Wisconsin Energy Corporation

2014 Second Quarter Earnings

Released July 30, 2014

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Wisconsin Energy Corporation

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News

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July 30, 2014

Wisconsin Energy posts 2014 second quarter and first half results

MILWAUKEE - Wisconsin Energy (NYSE: WEC) today reported net income of $133.0 million or 58 cents a share for the second quarter of 2014. This compares with net income of $119.0 million or 52 cents a share for the second quarter of 2013. Costs related to the acquisition of Integrys Energy reduced earnings by one cent per share in this year's second quarter.

Second quarter 2014 revenues were $1.04 billion. Revenues totaled $1.01 billion in the same quarter last year.

For the first six months of 2014, the company recorded net income of $340.6 million or $1.50 a share - up from $295.6 million or $1.28 a share in the corresponding period a year ago.

"With our continued focus on cost control, productivity, and customer satisfaction, we delivered solid results in the second quarter - despite a cool, rainy June that significantly reduced demand for air conditioning across the region," said Gale Klappa, chairman and chief executive officer.

Residential use of electricity dropped by 3.8 percent from last year's second quarter. Consumption of electricity by small commercial and industrial customers was down 2.1 percent. Electricity use by large commercial and industrial customers - excluding the iron ore mines in Michigan's Upper Peninsula - was 2.1 percent higher.

On a weather-normal basis, retail consumption of electricity increased by 2.9 percent.

At the end of June 2014, the company was serving approximately 3,200 more electric customers and 6,400 more natural gas customers than a year ago.

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 July 30, 2014. The presentation will review 2014 second quarter earnings and will discuss the company's outlook for the future.

All interested parties, including stockholders, news media and the general public, are invited to listen to the presentation. The conference call may be accessed by dialing 866-439-9410 up to 15 minutes before the call begins. International callers may dial 706-643-5658.The conference ID is 74061608. Access also may be gained through the company's website (wisconsinenergy.com). Select 'Second Quarter Earnings Release and Conference Call' and then select 'Go to webcast.' In conjunction with this earnings announcement, Wisconsin Energy will post on its website a package of detailed financial information on its second quarter and first half performance. The materials will be available at 6:30 a.m. Central time on July 30, 2014.

Replay
A replay will be available on the website and by phone after the presentation. Access to the webcast replay will be available on the website by 5:00 p.m. Central time on July 30, 2014. Access to a phone replay also will be available after the presentation and remain accessible through Aug. 13, 2014. Domestic callers should dial 855-859-2056. International callers should dial 404-537-3406. The replay conference ID is 74061608.

Wisconsin Energy Corporation (NYSE: WEC), based in Milwaukee, is one of the nation's premier energy companies, serving more than 1.1 million electric customers in Wisconsin and Michigan's Upper Peninsula and 1.1 million natural gas customers in Wisconsin. The company's principal utility is We Energies. The company's other major subsidiary, We Power, designs, builds and owns electric generating plants.

Wisconsin Energy (wisconsinenergy.com), a component of the S&P 500, has nearly $15 billion of assets, 4,300 employees and approximately 40,000 stockholders of record.

Tables follow

WISCONSIN ENERGY CORPORATION
CONSOLIDATED CONDENSED INCOME STATEMENTS
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
	(Millions of Dollars, Except Per Share Amounts)			
Operating Revenues	$ 1,043.7	$ 1,012.3	$ 2,738.7	$ 2,287.5
Operating Expenses				
Fuel and purchased power	292.5	276.1	611.1	547.1
Cost of gas sold	125.9	115.2	717.4	385.3
Other operation and maintenance	256.0	265.4	531.4	553.5
Depreciation and amortization	101.4	96.7	202.0	192.2
Property and revenue taxes	30.3	29.4	60.9	58.9
Total Operating Expenses	806.1	782.8	2,122.8	1,737.0
Treasury Grant	3.1	—	6.6	—
Operating Income	240.7	229.5	622.5	550.5
Equity in Earnings of Transmission Affiliate	17.5	17.3	34.8	33.9
Other Income, net	8.1	5.8	9.2	10.2
Interest Expense, net	59.0	63.3	121.3	128.3
Income Before Income Taxes	207.3	189.3	545.2	466.3
Income Tax Expense	74.3	70.3	204.6	170.7
Net Income	$ 133.0	$ 119.0	$ 340.6	$ 295.6
Earnings Per Share				
Basic	$ 0.59	$ 0.52	$ 1.51	$ 1.29
Diluted	$ 0.58	$ 0.52	$ 1.50	$ 1.28
Weighted Average Common Shares Outstanding (Millions)				
Basic	225.5	228.4	225.6	228.6
Diluted	227.6	230.5	227.7	230.8
Dividends Per Share of Common Stock	$ 0.39	$ 0.34	$ 0.78	$ 0.68

WISCONSIN ENERGY CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)

	June 30, 2014	December 31, 2013
	(Millions of Dollars)	
Assets		
Property, Plant and Equipment, Net	$ 11,024.0	$ 10,906.6
Investments		
Equity investment in transmission affiliate	416.8	402.7
Other	35.3	36.1
Total Investments	452.1	438.8
Current Assets		
Cash and cash equivalents	33.4	26.0
Accounts receivable, net	404.9	406.0
Accrued revenues	174.8	321.1
Materials, supplies and inventories	304.3	329.4
Current deferred tax asset, net	199.3	310.0
Prepayments and other	168.8	158.6
Total Current Assets	1,285.5	1,551.1
Deferred Charges and Other Assets		
Regulatory assets	1,094.9	1,108.5
Goodwill	441.9	441.9
Other	321.4	322.5
Total Deferred Charges and Other Assets	1,858.2	1,872.9
Total Assets	$ 14,619.8	$ 14,769.4
Capitalization and Liabilities		
Capitalization		
Common equity	$ 4,367.1	$ 4,233.0
Preferred stock of subsidiary	30.4	30.4
Long-term debt	4,587.5	4,363.2
Total Capitalization	8,985.0	8,626.6
Current Liabilities		
Long-term debt due currently	45.1	342.2
Short-term debt	410.1	537.4
Accounts payable	288.5	342.6
Accrued payroll and benefits	70.4	96.9
Other	166.7	177.3
Total Current Liabilities	980.8	1,496.4
Deferred Credits and Other Liabilities		
Regulatory liabilities	854.9	879.1
Deferred income taxes - long-term	2,714.6	2,634.0
Deferred revenue, net	639.7	664.2
Pension and other benefit obligations	169.3	173.2
Other	275.5	295.9
Total Deferred Credits and Other Liabilities	4,654.0	4,646.4
Total Capitalization and Liabilities	$ 14,619.8	$ 14,769.4

WISCONSIN ENERGY CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30	
	2014	2013
	(Millions of Dollars)	
Operating Activities		
Net income	$ 340.6	$ 295.6
Reconciliation to cash		
Depreciation and amortization	206.5	197.7
Deferred income taxes and investment tax credits, net	188.0	143.1
Working capital and other	(13.8)	45.1
Cash Provided by Operating Activities	721.3	681.5
Investing Activities		
Capital expenditures	(305.5)	(307.3)
Investment in transmission affiliate	(7.9)	(5.2)
Other, net	0.5	(24.1)
Cash Used in Investing Activities	(312.9)	(336.6)
Financing Activities		
Common stock repurchased under benefit plans, net	(21.1)	(40.3)
Common stock repurchased under repurchase plan	(18.6)	(54.7)
Dividends paid on common stock	(176.0)	(155.6)
Change in debt, net	(188.4)	(119.2)
Other, net	3.1	10.3
Cash Used in Financing Activities	(401.0)	(359.5)
Change in Cash	7.4	(14.6)
Cash at Beginning of Period	26.0	35.6
Cash at End of Period	$ 33.4	$ 21.0

Wisconsin Energy Corporation
Second Quarter 2014 and 2013 Results - Factors Affecting Earnings
All Values in Millions Except Earnings per Share

Operating Income by Segment	2014	2013	Significant Factors	B(W)
Utility Energy	$ 155.2	$ 138.9		$ 16.3
			O&M	14.0
			Accounting for Treasury Grant	13.8
			Weather	(5.0)
			Depreciation	(4.6)
			Other, net	(1.9)
			Total Utility	16.3
Non-Utility Energy	91.7	91.6		0.1
Corporate & Other	(6.2)	(1.0)	Acquisition related costs	(5.2)
Total Operating Income	240.7	229.5		11.2
Equity in Earnings of Transmission Affiliate	17.5	17.3		0.2
Other Income, net	8.1	5.8	Gains on Property Sales	2.3
Interest Expense, net	59.0	63.3	Lower Debt Levels	4.3
Income Before Income Taxes	207.3	189.3		18.0
Income Tax Expense	74.3	70.3		(4.0)
Net Income	$ 133.0	$ 119.0		$ 14.0
Earnings Per Share (Diluted)	$ 0.58	$ 0.52		$ 0.06
Average Diluted Shares Outstanding (Millions)	227.6	230.5		

Wisconsin Energy Corporation
Six Months Ended June 30, 2014 and 2013 - Factors Affecting Earnings

All Values in Millions Except Earnings per Share

Operating Income by Segment	2014	2013	Significant Factors	B(W)
Utility Energy	$ 447.9	$ 369.5		$ 78.4
			Accounting for Treasury Grant	28.0
			O&M	27.0
			Weather	25.6
			Depreciation	(9.6)
			Other, net	7.4
			Total Utility	78.4
Non-Utility Energy	181.9	183.2		(1.3)
Corporate & Other	(7.3)	(2.2)	Acquisition related costs	(5.1)
Total Operating Income	622.5	550.5		72.0
Equity in Earnings of Transmission Affiliate	34.8	33.9		0.9
Other Income, net	9.2	10.2		(1.0)
Interest Expense, net	121.3	128.3	Lower Debt Levels	7.0
Income Before Income Taxes	545.2	466.3		78.9
Income Tax Expense	204.6	170.7		(33.9)
Net Income	$ 340.6	$ 295.6		$ 45.0
Earnings Per Share (Diluted)	$ 1.50	$ 1.28		$ 0.22
Average Diluted Shares Outstanding (Millions)	227.7	230.8		

Wisconsin Energy Corporation
Second Quarter 2014 and 2013 Revenues and Volumes

Consolidated Revenues - $ Millions	2014	2013	Change
Utility Electric	$ 813.7	$ 793.2	$ 20.5
Utility Gas	207.8	197.0	10.8
Other	22.2	22.1	0.1
Total Revenues	$ 1,043.7	$ 1,012.3	$ 31.4
Weather -- Degree Days (a)			
Heating (941 Normal)	976	1,029	(53)
Cooling (173 Normal)	108	138	(30)

(a) As measured at Mitchell International Airport in Milwaukee, Wisconsin. Normal degree days are based upon a 20-year moving average.

	Electric Revenues			MWh		
Electric Utility Operations	2014	2013	Change	2014	2013	Change
	(Millions of Dollars)			(Thousands)		
Customer Class						
Residential	$ 275.0	$ 277.2	$ (2.2)	1,780.7	1,851.4	(3.8)%
Small Commercial/Industrial	256.6	256.2	0.4	2,085.2	2,139.4	(2.5)%
Large Commercial/Industrial	162.9	179.9	(17.0)	1,854.7	2,211.5	(16.1)%
Other - Retail	5.4	5.3	0.1	34.8	35.5	(2.0)%
Total Retail	699.9	718.6	(18.7)	5,755.4	6,237.8	(7.7)%
Wholesale - Other	32.9	37.2	(4.3)	471.3	521.9	(9.7)%
Resale - Utilities	56.5	28.8	27.7	1,483.8	890.8	66.6 %
Other Operating Revenues	23.0	8.6	14.4	—	—	
Total	812.3	793.2	19.1	7,710.5	7,650.5	0.8 %
Electric Customer Choice (b)	1.4	—	1.4	627.5	—	
Total, including electric customer choice	$ 813.7	$ 793.2	$ 20.5			

(b) Represents distribution sales for customers who have purchased power from an alternative electric supplier in Michigan.

	Gross Margin (c)			Therms		
Gas Utility Operations	2014	2013	Change	2014	2013	Change
	(Millions of Dollars)			(Millions)		
Customer Class						
Residential	$ 51.7	$ 51.0	$ 0.7	120.8	118.3	2.1 %
Commercial/Industrial	15.8	16.6	(0.8)	73.5	79.5	(7.5)%
Interruptible	0.3	0.4	(0.1)	3.3	3.6	(8.3)%
Total Retail	67.8	68.0	(0.2)	197.6	201.4	(1.9)%
Transported Gas	11.9	11.6	0.3	240.3	225.1	6.8 %
Other	2.2	2.2	—	—	—	
Total Gross Margin	81.9	81.8	0.1	437.9	426.5	2.7 %
Add: Cost of Gas Sold	125.9	115.2	10.7			
Gas Revenues	$ 207.8	$ 197.0	$ 10.8			

(c) Gas margins reflect revenues less the cost of gas. We believe gross margin is a better performance indicator than revenues because changes in the cost of gas sold flow through to revenue under gas cost recovery mechanisms.

Wisconsin Energy Corporation
Six Months Ended June 30, 2014 and 2013 Revenues and Volumes

Consolidated Revenues - $ Millions	2014	2013	Change
Utility Electric	$ 1,699.5	$ 1,605.5	$ 94.0
Utility Gas	985.8	631.0	354.8
Other	53.4	51.0	2.4
Total Revenues	$ 2,738.7	$ 2,287.5	$ 451.2
Weather -- Degree Days (a)			
Heating (4,199 Normal)	5,009	4,500	509
Cooling (174 Normal)	108	138	(30)

(a) As measured at Mitchell International Airport in Milwaukee, Wisconsin. Normal degree days are based upon a 20-year moving average.

	Electric Revenues			MWh		
Electric Utility Operations	2014	2013	Change	2014	2013	Change
	(Millions of Dollars)			(Thousands)		
Customer Class						
Residential	$ 594.2	$ 580.4	$ 13.8	3,943.3	3,895.9	1.2 %
Small Commercial/Industrial	516.6	510.1	6.5	4,338.4	4,318.5	0.5 %
Large Commercial/Industrial	314.1	366.2	(52.1)	3,647.6	4,559.3	(20.0)%
Other - Retail	11.5	11.5	—	74.2	75.0	(1.1)%
Total Retail	1,436.4	1,468.2	(31.8)	12,003.5	12,848.7	(6.6)%
Wholesale - Other	73.7	76.7	(3.0)	1,076.1	1,038.9	3.6 %
Resale - Utilities	148.3	46.1	102.2	2,927.3	1,450.7	101.8 %
Other Operating Revenues	38.3	14.5	23.8	—	—	
Total	1,696.7	1,605.5	91.2	16,006.9	15,338.3	4.4 %
Electric Customer Choice (b)	2.8	—	2.8	1,228.7	—	
Total, including electric customer choice	$ 1,699.5	$ 1,605.5	$ 94.0			

(b) Represents distribution sales for customers who have purchased power from an alternative electric supplier in Michigan.

	Gross Margin (c)			Therms		
Gas Utility Operations	2014	2013	Change	2014	2013	Change
	(Millions of Dollars)			(Millions)		
Customer Class						
Residential	$ 171.3	$ 158.6	$ 12.7	586.4	520.6	12.6%
Commercial/Industrial	63.8	56.1	7.7	347.0	298.9	16.1%
Interruptible	1.0	1.0	—	10.5	10.1	4.0%
Total Retail	236.1	215.7	20.4	943.9	829.6	13.8%
Transported Gas	28.1	26.5	1.6	552.6	541.7	2.0%
Other	4.2	3.5	0.7	—	—	
Total Gross Margin	268.4	245.7	22.7	1,496.5	1,371.3	9.1%
Add: Cost of Gas Sold	717.4	385.3	332.1			
Gas Revenues	$ 985.8	$ 631.0	$ 354.8			

(c) Gas margins reflect revenues less the cost of gas. We believe gross margin is a better performance indicator than revenues because changes in the cost of gas sold flow through to revenue under gas cost recovery mechanisms.

Wisconsin Energy Corporation
Second Quarter 2014 and 2013 Retail Electric Volumes

Delivered Volumes

	2014 Actual vs. 2013 Actual
Residential	(3.8)%
Small Commercial/Industrial	(2.1)%
Large Commercial/Industrial (ex. Mines)	2.1 %
Total Large Commercial/Industrial	11.8 %
Total Retail Sales	2.3 %
Retail (ex. Mines)	(1.3)%

Energy Sales

	2014 Actual vs. 2013 Actual
Residential	(3.8)%
Small Commercial/Industrial	(2.5)%
Large Commercial/Industrial (ex. Mines)	(0.2)%
Total Large Commercial/Industrial	(16.1)%
Total Retail Sales	(7.7)%
Retail (ex. Mines)	(2.2)%

Wisconsin Energy Corporation
Six Months Ended June 30, 2014 and 2013 Normalized Retail Electric Volumes (a)

Delivered Volumes

	Six Months Ended June 30		Annual (b)
	2014 Actual vs. 2013 Actual	2014 Normalized vs. 2013 Normalized	2014 Budget vs. 2013 Normalized
Residential	1.2 %	— %	0.4 %
Small Commercial/Industrial	0.9 %	(0.2)%	0.3 %
Large Commercial/Industrial (ex. Mines)	2.0 %	2.0 %	0.9 %
Total Large Commercial/Industrial	6.5 %	6.6 %	0.4 %
Total Retail Sales	3.0 %	2.3 %	0.4 %
Retail (ex. Mines)	1.3 %	0.5 %	0.5 %

Energy Sales

	Six Months Ended June 30		Annual (b)
	2014 Actual vs. 2013 Actual	2014 Normalized vs. 2013 Normalized	2014 Budget vs. 2013 Normalized
Residential	1.2 %	— %	0.4 %
Small Commercial/Industrial	0.5 %	(0.6)%	0.1 %
Large Commercial/Industrial (ex. Mines)	(0.4)%	(0.3)%	(0.8)%
Total Large Commercial/Industrial	(20.0)%	(19.9)%	(14.4)%
Total Retail Sales	(6.6)%	(7.3)%	(4.7)%
Retail (ex. Mines)	0.4 %	(0.3)%	(0.1)%

(a) Normalized - 20 year average weather adjusted.

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

Wisconsin Energy Corporation
Cash Flow Information
Six Months Ended June 30, 2014 and 2013
All Values in Millions

EBIT and EBITDA	2014	2013
Net Income	$ 340.6	$ 295.6
Income Taxes	204.6	170.7
Interest	121.3	128.3
EBIT	666.5	594.6
Depreciation and Amortization	206.5	197.7
EBITDA	$ 873.0	$ 792.3

Funds From Operations		
Net Income	$ 340.6	$ 295.6
Depreciation and Amortization	206.5	197.7
Deferred Income Taxes and Investment Tax Credits, net	188.0	143.1
Working Capital and Other	(13.8)	45.1
Funds From Operations	$ 721.3	$ 681.5

	June 30, 2014	
Capitalization Structure	Actual	Adjusted
Common Equity	$ 4,367.1	$ 4,617.1
Preferred Stock of Subsidiary	30.4	30.4
Long-Term Debt (including current maturities)	4,632.6	4,382.6
Short-Term Debt	410.1	410.1
Total Capitalization	$ 9,440.2	$ 9,440.2
Total Debt	$ 5,042.7	$ 4,792.7
Ratio of Debt to Total Capitalization	53.4%	50.8%

Adjusted: Included in Long-Term Debt is the $500 million aggregate principal amount of the 2007 Series A Junior Subordinated Notes due 2067 as these debt securities are reflected as long-term debt on our Consolidated Balance Sheets. The adjusted presentation attributes $250 million of the Junior Notes to Common Equity and $250 million to Long-Term Debt.

Credit Ratings*

	S & P	Moody's	Fitch
Wisconsin Energy Corporation			
Commercial Paper	A-2	P-1	F2
Unsecured Senior Debt	BBB+	A2	A-
Unsecured Junior Notes	BBB	A3	BBB
Wisconsin Electric			
Commercial Paper	A-2	P-1	F1
Unsecured Senior Debt	A-	A1	A+
Wisconsin Gas			
Commercial Paper	A-1	P-1	F1
Unsecured Senior Debt	A	A1	A
Elm Road Generating Station Supercritical LLC			
Senior Debt	A-	A1	A+

* All S&P and Moody's ratings outlooks for the Companies are stable, except for Wisconsin Energy Corporation, which are negative. Fitch has placed the rating of Wisconsin Energy Corporation on Rating Watch Negative.