



Delivering today for
a brighter tomorrow

PPL Investor Meetings

June 5-6, 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 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.

PPL Investment Proposition

Pure-play regulated business with seven high-performing utilities

Diverse assets in constructive regulatory jurisdictions

Solid financial position with strong investment-grade credit ratings

Competitive earnings and dividend growth from 2018 through 2020⁽¹⁾

**EPS CAGR
5-6%**

**Rate Base CAGR
6-7%**

Commitment to Annual Dividend Increases⁽²⁾

Annual Total Return 11-12%⁽³⁾

(1) Projections based on the midpoint of the 2018 ongoing earnings guidance range of \$2.20 - \$2.40 per share.

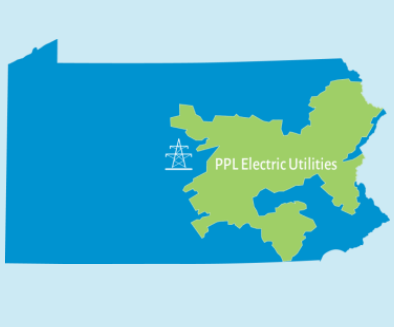
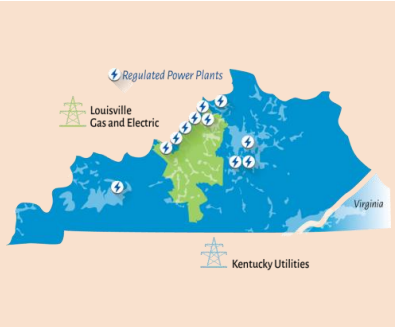
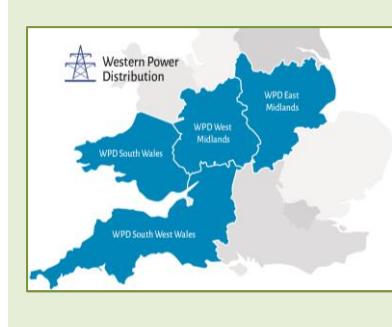
(2) Subject to approval by the Board of Directors.

(3) Annual total return is the combination of projected annual EPS growth and dividend yield as of May 31, 2018.

PPL Overview

Diverse family of quality, pure-play regulated utilities with scale

\$25 billion of growing Rate Base across the U.S. and U.K.

	Pennsylvania	Kentucky	United Kingdom
Business:			
Electric Dist.	✓	✓	✓
Electric Trans.	✓	✓	
Regulated Gen.		✓	
Gas Dist.		✓	
Rate Base ⁽¹⁾	\$6.4B	\$9.2B	\$9.4B ⁽²⁾
Customers	1.4M	1.0M Electric; 0.3M Gas	7.9M

(1) Actual as of 12/31/2017. Represents Regulatory Asset Value (RAV) for the U.K. and utility capitalization for Kentucky.

(2) U.K. Rate Base translated at \$1.30/£.

Seven High-Performing Utilities in Premium Regulatory Jurisdictions

Pennsylvania



PPL Electric Utilities

- FERC Formula Transmission Rates for ~50% of rate base
 - 11.68% allowed ROE
- Constructive Distribution Regulatory Mechanisms
 - DSIC ⁽¹⁾
 - Smart Meter Rider
 - Storm Cost Recovery
- Forward Test Year for Distribution rate cases

Kentucky



Louisville Gas & Electric (LG&E) and Kentucky Utilities (KU)

- 9.7% allowed ROE
- Environmental Cost Recovery (ECR) Mechanism ⁽²⁾
- Forward Test Year for base rate cases
- Fuel Adjustment Clause
- Gas Line Tracker

United Kingdom



WPD East and West Midlands, South West and South Wales

- Pre-approved plan with base revenues set for 8 years; through March 2023 ⁽³⁾
- Real-time recovery of CAPEX
- Incentive revenues available for strong performance and innovation
- Mechanism to retain 70% of cost efficiencies

(1) DSIC – Distribution System Improvement Charge: an automatic adjustment charge that enables companies to recover certain infrastructure improvement costs between base rate cases.

(2) Kentucky ECR provides near real-time recovery for approved environmental projects on the coal fleet.

(3) RII0-ED1 Price Control extends through 3/31/2023.

Strong operational performance in U.K. supports level of returns for WPD

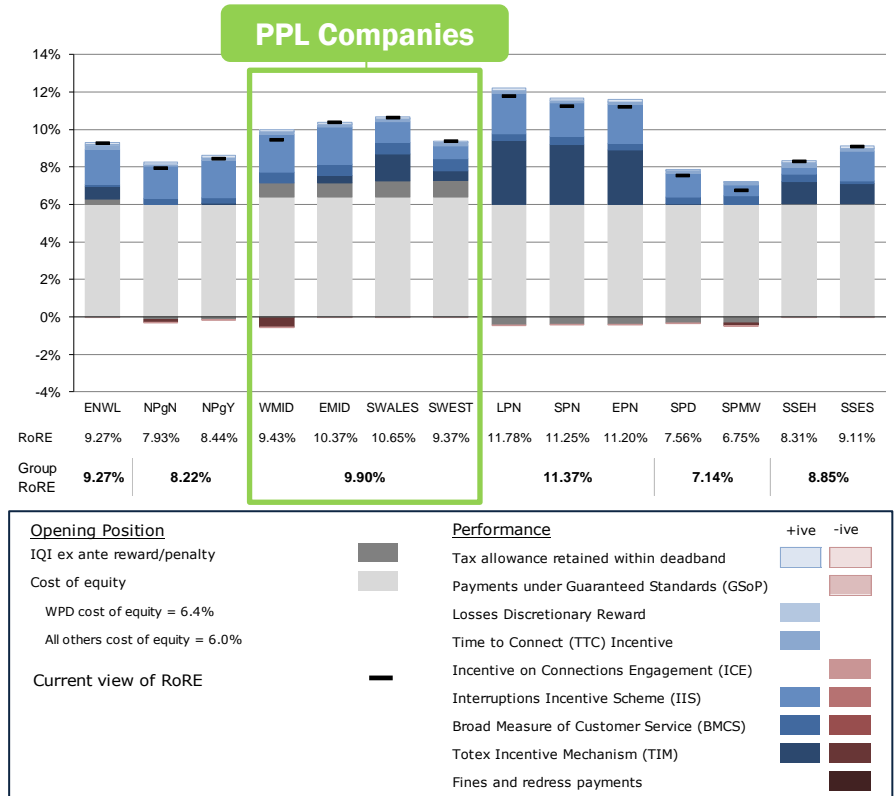
U.K. DNO Customer Satisfaction Rankings

PPL's WPD companies consistently rank #1-4

Rank	DNO	Score ⁽¹⁾
1	WPD South Wales	9.03
2	WPD West Midlands	8.91
3	WPD East Midlands	8.90
4	WPD South West	8.90

5 - 14 Average of all other DNOs 8.66

Projected RII0-ED1 ROREs for all DNOs⁽²⁾



As top performing DNOs, WPD is well-positioned for solid returns in RII0-2

Source: PPL, Ofgem

(1) Based on ten point scale.

(2) Per Ofgem Annual Report 2016-17. U.K. regulatory ROREs are reflected as real (pre-inflation).

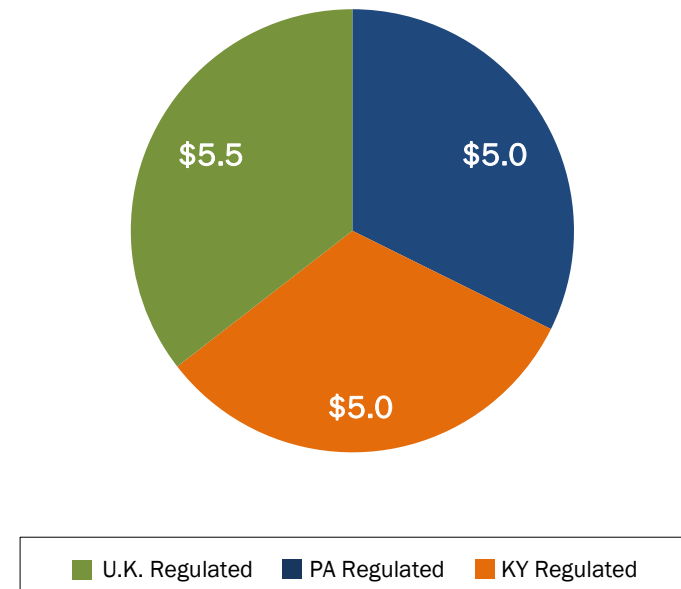
Low-Risk Investment Plan Designed to Advance Our Electricity Infrastructure

Investing ~\$3 billion annually to develop more resilient electricity networks

- Expanding, reinforcing and modernizing the grid
- Strengthening physical and cyber security
- Adding smart grid technology and automation
- Connecting more renewable energy
- Expanding solar offerings to customers
- Piloting new technologies
- Improving environmental footprint of Kentucky coal fleet

Over \$15 billion of planned investments⁽¹⁾

(\$ in billions)



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

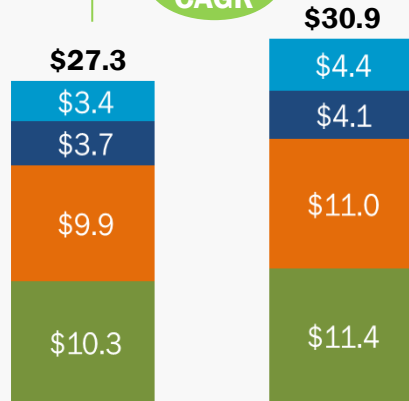
Prudent Investments, Timely Recovery Drive Growth Opportunity

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

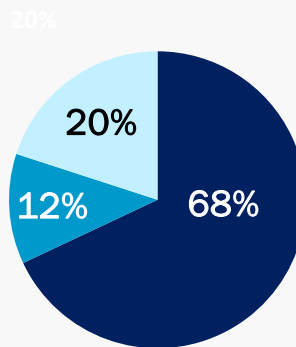


2018E Rate Base 2020E Rate Base

■ U.K. (1) (2) ■ KY (2)
■ PA Distribution ■ PA Transmission

Timely Real-time CAPEX Recovery

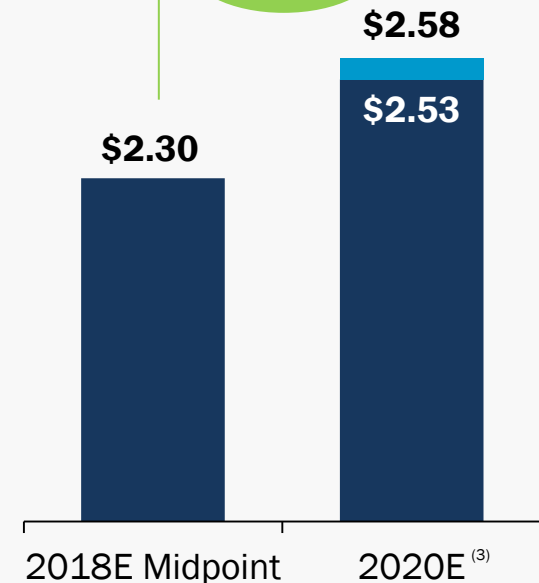
~80% CAPEX recovery within one year



■ 0-6 Months ■ 7-12 Months ■ > 1 Year

Support 5-6% EPS CAGR

5-6% EPS CAGR



(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.

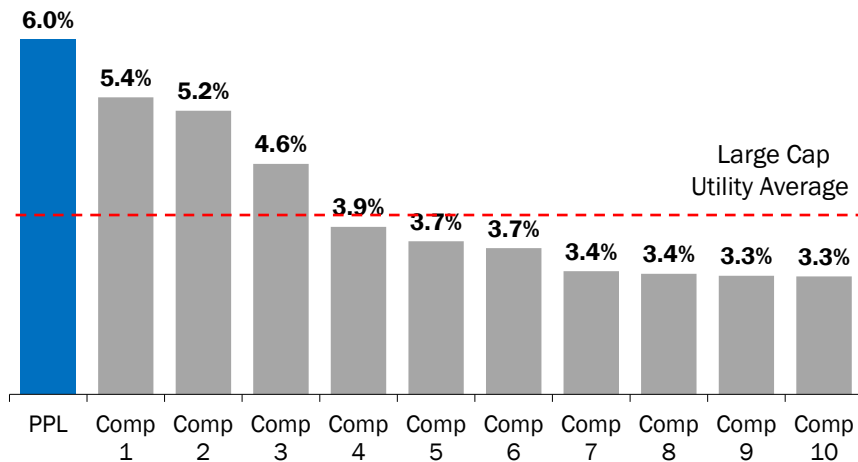


PPL Offers a Stable, Growing Dividend at an Above-Average Yield

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

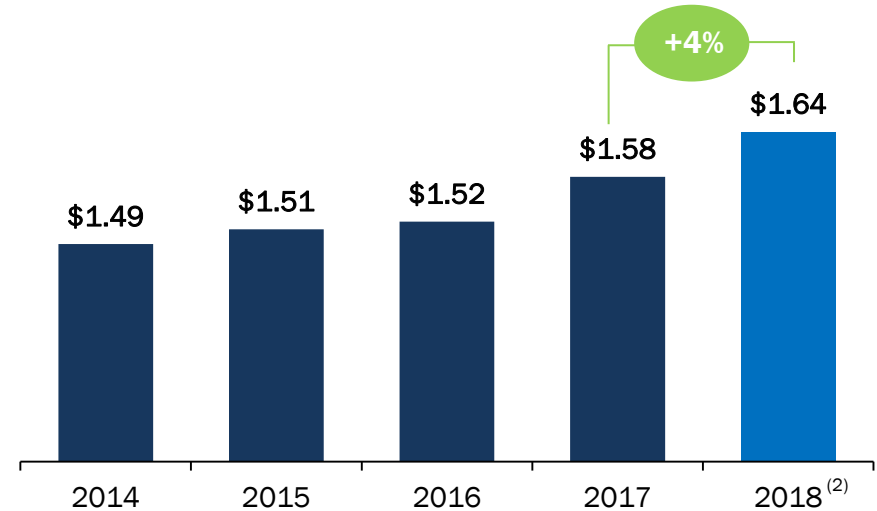
PPL Dividend Yield vs. Large Cap Utilities ⁽¹⁾

Dividend yield is well above average comparable



5-Year Dividend History

(\$ per share)



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

- April 2nd dividend represents the 289th consecutive dividend paid

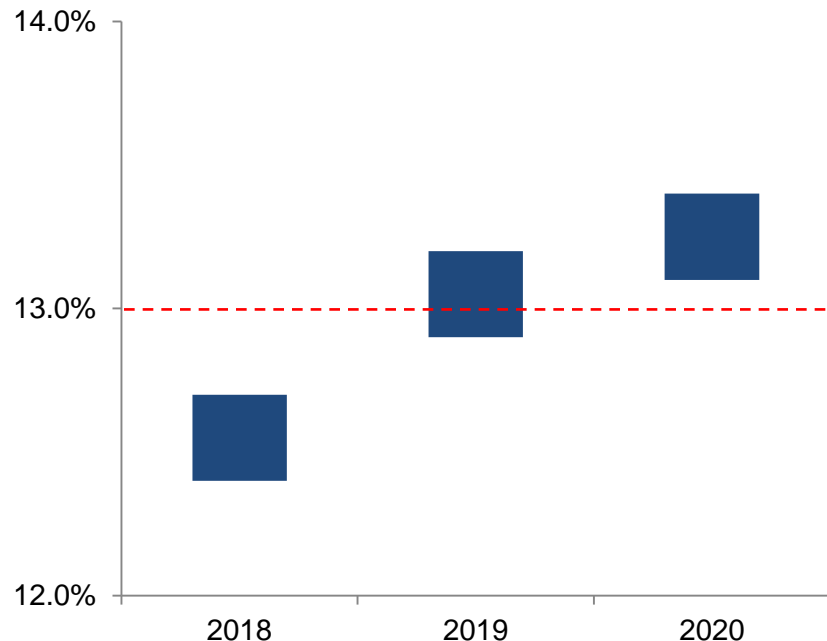
(1) Dividend yield calculated based on share prices and annualized dividends as of 5/31/2018.

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

Improving Credit Position Post U.S. Tax Reform

PPL has taken prudent steps to support strong investment grade credit ratings

Improving FFO/Debt Metric Through Plan ⁽¹⁾



- Executed **\$1.7 billion forward equity issuance in May 2018** that provides solid footing to corporate credit
 - Forward limits near term dilution and provides flexibility to coordinate with timing of capital spend
- Issuance substantially meets targeted equity needs post tax reform and strengthens credit metrics through 2020

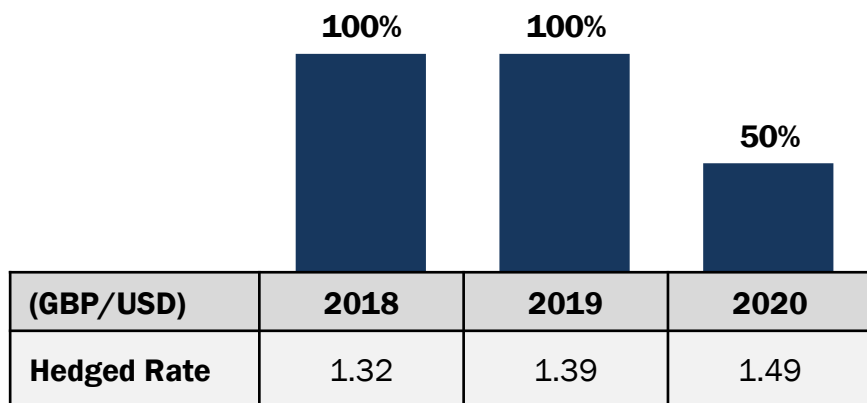
(1) Expected range of FFO/Debt metric.

Foreign Currency Strategy

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

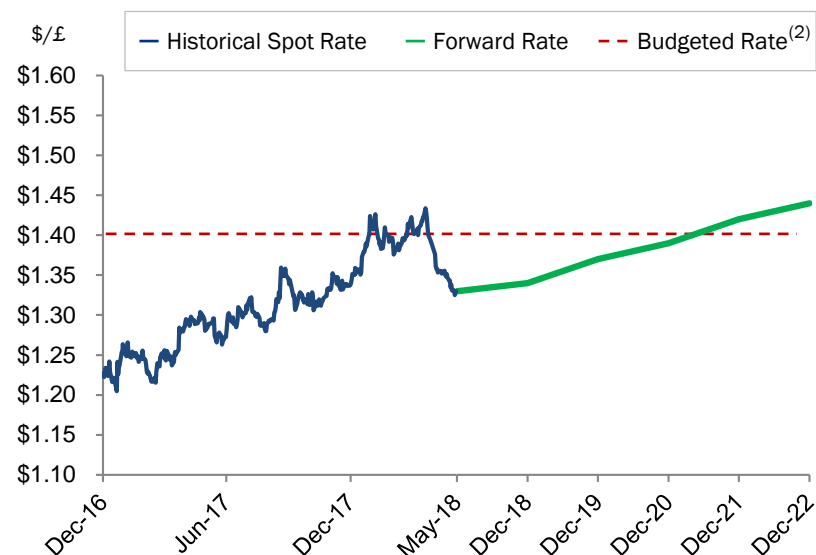
Managing Foreign Currency Risk ⁽¹⁾

EPS substantially hedged through 2020



Historical & Forward Foreign Currency Rates

Long-term forwards well above budgeted rate



Note: Historical and Forward FX rates sourced from Bloomberg as of 5/31/2018.

(1) PPL's foreign currency hedge status as of 5/31/2018.

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

Track Record of Delivering Results for Shareholders and Customers

✔ Operational Excellence

- Long history of achieving fair outcomes in all jurisdictions
 - Including successful transition of multiple price controls in the U.K.
 - WPD was the only electric distribution company to be fast-tracked in RIIO-ED1
- WPD top performers in Quality of Service and Customer Satisfaction metrics
- PA & KY utilities have earned over 45 J.D. Power Awards combined

✔ Prudent Capital Deployment

- Substantial improvements in network reliability and environmental stewardship
- Delivered significant, innovative projects supporting evolving energy landscape
 - Susquehanna-Roseland Transmission Project in PA
 - Smart Grid deployment in PA & the U.K.
 - Construction of first combined-cycle gas plant and utility-scale solar project in Kentucky

✔ Financial Stability

- Increased dividend 16 out of the last 17 years
- Consistently achieve/exceed annual earnings projections

PPL Investment Summary

A proven, large-cap regulated utility targeting 11-12% total annual returns⁽¹⁾

- Pure-play regulated business operating in premium jurisdictions
- Competitive projected earnings growth of 5-6% through 2020⁽²⁾
- Solid, secure dividend with commitment to future growth and an attractive ~6% dividend yield at current share price
- Improving credit position and minimal projected future equity needs
- Strong operational performance and history of prudent investments support constructive regulatory relationships
- Proven track record of delivering commitments to shareowners and customers

(1) Total annual return is the combination of annual EPS growth and dividend yield.

(2) EPS growth rate based on the midpoint of the 2018 ongoing earnings guidance range of \$2.20 - \$2.40 per share.

PPL Fact Sheet

CORPORATE DATA

Ticker symbol and stock exchange PPL-NYSE

At May 31, 2018

Average daily trading volume (3 mos.) 6.9 million shares

Closing price \$27.32

52-week price range \$26.62 – \$40.20

Annualized dividend per share \$1.64 (\$0.41/quarter)

Enterprise value ~\$42.0 billion

Market cap ~\$21.0 billion

At December 31, 2017

2017 earnings from ongoing operations per share (Non-GAAP)⁽¹⁾ \$2.25 per share

Total assets \$41.5 billion

Common shares Outstanding 693.4 million

Book value per share⁽²⁾ \$15.52

Capitalization (\$ billions):

Total debt	\$21.2	66%
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Common equity	\$10.8	34%
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Total Capitalization	\$32.0	100%
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Employees	~12,500
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Andy Ludwig – Director-Investor Relations

610-774-3389

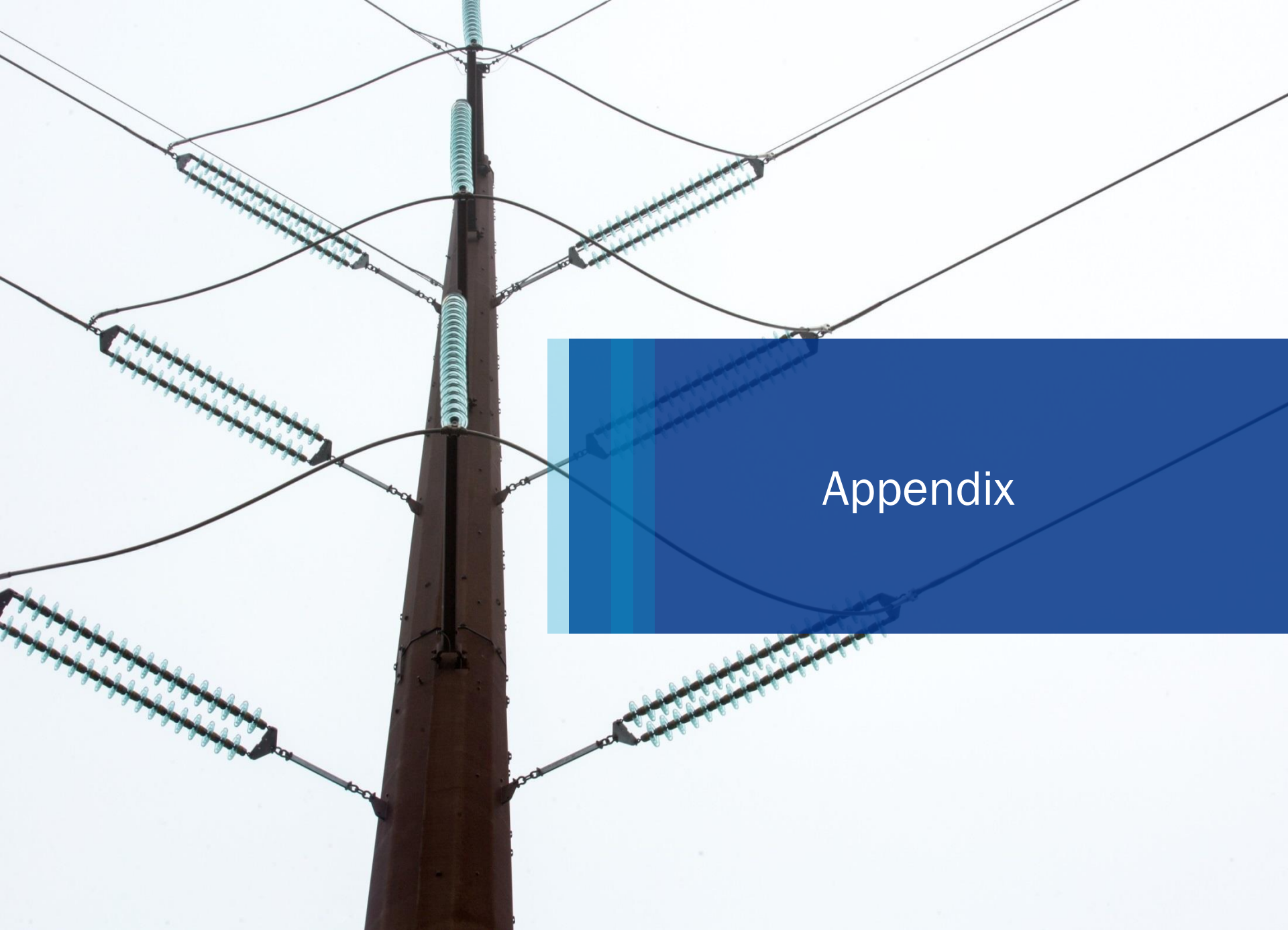
invrel@pplweb.com

WEB SITE: www.pplweb.com

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

(2) Based on 693.4 million shares of common stock outstanding.





Appendix

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 fosters 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 safe, reliable and environmentally responsible energy at the lowest reasonable cost



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

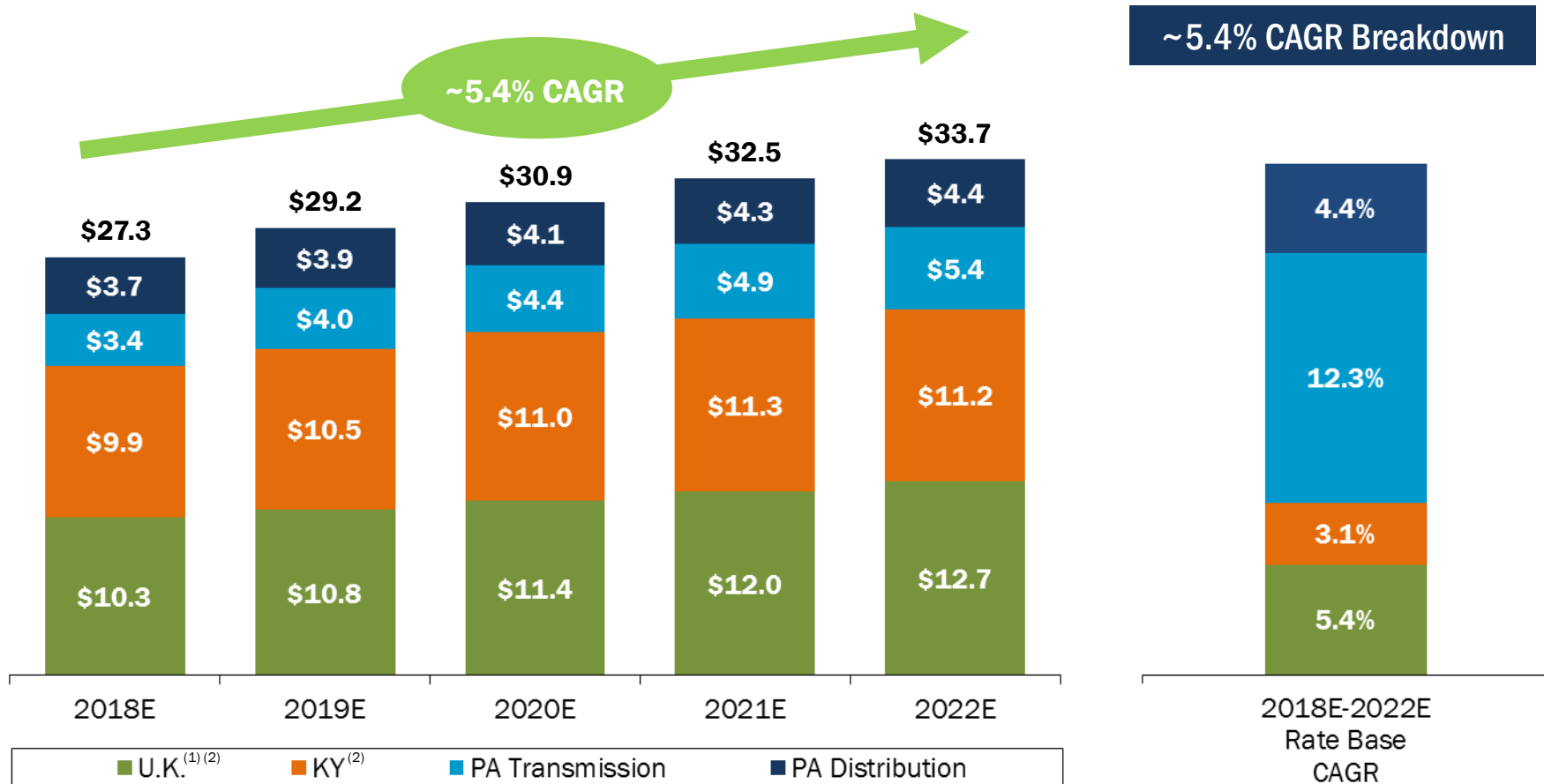
Learn more
about PPL's
Sustainability
efforts

Visit

www.pplsustainability.com

Projected Rate Base Growth

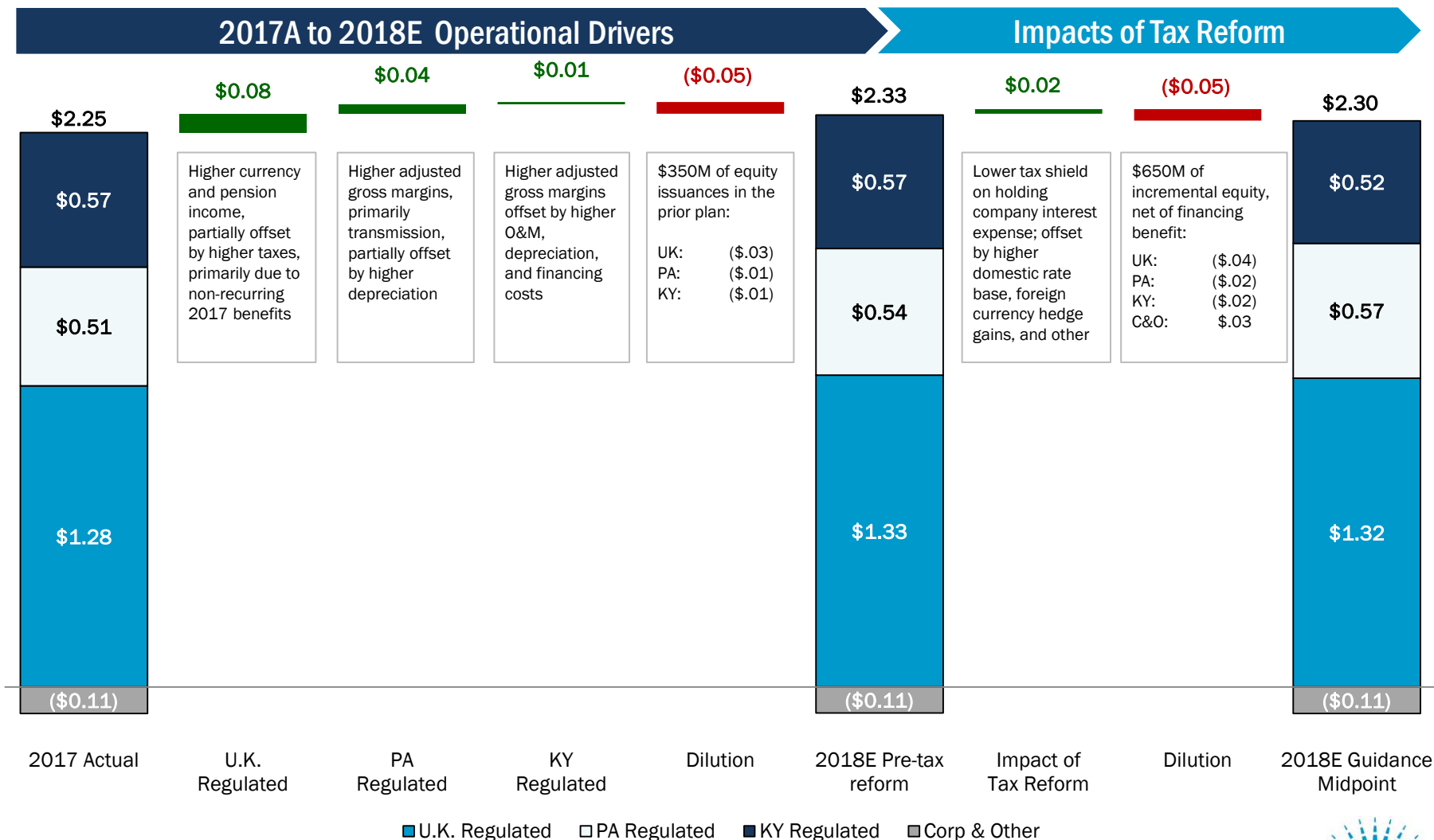
(\$ in billions)



(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.



2017A to 2018E Ongoing Earnings Walk



Note: See 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.

Funding Growth

(\$ 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 and 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 Reconciliation of Domestic Cash Flows for comparable GAAP financial measures.

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

(2) Represents book depreciation.

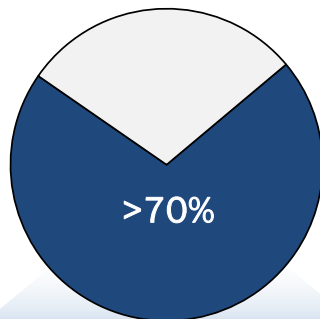
(3) Includes domestic issuances (short and long term), net of issue costs.

U.K. Regulated: Incentive Revenue Performance

WPD had another successful year in achieving its performance outputs

Total 2017/18 Earned Incentive Revenue

■ % of Maximum Potential Reward



Incentive	Reward
-----------	--------

(\$ in millions)

Interruptions Incentive Scheme (IIS)	\$62
Broad Measure of Customer Service	25
Time to Connect	10

Total 2017/18 Incentive Revenue	\$97
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Customer Satisfaction Survey Results

Rank	DNO	Score ⁽¹⁾
1	WPD South Wales	9.03
2	WPD West Midlands	8.91
3	WPD East Midlands	8.90
4	WPD South West	8.90
5 - 14	Average of all other DNOs	8.66

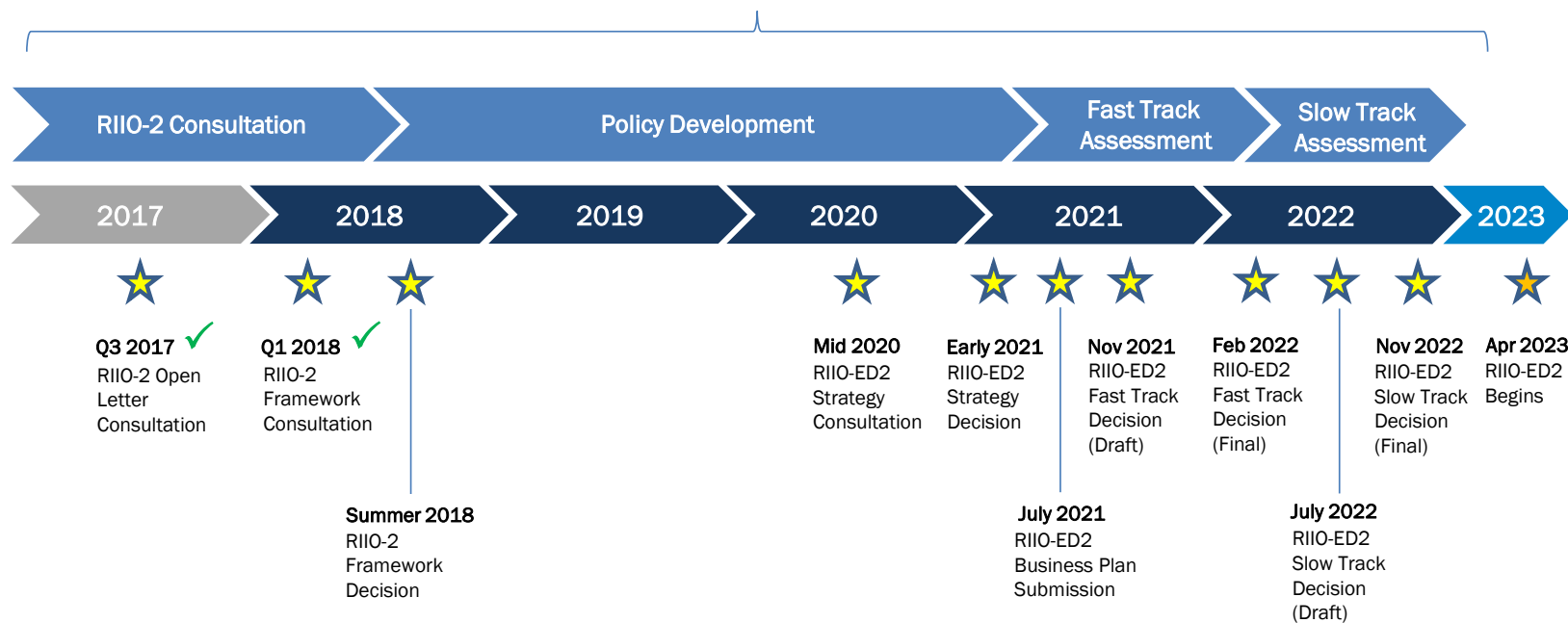
Note: Based on assumed exchange rate of \$1.40/£ in 2019/20 prices. Rewards earned in 2017/18 are received in the 2019/20 regulatory year. Values are estimates and subject to Ofgem audit in November 2018.

(1) Based on ten point scale.

U.K. Regulated: Expected Ofgem RII0 Timelines

RIIO-ED2 Indicative Timetable

RIIO-ED2 Preparation and Implementation



Debt Maturities

(\$ in Millions)	2018	2019	2020	2021	2022	2023 and Beyond	Total
PPL Capital Funding	\$250	\$0	\$0	\$0	\$800	\$3,730	\$4,780
PPL Electric Utilities ⁽¹⁾	0	0	100	400	474	2,365	3,339
LG&E and KU Energy	0	0	475	250	0	0	725
Louisville Gas & Electric ⁽¹⁾	70	434	0	28	0	1,293	1,824
Kentucky Utilities ⁽¹⁾	0	96	500	0	0	1,755	2,351
WPD plc	0	0	0	500	0	890	1,390
WPD Operating Companies ⁽²⁾	0	0	206	0	0	5,890	6,097
Total	\$320	\$530	\$1,281	\$1,178	\$1,274	\$15,923	\$20,506

Note: As of March 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)
PPL Capital Funding	Syndicated Credit Facility	Nov-2018	\$300	\$0	\$0	\$300
	Syndicated Credit Facility	Jan-2023	950	0	345	605
	Bilateral Credit Facility	Mar-2019	100	0	24	76
			\$1,350	\$0	\$369	\$981
PPL Electric Utilities	Syndicated Credit Facility	Jan-2023	\$650	\$0	\$214	\$436
LG&E and KU Energy (LKE)	Syndicated Credit Facility	Oct-2018	\$75	\$0	\$0	\$75
Louisville Gas & Electric	Syndicated Credit Facility	Jan-2023	\$500	\$0	\$137	\$363
	Term Loan Facility	Oct-2019	200	200	0	0
			\$700	\$200	\$137	\$363
Kentucky Utilities	Syndicated Credit Facility	Jan-2023	\$400	\$0	\$78	\$322
	Letter of Credit Facility	Oct-2020	198	0	198	0
			\$598	\$0	\$276	\$322
WPD	WPD plc Syndicated Credit Facility	Jan-2022	£210	£145	£0	£67 ⁽¹⁾
	WPD plc Term Loan Facility	Dec-2018	130	130	0	0
	WPD (South West) Syndicated Credit Facility	Jul-2021	245	0	0	245
	WPD (East Midlands) Syndicated Credit Facility	Jul-2021	300	157	0	143
	WPD (West Midlands) Syndicated Credit Facility	Jul-2021	300	65	0	235
	Uncommitted Credit Facilities		130	0	4	126
			£1,315	£497	£4	£816

Note: As of March 31, 2018.

(1) The unused capacity reflects the amount borrowed in GBP of £143 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 March 31, 2018.



Reconciliation of PPL's Forecast of Reported Earnings to Earnings From Ongoing Operations

After-Tax (Unaudited) (per share - diluted)	2018 Forecast						
	Midpoint					Forecast Range	
	U.K. Reg.	KY Reg.	PA Reg.	Corp. & Other	Total	High 2018	Low 2018
Reported Earnings	\$ 1.23	\$ 0.52	\$ 0.57	\$ (0.11)	\$ 2.21	\$ 2.31	\$ 2.11
Less: Special Items (expense) benefit:							
Foreign currency economic hedges	(0.09)				(0.09)	(0.09)	(0.09)
Total Special Items	<u>(0.09)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.09)</u>	<u>(0.09)</u>	<u>(0.09)</u>
Earnings from Ongoing Operations	<u>\$ 1.32</u>	<u>\$ 0.52</u>	<u>\$ 0.57</u>	<u>\$ (0.11)</u>	<u>\$ 2.30</u>	<u>\$ 2.40</u>	<u>\$ 2.20</u>

Reconciliation of Segment Reported Earnings to Earnings From Ongoing Operations

After-Tax (Unaudited) Year-to-Date December 31, 2017	(millions of dollars)					(per share - diluted)				
	U.K. Reg.	KY Reg.	PA Reg.	Corp. & Other	Total	U.K. Reg.	KY Reg.	PA Reg.	Corp. & Other	Total
	Reported Earnings	\$ 652	\$ 286	\$ 359	\$ (169)	\$ 1,128	\$ 0.95	\$ 0.42	\$ 0.52	\$ (0.25)
Less: Special Items (expense) benefit:										
Foreign currency economic hedges, net of tax of \$59	(111)				(111)	(0.15)				(0.15)
Spinoff of the Supply segment, net of tax of (\$1)				4	4					
Other:										
U.S. tax reform	(122)	(112)	10	(97)	(321)	(0.18)	(0.16)	0.01	(0.14)	(0.47)
Settlement of Indemnification agreement, net of tax of (\$2)		4			4		0.01			0.01
Adjustment to Investment, net of tax of \$0		(1)			(1)					
Total Special Items	<u>(233)</u>	<u>(109)</u>	<u>10</u>	<u>(93)</u>	<u>(425)</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>\$ 885</u>	<u>\$ 395</u>	<u>\$ 349</u>	<u>\$ (76)</u>	<u>\$ 1,553</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 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.