

Exelon Selected Historical Financial Information

	As of and for the						
	Three Months Ended		Year Ended December 31,				
	March 31,						
	2005	2004	2004	2003(2)	2002	2001	2000(1)
	(unaudited)		(in millions, except per share data)				
Statement of Operations Information:							
Operating revenues	\$ 3,561	\$ 3,635	\$ 14,133	\$ 15,148	\$ 14,060	\$ 13,978	\$ 7,060
Operating income	931	771	3,499	2,409	3,280	3,406	1,562
Income from continuing operations	507	397	1,870	892	1,690	1,448	606
Income (loss) from discontinued operations	14	(17)	(29)	(99)	(20)	(32)	(44)
Income before cumulative effect of changes in accounting principles	521	380	1,841	793	1,670	1,416	562
Cumulative effect of changes in accounting principles (net of income taxes)	—	32	23	112	(230)	12	24
Net income	521	412	1,864	905	1,440	1,428	586
Income from continuing operations per share of common stock:(4)							
Basic	\$ 0.76	\$ 0.60	\$ 2.83	\$ 1.37	\$ 2.62	\$ 2.26	\$ 1.50
Diluted	0.75	0.59	2.79	1.36	2.60	2.24	1.49
Discontinued operations:(4)							
Basic	\$ 0.02	\$ (0.02)	\$ (0.04)	\$ (0.15)	\$ (0.03)	\$ (0.05)	\$ (0.11)
Diluted	0.02	(0.02)	(0.04)	(0.15)	(0.03)	(0.05)	(0.11)
Income before cumulative effect of changes in accounting principles per share of common stock:(4)							
Basic	\$ 0.78	\$ 0.58	\$ 2.79	\$ 1.22	\$ 2.59	\$ 2.21	\$ 1.40
Diluted	0.77	0.57	2.75	1.21	2.57	2.19	1.38
Net income per share of common stock:(4)							
Basic	\$ 0.78	\$ 0.63	\$ 2.82	\$ 1.39	\$ 2.23	\$ 2.23	\$ 1.46
Diluted	0.77	0.62	2.78	1.38	2.22	2.21	1.44
Dividends per common share	0.40	0.275	1.26	0.96	0.88	0.91	0.46
Balance Sheet Information:							
Total assets	\$ 42,408		\$ 42,770	\$ 41,936	\$ 37,869	\$ 34,969	\$ 36,674
Long-term debt	10,997		12,148	13,489	13,127	12,879	12,958
Preferred securities of subsidiaries(3)	87		87	87	595	613	630
Shareholders' equity	9,713		9,423	8,503	7,742	8,102	7,215

- (1) Reflects the effects of the merger of Exelon, Unicom Corporation and PECO on October 20, 2000 (the "Unicom Merger"). The Unicom Merger was accounted for using the purchase method of accounting with PECO as the acquiring company. Accordingly, financial results for 2000 consist of PECO's results for 2000 and Unicom results after October 20, 2000.
- (2) 2003 results include a pre-tax charge of \$945 million (\$573 million after-tax) related to the impairment of Exelon's investment in Boston Generating, LLC and a pre-tax charge of \$255 million (\$166 million after-tax) related to the impairment of Exelon's investment in Sithe Energies, Inc.
- (3) Upon adoption of Financial Accounting Standards Board Interpretation ("FIN") No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN No. 46-R") in 2003, the mandatory redeemable preferred securities of ComEd and PECO were reclassified as long-term debt to financing trusts as of December 31, 2003.

- (4) Per share information for 2000 through 2004 has been adjusted to reflect the 2-for-1 stock split that was distributed to Exelon shareholders on May 5, 2004.

PSEG Selected Historical Financial Information

	As of and for the						
	Three Months Ended		Year Ended December 31,				
	March 31,						
	2005	2004	2004	2003	2002(1)	2001	2000
(unaudited)		(in millions, except per share data)					
Statement of Operations Information:							
Operating revenues	\$ 3,310	\$ 3,225	\$ 10,996	\$ 11,139	\$ 8,220	\$ 6,883	\$ 6,521
Income from continuing operations	285	271	721	852	405(1)	766	782
Net income	285	271	726	1,160	235(1)	764	770
Income from continuing operations per share of common stock:							
Basic	\$ 1.20	\$ 1.15	\$ 3.04	\$ 3.73	\$ 1.94(1)	\$ 3.68	\$ 3.64
Diluted	1.18	1.14	3.03	3.72	1.94(1)	3.68	3.64
Net income per share of common stock:							
Basic	\$ 1.20	\$ 1.15	\$ 3.06	\$ 5.08	\$ 1.13(1)	\$ 3.67	\$ 3.58
Diluted	1.18	1.14	3.05	5.07	1.13(1)	3.67	3.58
Dividends per common share	0.56	0.55	2.20	2.16	2.16	2.16	2.16
Balance Sheet Information:							
Total assets	\$ 28,885		\$ 29,237	\$ 28,131	\$ 26,147	\$ 25,568	\$ 21,531
Long-term debt obligations(2)	12,775		12,975	12,995	12,291	10,814	5,869
Preferred stock with mandatory redemption	—		—	—	—	—	75
Shareholders' equity	5,736		5,739	5,529	3,885	4,068	3,946

- (1) 2002 results include after-tax charges of \$368 million, or \$1.76 per share, related to losses from PSEG Energy Holdings L.L.C.'s Argentine investments.
- (2) Includes capital lease obligations. The increase between 2000 and 2001 is related to the \$2.5 billion securitization transaction in 2001.
- (3) Amounts include debt obligations between PSEG and PSE&G and their respective capital trusts due to the implementation of FIN No. 46-R which required the deconsolidation of such trusts. This implementation resulted in the removal of the preferred securities issued by the trusts from the PSEG consolidated financial statements and the addition of long-term debt between PSEG and PSE&G and their respective trusts equal to the amount of preferred securities issued by the trusts and the common equity investment contributed to the trusts.

Selected Unaudited Pro Forma Condensed Combined Consolidated Financial Information

The merger will be accounted for under the purchase method of accounting, which means the assets and liabilities of PSEG will be recorded, as of completion of the merger, at their respective fair values and added to those of Exelon. For a more detailed description of purchase accounting, see "The Merger—Accounting Treatment" beginning on page 109 of this joint proxy statement/prospectus.

We have presented below selected unaudited pro forma condensed combined consolidated financial information that reflects the purchase method of accounting and gives effect to the merger, in the case of the statement of operations information, as though the merger had occurred as of January 1, 2004 and, in the case of the balance sheet information, as though the merger had occurred as of March 31, 2005.

The unaudited pro forma condensed combined consolidated financial information has been prepared giving effect to the issuance of 1.225 shares of Exelon common stock in exchange for each outstanding share of PSEG common stock.

The unaudited pro forma condensed combined consolidated financial information may have been different had the companies actually been combined as of January 1, 2004 or March 31, 2005. The selected unaudited pro forma condensed combined consolidated financial information does not reflect the effect of asset dispositions, if any, or synergies that may result from the merger. You should not rely on the selected unaudited pro forma condensed combined consolidated financial information as being indicative of the historical results that would have occurred had the companies been combined or the future results that may be achieved after completion of the merger. The following selected unaudited pro forma condensed combined consolidated financial information has been derived from, and should be read in conjunction with, the Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements and related notes beginning on page 145 of this joint proxy statement/prospectus.

Unaudited Pro Forma Condensed Combined Consolidated	As of and for the	
	Three Months Ended	Year Ended
	March 31, 2005	December 31, 2004
	(in millions, except per share data)	
Statement of Operations Information:		
Operating revenues	\$ 6,984	\$ 25,544
Operating income	1,641	6,101
Income from continuing operations	820	2,867
Earnings per share from continuing operations:		
Basic	\$ 0.86	\$ 3.01
Diluted	0.84	2.98
Weighted average number of shares and share equivalents:		
Basic	958	952
Diluted	973	963
Balance Sheet Information (as of March 31, 2005):		
Cash and cash equivalents	\$ 683	
Total assets	79,716	
Long-term debt	24,407	
Total liabilities	57,003	
Shareholders' equity	22,545	
Shareholders' equity per share	23.53	

Comparative Historical and Unaudited Pro Forma Per Share Information

The following table sets forth selected pro forma and historical per share information of Exelon and PSEG, respectively, and unaudited pro forma condensed combined consolidated per share information reflecting the merger between Exelon and PSEG, under the purchase method of accounting, and the issuance of 1.225 shares of Exelon common stock in exchange for each outstanding share of PSEG common stock. You should read this information in conjunction with the selected historical financial information, included elsewhere in this joint proxy statement/prospectus, the historical financial statements of Exelon and PSEG and related notes contained in the Exelon and PSEG annual reports on Form 10-K for the year ended December 31, 2004, the Exelon and PSEG quarterly reports on Form 10-Q for the period ended March 31, 2005 and the report on Form 8-K filed by Exelon on May 13, 2005, in which Items 6, 7 and 8 of Exelon's annual report on Form 10-K for the year ended December 31, 2004 were recast, which have been incorporated by reference into this joint proxy statement/prospectus and the Exelon Unaudited Pro Forma Condensed Consolidated Financial Statements beginning on page 145 of this joint proxy statement/prospectus. The unaudited pro forma condensed combined consolidated per share information is derived from, and should be read in conjunction with, the Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements and related notes beginning on page 145 of this joint proxy statement/prospectus. The historical per share information is derived from the audited financial statements of Exelon, as adjusted for discontinued operations, and the audited financial statements of PSEG as of and for the year ended December 31, 2004 and the unaudited financial statements of Exelon and PSEG for the three months ended March 31, 2005. The unaudited pro forma PSEG per share equivalents are calculated by multiplying the unaudited Exelon pro forma combined per share amounts by the exchange ratio of 1.225.

The unaudited pro forma condensed combined consolidated per share information does not purport to represent what the actual results of operations of Exelon and PSEG would have been had

the companies been combined during the periods presented or to project Exelon's and PSEG's results of operations that may be achieved after completion of the merger.

	As of and for the	
	Three Months Ended March 31, 2005	Year Ended December 31, 2004
Unaudited Pro Forma Combined		
Income from continuing operations per share:		
Basic	\$ 0.86	\$ 3.01
Diluted	0.84	2.98
Shareholders' equity per share	23.53	
Exelon—Historical (as adjusted for discontinued operations)		
Income from continuing operations per share:		
Basic	\$ 0.76	\$ 2.83
Diluted	0.75	2.79
Dividends declared per common share	0.40	1.26
Shareholders' equity per share	14.58	14.29
PSEG—Historical		
Income from continuing operations per share:		
Basic	\$ 1.20	\$ 3.04
Diluted	1.18	3.03
Dividends declared per common share	0.56	2.20
Shareholders' equity per share	24.07	24.22
Unaudited Pro Forma PSEG Equivalents Combined		
Income from continuing operations per share:		
Basic	\$ 1.47	\$ 3.72
Diluted	1.45	3.71
Shareholders' equity per share	29.48	

Comparative Per Share Market Price and Dividend Information

Exelon common stock and PSEG common stock are each listed on the New York Stock Exchange. Exelon's and PSEG's trading symbols are "EXC" and "PEG," respectively. The following table shows, for the calendar quarters indicated, based on published financial sources: (1) the high and low sale prices of shares of Exelon and PSEG common stock as reported on the New York Stock Exchange Composite Transaction Tape and (2) the cash dividends paid per share of Exelon and PSEG common stock. The sales prices and dividends with respect to Exelon common stock noted below have been retroactively restated for all periods to reflect the 2 for 1 stock split that was distributed to the Exelon shareholders on May 5, 2004.

	Exelon Common Stock			PSEG Common Stock		
	High	Low	Dividends	High	Low	Dividends
2003						
First Quarter	\$ 27.60	\$ 23.04	\$ 0.23	\$ 37.25	\$ 32.09	\$ 0.54
Second Quarter	30.46	24.83	0.23	44.50	36.45	0.54
Third Quarter	31.98	27.09	0.25	43.78	39.77	0.54
Fourth Quarter	33.31	30.48	0.25	44.20	39.40	0.54
2004						
First Quarter	34.44	32.18	0.275	47.71	42.85	0.55
Second Quarter	34.90	30.92	0.275	47.70	39.66	0.55
Third Quarter	37.90	32.69	0.305	42.60	38.10	0.55
Fourth Quarter	44.70	37.16	0.40	52.64	40.55	0.55
2005						
First Quarter	47.18	41.77	0.40	56.09	49.67	0.56
Second Quarter (through May 25, 2005)	49.70	44.14	0.40	58.28	52.00	0.56

RISK FACTORS

Exelon and PSEG will operate as a combined company in a market environment that involves significant risks, many of which will be beyond the combined company's control. In addition to the other information contained in or incorporated by reference into this joint proxy statement/prospectus, you should carefully consider the risks described below before deciding how to vote your shares. This section does not describe risks that are generally applicable to participants in the utility and generation industries. We believe we have described all other material risks relating to the merger and the combined company; however, additional risks and uncertainties not presently known to Exelon and PSEG or that are not currently believed to be important to you, if they materialize, also may adversely affect the merger and Exelon and PSEG as a combined company.

Risks Relating to the Merger

The value of Exelon shares to be received by PSEG shareholders will fluctuate.

Upon completion of the merger, each outstanding share of PSEG common stock will be converted into the right to receive 1.225 shares of Exelon common stock. The number of shares of Exelon common stock to be issued pursuant to the merger for each share of PSEG common stock is fixed. The market price of Exelon common stock when the merger is completed may differ significantly from its market price at the date of this joint proxy statement/prospectus and at the date of the annual meetings of Exelon and PSEG. For example, during the 12-month period ended on May 25, 2005, the most recent practicable date prior to the mailing of this joint proxy statement/prospectus, Exelon common stock traded in a range from a low of \$32.10 to a high of \$49.70 and ended that period at \$46.67. See "Summary—Comparative Per Share Market Price and Dividend Information" beginning on page 20 of this joint proxy statement/prospectus for more detailed share price information.

Because of the number of regulatory approvals necessary to complete the merger, there may be a significant period of time between the date of the Exelon and PSEG annual meetings and the closing date of the merger, which under the merger agreement must occur no later than December 20, 2006 unless that date is extended by Exelon and PSEG. **At the time of their respective annual meetings, Exelon and PSEG shareholders will not know the exact market value of the Exelon common stock that will be issued in connection with the merger. The value of the merger consideration to be received by PSEG shareholders will fluctuate with changes in the price of Exelon's common stock. Shareholders of Exelon and PSEG are urged to obtain current market quotations for Exelon and PSEG common stock.**

The anticipated benefits of combining PSEG and Exelon may not be realized.

Exelon and PSEG entered into the merger agreement with the expectation that the merger would result in various benefits, including, among other things, synergies, cost savings and operating efficiencies. Although we expect to achieve the anticipated benefits of the merger, achieving them, including the synergies, is subject to a number of uncertainties, including:

- whether FERC, the NJBPU and the other regulatory authorities whose approval is required to complete the merger impose conditions on the merger that may have a material adverse effect on the combined company;
- the extent to which the NJBPU, PPUC and other state regulatory authorities whose approval is required to complete the merger require the combined company to share a portion of the expected synergies of the merger with customers; and
- general competitive factors in the market place.

Although the companies' plans for integration and operation of the combined company and its subsidiaries and divisions are focused on minimizing uncertainties in order to achieve these anticipated

benefits, no assurance can be given that these benefits will be achieved. Failure to achieve these anticipated benefits could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy and could have an adverse effect on the combined company's business, financial condition, operating results and prospects.

Exelon and PSEG may be unable to successfully integrate their operations.

The merger involves the integration of two companies that previously operated independently. The difficulties of combining each company's operations include:

- the necessity of coordinating geographically separated organizations, systems and facilities; and
- integrating personnel with diverse business backgrounds.

In addition, the integration of some of Exelon's and PSEG's operations will require regulatory approval.

Exelon and PSEG recognize that the process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of the combined company's businesses, and we intend to address these issues. The diversion of management's attention and any delays or difficulties encountered in connection with the merger and the integration of the two companies' operations could have an adverse effect on the business, financial condition, operating results and prospects of the combined company after the merger, and could impair the combined company's ability to realize the anticipated benefits of the merger.

The application of the purchase method of accounting will result in approximately \$8.1 billion of additional goodwill which could become impaired and adversely affect the market value of the combined company's common stock following completion of the merger.

Under the purchase method of accounting, the total purchase price paid by Exelon in the merger will be allocated to PSEG's tangible assets and liabilities and identifiable intangible assets, if any are identified, based on their fair values as of the date of completion of the merger. The excess of the purchase price over those fair values will be recorded as goodwill. We expect that the merger will result in the creation of approximately \$8.1 billion in goodwill based upon the application of purchase accounting. As a result, upon completion of the merger, the combined company will have approximately \$13.4 billion in goodwill. To the extent the value of goodwill or intangibles becomes impaired, the combined company may be required to incur material charges relating to such impairment. Such a potential impairment charge could have a material impact on the combined company's operating results.

The combined company may be unable to obtain permission from the NJBPU to recover PSE&G's pension and other post-retirement benefit expenses, which could have an adverse effect on its cash flow and results of operation.

PSE&G is permitted by its current NJBPU rate order to recover through its rates the amortized portion of its pension expenses and other post-retirement benefit expenses associated with its pension and post-retirement obligations. As a result of the application of the purchase method of accounting to these costs, the recognition of certain unrecognized pension and OPEB expenses will be accelerated and, as a result, will no longer be reflected in the calculation of pension and OPEB expenses that PSE&G's current rate order permits it to recover. PSE&G estimates that it could have as much as \$1.2 billion in unrecognized pension and OPEB expenses that PSE&G may be unable to recover following completion of the merger unless it obtains approval from the NJBPU to permit continued recovery of those expenses in the manner the current rate order permits. Exelon and PSEG have made it a condition to completion of the merger that PSE&G receive an order from the NJBPU permitting

PSE&G to continue to recover the pension expenses as it did prior to completion of the merger. The NJBPU has issued similar orders in other merger proceedings and such an order would not be expected to increase rates above current levels; however, Exelon and PSEG cannot assure you that PSE&G will receive such an order from the NJBPU or that if it does receive such an order, it will be permitted in future rate proceedings to continue to recover these expenses. Failure to obtain or maintain the right to recover the pension and OPEB expenses would have an adverse effect on the combined company's cash flow and results of operations.

Exelon and PSEG will incur significant transaction and merger-related integration costs in connection with the merger.

Exelon and PSEG expect to incur costs associated with consummating the merger and integrating the operations of the two companies, as well as approximately \$41 million in transaction fees in the case of Exelon and \$29 million in the case of PSEG. The estimated \$41 million of transaction costs incurred by Exelon will be included as a component of the purchase price for purposes of purchase accounting. The amount of transaction fees expected to be incurred is a preliminary estimate and subject to change. Exelon currently estimates integration costs associated with the merger to be approximately \$700 million over a period of four years, with approximately \$450 million being incurred in the first full year of operations following completion of the merger. Exelon is in the early stages of assessing the magnitude of these costs and, therefore, these estimates may change, and additional unanticipated costs may be incurred in the integration of the businesses of Exelon and PSEG. Although Exelon and PSEG believe that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, will offset incremental transaction and merger-related costs over time, we cannot assure you that this net benefit will be achieved in the near term, or at all.

Exelon and PSEG will be subject to business uncertainties and contractual restrictions while the merger is pending which could adversely affect their businesses.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on Exelon and PSEG and, consequently, on the combined company. Although Exelon and PSEG intend to take steps to reduce any adverse effects, these uncertainties may impair Exelon's and PSEG's ability to attract, retain and motivate key personnel until the merger is consummated and for a period of time thereafter, and could cause customers, suppliers and others that deal with Exelon and PSEG to seek to change existing business relationships with Exelon and PSEG. Employee retention may be particularly challenging during the pendency of the merger, as employees may experience uncertainty about their future roles with the combined company. If, despite Exelon's and PSEG's retention efforts, key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the combined company, the combined company's business could be seriously harmed. In addition, the merger agreement restricts Exelon and PSEG from making certain acquisitions and taking other specified actions until the merger occurs or the merger agreement terminates. These restrictions may prevent Exelon and PSEG from pursuing otherwise attractive business opportunities and making other changes to their businesses that may arise prior to completion of the merger or termination of the merger agreement. Please see the section titled "The Merger Agreement—Covenants" beginning on page 120 of this joint proxy statement/prospectus for a description of the restrictive covenants applicable to PSEG and Exelon.

The combined company may be subject to adverse regulatory conditions following completion of the merger.

Before the merger may be completed, various approvals or consents must be obtained from FERC, the SEC, the NRC and various utility regulatory, antitrust and other authorities in the United States and in foreign jurisdictions. The governmental authorities from which these approvals are required may

impose conditions on completion of the merger or require changes to the terms of the merger. These conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the revenues of the combined company following the merger, any of which might have a material adverse effect on the combined company following completion of the merger.

Exelon and PSEG have filed or will file applications for the required statutory approvals with the governmental authorities described above, including a market concentration mitigation plan with FERC. The market concentration mitigation plan included with the companies' original filing with FERC contemplated (1) the divestiture of fossil fuel generating facilities with 2,900 MW of generating capacity and (2) the transfer of control of 2,600 MW of baseload nuclear capacity through either long-term firm baseload energy sales contracts or an annual auction. In response to certain objections and concerns raised by intervenors, the companies filed a supplement to the market concentration mitigation plan, which proposed the divestiture of at least 1,100 MW of additional fossil fuel generating capacity, for a total of 6,600 MW of capacity proposed for mitigation, if FERC approves the merger without an evidentiary hearing. Exelon and PSEG have not offered to divest any nuclear generating facilities and do not anticipate doing so. FERC could, however, condition its approval of the merger on the parties agreeing to divest or transfer control of a greater amount of capacity and/or to divest additional generation assets. If that were to occur, it could have the effects described in the previous paragraph. See "The Merger—Regulatory Matters Relating to the Merger" beginning on page 111 of this joint proxy statement/prospectus for a discussion of the required statutory approvals and the filings by Exelon and PSEG.

Some of the directors and executive officers of PSEG and Exelon have interests and arrangements that could have affected their decision to support or approve the merger.

The interests of some of the directors and executive officers of PSEG in the merger are different from, and may be in addition to, those of PSEG shareholders generally and could have affected their decision to support or approve the merger. These interests include those described under "The Merger—Interests of PSEG's Directors and Executive Officers in the Merger" beginning on page 99 of this joint proxy statement/prospectus. As a result, the directors and officers of PSEG may be more likely to recommend to PSEG's shareholders the approval of the merger agreement than if they did not have these interests.

The interests of some of the executive officers of Exelon in the merger are different from, and may be in addition to, those of Exelon shareholders generally and could have affected their decision to support the merger. The Amended and Restated By-laws of Exelon to be adopted upon completion of the merger provide that for at least the three-year transition period following completion of the merger, Mr. Rowe will be the Chief Executive Officer of Exelon and that when Mr. Ferland ceases to serve as the non-executive Chairman of the Exelon board of directors, the Chief Executive Officer of Exelon will be appointed Chairman of the Exelon board of directors. In addition, the merger agreement permits Exelon to amend its severance agreements and plans to treat the merger as a change in control under those agreements and plans. The Exelon compensation committee has recently considered changes to the senior management severance plan that would provide certain benefits to participating executives whose employment terminates in connection with the merger, including the accelerated vesting of outstanding stock options and restricted stock awards. No such changes have been formally adopted to date, but it is currently anticipated that such changes will be adopted on or before the closing of the merger. As a result, the officers of Exelon may be more likely to recommend to Exelon's shareholders the approval of the issuance of shares of Exelon common stock as contemplated by the merger agreement.

Risks Relating to the Business of the Combined Company

Under the combined company's holding company structure, the payment of dividends to shareholders will be subject to the ability of its subsidiaries to pay dividends.

Each of Exelon and PSEG is, and the combined company will be, a holding company with no material assets other than the stock of its subsidiaries. Accordingly, all of the combined company's operations will be conducted by its subsidiaries. The combined company's ability to pay dividends on its common stock will depend on the payment to it of dividends by its operating subsidiaries. These subsidiaries' payments of dividends to the combined company in turn will depend on their results of operations and cash flows and other items impacting retained earnings. Under applicable federal law, Exelon, ComEd, PECO, and Exelon Generation can pay dividends only from retained, undistributed or current earnings. Following completion of the merger, PSE&G will be subject to the same restrictions. Following completion of the merger, a significant loss recorded at ComEd, PECO, PSE&G or Exelon Generation may limit the dividends that these companies can distribute to Exelon. Under Illinois law, ComEd may not pay any dividend on its stock unless, among other things, its earnings and earned surplus are sufficient to declare and pay a dividend after provision is made for reasonable and proper reserves, or unless ComEd has specific authorization from the Illinois Commerce Commission. As a condition to approval of other utility mergers, the NJBPU has imposed dividend restrictions. We can give no assurance that a similar restriction will not be imposed on PSE&G. In addition, PSEG Energy Holdings and its subsidiaries are parties to debt agreements that restrict their ability to pay dividends, make cash distributions or otherwise transfer funds to PSEG, or after completion of the merger, the combined company.

Exelon's and PSEG's businesses are, and the combined company's business will be, subject to extensive regulation that will affect their operations and costs.

Exelon and PSEG are, and the combined company will be, subject to regulation by the SEC under PUHCA, by FERC and the NRC, by federal, state and local authorities under environmental laws and by state public utility commissions under laws regulating Exelon's and PSEG's distribution businesses, among others. Regulation will affect almost every aspect of the combined company's businesses, from its fundamental business management actions to its ability to:

- determine the terms and rates of its transmission and distribution businesses' services;
- make acquisitions;
- issue equity or debt securities;
- engage in transactions between its utilities and other subsidiaries and affiliates; and
- pay dividends.

Changes in regulation can cause delays in or affect business planning and transactions and can increase the combined company's costs. As part of retail electric restructuring initiatives in Illinois and Pennsylvania and other regulatory proceedings, ComEd's and PECO's rates are currently subject to limitations, including:

- a freeze on ComEd's bundled rates through 2006;
- a limitation on ComEd's return on equity through 2006;
- a cap on PECO's electric transmission and distribution rates through 2006;
- a cap on PECO's generation rates through 2010; and
- scheduled recovery of PECO's electric stranded costs that will increase amortization expenses through 2010.

These rate provisions limit the ability of ComEd and PECO to recover cost increases or the costs of new investments. As a result, ComEd and PECO must effectively manage their costs to maintain their current profitability.

In addition, the end of the transition periods in Illinois and Pennsylvania include uncertainties, including the source and pricing of generation services to be provided by PECO and methodology for wholesale supply procurement in Illinois and Pennsylvania and recovery of supply costs from retail customers. The end of the transition periods in Illinois and Pennsylvania also presents uncertainty for Exelon Generation, which sells a significant portion of its output to ComEd and PECO under long-term purchased power agreements. The agreement with ComEd, which expires at the end of 2006, may not be replaced with a similar arrangement. If the agreement is not replaced, Exelon Generation will need to sell more power at market-based prices, which may include an auction-based model, or enter into new contractual arrangements with third parties, which may have shorter durations and lower volume sales. Increased market sales and new contractual arrangements may adversely affect Exelon Generation's credit risk, due to an increase in the number of customers and the loss of a highly predictable revenue source, and may increase the variability of Exelon's earnings.

PSE&G's New Jersey base rates for electric and gas distribution are subject to regulation by the NJBPU and are effective until a new base rate case is filed and concluded. In addition, limited categories of costs are recovered through adjustment charges that are periodically reset to reflect current costs. Inability to recover material costs not included in base rates or adjustment clauses could have an adverse effect on cash flow and financial position of the combined company.

PSEG Global's electric and gas distribution facilities located in various foreign jurisdictions are rate-regulated enterprises. Governmental authorities establish rates charged to customers. While these rates are designed to cover all operating costs and provide a return, considerable fiscal and cash uncertainties in certain countries due to local regulation or economic, political and social crisis could have an adverse impact. In addition, future rates may not be adequate to provide cash flow to pay principal and interest on the debt of PSEG Global's subsidiaries and affiliates or to enable its subsidiaries and affiliates to comply with the terms of debt agreements.

The combined company's financial performance will be affected by the amortization and eventual completion of stranded cost recovery for ComEd and PECO.

ComEd's and PECO's current retail electric rates include charges to recover stranded costs that might not otherwise be recoverable in a fully competitive market. The amount of stranded cost recovery by ComEd varies annually depending on wholesale market prices and other factors, with stranded cost recovery ending at the end of 2006. Stranded cost recovery by PECO continues through 2010. Although the annual amount of stranded cost recovery is scheduled to increase during that period, annual increases in amortization of PECO's stranded cost recovery and the corresponding reductions in the return on the unamortized portion of stranded cost recovery will adversely affect PECO's results through 2010. Further, the termination of stranded cost recovery at the end of 2006 for ComEd and at the end of 2010 for PECO could significantly adversely affect their future results of operation.

The combined company's energy delivery business will be obligated as the provider-of-last-resort to provide energy to all retail customers in its service territories, which makes it difficult to predict and plan for load requirements.

PECO, ComEd and PSE&G serve as the provider-of-last-resort, referred to in this proxy statement/prospectus as a "POLR," for energy for all retail customers in their respective electric and gas service territories in Illinois, Pennsylvania, and New Jersey. As POLR suppliers, PECO, ComEd and PSE&G could be required to secure load requirements sufficient to serve all customers in their

respective service territories in the event that customers do not choose alternate suppliers or a third party supplier is unable to satisfy its obligations. As a result, planning has a higher level of uncertainty than that traditionally experienced due to weather and the economy, and it is more difficult to predict and plan for the number of customers and their associated energy demand.

The combined company's energy generation business will have contractual obligations to certain energy delivery businesses to provide full requirements service to satisfy POLR requirements, which makes it difficult to predict and plan for load requirements and may result in increased operating costs to the business.

The combined companies' generation business will have contractual obligations to certain energy delivery businesses to supply requirements service to such companies to satisfy all or a portion of such companies' POLR obligations. The uncertainty regarding the amount of load that the combined company's generation business must prepare for will likely increase the operating cost of the combined company's generation business. A significant under-estimation of load requirements could result in the combined company's generation business not having enough power to cover its load obligation, in which case it would be required to buy power from third parties at prevailing market prices. Those prices may not be as favorable or as manageable as the long-term supply costs of the combined company's generation business and thus could increase its operating costs. The divestiture of generation assets or capacity in order to obtain the required regulatory approvals to complete the merger, increases the likelihood of the combined company's generation business not having enough power to cover its load obligation.

The combined company's generation business may incur substantial costs and liabilities due to its ownership and operation of nuclear generating facilities.

Following completion of the merger, it is expected that, prior to giving effect to any divestitures required by governmental authorities to complete the merger and prior to implementing the combined company's anticipated strategy of divesting assets that do not meet the strategic objectives of the combined company, approximately 46% of the combined company's owned generation capacity will be nuclear and the combined company will own approximately 20% of the nuclear generation capacity in the United States. Accordingly, the combined company will have greater exposure to risks that adversely affect the nuclear generation industry compared to other companies in the utility industry.

The ownership and operation of nuclear generating facilities involve risks, including:

- mechanical or structural problems;
- inadequacy or lapses in maintenance protocols;
- impairment of reactor operation and safety systems due to human error;
- costs of storage, handling and disposal of nuclear materials, including the availability or unavailability of a permanent repository for spent nuclear fuel;
- limitations on the amounts and types of insurance coverage commercially available;
- uncertainties regarding both technological and financial aspects of decommissioning nuclear generating facilities; and
- environmental regulatory risks associated with regulatory change.

The material risks known or currently anticipated by Exelon and PSEG that could affect the ability of the combined company's nuclear generation business to achieve desired levels of profitability are:

Capacity Factors. The combined company's nuclear fleet must operate at consistently high capacity factors in order for it to produce efficient, low-cost energy and sustain the current profitability levels of Exelon and PSEG.

NRC License Extensions. Exelon Generation's nuclear generating facilities are currently operating under 40-year NRC licenses. Exelon Generation has received 20-year extensions for the operating licenses for Peach Bottom units 2 and 3, Dresden units 2 and 3 and Quad Cities nuclear generating facilities. In December 2004, the NRC issued an order that will permit Oyster Creek to operate beyond its license expiration in April 2009 if the NRC has not completed reviewing the application for extension. The application for Oyster Creek's license renewal is expected to be filed by August 2005 to comply with this agreement. Exelon Generation is currently evaluating other nuclear facilities for possible license extension. PSEG Power's nuclear generating facilities are currently operating under NRC licenses that expire in 2016, 2020 and 2026. The operating license extension process takes approximately four to five years from the commencement of the project until completion of NRC review. Exelon Generation and PSEG Power cannot be sure that they will receive the requested extensions or be able to operate the facilities for all or any portion of any extended license.

Regulatory Risk. The NRC may modify, suspend or revoke licenses, shut down a nuclear facility and impose civil penalties for failure to comply with the Atomic Energy Act, related regulations or the terms of the licenses for nuclear generating facilities. A change in the Atomic Energy Act or the applicable regulations or licenses may require a substantial increase in capital expenditures or may result in increased operating or decommissioning costs.

Operational Risk. Operations at any of the combined company's nuclear generation plants could degrade to the point where the combined company has to shut down the plant or operate at less than full capacity. If this were to happen, identifying and correcting the causes may require significant time and expense. The combined company may choose to close a plant rather than incur the expense of restarting it or returning it to full capacity. In either event, the combined company may lose revenue and incur increased fuel and purchased power expense to meet its supply commitments.

Nuclear Accident Risk. Accidents and other unforeseen problems have occurred both in the United States and elsewhere. The consequences of an accident can be severe and include loss of life and property damage. Any resulting financial impact from a nuclear accident may exceed the combined company's resources, including insurance coverages.

Nuclear Fuel Quality May Affect Costs. The quality of nuclear fuel utilized by the combined company's generation business can affect the efficiency and costs of its operations. Certain Exelon Generation nuclear generating facilities have recently identified a limited number of fuel performance issues. Remediation actions have resulted in increased costs due to accelerated fuel amortization and/or increased outage costs and could continue to do so. It is difficult to predict the total cost of these remediation procedures.

The combined company's generation business may incur substantial costs and liabilities and be exposed to volatility as a result of its participation in the wholesale energy markets.

The material risks associated with the wholesale energy markets known or currently anticipated by Exelon and PSEG that could adversely affect the combined company's operations are:

Price Fluctuations. Exelon Generation sells electricity in both the wholesale bilateral markets and spot markets. These sales expose it to the risks of rising and falling prices in those markets, and its cash flows may vary accordingly. To the extent it does not supply power to serve the needs of ComEd and PECO at fixed rates mandated by state regulatory commissions, its cash flows will largely be determined by wholesale prices of electricity and its ability to market successfully energy, capacity and ancillary services. At any given time, the wholesale spot-market price of electricity for each hour is generally determined by the cost of supplying the next unit of electricity to the market during that hour. In many cases, the next unit of electricity supplied would be supplied from generating stations fueled by fossil fuels, primarily coal and natural gas. Consequently, the open market wholesale price of

electricity may reflect the cost of coal and natural gas plus the cost to convert the fuel to electricity, commonly known as the spark spread. Therefore, changes in the supply and cost of coal and natural gas may impact the open market wholesale price of electricity.

PSEG Power expects to meet its supply obligations through a combination of generation and energy purchases managed by PSEG ER&T. PSEG Power also enters into trading positions related to its generation assets and supply obligations. To the extent PSEG Power does not hedge its costs, PSEG Power will be subject to the risk of price fluctuations that could affect its future results including variability in costs, such as changes in the expected price of energy and capacity that PSEG Power sells into the market, increases in the price of energy purchased to meet its supply obligations or the amount of excess energy sold into the market, the cost of fuel to generate electricity and the cost of emission credits and congestion credits that are used by PSEG Power to transmit electricity.

Third Party Credit Risk. In the bilateral markets, Exelon Generation and PSEG Power are exposed to the risk that counterparties that owe them money or energy as a result of market transactions will not perform their obligations. For example, energy supplied by third-party generators under long-term agreements represents a significant portion of Exelon Generation's overall capacity and may provide a significant portion of PSEG's NJBPU auction load requirements. These generators face operational risks, such as those that Exelon Generation and PSEG Power face, and their ability to perform depends on their financial condition. If the counterparties to these arrangements fail to perform, Exelon Generation and PSEG Power might be forced to honor the underlying commitment at then-current market prices and incur additional losses, to the extent of amounts, if any, already paid to the counterparties, and increased cost of energy or capacity to the extent the market price exceeds the contract price. In the spot markets, Exelon Generation and PSEG Power are exposed to the risks of whatever default mechanisms exist in that market, some of which attempt to spread the risk across all participants, which may not be an effective way of lessening the severity of the risk and the amounts at stake.

Risk of Credit Downgrades. Exelon Generation's and PSEG Power's trading businesses are, and the trading business of the combined company will be, required to meet credit quality standards. If either of Exelon Generation or PSEG Power, or the generation business of the combined company after the merger, were to lose its investment grade credit rating, it would be required under trading agreements to provide collateral in the form of letters of credit or cash, which may materially adversely affect the liquidity of Exelon or PSEG, or after completion of the merger, the combined company. If Exelon Generation had lost its investment grade credit rating as of March 31, 2005, it would have been required to provide approximately \$920 million in collateral. If PSEG Power had lost its investment grade credit rating as of March 31, 2005, it would have been required to provide approximately \$869 million in collateral.

Impairment of ComEd's goodwill could adversely affect the combined company's results of operation and could restrict ComEd's ability to pay dividends to the combined company.

At March 31, 2005, ComEd had recorded goodwill of approximately \$4.7 billion. This goodwill was recognized and recorded in connection with the merger of Unicom Corporation and PECO. Under generally accepted accounting principles, the goodwill will remain at its recorded amount unless it is determined to be impaired, based upon an annual (or more often as circumstances dictate) analysis of ComEd's expected future cash flows. If an impairment of goodwill is determined at ComEd, the amount of the impaired goodwill will be written off and expensed at ComEd. ComEd's cash flows include competitive transition charges, which will cease at the end of 2006, unless there is a legislative or regulatory change, and collections from traditional bundled customers at tariffed rates. ComEd's cash flows will be affected by other factors, including the restructuring of the power purchase agreement, referred to in this joint proxy statement/prospectus as a "PPA," with Exelon Generation. Absent another source of revenues to replace the loss of competitive transition charge revenue or

changes in its cost structure, there is a reasonable possibility that goodwill will be impaired at ComEd, and possibly Exelon, in 2005 or later periods. Under current regulations, a significant goodwill impairment may restrict ComEd's ability to pay dividends to the combined company with the result that the combined company's dividends would depend upon the receipt of dividends from other subsidiaries. For a discussion of potential impairment charges in connection with accounting for the merger under the purchase method of accounting, see "**Risks Relating to the Merger—The application of the purchase method of accounting will result in approximately \$8.1 billion of additional goodwill which could become impaired and adversely affect the market value of the combined company's common stock following completion of the merger**" on page 22 of this joint proxy statement/prospectus.

The Internal Revenue Service might successfully challenge certain leveraged lease transactions entered into by PSEG, which could have a material adverse impact on the combined company's operating results.

In 1996 through 2002, PSEG, through its subsidiary PSEG Resources, entered into a number of leveraged leasing transactions in the ordinary course of PSEG Resources' business. The IRS is likely to argue that certain of those transactions are of a type that it has announced its intention to challenge, and PSEG and Exelon understand that similar transactions entered into by other companies have been the subject of review and challenge by the IRS. As of March 31, 2005, the total gross investment by PSEG Resources in such transactions was approximately \$1.4 billion.

The IRS is presently reviewing the tax returns of PSEG and its subsidiaries for tax years 1997 through 2000, years when PSEG Resources entered into these transactions. The IRS is aware of these lease transactions and has requested information and documents associated with them. To date, the IRS has not proposed to disallow any deductions claimed relative to these transactions, but may propose such disallowances in the future. If the tax benefits associated with the lease transactions were successfully challenged by the IRS, PSEG or, following completion of the merger, the combined company would be assessed interest and possibly penalties in addition to any underpayments of tax. During the time period of 1997 through 2000, these transactions reduced current tax liabilities of PSEG by approximately \$240 million and during the subsequent time period of 2001 through 2004, these and similar transactions reduced the current tax liabilities of PSEG by approximately \$345 million. Interest that would be assessed on these potential deficiencies, if associated deductions were disallowed, would be approximately \$140 million through March 31, 2005.

It is presently unclear the extent to which the IRS will seek to disallow deductions associated with lease transactions, if at all, and, if it were to do so, the extent to which any such challenge would be successful. If deductions associated with these transactions entered into by PSEG were successfully challenged by the IRS, it could have a material adverse impact on the combined company's operating results and could impact future returns on these transactions.

The Financial Accounting Standards Board, referred to in this joint proxy statement/prospectus as "FASB," is currently considering a modification to the Generally Accepted Accounting Principles, referred to in this joint proxy statement/prospectus as "GAAP," for leveraged leases. Under present GAAP, a tax settlement with the IRS that results merely in a change in the timing of tax liabilities would not require an accounting repricing of the lease investment. As such, income from the lease would continue to accrue at the original economic yield computed for the lease and there would be no writedown of the lease investment.

A modification currently being considered by the FASB could require a lease to be repriced if a change in the timing of tax liabilities has a significant impact on the economic yield of the lease and to be retested to determine if it qualifies for leveraged lease accounting. If this or a similar modification were to be adopted by the FASB, a successful challenge by the IRS to the tax treatment of the leases referred to above (or a settlement with the IRS), could trigger a lease repricing. If a repricing were to occur, there could be a material adverse impact on the combined company's operating results. Further,

such a successful challenge or settlement may cause the lease to fail to qualify for leveraged lease accounting. Failure to so qualify would require that the non-recourse debt associated with the lease be brought onto the balance sheet of the combined company, which also could have a material adverse impact on the combined company's operating results. It is presently unclear what modifications, if any, will be adopted by the FASB, the timing of any such modification and the effect of any such modification on the operating results of PSEG or the combined company.

The IRS might successfully challenge certain tax positions taken by Exelon in connection with certain sale transactions, which could have a material adverse impact on the combined company's operating results.

Exelon, through its ComEd subsidiary, has taken certain tax positions, which have been disclosed to the IRS, to defer the tax gain on a 1999 sale of its fossil generating assets. As of March 31, 2005, deferred tax liabilities related to the fossil plant sale are reflected in Exelon's consolidated balance sheets, with the majority allocated to the consolidated balance sheets of ComEd and the remainder to the consolidated balance sheets of Exelon Generation. The 1999 income tax liability deferred as a result of these transactions was approximately \$1.1 billion. Exelon's ability to defer a portion of this liability depends on whether its characterization of a portion of the sales proceeds as having been received in connection with an "involuntary conversion" is proper. Exelon's ability to defer the remainder of this liability may depend in part on whether its tax characterization of a lease transaction it entered into in connection with the sale is proper. The IRS might argue that the lease transaction is of a type it has announced its intention to challenge, and Exelon understands that somewhat similar transactions entered into by other companies have been the subject of review and challenge by the IRS. Changes in IRS interpretations of existing primary tax authority or challenges to Exelon's tax positions could have the impact of accelerating future income tax payments and increasing interest expense related to the deferred tax gain that becomes current. Any required payments could be significant to the cash flows of Exelon. Exelon's management believes Exelon's reserve for interest, which has been established in the event that such positions are not sustained, has been appropriately recorded in accordance with SFAS No. 5, "Accounting for Contingencies." However, the ultimate outcome of such matters could result in additional unfavorable adjustments to the results of operations, and such adjustments could be material. Federal tax returns covering the period of the 1999 sale are currently under IRS audit. Final resolution of this matter is not anticipated for several years.

It is presently unclear the extent to which the IRS will seek to disallow the deferral of tax liability resulting from the 1999 sale of fossil generating assets, if at all, and if it were to do so, the extent to which any such challenge would be successful. If the deferral were successfully challenged by the IRS, it could have a material adverse impact on the combined company's operating results.

Because a portion of the combined company's business will be conducted outside the United States, adverse international developments could negatively impact its business.

Following completion of the merger and prior to implementing the combined company's anticipated strategy of divesting assets that do not meet the strategic objectives of the combined company, it is expected that approximately 5% of its assets will be outside the United States and 3% of its revenue will be generated from sources outside the United States, most of which will be held by and generated from PSEG Global.

The economic and political conditions in certain countries where PSEG Global has interests present risks that may be different from, or more extensive than, those found in the United States including:

- foreign currency fluctuations;
- risks of war;

- expropriation;
- nationalization;
- renegotiation or nullification of existing contracts; and
- changes in law or tax policy.

Changes in the legal environment in foreign countries in which PSEG Global has investments could make it more difficult to obtain non-recourse project refinancing on suitable terms and could impair PSEG Global's ability to enforce its rights under agreements relating to such projects. In addition, such changes could make it more difficult for the combined company to pursue an accelerated strategy of selling certain of PSEG Global's investments that no longer meet strategic objectives of the combined company.

Operations in foreign countries also present risks associated with currency exchange and convertibility, inflation and repatriation of earnings. In countries in which PSEG Global operates in the future, economic and monetary conditions and other factors could affect PSEG Global's ability to convert its cash distributions to United States dollars or other freely convertible currencies, or to move funds offshore from these countries. Furthermore, the central bank of any of these countries may have the authority to suspend, restrict or otherwise impose conditions on foreign exchange transactions or to approve distributions to foreign investors. Although PSEG Global generally seeks to structure power purchase contracts and other project revenue agreements to provide for payments to be made in, or indexed to, United States dollars or a currency freely convertible into United States dollars, its ability to do so in all cases may be limited.

Market performance will affect the combined company's decommissioning trust funds and benefit plan asset values.

The performance of the capital markets will affect the value of the assets that are held in trust to satisfy the combined company's future obligations under its pension and post-retirement benefit plans and to decommission nuclear generating plants. A decline in the market value of those assets, as was experienced from 2000 to 2002, may increase the combined company's funding requirements for these obligations.

The combined company's results of operations and cash flows may be affected by its ability to divest unprofitable or under-performing businesses.

The combined company will pursue opportunities to sell businesses and assets that either do not meet the strategic objectives of the combined company or are unprofitable. The combined company may incur significant expenses in divesting these businesses. The combined company also may be unable to implement successfully this strategy for a number of reasons, including an inability to locate appropriate buyers or to negotiate acceptable terms for the transactions. In addition, the amounts that the combined company may realize from a divestiture are subject to fluctuating market conditions that may contribute to pricing and other terms that are materially different than expected and could result in a loss on the sale. Timing of any divestitures may positively or negatively affect the combined company's results of operations and cash flows.

War and acts and threats of terrorism may adversely affect the combined company's results of operations, the combined company's ability to raise capital and its future growth.

Exelon and PSEG do not fully know the impact that any future terrorist attacks may have on the industry in general and on the combined company in particular. In addition, any retaliatory military strikes or sustained military campaign may affect the combined company's operations in unpredictable ways, such as changes in insurance markets and disruptions of fuel supplies and markets, particularly

oil. The possibility alone that infrastructure facilities, such as electric generation, electric and gas transmission and distribution facilities, would be direct targets of, or indirect casualties of, an act of terror may affect the combined company's operations. Additionally, the continuing military activity in Iraq and other wars may have an adverse effect on the economy in general. A lower level of economic activity might result in a decline in energy consumption, which may adversely affect the combined company's revenues or restrict its future growth. Instability in the financial markets as a result of terrorism or war may affect the combined company's stock price and its ability to raise capital.

The combined company may incur substantial costs to fulfill its obligations related to environmental matters.

Subsidiaries of Exelon and PSEG are subject to extensive environmental regulation by local, state and federal authorities. These laws and regulations affect the manner in which Exelon and PSEG and their subsidiaries conduct their operations and make capital expenditures. Further, such laws and regulations are subject to future changes that may result in increased compliance costs. For example, on March 10, 2005 the United States Environmental Protection Agency finalized more stringent nitrogen oxide ("NOx") and sulfur dioxide ("SO2") regulation for the eastern United States that will take effect in two phases, Phase I in 2010 and Phase II in 2015. Similarly, on March 15, 2005 the EPA also finalized "cap-and-trade" based mercury regulations that must be implemented in two phases on roughly the same timeline. Subsidiaries of Exelon and PSEG are subject to liability under environmental laws for the costs of remediating environmental contamination of property now or formerly owned by them and of property contaminated by hazardous substances they generated. Remediation activities associated with manufactured gas plant operations for subsidiaries of Exelon and PSEG will be one source of such costs. Also, subsidiaries of Exelon and PSEG are currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future. In addition, most of PSEG's generating facilities are located in the State of New Jersey. In particular, New Jersey's environmental programs are generally considered to be more stringent in comparison to similar programs in other states. Therefore, there may be instances where the facilities located in New Jersey are subject to more stringent and, therefore, more costly pollution control requirements than competitive facilities in other states. The Salem nuclear generating facility has a permit from the New Jersey Department of Environment Protection allowing for the continued operation of the Salem facility with its existing cooling water system. That permit expires in July 2006. The NJDEP, in anticipation of PSEG's application to renew the permit for Salem, has advised PSEG that it strongly recommends that cooling water intake flow at the Salem facility be reduced commensurate with closed cycle cooling. The application of Federal Water Pollution Control Act Section 316(b) regulations published in 2004 could, as one option, require the installation of structures at the Salem facility to reduce cooling water intake commensurate with closed cycle cooling, which would result in material costs of compliance for the combined company. The regulations under Section 316(b) of the FWPCA could also result in material costs of compliance at other generating facilities of the combined company.

Exelon and PSEG retain contingent liabilities in connection with asset sales.

Exelon and PSEG have each divested assets or businesses for aggregate consideration (purchase price plus debt assumed) in the amount of approximately \$2.6 billion and approximately \$1.5 billion, respectively, over the last three years. We have entered into a number of agreements for the sale of assets that include provisions whereby we are required to:

- retain specified preexisting liabilities such as for taxes and pensions;
- indemnify the buyers against specified risks, including the inaccuracy of representations and warranties we made; and

- require payments to the buyers depending on the outcome of post-closing adjustments, audits or other reviews.

Many of these contingent liabilities can remain open for extended periods of time after the sales are closed. Depending on the extent to which the buyers may ultimately seek to enforce their rights under these contractual provisions, and the resolution of any disputes we may have concerning them, these liabilities could have a material adverse effect on our financial condition, liquidity, cash flow and results of operations.

Each of Exelon and PSEG has established reserves with respect to the obligations under the agreements described above; however, we cannot assure you that such reserves would be sufficient to cover any payments required under the agreements described above.

FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this joint proxy statement/prospectus, including in the documents that are incorporated by reference into this joint proxy statement/prospectus, that are subject to risks and uncertainties. These statements are based on the current expectations of each company's management. Generally, forward-looking statements include information concerning possible or assumed future actions, events or results of operations of Exelon, PSEG and the combined company. Forward-looking statements include the information in this joint proxy statement/prospectus regarding:

- management forecasts, projections and estimates;
- liquidity and the ability to access the capital and credit markets;
- regulatory matters;
- efficiencies/cost avoidance;
- cost savings;
- income and margins;
- earnings per share;
- economies of scale;
- combined operations;
- the economy;
- future economic performance;
- conditions to, and the timetable for, completing the merger;
- future acquisitions and dispositions;
- litigation;
- potential and contingent liabilities;
- management's plans;
- business portfolios;
- taxes; and
- merger and integration-related expenses.

These statements may be preceded by, followed by or include the words "may," "will," "should," "could," "would," "potential," "possible," "believes," "expects," "anticipates," "intends," "plans," "estimates," "hopes" or similar expressions. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements.

Forward-looking statements are not guarantees of performance. You should understand that the following important factors, in addition to those discussed in "Risk Factors" above and elsewhere in this joint proxy statement/prospectus, and in the documents which are incorporated by reference into this joint proxy statement/prospectus, could affect the future results of Exelon and PSEG, and of the combined company after completion of the merger, and could cause those results or other outcomes to differ materially from those expressed or implied in our forward-looking statements:

- Exelon and PSEG may be unable to obtain shareholder approvals required for completion of the merger;

- Exelon and PSEG may be unable to obtain regulatory approvals required for completion of the merger, or required regulatory approvals may delay the merger or result in the imposition of conditions that could have a material adverse effect on the combined company or cause the companies to abandon the merger;
- problems may arise in successfully integrating the businesses of the companies, which may result in the combined company not operating as effectively and efficiently as expected;
- the combined company may be unable to achieve cost-cutting synergies or it may take longer than expected to achieve those synergies;
- the merger may involve unexpected costs or unexpected liabilities, or the effects of purchase accounting may be different from Exelon's and PSEG's expectations;
- the credit ratings of the combined company or its subsidiaries may be different from what Exelon and PSEG expect;
- the businesses of Exelon and PSEG may suffer as a result of uncertainty surrounding the merger;
- Exelon and PSEG may experience more difficulties than expected in achieving operating improvements at jointly owned nuclear generating facilities;
- Exelon and PSEG may not realize the values expected to be obtained for properties expected or required to be divested;
- the industry may be subject to future regulatory or legislative actions that could further limit revenues or cost recoveries or impose additional costs or otherwise adversely affect Exelon, PSEG or the combined company;
- Exelon and PSEG may be adversely affected by other economic, business and competitive factors and volatility of energy and commodities markets;
- changes in accounting policies, practices or their interpretations; and
- the factors described in Exelon's and PSEG's reports filed with the SEC.

Because forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Shareholders are cautioned not to place undue reliance on such statements, which speak only as of the date of this joint proxy statement/prospectus or the date of any document incorporated by reference.

All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this joint proxy statement/prospectus and attributable to Exelon or PSEG or any person acting on either company's behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, neither Exelon nor PSEG undertakes any obligation to publicly release any revisions or updates to such forward-looking statements to reflect events or circumstances after the date of this joint proxy statement/prospectus or to reflect the occurrence of unanticipated events.

THE COMPANIES

Exelon Corporation

10 South Dearborn Street—37th Floor
 P.O. Box 805379
 Chicago, Illinois 60680-5379
 (312) 394-7398
 Internet address: www.exeloncorp.com

Exelon Corporation, a registered public utility holding company under the Public Utility Holding Company Act of 1935, as amended, through its subsidiaries, operates in two business segments—Energy Delivery and Generation as of January 1, 2005—as described below. Prior to January 1, 2005, Exelon operated in a third business segment, Enterprises. In addition to Exelon's two business segments, Exelon Business Services Company, a subsidiary of Exelon, provides Exelon and its subsidiaries with financial, human resource, legal, information technology, supply management and corporate governance services. Exelon was incorporated in Pennsylvania in February 1999.

Energy Delivery. Exelon's energy delivery business consists of the purchase and sale of electricity and distribution and transmission services by Commonwealth Edison Company in northern Illinois and by PECO Energy Company in southeastern Pennsylvania and the purchase and sale of natural gas and distribution services by PECO in the Pennsylvania counties surrounding the City of Philadelphia. ComEd's retail service territory has an area of approximately 11,300 square miles and an estimated population of 8 million. The service territory includes the City of Chicago, an area of about 225 square miles with an estimated population of 3 million. ComEd has approximately 3.76 million customers. PECO's retail service territory has an area of approximately 2,100 square miles and an estimated population of 3.8 million. PECO provides electric delivery service in an area of approximately 2,000 square miles, with a population of approximately 3.7 million, including 1.5 million in the City of Philadelphia. Natural gas service is supplied in an area of approximately 1,900 square miles in southeastern Pennsylvania adjacent to the city of Philadelphia, with a population of approximately 2.3 million. PECO delivers electricity to approximately 1.5 million customers and natural gas to approximately 460,000 customers.

Generation. Exelon's generation business consists of the owned and contracted for electric generating facilities and energy marketing operations of Exelon Generation Company, a 49.5% interest in two power stations in Mexico and the competitive retail sales business of Exelon Energy Company.

Generating Facilities. At December 31, 2004, Exelon Generation owned generation assets in the Midwest, Mid-Atlantic, Southern and Northeast regions and the state of Texas with a net capacity of 26,756 MWs, including 16,751 MWs of nuclear capacity. Exelon Generation controls another 8,701 MWs of capacity in the Midwest, Southeast regions and South Central regions of the state of Texas through long-term contracts.

Energy Marketing Operations. Exelon Generation's wholesale marketing unit, Power Team, a major wholesale marketer of energy, uses Exelon Generation's energy generation portfolio, transmission rights and expertise to ensure delivery of energy to Exelon Generation's wholesale customers under long-term and short-term contracts, including the load requirements of ComEd and PECO. In addition, Power Team markets energy in the wholesale bilateral and spot markets.

Retail Sale. Exelon Energy Company became part of Exelon Generation effective as of January 1, 2004. Exelon Energy provides retail electric and gas services as an unregulated retail energy supplier in Illinois, Michigan, Ohio, Pennsylvania and Kentucky.

Enterprises. Exelon's enterprise business was comprised of infrastructure and electrical contracting services of Exelon Enterprises Company, LLC and other investments weighted towards the communications and energy services industries. During 2004 and 2003, Enterprises exited a significant number of businesses and investments. Exelon plans to divest or wind-down the remaining assets of Enterprises during 2005.

Public Service Enterprise Group Incorporated

80 Park Plaza
P.O. Box 1171
Newark, New Jersey 07101-1171
(973) 430-7000
Internet address: www.pseg.com

Public Service Enterprise Group Incorporated is an exempt public utility holding company under PUHCA. PSEG has four principal direct wholly-owned subsidiaries: Public Service Electric and Gas Company, PSEG Power LLC, PSEG Energy Holdings L.L.C. and PSEG Services Corporation. PSEG was incorporated under the laws of the State of New Jersey in 1985.

PSE&G. PSE&G is an operating public utility company engaged principally in the transmission and distribution of electric energy and gas service in New Jersey. PSE&G provides electric and gas service in areas of New Jersey in which approximately 5.5 million people, about 70% of the State's population, reside. PSE&G's electric and gas service area is a corridor of approximately 2,600 square miles running diagonally across New Jersey from Bergen County in the northeast to an area below the city of Camden in the southwest. The greater portion of this area is served with both electricity and gas, but some parts are served with electricity only and other parts with gas only. This heavily populated, commercialized and industrialized territory encompasses most of New Jersey's largest municipalities, including its six largest cities—Newark, Jersey City, Paterson, Elizabeth, Trenton and Camden—in addition to approximately 300 suburban and rural communities. This service territory contains a diversified mix of commerce and industry, including major facilities of many nationally prominent corporations. PSE&G's load requirements are almost evenly split among residential, commercial and industrial customers.

PSEG Power. PSEG Power is a multi-regional, wholesale energy supply company that integrates its generating asset operations with its wholesale energy, fuel supply, energy trading and marketing and risk management function through three principal direct wholly-owned subsidiaries: PSEG Nuclear LLC, PSEG Fossil LLC and PSEG Energy Resources & Trade LLC.

PSEG Fossil. PSEG Fossil has a direct ownership interest in twelve generating stations in New Jersey, two in Pennsylvania, one in New York, two in Connecticut, one in Ohio and one in Indiana. PSEG Fossil also has an ownership interest in one hydroelectric pumped storage facility in New Jersey. PSEG Fossil uses coal, natural gas and oil for electric generation. These fuels are purchased through various contracts and in the spot market and represent a significant portion of PSEG Power's working capital requirements. Changes in the prices of these fuel sources can impact PSEG Power's costs and working capital requirements. The majority of PSEG Power's fossil generating stations obtain their fuel supply from within the United States.

PSEG Nuclear. PSEG Nuclear has an ownership interest in five nuclear generating units and operates three of them: the Salem Nuclear Generating Station, Units 1 and 2, each owned 57.41% by Nuclear and 42.59% by Exelon Generation, and the Hope Creek Nuclear Generating Station, which is 100% owned by PSEG Nuclear. Exelon Generation operates the Peach Bottom Atomic Power Station Units 2 and 3, each of which is 50% owned by PSEG Nuclear.

PSEG ER&T. PSEG ER&T purchases virtually all of the capacity and energy produced by PSEG Fossil and PSEG Nuclear. In conjunction with these purchases, PSEG ER&T uses commodity and financial instruments designed to cover estimated commitments for the New Jersey Basic Generation Service auction and other bilateral contract agreements. PSEG ER&T also markets electricity, capacity, ancillary services and natural gas products on a wholesale basis. PSEG ER&T is a fully integrated wholesale energy marketing and trading organization that is active in the long-term and spot wholesale energy markets.

PSEG Energy Holdings. PSEG Energy Holdings is a New Jersey limited liability company and is the successor to PSEG Energy Holdings Inc., which was originally incorporated in 1989. PSEG Energy Holdings has two principal direct wholly-owned subsidiaries, PSEG Global L.L.C. and PSEG Resources L.L.C. PSEG Global has pursued investment opportunities in electric generation, transmission and distribution facilities and is engaged in power production and distribution in selected domestic and international markets. PSEG Resources invests in energy-related financial transactions and manages a diversified portfolio of assets. Upon completion of the merger, the combined company intends to pursue opportunities to sell certain of PSEG Global's investments that do not meet the strategic objectives of the combined company.

PSEG Services. PSEG Services provides management and administrative services to PSEG and its subsidiaries. These include accounting, legal, communications, human resources, information technology, treasury and financial, investor relations, shareholder services, real estate, insurance, risk management, tax, library and information services, security, corporate secretarial and certain planning, budgeting and forecasting services. PSEG Services charges PSEG and its subsidiaries for the cost of work performed and services provided pursuant to the terms and conditions of intercompany service agreements.

**CHAPTER TWO
INFORMATION ABOUT THE ANNUAL MEETINGS AND VOTING**

THE EXELON ANNUAL MEETING

The Exelon board of directors is using this joint proxy statement/prospectus to solicit proxies from the holders of Exelon common stock for use at the annual meeting of Exelon's shareholders. Exelon is first mailing this joint proxy statement/prospectus and accompanying proxy card to Exelon shareholders on or about [•], 2005.

Date, Time and Place of Annual Meeting

The Exelon annual meeting of shareholders will be held on July 22, 2005 at 9:30 a.m., local time at PECO Energy Headquarters, 2301 Market Street, Philadelphia, Pennsylvania.

Purpose of the Annual Meeting

The purpose of the annual meeting is to take action upon the following:

- a proposal to approve the issuance of shares of Exelon common stock as contemplated by the merger agreement;
- the election of five Class II directors: Edward A. Brennan, Bruce DeMars, Nelson A. Diaz, John W. Rowe and Ronald Rubin, each for a three year term;
- a proposal to approve the amendment to Exelon's Amended and Restated Articles of Incorporation to increase the number of authorized shares of Exelon common stock from 1,200,000,000 to 2,000,000,000;
- a proposal to ratify PricewaterhouseCoopers LLP as Exelon's independent accountants for the year 2005;
- a proposal to approve the Exelon Corporation 2006 Long-Term Incentive Plan;
- a proposal to approve the Exelon Corporation Employee Stock Purchase Plan for Unincorporated Subsidiaries;
- any proposal of the Exelon board of directors to adjourn or postpone the Exelon annual meeting; and
- any other business that properly comes before the annual meeting and any adjournment or postponement thereof.

Record Date for the Annual Meeting

The Exelon board of directors has fixed the close of business on May 2, 2005 as the record date for determination of shareholders entitled to notice of and to vote at the Exelon annual meeting.

Outstanding Shares

As of May 2, 2005, the record date for the Exelon annual meeting, there were approximately 669,137,081 shares of Exelon common stock outstanding.

Shares Entitled to Vote

Shares entitled to vote at the Exelon annual meeting are shares of Exelon common stock held as of the close of business on the record date, May 2, 2005. Each shareholder is entitled to one vote at the Exelon annual meeting for each share of Exelon common stock held by that shareholder at the

close of business on the record date. Shares of Exelon common stock held by Exelon in its treasury are not voted.

Quorum, Abstentions and Broker Non-Votes

A quorum of Exelon shareholders is necessary to permit a particular matter to be considered and acted upon at the meeting. The presence in person or by proxy at the annual meeting of holders of issued and outstanding shares of Exelon common stock entitled to cast at least a majority of the votes that all shareholders are entitled to cast on a particular matter constitutes a quorum. Shares held by Exelon in its treasury do not count towards a quorum. Broker non-votes (so long as such shares are voted on the director proposal or proposal to ratify Exelon's independent accountants) and abstentions count as present for establishing a quorum. A broker non-vote occurs on an item when the broker is not permitted to vote on that item without instruction from the beneficial owner of the shares of Exelon common stock and the beneficial owner gives no instruction as to voting of the shares. Under New York Stock Exchange rules, your broker or bank does not have discretionary authority to vote your shares on the proposal to issue shares of Exelon common stock as contemplated by the merger agreement, the proposal to approve the Exelon Corporation 2006 Long-Term Incentive Plan or the proposal to approve the Exelon Corporation Employee Stock Purchase Plan for Unincorporated Subsidiaries. Without your voting instructions on those items, a broker non-vote will occur.

Vote Required

The proposals require different percentages of votes in order to approve them:

- approval of the proposal to issue shares of Exelon common stock as contemplated by the merger agreement requires the affirmative vote of at least a majority of the votes cast by holders of shares of Exelon common stock present in person or by proxy and entitled to vote so long as the total vote cast on the proposal represents at least a majority of the shares of Exelon common stock entitled to vote on the proposal, assuming a quorum is present;
- directors are elected by a plurality vote, with the five nominees who receive the most votes elected, assuming a quorum is present;
- approval of the proposal to amend Exelon's Amended and Restated Articles of Incorporation to increase the number of authorized shares of Exelon common stock from 1,200,000,000 to 2,000,000,000 requires the affirmative vote of at least a majority of the votes cast by holders of shares of Exelon common stock present in person or by proxy and entitled to vote, assuming a quorum is present;
- approval of the proposal to approve the Exelon Corporation 2006 Long-Term Incentive Plan and the Exelon Corporation Employee Stock Purchase Plan for Unincorporated Subsidiaries requires the affirmative vote of at least a majority of the votes cast by holders of shares of Exelon common stock present in person or by proxy and entitled to vote so long as the total vote cast on the proposal represents at least a majority of the shares of Exelon common stock entitled to vote on the proposal, assuming a quorum is present;
- approval of a proposal by the Exelon board of directors to adjourn or postpone the meeting requires the affirmative vote a majority of the votes cast by holders of shares of Exelon common stock present in person or by proxy at the meeting, whether or not a quorum is present; and
- approval of all other proposals requires the affirmative vote of a majority of the votes cast by holders of shares of Exelon common stock present in person or by proxy and entitled to vote, assuming a quorum is present.

Abstentions and broker non-votes are not counted as votes cast on a proposal.