



INTERIM REPORT
MARCH 15, 2019

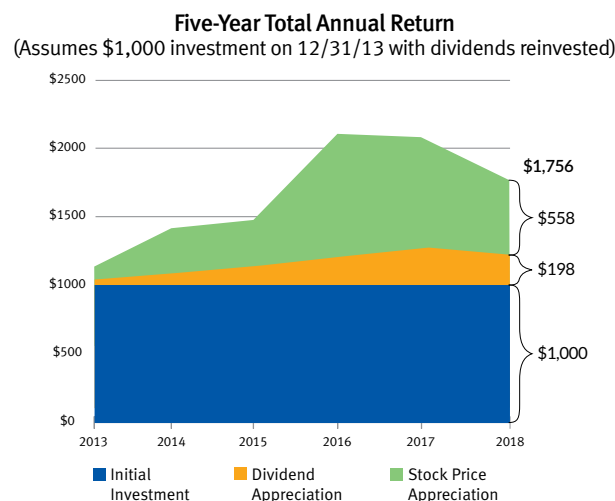


Technology is paving the way for a more sustainable energy future.

New investments are advancing our clean energy goals. We are building a utility of the future, seizing opportunities to offer new products and services that build customer and shareholder value.

Strong total return

Annual total return provides a snapshot of your investment's performance. Total return is the combination of stock price appreciation and reinvested dividends. If you invested \$1,000 in MGE Energy five years ago and consistently reinvested your dividends, your investment would have grown to \$1,756 by the close of 2018. Over the last five years, MGE Energy's total return has outpaced the national indices of the S&P 500, EEL Investor-Owned Electric Utilities and the Russell 2000.



Solid annual earnings

MGE Energy reported GAAP (Generally Accepted Accounting Principles) earnings of \$2.43 per share in 2018 compared to \$2.82 per share in 2017. Earnings for 2017 included a 62-cent per share one-time, non-cash tax benefit due to the Tax Cuts and Jobs Act.

Strong earnings in 2018 resulted from higher gas and electric retail sales due to weather conditions and customer growth.

MGE growing clean energy generation

In February, MGE's new 66-megawatt (MW) wind farm near Saratoga, Iowa, came online. The \$112 million project is another step in the company's ongoing transition toward greater use of renewable resources.



MGE's Saratoga Wind Farm has 33 turbines, which generate enough electricity for 47,000 households.

Saratoga, when combined with the 2018 purchase of a share of the Forward Energy Center wind farm in Wisconsin, grows MGE-owned wind resources by more than 200%.

Deep decarbonization goals

Renewable energy is one of the company's strategies for achieving deep decarbonization. MGE has set the goal of at least a 40% reduction in carbon emissions by 2030 and at least 80% by 2050 from 2005 levels.

Expansion planned for Shared Solar

MGE is seeking to expand its highly successful community solar program, Shared Solar, with a second solar array. Customers who subscribe to the program pay a minimal upfront fee and receive energy from the program at a fixed rate for 25 years. They can get up to half of their annual electricity use through the program. Participation in Shared Solar supports locally generated, clean energy.

The proposed expansion also will open the program to small- and medium-size businesses for the first time. The existing program is open only to residential customers.



MGE's first Shared Solar installation, a 1,700-panel array, began generating electricity in 2017.

A planned expansion of the Shared Solar program follows MGE's proposal to add 100 MW of new solar capacity from two Wisconsin projects, if approved. MGE's investment for the Badger Hollow Solar Farm and Two Creeks Solar project would be approximately \$130 million. The arrays would be operational next year.

MGE named Green Master for 5th year

MGE has attained the highest distinction possible in a statewide sustainability program for the fifth consecutive year. The Wisconsin Sustainable Business Council announced in December that MGE is a 2018 Green Master. The voluntary program evaluates participating companies on their sustainability actions in nine areas. Only the top 20% of participants achieve the Green Master designation.

MGE was the first utility to be recognized as a Green Master in 2014. To learn more about the company's environmental and sustainability efforts, visit mgeenergy.com/environment.



Vote your shares

This spring, you will receive your MGE Energy proxy. We encourage all shareholders to exercise their right and responsibility to vote their shares.

Whether you own your shares through a brokerage firm or are directly registered with MGE Energy, we make voting easy. You can return your vote form through the mail or you can vote online through a designated proxy voting website.

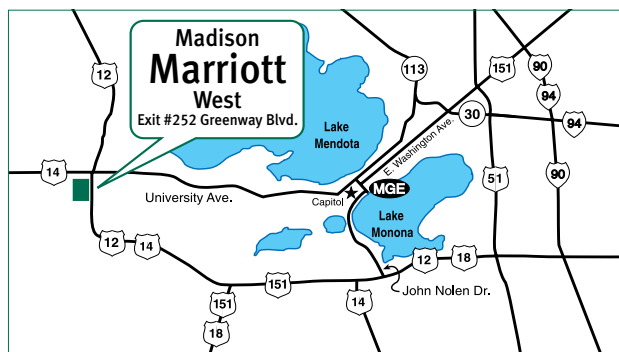
VOTE YOUR  **SHARES**

Annual Meeting to be held May 14

Shareholders are invited to attend the 2019 MGE Energy Annual Meeting on Tuesday, May 14.

Doors open at 9 a.m. The meeting begins at 11 a.m. Lunch will follow. The meeting will be held at the Madison Marriott West, 1313 John Q. Hammons Drive, Middleton, Wis.

Shareholders of record on March 8, 2019, will receive an invitation in their proxy mailing.



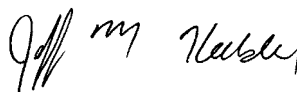
A year of safety excellence

Safety is a top priority at MGE. In 2018, the company achieved a historic safety milestone.



The year ended with MGE employees having worked more than a million hours without a lost-time incident. For all of 2018, MGE recorded the lowest lost-time incident rate since the company began keeping records in 1971 and the lowest total recordable incident rate since 1982.

MGE's employee-led Safety Steering Team meets regularly to examine, identify and prioritize continuous improvement opportunities. MGE's continuous improvement safety initiative began in 2014 to build upon the company's commitment to safety excellence.



Jeffrey M. Keebler, Chairman, President and CEO



MGE Shareholder Services

- Madison Calling Area: (608) 252-4744
Continental U.S.: 1-800-356-6423
- Email: investor@mgeenergy.com
- www.mgeenergy.com
- MGE Energy, Inc.
P.O. Box 1231
Madison, WI 53701-1231

NASDAQ: MGEE / NEWSPAPER LISTING: MGE