

PPL Issues Letter on WPD Offer for Hyder plc, Revises Earnings Forecasts

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John Biggar, PPL Corporation's senior vice president and chief financial officer, issued a letter to financial analysts Monday (8/21) clarifying the financial impact on PPL of WPD's further increased offer for Hyder plc and revising PPL's 2000 and 2001 earnings forecasts.

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Here is the text of that letter:

Hyder Transaction

On Friday, August 18, Western Power Distribution Limited (WPD) announced a further increased offer of 365 pence per share for the remaining shares of Hyder plc, for a total purchase price of about 560 million pounds sterling (about \$840 million based on current exchange rates). One of the principal assets of Hyder is South Wales Electricity plc, an electric distribution company whose service territory is adjacent to WPD. WPD is jointly owned by subsidiaries of PPL Corporation and The Southern Company.

WPD has been informed by the Takeover Panel in the United Kingdom that it is the highest bidder. Absent a new party bidding, neither WPD nor Nomura can revise their offers for Hyder.

We expect the transaction would be immediately accretive to PPL's earnings, adding at least 2 cents per share for the remainder of 2000, at least 10 cents per share in 2001 (the first full calendar year of operation) and increasing thereafter. (This statement does not constitute a profit forecast in respect of Hyder under its current ownership and management.)

WPD increased its bid because of several factors resulting in higher value since the time of the initial bid. Among these were:

- WPD successfully completed a debt tender (subject to closing the acquisition) for all of the outstanding classes of Hyder sterling bonds and a portion of the Welsh Water sterling bonds, thereby avoiding potential "make-whole" premiums of approximately 100 million pounds sterling.
- Hyder's March 31 financial statements indicated that there was an additional 72 million pounds sterling of cash in Hyder.

PPL's share of the acquisition cost will be made initially from existing resources and facilities, of which \$270 million is expected to be paid back by the end of this year. The balance, which is not expected to exceed \$155 million, will be refinanced with a combination of debt and equity securities. PPL does not plan to issue common stock for this acquisition.

WPD has contracted with United Utilities to operate Hyder's water businesses under a services agreement. The assets of the water company will be managed independently from the electric operations. WPD is reviewing a range of options for Hyder's water business.

Assuming the successful completion of the tender for the Hyder shares, the transaction is expected to close in late September.

Revised Earnings Forecast

PPL has continued to experience improved performance on already strong earnings growth across its business lines in 2000. In particular, we are extracting increasing value from our portfolio of about 10,000 megawatts of merchant generation by combining our skills as operators of low-cost power plants with the ability of our disciplined energy marketers and traders to capture value afforded by competitive energy markets.

Based on this performance, the expected accretion from the Hyder transaction (as noted above) and using conservative assumptions about future business conditions, we are increasing our earnings forecast to \$3.00 per share for the year 2000 and to between \$3.20 and \$3.30 per share for 2001. The Company had previously forecasted earnings of between \$2.80 and \$2.90 per share for this year and between \$3.10 and \$3.20 per share for 2001.

Based in Allentown, Pa., PPL Corp. (NYSE: PPL) is a FORTUNE 500® company that delivers electricity and natural gas to more than 1.3 million customers in Pennsylvania; markets wholesale or retail energy in 43 U.S. states and Canada; provides energy services for businesses in the Mid-Atlantic and Northeastern U.S.; generates electricity at power plants in Pennsylvania, Maine and Montana; delivers electricity to 1.4 million customers in southwest Britain; and delivers electricity to nearly 1.8 million customers in Chile, Bolivia, El Salvador and Brazil.

Certain statements contained in this news release, including statements with respect to future earnings, 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; performance of new ventures; political, regulatory or economic conditions in countries where PPL Corp. or its subsidiaries conduct business; any required governmental approvals or third-party consents; capital market conditions; share 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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