

PEPCO HOLDINGS, INC. AND SUBSIDIARIES  
PRO FORMA CONSOLIDATED BALANCE SHEETS  
(Dollars in Millions)  
(Unaudited)

|   | June 30,<br>2003   | Pro Forma<br>Adjustments | Pro<br>Forma       |
|---|--------------------|--------------------------|--------------------|
| <b>ASSETS</b>   |                    |                          |                    |
| <b>Current Assets</b>   |                    |                          |                    |
| Cash and cash equivalents   | \$ 99.3            | \$ -                     | \$ 99.3            |
| Restricted cash   | 6.1                | -                        | 6.1                |
| Marketable securities   | 173.5              | - -                      | 173.5              |
| Restricted funds held by trustee                                  | 28.1               | -                        | 28.1               |
| Accounts receivable, less allowance for<br>uncollectible accounts | 1,071.7            | -                        | 1,071.7            |
| Fuel, materials and supplies - at average cost                    | 245.1              | -                        | 245.1              |
| Prepaid expenses and other  | 97.9               | -                        | 97.9               |
| Total Current Assets  | <u>1,721.7</u>     | <u>-</u>                 | <u>1,721.7</u>     |
| <b>Investments and Other Assets</b>                               |                    |                          |                    |
| Goodwill  | 1,432.5            | -                        | 1,432.5            |
| Regulatory assets, net  | 1,183.7            | -                        | 1,183.7            |
| Investment in finance leases                                      | 1,114.9            | -                        | 1,114.9            |
| Prepaid pension costs   | 118.9              | -                        | 118.9              |
| Other   | 592.3              | -                        | 592.3              |
| Total Investments and Other Assets                                | <u>4,442.3</u>     | <u>-</u>                 | <u>4,442.3</u>     |
| <b>Property, Plant and Equipment</b>                              |                    |                          |                    |
| Property, plant and equipment                                     | 10,764.5           | -                        | 10,764.5           |
| Accumulated depreciation  | (3,959.3)          | -                        | (3,959.3)          |
| Net Property, Plant, and Equipment                                | <u>6,805.2</u>     | <u>-</u>                 | <u>6,805.2</u>     |
| <b>Total Assets</b>   | <u>\$ 12,969.2</u> | <u>\$ -</u>              | <u>\$ 12,969.2</u> |

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|   | June 30,<br>2003   | Pro Forma<br>Adjustments | Pro<br>Forma       |
|---|--------------------|--------------------------|--------------------|
| <b>CAPITALIZATION AND LIABILITIES</b>   |                    |                          |                    |
| <b>Current Liabilities</b>  |                    |                          |                    |
| Short-term debt   | \$ 1,129.6         | \$ (136.8) (1)           | \$ 992.8           |
| Accounts payable and accrued payroll  | 541.8              | -                        | 541.8              |
| Capital lease obligations due within one year   | 15.8               | -                        | 15.8               |
| Interest and taxes accrued  | 142.9              | -                        | 142.9              |
| Other   | 543.7              | -                        | 543.7              |
| Total Current Liabilities   | 2,373.8            | (136.8)                  | 2,237.0            |
| <b>Deferred Credits</b>   |                    |                          |                    |
| Income taxes  | 1,605.1            | -                        | 1,605.1            |
| Investment tax credits  | 66.3               | -                        | 66.3               |
| Other   | 472.8              | -                        | 472.8              |
| Total Deferred Credits  | 2,144.2            | -                        | 2,144.2            |
| <b>Long-Term Debt and Capital Lease Obligations</b>   |                    |                          |                    |
| Long-term debt  | 5,060.7            | 136.8 (2)                | 5,197.5            |
| Capital lease obligations   | 117.6              | -                        | 117.6              |
| Total Long-Term Debt and Capital Lease Obligations  | 5,178.3            | 136.8                    | 5,315.1            |
| <b>Company Obligated Mandatorily Redeemable Preferred Securities<br/>Of Subsidiary Trust Which Holds Solely Parent Junior<br/>Subordinated Debentures</b> |                    |                          |                    |
|   | 220.0              | -                        | 220.0              |
| <b>Preferred Stock</b>  |                    |                          |                    |
| Serial preferred stock  | 35.3               | -                        | 35.3               |
| Redeemable serial preferred stock   | 75.4               | -                        | 75.4               |
|   | 110.7              | -                        | 110.7              |
| <b>Commitments and Contingencies</b>  |                    |                          |                    |
| <b>Shareholders' Equity</b>   |                    |                          |                    |
| Common stock: \$0.01 per share par value; 1,000 shares<br>authorized, shares outstanding - - 100;   | 1.7                | -                        | 1.7                |
| Premium on stock and other capital contributions  | 2,229.6            | -                        | 2,229.6            |
| Capital stock expense   | (3.3)              | -                        | (3.3)              |
| Accumulated other comprehensive loss  | (56.9)             | -                        | (56.9)             |
| Retained income   | 771.1              | -                        | 771.1              |
| Total Shareholders' Equity  | 2,942.2            | -                        | 2,942.2            |
| <b>Total Capitalization and Liabilities</b>   | <b>\$ 12,969.2</b> | <b>\$ -</b>              | <b>\$ 12,969.2</b> |