



PPL companies

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PUBLIC SERVICE  
COMMISSION

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Acting Executive Director  
Kentucky Public Service Commission  
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Frankfort, Kentucky 40602-0615

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August 11, 2020

**Re: *Joint Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities***  
**Case No. 2010-00204**

Dear Mr Chandler:

Pursuant to the Commission’s Order dated September 30, 2010 in the aforementioned case, Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”), (collectively, the “Companies”) submit the Securities and Exchange Commission (“SEC”) Form 10-Q for PPL Corporation and its current and former subsidiaries for Period Ended June 30, 2020. This information is being made pursuant to Appendix C, Commitment No. 21. Also, pursuant to the Commission’s Order dated March 16, 2020 for Case No. 2020-00085, specifically Ordering Paragraph No. 4, the Companies are submitting this information via e-mail to [PSCED@ky.gov](mailto:PSCED@ky.gov).

SEC documents for PPL Corporation are also available by selecting “Filings and Forms” at <http://www.sec.gov>. Click “Search for Company Filings”, select option for “Company or Fund Name” and type in “PPL Corp”.

Should you have any questions regarding the information filed herewith, please call me or Don Harris at 502-627-2021.

Sincerely,

Rick E. Lovekamp

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended June 30, 2020  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_

<u>Commission File Number</u>	<u>Registrant; State of Incorporation; Address and Telephone Number</u>	<u>IRS Employer Identification No.</u>
1-11459	<b>PPL Corporation</b> (Exact name of Registrant as specified in its charter) Pennsylvania Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
1-905	<b>PPL Electric Utilities Corporation</b> (Exact name of Registrant as specified in its charter) Pennsylvania Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
333-173665	<b>LG&amp;E and KU Energy LLC</b> (Exact name of Registrant as specified in its charter) Kentucky 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	<b>Louisville Gas and Electric Company</b> (Exact name of Registrant as specified in its charter) Kentucky 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	<b>Kentucky Utilities Company</b> (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

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Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol:</u>	<u>Name of each exchange on which registered</u>
Common Stock of PPL Corporation	PPL	New York Stock Exchange
Junior Subordinated Notes of PPL Capital Funding, Inc.		
2007 Series A due 2067	PPL/67	New York Stock Exchange
2013 Series B due 2073	PPX	New York Stock Exchange

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

PPL Corporation	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
PPL Electric Utilities Corporation	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
LG&E and KU Energy LLC	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Louisville Gas and Electric Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Kentucky Utilities Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit such files).

PPL Corporation	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
PPL Electric Utilities Corporation	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
LG&E and KU Energy LLC	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Louisville Gas and Electric Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Kentucky Utilities Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, smaller reporting companies or emerging growth companies. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
PPL Corporation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PPL Electric Utilities Corporation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LG&E and KU Energy LLC	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Louisville Gas and Electric Company	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kentucky Utilities Company	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If emerging growth companies, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

PPL Corporation	<input type="checkbox"/>
PPL Electric Utilities Corporation	<input type="checkbox"/>
LG&E and KU Energy LLC	<input type="checkbox"/>
Louisville Gas and Electric Company	<input type="checkbox"/>
Kentucky Utilities Company	<input type="checkbox"/>

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

PPL Corporation	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
PPL Electric Utilities Corporation	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
LG&E and KU Energy LLC	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Louisville Gas and Electric Company	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Kentucky Utilities Company	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

PPL Corporation Common stock, \$0.01 par value, 768,783,540 shares outstanding at July 31, 2020.

PPL Electric Utilities Corporation Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at July 31, 2020.

LG&E and KU Energy LLC PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.

Louisville Gas and Electric Company Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at July 31, 2020.

Kentucky Utilities Company Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at July 31, 2020.

**This document is available free of charge at the Investors section of PPL Corporation's website at [www.pplweb.com](http://www.pplweb.com). However, other information on this website does not constitute a part of this Form 10-Q.**

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**PPL CORPORATION**  
**PPL ELECTRIC UTILITIES CORPORATION**  
**LG&E AND KU ENERGY LLC**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**KENTUCKY UTILITIES COMPANY**

FORM 10-Q  
FOR THE QUARTER ENDED June 30, 2020

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This combined Form 10-Q is separately filed by the following Registrants in their individual capacity: PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant, except that information under "Forward-Looking Information" relating to subsidiaries of PPL Corporation is also attributed to PPL Corporation and information relating to the subsidiaries of LG&E and KU Energy LLC is also attributed to LG&E and KU Energy LLC.

Unless otherwise specified, references in this Report, individually, to PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company are references to such entities directly or to one or more of their subsidiaries, as the case may be, the financial results of which subsidiaries are consolidated into such Registrants' financial statements in accordance with GAAP. This presentation has been applied where identification of particular subsidiaries is not material to the matter being disclosed, and to conform narrative disclosures to the presentation of financial information on a consolidated basis.

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## GLOSSARY OF TERMS AND ABBREVIATIONS

### PPL Corporation and its subsidiaries

**KU** - Kentucky Utilities Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity, primarily in Kentucky.

**LG&E** - Louisville Gas and Electric Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas in Kentucky.

**LKE** - LG&E and KU Energy LLC, a subsidiary of PPL and the parent of LG&E, KU and other subsidiaries.

**LKS** - LG&E and KU Services Company, a subsidiary of LKE that provides administrative, management, and support services primarily to LKE and its subsidiaries.

**PPL** - PPL Corporation, the parent holding company of PPL Electric, PPL Energy Funding, PPL Capital Funding, LKE and other subsidiaries.

**PPL Capital Funding** - PPL Capital Funding, Inc., a financing subsidiary of PPL that provides financing for the operations of PPL and certain subsidiaries. Debt issued by PPL Capital Funding is guaranteed as to payment by PPL.

**PPL Electric** - PPL Electric Utilities Corporation, a public utility subsidiary of PPL engaged in the regulated transmission and distribution of electricity in its Pennsylvania service area and that provides electricity supply to its retail customers in this area as a PLR.

**PPL Energy Funding** - PPL Energy Funding Corporation, a subsidiary of PPL and the parent holding company of PPL Global and other subsidiaries.

**PPL EU Services** - PPL EU Services Corporation, a subsidiary of PPL that provides administrative, management and support services primarily to PPL Electric.

**PPL Global** - PPL Global, LLC, a subsidiary of PPL Energy Funding that, primarily through its subsidiaries, owns and operates WPD, PPL's regulated electricity distribution businesses in the U.K.

**PPL Services** - PPL Services Corporation, a subsidiary of PPL that provides administrative, management and support services to PPL and its subsidiaries.

**PPL WPD Limited** - an indirect U.K. subsidiary of PPL Global. Following reorganizations in October 2015 and October 2017, PPL WPD Limited is an indirect parent to WPD plc having previously been a sister company.

**Safari Energy** - Safari Energy, LLC, an indirect subsidiary of PPL, acquired in June 2018, that provides solar energy solutions for commercial customers in the U.S.

**WPD** - refers to PPL WPD Limited and its subsidiaries.

**WPD (East Midlands)** - Western Power Distribution (East Midlands) plc, a British regional electricity distribution utility company.

**WPD plc** - Western Power Distribution plc, an indirect U.K. subsidiary of PPL WPD Limited. Its principal indirectly owned subsidiaries are WPD (East Midlands), WPD (South Wales), WPD (South West) and WPD (West Midlands).

**WPD (South Wales)** - Western Power Distribution (South Wales) plc, a British regional electricity distribution utility company.

**WPD (South West)** - Western Power Distribution (South West) plc, a British regional electricity distribution utility company.

**WPD (West Midlands)** - Western Power Distribution (West Midlands) plc, a British regional electricity distribution utility company.

**WKE** - Western Kentucky Energy Corp., a subsidiary of LKE that leased certain non-regulated utility generating plants in western Kentucky until July 2009.

**Other terms and abbreviations**

**£** - British pound sterling.

**2019 Form 10-K** - Annual Report to the SEC on Form 10-K for the year ended December 31, 2019.

**Act 11** - Act 11 of 2012 that became effective on April 16, 2012. The Pennsylvania legislation authorized the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, a DSIC.

**Act 129** - Act 129 of 2008 that became effective in October 2008. The law amended the Pennsylvania Public Utility Code and created an energy efficiency and conservation program and smart metering technology requirements, adopted new PLR electricity supply procurement rules, provided remedies for market misconduct and changed the Alternative Energy Portfolio Standard (AEPS).

**Act 129 Smart Meter program** - PPL Electric's system wide meter replacement program that installs wireless digital meters that provide secure communication between PPL Electric and the meter as well as all related infrastructure.

**Adjusted Gross Margins** - a non-GAAP financial measure of performance used in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

**AFUDC** - allowance for funds used during construction. The cost of equity and debt funds used to finance construction projects of regulated businesses, which is capitalized as part of construction costs.

**AOI** - accumulated other comprehensive income or loss.

**ARO** - asset retirement obligation.

**ATM Program** - at-the-market stock offering program.

**CCR(s)** - coal combustion residual(s). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

**Clean Air Act** - federal legislation enacted to address certain environmental issues related to air emissions, including acid rain, ozone and toxic air emissions.

**Clean Water Act** - federal legislation enacted to address certain environmental issues relating to water quality including effluent discharges, cooling water intake, and dredge and fill activities.

**COVID-19** - the disease caused by the novel coronavirus identified in 2019 that has caused a global pandemic in 2020.

**CPCN** - Certificate of Public Convenience and Necessity. Authority granted by the KPSC pursuant to Kentucky Revised Statute 278.020 to provide utility service to or for the public or the construction of certain plant, equipment, property or facility for furnishing of utility service to the public.

**CPI** - consumer price index, a measure of inflation in the U.K. published monthly by the Office for National Statistics.

**CPIH** - consumer price index including owner-occupiers' housing costs. An aggregate measure of changes in the cost of living in the U.K., including a measure of owner-occupiers' housing costs.

**Customer Choice Act** - the Pennsylvania Electricity Generation Customer Choice and Competition Act, legislation enacted to restructure the state's electric utility industry to create retail access to a competitive market for generation of electricity.

**DNO** - Distribution Network Operator in the U.K.



**DRIP** - PPL Amended and Restated Dividend Reinvestment and Direct Stock Purchase Plan.

**DSIC** - Distribution System Improvement Charge. Authorized under Act 11, which is an alternative ratemaking mechanism providing more-timely cost recovery of qualifying distribution system capital expenditures.

**DSM** - Demand Side Management. Pursuant to Kentucky Revised Statute 278.285, the KPSC may determine the reasonableness of DSM programs proposed by any utility under its jurisdiction. DSM programs consist of energy efficiency programs intended to reduce peak demand and delay the investment in additional power plant construction, provide customers with tools and information regarding their energy usage and support energy efficiency.

**DSO** - Distribution System Operation in the U.K. is the effective delivery of a range of functions and services that need to happen to run an advanced electricity distribution network. These functions cover long-term network planning; operations, real-time processes and planning, and markets and settlement. This does not focus on a single party as an operator; but recognizes roles for a range of parties to deliver DSO.

**DSP** - Default Service Provider.

**Earnings from Ongoing Operations** - a non-GAAP financial measure of earnings adjusted for the impact of special items and used in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

**ECR** - Environmental Cost Recovery. Pursuant to Kentucky Revised Statute 278.183, Kentucky electric utilities are entitled to the current recovery of costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements that apply to coal combustion wastes and byproducts from the production of energy from coal.

**ELG(s)** - Effluent Limitation Guidelines, regulations promulgated by the EPA.

**EPA** - Environmental Protection Agency, a U.S. government agency.

**EPS** - earnings per share.

**FERC** - Federal Energy Regulatory Commission, the U.S. federal agency that regulates, among other things, interstate transmission and wholesale sales of electricity, hydroelectric power projects and related matters.

**GAAP** - Generally Accepted Accounting Principles in the U.S.

**GBP** - British pound sterling.

**GHG(s)** - greenhouse gas(es).

**GLT** - gas line tracker. The KPSC approved mechanism for LG&E's recovery of costs associated with gas transmission lines, gas service lines, gas risers, leak mitigation, and gas main replacements.

**IRS** - Internal Revenue Service, a U.S. government agency.

**KPSC** - Kentucky Public Service Commission, the state agency that has jurisdiction over the regulation of rates and service of utilities in Kentucky.

**LIBOR** - London Interbank Offered Rate.

**Moody's** - Moody's Investors Service, Inc., a credit rating agency.

**MW** - megawatt, one thousand kilowatts.

**NERC** - North American Electric Reliability Corporation.

**NPNS** - the normal purchases and normal sales exception as permitted by derivative accounting rules. Derivatives that qualify for this exception may receive accrual accounting treatment.

**OCI** - other comprehensive income or loss.

**Ofgem** - Office of Gas and Electricity Markets, the British agency that regulates transmission, distribution and wholesale sales of electricity and gas and related matters.

**OVEC** - Ohio Valley Electric Corporation, located in Piketon, Ohio, an entity in which LKE indirectly owns an 8.13% interest (consists of LG&E's 5.63% and KU's 2.50% interests), which is recorded at cost. OVEC owns and operates two coal-fired power plants, the Kyger Creek plant in Ohio and the Clifty Creek plant in Indiana, with combined capacities of 2,120 MW.

**PLR** - Provider of Last Resort, the role of PPL Electric in providing default electricity supply within its delivery area to retail customers who have not chosen to select an alternative electricity supplier under the Customer Choice Act.

**PP&E** - property, plant and equipment.

**PPL EnergyPlus** - prior to the June 1, 2015 spinoff, PPL Energy Supply, LLC, PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that marketed and traded wholesale and retail electricity and gas and supplied energy and energy services in competitive markets.

**PPL Energy Supply** - prior to the June 1, 2015 spinoff, PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the indirect parent company of PPL Montana, LLC.

**PPL Montana** - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL Montana, LLC, an indirect subsidiary of PPL Energy Supply that generated electricity for wholesale sales in Montana and the Pacific Northwest.

**PUC** - Pennsylvania Public Utility Commission, the state agency that regulates certain ratemaking, services, accounting and operations of Pennsylvania utilities.

**RAV** - regulatory asset value. This term, used within the U.K. regulatory environment, is also commonly known as RAB or regulatory asset base. RAV is based on historical investment costs at time of privatization, plus subsequent allowed additions less annual regulatory depreciation, and represents the value on which DNOs earn a return in accordance with the regulatory cost of capital. RAV is indexed to Retail Price Index (RPI) in order to allow for the effects of inflation. RAV additions have been and continue to be based on a percentage of annual total expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses that are generally included in rate base).

**RCRA** - Resource Conservation and Recovery Act of 1976.

**Registrant(s)** - refers to the Registrants named on the cover of this Report (each a "Registrant" and collectively, the "Registrants").

**Regulation S-X** - SEC regulation governing the form and content of and requirements for financial statements required to be filed pursuant to the federal securities laws.

**RIIO** - Ofgem's framework for setting U.K. regulated gas and electric utility price controls which stands for "Revenues = Incentive + Innovation + Outputs." RIIO-1 refers to the first generation of price controls under the RIIO framework. RIIO-ED1 refers to the RIIO regulatory price control applicable to the operators of U.K. electricity distribution networks, the duration of which is April 2015 through March 2023. RIIO-2 refers to the second generation of price controls under the RIIO framework. RIIO-ED2 refers to the second generation of the RIIO regulatory price control applicable to the operators of U.K. electricity distribution networks, which will begin in April 2023.

**Riverstone** - Riverstone Holdings LLC, a Delaware limited liability company and, as of December 6, 2016, ultimate parent company of the entities that own the competitive power generation business contributed to Talen Energy.

**RPI** - retail price index, is a measure of inflation in the United Kingdom published monthly by the Office for National Statistics.

**Sarbanes-Oxley** - Sarbanes-Oxley Act of 2002, which sets requirements for management's assessment of internal controls for financial reporting. It also requires an independent auditor to make its own assessment.

**Scrubber** - an air pollution control device that can remove particulates and/or gases (primarily sulfur dioxide) from exhaust gases.

**SEC** - the U.S. Securities and Exchange Commission, a U.S. government agency primarily responsible to protect investors and maintain the integrity of the securities markets.

**Smart metering technology** - technology that can measure, among other things, time of electricity consumption to permit offering rate incentives for usage during lower cost or demand intervals. The use of this technology also has the potential to strengthen network reliability.

**S&P** - S&P Global Ratings, a credit rating agency.

**Superfund** - federal environmental statute that addresses remediation of contaminated sites; states also have similar statutes.

**Talen Energy** - Talen Energy Corporation, the Delaware corporation formed to be the publicly traded company and owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone, which as of December 6, 2016, became wholly owned by Riverstone.

**Talen Energy Marketing** - Talen Energy Marketing, LLC, the new name of PPL EnergyPlus subsequent to the spinoff of PPL Energy Supply.

**TCJA** - Tax Cuts and Jobs Act. Comprehensive U.S. federal tax legislation enacted on December 22, 2017.

**Treasury Stock Method** - a method applied to calculate diluted EPS that assumes any proceeds that could be obtained upon exercise of options and warrants (and their equivalents) would be used to purchase common stock at the average market price during the relevant period.

**VEBA** - Voluntary Employee Beneficiary Association. A tax-exempt trust under the Internal Revenue Code Section 501(c)(9) used by employers to fund and pay eligible medical, life and similar benefits.

**VSCC** - Virginia State Corporation Commission, the state agency that has jurisdiction over the regulation of Virginia corporations, including utilities.

## Forward-looking Information

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants 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. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2019 Form 10-K and in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q, the following are among the important factors that could cause actual results to differ materially and adversely from the forward-looking statements:

- the COVID-19 pandemic and its impact on economic conditions and financial markets;
- other pandemic health events or other catastrophic events such as fires, earthquakes, explosions, floods, droughts, tornadoes, hurricanes and other storms;
- strategic acquisitions, dispositions, or similar transactions, including the potential sale of our U.K. utility business, and our ability to consummate these business transactions or realize expected benefits from them;
- the outcome of rate cases or other cost recovery or revenue proceedings;
- changes in U.S. state or federal or U.K. tax laws or regulations;
- the direct or indirect effects on PPL or its subsidiaries or business systems of cyber-based intrusion or the threat of cyberattacks;
- significant decreases in demand for electricity in the U.S.;
- expansion of alternative and distributed sources of electricity generation and storage;
- changes in foreign currency exchange rates for British pound sterling and the related impact on unrealized gains and losses on PPL's foreign currency economic hedges;
- the effectiveness of our risk management programs, including foreign currency and interest rate hedging;
- non-achievement by WPD of performance targets set by Ofgem;
- the effect of changes in RPI on WPD's revenues and index linked debt;
- developments related to the U.K.'s withdrawal from the European Union and any responses thereto;
- the amount of WPD's pension deficit funding recovered in revenues after March 31, 2021, following the triennial pension review which began in March 2019 and is due to conclude at the end of 2020;
- defaults by counterparties or suppliers for energy, capacity, coal, natural gas or key commodities, goods or services;
- capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- a material decline in the market value of PPL's equity;
- significant decreases in the fair value of debt and equity securities and their impact on the value of assets in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension and retiree medical liabilities, ARO liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- the potential impact of any unrecorded commitments and liabilities of the Registrants and their subsidiaries;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in the corporate credit ratings or securities analyst rankings of the Registrants and their securities;
- any requirement to record impairment charges pursuant to GAAP with respect to any of our significant investments;
- laws or regulations to reduce emissions of GHGs or the physical effects of climate change;
- continuing ability to access fuel supply for LG&E and KU, as well as the ability to recover fuel costs and environmental expenditures in a timely manner at LG&E and KU and natural gas supply costs at LG&E;
- weather and other conditions affecting generation, transmission and distribution operations, operating costs and customer energy use;
- war, armed conflicts, terrorist attacks, or similar disruptive events;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits and approvals;
- new state, federal or foreign legislation or regulatory developments;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- our ability to attract and retain qualified employees;
- the effect of any business or industry restructuring;

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- development of new projects, markets and technologies;
- performance of new ventures;
- collective labor bargaining negotiations; and
- the outcome of litigation involving the Registrants and their subsidiaries.

Any forward-looking statements should be considered in light of these important factors and in conjunction with other documents of the Registrants 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 the Registrants to predict all 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 the Registrants undertake no obligation to update the information contained in the statement to reflect subsequent developments or information.

**PART I. FINANCIAL INFORMATION**

**ITEM 1. Financial Statements**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

**PPL Corporation and Subsidiaries**

(Unaudited)

(Millions of Dollars, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Operating Revenues</b>	\$ 1,739	\$ 1,803	\$ 3,793	\$ 3,882
<b>Operating Expenses</b>				
Operation				
Fuel	138	168	301	362
Energy purchases	133	138	334	388
Other operation and maintenance	487	482	963	972
Depreciation	319	300	636	584
Taxes, other than income	67	75	147	155
Total Operating Expenses	1,144	1,163	2,381	2,461
<b>Operating Income</b>	595	640	1,412	1,421
Other Income (Expense) - net	76	131	201	183
Interest Expense	253	246	501	487
<b>Income Before Income Taxes</b>	418	525	1,112	1,117
Income Taxes	74	84	214	210
<b>Net Income</b>	\$ 344	\$ 441	\$ 898	\$ 907
<b>Earnings Per Share of Common Stock:</b>				
Net Income Available to PPL Common Shareowners:				
Basic	\$ 0.45	\$ 0.61	\$ 1.17	\$ 1.26
Diluted	\$ 0.45	\$ 0.60	\$ 1.17	\$ 1.24
<b>Weighted-Average Shares of Common Stock Outstanding (in thousands)</b>				
Basic	768,768	721,785	768,358	721,406
Diluted	769,408	730,915	769,073	730,436

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****PPL Corporation and Subsidiaries**(Unaudited)  
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Net income</b>	\$ 344	\$ 441	\$ 898	\$ 907
<b>Other comprehensive income (loss):</b>				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Foreign currency translation adjustments, net of tax of \$1, \$0, \$1, \$0	(291)	(377)	(352)	(83)
Qualifying derivatives, net of tax of (\$6), (\$8), (\$8), (\$4)	28	35	36	16
Defined benefit plans:				
Net actuarial gain (loss), net of tax of \$1, \$1, \$1, \$2	(1)	(2)	(1)	(5)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Qualifying derivatives, net of tax of \$4, \$6, \$4, \$0	(20)	(27)	(23)	(3)
Defined benefit plans:				
Prior service costs, net of tax of \$0, \$0, \$0, \$0	1	1	2	1
Net actuarial (gain) loss, net of tax of (\$11), (\$6), (\$23), (\$11)	47	21	94	42
<b>Total other comprehensive income (loss)</b>	<b>(236)</b>	<b>(349)</b>	<b>(244)</b>	<b>(32)</b>
<b>Comprehensive income</b>	<b>\$ 108</b>	<b>\$ 92</b>	<b>\$ 654</b>	<b>\$ 875</b>

*The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.*

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**PPL Corporation and Subsidiaries**

(Unaudited)

(Millions of Dollars)

	Six Months Ended June 30,	
	2020	2019
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 898	\$ 907
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	636	584
Amortization	29	31
Defined benefit plans - (income) expense	(105)	(135)
Deferred income taxes and investment tax credits	169	154
Unrealized (gains) losses on derivatives, and other hedging activities	25	22
Stock-based compensation expense	12	19
Other	2	(7)
Change in current assets and current liabilities		
Accounts receivable	10	22
Accounts payable	(98)	(102)
Unbilled revenues	107	70
Fuel, materials and supplies	6	19
Prepayments	(75)	(79)
Regulatory assets and liabilities, net	(47)	(72)
Accrued interest	(55)	(63)
Other current liabilities	(37)	(85)
Other	(7)	11
Other operating activities		
Defined benefit plans - funding	(193)	(207)
Other assets	27	11
Other liabilities	(5)	(30)
Net cash provided by operating activities	<u>1,299</u>	<u>1,070</u>
<b>Cash Flows from Investing Activities</b>		
Expenditures for property, plant and equipment	(1,576)	(1,474)
Purchase of investments	—	(55)
Proceeds from the sale of investments	9	61
Other investing activities	(6)	(11)
Net cash used in investing activities	<u>(1,573)</u>	<u>(1,479)</u>
<b>Cash Flows from Financing Activities</b>		
Issuance of long-term debt	1,598	769
Retirement of long-term debt	—	(200)
Proceeds from project financing	96	—
Issuance of common stock	33	35
Payment of common stock dividends	(636)	(594)
Issuance of term loan	300	—
Net increase (decrease) in short-term debt	(619)	206
Other financing activities	(27)	(18)
Net cash provided by financing activities	<u>745</u>	<u>198</u>
<b>Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash</b>	<u>(6)</u>	<u>(4)</u>
<b>Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash</b>	465	(215)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	836	643
Cash, Cash Equivalents and Restricted Cash at End of Period	<u>\$ 1,301</u>	<u>\$ 428</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	\$ 291	\$ 278
Accrued expenditures for intangible assets at June 30,	\$ 81	\$ 59

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.



**CONDENSED CONSOLIDATED BALANCE SHEETS****PPL Corporation and Subsidiaries**

(Unaudited)

(Millions of Dollars, shares in thousands)

	June 30, 2020	December 31, 2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,278	\$ 815
Accounts receivable (less reserve: 2020, \$66; 2019, \$58)		
Customer	665	687
Other	106	105
Unbilled revenues (less reserve: 2020, \$2; 2019, \$0)	388	504
Fuel, materials and supplies	333	332
Prepayments	153	79
Price risk management assets	234	147
Other current assets	111	98
<b>Total Current Assets</b>	<b>3,268</b>	<b>2,767</b>
<b>Property, Plant and Equipment</b>		
Regulated utility plant	43,226	42,709
Less: accumulated depreciation - regulated utility plant	8,261	8,055
Regulated utility plant, net	34,965	34,654
Non-regulated property, plant and equipment	452	357
Less: accumulated depreciation - non-regulated property, plant and equipment	88	109
Non-regulated property, plant and equipment, net	364	248
Construction work in progress	1,456	1,580
<b>Property, Plant and Equipment, net</b>	<b>36,785</b>	<b>36,482</b>
<b>Other Noncurrent Assets</b>		
Regulatory assets	1,472	1,492
Goodwill	3,086	3,198
Other intangibles	730	742
Pension benefit asset	740	464
Price risk management assets	75	149
Other noncurrent assets	364	386
<b>Total Other Noncurrent Assets</b>	<b>6,467</b>	<b>6,431</b>
<b>Total Assets</b>	<b>\$ 46,520</b>	<b>\$ 45,680</b>

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

**CONDENSED CONSOLIDATED BALANCE SHEETS****PPL Corporation and Subsidiaries**

(Unaudited)

(Millions of Dollars, shares in thousands)

	June 30, 2020	December 31, 2019
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Short-term debt	\$ 828	\$ 1,151
Long-term debt due within one year	2,058	1,172
Accounts payable	804	956
Taxes	76	99
Interest	232	294
Dividends	319	317
Customer deposits	267	261
Regulatory liabilities	86	115
Other current liabilities	498	535
Total Current Liabilities	5,168	4,900
<b>Long-term Debt</b>	<b>21,098</b>	<b>20,721</b>
<b>Deferred Credits and Other Noncurrent Liabilities</b>		
Deferred income taxes	3,279	3,088
Investment tax credits	123	124
Accrued pension obligations	491	587
Asset retirement obligations	219	212
Regulatory liabilities	2,539	2,572
Other deferred credits and noncurrent liabilities	559	485
Total Deferred Credits and Other Noncurrent Liabilities	7,210	7,068
<b>Commitments and Contingent Liabilities (Notes 7 and 10)</b>		
<b>Equity</b>		
Common stock - \$0.01 par value (a)	8	8
Additional paid-in capital	12,255	12,214
Earnings reinvested	5,383	5,127
Accumulated other comprehensive loss	(4,602)	(4,358)
Total Equity	13,044	12,991
<b>Total Liabilities and Equity</b>	<b>\$ 46,520</b>	<b>\$ 45,680</b>

(a) 1,560,000 shares authorized; 768,783 and 767,233 shares issued and outstanding at June 30, 2020 and December 31, 2019.

*The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.*

**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**

**PPL Corporation and Subsidiaries**

(Unaudited)  
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Total
<b>March 31, 2020</b>	768,266	\$ 8	\$ 12,239	\$ 5,360	\$ (4,366)	\$ 13,241
Common stock issued	517		13			13
Stock-based compensation			3			3
Net income				344		344
Dividends and dividend equivalents (b)				(321)		(321)
Other comprehensive income (loss)					(236)	(236)
<b>June 30, 2020</b>	<u>768,783</u>	<u>\$ 8</u>	<u>\$ 12,255</u>	<u>\$ 5,383</u>	<u>\$ (4,602)</u>	<u>\$ 13,044</u>
<b>December 31, 2019</b>	767,233	\$ 8	\$ 12,214	\$ 5,127	\$ (4,358)	\$ 12,991
Common stock issued	1,550		47			47
Stock-based compensation			(6)			(6)
Net income				898		898
Dividends and dividend equivalents (b)				(640)		(640)
Other comprehensive income (loss)					(244)	(244)
Adoption of financial instrument credit losses guidance cumulative effect adjustment (Note 2), net of tax of \$0				(2)		(2)
<b>June 30, 2020</b>	<u>768,783</u>	<u>\$ 8</u>	<u>\$ 12,255</u>	<u>\$ 5,383</u>	<u>\$ (4,602)</u>	<u>\$ 13,044</u>
<b>March 31, 2019</b>	721,371	\$ 7	\$ 11,051	\$ 4,761	\$ (3,647)	\$ 12,172
Common stock issued	469		15			15
Stock-based compensation			3			3
Net income				441		441
Dividends and dividend equivalents (b)				(299)		(299)
Other comprehensive income (loss)					(349)	(349)
<b>June 30, 2019</b>	<u>721,840</u>	<u>\$ 7</u>	<u>\$ 11,069</u>	<u>\$ 4,903</u>	<u>\$ (3,996)</u>	<u>\$ 11,983</u>
<b>December 31, 2018</b>	720,323	\$ 7	\$ 11,021	\$ 4,593	\$ (3,964)	\$ 11,657
Common stock issued	1,517		47			47
Stock-based compensation			1			1
Net income				907		907
Dividends and dividend equivalents (b)				(597)		(597)
Other comprehensive income (loss)					(32)	(32)
<b>June 30, 2019</b>	<u>721,840</u>	<u>\$ 7</u>	<u>\$ 11,069</u>	<u>\$ 4,903</u>	<u>\$ (3,996)</u>	<u>\$ 11,983</u>

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareholders' meeting.

(b) Dividends declared per share of common stock were \$0.4150 and \$0.8300 for the three and six months ended June 30, 2020 and \$0.4125 and \$0.8250 for the three and six months ended June 30, 2019.

*The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.*

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**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**PPL Electric Utilities Corporation and Subsidiaries**

(Unaudited)  
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Operating Revenues</b>	\$ 554	\$ 521	\$ 1,162	\$ 1,166
<b>Operating Expenses</b>				
Operation				
Energy purchases	111	110	255	281
Other operation and maintenance	129	130	266	280
Depreciation	101	96	199	191
Taxes, other than income	18	24	48	55
<b>Total Operating Expenses</b>	<b>359</b>	<b>360</b>	<b>768</b>	<b>807</b>
<b>Operating Income</b>	<b>195</b>	<b>161</b>	<b>394</b>	<b>359</b>
Other Income (Expense) - net	5	6	8	11
Interest Income from Affiliate	—	—	1	2
Interest Expense	42	41	86	83
<b>Income Before Income Taxes</b>	<b>158</b>	<b>126</b>	<b>317</b>	<b>289</b>
Income Taxes	40	32	81	74
<b>Net Income (a)</b>	<b>\$ 118</b>	<b>\$ 94</b>	<b>\$ 236</b>	<b>\$ 215</b>

(a) Net income equals comprehensive income.

*The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.*

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**PPL Electric Utilities Corporation and Subsidiaries**

 (Unaudited)  
 (Millions of Dollars)

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 236	\$ 215
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	199	191
Amortization	13	11
Deferred income taxes and investment tax credits	61	36
Other	4	(9)
Change in current assets and current liabilities		
Accounts receivable	(19)	7
Accounts payable	(37)	(39)
Unbilled revenues	44	31
Materials and supplies	(15)	(1)
Prepayments	(59)	(64)
Regulatory assets and liabilities, net	(32)	(40)
Taxes payable	(11)	(4)
Other	(10)	(6)
Other operating activities		
Defined benefit plans - funding	(21)	(21)
Other assets	5	4
Other liabilities	2	3
Net cash provided by operating activities	<u>360</u>	<u>314</u>
<b>Cash Flows from Investing Activities</b>		
Expenditures for property, plant and equipment	(556)	(533)
Other investing activities	(2)	3
Net cash used in investing activities	<u>(558)</u>	<u>(530)</u>
<b>Cash Flows from Financing Activities</b>		
Contributions from parent	255	—
Return of capital to parent	(260)	—
Payment of common stock dividends to parent	(246)	(215)
Net increase in short-term debt	200	185
Other financing activities	—	(1)
Net cash used in financing activities	<u>(51)</u>	<u>(31)</u>
<b>Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash</b>	<b>(249)</b>	<b>(247)</b>
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	264	269
Cash, Cash Equivalents and Restricted Cash at End of Period	<u>\$ 15</u>	<u>\$ 22</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	\$ 158	\$ 158

*The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.*

**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**PPL Electric Utilities Corporation and Subsidiaries**

(Unaudited)  
(Millions of Dollars, shares in thousands)

	June 30, 2020	December 31, 2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 13	\$ 262
Accounts receivable (less reserve: 2020, \$35; 2019, \$28)		
Customer	279	258
Other	21	22
Accounts receivable from affiliates	10	11
Unbilled revenues (less reserve: 2020, \$1; 2019, \$0)	90	134
Materials and supplies	56	33
Prepayments	65	6
Regulatory assets	31	26
Other current assets	12	9
<b>Total Current Assets</b>	<b>577</b>	<b>761</b>
<b>Property, Plant and Equipment</b>		
Regulated utility plant	13,029	12,589
Less: accumulated depreciation - regulated utility plant	3,207	3,078
Regulated utility plant, net	9,822	9,511
Construction work in progress	597	597
<b>Property, Plant and Equipment, net</b>	<b>10,419</b>	<b>10,108</b>
<b>Other Noncurrent Assets</b>		
Regulatory assets	706	726
Intangibles	264	263
Other noncurrent assets	54	43
<b>Total Other Noncurrent Assets</b>	<b>1,024</b>	<b>1,032</b>
<b>Total Assets</b>	<b>\$ 12,020</b>	<b>\$ 11,901</b>

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**PPL Electric Utilities Corporation and Subsidiaries**

(Unaudited)  
(Millions of Dollars, shares in thousands)

	June 30, 2020	December 31, 2019
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Short-term debt	\$ 200	\$ —
Accounts payable	370	438
Accounts payable to affiliates	41	32
Taxes	2	13
Interest	40	41
Regulatory liabilities	72	96
Other current liabilities	87	93
Total Current Liabilities	<u>812</u>	<u>713</u>
<b>Long-term Debt</b>	<u>3,986</u>	<u>3,985</u>
<b>Deferred Credits and Other Noncurrent Liabilities</b>		
Deferred income taxes	1,524	1,447
Accrued pension obligations	148	179
Regulatory liabilities	586	599
Other deferred credits and noncurrent liabilities	147	146
Total Deferred Credits and Other Noncurrent Liabilities	<u>2,405</u>	<u>2,371</u>
<b>Commitments and Contingent Liabilities (Notes 7 and 10)</b>		
<b>Equity</b>		
Common stock - no par value (a)	364	364
Additional paid-in capital	3,553	3,558
Earnings reinvested	900	910
Total Equity	<u>4,817</u>	<u>4,832</u>
<b>Total Liabilities and Equity</b>	<u>\$ 12,020</u>	<u>\$ 11,901</u>

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at June 30, 2020 and December 31, 2019.

*The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.*



**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
**PPL Electric Utilities Corporation and Subsidiaries**

(Unaudited)  
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
<b>March 31, 2020</b>	66,368	\$ 364	\$ 3,558	\$ 863	\$ 4,785
Net income				118	118
Capital contributions from parent			255		255
Return of capital to parent			(260)		(260)
Dividends declared on common stock				(81)	(81)
<b>June 30, 2020</b>	<u>66,368</u>	<u>\$ 364</u>	<u>\$ 3,553</u>	<u>\$ 900</u>	<u>\$ 4,817</u>
<b>December 31, 2019</b>	66,368	\$ 364	\$ 3,558	\$ 910	\$ 4,832
Net income				236	236
Capital contributions from parent			255		255
Return of capital to parent			(260)		(260)
Dividends declared on common stock				(246)	(246)
<b>June 30, 2020</b>	<u>66,368</u>	<u>\$ 364</u>	<u>\$ 3,553</u>	<u>\$ 900</u>	<u>\$ 4,817</u>
<b>March 31, 2019</b>	66,368	\$ 364	\$ 3,158	\$ 940	\$ 4,462
Net income				94	94
Dividends declared on common stock				(95)	(95)
<b>June 30, 2019</b>	<u>66,368</u>	<u>\$ 364</u>	<u>\$ 3,158</u>	<u>\$ 939</u>	<u>\$ 4,461</u>
<b>December 31, 2018</b>	66,368	\$ 364	\$ 3,158	\$ 939	\$ 4,461
Net income				215	215
Dividends declared on common stock				(215)	(215)
<b>June 30, 2019</b>	<u>66,368</u>	<u>\$ 364</u>	<u>\$ 3,158</u>	<u>\$ 939</u>	<u>\$ 4,461</u>

(a) Shares in thousands. All common shares of PPL Electric stock are owned by PPL.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**LG&E and KU Energy LLC and Subsidiaries**

(Unaudited)  
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Operating Revenues</b>	\$ 700	\$ 732	\$ 1,525	\$ 1,577
<b>Operating Expenses</b>				
Operation				
Fuel	138	168	301	362
Energy purchases	22	27	79	106
Other operation and maintenance	207	208	411	422
Depreciation	151	135	300	258
Taxes, other than income	18	18	36	36
Total Operating Expenses	536	556	1,127	1,184
<b>Operating Income</b>	164	176	398	393
Other Income (Expense) - net	2	—	2	—
Interest Expense	58	58	116	112
Interest Expense with Affiliate	8	9	15	16
<b>Income Before Income Taxes</b>	100	109	269	265
Income Taxes	17	3	51	35
<b>Net Income (a)</b>	\$ 83	\$ 106	\$ 218	\$ 230

(a) Net income approximates comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**LG&E and KU Energy LLC and Subsidiaries**

 (Unaudited)  
 (Millions of Dollars)

	Six Months Ended June 30,	
	2020	2019
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 218	\$ 230
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	300	258
Amortization	10	16
Defined benefit plans - expense	7	5
Deferred income taxes and investment tax credits	38	47
Other	(1)	(1)
Change in current assets and current liabilities		
Accounts receivable	33	24
Accounts payable	(36)	(34)
Accounts payable to affiliates	(2)	—
Unbilled revenues	15	13
Fuel, materials and supplies	24	21
Regulatory assets and liabilities, net	(15)	(32)
Taxes payable	16	(25)
Accrued interest	1	7
Other	(30)	(23)
Other operating activities		
Defined benefit plans - funding	(24)	(28)
Expenditures for asset retirement obligations	(31)	(45)
Other assets	(2)	(1)
Other liabilities	13	13
Net cash provided by operating activities	<u>534</u>	<u>445</u>
<b>Cash Flows from Investing Activities</b>		
Expenditures for property, plant and equipment	(479)	(530)
Other investing activities	3	—
Net cash used in investing activities	<u>(476)</u>	<u>(530)</u>
<b>Cash Flows from Financing Activities</b>		
Net increase in notes payable with affiliate	102	90
Issuance of long-term debt	498	705
Retirement of long-term debt	—	(200)
Net decrease in short-term debt	(388)	(418)
Distributions to member	(140)	(137)
Contributions from member	—	63
Other financing activities	(5)	(10)
Net cash provided by financing activities	<u>67</u>	<u>93</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>125</b>	<b>8</b>
Cash and Cash Equivalents at Beginning of Period	27	24
Cash and Cash Equivalents at End of Period	<u>\$ 152</u>	<u>\$ 32</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	\$ 90	\$ 91

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**LG&E and KU Energy LLC and Subsidiaries**

(Unaudited)  
(Millions of Dollars)

	June 30, 2020	December 31, 2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 152	\$ 27
Accounts receivable (less reserve: 2020, \$27; 2019, \$28)		
Customer	233	260
Other	62	71
Unbilled revenues (less reserve: 2020, \$0; 2019, \$0)	149	164
Fuel, materials and supplies	227	250
Prepayments	33	30
Regulatory assets	51	41
Other current assets	—	2
<b>Total Current Assets</b>	<b>907</b>	<b>845</b>
<b>Property, Plant and Equipment</b>		
Regulated utility plant	15,123	14,646
Less: accumulated depreciation - regulated utility plant	2,515	2,356
Regulated utility plant, net	12,608	12,290
Construction work in progress	681	794
<b>Property, Plant and Equipment, net</b>	<b>13,289</b>	<b>13,084</b>
<b>Other Noncurrent Assets</b>		
Regulatory assets	766	766
Goodwill	996	996
Other intangibles	65	69
Other noncurrent assets	113	171
<b>Total Other Noncurrent Assets</b>	<b>1,940</b>	<b>2,002</b>
<b>Total Assets</b>	<b>\$ 16,136</b>	<b>\$ 15,931</b>

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**LG&E and KU Energy LLC and Subsidiaries**

(Unaudited)  
(Millions of Dollars)

	June 30, 2020	December 31, 2019
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Short-term debt	\$ —	\$ 388
Long-term debt due within one year	1,371	975
Notes payable with affiliates	252	150
Accounts payable	253	316
Accounts payable to affiliates	9	11
Customer deposits	64	62
Taxes	74	58
Price risk management liabilities	4	4
Regulatory liabilities	14	19
Interest	41	40
Asset retirement obligations	54	70
Other current liabilities	131	153
<b>Total Current Liabilities</b>	<b>2,267</b>	<b>2,246</b>
<b>Long-term Debt</b>		
Long-term debt	4,476	4,377
Long-term debt to affiliate	650	650
<b>Total Long-term Debt</b>	<b>5,126</b>	<b>5,027</b>
<b>Deferred Credits and Other Noncurrent Liabilities</b>		
Deferred income taxes	1,126	1,069
Investment tax credits	122	124
Price risk management liabilities	24	17
Accrued pension obligations	183	233
Asset retirement obligations	164	145
Regulatory liabilities	1,953	1,973
Other deferred credits and noncurrent liabilities	149	155
<b>Total Deferred Credits and Other Noncurrent Liabilities</b>	<b>3,721</b>	<b>3,716</b>
<b>Commitments and Contingent Liabilities (Notes 7 and 10)</b>		
<b>Member's Equity</b>	<b>5,022</b>	<b>4,942</b>
<b>Total Liabilities and Equity</b>	<b>\$ 16,136</b>	<b>\$ 15,931</b>

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
**LG&E and KU Energy LLC and Subsidiaries**

(Unaudited)  
(Millions of Dollars)

	<b>Member's Equity</b>
<b>March 31, 2020</b>	<b>\$ 5,026</b>
Net income	83
Distributions to member	(88)
Other comprehensive income (loss)	1
<b>June 30, 2020</b>	<b>\$ 5,022</b>
<b>December 31, 2019</b>	<b>\$ 4,942</b>
Net income	218
Distributions to member	(140)
Other comprehensive income (loss)	2
<b>June 30, 2020</b>	<b>\$ 5,022</b>
<b>March 31, 2019</b>	<b>\$ 4,791</b>
Net income	106
Contributions from member	63
Distributions to member	(81)
Other comprehensive income	(2)
<b>June 30, 2019</b>	<b>\$ 4,877</b>
<b>December 31, 2018</b>	<b>\$ 4,723</b>
Net income	230
Contributions from member	63
Distributions to member	(137)
Other comprehensive income	(2)
<b>June 30, 2019</b>	<b>\$ 4,877</b>

*The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.*

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**CONDENSED STATEMENTS OF INCOME****Louisville Gas and Electric Company**

(Unaudited)

(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Operating Revenues</b>				
Retail and wholesale	\$ 320	\$ 328	\$ 713	\$ 725
Electric revenue from affiliate	2	6	16	19
<b>Total Operating Revenues</b>	<b>322</b>	<b>334</b>	<b>729</b>	<b>744</b>
<b>Operating Expenses</b>				
Operation				
Fuel	50	69	124	147
Energy purchases	18	22	70	96
Energy purchases from affiliate	8	2	8	4
Other operation and maintenance	92	96	184	190
Depreciation	65	56	129	107
Taxes, other than income	9	10	19	19
<b>Total Operating Expenses</b>	<b>242</b>	<b>255</b>	<b>534</b>	<b>563</b>
<b>Operating Income</b>	<b>80</b>	<b>79</b>	<b>195</b>	<b>181</b>
Other Income (Expense) - net	1	(1)	—	(1)
Interest Expense	22	22	44	43
<b>Income Before Income Taxes</b>	<b>59</b>	<b>56</b>	<b>151</b>	<b>137</b>
Income Taxes	12	12	31	29
<b>Net Income (a)</b>	<b>\$ 47</b>	<b>\$ 44</b>	<b>\$ 120</b>	<b>\$ 108</b>

(a) Net income equals comprehensive income.

*The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.*

**CONDENSED STATEMENTS OF CASH FLOWS**
**Louisville Gas and Electric Company**

 (Unaudited)  
 (Millions of Dollars)

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 120	\$ 108
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	129	107
Amortization	4	11
Defined benefit plans - expense	1	1
Deferred income taxes and investment tax credits	2	28
Change in current assets and current liabilities		
Accounts receivable	18	15
Accounts receivable from affiliates	2	6
Accounts payable	(25)	(16)
Accounts payable to affiliates	(9)	(4)
Unbilled revenues	8	9
Fuel, materials and supplies	20	27
Regulatory assets and liabilities, net	4	(13)
Taxes payable	21	(7)
Accrued interest	—	4
Other	(9)	(8)
Other operating activities		
Defined benefit plans - funding	(5)	(4)
Expenditures for asset retirement obligations	(8)	(12)
Other assets	(2)	(1)
Other liabilities	4	7
Net cash provided by operating activities	<u>275</u>	<u>258</u>
<b>Cash Flows from Investing Activities</b>		
Expenditures for property, plant and equipment	(214)	(224)
Net cash used in investing activities	<u>(214)</u>	<u>(224)</u>
<b>Cash Flows from Financing Activities</b>		
Net increase in notes payable with affiliates	190	—
Issuance of long-term debt	—	399
Retirement of long-term debt	—	(200)
Net decrease in short-term debt	(238)	(183)
Payment of common stock dividends to parent	(76)	(71)
Contributions from parent	53	25
Other financing activities	—	(5)
Net cash used in financing activities	<u>(71)</u>	<u>(35)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(10)</b>	<b>(1)</b>
Cash and Cash Equivalents at Beginning of Period	15	10
Cash and Cash Equivalents at End of Period	<u>\$ 5</u>	<u>\$ 9</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
<b>Significant non-cash transactions:</b>		
Accrued expenditures for property, plant and equipment at June 30,	\$ 49	\$ 40

*The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.*

**CONDENSED BALANCE SHEETS**  
**Louisville Gas and Electric Company**

(Unaudited)  
(Millions of Dollars, shares in thousands)

	June 30, 2020	December 31, 2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5	\$ 15
Accounts receivable (less reserve: 2020, \$1; 2019, \$1)		
Customer	107	121
Other	31	41
Unbilled revenues (less reserve: 2020, \$0; 2019, \$0)	68	76
Accounts receivable from affiliates	16	18
Fuel, materials and supplies	102	122
Prepayments	16	14
Regulatory assets	23	25
Other current assets	1	1
<b>Total Current Assets</b>	<b>369</b>	<b>433</b>
<b>Property, Plant and Equipment</b>		
Regulated utility plant	6,522	6,372
Less: accumulated depreciation - regulated utility plant	931	846
Regulated utility plant, net	5,591	5,526
Construction work in progress	316	297
<b>Property, Plant and Equipment, net</b>	<b>5,907</b>	<b>5,823</b>
<b>Other Noncurrent Assets</b>		
Regulatory assets	378	380
Goodwill	389	389
Other intangibles	38	41
Other noncurrent assets	75	67
<b>Total Other Noncurrent Assets</b>	<b>880</b>	<b>877</b>
<b>Total Assets</b>	<b>\$ 7,156</b>	<b>\$ 7,133</b>

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

**CONDENSED BALANCE SHEETS**  
**Louisville Gas and Electric Company**

(Unaudited)  
(Millions of Dollars, shares in thousands)

	June 30, 2020	December 31, 2019
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Short-term debt	\$ —	\$ 238
Long-term debt due within one year	264	—
Notes payable with affiliate	190	—
Accounts payable	131	172
Accounts payable to affiliates	22	31
Customer deposits	32	31
Taxes	54	33
Price risk management liabilities	4	4
Regulatory liabilities	4	2
Interest	15	15
Asset retirement obligations	18	24
Other current liabilities	41	47
<b>Total Current Liabilities</b>	<b>775</b>	<b>597</b>
<b>Long-term Debt</b>	<b>1,741</b>	<b>2,005</b>
<b>Deferred Credits and Other Noncurrent Liabilities</b>		
Deferred income taxes	707	697
Investment tax credits	33	34
Price risk management liabilities	24	17
Asset retirement obligations	49	49
Regulatory liabilities	877	883
Other deferred credits and noncurrent liabilities	91	89
<b>Total Deferred Credits and Other Noncurrent Liabilities</b>	<b>1,781</b>	<b>1,769</b>
<b>Commitments and Contingent Liabilities (Notes 7 and 10)</b>		
<b>Stockholder's Equity</b>		
Common stock - no par value (a)	424	424
Additional paid-in capital	1,873	1,820
Earnings reinvested	562	518
<b>Total Equity</b>	<b>2,859</b>	<b>2,762</b>
<b>Total Liabilities and Equity</b>	<b>\$ 7,156</b>	<b>\$ 7,133</b>

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at June 30, 2020 and December 31, 2019.

*The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.*

**CONDENSED STATEMENTS OF EQUITY**

**Louisville Gas and Electric Company**

(Unaudited)  
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
<b>March 31, 2020</b>	21,294	\$ 424	\$ 1,845	\$ 562	\$ 2,831
Net income				47	47
Capital contributions from parent			28		28
Cash dividends declared on common stock				(47)	(47)
<b>June 30, 2020</b>	<u>21,294</u>	<u>\$ 424</u>	<u>\$ 1,873</u>	<u>\$ 562</u>	<u>\$ 2,859</u>
<b>December 31, 2019</b>	21,294	\$ 424	\$ 1,820	\$ 518	\$ 2,762
Net income				120	120
Capital contributions from parent			53		53
Cash dividends declared on common stock				(76)	(76)
<b>June 30, 2020</b>	<u>21,294</u>	<u>\$ 424</u>	<u>\$ 1,873</u>	<u>\$ 562</u>	<u>\$ 2,859</u>
<b>March 31, 2019</b>	21,294	\$ 424	\$ 1,795	\$ 502	\$ 2,721
Net income				44	44
Capital contributions from parent			25		25
Cash dividends declared on common stock				(41)	(41)
<b>June 30, 2019</b>	<u>21,294</u>	<u>\$ 424</u>	<u>\$ 1,820</u>	<u>\$ 505</u>	<u>\$ 2,749</u>
<b>December 31, 2018</b>	21,294	\$ 424	\$ 1,795	\$ 468	\$ 2,687
Net income				108	108
Capital contributions from parent			25		25
Cash dividends declared on common stock				(71)	(71)
<b>June 30, 2019</b>	<u>21,294</u>	<u>\$ 424</u>	<u>\$ 1,820</u>	<u>\$ 505</u>	<u>\$ 2,749</u>

(a) Shares in thousands. All common shares of LG&E stock are owned by LKE.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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**CONDENSED STATEMENTS OF INCOME****Kentucky Utilities Company**(Unaudited)  
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Operating Revenues</b>				
Retail and wholesale	\$ 380	\$ 404	\$ 812	\$ 852
Electric revenue from affiliate	8	2	8	4
<b>Total Operating Revenues</b>	<b>388</b>	<b>406</b>	<b>820</b>	<b>856</b>
<b>Operating Expenses</b>				
Operation				
Fuel	88	99	177	215
Energy purchases	4	5	9	10
Energy purchases from affiliate	2	6	16	19
Other operation and maintenance	107	105	211	213
Depreciation	86	78	170	150
Taxes, other than income	8	8	17	17
<b>Total Operating Expenses</b>	<b>295</b>	<b>301</b>	<b>600</b>	<b>624</b>
<b>Operating Income</b>	<b>93</b>	<b>105</b>	<b>220</b>	<b>232</b>
Other Income (Expense) - net	—	(2)	1	—
Interest Expense	29	28	57	54
<b>Income Before Income Taxes</b>	<b>64</b>	<b>75</b>	<b>164</b>	<b>178</b>
Income Taxes	11	14	31	36
<b>Net Income (a)</b>	<b>\$ 53</b>	<b>\$ 61</b>	<b>\$ 133</b>	<b>\$ 142</b>

(a) Net income equals comprehensive income.

*The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.*

**CONDENSED STATEMENTS OF CASH FLOWS**
**Kentucky Utilities Company**

 (Unaudited)  
 (Millions of Dollars)

	Six Months Ended June 30,	
	2020	2019
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 133	\$ 142
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	170	150
Amortization	4	5
Deferred income taxes and investment tax credits	5	29
Other	(1)	(2)
Change in current assets and current liabilities		
Accounts receivable	15	14
Accounts payable	(7)	(8)
Accounts payable to affiliates	(15)	(15)
Unbilled revenues	7	4
Fuel, materials and supplies	4	(6)
Regulatory assets and liabilities, net	(19)	(19)
Taxes payable	24	(2)
Accrued interest	1	3
Other	(12)	1
Other operating activities		
Defined benefit plans - funding	(1)	(2)
Expenditures for asset retirement obligations	(23)	(33)
Other assets	—	1
Other liabilities	8	8
Net cash provided by operating activities	<u>293</u>	<u>270</u>
<b>Cash Flows from Investing Activities</b>		
Expenditures for property, plant and equipment	(264)	(305)
Net increase in notes receivable with affiliates	(190)	—
Other investing activities	3	—
Net cash used in investing activities	<u>(451)</u>	<u>(305)</u>
<b>Cash Flows from Financing Activities</b>		
Issuance of long-term debt	498	306
Net decrease in short-term debt	(150)	(235)
Payment of common stock dividends to parent	(89)	(91)
Contributions from parent	37	68
Other financing activities	(5)	(4)
Net cash provided by financing activities	<u>291</u>	<u>44</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>133</b>	<b>9</b>
Cash and Cash Equivalents at Beginning of Period	12	14
Cash and Cash Equivalents at End of Period	<u>\$ 145</u>	<u>\$ 23</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	\$ 41	\$ 52

*The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.*



**CONDENSED BALANCE SHEETS****Kentucky Utilities Company**

(Unaudited)

(Millions of Dollars, shares in thousands)

	June 30, 2020	December 31, 2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 145	\$ 12
Accounts receivable (less reserve: 2020, \$1; 2019, \$1)		
Customer	126	139
Other	28	27
Unbilled revenues (less reserve: 2020, \$0; 2019, \$0)	81	88
Notes receivable from affiliate	190	—
Fuel, materials and supplies	125	128
Prepayments	15	14
Regulatory assets	28	16
Other current assets	—	1
<b>Total Current Assets</b>	<b>738</b>	<b>425</b>
<b>Property, Plant and Equipment</b>		
Regulated utility plant	8,587	8,262
Less: accumulated depreciation - regulated utility plant	1,579	1,507
Regulated utility plant, net	7,008	6,755
Construction work in progress	364	496
<b>Property, Plant and Equipment, net</b>	<b>7,372</b>	<b>7,251</b>
<b>Other Noncurrent Assets</b>		
Regulatory assets	388	386
Goodwill	607	607
Other intangibles	27	28
Other noncurrent assets	111	128
<b>Total Other Noncurrent Assets</b>	<b>1,133</b>	<b>1,149</b>
<b>Total Assets</b>	<b>\$ 9,243</b>	<b>\$ 8,825</b>

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

**CONDENSED BALANCE SHEETS****Kentucky Utilities Company**

(Unaudited)

(Millions of Dollars, shares in thousands)

	June 30, 2020	December 31, 2019
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Short-term debt	\$ —	\$ 150
Long-term debt due within one year	632	500
Accounts payable	103	121
Accounts payable to affiliates	39	52
Customer deposits	32	31
Taxes	50	26
Regulatory liabilities	10	17
Interest	21	20
Asset retirement obligations	36	46
Other current liabilities	44	51
<b>Total Current Liabilities</b>	<b>967</b>	<b>1,014</b>
<b>Long-term Debt</b>	<b>2,485</b>	<b>2,123</b>
<b>Deferred Credits and Other Noncurrent Liabilities</b>		
Deferred income taxes	808	792
Investment tax credits	89	90
Asset retirement obligations	115	96
Regulatory liabilities	1,076	1,090
Other deferred credits and noncurrent liabilities	48	46
<b>Total Deferred Credits and Other Noncurrent Liabilities</b>	<b>2,136</b>	<b>2,114</b>
<b>Commitments and Contingent Liabilities (Notes 7 and 10)</b>		
<b>Stockholder's Equity</b>		
Common stock - no par value (a)	308	308
Additional paid-in capital	2,766	2,729
Earnings reinvested	581	537
<b>Total Equity</b>	<b>3,655</b>	<b>3,574</b>
<b>Total Liabilities and Equity</b>	<b>\$ 9,243</b>	<b>\$ 8,825</b>

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at June 30, 2020 and December 31, 2019.

*The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.*

**CONDENSED STATEMENTS OF EQUITY**

**Kentucky Utilities Company**

(Unaudited)  
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
<b>March 31, 2020</b>	37,818	\$ 308	\$ 2,766	\$ 580	\$ 3,654
Net income				53	53
Cash dividends declared on common stock				(52)	(52)
<b>June 30, 2020</b>	<u>37,818</u>	<u>\$ 308</u>	<u>\$ 2,766</u>	<u>\$ 581</u>	<u>\$ 3,655</u>
<b>December 31, 2019</b>	37,818	\$ 308	\$ 2,729	\$ 537	\$ 3,574
Net income				133	133
Capital contributions from parent			37		37
Cash dividends declared on common stock				(89)	(89)
<b>June 30, 2020</b>	<u>37,818</u>	<u>\$ 308</u>	<u>\$ 2,766</u>	<u>\$ 581</u>	<u>\$ 3,655</u>
<b>March 31, 2019</b>	37,818	\$ 308	\$ 2,689	\$ 515	\$ 3,512
Net income				61	61
Capital contributions from parent			40		40
Cash dividends declared on common stock				(52)	(52)
<b>June 30, 2019</b>	<u>37,818</u>	<u>\$ 308</u>	<u>\$ 2,729</u>	<u>\$ 524</u>	<u>\$ 3,561</u>
<b>December 31, 2018</b>	37,818	\$ 308	\$ 2,661	\$ 473	\$ 3,442
Net income				142	142
Capital contributions from parent			68		68
Cash dividends declared on common stock				(91)	(91)
<b>June 30, 2019</b>	<u>37,818</u>	<u>\$ 308</u>	<u>\$ 2,729</u>	<u>\$ 524</u>	<u>\$ 3,561</u>

(a) Shares in thousands. All common shares of KU stock are owned by LKE.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

**Combined Notes to Condensed Financial Statements (Unaudited)**

**Index to Combined Notes to Condensed Financial Statements**

The notes to the condensed financial statements that follow are a combined presentation. The following list indicates the Registrants to which the notes apply:

	Registrant				
	PPL	PPL Electric	LKE	LG&E	KU
1. Interim Financial Statements	x	x	x	x	x
2. Summary of Significant Accounting Policies	x	x	x	x	x
3. Segment and Related Information	x	x	x	x	x
4. Revenue from Contracts with Customers	x	x	x	x	x
5. Earnings Per Share	x				
6. Income Taxes	x	x	x	x	x
7. Utility Rate Regulation	x	x	x	x	x
8. Financing Activities	x	x	x	x	x
9. Defined Benefits	x	x	x	x	x
10. Commitments and Contingencies	x	x	x	x	x
11. Related Party Transactions		x	x	x	x
12. Other Income (Expense) - net	x				
13. Fair Value Measurements	x	x	x	x	x
14. Derivative Instruments and Hedging Activities	x	x	x	x	x
15. Asset Retirement Obligations	x		x	x	x
16. Accumulated Other Comprehensive Income (Loss)	x				
17. Subsequent Events	x				

**1. Interim Financial Statements**

*(All Registrants)*

Capitalized terms and abbreviations appearing in the unaudited combined notes to condensed financial statements are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrant's related activities and disclosures. Within combined disclosures, amounts are disclosed for any Registrant when significant.

The accompanying unaudited condensed financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnote disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with GAAP are reflected in the condensed financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed. Each Registrant's Balance Sheet at December 31, 2019 is derived from that Registrant's 2019 audited Balance Sheet. The financial statements and notes thereto should be read in conjunction with the financial statements and notes contained in each Registrant's 2019 Form 10-K. The results of operations for the three and six months ended June 30, 2020 are not necessarily indicative of the results to be expected for the full year ending December 31, 2020 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

**2. Summary of Significant Accounting Policies**

*(All Registrants)*

The following accounting policy disclosures represent updates to Note 1 in each Registrant's 2019 Form 10-K and should be read in conjunction with those disclosures.

**Restricted Cash and Cash Equivalents** (PPL and PPL Electric)

*Reconciliation of Cash, Cash Equivalents and Restricted Cash*

The following provides a reconciliation of Cash, Cash Equivalents and Restricted Cash reported within the Balance Sheets that sum to the total of the same amounts shown on the Statements of Cash Flows:

	PPL		PPL Electric	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 1,278	\$ 815	\$ 13	\$ 262
Restricted cash - current (a)	3	3	2	2
Restricted cash - noncurrent (a)	20	18	—	—
Total Cash, Cash Equivalents and Restricted Cash	\$ 1,301	\$ 836	\$ 15	\$ 264

(a) Bank deposits and other cash equivalents that are restricted by agreement or that have been clearly designated for a specific purpose are classified as restricted cash. On the Balance Sheets, the current portion of restricted cash is included in "Other current assets," while the noncurrent portion is included in "Other noncurrent assets."

**Current Expected Credit Losses** (All Registrants)

Financing receivable collectibility is evaluated using a combination of factors, including past due status based on contractual terms, trends in write-offs and the age of the receivable. Specific events, such as bankruptcies, are also considered when applicable. Adjustments to the reserve for credit losses are made when necessary based on the results of analysis, the aging of receivables and historical and industry trends. The Registrants periodically evaluate the impact of observable external factors on the collectibility of the financing receivables to determine if adjustments to the reserve for credit losses should be made based on current conditions or reasonable and supportable forecasts.

Accounts receivable are written off in the period in which the receivable is deemed uncollectible.

*(PPL and PPL Electric)*

PPL Electric has identified one class of financing receivables, "accounts receivable-customer", which includes financing receivables for all billed and unbilled sales with residential and non-residential customers. All other financing receivables are classified as other. Within the credit loss model for the residential customer accounts receivables, customers are disaggregated based on their projected propensity to pay, which is derived from historical trends and the current activity of the individual customer accounts. Conversely, the non-residential customer accounts receivables are not further segmented due to the varying nature of the individual customers, which lack readily identifiable risk characteristics for disaggregation.

*(PPL, LKE, LG&E and KU)*

LKE, LG&E and KU have identified one class of financing receivables, "accounts receivable-customer", which includes financing receivables for all billed and unbilled sales with customers. All other financing receivables are classified as other.

*(All Registrants)*

The following table shows changes in the allowance for credit losses for the six months ended June 30, 2020:

	Balance at Beginning of Period (a)	Charged to Income	Deductions (b)	Balance at End of Period
<b>PPL</b>				
Accounts Receivable - Customer and Unbilled Revenue	\$ 30	\$ 15	\$ 7	\$ 38
Other (c)	27	1	1	27
<b>PPL Electric</b>				
Accounts Receivable - Customer and Unbilled Revenue	\$ 25	\$ 9	\$ 3	\$ 31
Other	1	1	—	2

	Balance at Beginning of Period (a)	Charged to Income	Deductions (b)	Balance at End of Period
<b><u>LKE</u></b>				
Accounts Receivable - Customer and Unbilled Revenue	\$ 2	\$ 3	\$ 3	\$ 2
Other (c)	26	—	1	25
<b><u>LG&amp;E</u></b>				
Accounts Receivable - Customer and Unbilled Revenue	\$ 1	\$ 1	\$ 1	\$ 1
<b><u>KU</u></b>				
Accounts Receivable - Customer and Unbilled Revenue	\$ 1	\$ 2	\$ 2	\$ 1

- (a) Reflects cumulative-effect adjustment upon adoption of current expected credit loss guidance.  
(b) Primarily related to uncollectible accounts receivable written off.  
(c) Primarily related to receivables at WKE, which are fully reserved.

(PPL, LKE, LG&E and KU)

**Asset Impairment (Excluding Investments)**

PPL, LKE, LG&E and KU review goodwill for impairment at the reporting unit level annually or more frequently when events or circumstances indicate that the carrying amount of a reporting unit may be greater than the unit's fair value. PPL's, LKE's, LG&E's and KU's reporting units are primarily at the operating segment level.

During the three month period ended March 31, 2020, PPL, LKE, LG&E and KU considered whether the economic events associated with COVID-19, which resulted in PPL's shares experiencing volatility and a decrease in market value, would more likely than not reduce the fair value of the Registrants' reporting units below their carrying amounts. See "Risks and Uncertainties" in Note 10 for additional information about COVID-19. Based on our assessment, a quantitative impairment test was not required for the LKE, LG&E and KU reporting units, but was required for the U.K. Regulated segment reporting unit, the allocated goodwill of which was \$2.5 billion at March 31, 2020. The test did not indicate impairment of the reporting unit.

During the three months ended June 30, 2020, no goodwill impairment triggers were identified. However, an impairment charge could occur in future periods if PPL's share price or any of the assumptions used in determining fair value of the reporting units are negatively impacted.

**New Accounting Guidance Adopted**

(All Registrants)

**Accounting for Financial Instrument Credit Losses**

Effective January 1, 2020, the Registrants adopted accounting guidance, using a modified retrospective approach, that requires the use of a current expected credit loss (CECL) model for the measurement of credit losses on financial instruments within the scope of the guidance, which includes accounts receivable. The CECL model requires an entity to measure credit losses using historical information, current information and reasonable and supportable forecasts of future events, rather than the incurred loss impairment model required under previous GAAP. The adoption of this guidance did not have a material impact on the Registrants.

**Accounting for Implementation Costs in a Cloud Computing Service Arrangement**

Effective January 1, 2020, the Registrants prospectively adopted accounting guidance that requires a customer in a cloud computing hosting arrangement that is a service contract to capitalize implementation costs consistent with internal-use software guidance for non-service arrangements. The guidance requires these capitalized implementation costs to be amortized over the term of the hosting arrangement to the statement of income line item where the service arrangement costs are recorded. The guidance also prescribes the financial statement classification of the capitalized implementation costs and cash flows associated with the arrangement. The adoption of this guidance did not have a material impact on the Registrants.

(PPL, LKE, LG&E and KU)

**Simplifying the Test for Goodwill Impairment**

Effective January 1, 2020, the Registrants adopted accounting guidance that simplifies the test for goodwill impairment by eliminating the second step of the quantitative test. The second step of the quantitative test required a calculation of the implied fair value of goodwill, which was determined in the same manner as the amount of goodwill in a business combination. Under the new guidance, the fair value of a reporting unit will be compared with the carrying value and an impairment charge will be recognized if the carrying amount exceeds the fair value of the reporting unit. The adoption of this guidance did not have a material impact on the Registrants.

**3. Segment and Related Information**

(PPL)

See Note 2 in PPL's 2019 Form 10-K for a discussion of reportable segments and related information.

Income Statement data for the segments and reconciliation to PPL's consolidated results for the periods ended June 30 are as follows:

	Three Months		Six Months	
	2020	2019	2020	2019
Operating Revenues from external customers				
U.K. Regulated	\$ 476	\$ 541	\$ 1,090	\$ 1,124
Kentucky Regulated	700	732	1,525	1,577
Pennsylvania Regulated	554	521	1,162	1,166
Corporate and Other	9	9	16	15
<b>Total</b>	<b>\$ 1,739</b>	<b>\$ 1,803</b>	<b>\$ 3,793</b>	<b>\$ 3,882</b>
Net Income				
U.K. Regulated (a)	\$ 179	\$ 284	\$ 519	\$ 548
Kentucky Regulated	74	97	201	214
Pennsylvania Regulated	118	94	236	215
Corporate and Other	(27)	(34)	(58)	(70)
<b>Total</b>	<b>\$ 344</b>	<b>\$ 441</b>	<b>\$ 898</b>	<b>\$ 907</b>

(a) Includes unrealized gains and losses from hedging foreign currency economic activity. See Note 14 for additional information.

The following provides Balance Sheet data for the segments and reconciliation to PPL's consolidated Balance Sheets as of:

	June 30, 2020	December 31, 2019
Assets		
U.K. Regulated (a) (b)	\$ 17,479	\$ 17,622
Kentucky Regulated	15,802	15,597
Pennsylvania Regulated	12,036	11,918
Corporate and Other (c)	1,203	543
<b>Total</b>	<b>\$ 46,520</b>	<b>\$ 45,680</b>

(a) Includes \$12.9 billion and \$13.2 billion of net PP&E as of June 30, 2020 and December 31, 2019. WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP.

(b) Includes \$2.4 billion and \$2.5 billion of goodwill as of June 30, 2020 and December 31, 2019.

(c) Primarily consists of unallocated items, including cash, PP&E, goodwill, the elimination of inter-segment transactions as well as the assets of Safari Energy.

(PPL Electric, LKE, LG&E and KU)

PPL Electric has two operating segments, distribution and transmission, which are aggregated into a single reportable segment. LKE, LG&E and KU are individually single operating and reportable segments.

**4. Revenue from Contracts with Customers**

(All Registrants)

See Note 3 in PPL's 2019 Form 10-K for a discussion of the principal activities from which the Registrants and PPL's segments generate their revenues.

The following tables reconcile "Operating Revenues" included in each Registrant's Statement of Income with revenues generated from contracts with customers for the periods ended June 30.

	2020 Three Months				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	\$ 1,739	\$ 554	\$ 700	\$ 322	\$ 388
Revenues derived from:					
Alternative revenue programs (b)	(8)	(1)	(7)	(1)	(6)
Other (c)	(7)	(1)	(4)	(1)	(3)
Revenues from Contracts with Customers	\$ 1,724	\$ 552	\$ 689	\$ 320	\$ 379

	2019 Three Months				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	\$ 1,803	\$ 521	\$ 732	\$ 334	\$ 406
Revenues derived from:					
Alternative revenue programs (b)	(20)	(2)	(18)	(3)	(15)
Other (c)	(10)	(2)	(6)	(3)	(3)
Revenues from Contracts with Customers	\$ 1,773	\$ 517	\$ 708	\$ 328	\$ 388

	2020 Six Months				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	\$ 3,793	\$ 1,162	\$ 1,525	\$ 729	\$ 820
Revenues derived from:					
Alternative revenue programs (b)	(11)	(1)	(10)	(4)	(6)
Other (c)	(17)	(3)	(10)	(4)	(6)
Revenues from Contracts with Customers	\$ 3,765	\$ 1,158	\$ 1,505	\$ 721	\$ 808

	2019 Six Months				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	\$ 3,882	\$ 1,166	\$ 1,577	\$ 744	\$ 856
Revenues derived from:					
Alternative revenue programs (b)	(26)	(6)	(20)	(5)	(15)
Other (c)	(19)	(5)	(10)	(4)	(6)
Revenues from Contracts with Customers	\$ 3,837	\$ 1,155	\$ 1,547	\$ 735	\$ 835

- (a) PPL includes \$476 million and \$1,090 million for the three and six months ended June 30, 2020 and \$541 million and \$1,124 million for the three and six months ended June 30, 2019 of revenues from external customers reported by the U.K. Regulated segment. PPL Electric and LKE represent revenues from external customers reported by the Pennsylvania Regulated and Kentucky Regulated segments. See Note 3 for additional information.
- (b) Alternative revenue programs include the transmission formula rate for PPL Electric, the ECR and DSM programs for LG&E and KU, the GLT program for LG&E, and the generation formula rate for KU. This line item shows the over/under collection of these rate mechanisms with over-collections of revenue shown as positive amounts in the table above and under-collections shown as negative amounts.
- (c) Represents additional revenues outside the scope of revenues from contracts with customers, such as lease and other miscellaneous revenues.



The following tables show revenues from contracts with customers disaggregated by customer class for the periods ended June 30.

	2020 Three Months				
	PPL (d)	PPL Electric (d)	LKE	LG&E	KU
Licensed energy suppliers (a)	\$ 449	\$ —	\$ —	\$ —	\$ —
Residential	583	290	293	149	144
Commercial	274	74	200	100	100
Industrial	134	12	122	38	84
Other (b)	108	12	62	28	34
Wholesale - municipality	3	—	3	—	3
Wholesale - other (c)	9	—	9	5	14
Transmission	164	164	—	—	—
Revenues from Contracts with Customers	\$ 1,724	\$ 552	\$ 689	\$ 320	\$ 379

	2019 Three Months				
	PPL	PPL Electric	LKE	LG&E	KU
Licensed energy suppliers (a)	\$ 510	\$ —	\$ —	\$ —	\$ —
Residential	572	301	271	138	133
Commercial	302	87	215	108	107
Industrial	156	15	141	43	98
Other (b)	117	13	66	29	37
Wholesale - municipality	4	—	4	—	4
Wholesale - other (c)	11	—	11	10	9
Transmission	101	101	—	—	—
Revenues from Contracts with Customers	\$ 1,773	\$ 517	\$ 708	\$ 328	\$ 388

	2020 Six Months				
	PPL (d)	PPL Electric (d)	LKE	LG&E	KU
Licensed energy suppliers (a)	\$ 1,032	\$ —	\$ —	\$ —	\$ —
Residential	1,297	634	663	336	327
Commercial	586	155	431	224	207
Industrial	278	20	258	83	175
Other (b)	224	26	128	56	72
Wholesale - municipality	8	—	8	—	8
Wholesale - other (c)	17	—	17	22	19
Transmission	323	323	—	—	—
Revenues from Contracts with Customers	\$ 3,765	\$ 1,158	\$ 1,505	\$ 721	\$ 808

	2019 Six Months				
	PPL	PPL Electric	LKE	LG&E	KU
Licensed energy suppliers (a)	\$ 1,066	\$ —	\$ —	\$ —	\$ —
Residential	1,350	708	642	327	315
Commercial	621	182	439	229	210
Industrial	306	32	274	87	187
Other (b)	232	27	136	62	74
Wholesale - municipality	32	—	32	—	32
Wholesale - other (c)	24	—	24	30	17
Transmission	206	206	—	—	—
Revenues from Contracts with Customers	\$ 3,837	\$ 1,155	\$ 1,547	\$ 735	\$ 835

(a) Represents customers of WPD.

(b) Primarily includes revenues from pole attachments, street lighting, other public authorities and other non-core businesses.

(c) Includes wholesale power and transmission revenues. LG&E and KU amounts include intercompany power sales and transmission revenues, which are eliminated upon consolidation at LKE.

(d) In the fourth quarter of 2019, management deemed it appropriate to present the revenue offset associated with network integration transmission service (NITS) as distribution revenue rather than transmission revenue.

As discussed in Note 2 in PPL's 2019 Form 10-K, PPL segments its business by geographic location. Revenues from external customers for each segment/geographic location are reconciled to revenues from contracts with customers in the footnotes to the tables above. PPL Electric's revenues from contracts with customers are further disaggregated by distribution and transmission, which were \$388 million and \$164 million for the three months ended June 30, 2020 and \$835 million and \$323 million for the six months ended June 30, 2020. PPL Electric's revenue from contracts with customers disaggregated by distribution and transmission were \$416 million and \$101 million for the three months ended June 30, 2019 and \$949 million and \$206 million for the six months ended June 30, 2019.

Contract receivables from customers are primarily included in "Accounts receivable - Customer" and "Unbilled revenues" on the Balance Sheets.

The following table shows the accounts receivable and unbilled revenues balances that were impaired for the periods ended June 30.

	Three Months		Six Months	
	2020	2019	2020	2019
PPL	\$ 7	\$ 2	\$ 15	\$ 11
PPL Electric	5	—	9	6
LKE	1	1	3	3
LG&E	—	—	1	1
KU	1	1	2	2

The following table shows the balances and certain activity of contract liabilities resulting from contracts with customers.

	PPL	PPL Electric	LKE	LG&E	KU
Contract liabilities at December 31, 2019	\$ 44	\$ 21	\$ 9	\$ 5	\$ 4
Contract liabilities at June 30, 2020	37	16	9	4	5
Revenue recognized during the six months ended June 30, 2020 that was included in the contract liability balance at December 31, 2019	28	9	9	5	4
Contract liabilities at December 31, 2018	\$ 42	\$ 23	\$ 9	\$ 5	\$ 4
Contract liabilities at June 30, 2019	47	22	9	5	4
Revenue recognized during the six months ended June 30, 2019 that was included in the contract liability balance at December 31, 2018	29	11	9	5	4

Contract liabilities result from recording contractual billings in advance for customer attachments to the Registrants' infrastructure and payments received in excess of revenues earned to date. Advanced billings for customer attachments are recognized as revenue ratably over the billing period. Payments received in excess of revenues earned to date are recognized as revenue as services are delivered in subsequent periods.

At June 30, 2020, PPL had \$30 million of performance obligations attributable to Corporate and Other that have not been satisfied. Of this amount, PPL expects to recognize approximately \$29 million within the next 12 months.

## 5. Earnings Per Share

(PPL)

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding, increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the Treasury Stock Method. Incremental non-participating securities that have a dilutive impact are detailed in the table below. These dilutive securities include the PPL common stock forward sale agreements, which were settled in 2019. The forward sale agreements were dilutive under the Treasury Stock Method to the extent the average stock price of PPL's common shares exceeded the forward sale price prescribed in the agreements.

Reconciliations of the amounts of income and shares of PPL common stock (in thousands) for the periods ended June 30 used in the EPS calculation are:

	Three Months		Six Months	
	2020	2019	2020	2019
<b>Income (Numerator)</b>				
Net income	\$ 344	\$ 441	\$ 898	\$ 907
Less amounts allocated to participating securities	1	1	1	1
Net income available to PPL common shareowners - Basic and Diluted	\$ 343	\$ 440	\$ 897	\$ 906
<b>Shares of Common Stock (Denominator)</b>				
Weighted-average shares - Basic EPS	768,768	721,785	768,358	721,406
Add incremental non-participating securities:				
Share-based payment awards	640	897	715	960
Forward sale agreements	—	8,233	—	8,070
Weighted-average shares - Diluted EPS	769,408	730,915	769,073	730,436
<b>Basic EPS</b>				
Net Income available to PPL common shareowners	\$ 0.45	\$ 0.61	\$ 1.17	\$ 1.26
<b>Diluted EPS</b>				
Net Income available to PPL common shareowners	\$ 0.45	\$ 0.60	\$ 1.17	\$ 1.24

For the periods ended June 30, PPL issued common stock related to stock-based compensation plans and the DRIP as follows (in thousands):

	Three Months		Six Months	
	2020	2019	2020	2019
Stock-based compensation plans	9	52	607	642
DRIP	509	417	943	875

For the periods ended June 30, the following shares (in thousands) were excluded from the computations of diluted EPS because the effect would have been antidilutive.

	Three Months		Six Months	
	2020	2019	2020	2019
Stock-based compensation awards	1,170	—	710	—

## 6. Income Taxes

Reconciliations of income tax expense (benefit) for the periods ended June 30 are as follows.

(PPL)

	Three Months		Six Months	
	2020	2019	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$ 88	\$ 110	\$ 234	\$ 235
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	11	8	24	21
Valuation allowance adjustments (a)	7	7	13	14
Impact of lower U.K. income tax rates	(9)	(6)	(20)	(14)
Amortization of excess deferred federal and state income taxes	(12)	(10)	(23)	(21)
Interest benefit on U.K. financing entities	(3)	(3)	(5)	(6)
Kentucky recycling credit, net of federal income tax expense (a)	—	(20)	—	(20)
Other	(8)	(2)	(9)	1
Total increase (decrease)	(14)	(26)	(20)	(25)
Total income tax expense (benefit)	\$ 74	\$ 84	\$ 214	\$ 210

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(a) During the second quarter of 2019, LKE recorded a deferred income tax benefit associated with two projects placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky. A portion of this amount has been reserved due to insufficient Kentucky taxable income projected at LKE.

*(PPL Electric)*

	Three Months		Six Months	
	2020	2019	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$ 33	\$ 26	\$ 67	\$ 61
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	12	10	25	23
Depreciation and other items not normalized	(2)	(1)	(4)	(3)
Amortization of excess deferred federal and state income taxes	(5)	(4)	(8)	(8)
Other	2	1	1	1
Total increase (decrease)	7	6	14	13
Total income tax expense (benefit)	\$ 40	\$ 32	\$ 81	\$ 74

*(LKE)*

	Three Months		Six Months	
	2020	2019	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$ 21	\$ 23	\$ 56	\$ 56
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	4	4	11	10
Valuation allowance adjustments (a)	—	3	—	3
Amortization of excess deferred federal and state income taxes	(6)	(6)	(13)	(12)
Kentucky recycling credit, net of federal income tax expense (a)	—	(20)	—	(20)
Other	(2)	(1)	(3)	(2)
Total increase (decrease)	(4)	(20)	(5)	(21)
Total income tax expense (benefit)	\$ 17	\$ 3	\$ 51	\$ 35

(a) During the second quarter of 2019, LKE recorded a deferred income tax benefit associated with two projects placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky. A portion of this amount has been reserved due to insufficient Kentucky taxable income projected at LKE.

*(LG&E)*

	Three Months		Six Months	
	2020	2019	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$ 12	\$ 12	\$ 32	\$ 29
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	2	2	6	5
Valuation allowance adjustments (a)	—	15	—	15
Amortization of excess deferred federal and state income taxes	(2)	(2)	(5)	(5)
Kentucky recycling credit, net of federal income tax expense (a)	—	(15)	—	(15)
Other	—	—	(2)	—
Total increase (decrease)	—	—	(1)	—
Total income tax expense (benefit)	\$ 12	\$ 12	\$ 31	\$ 29

(a) During the second quarter of 2019, LG&E recorded a deferred income tax benefit associated with two projects placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky. This amount has been reserved due to insufficient Kentucky taxable income projected at LG&E.

(KU)

	Three Months		Six Months	
	2020	2019	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	\$ 13	\$ 16	\$ 34	\$ 37
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	3	3	6	7
Valuation allowance adjustments (a)	—	5	—	5
Amortization of excess deferred federal and state income taxes	(4)	(4)	(8)	(7)
Kentucky recycling credit, net of federal income tax expense (a)	—	(5)	—	(5)
Other	(1)	(1)	(1)	(1)
Total increase (decrease)	(2)	(2)	(3)	(1)
Total income tax expense (benefit)	\$ 11	\$ 14	\$ 31	\$ 36

(a) During the second quarter of 2019, KU recorded a deferred income tax benefit associated with two projects placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky. This amount has been reserved due to insufficient Kentucky taxable income projected at KU.

**Other**

*U.K. Corporation Tax Rate Change (PPL)*

The U.K. corporation tax rate was scheduled to be reduced from 19% to 17%, effective April 1, 2020. On March 11, 2020, the U.K. Finance Act 2020 included a cancellation of the tax rate reduction to 17%, thereby maintaining the corporation tax rate at 19% for financial years 2020 and 2021. The Finance Act 2020 was formally enacted on July 22, 2020. The impact of the cancellation of the corporate tax rate reduction will result in an increase in deferred tax liabilities and a corresponding deferred tax expense of approximately \$100 million to \$110 million, which will be recorded in the third quarter of 2020.

*2020 TCJA Regulatory Update (All Registrants)*

In July 2020, the IRS issued final and new proposed regulations relating to limitations on interest deductibility for tax purposes. The final regulations are expected to apply to the Registrants for 2020, while the proposed regulations will apply in the year in which the regulations are issued in final form, which is expected to be in 2021. The Registrants are evaluating the final and proposed regulations, but do not expect the regulations to have a material impact on the Registrants' financial condition or results of operations.

**7. Utility Rate Regulation**

(All Registrants)

The following table provides information about the regulatory assets and liabilities of cost-based rate-regulated utility operations.

	PPL		PPL Electric	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Current Regulatory Assets:				
Plant outage costs	\$ 41	\$ 32	\$ —	\$ —
Gas supply clause	4	8	—	—
Smart meter rider	17	13	17	13
Transmission formula rate	4	3	4	3
Transmission service charge	10	10	10	10
Other	6	1	—	—
Total current regulatory assets (a)	\$ 82	\$ 67	\$ 31	\$ 26

	PPL		PPL Electric	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
<b>Noncurrent Regulatory Assets:</b>				
Defined benefit plans	\$ 779	\$ 800	\$ 452	\$ 467
Storm costs	31	39	11	15
Unamortized loss on debt	35	41	13	18
Interest rate swaps	28	22	—	—
Terminated interest rate swaps	78	81	—	—
Accumulated cost of removal of utility plant	230	220	230	220
AROs	287	279	—	—
Act 129 compliance rider	—	6	—	6
Other	4	4	—	—
<b>Total noncurrent regulatory assets</b>	<b>\$ 1,472</b>	<b>\$ 1,492</b>	<b>\$ 706</b>	<b>\$ 726</b>

	PPL		PPL Electric	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
<b>Current Regulatory Liabilities:</b>				
Generation supply charge	\$ 23	\$ 23	\$ 23	\$ 23
Environmental cost recovery	1	5	—	—
Universal service rider	7	9	7	9
Fuel adjustment clause	8	8	—	—
TCJA customer refund	28	61	28	59
Storm damage expense rider	8	5	8	5
Act 129 compliance rider	6	—	6	—
Other	5	4	—	—
<b>Total current regulatory liabilities</b>	<b>\$ 86</b>	<b>\$ 115</b>	<b>\$ 72</b>	<b>\$ 96</b>

<b>Noncurrent Regulatory Liabilities:</b>				
Accumulated cost of removal of utility plant	\$ 643	\$ 640	\$ —	\$ —
Power purchase agreement - OVEC	47	51	—	—
Net deferred taxes	1,722	1,756	572	588
Defined benefit plans	55	51	14	11
Terminated interest rate swaps	68	68	—	—
Other	4	6	—	—
<b>Total noncurrent regulatory liabilities</b>	<b>\$ 2,539</b>	<b>\$ 2,572</b>	<b>\$ 586</b>	<b>\$ 599</b>

	LKE		LG&E		KU	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
<b>Current Regulatory Assets:</b>						
Plant outage costs	\$ 41	\$ 32	\$ 14	\$ 16	\$ 27	\$ 16
Gas supply clause	4	8	4	8	—	—
Other	6	1	5	1	1	—
<b>Total current regulatory assets</b>	<b>\$ 51</b>	<b>\$ 41</b>	<b>\$ 23</b>	<b>\$ 25</b>	<b>\$ 28</b>	<b>\$ 16</b>

	LKE		LG&E		KU	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
<b>Noncurrent Regulatory Assets:</b>						
Defined benefit plans	\$ 327	\$ 333	\$ 199	\$ 206	\$ 128	\$ 127
Storm costs	20	24	12	14	8	10
Unamortized loss on debt	22	23	13	14	9	9
Interest rate swaps	28	22	28	22	—	—
Terminated interest rate swaps	78	81	46	47	32	34
AROs	287	279	79	76	208	203
Other	4	4	1	1	3	3
<b>Total noncurrent regulatory assets</b>	<b>\$ 766</b>	<b>\$ 766</b>	<b>\$ 378</b>	<b>\$ 380</b>	<b>\$ 388</b>	<b>\$ 386</b>
<b>Current Regulatory Liabilities:</b>						
Environmental cost recovery	\$ 1	\$ 5	\$ —	\$ 1	\$ 1	\$ 4
Demand side management	3	3	1	1	2	2
Fuel adjustment clause	8	8	3	—	5	8
Other	2	3	—	—	2	3
<b>Total current regulatory liabilities</b>	<b>\$ 14</b>	<b>\$ 19</b>	<b>\$ 4</b>	<b>\$ 2</b>	<b>\$ 10</b>	<b>\$ 17</b>
<b>Noncurrent Regulatory Liabilities:</b>						
Accumulated cost of removal of utility plant	\$ 643	\$ 640	\$ 271	\$ 266	\$ 372	\$ 374
Power purchase agreement - OVEC	47	51	33	35	14	16
Net deferred taxes	1,150	1,168	537	544	613	624
Defined benefit plans	41	40	—	—	41	40
Terminated interest rate swaps	68	68	34	34	34	34
Other	4	6	2	4	2	2
<b>Total noncurrent regulatory liabilities</b>	<b>\$ 1,953</b>	<b>\$ 1,973</b>	<b>\$ 877</b>	<b>\$ 883</b>	<b>\$ 1,076</b>	<b>\$ 1,090</b>

(a) For PPL, these amounts are included in "Other current assets" on the Balance Sheets.

## Regulatory Matters

### Kentucky Activities

#### *ECR Filings (PPL, LKE, LG&E and KU)*

On March 31, 2020, LG&E and KU submitted applications to the KPSC for ECR rate treatment regarding upcoming environmental construction projects relating to the EPA's regulations addressing ELGs. The construction projects are expected to begin in 2020 and continue through 2024 and are estimated to cost approximately \$405 million (\$153 million at LG&E and \$252 million at KU). The applications request an authorized 9.725% return on equity with respect to LG&E's and KU's ECR mechanisms consistent with the 2018 Kentucky rate cases approved in April 2019. Decisions on the applications are currently expected in September 2020. LG&E and KU cannot predict the outcome of these proceedings.

### Pennsylvania Activities

#### *Act 129 (PPL and PPL Electric)*

The Pennsylvania Public Utility Code requires electric distribution companies, including PPL Electric, to act as a DSP, which provides electricity generation supply service to customers pursuant to a PUC-approved default service procurement plan. A DSP is able to recover the costs associated with its default service procurement plan.

In March 2020, PPL Electric filed a Petition for Approval of a new default service program and procurement plan with the PUC for the period June 1, 2021 through May 31, 2025. Hearings are scheduled for August 2020. This proceeding remains pending before the PUC. PPL Electric cannot predict the outcome of this proceeding.

## Federal Matters

### *Challenge to PPL Electric Transmission Formula Rate Return on Equity*

*(PPL and PPL Electric)*

On May 21, 2020, PP&L Industrial Customer Alliance (PPLICA) filed a complaint with the FERC alleging that PPL Electric's base return on equity (ROE) of 11.18% used to determine PPL Electric's formula transmission rate is unjust and unreasonable, and proposing an alternative ROE of 8.0% based on its interpretation of FERC Opinion No. 569. However, also on May 21, 2020, the FERC issued Opinion No. 569-A in response to numerous requests for rehearing of Opinion No. 569, which revised the method for analyzing base ROE. On June 10, 2020, PPLICA filed a Motion to Supplement the May 21, 2020 complaint in which PPLICA continued to allege that PPL Electric's base ROE is unjust and unreasonable, but revised its analysis of PPL Electric's base ROE to reflect the guidance provided in Opinion No. 569-A. The amended complaint proposed an updated alternative ROE of 8.5% and also requested that the FERC preserve the original refund effective date as established by the filing of the original complaint on May 21, 2020. Several parties have filed motions to intervene, including one party who filed Comments in Support of the original complaint.

On July 10, 2020, PPL Electric filed its Answer and supporting Testimony to the PPLICA filings arguing that the FERC should deny the original and amended complaints as they are without merit and fail to demonstrate the existing base ROE is unjust and unreasonable. In addition, in the event the FERC determines PPL Electric's ROE to be unjust and unreasonable, PPL Electric contends a refund effective date should be set for no earlier than June 10, 2020 and PPLICA's proposed replacement ROE should be rejected. This proceeding remains pending before the FERC. On July 27, 2020, an intervenor filed a motion for permission to respond and a response to PPL Electric's Answer contesting the arguments made in that Answer. PPL Electric believes its ROE is just and reasonable and that it has meritorious defenses against the original and amended complaints. At this time, PPL Electric cannot predict the outcome of this matter or the range of possible losses, if any, that may be incurred. However, revenue earned from May 21, 2020 through the settlement of this matter may be subject to refund. A change of 50 basis points to the base ROE would impact PPL Electric's net income by approximately \$12 million on an annual basis.

### *FERC Transmission Rate Filing*

*(PPL, LKE, LG&E and KU)*

In 2018, LG&E and KU applied to the FERC requesting elimination of certain on-going credits to a sub-set of transmission customers relating to the 1998 merger of LG&E's and KU's parent entities and the 2006 withdrawal of LG&E and KU from the Midcontinent Independent System Operator, Inc. (MISO), a regional transmission operator and energy market. The application sought termination of LG&E's and KU's commitment to provide certain Kentucky municipalities mitigation for certain horizontal market power concerns arising out of the 1998 LG&E and KU merger and 2006 MISO withdrawal. The amounts at issue are generally waivers or credits granted to a limited number of Kentucky municipalities for either certain LG&E and KU or MISO transmission charges incurred for transmission service received. Due to the development of robust, accessible energy markets over time, LG&E and KU believe the mitigation commitments are no longer relevant or appropriate. In March 2019, the FERC granted LG&E's and KU's request to remove the ongoing credits, conditioned upon the implementation by LG&E and KU of a transition mechanism for certain existing power supply arrangements, subject to FERC review and approval. In July 2019, LG&E and KU proposed their transition mechanism to the FERC and in September 2019, the FERC rejected the proposed transition mechanism and issued a separate order providing clarifications of certain aspects of the March order. In October 2019, LG&E and KU filed requests for rehearing and clarification on the two September orders. Certain petitions for review of the FERC's orders have been filed by multiple parties, including LG&E and KU, with the D.C. Circuit Court of Appeals. LG&E and KU cannot predict the outcome of these proceedings. In February 2020, the D.C. Circuit Court of Appeals issued an order holding the various appeals in abeyance pending the FERC's rehearing process. LG&E and KU currently receive recovery of waivers and credits provided through other rate mechanisms.

*(PPL and PPL Electric)*

In April 2020, PPL Electric filed its annual transmission formula rate update with the FERC, reflecting a revised revenue requirement that took effect in June 2020.



**Other**

**Purchase of Receivables Program** *(PPL and PPL Electric)*

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative electricity suppliers at a discount, which reflects a provision for credit losses. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. Accounts receivable that are acquired are initially recorded at fair value on the date of acquisition. During the three and six months ended June 30, 2020, PPL Electric purchased \$240 million and \$551 million of accounts receivable from alternative suppliers. During the three and six months ended June 30, 2019, PPL Electric purchased \$271 million and \$619 million of accounts receivable from alternative suppliers.

**8. Financing Activities**

**Credit Arrangements and Short-term Debt**

*(All Registrants)*

The Registrants maintain credit facilities to enhance liquidity, provide credit support and act as a backstop to commercial paper programs. For reporting purposes, on a consolidated basis, the credit facilities and commercial paper programs of PPL Electric, LKE, LG&E and KU also apply to PPL and the credit facilities and commercial paper programs of LG&E and KU also apply to LKE. The amounts listed in the borrowed column below are recorded as "Short-term debt" on the Balance Sheets except for borrowings under PPL Capital Funding's term loan agreement due March 2022, which are reflected in "Long-term debt" on the Balance Sheets. The following credit facilities were in place at:

	Expiration Date	June 30, 2020				December 31, 2019			
		Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	
<b>PPL</b>									
<b>U.K.</b>									
WPD plc									
Syndicated Credit Facility (a)	Jan. 2023	£ 210	£ 162	£ —	£ 48	£ 155	£ —	£ —	£ —
WPD (South West)									
Syndicated Credit Facility (b)	May 2023	220	—	—	220	40	—	—	—
WPD (South Wales)									
Syndicated Credit Facility (c)	May 2023	125	5	—	120	—	—	—	—
WPD (East Midlands)									
Syndicated Credit Facility	May 2023	250	—	—	250	—	—	—	—
WPD (West Midlands)									
Syndicated Credit Facility (d)	May 2023	250	39	—	211	48	—	—	—
Uncommitted Credit Facilities (e)		100	60	4	36	—	—	—	4
Total U.K. Credit Facilities (f)		£ 1,155	£ 266	£ 4	£ 885	£ 243	£ —	£ —	£ 4
<b>U.S.</b>									
PPL Capital Funding (g)									
Syndicated Credit Facility	Jan. 2024	\$ 1,450	\$ —	\$ —	\$ 1,450	\$ —	\$ —	\$ —	\$ 450
Term Loan Credit Facility	Mar. 2021	200	200	—	—	—	—	—	—
Bilateral Credit Facility	Mar. 2021	50	—	—	50	—	—	—	—
Bilateral Credit Facility	Mar. 2021	50	—	15	35	—	—	—	15
Term Loan Credit Facility	Mar. 2021	100	100	—	—	—	—	—	—
Term Loan Credit Facility	Mar. 2022	100	100	—	—	—	—	—	—
Total PPL Capital Funding Credit Facilities		\$ 1,950	\$ 400	\$ 15	\$ 1,535	\$ —	\$ —	\$ —	\$ 465
<b>PPL Electric</b>									
Syndicated Credit Facility	Jan. 2024	\$ 650	\$ —	\$ 201	\$ 449	\$ —	\$ —	\$ —	\$ 1
<b>LG&amp;E</b>									
Syndicated Credit Facility	Jan. 2024	\$ 500	\$ —	\$ —	\$ 500	\$ —	\$ —	\$ —	\$ 238
Total LG&E Credit Facilities		\$ 500	\$ —	\$ —	\$ 500	\$ —	\$ —	\$ —	\$ 238
<b>KU</b>									
Syndicated Credit Facility	Jan. 2024	\$ 400	\$ —	\$ —	\$ 400	\$ —	\$ —	\$ —	\$ 150
Total KU Credit Facilities		\$ 400	\$ —	\$ —	\$ 400	\$ —	\$ —	\$ —	\$ 150

- (a) The amounts borrowed at June 30, 2020 and December 31, 2019 were USD-denominated borrowings of \$200 million for both periods, which bore interest at 1.00% and 2.52%. The interest rates on the borrowings are equal to one-month USD LIBOR plus a spread.
- (b) The amount borrowed at December 31, 2019 was GBP-denominated borrowings which equated to \$51 million and bore interest at 1.09%. The interest rate on the borrowing are equal to one-month GBP LIBOR plus a margin.
- (c) The amount borrowed at June 30, 2020 was GBP-denominated borrowing which equated to \$6 million and bore interest at 0.60%. The interest rate on the borrowing are equal to one-month GBP LIBOR plus a margin.
- (d) The amount borrowed at June 30, 2020 and December 31, 2019 were GBP-denominated borrowings which equated to \$48 million and \$62 million and bore interest at 0.60% and 1.11%. The interest rates on the borrowings are equal to one-month GBP LIBOR plus a margin.
- (e) The amount borrowed at June 30, 2020 was GBP-denominated borrowings which equated to \$74 million and bore interest at 1.35%.
- (f) At June 30, 2020, the unused capacity under the U.K. credit facilities was \$1.1 billion.
- (g) The interest rates on the borrowings are based on one-month LIBOR plus a spread, which resulted in a weighted-average rate of 1.04% at June 30, 2020.

(PPL)

In March 2020, PPL Capital Funding entered into a \$200 million term loan credit facility expiring in March 2021 and borrowed the full principal amount under the facility at an initial interest rate of 1.96%. The applicable interest rate on borrowings fluctuates periodically and is based on LIBOR plus a spread. The proceeds were used to repay short-term debt and for general corporate purposes.

In April 2020, PPL Capital Funding entered into a \$100 million term loan credit facility expiring in March 2021 and borrowed the full principal amount under the facility at an initial interest rate of 1.73%. The applicable interest rate on borrowings fluctuates periodically and is based on LIBOR plus a spread. The proceeds were used to repay short-term debt and for general corporate purposes.

PPL has guaranteed PPL Capital Funding's obligations under these credit agreements.

(All Registrants)

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's credit facilities. The following commercial paper programs were in place at:

	June 30, 2020				December 31, 2019	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Capital Funding	—%	\$ 1,500	\$ —	\$ 1,500	2.13%	\$ 450
PPL Electric	0.26%	650	200	450	—	—
LG&E	—%	350	—	350	2.07%	238
KU	—%	350	—	350	2.02%	150
<b>Total</b>		<b>\$ 2,850</b>	<b>\$ 200</b>	<b>\$ 2,650</b>		<b>\$ 838</b>

(PPL Electric, LKE, LG&E, and KU)

See Note 11 for discussion of intercompany borrowings.

### Long-term Debt

(PPL)

In April 2020, PPL Capital Funding entered into a \$100 million term loan credit facility expiring in March 2022 and borrowed the full principal amount under the facility at an initial interest rate of 1.72%. The applicable interest rate on borrowings fluctuates periodically and is based on LIBOR plus a spread. The proceeds were used to repay short-term debt and for general corporate purposes.

In April 2020, PPL Capital Funding issued \$1 billion of 4.125% Senior Notes due 2030. PPL Capital Funding received proceeds of \$993 million, net of a discount and underwriting fees, which were used to repay short-term debt and for general corporate purposes.

PPL has guaranteed PPL Capital Funding's obligations under the credit agreement and notes.

(PPL and LKE)

In June 2020, LKE issued a notice to redeem its series of \$475 million of 3.75% senior notes due November 2020 on August 15, 2020.

(PPL, LKE and KU)

In June 2020, KU issued \$500 million of 3.30% First Mortgage Bonds due 2050. KU received proceeds of \$493 million, net of discounts and underwriting fees, which were initially used to repay short-term debt and for other general corporate purposes, pending application to the redemption of KU's 3.25% First Mortgage Bonds in August 2020.

In August 2020, KU redeemed \$500 million of 3.25% First Mortgage Bonds due November 2020.

**Equity Securities**

**ATM Program**

In February 2018, PPL entered into an equity distribution agreement, pursuant to which PPL may sell, from time to time, up to an aggregate of \$1.0 billion of its common stock through an at-the-market offering program, including a forward sales component. The compensation paid to the selling agents by PPL may be up to 2% of the gross offering proceeds of the shares. There were no issuances under the ATM program for the six months ended June 30, 2020.

**Distributions**

In May 2020, PPL declared a quarterly common stock dividend, payable July 1, 2020, of 41.50 cents per share (equivalent to \$1.66 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

**9. Defined Benefits**

(PPL, LKE and LG&E)

Certain net periodic defined benefit costs are applied to accounts that are further distributed among capital, expense, regulatory assets and regulatory liabilities, including certain costs allocated to applicable subsidiaries for plans sponsored by PPL Services and LKE. Following are the net periodic defined benefit costs (credits) of the plans sponsored by PPL and its subsidiaries, LKE, and LG&E for the periods ended June 30:

	Pension Benefits								
	Three Months				Six Months				
	U.S.		U.K.		U.S.		U.K.		
	2020	2019	2020	2019	2020	2019	2020	2019	
<b>PPL</b>									
Service cost	\$ 15	\$ 12	\$ 21	\$ 17	\$ 28	\$ 25	\$ 44	\$ 34	
Interest cost	36	41	35	48	74	82	71	95	
Expected return on plan assets	(63)	(61)	(151)	(150)	(123)	(122)	(309)	(298)	
Amortization of:									
Prior service cost	2	2	—	—	4	4	—	—	
Actuarial loss	24	14	52	23	44	27	106	47	
Net periodic defined benefit costs (credits) before settlements	14	8	(43)	(62)	27	16	(88)	(122)	
Settlements	—	—	—	—	—	1	—	—	
Net periodic defined benefit costs (credits)	\$ 14	\$ 8	\$ (43)	\$ (62)	\$ 27	\$ 17	\$ (88)	\$ (122)	

	Pension Benefits			
	Three Months		Six Months	
	2020	2019	2020	2019
	<b>LKE</b>			
Service cost	\$ 7	\$ 5	\$ 12	\$ 11
Interest cost	13	17	29	33
Expected return on plan assets	(26)	(26)	(50)	(51)
Amortization of:				
Prior service cost	2	2	4	4
Actuarial loss (a)	10	6	19	10
Net periodic defined benefit costs	\$ 6	\$ 4	\$ 14	\$ 7

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(a) As a result of treatment approved by the KPSC, the difference between actuarial loss calculated in accordance with LKE's accounting policy and actuarial loss calculated using a 15-year amortization period was \$3 million and \$6 million for the three and six months ended June 30, 2020 and \$1 million for the three and six months ended June 30, 2019. This difference is recorded as a regulatory asset.

	Pension Benefits	
	Three Months	Six Months
	2019 (a)	2019 (a)
<b>LG&amp;E</b>		
Service cost	\$ 1	\$ 1
Interest cost	3	6
Expected return on plan assets	(5)	(11)
Amortization of:		
Prior service cost	2	3
Actuarial loss	1	3
Net periodic defined benefit costs	\$ 2	\$ 2

(a) The pension plans sponsored by LKE and LG&E were merged effective January 1, 2020 into the LG&E and KU Pension Plan, sponsored by LKE.

	Other Postretirement Benefits			
	Three Months		Six Months	
	2020	2019	2020	2019
<b>PPL</b>				
Service cost	\$ 1	\$ 1	\$ 3	\$ 2
Interest cost	5	5	10	11
Expected return on plan assets	(6)	(4)	(11)	(9)
Amortization of prior service cost	1	—	1	—
Net periodic defined benefit costs	\$ 1	\$ 2	\$ 3	\$ 4

	Other Postretirement Benefits			
	Three Months		Six Months	
	2020	2019	2020	2019
<b>LKE</b>				
Service cost	\$ 1	\$ 1	\$ 2	\$ 2
Interest cost	2	2	4	4
Expected return on plan assets	(3)	(2)	(5)	(4)
Amortization of:				
Prior service cost	—	1	—	1
Actuarial gain	—	(1)	—	(1)
Net periodic defined benefit costs	\$ —	\$ 1	\$ 1	\$ 2

(PPL Electric, LG&E and KU)

PPL Electric is allocated costs of defined benefit plans sponsored by PPL Services and LG&E and KU are allocated costs of defined benefit plans sponsored by LKE. LG&E and KU are also allocated costs of defined benefit plans from LKS for defined benefit plans sponsored by LKE. See Note 11 for additional information on costs allocated to LG&E and KU from LKS. These allocations are based on participation in those plans, which management believes are reasonable. For the periods ended June 30, PPL Services allocated the following net periodic defined benefit costs to PPL Electric, and LKE allocated the following net periodic defined benefit costs to LG&E and KU:

	Three Months		Six Months	
	2020	2019	2020	2019
PPL Electric	\$ 3	\$ 2	\$ 6	\$ 5
LG&E (a)	2	1	5	2
KU	—	—	1	—

(a) Allocations to LG&E increased in 2020 primarily due to the merger of plans sponsored by LKE and LG&E effective January 1, 2020 into the LG&E and KU Pension Plan.

*(All Registrants)*

The non-service cost components of net periodic defined benefit costs (credits) (interest cost, expected return on plan assets, amortization of prior service cost and amortization of actuarial gain and loss) are presented in "Other Income (Expense) - net" on the Statements of Income. See Note 12 for additional information.

## 10. Commitments and Contingencies

### Legal Matters

*(All Registrants)*

PPL and its subsidiaries are involved in legal proceedings, claims and litigation in the ordinary course of business. PPL and its subsidiaries cannot predict the outcome of such matters, or whether such matters may result in material liabilities, unless otherwise noted.

#### Talen Litigation (PPL)

##### *Background*

In September 2013, one of PPL's former subsidiaries, PPL Montana entered into an agreement to sell its hydroelectric generating facilities. In June 2014, PPL and PPL Energy Supply, the parent company of PPL Montana, entered into various definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and ultimately combine it with Riverstone's competitive power generation businesses to form a stand-alone company named Talen Energy. In November 2014, after executing the spinoff agreements but prior to the closing of the spinoff transaction, PPL Montana closed the sale of its hydroelectric generating facilities. Subsequently, on June 1, 2015, the spinoff of PPL Energy Supply was completed. Following the spinoff transaction, PPL had no continuing ownership interest in or control of PPL Energy Supply. In connection with the spinoff transaction, PPL Montana became Talen Montana, LLC (Talen Montana), a subsidiary of Talen Energy. Talen Energy Marketing also became a subsidiary of Talen Energy as a result of the June 2015 spinoff of PPL Energy Supply. Talen Energy has owned and operated both Talen Montana and Talen Energy Marketing since the spinoff. At the time of the spinoff, affiliates of Riverstone acquired a 35% ownership interest in Talen Energy. Riverstone subsequently acquired the remaining interests in Talen Energy in a take private transaction in December 2016.

*Talen Montana Retirement Plan and Talen Energy Marketing, LLC, Individually and on Behalf of All Others Similarly Situated v. PPL Corporation et al.*

On October 29, 2018, Talen Montana Retirement Plan and Talen Energy Marketing filed a putative class action complaint on behalf of current and contingent creditors of Talen Montana who allegedly suffered harm or allegedly will suffer reasonably foreseeable harm as a result of a November 2014 distribution of proceeds from the sale of then-PPL Montana's hydroelectric generating facilities. The action was filed in the Sixteenth Judicial District of the State of Montana, Rosebud County, against PPL and certain of its affiliates and current and former officers and directors (Talen Putative Class Action). Plaintiff asserts claims for, among other things, fraudulent transfer, both actual and constructive; recovery against subsequent transferees; civil conspiracy; aiding and abetting tortious conduct; and unjust enrichment. Plaintiff is seeking avoidance of the purportedly fraudulent transfer, unspecified damages, including punitive damages, the imposition of a constructive trust, and other relief. In December 2018, PPL removed the Talen Putative Class Action from the Sixteenth Judicial District of the State of Montana to the United States District Court for the District of Montana, Billings Division (MT Federal Court). In January 2019, the plaintiff moved to remand the Talen Putative Class Action back to state court, and dismissed without prejudice all current and former PPL Corporation directors from the case. In September 2019, the MT Federal Court granted plaintiff's motion to remand the case back to state court. Although, the PPL defendants petitioned the Ninth Circuit Court of Appeals to grant an appeal of the remand decision, in November 2019, the Ninth Circuit Court of Appeals denied that request and in December 2019, Talen Montana Retirement Plan filed a Second Amended Complaint in the Sixteenth Judicial District of the State of Montana, Rosebud County, which removed Talen Energy Marketing as a plaintiff. In January 2020, PPL defendants filed a motion to dismiss the Second Amended Complaint. The Court held a hearing on June 24, 2020 regarding the motion to dismiss. PPL cannot predict the Court's decision.

*PPL Corporation et al. vs. Riverstone Holdings LLC, Talen Energy Corporation et al.*

On November 30, 2018, PPL, certain PPL affiliates, and certain current and former officers and directors (PPL plaintiffs) filed a complaint in the Court of Chancery of the State of Delaware seeking various forms of relief against Riverstone, Talen Energy and certain of their affiliates (Delaware Action), in response to and as part of the defense strategy for an action filed by Talen Montana, LLC (the Talen Direct Action, since dismissed) and the Talen Putative Class Action described above (together, the Montana Actions) originally filed in Montana state court in October 2018. In the complaint, the PPL plaintiffs ask the Delaware Court of Chancery for declaratory and injunctive relief. This includes a declaratory judgment that, under the separation agreement governing the spinoff of PPL Energy Supply, all related claims that arise must be heard in Delaware; that the statute of limitations in Delaware and the spinoff agreement bar these claims at this time; that PPL is not liable for the claims in either the Talen Direct Action or the Talen Putative Class Action as PPL Montana was solvent at all relevant times; and that the separation agreement requires that Talen Energy indemnify PPL for all losses arising from the debts of Talen Montana, among other things. PPL's complaint also seeks damages against Riverstone for interfering with the separation agreement and against Riverstone affiliates for breach of the implied covenant of good faith and fair dealing. The complaint was subsequently amended on January 11, 2019 and March 20, 2019, to include, among other things, claims related to indemnification with respect to the Montana Actions, request a declaration that the Montana Actions are time-barred under the spinoff agreements, and allege additional facts to support the tortious interference claim. In April 2019, the defendants filed motions to dismiss the amended complaint. In July 2019, the Court heard oral arguments from the parties regarding the motions to dismiss, and in October 2019, the Delaware Court of Chancery issued an opinion sustaining all of the PPL plaintiffs' claims except for the claim for breach of implied covenant of good faith and fair dealing. As a result of the dismissal of the Talen Direct Action in December 2019, in January 2020, Talen Energy filed a new motion to dismiss five of the remaining eight claims in the amended complaint. The Court heard oral argument on the motion to dismiss on May 28, 2020, and on June 22, 2020, issued an opinion denying the motion in its entirety. Discovery is proceeding, and a trial has been scheduled for June 2021.

With respect to each of the Talen-related matters described above, PPL believes that the 2014 distribution of proceeds was made in compliance with all applicable laws and that PPL Montana was solvent at all relevant times. Additionally, the agreements entered into in connection with the spinoff, which PPL and affiliates of Talen Energy and Riverstone negotiated and executed prior to the 2014 distribution, directly address the treatment of the proceeds from the sale of PPL Montana's hydroelectric generating facilities; in those agreements, Talen Energy and Riverstone definitively agreed that PPL was entitled to retain the proceeds.

PPL believes that it has meritorious defenses to the claims made in the Talen Putative Class Action and intends to continue to vigorously defend against this action. The Talen Putative Class Action and the Delaware Action are both in early stages of litigation; at this time, PPL cannot predict the outcome of these matters or estimate the range of possible losses, if any, that PPL might incur as a result of the claims, although they could be material.

*(PPL, LKE and LG&E)*

Cane Run Environmental Claims

In December 2013, six residents, on behalf of themselves and others similarly situated, filed a class action complaint against LG&E and PPL in the U.S. District Court for the Western District of Kentucky (U.S. District Court) alleging violations of the Clean Air Act, RCRA, and common law claims of nuisance, trespass and negligence. In July 2014, the U.S. District Court dismissed the RCRA claims and all but one Clean Air Act claim, but declined to dismiss the common law tort claims. In February 2017, the U.S. District Court dismissed PPL as a defendant and dismissed the final federal claim against LG&E, and in April 2017, issued an Order declining to exercise supplemental jurisdiction on the state law claims dismissing the case in its entirety. In June 2017, the plaintiffs filed a class action complaint in Jefferson County, Kentucky Circuit Court, against LG&E alleging state law nuisance, negligence and trespass tort claims. The plaintiffs seek compensatory and punitive damages for alleged property damage due to purported plant emissions on behalf of a class of residents within one to three miles of the plant. On January 8, 2020, the Jefferson Circuit Court issued an order denying the plaintiffs' request for class certification. On January 14, 2020, the plaintiffs filed a notice of appeal in the Kentucky Court of Appeals. PPL, LKE and LG&E cannot predict the outcome of this matter and an estimate or range of possible losses cannot be determined.

*(PPL, LKE and KU)*

E.W. Brown Environmental Claims

In July 2017, the Kentucky Waterways Alliance and the Sierra Club filed a citizen suit complaint against KU in the U.S. District Court for the Eastern District of Kentucky (U.S. District Court) alleging discharges at the E.W. Brown plant in violation of the Clean Water Act and the plant's water discharge permit, and alleging contamination that may present an imminent and substantial endangerment in violation of the RCRA. The plaintiffs' suit relates to prior notices of intent to file a citizen suit submitted in October and November 2015 and October 2016. These plaintiffs sought injunctive relief ordering KU to take all actions necessary to comply with the Clean Water Act and RCRA, including ceasing the discharges in question, abating effects associated with prior discharges and eliminating the alleged imminent and substantial endangerment. These plaintiffs also sought assessment of civil penalties and an award of litigation costs and attorney fees. In December 2017, the U.S. District Court issued an Order dismissing the Clean Water Act and RCRA complaints against KU in their entirety. In January 2018, the plaintiffs appealed the dismissal Order to the U.S. Court of Appeals for the Sixth Circuit. In September 2018, the U.S. Court of Appeals for the Sixth Circuit issued its ruling affirming the lower court's decision to dismiss the Clean Water Act claims but reversing its dismissal of the RCRA claims against KU and remanding the latter to the U.S. District Court. In October 2018, KU filed a petition for rehearing to the U.S. Court of Appeals for the Sixth Circuit regarding the RCRA claims. In November 2018, the U.S. Court of Appeals for the Sixth Circuit denied KU's petition for rehearing regarding the RCRA claims. In January 2019, KU filed an answer to plaintiffs' complaint in the U.S. District Court. A trial has been scheduled to begin in February 2021. PPL, LKE and KU cannot predict the outcome of these matters and an estimate or range of possible losses cannot be determined.

KU is undertaking extensive remedial measures at the E.W. Brown plant including work preparing for closure of the former ash pond, implementation of a groundwater remedial action plan and performance of a corrective action plan including aquatic study of adjacent surface waters and risk assessment. The aquatic study and risk assessment are being undertaken pursuant to a 2017 agreed Order with the Kentucky Energy and Environment Cabinet (KEEC). KU conducted sampling of Herrington Lake in 2017 and 2018. In June 2019, KU submitted to the KEEC the required aquatic study and risk assessment, conducted by an independent third-party consultant, finding that discharges from the E.W. Brown plant have not had any significant impact on Herrington Lake and that the water in the lake is safe for recreational use and meets safe drinking water standards. However, until the KEEC assesses the study and issues any regulatory determinations, PPL, LKE and KU are unable to determine whether additional remedial measures will be required at the E.W. Brown plant.

Air

*Sulfuric Acid Mist Emissions (PPL, LKE and LG&E)*

In June 2016, the EPA issued a notice of violation under the Clean Air Act alleging that LG&E violated applicable rules relating to sulfuric acid mist emissions at its Mill Creek plant. The notice alleges failure to install proper controls, failure to operate the facility consistent with good air pollution control practice, and causing emissions exceeding applicable requirements or constituting a nuisance or endangerment. LG&E believes it has complied with applicable regulations during the relevant time period. On July 31, 2020, the U.S. Department of Justice filed a complaint in the U.S. District Court for the Western District of Kentucky alleging violations specified in the EPA notice of violation and seeking civil penalties and injunctive relief. PPL, LKE and LG&E are unable to predict the outcome of this matter or the potential impact on operations of the Mill Creek plant, including increased capital or operating costs, and potential civil penalties or remedial measures, if any. An estimate or range of possible losses cannot be determined.

Water/Waste

*(PPL, LKE, LG&E and KU)*

ELGs

In 2015, the EPA finalized ELGs for wastewater discharge permits for new and existing steam electricity generating facilities. These guidelines require deployment of additional control technologies providing physical, chemical and biological treatment and mandate operational changes including "no discharge" requirements for certain wastewaters. The implementation date for individual generating stations was to be determined by the states on a case-by-case basis according to criteria provided by the EPA. Legal challenges to the final rule were consolidated before the U.S. Court of Appeals for the Fifth Circuit. In April 2017, the EPA announced that it would grant petitions for reconsideration of the rule. In September 2017, the EPA issued a rule to



postpone the compliance date for certain requirements. On November 22, 2019, the EPA issued proposed revisions to its best available technology standards for certain wastewaters. The EPA has indicated that it expects to complete its reconsideration of best available technology standards by the fall of 2020. Upon completion of the ongoing regulatory proceedings, the rule will be implemented by the states in the course of their normal permitting activities. LG&E and KU are developing responsive compliance strategies and schedules. PPL, LKE, LG&E and KU are unable to predict the outcome of the EPA's pending reconsideration of the rule or fully estimate compliance costs or timing. Additionally, certain aspects of these compliance plans and estimates relate to developments in state water quality standards, which are separate from the ELG rule or its implementation. Costs to comply with ELGs or other discharge limits are expected to be significant. Certain costs are included in the Registrants' capital plans and are subject to rate recovery. See Note 7 for additional information regarding LG&E's and KU's applications for ECR rate treatment of construction costs relating to regulations addressing ELGs.

#### CCRs

In 2015, the EPA issued a final rule governing management of CCRs which include fly ash, bottom ash and sulfur dioxide scrubber wastes. The CCR Rule imposes extensive new requirements for certain CCR impoundments and landfills, including public notifications, location restrictions, design and operating standards, groundwater monitoring and corrective action requirements, and closure and post-closure care requirements, and specifies restrictions relating to the beneficial use of CCRs. Legal challenges to the final rule are pending before the D.C. Circuit Court of Appeals. In July 2018, the EPA issued a final rule extending the deadline for closure of certain impoundments and adopting other substantive changes. In August 2018, the D.C. Circuit Court of Appeals vacated and remanded portions of the CCR Rule. In December 2019, the EPA addressed the deficiencies identified by the court and proposed amendments to change the closure deadline. In July 2020, the EPA issued a final rule extending the closure deadline to April 11, 2021, while providing for certain extensions. EPA has announced that additional amendments to the rule are planned. PPL, LKE, LG&E and KU are unable to predict the outcome of the ongoing litigation and rulemaking or potential impacts on current LG&E and KU compliance plans. The Registrants are currently finalizing closure plans and schedules.

In January 2017, Kentucky issued a new state rule relating to CCR management, effective May 2017, aimed at reflecting the requirements of the federal CCR rule. As a result of a subsequent legal challenge, in January 2018, the Franklin County, Kentucky Circuit Court issued an opinion invalidating certain procedural elements of the rule. LG&E and KU presently operate their facilities under continuing permits authorized under the former program and do not currently anticipate material impacts as a result of the judicial ruling. The Kentucky Energy and Environmental Cabinet has announced it intends to propose new state rules aimed at addressing procedural deficiencies identified by the court and providing the regulatory framework necessary for operation of the state program in lieu of the federal CCR Rule. Associated costs are expected to be subject to rate recovery.

LG&E and KU received KPSC approval for a compliance plan providing for the closure of impoundments at the Mill Creek, Trimble County, E.W. Brown, and Ghent stations, and construction of process water management facilities at those plants. In addition to the foregoing measures required for compliance with the federal CCR rule, KU also received KPSC approval for its plans to close impoundments at the retired Green River, Pineville and Tyrone plants to comply with applicable state law. Since 2017, LG&E and KU have commenced closure of many of the subject impoundments and have completed closure of some of their smaller impoundments. LG&E and KU expect to commence closure of the remaining impoundments no later than August 2020. LG&E and KU generally expect to complete impoundment closures within five years of commencement, although a longer period may be required to complete closure of some facilities. Associated costs are expected to be subject to rate recovery.

In connection with the final CCR rule, LG&E and KU recorded adjustments to existing AROs beginning in 2015 and continue to record adjustments as required. See Note 15 for additional information. Further changes to AROs, current capital plans or operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results, and regulatory or legal proceedings. Costs relating to this rule are subject to rate recovery.

*(All Registrants)*

#### Superfund and Other Remediation

PPL Electric, LG&E and KU are potentially responsible for investigating and remediating contamination under the federal Superfund program and similar state programs. Actions are under way at certain sites including former coal gas manufacturing plants in Pennsylvania and Kentucky previously owned or operated by, or currently owned by predecessors or affiliates of, PPL Electric, LG&E and KU. PPL Electric is potentially responsible for a share of clean-up costs at certain sites including the

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Columbia Gas Plant site and the Brodhead site. Clean-up actions have been or are being undertaken at all of these sites, the costs of which have not been and are not expected to be significant to PPL Electric.

As of June 30, 2020 and December 31, 2019, PPL Electric had a recorded liability of \$10 million representing its best estimate of the probable loss incurred to remediate the sites identified above. Depending on the outcome of investigations at identified sites where investigations have not begun or been completed, or developments at sites for which information is incomplete, additional costs of remediation could be incurred. PPL Electric, LG&E and KU lack sufficient information about such additional sites to estimate any potential liability or range of reasonably possible losses, if any, related to these sites. Such costs, however, are not currently expected to be significant.

The EPA is evaluating the risks associated with polycyclic aromatic hydrocarbons and naphthalene, chemical by-products of coal gas manufacturing. As a result, individual states may establish stricter standards for water quality and soil cleanup, that could require several PPL subsidiaries to take more extensive assessment and remedial actions at former coal gas manufacturing plants. PPL, PPL Electric, LKE, LG&E and KU cannot estimate a range of possible losses, if any, related to these matters.

**Regulatory Issues** *(All Registrants)*

See Note 7 for information on regulatory matters related to utility rate regulation.

Electricity - Reliability Standards

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk electric system in North America. The FERC oversees this process and independently enforces the Reliability Standards.

The Reliability Standards have the force and effect of law and apply to certain users of the bulk electric system, including electric utility companies, generators and marketers. Under the Federal Power Act, the FERC may assess civil penalties for certain violations.

PPL Electric, LG&E and KU monitor their compliance with the Reliability Standards and self-report or self-log potential violations of applicable reliability requirements whenever identified, and submit accompanying mitigation plans, as required. The resolution of a small number of potential violations is pending. Penalties incurred to date have not been significant. Any Regional Reliability Entity determination concerning the resolution of violations of the Reliability Standards remains subject to the approval of the NERC and the FERC.

In the course of implementing their programs to ensure compliance with the Reliability Standards by those PPL affiliates subject to the standards, certain other instances of potential non-compliance may be identified from time to time. The Registrants cannot predict the outcome of these matters, and an estimate or range of possible losses cannot be determined.

**Other**

Labor Union Agreements

*(LKE and KU)*

In August 2020, KU and the United Steelworkers of America ratified a three-year labor agreement through August 2023. The agreement covers approximately 48 employees. The terms of the new labor agreement are not expected to have a significant impact on the financial results of LKE or KU.

Guarantees and Other Assurances

*(All Registrants)*

In the normal course of business, the Registrants enter into agreements that provide financial performance assurance to third parties on behalf of certain subsidiaries. Such agreements include, for example, guarantees, stand-by letters of credit issued by financial institutions and surety bonds issued by insurance companies. These agreements are entered into primarily to support or enhance the creditworthiness attributed to a subsidiary on a stand-alone basis or to facilitate the commercial activities in which these subsidiaries engage.

(PPL)

PPL fully and unconditionally guarantees all of the debt securities of PPL Capital Funding.

(All Registrants)

The table below details guarantees provided as of June 30, 2020. "Exposure" represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee. The probability of expected payment/performance under each of these guarantees is remote except for "WPD guarantee of pension and other obligations of unconsolidated entities," for which PPL has a total recorded liability of \$4 million at June 30, 2020 and \$5 million at December 31, 2019. For reporting purposes, on a consolidated basis, all guarantees of PPL Electric, LKE, LG&E and KU also apply to PPL, and all guarantees of LG&E and KU also apply to LKE.

	Exposure at June 30, 2020	Expiration Date
<b>PPL</b>		
WPD indemnifications for entities in liquidation and sales of assets	\$ 10 (a)	2022
WPD guarantee of pension and other obligations of unconsolidated entities	77 (b)	
<b>LKE</b>		
Indemnification of lease termination and other divestitures	200 (c)	2021
<b>LG&amp;E and KU</b>		
LG&E and KU obligation of shortfall related to OVEC		(d)

- (a) Indemnification to the liquidators and certain others for existing liabilities or expenses or liabilities arising during the liquidation process. The indemnifications are limited to distributions made from the subsidiary to its parent either prior or subsequent to liquidation or are not explicitly stated in the agreements. The indemnifications generally expire two to seven years subsequent to the date of dissolution of the entities. The exposure noted only includes those cases where the agreements provide for specific limits.

In connection with their sales of various businesses, WPD and its affiliates have provided the purchasers with indemnifications that are standard for such transactions, including indemnifications for certain pre-existing liabilities and environmental and tax matters or have agreed to continue their obligations under existing third-party guarantees, either for a set period of time following the transactions or upon the condition that the purchasers make reasonable efforts to terminate the guarantees. Additionally, WPD and its affiliates remain secondarily responsible for lease payments under certain leases that they have assigned to third parties.

- (b) Relates to certain obligations of discontinued or modified electric associations that were guaranteed at the time of privatization by the participating members. Costs are allocated to the members and can be reallocated if an existing member becomes insolvent. At June 30, 2020, WPD has recorded an estimated discounted liability for which the expected payment/performance is probable. Neither the expiration date nor the maximum amount of potential payments for certain obligations is explicitly stated in the related agreements, and as a result, the exposure has been estimated.
- (c) LKE provides certain indemnifications covering the due and punctual payment, performance and discharge by each party of its respective obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under a 2009 Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a maximum exposure of \$200 million exclusive of certain items such as government fines and penalties that may exceed the maximum. Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates. The indemnifications vary by entity and the maximum exposures range from being capped at the sale price to no specified maximum. LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. LKE cannot predict the ultimate outcomes of the various indemnification scenarios, but does not expect such outcomes to result in significant losses above the amounts recorded.
- (d) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts included within a demand charge designed and expected to cover these costs over the term of the contract. LKE's proportionate share of OVEC's outstanding debt was \$106 million at June 30, 2020, consisting of LG&E's share of \$74 million and KU's share of \$32 million. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" in Note 13 in PPL's, LKE's, LG&E's and KU's 2019 Form 10-K for additional information on the OVEC power purchase contract.

In March 2018, a sponsor with a 4.85% pro-rata share of OVEC obligations filed for bankruptcy under Chapter 11 and, in August 2018, received a rejection order for the OVEC power purchase contract in the bankruptcy proceeding. OVEC and other entities challenged the contract rejection, the bankruptcy plan confirmation and regulatory aspects of the plan in various forums. In May 2020, OVEC and the relevant sponsor announced a settlement resolving all disputed matters in the bankruptcy and other proceedings, including providing that the sponsor will withdraw its request to reject the power purchase agreement. The settlement was implemented in July 2020. Periodically, OVEC and certain of its sponsors, including LG&E and KU, may consider certain potential additional credit support actions to preserve OVEC's access to credit markets, including establishing or continuing debt reserve accounts or other changes involving OVEC's existing short and long-term debt.

The Registrants provide other miscellaneous guarantees through contracts entered into in the normal course of business. These guarantees are primarily in the form of indemnification or warranties related to services or equipment and vary in duration. The amounts of these guarantees often are not explicitly stated, and the overall maximum amount of the obligation under such guarantees cannot be reasonably estimated. Historically, no significant payments have been made with respect to these types of guarantees and the probability of payment/performance under these guarantees is remote.

PPL, on behalf of itself and certain of its subsidiaries, maintains insurance that covers liability assumed under contract for bodily injury and property damage. The coverage provides maximum aggregate coverage of \$225 million. This insurance may be applicable to obligations under certain of these contractual arrangements.

### **Risks and Uncertainties** (*All Registrants*)

The COVID-19 pandemic has disrupted the U.S. and global economies and continues to present extraordinary challenges to businesses, communities, workforces and markets. In the U.S. and throughout the world, governmental authorities have taken urgent and extensive actions to contain the spread of the virus and mitigate known or foreseeable impacts. In the Registrants' service territories, mitigation measures have included quarantines, stay-at-home orders, travel restrictions, reduced operations or closures of businesses, schools and governmental agencies, and legislative or regulatory actions to address health or other pandemic-related concerns, all of which have the potential to adversely impact the Registrants' business and operations, especially if these measures remain in effect for a prolonged period of time.

To date, the Registrants have not experienced a significant impact on their business, results of operations, financial condition, liquidity, operations or on their supply chain as a result of COVID-19; however, the duration and severity of the outbreak and its ultimate effects on the global economy, the financial markets, or the Registrants' workforce, customers and suppliers are uncertain. A protracted slowdown of broad sectors of the economy, prolonged or pervasive restrictions on businesses and their workforces, or significant changes in legislation or regulatory policy to address the COVID-19 pandemic all present significant risks to the Registrants. These or other unpredictable events resulting from the pandemic could further reduce customer demand for electricity and gas, impact the Registrants' employees and supply chains, result in an increase in certain costs, delay payments or increase bad debts, or result in changes in the fair value of their assets and liabilities, which could materially and adversely affect the Registrants' business, results of operations, financial condition or liquidity.

## **11. Related Party Transactions**

### **Support Costs** (*PPL Electric, LKE, LG&E and KU*)

PPL Services, PPL EU Services and LKS provide PPL, PPL Electric, LKE, their respective subsidiaries, including LG&E and KU, and each other with administrative, management and support services. For all services companies, the costs of directly assignable and attributable services are charged to the respective recipients as direct support costs. General costs that cannot be directly assigned or attributed to a specific entity are allocated and charged to the respective recipients as indirect support costs. PPL Services and PPL EU Services use a three-factor methodology that includes the applicable recipients' invested capital, operation and maintenance expenses and number of employees to allocate indirect costs. PPL Services may also use a ratio of overall direct and indirect costs or a weighted average cost ratio. LKS bases its indirect allocations on the subsidiaries' number of employees, total assets, revenues, number of customers and/or other statistical information. PPL Services, PPL EU Services and LKS charged the following amounts for the periods ended June 30, including amounts applied to accounts that are further distributed between capital and expense on the books of the recipients, based on methods that are believed to be reasonable.

	Three Months		Six Months	
	2020	2019	2020	2019
PPL Electric from PPL Services	\$ 14	\$ 13	\$ 26	\$ 29
LKE from PPL Services	7	5	13	14
PPL Electric from PPL EU Services	41	37	82	74
LG&E from LKS	44	37	82	75
KU from LKS	46	41	87	84

In addition to the charges for services noted above, LKS makes payments on behalf of LG&E and KU for fuel purchases and other costs for products or services provided by third parties. LG&E and KU also provide services to each other and to LKS. Billings between LG&E and KU relate to labor and overheads associated with union and hourly employees performing work for the other company, charges related to jointly-owned generating units and other miscellaneous charges. Tax settlements between LKE and LG&E and KU are reimbursed through LKS.

## **Intercompany Borrowings**

### *(PPL Electric)*

PPL Energy Funding maintains a \$650 million revolving line of credit with a PPL Electric subsidiary. No balance was outstanding at June 30, 2020 and December 31, 2019. The interest rates on borrowings are equal to one-month LIBOR plus a spread. Interest income is reflected in "Interest Income from Affiliate" on the Income Statements.

### *(LKE)*

LKE maintains a \$375 million revolving line of credit with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. The interest rates on borrowings are equal to one-month LIBOR plus a spread. At June 30, 2020 and December 31, 2019, \$252 million and \$150 million were outstanding and reflected in "Notes payable with affiliates" on the Balance Sheets. The interest rates on the outstanding borrowings at June 30, 2020 and December 31, 2019 were 1.68% and 3.20%. Interest expense on the revolving line of credit was not significant for the three and six months ended June 30, 2020 and 2019.

LKE maintains an agreement with a PPL affiliate that has a \$300 million borrowing limit whereby LKE can loan funds on a short-term basis at market-based rates. No balance was outstanding at June 30, 2020 and December 31, 2019. The interest rate on the loan is based on the PPL affiliate's credit rating and equal to one-month LIBOR plus a spread.

LKE maintains ten-year notes of \$400 million and \$250 million with a PPL affiliate with interest rates of 3.5% and 4%. At June 30, 2020 and December 31, 2019, the notes were reflected in "Long-term debt to affiliate" on the Balance Sheets. Interest expense on the \$400 million note was \$3 million and \$7 million for the three and six months ended June 30, 2020 and 2019. Interest expense on the \$250 million note was \$2 million and \$5 million for the three and six months ended June 30, 2020 and 2019.

In May 2020, LKE entered into a \$450 million term loan credit agreement with a PPL affiliate whereby LKE can borrow funds on a short-term basis at market-based rates. Interest on borrowings is determined as the lower of the daily rate for 30-day non-financial commercial paper programs plus a spread or one-month LIBOR plus a spread. The agreement expires on August 31, 2020. No balances were outstanding at June 30, 2020. Interest expense on borrowings was not significant for the three and six months ended June 30, 2020.

### *(LG&E and KU)*

LG&E participates in an intercompany money pool agreement whereby LKE and/or KU make available to LG&E funds up to \$750 million at an interest rate based on a market index of commercial paper issues. At June 30, 2020, LG&E had borrowings outstanding from KU in the amount of \$190 million. This balance is reflected in "Notes payable with affiliates" at LG&E and "Notes receivable from affiliate" at KU on the Balance Sheets. No balances were outstanding at December 31, 2019.

KU participates in an intercompany money pool agreement whereby LKE and/or LG&E make available to KU funds up to \$650 million at an interest rate based on a market index of commercial paper issues. No balances were outstanding at June 30, 2020 and December 31, 2019.

### **VEBA Funds Receivable** *(PPL Electric)*

In May 2018, PPL received a favorable private letter ruling from the IRS permitting a transfer of excess funds from the PPL Bargaining Unit Retiree Health Plan VEBA to a new subaccount within the VEBA, to be used to pay medical claims of active bargaining unit employees. Based on PPL Electric's participation in PPL's Other Postretirement Benefit plan, PPL Electric was allocated a portion of the excess funds from PPL Services. These funds have been recorded as an intercompany receivable on PPL Electric's Balance Sheets. The receivable balance decreases as PPL Electric pays incurred medical claims and is reimbursed by PPL Services. The intercompany receivable balance associated with these funds was \$28 million as of June 30, 2020, of which \$10 million was reflected in "Accounts receivable from affiliates" and \$18 million was reflected in "Other noncurrent assets" on the PPL Electric Balance Sheet. The intercompany receivable balance associated with these funds was \$32 million as of December 31, 2019, of which \$10 million was reflected in "Accounts receivable from affiliates" and \$22 million was reflected in "Other noncurrent assets" on the PPL Electric Balance Sheet.

**Other (PPL Electric, LG&E and KU)**

See Note 9 for discussions regarding intercompany allocations associated with defined benefits.

**12. Other Income (Expense) - net**

(PPL)

The details of "Other Income (Expense) - net" for the periods ended June 30, were:

	Three Months		Six Months	
	2020	2019	2020	2019
Other Income				
Economic foreign currency exchange contracts (Note 14)	\$ 1	\$ 45	\$ 63	\$ 12
Defined benefit plans - non-service credits (Note 9)	67	80	135	160
Interest income	1	3	2	9
AFUDC - equity component	5	6	8	11
Miscellaneous	1	3	2	9
Total Other Income	75	137	210	201
Other Expense				
Charitable contributions	1	—	2	2
Miscellaneous	(2)	6	7	16
Total Other Expense	(1)	6	9	18
Other Income (Expense) - net	\$ 76	\$ 131	\$ 201	\$ 183

**13. Fair Value Measurements**

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models) and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. See Note 1 in each Registrant's 2019 Form 10-K for information on the levels in the fair value hierarchy.

**Recurring Fair Value Measurements**

The assets and liabilities measured at fair value were:

	June 30, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<b>PPL</b>								
Assets								
Cash and cash equivalents	\$ 1,278	\$ 1,278	\$ —	\$ —	\$ 815	\$ 815	\$ —	\$ —
Restricted cash and cash equivalents (a)	23	23	—	—	21	21	—	—
Special use funds (a):								
Commingled debt fund measured at NAV (b)	27	—	—	—	29	—	—	—
Commingled equity fund measured at NAV (b)	26	—	—	—	27	—	—	—
Total special use funds	53	—	—	—	56	—	—	—

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	June 30, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<b>Price risk management assets (c):</b>								
Foreign currency contracts	108	—	108	—	142	—	142	—
Cross-currency swaps	201	—	201	—	154	—	154	—
Total price risk management assets	309	—	309	—	296	—	296	—
Total assets	\$ 1,663	\$ 1,301	\$ 309	\$ —	\$ 1,188	\$ 836	\$ 296	\$ —
<b>Liabilities</b>								
<b>Price risk management liabilities (c):</b>								
Interest rate swaps	\$ 38	\$ —	\$ 38	\$ —	\$ 21	\$ —	\$ 21	\$ —
Foreign currency contracts	—	—	—	—	5	—	5	—
Total price risk management liabilities	\$ 38	\$ —	\$ 38	\$ —	\$ 26	\$ —	\$ 26	\$ —
<b>PPL Electric</b>								
<b>Assets</b>								
Cash and cash equivalents	\$ 13	\$ 13	\$ —	\$ —	\$ 262	\$ 262	\$ —	\$ —
Restricted cash and cash equivalents (a)	2	2	—	—	2	2	—	—
Total assets	\$ 15	\$ 15	\$ —	\$ —	\$ 264	\$ 264	\$ —	\$ —
<b>LKE</b>								
<b>Assets</b>								
Cash and cash equivalents	\$ 152	\$ 152	\$ —	\$ —	\$ 27	\$ 27	\$ —	\$ —
Cash collateral posted to counterparties (d)	2	2	—	—	—	—	—	—
Total assets	\$ 154	\$ 154	\$ —	\$ —	\$ 27	\$ 27	\$ —	\$ —
<b>Liabilities</b>								
<b>Price risk management liabilities:</b>								
Interest rate swaps	\$ 28	\$ —	\$ 28	\$ —	\$ 21	\$ —	\$ 21	\$ —
Total price risk management liabilities	\$ 28	\$ —	\$ 28	\$ —	\$ 21	\$ —	\$ 21	\$ —
<b>LG&amp;E</b>								
<b>Assets</b>								
Cash and cash equivalents	\$ 5	\$ 5	\$ —	\$ —	\$ 15	\$ 15	\$ —	\$ —
Cash collateral posted to counterparties (d)	2	2	—	—	—	—	—	—
Total assets	\$ 7	\$ 7	\$ —	\$ —	\$ 15	\$ 15	\$ —	\$ —
<b>Liabilities</b>								
<b>Price risk management liabilities:</b>								
Interest rate swaps	\$ 28	\$ —	\$ 28	\$ —	\$ 21	\$ —	\$ 21	\$ —
Total price risk management liabilities	\$ 28	\$ —	\$ 28	\$ —	\$ 21	\$ —	\$ 21	\$ —
<b>KU</b>								
<b>Assets</b>								
Cash and cash equivalents	\$ 145	\$ 145	\$ —	\$ —	\$ 12	\$ 12	\$ —	\$ —
Total assets	\$ 145	\$ 145	\$ —	\$ —	\$ 12	\$ 12	\$ —	\$ —

- (a) Current portion is included in "Other current assets" and long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
- (b) In accordance with accounting guidance, certain investments that are measured at fair value using net asset value per share (NAV), or its equivalent, have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Balance Sheets.
- (c) Current portion is included in "Price risk management assets" and "Other current liabilities" and noncurrent portion is included in "Price risk management assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.
- (d) Included in "Other noncurrent assets" on the Balance Sheets. Represents cash collateral posted to offset the exposure with counterparties related to certain interest rate swaps under master netting arrangements that are not offset.

**Special Use Funds***(PPL)*

The special use funds are investments restricted for paying active union employee medical costs. In May 2018, PPL received a favorable private letter ruling from the IRS permitting a transfer of excess funds from the PPL Bargaining Unit Retiree Health Plan VEBA to a new subaccount within the VEBA to be used to pay medical claims of active bargaining unit employees. The funds are invested primarily in commingled debt and equity funds measured at NAV and are classified as investments in equity securities. Changes in fair value of the funds are recorded to the Statements of Income.

**Price Risk Management Assets/Liabilities - Interest Rate Swaps/Foreign Currency Contracts/Cross-Currency Swaps***(PPL, LKE, LG&E and KU)*

To manage interest rate risk, PPL, LKE, LG&E and KU use interest rate contracts such as forward-starting swaps, floating-to-fixed swaps and fixed-to-floating swaps. To manage foreign currency exchange risk, PPL uses foreign currency contracts such as forwards, options and cross-currency swaps that contain characteristics of both interest rate and foreign currency contracts. An income approach is used to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates) and forward foreign currency exchange rates (e.g., GBP), as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, market information cannot practicably be obtained to value credit risk and therefore internal models are relied upon. These models use projected probabilities of default and estimated recovery rates based on historical observances. When the credit valuation adjustment is significant to the overall valuation, the contracts are classified as Level 3.

**Financial Instruments Not Recorded at Fair Value (All Registrants)**

The carrying amounts of long-term debt on the Balance Sheets and their estimated fair values are set forth below. Long-term debt is classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	June 30, 2020		December 31, 2019	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	\$ 23,156	\$ 27,894	\$ 21,893	\$ 25,481
PPL Electric	3,986	4,939	3,985	4,589
LKE	6,497	7,704	6,002	6,766
LG&E	2,005	2,436	2,005	2,278
KU	3,117	3,727	2,623	3,003

(a) Amounts are net of debt issuance costs.

The carrying amounts of other current financial instruments (except for long-term debt due within one year) approximate their fair values because of their short-term nature.



## 14. Derivative Instruments and Hedging Activities

### Risk Management Objectives

*(All Registrants)*

PPL has a risk management policy approved by the Board of Directors to manage market risk associated with commodities, interest rates on debt issuances and foreign exchange (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The Risk Management Committee, comprised of senior management and chaired by the Senior Director-Risk Management, oversees the risk management function. Key risk control activities designed to ensure compliance with the risk policy and detailed programs include, but are not limited to, credit review and approval, validation of transactions, verification of risk and transaction limits, value-at-risk analyses (VaR, a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level) and the coordination and reporting of the Enterprise Risk Management program.

### Market Risk

Market risk includes the potential loss that may be incurred as a result of price changes associated with a particular financial or commodity instrument as well as market liquidity and volumetric risks. Forward contracts, futures contracts, options, swaps and structured transactions are utilized as part of risk management strategies to minimize unanticipated fluctuations in earnings caused by changes in commodity prices, interest rates and foreign currency exchange rates. Many of these contracts meet the definition of a derivative. All derivatives are recognized on the Balance Sheets at their fair value, unless NPNS is elected.

The following summarizes the market risks that affect PPL and its subsidiaries.

#### *Interest Rate Risk*

- PPL and its subsidiaries are exposed to interest rate risk associated with forecasted fixed-rate and existing floating-rate debt issuances. PPL and WPD hold over-the-counter cross currency swaps to limit exposure to market fluctuations on interest and principal payments from changes in foreign currency exchange rates and interest rates. PPL, LKE and LG&E utilize over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt. PPL, WPD, LKE, LG&E and KU utilize forward starting interest rate swaps to hedge changes in benchmark interest rates, when appropriate, in connection with future debt issuances.
- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities and derivatives held by defined benefit plans. This risk is significantly mitigated to the extent that the plans are sponsored at, or sponsored on behalf of, the regulated domestic utilities and for certain plans at WPD due to the recovery methods in place.

#### *Foreign Currency Risk (PPL)*

- PPL is exposed to foreign currency exchange risk primarily associated with its investments in and earnings of U.K. affiliates.

*(All Registrants)*

#### *Commodity Price Risk*

PPL is exposed to commodity price risk through its domestic subsidiaries as described below.

- PPL Electric is required to purchase electricity to fulfill its obligation as a PLR. Potential commodity price risk is insignificant and mitigated through its PUC-approved cost recovery mechanism and full-requirement supply agreements to serve its PLR customers which transfer the risk to energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel, fuel-related expenses and energy purchases. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.

#### *Volumetric Risk*

Volumetric risk is the risk related to the changes in volume of retail sales due to weather, economic conditions or other factors. PPL is exposed to volumetric risk through its subsidiaries as described below.

- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RHO-ED1 price control regulations, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2019 Form 10-K for additional information on revenue recognition under RHO-ED1.
- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

#### *Equity Securities Price Risk*

- PPL and its subsidiaries are exposed to equity securities price risk associated with the fair value of the defined benefit plans' assets. This risk is significantly mitigated at the regulated domestic utilities and for certain plans at WPD due to the recovery methods in place.
- PPL is exposed to equity securities price risk from future stock sales and/or purchases.

#### **Credit Risk**

Credit risk is the potential loss that may be incurred due to a counterparty's non-performance.

PPL is exposed to credit risk from "in-the-money" interest rate and foreign currency derivatives with financial institutions, as well as additional credit risk through certain of its subsidiaries, as discussed below.

In the event a supplier of PPL Electric, LG&E or KU defaults on its obligation, those Registrants would be required to seek replacement power or replacement fuel in the market. In general, subject to regulatory review or other processes, appropriate incremental costs incurred by these entities would be recoverable from customers through applicable rate mechanisms, thereby mitigating the financial risk for these entities.

PPL and its subsidiaries have credit policies in place to manage credit risk, including the use of an established credit approval process, daily monitoring of counterparty positions and the use of master netting agreements or provisions. These agreements generally include credit mitigation provisions, such as margin, prepayment or collateral requirements. PPL and its subsidiaries may request additional credit assurance, in certain circumstances, in the event that the counterparties' credit ratings fall below investment grade, their tangible net worth falls below specified percentages or their exposures exceed an established credit limit.

#### **Master Netting Arrangements** (*PPL, LKE, LG&E and KU*)

Net derivative positions on the balance sheets are not offset against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

PPL had a \$22 million and \$14 million obligation to return cash collateral under master netting arrangements at June 30, 2020 and December 31, 2019.

LKE, LG&E and KU had no obligation to return cash collateral under master netting arrangements at June 30, 2020 and December 31, 2019.

PPL, LKE and LG&E posted \$2 million of cash collateral under master netting arrangements at June 30, 2020. KU had no obligation to post cash collateral under master netting arrangements at June 30, 2020. PPL, LKE, LG&E and KU had no obligation to post cash collateral under master netting arrangements at December 31, 2019.

See "Offsetting Derivative Instruments" below for a summary of derivative positions presented in the balance sheets where a right of setoff exists under these arrangements.

#### **Interest Rate Risk**

*(All Registrants)*

PPL and its subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. A variety of financial derivative instruments are utilized to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of the debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under PPL's risk management program are designed to balance risk exposure to volatility in interest expense and changes

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in the fair value of the debt portfolio due to changes in benchmark interest rates. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

**Cash Flow Hedges (PPL)**

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. At June 30, 2020, PPL held an aggregate notional value in interest rate swap contracts of £126 million (approximately \$155 million based on spot rates) that mature in 2035 to hedge interest payments of WPD's anticipated September 2020 debt issuance.

At June 30, 2020, PPL held an aggregate notional value in cross-currency interest rate swap contracts of \$702 million that range in maturity from 2021 through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes.

Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time period and any amounts previously recorded in AOCI are reclassified into earnings once it is determined that the hedged transaction is not probable of occurring.

For the three and six months ended June 30, 2020 and 2019, PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges.

At June 30, 2020, the amount of accumulated net unrecognized after-tax gains (losses) on qualifying derivatives expected to be reclassified into earnings during the next 12 months is insignificant. Amounts are reclassified as the hedged interest expense is recorded.

**Economic Activity (PPL, LKE and LG&E)**

LG&E enters into interest rate swap contracts that economically hedge interest payments on variable rate debt. Because realized gains and losses from the swaps, including terminated swap contracts, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income at the time the underlying hedged interest expense is recorded. At June 30, 2020, LG&E held contracts with a notional amount of \$147 million that range in maturity through 2033.

**Foreign Currency Risk (PPL)**

PPL is exposed to foreign currency risk, primarily through investments in and earnings of U.K. affiliates. PPL has adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities, anticipated transactions and net investments. In addition, PPL enters into financial instruments to protect against foreign currency translation risk of expected GBP earnings.

**Net Investment Hedges**

PPL enters into foreign currency contracts on behalf of a subsidiary to protect the value of a portion of its net investment in WPD. There were no contracts outstanding at June 30, 2020.

At June 30, 2020 and December 31, 2019, PPL had \$33 million and \$32 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI.

**Economic Activity**

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At June 30, 2020, the total exposure hedged by PPL was approximately £447 million (approximately \$666 million based on contracted rates). These contracts have termination dates ranging from July 2020 through July 2021.

**Accounting and Reporting**

(All Registrants)

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless NPNS is elected. NPNS contracts include certain full requirement purchase contracts and other physical purchase contracts. Changes in the fair value of derivatives not designated as NPNS are recognized in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair values of LG&E's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 7 for amounts recorded in regulatory assets and regulatory liabilities at June 30, 2020 and December 31, 2019.

See Note 1 in each Registrant's 2019 Form 10-K for additional information on accounting policies related to derivative instruments.

(PPL)

The following table presents the fair value and location of derivative instruments recorded on the Balance Sheets.

	June 30, 2020				December 31, 2019			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Current:</b>								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	\$ —	\$ 10	\$ —	\$ 4	\$ —	\$ —	\$ —	\$ 4
Cross-currency swaps (b)	127	—	—	—	5	—	—	—
Foreign currency contracts	—	—	107	—	—	—	142	5
Total current	127	10	107	4	5	—	142	9
<b>Noncurrent:</b>								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	—	—	—	24	—	—	—	17
Cross-currency swaps (b)	74	—	—	—	149	—	—	—
Foreign currency contracts	—	—	1	—	—	—	—	—
Total noncurrent	74	—	1	24	149	—	—	17
Total derivatives	\$ 201	\$ 10	\$ 108	\$ 28	\$ 154	\$ —	\$ 142	\$ 26

(a) Current portion is included in "Price risk management assets" and "Other current liabilities" and noncurrent portion is included in "Price risk management assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.  
 (b) Excludes accrued interest, if applicable.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the period ended June 30, 2020.

Derivative Relationships	Three Months		Six Months		Location of Gain (Loss) Recognized in Income on Derivative	Three Months		Six Months	
	Derivative Gain (Loss) Recognized in OCI	Derivative Gain (Loss) Recognized in OCI	Derivative Gain (Loss) Recognized in OCI	Derivative Gain (Loss) Recognized in OCI		Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Reclassified from AOCI into Income		
<b>Cash Flow Hedges:</b>									
Interest rate swaps	\$ (5)	\$ (10)		Interest expense		\$ (2)	\$ (5)		
Cross-currency swaps	39	54		Other income (expense) - net		26	32		
Total	\$ 34	\$ 44				\$ 24	\$ 27		
<b>Net Investment Hedges:</b>									
Foreign currency contracts	\$ 1	\$ 1							

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Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months		Six Months	
Foreign currency contracts	Other income (expense) - net	\$	1	\$	63
Interest rate swaps	Interest expense		(2)		(3)
	Total	\$	(1)	\$	60
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months		Six Months	
Interest rate swaps	Regulatory assets - noncurrent	\$	1	\$	(7)

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the period ended June 30, 2019.

Derivative Relationships	Three Months		Six Months		Location of Gain (Loss) Recognized in Income on Derivative	Three Months		Six Months	
	Derivative Gain (Loss) Recognized in OCI	Derivative Gain (Loss) Recognized in OCI	Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Reclassified from AOCI into Income		Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Reclassified from AOCI into Income		
Cash Flow Hedges:									
Interest rate swaps	\$ (8)	\$ (8)	\$ (2)	\$ (4)	Interest expense				
Cross-currency swaps	51	28	35	7	Other income (expense) - net				
Total	\$ 43	\$ 20	\$ 33	\$ 3					
Net Investment Hedges:									
Foreign currency contracts	\$ 1	\$ 1							

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months		Six Months	
Foreign currency contracts	Other income (expense) - net	\$	45	\$	12
Interest rate swaps	Interest expense		(1)		(2)
	Total	\$	44	\$	10
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months		Six Months	
Interest rate swaps	Regulatory assets - noncurrent	\$	(2)	\$	(3)

The following table presents the effect of cash flow hedge activity on the Statement of Income for the period ended June 30, 2020.

	Location and Amount of Gain (Loss) Recognized in Income on Hedging Relationships			
	Three Months		Six Months	
	Interest Expense	Other Income (Expense) - net	Interest Expense	Other Income (Expense) - net
Total income and expense line items presented in the income statement in which the effect of cash flow hedges are recorded	\$ 253	\$ 76	\$ 501	\$ 201
The effects of cash flow hedges:				
Gain (Loss) on cash flow hedging relationships:				
Interest rate swaps:				
Amount of gain (loss) reclassified from AOCI to income	(2)	—	(5)	—
Cross-currency swaps:				
Hedged items	—	(26)	—	(32)
Amount of gain (loss) reclassified from AOCI to income	—	26	—	32

(LKE and LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivatives not designated as hedging instruments.

	June 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	\$ —	\$ 4	\$ —	\$ 4
Total current	—	4	—	4
Noncurrent:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	—	24	—	17
Total noncurrent	—	24	—	17
Total derivatives	\$ —	\$ 28	\$ —	\$ 21

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the period ended June 30, 2020.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months		Six Months	
Interest rate swaps	Interest expense	\$ (2)	\$ (3)		

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months		Six Months	
Interest rate swaps	Regulatory assets - noncurrent	\$ 1	\$ (7)		

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the period ended June 30, 2019.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months		Six Months	
Interest rate swaps	Interest expense	\$ (1)	\$ (2)		

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months		Six Months	
Interest rate swaps	Regulatory assets - noncurrent	\$ (2)	\$ (3)		

(PPL, LKE, LG&E and KU)

#### Offsetting Derivative Instruments

PPL, LKE, LG&E and KU or certain of their subsidiaries have master netting arrangements in place and also enter into agreements pursuant to which they purchase or sell certain energy and other products. Under the agreements, upon termination of the agreement as a result of a default or other termination event, the non-defaulting party typically would have a right to set off amounts owed under the agreement against any other obligations arising between the two parties (whether under the agreement or not), whether matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation.

PPL, LKE, LG&E and KU have elected not to offset derivative assets and liabilities and not to offset net derivative positions against the right to reclaim cash collateral pledged (an asset) or the obligation to return cash collateral received (a liability) under derivatives agreements. The table below summarizes the derivative positions presented in the balance sheets where a right of setoff exists under these arrangements and related cash collateral received or pledged.

	Assets				Liabilities			
	Gross	Eligible for Offset		Net	Gross	Eligible for Offset		Net
		Derivative Instruments	Cash Collateral Received			Derivative Instruments	Cash Collateral Pledged	
<b>June 30, 2020</b>								
<b>Treasury Derivatives</b>								
PPL	\$ 309	\$ —	\$ 22	\$ 287	\$ 38	\$ —	\$ 2	\$ 36
LKE	—	—	—	—	28	—	2	26
LG&E	—	—	—	—	28	—	2	26
<b>December 31, 2019</b>								
<b>Treasury Derivatives</b>								
PPL	\$ 296	\$ 5	\$ 14	\$ 277	\$ 26	\$ 5	\$ —	\$ 21
LKE	—	—	—	—	21	—	—	21
LG&E	—	—	—	—	21	—	—	21

**Credit Risk-Related Contingent Features**

Certain derivative contracts contain credit risk-related contingent features which, when in a net liability position, would permit the counterparties to require the transfer of additional collateral upon a decrease in the credit ratings of PPL, LKE, LG&E and KU or certain of their subsidiaries. Most of these features would require the transfer of additional collateral or permit the counterparty to terminate the contract if the applicable credit rating were to fall below investment grade. Some of these features also would allow the counterparty to require additional collateral upon each downgrade in credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade, and assuming no assignment to an investment grade affiliate were allowed, most of these credit contingent features require either immediate payment of the net liability as a termination payment or immediate and ongoing full collateralization on derivative instruments in net liability positions.

Additionally, certain derivative contracts contain credit risk-related contingent features that require adequate assurance of performance be provided if the other party has reasonable concerns regarding the performance of PPL's, LKE's, LG&E's and KU's obligations under the contracts. A counterparty demanding adequate assurance could require a transfer of additional collateral or other security, including letters of credit, cash and guarantees from a creditworthy entity. This would typically involve negotiations among the parties. However, amounts disclosed below represent assumed immediate payment or immediate and ongoing full collateralization for derivative instruments in net liability positions with "adequate assurance" features.

*(PPL, LKE and LG&E)*

At June 30, 2020, derivative contracts in a net liability position that contain credit risk-related contingent features, collateral posted on those positions and the related effect of a decrease in credit ratings below investment grade are summarized as follows:

	PPL	LKE	LG&E
Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent features	\$ 8	\$ 2	\$ 2
Aggregate fair value of collateral posted on these derivative instruments	—	—	—
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)	8	2	2

(a) Includes the effect of net receivables and payables already recorded on the Balance Sheet.

**15. Asset Retirement Obligations**

(PPL, LKE, LG&E and KU)

PPL's, LKE's, LG&E's and KU's ARO liabilities are primarily related to CCR closure costs. See Note 10 for information on the CCR rule. LG&E also has AROs related to natural gas mains and wells. LG&E's and KU's transmission and distribution lines largely operate under perpetual property easement agreements, which do not generally require restoration upon removal of the property. Therefore, no material AROs are recorded for transmission and distribution assets. For LKE, LG&E and KU, all ARO accretion and depreciation expenses are reclassified as a regulatory asset. ARO regulatory assets associated with certain CCR projects are amortized to expense in accordance with regulatory approvals. For other AROs, at the time of retirement, the related ARO regulatory asset is offset against the associated cost of removal regulatory liability, PP&E and ARO liability.

The changes in the carrying amounts of AROs were as follows.

	PPL	LKE	LG&E	KU
Balance at December 31, 2019	\$ 282	\$ 215	\$ 73	\$ 142
Accretion	7	7	2	5
Changes in estimated timing or cost	22	31	3	28
Effect of foreign currency exchange rates	(3)	—	—	—
Obligations settled	(35)	(35)	(11)	(24)
Balance at June 30, 2020	<u>\$ 273</u>	<u>\$ 218</u>	<u>\$ 67</u>	<u>\$ 151</u>

**16. Accumulated Other Comprehensive Income (Loss)**

(PPL)

The after-tax changes in AOCI by component for the periods ended June 30 were as follows.

	Foreign currency translation adjustments	Unrealized gains (losses) on qualifying derivatives	Defined benefit plans		Total
			Prior service costs	Actuarial gain (loss)	
<b>PPL</b>					
<b>March 31, 2020</b>	\$ (1,486)	\$ —	\$ (17)	\$ (2,863)	\$ (4,366)
Amounts arising during the period	(291)	28	—	(1)	(264)
Reclassifications from AOCI	—	(20)	1	47	28
Net OCI during the period	(291)	8	1	46	(236)
<b>June 30, 2020</b>	<u>\$ (1,777)</u>	<u>\$ 8</u>	<u>\$ (16)</u>	<u>\$ (2,817)</u>	<u>\$ (4,602)</u>
<b>December 31, 2019</b>	\$ (1,425)	\$ (5)	\$ (18)	\$ (2,910)	\$ (4,358)
Amounts arising during the period	(352)	36	—	(1)	(317)
Reclassifications from AOCI	—	(23)	2	94	73
Net OCI during the period	(352)	13	2	93	(244)
<b>June 30, 2020</b>	<u>\$ (1,777)</u>	<u>\$ 8</u>	<u>\$ (16)</u>	<u>\$ (2,817)</u>	<u>\$ (4,602)</u>
<b>March 31, 2019</b>	\$ (1,239)	\$ (2)	\$ (19)	\$ (2,387)	\$ (3,647)
Amounts arising during the period	(377)	35	—	(2)	(344)
Reclassifications from AOCI	—	(27)	1	21	(5)
Net OCI during the period	(377)	8	1	19	(349)
<b>June 30, 2019</b>	<u>\$ (1,616)</u>	<u>\$ 6</u>	<u>\$ (18)</u>	<u>\$ (2,368)</u>	<u>\$ (3,996)</u>
<b>December 31, 2018</b>	\$ (1,533)	\$ (7)	\$ (19)	\$ (2,405)	\$ (3,964)
Amounts arising during the period	(83)	16	—	(5)	(72)
Reclassifications from AOCI	—	(3)	1	42	40
Net OCI during the period	(83)	13	1	37	(32)
<b>June 30, 2019</b>	<u>\$ (1,616)</u>	<u>\$ 6</u>	<u>\$ (18)</u>	<u>\$ (2,368)</u>	<u>\$ (3,996)</u>



The following table presents PPL's gains (losses) and related income taxes for reclassifications from AOCI for the periods ended June 30.

Details about AOCI	Three Months		Six Months		Affected Line Item on the Statements of Income
	2020	2019	2020	2019	
<b>Qualifying derivatives</b>					
Interest rate swaps	\$ (2)	\$ (2)	\$ (5)	\$ (4)	Interest Expense
Cross-currency swaps	26	35	32	7	Other Income (Expense) - net
<b>Total Pre-tax</b>	<b>24</b>	<b>33</b>	<b>27</b>	<b>3</b>	
Income Taxes	(4)	(6)	(4)	—	
<b>Total After-tax</b>	<b>20</b>	<b>27</b>	<b>23</b>	<b>3</b>	
<b>Defined benefit plans</b>					
Prior service costs (a)	(1)	(1)	(2)	(1)	
Net actuarial loss (a)	(58)	(27)	(117)	(53)	
<b>Total Pre-tax</b>	<b>(59)</b>	<b>(28)</b>	<b>(119)</b>	<b>(54)</b>	
Income Taxes	11	6	23	11	
<b>Total After-tax</b>	<b>(48)</b>	<b>(22)</b>	<b>(96)</b>	<b>(43)</b>	
<b>Total reclassifications during the period</b>	<b>\$ (28)</b>	<b>\$ 5</b>	<b>\$ (73)</b>	<b>\$ (40)</b>	

(a) These AOCI components are included in the computation of net periodic defined benefit cost. See Note 9 for additional information.

## 17. Subsequent Events

(PPL)

On August 10, 2020, PPL announced that it is initiating a formal process to sell its U.K. utility business. PPL noted that there can be no assurance of any specific outcome, including whether the announcement will result in the completion of any potential transaction, the timing or terms thereof, the value or benefits that may be realized or the effect that any potential transaction will have on future financial results.

**Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations**

*(All Registrants)*

This "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" is separately filed by PPL, PPL Electric, LKE, LG&E and KU. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrant's related activities and disclosures. Within combined disclosures, amounts are disclosed for individual Registrants when significant.

The following should be read in conjunction with the Registrants' Condensed Consolidated Financial Statements and the accompanying Notes and with the Registrants' 2019 Form 10-K. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" includes the following information:

- "Overview" provides a description of each Registrant's business strategy and a discussion of important financial and operational developments.
- "Results of Operations" for all Registrants includes a "Statement of Income Analysis," which discusses significant changes in principal line items on the Statements of Income, comparing the three and six months ended June 30, 2020 with the same periods in 2019. For PPL, "Results of Operations" also includes "Segment Earnings" and "Adjusted Gross Margins," which provide a detailed analysis of earnings by reportable segment. These discussions include non-GAAP financial measures, including "Earnings from Ongoing Operations" and "Adjusted Gross Margins" and provide explanations of the non-GAAP financial measures and a reconciliation of the non-GAAP financial measures to the most comparable GAAP measure.
- "Financial Condition - Liquidity and Capital Resources" provides an analysis of the Registrants' liquidity positions and credit profiles. This section also includes a discussion of rating agency actions.
- "Financial Condition - Risk Management" provides an explanation of the Registrants' risk management programs relating to market and credit risk.

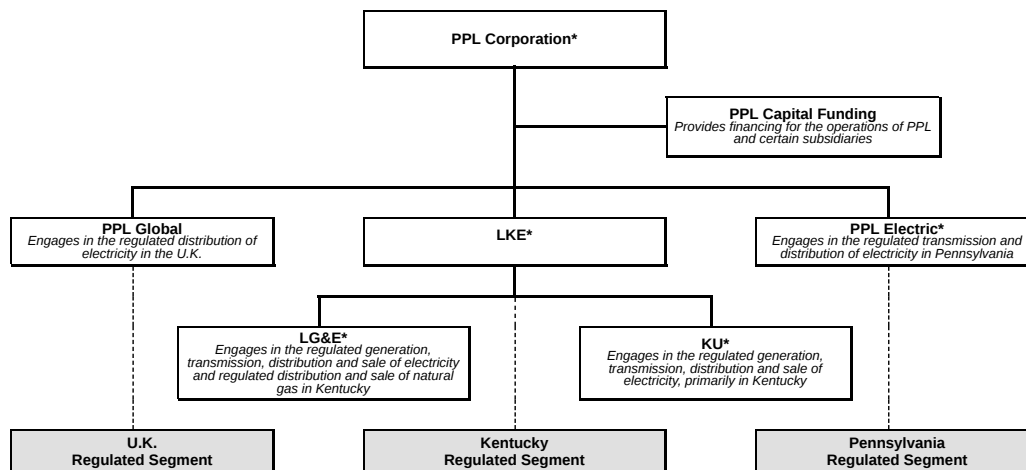
**Overview**

**Introduction**

*(PPL)*

PPL, headquartered in Allentown, Pennsylvania, is a utility holding company. PPL, through its regulated utility subsidiaries, delivers electricity to customers in the U.K., Pennsylvania, Kentucky and Virginia; delivers natural gas to customers in Kentucky; and generates electricity from power plants in Kentucky.

PPL's principal subsidiaries are shown below (\* denotes a Registrant).



PPL's reportable segments' results primarily represent the results of PPL Global, LKE and PPL Electric, except that the reportable segments are also allocated certain corporate level financing and other costs that are not included in the results of PPL Global, LKE and PPL Electric. PPL Global is not a Registrant. Unaudited annual consolidated financial statements for the U.K. Regulated segment are furnished on a Form 8-K with the SEC.

In addition to PPL, the other Registrants included in this filing are as follows.

*(PPL Electric)*

PPL Electric, headquartered in Allentown, Pennsylvania, is a wholly owned subsidiary of PPL and a regulated public utility that is an electricity transmission and distribution service provider in eastern and central Pennsylvania. PPL Electric is subject to regulation as a public utility by the PUC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. PPL Electric delivers electricity in its Pennsylvania service area and provides electricity supply to retail customers in that area as a PLR under the Customer Choice Act.

*(LKE)*

LKE, acquired in 2010 and headquartered in Louisville, Kentucky, is a wholly owned subsidiary of PPL and a holding company that owns regulated utility operations through its subsidiaries, LG&E and KU, which constitute substantially all of LKE's assets. LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain separate corporate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power name.

*(LG&E)*

LG&E, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas in Kentucky. LG&E is subject to regulation as a public utility by the KPSC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act.

*(KU)*

KU, headquartered in Lexington, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity in Kentucky and Virginia. KU is subject to regulation as a public

utility by the KPSC, the VSCC and certain of its transmission and wholesale power activities are subject to the jurisdiction of the FERC under the Federal Power Act. KU serves its Kentucky customers under the KU name and its Virginia customers under the Old Dominion Power name.

## **Business Strategy**

*(All Registrants)*

PPL operates seven fully regulated, high-performing utilities. These utilities are located in the U.K., Pennsylvania and Kentucky, in constructive regulatory jurisdictions with distinct regulatory structures and customer classes. PPL believes this business portfolio positions the company well for continued success and provides earnings and dividend growth potential.

PPL's strategy, and that of the other Registrants, is to deliver best-in-sector operational performance, invest in a sustainable energy future, maintain a strong financial foundation, and engage and develop its people. PPL's business plan is designed to achieve growth by providing efficient, reliable and safe operations and strong customer service, maintaining constructive regulatory relationships and achieving timely recovery of costs. These businesses are expected to achieve strong, long-term growth in rate base in the U.S. and RAV in the U.K. Rate base growth is being driven by planned significant capital expenditures to maintain existing assets and improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities.

For the U.S. businesses, central to PPL's strategy is recovering capital project costs efficiently through various rate-making mechanisms, including periodic base rate case proceedings using forward test years, annual FERC formula rate mechanisms and other regulatory agency-approved recovery mechanisms designed to limit regulatory lag. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, and gas supply clause) and recovery on construction work-in-progress that reduce regulatory lag and provide timely recovery of and return on, as appropriate, prudently incurred costs. In addition, the KPSC requires a utility to obtain a CPCN prior to constructing a facility, unless the construction is an ordinary extension of existing facilities in the usual course of business or does not involve sufficient capital expenditures to materially affect the utility's financial condition. Although such KPSC proceedings do not directly address cost recovery issues, the KPSC, in awarding a CPCN, concludes that the public convenience and necessity require the construction of the facility on the basis that the facility is the lowest reasonable cost alternative to address the need. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism, Smart Meter Rider and other recovery mechanisms operate to reduce regulatory lag and provide for timely recovery of and a return on, as appropriate, prudently incurred costs.

To manage financing costs and access to credit markets, and to fund capital expenditures, a key objective of the Registrants is to maintain their investment grade credit ratings and adequate liquidity positions. In addition, the Registrants have financial and operational risk management programs that, among other things, are designed to monitor and manage exposure to earnings and cash flow volatility, as applicable, related to changes in interest rates, foreign currency exchange rates and counterparty credit quality. To manage these risks, PPL generally uses contracts such as forwards, options and swaps. See "Financial Condition - Risk Management" below for further information.

Earnings generated by PPL's U.K. subsidiaries are subject to foreign currency translation risk. Because WPD's earnings represent such a significant portion of PPL's consolidated earnings, PPL enters into foreign currency contracts to economically hedge the value of the GBP versus the U.S. dollar. These hedges do not receive hedge accounting treatment under GAAP. See "Financial and Operational Developments - U.K. Membership in European Union" for additional discussion of the U.K. earnings hedging activity.

The U.K. subsidiaries also have currency exposure to the U.S. dollar to the extent of their U.S. dollar denominated debt. To manage these risks, PPL generally uses contracts such as forwards, options and cross-currency swaps that contain characteristics of both interest rate and foreign currency exchange contracts.

As discussed above, a key component of this strategy is to maintain constructive relationships with regulators in all jurisdictions in which the Registrants operate (U.K., U.S. federal and state). This is supported by a strong culture of integrity and delivering on commitments to customers, regulators and shareowners, and a commitment to continue to improve customer service, reliability and operational efficiency.

## Financial and Operational Developments

### *Initiation of Formal Process to Sell U.K. Utility Business (PPL)*

On August 10, 2020, PPL announced that it is initiating a formal process to sell its U.K. utility business. PPL noted that there can be no assurance of any specific outcome, including whether the announcement will result in the completion of any potential transaction, the timing or terms thereof, the value or benefits that may be realized or the effect that any potential transaction will have on future financial results.

### *Outbreak of COVID-19 (All Registrants)*

The continued spread of COVID-19 has led to global economic disruption and volatility in financial markets. The Registrants have taken significant steps to mitigate the potential spread of COVID-19 to our customers, suppliers and employees. PPL has successfully implemented its company-wide pandemic plan, which guides the emergency response. Business continuity and other precautionary measures have been taken to ensure we can continue to safely provide reliable electricity and gas service to our customers. The Registrants have implemented social distancing measures for all employees including work from home arrangements where possible and continue to implement strong physical and cyber security measures to ensure that systems function effectively to serve operational and remote workforce needs. The Registrants continue to monitor developments affecting their workforces and customers and will take additional actions as appropriate to respond to changing conditions and mitigate the impacts.

This is a rapidly evolving situation that could lead to extended disruption of economic activity in the Registrants' markets for an undetermined period of time. Lock-down or closure of non-essential businesses has occurred in each of the Registrants' service territories, which has resulted in reductions in commercial and industrial demand and an increase in residential demand for electricity service. The financial impact of this net reduction in load has not been material to the Registrants' year to date 2020 financial results. The impact on future periods will depend upon various factors, including the pace and extent to which the Registrants' jurisdictions reopen their economies and community response to the reopening of businesses as well as the extent that businesses continue work from home protocols. We cannot predict these factors and therefore cannot quantify the overall impact COVID-19 will have on our 2020 results of operations.

The Registrants are committed to supporting their customers and communities and have followed federal and state mandates to suspend disconnections for non-payment and new late fees and have worked to reconnect service for customers who had previously been disconnected, where required. Despite suspension of disconnections for non-payment, the Registrants have not experienced a significant reduction of cash receipts and have not made significant adjustments to their allowance for uncollectible accounts for potential additional expected credit losses. The Registrants will continue to monitor cash receipts and accounts receivable aging to determine if future increases in their allowance for uncollectible accounts is required.

At June 30, 2020, the Registrants had approximately \$4.0 billion of combined unused credit facility capacity. In addition, PPL Capital Funding, PPL Electric, LG&E and KU may, subject to certain conditions, increase their syndicated credit facilities in an aggregate amount of up to \$1 billion. In addition, in April 2020, PPL Capital Funding issued \$1 billion in senior notes. In June 2020, KU issued \$500 million of First Mortgage Bonds due 2050. Based on these actions the Registrants do not anticipate a significant impact on their financial condition or liquidity, and do not foresee difficulties in accessing the capital markets in the near-term. See Note 8 to the Financial Statements for additional information.

The Registrants have assessed the fair value of their assets and liabilities and no impairment charges were required. See "Goodwill Assessment" below for additional information on the interim goodwill impairment test performed for the U.K. Regulated segment reporting unit in the first quarter of 2020.

PPL's pension plans continue to be well-funded as its liability-driven investment strategy and active management have mitigated investment losses resulting from recent market volatility and significant declines in equity values.

PPL has executed hedges to mitigate the foreign exchange risk to its U.K. earnings. The COVID-19 outbreak has put additional downward pressure on the GBP to U.S. dollar exchange rate. As of August 5, 2020, PPL's foreign exchange exposure related to budgeted earnings is approximately 95% hedged for 2020 at an average rate of \$1.47 per GBP and approximately 8% hedged for 2021 at an average rate of \$1.32 per GBP. Although PPL cannot predict the impact of COVID-19 on foreign exchange rates, the impact could be significant.

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In response to COVID-19, on March 27, 2020, President Donald Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). PPL evaluated the provisions of the CARES Act and believes there is no significant effect on its financial statements. Certain tax provisions may result in immaterial cash benefits in 2020.

To date, there has been no material impact on the Registrants' business, financial condition, liquidity or on their supply chain as a result of COVID-19. For the six months ended June 30, 2020, the following estimated reductions in revenue and incremental costs incurred resulted from the impact of COVID-19:

	PPL		WPD		LKE		LG&E		KU	
Reduction in revenue	\$	61	\$	40	\$	21	\$	9	\$	12
Incremental costs		20		15		5		2		3

WPD tariffs are set to recover allowed revenues. Any under-recoveries, including the estimated \$40 million above, will be added to revenue, with interest, in future years through K-factor. See discussion of K-factor in "Item 1. Business" of PPL's 2019 Form 10-K. The impact on revenue and incremental COVID-19 related costs were insignificant at PPL Electric.

The ultimate severity or duration of the outbreak or its effects on the global economy, the capital markets, or the Registrants' workforce, contractors, customers and suppliers is uncertain. The Registrants cannot predict the ultimate impact COVID-19 will have on their financial position, results of operations, cash flows or liquidity.

#### *Goodwill Assessment (PPL, LKE, LG&E and KU)*

The COVID-19 pandemic has disrupted the U.S. and global economies and continues to present extraordinary challenges to businesses, communities, workforces and markets. In the U.S. and throughout the world, governmental authorities have taken urgent and extensive actions to contain the spread of the virus and mitigate known or foreseeable impacts. In the Registrants' service territories, mitigation measures have included quarantines, stay-at-home orders, travel restrictions, reduced operations or closures of businesses, schools and governmental agencies, and legislative or regulatory actions to address health or other pandemic-related concerns, all of which have the potential to adversely impact the Registrants' business and operations, especially if these measures remain in effect for a prolonged period of time. PPL's shares have experienced volatility and a decrease in market value since the outbreak of COVID-19.

During the three month period ended March 31, 2020, PPL, LKE, LG&E and KU considered whether these events would more likely than not reduce the fair value of the Registrants' reporting units below their carrying amounts. Based on our assessment, a quantitative impairment test was not required for the LKE, LG&E and KU reporting units, but was required for the U.K. Regulated segment reporting unit, the allocated goodwill of which was \$2.5 billion at March 31, 2020. The test did not indicate impairment of the reporting unit.

Management used both discounted cash flows and market multiples, including implied RAV premiums, which required significant assumptions, to estimate the fair value of the reporting units. Significant assumptions used in the discounted cash flows include discount and growth rates, the finalization of RIIO-ED2, and projected operating and capital cash flows. Projected operating and capital cash flows are based on the internal business plans, which assume the occurrence of certain future events. Significant assumptions used in the market multiples include sector market performance and comparable transactions.

A high degree of judgment is required to develop estimates related to fair value conclusions. A decrease in the forecasted cash flows of 10%, an increase in the discount rate of 10%, or a 10% decrease in the market multiples would not have resulted in an impairment of goodwill for the U.K. Regulated segment reporting unit.

During the three months ended June 30, 2020, no goodwill impairment triggers were identified. However, an impairment charge could occur in future periods if PPL's share price or any of the assumptions used in determining fair value of the reporting units are negatively impacted.

#### *U.K. Corporation Tax Rate Change (PPL)*

The U.K. corporation tax rate was scheduled to be reduced from 19% to 17%, effective April 1, 2020. On March 11, 2020, the U.K. Finance Act 2020 included a cancellation of the tax rate reduction to 17%, thereby maintaining the corporation tax rate at 19% for financial years 2020 and 2021. The Finance Act 2020 was formally enacted on July 22, 2020. The impact of the

cancellation of the corporate tax rate reduction will result in an increase in deferred tax liabilities and a corresponding deferred tax expense of approximately \$100 million to \$110 million, which will be recorded in the third quarter of 2020.

#### *U.S. Tax Reform (All Registrants)*

In July 2020, the IRS issued final and new proposed regulations relating to limitations on interest deductibility for tax purposes. The final regulations are expected to apply to the Registrants for 2020, while the proposed regulations will apply in the year in which the regulations are issued in final form, which is expected to be in 2021. The Registrants are evaluating the final and proposed regulations, but do not expect the regulations to have a material impact on the Registrants' financial condition or results of operations.

#### *U.K. Withdrawal from European Union (PPL)*

In March 2017, the U.K. Government invoked Article 50 (Article 50) of the Lisbon Treaty, formally beginning the two-year period for the U.K. to negotiate an agreement specifying the terms of its withdrawal from the European Union (EU), popularly referred to as Brexit. After repeated extensions, in October 2019, the EU agreed to extend the Article 50 process until January 31, 2020. Following an early general election in December 2019, which resulted in a substantial Conservative Party Parliamentary majority, the U.K. and EU Parliaments voted to approve the EU withdrawal agreement negotiated by Prime Minister Boris Johnson.

The U.K. formally left the EU on January 31, 2020, entering a transition period that is scheduled to end on December 31, 2020. During the transition period, the U.K. will seek to negotiate a free trade arrangement with the EU and also negotiate new trade terms with countries outside of the EU. The deadline for the U.K. requesting an extension to the transition period passed on June 30, 2020. Significant uncertainty continues to surround the outcome of the transition period. PPL believes that its greatest risks relate to any extended period of depressed value of the GBP or the potential further decline in the value of the GBP compared to the U.S. dollar. A decline in the value of the GBP compared to the U.S. dollar will reduce the value of WPD's earnings to PPL.

PPL has executed hedges to mitigate the foreign exchange risk to its U.K. earnings. As of August 5, 2020, PPL's foreign exchange exposure related to budgeted earnings is approximately 95% hedged for 2020 at an average rate of \$1.47 per GBP and approximately 8% hedged for 2021 at an average rate of \$1.32 per GBP.

PPL cannot predict the impact, in either the short-term or long-term, on foreign exchange rates or PPL's financial condition that may be experienced as a result of the actions taken by the U.K. government to withdraw from the EU, although such impacts could be material.

PPL does not expect the financial condition and results of operations of WPD, itself, to change significantly as a result of Brexit. The regulatory environment and operation of WPD's businesses are not expected to change. RIIO-ED1, the current price control, with allowed revenues agreed with Ofgem runs through March 2023. The impact of a slower economy or recession on WPD would be mitigated in part because U.K. regulation provides that any reduction in the volume of electricity delivered will be recovered in allowed revenues in future periods through the K-factor adjustment. See "Item 1. Business - Segment Information - U.K. Regulated Segment" in PPL's 2019 Form 10-K for additional information on the current price control and K-factor adjustment. In addition, an increase in inflation would have a positive effect on revenues and RAV as annual inflation adjustments are applied to both revenues and RAV (and real returns are earned on inflated RAV). This impact, however, would be partially offset by higher operation and maintenance expenses and interest expense on index-linked debt. With respect to access to financing, WPD has substantial borrowing capacity under existing credit facilities and expects to continue to have access to all major financial markets. With respect to access to and cost of equipment and other materials, WPD management continues to review U.K. government issued advice on preparations for Brexit and has taken actions to mitigate potential increasing costs and disruption to its critical sources of supply. Additionally, less than 1% of WPD's employees are non-U.K. EU nationals and no change in their domicile is expected.

#### *Regulatory Requirements*

##### *(All Registrants)*

The Registrants cannot predict the impact that future regulatory requirements may have on their financial condition or results of operations.

*(PPL, LKE, LG&E and KU)*

The businesses of LKE, LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHG, and ELGs. See Notes 7, 10 and 15 to the Financial Statements for a discussion of these significant environmental matters. These and other stringent environmental requirements led PPL, LKE, LG&E and KU to retire approximately 1,000 MW of coal-fired generating plants in Kentucky since 2015.

*RIIO-2 Framework (PPL)*

In 2018, Ofgem issued its consultation document on the RIIO-2 framework, covering all U.K. gas and electricity transmission and distribution price controls. The current electricity distribution price control, RIIO-ED1, continues through March 31, 2023 and will not be impacted by the RIIO-2 consultation process. Later in 2018, Ofgem published its decision following its RIIO-2 framework consultation after consideration of comments received including those from WPD and PPL.

In August 2019, Ofgem published an open letter seeking views on its proposed sector specific approach on the RIIO-ED2 framework. WPD and PPL provided responses to this open letter. In December 2019, Ofgem published its decision on the RIIO-ED2 framework, thus confirming the following points in its RIIO-2 and RIIO-ED2 framework decision documents:

- RIIO-ED2 will be a five-year price control period, compared to eight years in the current RIIO-ED1 price control.
- CPI or CPIH will be used for inflation measurement in calculating both RAV and allowed returns rather than RPI.
- The baseline allowed return on equity will be set using the same methodology in all RIIO-2 sectors. The new methodology includes; (a) an equity indexation, whereby the allowed return on equity is updated to reflect changes in the risk-free rate, and (b) potentially setting the allowed return 0.5% below the expected return.
- Full debt indexation will be retained.
- The early settlement process (fast tracking) will be removed and replaced with an alternative mechanism to incentivize high-quality, rigorous and ambitious business plans.
- The Totex incentive rate will be based on a confidence level for setting baseline cost allowances.
- A new enhanced engagement model will be introduced requiring distribution companies to set up a customer engagement group to provide Ofgem with a public report of local stakeholders' views on the companies' business plans. Ofgem will also establish an independent RIIO-2 challenge group comprised of consumer experts to provide Ofgem with a public report on companies' business plans.
- There will be no change to the existing depreciation policy of using economic asset lives as the basis for depreciating RAV as part of base revenue calculations. WPD is currently transitioning to 45-year asset lives for new additions in RIIO-ED1 based on Ofgem's extensive review of asset lives in RIIO-ED1.
- A focus of RIIO-2 will be on whole-system outcomes. Ofgem intends for network companies and system operators to work together to ensure the energy system as a whole is efficient and delivers the best value to consumers. Ofgem is undertaking further work to clarify the definition of whole-system and the appropriate roles of the network companies in supporting this objective. Ofgem is still undecided on how DSO functions are to be treated. Ofgem will include a DSO reopener to reassess progress made in the establishment of DSO activities.

On July 30, 2020 Ofgem published its consultation on the RIIO-ED2 price control methodology which Ofgem will use to apply its framework decisions listed above. Some of the key aspects in Ofgem's consultation include:

- Proposing a suite of Net-Zero related investment and innovation mechanisms, including a Net Zero re-opener, to ensure that RIIO-ED2 is adaptable and can keep pace with changes in the wider policy and technological environment.
- Consulting on four different models for managing strategic investment to enable more flexibility within the price control and allow DNOs to adapt their investment plans to keep pace with Net Zero.
- Consulting on debt allowance proposals including the debt allowance calibration, the index used, and a possible additional cost of borrowing allowance.
- Consulting on whether the three-stage equity indexation methodology for baseline allowance returns proposed in the Gas Distribution and Transmission Draft Determination should equally apply to the ED sector and if the estimation approach for systematic risk should differ for ED2.
- Proposing to introduce a suite of reforms to define and regulate the distribution system operation. In the first instance, those reforms will apply to DNOs.



WPD and PPL continue to be fully engaged in the RIIO-ED2 process. The comment period on the July 30, 2020 consultation closes on October 1, 2020, and a decision on the RIIO-ED2 Sector Specific Methodology will be made in December 2020. Final Determinations for RIIO-ED2 will be made in December 2022. The RIIO-ED2 price control will come into effect on April 1, 2023. PPL cannot predict the outcome of this process or the long-term impact the final RIIO-ED2 price control will have on its financial condition or results of operations.

#### *Challenge to PPL Electric Transmission Formula Rate Return on Equity*

*(PPL and PPL Electric)*

On May 21, 2020, PP&L Industrial Customer Alliance (PPLICA) filed a complaint with the FERC alleging that PPL Electric's base return on equity (ROE) of 11.18% used to determine PPL Electric's formula transmission rate is unjust and unreasonable, and proposing an alternative ROE of 8.0% based on its interpretation of FERC Opinion No. 569. However, also on May 21, 2020, the FERC issued Opinion No. 569-A in response to numerous requests for rehearing of Opinion No. 569, which revised the method for analyzing base ROE. On June 10, 2020, PPLICA filed a Motion to Supplement the May 21, 2020 complaint in which PPLICA continued to allege that PPL Electric's base ROE is unjust and unreasonable, but revised its analysis of PPL Electric's base ROE to reflect the guidance provided in Opinion No. 569-A. The amended complaint proposed an updated alternative ROE of 8.5% and also requested that the FERC preserve the original refund effective date as established by the filing of the original complaint on May 21, 2020. Several parties have filed motions to intervene, including one party who filed Comments in Support of the original complaint.

On July 10, 2020, PPL Electric filed its Answer and supporting Testimony to the PPLICA filings arguing that the FERC should deny the original and amended complaints as they are without merit and fail to demonstrate the existing base ROE is unjust and unreasonable. In addition, in the event the FERC determines PPL Electric's ROE to be unjust and unreasonable, PPL Electric contends a refund effective date should be set for no earlier than June 10, 2020 and PPLICA's proposed replacement ROE should be rejected. This proceeding remains pending before the FERC. On July 27, 2020, an intervenor filed a motion for permission to respond and a response to PPL Electric's Answer contesting the arguments made in that Answer. PPL Electric believes its ROE is just and reasonable and that it has meritorious defenses against the original and amended complaints. At this time, PPL Electric cannot predict the outcome of this matter or the range of possible losses, if any, that may be incurred. However, revenue earned from May 21, 2020 through the settlement of this matter may be subject to refund. A change of 50 basis points to the base ROE would impact PPL Electric's net income by approximately \$12 million on an annual basis.

#### *FERC Transmission Rate Filing*

*(PPL, LKE, LG&E and KU)*

In 2018, LG&E and KU applied to the FERC requesting elimination of certain on-going credits to a sub-set of transmission customers relating to the 1998 merger of LG&E's and KU's parent entities and the 2006 withdrawal of LG&E and KU from the Midcontinent Independent System Operator, Inc. (MISO), a regional transmission operator and energy market. The application sought termination of LG&E's and KU's commitment to provide certain Kentucky municipalities mitigation for certain horizontal market power concerns arising out of the 1998 LG&E and KU merger and 2006 MISO withdrawal. The amounts at issue are generally waivers or credits granted to a limited number of Kentucky municipalities for either certain LG&E and KU or MISO transmission charges incurred for transmission service received. Due to the development of robust, accessible energy markets over time, LG&E and KU believe the mitigation commitments are no longer relevant or appropriate. In March 2019, the FERC granted LG&E's and KU's request to remove the ongoing credits, conditioned upon the implementation by LG&E and KU of a transition mechanism for certain existing power supply arrangements, subject to FERC review and approval. In July 2019, LG&E and KU proposed their transition mechanism to the FERC and in September 2019, the FERC rejected the proposed transition mechanism and issued a separate order providing clarifications of certain aspects of the March order. In October 2019, LG&E and KU filed requests for rehearing and clarification on the two September orders. Certain petitions for review of the FERC's orders have been filed by multiple parties, including LG&E and KU, with the D.C. Circuit Court of Appeals. LG&E and KU cannot predict the outcome of these proceedings. In February 2020, the D.C. Circuit Court of Appeals issued an order holding the various appeals in abeyance pending the FERC's rehearing process. LG&E and KU currently receive recovery of waivers and credits provided through other rate mechanisms.

*(PPL and PPL Electric)*

In April 2020, PPL Electric filed its annual transmission formula rate update with the FERC, reflecting a revised revenue requirement that took effect in June 2020.

*Rate Case Proceedings*

*(LKE and KU)*

In July 2019, KU filed a request with the VSCC for an increase in annual Virginia base electricity revenues of approximately \$13 million, representing an increase of 18.2%. In January 2020, KU reached a partial settlement agreement including an increase in annual Virginia base electricity revenues of \$9 million effective May 1, 2020, representing an increase of 12.9%. A hearing on the settlement and certain tariff provisions was held in January 2020. On April 6, 2020, the VSCC issued an order approving the settlement and Hearing Examiner tariff provision recommendations. KU implemented the new rates on May 1, 2020.

**Results of Operations**

*(PPL)*

The "Statement of Income Analysis" discussion below describes significant changes in principal line items on PPL's Statements of Income, comparing the three and six months ended June 30, 2020 with the same periods in 2019. The "Segment Earnings" and "Adjusted Gross Margins" discussions for PPL provide a review of results by reportable segment. These discussions include non-GAAP financial measures, including "Earnings from Ongoing Operations" and "Adjusted Gross Margins," and provide explanations of the non-GAAP financial measures and a reconciliation of those measures to the most comparable GAAP measure.

Tables analyzing changes in amounts between periods within "Statement of Income Analysis," "Segment Earnings" and "Adjusted Gross Margins" are presented on a constant GBP to U.S. dollar exchange rate basis, where applicable, in order to isolate the impact of the change in the exchange rate on the item being explained. Results computed on a constant GBP to U.S. dollar exchange rate basis are calculated by translating current year results at the prior year weighted-average GBP to U.S. dollar exchange rate.

*(PPL Electric, LKE, LG&E and KU)*

A "Statement of Income Analysis" is presented separately for PPL Electric, LKE, LG&E and KU. The "Statement of Income Analysis" discussion below describes significant changes in principal line items on the Statements of Income, comparing the three and six months ended June 30, 2020 with the same periods in 2019.

*(All Registrants)*

The results for interim periods can be disproportionately influenced by numerous factors and developments and by seasonal variations. As such, the results of operations for interim periods do not necessarily indicate results or trends for the year or future periods.

**PPL: Statement of Income Analysis, Segment Earnings and Adjusted Gross Margins**

**Statement of Income Analysis**

Net income for the periods ended June 30 includes the following results:

	Three Months			Six Months		
	2020	2019	\$ Change	2020	2019	\$ Change
Operating Revenues	\$ 1,739	\$ 1,803	\$ (64)	\$ 3,793	\$ 3,882	\$ (89)
Operating Expenses						
Operation						
Fuel	138	168	(30)	301	362	(61)
Energy purchases	133	138	(5)	334	388	(54)
Other operation and maintenance	487	482	5	963	972	(9)
Depreciation	319	300	19	636	584	52
Taxes, other than income	67	75	(8)	147	155	(8)
Total Operating Expenses	1,144	1,163	(19)	2,381	2,461	(80)
Other Income (Expense) - net	76	131	(55)	201	183	18
Interest Expense	253	246	7	501	487	14
Income Taxes	74	84	(10)	214	210	4
Net Income	\$ 344	\$ 441	\$ (97)	\$ 898	\$ 907	\$ (9)

**Operating Revenues**

The increase (decrease) in operating revenues was due to:

	Three Months	Six Months
Domestic:		
PPL Electric Distribution volumes (a)	\$ 7	\$ (17)
PPL Electric PLR (b)	2	(25)
PPL Electric Transmission Formula Rate (c)	23	39
LKE Retail Rates (d)	15	64
LKE ECR (e)	9	28
LKE Fuel and other energy prices (f)	(18)	(39)
LKE Municipal supply (g)	(6)	(28)
LKE Volumes (h)	(13)	(51)
LKE Demand (i)	(17)	(24)
Other	(1)	(2)
Total Domestic	1	(55)
U.K.:		
Price	5	23
Volume (i)	(41)	(40)
Foreign currency exchange rates	(25)	(16)
Other	(4)	(1)
Total U.K.	(65)	(34)
Total	\$ (64)	\$ (89)

- (a) The decrease for the six months ended June 30, 2020 was primarily due to warmer weather in Q1 2020.
- (b) The decrease for the six months ended June 30, 2020 was primarily the result of lower energy prices, partially offset by higher volumes in Q2 2020.
- (c) The increases were primarily due to increased returns on capital investments.
- (d) The increases were due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.
- (e) The increases were primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.
- (f) The decreases were due to lower recoveries of fuel and energy purchases due to lower commodity costs.
- (g) The decreases were due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.
- (h) The decreases were primarily due to weather.
- (i) The decreases were primarily due to COVID-19.

**Fuel**

Fuel decreased \$30 million for three months ended June 30, 2020 compared with 2019, primarily due to a \$18 million decrease in volumes driven by weather and a \$15 million decrease in commodity costs.

Fuel decreased \$61 million for the six months ended June 30, 2020 compared with 2019, primarily due to a \$39 million decrease in volumes driven by weather and a \$25 million decrease in commodity costs.

**Energy Purchases**

Energy purchases decreased \$5 million for the three months ended June 30, 2020 compared with 2019, primarily due to lower PLR prices of \$14 million, offset by higher PLR volumes of \$10 million and higher transmission enhancement expenses of \$6 million at PPL Electric as well as a \$5 million decrease in commodity costs at LKE.

Energy purchases decreased \$54 million for the six months ended June 30, 2020 compared with 2019, primarily due to lower PLR prices of \$33 million, partially offset by higher transmission enhancement expenses of \$11 million at PPL Electric as well as a \$19 million decrease in commodity costs at LKE.

**Other Operation and Maintenance**

The increase (decrease) in other operation and maintenance was due to:

	Three Months	Six Months
Domestic:		
PPL Electric Act 129	\$ (4)	\$ (7)
PPL Electric canceled projects	—	9
LKE plant operations and maintenance	(5)	(8)
LKE COVID-19 impact	5	5
Storm Costs	(4)	(23)
Other	6	(4)
U.K.:		
Pension	2	3
Foreign currency exchange rates	(7)	(5)
COVID-19 impact	15	15
Other	(3)	6
Total	<u>\$ 5</u>	<u>\$ (9)</u>

**Depreciation**

The increase in depreciation was due to:

	Three Months	Six Months
Additions to PP&E, net	\$ 14	\$ 26
Foreign currency exchange rates	(3)	(2)
Depreciation rates (a)	7	26
Other	1	2
Total	<u>\$ 19</u>	<u>\$ 52</u>

(a) Higher depreciation rates were effective May 1, 2019 at LG&E and KU.

**Taxes, other than income**

Taxes, other than income decreased \$8 million for the three and six months ended June 30, 2020 compared with 2019, primarily due to the settlement of 2008 - 2010 gross receipts tax assessments.

**Other Income (Expense) - net**

The increase (decrease) in other income (expense) - net was due to:

	Three Months	Six Months
Economic foreign currency exchange contracts (Note 14)	\$ (44)	\$ 51
Defined benefit plans - non-service credits (Note 9)	(13)	(25)
Other	2	(8)
Total	<u>\$ (55)</u>	<u>\$ 18</u>

**Interest Expense**

The increase (decrease) in interest expense was due to:

	Three Months	Six Months
Long-term debt interest expense	\$ 18	\$ 26
Short-term debt interest expense	(5)	(7)
Foreign currency exchange rates	(4)	(3)
Other	(2)	(2)
Total	<u>\$ 7</u>	<u>\$ 14</u>

**Income Taxes**

The increase (decrease) in income taxes was due to:

	Three Months	Six Months
Change in pre-tax income	\$ (22)	\$ (4)
Kentucky recycling credit, net of federal income tax expense (a)	20	20
Other	(8)	(12)
Total	<u>\$ (10)</u>	<u>\$ 4</u>

(a) During the second quarter of 2019, LKE recorded a deferred income tax benefit associated with two projects placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky. A portion of this amount has been reserved due to insufficient Kentucky taxable income projected at LKE.

**Segment Earnings**

PPL's Net Income by reportable segment for the periods ended June 30 was as follows:

	Three Months			Six Months		
	2020	2019	\$ Change	2020	2019	\$ Change
U.K. Regulated	\$ 179	\$ 284	\$ (105)	\$ 519	\$ 548	\$ (29)
Kentucky Regulated	74	97	(23)	201	214	(13)
Pennsylvania Regulated	118	94	24	236	215	21
Corporate and Other (a)	(27)	(34)	7	(58)	(70)	12
Net Income	<u>\$ 344</u>	<u>\$ 441</u>	<u>\$ (97)</u>	<u>\$ 898</u>	<u>\$ 907</u>	<u>\$ (9)</u>

(a) Primarily represents financing and certain other costs incurred at the corporate level that have not been allocated or assigned to the segments, which are presented to reconcile segment information to PPL's consolidated results.

Earnings from Ongoing Operations

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

Earnings from Ongoing Operations is adjusted for the impact of special items. Special items are presented in the financial tables on an after-tax basis with the related income taxes on special items separately disclosed. Income taxes on special items, when

applicable, are calculated based on the statutory tax rate of the entity where the activity is recorded. Special items may include items such as:

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

Unrealized gains or losses on foreign currency economic hedges include the changes in fair value of foreign currency contracts used to hedge GBP-denominated anticipated earnings. The changes in fair value of these contracts are recognized immediately within GAAP earnings. Management believes that excluding these amounts from Earnings from Ongoing Operations until settlement of the contracts provides a better matching of the financial impacts of those contracts with the economic value of PPL's underlying hedged earnings. See Note 14 to the Financial Statements and "Risk Management" below for additional information on foreign currency economic activity.

PPL's Earnings from Ongoing Operations by reportable segment for the periods ended June 30 were as follows:

	Three Months			Six Months		
	2020	2019	\$ Change	2020	2019	\$ Change
U.K. Regulated	\$ 256	\$ 264	\$ (8)	\$ 554	\$ 568	\$ (14)
Kentucky Regulated	78	97	(19)	205	214	(9)
Pennsylvania Regulated	118	94	24	236	215	21
Corporate and Other	(25)	(33)	8	(54)	(67)	13
<b>Earnings from Ongoing Operations</b>	<b>\$ 427</b>	<b>\$ 422</b>	<b>\$ 5</b>	<b>\$ 941</b>	<b>\$ 930</b>	<b>\$ 11</b>

See "Reconciliation of Earnings from Ongoing Operations" below for a reconciliation of this non-GAAP financial measure to Net Income.

### U.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global, which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from GBP into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs and certain acquisition-related financing costs. The U.K. Regulated segment represents 58% of PPL's Net Income for the six months ended June 30, 2020 and 38% of PPL's assets at June 30, 2020.

Net Income and Earnings from Ongoing Operations for the periods ended June 30 include the following results.

	Three Months			Six Months		
	2020	2019	\$ Change	2020	2019	\$ Change
Operating revenues	\$ 476	\$ 541	\$ (65)	\$ 1,090	\$ 1,124	\$ (34)
Other operation and maintenance	142	133	9	271	251	20
Depreciation	64	64	—	131	126	5
Taxes, other than income	31	32	(1)	63	64	(1)
<b>Total operating expenses</b>	<b>237</b>	<b>229</b>	<b>8</b>	<b>465</b>	<b>441</b>	<b>24</b>
Other Income (Expense) - net	65	124	(59)	195	169	26
Interest Expense	97	96	1	199	195	4
Income Taxes	28	56	(28)	102	109	(7)
Net Income	179	284	(105)	519	548	(29)
Less: Special Items	(77)	20	(97)	(35)	(20)	(15)
<b>Earnings from Ongoing Operations</b>	<b>\$ 256</b>	<b>\$ 264</b>	<b>\$ (8)</b>	<b>\$ 554</b>	<b>\$ 568</b>	<b>\$ (14)</b>

The following after-tax gains (losses), which management considers special items, impacted the U.K. Regulated segment's results and are excluded from Earnings from Ongoing Operations during the periods ended June 30.

Income Statement Line Item	Three Months		Six Months	
	2020	2019	2020	2019
Foreign currency economic hedges, net of tax of \$17, (\$7), \$6, \$4 (a)	\$ (65)	\$ 24	\$ (23)	\$ (16)
COVID-19 impact, net of tax of \$3, \$0, \$3, \$0 (b)	(12)	—	(12)	—
Other, net of tax \$0, \$1, \$0, \$1 (c)	—	(4)	—	(4)
Total Special Items	\$ (77)	\$ 20	\$ (35)	\$ (20)

- (a) Unrealized gains (losses) on contracts that economically hedge anticipated GBP-denominated earnings.  
(b) Incremental costs for labor not chargeable to capital projects due to U.K. government lockdown restrictions, purchases of personal protective equipment and other safety related actions associated with the COVID-19 pandemic.  
(c) Settlement of a contractual dispute.

The changes in the components of the U.K. Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as U.K. Adjusted Gross Margins, the items that management considers special and the effects of movements in foreign currency exchange, including the effects of foreign currency hedge contracts, on separate lines and not in their respective Statement of Income line items.

	Three Months	Six Months
U.K.		
U.K. Adjusted Gross Margins	\$ (37)	\$ (17)
Other operation and maintenance	(6)	(16)
Depreciation	(4)	(7)
Other Income (Expense) - net	(11)	(22)
Interest expense	(5)	(7)
Income taxes	16	17
U.S.		
Income taxes	—	(1)
Other	(4)	(1)
Foreign currency exchange, after-tax	43	40
Earnings from Ongoing Operations	(8)	(14)
Special items, after-tax	(97)	(15)
Net Income	\$ (105)	\$ (29)

U.K.

- See "Adjusted Gross Margins - Changes in Adjusted Gross Margins" for an explanation of U.K. Adjusted Gross Margins.
- Higher other operation and maintenance expense for the six month period primarily due to increases in various costs that were not individually significant in comparison to the prior year.
- Lower other income (expense) - net for the three and six month periods primarily due to lower pension income.
- Lower income taxes for the three month period primarily due to lower pre-tax income.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations conducted by LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain acquisition-related financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 22% of PPL's Net Income for the six months ended June 30, 2020 and 34% of PPL's assets at June 30, 2020.

Net Income and Earnings from Ongoing Operations for the periods ended June 30 include the following results.

	Three Months			Six Months		
	2020	2019	\$ Change	2020	2019	\$ Change
Operating revenues	\$ 700	\$ 732	\$ (32)	\$ 1,525	\$ 1,577	\$ (52)
Fuel	138	168	(30)	301	362	(61)
Energy purchases	22	27	(5)	79	106	(27)
Other operation and maintenance	207	208	(1)	411	422	(11)
Depreciation	151	135	16	300	258	42
Taxes, other than income	18	18	—	36	36	—
Total operating expenses	536	556	(20)	1,127	1,184	(57)
Other Income (Expense) - net	2	—	2	2	—	2
Interest Expense	77	78	(1)	152	148	4
Income Taxes	15	1	14	47	31	16
Net Income	74	97	(23)	201	214	(13)
Less: Special Items	(4)	—	(4)	(4)	—	(4)
Earnings from Ongoing Operations	\$ 78	\$ 97	\$ (19)	\$ 205	\$ 214	\$ (9)

The following after-tax gains (losses), which management considers special items, impacted the Kentucky Regulated segment's results and are excluded from Earnings from Ongoing Operations during the periods ended June 30.

Income Statement Line Item	Three Months		Six Months	
	2020	2019	2020	2019
COVID-19 impact, net of tax of \$1, \$0, \$1, \$0 (a)	\$ (4)	\$ —	\$ (4)	\$ —
Total Special Items	\$ (4)	\$ —	\$ (4)	\$ —

(a) Incremental costs for outside services, customer payment processing, personal protective equipment and other safety related actions associated with the COVID-19 pandemic.

The changes in the components of the Kentucky Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as Kentucky Adjusted Gross Margins and the items that management considers special on separate lines and not in their respective Statement of Income line items.

	Three Months		Six Months	
	2020	2019	2020	2019
Kentucky Adjusted Gross Margins	\$ (5)	\$ 12	\$ (5)	\$ 12
Other operation and maintenance	3	12	3	12
Depreciation	(7)	(15)	(7)	(15)
Taxes, other than income	2	1	2	1
Other Income (Expense) - net	2	2	2	2
Interest Expense	1	(4)	1	(4)
Income Taxes	(15)	(17)	(15)	(17)
Earnings from Ongoing Operations	(19)	(9)	(19)	(9)
Special items, after-tax	(4)	(4)	(4)	(4)
Net Income	\$ (23)	\$ (13)	\$ (23)	\$ (13)

- See "Adjusted Gross Margins - Changes in Adjusted Gross Margins" for an explanation of Kentucky Adjusted Gross Margins.
- Higher depreciation expense for the six month period primarily due to an \$8 million increase related to additional assets placed into service, net of retirements and a \$7 million increase related to higher depreciation rates effective May 1, 2019.
- Higher income tax expense for the three and six month periods primarily due to a deferred income tax benefit recorded in 2019 related to a Kentucky recycling credit of \$17 million.

#### Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. In addition, certain costs are allocated to the Pennsylvania Regulated segment. The Pennsylvania Regulated segment represents 26% of PPL's Net Income for the six months ended June 30, 2020 and 26% of PPL's assets at June 30, 2020.

Net Income and Earnings from Ongoing Operations for the periods ended June 30 include the following results.



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	Three Months			Six Months		
	2020	2019	\$ Change	2020	2019	\$ Change
Operating revenues	\$ 554	\$ 521	\$ 33	\$ 1,162	\$ 1,166	\$ (4)
Energy purchases	111	110	1	255	281	(26)
Other operation and maintenance	129	130	(1)	266	280	(14)
Depreciation	101	96	5	199	191	8
Taxes, other than income	18	24	(6)	48	55	(7)
Total operating expenses	359	360	(1)	768	807	(39)
Other Income (Expense) - net	5	6	(1)	9	13	(4)
Interest Expense	42	41	1	86	83	3
Income Taxes	40	32	8	81	74	7
Net Income	118	94	24	236	215	21
Less: Special Item (a)	—	—	—	—	—	—
Earnings from Ongoing Operations	\$ 118	\$ 94	\$ 24	\$ 236	\$ 215	\$ 21

(a) There are no items that management considers special for the periods presented.

The changes in the components of the Pennsylvania Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as Pennsylvania Adjusted Gross Margins on a separate line and not in their respective Statement of Income line items.

	Three Months	Six Months
Pennsylvania Adjusted Gross Margins	\$ 37	\$ 35
Other operation and maintenance	(7)	(2)
Depreciation	(4)	(5)
Taxes, other than income	8	7
Other Income (Expense) - net	(1)	(4)
Interest Expense	(1)	(3)
Income Taxes	(8)	(7)
Net Income	\$ 24	\$ 21

- See "Adjusted Gross Margins - Changes in Adjusted Gross Margins" for an explanation of Pennsylvania Adjusted Gross Margins.
- Higher other operation and maintenance expense for the three month period primarily due to higher bad debt expense.
- Lower taxes, other than income, for the three month period primarily due to the settlement of 2008 - 2010 gross receipts tax assessments.
- Higher income taxes for the three month period primarily due to higher pre-tax income.

Reconciliation of Earnings from Ongoing Operations

The following tables contain after-tax gains (losses), in total, which management considers special items, that are excluded from Earnings from Ongoing Operations and a reconciliation to PPL's "Net Income" for the periods ended June 30.

	2020 Three Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
<b>Net Income</b>	\$ 179	\$ 74	\$ 118	\$ (27)	\$ 344
Less: Special Item (expense) benefit:					
Foreign currency economic hedges, net of tax of \$17	(65)	—	—	—	(65)
Talen litigation costs, net of tax of \$0 (a)	—	—	—	(2)	(2)
COVID-19 impact, net of tax of \$4	(12)	(4)	—	—	(16)
<b>Total Special Items</b>	(77)	(4)	—	(2)	(83)
<b>Earnings from Ongoing Operations</b>	\$ 256	\$ 78	\$ 118	\$ (25)	\$ 427

	2019 Three Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
<b>Net Income</b>	\$ 284	\$ 97	\$ 94	\$ (34)	\$ 441
Less: Special Item (expense) benefit:					
Foreign currency economic hedges, net of tax of (\$7)	24	—	—	—	24
Talen litigation costs, net of tax of \$1 (a)	—	—	—	(1)	(1)
Other, net of tax of \$1	(4)	—	—	—	(4)
<b>Total Special Items</b>	20	—	—	(1)	19
<b>Earnings from Ongoing Operations</b>	\$ 264	\$ 97	\$ 94	\$ (33)	\$ 422

	2020 Six Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
<b>Net Income</b>	\$ 519	\$ 201	\$ 236	\$ (58)	\$ 898
Less: Special Items (expense) benefit:					
Foreign currency economic hedges, net of tax of \$6	(23)	—	—	—	(23)
Talen litigation costs, net of tax of \$1 (a)	—	—	—	(4)	(4)
COVID-19 impact, net of tax of \$4	(12)	(4)	—	—	(16)
<b>Total Special Items</b>	(35)	(4)	—	(4)	(43)
<b>Earnings from Ongoing Operations</b>	\$ 554	\$ 205	\$ 236	\$ (54)	\$ 941

	2019 Six Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
<b>Net Income</b>	\$ 548	\$ 214	\$ 215	\$ (70)	\$ 907
Less: Special Items (expense) benefit:					
Foreign currency economic hedges, net of tax of \$4	(16)	—	—	—	(16)
Talen litigation costs, net of tax of \$1 (a)	—	—	—	(3)	(3)
Other, net of tax of \$1	(4)	—	—	—	(4)
<b>Total Special Items</b>	(20)	—	—	(3)	(23)
<b>Earnings from Ongoing Operations</b>	\$ 568	\$ 214	\$ 215	\$ (67)	\$ 930

(a) PPL incurred legal expenses related to litigation with its former affiliate, Talen Montana. See Note 10 to the Financial Statements for additional information.

### **Adjusted Gross Margins**

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

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

- "Kentucky Adjusted Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, as well as the Kentucky Regulated segment's distribution and sale of natural gas. In calculating this measure, fuel, energy purchases and certain variable costs of production (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from operating revenues. In addition, certain other expenses, recorded in "Other operation and maintenance," "Depreciation" and "Taxes, other than income" on the Statements of Income, associated with approved cost recovery mechanisms are offset against the recovery of those expenses, which are included in revenues. These mechanisms allow for direct recovery of these expenses and, in some cases, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from electricity and gas operations.
- "Pennsylvania Adjusted Gross Margins" is a single financial performance measure of the electricity transmission and distribution operations of the Pennsylvania Regulated segment. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance" (which are primarily Act 129, Storm Damage and Universal Service program costs), "Depreciation" (which is primarily related to the Act 129 Smart Meter program) and "Taxes, other than income" (which is primarily gross receipts tax) on the Statements of Income. This measure represents the net revenues from the Pennsylvania Regulated segment's electricity delivery operations.

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

**Changes in Adjusted Gross Margins**

The following table shows Adjusted Gross Margins by PPL's reportable segment and by component, as applicable, for the periods ended June 30 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	Three Months			Six Months		
	2020	2019	\$ Change	2020	2019	\$ Change
<b>U.K. Regulated</b>						
U.K. Adjusted Gross Margins	\$ 439	\$ 500	\$ (61)	\$ 1,014	\$ 1,046	\$ (32)
Impact of changes in foreign currency exchange rates			(24)			(15)
U.K. Adjusted Gross Margins excluding impact of foreign currency exchange rates			\$ (37)			\$ (17)
<b>Kentucky Regulated</b>						
Total Kentucky Adjusted Gross Margins	\$ 479	\$ 484	\$ (5)	\$ 1,026	\$ 1,014	\$ 12
<b>Pennsylvania Regulated</b>						
Pennsylvania Adjusted Gross Margins						
Distribution	\$ 218	\$ 204	\$ 14	\$ 460	\$ 464	\$ (4)
Transmission	165	142	23	324	285	39
Total Pennsylvania Adjusted Gross Margins	\$ 383	\$ 346	\$ 37	\$ 784	\$ 749	\$ 35

**U.K. Adjusted Gross Margins**

U.K. Adjusted Gross Margins, excluding the impact of changes in foreign currency exchange rates, decreased for the three months ended June 30, 2020, compared with 2019, primarily due to \$40 million of lower volumes due to the COVID-19 lockdown restrictions that were effective beginning the latter half of March 2020, partially offset by \$5 million from the April 1, 2019 price increase.

U.K. Adjusted Gross Margins, excluding the impact of changes in foreign currency exchange rates, decreased for the six months ended June 30, 2020, compared with 2019, primarily due to \$40 million of lower volumes due to the COVID-19

lockdown restrictions that were effective beginning the latter half of March 2020, partially offset by \$23 million from the April 1, 2019 price increase.

*Kentucky Adjusted Gross Margins*

Kentucky Adjusted Gross Margins decreased for the three months ended June 30, 2020 compared with 2019, primarily due to \$17 million of lower commercial and industrial demand revenue primarily due to impacts of COVID-19 and a \$2 million decrease due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019, partially offset by higher retail rates approved by the KPSC of \$15 million, inclusive of the termination of the TCJA bill credit mechanism.

Kentucky Adjusted Gross Margins increased for the six months ended June 30, 2020 compared with 2019, primarily due to higher retail rates approved by the KPSC of \$64 million, inclusive of the termination of the TCJA bill credit mechanism, partially offset by \$24 million of lower commercial and industrial demand revenue primarily due to impacts of COVID-19, \$18 million of decreased sales volumes primarily due to weather and a \$17 million decrease due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

*Pennsylvania Adjusted Gross Margins*

Distribution

Distribution Adjusted Gross Margins increased for the three months ended June 30, 2020 compared with 2019, primarily due to an \$8 million adjustment related to TCJA customer refunds and \$7 million due to higher volumes primarily due to weather.

Distribution Adjusted Gross Margins decreased for the six months ended June 30, 2020, compared with 2019, primarily due to \$19 million of lower volumes primarily as a result of warmer weather in the first quarter of 2020. The decrease was partially offset by an \$8 million adjustment related to TCJA customer refunds and \$8 million of returns on additional distribution system improvement capital investments.

Transmission

Transmission Adjusted Gross Margins increased for the three and six months ended June 30, 2020, compared with 2019, primarily due to returns on additional transmission capital investments focused on replacing aging infrastructure and improving reliability.

Reconciliation of Adjusted Gross Margins

The following tables contain the components from the Statement of Income that are included in the non-GAAP financial measures and a reconciliation to PPL's "Operating Income" for the periods ended June 30.

	2020 Three Months				
	U.K. Adjusted Gross Margins	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
<b>Operating Revenues</b>	\$ 467 (c)	\$ 700	\$ 554	\$ 18	\$ 1,739
<b>Operating Expenses</b>					
Fuel	—	138	—	—	138
Energy purchases	—	22	111	—	133
Other operation and maintenance	28	20	23	416	487
Depreciation	—	38	13	268	319
Taxes, other than income	—	3	24	40	67
Total Operating Expenses	28	221	171	724	1,144
<b>Total</b>	<b>\$ 439</b>	<b>\$ 479</b>	<b>\$ 383</b>	<b>\$ (706)</b>	<b>\$ 595</b>

	2019 Three Months					
	U.K. Adjusted Gross Margins		Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
<b>Operating Revenues</b>	\$ 531	(c)	\$ 732	\$ 521	\$ 19	\$ 1,803
<b>Operating Expenses</b>						
Fuel	—		168	—	—	168
Energy purchases	—		27	110	1	138
Other operation and maintenance	31		23	31	397	482
Depreciation	—		29	12	259	300
Taxes, other than income	—		1	22	52	75
Total Operating Expenses	31		248	175	709	1,163
<b>Total</b>	<b>\$ 500</b>		<b>\$ 484</b>	<b>\$ 346</b>	<b>\$ (690)</b>	<b>\$ 640</b>

	2020 Six Months					
	U.K. Adjusted Gross Margins		Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
<b>Operating Revenues</b>	\$ 1,071	(c)	\$ 1,525	\$ 1,162	\$ 35	\$ 3,793
<b>Operating Expenses</b>						
Fuel	—		301	—	—	301
Energy purchases	—		79	255	—	334
Other operation and maintenance	57		41	46	819	963
Depreciation	—		75	25	536	636
Taxes, other than income	—		3	52	92	147
Total Operating Expenses	57		499	378	1,447	2,381
<b>Total</b>	<b>\$ 1,014</b>		<b>\$ 1,026</b>	<b>\$ 784</b>	<b>\$ (1,412)</b>	<b>\$ 1,412</b>

	2019 Six Months					
	U.K. Adjusted Gross Margins		Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
<b>Operating Revenues</b>	\$ 1,105	(c)	\$ 1,577	\$ 1,166	\$ 34	\$ 3,882
<b>Operating Expenses</b>						
Fuel	—		362	—	—	362
Energy purchases	—		106	281	1	388
Other operation and maintenance	59		45	62	806	972
Depreciation	—		48	22	514	584
Taxes, other than income	—		2	52	101	155
Total Operating Expenses	59		563	417	1,422	2,461
<b>Total</b>	<b>\$ 1,046</b>		<b>\$ 1,014</b>	<b>\$ 749</b>	<b>\$ (1,388)</b>	<b>\$ 1,421</b>

(a) Represents amounts excluded from Adjusted Gross Margins.

(b) As reported on the Statements of Income.

(c) Excludes ancillary revenues of \$9 million and \$19 million for the three and six months ended June 30, 2020 and \$10 million and \$19 million for the three and six months ended June 30, 2019.

**PPL Electric: Statement of Income Analysis**

**Statement of Income Analysis**

Net income for the periods ended June 30 includes the following results.

	Three Months			Six Months		
	2020	2019	\$ Change	2020	2019	\$ Change
Operating Revenues	\$ 554	\$ 521	\$ 33	\$ 1,162	\$ 1,166	\$ (4)
Operating Expenses						
Operation						
Energy purchases	111	110	1	255	281	(26)
Other operation and maintenance	129	130	(1)	266	280	(14)
Depreciation	101	96	5	199	191	8
Taxes, other than income	18	24	(6)	48	55	(7)
Total Operating Expenses	359	360	(1)	768	807	(39)
Other Income (Expense) - net	5	6	(1)	8	11	(3)
Interest Income from Affiliate	—	—	—	1	2	(1)
Interest Expense	42	41	1	86	83	3
Income Taxes	40	32	8	81	74	7
Net Income	\$ 118	\$ 94	\$ 24	\$ 236	\$ 215	\$ 21

**Operating Revenues**

The increase (decrease) in operating revenues was due to:

	Three Months	Six Months
Distribution volume (a)	\$ 7	\$ (17)
PLR (b)	2	(25)
Transmission Formula Rate (c)	23	39
Other	1	(1)
Total	\$ 33	\$ (4)

- (a) The decrease for the six months ended June 30, 2020 was primarily due to warmer weather in Q1 2020.
- (b) The decrease for the six months ended June 30, 2020 was primarily the result of lower energy prices, partially offset by higher volumes in Q2 2020.
- (c) The increases were primarily due to increased returns on capital investments.

**Energy Purchases**

Energy purchases increased \$1 million for the three months ended June 30, 2020 compared with 2019, primarily due to higher PLR volumes of \$10 million and higher transmission enhancement expenses of \$6 million, partially offset by lower PLR prices of \$14 million.

Energy purchases decreased \$26 million for the six months ended June 30, 2020 compared with 2019, primarily due to lower PLR prices of \$33 million and lower PLR volumes of \$3 million, partially offset by higher transmission enhancement expenses of \$11 million.

**Other Operation and Maintenance**

The increase (decrease) in other operation and maintenance was due to:

	Three Months	Six Months
Storm costs	\$ (1)	\$ (17)
Act 129	(4)	(7)
Canceled projects	—	9
Bad debts	6	4
Other	(2)	(3)
Total	\$ (1)	\$ (14)

## Income Taxes

Income taxes increased \$8 million for the three months ended June 30, 2020 compared with 2019, primarily due to a change in pre-tax income.

### LKE: Statement of Income Analysis

#### Statement of Income Analysis

Net income for the periods ended June 30 includes the following results.

	Three Months			Six Months		
	2020	2019	\$ Change	2020	2019	\$ Change
Operating Revenues	\$ 700	\$ 732	\$ (32)	\$ 1,525	\$ 1,577	\$ (52)
Operating Expenses						
Operation						
Fuel	138	168	(30)	301	362	(61)
Energy purchases	22	27	(5)	79	106	(27)
Other operation and maintenance	207	208	(1)	411	422	(11)
Depreciation	151	135	16	300	258	42
Taxes, other than income	18	18	—	36	36	—
Total Operating Expenses	536	556	(20)	1,127	1,184	(57)
Other Income (Expense) - net	2	—	2	2	—	2
Interest Expense	58	58	—	116	112	4
Interest Expense with Affiliate	8	9	(1)	15	16	(1)
Income Taxes	17	3	14	51	35	16
Net Income	\$ 83	\$ 106	\$ (23)	\$ 218	\$ 230	\$ (12)

#### Operating Revenues

The increase (decrease) in operating revenues was due to:

	Three Months	Six Months
Volumes (a)	\$ (13)	\$ (51)
Fuel and other energy prices (b)	(18)	(39)
Municipal supply (c)	(6)	(28)
Demand (d)	(17)	(24)
Retail rates (e)	15	64
ECR (f)	9	28
Other	(2)	(2)
Total	\$ (32)	\$ (52)

- (a) The decreases were primarily due to weather.  
(b) The decreases were due to lower recoveries of fuel and energy purchases due to lower commodity costs.  
(c) The decreases were due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.  
(d) The decreases were primarily due to COVID-19.  
(e) The increases were due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.  
(f) The increases were primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019

#### Fuel

Fuel decreased \$30 million for the three months ended June 30, 2020 compared with 2019, primarily due to an \$18 million decrease in volumes driven by weather and a \$15 million decrease in commodity costs.

Fuel decreased \$61 million for the six months ended June 30, 2020 compared with 2019, primarily due to a \$39 million decrease in volumes driven by weather and a \$25 million decrease in commodity costs.

### Energy Purchases

Energy purchases decreased \$5 million for the three months ended June 30, 2020 compared with 2019, primarily due to a decrease in commodity costs.

Energy purchases decreased \$27 million for the six months ended June 30, 2020 compared with 2019, primarily due to a \$19 million decrease in commodity costs and a \$3 million decrease in gas volumes driven by weather.

### Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	Three Months	Six Months
Plant operations and maintenance	\$ (5)	\$ (8)
Storm costs	(3)	(6)
Administrative and general	2	(3)
COVID-19 impact	5	5
Other	—	1
Total	<u>\$ (1)</u>	<u>\$ (11)</u>

### Depreciation

Depreciation increased \$16 million for the three months ended June 30, 2020 compared with 2019, primarily due to an \$8 million increase related to additional assets placed into service, net of retirements, and a \$7 million increase related to higher depreciation rates effective May 1, 2019.

Depreciation increased \$42 million for the six months ended June 30, 2020 compared with 2019, primarily due to a \$26 million increase related to higher depreciation rates effective May 1, 2019 and an \$14 million increase related to additional assets placed into service, net of retirements.

### Income taxes

Income taxes increased \$14 million and \$16 million for the three and six months ended June 30, 2020 compared with 2019, primarily due to a deferred income tax benefit in 2019 associated with two projects placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit.



## LG&E: Statement of Income Analysis

### Statement of Income Analysis

Net income for the periods ended June 30 includes the following results.

	Three Months			Six Months		
	2020	2019	\$ Change	2020	2019	\$ Change
<b>Operating Revenues</b>						
Retail and wholesale	\$ 320	\$ 328	\$ (8)	\$ 713	\$ 725	\$ (12)
Electric revenue from affiliate	2	6	(4)	16	19	(3)
<b>Total Operating Revenues</b>	<b>322</b>	<b>334</b>	<b>(12)</b>	<b>729</b>	<b>744</b>	<b>(15)</b>
<b>Operating Expenses</b>						
<b>Operation</b>						
Fuel	50	69	(19)	124	147	(23)
Energy purchases	18	22	(4)	70	96	(26)
Energy purchases from affiliate	8	2	6	8	4	4
Other operation and maintenance	92	96	(4)	184	190	(6)
Depreciation	65	56	9	129	107	22
Taxes, other than income	9	10	(1)	19	19	—
<b>Total Operating Expenses</b>	<b>242</b>	<b>255</b>	<b>(13)</b>	<b>534</b>	<b>563</b>	<b>(29)</b>
Other Income (Expense) - net	1	(1)	2	—	(1)	1
Interest Expense	22	22	—	44	43	1
Income Taxes	12	12	—	31	29	2
<b>Net Income</b>	<b>\$ 47</b>	<b>\$ 44</b>	<b>\$ 3</b>	<b>\$ 120</b>	<b>\$ 108</b>	<b>\$ 12</b>

### Operating Revenues

The increase (decrease) in operating revenues was due to:

	Three Months	Six Months
Volumes (a)	\$ (6)	\$ (24)
Fuel and other energy prices (b)	(9)	(21)
Demand (c)	(6)	(9)
Retail rates (d)	7	27
ECR (e)	4	12
Other	(2)	—
<b>Total</b>	<b>\$ (12)</b>	<b>\$ (15)</b>

- (a) The decreases were primarily due to weather.
- (b) The decreases were due to lower recoveries of fuel and energy purchases due to lower commodity costs.
- (c) The decreases were primarily due to COVID-19.
- (d) The increases were due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.
- (e) The increases were primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.

### Fuel

Fuel decreased \$19 million for the three months ended June 30, 2020 compared with 2019, primarily due to a decrease in volumes driven by weather.

Fuel decreased \$23 million for the six months ended June 30, 2020 compared with 2019, primarily due to a \$19 million decrease in volumes driven by weather and a \$6 decrease in commodity costs.

**Energy Purchases**

Energy purchases decreased \$4 million for the three months ended June 30, 2020 compared with 2019, primarily due to a decrease in commodity costs.

Energy purchases decreased \$26 million for the six months ended June 30, 2020 compared with 2019, primarily due to a \$19 million decrease in commodity costs and a \$3 million decrease in gas volumes driven by weather.

**Energy Purchases from affiliate**

Energy purchases from affiliate increased \$6 million for the three months ended June 30, 2020 compared with 2019, primarily due to the timing of generation maintenance outages.

**Other Operation and Maintenance**

The increase (decrease) in other operation and maintenance was due to:

	Three Months	Six Months
Storm costs	\$ (5)	\$ (5)
Plant operations and maintenance	(3)	(3)
COVID-19 impact	2	2
Other	2	—
Total	<u>\$ (4)</u>	<u>\$ (6)</u>

**Depreciation**

Depreciation increased \$9 million for the three months ended June 30, 2020 compared with 2019, primarily due to a \$4 million increase related to higher depreciation rates effective May 1, 2019 and a \$4 million increase related to additional assets placed into service, net of retirements.

Depreciation increased \$22 million for the six months ended June 30, 2020 compared with 2019, primarily due to a \$13 million increase related to higher depreciation rates effective May 1, 2019 and an \$8 million increase related to additional assets placed into service, net of retirements.

## KU: Statement of Income Analysis

### Statement of Income Analysis

Net income for the periods ended June 30 includes the following results.

	Three Months			Six Months		
	2020	2019	\$ Change	2020	2019	\$ Change
<b>Operating Revenues</b>						
Retail and wholesale	\$ 380	\$ 404	\$ (24)	\$ 812	\$ 852	\$ (40)
Electric revenue from affiliate	8	2	6	8	4	4
<b>Total Operating Revenues</b>	<b>388</b>	<b>406</b>	<b>(18)</b>	<b>820</b>	<b>856</b>	<b>(36)</b>
<b>Operating Expenses</b>						
<b>Operation</b>						
Fuel	88	99	(11)	177	215	(38)
Energy purchases	4	5	(1)	9	10	(1)
Energy purchases from affiliate	2	6	(4)	16	19	(3)
Other operation and maintenance	107	105	2	211	213	(2)
Depreciation	86	78	8	170	150	20
Taxes, other than income	8	8	—	17	17	—
<b>Total Operating Expenses</b>	<b>295</b>	<b>301</b>	<b>(6)</b>	<b>600</b>	<b>624</b>	<b>(24)</b>
Other Income (Expense) - net	—	(2)	2	1	—	1
Interest Expense	29	28	1	57	54	3
Income Taxes	11	14	(3)	31	36	(5)
<b>Net Income</b>	<b>\$ 53</b>	<b>\$ 61</b>	<b>\$ (8)</b>	<b>\$ 133</b>	<b>\$ 142</b>	<b>\$ (9)</b>

### Operating Revenues

The increase (decrease) in operating revenues was due to:

	Three Months	Six Months
Municipal supply (a)	\$ (6)	\$ (28)
Volumes (b)	(4)	(24)
Fuel and other energy prices (c)	(9)	(18)
Demand (d)	(11)	(15)
Retail rates (e)	8	37
ECR (f)	5	16
Other	(1)	(4)
<b>Total</b>	<b>\$ (18)</b>	<b>\$ (36)</b>

- (a) The decreases were due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.
- (b) The decreases were primarily due to weather.
- (c) The decreases were primarily due to lower recoveries of fuel and energy purchases due to lower commodity costs.
- (d) The decreases were primarily due to COVID-19.
- (e) The increases were due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.
- (f) The increases were primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.

### Fuel

Fuel decreased \$11 million for the three months ended June 30, 2020 compared with 2019, primarily due to a decrease in commodity costs.

Fuel decreased \$38 million for the six months ended June 30, 2020 compared with 2019, primarily due to a \$20 million decrease in volumes driven by weather and a \$19 million decrease in commodity costs.

**Energy Purchases from affiliate**

Energy purchases from affiliate decreased \$4 million for the three months ended June 30, 2020 compared with 2019, primarily due to the timing of generation maintenance outages.

**Depreciation**

Depreciation increased \$8 million for the three months ended June 30, 2020 compared with 2019, primarily due to a \$4 million increase related to additional assets placed into service, net of retirements, and a \$3 million increase related to higher depreciation rates effective May 1, 2019.

Depreciation increased \$20 million for the six months ended June 30, 2020 compared with 2019, primarily due to a \$13 million increase related to higher depreciation rates effective May 1, 2019 and a \$6 million increase related to additional assets placed into service, net of retirements.

**Income taxes**

Income taxes decreased \$3 million for the three months ended June 30, 2020 compared with 2019, primarily due to lower pre-tax income.

**Financial Condition**

The remainder of this Item 2 in this Form 10-Q is presented on a combined basis, providing information, as applicable, for all Registrants.

**Liquidity and Capital Resources**

(All Registrants)

The Registrants had the following at:

	PPL (a)	PPL Electric	LKE	LG&E	KU
<b>June 30, 2020</b>					
Cash and cash equivalents	\$ 1,278	\$ 13	\$ 152	\$ 5	\$ 145
Short-term debt	828	200	—	—	—
Long-term debt due within one year	2,058	—	1,371	264	632
Notes payable with affiliates	—	—	252	190	—
<b>December 31, 2019</b>					
Cash and cash equivalents	\$ 815	\$ 262	\$ 27	\$ 15	\$ 12
Short-term debt	1,151	—	388	238	150
Long-term debt due within one year	1,172	—	975	—	500
Notes payable with affiliates	—	—	150	—	—

(a) At June 30, 2020, \$136 million of cash and cash equivalents were denominated in GBP. If these amounts would be remitted as dividends, PPL would not anticipate an incremental U.S. tax cost. See Note 6 to the Financial Statements in PPL's 2019 Form 10-K for additional information on undistributed earnings of WPD.

Net cash provided by (used in) operating, investing and financing activities for the six month periods ended June 30, and the changes between periods, were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
<b>2020</b>					
Operating activities	\$ 1,299	\$ 360	\$ 534	\$ 275	\$ 293
Investing activities	(1,573)	(558)	(476)	(214)	(451)
Financing activities	745	(51)	67	(71)	291
<b>2019</b>					
Operating activities	\$ 1,070	\$ 314	\$ 445	\$ 258	\$ 270
Investing activities	(1,479)	(530)	(530)	(224)	(305)
Financing activities	198	(31)	93	(35)	44
<b>Change - Cash Provided (Used)</b>					
Operating activities	\$ 229	\$ 46	\$ 89	\$ 17	\$ 23
Investing activities	(94)	(28)	54	10	(146)
Financing activities	547	(20)	(26)	(36)	247

### Operating Activities

The components of the change in cash provided by (used in) operating activities for the six months ended June 30, 2020 compared with 2019 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
<b>Change - Cash Provided (Used)</b>					
Net income	\$ (9)	\$ 21	\$ (12)	\$ 12	\$ (9)
Non-cash components	100	48	29	(11)	(4)
Working capital	83	(23)	55	17	26
Defined benefit plan funding	14	—	4	(1)	1
Other operating activities	41	—	13	—	9
Total	<u>\$ 229</u>	<u>\$ 46</u>	<u>\$ 89</u>	<u>\$ 17</u>	<u>\$ 23</u>

#### (PPL)

PPL's cash provided by operating activities in 2020 increased \$229 million compared with 2019.

- Net income decreased \$9 million between the periods and included an increase in non-cash charges of \$100 million. The increase in non-cash charges was primarily due to an increase in depreciation expense (primarily due to higher depreciation rates and additional assets placed into service, net of retirements), an increase in deferred income taxes (due to book versus tax plant timing differences and Federal net operating losses) and an increase in other expenses (primarily due to an increase in canceled projects), partially offset by a decrease in the U.K. net periodic defined benefit credits (primarily due to higher levels of unrecognized losses being amortized).
- The \$83 million increase in cash from changes in working capital was primarily due to an increase in taxes payable (primarily due to timing of payments), a decrease in unbilled revenues (primarily due to weather), and a decrease in net regulatory assets and liabilities (primarily due to the timing of rate recovery mechanisms), partially offset by an increase in accounts receivable (primarily due to timing of receipts) and an increase in materials and supplies (primarily due to a contract termination and subsequent guaranteed purchase of inventory from a third-party logistics firm).
- The \$41 million increase in cash provided by other operating activities was primarily due to an increase in accrued pension obligation and an increase in ARO expenditures.

#### (PPL Electric)

PPL Electric's cash provided by operating activities in 2020 increased \$46 million compared with 2019.

- Net income increased \$21 million between the periods and included an increase in non-cash components of \$48 million. The increase in non-cash components was primarily due to an increase in deferred income taxes (due to book versus tax plant timing differences and Federal net operating losses) and an increase in other expenses (primarily due to an increase in canceled projects).

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- The \$23 million decrease in cash from changes in working capital was primarily due to an increase in accounts receivable (primarily due to timing of receipts) and an increase in materials and supplies (primarily due to a contract termination and subsequent guaranteed purchase of inventory from a third-party logistics firm), partially offset by a decrease in unbilled revenues (primarily due to weather).

*(LKE)*

LKE's cash provided by operating activities in 2020 increased \$89 million compared with 2019.

- Net income decreased \$12 million between the periods and included an increase in non-cash components of \$29 million. The increase in non-cash components was primarily driven by an increase in depreciation expense (primarily due to higher depreciation rates and additional assets placed into service, net of retirements).
- The increase in cash from changes in working capital was primarily driven by an increase in taxes payable (primarily due to timing of payments) and a decrease in net regulatory assets and liabilities (primarily due to the timing of rate recovery mechanisms).
- The increase in cash provided by other operating activities was driven primarily by a decrease in ARO expenditures.

*(LG&E)*

LG&E's cash provided by operating activities in 2020 increased \$17 million compared with 2019.

- Net income increased \$12 million between the periods and included a decrease in non-cash components of \$11 million. The decrease in non-cash components was primarily driven by a decrease in deferred income tax expense (primarily due to book versus tax plant timing differences) and a decrease in amortization expense (primarily due to amortization of regulatory liabilities beginning May 1, 2019), partially offset by an increase in depreciation expense (primarily due to higher depreciation rates and additional assets placed into service, net of retirements).
- The increase in cash from changes in working capital was primarily driven by an increase in taxes payable (primarily due to timing of payments) and a decrease in net regulatory assets and liabilities (primarily due to the timing of rate recovery mechanisms), partially offset by a decrease in accounts payable (primarily due to timing of payments) and an increase in fuel inventory (primarily due to lower generation and natural gas consumption due to weather).

*(KU)*

KU's cash provided by operating activities in 2020 increased \$23 million compared with 2019.

- Net income decreased \$9 million between the periods and included a decrease in non-cash charges of \$4 million. The decrease in non-cash components was driven by a decrease in deferred income tax expense (primarily due to book versus tax plant timing differences), partially offset by an increase in depreciation expense (primarily due to higher depreciation rates and additional assets placed into service, net of retirements).
- The increase in cash from changes in working capital was primarily driven by an increase in taxes payable (primarily due to timing of payments) and a decrease in fuel inventory (primarily due to the timing and scope of plant outages), partially offset by a decrease in other current liabilities (primarily due to timing of payments).
- The increase in cash provided by other operating activities was driven primarily by a decrease in ARO expenditures.

Investing Activities

*(All Registrants)*

The components of the change in cash provided by (used in) investing activities for the six months ended June 30, 2020 compared with 2019 were as follows.

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	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Expenditures for PP&E	\$ (102)	\$ (23)	\$ 51	\$ 10	\$ 41
Purchase of investments	55	—	—	—	—
Proceeds from the sale of investments	(52)	—	—	—	—
Notes receivable with affiliate	—	—	—	—	(190)
Other investing activities	5	(5)	3	—	3
Total	<u>\$ (94)</u>	<u>\$ (28)</u>	<u>\$ 54</u>	<u>\$ 10</u>	<u>\$ (146)</u>

For PPL, the increase in expenditures for PP&E was due to higher project expenditures at WPD and PPL Electric, partially offset by a decrease in project expenditures at LKE, LG&E and KU. The increase in expenditures at WPD was primarily due to an increase in expenditures to enhance system reliability partially offset by a decrease in foreign currency exchange rates. The increase in expenditures at PPL Electric was primarily due to timing differences on capital spending projects related to the ongoing efforts to improve reliability and replace aging infrastructure. The decrease in expenditures at LKE was primarily due to decreased spending for environmental water projects at LG&E and KU's Trimble County plant, LG&E's Mill Creek plant and KU's Ghent plant, partially offset by spending on gas transmission projects at LG&E and spending on various other projects at LG&E and KU that are not individually significant.

**Financing Activities**

*(All Registrants)*

The components of the change in cash provided by (used in) financing activities for the six months ended June 30, 2020 compared with 2019 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Debt issuance/retirement, net	\$ 1,029	\$ —	\$ (7)	\$ (199)	\$ 192
Proceeds from project financing	96	—	—	—	—
Stock issuances/redemptions, net	(2)	—	—	—	—
Dividends	(42)	(31)	—	(5)	2
Capital contributions/distributions, net	—	(5)	(66)	28	(31)
Issuance of term loan	300	—	—	—	—
Change in short-term debt, net	(825)	15	30	(55)	85
Notes payable with affiliate	—	—	12	190	—
Other financing activities	(9)	1	5	5	(1)
Total	<u>\$ 547</u>	<u>\$ (20)</u>	<u>\$ (26)</u>	<u>\$ (36)</u>	<u>\$ 247</u>

See Note 8 to the Financial Statements in this Form 10-Q for information on 2020 short-term and long-term debt activity, equity transactions and PPL dividends. See Note 8 to the Financial Statements in the Registrants' 2019 Form 10-K for information on 2019 activity.

**Credit Facilities**

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. Amounts borrowed under these credit facilities are reflected in "Short-term debt" on the Balance Sheets. At June 30, 2020, the total committed borrowing capacity under credit facilities and the borrowings under these facilities were:

External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	\$ 1,800	\$ 300	\$ —	\$ 1,500
PPL Electric Credit Facility	650	—	201	449
LG&E Credit Facilities	500	—	—	500
KU Credit Facilities	400	—	—	400
Total LKE	900	—	—	900
Total U.S. Credit Facilities (a)	\$ 3,350	\$ 300	\$ 201	\$ 2,849
Total U.K. Credit Facilities (b)	£ 1,055	£ 206	£ —	£ 849

- (a) The commitments under the U.S. credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than the following percentages of the total committed capacity: PPL - 12%, PPL Electric - 6%, LKE - 7%, LG&E - 7% and KU - 7%.
- (b) The amounts borrowed at June 30, 2020 were a USD-denominated borrowing of \$200 million and GBP-denominated borrowings of £44 million which equated to \$54 million. At June 30, 2020, the USD equivalent of unused capacity under the U.K. committed credit facilities was \$1 billion.

The commitments under the U.K. credit facilities are provided by a diverse bank group, with no one bank providing more than 14% of the total committed capacity.

See Note 8 to the Financial Statements for further discussion of the Registrants' credit facilities.

Intercompany (LKE, LG&E and KU)

	Committed Capacity	Borrowed	Non-affiliate Used Capacity	Unused Capacity
LKE Credit Facility	\$ 375	\$ 252	\$ —	\$ 123
LKE Term-Loan Facility	475	—	—	475
LG&E Money Pool (a)	750	190	—	560
KU Money Pool (a)	650	—	—	650

- (a) LG&E and KU participate in an intercompany money pool agreement whereby LKE and/or KU make available to LG&E funds up to \$750 million and LKE and/or LG&E make available to KU funds up to \$650 million, at an interest rate based on a market index of commercial paper issues. However, the FERC has issued a maximum aggregate short-term debt limit at \$750 million for LG&E and \$650 million for KU from all covered sources.

See Note 11 to the Financial Statements for further discussion of intercompany credit facilities.

Commercial Paper (All Registrants)

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's credit facility. The following commercial paper programs were in place at June 30, 2020:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	\$ 1,500	\$ —	\$ 1,500
PPL Electric	650	200	450
LG&E	350	—	350
KU	350	—	350
Total LKE	700	—	700
Total PPL	\$ 2,850	\$ 200	\$ 2,650

Long-term Debt (All Registrants)

See Note 8 to the Financial Statements for information regarding the Registrants' long-term debt activities.



(PPL)

### Equity Securities Activities

ATM

In February 2018, PPL entered into an equity distribution agreement, pursuant to which PPL may sell, from time to time, up to an aggregate of \$1.0 billion of its common stock through an at-the-market offering program; including a forward sales component. The compensation paid to the selling agents by PPL may be up to 2% of the gross offering proceeds of the shares. There were no issuances under the ATM program for the six months ended June 30, 2020.

### Common Stock Dividends

In May 2020, PPL declared a quarterly common stock dividend, payable July 1, 2020, of 41.50 cents per share (equivalent to \$1.66 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

### Rating Agency Actions

(All Registrants)

Moody's and S&P periodically review the credit ratings of the debt of the Registrants and their subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of the Registrants and their subsidiaries are based on information provided by the Registrants and other sources. The ratings of Moody's and S&P are not a recommendation to buy, sell or hold any securities of the Registrants or their 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 the securities.

The credit ratings of the Registrants and their subsidiaries affect their liquidity, access to capital markets and cost of borrowing under their credit facilities. A downgrade in the Registrants' or their subsidiaries' credit ratings could result in higher borrowing costs and reduced access to capital markets. The Registrants and their subsidiaries have no credit rating triggers that would result in the reduction of access to capital markets or the acceleration of maturity dates of outstanding debt.

The rating agencies have taken the following actions related to the Registrants and their subsidiaries during 2020:

(PPL)

In April 2020, Moody's and S&P assigned ratings of Baa2 and BBB+ to PPL Capital Funding's \$1 billion 4.125% Senior Notes due 2030. The notes were issued April 1, 2020.

(PPL, LKE and KU)

In May 2020, Moody's and S&P assigned ratings of A1 and A to KU's \$500 million 3.30% First Mortgage Bonds due 2050. The bonds were issued June 3, 2020.

### Ratings Triggers

(PPL, LKE, LG&E and KU)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, interest rate and foreign currency instruments (for PPL), contain provisions that require the posting of additional collateral or permit the counterparty to terminate the contract, if PPL's, LKE's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL, LKE and LG&E for derivative contracts in a net liability position at June 30, 2020.

(All Registrants)

For additional information on the Registrants' liquidity and capital resources, see "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Registrants' 2019 Form 10-K.

## Risk Management

### Market Risk

(All Registrants)

See Notes 13 and 14 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These are not precise indicators of expected future losses, but are rather only indicators of possible losses under normal market conditions at a given confidence level.

#### Interest Rate Risk

The Registrants and their subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. The Registrants and their subsidiaries utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of their debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolios due to changes in the absolute level of interest rates. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

The following interest rate hedges were outstanding at June 30, 2020.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
<b>PPL</b>				
Cash flow hedges				
Interest rate swaps (c)	\$ 155	\$ (10)	\$ —	2035
Cross-currency swaps (c)	702	203	(66)	2028
Economic hedges				
Interest rate swaps (d)	147	(29)	—	2033
<b>LKE</b>				
Economic hedges				
Interest rate swaps (d)	147	(29)	—	2033
<b>LG&amp;E</b>				
Economic hedges				
Interest rate swaps (d)	147	(29)	—	2033

(a) Includes accrued interest, if applicable.

(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability. Sensitivities represent a 10% adverse movement in interest rates, except for cross-currency swaps which also includes a 10% adverse movement in foreign currency exchange rates.

(c) Changes in the fair value of these instruments are recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings.

(d) Realized changes in the fair value of such economic hedges are recoverable through regulated rates and any subsequent changes in the fair value of these derivatives are included in regulatory assets or regulatory liabilities.

The Registrants are exposed to a potential increase in interest expense and to changes in the fair value of their debt portfolios. The estimated impact of a 10% adverse movement in interest rates on interest expense at June 30, 2020 was insignificant for

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PPL, PPL Electric, LKE, LG&E and KU. The estimated impact of a 10% adverse movement in interest rates on the fair value of debt at June 30, 2020 is shown below.

	10% Adverse Movement in Rates
PPL	\$ 637
PPL Electric	185
LKE	207
LG&E	78
KU	126

*Foreign Currency Risk (PPL)*

PPL is exposed to foreign currency risk primarily through investments in and earnings of U.K. affiliates. Under its risk management program, PPL may enter into financial instruments to hedge certain foreign currency exposures, including translation risk of expected earnings, firm commitments, recognized assets or liabilities, anticipated transactions and net investments.

The following foreign currency hedges were outstanding at June 30, 2020.

	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through
Economic hedges (b)	£ 447	\$ 108	\$ (47)	2021

- (a) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability.  
 (b) To economically hedge the translation risk of expected earnings denominated in GBP.

*(All Registrants)*

*Commodity Price Risk*

PPL is exposed to commodity price risk through its domestic subsidiaries as described below.

- PPL Electric is required to purchase electricity to fulfill its obligation as a PLR. Potential commodity price risk is insignificant and mitigated through its PUC-approved cost recovery mechanism and full-requirement supply agreements to serve its PLR customers which transfer the risk to energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel, fuel-related expenses and energy purchases. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.

*Volumetric Risk*

Volumetric risk is the risk related to the changes in volume of retail sales due to weather, economic conditions or other factors. PPL is exposed to volumetric risk through its subsidiaries as described below.

- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO-ED1 price control regulations, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2019 Form 10-K for additional information on revenue recognition under RIIO-ED1.
- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

*Credit Risk (All Registrants)*

See Notes 13 and 14 to the Financial Statements in this Form 10-Q and "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Risk Management - Credit Risk" in the Registrants' 2019 Form 10-K for additional information.

### **Foreign Currency Translation (PPL)**

The value of the British pound sterling fluctuates in relation to the U.S. dollar. Changes in this exchange rate resulted in a foreign currency translation loss of \$353 million for the six months ended June 30, 2020, which primarily reflected a \$605 million decrease to PP&E, a \$112 million decrease to goodwill, partially offset by a \$357 million decrease to long-term debt and a \$7 million decrease to other net liabilities. Changes in this exchange rate resulted in a foreign currency translation loss of \$84 million for the six months ended June 30, 2019, which primarily reflected a \$125 million decrease to PP&E, a \$23 million decrease to goodwill and an \$9 million decrease to other net assets, partially offset by a \$73 million decrease to long-term debt. The impact of foreign currency translation is recorded in AOCI.

### **Related Party Transactions (All Registrants)**

The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 11 to the Financial Statements for additional information on related party transactions for PPL Electric, LKE, LG&E and KU.

### **Acquisitions, Development and Divestitures (All Registrants)**

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results.

### **Environmental Matters (All Registrants)**

Extensive federal, state and local environmental laws and regulations are applicable to PPL's, PPL Electric's, LKE's, LG&E's and KU's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The costs of compliance or alleged non-compliance cannot be predicted with certainty but could be significant. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the costs for their products or their demand for the Registrants' services. Increased capital and operating costs are subject to rate recovery. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

See "Environmental Matters" in Item 1. "Business" in the Registrants' 2019 Form 10-K for information about environmental laws and regulations affecting the Registrants' business. See "Legal Matters" in Note 10 to the Financial Statements for a discussion of significant environmental claims. See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registrants' 2019 Form 10-K for information on projected environmental capital expenditures for 2020 through 2024. See Note 15 to the Financial Statements for information related to the impacts of CCRs on AROs.

The information below represents an update to "Item 1. Business - Environmental Matters - Water/Waste - Clean Water Act Jurisdiction" in the Registrants' 2019 Form 10-K.

#### *Clean Water Act Jurisdiction*

Environmental groups and others have claimed that discharges to groundwater from leaking CCR impoundments at power plants are subject to Clean Water Act permitting. A citizen suit raising such claims has been filed against KU with respect to the E.W. Brown plant, as discussed under "Legal Matters" - "E.W. Brown Environmental Claims" in Note 10 to the Financial Statements. On April 12, 2019, the EPA released regulatory clarification finding that Clean Water Act jurisdiction does not cover such discharges to groundwater. On January 23, 2020, the EPA announced a final rule modifying the jurisdictional scope of the Clean Water Act. The announced rule revises the definition of the "Waters of the United States," including a revision to exclude groundwater from the definition. In April 2020, the U.S. Supreme Court issued a ruling that Clean Water Act jurisdiction may apply to certain discharges to groundwater that result in the functional equivalent of a direct discharge to navigable waters. PPL, LKE, LG&E, and KU are unaware of any unpermitted releases from their facilities that are subject to

Clean Water Act jurisdiction, but future guidance from the EPA and judicial rulings could potentially subject certain releases from CCR impoundments and landfills to additional permitting and remediation requirements, which could impose substantial costs. If any, associated costs are expected to be subject to rate recovery. PPL, LKE, LG&E and KU are unable to predict the outcome or financial impact of future regulatory proceedings and litigation.

**New Accounting Guidance** *(All Registrants)*

See Note 2 to the Financial Statements for a discussion of new accounting guidance adopted.

**Application of Critical Accounting Policies** *(All Registrants)*

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following table summarizes the accounting policies by Registrant that are particularly important to an understanding of the reported financial condition or results of operations, and require management to make estimates or other judgments of matters that are inherently uncertain. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registrants' 2019 Form 10-K for a discussion of each critical accounting policy.

	<b>PPL</b>	<b>PPL Electric</b>	<b>LKE</b>	<b>LG&amp;E</b>	<b>KU</b>
Defined Benefits	X	X	X	X	X
Income Taxes	X	X	X	X	X
Regulatory Assets and Liabilities	X	X	X	X	X
Price Risk Management	X				
Goodwill Impairment	X		X	X	X
AROs	X		X	X	X
Revenue Recognition - Unbilled Revenue			X	X	X

**PPL Corporation  
PPL Electric Utilities Corporation  
LG&E and KU Energy LLC  
Louisville Gas and Electric Company  
Kentucky Utilities Company**

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Reference is made to "Risk Management" in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations."

**Item 4. Controls and Procedures**

Although the COVID-19 pandemic prompted the Registrants to make certain procedural adjustments to accommodate an increased remote workforce, PPL's accounting and reporting systems and functions were well prepared to perform necessary accounting and reporting activities as of June 30, 2020 and to maintain the effectiveness of its disclosure controls and procedures and internal control over financial reporting.

(a) Evaluation of disclosure controls and procedures.

The Registrants' principal executive officers and principal financial officers, based on their evaluation of the Registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of June 30, 2020, the Registrants' disclosure controls and procedures are effective to ensure that material information relating to the Registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this quarterly report has been prepared. The principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Change in internal controls over financial reporting.

The Registrants' principal executive officers and principal financial officers have concluded that there were no changes in the Registrants' internal controls over financial reporting during the Registrants' second fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

For information regarding legal, tax, regulatory, environmental or other administrative proceedings that became reportable events or were pending in the second quarter of 2020 see:

- "Item 3. Legal Proceedings" in each Registrant's 2019 Form 10-K; and
- Notes 6, 7 and 10 to the Financial Statements.

**Item 1A. Risk Factors**

There have been no material changes in the Registrants' risk factors from those disclosed in "Item 1A. Risk Factors" of the Registrants' 2019 Form 10-K, except for the following:

***The COVID-19 pandemic and resultant impact on business and economic conditions could negatively affect our business.***

The COVID-19 pandemic has disrupted the U.S. and global economies and continues to present extraordinary challenges to businesses, communities, workforces and markets. In the U.S. and throughout the world, governmental authorities have taken urgent and extensive actions to contain the spread of the virus and mitigate known or foreseeable impacts. In the Registrants' service territories, mitigation measures have included quarantines, stay-at-home orders, travel restrictions, reduced operations or

closures of businesses, schools and governmental agencies, and executive, legislative or regulatory actions to address health or other pandemic-related concerns.

Until COVID-19 is contained or an effective vaccine is identified and widely-available, the COVID-19 virus poses significant risks to the health and welfare of the Registrants' customers, employees, contractors and suppliers, and to the conduct of their business. Mandates to stay at home, shelter in place, or quarantine and resulting lock-down or closures of non-essential businesses could reduce demand for electricity and gas, or cause shifts in demand between residential, commercial and industrial customers that could negatively impact the Registrants' financial condition. Customers experiencing financial strain from unemployment, furloughs, or reduced work hours may not be able to pay their bills on a timely basis, which could negatively impact our liquidity. Continued economic disruption may further depress the GBP to U.S. dollar exchange rate and increase PPL's foreign exchange exposure. New or changing legislation or regulatory orders may unfavorably impact the Registrants or the utility industry generally.

All of these factors have the potential to materially and adversely affect the Registrants' business and operations, especially if they remain in effect for a prolonged period of time. At this time, the Registrants' cannot predict the extent to which these or other pandemic-related factors may affect their business, earnings or other financial results, as it depends on the duration and scope of the outbreak, the measures undertaken in response and other future developments, all of which are highly uncertain. In addition to the factors discussed above, investors should be aware that other COVID-19-related risks may emerge in the future and may prove to be significant. Investors should carefully consider the discussion of COVID-19 related items presented in this Quarterly Report and the risks presented in the Registrants' Annual Report on Form 10-K for 2019, especially to the extent that the COVID-19 pandemic may exacerbate or increase those risks.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 6. Exhibits**

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits has heretofore been filed with the Commission and pursuant to Rule 12(b)-23 are incorporated herein by reference. Exhibits indicated by a [ ] are filed or listed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

- [4\(a\)](#) - Supplemental Indenture No. 8, dated as of May 15, 2020, to Indenture, dated as of October 1, 2010, among Kentucky Utilities Company and the Bank of New York Mellon, as Trustee (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 3, 2020)
- [\\*10\(a\)](#) - £845 million Multicurrency Revolving Facilities Agreement, dated May 13 2020, among Western Power Distribution (East Midlands) plc, Western Power Distribution (West Midlands) plc, Western Power Distribution (South West) plc, and Western Power Distribution (South Wales) plc as the Borrowers, Mizuho Bank, Ltd and National Westminster Bank plc as Joint Coordinators, HSBC UK Bank plc, Lloyds Bank plc, Mizuho Bank Ltd, National Westminster Bank plc, Royal Bank of Canada, Barclays Bank plc and Santander UK plc as Bookrunners and Mandated Lead Arrangers, MUFG Bank, Ltd as Mandated Lead Arranger, and Lloyds Bank plc as Facility Agent

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended June 30, 2020, filed by the following officers for the following companies:

- [\\*31\(a\)](#) - PPL Corporation's principal executive officer
- [\\*31\(b\)](#) - PPL Corporation's principal financial officer
- [\\*31\(c\)](#) - PPL Electric Utilities Corporation's principal executive officer
- [\\*31\(d\)](#) - PPL Electric Utilities Corporation's principal financial officer
- [\\*31\(e\)](#) - LG&E and KU Energy LLC's principal executive officer
- [\\*31\(f\)](#) - LG&E and KU Energy LLC's principal financial officer
- [\\*31\(g\)](#) - Louisville Gas and Electric Company's principal executive officer
- [\\*31\(h\)](#) - Louisville Gas and Electric Company's principal financial officer
- [\\*31\(i\)](#) - Kentucky Utilities Company's principal executive officer
- [\\*31\(j\)](#) - Kentucky Utilities Company's principal financial officer

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended June 30, 2020, furnished by the following officers for the following companies:

- [\\*32\(a\)](#) - PPL Corporation's principal executive officer and principal financial officer
- [\\*32\(b\)](#) - PPL Electric Utilities Corporation's principal executive officer and principal financial officer
- [\\*32\(c\)](#) - LG&E and KU Energy LLC's principal executive officer and principal financial officer
- [\\*32\(d\)](#) - Louisville Gas and Electric Company's principal executive officer and principal financial officer
- [\\*32\(e\)](#) - Kentucky Utilities Company's principal executive officer and principal financial officer

- 101.INS - XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH - XBRL Taxonomy Extension Schema
- 101.CAL - XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF - XBRL Taxonomy Extension Definition Linkbase
- 101.LAB - XBRL Taxonomy Extension Label Linkbase
- 101.PRE - XBRL Taxonomy Extension Presentation Linkbase
- 104 - The Cover Page Interactive Data File is formatted as Inline XBRL and contained in Exhibits 101.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

**PPL Corporation**

(Registrant)

Date: August 10, 2020

/s/ Marlene C. Beers

---

Marlene C. Beers  
Vice President and Controller  
(Principal Accounting Officer)

**PPL Electric Utilities Corporation**

(Registrant)

Date: August 10, 2020

/s/ Stephen K. Breininger

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Stephen K. Breininger  
Vice President-Finance and Regulatory Affairs and Controller  
(Principal Financial Officer and Principal Accounting Officer)

**LG&E and KU Energy LLC**

(Registrant)

**Louisville Gas and Electric Company**

(Registrant)

**Kentucky Utilities Company**

(Registrant)

Date: August 10, 2020

/s/ Kent W. Blake

---

Kent W. Blake  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

DATED 13 MAY 2020

WESTERN POWER DISTRIBUTION (EAST MIDLANDS) PLC,  
WESTERN POWER DISTRIBUTION (WEST MIDLANDS) PLC,  
WESTERN POWER DISTRIBUTION (SOUTH WEST) PLC and  
WESTERN POWER DISTRIBUTION (SOUTH WALES) PLC  
AS THE BORROWERS

MIZUHO BANK, LTD.  
and  
NATIONAL WESTMINSTER BANK PLC  
AS JOINT COORDINATORS

HSBC UK BANK PLC,  
LLOYDS BANK PLC,  
MIZUHO BANK, LTD.,  
NATIONAL WESTMINSTER BANK PLC,  
ROYAL BANK OF CANADA,  
BARCLAYS BANK PLC  
and  
SANTANDER UK PLC  
AS BOOKRUNNERS AND MANDATED LEAD ARRANGERS

MUFG BANK, LTD.  
AS MANDATED LEAD ARRANGER

and

LLOYDS BANK PLC  
AS FACILITY AGENT

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£845,000,000 MULTICURRENCY REVOLVING  
FACILITIES AGREEMENT

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**LATHAM & WATKINS**

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London EC2M 3XF  
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THIS AGREEMENT is dated 13 May 2020.

BETWEEN:

- (1) (a) WESTERN POWER DISTRIBUTION (EAST MIDLANDS) PLC (registered number 02366923) (“WPDEM”); (b) WESTERN POWER DISTRIBUTION (WEST MIDLANDS) PLC (registered number 03600574) (“WPDWM”); (c) WESTERN POWER DISTRIBUTION (SOUTH WEST) PLC (registered number 02366894) (“WPDSW”); (d) WESTERN POWER DISTRIBUTION (SOUTH WALES) PLC (registered number 02366985) (“WPDSWa”) (each a “Borrower” and WPDSWa together with WPDEM, WPDWM and WPDSW, the “Borrowers”)
- (2) MIZUHO BANK, LTD. and NATIONAL WESTMINSTER BANK PLC as joint coordinators (the “Joint Coordinators”);
- (3) BARCLAYS BANK PLC, HSBC UK BANK PLC, LLOYDS BANK PLC, MIZUHO BANK, LTD., NATIONAL WESTMINSTER BANK PLC, ROYAL BANK OF CANADA, and SANTANDER UK PLC as bookrunners and mandated lead arrangers (the “Bookrunners”);
- (4) MUFG BANK, LTD. as mandated lead arranger (and together with the Bookrunners, the “Arrangers”);
- (5) THE FINANCIAL INSTITUTIONS listed in Schedule 1 (Original Parties) as original lenders (the “Original Lenders”); and
- (6) LLOYDS BANK PLC as facility agent (the “Facility Agent”).

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement:

“Acceptable Bank” means:

- (a) a Lender (which is not a Defaulting Lender);
- (b) a bank or financial institution which has a rating for its long-term unsecured and non credit-enhanced debt obligations of A- or higher by Standard & Poor’s Rating Services or A- or higher by Fitch Ratings Ltd or A3 or higher by Moody’s Investor Services Limited or a comparable rating from an internationally recognised credit rating agency; or
- (c) any other bank or financial institution approved by the Facility Agent (acting reasonably).

“Acceptable Jurisdiction” means:

- (a) the United States of America;
  - (b) the United Kingdom; or
  - (c) any other member state of the European Union or any Participating Member State where such country has long term sovereign credit rating of A- or higher by Standard
-

& Poor's Rating Services or A3 or higher from Moody's Investor Services Limited or A- or higher from Fitch Ratings Ltd.

"Act" means the Electricity Act 1989 and, unless the context otherwise requires, all subordinate legislation made pursuant thereto.

"Administrative Party" means an Arranger or the Facility Agent.

"Affiliate" means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company. Notwithstanding the foregoing, in relation to National Westminster Bank plc, the term "Affiliate" shall not include (i) the UK government or any member or instrumentality thereof, including Her Majesty's Treasury and UK Financial Investments Limited (or any directors, officers, employees or entities thereof) or (ii) any persons or entities controlled by or under common control with the UK government or any member or instrumentality thereof (including Her Majesty's Treasury and UK Financial Investments Limited) and which are not part of The Royal Bank of Scotland Group plc and its subsidiaries or subsidiary undertakings.

"Agent's Spot Rate of Exchange" means:

- (a) the Facility Agent's spot rate of exchange; or
- (b) (if the Facility Agent does not have an available spot rate of exchange) any other publicly available spot rate of exchange selected by the Facility Agent (acting reasonably),

for the purchase of the relevant currency with the Base Currency in the London foreign exchange market at or about 11.00 a.m. on a particular day.

"Applicable Accounting Principles" means those accounting principles, standards and practices generally accepted in the United Kingdom and the accounting and reporting requirements of the Companies Act 2006, in each case as used in the Original Financial Statements.

"Article 55 BRRD" means Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms.

"Assignment Agreement" means an agreement substantially in the form set out in Schedule 5 (Form of Assignment Agreement) or any other form agreed between the relevant assignor and assignee.

"Authority" means The Gas and Electricity Markets Authority established under Section 1 of the Utilities Act 2000.

"Available Commitment" means a Lender's Commitment minus:

- (a) the Base Currency Amount of its participation in any outstanding Loans; and
- (b) in relation to any proposed Loans, the Base Currency Amount of its participation in any Loans that are due to be made on or before the proposed Drawdown Date,

other than that Lender's participation in any Loans that are due to be repaid or prepaid on or before the proposed Drawdown Date.

"Availability Period" means the period from and including the date of this Agreement to and including the date falling one month prior to the Final Maturity Date.

“Available Facility” means the aggregate for the time being of each Lender’s Available Commitment.

“Bail-In Action” means the exercise of any Write-down and Conversion Powers.

“Bail-In Legislation” means:

- (a) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 BRRD, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time; and
- (b) in relation to any state other than such an EEA Member Country or (to the extent that the United Kingdom is not such an EEA Member Country) the United Kingdom, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation.

“Balancing and Settlement Code” means the document, as modified from time to time, setting out the electricity balancing and settlement arrangements designated by the Secretary of State and adopted by The National Grid Company plc (Registered No. 2366977) or its successor pursuant to its transmission licence.

“Balancing and Settlement Code Framework Agreement” means the agreement of that title, in the form approved by the Secretary of State, as amended from time to time, to which each Borrower is a party and by which the Balancing and Settlement Code is made binding upon each Borrower.

“Bank Levy” means any amount payable by any Finance Party or any of its Affiliates on the basis of, or in relation to, its balance sheet or capital base or any part of that person or its liabilities or minimum regulatory capital or any combination thereof, including, without limitation, the UK bank levy as set out in the Finance Act 2011, the French *taxe bancaire de risque systémique* as set out in Article 235 ter ZE of the French Code *Général des impôts*, the German bank levy as set out in the German Restructuring Fund Act 2010 (*Restrukturierungsfondsgesetz*) (as amended), the Dutch *bankenbelasting* as set out in the bank levy act (*Wet bankenbelasting*), the Swedish bank levy as set out in the Swedish Act on State Support to Credit Institutions (Sw. lag (2008:814) (*lag om statligt stöd till kreditinstitut*)), or the Spanish bank levy (*Impuesto sobre los Depósitos en las Entidades de Crédito*) as set out in the Law 16/2012 of 27 December 2012.

“Base Currency” means Sterling.

“Base Currency Amount” means in relation to a Loan, the amount specified in the Request delivered by a Borrower for that Loan (or, if the amount requested is not denominated in the Base Currency, that amount converted into the Base Currency at the Agent’s Spot Rate of Exchange on the date which is three Business Days before the Drawdown Date or, if later, on the date the Facility Agent receives the Request) as adjusted to reflect any repayment or prepayment of a Loan.

“Basel III” means:

- (a) the agreements on capital requirements, a leverage ratio and liquidity standards contained in “Basel III: A global regulatory framework for more resilient banks and banking systems”, “Basel III: International framework for liquidity risk measurement, standards and monitoring” and “Guidance for national authorities operating the countercyclical capital buffer” published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;

- (b) the rules for global systematically important banks contained in “Global systematically important banks: assessment methodology and the additional loss absorbency requirement — Rules text” published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and
- (c) any further guidance or standards published by the Basel Committee on Banking Supervision relating to “Basel III”.

“Borrower Group” means, in respect of a Borrower, that Borrower and its Subsidiaries (if any).

“Break Costs” means the amount (if any), calculated in accordance with Clause 25.4 (Break Costs), which a Lender is entitled to receive under this Agreement as compensation if any part of a Loan or overdue amount is prepaid.

“Business Day” means a day (other than a Saturday or a Sunday) on which commercial banks are open in London and:

- (a) if on that day a payment in or a purchase of a currency (other than euro) is to be made, the principal financial centre of the country of that currency; or
- (b) if on that day a payment in or purchase of euro is to be made, which is also a TARGET Day.

“Code” means the US Internal Revenue Code of 1986.

“Commitment” means a Facility A Commitment, Facility B Commitment, Facility C Commitment or Facility D Commitment.

“Compliance Certificate” means a certificate substantially in the form of Schedule 5 (Form of Compliance Certificate) setting out, among other things, calculations of the financial covenants or as otherwise agreed between the relevant Borrower and the Facility Agent.

“Confidential Information” means all information relating to each Borrower, each Borrower Group, the Finance Documents or each Facility of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party or which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or a Facility from either:

- (a) any member of a Borrower Group or any of its advisers; or
- (b) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any member of a Borrower Group or any of its advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes:

- (i) information that:
  - (A) is or becomes public information other than as a direct or indirect result of any breach by that Finance Party of Clause 30 (Confidentiality and disclosure of information), or
  - (B) is identified in writing at the time of delivery as non-confidential by any member of a Borrower Group or any of its advisers; or

- (C) is known by that Finance Party before the date the information is disclosed to it in accordance with paragraphs (a) or (b) above or is lawfully obtained by that Finance Party after that date, from a source which is, as far as that Finance Party is aware, unconnected with a Borrower Group and which, in either case, as far as that Finance Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality; and

- (ii) any Funding Rate or Reference Bank Quotation.

“Confidentiality Undertaking” means a confidentiality undertaking substantially in a recommended form of the LMA or in any other form agreed between a Borrower and the Facility Agent.

“Contribution Notice” means a contribution notice issued by the Pensions Regulator under section 38 or section 47 of the Pensions Act 2004.

“CRD IV” means:

- (a) Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms; and
- (b) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

“CTA” means the Corporation Tax Act 2009.

“Debt Purchase Transaction” means, in relation to a person, a transaction where such person:

- (a) purchases by way of assignment or transfer;
- (b) enters into any sub-participation in respect of; or
- (c) enters into any other agreement or arrangement having an economic effect substantially similar to a sub-participation in respect of,

any Commitment or amount outstanding under this Agreement.

“Default” means:

- (a) an Event of Default; or
- (b) an event specified in Clause 21 (Default) which would be (with the lapse of time, the expiry of a grace period, the giving of notice or the making of any determination under the Finance Documents or any combination of them) an Event of Default.

“Defaulting Lender” means any Lender:

- (a) which has failed to make its participation in a Loan available or has notified the Facility Agent that it will not make its participation in a Loan available by the Drawdown Date of that Loan in accordance with Clause 5.4 (Advance of Loan);
- (b) which has otherwise rescinded or repudiated a Finance Document; or
- (c) with respect to which an Insolvency Event has occurred and is continuing,



unless, in the case of paragraph (a) above:

- (i) its failure to pay is caused by:
  - (A) administrative or technical error; or
  - (B) a Disruption Event,and payment is made within 5 Business Days of its due date; or
- (ii) the Lender is disputing in good faith whether it is contractually obliged to make the payment in question.

“Disruption Event” means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Finance Documents (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:
  - (i) from performing its payment obligations under the Finance Documents; or
  - (ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

“Dodd-Frank” means the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 stat. 1376 (2010) and all requests, rules, guidelines or directives in connection therewith.

“Drawdown Date” means each date on which a Loan is made.

“EEA Member Country” means any member state of the European Union, Iceland, Liechtenstein and Norway.

“Environment” means humans, animals, plants and all other living organisms including the ecological systems of which they form part and the following media:

- (a) air (including, without limitation, air within natural or man-made structures, whether above or below ground);
- (b) water (including, without limitation, territorial, coastal and inland waters, water under or within land and water in drains and sewers); and
- (c) land (including, without limitation, land under water).

“Environmental Claim” means any claim, proceeding, formal notice or investigation by any person in respect of any Environmental Law.

“Environmental Law” means any applicable law or regulation which relates to:

- (a) the pollution or protection of the Environment;
- (b) the conditions of the workplace; or
- (c) the generation, handling, storage, use, release or spillage of any substance which, alone or in combination with any other, is capable of causing harm to the Environment, including, without limitation, any waste.

“EU Bail-In Legislation Schedule” means the document described as such and published by the LMA (or any successor person) from time to time.

“euro” or “euros” or “€” means the single currency of the Participating Member States.

“EURIBOR” means in relation to any Loan in euro:

- (a) the applicable Screen Rate as of the Specified Time for euro and for a period equal in length to the Term of that Loan; or
- (b) as otherwise determined pursuant to Clause 12.1 (Unavailability of Screen Rate),

and if, in either case, that rate is less than zero, EURIBOR shall be deemed to be zero.

“Event of Default” means an event specified as such in this Agreement.

“Existing Facilities” means the multi-currency revolving credit facilities for WPDSW, WPDEM and WPDWM, signed 4 April 2011 and 12 January 2012 between the relevant Borrower and the lenders named therein, each as amended and restated on 29 July 2014.

“Facility” means Facility A, Facility B, Facility C or Facility D.

“Facility A” means the revolving credit facility made available under this Agreement as described in sub-clause 2.1.1(a) of Clause 2 (The Facilities).

“Facility A Commitment” means:

- (a) in relation to an Original Lender, the amount in the Base Currency set opposite its name under the heading “Facility A Commitment” in Schedule 1 (The Original Parties) and the amount of any other Facility A Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (Increase); and
- (b) in relation to any other Lender, the amount in the Base Currency of any Facility A Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (Increase),

to the extent not cancelled, reduced or transferred by it under this Agreement.

“Facility A Loan” means a loan made or to be made under Facility A or the principal amount outstanding for the time being of that loan.

“Facility B” means the revolving credit facility made available under this Agreement as described in sub-clause 2.1.1(b) of Clause 2 (The Facilities).

“Facility B Commitment” means:

- (a) in relation to an Original Lender, the amount in the Base Currency set opposite its name under the heading “Facility B Commitment” in Schedule 1 (**The Original Parties**) and the amount of any other Facility B Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (**Increase**); and
- (b) in relation to any other Lender, the amount in the Base Currency of any Facility B Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (**Increase**),

to the extent not cancelled, reduced or transferred by it under this Agreement.

“Facility B Loan” means a loan made or to be made under Facility B or the principal amount outstanding for the time being of that loan.

“Facility C” means the revolving credit facility made available under this Agreement as described in sub-clause 2.1.1(c) of Clause 2 (**The Facilities**).

“Facility C Commitment” means:

- (a) in relation to an Original Lender, the amount in the Base Currency set opposite its name under the heading “Facility C Commitment” in Schedule 1 (**The Original Parties**) and the amount of any other Facility C Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (**Increase**); and
- (b) in relation to any other Lender, the amount in the Base Currency of any Facility C Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (**Increase**),

to the extent not cancelled, reduced or transferred by it under this Agreement.

“Facility C Loan” means a loan made or to be made under Facility C or the principal amount outstanding for the time being of that loan.

“Facility D” means the revolving credit facility made available under this Agreement as described in sub-clause 2.1.1(d) of Clause 2 (**The Facilities**).

“Facility D Commitment” means:

- (a) in relation to an Original Lender, the amount in the Base Currency set opposite its name under the heading “Facility D Commitment” in Schedule 1 (**The Original Parties**) and the amount of any other Facility D Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (**Increase**); and
- (b) in relation to any other Lender, the amount in the Base Currency of any Facility D Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (**Increase**),

to the extent not cancelled, reduced or transferred by it under this Agreement.

“Facility D Loan” means a loan made or to be made under Facility D or the principal amount outstanding for the time being of that loan.

“Facility Office” means the office(s) notified by a Lender to the Facility Agent in writing:

- (a) on or before the date it becomes a Lender; or
- (b) by not less than five Business Days’ notice,

as the office(s) through which it will perform its obligations under this Agreement.

“Fallback Term” means one month.

“FATCA” means:

- (a) sections 1471 to 1474 of the Code or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

“FATCA Application Date” means:

- (a) in relation to a “withholdable payment” described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014; or
- (b) in relation to a “passthru payment” described in section 1471(d)(7) of the Code not falling within paragraph (a) above, the first date from which such payment may become subject to a deduction or withholding required by FATCA.

“FATCA Deduction” means a deduction or withholding from a payment under a Finance Document required by FATCA.

“FATCA Exempt Party” means a Party that is entitled to receive payments free from any FATCA Deduction.

“Fee Letter” means:

- (a) any letter entered into by reference to a Facility between one or more Administrative Parties and the Borrowers setting out the amount of certain fees referred to in the Agreement; and
- (b) any agreement setting out fees payable to a Finance Party referred to in Clause 24 (Fees) of this Agreement or under any other Finance Document.

“Final Maturity Date” means, in relation to each Facility, subject to Clause 6 (Extension Option), the third anniversary of the Signing Date.

“Finance Document” means:

- (a) this Agreement;
- (b) a Fee Letter;
- (c) a Transfer Certificate; or
- (d) any other document designated as such by the Facility Agent and the Borrowers.

“Finance Party” means a Lender or an Administrative Party.

“Financial Indebtedness” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any acceptance credit;
- (c) any bond, note, debenture, loan stock or other similar instrument;
- (d) any redeemable preference share;
- (e) any finance or capital lease;
- (f) receivables sold or discounted (otherwise than on a non-recourse basis);
- (g) the acquisition cost of any asset to the extent payable after its acquisition or possession by the party liable where the deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that asset;
- (h) any derivative transaction protecting against or benefiting from fluctuations in any rate or price (and, except for non-payment of an amount, the then mark to market value of the derivative transaction will be used to calculate its amount);
- (i) any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing;
- (j) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution; or
- (k) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any item referred to in paragraphs (a) to (j) above.

“Financial Support Direction” means a financial support direction issued by the Pensions Regulator under section 43 of the Pensions Act 2004.

“Funding Rate” means any individual rate notified by a Lender to the Facility Agent pursuant to paragraph 12.4.1(b) of Clause 12.4 (Cost of funds).

“Historic Screen Rate” means, in relation to any Loan, the most recent applicable Screen Rate for the currency of that Loan and for a period equal in length to the Term of that Loan and which is as of a day which is no more than three days before the Quotation Day.

“Holding Company” means in relation to a person, any other person in respect of which it is a Subsidiary.

“Impaired Agent” means the Facility Agent at any time when;

- (a) it has failed to make (or has notified a Party that it will not make) a payment required to be made by it under the Finance Documents by the due date for payment;
- (b) the Facility Agent otherwise rescinds or repudiates a Finance Document;
- (c) (if the Facility Agent is also a Lender) it is a Defaulting Lender under paragraph (a) or (b) of the definition of “Defaulting Lender”; or
- (d) an Insolvency Event has occurred and is continuing with respect to the Facility Agent;

unless, in the case of paragraph (a) above;

- (i) its failure to pay is caused by:
  - (A) administrative or technical error; or
  - (B) a Disruption Event,and payment is made within 5 Business Days of its due date; or
- (ii) the Facility Agent is disputing in good faith whether it is contractually obliged to make the payment in question.

“Increase Confirmation” means a confirmation substantially in the form set out in Schedule 7 (Form of Increase Confirmation).

“Increase Lender” has the meaning given to that term in Clause 2.2.1 (Increase).

“Increased Cost” means:

- (a) an additional or increased cost;
- (b) a reduction in the rate of return from a Facility or under a Finance Document or on a Finance Party’s (or its Affiliate’s) overall capital; or
- (c) a reduction of an amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates but only to the extent attributable to that Finance Party having entered into its Commitments or funding or performing its obligations under any Finance Document.

“Insolvency Event” in relation to a Finance Party means that the Finance Party:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding up or liquidation by it or such regulator, supervisor or similar official;
- (e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such

proceeding or petition is instituted or presented by a person or entity not described in paragraph (d) above and:

- (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding up or liquidation; or
  - (ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;
- (f) has a resolution passed for its winding up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (g) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (h) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter;
- (i) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (h) above; or
- (j) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

“**Interpolated Historic Screen Rate**” means, in relation to any Loan, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between:

- (a) the most recent applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the Term of that Loan; and
- (b) the most recent applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the Term of that Loan,

each for the currency of that Loan and each of which is as of a day which is no more than three days before the Quotation Day.

“**Interpolated Screen Rate**” means, in relation to any Loan, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between:

- (a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the Term of that Loan; and
- (b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the Term of that Loan,

each as of the Specified Time for the currency of that Loan.

“**ITA**” means the Income Tax Act 2007.

“Legal Reservations” means:

- (a) the principle that equitable remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;
- (b) the time barring of claims under the Limitation Act 1980 and the Foreign Limitation Periods Act 1984, the possibility that an undertaking to assume liability for or indemnify a person against non-payment of UK stamp duty may be void and defences of set-off or counterclaim;
- (c) similar principles, rights and defences under the laws of any jurisdiction in which a member of a Borrower Group or a Holding Company of a Borrower is incorporated; and
- (d) any other matters which are set out as qualifications or reservations as to matters of law of general application in any legal opinion provided under Schedule 2 (Conditions Precedent Documents).

“Lender” means:

- (a) an Original Lender; or
- (b) any person which becomes a Lender after the date of this Agreement in accordance with Clause 2.2 (Increase) or Clause 29 (Changes to the Lenders),

which in each case has not ceased to be a Lender in accordance with the terms of this Agreement.

“LIBOR” means, in relation to any Loan (other than a Loan denominated in euro):

- (a) the applicable Screen Rate as of the Specified Time for the currency of that Loan and for a period equal in length to the Term of that Loan; or
- (b) as otherwise determined pursuant to Clause 12.1 (Unavailability of Screen Rate),

and if, in either case, that rate is less than zero, LIBOR shall be deemed to be zero.

“Licence” means:

- (a) the electricity distribution licence made and treated as granted to the Borrowers under Section 6(1)(c) of the Act pursuant to a licensing scheme made by the Secretary of State under Part II of Schedule 7 to the Utilities Act 2000 on 28 September, 2001; or
- (b) any statutory amendment or replacement licence or licences granted pursuant to the Utilities Act 2000 which permit each Borrower to distribute electricity in the area it is certified to operate in.

“LMA” means the Loan Market Association.

“Loan” means a Facility A Loan, Facility B Loan, Facility C Loan or Facility D Loan.

“Majority Lenders” means a Lender or Lenders whose Commitments aggregate more than 66⅔ per cent. of the Total Commitments (or, if the Total Commitments have been reduced to



zero, aggregated more than 66 $\frac{2}{3}$  per cent. of the Total Commitments immediately prior to the reduction).

“Margin” means, provided that:

- (a) at least one of Fitch Ratings Ltd (“Fitch”), Moody’s Investor Services Limited (“Moody’s”) and Standard & Poor’s Ratings Services (“Standard & Poor’s”) has provided a current rating in respect of the long-term, unsecured and non credit-enhanced debt obligations of a Borrower; and
- (b) no Event of Default is outstanding,

the rate set out in the table below:

Rating (Moody’s)	Rating (Standard Poor’s/ Fitch)	& Margin (per annum)
Lower than Baa3	Lower than BBB-	1.00%
Baa3	BBB-	0.80%
Baa2	BBB	0.65%
Baa1	BBB+	0.55%
A3	A-	0.45%
A2 or higher	A or higher	0.35%

If:

- (a) the current Fitch, Moody’s and Standard & Poor’s ratings in respect of a Borrower imply different Margin rates, the Margin shall be the average of the three Margin rates implied;
- (b) only two of Fitch, Moody’s and Standard & Poor’s provides a rating in respect of the long term, unsecured and non credit-enhanced debt obligations of a Borrower, the Margin shall be the average of the two Margin rates implied;
- (c) only one of Fitch, Moody’s and Standard & Poor’s provides a rating in respect of the long-term, unsecured and non credit-enhanced debt obligations of a Borrower, that rating alone shall be used to determine the applicable Margin; and
- (d) none of Fitch, Moody’s nor Standard & Poor’s provides a rating in respect of the long-term, unsecured and non credit-enhanced debt obligations of a Borrower, or if an Event of Default is outstanding, the applicable Margin shall be 1.00% per annum.

Any increase or decrease in the Margin shall take effect on (i) three Business Days after the date on which the Fitch, Moody’s and/or Standard & Poor’s rating in respect of the long-term, unsecured and non credit-enhanced debt obligations of a Borrower is published or, as the case may be, changed or withdrawn or (ii) where the Facility Agent receives notice from a Borrower or otherwise becomes aware that an Event of Default has occurred or has ceased to be outstanding, with effect from the date on which such Event of Default occurs or ceases to be outstanding.

For the purposes of this definition, an Event of Default being “outstanding” means that it has not been remedied (as evidenced by a Borrower to the Facility Agent (acting reasonably)) or waived.

“Material Adverse Effect” means a material adverse effect on:

- (a) the business, assets or financial condition of a Borrower Group (taken as a whole);

- (b) the ability of a Borrower to perform its payment obligations under the Finance Documents or its obligations under Clauses 19.3 (**Interest Cover**) or 19.4 (**Asset Cover**) of this Agreement; or
- (c) the validity or the enforceability of the Finance Documents or the rights or remedies of any Finance Party under any of the Finance Documents.

“**Material Subsidiary**” means, at any time, a Subsidiary of a Borrower whose gross assets or gross revenues (on a consolidated basis and excluding intra-Borrower Group items) then equal or exceed 10 per cent. of the gross assets or gross revenues of the relevant Borrower Group.

For this purpose:

- (a) the gross assets or gross revenues of a Subsidiary of a Borrower will be determined from its financial statements (consolidated if it has Subsidiaries) upon which the latest audited financial statements of that Borrower Group have been based;
- (b) if a Subsidiary of a Borrower becomes a member of the relevant Borrower Group after the date on which the latest audited financial statements of that Borrower Group have been prepared, the gross assets or gross revenues of that Subsidiary will be determined from its latest financial statements;
- (c) the gross assets or gross revenues of a Borrower Group will be determined from the relevant Borrower’s latest audited financial statements, adjusted (where appropriate) to reflect the gross assets or gross revenues of any company or business subsequently acquired or disposed of; and
- (d) if a Material Subsidiary disposes of all or substantially all of its assets to another Subsidiary of the relevant Borrower, it will immediately cease to be a Material Subsidiary and the other Subsidiary (if it is not already) will immediately become a Material Subsidiary; the subsequent financial statements of those Subsidiaries and that Borrower Group will be used to determine whether those Subsidiaries are Material Subsidiaries or not.

If there is a dispute as to whether or not a company is a Material Subsidiary, a certificate of the auditors of the relevant Borrower will be, in the absence of manifest error, conclusive.

“**Maturity Date**” means the last day of the Term of a Loan.

“**New Lender**” has the meaning given to that term in Clause 29 (**Changes to the Lenders**).

“**Non-Consenting Lender**” means any Lender who does not and continues not to consent or agree to a Borrower’s or the Facility Agent’s (at the request of the Borrowers) request to give a consent in relation to, or agree to a waiver or amendment of, any provisions of the Finance Documents where Lenders whose Commitments aggregate either:

- (a) in the case the consent, waiver or amendment in question requires the approval of all the Lenders, Lenders whose Commitments aggregate more than 85% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 85% of the Total Commitments prior to that reduction); or
- (b) in the case the consent, waiver or amendment in question requires the approval of the Majority Lenders, Lenders whose Commitments aggregate more than 60% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 60% of the Total Commitments prior to that reduction),

have consented or agreed to such waiver or amendment.

“OFGEM” means the Office of Gas and Electricity Markets.

“Optional Currency” means any currency (other than the Base Currency) which complies with the conditions set out in Clause 4.3 (Conditions relating to Optional Currencies).

“Original Financial Statements” means the audited consolidated financial statements of each Borrower for the year ended 31 March 2019.

“Participating Member State” means a member state of the European Union that has the euro as its lawful currency under the legislation of the European Union relating to Economic and Monetary Union.

“Party” means a party to this Agreement.

“Pensions Regulator” means the body corporate called the Pensions Regulator established under Part I of the Pensions Act 2004.

“PPL” means PPL Corporation, a company incorporated in Pennsylvania, U.S.A. whose head office is in Two North Ninth Street, Allentown, PA18101, Pennsylvania, U.S.A., registered number 2570936.

“Pre-approved Currency” means U.S.\$ and euro.

“Pro Rata Share” means:

- (a) for the purpose of determining a Lender’s share in a Loan, the proportion which its Available Commitment bears to the Available Facility, in respect of the relevant Facility, immediately prior to making the Loan under that Facility; and
- (b) for any other purpose on a particular date:
  - (i) the proportion which its aggregate Commitment bears to the Total Commitments on that date; or
  - (ii) if the Total Commitments have been cancelled, the proportion which its aggregate Commitments bore to the Total Commitments immediately before being cancelled.

“PUHCA” means the Public Utility Holding Company Act of 2005, as amended, of the United States of America.

“Qualifying Lender” has the meaning given to such term in Clause 13.1 (Definitions).

“Quasi-Security Interest” has the meaning given to such term in Clause 20.5 (Negative Pledge).

“Quotation Day” means, in relation to any period for which an interest rate is to be determined:

- (a) (if the currency is Sterling) the first day of that period;
- (b) (if the currency is euro) two TARGET Days before the first day of that period; or
- (c) (for any other currency) two Business Days before the first day of that period,

unless market practice differs in the Relevant Market for that currency, in which case the Quotation Day for that currency will be determined by the Facility Agent in accordance with market practice in the Relevant Market (and if quotations for that currency and period would normally be given on more than one day, the Quotation Day will be the last of those days).

“Reference Bank Quotation” means any quotation supplied to the Facility Agent by a Reference Bank.

“Reference Bank Rate” means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Facility Agent at its request by the Reference Banks:

- (a) in relation to LIBOR as either:
  - (i) if:
    - (A) the Reference Bank is a contributor to the applicable Screen Rate; and
    - (B) it consists of a single figure,  
  
the rate (applied to the relevant Reference Bank and the relevant currency and period) which contributors to the applicable Screen Rate are asked to submit to the relevant administrator; or
  - (ii) in any other case, the rate at which the relevant Reference Bank could fund itself in the relevant currency for the relevant period with reference to the unsecured wholesale funding market; or
- (b) in relation to EURIBOR:
  - (i) (other than where paragraph (ii) below applies) as the rate at which the relevant Reference Bank believes one prime bank is quoting to another prime bank for interbank term deposits in euro within the Participating Member States for the relevant period; or
  - (ii) if different, as the rate (if any and applied to the relevant Reference Bank and the relevant period) which contributors to the applicable Screen Rate are asked to submit to the relevant administrator.

“Reference Banks” means the principal London offices of such banks as may be appointed by the Facility Agent in consultation with the Borrowers and with the consent of the bank so appointed.

“Related Fund” in relation to a fund (the “first fund”), means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

“Relevant Market” means in relation to euro, the European interbank market and, in relation to any other currency, the London interbank market.

“Repeating Representations” means each of the representations and warranties set out in Clause 17.2 (Status) to Clause 17.8 (Financial Statements) (inclusive), Clause 17.10 (Litigation), Clause 17.12 (Non-Violation of other Agreements) and Clause 17.13 (Governing law and enforcement).

“Representative” means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

“Request” means a request for a Loan, substantially in the form set out in Schedule 3 (Requests).

“Resolution Authority” means any body which has authority to exercise any Write-down and Conversion Powers.

“Rollover Loan” means one or more Loans:

- (a) made or to be made on the same day that a maturing Loan is due to be repaid;
- (b) the aggregate amount of which is equal to or less than the amount of the maturing Loan;
- (c) in the same currency as the maturing Loan (unless it arose as a result of the operation of Clause 7.2 (Revocation of a currency)), and
- (d) made or to be made to the same Borrower for the purpose of refinancing that maturing Loan.

“Screen Rate” means:

- (a) in relation to LIBOR, the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the relevant currency and period displayed on pages LIBOR01 or LIBOR02 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate); and
- (b) in relation to EURIBOR, the euro interbank offered rate administered by the European Money Markets Institute (or any other person which takes over the administration of that rate) for the relevant period displayed on page EURIBOR01 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate),

or, in each case, on the appropriate page of such other information service which publishes that rate from time to time in place of Thomson Reuters. If such page or service ceases to be available, the Facility Agent may specify another page or service displaying the relevant rate after consultation with the Borrowers.

“Secretary of State” means the Secretary of State for Business, Innovation and Skills.

“Security Interest” means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having a similar effect.

“Signing Date” means the date of this Agreement.

“Specified Time” means a day or time determined in accordance with Schedule 8 (Timetables).

“Sterling” and “£” mean the lawful currency of the United Kingdom.

“Subordination Deed” means a document in the form set out in Schedule 9 (Form of Subordination Deed) duly completed and executed by the parties thereto.

“Subsidiary” means:

- (a) a subsidiary within the meaning of section 1159 of the Companies Act 2006; and

- (b) unless the context otherwise requires, a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006.

“TARGET2” means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single platform and which was launched on 19 November 2007.

“TARGET Day” means any day on which TARGET2 is open for the settlement of payments in euro.

“Tax” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“Tax Deduction” means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

“Taxes Act” means the Corporation Tax Act 2010.

“Tax Payment” means either an increase in a payment made by a Borrower to a Finance Party under Clause 13.2 (Tax gross-up) or a payment under Clause 13.3 (Tax indemnity).

“Term” means, in respect of a Loan, each period determined under this Agreement by reference to which interest on a Loan or an overdue amount is calculated.

“Total Commitments” means the aggregate of the Commitments being £845,000,000 at the date of this Agreement.

“Transfer Certificate” means a certificate, substantially in the form of Schedule 4 (Form of Transfer Certificate), with such amendments as the Facility Agent may approve or reasonably require or any other form agreed between the Facility Agent and a Borrower.

“Transfer Date” means, in relation to a transfer, the later of:

- (a) the proposed Transfer Date specified in the relevant Assignment Agreement or Transfer Certificate; and
- (b) the date on which the Facility Agent executes the relevant Assignment Agreement or Transfer Certificate.

“U.K.” means the United Kingdom of Great Britain and Northern Ireland.

“U.K. Bail-In Legislation” means (to the extent that the U.K. is not an EEA Member Country which has implemented, or implements, Article 55 BRRD) Part I of the United Kingdom Banking Act 2009 and any other law or regulation applicable in the U.K. relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings).

“Unpaid Sum” means any sum due and payable but unpaid by a Borrower under the Finance Documents.

“US” means the United States of America.

“US Dollars”, “U.S.\$” and “U.S.D” means the lawful currency for the time being of the United States of America.

“VAT” means:

- (a) any Tax charged in accordance with the UK Value Added Tax Act 1994, as may be amended or substituted from time to time;
- (b) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (c) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above, or imposed elsewhere.

“Write-down and Conversion Powers” means:

- (a) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule;
- (b) in relation to any other applicable Bail-In Legislation:
  - (i) any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and
  - (ii) any similar or analogous powers under that Bail-In Legislation; and
- (c) in relation to any U.K. Bail-In Legislation:
  - (i) any powers under that U.K. Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that U.K. Bail-In Legislation that are related to or ancillary to any of those powers; and
  - (ii) any similar or analogous powers under that U.K. Bail-In Legislation.

## 1.2 Construction

1.2.1 The following definitions have the meanings given to them in Clause 19 (Financial Covenants):

- (a) Cash;
- (b) Cash Equivalent Investments;

- (c) Consolidated EBITDA;
- (d) Interest Payable;
- (e) Measurement Period;
- (f) Regulatory Asset Base; and
- (g) Total Net Debt.

1.2.2 In this Agreement, unless the contrary intention appears, a reference to:

- (a) an “Arranger”, the “Facility Agent” any “Finance Party”, any “Lender” or any “Party” shall be construed so as to include its successors in title, permitted assigns and permitted transferees to, or of, its rights and/or obligations under the Finance Documents;
- (b) an **amendment** includes a supplement, novation, restatement or re-enactment and amended will be construed accordingly;
- (c) **assets** includes present and future properties, revenues and rights of every description;
- (d) an **authorisation** includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration or notarisation;
- (e) **disposal** means a sale, transfer, grant, lease or other disposal, whether voluntary or involuntary, and dispose will be construed accordingly;
- (f) **indebtedness** includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money;
- (g) **know your customer requirements** are the identification checks that a Finance Party requests in order to meet its obligations under any applicable law or regulation to identify a person who is (or is to become) its customer;
- (h) a **person** includes any individual, company, corporation, unincorporated association or body (including a partnership, trust, joint venture or consortium), government, state, agency, organisation or other entity whether or not having separate legal personality;
- (i) a **regulation** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which any person to which it applies is accustomed to comply) of any governmental, inter-governmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
- (j) the **winding-up** of a person includes the administration, dissolution or liquidation or other like process of that person, any composition or arrangement with the creditors, amalgamation, reconstruction, reorganisation or consolidation pursuant to Part XXVI of the Companies Act 2006 proposed or carried out in respect of that person or a company voluntary arrangement pursuant to the Insolvency Act 1986 carried out or proposed in respect of that person;



- (k) a currency is a reference to the lawful currency for the time being of the relevant country;
  - (l) save as set out in the definition of Margin in Clause 1.1 (Definitions), a Default (other than an Event of Default) being **outstanding** means that it has not been remedied or waived and an Event of Default being **outstanding** means that it has not been waived;
  - (m) a provision of law is a reference to that provision as extended, applied, amended or re-enacted and includes any subordinate legislation;
  - (n) a Clause, a sub-clause or a Schedule is a reference to a clause or sub-clause of, or a schedule to, this Agreement;
  - (o) a person includes its successors in title, permitted assigns and permitted transferees;
  - (p) a Finance Document or another document is a reference to that Finance Document or other document as amended; and
  - (q) a time of day is a reference to London time.
- 1.2.3 Unless the contrary intention appears, a reference to a **month** or **months** is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month or the calendar month in which it is to end, except that:
- (a) if the numerically corresponding day is not a Business Day, the period will end on the next Business Day in that month (if there is one) or the preceding Business Day (if there is not);
  - (b) if there is no numerically corresponding day in that month, that period will end on the last Business Day in that month; and
  - (c) notwithstanding sub-clause 1.2.3(a) above, a period which commences on the last Business Day of a month will end on the last Business Day in the next month or the calendar month in which it is to end, as appropriate.
- 1.2.4 Unless the contrary intention appears:
- (a) a reference to a Party will not include that Party if it has ceased to be a Party under this Agreement;
  - (b) a word or expression used in any other Finance Document or in any notice given in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement; and
  - (c) any obligation of a Borrower under the Finance Documents which is not a payment obligation remains in force for so long as any payment obligation of that Borrower is or may be outstanding under the Finance Documents.
- 1.2.5 The headings in this Agreement do not affect its interpretation.

1.3 Third party rights

- 1.3.1 Unless expressly provided to the contrary in a Finance Document, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the “Third Parties Act”) to enforce or to enjoy the benefit of any term of this Agreement.
- 1.3.2 Notwithstanding any term of any Finance Document, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

## 2. THE FACILITIES

### 2.1 The Facilities

2.1.1 Subject to the terms of this Agreement, the Lenders make available to:

- (a) WPDEM, a multicurrency revolving credit facility in an aggregate amount the Base Currency Amount of which is equal to the Facility A Commitments;
- (b) WPDWM, a multicurrency revolving credit facility in an aggregate amount the Base Currency Amount of which is equal to the Facility B Commitments;
- (c) WPDSW, a multicurrency revolving credit facility in an aggregate amount the Base Currency Amount of which is equal to the Facility C Commitments; and
- (d) WPDSWa, a multicurrency revolving credit facility in an aggregate amount the Base Currency Amount of which is equal to the Facility D Commitments.

2.1.2 For the avoidance of doubt, subject to any increase in Commitments under Clause 2.2 (Increase), the Commitments of each Lender shall be split on a *pro rata* basis between all of the Facilities.

### 2.2 Increase

2.2.1 A Borrower may by giving prior notice to the Facility Agent by no later than the date falling 10 Business Days after the effective date of a cancellation of:

- (a) the Available Commitments of a Defaulting Lender in accordance with sub-clause 9.6.4 of Clause 9.6 (Involuntary prepayment and cancellation); or
- (b) the Commitments of a Lender in accordance with:
  - (i) Clause 9.1 (Mandatory prepayment - illegality); or
  - (ii) sub-clause 9.6.1 of Clause 9.6 (Involuntary prepayment and cancellation),

request that the relevant Commitments be increased (and the relevant Commitments shall be so increased) in an aggregate amount in the Base Currency of up to the amount of the Available Commitments or Commitments so cancelled as follows:

- (c) the increased Commitments will be assumed by one or more Lenders or other banks, financial institutions, trusts, funds or other entities (each an "Increase Lender") selected by the relevant Borrower (each of which shall not be a member of a Borrower Group and which is further acceptable to the Facility Agent (acting reasonably)) and each of which confirms its willingness to assume and does assume all the obligations of a Lender corresponding to that part of the increased Commitments which it is to assume, as if it had been an Original Lender in respect of those Commitments;
- (d) each of the Borrowers and any Increase Lender shall assume obligations towards one another and/or acquire rights against one another as the Borrowers and the Increase Lender would have assumed and/or acquired had the Increase Lender been an Original Lender in respect of that part of the increased Commitments which it is to assume;

- (e) each Increase Lender shall become a Party as a “Lender” and any Increase Lender and each of the other Finance Parties shall assume obligations towards one another and acquire rights against one another as that Increase Lender and those Finance Parties would have assumed and/or acquired had the Increase Lender been an Original Lender in respect of that part of the increased Commitments which it is to assume;
- (f) the Commitments of the other Lenders shall continue in full force and effect; and
- (g) any increase in the Commitments shall take effect on the date specified by the relevant Borrower in the notice referred to above or any later date on which the conditions set out in sub-clause 2.2.2 below are satisfied.

2.2.2 An increase in the Commitments will only be effective on:

- (a) the execution by the Facility Agent of an Increase Confirmation from the relevant Increase Lender; and
- (b) in relation to an Increase Lender which is not a Lender immediately prior to the relevant increase the performance by the Facility Agent of all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the assumption of the increased Commitments by that Increase Lender, the completion of which the Facility Agent shall promptly notify to the relevant Borrower and the Increase Lender.

2.2.3 Each Increase Lender, by executing the Increase Confirmation, confirms (for the avoidance of doubt) that the Facility Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the increase becomes effective and that it is bound by that decision to the same extent as it would have been had it been an Original Lender.

2.2.4 Unless the Facility Agent otherwise agrees or the increased Commitment is assumed by an existing Lender, the relevant Borrower shall, on the date upon which the increase takes effect, pay to the Facility Agent (for its own account) a fee of £3,000 and that Borrower shall promptly on demand pay the Facility Agent the amount of all costs and expenses (including legal fees) reasonably incurred by it in connection with any increase in Commitments under this Clause 2.2.

2.2.5 A Borrower may pay to the Increase Lender a fee in the amount and at the times agreed between the relevant Borrower and the Increase Lender in a letter between that Borrower and the Increase Lender setting out that fee. A reference in this Agreement to a Fee Letter shall include any letter referred to in this paragraph.

2.2.6 Clause 29.5 (Limitation of responsibility of Existing Lender) shall apply *mutatis mutandis* in this Clause 2.2 in relation to an Increase Lender as if references in that Clause to:

- (a) an “Existing Lender” were references to all the Lenders immediately prior to the relevant increase;
- (b) the “New Lender” were references to that “Increase Lender”; and
- (c) a “re-transfer” and “re-assignment” were references to respectively a “transfer” and “assignment”.

2.2.7 Each Party (other than the Increase Lender) irrevocably authorises the Facility Agent to execute any duly completed Increase Confirmation on its behalf.

### 2.3 Nature of a Finance Party's rights and obligations

Unless otherwise agreed by all the Finance Parties;

2.3.1 the obligations of a Finance Party under the Finance Documents are several;

2.3.2 failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents;

2.3.3 no Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents;

2.3.4 the rights of a Finance Party under or in connection with the Finance Documents are separate and independent rights and a debt arising under the Finance Documents to a Finance Party is a separate and independent debt in respect of which a Finance Party shall be entitled to enforce its rights in accordance with sub-paragraph 2.3.5 below. The rights of each Finance Party include any debt owing to that Finance Party under the Finance Documents and, for the avoidance of doubt, any part of a Loan or any other amount owed by a Borrower which relates to a Finance Party's participation in a Facility or its role under a Finance Document (including any such amount payable to the Facility Agent on its behalf) is a debt owing to that Finance Party by that Borrower; and

2.3.5 a Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under or in connection with the Finance Documents.

## 3. Purpose

### 3.1 Purpose

Each Borrower shall apply all amounts borrowed by it under the relevant Facility towards:

- (a) the general corporate purposes of the relevant Borrower Group;
- (b) the refinancing, and any associated costs of such refinancing, of the Existing Facilities; and
- (c) in compliance with the Licence.

### 3.2 No obligation to monitor

No Finance Party is bound to monitor or verify any amount borrowed pursuant to this Agreement.

## 4. CONDITIONS PRECEDENT

### 4.1 Conditions precedent documents

4.1.1 A Request may not be given until the Facility Agent has notified the Borrowers and the Lenders that it has received (or waived receipt of) all of the documents and evidence set out in Schedule 2 (Conditions Precedent Documents) in form and substance satisfactory to the Facility Agent. The Facility Agent shall give this notification to the Borrowers and the Lenders upon being so satisfied.

4.1.2 Other than to the extent that the Majority Lenders notify the Facility Agent in writing to the contrary before the Facility Agent gives the notification described in subparagraph 4.1.1 above, the Lenders authorise (but do not require) the Facility Agent to give that notification. The Facility Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

#### 4.2 Further conditions precedent

The obligations of each Lender to participate in any Loan are subject to the further conditions precedent that on both the date of the Request and the Drawdown Date for that Loan:

4.2.1 the Repeating Representations are correct in all material respects in respect of the Borrower (and, as applicable, the relevant Borrower Group) delivering the Request; and

4.2.2 no Default or, in the case of a Rollover Loan, no Event of Default in respect of the Borrower (and, as applicable, the relevant Borrower Group) delivering the Request is outstanding or would result from the Loan.

#### 4.3 Conditions relating to Optional Currencies

4.3.1 A currency will constitute an Optional Currency in relation to a Loan if:

(a) it is readily available in the amount required and freely convertible into the Base Currency in the wholesale market for that currency on the Quotation Day and the Drawdown Date for that Loan; and

(b) it is a Pre-approved Currency or has been approved by the Facility Agent (acting on the instructions of all the Lenders) on or prior to receipt by the Facility Agent of the relevant Request for that Loan.

4.3.2 If the Facility Agent has received a written request from a Borrower for a currency to be approved under paragraph (b) of sub-clause 4.3.1 above, the Facility Agent will confirm to that Borrower by the Specified Time:

(a) whether or not the Lenders have granted their approval; and

(b) if approval has been granted, the minimum amount (and, if required, integral multiples) for any subsequent Loan in that currency.

#### 4.4 Maximum number

4.4.1 Unless the Facility Agent agrees, a Request in relation to the relevant Facility may not be given if, as a result, there would be:

(a) more than 10 Facility A Loans outstanding;

(b) more than 10 Facility B Loans outstanding;

(c) more than 10 Facility C Loans outstanding; and/or

(d) more than 10 Facility D Loans outstanding.

4.4.2 Any Loan made by a single Lender under Clause 7.2 (Revocation of a currency) shall not be taken into account in this Clause 4.4.

## 5. UTILISATION

### 5.1 Giving of Requests

5.1.1 A Borrower may borrow a Loan by giving to the Facility Agent a duly completed Request not later than the Specified Time.

5.1.2 Each Request is irrevocable.

### 5.2 Completion of Requests

5.2.1 A Request for a Loan will not be regarded as having been duly completed unless:

- (a) the Borrower and the relevant Facility is identified;
- (b) the Drawdown Date is a Business Day falling within the Availability Period;
- (c) the currency and amount of the Loan comply with Clause 5.3 (Currency and amount);
- (d) the proposed Term complies with this Agreement; and
- (e) it specifies the account and bank to which the Loan shall be credited.

5.2.2 Only one Loan per Borrower may be requested in a Request.

### 5.3 Currency and amount

5.3.1 The currency specified in a Request must be either the Base Currency or an Optional Currency.

5.3.2 The amount of the proposed Loan must be:

- (a) if the currency selected is the Base Currency, a minimum of £5,000,000 and an integral multiple of £1,000,000 or, if less, the Available Facility (or such other amount as the Facility Agent may agree);
- (b) if the currency selected is an Optional Currency which is a Pre-approved Currency, a minimum of (as applicable):
  - (i) U.S.\$5,000,000 and an integral multiple of U.S.\$1,000,000; or
  - (ii) €5,000,000 and an integral multiple of €1,000,000,or, in each case, if less, the Available Facility; or
- (c) if the currency selected is an Optional Currency other than a Pre-approved Currency, the minimum amount (and if required, integral multiple) specified by the Facility Agent pursuant to paragraph (b) of sub-clause 4.3.2 of Clause 4.3 (Conditions relating to Optional Currencies) or, if less, the Available Facility.

### 5.4 Advance of Loan

5.4.1 The Facility Agent must promptly notify each Lender of the details of the requested Loan and the amount of its share in that Loan.

- 5.4.2 If the conditions set out in this Agreement have been met, and subject to Clause 8.2 (Cashless Rollover), each Lender shall make its participation in each Loan available by no later than 2.00pm on the Drawdown Date through its Facility Office.
- 5.4.3 Save as set out in sub-clause 5.4.4 below, the amount of each Lender's share of the Loan will be its Pro Rata Share on the proposed Drawdown Date.
- 5.4.4 No Lender is obliged to participate in a Loan if as a result:
- (a) the Base Currency Amount of its share in the aggregate amount of the Loans would exceed its Commitment; or
  - (b) the Base Currency Amount of the Loans would exceed:
    - (i) the Commitments in respect of a particular Facility; or
    - (ii) the Total Commitments.
- 5.4.5 The Facility Agent shall determine the Base Currency Amount of each Loan which is to be made in an Optional Currency and shall notify each Lender of the amount, currency and the Base Currency Amount of each Loan, the amount of its participation in that Loan and, if different, the amount of that participation to be made available in accordance with Clause 16 (Payment Mechanics), in each case by the Specified Time.

## 6. EXTENSION OPTION

- 6.1 The Borrowers may by notice to the Facility Agent (the "Initial Extension Request") not more than 60 days and not less than 30 days before the first anniversary of the Signing Date, request that the Final Maturity Date in respect of each Facility be extended for a further period of one year.
- 6.2 The Borrowers may by notice to the Facility Agent (the "Second Extension Request") no more than 60 days and not less than 30 days before the second anniversary of the Signing Date, request that the Final Maturity Date in respect of each Facility:
- (a) if the Initial Extension Request has been made, be extended for a further period of one year; or
  - (b) if no Initial Extension Request has been made, be extended for a period of two years,
- as notified by the Borrowers in the notice to the Facility Agent.
- 6.3 The Facility Agent must promptly notify the Lenders of any Initial Extension Request or Second Extension Request (an "Extension Request").
- 6.4 Each Lender may, in its sole discretion, agree to any Extension Request by notifying the Facility Agent accordingly by the date falling 15 days before the first or second anniversary of the Signing Date (as applicable).
- 6.5 If any Lender fails to reply to the Facility Agent with respect to an Extension Request on or before the date falling 15 days before the first or second anniversary of the Signing Date as applicable, it will be deemed to have refused that Extension Request and its Commitment will not be extended.
- 6.6 Subject to Clause 6.9 below, each Extension Request is irrevocable.



- 6.7 The Facility Agent must notify the Borrowers and the Lenders as soon as reasonably practicable (and in any event, not later than the date falling 10 days before the first anniversary or the second anniversary of the Signing Date, as applicable) whether the Lenders have accepted the relevant Extension Request and if one or more (but not all) of the Lenders have agreed to an Extension Request, then the Facility Agent must additionally identify in that notification which Lenders have not agreed to the relevant Extension Request.
- 6.8 The Borrowers must notify the Facility Agent as soon as reasonably practicable (and in any event, not later than the date falling 5 days before the first anniversary or the second anniversary of the Signing Date, as applicable) whether or not they accept the relevant extension to the Final Maturity Date offered by all of those Lenders who have agreed to such extension pursuant to the relevant Extension Request and, if the Borrowers do wish to accept the offered extension, they shall (on the date of their notification to the Facility Agent pursuant to this Clause 6.8) pay to the Facility Agent (for the account of each extending Lender) an extension fee in an amount equal to 0.05% of the Commitments of each such extending Lender (or such other fee as may otherwise be agreed between the Borrowers, the Facility Agent and the extending Lenders).
- 6.9 The Borrowers may, on the basis that one or more of the Lenders have not agreed to the Extension Request and no later than the date falling 5 days before the relevant anniversary of the Signing Date, withdraw the request by notice to the Facility Agent which will promptly notify the Lenders of such withdrawal.
- 6.10 Subject to the Borrowers paying the extension fee described in Clause 6.8 above, the Final Maturity Date (and the relevant Lenders' Commitments) shall, with regards to those Lenders who have accepted the relevant Extension Request, be extended to the date falling 4 years after the Signing Date (with regards to an Initial Request) or the date falling 5 years after the Signing Date (with regards to a Second Extension Request) with effect from the date of the Borrowers' notification under Clause 6.8 above of the acceptance of the offered extension.
- 6.11 In no event shall the Final Maturity Date extend beyond the date falling 5 years after the Signing Date.

## 7. OPTIONAL CURRENCIES

### 7.1 Selection

- 7.1.1 A Borrower must select the currency of a Loan in its Request. A Borrower may select the Base Currency or an Optional Currency for a Loan.
- 7.1.2 Unless the Facility Agent otherwise agrees, the Loans may not be denominated at any one time in more than three currencies.

### 7.2 Revocation of currency

- 7.2.1 Notwithstanding any other term of this Agreement, if before the Specified Time on any Quotation Day the Facility Agent receives notice from a Lender that:
- (a) the Optional Currency requested is not readily available to it in the Relevant Market in the amount and for the period required; or
  - (b) participating in a Loan in the proposed Optional Currency might contravene any law or regulation applicable to it,

the Facility Agent must give notice to the relevant Borrower to that effect promptly and in any event before the Specified Time on that day.

7.2.2 In this event:

- (a) that Lender must participate in the Loan in the Base Currency (in an amount equal to that Lender's proportion of the Base Currency Amount or, in respect of a Rollover Loan, an amount equal to that Lender's proportion of the Base Currency Amount of the Rollover Loan that is due to be made); and
- (b) the share of that Lender in the Loan and any other similarly affected Lender(s) will be treated as a separate Loan denominated in the Base Currency during that Term.

7.2.3 Any part of a Loan treated as a separate Loan under this sub-clause will not be taken into account for the purposes of any limit on the number of Loans or currencies outstanding at any one time.

7.2.4 A Loan will still be treated as a Rollover Loan if it is not denominated in the same currency as the maturing Loan by reason only of the operation of this sub-clause.

### 7.3 Optional Currency equivalents

Except as expressly provided in this Agreement, the equivalent in the Base Currency of a Loan or part of a Loan in an Optional Currency for the purposes of calculating:

- 7.3.1 whether any limit under this Agreement has been exceeded;
- 7.3.2 the amount of a Loan;
- 7.3.3 the share of a Lender in a Loan;
- 7.3.4 the amount of any repayment of a Loan; or
- 7.3.5 the undrawn amount of a Lender's Commitment,

is its Base Currency Amount.

## 8. REPAYMENT

### 8.1 Repayment of Loans

- 8.1.1 Each Borrower must repay each Loan borrowed by it in full on its Maturity Date. No Loan may be outstanding after the Final Maturity Date.
- 8.1.2 Subject to the other terms of this Agreement, any amounts repaid under sub-clause 8.1.1 above may be re-borrowed.

### 8.2 Cashless Rollover

- 8.2.1 Without prejudice to each Borrower's obligation under Clause 8.1 above, if one or more Loans are to be made available to the same Borrower under the same Facility:
  - (a) on the same day that a maturing Loan is due to be repaid by that Borrower;
  - (b) in the same currency as the maturing Loan (unless it arose as a result of the operation of Clause 7.2 (Revocation of currency)); and
  - (c) in whole or in part for the purpose of refinancing the maturing Loan,

the aggregate amount of the new Loans shall be treated as if applied in or towards repayment of the maturing Loan so that:

- (i) if the amount of the maturing Loan exceeds the aggregate amount of the new Loans:
  - (A) that Borrower will only be required to pay an amount in cash in the relevant currency equal to that excess; and
  - (B) each Lender's participation (if any) in the new Loans shall be treated as having been made available and applied by the relevant Borrower in or towards repayment of that Lender's participation (if any) in the maturing Loan and that Lender will not be required to make its participation in the new Loans available in cash; and
- (ii) if the amount of the maturing Loan is equal to or less than the aggregate amount of the new Loans:
  - (A) the relevant Borrower will not be required to make any payment in cash; and
  - (B) each Lender will be required to make its participation in the new Loans available in cash only to the extent that its participation (if any) in the new Loans exceeds that Lender's participation (if any) in the maturing Loan and the remainder of that Lender's participation in the new Loans shall be treated as having been made available and applied by the relevant Borrower in or towards repayment of that Lender's participation in the maturing Loan.

## 9. PREPAYMENT AND CANCELLATION

### 9.1 Mandatory prepayment - illegality

9.1.1 A Lender must notify the Borrowers promptly if it becomes aware that it is unlawful in any jurisdiction for that Lender to perform any of its obligations under a Finance Document or to fund or maintain its share in any Loan.

9.1.2 After notification under clause 9.1.1 above:

- (a) the relevant Borrowers must repay or prepay the share of that Lender in each Loan made to it on the date specified in clause 9.1.3 below; and
- (b) the Commitments of that Lender will be immediately cancelled.

9.1.3 The date for repayment or prepayment of a Lender's share in a Loan will be:

- (a) the Business Day following receipt by the relevant Borrower of notice from the Lender under sub-clause 9.1.1 above; or
- (b) if later, the latest date allowed by the relevant law.

### 9.2 Mandatory prepayment - change of control

If, except in the context of a group reorganisation where each Borrower continues to be controlled directly or indirectly by PPL, a Borrower becomes aware of any person (whether

alone or together with any associated person or persons) gaining control of that Borrower (for these purposes “associated person” means, in relation to any person, a person who is (i) “acting in concert” (as defined in the City Code on Takeovers and Mergers) with that person or (ii) a “connected” person (as defined in section 1122 of the Taxes Act) of that person and “control” means the relevant person satisfies any of the criteria set out in paragraphs (1)(a) to (c) of Section 1159 of the Companies Act 2006):

- 9.2.1 within five days of such date, that Borrower shall give notice of such change of control to the Facility Agent;
- 9.2.2 the Lenders and the relevant Borrower shall immediately enter into negotiations for a period of not more than 45 days from the date of the change of control with a view to agreeing whether the relevant Facility shall continue to be made available and on what terms;
- 9.2.3 if no such agreement is reached within the said period of 45 days then:
  - (a) any Lender may on 10 days’ notice to the Facility Agent and to the Borrower require the repayment of its share in each Loan and cancel its Commitment; or
  - (b) the Majority Lenders may on 10 days’ notice to the Borrower require repayment in full of all outstanding Loans and cancel the Total Commitments; and
- 9.2.4 a Lender shall not be obliged to fund any further loans under a Facility (except for a Rollover Loan) during the negotiation period set out in sub-clause 9.2.2, and if no agreement is reached within such negotiation period, during the 10 day notice period set out in sub-clause 9.2.3.

### 9.3 Voluntary prepayment

- 9.3.1 A Borrower may, by giving not less than five Business Days’ prior written notice to the Facility Agent, prepay any Loan at any time in whole or in part.
- 9.3.2 A prepayment of part of a Loan must reduce the Base Currency Amount of that Loan by a minimum amount of £1,000,000.

### 9.4 Automatic cancellation

The Commitments of each Lender will be automatically cancelled at the close of business on the last day of the Availability Period.

### 9.5 Voluntary cancellation

- 9.5.1 A Borrower may, by giving not less than three Business Days’ prior written notice to the Facility Agent, cancel the unutilised amount of the Commitments applicable to its Facility in whole or in part.
- 9.5.2 Partial cancellation of the relevant Commitments must be in a minimum amount of £5,000,000 and an integral multiple of £1,000,000.
- 9.5.3 Any cancellation in part shall be applied against the Commitment of each Lender pro rata.

9.6 Involuntary prepayment and cancellation

9.6.1 If a Borrower is, or will be, required to pay to a Lender a Tax Payment or an Increased Cost, that Borrower may, while the requirement continues, give notice to the Facility Agent requesting prepayment and cancellation in respect of that Lender.

9.6.2 After notification under sub-clause 9.6.1 above:

- (a) the relevant Borrower must repay or prepay that Lender's share in each Loan made to it on the date specified in sub-clause 9.6.3 below; and
- (b) the Commitments of that Lender will be immediately cancelled.

9.6.3 The date for repayment or prepayment of a Lender's share in a Loan will be the last day of the current Term for that Loan or, if earlier, the date specified by the relevant Borrower in its notification.

9.6.4

- (a) If any Lender becomes a Defaulting Lender, a Borrower may, at any time whilst the Lender continues to be a Defaulting Lender, give the Facility Agent 5 Business Days' notice of cancellation of the Available Commitment of that Lender.
- (b) On the notice referred to in paragraph (a) above becoming effective, the Available Commitment of the Defaulting Lender shall immediately be reduced to zero.
- (c) The Facility Agent shall as soon as practicable after receipt of a notice referred to in paragraph (a) above, notify all the Lenders.

9.7 Re-borrowing of Loans

Any voluntary prepayment of a Loan may be re-borrowed on the terms of this Agreement. Any mandatory or involuntary prepayment of a Loan may not be re-borrowed.

9.8 Miscellaneous provisions

9.8.1 Any notice of prepayment and/or cancellation under this Agreement is irrevocable and must specify the relevant date(s) and the affected Facility, Loans and Commitments. The Facility Agent must notify the Lenders promptly of receipt of any such notice.

9.8.2 Unless required otherwise pursuant to this Agreement, all prepayments made under this Agreement, including pursuant to Clause 9.2 (~~Mandatory prepayment - change of control~~), shall be applied:

- (a) pro rata to each Lender's participation in such Loan; and
- (b) against the relevant Facility of the Borrower making that prepayment,

save that the provisions of this sub-clause 9.8.2 shall not apply to any prepayments made in accordance with sub-clause 9.1.3 or paragraph (a) of sub-clause 9.2.3.

9.8.3 All prepayments under this Agreement must be made with accrued interest on the amount prepaid. No premium or penalty is payable in respect of any prepayment except for Break Costs.

- 9.8.4 The Majority Lenders may agree to a shorter notice period for a voluntary prepayment or a voluntary cancellation.
- 9.8.5 No prepayment or cancellation is allowed except in accordance with the express terms of this Agreement.
- 9.8.6 Subject to Clause 2.2 (Increase), no amount of the Total Commitments cancelled under this Agreement may subsequently be reinstated.

## 10. INTEREST

### 10.1 Calculation of interest

The rate of interest on each Loan for each Term is the percentage rate per annum equal to the aggregate of the applicable:

- 10.1.1 Margin; and
- 10.1.2 LIBOR or, in relation to any Loan in euro, EURIBOR.

### 10.2 Payment of interest

Except where it is provided to the contrary in this Agreement, each Borrower must pay accrued interest on each Loan made to it on the last day of each Term and also, if the Term is longer than six months, on the dates falling at six-monthly intervals after the first day of that Term.

### 10.3 Interest on overdue amounts

- 10.3.1 If a Borrower fails to pay any amount payable by it under the Finance Documents on its due date, it must immediately on demand by the Facility Agent pay interest on the overdue amount from its due date up to the date of actual payment, both before, on and after judgment.
- 10.3.2 Interest on an overdue amount is payable at a rate determined by the Facility Agent to be one per cent. per annum above the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount. For this purpose, the Facility Agent may (acting reasonably):
  - (a) select successive Terms of any duration of up to three months; and
  - (b) determine the appropriate Quotation Day for that Term.
- 10.3.3 Notwithstanding sub-clause 10.3.2 above, if the overdue amount is a principal amount of a Loan and becomes due and payable prior to the last day of its current Term, then:
  - (a) the first Term for that overdue amount will be the unexpired portion of that Term; and
  - (b) the rate of interest on the overdue amount for that first Term will be one per cent. per annum above the rate then payable on that Loan.

After the expiry of the first Term for that overdue amount, the rate on the overdue amount will be calculated in accordance with sub-clause 10.3.2 above.

- 10.3.4 Interest (if unpaid) on an overdue amount will be compounded with that overdue amount at the end of each of its Terms but will remain immediately due and payable.

10.4 Notification of rates of interest

The Facility Agent must promptly notify each relevant Party of the determination of a rate of interest under this Agreement.

11. TERMS

11.1 Selection

11.1.1 Each Loan has one Term only.

11.1.2 A Borrower must select the Term for a Loan in the relevant Request.

11.1.3 Subject to the following provisions of this Clause, each Term for a Loan will be one, three or six months or for a period of one to thirty days or any other period agreed between a Borrower and the Lenders.

11.1.4 A Borrower shall not use its right under paragraph 11.1.3 above to select for a Loan a Term of less than one month's duration more than six times in any calendar year.

11.1.5 A Term for a Loan shall start on the Drawdown Date for that Loan.

11.2 No overrunning the Final Maturity Date

If a Term would otherwise overrun the Final Maturity Date, it will be shortened so that it ends on the Final Maturity Date.

11.3 Notification

The Facility Agent must notify the relevant Borrower and the Lenders of the duration of each Term promptly after ascertaining its duration.

12. CHANGES TO THE CALCULATION OF INTEREST

12.1 Unavailability of Screen Rate

12.1.1 **Interpolated Screen Rate:** If no Screen Rate is available for LIBOR or, if applicable, EURIBOR for the Term of a Loan, the applicable LIBOR or EURIBOR shall be the Interpolated Screen Rate for a period equal in length to the Term of that Loan.

12.1.2 **Shortened Term:** If no Screen Rate is available for LIBOR or, if applicable, EURIBOR for:

- (a) the currency of a Loan; or
- (b) the Term of a Loan and it is not possible to calculate the Interpolated Screen Rate,

the Term of that Loan shall (if it is longer than the applicable Fallback Term) be shortened to the applicable Fallback Term and the applicable LIBOR or EURIBOR for that shortened Term shall be determined pursuant to the definition of "LIBOR" or "EURIBOR" as applicable.

12.1.3 **Shortened Term and Historic Screen Rate:** If the Term of a Loan is, after giving effect to paragraph 12.1.2 above, either the applicable Fallback Term or shorter than the applicable Fallback Term and, in either case, no Screen Rate is available for LIBOR or, if applicable EURIBOR for:

- (a) the currency of that Loan; or
- (b) the Term of that Loan and it is not possible to calculate the Interpolated Screen Rate,

the applicable LIBOR or EURIBOR shall be the Historic Screen Rate for that Loan.

12.1.4 **Shortened Term and Interpolated Historic Screen Rate:** If paragraph 12.1.3 above applies but no Historic Screen Rate is available for the Term of the Loan, the applicable LIBOR or EURIBOR shall be the Interpolated Historic Screen Rate for a period equal in length to the Term of that Loan.

12.1.5 **Reference Bank Rate:** If paragraph 12.1.4 above applies but it is not possible to calculate the Interpolated Historic Screen Rate, the Term of that Loan shall, if it has been shortened pursuant to paragraph 12.1.2 above, revert to its previous length and the applicable LIBOR or EURIBOR shall be the Reference Bank Rate as of the Specified Time for the currency of that Loan and for a period equal in length to the Term of that Loan.

12.1.6 **Cost of funds:** If paragraph 12.1.5 above applies but no Reference Bank Rate is available for the relevant currency or Term there shall be no LIBOR or EURIBOR for that Loan and Clause 12.4 (**Cost of funds**) shall apply to that Loan for that Term.

## 12.2 Calculation of Reference Bank Rate

12.2.1 Subject to paragraph 12.2.2 below, if LIBOR or EURIBOR (as applicable) is to be determined on the basis of a Reference Bank Rate but a Reference Bank does not supply a quotation by the Specified Time, the Reference Bank Rate shall be calculated on the basis of the quotations of the remaining Reference Banks.

12.2.2 If at or about noon on the Quotation Day, none or only one of the Reference Banks supplies a quotation, there shall be no Reference Bank Rate for the relevant Term.

## 12.3 Market disruption

If before close of business in London on the Quotation Day for the relevant Term, the Facility Agent receives notification from a Lender or Lenders (whose participations in the relevant Loan exceed 50% of that Loan) that the cost to it (or them) of funding its participation in that Loan from whatever source it may reasonably select would be in excess of LIBOR or, if applicable, EURIBOR then Clause 12.4 (**Cost of funds**) shall apply to that Loan for the relevant Term.

## 12.4 Cost of funds

12.4.1 If this Clause 12.4 (**Cost of funds**) applies, the rate of interest on each Lender's share of the relevant Loan for the relevant Term shall be the percentage rate per annum which is the sum of:

- (a) the Margin; and
- (b) the rate notified to the Facility Agent by that Lender as soon as practicable and in any event before interest is due to be paid in respect of that Term, to be that which expresses as a percentage rate per annum the cost to the relevant Lender of funding its participation in that Loan from whatever source it may reasonably select.

12.4.2 If this Clause 12.4 (**Cost of funds**) applies and the Facility Agent or the Borrower (i) to whom the relevant Loan is outstanding and/or (ii) which has requested the relevant



Loan so require, the Facility Agent and that Borrower shall enter into negotiations (for a period of not more than thirty days) with a view to agreeing a substitute basis for determining the rate of interest.

12.4.3 Any alternative basis agreed pursuant to paragraph 12.4.2 above shall, with the prior consent of all the Lenders and the relevant Borrower, be binding on all Parties.

12.4.4 If this Clause 12.4 (**Cost of funds**) applies pursuant to Clause 12.3 (**Market disruption**) and:

(a) a Lender's Funding Rate is less than LIBOR or, in relation to any Loan in euro, EURIBOR; or

(b) a Lender does not supply a quotation by the time specified in sub-clause 12.4.1(b) above,

the cost to that Lender of funding its participation in that Loan for that Term shall be deemed, for the purposes of sub-clause 12.4.1 above, to be LIBOR or, in relation to a Loan in euro, EURIBOR.

## 12.5 Notification to Company

If Clause 12.4 (**Cost of funds**) applies the Facility Agent shall, as soon as is practicable, notify the relevant Borrower(s).

## 12.6 Break Costs

12.6.1 Each Borrower shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by that Borrower on a day other than the last day of a Term for that Loan or Unpaid Sum.

12.6.2 Each Lender shall, as soon as reasonably practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Break Costs for any term in which they accrue.

## 13. TAX GROSS-UP AND INDEMNITIES

### 13.1 Definitions

13.1.1 In this Agreement:

"**Borrower DTTP Filing**" means an H.M. Revenue & Customs' Form DTTP2 duly completed and filed by the relevant Borrower, which:

(a) where it relates to a Treaty Lender that is an Original Lender, contains the scheme reference number and jurisdiction of tax residence stated opposite that Lender's name in Schedule 1 (**Original Parties**), and is filed with HM Revenue & Customs within 30 days of the date of this Agreement; or

(b) where it relates to a Treaty Lender that is not an Original Lender, contains the scheme reference number and jurisdiction of tax residence stated in respect of that Lender in the documentation which it executes on becoming a Party as a

Lender and is filed with HM Revenue & Customs within 30 days of the date on which that Treaty Lender becomes a Party as a Lender.

“Protected Party” means a Finance Party which is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

“Qualifying Lender” means:

- (a) a Lender (other than a Lender within paragraph (b) below) which is beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document and is:
  - (i) a Lender:
    - (A) which is a bank (as defined for the purpose of section 879 of the ITA) making an advance under a Finance Document and is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance or which would be within such charge as respects such payments apart from section 18A of the CTA; or
    - (B) in respect of an advance made under a Finance Document by a person that was a bank (as defined for the purpose of section 879 of the ITA) at the time that that advance was made and within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance; or
  - (ii) a Lender which is:
    - (A) a company resident in the United Kingdom for United Kingdom tax purposes;
    - (B) a partnership each member of which is:
      - (1) a company so resident in the United Kingdom; or
      - (2) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or
    - (C) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company; or
  - (iii) a Treaty Lender; or

- (b) a Lender which is a building society (as defined for the purpose of section 880 of the ITA) making an advance under a Finance Document.

“Tax Confirmation” means a confirmation by a Lender that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:

- (a) a company resident in the United Kingdom for United Kingdom tax purposes;
- (b) a partnership each member of which is:
  - (i) a company so resident in the United Kingdom; or
  - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or
- (c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.

“Tax Credit” means a credit against, relief or remission for, or repayment of any Tax.

“Treaty Lender” means a Lender which:

- (a) is treated as a resident of a Treaty State for the purposes of the Treaty;
- (b) does not carry on a business in the United Kingdom through a permanent establishment with which that Lender’s participation in the Loan is effectively connected; and
- (c) meets all other conditions which must be met under the Treaty for residents of such Treaty State to obtain full exemption from tax on interest imposed by the United Kingdom, except that for this purpose it shall be assumed that the following are satisfied:
  - (i) any condition which relates (expressly or by implication) to the amounts or terms of any Loan or the Finance Documents or any condition which relates (expressly or by implication) to there not being a special relationship between a Borrower and the Finance Party or between them both and another person; and
  - (ii) any necessary procedural formality.

“Treaty State” means a jurisdiction having a double taxation agreement (a “Treaty”) with the United Kingdom which makes provision for full exemption from tax imposed by the United Kingdom on interest.

“UK Non-Bank Lender” means where a Lender becomes a Party after the day on which this Agreement is entered into, a Lender which gives a Tax Confirmation in the assignment agreement or Transfer Certificate which it executes on becoming a Party.

13.1.2 Unless a contrary indication appears, in this Clause 13 a reference to “determines” or “determined” means a determination made in the absolute discretion of the person making the determination.

### 13.2 Tax gross-up

13.2.1 Each Borrower shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

13.2.2 Each Borrower shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Facility Agent accordingly. Similarly, a Lender shall notify the Facility Agent on becoming so aware in respect of a payment payable to that Lender. If the Facility Agent receives such notification from a Lender it shall notify the relevant Borrower.

13.2.3 If a Tax Deduction is required by law to be made by a Borrower, the amount of the payment due from that Borrower shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

13.2.4 A payment shall not be increased under sub-clause 13.2.3 above by reason of a Tax Deduction on account of Tax imposed by the United Kingdom, if on the date on which the payment falls due:

- (a) the payment could have been made to the relevant Lender without a Tax Deduction if the Lender had been a Qualifying Lender, but on that date that Lender is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or Treaty, or any published practice or published concession of any relevant taxing authority; or
- (b) the relevant Lender is a Qualifying Lender solely by virtue of paragraph (a)(ii) of the definition of Qualifying Lender and:
  - (i) an officer of H.M. Revenue & Customs has given (and not revoked) a direction (a “Direction”) under section 931 of the ITA which relates to the payment and that Lender has received from the Borrower making the payment a certified copy of that Direction; and
  - (ii) the payment could have been made to the Lender without any Tax Deduction if that Direction had not been made; or
- (c) the relevant Lender is a Qualifying Lender solely by virtue of paragraph (a)(ii) of the definition of Qualifying Lender and:
  - (i) the relevant Lender has not given a Tax Confirmation to the Borrowers; and
  - (ii) the payment could have been made to the Lender without any Tax Deduction if the Lender had given a Tax Confirmation to the Borrowers on the basis that the Tax Confirmation would have enabled the Borrowers to have formed a reasonable belief that the payment was an “excepted payment” for the purpose of section 930 of the ITA; or
- (d) the relevant Lender is a Treaty Lender and the Borrower making the payment is able to demonstrate that the payment could have been made to the Lender

without the Tax Deduction had that Lender complied with its obligations under sub-clause 13.2.7 or 13.2.10 (as applicable) below.

- 13.2.5 If a Borrower is required to make a Tax Deduction, that Borrower shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- 13.2.6 Within thirty days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower making that Tax Deduction shall deliver to the Facility Agent for the Finance Party entitled to the payment a statement under Section 975 of the ITA, or other evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.
- 13.2.7
- (a) Subject to paragraph (b) below, a Treaty Lender and the Borrower which makes a payment to which that Treaty Lender is entitled shall co-operate in completing any procedural formalities necessary for that Borrower to obtain authorisation to make that payment without a Tax Deduction.
- (b)
- (i) A Treaty Lender which becomes a Party on the day on which this Agreement is entered into that holds a passport under the HMRC DT Treaty Passport scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence opposite its name in Schedule 1 (Original Parties); and
- (ii) A Treaty Lender which is not an Original Lender and that holds a passport under the HMRC DT Treaty Passport Scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence in the documentation which it executes on becoming a Party as a Lender,
- and having done so, that Lender shall be under no obligation pursuant to paragraph (a) above.
- (c) Each Lender that includes the confirmation described in paragraph 13.2.7(b)(i) above in Schedule 1 (The Original Parties) or the confirmation described in paragraph 13.2.7(b)(ii) above in the documentation which it executes on becoming a Party as Lender, thereby notifies each Borrower that, to the extent that that Lender is a Lender under a Facility made available to that Borrower and the HMRC DT Treaty Passport scheme is to apply in respect of that Lender's Commitment(s) or its participation in any Loan to that Borrower, that Borrower must file a Borrower DTTP Filing.
- 13.2.8 A UK Non-Bank Lender which becomes a Party on the day on which this Agreement is entered into gives a Tax Confirmation to the Borrowers by entering into this Agreement.
- 13.2.9 A UK Non-Bank Lender shall promptly notify the Borrowers and the Facility Agent if there is any change in the position from that set out in the Tax Confirmation.

13.2.10 If a Lender has confirmed its scheme reference number and its jurisdiction of tax residence in accordance with sub-clause 13.2.7(b) above and:

- (a) a Borrower making a payment to that Lender has not made a Borrower DTTP Filing in respect of that Lender; or
- (b) a Borrower making a payment to that Lender has made a Borrower DTTP Filing in respect of that Lender but:
  - (i) that Borrower DTTP Filing has been rejected by H.M. Revenue & Customs; or
  - (ii) H.M. Revenue & Customs has not given the Borrower authority to make payments to that Lender without a Tax Deduction within 30 days of the date of the Borrower DTTP Filing,

and in each case, the Borrower has notified that Lender in writing, that Lender and the Borrower shall co-operate in completing any additional procedural formalities necessary for that Borrower to obtain authorisation to make that payment without a Tax Deduction.

13.2.11 Any Lender which has confirmed its scheme reference number and jurisdiction of tax residence in accordance with sub-clause 13.2.7(b) will reasonably promptly notify the Facility Agent and the Borrowers if at any time it ceases to hold a passport under the HMRC DT Treaty Passport scheme or if it ceases to be able to use such passport as a Lender. If a Lender has not confirmed its scheme reference number and jurisdiction of tax residence in accordance with sub-clause 13.2.7(b) above, no Borrower shall make a Borrower DTTP Filing or file any form relating to the HMRC DT Treaty Passport scheme in respect of that Lender's Commitment or its participation in any Loan, unless the Lender otherwise agrees.

13.2.12 A Borrower shall, promptly on making a Borrower DTTP Filing, deliver a copy of that Borrower DTTP Filing to the Facility Agent for delivery to the relevant Lender.

### 13.3 Tax indemnity

13.3.1 Except as provided below, the Borrowers must, within three Business Days of demand by the Facility Agent, indemnify a Protected Party against any loss, liability, or cost which that Protected Party determines will be or has been suffered (directly or indirectly) by that Protected Party for or on account of Tax in respect of a Finance Document.

13.3.2 Sub-clause 13.3.1 above does not apply to any Tax assessed on a Finance Party under the laws of the jurisdiction in which:

- (a) that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or
- (b) that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable by that Finance Party (but not any sum deemed to be received or receivable).

13.3.3 Sub-clause 13.3.1 above does not apply to any Tax assessed on a Finance Party to the extent the loss or liability:

- (a) is compensated for by an increased payment under Clause 13.2 (Tax gross-up);
- (b) would have been compensated for by an increased payment under Clause 13.2 (Tax gross-up) but was not so compensated solely because one of the exclusions in Clause 13.2 (Tax gross-up) applied; or
- (c) relates to a FATCA Deduction required to be made by a Party.

13.3.4 A Protected Party making, or intending to make, a claim under sub-clause 13.3.1 above must promptly notify the Facility Agent of the event which will give, or has given, rise to the claim, following which the Facility Agent will notify the relevant Borrower.

#### 13.4 Tax Credit

If a Borrower makes a Tax Payment and the relevant Finance Party determines that:

13.4.1 a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and

13.4.2 that Finance Party has obtained and utilised that Tax Credit,

the Finance Party shall pay an amount to that Borrower which that Finance Party determines (in its discretion, acting reasonably) will leave it (after that payment) in the same after-tax position as it would have been in if the Tax Payment had not been required to be made by that Borrower. The relevant Finance Party shall take those steps it considers in its opinion reasonable to seek and claim any tax credit.

#### 13.5 Lender Status Confirmation

Each Lender which becomes a Party to this Agreement after the date of this Agreement shall indicate, in the Transfer Certificate, Assignment Agreement or Increase Confirmation which it executes on becoming a Party, and for the benefit of the Facility Agent and without liability to each Borrower, which of the following categories it falls in:

13.5.1 not a Qualifying Lender;

13.5.2 a Qualifying Lender (other than a Treaty Lender); or

13.5.3 a Treaty Lender.

If such a Lender fails to indicate its status in accordance with this Clause 13.5 then such New Lender shall be treated for the purposes of this Agreement as if it is not a Qualifying Lender until such time as it notifies the Facility Agent which category applies (and the Facility Agent, upon receipt of such notification, shall inform the Borrowers). For the avoidance of doubt, a Transfer Certificate, Assignment Agreement or Increase Confirmation shall not be invalidated by any failure of a Lender to comply with this Clause 13.5.

#### 13.6 Stamp taxes

The relevant Borrower shall pay and, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document, except

for any such Tax payable in respect of a Transfer Certificate or other transfer or disposal of a Lender's rights or obligations under a Finance Document.

### 13.7 VAT

- 13.7.1 All amounts set out, or expressed in a Finance Document to be payable by any Party to a Finance Party which (in whole or in part) constitute the consideration for a supply or supplies for VAT purposes shall be deemed to be exclusive of any VAT which is chargeable on such supply or supplies, and accordingly, subject to sub-clause 13.7.2 below, if VAT is or becomes chargeable on any supply made by any Finance Party to any Party under a Finance Document and such Finance Party is required to account to the relevant tax authority for the VAT, that Party shall pay to the Finance Party (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of such VAT (and such Finance Party shall promptly provide an appropriate VAT invoice to such Party).
- 13.7.2 If VAT is or becomes chargeable on any supply made by any Finance Party (the "Supplier") to any other Finance Party (the "Recipient") under a Finance Document, and any Party other than the Recipient (the "Subject Party") is required by the terms of any Finance Document to pay an amount equal to the consideration for such supply to the Supplier (rather than being required to reimburse the Recipient in respect of that consideration), such Party shall also pay to the Supplier (in addition to and at the same time as paying such amount) an amount equal to the amount of such VAT. The Recipient will promptly pay to the Subject Party an amount equal to any credit or repayment obtained by the Recipient from the relevant tax authority which the Recipient reasonably determines is in respect of such VAT.
- 13.7.3 Where a Finance Document requires any Party to reimburse or indemnify a Finance Party for any cost or expense, that Party shall reimburse or indemnify (as the case may be) such Finance Party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Finance Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.
- 13.7.4 Any reference in this Clause 13.7 to any Party shall, at any time when such Party is treated as a member of a group for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the representative member of such group at such time (the term "representative member" to have the same meaning as in the Value Added Tax Act 1994).

### 13.8 FATCA Information

- 13.8.1 Subject to sub-clause 13.8.3 below, each Party shall, within ten Business Days of a reasonable request by another Party:
- (a) confirm to that other Party whether it is:
    - (i) a FATCA Exempt Party; or
    - (ii) not a FATCA Exempt Party;
  - (b) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA; and



- (c) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.

13.8.2 If a Party confirms to another Party pursuant to paragraph (a) of sub-clause 13.8.1 above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.

13.8.3 Sub-clause 13.8.1 above shall not oblige any Finance Party to do anything, and paragraph (c) of sub-clause 13.8.1 above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:

- (a) any law or regulation;
- (b) any fiduciary duty; or
- (c) any duty of confidentiality.

13.8.4 If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a) or (b) of sub-clause 13.8.1 above (including, for the avoidance of doubt, where sub-clause 13.8.3 above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.

#### 13.9 FATCA Deduction

13.9.1 Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction, or otherwise compensate the recipient of the payment for that FATCA Deduction.

13.9.2 Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the Party to whom it is making the payment and, in addition, shall notify the Borrowers and the Facility Agent and the Facility Agent shall notify the other Finance Parties.

#### 14. INCREASED COSTS

##### 14.1 Increased Costs

Except as provided below in this Clause, the Borrowers must pay, within three Business Days, to a Finance Party the amount of any Increased Cost incurred by that Finance Party or any of its Affiliates as a result of:

- 14.1.1 the introduction of, or any change in, or any change in the interpretation, administration or application of, any law or regulation;
- 14.1.2 compliance with any law or regulation made after the date of this Agreement provided that for the purposes of this Agreement and any other Finance Document, Dodd-Frank shall be deemed to be a law or regulation made after the date of this Agreement; or

14.1.3 the implementation or application of, or compliance with, Basel III or CRD IV or any law or regulation that implements or applies Basel III or CRD IV.

#### 14.2 Exceptions

The Borrowers need not make any payment for an Increased Cost to the extent that the Increased Cost is:

14.2.1 compensated for under Clause 13.3 (Tax indemnity) (or would have been compensated for under Clause 13.3 (Tax indemnity) but was not so compensated solely because any of the exclusions in sub-clauses 13.3.2 and/or 13.3.3 applied);

14.2.2 attributable to a Tax Deduction required by law to be made by a Borrower;

14.2.3 attributable to a FATCA Deduction required to be made by a Party;

14.2.4 attributable to a Finance Party or its Affiliate wilfully failing to comply with any law or regulation;

14.2.5 attributable to the implementation or application of or compliance with the “International Convergence of Capital Measurement and Capital Standards, a Revised Framework” published by the Basel Committee in June 2004 in the form existing on the date of this Agreement (but excluding any amendment arising out of Basel III) (“Basel II”) or any other law or regulation which implements Basel II (whether such implementation, application or compliance is by a government, regulator, Finance Party or any of its Affiliates)

14.2.6 attributable to Basel III or CRD IV (or any other law or regulation which implements Basel III or CRD IV) where a Finance Party was or reasonably should have been able to calculate that Increased Cost on the date on which it became a Finance Party under this Agreement;

14.2.7 attributable to any Bank Levy (or any payment attributable to, or liability arising as a consequence of, a Bank Levy); or

14.2.8 not notified by the relevant Finance Party to the Facility Agent and the relevant Borrower within three Months of that Finance Party becoming aware of such Increased Cost.

In this Clause 14, a reference to a “Tax Deduction” has the same meaning given to that term in Clause 13.1 (Definitions).

#### 14.3 Claims

A Finance Party intending to make a claim for an Increased Cost must notify the relevant Borrower promptly of the circumstances giving rise to, and the amount of, the claim.

### 15. MITIGATION

#### 15.1 Mitigation

15.1.1 Each Finance Party must, in consultation with the Borrowers (other than upon the occurrence of an event referred to at paragraph (d) below where no such consultation is required), take all reasonable steps to mitigate any circumstances which arise and which result or would result in any Facility ceasing to be available or:

(a) any Tax Payment or Increased Cost being payable to that Finance Party;

- (b) that Finance Party being able to exercise any right of prepayment and/or cancellation under this Agreement by reason of any illegality;
- (c) that Finance Party incurring any cost of complying with the minimum reserve requirements of the European Central Bank; or
- (d) the occurrence of any market disruption event,

including transferring its rights and obligations under the Finance Documents to an Affiliate or changing its Facility Office.

- 15.1.2 A Finance Party is not obliged to take any step under this Clause 15 if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.
- 15.1.3 Each Finance Party must promptly notify the Borrowers of any circumstances as described in paragraphs (a) to (d) of sub-clause 15.1.1 of this Clause 15.1.
- 15.1.4 The Borrowers must indemnify each Finance Party for all costs and expenses reasonably incurred by it as a result of any step taken under this Clause 15.1.
- 15.1.5 This Clause does not in any way limit the obligations of the Borrowers under the Finance Documents.

## 15.2 Substitution

Notwithstanding Clause 15.1 (~~Mitigation~~), if any circumstances arise which result in:

- 15.2.1 any Tax Payment or Increased Cost being payable to that Finance Party;
- 15.2.2 that Finance Party being able to exercise any right of prepayment and/or cancellation under this Agreement by reason of any illegality;
- 15.2.3 that Finance Party incurring any cost of complying with the minimum reserve requirements of the European Central Bank;
- 15.2.4 the occurrence of any market disruption event; or
- 15.2.5 any Lender becoming a Non-Consenting Lender,

then a Borrower, at its expense, at any time within 180 days after the occurrence of the relevant event or circumstance, so long as no Default is outstanding, may by notice to the Facility Agent and such Finance Party require it (and, if applicable, its Affiliate) to (and to the extent permitted by law such Finance Party or, if applicable, its Affiliate shall) novate pursuant to Clause 29 (~~Changes to the Lenders~~) all (and not part only) of its rights and obligations under this Agreement to a bank, financial institution, trust, fund or other entity (a "~~Replacement Finance Party~~") selected by that Borrower, and which is acceptable to the Facility Agent (acting reasonably) (unless the Facility Agent is an Impaired Agent), which confirms its willingness to assume and does assume all the obligations of the transferring Finance Party (including the assumption of the transferring Finance Party's participations or unfunded participations (as the case may be) on the same basis as the transferring Finance Party) for a purchase price in cash payable at the time of transfer equal to the outstanding principal amount of such Finance Party's participation in the outstanding Loans and all accrued interest (to the extent that the Facility Agent has not given a notification under Clause 29.11 (~~Pro rata interest settlement~~)), Break Costs and other amounts payable to such Finance Party under the Finance Documents ~~provided that:~~

- 15.2.6 no Borrower shall have the right to replace the Facility Agent;

- 15.2.7 neither the Facility Agent nor such Finance Party shall have any obligation to the Borrowers to find a Replacement Finance Party;
  - 15.2.8 the transfer must take place no later than 14 days after the notice referred to above;
  - 15.2.9 in no event shall such Finance Party be required to pay or surrender to the Replacement Finance Party any of the fees received by such Finance Party pursuant to the Finance Documents; and
  - 15.2.10 the Finance Party shall only be obliged to transfer its rights and obligations pursuant to this Clause 15.2 once it is satisfied that it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to that transfer to the Replacement Finance Party.
- 15.3 **Conduct of business by a Finance Party**
- No term of this Agreement will:
- 15.3.1 interfere with the right of any Finance Party to arrange its affairs (Tax or otherwise) in whatever manner it thinks fit or oblige any Finance Party to investigate or claim any Tax Credit; or
  - 15.3.2 oblige any Finance Party to disclose any information relating to its affairs (Tax or otherwise) or any computation in respect of Tax.
16. **PAYMENT MECHANICS**
- 16.1 **Payments to the Facility Agent**
- 16.1.1 On each date on which a Borrower or a Lender is required to make a payment under a Finance Document, that Borrower or Lender shall make the same available to the Facility Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Facility Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
  - 16.1.2 Payment shall be made to such account in the principal financial centre of the country of that currency (or, in relation to euro, in a principal financial centre in such Participating Member State or London, as specified by the Facility Agent) and with such bank as the Facility Agent, in each case, specifies.
- 16.2 **Distributions by the Facility Agent**
- Each payment received by the Facility Agent under the Finance Documents for another Party shall, subject to Clause 16.3 (~~Distributions to a Borrower~~) and Clause 16.4 (~~Clawback and pre-funding~~) be made available by the Facility Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Facility Agent by not less than five Business Days' notice with a bank specified by that Party in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre of a Participating Member State or London, as specified by that Party).
- 16.3 **Distributions to a Borrower**
- The Facility Agent may (with the consent of the Borrower or in accordance with Clause 32 (~~Set-off~~)) apply any amount received by it for that Borrower in or towards payment (on the date

and in the currency and funds of receipt) of any amount due from that Borrower under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

#### 16.4 Clawback and pre-funding

16.4.1 Where a sum is to be paid to the Facility Agent under the Finance Documents for another Party, the Facility Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.

16.4.2 Unless sub-clause 16.4.3 below applies, if the Facility Agent pays an amount to another Party and it proves to be the case that the Facility Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Facility Agent shall on demand refund the same to the Facility Agent together with interest on that amount from the date of payment to the date of receipt by the Facility Agent, calculated by the Facility Agent to reflect its cost of funds.

16.4.3 If the Facility Agent has notified the Lenders that it is willing to make available amounts for the account of a Borrower before receiving funds from the Lenders then if and to the extent that the Facility Agent does so but it proves to be the case that it does not then receive funds from a Lender in respect of a sum which it paid to a Borrower:

- (a) The Facility Agent shall notify the relevant Borrower of that Lender's identity and the Borrower to whom that sum was made available shall on demand refund it to the Facility Agent; and
- (b) the Lender by whom those funds should have been made available or, if that Lender fails to do so, the Borrower to whom that sum was made available, shall on demand pay to the Facility Agent the amount (as certified by the Facility Agent) which will indemnify the Facility Agent against any funding cost incurred by it as a result of paying out that sum before receiving those funds from that Lender.

#### 16.5 Partial Payment

16.5.1 If the Facility Agent receives a payment that is insufficient to discharge all the amounts then due and payable by a Borrower under the Finance Documents, the Facility Agent shall apply that payment towards the obligations of that Borrower under the Finance Documents in the following order:

- (a) **first**, in or towards payment **pro rata** of any unpaid amount owing to the Facility Agent under the Finance Documents;
- (b) **secondly**, in or towards payment **pro rata** of any accrued interest, fee or commission due but unpaid under this Agreement;
- (c) **thirdly**, in or towards payment **pro rata** of any principal due but unpaid under this Agreement; and
- (d) **fourthly**, in or towards payment **pro rata** of any other sum due but unpaid under the Finance Documents.

16.5.2 The Facility Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a) to (d) of sub-clause 16.5.1 above.

16.5.3 This Clause will override any appropriation made by any Borrower.

16.6 No set-off by Borrowers

All payments to be made by a Borrower under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

16.7 Business Days

16.7.1 Any payment under any Finance Document which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

16.7.2 During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

16.8 Currency of account

16.8.1 Subject to sub-clauses 16.8.2 to 16.8.5 below, the Base Currency is the currency of account and payment for any sum due from any Borrower under any Finance Document.

16.8.2 A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated, pursuant to this Agreement, on its due date.

16.8.3 Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated, pursuant to this Agreement, when that interest accrued.

16.8.4 Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.

16.8.5 Any amount expressed to be payable in a currency other than the Base Currency shall be paid in that other currency.

16.9 Impaired Agent

16.9.1 If, at any time, the Facility Agent becomes an Impaired Agent, a Borrower or a Lender which is required to make a payment under the Finance Documents to the Facility Agent in accordance with Clause 16.1 (~~Payments to the Facility Agent~~) may instead either pay that amount direct to the required recipient or pay that amount to an interest bearing account held with an Acceptable Bank and in relation to which no Insolvency Event has occurred and is continuing, in the name of the Borrower or the Lender making the payment and designated as a trust account for the benefit of the Party or Parties beneficially entitled to that payment under the Finance Documents. In each case such payments must be made on the due date for payment under the Finance Documents.

16.9.2 All interest accrued on the amount standing to the credit of the trust account shall be for the benefit of the beneficiaries of that trust account pro rata to their respective entitlements.

16.9.3 A Party which has made a payment in accordance with this Clause 16.9 shall be discharged of the relevant payment obligation under the Finance Documents and shall not take any credit risk with respect to the amounts standing to the credit of the trust account.

16.9.4 Promptly upon the appointment of a successor Facility Agent in accordance with Clause 22.12 (**Resignation of the Facility Agent**), each Party which has made a payment to a trust account in accordance with this Clause 16.9 shall give all requisite instructions to the bank with whom the trust account is held to transfer the amount (together with any accrued interest) to the successor Facility Agent for distribution in accordance with Clause 16.2 (**Distributions by the Facility Agent**).

16.9.5 For the purposes of this Clause 16.9 only, an Acceptable Bank shall include any bank or financial institution approved by the Facility Agent or, if the Facility Agent is an Impaired Agent, the Majority Lenders.

16.10 Disruption to payment systems etc.

If either the Facility Agent determines (in its discretion) that a Disruption Event has occurred or the Facility Agent is notified by a Borrower that a Disruption Event has occurred:

- (a) the Facility Agent may, and shall if requested to do so by a Borrower, consult with the Borrowers with a view to agreeing with the Borrowers such changes to the operation or administration of the Facilities as the Facility Agent may deem necessary in the circumstances;
- (b) the Facility Agent shall not be obliged to consult with the Borrowers in relation to any changes mentioned in paragraph (a) above if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes;
- (c) the Facility Agent may consult with the Finance Parties in relation to any changes mentioned in paragraph (a) above but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;
- (d) any such changes agreed upon by the Facility Agent and the Borrowers shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of Clause 27 (**Amendments and Waivers**);
- (e) the Facility Agent shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever (including, without limitation for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Facility Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this Clause 16.10; and
- (f) the Facility Agent shall notify the Finance Parties of all changes agreed pursuant to paragraph (d) above.

17. REPRESENTATIONS

17.1 Representations

The representations set out in this Clause are made by each Borrower to each Finance Party on the date of this Agreement.

17.2 **Status**

It is a limited liability company, duly incorporated and validly existing under the Companies Act 2006 in England and Wales.

17.3 **Powers and authority**

It has the power to enter into and perform, and has taken all necessary action to authorise the entry into and performance of, the Finance Documents to which it is or will be a party and the transactions contemplated by those Finance Documents.

17.4 **Legal validity**

Subject to the Legal Reservations, each Finance Document to which it is a party is its legally binding, valid and enforceable obligation.

17.5 **Non-conflict**

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not conflict with any borrowing or other power or restriction granted or imposed by:

17.5.1 any law or regulation applicable to it and violation of which has or is likely to have a Material Adverse Effect; or

17.5.2 its constitutional documents.

17.6 **No default**

17.6.1 No Event of Default is outstanding or might reasonably be expected to result from the making of any Loan.

17.6.2 No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which might have a Material Adverse Effect.

17.7 **Authorisations**

All authorisations required by it (including any authorisations required under PUHCA or the Act, if any):

17.7.1 in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, the Finance Documents; and

17.7.2 to make the Finance Documents admissible in evidence in England and Wales, have been obtained or effected (as appropriate) and are in full force and effect.

17.8 **Financial statements**

Its audited consolidated financial statements most recently delivered to the Facility Agent (which, at the date of this Agreement, are the Original Financial Statements):

17.8.1 have been prepared in accordance with accounting principles and practices generally accepted in its jurisdiction of incorporation, consistently applied; and



17.8.2 fairly represent its consolidated financial condition as at the date to which they were drawn up,

except, in each case, as disclosed to the contrary in those financial statements.

17.9 No material adverse change

Other than as disclosed in writing to the Arrangers prior to the date of this Agreement, there has been no material adverse change in its consolidated financial condition since the date to which the Original Financial Statements were drawn up.

17.10 Litigation

17.10.1 No litigation, arbitration or administrative proceedings are current or, to its knowledge, pending or threatened, which are reasonably likely to be adversely determined, and if adversely determined, could reasonably be expected to have a Material Adverse Effect.

17.10.2 No judgment or order of a court, arbitral body or agency which could reasonably be expected to have a Material Adverse Effect has (to its knowledge) been made against it or any of its Subsidiaries.

17.11 Winding-Up

No meeting has been convened for its winding-up and, so far as it is aware, no petition, application or the like is outstanding for its winding-up.

17.12 Non-Violation of other Agreements:

Its entry into, exercise of its rights and/or performance of or compliance with its obligations under this Agreement do not and will not violate, to an extent or in a manner which has or is likely to have a Material Adverse Effect on it, any agreement to which it is a party or which is binding on it.

17.13 Governing Law and Enforcement

17.13.1 The choice of English law as the governing law of the Finance Documents will be recognised and enforced in its jurisdiction of incorporation.

17.13.2 Any judgement obtained in England in relation to a Finance Document will be recognised and enforced in its jurisdiction of incorporation.

17.14 Deduction of Tax

It is not required to make any deduction for or on account of Tax from any payment it may make under any Finance Document to a Lender which is:

17.14.1 a Qualifying Lender:

- (a) falling within paragraph (a)(i) of the definition of Qualifying Lender; or
- (b) except where a Direction has been given under section 931 of the ITA in relation to the payment concerned, falling within paragraph (a)(ii) of the definition of Qualifying Lender; or
- (c) falling within paragraph (b) of the definition of Qualifying Lender or;

17.14.2 a Treaty Lender and the payment is one specified in a direction given by the Commissioners of Revenue & Customs under Regulation 2 of the Double Taxation Relief (Taxes on Income) (General) Regulations 1970 (SI 1970/488).

17.15 No filing or stamp taxes

Under the law of its jurisdiction of incorporation it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents (which for these purposes does not include a Transfer Certificate or other transfer or disposal of a Lender's rights or obligations under a Finance Document) or the transactions contemplated by the Finance Documents.

17.16 No misleading information

Save as disclosed in writing to the Facility Agent and the Arrangers prior to the Signing Date:

17.16.1 any written factual information provided by any member of its Borrower Group or on its behalf was true and accurate in all material respects as at the date of the relevant report or document or as at the date (if any) at which it is stated to be given;

17.16.2 the financial projections provided have been prepared on the basis of recent historical information and on the basis of reasonable assumptions as at the date provided; and

17.16.3 no event or circumstance has occurred or arisen and no information has been given or withheld that results in the information, opinions, intentions, forecasts or projections contained in such written information being untrue or misleading in any material respect.

17.17 Pari Passu ranking

Its payment obligations under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

17.18 Licence

The Licence is in full force and effect and there is no investigation or proceeding current, pending or threatened which could, if adversely determined, result in the termination of the Licence.

17.19 Sanctions

17.19.1 No member of its Borrower Group or, to the knowledge of each Borrower, any director, officer, employee, agent, Affiliate or representative of any member of its Borrower Group:

- (a) is an individual or entity (the "Person") currently the subject of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control (the "OFAC"), the United Nations Security Council (the "UNSC"), the European Union, Her Majesty's Treasury (the "HMT"), or other relevant sanctions authority (collectively, "Sanctions"); or
- (b) is located, organized or resident in a country or territory that is the subject of country-wide or territory-wide Sanctions.

17.19.2 Each Borrower represents for itself and on behalf of other members of its Borrower Group that no member of that Borrower Group will, directly or indirectly, use the proceeds of the transaction, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person:

- (a) to fund any activities of or business with any Person, or in Syria, Cuba, Iran, North Korea, Sudan or in any other country or territory, that, at the time of such funding, is the subject of country-wide or territory-wide Sanctions; or
- (b) in any other manner that will result in a violation by any Person (including any Person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions.

#### 17.20 Anti-Corruption

Each member of its Borrower Group has conducted its business in compliance with applicable anti-corruption laws and has instituted and maintained policies and procedures designed to promote and achieve compliance by that member of the Borrower Group with such laws.

#### 17.21 Times for making representations

17.21.1 The representations set out in this Clause are made by each Borrower on the date of this Agreement.

17.21.2 The Repeating Representations are deemed to be repeated by the relevant Borrower(s) on the date of each Request and the first day of each Term.

17.21.3 When a representation is repeated, it is applied to the circumstances existing at the time of repetition.

### 18. INFORMATION COVENANTS

#### 18.1 Financial statements

18.1.1 Each Borrower must supply to the Facility Agent (in sufficient copies for all the Lenders if the Facility Agent so requests):

- (a) its audited consolidated financial statements for each of its financial years; and
- (b) its interim consolidated financial statements for the first half-year of each of its financial years.

18.1.2 All financial statements must be supplied as soon as they are available and:

- (a) in the case of each Borrower's audited consolidated financial statements, within 180 days; and
- (b) in the case of each Borrower's interim financial statements, within 90 days, of the end of the relevant financial period.

## 18.2 Form of Financial Statement

If any financial statement delivered or to be delivered to the Facility Agent under Clause 18.1 is not to be or, as the case may be, has not been prepared in accordance with Applicable Accounting Principles:

18.2.1 the Borrowers and the Facility Agent (acting on the instructions of the Majority Lenders) shall, on the request of the Facility Agent or the Borrowers, negotiate in good faith with a view to agreeing such amendments to the financial ratios and/or the definitions of the terms used in Clause 19 (**Financial covenants**) as are necessary to give the Lenders comparable protection to that contemplated at the date of this Agreement;

18.2.2 if amendments are agreed by the Borrowers and the Majority Lenders within 25 days, those amendments shall take effect in accordance with the terms of that agreement; and

18.2.3 if such amendments are not so agreed within 25 days, the Borrowers shall:

(a) within 30 days after the end of that 25-day period; and

(b) with all subsequent financial statements to be delivered to the Facility Agent under Clause 18.1,

deliver to the Facility Agent details of all such adjustments as need to be made to the relevant financial statements to bring them into line with the Companies Act 2006 (as in effect on the date of this Agreement) and Applicable Accounting Principles.

## 18.3 Compliance Certificate

18.3.1 Each Borrower must supply to the Facility Agent a Compliance Certificate with each set of its financial statements sent to the Facility Agent under this Agreement.

18.3.2 Each Compliance Certificate must be signed by two directors of the relevant Borrower.

## 18.4 Information - miscellaneous

Each Borrower must supply to the Facility Agent, in sufficient copies for all the Lenders if the Facility Agent so requests:

18.4.1 copies of all documents despatched by it to its creditors generally (or any class of them) in each case at the same time as they are despatched;

18.4.2 promptly upon becoming aware of them, details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of its Borrower Group and which might, if adversely determined, have a Material Adverse Effect;

18.4.3 promptly, details of the loss of the Licence or any communication from OFGEM or other government agency regarding any potential or threatened loss of the Licence;

18.4.4 promptly on receiving them, details of any modification of an Authorisation or other material regulatory notices from OFGEM or other government agency;

18.4.5 a copy of all material information relating to any matter which is reasonably likely to have a Material Adverse Effect which it supplies to, or receives from, any applicable regulatory body (including OFGEM) (at the same time as it is supplied to, or promptly following its receipt from, the applicable regulatory body);

- 18.4.6 written notice of the details of any proposed changes to the Licence as soon as reasonably practicable after becoming aware of the same (other than changes of a formal, minor or technical nature);
  - 18.4.7 within five Business Days of receiving them, details of any change to (or withdrawal of) the ratings, by Fitch, Moody's or Standard & Poor's of its long-term, unsecured and non credit-enhanced debt obligations which are relevant to the calculation of the Margin;
  - 18.4.8 each Borrower shall deliver to the Facility Agent at such times as those reports are prepared in order to comply with the then current statutory or auditing requirements (as applicable either to the trustees of any relevant schemes or to that Borrower), actuarial reports in relation to all pension schemes mentioned in sub-clause 20.15.1 of Clause 20.15 (**Pensions**). This obligation shall apply to only those pension schemes (or groups of the Electricity Supply Pension Scheme) of which that Borrower is at that time a participating employer and to those reports which have been provided to that Borrower;
  - 18.4.9 promptly on request, a list of its then current Material Subsidiaries; and
  - 18.4.10 promptly on request, such further information regarding the financial condition, business and operations of its Borrower Group as any Finance Party through the Facility Agent may reasonably request.
- 18.5 **Notification of Default**
- 18.5.1 Each Borrower must notify the Facility Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.
  - 18.5.2 Promptly on request by the Facility Agent, a Borrower must supply to the Facility Agent a certificate signed by two of its directors on its behalf, certifying that no Default is outstanding or, if a Default is outstanding, specifying the Default and the steps, if any, being taken to remedy it.
- 18.6 **Direct electronic delivery by the Borrowers**
- Each Borrower may satisfy its obligation under this Agreement to deliver any information in relation to a Lender by delivering that information directly to that Lender in accordance with Clause 36.5 (**Electronic communication**) to the extent that Lender and the Facility Agent agree to this method of delivery.
- 18.7 **Know your customer requirements**
- 18.7.1 If:
    - (a) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
    - (b) any change in the status of a Borrower (or of a Holding Company of a Borrower) after the date of this Agreement; or
    - (c) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Facility Agent or any Lender (or, in the case of paragraph (c) above, any prospective new Lender) to comply with "know your customer" or similar

identification procedures in circumstances where the necessary information is not already available to it, the relevant Borrower shall promptly upon the request of the Facility Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in paragraph (c) above, on behalf of any prospective new Lender) in order for the Facility Agent, such Lender or, in the case of the event described in paragraph (c) above, any prospective new Lender to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

## 19. FINANCIAL COVENANTS

### 19.1 Definitions

In this Clause:

“Cash” means, at any time, cash denominated in a currency of the United States of America, the United Kingdom, any member state of the European Union or any Participating Member State in hand or at bank and (in the latter case) credited to an account in the name of a member of a Borrower Group with an Acceptable Bank and to which a member of that Borrower Group is alone (or together with other members of that Borrower Group) beneficially entitled and for so long as:

- (a) that cash is repayable:
  - (i) if that cash is deposited with a Lender, within 180 days after the relevant date of calculation; or
  - (ii) if that cash is deposited with any other lender or financial institution, within 45 days after the relevant date of calculation;
- (b) repayment of that cash is not contingent on the prior discharge of any other indebtedness of any member of the relevant Borrower Group or of any other person whatsoever or on the satisfaction of any other condition;
- (c) there is no Security Interest over that cash other than Security Interests permitted under sub-clause 20.5.3(k) of Clause 20.5 (Negative pledge); and
- (d) the cash is freely and (except as mentioned in paragraph (a) above) immediately available to be applied in repayment or prepayment of the relevant Facility.

“Cash Equivalent Investments” means at any time:

- (a) certificates of deposit maturing within one year after the relevant date of calculation and issued by an Acceptable Bank;
- (b) any investment in marketable debt obligations issued or guaranteed by the government of an Acceptable Jurisdiction or by an instrumentality or agency of any of them having an equivalent credit rating, maturing within one year after the relevant date of calculation and not convertible or exchangeable to any other security;
- (c) commercial paper not convertible or exchangeable to any other security:
  - (i) for which a recognised trading market exists;
  - (ii) issued by an issuer incorporated in an Acceptable Jurisdiction;

- (iii) which matures within one year after the relevant date of calculation; and
- (iv) which has a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P-1 or higher by Moody's Investor Services Limited, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term unsecured and non-credit enhanced debt obligations, an equivalent rating;
- (d) sterling bills of exchange eligible for rediscount at the Bank of England (or their dematerialised equivalent) and accepted by an Acceptable Bank;
- (e) any investment in money market funds which:
  - (i) have a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P-1 or higher by Moody's Investor Services Limited;
  - (ii) which invest substantially all their assets in securities of the types described in paragraphs (a) to (d) above; and
  - (iii) can be turned into cash on not more than 30 days' notice; or
- (f) any other debt security approved by the Majority Lenders,

in each case, denominated in a currency of an Acceptable Jurisdiction and to which any member of a Borrower Group is alone (or together with other members of that Borrower Group beneficially entitled at that time and which is not issued or guaranteed by any member of that Borrower Group or subject to any Security Interest (other than Security Interests permitted under sub-clauses 20.5.3(l) and (k) of Clause 20.5 (Negative pledge)).

“Consolidated EBITDA” means the consolidated net pre-taxation profits of a Borrower Group for a Measurement Period as adjusted by:

- (a) adding back Interest Payable with respect to that Borrower Group;
- (b) taking no account of any exceptional or extraordinary item;
- (c) excluding any amount attributable to minority interests;
- (d) adding back depreciation and amortisation; and
- (e) taking no account of any revaluation of an asset or any loss or gain over book value arising on the disposal of an asset (otherwise than in the ordinary course of trading) by a member of that Borrower Group during that Measurement Period.

“Interest Payable” means, in relation to any Measurement Period, all interest payable and similar charges of a Borrower Group expressed in the Base Currency and determined on a consolidated basis in accordance with Applicable Accounting Principles but excluding interest payable or similar charges of that Borrower Group in relation to intra-Borrower Group items, loans from Affiliates and shareholder loans to the extent that such intra-Borrower Group items, loans from Affiliates and/or shareholder loans are subordinated on the terms set out in a Subordination Deed.

“Measurement Period” means each period of 12 months ending on 31 March or 30 September.

“Regulatory Asset Base” means at any date, the regulatory asset base of a Borrower for such date as last determined and notified to that Borrower by OFGEM (interpolated as necessary and

adjusted for additions to the regulatory asset base and adjusted as appropriate for out-turn inflation / regulatory depreciation).

“**Total Net Debt**” means, at any time, the consolidated Financial Indebtedness of a Borrower Group which is required to be accounted for as debt in the consolidated annual financial statements of that Borrower Group less the aggregate at such time of all Cash or Cash Equivalent Investments held by any member of that Borrower Group excluding intra-Borrower Group items, loans from Affiliates and shareholder loans to the extent that such intra-Borrower Group items, loans from Affiliates and/or shareholder loans are subordinated on the terms set out in a Subordination Deed.

## 19.2 Interpretation

19.2.1 Except as provided to the contrary in this Agreement, an accounting term used in this Clause is to be construed in accordance with the principles applied in connection with the Original Financial Statements.

19.2.2 Any amount in a currency other than the Base Currency is to be taken into account at its Base Currency equivalent calculated on the basis of:

- (a) the Agent’s Spot Rate of Exchange on the day the relevant amount falls to be calculated; or
- (b) if the amount is to be calculated on the last day of a financial period of a Borrower, the relevant rates of exchange used by that Borrower in, or in connection with, its financial statements for that period.

19.2.3 No item must be credited or deducted more than once in any calculation under this Clause.

19.2.4 For the avoidance of doubt and notwithstanding anything to the contrary in this Agreement, any calculation under Clause 19.3 (**Interest Cover**) and Clause 19.4 (**Asset Cover**) with respect to a certain Borrower shall be calculated using only the financial information applicable to that Borrower and its Borrower Group.

## 19.3 Interest cover

Each Borrower, under its respective Facility, must ensure that the ratio of Consolidated EBITDA to Interest Payable is not, on the last day of each Measurement Period, less than 3 to 1.

## 19.4 Asset Cover

Each Borrower, under its respective Facility, must ensure that on the last day of each Measurement Period, Total Net Debt does not exceed 85% of its Regulatory Asset Base.

## 20. GENERAL COVENANTS

### 20.1 General

Each Borrower agrees to be bound by the covenants set out in this Clause relating to it and, where the covenant is expressed to apply to each of its Material Subsidiaries or each member of its Borrower Group, the relevant Borrower must ensure that each of its Material Subsidiaries or each of its Subsidiaries, as the case may be, performs that covenant.



## 20.2 Authorisations

Each Borrower must promptly obtain, maintain and comply with the terms of any authorisation required under any law or regulation to enable it to perform its obligations under, or, subject to the Legal Reservations, for the validity or enforceability of, any Finance Document.

## 20.3 Compliance with laws

Each member of each Borrower Group must comply in all respects with all laws to which it is subject where failure to do so would materially impair its ability to perform its obligations under the Finance Documents.

## 20.4 Pari passu ranking

Each Borrower must ensure that its payment obligations under the Finance Documents rank at least *pari passu* with all its other present and future unsecured payment obligations, except for obligations mandatorily preferred by law applying to companies generally.

## 20.5 Negative pledge

In this Clause 20.5, “Quasi-Security Interest” means an arrangement or transaction described in sub-clause 20.5.2 below.

20.5.1 Except as provided below, neither a Borrower nor any of its Material Subsidiaries may create or allow to exist any Security Interest or Quasi-Security Interest on any of its assets.

20.5.2 Except as provided below, neither a Borrower nor any of its Material Subsidiaries may:

- (a) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by that Borrower or any Material Subsidiary of that Borrower;
- (b) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
- (c) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
- (d) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

20.5.3 Sub-clauses 20.5.1 and 20.5.2 do not apply to:

- (a) any lien arising by operation of law and in the ordinary course of trading;
- (b) any netting or set-off arrangement entered into by a Borrower in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of members of its Borrower Group;
- (c) any Security Interest or Quasi-Security Interest created under or in connection with or arising out of the Balancing and Settlement Code or any transactions or arrangements entered into in connection with the management of risks relating thereto;

- (d) in respect of overdue amounts which have not been overdue for more than 30 days and/or are being contested in good faith, liens arising solely by operation of law or by order of a court or tribunal (or by an agreement of similar effect) and/or in the ordinary course of day to day business or operations;
- (e) any Security Interest or Quasi-Security Interest arising out of title retention provisions in a supplier's standard conditions of supply of goods acquired in the ordinary course of business or operations;
- (f) any Security Interest or Quasi-Security Interest created on any asset acquired after the date of this Agreement for the sole purpose of financing or re-financing that acquisition and securing a principal, capital or nominal amount not exceeding the cost of that acquisition, provided that the Security Interest or Quasi-Security Interest is removed or discharged within 6 months of the date of acquisition of such asset;
- (g) any Security Interest or Quasi-Security Interest outstanding on or over any asset acquired after the date of this Agreement and in existence at the date of such acquisition, provided that the Security Interest or Quasi-Security Interest is removed or discharged within six months of the date of acquisition of such asset;
- (h) any Security Interest or Quasi-Security Interest created or outstanding on or over any asset of any company which becomes a Material Subsidiary of the relevant Borrower after the date of this Agreement where such Security Interest or Quasi-Security Interest is created prior to the date on which such company becomes a Material Subsidiary of that Borrower and is not created or increased in contemplation of such company being acquired and/or becoming a Material Subsidiary of that Borrower and the Security Interest or Quasi-Security Interest is removed or discharged within six months of the date of such company becoming a Material Subsidiary of that Borrower;
- (i) any Quasi-Security Interest arising as a result of a disposal which is a disposal permitted under sub-clause 20.6.2;
- (j) any netting arrangements under any swap or other hedging transaction which is on standard market terms;
- (k) any Security Interest or Quasi-Security Interest over bank accounts of a Borrower in favour of the account holding bank with whom it maintains a banking relationship in the ordinary course of trade and granted as part of that bank's standard terms and conditions;
- (l) any Security Interest or Quasi-Security Interest created or outstanding with the prior approval of the Majority Lenders; and
- (m) any Security Interest or Quasi-Security Interest created or outstanding on or over assets of each Borrower or any of its Material Subsidiaries provided that the aggregate outstanding principal or nominal amount secured by all Security Interests and Quasi-Security Interest created or outstanding under this exception on or over such assets shall not at any time exceed £25,000,000 or its equivalent in respect of any Borrower Group.

## 20.6 Disposals

20.6.1 Except as provided below, no member of a Borrower Group may, either in a single transaction or in a series of transactions and whether related or not, dispose of all or any part of its assets (other than cash) where the higher of the market value and the net consideration receivable (when aggregated with the higher of the market value and the net consideration receivable from any previous disposal by members of that Borrower Group) exceeds £5,000,000 (or its equivalent) in total during the term of this Agreement in respect of any Borrower Group.

20.6.2 Sub-clause 20.6.1 does not apply to:

- (a) any disposal made in the ordinary course of day to day business or operations of the disposing entity (including, without limitation, disposals of subsidiaries or lines of business, provided that this shall not include a disposal of the core electricity distribution business);
- (b) disposals on normal commercial terms of obsolete assets or assets no longer required for the purpose of the relevant Person's business or operations;
- (c) any realisation of investments acquired, purchased or made by the temporary application of funds not immediately required in the relevant Person's business or operations;
- (d) the exchange of assets for other assets of a similar or superior nature and value (other than an exchange of a non-cash asset for cash), or the sale of assets on normal commercial terms for cash which is payable in full on the completion of the sale and is to be, and is, applied in or towards the purchase of similar assets within 12 months of that disposal (or, if contractually committed to be used within 12 months, are actually used within 18 months of that disposal);
- (e) the disposal of assets by one wholly-owned Subsidiary of a Borrower to another of its wholly-owned Subsidiaries or (if the consideration for the disposal does not exceed a normal commercial consideration) to a Borrower by one of its Subsidiaries;
- (f) disposals in connection with sale-and-leaseback or sale and repurchase transactions or any other form of "off balance sheet" financing, provided that the aggregate book value (in the books of the disposing party) of all assets the subject of all such disposals made during the period commencing on the date of this Agreement and ending on the date when no amount remains to be lent or remains payable under this Agreement shall not exceed £50,000,000 in respect of any Borrower Group;
- (g) any disposal which the Majority Lenders shall have agreed shall not be taken into account;
- (h) arising as a result of any Security Interest or Quasi-Security Interest permitted under sub-clause 20.5.3 above;
- (i) the application or disposal of cash not otherwise prohibited under the Finance Documents;
- (j) any disposal by a member of a Borrower Group compulsorily required by law or regulation having the force of law or any order of any government entity

made thereunder and having the force of law provided that and to the extent permitted by such law or regulation:

- (i) such disposal is made for fair market value; and
- (ii) such disposal does not have a Material Adverse Effect.

## 20.7 Environmental matters

20.7.1 Each Borrower will and will ensure that its Material Subsidiaries will comply with all applicable Environmental Law and other regulations, orders or other law applicable to the conduct of the business of the supply or distribution of electricity, in each case, where failure to do so would have a Material Adverse Effect.

20.7.2 Each Borrower will, promptly upon becoming aware of the same, inform the Facility Agent in writing of:

- (a) any Environmental Claim against any member of its Borrower Group which is current, pending or threatened; and
- (b) any facts or circumstances which are reasonably likely to result in any Environmental Claim being commenced or threatened against any member of its Borrower Group,

where the claim, if determined against that member of the Borrower Group, would have a Material Adverse Effect.

## 20.8 Insurance

Each member of a Borrower Group must insure its business and assets with insurance companies to such an extent and against such risks as that member of the Borrower Group reasonably considers to be appropriate, having regard to the insurance arrangements of companies engaged in similar business.

## 20.9 Merger

20.9.1 No Borrower shall enter into any amalgamation, demerger, merger or corporate reconstruction.

20.9.2 Clause 20.9.1 above shall not apply to any sale, lease, transfer or other disposal permitted pursuant to Clause 20.6 (Disposals).

## 20.10 Change of business

Each Borrower shall procure that no substantial change is made to the general nature of the business of that Borrower or its Borrower Group from that carried on at the date of this Agreement.

## 20.11 Acquisitions

20.11.1 Except as provided below, no Borrower or any of its Material Subsidiaries may acquire a company or any shares or securities or a business or undertaking (or, in each case, any interest in any of them).

20.11.2 Provided that no Event of Default is outstanding on the date of the acquisition and none would occur as a result of the acquisition, sub-clause 20.11.1 does not apply to:

- (a) an acquisition by a member of a Borrower Group of an asset sold, leased, transferred or otherwise disposed of by another member of that Borrower Group as permitted under sub-clause 20.6.2 of Clause 20.6 (Disposals) above;
- (b) an acquisition where the consideration (including associated costs and expenses) for the acquisition (when aggregated with the consideration (including associated costs and expenses) for any other acquisition permitted under this paragraph) during the term of this Agreement does not exceed 2.5% of the sum of the issued share capital, share premium and consolidated reserves (including retained earnings) of the relevant Borrower, as shown by its most recent audited consolidated financial statements; and
- (c) any acquisition which the Majority Lenders shall have consented to in writing.

#### 20.12 Prohibition on the Debt Purchase Transactions

No Borrower shall, and each Borrower shall procure that each other member of its Borrower Group shall not, enter into any Debt Purchase Transaction or beneficially own all or any part of the share capital of a company that is a Lender or a party to a Debt Purchase Transaction of the type referred to in paragraphs (b) and (c) of the definition of Debt Purchase Transaction.

#### 20.13 Prohibition on Subsidiary Financial Indebtedness

Each Borrower shall procure that no member of its Borrower Group (other than that Borrower) will incur or allow to remain outstanding any Financial Indebtedness unless the relevant member of its Borrower Group is a special purpose vehicle incorporated solely for the purpose of incurring such Financial Indebtedness and which does not undertake any other activities.

#### 20.14 Arm's-length transactions

No Borrower shall (and each Borrower shall ensure that no member of its Borrower Group will) enter into any transaction with any person except on arm's-length terms and for full market value, unless to do so would be in contravention of the Licence, ~~provided that~~ if, at any time, the Licence is not in effect, no Borrower shall (and each Borrower shall ensure no member of its Borrower Group will) enter into any transaction with any person except on arm's-length terms and for full market value.

#### 20.15 Pensions

20.15.1 Each Borrower shall ensure that no action or omission is taken by any member of its Borrower Group in relation to a pension scheme which has or is reasonably likely to have a Material Adverse Effect (including, without limitation, the termination or commencement of winding-up proceedings of any such pension scheme).

20.15.2 Except for in respect of WPDSWa of the Western Power Utilities Pension Scheme and the Infralec 92 Scheme, the WPD Group of the Electricity Supply Pension Scheme (and in the case of merger, the CN Group of the ESPS) each Borrower shall ensure that no member of its Borrower Group is an employer (for the purposes of sections 38 to 51 of the Pensions Act 2004) of an occupational pension scheme which is not a money purchase scheme (both terms as defined in the Pension Schemes Act 1993) or "connected" with or an "associate" of (as those terms are used in sections 38 or 43 of the Pensions Act 2004) such an employer.

20.15.3 Each Borrower shall promptly notify the Facility Agent of any material change in the rate of contributions payable to any of the pension schemes mentioned in sub-clause 20.15.2 above paid or required (by law or otherwise).

20.15.4 Each Borrower shall immediately notify the Facility Agent of any investigation or proposed investigation by the Pensions Regulator which may lead to the issue of a Financial Support Direction or a Contribution Notice to any member of its Borrower Group.

20.15.5 Each Borrower shall immediately notify the Facility Agent if it receives a Financial Support Direction or a Contribution Notice from the Pensions & Regulator.

#### 20.16 Licence

Each Borrower will at all times:

20.16.1 comply with the terms of the Licence in all material respects;

20.16.2 without prejudice to the generality of sub-clause 20.16.1 above, comply with the ring fencing provisions of the Licence in all respects; and

20.16.3 not take any action or make any omission which is reasonably likely to result in the revocation or termination of the Licence.

#### 20.17 Investment Grade Rating

Each Borrower shall procure that its long-term, unsecured and non credit-enhanced debt obligations shall be rated Baa3/BBB-, or such higher rating as required by the Licence, or above, by at least one of Fitch, Moody's and Standard and Poor's and shall not be rated below Baa3/BBB-, or such higher rating as required by the Licence, by any of Fitch, Moody's or Standard and Poor's.

#### 20.18 Sanctions

20.18.1 No Borrower, nor any other member of its Borrower Group, shall be the subject of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control (the "OFAC"), the United Nations Security Council (the "UNSC"), the European Union, Her Majesty's Treasury (the "HMT"), or other relevant sanctions authority (collectively, "Sanctions"), and no member of a Borrower Group shall be located, organized or resident in a country or territory that is the subject of country-wide or territory-wide Sanctions.

20.18.2 Each Borrower undertakes that no member of its Borrower Group will, directly or indirectly, use the proceeds of the transaction, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other individual or entity (the "Person"):

(a) to fund any activities of or business with any Person, or in Syria, Cuba, Iran, North Korea, Sudan or in any other country or territory, that, at the time of such funding, is the subject of country-wide or territory-wide Sanctions; or

(b) in any other manner that will result in a violation by any Person (including any Person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions.

20.18.3 Each Borrower shall ensure that the source of any funds for discharging its obligations under this Agreement is not obtained from any designated target of any Sanctions or

any of Syria, Cuba, Iran, North Korea, Sudan or any other country or territory, that, at the time of such payment, is the subject of country-wide or territory-wide Sanctions.

20.18.4 Any provision of this Clause 20.18 or Clause 17.19 (**Sanctions**) shall not apply to or in favour of any person if and to the extent that it would result in a breach, by or in respect of that person, of any applicable Blocking Law.

20.18.5 For the purposes of this Clause 20.18, “**Blocking Law**” means:

- (a) any provision of Council Regulation (EC) No 2271/1996 of 22 November 1996 (or any law or regulation implementing such Regulation in any member state of the European Union or the U.K.);
- (b) section 7 of the German Foreign Trade Regulation (*Außenwirtschaftsverordnung*); or
- (c) any similar blocking or anti-boycott law in the U.K.

## 20.19 Anti-Corruption

20.19.1 No Borrower shall (and each Borrower shall ensure that no other member of its Borrower Group will) use the proceeds, or cause or permit the proceeds of any Loan to be used, directly or indirectly, in any way that would be in breach of applicable anti-corruption laws.

20.19.2 Each Borrower shall (and shall ensure that each other member of its Borrower Group will):

- (a) conduct its businesses in compliance with applicable anti-corruption laws; and
- (b) maintain policies and procedures designed to promote and achieve compliance with such laws.

## 20.20 FSMA

Each Borrower shall promptly notify the Facility Agent if it is or becomes a relevant financial institution (an “RFI”) as defined in The Financial Services and Markets Act 2000 (Excluded Activities and Prohibitions) Order 2014 (EAPO) and the date on which it became an RFI.

## 21. DEFAULT

### 21.1 Events of Default

Each of the events set out in this Clause is an Event of Default.

### 21.2 Non-payment

A Borrower fails to pay any sum payable under any Finance Document when due unless its failure to pay is caused by:

- (a) administrative or technical error; or
- (b) a Disruption Event,

and payment is made within five Business Days of its due date.

### 21.3 Breach of other obligations

21.3.1 A Borrower does not perform or comply with its obligations under Clause 19 (Financial Covenants), Clause 20.5 (Negative pledge), Clause 20.6 (Disposals) or Clause 20.11 (Acquisitions).

21.3.2 A Borrower does not perform or comply with any of its obligations, other than those described in sub-clause 21.3.1 above, under any Finance Document or any representation or warranty by that Borrower in this Agreement or in any document delivered under it is or proves to have been incorrect when made or deemed repeated, unless the non-compliance or circumstances giving rise to the misrepresentation, as the case may be, is capable of remedy and is not remedied within 20 Business Days of the earlier of the Facility Agent giving notice requiring the same to be remedied and that Borrower becoming aware of such non-compliance or misrepresentation, as the case may be.

### 21.4 Cross-default

21.4.1 Subject to Clause 21.15.2:

- (a) any Financial Indebtedness (excluding intra-Borrower Group Financial Indebtedness and any shareholder loans) of any member of a Borrower Group is not paid when due nor within any originally applicable grace period.
- (b) any Financial Indebtedness (excluding intra-Borrower Group Financial Indebtedness and any shareholder loans) of any member of a Borrower Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) any commitment for any Financial Indebtedness (excluding intra-Borrower Group Financial Indebtedness and any shareholder loans) of any member of a Borrower Group is cancelled or suspended by a creditor of that member of that Borrower Group as a result of an event of default (however described).
- (d) any creditor of any member of a Borrower Group becomes entitled to declare any Financial Indebtedness (excluding intra-Borrower Group Financial Indebtedness and any shareholder loans) of any member of that Borrower Group due and payable prior to its specified maturity as a result of an event of default (however described).

21.4.2 No Event of Default will occur under this Clause 21.4 unless and until the aggregate amount of such Financial Indebtedness falling within Clause 21.4.1 above is more than £20,000,000 or its equivalent in any other currency or currencies in respect of any Borrower Group.

### 21.5 Insolvency

21.5.1 Any of the following occurs in respect of a Borrower:

- (a) it is unable to pay its debts generally as they fall due or it is deemed by a court of competent jurisdiction to be insolvent;
- (b) it suspends making payments on all or any class of its debts or publicly announces an intention to do so;



(c) by reason of actual or anticipated financial difficulties, it begins negotiations with all or any class of its creditors for the general rescheduling of its indebtedness; or

(d) a moratorium is declared in respect of any of its indebtedness.

21.5.2 If a moratorium occurs in respect of a Borrower, the ending of the moratorium will not remedy any Event of Default caused by the moratorium.

## 21.6 Insolvency proceedings

21.6.1 Except as provided below, any of the following occurs in respect of a Borrower:

(a) a suspension of payments, a moratorium of any indebtedness or a reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise);

(b) any person presents a petition for its winding-up, administration or dissolution;

(c) an order for its winding-up, administration or dissolution is made;

(d) any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer is appointed in respect of it or any of its assets;

(e) its directors or other officers request the appointment of a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer;

(f) enforcement of any Security Interest over any of its assets; or

(g) any other analogous step or procedure is taken in any jurisdiction.

21.6.2 Sub-clause 21.6.1 does not apply to:

(a) a petition for winding-up presented by a creditor which is being actively contested in good faith and with due diligence and with a reasonable prospect of success; or

(b) a voluntary solvent winding-up, amalgamation, reconstruction or reorganisation or otherwise part of a solvent scheme of arrangement, in each case which is on terms approved by the Majority Lenders.

## 21.7 Creditors' process

A distress, attachment, execution or other legal process material in relation to a Borrower's ability to perform its payment obligations under this Agreement is levied, enforced or sued out on or against the assets of that Borrower. No Event of default will occur under this Clause if the distress, attachment, execution or other legal process is being contested in good faith and with due diligence and is discharged within 30 days.

## 21.8 Licence

Either:

21.8.1 notice is given to revoke or terminate the Licence unless such termination is being contested in good faith and such notice is revoked or cancelled within 14 days of notice being given; or

21.8.2 the Licence is revoked,

in either case, other than in circumstances which permit a Borrower or its Subsidiaries to carry on the distribution business of that Borrower either without a licence as a result of any change in the Act or regulatory regime or with a new licence, permitting the distribution of electricity in the authorised areas covered by the Licence, issued under the Act or pursuant to the Utilities Act, 2000.

## 21.9 Balancing and Settlement Code

21.9.1 A Borrower ceases to be a party to the Balancing and Settlement Code Framework Agreement other than in circumstances where that Borrower is able to carry on its distribution business; or

21.9.2 a Borrower breaches the Balancing and Settlement Code and such breach has or is reasonably likely to have a Material Adverse Effect.

## 21.10 Unlawfulness and invalidity

21.10.1 It is or becomes unlawful for a Borrower to perform any of its obligations under the Finance Documents in any material respect.

21.10.2 Any obligation or obligations of a Borrower under any Finance Documents are not (subject to the Legal Reservations) or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially and adversely affects the interests of the Lenders under the Finance Documents.

## 21.11 Cessation of business

A Borrower suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business except as a result of a disposal permitted by Clause 20.6 (Disposals).

## 21.12 Repudiation and rescission of agreements

A Borrower (or any other relevant party other than a Finance Party) rescinds or purports to rescind or repudiates or purports to repudiate a Finance Document or evidences an intention to rescind or repudiate a Finance Document.

## 21.13 Ownership of other Borrower Group companies

A Borrower ceases to own (directly or indirectly) 100% of the shares in any of its Subsidiaries:

- (a) which is engaged in the core electricity distribution business; or
- (b) in respect of which it has any actual or contingent financial obligations other than as a result of a solvent liquidation or reorganisation so long as any payments or assets distributed as a result of such solvent liquidation or

reorganisation are distributed to other members of the relevant Borrower Group.

#### 21.14 Material Adverse Effect

Any event or circumstance occurs which has or is reasonably likely to have a Material Adverse Effect.

#### 21.15 Acceleration

21.15.1 If an Event of Default is outstanding, the Facility Agent may, and must if so instructed by the Majority Lenders, by notice to the relevant Borrower:

- (a) cancel the relevant Available Commitments of each Lender whereupon such Available Commitment shall immediately be cancelled and the relevant Facility shall immediately cease to be available for further utilisation; and/or
- (b) declare that all or part of any amounts outstanding under the Finance Documents are:
  - (i) immediately due and payable; and/or
  - (ii) payable on demand by the Facility Agent acting on the instructions of the Majority Lenders.

Any notice given under this sub-clause will take effect in accordance with its terms.

21.15.2 Notwithstanding any other provisions of this Agreement, any Default or Event of Default in relation to a Borrower or any member of its Borrower Group shall not:

- (a) constitute a Default or Event of Default; or
- (b) have the effect of cross-Default pursuant to Clause 21.4,

in each case, in respect of any other Borrower or member of its Borrower Group (unless a Default or Event of Default has separately arisen with respect to that other Borrower or such other Borrower's Borrower Group in its own right).

21.15.3 Any acceleration pursuant to this Clause 21.15 shall only apply to such defaulting Borrower or member of its Borrower Group and not to any other Borrower or member of such Borrower's Borrower Group (unless a Default or Event of Default has separately arisen with respect to that other Borrower or such Borrower's Borrower Group in its own right).

## 22. ROLE OF THE FACILITY AGENT, THE ARRANGER AND THE REFERENCE BANKS

### 22.1 Appointment of the Facility Agent

22.1.1 Each of the Arrangers and the Lenders irrevocably appoints the Facility Agent to act as its agent under and in connection with the Finance Documents.

22.1.2 Each of the Arrangers and the Lenders irrevocably authorises the Facility Agent to:

- (a) perform the duties, obligations and responsibilities and to exercise the rights, powers, authorities and discretions that are specifically given to the Facility

Agent under or in connection with the Finance Documents, together with any other incidental rights, powers and discretions; and

- (b) execute each Finance Document expressed to be executed by the Facility Agent.

## 22.2 Instructions

22.2.1 The Facility Agent shall:

- (a) unless a contrary indication appears in a Finance Document, exercise or refrain from exercising any right, power, authority or discretion vested in it as Facility Agent in accordance with any instructions given to it by:
  - (i) all Lenders if the relevant Finance Document stipulates the matter is an all Lender decision; and
  - (ii) in all other cases, the Majority Lenders; and
- (b) not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with paragraph (a) above.

22.2.2 The Facility Agent shall be entitled to request instructions, or clarification of any instruction, from the Majority Lenders (or, if the relevant Finance Document stipulates the matter is a decision for any other Lender or group of Lenders, from that Lender or group of Lenders) as to whether, and in what manner, it should exercise or refrain from exercising any right, power, authority or discretion. The Facility Agent may refrain from acting unless and until it receives any such instructions or clarification that it has requested.

22.2.3 Save in the case of decisions stipulated to be a matter for any other Lender or group of Lenders under the relevant Finance Document and unless a contrary indication appears in a Finance Document, any instructions given to the Facility Agent by the Majority Lenders shall override any conflicting instructions given by any other Parties and will be binding on all Finance Parties.

22.2.4 The Facility Agent may refrain from acting in accordance with any instructions of any Lender or group of Lenders until it has received any indemnification and/or security that it may in its discretion require (which may be greater in extent than that contained in the Finance Documents and which may include payment in advance) for any cost, loss or liability which it may incur in complying with those instructions.

22.2.5 In the absence of instructions, the Facility Agent may act (or refrain from acting) as it considers to be in the best interest of the Lenders.

22.2.6 The Facility Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

## 22.3 Duties of the Facility Agent

22.3.1 The Facility Agent has only those duties which are expressly specified in the Finance Documents. Those duties are solely of a mechanical and administrative nature.

22.3.2 Subject to clause 22.3.3 below, the Facility Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Facility Agent for that Party by any other Party.

- 22.3.3 Without prejudice to Clause 29.9 (Copy of Transfer Certificate, Assignment Agreement or Increase Confirmation to the Borrowers), clause 22.3.3 above shall not apply to any Transfer Certificate, any Assignment Agreement or any Increase Confirmation.
- 22.3.4 Except where a Finance Document specifically provides otherwise, the Facility Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- 22.3.5 If the Facility Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the other Finance Parties.
- 22.3.6 If the Facility Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Facility Agent or the Arranger) under this Agreement it shall promptly notify the other Finance Parties.
- 22.3.7 The Facility Agent shall have only those duties, obligations and responsibilities expressly specified in the Finance Documents to which it is expressed to be a party (and no others shall be implied).

#### 22.4 Role of the Arrangers

Except as specifically provided in the Finance Documents, the Arranger has no obligations of any kind to any other Party in connection with any Finance Document.

#### 22.5 No fiduciary duties

22.5.1 Nothing in any Finance Documents makes an Administrative Party a trustee or fiduciary for any other Party or any other person.

22.5.2 No Administrative Party shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

#### 22.6 Business with Borrower Groups

No Administrative Party may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of a Borrower Group.

#### 22.7 Rights and discretions

22.7.1 The Facility Agent may:

- (a) rely on any representation, communication, notice or document believed by it to be genuine, correct and appropriately authorised;
- (b) assume that:
  - (i) any instructions received by it from the Majority Lenders, any Lenders or any group of Lenders are duly given in accordance with the terms of the Finance Documents; and
  - (ii) unless it has received notice of revocation, that those instructions have not been revoked; and
- (c) rely on a certificate from any person:

- (i) as to any matter of fact or circumstance which might reasonably be expected to be within the knowledge of that person; or
- (ii) to the effect that such person approves of any particular dealing, transaction, step, action or thing,

as sufficient evidence that that is the case and, in the case of paragraph (i) above, may assume the truth and accuracy of that certificate.

- 22.7.2 The Facility Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:
- (a) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 21.2 (~~Non-payment~~)); and
  - (b) any right, power, authority or discretion vested in any Party or any group of Lenders has not been exercised.
- 22.7.3 The Facility Agent may engage and pay for the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts.
- 22.7.4 Without prejudice to the generality of sub-clause 22.7.3 above or sub-clause 22.7.5 below, the Facility Agent may at any time engage and pay for the services of any lawyers to act as independent counsel to the Facility Agent (and so separate from any lawyers instructed by the Lenders) if the Facility Agent in its reasonable opinion deems this to be necessary.
- 22.7.5 The Facility Agent may rely on the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts (whether obtained by the Facility Agent or by any other Party) and shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of its so relying.
- 22.7.6 The Facility Agent may act in relation to the Finance Documents through its officers, employees and agents.
- 22.7.7 Unless a Finance Document expressly provides otherwise the Facility Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.
- 22.7.8 Notwithstanding any other provision of any Finance Document to the contrary, no Administrative Party is obliged to do or omit to do anything if it would, or might in its reasonable opinion, constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.
- 22.7.9 Notwithstanding any provision of any Finance Document to the contrary, the Facility Agent is not obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

## 22.8 Responsibility for documentation

22.8.1 No Administrative Party is responsible or liable for:

- (a) the adequacy, accuracy or completeness of any information (whether oral or written) supplied by the Facility Agent, the Arranger, any Borrower or any other person in or in connection with any Finance Document or the transactions contemplated in the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; or
- (c) any determination as to whether any information provided or to be provided to any Finance Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

## 22.9 No duty to monitor

The Facility Agent shall not be bound to enquire:

22.9.1 whether or not any Default has occurred;

22.9.2 as to the performance, default or any breach by any Party of its obligations under any Finance Document; or

22.9.3 whether any other event specified in any Finance Document has occurred.

## 22.10 Exclusion of liability

22.10.1 Without limiting sub-clause 22.10.2 below (and without prejudice to any other provision of any Finance Document excluding or limiting the liability of the Facility Agent), the Facility Agent will not be liable for:

- (a) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct;
- (b) exercising, or not exercising, any right, power, authority or discretion given to it by, or in connection with, any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document, other than by reason of its gross negligence or wilful misconduct; or
- (c) without prejudice to the generality of paragraphs (a) and (b) above, any damages, costs or losses to any person, any diminution in value or any liability whatsoever (including, without limitation, for negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Facility Agent) arising as a result of:
  - (i) any act, event or circumstance not reasonably within its control; or

- (ii) the general risks of investment in, or the holding of assets in, any jurisdiction,

including (in each case and without limitation) such damages, costs, losses, diminution in value or liability arising as a result of: nationalisation, expropriation or other governmental actions; any regulation, currency restriction, devaluation or fluctuation; market conditions affecting the execution or settlement of transactions or the value of assets (including any Disruption Event); breakdown, failure or malfunction of any third party transport, telecommunications, computer services or systems; natural disasters or acts of God; war, terrorism, insurrection or revolution; or strikes or industrial action.

22.10.2 No Party (other than the Facility Agent) may take any proceedings against any officer, employee or agent of the Facility Agent in respect of any claim it might have against the Facility Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Facility Agent may rely on this sub-clause 22.10.2 subject to Clause 1.3(Third party rights) and the provisions of the Third Parties Act.

22.10.3 The Facility Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Facility Agent if the Facility Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Facility Agent for that purpose.

22.10.4 Nothing in this Agreement shall oblige an Administrative Party to carry out:

- (a) any "know your customer" or other checks in relation to any person; or
- (b) any check on the extent to which any transaction contemplated by this Agreement might be unlawful for any Lender or for any Affiliate of any Lender,

on behalf of any Lender and each Lender confirms to the Facility Agent and the Arranger that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by an Administrative Party.

22.10.5 Without prejudice to any provision of any Finance Document excluding or limiting the Facility Agent's liability, any liability of the Facility Agent arising under or in connection with any Finance Document shall be limited to the amount of actual loss which has been suffered (as determined by reference to the date of default of the Facility Agent or, if later, the date on which the loss arises as a result of such default) but without reference to any special conditions or circumstances known to the Facility Agent at any time which increase the amount of that loss. In no event shall the Facility Agent be liable for any loss of profits, goodwill, reputation, business opportunity or anticipated saving, or for special, punitive, indirect or consequential damages, whether or not the Facility Agent has been advised of the possibility of such loss or damages.

## 22.11 Lenders' indemnity to the Facility Agent

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Facility Agent, within three Business Days of demand, against any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by the Facility Agent (otherwise than by reason of the Facility



Agent's gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant to Clause 16.10 (~~Disruption to payment systems etc.~~), notwithstanding the Facility Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Facility Agent) in acting as Facility Agent under the Finance Documents (unless the Facility Agent has been reimbursed by a Borrower pursuant to a Finance Document).

## 22.12 Resignation of the Facility Agent

22.12.1 The Facility Agent may resign and appoint one of its Affiliates acting through an office in the U.K. as successor by giving notice to the Lenders and the Borrowers.

22.12.2 Alternatively the Facility Agent may resign by giving 30 days' notice to the Lenders and the Borrowers, in which case the Majority Lenders (after consultation with the Borrowers) may appoint a successor Facility Agent.

22.12.3 If the Majority Lenders have not appointed a successor Facility Agent in accordance with sub-clause 22.12.2 above within 20 days after notice of resignation was given, the retiring Facility Agent (after consultation with the Borrowers) may appoint a successor Facility Agent (acting through an office in the U.K.).

22.12.4 If the Facility Agent wishes to resign because (acting reasonably) it has concluded that it is no longer appropriate for it to remain as agent and the Facility Agent is entitled to appoint a successor Facility Agent under sub-clause 22.12.3 above, the Facility Agent may (if it concludes (acting reasonably) that it is necessary to do so in order to persuade the proposed successor Facility Agent to become a party to this Agreement as Facility Agent) agree with the proposed successor Facility Agent amendments to this Clause 22 and any other term of this Agreement dealing with the rights or obligations of the Facility Agent consistent with then current market practice for the appointment and protection of corporate trustees together with any reasonable amendments to the agency fee payable under this Agreement which are consistent with the successor Facility Agent's normal fee rates and those amendments will bind the Parties.

22.12.5 The retiring Facility Agent shall make available to the successor Facility Agent such documents and records and provide such assistance as the successor Facility Agent may reasonably request for the purposes of performing its functions as Facility Agent under the Finance Documents. The Borrower shall, within three Business Days of demand, reimburse the retiring Facility Agent for the amount of all costs and expenses (including legal fees) properly incurred by it in making available such documents and records and providing such assistance.

22.12.6 The Facility Agent's resignation notice shall only take effect upon the appointment of a successor.

22.12.7 Upon the appointment of a successor, the retiring Facility Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under paragraph 22.12.5 above) but shall remain entitled to the benefit of Clause 25.2 (~~Other Indemnities~~) and this Clause 22 (and any agency fees for the account of the retiring Facility Agent shall cease to accrue from (and shall be payable on) that date). Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

22.12.8 After consultation with the Borrowers, the Majority Lenders may, by notice to the Facility Agent, require it to resign in accordance with sub-clause 22.12.2 above. In this event, the Facility Agent shall resign in accordance with sub-clause 22.12.2 above.

22.12.9 The Facility Agent shall resign in accordance with sub-clause 22.12.2 above (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Facility Agent pursuant to clause 22.12.3 above) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Facility Agent under the Finance Documents, either:

- (a) the Facility Agent fails to respond to a request under Clause 13.8 (FATCA information) and the Borrowers or a Lender reasonably believes that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;
- (b) the information supplied by the Facility Agent pursuant to Clause 13.8 (FATCA information) indicates that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or
- (c) the Facility Agent notifies the Borrower and the Lenders that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

and (in each case) the Borrowers or a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Facility Agent were a FATCA Exempt Party, and the Borrowers or that Lender, by notice to the Facility Agent, requires it to resign.

#### 22.13 Confidentiality

22.13.1 In acting as agent for the Finance Parties, the Facility Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.

22.13.2 If information is received by another division or department of the Facility Agent, it may be treated as confidential to that division or department and the Facility Agent shall not be deemed to have notice of it.

#### 22.14 Relationship with the Lenders

22.14.1 Subject to Clause 29.11 (~~Pro rata interest settlement~~), the Facility Agent may treat the person shown in its records as Lender at the opening of business (in the place of the Facility Agent's principal office as notified to the Finance Parties from time to time) as the Lender acting through its Facility Office:

- (a) entitled to or liable for any payment due under any Finance Document on that day; and
- (b) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day,

unless it has received not less than five Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

22.14.2 Any Lender may by notice to the Facility Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender under the Finance Documents. Such notice shall contain the address and (where communication by electronic mail or other electronic means is permitted under Clause 36.5 (Electronic communication)) electronic mail address and/or any other

information required to enable the transmission of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, electronic mail address (or such other information), department and officer by that Lender for the purposes of Clause 36.2 (**Addresses**) and paragraph (b) of sub-clause 36.5.1 and the Facility Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

#### 22.15 Credit appraisal by the Lenders

Without affecting the responsibility of any Borrower for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to the Administrative Parties that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

22.15.1 the financial condition, status and nature of each member of any Borrower Group;

22.15.2 the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;

22.15.3 whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and

22.15.4 the adequacy, accuracy or completeness of any information provided by the Facility Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

#### 22.16 Facility Agent's management time

Any amount payable to the Facility Agent under Clause 25.2 (**Other Indemnities**), Clause 26 (**Expenses**) and Clause 22.11 (**Lenders' indemnity to the Facility Agent**) shall include the cost of utilising the Facility Agent's management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Facility Agent may notify to the Borrowers and the Lenders, and is in addition to any fee paid or payable to the Facility Agent under Clause 24 (**Fees**).

#### 22.17 Deduction from amounts payable by the Facility Agent

If any Party owes an amount to the Facility Agent under the Finance Documents the Facility Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Facility Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

#### 22.18 Role of Reference Banks

22.18.1 No Reference Bank is under any obligation to provide a quotation or any other information to the Facility Agent.

22.18.2 No Reference Bank will be liable for any action taken by it under or in connection with any Finance Document, or for any Reference Bank Quotation, unless directly caused by its gross negligence or wilful misconduct.

22.18.3 No Party (other than the relevant Reference Bank) may take any proceedings against any officer, employee or agent of any Reference Bank in respect of any claim it might have against that Reference Bank or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document, or to any Reference Bank Quotation, and any officer, employee or agent of each Reference Bank may rely on this Clause 22.18 subject to Clause 1.3 (Third party rights) and the provisions of the Third Parties Act.

#### 22.19 Third party Reference Banks

A Reference Bank which is not a Party may rely on Clause 22.18 (Role of Reference Banks), Clause 27.2 (Exceptions) and Clause 31 (Confidentiality of Funding Rates and Reference Bank Quotations) subject to Clause 1.3 (Third party rights) and the provisions of the Third Parties Act.

### 23. EVIDENCE AND CALCULATIONS

#### 23.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are *prima facie* evidence of the matters to which they relate.

#### 23.2 Certificates and determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

#### 23.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the Relevant Market differs, in accordance with that market practice.

### 24. FEES

#### 24.1 Agency fee

The Borrowers must pay to the Facility Agent for its own account an annual agency fee in the manner agreed between the Facility Agent and the Borrowers.

#### 24.2 Upfront fees

The Borrowers must pay to the Facility Agent (for the account of each Original Lender) the upfront fees as set out in a Fee Letter.

#### 24.3 Co-ordination fee

The Borrowers must pay a co-ordination fee in the manner agreed between the Joint Coordinators and the Borrowers.

#### 24.4 Commitment fee

- 24.4.1 Each Borrower must, with respect to its Facility, pay to the Facility Agent for the account of each Lender a commitment fee computed at the rate of 35 per cent. of the applicable Margin on the undrawn, uncanceled amount of each Lender's Commitments under the relevant Facility for the Availability Period, calculated from the date of this Agreement.
- 24.4.2 The commitment fee is payable quarterly in arrear during the Availability Period and on the last day of the Availability Period. Accrued commitment fee is also payable to the Facility Agent for a Lender on the date its Commitment is cancelled in full.
- 24.4.3 No commitment fee is payable to the Facility Agent (for the account of a Lender) on any Available Commitment of that Lender for any day on which that Lender is a Defaulting Lender.

#### 24.5 Utilisation fee

- 24.5.1 Each Borrower must pay to the Facility Agent for the account of each Lender a utilisation fee computed at the rate of 0.075 per cent. per annum on the aggregate principal amount of the Loans under its Facility for each day on which the aggregate Base Currency Amount of all Loans is less than 33.3 per cent. of the relevant total Commitments under its relevant Facility.
- 24.5.2 Each Borrower must pay to the Facility Agent for each Lender a utilisation fee computed at the rate of 0.15 per cent. per annum on the aggregate principal amount of the Loans under its Facility for each day on which the aggregate Base Currency Amount of all Loans equals or exceeds 33.3 per cent. of the relevant total Commitments under its relevant Facility. For the avoidance of doubt, the fee described in sub clause 24.5.1 above is not payable in respect of any day for which the fee described in this sub clause 24.5.2 is payable.
- 24.5.3 Each Borrower must pay to the Facility Agent for each Lender a utilisation fee computed at the rate of 0.30 per cent. per annum on the aggregate principal amount of the Loans under its Facility for each day on which the Base Currency Amount of all Loans equals or exceeds 66.6 per cent. of the relevant total Commitments under its relevant Facility. For the avoidance of doubt, the fees described in sub-clauses 24.5.1 and 24.5.2 above are not payable in respect of any day for which the fee described in this sub-clause 24.5.3 is payable.
- 24.5.4 Utilisation fee is payable on the amount of each Lender's share in the relevant Loans.
- 24.5.5 Accrued utilisation fee is payable quarterly in arrear. Accrued utilisation fee is also payable to the Facility Agent for a Lender on the date its Commitment is cancelled in full.

### 25. INDEMNITIES AND BREAK COSTS

#### 25.1 Currency indemnity

- 25.1.1 The Borrowers must, as an independent obligation, indemnify each Finance Party against any loss or liability which that Finance Party incurs as a consequence of:
  - (a) that Finance Party receiving an amount in respect of that Borrower's liability under the Finance Documents; or

(b) that liability being converted into a claim, proof, judgment or order,

in a currency other than the currency in which the amount is expressed to be payable under the relevant Finance Document.

25.1.2 Unless otherwise required by law, each Borrower waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency other than that in which it is expressed to be payable.

## 25.2 Other indemnities

The Borrowers shall within 15 days of demand indemnify the Facility Agent and each Lender against any funding or other cost, loss, expense or liability in an amount certified by it in reasonable detail (together with documentation in support) sustained or incurred by it as a direct result of:

25.2.1 the occurrence of any Event of Default;

25.2.2 (other than by reason of negligence or default by a Finance Party) a Loan not being made after a Request has been delivered for that Loan; or

25.2.3 the receipt or recovery by any party (or the Facility Agent on its behalf) of all or any part of a Loan or overdue sum due from that Borrower otherwise than on the Final Maturity Date or Maturity Date of that Loan or, in the case of an overdue sum, the last day of an interest period relating to that overdue sum, as the case may be or a Loan or any part thereof not being prepaid in accordance with a notice of prepayment.

## 25.3 Indemnity to the Facility Agent

The Borrowers shall promptly indemnify the Facility Agent against any cost, loss or liability incurred by the Facility Agent (acting reasonably) as a result of:

25.3.1 investigating any event which it reasonably believes is a Default;

25.3.2 acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised; or

25.3.3 instructing lawyers, accountants, tax advisers, surveyors or other professional advisers or experts as permitted under this Agreement.

## 25.4 Break Costs

25.4.1 The Borrowers must pay to each Lender its Break Costs within three Business Days of demand.

25.4.2 Break Costs are the amount (if any) determined by the relevant Lender by which:

(a) the interest (excluding Margin) which that Lender would have received for the period from the date of receipt of any part of its share in a Loan or overdue amount to the last day of the applicable Term for that Loan or overdue amount if the principal or overdue amount received had been paid on the last day of that Term;

exceeds

(b) the amount which that Lender would be able to obtain by placing an amount equal to the amount received by it on deposit with a leading bank in the

appropriate interbank market for a period starting on the Business Day following receipt and ending on the last day of the applicable Term.

25.4.3 Each Lender must supply to the Facility Agent for the relevant Borrower details of the amount of any Break Costs claimed by it under this Clause.

## 26. EXPENSES

### 26.1 Initial costs

The Borrowers must pay to each Administrative Party promptly on demand the amount of all costs and expenses (including legal fees) reasonably incurred by it in connection with the negotiation, preparation, printing, execution and syndication of the Finance Documents.

### 26.2 Subsequent costs

The Borrowers must pay to the Facility Agent promptly on demand the amount of all costs and expenses (including legal fees) reasonably incurred by it in connection with:

26.2.1 the negotiation, preparation, printing and execution of any Finance Document (other than a Transfer Certificate or Increase Confirmation) executed after the date of this Agreement; and

26.2.2 any amendment, waiver or consent requested by or on behalf of a Borrower or specifically allowed by this Agreement.

### 26.3 Enforcement costs

The Borrowers must pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by it in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

## 27. AMENDMENTS AND WAIVERS

### 27.1 Procedure

27.1.1 Except as provided in this Clause 27, any term of the Finance Documents (other than the Fee Letters) may be amended or waived with the agreement of all of the Borrowers and the Majority Lenders. The Facility Agent may effect, on behalf of any Finance Party, an amendment or waiver allowed under this Clause.

27.1.2 The Facility Agent must promptly notify the other Parties of any amendment or waiver effected by it under sub-clause 27.1.1 above. Any such amendment or waiver is binding on all the Parties.

### 27.2 Exceptions

27.2.1 Subject to Clause 27.3 (~~Replacement of Screen Rate~~), an amendment or waiver of any term of any Finance Document which relates to:

- (a) the definition of Majority Lenders in 1.1 (**Definitions**);
- (b) Clause 2.3 (**Nature of a Finance Party's rights and obligations**);
- (c) an extension of the date of payment of any amount to a Lender under the Finance Documents;

- (d) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fee or other amount payable to a Lender under the Finance Documents;
- (e) a change in currency of payment of any amount under the Finance Documents;
- (f) an increase in any Commitment, an extension of the Availability Period or any requirement that a cancellation of Commitments reduces the Commitments of the Lenders rateably under any Facility;
- (g) a term of a Finance Document which expressly requires the consent of each Lender;
- (h) Clause 2.3 (Nature of a Finance Parties' rights and obligations), Clause 5.1 (Giving of Requests), Clause 9.1 (Mandatory prepayment - Illegality), Clause 9.2 (Mandatory prepayment - change of control), Clause 9.8.2, Clause 17.19 (Sanctions), Clause 20.18 (Sanctions), Clause 28 (Changes to the Borrowers), Clause 29 (Changes to the Lenders), Clause 33 (Pro Rata Sharing), Clause 38 (Governing law) or Clause 39.1 (Jurisdiction); or
- (i) this Clause,

may only be made with the consent of all the Lenders.

27.2.2 An amendment or waiver which relates to the rights or obligations of an Administrative Party or a Reference Bank (each in their capacity as such) may only be made with the consent of that Administrative Party or that Reference Bank, as the case may be.

### 27.3 Replacement of Screen Rate

27.3.1 Subject to Clause 27.2.2, if a Screen Rate Replacement Event has occurred in relation to any Screen Rate for a currency which can be selected for a Loan, any amendment or waiver which relates to:

- (a) providing for the use of a Replacement Benchmark in relation to that currency in place of that Screen Rate; and
- (b) aligning any provision of any Finance Document to the use of that Replacement Benchmark;
- (c) enabling that Replacement Benchmark to be used for the calculation of interest under this Agreement (including, without limitation, any consequential changes required to enable that Replacement Benchmark to be used for the purposes of this Agreement);
- (d) implementing market conventions applicable to that Replacement Benchmark;
- (e) providing for appropriate fallback (and market disruption) provisions for that Replacement Benchmark; or
- (f) adjusting the pricing to reduce or eliminate, to the extent reasonably practicable, any transfer of economic value from one Party to another as a result of the application of that Replacement Benchmark (and if any adjustment or method for calculating any adjustment has been formally designated, nominated or recommended by the Relevant Nominating Body, the adjustment shall be determined on the basis of that designation, nomination or recommendation),



may be made with the consent of the Facility Agent (acting on the instructions of the Majority Lenders) and the Borrowers.

27.3.2 If any Lender fails to respond to a request for an amendment or waiver described in paragraph (a) above within 10 (ten) Business Days of that request being made:

- (a) its Commitment shall not be included for the purpose of calculating the Total Commitments when ascertaining whether any relevant percentage of Total Commitments has been obtained to approve that request; and
- (b) its status as a Lender shall be disregarded for the purpose of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve that request.

27.3.3 In this Clause 27.3:

“Relevant Nominating Body” means any applicable central bank, regulator or other supervisory authority or a group of them, or any working group or committee sponsored or chaired by, or constituted at the request of, any of them or the Financial Stability Board.

“Replacement Benchmark” means a benchmark rate which is:

- (a) formally designated, nominated or recommended as the replacement for a Screen Rate by:
  - (i) the administrator of that Screen Rate (provided that the market or economic reality that such benchmark rate measures is the same as that measured by that Screen Rate); or
  - (ii) any Relevant Nominating Body,and if replacements have, at the relevant time, been formally designated, nominated or recommended under both paragraphs, the “Replacement Benchmark” will be the replacement under paragraph (ii) above
- (b) in the opinion of the Majority Lenders and the Borrowers, generally accepted in the international or any relevant domestic syndicated loan markets as the appropriate successor to a Screen Rate; or
- (c) in the opinion of the Majority Lenders and the Borrowers, an appropriate successor to a Screen Rate.

“Screen Rate Replacement Event” means, in relation to a Screen Rate:

- (a) the methodology, formula or other means of determining that Screen Rate has, in the opinion of the Majority Lenders and the Borrowers, materially changed;
- (b)
  - (i)
    - (A) the administrator of that Screen Rate or its supervisor publicly announces that such administrator is insolvent; or
    - (B) information is published in any order, decree, notice, petition or filing, however described, of or filed with a court, tribunal,

exchange, regulatory authority or similar administrative, regulatory or judicial body which reasonably confirms that the administrator of that Screen Rate is insolvent,

provided that, in each case, at that time, there is no successor administrator to continue to provide that Screen Rate;

- (ii) the administrator of that Screen Rate publicly announces that it has ceased or will cease to provide that Screen Rate permanently or indefinitely and, at that time, there is no successor administrator to continue to provide that Screen Rate;
  - (iii) the supervisor of the administrator of that Screen Rate publicly announces that such Screen Rate has been or will be permanently or indefinitely discontinued; or
  - (iv) the administrator of that Screen Rate or its supervisor announces that that Screen Rate may no longer be used; or
- (c) the administrator of that Screen Rate determines that that Screen Rate should be calculated in accordance with its reduced submissions or other contingency or fallback policies or arrangements and either:
- (i) the circumstance(s) or event(s) leading to such determination are not (in the opinion of the Majority Lenders and the Borrowers) temporary; or
  - (ii) that Screen Rate is calculated in accordance with any such policy or arrangement for a period no less than 30 days; or
- (d) in the opinion of the Majority Lenders and the Borrowers, that Screen Rate is otherwise no longer appropriate for the purposes of calculating interest under this Agreement.

#### 27.4 Disenfranchisement of Defaulting Lenders

27.4.1 For so long as a Defaulting Lender has any Available Commitment, in ascertaining the Majority Lenders or whether any given percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments has been obtained to approve any request for a consent, waiver, amendment or other vote under the Finance Documents, that Defaulting Lender's Commitments will be reduced by the amount of its Available Commitments.

27.4.2 For the purposes of this Clause 27.3, the Facility Agent may assume that the following Lenders are Defaulting Lenders:

- (a) any Lender which has notified the Facility Agent that it has become a Defaulting Lender;
- (b) any Lender in relation to which it is aware that any of the events or circumstances referred to in paragraphs (a), (b) or (c) of the definition of "Defaulting Lender" has occurred where, in the case of the events or circumstances referred to in paragraph (a), none of the exceptions to that paragraph apply,

unless it has received notice to the contrary from the Lender concerned (together with any supporting evidence reasonably requested by the Facility Agent) or the Facility Agent is otherwise aware that the Lender has ceased to be a Defaulting Lender.

## 27.5 Replacement of a Defaulting Lender

27.5.1 The Borrowers may, at any time a Lender has become and continues to be a Defaulting Lender, by giving 10 Business Days' prior written notice to the Facility Agent and such Lender:

- (a) replace such Lender by requiring such Lender to (and to the extent permitted by law such Lender shall) transfer pursuant to Clause 29 (**Changes to the Lenders**) all (and not part only) of its rights and obligations under this Agreement; or
- (b) require such Lender to (and to the extent permitted by law such Lender shall) transfer pursuant to Clause 29 (**Changes to the Lenders**) all (and not part only) of the undrawn Commitment of the Lender,

to a Lender or other bank, financial institution, trust, fund or other entity (a "Replacement Lender") selected by the Borrowers, and which is acceptable to the Facility Agent (acting reasonably) (unless the Facility Agent is an Impaired Agent), which confirms its willingness to assume and does assume all the obligations or all the relevant obligations of the transferring Lender (including the assumption of the transferring Lender's participations or unfunded participations (as the case may be) on the same basis as the transferring Lender) for a purchase price in cash payable at the time of transfer equal to the outstanding principal amount of such Lender's participation in the outstanding Loans and all accrued interest (to the extent that the Facility Agent has not given a notification under Clause 29.11 (**Pro rata interest settlement**)), Break Costs and other amounts payable in relation thereto under the Finance Documents.

27.5.2 Any transfer of rights and obligations of a Defaulting Lender pursuant to this Clause shall be subject to the following conditions:

- (a) no Borrower shall have the right to replace the Facility Agent;
- (b) neither the Facility Agent nor the Defaulting Lender shall have any obligation to the Borrowers to find a Replacement Lender;
- (c) the transfer must take place no later than 14 days after the notice referred to in sub-clause 27.5.1 above;
- (d) in no event shall the Defaulting Lender be required to pay or surrender to the Replacement Lender any of the fees received by the Defaulting Lender pursuant to the Finance Documents; and
- (e) the Defaulting Lender shall only be obliged to transfer its rights and obligations pursuant to sub-clause 27.5.1 above once it is satisfied that it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the transfer to the Replacement Lender.

## 27.6 Excluded Commitments

If a Lender does not accept or reject a request for an amendment, waiver or consent within 15 Business Days of receipt of such request (or such longer period as the Borrowers and the Facility Agent may agree), or abstains from accepting or rejecting a request for an amendment,

waiver or consent, its Commitments shall not be included for the purpose of calculating the Total Commitments or participations under any Facility when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of Commitments, Total Commitments and/or participations has been obtained to approve that request.

#### 27.7 Change of currency

27.7.1 Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then

- (a) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Facility Agent (after consultation with the Borrower); and
- (b) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Facility Agent (acting reasonably).

27.7.2 If a change in any currency of a country occurs, this Agreement will, to the extent the Facility Agent (acting reasonably and after consultation with the Borrowers) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Market and otherwise to reflect the change in currency.

#### 27.8 Waivers and remedies cumulative

The rights of each Finance Party under the Finance Documents:

27.8.1 may be exercised as often as necessary;

27.8.2 are cumulative and not exclusive of its rights under the general law; and

27.8.3 may be waived only in writing and specifically.

Delay in exercising or non-exercise of any right is not a waiver of that right.

#### 28. CHANGES TO THE BORROWERS

No Borrower may assign or transfer any of its rights and obligations under the Finance Documents without the prior consent of all the Lenders.

#### 29. CHANGES TO THE LENDERS

##### 29.1 Assignments and transfers by Lenders

29.1.1 Subject to this Clause 29, a Lender (the “Existing Lender”) may:

- (a) assign any of its rights; or
- (b) transfer by novation any of its rights and obligations,

under this Agreement to any bank, financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the “New Lender”).

- 29.1.2 For the avoidance of doubt, any assignment or transfers pursuant to this Clause 29 (~~Changes to the Lenders~~) will apply on a **pro rata** basis across all Facilities.
- 29.1.3 Unless each of the Borrowers and the Facility Agent otherwise agree, an assignment or transfer of part of a Commitment or rights and obligations under this Agreement by the Existing Lender must be in an aggregate minimum amount (across the Facilities) of £15,000,000.
- 29.2 **Borrower Consent**
- 29.2.1 The consent of the Borrowers is required for an assignment or transfer by an Existing Lender, unless the assignment or transfer is:
- (a) to another Lender or an Affiliate of any Lender; or
  - (b) made at a time when an Event of Default is continuing.
- 29.2.2 The consent of the Borrowers to an assignment or transfer must not be unreasonably withheld or delayed. The Borrowers will be deemed to have given its consent ten Business Days after the Existing Lender has requested it unless consent is expressly refused by the Borrowers within that time.
- 29.3 **Other conditions of assignment or transfer**
- 29.3.1 An assignment will only be effective on:
- (a) receipt by the Facility Agent (whether in the Assignment Agreement or otherwise) of written confirmation from the New Lender (in form and substance satisfactory to the Facility Agent) that the New Lender will assume the same obligations to the other Finance Parties as it would have been under if it had been an Original Lender; and
  - (b) performance by the Facility Agent of all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to such assignment to a New Lender, the completion of which the Facility Agent shall promptly notify to the Existing Lender and the New Lender
- 29.3.2 A transfer will only be effective if the procedure set out in Clause 29.6 (~~Procedure for transfer~~) is complied with.
- 29.3.3 If:
- (a) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and
  - (b) as a result of circumstances existing at the date the assignment, transfer or change occurs, a Borrower would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 13 (~~Tax gross-up and indemnities~~) or Clause 14 (~~Increased Costs~~),
- then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred. This sub-clause 29.3.3 shall not apply:
- (a) in respect of an assignment or transfer made in the ordinary course of the primary syndication of any Facility; or

- (b) in relation to Clause 13.2 (Tax gross-up), to a Treaty Lender that has included a confirmation of its scheme reference number and its jurisdiction of tax residence in accordance with Clause 13.2.7(b) (Tax gross-up) if the Borrower making the payment has not made a Borrower DTTP Filing in respect of that Treaty Lender.

29.3.4 Each New Lender, by executing the relevant Transfer Certificate or Assignment Agreement, confirms, for the avoidance of doubt, that the Facility Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the transfer or assignment becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as the Existing Lender would have been had it remained a Lender

#### 29.4 Assignment or transfer fee

Unless the Facility Agent otherwise agrees, the New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Facility Agent (for its own account) a fee £3,000.

#### 29.5 Limitation of responsibility of Existing Lender

29.5.1 Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

- (a) the legality, validity, effectiveness, adequacy, or enforceability of the Finance Documents or any other document;
- (b) the financial condition of any Borrower;
- (c) the performance and observance by any Borrower of its obligations under the Finance Documents or any other documents; or
- (d) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,

and any representations or warranties implied by law are excluded.

29.5.2 Each New Lender confirms to the Existing Lender and the other Finance Parties that it:

- (a) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Borrower and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
- (b) will continue to make its own independent appraisal of the creditworthiness of each Borrower and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.

29.5.3 Nothing in any Finance Document requires an Existing Lender to:

- (a) accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this Clause; or
- (b) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by a Borrower of its obligations under any Finance Document or otherwise.

## 29.6 Procedure for transfer

- 29.6.1 Subject to the conditions set out in Clauses 29.2 (~~Borrower consent~~) and Clause 29.3 (~~Other conditions of assignment or transfer~~) a transfer is effected in accordance with paragraph 29.6.3 below when the Facility Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Facility Agent shall, subject to paragraph 29.6.2 below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.
- 29.6.2 The Facility Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.
- 29.6.3 Subject to Clause 29.11 (~~Pro rata interest settlement~~), on the Transfer Date:
- (a) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents each of the Borrowers and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the “Discharged Rights and Obligations”);
  - (b) each of the Borrowers and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Borrower and the New Lender have assumed and/or acquired the same in place of that Borrower and the Existing Lender;
  - (c) the Facility Agent, the Arrangers, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Facility Agent, the Arrangers and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and
  - (d) the New Lender shall become a Party as a “Lender”.

## 29.7 Procedure for assignment

- 29.7.1 Subject to the conditions set out in Clause 29.2 (~~Borrower consent~~) and Clause 29.3 (~~Other conditions of assignment or transfer~~) an assignment may be effected in accordance with sub-clause 29.7.3 below when the Facility Agent executes an otherwise duly completed Assignment Agreement delivered to it by the Existing Lender and the New Lender. The Facility Agent shall, subject to sub-clause 29.7.2 below, as soon as reasonably practicable after receipt by it of a duly completed Assignment Agreement appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Assignment Agreement.
- 29.7.2 The Facility Agent shall only be obliged to execute an Assignment Agreement delivered to it by the Existing Lender and the New Lender once it is satisfied it has

complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the assignment to such New Lender.

29.7.3 Subject to Clause 29.11 (**Pro rata interest settlement**), on the Transfer Date:

- (a) the Existing Lender will assign absolutely to the New Lender the rights under the Finance Documents expressed to be the subject of the assignment in the Assignment Agreement;
- (b) the Existing Lender will be released by each Borrower and the other Finance Parties from the obligations owed by it (the “**Relevant Obligations**”) and expressed to be the subject of the release in the Assignment Agreement; and
- (c) the New Lender shall become a Party as a “Lender” and will be bound by obligations equivalent to the Relevant Obligations.

29.7.4 Lenders may utilise procedures other than those set out in this Clause 29.7 to assign their rights under the Finance Documents (but not, without the consent of the relevant Borrower or unless in accordance with Clause 29.6 (**Procedure for transfer**), to obtain a release by that Borrower from the obligations owed to that Borrower by the Lenders nor the assumption of equivalent obligations by a New Lender) provided that they comply with the conditions set out in Clause 29.2 (**Borrower consent**) and Clause 29.3 (**Other conditions of assignment or transfer**).

29.8 **Changes to the Reference Banks**

29.8.1 If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Facility Agent must (in consultation with the Borrowers) appoint another Lender or an Affiliate of a Lender to replace that Reference Bank.

29.8.2 If a Reference Bank ceases to have a London office or novates or assigns all its rights and obligations under this Agreement or if any Commitments of any Reference Bank are cancelled or if Loans it has advanced are prepaid it shall be replaced as a Reference Bank by such other Lender or an Affiliate of a Lender with an office in London as the Facility Agent (after consultation with the Borrowers) shall designate by notice to the Borrowers and the Lenders.

29.9 **Copy of Transfer Certificate, Assignment Agreement or Increase Confirmation to the Borrowers**

The Facility Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate, an Assignment Agreement or an Increase Confirmation, send to the Borrowers a copy of that Transfer Certificate, Assignment Agreement or Increase Confirmation.

29.10 **Security over Lenders’ rights**

In addition to the other rights provided to Lenders under this Clause 29, each Lender may without consulting with or obtaining consent from any Borrower, at any time charge, assign or otherwise create a Security Interest in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

- (a) any charge, assignment or other Security Interest to secure obligations to a federal reserve or central bank; and



- (b) any charge, assignment or other Security Interest granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities,

except that no such charge, assignment or Security Interest shall:

- (i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or other security for the Lender as a party to any of the Finance Documents; or
- (ii) require any payments to be made by any Borrower other than or in excess of, or grant to any person any more extensive rights than, those required to be made or granted to the relevant Lender under the Finance Documents.

#### 29.11 Pro rata interest settlement

29.11.1 If the Facility Agent has notified the Lenders that it is able to distribute interest payments on a “pro rata basis” to Existing Lenders and New Lenders then (in respect of any transfer pursuant to Clause 29.6 (Procedure for transfer) or any assignment pursuant to Clause 29.7 (Procedure for assignment) the Transfer Date of which, in each case, is after the date of such notification and is not on the last day of a Term):

- (a) any interest or fees in respect of the relevant participation which are expressed to accrue by reference to the lapse of time shall continue to accrue in favour of the Existing Lender up to but excluding the Transfer Date (“Accrued Amounts”) and shall become due and payable to the Existing Lender (without further interest accruing on them) on the last day of the current Term (or, if the Term is longer than six months, on the next of the dates which falls at six monthly intervals after the first day of that Term); and
- (b) the rights assigned or transferred by the Existing Lender will not include the right to the Accrued Amounts, so that, for the avoidance of doubt:
  - (i) when the Accrued Amounts become payable, those Accrued Amounts will be payable for the account of the Existing Lender; and
  - (ii) the amount payable to the New Lender on that date will be the amount which would, but for the application of this Clause 29.11, have been payable to it on that date, but after deduction of the Accrued Amounts.

29.11.2 In this Clause 29.11, references to “Term” shall be construed to include a reference to any other period for accrual of fees.

29.11.3 An Existing Lender which retains the right to the Accrued Amounts pursuant to this Clause 29.11 but which does not have a Commitment shall be deemed not to be a Lender for the purposes of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve any request for a consent, waiver, amendment or other vote of Lenders under the Finance Documents.

## 30. CONFIDENTIALITY AND DISCLOSURE OF INFORMATION

### 30.1 Confidential Information

Each Finance Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 30.2 (Disclosure of Confidential Information) and Clause 30.3 (Disclosure to numbering service providers), and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

### 30.2 Disclosure of Confidential Information

Any Finance Party may disclose:

30.2.1 to any of its Affiliates and Related Funds and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as that Finance Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this sub-clause 30.2.1 is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

30.2.2 to any person:

- (a) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents or which succeeds (or which may potentially succeed) it as Facility Agent and, in each case, to any of that person's Affiliates, Related Funds, Representatives and professional advisers;
- (b) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or the Borrowers and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;
- (c) appointed by any Finance Party or by a person to whom sub-clause 30.2.2(a) or (b) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf;
- (d) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in sub-clause 30.2.2(a) or (b) above;
- (e) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;
- (f) to whom or for whose benefit that Finance Party charges, assigns or otherwise creates security (or may do so) pursuant to Clause 29.10 (Security over Lenders' rights);

- (g) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;
- (h) who is a Party; or
- (i) with the consent of all of the Borrowers,

in each case, such Confidential Information as that Finance Party shall consider appropriate if:

- (i) in relation to sub-clause 30.2.2(a), (b) and (c) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;
- (ii) in relation to sub-clause 30.2.2(d) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;
- (iii) in relation to sub-clause 30.2.2(e), (f) and (g) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Finance Party, it is not practicable so to do in the circumstances;

30.2.3 to any person appointed by that Finance Party or by a person to whom sub-clause 30.2.2(a) or (b) above applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this sub-clause 30.2.3 if the service provider to whom the Confidential Information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Borrowers and the relevant Finance Party;

30.2.4 to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents and/or the Borrowers if the rating agency to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information.

### 30.3 Disclosure to numbering service providers

30.3.1 Any Finance Party may disclose to any national or international numbering service provider appointed by that Finance Party to provide identification numbering services

in respect of this Agreement, the Facilities and/or the Borrowers the following information:

- (a) name of the Borrowers;
- (b) country of domicile of the Borrowers;
- (c) place of incorporation of the Borrowers;
- (d) date of this Agreement;
- (e) Clause 38 (Governing law);
- (f) the names of the Facility Agent and the Arrangers;
- (g) date of each amendment and restatement of this Agreement;
- (h) amounts of, and names of, each Facility;
- (i) amount of Total Commitments;
- (j) currencies of each Facility;
- (k) type of each Facility;
- (l) ranking of each Facility;
- (m) Final Maturity Date for each Facility;
- (n) changes to any of the information previously supplied pursuant to paragraphs (a) to (m) above; and
- (o) such other information agreed between such Finance Party and the Borrowers, to enable such numbering service provider to provide its usual syndicated loan numbering identification services.

30.3.2 The Parties acknowledge and agree that each identification number assigned to this Agreement, each Facility and/or the Borrowers by a numbering service provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider.

30.3.3 Each Borrower represents that none of the information set out in paragraphs (a) to (o) of sub-clause 30.3.1 above is, nor will at any time be, unpublished price-sensitive information.

30.3.4 The Facility Agent shall notify the Borrowers and the other Finance Parties of;

- (a) the name of any numbering service provider appointed by the Facility Agent in respect of this Agreement, each Facility and/or the Borrowers; and
- (b) the number or, as the case may be, numbers assigned to this Agreement, each Facility and/or the Borrowers by such numbering service provider.

#### 30.4 Continuing obligations

The obligations in this Clause 30 are continuing and, in particular, shall survive and remain binding on each Finance Party for a period of twelve months from the earlier of:

30.4.1 the date on which all amounts payable by the Borrowers under or in connection with this Agreement have been paid in full and all Commitments have been cancelled or otherwise cease to be available; and

30.4.2 the date on which such Finance Party otherwise ceases to be a Finance Party.

### 31. CONFIDENTIALITY OF FUNDING RATES AND REFERENCE BANK QUOTATIONS

#### 31.1 Confidentiality and disclosure

31.1.1 The Facility Agent and each Borrower agree to keep each Funding Rate (and, in the case of the Facility Agent, each Reference Bank Quotation) confidential and not to disclose it to anyone, save to the extent permitted by sub-clause 31.1.2, 31.1.3 and 31.1.4 below.

31.1.2 The Facility Agent may disclose:

- (a) any Funding Rate (but not, for the avoidance of doubt, any Reference Bank Quotation) to the Borrowers pursuant to Clause 10.4 (Notification of rates of interest); and
- (b) any Funding Rate or any Reference Bank Quotation to any person appointed by it to provide administration services in respect of one or more of the Finance Documents to the extent necessary to enable such service provider to provide those services if the service provider to whom that information is to be given has entered into a Confidentiality Undertaking.

31.1.3 The Facility Agent may disclose any Funding Rate or any Reference Bank Quotation, and each Borrower may disclose any Funding Rate, to:

- (a) any of its Affiliates and any of its or their officers, directors, employees, professional advisers, auditors and partners if any person to whom that Funding Rate or Reference Bank Quotation is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of that Funding Rate or Reference Bank Quotation or is otherwise bound by requirements of confidentiality in relation to it;
- (b) any person to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation if the person to whom that Funding Rate or Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Facility Agent or the relevant Borrower, as the case may be, it is not practicable to do so in the circumstances;

- (c) any person to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes if the person to whom that Funding Rate or Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Facility Agent or the relevant Borrower, as the case may be, it is not practicable to do so in the circumstances; and
- (d) any person with the consent of the relevant Lender or Reference Bank, as the case may be.

31.1.4 The Facility Agent's obligations in this Clause 31 (**Confidentiality of Funding Rates and Reference Bank Quotations**) relating to Reference Bank Quotations are without prejudice to its obligations to make notifications under Clause 10.4 (**Notification of rates of interest**) provided that (other than pursuant to paragraph(a) of sub-clause 31.1.2 above) the Facility Agent shall not include the details of any individual Reference Bank Quotation as part of any such notification.

## 31.2 Other obligations

31.2.1 The Facility Agent and each Borrower acknowledge that each Funding Rate (and, in the case of the Facility Agent, each Reference Bank Quotation) is or may be price-sensitive information and that its use may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and the Facility Agent and each Borrower undertakes not to use any Funding Rate or, in the case of the Facility Agent, any Reference Bank Quotation for any unlawful purpose.

31.2.2 The Facility Agent and each Borrower agrees (to the extent permitted by law and regulation) to inform the relevant Lender or Reference Bank, as the case may be:

- (a) of the circumstances of any disclosure made pursuant to paragraph (b) of sub-clause 31.1.3 above except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and
- (b) upon becoming aware that any information has been disclosed in breach of this Clause 31 (**Confidentiality of Funding Rates and Reference Bank Quotations**).

## 32. SET-OFF

A Finance Party may set off any matured obligation owed to it by a Borrower under the Finance Documents (to the extent beneficially owned by that Finance Party) against any obligation (whether or not matured) owed by that Finance Party to that Borrower, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

### 33. PRO RATA SHARING

#### 33.1 Redistribution

33.1.1 If any amount owing by a Borrower under this Agreement to a Lender (the “recovering Lender”) is discharged by payment, set-off or any other manner other than through the Facility Agent under this Agreement (a “recovery”), then:

- (a) the recovering Lender must, within three Business Days, supply details of the recovery to the Facility Agent;
- (b) the Facility Agent must calculate whether the recovery is in excess of the amount which the recovering Lender would have received if the recovery had been received by the Facility Agent under this Agreement; and
- (c) the recovering Lender must pay to the Facility Agent an amount equal to the excess (the “redistribution”).

#### 33.2 Effect of redistribution

33.2.1 The Facility Agent must treat a redistribution as if it were a payment by the relevant Borrower under this Agreement and distribute it among the Lenders, other than the recovering Lender, accordingly.

33.2.2 When the Facility Agent makes a distribution under sub-clause 33.2.1 above, the recovering Lender will be subrogated to the rights of the Finance Parties which have shared in that redistribution.

33.2.3 If and to the extent that the recovering Lender is not able to rely on any rights of subrogation under sub-clause 33.2.2 above, the Borrower will owe the recovering Lender a debt which is equal to the redistribution, immediately payable and of the type originally discharged.

33.2.4 If:

- (a) a recovering Lender must subsequently return a recovery, or an amount measured by reference to a recovery, to a Borrower; and
- (b) the recovering Lender has paid a redistribution in relation to that recovery,

each Finance Party must reimburse the recovering Lender all or the appropriate portion of the redistribution paid to that Finance Party, together with interest for the period while it held the re-distribution. In this event, the subrogation in sub-clause 33.2.2 above will operate in reverse to the extent of the reimbursement.

#### 33.3 Exceptions

Notwithstanding any other term of this Clause 33.3, a recovering Lender need not pay a redistribution to the extent that:

33.3.1 it would not, after the payment, have a valid claim against that Borrower in the amount of the redistribution; or

33.3.2 it would be sharing with another Finance Party any amount which the recovering Lender has received or recovered as a result of legal or arbitration proceedings, where:

- (a) the recovering Lender notified the Facility Agent of those proceedings; and

- (b) the other Finance Party had an opportunity to participate in those proceedings but did not do so or did not take separate legal or arbitration proceedings as soon as reasonably practicable after receiving notice of them.

#### 34. SEVERABILITY

34.1 If a term of a Finance Document is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect:

34.1.1 the legality, validity or enforceability in that jurisdiction of any other term of the Finance Documents; or

34.1.2 the legality, validity or enforceability in other jurisdictions of that or any other term of the Finance Documents.

#### 35. COUNTERPARTS

Each Finance Document may be executed in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

#### 36. NOTICES

##### 36.1 Communication in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, shall be made by letter.

##### 36.2 Addresses

The address (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (a) in the case of the Borrowers, that identified with its name below:

- (i) WPDEM:

- Address: Avonbank, Feeder Road, Bristol, BS2 0TB

- Phone number: 0117 933 2374

- E-mail: [wptreasuryconfirms@westernpower.co.uk](mailto:wptreasuryconfirms@westernpower.co.uk)

- Attention: David Hole

- (ii) WPDWM:

- Address: Avonbank, Feeder Road, Bristol, BS2 0TB

- Phone number: 0117 933 2374

- E-mail: [wptreasuryconfirms@westernpower.co.uk](mailto:wptreasuryconfirms@westernpower.co.uk)

- Attention: David Hole

- (iii) WPDSW:

- Address: Avonbank, Feeder Road, Bristol, BS2 0TB



Phone number: 0117 933 2374

E-mail: [wptreasuryconfirms@westernpower.co.uk](mailto:wptreasuryconfirms@westernpower.co.uk)

Attention: David Hole

(iv) WPDSWa:

Address: Avonbank, Feeder Road, Bristol, BS2 0TB

Phone number: 0117 933 2374

E-mail: [wptreasuryconfirms@westernpower.co.uk](mailto:wptreasuryconfirms@westernpower.co.uk)

Attention: David Hole

(b) in the case of each Lender, that notified in writing to the Facility Agent on or prior to the date on which it becomes a Party; and

(c) in the case of the Facility Agent:

Address: Lloyds Bank plc, 3rd Floor New Uberior House, 11 Earl Grey Street, Edinburgh, EH3 9BN

E mail: [scott.christie@lloydsbanking.com](mailto:scott.christie@lloydsbanking.com)

Attention: Scott Christie

or any substitute address or department or officer as the Party may notify to the Facility Agent (or the Facility Agent may notify to the other Parties, if a change is made by the Facility Agent) by not less than five Business Days' notice.

### 36.3 Delivery

Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address, and, if a particular department or officer is specified as part of its address details provided under Clause 36.2 (**Addresses**), if addressed to that department or officer.

36.3.1 Any communication or document to be made or delivered to the Facility Agent will be effective only when actually received by the Facility Agent and then only if it is expressly marked for the attention of the department or officer identified in paragraph (c) of Clause 36.2 (**Addresses**) above (or any substitute department or officer as the Facility Agent shall specify for this purpose).

36.3.2 All notices from or to a Borrower shall be sent through the Facility Agent.

36.3.3 Any communication or document which becomes effective, in accordance with sub-clause 36.3.1 above, after 5:00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

### 36.4 Notification of address

Promptly upon changing its address, the Facility Agent shall notify the other Parties.

### 36.5 Electronic communication

- 36.5.1 Any communication or document to be made or delivered by one Party to another under or in connection with the Finance Documents may be made or delivered by electronic mail or other electronic means (including, without limitation, by way of posting to a secure website) if those two Parties:
- (a) notify each other in writing of their electronic mail address and/or any other information required to enable the transmission of information by that means; and
  - (b) notify each other of any change to their address or any other such information supplied by them by not less than five Business Days' notice.
- 36.5.2 Any such electronic communication or delivery as specified in sub-clause 36.5.1 above to be made between a Borrower and a Finance Party may only be made in that way to the extent that those two Parties agree that, unless and until notified to the contrary, this is to be an accepted form of communication or delivery.
- 36.5.3 Any such electronic communication or document as specified in sub-clause 36.5.1 above made or delivered by one Party to another will be effective only when actually received (or made available) in readable form and in the case of any electronic communication or document made or delivered by a Party to the Facility Agent only if it is addressed in such a manner as the Facility Agent shall specify for this purpose.
- 36.5.4 Any electronic communication or document which becomes effective, in accordance with sub-clause 36.3.2 above, after 5:00 p.m. in the place in which the Party to whom the relevant communication or document is sent or made available has its address for the purpose of this Agreement shall be deemed only to become effective on the following day.
- 36.5.5 Any reference in a Finance Document to a communication being sent or received or a document being delivered shall be construed to include that communication or document being made available in accordance with this Clause 36.5.

### 36.6 English language

- 36.6.1 Any notice given under or in connection with any Finance Document must be in English.
- 36.6.2 All other documents provided under or in connection with any Finance Document must be:
- (a) in English; or
  - (b) if not in English, and if so required by the Facility Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

### 36.7 Communication when Facility Agent is Impaired Agent

If the Facility Agent is an Impaired Agent the Parties may, instead of communicating with each other through the Facility Agent, communicate with each other directly and (while the Facility Agent is an Impaired Agent) all the provisions of the Finance Documents which require communications to be made or notices to be given to or by the Facility Agent shall be varied so

that communications may be made and notices given to or by the relevant Parties directly. This provision shall not operate after a replacement Facility Agent has been appointed.

### 37. LANGUAGE

37.1.1 Any notice given in connection with a Finance Document must be in English.

37.1.2 Any other document provided in connection with a Finance Document must be:

- (a) in English; or
- (b) (unless the Facility Agent otherwise agrees) accompanied by a certified English translation. In this case, the English translation prevails unless the document is a statutory or other official document.

### 38. GOVERNING LAW

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

### 39. ENFORCEMENT

#### 39.1 Jurisdiction

39.1.1 The English courts have exclusive jurisdiction to settle any dispute in connection with any Finance Document including a dispute relating to any non-contractual obligation arising out of or in connection with this Agreement.

39.1.2 The Parties agree that the English courts are the most appropriate and convenient courts to settle any such dispute and each Borrower waives objection to those courts on the grounds of inconvenient forum or otherwise in relation to proceedings in connection with any Finance Document.

39.1.3 Notwithstanding sub-clauses 39.1.1 and 39.1.2 above, no Finance Party shall be prevented from taking:

- (a) proceedings in any other court; and
- (b) concurrent proceedings in any number of jurisdictions.

### 40. CONTRACTUAL RECOGNITION OF BAIL-IN

Notwithstanding any other term of any Finance Document or any other agreement, arrangement or understanding between the Parties, each Party acknowledges and accepts that any liability of any Party to any other Party under or in connection with the Finance Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

- (a) any Bail-In Action in relation to any such liability, including (without limitation):
  - (i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;
  - (ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and

- (iii) a cancellation of any such liability; and
- (b) a variation of any term of any Finance Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1  
ORIGINAL PARTIES

Name of Original Lender	Facility A Commitment	Facility B Commitment	Facility C Commitment	Facility D Commitment	Totals	Treaty Passport scheme reference number and jurisdiction of tax residence (if applicable)
HSBC UK Bank plc	34,831,114.40	34,831,114.40	30,651,380.67	17,415,557.20	117,729,166.67	
Lloyds Bank Plc	34,831,114.40	34,831,114.40	30,651,380.67	17,415,557.20	117,729,166.67	
Mizuho Bank, Ltd.	34,831,114.40	34,831,114.40	30,651,380.67	17,415,557.20	117,729,166.67	
National Westminster Bank Plc	34,831,114.40	34,831,114.40	30,651,380.67	17,415,557.20	117,729,166.67	
Royal Bank of Canada	34,831,114.40	34,831,114.40	30,651,380.67	17,415,557.20	117,729,166.67	
Santander UK Plc	34,831,114.40	34,831,114.40	30,651,380.67	17,415,557.20	117,729,166.67	
Barclays Bank PLC	31,952,662.71	31,952,662.71	28,118,343.20	15,976,331.36	107,999,999.98	
MUFG Bank, Ltd.	9,060,650.89	9,060,650.89	7,973,372.78	4,530,325.44	30,625,000.00	
<b>Total</b>	<b>£250,000,000</b>	<b>£250,000,000</b>	<b>£220,000,000</b>	<b>£125,000,000</b>	<b>£845,000,000</b>	

SCHEDULE 2  
CONDITIONS PRECEDENT DOCUMENTS

1. Borrowers

- (a) A copy of the constitutional documents of each Borrower.
- (b) A copy of a resolution of the board of directors of each Borrower:
  - (i) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party;
  - (ii) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and
  - (iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Request) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.
- (c) A specimen of the signature of each person authorised by the resolution referred to in paragraph (b) above.
- (d) A certificate of each Borrower (signed by a director) confirming that borrowing the relevant Commitments would not cause any borrowing or similar limit binding on it to be exceeded.
- (e) A certificate of an authorised signatory of the relevant Borrower certifying that each copy document relating to it specified in this Schedule 2 is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

2. Legal opinions

A legal opinion of Linklaters LLP, legal advisers to the Arrangers and the Facility Agent in England, substantially in the form distributed to the Original Lenders prior to signing this Agreement.

3. Other documents and evidence

- (a) A copy of any other Authorisation or other document, opinion or assurance which the Facility Agent considers to be necessary or desirable (if it has notified the relevant Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.
- (b) The Original Financial Statements.
- (c) Evidence that the Existing Facilities will be (i) repaid and cancelled in full prior to, or (ii) simultaneously fully refinanced by, the first utilisation under the Facilities.
- (d) Evidence that the fees, costs and expenses then due from the Borrowers pursuant to Clause 24 (Fees) and Clause 26 (Expenses) have been paid or will be paid by the first Drawdown Date.

SCHEDULE 3  
REQUESTS

To: [ • ] as Facility Agent

From: [ • ]

Date: [ • ]

£845,000,000 Facilities Agreement dated [ • ] 2020 (as amended and restated from time to time)  
(the "Agreement")

1. We refer to the Agreement. This is a Request. Terms defined in the Agreement have the same meaning in this Request unless given a different meaning in this Request.
2. We wish to borrow a Loan on the following terms:
  - (a) Facility being utilised: [ • ]
  - (b) Drawdown Date: [ • ]
  - (c) Amount/currency: [ • ]
  - (d) Term: [ • ]
3. Our payment instructions are: [ • ]
4. We confirm that each condition precedent under the Agreement which must be satisfied on the date of this Request is so satisfied.
5. We confirm that as at [relevant testing date] Consolidated EBITDA was [ • ] and Interest Payable was [ • ]; therefore, the ratio of Consolidated EBITDA to Interest Payable was [ • ] to 1.
6. We confirm that as at [relevant testing date] Regulatory Asset Base was [ • ] and Total Net Debt was [ • ]; therefore, Total Net Debt does not exceed an amount equal to 85% of the Regulatory Asset Base.
7. This Request is irrevocable.

By:

[ • ]

SCHEDULE 4  
FORM OF TRANSFER CERTIFICATE

To: [ • ] as Facility Agent

From: [THE EXISTING LENDER] (the “Existing Lender”) and [THE NEW LENDER] (the “New Lender”)

Date: [ • ]

£845,000,000 Facilities Agreement dated [ • ] 2020 (as amended and restated from time to time)  
(the “Agreement”)

We refer to the Agreement. This is a Transfer Certificate. Terms defined in the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.

1. The Existing Lender and the New Lender agree to the Existing Lender transferring by novation to the New Lender, and in accordance with Clause 29.6 (Procedure for transfer), all of the Existing Lender’s rights and obligations under the Agreement and the other Finance Documents which relate to that portion of the Existing Lender’s Commitment(s) and participations in Loans under the Agreement as specified in the Schedule below.
2. The proposed Transfer Date is [ • ].
3. The administrative details of the New Lender for the purposes of the Agreement are set out in the Schedule.
4. The New Lender expressly acknowledges the limitations on the Existing Lender’s obligations set out in Clause 29.5.3 (Limitation of responsibility of Existing Lenders) of the Agreement.
5. The New Lender confirms, for the benefit of the Facility Agent and without liability to any Borrower, that it is:
  - (a) [a Qualifying Lender (other than a Treaty Lender);]
  - (b) [a Treaty Lender;]
  - (c) [not a Qualifying Lender]
6. [The New Lender confirms that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:
  - (a) a company resident in the United Kingdom for United Kingdom tax purposes; or
  - (b) a partnership each member of which is:
    - (i) a company so resident in the United Kingdom; or
    - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or
  - (c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest



payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.]\*\*

7. [The New Lender confirms (for the benefit of the Facility Agent and without liability to any Borrower) that it is a Treaty Lender that holds a passport under the HMRC DT Treaty Passport scheme (reference number [ • ]), and is tax resident in [ • ] \*\*\* so that interest payable to it by the Borrowers is generally subject to full exemption from UK withholding tax and notifies each Borrower which is a Party as a Borrower as at the Transfer Date that it wishes that scheme to apply to the Agreement.]\*\*\*\*
8. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
9. This Transfer Certificate and any non-contractual obligations arising out of or in connection with it are governed by English law.
10. This Transfer Certificate has been entered into on the date stated at the beginning of this Transfer Certificate.

NOTES:

- \* Delete as applicable – each New Lender is required to confirm which of these three categories it falls within.
- \*\* Include if New Lender comes within paragraph (a)(ii) of the definition of Qualifying Lender in Clause 13.1 (**Definitions**).
- \*\*\* Insert jurisdiction of tax residence.
- \*\*\*\* This confirmation must be included if the New Lender holds a passport under the HMRC DT Treaty Passport scheme and wishes that scheme to apply to the Agreement.

THE SCHEDULE

Commitment/rights and obligations to be transferred

[insert relevant details, including applicable Commitment (or part)]

Administrative details of the New Lender

[insert details of Facility Office, address for notices and payment details etc.]

[EXISTING LENDER]

[NEW LENDER]

By:

By:

The Transfer Date is confirmed by the Facility Agent as [ • ].

[ • ]

By:

SCHEDULE 5  
FORM OF ASSIGNMENT AGREEMENT

To: [ • ] as Facility Agent and [ ] as Borrower

From: [THE EXISTING LENDER] (the “Existing Lender”) and [THE NEW LENDER] (the “New Lender”)

Dated: [ • ]

£845,000,000 Facilities Agreement dated [ • ] 2020 (as amended and restated from time to time)  
(the “Agreement”)

1. We refer to the Agreement. This is an Assignment Agreement. Terms defined in the Agreement have the same meaning in this Assignment Agreement unless given a different meaning in this Assignment Agreement.
2. We refer to Clause 29.7 (Procedure for assignment) of the Agreement:
  - (a) The Existing Lender assigns absolutely to the New Lender all the rights of the Existing Lender under the Agreement and the other Finance Documents which relate to that portion of the Existing Lender’s Commitment and participations in Loans under the Agreement as specified in the Schedule.
  - (b) The Existing Lender is released from all the obligations of the Existing Lender which correspond to that portion of the Existing Lender’s Commitment and participations in Loans under the Agreement specified in the Schedule.
  - (c) The New Lender becomes a Party as a Lender and is bound by obligations equivalent to those from which the Existing Lender is released under paragraph (b) above.
3. The proposed Transfer Date is [ • ].
4. On the Transfer Date the New Lender becomes Party to the Finance Documents as a Lender.
5. The administrative details of the New Lender for the purposes of the Agreement are set out in the Schedule.
6. The New Lender expressly acknowledges the limitations on the Existing Lender’s obligations set out in Clause 29.5.3 (Limitation of responsibility of Existing Lenders) of the Agreement.
7. The New Lender confirms, for the benefit of the Facility Agent and without liability to any Borrower, that it is:
  - (a) [a Qualifying Lender (other than a Treaty Lender);]
  - (b) [a Treaty Lender;]
  - (c) [not a Qualifying Lender].
8. [The New Lender confirms that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:
  - (a) a company resident in the United Kingdom for United Kingdom tax purposes;
  - (b) a partnership each member of which is:

- (i) a company so resident in the United Kingdom; or
  - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or
  - (c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.]
9. [The New Lender confirms that it holds a passport under the HMRC DT Treaty passport scheme (reference number [ • ]) and is tax resident in [ • ], so that interest payable to it by borrowers is generally subject to full exemption from UK withholding tax, and notifies each Borrower which is a Party as a Borrower as at the Transfer Date that it wishes that scheme to apply to the Agreement.]
  10. This Assignment Agreement acts as notice to the Facility Agent (on behalf of each Finance Party) and, upon delivery in accordance with Clause 29.9 (Copy of Transfer Certificate, Assignment Agreement or Increase Confirmation to Company) of the Agreement, to the Borrowers of the assignment referred to in this Assignment Agreement.
  11. This Assignment Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Assignment Agreement.
  12. This Assignment Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.
  13. This Assignment Agreement has been entered into on the date stated at the beginning of this Assignment Agreement.

THE SCHEDULE

Rights to be assigned and obligations to be released and undertaken

[Insert relevant details]

[Facility Office address and attention details for notices and account details for payments]

[Existing Lender]

[New Lender]

By:

By:

This Assignment Agreement is accepted by the Facility Agent and the Transfer Date is confirmed as [ ].

Signature of this Assignment Agreement by the Facility Agent constitutes confirmation by the Facility Agent of receipt of notice of the assignment referred to herein, which notice the Facility Agent receives on behalf of each Finance Party.

[Facility Agent]

By:

SCHEDULE 6  
FORM OF COMPLIANCE CERTIFICATE

To: [ • ] as Facility Agent

From: [ • ]

Date: [ • ]

£845,000,000 Facilities Agreement dated [ • ] 2020 (as amended and restated from time to time)  
(the "Agreement")

1. We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning in this Compliance Certificate unless given a different meaning in this Compliance Certificate.
2. We confirm that as at [relevant testing date], Consolidated EBITDA was [ • ] and Interest Payable was [ • ], therefore the ratio of Consolidated EBITDA to Interest Payable was [ • ] to 1.
3. We confirm that as at [relevant testing date], Regulatory Asset Base was [ • ] and Total Net Debt was [ • ]; therefore Total Net Debt does not exceed 85% of the Regulatory Asset Base.
4. We set out below calculations establishing the figures in paragraphs 2 and 3 above:  
[ • ].
5. We confirm that the following companies were Material Subsidiaries at [relevant testing date]:  
[ • ].
6. [We confirm that no Default is outstanding as at [relevant testing date].]<sup>1</sup>

[ • ]

By:

Director

Director

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<sup>1</sup> If this statement cannot be made, the certificate should identify any Default that is outstanding and the steps, if any, being taken to remedy it.

SCHEDULE 7  
FORM OF INCREASE CONFIRMATION

To: [ • ] as Facility Agent and [ • ] as Borrower

From: [the Increase Lender] (the "Increase Lender")

Dated: [ • ]

£845,000,000 Facilities Agreement dated [ • ] 2020 (as amended and restated from time to time)  
(the "Agreement")

1. We refer to the Agreement This is an Increase Confirmation. Terms defined in the Agreement have the same meaning in this Increase Confirmation unless given a different meaning in this Increase Confirmation.
2. We refer to Clause 2.2 (Increase) of the Agreement.
3. In accordance with the terms of the Agreement the Increase Lender agrees to assume and will assume all of the obligations corresponding to the Commitment specified in the Schedule (the "Relevant Commitment") as if it was an Original Lender under the Agreement.
4. The proposed date on which the increase in relation to the Increase Lender and the Relevant Commitment is to take effect (the "Increase Date") is [ • ].
5. On the Increase Date, the Increase Lender becomes party to the Finance Documents as a Lender.
6. The Facility Office, address and attention details for notices to the Increase Lender are set out in the Schedule.
7. The Increase Lender expressly acknowledges the limitations on the Lenders' obligations referred to in Clause 2.2 (Increase).
8. The Increase Lender confirms, for the benefit of the Facility Agent and without liability to any Borrower, that it is:
  - 8.1.1 [a Qualifying Lender (other than a Treaty Lender);]
  - 8.1.2 [a Treaty Lender;]
  - 8.1.3 [not a Qualifying Lender].\*
9. [The Increase Lender confirms that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either;
  - 9.1.1 a company resident in the United Kingdom for United Kingdom tax purposes; or
  - 9.1.2 a partnership each member of which is:
    - (1) a company so resident in the United Kingdom; or
    - (2) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or

9.1.3 a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.]\*\*

10. [The Increase Lender confirms (for the benefit of the Facility Agent and without liability to any Borrower) that it is a Treaty Lender that holds a passport under the HMRC DT Treaty Passport scheme (reference number [ • ]), and is tax resident in [ • ] \*\*\* so that interest payable to it by the Borrowers is generally subject to full exemption from UK withholding tax and notifies each Borrower which is a Party as a Borrower as at the Increase Date that it wishes that scheme to apply to the Agreement.]\*\*\*\*
11. This Increase Confirmation may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Increase Confirmation.
12. This Increase Confirmation and any non-contractual obligations arising out of or in connection with it are governed by English law.
13. This Increase Confirmation has been entered into on the date stated at the beginning of this Increase Confirmation.

NOTES:

- \* Delete as applicable – each Increase Lender is required to confirm which of these three categories it falls within.
- \*\* Include if Increase Lender comes within paragraph (a)(ii) of the definition of Qualifying Lender in Clause 13.1 (Definitions).
- \*\*\* Insert jurisdiction of tax residence.
- \*\*\*\* This confirmation must be included if the Increase Lender holds a passport under the HMRC DT Treaty Passport scheme and wishes that scheme to apply to the Agreement.



THE SCHEDULE

Relevant Commitment/rights and obligations to be assumed by the Increase Lender  
[insert relevant details]  
[Facility office address and attention details for notices and account details for payments]

[Increase Lender]

By:

This Increase Confirmation is confirmed as an Increase Confirmation for the purposes of the Agreement by the Facility Agent and the Increase Date is confirmed as [ • ].

Facility Agent

By:

as Facility Agent for and on behalf of each of the parties to the Agreement (other than the Increase Lender)

**SCHEDULE 8  
TIMETABLES**

	Loans in euro	Loans in sterling	Loans in other currencies
Facility Agent notifies the relevant Borrower if a currency is approved as an Optional Currency in accordance with Clause 4.3 (Conditions relating to Optional Currencies)	-	-	U-4
Delivery of a duly completed Request (Clause 5.2 (Completion of Requests))	U-3 9:30 a.m.	U-1 9:30 a.m.	U-3 9:30 a.m.
Facility Agent determines (in relation to a Loan) the Base Currency Amount of the Loan, if required under Clause 5.4 (Advance of Loan) and notifies the Lenders of the Loan in accordance with Clause 5.4 (Advance of Loan)	U-3 Noon	U-1 Noon	U-3 Noon
Facility Agent receives a notification from a Lender under Clause 7.2.1 (Revocation of a currency)	Quotation Day	-	Quotation Day
Facility Agent gives notice in accordance with Clause 7.2 (Revocation of a currency)	Quotation Day 5:30 p.m.	-	Quotation Day 5:30 p.m.
LIBOR or EURIBOR is fixed	Quotation Day as of 11:00 a.m. London time in respect of LIBOR and as of 11:00 am. (Brussels time) in respect of EURIBOR	Quotation Day as of 11:00 am.	Quotation Day as of 11:00 am.
Reference Bank Rate calculated by reference to available quotations in accordance with Clause 12.2 (Calculation of Reference Bank Rate)	[Noon] on the Quotation Day in respect of LIBOR and Quotation Day [11:30] a.m. (Brussels time) in respect of EURIBOR	[Noon] on the Quotation Day	[Noon] on the Quotation Day in respect of LIBOR
“U” =	date of utilisation		
“U-X” =	X Business Days prior to date of utilisation.		

SCHEDULE 9  
FORM OF SUBORDINATION DEED

THIS SUBORDINATION DEED is entered into as a deed on [ ] and is made  
BETWEEN:

1. [ • ] (registered number [ • ]) (the “Company”);
2. [SUBORDINATED CREDITOR] (the “Subordinated Creditor”); and
3. [ • ], as Facility Agent acting on behalf of the Lenders (the “Facility Agent”).

1. INTERPRETATION

1.1 Definitions

In this Deed:

“Agreement” means the £845,000,000 Multicurrency Revolving Facilities Agreement dated [ ] 2020 as amended from time to time between, amongst others, Western Power Distribution (East Midlands) PLC, (Western Power Distribution (West Midlands) PLC, Western Power Distribution (South West) PLC and Western Power Distribution (South Wales) PLC as Borrowers and [ • ] as Facility Agent.

“Certificate” means a document substantially in the form set out in Annex 1 (Form of Certificate).

“Party” means a party to this Deed.

“Permitted Subordinated Debt Payment” means:

- (a) the repayment or prepayment of any principal amount (or capitalised interest) outstanding under the Subordinated Finance Document;
- (b) the payment of any interest, fee or charge accrued or due under or any other amount payable in connection with the Subordinated Finance Document; or
- (c) the purchase, redemption, defeasance or discharge of any amount outstanding under the Subordinated Finance Document,

provided that the Company, prior to any action referred to in paragraphs (a) to (c) above being taken, delivers to the Facility Agent a Certificate, signed by two directors of the Company, certifying that, taking into account any such action, the Company will be in compliance with its obligations under Clause 19 (Financial Covenants) of the Agreement on each of the next two Measurement Dates.

“Senior Debt” means any present or future liability (actual or contingent) payable or owing by the Company to a Finance Party under or in connection with the Finance Documents.

“Senior Debt Discharge Date” means the date on which all the Senior Debt has been unconditionally and irrevocably paid and discharged in full and no Finance Party has any commitment or liability, whether present or future, actual or contingent, in relation to the Company under the relevant Facility, as determined by the Facility Agent.

“Subordinated Creditor Accession Deed” means a deed substantially in the form set out in Annex 1 (Form of Subordinated Creditor Accession Deed).

“Subordinated Debt” means any present or future liability (actual or contingent) payable or owing by the Company to the Subordinated Creditor under or in connection with any Subordinated Finance Document.

“Subordinated Finance Document” means [ • ].

## 1.2 Construction

1.2.1 Capitalised terms defined in the Agreement have the same meaning in this Deed, unless given a different meaning in this Deed.

1.2.2 The principles of construction set out in the Agreement will have effect as if set out in this Deed.

1.2.3 Any undertaking by the Subordinated Creditor in this Deed remains in force from the date of this Deed to the Senior Debt Discharge Date.

## 1.3 Third Party rights

Unless otherwise indicated and save in respect of any other creditor under any of the Finance Documents, a person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 (or any other applicable law) to enforce any term of this Deed.

## 2. SUBORDINATION

### 2.1 Ranking

Each of the Parties hereby agrees that the Senior Debt, whether secured or unsecured, shall rank senior in priority to the Subordinated Debt.

### 2.2 Undertakings of the Company

The Company must not without the prior consent of the Lenders:

2.2.1 make any payment whatsoever in respect of the Subordinated Debt other than a Permitted Subordinated Debt Payment; or

2.2.2 secure, in any manner, all or any part of the Subordinated Debt; or

2.2.3 defease, in any manner, all or any part of the Subordinated Debt; or

2.2.4 give any financial support (including the taking of any participation, the giving of any guarantee or other assurance or the making of any deposit) to any person in connection with all or any part of the Subordinated Debt; or

2.2.5 procure any other person to do any of the acts or take any of the actions referred to paragraphs 2.2.1 to 2.2.4 above.

### 2.3 Undertakings of the Subordinated Creditor

2.3.1 The Subordinated Creditor will not without the prior written consent of the Lenders:

- (a) allow to exist or receive the benefit of any Security Interest, guarantee, indemnity or other assurance against loss in respect of all or any of the Subordinated Debt or all or any rights which it may have against the Company in respect of all or any part of the Subordinated Debt; or

- (b) take or omit to take any action or step whereby the subordination of all or any of the Subordinated Debt might be terminated, impaired or adversely affected.

2.3.2 The Subordinated Creditor will not without the prior written consent of the Lenders receive any payment save where such payment is a Permitted Subordinated Debt Payment.

2.3.3 The Subordinated Creditor will not without the prior written consent of the Lenders:

- (a) demand payment, declare prematurely due and payable or otherwise seek to accelerate payment of or place on demand all or any part of the Subordinated Debt or enforce the Subordinated Debt by execution or otherwise;
- (b) initiate or support or take any steps with a view to, or which may lead to:
  - (i) any insolvency, liquidation, reorganisation, administration or dissolution proceedings;
  - (ii) any voluntary arrangement or assignment for the benefit of creditors; or
  - (iii) any similar proceedings,  
involving the Company or any of its Subsidiaries, whether by petition, convening a meeting, voting for a resolution or otherwise;
- (c) bring or support any legal proceedings against the Company or any of its Subsidiaries; or
- (d) otherwise exercise any remedy for the recovery of all or any part of the Subordinated Debt (including, without limitation, the exercise of any right of set-off, counterclaim or lien).

2.3.4 If the Subordinated Creditor receives any payment which is in breach of any Finance Document, it shall hold such sums on trust for the Facility Agent (acting on behalf of the Lenders) and pay them immediately to the Facility Agent (acting on behalf of the Lenders) to be applied against the Senior Debt.

2.3.5 The Subordinated Creditor and the Company hereby agree for the benefit of the Facility Agent and the Lenders that, notwithstanding the terms of the Subordinated Finance Document and any agreement relating to the Subordinated Debt, the Subordinated Debt is made available on terms such that it is not, save for a Permitted Subordinated Debt Payment or otherwise with the consent of the Lenders, repayable unless and until the Senior Debt Discharge Date shall have occurred.

## 2.4 Subordination on insolvency

If there occurs any payment, distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of any kind or character of the Company or the proceeds thereof, to creditors of the Company, by reason of the liquidation, dissolution or other winding-up of the Company or its businesses or any bankruptcy, reorganisation, receivership or insolvency or similar proceeding or any assignment for the benefit of creditors or there is a marshalling of the assets and liabilities of the Company, or the Company becomes subject to any event mentioned in clause 21.6 (Insolvency proceedings) of the Agreement or a voluntary arrangement, then and in any such event:

2.4.1 the Subordinated Debt shall continue to be subordinated to the Senior Debt;

- 2.4.2 any payment or distribution of any kind or character and all and any rights in respect thereof, whether in cash, securities or other property which is payable or deliverable upon or with respect to the Subordinated Debt or any part thereof by a liquidator, administrator or receiver (or the equivalent thereof) of the Company or its estate (the “rights”) made to or paid to, or received by the Subordinated Creditor or to which the Subordinated Creditor is entitled shall be held on trust by the Subordinated Creditor for the Lenders and shall forthwith be paid or, as the case may be, transferred or assigned to the Lenders to be applied against the Senior Debt;
- 2.4.3 if the trust referred to in paragraph 2.4.2 above or paragraph 2.3.4 of Clause 2.3 above fails or cannot be given effect to or if the Subordinated Creditor receives and retains the relevant payment or distribution, the Subordinated Creditor will pay over such rights in the form received to the Facility Agent (acting on behalf of the Lenders) to be applied against the Senior Debt;
- 2.4.4 the Subordinated Creditor acknowledges the rights of the Facility Agent (acting on behalf of the Lenders) to demand, sue and prove for, collect and receive every payment or distribution referred to in paragraph 2.4.2 above and give acquittance therefore and to file claims and take such other proceedings, in the Facility Agent’s own name or otherwise, as the Facility Agent may deem necessary or advisable for the enforcement of this Deed; and
- 2.4.5 the Subordinated Creditor by way of security for its obligations under this Deed irrevocably appoints the Facility Agent to be its attorney in order to enable the Facility Agent to enforce any and all claims upon or with respect to the Subordinated Debt or any part thereof, and to collect and receive any and all payments or distributions referred to in paragraph 2.4.2 above or to do anything which that Subordinated Creditor has authorised the Facility Agent or any other Party to do under this Deed or is itself required to do under this Deed but has failed to do (and the Facility Agent may delegate that power on such terms as it sees fit).
3. SET-OFF
- 3.1 The Subordinated Creditor shall not set off against the Subordinated Debt any amount payable by the Subordinated Creditor to the Company.
- 3.2 If any part of the Subordinated Debt is discharged in whole or in part by way of set-off, the Subordinated Creditor will promptly pay to the Facility Agent for application in accordance with the terms of paragraph 2.4.2 of Clause 2.4 (Subordination on insolvency) an amount equal to the amount of the Subordinated Debt discharged by such set-off.
4. NEW MONEY
- The Subordinated Creditor hereby agrees that the Facility Agent (acting on behalf of the Lenders) may, at its discretion, increase the facility made available to the Company and make further advances to the Company, and each such advance will be deemed to be made under the terms of the Agreement.
5. PROTECTION OF SUBORDINATION
- 5.1 The subordination in this Deed is a continuing subordination and benefits the ultimate balance of the Senior Debt.
- 5.2 Except as provided in this Deed, the subordination is, and the Subordinated Creditor’s obligations under this Deed will, not be affected by any act, omission or thing which, but for

this provision, would reduce, release or prejudice the subordination or any of the Subordinated Creditor's obligations under this Deed.

6. MISCELLANEOUS

- 6.1 This Deed overrides anything in any Subordinated Finance Document to the contrary.
- 6.2 Any communication in respect of this Deed must be in writing. Contact details for each Party are set out opposite their name, below.
- 6.3 This Deed is a Finance Document.

7. ASSIGNMENT

- 7.1 The Facility Agent (acting on behalf of the Lenders) shall have the full and unfettered right to assign or otherwise transfer the whole or any part of the benefit of this Deed to any person to whom all or a corresponding part of its rights, benefits and obligations under any of the Finance Documents are assigned or transferred in accordance with their provisions.
- 7.2 The Subordinated Creditor shall not assign or transfer all or any of its rights, title, benefit and interest in or to all or any part of the Subordinated Debt unless in full and on or prior to such assignment or transfer the assignee or transferee accedes to this Deed as Subordinated Creditor pursuant to the Subordinated Creditor Accession Deed.

8. TRUSTS

- 8.1.1 The Facility Agent shall hold the benefit of this Deed upon trust for itself and the Lenders.
- 8.1.2 The perpetuity period for each trust created by this Deed shall be 80 years.

9. TERMINATION

Subject to Clause 4 (~~New Money~~), on the Senior Debt Discharge Date, the terms of this Deed shall terminate.

10. GOVERNING LAW

This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

11. JURISDICTION

The English courts have exclusive jurisdiction to settle any dispute including a dispute relating to non-contractual obligations arising out of or in connection with this Deed and the Parties submit to the exclusive jurisdiction of the English courts.

IN WITNESS whereof this Deed has been duly executed by the Parties on the day and year first above written.

Form of Subordinated Creditor Accession Deed

To: [ • ], as Facility Agent acting on behalf of the Lenders.

To: [the Company]

From: [Acceding Subordinated Creditor]

THIS DEED is made on [date] by [Acceding Subordinated Creditor] (the “Acceding Subordinated Creditor”) in relation to the subordination deed (the “Subordination Deed”) dated [ • ] between, among others, [ • ] as Company, [ • ] as Facility Agent and the Subordinated Creditor (as defined in the Subordination Deed). Terms defined in the Subordination Deed shall, unless otherwise defined in this Deed, bear the same meanings when used in this Deed.

In consideration of the Acceding Subordinated Creditor being accepted as the Subordinated Creditor for the purposes of the Subordination Deed, the Acceding Subordinated Creditor confirms that, as from [date], it intends to be party to the Subordination Deed as the Subordinated Creditor and undertakes to perform all the obligations expressed in the Subordination Deed to be assumed by the Subordinated Creditor and agrees that it shall be bound by all the provisions of the Subordination Deed, as if it had been an original party to the Subordination Deed as the Subordinated Creditor.

This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

IN WITNESS whereof this Deed has been duly executed by the Parties on the day and year first above written.



SIGNATORIES

Company

EXECUTED as a DEED

[ • ]

acting by

)

)

)

.....

Director

In the presence of:

Witness's Signature:

.....

Name:

.....

Address:

.....

Company contact details:

Address:

Phone number:

E-mail:

Attention:

Acceding Subordinated Creditor

EXECUTED as a DEED )  
by [ACCEDING SUBORDINATED CREDITOR] )  
acting by ) .....  
Director

In the presence of:

Witness's Signature: .....

Name: .....

Address: .....

Subordinated Creditor contact details:

Address:  
Phone number:  
E-mail:  
Attention:

Facility Agent

EXECUTED as a DEED )  
by [AGENT] )  
acting by ) .....  
Director

In the presence of:

Witness's Signature: .....

Name: .....

Address: .....

Facility Agent contact details:

Address:

Annex 2

Form of Certificate

To: [ • ] as Facility Agent

From: [the Company]

Date: [ • ]

£845,000,000 Revolving Facility Agreement dated [ • ] 2020 (as amended and restated from time to time) (the "Agreement") and Subordination Deed dated [ • ] (as amended and restated from time to time) (the "Deed")

1. We refer to the Agreement and the Deed. Capitalised terms defined in the Deed have the same meaning in this Certificate, unless given a different meaning in this Certificate.
2. We confirm that the Company will make [insert type of payment] of [insert amount and currency] under [insert description of relevant Subordinated Finance Document] on [insert date of payment],
3. We confirm that, taking into account such payment, the Company will be in compliance with its obligations under Clause 19 (Financial Covenants) of the Agreement on each of the next two Measurement Dates (as such term is defined in the Agreement).

[ the Company ]

By:

Director

By:

Director

SIGNATORIES

Company

EXECUTED as a DEED  
by [ • ]  
acting by

)  
)  
) .....  
Director

In the presence of:

Witness's Signature: .....

Name: .....

Address: .....

Company contact details:

Address:  
Phone number:  
E-mail:  
Attention:

Subordinated Creditor

EXECUTED as a DEED )  
by [SUBORDINATED CREDITOR] )  
acting by ) .....  
Director

In the presence of:

Witness's Signature: .....

Name: .....

Address: .....

Subordinated Creditor contact details:

Address:  
Phone number:  
E-mail:  
Attention:

Facility Agent

EXECUTED as a DEED )  
by [ • ] )  
acting by ) .....

Director

In the presence of:

Witness's Signature: .....

Name: .....

Address: .....

Facility Agent contact details:

Address:

SIGNATURES

THE BORROWERS

Signed by Julie Hunt (Treasurer)  
for and on behalf of

WESTERN POWER  
DISTRIBUTION (EAST MIDLANDS) PLC

Address: Avonbank  
Feeder Road  
Bristol BS2 0TB

[Signature page to the Facilities Agreement]

---



Signed by Julie Hunt (Treasurer)  
for and on behalf of

WESTERN POWER  
DISTRIBUTION (WEST MIDLANDS) PLC

Address: Avonbank  
Feeder Road  
Bristol BS2 0TB

[Signature page to the Facilities Agreement]

---

Signed by Julie Hunt (Treasurer)  
for and on behalf of

WESTERN POWER  
DISTRIBUTION (SOUTH WEST) PLC

Address: Avonbank  
Feeder Road  
Bristol BS2 0TB

[Signature page to the Facilities Agreement]

---

Signed by Julie Hunt (Treasurer)  
for and on behalf of

WESTERN POWER  
DISTRIBUTION (SOUTH WALES) PLC

Address: Avonbank  
Feeder Road  
Bristol BS2 0TB

[Signature page to the Facilities Agreement]

---

BOOKRUNNER AND MANDATED LEAD ARRANGER

Signed by Roger Crosby (Director)  
for and on behalf of

BARCLAYS BANK PLC

Address: 5 The North Colonnade  
London  
E14 4BB

[Signature page to the Facilities Agreement]

---

BOOKRUNNER AND MANDATED LEAD ARRANGER

Signed by Scott Syme  
for and on behalf of

HSBC UK BANK PLC

Address: 1 Centenary Square  
Birmingham  
United Kingdom  
B1 1HQ

[Signature page to the Facilities Agreement]

---

BOOKRUNNER AND MANDATED LEAD ARRANGER

Signed by Lee Chester (Associate Director)  
for and on behalf of

LLOYDS BANK PLC

Address: 10 Gresham Street  
London  
EC2V 7AE

[Signature page to the Facilities Agreement]

---

BOOKRUNNER AND MANDATED LEAD ARRANGER

Signed by Kevin Andrews  
for and on behalf of

MIZUHO BANK, LTD.

Address: Mizuho House  
30 Old Bailey  
London  
EC4M 7AU

[Signature page to the Facilities Agreement]

---

BOOKRUNNER AND MANDATED LEAD ARRANGER

Signed by David Noden (Director)  
for and on behalf of

NATIONAL WESTMINSTER BANK PLC

Address: 250 Bishopsgate  
London  
EC2M 4AA

[Signature page to the Facilities Agreement]

---



BOOKRUNNER AND MANDATED LEAD ARRANGER

Signed by David Ellis (Managing Director) [Digitally signed]  
for and on behalf of

ROYAL BANK OF CANADA

Address: Riverbank House  
2 Swan Lane  
London  
EC4R 3BF

[Signature page to the Facilities Agreement]

---

BOOKRUNNER AND MANDATED LEAD ARRANGER

Signed by Alejandro Ciruelos and Rebecca Cook  
for and on behalf of

SANTANDER UK PLC

Address: 2 Triton Square  
Regent's Place  
London  
NW1 3AN

[Signature page to the Facilities Agreement]

---

MANDATED LEAD ARRANGER

Signed by Simon Lello (Managing Director)  
for and on behalf of

MUFG BANK, LTD.

Address: Ropemaker Place  
25 Ropemaker Street  
London  
EC2Y 9AN

[Signature page to the Facilities Agreement]

---

THE LENDERS

Signed by Roger Crosby (Director)  
for and on behalf of

BARCLAYS BANK PLC

Address: 5 The North Colonnade  
London  
E14 4BB

[Signature page to the Facilities Agreement]

---

THE LENDERS

Signed by Scott Syme  
for and on behalf of

HSBC UK BANK PLC

Address: 1 Centenary Square  
Birmingham  
United Kingdom  
B1 1HQ

[Signature page to the Facilities Agreement]

---

THE LENDERS

Signed by Lee Chester  
for and on behalf of

LLOYDS BANK PLC

Address: 10 Gresham Street  
London  
EC2V 7AE

[Signature page to the Facilities Agreement]

---

THE LENDERS

Signed by Kevin Andrews  
for and on behalf of

MIZUHO BANK, LTD.

Address: Mizuho House  
30 Old Bailey  
London  
EC4M 7AU

[Signature page to the Facilities Agreement]

---

THE LENDERS

Signed by Simon Lello (Managing Director)  
for and on behalf of

MUFG BANK, LTD.

Address: Ropemaker Place  
25 Ropemaker Street  
London  
EC2Y 9AN

[Signature page to the Facilities Agreement]

---



THE LENDERS

Signed by David Noden (Director)  
for and on behalf of

NATIONAL WESTMINSTER BANK PLC

Address: 250 Bishopsgate  
London  
EC2M 4AA

[Signature page to the Facilities Agreement]

---

THE LENDERS

Signed by David Ellis (Managing Director) [Digitally signed]  
for and on behalf of

ROYAL BANK OF CANADA

Address: Riverbank House  
2 Swan Lane  
London  
EC4R 3BF

[Signature page to the Facilities Agreement]

---

THE LENDERS

Signed by Alejandro Ciruelos and Rebecca Cook  
for and on behalf of

SANTANDER UK PLC

Address: 2 Triton Square  
Regent's Place  
London  
NW1 3AN

[Signature page to the Facilities Agreement]

---

THE FACILITY AGENT

Signed by John Togher (Associate Director)  
for and on behalf of

LLOYDS BANK PLC

[Signature page to the Facilities Agreement]

---

THE JOINT COORDINATORS

Signed by Kevin Andrews  
for and on behalf of

MIZUHO BANK, LTD.

Address: Mizuho House  
30 Old Bailey  
London  
EC4M 7AU

[Signature page to the Facilities Agreement]

---

THE JOINT COORDINATORS

Signed by David Noden (Director)  
for and on behalf of

NATIONAL WESTMINSTER BANK PLC

Address: 250 Bishopsgate  
London  
EC2M 4AA

[Signature page to the Facilities Agreement]

---



CERTIFICATION

I, VINCENT SORGI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2020

/s/ Vincent Sorgi

\_\_\_\_\_  
Vincent Sorgi  
President and Chief Executive Officer  
(Principal Executive Officer)  
PPL Corporation



CERTIFICATION

I, JOSEPH P. BERGSTEIN, JR., certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2020

/s/ Joseph P. Bergstein, Jr.

Joseph P. Bergstein, Jr.  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)  
PPL Corporation

CERTIFICATION

I, GREGORY N. DUDKIN, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2020

/s/ Gregory N. Dudkin

Gregory N. Dudkin  
President  
(Principal Executive Officer)  
PPL Electric Utilities Corporation

CERTIFICATION

I, STEPHEN K. BREININGER, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2020

/s/ Stephen K. Breininger

\_\_\_\_\_  
Stephen K. Breininger

Vice President-Finance and Regulatory Affairs and Controller

(Principal Financial Officer)

PPL Electric Utilities Corporation

CERTIFICATION

I, PAUL W. THOMPSON, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2020

/s/ Paul W. Thompson

\_\_\_\_\_  
Paul W. Thompson

Chief Executive Officer and President

(Principal Executive Officer)

LG&E and KU Energy LLC

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2020

/s/ Kent W. Blake

Kent W. Blake

Chief Financial Officer

(Principal Financial Officer)

LG&E and KU Energy LLC

CERTIFICATION

I, PAUL W. THOMPSON, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2020

/s/ Paul W. Thompson

Paul W. Thompson  
Chief Executive Officer and President  
(Principal Executive Officer)  
Louisville Gas and Electric Company

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2020

/s/ Kent W. Blake

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Kent W. Blake  
Chief Financial Officer  
(Principal Financial Officer)  
Louisville Gas and Electric Company

CERTIFICATION

I, PAUL W. THOMPSON, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2020

/s/ Paul W. Thompson

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Paul W. Thompson  
Chief Executive Officer and President  
(Principal Executive Officer)  
Kentucky Utilities Company



CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2020

/s/ Kent W. Blake

Kent W. Blake

Chief Financial Officer

(Principal Financial Officer)

Kentucky Utilities Company

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED June 30, 2020

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Vincent Sorgi, the Principal Executive Officer of the Company, and Joseph P. Bergstein, Jr., the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2020

/s/ Vincent Sorgi

\_\_\_\_\_  
Vincent Sorgi  
President and Chief Executive Officer  
(Principal Executive Officer)  
PPL Corporation

/s/ Joseph P. Bergstein, Jr.

\_\_\_\_\_  
Joseph P. Bergstein, Jr.  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)  
PPL Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
FOR PPL ELECTRIC UTILITIES CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED June 30, 2020

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Gregory N. Dudkin, the Principal Executive Officer of the Company, and Stephen K. Breininger, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2020

/s/ Gregory N. Dudkin

Gregory N. Dudkin

President

(Principal Executive Officer)

PPL Electric Utilities Corporation

/s/ Stephen K. Breininger

Stephen K. Breininger

Vice President-Finance and Regulatory Affairs and Controller

(Principal Financial Officer)

PPL Electric Utilities Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
FOR LG&E AND KU ENERGY LLC'S FORM 10-Q FOR THE QUARTER ENDED June 30, 2020

In connection with the quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "Company") for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Paul W. Thompson, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2020

/s/ Paul W. Thompson

\_\_\_\_\_  
Paul W. Thompson  
Chief Executive Officer and President  
(Principal Executive Officer)  
LG&E and KU Energy LLC

/s/ Kent W. Blake

\_\_\_\_\_  
Kent W. Blake  
Chief Financial Officer  
(Principal Financial Officer)  
LG&E and KU Energy LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
FOR LOUISVILLE GAS AND ELECTRIC COMPANY'S FORM 10-Q FOR THE QUARTER ENDED June 30, 2020

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Paul W. Thompson, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2020

/s/ Paul W. Thompson

\_\_\_\_\_  
Paul W. Thompson  
Chief Executive Officer and President  
(Principal Executive Officer)  
Louisville Gas and Electric Company

/s/ Kent W. Blake

\_\_\_\_\_  
Kent W. Blake  
Chief Financial Officer  
(Principal Financial Officer)  
Louisville Gas and Electric Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
FOR KENTUCKY UTILITIES COMPANY'S FORM 10-Q FOR THE QUARTER ENDED June 30, 2020

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Paul W. Thompson, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2020

/s/ Paul W. Thompson

\_\_\_\_\_  
Paul W. Thompson  
Chief Executive Officer and President  
(Principal Executive Officer)  
Kentucky Utilities Company

/s/ Kent W. Blake

\_\_\_\_\_  
Kent W. Blake  
Chief Financial Officer  
(Principal Financial Officer)  
Kentucky Utilities Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.