

INTEGRYS HOLDING, INC.

(A Wholly Owned Subsidiary of WEC Energy Group, Inc.)

FINANCIAL STATEMENTS

For the Quarter Ended March 31, 2016

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)		Three Months Ended	
		March 31	
<i>(in millions)</i>		2016	2015
Operating revenues	\$	983.2	\$ 1,163.5
Operating expenses			
Cost of sales		383.4	576.3
Other operation and maintenance		284.3	269.6
Depreciation and amortization		69.8	75.4
Property and revenue taxes		16.2	18.2
Total operating expenses		753.7	939.5
Operating income		229.5	224.0
Equity in earnings of transmission affiliate		21.7	17.0
Other income, net		33.6	7.3
Interest expense		35.0	38.2
Other income (expense)		20.3	(13.9)
Income before income taxes		249.8	210.1
Income tax expense		105.8	79.0
Net income from continuing operations		144.0	131.1
Discontinued operations, net of tax		—	(0.8)
Net income		144.0	130.3
Preferred stock dividends of subsidiary		—	(0.8)
Net income attributed to common shareholder	\$	144.0	\$ 129.5

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)	Three Months Ended	
	March 31	
(in millions)	2016	2015
Net income	\$ 144.0	\$ 130.3
Other comprehensive income, net of tax:		
Derivatives accounted for as cash flow hedges		
Reclassification of net losses to net income, net of tax	0.2	0.1
Defined benefit plans		
Amortization of pension and OPEB costs to net periodic benefit cost, net of tax	1.1	0.7
Other comprehensive income, net of tax	1.3	0.8
Comprehensive income	145.3	131.1
Preferred stock dividends of subsidiary	—	(0.8)
Comprehensive income attributed to common shareholder	\$ 145.3	\$ 130.3

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (in millions, except share and per share amounts)	March 31, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 23.6	\$ 19.4
Accounts receivable and unbilled revenues, net of reserves of \$44.6 and \$49.9, respectively	522.8	471.2
Receivables from related parties	8.5	2.8
Materials, supplies, and inventories	177.5	328.2
Assets held for sale	—	115.1
Prepaid taxes	70.0	122.2
Other current assets	52.7	54.7
Current assets	855.1	1,113.6
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$3,260.0 and \$3,267.9, respectively	7,295.8	7,418.6
Regulatory assets	1,597.4	1,641.6
Equity investment in transmission affiliate	568.9	550.4
Goodwill	635.8	635.8
Other long-term assets	195.1	218.2
Long-term assets	10,293.0	10,464.6
Total assets	\$ 11,148.1	\$ 11,578.2
Liabilities and Equity		
Current liabilities		
Short-term debt	\$ 104.2	\$ 305.5
Current portion of long-term debt	100.0	100.0
Accounts payable	310.1	469.4
Payables to related parties	68.6	18.8
Accrued taxes	87.7	50.0
Note payable to related party	46.2	95.1
Liabilities held for sale	—	30.0
Other current liabilities	263.9	286.4
Current liabilities	980.7	1,355.2
Long-term liabilities		
Long-term debt	2,915.4	3,069.9
Deferred income taxes	1,746.3	1,664.9
Deferred investment tax credits	61.6	62.2
Regulatory liabilities	460.3	459.5
Environmental remediation liabilities	587.7	598.2
Pension and OPEB obligations	288.7	335.9
Asset retirement obligations	515.4	509.2
Other long-term liabilities	122.9	192.9
Long-term liabilities	6,698.3	6,892.7
Commitments and contingencies		
Common shareholder's equity		
Common stock — \$0.01 par value; 10,000 shares authorized, 1,020 and 1,000 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	—	—
Additional paid in capital	2,685.2	2,691.7
Retained earnings	811.0	667.0
Accumulated other comprehensive loss	(27.1)	(28.4)
Total common shareholder's equity	3,469.1	3,330.3
Total liabilities and equity	\$ 11,148.1	\$ 11,578.2

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)		Three Months Ended March 31	
<i>(in millions)</i>		2016	2015
Operating Activities			
Net income	\$	144.0	\$ 130.3
Reconciliation to cash provided by operating activities			
Depreciation and amortization		71.6	76.4
Deferred income taxes and investment tax credits, net		67.8	45.2
Contributions and payments related to pension and OPEB plans		(1.3)	(2.9)
Equity income in transmission affiliate, net of distributions		(13.4)	(3.4)
Change in –			
Accounts receivable and unbilled revenues		(45.5)	6.0
Materials, supplies, and inventories		151.7	147.0
Other current assets		40.1	92.6
Accounts payable		(61.0)	(40.1)
Accrued taxes, net		46.8	21.0
Other current liabilities		(6.0)	54.4
Other, net		(40.2)	(2.3)
Net cash provided by operating activities		354.6	524.2
Investing Activities			
Capital expenditures		(178.9)	(205.9)
Investment in transmission affiliate		(5.1)	(1.7)
Proceeds from the sale of businesses		106.5	—
Withdrawal of restricted cash from Rabbi trust for qualifying payments		21.0	10.9
Short-term notes receivable from related parties, net		14.8	—
Other, net		3.9	(0.8)
Net cash used in investing activities		(37.8)	(197.5)
Financing Activities			
Issuance of common stock to parent		66.4	—
Purchase of common stock		—	(17.5)
Payment of dividends			
Preferred stock of subsidiary		—	(0.8)
Common stock		—	(54.1)
Retirement of long-term debt		(128.6)	—
Change in short-term debt		(201.3)	(184.3)
Change in short-term notes payable to related parties		(48.9)	—
Other, net		(0.2)	(1.6)
Net cash used in financing activities		(312.6)	(258.3)
Net change in cash and cash equivalents		4.2	68.4
Cash and cash equivalents at beginning of period		19.4	18.0
Cash and cash equivalents at end of period	\$	23.6	\$ 86.4
<i>Cash (paid) for interest, net of amount capitalized</i>	\$	(15.9)	\$ (13.9)
<i>Cash received for income taxes, net of (payments)</i>		46.7	51.1