

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

Condensed Consolidated Balance Sheet
(Millions of Dollars)

	<u>Sept. 30, 2004</u>	<u>Dec. 31, 2003 (a)</u>
Assets		
Cash	\$ 778	\$ 476
Other current assets	1,646	1,544
Investments	594	742
Property, plant and equipment – net		
Electric plant	10,337	10,011
Gas and oil plant	215	205
Other property	213	221
	<u>10,765</u>	<u>10,437</u>
Recoverable transition costs	1,496	1,687
Goodwill and other intangibles	1,316	1,311
Regulatory and other assets	978	926
	<u>978</u>	<u>926</u>
Total assets	<u>\$ 17,573</u>	<u>\$ 17,123</u>
Liabilities and Equity		
Short-term debt (including current portion of long-term debt)	\$ 1,035	\$ 451
Other current liabilities	1,368	1,318
Long-term debt (less current portion)	6,913	8,145
Deferred income taxes and investment tax credits	2,292	2,205
Other noncurrent liabilities	1,694	1,640
Minority interest	54	54
Preferred stock	51	51
Earnings reinvested	1,771	1,478
Other common equity	3,524	2,915
Accumulated other comprehensive loss	(292)	(297)
Treasury stock	(837)	(837)
	<u>(837)</u>	<u>(837)</u>
Total liabilities and equity	<u>\$ 17,573</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 Sept. 30,</u>		<u>9 Months Ended Sept. 30,</u>		<u>12 Months Ended Sept. 30,</u>	
	<u>2004</u>	<u>2003 (a)(b)</u>	<u>2004 (a)</u>	<u>2003 (a)(b)</u>	<u>2004 (a)</u>	<u>2003 (a)(b)</u>
Operating Revenues						
Utility	\$924	\$898	\$2,916	\$2,784	\$3,842	\$3,686
Unregulated retail electric and gas	27	31	87	115	127	160
Wholesale energy marketing	374	410	946	1,014	1,154	1,258
Net energy trading margins	6	3	18	8	20	14
Energy-related businesses	<u>134</u>	<u>120</u>	<u>380</u>	<u>376</u>	<u>503</u>	<u>518</u>
	<u>1,465</u>	<u>1,462</u>	<u>4,347</u>	<u>4,297</u>	<u>5,646</u>	<u>5,636</u>
Operating Expenses						
Fuel and purchased power	419	457	1,281	1,350	1,590	1,704
Other operation and maintenance	293	286	929	887	1,243	1,192
Amortization of recoverable transition costs	64	66	192	193	259	254
Depreciation	105	98	306	286	400	384
Energy-related businesses	136	119	406	375	522	503
Taxes, other than income	66	64	187	189	254	248
Other charges						
Write-down of international energy projects	0	0	0	0	0	13
Workforce reduction	0	9	0	9	0	9
Write-down of generation projects	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>44</u>
	<u>1,083</u>	<u>1,099</u>	<u>3,301</u>	<u>3,289</u>	<u>4,268</u>	<u>4,351</u>
Operating Income	382	363	1,046	1,008	1,378	1,285
Other Income – net	23	15	54	46	68	50
Interest Expense (c)	<u>131</u>	<u>119</u>	<u>396</u>	<u>355</u>	<u>516</u>	<u>486</u>
Income from Continuing Operations Before						
Income Taxes, Minority Interest and						
Distributions on Preferred Securities	274	259	704	699	930	849
Income Taxes	75	83	173	201	142	217
Minority Interest	2	3	6	5	8	7
Distributions on Preferred Securities (c)	<u>1</u>	<u>2</u>	<u>2</u>	<u>29</u>	<u>2</u>	<u>44</u>
Income from Continuing Operations	196	171	523	464	778	581
Loss from Discontinued Operations (net of income taxes)	<u>0</u>	<u>0</u>	<u>2</u>	<u>1</u>	<u>21</u>	<u>2</u>
Income Before Cumulative Effects of						
Changes in Accounting Principles	196	171	521	463	757	579
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>\$196</u>	<u>\$171</u>	<u>\$521</u>	<u>\$526</u>	<u>\$729</u>	<u>\$642</u>
Earnings per share of common stock – basic						
Ongoing Earnings	\$1.04	\$1.00	\$2.80	\$2.74	\$3.78	\$3.56
Unusual items	<u>0.0</u>	<u>(0.03)</u>	<u>0.05</u>	<u>0.33</u>	<u>0.24</u>	<u>0.23</u>
Net Income	<u>\$1.04</u>	<u>\$0.97</u>	<u>\$2.85</u>	<u>\$3.07</u>	<u>\$4.02</u>	<u>\$3.79</u>
Earnings per share of common stock – diluted						
Ongoing Earnings	\$1.03	\$1.00	\$2.79	\$2.73	\$3.77	\$3.54
Unusual items	<u>0.0</u>	<u>(0.03)</u>	<u>0.05</u>	<u>0.33</u>	<u>0.23</u>	<u>0.23</u>
Net Income	<u>\$1.03</u>	<u>\$0.97</u>	<u>\$2.84</u>	<u>\$3.06</u>	<u>\$4.00</u>	<u>\$3.77</u>
Average shares outstanding (thousands)						
Basic	188,586	176,397	182,889	171,577	181,494	169,776
Diluted	189,328	177,051	183,527	172,181	182,115	170,372

- (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

	12 Months Ended <u>Sept. 30, 2004</u>	12 Months Ended <u>Sept. 30, 2003</u>
Dividends declared per share	\$1.615	\$1.515
Book value per share (a)	\$22.04	\$16.76
Market price per share (a)	\$47.18	\$40.95
Dividend yield (a)	3.4%	3.7%
Dividend payout ratio (b)	40%	40%
Dividend payout ratio – earnings from ongoing operations (b)(c)	43%	43%
Price/earnings ratio (a)(b)	11.8	10.9
Price/earnings ratio – earnings from ongoing operations (a)(b)(c)	12.5	11.6
Return on average common equity	20.33%	24.76%
Return on average common equity – earnings from ongoing operations (c)	19.42%	21.12%

(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

	Current Year - 2004				Last Year - 2003			
	<u>Supply</u>	<u>Internationa l</u>	<u>Pa. Delivery</u>	<u>Total</u>	<u>Supply</u>	<u>Internationa l</u>	<u>Pa. Delivery</u>	<u>Total</u>
<i>(millions of dollars)</i>								
Net income from ongoing operations – 3rd Qtr	\$146	\$37	\$13	\$196	\$160	\$19	\$(3)	\$176
Unusual Items							(5)	(5)
Net Income – reported	\$146	\$37	\$13	\$196	\$160	\$19	\$(8)	\$171
Net income from ongoing operations – YTD	\$320	\$138	\$55	\$513	\$338	\$96	\$34	\$468
Unusual Items	(6)	14		8	63		(5)	58
Net Income – reported	\$314	\$152	\$55	\$521	\$401	\$96	\$29	\$526
<i>(per share)</i>								
Earnings per share from ongoing operations – 3rd Qtr	\$0.77	\$0.19	\$0.07	\$1.03	\$0.91	\$0.11	\$(0.02)	\$1.00
Unusual Items							(0.03)	(0.03)
Earnings per share – reported	\$0.77	\$0.19	\$0.07	\$1.03	\$0.91	\$0.11	\$(0.05)	\$0.97
Earnings per share from ongoing operations – YTD	\$1.74	\$0.75	\$0.30	\$2.79	\$1.97	\$0.56	\$0.20	\$2.73
Unusual Items	(0.03)	0.08		0.05	0.36		(0.03)	0.33
Earnings per share – reported	\$1.71	\$0.83	\$0.30	\$2.84	\$2.33	\$0.56	\$0.17	\$3.06

Operating – Domestic Electricity Sales

	3 Months Ended Sept. 30,			9 Months Ended Sept. 30,			12 Months Ended Sept. 30,		
	2004	2003	Percent Change	2004	2003	Percent Change	2004	2003	Percent Change
<i>(millions of kwh)</i>									
Retail									
Delivered (a)	9,013	8,922	1.0%	27,287	26,977	1.1%	35,715	35,526	0.5%
Supplied	9,476	9,321	1.7%	28,656	27,951	2.5%	37,480	36,775	1.9%
Wholesale									
East	6,972	7,625	(8.6%)	18,662	19,292	(3.3%)	24,810	24,375	1.8%
West									
NorthWestern Energy/ Montana Power (b)	839	842	(0.4%)	2,501	2,507	(0.2%)	3,342	3,354	(0.4%)
Other Montana	1,785	1,618	10.3%	5,722	5,424	5.5%	7,949	7,302	8.9%
PPL EnergyPlus	584	688	(15.1%)	1,064	1,156	(8.0%)	1,311	1,458	(10.1%)

- (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.