

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 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 March 31,	
	2018	2017
<u>STATEMENTS OF INCOME</u>		
REVENUES:		
Electric sales	\$ 245	\$ 226
Excise tax collections	17	15
Total revenues	262	241
OPERATING EXPENSES:		
Purchased power from affiliates	—	6
Purchased power from non-affiliates	34	34
Other operating expenses	97	84
Provision for depreciation	25	24
Deferral of regulatory assets, net	(3)	(4)
General taxes	46	45
Total operating expenses	199	189
OPERATING INCOME	63	52
OTHER INCOME (EXPENSE):		
Miscellaneous income	4	3
Interest expense	(20)	(26)
Total other expense	(16)	(23)
INCOME BEFORE INCOME TAXES	47	29
INCOME TAXES	8	11
NET INCOME	\$ 39	\$ 18
<u>STATEMENTS OF COMPREHENSIVE INCOME</u>		
NET INCOME	\$ 39	\$ 18
OTHER COMPREHENSIVE LOSS:		
Pension and OPEB prior service costs	(1)	(1)
Other comprehensive loss	(1)	(1)
Income tax benefits on other comprehensive loss	—	—
Other comprehensive loss, net of tax	(1)	(1)
COMPREHENSIVE INCOME	\$ 38	\$ 17

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

<i>(In millions, except share amounts)</i>	March 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ —	\$ 50
Restricted cash	7	13
Receivables-		
Customers, net of allowance for uncollectible accounts of \$7 in 2018 and \$6 in 2017	119	123
Affiliated companies	39	38
Other	8	9
Notes receivable from affiliated companies	37	19
Prepaid taxes and other	1	3
	<u>211</u>	<u>255</u>
UTILITY PLANT:		
In service	3,176	3,155
Less — Accumulated provision for depreciation	1,253	1,236
	<u>1,923</u>	<u>1,919</u>
Construction work in progress	43	40
	<u>1,966</u>	<u>1,959</u>
OTHER PROPERTY AND INVESTMENTS	<u>10</u>	<u>10</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	1,689	1,689
Property taxes	85	116
Other	12	7
	<u>1,786</u>	<u>1,812</u>
	<u>\$ 3,973</u>	<u>\$ 4,036</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 321	\$ 322
Short-term borrowings - affiliated companies	2	2
Accounts payable-		
Affiliated companies	35	37
Other	12	8
Accrued taxes	131	118
Accrued interest	24	15
Other	37	38
	<u>562</u>	<u>540</u>
CAPITALIZATION:		
Common stockholder's equity-		
Common stock, without par value, authorized 105,000,000 shares - 67,930,743 shares outstanding	1,229	1,228
Accumulated other comprehensive loss	(2)	(1)
Retained earnings	327	314
Total common stockholder's equity	<u>1,554</u>	<u>1,541</u>
Long-term debt and other long-term obligations	1,072	1,082
	<u>2,626</u>	<u>2,623</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	280	279
Retirement benefits	93	123
Regulatory liabilities	175	174
Property taxes	57	116
Other	180	181
	<u>785</u>	<u>873</u>
	<u>\$ 3,973</u>	<u>\$ 4,036</u>

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

<i>(In millions)</i>	For the Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 39	\$ 18
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and deferral of regulatory assets, net	29	20
Deferred income taxes and investment tax credits, net	(3)	(11)
Pension trust contribution	(31)	—
Change in current assets and liabilities-		
Receivables	4	5
Prepaid taxes and other	2	(4)
Accounts payable	2	(3)
Accrued taxes	(16)	(6)
Accrued interest	9	14
Other current liabilities	(6)	(11)
Other	(2)	8
Net cash provided from operating activities	27	30
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemptions and Repayments-		
Long-term debt	(9)	(9)
Common stock dividend payment	(25)	—
Other	(1)	(1)
Net cash used for financing activities	(35)	(10)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(27)	(27)
Loans to affiliated companies, net	(18)	7
Asset removal costs	(3)	(4)
Net cash used for investing activities	(48)	(24)
Net change in cash and cash equivalents and restricted cash	(56)	(4)
Cash and cash equivalents and restricted cash at beginning of period	63	12
Cash and cash equivalents and restricted cash at end of period	\$ 7	\$ 8