

**METROPOLITAN EDISON COMPANY**  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017**

**METROPOLITAN EDISON COMPANY**  
**STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(Unaudited)

<i>(In millions)</i>	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
<b>STATEMENTS OF INCOME</b>				
<b>REVENUES:</b>				
Electric sales	\$ 177	\$ 177	\$ 394	\$ 396
Gross receipts tax collections	11	10	25	23
Total revenues	188	187	419	419
<b>OPERATING EXPENSES:</b>				
Purchased power from affiliates	9	4	20	10
Purchased power from non-affiliates	57	56	135	129
Other operating expenses	44	41	118	87
Provision for depreciation	21	15	41	30
Amortization (deferral) of regulatory assets, net	(3)	7	(37)	20
General taxes	14	13	30	28
Total operating expenses	142	136	307	304
<b>OPERATING INCOME</b>	46	51	112	115
<b>OTHER INCOME (EXPENSE):</b>				
Miscellaneous income, net	11	4	22	8
Interest expense	(13)	(12)	(25)	(24)
Capitalized financing costs	—	—	—	1
Total other expense	(2)	(8)	(3)	(15)
<b>INCOME BEFORE INCOME TAXES</b>	44	43	109	100
<b>INCOME TAXES</b>	9	17	24	40
<b>NET INCOME</b>	\$ 35	\$ 26	\$ 85	\$ 60
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>				
<b>NET INCOME</b>	\$ 35	\$ 26	\$ 85	\$ 60
<b>OTHER COMPREHENSIVE LOSS:</b>				
Pension and OPEB prior service costs	(1)	(1)	(2)	(2)
Other comprehensive loss	(1)	(1)	(2)	(2)
Income tax benefits on other comprehensive loss	—	(1)	(2)	(1)
Other comprehensive loss, net of tax	(1)	—	—	(1)
<b>COMPREHENSIVE INCOME</b>	\$ 34	\$ 26	\$ 85	\$ 59

**METROPOLITAN EDISON COMPANY**  
**BALANCE SHEETS**  
(Unaudited)

<i>(In millions, except share amounts)</i>	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Receivables-		
Customers, net of allowance for uncollectible accounts of \$8 in 2018 and 2017	\$ 128	\$ 139
Affiliated companies	25	31
Other	15	12
Notes receivable from affiliated companies	—	29
Prepaid taxes and other	32	6
	<u>200</u>	<u>217</u>
<b>UTILITY PLANT:</b>		
In service	2,656	2,580
Less — Accumulated provision for depreciation	863	848
	<u>1,793</u>	<u>1,732</u>
Construction work in progress	54	47
	<u>1,847</u>	<u>1,779</u>
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Nuclear plant decommissioning trusts	376	383
Investment in subsidiaries	311	301
Other	1	1
	<u>688</u>	<u>685</u>
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	324	324
Other	24	16
	<u>348</u>	<u>340</u>
	<u>\$ 3,083</u>	<u>\$ 3,021</u>
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>CURRENT LIABILITIES:</b>		
Currently payable long-term debt	\$ 302	\$ 2
Short-term borrowings - affiliated companies	96	—
Accounts payable-		
Affiliated companies	6	9
Other	47	52
Accrued taxes	4	10
Accrued interest	16	16
Customer deposits	27	26
Other	22	25
	<u>520</u>	<u>140</u>
<b>CAPITALIZATION:</b>		
Common stockholder's equity-		
Common stock, without par value, authorized 900,000 shares - 740,905 shares outstanding	835	834
Accumulated other comprehensive income	4	4
Retained earnings	123	94
Total common stockholder's equity	962	932
Long-term debt and other long-term obligations	554	855
	<u>1,516</u>	<u>1,787</u>
<b>NONCURRENT LIABILITIES:</b>		
Accumulated deferred income taxes	282	257
Nuclear fuel disposal costs	45	45
Asset retirement obligations	233	226
Retirement benefits	58	93
Regulatory liabilities	259	304
Other	170	169
	<u>1,047</u>	<u>1,094</u>
	<u>\$ 3,083</u>	<u>\$ 3,021</u>

**METROPOLITAN EDISON COMPANY**  
**STATEMENTS OF CASH FLOWS**  
(Unaudited)

<i>(In millions)</i>	For the Six Months Ended June 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 85	\$ 60
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization (deferral) of regulatory assets, net	(4)	50
Retirement benefits, net of payments	(12)	(5)
Nuclear decommissioning trust income	8	6
Deferred income taxes and investment tax credits, net	20	11
Undistributed earnings from subsidiary company	(10)	(4)
Pension trust contribution	(28)	—
Change in current assets and liabilities-		
Receivables	14	(7)
Prepaid taxes and other	(26)	(18)
Accounts payable	(8)	(3)
Accrued taxes	(6)	(10)
Other current liabilities	(4)	(12)
Other	10	6
Net cash provided from operating activities	39	74
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Short-term borrowings, net	96	4
Common stock dividend payment	(55)	—
Other	(1)	(1)
Net cash provided from financing activities	40	3
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(89)	(68)
Sales of investment securities held in trusts	75	272
Purchases of investment securities held in trusts	(83)	(279)
Loans to affiliated companies, net	29	—
Asset removal costs	(11)	(2)
Net cash used for investing activities	(79)	(77)
Net change in cash, cash equivalents and restricted cash		
	—	—
Cash, cash equivalents and restricted cash at beginning of period	—	—
Cash, cash equivalents and restricted cash at end of period	\$ —	\$ —
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Non-cash transaction: Transfer of net transmission assets to affiliated company in exchange for membership interest	\$ —	\$ 298