

THE TOLEDO EDISON COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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,	
	2019	2018	2019	2018
REVENUES:				
Electric sales	\$ 117,302	\$ 123,562	\$ 324,590	\$ 336,807
Excise and gross receipts tax collections	7,690	7,354	20,903	21,565
Total revenues	124,992	130,916	345,493	358,372
OPERATING EXPENSES:				
Purchased power from affiliates	1,487	2,857	6,302	9,459
Purchased power from non-affiliates	14,284	12,854	38,701	34,225
Other operating expenses	46,442	39,017	136,523	116,434
Provision for depreciation	10,079	9,436	30,068	28,158
Amortization (deferral) of regulatory assets, net	2,961	8,994	(7,280)	(3,234)
General taxes	16,031	16,232	46,124	46,793
Total operating expenses	91,284	89,390	250,438	231,835
OPERATING INCOME	33,708	41,526	95,055	126,537
OTHER INCOME (EXPENSE):				
Miscellaneous income, net	1,674	2,990	5,009	24,484
Interest expense	(8,979)	(9,038)	(26,925)	(27,182)
Capitalized financing costs	350	197	873	405
Total other expense	(6,955)	(5,851)	(21,043)	(2,293)
INCOME BEFORE INCOME TAXES	26,753	35,675	74,012	124,244
INCOME TAXES	4,716	7,384	13,893	24,337
NET INCOME	\$ 22,037	\$ 28,291	\$ 60,119	\$ 99,907
<u>STATEMENTS OF COMPREHENSIVE INCOME</u>				
NET INCOME	\$ 22,037	\$ 28,291	\$ 60,119	\$ 99,907
OTHER COMPREHENSIVE LOSS:				
Pension and OPEB prior service costs	(268)	(596)	(827)	(1,742)
Other comprehensive loss	(268)	(596)	(827)	(1,742)
Income tax benefits on other comprehensive loss	(60)	(130)	(185)	(1,223)
Other comprehensive loss, net of tax	(208)	(466)	(642)	(519)
COMPREHENSIVE INCOME	\$ 21,829	\$ 27,825	\$ 59,477	\$ 99,388

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

<i>(In thousands, except share amounts)</i>	September 30, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Restricted cash	\$ 1,357	\$ 2,076
Receivables-		
Customers, net of allowance for uncollectible accounts of \$2,952 in 2019 and \$3,110 in 2018	44,405	51,742
Affiliated companies	21,331	19,470
Other, net of allowance for uncollectible accounts of \$67 in 2019 and \$260 in 2018	11,497	11,391
Notes receivable from affiliated companies	4,399	—
Prepaid taxes and other	1,753	2,029
	<u>84,742</u>	<u>86,708</u>
UTILITY PLANT:		
In service	1,234,695	1,206,306
Less — Accumulated provision for depreciation	594,130	578,023
	<u>640,565</u>	<u>628,283</u>
Construction work in progress	18,429	18,732
	<u>658,994</u>	<u>647,015</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	500,576	500,576
Regulatory assets	11,396	17,811
Property taxes	8,019	33,788
Other	11,261	7,267
	<u>531,252</u>	<u>559,442</u>
	<u>\$ 1,274,988</u>	<u>\$ 1,293,165</u>
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Currently payable long-term debt	\$ 52,579	\$ 2,634
Short-term borrowings - affiliated companies	—	554
Accounts payable-		
Affiliated companies	18,126	15,236
Other	3,870	4,367
Accrued taxes	36,986	36,717
Other	33,102	23,137
	<u>144,663</u>	<u>82,645</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	317,362	314,364
Accumulated other comprehensive income	1,332	1,974
Retained earnings	75,779	70,660
Total common stockholder's equity	<u>541,483</u>	<u>534,008</u>
Long-term debt and other long-term obligations	335,752	387,854
	<u>877,235</u>	<u>921,862</u>
NONCURRENT LIABILITIES:		
Accumulated deferred income taxes	84,639	88,848
Retirement benefits	37,346	37,002
Property taxes	—	33,788
Other	131,105	129,020
	<u>253,090</u>	<u>288,658</u>
	<u>\$ 1,274,988</u>	<u>\$ 1,293,165</u>

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

<i>(In thousands)</i>	For the Nine Months Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 60,119	\$ 99,907
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation and amortization of regulatory assets, net	29,080	31,559
Deferred income taxes and investment tax credits, net	(6,817)	(4,881)
Pension trust contribution	—	(11,000)
Retirement benefits, net of payments	(2,319)	(6,261)
Change in current assets and liabilities-		
Receivables	7,560	(7,707)
Prepaid taxes and other current assets	276	(709)
Accounts payable	2,393	(2,683)
Accrued taxes	(7,749)	(7,344)
Other current liabilities	9,333	3,594
Other	5,452	(9,588)
Net cash provided from operating activities	97,328	84,887
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemptions and repayments-		
Long-term debt	(1,317)	(1,289)
Short-term borrowings	(554)	—
Common stock dividend payments	(55,000)	(50,000)
Other	(998)	(1,097)
Net cash used for financing activities	(57,869)	(52,386)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(32,213)	(27,557)
Loans to affiliated companies, net	(4,399)	(3,286)
Asset removal costs	(3,555)	(3,328)
Other	(11)	81
Net cash used for investing activities	(40,178)	(34,090)
Net change in cash, cash equivalents, and restricted cash	(719)	(1,589)
Cash, cash equivalents, and restricted cash at beginning of period	2,076	3,090
Cash, cash equivalents, and restricted cash at end of period	\$ 1,357	\$ 1,501