

PPL Reports First-Quarter Results, Maintains \$3.30 to \$3.50 Per Share Forecast from Core Operations in 2002

PRNewswire-FirstCall
ALLENTOWN, Pa.

Due primarily to a \$150 million non-cash charge related to changes in accounting rules for goodwill that affect its Latin American investments, PPL Corporation (NYSE: PPL) today reported a loss per share of \$0.02 for the first quarter of 2002. Excluding the unusual items of this goodwill charge and a write-down of PPL's Brazilian investment, the company's first-quarter earnings per share from core operations were \$1.03. This performance keeps PPL on track to achieve its 2002 earnings forecast of \$3.30 to \$3.50 per share from core operations.

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

Earnings per share of \$1.03 represent the company's second-highest level of first-quarter earnings on record. A year ago, PPL reported quarterly earnings of \$1.52 per share, its best single quarter ever for earnings.

The earnings decline from a year ago, in terms of core operations, was due primarily to dramatically lower wholesale energy prices, especially in the western United States. Lower earnings from international operations and lower electricity delivery sales resulting from a sluggish U.S. economy and the mild weather in PPL's Pennsylvania electricity distribution service area contributed to the decline in PPL's first-quarter earnings as compared to last year's first quarter.

The positive drivers of PPL's core earnings for the first quarter of 2002 included increased volume of wholesale energy sales in the western United States and improved earnings contributions from energy-related businesses such as PPL's synthetic fuel operations and its mechanical contracting companies.

"In a deregulated environment, we expect some earnings volatility," said William F. Hecht, PPL's chairman, president and chief executive officer. "We have taken significant steps, however, to provide earnings stability through our asset-backed, integrated strategy of energy delivery and supply. We also have a strong stream of revenues from our electricity and gas delivery businesses.

"About 70 percent of our earnings from core operations in 2002 are expected to come from our generation output that is dedicated to supplying energy under long-term contracts and from our regulated energy delivery businesses in Pennsylvania," Hecht continued.

"Our strategy to pursue long-term contracts for most of our generation supply reduces our exposure to variations in the market price of electricity and places PPL in an excellent position to meet the challenges of the competitive marketplace," Hecht said.

PPL continues to evaluate opportunities to expand its generation capacity. The company currently is developing more than 1,100 megawatts of generation capacity to go on line this summer in Arizona, Illinois and New York. PPL also is developing another 1,100 megawatts of generation capacity in New York and Pennsylvania to go on line by the summers of 2003 and 2004.

Hecht said the siting and building of these plants is consistent with PPL's generation-expansion strategy to generate and sell energy in key U.S. markets and to maintain an optimum balance of generation supply with long-term contracts.

In addition to generation, energy delivery is an important part of PPL's integrated strategy. The company has earned top awards for customer service on each of the three continents where it serves nearly 6 million customers: North America, South America and Europe. PPL's electricity delivery company in Pennsylvania has begun to install automated electric meters for its 1.3 million customers, reaffirming its commitment to excellence in customer service and customer satisfaction.

PPL reported a loss per share of \$0.31 for the 12 months ended March 31, 2002, due to impairment charges on PPL's Latin American and United Kingdom electricity delivery businesses, the decision to cancel several domestic power plant projects and to charges associated with the bankruptcy of Enron. These charges were partially offset by a credit to earnings relating to a change in pension accounting. For the 12 months ended March 31, 2002, PPL's earnings from core operations were \$3.74 per share compared to \$3.81 per share for the same period of 2001.

In late January 2002, PPL announced that it had taken an impairment charge of \$217 million with respect to CEMAR, its electricity distribution business in Brazil, and also said it would provide no additional funding for CEMAR. That impairment charge represented the net asset value of CEMAR at the end of 2001.

At that time, the balance of PPL's exposure with respect to CEMAR was about \$100 million, primarily related to the cumulative translation adjustment (CTA), which is the amount of currency devaluation of PPL's original investment in CEMAR since the date of purchase. That \$100 million balance could not be written off in 2001 because of accounting rules.

Hecht noted that PPL did record a \$6 million portion of the remaining \$100 million charge in the first quarter of 2002, equivalent to \$0.03 a share. The possibility of a further \$94 million charge, Hecht said, remains the worst-case scenario regarding CEMAR.

However, the company is working with CEMAR's creditors and governmental authorities in Brazil on a plan that could result in returning the company to financial stability. That plan includes a rate-increase request that is now being reviewed by regulators, and PPL expects that the process for the rate-increase request will reach conclusion by early in the third quarter of 2002.

"Because we have not yet exhausted all available avenues - including the pending rate request - to maximize the value of CEMAR, we did not take the CTA charge in the first quarter, as we originally anticipated," said Hecht. "We made this decision after confirming that continuing the workout plan during 2002 will leave PPL in no worse position financially than if it had taken the remaining full amount of the CTA charge in the first quarter of 2002."

PPL's first-quarter earnings for 2002 also reflect ongoing operating losses of \$0.03 per share from CEMAR. Hecht said PPL expects that it will continue to incur quarterly operating losses of about this level during 2002, as it continues to work with authorities in Brazil to maximize the value of CEMAR. Should a decision be made to exit the investment in CEMAR, Hecht said, PPL would incur the remaining CTA charge, and any such operating losses would be completely offset upon exiting the investment.

PPL Corporation, headquartered in Allentown, Pa., controls or owns more than 10,000 megawatts of generating capacity in the United States, sells energy in key U.S. markets, and delivers electricity to nearly 6 million customers in Pennsylvania, the United Kingdom and Latin America. (Note: All references to earnings per share in the text of this news release are stated in terms of diluted earnings per share.)

PPL CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

Consolidated Balance Sheet
(Millions of Dollars)

	March 31, 2002	Dec. 31, 2001 (a)
Assets		
Current Assets	\$2,074	\$2,338
Investments	1,041	1,031
Property, plant and equipment -- net		
Transmission and distribution	2,653	2,591
Generation	2,466	2,464
General and intangible	312	310
Construction work in progress	262	181
Nuclear fuel and other leased property	116	127
Electric utility plant	5,809	5,673
Gas and oil utility plant	199	197
Other property	104	103
	6,112	5,973
Recoverable transition costs	2,119	2,172
Regulatory and other assets	1,022	1,060
Total assets	\$12,368	\$12,574
Liabilities and Equity		

Current liabilities	\$1,882	\$1,838
Long-term debt (less current portion)	4,937	5,081
Deferred income taxes and ITC	1,504	1,449
Liability for above market NUG purchases	409	493
Other noncurrent liabilities	876	911
Minority interest	39	38
Company-obligated mandatorily redeemable securities	825	825
Preferred stock	82	82
Earnings reinvested	967	1,023
Other common equity	1,683	1,670
Treasury stock	(836)	(836)
Total liabilities and equity	\$12,368	\$12,574

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

Consolidated Income Statement
(Millions of Dollars)

	3 Months Ended March 31 2002 2001(a)		12 Months Ended March 31 2002 2001(a)	
Operating Revenues				
Retail electric and gas	\$847	\$956	\$3,248	\$3,278
Wholesale energy marketing and trading	275	468	1,519	2,086
Energy-related businesses	153	142	667	472
	1,275	1,566	5,434	5,836
Operating Expenses				
Fuel and purchased power	405	583	1,950	2,436
Other operation and maintenance	253	238	1,039	986
Amortization of recoverable transition costs	53	71	233	235
Depreciation	62	66	250	259
Energy-related businesses	126	113	585	418
Taxes, other than income	51	41	165	166
Other charges				
Write-down of international energy projects	6	0	342	0
Cancellation of generation projects	0	0	150	0
	956	1,112	4,714	4,500
Operating income	319	454	720	1,336
Other income - net	5	6	11	(8)
Income before interest, income taxes and minority interest	324	460	731	1,328
Interest expense	97	104	380	392
Income taxes	62	126	197	338
Minority interest	1	2	(3)	5
Income before extraordinary item	164	228	157	593
Extraordinary item (net of tax)	0	0	0	11
Income before cumulative effect of a change in accounting principle	164	228	157	604
Cumulative effect of a change in accounting principle (net of tax)	(150)	0	(140)	0
Income before dividends on preferred securities	14	228	17	604
Dividends - preferred securities	17	6	63	26
Net income (loss)	(\$3)	\$222	(\$46)	\$578
Earnings per share of common stock - basic				
Income from core operations	\$1.03	\$1.53	\$3.75	\$3.83
Unusual items	(1.05)	0.00	(4.06)	0.16
Net income (loss)	(\$0.02)	\$1.53	(\$0.31)	\$3.99
Earnings per share of common stock - diluted				
Income from core operations	\$1.03	\$1.52	\$3.74	\$3.81
Unusual items	(1.05)	0.00	(4.05)	0.16
Net income (loss)	(\$0.02)	\$1.52	(\$0.31)	\$3.97

Average shares outstanding (thousands)

Basic	146,753	145,317	146,342	144,746
Diluted	147,091	146,245	146,835	145,409

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

Key Indicators

Financial

	12 Months Ended March 31, 2002	12 Months Ended March 31, 2001
Dividends declared per share	\$1.155	\$1.06
Book value per share (a)	\$12.33	\$13.75
Market price per share (a)	\$39.6100	\$43.9600
Dividend yield (a)	2.9%	2.4%
Dividend payout ratio - diluted (b)	31%	28%
Price/earnings ratio - diluted (a) (b)	10.6	11.5
Return on average common equity (b)	24.34%	30.39%

(a) End of period

(b) Based on earnings from core operations

Operating - Domestic Energy

	3 Months Ended March 31			12 Months Ended March 31		
	Percent			Percent		
PPL Corp. (millions of kwh)	2002	2001	Change	2002	2001	Change
Retail						
Delivered (a)	9,126	9,881	-7.6	33,853	34,305	-1.3
Supplied	9,651	10,552	-8.5	36,492	38,446	-5.1
Wholesale						
East	4,937	5,244	-5.9	18,817	27,060	-30.5
West						
Montana Power (b)	1,366	1,199	13.9	4,885	4,954	-1.4
Other	1,294	1,026	26.1	4,109	4,363	-5.8

(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 resale to 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 9 a.m. on Wednesday, April 24. 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 913-981-4910.

Also, the PPL Corporation annual shareowners meeting will be held at 10 a.m. on Friday, April 26, at Lehigh University's Stabler Arena in Bethlehem, Pa.

Certain statements contained in this news release, including statements with respect to future earnings, energy marketing, prices and delivery, corporate strategy, subsidiary performance, growth, project development, accounting impacts, revenues and generating capacity, 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 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 Corporation 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 Corporation 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 Corporation and its subsidiaries. Any such forward-looking statements should be considered in light of such factors and in conjunction with PPL Corporation's Form 10-K and other reports on file with the Securities and Exchange Commission.

MAKE YOUR OPINION COUNT - Click Here

<http://tbutton.prnewswire.com/prn/11690X11462386>

NewsCom: <http://www.newscom.com/cgi-bin/prnh/19981015/PHTH025>

PRN Photo Desk, 888-776-6555 or 212-782-2840

SOURCE: PPL Corporation

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

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

<https://news.pplweb.com/news-releases?item=16553%3FasPDF%3D1>