

Delivering today for a  
brighter tomorrow

# 4<sup>th</sup> Quarter Earnings Call

Thursday, February 14, 2019



# Cautionary Statements and Factors That May Affect Future Results



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 the 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.

# Agenda

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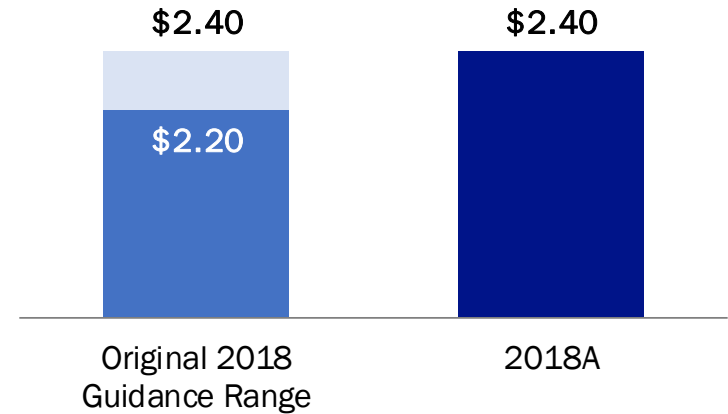
- |      |                              |             |
|------|------------------------------|-------------|
| I.   | Executive Overview & Outlook | Bill Spence |
| II.  | Financial Review             | Vince Sorgi |
| III. | Closing Remarks and Q&A      | Bill Spence |

# 2018 Executive Review

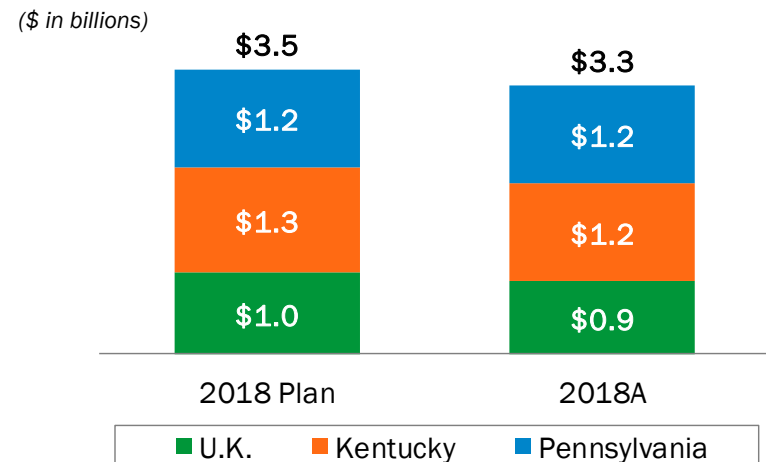
## 2018 Achievements

- **Achieved financial targets**
  - ✓ Earnings per share at high end of guidance range
  - ✓ Increased dividend
  - ✓ ROEs at or near authorized levels
- **Executed on significant capital investment plan**
  - ✓ \$3.3 billion invested
- **Excellent operational performance**
  - ✓ Customer Satisfaction
  - ✓ Safety & Reliability
- **Regulatory advancements**
  - ✓ Alternative ratemaking in PA

## 2018 Ongoing EPS vs. Forecast



## 2018 Capex vs. Plan



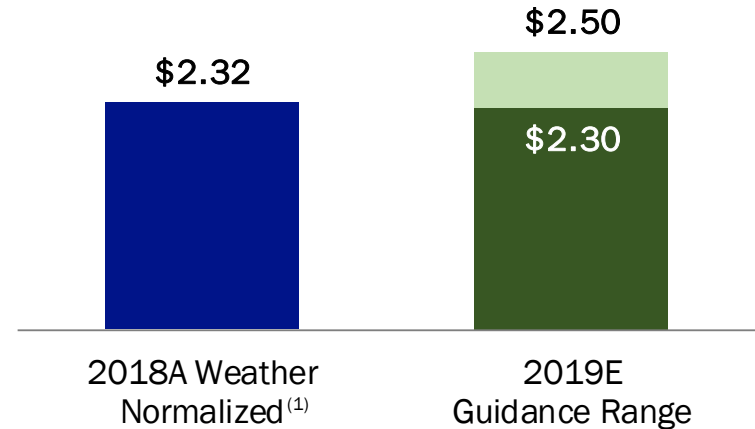
Note: See Appendix for the reconciliation of reported earnings to earnings from ongoing operations.

# 2019 Outlook

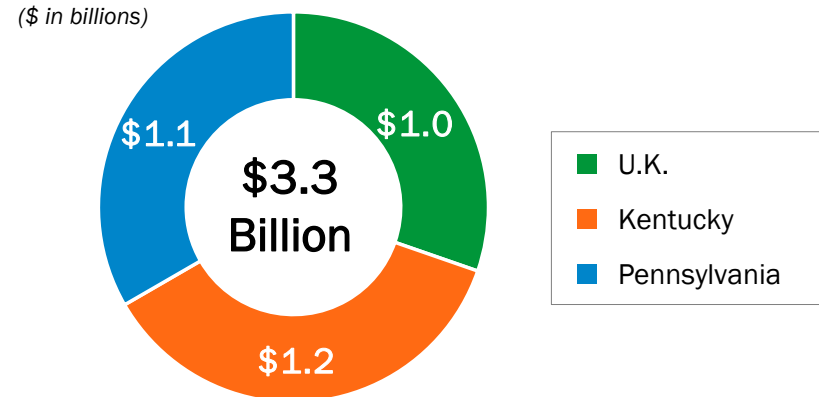
## 2019 Objectives

- Achieve ongoing earnings guidance of \$2.30 - \$2.50 per share
- Dividend growth
- Execute another \$3.3 billion of capital investments
- Continue to deliver excellent operational performance
- Attain favorable regulatory outcomes
  - Kentucky Rate Case
  - Monitor and engage in RIIO-2 framework in U.K.

## 2019 Ongoing EPS Forecast



## 2019 Capex Forecast



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

(1) Excludes the estimated impact of weather of \$0.08 per share in 2018 for relative comparison.

# Regulatory Update:

## RIO-2 Gas and Transmission Consultation



- Consultation is normal course for U.K. regulation and requires input from stakeholders
- Does not apply to PPL's U.K. business (electric distribution sector)
- Proposed returns are based on current market conditions (negative risk-free-rates); RIO-ED2 does not begin until April 2023
  - Cost of capital currently proposed to be indexed, providing upside from current lows
- Incentives continue to provide substantial opportunities for top performers
  - No hard caps/floors on returns (ruled out in July framework decision)
  - Proposal for gas and transmission sectors is +/- 300 basis points for the sector; proposed sharing mechanisms would begin after sector threshold is reached
  - Unclear how incentives will be structured for electric distribution networks in RIO-ED2
- Expect electric distribution company returns to be higher than Gas and Transmission companies due to nature of the electric distribution sector and the significant investment needs related to U.K. electrification initiatives

*Both Ofgem and PPL encourage investors to respond and provide feedback on consultation (due to Ofgem by March 14<sup>th</sup>)*





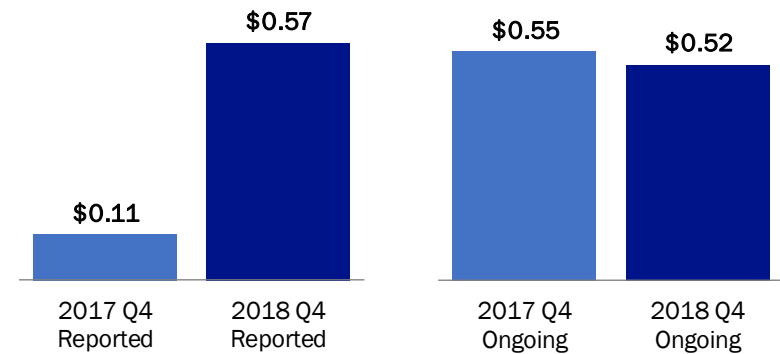
# Financial Review

# Financial Overview

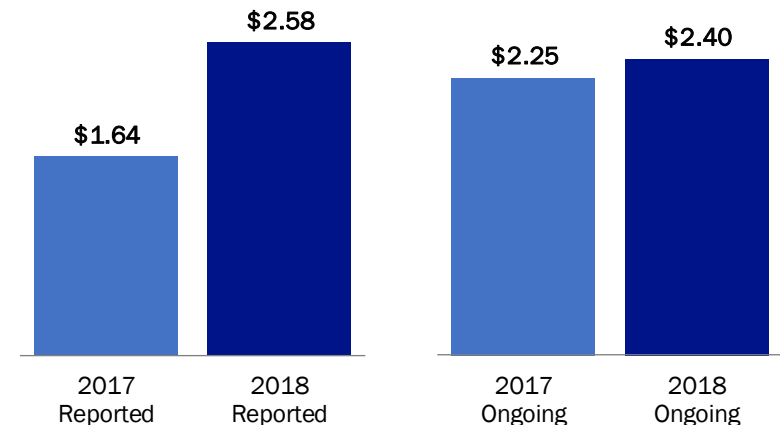
## Financial Highlights

- **Delivered 2018 financial results of \$2.40 per share at high end of guidance range**
  - Exceeded midpoint of ongoing forecast for 9<sup>th</sup> consecutive year
- **Announced 2019 ongoing earnings guidance range of \$2.30 - \$2.50 per share**
- **Reaffirmed 5 - 6% EPS growth rate through 2020 from midpoint of original 2018 guidance range of \$2.30 per share**
- **Initiated 2021 ongoing earnings guidance range of \$2.50 - \$2.80 per share**

## Q4 Earnings Per Share



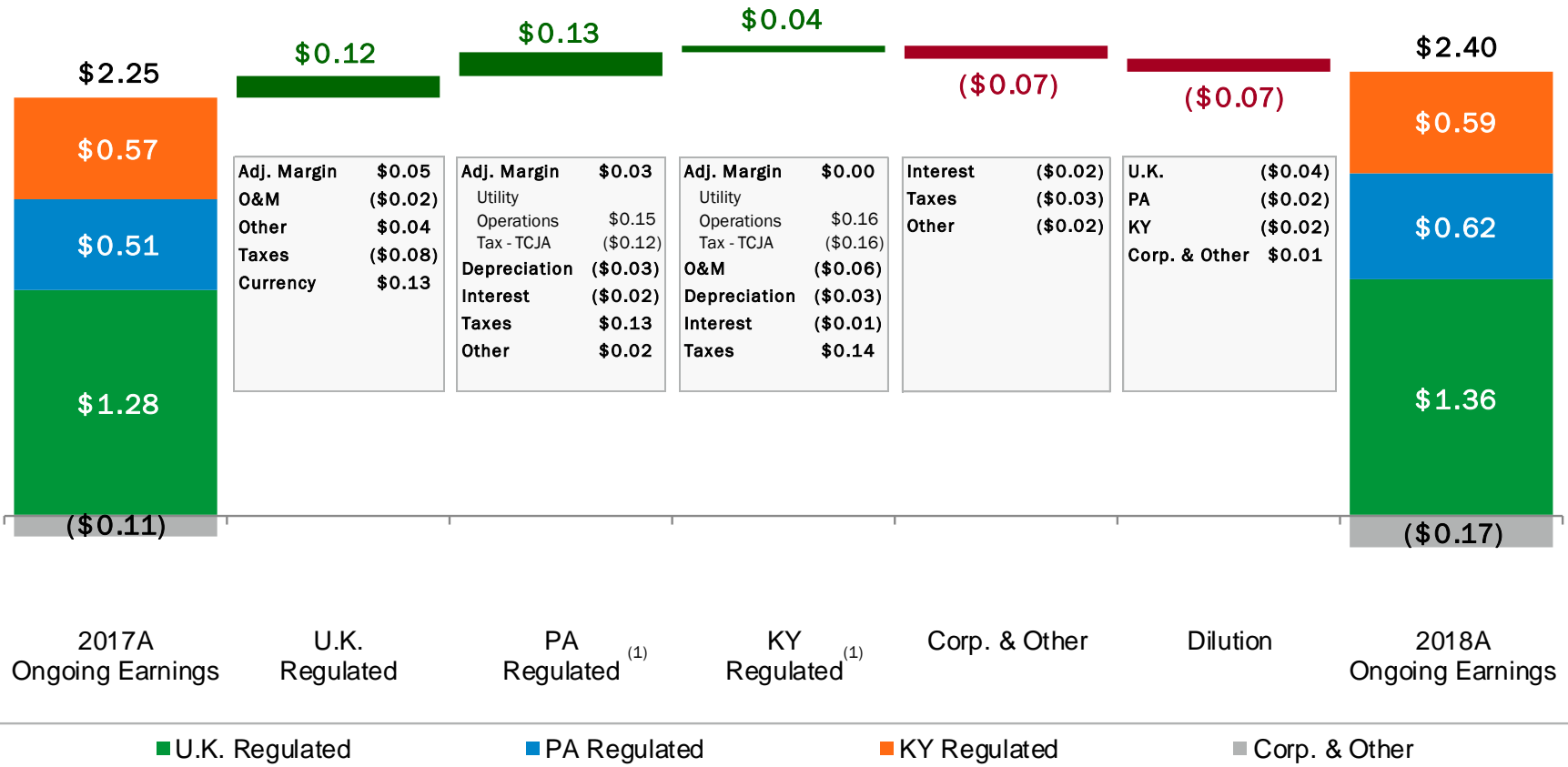
## Annual Earnings Per Share



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



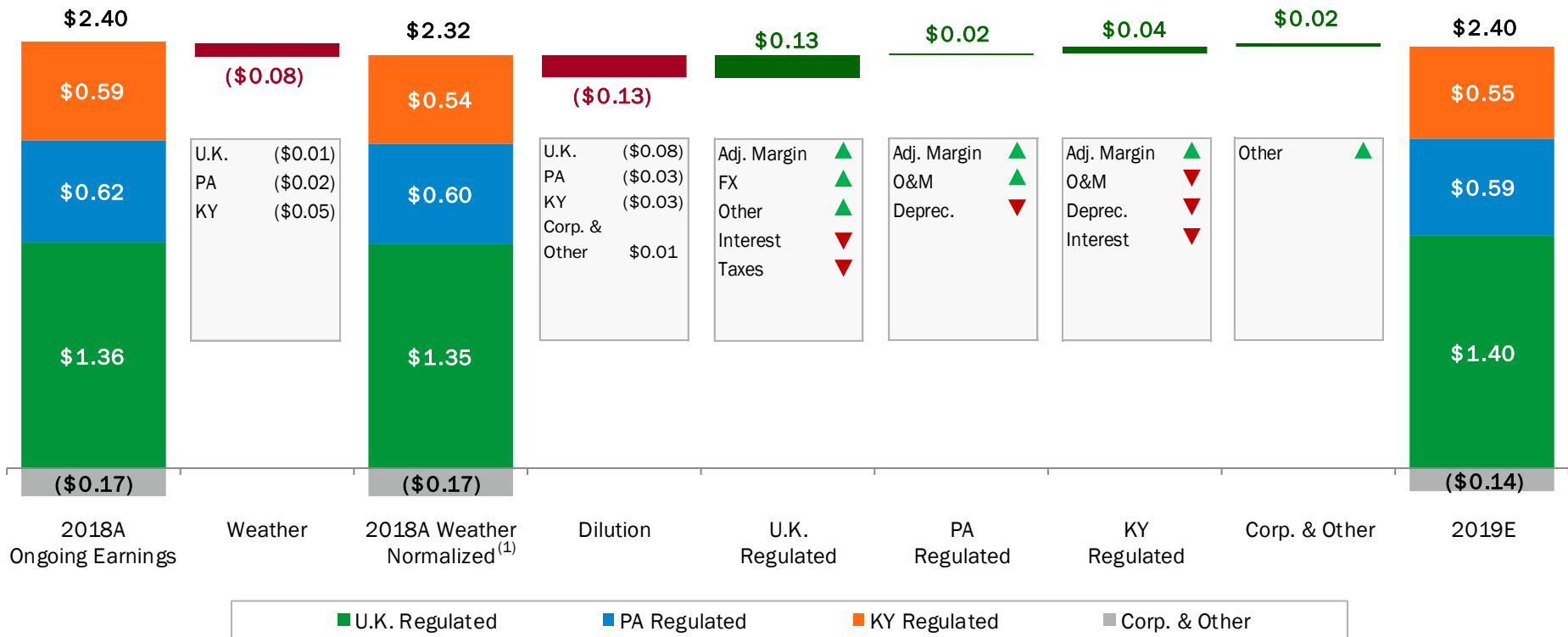
# 2018 Financial Results



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

(1) Adjusted gross margins and taxes include offsetting variances of \$0.12 for PA and \$0.16 for KY in 2018 related to the estimated income tax savings owed to customers as a result of the Tax Cuts and Jobs Act (TCJA) effective January 1, 2018.

# 2019 Financial Outlook

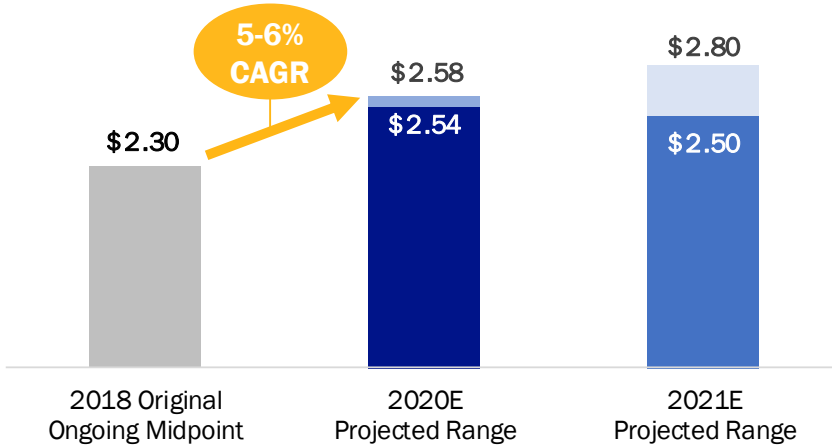


Note: See Appendix for the reconciliation of reported earnings to earnings from ongoing operations.

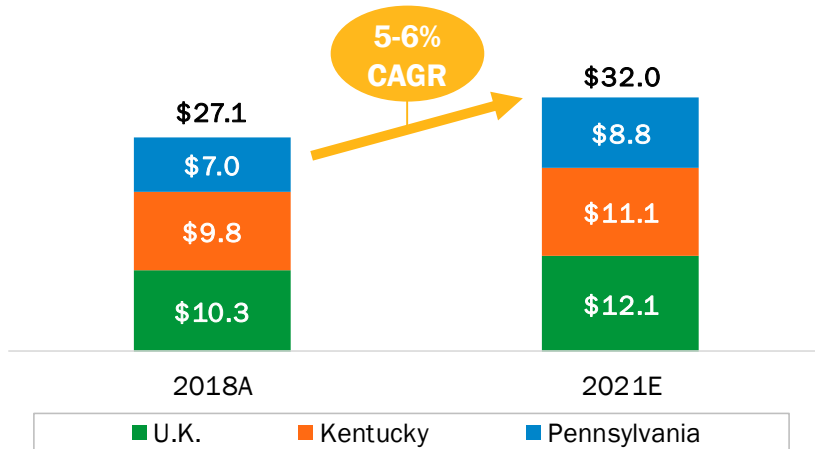
(1) Excludes the estimated impact of weather of \$0.08 per share for relative comparison.

# 2021 Financial Outlook

## 2021 Projected Ongoing EPS



## Rate Base Growth

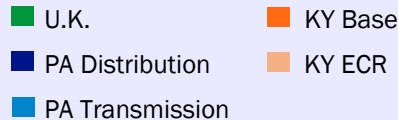
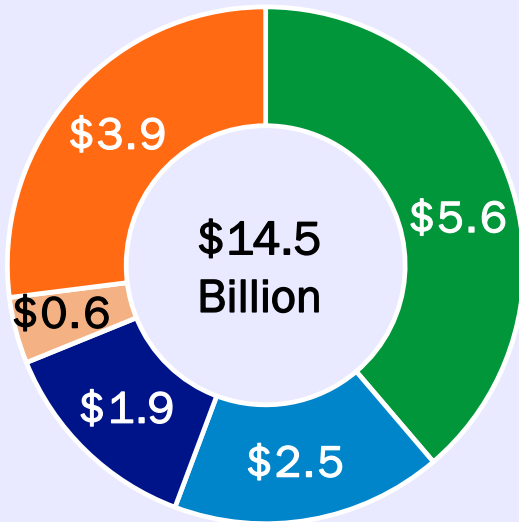


## Key Assumptions to 2021E

- **Rate base CAGR of 5-6%**
  - Minimal risk given scope of projects, benefits to customers and WPD's pre-approved business plan
- **Earned ROEs to track authorized levels**
- **Updated assumptions for U.K. pension, interest under-recovery, and other true-up mechanisms**
  - Estimated impact: Range of (\$0.05) - (\$0.10) on 2021E EPS compared to 2020E
- **Foreign currency rates**
  - \$1.60/£ at high end of range
  - \$1.35/£ at low end of range

# 2019 – 2023 Capital Plan Update

## 5-Year Capex Projection



## Capital Plan Updates

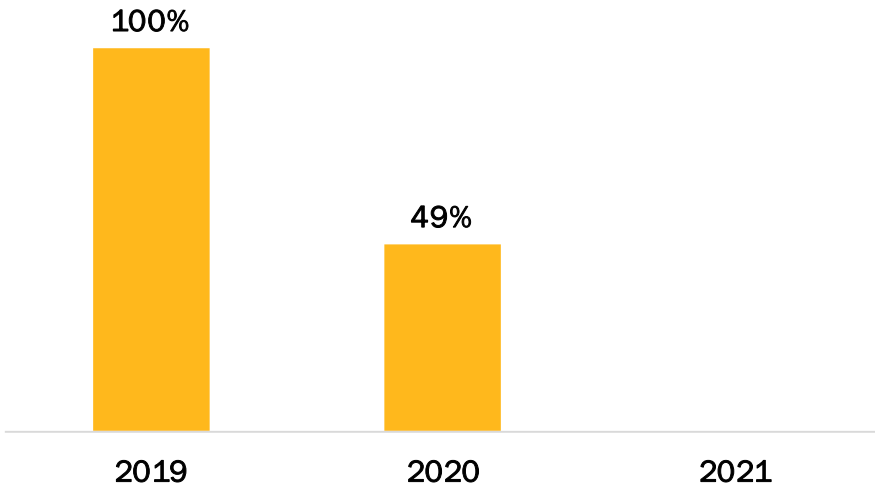
- **U.K. Regulated:**
  - Capital plan was derived from RIIO-ED1 business plan accepted by Ofgem
  - About 70% of spending will be utilized for asset replacement and faults and overheads
- **PA Regulated:**
  - Transmission focused on new and existing substation enhancements
  - Distribution projects focused on infrastructure system reliability and resiliency
- **KY Regulated:**
  - Plan does not include the impacts of the Clean Power Plan, Affordable Clean Energy Rule and Automated Metering System program
  - Incremental other infrastructure system reliability and resiliency

Note: U.K. capital plan is based on assumed exchange rates of \$1.35/£ for 2019 and \$1.40/£ for 2020-2023.

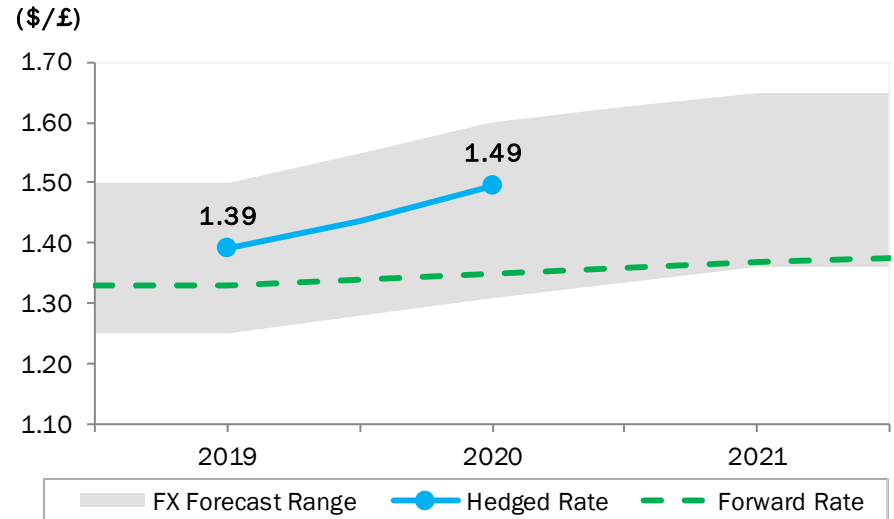
# Foreign Currency Update

*PPL uses a disciplined approach to hedging foreign currency risk*

## Foreign Currency Hedge Status <sup>(1)</sup>



## Forward Foreign Currency Rates



Note: Forward FX rates sourced from Bloomberg as of February 6, 2019. Forecast range reflects views from up to 14 financial institutions and does not represent PPL's internal forecast. Not all institutions provide forecasts for all periods.

(1) PPL's foreign currency hedge status as of February 6, 2019.

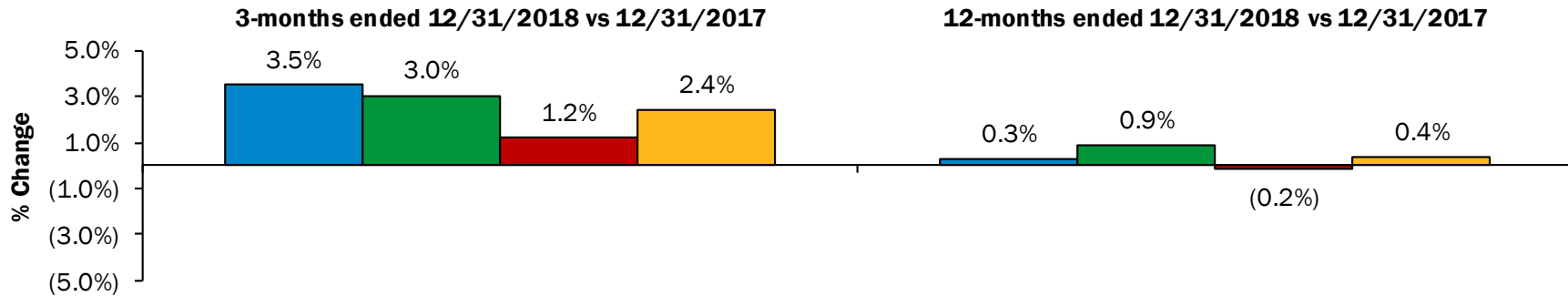


# Appendix

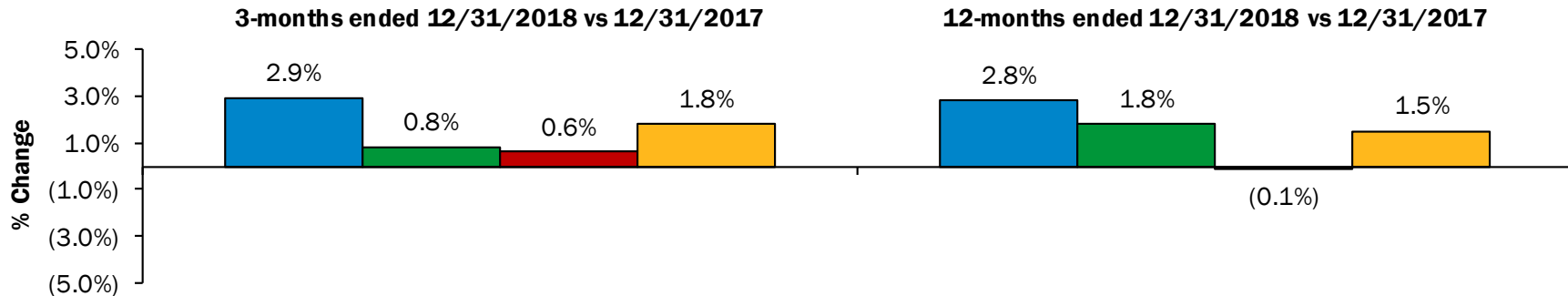


# U.S. Regulated Volume Variances

## Kentucky Regulated Weather-Normalized Retail Sales



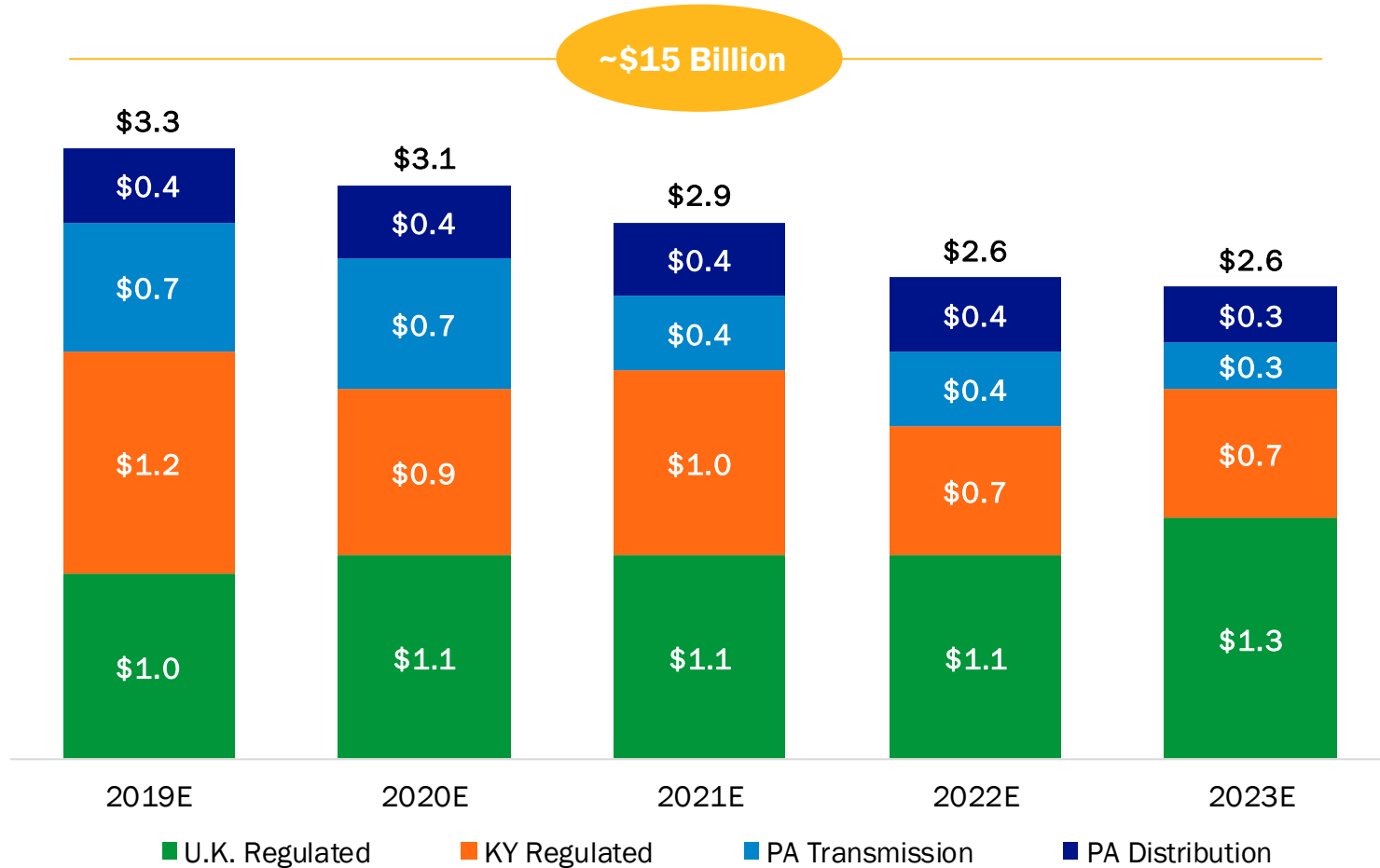
## Pennsylvania Regulated Weather-Normalized Retail Sales



Note: Total includes Residential, Commercial and Industrial customer classes as well as "Other," which is not depicted on the charts above.

# Capital Expenditure Plan

(\$ in billions)

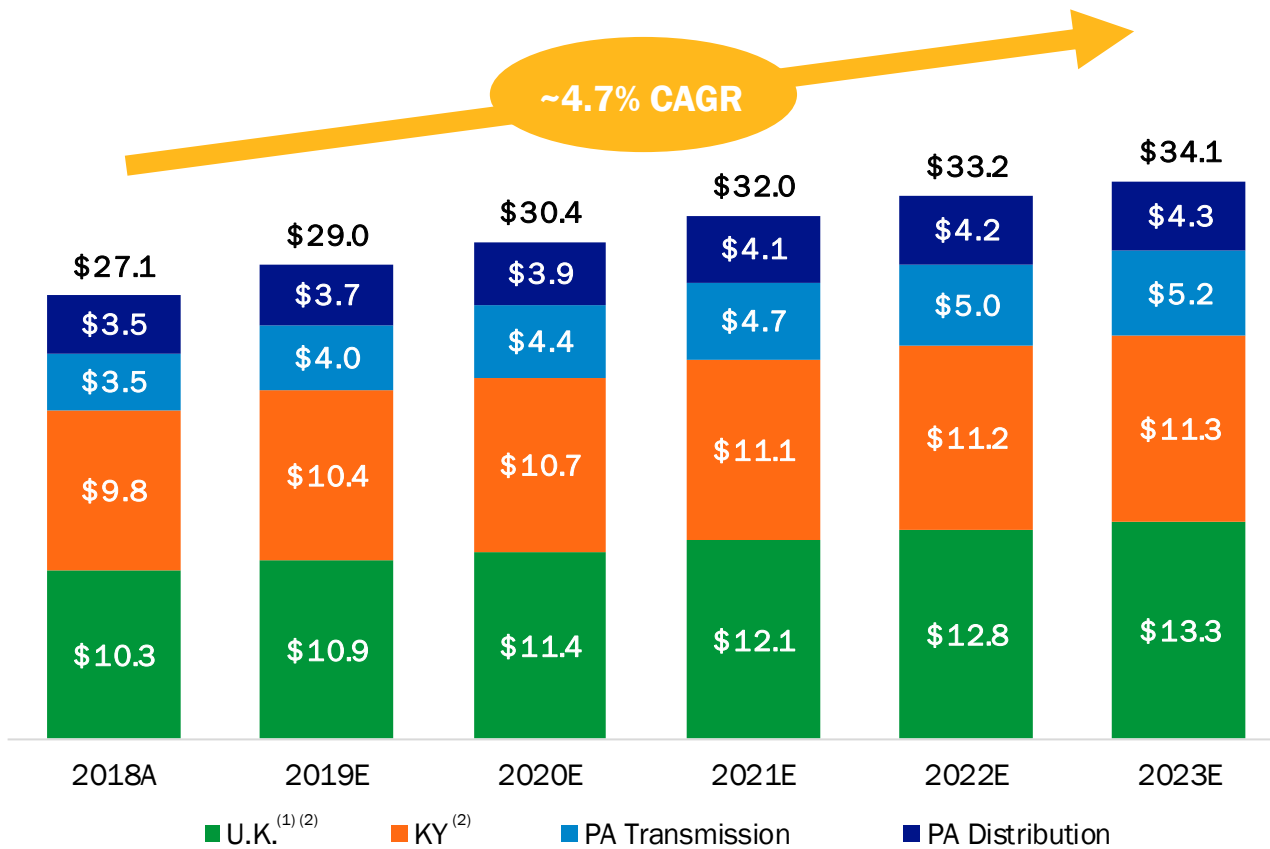


Note: U.K. capital plan is based on assumed exchange rates of \$1.35/£ for 2019 and \$1.40/£ for 2020-2023.

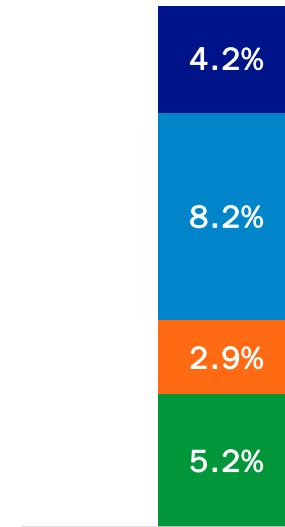
# Projected Rate Base Growth

(\$ in billions)

~4.7% CAGR



## 2018A-2023E CAGR Breakdown



2018A-2023E Rate Base CAGR

(1) Based on assumed exchange rate of \$1.35/£ in all years for comparability purposes.  
 (2) Represents Regulatory Asset Value (RAV) for U.K. and utility capitalization for KY.

# Prudent Investments, Timely Recovery Drive Growth Opportunity

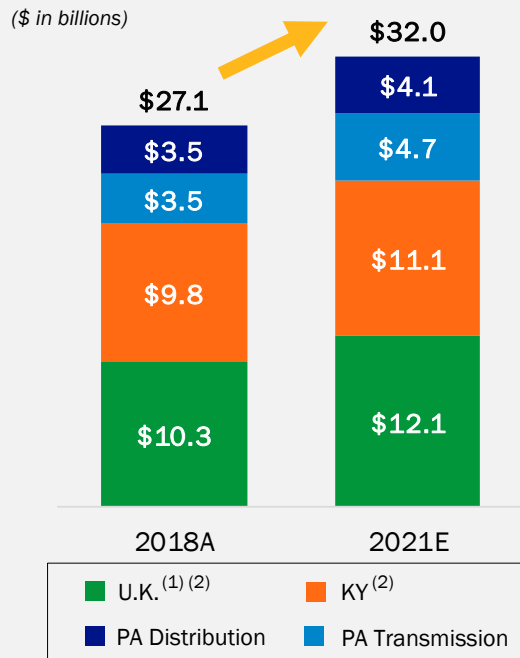


## Strong Rate Base Growth

Supported by constructive regulatory recovery mechanisms

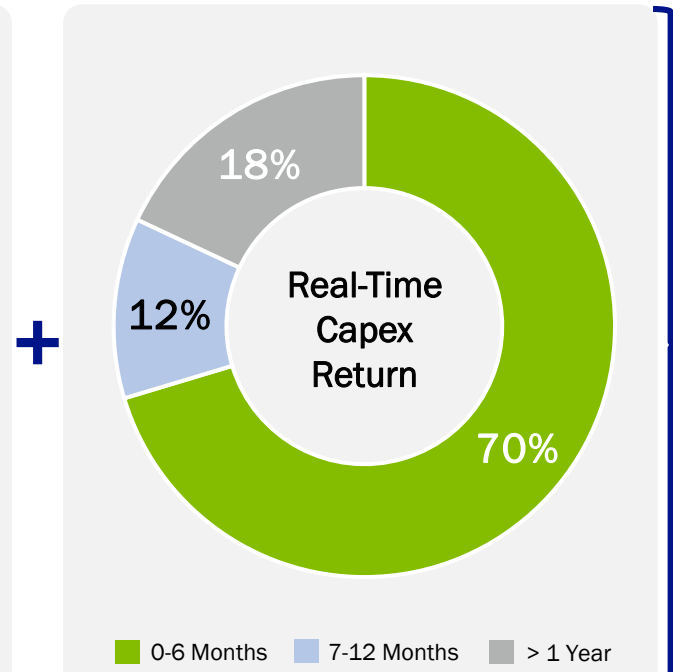
### 5-6% CAGR

Rate Base CAGR 2018-2021



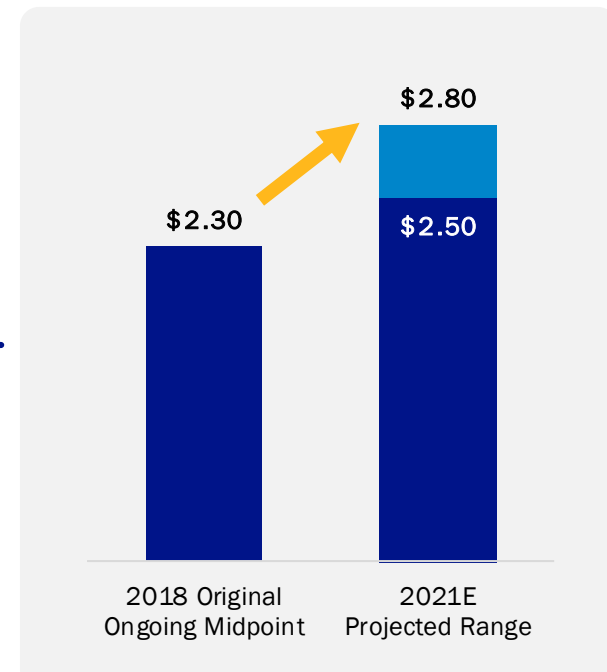
### ~80% Capex

Earns Return within 1 year



### EPS Growth

2018-2021



(1) Based on assumed exchange rate of \$1.35/£ in all years for comparability purposes.  
 (2) Represents Regulatory Asset Value (RAV) for U.K. and utility capitalization for KY.

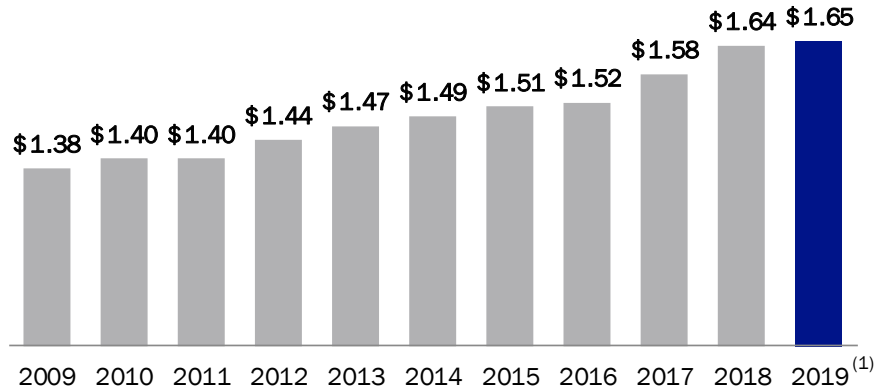
# Commitment to Dividend Growth

## Delivers consistent dividend

Dividends are a key component to PPL's investment proposition

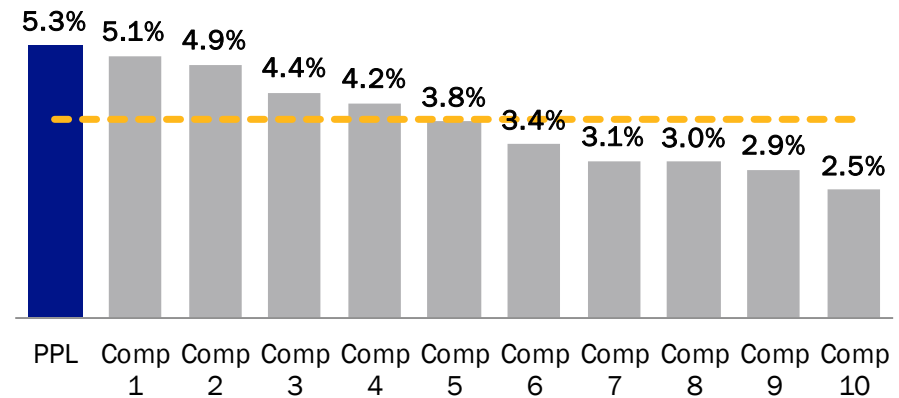
### 10-Year Dividend History

(\$ per share)



### PPL Dividend Yield vs. Large Cap Utilities<sup>(2)</sup>

Large Cap Utility Average: 3.9%



➤ PPL has a long standing history of paying dividends to shareholders

- January 2<sup>nd</sup> dividend represents the 292<sup>nd</sup> consecutive quarterly dividend paid

(1) Annualized dividend based on February 14, 2019 announced increase. Actual dividends to be determined by Board of Directors.

(2) Dividend yield calculated based on share prices and annualized dividends as of February 6, 2019.

# U.K. Regulated: Incentive Revenues



## Incentive Revenue Summary<sup>(1)</sup>

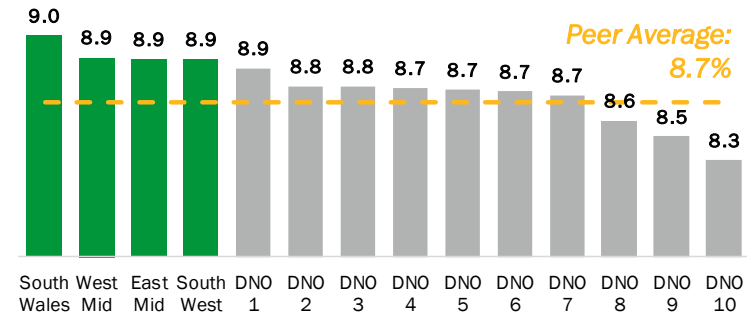
	2018A	2019E	2020E	2021E
Customer Interruptions/CML	\$70	\$65	\$70	\$70
Customer Satisfaction	\$24	\$30	\$30	\$30
Time to Connect	\$6	\$5	\$5	\$5
<b>Total Incentive Revenues</b>	<b>\$100</b>	<b>\$100</b>	<b>\$100-110</b>	<b>\$100-110</b>

- WPD has the ability to earn annual incentive revenues for strong operational performance.
- Customer Interruptions/Minutes Lost rewards or penalizes DNOs for managing and reducing power outage frequency and duration.
- The Broad Measure of Customer Service rewards or penalizes DNOs based on supply interruptions, connections and general inquiries, complaints, stakeholder engagement, and delivery of social obligations.
- Time to Connect incentive rewards DNOs for reducing connection times against Ofgem targets.

(1) 2018 shown at hedged rate of \$1.31/£, 2019 at \$1.39/£, 2020 and 2021 at \$1.40/£.

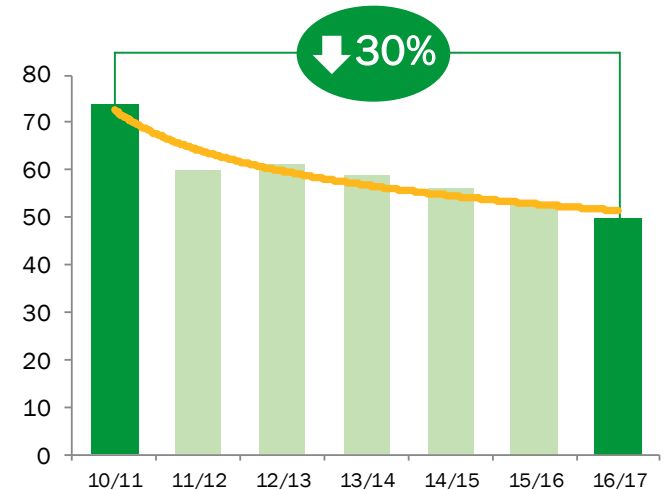
## Excellent Customer Satisfaction Ratings

Customer Service Rating (10 point scale)



## Reducing Customer Interruptions

(Outages per 100 customers)





# U.K. Regulated: True-up Mechanisms



## ➤ 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 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 RII0-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

## ➤ Correction Factor (K-factor) Adjustment

- A K-factor is created if set tariffs or delivered volumes do not recover allowed revenue for a regulatory year
- Over and under-recoveries are included in allowed revenues two regulatory years later

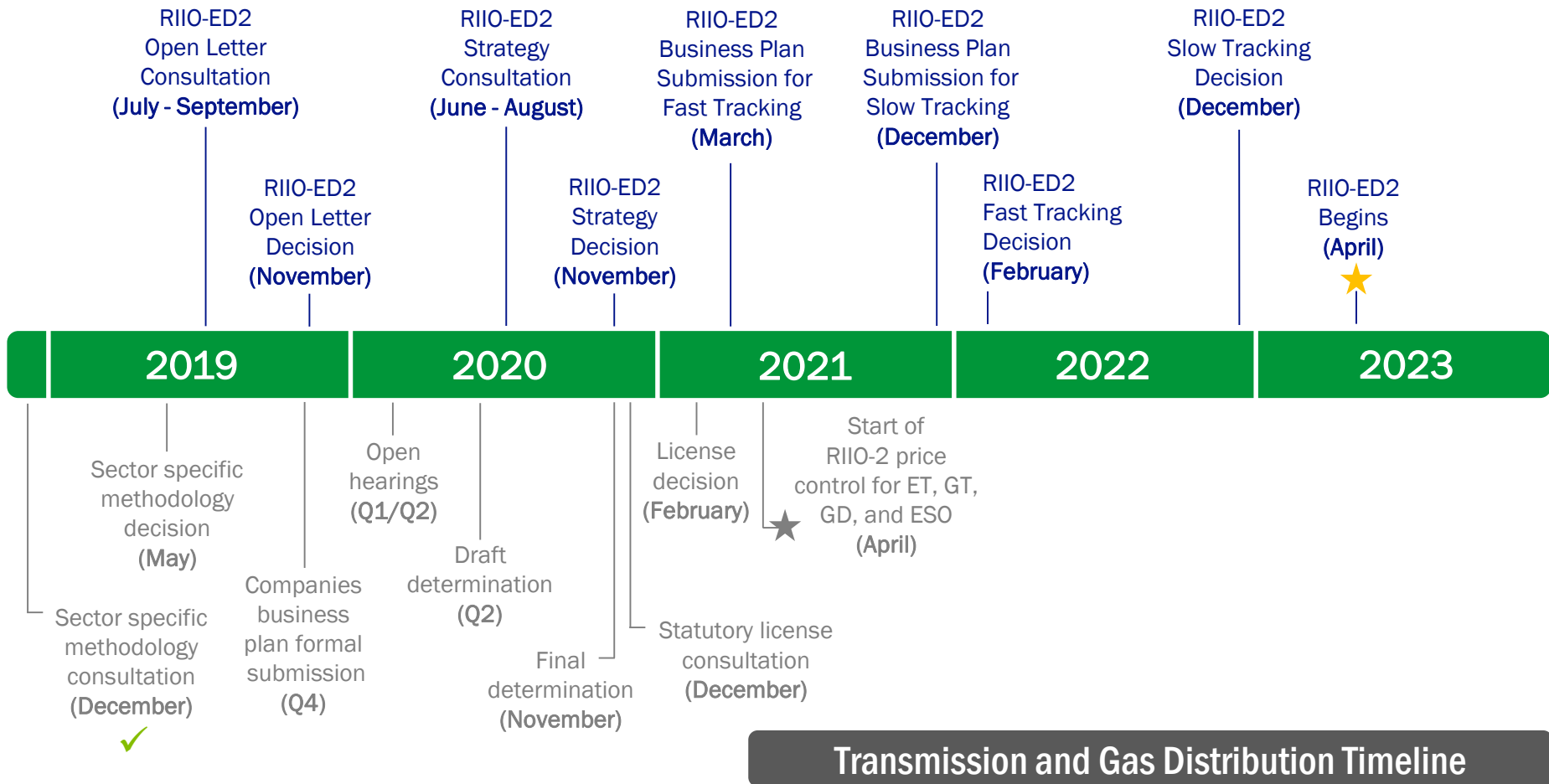
Adjustments included in current forecast			
(\$ in millions, pre-tax)	2019	2020	2021
TRU	\$0	\$0	
MOD	(\$50)	(\$100)	
K-factor	(\$10)	(\$30)	
Total	(\$60)	(\$130)	(\$190) - (\$240)

Note: Based on assumed exchange rates of \$1.35/£ for 2019 and \$1.40/£ for 2020 and 2021.

# U.K. Regulated: RIIO-2 Projected Timelines



## Electric Distribution Timeline<sup>(1)</sup>



## Transmission and Gas Distribution Timeline

(1) Ofgem will consult on the need for Fast Tracking in RIIO-ED2 as part of the strategy consultation in June 2020. The electric distribution timeline shown here represents the events following an Ofgem decision that allows Fast Tracking.

# Kentucky Regulated: Rate Case

## Rate Case Overview

	KU	LG&E	
	Electric	Electric	Gas
Revenue Increase Requested	\$112 million	\$35 million	\$25 million
Test Year	12-months ended 4/30/2020	12-months ended 4/30/2020	12-months ended 4/30/2020
Requested ROE	10.42%	10.42%	10.42%
Jurisdictional Capitalization <sup>(1)</sup>	\$4.1 billion	\$2.6 billion	\$0.8 billion

(1) Does not include capitalization recovered via other rate mechanisms or other jurisdictions.

The case numbers are 2018-00294 for KU and 2018-00295 for LG&E. Complete filings are available at [www.lge-ku.com/regulatory.asp](http://www.lge-ku.com/regulatory.asp).

## Rate Case Review Schedule

Timing	Milestone	Status
09/28/2018	KU and LG&E filed its application to adjust rates	✓
10/12/2018	KU and LGE filed its responses to the KY PSC initial data requests	✓
11/13/2018	1 <sup>st</sup> Request for information from all intervenors received	✓
11/29/2018	LG&E and KU responses filed	✓
12/13/2018	Supplemental request for information received	✓
01/02/2019	LG&E and KU responses filed	✓
01/16/2019	Intervenor testimony filed	✓
01/31/2019	Requests to intervenors submitted	✓
02/14/2019	Intervenor responses filed	
02/26/2019	LG&E/KU Rebuttal testimony filed	
03/05/2019	Public hearing in Frankfort	
05/01/2019	New rates effective	

✓ Completed

# Funding Growth

	2018A	2019E <sup>(1)</sup>
Domestic Cash from Operations	\$1,905	\$1,800
Domestic Maintenance Capex <sup>(2)</sup>	(844)	(950)
Dividend From U.K. Regulated	399	400
<b>Cash Available for Distribution</b>	<b>\$1,460</b>	<b>\$1,250</b>
Common Dividend	(1,133)	(1,200)
<b>Cash Available for Reinvestment</b>	<b>\$327</b>	<b>\$50</b>
<b>Domestic Growth Capex</b>	<b>(\$1,470)</b>	<b>(\$1,250)</b>
Debt Maturities	(\$277)	(\$200)
Debt Issuances, Change in Short Term Debt, and Change in Cash <sup>(3)</sup>	1,028	350
Equity Issuances	689	1,150
Other Investing and Financing Activities	(297)	(100)
<b>Additional Funding Sources for Domestic Growth Capex</b>	<b>\$1,143</b>	<b>\$1,200</b>

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 2019 earnings guidance and related assumptions.

(2) Represents book depreciation.

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

# Debt Maturities

(\$ in Millions)	2019	2020	2021	2022	2023	2024 and Beyond	Total
PPL Capital Funding	\$0	\$0	\$0	\$800	\$600	\$3,130	\$4,530
PPL Electric Utilities <sup>(1)</sup>	0	100	400	474	90	2,675	3,739
LG&E and KU Energy	0	475	250	0	0	0	725
Louisville Gas & Electric <sup>(1)</sup>	434	0	98	0	0	1,293	1,824
Kentucky Utilities <sup>(1)</sup>	96	500	0	0	13	1,733	2,342
WPD plc	0	0	500	0	638	648	1,786
WPD Operating Companies <sup>(2)</sup>	0	191	0	0	893	4,665	5,748
<b>Total</b>	<b>\$530</b>	<b>\$1,266</b>	<b>\$1,248</b>	<b>\$1,274</b>	<b>\$2,233</b>	<b>\$14,143</b>	<b>\$20,694</b>

Note: As of December 31, 2018.

(1) Amounts reflect the timing of any put option on municipal bonds that may be put by the holders before the bonds' final maturities.

(2) Includes WPD (East Midlands) plc, WPD (West Midlands) plc, WPD (South Wales) plc and WPD (South West) plc.

# Liquidity Profile

Entity	Facility	Expiration Date	Capacity (Millions)	Borrowed (Millions)	Letters of Credit & Commercial Paper Issued (Millions)	Unused Capacity (Millions)
<b>PPL Capital Funding</b>	Syndicated Credit Facility	Jan-2023	\$950	\$0	\$669	\$281
	Bilateral Credit Facility	Mar-2019	100	0	15	85
			<u>\$1,050</u>	<u>\$0</u>	<u>\$684</u>	<u>\$366</u>
<b>PPL Electric Utilities</b>	Syndicated Credit Facility	Jan-2023	\$650	\$0	\$1	\$649
<b>Louisville Gas &amp; Electric</b>	Syndicated Credit Facility	Jan-2023	\$500	\$0	\$279	\$221
	Term Loan Facility	Oct-2019	200	200	0	0
			<u>\$700</u>	<u>\$200</u>	<u>\$279</u>	<u>\$221</u>
<b>Kentucky Utilities</b>	Syndicated Credit Facility	Jan-2023	\$400	\$0	\$235	\$165
	Letter of Credit Facility	Oct-2020	198	0	198	0
			<u>\$598</u>	<u>\$0</u>	<u>\$433</u>	<u>\$165</u>
<b>WPD</b>	WPD plc Syndicated Credit Facility	Jan-2023	£210	£157	£0	£54 <sup>(1)</sup>
	WPD (South West) Syndicated Credit Facility	Jul-2021	245	0	0	245
	WPD (East Midlands) Syndicated Credit Facility	Jul-2021	300	38	0	262
	WPD (West Midlands) Syndicated Credit Facility	Jul-2021	300	0	0	300
	Uncommitted Credit Facilities		130	0	4	126
			<u>£1,185</u>	<u>£195</u>	<u>£4</u>	<u>£987</u>

Note: As of December 31, 2018.

(1) The unused capacity reflects the amount borrowed in GBP of £156 million as of the date borrowed.



# 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, 2018.

# Reconciliation of Segment Reported Earnings to Earnings From Ongoing Operations



After-Tax (Unaudited) (millions of dollars)	4th Quarter December 31, 2018					Year-to-Date December 31, 2018				
	U.K. Reg.	KY Reg.	PA Reg.	Corp. & Other	Total	U.K. Reg.	KY Reg.	PA Reg.	Corp. & Other	Total
	<b>Reported Earnings</b>	\$ 278	\$ 79	\$ 96	\$ (38)	\$ 415	\$ 1,114	\$ 411	\$ 431	\$ (129)
Less: Special Items (expense) benefit:										
Foreign currency economic hedges, net of tax of (\$12), (\$39)	45				45	148				148
U.S. tax reform						3	2		(5)	-
Kentucky state tax reform							(9)			(9)
IT transformation, net of tax of \$0, \$2								(5)		(5)
Talen litigation costs, net of tax of \$2, \$2				(7)	(7)				(7)	(7)
Death benefit, net of tax of \$1, \$1	(5)				(5)	(5)				(5)
<b>Total Special Items</b>	<u>40</u>	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>33</u>	<u>146</u>	<u>(7)</u>	<u>(5)</u>	<u>(12)</u>	<u>122</u>
<b>Earnings from Ongoing Operations</b>	<u>\$ 238</u>	<u>\$ 79</u>	<u>\$ 96</u>	<u>\$ (31)</u>	<u>\$ 382</u>	<u>\$ 968</u>	<u>\$ 418</u>	<u>\$ 436</u>	<u>\$ (117)</u>	<u>\$ 1,705</u>

After-Tax (Unaudited) (per share - diluted)	4th Quarter December 31, 2018					Year-to-Date December 31, 2018				
	U.K. Reg.	KY Reg.	PA Reg.	Corp. & Other	Total	U.K. Reg.	KY Reg.	PA Reg.	Corp. & Other	Total
	<b>Reported Earnings</b>	\$ 0.38	\$ 0.11	\$ 0.13	\$ (0.05)	\$ 0.57	\$ 1.57	\$ 0.58	\$ 0.61	\$ (0.18)
Less: Special Items (expense) benefit:										
Foreign currency economic hedges	0.07				0.07	0.21				0.21
U.S. tax reform						0.01				0.01
Kentucky state tax reform							(0.01)			(0.01)
IT transformation								(0.01)		(0.01)
Talen litigation costs				(0.01)	(0.01)				(0.01)	(0.01)
Death benefit	(0.01)				(0.01)	(0.01)				(0.01)
<b>Total Special Items</b>	<u>0.06</u>	<u>-</u>	<u>-</u>	<u>(0.01)</u>	<u>0.05</u>	<u>0.21</u>	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.01)</u>	<u>0.18</u>
<b>Earnings from Ongoing Operations</b>	<u>\$ 0.32</u>	<u>\$ 0.11</u>	<u>\$ 0.13</u>	<u>\$ (0.04)</u>	<u>\$ 0.52</u>	<u>\$ 1.36</u>	<u>\$ 0.59</u>	<u>\$ 0.62</u>	<u>\$ (0.17)</u>	<u>\$ 2.40</u>

# 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
	<b>Reported Earnings</b>	\$ 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
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)
<b>Total Special Items</b>	<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>
<b>Earnings from Ongoing Operations</b>	<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
	<b>Reported Earnings</b>	\$ 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)
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
<b>Total Special Items</b>	<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>
<b>Earnings from Ongoing Operations</b>	<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>

# Adjusted Gross Margin Summary

(Unaudited) (millions of dollars, except share data)	Twelve Months Ended December 31,			
	2018	2017	Change	Per Share Diluted (after-tax)
U.K. Adjusted Gross Margins	\$ 2,089	\$ 1,952	\$ 137	\$ 0.16
Less: Impact of changes in foreign currency exchange rates			98	0.11
U.K. Adjusted Gross Margins excluding impact of foreign currency exchange rates			\$ 39	\$ 0.05
KY Adjusted Gross Margins	\$ 2,041	\$ 2,038	\$ 3	\$ -
PA Adjusted Gross Margins				
Distribution	\$ 924	\$ 958	\$ (34)	\$ (0.03)
Transmission	549	487	62	0.06
Total PA Adjusted Gross Margins	\$ 1,473	\$ 1,445	\$ 28	\$ 0.03

# Reconciliation of Year-to-Date Adjusted Gross Margins to Operating Income



(Unaudited) (millions of dollars)	Twelve Months Ended December 31, 2018					Twelve Months Ended December 31, 2017				
	U.K. Adjusted Gross Margins	KY Adjusted Gross Margins	PA Adjusted Gross Margins	Other	Operating Income	U.K. Adjusted Gross Margins	KY Adjusted Gross Margins	PA Adjusted Gross Margins	Other	Operating Income
Operating Revenues	\$ 2,230	\$ 3,214	\$ 2,277	\$ 64	\$ 7,785	\$ 2,050	\$ 3,156	\$ 2,195	\$ 46	\$ 7,447
Operating Expenses										
Fuel		799			799		759			759
Energy purchases		201	544		745		178	507		685
Other operation and maintenance	141	98	121	1,623	1,983	98	111	120	1,473	1,802
Depreciation		70	35	989	1,094		64	21	923	1,008
Taxes, other than income		5	104	203	312		6	102	184	292
Total Operating Expenses	141	1,173	804	2,815	4,933	98	1,118	750	2,580	4,546
Total	\$ 2,089	\$ 2,041	\$ 1,473	\$ (2,751)	\$ 2,852	\$ 1,952	\$ 2,038	\$ 1,445	\$ (2,534)	\$ 2,901



# Reconciliation of Domestic Cash Flows

Year Ended December 2018 (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	\$1,905								
Domestic Maintenance Capex	(844)								
Dividend From U.K. Regulated	\$399								
<b>Cash Available for Distribution</b>	<b>\$1,460</b>								
Common Dividend	(1,133)								
<b>Cash Available for Reinvestment</b>	<b>\$327</b>	<b>\$844</b>	<b>(\$399)</b>	<b>\$1,133</b>		<b>\$1</b>	<b>\$915</b>	<b>\$2,821</b>	Net cash provided by operating activities
<b>Domestic Growth Capex</b>	<b>(\$1,470)</b>	<b>(\$844)</b>			<b>(\$112)</b>		<b>(\$935)</b>	<b>(\$3,361)</b>	Net cash used in investing activities
Debt Maturities	(277)								
Debt Issuances, Change in Short Term Debt, and Change in Cash Equity Issuances	1,028								
Equity Issuances	689								
Other Investing & Financing Activities	(297)								
<b>Additional Funding Sources for Domestic Growth Capex</b>	<b>\$1,143</b>		<b>\$399</b>	<b>(\$1,133)</b>	<b>\$112</b>	<b>\$190</b>	<b>(\$21)</b>	<b>\$690</b>	Net cash provided by financing activities
							(18)	(18)	Effect of exchange rates on cash and cash equivalents
						<b>\$191</b>	<b>(\$59)</b>	<b>\$132</b>	Net increase in cash and cash equivalents

Note: For 2019, 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 cyber attack, 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).
- 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. Adjusted 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 Adjusted 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 Adjusted 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 adjusted gross margins for future periods are not provided as certain items excluded from Operating Income are inherently subject to change and are not significant.