

INTEGRYS HOLDING, INC.

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

FINANCIAL STATEMENTS

For the Quarter Ended June 30, 2016

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2016	2015	2016	2015
<i>(in millions, except per share amounts)</i>				
Operating revenues	\$ 622.5	\$ 638.3	\$ 1,605.7	\$ 1,801.8
Operating expenses				
Cost of sales	183.4	217.8	566.8	794.1
Other operation and maintenance	319.7	262.1	604.0	531.0
Depreciation and amortization	69.6	72.1	139.4	147.5
Property and revenue taxes	18.7	17.9	34.9	36.1
Merger costs	—	59.3	—	60.0
Impairment losses	—	10.7	—	10.7
Total operating expenses	591.4	639.9	1,345.1	1,579.4
Operating income (loss)	31.1	(1.6)	260.6	222.4
Equity in earnings of transmission affiliate	16.9	22.4	38.6	39.4
Other income, net	8.2	1.8	41.8	9.1
Interest expense	33.8	38.7	68.8	76.9
Other income (expense)	(8.7)	(14.5)	11.6	(28.4)
Income (loss) before income taxes	22.4	(16.1)	272.2	194.0
Income tax expense (benefit)	8.3	(8.1)	114.1	70.9
Net income (loss) from continuing operations	14.1	(8.0)	158.1	123.1
Discontinued operations, net of tax	—	—	—	(0.8)
Net income (loss)	14.1	(8.0)	158.1	122.3
Preferred stock dividends of subsidiary	—	(1.3)	—	(2.1)
Net income (loss) attributed to common shareholder	\$ 14.1	\$ (9.3)	\$ 158.1	\$ 120.2

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited) <i>(in millions)</i>	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2016	2015	2016	2015
Net income (loss)	\$ 14.1	\$ (8.0)	\$ 158.1	\$ 122.3
Other comprehensive income, net of tax				
Derivatives accounted for as cash flow hedges				
Reclassification of net losses to net income, net of tax	0.2	0.2	0.4	0.3
Defined benefit plans				
Pension and OPEB adjustments arising during period, net of tax	—	0.7	—	0.7
Amortization of pension and OPEB costs included in net periodic benefit cost, net of tax of \$1.0 million, \$0.6 million, \$1.7 million, and \$1.1 million, respectively	1.4	0.9	2.5	1.6
Defined benefit plans, net	1.4	1.6	2.5	2.3
Other comprehensive income, net of tax	1.6	1.8	2.9	2.6
Comprehensive income (loss)	15.7	(6.2)	161.0	124.9
Preferred stock dividends of subsidiary	—	(1.3)	—	(2.1)
Comprehensive income (loss) attributed to common shareholder	\$ 15.7	\$ (7.5)	\$ 161.0	\$ 122.8

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)		
(in millions, except share and per share amounts)	June 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 18.4	\$ 19.4
Accounts receivable and unbilled revenues, net of reserves of \$44.2 and \$49.9, respectively	395.6	471.2
Receivables from related parties	2.9	2.8
Materials, supplies, and inventories	199.1	328.2
Assets held for sale	—	115.1
Prepaid taxes	71.0	122.2
Other current assets	76.8	54.7
Current assets	763.8	1,113.6
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$3,260.4 and \$3,267.9, respectively	7,396.6	7,418.6
Regulatory assets	1,561.4	1,641.6
Equity investment in transmission affiliate	569.7	550.4
Goodwill	635.8	635.8
Other long-term assets	228.0	218.2
Long-term assets	10,391.5	10,464.6
Total assets	\$ 11,155.3	\$ 11,578.2
Liabilities and Equity		
Current liabilities		
Short-term debt	\$ 197.8	\$ 305.5
Current portion of long-term debt	50.0	100.0
Accounts payable	308.9	469.4
Payables to related parties	56.0	18.8
Accrued taxes	61.5	50.0
Note payable to related party	22.7	95.1
Liabilities held for sale	—	30.0
Other current liabilities	191.1	286.4
Current liabilities	888.0	1,355.2
Long-term liabilities		
Long-term debt	2,866.0	3,069.9
Deferred income taxes	1,800.3	1,664.9
Deferred investment tax credits	61.0	62.2
Regulatory liabilities	477.5	459.5
Environmental remediation liabilities	579.8	598.2
Pension and OPEB obligations	290.2	335.9
Asset retirement obligations	521.7	509.2
Other long-term liabilities	186.0	192.9
Long-term liabilities	6,782.5	6,892.7
Commitments and contingencies		
Common shareholder's equity		
Common stock – \$0.01 par value; 10,000 shares authorized, 1,020 and 1,000 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	—	—
Additional paid in capital	2,685.2	2,691.7
Retained earnings	825.1	667.0
Accumulated other comprehensive loss	(25.5)	(28.4)
Total common shareholder's equity	3,484.8	3,330.3
Total liabilities and equity	\$ 11,155.3	\$ 11,578.2

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)		Six Months Ended	
		June 30	
(in millions)		2016	2015
Operating Activities			
Net income	\$	158.1	\$ 122.3
Reconciliation to cash provided by operating activities			
Depreciation and amortization		143.0	151.1
Deferred income taxes and investment tax credits, net		118.0	58.3
Contributions and payments related to pension and OPEB plans		(1.9)	(6.2)
Equity income in transmission affiliate, net of distributions		(12.5)	(11.9)
Change in –			
Accounts receivable and unbilled revenues		92.8	274.2
Materials, supplies, and inventories		130.3	97.4
Other current assets		30.2	26.4
Accounts payable		(88.5)	(67.5)
Accrued taxes		21.8	(31.6)
Other current liabilities		(56.6)	78.6
Other, net		17.6	(15.4)
Net cash provided by operating activities		552.3	675.7
Investing Activities			
Capital expenditures		(315.7)	(431.5)
Capital contributions to transmission affiliate		(6.8)	(3.4)
Proceeds from the sale of assets and businesses		98.9	47.6
Withdrawal of restricted cash from Rabbi trust for qualifying payments		22.5	14.1
Rabbi trust funding related to change in control		—	(14.3)
Short-term notes receivable from related parties, net		14.8	—
Other, net		4.2	(8.2)
Net cash used in investing activities		(182.1)	(395.7)
Financing Activities			
Issuance of common stock to parent		66.4	—
Purchase of common stock		—	(23.9)
Dividends paid on common stock		—	(108.2)
Retirement of long-term debt		(228.6)	—
Change in short-term debt		(107.7)	(3.2)
Repayment of loan		(28.6)	—
Short-term notes payable to related parties, net		(72.4)	—
Other, net		(0.3)	(6.4)
Net cash used in financing activities		(371.2)	(141.7)
Net change in cash and cash equivalents		(1.0)	138.3
Cash and cash equivalents at beginning of period		19.4	18.0
Cash and cash equivalents at end of period	\$	18.4	\$ 156.3
Supplemental cash flow information			
Cash (paid) for interest, net of amount capitalized	\$	(72.4)	\$ (74.9)
Cash received for income taxes, net of (payments)		85.7	45.4