

Evergy, Inc

First Quarter 2019 Earnings

Released May 8, 2019

<u>Contents</u>	<u>Page</u>
Consolidated Statements of Income	1
Consolidated Balance Sheets	2-3
Consolidated Statements of Cash Flows	4
Earnings Variances	5
Supplemental Data	6-7
Capitalization	8
Utility Gross Margin and Adjusted Earnings (non-GAAP)	9-10

Lori Wright
Vice President - Corporate Planning, Investor Relations and Treasurer
816-556-2506
lori.wright@evergyinc.com

Cody VandeVelde
Director Investor Relations
785-575-8227
cody.vandavelde@evergyinc.com

NOTE:

The Notes to the Unaudited Consolidated Financial Statements in Evergy's, Westar Energy's and KCP&L's combined Quarterly Report on Form 10-Q for the three months ended March 31, 2019 should be read in conjunction with this financial information. The enclosed statements have been prepared for the purpose of providing information concerning Evergy, Westar Energy and KCP&L and not in connection with any sale, offer for sale, or solicitation to buy any securities.

EVERGY, INC.
Consolidated Statements of Income
(Unaudited)

Three Months Ended March 31	2019	2018	Change	% Change
(millions, except per share amounts)				
REVENUES:				
Residential	\$ 451.7	\$ 180.3	\$ 271.4	150.5
Commercial	413.5	155.4	258.1	166.1
Industrial	147.0	93.5	53.5	57.2
Other retail	9.8	4.2	5.6	133.3
Total electric retail	<u>1,022.0</u>	433.4	588.6	135.8
Wholesale	83.1	94.2	(11.1)	(11.8)
Transmission	76.7	71.9	4.8	6.7
Other	35.1	0.7	34.4	N/M
Total Revenues	<u>1,216.9</u>	600.2	616.7	102.7
OPERATING EXPENSES:				
Fuel and purchased power	330.0	135.5	194.5	143.5
SPP network transmission costs	63.5	67.6	(4.1)	(6.1)
Operating and maintenance	306.9	140.1	166.8	119.1
Depreciation and amortization	213.6	89.6	124.0	138.4
Taxes other than income tax	93.3	43.9	49.4	112.5
Total Operating Expenses	<u>1,007.3</u>	476.7	530.6	111.3
INCOME FROM OPERATIONS	<u>209.6</u>	123.5	86.1	69.7
OTHER INCOME (EXPENSE):				
Investment earnings (loss)	3.2	(0.4)	3.6	N/M
Other income	8.2	2.0	6.2	N/M
Other expense	(19.4)	(10.6)	(8.8)	83.0
Total Other Income (Expense), Net	<u>(8.0)</u>	(9.0)	1.0	(11.1)
Interest expense	91.1	43.8	47.3	108.0
INCOME BEFORE INCOME TAXES	<u>110.5</u>	70.7	39.8	56.3
Income tax expense	9.3	9.2	0.1	1.1
Equity in earnings of equity method investees, net of income taxes	2.2	1.4	0.8	57.1
NET INCOME	<u>103.4</u>	62.9	40.5	64.4
Less: Net income attributable to noncontrolling interests	3.9	2.4	1.5	62.5
NET INCOME ATTRIBUTABLE TO EVERGY, INC.	<u>\$ 99.5</u>	\$ 60.5	\$ 39.0	64.5
BASIC AND DILUTED EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING ATTRIBUTABLE TO EVERGY				
Basic earnings per common share	\$ 0.39	\$ 0.42	\$ (0.03)	(7.1)
Diluted earnings per common share	\$ 0.39	\$ 0.42	\$ (0.03)	(7.1)
AVERAGE COMMON SHARES OUTSTANDING				
Basic	252.8	142.6	110.2	77.3
Diluted	253.0	142.7	110.3	77.3
Effective income tax rate	<u>8.2%</u>	12.7%		

The Notes to the Unaudited Consolidated Financial Statements in Evergy's Quarterly Report on Form 10-Q for the three months ended March 31, 2019 should be read in conjunction with this financial information.

EVERGY, INC.
Consolidated Balance Sheets
(Unaudited)

	March 31	December 31
	2019	2018
ASSETS	(millions, except share amounts)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 133.6	\$ 160.3
Restricted cash	414.3	—
Receivables, net	164.8	193.7
Accounts receivable pledged as collateral	359.0	365.0
Fuel inventory and supplies	466.5	511.0
Income taxes receivable	56.7	68.0
Regulatory assets	266.5	303.9
Prepaid expenses and other assets	66.2	79.1
Total Current Assets	1,927.6	1,681.0
PROPERTY, PLANT AND EQUIPMENT, NET	18,838.1	18,782.5
PROPERTY, PLANT AND EQUIPMENT OF VARIABLE INTEREST ENTITIES, NET	171.1	169.2
OTHER ASSETS:		
Regulatory assets	1,731.6	1,757.9
Nuclear decommissioning trust fund	518.3	472.1
Goodwill	2,338.9	2,338.9
Other	535.1	396.5
Total Other Assets	5,123.9	4,965.4
TOTAL ASSETS	\$ 26,060.7	\$ 25,598.1

The Notes to the Unaudited Consolidated Financial Statements in Evergy's Quarterly Report on Form 10-Q for the three months ended March 31, 2019 should be read in conjunction with this financial information.

EVERGY, INC.
Consolidated Balance Sheets
(Unaudited)

	March 31 2019	December 31 2018
LIABILITIES AND EQUITY	(millions, except share amounts)	
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 701.1	\$ 705.4
Current maturities of long-term debt of variable interest entities	32.3	30.3
Notes payable and commercial paper	1,311.0	738.6
Collateralized note payable	359.0	365.0
Accounts payable	293.7	451.5
Accrued taxes	222.5	133.6
Accrued interest	150.2	110.9
Regulatory liabilities	34.5	110.2
Asset retirement obligations	52.6	49.8
Other	178.5	171.9
Total Current Liabilities	3,335.4	2,867.2
LONG-TERM LIABILITIES:		
Long-term debt, net	7,125.9	6,636.3
Long-term debt of variable interest entities, net	18.8	51.1
Deferred income taxes	1,603.8	1,599.2
Unamortized investment tax credits	372.4	373.2
Regulatory liabilities	2,249.2	2,218.8
Pension and post-retirement liability	994.3	987.6
Asset retirement obligations	645.8	637.3
Other	323.4	236.7
Total Long-Term Liabilities	13,333.6	12,740.2
Commitments and Contingencies (See 10-Q Note 9)		
EQUITY:		
Evergy, Inc. Shareholders' Equity:		
Common stock - 600,000,000 shares authorized, without par value 244,838,786 and 255,326,252 shares issued, stated value	8,110.4	8,685.2
Retained earnings	1,325.7	1,346.0
Accumulated other comprehensive loss	(13.2)	(3.0)
Total Evergy, Inc. Shareholders' Equity	9,422.9	10,028.2
Noncontrolling Interests	(31.2)	(37.5)
Total Equity	9,391.7	9,990.7
TOTAL LIABILITIES AND EQUITY	\$ 26,060.7	\$ 25,598.1

The Notes to the Unaudited Consolidated Financial Statements in Evergy's Quarterly Report on Form 10-Q for the three months ended March 31, 2019 should be read in conjunction with this financial information.

EVERGY, INC.
Consolidated Statements of Cash Flows
(Unaudited)

Three Months Ended March 31	2019	2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:	(millions)	
Net income	\$ 103.4	\$ 62.9
Adjustments to reconcile income to net cash from operating activities:		
Depreciation and amortization	213.6	89.6
Amortization of nuclear fuel	14.6	7.7
Amortization of deferred refueling outage	6.5	4.0
Amortization of corporate-owned life insurance	6.6	5.5
Non-cash compensation	5.4	2.5
Net deferred income taxes and credits	(2.0)	3.8
Allowance for equity funds used during construction	(0.2)	(1.1)
Payments for asset retirement obligations	(1.2)	(1.9)
Equity in earnings of equity method investees, net of income taxes	(2.2)	(1.4)
Income from corporate-owned life insurance	(9.9)	(0.7)
Other	(1.3)	(1.4)
Changes in working capital items:		
Accounts receivable	26.6	46.2
Accounts receivable pledged as collateral	6.0	—
Fuel inventory and supplies	44.6	6.9
Prepaid expenses and other current assets	35.5	(0.1)
Accounts payable	(119.4)	(24.2)
Accrued taxes	100.2	48.7
Other current liabilities	(74.7)	(11.8)
Changes in other assets	12.8	0.7
Changes in other liabilities	(2.8)	23.7
Cash Flows from Operating Activities	362.1	259.6
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(309.0)	(174.8)
Purchase of securities - trusts	(17.9)	(85.4)
Sale of securities - trusts	15.4	86.1
Investment in corporate-owned life insurance	(2.1)	(1.0)
Proceeds from investment in corporate-owned life insurance	40.9	2.6
Other investing activities	1.3	(1.6)
Cash Flows used in Investing Activities	(271.4)	(174.1)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Short term debt, net	572.4	14.1
Collateralized short-term borrowings, net	(6.0)	—
Proceeds from long-term debt	494.0	—
Retirements of long-term debt	(1.1)	—
Retirements of long-term debt of variable interest entities	(30.3)	(28.5)
Borrowings against cash surrender value of corporate-owned life insurance	0.6	0.7
Repayment of borrowings against cash surrender value of corporate-owned life insurance	(30.1)	(1.7)
Cash dividends paid	(119.8)	(57.4)
Repurchase of common stock under repurchase plan	(578.3)	—
Other financing activities	(4.5)	(4.9)
Cash Flows (used in) from Financing Activities	296.9	(77.7)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	387.6	7.8
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Beginning of period, including restricted cash of \$0.0 and \$0.1, respectively	160.3	3.5
End of period, including restricted cash of \$414.3 and \$0.1, respectively	\$ 547.9	\$ 11.3

The Notes to the Unaudited Consolidated Financial Statements in Evergy's Quarterly Report on Form 10-Q for the three months ended March 31, 2019 should be read in conjunction with this financial information.

Evergy, Inc
First Quarter 2019 vs. 2018

Earnings Variances

	Change	
	(dollars in millions)	(\$ per share)
2018 net income attributable to Evergy, Inc.	\$ 60.5	\$ 0.42
	<i>Favorable/(Unfavorable)</i>	
Utility gross margin ^(a)	426.3	A 2.99
Other operating expenses	(216.2)	B (1.52)
Depreciation and amortization	(124.0)	C (0.87)
Other income (expense)	1.0	0.01
Interest expense	(47.3)	D (0.33)
Income tax expense	(0.1)	—
Equity in earnings of equity method investees, net of income taxes	0.8	0.01
Net income attributable to noncontrolling interests	(1.5)	(0.01)
Change in shares outstanding		E (0.31)
2019 net income attributable to Evergy, Inc.	\$ 99.5	\$ 0.39

^(a) Utility gross margin is a non-GAAP financial measure. See explanation of utility gross margin in the Utility Gross Margin (Non-GAAP) section below.

Major factors influencing the period to period change in EPS-- Favorable/(Unfavorable)

- A Due primarily to the inclusion of KCP&L's and GMO's utility gross margin in 2019- \$412.8M; higher Westar Energy retail sales- \$11.8M; new Westar Energy retail rates effective in September 2018, net of a provision for rate refund recorded at Westar Energy in the first quarter of 2018 for the change in corporate income tax rate caused by the Tax Cuts and Jobs Act- \$3.9M; partially offset by a reduction in revenue recorded at Westar Energy for annual bill credits (\$2.2M).
- B Due primarily to the inclusion of KCP&L's and GMO's operating and maintenance expenses in 2019 (\$175.3M); the inclusion of KCP&L's and GMO's taxes other than income taxes in 2019 (\$45.3M); Westar Energy voluntary severance expenses incurred in the first quarter of 2019 (\$7.4M); partially offset by a decrease in Westar Energy's 47% ownership share of Wolf Creek operating and maintenance expense primarily due to lower employee labor and benefit costs and amortization of deferred refueling outage costs- \$3.9M; Westar Energy labor and employee benefit costs due to a decrease in medical and dental expenses- \$3.8M; and a decrease in Westar Energy transmission and distribution operating and maintenance expense primarily due to the timing of vegetation management projects- \$3.5M.
- C Due to the inclusion of KCP&L's and GMO's depreciation expense in 2019 (\$103.8M); and an increase in Westar Energy's depreciation expense primarily due to a change in depreciation rates effective in September 2018 as a result of Westar Energy's 2018 rate case (\$20.2M).
- D Due primarily to the inclusion of KCP&L's and GMO's interest expense in 2019.
- E Dilution due to the issuance of common shares to Great Plains Energy shareholders as a result of the merger.

The Notes to the Unaudited Consolidated Financial Statements in Evergy's Quarterly Report on Form 10-Q for the three months ended March 31, 2019 should be read in conjunction with this financial information.

Eversource Energy, Inc.
Financial Results, Revenue and Sales

Supplemental Data

Financial Results	Eversource Energy		Westar Energy		KCP&L ^(b)		GMO Utility ^(b)	
	2019	2018	2019	2018	2019	2018	2019	2018
Three Months Ended March 31								
(Dollars in millions)								
Operating revenues	\$ 1,216.9	\$ 600.2	\$ 596.8	\$ 600.2	\$ 425.4	\$ 397.1	\$ 194.7	\$ 186.8
Fuel and purchased power	330.0	135.5	122.7	135.5	134.9	117.5	72.5	62.2
SPP network transmission costs	63.5	67.6	63.5	67.6	—	—	—	—
Other operating expenses	400.2	184.0	176.5	184.0	154.7	151.7	65.8	71.2
Depreciation and amortization	213.6	89.6	109.8	89.6	78.9	66.9	26.0	26.8
Income from operations	209.6	123.5	124.3	123.5	56.9	61.0	30.4	26.6
Other income (expense), net	(8.0)	(9.0)	(1.8)	(9.0)	(3.4)	(4.3)	(3.1)	(4.6)
Interest expense	91.1	43.8	44.9	43.8	33.8	33.0	14.5	14.8
Income tax expense (benefit)	9.3	9.2	10.5	9.2	3.7	3.5	0.6	(2.3)
Equity in earnings of equity method investees, net of income taxes	2.2	1.4	1.2	1.4	—	—	—	—
Net income	103.4	62.9	68.3	62.9	16.0	20.2	12.2	9.5
Less: net income attributable to noncontrolling interests	3.9	2.4	3.9	2.4	—	—	—	—
Net income attributable to controlling interest	99.5	60.5	64.4	60.5	16.0	20.2	12.2	9.5
Reconciliation of utility gross margin to operating revenue:								
Operating revenues	1,216.9	600.2	596.8	600.2	425.4	397.1	194.7	186.8
Fuel and purchased power	330.0	135.5	122.7	135.5	134.9	117.5	72.5	62.2
SPP network transmission costs	63.5	67.6	63.5	67.6	—	—	—	—
Utility gross margin ^(a)	823.4	397.1	410.6	397.1	290.5	279.6	122.2	124.6
Revenues (Dollars in millions)								
Residential	451.7	180.3	192.3	180.3	164.2	154.9	95.3	88.1
Commercial	413.5	155.4	164.3	155.4	183.8	181.8	65.3	64.2
Industrial	147.0	93.5	98.4	93.5	29.7	32.2	19.0	19.9
Other retail revenues	9.8	4.2	5.1	4.2	2.6	2.7	2.0	1.8
Total electric retail	1,022.0	433.4	460.1	433.4	380.3	371.6	181.6	174.0
Wholesale revenues	83.1	94.2	61.3	94.2	18.1	3.1	3.7	2.9
Transmission	76.7	71.9	69.2	71.9	3.1	3.3	4.4	4.6
Other	35.1	0.7	6.2	0.7	23.9	19.1	5.0	5.3
Operating revenues	1,216.9	600.2	596.8	600.2	425.4	397.1	194.7	186.8
Electricity Sales (MWh in thousands)								
Residential	3,964	1,472	1,546	1,472	1,397	1,346	1,021	974
Commercial	4,424	1,697	1,728	1,697	1,894	1,859	803	794
Industrial	2,011	1,359	1,342	1,359	377	410	292	315
Other retail revenues	36	14	12	14	19	19	4	7
Total electric retail	10,435	4,542	4,628	4,542	3,687	3,634	2,120	2,090
Wholesale revenues	4,029	2,901	2,073	2,901	1,797	1,380	160	142
Total electricity sales	14,464	7,443	6,701	7,443	5,484	5,014	2,280	2,232

^(a)Utility gross margin is a non-GAAP financial measure. See explanation of utility gross margin in the Utility Gross Margin (non-GAAP) section below.

^(b)KCP&L and GMO amounts are not included in consolidated Eversource Energy for the three months ended March 31, 2018.

Evergy, Inc.
Financial Results, Revenue and Sales

Supplemental Data

Evergy				
Three Months Ended March 31				
Degree Days	2019	2018/ 30 yr Avg	Change	% Change
Cooling				
Actual compared to last year	—	—	—	—
Actual compared to 30 year average	—	5	(5)	N/M
Heating				
Actual compared to last year	2,820	2,579	241	9.3
Actual compared to 30 year average	2,820	2,530	290	11.5

The Notes to the Unaudited Consolidated Financial Statements in Evergy's Quarterly Report on Form 10-Q for the three months ended March 31, 2019 should be read in conjunction with this financial information.

Evergy, Inc.
Capitalization

	March 31, 2019		December 31, 2018	
	(dollars in millions)			
Current maturities of long-term debt	\$	701.1	\$	705.4
Current maturities of long-term debt of VIEs		32.3		30.3
Long-term debt, net		7,125.9		6,636.3
Long-term debt of variable interest entities, net		18.8		51.1
Total long-term debt		7,878.1	45.6 %	7,423.1 42.6 %
Common equity		9,422.9	54.6 %	10,028.2 57.6 %
Noncontrolling interests		(31.2)	(0.2)%	(37.5) (0.2)%
Total capitalization	\$	17,269.8	100.0 %	\$ 17,413.8 100.0 %
GAAP Book value per share	\$	38.49	\$	39.28
Period end shares outstanding		244,838,786		255,326,252

The Notes to the Unaudited Consolidated Financial Statements in Evergy's Quarterly Report on Form 10-Q for the three months ended March 31, 2019 should be read in conjunction with this financial information.

Eversource Energy, Inc.
Non-GAAP Measures

Utility Gross Margin (non-GAAP)

Utility gross margin is a financial measure that is not calculated in accordance with GAAP. Utility gross margin, as used by Evergy, Westar Energy and KCP&L (collectively, the Evergy Companies), is defined as operating revenues less fuel and purchased power costs and amounts billed by the SPP for network transmission costs. Expenses for fuel and purchased power costs, offset by wholesale sales margin, are subject to recovery through cost adjustment mechanisms. As a result, changes in fuel and purchased power costs are offset in operating revenues with minimal impact on net income. In addition, SPP network transmission costs fluctuate primarily due to investments by SPP members for upgrades to the transmission grid within the SPP Regional Transmission Organization (RTO). As with fuel and purchased power costs, changes in SPP network transmission costs are mostly reflected in the prices charged to customers with minimal impact on net income.

Management believes that utility gross margin provides a meaningful basis for evaluating the Evergy Companies' operations across periods compared with operating revenues because utility gross margin excludes the revenue effect of fluctuations in these expenses. Utility gross margin is used internally to measure performance against budget and in reports for management and the Evergy Board. The Evergy Companies' definition of utility gross margin may differ from similar terms used by other companies. See page 6 for the reconciliation of utility gross margin to operating revenues for the three months ended March 31, 2019 and 2018.

Adjusted Earnings (non-GAAP) and Adjusted Earnings Per Share (non-GAAP)

Evergy's adjusted earnings (non-GAAP) and adjusted earnings per share (non-GAAP) for the three months ended March 31, 2019 were \$111.1 million or \$0.44 per share, respectively. For the three months ended March 31, 2018, Evergy's adjusted earnings (non-GAAP) and adjusted earnings per share (non-GAAP) were \$91.9 million and \$0.34 per share, respectively. In addition to net income attributable to Evergy, Inc., diluted earnings per common share, pro forma net income attributable to Evergy, Inc. and pro forma diluted earnings per common share as prepared in accordance with GAAP, Evergy's management uses adjusted earnings (non-GAAP) and adjusted earnings per share (non-GAAP) to evaluate earnings and earnings per share without the non-recurring costs resulting from rebranding and voluntary severance.

Adjusted earnings (non-GAAP) and adjusted earnings per share (non-GAAP) exclude certain costs resulting from rebranding and voluntary severance. This information is intended to enhance an investor's overall understanding of results. Adjusted earnings (non-GAAP) and adjusted earnings per share (non-GAAP) are used internally to measure performance against budget and in reports for management and the Evergy Board. Adjusted earnings (non-GAAP) and adjusted earnings per share (non-GAAP) are financial measures that are not calculated in accordance with GAAP and may not be comparable to other companies' presentations or more useful than the GAAP information provided elsewhere in this report.

The following table provides a reconciliation between net income attributable to Evergy, Inc., diluted earnings per common share, pro forma net income attributable to Evergy, Inc. and pro forma diluted earnings per common share as determined in accordance with GAAP and adjusted earnings (non-GAAP) and adjusted earnings per share (non-GAAP).

Three Months Ended March 31	2019		2018	
	Earnings (Loss)	Earnings (Loss) per Diluted Share	Earnings (Loss)	Earnings (Loss) per Diluted Share
	(millions, except per share amounts)			
Net income attributable to Evergy, Inc.	\$ 99.5	\$ 0.39	\$ 60.5	\$ 0.42
Pro forma adjustments ^(a) :				
Great Plains Energy earnings prior to merger	—	—	35.0	0.13
Great Plains Energy shares prior to merger	n/a	—	n/a	(0.20)
Non-recurring merger costs and other	—	—	(3.6)	(0.01)
Pro forma net income attributable to Evergy, Inc.	\$ 99.5	\$ 0.39	\$ 91.9	\$ 0.34
Non-GAAP reconciling items:				
Rebranding costs, pre-tax ^(b)	0.2	—	—	—
Voluntary severance costs, pre tax ^(c)	14.8	0.06	—	—
Income tax benefit ^(d)	(3.4)	(0.01)	—	—
Adjusted earnings (non-GAAP)	\$ 111.1	\$ 0.44	\$ 91.9	\$ 0.34

^(a) Reflects pro forma adjustments made in accordance with Article 11 of Regulation S-X and Accounting Standards Codification (ASC) 805 - *Business Combinations*. See Note 1 in the Unaudited Notes to the Consolidated Financial Statements in Evergy's Quarterly Report on Form 10-Q for the three months ended March 31, 2019 for further information regarding these adjustments.

^(b) Reflects external costs incurred to rebrand the legacy Westar Energy and KCP&L utility brands to Evergy and are included in operating and maintenance expense on the consolidated statements of comprehensive income.

^(c) Reflects voluntary severance costs incurred associated with various severance programs at the Evergy Companies and are included in operating and maintenance expense on the consolidated statements of comprehensive income.

^(d) Reflects an income tax effect calculated at a 26.1% statutory rate, with the exception of certain non-deductible items.