



# COMPETITION REPORT

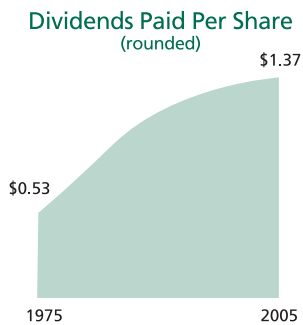
August 2006

Nasdaq: MGEE • Newspaper listings: MGE or MGE Engy • Madison, WI

## Strong dividend performance recognized

MGE Energy is one of only 82 U.S. companies and one of six electric utilities to raise dividends annually for 30 or more consecutive years. Solid performance has placed MGE Energy

on two Mergent investment fund indexes—the Dividend Achievers 50 Index and the Broad Dividend Achievers Index.



“Dividend Achievers have demonstrated the ability to consistently increase dividend payments over a substantial period of time, through volatile markets and challenging political climates,” according to Mergent.



GARY J. WOLTER, CHAIRMAN, PRESIDENT AND CEO

The number of U.S. utilities raising annual dividends fell to less than a third in 2001 and returned to about half in 2005.

Consistent dividend growth and stock price appreciation produced solid returns for MGE Energy over the last five years. A \$100 investment in 2000 grew to \$188 by 2005, with dividends reinvested. Between 2000 and 2005, MGE Energy stock outperformed the Dow Jones Utility Average, the Dow Jones Industrial Average and the Nasdaq Index.



## Wisconsin set to be biotech hotbed

Wisconsin ranks in the world's top five regions best positioned to become a hotbed of biotech innovation, according to the industry publication *FierceBiotech*.

What does it take to create one of the next biotech research clusters?

A combination of factors provides the right climate in our service area. The University of Wisconsin-Madison is the fourth largest

research institution in the nation. UW-Madison also rates highly in its ability to spin off technology into new, local businesses.

About \$150 million is earmarked for the first phase of the new Wisconsin Institutes for Discovery, a public-private research facility in Madison, to foster more bioscience research. Wisconsin also now offers tax credits to tech companies. Madison has more business incubator space per capita than any other metro area in the nation. MGE actively supports a variety of business incubators including the MGE Innovation Center that houses biotech firms.

## Tracking rapid economic growth

This chart shows Dane County's construction totals by sectors. For more information, visit [www.mge.com/ecodev/](http://www.mge.com/ecodev/).

Staying directly involved in our local economy requires closely following trends. MGE's Economic Development staff produces two annual surveys—one tracks commercial and industrial construction totals and the other our high-tech economy.

### 2005 sets construction record

Nearly \$565 million was spent on commercial and industrial projects in 2005—the second straight recording-setting year. This represents a 7.5% increase over 2004.

The 533 projects were considerably higher than last year's total of 495, according to MGE's Dane County Construction Activity Report.

More than \$252 million was invested in institutional projects, which set a new record total in this category. It represents a 33% increase from 2004. The

largest project is a \$72 million addition to St. Mary's Hospital.

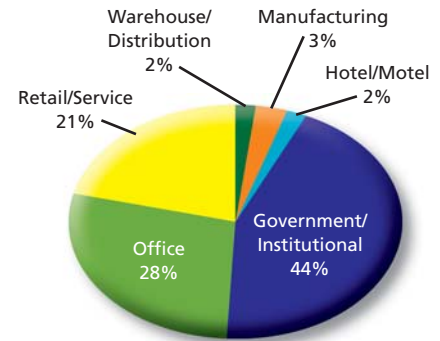
### High-tech economy

Madison is home to 475 high-tech companies, which contributed nearly \$5 billion to the local economy last year.

They also provided 26,500 jobs, according to the High-Tech Directory published annually by MGE and the City of Madison.

More technology-based businesses are producing new ideas, products and services here. The number of high-tech firms in the Madison area has grown by 8% over the last five years.

**2005 Construction Profile**  
Investment by Category



## Power Tomorrow: Be more energy efficient today

MGE recently launched a comprehensive campaign that challenges customers to save energy. Power Tomorrow asks customers to take five simple but powerful steps that will result in significant energy savings.

All electric residential customers have received a booklet detailing efficiency and conservation



measures. They are directed to our Web site where interactive calculators show energy savings. For more information, visit [mge.com](http://mge.com).

Now, MGE is inviting customers to workshops where they can learn more about efficiency and get one-on-one advice from our energy experts. The program will also be expanded to commercial customers.

Our company and customers share an impressive history of promoting energy conservation. Since 1987, we have saved about 100 megawatts. Power Tomorrow takes the next step toward a responsible energy future.



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Contact Shareholder Services:  
(608) 252-4744 or (800) 356-6423  
[investor@mgeenergy.com](mailto:investor@mgeenergy.com) • [www.mgeenergy.com](http://www.mgeenergy.com)  
133 S. Blair Street, P.O. Box 1231, Madison, WI 53701-1231

Competition Report is published periodically to provide investors with information about MGE Energy's position in a competitive industry. MGE Energy's primary asset, Madison Gas and Electric Co., provides highly reliable gas and electric service and promotes economic development in south-central and western Wisconsin.