

METROPOLITAN EDISON COMPANY
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

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

<i>(In millions)</i>	For the Three Months Ended March 31,	
	2018	2017
STATEMENTS OF INCOME		
REVENUES:		
Electric sales	\$ 217	\$ 219
Gross receipts tax collections	14	13
Total revenues	231	232
OPERATING EXPENSES:		
Purchased power from affiliates	—	6
Purchased power from non-affiliates	89	73
Other operating expenses	74	46
Provision for depreciation	20	15
Amortization (deferral) of regulatory assets, net	(34)	13
General taxes	16	15
Total operating expenses	165	168
OPERATING INCOME	66	64
OTHER INCOME (EXPENSE):		
Miscellaneous income	11	4
Interest expense	(12)	(12)
Capitalized financing costs	—	1
Total other expense	(1)	(7)
INCOME BEFORE INCOME TAXES	65	57
INCOME TAXES	15	23
NET INCOME	\$ 50	\$ 34
STATEMENTS OF COMPREHENSIVE INCOME		
NET INCOME	\$ 50	\$ 34
OTHER COMPREHENSIVE INCOME (LOSS):		
Pension and OPEB prior service costs	(1)	(1)
Other comprehensive loss	(1)	(1)
Income tax benefits on other comprehensive loss	(2)	—
Other comprehensive income (loss), net of tax	1	(1)
COMPREHENSIVE INCOME	\$ 51	\$ 33

METROPOLITAN EDISON COMPANY
BALANCE SHEETS
(Unaudited)

<i>(In millions, except share amounts)</i>	March 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Receivables-		
Customers, net of allowance for uncollectible accounts of \$8 in 2018 and 2017	\$ 148	\$ 139
Affiliated companies	38	31
Other	11	12
Notes receivable from affiliated companies	—	29
Prepaid taxes and other	34	6
	<u>231</u>	<u>217</u>
UTILITY PLANT:		
In service	2,621	2,580
Less — Accumulated provision for depreciation	851	848
	<u>1,770</u>	<u>1,732</u>
Construction work in progress	49	47
	<u>1,819</u>	<u>1,779</u>
OTHER PROPERTY AND INVESTMENTS:		
Nuclear plant decommissioning trusts	374	383
Investment in subsidiaries	305	301
Other	1	1
	<u>680</u>	<u>685</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	324	324
Other	7	16
	<u>331</u>	<u>340</u>
	<u>\$ 3,061</u>	<u>\$ 3,021</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 302	\$ 2
Short-term borrowings - affiliated companies	107	—
Accounts payable-		
Affiliated companies	1	9
Other	65	52
Accrued taxes	7	10
Accrued interest	10	16
Customer deposits	26	26
Other	23	25
	<u>541</u>	<u>140</u>
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, without par value, authorized 900,000 shares - 740,905 shares outstanding	834	834
Accumulated other comprehensive income	5	4
Retained earnings	88	94
Total common stockholder's equity	<u>927</u>	<u>932</u>
Long-term debt and other long-term obligations	554	855
	<u>1,481</u>	<u>1,787</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	271	257
Nuclear fuel disposal costs	45	45
Asset retirement obligations	229	226
Retirement benefits	61	93
Regulatory liabilities	265	304
Other	168	169
	<u>1,039</u>	<u>1,094</u>
	<u>\$ 3,061</u>	<u>\$ 3,021</u>

METROPOLITAN EDISON COMPANY
STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(In millions)</i>	For the Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 50	\$ 34
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization (deferral) of regulatory assets, net	(7)	28
Retirement benefits, net of payments	(6)	(2)
Nuclear decommissioning trust income	4	3
Deferred income taxes and investment tax credits, net	11	7
Undistributed earnings from subsidiary company	(5)	(1)
Pension trust contribution	(28)	—
Change in current assets and liabilities-		
Receivables	(15)	(17)
Prepaid taxes and other	(28)	(26)
Accounts payable	5	2
Accrued taxes	(3)	4
Accrued interest	(6)	(6)
Other current liabilities	(2)	(1)
Other	9	(2)
Net cash provided from (used for) operating activities	(21)	23
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Short-term borrowings, net	107	19
Common stock dividend payment	(55)	—
Other	(1)	(1)
Net cash provided from financing activities	51	18
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(47)	(38)
Sales of investment securities held in trusts	76	192
Purchases of investment securities held in trusts	(79)	(195)
Loans to affiliated companies, net	29	—
Asset removal costs	(9)	—
Net cash used for investing activities	(30)	(41)
Net change in cash and cash equivalents and restricted cash	—	—
Cash and cash equivalents and restricted cash at beginning of period	—	—
Cash and cash equivalents and restricted cash at end of period	\$ —	\$ —
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash transaction: Transfer of net transmission assets to affiliated company in exchange for membership interest	\$ —	\$ 298