

PPL CORP
Form 424B5
May 15, 2003

The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS SUPPLEMENT (Subject to Completion) Issued May 14, 2003
(To Prospectus dated July 22, 2002)

6,500,000 Shares

Common Stock

PPL Corporation, or PPL, is selling 6,500,000 shares of its common stock.

Our common stock is traded on the New York Stock Exchange under the symbol PPL. On May 14, 2003, the last reported sale price of our common stock on the New York Stock Exchange was \$37.17 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-11 of this prospectus supplement.

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to PPL	\$	\$

We have granted the underwriters an option to purchase up to an additional 975,000 shares of our common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on or about May , 2003.

Joint Book-Running Managers

Morgan Stanley

JPMorgan

Citigroup

Wachovia Securities

Merrill Lynch & Co.

May , 2003

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This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which will not apply to the common stock. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We and the underwriters have not authorized anyone to provide you with information other than that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. The information in this prospectus supplement and the accompanying prospectus may be accurate only as of their respective dates.

We and the underwriters are not making an offer to sell the common stock in jurisdictions where the offer or sale is not permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the common stock in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about and observe any restrictions relating to the offering of the common stock and the distribution of this prospectus supplement and the accompanying prospectus outside the United States. This prospectus

supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement and the accompanying prospectus by any person in any jurisdiction in which it is unlawful for a person to make an offer or solicitation.

As used in this prospectus supplement, the terms we, our or us may, depending upon the context, refer to PPL Corporation, to one or more of PPL Corporation's consolidated subsidiaries or to all of them taken as a whole.

FORWARD-LOOKING INFORMATION

Certain statements included or incorporated by reference in this prospectus supplement, including statements with respect to future earnings, energy supply and demand, costs, subsidiary performance, growth, new technology, project development, energy prices, strategic initiatives, and generation capacity and performance, are forward-looking statements within the meaning of the federal securities laws. Although we believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. These forward-looking statements involve a number of risks and uncertainties, and actual results may differ materially from the results discussed in the forward-looking statements. In addition to the specific factors discussed in the Risk Factors section in this prospectus supplement and our reports that are incorporated by reference, 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;
- effect of any business or industry restructuring;
- profitability and liquidity of PPL and our subsidiaries;
- new accounting requirements or new interpretations or applications of existing requirements;
- operation of existing facilities and operating costs of PPL and our subsidiaries;
- environmental conditions and requirements;
- transmission and distribution system conditions and operating costs;
- development of new projects, markets and technologies;
- performance of new ventures;
- political, regulatory or economic conditions in states, regions or countries where we or our subsidiaries conduct business;
- receipt and renewals of necessary governmental permits and approvals;
- impact of state or federal investigations applicable to us or our industry;
- outcome of litigation against us;
- capital markets conditions and decisions regarding capital structure;
- stock price performance of PPL;

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market prices of equity securities and resultant cash funding requirements for defined benefit pension plans;

securities and credit ratings of PPL and our subsidiaries;

state and federal regulatory developments;

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foreign exchange rates;

new state or federal legislation;

national or regional economic conditions, including any potential effects arising from the September 11, 2001 terrorist attacks in the United States, the situation in Iraq and any consequential hostilities or other hostilities; and

commitments and liabilities of PPL and our subsidiaries.

Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of PPL and our subsidiaries that are on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for us to predict all of such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and we do not undertake any obligation to update the information contained in such statement to reflect subsequent developments or information.

We caution you that any one of these factors or other factors described under the heading **Risk Factors** herein, or a combination of these factors, could materially affect our future results of operations and whether our forward-looking statements ultimately prove to be accurate. These forward-looking statements are not guarantees of our future performance, and our actual results and future performance may differ materially from those suggested in our forward-looking statements. When considering these forward-looking statements, you should keep in mind the factors described under the heading **Risk Factors** herein and other cautionary statements in this prospectus supplement, the accompanying prospectus and the documents we have incorporated by reference.

PROSPECTUS SUPPLEMENT SUMMARY

This summary contains basic information about us and this offering. Because it is a summary, it does not contain all of the information that you should consider before investing. To fully understand this offering, you should read this entire prospectus supplement and the accompanying prospectus carefully, including the sections entitled Risk Factors in this prospectus supplement and our financial statements and the related notes, contained elsewhere or incorporated by reference in this prospectus supplement or the accompanying prospectus, before making an investment decision. Except as otherwise noted, all information in this prospectus supplement assumes no exercise of the underwriters over-allotment option.

PPL CORPORATION

Overview

PPL Corporation is an energy and utility holding company that, through its subsidiaries, is primarily engaged in the generation and marketing of electricity in the northeastern and western United States and in the delivery of electricity in Pennsylvania, the United Kingdom and Latin America. As of December 31, 2002, we owned or controlled 11,488 megawatts, or MW, of low-cost and diverse power generation capacity. We are also developing or constructing 690 MW of new electric generation capacity in Pennsylvania (the 690 MW includes our 45 MW share of an upgrade to Unit 2 at our Susquehanna nuclear facility in Pennsylvania completed in April 2003). Additionally, we provide energy-related services to businesses primarily in the mid-Atlantic and northeastern United States.

Approximately 6,500 MW of our total generation capacity is currently committed to meeting the obligation of our Pennsylvania delivery company to provide electricity through the year 2009 under fixed-price tariffs pursuant to Pennsylvania's Customer Choice Act. We have another 450 MW of generation capacity committed to providing electricity to a delivery company in Montana through June 2007. These two commitments, combined with other contractual sales to other counterparties for terms of various lengths, commits, on average, over 70% of our expected annual output for the period 2003 through 2007. These arrangements are consistent with and are an integral part of our overall business strategy, which includes the use of long-term energy supply contracts to capture profits while reducing our exposure to movements in energy prices.

We operate through three principal lines of business:

Energy supply

We are a leading supplier of competitively priced energy in the United States through our subsidiaries, PPL Generation and PPL EnergyPlus, and acquire and develop U.S. generation projects through our PPL Global subsidiary.

PPL Generation owns or controls a portfolio of domestic power generation assets, with a total capacity of 11,488 MW as of December 31, 2002. These power plants are located in Pennsylvania (8,534 MW), Montana (1,157 MW), Arizona (750 MW), Illinois (540 MW), Connecticut (252 MW), New York (159 MW) and Maine (96 MW) and use well-diversified fuel sources including coal, nuclear, natural gas, oil and hydro. In April 2003, we completed an upgrade to Unit 2 at our Susquehanna nuclear facility in Pennsylvania, which added up to an additional 45 MW to our portfolio.

PPL EnergyPlus markets electricity produced by PPL Generation, along with purchased power and natural gas, in competitive wholesale and deregulated retail markets, primarily in the northeastern and western portions of the United States. PPL EnergyPlus also provides energy-related products and services, such as engineering and mechanical contracting, construction and maintenance services, to commercial and industrial customers.

PPL Global (domestic operations) acquires and develops U.S. generation projects that are, in turn, operated by PPL Generation as part of its portfolio of generation assets.

Energy delivery

We provide energy delivery services in the mid-Atlantic regions of the United States through our subsidiaries, PPL Electric Utilities and PPL Gas Utilities, and in the United Kingdom and Latin America through our PPL Global subsidiary.

PPL Electric Utilities is a regulated public utility company, incorporated in 1920, providing electricity delivery services to approximately 1.3 million customers in eastern and central Pennsylvania.

PPL Gas Utilities is a regulated public utility providing gas delivery services to approximately 103,000 customers in Pennsylvania and Maryland.

International operations

We acquire and hold international energy projects that are primarily focused on the distribution of electricity through our PPL Global subsidiary.

PPL Global (international operations) currently owns and operates energy delivery businesses serving approximately 3.5 million customers in the United Kingdom and Latin America. In September 2002, PPL Global acquired a controlling interest in, and consequentially gained 100% ownership of, Western Power Distribution Holdings Limited and WPD Investment Holdings Limited, which together we refer to as WPD. WPD operates two electric distribution companies in the U.K., which together serve approximately 2.5 million end-users. WPD delivered 28,074 million kWh of electricity in 2002.

Our Strategy

A key objective of our strategy is to be a leading, asset-based provider of retail and wholesale energy and energy-related products and services. We plan to achieve this objective by generating and selling competitively priced electricity primarily in the northeastern and western United States markets using a disciplined approach to growth while minimizing exposure to commodity price and supply risk by matching our generation capacity to long-term contracts with creditworthy counterparties. Another key objective of our strategy is to own and operate high-quality energy delivery businesses in selected regions around the world. Our strategy is reinforced by our ongoing commitment to operating excellence and customer satisfaction in the generation and delivery of electricity. We believe that the successful achievement of these objectives will provide strong returns to our shareowners while reducing our risk exposure to adverse movements in energy prices.

The key elements of our strategy are as follows:

Operate a diverse and low-cost portfolio of generation assets

We seek to operate an efficient and low-cost portfolio of generation assets that is diversified as to geography, fuel source, cost structure and operating characteristics. Our current generation facilities, together with our generation projects under development, provide us with a geographically diverse presence in the northeastern and western United States, helping to mitigate the risks resulting from regional price differences. Our current portfolio of generation assets is also well diversified by fuel type, with 39% coal, 34% natural gas/oil, 18% nuclear, 7% hydro and 2% qualifying facilities as of December 31, 2002. Our coal-fired capacity is located in the eastern and western United States and benefits from our low fuel transportation costs due to the proximity of our plants to coal fields, our extensive experience in acquiring coal at competitive prices and our highly-efficient coal-fired plant technology. With respect to cost structure and operating characteristics, our current generation portfolio is weighted towards base-load and/or low variable cost generation units which help reduce the variability of our revenues. Our primary remaining development project involves a combined-cycle generation unit.

Pursue stable cash flows and earnings through long-term contracts

We have in place and intend to continue to pursue long-term contracts and other means to mitigate the risk associated with adverse changes in the difference, or margin, between the cost to produce electricity and the price at which we sell it. These contracts can take a number of forms and include the use of fixed-price fuel supply

contracts and contracts under which we agree to provide electricity and generating capacity to third parties for extended periods at contracted prices for a large portion of our generation capacity. Currently, we have approximately 6,500 MW of our total generation capacity committed to our Pennsylvania delivery company through 2009, 450 MW committed to a delivery company in Montana through June 2007. These two commitments, combined with other contractual sales to other counterparties for terms of various lengths, commits, on average, over 70% of our expected annual output for the period 2003 through 2007. We believe that our use of long-term contracts will provide stability to our cash flows and earnings.

Maintain a disciplined, asset-based approach to marketing and trading opportunities

We use our expertise in energy marketing and trading to optimize the financial performance of our generation assets and minimize our exposure to commodity price volatility. Given our asset-based strategy, we seek to execute contractual commitments for energy sales that do not exceed our ability to produce the energy required. We believe that our ability to market and trade around our physical portfolio of generation assets through our integrated generation, marketing and trading functions will provide us with opportunities to grow our cash flows and earnings. We also utilize our extensive market knowledge to capture regional arbitrage opportunities and maximize the value of our generation capacity. In pursuing these opportunities, we limit our financial exposure by following a comprehensive risk management program. In addition, we seek to capture a diverse stream of revenues and avoid over-reliance on any one market or type of customer.

Continue to pursue a disciplined approach to adding generation facilities in key markets

As of December 31, 2002, we owned or controlled 11,488 MW of generation capacity in Pennsylvania, Montana, Arizona, Illinois, Connecticut, New York and Maine. In addition, we are developing or constructing an additional 690 MW of new power projects in Pennsylvania which we expect to complete in 2004 (the 690 MW includes our 45 MW share of an upgrade to Unit 2 at our Susquehanna nuclear facility in Pennsylvania completed in April 2003). Our current development program will be complete upon the commercial operation of these facilities. We will continue to evaluate opportunities to acquire operating generation facilities in key markets using a disciplined strategy that balances growth in generation capacity with growth in retail load or the use of long-term contracts. We believe that the northeastern and western regions of the United States are particularly attractive markets because of favorable supply and demand dynamics for power in these regions and our understanding of these markets.

Operate our transmission and distribution businesses to high standards of customer service and reliability

We have over 80 years of experience in operating and managing rate-regulated electric transmission and distribution businesses and we use this experience to seek to achieve high standards of customer service and reliability in a cost-effective manner. We believe that by achieving our customer-focused objectives, we can also deliver strong returns to our shareowners. We have applied this philosophy both domestically to our Pennsylvania delivery business as well as to our international investments in the United Kingdom and Latin America (Argentina, Bolivia, Chile, El Salvador and Peru) and have won customer service awards in the United States and the United Kingdom.

The address of our principal executive offices is Two North Ninth Street, Allentown, Pennsylvania 18101-1179 and our telephone number is (610) 774-5151.

The Offering

Common stock offered 6,500,000 shares

Common stock to be outstanding after the offering 175,062,458 shares

Use of proceeds We intend to use the net proceeds from this offering and the concurrent convertible senior notes offering described below, if it is completed, to repurchase commercial paper of PPL Energy Supply and for general corporate purposes. See Use of Proceeds.

Dividend policy We have paid quarterly cash dividends on our common stock in every year since 1946. The annual dividends paid per share in 2002 and in 2001 were \$1.44 and \$1.06, respectively. In February 2003, we declared an increase to our dividend level to an annualized rate of \$1.54 per share (\$0.385 per share on a quarterly basis) and paid the quarterly dividend on April 1, 2003. Future dividends, declared at the discretion of our board of directors, will be dependent upon future earnings, cash flows, financial requirements and other factors.

New York and Philadelphia Stock Exchange symbol Our common stock is listed on the New York Stock Exchange and the Philadelphia Stock Exchange under the symbol PPL.

For a complete description of our common stock, please refer to Description of PPL Corporation's Capital Stock in the accompanying prospectus.

Unless we state otherwise, the information in this prospectus supplement does not include 975,000 shares of common stock that may be issued to the underwriters pursuant to their over-allotment option. If the underwriters exercise their over-allotment option in full, the total number of shares of common stock offered will be 7,475,000.

The number of shares to be outstanding after the offering is based on 168,562,458 shares outstanding as of April 30, 2003 and does not include 3,770,059 shares issuable upon the exercise of outstanding stock options at a weighted average exercise price of \$32.95 per share.

Summary Financial Data

The summary financial data set forth below should be read in conjunction with our financial statements and related notes and other financial and operating data incorporated by reference in this prospectus supplement. The Statement of Income Data, Balance Sheet Data, Basic EPS (loss) and Diluted EPS (loss) for the years ended December 31, 2002, 2001 and 2000 have been derived from the audited consolidated financial statements incorporated by reference in this prospectus supplement, and for the three months ended March 31, 2003 and 2002 have been derived from the unaudited consolidated financial statements incorporated by reference in this prospectus supplement. Some previously reported amounts have been reclassified to conform with the current period presentation.

	Three Months Ended March 31,		Year Ended December 31,		
	2003	2002	2002	2001	2000
Statement of Income Data \$ millions:					
Operating revenues	\$ 1,487	\$ 1,354	\$ 5,429	\$ 5,077	\$ 4,545
Operating income	357	400	1,240	849	1,194
Income before cumulative effect of a change in accounting principle ^(a)	189	165	425	221	524
Net income (loss) ^(a)	239	(3)	208	179	498
Balance Sheet Data \$ millions (end of period):					
Cash and cash equivalents	397	486	245	933	480
Property, plant and equipment, net	9,699	6,092	9,563	5,947	5,948
Recoverable transition costs	1,875	2,119	1,946	2,172	2,425
Total assets	15,975	12,368	15,570	12,562	12,360
Short-term debt, including current maturities of long-term debt	1,200(b)	691	1,309	616	1,354
Long-term debt, excluding current maturities	6,195(b)	4,940	5,901	5,081	4,467
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely company debentures	661	825	661	825	250
Preferred stock	82	82	82	82	97
Shareowners' common equity	2,470	1,814	2,224	1,857	2,012
Other Data:					
Number of shares outstanding thousands					
Period-end	167,723	147,122	165,736	146,580	145,041
Average	166,506	146,753	152,492	145,974	144,350
Basic EPS (loss) ^(a)	\$ 1.43	\$ (0.02)	\$ 1.37	\$ 1.23	\$ 3.45
Diluted EPS (loss) ^(a)	1.43	(0.02)	1.36	1.22	3.44
Dividends declared per share	0.385	0.36	1.44	1.06	1.06
Sales Data Millions of Kilowatt-Hours:					
Electric energy supplied retail	11,207	11,146	42,065	43,470	41,493
Electric energy supplied wholesale	10,047	7,649	37,060	27,683	40,925
Electric energy delivered retail ^(f)	18,817	28,358	69,105	41,453	37,642

(a) On January 1, 2003, we adopted the provisions of SFAS 143, Accounting for Asset Retirement Obligations. See Note 13 to our financial statements included in our Form 10-Q for the quarter ended March 31, 2003, which is incorporated herein by reference. On January 1, 2002, we adopted the provisions of SFAS 142, Goodwill and Other Intangible Assets, which provides that goodwill no longer be amortized. See Note 18 to our financial statements included in our Form 10-K for the year ended December 31, 2002, which is also incorporated herein by reference.

(b)

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Includes the reclassification of \$393 million of WPD short-term debt, as described in Note 6 to our Form 10-Q for the quarter ended March 31, 2003, which is incorporated herein by reference.

- (c) Deliveries for 2002 include the electricity deliveries of WPD for the full year and of Companhia Energética do Maranhão, or CEMAR, prior to deconsolidation in August 2002. See Note 7 to our financial statements included in our Form 10-Q for the quarter ended March 31, 2003, which is incorporated herein by reference.

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Concurrent Offering

Concurrent with this offering, PPL Energy Supply is offering \$300,000,000 aggregate principal amount of convertible senior notes due 2023, guaranteed by PPL Corporation and convertible into PPL Corporation common stock, plus up to an additional \$45,000,000 aggregate principal amount of convertible senior notes if the initial purchasers exercise in full their option to purchase additional convertible senior notes in that offering. The convertible senior notes offering is being conducted privately pursuant to an exemption from the registration requirements of the Securities Act of 1933. The convertible senior notes will pay interest semi-annually at the annual rate of _____ % on their principal amount. At the initial rate of conversion, the convertible senior notes would be convertible into a maximum of _____ shares (_____ shares if the option is exercised in full) of PPL Corporation common stock. We expect the convertible senior notes offering to close at the same time this offering is closed. However, neither offering is conditioned on the completion of the other.

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RISK FACTORS

You should carefully consider the risks associated with PPL Corporation and its subsidiaries described below before making an investment decision. The risks described below are not the only ones facing us. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment.

This prospectus supplement also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus supplement.

Risks Related to Our Supply Businesses

Changes in commodity prices may increase the cost of producing power or decrease the amount we receive from selling power, which could adversely affect our financial performance.

Changes in power prices or fuel costs may impact our financial results and financial position by increasing the cost of producing power or decreasing the amount we receive from the sale of power. The market prices for these commodities may fluctuate substantially over relatively short periods of time. Among the factors that could influence such prices are:

prevailing market prices for coal, natural gas, fuel oil and other fuels used in our generation facilities, including associated transportation costs and supplies of such commodities;

demand for energy and the extent of additional supplies of energy available from current or new competitors;

capacity and transmission service into, or out of, our markets;

changes in the regulatory framework for wholesale power markets;

liquidity in the general wholesale electricity market; and

weather conditions impacting demand for electricity.

In the absence of long-term power sales agreements, we must sell the energy, capacity and other products from our facilities into the competitive wholesale power markets. Unlike most other commodities, electric power cannot be stored and must be produced at the time of use. As a result, the wholesale power markets are subject to significant price fluctuations over relatively short periods of time and can be unpredictable. In addition, power prices may not change at the same rate as changes in fuel and other costs. Given the volatility and potential for material differences between actual power prices and fuel and other costs, if we cannot secure or maintain long-term power sales and fuel purchase agreements for our power generation facilities, our revenues will be subject to increased volatility and our financial results may be materially adversely affected.

Our facilities may not operate as planned, which may increase our expenses or decrease our revenues and, thus, have an adverse effect on our financial performance.

Operation of power plants involves many risks, including the breakdown or failure of equipment or processes, accidents, labor disputes, fuel interruption and performance below expected levels. In addition, weather-related incidents and other natural disasters can disrupt both generation and transmission delivery systems. Operation of our power plants below expected capacity levels may result in lost revenues or increased expenses, including higher maintenance costs and, if we are unable to perform our contractual obligations as a result, penalties or damages.

We may not be able to obtain adequate fuel supplies, which could adversely affect our ability to operate our facilities.

We purchase fuel from a number of suppliers. Disruption in the delivery of fuel, including disruptions as a result of weather, labor relations or environmental regulations affecting our fuel suppliers, could adversely affect our ability to operate our facilities and, thus, our results of operations.

We have agreed to provide electricity to PPL Electric Utilities in amounts sufficient to satisfy its provider of last resort, or PLR, obligations at prices which may be below our cost, which could adversely affect our financial condition.

PPL Electric Utilities has PLR obligations to serve those electric retail customers that did not select an alternate supplier under the Customer Choice Act. PPL EnergyPlus has entered into long-term contracts to supply PPL Electric Utilities PLR requirements at agreed prices through 2009. This obligation currently represents a significant portion of the normal operating capacity of our existing generation assets. The prices we receive are established under the contracts and may not have any relationship to the cost to us of supplying this power. This means that we are required to absorb increasing costs, including the risk of fuel price increases and increased costs of production.

The PLR contract obligations do not provide us with any guaranteed level of sales. If the customers of PPL Electric Utilities obtain service from alternate suppliers, which they are entitled to do at any time, our sales of power under the contract may decrease. Alternatively, customers could switch back to PPL Electric Utilities from alternative suppliers, which may increase demand above our facilities available capacity. Any such switching by customers could have a material adverse effect on our results of operations or financial position.

We are subject to the risks of nuclear generation, including the risk that our Susquehanna nuclear plant could become subject to revised safety requirements that would increase our capital and operating expenditures, and uncertainties associated with decommissioning our plant at the end of its licensed life.

Nuclear generation accounts for about 20% of our generation capacity. The risks of nuclear generation generally include:

the potential harmful effects on the environment and human health resulting from the operation of nuclear facilities and the storage, handling and disposal of radioactive materials;

limitations on the amounts and types of insurance commercially available to cover losses and liabilities that might arise in connection with nuclear operations; and

uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their licensed lives.

The Nuclear Regulatory Commission, or NRC, has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. In the event of non-compliance, the NRC has the authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. In addition, revised safety requirements promulgated by the NRC could necessitate substantial capital or operating expenditures at our Susquehanna nuclear plant. In addition, although we have no reason to anticipate a serious nuclear incident at our Susquehanna plant, if an incident did occur, it could have a material adverse effect on our results of operations or financial condition.

We have a limited history of operating many of our generation facilities in a competitive environment, in which we are not assured of any return on our investment.

Many of our facilities were historically operated within vertically-integrated, regulated utilities that sold electricity to consumers at prices based on predetermined rates set by state public utility commissions. Unlike regulated utilities, we are not assured any rate of return on our capital investments through predetermined rates, and our revenues and results of operations are likely to depend, in large part, upon prevailing market prices for

electricity in our regional markets and other competitive markets, the volume of demand, capacity factors and ancillary services.

Changes in technology may impair the value of our power plants.

A basic premise of our business is that generating power at central power plants achieves economies of scale and produces electricity at a relatively low price. There are other technologies that produce electricity, most notably fuel cells, microturbines, windmills and photovoltaic (solar) cells. Research and development activities are ongoing to seek improvements in the alternate technologies. It is possible that advances will reduce the cost of alternate methods of electric production to a level that is equal to or below that of most central station electric production. If this were to happen, the value of our power plants may be significantly impaired.

We are exposed to operational, price and credit risks associated with selling and marketing products in the wholesale power markets.

We purchase and sell power at the wholesale level under market-based tariffs authorized by the Federal Energy Regulatory Commission, or FERC, throughout the United States and also enter into short-term agreements to market available energy and capacity from our generation assets with the expectation of profiting from market price fluctuations. If we are unable to deliver firm capacity and energy under these agreements, we could be required to pay damages. These damages would generally be based on the difference between the market price to acquire replacement capacity or energy and the contract price of the undelivered capacity or energy. Depending on price volatility in the wholesale energy markets, such damages could be significant. Extreme weather conditions, unplanned power plant outages, transmissions disruptions, and other factors could affect our ability to meet our obligations, or cause significant increases in the market price of replacement capacity and energy. We also face credit risk that parties with whom we contract will default in their performance, in which case we may have to sell our power into a lower-priced market or make purchases in a higher priced market than existed at the time of contract. Although we attempt to mitigate these risks, there can be no assurance that we will be able to fully meet our obligations, that we will not be required to pay damages for failure to perform or that we will not experience counterparty non-performance.

We do not always hedge against risks associated with energy and fuel price volatility.

We attempt to mitigate risks associated with satisfying our contractual power sales arrangements by reserving generation capacity to deliver electricity to satisfy our net firm sales contracts and, when necessary, by purchasing firm transmission service. We also routinely enter into contracts, such as fuel and power purchase and sale commitments, to hedge our exposure to weather conditions, fuel requirements and other energy-related commodities. We may not, however, hedge the entire exposure of our operations from commodity price volatility. To the extent we fail to hedge against commodity price volatility, our results of operations and financial position may be affected unfavorably.

Our trading, marketing and risk management policies may not work as planned and we may suffer economic losses despite such policies.

We actively manage the market risk inherent in our energy and fuel, debt and foreign currency positions. Nonetheless, adverse changes in energy and fuel prices, interest rates and foreign currency exchange rates may result in losses in our earnings or cash flows and adversely affect our balance sheet. Our trading, marketing and risk management procedures may not always be followed or may not work as planned. As a result, we cannot always predict the impact that our trading, marketing and risk management decisions may have on our business, operating results or financial position.

In addition, our trading, marketing and risk management activities are exposed to the credit risk that counterparties that owe us money or energy will breach their obligations. We have established risk management policies and programs, including credit policies to evaluate counterparty credit risk. However, if counterparties to these arrangements fail to perform, we may be forced to enter into alternative hedging arrangements or honor

underlying commitments at then-current market prices. In that event, our financial results are likely to be adversely affected.

Our operating results may fluctuate on a seasonal and quarterly basis.

Electrical power supply may be seasonal. For example, in some parts of the country, demand for, and market prices of, electricity peak during the hot summer months, while in other parts of the country such peaks occur in the cold winter months. As a result, our overall operating results in the future may fluctuate substantially on a seasonal basis. The pattern of this fluctuation may change depending on the nature and location of the facilities we acquire or develop and the terms of our contracts to sell electricity.

We rely on transmission and distribution assets that we do not own or control to deliver our wholesale electricity and natural gas. If transmission is disrupted, or if capacity is inadequate, our ability to sell and deliver power may be hindered.

We depend on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver the electricity and natural gas we sell to the wholesale market, as well as the natural gas we purchase for use in our electric generation facilities. If transmission is disrupted, or if capacity is inadequate, our ability to sell and deliver products and satisfy our contractual obligations may be hindered.

The FERC has issued regulations that require wholesale electric transmission services to be offered on an open-access, non-discriminatory basis. Although these regulations are designed to encourage competition in wholesale market transactions for electricity, there is the potential that fair and equal access to transmission systems will not be available or that sufficient transmission capacity will not be available to transmit electric power as we desire. We cannot predict the timing of industry changes as a result of these initiatives or the adequacy of transmission facilities in specific markets.

Risks Related to Our Business Generally and to Our Industry

A downgrade in our or our subsidiaries' credit ratings could negatively affect our ability to access capital and increase the cost of maintaining our credit facilities and any new debt.

On May 13, 2003, Moody's Investors Service, Inc. downgraded by one notch the credit ratings on PPL Energy Supply's senior unsecured debt, to Baa2 from Baa1, PPL Electric Utilities' senior secured debt, to Baa1 from A3, and PPL Capital Funding's senior unsecured debt, to Baa2. Also on May 13, Fitch Ratings downgraded by one notch the ratings of PPL Capital Funding's senior unsecured debt, to BBB from BBB+, and placed PPL Corporation, PPL Energy Supply and PPL Capital Funding on negative outlook. In addition, on April 29, 2003, Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, affirmed its BBB corporate credit ratings for PPL Corporation and PPL Energy Supply, downgraded by one notch the rating of PPL Capital Funding's senior unsecured debt, to BBB- from BBB, and placed PPL Electric Utilities on negative outlook. Standard & Poor's also indicated that PPL Corporation and PPL Energy Supply remain on negative outlook. While we do not expect these recent ratings decisions to limit our ability to fund our short-term liquidity needs and we expect these ratings decisions to have an immaterial impact on the cost to maintain our credit facilities and to access any new long-term debt, any future ratings downgrades, including downgrades to our short-term debt ratings, could negatively affect our ability to fund our short-term liquidity needs and more significantly impact the cost to maintain our credit facilities and to access new long-term debt.

We face intense competition in our energy supply and development businesses, which may adversely affect our ability to operate profitably.

The electric power industry has experienced a significant increase in the level of competition in the energy markets in response to federal and state deregulation initiatives. This competition may negatively impact our ability to sell energy and related products and the prices which we may charge for such products, which could adversely affect our results of operations and our ability to grow our business.

In addition, while demand for electricity is generally increasing throughout the United States, the rate of construction and development of new electric assets may exceed the increase in demand in some regional markets. The commencement of commercial operation of new facilities in the regional markets where we own or control generation capacity will likely increase the competitiveness of the wholesale power market in those regions, which could have a material adverse effect on our business and financial condition.

Our investments and projects located outside of the United States expose us to risks related to laws of other countries, taxes, economic conditions, fluctuations in currency rates, political conditions and policies of foreign governments. These risks may delay or reduce our realization of value from our international projects.

We have operations outside of the United States. The acquisition, financing, development and operation of projects outside the United States entail significant financial risks, which vary by country, including:

changes in foreign laws or regulations relating to foreign operations, including tax laws and regulations;

changes in United States laws related to foreign operations, including tax laws and regulations;

changes in government policies, personnel or approval requirements;

changes in general economic conditions affecting each country;

regulatory reviews of tariffs for local distribution companies;

changes in labor relations in foreign operations;

limitations on foreign investment or ownership of projects and returns or distributions to foreign investors;

limitations on ability of foreign companies to borrow money from foreign lenders and lack of local capital or loans;

fluctuations in currency exchange rates and difficulty in converting our foreign funds to U.S. dollars, which can increase our expenses and/or impair our ability to meet such expenses, and difficulty moving funds out of the country in which the funds were earned;

limitations on ability to import or export property and equipment;

compliance with United States foreign corrupt practices laws;

political instability and civil unrest; and

expropriation and confiscation of assets and facilities.

Our international operations are subject to regulation by various foreign governments and regulatory authorities. The laws and regulations of some countries may limit our ability to hold a majority interest in some of the projects that we may develop or acquire, thus limiting our ability to control the development, construction and operation of those projects. In addition, the legal environment in foreign countries in which we currently own assets or projects or may develop projects in the future could make it more difficult for us to e