

OHIO EDISON COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

OHIO EDISON 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 | \$ 391 | \$ 390 |
| Excise and gross receipts tax collections | 28 | 26 |
| Total revenues | 419 | 416 |
| OPERATING EXPENSES: | | |
| Purchased power from affiliates | — | 19 |
| Purchased power from non-affiliates | 88 | 77 |
| Other operating expenses | 143 | 151 |
| Provision for depreciation | 30 | 29 |
| Deferral of regulatory assets, net | (6) | (11) |
| General taxes | 54 | 52 |
| Total operating expenses | 309 | 317 |
| OPERATING INCOME | 110 | 99 |
| OTHER INCOME (EXPENSE): | | |
| Miscellaneous income | 44 | 5 |
| Interest expense | (17) | (17) |
| Capitalized financing costs | 1 | 2 |
| Total other income (expense) | 28 | (10) |
| INCOME BEFORE INCOME TAXES | 138 | 89 |
| INCOME TAXES | 28 | 32 |
| NET INCOME | \$ 110 | \$ 57 |
| <u>STATEMENTS OF COMPREHENSIVE INCOME</u> | | |
| NET INCOME | \$ 110 | \$ 57 |
| OTHER COMPREHENSIVE INCOME (LOSS): | | |
| Pension and OPEB prior service costs | (2) | (2) |
| Other comprehensive loss | (2) | (2) |
| Income tax benefits on other comprehensive loss | (3) | (1) |
| Other comprehensive income (loss), net of tax | 1 | (1) |
| COMPREHENSIVE INCOME | \$ 111 | \$ 56 |

OHIO EDISON 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 | \$ 30 | \$ 330 |
| Restricted cash | 3 | 5 |
| Receivables- | | |
| Customers, net of allowance for uncollectible accounts of \$8 in 2018 and 2017 | 188 | 192 |
| Affiliated companies | 67 | 62 |
| Other | 17 | 21 |
| Notes receivable from affiliated companies | 366 | 39 |
| Prepaid taxes and other | 15 | 8 |
| | <u>686</u> | <u>657</u> |
| UTILITY PLANT: | | |
| In service | 4,222 | 4,200 |
| Less — Accumulated provision for depreciation | 1,536 | 1,518 |
| | <u>2,686</u> | <u>2,682</u> |
| Construction work in progress | 103 | 95 |
| | <u>2,789</u> | <u>2,777</u> |
| OTHER PROPERTY AND INVESTMENTS | <u>94</u> | <u>95</u> |
| DEFERRED CHARGES AND OTHER ASSETS: | | |
| Property taxes | 71 | 100 |
| Other | 11 | 7 |
| | <u>82</u> | <u>107</u> |
| | <u>\$ 3,651</u> | <u>\$ 3,636</u> |
| LIABILITIES AND CAPITALIZATION | | |
| CURRENT LIABILITIES: | | |
| Currently payable long-term debt | \$ 33 | \$ 33 |
| Short-term borrowing - affiliated companies | 23 | 9 |
| Accounts payable- | | |
| Affiliated companies | — | 16 |
| Other | 62 | 53 |
| Accrued taxes | 121 | 108 |
| Accrued interest | 20 | 23 |
| Other | 65 | 68 |
| | <u>324</u> | <u>310</u> |
| CAPITALIZATION: | | |
| Common stockholder's equity- | | |
| Common stock, without par value, authorized 175,000,000 shares - 60 shares outstanding | 927 | 925 |
| Accumulated other comprehensive income | 4 | 3 |
| Retained earnings | 367 | 260 |
| Total common stockholder's equity | <u>1,298</u> | <u>1,188</u> |
| Long-term debt and other long-term obligations | 903 | 906 |
| | <u>2,201</u> | <u>2,094</u> |
| NONCURRENT LIABILITIES: | | |
| Accumulated deferred income taxes | 400 | 383 |
| Retirement benefits | 193 | 224 |
| Regulatory liabilities | 213 | 213 |
| Property taxes | 47 | 100 |
| Other | 273 | 312 |
| | <u>1,126</u> | <u>1,232</u> |
| | <u>\$ 3,651</u> | <u>\$ 3,636</u> |

OHIO EDISON 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 | \$ 110 | \$ 57 |
| Adjustments to reconcile net income to net cash from operating activities- | | |
| Depreciation and deferral of regulatory assets, net | 32 | 18 |
| Amortization of deferred costs on sale leaseback transaction, net | — | 20 |
| Deferred income taxes and investment tax credits, net | 13 | 3 |
| Retirement benefits, net of payments | (9) | (4) |
| Pension trust contribution | (27) | — |
| Changes in current assets and liabilities- | | |
| Receivables | 3 | 4 |
| Prepaid taxes and other | (7) | (12) |
| Accounts payable | (7) | (5) |
| Accrued taxes | (11) | 3 |
| Other current liabilities | (10) | (15) |
| Other | (35) | 3 |
| Net cash provided from operating activities | 52 | 72 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| New Financing- | | |
| Short-term borrowings, net | 14 | 8 |
| Redemptions and Repayments- | | |
| Long-term debt | (2) | (2) |
| Common stock dividend payment | — | (100) |
| Other | (1) | (1) |
| Net cash provided from (used for) financing activities | 11 | (95) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Property additions | (35) | (46) |
| Sales of investment securities held in trusts | — | 14 |
| Purchases of investment securities held in trusts | — | (15) |
| Loans to affiliated companies, net | (327) | 72 |
| Asset removal costs | (4) | (3) |
| Other | 1 | — |
| Net cash provided from (used for) investing activities | (365) | 22 |
| Net change in cash and cash equivalents and restricted cash | (302) | (1) |
| Cash and cash equivalents and restricted cash at beginning of period | 335 | 4 |
| Cash and cash equivalents and restricted cash at end of period | \$ 33 | \$ 3 |