SSE PLC HALF-YEAR RESULTS TO 30 SEPTEMBER 2020 – 18 NOV PRESENTATION

‘LEADING THE WAY TO NET ZERO’

ALISTAIR PHILLIPS-DAVIES, CHIEF EXECUTIVE

1) **TITLE SLIDE – LEADING THE WAY TO NET ZERO**

2) **OVERVIEW |** STRATEGIC PROGRESS, STRONG PERFORMANCE AND SIGNIFICANT OPPORTUNITIES

   Good morning everyone. Once again, we are bringing our results to you remotely due to coronavirus. Despite that difficult backdrop, Gregor, Martin and I are pleased to be able to report strong delivery and good strategic progress during the first half of the financial year.

   There will be time for questions later, but in the meantime, we will cover:
   - Firstly, a summary of recent progress in delivering our clear and focused strategy;
   - Secondly, our financial and operational performance;
   - And, finally, the significant opportunities we see ahead of us to create sustainable value for both shareholders and society through the transition to net zero.

3) **PART ONE TITLE SLIDE**

4) **STRATEGIC PROGRESS SUMMARY |** BUILDING A BETTER WORLD OF ENERGY

   Throughout the coronavirus crisis we’ve been guided by our core purpose – which is to provide energy needed today while building a better world of energy for tomorrow.

   Doing so requires us to ensure the safety and wellbeing of our employees and Total Recordable Injuries in the first six months of the year fell to 27, compared with 35 in the same period last year.

   In these unique times, delivering energy needed today would not have been possible without the commitment and flexibility of our employees – particularly those in operational roles – and I’d like to pay tribute to them.

   Thanks to their hard work, operational performance has been strong and we are continuing to establish ourselves as the pre-eminent green energy company in the UK and Ireland.

   - We’ve made significant progress on our £7.5bn investment plan, especially in renewables. Construction work has started, and key contracts have been awarded at Seagreen and Viking, and we expect to reach financial close on the

first two phases of the world's largest offshore wind farm at Dogger Bank over the coming days. These projects alone are creating more than 1,000 jobs.
- Having announced a plan in June to generate over £2bn from disposals, we've already delivered £1.4bn in combined proceeds from Walney, MapleCo and Multifuel Energy, with gains on sale expected to total over £900m, helping to recycle capital into our core green businesses.
- We have also undertaken prudent activity in financial markets to leave the group well-financed.
- And we have announced an interim dividend of 24.4 pence per share and reiterated our commitment to delivering our 2023 dividend plan.

More broadly, we've led the industry in making the case for an ambitious green economic recovery from the pandemic. And this week, building on our science-based carbon targets announced in June, we've joined the UN Global Compact's Race to Zero – committing, for the first time, to achieving net-zero emissions across all scopes by 2050 at the latest.

We were asked to be a principal partner for COP26 and we are committed to supporting the UK presidency's attempts during the next 12 months to reach a more ambitious global climate agreement in Glasgow next November.

And today we become one of the first companies to publish a Just Transition strategy, available on our website, outlining covering the social implications of net zero and our role in supporting fairness for employees, customers and communities.

5) **STRATEGIC PROGRESS SUMMARY |** A FOCUSED AND HIGHLY COMPLEMENTARY BUSINESSES MIX

This all adds to the significant progress we've made in recent years to reshape and refocus the group on our core electricity businesses.

Our Networks and Renewables businesses form the foundational core of SSE. They are central to the transition to net zero and are where we will be investing 90% of our ambitious capex programme.

Importantly, these businesses share attributes that leverage our core competencies.

They are low-carbon, asset-rich businesses, requiring world-class skills in developing, building, procuring, operating and owning large-scale, complex electricity infrastructure.

They play to our strengths in asset management, large capital projects, managing policy and regulatory risk and efficient financing.

Like many of our European peers, we see a strong logic to holding renewables and networks in the same group and we have a long-term strategy of capital recycling for growth across these core green businesses.

And our ongoing disposals programme will mean we will only retain other businesses where they are highly complementary to that core and where they contribute to the transition to net zero.

For example, Thermal provides firm, flexible capacity to balance the variability of renewables. The business also has a key role to play in delivering net zero with opportunities to develop both carbon capture and storage and hydrogen, which will help pave the way for decarbonisation of heat, transport and industry.

Our energy customer businesses provide a valuable route to market for our generation in both GB and Ireland. In Ireland, vertical integration can mitigate risk while in GB we believe our energy customers will become increasingly important as a route to market as the demand for green corporate PPAs increases.

Enterprise gives us a platform for growth in the growing distributed energy market, where our trading and asset management capabilities will be important.

And through EPM we can deliver commercial synergies and manage risk across all our market-based businesses.

6) **STRATEGIC PROGRESS SUMMARY |** A WEALTH OF OPPORTUNITIES IN RENEWABLES

In our Renewables business there are a wealth of opportunities. We have projects already in development that will double our renewables output by 2025; we have an enviable pipeline of longer-term projects, all of which we believe will be required to meet binding government targets, and that could treble our renewables output by 2030.

SSE is leading the development of more offshore wind than any other developer, with further auctions still to come.

Furthermore, we continue to see potential to export our end-to-end expertise across the renewables value chain to new geographies in order to extend our portfolio further.

Delivering on these opportunities will support sustainable, long-term growth and create shareholder value, underpinning our ongoing commitment to remunerating shareholders with dividends.

Doing so will require us to maintain our strong operational and financial performance – and I'll now hand over to Gregor, who will take us through our results during the first six months.

GREGOR ALEXANDER

7) **PART TWO TITLE SLIDE**

8) **PERFORMANCE |** MANAGING CORONAVIRUS IMPACTS

Thanks Alistair. I would echo your thanks to our colleagues who have helped us to maintain the safe and reliable supply of electricity during the pandemic.

I'm pleased to say that financial performance in renewables, transmission and thermal has not been adversely impacted by coronavirus.

However, as forecast in June, we have seen adverse impacts elsewhere in the Group with an impact on operating profit for the first six months of around £115m. This is just slightly lower than the guidance we provided in September and none of it has been treated as exceptional.

Despite recent increases in the infection rate, our view on the likely full-year impact is unchanged and based on our latest assessment we expect it to be towards the middle of the £150-£250m range.

In summary, compared with many other listed companies, we have been relatively resilient in the face of coronavirus, and we continue to take steps to minimise the impact.

9) **PERFORMANCE** | RESULTS TO 30 SEPTEMBER 2020 – OVERVIEW

Coronavirus notwithstanding, we have delivered a very solid set of results for the first six months.

Excluding the businesses currently held for sale, we have delivered:

- adjusted operating profit of £418.3m;
- adjusted profit before tax of £193.9m; and
- adjusted earnings per share of 11.9p, within the expected range set out in September.

Reported metrics also include the £260.8m exceptional gains on sale recognised during the period on disposal of Walney and MapleCo, with a further exceptional gain in excess of £650m to be recognised on Multifuel Energy in the second half of the year.

10) **PERFORMANCE |** CORE BUSINESSES

Given seasonal impacts on our businesses, our focus is always on results for the full year. However, for the first six months in our core businesses we have seen:

- In **Transmission**, adjusted operating profit increased by 5%, mainly due to phasing of allowed revenue partially offset by increased depreciation charges related to ongoing capital expenditure and operating costs.

- In **Distribution**, lower demand and a reduction in new connections activity due to coronavirus were the main contributors to a 27% reduction in adjusted operating profit, although around £25m of this is expected to be recoverable in future years.

- **Renewables** saw a reduction of 6% with adverse weather conditions being almost entirely offset by higher achieved power prices. The result was also adversely impacted by lower Renewables Obligation Certificate prices and non-recurring GB capacity market income in the prior period. However, higher GB balancing activity and the non-exceptional gain on sale of a 51% stake in Seagreen minimised the net impact.

Finally, our investment in **SGN** delivered a lower operating profit this year reflecting, amongst other things, the impact of coronavirus which led to higher unproductive costs.

11) **PERFORMANCE |** OTHER BUSINESSES

Elsewhere:

- **Thermal** demonstrated its value in complementing our renewables fleet, with strong performance in the Balancing Market in the first six months and exceptionally high availability across the period. Despite the prior period including £51m of non-recurring GB capacity market income, adjusted operating profit only fell by 14% reflecting this strong operating performance, combined with the gain on sale of a 50% stake in Slough Multifuel.

- **Business Energy** had already been facing challenging market conditions, and coronavirus further reduced customers' demand for electricity and related services. That drop in demand led to a £24m loss from early settlement of excess commodity hedges with negative mark-to-market valuations.

- **Airtricity** performed relatively well, with adjusted operating profit aligned with the prior period despite the impact of coronavirus – although the full-year contribution from the business will be heavily influenced by the winter months ahead.

- The Contracting business, which we are in the process of selling, has also felt acutely the impacts of coronavirus and this has weighed heavily on results for **SSE Enterprise**.

- Finally, there was a significant reduction in the operating loss for **EPM**, reflecting SSE's new Approach to Hedging. It is still expected to make a small operating profit in future years.

12) **PERFORMANCE |** DISPOSALS OF NON-CORE ASSETS

Adjusted metrics continue to be important in giving a view of the underlying operational performance of the Group. However – given that the disposals programme constitutes a key part of our strategy for creating long-term value – it is important to call out its impact in terms of real gains and real cash proceeds.

As Alistair said, we've already delivered more than £1.4bn and are now targeting well in excess of £2bn in disposals:

- We sold our 25% non-operating stake in Walney to Greencoat UK Wind for £350m;
- We've now completed the sale of our 33% stake in the meter asset provider MapleCo to Equitix for £95m;
- And last month we announced the sale of our 50% share of Multifuel Energy to First Sentier Investors for £995m – the gain on this disposal will form part of our reported results at the year end.

These transactions amount to more than £900m in gains on disposals, showing the value SSE can create.

13) **PERFORMANCE |** RECONCILING ADJUSTED AND REPORTED NUMBERS

For clarity, we've set out on this slide the – clearly significant – impact of exceptional items on reported profit.

In addition to the £260.8m exceptional gains recognised in the first six months from our disposals programme, further non-cash exceptional gains totalling £66.2m have been recognised, including:

- Fair value uplifts on sale of stakes in Seagreen and Slough Multifuel; and
- The release of excess coronavirus provisions, following continued recovery of customer debt.

For operating derivatives, there was a favourable £343.9m IFRS 9 remeasurement recognised in the period mainly from an unwinding of previously out of the money commodity trades.

14) **PERFORMANCE |** PROGRESS ON OUR CAPEX PROGRAMME

Capital and investment expenditure before project financing refunds during the first six months was £680.5, with around £570m or 85% of that in our core electricity networks and renewables businesses.

This capital investment includes:

- Developing, with Equinor, the world's largest offshore wind farm at Dogger Bank, where we hope to reach financial close on the first two phases in the coming days;
- Developing, with Total, what will be Scotland's largest offshore wind farm at Seagreen;

- Commencing construction of Viking, which will be one of the most productive onshore wind farms in Europe;
- And getting work under way on the transmission link to Shetland, following final approval by Ofgem earlier this year.

At the full-year we expect capital and investment expenditure, net of project financing refunds, to be around £1bn. This lower run rate is expected to reverse in 2021/22 and 2022/23 when spend is expected to be around £1.8bn in each year.

Of the £7.5bn (net of project finance devex refunds) that we will invest to 2025, almost 90% will be in our core businesses. Within this, equity investment will total around £1.5bn in the period to March 2025 in Seagreen and Dogger Bank alone.

These projects will contribute significantly to the UK's net zero ambitions as well as a green economic recovery.

15) **PERFORMANCE |** MAINTAINING A STRONG BALANCE SHEET

SSE has a strong balance sheet and the financial discipline needed to fund our spending plans and take opportunities when they present themselves.

At 30 September, our adjusted net debt and hybrid capital stood at £10.6bn.

This follows successful refinancing during the first six months of this year, through which we raised hybrid capital securities and conventional Eurobonds totalling over £2bn. This means we have no significant refinancing or funding requirements for the next two years.

We have good liquidity, with £1.5bn of undrawn committed facilities and we will continue to be agile with investments, sales of non-core assets and acquisitions.

Adjusted net debt is expected to be around £9.5bn at March 2021.

16) **PERFORMANCE |** FINANCING AND PARTNERING FOR GROWTH IN RENEWABLES

We can increase our ability to capitalise on the significant development opportunities related to net zero through financial partnering – particularly in renewables.

SSE is well-placed to manage development risk, but selling down stakes to retain typically 30-40% of a project and working with equity partners for construction, and/or operation, brings a number of benefits:

- It allows us to secure developer premiums and realise value at the earliest opportunity;
- It reduces our overall risk and financial exposure on large-scale projects;
- It avoids a large increase in net debt that's not earning;

- And it appeals to the different risk appetites of different partners at different stages of the project cycle.

This approach optimises value-creation from our capex and gives us further optionality as we seek to make the most of our enviable development pipeline – and to that end we hope to announce the further farm-down of a stake in Dogger Bank by the end of the calendar year.

In June we said we would also consider, in time, extending a partnering approach potentially through sales of minority stakes in our core Transmission and Distribution businesses. Our position remains that we are open in the medium term to bringing in minority equity partners in networks, should we consider that the released capital could facilitate the realisation of greater growth opportunities across the core businesses.

17) **PERFORMANCE |** CLEAR PLAN FOR LONGER-TERM FUNDING

In June we also set out a financial framework which incorporated the requirements for funding of our investment plans. To ensure the message is clear, I would like to re-iterate the key points today:

- With our disposals programme to secure well in excess of £2bn, we believe our plan to invest £7.5bn over the five years to March 2025 is fully financeable without any requirement to change capital structure.
- This would also be consistent with our target to improve our net debt to EBITDA ratio to be at the lower end of a 4.5 – 5.0 times range between 2021/22 and 2024/25.
- Our S&P credit rating remains at BBB+ ‘stable outlook’ and our Moody’s rating remains at Baa1, albeit on negative outlook. These compare favourably to peer companies and while a downgrade would be disappointing, we believe it would be entirely manageable on current plans.

In summary, we are comfortable with the balance sheet and the target net debt to EBITDA ratio, both today and how they are forecast to evolve with our disposal and investment plans to 2025. This will allow us to capitalise on the opportunities to invest in further value-creating projects on the journey to net zero and to increase EBITDA for the long term.

18) PERFORMANCE | ONGOING DISPOSALS PROGRAMME

Over and above the disposals we’ve already outlined, sales processes are continuing for:

- our **Contracting** and **Rail** business, with a sale expected to be completed by the end of the financial year; and
- our **E&P** business, where completing a sale has proved challenging not least due to the prevailing economic circumstances. We will update on this at the appropriate time, but we remain committed to disposing of the business as it is neither core nor aligned to our focus on delivery of net zero.

We have more to do. In June we signalled we were exploring divestment of our interest in **SGN**. While no final decision has been made, we have appointed banks to review options for the sale of all or part of our holding.

19) **PERFORMANCE |** CURRENT RENEWABLES CONTRIBUTIONS TO EPS GROWTH

Ultimately, our approach to disposals enables capital recycling and concentrates our efforts on growing our core businesses. While disposals of non-core assets will clearly have a short-term impact on earnings – which we estimate to average around 7p over the next five years – delivering our ambitious capex programme is ultimately what will underpin sustainable EPS growth.

For our main renewables projects alone we forecast this will add around 10p by 2026/27. And this is EPS growth driven by high-quality, long-term assets that form part of our renewables and networks core.

20) PERFORMANCE | REMUNERATING SHAREHOLDERS

SSE's first financial objective has always been to remunerate shareholders through dividends.

Overall, financial performance in the year to date remains in line with the Board's expectations and on that basis we are declaring an interim dividend for 2020/21 of 24.4p. Looking further ahead, we expect to recommend a full-year dividend of 80p plus RPI inflation and continue to target RPI increases in the following two financial years, as set out in our 2023 dividend plan.

This would take the total dividends paid to shareholders to over £14 per share since 1998 and underlines SSE's ongoing commitment to remunerating shareholders for their investment.

Although uncertainties remain over the impact of coronavirus on the wider economy in the second half of the year, if this remains in line with SSE's current forecast and weather conditions are normal for the remainder of the year, then adjusted earnings per share for the full year is expected to be in the range of 75p to 85p including a gain on disposal for Dogger Bank. Reported EPS will reflect gains on disposals for Multifuel Energy, Walney and MapleCo and is expected to be well in excess of 150p excluding any movement in remeasurements under IFRS9.

So, in summary, notwithstanding the impact of coronavirus, we have had a good six months with solid operational performance and good strategic progress. Looking ahead, we are in a strong position to create lasting value for shareholders and to remunerate them with dividends going forward. Our ESG credentials are strengthening, we have growth options that are second to none, a strong balance sheet and what we believe is a fully-financeable plan to build the infrastructure that is so badly needed to deliver net zero.

I'll now hand back to Alistair to look in detail at our future opportunities.

ALISTAIR PHILLIPS-DAVIES

21) **PART THREE TITLE SLIDE**

22) OPPORTUNITIES | CREATING VALUE IN THE NET ZERO TRANSITION

Thank you, Gregor.

With just six weeks left in the Brexit transition period, clearly there is a degree of uncertainty, but we have carried out comprehensive planning for a range of Brexit scenarios. And, while we continue to monitor developments closely, we are confident that the resilience shown by our business model through the pandemic will enable us to maintain the operational standards expected by all our stakeholders.

Any Brexit or coronavirus headwinds are, however, far outweighed by the opportunities presented to SSE by the transition to net zero.

Whether you believe the Committee on Climate Change projections or those in National Grid's Future Energy Scenarios, a number of things are almost universally accepted:

- First, that significantly more renewables will be required with a trebling of UK capacity expected by 2050. We're currently in the process of developing more offshore wind than anyone else in the UK and see significant opportunities to build out our pipeline and grow our portfolio to the end of the decade and beyond;
- Second, that the electrification of heat, transport and other sectors could double electricity demand by 2050 – and with production of 'green' hydrogen on top of this, it could triple. This will require significant long-term investments in both transmission, as we look to connect up the surge in renewables, and in distribution, where we need to modernise our networks to accommodate up to 5m EVs and a significant increase in heat pumps;
- Third, that new technologies like carbon capture and storage, hydrogen and floating offshore wind – all of which align to our core capabilities – will have increasingly important roles to play.

The opportunities for SSE, with our clear strategic focus on electricity and net zero, our sustainable business model and our presence across the value chain, are immense.

Across the Irish Sea, the story is similar, albeit on a smaller scale, and with other countries pursuing a similar path, there are strong and clear opportunities for SSE to play a role internationally.

I'll now hand over to Martin – who recently stepped up into a broader role as Energy and Commercial Director, with a specific mandate to drive growth across the Group. With growth in mind, he'll provide more detail on how our market-based businesses are capitalising on the opportunities associated with net zero.

MARTIN PIBWORTH

23) **OPPORTUNITIES |** A PLATFORM FOR RENEWABLES GROWTH

Thank you, Alistair.

We are, undoubtedly, a first-class operator of renewable assets, which provides a strong platform for the Group.

Our hydro portfolio boasts uniquely long-term assets. We have 78 hydro stations that outperform yet are often underrated, despite yielding close to 4TWh of production over the last 12 months and providing vital flexible back-up to our portfolio and the market.

Our **pumped storage** interests at Foyers, and our flexible hydro stations including Sloy, Glendoe and Errochty have provided significant support to the system via balancing and ancillary services already this year. The importance of flexibility will only increase in a renewables-led energy system, and at Foyers we can produce electricity in less than 30 seconds.

And in **wind,** we operate 224 offshore wind turbines and 1,191 onshore wind turbines.

In short, we have hugely talented people, operating first-class assets.

24) **OPPORTUNITIES |** A GROWING LIST OF WIND PROJECTS

And we are building more of these assets.

We have an enviable pipeline of wind projects and this slide shows both our current ownership stake and an indicative future ownership percentage following any potential sell-downs. This highlights the potential future value creation from these projects, and we have used the assumed SSE ownership stakes in the right hand column as the basis for the following slides on our planned future output and capacity growth.

25) **OPPORTUNITIES |** DOUBLING WIND CAPACITY BY 2025

With our huge successes in last year’s Allocation Round 3 auction, our **flagship renewable projects** are all progressing well. Right now, there is no other company in the world leading the construction of as much offshore wind capacity.

Seagreen will be the largest offshore wind farm in Scotland and the deepest in the world. At 1,075MW, and with turbines with a rotor diameter 30m above the London Eye it will have load factors of 54% and is expected to produce around 5 TWhr a year. With our partners at Total we will be investing £3bn, making it the largest privately funded project in Scotland. It currently has a 454MW CfD and we are progressing the build with a target commissioning date of December 2022.

Meanwhile, at **Dogger Bank**, we are constructing the biggest offshore project the world has ever seen – with the longest offshore wind grid connection and the biggest turbines ever installed offshore. At 3.6GW it will have a load factor of 57% and produce around 18TWh per annum. Its GE turbines will have a 220m rotor covering a swept area of 38,000m^2 – that's nearly three times bigger than the London Eye. They will be installed by a vessel taller than the Eiffel Tower.

And onshore, **Viking**, at 443MW with a load factor of 48%, will be among the highest-yielding onshore wind farms in Europe, producing almost 2TWh of energy each year. At peak construction there will be 400 people on-site and we reached a final investment decision on the basis of building it merchant.

These projects alone are creating more than 1,000 skilled, green jobs at a time when they are sorely needed.

26) **OPPORTUNITIES |** A STRONG AND GROWING PIPELINE

The growth potential in renewables was considerable even before the Prime Minister's recent commitment to increasing ambition for offshore wind to 40GW by 2030.

Critically, SSE boasts strong development options even beyond the projects we have discussed giving SSER a continuous development pipeline over the decade ahead and beyond

Seagreen 1A at 360MW could be built in the middle of the decade, and it is perfectly possible for Arklow Bank at 520MW to be built in Ireland at a similar time. We expect both to have opportunities to secure contracts in the next financial year.

Our view of the potential capacity across the Seagreen projects has increased by around 1GW since June with Berwick Bank and Marr Bank, formerly Seagreen 2 & 3, now at 4.15GW. Along with North Falls, adjacent to SSE's Greater Gabbard JV, these are options for future CfD auction rounds and it is feasible that all of these could be built by 2030 to support delivery of the Prime Minister's ambitious plan.

Further afield, SSE is exploring sites beyond Arklow in Ireland and we are an active participant in both the ScotWind and the next Crown Estate leasing round.

This is an enviable offshore pipeline and it is complemented by a 700MW onshore pipeline and 1.5GW of newly-consented pumped storage capacity at Coire Glas. We are also generating options overseas by establishing relationships with potential partners and building local knowledge in different jurisdictions.

27) **OPPORTUNITIES |** TO QUADRUPLE WIND OUTPUT BY 2030

Clearly there are a number of potential pathways for our renewables fleet depending on our successes in CfD and Crown Estate auctions and, as Alistair has indicated, the pace with which we can expand internationally. This slide illustrates how our portfolio could develop, based solely on our existing pipeline.

We set ourselves a target of contributing renewable output of 30TWh a year by 2030 – and with a strong pipeline and further upcoming opportunities to build on it, we have a clear line of sight to achieving that goal – targeting a trebling of our renewables output by the end of this decade, which we would expect to quadruple our wind output.

Delivering our current pipeline would see us add, on average, over 500MW of renewables capacity each year to 2030. And, with upcoming sea bed auctions and the work we are doing to identify opportunities to expand our portfolio internationally, we have clear aspirations to reach a run rate of at least 1GW of new assets a year during the second half of this decade.

28) **OPPORTUNITIES |** A KEY ROLE FOR LOW-CARBON THERMAL

Lower-carbon thermal will be vital to the transition to a net zero world – providing firm, flexible capacity that balances the variability of renewables and underpins decarbonisation of industry, heat and transport.

Our development of a new CCGT at Keadby 2 is progressing well. Backed by a 15-year Capacity Market contract at the highest price since 2017, it will be the most efficient CCGT station in Europe.

However, this will be the last unabated thermal station we build. The longer-term future of thermal is in carbon capture and storage and hydrogen.

We have credible opportunities to be at vanguard of CCS and, over a slightly longer timescale, hydrogen – at Keadby, Peterhead and Medway.

Keadby 3 in particular is progressing through the planning process and is part of the Zero Carbon Humber consortium that secured early government funding and is well placed for future funding rounds.

Through our strong sites and involvement with partners in low-carbon clusters, we are well placed to seize future opportunities in this space over the decade ahead.

I'll now hand back to Alistair who will cover our regulated networks businesses.

ALISTAIR PHILLIPS-DAVIES, CHIEF EXECUTIVE

29) OPPORTUNITIES | A TRANSMISSION NETWORK FOR NET ZERO

Thank you, Martin.

Much of the renewables potential described by Martin lies in the north of Scotland and Transmission, which now has an internationally-accredited science-based carbon reduction target, holds the key to unlocking it.

Following regulatory approval for the £630m Shetland HVDC link in July, construction began in the summer and the project remains on track for completion in spring 2024.

This link will tap into Shetland's renewables potential – including the Viking wind farm – and help ensure security of supply on the island. It will support future earnings and Regulated Asset Value not previously covered in growth forecasts, with this investment not forming part of our RIIO-T2 baseline investment case.

Turning to T2 itself: we were extremely disappointed when we saw Ofgem's draft determination this summer. We have had constructive discussions and while we remain concerned, are hopeful that Ofgem will consider the additional evidence and stakeholder support provided – including the provisional findings of the CMA appeal by a number of participants in the water sector – when it publishes its Final Determination in December.

A sensible settlement will enable us to attract investment and create jobs, rather than delay progress on net zero with a drawn-out CMA process. Delaying investment is not a lower cost option for consumers in the long run and we continue to engage constructively with Ofgem with a view to securing the right settlement for all stakeholders.

Our Network for Net Zero business plan set out a well-justified £2.4bn of investment during T2 and, since submitting it, our expectation for the amount of investment required has only increased. We now see a clear path to a near trebling of connected generating capacity from 8GW today to 22GW by 2030.

This is because a significant proportion of the growth anticipated in offshore wind is expected in Scottish waters, particularly on the east coast, as demonstrated by the launch of the ScotWind leasing round in the summer.

In collaboration with National Grid Electricity Transmission and Scottish Power Energy Networks we have submitted to Ofgem an Initial Needs Case for the East Coast HVDC link that will connect the north of Scotland to demand centres in the South via a subsea cable.

The latest Networks Options Assessment from National Grid ESO recommends construction of this so-called 'bootstrap' proceeds in 2029, with focus now turning to the likely requirement for a second HVDC link shortly afterwards.

So, in summary, when considering the known transmission investments in the coming years and the vast opportunities the transition to net zero presents, we expect on all reasonable outcomes the Transmission RAV will reach over £5bn by the end of the RIIO-T2 price control in 2026, with potential for significant future growth in the years beyond.

30) **OPPORTUNITIES |** DISTRIBUTION'S PART IN AN ELECTRIC FUTURE

While transmission networks will enable the expected renewables boom, at local level it will be for DNOs, and, eventually, DSOs, to deliver the decarbonisation of our streets and homes.

The direction of travel on electrification is clear to see and we have commissioned research that indicates a significant spike in EV ownership in our distribution operating areas from around 44,000 vehicles today to 5m by 2050. We also expect a significant increase in heat pump installation over the same period.

With this in mind, we need the right level of investment in the upcoming RIIO-ED2 price control to provide the platform needed to make communities net-zero ready.

Our ED2 business plan will, like our approach to RIIO-T2, be stakeholder-led and we will engage with all parties for outcomes that create lasting value and meet societal expectations on net zero.

Under the new leadership of Chris Burchell, who is succeeding Colin Nicol who is retiring, the business will be focused on performing well through the close-out of ED1 whilst seeking an ED2 framework that strikes a balance between efficiency and securing the innovation and investment needed for decarbonisation of the system, network reliability and improvements in customer service.

31) **CONCLUSION** | STRATEGIC PROGRESS, STRONG PERFORMANCE AND ATTRACTIVE OPPORTUNITIES

We'll take questions in a moment but, before we do, I'll recap what we've set out today.

During the first six months we've delivered strong operational performance and demonstrated the resilience and underlying quality of our business – with coronavirus impacts, EPS and dividend tracking in line with Board expectations.

We've also made encouraging strategic progress on our capex programme, our disposals programme and on further refocusing the group around our foundational core of Renewables and Networks.

We are at the forefront of efforts to Build Back Greener, and are working hard to get a settlement for T2 that delivers both for net zero and for customers.

We have a clear pipeline of projects that could treble our renewables output, and quadruple our wind output, by 2030 – and the financial discipline to support it.

We are building more offshore wind than any other company in the world right now and with upcoming UK auctions and opportunities in other geographies, we have clear aspirations to reach a run rate at least 1GW of new assets a year during the second half of this decade.

We have optionality, first class capabilities, and we are committed to creating shareholder value through significant investment in the net zero transition.

And, by aligning our business objectives to the UN's Sustainable Development Goals, committing to the Race to Zero pledge, promoting the principles of Fair Tax and playing our part in a Just Transition we will reinforce our position as a leading ESG stock and trusted partner to government.

Ultimately, we are delivering on our clear company purpose and securing the long-term sustainability of our business activities while creating simultaneous value for both shareholders and society.

We'll now open up for questions. Thank you.