

INTEGRYS HOLDING, INC.

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

FINANCIAL STATEMENTS

For the Quarter Ended March 31, 2018

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)		Three Months Ended	
		March 31	
<i>(in millions)</i>		2018	2017
Operating revenues		\$ 1,072.1	\$ 1,075.5
Operating expenses			
Cost of sales		473.9	458.9
Other operation and maintenance		241.9	255.7
Depreciation and amortization		84.2	77.7
Property and revenue taxes		18.5	19.1
Total operating expenses		818.5	811.4
Operating income		253.6	264.1
Equity in earnings of transmission affiliate		—	27.0
Other income, net		7.5	9.4
Interest expense		37.1	35.4
Other (expense) income		(29.6)	1.0
Income before income taxes		224.0	265.1
Income tax expense		55.5	104.6
Net income		\$ 168.5	\$ 160.5

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)		Three Months Ended	
		March 31	
<i>(in millions)</i>		2018	2017
Net income		\$ 168.5	\$ 160.5
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 included in net periodic benefit cost, net of tax		1.3	1.1
Other comprehensive income, net of tax		1.5	1.2
Comprehensive income		\$ 170.0	\$ 161.7

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) <i>(in millions, except share and per share amounts)</i>	March 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 28.7	\$ 19.3
Accounts receivable and unbilled revenues, net of reserves of \$95.3 and \$84.8, respectively	686.1	668.1
Receivables from related parties	55.7	15.6
Materials, supplies, and inventories	152.7	238.0
Note receivable from related party	281.9	278.2
Other	65.2	115.1
Current assets	1,270.3	1,334.3
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$3,559.6 and \$3,442.5, respectively	8,532.9	8,460.4
Regulatory assets	1,394.4	1,385.7
Equity investment in transmission affiliate	—	621.1
Goodwill	635.8	635.8
Other	346.7	333.5
Long-term assets	10,909.8	11,436.5
Total assets	\$ 12,180.1	\$ 12,770.8
Liabilities and Equity		
Current liabilities		
Short-term debt	\$ 385.1	\$ 533.0
Current portion of long-term debt	369.9	255.0
Accounts payable	296.0	435.4
Payables to related parties	120.7	66.2
Accrued taxes	150.8	107.9
Other	280.2	243.2
Current liabilities	1,602.7	1,640.7
Long-term liabilities		
Long-term debt	2,880.4	2,994.6
Deferred income taxes	1,032.2	1,146.9
Deferred investment tax credits	57.1	57.8
Regulatory liabilities	1,364.8	1,479.2
Environmental remediation liabilities	557.5	557.7
Pension and OPEB obligations	215.2	209.8
Asset retirement obligations	507.7	501.7
Other	153.8	178.2
Long-term liabilities	6,768.7	7,125.9
Commitments and contingencies		
Common stock – \$0.01 par value; 10,000 shares authorized, 1,020 shares issued and outstanding	—	—
Additional paid in capital	2,299.4	2,664.9
Retained earnings	1,525.3	1,356.8
Accumulated other comprehensive loss	(16.0)	(17.5)
Total common shareholder's equity	3,808.7	4,004.2
Total liabilities and equity	\$ 12,180.1	\$ 12,770.8

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)		Three Months Ended March 31	
<i>(in millions)</i>		2018	2017
Operating activities			
Net income	\$	168.5	\$ 160.5
Reconciliation to cash provided by operating activities			
Depreciation and amortization		84.2	77.7
Deferred income taxes and investment tax credits, net		10.8	42.3
Contributions and payments related to pension and OPEB plans		(0.3)	(68.7)
Equity income in transmission affiliate, net of distributions		—	(7.1)
Cash paid for pension plan assets transferred from WEC Business Services LLC		—	(41.8)
Change in –			
Accounts receivable and unbilled revenues		(94.8)	16.3
Materials, supplies, and inventories		85.3	115.8
Other current assets		66.2	11.8
Accounts payable		(4.6)	(99.8)
Accrued taxes		42.3	84.2
Other current liabilities		40.8	38.2
Other, net		27.7	(2.6)
Net cash provided by operating activities		426.1	326.8
Investing activities			
Capital expenditures		(222.3)	(176.4)
Payments for assets transferred from WEC Business Services LLC		(55.5)	—
Proceeds from the sale of investments held in rabbi trust		16.5	8.6
Short-term notes receivable from related parties, net		(3.7)	(91.8)
Capital contributions to transmission affiliate		—	(13.6)
Other, net		0.1	—
Net cash used in investing activities		(264.9)	(273.2)
Financing activities			
Change in short-term debt		(147.9)	(10.5)
Short-term notes payable to related parties, net		—	(42.0)
Other, net		0.1	(0.2)
Net cash used in financing activities		(147.8)	(52.7)
Net change in cash, cash equivalents, and restricted cash		13.4	0.9
Cash, cash equivalents, and restricted cash at beginning of period		39.0	47.2
Cash, cash equivalents, and restricted cash at end of period	\$	52.4	\$ 48.1
Supplemental cash flow information			
Cash (paid) for interest, net of amount capitalized	\$	(20.8)	\$ (15.6)
Cash received for income taxes, net		0.1	15.0