

PPL CORP  
Form S-4  
September 03, 2003

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM S-4**

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

**PPL Corporation**

*(Exact name of registrant as specified in its charter)*

**Pennsylvania**

*(State or other jurisdiction of incorporation or organization)*

**4911**

*(Primary Standard Industrial Classification Code Number)*

**23-2758192**

*(I.R.S. Employer Identification No.)*

**Two North Ninth Street  
Allentown, Pennsylvania 18101-1179**

**(610) 774-5151**

*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

**PPL Capital Funding, Inc.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of incorporation or organization)*

**4911**

*(Primary Standard Industrial Classification Code Number)*

**23-2926644**

*(I.R.S. Employer Identification No.)*

**Two North Ninth Street  
Allentown, Pennsylvania 18101-1179**

**(610) 774-5151**

*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

**James E. Abel, Vice President Finance and Treasurer**

**PPL Corporation**

**Two North Ninth Street**

**Allentown, Pennsylvania 18101-1179**

**(610) 774-5151**

*(Address, including zip code, and telephone number, including area code, of agent for service)*

*with a copy to:*

**Vincent Pagano, Jr.**

**Simpson Thacher & Bartlett LLP**

**425 Lexington Avenue**

**New York, New York 10017**

**(212) 455-2000**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective and all other conditions to the exchange offer described herein (the Exchange Offer) have been satisfied or waived.

**If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.**

**If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.**

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

**CALCULATION OF REGISTRATION FEE**

| Title of each Class of Securities to be Registered   | Amount to be Registered | Proposed Maximum Offering Price Per Unit(1) | Proposed Maximum Aggregate Offering Price(1)(2) | Amount of Registration Fee |
|--|-------------------------|---|---|----------------------------|
| 7 3/4% Premium Equity Participating Security Units (PEPS <sup>SM</sup> Units), Series B(3) |                         |   | \$572,500,000                                   | \$46,316                   |
| Stock Purchase Contracts(4)  |                         |   |   |                            |
| 1/40 <sup>th</sup> Beneficial Interest in PPL Capital Funding Notes(5)                     |                         |   |   |                            |
| PPL Corporation Guarantee of PPL Capital Funding Notes(6)                                  |                         |   |   |                            |
| PPL Corporation Common Stock, par value \$0.01 per share(7)                                |                         |   |   |                            |
| <b>Total</b>   |                         |   | <b>\$572,500,000</b>                            | <b>\$46,316</b>            |

- (1) Estimated solely for the purpose of determining the registration fee based on Rule 457 under the Securities Act of 1933, as amended.
- (2) Excluding accrued interest, if any.
- (3) Each 7 3/4% PEPS Unit will consist of (a) a stock purchase contract, described under note (4) below, and (b) a 1/40, or 2.5%, undivided beneficial ownership interest in a \$1,000 principal amount note. Each note will be pledged to secure the obligation of the holder to purchase the common stock.
- (4) Each stock purchase contract will be issued only as part of an equity unit, designated as a 7 3/4% PEPS Unit. A stock purchase contract obligates the holder, upon settlement, to purchase and PPL Corporation to sell to the holder an indeterminate number of shares of common stock of PPL Corporation. Since the stock purchase contract will only be issued as part of a 7 3/4% PEPS Unit, no separate consideration will be received for the stock purchase contract. The value, if any, attributable to the stock purchase contracts is reflected in the price of the 7 3/4% PEPS Units.
- (5) Notes will be issued only as part of 7 3/4% PEPS Units.
- (6) PPL Corporation has fully and unconditionally guaranteed all payments, including principal and interest, on the notes. Pursuant to Rule 457(n) under the Securities Act of 1933, as amended, no registration fee is required with respect to this guarantee.
- (7) Common stock will be issued upon settlement of stock purchase contracts which are registered hereby.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**EXCHANGE OFFER PROSPECTUS (Subject to Completion)**  
**Issued September 2, 2003**

**Offer to Exchange  
7 3/4% PEPS<sup>SM</sup> Units, Series B and  
a Cash Payment  
For the 7 3/4% PEPS<sup>SM</sup> Units**

**subject to the terms and conditions described in this prospectus**

The Exchange Offer and Withdrawal Rights will expire at 5 p.m., New York City time, on \_\_\_\_\_, 2003, unless earlier terminated or extended by us.

PPL Corporation hereby offers, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, to exchange 7 3/4% Premium Equity Participating Security Units (PEPS<sup>SM</sup> Units), Series B, referred to herein as the New PEPS Units, plus a cash payment of \$0.375 for each validly tendered and accepted 7 3/4% Premium Equity Participating Security Units (PEPS<sup>SM</sup> Units), referred to herein as the Outstanding PEPS Units.

We are offering to exchange up to 22,900,000 Outstanding PEPS Units. However, the exchange offer is subject to the conditions described in this prospectus, including the condition that the Outstanding PEPS Units remain listed on the New York Stock Exchange, or the NYSE, and the minimum condition that there are validly tendered at the expiration of the exchange offer at least 35% of the Outstanding PEPS Units. In the event that we determine there is any likelihood that the NYSE continued-listing condition may not be met, we may accept a pro rata amount of the Outstanding PEPS Units tendered in the offer in order to ensure that the Outstanding PEPS Units continue to be listed on the NYSE.

You may withdraw your tenders at any time prior to 5 p.m. New York City time on the expiration date.

For a description of the investment decision you are being asked to make, see the Summary on page 1.

Each New PEPS Unit consists of a new purchase contract issued by PPL Corporation and a 1/40, or 2.5%, undivided beneficial ownership interest in a \$1,000 principal amount note due May 2006 issued by PPL Capital Funding, Inc. and guaranteed by PPL Corporation.

The new purchase contract will obligate you to purchase from us, no later than May 18, 2004, for a price of \$25, the following number of shares of PPL Corporation common stock, \$0.01 par value:

if the average of the closing prices of PPL Corporation's common stock over the 20-trading day period ending on the third trading day prior to May 18, 2004 multiplied by 1.017 is equal to or greater than \$65.03, 0.3910 shares;

if the average of the closing prices of PPL Corporation's common stock over the same period multiplied by 1.017 is less than \$65.03 but greater than \$53.30, a number of shares having a value, based on the 20-trading day average closing prices, equal to \$25; and

if the average of the closing prices of PPL Corporation's common stock over the same period multiplied by 1.017 is less than or equal to \$53.30, 0.4770 shares.

We will also pay you contract adjustment payments at a rate of 0.46% per year of the stated amount of \$25 per New PEPS Unit, or \$0.1150 per year, as described in this prospectus.

From the date of issuance until May 18, 2004, the notes will constitute subordinated obligations of PPL Capital Funding and will be guaranteed on a subordinated basis by PPL Corporation. On and after May 18, 2004, the notes will constitute senior obligations of PPL Capital Funding and will be guaranteed on a senior basis by PPL Corporation. Prior to the new purchase contract settlement date, the

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ownership interest in the note will be pledged to secure your obligation to purchase PPL Corporation's common stock under the new purchase contract. You may use the proceeds from the remarketing of the notes to satisfy your payment obligations under the new purchase contract.

PPL Capital Funding will pay you interest at a rate of 7.29% per year of your ownership interest in the principal amount of the note. If there is a successful remarketing of the notes, the interest rate will be reset and may be greater or less than 7.29% per year. PPL Corporation will unconditionally guarantee the payment of principal and interest on the notes of PPL Capital Funding.

We intend to list the New PEPS Units on the NYSE, subject to the New PEPS Units meeting the listing requirements of the NYSE.

**For a discussion of the risks that you should consider in evaluating the exchange offer, see Risk Factors beginning on page 22.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities being offered in the exchange offer or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

None of PPL Corporation, PPL Capital Funding, the exchange agent, the information agent or the dealer manager makes any recommendation as to whether or not holders of Outstanding PEPS Units should exchange their securities in the exchange offer.

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*The dealer manager for the exchange offer is:*

**Morgan Stanley**

, 2003

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

**You should rely only on the information contained in this prospectus and those documents incorporated by reference herein. We have not authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are offering to sell, and are seeking offers to buy, the New PEPS Units only in jurisdictions where offers and sales are permitted. This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any New PEPS Unit offered by this prospectus by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. Neither the delivery of this prospectus nor any sale made under it implies that there has been no change in our affairs or that the information in this prospectus is correct as of any date after the date of this prospectus.**

This prospectus has been prepared based on information provided by us and other sources we believe to be reliable. We do not represent that information provided by other sources is accurate or complete. In making an investment decision, prospective investors must rely on their own examinations of PPL Corporation and PPL Capital Funding, and the terms of the offering, including the merits and risks involved.

## SUMMARY

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this prospectus and the information contained in documents incorporated by reference in the registration statement of which this prospectus forms a part. Reference is made to Risk Factors beginning on page 22 for a discussion of certain issues that should be considered in evaluating an investment in the New PEPS Units.*

We are offering to exchange with you a New PEPS Unit and a cash payment of \$0.375 for each Outstanding PEPS Unit that you own subject to the terms and conditions described in this prospectus. As an owner of an Outstanding PEPS Unit, you have both an equity investment and a fixed income investment in us. The equity investment is in the form of a purchase contract, which, unless earlier terminated, requires you to purchase a variable number of shares of PPL Corporation common stock. The fixed income investment is in the form of a trust preferred security that represents an undivided beneficial interest in the subordinated notes of PPL Capital Funding, Inc. guaranteed on a subordinated basis by PPL Corporation.

In making your investment decision whether to exchange, you need to determine whether the New PEPS Units together with the cash payment on the exchange is worth more than your Outstanding PEPS Units. The equity components of the New PEPS Units are essentially identical to the equity components of the Outstanding PEPS Units, except for modifications of your right to effect early settlement of the purchase contracts. See Principal Differences Between the Outstanding PEPS Units and New PEPS Units. The fixed income component of the New PEPS Units differs in several respects from the fixed income component of the Outstanding PEPS Units. Most of those differences are designed to make the new fixed income securities attractive to potential buyers in the remarketing. See Principal Differences Between the Outstanding PEPS Units and New PEPS Units.

As the fixed income component of the Outstanding PEPS Units, the trust preferred securities have the following three key features:

they provide quarterly distributions at the rate of 7.29% per year;

they serve as collateral to secure your obligation under the purchase contracts to purchase the common stock of PPL Corporation; and

if you continue to own Outstanding PEPS Units on the initial remarketing date and choose to settle your purchase contract out of the proceeds of a successful remarketing of the trust preferred securities, you will receive extra proceeds to the extent that the remarketing agent is able to obtain a price in excess of 100.25% of the cost of the treasury portfolio (or 100.25% of \$25 in the case of the final remarketing) with the distribution rate set at 7.29%. If the yield to maturity of the remarketed trust preferred securities is significantly lower than 7.29%, the proceeds of the remarketing in excess of the treasury portfolio purchase price could be substantial. This potential for extra proceeds results from a one-way reset feature that prevents the distribution rate from being reset below 7.29%.

With respect to these three key features, only the third feature will change if you exchange the Outstanding PEPS Units for the New PEPS Units. Prior to the remarketing date, the income stream on the New PEPS Units will be the same as the income stream on the Outstanding PEPS Units. Like the fixed income component of the Outstanding PEPS Units, the fixed income component of the New PEPS Units will adequately collateralize your obligation to purchase the common stock of PPL Corporation.

The new fixed income securities, however, do not contain a one-way reset. Instead, the remarketing agent will attempt to generate proceeds of 100.50% of \$25, regardless of the reset rate, which will have no limit as to how high it can be set (except for the maximum rate permitted by any applicable law). If the remarketing succeeds at 100.50% of \$25, then \$0.0625 (0.25% of \$25) will be paid to you on or about the remarketing date. In addition, we will pay to you on the exchange date a cash payment of \$0.375 for each exchanged Outstanding PEPS Unit. The new notes that are part of New PEPS Units have been designed to maximize the probability of a successful remarketing at 100.50%.

In deciding whether to participate in the exchange, you should consider at what rate you believe the remarketing of the trust preferred securities that are a part of the Outstanding PEPS Units is likely to succeed. Assuming the trust preferred securities that are part of the Outstanding PEPS Units are successfully remarketed in February 2004, holders will receive extra proceeds equal to the excess, if any, of the remarketing proceeds over 100.25% of the treasury portfolio purchase price. Assuming a 3-month Treasury rate of 1.00%, the treasury portfolio purchase price will be \$25.39 and 100.25% of the treasury portfolio purchase price will be \$25.46. The following table presents the remarketing proceeds and extra proceeds, assuming various yields-to-maturity and reset rates of the remarketed trust preferred securities:

| Yield to Maturity | Reset Rate   | Remarketing Proceeds | Extra Proceeds |
|-------------------|--------------|----------------------|----------------|
| 8.00%             | 8.90%        | \$25.46              | \$0.00         |
| 7.50%             | 8.40%        | \$25.46              | \$0.00         |
| 7.00%             | 7.89%        | \$25.46              | \$0.00         |
| 6.50%             | 7.39%        | \$25.46              | \$0.00         |
| <b>6.41%</b>      | <b>7.29%</b> | <b>\$25.46</b>       | <b>\$0.00</b>  |
| 6.00%             | 7.29%        | \$25.67              | \$0.21         |
| <b>5.59%</b>      | <b>7.29%</b> | <b>\$25.90</b>       | <b>\$0.44</b>  |
| 5.50%             | 7.29%        | \$25.94              | \$0.48         |
| 5.00%             | 7.29%        | \$26.21              | \$0.75         |

Investors who participate in the exchange and who settle their new purchase contracts that are components of the New PEPS Units out of the proceeds of a successful remarketing will receive cash payments totaling \$0.4375, assuming a successful remarketing at 100.50% of \$25. Of this amount, \$0.375 is assured, because this amount represents the cash payment paid for each Outstanding PEPS Unit exchanged. Given the assumptions above, the remarketing of the Outstanding PEPS Units would have to succeed at a yield-to-maturity of less than 5.59% in order for investors who do not participate in the exchange and who elect to settle their purchase contracts out of the proceeds of a successful remarketing to receive extra proceeds of more than \$0.4375. Furthermore, if the remarketing of the trust preferred securities succeeds only at a yield-to-maturity of 6.41% or greater, investors who do not participate in the exchange will receive no extra proceeds.

We cannot predict the yield to maturity that would occur upon the remarketing of the trust preferred securities. Because of a downgrade of our long-term debt that occurred after we issued the Outstanding PEPS Units, the trust preferred securities are no longer rated investment grade. The downgrade alone, and the effect of the downgrade on some of the other features of the trust preferred securities, may lead fixed income investors to demand a relatively high yield on the trust preferred securities. For instance, the trust preferred securities are subordinated obligations (because they represent an interest in subordinated notes and a subordinated guarantee) and, unlike typical sub-investment grade fixed income securities, have minimum denominations of \$25 and pay distributions quarterly. In addition, unlike typical sub-investment grade fixed income securities, the trust preferred securities will have a relatively short maturity following a successful remarketing and will not have the financial covenants that investors in such securities expect. As a result, the remarketing of the trust preferred securities may only succeed at a yield-to-maturity that exceeds 5.59%. If such turns out to be the case, holders of Outstanding PEPS Units would achieve a better return on their investment by exchanging each of their Outstanding PEPS Units for a New PEPS Unit and \$0.375 in cash assuming a successful remarketing of the new notes.



## Questions And Answers About The Exchange Offer

**Q1: What will I receive if I tender in the exchange offer?**

**A1:** For each Outstanding PEPS Unit validly tendered and accepted in the exchange offer, subject to certain conditions described below, you will receive a New PEPS Unit and a cash payment equal to \$0.375. However, as described below, even if you tender all of your Outstanding PEPS Units, we may not accept all of your Outstanding PEPS Units for exchange.

If you exchange in this offer, we will pay you on November 18, 2003, any accrued and unpaid purchase contract adjustment payments and interest payments on the new notes accruing from August 18, 2003 (the last date on which such payments were paid on the Outstanding PEPS Units). We will not pay purchase contract adjustments and distributions on trust preferred securities relating to Outstanding PEPS Units that are exchanged for New PEPS Units for any periods after August 18, 2003.

**Q2: What are the differences in value to me between my Outstanding PEPS Units and accepting the New PEPS Units and cash consideration in the exchange offer?**

**A2:** The principal difference between the Outstanding PEPS Units and the New PEPS Units are described in the chart on page 9 of this prospectus, Summary Principal Differences Between the Outstanding PEPS Units and New PEPS Units. Fundamentally, however, in exchange for the uncertain value of the one way reset feature and, therefore, the uncertainty of receiving extra proceeds in a remarketing of the trust preferred securities related to the Outstanding PEPS Units, we are offering you:

a cash payment of \$0.375 for each Outstanding PEPS Unit you exchange, plus

if you elect to settle your new purchase contracts out of the proceeds of a remarketing and the remarketing is successful at 100.5% of the aggregate principal amount of the new notes, an additional \$0.0625 for each of your New PEPS Units.

**Q3: Why are we conducting this exchange offer?**

**A3:** We are conducting this exchange offer to reduce our future interest expense. Both the Outstanding PEPS Units and the New PEPS Units require us to remarket the fixed income securities that are components of the PEPS Units. When we initially offered the Outstanding PEPS Units they had an investment grade rating. Since then they have been downgraded to below investment grade status. In contrast, after May 18, 2004, the new notes which are the fixed income components of the New PEPS Units are expected to have an investment grade rating because currently our senior debt is rated investment grade. Because we expect these new notes to be more attractive to potential buyers than the trust preferred securities, and because the new notes will not be subject to a minimum interest rate, we expect to be able to remarket the new notes at a lower rate, thereby generating less interest expense.

**Q4: Is the exchange offer subject to any conditions?**

**A4:** Yes. The exchange offer is subject to the conditions described on pages 37 and 38 of this prospectus. The conditions to the exchange offer require, without limitation:

that at least 35% of the Outstanding PEPS Units are validly tendered and not withdrawn immediately prior to the expiration of the exchange offer, and

that the Outstanding PEPS Units remain listed on the NYSE, and, as described below, we might prorate our acceptances of tenders of Outstanding PEPS Units to satisfy this condition.

We may waive any or all of the conditions to the exchange offer. In the event any such waiver results in a material change to the terms of the exchange offer, we will extend the expiration date so that the exchange offer remains open for any additional period required by law.

**Q5: What happens if the minimum condition is not satisfied?**

**A5:** If the number of Outstanding PEPS Units tendered in the exchange offer results in less than 35% of the Outstanding PEPS Units being validly tendered and not withdrawn, we may choose not to complete the exchange offer or we could choose to waive the minimum condition for any reason. If we choose not to complete the exchange offer, we will promptly return any Outstanding PEPS Units that have been tendered.

**Q6: Will you accept all Outstanding PEPS Units that I tender?**

**A6:** In some limited cases, no. We are offering to exchange up to 22,900,000 Outstanding PEPS Units. However, the exchange offer is subject to the conditions described in this prospectus, including the condition that the Outstanding PEPS Units remain listed on the NYSE and the minimum condition that there are validly tendered at the expiration of the exchange offer at least 35% of the Outstanding PEPS Units. In the event that we determine there is any likelihood that the NYSE continued-listing condition may not be met, we may accept a pro rata amount of the Outstanding PEPS Units tendered in the offer in order to ensure that the Outstanding PEPS Units continue to be listed on the NYSE. Any Outstanding PEPS Units that are tendered but not accepted because of proration will be returned to you.

**Q7: Will the New PEPS Units be listed on any stock exchange?**

**A7:** We intend to list the New PEPS Units on the NYSE, subject to the New PEPS Units meeting the listing requirements of the NYSE.

**Q8: What are the U.S. federal income tax consequences to U.S. holders that tender in the exchange offer?**

**A8:** We intend to treat the exchange of the trust preferred security for the new note plus a cash payment of \$0.375 as a taxable exchange, and to treat the exchange of the old purchase contract for the new purchase contract as merely a continuation of the old purchase contract. It is possible that the Internal Revenue Service, or the IRS, could assert alternative characterizations. Please consult your tax advisor about the tax consequences to you of the exchange. See United States Federal Income Tax Considerations.

**Q9: What is the position of your board of directors with respect to the exchange offer?**

**A9:** Neither we nor any of our directors make any recommendation to any holder of Outstanding PEPS Units as to whether to tender or refrain from tendering Outstanding PEPS Units in the exchange offer.

**Q10: Is the settlement rate of the New PEPS Units the same as the Outstanding PEPS Units and could it change?**

**A10:** The New PEPS Units are being issued with identical purchase contract settlement rates as the Outstanding PEPS Units (including all adjustments already made on the Outstanding PEPS Units to reflect the dividends paid through July 1, 2003) and will carry identical anti-dilution provisions (including adjustment in respect of taxable dividends paid to holders of our common stock). Following the issuance of the Outstanding PEPS Units we have paid quarterly cash dividends to holders of our common stock that resulted in adjustments to the settlement rate of the old purchase contracts. Prior to settlement we will be required to adjust the settlement rate in both the Outstanding PEPS Units and the New PEPS Units to reflect the dividend to be paid on October 1, 2003. In addition, although there is no assurance that we will continue to do so, if we continue to pay quarterly cash dividends at the current rate, we would have to adjust the settlement rate further on account of such dividends.

**Q11: Would there be any tax consequences to a change in the settlement rate of the New PEPS Units?**

**A11:** Similar to holders of the Outstanding PEPS Units, holders of the New PEPS Units will be deemed to have received taxable distributions on account of any adjustments to the settlement rate as a result of anti-dilution provisions even though they will not receive any cash or property as a result of such adjustments.

**Q12: What do you intend to do with the Outstanding PEPS Units that are tendered in the exchange offer?**

**A12:** We intend to cancel and retire all Outstanding PEPS Units accepted in the exchange offer.

**Q13: Will there be any cash proceeds from the exchange offer?**

**A13:** No. We will not receive any cash proceeds from the exchange offer.

**Q14: When does the exchange offer expire?**

**A14:** The exchange offer expires at 5 p.m., New York City time, on \_\_\_\_\_, 2003. However, we may at any time prior to closing the tender offer in our sole discretion extend the expiration date of the exchange offer or amend or withdraw the exchange offer by giving oral or written notice to the exchange agent. Any such extension, amendment or withdrawal will be followed as promptly as practicable by a public announcement thereof, which, in the case of an extension, will be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. References in this prospectus to the expiration date of the exchange offer mean \_\_\_\_\_, 2003 or, if later, the last date to which we extend the exchange offer.

**Q15: When will I receive my New PEPS Units?**

**A15:** Your ownership of New PEPS Units will be recorded in book-entry form on the exchange date, as described below, if all conditions to the exchange offer are satisfied or waived, provided we have timely received your properly completed and executed letter of transmittal, an agent's message, as described on page 41 of this prospectus, or properly completed and executed notice of guaranteed delivery, and you have not withdrawn your tender prior to the expiration of the exchange offer. We anticipate that the exchange date will be the third business day following the expiration date of the exchange offer, after giving effect to any extensions of the offer. However, if we need to prorate, the exchange date may be the third through seventh business day following the expiration date.

**Q16: What happens if I change my mind after tendering in the exchange offer?**

**A16:** You may withdraw your tender any time before 5 p.m., New York City time, on the expiration date. However, if we extend the exchange offer you may withdraw your tender at any time prior to the expiration date, as extended. In addition, tenders of Outstanding PEPS Units may be withdrawn after expiration of 40 business days from the commencement of the exchange offer in the event that we have not yet accepted Outstanding PEPS Units in the exchange offer by such time. If you decide to withdraw your tender, you must withdraw all Outstanding PEPS Units previously tendered by you, as partial withdrawals will not be permitted.

**Q17: How will my Outstanding PEPS Units be affected if I do not tender them in the exchange offer or if not all of my Outstanding PEPS Units are accepted by you in the exchange offer?**

**A17:** The terms of any of your Outstanding PEPS Units will not be changed as a result of the consummation of the exchange offer. In addition, it is a condition to the exchange offer that the Outstanding PEPS Units remain listed on the NYSE. However, to the extent that we close the exchange offer, there will be fewer Outstanding PEPS Units. The liquidity and the trading market of the remaining Outstanding PEPS Units may be adversely affected due to the smaller number of Outstanding PEPS Units available for trading.

**Q18: How do I exchange my Outstanding PEPS Units if I am the beneficial owner of Outstanding PEPS Units held by a custodian bank, commercial bank, depository institution, broker, dealer, trust company, or other record holder?**

**A18:** You must promptly contact that record holder and instruct it to exchange your Outstanding PEPS Units on your behalf.

**Q19: What steps must the record holder take in order to tender my Outstanding PEPS Units on my behalf?**

**A19:** In order to exchange the Outstanding PEPS Units on your behalf, the record holder must effect a book-entry transfer into the account

of the exchange agent at DTC by electronically transmitting its acceptance of the exchange offer through DTC's Automated Tender Offer Program, or ATOP, procedures for transfer. Alternatively, the record holder may complete a letter of transmittal according to the instructions and deliver it with any signature guarantees or other required documents to the exchange agent at its address shown on the back cover of the document.

**Q20: What if the record holder cannot complete book-entry transfer of my Outstanding PEPS Units, together with an agent's message or a letter of transmittal, to the exchange agent on my behalf, prior to the expiration date of the exchange offer?**

**A20:** The record holder may follow the guaranteed delivery procedures described in "The Exchange Offer Procedures for Tendering Guaranteed Delivery" on page 41 of this prospectus.

**Q21: Will I have an opportunity to exchange my Outstanding PEPS Units if I do not participate in the exchange offer?**

**A21:** After the exchange offer is consummated, we do not expect to solicit and enter into discussions with holders of remaining Outstanding PEPS Units with regard to exchanging such Outstanding PEPS Units for New PEPS Units. However, we reserve the right to enter into any such transactions or purchase Outstanding PEPS Units after the closing of the exchange offer.

**Q22: To whom should I address questions?**

**A22:** If you have questions about the terms of the exchange offer or about tender procedures or if you need additional copies of this prospectus or the letter of transmittal, you should contact Innisfree M&A Incorporated, the information agent. The information agent may be reached by toll-free telephone at (877) 825-8777. (Banks and brokers may call collect at (212) 750-5833.)

The address of the information agent is on the back cover of this prospectus.

## PPL Corporation

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 June 30, 2003, we owned or controlled 11,533 megawatts, or MW, of low-cost and diverse power generation capacity. We are also developing or constructing 645 MW of new electric generation capacity in Pennsylvania. 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, commit, 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. These entities are direct, wholly-owned subsidiaries of PPL Energy Supply, LLC. PPL Energy Supply is a wholly-owned subsidiary of PPL Corporation.

**PPL Generation** owns or controls a portfolio of domestic power generation assets, with a total capacity of 11,533 MW as of June 30, 2003. These power plants are located in Pennsylvania (8,579 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.

**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 consequently 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.

**PPL Capital Funding, Inc.**

PPL Capital Funding, Inc. is a Delaware corporation and a wholly-owned subsidiary of PPL Corporation. PPL Capital Funding's primary business is to provide PPL Corporation with financing for its operations.

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

**PRINCIPAL DIFFERENCES BETWEEN THE  
OUTSTANDING PEPS UNITS AND NEW PEPS UNITS**

Some of the principal differences between the Outstanding PEPS Units and New PEPS Units are illustrated in the table below. The comparisons below relate primarily to the differences between your ownership interest in trust preferred securities under the Outstanding PEPS Units and your ownership interest in notes under the New PEPS Units, although we also describe some differences between the purchase contracts included in the Outstanding PEPS Units and those included in the New PEPS Units. The table below is qualified by the information contained in this prospectus. For a more detailed description of the Outstanding PEPS Units, see the prospectus supplement and related prospectus filed with the Securities and Exchange Commission, or the SEC, dated May 3, 2001 (Registration Statement Nos. 333-54504, 333-54504-01 and 333-54504-02).

|                                    | <u>Outstanding PEPS Units</u>  | <u>New PEPS Units</u>   |
|------------------------------------|--|---|
| Successful Remarketing Reset Rate: | The reset distribution rate for the trust preferred securities and the reset interest rate for the subordinated notes must be equal to or greater than 7.29% (but not exceed the maximum rate permitted by any applicable law).  | The reset distribution rate for the notes may be less than, equal to, or greater than 7.29% (but not exceed the maximum rate permitted by any applicable law).                                      |
| Failed Remarketing Rate:           | The reset distribution rate for the trust preferred securities and the reset interest rate for the subordinated notes is computed based on a formula of a spread related to the ratings of the subordinated notes over a two-year benchmark treasury rate, but must be equal to or greater than 7.29% (but not exceed the maximum rate permitted by any applicable law). | The interest rate on the notes remains at the initial rate of 7.29%.  |
| Remarketing Dates:                 | An initial remarketing date of the trust preferred securities is on the third business day preceding February 18, 2004. Additional remarketings may occur from time to time thereafter before the tenth business day preceding May 18, 2004.   | The remarketing dates of the Notes are May 11, 2004, and, if necessary, May 12, 2004 and, if necessary, May 13, 2004, the fifth, fourth and third business days immediately preceding May 18, 2004. |
| Collateral:                        | Trust preferred securities representing undivided beneficial interests in the assets of the trust consisting solely of subordinated notes of PPL Capital Funding, guaranteed by PPL Corporation.   | A 1/40, or 2.5%, undivided beneficial ownership interest in a \$1,000 principal amount note of PPL Capital Funding, guaranteed by PPL Corporation.  |

|                      | <u>Outstanding PEPS Units</u>   | <u>New PEPS Units</u>  |
|----------------------|---|--|
| Payment Dates:       | <p>Until maturity, distributions on the trust preferred securities and interest on the related subordinated notes are payable quarterly in arrears on February 18, May 18, August 18 and November 18 of each year.</p>  | <p>Interest on each note will be payable, initially, from August 18, 2003 to May 18, 2004, quarterly in arrears on November 18, 2003, February 18, 2004 and May 18, 2004. On and after May 18, 2004, interest on each note will be payable semi-annually in arrears on May 18 and November 18 of each year, commencing November 18, 2004.</p>  |
| Ranking:             | <p>The subordinated notes constitute subordinated obligations of PPL Capital Funding guaranteed on a subordinated basis by PPL Corporation.</p>   | <p>The notes will constitute subordinated obligations of PPL Capital Funding guaranteed on a subordinated basis by PPL Corporation until May 18, 2004. On and after May 18, 2004, the notes will constitute senior obligations of PPL Capital Funding, guaranteed on a senior basis by PPL Corporation.</p>  |
| Ratings:             | <p>The Outstanding PEPS Units currently are rated Ba1 by Moody's Investors Service Inc., BB+ by Standard &amp; Poor's and BBB- by Fitch Ratings.</p> <p>On and after May 18, 2004, any subordinated notes outstanding, which would be the sole assets of the issuer of any trust preferred securities outstanding, are expected to be assigned the same credit ratings as all of the other subordinated debt obligations of PPL Capital Funding which are guaranteed on a subordinated basis by PPL Corporation. Currently, that subordinated rating is a Ba1 rating by Moody's Investors Service Inc. and a BB+ rating by Standard &amp; Poor's.</p> | <p>PPL Corporation expects that the New PEPS Units will carry ratings the same as or higher than the ratings on the Outstanding PEPS Units.</p> <p>On and after May 18, 2004, any notes outstanding are expected to be assigned the same credit ratings as all of the other senior obligations of PPL Capital Funding guaranteed by PPL Corporation on a senior basis. Currently, that senior rating is a Baa3 rating by Moody's Investors Service Inc., a BBB- rating by Standard &amp; Poor's and a BBB rating by Fitch Ratings.</p> |
| Optional Redemption: | Tax event optional redemption.  | None.  |
| Put rights:          | None.   | Upon a failed remarketing, holders of notes that were not part of New PEPS Units may put the notes to us, in whole or in part, at par plus accrued but unpaid interest on May 18, 2004.  |



|                   | <u>Outstanding PEPS Units</u>   | <u>New PEPS Units</u>  |
|-------------------|---|--|
| Early Settlement: | Holder of Outstanding PEPS Units may settle early any number of Outstanding PEPS Units. | Holder of New PEPS Units may settle early only in integral multiples of 40 New PEPS Units, including in the case of a merger early settlement. The early settlement right is subject to the condition that, if required under applicable securities laws, PPL Corporation has a registration statement in effect covering the common stock deliverable upon settlement of a new purchase contract. |
| Listing:          | The Outstanding PEPS Units are listed on the NYSE.                                      | PPL Corporation intends to list the New PEPS Units on the NYSE, subject to the New PEPS Units meeting the listing requirements of the NYSE.  |

**Questions and Answers about the New PEPS Units**

**Q23: What are the components of a New PEPS Unit?**

**A23:** Each New PEPS Unit consists of a new purchase contract and, initially, a 1/40, or 2.5%, undivided beneficial ownership interest in a \$1,000 principal amount note issued by PPL Capital Funding and guaranteed as to payment by PPL Corporation. The undivided beneficial ownership interest in a note that is a component of each New PEPS Unit is owned by you, but it will be pledged to us to secure your obligations under the new purchase contract.

**Q24: What is a new purchase contract?**

**A24:** Each new purchase contract underlying a New PEPS Unit obligates the holder of the new purchase contract to purchase, and obligates us to sell, on May 18, 2004 a number of shares of our common stock equal to the settlement rate for \$25 in cash. The settlement rate will be calculated, subject to adjustment under the circumstances set forth in Description of the New Purchase Contracts Anti-Dilution Adjustments, as follows:

if the average of the closing prices of our common stock over the 20-trading day period ending on the third trading day prior to May 18, 2004 multiplied by 1.017 is equal to or greater than \$65.03, the settlement rate will be 0.3910;

if the average of the closing prices of our common stock over the same period multiplied by 1.017 is less than \$65.03 but greater than \$53.30, the settlement rate will be a number of shares having a value, based on the 20-trading day average closing price, equal to \$25; and

if the average of the closing prices of our common stock over the same period multiplied by 1.017 is less than or equal to \$53.30, the settlement rate will be 0.4770.

The settlement rates reflect all dividends paid by us up to and including the dividend paid on July 1, 2003 and will be adjusted for any dividend payments after July 1, 2003 pursuant to the terms of the purchase contract agreement including the dividend to be paid on October 1, 2003.

**Q25: Can I settle a new purchase contract early?**

**A25:** You may settle a new purchase contract at any time on or prior to May 7, 2004, using cash, in which case we will sell, and you will be entitled to buy 0.3910 shares of common stock subject to adjustment for each new purchase contract being settled.

If you are a Treasury Unit holder, as described immediately below, you may settle your new purchase contracts early at any time on or prior to May 14, 2004 using cash.

In addition, if we are involved in a merger in which 30% or more of the total of the consideration paid to our shareholders consists of cash or cash equivalents, then you may settle your new purchase contract with cash at the applicable settlement rate.

If you choose to settle the new purchase contract early, including in the case of a merger early settlement, you may settle only in integral multiples of 40 New PEPS Units or 40 Treasury Units. If you exercise the merger early settlement right, we will deliver to you on the merger early settlement date the kind and amount of securities, cash or other property that you would have been entitled to receive if you had settled the new purchase contract immediately before the cash merger at the settlement rate in effect at that time. You will also receive the notes or treasury securities underlying the New PEPS Units. Your right to receive future contract adjustment payments will terminate.

Your early settlement right is subject to the condition that, if required under the United States federal securities laws, we have a registration statement under the Securities Act of 1933 in effect covering the common stock deliverable upon settlement of a new purchase contract. We will use our reasonable best efforts to have a registration statement in effect covering the common stock if so required by United States federal securities laws.

**Q26: What are Treasury Units?**

**A26:** Treasury Units are equity units consisting of a new purchase contract and a treasury security. The treasury security is a 2.5% undivided



beneficial interest in a zero-coupon U.S. treasury security (CUSIP No. 912820BJ5) with a principal amount at maturity equal to \$1,000 and maturing on May 17, 2004. The treasury security that is a component of each Treasury Unit will be owned by the holder of the Treasury Unit, but it will be pledged to us to secure the holder's obligations under the new purchase contract.

**Q27: How can I create Treasury Units from New PEPS Units?**

**A27:** Each holder of New PEPS Units will have the right, at any time on or prior to May 7, 2004, to substitute for the related notes held by the collateral agent the zero-coupon treasury securities (CUSIP No. 912820BJ5) and maturing on May 17, 2004, in a total principal amount at maturity equal to the aggregate principal amount of the notes for which substitution is being made. This substitution would create Treasury Units that have treasury securities as a component, and the applicable notes would be released to the holder. Because the notes and treasury securities are issued in integral multiples of \$1,000, holders of New PEPS Units may make this substitution only in integral multiples of 40 New PEPS Units.

**Q28: How can I recreate New PEPS Units from Treasury Units?**

**A28:** Each holder of Treasury Units will have the right, at any time on or prior to May 7, 2004, to substitute for the related treasury securities held by the collateral agent, notes in an aggregate principal amount equal to the aggregate principal amount at the stated maturity of the treasury securities for which substitution is being made. This substitution would recreate New PEPS Units that have notes as a component, and the applicable treasury securities would be released to the holder. Because the notes and treasury securities are issued in integral multiples of \$1,000, holders of Treasury Units may make this substitution only in integral multiples of 40 Treasury Units.

**Q29: What payments am I entitled to as a holder of New PEPS Units?**

**A29:** Holders of New PEPS Units will be entitled to receive cash payments accruing from August 18, 2003, consisting of 1/40, or 2.5%, of the interest payment payable initially quarterly on the \$1,000 principal amount note at the rate of 7.29% per year and quarterly cash distributions of contract adjustment payments at the rate of 0.46% per year of the stated amount of each New PEPS Unit of \$25.

**Q30: What payments will I be entitled to if I convert my New PEPS Units to Treasury Units?**

**A30:** Holders of Treasury Units will be entitled only to receive quarterly cash distributions of contract adjustment payments at the rate of 0.46% per year of the stated amount of each Treasury Unit of \$25. In addition, acquisition discount will accrue on each related treasury security.

**Q31: What are the payment dates for the New PEPS Units?**

**A31:** The contract adjustment payments described above in respect of the New PEPS Units will be payable quarterly in arrears on November 18, 2003, February 18, 2004 and May 18, 2004 (which are the same payment dates as the Outstanding PEPS Units), except in the case of an early settlement of the related new purchase contracts. Interest payments on the notes are described below under the questions and answers beginning with "What payments will I receive on the notes?"

**Q32: What is remarketing?**

**A32:** Remarketing allows New PEPS Unit holders to satisfy their obligations under the related new purchase contracts by reselling the notes through the remarketing agent. Remarketing of the notes will be attempted on May 11, 2004 and, if the remarketing on such date fails, on May 12, 2004 and, if the remarketing on such date fails, on May 13, 2004. The remarketing agent will use its reasonable efforts to obtain a price for the notes to be remarketed that results in proceeds of approximately 100.5% of the aggregate principal amount of such notes. However, remarketing will be considered successful if the resulting proceeds are at least equal to 100% of the aggregate principal amount of notes to be remarketed.

Upon a successful remarketing, the portion of the proceeds derived from a successful

remarketing of the notes that were components of New PEPS Units equal to the total principal amount of such notes will automatically be applied to satisfy in full the New PEPS Unit holders' obligations to purchase common stock under the related new purchase contracts. If any proceeds remain after this application, the remarketing agent will deduct as a remarketing fee an amount not exceeding 25 basis points (0.25%) of the aggregate principal amount of such remarketed notes, and remit any remaining proceeds for the benefit of the holders.

**Q33: What happens if the notes are not successfully remarketed?**

**A33:** If a successful remarketing of the notes has not occurred prior to or on May 13, 2004, we will deliver our common stock to you pursuant to the new purchase contracts and, unless you have delivered the purchase price in cash to us before May 10, 2004, we will exercise our rights as a secured party to dispose of the notes that have been pledged to us through the collateral agent to secure your obligation under the related new purchase contracts in accordance with applicable law and such disposition will be deemed to satisfy in full your obligation to purchase our common stock under the related purchase contracts.

Notes outstanding after a failed remarketing will retain the same interest rate as in effect before the remarketing, but will move from quarterly to semi-annual interest payment dates and will rank as senior obligations of PPL Capital Funding, instead of subordinated obligations.

In addition, holders of notes that are not pledged to us and remain outstanding after a failed remarketing will have the right to put their notes to us, in whole or in part, for an amount equal to the principal amount of such notes, plus accrued and unpaid interest, on May 18, 2004, which we call the put exercise date, by notifying the indenture trustee prior to 5:00 p.m., New York City time, on May 14, 2004.

**Q34: If I am holding a note as a separate security from a New PEPS Unit, may I still participate in a remarketing of my notes?**

**A34:** Holders of notes that are not components of New PEPS Units may elect, in the manner described in this prospectus, to have their notes remarketed by the remarketing agent.

**Q35: Besides participating in a remarketing, how else may I satisfy my obligations under the new purchase contracts?**

**A35:** Holders of New PEPS Units may satisfy their obligations, or their obligations will be terminated, under the new purchase contracts:

in the case of holders of Treasury Units, by the application of the cash received upon maturity of the pledged zero-coupon treasury securities;

through early settlement by the delivery of cash to the purchase contract agent, in the case of New PEPS Units, prior to or on May 7, 2004, and in the case of Treasury Units, prior to or on May 14, 2004;

in the case of holders of New PEPS Units that include notes, by settling the related new purchase contracts with separate cash prior to or on May 10, 2004 pursuant to prior notice given to the purchase contract agent; or

without any further action, upon the termination of the new purchase contracts as a result of bankruptcy, insolvency or reorganization of PPL Corporation.

**Q36: What payments will I receive on the notes? Will the interest rate on the notes be reset and to what rate?**

**A36:** Each note will bear interest initially at the rate of 7.29% per year from August 18, 2003 to May 18, 2004. On and after May 18, 2004, interest on each note will be payable at the reset interest rate or, if the interest rate has not been reset, at the rate of 7.29% per year.

The interest rate on the notes will be reset on the date of a successful remarketing and the reset rate will become effective on May 18, 2004. If this occurs, the reset rate will be the rate determined by the remarketing agent as the annual interest rate the notes should bear in order for the notes to be remarketed to have

an approximate aggregate market value on the reset date of 100.5% of the aggregate principal amount of such notes. The reset rate may be less or greater than 7.29%. However, in no event will the reset rate exceed the maximum rate permitted by applicable law.

If the notes are not successfully remarketed, the interest rate will not be reset and the notes will continue to bear interest at the initial annual interest rate of 7.29%.

**Q37: What are the payment dates on the notes?**

**A37:** Interest on each note will be payable initially quarterly in arrears on November 18, 2003, February 18, 2004 and to May 18, 2004. On and after May 18, 2004, interest on each note will be payable semi-annually in arrears on May 18 and November 18 of each year, commencing November 18, 2004.

**Q38: What is the maturity of the notes?**

**A38:** The notes will mature on May 18, 2006.

**Q39: May you redeem the notes?**

**A39:** The notes may not be redeemed by us before their maturity. However, we reserve the right to acquire notes before their maturity through open market, privately negotiated or other purchases made in compliance with applicable law.

**Q40: What is the put option on the notes?**

**A40:** As described above under Answer 33 holders of notes that are not pledged to us and remain outstanding after a failed remarketing will have the right to put their notes to us, in whole or in part, on May 18, 2004.

**Q41: What is the ranking of the notes?**

**A41:** From the date of issuance until May 18, 2004, the notes will be PPL Capital Funding's direct, unsecured obligations and will rank without preference or priority among themselves and equally with all of PPL Capital Funding's existing and future unsecured and subordinated indebtedness, subordinate and junior in right of payment to all of PPL Capital Funding's senior indebtedness.

On and after May 18, 2004, the notes will be PPL Capital Funding's direct, unsecured senior obligations and will rank without preference or priority among themselves and equally with all of PPL Capital Funding's existing and future unsecured senior indebtedness, senior in right of payment to all of PPL Capital Funding's subordinated indebtedness.

**Q42: What is the PPL Corporation guarantee of the notes?**

**A42:** PPL Corporation will unconditionally guarantee the payment of principal of and any interest on the notes, when due and payable, whether at the stated maturity date, by declaration of acceleration, put for repurchase or otherwise, in accordance with the terms of such notes and the indenture. The guarantee will remain in effect until the entire principal of and interest on the notes has been paid in full or otherwise discharged in accordance with the provisions of the indenture.

From the date of issuance until May 18, 2004, the guarantee of the notes will be PPL Corporation's unsecured obligation and will rank equally with all of PPL Corporation's existing and future, unsecured and subordinated indebtedness, subordinate and junior in right of payment to all of PPL Corporation's senior indebtedness.

On and after May 18, 2004, the guarantee of the notes will be PPL Corporation's unsecured senior obligation and will rank equally with all of PPL Corporation's existing and future unsecured senior indebtedness, senior in right of payment to all of PPL Corporation's subordinated indebtedness.

**Q43: What are the credit ratings of the notes expected to be?**

**A43:** The Outstanding PEPS Units currently are rated Ba1 by Moody's Investors Service Inc., BB+ by Standard & Poor's and BBB- by Fitch Ratings. We expect that the New PEPS Units will carry the same ratings as the Outstanding PEPS Units.

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On and after May 18, 2004, any subordinated notes outstanding, which would be the sole assets of the issuer of the trust preferred securities, are expected to be assigned the same credit ratings as all of the other subordinated debt obligations of PPL Capital Funding which are guaranteed on a subordinated basis by PPL Corporation. Currently, that subordinated rating is a Ba1 rating by Moody's

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Investors Service Inc. and a BB+ rating by Standard & Poor's.

On and after May 18, 2004, any notes outstanding are expected to be assigned the same credit ratings as all of the other senior obligations of PPL Capital Funding guaranteed by PPL Corporation on a senior basis. Currently, that senior rating is a Baa3 rating by Moody's Investors Service Inc., a BBB-rating by Standard & Poor's and a BBB rating by Fitch Ratings.

There is no guarantee that at any time any ratings will be assigned to the New PEPS Units or the notes. The ratings of Moody's Investors Service Inc., Standard & Poor's and Fitch Ratings are not a recommendation to buy, sell or hold any securities of PPL Corporation or its subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to their securities.

**Q44: What are the principal United States federal income tax consequences related to the New PEPS Units, Treasury Units and notes?**

**A44:** If you exchange your Outstanding PEPS Units for New PEPS Units, you will have agreed to treat your New PEPS Unit as a unit consisting of the note and new purchase contract. You will be required to include payments of interest in income as it is paid or accrued, in accordance with your regular method of tax accounting and you may be required to accrue original issue discount on the notes. See United States Federal Income Tax Consequences Ownership of the New PEPS Units in this prospectus.

If you acquire New PEPS Units and you later create Treasury Units, and you are an accrual basis taxpayer, you will be required to include in gross income your allocable share of any acquisition discount on the treasury securities that accrues in such year.

We intend to report the contract adjustment payments as income to you, but you may want to consult your tax advisor concerning alternative characterizations.

Please consult your tax advisor concerning the tax consequences of an investment in the New PEPS Units in light of your particular circumstances. For additional information, see United States Federal Income Tax Consequences in this prospectus.

**Q45: What are the principal differences between the Outstanding PEPS Units and New PEPS Units?**

**A45:** See the chart on page 9 of this prospectus, Summary Principal Differences Between the Outstanding PEPS Units and New PEPS Units.



**Illustration of Terms and Features of New PEPS Units**

The following illustrates some of the key terms and features of the New PEPS Units.

Components of each New PEPS Unit at issue: A contract to purchase shares of our common stock on or prior to May 18, 2004;

and

a 1/40, or 2.5%, undivided beneficial ownership interest in a \$1,000 principal amount note issued by PPL Capital Funding, Inc. and guaranteed as to payment by PPL Corporation.

Yield on each New PEPS Unit: 7.75% per year, consisting of quarterly cash distributions of contract adjustment payments at the rate of 0.46% per year of the stated amount of each New PEPS Unit and 1/40, or 2.5%, of the quarterly interest payment payable on the \$1,000 principal amount note at the rate of 7.29% per year until May 18, 2004.

Reference price (or price of common stock at time of sale of Outstanding PEPS Units on May 3, 2001): \$53.30

Threshold appreciation price: \$65.03 (a 22% premium to the reference price)

A New PEPS Unit consists of two components, a new purchase contract and an undivided beneficial ownership interest in a note. The return to an investor on a New PEPS Unit will depend upon the return provided by each of these components. For an investor that holds the New PEPS Unit until the new purchase contract settlement date, the return would be comprise the following:

|  |   |  |   |  |
|--|---|--|---|--|
| Value of shares of our common stock delivered at maturity of the new purchase contract on May 18, 2004 | + | 1/40, or 2.5%, of the interest on the \$1,000 principal amount note at the rate of 7.29% per year until May 18, 2004 | + | Contract adjustment payments at the a rate of 0.46% per year of the stated amount of each New PEPS Unit until May 18, 2004 |
|--|---|--|---|--|

**New Purchase Contract**

Each new purchase contract obligates you to purchase, and PPL Corporation to sell, on May 18, 2004 our common stock equal to the settlement rate for \$25 in cash and entitles you to receive cash distributions of contract adjustment payments. Besides participating in a remarketing, you can satisfy your new purchase contract obligation by settling early in cash prior to or on May 7, 2004 or by electing to pay with separate cash prior to or on May 10, 2004. If you settle early you will receive for each New PEPS Unit 0.3910 shares of our common stock subject to anti-dilution adjustment, regardless of the market price of our common stock on the date of early settlement. Otherwise, the settlement rate will be calculated, subject to adjustment under the circumstances set forth in Description of the New Purchase Contracts Anti-Dilution Adjustments, as follows:

if the average closing prices of our common stock over the 20-trading day period ending on the third trading day prior to May 18, 2004 multiplied by 1.017 is equal to or greater than \$65.03, the settlement rate will be 0.3910;

if the average closing prices of our common stock over the same period multiplied by 1.017 is less than \$65.03, which is the threshold appreciation price, but greater than \$53.30, which is the reference price, the settlement rate will be a number of shares having a value, based on the 20-trading day average closing price, equal to \$25; and

if the average closing prices of our common stock over the same period multiplied by 1.017 is less than or equal to \$53.30, the settlement rate will be 0.4770.

The purchase contract settlement rates reflected above are identical to the Outstanding PEPS Unit purchase contract settlement rates as adjusted for certain anti-dilution adjustments related to the payment of cash dividends up to and including the dividend paid on July 1, 2003. The purchase contract settlement rates will be adjusted for any dividend payments after July 1, 2003 pursuant to the terms of the purchase contract agreement including the dividend to be paid on October 1, 2003.

The following graphs show the number of shares of our common stock that will be delivered for each new purchase contract on May 18, 2004 and the value of the shares that will be delivered on May 18, 2004, depending upon our common stock share price performance and without giving effect to any future adjustments of the settlement rate.

**Fraction of a Share Deliverable Per New Purchase Contract on May 18, 2004**

**Value of Fraction of a Share Deliverable Per New Purchase Contract on May 18, 2004**

**Note**

PPL Capital Funding will pay interest initially quarterly on each note at a rate of 7.29% per year of its \$1,000 principal amount until the business day immediately preceding the reset date. If there is a successful remarketing, on the reset date, the interest rate will be reset in connection with the remarketing of the notes and interest thereafter will be paid semi-annually. If there is not a successful remarketing, the interest rate will continue at 7.29% per year and will be paid semi-annually. The notes will mature on May 18, 2006.

Your undivided beneficial ownership interest in the note will serve as collateral for your new purchase contracts obligation. If you do not substitute treasury securities for the notes or elect to settle the new purchase contracts for cash or to settle the new purchase contracts early, the note will be remarketed and the proceeds will be used to settle the new purchase contracts.

## PPL Corporation Selected Financial Data

The selected financial data set forth below should be read in conjunction with our consolidated financial statements and related notes and other financial and operating data incorporated by reference in this prospectus. 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, and for the six months ended June 30, 2003 and 2002 have been derived from the unaudited consolidated financial statements incorporated by reference in this prospectus. Some previously reported amounts have been reclassified to conform with the current period presentation.

|  | Six Months Ended<br>June 30, |           | Year Ended<br>December 31, |          |          |
|--|------------------------------|-----------|----------------------------|----------|----------|
|  | 2003                         | 2002      | 2002                       | 2001     | 2000     |
| <b>Statement of Income Data \$ millions:</b>   |                              |           |                            |          |          |
| Operating revenues   | \$ 2,825                     | \$ 2,653  | \$ 5,429                   | \$ 5,077 | \$ 4,545 |
| Operating income   | 644                          | 578       | 1,240                      | 849      | 1,194    |
| Income before cumulative effect of a change in accounting principle <sup>(a)</sup>                                   | 319                          | 156       | 425                        | 221      | 524      |
| Net income (loss) <sup>(a)</sup>   | 355                          | (30)      | 208                        | 179      | 498      |
| <b>Balance Sheet Data \$ millions (end of period):</b>   |                              |           |                            |          |          |
| Cash and cash equivalents  | 370                          | 193       | 245                        | 933      | 480      |
| Property, plant and equipment, net   | 9,931                        | 6,248     | 9,563                      | 5,947    | 5,948    |
| Recoverable transition costs   | 1,820                        | 2,069     | 1,946                      | 2,172    | 2,425    |
| Total assets   | 16,012                       | 12,194    | 15,547                     | 12,562   | 12,360   |
| Short-term debt, including current maturities of long-term debt  | 437                          | 847       | 1,309                      | 616      | 1,354    |
| Long-term debt, excluding current maturities   | 6,589                        | 4,882     | 5,901                      | 5,081    | 4,467    |
| Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely company debentures | 661                          | 725       | 661                        | 825      | 250      |
| Preferred stock  | 72                           | 82        | 82                         | 82       | 97       |
| Shareowners' common equity   | 2,880                        | 1,870     | 2,224                      | 1,857    | 2,012    |
| <b>Other Data:</b>   |                              |           |                            |          |          |
| Number of shares outstanding thousands   |                              |           |                            |          |          |
| Period-end   | 176,689                      | 147,165   | 165,736                    | 146,580  | 145,041  |
| Average basic  | 169,482                      | 146,927   | 152,492                    | 145,974  | 144,350  |
| Average diluted  | 170,061                      | 147,275   | 152,809                    | 146,614  | 144,781  |
| Basic EPS (loss) <sup>(a)</sup>  | \$ 2.10                      | \$ (0.20) | \$ 1.37                    | \$ 1.23  | \$ 3.45  |
| Diluted EPS (loss) <sup>(a)</sup>  | 2.09                         | (0.20)    | 1.36                       | 1.22     | 3.44     |
| Dividends declared per share   | 0.77                         | 0.72      | 1.44                       | 1.06     | 1.06     |
| <b>Sales Data Millions of Kilowatt-Hours:</b>  |                              |           |                            |          |          |
| Electric energy supplied retail  | 20,459                       | 21,291    | 42,065                     | 43,470   | 41,493   |
| Electric energy supplied wholesale   | 20,194                       | 15,948    | 37,060                     | 27,683   | 40,925   |
| Electric energy delivered retail <sup>(b)</sup>  | 35,150                       | 35,141    | 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 12 to our financial statements included in our Form 10-Q for the quarter ended June 30, 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) 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 6 to our financial statements included in our Form 10-Q for our quarter ended June 30, 2003, which is incorporated herein by reference.



**Ratio of Earnings To Fixed Charges**

The following table sets forth our ratios of earnings to fixed charges for the periods indicated:

|   | Twelve Months Ended<br>June 30, 2003 | Year Ended December 31, |      |      |      |      |
|---|--------------------------------------|-------------------------|------|------|------|------|
|   |                                      | 2002                    | 2001 | 2000 | 1999 | 1998 |
| Ratio of Earnings to Fixed Charges <sup>(a)</sup> | 2.1                                  | 1.9                     | 1.7  | 2.5  | 2.7  | 3.1  |

(a) Computed using earnings and fixed charges of PPL Corporation and its subsidiaries. Fixed charges consist of interest on short- and long-term debt, other interest charges, interest on capital lease obligations and the estimated interest component of other rentals.

## RISK FACTORS

*You should carefully consider the risks associated with PPL Corporation and its subsidiaries described below before making an investment decision regarding the New PEPS Units. 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.*

*Because a New PEPS Unit consists of a new purchase contract to acquire shares of PPL Corporation common stock and a beneficial interest in a PPL Capital Funding note guaranteed by PPL Corporation, you are making an investment decision with regard to the common stock and the notes and related guarantee, as well as the New PEPS Units by exchanging your Outstanding PEPS Units for the New PEPS Units in this offer.*

*This prospectus 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.*

### 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 program 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 from Baa1. Also on May 13, 2003, 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 of 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 enforce our rights under agreements relating to such projects. Our international projects may also be subject to risks of being delayed, suspended or terminated by the applicable foreign governments or may be subject to risks of contract invalidation by commercial or governmental entities. In addition, WPD is a regulated regional monopoly distribution business in Great Britain subject to control on the prices it can charge and the quality of supply it must provide. The current distribution price control formula that governs WPD's allowed revenue is scheduled to operate until 2005. Any significant lowering of rates implemented by the regulatory authority upon the 2005 regulatory review could lower the amount of revenue WPD generates in relation to its operational costs and could materially lower the income of WPD.

Despite contractual protections we have against many of these risks for our international operations or potential investments in the future, our actual results and the value of our investment may be adversely affected by the occurrence of any of these events.



***We operate in competitive segments of the electric power industry created by deregulation initiatives at the state and federal levels. If the present trend towards competition is reversed, discontinued or delayed, our business prospects and financial condition could be materially adversely affected.***

Some restructured markets have recently experienced supply problems and price volatility. In some of these markets, government agencies and other interested parties have made proposals to delay market restructuring or even re-regulate areas of these markets that have previously been deregulated. In California, legislation has been passed placing a moratorium on the sale of generation plants by public utilities regulated by the California Public Utilities Commission. In 2001, the FERC instituted a series of price controls designed to mitigate (or cap) prices in the entire western U.S. to address the extreme volatility in the California energy markets. These price controls have had the effect of significantly lowering spot and forward energy prices in the western market.

In addition, the independent system operators, or ISOs, that oversee the transmission systems in certain wholesale power markets have from time to time been authorized to impose price limitations and other mechanisms to address volatility in the power markets. These types of price limitations and other mechanisms may adversely impact the profitability of our wholesale power marketing and trading business.

Other proposals to re-regulate our industry may be made, and legislative or other action affecting the electric power restructuring process may cause the process to be delayed, discontinued or reversed in the states in which we currently, or may in the future, operate. If the current trend towards competitive restructuring of the wholesale and retail power markets is delayed, discontinued or reversed, our business prospects and financial condition could be materially adversely affected.

***Our business is subject to extensive regulation, which may increase our costs, reduce our revenues, or prevent or delay operation of our facilities.***

Our U.S. generation subsidiaries are exempt wholesale generators, or EWGs, which sell electricity into the wholesale market. Generally, our EWGs and our marketing subsidiaries are subject to regulation by the FERC. The FERC has authorized us to sell generation from our facilities and power from our marketing subsidiaries at market-based prices. The FERC retains the authority to modify or withdraw our market-based rate authority and to impose cost of service rates if it determines that the market is not workably competitive, that we possess market power or that we are not charging just and reasonable rates. Any reduction by the FERC of the rate we may receive or any unfavorable regulation of our business by state regulators could materially adversely affect our results of operations.

The acquisition, ownership and operation of power generation facilities require numerous permits, approvals, licenses and certificates from federal, state and local governmental agencies. We may not be able to obtain or maintain all required regulatory approvals. If there is a delay in obtaining any required regulatory approvals or if we fail to obtain or maintain any required approval or comply with any applicable law or regulation, the operation of our assets and our sales of electricity could be prevented or delayed or become subject to additional costs.

***Our costs of compliance with environmental laws are significant and the costs of compliance with new environmental laws could adversely affect our profitability.***

Our operations are subject to extensive federal, state, local and foreign statutes, rules and regulations relating to environmental protection. To comply with these legal requirements, we must spend significant sums on environmental monitoring, pollution control and emission fees.

New environmental laws and regulations affecting our operations, and new interpretations of existing laws and regulations, may be adopted or become applicable to us. For example, the laws governing air emissions from coal-burning plants are being re-interpreted by federal and state authorities. These re-interpretations could result in the imposition of substantially more stringent limitations on these emissions than those currently in effect.

We may not be able to obtain or maintain all environmental regulatory approvals necessary to our business. If there is a delay in obtaining any required environmental regulatory approval or if we fail to obtain, maintain or comply with any such approval, operations at our affected facilities could be halted or subjected to additional

costs. Further, at some of our older facilities it may be uneconomical for us to install the necessary equipment, which may cause us to shut down those generation units.

***Our business development activities may not be successful and our projects under construction may not commence operation as scheduled, which could increase our costs and impair our ability to recover our investment.***

The acquisition, development and construction of generating facilities involves numerous risks. We may be required to expend significant sums for preliminary engineering, permitting, fuel supply, resource exploration, legal and other expenses in preparation for competitive bids which we may not win or before it can be established whether a project is feasible, economically attractive or capable of being financed. Our success in developing a particular project is contingent upon, among other things, negotiation of satisfactory engineering, construction, fuel supply and power sales contracts, receipt of required governmental permits and timely implementation and satisfactory completion of construction. If we were unable to complete the development of a facility, we would generally not be able to recover our investment in the project.

Currently, we have power plants with 645 MW of generation capacity under development or construction and we intend to continue to evaluate opportunities to acquire and develop new, low-cost and efficient electric power generation facilities in key northeastern and western markets. Successful completion of these facilities is subject to numerous factors, including:

changes in market prices of power and fuel;

our ability to obtain permits and approvals and comply with applicable regulations;

availability and timely delivery of gas turbine generators and other equipment;

unforeseen engineering problems;

construction delays and contractor performance shortfalls;

shortages and inconsistent quality of equipment, material and labor;

work stoppages;

adverse weather conditions;

environmental and geological conditions; and

unanticipated cost increases.

Any of these factors could give rise to delays, cost overruns or the termination of a project.

The failure to complete construction according to specifications and on time can result in cost overruns, liabilities, reduced plant efficiency, higher operating and other costs and reduced earnings.

#### **Risks Related to Corporate and Financial Structure**

***Our cash flow and ability to meet debt obligations largely depend on the performance of our subsidiaries and affiliates, some of which we do not control.***

We are a holding company and conduct our operations primarily through wholly-owned subsidiaries. Substantially all of our consolidated assets are held by these subsidiaries. Accordingly, our cash flow and our ability to meet our obligations under the notes are largely dependent upon the earnings of our subsidiaries and the distribution or other payment of such earnings to us in the form of dividends or loans or advances and repayment of loans or advances from us. The subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due on the notes or to make any funds available for such payment.

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Because we are a holding company, our obligations under the notes will be effectively subordinated to all existing and future liabilities of our subsidiaries. Therefore, our rights and the rights of our creditors, including the rights of the holders of the notes, to participate in the assets of any subsidiary in the event that such a



subsidiary is liquidated or reorganized will be subject to the prior claims of such subsidiary's creditors. To the extent that either we may be a creditor with recognized claims against any such subsidiary, our claims would still be effectively subordinated to any security interest in, or mortgages or other liens on, the assets of such subsidiary and would be subordinated to any indebtedness or other liabilities of such subsidiary senior to that held by us. Although certain agreements to which we and our subsidiaries are parties limit the incurrence of additional indebtedness, we and our subsidiaries retain the ability to incur substantial additional indebtedness and other liabilities.

The debt agreements of some of our subsidiaries and affiliates restrict their ability to pay dividends, make distributions or otherwise transfer funds to us prior to the payment of other obligations, including operating expenses, debt service and reserves. Further, if we elect to receive distributions of earnings from our foreign operations, we may incur United States taxes, net of any available foreign tax credits, on such amounts. Distributions to us from our international projects are, in some countries, also subject to withholding taxes.

***We may need significant additional financing to pursue growth opportunities.***

We continually review potential acquisitions and development projects and may enter into significant acquisitions or development projects in the future. Any acquisition or development project will likely require access to substantial capital from outside sources on acceptable terms. We can give no assurance that we will obtain the substantial debt and equity capital required to invest in, acquire and develop new generation projects or to refinance existing projects. We may also need external financing to fund capital expenditures, including capital expenditures necessary to comply with environmental regulations or other regulatory requirements.

Our ability to arrange financing and our cost of capital are dependent on numerous factors, including:

general economic conditions, including the conditions in the energy industry;

credit availability from banks and other financial institutions;

market prices for electricity and fuels;

our capital structure and the maintenance of acceptable credit ratings;

our financial performance;

the success of current projects and the perceived quality of new projects; and

provisions of relevant tax and securities laws.

The inability to obtain sufficient financing on terms that are acceptable to us could adversely affect our ability to pursue acquisition and development opportunities and fund capital expenditures.

**Risk Factors Relating to the New PEPS Units**

***You will bear the entire risk of a decline in the price of our common stock.***

The value of the shares of our common stock that you will receive upon the settlement of the new purchase contract is not fixed, but rather will depend on the market value of our common stock near the time of settlement. Because the price of our common stock fluctuates, the aggregate market value of the shares of our common stock receivable upon settlement of the new purchase contract may be more or less than the stated amount of \$25 per New PEPS Unit. If the market value of our common stock near the time of settlement is less than \$52.41, the aggregate market value of the shares issuable upon settlement generally will be less than the stated amount of the new purchase contract, and your investment in a New PEPS Unit may result in a loss. Therefore, you will bear the full risk of a decline in the market value of our common stock prior to settlement of the new purchase contract.

***You will receive only a portion of any appreciation in the market price of our common stock.***

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The aggregate market value of the shares of our common stock receivable upon settlement of the new purchase contract generally will exceed the stated amount of \$25 only if the average closing price of our common stock over the 20-trading day period ending on the third trading day prior to May 18, 2004 multiplied by 1.017

equals or exceeds the threshold appreciation price of \$65.03. Therefore, during the period prior to settlement, an investment in a New PEPS Unit affords less opportunity for equity appreciation than a direct investment in shares of our common stock. Furthermore, if the applicable average closing price multiplied by 1.017 equals or exceeds the threshold appreciation price of \$65.03, you will realize only a fraction of the equity appreciation on the common stock underlying the New PEPS Units for that period above the threshold appreciation price.

***The trading prices for the New PEPS Units will be directly affected by the trading prices of our common stock.***

The trading prices of New PEPS Units and Treasury Units in the secondary market will be directly affected by the trading prices of our common stock, the general level of interest rates and our credit quality. It is impossible to predict whether the price of our common stock or interest rates will rise or fall. Trading prices of our common stock will be influenced by our operating results and prospects and by economic, financial and other factors, including conditions in the energy industry, such as competition, commodity prices and regulatory developments. In addition, general market conditions, including the level of, and fluctuations in, the trading prices of stocks generally, and sales of substantial amounts of our common stock by us in the market after the offering of the New PEPS Units, or the perception that such sales could occur, could affect the price of our common stock. Some of these industry and market factors may be outside of our control and could lead to volatility in the price of our common stock. Fluctuations in interest rates may give rise to arbitrage opportunities based upon changes in the relative value of our common stock underlying the new purchase contracts and of the other components of the New PEPS Units. Any arbitrage could, in turn, affect the trading prices of the New PEPS Units, Treasury Units, notes and our common stock.

***The New PEPS Units and the Treasury Units provide limited settlement rate adjustments.***

The number of shares of our common stock issuable upon settlement of each new purchase contract is subject to adjustment only for stock splits and combinations, stock dividends and certain other specified transactions. The number of shares of our common stock issuable upon settlement of each new purchase contract is not subject to adjustment for other events, such as employee stock option grants, offerings of our common stock for cash or in connection with certain acquisitions or other transactions, which may adversely affect the price of our common stock. The terms of the New PEPS Units do not restrict PPL Corporation's ability to offer its common stock in the future or to engage in other transactions that could dilute the value of our common stock. PPL Corporation has no obligation to consider the interests of the holders of the New PEPS Units and Treasury Units for any reason.

***You have no shareholder rights with respect to our common stock.***

Until you acquire shares of our common stock upon settlement of your purchase contract, you will have no rights with respect to the shares of our common stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on our common stock. Upon settlement of your purchase contract, you will be entitled to exercise the rights of a holder of shares of our common stock only as to actions for which the applicable record date occurs after the settlement date.

***The secondary market for the New PEPS Units may be illiquid.***

It is not possible to predict how New PEPS Units, Treasury Units or notes will trade in the secondary market or whether the market will be liquid or illiquid. There is currently no secondary market for either our New PEPS Units or our Treasury Units. We intend to list the New PEPS Units on the NYSE but will only be able to list the New PEPS Units if there is sufficient participation in the exchange offer such that the New PEPS Units meet the NYSE listing requirements. However, listing on the NYSE does not guarantee the depth or liquidity of the market for the New PEPS Units. If holders of the New PEPS Units create Treasury Units, the liquidity of the New PEPS Units could be adversely affected.

If the Treasury Units or the notes are separately traded to a sufficient extent that applicable exchange listing requirements are met, we will try to list the notes or the Treasury Units on the same exchange as the New PEPS

Units. There can be no assurance as to the liquidity of any market that may develop for the New PEPS Units, the Treasury Units or the notes, your ability to sell these securities or whether a trading market, if it develops, will continue. In addition, in the event you were to substitute treasury securities for notes or notes for treasury securities, thereby converting your New PEPS Units for Treasury Units or your Treasury Units for New PEPS Units, as the case may be, the liquidity of New PEPS Units or Treasury Units could be adversely affected.

***Your pledged notes will be encumbered by our security interest.***

Although you will be the beneficial owner of the underlying pledged interest in the notes, that pledged interest in the notes will be pledged with the collateral agent to secure your obligation under the new purchase contract. Therefore, for so long as the new purchase contract remains in effect, you will not be allowed to withdraw your pledged note from this pledge arrangement, except to create Treasury Units or if you settle the new purchase contract early or settle the new purchase contracts for cash on the new purchase contract settlement date as described in this prospectus.

***The delivery of securities is subject to potential delay.***

The new purchase contracts will terminate automatically if certain bankruptcy, insolvency or reorganization events occur with respect to PPL Corporation. If the new purchase contracts terminate upon one of these events, your rights and obligations under your new purchase contract also will terminate, including your obligation to pay for, and your right to receive, shares of our common stock. Upon termination, you will receive your interest in the note or your treasury security. Notwithstanding the automatic termination of the new purchase contracts, procedural delays may affect the timing of the delivery to you of your securities being held as collateral under the pledge arrangement.

***The new purchase contract agreement is not qualified under the trust indenture act and therefore the obligations of the purchase contract agent are limited.***

The new purchase contract agreement is not an indenture under the Trust Indenture Act. Therefore, the purchase contract agent will not qualify as a trustee under the Trust Indenture Act, and you will not benefit from the protections of that law, such as disqualification of an indenture trustee for conflicting interests, provisions preventing an indenture trustee from improving its own position at the expense of the security holders and the requirement that an indenture trustee deliver reports at least annually with respect to the indenture trustee and the securities. Under the terms of the new purchase contract agreement, the purchase contract agent will have only limited obligations to you as a holder of the New PEPS Unit.

**Risks Related to the Exchange Offer**

***The United States federal income tax consequences of the exchange of the Outstanding PEPS Units for the New PEPS Units are unclear.***

No statutory, judicial or administrative authority directly addresses the treatment of the exchange of the Outstanding PEPS Units for the New PEPS Units for United States federal income tax purposes. As a result, the United States federal income tax consequences of the exchange are unclear. For a discussion of related risks, see Summary The Offering and United States Federal Income Tax Considerations.

***If you do not tender for exchange your Outstanding PEPS Units, or any of your Outstanding PEPS Units are not accepted as a result of proration, the Outstanding PEPS Units you retain are expected to become less liquid as a result of the exchange offer.***

If a significant number of Outstanding PEPS Units are tendered for exchange in the offer, the liquidity of the trading market for the Outstanding PEPS Units, if any, after the completion of the exchange offer may be substantially reduced. Any Outstanding PEPS Units tendered and exchanged in the exchange offer will reduce the

aggregate number of Outstanding PEPS Units outstanding. Even if we prorate the offer and the Outstanding PEPS Units held after the completion of the offer are listed on the NYSE, there may be little to no liquidity in the trading market.

***The subordinated notes, which you may hold directly or through your ownership interest in the trust preferred securities if you retain Outstanding PEPS Units after this offer, are our subordinated obligations whereas the notes which are part of the New PEPS Units will become our senior obligations.***

If you do not tender any of your Outstanding PEPS Units in the offer or you continue to hold a portion of your Outstanding PEPS Units due to proration by us, you may hold the trust preferred securities (or PPL Capital Funding subordinated notes) which were part of the Outstanding PEPS Units after the new purchase contract settlement date of May 18, 2004. Such trust preferred securities represent an interest in the subordinated notes, and the subordinated notes are the unsecured, subordinated obligations of PPL Capital Funding and rank junior to all of PPL Capital Funding's senior indebtedness. The PPL Corporation guarantee of the subordinated notes is also subordinated, ranking junior to all of PPL Corporation's senior indebtedness. On and after May 18, 2004, the notes offered as part of the New PEPS Units will rank as senior indebtedness of PPL Capital Funding, senior in right of payment to PPL Capital Funding subordinated obligations, and will be guaranteed by PPL Corporation on a senior basis, senior in right of payment to PPL Corporation subordinated obligations, including subordinated guarantees. Therefore, by retaining Outstanding PEPS Units, you could be in a position in which you hold subordinated debt (or interests in such subordinated debt) and your interests are junior to those of holders of the notes that were acquired in this exchange for the New PEPS Units.

### FORWARD-LOOKING INFORMATION

Certain statements included or incorporated by reference in this prospectus, including statements with respect to future earnings, energy supply and demand, costs, subsidiary performance, growth, new technology, project development, energy prices, strategic initiatives, and generating capacity and performance, are forward looking statements. 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 sections in this prospectus 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 Corporation and our subsidiaries;
- new accounting requirements or new interpretations or applications of existing requirements;
- operation of existing facilities and operating costs of PPL Corporation 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 PPL Corporation 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 Corporation;
- market prices of equity securities and resultant cash funding requirements for defined benefit pension plans;
- securities and credit ratings of PPL Corporation and our subsidiaries;
- state and federal regulatory developments;
- 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 Corporation 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 Corporation 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" in this prospectus, 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" in this prospectus and other cautionary statements in this prospectus and the documents we have incorporated by reference.

**PRICE RANGE OF THE OUTSTANDING PEPS UNITS**

The Outstanding PEPS Units are traded on the NYSE under the symbol PPL-PrE. The following table sets forth, for the periods indicated, the range of high and low sale prices for the Outstanding PEPS Units. On August 29, 2003, the closing price for the Outstanding PEPS Units was \$19.80 per Outstanding PEPS Unit.

|   | <b>Outstanding<br/>PEPS Unit Price</b> |            |
|---|--|------------|
|   | <b>High</b>                            | <b>Low</b> |
| <b>Year Ended December 31, 2001</b>     |  |            |
| Second Quarter (since May 9, 2001)      | 28.31                                  | 24.65      |
| Third Quarter                           | 26.30                                  | 17.50      |
| Fourth Quarter                          | 20.63                                  | 17.76      |
| <b>Year Ended December 31, 2002</b>     |  |            |
| First Quarter                           | 20.75                                  | 17.60      |
| Second Quarter                          | 22.00                                  | 17.05      |
| Third Quarter                           | 19.88                                  | 15.30      |
| Fourth Quarter                          | 19.50                                  | 15.10      |
| <b>Year Ending December 31, 2003</b>    |  |            |
| First Quarter                           | 19.61                                  | 16.27      |
| Second Quarter                          | 21.46                                  | 18.07      |
| Third Quarter (through August 29, 2003) | 21.58                                  | 19.40      |

As of August 29, 2003, there were 23,000,000 Outstanding PEPS Units.

**PRICE RANGE OF COMMON STOCK**

PPL Corporation common stock is traded on the NYSE under the symbol PPL. The following table sets forth, for the periods indicated, the range of high and low sale prices for PPL Corporation common stock. On August 29, 2003, the last reported sale price for PPL Corporation common stock was \$39.67 per share.

|   | <b>Common Stock<br/>Price</b> |            |
|---|-------------------------------|------------|
|   | <b>High</b>                   | <b>Low</b> |
| <b>Year Ended December 31, 2001</b>     |                               |            |
| First Quarter                           | \$46.75                       | \$33.88    |
| Second Quarter                          | 62.36                         | 44.03      |
| Third Quarter                           | 56.50                         | 30.99      |
| Fourth Quarter                          | 37.65                         | 31.20      |
| <b>Year Ended December 31, 2002</b>     |                               |            |
| First Quarter                           | \$39.85                       | \$31.40    |
| Second Quarter                          | 39.95                         | 28.97      |
| Third Quarter                           | 37.60                         | 26.00      |
| Fourth Quarter                          | 36.26                         | 26.47      |
| <b>Year Ended December 31, 2003</b>     |                               |            |
| First Quarter                           | \$38.10                       | \$31.65    |
| Second Quarter                          | 44.34                         | 35.04      |
| Third Quarter (through August 29, 2003) | 42.81                         | 38.66      |

As of June 2, 2003, there were 83,669 holders of record of PPL Corporation common stock.





**DIVIDEND POLICY**

PPL Corporation has paid quarterly cash dividends on its 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, PPL Corporation increased its dividend level to an annualized rate of \$1.54 per share (\$0.385 per share on a quarterly basis). PPL Corporation declared a quarterly dividend of \$0.385 per share to be paid on October 1, 2003 to shareowners of record on September 10, 2003. Future dividends, declared at the discretion of PPL Corporation's board of directors, will be dependent upon future earnings, cash flows, financial requirements and other factors.

## THE EXCHANGE OFFER

### Outstanding PEPS Units Subject to the Exchange Offer

We are offering, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, to exchange a New PEPS Unit plus a cash payment of \$0.375 for each validly tendered and accepted Outstanding PEPS Unit. We are offering to exchange up to 22,900,000 Outstanding PEPS Units. However, the exchange offer is subject to the conditions described in this prospectus, including the condition that the Outstanding PEPS Units remain listed on the NYSE and the minimum condition that there are validly tendered at the expiration of the exchange offer at least 35% of the Outstanding PEPS Units. In the event that we determine there is any likelihood that the NYSE continued-listing condition may not be met, we may accept a pro rata amount of the Outstanding PEPS Units tendered in the offer in order to ensure that the Outstanding PEPS Units continue to be listed on the NYSE.

Holders whose Outstanding PEPS Units are tendered and accepted in the exchange offer will be paid contract adjustment payments and interest payments on the new notes relating to the New PEPS Units accruing from August 18, 2003, the last date on which such payments were paid on the Outstanding PEPS Units, on November 18, 2003. No purchase contract adjustments and distributions on trust preferred securities relating to the Outstanding PEPS Units that are exchanged for New PEPS Units will be paid for any periods after August 18, 2003.

Paul T. Champagne, President of PPL EnergyPlus, LLC, owns 500 Outstanding PEPS Units that may be exchanged pursuant to the exchange offer. PPL Corporation has purchased in market transactions up to 39 Outstanding PEPS Units. These 39 Outstanding PEPS Units may be exchanged pursuant to the exchange offer solely to ensure that the aggregate number of Outstanding PEPS Units exchanged and the aggregate number of New PEPS Units issued in the exchange offer are in integral multiples of 40 Outstanding PEPS Units and 40 New PEPS Units, respectively. To our knowledge, no other officer, director or affiliate of PPL Corporation and PPL Capital Funding own any Outstanding PEPS Unit.

### Source and Amount of the Cash Consideration

We are offering to exchange a New PEPS Unit plus a cash payment of \$0.375 for each validly tendered and accepted Outstanding PEPS Unit. To exchange the minimum number of Outstanding PEPS Units under the minimum condition that at least 35% of the Outstanding PEPS Units are validly tendered, an aggregate cash consideration of \$3,018,750 would be required. To exchange the maximum possible number of Outstanding PEPS Units sought in the exchange offer, an aggregate cash consideration of \$8,587,500 would be required. PPL Corporation will use cash on hand as the source of the funds needed to pay the exchange offer cash consideration.

### Conditions Precedent to the Exchange Offer

Notwithstanding any other provisions of this exchange offer, we will not be required to accept for exchange any Outstanding PEPS Units tendered, and we may terminate or amend this offer if any of the following conditions precedent to the exchange offer is not satisfied, or is reasonably determined by us not to be satisfied, and, in our reasonable judgment and regardless of the circumstances giving rise to the failure of the condition precedent, including any action or omission to act by us, the failure of the condition precedent makes it inadvisable to proceed with the offer or with the acceptance for exchange or exchange and issuance of the New PEPS Units and the payment of the cash consideration:

- Condition 1.* At least 35% of the Outstanding PEPS Units are validly tendered and not withdrawn immediately prior to the expiration of the exchange offer.
- Condition 2.* There shall not be any reasonable likelihood that the acceptance for exchange of the Outstanding PEPS Units pursuant to the offer will cause the Outstanding PEPS Units to be delisted from the NYSE for any reason, after giving effect to the pro rata provision described hereafter. The NYSE will consider the delisting of the Outstanding PEPS Units if, among other factors, the number of publicly-held Outstanding PEPS Units is less than 100,000 units,

the number of holders of Outstanding PEPS Units is less than 100 or the aggregate market value of the Outstanding PEPS Units is less than \$1,000,000. In the event that a significant number of holders tender their Outstanding PEPS Units or a significant number of the Outstanding PEPS Units are tendered in the offer such that we believe there is any reasonable likelihood that the Outstanding PEPS Units could be delisted from the NYSE, we may accept a pro rata amount of the Outstanding PEPS Units tendered in order to ensure that the Outstanding PEPS Units continue to be listed on the NYSE. Therefore, while we are making this exchange offer for up to 22,900,000 Outstanding PEPS Units, we may not accept 22,900,000 Outstanding PEPS Units if we are required to prorate the offer to ensure the Outstanding PEPS Units remain listed on the NYSE.

*Condition 3.* No action or event shall have occurred, failed to occur or been threatened, no action shall have been taken, and no statute, rule, regulation, judgment, order, stay, decree or injunction shall have been promulgated, enacted, entered, enforced or deemed applicable to the exchange offer, by or before any court or governmental, regulatory or administrative agency, authority or tribunal, which either:

challenges the making of the exchange offer or the exchange of Outstanding PEPS Units under the exchange offer or might, directly or indirectly, prohibit, prevent, restrict or delay consummation of, or might otherwise adversely affect in any material manner, the exchange offer or the exchange of Outstanding PEPS Units under the exchange offer, or

in the reasonable judgment of PPL Corporation, could materially adversely affect the business, condition (financial or otherwise), income, operations, properties, assets, liabilities or prospects of PPL Corporation and its subsidiaries, taken as a whole, or materially impair the contemplated benefits to PPL Corporation of the exchange offer or the exchange of Outstanding PEPS Units under the exchange offer, or might be material to holders of Outstanding PEPS Units in deciding whether to accept the exchange offer.

*Condition 4.* (i) Trading generally shall not have been suspended or materially limited on or by, as the case may be, any of the NYSE, the Philadelphia Stock Exchange or the National Association of Securities Dealers, Inc.; (ii) there shall not have been any suspension or limitation of trading of any securities of PPL Corporation on any exchange or in the over-the-counter market; (iii) no general banking moratorium shall have been declared by Federal or New York authorities; or (iv) there shall not have occurred any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by Congress or any other substantial national or international calamity or emergency if the effect of any such outbreak, escalation, declaration, calamity or emergency has a reasonable likelihood to make it impractical and inadvisable to proceed with completion of the exchange offer.

*Condition 5.* None of the purchase contract agent, the collateral agent, the securities intermediary, the trustees of the trust nor the subordinated indenture trustee with respect to the Outstanding PEPS Units shall have objected in any respect to, or taken any action that could in our reasonable judgment adversely affect the consummation of the exchange offer, the exchange of Outstanding PEPS Units under the exchange offer, nor shall such parties have taken any action that challenges the validity or effectiveness of the procedures used by us in making the exchange offer or the exchange of the Outstanding PEPS Units under the exchange offer.

All of the foregoing conditions are for the sole benefit of us and may be waived by us, in whole or in part, in our sole discretion. Any determination that we make concerning an event, development or circumstance described or referred to above shall be conclusive and binding.

If any of the foregoing conditions are not satisfied, we may, at any time before the expiration of the exchange offer:

- (a) terminate the exchange offer and return all tendered Outstanding PEPS Units to the holders thereof;
- (b) modify, extend or otherwise amend the exchange offer and retain all tendered Outstanding PEPS Units until the expiration date, as may be extended, subject, however, to the withdrawal rights of holders (see Expiration Date; Extensions; Amendments and Proper Execution and Delivery of Letter of Transmittal Withdrawal of Tenders below); or
- (c) waive the unsatisfied conditions and accept all Outstanding PEPS Units tendered and not previously withdrawn.

Except for the requirements of applicable U.S. federal and state securities laws, there are no federal or state regulatory requirements to be complied with or approvals to be obtained by us in connection with the exchange offer which, if not complied with or obtained, would have a material adverse effect on us.

#### **Expiration Date; Extensions; Amendments**

For purposes of the exchange offer, the term expiration date shall mean 5 p.m., New York City time, on \_\_\_\_\_, 2003, subject to our right to extend such date and time for the exchange offer in our sole discretion, in which case, the expiration date shall mean the latest date and time to which the exchange offer is extended.

We reserve the right, in our sole discretion, to (1) delay accepting any validly tendered Outstanding PEPS Units, (2) extend the exchange offer, (3) terminate the exchange offer upon failure to satisfy any of the conditions listed above or (4) amend the exchange offer, by giving oral (promptly confirmed in writing) or written notice of such delay, extension, termination or amendment to the exchange agent. Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by a public announcement thereof which, in the case of an extension, will be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

If we amend the exchange offer in a manner that we determine constitutes a material change, we will extend the exchange offer for a period of five to ten business days, depending upon the significance of the amendment, if the exchange offer would otherwise have expired during such five to ten business day period. Any change in the consideration offered to holders of Outstanding PEPS Units in the exchange offer shall be paid to all holders whose Outstanding PEPS Units have previously been tendered pursuant to the exchange offer.

Without limiting the manner in which we may choose to make a public announcement of any delay, extension, amendment or termination of the exchange offer, we will comply with applicable securities laws by disclosing any such amendment by means of a prospectus supplement that we distribute to the holders of the Outstanding PEPS Units. We will have no other obligation to publish, advertise or otherwise communicate any such public announcement other than by making a timely release to any appropriate news agency, including Bloomberg Business News and the Dow Jones News Service.

#### **Effect of Tender**

Any tender by a holder of Outstanding PEPS Units that is not withdrawn prior to the expiration date of the exchange offer will constitute a binding agreement between that holder and us upon the terms and subject to the conditions of the exchange offer and the letter of transmittal. The acceptance of the exchange offer by a tendering holder of Outstanding PEPS Units will constitute the agreement by that holder to deliver good and marketable title to the tendered Outstanding PEPS Units, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind.

#### **Absence of Dissenters' Rights**

Holders of the Outstanding PEPS Units do not have any appraisal or dissenters' rights under applicable law in connection with the exchange offer.

### **Acceptance of Outstanding PEPS Units for Exchange; Proration**

The conditions to the exchange offer require, among other things, that the Outstanding PEPS Units remain listed on the NYSE. In the event that we determine there is any likelihood that this condition may not be met, we may accept a pro rata amount of the Outstanding PEPS Units tendered in the offer in order to ensure that the Outstanding PEPS Units continue to be listed on the NYSE. In such case, the proration may result in our accepting less than the 22,900,000 Outstanding PEPS Units sought in the exchange offer. To avoid the purchase of fractional Outstanding PEPS Units, fractional Outstanding PEPS Units will be rounded up to the nearest whole Outstanding PEPS Unit. We reserve the right to accept all Outstanding PEPS Units tendered by persons who own, beneficially or of record, an aggregate of not more than 40 Outstanding PEPS Units and who tender all their Outstanding PEPS Units, before we prorate the Outstanding PEPS Units tendered by others. Any Outstanding PEPS Units that are not accepted because of proration will be returned.

In addition, the offer is conditioned upon at least 35% of the Outstanding PEPS Units being validly tendered and not withdrawn immediately prior to the expiration of the exchange offer.

The New PEPS Units will be delivered in book-entry form on the exchange date which we anticipate will be the third business day following the expiration date of the exchange offer, after giving effect to any extensions. However, if proration of tendered Outstanding PEPS Units is required, we do not expect that we would be able to notify you of that fact or to accept Outstanding PEPS Units for exchange from three up to seven business days after the expiration date.

The payment of the cash consideration shall be made on the exchange date by the deposit of the aggregate amount of cash consideration due in immediately available funds by us with the exchange agent, which will act as agent for tendering holders for the purpose of receiving payment from us and transmitting such payment to tendering holders. Under no circumstances will interest on the cash consideration be paid by us by reason of any delay in making payment.

We will be deemed to have accepted validly tendered Outstanding PEPS Units when, and if, we have given oral (promptly confirmed in writing) or written notice thereof to the exchange agent. Subject to the terms and conditions of the exchange offer, the issuance of New PEPS Units will be recorded in book-entry form and the cash consideration will be paid for Outstanding PEPS Units so accepted and will be effected by the exchange agent on the exchange date upon receipt of such notice. The exchange agent will act as agent for tendering holders of the Outstanding PEPS Units for the purpose of receiving book-entry transfers of Outstanding PEPS Units in the exchange agent's account at DTC. If any tendered Outstanding PEPS Units are not accepted for any reason set forth in the terms and conditions of the exchange offer, including if proration of tendered Outstanding PEPS Units is required, or if Outstanding PEPS Units are withdrawn, such unaccepted or withdrawn Outstanding PEPS Units will be returned without expense to the tendering holder or such Outstanding PEPS Units will be credited to an account maintained at DTC designated by the DTC participant who so delivered such Outstanding PEPS Units, in either case, as promptly as practicable after the expiration or termination of the exchange offer.

### **Procedures for Tendering**

If you hold Outstanding PEPS Units and wish to have such securities exchanged for New PEPS Units and the cash payment, you must validly tender, or cause the valid tender of, your Outstanding PEPS Units using the procedures described in this prospectus and in the accompanying letter of transmittal.

Only registered holders of Outstanding PEPS Units are authorized to tender the Outstanding PEPS Units. The procedures by which you may tender or cause to be tendered Outstanding PEPS Units will depend upon the manner in which the Outstanding PEPS Units are held, as described below.

#### ***Tender of Outstanding PEPS Units Held Through a Nominee***

If you are a beneficial owner of Outstanding PEPS Units that are held of record by a custodian bank, depository, broker, trust company or other nominee, and you wish to tender Outstanding PEPS Units in the exchange offer, you should contact the record holder promptly and instruct the record holder to tender the Outstanding PEPS Units on your behalf using one of the procedures described below.

***Tender of Outstanding PEPS Units Through DTC***

Pursuant to authority granted by DTC, if you are a DTC participant that has Outstanding PEPS Units credited to your DTC account and thereby held of record by DTC's nominee, you may directly tender your Outstanding PEPS Units as if you were the record holder. Because of this, references herein to registered or record holders include DTC participants with Outstanding PEPS Units credited to their accounts. If you are not a DTC participant, you may tender your Outstanding PEPS Units by book-entry transfer by contacting your broker or opening an account with a DTC participant. Within two business days after the date of this prospectus, the exchange agent will establish accounts with respect to the Outstanding PEPS Units at DTC for purposes of the exchange offer.

Any participant in DTC may tender Outstanding PEPS Units by:

- (a) effecting a book-entry transfer of the Outstanding PEPS Units to be tendered in the exchange offer into the account of the exchange agent at DTC by electronically transmitting its acceptance of the exchange offer through DTC's Automated Tender Offer Program, or ATOP, procedures for transfer; if ATOP procedures are followed, DTC will then verify the acceptance, execute a book-entry delivery to the exchange agent's account at DTC and send an agent's message to the exchange agent. An agent's message is a message, transmitted by DTC to and received by the exchange agent and forming part of a book-entry confirmation, which states that DTC has received an express acknowledgment from a DTC participant tendering Outstanding PEPS Units that the participant has received and agrees to be bound by the terms of the letter of transmittal and that PPL Corporation may enforce the agreement against the participant. DTC participants following this procedure should allow sufficient time for completion of the ATOP procedures prior to the expiration date of the exchange offer;
- (b) completing and signing the letter of transmittal according to the instructions and delivering it, together with any signature guarantees and other required documents, to the exchange agent at its address on the back cover page of this prospectus; or
- (c) complying with the guaranteed delivery procedures described below.

With respect to option (a) above, the exchange agent and DTC have confirmed that the exchange offer is eligible for ATOP.

The letter of transmittal (or facsimile thereof), with any required signature guarantees and other required documents, or (in the case of book-entry transfer) an agent's message in lieu of the letter of transmittal, must be transmitted to and received by the exchange agent prior to the expiration date of the exchange offer at one of its addresses set forth on the back cover page of this prospectus. **Delivery of such documents to DTC does not constitute delivery to the exchange agent.**

***Guaranteed Delivery***

If a DTC participant desires to participate in the exchange offer and the procedure for book-entry transfer of Outstanding PEPS Units cannot be completed on a timely basis, a tender of Outstanding PEPS Units may be effected if the exchange agent has received at one of its addresses on the back cover page of this prospectus prior to the applicable expiration date of the exchange offer, a letter, telegram or facsimile transmission from a firm or other entity identified in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, referred to as an Eligible Guarantor Institution, including (as each of the following terms are defined in the Rule), (1) a bank, (2) a broker, dealer, municipal securities dealer or government securities dealer or government securities broker, (3) a credit union, (4) a national securities exchange, registered securities association or clearing agency, or (5) a savings institution that is a participant in a Securities Transfer Association recognized program, which:

indicates the account number of the DTC participant;

indicates the name(s) in which the Outstanding PEPS Units are held and the amount of the Outstanding PEPS Units tendered;

states that the tender is being made thereby; and

guarantees that, within three NYSE trading days after the date of execution of the letter, telegram or facsimile transmission by the Eligible Guarantor Institution, the procedure for book-entry transfer with respect to the Outstanding PEPS Units will be completed.

Unless the Outstanding PEPS Units being tendered by the above-described method are deposited with the exchange agent within the time period indicated above according to DTC's ATOP procedures and an agent's message or letter of transmittal is received within the time period indicated above, we may, at our option, reject the tender. The notice of guaranteed delivery which may be used by an Eligible Guarantor Institution for the purposes described in the preceding paragraph is contained in the solicitation materials provided with this prospectus.

#### ***Letter of Transmittal***

Subject to and effective upon the acceptance for exchange and exchange of New PEPS Units and payment of the cash consideration for Outstanding PEPS Units tendered by a letter of transmittal, by executing and delivering a letter of transmittal (or agreeing to the terms of a letter of transmittal pursuant to an agent's message), a tendering holder of Outstanding PEPS Units:

irrevocably sells, assigns and transfers to or upon the order of PPL Corporation all right, title and interest in and to, and all claims in respect of or arising or having arisen as a result of the holder's status as a holder of the Outstanding PEPS Units tendered thereby;

waives any and all rights with respect to the Outstanding PEPS Units;

releases and discharges PPL Corporation, PPL Capital Funding, the purchase contract agent, the collateral agent, the securities intermediary, the trustees of the trust, the guarantee trustee and the subordinated indenture trustee with respect to the Outstanding PEPS Units from any and all claims such holder may have, now or in the future, arising out of or related to the Outstanding PEPS Units, including, without limitation, any claims that such holder is entitled to participate in any redemption of the Outstanding PEPS Units;

represents and warrants that the Outstanding PEPS Units tendered were owned as of the date of tender, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind;

designates an account number of a DTC participant in which the New PEPS Units are to be credited; and

irrevocably appoints the exchange agent the true and lawful agent and attorney-in-fact of the holder with respect to any tendered Outstanding PEPS Units, with full powers of substitution and revocation (such power of attorney being deemed to be an irrevocable power coupled with an interest) to cause the Outstanding PEPS Units tendered to be assigned, transferred and exchanged in the exchange offer.

#### **Proper Execution and Delivery of Letter of Transmittal**

If you wish to participate in the exchange offer, delivery of your Outstanding PEPS Units, signature guarantees and other required documents is your responsibility. Delivery is not complete until the required items are actually received by the exchange agent. If you mail these items, we recommend that you (1) use registered mail with return receipt requested, properly insured, and (2) mail the required items sufficiently in advance of the expiration date with respect to the exchange offer to allow sufficient time to ensure timely delivery.

Except as otherwise provided below, all signatures on a letter of transmittal or a notice of withdrawal must be guaranteed by a recognized participant in the Securities Transfer Agents Medallion Program, the NYSE Medallion Signature Program or the Stock Exchange Medallion Program. Signatures on a letter of transmittal need not be guaranteed if:

the letter of transmittal is signed by a participant in DTC whose name appears on a security position listing of DTC as the owner of the Outstanding PEPS Units and the holder(s) has not completed the portion entitled "Special Issuance and Payment Instructions" on the letter of transmittal; or



the Outstanding PEPS Units are tendered for the account of an Eligible Guarantor Institution. See Instruction 3 in the letter of transmittal.

***Withdrawal of Tenders***

Tenders of Outstanding PEPS Units in connection with the exchange offer may be withdrawn at any time prior to the expiration date of the exchange offer, but you must withdraw all of your Outstanding PEPS Units previously tendered. Tenders of Outstanding PEPS Units may not be withdrawn at any time after such date unless the exchange offer is extended, in which case tenders of Outstanding PEPS Units may be withdrawn at any time prior to the expiration date, as extended. In addition, tenders of Outstanding PEPS Units may be withdrawn after expiration of 40 business days from the commencement of the exchange offer in the event that we have not yet accepted Outstanding PEPS Units in the exchange offer by such time.

Beneficial owners desiring to withdraw Outstanding PEPS Units previously tendered should contact the DTC participant through which such beneficial owners hold their Outstanding PEPS Units. In order to withdraw Outstanding PEPS Units previously tendered, a DTC participant may, prior to the expiration date of the exchange offer, withdraw its instruction previously transmitted through ATOP by (1) withdrawing its acceptance through ATOP or (2) delivering to the exchange agent by mail, hand delivery or facsimile transmission, notice of withdrawal of such instruction. The notice of withdrawal must contain the name and number of the DTC participant. The method of notification is at the risk and election of the holder and must be timely received by the exchange agent. Withdrawal of a prior instruction will be effective upon receipt of the notice of withdrawal by the exchange agent. All signatures on a notice of withdrawal must be guaranteed by a recognized participant in the Securities Transfer Agents Medallion Program, the NYSE Medallion Signature Program or the Stock Exchange Medallion Program. However, signatures on the notice of withdrawal need not be guaranteed if the Outstanding PEPS Units being withdrawn are held for the account of an Eligible Guarantor Institution. A withdrawal of an instruction must be executed by a DTC participant in the same manner as such DTC participant's name appears on its transmission through ATOP to which such withdrawal relates. A DTC participant may withdraw a tender only if such withdrawal complies with the provisions described in this paragraph.

Withdrawals of tenders of Outstanding PEPS Units may not be rescinded and any Outstanding PEPS Units withdrawn will thereafter be deemed not validly tendered for purposes of the exchange offer. Properly withdrawn Outstanding PEPS Units, however, may be retendered by following the procedures described above at any time prior to the expiration date of the exchange offer.

***Miscellaneous***

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tender of Outstanding PEPS Units in connection with the exchange offer will be determined by us, in our sole discretion, and our determination will be final and binding. We reserve the absolute right to reject any and all tenders not in proper form or the acceptance for exchange of which may, in the opinion of our counsel, be unlawful. We also reserve the absolute right to waive any defect or irregularity in the tender of any Outstanding PEPS Units in the exchange offer, and the interpretation by us of the terms and conditions of the exchange offer (including the instructions in the letter of transmittal) will be final and binding on all parties. None of PPL Corporation, PPL Capital Funding, the exchange agent, the information agent, the dealer manager or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification.

Tenders of Outstanding PEPS Units involving any irregularities will not be deemed to have been made until such irregularities have been cured or waived. Outstanding PEPS Units received by the exchange agent in connection with the exchange offer that are not validly tendered and as to which the irregularities have not been cured or waived will be returned by the exchange agent to the DTC participant who delivered such Outstanding PEPS Units by crediting an account maintained at DTC designated by such DTC participant as promptly as practicable after the expiration date of the exchange offer or the withdrawal or termination of the exchange offer.

### ***Transfer Taxes***

We will pay all transfer taxes, if any, applicable to the transfer and exchange of Outstanding PEPS Units to us in the exchange offer. If transfer taxes are imposed for any other reason, the amount of those transfer taxes, whether imposed on the registered holder or any other persons, will be payable by the tendering holder. Other reasons transfer taxes could be imposed include:

if New PEPS Units in book-entry form are to be registered in the name of any person other than the person signing the letter of transmittal; or

if tendered Outstanding PEPS Units are registered in the name of any person other than the person signing the letter of transmittal.

If satisfactory evidence of payment of or exemption from those transfer taxes is not submitted with the letter of transmittal, the amount of those transfer taxes will be billed directly to the tendering holder and/or withheld from any payments due with respect to the Outstanding PEPS Units tendered by such holder.

### **Exchange Agent**

JPMorgan Chase Bank has been appointed the exchange agent for the exchange offer. Letters of transmittal, notices of guaranteed delivery and all correspondence in connection with the exchange offer should be sent or delivered by each holder of Outstanding PEPS Units, or a beneficial owner's custodian bank, depository, broker, trust company or other nominee, to the exchange agent at the address set forth on the back cover page of this prospectus. We will pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable, out-of-pocket expenses in connection therewith.

JPMorgan Chase Bank and its affiliates maintain banking relationships with us.

### **Information Agent**

Innisfree M&A Incorporated has been appointed as the information agent for the exchange offer, and will receive customary compensation for its services. Questions concerning tender procedures and requests for additional copies of this prospectus, the letter of transmittal or the notice of guaranteed delivery should be directed to the information agent at the address set forth on the back cover page of this prospectus. Holders of Outstanding PEPS Units may also contact their custodian bank, depository, broker, trust company or other nominee for assistance concerning the exchange offer.

### **Dealer Manager**

We have retained Morgan Stanley & Co. Incorporated to act as dealer manager in connection with the exchange offer.

We have agreed to pay to the dealer manager compensation for its services in connection with the exchange offer according to a predetermined rate.

We will also reimburse the dealer manager for certain out-of-pocket expenses, including the fees and expenses of its legal counsel incurred in connection with the exchange offer. The obligations of the dealer manager are subject to certain conditions. We have agreed to indemnify the dealer manager against certain liabilities, including liabilities under the federal securities laws, or to contribute to payments that the dealer manager may be required to make in respect thereof. Questions regarding the terms of the exchange offer may be directed to the dealer manager at the address set forth on the back cover page of this prospectus.

From time to time, the dealer manager and its affiliates have provided investment banking and other services to us for customary compensation.

### **Other Fees and Expenses**

Tendering holders of Outstanding PEPS Units will not be required to pay any expenses of soliciting tenders in the exchange offer, including any fee or commission to the dealer manager. However, if a tendering holder



handles the transaction through its broker, dealer, commercial bank, trust company or other institution, such holder may be required to pay brokerage fees or commissions.

The principal solicitation is being made by mail. However, additional solicitations may be made by telegraph, facsimile transmission, telephone or in person by the dealer manager and the information agent, as well as by officers and other employees of PPL Corporation and its affiliates.

### ACCOUNTING TREATMENT

The new notes and the new purchase contracts will be recorded in our accounting records at the same carrying value as the trust preferred securities and the old purchase contracts, respectively, as reflected in our accounting records on the date of the exchange. Accordingly, we will not recognize any gain or loss for accounting purposes upon the completion of the exchange offer. Any cash payments made to you for tendering Outstanding PEPS Units will be treated like a discount and amortized as an adjustment of interest expense over the remaining term of the notes. Any other costs incurred directly related to the exchange offer (such as legal fees, registration fees, etc.) will be expensed as incurred.

The new purchase contracts are forward transactions in our common stock. Upon settlement of a new purchase contract, we will receive \$25 on that purchase contract and will issue the requisite number of shares of our common stock. The consideration we receive at that time will be credited to shareholders' equity allocated between our common stock and capital in excess of par value accounts.

Before the issuance of shares of our common stock upon anticipated settlement of the new purchase contracts for cash, the new purchase contracts will be reflected in our diluted earnings per share calculations using the treasury stock method in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share. Under this method, the number of shares of our common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares of our common stock that would be issued upon settlement of the new purchase contracts less the number of shares of our common stock that could be purchased by us in the market, at the average market price during the period, using the proceeds received upon settlement of the new purchase contracts. Consequently, we anticipate that there will be no dilutive effect on our earnings per share except during periods when the average market price of our common stock is above \$63.94.

## DESCRIPTION OF THE NEW PEPS UNITS

The following is a summary of some of the terms of the New PEPS Units. This summary together with the summary of some of the terms of the new purchase contracts, the new purchase contract agreement, the pledge agreement and the notes set forth under the captions Description of the New Purchase Contracts, Certain Provisions of the New Purchase Contracts, the New Purchase Contract Agreement and the Pledge Agreement and Description of the Notes in this prospectus contains a description of all of the material terms of the New PEPS Units but is not complete. We refer you to the forms of the new purchase contract agreement, the pledge agreement and the form of note that have been filed as exhibits to the registration statement of which this prospectus form a part.

### General

Each New PEPS Unit offered will initially consist of:

a new purchase contract under which the holder will purchase from PPL Corporation on May 18, 2004, which we call the new purchase contract settlement date, or upon early settlement, for \$25, a number of shares of our common stock equal to the applicable settlement rate described under Description of the New Purchase Contracts General or Description of the New Purchase Contracts Early Settlement in this prospectus, as the case may be, and under which we will pay to the holder contract adjustment payments at the rate of 0.46% of the stated amount per year, or \$0.1150 per year, paid quarterly; and

a 1/40, or 2.5%, undivided beneficial ownership interest in a \$1,000 principal amount note issued by PPL Capital Funding and guaranteed as to payment by PPL Corporation, and under which we will pay to the holder interest at the rate of 7.29% of the 1/40 interest in the note per year, or \$1.8225 per year, paid quarterly.

The notes will be pledged under the pledge agreement to secure your obligation to purchase our common stock under the new purchase contract.

The notes and the new purchase contracts will be recorded in our accounting records at the same carrying value as the trust preferred securities and the original purchase contracts, respectively, as reflected in our accounting records on the date of the exchange.

So long as the units are in the form of New PEPS Units, the related undivided beneficial ownership interest in the note will be pledged to the collateral agent to secure the holders obligations to purchase our common stock under the related new purchase contracts.

### Creating Treasury Units by Substituting a Treasury Security for a Note

Each holder of 40 New PEPS Units may create, at any time on or prior to May 7, 2004, 40 Treasury Units by substituting for a note a treasury security having an aggregate principal amount at maturity equal to \$1,000. Because treasury securities and notes are issued in integral multiples of \$1,000, holders of New PEPS Units may make the substitution only in integral multiples of 40 New PEPS Units.

Each Treasury Unit will consist of:

a new purchase contract under which the holder will purchase from us on the new purchase contract settlement date, or upon early settlement, for \$25, a number of shares of our common stock equal to the applicable settlement rate, and under which we will pay to the holder contract adjustment payments at the rate of 0.46% of the stated amount per year; and

a 1/40, or 2.5%, undivided beneficial ownership interest in a related zero-coupon U.S. treasury security (CUSIP No. 912820BJ5) with a principal amount at maturity equal to \$1,000 and maturing on May 17, 2004, the business day preceding the new purchase contract settlement date.

The term business day means any day other than a Saturday or a Sunday or a day on which banking institutions in New York City are authorized or required by law or executive order to remain closed or a day on

which JPMorgan Chase Bank, acting as indenture trustee with respect to the notes of PPL Capital Funding, is closed for business.

The Treasury Unit holder's beneficial ownership in the treasury security will be pledged under the pledge agreement to secure the holder's obligation to purchase shares of our common stock under the new purchase contract.

To create 40 Treasury Units, a holder is required to:

deposit with JPMorgan Chase Bank, which is acting as the securities intermediary under the pledge agreement, a zero-coupon U.S. treasury security (CUSIP No. 912820BJ5) with a principal amount at maturity equal to \$1,000 and maturing on May 17, 2004; and

transfer to the purchase contract agent 40 New PEPS Units, accompanied by a notice stating that the holder of the New PEPS Units has deposited a treasury security with the securities intermediary, and requesting that the purchase contract agent instruct the collateral agent to release the related note.

Upon receiving instructions from the purchase contract agent and confirmation of receipt of the treasury security by the securities intermediary, the collateral agent will cause the securities intermediary to release the related note from the pledge and deliver it to the purchase contract agent, free and clear of our security interest. The purchase contract agent then will:

cancel the 40 New PEPS Units;

transfer the related note to the holder; and

deliver 40 Treasury Units to the holder.

A treasury security will be substituted for the note and will be pledged to the collateral agent to secure the holder's obligation to purchase shares of our common stock under the related new purchase contracts. The note thereafter will trade separately from the Treasury Units.

Holders who create Treasury Units or recreate New PEPS Units, as discussed below, will be responsible for any fees or expenses payable to the collateral agent in connection with substitutions of collateral. See "Certain Provisions of the New Purchase Contracts, the New Purchase Contract Agreement and the Pledge Agreement - Miscellaneous" in this prospectus.

#### **Recreating New PEPS Units**

Each holder of Treasury Units will have the right, at any time on or prior to May 7, 2004, to substitute for the related treasury securities held by the collateral agent notes in an aggregate principal amount equal to the aggregate principal amount at stated maturity of the treasury securities for which substitution is being made. This substitution would recreate New PEPS Units, that have notes as a component, and the applicable treasury securities would be released to the holder.

Because treasury securities and notes are issued in integral multiples of \$1,000, holders of Treasury Units may make this substitution only in integral multiples of 40 Treasury Units and 40 New PEPS Units.

Each holder of 40 Treasury Units may recreate 40 New PEPS Units by:

depositing with the securities intermediary a note of \$1,000 principal amount; and

transferring to the purchase contract agent 40 Treasury Units, accompanied by a notice stating that such holder has deposited a note with the securities intermediary and requesting that the purchase contract agent instruct the collateral agent to release the related treasury security.

Upon receiving instructions from the purchase contract agent and confirmation of receipt of the note by the securities intermediary, the collateral agent will cause the securities intermediary to release the related treasury

security from the pledge and deliver it to the purchase contract agent, on behalf of the holder, free and clear of our security interest. The purchase contract agent then will:

cancel the 40 Treasury Units;

transfer the related treasury security to the holder; and

deliver 40 New PEPS Units to the holder.

The substituted note will be pledged with the collateral agent to secure the New PEPS Unit holder's obligation to purchase our common stock under the related new purchase contracts.

### **Current Payments**

The payments on the New PEPS Units will consist of cash payments consisting of 1/40, or 2.5%, of the interest payment payable on the \$1,000 principal amount note by PPL Capital Funding at the rate of 7.29% per year, payable, initially, quarterly in arrears from August 18, 2003 (the last date on which such interest payments were paid on the Outstanding PEPS Units) on November 18, 2003, February 18, 2004 and May 18, 2004. In addition, holders of both New PEPS Units and Treasury Units will be entitled to receive cash distributions of contract adjustment payments payable by us at the rate of 0.46% per year of the stated amount payable quarterly in arrears from August 18, 2003 (the last date on which such contract adjustment payments were paid on the Outstanding PEPS Units) on November 18, 2003, February 18, 2004 and May 18, 2004.

If a holder of New PEPS Units creates Treasury Units by substituting a treasury security for a note, such holder will not receive any distributions on the Treasury Units other than the contract adjustment payments. If a Treasury Unit holder continues to hold notes that have been separated from New PEPS Units, it will continue to receive interest payments on the notes.

### **Listing**

We intend to list the New PEPS Units on the NYSE but will only be able to list the New PEPS Units if there is sufficient participation in the exchange offer such that they meet the NYSE listing requirements. Unless and until substitution has been made as described in "Creating Treasury Units" or "Recreating New PEPS Units," neither the note component of a New PEPS Unit nor the treasury security component of a Treasury Unit will trade separately from New PEPS Units or Treasury Units. The note component will trade as a unit with the new purchase contract component of the New PEPS Units, and the treasury security component will trade as a unit with the new purchase contract component of the Treasury Units. In addition, if Treasury Units or notes are separately traded to a sufficient extent that the applicable exchange listing requirements are met, we will endeavor to cause the Treasury Units or notes to be listed on the exchange on which the New PEPS Units are then listed, including, if applicable, the NYSE.

### **Repurchase of the New PEPS Units**

We may purchase from time to time any of the New PEPS Units offered by this prospectus that are then outstanding by tender, in the open market, by private agreement or otherwise.

### **Tax Treatment**

We covenant and agree and, by exchanging your Outstanding PEPS Unit for a New PEPS Unit, a holder will have covenanted and agreed, for U.S. federal income tax purposes, (i) to treat a holder's acquisition of the New PEPS Units as the acquisition of the notes and new purchase contracts constituting the New PEPS Units, (ii) to treat a holder's acquisition of the Treasury Units as the acquisition of the treasury securities and new purchase contracts constituting the Treasury Units, and (iii) to treat each holder as the owner of the related notes or treasury securities, as the case may be.



## DESCRIPTION OF THE NEW PURCHASE CONTRACTS

### General

The following description is a summary of some of the terms of the new purchase contracts. The new purchase contracts will be issued pursuant to the new purchase contract agreement between us and JPMorgan Chase Bank, as purchase contract agent. The description of the new purchase contracts and the new purchase contract agreement in this prospectus contain a summary of their material terms but do not purport to be complete, and reference is hereby made to the form of the new purchase contract agreement that is filed as an exhibit to the registration statement.

On the business day immediately preceding May 18, 2004, unless:

a holder has settled early the related new purchase contracts by delivery of cash to the purchase contract agent, in the case of New PEPS Units, on or prior to May 7, 2004, and in the case of Treasury Units, on or prior to May 14, 2004 in the manner described under Early Settlement;

a holder of New PEPS Units that include notes has settled the related new purchase contracts with separate cash prior to or on May 10, 2004 pursuant to prior notice given in the manner described under Notice to Settle with Cash;

a holder of New PEPS Units has had the notes related to the holder's new purchase contracts successfully remarketed in the manner described under Remarketing below;

an event described under Termination has occurred,  
then,

in the case of New PEPS Units, we will exercise our rights as a secured party to dispose of the notes in accordance with applicable law; and

in the case of Treasury Units, the principal amount of the related treasury securities, when paid at maturity, will automatically be applied to satisfy in full the holder's obligation to purchase common stock under the related new purchase contracts.

The common stock will then be issued and delivered to the holder or the holder's designee, upon presentation and surrender of the certificate evidencing the New PEPS Units or Treasury Units and payment by the holder of any transfer or similar taxes payable in connection with the issuance of the common stock to any person other than the holder.

Each new purchase contract that is a part of a New PEPS Unit or a Treasury Unit will obligate its holder to purchase, and PPL Corporation to sell, on the new purchase contract settlement date (unless the new purchase contract terminates prior to that date or is settled early at the holder's option), a number of shares of our common stock equal to the settlement rate, for \$25 in cash. The number of shares of our common stock issuable upon settlement of each new purchase contract on the new purchase contract settlement date (which we refer to as the settlement rate) will be determined by us as follows, subject to adjustment as described under Anti-Dilution Adjustments below:

if the average of the closing prices of our common stock over the 20 trading-day period ending on the third trading day prior to the new purchase contract settlement date of May 18, 2004 multiplied by 1.017 is equal to or greater than \$65.03, the threshold appreciation price, the settlement rate will be 0.3910;

if the average of the closing prices of our common stock over the 20 trading-day period ending on the third trading day prior to the new purchase contract settlement date of May 18, 2004 multiplied by 1.017 is less than \$65.03 but greater than \$53.30, the closing price of our common stock at time of sale of Outstanding PEPS Units, or the reference price, the settlement rate will be a number of shares having a value, based on the 20-trading day average closing prices, equal to \$25; and

if the average of the closing prices of our common stock over the 20 trading-day period ending on the third trading day prior to the new purchase contract settlement date of May 18, 2004 multiplied by 1.017 is less than or equal to the reference price of \$53.30, the settlement rate will be 0.4770.

Except under the limited circumstances described under Anti-Dilution Adjustments, if you elect to settle your new purchase contract early, the number of shares of our common stock issuable upon settlement of such new purchase contract will be 0.3910.

**For illustrative purposes only, the following table shows the fraction of a share of our common stock issuable upon settlement of each new purchase contract at various assumed values for the average of the closing prices of our common stock on the 20 trading days ending on the third trading day prior to the new purchase contract settlement date of May 18, 2004, which we call the applicable market value.** The \$65.03 threshold appreciation price represents an appreciation of 22% above the reference price of \$53.30. The table assumes that there will be no adjustments to the settlement rate described under Anti-Dilution Adjustments below. We cannot assure you that the actual applicable market value will be within the range set forth below. A holder of a New PEPS Unit or a Treasury Unit will receive on the new purchase contract settlement date, in settlement of each new purchase contract, the following fractions of a share of our common stock at the following assumed applicable market values:

| Assumed Applicable<br>Market Value | Fraction of a Share of<br>Our Common Stock |
|------------------------------------|--|
| \$25                               | 0.4770                                     |
| \$30                               | 0.4770                                     |
| \$35                               | 0.4770                                     |
| \$40                               | 0.4770                                     |
| \$45                               | 0.4770                                     |
| \$50                               | 0.4770                                     |
| \$55                               | 0.4545                                     |
| \$60                               | 0.4167                                     |
| \$65                               | 0.3910                                     |
| \$70                               | 0.3910                                     |
| \$75                               | 0.3910                                     |
| \$80                               | 0.3910                                     |

As the above table illustrates, if, on the new purchase contract settlement date of May 18, 2004, the applicable market value of a share of our common stock multiplied by 1.017 is greater than or equal to the threshold appreciation price of \$65.03, we would be obligated to deliver 0.3910 shares of our common stock for each new purchase contract. As a result, the holder would receive 81.97% of the appreciation in the market value of the shares of our common stock underlying each new purchase contract above \$63.94. If, on the new purchase contract settlement date, the applicable market value of a share of our common stock multiplied by 1.017 is less than the threshold appreciation price of \$65.03 but greater than the reference price of \$53.30, we would be obligated to deliver a number of shares of our common stock having a value, based on the applicable market value, equal to \$25 and we would retain all appreciation in the market value of the shares of our common stock underlying each new purchase contract for that period. If, on the new purchase contract settlement date, the applicable market value of a share of our common stock multiplied by 1.017 is less than or equal to the reference price of \$53.30, we would be obligated to deliver in settlement of the new purchase contract 0.4770 shares of our common stock for each new purchase contract, regardless of the market price of the shares of our common stock. As a result, the holder would realize the entire loss on the decline in market value of the shares of our common stock underlying each new purchase contract for that period.

The term closing price of shares of our common stock means, on any date of determination (1) the closing sale price (or, if no closing sale price is reported, the reported last sale price) of shares of our common stock on the NYSE on such date or, if shares of our common stock are not listed for trading on the NYSE on any such date, the closing sale price as reported in the composite transactions for the principal United States securities

exchange on which the shares of our common stock are so listed, or if shares of our common stock are not so listed on a United States national or regional securities exchange, as reported by the Nasdaq National Market or (2) if shares of our common stock are not so reported, the last quoted bid price for the shares of our common stock in the over-the-counter market as reported by the National Quotation Bureau or a similar organization, or, if such bid price is not available, the average of the mid-point of the last bid and ask prices of shares of our common stock on such date from at least three nationally recognized independent investment banking firms retained for this purpose by us.

The term *trading day* means a day on which the shares of our common stock (1) are not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business and (2) has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the shares of our common stock.

We will not issue any fractional shares of our common stock upon settlement of a new purchase contract. Instead of a fractional share, the holder will receive an amount of cash equal to such fraction multiplied by the applicable market value. If, however, a holder surrenders for settlement at one time more than one new purchase contract, then the number of shares of our common stock issuable pursuant to such new purchase contracts will be computed based upon the aggregate number of new purchase contracts surrendered.

Prior to the settlement of a new purchase contract, the shares of our common stock underlying each purchase contract will not be outstanding, and the holder of the new purchase contract will not have any voting rights, rights to dividends or other distributions or other rights of a holder of our common stock by virtue of holding such new purchase contract.

By purchasing a New PEPS Unit or a Treasury Unit, a holder will be deemed to have, among other things:

irrevocably authorized the purchase contract agent as its attorney-in-fact to enter into and perform that holder's obligations under the related new purchase contract and pledge agreement on behalf of such holder;

agreed to be bound by the terms and provisions of the related new purchase contract; and

agreed to be bound by the pledge arrangement contained in the related pledge agreement.

In addition, each holder will be deemed to have agreed to treat itself as the owner of the related note or treasury security, as the case may be, and to treat the notes of PPL Capital Funding as indebtedness for United States federal, state and local income and franchise tax purposes.

### **Remarketing**

Pursuant to the remarketing agreement and subject to the terms of the supplemental remarketing agreement among the remarketing agent, PPL Corporation, PPL Capital Funding and the purchase contract agent (as attorney-in-fact of the holders), remarketing of the notes will be attempted on May 11, 2004 and, if the remarketing on such date fails, on May 12, 2004 and, if the remarketing on such date fails, on May 13, 2004, the fifth, fourth and third business days immediately preceding the new purchase contract settlement date of May 18, 2004. The remarketing agent will use its reasonable efforts to obtain a price for the notes to be remarketed that results in proceeds of approximately 100.5% of the aggregate principal amount of such notes. However, remarketing will be considered successful if the resulting proceeds are at least equal to 100% of the aggregate principal amount of the notes to be remarketed.

New PEPS Unit holders have the option to notify the purchase contract agent on or prior to May 7, 2004 of their intention to settle the related purchase contracts with separate cash and provide such cash on or prior to May 10, 2004. The notes of any holder who has failed to give this notice and deliver such cash will be remarketed on May 11, 2004, and, if necessary, on May 12, 2004, and, if necessary, on May 13, 2004.

Upon a successful remarketing, the portion of the proceeds equal to the total principal amount of the notes will automatically be applied to satisfy in full the New PEPS Unit holders' obligations to purchase common stock under the related new purchase contracts. If any proceeds remain after this application, the remarketing agent will

deduct as a remarketing fee an amount not exceeding 25 basis points (0.25%) of the aggregate principal amount of the notes, and remit any remaining proceeds for the benefit of the holders. New PEPS Unit holders whose notes are remarketed will not otherwise be responsible for the payment of any remarketing fee in connection with the remarketing.

If (1) despite using its reasonable efforts, the remarketing agent cannot remarket the related notes in a remarketing prior to or on May 13, 2004, other than to PPL Corporation, at a price equal to or greater than 100% of the aggregate principal amount of the notes, or (2) the remarketing has not occurred because a condition precedent to the remarketing has not been fulfilled, in each case resulting in a failed remarketing, we will exercise our rights as a secured party to dispose of the notes that have been pledged to us through the collateral agent to secure your obligation under the related new purchase contracts in accordance with applicable law and such disposition will be deemed to satisfy in full each holder's obligation to purchase our common stock under the related purchase contracts. In addition, holders of notes that are not pledged to us and remain outstanding after a failed remarketing will have the right to put their notes to us, in whole or in part, for an amount equal to the principal amount of their notes being put, plus accrued and unpaid interest, on May 18, 2004, which we call the put exercise date, by notifying the indenture trustee prior to 5:00 p.m., New York City time, on May 14, 2004.

If there is no successful remarketing on May 11, 2004, we will cause a notice of the failure of remarketing of the notes to be published before 9:00 a.m., New York City time, on May 12, 2004 and another remarketing will be attempted on that day. If there has not been a successful remarketing on May 12, 2004, we will cause a notice of the failure of remarketing of the notes to be published before 9:00 a.m., New York City time, on May 13, 2004 and another remarketing will be attempted on that day. If there has not been a successful remarketing on May 13, 2004, we will cause a notice of the failure of remarketing of the notes to be published before 9:00 a.m., New York City time, on May 14, 2004. Notices to be published under this paragraph will be validly published by making a timely release to any appropriate news agency, including Bloomberg Business News and the Dow Jones News Service, or by publication in a daily newspaper in the English language of general circulation in New York City, which is expected to be *The Wall Street Journal*. In addition, PPL Corporation will request, not later than seven nor more than 15 calendar days prior to May 11, 2004, that DTC notify its participants holding notes, New PEPS Units and Treasury Units of the remarketings to take place on May 11, 2004, and, if necessary, on May 12 and, if necessary, on May 13, 2004.

If required, we will endeavor to ensure that a registration statement with regard to the full amount of the notes to be remarketed will be effective in a form that will enable the remarketing agent to rely on it in connection with the remarketing process. If the registration statement is not effective as described in the preceding sentence or if we are unable to deliver a current prospectus in connection with the remarketing, we will use reasonable best efforts to assist the remarketing agent in conducting the remarketing pursuant to an exemption from the registration requirements, if such exemption is available.

#### **Remarketing Agent**

The remarketing agent will be Morgan Stanley & Co. Incorporated. PPL Corporation, PPL Capital Funding and the remarketing agent will enter into the supplemental remarketing agreement which provides, among other things, that Morgan Stanley & Co. Incorporated will act as the exclusive remarketing agent and will use reasonable efforts to remarket notes tendered. Under certain circumstances, some portion of the notes tendered in the remarketing may be purchased by the remarketing agent.

The supplemental remarketing agreement provides that the remarketing agent will incur no liability to PPL Corporation or PPL Capital Funding, Inc. or to any holder of New PEPS Units or notes in its individual capacity or as remarketing agent for any action or failure to act in connection with a remarketing or otherwise, except as a result of the negligence or willful misconduct on its part.

We have agreed to indemnify the remarketing agent against certain liabilities, including liabilities under the Securities Act of 1933, arising out of or in connection with its duties under the remarketing agreement.

The supplemental remarketing agreement also will provide that the remarketing agent may resign and be discharged from its duties and obligations under the remarketing agreement. No such resignation, however, will

become effective unless a nationally recognized broker-dealer has been appointed by us as successor remarketing agent and that successor remarketing agent has entered into a remarketing agreement with us. In such case, we will use reasonable efforts to appoint a successor remarketing agent and enter into a remarketing agreement with such person as soon as reasonably practicable.

### Early Settlement

A holder of New PEPS Units may settle a new purchase contract at any time on or prior to 5:00 p.m., New York City time on May 7, 2004, only in integral multiples of 40 new purchase contracts, by delivering to the purchase contract agent (1) a completed Election to Settle Early form and (2) a cash payment in the form of a wire transfer of immediately available funds payable to, or upon the order of, PPL Corporation in an amount equal to:

\$25 times the number of new purchase contracts being settled; plus

if the delivery is made with respect to any new purchase contract during the period from the close of business on any record date next preceding any payment date to the opening of business on such payment date, an amount equal to the contract adjustment payments payable on the payment date with respect to the new purchase contract.

If you are a Treasury Unit holder you may settle your new purchase contracts early only in integral multiples of 40 new purchase contracts at any time on or prior to May 14, 2004, by delivering to the purchase contract agent (1) a completed Election to Settle Early form and (2) a cash payment in immediately available funds of an amount equal to:

\$25 times the number of new purchase contracts being settled; plus

if the delivery is made with respect to any new purchase contract during the period from the close of business on any record date next preceding any payment date to the opening of business on such payment date, an amount equal to the contract adjustment payments payable on the payment date with respect to the new purchase contract.

Upon early settlement, we will sell, and the holder will be entitled to buy, 0.3910 shares of our common stock for each new purchase contract being settled (regardless of the market price of one share of our common stock on the date of early settlement), subject to adjustment under the circumstances described under Anti-Dilution Adjustments below. We will cause (1) the shares of our common stock to be delivered and (2) the related note or treasury security, as the case may be, securing such new purchase contracts to be released from the pledge under the pledge agreement, and, within three business days following the settlement date, each will be transferred to the purchase contract agent for delivery to the holder. The holder's right to receive future contract adjustment payments will terminate, and no adjustment will be made to or for the holder on account of any amounts accrued in respect of contract adjustment payments.

If the purchase contract agent receives a completed Election to Settle Early and payment of \$25 for each new purchase contract being settled earlier than 5:00 p.m., New York City time, on any business day, then that day will be considered the settlement date. If the purchase contract agent receives the foregoing on or after 5:00 p.m., New York City time, on any business day or at any time on a day that is not a business day, then the next business day will be considered the settlement date. As long as the New PEPS Units or Treasury Units, as applicable, are evidenced by one or more global New PEPS Unit or Treasury Unit certificates deposited with DTC, procedures for early settlement also will be governed by standing arrangements between DTC and the purchase contract agent.

The early settlement right is subject to the condition that, if required under the United States federal securities laws, we have a registration statement under the Securities Act of 1933 in effect covering the common stock deliverable upon settlement of a new purchase contract. We have agreed that, if required under the United States federal securities laws, we will use our reasonable best efforts to (1) have in effect a registration statement covering the common stock deliverable upon settlement of a new purchase contract and (2) provide a prospectus in connection therewith, in each case in a form that may be used in connection with the early settlement right.

### **Notice to Settle with Cash**

A holder of New PEPS Units may settle the related new purchase contract with separate cash on May 10, 2004. A holder of a New PEPS Unit wishing to settle the related new purchase contract with cash must notify the purchase contract agent by delivering the New PEPS Unit certificate evidencing the New PEPS Unit at the offices of the purchase contract agent with the Notice to Settle with Cash prior to 5:00 p.m., New York City time, on May 7, 2004. If you hold a Treasury Unit, you have until 5:00 p.m., New York City time, on May 14, 2004 to deliver your Notice to Settle with Cash. Holders of New PEPS Units or Treasury Units may only settle new purchase contracts in integral multiples of 40 new purchase contracts.

The holder must also deliver to the securities intermediary a cash payment in the form of a wire transfer of immediately available funds payable to, or upon the order of the securities intermediary. Such payment must be delivered, in the case of New PEPS Units, prior to 5:00 p.m., New York City time, on May 10, 2004. If you hold a Treasury Unit, you have until 5:00 p.m., New York City time, on May 17, 2004 to deliver your payment.

Upon receipt of the cash payment, the related note or treasury security, as the case may be, will be released from the pledge arrangement and transferred to the purchase contract agent for distribution to the holder of the related New PEPS Units or Treasury Units, as the case may be. The holder of the New PEPS Unit or Treasury Units, as the case may be will then receive the applicable number of shares of our common stock on the new purchase contract settlement date.

If a holder that has given notice of its intention to settle with cash fails to deliver the cash by the applicable time and date specified above, such holder's note will automatically be remarketed if a successful remarketing takes place. Otherwise, we will exercise our right as a secured party to dispose of, in accordance with applicable law, the related note, and such disposition will be deemed to satisfy in full the holder's obligation to purchase common stock under the related new purchase contracts.

Any cash received by the securities intermediary upon cash settlement will be invested promptly in permitted investments, as defined in the pledge agreement (including, as more fully described in the pledge agreement, certain indebtedness issued by the United States of America, certain deposits of any institution which is a member of the Federal Reserve System, certain investments in commercial paper having a rating at the time of purchase at least equal to A-1 by Standard & Poor's Ratings Services or at least equal to P-1 by Moody's Investors Service, Inc. and certain investments in money market funds rated in the highest applicable rating category by Standard & Poor's Ratings Services or Moody's Investors Service, Inc.), and paid to us on the new purchase contract settlement date. Any funds received by the securities intermediary in excess of the funds necessary to settle the new purchase contracts in respect of the investment earnings from such investments will be distributed to the purchase contract agent for payment to the holders who settled with cash.

### **Contract Adjustment Payments**

Contract adjustment payments in respect