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PPL Corporation

Capital Management Strategy used to Support a Corporate Transformation



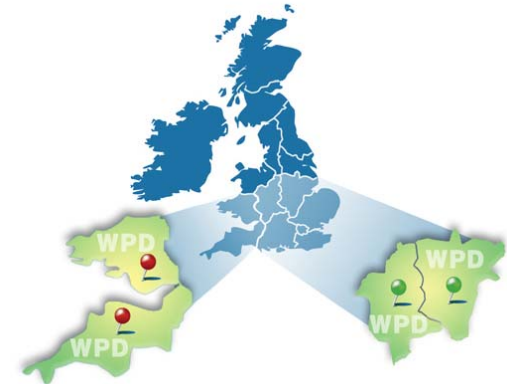
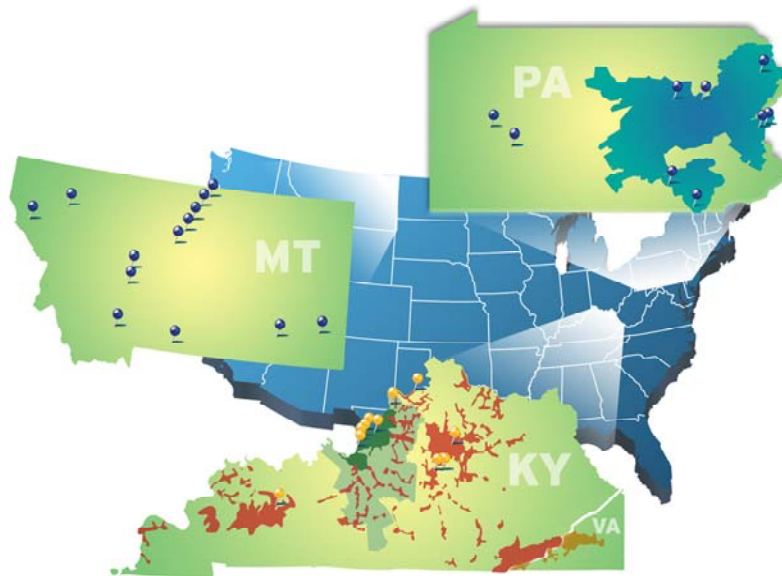
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PPL Corporation Overview

- PPL Corporation (“PPL”) is a Fortune 300 energy company with regulated utility businesses and a competitive energy marketing business
 - Market cap of \$16.1 billion ⁽¹⁾
 - More than 10 million customers and 15,000 employees in the U.S. and U.K.



Generation assets:

- Deregulated power plants
- Regulated power plants

Delivery territories:

- PPL Electric Utilities
- Kentucky Utilities
- Louisville Gas and Electric

United Kingdom delivery territories:

- WPD South Wales
- WPD South West
- WPD Midlands West
- WPD Midlands East



⁽¹⁾ As of June 30, 2011

PPL Corporation's Transformation

Within a 10-month period, PPL announced two major acquisitions which dramatically changed its business mix and essentially doubled the size of the Company

- On April 28, 2010, PPL announced its acquisition of E.ON U.S., LLC, (“Kentucky”) the parent of Louisville Gas & Electric (LG&E) and Kentucky Utilities (KU) with utility operations in Kentucky and parts of Virginia and Tennessee
 - Required \$6.8 billion of cash at closing
 - This transaction closed on November 1, 2010

- On March 2, 2011, PPL announced its acquisition of the Central Networks (“Midlands”) electric distribution business in central England, the second largest such business in the U.K.
 - Required \$5.8 billion of cash at closing
 - This transaction closed on April 1, 2011



The Challenge

To complete this strategic transformation, PPL's financing team needed to secure approximately \$30 billion of financing capacity, which included \$13 billion of permanent capitalization. Risk factors included:

- **Market Risk** – For example, these financings resulted in the largest and second largest “follow-on” equity issuances in the history of the utility sector
- **Common Stock Price Risk** – Not only did investors have to buy into the strategic value of the acquisitions, the sheer size of the equity requirements had to be managed
- **Liquidity Risk** – Both transactions were announced prior to having syndicated bridge facilities in place and in the face of volatile capital markets
- **Credit Quality Risk** – The retention of investment grade credit ratings was considered by senior management as a “condition precedent” in pursuing these acquisitions
- **Cost of Capital Risk** - In addition to the need to manage interest rate costs, the Midlands transaction also included significant currency risk



An Aggressive Financing Timetable

Our approach focused on the fastest possible deal execution without any compromise to quality

- Communication channels were enhanced throughout all levels of management including “real-time” access to executive management
- An acquisition financing team was established consisting of:
 - Internal participants from Finance, I.R., Accounting, Tax, and Legal
 - External participants including investment bankers, securities and tax counsel, and independent accountants
- Detailed timelines for deliverables were created and accountabilities assigned for:
 - Equity investor “Non Deal” road shows
 - Selecting desired financing instruments, corporate issuers to be used, and issuance sequencing
 - Tax structuring and acquisition cash flows
 - Completion of all financing documents
 - Rating agency activities, including financial models and presentations
 - Bank syndication activities – initial presentations through close of facilities

Timelines had to incorporate external constraints that included regulatory approvals, SEC black-out periods, rating agency reviews, etc.



Business Results

- **Before each acquisition was announced:**
 - A full financing plan had been developed and vetted with the rating agencies to ensure our credit rating targets were achieved
 - More than \$12 billion of temporary bridge loan financing was assured by requiring our M&A advisers to provide an initial source of liquidity needed to close
- **Within days of the announcement of the acquisitions:**
 - Executive management had met with the vast majority of our institutional investors to articulate the strategic merits of these investments
 - Bank syndication meetings were held resulting in successful syndications for the over \$12 billion in bridge financings and \$4 billion in new liquidity (working capital) facilities



Business Results (Contd.)

- **Within days of receiving the necessary approvals, all permanent financing had been completed:**
 - **We led with equity for both transactions – A total of \$4.7 billion of Common Stock and \$2.1 billion of Equity Units:**
 - Sequenced ahead of debt issuances to minimize market risk, eliminate “overhang” in our stock price, and preserve credit ratings
 - Equity Units were used to reduce downward pressure on our common stock price while still providing “equity content” for the rating agencies

During the 30 days following each offering, PPL’s stock price outperformed the S&P 500 Electric Utilities Index with continued strong performance thereafter



Business Results (Contd.)

- **We followed with a total of \$6.2 billion of long-term debt:**
 - All debt was placed within days of having the necessary approvals
 - A mortgage structure was used for \$2.0 billion to lower costs and improve credit ratings
 - Extensive interest rate and currency hedging was done in advance to lock in rates below those used in the acquisition model
 - \$3.0 billion in forward starting swaps
 - \$5.8 billion in currency hedges



Business Results (Contd.)

In summary, all of PPL's business and financial objectives were successfully met or exceeded within a 14-month period

Keys to success were:

- **Open channels of communication**
- **A thorough upfront assessment and understanding of our business and financial objectives and the inherent risks**
- **The immediate formation of a multifunctional project team of both internal and external resources**
- **The development, ongoing refinement, and execution of an extremely detailed project plan**
- **And perhaps...just a little good fortune related to market conditions beyond our control!**

