

INTEGRYS HOLDING, INC.

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

FINANCIAL STATEMENTS

For the Quarter Ended September 30, 2016

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2016	2015	2016	2015
<i>(in millions, except per share amounts)</i>				
Operating revenues	\$ 616.3	\$ 633.8	\$ 2,222.0	\$ 2,435.6
Operating expenses				
Cost of sales	171.5	208.0	738.3	1,002.1
Other operation and maintenance	238.2	250.1	842.2	781.1
Depreciation and amortization	70.5	72.2	209.9	219.7
Property and revenue taxes	18.9	18.0	53.8	54.1
Merger costs	—	1.0	—	61.0
Impairment losses	—	—	—	10.7
Total operating expenses	499.1	549.3	1,844.2	2,128.7
Operating income	117.2	84.5	377.8	306.9
Equity in earnings of transmission affiliate	21.7	22.5	60.3	61.9
Other income, net	6.3	6.4	48.1	15.5
Interest expense	31.8	37.4	100.6	114.3
Other (expense) income	(3.8)	(8.5)	7.8	(36.9)
Income before income taxes	113.4	76.0	385.6	270.0
Income tax expense	41.9	29.6	156.0	100.5
Net income from continuing operations	71.5	46.4	229.6	169.5
Discontinued operations, net of tax	—	—	—	(0.8)
Net income	71.5	46.4	229.6	168.7
Preferred stock dividends of subsidiary	—	(0.2)	—	(2.3)
Net income attributed to common shareholder	\$ 71.5	\$ 46.2	\$ 229.6	\$ 166.4

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited) <i>(in millions)</i>	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2016	2015	2016	2015
Net income	\$ 71.5	\$ 46.4	\$ 229.6	\$ 168.7
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	0.2	0.5	0.5
Defined benefit plans				
Pension and OPEB adjustments arising during period, net of tax	—	—	—	0.7
Amortization of pension and OPEB costs included in net periodic benefit cost, net of tax of \$0.4 million, \$0.3 million, \$2.1 million, and \$1.4 million, respectively	0.7	0.4	3.2	2.0
Defined benefit plans, net	0.7	0.4	3.2	2.7
Other comprehensive income, net of tax	0.8	0.6	3.7	3.2
Comprehensive income	72.3	47.0	233.3	171.9
Preferred stock dividends of subsidiary	—	(0.2)	—	(2.3)
Comprehensive income attributed to common shareholder	\$ 72.3	\$ 46.8	\$ 233.3	\$ 169.6

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)		September 30,	December 31,
(in millions, except share and per share amounts)		2016	2015
Assets			
Current assets			
Cash and cash equivalents	\$	9.2	\$ 19.4
Accounts receivable and unbilled revenues, net of reserves of \$43.3 and \$49.9, respectively		385.1	471.2
Receivables from related parties		11.0	2.8
Materials, supplies, and inventories		332.1	328.2
Assets held for sale		—	115.1
Prepaid taxes		50.3	122.2
Other current assets		38.9	54.7
Current assets		826.6	1,113.6
Long-term assets			
Property, plant, and equipment, net of accumulated depreciation of \$3,291.3 and \$3,267.9, respectively		7,513.6	7,418.6
Regulatory assets		1,533.9	1,641.6
Equity investment in transmission affiliate		585.6	550.4
Goodwill		635.8	635.8
Other long-term assets		224.2	218.2
Long-term assets		10,493.1	10,464.6
Total assets	\$	11,319.7	\$ 11,578.2
Liabilities and Equity			
Current liabilities			
Short-term debt	\$	280.7	\$ 305.5
Current portion of long-term debt		50.0	100.0
Accounts payable		343.3	469.4
Payables to related parties		39.7	18.8
Accrued taxes		55.3	50.0
Note payable to related party		19.3	95.1
Liabilities held for sale		—	30.0
Other current liabilities		184.7	286.4
Current liabilities		973.0	1,355.2
Long-term liabilities			
Long-term debt		2,867.1	3,069.9
Deferred income taxes		1,867.6	1,664.9
Deferred investment tax credits		60.4	62.2
Regulatory liabilities		441.4	459.5
Environmental remediation liabilities		570.1	598.2
Pension and OPEB obligations		293.1	335.9
Asset retirement obligations		528.0	509.2
Other long-term liabilities		161.9	192.9
Long-term liabilities		6,789.6	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 September 30, 2016 and December 31, 2015, respectively		—	—
Additional paid in capital		2,685.2	2,691.7
Retained earnings		896.6	667.0
Accumulated other comprehensive loss		(24.7)	(28.4)
Total common shareholder's equity		3,557.1	3,330.3
Total liabilities and equity	\$	11,319.7	\$ 11,578.2

INTEGRYS HOLDING, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)		Nine Months Ended	
		September 30	
(in millions)		2016	2015
Operating Activities			
Net income	\$	229.6	\$ 168.7
Reconciliation to cash provided by operating activities			
Depreciation and amortization		215.3	225.0
Deferred income taxes and investment tax credits, net		181.7	84.4
Contributions and payments related to pension and OPEB plans		(2.2)	(7.0)
Equity income in transmission affiliate, net of distributions		(19.9)	(16.5)
Change in –			
Accounts receivable and unbilled revenues		106.9	353.7
Materials, supplies, and inventories		(2.8)	(20.1)
Prepaid taxes		72.0	69.2
Other current assets		10.8	(3.2)
Accounts payable		(98.5)	(46.1)
Other current liabilities		(23.2)	20.4
Other, net		(30.8)	(8.3)
Net cash provided by operating activities		638.9	820.2
Investing Activities			
Capital expenditures		(483.8)	(648.2)
Capital contributions to transmission affiliate		(15.3)	(5.1)
Proceeds from the sale of assets and businesses		98.9	51.2
Withdrawal of restricted cash from Rabbi trust for qualifying payments		23.8	14.8
Rabbi trust funding related to change in control		—	(14.3)
Short-term notes receivable from related parties, net		14.8	—
Other, net		4.2	(6.8)
Net cash used in investing activities		(357.4)	(608.4)
Financing Activities			
Issuance of common stock to parent		66.4	—
Purchase of common stock		—	(23.9)
Dividends paid on common stock		—	(125.4)
Retirement of long-term debt		(228.6)	(5.0)
Change in short-term debt		(24.8)	(59.3)
Repayment of loan		(28.6)	—
Short-term notes payable to related parties, net		(75.8)	—
Other, net		(0.3)	(5.2)
Net cash used in financing activities		(291.7)	(218.8)
Net change in cash and cash equivalents		(10.2)	(7.0)
Cash and cash equivalents at beginning of period		19.4	18.0
Cash and cash equivalents at end of period	\$	9.2	\$ 11.0
Supplemental cash flow information			
Cash (paid) for interest, net of amount capitalized	\$	(86.2)	\$ (88.9)
Cash received for income taxes, net of (payments)		112.9	46.9