



Delivering today for
a brighter tomorrow

Morgan Stanley Utilities, Clean Tech and
Midstream Energy Conference

New York, Tuesday, February 27, 2018



Cautionary Statements and Factors That May Affect Future Results

Any statements made in this presentation about future operating results or other future events are forward-looking statements under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from such forward-looking statements. A discussion of factors that could cause actual results or events to vary is contained in the Appendix to this presentation and in the Company's SEC filings.

Executive Update

State of business in light of U.S. Tax Reform

What has changed

- Lower tax rate driven by U.S. tax reform
- Additional equity added to our plan to strengthen credit
- Increased cash distribution from the U.K.
- Excess currency hedge value to be used to help mitigate near term earnings and cash flow impacts

What has not changed

- 5-6% EPS growth through 2020
- Commitment to dividend growth
 - 4% dividend increase in 2018
- Commitment to maintain solid credit ratings
- Plans to invest more than \$15 billion in infrastructure through 2022
- Operational excellence
- Delivering on commitments to customers and shareowners

Executive Overview

- **Delivered strong 2017 financial results of \$2.25 per share; high end of range**
 - Exceeded midpoint of ongoing earnings forecast for 8th consecutive year
- **Announced 2018 guidance range of \$2.20 - \$2.40 per share**
- **5-6% compound annual EPS growth through 2020, despite the effects of U.S. tax reform**
 - Use of excess hedge value to help mitigate near term earnings and cash flow impacts
 - Includes incremental equity issuances to strengthen corporate credit metrics
 - Establishing new baseline of 2018 for EPS growth rate to coincide with tax reform
- **Dividend is secure and we are committed to dividend growth**
 - Increased annualized common stock dividend from \$1.58 to \$1.64 per share⁽¹⁾
- **U.K. regulatory model a premium jurisdiction**
 - No material impact expected from RIIO-ED1 Mid-Period Review
 - WPD continues to be an industry leader and is well positioned for RIIO-ED2, which doesn't begin until April 2023

Note: See Appendix for the reconciliation of reported earnings to earnings from ongoing operations.

(1) Annualized dividend based on 2/22/2018 announced increase. Actual dividends to be determined by Board of Directors.



U.S. Tax Reform

Prudent actions preserve expected 5-6% EPS growth rate and credit ratings

Impacts of Tax Reform

- Beneficial to our U.S. customers
- Reduced utility cash flows weaken corporate level credit metrics
- Lower tax rate reduces deductions for holding company interest
- Rate base expected to increase due to deferred tax adjustments
- Immaterial impact from move to territorial tax system for foreign entities

Planned Actions to Mitigate

- Expect to settle foreign currency hedges in respective years to help mitigate near-term earnings and cash flow impacts
- Added incrementally about \$650 million of equity to 2018 to strengthen credit metrics

Regulatory Updates

- Kentucky agreement on ratemaking treatment
- PA PUC has requested comments regarding the impact of tax reform on customer rates
- FERC guidance still pending

U.K. Regulatory Update

- **WPD consistently the top performer in the U.K., with strong track record of meeting commitments to stakeholders**
- **Mid-Period Review (MPR) not expected to materially impact WPD's plans**
 - PPL and WPD have responded to MPR consultation citing concerns for both investors and customers if scope of MPR is expanded
 - Ofgem to determine if an MPR will even occur; decision expected in Spring 2018
- **RIO-2 Update: WPD well-positioned for future success**
 - Ofgem has reaffirmed that double-digit real returns on regulated equity (RORE) are acceptable for top-performing companies, even into RIO-ED2
 - Ofgem has indicated the need to see more financial differentiation between the best performing and the worst performing DNOs
 - Final rules have not been set by Ofgem and all stakeholders will have an opportunity to provide views through the consultation process
 - Stakeholders favor keeping price controls simple and straightforward
 - There is ample time to prepare for changes in the next rate period
 - Draft Consultation for broad RIO-2 gas and electricity framework expected Q1 2018

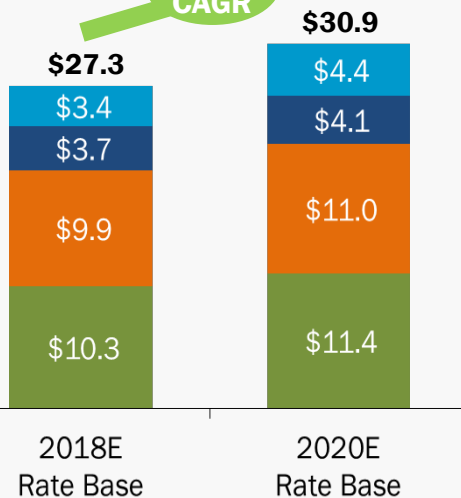
Prudent Investments, Timely Recovery Drive Growth Opportunity

Significant investment opportunities and constructive regulatory recovery mechanisms support 5-6% annual EPS growth target through 2020

Strong Regulated Rate Base Growth

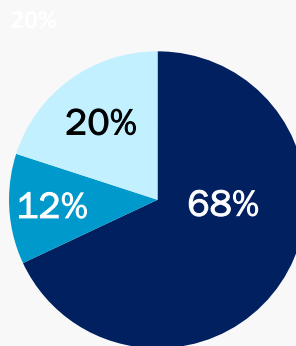
(\$ in billions)

6.4% CAGR



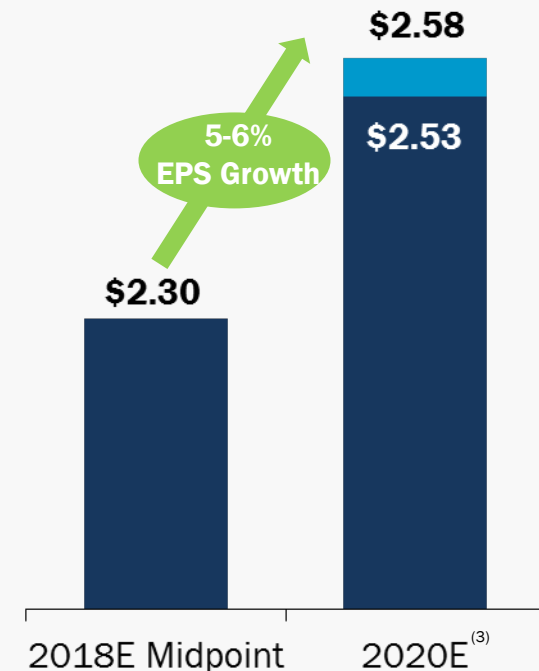
Timely Real-time CAPEX Recovery

~80% CAPEX recovery within one year



Support 5-6% EPS CAGR

5-6% EPS Growth



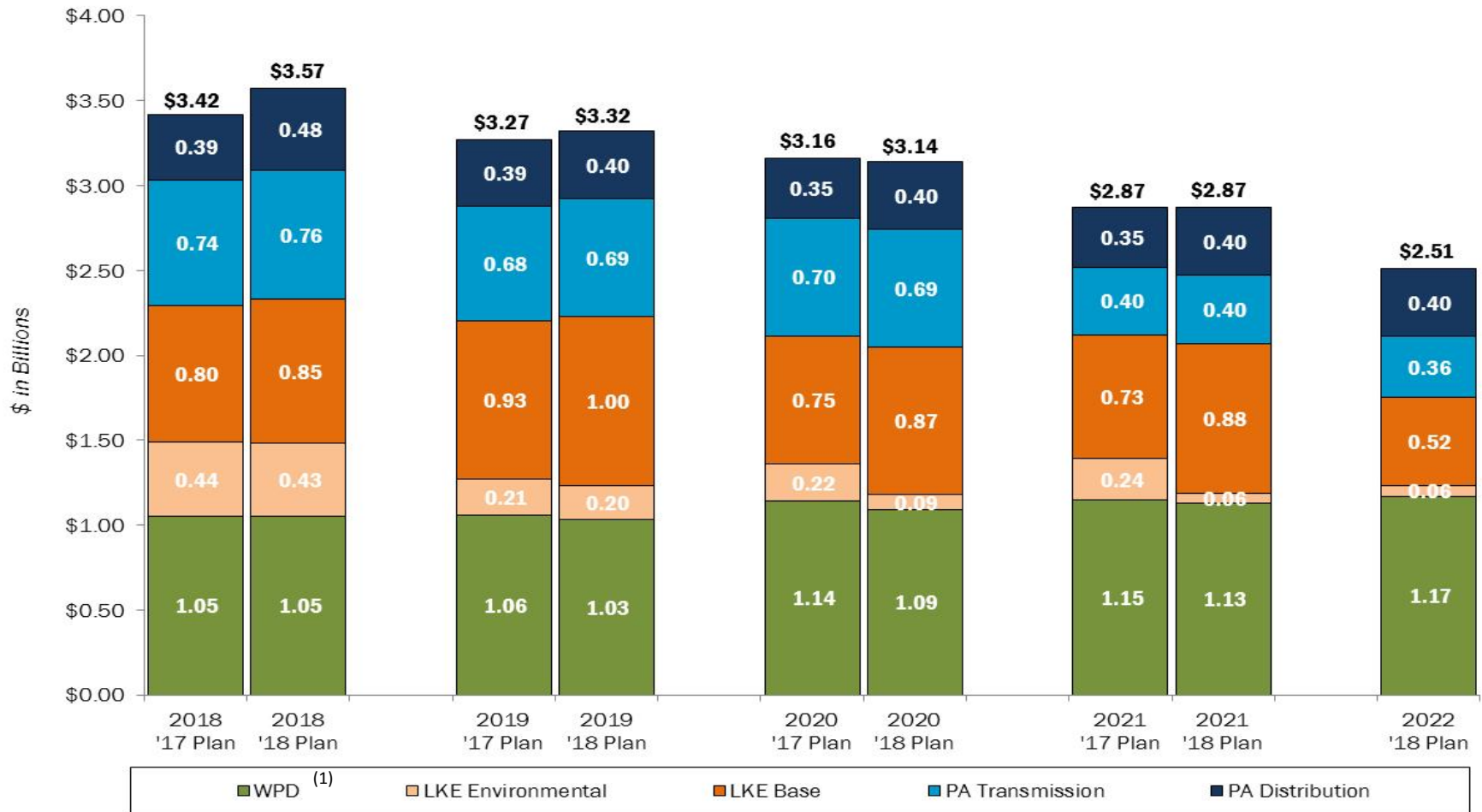
(1) For comparability based on assumed exchange rate of \$1.35/£ for all years.

(2) Represents Regulatory Asset Value (RAV) for U.K. Represents utility capitalization for KY.

(3) Range reflective of 5-6% CAGR from 2018E midpoint. Does not represent earnings forecast or guidance for 2020. Based on assumed exchange rate of \$1.40/£ on open positions for 2020.



2018 – 2022 Capital Plan and Comparison to Prior Year Capital Plan

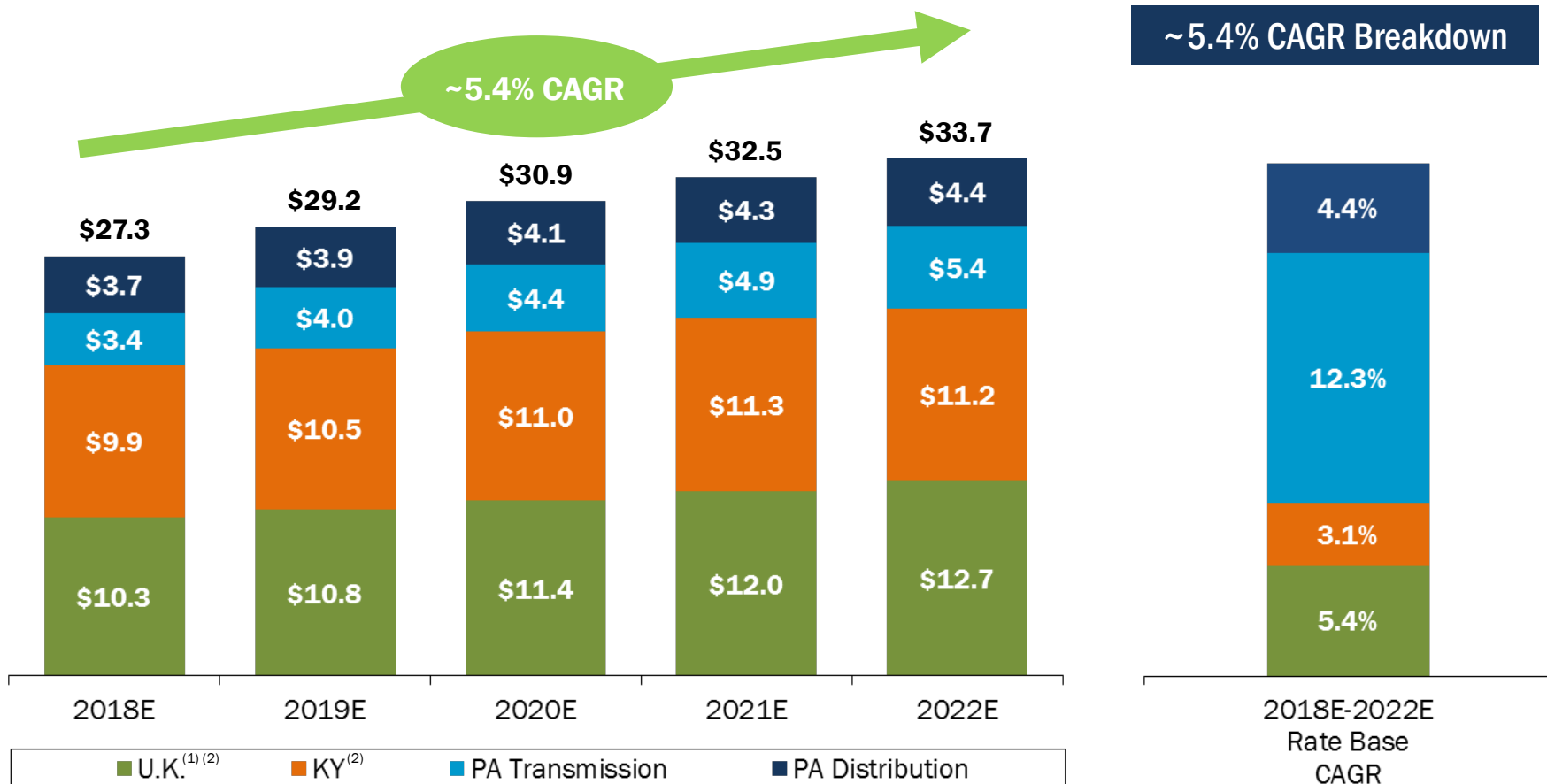


(1) Capital plans are based on assumed exchange rate of \$1.35/£ for 2018-2019 and \$1.40/£ for 2020-2022.



Projected Rate Base Growth

(\$ in billions)

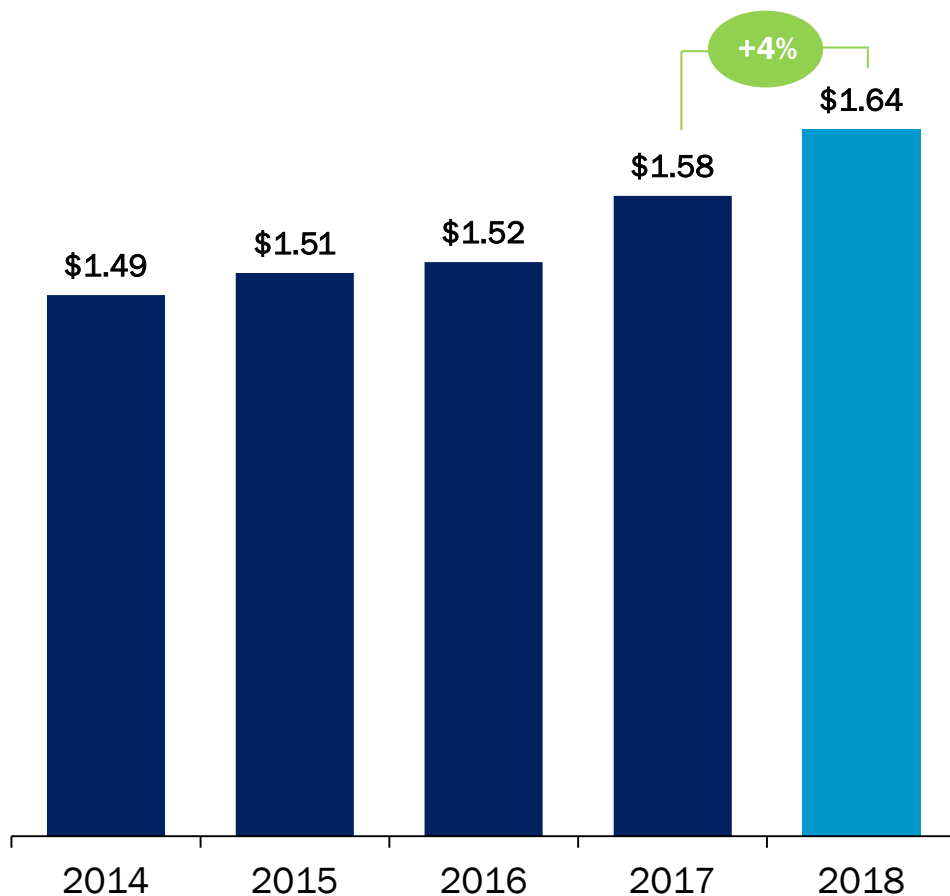


(1) For comparability based on assumed exchange rate of \$1.35/£ for all years.

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Commitment to Dividend Growth

The dividend is a key component to PPL's investment proposition



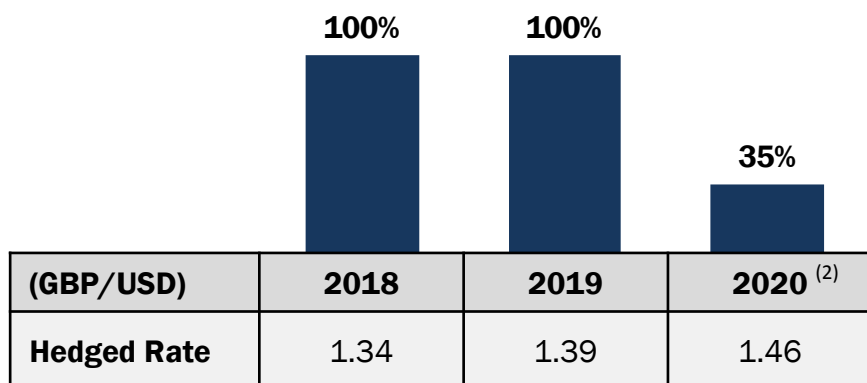
- We remain committed to dividend growth
- Increased annualized common stock dividend to \$1.64 per share⁽¹⁾
- We are increasing our expectation for cash repatriation from our U.K. operations to \$300 - \$500 million per year in support of corporate dividend
 - Increased flexibility to repatriate cash created by U.S. tax reform

(1) Annualized dividend based on 02/22/2018 announced increase. Actual dividends to be determined by Board of Directors.

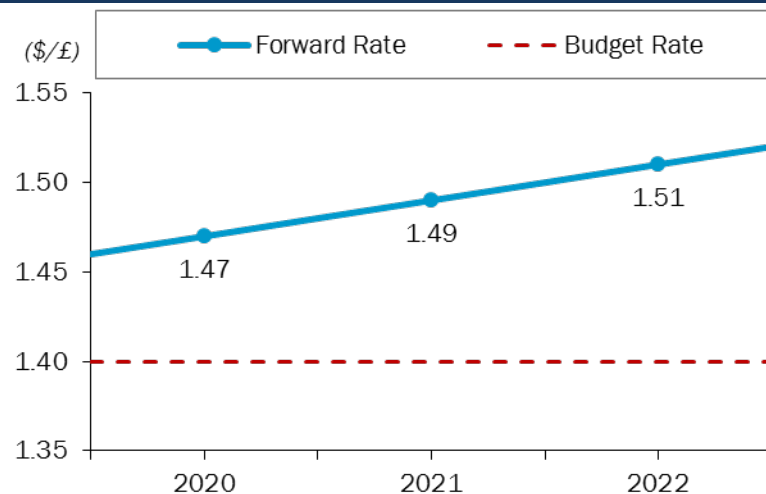
Foreign Currency Update

Currency hedging strategy positions PPL to achieve 5-6% EPS growth target

Managing Foreign Currency Risk ⁽¹⁾



Forward FX Rates vs. Budgeted FX Rates



- Expect hedges to settle in respective years, helping to offset earnings and credit degradation from U.S. tax reform
- Increased our budgeted rate on open positions to \$1.40/£ for 2020, conservative to forward rates

Note: Forward FX rates sourced from Bloomberg as of 2/20/2018.

(1) PPL's foreign currency hedge status as of 02/20/18.

(2) Budgeted rate of \$1.40/£ on open positions for 2020.



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PPL CORPORATION
SUSTAINABILITY OVERVIEW

Learn more about PPL's sustainability efforts
Visit www.pplsustainability.com

Sustainability Strategy and Commitments

The following **sustainability commitments** provide a framework for PPL to grow and innovate in a responsible, reliable way that benefits customers, shareowners, employees and society as a whole.



Create extraordinary shareowner value

Create long-term value for shareowners through fiscal discipline, continuous improvement, environmental stewardship and enduring strategic investments



Drive best-in-sector operational performance

Excel in safety, reliability, customer responsiveness and energy efficiency while maintaining a culture that cultivates innovation



Advance a cleaner energy future

Encourage responsible stewardship in partnership with our customers and stakeholders to have a sustainable environmental impact



Build tomorrow's energy infrastructure

Invest in tomorrow's energy infrastructure by developing a more reliable, resilient and efficient grid that fosters continued progress and a cleaner energy future



Exceed customer expectations

Provide affordable, reliable, safe and environmentally responsible energy



Foster an exceptional workplace

Cultivate success by energizing an inclusive, respectful and diverse workplace that rewards performance, enables professional development, encourages employee engagement and enables employees to achieve their full potential



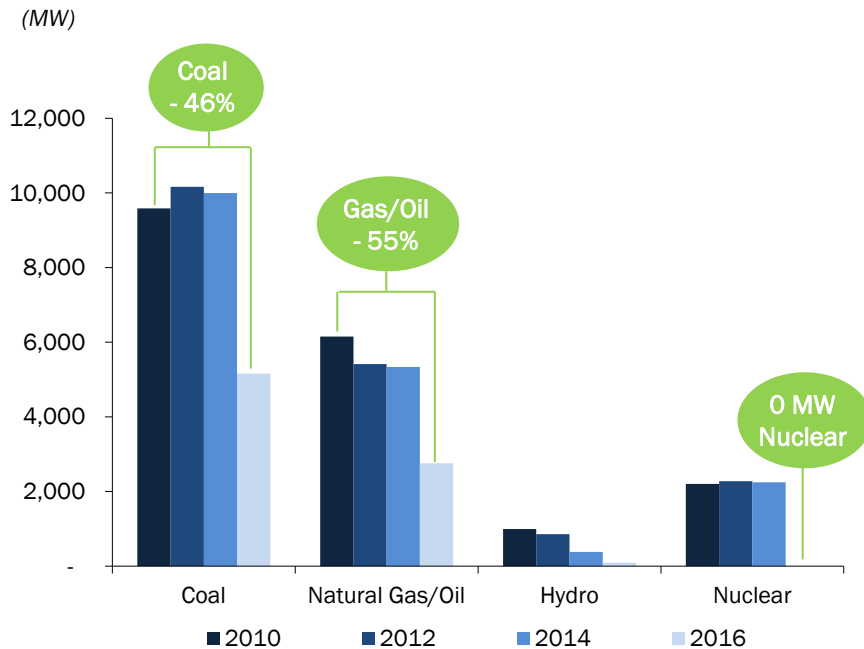
Strengthen communities

Empower the success of future generations by helping to build strong communities today

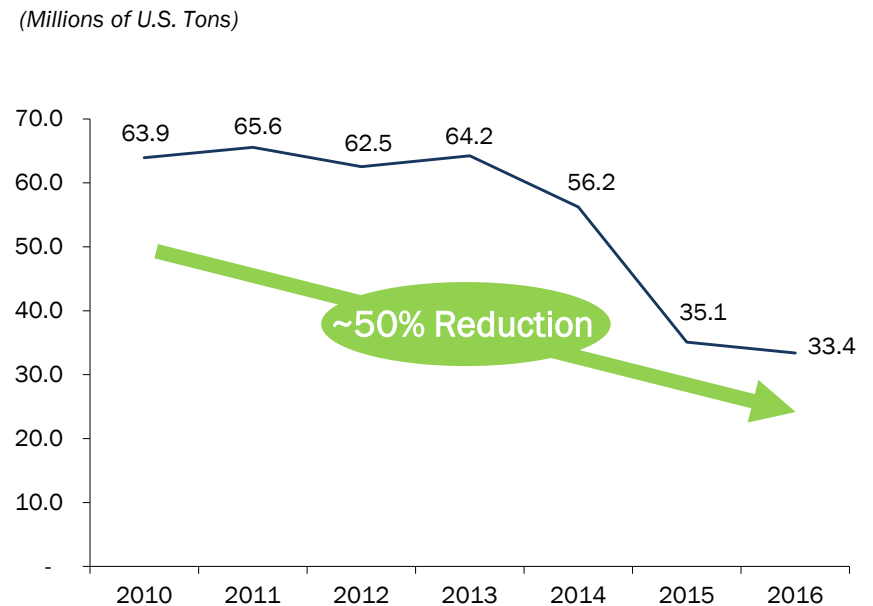
PPL's Environmental Stewardship

Significantly reduced coal intensity and carbon emissions via the strategic spin-off of our competitive generation and coal retirements in Kentucky

PPL's Power Generation Capacity ⁽¹⁾



PPL's CO₂ Emissions from 2010-2016



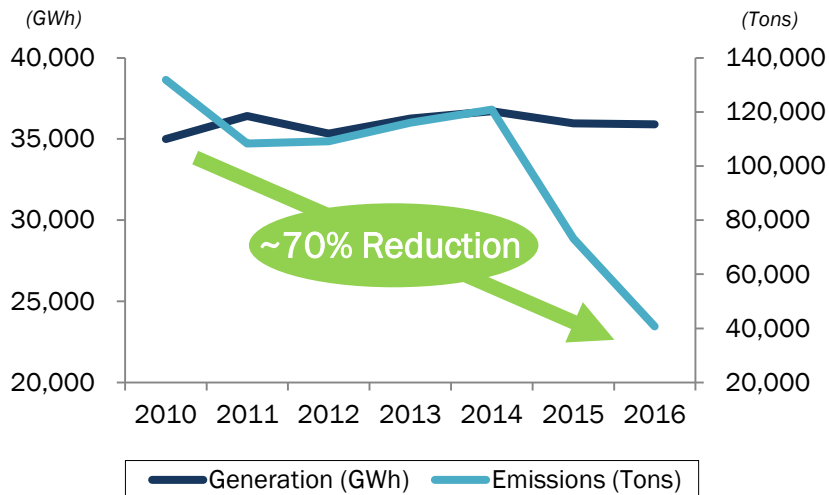
(1) Megawatt (MW) capacity represents PPL's ownership interest.

Advancing a Cleaner Energy Future

PPL's Kentucky operations have made important investments that have significantly reduced emissions and water consumption

Power Generation vs. Total Tons Emittted⁽¹⁾

~70% reduction in emissions from 2010 to 2016

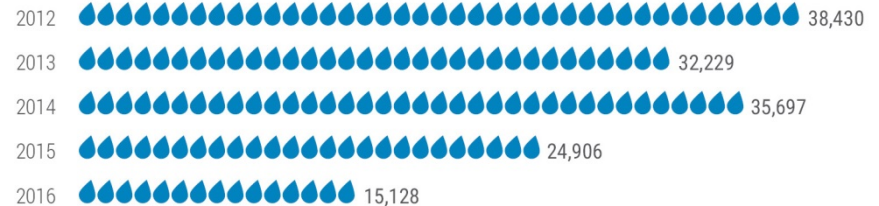


Meaningful Water Conservation in Kentucky⁽¹⁾

Consumed 61% less water in 2016 than 2012

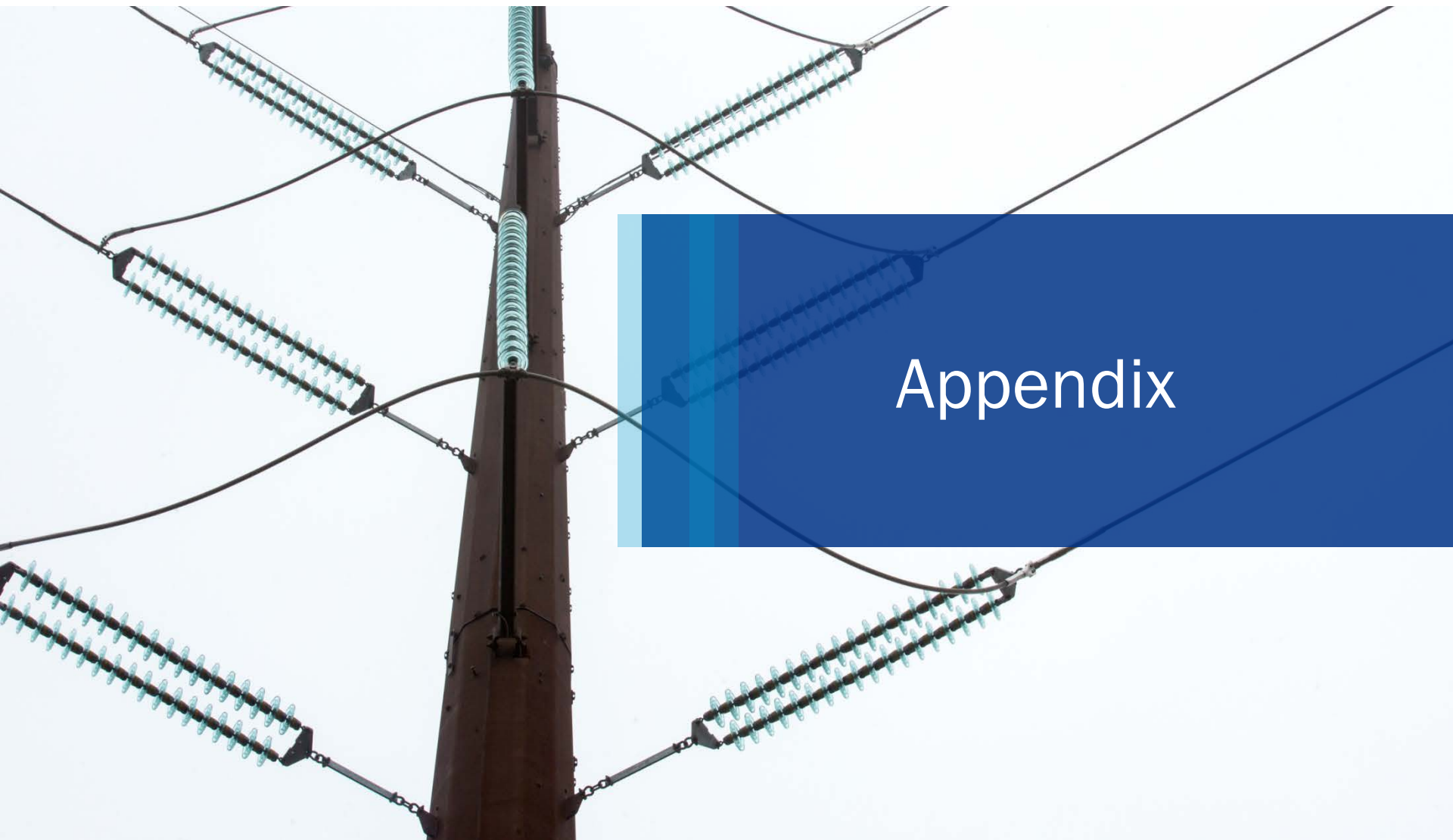
Water Consumption

Consumptive Water Use (MG/year)



Note: Emissions include sum of Particulates, SO₂, NO_x and Mercury.

(1) Excludes PPL Energy Supply, LLC for periods prior to its June 2015 spin-off.



Appendix

PPL Fact Sheet

CORPORATE DATA

Ticker symbol and stock exchange PPL-NYSE

At January 31, 2018

Average daily trading volume (3 mos.) 5.67 million shares

Closing price \$31.87

52-week price range \$30.44 - \$40.20

Annualized dividend per share⁽¹⁾ \$1.64 (\$0.41/qtr.)

Enterprise value ~\$42.0 billion

Market cap ~\$21.8 billion

At December 31, 2017

2017 earnings from ongoing operations per share (Non-GAAP)⁽²⁾ \$2.25 per share

Total assets \$41.5 billion

Common shares O/S 693.398 million

Book value per share⁽³⁾ \$15.52

Capitalization: (\$ millions)

Total debt \$21,275 67%

Common equity \$10,312 33%

Total Capitalization \$31,587 100%

Employees ~12,700

Long-term debt \$20,195 million

Short-term debt \$ 1,080 million

Letters of Credit \$ 221 million

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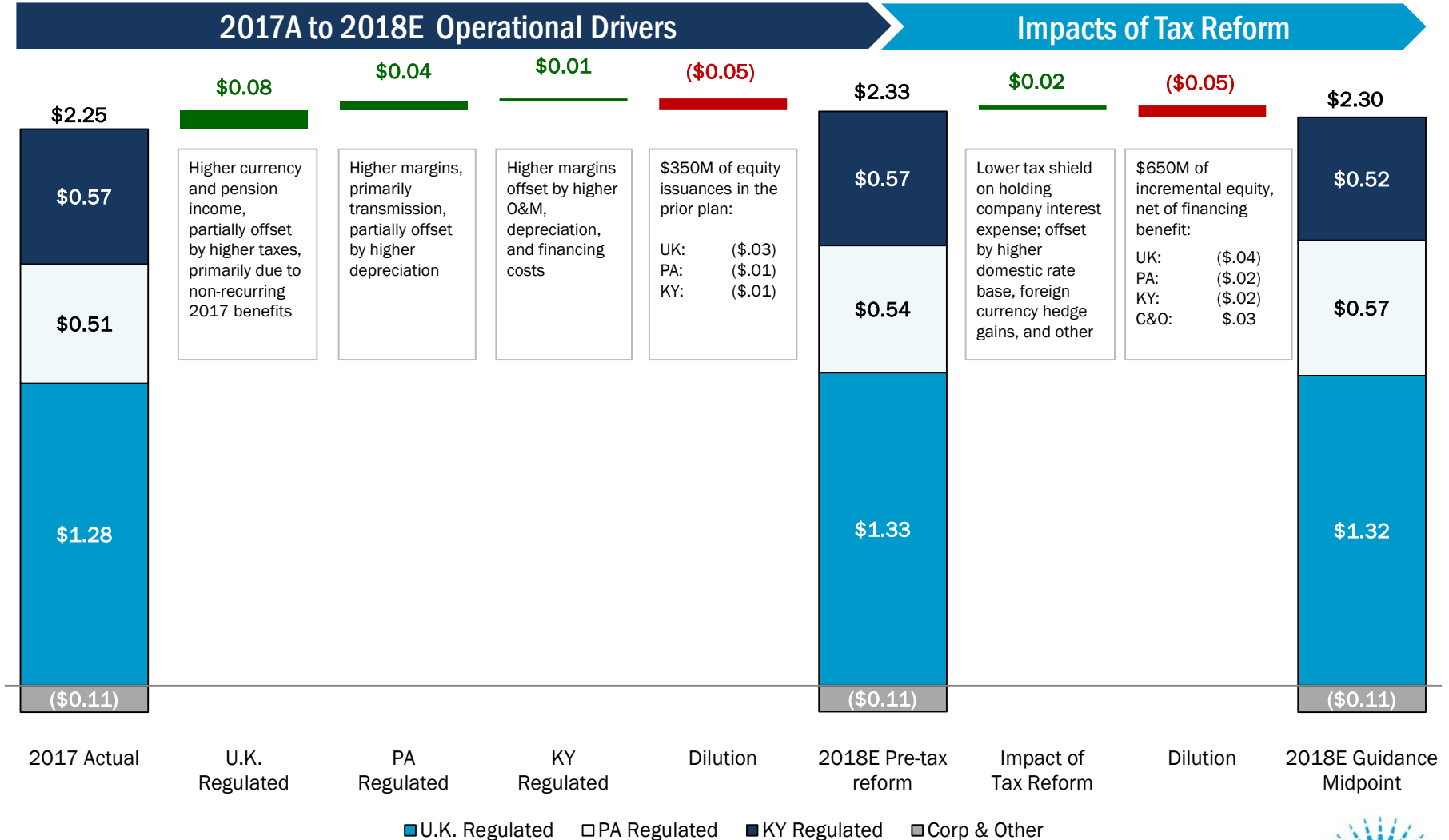
(1) Annualized dividend based on the 2/22/2018 announced increase.

(2) See Appendix for the reconciliation of reported earnings to earnings from ongoing operations.

(3) Based on 693.398 million shares of common stock outstanding.



2017A to 2018E Ongoing Earnings Walk



Note: See Appendix for the reconciliation of reported earnings to earnings from ongoing operations.



Assumptions to Achieve 5-6% EPS Growth 2018 Through 2020⁽¹⁾

➤ Key Corporate-level Assumptions:

- Continued dividend growth through 2020 with 4% increase from 2017 to 2018⁽²⁾
- Equity issuances of about \$1.0B in 2018; Equity issuances beyond 2018 will be dependent on a number of factors with an objective of maintaining current credit ratings

➤ Domestic Growth Assumptions:⁽¹⁾

- Net income growth of 8-10%⁽¹⁾
- Domestic rate base CAGR of 7.1%
- PA transmission CAPEX of \$1.4B at 11.68% base ROE; Project Compass not in plan
- KY investment of \$2.2B at 9.7% ROE

➤ U.K. Growth Assumptions:⁽¹⁾

- Net income growth of 7-9%⁽¹⁾
- Budgeted GBP foreign currency rate: \$1.34/£(2018); \$1.39/£(2019); \$1.42/£(2020); 2020 open positions budgeted at \$1.40/£
- Expected rate base (RAV) CAGR of 5.2%
- Higher pension income from annual contributions to pension plans
- Incentive revenue assumptions: \$100M (2018); \$90-\$110M (2019); \$100-\$120M (2020)
- RPI (inflation rate): 3.3% (2018); 3.0% (2019 and 2020)
- Annual cash repatriation between \$300 – \$500M

(1) Growth rates off of midpoint of 2018 ongoing earnings forecast of \$2.30 per share.

(2) Subject to approval by the Board of Directors.

U.K. Regulated: Incentive Revenues

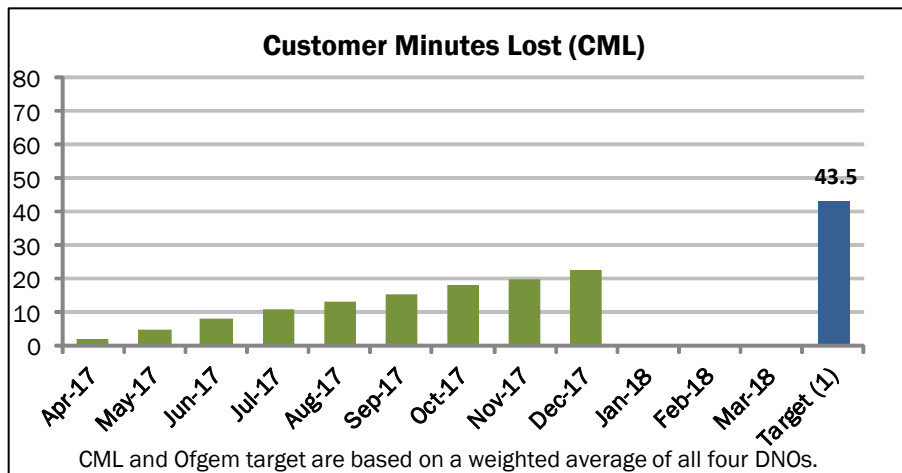
- Annual performance above or below the Ofgem targets for Customer Minutes Lost (CML), Customer Interruptions (CI), the Broad Measure of Customer Satisfaction Survey and Time to Connect is rewarded or penalized on a 2-year lag
- On a calendar year basis, WPD projects incentive revenues as follows:

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Current Estimate	\$100M	\$90M - \$110M	\$100M - \$120M

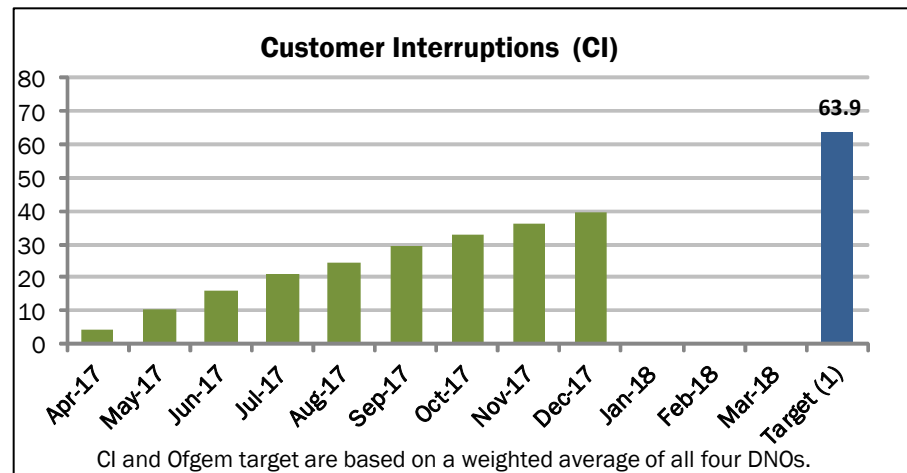
- The following slides provide WPD's current and projected performance for the 2017/2018 regulatory year for quality of service and customer satisfaction incentive mechanisms

U.K. Regulated Incentive Revenue: Quality of Service

2017/2018 Year-to-date Performance



A measurement of the cumulative amount of minutes customers are without electricity.



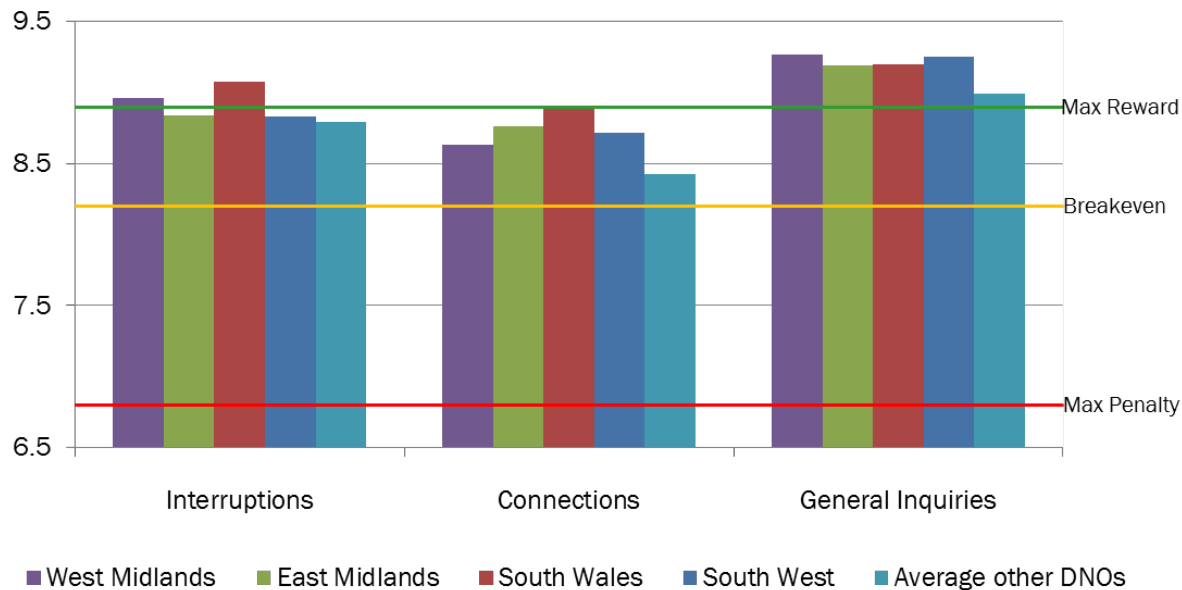
A measurement of the cumulative amount of interruptions in a customer's electricity supply, per 100 customers.

- While there are separate CML and CI performance targets, performance is combined when determining the total earned reward.
- WPD projects 2017/2018 incentive revenue of approximately £40M (in 2012/2013 prices).

(1) Ofgem targets adjusted for YTD planned outages. Performance below the Ofgem target results in a reward. Performance above the Ofgem target results in a penalty.

U.K. Regulated Incentive Revenue: Customer Satisfaction

**Broad Measure Customer Satisfaction Survey
Through December 2017**



(2012/13 prices)	West Midlands	East Midlands	South Wales	South West	Total
Max reward/penalty	+/-£4.0M	+/-£4.0M	+/-£1.9M	+/-£2.8M	+/-£12.7M

- The Broad Measure of Customer Satisfaction Survey rewards or penalizes DNOs for the levels of customer satisfaction.
- Through December 2017, WPD's performance is near or at the max reward levels. WPD projects 2017/2018 incentive revenue of approximately £11M (in 2012/2013 prices).

U.K. Regulated: RPI Update and Sensitivity

➤ RPI affects three primary financial drivers for WPD: Revenue, O&M and Interest Expense

- **Revenue:** In November 2017, tariffs were set for the 2019/20 regulatory year using forecasted RPI for that period. Differences between actual and forecasted RPI are trued-up in future regulatory year tariffs. Each November, one additional year of tariffs will be set.
- **O&M:** RPI primarily impacts adjustments to wages, including contract labor with a compounding effect realized in future periods.
- **Interest Expense:** Approximately 14% of total U.K. debt is RPI index-linked debt (~\$1B). The lower the RPI, the lower the interest expense and vice versa.

RPI Update and Sensitivity				
RPI (Regulatory Year)	2017/18	2018/19	2019/20	2020/21
Budget RPI assumption	3.8%	3.1%	3.0%	3.0%
Current RPI forecast ⁽¹⁾	3.7%	3.1%	3.1%	3.2%
RPI (Calendar Year)	2018		2019	2020
Budget RPI assumption	3.3%		3.0%	3.0%
Current RPI forecast ⁽¹⁾	3.3%		3.1%	3.2%
Increase in 2017/2018 RPI⁽²⁾			EPS Sensitivity	
0.5%	\$0.00		\$0.00	\$0.01

(1) Represents January 2018 forecast. Source: U.K. HM Treasury RPI forecast: <https://www.gov.uk/government/collections/data-forecasts>.

(2) Sensitivities include the net effect on revenue, O&M and interest expense on index-linked debt.

TRU and MOD Adjustments

➤ TRU Adjustment

- Tariffs are set using a forecasted RPI as determined by HM Treasury
- Forecasted RPI is trued up to actuals and the corresponding revenue adjustment is collected from or returned to customers two regulatory years later

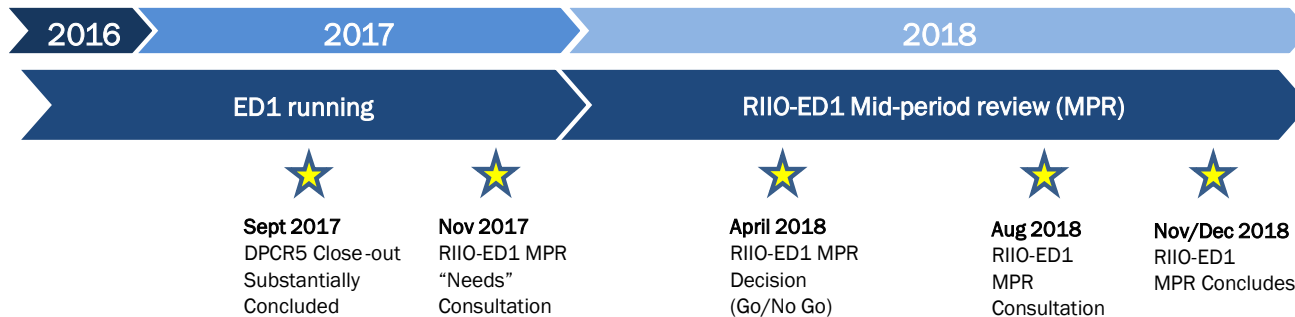
➤ MOD Adjustment

- On an annual basis, certain components of base demand revenue are updated for financial adjustments including tax, pension, cost of debt and legacy price control adjustments
- MOD adjustment also includes the Totex Incentive Mechanism which allows WPD to retain 70% of any cost savings against the RIIO-ED1 business plan and bear 70% of any cost over-runs
- Similar to TRU, most MOD components result in a revenue adjustment two regulatory years later

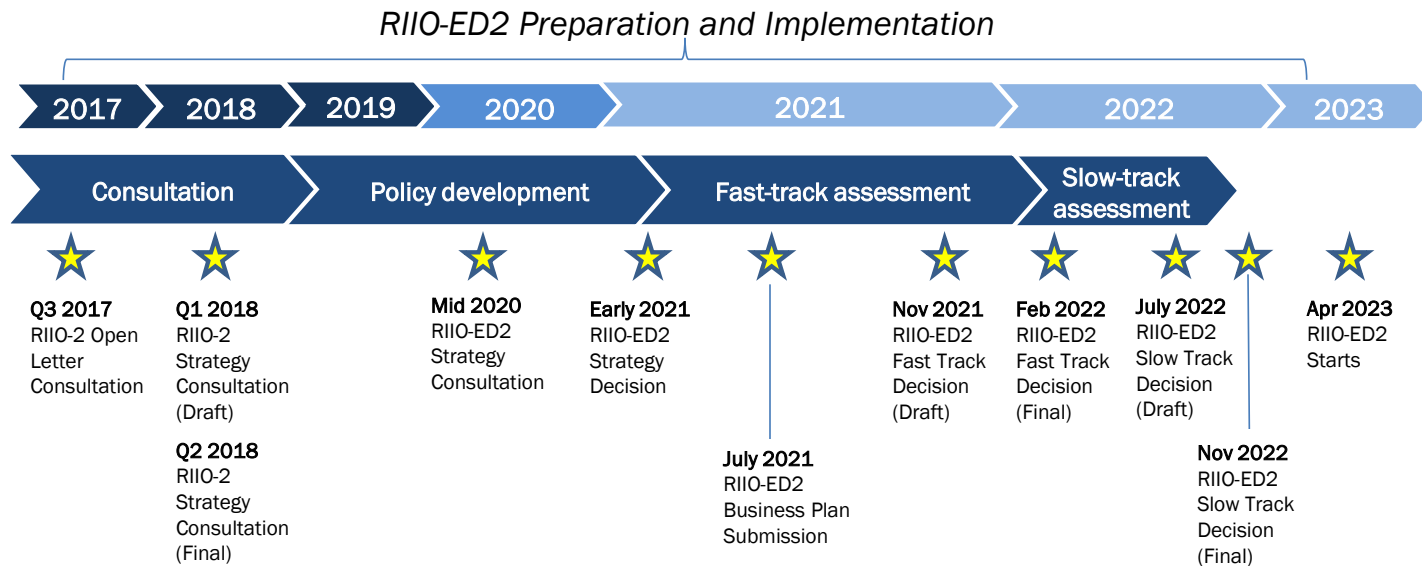
Adjustments included in current forecast			
(\$ in millions, pre-tax)	2018	2019	2020
TRU	(\$20)	\$0	\$0
MOD	(\$40)	(\$60)	(\$90)
Total	(\$60)	(\$60)	(\$90)

U.K. Regulated: Expected Ofgem RIIO Timelines

RIIO-ED1 Indicative Timetable



RIIO-ED2 Indicative Timetable



Pennsylvania Transmission: Project Compass⁽¹⁾

Proposed First Segment

- **95-mile initial segment from Lackawanna, PA to Ramapo, NY**
 - Interconnection request filed with NYISO
 - Estimated cost of \$500 - \$600 million⁽²⁾
 - Proposed in-service date in 2023
- **Benefits as proposed include:**
 - Significant energy cost savings for NY customers
 - Enables access to renewables
 - Grid resiliency and reliability
 - Economic development benefits



Future Project Plan

- **Approximately 475-mile transmission lines in PA and extending to NY**
- **Estimated cost of \$3 – \$4 billion⁽²⁾**

(1) Project subject to regulatory approvals and change until final development.

(2) Project Compass not included in PPL's 5-year capital plan.

Kentucky Regulated: Multi-Year Focus on Closing Ash Ponds

Making prudent investments to reduce our impact on the environment



Trimble County Generating Station

- Investing approximately \$0.8 billion to comply with EPA rules through 2022
- Cap and close ash ponds
- Build process water treatment facilities
- Complete additional phase of dry-ash landfill project
- Expected completion: 2023
- Waste/water treatment

Funding Growth

U.S. operating cash flows plus U.K. dividend sufficient to fund PPL dividend. U.S. debt and equity issuances fund domestic utility growth. U.K. business completely self-funding.

(\$ in millions)

	2017A	2018E ⁽¹⁾
Domestic Cash from Operations	\$1,826	\$1,690
Domestic Maintenance Capex ⁽²⁾	(777)	(860)
Dividend From U.K. Regulated	125	400
Cash Available for Distribution	\$1,174	\$1,230
Common Dividend	(1,072)	(1,165)
Cash Available for Reinvestment	\$102	\$65
Domestic Growth Capex	(\$1,379)	(\$1,585)
Debt Maturities	(\$70)	(\$250)
Debt Issuances and Change in Cash ⁽³⁾	987	835
Equity Issuances	432	970
Other Investing & Financing Activities	(72)	(35)
Additional Funding Sources for Domestic Growth Capex	\$1,277	\$1,520

Note: Information provided on slide to be updated on an annual basis. See Appendix for the reconciliation of Domestic Cash Flows.

(1) Based on midpoint of projected 2018 earnings guidance and related assumptions.

(2) Represents book depreciation.

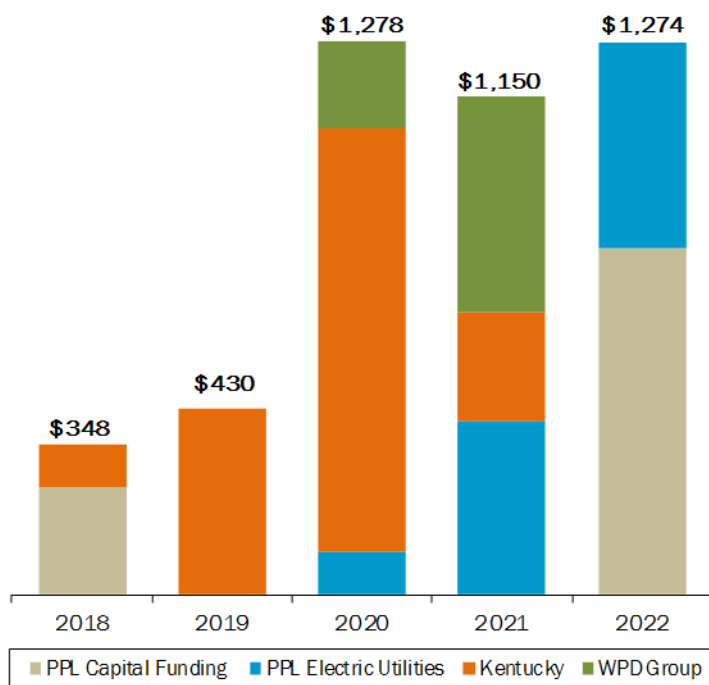
(3) Includes domestic issuances (short and long term), net of issue costs.

Strong Financial Foundation

Manageable maturity schedule and strong liquidity profile provide financial flexibility

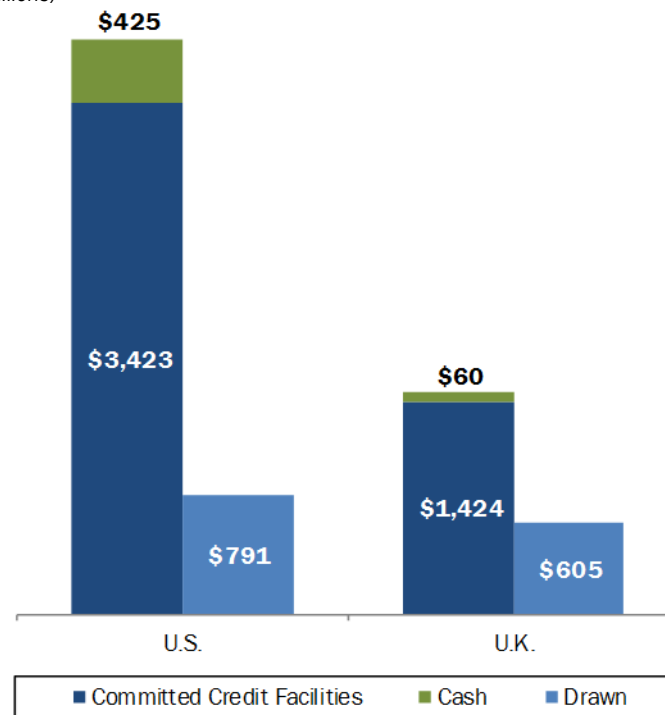
Debt Maturity Distribution 2018 - 2022

(\$ in millions)



Liquidity Profile

(\$ in millions)



Note: As of December 31, 2017.



PPL's Credit Ratings

PPL Corporation		
Credit Rating	S&P	Moody's
Secured	NR	NR
Unsecured	NR	NR
Long-term Issuer	A-	Baa2
Outlook	Stable	Stable

PPL Capital Funding		
Credit Rating	S&P	Moody's
Secured	NR	NR
Unsecured	BBB+	Baa2
Long-term Issuer	A-	NR
Outlook	Stable	Stable

WPD Holding Company		
Credit Rating	S&P	Moody's
Secured	NR	NR
Unsecured	BBB+	Baa3
Long-term Issuer	A-	Baa3
Outlook	Stable	Stable

LKE Holding Company		
Credit Rating	S&P	Moody's
Secured	NR	NR
Unsecured	BBB+	Baa1
Long-term Issuer	A-	Baa1
Outlook	Stable	Stable

WPD Operating Companies		
Credit Rating	S&P	Moody's
Secured	NR	NR
Unsecured	A-	Baa1
Long-term Issuer	A-	Baa1
Outlook	Stable	Stable

LKE Operating Companies		
Credit Rating	S&P	Moody's
Secured	A	A1
Unsecured	NR	NR
Long-term Issuer	A-	A3
Outlook	Stable	Stable

PPL Electric Utilities		
Credit Rating	S&P	Moody's
Secured	A	A1
Unsecured	NR	NR
Long-term Issuer	A-	A3
Outlook	Stable	Stable

Note: As of December 31, 2017.



Reconciliation of Segment Reported Earnings to Earnings From Ongoing Operations

After-Tax (Unaudited) (millions of dollars)	4th Quarter December 31, 2017					Year-to-Date December 31, 2017				
	U.K. Reg.	KY Reg.	PA Reg.	Corp. & Other	Total	U.K. Reg.	KY Reg.	PA Reg.	Corp. & Other	Total
	Reported Earnings	\$ 92	\$ (13)	\$ 108	\$ (109)	\$ 78	\$ 652	\$ 286	\$ 359	\$ (169)
Less: Special Items (expense) benefit:										
Foreign currency economic hedges, net of tax of (\$6), \$59	11				11	(111)				(111)
Spinoff of the Supply segment, net of tax of \$0, (\$1)									4	4
Other:										
U.S. tax reform	(122)	(112)	10	(97)	(321)	(122)	(112)	10	(97)	(321)
Settlement of indemnification agreement, net of tax of (\$2), (\$2)		4			4		4			4
Adjustment to investment, net of tax of \$0, \$0							(1)			(1)
Total Special Items	<u>(111)</u>	<u>(108)</u>	<u>10</u>	<u>(97)</u>	<u>(306)</u>	<u>(233)</u>	<u>(109)</u>	<u>10</u>	<u>(93)</u>	<u>(425)</u>
Earnings from Ongoing Operations	<u>\$ 203</u>	<u>\$ 95</u>	<u>\$ 98</u>	<u>\$ (12)</u>	<u>\$ 384</u>	<u>\$ 885</u>	<u>\$ 395</u>	<u>\$ 349</u>	<u>\$ (76)</u>	<u>\$ 1,553</u>

After-Tax (Unaudited) (per share - diluted)	4th Quarter December 31, 2017					Year-to-Date December 31, 2017				
	U.K. Reg.	KY Reg.	PA Reg.	Corp. & Other	Total	U.K. Reg.	KY Reg.	PA Reg.	Corp. & Other	Total
	Reported Earnings	\$ 0.13	\$ (0.01)	\$ 0.15	\$ (0.16)	\$ 0.11	\$ 0.95	\$ 0.42	\$ 0.52	\$ (0.25)
Less: Special Items (expense) benefit:										
Foreign currency economic hedges	0.02				0.02	(0.15)				(0.15)
Other:										
U.S. tax reform	(0.18)	(0.16)	0.01	(0.14)	(0.47)	(0.18)	(0.16)	0.01	(0.14)	(0.47)
Settlement of indemnification agreement		0.01			0.01		0.01			0.01
Total Special Items	<u>(0.16)</u>	<u>(0.15)</u>	<u>0.01</u>	<u>(0.14)</u>	<u>(0.44)</u>	<u>(0.33)</u>	<u>(0.15)</u>	<u>0.01</u>	<u>(0.14)</u>	<u>(0.61)</u>
Earnings from Ongoing Operations	<u>\$ 0.29</u>	<u>\$ 0.14</u>	<u>\$ 0.14</u>	<u>\$ (0.02)</u>	<u>\$ 0.55</u>	<u>\$ 1.28</u>	<u>\$ 0.57</u>	<u>\$ 0.51</u>	<u>\$ (0.11)</u>	<u>\$ 2.25</u>

Reconciliation of Domestic Cash Flows

Year Ended December 2017 (millions of dollars)									
Presentation of Funding Growth		Reclassifications				Adjustments	PPL Global, LLC	PPL Consolidated Statement of Cash Flows	
Description	non-GAAP Amount	Domestic Maint. Capex	Dividend From U.K. Regulated	Common Dividend	Other Investing	Domestic Change in Cash	Statement of Cash Flows	GAAP Amount	Description
Domestic Cash from Operations	\$1,826								
Domestic Maintenance Capex	(777)								
Dividend From U.K. Regulated	125								
Cash Available for Distribution	\$1,174								
Common Dividend	(1,072)								
Cash Available for Reinvestment	\$102	\$777	(\$125)	\$1,072		(\$1)	\$636	\$2,461	Net cash provided by operating activities
Domestic Growth Capex	(\$1,379)	(\$777)			\$9		(\$1,009)	(\$3,156)	Net cash used in investing activities
Debt Maturities	(70)								
Debt Issuances and Change in Cash	987								
Equity Issuances	432								
Other Investing & Financing Activities	(72)								
Additional Funding Sources for Domestic Growth Capex	\$1,277		\$125	(\$1,072)	(\$9)	\$98	\$405	\$824	Net cash provided by financing activities
							15	15	Effect of exchange rates on cash and cash equivalents
						\$97	\$47	\$144	Net increase in cash and cash equivalents

Note: For 2018, due to the generalized and forward-looking nature of this information, the Company has not reconciled the presented non-GAAP financial measures to the most directly comparable GAAP financial measures.



Forward-Looking Information Statement

Statements contained in this presentation, including statements with respect to future earnings, cash flows, dividends, financing, regulation and corporate strategy are "forward-looking statements" within the meaning of the federal securities laws. Although PPL Corporation believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, these statements are subject to a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: market demand for energy in our service territories, weather conditions affecting customer energy usage and operating costs; the effect of any business or industry restructuring; the profitability and liquidity of PPL Corporation and its subsidiaries; new accounting requirements or new interpretations or applications of existing requirements; operating performance of our facilities; the length of scheduled and unscheduled outages at our generating plants; environmental conditions and requirements and the related costs of compliance; system conditions and operating costs; development of new projects, markets and technologies; performance of new ventures; asset or business acquisitions and dispositions; any impact of hurricanes or other severe weather on our business; receipt of necessary government permits, approvals, rate relief and regulatory cost recovery; capital market conditions and decisions regarding capital structure; the impact of state, federal or foreign investigations applicable to PPL Corporation and its subsidiaries; the outcome of litigation against PPL Corporation and its subsidiaries; stock price performance; the market prices of equity securities and the impact on pension income and resultant cash funding requirements for defined benefit pension plans; the securities and credit ratings of PPL Corporation and its subsidiaries; political, regulatory or economic conditions in states, regions or countries where PPL Corporation or its subsidiaries conduct business, including any potential effects of threatened or actual terrorism or war or other hostilities; British pound sterling to U.S. dollar exchange rates; new state, federal or foreign legislation, including new tax legislation; and the commitments and liabilities of PPL Corporation and its subsidiaries. All forward-looking statements should be considered in light of these important factors and in conjunction with the factors and other matters in PPL Corporation's Form 10-K and other reports on file with the Securities and Exchange Commission.



Definitions of non-GAAP Financial Measures

Management utilizes "Earnings from Ongoing Operations" as a non-GAAP financial measure that should not be considered as an alternative to reported earnings, or net income, an indicator of operating performance determined in accordance with GAAP. PPL believes that Earnings from Ongoing Operations is useful and meaningful to investors because it provides management's view of PPL's earnings performance as another criterion in making investment decisions. In addition, PPL's management uses Earnings from Ongoing Operations in measuring achievement of certain corporate performance goals, including targets for certain executive incentive compensation. Other companies may use different measures to present financial performance.

Earnings from Ongoing Operations is adjusted for the impact of special items. Special items are presented in the financial tables on an after-tax basis with the related income taxes on special items separately disclosed. Income taxes on special items, when applicable, are calculated based on the effective tax rate of the entity where the activity is recorded. Special items include:

- Unrealized gains or losses on foreign currency economic hedges (as discussed below).
- Spinoff of the Supply segment.
- Gains and losses on sales of assets not in the ordinary course of business.
- Impairment charges.
- Significant workforce reduction and other restructuring effects.
- Acquisition and divestiture-related adjustments.
- Other charges or credits that are, in management's view, non-recurring or otherwise not reflective of the company's ongoing operations.

Unrealized gains or losses on foreign currency economic hedges include the changes in fair value of foreign currency contracts used to hedge GBP-denominated anticipated earnings. The changes in fair value of these contracts are recognized immediately within GAAP earnings. Management believes that excluding these amounts from Earnings from Ongoing Operations until settlement of the contracts provides a better matching of the financial impacts of those contracts with the economic value of PPL's underlying hedged earnings.

Definitions of non-GAAP Financial Measures

Management also utilizes the following non-GAAP financial measures as indicators of performance for its businesses:

"U.K. Gross Margins" is a single financial performance measure of the electricity distribution operations of the U.K. Regulated segment. In calculating this measure, direct costs such as connection charges from National Grid, which owns and manages the electricity transmission network in England and Wales, and Ofgem license fees (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from operating revenues, as they are costs passed through to customers. As a result, this measure represents the net revenues from the delivery of electricity across WPD's distribution network in the U.K. and directly related activities.

"Kentucky Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, LKE, LG&E and KU, as well as the Kentucky Regulated segment's, LKE's and LG&E's distribution and sale of natural gas. In calculating this measure, fuel, energy purchases and certain variable costs of production (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from operating revenues. In addition, certain other expenses, recorded in "Other operation and maintenance", "Depreciation" and "Taxes, other than income" on the Statements of Income, associated with approved cost recovery mechanisms are offset against the recovery of those expenses, which are included in revenues. These mechanisms allow for direct recovery of these expenses and, in some cases, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from electricity and gas operations.

"Pennsylvania Gross Margins" is a single financial performance measure of the electricity transmission and distribution operations of the Pennsylvania Regulated segment and PPL Electric. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance," (which are primarily Act 129 and Universal Service program costs), "Depreciation" (which is primarily related to the Act 129 Smart Meter program) and "Taxes, other than income," (which is primarily gross receipts tax) on the Statements of Income. This measure represents the net revenues from the Pennsylvania Regulated segment's and PPL Electric's electricity delivery operations.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations. Management believes these measures provide additional useful criteria to make investment decisions. These performance measures are used, in conjunction with other information, by senior management and PPL's Board of Directors to manage operations and analyze actual results compared with budget.

Reconciliations of margins for future periods are not provided as certain items excluded from Operating Income are inherently subject to change and are not significant.