

# **INTEGRYS HOLDING, INC.**

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

## **FINANCIAL STATEMENTS**

**For the Quarter Ended March 31, 2017**

# INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)		Three Months Ended	
		March 31	
<i>(in millions)</i>		2017	2016
<b>Operating revenues</b>		<b>\$ 1,075.5</b>	<b>\$ 983.2</b>
<b>Operating expenses</b>			
Cost of sales		458.9	383.4
Other operation and maintenance		255.9	284.3
Depreciation and amortization		77.7	69.8
Property and revenue taxes		19.1	16.2
<b>Total operating expenses</b>		<b>811.6</b>	<b>753.7</b>
<b>Operating income</b>		<b>263.9</b>	<b>229.5</b>
Equity in earnings of transmission affiliate		27.0	21.7
Other income, net		9.6	33.6
Interest expense		35.4	35.0
<b>Other income</b>		<b>1.2</b>	<b>20.3</b>
Income before income taxes		265.1	249.8
Income tax expense		104.6	105.8
<b>Net income</b>		<b>160.5</b>	<b>144.0</b>

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)		Three Months Ended	
		March 31	
<i>(in millions)</i>		2017	2016
Net income		\$ 160.5	\$ 144.0
<b>Other comprehensive income, net of tax</b>			
<b>Derivatives accounted for as cash flow hedges</b>			
Reclassification of net losses to net income, net of tax		0.1	0.2
<b>Defined benefit plans</b>			
Amortization of pension and OPEB costs included in net periodic benefit cost, net of tax		1.1	1.1
<b>Other comprehensive income, net of tax</b>		<b>1.2</b>	<b>1.3</b>
<b>Comprehensive income</b>		<b>\$ 161.7</b>	<b>\$ 145.3</b>

# INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)		March 31,	December 31,
(in millions, except share and per share amounts)		2017	2016
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$	20.4	\$ 12.0
Accounts receivable and unbilled revenues, net of reserves of \$56.2 and \$47.6, respectively		603.7	618.1
Receivables from related parties		11.3	14.0
Materials, supplies, and inventories		154.4	270.1
Note receivable from related party		91.8	—
Prepaid taxes		42.3	51.7
Other		43.4	61.3
<b>Current assets</b>		<b>967.3</b>	<b>1,027.2</b>
<b>Long-term assets</b>			
Property, plant, and equipment, net of accumulated depreciation of \$3,348.9 and \$3,315.5, respectively		7,787.2	7,779.9
Regulatory assets		1,520.1	1,535.1
Equity investment in transmission affiliate		620.9	600.2
Goodwill		635.8	635.8
Other		239.3	250.6
<b>Long-term assets</b>		<b>10,803.3</b>	<b>10,801.6</b>
<b>Total assets</b>	<b>\$</b>	<b>11,770.6</b>	<b>\$ 11,828.8</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Short-term debt	\$	217.5	\$ 228.0
Current portion of long-term debt		125.0	125.0
Accounts payable		291.0	482.1
Payables to related parties		50.5	48.3
Note payable to related party		—	42.0
Accrued taxes		148.3	64.7
Other		238.9	200.7
<b>Current liabilities</b>		<b>1,071.2</b>	<b>1,190.8</b>
<b>Long-term liabilities</b>			
Long-term debt		2,941.0	2,940.7
Deferred income taxes		1,984.9	1,948.0
Deferred investment tax credits		59.1	59.6
Regulatory liabilities		498.9	507.7
Environmental remediation liabilities		575.6	578.4
Pension and OPEB obligations		193.4	300.9
Asset retirement obligations		498.7	492.7
Other		178.8	181.6
<b>Long-term liabilities</b>		<b>6,930.4</b>	<b>7,009.6</b>
<b>Commitments and contingencies</b>			
Common stock – \$0.01 par value; 10,000 shares authorized, 1,020 shares issued and outstanding		—	—
Additional paid in capital		2,664.2	2,685.3
Retained earnings		1,126.9	966.4
Accumulated other comprehensive loss		(22.1)	(23.3)
<b>Total common shareholder's equity</b>		<b>3,769.0</b>	<b>3,628.4</b>
<b>Total liabilities and equity</b>	<b>\$</b>	<b>11,770.6</b>	<b>\$ 11,828.8</b>

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)		Three Months Ended	
		March 31	
(in millions)		2017	2016
<b>Operating activities</b>			
Net income	\$	160.5	\$ 144.0
Reconciliation to cash provided by operating activities			
Depreciation and amortization		77.7	71.6
Deferred income taxes and investment tax credits, net		42.3	67.8
Contributions and payments related to pension and OPEB plans		(68.7)	(1.3)
Equity income in transmission affiliate, net of distributions		(7.1)	(13.4)
Cash paid for pension plan assets transferred from WBS		(41.8)	—
Change in –			
Accounts receivable and unbilled revenues		16.3	(45.5)
Materials, supplies, and inventories		115.8	151.7
Other current assets		11.8	40.1
Accounts payable		(99.8)	(61.0)
Accrued taxes		84.2	46.8
Other current liabilities		38.2	(6.0)
Other, net		(2.6)	(40.2)
<b>Net cash provided by operating activities</b>		<b>326.8</b>	<b>354.6</b>
<b>Investing activities</b>			
Capital expenditures		(176.4)	(178.9)
Capital contributions to transmission affiliate		(13.6)	(5.1)
Proceeds from the sale of assets and businesses		—	106.5
Withdrawal of restricted cash from Rabbi trust for qualifying payments		16.1	21.0
Short-term notes receivable from related parties, net		(91.8)	14.8
Other, net		—	3.9
<b>Net cash used in investing activities</b>		<b>(265.7)</b>	<b>(37.8)</b>
<b>Financing activities</b>			
Issuance of common stock to parent		—	66.4
Retirement of long-term debt		—	(128.6)
Change in short-term debt		(10.5)	(201.3)
Short-term notes payable to related parties, net		(42.0)	(48.9)
Other, net		(0.2)	(0.2)
<b>Net cash used in financing activities</b>		<b>(52.7)</b>	<b>(312.6)</b>
<b>Net change in cash and cash equivalents</b>		<b>8.4</b>	<b>4.2</b>
Cash and cash equivalents at beginning of period		12.0	19.4
<b>Cash and cash equivalents at end of period</b>	<b>\$</b>	<b>20.4</b>	<b>\$ 23.6</b>
<b>Supplemental cash flow information</b>			
Cash (paid) for interest, net of amount capitalized	\$	(15.6)	\$ (15.9)
Cash received for income taxes, net		15.0	46.7