

METROPOLITAN EDISON COMPANY
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

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

<i>(In millions)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
STATEMENTS OF INCOME				
REVENUES:				
Electric sales	\$ 207	\$ 199	\$ 601	\$ 595
Gross receipts tax collections	13	12	38	35
Total revenues	220	211	639	630
OPERATING EXPENSES:				
Purchased power from affiliates	10	12	30	22
Purchased power from non-affiliates	68	56	203	185
Other operating expenses	40	41	158	129
Provision for depreciation	21	16	62	46
Amortization (deferral) of regulatory assets, net	8	4	(29)	24
General taxes	15	13	45	41
Total operating expenses	162	142	469	447
OPERATING INCOME	58	69	170	183
OTHER INCOME (EXPENSE):				
Miscellaneous income, net	11	2	33	11
Interest expense	(13)	(13)	(38)	(37)
Capitalized financing costs	1	—	1	1
Total other expense	(1)	(11)	(4)	(25)
INCOME BEFORE INCOME TAXES	57	58	166	158
INCOME TAXES	13	22	37	62
NET INCOME	\$ 44	\$ 36	\$ 129	\$ 96
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME	\$ 44	\$ 36	\$ 129	\$ 96
OTHER COMPREHENSIVE LOSS:				
Pension and OPEB prior service costs	—	(1)	(2)	(3)
Other comprehensive loss	—	(1)	(2)	(3)
Income tax benefits on other comprehensive loss	—	—	(2)	(1)
Other comprehensive loss, net of tax	—	(1)	—	(2)
COMPREHENSIVE INCOME	\$ 44	\$ 35	\$ 129	\$ 94

METROPOLITAN EDISON COMPANY
BALANCE SHEETS
(Unaudited)

<i>(In millions, except share amounts)</i>	September 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Receivables-		
Customers, net of allowance for uncollectible accounts of \$8 in 2018 and 2017	\$ 134	\$ 139
Affiliated companies	27	31
Other	33	12
Notes receivable from affiliated companies	—	29
Prepaid taxes and other	21	6
	<u>215</u>	<u>217</u>
UTILITY PLANT:		
In service	2,683	2,580
Less — Accumulated provision for depreciation	874	848
	<u>1,809</u>	<u>1,732</u>
Construction work in progress	55	47
	<u>1,864</u>	<u>1,779</u>
OTHER PROPERTY AND INVESTMENTS:		
Nuclear plant decommissioning trusts	383	383
Investment in subsidiaries	316	301
Other	1	1
	<u>700</u>	<u>685</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	324	324
Other	16	16
	<u>340</u>	<u>340</u>
	<u>\$ 3,119</u>	<u>\$ 3,021</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 302	\$ 2
Short-term borrowings - affiliated companies	66	—
Accounts payable-		
Affiliated companies	7	9
Other	51	52
Accrued taxes	5	10
Accrued interest	10	16
Customer deposits	27	26
Other	19	25
	<u>487</u>	<u>140</u>
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, without par value, authorized 900,000 shares - 740,905 shares outstanding	837	834
Accumulated other comprehensive income	4	4
Retained earnings	167	94
Total common stockholder's equity	<u>1,008</u>	<u>932</u>
Long-term debt and other long-term obligations	553	855
	<u>1,561</u>	<u>1,787</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	295	257
Nuclear fuel disposal costs	46	45
Asset retirement obligations	237	226
Retirement benefits	54	93
Regulatory liabilities	267	304
Other	172	169
	<u>1,071</u>	<u>1,094</u>
	<u>\$ 3,119</u>	<u>\$ 3,021</u>

METROPOLITAN EDISON COMPANY
STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(In millions)</i>	For the Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 129	\$ 96
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization (deferral) of regulatory assets, net	36	70
Retirement benefits, net of payments	(18)	(8)
Nuclear decommissioning trust income	11	10
Deferred income taxes and investment tax credits, net	29	12
Undistributed earnings from subsidiary company	(15)	(4)
Pension trust contribution	(28)	—
Change in current assets and liabilities-		
Receivables	(10)	25
Prepaid taxes and other	(12)	(7)
Accounts payable	(3)	(2)
Accrued taxes	(5)	(7)
Accrued interest	(6)	(6)
Other current liabilities	(7)	(6)
Other	11	4
Net cash provided from operating activities	<u>112</u>	<u>177</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Short-term borrowings, net	66	—
Redemptions and repayments-		
Short-term borrowings, net	—	(36)
Common stock dividend payment	(55)	(25)
Other	(2)	(2)
Net cash provided from (used for) financing activities	<u>9</u>	<u>(63)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(125)	(99)
Sales of investment securities held in trusts	130	352
Purchases of investment securities held in trusts	(141)	(362)
Loans to affiliated companies, net	29	—
Asset removal costs	(14)	(5)
Net cash used for investing activities	<u>(121)</u>	<u>(114)</u>
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	<u>\$ —</u>	<u>\$ —</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash transaction: Transfer of net transmission assets to affiliated company in exchange for membership interest	<u>\$ —</u>	<u>\$ 298</u>