

WEC Energy Group, Inc.

2016 First Quarter Earnings

Released May 3, 2016

TABLE OF CONTENTS

	Pages
Press Release	1
Income Statements	4
Balance Sheets	5
Statements of Cash Flows	6
Quarter GAAP Reconciliation	7
Factors Affecting Adjusted Earnings - Quarter	8
Quarter Weather and Volumes	9
Quarter Retail Electric Sales Information	10
Other Financial Information	11
Credit Ratings	12





News

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May 3, 2016

WEC Energy Group posts first quarter results

MILWAUKEE - WEC Energy Group Inc. (NYSE: WEC) recorded net income based on generally accepted accounting principles (GAAP) of \$346.2 million or \$1.09 per share for the first quarter of 2016. WEC Energy Group was formed on June 29, 2015 when Wisconsin Energy completed the acquisition of Integrys.

WEC Energy's earnings per share for the first quarter, excluding acquisition costs, increased by 19 cents a share, from 90 cents in the first quarter of 2015 to \$1.09 in the first quarter of 2016. First quarter results in 2016 include the positive impact from the Integrys acquisition.

	Net Income*	
	2016 Q1	2015 Q1
Legacy Wisconsin Energy	\$192.8	\$195.8
Interest on merger financing	(\$4.8)	—
Integrys	\$158.2	—
WEC Energy Group GAAP	\$346.2	\$195.8
Acquisition costs	—	\$8.3
WEC Energy adjusted net income	\$346.2	\$204.1

	Earnings per share	
	2016 Q1	2015 Q1
WEC Energy Group GAAP	\$1.09	\$0.86
Acquisition costs	—	\$0.04
WEC Energy adjusted EPS	\$1.09	\$0.90

Diluted average shares outstanding*	317.1	227.3
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*Net Income and diluted average shares outstanding expressed in millions.

“We delivered solid results - particularly in light of the mild winter temperatures that reduced demand for electricity and natural gas across the Midwest,” said Allen Leverett, chief executive officer.

Consolidated revenue for the first quarter of 2016 totaled \$2.19 billion, compared to \$1.39 billion in the first quarter of 2015. The increase was driven by the addition of \$980 million of revenue from Integrys.

“Our focus on financial discipline, world-class reliability, and customer satisfaction continues to deliver tangible benefits to our customers and stockholders,” Leverett said.

At the end of March, our Wisconsin utilities were serving approximately 8,000 more electric customers and nearly 11,000 more natural gas customers compared to a year ago. Our natural gas utilities in Illinois, Michigan, and Minnesota added nearly 16,000 customers in the past year. The increase in natural gas customers includes approximately 10,000 customers from the acquisition of a natural gas distribution area in Minnesota from Alliant Energy in April of 2015.

Retail sales of electricity for Wisconsin Electric Power Company and Wisconsin Public Service Corporation - excluding the iron ore mines in Michigan's Upper Peninsula - decreased by 1.6% from last year's first quarter. Residential use of electricity was down by 4.2 percent. Consumption of electricity by small commercial and industrial customers declined by 0.2 percent.

Electricity use by large commercial and industrial customers - excluding the iron ore mines - declined by 0.8 percent.

On a weather normal basis, retail sales of electricity - excluding the iron ore mines - were down slightly - by 0.2 percent - compared to the first quarter of 2015.

Earnings per share listed in this news release are on a fully diluted basis.

Conference call

A conference call is scheduled at 1 p.m. Central time, May 3. The presentation will review 2016 first-quarter earnings and will discuss the company's outlook for the future.

All interested parties, including stockholders, news media and the general public, are invited to listen to the presentation. The conference call may be accessed by dialing 866-439-9410 up to 15 minutes before the call begins. International callers may dial 706-643-5658. The conference ID is 84472597.

Access also may be gained through the company's website (wecenergygroup.com). Select 'First Quarter Earnings Release and Conference Call' and then select 'Webcast'. In conjunction with this earnings announcement, WEC Energy Group will post on its website a package of detailed financial information on its first quarter performance. The materials will be available at 6:30 a.m. Central time, May 3.

Replay

A replay will be available on the website and by phone after the presentation. Access to the webcast replay will be available on the website about two hours after the presentation. Access to a phone replay also will be available approximately two hours after the presentation and remain accessible through May 16, 2016. Domestic callers should dial 855-859-2056. International callers should dial 404-537-3406. The replay conference ID is 84472597.

Non-GAAP earnings measures

We have provided adjusted earnings (non-GAAP earnings) in this press release as a complement to, and not as an alternative to, reported earnings presented in accordance with GAAP. The excluded items are not indicative of the company's operating performance. Therefore, we believe that the presentation of adjusted earnings is relevant and useful to investors to understand WEC Energy Group's operating performance. Management uses such measures internally to evaluate the company's performance and manage its operations.

WEC Energy Group (NYSE: WEC), based in Milwaukee, is one of the nation's premier energy companies, serving 4.4 million customers in Wisconsin, Illinois, Michigan, and Minnesota.

The company's principal utilities are We Energies, Wisconsin Public Service, Peoples Gas, North Shore Gas, Michigan Gas Utilities, and Minnesota Energy Resources. The company's other major subsidiary, We Power, designs, builds and owns electric generating plants.

WEC Energy Group (wecenergygroup.com), a component of the S&P 500, has approximately \$29 billion of assets, 8,500 employees and 55,000 stockholders of record.

Tables follow

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)	Three Months Ended	
<i>(in millions, except per share amounts)</i>	March 31	
	2016	2015
Operating revenues	\$ 2,194.8	\$ 1,387.9
Operating expenses		
Cost of sales	838.9	613.9
Other operation and maintenance	531.5	280.7
Depreciation and amortization	187.9	102.6
Property and revenue taxes	47.2	31.9
Total operating expenses	1,605.5	1,029.1
Operating income	589.3	358.8
Equity in earnings of transmission affiliate	38.5	16.1
Other income, net	32.7	3.0
Interest expense	100.9	59.4
Other expense	(29.7)	(40.3)
Income before income taxes	559.6	318.5
Income tax expense	213.1	122.4
Net income	\$ 346.5	\$ 196.1
Preferred stock dividends of subsidiary	0.3	0.3
Net income attributed to common shareholders	\$ 346.2	\$ 195.8
Earnings per share		
Basic	\$ 1.10	\$ 0.87
Diluted	\$ 1.09	\$ 0.86
Weighted average common shares outstanding		
Basic	315.7	225.5
Diluted	317.1	227.3
Dividends per share of common stock	\$ 0.4950	\$ 0.4225

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) <i>(in millions, except share and per share amounts)</i>	March 31, 2016	December 31, 2015
Assets		
Property, plant, and equipment		
In service	\$ 26,523.3	\$ 26,249.5
Accumulated depreciation	(8,005.9)	(7,919.1)
	18,517.4	18,330.4
Construction work in progress	706.6	822.9
Leased facilities, net	35.0	36.4
Net property, plant, and equipment	19,259.0	19,189.7
Investments		
Equity investment in transmission affiliate	1,422.5	1,380.9
Other	87.5	85.8
Total investments	1,510.0	1,466.7
Current assets		
Cash and cash equivalents	34.7	49.8
Accounts receivable and unbilled revenues, net of reserves of \$114.3 and \$113.3, respectively	1,088.1	1,028.6
Materials, supplies, and inventories	470.7	687.0
Assets held for sale	—	96.8
Prepayments	243.4	285.8
Other	59.5	58.8
Total current assets	1,896.4	2,206.8
Deferred charges and other assets		
Regulatory assets	3,060.8	3,064.6
Goodwill	2,999.1	3,023.5
Other	379.3	403.9
Total deferred charges and other assets	6,439.2	6,492.0
Total assets	\$ 29,104.6	\$ 29,355.2
Capitalization and liabilities		
Capitalization		
Common stock - \$.01 par value; 325,000,000 shares authorized; 315,647,207 and 315,683,496 shares outstanding, respectively	\$ 3.2	\$ 3.2
Additional paid in capital	4,321.1	4,347.2
Retained earnings	4,489.7	4,299.8
Accumulated other comprehensive income	4.3	4.6
Preferred stock of subsidiary	30.4	30.4
Long-term debt	8,955.8	9,124.1
Total capitalization	17,804.5	17,809.3
Current liabilities		
Current portion of long-term debt	152.4	157.7
Short-term debt	896.4	1,095.0
Accounts payable	584.4	815.4
Accrued payroll and benefits	102.7	169.7
Accrued interest	118.6	67.4
Other	375.3	403.8
Total current liabilities	2,229.8	2,709.0
Deferred credits and other liabilities		
Regulatory liabilities	1,411.8	1,392.2
Deferred income taxes	4,856.5	4,622.3
Deferred revenue, net	576.1	579.4
Pension and other postretirement benefit obligations	541.1	543.1
Environmental remediation	617.6	628.2
Other	1,067.2	1,071.7
Total deferred credits and other liabilities	9,070.3	8,836.9
Commitments and contingencies		
Total capitalization and liabilities	\$ 29,104.6	\$ 29,355.2

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	Three Months Ended	
	March 31	
<i>(in millions)</i>	2016	2015
Operating Activities		
Net income	\$ 346.5	\$ 196.1
Reconciliation to cash provided by operating activities		
Depreciation and amortization	191.9	107.3
Deferred income taxes and investment tax credits, net	214.6	106.6
Contributions and payments related to pension and OPEB plans	(15.1)	(103.7)
Equity income in transmission affiliate, net of distributions	(23.4)	(5.7)
Change in –		
Accounts receivable and unbilled revenues	(48.6)	(28.0)
Materials, supplies, and inventories	217.2	110.9
Other current assets	(63.7)	44.5
Accounts payable	(123.7)	(71.3)
Accrued taxes, net	89.6	(6.5)
Other current liabilities	(32.9)	28.1
Other, net	(56.5)	(48.3)
Net cash provided by operating activities	695.9	330.0
Investing Activities		
Capital expenditures	(312.0)	(153.2)
Investment in transmission affiliate	(9.0)	(1.3)
Proceeds from sale of businesses	106.5	—
Withdrawal of restricted cash from Rabbi trust for qualifying payments	21.0	—
Other, net	5.1	(1.8)
Net cash used in investing activities	(188.4)	(156.3)
Financing Activities		
Exercise of stock options	21.4	8.4
Purchase of common stock	(59.6)	(23.4)
Dividends paid on common stock	(156.2)	(95.3)
Retirement of long-term debt	(139.4)	(9.3)
Change in short-term debt	(198.6)	(54.6)
Other, net	9.8	3.8
Net cash used in financing activities	(522.6)	(170.4)
Net change in cash and cash equivalents	(15.1)	3.3
Cash and cash equivalents at beginning of period	49.8	61.9
Cash and cash equivalents at end of period	\$ 34.7	\$ 65.2

WEC ENERGY GROUP, INC.

FIRST QUARTER 2016 AND 2015 — GAAP TO ADJUSTED EARNINGS RECONCILIATION

Adjusted (non-GAAP) earnings for the three months ended March 31, 2015 exclude costs related to WEC Energy Group's acquisition of Integrys. These costs are included in reported GAAP earnings.

<i>(in millions)</i>	Three Months Ended March 31, 2016				Three Months Ended March 31, 2015		
	WEC Energy Group Amounts (excluding Integrys)	Integrys Amounts	Non-GAAP Adjustments	WEC Energy Group - Reported	Reported GAAP Amounts	Acquisition Impacts	Adjusted (non-GAAP) Amounts - Legacy WEC
Operating revenues	\$ 1,211.7	\$ 983.1	\$ —	\$ 2,194.8	\$ 1,387.9	—	\$ 1,387.9
Operating income by segment							
Wisconsin	250.6	76.9	—	327.5	276.5	1.0	277.5
Illinois	—	137.0	—	137.0	—	—	—
Other States	—	31.8	—	31.8	—	—	—
We Power	93.3	—	—	93.3	92.5	—	92.5
Corporate and other	0.9	(1.2)	—	(0.3)	(10.2)	7.8	(2.4)
Operating income	344.8	244.5	—	589.3	358.8	8.8	367.6
Equity in earnings of transmission affiliate	16.8	21.7	—	38.5	16.1	—	16.1
Other income, net	3.2	29.5	—	32.7	3.0	—	3.0
Interest expense	66.1	34.8	—	100.9	59.4	—	59.4
Other income (expense)	(46.1)	16.4	—	(29.7)	(40.3)	—	(40.3)
Income before income taxes	298.7	260.9	—	559.6	318.5	8.8	327.3
Income tax expense	110.4	102.7	—	213.1	122.4	0.5	122.9
Net income	188.3	158.2	—	346.5	196.1	8.3	204.4
Preferred stock dividends of subsidiary	0.3	—	—	0.3	0.3	—	0.3
Net income attributed to common shareholders	\$ 188.0	\$ 158.2	\$ —	\$ 346.2	\$ 195.8	\$ 8.3	\$ 204.1

WEC ENERGY GROUP, INC.

FIRST QUARTER 2016 AND 2015 RESULTS — FACTORS AFFECTING ADJUSTED EARNINGS

<i>(in millions)</i>	2016	2015	Change	Change Related to Integrys	Remaining Change B(W)	Significant Factors
Adjusted operating income by segment						
Wisconsin	\$ 327.5	\$ 277.5	\$ 50.0	\$ 76.9	\$ (26.9)	
					(29.2)	Weather
					2.3	Other
					(26.9)	
Illinois	137.0	—	137.0	137.0	—	
Other States	31.8	—	31.8	31.8	—	
We Power	93.3	92.5	0.8	—	0.8	
Corporate and other	(0.3)	(2.4)	2.1	(1.2)	3.3	
Adjusted operating income	589.3	367.6	221.7	244.5	(22.8)	
Equity in earnings of transmission affiliate						
	38.5	16.1	22.4	21.7	0.7	
Other income, net	32.7	3.0	29.7	29.5	0.2	
Interest expense	100.9	59.4	41.5	34.8	(6.7)	Acquisition debt
Adjusted income before income taxes	559.6	327.3	232.3	260.9	(28.6)	
Income tax expense	213.1	122.9	90.2	102.7	12.5	
Adjusted net income	346.5	204.4	142.1	158.2	(16.1)	
Preferred stock dividends of subsidiary						
	0.3	0.3	—	—	—	
Adjusted net income attributed to common shareholders	\$ 346.2	\$ 204.1	\$ 142.1	\$ 158.2	\$ (16.1)	

WEC ENERGY GROUP, INC.

FIRST QUARTER 2016 AND 2015 WEATHER AND VOLUMES

Weather — Degree Days *	2016	2015	Change
Wisconsin Gas and Wisconsin Electric			
Heating (3,339 Normal)	3,105	3,656	(551)
Cooling (1 Normal)	—	—	—

* As measured at Mitchell International Airport in Milwaukee, Wisconsin. Normal degree days are based upon a 20-year moving average.

ELECTRIC UTILITY OPERATIONS

(in thousands)	MWh				
	Wisconsin 2016			Wisconsin 2015	Change
	WPS	We Energies	Total	We Energies	We Energies
Customer class					
Residential	735.5	1,919.8	2,655.3	2,008.3	(4.4)%
Small commercial/industrial	967.4	2,219.6	3,187.0	2,225.2	(0.3)%
Large commercial/industrial	1,018.7	2,299.6	3,318.3	2,159.1	6.5 %
Other — retail	8.3	39.2	47.5	39.0	0.5 %
Total retail	2,729.9	6,478.2	9,208.1	6,431.6	0.7 %
Wholesale	612.6	243.5	856.1	420.0	(42.0)%
Resale — utilities	127.2	2,105.1	2,232.3	2,104.7	— %
Total MWh sales	3,469.7	8,826.8	12,296.5	8,956.3	(1.4)%
Electric Customer Choice *	6.0	58.3	64.3	250.0	(76.7)%

* Represents distribution sales for customers who have purchased power from an alternative electric supplier in Michigan.

GAS UTILITY OPERATIONS

(in millions)	Therms						
	2016			2015		Change	
	Illinois	Other States	Wisconsin (WPS)	Wisconsin (We Energies)	Total Wisconsin	Wisconsin (We Energies)	Wisconsin (We Energies)
Customer class							
Residential	431.6	142.0	111.6	366.2	477.8	427.2	(14.3)%
Commercial/industrial	88.4	87.6	65.5	205.3	270.8	245.7	(16.4)%
Total retail	520.0	229.6	177.1	571.5	748.6	672.9	(15.1)%
Transported natural gas	345.9	227.1	125.7	254.8	380.5	267.9	(4.9)%
Total therms delivered	865.9	456.7	302.8	826.3	1,129.1	940.8	(12.2)%

WEC ENERGY GROUP, INC.

RETAIL ELECTRIC SALES INFORMATION⁽¹⁾

THREE MONTHS ENDED MARCH 31, 2016 AND 2015

DELIVERED VOLUMES - TOTAL WISCONSIN	Three Months Ended March 31		Annual
	2016 Actual vs. 2015 Actual⁽¹⁾	2016 Normalized vs. 2015 Normalized^{(1),(3)}	2016 Forecast vs. 2015 Normalized^{(2),(3),(4)}
Residential	(4.2)%	(0.3)%	(0.4)%
Small commercial/industrial	(0.2)%	1.5 %	(0.6)%
Large commercial/industrial (ex. mines)	(0.8)%	(1.9)%	0.9 %
Total large commercial/industrial	(0.9)%	(2.0)%	0.8 %
Total retail sales	(1.6)%	(0.3)%	— %
Retail (ex. mines)	(1.6)%	(0.2)%	— %

⁽¹⁾ For comparative purposes, these percentages include retail electric sales information for both Wisconsin Electric Power Company and Wisconsin Public Service Corporation for the quarter ended March 31, 2015. Because Integrys was acquired effective June 29, 2015, we are including both actual and normalized sales volumes for Wisconsin Public Service that were recognized prior to the acquisition and are not reflected in our 2015 financial statements.

⁽²⁾ For comparative purposes, these percentages include retail electric sales information for both Wisconsin Electric Power Company and Wisconsin Public Service Corporation for full year 2015. Because Integrys was acquired effective June 29, 2015, we are including normalized sales volumes for Wisconsin Public Service that were recognized prior to the acquisition and are not reflected in our 2015 financial statements.

⁽³⁾ Normalized — 20 year average weather adjusted. An adjustment for leap year is also factored into these percentages.

⁽⁴⁾ Actual results may differ materially from these forecasts because of seasonal, economic and other factors

WEC ENERGY GROUP, INC.

OTHER FINANCIAL INFORMATION
THREE MONTHS ENDED MARCH 31, 2016 AND 2015

EBIT and EBITDA <i>(in millions)</i>	2016		2015	
		Actual		Actual
Net income attributed to common shareholders	\$	346.2	\$	195.8
Income tax expense		213.1		122.4
Interest expense		100.9		59.4
EBIT		660.2		377.6
Depreciation and amortization		187.9		102.6
EBITDA	\$	848.1	\$	480.2

Capitalization Structure <i>(in millions)</i>	March 31, 2016		
		Actual	Adjusted⁽¹⁾
Common equity	\$	8,818.3	\$ 9,325.7
Preferred stock of subsidiary		30.4	30.4
Long-term debt (including current maturities)		9,108.2	8,600.8
Short-term debt		896.4	896.4
Total capitalization	\$	18,853.3	\$ 18,853.3
Total debt	\$	10,004.6	\$ 9,497.2
Ratio of debt to total capitalization		53.1%	50.4%

⁽¹⁾ Included in Long-Term Debt is the \$1,014.9 million aggregate principal amount of WEC Energy Group's 2007 Series A Junior Subordinated Notes due 2067, Integrys Holding's 2006 6.11% Junior Subordinated Notes due 2066, and Integrys Holding's 2013 6.00% Junior Subordinated Notes due 2073 as these debt securities are reflected as Long-Term Debt on our Consolidated Balance Sheets. The adjusted presentation attributes \$507.4 million of the Junior Notes to Common Equity and \$507.5 million to Long-Term Debt.

CREDIT RATINGS *

	S & P	Moody's	Fitch
WEC Energy Group, Inc.			
Senior unsecured debt	BBB+	A3	BBB+
Commercial paper	A-2	P-2	F2
Junior subordinated notes	BBB	Baa1	BBB-
Wisconsin Electric			
Senior unsecured debt	A-	A1	A+
Commercial paper	A-2	P-1	F1
Wisconsin Public Service			
Senior unsecured debt	A-	A1	A+
Commercial paper	A-2	P-1	F1
Wisconsin Gas			
Senior unsecured debt	A	A1	A
Commercial paper	A-1	P-1	F1
Peoples Gas Light & Coke			
Senior secured Debt	N/A	Aa3	A+
Commercial paper	A-2	P-1	F1
North Shore Gas			
Senior secured debt	N/A	N/A	AA-
Elm Road Generating Station Supercritical, LLC			
Senior debt	A-	A1	A+
Integrus Holding, Inc.			
Senior unsecured debt	BBB+	A3	BBB+
Junior subordinated notes	BBB	Baa1	BBB-

* All ratings outlooks for the Companies are stable.