# Segment and Financial Information
# Fourth Quarter 2018

Supplement to NiSource Fourth Quarter 2018
Earnings Presentation

**Fourth Quarter 2018 Operating Earnings - Segment Results (non-GAAP)**

NiSource's consolidated operating earnings (non-GAAP) for the fourth quarter of 2018 were $294.7 million, compared to $272.1 million in the comparable 2017 period. Refer to the attached schedules for the items included in 2018 and 2017 GAAP operating income but excluded from operating earnings (non-GAAP).

Operating earnings (non-GAAP) for NiSource's business segments for the three months ended December 31, 2018, are discussed below.

**Gas Distribution Operations**

For the fourth quarter of 2018, Gas Distribution Operations reported operating earnings of $212.4 million, compared to operating earnings of $184.0 million in the comparable 2017 period.

Net revenues for the fourth quarter of 2018 were $673.7 million, an increase of $70.3 million from the comparable 2017 period. The change in net revenues was primarily driven by:

- New rates from base rate proceedings and infrastructure replacement programs of $64.7 million.
- Higher regulatory, tax and depreciation trackers, which are offset in operating expense, of $16.4 million.

Partially offset by:

- Decreased rates from implementation of regulatory outcomes related to the TCJA of $11.3 million.

Operating expenses for the fourth quarter of 2018 were $461.3 million, an increase of $41.9 million from the comparable 2017 period. The change in operating expenses was primarily driven by:

- Base employee and administrative costs and outside service costs of $36.9 million dedicated to the Greater Lawrence Incident restoration.
- Higher regulatory, tax and depreciation trackers, which are offset in net revenues, of $16.4 million.
- Higher depreciation of $14.6 million due to regulatory outcomes of NIPSCO's gas rate case and higher capital expenditures placed in service.
- Increased property taxes of $5.7 million due to higher capital expenditures placed in service and the impact of regulatory-driven property tax deferrals.

Partially offset by:

- Decreased employee and administrative costs of $20.3 million driven by reduced incentive compensation and a temporary shift of resources to the Greater Lawrence Incident restoration.
- Lower outside service costs of $15.1 million driven by reduced spend on strategic initiatives, lower ongoing IT costs and a temporary shift of resources to the Greater Lawrence Incident restoration.

**Electric Operations**

For the fourth quarter of 2018, Electric Operations reported operating earnings of $83.0 million, compared to operating earnings of $79.5 million in the comparable 2017 period.

Net revenues for the fourth quarter of 2018 were $283.0 million, a decrease of $22.7 million from the comparable 2017 period. The change in net revenues was primarily driven by:

- Decreased rates from the implementation of regulatory outcomes related to the TCJA of $10.2 million.
- Lower industrial usage of $7.0 million.

Operating expenses for the fourth quarter of 2018 were $200.0 million, a decrease of $26.2 million from the comparable 2017 period. The change in operating expenses was primarily driven by:

- Decreased employee and administrative costs of $9.7 million.
- Decreased outside service costs of $8.2 million and lower materials and supply costs of $4.8 million, primarily related to the retirement of Bailly Generating Station Units 7 and 8 on May 31, 2018.

**Corporate and Other Operations**

For the fourth quarter of 2018, Corporate and Other Operations reported an operating loss of $0.7 million compared to operating earnings of $8.6 million in the comparable 2017 period. This change resulted primarily from unrealized losses on the cash surrender value of corporate owned life insurance investments and unfavorable insurance reserve adjustments.

**Other Income (Deductions)**

Other income (deductions) reduced income by $101.6 million for the fourth quarter of 2018 compared to a reduction in income of $105.6 million in the comparable 2017 period.

**Income Taxes**

The effective tax rate of net operating earnings was 22.3 percent compared to 33.8 percent for the same period last year, primarily due to change in tax rates in 2018 as a result of the TCJA and the associated amortization of excess deferred tax regulatory liabilities.

**Twelve Months Ended December 31, 2018 Operating Earnings - Segment Results (non-GAAP)**

NiSource's consolidated operating earnings (non-GAAP) for the twelve months ended December 31, 2018 were $931.2 million, compared to $974.5 million in the comparable 2017 period. Refer to the attached schedules for the items included in 2018 and 2017 GAAP operating income but excluded from operating earnings (non-GAAP).

Operating earnings (non-GAAP) for NiSource’s business segments for the twelve months ended December 31, 2018, are discussed below.

**Gas Distribution Operations**

For the twelve months ended December 31, 2018, Gas Distribution Operations reported operating earnings of $565.3 million, compared to operating earnings of $591.4 million in the comparable 2017 period.

Net revenues for the twelve months ended December 31, 2018 were $2,151.9 million, an increase of $29.5 million from the comparable 2017 period. The change in net revenues was primarily driven by:

- New rates from infrastructure replacement programs and base rate proceedings of $99.6 million.
- The effects of customer growth and increased usage of $17.4 million.

- Higher regulatory, tax and depreciation trackers, which are offset in operating expense, of $16.0 million.

Partially offset by:

- A revenue reserve of $85.0 million in 2018 resulting from the probable future refund of certain collections from customers as a result of the lower income tax rate from the TCJA.
- Decreased rates from implementation of regulatory outcomes related to the TCJA of $24.7 million.

Operating expenses for the twelve months ended December 31, 2018 were $1,586.6 million, an increase of $55.6 million from the comparable 2017 period. The change in operating expenses was primarily driven by:

- Base employee and administrative costs and outside service costs of $36.9 million dedicated to the Greater Lawrence Incident restoration.
- Increased depreciation of $29.6 million due to regulatory outcomes of NIPSCO's gas rate case and higher capital expenditures placed in service.
- Higher regulatory, tax and depreciation trackers, which are offset in net revenues, of $16.0 million.
- Increased property taxes of $11.0 million due to higher capital expenditures placed in service and the impact of regulatory-driven property tax deferrals.

Partially offset by:

- Decreased employee and administrative expense of $30.2 million driven by reduced incentive compensation and a temporary shift of resources to the Greater Lawrence Incident restoration.
- Lower outside services of $17.2 million driven by reduced spend on strategic initiatives, lower ongoing IT costs and a temporary shift of resources to the Greater Lawrence Incident restoration.

**Electric Operations**

For the twelve months ended December 31, 2018, Electric Operations reported operating earnings of $369.1 million, compared to operating earnings of $379.2 million in the comparable 2017 period.

Net revenues for the twelve months ended December 31, 2018 were $1,185.8 million, a decrease of $91.7 million from the comparable 2017 period. The change in net revenues was primarily driven by:

- Lower regulatory and depreciation trackers, which are offset in operating expense, of $35.6 million.
- Decreased rates from the implementation of regulatory outcomes related to the TCJA of $32.9 million.
- Decreased industrial usage of $17.1 million.
- A revenue reserve of $16.2 million in 2018 resulting from the probable future refund of certain collections from customers as a result of the lower income tax rate from the TCJA .
- Increased fuel handling costs of $7.3 million.

Partially offset by:

- Increased rates from infrastructure replacement programs of $18.6 million.

Operating expenses for the twelve months ended December 31, 2018 were $816.7 million, a decrease of $81.6 million from the comparable 2017 period. The change in operating expenses was primarily driven by:

- Lower regulatory and depreciation trackers, which are offset in net revenues, of $35.6 million.
- Decreased outside service costs of $26.7 million and lower materials and supplies costs of $13.5 million, primarily related to the retirement of Bailly Generating Station Units 7 and 8 on May 31, 2018.
- Lower employee and administrative costs of $16.9 million.

Partially offset by:

- Increased depreciation of $10.0 million due to higher capital expenditures placed in service.

**Corporate and Other Operations**

For the twelve months ended December 31, 2018, Corporate and Other Operations reported an operating loss of $3.2 million compared to operating earnings of $3.9 million in the comparable 2017 period. This change resulted primarily from unrealized losses on the cash surrender value of corporate owned life insurance investments unfavorable insurance reserve adjustments.

**Other Income (Deductions)**

Other income (deductions) reduced income by $335.3 million for the twelve months ended December 31, 2018 compared to a reduction in income of $366.6 million in the comparable 2017 period. This variance is primarily driven by higher actuarial investment returns resulting from our pension contribution made in the third quarter of 2017.

**Income Taxes**

The effective tax rate of net operating earnings was 19.7 percent compared to 34.6 percent for the same period last year. This variance is primarily due to the change in tax rates in 2018 as a result of the TCJA and the associated amortization of excess deferred tax regulatory liabilities.

**NiSource Inc.**

Consolidated Net Operating Earnings Available to Common Shareholders (Non-GAAP) *(unaudited)*

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| *(in millions, except per share amounts)* | **2018** | 2017 | **2018** | 2017 |
| **Net Revenues** | | | | |
| Operating Revenues | **$ 1,453.1** | $ 1,361.4 | **$ 5,084.0** | $ 4,904.8 |
| Cost of Sales (excluding depreciation and amortization) | **499.7** | 456.0 | **1,759.4** | 1,518.7 |
| Total Net Revenues (Non-GAAP) | **953.4** | 905.4 | **3,324.6** | 3,386.1 |
| **Operating Expenses** | | | | |
| Operation and maintenance | **360.0** | 366.5 | **1,343.0** | 1,398.0 |
| Operation and maintenance - trackers | **65.2** | 52.0 | **176.4** | 180.6 |
| Depreciation and amortization | **155.4** | 135.8 | **579.7** | 527.4 |
| Depreciation and amortization - trackers | **6.4** | 6.0 | **19.9** | 42.9 |
| Loss on impairment | — | 5.5 | — | 5.5 |
| Other taxes | **50.5** | 47.6 | **201.0** | 191.4 |
| Other taxes - trackers | **21.2** | 19.9 | **73.4** | 65.8 |
| Total Operating Expenses | **658.7** | 633.3 | **2,393.4** | 2,411.6 |
| **Operating Earnings** | **294.7** | **272.1** | **931.2** | **974.5** |
| **Other Income (Deductions)** | | | | |
| Interest expense, net | **(88.1)** | (92.4) | **(353.3)** | (353.2) |
| Other, net | **(13.1)** | (13.4) | **19.9** | (11.6) |
| Other, net - trackers | **(0.4)** | 0.2 | **(1.9)** | (1.8) |
| Total Other Deductions, Net | **(101.6)** | (105.6) | **(335.3)** | (366.6) |
| **Operating Earnings Before Income Taxes** | **193.1** | 166.5 | **595.9** | 607.9 |
| **Income Taxes** | **43.1** | 56.2 | **117.6** | 210.4 |
| **Net Operating Earnings** | **150.0** | 110.3 | **478.3** | 397.5 |
| Preferred dividends | **(8.1)** | — | **(15.0)** | — |
| **Net Operating Earnings Available to Common Shareholders (Non-GAAP)** | **141.9** | 110.3 | **463.3** | 397.5 |
| **Non-GAAP Basic Net Operating Earnings Per Share** | **$ 0.38** | $ 0.33 | **$ 1.30** | $ 1.21 |
| **Basic Average Common Shares Outstanding** | **369.4** | 337.5 | **356.5** | 329.4 |

# NiSource Inc.

## Segment Operating Earnings (Loss) (Non-GAAP) *(unaudited)*

| **Gas Distribution Operations** *(in millions)* | **Three Months Ended December 31,** **2018** | 2017 | **Twelve Months Ended December 31,** **2018** | 2017 |
|---|---|---|---|---|
| **Net Revenues** | | | | |
| Operating revenues | **$ 1,056.0** | $ 946.4 | **$ 3,409.3** | $ 3,127.4 |
| Cost of Sales (excluding depreciation and amortization) | **382.3** | 343.0 | **1,257.4** | 1,005.0 |
| Net Revenues (Non-GAAP) | **673.7** | 603.4 | **2,151.9** | 2,122.4 |
| **Operating Expenses** | | | | |
| Operation and maintenance | **263.2** | 256.3 | **948.0** | 948.3 |
| Operation and maintenance - trackers | **54.6** | 41.0 | **133.0** | 126.5 |
| Depreciation and amortization | **83.9** | 69.2 | **297.4** | 267.6 |
| Depreciation and amortization - trackers | **2.1** | 0.6 | **3.6** | 1.7 |
| Loss on impairment | **—** | 2.8 | **—** | 2.8 |
| Other taxes | **36.3** | 29.6 | **131.2** | 118.3 |
| Other taxes - trackers | **21.2** | 19.9 | **73.4** | 65.8 |
| Total Operating Expenses | **461.3** | 419.4 | **1,586.6** | 1,531.0 |
| **Operating Earnings (Non-GAAP)** | **$ 212.4** | $ 184.0 | **$ 565.3** | $ 591.4 |

| **Electric Operations** *(in millions)* | **Three Months Ended December 31,** **2018** | 2017 | **Twelve Months Ended December 31,** **2018** | 2017 |
|---|---|---|---|---|
| **Net Revenues** | | | | |
| Operating Revenues | **$ 400.5** | $ 418.7 | **$ 1,687.9** | $ 1,791.4 |
| Cost of Sales (excluding depreciation and amortization) | **117.5** | 113.0 | **502.1** | 513.9 |
| Net Revenues (Non-GAAP) | **283.0** | 305.7 | **1,185.8** | 1,277.5 |
| **Operating Expenses** | | | | |
| Operation and maintenance | **111.5** | 132.4 | **453.3** | 504.6 |
| Operation and maintenance - trackers | **10.6** | 11.0 | **43.4** | 54.1 |
| Depreciation and amortization | **62.3** | 60.4 | **246.6** | 236.6 |
| Depreciation and amortization - trackers | **4.3** | 5.4 | **16.3** | 41.2 |
| Loss on impairment | **—** | 1.9 | **—** | 1.9 |
| Other taxes | **11.3** | 15.1 | **57.1** | 59.9 |
| Total Operating Expenses | **200.0** | 226.2 | **816.7** | 898.3 |
| **Operating Earnings (Non-GAAP)** | **$ 83.0** | $ 79.5 | **$ 369.1** | $ 379.2 |

| **Corporate and Other Operations** *(in millions)* | **Three Months Ended December 31,** **2018** | 2017 | **Twelve Months Ended December 31,** **2018** | 2017 |
|---|---|---|---|---|
| **Operating Earnings (Loss) (Non-GAAP)** | **$ (0.7)** | $ 8.6 | **$ (3.2)** | $ 3.9 |

# NiSource Inc.

Segment Volumes and Statistical Data *(unaudited)*

| Gas Distribution Operations | Three Months Ended December 31, 2018 | 2017 | Twelve Months Ended December 31, 2018 | 2017 |
|---|---|---|---|---|
| **Sales and Transportation (MMDth)** | | | | |
| Residential | **92.4** | 89.9 | **280.3** | 247.1 |
| Commercial | **57.9** | 58.0 | **187.6** | 169.3 |
| Industrial | **138.0** | 137.2 | **555.7** | 517.5 |
| Off-System | **8.1** | 5.2 | **30.0** | 39.0 |
| Other | **—** | 0.1 | **—** | 0.3 |
| Total | **296.4** | 290.4 | **1,053.6** | 973.2 |
| Weather Adjustment | **(10.1)** | (6.5) | **(18.5)** | 32.7 |
| Sales and Transportation Volumes - Excluding Weather | **286.3** | 283.9 | **1,035.1** | 1,005.9 |
| **Customers** | | | | |
| Residential | | | **3,194,662** | 3,168,516 |
| Commercial | | | **281,563** | 280,362 |
| Industrial | | | **6,038** | 6,228 |
| Other | | | **3** | 4 |
| Total | | | **3,482,266** | 3,455,110 |
| **Heating Degree Days** | **2,064** | 2,016 | **5,562** | 4,927 |
| **Normal Heating Degree Days** | **2,034** | 2,034 | **5,610** | 5,610 |
| **% Colder (Warmer) than Normal** | **1%** | (1)% | **(1)%** | (12)% |

| Electric Operations | Three Months Ended December 31, 2018 | 2017 | Twelve Months Ended December 31, 2018 | 2017 |
|---|---|---|---|---|
| **Sales (Gigawatt Hours)** | | | | |
| Residential | **780.6** | 777.8 | **3,535.2** | 3,301.7 |
| Commercial | **915.6** | 925.4 | **3,844.6** | 3,793.5 |
| Industrial | **2,043.7** | 2,277.0 | **8,829.5** | 9,469.7 |
| Wholesale | **19.5** | 4.5 | **114.3** | 32.5 |
| Other | **29.2** | 31.9 | **124.4** | 128.2 |
| Total | **3,788.6** | 4,016.6 | **16,448.0** | 16,725.6 |
| Weather Adjustment | **(36.0)** | (21.7) | **(265.2)** | 61.4 |
| Sales Volumes - Excluding Weather | **3,752.6** | 3,994.9 | **16,182.8** | 16,787.0 |
| **Customers** | | | | |
| Residential | | | **412,267** | 409,401 |
| Commercial | | | **56,605** | 56,134 |
| Industrial | | | **2,284** | 2,305 |
| Wholesale | | | **735** | 739 |
| Other | | | **2** | 2 |
| Total | | | **471,893** | 468,581 |
| **Cooling Degree Days** | | | **1,180** | 837 |
| **Normal Cooling Degree Days** | | | **806** | 806 |
| **% Warmer than Normal** | | | **46 %** | 4 % |

## NiSource Inc.

Schedule 1 - Reconciliation of Consolidated Net Income (Loss) Available to Common Shareholders to Net Operating Earnings Available to Common Shareholders (Non-GAAP) *(unaudited)*

| *(in millions, except per share amounts)* | Three Months Ended December 31, **2018** | Three Months Ended December 31, 2017 | Twelve Months Ended December 31, **2018** | Twelve Months Ended December 31, 2017 |
|---|---|---|---|---|
| **GAAP Net Income (Loss) Available to Common Shareholders** | **$ (19.8)** | $ (52.4) | **$ (65.6)** | $ 128.5 |
| **Adjustments to Operating Income (Loss):** | | | | |
| **Operating Revenues:** | | | | |
| Weather - compared to normal | **(10.6)** | (6.9) | **(32.5)** | 30.2 |
| Greater Lawrence Incident[(1)] | **3.9** | — | **3.9** | — |
| **Operating Expenses:** | | | | |
| Plant retirement costs[(2)] | **—** | — | **3.3** | 1.5 |
| IT service provider transition costs[(3)] | **—** | 8.3 | **—** | 21.6 |
| Greater Lawrence Incident[(4)] | **379.0** | — | **830.6** | — |
| Loss on sale of assets and impairments, net | **0.8** | 0.1 | **1.2** | — |
| Total adjustments to operating income (loss) | **373.1** | 1.5 | **806.5** | 53.3 |
| **Other Income (Deductions):** | | | | |
| Greater Lawrence Incident - Charitable contribution[(4)] | **10.4** | — | **20.7** | — |
| Interest rate swap settlement gain | **(25.0)** | — | **(46.2)** | — |
| Loss on early extinguishment of long-term debt | **—** | — | **45.5** | 111.5 |
| **Income Taxes:** | | | | |
| Tax effect of above items | **(79.8)** | 0.1 | **(180.6)** | (56.9) |
| Income taxes - discrete items[(5)] | **(117.0)** | 161.1 | **(117.0)** | 161.1 |
| Total adjustments to net income (loss) | **161.7** | 162.7 | **528.9** | 269.0 |
| **Net Operating Earnings Available to Common Shareholders (Non-GAAP)** | **$ 141.9** | $ 110.3 | **$ 463.3** | $ 397.5 |
| **Basic Average Common Shares Outstanding** | **369.4** | 337.5 | **356.5** | 329.4 |
| **GAAP Basic Earnings (Loss) Per Share** | **$ (0.05)** | $ (0.16) | **$ (0.18)** | $ 0.39 |
| Adjustments to basic earnings (loss) per share | **0.43** | 0.49 | **1.48** | 0.82 |
| **Non-GAAP Basic Net Operating Earnings Per Share** | **$ 0.38** | $ 0.33 | **$ 1.30** | $ 1.21 |

(1) Represents revenues not billed to impacted customers as a result of the Greater Lawrence Incident.

(2) Represents costs incurred associated with the planned retirement of Units 7 and 8 at Bailly Generating Station.

(3) Represents contract termination costs and external legal and consulting costs associated with termination of the IBM IT services agreement and the transition to a new multi-vendor strategy for IT service delivery.

(4) Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident net of insurance recoveries recorded to date.

(5) 2017 activity represents the impact of adopting the provisions of the Tax Cuts and Jobs Act of 2017. 2018 activity represents adjustments to the impact of the Tax Cuts and Jobs Act of 2017 due to regulatory actions in 2018.

## NiSource Inc.

Schedule 2 - Reconciliation by Segment of Operating Income (Loss) to Operating Earnings (Loss) (Non-GAAP) *(unaudited)*

| **Three Months Ended December 31, 2018** ***(in millions)*** | **Gas Distribution** | **Electric** | **Corporate & Other** | **Total** |
|---|---|---|---|---|
| **Operating Income (Loss) (GAAP)** | **$ (159.7)** | **$ 85.7** | **$ (4.4)** | **$ (78.4)** |
| **Adjustments to Operating Income (Loss):** | | | | |
| **Operating Revenues:** | | | | |
| Weather - compared to normal | (7.9) | (2.7) | — | **(10.6)** |
| Greater Lawrence Incident[1] | 3.9 | — | — | **3.9** |
| **Operating Expenses:** | | | | |
| Greater Lawrence Incident[2] | 375.9 | — | 3.1 | **379.0** |
| Loss on sale of assets and impairments, net | 0.2 | — | 0.6 | **0.8** |
| **Total Adjustments to Operating Income (Loss)** | **372.1** | **(2.7)** | **3.7** | **373.1** |
| **Operating Earnings (Loss) (Non-GAAP)** | **$ 212.4** | **$ 83.0** | **$ (0.7)** | **$ 294.7** |

[1] Represents revenues not billed to impacted customers as a result of the Greater Lawrence Incident.
[2] Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident net of probable insurance recoveries recorded to date.

| **Three Months Ended December 31, 2017** ***(in millions)*** | **Gas Distribution** | **Electric** | **Corporate & Other** | **Total** |
|---|---|---|---|---|
| **Operating Income (GAAP)** | **$ 183.0** | **$ 79.1** | **$ 8.5** | **$ 270.6** |
| **Adjustments to Operating Income (Loss):** | | | | |
| **Operating Revenues:** | | | | |
| Weather - compared to normal | (5.2) | (1.7) | — | **(6.9)** |
| **Operating Expenses:** | | | | |
| IT service provider transition costs(1) | 6.2 | 2.1 | — | **8.3** |
| Loss on sale of assets and impairments, net | — | — | 0.1 | **0.1** |
| **Total Adjustments to Operating Income (Loss)** | **1.0** | **0.4** | **0.1** | **1.5** |
| **Operating Earnings (Non-GAAP)** | **$ 184.0** | **$ 79.5** | **$ 8.6** | **$ 272.1** |

[1] Represents contract termination costs and external legal and consulting costs associated with termination of the IBM IT services agreement and the transition to a new multi-vendor strategy for IT service delivery.

| **Twelve Months Ended December 31, 2018** ***(in millions)*** | **Gas Distribution** | **Electric** | **Corporate & Other** | **Total** |
|---|---|---|---|---|
| **Operating Income (Loss) (GAAP)** | **$ (254.1)** | **$ 386.1** | **$ (7.3)** | **$ 124.7** |
| **Adjustments to Operating Income (Loss):** | | | | |
| **Operating Revenues:** | | | | |
| Weather - compared to normal | (12.2) | (20.3) | — | **(32.5)** |
| Greater Lawrence Incident[1] | 3.9 | — | — | **3.9** |
| **Operating Expenses:** | | | | |
| Plant retirement costs[2] | — | 3.3 | — | **3.3** |
| Greater Lawrence Incident[3] | 827.5 | — | 3.1 | **830.6** |
| Loss on sale of assets and impairments, net | 0.2 | — | 1.0 | **1.2** |
| **Total Adjustments to Operating Income (Loss)** | **819.4** | **(17.0)** | **4.1** | **806.5** |
| **Operating Earnings (Loss) (Non-GAAP)** | **$ 565.3** | **$ 369.1** | **$ (3.2)** | **$ 931.2** |

[1] Represents revenues not billed to impacted customers as a result of the Greater Lawrence Incident.
[2] Represents costs incurred associated with the planned retirement of Units 7 and 8 at Bailly Generating Station.
[3] Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident net of probable insurance recoveries recorded to date.

# NiSource Inc.

Schedule 2 - Reconciliation by Segment of Operating Income (Loss) to Operating Earnings (Loss) (Non-GAAP) *(unaudited)*

| **Twelve Months Ended December 31, 2017** ***(in millions)*** | **Gas Distribution** | **Electric** | **Corporate & Other** | **Total** |
|---|---|---|---|---|
| **Operating Income (GAAP)** | **$ 550.1** | **$ 367.4** | **$ 3.7** | **$ 921.2** |
| **Adjustments to Operating Income (Loss):** | | | | |
| **Operating Revenues:** | | | | |
| Weather - compared to normal | 25.3 | 4.9 | — | **30.2** |
| **Operating Expenses:** | | | | |
| Plant retirement costs[1] | — | 1.5 | — | **1.5** |
| IT service provider transition costs[2] | 16.0 | 5.4 | 0.2 | **21.6** |
| **Total Adjustments to Operating Income (Loss)** | **41.3** | **11.8** | **0.2** | **53.3** |
| **Operating Earnings (Non-GAAP)** | **$ 591.4** | **$ 379.2** | **$ 3.9** | **$ 974.5** |

(1) Represents employee severance costs incurred associated with the retirement of Units 7 and 8 at Bailly Generating Station.

(2) Represents contract termination costs and external legal and consulting costs associated with termination of the IBM IT services agreement and the transition to a new multi-vendor strategy for IT service delivery.

**NiSource Inc.**

Consolidated Income Statements (GAAP)

| *(in millions, except per share amounts)* | Three Months Ended December 31, 2018 | Three Months Ended December 31, 2017 | Twelve Months Ended December 31, 2018 | Twelve Months Ended December 31, 2017 |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Customer revenues | **$ 1,436.0** | $ 1,344.2 | **$ 4,991.1** | $ 4,730.2 |
| Other revenues | **25.7** | 24.1 | **123.4** | 144.4 |
| Total Operating Revenues | **1,461.7** | 1,368.3 | **5,114.5** | 4,874.6 |
| **Operating Expenses** | | | | |
| Cost of sales (excluding depreciation and amortization) | **501.6** | 456.0 | **1,761.3** | 1,518.7 |
| Operation and maintenance | **804.4** | 426.8 | **2,352.9** | 1,601.7 |
| Depreciation and amortization | **161.8** | 141.8 | **599.6** | 570.3 |
| Loss on sale of assets and impairments, net | **0.8** | 5.6 | **1.2** | 5.5 |
| Other taxes | **71.5** | 67.5 | **274.8** | 257.2 |
| Total Operating Expenses | **1,540.1** | 1,097.7 | **4,989.8** | 3,953.4 |
| **Operating Income (Loss)** | **(78.4)** | 270.6 | **124.7** | 921.2 |
| **Other Income (Deductions)** | | | | |
| Interest expense, net | **(88.1)** | (92.4) | **(353.3)** | (353.2) |
| Other, net | **1.1** | (13.2) | **43.5** | (13.5) |
| Loss on early extinguishment of long-term debt | **—** | — | **(45.5)** | (111.5) |
| Total Other Deductions, Net | **(87.0)** | (105.6) | **(355.3)** | (478.2) |
| **Income (Loss) before Income Taxes** | **(165.4)** | 165.0 | **(230.6)** | 443.0 |
| **Income Taxes** | **(153.7)** | 217.4 | **(180.0)** | 314.5 |
| **Net Income (Loss)** | **(11.7)** | (52.4) | **(50.6)** | 128.5 |
| Preferred dividends | **(8.1)** | — | **(15.0)** | — |
| **Net Income (Loss) Available to Common Shareholders** | **(19.8)** | (52.4) | **(65.6)** | 128.5 |
| **Earnings (Loss) Per Share** | | | | |
| Basic Earnings (Loss) Per Share | **$ (0.05)** | $ (0.16) | **$ (0.18)** | $ 0.39 |
| Diluted Earnings (Loss) Per Share | **$ (0.05)** | $ (0.16) | **$ (0.18)** | $ 0.39 |
| **Basic Average Common Shares Outstanding** | **369.4** | 337.5 | **356.5** | 329.4 |
| **Diluted Average Common Shares** | **369.4** | 338.8 | **356.5** | 330.8 |

**NiSource Inc.**

Consolidated Balance Sheets (GAAP)

| *(in millions)* | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| **ASSETS** | | |
| **Property, Plant and Equipment** | | |
| Utility plant | **$ 22,780.8** | $ 21,026.6 |
| Accumulated depreciation and amortization | **(7,257.9)** | (6,953.6) |
| Net utility plant | **15,522.9** | 14,073.0 |
| Other property, at cost, less accumulated depreciation | **19.6** | 286.5 |
| Net Property, Plant and Equipment | **15,542.5** | 14,359.5 |
| **Investments and Other Assets** | | |
| Unconsolidated affiliates | **2.1** | 5.5 |
| Other investments | **204.0** | 204.1 |
| Total Investments and Other Assets | **206.1** | 209.6 |
| **Current Assets** | | |
| Cash and cash equivalents | **112.8** | 29.0 |
| Restricted cash | **8.3** | 9.4 |
| Accounts receivable (less reserve of $21.1 and $18.3, respectively) | **1,058.5** | 898.9 |
| Gas inventory | **286.8** | 285.1 |
| Materials and supplies, at average cost | **101.0** | 105.9 |
| Electric production fuel, at average cost | **34.7** | 80.1 |
| Exchange gas receivable | **88.4** | 45.8 |
| Regulatory assets | **235.4** | 176.3 |
| Prepayments and other | **129.5** | 132.8 |
| Total Current Assets | **2,055.4** | 1,763.3 |
| **Other Assets** | | |
| Regulatory assets | **2,002.1** | 1,624.9 |
| Goodwill | **1,690.7** | 1,690.7 |
| Intangible assets, net | **220.7** | 231.7 |
| Deferred charges and other | **86.5** | 82.0 |
| Total Other Assets | **4,000.0** | 3,629.3 |
| **Total Assets** | **$ 21,804.0** | $ 19,961.7 |

## NiSource Inc.
Consolidated Balance Sheets (GAAP) (continued)

| *(in millions, except share amounts)* | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| **CAPITALIZATION AND LIABILITIES** | | |
| **Capitalization** | | |
| Stockholders' Equity | | |
| Common stock - $0.01 par value, 400,000,000 shares authorized; 372,363,656 and 337,015,806 shares outstanding, respectively | **$ 3.8** | $ 3.4 |
| Preferred stock - $0.01 par value, 20,000,000 shares authorized; 420,000 shares outstanding | **880.0** | — |
| Treasury stock | **(99.9)** | (95.9) |
| Additional paid-in capital | **6,403.5** | 5,529.1 |
| Retained deficit | **(1,399.3)** | (1,073.1) |
| Accumulated other comprehensive loss | **(37.2)** | (43.4) |
| Total Stockholders' Equity | **5,750.9** | 4,320.1 |
| Long-term debt, excluding amounts due within one year | **7,105.4** | 7,512.2 |
| Total Capitalization | **12,856.3** | 11,832.3 |
| **Current Liabilities** | | |
| Current portion of long-term debt | **50.0** | 284.3 |
| Short-term borrowings | **1,977.2** | 1,205.7 |
| Accounts payable | **883.8** | 625.6 |
| Customer deposits and credits | **238.9** | 262.6 |
| Taxes accrued | **222.7** | 208.1 |
| Interest accrued | **90.7** | 112.3 |
| Risk management liabilities | **5.0** | 43.2 |
| Exchange gas payable | **85.5** | 59.6 |
| Regulatory liabilities | **140.9** | 58.7 |
| Legal and environmental | **18.9** | 32.1 |
| Accrued compensation and employee benefits | **149.7** | 195.4 |
| Claims accrued | **114.7** | 12.5 |
| Other accruals | **58.8** | 78.3 |
| Total Current Liabilities | **4,036.8** | 3,178.4 |
| **Other Liabilities** | | |
| Risk management liabilities | **46.7** | 28.5 |
| Deferred income taxes | **1,330.5** | 1,292.9 |
| Deferred investment tax credits | **11.2** | 12.4 |
| Accrued insurance liabilities | **84.4** | 80.1 |
| Accrued liability for postretirement and postemployment benefits | **389.1** | 337.1 |
| Regulatory liabilities | **2,519.1** | 2,736.9 |
| Asset retirement obligations | **352.0** | 268.7 |
| Other noncurrent liabilities | **177.9** | 194.4 |
| Total Other Liabilities | **4,910.9** | 4,951.0 |
| **Commitments and Contingencies** | **—** | — |
| **Total Capitalization and Liabilities** | **$ 21,804.0** | $ 19,961.7 |

**NiSource Inc.**

Statements of Consolidated Cash Flows (GAAP)

| Year Ended December 31, (in millions) | | 2018 | | 2017 |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| Net Income (Loss) | $ | **(50.6)** | $ | 128.5 |
| Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating | | | | |
| Loss on early extinguishment of debt | | **45.5** | | 111.5 |
| Depreciation and amortization | | **599.6** | | 570.3 |
| Deferred income taxes and investment tax credits | | **(188.2)** | | 306.7 |
| Stock compensation expense and 401(k) profit sharing contribution | | **28.6** | | 40.1 |
| Amortization of discount/premium on debt | | **7.5** | | 7.4 |
| AFUDC equity | | **(14.2)** | | (12.6) |
| Other adjustments | | **1.7** | | 6.6 |
| Changes in Assets and Liabilities: | | | | |
| Accounts receivable | | **(186.2)** | | (52.3) |
| Inventories | | **41.4** | | 19.0 |
| Accounts payable | | **268.4** | | 49.0 |
| Customer deposits and credits | | **(25.4)** | | (2.5) |
| Taxes accrued | | **20.2** | | 10.2 |
| Interest accrued | | **(21.7)** | | (33.9) |
| Exchange gas receivable/payable | | **(21.5)** | | (64.5) |
| Other accruals | | **43.5** | | 31.8 |
| Prepayments and other current assets | | **(14.5)** | | (13.3) |
| Regulatory assets/liabilities | | **(53.2)** | | 57.5 |
| Postretirement and postemployment benefits | | **58.2** | | (380.9) |
| Deferred charges and other noncurrent assets | | **3.8** | | (2.0) |
| Other noncurrent liabilities | | **(2.8)** | | (34.4) |
| **Net Cash Flows from Operating Activities** | | **540.1** | | 742.2 |
| **Investing Activities** | | | | |
| Capital expenditures | | **(1,818.2)** | | (1,695.8) |
| Cost of removal | | **(104.3)** | | (109.0) |
| Purchases of available-for-sale securities | | **(90.0)** | | (168.4) |
| Sales of available-for-sale securities | | **82.3** | | 163.1 |
| Other investing activities | | **4.1** | | 1.6 |
| **Net Cash Flows used for Investing Activities** | | **(1,926.1)** | | (1,808.5) |
| **Financing Activities** | | | | |
| Issuance of long-term debt | | **350.0** | | 3,250.0 |
| Repayments of long-term debt and capital lease obligations | | **(1,046.1)** | | (1,855.0) |
| Premiums and other debt related costs | | **(46.0)** | | (144.3) |
| Issuance of short-term debt (maturity > 90 days) | | **950.0** | | — |
| Change in short-term borrowings, net (maturity ≤ 90 days) | | **(178.5)** | | (282.4) |
| Issuance of common stock, net of issuance costs | | **848.2** | | 336.7 |
| Issuance of preferred stock, net of issuance costs | | **880.0** | | — |
| Acquisition of treasury stock | | **(4.0)** | | (7.2) |
| Dividends paid - common stock | | **(273.3)** | | (229.1) |
| Dividends paid - preferred stock | | **(11.6)** | | — |
| **Net Cash Flows from Financing Activities** | | **1,468.7** | | 1,068.7 |
| Change in cash, cash equivalents and restricted cash | | **82.7** | | 2.4 |
| Cash, cash equivalents and restricted cash at beginning of period | | **38.4** | | 36.0 |
| **Cash, Cash Equivalents and Restricted Cash at End of Period** | **$** | **121.1** | $ | 38.4 |