

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

Condensed Consolidated Balance Sheet
(Millions of Dollars)

	<u>June 30, 2004</u>	<u>Dec. 31, 2003 (a)</u>
Assets		
Cash	\$ 358	\$ 476
Other current assets	1,627	1,544
Investments	595	742
Property, plant and equipment – net		
Electric plant	10,367	10,011
Gas and oil plant	209	205
Other property	213	221
	<u>10,789</u>	<u>10,437</u>
Recoverable transition costs	1,559	1,687
Goodwill and other intangibles	1,324	1,311
Regulatory and other assets	982	926
	<u>982</u>	<u>926</u>
Total assets	<u>\$ 17,234</u>	<u>\$ 17,123</u>
Liabilities and Equity		
Short-term debt (including current portion of long-term debt)	\$ 1,004	\$ 451
Other current liabilities	1,341	1,318
Long-term debt (less current portion)	6,671	8,145
Deferred income taxes and investment tax credits	2,286	2,205
Other noncurrent liabilities	1,772	1,640
Minority interest	53	54
Preferred stock	51	51
Earnings reinvested	1,653	1,478
Other common equity	3,514	2,915
Accumulated other comprehensive loss	(274)	(297)
Treasury stock	(837)	(837)
	<u>(837)</u>	<u>(837)</u>
Total liabilities and equity	<u>\$ 17,234</u>	<u>\$ 17,123</u>

(a) Certain amounts have been reclassified to conform to the current year presentation.

Condensed Consolidated Income Statement
(Millions of Dollars, Except per Share Data)

	<u>3 Months Ended June 30,</u>		<u>6 Months Ended June 30,</u>		<u>12 Months Ended June 30,</u>	
	<u>2004 (a)</u>	<u>2003 (b)</u>	<u>2004 (a)</u>	<u>2003 (a)(b)</u>	<u>2004 (a)</u>	<u>2003 (a)(b)</u>
Operating Revenues						
Utility	\$907	\$862	\$1,992	\$1,881	\$3,821	\$3,719
Unregulated retail electric and gas	29	33	60	84	128	175
Wholesale energy marketing	294	303	572	601	1,185	1,223
Net energy trading margins	5	12	12	5	19	8
Energy-related businesses	<u>127</u>	<u>129</u>	<u>246</u>	<u>256</u>	<u>489</u>	<u>531</u>
	<u>1,362</u>	<u>1,339</u>	<u>2,882</u>	<u>2,827</u>	<u>5,642</u>	<u>5,656</u>
Operating Expenses						
Fuel and purchased power	389	386	862	885	1,624	1,699
Other operation and maintenance	320	324	636	601	1,239	1,199
Amortization of recoverable transition costs	57	56	128	127	261	250
Depreciation	102	92	201	188	393	378
Energy-related businesses	132	135	270	256	505	520
Taxes, other than income	64	60	121	125	252	238
Other charges						
Write-down of international energy projects	0	0	0	0	0	13
Workforce reduction	0	0	0	0	9	1
Write-down of generation projects	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>44</u>
	<u>1,064</u>	<u>1,053</u>	<u>2,218</u>	<u>2,182</u>	<u>4,283</u>	<u>4,342</u>
Operating Income	298	286	664	645	1,359	1,314
Other Income – net	19	23	31	31	60	50
Interest Expense (c)	<u>140</u>	<u>128</u>	<u>265</u>	<u>236</u>	<u>504</u>	<u>535</u>
Income from Continuing Operations Before						
Income Taxes, Minority Interest and						
Distributions on Preferred Securities	177	181	430	440	915	829
Income Taxes	26	49	98	118	150	213
Minority Interest	2	1	4	2	9	24
Distributions on Preferred Securities (c)	<u>0</u>	<u>14</u>	<u>1</u>	<u>27</u>	<u>3</u>	<u>58</u>
Income from Continuing Operations	149	117	327	293	753	534
Loss from Discontinued Operations (net of income taxes)	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>21</u>	<u>3</u>
Income Before Cumulative Effects of						
Changes in Accounting Principles	148	116	325	292	732	531
Cumulative Effects of Changes in Accounting Principles (net of income taxes)	<u>0</u>	<u>0</u>	<u>0</u>	<u>63</u>	<u>(28)</u>	<u>63</u>
Net Income	<u>\$148</u>	<u>\$116</u>	<u>\$325</u>	<u>\$355</u>	<u>\$704</u>	<u>\$594</u>
Earnings per share of common stock – basic						
Ongoing Earnings	\$0.72	\$0.68	\$1.75	\$1.73	\$3.73	\$3.51
Unusual items	<u>0.09</u>	<u>0</u>	<u>0.05</u>	<u>0.37</u>	<u>0.21</u>	<u>0.13</u>
Net Income	<u>\$0.81</u>	<u>\$0.68</u>	<u>\$1.80</u>	<u>\$2.10</u>	<u>\$3.94</u>	<u>\$3.64</u>
Earnings per share of common stock – diluted						
Ongoing Earnings	\$0.72	\$0.67	\$1.75	\$1.72	\$3.72	\$3.50
Unusual items	<u>0.09</u>	<u>0</u>	<u>0.05</u>	<u>0.37</u>	<u>0.21</u>	<u>0.13</u>
Net Income	<u>\$0.81</u>	<u>\$0.67</u>	<u>\$1.80</u>	<u>\$2.09</u>	<u>\$3.93</u>	<u>\$3.63</u>
Average shares outstanding (thousands)						
Basic	182,962	171,892	180,437	169,482	178,642	162,910
Diluted	183,524	172,541	181,022	170,061	179,241	163,455

- (a) Earnings in the 2004 and 2003 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.
- (c) Impacted by the adoption in mid-2003 of Statement of Financial Accounting Standards 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This required the reclassification of company-obligated, mandatorily redeemable preferred securities to long-term debt.

Key Indicators

Financial

	<u>12 Months Ended June 30, 2004</u>	<u>12 Months Ended June 30, 2003</u>
Dividends declared per share	\$1.59	\$1.49
Book value per share (a)	\$21.48	\$16.30
Market price per share (a)	\$45.90	\$43.00
Dividend yield (a)	3.5%	3.5%
Dividend payout ratio (b)	40%	41%
Dividend payout ratio – earnings from ongoing operations (b)(c)	43%	43%
Price/earnings ratio (a)(b)	11.7	11.8
Price/earnings ratio – earnings from ongoing operations (a)(b)(c)	12.3	12.3
Return on average common equity	21.35%	25.14%
Return on average common equity – earnings from ongoing operations (c)	20.47%	20.47%

(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 - 2004</u>				<u>Last Year - 2003</u>			
	<u>Supply</u>	<u>Internationa l</u>	<u>Delivery</u>	<u>Total</u>	<u>Supply</u>	<u>Internationa l</u>	<u>Delivery</u>	<u>Total</u>
<i>(millions of dollars)</i>								
Earnings from ongoing operations – 2nd Qtr	\$86	\$44	\$2	\$132	\$90	\$26	\$(0)	\$116
Unusual Items	(6)	22		16				
Earnings – reported	\$80	\$66	\$2	\$148	\$90	\$26	\$(0)	\$116
Earnings from ongoing operations – YTD	\$175	\$100	\$42	\$317	\$178	\$77	\$37	\$292
Unusual Items	(6)	14		8	63			63
Earnings – reported	\$169	\$114	\$42	\$325	\$241	\$77	\$37	\$355
<i>(per share)</i>								
Earnings from ongoing operations – 2nd Qtr	\$0.47	\$0.24	\$0.01	\$0.72	\$0.52	\$0.15	\$(0.00)	\$0.67
Unusual Items	(0.03)	0.12		0.09				
Earnings – reported	\$0.44	\$0.36	\$0.01	\$0.81	\$0.52	\$0.15	\$(0.00)	\$0.67
Earnings from ongoing operations – YTD	\$0.97	\$0.55	\$0.23	\$1.75	\$1.05	\$0.45	\$0.22	\$1.72
Unusual Items	(0.03)	0.08		0.05	0.37			0.37
Earnings – reported	\$0.94	\$0.63	\$0.23	\$1.80	\$1.42	\$0.45	\$0.22	\$2.09

Operating – Domestic Electricity Sales

(millions of kwh)	<u>3 Months Ended June 30,</u>			<u>6 Months Ended June 30,</u>			<u>12 Months Ended June 30,</u>		
	<u>2004</u>	<u>2003</u>	<u>Percent Change</u>	<u>2004</u>	<u>2003</u>	<u>Percent Change</u>	<u>2004</u>	<u>2003</u>	<u>Percent Change</u>
Retail									
Delivered (a)	8,352	8,058	3.6%	18,272	18,055	1.2%	35,623	35,711	(0.2%)
Supplied	8,811	8,376	5.2%	19,179	18,629	3.0%	37,322	37,057	0.7%
Wholesale									
East	6,001	5,912	1.5%	11,690	11,666	0.2%	25,463	25,398	0.3%
West									
NorthWestern Energy/ Montana Power (b)	827	838	(1.3%)	1,662	1,665	(0.2%)	3,345	3,358	(0.4%)
Other Montana	1,729	1,752	(1.3%)	3,937	3,807	3.4%	7,782	7,191	8.2%
PPL EnergyPlus	287	332	(13.6%)	480	468	2.6%	1,415	1,502	(5.8%)

- (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.