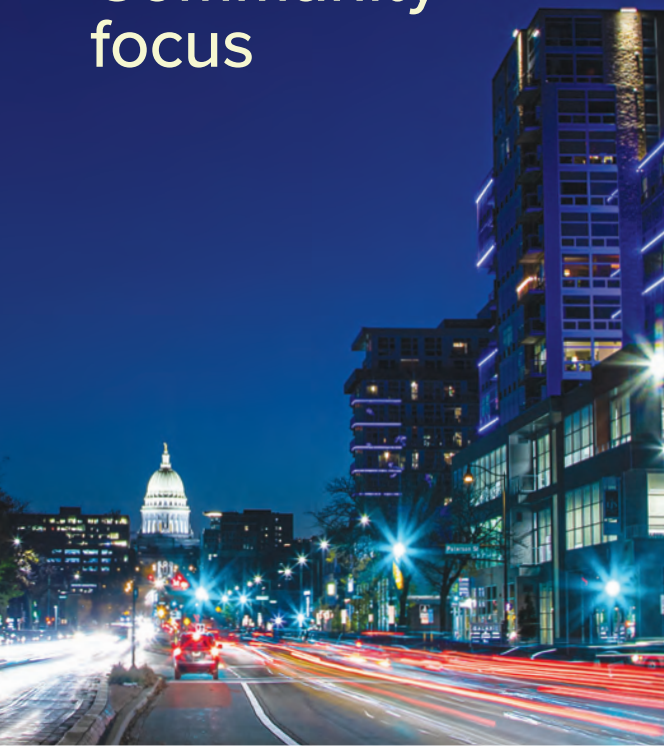




INTERIM REPORT
MARCH 15, 2021

**Bold
goals**

Community
focus



Together we build a
strong energy future.

MGE announces plan to retire Columbia Energy Center

In early February, our regulated utility subsidiary, Madison Gas and Electric (MGE), announced a plan to retire the coal-fired Columbia Energy Center near Portage, Wis. MGE is a minority owner of the plant, which is co-owned by Alliant Energy and Wisconsin Public Service (WPS), a subsidiary of WEC Energy Group. The co-owners intend to retire Unit 1 by the end of 2023 and Unit 2 by the end of 2024.

The plan represents another step in MGE's ongoing transition toward greater use of cleaner energy sources and deep carbon reductions. In May 2019, MGE was one of the first utilities in the nation to commit to a goal of net-zero carbon electricity by 2050. MGE looks forward to additional investments in cost-effective, clean energy projects to maintain its top-ranked electric reliability and to achieve its carbon reduction goals.

“We have said since introducing our clean energy and carbon reduction goals—if we can go further faster, we will. This and our significant investments in renewable energy represent our ongoing commitment to a cost-effective, clean energy transition that benefits all MGE customers,” said MGE Chairman, President and CEO Jeff Keebler.

In 2018, MGE accelerated depreciation of Columbia's Unit 1, signaling the company's belief that cost savings could be achieved through early retirement of the units. Final timing and retirement dates for Units 1 and 2 are subject to additional state and regional regulatory reviews, including approval of replacement energy and capacity resources.

Total shareholder return closes strong

Annual total return provides a snapshot of your investment's performance. Total return is the combination of stock price 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 \$1,675 by the close of 2020. Over the last five years, MGE Energy's total return was almost 11%.

Steady dividend growth

MGE Energy has a commitment to building shareholder value through steady dividends. In 2020, the Board of Directors increased the annual dividends paid per share by more than 5% to \$1.45. In the last five years, shareholders have seen 25% dividend growth. MGE Energy has increased the dividend for 45 consecutive years and has paid cash dividends for more than 110 years.

MGE Energy reports earnings

In February, MGE Energy reported GAAP (Generally Accepted Accounting Principles) earnings for 2020 of \$92.4 million, or \$2.60 per share, compared to \$86.9 million, or \$2.51 per share, for 2019. This increase was primarily due to Allowance for Funds Used During Construction (AFUDC) equity earned from the construction of Two Creeks Solar and Badger Hollow I and II and savings in operating and maintenance costs. AFUDC equity for the Two Creeks and Badger Hollow I and II solar projects increased \$3.3 million compared to 2019.

COVID-19 and associated governmental regulations led to a reduction of retail sales in 2020. Electric commercial retail sales dropped approximately 7% in 2020 compared to 2019; however, ongoing remote work arrangements contributed to higher electric residential sales, which increased approximately 6% compared to 2019.

MGE Energy's GAAP earnings for the fourth quarter of 2020 were \$15.8 million, or 44 cents per share, compared to \$16.7 million, or 48 cents per share, in the fourth quarter of 2019. For more earnings information, visit mgeenergy.com.

MGE plans more solar, new battery storage

MGE is seeking regulatory approval to purchase solar energy and battery storage from the Paris Solar-Battery Park. If approved, MGE will own 20 megawatts (MW) of solar energy and 11 MW of battery storage from the 200-MW solar park to be built in the Town of Paris in Kenosha County.

The Paris Solar-Battery Park will help MGE to meet future energy and capacity needs cost-effectively as the company continues its ongoing transition away from coal-fired electricity with the planned retirement of the Columbia Energy Center in Portage by the end of 2024. MGE's share of the Paris Solar-Battery Park will power about 6,000 households.

We Energies and Wisconsin Public Service (WPS), subsidiaries of WEC Energy Group, will own the remaining 180 MW of the output and 99 MW of battery storage from the project. If approved, construction is expected to begin in 2022. The solar park is expected to begin serving customers in 2023.

MGE partners with City, school district to grow local solar

MGE also is partnering with the City of Madison and the Madison Metropolitan School District (MMSD) to propose an 8-MW solar array in Madison. If the project is approved by regulators, the City will take 5 MW of the output and MMSD will take 3 MW under Renewable Energy Rider (RER) agreements with MGE. An RER enables MGE to partner with a large energy user to tailor a renewable energy solution to meet that customer's energy needs.

“This new solar partnership, which provides another source of locally generated clean energy, is another step toward our shared energy goals,” said Jeff Keebler, MGE Chairman, President and CEO.

If approved, the project is expected to begin generating electricity by the end of 2021.

Corporate Responsibility and Sustainability Report released

In January, MGE published its annual Corporate Responsibility and Sustainability Report, which gives investors a comprehensive overview of the company's sustainable energy goals, projects and programs, and findings from the University of Wisconsin's analysis of the company's goal of net-zero carbon electricity by 2050. The report features information about MGE's corporate strategy and climate-related matters, safety and operations, including MGE's response to COVID-19, customer and employee engagement, governance and oversight.

Mission, Vision and Values



MGE also continues to participate in the Edison Electric Institute's (EEI) environmental, social, governance (ESG) and sustainability reporting templates. EEI represents U.S. investor-owned electric companies. The voluntary, industry-specific templates provide more uniform and consistent reporting of data and information from the electric sector. View the report and EEI templates at mgeenergy.com/environment.

Green Masters designation

For the seventh year in a row, MGE has attained the highest level of the Wisconsin Sustainable Business Council's (WSBC) Green Masters Program. The WSBC's statewide sustainability program evaluates participating companies on their sustainable actions in nine primary areas. Companies in the top 20% are awarded the Green Master designation.

MGE is one of 24 companies that met the requirements for Green Master certification in 2020. More than 125 Wisconsin businesses currently participate in the Green Masters Program. MGE was the first utility to be recognized as a Green Master in 2014.

Virtual annual meeting on May 18

Shareholders are invited to attend the 2021 MGE Energy Annual Meeting on Tuesday, May 18. In the interest of public health and safety, the meeting will be held virtually. The meeting begins at 11 a.m. Shareholders of record on March 12, 2021, will receive information in their proxy materials.

VOTE YOUR **SHARES**

We encourage all shareholders to exercise their right and responsibility to vote their shares. Whether shareholders own shares through a brokerage firm or are directly registered with MGE Energy, we make voting easy. Return the vote form through the mail or vote online through a designated proxy voting website included in your proxy materials this spring.



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