substation in Angus.

For SSEN Distribution, which is in the final year of its current RIIO-ED1 price control, investment has been delivered across a broad range of projects in both the North and South networks. This included the start of an ambitious £7m project which will see a full refurbishment of the overhead network running from Poole through to Blandford Forum and on to the edge of Yeovil; £10m of investment in Argyll's electricity infrastructure to power communities from Taynuilt to Tullich, Oban and the islands beyond; substantial progress on the £14m project to upgrade the electricity network between Aultbea and Ullapool; and key infrastructure upgrades in the Isle of Wight, Feltham and Berkshire.

On SSE Renewables' flagship construction projects, £265m of equity drawdown has been invested at Seagreen offshore wind farm (SSE share 49%) which achieved first power on 22 August. Despite a crane failure on an installation vessel earlier in the year and subsequent poor weather, progress continues to be made with 78 jackets and 65 turbines now installed, and it is expected to reach commercial operations in summer 2023. All three phases of Dogger Bank are now under construction but this activity has so far been funded by the joint venture project finance. Further north, another £62m has been spent on Viking onshore wind farm where access tracks are complete, turbine delivery is due to commence from February 2023 and the project remains on target to achieve commercial operations in Summer 2024. Elsewhere, around £10m has been invested into the Tummel Bridge hydroelectric station repowering and £517m relating to the Southern European onshore platform is included within acquisitions.

In Thermal, around £55m was invested on the development of the 50MW Slough Multifuel station, a joint venture with CIP, which is expected to be delivered in FY25. In addition, £11m was invested in the final stages of the Keadby 2 project, which has experienced a delay; performance validation tests are now expected to completed in January 2023, with remaining capex of around £7m expected in the second half of FY23. Finally, SSE's share of consideration for the acquisition with Equinor of Triton Power totalled £123.3m after completion adjustments.

SSE'S HEDGING POSITION AT 30 SEPTEMBER 2022

SSE has an established approach to hedging through which it generally seeks to reduce its broad exposure to commodity price variation at least 12 months in advance of delivery. SSE continues to monitor market developments and conditions and alters its hedging approach in response to changes in its exposure profile, such as the acceleration of hedging by SSE Renewables previously disclosed in May 2022. SSE will continue to provide a summary of its hedging approach, including details of any changes in the period, within its Interim and Full-year Results Statements.

A summary of the hedging position for each of SSE's market-based businesses is set out below.

SSE Renewables – GB wind and hydro:

The following table provides an update for SSE's GB Wind and Hydro generation hedge positions as at 30 September 2022. The prices presented for 2022/23 reflect a weighted average of the achieved price for the first six months of the year (including any buy-backs) and updated hedged prices for the second half following conversion of gas and carbon trades for that period into electricity. Expected volumes have been adjusted for outturn in the first half.

		Weighted Avg.	As at 30 September 2022		
		2022/23	2023/24	2024/25	2025/26
Wind	Expected volume – TWh	4.9	6.5	8.4	8.6
	Volume hedged - %	104%	80%	66%	2%
	Hedge price - £MWh	£74	£78	£114	£118
Hydro	Expected volume – TWh	3.4	3.6	3.8	3.9
	Volume hedged - %	89%	85%	62%	3%
	Hedge price - £/MWh	£71	£85	£115	£110

Note: where gas and carbon trades have been used as a proxy for electricity, a constant 1 MWh :69.444 th and 1MWh : 0.3815 te/MWh conversion ratio between commodities has been applied.

The expected volumes include anticipated pre-CFD volumes from SSE's wind farms in construction, Seagreen and Viking. No volumes have been included for Dogger Bank wind farm. The 2022/23 wind volume hedged position reflects lower than previously expected output from Seagreen due to construction delays. Seagreen now accounts for approximately 0.6TWh in 22/23, 2.2TWh in 23/24 and 2.5TWh in 24/25 and 25/26, with Viking accounting for 1.6TWh in 24/25 and 1.7TWh in 25/26.

The table excludes additional volumes and income for BM activity, ROCs, ancillary services, capacity mechanism and shape variations and optimisations. It also excludes volumes and income relating to Irish wind output, pumped storage and CfDs.

Energy output hedges for both wind and hydro are progressively established over the 36 months prior to delivery (although the extent of hedging activity for future periods depends on the level of available market depth and liquidity). Target hedge levels continue to be achieved through the forward sale of either electricity, or gas and carbon equivalents.

This approach aims to reduce the exposure of these wind assets to volatile spot power market outcomes whilst still providing an underlying commodity price hedge. When gas-and-carbon hedges are converted into electricity hedges a “spark spread” is realised which can lead to changes in the average hedge price expected. This can both increase the average hedge price, as has been seen in 2022/23, or decrease it.

For wind energy output, SSE’s established approach to hedging seeks to account for the effect of the ‘wind capture price’ by targeting a hedge of less than 100% of its anticipated wind energy output for the coming 12 months. The targeted hedge percentage is reviewed and adjusted as necessary to reflect any changes in future market and wind capture insights. The last such revision occurred in May 2021, with at least 90% of the anticipated energy output from wind for the coming twelve months being hedged from that date.

The approach to hedging hydro energy output remains unchanged at approximately 85% of its anticipated energy output for the coming twelve months.

UK Business Energy: The business supplies electricity and gas to business and public sector customers. Sales to contract customers are hedged: at point of sale for fixed contract customers; upon instruction for flexi contract customers; and on a rolling hedge basis for tariff customers.

Given the pricing and macro-economic context, Business Energy is dynamically monitoring nearer term consumption actuals for any early signs of demand variability and adjusting future volumes hedged accordingly.

GB Thermal: In the six months prior to delivery, SSE aims to hedge all of the expected economic output of its CCGT assets, having progressively established this hedge over the preceding eighteen months. Hedging activity depends on the availability of sufficient market depth and liquidity, which can be limited, particularly for periods further into the future.

SSE continues to monitor market developments, in particular overall market volatility and liquidity, and will adjust its hedging approach to take account of any resultant change in exposures.

Gas Storage: The annual auction to offer gas storage capacity contracts from Atwick, held in April 2022, resulted in no third-party contracts being secured. As such the assets are being commercially operated to optimise value arising from changes in the spread between summer and winter prices, market volatility and plant availability.

Energy Portfolio Management (EPM): EPM provides the route to market and manages the execution for all of SSE’s commodity trading outlined above (spark spread, power, gas, oil and carbon). This includes monitoring market conditions and liquidity and reporting net Group exposures. The business operates under strict position limits and VAR controls. There is some scope for small position-taking to permit EPM to manage around shape and liquidity whilst taking small optimisation opportunities. This is contained within a VAR limit of £2m (£1m for the curve period and £1m for the prompt).

Ireland: Vertical integration of the generation and customer businesses in Ireland limits the Group’s commodity exposure in that market.

SUMMARISING MOVEMENTS ON EXCEPTIONAL ITEMS AND CERTAIN REMEASUREMENTS

EXCEPTIONAL ITEMS

In the six months to 30 September 2022, SSE recognised a net exceptional gain within continuing operations of £448.7m before tax. The following table provides a summary of the key components making up the net gain position:

Exceptional Credits within continuing operations	Total £m
Impairment reversals and fair value uplift:	
Thermal Electricity Generation historic impairment reversal	17.8
Gas Storage historic impairment reversal	201.1
Triton Power fair value uplift	140.7
Other exceptional items	
Fiddlers Ferry land sale	89.1
Total exceptional items	**448.7**

Notes:

- *The definition of exceptional items can be found in Note 2 (iii) of the Interim Financial Statements.*

In addition to the above exceptional items from continuing operations, a net exceptional gain within discontinued operations of £35.0m after tax was recognised. This related to the release of a provision following further clearance granted in respect of the Group's disposal of its Gas Production business which completed on 14 October 2021.

For a full description of exceptional items, see Note 6 of the Interim Financial Statements.

CERTAIN REMEASUREMENTS

In the six months to 30 September 2022, SSE recognised an adverse net remeasurement within continuing operations of £(1,548.7)m before tax. The following table provides a summary of the key components making up the adverse movement:

Certain remeasurements within continuing operations	Total £m
Operating derivatives	(1,988.3)
Commodity stocks held at fair value	195.9
Financing derivatives	243.7
Total net adverse remeasurement	**(1,548.7)**

Operating derivatives

SSE enters into forward purchase contracts (for power, gas and other commodities) to meet the future demands of its energy supply businesses and to optimise the value of its generation assets. Some of these contracts are determined to be derivative financial instruments under IFRS 9 and as such are required to be recorded at their fair value as at the date of the financial statements.

SSE shows the change in the fair value of these forward contracts separately as this mark-to-market movement does not reflect the realised operating performance of the businesses. The underlying value of these contracts is recognised as the relevant commodity is delivered, which for the large majority of the position at 30 September 2022 is expected to be within the next 6 – 12 months.

The change in the operating derivative mark-to-market valuation was a £(1,988.3)m decrease from a £2,306m "in-the-money" position at 31 March 2022 into a £318m "in-the-money" position at 30 September 2022. This movement consisted of:

- Settlement during the year of £(944.3)m of previously "in-the-money" contracts in line with the contracted delivery periods; and
- An adverse mark-to-market remeasurement of £(1,044.0)m on unsettled contracts, largely entered into during the course of 2021/22 and 2022/23 and in line with the Group's stated approach to hedging. This mark-to-market remeasurement reflects the extreme volatility in commodity markets during the period.

As in prior years, the reported result does not include remeasurement of 'own use' hedging agreements which do not meet the definition of a derivative financial instrument under IFRS 9 "Financial Instruments".

Commodity stocks held at fair value

Gas inventory purchased by the Gas Storage business for secondary trading opportunities is held at fair value with reference to the forward month market price. The £195.9m positive movement in the period arose from the significant increase in the fair value of gas held over historic cost at the period end.

However, whilst this reflects the positive movement in fair value of physical gas inventory held at the period end, it does not take into account any negative mark-to-market movement on forward contracted sales for the second half of the current financial year. Therefore, similar to derivative contracts held at fair value, we do not expect that all of this valuation movement will be realised by the business.

Financing derivatives

In addition to the movements above, a positive movement of £243.7m was recognised on financing derivatives in the six months to 30 September 2022, including mark-to-market movements on cross-currency swaps and floating rate swaps that are classed as hedges under IAS 39. These hedges ensure that any movement in the value of net debt is predominately offset by a movement in the derivative position. The adjustment was primarily driven by weaker Sterling against the Dollar and Euro, partially offset by higher rates.

These remeasurements are presented separately as they do not represent underlying business performance in the period. The result on financing derivatives will be recognised in adjusted profit before tax when the derivatives are settled.

REPORTED PROFIT BEFORE TAX AND EARNINGS PER SHARE

Taking all of the above into account, reported results for the six months to 30 September 2022 are significantly lower than the previous year. In addition to the £(1,548.7)m cumulative net adverse movement on forward commodity, gas inventory and financing derivative fair value remeasurements noted above, reported results also reflect historic impairment reversals of £219m and net gains on acquisitions/ disposals of £230m as detailed within Note 6 of the Interim Financial Statements.

Reported results in the prior period reflected pre-tax exceptional and certain re-measurement gains of £1,543.5m recognised which were mainly driven by IFRS 9 remeasurements on operating derivatives.

FINANCIAL MANAGEMENT AND BALANCE SHEET

Debt metrics	Sept 2022 £m	March 2022 £m	Sept 2021 £m
Net Debt / EBITDA*	**N/A**	**4.0**	**N/A**
Adjusted net debt and hybrid capital (£m)	**(9,988.6)**	**(8,598.2)**	**(9,611.4)**
Average debt maturity (years)	6.5	6.8	7.2
Adjusted interest cover (times)	4.2	4.0	1.6
Average interest rate for the period (excluding JV/assoc. interest and all hybrid coupon payments)	3.25%	3.29%	3.35%
Average cost of debt at period end (including all hybrid coupon payments)	3.83%	3.81%	3.89%

** Note: Net debt represents the group adjusted net debt and hybrid capital. EBITDA represents the full year group adjusted EBITDA, less £125.4m (at March 2022) for the proportion of adjusted EBITDA from equity-accounted Joint Ventures relating to project financed debt.*

Net finance costs reconciliation	Sept 2022 £m	Sept 2021 £m
Adjusted net finance costs	**156.6**	**202.6**
Add/(less):		
Lease interest charges	(14.1)	(16.2)
Notional interest arising on discounted provisions	(7.1)	(2.3)
Hybrid equity coupon payment	38.8	50.7
Adjusted finance costs for interest cover calculation	174.2	234.8

SSE Principal Sources of debt funding	Sept 2022	March 2022	Sept 2021
Bonds	52%	55%	58%
Hybrid debt and equity securities	18%	21%	22%
European investment bank loans	7%	7%	7%
US private placement	10%	9%	9%
Short-term funding	10%	5%	1%
Index –linked debt	3%	3%	3%
% Of which has been secured at a fixed rate	**92%**	**96%**	**100%**

Rating Agency	Rating	Criteria	Date of Issue
Moody's	Baa1 'negative outlook'	'Low teens' Retained Cash Flow/Net Debt	November 2021
Standard and Poor's	BBB+ 'outlook stable'	About 18% Funds From Operations/Net Debt	November 2021

MAINTAINING A STRONG BALANCE SHEET

While there may be short-term fluctuations, a key objective of SSE's approach to managing cash outflow and securing value and proceeds from disposals is its target of a net debt/EBITDA ratio of 4.5x or lower across the five years to 31 March 2026.

As well as promoting the long-term success of the Company, this approach is also designed to ensure that SSE maintains credit rating ratios (Retained Cash Flow (RCF)/Net Debt and Funds From Operations (FFO)/Net Debt) that are comparable with private sector utilities across Europe and comfortably above those required for an investment grade credit rating.

SSE's S&P credit rating remains at BBB+ 'stable outlook' and its Moody's rating also remains at Baa1 but updated to 'stable outlook' following the strategic review update in November 2021.

ADJUSTED NET DEBT AND HYBRID CAPITAL

SSE's adjusted net debt and hybrid capital was £10.0bn at 30 September 2022, up from £8.6bn at 31 March 2022. In addition to dividends, capex spend and revaluation of currency debt as well as various working capital movements, this movement includes the completion of two acquisitions during the period:

- In September 2022, SSE Renewables completed the acquisition from Siemens Gamesa Renewable Energy of an onshore development platform across Spain, France, Italy and Greece for a consideration of €580m; and
- In September 2022, SSE Thermal, alongside Equinor as 50/50 partners, completed the acquisition of the Triton Power portfolio in a £341m transaction.

DEBT SUMMARY AS AT 30 SEPTEMBER 2022

The SSE Group issued £1.7bn of hybrid capital and new medium- long-term debt in the six months to 30 September 2022 whilst also significantly increasing short-term debt in the form of Commercial Paper:

- In March 2022, the SSE Group through its SSEN Transmission entity priced and committed to a £350m dual tranche private placement, being a £175m 10-year tranche at 3.13% and £175m 15-year tranche at 3.24% giving an all-in average rate of 3.19%. The proceeds were received on 30 June 2022.

- In April 2022, SSE plc issued a €1bn NC6 equity accounted hybrid bond at 4% to refinance the dual tranche debt accounted hybrid bonds issued in March 2017. SSE has taken advantage of the 3-month par call option on these 2017 hybrid bonds, meaning they were repaid on 16 June 2022 in advance of the first call date. The €1bn equity accounted hybrid bond has been kept in Euros and the proceeds were used to cover the portion of the maturing hybrid that was swapped to Euros (€575m) and to finance a portion of SSE Renewables' European onshore development platform acquisition as noted above.
- In July 2022, SSE plc issued a 7 year €650m Eurobond at a coupon of 2.875% which was left in Euros as part of our net investment hedge in overseas assets held in that currency. The bond was 8 times oversubscribed which allowed SSE to secure a highly competitive rate for the issuance.
- Over the course of the period, rolled maturing short-term debt in the form of Commercial Paper in addition to raising a further £0.7bn, which takes the total outstanding Commercial Paper at 30 September 2022 to €1,376m (£1,173m). Commercial Paper has been issued in Euros and swapped back to Sterling at an average cost of debt of 2.395% and matures between October 2022 and January 2023.

In addition to the March 2017 hybrid bonds which were called in June 2022 as noted above, a further £463m of medium-to-long-term debt has matured in the period comprising £163m (US Private Placement) which matured in April 2022 and £300m (Eurobond) which matured in September 2022. In the next twelve months, there is a further £870m of medium-to-long-term debt maturing being £150m (European Investment Bank) maturing in October 2022, £50m (also European Investment Bank) maturing in August 2023, £35m maturing in April 2023 and £120m maturing in September 2023 (both US Private Placements) and a €700m bond maturing in September 2023. Despite this, the Group expects to have minimal long-term debt refinancing requirements to FY25, given expected asset disposal proceeds. As noted above, a further €1,376m (£1,173m) of short-term debt in the form of Commercial Paper is also due to mature in the second half of 2022/23, however the current intention is to roll this maturing short-term debt forward.

HYBRID BONDS SUMMARY AS AT 30 SEPTEMBER 2022

Hybrid bonds are a valuable part of SSE's capital structure, helping to diversify SSE's investor base and most importantly to support credit rating ratios, with their 50% equity treatment by the rating agencies being positive for SSE's credit metrics.

A summary of SSE's hybrid bonds as at 30 September 2022 can be found below:

Issued	Hybrid Bond Value[1]	All in rate[2]	First Call Date	Accounting Treatment
July 2020	£600m	3.74%	Apr 2026	Equity accounted
July 2020	€500m (£453m)	3.68%	July 2027	Equity accounted
April 2022	€1bn (£831m)	4.00%	Apr 2028	Equity accounted

[1] *Sterling equivalents shown reflect the fixed exchange rate on date of receipt of proceeds and is not subsequently revalued.*
[2] *All in rate reflects coupon on bonds plus any cost of swap into sterling which currently only applies to July 2020 Hybrid.*

Further details on each hybrid bond can be found in Notes 13 and 14 to the Interim Financial Statements and a table noting the amounts, timing and accounting treatment of coupon payments is shown below:

Hybrid coupon payments	2022/23		2021/22	
	HYa	FYe	HYa	FYa
Total equity (cash) accounted	£39m	£39m	£51m	£51m
Total debt (accrual) accounted	£21m	£21m	£15m	£31m
Total hybrid coupon	**£60m**	**£60m**	**£66m**	**£82m**

SSE's March 2015 and July 2020 hybrid bonds are perpetual instruments and are therefore accounted for as part of equity within the Interim Financial Statements but, as in previous years, have been included within SSE's 'Adjusted net debt and hybrid capital' to aid comparability. The March 2017 hybrid bonds

which were called and settled in 2022/23 had a fixed redemption date and were therefore debt accounted and included within Loans and Other Borrowings; as such they were already part of SSE's adjusted net debt and hybrid capital.

The coupon payments relating to the equity accounted hybrid bonds are presented as distributions to other equity holders and are reflected within adjusted earnings per share when paid. The coupon payments on debt accounted hybrid bonds are treated as finance costs under IFRS 9.

MANAGING NET FINANCE INCOME / (COSTS)

SSE's adjusted net finance costs – including interest on debt accounted hybrid bonds but not equity accounted hybrid bonds – were £(156.6)m in the six months to 30 September 2022, compared to £(202.6)m in the previous period. The lower level of finance costs from period to period mainly reflects lower overall net debt following the receipt in March 2022 of the Scotia Gas Networks' disposal proceeds, replacement of a maturing debt accounted hybrid with an equity accounted hybrid and a higher proportion of debt being held via Commercial Paper at a lower coupon rate than maturing debt.

Reported net finance income was £124.1m compared to a reported net finance cost of £(218.3)m in the previous period, reflecting the movements above as well as a £299.6m period-on-period change in the mark-to-market revaluation of financing derivatives held at fair value and a £3.2m net movement on exceptional items, joint venture interest and interest on net pension asset.

SUMMARISING CASH AND CASH EQUIVALENTS

At 30 September 2022, SSE's adjusted net debt included cash and cash equivalents of £0.3bn, down from £1.0bn at March 2022. The level of cash and cash equivalents at the period end reflects a more normal operating cash position, as previous years' balances had included the proceeds from disposals such as Scotia Gas Networks in March 2022.

The cash collateral position has increased from £74.7m of cash provided as collateral at 31 March 2022 to £581.3m of cash provided at 30 September 2022. Cash collateral is only required for forward commodity contracts traded through commodity exchanges, and generally comprises an 'initial margin' element based on the size and period of the trade and a 'variation margin' element which will change from day to day depending on the fair value of that trade each day. The level of cash collateral either provided or received therefore depends on the volume of trading through the exchanges, the periods being traded and the associated price volatility. As collateral is only required on a portion of trades, the movement in collateral provided or received will not correlate to the IFRS 9 fair value movement recognised, which also only covers a portion of the total Group trading activity. The cash collateral position had increased at 30 September due to the continued higher forward power and gas price environment, alongside heightened price volatility in those markets. We expect that the higher price environment and volatility will continue, for at least the remainder of the financial year.

On 11 November 2022, further volatility has seen the cash collateral position increase to £1,004.0m, which has been funded through a combination of Commercial Paper issuance and part draw-down of the Revolving Credit Facilities noted below. Following this increase, the Group retains over £2bn of liquidity in reserve, available to meet any further cash collateral requirements over the winter.

REVOLVING CREDIT FACILITY / SHORT-TERM FUNDING

SSE has £1.5bn of committed bank facilities in place to ensure the Group has sufficient liquidity to allow day-to -day operations and investment programmes to continue in the event of disruption to Capital Markets preventing SSE from issuing new debt for a period of time. These facilities are set out in the table below.

Date	Issuer	Debt type	Term	Value
Mar 19	SSE plc	Syndicated Revolving Credit Facility with 10 Relationship Banks	2026	£1.3bn
Oct 19	SSE plc	Revolving Credit Facility with Bank of China	2026	£200m

The facilities can also be utilised to cover short-term funding requirements; however, they remain undrawn for most of the time and at 30 September 2022 they were both undrawn.

Both facilities are classified as sustainable facilities with interest rate and fees paid dependant on SSE's performance in environmental, social and governance matters, as assessed independently by Moody's ESG Solutions.

Following the period end, on 11 November 2022 two new revolving credit facilities were entered into as part of the Networks minority stake disposal process. SSEN Transmission entered into a three-year £750m facility and SSE Distribution entered into a similar 3 year £250m facility, both having two one-year optional extensions. These facilities were entered into to help cover the future long term funding requirements and the working capital of those businesses as they look to become financially independent of the Group. The facilities will therefore support the ongoing capital expenditure investment programmes that are required to deliver their ambitious future growth plans.

In addition to these committed bank facilities, the Group has access to £50m of uncommitted bank lines and a £15m overdraft facility.

MAINTAINING A PRUDENT TREASURY POLICY

SSE's treasury policy is designed to be prudent and flexible. In line with that, cash from operations is first used to finance regulatory and maintenance capital expenditure and then dividend payments, with investment and capital expenditure for growth generally financed by a combination of cash from operations, bank borrowings and bond issuance.

As a matter of policy, a minimum of 50% of SSE's debt is subject to fixed rates of interest. Within this policy framework, SSE borrows as required on different interest bases, with financial instruments being used to achieve the desired out-turn interest rate profile. At 30 September 2022, 92% of SSE's borrowings were at fixed rates.

Borrowings are mainly in Sterling and Euros to reflect the underlying currency denomination of assets and cash flows within SSE. All other foreign currency borrowings are swapped back into either Sterling or Euros.

Transactional foreign exchange risk arises in respect of procurement contracts, fuel and carbon purchasing, commodity hedging and energy portfolio management operations, and long-term service agreements for plant.

SSE's policy is to hedge any material transactional foreign exchange risks through the use of forward currency purchases and/or financial instruments. Translational foreign exchange risk arises in respect of overseas investments; hedging in respect of such exposures is determined as appropriate to the circumstances on a case-by-case basis.

ENSURING A STRONG DEBT STRUCTURE THROUGH MEDIUM- AND LONG-TERM BORROWINGS

The ability to raise funds at competitive rates is fundamental to investment. SSE's fundraising over the past five years, including senior bonds, hybrid capital and term loans, now totals £9.5bn and SSE's objective is to maintain a reasonable range of debt maturities. Its average debt maturity, excluding hybrid securities, at 30 September 2022 was 6.5 years, down from 6.8 years at 31 March 2022. This movement reflects the £1.7bn of new hybrid capital and long term debt issued in the last six months but has been offset by a higher short-term funding position via Commercial Paper. SSE's average cost of debt is now 3.83%, compared to 3.81% at 31 March 2022.

GOING CONCERN

The Directors regularly review the Group's funding structure and have assessed that the Interim Financial Statements should be prepared on a going concern basis.

In making their assessment the Directors have considered sensitivities on the forecast future cashflows of the Group for the period to 31 December 2023 resulting from the current volatile market conditions; the Group's credit rating; the success of the Group's disposal programme through 2020/21 and 2021/22; the successful issuance of £1.7bn of hybrid equity, Eurobond and private placement debt issued during the period; and the likelihood of disposal of assets which have been announced as in progress and related debt funding. The Directors have also considered the Group's obligations under its debt covenants, with projections to 31 December 2023 supporting the expectation that there will be no breaches.

The Directors have assessed that the Group remains able to access Capital Markets, as demonstrated by the £3.6bn of debt issued over the last 24 months. There is also an expectation of continued availability of the Commercial Paper market along with future available liquidity in the private placement market in addition to the Group's existing liquidity with £1.5bn of undrawn committed borrowing facilities.

OPERATING A SCRIP DIVIDEND SCHEME

In its Strategic Update, published on the 17 November 2021, SSE announced plans to accelerate clean growth, lead the energy transition and maximise value for all stakeholders. As part of its five-year investment plan, SSE is targeting dividend increases in line with RPI inflation to March 2023, followed by a rebase to 60p in 2023/24 and at least 5% annual increases to March 2026.

SSE's Scrip Dividend Scheme was last renewed for a three-year period at the 2021 AGM and continues to be offered to all shareholders. For the period 2021/22 and beyond, take-up from the Scrip Dividend Scheme will be capped at 25%. SSE plans to implement this cap by means of a share repurchase programme, or 'buyback', in October each year following payment of the final dividend. The scale of any share repurchase program would be determined by shareholder subscription to Scrip Dividend Scheme across the full year, taking into account the interim and final dividend elections.

Following notification of the final dividend elections on 29 August 2022, overall scrip dividend take-up for the financial year ended 31 March 2022 was 38.33%. SSE therefore, on 30 August 2022, announced its intention to initiate a share buyback, in the period following the final dividend payment for the year ended 31 March 2022. The number of ordinary shares to be purchased will not exceed 6,904,083 ordinary shares, and the maximum pecuniary amount allocated to the Scrip buy-back is £125m. SSE has commenced this buy-back which it intends to complete by 31 March 2023 and, as at 10 November 2022, 5.2m shares had been repurchased.

SSE believes limiting the dilutive effect of the Scrip in this way strikes the right balance in terms of giving shareholders choice, potentially securing cash dividend payment savings and managing the number of additional shares issued.

SSE'S PRINCIPAL JOINT VENTURES AND ASSOCIATES

SSE's financial results include contributions from equity interests in joint ventures ("JVs") and associates, all of which are equity accounted. The details of the most significant of these are included in the table below. This table also highlights SSE's share of off-balance sheet debt associated with its equity interests in JVs which totals less than £2.5bn as at 30 September 2022.

SSE principal JVs and associates[1]	Asset type	SSE holding	SSE share of external debt as at 30 Sept 2022	SSE Shareholder loans as at 30 Sept 2022
Seabank Power Ltd	1,234MW CCGT	50%	No external debt	No loans outstanding
Marchwood Power Ltd	920MW CCGT	50%	No external debt	£32m
Clyde Windfarm (Scotland) Ltd	522MW onshore wind farm	50.1%	No external debt	£127m
Dogger Bank A Wind Farm	Up to 1,200MW offshore wind farm.	40%	£656m	Project financed
Dogger Bank B Wind Farm	Up to 1,200MW offshore wind farm.	40%	£485m	Project financed
Dogger Bank C Wind Farm	Up to 1,200MW offshore wind farm.	40%	£235m	Project Financed
Seagreen Windfarm Ltd	1,075MW offshore wind farm	49%	£612m	£713m[2]
Seagreen 1a Ltd	Offshore wind farm extension	49%	No external debt	£14m
Lenalea Wind Energy Ltd	30MW of onshore windfarm	50%	No external debt	£7m
Beatrice Offshore Windfarm Ltd	588MW offshore wind farm	40%	£676m	Project financed
Cloosh Valley Wind Farm	105MW onshore windfarm (part of Galway Wind Park)	25%	No external debt	£26m
Neos Networks Ltd	Private telecoms network	50%	No external debt	£52m
Slough Multifuel Ltd	50MW energy-from-waste facility	50%	No external debt	£102m
Stronelairg Windfarm Ltd	228MW onshore wind farm	50.1%	No external debt	£88m
Dunmaglass Windfarm Ltd	94MW onshore windfarm	50.1%	No external debt	£46m
Ossian Offshore Windfarm Ltd	ScotWind seabed	40%	No external debt	No loans outstanding
Triton Power Holdings Limited	1,200MW CCGT & 140MW OCGT	50%	No external debt	£48m

Notes:
[1] Greater Gabbard, a 504MW offshore windfarm (SSE share 50%) is proportionally consolidated and is reported as a Joint Operation with no loans outstanding.
[2] For accounting purposes, £369m of the £713m of SSE Shareholder loans advanced to Seagreen Windfarm Limited as at 30 September 2022 have been classified as equity.

TAXATION

SSE considers being a responsible taxpayer a core element of being a responsible member of society. SSE seeks to pay the right amount of tax on its profits, in the right place, at the right time, and was the first FTSE 100 company to have been awarded the Fair Tax Mark.

While SSE has an obligation to its customers and shareholders to manage its total tax liability efficiently, it does not seek to use the tax system in a way it does not consider it was meant to operate, or use "tax havens" to reduce its tax liabilities.

SSE understands it also has an obligation to the society in which it operates, and from which it benefits – for example, tax receipts are vital for the public services SSE relies upon. Therefore, SSE's tax policy is always to operate within both the letter and spirit of the law.

For reasons already stated above, SSE's focus is on adjusted profit before tax, and in line with that, SSE believes that the adjusted current tax charge on that profit is the tax measure that best reflects underlying performance. SSE's adjusted current tax rate for the period to 30 September 2022, based on adjusted profit before tax, is 12.6%, as compared with 7.3% for the same period last year on the same basis, and after discrete items. The increase in rate is largely driven by higher expected profit before tax across the full year.

The UK Budget in March 2021 introduced a "super-deduction" for qualifying capital expenditure incurred during the two-year period from 1 April 2021 to 31 March 2023. Capital allowances rates of 130% and 50% replace the existing rates of 18% and 6% respectively for qualifying capital expenditure in that period, significantly increasing the amount of capital allowances available on the Group's capital investment programme.

PENSIONS

Contributing to employees' pension schemes – IAS 19	Sept 22	March 22	Sept 21
Pension scheme asset recognised in the balance sheet before deferred tax £m	648.5	584.9	501.7
Pension scheme liability recognised in the balance sheet before deferred tax £m	-	-	(63.7)
Net pension scheme asset recognised in the balance sheet before deferred tax £m	**648.5**	**584.9**	**438.0**
Employer cash contributions Scottish Hydro Electric scheme £m	0.5	1.0	0.5
Employer cash contributions Southern Electric scheme £m	26.8	58.0	30.7
Deficit repair contribution included above £m	18.8	40.9	20.4

In the six months to 30 September 2022, the surplus across SSE's two pension schemes increased by £63.6m, from £584.9m to £648.5m, primarily due to actuarial gains of £1,104.9m and contributions made to the schemes offset by reductions in scheme assets of £1,059.4m and current service costs.

The valuation of the Southern Electric Pension Scheme ('SEPS') increased by £167.7m in the six-month period primarily due to actuarial gains of £727.4m, in particular the impact of higher discount rates, as well as deficit repair contributions exceeding service costs, offset by reductions in scheme assets of £569.3m.

The Scottish Hydro Electric Pension Scheme ('SHEPS') has insured against volatility in its deferred and pensioner members through the purchase of 'buy-in' contracts meaning that the Group only retains exposure to volatility in active employees. During the period the SHEPS surplus decreased by £104.1m.

Additional information on employee pension schemes can be found in Note 17 to the Interim Financial Statements.

HY22-23 – BUSINESS OPERATING REVIEW

SSE's strategy of sustainably developing, building, operating and investing in the electricity infrastructure and businesses needed in the transition to net zero is delivered through a focused mix of market-based and economically-regulated energy businesses.

SSE's businesses are key to enabling a net zero economy, have significant growth potential and, importantly, fit together. With common skills and capabilities in the development, construction, financing and operation of highly technical electricity assets, there are strong synergies between them and valuable links across them. SSE's business mix is very deliberate, highly effective, fully focused and well set to prosper on the journey to net zero, whilst contributing to energy security and affordability.

The review of the Business Units that follows provides visibility of performance and future priorities.

ECONOMICALLY-REGULATED NETWORKS

SSE owns and operates an electricity transmission network in the north of Scotland and two electricity distribution networks in the north of Scotland and in central southern England.

Owners of energy networks in Great Britain are remunerated according to the RIIO (Revenue = Incentives + Innovation + Outputs) framework set by Ofgem, under which the regulator determines an annual allowed level of required capital expenditure and operating costs, in order to meet required network outputs. These are added together to form total expenditure or 'totex', which is split by defined capitalisation rates which differ between networks.

Regulatory operational expenditure ('fast money') flows into licensee revenue, whereas regulatory capex ('slow money') is added to the regulatory asset value ('RAV') for each network. Licensees earn a return on regulatory equity and receive an allowance for the cost of debt, both of which are calculated based on a notional split of their RAV. Revenues and RAV are index-linked under the regulatory mechanism, providing a valuable hedge against rising inflation. SSEN Distribution's income and asset base is linked to RPI until the end of its current price control in March 2023; while SSEN Transmission is linked to CPIH under its RIIO-T2 price control until March 2026.

Each licensee can earn above its base return on equity through delivering efficiency savings on totex. Additionally, if service levels improve against targets, there is an opportunity to earn additional income through incentives. If service levels fall below targets set out in the price control, a penalty will be incurred which reduces network revenue and therefore customer bills. This ensures that customers only compensate networks for improving service levels. Further, customers benefit from reduced bills when network providers achieve efficiency savings on totex expenditure.

In Distribution, charges per MWh ('tariffs') are set by licensees 15 months in advance of the regulatory year and are based on forecasts of: (a) revenue which licensees are entitled to collect in respect of the regulatory year ('allowed revenue'); (b) the incentives and totex outperformance for the last three months of the year in which the tariffs are set; and (c) the level of volumes which will be distributed within the regulatory year. Differences in collected versus allowed revenue (referred to as 'over- or under-recovery') are accommodated in allowed revenue two years after the year in which they occur.

In Transmission, licensees are paid by the System Operator based on a forecast of allowed revenue amount set three months in advance of the regulatory year. While under RIIO-T1 the System Operator assumed the risk of forecast volumes being different to outturn (paying Transmission Operators a fixed allowed revenue irrespective of volumes transported), under the RIIO-T2 price control settlement this risk has been transferred to the Transmission Operators and collected revenue for Transmission Operators can vary depending on actual versus forecast volumes transported. Over- or under-recovered volumes are accommodated in allowed revenue in the following regulatory year, based on a forecast set in November prior to that year, with a true-up in the subsequent year for any variance to forecast.

SSEN TRANSMISSION

SSEN Transmission	Sept 22	Sept 21
Transmission adjusted and reported operating profit - £m	208.4	181.7
Regulated Asset Value (RAV) - £m	4,590	3,875
Renewable Capacity connected to SSEN Transmission Network – MW	7,870	7,850
Transmission adjusted investment and capital expenditure - £m	270.9	291.0

SSEN TRANSMISSION OVERVIEW

SSEN Transmission owns, operates and develops the high voltage electricity transmission system in the North of Scotland and its islands.

Over the duration of the five-year RIIO-T2 price control, which began in April 2021, total expenditure by SSEN Transmission is expected to be at least £2.6bn (the Certain View) and taking this expenditure alone, Transmission RAV would exceed £5bn by the end of RIIO-T2.

In addition to the Certain View expenditure, Ofgem operate Uncertainty Mechanisms which permit recovery of additional allowed revenue during the price control period to reflect additional investment requirements, when their need or expected timeframe are not known at the outset. These Uncertainty Mechanisms are used to fund further upgrades to the network during the price control period, when there is more certainty around the scope of work required.

All of these investments play a pivotal role in providing critical national infrastructure and to maintain network reliability for the communities SSEN Transmission serves as it delivers a network for net zero.

OPERATIONAL DELIVERY

SSEN Transmission continues to make excellent progress in delivering against its regulatory settlement for the five-year RIIO-T2 price control period.

In the six months to 30 September 2022, SSEN Transmission delivered strong operational performance. There were no transmission faults affecting electricity demand network users in the North of Scotland over the period, in line with its RIIO-T2 goal for 100% transmission network reliability for homes and businesses. SSEN Transmission is therefore on track to receive the annual reward of £0.8m (in 18/19 prices) through the Energy Not Supplied Incentive.

This strong operational performance is underpinned by a robust programme of inspection, maintenance, refurbishment and replacement of its transmission assets, keeping the lights on for communities across the North of Scotland and ensuring reliable network access for its electricity generation customers to support security of supply. In the six months to 30 September 2022, this included enhanced tree cutting to improve network resilience in advance of the winter, particularly those areas most impacted by last year's storms.

SSEN Transmission's capital investment programme remains on track with good progress being made on all major projects. This includes the second phase of the Inveraray-Crossaig overhead line replacement project, with the installation of steel towers and overhead conductors now under way. As well as maintaining and enhancing network reliability to the communities it serves, the Inveraray-Crossaig project will also enable the growth in renewable electricity generation across the region as part of the wider Argyll and Kintyre 275kV Strategy.

The Shetland High Voltage Direct Current (HVDC) transmission link continues to make excellent progress. The subsea cable installation works, which commenced in July 2022, are progressing well with 100km of the total 260km of subsea cable now installed. The project remains on track for completion and energisation in 2024.

Good progress was also made to incrementally increase the capacity of the north east and east coast transmission network to 275kV then to 400kV. This included the second phase of upgrades at

Rothienorman substation which commenced in July. All associated overhead line works are also well under way and due for completion in 2023, with the overall upgrade of the east coast network to 400kV on track for completion in 2026.

These strategic investments in new and upgraded infrastructure are key to enable growth in renewable electricity generation across the North of Scotland.

This included energising the first two circuits to enable the connection of the Seagreen offshore wind farm to Tealing substation in Angus. This will facilitate the export of up to 600MW of Seagreen's capacity, with the third circuit on track to be energised by the end of 2022, enabling Seagreen's full capacity of 1,075MW to be connected.

As at 30 September 2022, the total installed capacity connected to the North of Scotland transmission network was around 9GW, of which just under 8GW is from renewable sources. Factoring in the forecast growth in renewables in the second half of 2022/23 and subsequent years of the RIIO-T2 period, SSEN Transmission remains well on track to meeting, and likely exceeding, its goal to transport the renewable electricity that powers 10m homes. This will be achieved once the installed capacity of renewables reaches 10GW.

For financial performance commentary please refer to the Group Financial Review.

GROWTH OPPORTUNITIES IN RIIO-T2

SSEN Transmission has made tangible progress in unlocking several investments over and above its £2.6bn Certain View. These additional projects, which are being taken forward through Ofgem's Uncertainty Mechanisms, will be key to delivering a pathway for net zero and helping secure the country's future energy independence by enabling the deployment of homegrown, low carbon electricity generation.

In July 2022, Ofgem approved the Final Needs Case for the Eastern Green Link 2 (EGL2), a joint venture between SSEN Transmission and National Grid Electricity Transmission, which will see a 2GW HVDC subsea link from Peterhead to Drax in Yorkshire. At an estimated total JV investment of around £2.1bn, development and early construction activity and expenditure (of which SSEN Transmission share would be 50%) will continue during RIIO-T2, with delivery and energisation in 2029 (RIIO-T3).

Also in July, SSEN Transmission submitted its Final Needs Case for the replacement and upgrade of the Fort Augustus to Skye transmission line. At an estimated total investment of over £400m, the replacement line is required to maintain security of supply and to enable the connection of renewable electricity generation along its route.

In September 2022, Ofgem published for consultation its response to SSEN Transmission's Initial Needs Case (INC) for the Argyll and Kintyre 275kV Strategy, with the regulator accepting the clear need for the investment. It also acknowledged that SSEN Transmission's proposed reinforcements are likely to provide the optimal solution to meet the forecast growth in renewable electricity across the region. At an estimated total investment of around £400m, the Argyll and Kintyre 275kV Strategy is required to upgrade the local transmission network from 132kV to 275kV operation, supporting the forecast growth in renewables.

In October 2022, Argyll and Bute Council's Planning Committee raised an objection to SSEN Transmission's proposed overhead line solution, triggering a Public Local Inquiry. SSEN Transmission is extremely disappointed by this decision, which went against the recommendations of Argyll and Bute Council's Planning Officer, with no other statutory stakeholder objections received. SSEN Transmission continues to consider its next steps as it reviews what this means for its delivery programme and will work with all stakeholders to minimise the impact of this decision on new renewable generation connections across Argyll and Kintyre.

Further expenditure to connect new renewable generation, enable rail electrification and support system security is also expected throughout the RIIO-T2 period and beyond when the need for this investment becomes certain.

Subject to regulatory approval, combined, these investments, alongside the Certain View, could bring the total expenditure across the RIIO-T2 period to over £4bn, with SSEN Transmission RAV increasing to between £6.5bn to £7bn by the end of RIIO-T2 which includes the forecast impact of Uncertainty Mechanism investments and with current inflationary levels is likely to be nearer the upper end of the range.

FURTHER GROWTH OPPORTUNITIES

In July, the National Grid Electricity System Operator (ESO) published the Pathway to 2030 Holistic Network Design (HND) report setting out the onshore and offshore electricity transmission network infrastructure required to deliver the UK Government's 50GW by 2030 offshore wind target. This also included a refresh of January's Networks Options Assessment (NOA).

The HND and NOA refresh have recommended the following investments in SSEN Transmission's network region, which the ESO has assessed are 'required' to enable 2030 targets:

- Two 2GW subsea HVDC links from Peterhead to England, which includes EGL2 which Ofgem approved in July;
- A 1.8GW HVDC subsea link from Spittal in Caithness, connecting to Peterhead;
- A 1.8GW HVDC subsea link from Arnish in the Western Isles connecting to Beauly;
- 400kV onshore reinforcements between Beauly, Loch Buidhe and Spittal; Beauly, Blackhillock, New Deer and Peterhead; Kintore, Alyth and Westfield (in SP Energy Networks); and the uprating of the Beauly-Denny line to enable 400kV operation on both circuits.

The HND also included proposals for a new HVDC Switching Station at Peterhead, Project Aquila, which would integrate HVDC systems through multi-terminal and multi-vendor interoperability. This leading innovation, a world first outside of China, aims to reduce the number of HVDC Convertor Stations required for future HVDC links, reducing costs and minimising community and environmental impacts.

In December 2022, Ofgem is expected to publish the regulatory framework under which these investments will be progressed, the Accelerated Strategic Transmission Investment (ASTI) framework, which will confirm which of these investments will be taken forward.

Combined, the investments set out in the HND and NOA refresh, which are estimated to total around £10bn in total expenditure, provide greater confidence in SSEN Transmission's long term RAV target, which is expected to exceed £12bn by 2031.

Beyond these investments, in October, Ofgem published its decision on the onshore and offshore classification of the offshore HND assets. As part of this decision, Ofgem has confirmed that the proposed subsea connection from Fetteresso to a new substation in Lincolnshire will be classed as an onshore electricity transmission asset and delivered by Transmission Owners, which is likely to support further growth.

Additional growth is expected to enable the connection of ScotWind's full potential, with a follow-up exercise to the HND now under way. Plans to decarbonise oil and gas operations in the North Sea through the deployment of offshore wind powering platforms, which are being taken forward through Crown Estate Scotland's Innovation & Targeted Oil & Gas (INTOG) leasing round, also present further opportunities for growth. An outcome on the HND Follow Up Exercise (HNDFUE) and INTOG leasing round are expected in Q1 2023.

Recognition by Ofgem and the ESO of these further potential growth and investment opportunities underlines the importance of the Transmission network, particularly in the north of Scotland, in transitioning the GB energy system to net zero.

SSEN DISTRIBUTION

SSEN Distribution	Sept 22	Sept 21
Distribution adjusted and reported operating profit - £m	174.6	153.3
Regulated Asset Value (RAV) - £m	4,525	3,862
Distribution adjusted investment and capital expenditure - £m	175.8	171.3
Electricity Distributed - TWh	16.7	17.2
Customer minutes lost (SHEPD) average per customer	27	23
Customer minutes lost (SEPD) average per customer	24	24
Customer interruptions (SHEPD) per 100 customers	30	26
Customer interruptions (SEPD) per 100 customers	23	25

SSEN DISTRIBUTION OVERVIEW

SSEN Distribution, operating under licence as Scottish Hydro Electric Power Distribution plc (SHEPD) and Southern Electric Power Distribution plc (SEPD), is responsible for safely and reliably maintaining the electricity distribution networks supplying over 3.8m homes and businesses across central southern England and the North of Scotland. SSEN Distribution's networks cover the greatest land mass of any of the UK's Distribution Network Operators with over 75,000km² of extremely diverse terrain.

In December 2021, SSEN Distribution published its £3.99bn RIIO-ED2 Final Business Plan for 2023 to 2028. 'Powering Communities to Net Zero' sets out the flexibility and network investment required to accelerate net zero while ensuring efficiency and affordability for customers. Ofgem published its Draft Determinations for the RIIO-ED2 price control in June 2022. SSEN Distribution and a number of stakeholders called on Ofgem to grasp the opportunity to secure the necessary investment in local decarbonisation and resilience whilst also considering the best interests of customers.

OPERATIONAL DELIVERY

SSEN Distribution continues to undertake a major capital investment programme across both its networks, delivering significant improvements for customers and increasing its RAV.

In the six months to 30 September 2022, the business invested £176m, bringing the total invested since the beginning of the RIIO-ED1 price control to almost £2.5bn. This is part of a forecast £2.7bn investment throughout the RIIO-ED1 period, supporting future earnings through RAV growth.

SSEN Distribution is tendering for flexibility services in areas where localised high demand can be offset to extend overall network capacity. This will allow the network to be managed whilst deferring or avoiding the need for network reinforcement. SSEN Distribution has announced plans to tender for 70 MW of new flexibility capacity this year, with a contract value estimated at £6.7m. Contracts are being sought in 16 zones across central southern England.

Incentive performance remains a revenue driver and SSEN prioritises improving reliability of network performance to support a positive customer experience. Under the RIIO regulatory regime, and the Interruptions Incentive Scheme (IIS), SSEN Distribution is incentivised on its performance against the loss of electricity supply through the recording of Customer Interruptions (CI) and Customer Minutes Lost (CML), which includes both planned and unplanned supply interruptions. These incentives will typically be collected two years after they are earned.

For the first six months of 2022/23, SSEN Distribution's CI rate in SHEPD rose from 26 to 30 in comparison to the first six months of 2021/22, with CML increasing from 23 to 27. Investment in automation continues to support SHEPD's unplanned CI performance, with an operational success rate of 53% compared to 43% last year. Two significant faults, alongside the impact of extreme weather impacted IIS performance over the period.

In SEPD, CI reduced from 25 to 23, with no change in CML at 24. SEPD is currently outperforming the CI target set by Ofgem, reflecting a reduction of 5.8% of customers impacted by unplanned interruptions

compared to 2021/22. Continual improvements in the reliability of SEPD's Extra High Voltage (EHV) and Low Voltage (LV) networks are positively contributing to SEPD's incentive performance.

SSEN has successfully secured improvement in customer satisfaction levels based on initial RIIO-ED1 Broad Measure incentive scores. The current performance is an improvement on last year and provides an upward trend which is supported by a comprehensive improvement plan for each Broad Measure category in SEPD. A highest ever league table position in the Stakeholder Engagement and Customer Vulnerability (SECV) incentive was achieved in 2021/22 resulting in an estimated revenue of £1.5m representing SSEN Distribution's second highest return since the incentive was established.

For financial performance commentary please refer to the Group Financial Review.

GROWTH OPPORTUNITIES

As a provider of critical national infrastructure, SSEN Distribution plays a vital role in accelerating the transition to net zero. The climate emergency, cost of living crisis and unstable geopolitical situation mean that RIIO-ED2 will be a unique price control.

SSEN Distribution's RIIO-ED2 Business Plan, which was co-created with stakeholders, is a core component of SSE Group's Net Zero Acceleration Programme. The Final Business Plan proposed a total base expenditure of £3.99bn, representing a 32% increase over an equivalent timeframe in RIIO-ED1. It reflected additional requirements for customers over the five years to 2028. With the transition to net zero gathering pace, we are now seeing a significant rise in the uptake of low-carbon technologies, particularly EV chargepoints, heat pumps, and battery storage. At Final Determination stage later this year, Ofgem can drive the efficient investment in energy systems required to enhance security of supply in a more volatile geopolitical environment. This will support quicker decarbonisation, increase network resilience giving consumers the confidence to switch to low-carbon technologies, and ultimately keep costs low in the longer-term. This will mean network customers can benefit from a just energy transition to net zero.

In August 2022, the BEIS and Ofgem publication, 'Electricity Networks Strategic Framework: Enabling a secure, net zero energy system', detailed a vision for how the electricity network can act as an enabler of a secure, resilient, net zero energy system, and noted the substantial opportunities for growth and jobs generated by network investment. BEIS and Ofgem estimate that investment in electricity networks to meet net zero could directly support in excess of 50,000–130,000 FTE jobs by 2050, contributing an estimated £4-11bn of Gross Value Added to the UK economy as well as delivering positive impacts on wider sectors. The framework also recognises the pivotal role that DNOs will continue to play in supporting the UK's smart technology industry and businesses across the country.

SSE RENEWABLES KEY PERFORMANCE INDICATORS

SSE Renewables	Sept 22	Sept 21
Renewables adjusted operating profit - £m	22.5	25.4
Renewables reported operating (loss) - £m	(29.3)	(33.6)
Renewables adjusted investment and capital expenditure before acquisitions – £m	426.3	417.5
Generation capacity - MW		
Onshore wind capacity (GB) – MW	1,285	1,285
Onshore wind capacity (NI) – MW	122	122
Onshore wind capacity (ROI) – MW	567	567
Total onshore wind capacity – MW	**1,974**	**1,974**
Offshore wind capacity (GB) – MW	487	487
Conventional hydro capacity (GB) – MW	1,159	1,159
Pumped storage capacity (GB) – MW	300	300
Total renewable generation capacity (inc. pumped storage) – MW	**3,920**	**3,920**
Contracted capacity	2,792	2,792
Generation output - GWh		
Onshore wind output (GB) – GWh	1,207	805
Onshore wind output (NI) – GWh	112	76

Onshore wind output (ROI) – GWh	509	405
Total onshore wind output – GWh	**1,828**	**1,286**
Offshore wind output (GB) – GWh	558	563
Conventional hydro output (GB) – GWh	1,020	907
Pumped storage output (GB) – GWh	113	97
Total renewable generation (inc. pumped storage) – GWh	3,519	2,853
Total renewable generation (also inc. constrained off) – GWh	**3,725**	**2,901**

Note 1: Capacity and output based on 100% of wholly owned sites and share of joint ventures
Note 2: Contracted capacity includes sites with a CfD, eligible for ROCs, or contracted under REFIT
Note 3: Onshore wind output excludes 134GWh of constrained off generation in HY2022/23 and 44GWh in HY2021/22; Offshore wind output excludes 72GWh constrained off generation in HY2022/23 and 4GWh in HY2021/22
Note 4: Biomass capacity of 15MW and output of 30GWh in HY2022/23 and 37GWh HY2021/22 is excluded, with the associated operating profit or loss reported within Distributed Energy

SSE RENEWABLES OVERVIEW

SSE Renewables' strategy is to drive the net zero transition through the world-class development, financing, construction and operation of renewables. The business comprises the Group's existing operational assets and those under development in onshore wind, offshore wind, flexible hydro electricity, run-of-river hydro electricity, pumped storage, as well as solar and batteries in international markets. Its operational offshore wind installed capacity is 487MW with its onshore wind and hydro electric installed capacity at 1,974MW and 1,459MW respectively. SSER is currently leading the construction of more offshore wind than any other company in the world.

OPERATIONAL DELIVERY

SSE Renewables' hydro assets continue to play an important role in providing cost-effective, low-carbon flexibility to the system, providing additional diversified revenue streams. Rainfall in the first half of the year was exceptionally low, which has had a major impact on hydro's output. However, station availability remained very high, and through proactive water management, hydro has been able to generate when the system most requires it. Summer outages were managed well, and plant availability is high going into winter months.

Onshore wind also saw very high availability with volumes at 98% of planned volume.

Late summer saw lower wind resource than anticipated and offshore output was further impacted by delays to the Seagreen offshore wind farm project. Offshore output in the first half of the year was 63% of planned levels, though excluding Seagreen the figure rose to 84%. The outlook is positive with the significant grouted connection works at Greater Gabbard and the inter array cable repairs at Beatrice complete. The service operation vessel is mobilised at Seagreen with positive early asset performance.

For financial performance commentary please refer to the Group Financial Review.

CONSTRUCTION PROGRAMME

All three phases of the world's largest offshore wind farm at Dogger Bank (each 1,200MW, SSE share 40%) remain on track. Onshore works are continuing on all three phases, with the three convertor stations at various stages of construction and the onshore HVDC cables already installed on Dogger Bank A and Dogger Bank B. Offshore work is well under way for Dogger Bank A with successful installation of the first monopiles and transition pieces and the 175km offshore export cable. Although there have been some delays to the foundation installation programme, and weather and vessel availability remain as risks, Dogger Bank A is still expecting to achieve first power during 2023.

On Seagreen 1 (1,075MW, SSE share 49%), which will be the world's deepest, fixed-bottom offshore wind farm once operational, there were 78 jackets and 65 turbines installed as at 11 November 2022. The offshore substation platform has been successfully installed and, following first power in August, 27 turbines are now exporting energy. All onshore cabling works and export cable installation is progressing as planned. Due to challenging weather conditions over the first half of the financial year and delays

encountered with the S7000 installation vessel subcontracted to the project, Seagreen is expected to be completed in summer 2023, assuming normal weather and planned vessel availability.

Onshore, construction is progressing well on Viking (443MW) with all 70km of access tracks finished and all 103 bases completed on 12 November 2022. Work on the DC substation is continuing with all transformers delivered safely. The safety and wellbeing of the Viking team has been a particular focus since the tragic death on site of a BAM Nuttall Contractor, Liam Macdonald, in June and there is a determination to deliver the remainder of the project safely. Turbines will be installed in early 2023 and completion is planned for July 2024. In July, Viking was awarded a CfD in Allocation Round 4 covering 50% of the output of Viking for 15 years at £46.39/MWh, in 2012 prices.

In Ireland, Lenalea wind farm (30MW, SSE share 50%) construction is progressing and it is due to be commissioned in late 2023. Following a final investment decision in August, Yellow River (104MW) started construction at the beginning of November 2022 and will proceed on a merchant basis.

In hydro, all major station outages have been successfully completed and the refurbishment of Tummel Bridge station remains on track for completion in Autumn 2023.

GROWTH OPPORTUNITIES – DOMESTIC

SSE Renewables' core markets of the UK and Ireland continue to offer considerable opportunities for growth over the near, medium and long term.

In August, consent was received for the Bhlaraidh Extension (in excess of 100MW) in Scotland and in September for Drumnahough (60MW, SSE share 50%)) in Ireland. A decision on consent for Achany Extension (in excess of 80MW) in Scotland is expected by the end of FY22/23.

In October, SSE Renewables reached an agreement to acquire Aberarder wind farm, a 12-turbine, 50MW consented development project located adjacent to the operational Dunmaglass wind farm (94MW, SSE share 50%).

SSE Renewables recently launched a fleet-wide assessment of where batteries, hydrogen and solar could be co-located with existing onshore assets. Co-location could present a material opportunity for further domestic growth by optimising existing grid connections and secured land on existing sites. On hydro, SSE Renewables is also actively seeking additional investment opportunities, including adding pumping capabilities to existing stations.

Offshore, the consented Seagreen 1A (500MW, SSE Renewables share 49%) did not secure a CfD in Allocation Round 4 but is currently exploring alternative routes to market to take the project forward.

Looking to the medium term, SSE Renewables is working towards a consent application submission by the end of 2022 for the Berwick Bank wind farm. The aim is to secure consent for the up to 4.1GW project in 2023 and for it to be operational around the end of the decade.

North Falls wind farm (up to 504MW, SSE Renewables share 50%), which is an extension to the Greater Gabbard wind farm off the east coast of England, continues to progress with local consultation under way for a potential grid connection in North Essex. North Falls could also be operational by 2030.

Ossian wind farm is SSE Renewables' floating offshore wind project secured in Crown Estate Scotland's ScotWind offshore wind seabed leasing process as part of a consortium with Marubeni Corporation and CIP (Copenhagen Infrastructure Partners). The project recently increased its potential maximum capacity from 2.6GW to up to 3.6GW (SSE Renewables share 40%) following completion of a full geophysical and benthic survey of the project area. It continues to progress through the early stages of development and could play an important part in meeting the UK Government's increased floating wind target of 5GW by 2035.

SSE Renewables also aims to contribute additional capacity needed to meet Ireland's new offshore wind target of 7GW by 2030. Arklow Bank Wind Park 2 (800MW) is progressing through the new marine consenting regime with a Marine Area Consent offer (to secure seabed rights) received in October 2022.

Arklow intends to participate in the first Offshore Renewable Energy Support Scheme (ORESS) auction, expected in Q2 2023, with a view to being operational by 2028.

A foreshore licence has been secured for site investigations for the 1,000MW Braymore Wind Park project off the north-east coast of Ireland and an application has been submitted for the 1,200MW Celtic Sea Array off the south-east coast. Celtic Sea Array and Braymore Wind Park will both apply for a Marine Area Consent in the government's next phase, expected in 2023.

In August, the UK Government acknowledged the need for large-scale and long-duration electricity storage and confirmed it will develop policy to enable the investment by 2024. Subject to the outcome of these policy decisions, SSE's Coire Glas pumped hydro storage project (up to 1,500MW) could progress to an FID decision by 2024/25 with the objective of being completed around the end of the decade.

SSE's first green hydrogen projects – the Gordonbush H2 project co-located with Gordonbush wind farm and the Galway Hydrogen Hub (GH2) in Ireland – are progressing through their respective planning processes.

GROWTH OPPORTUNITIES – INTERNATIONAL

In September 2022, SSE Renewables completed the acquisition from Siemens Gamesa Renewable Energy of an onshore development platform across Spain, France, Italy and Greece for a consideration of €580m. The platform comprises 2.2GW of secured and up to 3GW of prospective onshore wind and solar hybridisation projects. The most advanced projects are progressing well to commence construction in FY23/24. 'Bolt on' acquisition opportunities to further leverage the strength of the platform are being actively explored.

In the Netherlands, SSE Renewables is participating in the Hollandse Kust (west) offshore wind tender for the 700MW HKW Site VI with the results expected in December 2022.

SSE Renewables continues to pursue offshore wind development activities in Japan within its joint ownership company, SSE Pacifico (80% stake). The Japanese Government has confirmed the Round 2 auction process will begin towards the end of 2022. SSE Pacifico is looking at potential opportunities to participate alongside partners, whilst continuing to focus its development activities on projects targeting future auctions.

SSE Renewables has submitted an application to the Polish Government for an Offshore Location License (OLL) for the allocation of development rights for a 954MW offshore wind farm in the Baltic Sea, which would be developed in partnership with Acciona Energia. The outcome of the process is expected in Q1 2023. The companies awarded through this process will have the chance to qualify and participate in Contract for Difference (CfD) auctions starting in 2025.

SSE Renewables also continues to work with Acciona Energia on offshore wind opportunities in Spain and is awaiting the Spanish Government's final offshore wind regulations.

Elsewhere, SSE Renewables is assessing growth options across selected markets in Northern Europe and the United States. It continues to assess participation in upcoming offshore leasing rounds, for example, in California, which will take place in December 2022.

SSE RENEWABLES PROJECT PIPELINE

Project	Location	Technology	Capacity (MW)	SSE Share (MW)
In construction				
Dogger Bank A	GB	Offshore wind	1,200	480
Dogger Bank B	GB	Offshore wind	1,200	480
Dogger Bank C	GB	Offshore wind	1,200	480
Seagreen 1	GB	Offshore wind	1,075	527
Viking	GB	Onshore wind	443	443
Yellow River	ROI	Onshore wind	104	104

Lenalea	ROI	Onshore wind	30	15
Total in construction				**2,529**
Late-stage development				
Seagreen 1A	GB	Offshore wind	500	245
Bhlaraidh Ext.	GB	Onshore wind	Up to 100	Up to 100
Strathy South	GB	Onshore wind	208	208
Other GB & Ireland	GB & Ire	Onshore wind	-	137
Spanish projects	Spain	Onshore wind[3]	104	104
France, Italy and Greece projects	Various	Onshore wind[3]	127	127
Coire Glas	GB	Pumped storage	Up to 1,500	Up to 1,500
Total late-stage development				**2,421**
Early-stage development				
Berwick Bank	GB	Offshore wind	4,100	4,100
Ossian (ScotWind lease)	GB	Offshore wind	Up to 3,600	Up to 1,440
Arklow Bank 2	ROI	Offshore wind	800	800
North Falls	GB	Offshore wind	504	252
Cloiche	GB	Onshore wind	125	125
Other GB & Ireland	GB & Ire	Onshore wind	-	166
Spanish projects	Spain	Onshore wind[3]	989	989
France, Italy and Greece projects	Various	Onshore wind[3]	953	953
Total early-stage development				**8,825**
Future prospects				
Braymore Point	ROI	Offshore wind	1,000	1,000
Celtic Sea Array	ROI	Offshore wind	1,200	1,200
Japanese projects	Japan	Offshore wind	~6,000	~4,800
Other GB	GB	Onshore wind	-	~350
Other Ireland	Ire	Onshore wind	-	~250
Spanish projects	Spain	Onshore wind[3]	~2,300	~2,300
France, Italy and Greece projects	Various	Onshore wind[3]	~850	~850
Other GB Hydro	GB	Hydro	75	75
Total future prospects				**>10,000**

Note 1: Table reflects ownership and development status as at 16th November 2022
Note 2: Late-stage is consented in GB and grid or land security elsewhere, early-stage has land rights in GB and some security over planning or land elsewhere. Future prospects are named sites where non-exclusive development activity is under way.
Note 3: Includes solar hybridisation

SSE THERMAL

SSE THERMAL KEY PERFORMANCE INDICATORS

SSE Thermal	Sept 22	Sept 21
Thermal adjusted operating profit - £m	100.4	36.1
Thermal reported operating profit - £m	342.7	215.6
Thermal adjusted investment and capital expenditure, before acquisitions – £m	89.2	93.3
Generation capacity - MW		
Gas- and oil-fired generation capacity (GB) – MW	4,645	3,975
Gas- and oil-fired generation capacity (ROI) – MW	1,292	1,292
Total thermal generation capacity – MW	**5,937**	**5,267**
Generation output - GWh		
Gas- and oil-fired output (GB) – GWh	8,715	6,021
Gas- and oil-fired output (ROI) – GWh	443	1,791
Total thermal generation – GWh	**9,158**	**7,812**

Note 1: Capacity is wholly owned and share of joint ventures; September 2022 capacity reflects share of Triton Power portfolio with acquisition completed 1st September 2022.
Note 2: Output is based on SSE 100% share of wholly owned sites and 100% share of Marchwood PPAs due to the contractual arrangement. In September 2021 SSE's offtake agreement for 100% of output from its Seabank CCGT JV expired, with output following that date only recognised to the extent of its 50% equity share.
Note 3: Output in GB excludes 651GWh of pre-commissioning output from Keadby 2 CCGT in the six months to September 2022, with completion of performance validation testing expected January 2023

SSE THERMAL OVERVIEW

SSE Thermal owns and operates conventional flexible thermal generation in the UK and Ireland. These assets play a key role in the SSE Group and wider energy system on the journey to net zero. While providing much-needed system flexibility to ensure stability and security of supply in the short term, SSE Thermal is actively developing options to progressively decarbonise its fleet, most notably in carbon capture and storage and hydrogen technologies.

OPERATIONAL DELIVERY

SSE Thermal's Combined Cycle Gas Turbine (CCGT) fleet plays an important role in the UK and Ireland, providing flexibility at scale to tight and volatile energy markets and supporting the Government, regulator and ESO in their obligation to ensure security of supply. The fleet also delivers value for the SSE Group portfolio by providing a defence against wind price capture volatility and actively responding to system need through the Balancing Market, illustrating the importance of flexible assets in securing a resilient transition to net zero.

In the GB market, significant periods of high spark spreads over the first half of the year have allowed value to be secured by the fleet in utilising its inherent flexibility to sell output to the market, particularly in the Balancing Market, and contracting forward ahead of delivery. Although this period of very high and volatile gas prices has resulted in higher profits at half year, the commercial risks associated with plant failure are also high. Despite the overall availability of the fleet meeting expectations, outages at Medway, Marchwood and Great Island have partially offset some of the market value captured.

SSE Thermal's role is to respond to market conditions and system balancing requirements; with increasing renewable penetration, strong operational performance is less dependent on the volume of the fleet's output, and more on its availability at times of system stress. Managing availability responsibly is therefore a key focus for SSE Thermal.

Following an agreement in June, SSE Thermal, alongside Equinor as 50/50 partner, completed the acquisition of the Triton Power portfolio on 1 September in a £341m transaction. The portfolio includes the 1.2GW Saltend power station in the Humber along with two smaller plants, Indian Queens power station, a 140MW OCGT in Cornwall, and Deeside power station in North Wales, a decommissioned

CCGT which provides carbon-free inertia to the system. These assets provide a platform to develop future decarbonisation options, in particular at Saltend, as outlined below.

In July, SSE Thermal completed the sale of the closed and decommissioned Fiddler's Ferry power station to natural resources company Peel NRE, who have future development ambitions for the site.

For financial performance commentary please refer to the Group Financial Review.

SSE THERMAL CAPACITY CONTRACT AWARDS

The following agreements have been awarded through competitive auctions:

Station	Asset type	Station Capacity	SSE share of contract	Capacity obligation
Medway (GB)	CCGT	735MW	100%	To September 2023
Keadby (GB)	CCGT	755MW	100%	To September 2026
Keadby 2 (GB)	CCGT	893MW	100%	16-years commencing October 2022
Peterhead (GB)	CCGT	1,180MW	100%	To September 2026
Seabank (GB)	CCGT	1,234MW	50%	To September 2026
Marchwood (GB)	CCGT	920MW	100%	To September 2026
Saltend (GB)	CCGT	1,200MW	50%	To September 2026
Indian Queens (GB)	OCGT	140MW	50%	To September 2026
Slough Multifuel (GB)	Energy from Waste	50MW	50%	15-years commencing October 2024
Great Island (Ire)	CCGT	464MW	100%	To September 2026
Rhode (Ire)	Gas/oil peaker	104MW	100%	To September 2026
Tawnaghmore (Ire)	Gas/oil peaker	104MW	100%	To September 2026
Tarbert (Ire)	Oil	620MW	100%	To September 2023

Capacity contracts are based on de-rating factors issued by the delivery body for each contract year, therefore will not directly match SSE's published station capacity.
Capacities stated reflect Transmission Entry Capacity
Marchwood (SSE equity share 50%) tolling arrangement means SSE receives 100% of economic benefit from capacity contract
Keadby 1 has capacity obligation in 2022/23 and 2025/26 but none in 2023/24 or 2024/25 contract years.
Keadby 2 16 year obligation comprised of a T-1 and a 15 year contract

GROWTH OPPORTUNITIES

Delivering lower-carbon flexibility is a key pillar of SSE's NZAP. Developing decarbonised alternatives to the existing CCGT fleet will be vital to deliver SSE's goal to cut carbon intensity by 80% by 2030 and achieve its science-based carbon reduction targets, aligned with a 1.5C global warming scenario. SSE Thermal is developing projects that include carbon capture and storage (CCS) and hydrogen; technologies which will be critical to society in the transition to net zero, enabling enhanced renewables deployment by balancing the system.

In the first half, SSE Thermal made good progress in its plans for carbon capture power stations, which are being co-developed with Equinor. Building on the selection of the East Coast Cluster as a Track 1 cluster, it was announced in August 2022 that Keadby 3 Carbon Capture Power Station has been shortlisted to progress to the due diligence stage of the UK Government's Cluster Sequencing Process. This process will give the project the opportunity to receive government support through a Dispatchable Power Agreement; a revenue support scheme designed for power projects with carbon capture. A contract for the completion of FEED study (Front End Engineering Design) for the power station, which will be up to 910MW, was announced in June. The station could be operational by 2027 subject to reaching a final investment decision in 2023. It would capture up to 1.5m tonnes of CO2 a year, which

represents at least 5 per cent of the UK Government's 2030 target, while providing low-carbon, flexible power to back-up renewable generation.

Details on the timing for selection of Track 2 clusters have not been confirmed although the UK Government has committed to engaging with industry this calendar year on that process. The Scottish Cluster, a 'reserve Track 1' cluster continues to be well placed, with the UK Government committed to supporting four clusters by 2030, including two by the middle of this decade. SSE Thermal and Equinor's Peterhead Carbon Capture power station project is likewise continuing to develop with planning application submitted in March and July's announcement of the award of a FEED study contract.

Low-carbon hydrogen will be an important facet of a net zero economy, with the British Energy Security Strategy published in April 2022 setting out an ambition for a production capacity of 10GW by 2030 to secure indigenous supplies of low-carbon energy. The UK Government's 2021 Hydrogen Strategy highlighted the role it will play in providing flexible energy for power, heat and transport and the need for large hydrogen storage facilities. In August 2022, UK Government launched a consultation to support the delivery of hydrogen transport and storage infrastructure critical to enabling the targeted volumes of production.

SSE Thermal is progressing with a proof-of-concept project, the purpose of which is to better understand and de-risk the interactions between hydrogen electrolysis, hydrogen cavern storage and 100% hydrogen dispatchable power, with the intention of drawing on government support via the Net Zero Hydrogen Fund and Hydrogen Business Model. This project will enable and inform the scaling up of both SSE's, but also the wider Humber's, hydrogen ambitions. In parallel, SSE Thermal is continuing to develop low-carbon hydrogen projects, alongside Equinor, including hydrogen blending at Keadby2, Keadby hydrogen power station and Aldbrough hydrogen storage, and sees significant further growth opportunities as routes to market develop.

SSE Thermal and Equinor's acquisition of the Triton Power portfolio in September 2022 adds to this hydrogen pipeline, with plans to blend up to 30% low carbon hydrogen by 2027. Saltend power station is a potential primary offtaker of hydrogen from Equinor's H2H Hydrogen Production facility, which has also progressed to the due diligence phase of the UK Government's Cluster Sequencing Process

SSE Thermal continues to explore the decarbonisation of the Medway site through hydrogen or CCS, and has further opportunities such as a new potential low carbon power generation development option in North West England, well-located relative to the HyNet Cluster.

SSE Thermal is also actively exploring opportunities for low carbon flexible generation in Ireland where policies for hydrogen and CCS are currently at an early stage, but there is definite potential for these technologies, with solutions such as biofuels potentially providing a transitional step to hydrogen power generation in the near term.

Commissioning of Keadby 2, SSE Thermal's 893MW CCGT, started in October 2021 with performance validation testing expected to complete in January 2023, which represents a delay of three months. The unit has been generating intermittently since the commencement of its commissioning phase and has captured some value to date. This delay does not impede the achievement of timelines for completing testing required under Capacity Market Rules. Keadby 2 brings Siemens Energy's cutting-edge turbine technology to the UK; this first-of-a-kind turbine is one of the most efficient in the world and will displace older, more carbon intensive plant on the system. It is capable of being upgraded to decarbonise the system further, through hydrogen blending or carbon capture and storage.

GAS STORAGE

GAS STORAGE KEY PERFORMANCE INDICATORS

Gas Storage	Sept 22	Sept 21
Gas Storage adjusted operating profit - £m	147.8	28.7
Gas Storage reported operating profit - £m	544.8	263.9
Gas storage adjusted investment and capital expenditure - £m	6.5	0.8

GAS STORAGE OVERVIEW

SSE Thermal holds around 40% of the UK's conventional underground gas storage capacity. These assets support stability and security of gas supply and can potentially be converted to hydrogen storage for a net zero future.

Through the first half, SSE Gas Storage performed strongly, navigating highly volatile gas markets and optimising assets to help ensure security of gas supply for the UK whilst providing important liquidity to the market. As well as their clear societal value, the assets are also a significant risk management tool to the portfolio by offering short-notice flexibility to mitigate exposures from wind speeds and demand variability. The increasing focus on gas security arising out of geopolitical developments underlines the importance of gas storage.

Following a number of years of very low profitability, SSE's gas storage assets have made a substantial contribution in the period with high withdrawals in response to market signals and trading profits realised against a low stock price. The return to service of Aldbrough Cavern 9 has also enabled the capture of additional value, as has investment to increase available capacity. These assets are well positioned going into the winter, with high levels of gas stored and technical readiness to respond to market demand. As a result of an increase in future market revenues forecast from these types of assets, the historical impairments have been fully reversed on Aldbrough at half year.

SSE Thermal remains committed to working with UK Government departments and Ofgem to ensure the critical role of UK storage is properly valued.

Plans to develop a potentially world-leading hydrogen storage project at Aldbrough with Equinor, announced in July 2021, are progressing. Following the commitment in the British Energy Security Strategy to deliver hydrogen transport and storage business models by 2025, the UK Government published a consultation on this at the end of August 2022. This consultation notes the importance of storage as a 'system balancer' and envisages underground hydrogen storage becoming important to the functioning of the hydrogen economy by the end of the decade. SSE Thermal is participating in industry working groups to progress the development of the business model. As described in the previous section, SSE Thermal has submitted a proof-of-concept project to the Net Zero Hydrogen Fund, including a hydrogen cavern storage element.

For financial performance commentary please refer to the Group Financial Review.

ENERGY CUSTOMER SOLUTIONS

OVERVIEW

SSE Business Energy in GB (non-domestic) and SSE Airtricity on the island of Ireland (domestic and non-domestic) provide a shopfront and route to market for SSE's generation, renewable green products and low-carbon energy solutions.

The Russian invasion of Ukraine and resulting disruption on global commodity markets led to notable cost inflation, which the customer business has been actively managing on behalf of its customers. Given the operating environment, the business placed a keen focus on risk management, particularly in relation to its hedging position and pricing approach, to maintain service to its customers in a responsible and sustainable way. As detailed in the subsequent business breakdowns it has also taken several steps to increase its support for those customers who need it most, as well as working constructively with governments on assistance packages.

Across Great Britain and Ireland, focus remains on supporting customers to reduce energy consumption, modernise systems and expand the green energy product offering to ensure the business grows its position as a trusted partner to customers on their net zero journey.

The business has also made strides on diversity targets, particularly in the recruitment of personnel to green customer service roles, while also targeting support to help staff on lower salary bandings.

SSE BUSINESS ENERGY

SSE BUSINESS ENERGY KEY PERFORMANCE INDICATORS

SSE Business Energy	Sept 22	Sept 21
Business Energy adjusted operating profit - £m	60.5	2.4
Business Energy reported operating (loss)/profit - £m	(60.5)	2.4
Electricity Sold – GWh	5,806	6,161
Gas Sold – mtherms	65.2	73.0
Aged Debt (60 days past due) - £m	127.3	72.6
Bad debt expense - £m	47.4	1.4
Energy customers' accounts – m	0.46	0.47

SSE BUSINESS ENERGY OVERVIEW

In GB, SSE Business Energy (BE) markets its products under the SSE Energy Solutions brand alongside SSE Distributed Energy, selling power to around 469,000 non-domestic customers across GB.

OPERATIONAL DELIVERY

With all new customers signing fixed contracts in 2021 offered 100% renewable electricity from SSE Renewables' wind and hydro assets, the number of customers on Business Energy's 100% green-as-standard tariff has increased by 41% over the period.

Following the successful 2021 launch of its new simplified Corporate Power Purchase Agreement proposition, Business Energy has successfully closed a number of contracts for business customers, allowing them to secure 100% renewable power backed by SSE assets for up to five years. Smart meters will continue to be a vital tool for consumers to manage and reduce demand, with BE continuing with its rollout of the Smart programme, having successfully installed 11,700 smart meters in the period.

In response to higher customer engagement, the business has also increased resourcing levels to enhance support for customers during this period. This has included introducing online self-service for business customers.

Business Energy has also been actively delivering Faster Switching and other regulatory schemes. In addition, in recent weeks SSE Business Energy has been implementing the Energy Bill Relief Scheme for eligible customers. The business has taken a pragmatic approach, working collaboratively with Government to complete system change at pace.

For financial performance commentary please refer to the Group Financial Review.

GROWTH OPPORTUNITIES

Business Energy is continuing to expand its product offering of green energy and low carbon solutions in order to enhance its position as the trusted expert for business customers on their net zero journey. During the period, it has forged a number of successful partnerships to bring innovative and practical products to customers that the business will continue to build on throughout 2023 and beyond.

This includes Business Energy's recent partnership with sustainability platform, Zellar, which provides access to a knowledge centre for businesses seeking to operationalise sustainability practices, tools to measure progress, and a directory of accredited sustainable goods and service suppliers.

SSE AIRTRICITY

SSE AIRTRICITY KEY PERFORMANCE INDICATORS

SSE Airtricity	Sept 22	Sept 21
Airtricity adjusted operating profit/(loss) - £m	14.9	(2.9)
Airtricity reported operating profit/(loss) - £m	14.8	(2.9)
Aged Debt (60 days past due) - £m	9.7	8.6
Bad debt expense - £m	1.8	2.0
Airtricity Electricity Sold – GWh	2,693	2,485
Airtricity Gas Sold – mtherms	68.8	65.7
All Ireland energy market customers (Ire) – m	0.73	0.68

SSE AIRTRICITY OVERVIEW

The SSE Airtricity brand continues to strengthen, and the business serves over 700,000 home and business customers across the island of Ireland.

OPERATIONAL DELIVERY

The nature of electricity markets has meant all suppliers, regardless of energy mix, have been exposed to rising wholesale prices. While the business has been actively managing market challenges, sustained volatility in global energy markets has impacted customer tariff decisions during the first half of the year.

SSE Airtricity established the largest customer support fund of any supplier on the island, making provision for up to £21m in customer affordability funding. This support includes holding energy costs for financially vulnerable customers* at June 2022 levels until 31 March 2023, a free home energy upgrade for 600 vulnerable households and donations of almost £2m to charitable partners. These measures have ensured support is targeted directly at communities across the island and demonstrate SSE's commitment to responsible business. Indeed, as mentioned earlier, the actions taken in Airtricity will mean the Group does not expect to record a profit within the SSE Airtricity business this financial year, even accounting for any additional returns from Airtricity renewable contracts resulting from REFIT1.

With that in mind, further context of the profits covered earlier in the Financial Review is required. An adjusted operating loss of £(2.9)m was recognised in the prior year, which included one-off adjustments which reduced adjusted operating profit by a net £(17)m. Excluding these adjustments, the reported and adjusted operating profit would have been around £14m, which is broadly consistent with the current period result. However, unlike the prior year, the current overall profitability position is expected to

reverse by year end as the business further supports customers via SSE Airtricity's enhanced affordability fund.

As in GB, on the island of Ireland Airtricity has been working closely with government partners to establish and administer government support schemes with optimum efficiency, so customers receive the support within the timeframes outlined in the schemes. This has included delivering the Microgen Scheme and enhanced consumer protection measures for Winter 2022 in Ireland.

The business has also supported customers to reduce their energy consumption through service offerings such as full home retrofits in Ireland enabling cost savings and reducing carbon emissions. It has brought several innovations to market such as funded solar offerings. It will continue to build on these innovations in the second half of the year as it continues to support customers on their net zero journey while enabling cost reduction.

For additional financial performance commentary please refer to the Group Financial Review.

**excludes customers of the AGSNI business, as a Regulated entity*

GROWTH OPPORTUNITIES

SSE Airtricity's pioneering first Sustainable Energy Authority of Ireland ('SEAI') accredited one-stop-shop model for home energy efficiency upgrade in the Republic of Ireland and Northern Ireland continues to grow with an ambition to retrofit 45,000 homes across Ireland by 2030. The business has secured energy credit savings of 1.5 GWh** and the growth of the Energy Services business segment remains a key priority for 2023 with further expansion planned for Northern Ireland.

The business continues to develop its offering in Smart and microgeneration with further propositions planned in the second half. SSE Airtricity further strengthened its B2B customer services with the recent launch of the Electric Vehicle Charge Points product platform added to existing lighting, solar and demand side response offerings.

***via our partners AES and Activ8*

SSE DISTRIBUTED ENERGY

SSE DISTRIBUTED ENERGY KEY PERFORMANCE INDICATORS

SSE DISTRIBUTED ENERGY	Sept 22	Sept 21
SSE Distributed Energy adjusted operating (loss) - £m	(8.0)	(7.3)
SSE Distributed Energy reported operating (loss) - £m	(8.0)	(24.8)
SSE Heat Network Customer Accounts	11,799	11,154
Biomass, heat network and other capacity – MW[1]	26	35
Biomass, heat network and other output - GWh	38	51

Note 1: Capacity in September 2022 reflects sale of 8MW Chippenham gas-fired power station and changes to capacity installed on heat networks

SSE DISTRIBUTED ENERGY OVERVIEW

The primary activities contained within this segment are distributed energy, solar and battery storage. Distributed energy activities relate to embedded generation, EV infrastructure, heating and cooling networks and smart buildings. Solar and battery storage activities relate to a growing pipeline of grid-scale solar generation and battery storage assets.

Distributed energy, solar and battery storage assets have an increasingly important role to play in the GB energy system as electrification accelerates and generation is increasingly led by intermittent wind output. They also provide valuable diversity and optionality to the SSE portfolio.

OPERATIONAL DELIVERY

As the grid-scale solar and battery pipeline has grown, a standalone team was formed to provide increased focus on the successful development and delivery of the portfolio. Recent progress includes works now fully under way at a 50MW battery storage asset on a consented site at Salisbury, Wiltshire, with full energisation expected in summer 2023.

The Distributed Energy team has made progress helping people and places reach their net zero targets by adopting a ‘whole system’ approach to connect localised and flexible energy assets. These include energy optimisation, heat and cooling networks, electrical networks, smart buildings, and EV charging.

For financial performance commentary please refer to the Group Financial Review.

GROWTH OPPORTUNITIES

The Solar and Battery team has nearly doubled its secured pipeline so far this year from 380MW to 700MW with more than 1GW of further sites under active consideration. Secured pipeline growth has come through acquisition of a 320MW battery project at Monk Fryston, which is subject to planning.

Development at the 30MW solar farm at Littleton Pastures in Worcestershire continues and once complete in 2024, the 77-acre solar site will be capable of powering some 9,400 homes.

In addition, progress is being made to bring two 150MW battery projects to the former SSE power station sites at Fiddlers Ferry and Ferrybridge. Once built, these batteries will also benefit from remote monitoring and energy trading services through the SSE Enhance platform.

The Distributed Energy team is targeting construction of a network of 300 EV charging hubs across the UK by 2027 and opened its first site in Glasgow this summer. It has also announced a partnership with Oxford Properties and M7 Real Estate to build EV charging hubs at 20 retail parks in the Oxford area: capable of charging an estimated two million vehicles annually.

ENERGY PORTFOLIO MANAGEMENT (EPM)

EPM KEY PERFORMANCE INDICATORS

EPM	Sept 22	Sept 21
EPM adjusted operating profit - £m	30.3	5.7
EPM reported operating (loss)/profit - £m	(1,958.0)	1,209.7

EPM OVERVIEW

Energy Portfolio Management (EPM) is the energy markets heart of the SSE Group, securing value on behalf of SSE's asset portfolios in wholesale energy markets and managing volatility through risk-managed trading of energy-related commodities for SSE's market-based Business Units.

SSE trades the principal commodities to which its asset portfolios are exposed, as well as the spreads between two or more commodity prices (e.g. spark spreads): power (baseload and other products); gas; and carbon (emissions allowances). Each commodity has different risk and liquidity characteristics, which impacts the quantum of hedging possible.

See also SSE's Hedging Position earlier in this document.

OPERATIONAL DELIVERY

In the six months to September 2022, EPM navigated continued energy market volatility, ensuring the SSE portfolio was hedged in accordance with the Group's approach to hedging and then optimised through prompt periods. The value EPM secures for SSE's asset portfolio continues to be reported against individual Business Units. Exposure to shape trades as a legacy of the sale of SSE's domestic Retail business to Ovo Energy has now expired.

For financial performance commentary please refer to the Group Financial Review.

GROWTH OPPORTUNITIES

Transformation of the EPM Business Unit continues with recruitment into risk, trading and data analytics. Trading activity is becoming established in France, Belgium and the Netherlands as the business looks to expand into Europe to support the Renewables business. Projects to optimise wind balancing performance and support further international expansion are also progressing.

ALTERNATIVE PERFORMANCE MEASURES

When assessing, discussing and measuring the Group's financial performance, management refer to measures used for internal performance management. These measures are not defined or specified under International Financial Reporting Standards (IFRS) and as such are considered to be Alternative Performance Measures ("APMs").

By their nature, APMs are not uniformly applied by all preparers including other participants in the Group's industry. Accordingly, APMs used by the Group may not be comparable to other companies within the Group's industry.

Purpose

APMs are used by management to aid comparison and assess historical performance against internal performance benchmarks and across reporting periods. These measures provide an ongoing and consistent basis to assess performance by excluding items that are materially non-recurring, uncontrollable or exceptional. These measures can be classified in terms of their key financial characteristics:

- **Profit measures** allow management to assess and benchmark underlying business performance during the period. They are primarily used by operational management to measure operating profit contribution and are also used by the Board to assess performance against business plan. The Group has six profit measures, of which adjusted operating profit and adjusted profit before tax are the main focus of management through the financial period and adjusted earnings per share is the main focus of management on an annual basis. In order to derive adjusted earnings per share, the Group has defined adjusted operating profit, adjusted net finance costs, and adjusted current tax charge as components of the adjusted earnings per share calculation. Adjusted EBITDA is used by management as a proxy for cash derived from ordinary operations of the Group.
- **Capital measures** allow management to track and assess the progress of the Group's significant ongoing investment in capital assets and projects against their investment cases, including the expected timing of their operational deployment and also to provide a measure of progress against the Group's strategic Net Zero Acceleration Programme objectives.
- **Debt measures** allow management to record and monitor both operating cash generation and the Group's ongoing financing and liquidity position.

Changes to APMs in the period

In the period the Group has refined its profit measures for the treatment of fair value gains arising from an acquisition of a business or a joint venture interest, which generates an exceptional operating gain on acquisition. The rationale for including this adjustment to these APMs is set out in adjustment number 6.

The following section explains the key APMs applied by the Group and referred to in these statements:

PROFIT MEASURES

Group APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation)	**Profit measure**	**Operating profit**	• Movement on operating and joint venture financing derivatives ('certain re-measurements') • Exceptional items • Adjustments to retained Gas Production decommissioning provision • Share of joint ventures and associates' interest and tax • Depreciation and amortisation before exceptional charges (including depreciation and amortisation expense on fair value uplifts) • Share of joint venture and associates' depreciation and amortisation • Non-controlling share of operating profit • Non-controlling share of depreciation and amortisation • Release of deferred income
Adjusted operating profit	**Profit measure**	**Operating profit**	• Movement on operating and joint venture financing derivatives ('certain re-measurements') • Exceptional items • Adjustments to retained Gas Production decommissioning provision • Depreciation and amortisation expense on fair value uplifts • Share of joint ventures and associates' interest and tax • Non-controlling share of operating profit
Adjusted profit before tax	**Profit measure**	**Profit before tax**	• Movement on operating and financing derivatives ('certain re-measurements') • Exceptional items • Adjustments to retained Gas Production decommissioning provision • Non-controlling share of profit before tax • Depreciation and amortisation expense on fair value uplifts • Interest on net pension assets/liabilities (IAS 19) • Share of non-recurring joint venture refinancing costs • Share of joint ventures and associates' tax
Adjusted net finance costs	**Profit measure**	**Net finance costs**	• Exceptional items • Movement on financing derivatives • Share of joint ventures and associates' interest • Share of non-recurring joint venture refinancing costs • Non-controlling share of financing costs • Interest on net pension assets/liabilities (IAS 19)
Adjusted current tax charge	**Profit measure**	**Tax charge**	• Share of joint ventures and associates' tax • Non-controlling share of current tax • Deferred tax including share of joint ventures, associates and non-controlling interests • Tax on exceptional items and certain re-measurements • Reclassification of tax liabilities

Group APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted earnings per share	**Profit measure**	**Earnings per share**	• Exceptional items • Adjustments to retained Gas Production decommissioning provision • Movements on operating and financing derivatives ('certain re-measurements') • Depreciation and amortisation expense on fair value uplifts • Interest on net pension assets/liabilities (IAS 19) • Share of non-recurring joint venture refinancing costs • Deferred tax including share of joint ventures, associates and non-controlling interests

RATIONALE FOR ADJUSTMENTS TO PROFIT MEASURES

1 Movement on operating and financing derivatives ('certain re-measurements')

This adjustment can be designated between operating and financing derivatives.

Operating derivatives are contracts where the Group's Energy Portfolio Management ('EPM') function enters into forward commitments or options to buy or sell electricity, gas and other commodities to meet the future demand requirements of the Group's Business Energy and Airtricity operating units, or to optimise the value of the production from its SSE Renewables and Thermal generation assets. Certain of these contracts (predominately purchase contracts) are determined to be derivative financial instruments under IFRS 9 and as such are required to be recorded at their fair value. Changes in the fair value of those commodity contracts designated as IFRS 9 financial instruments are reflected in the income statement (as part of 'certain re-measurements'). The Group shows the change in the fair value of these forward contracts separately as this mark-to-market movement is not relevant to the underlying performance of its operating segments due to the volatility that can arise on revaluation. The Group will recognise the underlying value of these contracts as the relevant commodity is delivered, which will predominantly be within the subsequent 12 to 24 months. Conversely, commodity contracts that are not financial instruments under IFRS 9 (predominately sales contracts) are accounted for as 'own use' contracts and are consequently not recorded until the commodity is delivered and the contract is settled. In addition, gas inventory purchased by the Group's Gas Storage business for secondary trading opportunities is also held at fair value with gains and losses on re-measurement recognised as part of 'certain re-measurements' in the income statement.

Financing derivatives include all fair value and cash flow interest rate hedges, non-hedge accounted (mark-to-market) interest rate derivatives, cash flow foreign exchange hedges and non-hedge accounted foreign exchange contracts entered into by the Group to manage its banking and liquidity requirements as well as risk management relating to interest rate and foreign exchange exposures. Changes in the fair value of those financing derivatives are reflected in the income statement (as part of 'certain re-measurements'). The Group shows the change in the fair value of these forward contracts separately as this mark-to-market movement is not relevant to the underlying performance of its operating segments.

The re-measurements arising from operating and financing derivatives, and the tax effects thereof, are disclosed separately to aid understanding of the underlying performance of the Group.

2 Exceptional Items

Exceptional charges or credits, and the tax effects thereof, are considered unusual by nature or scale and are of such significance that separate disclosure is required for the underlying performance of the Group to be properly understood. Further explanation for the classification of an item as exceptional is included in note 2 (iii).

3 Adjustments to retained Gas Production decommissioning provision

On 14 October 2021, the Group disposed of its Gas Production business but retained a 60% share of the decommissioning obligation of the business. Gas Production was presented as a discontinued operation prior to disposal as the transaction constituted the exit of all activity in that industry. Adjustments to the decommissioning obligation are accounted for through the Group's consolidated income statement and removed from the Group's adjusted profit measures as the revaluation of the provision is not considered to be part of the Group's core continuing operations.

4 Share of joint ventures and associates' interest and tax

This adjustment can be split between the Group's share of interest and the Group's share of tax arising from its investments in equity accounted joint ventures and associates. The Group is required to report profit before interest and tax ('operating profit') including its share of the profit after tax of its equity accounted joint ventures and associates. However, for internal performance management purposes and for consistency of treatment, SSE reports its adjusted operating profit measure before its share of the interest and/or tax on joint ventures and associates.

5 Share of joint ventures and associates' depreciation and amortisation

For management purposes, the Group considers EBITDA (earnings before interest, tax, depreciation and amortisation) based on a sum-of-the-parts derived metric which includes a share of the EBITDA from equity accounted investments. While this is not equal to adjusted cash generated from operating activities, it is considered useful by management in assessing a proxy for such a measure, given the complexity of the Group structure and the range of investment structures utilised.

6 Depreciation and amortisation expense on fair value uplifts

The Group's strategy includes the realisation of value from divestments of stakes in certain assets and businesses namely its offshore and international SSE Renewables developments. In addition, for strategic purposes, the Group may also decide to bring in equity partners to other businesses and assets. Where SSE's interest in such vehicles changes from full to joint control, and the subsequent arrangement is classified as an equity accounted joint venture, SSE may recognise a fair value uplift on the remeasurement of its retained equity investment. Those uplifts will be treated as exceptional (and non-cash) gains in the year of the relevant transactions completing. Furthermore, SSE may acquire businesses or joint venture interests which are determined to generate an exceptional opening gain on acquisition and accordingly an accounting fair value uplift to the opening assets acquired. These uplifts create assets or adjustments to assets, which are depreciated or amortised over the remaining life of the underlying assets or contracts in those businesses with the charge being included in the Group's depreciation and amortisation expense. The Group's adjusted operating profit, adjusted profit before tax and adjusted earnings per share have therefore been adjusted to exclude any additional depreciation, amortisation and impairment expense arising from fair value uplifts given these charges derived from significant one-off gains which are treated as exceptional when initially recognised.

7 Release of deferred income

The Group deducts the release of deferred income in the year from its adjusted EBITDA metric as it principally relates to customer contributions against depreciating assets. As the metric adds back depreciation, the income is also deducted.

8 Interest on net pension assets/liabilities (IAS 19 "Employee Benefits")

The Group's interest income relating to defined benefit pension schemes are derived from the net assets of the schemes as valued under IAS 19. This will mean that the credit or charge recognised in any given year will be dependent on the impact of actuarial assumptions such as inflation and discount rates. The Group excludes these from its adjusted profit measures due to the non-cash nature of these charges or credits.

9 Deferred tax

The Group adjusts for deferred tax when arriving at adjusted profit after tax, adjusted earnings per share and its adjusted effective rate of tax. Deferred tax arises as a result of differences in accounting and tax bases that give rise to potential future accounting credits or charges. As the Group remains committed to its ongoing capital programme, the liabilities associated are not expected to reverse and accordingly the Group excludes these from its adjusted profit measures.

10 Results attributable to non-controlling interest holders

The Group's structure includes non-wholly owned but controlled subsidiaries which are consolidated within the financial statements of the Group under IFRS. There is no impact to the current period or prior years but in future the Group will remove the share of profit attributable to holders of non-controlling equity stakes in such businesses from all of its profit measures, to report to all metrics based on the share of profits items attributable to the ordinary equity holders of the Group. The adjustment will be applied consistently to all of the Group's adjusted profit measures, including removing proportionate non-controlling share of operating profit and depreciation and amortisation from the Group's adjusted EBITDA metric; removing the non-controlling share of operating profit from the Group's adjusted operating profit metric; removing the non-controlling share of net finance costs from the Group's adjusted net finance costs metric; and removing the non-controlling interest share of current tax from the Group's adjusted current tax metric.

30 September 2022

Continuing operations (£m)	Reported	Movement on derivatives	Exceptional items	Adjustments to Gas Production decommissioning provision	Depreciation on FV uplifts	Joint venture interest and tax	Interest on net pension asset	Deferred tax	Adjusted
Operating (loss)/profit	**(635.1)**	**1,792.4**	**(448.7)**	**(54.5)**	**9.4**	**52.5**	**-**	**-**	**716.0**
Net finance costs	**124.1**	**(243.7)**	**-**	**-**	**-**	**(29.1)**	**(7.9)**	**-**	**(156.6)**
(Loss)/profit before taxation	**(511.0)**	**1,548.7**	**(448.7)**	**(54.5)**	**9.4**	**23.4**	**(7.9)**	**-**	**559.4**
Taxation	**122.4**	**(275.4)**	**63.5**	**-**	**-**	**(23.4)**	**-**	**42.6**	**(70.3)**
(Loss)/profit after taxation	**(388.6)**	**1,273.3**	**(385.2)**	**(54.5)**	**9.4**	**-**	**(7.9)**	**42.6**	**489.1**
Attributable to other equity holders	**(38.8)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(38.8)**
Profit attributable to ordinary shareholders	**(427.4)**	**1,273.3**	**(385.2)**	**(54.5)**	**9.4**	**-**	**(7.9)**	**42.6**	**450.3**
Number of shares for EPS	**1,077.2**								**1,077.2**
(Loss)/earnings per share	**(39.7)**								**41.8**

EBITDA

30 September 2022

Adjusted operating profit from continuing operations £m	Share of joint venture and associates' depreciation and amortisation £m	Release of deferred income £m	Depreciation on FV uplifts £m	Depreciation, impairment and amortisation before exceptional charges £m	Adjusted EBITDA £m
716.0	**76.1**	**(7.7)**	**(9.4)**	**334.3**	**1,109.3**

30 September 2021

Continuing operations (£m)	Reported	Movement on derivatives	Exceptional items	Adjustments to Gas Production decommissioning provision	Depreciation on FV uplifts	Joint venture interest and tax	Interest on net pension asset	Deferred tax	Adjusted
Operating profit	1,904.4	(1,439.2)	(157.9)	-	10.3	59.2	-	-	376.8
Net finance costs	(218.3)	55.9	(2.3)	-	-	(34.2)	(3.7)	-	(202.6)
Profit before taxation	1,686.1	(1,383.3)	(160.2)	-	10.3	25.0	(3.7)	-	174.2
Taxation	(542.3)	267.5	248.1	-	-	(25.0)	-	39.0	(12.7)
Profit after taxation	1,143.8	(1,115.8)	87.9	-	10.3	-	(3.7)	39.0	161.5
Attributable to other equity holders	(50.7)	-	-	-	-	-	-	-	(50.7)
Profit attributable to ordinary shareholders	1,093.1	(1,115.8)	87.9	-	10.3	-	(3.7)	39.0	110.8
Number of shares for EPS	1,054.7								1,054.7
Earnings per share	103.6								10.5

EBITDA

30 September 2021

Adjusted operating profit from continuing operations £m	Share of joint venture and associates' depreciation and amortisation £m	Release of deferred income £m	Depreciation on FV uplifts £m	Depreciation, impairment and amortisation before exceptional charges £m	Adjusted EBITDA £m
376.8	70.7	(9.1)	(10.3)	272.1	700.2

30 September 2020

Continuing operations (£m)	Reported	Movement on derivatives	Exceptional items	Adjustments to Gas Production decommissioning provision	Depreciation on FV uplifts	Joint venture interest and tax	Interest on net pension asset	Deferred tax	Adjusted
Operating profit	939.9	(343.2)	(327.0)	-	10.3	48.9	-	-	328.9
Net finance costs	(160.5)	16.5	-	-	-	(47.0)	(4.0)	-	(195.0)
Profit before taxation	779.4	(326.7)	(327.0)	-	10.3	1.9	(4.0)	-	133.9
Taxation	(79.3)	60.5	2.8	-	-	(1.9)	-	6.3	(11.6)
Profit after taxation	700.1	(266.2)	(324.2)	-	10.3	-	(4.0)	6.3	122.3
Attributable to other equity holders	(46.6)	-	-	-	-	-	-	-	(46.6)
Profit attributable to ordinary shareholders	653.5	(266.2)	(324.2)	-	10.3	-	(4.0)	6.3	75.7
Number of shares for EPS	1,039.6								1,039.6
Earnings per share	62.9								7.3

EBITDA

30 September 2020

Adjusted operating profit from continuing operations £m	Share of joint venture and associates' depreciation and amortisation £m	Release of deferred income £m	Depreciation on FV uplifts £m	Depreciation, impairment and amortisation before exceptional charges £m	Adjusted EBITDA £m
328.9	79.3	(7.9)	(10.3)	274.3	664.3

31 March 2022 (restated*)

Continuing operations (£m)	Reported	Movement on derivatives	Exceptional items	Adjustments to Gas Production decommissioning provision	Depreciation on FV uplifts	Joint venture interest and tax	Interest on net pension asset	Deferred tax	Adjusted
Operating profit	3,749.5	(2,097.8)	(301.8)	13.1	20.6	147.3	-	-	1,530.9
Net finance costs	(273.2)	(21.0)	(3.2)	-	-	(67.8)	(7.6)	-	(372.8)
Profit before taxation	3,476.3	(2,118.8)	(305.0)	13.1	20.6	79.5	(7.6)	-	1,158.1
Taxation	(881.3)	408.0	323.7	-	-	(79.5)	-	122.0	(107.1)
Profit after taxation	2,595.0	(1,710.8)	18.7	13.1	20.6	-	(7.6)	122.0	1,051.0
Attributable to other equity holders	(50.7)	-	-	-	-	-	-	-	(50.7)
Profit attributable to ordinary shareholders	2,544.3	(1,710.8)	18.7	13.1	20.6	-	(7.6)	122.0	1,000.3
Number of shares for EPS	1,055.0								1,055.0
Earnings per share	241.2								94.8

EBITDA

31 March 2022 (restated*) Adjusted operating profit from continuing operations £m	Share of joint venture and associates' depreciation and amortisation £m	Release of deferred income £m	Depreciation on FV uplifts £m	Depreciation, impairment and amortisation before exceptional charges £m	Adjusted EBITDA £m
1,530.9	146.6	(17.6)	(20.6)	612.0	2,251.3

*The comparative Alternative Performance Measures have been restated. See note 2 (v).

DEBT MEASURE

Group APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted net debt and hybrid capital	**Debt measure**	**Unadjusted net debt**	• Hybrid equity • Outstanding liquid funds • Lease obligations • Cash presented as held for sale

RATIONALE FOR ADJUSTMENTS TO DEBT MEASURE

11 Hybrid equity

The characteristics of certain hybrid capital securities mean they qualify for recognition as equity rather than debt under IFRS. Consequently, their coupon payments are presented within equity rather than within finance costs. As a result, the coupon payments are not included in SSE's adjusted profit before tax measure. In order to present total funding provided from sources other than ordinary shareholders, SSE presents its adjusted net debt measure inclusive of hybrid capital to better reflect the Group's funding position.

12 Outstanding liquid funds

Outstanding liquid funds are SSE cash balances held by counterparties including trading exchanges as collateral. Collateral balances primarily represent net initial margin that will be received on maturity of the related trades. Loans with a maturity of less than three months are also included in this adjustment. The Group includes this adjustment in order to better reflect the immediate cash resources to which it has access, which in turn better reflects the Group's funding position.

13 Lease obligations

SSE's reported loans and borrowings include lease liabilities on contracts within the scope of IFRS 16, which are not directly related to the external financing of the Group. The Group excludes these liabilities from its adjusted net debt and hybrid capital measure to better reflect the Group's underlying funding position with its primary sources of capital.

14 Debt and cash attributable to non-controlling interest holders

The Group's structure includes non-wholly owned but controlled subsidiaries which are consolidated within the financial statements of the Group under IFRS. There is no impact to the current period or prior years but in future the Group will remove the share of debt and cash in these subsidiaries proportionately attributable to the non-controlling interest holders from its adjusted net debt and hybrid capital metric to present net debt attributable to ordinary equity holders of the Group.

March 2022 £m		**September 2022 £m**	September 2021 £m	September 2020 £m
(8,015.4)	Unadjusted net debt	**(9,076.4)**	(8,877.7)	(9,639.6)
74.7	Outstanding liquid funds	**581.3**	(87.4)	59.7
393.5	Lease obligations	**388.9**	404.7	429.7
-	Cash presented as held for sale	**-**	-	0.5
(7,547.2)	**Adjusted Net Debt**	**(8,106.2)**	(8,560.4)	(9,149.7)
(1,051.0)	Hybrid equity	**(1,882.4)**	(1,051.0)	(1,472.4)
(8,598.2)	**Adjusted Net Debt and Hybrid Capital**	**(9,988.6)**	(9,611.4)	(10,622.1)

CAPITAL MEASURES

Group APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted investment and Capital expenditure	**Capex measure**	**Capital additions to intangible assets and property, plant and equipment**	• Customer funded additions • Allowances and certificates • Additions acquired through business combinations • Disposed or impaired additions • Joint ventures and associate additions funding • Non-controlling share of capital expenditure • Refinancing proceeds/refunds
Adjusted Investment, Capital and Acquisition Expenditure	**Capital measure**	**Capital additions to intangible assets and property, plant and equipment**	• Customer funded additions • Allowances and certificates • Additions acquired through business combinations • Disposed or impaired additions • Joint ventures and associates' additions funding • Non-controlling share of capital expenditure • Refinancing proceeds/refunds • Acquisition cash consideration

RATIONALE FOR ADJUSTMENTS TO CAPEX MEASURES

15 Customer funded additions

Customer funded additions represents additions to electricity and other networks funded by customer contributions. Given these are directly funded by customers, these have been excluded to better reflect the Group's underlying investment position.

16 Allowances and certificates

Allowances and certificates consist of purchased carbon emissions allowances and generated or purchased renewable obligations certificates (ROCs) and are not included in the Group's 'capital expenditure and investment' APM to better reflect the Group's investment in enduring operational assets.

17 Additions acquired through business combinations

Where the Group acquires an early stage development company, which is classified as the acquisition of an asset, or group of assets and not the acquisition of a business, the acquisition is treated as an addition to intangible assets or property, plant and equipment and is included within 'adjusted investment and capital expenditure'. Where the Group acquires an established business or interest in an equity-accounted joint venture requiring a fair value assessment in line with the principles of IFRS 3 'Business Combinations', the fair value of consolidated tangible or intangible assets are excluded from the Group's 'adjusted investment and capital expenditure', as they are not direct capital expenditure by the Group. However, the fair valuation of consideration paid for the business or investment is included in the Group's 'adjusted investment, capital and acquisition expenditure' metric, see 23 below. Please refer to note 12 for detail of the Group's acquisitions in the period.

18 Additions subsequently disposed/impaired

In the year ended 31 March 2022 there were capex additions of £13.9m related to the Gas Production business, which was disposed on 14 October 2021. This adjustment also includes any subsequently derecognised development expenditure.

19 Joint ventures and associates' additions funding

Joint ventures and associates' additions included in the Group's capital measures represent the direct loan or equity funding provided by the Group to joint venture and associate arrangements in relation to capital expenditure projects. This has been included to better reflect the Group's use of directly funded equity accounted vehicles to grow the Group's asset base. Asset additions funded by project finance raised within the Group's joint ventures and associates are not included in this adjustment.

20 Non-controlling interest share of capital expenditure

The Group's structure includes non-wholly owned but controlled subsidiaries which are consolidated within the financial statements of the Group under IFRS. In future, the Group will remove the share of capital additions attributable proportionately to these equity holders from its "adjusted investment and capital expenditure" and "adjusted investment, capital and acquisition expenditure" metrics. This is consistent with the adjustments noted elsewhere related to these non-controlling interests. This has no impact on the current or prior period metrics.

21 Refinancing proceeds/refunds

The Group's model for developing large scale capital projects within joint ventures and associates will involve project finance being raised within those entities. Where the Group funds early stage capex which is then subsequently reimbursed to SSE following the receipt of project finance within the vehicle, the refinance proceeds are included in the Group's net adjusted investment and capital expenditure metric. This is consistent with the inclusion of the initial investment in the metric as explained at 17, above. In the year ended 31 March 2022, Doggerbank windfarm reimbursed SSE for previous funding of £136.7m. In the year ended 31 March 2021, the Group received reimbursed capex of £246.1m in relation to Seagreen windfarm and £182.5m in relation to Doggerbank windfarm. These receipts have been deducted from the Group's adjusted investment and capital expenditure metric for the respective periods.

22 Lease additions

Additions of right of use assets under the Group's IFRS 16 compliant policies for lease contracts are excluded from the Group's adjusted capital measures as they do not represent directly funded capital investment. This is consistent with the treatment of lease obligations explained at 13, above.

23 Acquisition cash consideration in relation to business combinations

The Group has outlined a significant investment programme which will partly be achieved through the acquisition of businesses with development opportunities for the Group. The cash consideration paid for these entities is included within the Group's adjusted investment, capital and acquisition expenditure metric as it provides stakeholders an accurate basis of cash investment into the Group's total development pipeline and is consistent with the reporting of the Group's Net Zero Acceleration Programme.

March 2022 (restated*) £m		**September 2022 £m**	September 2021 £m	September 2020 £m
921.0	Capital additions to intangible assets	**765.4**	397.7	213.0
1,392.9	Capital additions to property, plant and equipment	**667.2**	658.9	510.4
2,313.9	**Capital additions to intangible assets and property, plant and equipment**	**1,432.6**	1,056.6	723.4
(91.3)	Customer funded additions	**(54.0)**	(30.1)	(29.4)
(544.5)	Allowances and certificates	**(122.4)**	(326.7)	(119.3)
(197.8)	Additions through business combinations	**(488.7)**	-	-
(13.9)	Additions subsequently disposed/impaired	**-**	-	-
682.5	Joint ventures and associates' additions	**363.1**	356.7	114.5
(136.7)	Refinancing proceeds/refunds	**-**	-	(246.1)
(85.7)	Lease asset additions	**(27.4)**	(13.7)	(8.7)
1,926.5	**Adjusted Investment and Capital Expenditure**	**1,103.2**	1,042.8	434.4
141.3	Acquisition cash consideration	**640.0**	-	-
2,067.8	**Adjusted Investment, Capital and Acquisition Expenditure**	**1,743.2**	1,042.8	434.4

IMPACT OF DISCONTINUED OPERATIONS ON GROUP'S APMS

The following metrics have been adjusted in all periods presented to exclude the contribution of the Group's investment in Scotia Gas Networks Limited ("SGN") which was disposed on 22 March 2022 and Group's Gas Production operations which were disposed on 14 October 2021:

- Adjusted EBITDA;
- Adjusted operating profit:
- Adjusted net finance costs;
- Adjusted profit before tax;
- Adjusted current tax charge; and
- Adjusted earnings per share.

'Adjusted net debt and hybrid capital', 'investment and capital expenditure' and 'investment, capital and acquisition expenditure' have not been adjusted as the Group continues to fund the discontinued operations until the date of disposal.

The following table summarises the impact of excluding discontinued operations from the APMs of the continuing operations of the Group in the current and prior periods:

March 2022 (restated*)		**September 2022**	September 2021	September 2020
£m		**£m**	£m	£m
2,384.8	Adjusted EBITDA of SSE Group (including discontinued operations)	1,144.3	810.0	780.5
(101.4)	Less: Gas Production (profit)/loss	(35.0)	(77.7)	3.0
(32.1)	Less: SGN profit	-	(32.1)	(119.2)
2,251.3	**Adjusted EBITDA of continuing operations**	**1,109.3**	700.2	664.3
1,653.3	Adjusted operating profit of SSE Group (including discontinued operations)	751.0	475.5	415.3
(101.4)	Less: Gas Production (profit)/loss	(35.0)	(77.7)	3.0
(21.0)	Less: SGN profit	-	(21.0)	(89.4)
1,530.9	**Adjusted operating profit of continuing operations**	**716.0**	376.8	328.9
377.6	Adjusted net finance costs of SSE Group (including discontinued operations)	156.6	210.6	225.5
(0.1)	Less: Gas Production	-	(1.6)	(1.1)
(4.7)	Less: SGN	-	(6.4)	(29.4)
372.8	**Adjusted net finance costs of continuing operations**	**156.6**	202.6	195.0
1,275.7	Adjusted profit before tax of SSE Group (including discontinued operations)	594.4	264.9	189.8
(101.3)	Less: Gas Production loss/(profit)	(35.0)	(76.1)	4.1
(16.3)	Less: SGN profit	-	(14.6)	(60.0)
1,158.1	**Adjusted profit before tax of continuing operations**	**559.4**	174.2	133.9
109.4	Adjusted current tax of SSE Group (including discontinued operations)	70.3	15.0	23.7
(2.3)	Less: SGN current tax charge	-	(2.3)	(12.1)
107.1	**Adjusted current tax of continuing operations**	**70.3**	12.7	11.6
105.6	Adjusted earnings per share of SSE Group (including discontinued operations)	45.1	18.9	11.5
(9.6)	Less: Gas Production (earnings)/losses per share	(3.3)	(7.2)	0.4
(1.2)	Less: SGN (earnings)/losses per share	-	(1.2)	(4.6)
94.8	**Adjusted earnings per share of continuing operations**	**41.8**	10.5	7.3

*The comparative Alternative Performance Measures have been restated. See note 2 (v) of the Interim Financial Statements.

The remaining APMs presented by the Group are unchanged in all periods presented by the discontinued operations.

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the period 1 April 2022 to 30 September 2022

		2022			2021		
	Note	**Before exceptional items and certain re-measurements £m**	**Exceptional items and certain re-measurements (note 6) £m**	**Total £m**	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements (note 6) £m	Total £m
Continuing operations							
Revenue	5	**5,629.4**	**-**	**5,629.4**	3,543.5	-	3,543.5
Cost of sales		**(4,333.7)**	**(1,792.4)**	**(6,126.1)**	(2,625.1)	1,439.2	(1,185.9)
Gross profit/(loss)		**1,295.7**	**(1,792.4)**	**(496.7)**	918.4	1,439.2	2,357.6
Operating costs		**(664.5)**	**218.9**	**(445.6)**	(591.8)	157.9	(433.9)
Other operating income		**3.2**	**89.1**	**92.3**	9.3	-	9.3
Operating profit/(loss) before joint ventures and associates		**634.4**	**(1,484.4)**	**(850.0)**	335.9	1,597.1	1,933.0
Joint ventures and associates:							
Share of operating profit		**126.7**	**140.7**	**267.4**	30.6	-	30.6
Share of interest		**(29.1)**	**-**	**(29.1)**	(34.2)	-	(34.2)
Share of tax		**(23.4)**	**-**	**(23.4)**	(1.6)	(23.4)	(25.0)
Share of profit/(loss) on joint ventures and associates		**74.2**	**140.7**	**214.9**	(5.2)	(23.4)	(28.6)
Operating profit/(loss) from continuing operations	5	**708.6**	**(1,343.7)**	**(635.1)**	330.7	1,573.7	1,904.4
Finance income	7	**58.2**	**243.7**	**301.9**	38.3	2.3	40.6
Finance costs	7	**(177.8)**	**-**	**(177.8)**	(203.0)	(55.9)	(258.9)
Profit/(loss) before taxation		**589.0**	**(1,100.0)**	**(511.0)**	166.0	1,520.1	1,686.1
Taxation	8	**(89.5)**	**211.9**	**122.4**	(26.7)	(515.6)	(542.3)
Profit/(loss) for the period from continuing operations		**499.5**	**(888.1)**	**(388.6)**	139.3	1,004.5	1,143.8
Discontinued operations							
Profit/(loss) from discontinued operations, net of tax	9	**-**	**35.0**	**35.0**	89.4	(183.2)	(93.8)
Profit/(loss) for the period		**499.5**	**(853.1)**	**(353.6)**	228.7	821.3	1,050.0
Attributable to:							
Ordinary shareholders of the parent		**460.7**	**(853.1)**	**(392.4)**	178.0	821.3	999.3
Other equity holders		**38.8**	**-**	**38.8**	50.7	-	50.7
(Losses)/earnings per share							
Basic (pence)	11			**(36.4)**			94.7
Diluted (pence)	11			**(36.4)**			94.6
(Losses)/earnings per share – continuing operations							
Basic (pence)	11			**(39.7)**			103.6
Diluted (pence)	11			**(39.7)**			103.4

The accompanying notes are an integral part of this interim statement.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2022

	Note	Before exceptional items and certain re-measurements (restated*) £m	Exceptional items and certain re-measurements (note 6) £m	Total (restated*) £m
Continuing operations				
Revenue	5	8,697.2	-	8,697.2
Cost of sales		(6,405.5)	2,097.8	(4,307.7)
Gross profit		2,291.7	2,097.8	4,389.5
Operating costs		(1,118.7)	297.5	(821.2)
Other operating income		67.1	4.3	71.4
Operating profit before joint ventures and associates		1,240.1	2,399.6	3,639.7
Joint ventures and associates:				
Share of operating profit		257.1	-	257.1
Share of interest		(67.8)	-	(67.8)
Share of tax		(46.3)	(33.2)	(79.5)
Share of profit on joint ventures and associates		143.0	(33.2)	109.8
Operating profit from continuing operations	5	1,383.1	2,366.4	3,749.5
Finance income	7	79.0	24.2	103.2
Finance costs	7	(376.4)	-	(376.4)
Profit before taxation		1,085.7	2,390.6	3,476.3
Taxation	8	(149.6)	(731.7)	(881.3)
Profit for the year from continuing operations		936.1	1,658.9	2,595.0
Discontinued operations				
Profit from discontinued operations, net of tax	9	116.3	366.4	482.7
Profit for the year		1,052.4	2,025.3	3,077.7
Attributable to:				
Ordinary shareholders of the parent		1,001.7	2,025.3	3,027.0
Other equity holders		50.7	-	50.7
Earnings per share				
Basic (pence)	11			286.9
Diluted (pence)	11			286.4
Earnings per share – continuing operations				
Basic (pence)	11			241.2
Diluted (pence)	11			240.7

*The comparative Consolidated Income Statement has been restated. See note 2 (v).

The accompanying notes are an integral part of this interim statement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 April 2022 to 30 September 2022

Year ended 31 March 2022 (restated*) £m		**Six months ended 30 September 2022 £m**	Six months ended 30 September 2021 £m
	Profit/(loss) for the period		
2,595.0	**Continuing operations**	**(388.6)**	1,143.8
482.7	**Discontinued operations**	**35.0**	(93.8)
3,077.7		**(353.6)**	1,050.0
	Other comprehensive income:		
	Items that will be reclassified subsequently to profit or loss:		
22.9	Net gains on cash flow hedges	**147.9**	30.0
11.2	Transferred to assets and liabilities on cash flow hedges	**3.5**	0.9
(4.4)	Taxation on cash flow hedges	**(33.5)**	(8.0)
29.7		**117.9**	22.9
181.4	Share of other comprehensive gain of joint ventures and associates, net of taxation	**508.2**	43.3
(3.2)	Exchange difference on translation of foreign operations	**72.5**	5.0
9.4	Gain/(loss) on net investment hedge	**(41.6)**	(9.5)
217.3		**657.0**	61.7
	Items that will not be reclassified to profit or loss:		
124.7	Actuarial gain on retirement benefit schemes, net of taxation	**33.3**	26.2
(1.7)	Share of other comprehensive loss of joint ventures, net of taxation	**-**	(1.7)
123.0		**33.3**	24.5
340.3	**Other comprehensive gain, net of taxation**	**690.3**	86.2
3,418.0	**Total comprehensive income for the period**	**336.7**	1,136.2
	Total comprehensive income for the period arises from:		
2,908.4	**Continuing operations**	**301.7**	1,231.2
	Discontinued operations		
	Items that will be reclassified subsequently to profit or loss:		
28.6	Share of other comprehensive gain of joint ventures and associates, net of taxation	**-**	0.5
	Items that will not be reclassified to profit or loss:		
(1.7)	Share of other comprehensive loss of joint ventures, net of taxation	**-**	(1.7)
26.9	Other comprehensive gain/(loss) from discontinued operations	**-**	(1.2)
482.7	Profit/(loss) from discontinued operations	**35.0**	(93.8)
509.6	Total comprehensive income/(loss) from discontinued operations	**35.0**	(95.0)
3,418.0	**Total comprehensive income for the period**	**336.7**	1,136.2
	Attributable to:		
3,367.3	Ordinary shareholders of the parent	**289.9**	1,085.5
-	Non-controlling interest	**8.0**	-
50.7	Other equity holders	**38.8**	50.7
3,418.0		**336.7**	1,136.2

*The comparative Consolidated Statement of Other Comprehensive Income has been restated. See note 2 (v).

The accompanying notes are an integral part of this interim statement.

CONSOLIDATED BALANCE SHEET

as at 30 September 2022

At 31 March 2022 (restated*) £m		Note	**At 30 September 2022 £m**	At 30 September 2021 £m
	Assets			
14,612.8	Property, plant and equipment		**15,049.8**	13,903.4
1,127.8	Goodwill and other intangible assets		**1,796.3**	893.6
1,239.5	Equity investments in joint ventures and associates		**2,232.3**	1,103.7
736.9	Loans to joint ventures and associates		**886.0**	632.8
8.7	Other investments		**18.0**	3.5
136.4	Other receivables		**145.2**	128.2
371.7	Derivative financial assets	16	**1,124.7**	2,207.1
584.9	Retirement benefit assets	17	**648.5**	501.7
18,818.7	**Non-current assets**		**21,900.8**	19,374.0
459.3	Intangible assets		**169.7**	408.4
266.6	Inventories		**501.4**	456.3
2,211.0	Trade and other receivables		**2,954.3**	1,629.4
8.8	Current tax asset		**38.3**	42.4
1,049.3	Cash and cash equivalents		**289.3**	232.7
2,941.8	Derivative financial assets	16	**2,677.2**	419.2
-	Assets held for sale	9	**-**	845.9
6,936.8	**Current assets**		**6,630.2**	4,034.3
25,755.5	**Total assets**		**28,531.0**	23,408.3
	Liabilities			
1,190.8	Loans and other borrowings	13	**1,399.7**	2,066.8
2,672.6	Trade and other payables		**2,943.7**	2,202.9
93.3	Provisions		**29.3**	121.4
701.5	Derivative financial liabilities	16	**2,195.4**	1,008.0
-	Liabilities held for sale	9	**-**	172.6
4,658.2	**Current liabilities**		**6,568.1**	5,571.7
7,873.9	Loans and other borrowings	13	**7,966.0**	7,043.6
1,644.1	Deferred tax liabilities		**1,520.0**	1,368.2
842.4	Trade and other payables		**927.6**	907.4
1,017.9	Provisions		**751.1**	866.7
-	Retirement benefit obligations	17	**-**	63.7
549.6	Derivative financial liabilities	16	**956.7**	500.2
11,927.9	**Non-current liabilities**		**12,121.4**	10,749.8
16,586.1	**Total liabilities**		**18,689.5**	16,321.5
9,169.4	**Net assets**		**9,841.5**	7,086.8
	Equity:			
536.5	Share capital	15	**545.6**	535.6
835.1	Share premium		**826.0**	838.2
49.2	Capital redemption reserve		**49.2**	49.2
77.5	Hedge reserve		**703.6**	(67.4)
6.6	Translation reserve		**29.5**	(4.1)
6,572.9	Retained earnings		**5,756.6**	4,684.3
8,077.8	**Equity attributable to ordinary shareholders of the parent**		**7,910.5**	6,035.8
1,051.0	Hybrid equity	14	**1,882.4**	1,051.0
40.6	Attributable to non-controlling interests		**48.6**	-
9,169.4	**Total equity attributable to equity holders of the parent**		**9,841.5**	7,086.8

*The comparative Consolidated Balance Sheet has been restated. See note 2 (v).

The accompanying notes are an integral part of this interim statement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period 1 April 2022 to 30 September 2022

	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedge reserve £m	Translation reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total equity before non-controlling interest £m	Non-controlling interest £m	Total equity £m
At 1 April 2022 (restated*)	**536.5**	**835.1**	**49.2**	**77.5**	**6.6**	**6,572.9**	**8,077.8**	**1,051.0**	**9,128.8**	**40.6**	**9,169.4**
(Loss)/profit for the year	-	-	-	-	-	(392.4)	(392.4)	38.8	(353.6)	-	(353.6)
Other comprehensive income	-	-	-	626.1	22.9	33.3	682.3	-	682.3	8.0	690.3
Total comprehensive income for the year	-	-	-	626.1	22.9	(359.1)	289.9	38.8	328.7	8.0	336.7
Dividends to shareholders	-	-	-	-	-	(642.6)	(642.6)	-	(642.6)	-	(642.6)
Scrip dividend related share issue	9.1	(9.1)	-	-	-	322.5	322.5	-	322.5	-	322.5
Issue of treasury shares	-	-	-	-	-	0.5	0.5	-	0.5	-	0.5
Distributions to Hybrid equity holders	-	-	-	-	-	-	-	(38.8)	(38.8)	-	(38.8)
Issue of hybrid equity	-	-	-	-	-	-	-	831.4	831.4	-	831.4
Share buy back		-	-	-	-	(125.0)	(125.0)	-	(125.0)	-	(125.0)
Credit in respect of employee share awards	-	-	-	-	-	9.1	9.1	-	9.1	-	9.1
Investment in own shares	-	-	-	-	-	(21.7)	(21.7)	-	(21.7)	-	(21.7)
At 30 September 2022	**545.6**	**826.0**	**49.2**	**703.6**	**29.5**	**5,756.6**	**7,910.5**	**1,882.4**	**9,792.9**	**48.6**	**9,841.5**

*The comparative consolidated statement of changes in equity has been restated. See note 2 (v).

On 28 September 2022, SSE entered into an irrevocable £125.0m share buyback programme. The buyback scheme was initiated in order to honour SSE's existing commitment to cap scrip dividend take-up at 25%. As the irrevocable agreement was entered into prior to the balance sheet date, the full value of the programme has been recognised as a liability at 30 September 2022. The first shares were purchased on 3 October 2022, subsequent to the balance sheet date.

	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedge reserve £m	Translation reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total equity attributable to equity holders of the parent £m
At 1 April 2021	524.5	847.1	49.2	(133.6)	0.4	3,921.1	5,208.7	1,472.4	6,681.1
Profit for the period	-	-	-	-	-	999.3	999.3	50.7	1,050.0
Other comprehensive income/(loss)	-	-	-	66.2	(4.5)	24.5	86.2	-	86.2
Total comprehensive income/(loss)	-	-	-	66.2	(4.5)	1,023.8	1,085.5	50.7	1,136.2
Dividends to shareholders	-	-	-	-	-	(590.5)	(590.5)	-	(590.5)
Scrip dividend related share issue	11.1	(11.1)	-	-	-	327.5	327.5	-	327.5
Distributions to Hybrid equity holders	-	-	-	-	-	-	-	(50.7)	(50.7)
Issue of shares	-	2.2	-	-	-	-	2.2	-	2.2
Redemption of Hybrid Equity	-	-	-	-	-	(4.6)	(4.6)	(421.4)	(426.0)
Credit in respect of employee share awards	-	-	-	-	-	8.5	8.5	-	8.5
Investment in own shares	-	-	-	-	-	(1.5)	(1.5)	-	(1.5)
At 30 September 2021	535.6	838.2	49.2	(67.4)	(4.1)	4,684.3	6,035.8	1,051.0	7,086.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedge reserve £m	Translation reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total equity before non-controlling interest £m	Non-controlling interest £m	Total equity £m
At 1 April 2021	524.5	847.1	49.2	(133.6)	0.4	3,921.1	5,208.7	1,472.4	6,681.1	-	6,681.1
Profit for the year (restated*)	-	-	-	-	-	3,027.0	3,027.0	50.7	3,077.7	-	3,077.7
Other comprehensive income	-	-	-	211.1	6.2	123.0	340.3	-	340.3	-	340.3
Total comprehensive income for the year	-	-	-	211.1	6.2	3,150.0	3,367.3	50.7	3,418.0	-	3,418.0
Dividends to shareholders	-	-	-	-	-	(862.3)	(862.3)	-	(862.3)	-	(862.3)
Scrip dividend related share issue	12.0	(12.0)	-	-	-	355.7	355.7	-	355.7	-	355.7
Issue of treasury shares	-	-	-	-	-	6.3	6.3	-	6.3	-	6.3
Distributions to Hybrid equity holders	-	-	-	-	-	-	-	(50.7)	(50.7)	-	(50.7)
Redemption of hybrid equity	-	-	-	-	-	(4.6)	(4.6)	(421.4)	(426.0)	-	(426.0)
Credit in respect of employee share awards	-	-	-	-	-	20.8	20.8	-	20.8	-	20.8
Investment in own shares	-	-	-	-	-	(14.1)	(14.1)	-	(14.1)	-	(14.1)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	40.6	40.6
At 31 March 2022 (restated*)	536.5	835.1	49.2	77.5	6.6	6,572.9	8,077.8	1,051.0	9,128.8	40.6	9,169.4

*The comparative consolidated statement of changes in equity has been restated. See note 2 (v).

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 April 2022 to 30 September 2022

Year ended 31 March 2022 (restated*) £m		Note	**Six months ended 30 September 2022 £m**	Six months ended 30 September 2021 £m
3,749.5	**Operating profit/(loss) - continuing operations**	5	**(635.1)**	1,904.4
(100.5)	**Operating profit/(loss) - discontinued operations**	9	**35.0**	(97.3)
3,649.0	**Operating profit - total operations**		**(600.1)**	1,807.1
(28.7)	Less share of loss/(profit) of joint ventures and associates		**(214.9)**	109.7
3,620.3	**Operating profit/(loss) before jointly controlled entities and associates**		**(815.0)**	1,916.8
(23.0)	Pension service charges, less contributions paid		**(11.3)**	(12.5)
(2,100.4)	Movement on operating derivatives		**1,969.0**	(1,204.0)
303.2	Depreciation, amortisation, write downs and impairments		**115.3**	184.8
106.9	Impairment of joint venture investment		**-**	-
20.8	Charge in respect of employee share awards (before tax)		**9.1**	8.5
(48.2)	Loss/(profit) on disposal of assets and businesses		**(89.1)**	21.5
(1.6)	Release of provisions		**(92.1)**	(23.9)
(17.6)	Release of deferred income	5	**(7.7)**	(9.1)
1,860.4	**Cash generated from operations before working capital movements**		**1,078.2**	882.1
(24.4)	(Increase)/decrease in inventories		**(36.5)**	12.7
(625.6)	Increase in receivables		**(713.2)**	(159.1)
544.2	Increase in payables		**257.8**	42.9
61.3	Increase/(decrease) in provisions		**(41.1)**	7.0
1,815.9	**Cash generated from operations**		**545.2**	785.6
177.0	Dividends received from investments		**144.1**	83.1
(273.5)	Interest paid		**(103.1)**	(141.5)
(91.5)	Taxes paid		**(74.9)**	(39.0)
1,627.9	**Net cash from operating activities**		**511.3**	688.2
(1,273.6)	Purchase of property, plant and equipment		**(620.2)**	(520.0)
(182.2)	Purchase of other intangible assets		**(119.7)**	(74.3)
12.3	Deferred income received		**8.5**	7.0
1,366.9	Proceeds from disposals	6	**60.0**	5.0
(145.3)	Purchase of businesses, joint ventures and subsidiaries	12	**(640.0)**	-
136.7	Joint venture development expenditure refunds		**-**	-
(676.0)	Loans and equity provided to joint ventures and associates		**(436.1)**	(376.2)
10.9	Loans and equity repaid by joint ventures		**6.4**	31.2
5.4	Increase in other investments		**(9.3)**	-
(744.9)	**Net cash from investing activities**		**(1,750.4)**	(927.3)
6.3	Proceeds from issue of share capital		**0.5**	2.2
(506.6)	Dividends paid to the company's equity holders	10	**(320.1)**	(263.0)
(50.7)	Hybrid equity dividend payments	14	**(38.8)**	(50.7)
(14.1)	Employee share awards share purchase	15	**(21.7)**	(1.5)
-	Issue of hybrid equity instruments	14	**831.4**	-
(426.0)	Redemption of hybrid equity instruments	14	**-**	(426.0)
506.1	New borrowings		**2,068.6**	103.3
(960.1)	Repayment of borrowings		**(2,044.3)**	(493.7)
11.2	Settlement of cashflow hedges		**3.5**	1.0
(1,433.9)	**Net cash from financing activities**		**479.1**	(1,128.4)
(550.9)	**Net decrease in cash and cash equivalents**		**(760.0)**	(1,367.5)
1,600.2	Cash and cash equivalents at the start of period		**1,049.3**	1,600.2
(550.9)	Net decrease in cash and cash equivalents		**(760.0)**	(1,367.5)
1,049.3	**Cash and cash equivalents at the end of period**		**289.3**	232.7

*The comparative Consolidate Cash Flow Statement has been restated. See note 2 (v).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Condensed Interim Financial Statements

SSE plc (the Company) is a company domiciled in Scotland. The condensed Interim Financial Statements comprise those of the Company and its subsidiaries (together referred to as the Group).

The financial information set out in these condensed Interim Financial Statements does not constitute the Group's statutory accounts for the periods ended 30 September 2022, 31 March 2022 or 30 September 2021 within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2022, which were prepared in accordance with UK-adopted international accounting standards, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified (ii) did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006. The Group's financial statements for the year ending 31 March 2023 will be prepared in accordance with United Kingdom adopted International Accounting Standards.

The financial information set out in these condensed Interim Financial Statements has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and UK adopted IAS 34 Interim Financial Reporting. The interim financial information is unaudited but has been formally reviewed by the auditor and its report to the Company is set out on page 95.

These interim statements were authorised by the Board on 15 November 2022.

2. Basis of preparation

These condensed Interim Financial Statements for the period to 30 September 2022 and the comparative information for the period to 30 September 2021 have been prepared applying the accounting policies used in the Group's consolidated financial statements for the year ended 31 March 2022, with the exception the policy adoption of the amendments to IAS 16 Proceeds Before Intended Use, as explained at note 3.1.

(i) Adjusted measures

The Directors assess the performance of the Group and its reportable segments based on 'adjusted measures'. These measures are used for internal performance management and are believed to be appropriate for explaining underlying performance to users of the accounts. These measures are also deemed to be the most useful for the ordinary shareholders of the Company and for other stakeholders.

Reconciliations from the reported measures to adjusted measures along with further description of the rationale for those adjustments are included in the 'Alternative Performance Measures' section at pages 48 to 55.

(ii) Going concern

The Directors consider that the Group has adequate resources to continue in operational existence for the period to 31 December 2023. The interim financial statements are therefore prepared on a going concern basis.

In reaching their conclusion, the Directors regularly review the Group's funding structure (see note 13) against the current economic climate to ensure that the Group has the short and long term funding required. The Group has performed detailed going concern testing, including the consideration of cash flow forecasts under stressed scenarios for the period to December 2023.

In the six months ended 30 September 2022, the Group has issued new debt instruments totalling £2,068.6m and hybrid equity of £831.4m and has redeemed £1,998.2m of maturing debt in the period. The Group also continues to have access to its £1.5bn of committed revolving credit facilities which mature in 2026.

On 11 November 2022, two new revolving credit facilities were entered into as part of the Networks minority stake disposal process. SSEN Transmission entered into a 3 year £750m facility and SSEN Distribution entered into a similar 3 year £250m facility, both facilities have two 1 year optional extensions. These facilities were entered into to help cover the future long term funding requirements and the working capital of those businesses as they look to become financially independent of the Group. The facilities will therefore support the ongoing capital expenditure investment programmes that are required to deliver their ambitious future growth plans.

(iii) Exceptional items and certain re-measurements

Exceptional items are those charges or credits that are considered unusual by nature and/or scale and of such significance that separate disclosure is required for the financial statements to be properly understood. The trigger points for recognition of items as exceptional items will tend to be non-recurring although exceptional charges (or credits) may impact the same asset class or segment over time.

Market conditions that have deteriorated or improved significantly over time will only be captured to the extent observable at the balance sheet date. Examples of items that may be considered exceptional include material asset or business impairment charges, reversals of historic impairments, business restructuring costs and reorganisation costs, significant realised gains or losses on disposal, unrealised fair value adjustments on part disposal of a subsidiary or on acquisition of an investment and provisions in relation to significant disputes and claims.

The Group operates a policy framework for estimating whether items are considered to be exceptional. This framework, which is reviewed annually, estimates the materiality of each broad set of potentially exceptional circumstances, after consideration of strategic impact and likelihood of recurrence, by reference to the Group's key performance measure of Adjusted Earnings per Share. This framework currently estimates that any qualifying item greater than £30.0m will be considered exceptional, with lower thresholds applied to circumstances that are considered to have a greater strategic impact and are less likely to recur. The only exception to this threshold is for gains or losses on disposal or divestment of early stage international or offshore windfarm development projects which are considered non-exceptional in line with the Group's strategy to generate recurring gains from developer divestments.

Certain re-measurements are re-measurements arising on certain commodity, interest rate and currency contracts which are accounted for as held for trading or as fair value hedges in accordance with the Group's policy for such financial instruments, or re-measurements on stocks of commodities held at the balance sheet date.

This excludes commodity contracts not treated as financial instruments under IFRS 9 where held for the Group's own use requirements which are not recorded until the underlying commodity is delivered.

The impact of changes in Corporation Tax rates on deferred tax balances are also included within certain remeasurements.

(iv) Other additional disclosures

As permitted by IAS 1 'Presentation of financial statements', the Group's income statement discloses additional information in respect of joint ventures and associates, exceptional items and certain re-measurements to aid understanding of the Group's financial performance and to present results clearly and consistently.

(v) Changes to presentation and prior year adjustments

There have been no material changes to presentation of the financial statements in the current or prior year. The prior year comparatives at 31 March 2022 have been restated following the adoption of the amendment to IAS 16 Proceeds Before Intended Use, as disclosed in the section below.

3. New accounting policies and reporting changes

Except for the adoption of the amendment to IAS 16, the accounting policies applied in the preparation of these Interim Financial Statements are consistent with those applied by the Group in the preparation of the Financial Statements for the year ended 31 March 2022.

Set out below are revisions to accounting standards that have become applicable in the period, or are issued but not yet effective.

3.1 New standards, amendments and interpretations effective or adopted by the Group

The Group has adopted the amendments to IAS 16 Property, Plant and Equipment - Proceeds Before Intended Use from 1 April 2022, retrospectively from the earliest period presented in these financial statements, in line with the requirements of the standard. The Group had pre-commissioning activity in the prior year and therefore has restated the comparative information presented for the year ended 31 March 2022. For the 6 months ended 31 September 2021 there was no pre-commissioning activity and therefore the period required no restatement.

In the year ended 31 March 2022 the Group received proceeds during testing of Keadby 2 CCGT. Keadby 2 achieved its first fire in October 2021 and commenced test operations in February 2022. It is expected that the test schedule will be complete by in the second half of the financial year when the plant will be operated under management instruction for commercial operations under management control. Depreciation will commence from this date. The impact of adoption of the amendment in the prior year is to increase revenue by £89.0m, increase cost of sales by £94.7m, increase operating costs by £0.2m therefore decreasing profit before tax by £5.9m, and decreasing profit after tax by £4.4m.

In the current period ended 30 September 2022, the Group has recognised pre-commissioning revenue of £123.6m and pre-commissioning costs of £120.9m related to Keadby 2, which previously would have been recognised as a cost of the constructed asset. In addition, the Group's share of profit recognised from joint ventures and associates in the current period includes £2.7m of pre-commissioning operating profits from Seagreen Wind Energy Limited.

The Group has adopted the amendment to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract in the current period, which has been reflected in the calculation of an onerous provision in GB Business Energy relating to the unavoidable costs of fulfilling certain supply contracts (£21.7m).

There were no other standards, amendments to standards or interpretations relevant to the Group's operations which were adopted during the period.

3.2 New standards, amendments and interpretations issued, but not yet adopted by the Group

A number of standards, amendments and interpretations have been issued but not yet adopted by the Group within these Interim Financial Statements, because application is not yet mandatory or because adoption by the UK remains outstanding at the date the financial statements were authorised for issue.

IFRS 17 'Insurance contracts' is effective from 1 January 2023 (1 April 2023 for the Group) following UK endorsement on 16 May 2022. The Group's expectation is that adoption of this standard will not have a material impact on the Group's consolidated financial statements.

There are a number of amendments and other interpretations issued but not yet effective. These are not anticipated to have a material impact on the Group's consolidated financial statements.

4. Accounting judgements and estimation uncertainty

In the process of applying the Group's accounting policies, management is necessarily required to make judgements and estimates that will have a significant effect on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a significant impact to the financial statements. The Group's key accounting judgement and estimation areas are noted below.

The changes the Group has made to significant financial judgements disclosed at 31 March 2022 are detailed in note 4.1(iv) and 4.2(i) below.

4.1 Significant financial judgements and estimation uncertainties

The preparation of these condensed Interim Financial Statements has specifically considered the following significant financial judgements, some of which are areas of estimation uncertainty as noted below.

(i) Impairment testing and valuation of certain non-current assets – financial judgement and estimation uncertainty

The Group reviews the carrying amounts of its goodwill, other intangible assets, specific property, plant and equipment assets and investment assets to determine whether any impairments or reversal of impairment to the carrying value of those assets requires to be recorded. Where an indicator of impairment or impairment reversal exists, the recoverable amount of those assets is determined by reference to value in use calculations or fair value less cost to sell assessments, if more appropriate.

At 30 September 2022, the Group has reviewed assets related to thermal, gas storage and wind power generation for indicators of impairment (or impairment reversal) arising since the last formal review performed at 31 March 2022. The main assumptions in the Group's impairment assessments performed at 31 March 2022 were: power, gas, carbon and other commodity prices, volatility of gas prices, plant running regimes and load factors, discount rates and other inputs.

In the period to 30 September 2022, observable prices for power and gas have increased, which is considered an indicator of impairment reversal necessitating the formal reassessment of the carrying value of certain thermal and gas storage assets that have been impaired previously. The conclusions from this impairment assessment are set out in note 6.1 (i) and (iv). Wind generation assets have not been impaired previously and so no formal reassessment was performed at 30 September 2022. The impact of the proposed imposition of a temporary fixed price for low-carbon generators may be seen as a potential indicator of impairment. However, at the time of publication, the level of the fixed price 'cap', which assets are in scope and the period of the scheme remain under consultation. As the intention of the fixed price intervention is to restrict "excessive" profits earned by low-carbon generators, the intervention does not necessarily indicate an impairment risk to SSE's wind generation cash generating units, the value-in-use assessment for which is based on "normal" price capture.

At 30 September 2022, the Group has reviewed its investment in Neos Networks Limited for indicators of impairment (or impairment reversal) arising since the last formal review performed at 31 March 2022. There were no indicators of impairment identified and therefore no impairment assessment was performed.

The Group will reassess the assets for indicators of impairment, or impairment reversal, at 31 March 2023.

(ii) Retirement benefit obligations – estimation uncertainty

The assumptions in relation to the cost of providing post-retirement benefits during the period are based on the Group's best estimates and are set after consultation with qualified actuaries. While these assumptions are believed to be appropriate, a change in these assumptions would impact the level of the retirement benefit obligation recorded and the cost to the Group of administering the schemes.

Further detail of the calculation basis, key assumptions used and the resulting movements in obligations are disclosed in note 17 of these condensed Interim Financial Statements.

(iii) Revenue recognition – Customers unbilled supply of energy – estimation uncertainty

Revenue from energy supply activities undertaken by Business Energy and Airtricity businesses includes an estimate of the value of electricity or gas supplied to customers between the date of the last meter reading and the period end. This estimation comprises both billed revenue and unbilled revenue and is calculated based on applying the tariffs and contract rates applicable to customers against estimate customer consumption, taking account of various factors including usage patterns, weather trends and externally notified aggregated volumes supplied to customers from national settlement bodies. A change in the assumptions underpinning the calculation would have an impact on the amount of revenue recognised in any given period.

Given the non-routine process, the number and the extent of differing inputs and the requirement of management to apply judgement noted above, the estimated revenue accrual is considered to be a significant estimate made by management in preparing the condensed Interim Financial Statements. A more comprehensive explanation of the Group's policy, and the nature of the judgements requiring consideration, is disclosed in note 18 of the Group's 31 March 2022 annual report.

(iv) Valuation of other receivables – financial judgement and estimation uncertainty

The Group holds a £100m loan note due from Ovo Energy Limited following the disposal of SSE Energy Services on 15 January 2020. The loan is repayable in full by 31 December 2029, carries interest at 13.25% and is presented cumulative of accrued interest payments, discounted at 13.25%. At 30 September 2022, the carrying value (net of expected credit loss provision of £1.5m (March 2022: £1.8m)) is £140.2m (March 2022: £131.0m).

Consistent with the procedures performed at 31 March 2022, the Group has assessed recoverability of the loan note receivable and has recognised a provision for expected credit loss in accordance with the requirements of IFRS 9. Due to previous energy supplier failures and recent market volatility, the Group's assessment of the recoverability of the loan note is considered a significant financial judgement. The Group has taken appropriate steps to assess all available information in respect of the recoverability of the loan note. Procedures included reviewing recent financial information of Ovo Energy Limited, including the 31 December 2021 statutory financial statements; considering available Government support schemes; and discussions with Ovo management. While the current carrying value is considered appropriate, changes in economic conditions could lead to a change in the expected credit loss incurred by the Group in future periods.

(v) Impact of climate change and the transition to net zero – financial judgement and estimation uncertainty

Climate change and the transition to net zero have been considered in the preparation of these financial statements. The Group has a clearly articulated Net Zero Acceleration Programme ('NZAP'), as set out on pages 4 to 5 of the Group's 2022 Annual Report, to lead in the UK's transition to net zero and aligns its investment plans and business activities to that strategy. The impact of future climate change regulation could have a material impact on the currently reported amounts of the Group's assets and liabilities.

In preparing these condensed Interim Financial Statements, the following has been considered:

Valuation of property, plant and equipment, and impairment assessment of goodwill

In the medium term, the transition to net zero may result in regulation restricting electricity generation from unabated gas fired power stations. The Group's view is that flexible generation capacity, such as the Group's fleet of CCGT power stations, will be an essential part of the net zero transition in order to provide security of supply to a market which is increasingly dependent upon renewable sources, which are inherently intermittent. The majority of the Group's GB CCGT fleet is nearing the end of its economic life and it is not currently expected that regulation to require abatement would be introduced before the planned closure of those power stations. Of the value capitalised at 30 September 2022, only two CCGT assets are forecast to continue to operate beyond 2030, being Great Island and Keadby 2. The Group's view is that Great Island will continue to be essential to providing security of supply in the Irish electricity market. Keadby 2 is nearing completion and, despite a delay to the start of commercial operations to later in the current financial year, the plant has achieved market leading efficiency throughout test operations. Therefore, the Group considers that other assets operating in the market would be more likely to close before Keadby 2 and the plant will continue to be required to balance the UK electricity market beyond 2030. As a result, the useful economic life of both assets was not shortened when preparing the 31 March 2022 financial statements. The Group assesses the useful economic life of its Property, Plant and Equipment assets annually. In the short term, the projected economic return from the activity provided by the Group's Great Island CCGT assets has increased, resulting in the reversal of historic impairments at 30 September 2022. See note 6.1(iv).

A significant increase in renewable generation capacity in the Group's core markets could potentially result in an oversupply of renewable electricity at a point in the future, which would lead to a consequential decrease in the power price achievable for the Group's wind generation assets. The Group has not assessed that this constitutes an indicator of impairment at 30 September 2022 as the Group's baseline investment case models assume a centrally approved volume of new build in these markets. The Group's policy is to test the goodwill balances associated with wind generation portfolio for impairment on an annual basis.

Another climate related risk to SSE's valuation bases could be changes to weather patterns resulting from global warming. This in turn could result in calmer, drier weather patterns, which would reduce volumes achievable for the Group's wind and hydro generation assets (although noting that this would likely lead to capacity constraints and hence higher prices). This has not been assessed as an indicator of impairment at 30 September 2022, as there is no currently observable evidence to support that scenario directly.

Valuations of decommissioning provisions

The Group holds decommissioning provisions for its Renewable and Thermal generation assets and has retained a 60% share for the decommissioning of its disposed Gas Production business. As noted above, the Group's view at 30 September 2022 is that climate change regulation will not bring forward the closure dates of its CCGT fleet, many of which are expected to close before 2030. Similarly, it is expected that fundamental changes to weather patterns, or the impact of new wind generation capacity will not bring forward the decommissioning of the Group's current wind farm portfolio.

The discounted share of the Gas Production provision is £192.5m (March 2022: £249.4m). At 30 September 2022, the impact of discounting of this retained provision is £85.1m (March 2022: £33.8m), which is expected to be incurred across the period to 31 March 2037. If the decommissioning activity was accelerated due to changes in legislation, the costs of unwinding the discounting of the provision would be recognised earlier.

4.2 Other accounting judgements and estimation uncertainties - Changes from the prior year

The Group has made no changes to accounting judgements and estimation uncertainties from those presented in the Group's 2022 Annual Report.

4.3 Other areas of estimation uncertainty

(i) Tax provisioning

The Group has open tax disputes with the tax authorities in the UK. Where management makes a judgement that an outflow of funds is probable, and a reliable estimate of the dispute can be made, provision is made for the best estimate of the most likely liability.

In estimating any such liability, the Group applies a risk-based approach, taking into account the specific circumstances of each dispute based on management's interpretation of tax law and supported, where appropriate, by discussion and analysis by external tax advisors. These estimates are inherently judgmental and could change substantially over time as disputes progresses and new facts emerge. Provisions are reviewed on an ongoing basis, however, the resolution of tax issues can take a considerable period of time to conclude and it is possible that amounts ultimately paid will be different from the amounts provided. Provisions for uncertain tax positions are included in current tax liabilities, and total £27.9m at 30 September 2022 (2021: £34.7m; March 2022: £27.9m). The Group estimates that a reasonably possible range of settlement outcomes for the uncertain tax provisions given their binary nature is between nil and the full value of the provision. Due to the uncertainty associated with such tax positions, it is possible that at a future date, and on conclusion of these open tax positions, the final outcomes may vary significantly. While a range of outcomes is reasonably possible, the Group continues to believe that it has made appropriate provision for periods which are open and not yet agreed with the tax authorities.

In December 2020, the Group's case concerning the availability of capital allowances on Glendoe Hydro Electric Station was heard at the Court of Appeal. A decision was released in February 2021, which was largely in the Group's favour. HMRC have sought permission to have an appeal heard against the decision by the Supreme Court, with the Supreme Court due to hear the case in March 2023. Any movement in the amounts carried for other uncertain tax positions during the next twelve months will be driven by tax litigation the Group is not directly involved in and is unable to predict the outcome of.

(ii) Decommissioning costs

The calculation of the Group's decommissioning provisions involves the estimation of quantum and timing of cash flows to settle the obligation. The Group engages independent valuation experts to estimate the cost of decommissioning its Renewable, Thermal and Gas Storage assets every three years based on current technology and prices. The last independent assessment for Renewable and Thermal generation assets was performed in the year to 31 March 2022. The last formal assessment for Gas Storage assets was performed in the year to 31 March 2020. Retained decommissioning costs in relation to the disposed Gas Production business are periodically agreed with the field operators and reflect the latest expected economic production lives of the fields.

The dates for settlement of future decommissioning costs are uncertain, particularly for the disposed gas exploration and production business where reassessment of gas and liquids reserves and fluctuations in commodity prices can lengthen or shorten the field life.

At 30 September 2022, the carrying value of decommissioning provisions have decreased due to the significant increases in discount rate assumptions since 31 March 2022. This has resulted in a decrease in decommissioning provisions for the Group thermal assets of £25.1m, for Group Gas Storage facilities of £40.9m, for Group Wind assets of £83.5m and for Gas Production disposed assets of £54.5m. With the exception of the provision relating to Gas Production assets, movements on which are recorded in the income statement, all revaluation movements have been matched by an offsetting adjustment to the associated asset.

5. Segmental information

There have been no changes to the Group's core operating segments during the period. These segments are used internally by the Board to run the business and make strategic decisions. The Group's "Corporate unallocated" segment is the Group's residual corporate central costs which cannot be allocated to individual segments.

The types of products and services from which each reportable segment generates its revenue are:

Business area	Reported segments	Description
Continuing operations		
Transmission	SSEN Transmission	The economically regulated high voltage transmission of electricity from generating plant to the distribution network in the North of Scotland.
Distribution	SSEN Distribution	The economically regulated lower voltage distribution of electricity to customer premises in the North of Scotland and the South of England.
Renewables	SSE Renewables	The generation of electricity from renewable sources, such as onshore and offshore windfarms and run of river and pumped storage hydro assets in the UK and Ireland and the development of similar assets in Japan and Southern Europe.
Thermal	SSE Thermal	The generation of electricity from thermal plant and the Group's interests in multifuel assets in the UK and Ireland.
	Gas Storage	The operation of gas storage facilities in the UK, utilising capacity to optimise trading opportunities associated with the assets.
Energy Customer Solutions	Business Energy	The supply of electricity and gas to business customers in Great Britain.
	SSE Airtricity	The supply of electricity, gas and energy related services to residential and business customers in the Republic of Ireland and Northern Ireland.
Distributed Energy	Distributed Energy	The provision of services to enable customers to optimise and manage low carbon energy use; development and management of battery storage and solar assets; distributed generation, independent distribution, heat and cooling networks, smart buildings and EV charging activities.
EPM & I	Energy Portfolio Management (EPM)	The provision of a route to market for the Group's Renewable and Thermal generation businesses and commodity procurement for the Group's energy supply businesses in line with the Group's stated hedging policies.
Discontinued operations		
EPM & I	Gas Production	The production and processing of gas and oil from North Sea fields.
Gas Distribution	SGN	SSE's share of profits of Scotia Gas Networks, which operates two economically regulated gas distribution networks in Scotland and the South of England.

The internal measure of profit used by the Board is 'adjusted profit before interest and tax' or 'adjusted operating profit' which is arrived at before exceptional items, the impact of financial instruments measured under IFRS 9, the net interest costs associated with defined benefit pension schemes, adjustments to the retained Gas Production decommissioning, the impact of depreciation on fair value uplifts and after the removal of taxation and interest on profits from joint ventures and associates.

Analysis of revenue, operating profit and earnings before interest, taxation, depreciation and amortisation ('EBITDA') by segment is provided below. All revenue and profit before taxation arise from operations within the UK and Ireland.

5. Segmental information (continued)

5. (a) Revenue by segment

	Six months ended 30 September 2022			Six months ended 30 September 2021		
	Reported revenue	**Inter-segment revenue**	**Segment revenue**	Reported revenue	Inter-segment revenue (i)	Segment revenue
	2022 £m	**2022 £m**	**2022 £m**	2021 £m	2021 £m	2021 £m
Continuing operations						
SSEN Transmission	**325.4**	**-**	**325.4**	278.7	-	278.7
SSEN Distribution	**522.5**	**28.2**	**550.7**	435.3	28.5	463.8
SSE Renewables	**151.2**	**29.8**	**181.0**	133.3	93.5	226.8
SSE Thermal	**249.9**	**1,592.0**	**1,841.9**	370.4	250.6	621.0
Gas Storage	**5.2**	**1,760.0**	**1,765.2**	3.6	667.4	671.0
Energy Customer Solutions						
Business Energy	**1,465.0**	**32.4**	**1,497.4**	909.0	14.3	923.3
SSE Airtricity	**753.3**	**101.2**	**854.5**	442.9	159.3	602.2
Distributed Energy	**60.9**	**8.9**	**69.8**	112.3	13.6	125.9
EPM:						
Gross trading	***9,697.0***	***5,213.4***	***14,910.4***	4,149.6	2,333.3	6,482.9
Optimisation trades(ii)	***(7,632.0)***	***(1,028.0)***	***(8,660.0)***	(3,327.6)	(742.7)	(4,070.3)
EPM	**2,065.0**	**4,185.4**	**6,250.4**	822.0	1,590.6	2,412.6
Corporate unallocated	**31.0**	**74.1**	**105.1**	36.0	73.1	109.1
Total continuing operations	**5,629.4**	**7,812.0**	**13,441.4**	3,543.5	2,890.9	6,434.4
Discontinued operations						
Gas Production	**-**	**-**	**-**	6.7	109.5	116.2
Total discontinued operations	**-**	**-**	**-**	6.7	109.5	116.2
Total SSE Group	**5,629.4**	**7,812.0**	**13,441.4**	3,550.2	3,000.4	6,550.6

	Year ended 31 March 2022 (restated*)		
	Reported revenue 2022 £m	Inter-segment revenue (i) 2022 £m	Segment revenue 2022 £m
Continuing operations			
SSEN Transmission	589.7	-	589.7
SSEN Distribution	954.6	78.6	1,033.2
SSE Renewables	357.4	418.8	776.2
SSE Thermal	933.2	285.0	1,218.2
Gas Storage	8.7	2,471.1	2,479.8
Energy Customer Solutions			
Business Energy	2,289.0	34.5	2,323.5
SSE Airtricity	1,177.3	451.3	1,628.6
Distributed Energy	176.9	25.4	202.3
EPM:			
Gross trading	12,808.3	7,160.2	19,968.5
Optimisation trades(ii)	(10,667.6)	(2,914.0)	(13,581.6)
EPM	2,140.7	4,246.2	6,386.9
Corporate unallocated	69.7	147.7	217.4
Total continuing operations	8,697.2	8,158.6	16,855.8
Discontinued operations			
Gas Production	8.1	133.9	142.0
Total discontinued operations	8.1	133.9	142.0
Total SSE Group	8,705.3	8,292.5	16,997.8

*The comparative has been restated. See note 2 (v).

(i) Revenue from the Group's investment in Scotia Gas Networks Limited, the Group's share being £60.4m for the period to 11 June 2021 is not recorded in the revenue line in the income statement.

(ii) The Group continues to provide optimisation volume disclosures to disclose the volume of trading in the period by its EPM segment.

5. Segmental information (continued)
5. (a) Revenue by segment (continued)

Disaggregation of revenue

Revenue from contracts with customers can be disaggregated by reported segment, by major service lines and by timing of revenue recognition as follows:

	Six months ended 30 September 2022									
	Revenue from contracts with customers									
	Goods or services transferred over time				Goods or services transferred at a point in time					
	Use of electricity networks £m	Supply of energy and ancillary services £m	Construction related services £m	Other contracted services £m	Physical energy £m	Gas storage £m	Other revenue £m	Total revenue from contracts with customers £m	Other contract revenue £m	Total £m
Continuing operations										
SSEN Transmission	316.3	-	-	8.5	-	-	0.6	325.4	-	325.4
SSEN Distribution	502.0	-	-	5.5	-	-	7.6	515.1	7.4	522.5
SSE Renewables	-	24.6	-	39.8	77.3	-	9.5	151.2	-	151.2
SSE Thermal	-	248.4	-	-	-	-	1.5	249.9	-	249.9
Gas Storage	-	-	-	-	-	5.2	-	5.2	-	5.2
Energy Customer Solutions										
Business Energy	-	1,465.0	-	-	-	-	-	1,465.0	-	1,465.0
SSE Airtricity	-	741.7	-	11.6	-	-	-	753.3	-	753.3
Distributed Energy	7.9	13.4	11.4	2.4	-	-	22.9	58.0	2.9	60.9
EPM	-	-	-	-	1,879.5	-	185.5	2,065.0	-	2,065.0
Corporate unallocated	-	-	-	-	-	-	31.0	31.0	-	31.0
Total continuing operations	826.2	2,493.1	11.4	67.8	1,956.8	5.2	258.6	5,619.1	10.3	5,629.4
Total SSE Group	826.2	2,493.1	11.4	67.8	1,956.8	5.2	258.6	5,619.1	10.3	5,629.4

5. Segmental information (continued)
5. (a) Revenue by segment (continued)

Disaggregation of revenue (continued)

	Six months ended 30 September 2021									
	Revenue from contracts with customers									
	Goods or services transferred over time				Goods or services transferred at a point in time					
	Use of electricity networks	Supply of energy and ancillary services	Construction related services	Other contracted services	Physical energy	Gas storage	Other revenue	Total revenue from contracts with customers	Other contract revenue	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations										
SSEN Transmission	268.9	-	-	8.4	-	-	1.4	278.7	-	278.7
SSEN Distribution	413.9	-	-	4.7	-	-	10.6	429.2	6.1	435.3
SSE Renewables	-	59.3	-	-	74.0	-	-	133.3	-	133.3
SSE Thermal	-	368.1	-	-	-	-	2.3	370.4	-	370.4
Gas Storage	-	-	-	-	-	3.6	-	3.6	-	3.6
Energy Customer Solutions										
Business Energy	-	909.0	-	-	-	-	-	909.0	-	909.0
SSE Airtricity	-	432.2	-	10.7	-	-	-	442.9	-	442.9
Distributed Energy	13.2	8.8	66.0	21.6	-	-	-	109.6	2.7	112.3
EPM	-	-	-	-	608.5	-	213.5	822.0	-	822.0
Corporate unallocated	-	-	-	-	-	-	36.0	36.0	-	36.0
Total continuing operations	696.0	1,777.4	66.0	45.4	682.5	3.6	263.8	3,534.7	8.8	3,543.5
Discontinued operations										
Gas Production	-	-	-	-	-	-	6.7	6.7	-	6.7
Total discontinued operations	-	-	-	-	-	-	6.7	6.7	-	6.7
Total SSE Group	696.0	1,777.4	66.0	45.4	682.5	3.6	270.5	3,541.4	8.8	3,550.2

5. Segmental information (continued)
5. (a) Revenue by segment (continued)

Disaggregation of revenue (continued)

	Year ended 31 March 2022 (restated*)									
	Revenue from contracts with customers									
	Goods or services transferred over time				Goods or services transferred at a point in time					
	Use of electricity networks	Supply of energy and ancillary services	Construction related services	Other contracted services	Physical energy	Gas storage	Other revenue	Total revenue from contracts with customers	Other contract revenue	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations										
SSEN Transmission	570.8	-	-	16.5	-	-	2.4	589.7	-	589.7
SSEN Distribution	903.3	-	-	10.5	-	-	22.8	936.6	18.0	954.6
SSE Renewables	-	79.7	-	75.0	202.7	-	-	357.4	-	357.4
SSE Thermal	-	929.1	-	-	-	-	4.1	933.2	-	933.2
Gas Storage	-	-	-	-	-	8.7	-	8.7	-	8.7
Energy Customer Solutions										
Business Energy	-	2,289.0	-	-	-	-	-	2,289.0	-	2,289.0
SSE Airtricity	-	1,158.1	-	19.2	-	-	-	1,177.3	-	1,177.3
Distributed Energy	11.9	15.8	77.7	3.9	2.9	-	59.3	171.5	5.4	176.9
EPM	-	-	-	-	1,920.9	-	219.8	2,140.7	-	2,140.7
Corporate unallocated	-	-	-	-	-	-	69.7	69.7	-	69.7
Total continuing operations	1,486.0	4,471.7	77.7	125.1	2,126.5	8.7	378.1	8,673.8	23.4	8,697.2
Discontinued operations										
Gas Production	-	-	-	-	-	-	8.1	8.1	-	8.1
Total discontinued operations	-	-	-	-	-	-	8.1	8.1	-	8.1
Total SSE Group	1,486.0	4,471.7	77.7	125.1	2,126.5	8.7	386.2	8,681.9	23.4	8,705.3

*The comparative has been restated. See note 2 (v).

5. Segmental information (continued)
5. (b) Operating profit/(loss) by segment

	Six months ended 30 September 2022						
	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	Joint Venture/ Associate share of interest and tax £m	Adjustments to Gas Production decommissioning provision £m	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Continuing operations							
SSEN Transmission	**208.4**	**-**	**-**	**-**	**208.4**	**-**	**208.4**
SSEN Distribution	**174.6**	**-**	**-**	**-**	**174.6**	**-**	**174.6**
SSE Renewables	**22.5**	**(9.4)**	**(42.4)**	**-**	**(29.3)**	**-**	**(29.3)**
SSE Thermal	**100.4**	**-**	**(5.3)**	**-**	**95.1**	**247.6**	**342.7**
Gas Storage	**147.8**	**-**	**-**	**-**	**147.8**	**397.0**	**544.8**
Energy Customer Solutions							
Business Energy	**60.5**	**-**	**-**	**-**	**60.5**	**-**	**60.5**
SSE Airtricity	**14.9**	**-**	**(0.1)**	**-**	**14.8**	**-**	**14.8**
Distributed Energy	**(8.0)**	**-**	**-**	**-**	**(8.0)**	**-**	**(8.0)**
EPM	**30.3**	**-**	**-**	**-**	**30.3**	**(1,988.3)**	**(1,958.0)**
Corporate							
Corporate unallocated	**(28.9)**	**-**	**-**	**54.5**	**25.6**	**-**	**25.6**
Neos	**(6.5)**	**-**	**(4.7)**	**-**	**(11.2)**	**-**	**(11.2)**
Total continuing operations	**716.0**	**(9.4)**	**(52.5)**	**54.5**	**708.6**	**(1,343.7)**	**(635.1)**
Discontinued operations							
Gas Production	**-**	**-**	**-**	**-**	**-**	**35.0**	**35.0**
Total discontinued operations	**-**	**-**	**-**	**-**	**-**	**35.0**	**35.0**
Total SSE Group	**716.0**	**(9.4)**	**(52.5)**	**54.6**	**708.6**	**(1,308.7)**	**(600.1)**

The adjusted operating profit of the Group is reported after removal of the Group's share of interest, fair value movements on financing derivatives, Gas Production decommissioning costs, the depreciation charge on fair value uplifts and tax from joint ventures and associates and after adjusting for exceptional items and certain re-measurements (note 6).

5. Segmental information (continued)
5. (b) Operating profit/(loss) by segment

	Six months ended 30 September 2021					
	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	Joint Venture/ Associate share of interest and tax £m	Before exceptional items and certain remeasurements £m	Exceptional items and certain remeasurements £m	Total £m
Continuing operations						
SSEN Transmission	181.7	-	-	181.7	-	181.7
SSEN Distribution	153.3	-	-	153.3	-	153.3
SSE Renewables	25.4	(9.4)	(25.6)	(9.6)	(24.0)	(33.6)
SSE Thermal	36.1	-	(4.7)	31.4	184.2	215.6
Gas Storage	28.7	-	-	28.7	235.2	263.9
Energy Customer Solutions						
Business Energy	2.4	-	-	2.4	-	2.4
SSE Airtricity (i)	(2.9)	-	-	(2.9)	-	(2.9)
Distributed Energy	(7.3)	-	-	(7.3)	(17.5)	(24.8)
EPM	5.7	-	-	5.7	1,204.0	1,209.7
Corporate						
Corporate unallocated	(40.5)	-	-	(40.5)	(6.2)	(46.7)
Neos	(5.8)	(0.9)	(5.5)	(12.2)	(2.0)	(14.2)
Total continuing operations	376.8	(10.3)	(35.8)	330.7	1,573.7	1,904.4
Discontinued operations						
Gas Production	77.7	-	-	77.7	(93.9)	(16.2)
SGN	21.0	-	(12.8)	8.2	(89.3)	(81.1)
Total discontinued operations	98.7	-	(12.8)	85.9	(183.2)	(97.3)
Total SSE Group	475.5	(10.3)	(48.6)	416.6	1,390.5	1,807.1

(i) The adjusted operating profit reported to the Board for SSE Airtricity includes a correction in respect of historic use of system costs of £25.0m. It has been assessed that adjustment in the year to 31 March 2022 did not materially impact prior year financial statements.

5. Segmental information (continued)
5. (b) Operating profit/(loss) by segment (continued)

	Year ended 31 March 2022 (restated*)						
	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	Joint Venture/ Associate share of interest and tax £m	Adjustments to Gas Production decommissioning provision £m	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Continuing operations							
SSEN Transmission	380.5	-	-	-	380.5	-	380.5
SSEN Distribution	351.8	-	-	-	351.8	-	351.8
SSE Renewables	568.1	(18.8)	(92.9)	-	456.4	(28.6)	427.8
SSE Thermal	300.4	-	(9.5)	-	290.9	333.3	624.2
Gas Storage	30.7	-	-	-	30.7	94.7	125.4
Energy Customer Solutions							
Business Energy	(21.5)	-	-	-	(21.5)	-	(21.5)
SSE Airtricity (i)	60.4	-	-	-	60.4	-	60.4
Distributed Energy	(10.9)	-	-	-	(10.9)	(18.3)	(29.2)
EPM	(16.8)	-	-	-	(16.8)	2,100.4	2,083.6
Corporate							
Corporate unallocated	(95.7)	-	(4.7)	(13.1)	(113.5)	-	(113.5)
Neos	(16.1)	(1.8)	(7.0)	-	(24.9)	(115.1)	(140.0)
Total continuing operations	1,530.9	(20.6)	(114.1)	(13.1)	1,383.1	2,366.4	3,749.5
Discontinued operations							
Gas Production	101.4	-	-	-	101.4	(120.8)	(19.4)
SGN	21.0	-	(12.8)	-	8.2	487.2	495.4
Total discontinued operations	122.4	-	(12.8)	-	109.6	366.4	476.0
Total SSE Group	1,653.3	(20.6)	(126.9)	(13.1)	1,492.7	2,732.8	4,225.5

*The comparative has been restated. See note 2 (v).

5. Segmental information (continued)
5. (c) Earnings/(losses) before interest, taxation, depreciation and amortisation ('EBITDA')

	30 September 2022					
	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	Depreciation/ impairment/ amortisation before exceptional charges £m	Joint venture/ Associate share of depreciation and amortisation £m	Release of deferred income £m	Adjusted EBITDA £m
Continuing operations						
SSEN Transmission	208.4	-	55.9	-	(1.5)	262.8
SSEN Distribution	174.6	-	89.6	-	(5.5)	258.7
SSE Renewables	22.5	(9.4)	82.1	42.3	-	137.5
SSE Thermal	100.4	-	49.5	10.5	-	160.4
Gas Storage	147.8	-	5.6	-	-	153.4
Energy Customer Solutions						
Business Energy	60.5	-	2.1	-	-	62.6
SSE Airtricity	14.9	-	3.6	-	-	18.5
Distributed Energy	(8.0)	-	2.5	-	(0.2)	(5.7)
EPM	30.3	-	2.6	-	-	32.9
Corporate						
Corporate unallocated	(28.9)	-	40.8	-	(0.5)	11.4
Neos	(6.5)	-	-	23.3	-	16.8
Total continuing operations	716.0	(9.4)	334.3	76.1	(7.7)	1,109.3
Total SSE Group	716.0	(9.4)	334.3	76.1	(7.7)	1,109.3

5. Segmental information (continued)

5. (c) Earnings/(losses) before interest, taxation, depreciation and amortisation ('EBITDA') (continued)

30 September 2021

	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	Depreciation/ impairment/ amortisation before exceptional charges £m	Joint venture/ Associate share of depreciation and amortisation £m	Release of deferred income £m	Adjusted EBITDA £m
Continuing operations						
SSEN Transmission	181.7	-	48.1	-	(2.3)	227.5
SSEN Distribution	153.3	-	86.6	-	(5.9)	234.0
SSE Renewables	25.4	(9.4)	78.7	43.3	-	138.0
SSE Thermal	36.1	-	23.6	8.4	-	68.1
Gas Storage	28.7	-	0.4	-	-	29.1
Energy Customer Solutions						
Business Energy	2.4	-	2.5	-	-	4.9
SSE Airtricity	(2.9)	-	3.6	-	-	0.7
Distributed Energy	(7.3)	-	3.2	-	(0.6)	(4.7)
EPM	5.7	-	2.4	-	-	8.1
Corporate						
Corporate unallocated	(40.5)	-	23.0	-	(0.3)	(17.8)
Neos	(5.8)	(0.9)	-	19.0	-	12.3
Total continuing operations	376.8	(10.3)	272.1	70.7	(9.1)	700.2
Discontinued operations						
Gas Production	77.7	-	-	-	-	77.7
SGN	21.0	-	-	11.1	-	32.1
Total discontinued operations	98.7	-	-	11.1	-	109.8
Total SSE Group	475.5	(10.3)	272.1	81.8	(9.1)	810.0

31 March 2022 (restated*)

	Adjusted operating profit reported to the Board £m	Depreciation on fair value uplifts £m	Depreciation/ impairment/ amortisation before exceptional charges £m	Joint venture/ Associate share of depreciation and amortisation £m	Release of deferred income £m	Adjusted EBITDA £m
Continuing operations						
SSEN Transmission	380.5	-	103.2	-	(3.8)	479.9
SSEN Distribution	351.8	-	195.9	-	(11.6)	536.1
SSE Renewables	568.1	(18.8)	160.9	85.4	-	795.6
SSE Thermal	300.4	-	70.2	19.0	-	389.6
Gas Storage	30.7	-	0.8	-	-	31.5
Energy Customer Solutions						
Business Energy	(21.5)	-	11.3	-	-	(10.2)
Airtricity	60.4	-	1.7	-	-	62.1
Distributed Energy	(10.9)	-	7.4	-	(1.3)	(4.8)
EPM	(16.8)	-	4.5	-	-	(12.3)
Corporate						
Corporate unallocated	(95.7)	-	56.1	-	(0.9)	(40.5)
Neos	(16.1)	(1.8)	-	42.2	-	24.3
Total continuing operations	1,530.9	(20.6)	612.0	146.6	(17.6)	2,251.3
Discontinued operations						
Gas Production	101.4	-	-	-	-	101.4
SGN	21.0	-	-	11.1	-	32.1
Total discontinued operations	122.4	-	-	11.1	-	133.5
Total SSE Group	1,653.3	(20.6)	612.0	157.7	(17.6)	2,384.8

6. Exceptional items and certain re-measurements

Year ended 31 March 2022 £m		**Six months ended 30 September 2022 £m**	Six months ended 30 September 2021 £m
Continuing operations			
	Exceptional items (note 6.1)		
322.6	Asset impairments and related (charges) and credits	**218.9**	182.2
(17.6)	Net gains on acquisitions/disposals of businesses and other assets	**229.8**	(22.0)
305.0	**Total exceptional items**	**448.7**	160.2
	Certain re-measurements (note 6.2)		
2,100.4	Movement on operating derivatives	**(1,988.3)**	1,204.0
(2.6)	Movement in fair value of commodity stocks	**195.9**	235.2
21.0	Movement on financing derivatives	**243.7**	(55.9)
2,118.8	**Total certain re-measurements**	**(1,548.7)**	1,383.3
2,423.8	**Exceptional items and certain re-measurements on continuing operations before taxation**	**(1,100.0)**	1,543.5
	Taxation		
(79.0)	Taxation on other exceptional items	**(63.5)**	(33.2)
(408.0)	Taxation on certain re-measurements	**275.4**	(267.5)
(244.7)	Effect of deferred tax rate change in wholly owned entities	**-**	(214.9)
(33.2)	Effect of deferred tax rate change in jointly controlled entities	**-**	(23.4)
(764.9)	Taxation	**211.9**	(539.0)
1,658.9	**Total exceptional items and certain re-measurements on continuing operations after taxation**	**(888.1)**	1,004.5
Discontinued operations			
	Exceptional items (note 6.1) and certain re-measurements (note 6.2)		
(120.8)	Gas production asset impairments and related (charges)/credits	**35.0**	(93.9)
576.5	Net gain on disposal of jointly controlled entities	**-**	-
(3.8)	Share of movement on derivatives in jointly controlled entities (net of tax)	**-**	(3.8)
(85.5)	Effect of deferred tax rate change in jointly controlled entities	**-**	(85.5)
366.4	**Total exceptional items and certain re-measurements on discontinued operations after taxation**	**35.0**	(183.2)

6. Exceptional items and certain re-measurements (continued)

Exceptional items and certain re-measurements are disclosed across the following categories within the income statement:

Year ended 31 March 2022 £m		**Six months ended 30 September 2022 £m**	Six months ended 30 September 2021 £m
Continuing operations			
	Cost of sales:		
2,100.4	Movement on operating derivatives (note 16)	**(1,988.3)**	1,204.0
(2.6)	Movement in fair value of commodity stocks	**195.9**	235.2
2,097.8		**(1,792.4)**	1,439.2
	Operating costs:		
322.6	Asset impairments and reversals	**218.9**	182.2
(25.1)	Other exceptional provisions and charges	**-**	(24.3)
297.5		**218.9**	157.9
	Operating income:		
4.3	Net gains on disposals of businesses and other assets	**89.1**	-
2,399.6		**(1,484.4)**	1,597.1
	Joint ventures and associates:		
-	Net gains on acquisition of a joint venture	**140.7**	-
(33.2)	Effect of deferred tax rate change in jointly controlled entities	**-**	(23.4)
(33.2)		**140.7**	(23.4)
2,366.4	**Operating profit/(loss):**	**(1,343.7)**	1,573.7
	Finance costs/(income)		
21.0	Movement on financing derivatives (note 16)	**243.7**	(55.9)
3.2	Interest income on deferred consideration receipt	**-**	2.3
24.2		**243.7**	(53.6)
2,390.6	**Profit/(loss) before taxation on continuing operations**	**(1,100.0)**	1,520.1
Discontinued operations			
(120.8)	Gas production asset impairments and related (charges)/credits	**35.0**	(93.9)
	Joint ventures and associates:		
576.5	Net gain on disposal of jointly controlled entities	**-**	-
(3.8)	Share of movement on derivatives in jointly controlled entities (net of tax)	**-**	(3.8)
451.9	**Profit/(loss) before tax on discontinued operations**	**35.0**	(97.7)

6. Exceptional items and certain re-measurements (continued)

6.1 Exceptional items

Exceptional items recognised within continuing operations in the current financial period ended 30 September 2022

i) Gas Storage – impairment reversal

At 30 September 2022, observable prices for gas have increased significantly from prices used in the last formal impairment assessment at 31 March 2022. This is considered an indicator of impairment reversal necessitating formal reassessment of the carrying value of the Group's gas storage assets that have previously been impaired. A value in use model based on pre-tax discounted cashflows, with updated gas prices and updated mean reversion rate ("MRR") inputs at 30 September 2022 was prepared to assess the recoverable amount of the assets. This was performed for the Group's Gas Storage operations at Aldbrough as follows:

Assets	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
Gas Storage assets (Aldbrough)	Period to end of life	The Value in Use ("VIU") of the Group's Gas Storage assets at Aldbrough were based on pre-tax discounted cash flows expected to be generated by the storage assets based on management's view of the assets' operating prospects. Cash flows are subject to a pre-tax real discount rate of 11.4% (March 2022: 12.0%) reflecting risks specific to the assets. The key assumptions applied in the valuation of the assets are gas price volatility and the mean reversion rate ('MRR'). The gas price volatility assumption reflects management's view of price fluctuations between periods where the Group can purchase gas at a low price, store it and sell during periods of peak prices. The assumption is based on market observed volatility in the last 3 years and management's view on projected volatility in future periods. MRR represents the time taken for the market to return to average after a period of increase or decline. The MRR combined with the volatility rate derives management's fair value of the assets.	**Conclusion** The VIU assessment performed on the assets indicated an exceptional impairment reversal of £201.1m, which has been recognised at 30 September 2022. This represents a full reversal of historic impairments. Following the impairment reversal the carrying value of Aldbrough is £252.1m. The carrying value represents the net book value of the storage assets and excludes the carrying value of cushion gas volumes. **Sensitivity analysis** A sensitivity performed with a low volatility assumption would result in an impairment reversal of £135.1m. A low sensitivity of the MRR assumption (represents a decrease in the rate by 1.0) would result in an impairment reversal of £149.5m.

ii) Fiddler's Ferry land sale

On 30 June 2022, the Fiddlers Ferry site was sold to Peel NRE Developments Limited for cash consideration of £60.0m. The Group carried a decommissioning provision for the site of £53.2m and a residual asset of £24.1m, both of which were disposed of as part of the sale. As a result, the Group has recognised an exceptional gain of £89.1m on disposal. See note 12 for further information.

iii) Triton Power 50% joint venture acquisition

On 1 September 2022, the Group announced that SSE Thermal and Equinor had completed the acquisition of Triton Power Holdings Limited from Energy Capital Partners for total consideration of £341.0m shared equally, following relevant competition approvals. See note 12 for further detail regarding this acquisition. The purchase price of £341.0m was agreed based on prices prevalent in the market during the summer. Subsequent market volatility has resulted in price increases and, on completion of the acquisition on 1 September 2022, the Group recognised an exceptional gain of £140.7m, representing the Group's share of the excess of the net fair value of the identifiable assets and liabilities over the cost of the investment in the acquired business, which was based on updated projected spark margins.

iv) Thermal Generation - impairment reversals

At 30 September 2022, observable prices for power and gas have increased significantly from prices used in the last formal impairment assessment at 31 March 2022. This is considered an indicator of impairment reversal necessitating formal reassessment of the carrying value of the Group's thermal power generation assets that had previously been impaired. At 31 March 2022, all historic impairment adjustments at the Group's GB CCGTs had been reversed. Accordingly, the only plant that required to be reviewed was the Great Island CCGT in Ireland. A value in use model based on pre-tax discounted cashflows, with an updated observable spark spread input at 30 September 2022 was prepared to assess the fair value of that plant.

The results of this review were as follows:

Assets	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
Great Island CCGT	Period to end of life	The VIU of the Group's Great Island CCGT power station was based on pre-tax discounted cash flows expected to be generated by the plant based on management's view of the plant's operating prospects. Cash flows are subject to a pre-tax real discount rate of 11.1% reflecting the specific risks in the Irish market (31 March 2022: 11.0%) reflecting the specific risks in the Irish market.	**Conclusion** The VIU assessment performed on the asset indicated an exceptional impairment reversal of £17.8m, which has been recognised at 30 September 2022. This represents a full reversal of historic impairments. The carrying value of the asset following the impairment reversal is £275.9m. **Sensitivity analysis** In line with the formal valuation exercise performed at 31 March 2022, sensitivities to the impairment reversal were calculated to assess the overall write-back within a range of reasonably possible scenarios. A 0.5% increase in the discount rate would continue to result in a full reversal of historic impairments. A 20% decrease in gross margin would result in an impairment of £35m. A €10/KW decrease in non-contracted capacity market price would continue to result in a full reversal of historic impairments.

Exceptional items recognised within discontinuing operations in the current financial period ended 30 September 2022

v) Gas Production – gain on disposal

On 4 November 2022, RockRose Energy Limited received HMRC clearance in respect of tax treatment in relation to the Group's disposal of its Gas Production business to Viaro Energy (through its subsidiary RockRose Energy Limited), which completed on 14 October 2021. The Group had indemnified RockRose Energy Limited in relation to certain tax liabilities that it might suffer as a result of the transaction, and this formed part of the provision which was recognised on the disposal of the Gas Production business. The HMRC clearance indicated that no such tax liabilities arise for RockRose Energy Limited and as a result the Group has released £35.0m of provision relating to the indemnity as an adjustment to the loss on disposal recognised. The adjustment is recognised in discontinued operations in the period ended 30 September 2022.

Exceptional items in the year ended 31 March 2022
i) Thermal Electricity Generation - impairment reversals

At 31 March 2022, the Group carried out a formal impairment review to assess the carrying value of its GB combined cycle gas turbine ('CCGT') power stations and the Group's Great Island CCGT plant in Ireland. As a result of the assessment, the Group recognised an exceptional impairment reversal of £331.6m to the carrying value of the assets, including the impairment reversal recognised at 30 September 2021 of £181.6m. This represented a full impairment reversal for the CCGT plants at Peterhead, Marchwood, Keadby and Medway and a partial reversal for Great Island.

ii) Gas Storage – impairment reversal

At 31 March 2022, the Group carried out a formal impairment review to assess the carrying value of its Gas Storage operations at Atwick and Aldbrough. As a result of the assessment, the Group recognised an exceptional impairment reversal of £97.3m to the carrying value of the assets.

iii) SSE Contracting – loss on disposal

On 30 June 2021, the Group completed the sale of its Contracting and Rail business to the Aurelius Group for headline consideration of £22.5m and £5m of contingent consideration, based on earning targets within the business. Due to working capital adjustments, cash consideration received was £0.2m. The Group recorded a further exceptional loss on disposal of £18.9m on completion, in addition to the exceptional impairment loss of £51.2m recognised during the year ended 31 March 2021.

iv) Neos Networks – investment impairment and adjustments to consideration

At 31 March 2022, the Group assessed that the value of its investment in Neos Networks Limited was impaired by £106.9m. In the year ended 31 March 2019, the Group disposed of 50% of its stake in the business to Infracapital Partners III, 'Infracap', for initial consideration of £215.0m and the potential for a further £165m of contingent consideration dependent on achievement of certain targets. In the year ended 31 March 2022, the Group reassessed its position relating to the retained contingent elements and its contractual position with Infracap, with the net impact being the recognition of an exceptional charge of £6.2m.

v) Other credits

At 31 March 2022, the Group recognised further exceptional credits of £8.1m relating to reversal of previously recognised exceptional charges or judgements. These included i) reassessment of impairments associated with Heat Networks assets (credit of £0.6m), ii) credit of £3.2m in relation the unwind of discounting on deferred consideration recognised on the part disposal of SSE Slough Multifuel Limited in the year ending 31 March 2021, iii) credit of £4.3m in relation to a gain on disposal of historically impaired land at Seabank.

Exceptional items within discontinued operations in the year ended 31 March 2022
vi) SGN disposal gain

On 2 August 2021, the Group announced it had agreed to sell its 33.3% investment in SGN to a consortium comprising existing SGN shareholders Ontario Teachers' Pension Plan Board and Brookfield Super-Core Infrastructure Partners for cash consideration of £1,225m. The transaction completed on 22 March 2022, with the Group recognising an exceptional gain on disposal of £576.5m.

vii) Gas Production – loss on disposal

The Group recorded an exceptional disposal loss of £120.8m related to sale of its Gas Production assets and liabilities to Viaro Energy through its subsidiary RockRose Energy Limited which completed on 14 October 2021. At 30 September 2021 an impairment charge of £93.9m was recognised in relation to the loss on sale incurred to 30 September 2021 under the transaction's lock box mechanism. The further £26.9m recognised in the second half of the financial year represents the profit of the business due to the buyer between 1 October 2021 and the disposal date on 14 October 2021.

6.2 Certain re-measurements

The Group, through its EPM business, enters into forward commodity purchase (and sales) contracts to meet the future demand requirements of its Business Energy and SSE Airtricity supply businesses and to optimise the value of its SSE Renewables and SSE Thermal power generation assets. Certain of these contracts (predominately electricity, gas and other commodity purchase contracts) are determined to be derivative financial instruments under IFRS 9 "Financial Instruments" and as such are required to be recorded at their fair value. Conversely, commodity contracts that are not financial instruments under IFRS 9 (predominately electricity sales contracts) are accounted for as 'own use' contracts and are not recorded at fair value. In addition, inventory purchased to utilise excess capacity ahead of an optimised sale in the market by the Gas Storage business is held as trading inventory at fair value.

Changes in the fair value of those commodity contracts designated as financial instruments and trading inventory are therefore reflected in the income statement. The Group shows the change in the fair value of these forward contracts and trading inventory separately, as "certain re-measurements", as the Group does not believe this mark-to-market movement is relevant to the underlying performance of its businesses.

At 30 September 2022, volatility in global commodity markets and changes in SSE's contractual positions have resulted in a significantly adverse mark-to-market remeasurement on commodity contracts (predominately power purchases) designated as financial instruments and trading inventory of £1,792.4m (loss) (2021: £1,439.2m (gain), March 2022: £2,097.8m (gain)). It should be noted that the net IFRS 9 position on operating derivatives at 30 September 2022 is an asset of £330.0m. In addition, the Group has executory 'own use' designated commodity contracts which, if classified as financial instruments and remeasured at fair value in accordance with IFRS 9, would significantly increase the total fair value remeasurement and closing liability value. These predominately relate to financial hedges entered into on behalf of the SSE Renewables and SSE Thermal businesses of future sales which were entered into before the subsequent increase in market prices. A significant proportion of 'in the money' mark-to-market contracts recorded at 30 September 2022 and unvalued 'own use' designated commodity contracts are expected to reverse in the second half of the financial year as the relevant commodity is delivered. The remaining settlement of these contracts will predominately be within the subsequent 12 to 24 months. The mark-to-market loss in the period has resulted in a deferred tax credit of £285.4m (2021: £297.4m, March 2022: £408.0m), which has also been classified as exceptional. In addition, the Group has recognised gains of £243.7m (2021: (£55.9m), March 2021: £21.0m) on the remeasurement of the certain interest rate and foreign exchange contracts through the income statement, gains on the remeasurement of cash flow hedge accounted contracts of £147.9m (2021: £30.0m, March 2022: £22.9m) in other comprehensive income and gains on the equity share of the remeasurement of cash flow hedge accounted contracts in joint ventures of £508.2m (2021: £43.3m, March 2022: £181.4m).

The income statement re-measurements arising from IFRS 9 and the associated deferred tax charge are disclosed separately to aid understanding of the underlying performance of the Group.

This category also includes the income statement movement on financing derivatives (and hedged items) as described in note 16.

6.3 Change in UK corporation tax rates

The Government announced in the Budget on 3 March 2021 that the main rate of corporation tax will increase to 25% for the financial year beginning 1 April 2023. Prior to this date, the rate of corporation tax will remain at 19%. The increase to 25% was substantively enacted at 24 May 2021 and therefore the deferred tax balances were re-measured at 30 September 2021 and 31 March 2022. The rate change resulted in an income statement charge for continuing operations of £244.7m at 31 March 2022 (September 2021: £214.9m) and an increase to the Group's deferred tax liabilities (including the effect of equity accounted items) of £279.5m at 31 March 2022. The impact of the rate change on the Group's share of profits of its equity accounted investments was a charge of £55.2m at 31 March 2022 (September 2021: £55.2m) for continuing operations and a charge of £5.6m for discontinued operations at 31 March 2022 (September 2021: £5.6m).

The Finance Bill 2021 also included draft legislation in respect of Capital Allowance 'Super-deductions' of 130% in respect of General Pool plant and machinery, alongside First Year Allowances of 50% for Special Rate Pool plant and machinery for the two years commencing 1 April 2021. The Group expects these changes, which were substantively enacted on 24 May 2021, to significantly increase the deduction for Capital Allowances in the financial years ending 31 March 2022 and 31 March 2023. An estimate of the super-deduction has been taken into account when calculating the effective tax for the current and prior year.

Taxation

The Group has separately recognised the tax effect of the exceptional items and certain re-measurements summarised above.

7. Finance income and costs

Year ended 31 March 2022 £m		**Six months ended 30 September 2022 £m**	Six months ended 30 September 2021 £m
	Finance income:		
0.8	Interest income from short term deposits	**7.9**	0.5
7.6	Interest on pension scheme assets	**7.9**	3.7
-	Foreign exchange translation of monetary assets and liabilities	**0.1**	-
	Other interest receivable:		
46.8	Joint ventures and associates	**30.5**	19.5
27.0	Other receivable	**11.8**	16.9
73.8		**42.3**	36.4
82.2	**Total finance income**	**58.2**	40.6
	Finance costs:		
(16.2)	Bank loans and overdrafts	**(14.9)**	(7.6)
(340.2)	Other loans and charges	**(161.6)**	(173.6)
(14.6)	Foreign exchange translation of monetary assets and liabilities	**-**	(14.9)
(5.7)	Notional interest arising on discounted provisions	**(7.1)**	(2.3)
(30.4)	Lease charges	**(14.1)**	(16.2)
30.7	Less: interest capitalised	**19.9**	11.6
(376.4)	**Total finance costs**	**(177.8)**	(203.0)
21.0	Changes in fair value of financing derivative assets or liabilities at fair value through profit or loss	**243.7**	(55.9)
(273.2)	**Net finance costs**	**124.1**	(218.3)
	Presented as:		
103.2	**Finance income**	**301.9**	40.6
(376.4)	**Finance costs**	**(177.8)**	(258.9)
(273.2)	**Net finance costs**	**124.1**	(218.3)

Adjusted net finance costs are arrived at after the following adjustments:

Year ended 31 March 2022 (restated*) £m		**Six months ended 30 September 2022 £m**	Six months ended 30 September 2021 £m
(273.2)	**Net finance income/(costs)**	**124.1**	(218.3)
	(add)/less:		
(67.8)	Share of interest from joint ventures and associates	**(29.1)**	(34.2)
(7.6)	Interest on pension scheme assets	**(7.9)**	(3.7)
(21.0)	Movement on financing derivatives (note 16)	**(243.7)**	55.9
(3.2)	Exceptional item	**-**	(2.3)
(372.8)	**Adjusted net finance costs**	**(156.6)**	(202.6)
5.7	Notional interest arising on discounted provisions	**7.1**	2.3
30.4	Lease charges	**14.1**	16.2
(50.7)	Hybrid coupon payment	**(38.8)**	(50.7)
(387.4)	**Adjusted net finance costs for interest cover calculations**	**(174.2)**	(234.8)

8. Taxation

The income tax expense for the interim period is calculated in accordance with the principles of IAS 34, where the forecast effective rate of tax for the year is applied to the profits for the period, with discrete items arising in the interim period being separately treated.

The income tax expense reflects the anticipated effective rate of tax on profits before taxation for the Group for the year ending 31 March 2023, taking account of the movement in the deferred tax provision in the period so far as it relates to items recognised in the income statement. The reported tax rate on the profit before tax before exceptional items and certain re-measurements on continuing operations is 15.2% (2021: 16.1%, March 2022: 13.8%). The reported tax rate on the profit before tax after exceptional items and certain remeasurements is 24.0% (2021: 32.2%, March 2022 25.4%).

The charge recognised in the income statement is as follows:

	Six months ended 30 September 2022			Six months ended 30 September 2021		
	Before exceptional items and remeasurements £m	**Exceptional items and remeasurements £m**	**Total £m**	Before exceptional items and remeasurements £m	Exceptional items and remeasurements £m	Total £m
Current tax						
UK corporation tax	**51.4**	**(4.7)**	**46.7**	13.4	(6.4)	7.0
Adjustments in respect of previous years	**-**	**-**	**-**	(3.0)	(9.0)	(12.0)
Total current tax	**51.4**	**(4.7)**	**46.7**	10.4	(15.4)	(5.0)
Deferred tax						
Current year	**38.1**	**(207.2)**	**(169.1)**	16.3	316.1	332.4
Effect of change in tax rate	**-**	**-**	**-**	-	214.9	214.9
Total deferred tax	**38.1**	**(207.2)**	**(169.1)**	16.3	531.0	547.3
Total taxation (credit)/charge	**89.5**	**(211.9)**	**(122.4)**	26.7	515.6	542.3

	Year ended 31 March 2022		
	Before exceptional items and remeasurements (restated*) £m	Exceptional items and remeasurements £m	Total (restated*) £m
Current tax			
UK corporation tax	82.5	8.8	91.3
Adjustments in respect of previous years	(5.9)	-	(5.9)
Total current tax	76.6	8.8	85.4
Deferred tax			
Current year	75.2	478.2	553.4
Effect of change in tax rate	-	244.7	244.7
Adjustments in respect of previous years	(2.2)	-	(2.2)
Total deferred tax	73.0	722.9	795.9
Total taxation charge	149.6	731.7	881.3

The 'adjusted current tax charge' and the 'adjusted effective rate of tax', which are presented in order to best represent underlying performance by making similar adjustments to the 'adjusted profit before tax' measure, are arrived at after the following adjustments:

Year ended 31 March 2022 (restated*) £m	%		**Six months ended 30 September 2022 £m**	**%**	Six months ended 30 September 2021 £m	%
		Continuing operations				
881.3	25.4	Group tax charge/(credit) and effective rate	**(122.4)**	**24.0**	542.3	32.2
(795.9)	(22.9)	Add: reported deferred tax (charge)/credit and effective rate	**169.1**	**(33.1)**	(547.3)	(32.5)
85.4	2.5	Reported current tax charge and effective rate	**46.7**	**(9.1)**	(5.0)	(0.3)
	4.8	Effect of adjusting items		**17.5**		(2.5)
85.4	7.3	Reported current tax charge on adjusted basis	**46.7**	**8.4**	(5.0)	(2.8)
		add:				
30.6	2.6	Share of current tax from joint ventures and associates	**18.9**	**3.4**	2.3	1.3
		less:				
(8.9)	(0.7)	Current tax charge/credit on exceptional items	**4.7**	**0.8**	15.4	8.8
107.1	9.2	**Adjusted current tax charge and effective rate**	**70.3**	**12.6**	12.7	7.3

The adjusted effective current tax rate for the period after adjusting for discrete events arising in the first half of the year is 12.6% (2021: 7.3%). The forecast full-year effective current tax rate is expected to be 13.6%.

*The comparative has been restated. See note 2 (v).

9. Discontinued operations and assets and liabilities held for sale

Discontinued operations

The discontinued operations during the year ended 31 March 2022 represented the Group's investment in SGN, which was disposed on 22 March 2022 and the Group's investment in Gas Production assets, which was sold on 14 October 2021. The total profit recognised from discontinued operations for the period ended 30 September 2022 is a £35.0m gain from the Gas Production disposal (see note 6.1 (v) for further information). For the year ended 31 March 2022 the total profit was £482.7m (September 2021: loss £93.8m); consisting of a £502.2m gain from SGN, including a £576.5m gain on disposal (September 2021 £76.0m loss) and £19.5m loss from Gas Production (September 2021: £17.8m loss).

The assets held for sale at 30 September 2021 were £673.3m, which included Gas Production net assets of £8.8m, the Group's 33.3% investment in SGN of £661.9m and the Group's 10% stake in Doggerbank windfarm development C of £2.6m, which was sold on 10 February 2022. There were no assets and liabilities classified as held for sale at 30 September 2022 and 31 March 2022.

10. Dividends

Ordinary dividends

Year ended 31 March 2022				**Six months ended 30 September 2022**			Six months ended 30 September 2021		
Total £m	Settled via scrip £m	Pence per ordinary share		**Total £m**	**Settled via scrip £m**	**Pence per ordinary share**	Total £m	Settled via scrip £m	Pence per ordinary share
-	-	-	Final – year ended 31 March 2022	**642.6**	**322.5**	**60.2**	-	-	-
271.8	28.2	25.5	Interim – year ended 31 March 2022	**-**	**-**	**-**	-	-	-
590.5	327.5	56.6	Final – year ended 31 March 2021	**-**	**-**	**-**	590.5	327.5	56.6
862.3	355.7			**642.6**	**322.5**		590.5	327.5	

The final dividend of 60.2p per ordinary share declared in respect of the financial year ended 31 March 2022 (2021: 56.6p) was approved at the Annual General Meeting on 21 July 2022 and was paid to shareholders on 22 September 2022. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the cash dividend under the terms of the Company's scrip dividend scheme.

For dividends paid in relation to the financial year ended 31 March 2022 and in relation to the subsequent years to 31 March 2026, the Group's policy is to repurchase shares to reduce the scrip's dilutive effects, if the scrip take-up exceeds 25% of the full year dividend in any given year. The overall scrip dividend take-up for the financial year ended 31 March 2022 was 38.33%. SSE initiated a share buy-back, in the period following the final dividend payment for the year ended 31 March 2022. The number of ordinary shares to be purchased will not exceed 6,904,083 ordinary shares, and the maximum amount allocated to the Scrip buy-back is £125.0m. SSE intends to complete this process by 31 March 2023.

An interim dividend of 29.0p per ordinary share (2022: 25.5p) has been proposed and is due to be paid on 9 March 2023 to those shareholders on the SSE plc share register on 13 January 2023. The proposed interim dividend has not been included as a liability in these financial statements. A scrip dividend will be offered as an alternative.

11. Earnings per share

Basic earnings per share

The calculation of basic earnings per ordinary share at 30 September 2022 is based on the net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period ended 30 September 2022.

Adjusted earnings per share

Adjusted earnings per share has been calculated by excluding the charge for deferred tax, interest on net pension liabilities under IAS 19, retained Gas Production decommissioning obligation adjustments, the depreciation charged on fair value uplifts and the impact of exceptional items and certain re-measurements.

Continuing operations

Year ended 31 March 2022 (restated*)			**Six months ended 30 September 2022**		Six months ended 30 September 2021	
Earnings £m	Earnings per share pence		**Earnings £m**	**Earnings per share pence**	Earnings £m	Earnings per share pence
3,027.0	286.9	Earnings/(losses) attributable to ordinary shareholders	**(392.4)**	**(36.4)**	999.3	94.7
(482.7)	(45.7)	Less: (Earnings)/losses attributable to discontinued operations	**(35.0)**	**(3.3)**	93.8	8.9
2,544.3	241.2	**Basic earnings on continuing operations used to calculate adjusted EPS**	**(427.4)**	**(39.7)**	1,093.1	103.6
(1,658.9)	(157.2)	Exceptional items and certain re-measurements (note 6)	**888.1**	**82.4**	(1,004.5)	(95.2)
885.4	84.0	Basic excluding exceptional items and certain re-measurements	**460.7**	**42.7**	88.6	8.4
		Adjusted for:				
13.1	1.2	Gas Production decommissioning adjustments	**(54.5)**	**(5.1)**	-	-
20.6	2.0	Depreciation charge on fair value uplifts	**9.4**	**0.9**	10.3	1.0
(7.6)	(0.7)	Interest on net pension scheme assets (note 7)	**(7.9)**	**(0.7)**	(3.7)	(0.4)
73.0	6.8	Deferred tax	**38.1**	**3.6**	16.3	1.6
15.8	1.5	Deferred tax from share of joint ventures and associates	**4.5**	**0.4**	(0.7)	(0.1)
1,000.3	94.8	**Adjusted**	**450.3**	**41.8**	110.8	10.5

Year ended 31 March 2022 (restated*) Earnings £m	Earnings per share pence		**Six months ended 30 September 2022 Earnings £m**	**Earnings per share pence**	Six months ended 30 September 2021 Earnings £m	Earnings per share pence
2,544.3	241.2	**Basic**	**(427.4)**	**(39.7)**	1,093.1	103.6
-	(0.5)	Dilutive effect of outstanding share options	**-**	**-**	-	(0.2)
2,544.3	240.7	**Diluted**	**(427.4)**	**(39.7)**	1,093.1	103.4

Reported earnings per share

Year ended 31 March 2022 (restated*) Earnings £m	Earnings per share pence		**Six months ended 30 September 2022 Earnings £m**	**Earnings per share pence**	Six months ended 30 September 2021 Earnings £m	Earnings per share pence
		Basic				
2,544.3	241.2	Earnings/(losses) per share on continuing operations	**(427.4)**	**(39.7)**	1,093.1	103.6
482.7	45.7	Earnings/(losses) per share on discontinued operations	**35.0**	**3.3**	(93.8)	(8.9)
3,027.0	286.9	**Earnings/(losses) per share attributable to ordinary shareholders**	**(392.4)**	**(36.4)**	999.3	94.7
-	(0.5)	**Dilutive effect of outstanding share options**	**-**	**-**	-	(0.1)
3,027.0	286.4	**Diluted**	**(392.4)**	**(36.4)**	999.3	94.6

The weighted average number of shares used in each calculation is as follows:

Year ended 31 March 2022 Number of shares (millions)		**Six months ended 30 September 2022 Number of shares (millions)**	Six months ended 30 September 2021 Number of shares (millions)
1,055.0	For basic and adjusted earnings per share	**1,077.2**	1,054.7
2.0	Effect of exercise of share options	**2.7**	2.2
1,057.0	For diluted earnings per share	**1,079.9**	1,056.9

12. Acquisitions and disposals

Acquisitions and disposals in the current period

Acquisitions

European onshore renewables development platform: On 1 September 2022 the Group completed the 100% acquisition of an existing European onshore renewable energy development platform from Siemens Gamesa Renewable Energy ("SGRE") for final cash consideration of £516.8m, after obtaining regulatory approval and after completion adjustments. The SGRE portfolio is mainly located in Spain with the remainder across France, Italy and Greece. This acquisition is aligned to the Group's published strategy to pursue overseas renewable opportunities.

Due to the acquisition date being close to the balance sheet date of 30 September 2022, SSE has recognised purchase consideration £488.8m as an intangible asset, as a provisional fair value and £28.0m as working capital. An exercise to determine the fair value of the separable assets and liabilities acquired will be completed in the second half of the financial year.

Acquisition costs of £4.7m were expensed to operating costs in the period. The acquired business contributed £nil to revenue and £nil to operating profit in the 6 month period to 30 September 2022.

Triton Power - 50% joint venture acquisition: On 1 September 2022, the Group announced that SSE Thermal and Equinor had completed the acquisition of Triton Power Holdings Limited from Energy Capital Partners for total consideration of £341m shared equally. The Group's share of the cash consideration paid for the equity investment was £123.2m after completion adjustments. Triton Power operates the 1.2GW Saltend Power Station in the Humber along with two smaller plants, Indian Queens Power Station, a 140MW OCGT in Cornwall, and Deeside Power Station, a decommissioned CCGT in north Wales. The acquisition will strengthen SSE's existing collaboration with Equinor and will support the long-term decarbonisation of the UK's power system and contribute to security of supply and grid stability. An exceptional gain on acquisition of £140.7m was recognised (see note 6) based on movements in the underlying fair value of assets acquired between agreeing and completing the transaction. Due to the acquisition date being close to the balance sheet date, the exercise to attribute fair value will be completed in the second half of the financial year. See note 6.1 (iii) for further information.

The joint venture contributed £5.0m to operating profit in the 6 month period to 30 September 2022.

During the 6 months ended 30 September 2022, the Group made other smaller asset acquisitions (of special purpose vehicles as opposed to businesses) for deferred consideration of £34.7m. The total cash consideration for business combinations of £640.0m is included in the Group's Adjusted investment, capital and acquisition metric.

Disposals

Fiddler's Ferry land sale: On 30 June 2022, the Fiddlers Ferry site was sold to Peel NRE Developments Limited resulting an exceptional gain of £89.1m on disposal.

Prior year acquisitions and disposals

Acquisitions

Acquisition of 80% equity interest in Japanese offshore wind development platform

On 29 October 2021 the Group completed the acquisition of an 80% equity interest in an offshore wind development platform from Pacifico Energy and its affiliates for $193m USD upfront cash consideration and a further $30m USD deferred consideration, subject to a number of conditions. This acquisition is aligned to the Group's published strategy to pursue overseas renewable opportunities.

The assets and liabilities acquired largely comprise tangible and intangible assets, being windfarm site development costs and goodwill as set out in the table below. The non-controlling interest acquired was measured at fair value, where fair value represented the non-controlling interest's proportionate share of the assets and liabilities acquired through the transaction.

	Fair value at 29 October 2021
Assets acquired	
Intangible development assets	20.5
Cash	4.3
Other assets	0.4
Total net assets acquired	25.2
Non-controlling interest	(40.6)
Goodwill	176.7
	161.3
Cash consideration	141.3
Deferred consideration	20.0
	161.3

Disposals

During the year ended 31 March 2022, the Group completed its strategic disposal plan for non-core assets announced in June 2020, and continued its programme of strategic partnering generating developer gains. As a result, it recognised an exceptional gain on disposal of £576.5m of its investment in SGN (discontinued), an exceptional loss of £120.8m on disposal of SSE E&P UK Limited (discontinued) and other less material exceptional gains and losses on disposal, mainly relating to the sale of the Group's Contracting and Rail business to the Aurelius Group. Additionally, the Group recognised a non-exceptional gain on disposal of £67.1m, relating to the sale of the Group's 10% stake in Dogger Bank C on 10 February 2022. After the sale the Group's shareholding in Dogger Bank C is 40%. The disposals primarily comprise sales of stakes in non-operated investment assets, or the sale of a stake in early stage offshore windfarm development, which aligns to the Group's stated policy to realise value from these assets.

13. Sources of finance

13.1 Capital management

The Board's policy is to maintain a strong balance sheet and credit rating to support investor, counterparty and market confidence in the Group and to underpin future development of the business. The Group's credit ratings are also important in maintaining an efficient cost of capital and in determining collateral requirements throughout the Group. As at 30 September 2022, the Group's long term credit rating was BBB+ stable outlook for Standard & Poor's and Baa1 negative outlook for Moody's.

The maintenance of a medium term corporate model is a key control in monitoring the development of the Group's capital structure and allows for detailed scenarios and sensitivity testing. Key ratios drawn from this analysis underpin regular updates to the Board and include the ratios used by the rating agencies in assessing the Group's credit ratings.

The Group's debt requirements are principally met through issuing bonds denominated in Sterling and Euros as well as private placements and medium term bank loans including those with the European Investment Bank.

During the period SSE plc issued a 7 year €650m Eurobond at a coupon of 2.875% with an all-in cost of funding rate of just below 3% once fees and cost of pre hedging have been included. The bond will be left in Euros as part of the Group's net investment hedge of Euro denominated businesses. SSE Group (through Scottish Hydro Electric Transmission plc) also received the proceeds from the private placement that was priced and committed to in March 2022. This comprised of a £350m dual tranche US Private Placement with Pricora Capital being a £175m 10-year tranche at 3.13% and a £175m 15-year tranche at 3.24% giving an all-in average rate of 3.185% across both tranches.

SSE's adjusted net debt and hybrid capital was £10.0bn at 30 September 2022, compared with £8.6bn at 31 March 2022.

Adjusted net debt and hybrid capital is stated after removing lease obligations and cash held as collateral in line with the Group's presentation basis which is explained at note 2(i). Cash held as collateral refers to amounts deposited on commodity trading exchanges which are reported within 'trade and other receivables' on the face of the balance sheet. That balance was £581.3m (2021: £74.7m, March 2022: (£87.4m) at 30 September 2022 and reflects the increased levels of initial and variation margin required as part of the management of the Group's exposures on commodity contracts traded on exchanges.

The Group has £1.5bn of committed bank facilities, being a £1.3bn Revolving Credit Facility with a March 2026 maturity and a £0.2bn bilateral facility with an October 2026 maturity. These facilities can also be utilised to cover short term funding requirements; however, they remain undrawn during the six months to 30 September 2022. In the period to 15 November 2022, £700m of these facilities have been utilised to fund further margin requirements for commodity contracts transacted on exchanges. In addition, the Group has an established €1.5bn Euro commercial paper programme (paper can be issued in a range of currencies and swapped into Sterling) and at 30 September 2022, £1,173m of commercial paper was outstanding compared to £507m at 31 March 2022 (30 September 2021: £103m).

On 11 November 2022, two new revolving credit facilities were entered into as part of the Networks minority stake disposal process. SSEN Transmission entered into a 3 year £750m facility and SSEN Distribution entered into a similar 3 year £250m facility, both facilities have two 1 year optional extensions. These facilities were entered into to help cover the future long term funding requirements and the working capital of those businesses as they look to become financially independent of the Group. The facilities will therefore support the ongoing capital expenditure investment programmes that are required to deliver their ambitious future growth plans.

The Group capital comprises:

March 2022 (restated*) £m		**September 2022 £m**	September 2021 £m
8,671.2	**Total borrowings (excluding lease obligations)**	**8,976.8**	8,705.8
(1,049.3)	Less: Cash and cash equivalents	**(289.3)**	(232.7)
7,621.9	Net debt (excluding hybrid equity)	**8,687.5**	8,473.1
1,051.0	Hybrid equity	**1,882.4**	1,051.0
(74.7)	Cash held as collateral and other short-term loans	**(581.3)**	87.4
8,598.2	Adjusted net debt and hybrid equity	**9,988.6**	9,611.5
8,077.8	**Equity attributable to shareholders of the parent**	**7,910.5**	6,035.8
16,676.0	**Total capital excluding lease obligations**	**17,899.1**	15,647.3

The comparative has been restated. See note 2 (v).

13.2 Loans and other borrowings

March 2022 £m		**September 2022 £m**	September 2021 £m
	Current		
1,118.7	Short term loans	**1,323.1**	2,014.4
72.1	Lease obligations	**76.6**	52.4
1,190.8		**1,399.7**	2,066.8
	Non-current		
7,552.5	Loans	**7,653.7**	6,691.3
321.4	Lease obligations	**312.3**	352.3
7,873.9		**7,966.0**	7,043.6
9,064.7	**Total loans and borrowings**	**9,365.7**	9,110.4
(1,049.3)	Cash and cash equivalents	**(289.3)**	(232.7)
8,015.4	**Unadjusted net debt**	**9,076.4**	8,877.7
	Add/(less):		
1,051.0	Hybrid equity (note 14)	**1,882.4**	1,051.0
(393.5)	Lease obligations	**(388.9)**	(404.7)
(74.7)	Cash held/(deposited) as collateral and other short term loans	**(581.3)**	87.4
8,598.2	**Adjusted net debt and hybrid equity**	**9,988.6**	9,611.4

SSE's adjusted net debt and hybrid capital was £10.0bn at 30 September 2022, compared with £8.6bn at 31 March 2022 and £9.6bn at 30 September 2021.

Adjusted net debt and hybrid capital is stated after removing lease obligations and cash held as collateral in line with the Group's presentation basis which is explained at note 2(i). Cash held as collateral refers to amounts deposited on commodity trading exchanges which are reported within 'trade and other receivables' on the face of the balance sheet.

13.3 Reconciliation of net decrease in cash and cash equivalents to movement in adjusted net debt and hybrid equity

March 2022 £m		**September 2022 £m**	September 2021 £m
(550.9)	(Decrease)/increase in cash and cash equivalents	**(760.0)**	(1,367.5)
	Add/(less)		
(506.1)	New borrowing proceeds	**(2,068.6)**	(103.3)
-	New hybrid equity proceeds	**(831.4)**	-
865.0	Repayment of borrowings	**1,998.2**	450.0
421.4	Repayment of hybrid equity	**-**	421.4
(40.5)	Non-cash movement on borrowings	**(235.2)**	(62.8)
111.8	Increase/(decrease) in cash held as collateral and other short term borrowings	**506.6**	(50.3)
300.7	**(Increase)/decrease in adjusted net debt and hybrids**	**(1,390.4)**	(712.5)

13.4 Hybrid debt

Following the issue of a new €1bn equity accounted hybrid in April 2022, the Company took advantage of the 3 month par call option on the debt accounted hybrids to fully redeem these hybrids on 16 June 2022. Included therefore within loans and borrowings at 30 September 2022 is £nil hybrid debt securities, compared to £1.0bn of hybrid debt securities at 30 September 2021 and 31 March 2022 (issued on 16 March 2017, with an issuer first call date on 16 September 2022).

14. Hybrid Equity

March 2022 £m	**Perpetual subordinated capital securities**	**September 2022 £m**	September 2021 £m
598.0	GBP 600m 3.74% perpetual subordinated capital securities (i)	**598.0**	598.0
453.0	EUR 500m 3.125% perpetual subordinated capital securities (i)	**453.0**	453.0
-	EUR 1,000m 4.00% perpetual subordinated capital securities (ii)	**831.4**	-
1,051.0		**1,882.4**	1,051.0

(i) 2 July 2020 £600m and €500m Hybrid Capital Bonds

The hybrid capital bonds issued in July 2020 have no fixed redemption date, but the Company may, at its sole discretion, redeem all but not part of the capital securities at their principal amount. The date for the first potential discretionary redemption of the £600m hybrid bond is 14 April 2026 and then every 5 years thereafter. The date for the first potential discretionary redemption of the €500m hybrid capital bond is 14 July 2027 and then every 5 years thereafter. For the £600m Hybrid the discretionary coupon payments are made annually on 14 April and for the €500m Hybrid the discretionary coupon payments are made annually on 14 July.

(ii) **12 April 2022 €1,000m Hybrid Capital Bonds**

The Hybrid capital bond issued in April 2022 has no fixed redemption date, but the Company may, at its sole discretion, redeem all but not part of the capital securities at their principal amount. The date for the first potential discretionary redemption is 21 April 2028 and then every 5 years thereafter. The discretionary Hybrid coupon payments are made annually on 21 April.

Coupon Payments

In relation to the £600m hybrid equity bond a discretionary coupon payment of £22.4m (2022: £16.8m) was made on 14 April 2022 and for the €500m hybrid equity bond a discretionary coupon payment of £16.4m (2022: £16.4m) was made on 14 July 2022. Additionally, in relation to the €600m hybrid equity bond (redeemed on 1 April 2021), the final discretionary coupon payment of £17.5m was made on 1 April 2021. The first discretionary coupon payment on the new €1bn hybrid equity bond will occur on 21 April 2023. The coupon payments in the six month period to 30 September 2022 consequently totalled £38.8m (2021: £50.7m).

The Company has the option to defer coupon payments on the bonds on any relevant payment date, as long as a dividend on the ordinary shares has not been declared. Deferred coupons shall be satisfied only on redemption; or on a dividend payment on ordinary shares, both of which occur at the sole option of the Company. Interest will accrue on any deferred coupon.

15. Share capital

	Number (millions)	£m
Allotted, called up and fully paid:		
At 1 April 2022	1,073.1	536.5
Issue of shares	18.2	9.1
At 30 September 2022	**1,091.3**	**545.6**

The Company has one class of ordinary share which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

Shareholders were able to elect to receive ordinary shares in place of the final dividend for the year to 31 March 2022 of 60.2p (2021: 56.6p in relation to the final dividend for the year to 31 March 2021; March 2022: 25.5p in relation to the interim dividend for the year to 31 March 2022) per ordinary share under the terms of the Company's scrip dividend scheme. This resulted in the issue of 18,241,941 (2021: 22,201,443; March 2022: 1,782,473) new fully paid ordinary shares.

In addition, the Company issued 33k shares (2021: 0.2m, March 2022: 0.6m) during the period under the savings-related share option schemes and discretionary share option schemes, all of which were settled by shares held in Treasury for a consideration of £0.5m (2021: £2.2m, March 2022: £6.3m).

On 28 September 2022 the Group entered into an irrevocable non-discretionary Share buyback programme of £125m in own shares for cancellation. As the Share buyback was irrecoverable the full value was recognised as a liability at 30 September 2022 and no shares were repurchased in the period. The share repurchase scheme commenced on 3 October 2022.

Of the 1,091.3m (2021: 1,071.3m, March 2022: 1,073.1m) shares in issue, 5.4m (2021: 5.9m, March 2022: 5.5m) are held as treasury shares. These shares will be held by the Group and used to award shares to employees under the Sharesave scheme in the UK.

During the period, on behalf of the Company, the employee share trust purchased 1.3 million shares (2021: 0.1 million, March 2022: 0.9 million) for a consideration of £21.7m (2021: £1.5m, March 2022: £14.1m) to be held in trust for the benefit of employee share schemes.

16. Financial Risk Management

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's policies for risk management are established to identify the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Exposure to commodity, currency and interest rate risks arise in the normal course of the Group's business and derivative financial instruments are entered into to hedge exposure to these risks.

SSE has a Group wide risk committee reporting to the Group Executive Committee, which is responsible for reviewing the strategic, market, credit, operational and liquidity risks and exposures that arise from the Group's operating activities. In addition, the Group has two dedicated Energy Market risk committees reporting to the Group Executive Committee and Board respectively, with the Group Executive Sub-committee chaired by the Group Finance Director and the Board Sub-committee chaired by Non-Executive Director Tony Cocker. These Committees oversee the Group's management of its energy market exposures, including its approach to hedging.

During the period ended 30 September 2022, the Group was exposed to exceptional volatility in energy markets impacting the primary commodities to which it is exposed (Gas, Carbon and Power) due to the impacts from the war in Ukraine and other global factors. The Group's approach to hedging, and the diversity of its energy portfolios (across Wind, Hydro, Thermal and Customers) has provided significant certain mitigation of these exposures. Exceptional rises and volatility in commodity prices have created a particular challenge in managing counter-party credit and collateral exposures and requirements. Market access to energy markets to enable hedging and prompt optimisation has been maintained by a combination of three key actions. Firstly, bilateral counterparty limits have been increased (subject to Executive Director authorisation) and SSE has continued to utilise market access provided by exchange platforms and auctions. Secondly, the SSE Group Parent Company Guarantee has been increased appropriately to reflect the impact of market volatility on counterparty exposures. Finally, since March 2022, SSE Treasury facilities have been increased by circa £710m with relationship banks and insurance companies in order to facilitate letters of credit to be posted as collateral instead of cash to support the route to market of the Group.

The Group's policy in relation to liquidity risk continues to be to ensure, in so far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Further detail is noted in the Group's financial statements at 31 March 2022.

For financial reporting purposes, the Group has classified derivative financial instruments into two categories, operating derivatives and financing derivatives. Operating derivatives relate to all qualifying commodity contracts including those for electricity, gas, oil, coal and carbon. Financing derivatives include all fair value and cash flow interest rate hedges, non-hedge accounted (mark-to-market) interest rate derivatives, cash flow foreign exchange hedges and non-hedge accounted foreign exchange contracts. Non-hedge accounted contracts are treated as held for trading.

The net movement reflected in the interim income statement can be summarised as follows:

Year ended 31 March 2022 £m		**Six months ended 30 September 2022 £m**	Six months ended 30 September 2021 £m
	Operating derivatives		
3,527.2	Total result on operating derivatives (i)	**(1,044.0)**	1,584.1
(1,426.8)	Less: amounts settled (ii)	**(944.3)**	(380.1)
2,100.4	**Movement in unrealised derivatives**	**(1,988.3)**	1,204.0
	Financing derivatives (and hedged items)		
(43.3)	Total result on financing derivatives (i)	**225.0**	(55.3)
64.3	Less: amounts settled (ii)	**18.7**	(0.6)
21.0	**Movement in unrealised derivatives**	**243.7**	(55.9)
2,121.4	**Net income statement impact**	**(1,744.6)**	1,148.1

(i) Total result on derivatives in the income statement represents the total amounts (charged) or credited to the income statement in respect of operating and financial derivatives.

(ii) Amounts settled in the period represent the result on derivatives transacted which have matured or been delivered and have been included within the total result on derivatives.

The movement in unrealised operating derivatives excludes £19.3m of gains on proprietary trades, which has been recognised in the underlying profit of the Group.

The fair values of the primary financial assets and liabilities of the Group together with their carrying values are as follows:

March 2022 Carrying value £m	March 2022 Fair value £m		**September 2022 Carrying value £m**	**September 2022 Fair value £m**	September 2021 Carrying value £m	September 2021 Fair value £m
		Financial Assets				
		Current				
1,433.9	1,433.9	Trade receivables	**1,570.3**	**1,570.3**	947.5	947.5
4.9	4.9	Other receivables	**109.2**	**109.2**	3.2	3.2
83.8	83.8	Cash collateral and other short term loans	**1,113.1**	**1,113.1**	59.4	59.4
1,049.3	1,049.3	Cash and cash equivalents	**289.3**	**289.3**	232.7	232.7
2,941.8	2,941.8	Derivative financial assets	**2,677.2**	**2,677.2**	419.2	419.2
5,513.7	5,513.7		**5,759.1**	**5,759.1**	1,662.0	1,662.0
		Non-current				
8.7	8.7	Unquoted equity investments	**18.0**	**18.0**	3.5	3.5
136.4	136.4	Loan note receivable	**145.2**	**145.2**	128.2	128.2
736.9	736.9	Loans to associates and jointly controlled entities	**886.0**	**886.0**	632.8	632.8
371.7	371.7	Derivative financial assets	**1,124.7**	**1,124.7**	2,207.1	2,207.1
1,253.7	1,253.7		**2,173.9**	**2,173.9**	2,971.6	2,971.6
6,767.4	6,767.4		**7,933.0**	**7,933.0**	4,633.6	4,633.6
		Financial Liabilities				
		Current				
(919.7)	(919.7)	Trade payables	**(986.9)**	**(986.9)**	(610.0)	(610.0)
(9.1)	(9.1)	Outstanding liquid funds	**(531.8)**	**(531.8)**	(146.8)	(146.8)
(1,118.7)	(1,162.4)	Loans and borrowings	**(1,323.1)**	**(1,335.3)**	(2,014.4)	(2,087.4)
(72.1)	(72.1)	Lease liabilities	**(76.6)**	**(76.6)**	(52.4)	(52.4)
(701.5)	(701.5)	Derivative financial liabilities	**(2,195.4)**	**(2,195.4)**	(1,008.0)	(1,008.0)
(2,821.1)	(2,864.8)		**(5,113.8)**	**(5,126.0)**	(3,831.6)	(3,904.6)
		Non-current				
(7,552.5)	(8,133.7)	Loans and borrowings	**(7,653.7)**	**(6,898.1)**	(6,691.3)	(7,703.5)
(321.4)	(321.4)	Lease liabilities	**(312.3)**	**(312.3)**	(352.3)	(352.3)
(549.6)	(549.6)	Derivative financial liabilities	**(956.7)**	**(956.7)**	(500.2)	(500.2)
(8,423.5)	(9,004.7)		**(8,922.7)**	**(8,167.1)**	(7,543.8)	(8,556.0)
(11,244.6)	(11,869.5)		**(14,036.5)**	**(13,293.1)**	(11,375.4)	(12,460.6)
(4,477.2)	(5,102.1)	**Net financial liabilities**	**(6,103.5)**	**(5,360.1)**	(6,741.8)	(7,827.0)

Fair value hierarchy

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from unadjusted quoted market prices for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

	September 2022				September 2021			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial Assets								
Energy derivatives	**-**	**3,402.4**	**-**	**3,402.4**	132.5	2,302.0	-	2,434.5
Interest rate derivatives	**-**	**360.6**	**-**	**360.6**	-	177.7	-	177.7
Foreign exchange derivatives	**-**	**38.9**	**-**	**38.9**	-	14.0	-	14.0
Loan note receivable	**-**	**-**	**145.2**	**145.2**	-	-	128.2	128.2
Unquoted equity instruments	**-**	**-**	**18.0**	**18.0**	-	-	3.5	3.5
	-	**3,801.9**	**163.2**	**3,965.1**	132.5	2,493.7	131.7	2,757.9
Financial Liabilities								
Energy derivatives	**(9.5)**	**(3,062.9)**	**-**	**(3,072.4)**	-	(1,023.9)	-	(1,023.9)
Interest rate derivatives	**-**	**(54.6)**	**-**	**(54.6)**	-	(433.2)	-	(433.2)
Foreign exchange derivatives	**-**	**(25.1)**	**-**	**(25.1)**	-	(51.1)	-	(51.1)
Loans and borrowings	**-**	**(199.3)**	**-**	**(199.3)**	-	(48.9)	-	(48.9)
	(9.5)	**(3,341.9)**	**-**	**(3,351.4)**	-	(1,557.1)	-	(1,557.1)

There were no significant transfers out of Level 1 into Level 2 and out of Level 2 into Level 1 during the 6 months ended 30 September 2022, nor the 6 months ended 30 September 2021.

	March 2022			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial Assets				
Energy derivatives	884.1	2,246.4	-	3,130.5
Interest rate derivatives	-	176.8	-	176.8
Foreign exchange derivatives	-	6.1	-	6.1
Loan note receivable	-	-	136.4	136.4
Unquoted equity instruments	-	-	8.7	8.7
	884.1	2,429.3	145.1	3,458.5
Financial Liabilities				
Energy derivatives	-	(828.7)	-	(828.7)
Interest rate derivatives	-	(376.1)	-	(376.1)
Foreign exchange derivatives	-	(46.3)	-	(46.3)
Loans and borrowings	-	(31.6)	-	(31.6)
	-	(1,282.7)	-	(1,282.7)

There were no significant transfers out of Level 1 into Level 2 and out of Level 2 into Level 1 during the year ended 31 March 2022.

17. Retirement Benefit Obligations

Defined Benefit Schemes

The Group has two funded final salary pension schemes which provide defined benefits based on final pensionable pay. The schemes are subject to independent valuations at least every three years. The Group also has an Employer Financed Retirement Benefit Scheme and a defined contribution scheme, SSE Pensions+ under a master trust with Aviva, details of which were provided in the Group's Financial Statements to 31 March 2022.

Summary of Defined Benefit Pension Schemes:

Movement recognised in the SoCI March 2022 £m	Pension asset/(liability) March 2022 £m		**Movement recognised in respect of the pension asset in the SoCI**		**Pension asset/(liability)**	
			September 2022 £m	September 2021 £m	**September 2022 £m**	September 2021 £m
(24.6)	517.5	Scottish Hydro Electric Pension Scheme	**(105.9)**	(41.7)	**413.4**	501.7
221.9	67.4	Southern Electric Pension Scheme	**150.3**	106.5	**235.1**	(63.7)
197.3	584.9	**Net actuarial gain/(loss) and combined asset/(liability)**	**44.4**	64.8	**648.5**	438.0

A triennial valuation of the Southern Electric Pension Scheme ('SEPS') was finalised in the year ended 31 March 2019 and showed a deficit of £286.6m as at 31 March 2019 on a projected unit basis. The Group continues to pay deficit contributions which, along with investments returns from return seeking assets, is expected to make good this shortfall by 31 March 2027. The funding valuation as at 31 March 2022 is currently in process and is expected to finalise in the second half of the financial year. As part of that process the Trustee and the Company will agree future contributions to the scheme based on the valuation. The Group also pays contributions in respect of current accrual, with some active members also paying contributions. Total contributions of approximately £56.7m are expected to be paid by the Group during the current year ending on 31 March 2023, including deficit repair contributions of £38.9m, of which £18.8m have been paid to 30 September 2022.

The last triennial valuation for the Scottish Hydro Electric Pension Scheme ('SHEPS') was carried out as at 31 March 2021 and showed a surplus of £268.3m on a projected unit basis. Following this valuation, the Group agreed a new schedule of contributions which does not require contributions to be paid to the scheme, unless there is a deficit on the valuation basis for two successive quarterly valuations. Consequently, the Group has not and is not expected to make contributions to the scheme in the year ending 31 March 2023.

A summary of the movement presented in the statement of changes in equity is shown below:

Year ended 31 March 2022 £m		**Six months ended 30 September 2022 £m**	Six months ended 30 September 2021 £m
197.3	Actuarial gains/(losses) recognised	**44.4**	64.8
(72.6)	Deferred tax thereon	**(11.1)**	(38.6)
124.7	**Net gain recognised in statement of changes in equity**	**33.3**	26.2

The major assumptions used by the actuaries in both schemes in preparing the IAS19 valuations were:

March 2022		**September 2022**	September 2021
4.2%	Rate of increase in pensionable salaries	**4.1%**	3.9%
3.7%	Rate of increase in pension payments	**3.6%**	3.4%
2.7%	Discount rate	**5.2%**	2.0%
3.7%	Inflation rate	**3.6%**	3.4%

The assumptions relating to longevity underlying the pension liabilities are based on standard actuarial mortality tables, and include an allowance for future improvements in longevity. The assumptions, equivalent to future longevity for members in normal health at age 65, are as follows:

March 2022			**September 2022**		September 2021	
Male	Female		**Male**	**Female**	Male	Female
		Scottish Hydro Electric Pension Scheme				
22	24	Currently aged 65	**22**	**24**	22	24
24	27	Currently aged 45	**24**	**27**	24	27
		Southern Electric Pension Scheme				
23	25	Currently aged 65	**23**	**25**	23	25
24	26	Currently aged 45	**24**	**26**	24	26

18. Capital Commitments

March 2022 £m		**September 2022 £m**	September 2021 £m
	Capital Expenditure		
985.9	Contracted for but not provided	**848.2**	1,285.8

19. Related Party Transactions

The following transactions took place during the period between the Group and entities which are related to the Group, but which are not members of the Group. Related parties are defined as those in which the Group has control, joint control or significant influence over.

	September 2022				September 2021			
	Sale of goods and services £m	**Purchase of goods and services £m**	**Amounts owed from £m**	**Amounts owed to £m**	Sale of goods and services £m	Purchase of goods and services £m	Amounts owed from £m	Amounts owed to £m
Joint ventures:								
Seabank Power Ltd	**-**	**-**	**-**	**-**	47.2	(47.5)	0.1	(35.3)
Marchwood Power Ltd	**56.7**	**(125.5)**	**-**	**(34.7)**	32.5	(107.8)	19.5	(43.6)
Scotia Gas Networks Ltd	**-**	**-**	**-**	**-**	15.3	(5.0)	15.5	(0.8)
Clyde Windfarm (Scotland) Ltd	**2.4**	**(124.9)**	**1.6**	**(48.6)**	2.3	(52.8)	-	(33.6)
Beatrice Offshore Windfarm Ltd	**2.3**	**(83.9)**	**1.3**	**(18.9)**	2.8	(31.4)	1.0	(10.7)
Stronelairg Windfarm Ltd	**1.1**	**(74.1)**	**-**	**(28.4)**	1.1	(28.6)	1.1	(16.5)
Dunmaglass Windfarm Ltd	**0.5**	**(34.1)**	**-**	**(13.1)**	0.5	(12.7)	0.2	(8.1)
Neos Networks Ltd	**2.8**	**(11.7)**	**9.4**	**(19.0)**	15.0	(13.8)	2.2	(42.7)
Seagreen Offshore Windfarm Ltd	**14.8**	**(4.7)**	**13.7**	**(4.5)**	11.1	-	5.3	-
Doggerbank A, B and C	**12.4**	**-**	**7.1**	**-**	9.3	-	4.4	-
Other Joint Ventures	**5.5**	**(90.3)**	**1.8**	**(46.6)**	4.0	(71.9)	2.0	(41.0)

	March 2022			
	Sale of goods and services £m	Purchase of goods and services £m	Amounts owed from £m	Amounts owed to £m
Joint ventures:				
Seabank Power Ltd	51.9	(49.1)	-	-
Marchwood Power Ltd	104.3	(229.3)	-	(7.6)
Scotia Gas Networks Ltd	42.9	(10.1)	-	-
Clyde Windfarm (Scotland) Ltd	4.6	(259.3)	0.1	(74.2)
Beatrice Offshore Windfarm Ltd	5.0	(163.7)	0.9	(20.6)
Stronelairg Windfarm Ltd	2.1	(138.5)	-	(36.7)
Dunmaglass Windfarm Ltd	1.0	(57.9)	-	(13.7)
Neos Networks Ltd	31.2	(27.1)	52.2	(13.8)
Seagreen Offshore Windfarm Ltd	24.9	(0.4)	6.0	(0.3)
Doggerbank A, B and C	21.2	-	8.5	-
Other Joint Ventures	8.2	(195.9)	1.3	(23.5)

The transactions with Seabank Power Limited and Marchwood Power Limited relate to the contracts for the provision of energy or the tolling of energy under power purchase arrangements.

On 22 March 2022 the Group completed its disposal of its interest in Scotia Gas Networks Limited ('SGN'). In the prior year, the table above included the Group's gas supply activity which included gas distribution charges and services the Group provided to SGN in the form of a management services agreement for corporate and shared services.

The amounts outstanding are trading balances, are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by the related parties.

In addition to the above at 30 September 2022, the Group was owed the following loans from its principal joint ventures: Marchwood Power Limited £32.6m (2021: £43.6m, March 2022: £39.1m), Triton Power Holdings Limited £48.0m (2021: £nil, March 2022: £nil), Clyde Windfarm (Scotland) Limited £127.1m (2021: £127.1m, March 2022: £127.1m), Stronelairg Windfarm Limited £88.7m (2021: £88.7m, March 2022: £88.2m), Dunmaglass Windfarm Limited £46.5m (2021: £46.5m, March 2022: £46.5m), Neos Networks Limited £51.6m (2021: £77.8m, March 2022: £90.2m), SSE Slough Multifuel Limited £102.0m (2021: £48.6m, March 2022: £62.5m), Seagreen Offshore Windfarm Limited £344.1m (2021: £53.0m, March 22: £271.7m) and Scotia Gas Networks Limited £nil (2021: £118.8m, March 2022: £nil).

20. Seasonality of operations

Certain activities of the Group are affected by weather and temperature conditions and seasonal market price fluctuations. As a result of this, the amounts reported for the interim period may not be indicative of the amounts that will be reported for the full year due to seasonal fluctuations in customer demand for gas, electricity and services, the impact of weather on demand, renewable generation output and commodity prices and market changes in commodity prices. In Transmission and Distribution, the volumes of electricity and gas distributed or transmitted across network assets are dependent on levels of customer demand which are generally higher in winter months. In Business Energy and Airtricity, notable seasonal effects include the impact on customer demand of warmer temperatures in the first half of the financial year and the procurement prices in summer versus winter. This has been particularly the case in these businesses in the current financial year with the profitability in the first half of the year expected to fully reverse in the second half as the impact of higher commodity prices and other costs impact operations. In Thermal Generation and Renewables, there is the impact of lower production in the summer on commodity prices. The weather impact on Renewable generation production in relation to hydro and wind assets is particularly affected by seasonal fluctuation. The impact of temperature on customer demand for gas is more volatile than the equivalent demand for electricity. The Gas Storage business' activity is partly to manage seasonal risk across summer/winter gas price spreads and its profitability is impacted by the extent to which optimisation gains or losses can be achieved.

21. Post Balance Sheet Events

21.1 Energy Prices Bill

On the 12 October 2022 the UK government announced the Energy Prices Bill which is intended to provide support for winter 2022 energy bills through the Energy Price Guarantee to domestic consumers and through the Energy Bill Relief Scheme for businesses and non-domestic consumers. These took effect from 1 October 2022.

Part of this Bill included the new 'Cost-Plus-Revenue Limit' which is planned to be in place from the start of 2023. The Cost-Plus-Revenue Limit is a temporary revenue limit proposed to apply a limit to revenue that low-carbon generators can generate from renewable sources in England, Wales and Northern Ireland which are not already under a UK government Contract for Difference scheme. The exact scope and requirements of this scheme remain under consultation at the date of these statements. Nonetheless, at 30 September 2022, the Group assessed that the introduction of a Cost-Plus-Revenue Limit scheme was not in itself an indicator of impairment in relation to the Group's renewable assets and no impairment assessment was carried out. The Group will reassess its renewable assets for indicators of impairment, or impairment reversal at 31 March 2023.

21.2 Gas Production – disposal gain

On 4 November 2022, RockRose Energy Limited received HMRC clearance in respect of tax treatment in relation to the Group's disposal of its Gas Production business to Viaro Energy (through its subsidiary RockRose Energy Limited), which completed on 14 October 2021. The Group had indemnified RockRose Energy Limited in relation to certain tax liabilities that it might suffer as a result of the transaction, and this formed part of the provision which was recognised on the disposal of the Gas Production business. The HMRC clearance indicated that no such tax liabilities arise for RockRose Energy Limited and as a result the Group has released £35.0m of provision relating to the indemnity as an adjustment to the loss on disposal recognised. The adjustment is recognised in discontinued operations in the period ended 30 September 2022.

PRINCIPAL RISKS AND UNCERTAINTIES

SSE's established Risk Management Framework and wider system of internal control continues to inform strategic decision-making in 2022/23. This, combined with a resilient business model, helps the Group manage and minimise the human, operational and financial impacts from external conditions such as volatile commodity prices and to meet its objective of supporting the reliable supply of electricity to those who needed it.

The Directors continually monitor the Principal Risks and Uncertainties of the Group and have determined that those reported in the 2022 Annual Report and summarised below remain relevant for the remaining half of the financial year.

- Climate Change
- Commodity Prices **
- Cyber Security and Resilience
- Energy Affordability **
- Energy Infrastructure Failure
- Financial Liabilities
- Large Capital Projects Management
- People and Culture
- Politics, Regulation and Compliance **
- Safety and the Environment *
- Speed of Change

* Safety remains SSE's most important value, and management of this risk remains SSE's highest priority.
** It should be noted that Energy Affordability is particularly closely linked to – and therefore impacted by – Politics, Regulation and Compliance and Commodity Prices.

An essential tenet of SSE's Risk Management process is the consideration of potential emerging risks and whether any of those identified have the potential to become a Group Principal risk in the medium to long-term. As such, following the 2021/22 review process and due to the development of a Joint Venture Governance framework throughout the year, the emerging risk "Joint Venture and Partner Management" was not retained as an emerging risk. Joint Venture and Partner Governance has however been included as a key mitigating against the Group Principal Risks of Large Capital Projects Management, People and Culture, Regulations and Compliance and Speed of Change.

For more information on these risks, and the wider system of internal control, please refer to pages 68 to 81 of the SSE plc 2022 Annual Report which is available on the company website www.sse.com.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

We confirm that to the best of our knowledge:

i) the condensed set of financial statements has been prepared in accordance with UK adopted IAS 34 *Interim Financial Reporting*;

ii) the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

(c) DTR 4.2.10 of the *Disclosure and Transparency Rules*, being the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole.

For and on behalf of the Board

Alistair Phillips-Davies	Gregor Alexander
Chief Executive	Finance Director

London

15 November 2022

INDEPENDENT REVIEW REPORT TO SSE PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 which comprises Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related explanatory notes 1 to 21. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP

Glasgow

15 November 2022