



ENERGY
FORWARD

PPL 1st Quarter Earnings Call | May 6, 2021

Cautionary Statements and Factors That May Affect Future Results



Statements made in this presentation about future operating results or other future events, including the anticipated sale of PPL Corporation's U.K. business, the anticipated acquisition of The Narragansett Electric Company (Narragansett) from National Grid, and the impact of each transaction on PPL Corporation, 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 some of the 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. Unless otherwise expressly specified, the figures in this presentation do not reflect the effects of any sale of the U.K. business.

Management utilizes non-GAAP financial measures such as, "adjusted gross margins" or "margins" in this presentation. For additional information on non-GAAP financial measures and reconciliations to the appropriate GAAP measure, refer to the Appendix of this presentation and PPL's SEC filings.

Agenda



- I. Executive Review and Operational Updates Vince Sorgi
- II. 1st Quarter Financial Results Joe Bergstein
- III. Closing Remarks and Q&A Vince Sorgi

1st Quarter Executive Review

Solid start to 2021; results in line with expectations

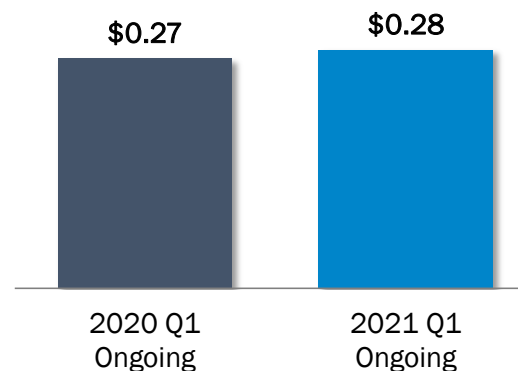


1st Quarter Highlights

- Reported earnings of (\$2.39) per share, reflecting special items of (\$2.67) per share
 - U.K. utility business now reflected as discontinued operations, special item
- Excluding special items, delivered Q1 2021 ongoing earnings results of \$0.28 per share⁽¹⁾
- Operational Updates
 - Operations continue to perform well during pandemic
 - Reached settlement agreements with all intervenors in Kentucky rate cases, expect KPSC ruling by the end of June
 - PPL Electric Utilities earned 2021 ENERGY STAR Partner of the Year Award
- Executive leadership changes to help position company for long term success

Q1 Ongoing Earnings Results⁽¹⁾

(Earnings Per Share)



Strategic Transactions Update

- WPD Sale – Approvals Completed
 - 4/22 – National Grid shareowners
 - 5/4 – Guernsey
- Narragansett Electric Acquisition
 - All required approvals filed
 - Transition teams in place and transition activities underway

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

(1) Earnings for the U.K. Regulated segment are now reflected as discontinued operations due to the announced sale on March 18, 2021, and are treated as a special item.

Kentucky Rate Cases Update

Entered into settlement agreements with all intervenors ⁽¹⁾



Agreement Overview ⁽¹⁾

	<u>Initial Application</u>	<u>Proposed Agreement</u>
Revenue Increase		
<i>(\$ in millions)</i>		
KU: Electric	\$170	\$116
LG&E: Electric	\$131	\$77
LG&E: Gas	\$30	\$24
Total	\$331	\$217

ROE

Base	10.0%	9.55%
ECR & GLT Mechanisms	10.0%	9.35%

Capitalization ⁽²⁾

<i>(\$ in billions)</i>		
KU: Electric	\$5.2	\$5.2
LG&E: Electric	\$3.5	\$3.5
LG&E: Gas	\$1.1	\$1.1
Total	\$9.8	\$9.8

Capital Structure

Equity	53%	53%
Debt	47%	47%

Note: KPSC docket numbers 2020-00349 for KU and 2020-00350 for LG&E.

(1) Subject to approval by the KPSC.

(2) Does not include approximately \$1.5 billion capitalization recovered via other rate mechanisms or other jurisdictions.

Key Proposed Considerations ⁽¹⁾

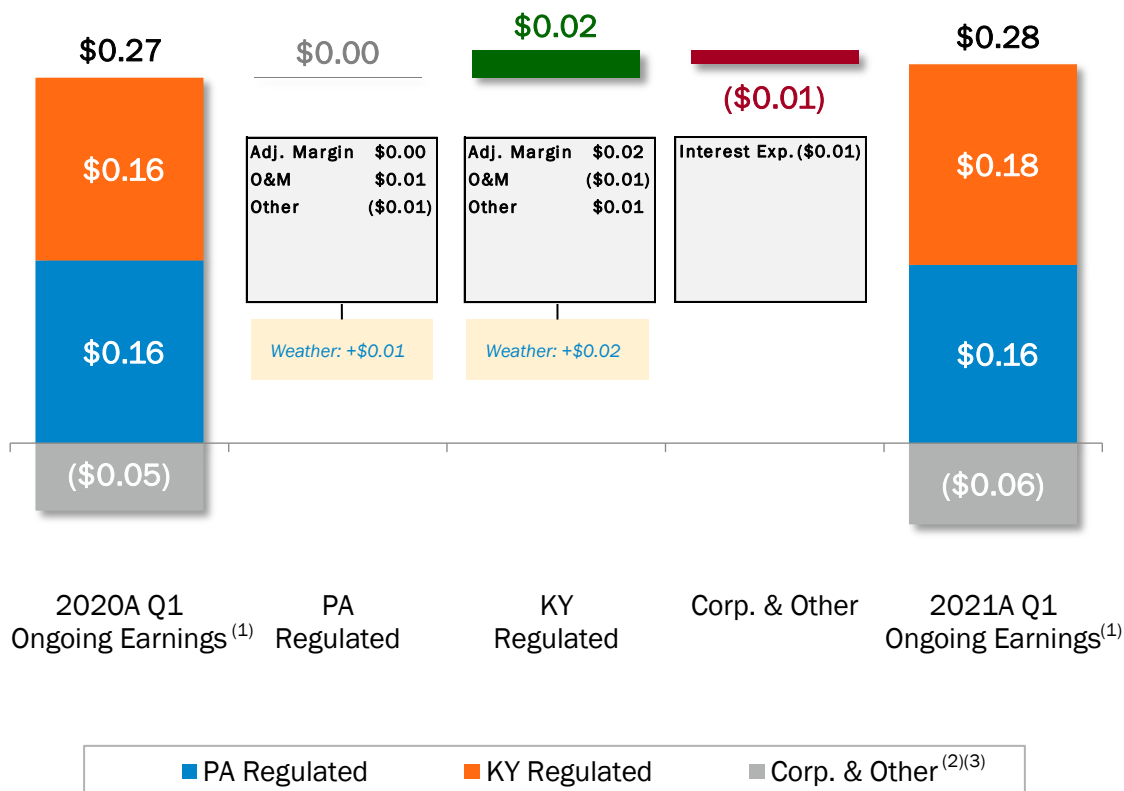
- **Annual revenue increase of \$217 million to be effective July 1, 2021**
 - First year also includes a \$53 million billing credit for customers
- **Establishes Retired Asset Recovery Rider**
 - No change in depreciation rates for Mill Creek 1 and 2 and Brown 3; does not limit ability to retire units this decade at end of economic lives
 - Provides recovery of and return on remaining NBV at time of retirement, with recovery over 10 years from retirement date
- **Supports AMI deployment**
 - No revenue requirement related to the AMI included in the rate case
 - Investment to be recorded as CWIP and accrue AFUDC during the implementation period
- **Four-year “stay out” commitment**
 - No base rate increases before July 1, 2025, subject to certain exceptions

1st Quarter Financial Results



Q1 2021 vs. Q1 2020

(Earnings Per Share)



Q1 Highlights: 2021 vs. 2020

- **Pennsylvania Regulated:**
 - Adjusted Margins
 - + Higher sales volumes primarily due to favorable weather vs. prior year
 - + Returns on additional capital investments in transmission
 - Lower peak transmission demand
 - Recorded reserve as a result of challenge to transmission ROE

- **Kentucky Regulated:**
 - Adjusted Margins
 - + Higher sales volumes primarily due to favorable weather vs. prior year
 - O&M
 - Primarily higher plant-related costs

- **Corp. and Other:**
 - Interest Expense
 - Higher long-term debt, primarily due to April 2020 issuance

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

(1) Earnings for the U.K. Regulated segment are now reflected as discontinued operations due to the announced sale on March 18, 2021, and are treated as a special item.

(2) Q1 2020 earnings have been adjusted by (\$0.01) per share for certain costs that were previously included in the U.K. Regulated segment.

(3) Beginning in 2021, corporate level financing costs will no longer be allocated to the reportable segments and are being reported in Corporate and Other.



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Strategic Transactions Update

Regulatory approvals on track



Sale of U.K. Utility Business <i>(expected approval within 4 months of transaction announcement)</i>	Status
Guernsey Financial Services Commission (GFSC)	✓
National Grid Shareowners	✓
U.K. Financial Conduct Authority (FCA)	Pending

Acquisition of Narragansett <i>(expected approval within 12 months of transaction announcement)</i>	Status
<u>Federal Approvals:</u>	
Hart-Scott-Rodino (DOJ)	Pending (filing submitted 5/3)
Federal Communications Commission (FCC)	Pending (filing submitted 5/3)
Federal Energy Regulatory Commission (FERC)	Pending (filing submitted 5/4)
<u>State Approvals:</u>	
Rhode Island Division of Public Utilities and Carriers	Pending (filing submitted 5/4)
Massachusetts Department of Public Utilities (waiver) ⁽¹⁾	Pending (filing submitted 5/4)

(1) National Grid obligation for Massachusetts Department of Public Utilities waiver relating to its foreign utility change in control provision.

Kentucky Rate Case Update

Updated procedural schedule



Completion	Timing	Milestone
✓	11/25/2020	LG&E/KU filed application to adjust rates
✓	12/2/2020	KPSC approved rate case applications without deficiencies
✓	12/23/2020	Last day for intervention requests to be accepted
✓	1/8/2021	Initial request for information from all intervenors received
✓	1/22/2021	LG&E/KU responses filed to initial requests
✓	2/5/2021	Supplemental request for information received
✓	2/19/2021	LG&E/KU responses filed to supplemental requests
✓	3/5/2021	Intervenor testimony filed
✓	3/19/2021	Requests to intervenors submitted
✓	4/1/2021	Intervenor responses filed
✓	4/12/2021	LG&E/KU rebuttal testimony filed
✓	4/19/2021	Stipulation filed
✓	4/26/2021	Public hearing in Frankfort, KY
	TBD	Post-hearing briefs
	7/1/2021	Proposed date when new rates become effective
	9/30/2021	Order on Net Metering details

✓ Completed

Note: KPSC docket numbers 2020-00349 for KU and 2020-00350 for LG&E.

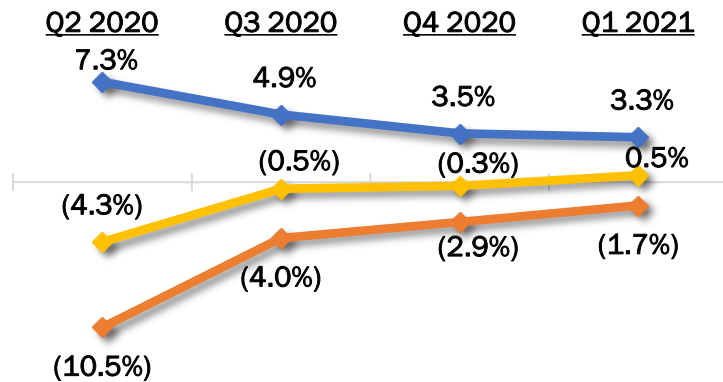
Weather-Normalized Electricity Sales⁽¹⁾

COVID-19 implications continue to moderate

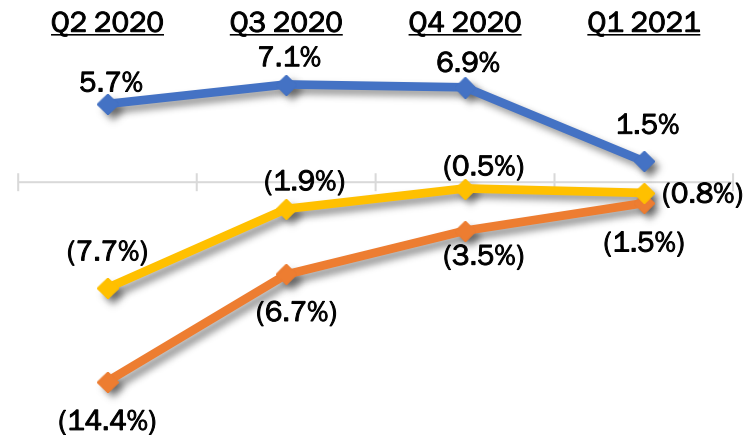


Weather-Normalized Electricity Sales Volume Variances by Quarter vs. Prior Year

Pennsylvania Regulated



Kentucky Regulated



- Q1 2021 estimated net impact on results remained insignificant compared to prior year
- Trends have generally stabilized in current remote work environment

- Q1 2021 estimated net impact on results remained slightly lower compared to prior year
- Continue to experience some softness in commercial demand

(1) Excludes PPL's U.K. utility business due to the pending sale announced on March 18, 2021.

(2) Includes Residential, Commercial and Industrial customer classes as well as "Other," which is not depicted on the charts above.

Sustainability Focus

Advancing a cleaner energy future



PPL's Clean Energy Strategy



DECARBONIZE OUR GENERATION

Economically retire existing coal plants in Kentucky and replace them with renewables and natural gas, build and/or acquire renewable projects



DECARBONIZE OUR NON-GENERATION OPERATIONS

Reduce company energy use, increase electrification of fleet vehicles and reduce emissions associated with transmission and distribution equipment and gas distribution



ENABLE THIRD-PARTY DECARBONIZATION

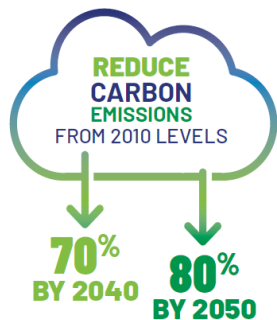
Invest in transmission and distribution networks to allow for increased electrification, large-scale connection of distributed energy resources and delivery of renewable energy to load centers



FURTHER RESEARCH AND DEVELOPMENT

Invest in new clean energy technologies to help us advance and accelerate reductions beyond 80%.

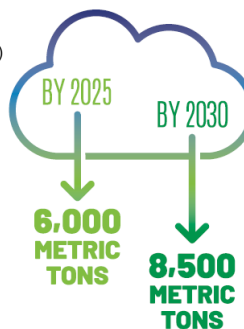
CARBON EMISSIONS REDUCTION GOAL



ALREADY ACHIEVED NEARLY 60% REDUCTION AS OF 2020

FLEET ELECTRIFICATION ⁽¹⁾ GOAL

REDUCE CO₂ EMISSIONS



> \$30 BILLION



Invested over past decade to strengthen grid resiliency and prepare networks for distributed energy resources

Learn more at: <https://www.pplweb.com/sustainability/sustainability-reports/>

(1) Reflects corporate fleet electrification goal inclusive of U.K. utility business as of April 15, 2021.

Sustainability Focus

Committed to diversity, equity, and inclusion



PPL's Diversity, Equity, and Inclusion Commitments



Commitment 1:

Attract, develop and retain a high-performing, diverse workforce.



Commitment 2:

Increase diverse representation in leadership roles, with a focus on females and minorities.



Commitment 3:

Maintain a workplace culture of equity and inclusion.



Commitment 4:

Foster partnerships that support the growth and vitality of the diverse communities and customers we serve.



Commitment 5:

Develop and sustain relationships with diverse suppliers, vendors and service providers.

Key Initiatives Implemented in 2020

- Removed identification details from resume-screening for the summer intern program and adopted a written competency approach to measure applicant skills and reduce unconscious bias
- Conducted listening and learning sessions in which employees were able to share their experiences with racism and bias to help deepen understanding among all employees
- Provided extensive learning and development resources to employees who expanded their understanding of bias, diversity, inclusion and cultural competency through varied approaches, including computer-based training, facilitated virtual teachings, videos, articles, lunch and learns, and engaging facilitated group conversations
- Served as a business leader in a community-wide coalition in Pennsylvania called Color Outside the Lines, which is working to develop a strategic plan for diversity and inclusion in the region
- Implemented a formal exit survey program that will provide the company with data intended to improve minority retention
- Lead a community-wide supplier diversity task force in Kentucky
- Expanded financial support for racial and social justice initiatives through the company's foundations

Learn more at: <https://www.pplweb.com/sustainability/sustainability-reports/>

Sustainability Focus

Corporate governance highlights



Independent Oversight by a Diverse Board

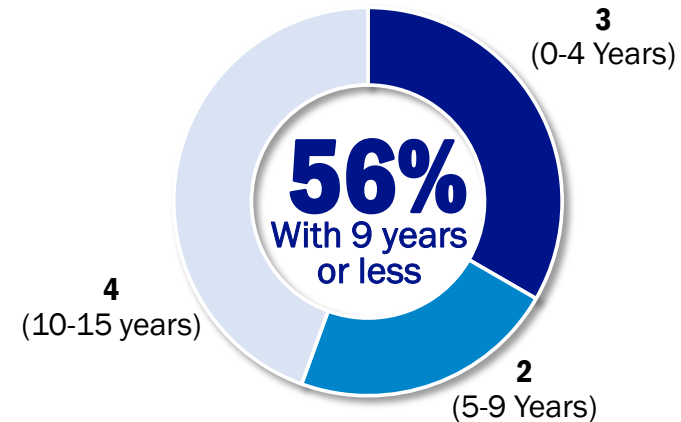


■ Diverse Board Nominees
(based on gender, race and ethnicity)



■ Independent Board Committees led
by Women Nominees

Tenure-balanced



Average nominee tenure: **8 years**

Recent Updates and Achievements

- ✓ Added a new director with more than four decades of experience in the utility industry
- ✓ Adopted the “Rooney Rule” to ensure diverse candidates are considered for open board seats
- ✓ Appointed independent chair of board
- ✓ Awarded Trendsetter ranking by CPA-Zicklin Index, demonstrating our ongoing commitment to transparency around political spending disclosure

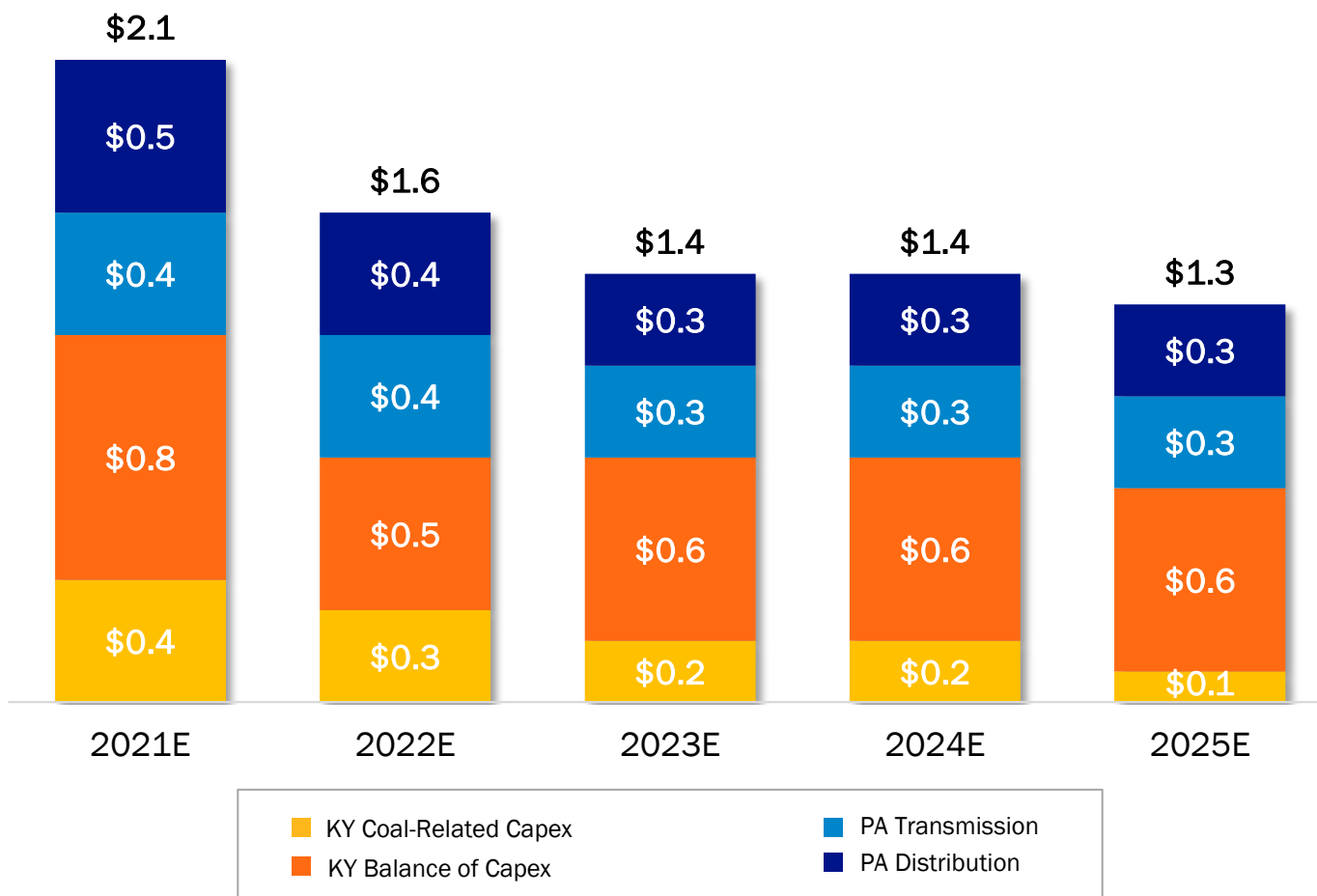
Note: As of April 7, 2021. Figures based on Board Nominees per PPL Corporation’s 2021 Proxy Statement.

Learn more at: <https://www.pplweb.com/sustainability/sustainability-reports/>

2021 – 2025 Capital Plan⁽¹⁾



(\$ in billions)

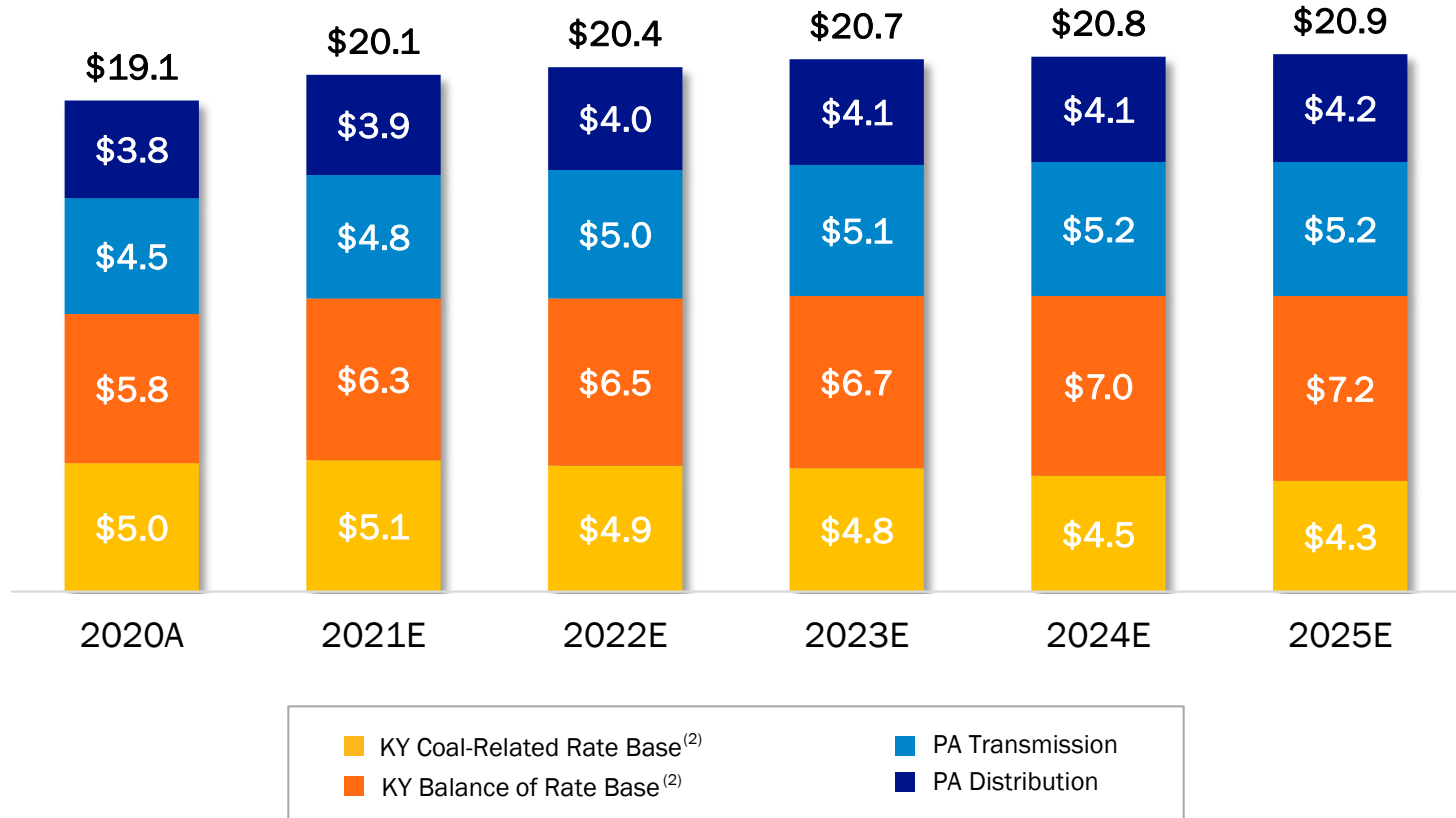


(1) Excludes PPL's U.K. utility business due to the pending sale announced on March 18, 2021.



Projected Rate Base by Utility⁽¹⁾

(\$ in billions)



(1) Excludes PPL's U.K. utility business due to the pending sale announced on March 18, 2021.

(2) Represents utility capitalization for KY.

Debt Maturities⁽¹⁾



(\$ in Millions)	2021	2022	2023	2024	2025	2026 and Beyond	Total
PPL Capital Funding	\$0	\$900	\$600	\$350	\$0	\$3,780	\$5,630
PPL Electric Utilities ⁽²⁾	\$400	\$474	\$340	\$0	\$0	\$3,075	\$4,289
LG&E and KU Energy	\$250	\$0	\$0	\$0	\$0	\$0	\$250
Louisville Gas & Electric ⁽²⁾	\$292 ⁽³⁾	\$0	\$0	\$0	\$300	\$1,432	\$2,024
Kentucky Utilities ⁽²⁾	\$132	\$0	\$13	\$0	\$250	\$2,247	\$2,642
Total Debt Maturities⁽⁴⁾	\$1,074	\$1,374	\$953	\$350	\$550	\$10,534	\$14,835

Note: As of March 31, 2021.

(1) Excludes PPL's U.K. utility business due to the pending sale announced on March 18, 2021.

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

(3) In April 2021, \$128 million of these bonds were remarketed at a long-term rate through their final maturity date in 2033. In May 2021, an additional \$70 million of these bonds were remarketed at a long-term rate through their final maturity date in 2027.

(4) Does not reflect unamortized debt issuance costs, unamortized premiums (discounts), and fair market valuation adjustments totaling (\$146 million).

Liquidity Profile ⁽¹⁾

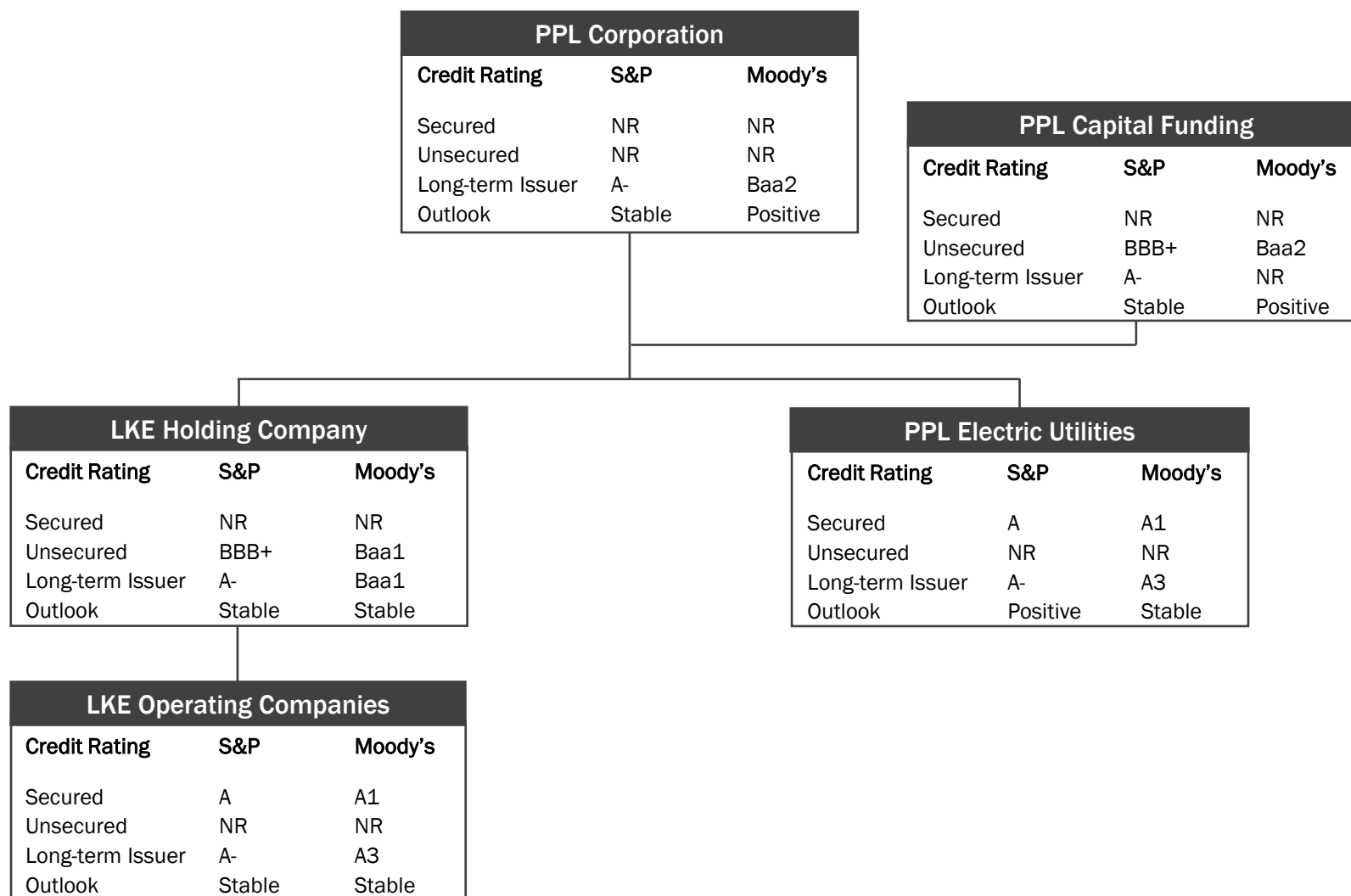


Entity	Facility	Expiration Date	Capacity (Millions)	Borrowed (Millions)	Letters of Credit & Commercial Paper Issued (Millions)	Unused Capacity (Millions)
PPL Capital Funding	Syndicated Credit Facility	Jan-2024	\$1,450	\$0	\$942	\$508
	Term Loan Credit Facility	Mar-2022	100	100	0	0
	Bilateral Credit Facility	Mar-2022	50	0	0	50
	Uncommitted Credit Facility	Mar-2022	50	0	15	35
			<u>\$1,650</u>	<u>\$100</u>	<u>\$957</u>	<u>\$593</u>
PPL Electric Utilities	Syndicated Credit Facility	Jan-2024	\$650	\$0	\$206	\$444
Louisville Gas & Electric	Syndicated Credit Facility	Jan-2024	\$500	\$0	\$252	\$248
Kentucky Utilities	Syndicated Credit Facility	Jan-2024	\$400	\$0	\$148	\$252
	Total Credit Facilities		<u>\$3,200</u>	<u>\$100</u>	<u>\$1,563</u>	<u>\$1,537</u>

Note: As of March 31, 2021.

(1) Excludes PPL's U.K. utility business due to the pending sale announced on March 18, 2021.

PPL's Credit Ratings⁽¹⁾



Note: As of March 31, 2021.

(1) Excludes PPL's U.K. utility business due to the pending sale announced on March 18, 2021.

Reconciliation of Segment Reported Earnings to Earnings From Ongoing Operations



After-Tax (Unaudited) (millions of dollars)	Year-to-Date March 31, 2021				
	KY Reg.	PA Reg.	Corp. & Other	Disc. Ops. ⁽²⁾	Total
Reported Earnings ⁽¹⁾	\$ 146	\$ 113	\$ (56)	\$ (2,043)	\$ (1,840)
Less: Special Items (expense) benefit:					
Income (Loss) from Discontinued Operations				(2,047)	(2,047)
Talen litigation costs, net of tax of \$1			(3)		(3)
Valuation allowance adjustment	4		(4)	4	4
Challenge to transmission formula rate return on equity reserve, net of tax of \$6		(13)			(13)
Total Special Items	<u>4</u>	<u>(13)</u>	<u>(7)</u>	<u>(2,043)</u>	<u>(2,059)</u>
Earnings from Ongoing Operations	<u>\$ 142</u>	<u>\$ 126</u>	<u>\$ (49)</u>	<u>\$ -</u>	<u>\$ 219</u>

After-Tax (Unaudited) (per share - diluted)	Year-to-Date March 31, 2021				
	KY Reg.	PA Reg.	Corp. & Other	Disc. Ops. ⁽²⁾	Total
Reported Earnings ⁽¹⁾	\$ 0.19	\$ 0.14	\$ (0.07)	\$ (2.65)	\$ (2.39)
Less: Special Items (expense) benefit:					
Income (Loss) from Discontinued Operations				(2.66)	(2.66)
Valuation allowance adjustment	0.01		(0.01)	0.01	0.01
Challenge to transmission formula rate return on equity reserve		(0.02)			(0.02)
Total Special Items	<u>0.01</u>	<u>(0.02)</u>	<u>(0.01)</u>	<u>(2.65)</u>	<u>(2.67)</u>
Earnings from Ongoing Operations	<u>\$ 0.18</u>	<u>\$ 0.16</u>	<u>\$ (0.06)</u>	<u>\$ -</u>	<u>\$ 0.28</u>

(1) Reported Earnings represents Net Income.

(2) Earnings for the U.K. Regulated segment are now reflected as discontinued operations due to the announced sale on March 18, 2021, and are treated as a special item.

Reconciliation of Segment Reported Earnings to Earnings From Ongoing Operations



After-Tax (Unaudited) (millions of dollars)	Year-to-Date March 31, 2020				
	KY Reg.	PA Reg.	Corp. & Other ⁽²⁾	Disc. Ops. ⁽³⁾	Total
Reported Earnings⁽¹⁾	\$ 127	\$ 118	\$ (41)	\$ 350	\$ 554
Less: Special Items (expense) benefit:					
Income (Loss) from Discontinued Operations				350	350
Talen litigation costs, net of tax of \$1			(2)		(2)
Total Special Items	-	-	(2)	350	348
Earnings from Ongoing Operations	<u>\$ 127</u>	<u>\$ 118</u>	<u>\$ (39)</u>	<u>\$ -</u>	<u>\$ 206</u>

After-Tax (Unaudited) (per share - diluted)	Year-to-Date March 31, 2020				
	KY Reg.	PA Reg.	Corp. & Other ⁽²⁾	Disc. Ops. ⁽³⁾	Total
Reported Earnings⁽¹⁾	\$ 0.16	\$ 0.16	\$ (0.05)	\$ 0.45	\$ 0.72
Less: Special Items (expense) benefit:					
Income (Loss) from Discontinued Operations				0.45	0.45
Total Special Items	-	-	-	0.45	0.45
Earnings from Ongoing Operations	<u>\$ 0.16</u>	<u>\$ 0.16</u>	<u>\$ (0.05)</u>	<u>\$ -</u>	<u>\$ 0.27</u>

(1) Reported Earnings represents Net Income.

(2) The amount for the period ended March 31, 2020, has been adjusted for certain costs that were previously included in the U.K. Regulated segment.

(3) Earnings for the U.K. Regulated segment are now reflected as discontinued operations due to the announced sale on March 18, 2021, and are treated as a special item.

Adjusted Gross Margins Summary⁽¹⁾



(Unaudited) (millions of dollars, except share data)	Three Months Ended March 31,			Per Share Diluted (after-tax)
	2021	2020	Change	
Kentucky Adjusted Gross Margins	\$ 570	\$ 547	\$ 23	\$ 0.02
Pennsylvania Adjusted Gross Margins				
Distribution	\$ 247	\$ 242	\$ 5	\$ 0.00
Transmission	156	159	(3)	(0.00)
Total Pennsylvania Adjusted Gross Margins	\$ 403	\$ 401	\$ 2	\$ 0.00

(1) Excludes PPL's U.K. utility business due to the pending sale announced on March 18, 2021.

Reconciliation of Adjusted Gross Margins to Operating Income⁽¹⁾



(Unaudited) (millions of dollars)	Three Months Ended March 31, 2021				Three Months Ended March 31, 2020			
	KY Adjusted Gross Margins	PA Adjusted Gross Margins	Other	Operating Income	KY Adjusted Gross Margins	PA Adjusted Gross Margins	Other	Operating Income
Operating Revenues	\$ 885	\$ 624	\$ (11)	\$ 1,498	\$ 825	\$ 608	\$ 7	\$ 1,440
Operating Expenses								
Fuel	177			177	163			163
Energy purchases	71	149		220	57	144		201
Other operation and maintenance	25	25	317	367	21	23	311	355
Depreciation	40	17	210	267	37	12	201	250
Taxes, other than income	2	30	20	52		28	19	47
Total Operating Expenses	315	221	547	1,083	278	207	531	1,016
Total	\$ 570	\$ 403	\$ (558)	\$ 415	\$ 547	\$ 401	\$ (524)	\$ 424

(1) Excludes PPL's U.K. utility business due to the pending sale announced on March 18, 2021.

Forward-Looking Information Statement



Statements contained in this presentation, including statements with respect to future earnings, cash flows, dividends, financing, regulation and corporate strategy, including the anticipated sale of PPL Corporation's U.K. business, the anticipated acquisition of Narragansett from National Grid, and the impact of each transaction on PPL Corporation, 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: asset or business acquisitions and dispositions, including our ability to successfully divest our U.K. business or that such sale may not yield the anticipated benefits, including (i) the ability to obtain the requisite National Grid shareholder approval; (ii) the risk that the parties may be unable to obtain governmental and regulatory approvals required for the transaction, or that required governmental and regulatory approvals may delay the transaction or result in the imposition of conditions that could cause the parties to abandon the transaction; (iii) the risk that other conditions to closing of the transaction may not be satisfied; (iv) the timing to consummate the transaction; (v) the risk that Narragansett will not be integrated successfully; (vi) disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers; and (vii) the diversion of management time on transaction-related issues; the COVID-19 pandemic or other pandemic health events or other catastrophic events, including severe weather, and their effect on financial markets, economic conditions and our businesses; market demand for energy in our U.S. 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; receipt of necessary government permits, approvals, rate relief and regulatory cost recovery; capital market conditions, including interest rates, and decisions regarding capital structure; the impact of state, federal or foreign investigations applicable to PPL Corporation and its subsidiaries; the outcome of litigation involving PPL Corporation and its subsidiaries; stock price performance; the market prices of debt and 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 cyberattack, terrorism, or war or other hostilities; British pound sterling to U.S. dollar exchange rates; new state, federal or foreign legislation or regulatory developments, including new tax legislation; and the commitments and liabilities of PPL Corporation and its subsidiaries. Any such forward-looking statements should be considered in light of such important factors and in conjunction with factors and other matters discussed 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 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 statutory tax rate of the entity where the activity is recorded. Special items may include items such as:

- 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.

Definitions of non-GAAP Financial Measures



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

"Kentucky Adjusted Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, as well as the Kentucky Regulated segment'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. 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, Storm Damage 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 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.