PPL Reports 2001 Earnings, Increases Dividend by 36 Percent, Forecasts 2002 EPS from Core Operations of $3.30 to $3.50

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ALLENTOWN, Pa.

PPL Corporation (NYSE: PPL) today reported 2001 earnings, announced a 36 percent increase in its common stock dividend and said it now forecasts 2002 earnings per share from core operations of $3.30 to $3.50.

(Photo: http://www.newscom.com/cgi-bin/prnh/19981015/PHTH025)

The company reported 2001 diluted earnings per share of $1.22, compared with the $3.44 per share that it reported in 2000.

William F. Hecht, PPL chairman, president and chief executive officer, said the company's 2001 results were significantly reduced by several unusual items. "Earnings from our core operations in 2001 were $4.22 per share, compared with $3.28 per share from core operations in 2000," said Hecht.

The strong 2001 core earnings were offset by charges associated with the bankruptcy of Enron, PPL's cancellation of certain U.S. power plant projects and impairment charges in the company's Brazilian and United Kingdom electric delivery businesses.

"While we had a very strong year in the generation and sale of electricity in the United States and in our Pennsylvania electricity delivery business, there also were a number of developments that resulted in charges which significantly reduced our reported earnings for the year," said Hecht.

Among those developments was a decision to scale back the company's capital expenditures for new generation. The company announced earlier this month that it was canceling six power plant projects, resulting in reduced capital expenditures of $1.3 billion. The company is continuing to construct about 2,100 megawatts of generation, for which it already has financing in place.

Hecht said the company plans to maintain its strong liquidity and grow the business through the implementation of an integrated energy supply and delivery strategy. "Our strong cash position provides us with the flexibility to respond to future growth opportunities," he said.

The company, he said, is well-positioned to grow value for shareowners, even in the face of lower wholesale energy prices.

"We have a strong stream of revenues from our electric and gas delivery businesses," said Hecht. "And, our energy supply business provides stable earnings as well, with more than 85 percent of our projected 2002 margins to be derived from long-term contracts."

In addition, the 2001 "securitization" of PPL's Pennsylvania transmission and distribution business helped put the company in a strong cash position. At the end of 2001, Hecht said, the company had about $1 billion of cash on hand.

2001 Earnings

PPL had announced last week that it was evaluating the business and regulatory situation in Brazil to determine what actions should be taken with respect to its CEMAR electricity delivery company. As a result of that evaluation, the company has taken a $217 million charge against earnings in 2001.

"Unfortunately, a prolonged drought, electricity rationing, the regulatory climate and disruption of Brazil's electricity markets have dramatically reduced the value of CEMAR," said Hecht. "As a result, CEMAR has been unable to obtain the in-country financing necessary to fund its operations, and we have decided that PPL will not provide those funds. Consequently, we are writing off a substantial portion of our $317 million investment in

2001."

Accounting rules limit the company's ability to write off the entire CEMAR investment in 2001, so an additional write-off is expected in the first quarter of 2002. The amount of that write-off, up to the remaining value of the investment, is expected to be about $100 million, or $0.68 per share.

He said CEMAR, using funds generated through its own resources, will work with government officials to seek to ensure a continuation of reliable and safe service to its 1 million electricity delivery customers.

Hecht said PPL's other Latin American operations -- in Chile, Bolivia and El Salvador -- are unaffected by the situation in Brazil.

PPL also had announced earlier this month that it was evaluating the carrying value of its investment in Western Power Distribution, an affiliate that delivers electricity to 2 million customers in England and Wales. PPL announced Tuesday that it is taking a $117 million impairment charge in 2001 to bring the carrying value of WPD in line with its fair market value.

The company had announced earlier that it is recording a 2001 charge of $88 million as the result of scaling back its generation expansion. It also is recording charges of $28 million in 2001 related to Enron's bankruptcy.

These charges, which all occurred in the fourth quarter, were slightly offset by a credit resulting from a change in the company's pension accounting methods.

The details of PPL's 2001 earnings are:

	Earnings Per Share (Diluted)
Earnings from core operations	$4.22
Charges associated with Enron bankruptcy	($0.19)
Cancellation of generation projects	($0.60)
WPD impairment	($0.80)
CEMAR impairment	($1.48)
Pension accounting change	$0.07
Total unusual items	($3.00)
2001 earnings	$1.22

Hecht said the company's solid 2001 earnings from core operations resulted from:

-- Strong margins, early in the year, from energy sales in both the eastern and western United States.
-- Improved earnings contributions from energy-related businesses, including the company's synfuel operations and its mechanical contracting subsidiaries.

PPL reported a loss of $2.12 per share for the fourth quarter of 2001. The company's earnings for the fourth quarter of 2000 were $0.87 per share.

Earnings from core operations for the fourth quarter were $0.87 per share in 2001, the same level for that period in 2000. Core earnings in the fourth quarter resulted from higher margins on energy sales in the eastern United States, lower operation and maintenance costs and contributions from synfuel operations, which were offset by depressed wholesale prices in the western United States and lower results from Latin American operations.

Dividend Increase

PPL has decided to increase its indicated annual common stock dividend level to $1.44 per share, bringing the portion of its earnings that it pays out in the form of dividends more in line with similar energy companies. The company's annual common stock dividend level has been $1.06 per share since early 2000. On a quarterly basis, the PPL dividend will increase from 26.5 cents per share to 36 cents per share.

"Based on the company's current stock price (1/29/02 closing price of $32.52 per share), this increase in our common stock dividend will improve the current yield on PPL's stock from 3.26 percent to 4.43 percent," said Hecht. "This increase is appropriate given the company's strong cash earnings from core operations and the prospect of a continuation of those earnings."

The increase will be effective, Hecht said, with the quarterly dividend payable on April 1, 2002, to shareowners of record on March 8, 2002.

2002 Earnings Forecast

PPL now forecasts 2002 earnings from core operations of $3.30 to $3.50 per share. Reported earnings, he said, would be lower as the result of the remaining $100 million impairment charge for CEMAR. In addition, a change in the accounting rules for goodwill as applied to other Latin American investments could result in a charge in the first quarter of 2002, but the amount of that charge, if any, has not been quantified at this time, Hecht said.

"As we said in early January, our 2002 forecast reflects forward wholesale electricity prices that are at their lowest level in four years," said Hecht. "While we expect about 85 percent of our 2002 energy supply margins to be derived from long-term contracts, any increase in wholesale energy prices should result in potential earnings improvement for the company."

Hecht said the company's integrated strategy of asset-backed energy marketing and electricity delivery businesses is expected to result in mid- single-digit earnings-per-share growth rates for the next several years.

An important element of that growth rate is the company's continuing effort to secure long-term energy sales contracts. PPL EnergyPlus, the company's marketing arm, has signed a 6,000-megawatt, eight-year contract with PPL's Pennsylvania electric utility affiliate as well as a five-year, 450-megawatt contract with The Montana Power Company. In addition, PPL EnergyPlus has signed multi-year tolling agreements with the Long Island Power Authority for about 160 megawatts of generation that the company is building at two Long Island sites.

As part of its plans to expand its retail operations, PPL EnergyPlus is providing up to 135 megawatts of supply, for various terms, to large industrial customers in Montana. PPL EnergyPlus is continuing to grow this business and is exploring retail offerings to business customers in other areas as well.

PPL CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

Consolidated Balance Sheet
(Millions of Dollars)

	Dec. 31, 2001	Dec. 31, 2000
Assets		
Current Assets	$2,466	$1,937
Investments	1,037	1,161
Property, plant and equipment - net		
Transmission and distribution	2,692	2,841
Generation	2,518	2,177
General and intangible	317	293
Construction work in progress	209	261
Nuclear fuel and other leased property	127	123
Electric utility plant	5,863	5,695
Gas and oil utility plant	197	178
Other property	77	75
	6,137	5,948
Recoverable transition costs	2,174	2,425
Regulatory and other assets	805	889
Total assets	$12,619	$12,360
Liabilities and Equity		
Current liabilities	$2,081	$2,511
Long-term debt (less current portion)	4,992	4,467
Deferred income taxes and ITC	1,420	1,412
Liability for above market NUG purchases	494	581
Other noncurrent liabilities	830	976
Minority interest	38	54
Company-obligated mandatorily redeemable securities	825	250

Preferred stock	82	97
Earnings reinvested	1,023	999
Other common equity	1,670	1,849
Treasury stock	(836)	(836)
Total liabilities and equity	$12,619	$12,360

Consolidated Income Statement
(Millions of Dollars)

	3 Months Ended Dec. 31 2001	3 Months Ended Dec. 31 2000(a)	12 Months Ended Dec. 31 2001	12 Months Ended Dec. 31 2000(a)
Operating Revenues				
Retail electric and gas	$791	$860	$3,357	$3,167
Wholesale energy marketing and trading	352	507	1,712	2,080
Energy-related businesses	169	138	656	436
	1,312	1,505	5,725	5,683
Operating Expenses				
Fuel and purchased power	461	570	2,128	2,461
Other operation and maintenance	239	315	1,024	966
Amortization of recoverable transition costs	60	68	251	227
Depreciation	64	65	254	261
Other	191	159	727	566
	1,015	1,177	4,384	4,481
Operating income	297	328	1,341	1,202
Other income and (deductions)				
Write-down of International Energy Projects	(336)		(336)	
Cancellation of Generation Projects	(150)		(150)	
Other	1	(23)	17	(15)
	(485)	(23)	(469)	(15)
Income (loss) before interest, income taxes and minority interest	(188)	305	872	1,187
Interest expense	109	102	392	376
Income taxes	14	79	261	294
Minority interest	(6)	0	(2)	4
Income (loss) before extraordinary items	(305)	124	221	513
Extraordinary items (net of tax)	0	11	0	11
Income (loss) before cumulative effect of a change in accounting principle	(305)	135	221	524
Cumulative effect of a change in accounting principle (net of tax)	10	0	10	0
Income (loss) before dividends on preferred securities	(295)	135	231	524
Dividends - preferred securities	17	7	52	26
Net Income (loss) available for common stock	($312)	$128	$179	$498
Earnings per share of common stock - basic				
Income from core operations	$0.87	$0.88	$4.24	$3.29
Unusual items	(3.00)	0.00	(3.01)	0.16
Net Income (loss) available for common stock	($2.13)	$0.88	$1.23	$3.45
Earnings per share of common stock - diluted				

Income from core operations	$0.87	$0.87	$4.22	$3.28
Unusual items	(2.99)	0.00	(3.00)	0.16
Net Income (loss) available for common stock	($2.12)	$0.87	$1.22	$3.44
Avg. shares outstanding (thousands)				
Basic	146,483	144,906	145,974	144,350
Diluted	146,804	145,822	146,614	144,782

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

Key Indicators

Financial

	12 Months Ended Dec. 31, 2001	12 Months Ended Dec. 31, 2000
Dividends declared per share	$1.06	$1.06
Book value per share (a)	$12.67	$13.87
Market price per share (a)	$34.8500	$45.1880
Dividend yield	3.0%	2.3%
Dividend payout ratio - diluted (b)	25%	32%
Price/earnings ratio - diluted (b)	8.3	13.8
Return on average common equity (b)	28.80%	27.14%

(a) End of period
(b) Based on earnings from core operations

Operating - Domestic Energy

PPL Corp. (millions of kwh)	3 Months Ended Dec. 31 2001	2000	Percent Change	12 Months Ended Dec. 31 2001	2000	Percent Change
Retail						
Delivered (a)	7,934	8,281	-4.2%	34,610	33,907	2.1%
Supplied	8,652	9,370	-7.7%	37,551	37,758	-0.5%
Wholesale						
East	4,769	6,246	-23.6%	19,125	31,585	-39.4%
West						
Montana Power (b)	1,201	1,253	-4.2%	4,717	5,096	-7.4%
Other	1,112	1,069	4.0%	3,841	4,244	-9.5%

(a) Electricity delivered to retail customers represents the kwh delivered to customers within PPL Electric Utilities Corp.'s service territory.
(b) Energy sold to Montana Power for retail customers under power sale agreements that expire on or before June 30, 2002.

PPL invites interested parties to listen to the live Internet Webcast of management's teleconference on this topic with financial analysts at noon on Wednesday, Jan. 30. The teleconference is available online live, in audio format, on PPL's Internet Web site: http://www.pplweb.com/. The Webcast will be available for replay on the PPL Web site for 30 days. Interested individuals also can access the live conference call via telephone at 913-981-5507.

Certain statements contained in this news release, including statements with respect to future earnings, energy marketing, prices and margins, corporate strategy, subsidiary performance, growth, dividends, project development, liquidity, accounting impacts, revenues, capital expenditures, operating expenses, and generating capacity, are "forward-looking statements" within the meaning of the federal securities laws. Although PPL Corp. believes that the expectations and assumptions reflected in these forward- looking statements are reasonable, these statements involve 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: market demand and prices for energy, capacity and fuel; weather variations affecting customer energy usage; competition in retail and wholesale power markets; the effect of any business or industry restructuring; the profitability and liquidity of PPL Corp. and its subsidiaries; new accounting requirements or new interpretations or applications of existing requirements; operating performance of plants and other facilities; environmental conditions and requirements; system conditions and operating costs; development of new projects, markets and technologies; performance of new ventures; political, regulatory or economic conditions in countries where PPL Corp. or its subsidiaries conduct business; receipt of necessary governmental approvals; capital market conditions; stock price performance; foreign exchange rates; and the commitments and liabilities of PPL Corp. and its subsidiaries. Any such forward-looking statements should be considered in light of such factors and in conjunction with PPL Corp.'s Form 10-K and other reports on file with the Securities and Exchange Commission.

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Contact: Media: Dan McCarthy, +1-610-774-5758, or financial analysts:
Tim Paukovits, +1-610-774-4124, or fax: +1-610-774-5281, both of PPL

Website: http://www.pplweb.com/
