

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

<i>(In millions)</i>	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
STATEMENTS OF INCOME				
REVENUES:				
Electric sales	\$ 241	\$ 227	\$ 486	\$ 453
Excise tax collections	15	16	32	31
Total revenues	<u>256</u>	<u>243</u>	<u>518</u>	<u>484</u>
OPERATING EXPENSES:				
Purchased power from affiliates	7	6	15	12
Purchased power from non-affiliates	22	19	48	53
Other operating expenses	61	81	158	165
Provision for depreciation	25	25	50	49
Amortization (deferral) of regulatory assets, net	(18)	2	(21)	(2)
General taxes	46	44	92	89
Total operating expenses	<u>143</u>	<u>177</u>	<u>342</u>	<u>366</u>
OPERATING INCOME	<u>113</u>	<u>66</u>	<u>176</u>	<u>118</u>
OTHER INCOME (EXPENSE):				
Miscellaneous income, net	5	2	9	5
Interest expense	(21)	(24)	(41)	(50)
Total other expense	<u>(16)</u>	<u>(22)</u>	<u>(32)</u>	<u>(45)</u>
INCOME BEFORE INCOME TAXES	97	44	144	73
INCOME TAXES	<u>19</u>	<u>15</u>	<u>27</u>	<u>26</u>
NET INCOME	<u>\$ 78</u>	<u>\$ 29</u>	<u>\$ 117</u>	<u>\$ 47</u>
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME	<u>\$ 78</u>	<u>\$ 29</u>	<u>\$ 117</u>	<u>\$ 47</u>
OTHER COMPREHENSIVE INCOME (LOSS):				
Pension and OPEB prior service costs	(1)	(1)	(2)	(2)
Other comprehensive income (loss)	(1)	(1)	(2)	(2)
Income taxes (benefits) on other comprehensive income (loss)	(1)	(1)	(1)	(1)
Other comprehensive income (loss), net of tax	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>(1)</u>
COMPREHENSIVE INCOME	<u>\$ 78</u>	<u>\$ 29</u>	<u>\$ 116</u>	<u>\$ 46</u>

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(In millions, except share amounts)</i>	June 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ —	\$ 50
Restricted cash	12	13
Receivables-		
Customers, net of allowance for uncollectible accounts of \$7 in 2018 and \$6 in 2017	127	123
Affiliated companies	28	38
Other	13	9
Notes receivable from affiliated companies	52	19
Prepaid taxes and other	2	3
	<u>234</u>	<u>255</u>
UTILITY PLANT:		
In service	3,202	3,155
Less — Accumulated provision for depreciation	1,267	1,236
	<u>1,935</u>	<u>1,919</u>
Construction work in progress	44	40
	<u>1,979</u>	<u>1,959</u>
OTHER PROPERTY AND INVESTMENTS	10	10
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	1,689	1,689
Property taxes	57	116
Other	34	7
	<u>1,780</u>	<u>1,812</u>
	<u>\$ 4,003</u>	<u>\$ 4,036</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 322	\$ 322
Short-term borrowings - affiliated companies	2	2
Accounts payable-		
Affiliated companies	38	37
Other	10	8
Accrued taxes	118	118
Accrued interest	15	15
Other	37	38
	<u>542</u>	<u>540</u>
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, without par value, authorized 105,000,000 shares - 67,930,743 shares outstanding	1,230	1,228
Accumulated other comprehensive loss	(2)	(1)
Retained earnings	380	314
Total common stockholder's equity	<u>1,608</u>	<u>1,541</u>
Long-term debt and other long-term obligations	1,071	1,082
	<u>2,679</u>	<u>2,623</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	292	279
Retirement benefits	93	123
Regulatory liabilities	160	174
Property taxes	57	116
Other	180	181
	<u>782</u>	<u>873</u>
	<u>\$ 4,003</u>	<u>\$ 4,036</u>

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(In millions)</i>	For the Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 117	\$ 47
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization (deferral) of regulatory assets, net	41	46
Deferred income taxes and investment tax credits, net	8	(19)
Pension trust contribution	(31)	—
Change in current assets and liabilities-		
Receivables	2	(4)
Accounts payable	3	(4)
Accrued taxes	—	6
Other current liabilities	(4)	4
Long-term PJM receivables	(24)	—
Other	(3)	(12)
Net cash provided from operating activities	109	64
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Long-term debt	—	112
Redemptions and Repayments-		
Long-term debt	(9)	(139)
Common stock dividend payments	(50)	—
Other	(2)	(2)
Net cash used for financing activities	(61)	(29)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(58)	(56)
Loans to affiliated companies, net	(33)	28
Asset removal costs	(8)	(6)
Net cash used for investing activities	(99)	(34)
Net change in cash, cash equivalents and restricted cash	(51)	1
Cash, cash equivalents and restricted cash at beginning of period	63	12
Cash, cash equivalents and restricted cash at end of period	\$ 12	\$ 13