

# **INTEGRYS HOLDING, INC.**

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

## **FINANCIAL STATEMENTS**

**For the Quarter Ended June 30, 2017**

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2017	2016	2017	2016
<i>(in millions)</i>				
<b>Operating revenues</b>	<b>\$ 663.6</b>	<b>\$ 622.5</b>	<b>\$ 1,739.1</b>	<b>\$ 1,605.7</b>
<b>Operating expenses</b>				
Cost of sales	222.1	183.4	681.0	566.8
Other operation and maintenance	236.3	319.7	492.2	604.0
Depreciation and amortization	79.0	69.6	156.7	139.4
Property and revenue taxes	19.3	18.7	38.4	34.9
<b>Total operating expenses</b>	<b>556.7</b>	<b>591.4</b>	<b>1,368.3</b>	<b>1,345.1</b>
<b>Operating income</b>	<b>106.9</b>	<b>31.1</b>	<b>370.8</b>	<b>260.6</b>
Equity in earnings of transmission affiliate	24.2	16.9	51.2	38.6
Other income, net	6.8	8.2	16.4	41.8
Interest expense	34.6	33.8	70.0	68.8
<b>Other (expense) income</b>	<b>(3.6)</b>	<b>(8.7)</b>	<b>(2.4)</b>	<b>11.6</b>
Income before income taxes	103.3	22.4	368.4	272.2
Income tax expense	41.0	8.3	145.6	114.1
<b>Net income</b>	<b>62.3</b>	<b>14.1</b>	<b>222.8</b>	<b>158.1</b>

INTEGRYS HOLDING, INC.

<b>CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)</b>  <i>(in millions)</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Net income</b>	<b>\$ 62.3</b>	<b>\$ 14.1</b>	<b>\$ 222.8</b>	<b>\$ 158.1</b>
<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	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.4</b>
<b>Defined benefit plans</b>				
Amortization of pension and OPEB costs included in net periodic benefit cost, net of tax of \$0.7 million, \$1.0 million, \$1.4 million, and \$1.7 million, respectively	<b>1.1</b>	<b>1.4</b>	<b>2.2</b>	<b>2.5</b>
<b>Other comprehensive income, net of tax</b>	<b>1.2</b>	<b>1.6</b>	<b>2.4</b>	<b>2.9</b>
<b>Comprehensive income</b>	<b>\$ 63.5</b>	<b>\$ 15.7</b>	<b>\$ 225.2</b>	<b>\$ 161.0</b>

# INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)		
<i>(in millions, except share and per share amounts)</i>		
	June 30,	December 31,
	2017	2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 31.2	\$ 12.0
Accounts receivable and unbilled revenues, net of reserves of \$50.3 and \$47.6, respectively	481.9	618.1
Receivables from related parties	11.6	14.0
Materials, supplies, and inventories	191.6	270.1
Note receivable from related party	235.2	—
Prepaid taxes	45.4	51.7
Other	40.7	61.3
<b>Current assets</b>	<b>1,037.6</b>	<b>1,027.2</b>
<b>Long-term assets</b>		
Property, plant, and equipment, net of accumulated depreciation of \$3,393.3 and \$3,315.5, respectively	7,999.9	7,779.9
Regulatory assets	1,504.8	1,535.1
Equity investment in transmission affiliate	634.5	600.2
Goodwill	635.8	635.8
Other	243.4	250.6
<b>Long-term assets</b>	<b>11,018.4</b>	<b>10,801.6</b>
<b>Total assets</b>	<b>\$ 12,056.0</b>	<b>\$ 11,828.8</b>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Short-term debt	\$ 165.0	\$ 228.0
Current portion of long-term debt	125.0	125.0
Accounts payable	374.0	482.1
Payables to related parties	47.3	48.3
Note payable to related party	—	42.0
Accrued taxes	97.7	64.7
Other	209.4	200.7
<b>Current liabilities</b>	<b>1,018.4</b>	<b>1,190.8</b>
<b>Long-term liabilities</b>		
Long-term debt	3,150.9	2,940.7
Deferred income taxes	2,059.2	1,948.0
Deferred investment tax credits	58.7	59.6
Regulatory liabilities	496.5	507.7
Environmental remediation liabilities	567.4	578.4
Pension and OPEB obligations	193.1	300.9
Asset retirement obligations	504.7	492.7
Other	174.6	181.6
<b>Long-term liabilities</b>	<b>7,205.1</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	1,189.2	966.4
Accumulated other comprehensive loss	(20.9)	(23.3)
<b>Total common shareholder's equity</b>	<b>3,832.5</b>	<b>3,628.4</b>
<b>Total liabilities and equity</b>	<b>\$ 12,056.0</b>	<b>\$ 11,828.8</b>

# INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)		Six Months Ended	
		June 30	
(in millions)		2017	2016
<b>Operating activities</b>			
Net income	\$	222.8	\$ 158.1
Reconciliation to cash provided by operating activities			
Depreciation and amortization		156.7	143.0
Deferred income taxes and investment tax credits, net		115.8	118.0
Contributions and payments related to pension and OPEB plans		(69.6)	(1.9)
Equity income in transmission affiliate, net of distributions		(12.1)	(12.5)
Cash paid for pension plan assets transferred from WEC Business Services LLC		(41.8)	—
Change in –			
Accounts receivable and unbilled revenues		145.5	92.8
Materials, supplies, and inventories		78.7	130.3
Other current assets		9.5	30.2
Accounts payable		(81.5)	(88.5)
Accrued taxes		33.6	21.8
Other current liabilities		6.3	(56.6)
Other, net		(9.7)	17.6
<b>Net cash provided by operating activities</b>		<b>554.2</b>	<b>552.3</b>
<b>Investing activities</b>			
Capital expenditures		(384.2)	(315.7)
Capital contributions to transmission affiliate		(22.2)	(6.8)
Proceeds from the sale of assets and businesses		3.9	98.9
Proceeds from assets transferred to WEC Business Services LLC		21.7	7.3
Payments for assets transferred from WEC Business Services LLC		(40.8)	—
Withdrawal of restricted cash from Rabbi trust for qualifying payments		17.2	22.5
Short-term notes receivable from related parties, net		(235.2)	14.8
Other, net		1.5	(3.1)
<b>Net cash used in investing activities</b>		<b>(638.1)</b>	<b>(182.1)</b>
<b>Financing activities</b>			
Issuance of common stock to parent		—	66.4
Issuance of long-term debt		210.0	—
Retirement of long-term debt		—	(228.6)
Change in short-term debt		(63.0)	(107.7)
Repayment of loan		—	(28.6)
Short-term notes payable to related parties, net		(42.0)	(72.4)
Other, net		(1.9)	(0.3)
<b>Net cash provided by (used in) financing activities</b>		<b>103.1</b>	<b>(371.2)</b>
<b>Net change in cash and cash equivalents</b>		<b>19.2</b>	<b>(1.0)</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>31.2</b>	<b>\$ 18.4</b>
<b>Supplemental cash flow information</b>			
Cash (paid) for interest, net of amount capitalized	\$	(68.4)	\$ (72.4)
Cash received for income taxes, net		23.4	85.7