

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019**

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**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,	
	2020	2019	2020	2019
<b>STATEMENTS OF INCOME</b>				
<b>REVENUES:</b>				
Electric sales	\$ 183	\$ 175	\$ 400	\$ 424
Excise and gross receipts tax collections	3	3	8	8
Total revenues	<u>186</u>	<u>178</u>	<u>408</u>	<u>432</u>
<b>OPERATING EXPENSES:</b>				
Purchased power from non-affiliates	75	55	142	125
Purchased power from affiliates	29	57	91	135
Other operating expenses	39	34	78	76
Provision for depreciation	18	17	35	34
Amortization (deferral) of regulatory liabilities, net	(3)	(10)	1	(7)
General taxes	11	11	24	24
Total operating expenses	<u>169</u>	<u>164</u>	<u>371</u>	<u>387</u>
<b>OPERATING INCOME</b>	<u>17</u>	<u>14</u>	<u>37</u>	<u>45</u>
<b>OTHER INCOME (EXPENSE):</b>				
Miscellaneous income, net	4	3	7	5
Pension and OPEB mark-to-market adjustment	—	—	(11)	—
Interest expense	(7)	(7)	(14)	(14)
Capitalized financing costs	—	1	1	2
Total other expense	<u>(3)</u>	<u>(3)</u>	<u>(17)</u>	<u>(7)</u>
<b>INCOME BEFORE INCOME TAXES</b>	14	11	20	38
<b>INCOME TAXES</b>	<u>3</u>	<u>2</u>	<u>4</u>	<u>8</u>
<b>NET INCOME</b>	<u>\$ 11</u>	<u>\$ 9</u>	<u>\$ 16</u>	<u>\$ 30</u>
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>				
<b>NET INCOME</b>	<u>\$ 11</u>	<u>\$ 9</u>	<u>\$ 16</u>	<u>\$ 30</u>
<b>OTHER COMPREHENSIVE LOSS:</b>				
Pension and OPEB prior service costs	—	(1)	—	(1)
Other comprehensive loss	—	(1)	—	(1)
Income tax benefits on other comprehensive loss	—	—	—	—
Other comprehensive loss, net of tax	<u>—</u>	<u>(1)</u>	<u>—</u>	<u>(1)</u>
<b>COMPREHENSIVE INCOME</b>	<u>\$ 11</u>	<u>\$ 8</u>	<u>\$ 16</u>	<u>\$ 29</u>

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

<i>(In millions)</i>	June 30, 2020	December 31, 2019
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Restricted cash	\$ 6	\$ 6
Receivables-		
Customers	85	90
Less — Allowance for uncollectible customer receivables	7	2
	<u>78</u>	<u>88</u>
Affiliated companies	35	39
Other, net of allowance for uncollectible accounts	5	4
Notes receivable from affiliates	93	—
Prepaid taxes and other	12	19
	<u>229</u>	<u>156</u>
<b>UTILITY PLANT:</b>		
In service	1,980	1,920
Less — Accumulated provision for depreciation	306	281
	<u>1,674</u>	<u>1,639</u>
Construction work in progress	66	66
	<u>1,740</u>	<u>1,705</u>
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Prepaid purchased power	65	67
Other	38	40
	<u>103</u>	<u>107</u>
	<u>\$ 2,072</u>	<u>\$ 1,968</u>
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>CURRENT LIABILITIES:</b>		
Currently payable long-term debt	\$ 7	\$ 7
Short-term borrowings - affiliated companies	—	26
Accounts payable-		
Affiliated companies	28	87
Other	22	23
Accrued taxes	11	11
Accrued interest	7	7
Customer deposits	21	22
Other	18	16
	<u>114</u>	<u>199</u>
<b>CAPITALIZATION:</b>		
Common stockholder's equity-		
Other paid-in capital	357	356
Accumulated other comprehensive income	3	3
Retained earnings	252	236
Total common stockholder's equity	<u>612</u>	<u>595</u>
Long-term debt and other long-term obligations	746	574
	<u>1,358</u>	<u>1,169</u>
<b>NONCURRENT LIABILITIES:</b>		
Accumulated deferred income taxes	249	242
Regulatory liabilities	265	268
Retirement benefits	13	12
Adverse power purchase contracts	31	33
Other	42	45
	<u>600</u>	<u>600</u>
	<u>\$ 2,072</u>	<u>\$ 1,968</u>

**THE POTOMAC EDISON COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

<i>(In millions)</i>	<b>For the Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 16	\$ 30
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization	36	25
Deferred income taxes, net	5	9
Pension trust contributions	—	(6)
Retirement benefits	(6)	(5)
Pension and OPEB mark-to-market adjustment	11	—
Changes in current assets and liabilities-		
Receivables	13	21
Prepaid taxes and other current assets	7	7
Accounts payable	(60)	(25)
Other current liabilities	(1)	(12)
Other	(7)	2
Net cash provided from operating activities	<u>14</u>	<u>46</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New financing -		
Long-term debt	175	—
Short-term borrowings, net	—	8
Redemptions and repayments-		
Long-term debt	(3)	—
Short-term borrowings - affiliated companies, net	(26)	(3)
Common stock dividend payments	—	(15)
Net cash provided from (used for) financing activities	<u>146</u>	<u>(10)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(60)	(58)
Loans to affiliated companies, net	(93)	19
Asset removal costs	(7)	(6)
Net cash used for investing activities	<u>(160)</u>	<u>(45)</u>
Net change in cash, cash equivalents, and restricted cash	—	(9)
Cash, cash equivalents, and restricted cash at beginning of period	6	15
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 6</u>	<u>\$ 6</u>