

WEC Energy Group, Inc.

2018 First Quarter Earnings

Released May 1, 2018

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News

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May 1, 2018

WEC Energy Group posts first-quarter results

Reaffirms earnings guidance of \$3.26 to \$3.30 per share, with an expectation of reaching the top end of the range

MILWAUKEE - WEC Energy Group (NYSE: WEC) recorded net income of \$390.1 million, or \$1.23 per share, for the first quarter of 2018 - up from \$356.6 million, or \$1.12 per share, for the first quarter of 2017.

Consolidated revenues totaled \$2.3 billion for the first quarter of 2018, level with last year's first quarter.

"The solid results we posted for the opening quarter of 2018 were driven by stronger than expected demand for both natural gas and electricity," said Gale Klappa, Chairman and Chief Executive Officer. "Colder winter temperatures, a strengthening economy, and efficiency gains across our system were all positive factors that lifted our earnings above year ago levels," he added.

Natural gas deliveries in Wisconsin, excluding gas used for power generation, rose by 11.2 percent in the first quarter of 2018, compared to the first quarter of 2017. On a weather-normal basis, natural gas deliveries grew by 4.9 percent.

Retail deliveries of electricity by the Wisconsin and Michigan utilities - excluding the iron ore mine in Michigan's Upper Peninsula - increased by 1.6 percent, compared to the first quarter of 2017.

Residential electricity use rose by 4.6 percent. In the large commercial and industrial segment - excluding the iron ore mine - electricity use was 0.7 percent higher. Electricity consumption by small commercial and industrial customers was up 0.1 percent from the year ago quarter.

Overall, on a weather-normal basis, retail deliveries of electricity - excluding the iron ore mine - were even with last year's first quarter.

At the end of March, the WEC Energy Group utilities were serving approximately 9,000 more electric and 27,000 more natural gas customers than at the same time a year ago.

The company is reaffirming its earnings guidance of \$3.26 to \$3.30 per share, with an expectation of reaching the top end of the range, assuming normal weather for the remainder of the year.

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 1. The call will review 2018 first-quarter earnings and the company's outlook for the future.

All interested parties, including stockholders, news media and the 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 6377454.

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 1.

Replay

A replay will be available on the website and by phone approximately two hours after the call. The phone replay will remain accessible through May 14, 2018. Domestic callers should dial 855-859-2056. International callers should dial 404-537-3406. The replay conference ID is 6377454.

WEC Energy Group (NYSE: WEC), based in Milwaukee, is one of the nation's premier energy companies, serving 4.5 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), is a Fortune 500 company and a component of the S&P 500. The company has approximately 50,000 stockholders of record, 8,000 employees, and more than \$31 billion of assets.

Forward-looking Statements

Certain statements contained in this press release are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based upon management's current expectations and are subject to

risks and uncertainties that could cause our actual results to differ materially from those contemplated in the statements. Readers are cautioned not to place undue reliance on these statements. Forward-looking statements include, among other things, statements concerning management's expectations and projections regarding earnings and future results. In some cases, forward-looking statements may be identified by reference to a future period or periods or by the use of forward-looking terminology such as "anticipates," "believes," "estimates," "expects," "forecasts," "guidance," "intends," "may," "objectives," "plans," "possible," "potential," "projects," "should," "targets," "will" or similar terms or variations of these terms.

Factors that could cause actual results to differ materially from those contemplated in any forward-looking statements include, but are not limited to: general economic conditions, including business and competitive conditions in the company's service territories; timing, resolution and impact of rate cases and other regulatory decisions; the company's ability to continue to successfully integrate the operations of its subsidiaries; availability of the company's generating facilities and/or distribution systems; unanticipated changes in fuel and purchased power costs; key personnel changes; varying weather conditions; continued industry consolidation; continued adoption of distributed generation by the company's customers; energy conservation efforts; cyber-security threats and data security breaches; construction risks; equity and bond market fluctuations; changes in the company's and its subsidiaries' ability to access the capital markets; the impact of tax reform and any other legislative and regulatory changes, including changes to environmental standards; political developments; current and future litigation and regulatory investigations; changes in accounting standards; the financial performance of the American Transmission Company; goodwill and its possible impairment; and other factors described under the heading "Factors Affecting Results, Liquidity and Capital Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operations and under the headings "Cautionary Statement Regarding Forward-Looking Information" and "Risk Factors" contained in the company's Form 10-K for the year ended Dec. 31, 2017 and in subsequent reports filed with the Securities and Exchange Commission. The company expressly disclaims any obligation to publicly update or revise any forward-looking information.

Tables follow

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)	Three Months Ended March 31	
<i>(in millions, except per share amounts)</i>	2018	2017
Operating revenues	\$ 2,286.5	\$ 2,304.5
Operating expenses		
Cost of sales	972.1	941.1
Other operation and maintenance	511.9	504.5
Depreciation and amortization	208.6	194.6
Property and revenue taxes	48.8	49.6
Total operating expenses	1,741.4	1,689.8
Operating income	545.1	614.7
Equity in earnings of transmission affiliates	32.8	41.9
Other income, net	7.5	18.3
Interest expense	106.7	104.7
Other expense	(66.4)	(44.5)
Income before income taxes	478.7	570.2
Income tax expense	88.3	213.3
Net income	390.4	356.9
Preferred stock dividends of subsidiary	0.3	0.3
Net income attributed to common shareholders	\$ 390.1	\$ 356.6
Earnings per share		
Basic	\$ 1.24	\$ 1.13
Diluted	\$ 1.23	\$ 1.12
Weighted average common shares outstanding		
Basic	315.5	315.6
Diluted	316.9	317.2
Dividends per share of common stock	\$ 0.5525	\$ 0.5200

WEC ENERGY GROUP, 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	\$ 48.1	\$ 38.9
Accounts receivable and unbilled revenues, net of reserves of \$160.5 and \$143.2, respectively	1,356.8	1,350.7
Materials, supplies, and inventories	376.0	539.0
Prepayments	165.9	210.0
Other	34.0	74.9
Current assets	1,980.8	2,213.5
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$8,819.8 and \$8,618.5, respectively	21,466.3	21,347.0
Regulatory assets	2,929.7	2,803.2
Equity investment in transmission affiliates	1,598.9	1,553.4
Goodwill	3,052.8	3,053.5
Other	757.1	619.9
Long-term assets	29,804.8	29,377.0
Total assets	\$ 31,785.6	\$ 31,590.5
Liabilities and Equity		
Current liabilities		
Short-term debt	\$ 1,200.3	\$ 1,444.6
Current portion of long-term debt	957.9	842.1
Accounts payable	592.8	859.9
Accrued payroll and benefits	107.4	169.1
Other	747.5	553.6
Current liabilities	3,605.9	3,869.3
Long-term liabilities		
Long-term debt	8,617.5	8,746.6
Deferred income taxes	3,069.9	2,999.8
Deferred revenue, net	538.1	543.3
Regulatory liabilities	3,924.3	3,718.6
Environmental remediation liabilities	617.2	617.4
Pension and OPEB obligations	523.1	397.4
Other	1,191.4	1,206.3
Long-term liabilities	18,481.5	18,229.4
Commitments and contingencies		
Common shareholders' equity		
Common stock – \$0.01 par value; 325,000,000 shares authorized; 315,538,808 and 315,574,624 shares outstanding, respectively	3.2	3.2
Additional paid in capital	4,267.3	4,278.5
Retained earnings	5,392.7	5,176.8
Accumulated other comprehensive income	4.6	2.9
Common shareholders' equity	9,667.8	9,461.4
Preferred stock of subsidiary	30.4	30.4
Total liabilities and equity	\$ 31,785.6	\$ 31,590.5

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	Three Months Ended	
	March 31	
<i>(in millions)</i>	2018	2017
Operating Activities		
Net income	\$ 390.4	\$ 356.9
Reconciliation to cash provided by operating activities		
Depreciation and amortization	208.6	194.6
Deferred income taxes and investment tax credits, net	17.0	150.2
Contributions and payments related to pension and OPEB plans	(5.3)	(106.0)
Equity income in transmission affiliates, net of distributions	7.1	(6.7)
Change in –		
Accounts receivable and unbilled revenues	(60.1)	55.0
Materials, supplies, and inventories	163.0	170.5
Other current assets	81.3	41.2
Accounts payable	(170.9)	(212.7)
Other current liabilities	128.6	90.8
Other, net	134.3	(19.2)
Net cash provided by operating activities	894.0	714.6
Investing Activities		
Capital expenditures	(439.6)	(329.7)
Capital contributions to transmission affiliates	(12.8)	(27.6)
Proceeds from the sale of assets and businesses	0.8	13.1
Proceeds from the sale of investments held in rabbi trust	16.5	8.6
Other, net	(0.7)	2.5
Net cash used in investing activities	(435.8)	(333.1)
Financing Activities		
Exercise of stock options	2.1	5.9
Purchase of common stock	(15.8)	(20.2)
Dividends paid on common stock	(174.2)	(164.1)
Retirement of long-term debt	(12.6)	(12.0)
Change in short-term debt	(244.3)	(189.8)
Other, net	(0.3)	(0.6)
Net cash used in financing activities	(445.1)	(380.8)
Net change in cash, cash equivalents, and restricted cash	13.1	0.7
Cash, cash equivalents, and restricted cash at beginning of period	58.6	72.7
Cash, cash equivalents, and restricted cash at end of period	\$ 71.7	\$ 73.4

WEC ENERGY GROUP, INC.

FIRST QUARTER 2018 - IMPACT OF FLOW THROUGH OF TAX REPAIRS

WEC Energy Group - The table below shows the income statement impact associated with the flow through of tax repairs beginning January 1, 2018. In accordance with a settlement agreement with the Public Service Commission of Wisconsin, Wisconsin Electric will flow through the tax benefit of its repair related deferred tax liabilities in 2018 and 2019, to maintain certain regulatory asset balances at their December 31, 2017 levels. The flow through treatment of the repair related deferred tax liabilities offsets the negative income statement impact of holding the regulatory assets level, resulting in no change to net income.

<i>(in millions)</i>	Three Months Ended March 31, 2018		
	WEC Energy Group - Reported GAAP Amounts	Change Related to Flow Through of Tax Repairs	WEC Energy Group (Excluding Flow Through of Tax Repairs)
Operating revenues	\$ 2,286.5	\$ 20.4	\$ 2,306.9
Operating expenses			
Cost of sales	972.1	—	972.1
Other operation and maintenance	511.9	(14.7)	497.2
Depreciation and amortization	208.6	—	208.6
Property and revenue taxes	48.8	—	48.8
Total operating expenses	1,741.4	(14.7)	1,726.7
Operating income	545.1	35.1	580.2
Equity in earnings of transmission affiliates	32.8	—	32.8
Other income, net	7.5	—	7.5
Interest expense	106.7	—	106.7
Other expense	(66.4)	—	(66.4)
Income before income taxes	478.7	35.1	513.8
Income tax expense	88.3	35.1	123.4
Net income	390.4	—	390.4
Preferred stock dividends of subsidiary	0.3	—	0.3
Net income attributed to common shareholders	\$ 390.1	\$ —	\$ 390.1
Effective Tax Rate	18.4%		24.0%

WEC ENERGY GROUP, INC.

FIRST QUARTER 2018 AND 2017 RESULTS — FACTORS AFFECTING EARNINGS

<i>(in millions)</i>	2018	2017	Change B(W)	Change Related to Flow Through of Tax Repairs	Change Related to Tax Cuts and Jobs Act	Remaining Change B(W)	Significant Factors
Operating income (loss) by segment							
Wisconsin	\$ 273.7	\$ 329.5	\$ (55.8)	\$ (35.1)	\$ (50.9)	\$ 30.2	
						20.4	Weather
						11.9	Lower O&M
						(5.8)	Depreciation
						3.7	Other
						<u>30.2</u>	
Illinois	147.6	156.7	(9.1)	—	(15.9)	6.8	Continued SMP Investment / Lower O&M
Other States	36.2	33.5	2.7	—	(5.5)	8.2	Weather / Lower O&M
Non-Utility Energy Infrastructure	93.0	97.4	(4.4)	—	(12.6)	8.2	Bluewater / We Power Capital Investments
Corporate and Other	(5.4)	(2.4)	(3.0)	—	—	(3.0)	
Operating income	545.1	614.7	(69.6)	(35.1)	(84.9)	50.4	
Equity in earnings of transmission affiliates	32.8	41.9	(9.1)	—	(10.7)	1.6	
Other income, net	7.5	18.3	(10.8)	—	—	(10.8)	Lower Investment Gains
Interest expense	106.7	104.7	(2.0)	—	—	(2.0)	
Other expense	(66.4)	(44.5)	(21.9)	—	(10.7)	(11.2)	
Income before income taxes	478.7	570.2	(91.5)	(35.1)	(95.6)	39.2	
Income tax expense	88.3	213.3	125.0	35.1	92.0	(2.1)	
Net income	390.4	356.9	33.5	—	(3.6)	37.1	
Preferred stock dividends of subsidiary	0.3	0.3	—	—	—	—	
Net income attributed to common shareholders	\$ 390.1	\$ 356.6	\$ 33.5	\$ —	\$ (3.6)	\$ 37.1	
Earnings per share - diluted	\$ 1.23	\$ 1.12	\$ 0.11				
Weighted average common shares outstanding - diluted	316.9	317.2					

WEC ENERGY GROUP, INC.

FIRST QUARTER 2018 AND 2017 WEATHER AND VOLUMES

Weather — Degree Days	2018	2017	Change
Wisconsin Gas and Wisconsin Electric ⁽¹⁾			
Heating (3,255 Normal)	3,225	2,849	13.2 %
Wisconsin Public Service ⁽²⁾			
Heating (3,624 Normal)	3,636	3,273	11.1 %
Upper Michigan Energy Resources ⁽³⁾			
Heating (3,931 Normal)	4,036	3,662	10.2 %
Peoples Gas and North Shore Gas ⁽⁴⁾			
Heating (3,137 Normal)	3,113	2,661	17.0 %
Minnesota Energy Resources ⁽⁵⁾			
Heating (3,872 normal)	4,085	3,550	15.1 %
Michigan Gas ⁽⁵⁾			
Heating (3,184 normal)	3,135	2,717	15.4 %

⁽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 20-year moving average of monthly temperatures from the Iron Mountain, Michigan weather station.

⁽⁴⁾ Normal degree days are based on a 12-year moving average of monthly temperatures from Chicago's O'Hare Airport.

⁽⁵⁾ 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 2018	Wisconsin 2017	Change
Customer class			
Residential	2,716.9	2,598.3	4.6 %
Small commercial and industrial*	3,194.3	3,192.6	0.1 %
Large commercial and industrial*	3,113.4	3,080.4	1.1 %
Other - retail	46.2	47.2	(2.1)%
Total retail *	9,070.8	8,918.5	1.7 %
Wholesale	856.9	942.9	(9.1)%
Resale - utilities	2,443.6	2,277.1	7.3 %
Total MWh sales *	12,371.3	12,138.5	1.9 %

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

GAS UTILITY OPERATIONS - FIRST QUARTER

(in millions)	Therms								Change			
	2018				2017							
	Wisconsin	Illinois	Other States	Total	Wisconsin	Illinois	Other States	Total	Wisconsin	Illinois	Other States	Total
Customer class												
Residential	524.3	428.6	170.4	1,123.3	467.5	349.4	133.8	950.7	12.1%	22.7%	27.4%	18.2%
Commercial/industrial	316.8	168.4	103.8	589.0	280.8	143.3	83.9	508.0	12.8%	17.5%	23.7%	15.9%
Total retail	841.1	597.0	274.2	1,712.3	748.3	492.7	217.7	1,458.7	12.4%	21.2%	26.0%	17.4%
Transport	413.0	356.6	224.2	993.8	382.7	326.0	191.4	900.1	7.9%	9.4%	17.1%	10.4%
Total therms delivered	1,254.1	953.6	498.4	2,706.1	1,131.0	818.7	409.1	2,358.8	10.9%	16.5%	21.8%	14.7%

WEC ENERGY GROUP, INC.

RETAIL ELECTRIC SALES VOLUME INFORMATION

FIRST QUARTER

DELIVERED VOLUMES - TOTAL WISCONSIN SEGMENT	Three Months Ended March 31		Annual
	2018 Actual vs. 2017 Actual	2018 Normalized vs. 2017 Normalized ⁽¹⁾	2018 Forecast vs. 2017 Normalized ^{(1),(2)}
Residential	4.6%	1.3 %	— %
Small commercial/industrial	0.1%	(1.5)%	0.1 %
Large commercial/industrial (ex. mine)	0.7%	0.7 %	(0.3)%
Total large commercial/industrial	1.1%	1.1 %	(0.3)%
Total retail sales volumes	1.7%	0.2 %	(0.1)%
Total retail sales volumes (ex. mine)	1.6%	— %	(0.1)%

RETAIL NATURAL GAS SALES VOLUME INFORMATION

FIRST QUARTER

DELIVERED VOLUMES - TOTAL WISCONSIN SEGMENT	Three Months Ended March 31		Annual
	2018 Actual vs. 2017 Actual	2018 Normalized vs. 2017 Normalized ⁽¹⁾	2018 Forecast vs. 2017 Normalized ^{(1),(2)}
Residential	12.1%	3.5%	0.5 %
Total commercial/industrial	12.6%	5.7%	0.1 %
Interruptible	19.8%	19.8%	(12.6)%
Total retail sales volumes	12.4%	4.5%	0.1 %
Transport (w/o power generation)	8.7%	5.9%	0.7 %
Total sales volumes (w/o power generation)	11.2%	4.9%	0.3 %

⁽¹⁾ Normalized — 20 year average weather adjusted.

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

WEC ENERGY GROUP, INC.

OTHER FINANCIAL INFORMATION
FIRST QUARTER 2018 and 2017

EBIT and EBITDA <i>(in millions)</i>	2018 Actual	2017 Actual
Net income attributed to common shareholders	\$ 390.1	\$ 356.6
Income tax expense	88.3	213.3
Interest expense	106.7	104.7
EBIT	585.1	674.6
Depreciation and amortization	208.6	194.6
EBITDA ⁽¹⁾	\$ 793.7	\$ 869.2

Capitalization Structure <i>(in millions)</i>	March 31, 2018	
	Actual	Adjusted ⁽²⁾
Common shareholders' equity	\$ 9,667.8	\$ 9,917.8
Preferred stock of subsidiary	30.4	30.4
Long-term debt (including current maturities)	9,575.4	9,325.4
Short-term debt	1,200.3	1,200.3
Total capitalization	\$ 20,473.9	\$ 20,473.9
Total debt	\$ 10,775.7	\$ 10,525.7
Ratio of debt to total capitalization	52.6%	51.4%

⁽¹⁾ The decrease in EBITDA is related to a decrease in reported income tax expense as a result of the Tax Cuts and Jobs Act and the flow through of tax repairs. For our regulated utilities, the tax benefit associated with the Tax Cuts and Jobs Act is being deferred for return to ratepayers, driving a decrease in income tax expense while earnings remain unchanged. The flow through of tax repairs impacts EBITDA in the same manner as the Tax Cuts and Jobs Act. For more information on the flow through of tax repairs, see the discussion on page 7.

⁽²⁾ 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-	A2	A+
Commercial paper	A-2	P-1	F1
Wisconsin Public Service			
Senior unsecured debt	A-	A2	A+
Commercial paper	A-2	P-1	F1
Wisconsin Gas			
Senior unsecured debt	A	A2	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 secured debt	A-	A2	A+
Integrus Holding, Inc.			
Senior unsecured debt	BBB+	A3	BBB+
Junior subordinated notes	BBB	Baa1	BBB-