

PPL CORPORATION AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

Condensed Consolidated Balance Sheet
(Millions of Dollars)

	<u>Dec. 31, 2003</u>	<u>Dec. 31, 2002 (d)</u>
Assets		
Cash	\$476	\$245
Other current assets	1,584	1,597
Investments	742	656
Property, plant and equipment – net (a) (b)		
Electric plant	10,024	9,113
Gas and oil plant	205	201
Other property	<u>221</u>	<u>252</u>
	10,450	9,566
Recoverable transition costs	1,687	1,946
Goodwill and other intangibles (a)	1,274	663
Regulatory and other assets	<u>912</u>	<u>879</u>
Total assets	<u>\$17,125</u>	<u>\$15,552</u>
Liabilities and Equity		
Short-term debt (including current portion of long-term debt)	\$449	\$1,309
Other current liabilities	1,323	1,304
Long-term debt (less current portion) (b) (c)	8,135	5,901
Deferred income taxes and investment tax credits (a)	2,202	2,287
Other noncurrent liabilities	1,652	1,748
Minority interest	54	36
Company-obligated mandatorily redeemable securities (c)	0	661
Preferred stock	51	82
Earnings reinvested	1,478	1,013
Other common equity	2,915	2,493
Accumulated other comprehensive loss	(297)	(446)
Treasury stock	<u>(837)</u>	<u>(836)</u>
Total liabilities and equity	<u>\$17,125</u>	<u>\$15,552</u>

- (a) The December 2003 balance sheet includes the impact of the final adjustments related to the acquisition of the controlling interest in WPD in the fourth quarter of 2002. The final purchase price allocations were recorded as of October 1, 2003, based on an independent appraisal of property, plant and equipment and intangible assets, as well as other available information. As a result of this final valuation, "Property, plant and equipment – net" decreased by approximately \$800 million from the preliminary valuation, with offsetting increases in "Goodwill and other intangibles" and reductions in "Deferred income taxes and investment tax credits."
- (b) PPL adopted FASB Interpretation Number 46, "Consolidation of Variable Interest Entities," effective December 31, 2003. This resulted in the consolidation of the Sundance, University Park and Lower Mt. Bethel projects, which were financed under off-balance sheet synthetic leases. Approximately \$1.1 billion was added to both "Property, plant and equipment – net" and "Long-term debt" as a result of adopting FIN 46.
- (c) PPL adopted Statement of Financial Accounting Standards 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," effective July 1, 2003. This required the reclassification of company-obligated mandatorily redeemable preferred securities to long-term debt effective at that date.
- (d) Certain amounts have been reclassified to conform to the current year presentation.

Condensed Consolidated Income Statement
(Millions of Dollars)

	<u>3 Months Ended Dec. 31</u>		<u>12 Months Ended Dec. 31</u>	
	<u>2003(a)</u>	<u>2002(a)(b)</u>	<u>2003(a)</u>	<u>2002(a)(b)</u>
Operating Revenues				
Utility	\$931	\$902	\$3,710	\$3,676
Unregulated retail electric and gas	35	45	152	182
Wholesale energy marketing	207	243	1,214	1,036
Net energy trading margins	3	6	12	19
Energy-related businesses	<u>120</u>	<u>129</u>	<u>485</u>	<u>554</u>
	<u>1,296</u>	<u>1,325</u>	<u>5,573</u>	<u>5,467</u>
Operating Expenses				
Fuel and purchased power	309	354	1,647	1,500
Other operation and maintenance	310	291	1,190	1,122
Amortization of recoverable transition costs	67	61	260	226
Depreciation	94	98	380	367
Energy-related businesses	116	128	491	543
Taxes, other than income	68	59	256	231
Other charges				
Write-down of international energy projects	0	13	0	113
Write-down of generation assets	0	44	0	44
Workforce reduction	<u>0</u>	<u>0</u>	<u>9</u>	<u>75</u>
	<u>964</u>	<u>1,048</u>	<u>4,233</u>	<u>4,221</u>
Operating Income	332	277	1,340	1,246
Other Income – net	14	4	60	30
Interest Expense	<u>120</u>	<u>131</u>	<u>475</u>	<u>561</u>
Income from Continuing Operations Before				
Income Taxes, Minority Interest and				
Distributions on Preferred Securities				
Income Taxes	226	150	925	715
Minority Interest	(31)	16	170	210
Distributions on Preferred Securities	2	2	7	78
	<u>0</u>	<u>15</u>	<u>29</u>	<u>67</u>
Income from Continuing Operations	255	117	719	360
Loss from Discontinued Operations (net of tax)	<u>19</u>	<u>1</u>	<u>20</u>	<u>2</u>
Income Before Cumulative Effect of a Change in				
Accounting Principle				
Cumulative Effect of a Change in Accounting	236	116	699	358
Principle (net of tax)	<u>(28)</u>	<u>0</u>	<u>35</u>	<u>(150)</u>
Net Income	<u>\$208</u>	<u>\$116</u>	<u>\$734</u>	<u>\$208</u>
Earnings per share of common stock – basic				
Earnings from ongoing operations	\$0.98	\$0.82	\$3.72	\$3.55
Unusual items	<u>0.19</u>	<u>(0.11)</u>	<u>0.53</u>	<u>(2.18)</u>
Net Income	<u>\$1.17</u>	<u>\$0.71</u>	<u>\$4.25</u>	<u>\$1.37</u>
Earnings per share of common stock – diluted				
Earnings from ongoing operations	\$0.98	\$0.82	\$3.71	\$3.54
Unusual items	<u>0.19</u>	<u>(0.11)</u>	<u>0.53</u>	<u>(2.18)</u>
Net Income	<u>\$1.17</u>	<u>\$0.71</u>	<u>\$4.24</u>	<u>\$1.36</u>
Average shares outstanding (thousands)				
Basic	176,849	164,742	172,795	152,492
Diluted	177,424	165,031	173,392	152,809

- (a) Earnings in the 2003 and 2002 periods were impacted by several unusual items, as described in the text and tables of this news release. Earnings from ongoing operations excludes the impact of these unusual items.
- (b) Certain amounts have been reclassified to conform to the current year presentation.

Key Indicators

Financial

	<u>12 Months Ended Dec. 31, 2003</u>	<u>12 Months Ended Dec. 31, 2002</u>
Dividends declared per share	\$1.54	\$1.44
Book value per share (a)	\$18.37	\$13.42
Market price per share (a)	\$43.75	\$34.68
Dividend yield (a)	3.5%	4.2%
Dividend payout ratio (b)	36%	106%
Dividend payout ratio – earnings from ongoing operations (b)(c)	42%	41%
Price/earnings ratio (a)(b)	10.3	25.5
Price/earnings ratio – earnings from ongoing operations (a)(b)(c)	11.8	9.8
Return on average common equity	26.56%	10.27%
Return on average common equity – earnings from ongoing operations (c)	22.67%	20.51%

(a) End of period.

(b) Based on diluted earnings per share.

(c) Calculated using earnings from ongoing operations, which excludes the impact of unusual items, as described in the text and tables of this news release.

Reconciliation of Business Segment Earnings from Ongoing Operations and Reported Earnings

	<u>Current Year - 2003</u>				<u>Prior Year - 2002</u>			
	<u>Supply</u>	<u>Delivery</u>	<u>International</u>	<u>Total</u>	<u>Supply</u>	<u>Delivery</u>	<u>International</u>	<u>Total</u>
<i>(millions of dollars)</i>								
Earnings from ongoing operations – 4thQtr	\$128	\$7	\$39	\$174	\$96	\$8	\$30	\$134
Unusual Items	(27)		61	34	(26)		8	(18)
Earnings – reported 4thQtr	\$101	\$7	\$100	\$208	\$70	\$8	\$38	\$116
Earnings from ongoing operations – YTD	\$466	\$41	\$135	\$642	\$407	\$67	\$67	\$541
Unusual Items	36	(5)	61	92	(51)	(19)	(263)	(333)
Earnings – reported YTD	\$502	\$36	\$196	\$734	\$356	\$48	\$(196)	\$208
<i>(per share)</i>								
Earnings from ongoing operations – 4thQtr	\$0.72	\$0.04	\$0.22	\$0.98	\$0.60	\$0.05	\$0.17	\$0.82
Unusual Items	(0.15)		0.34	0.19	(0.17)		0.06	(0.11)
Earnings – reported 4thQtr	\$0.57	\$0.04	\$0.56	\$1.17	\$0.43	\$0.05	\$0.23	\$0.71
Earnings from ongoing operations – YTD	\$2.70	\$0.24	\$0.77	\$3.71	\$2.66	\$0.44	\$0.44	\$3.54
Unusual Items	0.20	(0.03)	0.36	0.53	(0.33)	(0.13)	(1.72)	(2.18)
Earnings – reported YTD	\$2.90	\$0.21	\$1.13	\$4.24	\$2.33	\$0.31	\$(1.28)	\$1.36

Operating – Domestic Electricity Sales

PPL Corp. (millions of kwh)	<u>3 Months Ended Dec. 31</u>			<u>12 Months Ended Dec. 31</u>		
	<u>2003</u>	<u>2002</u>	<u>Percent Change</u>	<u>2003</u>	<u>2002</u>	<u>Percent Change</u>
Retail						
Delivered (a)	8,429	8,549	(1.4%)	35,407	35,033	1.1%
Supplied	8,824	8,824	(0.0%)	36,774	36,746	0.1%
Wholesale						
East	6,428	6,137	4.7%	29,306	24,695	18.7%
West						
NorthWestern Energy/ Montana Power (b)	841	846	(0.6%)	3,348	4,259	(21.4%)
Other	2,474	2,180	13.5%	9,054	7,895	14.7%

- (a) Electricity delivered to retail customers represents the kwh delivered to customers within PPL Electric Utilities Corporation's service territory.
- (b) NorthWestern Corporation purchased The Montana Power Company's electric delivery business in February 2002, including Montana Power's rights under a power supply agreement with PPL Montana that expired on June 30, 2002. In July 2002, PPL EnergyPlus, on behalf of PPL Montana, began selling energy to NorthWestern Corporation under a new five-year agreement.