

**THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND SUBSIDIARY**  
**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

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

<i>(In millions)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
<b>STATEMENTS OF INCOME</b>				
<b>REVENUES:</b>				
Electric sales	\$ 277	\$ 260	\$ 763	\$ 713
Excise tax collections	19	17	51	48
Total revenues	296	277	814	761
<b>OPERATING EXPENSES:</b>				
Purchased power from affiliates	5	9	20	21
Purchased power from non-affiliates	23	23	71	76
Other operating expenses	77	84	235	249
Provision for depreciation	26	24	76	73
Amortization (deferral) of regulatory assets, net	20	13	(1)	11
General taxes	49	46	141	135
Total operating expenses	200	199	542	565
<b>OPERATING INCOME</b>	96	78	272	196
<b>OTHER INCOME (EXPENSE):</b>				
Miscellaneous income, net	5	2	14	7
Interest expense	(20)	(23)	(61)	(73)
Total other expense	(15)	(21)	(47)	(66)
<b>INCOME BEFORE INCOME TAXES</b>	81	57	225	130
<b>INCOME TAXES</b>	16	21	43	47
<b>NET INCOME</b>	\$ 65	\$ 36	\$ 182	\$ 83
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>				
<b>NET INCOME</b>	\$ 65	\$ 36	\$ 182	\$ 83
<b>OTHER COMPREHENSIVE LOSS:</b>				
Pension and OPEB prior service costs	(1)	(1)	(3)	(3)
Other comprehensive loss	(1)	(1)	(3)	(3)
Income tax benefits on other comprehensive loss	—	—	(1)	(1)
Other comprehensive loss, net of tax	(1)	(1)	(2)	(2)
<b>COMPREHENSIVE INCOME</b>	\$ 64	\$ 35	\$ 180	\$ 81

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

<i>(In millions, except share amounts)</i>	September 30, 2018	December 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
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	131	123
Affiliated companies	24	38
Other	33	9
Notes receivable from affiliated companies	30	19
Prepaid taxes and other	2	3
	<u>227</u>	<u>255</u>
<b>UTILITY PLANT:</b>		
In service	3,227	3,155
Less — Accumulated provision for depreciation	1,279	1,236
	<u>1,948</u>	<u>1,919</u>
Construction work in progress	47	40
	<u>1,995</u>	<u>1,959</u>
<b>OTHER PROPERTY AND INVESTMENTS</b>	7	10
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	1,689	1,689
Property taxes	29	116
Other	20	7
	<u>1,738</u>	<u>1,812</u>
	<u>\$ 3,967</u>	<u>\$ 4,036</u>
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>CURRENT LIABILITIES:</b>		
Currently payable long-term debt	\$ 321	\$ 322
Short-term borrowings - affiliated companies	—	2
Accounts payable-		
Affiliated companies	31	37
Other	7	8
Accrued taxes	122	118
Accrued interest	24	15
Other	39	38
	<u>544</u>	<u>540</u>
<b>CAPITALIZATION:</b>		
Common stockholder's equity-		
Common stock, without par value, authorized 105,000,000 shares - 67,930,743 shares outstanding	1,234	1,228
Accumulated other comprehensive loss	(3)	(1)
Retained earnings	390	314
Total common stockholder's equity	<u>1,621</u>	<u>1,541</u>
Long-term debt and other long-term obligations	1,062	1,082
	<u>2,683</u>	<u>2,623</u>
<b>NONCURRENT LIABILITIES:</b>		
Accumulated deferred income taxes	286	279
Retirement benefits	93	123
Regulatory liabilities	183	174
Property taxes	—	116
Other	178	181
	<u>740</u>	<u>873</u>
	<u>\$ 3,967</u>	<u>\$ 4,036</u>

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

For the Nine Months  
Ended September 30,

(In millions)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 182	\$ 83
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization (deferral) of regulatory assets, net	93	84
Deferred income taxes and investment tax credits, net	(4)	(14)
Pension trust contribution	(31)	—
Change in current assets and liabilities-		
Receivables	(15)	19
Accounts payable	(7)	(3)
Accrued taxes	(25)	(21)
Accrued interest	9	10
Other current liabilities	(1)	(5)
Long-term PJM receivables	(11)	—
Other	(3)	4
Net cash provided from operating activities	<u>187</u>	<u>157</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Short-term borrowings, net	—	105
Redemptions and Repayments-		
Long-term debt	(19)	(148)
Short-term borrowings, net	(2)	—
Common stock dividend payments	(105)	(50)
Other	(2)	(3)
Net cash used for financing activities	<u>(128)</u>	<u>(96)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(92)	(85)
Loans to affiliated companies, net	(11)	28
Asset removal costs	(12)	(9)
Net cash used for investing activities	<u>(115)</u>	<u>(66)</u>
Net change in cash, cash equivalents and restricted cash	(56)	(5)
Cash, cash equivalents and restricted cash at beginning of period	63	12
Cash, cash equivalents and restricted cash at end of period	<u>\$ 7</u>	<u>\$ 7</u>