

# **INTEGRYS HOLDING, INC.**

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

## **FINANCIAL STATEMENTS**

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

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
(in millions)	2017	2016	2017	2016
Operating revenues	\$ 623.0	\$ 616.3	\$ 2,362.1	\$ 2,222.0
<b>Operating expenses</b>				
Cost of sales	177.5	171.5	858.5	738.3
Other operation and maintenance	224.7	238.2	716.9	842.2
Depreciation and amortization	81.2	70.5	237.9	209.9
Property and revenue taxes	17.2	18.9	55.6	53.8
<b>Total operating expenses</b>	<b>500.6</b>	<b>499.1</b>	<b>1,868.9</b>	<b>1,844.2</b>
<b>Operating income</b>	<b>122.4</b>	<b>117.2</b>	<b>493.2</b>	<b>377.8</b>
Equity in earnings of transmission affiliate	25.1	21.7	76.3	60.3
Other income, net	9.8	6.3	26.2	48.1
Interest expense	36.9	31.8	106.9	100.6
<b>Other (expense) income</b>	<b>(2.0)</b>	<b>(3.8)</b>	<b>(4.4)</b>	<b>7.8</b>
Income before income taxes	120.4	113.4	488.8	385.6
Income tax expense	45.8	41.9	191.4	156.0
<b>Net income</b>	<b>74.6</b>	<b>71.5</b>	<b>297.4</b>	<b>229.6</b>

INTEGRYS HOLDING, INC.

<b>CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)</b>  <i>(in millions)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Net income</b>	<b>\$ 74.6</b>	<b>\$ 71.5</b>	<b>\$ 297.4</b>	<b>\$ 229.6</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>0.2</b>	<b>0.1</b>	<b>0.4</b>	<b>0.5</b>
<b>Defined benefit plans</b>				
Amortization of pension and OPEB costs included in net periodic benefit cost, net of tax of \$0.8 million, \$0.4 million, \$2.2 million, and \$2.1 million, respectively	<b>1.1</b>	<b>0.7</b>	<b>3.3</b>	<b>3.2</b>
<b>Other comprehensive income, net of tax</b>	<b>1.3</b>	<b>0.8</b>	<b>3.7</b>	<b>3.7</b>
<b>Comprehensive income</b>	<b>\$ 75.9</b>	<b>\$ 72.3</b>	<b>\$ 301.1</b>	<b>\$ 233.3</b>

**INTEGRYS HOLDING, INC.**

<b>CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)</b>		
<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	\$ 6.7	\$ 12.0
Accounts receivable and unbilled revenues, net of reserves of \$50.1 and \$47.6, respectively	451.6	618.1
Receivables from related parties	14.2	14.0
Materials, supplies, and inventories	306.0	270.1
Note receivable from related party	251.9	—
Prepaid taxes	35.3	51.7
Other	37.7	61.3
<b>Current assets</b>	<b>1,103.4</b>	<b>1,027.2</b>
<b>Long-term assets</b>		
Property, plant, and equipment, net of accumulated depreciation of \$3,407.0 and \$3,315.5, respectively	8,230.1	7,779.9
Regulatory assets	1,516.0	1,535.1
Equity investment in transmission affiliate	646.5	600.2
Goodwill	635.8	635.8
Other	262.3	250.6
<b>Long-term assets</b>	<b>11,290.7</b>	<b>10,801.6</b>
<b>Total assets</b>	<b>\$ 12,394.1</b>	<b>\$ 11,828.8</b>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Short-term debt	\$ 257.6	\$ 228.0
Current portion of long-term debt	125.0	125.0
Accounts payable	397.1	482.1
Payables to related parties	45.8	48.3
Note payable to related party	—	42.0
Accrued taxes	72.0	64.7
Other	253.0	200.7
<b>Current liabilities</b>	<b>1,150.5</b>	<b>1,190.8</b>
<b>Long-term liabilities</b>		
Long-term debt	3,151.4	2,940.7
Deferred income taxes	2,176.0	1,948.0
Deferred investment tax credits	58.2	59.6
Regulatory liabilities	492.2	507.7
Environmental remediation liabilities	561.3	578.4
Pension and OPEB obligations	210.5	300.9
Asset retirement obligations	510.8	492.7
Other	174.7	181.6
<b>Long-term liabilities</b>	<b>7,335.1</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	2,664.3	2,685.3
Retained earnings	1,263.8	966.4
Accumulated other comprehensive loss	(19.6)	(23.3)
<b>Total common shareholder's equity</b>	<b>3,908.5</b>	<b>3,628.4</b>
<b>Total liabilities and equity</b>	<b>\$ 12,394.1</b>	<b>\$ 11,828.8</b>

**INTEGRYS HOLDING, INC.**

<b>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)</b>		<b>Nine Months Ended</b>	
		<b>September 30</b>	
<i>(in millions)</i>		<b>2017</b>	<b>2016</b>
<b>Operating activities</b>			
Net income	\$	297.4	\$ 229.6
Reconciliation to cash provided by operating activities			
Depreciation and amortization		237.9	215.3
Deferred income taxes and investment tax credits, net		200.1	181.7
Contributions and payments related to pension and OPEB plans		(70.0)	(2.2)
Equity income in transmission affiliate, net of distributions		(17.3)	(19.9)
Cash paid for pension plan assets transferred from WEC Business Services LLC		(36.7)	—
Change in –			
Accounts receivable and unbilled revenues		178.4	106.9
Materials, supplies, and inventories		(35.5)	(2.8)
Prepaid taxes		16.4	72.0
Other current assets		6.4	10.8
Accounts payable		(82.4)	(98.5)
Other current liabilities		58.2	(23.2)
Other, net		(25.4)	(30.8)
<b>Net cash provided by operating activities</b>		<b>727.5</b>	<b>638.9</b>
<b>Investing activities</b>			
Capital expenditures		(652.1)	(483.8)
Capital contributions to transmission affiliate		(29.0)	(15.3)
Proceeds from the sale of assets and businesses		4.0	98.9
Proceeds from assets transferred to WEC Business Services LLC		24.9	7.6
Payments for assets transferred from WEC Business Services LLC		(45.3)	—
Withdrawal of restricted cash from Rabbi trust for qualifying payments		18.7	23.8
Short-term notes receivable from related parties, net		(251.9)	14.8
Other, net		2.6	(3.4)
<b>Net cash used in investing activities</b>		<b>(928.1)</b>	<b>(357.4)</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		29.6	(24.8)
Repayment of loan		—	(28.6)
Short-term notes payable to related parties, net		(42.0)	(75.8)
Other, net		(2.3)	(0.3)
<b>Net cash provided by (used in) financing activities</b>		<b>195.3</b>	<b>(291.7)</b>
<b>Net change in cash and cash equivalents</b>		<b>(5.3)</b>	<b>(10.2)</b>
Cash and cash equivalents at beginning of period		12.0	19.4
<b>Cash and cash equivalents at end of period</b>	\$	<b>6.7</b>	\$ <b>9.2</b>
<b>Supplemental cash flow information</b>			
Cash (paid) for interest, net of amount capitalized	\$	(84.8)	\$ (86.2)
Cash received for income taxes, net		42.1	112.9