



INTERIM REPORT
JUNE 15, 2019



We are powering
a smart energy future.

From transitioning to greater use of cleaner energy to advancing new technologies to elevating the customer experience, your community energy company is embracing the opportunities in an evolving energy world.

Comments from the Chairman and CEO

Annual meeting highlights goal of net-zero carbon electricity

Chairman, President and CEO Jeff Keebler shared at the MGE Energy annual meeting of shareholders in mid-May his vision for net-zero carbon electricity from the company's regulated utility, Madison Gas and Electric (MGE), by 2050. The new, ambitious target reflects his vision for the future and the company's path toward deep decarbonization as technologies continue to evolve.

"We need to align ourselves with the work of the Intergovernmental Panel on Climate Change (IPCC) and its assessment of limiting global temperature increases to 1.5 degrees Celsius by 2050," Keebler said. "Our net-zero carbon goal is aggressive, and it will require technologies still emerging and not yet cost-effective, but it is where we need to be."

Climate science partnership

Keebler also announced MGE will be working with scientists at the University of Wisconsin-Madison, Nelson Institute for Environmental Studies and Department of Atmospheric and Oceanic Sciences to help evaluate the company's net-zero carbon goal in the context of the analyses done by the IPCC.

The university will provide expert input and perspective to ensure MGE's goal is consistent with the IPCC assessment.

The company already has been working toward carbon reductions of at least 80% by 2050, from 2005 levels.

Before an audience of nearly 1,600 shareholders, Keebler said MGE has developed clean energy projects that will increase the company's owned renewable capacity by more than 500% in the near term. Those investments include:

- MGE's 66-megawatt (MW) Saratoga, Iowa, wind farm, which came online in February 2019.
- 100 MW from the Badger Hollow Solar Farm and Two Creeks Solar project, both of which are expected to be operational next year.
- A proposed expansion of MGE's Shared Solar program with a 5-MW solar array in the city of Middleton at Morey Field. A 1.5-MW share of the array will serve two public customers under the company's innovative Renewable Energy Rider.
- Up to 9 MW of solar next to Dane County Regional Airport to serve the airport and to help advance Dane County's clean energy goals.

Keebler also discussed MGE's three key strategies to achieve deep decarbonization: reducing carbon intensity of electric generation, electrifying transportation and engaging customers around energy efficiency.

Capital expenditures reflect strategic direction

MGE Energy Chief Financial Officer Jeff Newman reported capital expenditures in 2019 are projected to be \$198 million, of which \$53 million will go toward construction of Badger Hollow and Two Creeks Solar. The company also is investing substantially in new internal systems, including a new customer information system, which will enable MGE to offer new programs, products and services more efficiently and effectively and help to facilitate future market growth.

MGE Energy closed 2018 with a five-year annualized total return of nearly 12%, which outpaced major indices. Within the last five years, MGE Energy shareholders also have seen 23% dividend growth.

Directors F. Curtis Hastings, James L. Possin and Mark D. Bugher were elected at the annual meeting to serve three-year terms expiring in 2022.



A shareholder talks with MGE's Dan Clausen by a display featuring energy production data from MGE's Saratoga Wind Farm.

Electrification efforts, EV resources on display at meeting

Transportation accounts for 29% of greenhouse gas emissions in the U.S. The electrification of transportation is one of MGE's three key strategies for reducing carbon emissions.

MGE is working with customers, stakeholders, municipalities, community partners and others to grow the use of electric vehicles (EVs) and to facilitate charging options throughout our community. For example, most recently, MGE has:

- Introduced "Explore My EV," an online tool to compare the costs of plug-in hybrid and all-electric vehicles to gasoline-powered models. The "Explore My EV" tool considers commute distances, available tax credits and maintenance costs, among other things. "Explore My EV," available at mge.com/exploremyev, also features MGE's programs for home and public charging and charging at home using clean electricity.
- Partnered with the ridesharing company Lyft to grow awareness of the benefits of EVs. The two companies will offer a \$500 bonus to Madison-area EV drivers who sign up to drive with Lyft. EV drivers will share with their customers their insights into the benefits of going electric.
- Continued to expand the company's public charging network, which is powered by wind. One of MGE's newest fast chargers is located at The Home Depot off the Beltline Highway and Verona Road in the city of Madison. MGE also recently added Level 2 charging stations to the City of Madison's new South Livingston Street parking garage and at Madison College.



A shareholder talks with MGE's Debbie Branson in front of a plug-in hybrid Honda Clarity.

First-quarter earnings report

MGE Energy produced earnings of \$24 million, or 69 cents per share, for the first quarter of 2019 compared to \$20 million, or 58 cents per share, for the same period last year.

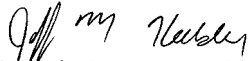
Gas net income increased due to an increase of more than 9% in gas retail sales related to higher customer demand resulting from colder weather and an increase in retail customers. Electric net income was positively impacted by the company's investment in the Saratoga Wind Farm.

Smart thermostat program expanding

MGE is expanding its smart thermostat program this summer to welcome more customers and different types of smart thermostats. The company's initial program, which launched in 2017, involved about 500 residential customers with Nest thermostats. The expansion doubles the size of the program and includes Nest and other smart thermostats.

When temperatures climb, the demand for electricity increases. During these peak periods of electric use, MGE must use the maximum capacity of electric generation, transmission facilities and distribution lines to serve the needs of all customers. Reducing peak demand can help control costs for customers long term and help to manage carbon emissions from electric generation.

Smart thermostats can be controlled remotely through communication technologies. MGE Connect helps MGE better understand the potential for reducing electric peaks using smart technologies. Data from the original program show most customers allowed the minor temperature adjustments.


Jeffrey M. Keebler, Chairman, President and CEO

Balance Sheet

(Unaudited) (in thousands)	Mar 31 2019	Dec 31 2018	(in thousands)	Mar 31 2019	Dec 31 2018
Assets					
Plant:					
Property, Plant and Equipment, net	\$1,514,133	\$1,369,766	Common shareholders' equity	\$828,950	\$816,644
Construction work in progress	24,649	139,671	Long-term debt	492,283	493,343
Total Plant	1,538,782	1,509,437	Total Capitalization	1,321,233	1,309,987
Investments	79,382	78,000	Current Liabilities:		
Current Assets:					
Cash and cash equivalents	82,402	83,102	Short-term debt	6,000	13,000
Accounts receivable, net	47,682	43,593	Accounts payable	40,356	46,158
Other current assets	91,194	113,865	Other	66,121	61,470
Total Current Assets	221,278	240,560	Total Current Liabilities	112,477	120,628
Other Long-Term Assets	164,124	160,621	Other Credits:		
Total Assets	\$2,003,566	\$1,988,618	Deferred income taxes	231,557	231,952
			Other	338,299	326,051
			Total Other Credits	569,856	558,003
			Total Capitalization and Liabilities	\$2,003,566	\$1,988,618

Income Statement

(Unaudited) (in thousands, except per-share amounts)	Three Months Ended Mar 31	
	2019	2018
Operating Revenues:		
Electric revenues	\$97,469	\$94,867
Gas revenues	70,100	62,765
Total Operating Revenues	167,569	157,632
Operating Expenses:		
Fuel used for electric generation and purchased power	24,768	28,933
Cost of gas sold	43,253	39,626
Other operations and maintenance	46,934	44,393
Depreciation and amortization	17,139	13,623
Other general taxes	4,963	4,869
Total Operating Expenses	137,057	131,444
Operating Income	30,512	26,188
Other income, net	4,851	4,919
Interest expense, net	(5,647)	(4,739)
Income before income taxes	29,716	26,368
Income tax provision	(5,709)	(6,367)
Net Income	\$24,007	\$20,001
Earnings Per Share of Common Stock (basic and diluted)	\$0.69	\$0.58
Average Shares of Common Stock Outstanding (basic and diluted)	34,668	34,668

For detailed financial information, see the March 31, 2019, 10-Q.

Statistics

Electric	Three Months Ended: Mar 31		
Sales (thousands of kilowatt-hours)	2019	2018	% Change
Residential	212,679	207,151	2.7%
Commercial	445,103	440,891	1.0%
Industrial	41,109	42,867	(4.1%)
Other-retail/municipal	80,736	89,245	(9.5%)
Sales to the market	51,524	32,559	58.2%
Total Sales	831,151	812,713	2.3%
Gas	Three Months Ended: Mar 31		
Deliveries (thousands of therms)	2019	2018	% Change
Residential	54,259	49,712	9.1%
Commercial/Industrial	46,337	42,307	9.5%
Gas Transportation	22,471	21,941	2.4%
Total Gas Deliveries	123,067	113,960	8.0%



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