

WEC Energy Group, Inc.

2017 First Quarter Earnings

Released May 2, 2017

TABLE OF CONTENTS

	Pages
Press Release	1
Income Statements	3
Balance Sheets	4
Statements of Cash Flows	5
Factors Affecting Earnings	6
Weather and Volumes	7
Retail Electric Sales Information	8
Other Financial Information	9
Credit Ratings	10





News

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May 2, 2017

WEC Energy Group posts first-quarter results

MILWAUKEE - WEC Energy Group Inc. (NYSE: WEC) recorded net income of \$356.6 million, or \$1.12 per share, for the first quarter of 2017 - up from \$346.2 million, or \$1.09 per share, for the first quarter of 2016.

Consolidated revenue for the first quarter of 2017 totaled \$2.3 billion, compared to \$2.2 billion for the first quarter of 2016.

"Our continued focus on financial discipline and operating efficiencies contributed to a solid first quarter," said Allen Leverett, chief executive officer.

At the end of March, WEC Energy Group's utilities were serving approximately 8,000 more electric and 23,000 more natural gas customers than they did the same time a year ago.

Retail deliveries of electricity for the Wisconsin and Michigan utilities - excluding the iron ore mines in Michigan's Upper Peninsula - decreased 1.1 percent from last year's first quarter. Residential use of electricity was down 2.1 percent. Consumption of electricity by small commercial and industrial customers was flat quarter over quarter.

Electricity use by large commercial and industrial customers - excluding the iron ore mines - decreased 1.2 percent.

On a weather-normal basis, retail deliveries of electricity - excluding the iron ore mines - increased 0.6 percent, quarter over quarter.

Earnings per share listed in this news release are on a fully diluted basis.

Conference call

A conference call is scheduled for 1 p.m. Central time on Tuesday, May 2. The call will review 2017 first-quarter earnings and will discuss the company's outlook for the future.

All interested parties, including stockholders, news media and general public, are invited to listen. Access the call at 844-840-1623 up to 15 minutes before it begins. The number for international callers is 631-625-3204. The conference ID is 99414469.

Conference call access also is available at wecenergygroup.com. Select 'First Quarter Earnings Release and Conference Call' and then select 'Webcast.' In conjunction with this earnings announcement, WEC Energy Group will post on its website a package of detailed financial information on its first-quarter performance. The materials will be available at 6:30 a.m. Central time on Tuesday, May 2.

Replay

A replay will be available on the website and by phone after the call. Access to the webcast replay will be available on the website about two hours after the call. Access to a phone replay also will be available approximately two hours after the call and remain accessible through May 15, 2017. Domestic callers should dial 855-859-2056. International callers should dial 404-537-3406. The replay conference ID is 99414469.

WEC Energy Group (NYSE: WEC), based in Milwaukee, is one of the nation's premier energy companies, serving 4.4 million customers in Wisconsin, Illinois, Michigan and Minnesota.

The company's principal utilities are We Energies, Wisconsin Public Service, Peoples Gas, North Shore Gas, Michigan Gas Utilities, Minnesota Energy Resources and Upper Michigan Energy Resources. The company's other major subsidiary, We Power, designs, builds and owns electric generating plants.

WEC Energy Group (wecenergygroup.com), a component of the S&P 500, has approximately \$30 billion of assets, 8,000 employees and 55,000 stockholders of record.

Tables follow

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)	Three Months Ended March 31	
<i>(in millions, except per share amounts)</i>	2017	2016
Operating revenues	\$ 2,304.5	\$ 2,194.8
Operating expenses		
Cost of sales	941.1	838.9
Other operation and maintenance	501.9	531.5
Depreciation and amortization	194.6	187.9
Property and revenue taxes	49.6	47.2
Total operating expenses	1,687.2	1,605.5
Operating income	617.3	589.3
Equity in earnings of transmission affiliate	41.9	38.5
Other income, net	15.7	32.7
Interest expense	104.7	100.9
Other expense	(47.1)	(29.7)
Income before income taxes	570.2	559.6
Income tax expense	213.3	213.1
Net income	356.9	346.5
Preferred stock dividends of subsidiary	0.3	0.3
Net income attributed to common shareholders	\$ 356.6	\$ 346.2
Earnings per share		
Basic	\$ 1.13	\$ 1.10
Diluted	\$ 1.12	\$ 1.09
Weighted average common shares outstanding		
Basic	315.6	315.7
Diluted	317.2	317.1
Dividends per share of common stock	\$ 0.5200	\$ 0.4950

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) <i>(in millions, except share and per share amounts)</i>	March 31, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	\$ 45.7	\$ 37.5
Accounts receivable and unbilled revenues, net of reserves of \$123.1 and \$108.0, respectively	1,191.4	1,241.7
Materials, supplies, and inventories	417.1	587.6
Prepayments	161.8	204.4
Other	39.3	97.5
Current assets	1,855.3	2,168.7
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$8,312.8 and \$8,214.6, respectively	19,990.2	19,915.5
Regulatory assets	3,084.1	3,087.9
Equity investment in transmission affiliate	1,513.3	1,443.9
Goodwill	3,046.2	3,046.2
Other	527.5	461.0
Long-term assets	28,161.3	27,954.5
Total assets	\$ 30,016.6	\$ 30,123.2
Liabilities and Equity		
Current liabilities		
Short-term debt	\$ 670.4	\$ 860.2
Current portion of long-term debt	158.0	157.2
Accounts payable	582.3	861.5
Accrued payroll and benefits	107.5	163.8
Accrued interest	115.1	67.0
Other	421.3	321.9
Current liabilities	2,054.6	2,431.6
Long-term liabilities		
Long-term debt	9,143.6	9,158.2
Deferred income taxes	5,287.4	5,146.6
Deferred revenue, net	561.0	566.2
Regulatory liabilities	1,563.4	1,563.8
Environmental remediation liabilities	630.7	633.6
Pension and OPEB obligations	458.9	498.6
Other	1,161.0	1,164.4
Long-term liabilities	18,806.0	18,731.4
Commitments and contingencies		
Common shareholders' equity		
Common stock – \$.01 par value; 325,000,000 shares authorized; 315,579,222 and 315,614,941 shares outstanding, respectively	3.2	3.2
Additional paid in capital	4,297.7	4,309.8
Retained earnings	4,822.0	4,613.9
Accumulated other comprehensive income	2.7	2.9
Common shareholders' equity	9,125.6	8,929.8
Preferred stock of subsidiary	30.4	30.4
Total liabilities and equity	\$ 30,016.6	\$ 30,123.2

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	Three Months Ended	
	March 31	
<i>(in millions)</i>	2017	2016
Operating Activities		
Net income	\$ 356.9	\$ 346.5
Reconciliation to cash provided by operating activities		
Depreciation and amortization	194.6	191.9
Deferred income taxes and investment tax credits, net	150.2	214.6
Contributions and payments related to pension and OPEB plans	(106.0)	(15.1)
Equity income in transmission affiliate, net of distributions	(6.7)	(23.4)
Change in –		
Accounts receivable and unbilled revenues	55.0	(48.6)
Materials, supplies, and inventories	170.5	217.2
Other current assets	41.2	(63.7)
Accounts payable	(212.7)	(123.7)
Other current liabilities	90.8	56.7
Other, net	(19.2)	(56.5)
Net cash provided by operating activities	714.6	695.9
Investing Activities		
Capital expenditures	(329.7)	(312.0)
Capital contributions to transmission affiliate	(27.6)	(9.0)
Proceeds from the sale of assets and businesses	13.1	106.5
Withdrawal of restricted cash from Rabbi trust for qualifying payments	16.1	21.0
Other, net	2.5	5.1
Net cash used in investing activities	(325.6)	(188.4)
Financing Activities		
Exercise of stock options	5.9	21.4
Purchase of common stock	(20.2)	(59.6)
Dividends paid on common stock	(164.1)	(156.2)
Retirement of long-term debt	(12.0)	(139.4)
Change in short-term debt	(189.8)	(198.6)
Other, net	(0.6)	9.8
Net cash used in financing activities	(380.8)	(522.6)
Net change in cash and cash equivalents	8.2	(15.1)
Cash and cash equivalents at beginning of period	37.5	49.8
Cash and cash equivalents at end of period	\$ 45.7	\$ 34.7

WEC ENERGY GROUP, INC.

FIRST QUARTER 2017 AND 2016 RESULTS — FACTORS AFFECTING EARNINGS

<i>(in millions)</i>	2017	2016	Change B(W)	Significant Factors
Operating income (loss) by segment				
Wisconsin	\$ 332.3	\$ 327.5	\$ 4.8	
			28.4	O&M
			(17.0)	Margin - Weather/Fuel
			(6.4)	Depreciation
			(0.2)	Other
			4.8	
Illinois	155.4	137.0	18.4	Lower O&M / Continued SMP Investment
Other States	33.4	31.8	1.6	
We Power	97.4	93.3	4.1	Capital Investments
Corporate and other	(1.2)	(0.3)	(0.9)	
Operating income	617.3	589.3	28.0	
Equity in earnings of transmission affiliate	41.9	38.5	3.4	
Other income, net	15.7	32.7	(17.0)	2016 Gain on Repurchase of Notes
Interest expense	104.7	100.9	(3.8)	Lower Capitalized Interest
Other expense	(47.1)	(29.7)	(17.4)	
Income before income taxes	570.2	559.6	10.6	
Income tax expense	213.3	213.1	(0.2)	
Net income	356.9	346.5	10.4	
Preferred stock dividends of subsidiary	0.3	0.3	—	
Net income attributed to common shareholders	\$ 356.6	\$ 346.2	\$ 10.4	
Earnings per share - diluted	\$ 1.12	\$ 1.09	\$ 0.03	
Weighted average common shares outstanding - diluted	317.2	317.1		

WEC ENERGY GROUP, INC.

FIRST QUARTER 2017 AND 2016 WEATHER AND VOLUMES

Weather — Degree Days	2017	2016	Change
Wisconsin Gas and Wisconsin Electric ⁽¹⁾			
Heating (3,278 Normal)	2,849	3,105	(8.2)%
Wisconsin Public Service ⁽²⁾			
Heating (3,651 Normal)	3,273	3,438	(4.8)%
Peoples Gas and North Shore Gas ⁽³⁾			
Heating (3,171 Normal)	2,661	2,908	(8.5)%
Minnesota Energy Resources and Michigan Gas ⁽⁴⁾			
Heating (3,558 normal)	3,134	3,231	(3.0)%

⁽¹⁾ Normal degree days are based on a 20-year moving average of monthly temperatures from Mitchell International Airport in Milwaukee, Wisconsin.

⁽²⁾ Normal degree days are based on a 20-year moving average of monthly temperatures from the Green Bay, Wisconsin weather station.

⁽³⁾ Normal degree days are based on a 12-year moving average of monthly temperatures from Chicago's O'Hare airport.

⁽⁴⁾ Normal degree days for Minnesota Energy Resources and Michigan Gas are based on a 20-year moving average and 15-year moving average, respectively, of monthly temperatures from various weather stations throughout their respective territories.

ELECTRIC UTILITY OPERATIONS - FIRST QUARTER

(in thousands)	MWh		
	Wisconsin 2017 **	Wisconsin 2016	Change
Customer class			
Residential	2,598.3	2,655.3	(2.1)%
Small commercial and industrial*	3,192.6	3,197.0	(0.1)%
Large commercial and industrial*	3,080.4	3,372.6	(8.7)%
Other	47.2	47.5	(0.6)%
Total retail *	8,918.5	9,272.4	(3.8)%
Wholesale	942.9	856.1	10.1 %
Resale	2,277.1	2,232.3	2.0 %
Total MWh sales *	12,138.5	12,360.8	(1.8)%

* Includes distribution sales for customers who have purchased power from an alternative electric supplier in Michigan.

** Includes WE's and WPS's electric operations in the state of Michigan that were transferred to Upper Michigan Energy Resources Corporation (UMERC) effective January 1, 2017

GAS UTILITY OPERATIONS - FIRST QUARTER

(in millions)	Therms											
	2017				2016				Change			
	Wisconsin**	Illinois	Other States	Total	Wisconsin	Illinois	Other States	Total	Wisconsin	Illinois	Other States	Total
Customer class												
Residential	472.4	407.0	133.8	1,013.2	477.8	431.6	142.0	1,051.4	(1.1)%	(5.7)%	(5.8)%	(3.6)%
Commercial/industrial	275.9	85.7	83.9	445.5	270.8	88.4	87.6	446.8	1.9 %	(3.1)%	(4.2)%	(0.3)%
Total retail	748.3	492.7	217.7	1,458.7	748.6	520.0	229.6	1,498.2	— %	(5.3)%	(5.2)%	(2.6)%
Transported natural gas	382.7	328.3	191.4	902.4	380.5	345.9	227.1	953.5	0.6 %	(5.1)%	(15.7)%	(5.4)%
Total therms delivered	1,131.0	821.0	409.1	2,361.1	1,129.1	865.9	456.7	2,451.7	0.2 %	(5.2)%	(10.4)%	(3.7)%

** Includes WPS's natural gas operations in the state of Michigan that were transferred to UMERC effective January 1, 2017

WEC ENERGY GROUP, INC.

RETAIL ELECTRIC SALES VOLUME INFORMATION⁽¹⁾

DELIVERED VOLUMES - TOTAL WISCONSIN SEGMENT⁽³⁾	Three Months Ended March 31		Annual
	2017 Actual vs. 2016 Actual	2017 Normalized vs. 2016 Normalized ⁽¹⁾	2017 Forecast vs. 2016 Normalized ^{(1),(2)}
Residential	(2.1)%	0.1 %	(0.2)%
Small commercial/industrial	(0.1)%	1.4 %	0.5 %
Large commercial/industrial (ex. mines)	(1.2)%	(0.1)%	0.3 %
Total large commercial/industrial	(8.7)%	(7.7)%	(4.4)%
Total retail sales volumes	(3.8)%	(2.1)%	(1.4)%
Retail (ex. mines)	(1.1)%	0.6 %	0.2 %

⁽¹⁾ Normalized — 20 year average weather adjusted. An adjustment for leap year is also factored into these percentages.

⁽²⁾ Actual results may differ materially from these forecasts because of seasonal, economic and other factors

⁽³⁾ The Wisconsin segment includes the electric and natural gas utility operations of WE, Wisconsin Gas, and WPS, including WE's and WPS's electric and natural gas operations in the state of Michigan that were transferred to UMERG effective January 1, 2017.

WEC ENERGY GROUP, INC.

OTHER FINANCIAL INFORMATION
THREE MONTHS ENDED MARCH 31, 2017 AND 2016

EBIT and EBITDA <i>(in millions)</i>	2017 Actual	2016 Actual
Net income attributed to common shareholders	\$ 356.6	\$ 346.2
Income tax expense	213.3	213.1
Interest expense	104.7	100.9
EBIT	674.6	660.2
Depreciation and amortization	194.6	187.9
EBITDA	\$ 869.2	\$ 848.1

Capitalization Structure <i>(in millions)</i>	March 31, 2017	
	Actual	Adjusted ⁽¹⁾
Common equity	\$ 9,125.6	\$ 9,375.6
Preferred stock of subsidiary	30.4	30.4
Long-term debt (including current maturities)	9,301.6	9,051.6
Short-term debt	670.4	670.4
Total capitalization	\$ 19,128.0	\$ 19,128.0
Total debt	\$ 9,972.0	\$ 9,722.0
Ratio of debt to total capitalization	52.1%	50.8%

⁽¹⁾ Included in long-term debt is the \$500.0 million principal amount of WEC Energy Group's 2007 Series A Junior Subordinated Notes due 2067, as these debt securities are reflected as long-term debt on our Condensed Consolidated Balance Sheets. The adjusted presentation attributes \$250.0 million of the Junior Notes to common equity and \$250.0 million to long-term debt.

CREDIT RATINGS

	S & P	Moody's	Fitch
WEC Energy Group, Inc.			
Senior unsecured debt	BBB+	A3	BBB+
Commercial paper	A-2	P-2	F2
Junior subordinated notes	BBB	Baa1	BBB-
Wisconsin Electric			
Senior unsecured debt	A-	A1	A+
Commercial paper	A-2	P-1	F1
Wisconsin Public Service			
Senior unsecured debt	A-	A1	A+
Commercial paper	A-2	P-1	F1
Wisconsin Gas			
Senior unsecured debt	A	A1	A
Commercial paper	A-1	P-1	F2
Peoples Gas Light & Coke			
Senior secured debt	N/A	Aa3	A+
Commercial paper	A-2	P-1	F2
North Shore Gas			
Senior secured debt	N/A	N/A	AA-
Elm Road Generating Station Supercritical, LLC			
Senior debt	A-	A1	A+
Integrus Holding, Inc.			
Senior unsecured debt	BBB+	A3	BBB+
Junior subordinated notes	BBB	Baa1	BBB-