

RRI ENERGY MID-ATLANTIC POWER HOLDINGS, LLC

RRI ENERGY MID-ATLANTIC POWER HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(thousands of dollars)			
Revenues:				
Revenues.....	\$ 6,381	\$ 5,207	\$ 13,200	\$ 12,638
Revenues – affiliates.....	139,158	109,155	295,401	272,287
Total.....	145,539	114,362	308,601	284,925
Expenses:				
Cost of sales.....	67,476	71,392	129,807	182,606
Cost of sales – affiliates.....	494	488	1,069	1,248
Operation and maintenance.....	53,093	32,897	87,890	58,108
Operation and maintenance – affiliates.....	15,995	20,781	33,724	36,695
Facilities leases.....	14,962	14,962	29,924	29,924
General and administrative – affiliates.....	14,307	15,433	26,759	28,656
Gains on sales of assets and emission allowances, net.....	(39)	(76)	(78)	(483)
Depreciation.....	10,443	9,114	20,561	17,493
Amortization.....	2,980	2,306	4,920	6,537
Total operating expense.....	179,711	167,297	334,576	360,784
Operating Loss	(34,172)	(52,935)	(25,975)	(75,859)
Other Income (Expense):				
Interest expense.....	(402)	(171)	(847)	(420)
Interest expense – affiliates.....	(15,587)	(12,320)	(30,876)	(24,600)
Interest income.....	5	3	7	3
Total other expense.....	(15,984)	(12,488)	(31,716)	(25,017)
Loss Before Income Taxes	(50,156)	(65,423)	(57,691)	(100,876)
Income tax expense (benefit).....	(4,219)	(27,037)	15,354	(41,662)
Net Loss	\$ (45,937)	\$ (38,386)	\$ (73,045)	\$ (59,214)

RRI ENERGY MID-ATLANTIC POWER HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
	(unaudited)	
	(thousands of dollars)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 39,881	\$ 18,062
Restricted cash	708	1,541
Accounts receivable	947	5,910
Receivables from affiliates, net	57,275	49,337
Inventory	96,918	94,772
Prepaid lease	59,030	59,030
Derivative assets	20,185	32,358
Accumulated deferred income taxes	15,064	19,258
Prepayments and other current assets	9,417	7,309
Total current assets	<u>299,425</u>	<u>287,577</u>
Property, plant and equipment, gross	1,068,431	1,059,570
Accumulated depreciation	(312,916)	(293,141)
Property, Plant and Equipment, net	<u>755,515</u>	<u>766,429</u>
Other Assets:		
Other intangibles, net	93,250	96,603
Derivative assets	3,765	7,816
Accumulated deferred income taxes	17,372	33,818
Prepaid lease	267,942	277,370
Other	44,124	33,886
Total other assets	<u>426,453</u>	<u>449,493</u>
Total Assets	<u>\$ 1,481,393</u>	<u>\$ 1,503,499</u>
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 106	\$ 103
Accounts payable, principally trade	23,299	30,421
Subordinated accounts payable to affiliates, net	378,880	309,822
Subordinated interest payable to affiliate	104,052	78,227
Derivative liabilities	56,374	76,291
Note payable to affiliate	—	16,191
Subordinated working capital facility payable to affiliate	25,809	25,809
Other	25,794	19,422
Total current liabilities	<u>614,314</u>	<u>556,286</u>
Other Liabilities:		
Derivative liabilities	42,119	64,493
Benefit obligations	44,791	41,966
Other	22,595	22,907
Total other liabilities	<u>109,505</u>	<u>129,366</u>
Subordinated Note Payable to Affiliate	<u>543,563</u>	<u>543,563</u>
Long-term Debt	<u>389</u>	<u>444</u>
Commitments and Contingencies		
Member's Equity:		
Common stock; no par value (1,000 shares authorized, issued and outstanding)	—	—
Additional paid-in capital	291,549	284,672
Retained earnings (accumulated deficit)	(51,027)	22,018
Accumulated other comprehensive loss	(26,900)	(32,850)
Total member's equity	<u>213,622</u>	<u>273,840</u>
Total Liabilities and Member's Equity	<u>\$ 1,481,393</u>	<u>\$ 1,503,499</u>

RRI ENERGY MID-ATLANTIC POWER HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2010	2009
	(thousands of dollars)	
Cash Flows from Operating Activities:		
Net loss	\$ (73,045)	\$ (59,214)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization.....	25,481	24,030
Deferred income taxes	15,280	(13,793)
Net changes in energy derivatives	(13,462)	1,140
Gains on sales of assets and emission allowances, net	(78)	(483)
Other, net.....	(49)	(46)
Changes in other assets and liabilities:		
Accounts receivable	4,963	364
Receivables from affiliates, net	(2,183)	18,726
Inventory	(2,146)	(3,667)
Prepaid lease.....	9,428	8,481
Accounts payable	(2,230)	1,750
Other current assets	(1,038)	(236)
Other current liabilities.....	4,616	(2,854)
Other assets	(10,238)	(469)
Subordinated accounts payable to affiliates, net.....	76,167	79,754
Subordinated interest payable to affiliate, net	25,825	25,337
Income taxes payable/receivable	(59)	(3,480)
Taxes payable to RRI Energy, Inc. and related accrued interest.....	(780)	(27,612)
Other liabilities.....	1,767	2,246
Net cash provided by operating activities.....	<u>58,219</u>	<u>49,974</u>
Cash Flows from Investing Activities:		
Capital expenditures	(14,543)	(43,378)
Purchases of emission allowances – affiliate	(6,577)	(29,134)
Restricted cash.....	833	155
Other, net	78	730
Net cash used in investing activities.....	<u>(20,209)</u>	<u>(71,627)</u>
Cash Flows from Financing Activities:		
Proceeds from note payable to affiliate.....	20,000	—
Payments on notes payable to affiliate.....	(36,191)	—
Net cash used in financing activities	<u>(16,191)</u>	<u>—</u>
Net Change in Cash and Cash Equivalents	21,819	(21,653)
Cash and Cash Equivalents at Beginning of Period.....	18,062	29,713
Cash and Cash Equivalents at End of Period.....	\$ 39,881	\$ 8,060
Supplemental Disclosure of Cash Flow Information:		
Cash Payments:		
Interest paid to affiliate (net of amounts capitalized).....	\$ 216	\$ (3,774)
Interest paid to third parties	65	173
Income taxes paid (net of income tax refunds received).....	133	3,480
Non-Cash Disclosure:		
Contribution from affiliate of subordinated accounts payable to affiliates.....	\$ 6,877	\$ —