

INTEGRYS HOLDING, INC.

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

FINANCIAL STATEMENTS

For the Quarter Ended June 30, 2018

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)	Three Months Ended		Six Months Ended	
	June 30		June 30	
(in millions)	2018	2017	2018	2017
Operating revenues	\$ 693.3	\$ 663.6	\$ 1,765.4	\$ 1,739.1
Operating expenses				
Cost of sales	234.9	222.1	708.8	681.0
Other operation and maintenance	237.2	235.3	479.1	491.0
Depreciation and amortization	80.6	79.0	164.8	156.7
Property and revenue taxes	18.8	19.3	37.3	38.4
Total operating expenses	571.5	555.7	1,390.0	1,367.1
Operating income	121.8	107.9	375.4	372.0
Equity in earnings of transmission affiliate	—	24.2	—	51.2
Other income, net	11.1	5.8	18.6	15.2
Interest expense	37.3	34.6	74.4	70.0
Other expense	(26.2)	(4.6)	(55.8)	(3.6)
Income before income taxes	95.6	103.3	319.6	368.4
Income tax expense	29.9	41.0	85.4	145.6
Net income	65.7	62.3	234.2	222.8

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited) <i>(in millions)</i>	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2018	2017	2018	2017
Net income	\$ 65.7	\$ 62.3	\$ 234.2	\$ 222.8
Other comprehensive income, net of tax				
Derivatives accounted for as cash flow hedges				
Reclassification of net losses to net income, net of tax	0.1	0.1	0.3	0.2
Defined benefit plans				
Amortization of pension and OPEB costs included in net periodic benefit cost, net of tax of \$0.5 million, \$0.7 million, \$1.0 million, and \$1.4 million, respectively	1.3	1.1	2.6	2.2
Other comprehensive income, net of tax	1.4	1.2	2.9	2.4
Comprehensive income	\$ 67.1	\$ 63.5	\$ 237.1	\$ 225.2

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)		
<i>(in millions, except share and per share amounts)</i>		
	June 30, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 11.3	\$ 19.3
Accounts receivable and unbilled revenues, net of reserves of \$96.4 and \$84.8, respectively	507.8	668.1
Receivables from related parties	39.0	15.6
Materials, supplies, and inventories	190.5	238.0
Note receivable from related party	205.6	278.2
Other	79.6	115.1
Current assets	1,033.8	1,334.3
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$3,646.4 and \$3,442.5, respectively	8,809.5	8,460.4
Regulatory assets	1,375.4	1,385.7
Equity investment in transmission affiliate	—	621.1
Goodwill	635.8	635.8
Other	367.4	333.5
Long-term assets	11,188.1	11,436.5
Total assets	\$ 12,221.9	\$ 12,770.8
Liabilities and Equity		
Current liabilities		
Short-term debt	\$ 457.6	\$ 533.0
Current portion of long-term debt	255.0	255.0
Accounts payable	349.3	435.4
Payables to related parties	114.2	66.2
Accrued taxes	120.3	107.9
Other	222.8	243.2
Current liabilities	1,519.2	1,640.7
Long-term liabilities		
Long-term debt	2,880.9	2,994.6
Deferred income taxes	1,052.7	1,146.9
Deferred investment tax credits	54.0	57.8
Regulatory liabilities	1,398.0	1,479.2
Environmental remediation liabilities	557.3	557.7
Pension and OPEB obligations	218.7	209.8
Asset retirement obligations	517.9	501.7
Other	146.9	178.2
Long-term liabilities	6,826.4	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	2,299.9	2,664.9
Retained earnings	1,591.0	1,356.8
Accumulated other comprehensive loss	(14.6)	(17.5)
Total common shareholder's equity	3,876.3	4,004.2
Total liabilities and equity	\$ 12,221.9	\$ 12,770.8

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)		Six Months Ended	
		June 30	
<i>(in millions)</i>		2018	2017
Operating activities			
Net income	\$	234.2	\$ 222.8
Reconciliation to cash provided by operating activities			
Depreciation and amortization		164.8	156.7
Deferred income taxes and investment tax credits, net		26.9	115.8
Contributions and payments related to pension and OPEB plans		(0.5)	(69.6)
Equity income in transmission affiliate, net of distributions		—	(12.1)
Cash paid for pension plan assets transferred from WEC Business Services LLC		—	(41.8)
Change in –			
Accounts receivable and unbilled revenues		101.1	145.5
Materials, supplies, and inventories		47.8	78.7
Other current assets		67.4	8.4
Accounts payable		19.4	(81.5)
Accrued taxes		21.4	33.6
Other current liabilities		(14.7)	6.3
Other, net		11.3	(9.7)
Net cash provided by operating activities		679.1	553.1
Investing activities			
Capital expenditures		(456.3)	(384.2)
Acquisition of Forward Wind Energy Center		(77.1)	—
Proceeds from assets transferred to WEC Business Services LLC		—	21.7
Payments for assets transferred from WEC Business Services LLC		(56.6)	(40.8)
Proceeds from the sale of investments held in rabbi trust		16.5	8.6
Short-term notes receivable from related parties, net		72.6	(235.2)
Capital contributions to transmission affiliate		—	(22.2)
Other, net		6.6	1.7
Net cash used in investing activities		(494.3)	(650.4)
Financing activities			
Issuance of long-term debt		—	210.0
Retirement of long-term debt		(114.9)	—
Change in short-term debt		(75.4)	(63.0)
Short-term notes payable to related parties, net		—	(42.0)
Other, net		—	(1.9)
Net cash (used in) provided by financing activities		(190.3)	103.1
Net change in cash, cash equivalents, and restricted cash		(5.5)	5.8
Cash, cash equivalents, and restricted cash at beginning of period		39.0	47.2
Cash, cash equivalents, and restricted cash at end of period	\$	33.5	\$ 53.0
Supplemental cash flow information			
Cash (paid) for interest, net of amount capitalized	\$	(73.1)	\$ (68.4)
Cash (paid) received for income taxes, net		(4.6)	23.4