

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
STATEMENTS OF INCOME				
REVENUES:				
Electric sales	\$ 123,562	\$ 115,321	\$ 336,807	\$ 346,547
Excise tax collections	7,354	7,367	21,565	20,467
Total revenues	<u>130,916</u>	<u>122,688</u>	<u>358,372</u>	<u>367,014</u>
OPERATING EXPENSES:				
Purchased power from affiliates	2,857	4,918	9,459	12,110
Purchased power from non-affiliates	12,854	13,774	34,225	40,276
Other operating expenses	39,017	41,573	116,434	151,810
Provision for depreciation	9,436	9,154	28,158	27,966
Amortization (deferral) of regulatory assets, net	8,994	1,158	(3,234)	(4,493)
General taxes	16,232	15,475	46,793	45,267
Total operating expenses	<u>89,390</u>	<u>86,052</u>	<u>231,835</u>	<u>272,936</u>
OPERATING INCOME	<u>41,526</u>	<u>36,636</u>	<u>126,537</u>	<u>94,078</u>
OTHER INCOME (EXPENSE):				
Miscellaneous income, net	3,187	1,307	24,889	5,453
Interest expense	(9,038)	(9,072)	(27,182)	(26,767)
Total other expense	<u>(5,851)</u>	<u>(7,765)</u>	<u>(2,293)</u>	<u>(21,314)</u>
INCOME BEFORE INCOME TAXES	<u>35,675</u>	<u>28,871</u>	<u>124,244</u>	<u>72,764</u>
INCOME TAXES	<u>7,384</u>	<u>10,022</u>	<u>24,337</u>	<u>25,341</u>
NET INCOME	<u>\$ 28,291</u>	<u>\$ 18,849</u>	<u>\$ 99,907</u>	<u>\$ 47,423</u>
STATEMENTS OF COMPREHENSIVE INCOME				
NET INCOME	<u>\$ 28,291</u>	<u>\$ 18,849</u>	<u>\$ 99,907</u>	<u>\$ 47,423</u>
OTHER COMPREHENSIVE LOSS:				
Pension and OPEB prior service costs	(596)	(594)	(1,742)	(1,770)
Change in unrealized gain on available-for-sale securities	—	—	—	(6,187)
Other comprehensive loss	(596)	(594)	(1,742)	(7,957)
Income tax benefits on other comprehensive loss	(130)	(212)	(1,223)	(2,840)
Other comprehensive loss, net of tax	<u>(466)</u>	<u>(382)</u>	<u>(519)</u>	<u>(5,117)</u>
COMPREHENSIVE INCOME	<u>\$ 27,825</u>	<u>\$ 18,467</u>	<u>\$ 99,388</u>	<u>\$ 42,306</u>

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

<i>(In thousands, except share amounts)</i>	September 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1	\$ 726
Restricted cash	1,500	2,364
Receivables-		
Customers, net of allowance for uncollectible accounts of \$3,084 in 2018 and \$2,923 in 2017	55,184	51,660
Affiliated companies	21,965	25,003
Other, net of allowance for uncollectible accounts of \$302 in 2018 and \$172 in 2017	15,186	6,096
Notes receivable from affiliated companies	26,319	23,033
Prepaid taxes and other	2,529	1,820
	<u>122,684</u>	<u>110,702</u>
UTILITY PLANT:		
In service	1,198,349	1,176,034
Less — Accumulated provision for depreciation	<u>572,713</u>	<u>555,606</u>
	625,636	620,428
Construction work in progress	14,234	12,794
	<u>639,870</u>	<u>633,222</u>
OTHER PROPERTY AND INVESTMENTS	1,016	1,097
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	500,576	500,576
Regulatory assets	24,564	35,122
Property taxes	7,875	32,493
Other	7,753	3,032
	<u>540,768</u>	<u>571,223</u>
	<u>\$ 1,304,338</u>	<u>\$ 1,316,244</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 2,676	\$ 2,756
Accounts payable-		
Affiliated companies	15,155	17,196
Other	3,492	4,134
Accrued taxes	35,299	34,768
Other	25,482	21,544
	<u>82,104</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	314,086	311,320
Accumulated other comprehensive income	2,412	2,931
Retained earnings	113,042	63,977
Total common stockholder's equity	576,550	525,238
Noncontrolling interest	—	2,602
Total equity	576,550	527,840
Long-term debt and other long-term obligations	388,142	390,330
	<u>964,692</u>	<u>918,170</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	86,129	84,184
Retirement benefits	40,424	53,753
Asset retirement obligations	1,363	1,300
Property taxes	—	32,493
Other	129,626	145,946
	<u>257,542</u>	<u>317,676</u>
	<u>\$ 1,304,338</u>	<u>\$ 1,316,244</u>

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

<i>(In thousands)</i>	For the Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 99,907	\$ 47,423
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and deferral of regulatory assets, net	31,559	23,473
Deferred rents and lease market valuation liability	—	(2,252)
Deferred income taxes and investment tax credits, net	(4,881)	(2,003)
Pension trust contribution	(11,000)	—
Retirement benefits, net of payments	(22,808)	(1,405)
Changes in current assets and liabilities-		
Receivables	(7,707)	10,387
Prepaid taxes and other	(709)	113
Accounts payable	(2,683)	(5,076)
Accrued taxes	(7,344)	(6,818)
Other current liabilities	3,594	2,162
Long-term PJM receivables	(4,787)	—
Other	11,746	11,882
Net cash provided from operating activities	<u>84,887</u>	<u>77,886</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Financing-		
Short-term borrowings, net	—	11,140
Redemptions and Repayments-		
Long-term debt	(1,289)	(1,264)
Common stock dividend payments	(50,000)	(100,000)
Other	(1,097)	(1,142)
Net cash used for financing activities	<u>(52,386)</u>	<u>(91,266)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(27,557)	(25,054)
Loans to affiliated companies, net	(3,286)	42,158
Sales of investment securities held in trusts	—	76,676
Purchases of investment securities held in trusts	—	(77,246)
Other	(3,247)	(3,229)
Net cash provided from (used for) investing activities	<u>(34,090)</u>	<u>13,305</u>
Net change in cash, cash equivalents and restricted cash	(1,589)	(75)
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>\$ 1,501</u>	<u>\$ 2,494</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash transaction: Affiliated net asset transfer ⁽¹⁾	<u>\$ —</u>	<u>\$ 34,458</u>

⁽¹⁾ 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 of \$22 million and Nuclear Decommissioning Trust assets of \$93 million associated with their leasehold interests to NG, with the difference of \$34 million reducing the common stock of TE.