

**PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY**  
**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017**

**PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY**  
**CONSOLIDATED 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	\$ 188	\$ 198	\$ 419	\$ 426
Gross receipts tax collections	17	11	31	24
Total revenues	205	209	450	450
<b>OPERATING EXPENSES:</b>				
Purchased power from affiliates	5	8	12	23
Purchased power from non-affiliates	66	61	148	134
Other operating expenses	40	53	97	105
Provision for depreciation	21	18	42	36
Amortization (deferral) of regulatory assets, net	7	(4)	3	(6)
General taxes	11	13	27	29
Total operating expenses	150	149	329	321
<b>OPERATING INCOME</b>	55	60	121	129
<b>OTHER INCOME (EXPENSE):</b>				
Miscellaneous income, net	14	4	27	7
Interest expense	(15)	(16)	(30)	(33)
Capitalized financing costs	—	1	—	2
Total other expense	(1)	(11)	(3)	(24)
<b>INCOME BEFORE INCOME TAXES</b>	54	49	118	105
<b>INCOME TAXES</b>	11	18	24	40
<b>NET INCOME</b>	\$ 43	\$ 31	\$ 94	\$ 65
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>				
<b>NET INCOME</b>	\$ 43	\$ 31	\$ 94	\$ 65
<b>OTHER COMPREHENSIVE INCOME:</b>				
Pension and OPEB prior service costs	(1)	—	(2)	(1)
Other comprehensive loss	(1)	—	(2)	(1)
Income tax benefits on other comprehensive loss	(1)	—	(3)	(1)
Other comprehensive income, net of tax	—	—	1	—
<b>COMPREHENSIVE INCOME</b>	\$ 43	\$ 31	\$ 95	\$ 65

**PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY**  
**CONSOLIDATED 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 \$7 in 2018 and 2017	\$ 132	\$ 147
Affiliated companies	10	25
Other	12	9
Prepaid taxes and other	34	12
	<u>188</u>	<u>193</u>
<b>UTILITY PLANT:</b>		
In service	2,978	2,911
Less — Accumulated provision for depreciation	964	943
	<u>2,014</u>	<u>1,968</u>
Construction work in progress	67	62
	<u>2,081</u>	<u>2,030</u>
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Nuclear plant decommissioning trusts	196	200
Investment in subsidiaries	465	449
Other	1	2
	<u>662</u>	<u>651</u>
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	637	637
Other	18	11
	<u>655</u>	<u>648</u>
	<u>\$ 3,586</u>	<u>\$ 3,522</u>
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>CURRENT LIABILITIES:</b>		
Currently payable long-term debt	\$ 129	\$ 4
Short-term borrowings - affiliated companies	52	23
Accounts payable-		
Affiliated companies	5	6
Other	46	53
Accrued taxes	7	17
Accrued interest	14	14
Customer deposits	23	21
Other	22	21
	<u>298</u>	<u>159</u>
<b>CAPITALIZATION:</b>		
Common stockholder's equity-		
Common stock, \$20 par value, authorized 5,400,000 shares - 4,427,577 shares outstanding	89	89
Other paid-in capital	1,044	1,043
Accumulated other comprehensive income	7	6
Retained earnings	174	82
Total common stockholder's equity	<u>1,314</u>	<u>1,220</u>
Long-term debt and other long-term obligations	1,004	1,131
	<u>2,318</u>	<u>2,351</u>
<b>NONCURRENT LIABILITIES:</b>		
Accumulated deferred income taxes	258	229
Retirement benefits	149	217
Regulatory liabilities	217	206
Asset retirement obligations	119	116
Power purchase contract liability	65	79
Other	162	165
	<u>970</u>	<u>1,012</u>
	<u>\$ 3,586</u>	<u>\$ 3,522</u>

**PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY  
CONSOLIDATED 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	\$ 94	\$ 65
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization (deferral) of regulatory assets, net	41	30
Deferred income taxes and investment tax credits, net	22	19
Retirement benefits, net of payments	(9)	(1)
Undistributed earnings from subsidiary company	(15)	(5)
Pension trust contribution	(65)	—
Changes in current assets and liabilities-		
Receivables	27	16
Prepaid taxes and other	(22)	(19)
Accounts payable	(8)	(8)
Accrued taxes	(10)	(6)
Customer deposits	(2)	2
Other current liabilities	(1)	(13)
Other	13	(11)
Net cash provided from operating activities	65	69
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Short-term borrowings, net	30	20
Other	(2)	(2)
Net cash provided from financing activities	28	18
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(83)	(79)
Sales of investment securities held in trusts	29	105
Purchases of investment securities held in trusts	(32)	(108)
Asset removal costs	(7)	(5)
Net cash used for investing activities	(93)	(87)
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	\$ —	\$ 446