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# Evercore ISI Utilities CEO Retreat

Scottsdale Arizona
January 11 & 12, 2018

ppl™

# Cautionary Statements and Factors That May Affect Future Results

Any statements made in this presentation about future operating results or other future events are forward-looking statements under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from such forward-looking statements. A discussion of factors that could cause actual results or events to vary is contained in the Appendix to this presentation and in the Company's SEC filings.

# Executive Update

*Financially strong and highly focused on delivering results*

- **Reaffirming 2017 Earnings from ongoing operations guidance range of $2.10 - $2.25 per share**

- **Dividend remains secure and we remain committed to dividend growth(1)**

- **Tax Reform**
  - Continue to expect to achieve projected 5-6% earnings growth rate through 2020(2)
  - Updating business plan to incorporate full extent of tax reform

(1) Dividends subject to approval by the Board of Directors.
(2) EPS growth rate based on the midpoint of the original 2017 ongoing earnings guidance range of $2.05 - $2.25 per share.

# Tax Reform Update

- **Estimated annual EPS impact still in the range of $0.05 - $0.06 per share, prior to mitigation, as originally estimated**

- **Collaboration expected with KY and PA utility commissions to review impact to customer rates**
  - The Kentucky PSC has ordered utilities to begin tracking tax savings and submit plans to refund to customers
    - Kentucky utilities have submitted plans in response to KPSC request
  - Pennsylvania PUC is still evaluating approach and mechanics

- **Expect immaterial, if any, impact due to move to territorial tax system for foreign entities**
  - No incremental tax on repatriation of future dividends provides more long-term flexibility in our ability to repatriate cash from the U.K.
  - One-time incremental tax on accumulated foreign earnings largely mitigated with existing foreign tax credits

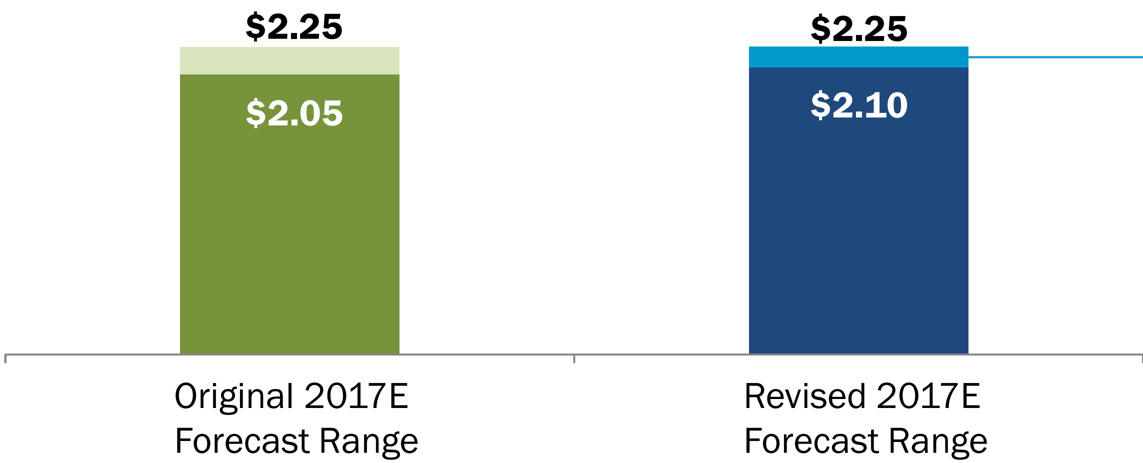
# Operational Update

- **U.K. Regulatory model remains a premium jurisdiction**
  - **Mid-Period Review (MPR) not expected to materially impact WPD's business plans**
    - Consultation ongoing by Ofgem to determine if an MPR will even occur; decision expected in Spring 2018
    - Rail Electrification project represents immaterial exposure if disallowed
  - **WPD generates low-risk, visible cash flows in support of PPL's dividend and we expect that to continue well into the future**
    - Under tax reform, we have additional flexibility to distribute cash back to the U.S. in a tax efficient manner
  - **Levers exist in WPD's planning process to mitigate lower allowed returns in RIIO-ED2 (which begins in 2023) should that occur**
    - Ofgem, however, has indicated that top performing DNOs could still earn double digit returns in RIIO-2
    - For context, a 100 basis point reduction in the allowed cost of equity is equal to approximately 5 cents of earnings per share under RIIO-ED1(1)
    - Levers to mitigate potentially lower allowed returns include adjusting the allocation of Totex (Total expenditures) between "fast pot" (current period recovery) and "slow pot" (additions to RAV(2))
      - WPD's RIIO-ED1 business plan is set at 80% slow pot, compared to peers that on average ~70% slow pot
      - Every 10% shift from slow pot to fast pot is worth approximately $130-140 million of revenue per year based on RIIO-ED1 annual Totex of approximately $1.4 billion per year

- **U.S. subsidiaries continue focus to drive value for customers/shareholders**
  - **PPL Electric Utilities Long Term Infrastructure Improvement Plan through 2022 was approved in December**
  - **Kentucky utilities anticipates updated advanced meter request filing in early 2018**

(1) Cost of equity sensitivity based on using an average RAV of $9.6 billion for 2018.
(2) Regulated Asset Value.

# 2017 Ongoing Earnings Forecast




**Increased the 2017E midpoint to $2.18 from $2.15 by raising the lower end of the forecast range**

| Segment | 2016A Earnings from Ongoing Operations | Q2 Revised 2017E Earnings from Ongoing Operations (Midpoint) | Q3 Revised 2017E Earnings from Ongoing Operations (Midpoint) |
|---|---|---|---|
| U.K. Regulated (1) | $1.49 | $1.20 | $1.24 |
| Kentucky Regulated | 0.58 | 0.56 | 0.55 |
| Pennsylvania Regulated | 0.50 | 0.50 | 0.50 |
| Corporate and Other | (0.12) | (0.11) | (0.11) |
| **Total** | **$2.45** | **$2.15** | **$2.18** |

Note: See Appendix for the reconciliation of reported earnings to earnings from ongoing operations.

(1) Represents an average exchange rate of $1.45/£ for 2016 earnings per share and $1.20/£ for the original and revised 2017 forecasts.

# Seven High-Performing Utilities in Premium Regulatory Jurisdictions

## Pennsylvania

**PPL Electric Utilities**

- FERC Formula Transmission Rates
  - 11.68% allowed ROE
- DSIC Mechanism (1)
- Smart Meter Rider
  - ~$500M project 2017-2019
- Storm Cost Recovery
- Forward Test Year for Distribution rate cases

## Kentucky

**Louisville Gas & Electric (LG&E) and Kentucky Utilities (KU)**

- Most recent rates effective July 1, 2017 at 9.7% ROE
- Environmental Cost Recovery (ECR) Mechanism (2)
- Forward Test Year for base rate cases
- Fuel Adjustment Clause

## United Kingdom

**WPD East and West Midlands, South West and South Wales**

- Base revenues set for 8 years; through March 2023
- Real-time recovery of CAPEX
- Incentive revenues available for strong performance and innovation
- Accelerated depreciation recovery(3)

(1) DSIC – Distribution System Improvement Charge: an automatic adjustment charge that enables companies to recover certain infrastructure improvement costs between base rate cases.
(2) Kentucky ECR provides near real-time recovery for approved environmental projects on the coal fleet.
(3) RAV balance as of 3/31/2015 recovered over 20 years. RAV additions over RIIO-ED1 recovered over an average of 35 years.

# Constructive U.S. Regulatory Framework

| | Equity Ratio[1] | Allowed ROE |
|---|---|---|
| **PPL Electric Utilities** | 54.50% | D: N/A<br>T: 11.68%[2] |
| **LG&E** | 53.27% | 9.70% |
| **Kentucky Utilities** | 53.28% | 9.70% |

| Tracker/Mechanism | EU | LG&E | KU |
|---|---|---|---|
| Forward test year methodology | ✓ | ✓ | ✓ |
| Environmental Cost Recovery | | ✓ | ✓ |
| DSIC | ✓ | | |
| Smart Meter Rider | ✓ | | |
| CWIP included in rate base [3][4] | ✓ | ✓ | ✓ |
| Gas Line Tracker | | ✓ | |
| Pass through of Purchased Power | ✓ | ✓ | ✓ |
| Fuel and Gas Supply Adj. Clause | | ✓ | ✓ |
| Storm Recovery [5] | ✓ | | |
| Energy Efficiency/DSM | ✓ | ✓ | ✓ |
| Transmission Formula Rate | ✓ | ✓ | ✓ |
| Transmission Incentive Adder[2] | ✓ | | |

(1) As filed in most recent completed filings and rate cases.
(2) Allowed ROE of 12.93% for Susquehanna-Roseland project.
(3) CWIP included in forward test year rate base for LG&E and KU.
(4) For PPL EU Transmission, return on CWIP for approved projects.
(5) LG&E and KU have historically been able to recover costs from extraordinary storms, but no formal tracker is in place.

# U.K. Regulated Overview

## U.K. Regulatory Summary

- Base revenues set for 8 years commencing April 1, 2015
- Offers real-time returns and provides certainty and visibility
- Regulation requires funding to support investment-grade credit ratings
- No equity needed from PPL to fund U.K. operations, repatriation of up to $500 million annually in a tax-efficient manner
- Expect U.K. Regulated Segment ROE's in the 13% – 15% range from 2017 through 2020 [(1)]
- Expect WPD RORE of 9.8% over entire RIIO-ED1 period [(2)]

## Premium Regulatory Mechanisms

- Annual financial adjustments to base revenues covering inflation, tax, pension and cost of debt
- Accelerated recovery of depreciation [(3)]
- Fast-track incentive adds $35 million annually in revenue
- Performance incentive revenues expected of ~$100 million per year through rest of RIIO-ED1
- WPD companies able to retain 70% of cost efficiencies throughout RIIO-ED1 period due to fast-track status

Note: Based on assumed exchange rate of $1.30/£ for all years.

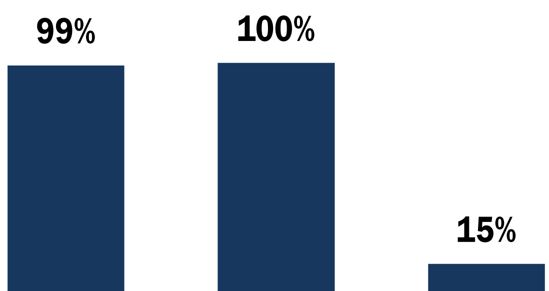
(1) Based on 2017-2020 U.K. Regulated Segment earnings projections. Capital structure adjusted to include debt of $750 million that is allocated to U.K. Regulated Segment for reporting purposes.
(2) RORE represents Return on Regulated Equity and is based on an Equity Value of 35% of RAV and is what Ofgem monitors. Does not represent ROE under U.S. GAAP.
(3) RAV balance as of 3/31/15 recovered over 20 years. RAV additions over RIIO-ED1 recovered over an average of 35 years. Depreciation recovery in revenues is between $500 - $600 million per year higher than GAAP depreciation during RIIO-ED1.

# Managing Foreign Currency Risk

***Currency hedging strategy positions PPL to achieve 5-6% EPS growth target***

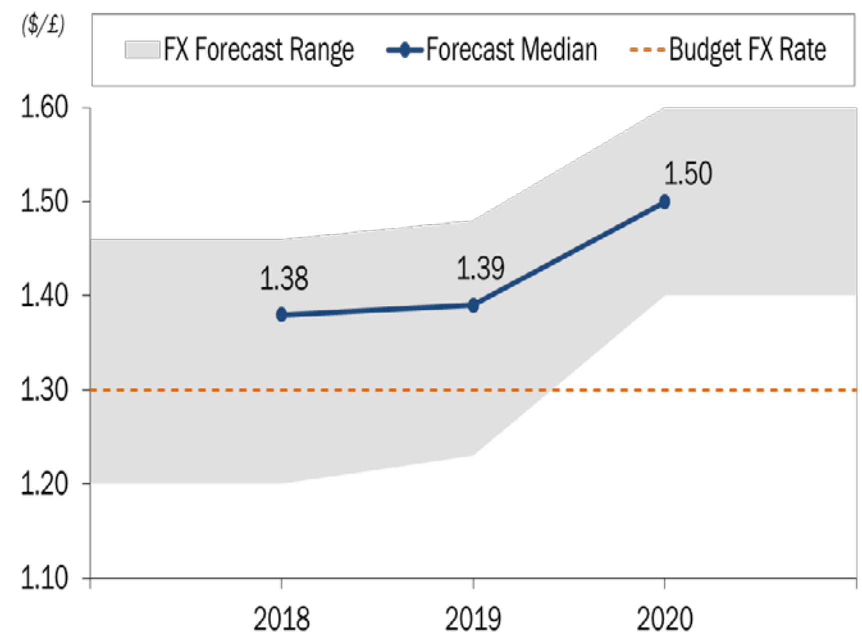
## PPL's FX Hedge Status as of 10/18/17[1]

**Substantially hedged through 2019 at rates above the $1.30/£ budgeted rate**




| Year | 2018 | 2019 | 2020 |
|---|---|---|---|
| Hedged Rate (GBP/USD) | **1.32** | **1.39** | **1.47** |

## Forward FX Rates as of 12/31/17




Note: GBP forecast range and median sourced from Bloomberg as of 12/31/2017. Forecast range reflects views from up to 16 financial institutions and does not represent PPL's internal forecast. Not all institutions provide forecasts for all periods.

(1) Hedged percentages have not been updated for changes in corporate tax rates as a result of tax reform. Budgeted FX rate on open positions of $1.30/£ for all years.

# U.K. Regulated: Expected Ofgem RIIO Timelines

## RIIO-ED1 Indicative Timetable

2016 | 2017 | 2018

ED1 running | RIIO-ED1 Mid-period review (MPR)

**Sept 2017**
DPCR5 Close-out Substantially Concluded

**Nov 2017**
RIIO-ED1 MPR "Needs" Consultation

**May 2018**
RIIO-ED1 MPR Decision (Go/No Go)

**Aug 2018**
RIIO-ED1 MPR Consultation

**Nov/Dec 2018**
RIIO-ED1 MPR Concludes

## RIIO-ED2 Indicative Timetable

*RIIO-ED2 Preparation and Implementation*

2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023

Consultation | Policy development | Fast-track assessment | Slow-track assessment

**Q3 2017**
RIIO-2 Open Letter Consultation

**Q1 2018**
RIIO-2 Strategy Consultation (Draft)

**Q2 2018**
RIIO-2 Strategy Consultation (Final)

**Mid 2020**
RIIO-ED2 Strategy Consultation

**Early 2021**
RIIO-ED2 Strategy Decision

**July 2021**
RIIO-ED2 Business Plan Submission

**Nov 2021**
RIIO-ED2 Fast Track Decision (Draft)

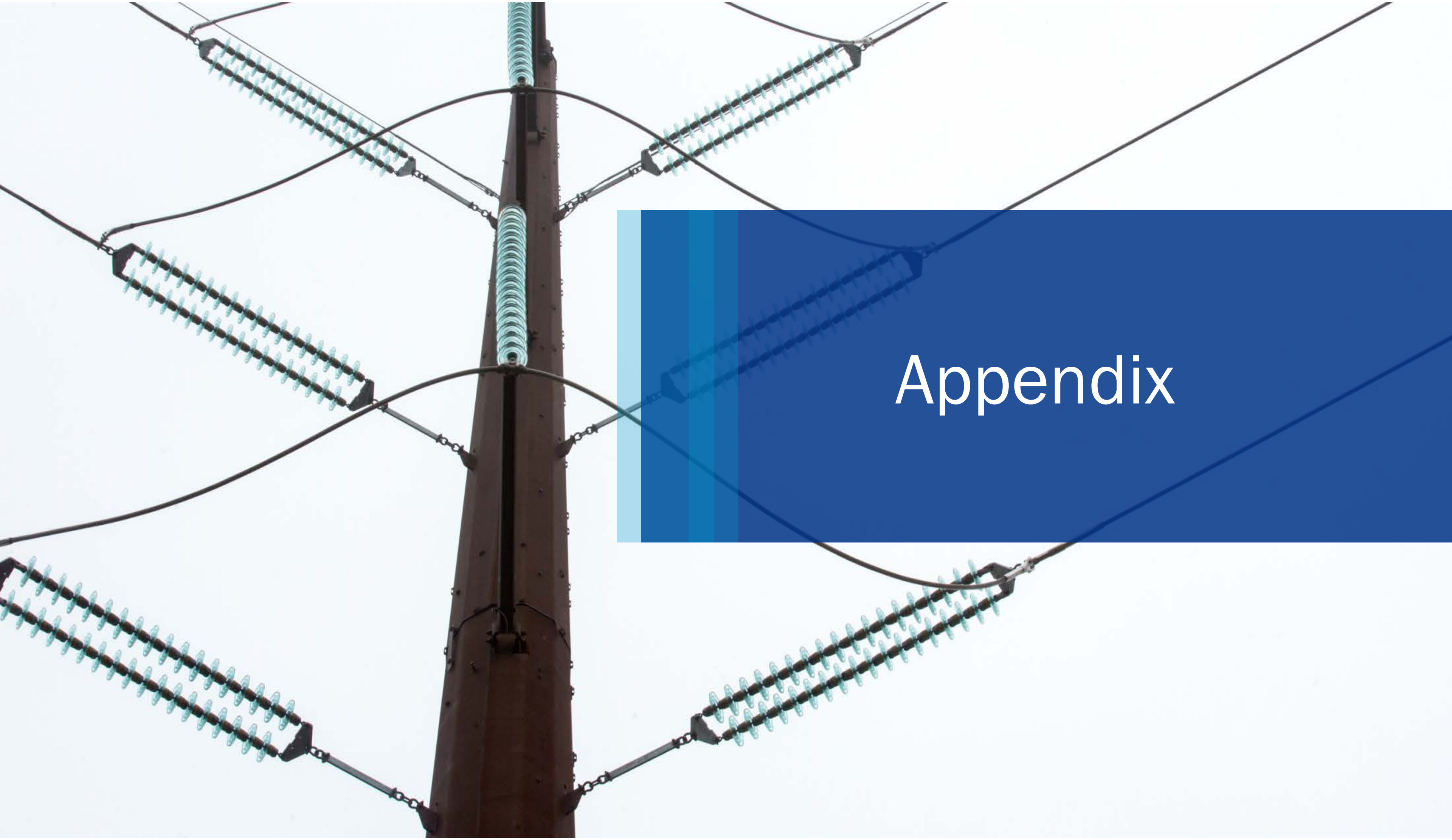
**Feb 2022**
RIIO-ED Fast Track Decision (Final)

**July 2022**
RIIO-ED2 Slow Track Decision (Draft)

**Nov 2022**
RIIO-ED2 Slow Track Decision (Final)

**Apr 2023**
RIIO-ED2 Starts

# Appendix



# PPL Fact Sheet

| CORPORATE DATA | | |
|---|---|---|
| Ticker symbol and stock exchange | PPL-NYSE | |
| **At December 31, 2017** | | |
| Average daily trading volume (3 mos.) | 4.55 million shares | |
| Closing price | $30.95 | |
| 52-week price range | $30.74 – $40.20 | |
| Annualized dividend per share | $1.58 ($0.395/qtr) | |
| Enterprise value | ~$41.4 billion | |
| Market cap | ~$21.3 billion | |
| **At September 30, 2017** | | |
| 2016 earnings from ongoing operations per share (Non-GAAP)(1) | $2.45 per share | |
| Total assets | $40.8 billion | |
| Common shares O/S | 688.133 million | |
| Book value per share(2) | $15.54 | |
| Capitalization: | ($ millions) | |
| Total debt | $20,769 | 67% |
| Common equity | $10,129 | 33% |
| Total Capitalization | $30,898 | 100% |
| Employees | ~12,700 | |
| | | |
| Long-term debt | $19,558 million | |
| Short-term debt | $ 1,211 million | |
| Letters of Credit | $ 221 million | |

## ANALYST CONTACT:


Joe Bergstein – Vice President-Investor Relations & Corporate Development and Planning
610-774-5609

Andy Ludwig – Director-Investor Relations
610-774-3389

Lisa Pammer – Investor Relations Manager
610-774-3316

invrel@pplweb.com


**WEB SITE: www.pplweb.com**

(1) See Appendix for the reconciliation of reported earnings to earnings from ongoing operations.
(2) Based on 688.133 million shares of common stock outstanding.

# Reconciliation of PPL's Forecast of Reported Earnings to Earnings From Ongoing Operations

| After-Tax (Unaudited) | Forecast (per share - diluted) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2017 Midpoint | | | | | | |
| | U.K. Reg. | KY Reg. | PA Reg. | Corp. & Other | Total | High 2017 | Low 2017 |
| **Reported Earnings** | $ 1.06 | $ 0.55 | $ 0.50 | $ (0.10) | $ 2.01 | $ 2.08 | $ 1.93 |
| Less: Special Items (expense) benefit: | | | | | | | |
| Foreign currency economic hedges | (0.18) | | | | (0.18) | (0.18) | (0.18) |
| Spinoff of the Supply segment | | | | 0.01 | 0.01 | 0.01 | 0.01 |
| **Total Special Items** | (0.18) | | | 0.01 | (0.17) | (0.17) | (0.17) |
| **Earnings from Ongoing Operations** | $ 1.24 | $ 0.55 | $ 0.50 | $ (0.11) | $ 2.18 | $ 2.25 | $ 2.10 |

# Reconciliation of Segment Reported Earnings to Earnings From Ongoing Operations: 2016

| After-Tax (Unaudited) Year-to-Date December 31, 2016 | (millions of dollars) U.K. Reg. | KY Reg. | PA Reg. | Corp. & Other | Total | (per share - diluted) U.K. Reg. | KY Reg. | PA Reg. | Corp. & Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Reported Earnings** | $ 1,246 | $ 398 | $ 338 | $ (80) | $ 1,902 | $ 1.83 | $ 0.58 | $ 0.50 | $ (0.12) | $ 2.79 |
| Less: Special Items (expense) benefit: | | | | | | | | | | |
| Foreign currency economic hedges, net of tax of $4 | (8) | | | | (8) | (0.01) | | | | (0.01) |
| Spinoff of the Supply segment, net of tax of $2 | | | | (3) | (3) | | | | | |
| Other: | | | | | | | | | | |
| Settlement of foreign currency contracts, net of tax of ($108) | 202 | | | | 202 | 0.30 | | | | 0.30 |
| Change in U.K. tax rate | 37 | | | | 37 | 0.05 | | | | 0.05 |
| **Total Special Items** | 231 | | | (3) | 228 | 0.34 | | | | 0.34 |
| **Earnings from Ongoing Operations** | $ 1,015 | $ 398 | $ 338 | $ (77) | $ 1,674 | $ 1.49 | $ 0.58 | $ 0.50 | $ (0.12) | $ 2.45 |

# Forward-Looking Information Statement

Statements contained in this presentation, including statements with respect to future earnings, cash flows, dividends, financing, regulation and corporate strategy 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 are subject to 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 for energy in our service territories, weather conditions affecting customer energy usage and operating costs; 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 our facilities; the length of scheduled and unscheduled outages at our generating plants; environmental conditions and requirements and the related costs of compliance; system conditions and operating costs; development of new projects, markets and technologies; performance of new ventures; asset or business acquisitions and dispositions; any impact of hurricanes or other severe weather on our business; receipt of necessary government permits, approvals, rate relief and regulatory cost recovery; capital market conditions and decisions regarding capital structure; the impact of state, federal or foreign investigations applicable to PPL Corporation and its subsidiaries; the outcome of litigation against PPL Corporation and its subsidiaries; stock price performance; the market prices of equity securities and the impact on pension income and resultant cash funding requirements for defined benefit pension plans; the securities and credit ratings of PPL Corporation and its subsidiaries; political, regulatory or economic conditions in states, regions or countries where PPL Corporation or its subsidiaries conduct business, including any potential effects of threatened or actual terrorism or war or other hostilities; British pound sterling to U.S. dollar exchange rates; new state, federal or foreign legislation, including new tax legislation; and the commitments and liabilities of PPL Corporation and its subsidiaries. All forward-looking statements should be considered in light of these important factors and in conjunction with the factors and other matters in PPL Corporation's Form 10-K and other reports on file with the Securities and Exchange Commission.

# Definitions of non-GAAP Financial Measures

Management utilizes "Earnings from Ongoing Operations" as a non-GAAP financial measure that should not be considered as an alternative to reported earnings, or net income, an indicator of operating performance determined in accordance with GAAP. PPL believes that Earnings from Ongoing Operations is useful and meaningful to investors because it provides management's view of PPL's earnings performance as another criterion in making investment decisions. In addition, PPL's management uses Earnings from Ongoing Operations in measuring achievement of certain corporate performance goals, including targets for certain executive incentive compensation. Other companies may use different measures to present financial performance.

Earnings from Ongoing Operations is adjusted for the impact of special items. Special items are presented in the financial tables on an after-tax basis with the related income taxes on special items separately disclosed. Income taxes on special items, when applicable, are calculated based on the effective tax rate of the entity where the activity is recorded. Special items include:

- Unrealized gains or losses on foreign currency economic hedges (as discussed below).
- Gains and losses on sales of assets not in the ordinary course of business.
- Impairment charges.
- Significant workforce reduction and other restructuring effects.
- Acquisition and divestiture-related adjustments.
- Other charges or credits that are, in management's view, non-recurring or otherwise not reflective of the company's ongoing operations.

Unrealized gains or losses on foreign currency economic hedges include the changes in fair value of foreign currency contracts used to hedge GBP-denominated anticipated earnings. The changes in fair value of these contracts are recognized immediately within GAAP earnings. Management believes that excluding these amounts from Earnings from Ongoing Operations until settlement of the contracts provides a better matching of the financial impacts of those contracts with the economic value of PPL's underlying hedged earnings.

# Definitions of non-GAAP Financial Measures

Management also utilizes the following non-GAAP financial measures as indicators of performance for its businesses:

"U.K. Gross Margins" is a single financial performance measure of the electricity distribution operations of the U.K. Regulated segment. In calculating this measure, direct costs such as connection charges from National Grid, which owns and manages the electricity transmission network in England and Wales, and Ofgem license fees (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from operating revenues, as they are costs passed through to customers. As a result, this measure represents the net revenues from the delivery of electricity across WPD's distribution network in the U.K. and directly related activities.

"Kentucky Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, LKE, LG&E and KU, as well as the Kentucky Regulated segment's, LKE's and LG&E's distribution and sale of natural gas. In calculating this measure, fuel, energy purchases and certain variable costs of production (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from operating revenues. In addition, certain other expenses, recorded in "Other operation and maintenance", "Depreciation" and "Taxes, other than income" on the Statements of Income, associated with approved cost recovery mechanisms are offset against the recovery of those expenses, which are included in revenues. These mechanisms allow for direct recovery of these expenses and, in some cases, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from electricity and gas operations.

"Pennsylvania Gross Margins" is a single financial performance measure of the electricity transmission and distribution operations of the Pennsylvania Regulated segment and PPL Electric. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance," (which are primarily Act 129 and Universal Service program costs), "Depreciation" (which is primarily related to the Act 129 Smart Meter program) and "Taxes, other than income," (which is primarily gross receipts tax) on the Statements of Income. This measure represents the net revenues from the Pennsylvania Regulated segment's and PPL Electric's electricity delivery operations.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations. Management believes these measures provide additional useful criteria to make investment decisions. These performance measures are used, in conjunction with other information, by senior management and PPL's Board of Directors to manage operations and analyze actual results compared with budget.

Reconciliations of margins for future periods are not provided as certain items excluded from Operating Income are inherently subject to change and are not significant.