



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

February 14, 2020



A century of people **powering life.**

# 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

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

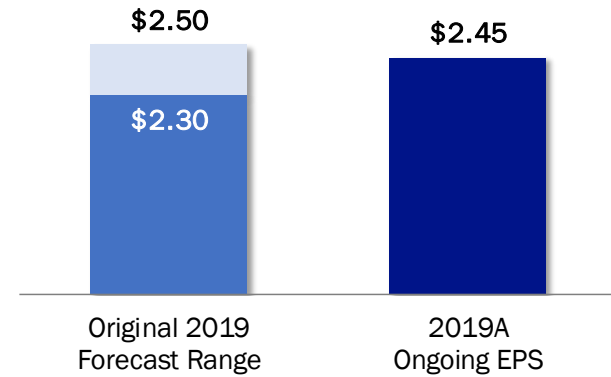
# 2019 Executive Review

## 2019 Achievements

- **Achieved financial targets**
  - ✓ Delivered solid financial results – 10<sup>th</sup> straight year exceeding midpoint of earnings forecast
  - ✓ Increased dividend for 17<sup>th</sup> time in 18 Years
- **Superior operational performance**
  - ✓ Improved customer satisfaction scores across all jurisdictions
    - Awarded 4 more J.D. Power Awards at U.S. operations, bringing company total to 51
    - WPD earned U.K.'s Customer Service Excellence Award for 27<sup>th</sup> Consecutive year
- **Executed on capital investment plan**
- **Regulatory advancements**
  - ✓ Achieved fair result in Kentucky rate case
  - ✓ RIIO-ED2 engagement underway; framework publication in line with expectations

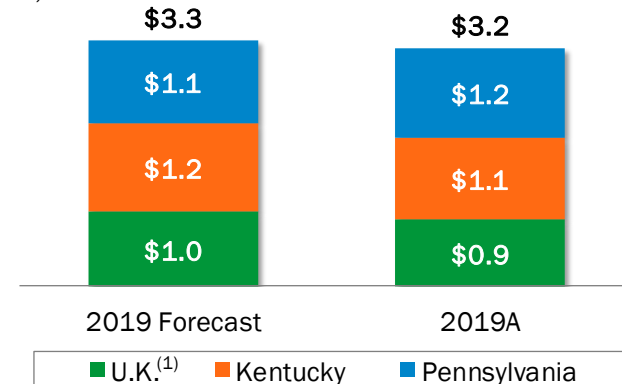
## Exceeded Midpoint of 2019 EPS Forecast

(Earnings Per Share)



## Delivered on Capex Plan

(\$ in billions)



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

(1) Based on assumed exchange rate of \$1.30/£ in all years for comparability purposes.

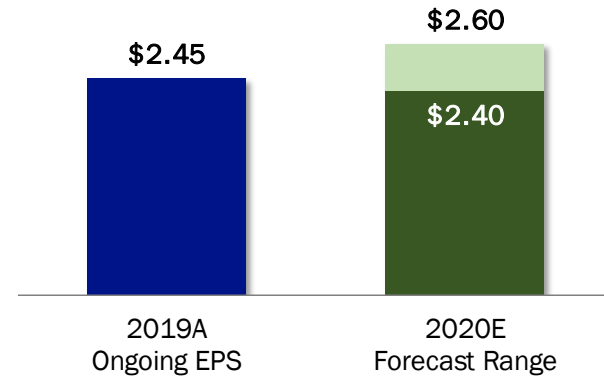
# 2020 Outlook

## 2020 Objectives

- Achieve ongoing earnings guidance of \$2.40 - \$2.60 per share
- Dividend growth
- Execute another \$3.3 billion of capital investments that continue to advance a cleaner energy future
- Continue to deliver superior operational performance
- Consult with Ofgem to develop RIIO-ED2 methodology supportive of DNO's critical role in the U.K.'s decarbonization initiatives

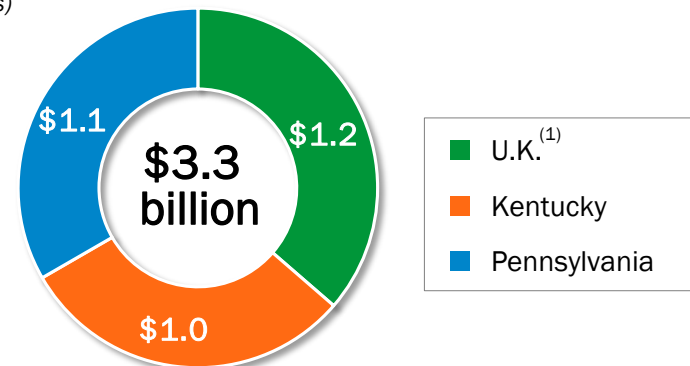
## 2020 Ongoing EPS Forecast

(Earnings Per Share)



## 2020 Utility Capex Forecast

(\$ in billions)



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

(1) Based on assumed exchange rate of \$1.30/£ in all years for comparability purposes.



# Operational Review



A century of people **powering life.**

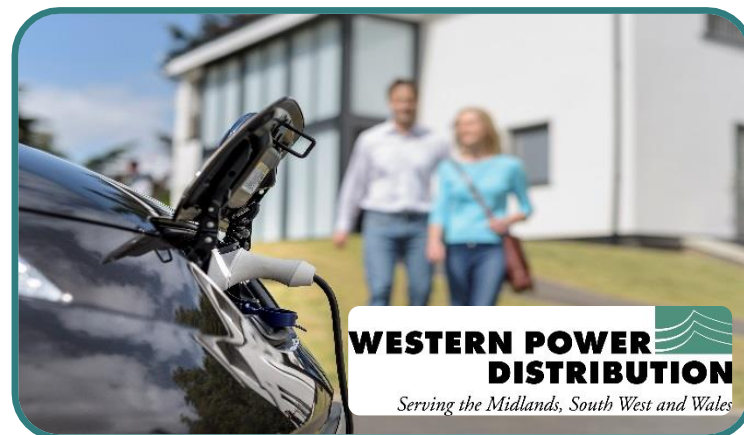
# U.K. Regulated Update

## 2019 Operational Achievements

- **1<sup>st</sup> U.K. network operator to publish EV strategy**
  - WPD anticipates up to an additional 3 million EVs by 2030
- **Continued efforts to connect distributed generation; ~10GW connected through 2019**
- **Further developed demand response solutions to maintain grid resiliency**

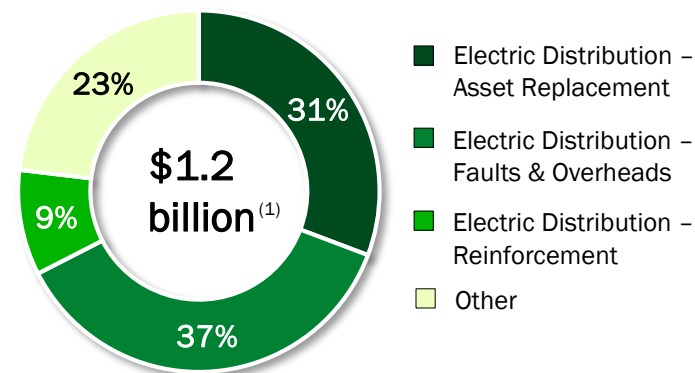
## 2020 Outlook and Strategic Priorities

- **Capital investment plan focused on delivering outputs from well-justified business plan**
- **Continued execution on RIIO-ED1 plan**
- **RIIO-ED2/decarbonization planning**



WPD leading the way for EV infrastructure

## 2020 Projected Capital Plan



(1) Based on assumed exchange rate of \$1.30/£ in all years for comparability purposes.

# Pennsylvania Regulated Update

## 2019 Operational Achievements

- Deployed a new distributed energy resource management system, enabling customer-owned renewables and energy storage connections to grid
- Developed innovative technology that automatically cuts power to downed power lines
- Substantially completed implementation of multi-year advanced meter project

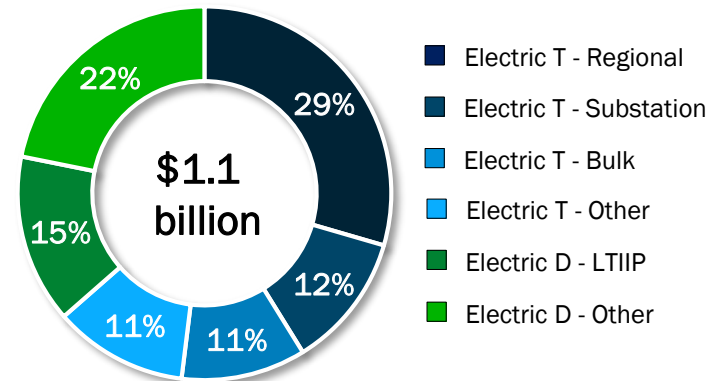


Employees testing new downed wire technology

## 2020 Outlook and Strategic Priorities

- Capital investment plan focused on maintaining system reliability and automation
- Continue focus on technological advancements delivering operational improvements
- Maintain superior level of operating cost efficiency to preserve cost competitive rates

## 2020 Projected Capital Plan





# Kentucky Regulated Update

## 2019 Operational Achievements

- Continued progress on \$800 million project to cap and close ash ponds at coal facilities
- Retired ~300MW of coal-fired generation
- Completed construction on first phase of Solar Share program
- Conducted RFP for up to 200MW of renewable power

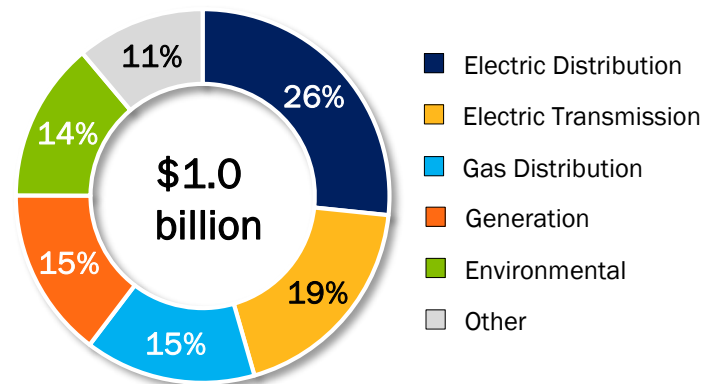
## 2020 Outlook and Strategic Priorities

- Capital plan focused on environmental and infrastructure investment supporting system reliability and automation
- Maintain/improve strong reliability, cost efficiency and competitive rates
- Advance customer-focused initiatives
- Continue to evolve scenarios around Integrated Resource Plan



Solar array at Maker's Mark® distillery in Loretto, KY

## 2020 Projected Capital Plan

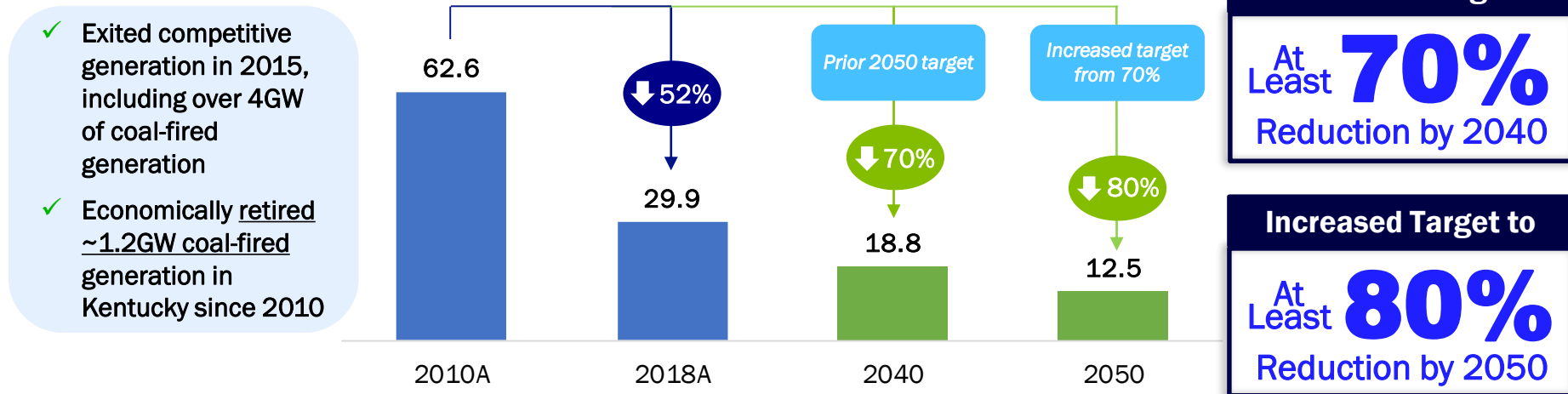


# Advancing PPL's Clean Energy Transition Strategy

*Increasing 2050 target and accelerating prior target by 10 years to 2040*

Metric Tonnes (in millions)

PPL's projected carbon emissions over time



- ✓ Exited competitive generation in 2015, including over 4GW of coal-fired generation
- ✓ Economically retired ~1.2GW coal-fired generation in Kentucky since 2010

- Current strategy enables reduction of coal generation in Kentucky that meets objective of below 2° Celsius scenario and economically benefits customers
- Our T&D operations in the U.K. and PA also support this strategy, enabling connection of renewable energy and pursuing Distribution System Operator (DSO) role
- Increasingly competitive renewable and storage solutions could accelerate carbon reductions even further

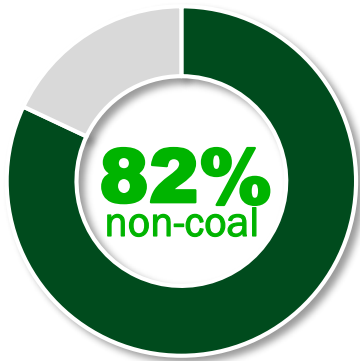


# PPL's transition to a cleaner energy future is supported by Kentucky's generation strategy

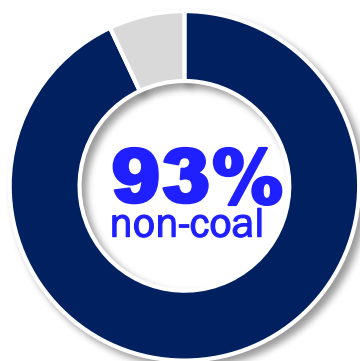
## Economically reducing coal-fired generation mix and enabling renewable growth

### PPL regulated asset base is largely non-coal

#### 2019A Rate Base <sup>(1)</sup>



#### 2020-2024E Capex <sup>(2)</sup>



- Significant T&D investments over next 5 years will continue to reduce PPL's ratio of earnings related to coal generation

### Generation mix in Kentucky transitions over time

#### Coal Capacity Retirements Based on Operating Life Assumptions <sup>(3)</sup>

Coal Retired	at 55-Year Life		at 65-Year Life	
	MW	% of Coal	MW	% of Coal
2030	1,484	31%	0	0%
2040	3,796	81%	1,484	31%
2050	4,166	88%	3,796	81%

- LG&E and KU's Integrated Resource Plan supports an economic transition to cleaner energy and a lower percentage of coal-fired generation mid-to-long term

(1) Represents regulated asset base for transmission, distribution, and non-coal generation.

(2) Represents projected capex for transmission, distribution, and non-coal generation.

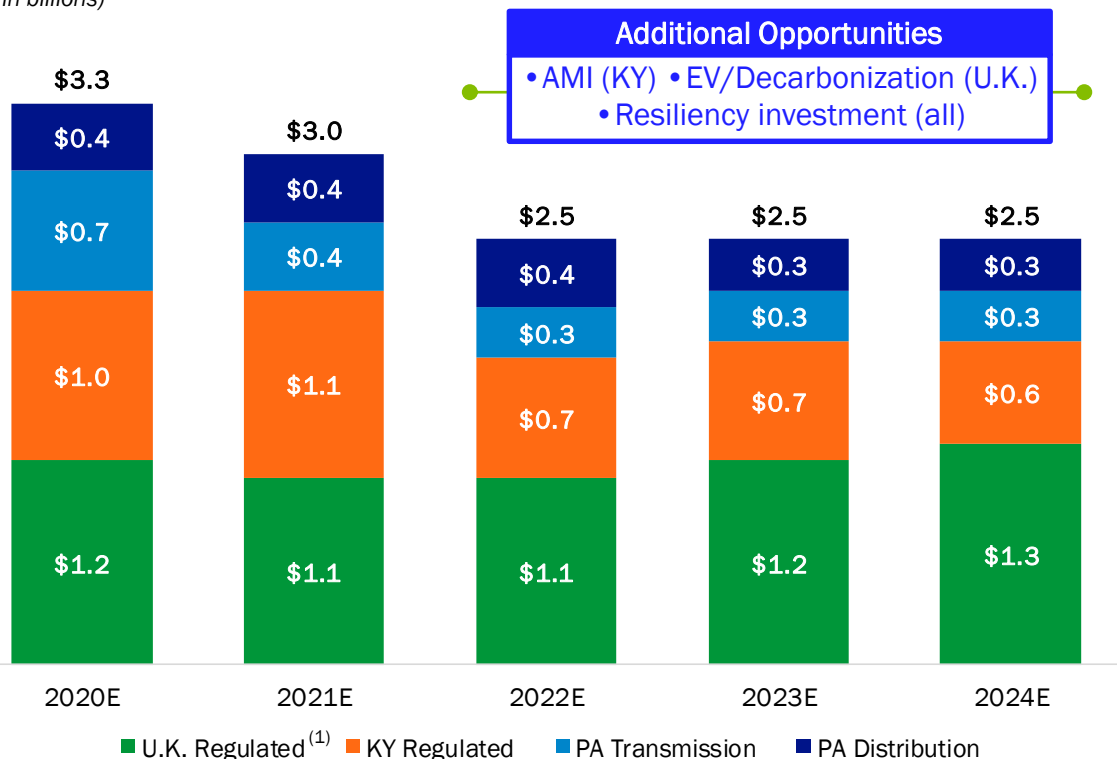
(3) Since 2010, LG&E and KU have retired about 1,200MW of coal-fired generation, which includes units that were between 46 and 62 years old, respectively.

# 2020 – 2024 Capital Plan

Investing \$14 billion over next five years to advance a cleaner energy future

## Capex by Utility

(\$ in billions)



## Notable Changes

- + **\$300 million to U.K. plan**
  - Timing related to general reinforcement, faults and overheads and other investments
- + **\$100 million to KY plan**
  - Primarily ELG related spending
  - Does not reflect AMI project
- **\$300 million reflecting updated FX rate forecasts for U.K.**
  - From: \$1.40/£ to \$1.30/£
- **Added preliminary 2024 estimates**

(1) Based on assumed exchange rate of \$1.30/£ in all years for comparability purposes.

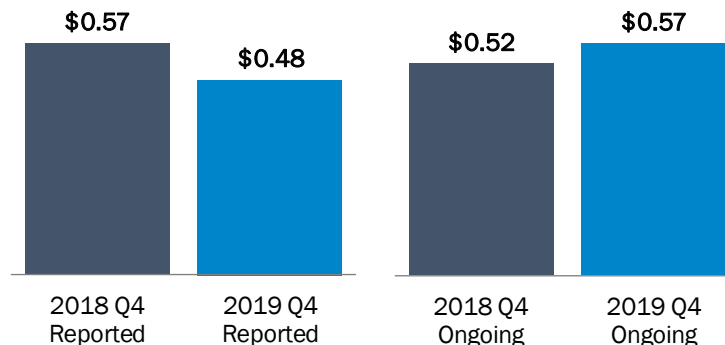


# Financial Overview

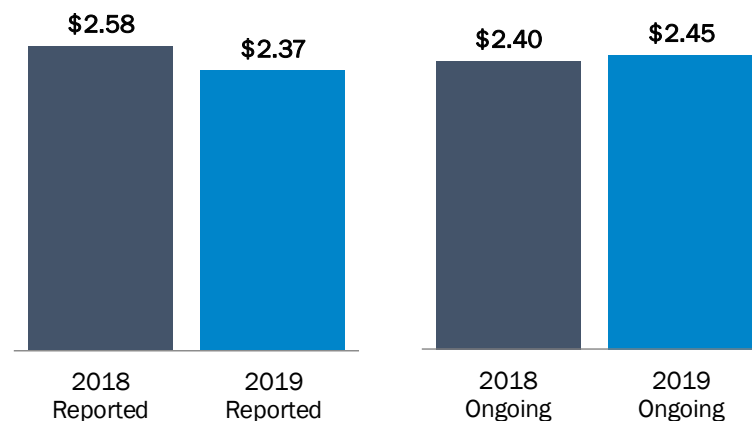
## Financial Highlights

- Achieved strong 4<sup>th</sup> quarter ongoing earnings per share of \$0.57
- Delivered 2019 financial results of \$2.45 per share at high end of guidance range
  - Exceeded midpoint of ongoing forecast for 10<sup>th</sup> consecutive year
- Initiated formal 2020 ongoing earnings guidance range of \$2.40 - \$2.60 per share
- Updated 2021 ongoing earnings forecast of \$2.40 - \$2.60 per share from \$2.50 - \$2.80 primarily due to lower foreign currency rate forecasts

## Q4 Earnings Per Share



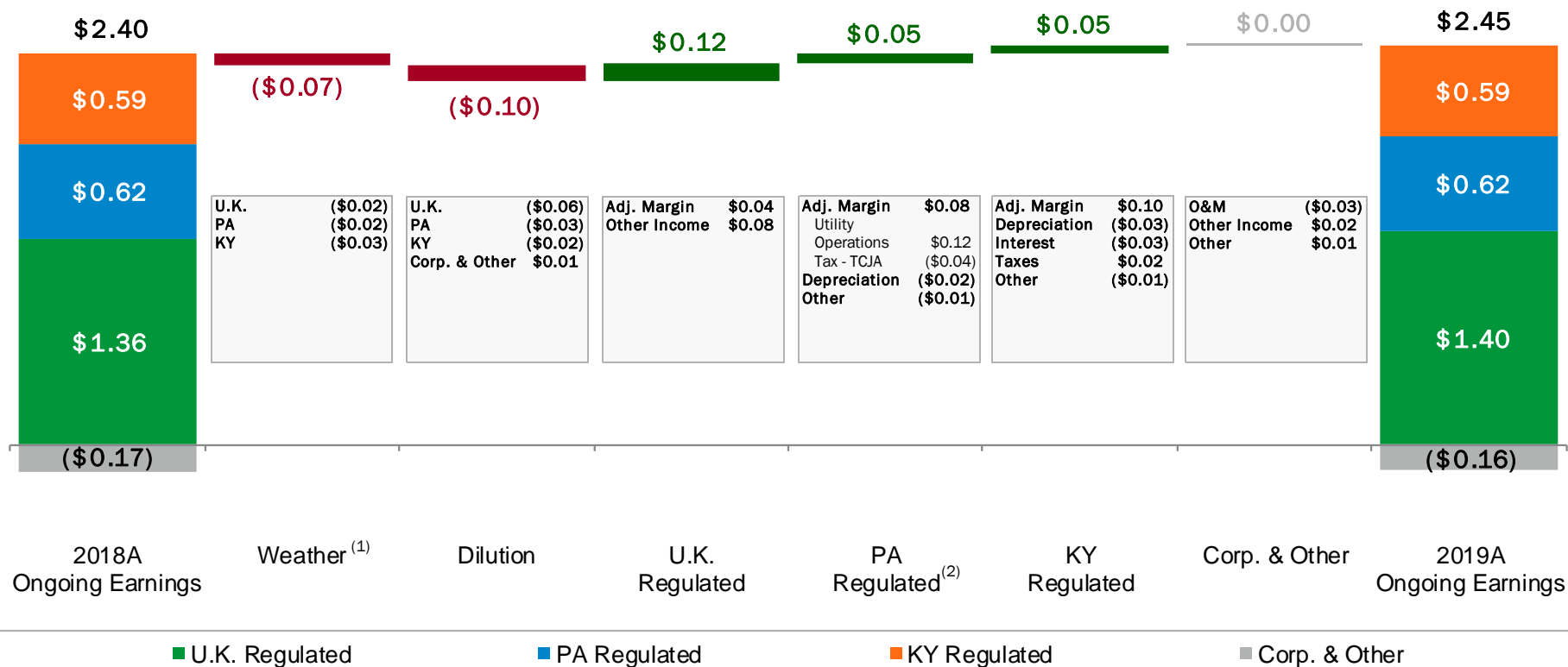
## Annual Earnings Per Share



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

# 2019 Financial Results

Exceeded midpoint of earnings forecast for 10<sup>th</sup> consecutive year



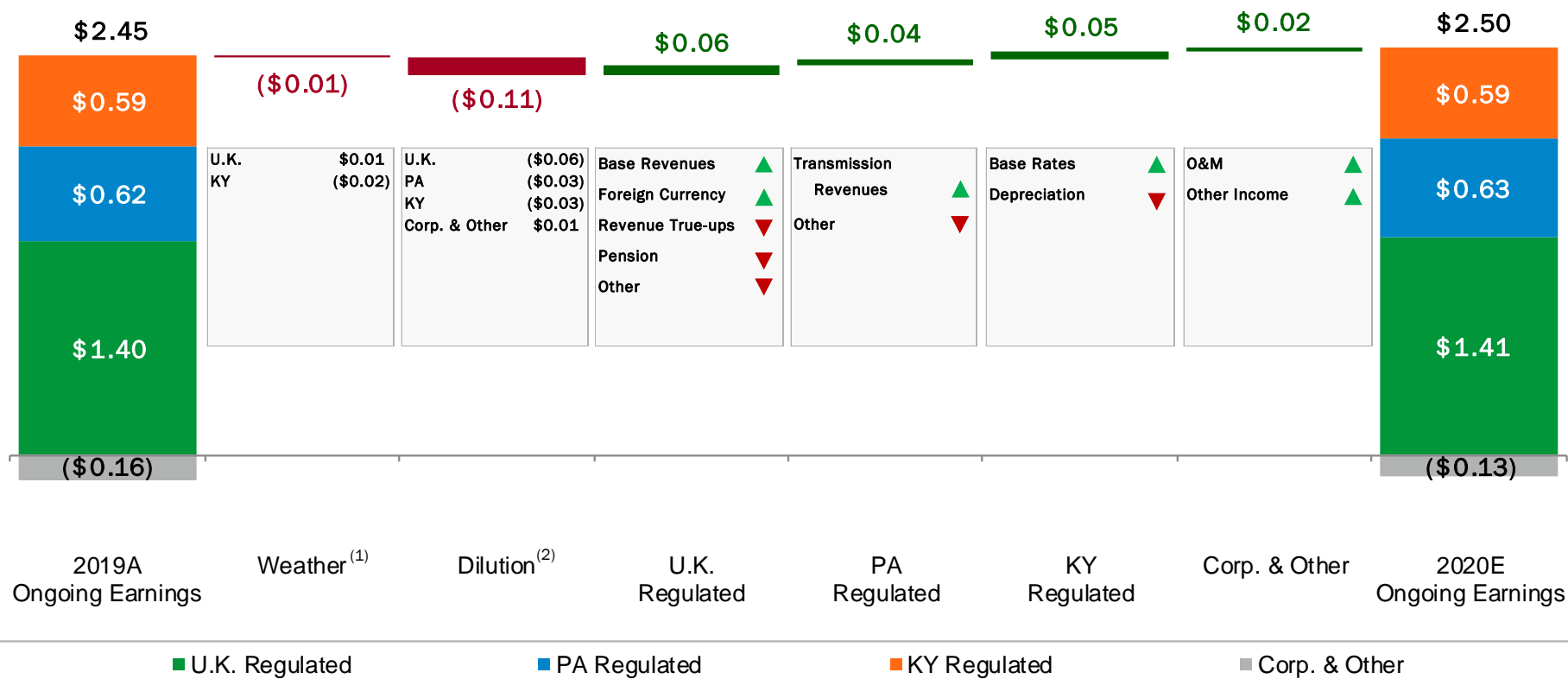
Note: See Appendix for the reconciliation of reported earnings to earnings from ongoing operations.

(1) Reflects estimated impact of weather on sales volumes and related adjusted gross margins in the chart above.

(2) PA Regulated's YTD variance reflects (\$0.04) related to reduced income taxes in rates as a result of U.S. tax reform.

# 2020 Financial Outlook

Initiating earnings forecast of \$2.40 – \$2.60 per share



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

(1) Reflects estimated impact of weather on sales volumes and related adjusted gross margins in the chart above.

(2) Primarily due to settlement of the remaining 43.25 million shares under the May 2018 equity forward contract in November 2019.



# Updated 2021 Financial Outlook

*Updating forecast to reflect current market conditions and currency forecasts*




## Key Assumptions to Updated 2021 Forecast

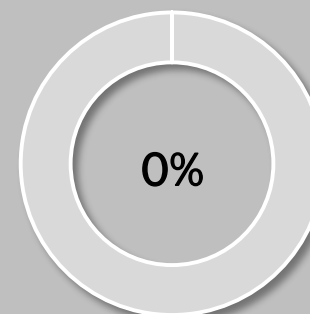
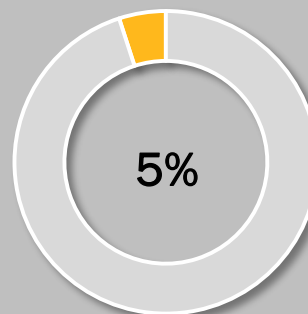
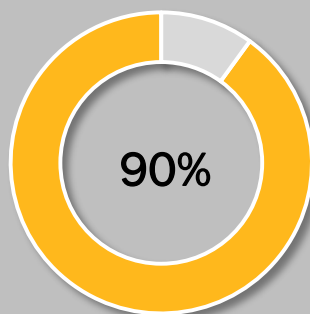
- **Updated foreign currency rates**
  - New: \$1.25/£ to \$1.40/£
  - Prior: \$1.35/£ to \$1.60/£
- **Items that have not significantly changed**
  - Rate base CAGR of 5-6%
  - Expected to earn at or near allowed ROEs
- **Updated assumptions for U.K. pension, interest under-recovery, and other true-up mechanisms**
  - Not a material net impact to forecast

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

# Foreign Currency Update

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

 Indicates percentage of ongoing earnings hedged



	2020	2021	2022
Average Hedge Rate <sup>(2)</sup>	\$1.48/£	\$1.33/£	-

- Increased 2020 hedge position to 90% from 70%
- Increased 2021 hedge position to 5% from 0%
- Continue to utilize options in our hedging strategy; options represent about one-third of the hedge portfolio for 2020

(1) PPL's foreign currency hedge status as of January 31, 2020.

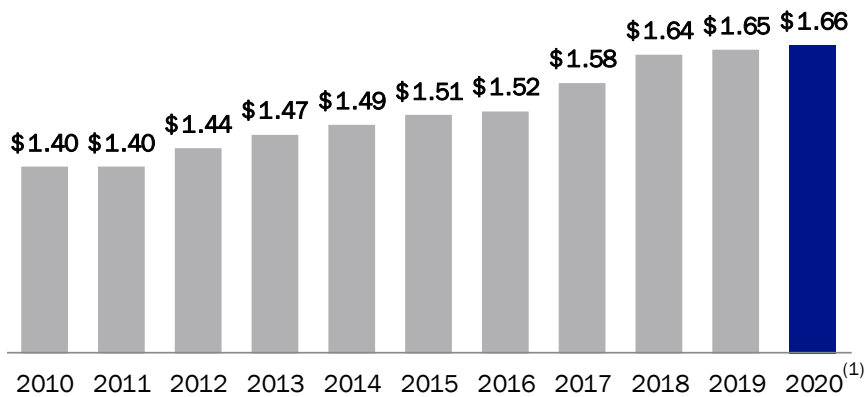
(2) Hedge rates reflect a combination of average-rate forwards and options. Average hedge rates based on the average forward rate and the average floor in the options.

# Increased Dividend for 18<sup>th</sup> Time in 19 Years

*PPL's dividend increased to \$1.66 per share on an annualized basis*

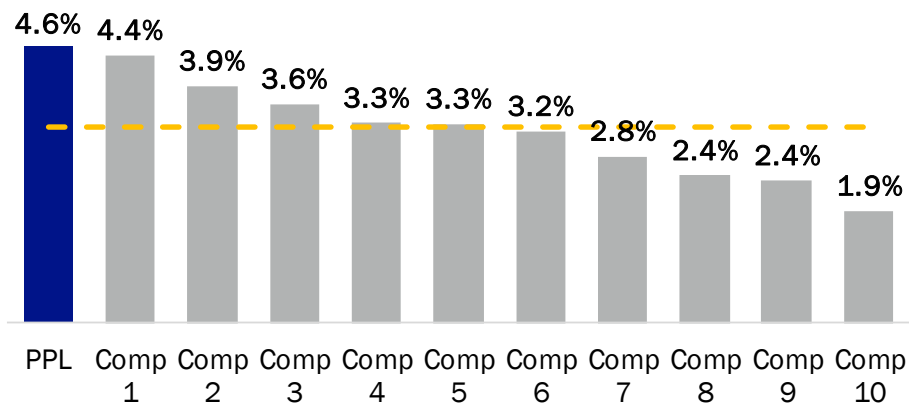
## 10-Year Dividend History

(\$ per share)



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

Large Cap Utility Average: 3.2%



- PPL has a long-standing history of paying dividends to shareowners
  - January 2<sup>nd</sup> dividend represents the 296<sup>th</sup> consecutive quarterly dividend paid
- PPL's dividend offers a strong yield with growth in today's low rate environment

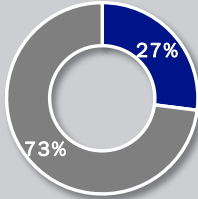
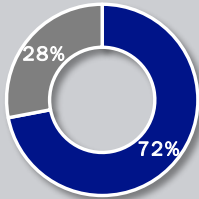
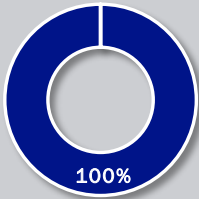
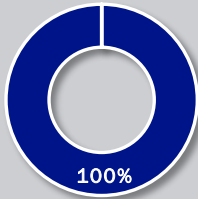
(1) Annualized dividend based on February 14, 2020 announced increase. Actual dividends to be determined by Board of Directors.

(2) Dividend yield calculated based on share prices and annualized dividends as of February 7, 2020.



# Decade of Transformation, Century of Excellence

*A decade of transformation, growth, and improved operational excellence*


	2009 <sup>(1)</sup>	2012 <sup>(1)</sup>	2016 <sup>(1)</sup>	2019 <sup>(1)</sup>
Business Profile <sup>(2)</sup>				
Market Cap (\$bn)	\$12.2	\$16.7	\$23.1	\$25.9 <sup>(3)</sup>
Regulatory Asset Base <sup>(4)(5)</sup> (\$bn)	\$4.9	\$17.2	\$23.8	\$28.3

**10** Straight years of meeting or exceeding forecast midpoint 

**18%**  Dividend Growth

**21** J.D. Power Awards for Customer Satisfaction 

 Infrastructure Investment to modernize grid **\$27** billion <sup>(5)</sup>

**>20%**  Fewer outages since 2010

**\$100+** million Invested in our communities 

Source: FactSet, Company Filings.

(1) As of year end.

(2) Proportion of earnings from ongoing operations.

(3) Does not reflect settlement of the remaining 43.25 million shares of common stock under two forward sale agreements completed in May 2018.

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

(5) For U.K., based on assumed exchange rate of \$1.30/£ in all years for comparability purposes.



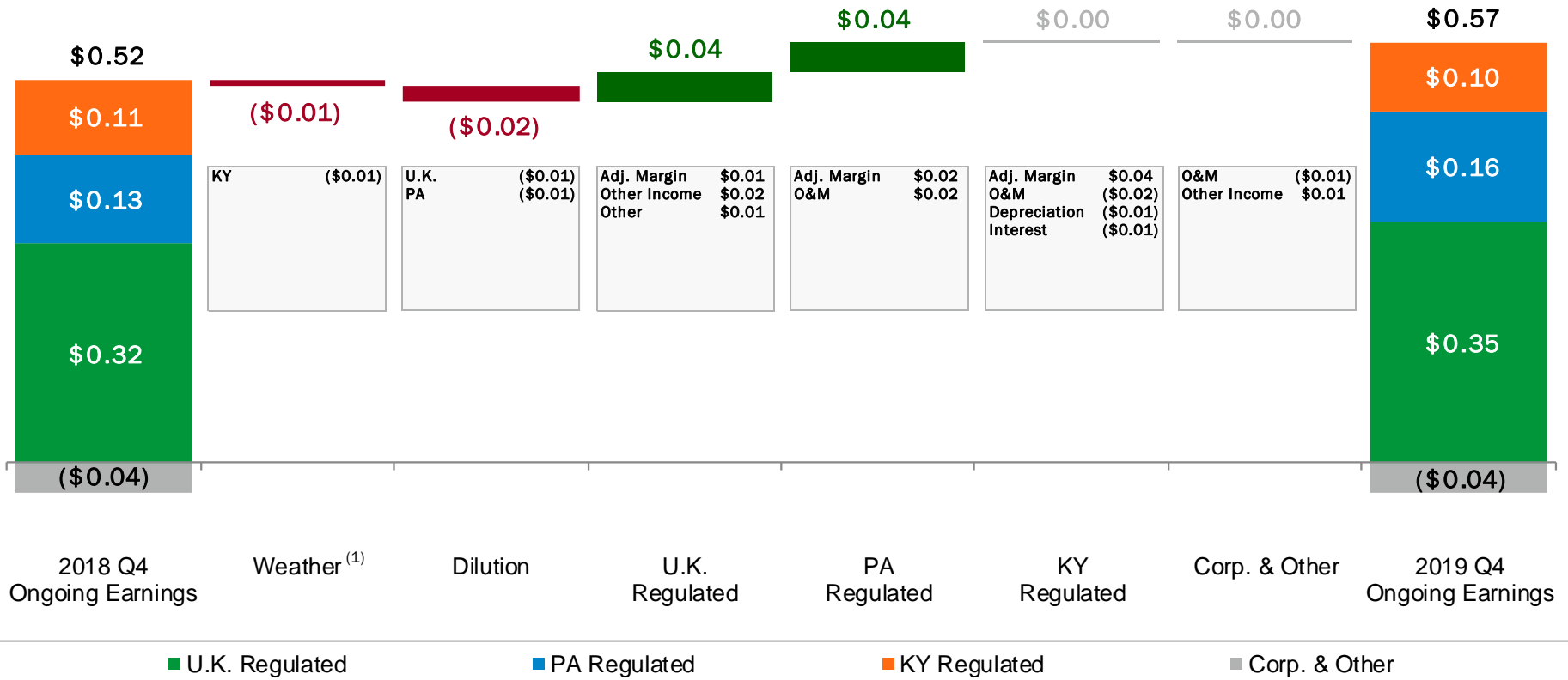
# Appendix



A century of people **powering life.**

# Q4 2019 Financial Results

(Earnings Per Share)



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

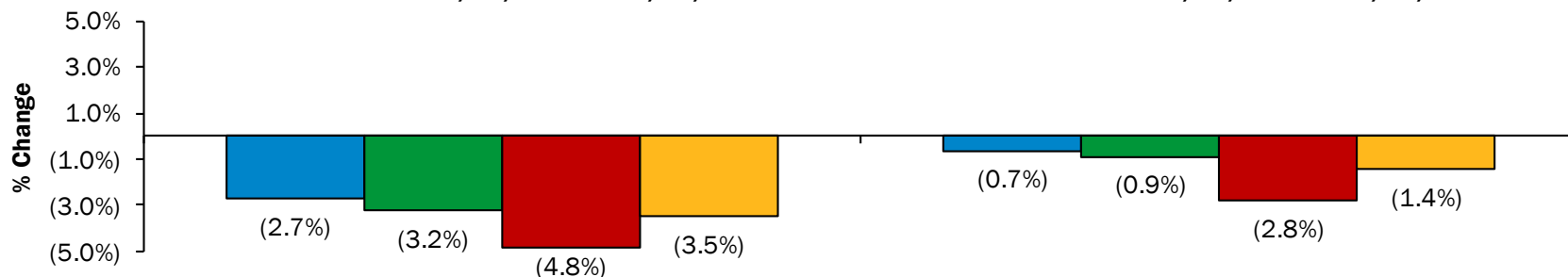
(1) Reflects estimated impact of weather on sales volumes and related adjusted gross margins in the chart above.

# U.S. Regulated Volume Variances

## Kentucky Regulated Weather-Normalized Retail Sales

3-months ended 12/31/2019 vs 12/31/2018

12-months ended 12/31/2019 vs 12/31/2018

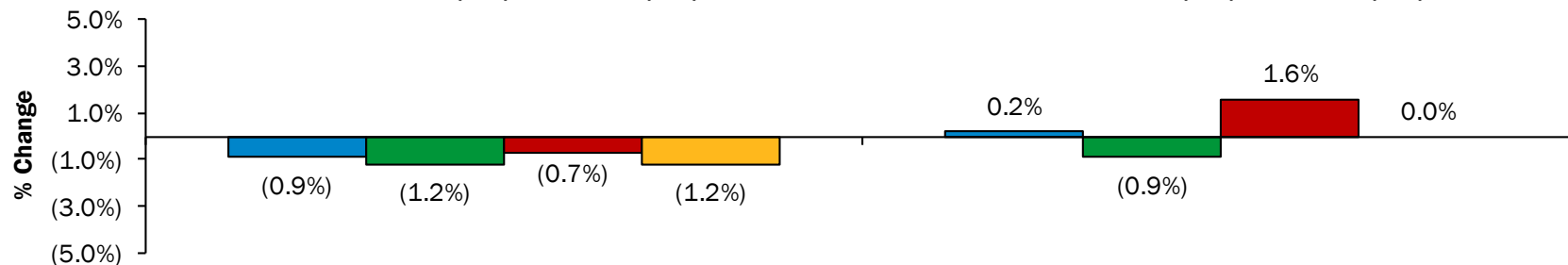


	Residential	Commercial	Industrial	Total		Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	(2.7%)	(3.2%)	(4.8%)	(3.5%)		(0.7%)	(0.9%)	(2.8%)	(1.4%)
Actual	(6.3%)	(4.2%)	(4.8%)	(5.0%)		(3.7%)	(2.7%)	(2.8%)	(3.1%)

## Pennsylvania Regulated Weather-Normalized Retail Sales

3-months ended 12/31/2019 vs 12/31/2018

12-months ended 12/31/2019 vs 12/31/2018



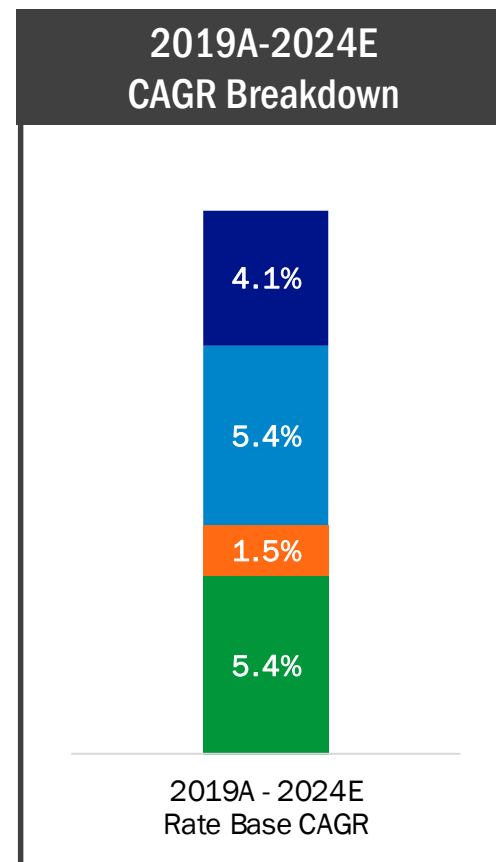
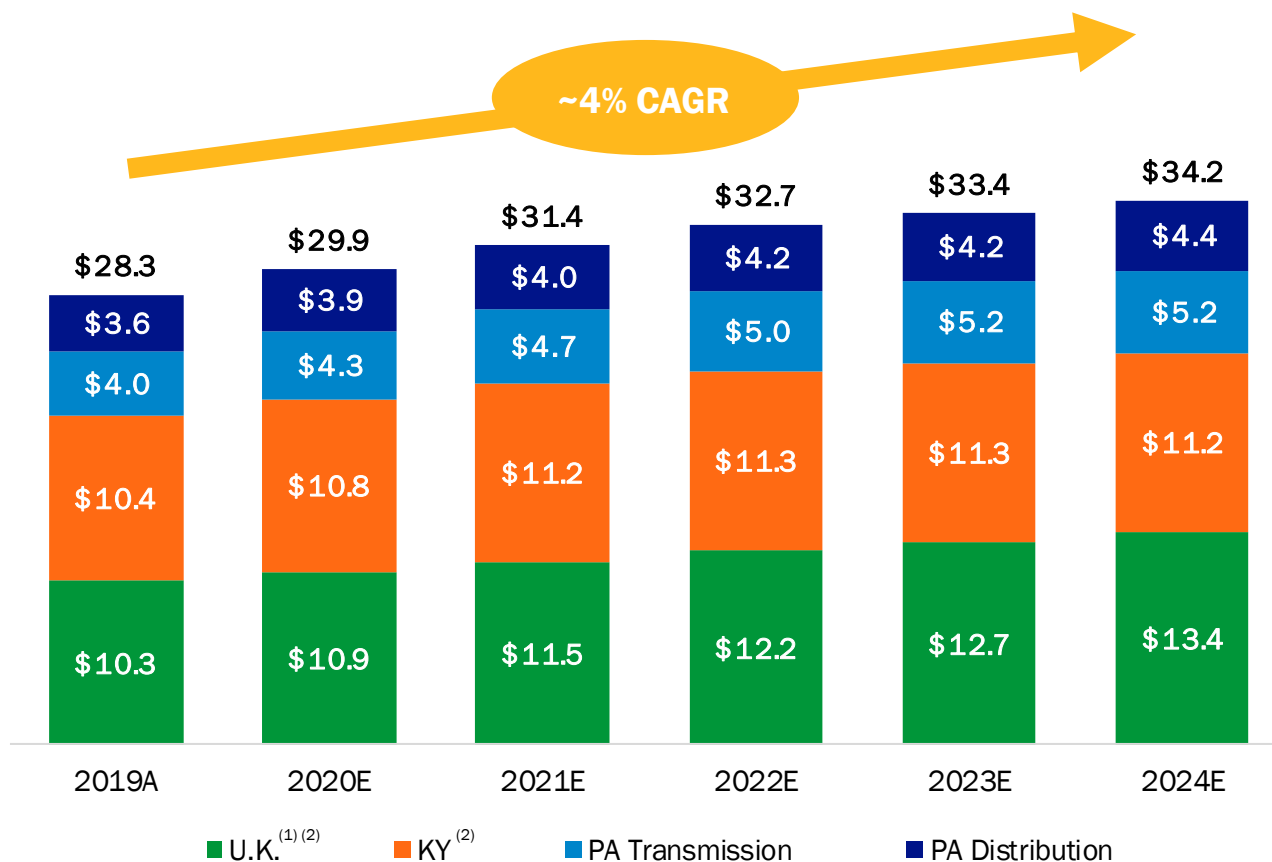
	Residential	Commercial	Industrial	Total		Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	(0.9%)	(1.2%)	(0.7%)	(1.2%)		0.2%	(0.9%)	1.6%	0.0%
Actual	(2.7%)	(1.9%)	(0.7%)	(2.3%)		(2.0%)	(1.5%)	1.6%	(1.3%)

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



# Projected Rate Base Growth

(\$ in billions)



Note: Rate base represents end of calendar year values.

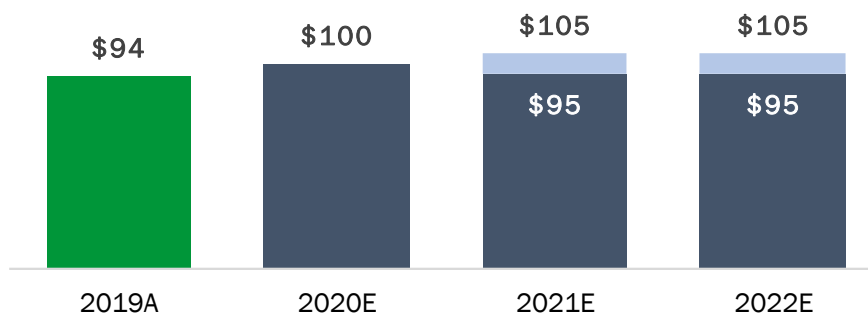
(1) Based on assumed exchange rate of \$1.30/£ in all years for comparability purposes.

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

# U.K. Regulated Incentive Revenues

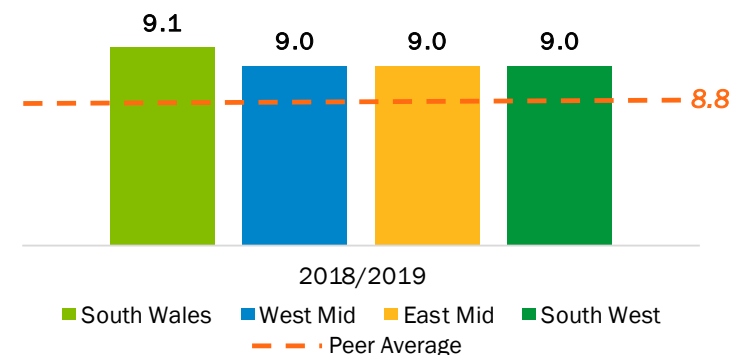
*WPD continues to demonstrate how premier network operators deliver value for customers and shareowners*

Incentive Revenues<sup>(1)</sup>



Excellent Customer Satisfaction Ratings

Customer Service Rating (10 point scale)



➤ **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) Based on calendar year revenues on an exchange rate of \$1.30/£ in all years for comparability purposes. Annual incentives are reflected in customer rates on a two-year lag from the time they are earned.

# 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 RIIO-ED1 business plan and bear 70% of any cost over-runs
- Similar to TRU, most MOD components result in a revenue adjustment two regulatory years later

## ➤ Correction Factor (K-factor) Adjustment

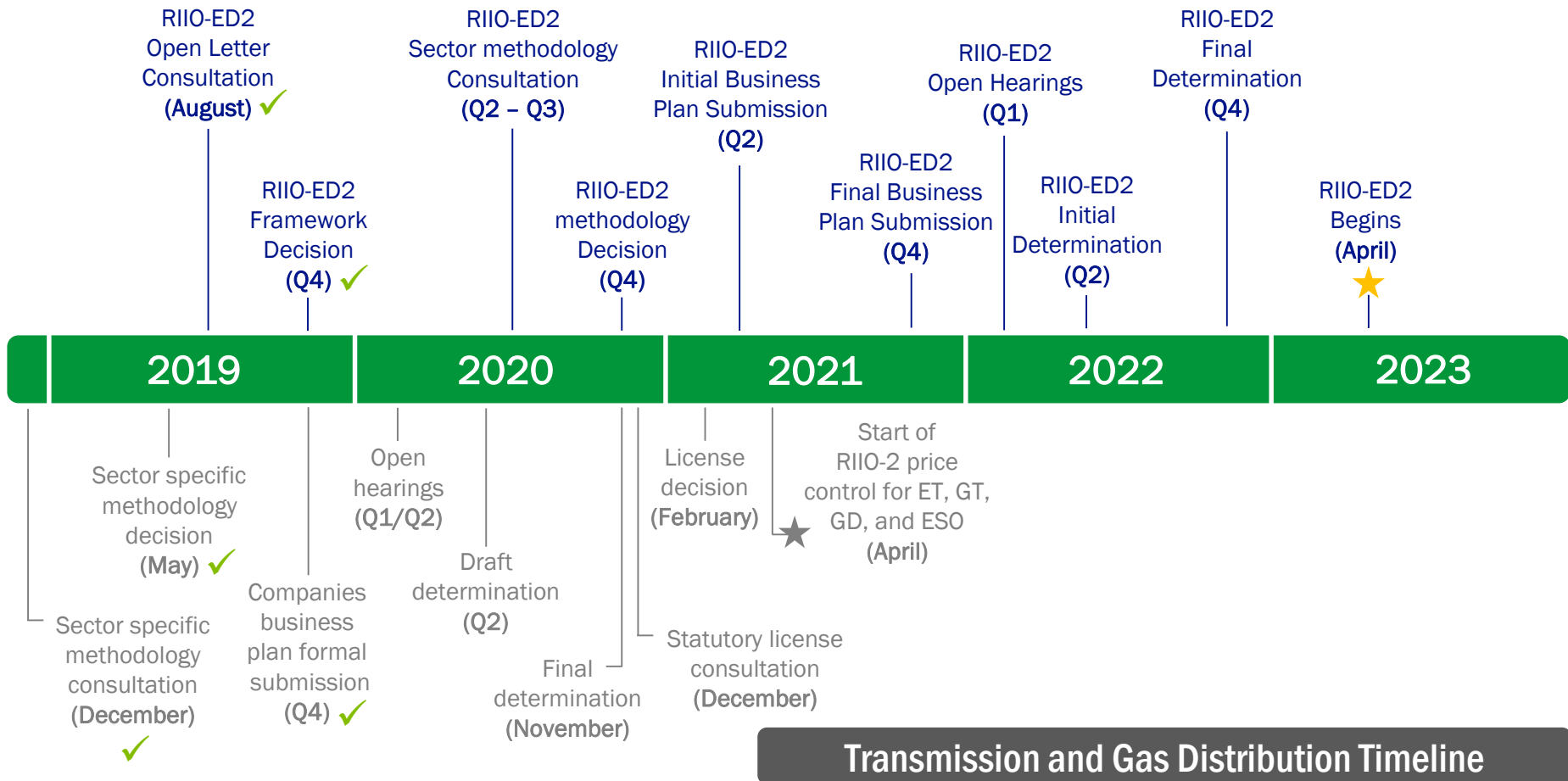
- A K-factor is created if set tariffs or delivered volumes do not recover allowed revenue for a regulatory year
- Over and under-recoveries are included in allowed revenues two regulatory years later

Adjustments included in current forecast			
(\$ in millions, pre-tax)	2020	2021	2022
TRU	\$0	(\$10)	
MOD	(\$90)	(\$150)	
K-factor	(\$10)	\$10	
Total	(\$100)	(\$150)	(\$130) - (\$180)

Note: Based on assumed exchange rates of \$1.30/£ in all years.

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

## Proposed Electricity Distribution Timeline<sup>(1)</sup>



## Transmission and Gas Distribution Timeline

(1) Based on indicative timeline published in Ofgem's RIIO-ED2 Framework Decision dated December 2019.

# Debt Maturities

(\$ in Millions)	2020	2021	2022	2023	2024	2025 and Beyond	Total
PPL Capital Funding	\$0	\$0	\$800	\$600	\$350	\$2,780	\$4,530
PPL Electric Utilities <sup>(1)</sup>	\$0	\$400	\$474	\$90	\$0	\$3,075	\$4,039
LG&E and KU Energy	\$475	\$250	\$0	\$0	\$0	\$0	\$725
Louisville Gas & Electric <sup>(1)</sup>	\$0	\$292	\$0	\$0	\$0	\$1,732	\$2,024
Kentucky Utilities <sup>(1)</sup>	\$500	\$132	\$0	\$13	\$0	\$1,997	\$2,642
WPD plc	\$0	\$500	\$0	\$646	\$65	\$654	\$1,865
WPD Operating Companies <sup>(2)</sup>	\$194	\$0	\$0	\$905	\$517	\$4,561	\$6,177
<b>Total</b>	<b>\$1,169</b>	<b>\$1,574</b>	<b>\$1,274</b>	<b>\$2,254</b>	<b>\$932</b>	<b>\$14,799</b>	<b>\$22,002</b>

Note: As of December 31, 2019.

(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-2024	\$1,450	\$0	\$450	\$1,000
	Bilateral Credit Facility	Mar-2020	100	0	15	85
			<u>\$1,550</u>	<u>\$0</u>	<u>\$465</u>	<u>\$1,085</u>
<b>PPL Electric Utilities</b>	Syndicated Credit Facility	Jan-2024	\$650	\$0	\$1	\$649
<b>Louisville Gas &amp; Electric</b>	Syndicated Credit Facility	Jan-2024	\$500	\$0	\$238	\$262
<b>Kentucky Utilities</b>	Syndicated Credit Facility	Jan-2024	\$400	\$0	\$150	\$250
<b>WPD</b>	WPD plc Syndicated Credit Facility	Jan-2023	£210	£155	£0	£55 <sup>(1)</sup>
	WPD (South West) Syndicated Credit Facility	Jul-2021	245	40	0	205
	WPD (East Midlands) Syndicated Credit Facility	Jul-2021	300	0	0	300
	WPD (West Midlands) Syndicated Credit Facility	Jul-2021	300	48	0	252
	Uncommitted Credit Facilities		100	0	4	96
			<u>£1,155</u>	<u>£243</u>	<u>£4</u>	<u>£908</u>

Note: As of December 31, 2019.

(1) The unused capacity reflects the amount borrowed in GBP of £155 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

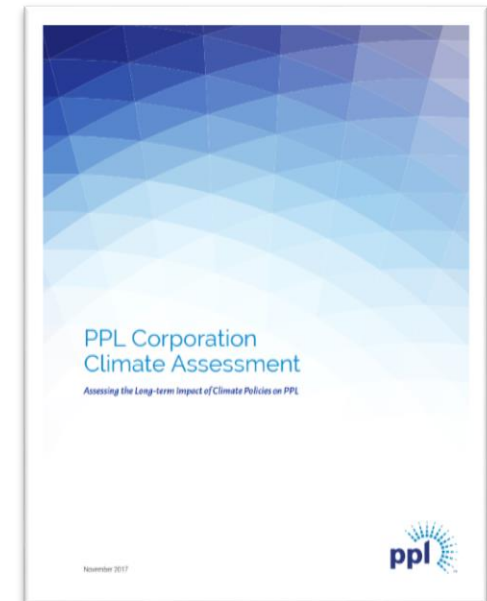
LKE Operating Companies		
Credit Rating	S&P	Moody's
Secured	A	A1
Unsecured	NR	NR
Long-term Issuer	A-	A3
Outlook	Stable	Stable

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, 2019.

# Voluntary ESG Disclosures

*Extensive and transparent reporting keeps stakeholders informed*



- TCFD, SASB disclosure mapping <sup>(1) (2)</sup>
- CPA-Zicklin political disclosure <sup>(3)</sup>
- Responsive to Sustainalytics, MSCI, ISS, and other ratings <sup>(4)</sup>

(1) TCFD: Task Force on Climate-related Financial Disclosures.

(2) SASB: Sustainability Accounting Standards Board.

(3) CPA-Zicklin Index is produced by the Center for Political Accountability in conjunction with the Zicklin Center for Business Ethics Research at The Wharton School at the University of Pennsylvania.

(4) Sustainalytics is a global leader in ESG and Corporate Governance research and ratings.



# Reconciliation of Segment Reported Earnings to Earnings From Ongoing Operations

After-Tax (Unaudited) (millions of dollars)	4th Quarter December 31, 2019					Year-to-Date December 31, 2019				
	U.K. Reg.	KY Reg.	PA Reg.	Corp. & Other	Total	U.K. Reg.	KY Reg.	PA Reg.	Corp. & Other	Total
	<b>Reported Earnings</b>	\$ 193	\$ 72	\$ 125	\$ (26)	\$ 364	\$ 977	\$ 436	\$ 458	\$ (125)
Less: Special Items (expense) benefit:										
Foreign currency economic hedges, net of tax of \$17, \$13	(66)				(66)	(51)				(51)
Talen litigation costs, net of tax of \$0, \$1				(1)	(1)				(5)	(5)
Other, net of tax of \$0, \$1						(4)				(4)
<b>Total Special Items</b>	<u>(66)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(67)</u>	<u>(55)</u>	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>(60)</u>
<b>Earnings from Ongoing Operations</b>	<u>\$ 259</u>	<u>\$ 72</u>	<u>\$ 125</u>	<u>\$ (25)</u>	<u>\$ 431</u>	<u>\$ 1,032</u>	<u>\$ 436</u>	<u>\$ 458</u>	<u>\$ (120)</u>	<u>\$ 1,806</u>

After-Tax (Unaudited) (per share - diluted)	4th Quarter December 31, 2019					Year-to-Date December 31, 2019				
	U.K. Reg.	KY Reg.	PA Reg.	Corp. & Other	Total	U.K. Reg.	KY Reg.	PA Reg.	Corp. & Other	Total
	<b>Reported Earnings</b>	\$ 0.26	\$ 0.10	\$ 0.16	\$ (0.04)	\$ 0.48	\$ 1.33	\$ 0.59	\$ 0.62	\$ (0.17)
Less: Special Items (expense) benefit:										
Foreign currency economic hedges	(0.09)				(0.09)	(0.06)				(0.06)
Talen litigation costs				-	-				(0.01)	(0.01)
Other						(0.01)				(0.01)
<b>Total Special Items</b>	<u>(0.09)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.09)</u>	<u>(0.07)</u>	<u>-</u>	<u>-</u>	<u>(0.01)</u>	<u>(0.08)</u>
<b>Earnings from Ongoing Operations</b>	<u>\$ 0.35</u>	<u>\$ 0.10</u>	<u>\$ 0.16</u>	<u>\$ (0.04)</u>	<u>\$ 0.57</u>	<u>\$ 1.40</u>	<u>\$ 0.59</u>	<u>\$ 0.62</u>	<u>\$ (0.16)</u>	<u>\$ 2.45</u>

# 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)	\$ 1,827
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>	<b>40</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>33</b>	<b>146</b>	<b>(7)</b>	<b>(5)</b>	<b>(12)</b>	<b>122</b>
<b>Earnings from Ongoing Operations</b>	<b>\$ 238</b>	<b>\$ 79</b>	<b>\$ 96</b>	<b>\$ (31)</b>	<b>\$ 382</b>	<b>\$ 968</b>	<b>\$ 418</b>	<b>\$ 436</b>	<b>\$ (117)</b>	<b>\$ 1,705</b>

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)	\$ 2.58
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				(0.01)	(0.01)				(0.01)	(0.01)
Death benefit	(0.01)				(0.01)	(0.01)				(0.01)
<b>Total Special Items</b>	<b>0.06</b>	<b>-</b>	<b>-</b>	<b>(0.01)</b>	<b>0.05</b>	<b>0.21</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>0.18</b>
<b>Earnings from Ongoing Operations</b>	<b>\$ 0.32</b>	<b>\$ 0.11</b>	<b>\$ 0.13</b>	<b>\$ (0.04)</b>	<b>\$ 0.52</b>	<b>\$ 1.36</b>	<b>\$ 0.59</b>	<b>\$ 0.62</b>	<b>\$ (0.17)</b>	<b>\$ 2.40</b>



# Adjusted Gross Margins Summary

(Unaudited) (millions of dollars, except share data)	Twelve Months Ended December 31,			Per Share Diluted (after-tax)
	2019	2018	Change	
U.K. Adjusted Gross Margins	\$ 1,998	\$ 2,089	\$ (91)	\$ (0.10)
Less: Impact of changes in foreign currency exchange rates			(107)	(0.12)
U.K. Adjusted Gross Margins excluding impact of foreign currency exchange rates			\$ 16	\$ 0.02
Kentucky Adjusted Gross Margins	\$ 2,111	\$ 2,041	\$ 70	\$ 0.07
Pennsylvania Adjusted Gross Margins				
Distribution	\$ 927	\$ 924	\$ 3	\$ 0.00
Transmission	600	549	51	0.06
Total Pennsylvania Adjusted Gross Margins	\$ 1,527	\$ 1,473	\$ 54	\$ 0.06

# Reconciliation of Adjusted Gross Margins to Operating Income

(Unaudited) (millions of dollars)	Twelve Months Ended December 31, 2019					Twelve Months Ended December 31, 2018				
	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	\$ 2,129	\$ 3,206	\$ 2,358	\$ 76	\$ 7,769	\$ 2,230	\$ 3,214	\$ 2,277	\$ 64	\$ 7,785
Operating Expenses										
Fuel		709			709		799			799
Energy purchases		174	549		723		201	544		745
Other operation and maintenance	131	92	125	1,637	1,985	141	98	121	1,623	1,983
Depreciation		116	50	1,033	1,199		70	35	989	1,094
Taxes, other than income		4	107	202	313		5	104	203	312
Total Operating Expenses	131	1,095	831	2,872	4,929	141	1,173	804	2,815	4,933
Total	\$ 1,998	\$ 2,111	\$ 1,527	\$ (2,796)	\$ 2,840	\$ 2,089	\$ 2,041	\$ 1,473	\$ (2,751)	\$ 2,852

# 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 and adversely 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 statutory tax rate of the entity where the activity is recorded. Special items may include items such as:

- 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.