

THE POTOMAC EDISON COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

THE POTOMAC EDISON COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

<i>(In millions)</i>	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
REVENUES:				
Electric sales	\$ 185	\$ 183	\$ 432	\$ 400
Excise and gross receipts tax collections	4	3	9	8
Total revenues	189	186	441	408
OPERATING EXPENSES:				
Purchased power from non-affiliates	57	64	141	131
Purchased power from affiliates	48	40	102	102
Other operating expenses	35	39	70	78
Provision for depreciation	16	18	33	35
Amortization (deferral) of regulatory assets, net	7	(3)	16	1
General taxes	11	11	25	24
Total operating expenses	174	169	387	371
OPERATING INCOME	15	17	54	37
OTHER INCOME (EXPENSE):				
Miscellaneous income, net	4	4	8	7
Pension and OPEB mark-to-market adjustment	—	—	—	(11)
Interest expense	(8)	(7)	(16)	(14)
Capitalized financing costs	1	—	2	1
Total other expense	(3)	(3)	(6)	(17)
INCOME BEFORE INCOME TAXES	12	14	48	20
INCOME TAXES	3	3	10	4
NET INCOME	\$ 9	\$ 11	\$ 38	\$ 16

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

<i>(In millions)</i>	June 30, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 100	\$ 100
Restricted cash	7	6
Receivables-		
Customers	92	121
Less — Allowance for uncollectible customer receivables	8	10
	<u>84</u>	<u>111</u>
Affiliated companies	25	22
Other, net of allowance for uncollectible accounts	10	6
Notes receivable from affiliates	5	—
Prepaid taxes and other	18	21
	<u>249</u>	<u>266</u>
UTILITY PLANT:		
In service	2,086	2,039
Less — Accumulated provision for depreciation	353	332
	<u>1,733</u>	<u>1,707</u>
Construction work in progress	85	71
	<u>1,818</u>	<u>1,778</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Prepaid purchased power	59	62
Other	45	47
	<u>104</u>	<u>109</u>
	<u>\$ 2,171</u>	<u>\$ 2,153</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 7	\$ 7
Short-term borrowings - affiliated companies	—	34
Accounts payable-		
Affiliated companies	27	30
Other	24	27
Accrued taxes	15	16
Accrued interest	7	7
Customer deposits	19	20
Other	18	19
	<u>117</u>	<u>160</u>
CAPITALIZATION:		
Common stockholder's equity-		
Common Stock and other paid-in capital, \$0.01 par value, authorized 26,000,000 shares - 22,385,000 shares outstanding	359	358
Accumulated other comprehensive income	2	2
Retained earnings	315	277
Total common stockholder's equity	<u>676</u>	<u>637</u>
Long-term debt and other long-term obligations	737	741
	<u>1,413</u>	<u>1,378</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	275	258
Regulatory liabilities	275	263
Retirement benefits	13	13
Adverse power purchase contracts	28	30
Other	50	51
	<u>641</u>	<u>615</u>
	<u>\$ 2,171</u>	<u>\$ 2,153</u>

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

<i>(In millions)</i>	For the Six Months Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 38	\$ 16
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization	48	36
Deferred income taxes, net	12	5
Retirement benefits	(9)	(6)
Pension and OPEB mark-to-market adjustment	—	11
Changes in current assets and liabilities-		
Receivables	20	13
Prepaid taxes and other current assets	7	7
Accounts payable	(6)	(60)
Accrued taxes	(1)	—
Customer deposits	(1)	—
Other current liabilities	(8)	(1)
Other	9	(7)
Net cash provided from operating activities	109	14
CASH FLOWS FROM FINANCING ACTIVITIES:		
New financing-		
Long-term debt	—	175
Redemptions and repayments-		
Long-term debt	(3)	(3)
Short-term borrowings - affiliated companies, net	(34)	(26)
Net cash provided from (used for) financing activities	(37)	146
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(61)	(60)
Loans to affiliated companies, net	(5)	(93)
Asset removal costs	(5)	(7)
Net cash used for investing activities	(71)	(160)
Net change in cash, cash equivalents, and restricted cash	1	—
Cash, cash equivalents, and restricted cash at beginning of period	106	6
Cash, cash equivalents, and restricted cash at end of period	\$ 107	\$ 6