

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 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 March 31,	
	2018	2017
<u>STATEMENTS OF INCOME</u>		
REVENUES:		
Electric sales	\$ 107,014	\$ 114,987
Excise tax collections	6,929	6,676
Total revenues	113,943	121,663
OPERATING EXPENSES:		
Purchased power from affiliates	—	3,758
Purchased power from non-affiliates	15,521	14,825
Other operating expenses	46,680	53,880
Provision for depreciation	9,308	9,436
Deferral of regulatory assets, net	(3,183)	(2,495)
General taxes	15,425	15,058
Total operating expenses	83,751	94,462
OPERATING INCOME	30,192	27,201
OTHER INCOME (EXPENSE):		
Miscellaneous income	19,172	1,957
Interest expense	(9,097)	(8,838)
Total other income (expense)	10,075	(6,881)
INCOME BEFORE INCOME TAXES	40,267	20,320
INCOME TAXES	7,693	7,142
NET INCOME	\$ 32,574	\$ 13,178
<u>STATEMENTS OF COMPREHENSIVE INCOME</u>		
NET INCOME	\$ 32,574	\$ 13,178
OTHER COMPREHENSIVE INCOME:		
Pension and OPEB prior service costs	(549)	(583)
Change in unrealized gain on available-for-sale securities	—	652
Other comprehensive income (loss)	(549)	69
Income taxes (benefits) on other comprehensive income (loss)	(962)	25
Other comprehensive income, net of tax	413	44
COMPREHENSIVE INCOME	\$ 32,987	\$ 13,222

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

<i>(In thousands, except share amounts)</i>	March 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 724	\$ 726
Restricted cash	1,602	2,364
Receivables-		
Customers, net of allowance for uncollectible accounts of \$2,826 in 2018 and \$2,923 in 2017	51,331	51,660
Affiliated companies	27,290	25,003
Other, net of allowance for uncollectible accounts of \$196 in 2018 and \$172 in 2017	5,134	6,096
Notes receivable from affiliated companies	10,560	23,033
Prepaid taxes and other	1,493	1,820
	<u>98,134</u>	<u>110,702</u>
UTILITY PLANT:		
In service	1,182,499	1,176,034
Less — Accumulated provision for depreciation	<u>561,685</u>	<u>555,606</u>
	620,814	620,428
Construction work in progress	12,925	12,794
	<u>633,739</u>	<u>633,222</u>
OTHER PROPERTY AND INVESTMENTS	<u>1,057</u>	<u>1,097</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	500,576	500,576
Regulatory assets	33,326	35,122
Property taxes	23,775	32,493
Other	4,211	3,032
	<u>561,888</u>	<u>571,223</u>
	<u>\$ 1,294,818</u>	<u>\$ 1,316,244</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 2,747	\$ 2,756
Accounts payable-		
Affiliated companies	16,997	17,196
Other	5,432	4,134
Accrued taxes	40,500	34,768
Other	24,405	21,544
	<u>90,081</u>	<u>80,398</u>
CAPITALIZATION:		
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	311,645	311,320
Accumulated other comprehensive income	3,344	2,931
Retained earnings	75,709	63,977
Total common stockholder's equity	<u>537,708</u>	<u>525,238</u>
Noncontrolling interest	2,602	2,602
Total equity	<u>540,310</u>	<u>527,840</u>
Long-term debt and other long-term obligations	389,363	390,330
	<u>929,673</u>	<u>918,170</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	87,201	84,184
Retirement benefits	40,945	53,753
Asset retirement obligations	1,320	1,300
Property taxes	15,850	32,493
Other	129,748	145,946
	<u>275,064</u>	<u>317,676</u>
	<u>\$ 1,294,818</u>	<u>\$ 1,316,244</u>

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

<i>(In thousands)</i>	For the Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 32,574	\$ 13,178
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and deferral of regulatory assets, net	8,645	6,941
Deferred rents and lease market valuation liability	—	6,141
Deferred income taxes and investment tax credits, net	1,824	(4,177)
Pension trust contribution	(11,000)	—
Changes in current assets and liabilities-		
Receivables	(996)	4,855
Prepaid taxes and other	327	62
Accounts payable	1,099	(3,298)
Accrued taxes	(2,193)	3,643
Other current liabilities	1,792	2,563
Other	(15,789)	404
Net cash provided from operating activities	16,283	30,312
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemptions and Repayments-		
Long-term debt	(652)	(641)
Common stock dividend payment	(20,000)	—
Other	(363)	(404)
Net cash used for financing activities	(21,015)	(1,045)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(7,587)	(9,311)
Loans to affiliated companies, net	12,473	(18,535)
Sales of investment securities held in trusts	—	42,747
Purchases of investment securities held in trusts	—	(42,867)
Other	(918)	(1,455)
Net cash provided from (used for) investing activities	3,968	(29,421)
Net change in cash and cash equivalents and restricted cash	(764)	(154)
Cash and cash equivalents and restricted cash at beginning of period	3,090	2,569
Cash and cash equivalents and restricted cash at end of period	\$ 2,326	\$ 2,415