

**THE TOLEDO EDISON COMPANY AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017**

**THE TOLEDO EDISON COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(Unaudited)

<i>(In thousands)</i>	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
<b>STATEMENTS OF INCOME</b>				
<b>REVENUES:</b>				
Electric sales	\$ 106,231	\$ 116,209	\$ 213,245	\$ 231,196
Excise tax collections	7,282	6,424	14,211	13,100
Total revenues	113,513	122,633	227,456	244,296
<b>OPERATING EXPENSES:</b>				
Purchased power from affiliates	2,772	3,434	6,602	7,192
Purchased power from non-affiliates	9,680	11,677	21,371	26,502
Other operating expenses	30,737	56,357	77,417	110,237
Provision for depreciation	9,414	9,376	18,722	18,812
Deferral of regulatory assets, net	(9,045)	(3,156)	(12,228)	(5,651)
General taxes	15,136	14,734	30,561	29,792
Total operating expenses	58,694	92,422	142,445	186,884
<b>OPERATING INCOME</b>	54,819	30,211	85,011	57,412
<b>OTHER INCOME (EXPENSE):</b>				
Miscellaneous income, net	2,530	2,219	21,702	4,176
Interest expense	(9,047)	(8,857)	(18,144)	(17,695)
Total other income (expense)	(6,517)	(6,638)	3,558	(13,519)
<b>INCOME BEFORE INCOME TAXES</b>	48,302	23,573	88,569	43,893
<b>INCOME TAXES</b>	9,260	8,177	16,953	15,319
<b>NET INCOME</b>	\$ 39,042	\$ 15,396	\$ 71,616	\$ 28,574
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>				
<b>NET INCOME</b>	\$ 39,042	\$ 15,396	\$ 71,616	\$ 28,574
<b>OTHER COMPREHENSIVE LOSS:</b>				
Pension and OPEB prior service costs	(597)	(593)	(1,146)	(1,176)
Change in unrealized gain on available-for-sale securities	—	(6,839)	—	(6,187)
Other comprehensive loss	(597)	(7,432)	(1,146)	(7,363)
Income tax benefits on other comprehensive loss	(131)	(2,653)	(1,093)	(2,628)
Other comprehensive loss, net of tax	(466)	(4,779)	(53)	(4,735)
<b>COMPREHENSIVE INCOME</b>	\$ 38,576	\$ 10,617	\$ 71,563	\$ 23,839

**THE TOLEDO EDISON COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

<i>(In thousands, except share amounts)</i>	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 721	\$ 726
Restricted cash	2,168	2,364
Receivables-		
Customers, net of allowance for uncollectible accounts of \$2,858 in 2018 and \$2,923 in 2017	53,953	51,660
Affiliated companies	23,734	25,003
Other, net of allowance for uncollectible accounts of \$430 in 2018 and \$172 in 2017	6,156	6,096
Notes receivable from affiliated companies	25,842	23,033
Prepaid taxes and other	1,986	1,820
	<u>114,560</u>	<u>110,702</u>
<b>UTILITY PLANT:</b>		
In service	1,190,794	1,176,034
Less — Accumulated provision for depreciation	<u>567,004</u>	<u>555,606</u>
	623,790	620,428
Construction work in progress	13,047	12,794
	<u>636,837</u>	<u>633,222</u>
<b>OTHER PROPERTY AND INVESTMENTS</b>	1,021	1,097
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	500,576	500,576
Regulatory assets	37,596	35,122
Property taxes	15,750	32,493
Other	15,462	3,032
	<u>569,384</u>	<u>571,223</u>
	<u>\$ 1,321,802</u>	<u>\$ 1,316,244</u>
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>CURRENT LIABILITIES:</b>		
Currently payable long-term debt	\$ 2,706	\$ 2,756
Accounts payable-		
Affiliated companies	17,071	17,196
Other	4,096	4,134
Accrued taxes	35,077	34,768
Other	19,562	21,544
	<u>78,512</u>	<u>80,398</u>
<b>CAPITALIZATION:</b>		
Common stockholder's equity-		
Common stock, \$5 par value, authorized 60,000,000 shares - 29,402,054 shares outstanding	147,010	147,010
Other paid-in capital	311,956	311,320
Accumulated other comprehensive income	2,878	2,931
Retained earnings	114,751	63,977
Total common stockholder's equity	576,595	525,238
Noncontrolling interest	2,602	2,602
Total equity	<u>579,197</u>	<u>527,840</u>
Long-term debt and other long-term obligations	389,078	390,330
	<u>968,275</u>	<u>918,170</u>
<b>NONCURRENT LIABILITIES:</b>		
Accumulated deferred income taxes	87,270	84,184
Retirement benefits	40,679	53,753
Asset retirement obligations	1,341	1,300
Property taxes	15,750	32,493
Other	129,975	145,946
	<u>275,015</u>	<u>317,676</u>
	<u>\$ 1,321,802</u>	<u>\$ 1,316,244</u>

**THE TOLEDO EDISON COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

For the Six Months  
Ended June 30,

<i>(In thousands)</i>	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 71,616	\$ 28,574
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and deferral of regulatory assets, net	10,784	13,161
Deferred rents and lease market valuation liability	—	(2,252)
Deferred income taxes and investment tax credits, net	(2,503)	(8,139)
Pension trust contribution	(11,000)	—
Retirement benefits, net of payments	(21,047)	(854)
Changes in current assets and liabilities-		
Receivables	(1,084)	3,225
Prepaid taxes and other	(165)	127
Accounts payable	(163)	(4,907)
Accrued taxes	309	(2,458)
Other current liabilities	(2,696)	(5,750)
Long-term PJM receivables	(11,708)	—
Other	10,990	9,056
Net cash provided from operating activities	<u>43,333</u>	<u>29,783</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Redemptions and Repayments-		
Long-term debt	(653)	(640)
Common stock dividend payment	(20,000)	—
Other	(728)	(772)
Net cash used for financing activities	<u>(21,381)</u>	<u>(1,412)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(17,541)	(16,695)
Loans to affiliated companies, net	(2,809)	(8,522)
Sales of investment securities held in trusts	—	76,676
Purchases of investment securities held in trusts	—	(77,247)
Other	(1,803)	(2,058)
Net cash used for investing activities	<u>(22,153)</u>	<u>(27,846)</u>
Net change in cash, cash equivalents and restricted cash	(201)	525
Cash, cash equivalents and restricted cash at beginning of period	3,090	2,569
Cash, cash equivalents and restricted cash at end of period	<u>\$ 2,889</u>	<u>\$ 3,094</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Non-cash transaction: Affiliated net asset transfer <sup>(1)</sup>	<u>\$ —</u>	<u>\$ 34,458</u>

<sup>(1)</sup> During the second quarter of 2017, in connection with FirstEnergy Nuclear Generation, LLC (NG), a subsidiary of FirstEnergy Solutions Corp. (FES), purchasing the lessor equity interests of the remaining non-affiliated leasehold interest from an owner participant in the Beaver Valley Unit 2 sale leaseback and the expiration of the leases, Toledo Edison Company (TE) transferred an Asset Retirement Obligation (ARO) of \$22 million and Nuclear Decommissioning Trust (NDT) assets of \$93 million associated with their leasehold interests to NG, with the difference of \$34 million reducing the common stock of TE.