

MARCH 2019

INVESTOR RELATIONS

MDU RESOURCES GROUP, INC. | Building a Strong America®

MDU LISTED NYSE

FORWARD-LOOKING STATEMENTS

During the course of this presentation, we will make certain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. Although the company believes that its expectations and beliefs are based on reasonable assumptions, actual results may differ materially.

For a discussion of factors that may cause actual results to differ, refer to Item 1A – Risk Factors in the company's most recent Form 10-K and Form 10-Q.

COMPANY OVERVIEW

A strong infrastructure is the heart of the American economy. It is the natural gas and electricity that power business, industry and our daily lives. It is the pipes and wires that connect our homes, factories, offices and stores to bring them to life. It is the transportation network of roads, highways and airports that keeps our economy moving. **Infrastructure is our business, and we are Building a Strong America®.**



KNIFE RIVER CORPORATION
AN MDU RESOURCES COMPANY

WBI ENERGY®
An MDU Resources Group company

MDU Construction Services Group, Inc.
An MDU Resources Company

MDU Resources is Building a Strong America®

With integrity, create superior shareholder value by expanding upon our expertise to be the supplier of choice in all of our markets while being a safe and great place to work.

Company founded in 1924



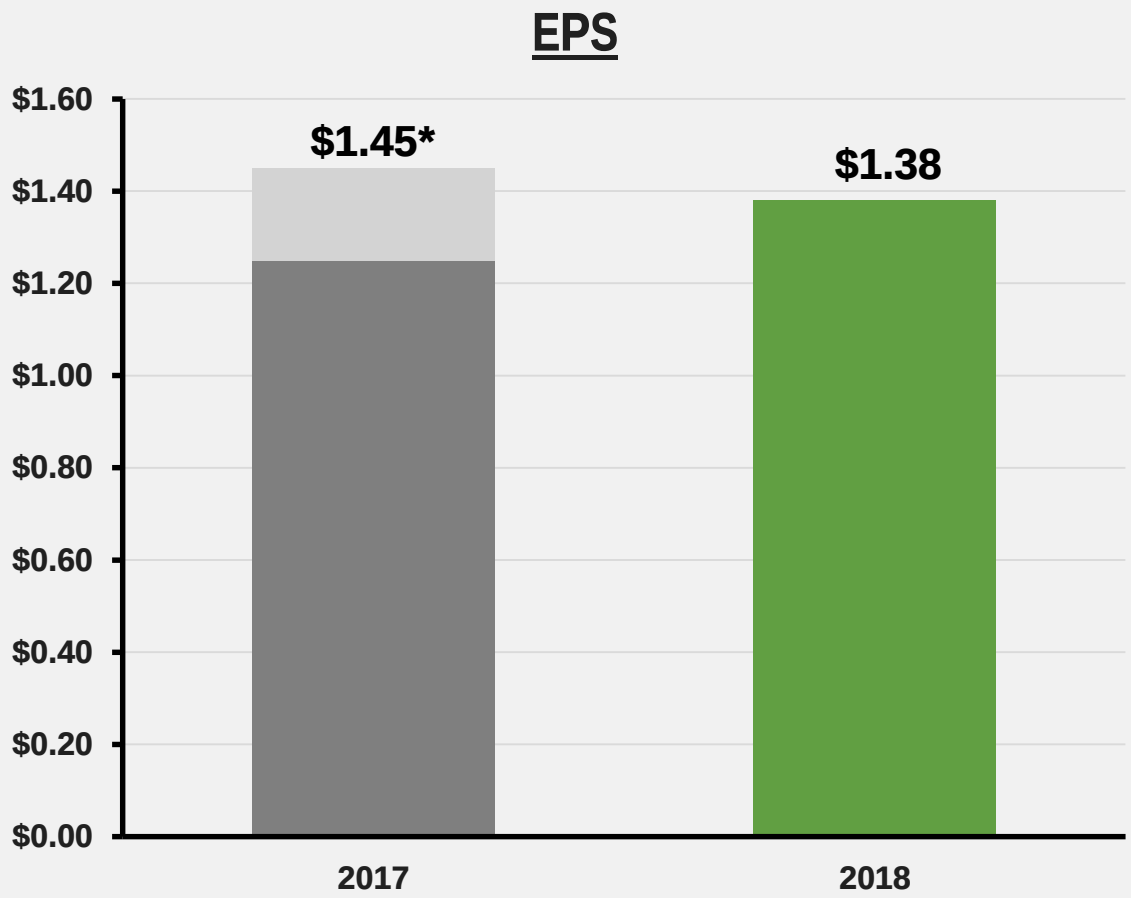
Headquartered in Bismarck, ND

Conducting business in 44 states

11,797
employees

RESULTS FROM CONTINUING OPERATIONS
FOR THE YEAR ENDED DECEMBER 2018





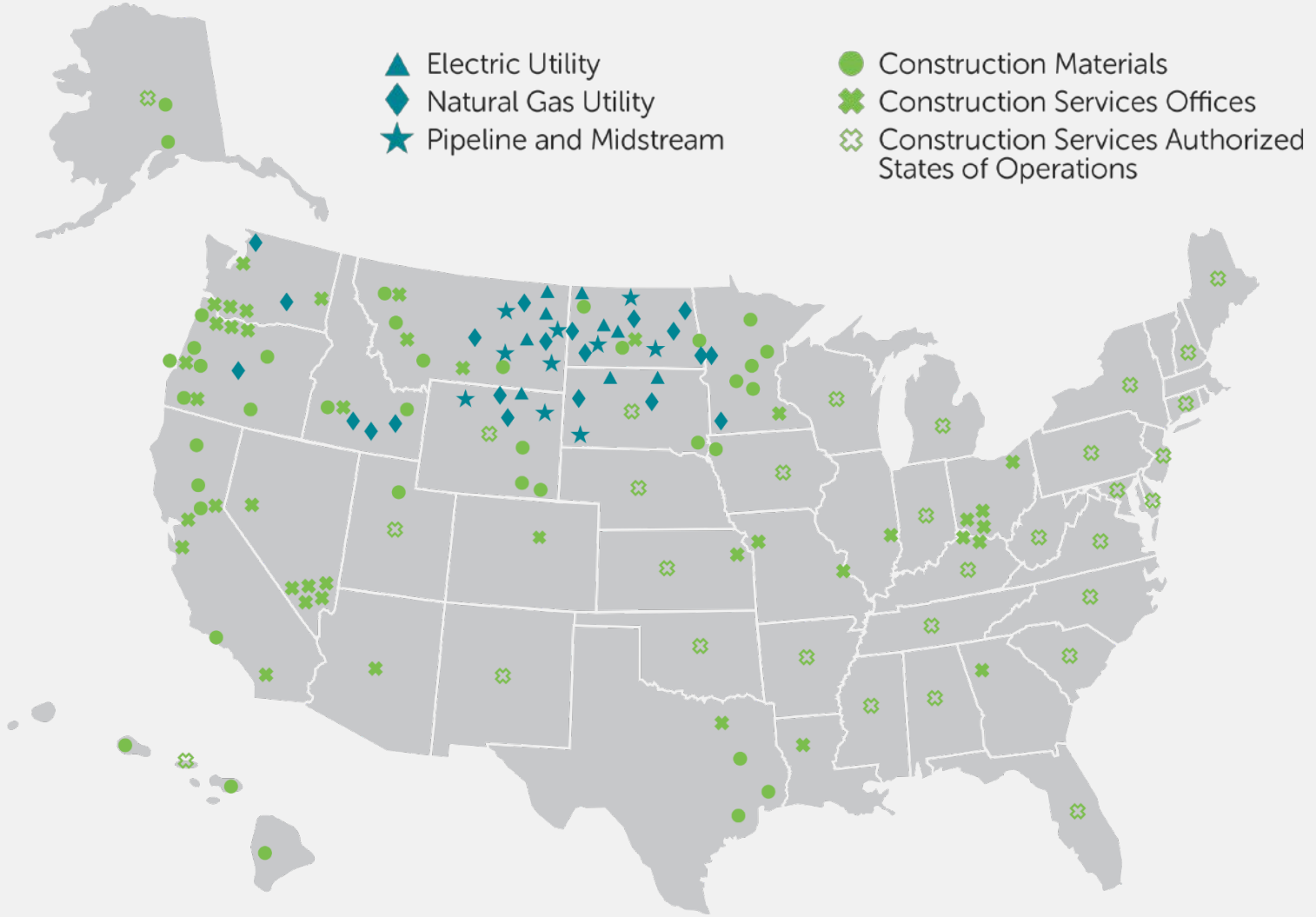
* Light gray area reflects a $39.5 million benefit, or 20 cents per share, resulting from tax reform

YEAR IN REVIEW - 2018

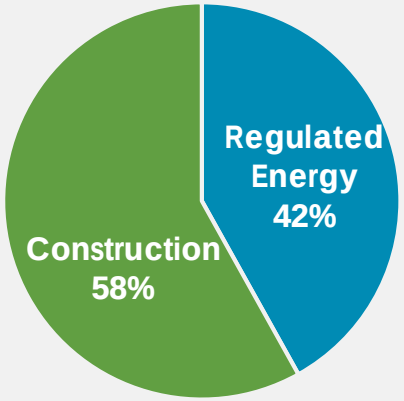
- Consolidated EPS from continuing operations $1.38, compared to $1.45 in 2017
  - 2017 results included a $0.20 one-time benefit from tax reform
- Total construction materials and services earnings of $156.9 million
  - Construction services reported record revenues and earnings as well as all-time record backlog of $939 million
  - Construction materials had record revenue and year-end backlog of $706 million
- Total regulated energy delivery earnings of $113.2 million
  - Electric and natural gas utility sold 1.4% more electricity and saw higher natural gas sales margins than 2017
  - Pipeline and midstream business has reported record transportation volumes for eight consecutive quarters

EARNINGS CONTRIBUTIONS

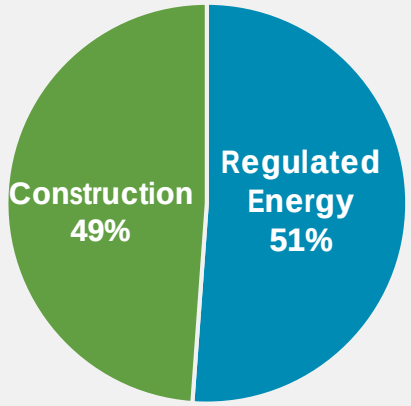
TRAILING TWELVE MONTHS ENDING DECEMBER 31, 2018



EARNINGS



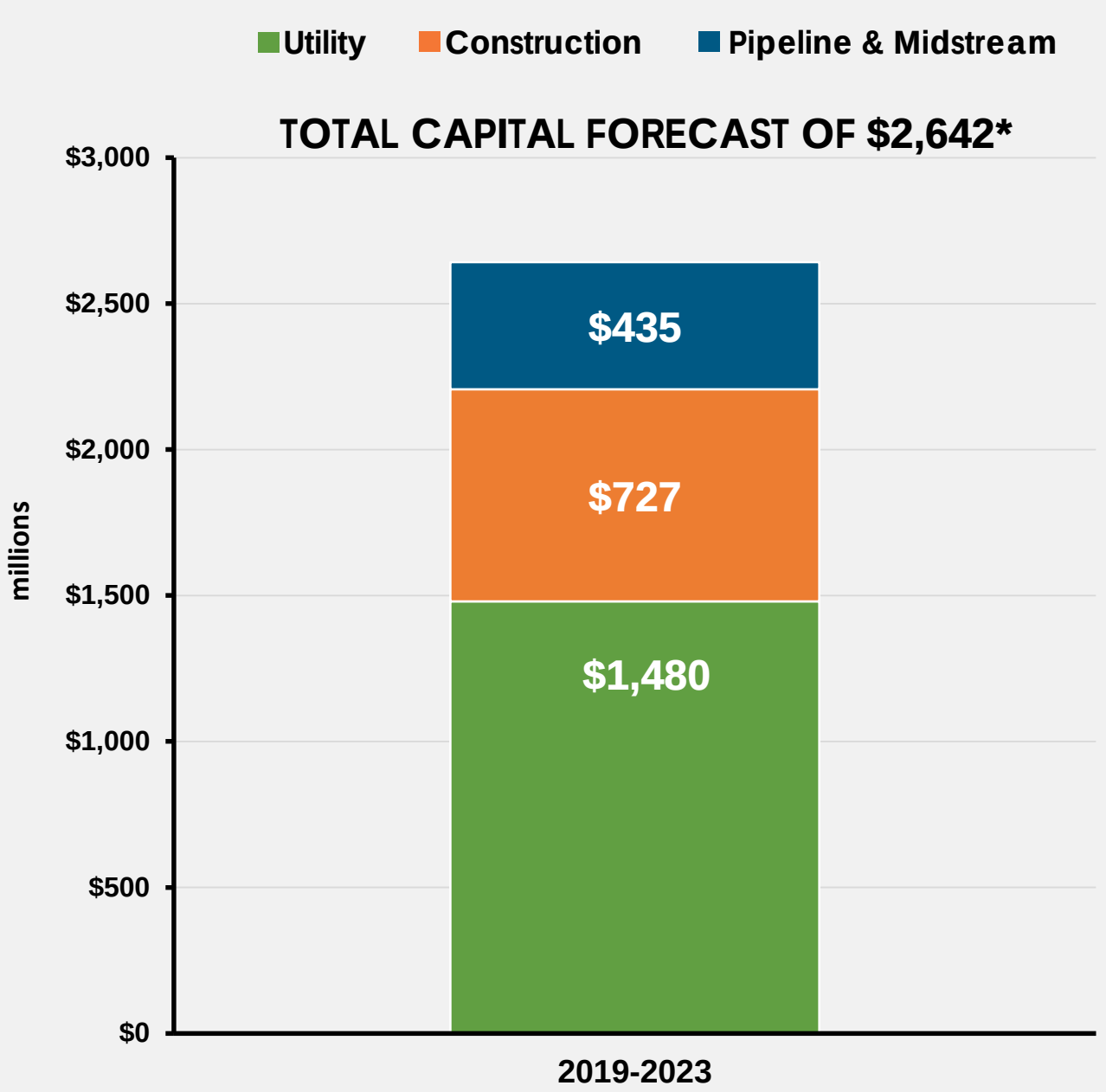
EBITDA [1]



1 - See Appendix for reconciliation of NON-GAAP financial measures

2019-23 CAPITAL PROGRAM

- Electric and natural gas utility
  - System infrastructure upgrades and replacements
- Construction materials and services
  - Equipment and plant replacements and upgrades
- Pipeline and midstream
  - Demicks Lake project
  - Line Section 22 expansion
  - North Bakken expansion
- Focused on line-of-sight opportunities at our business units with potential acquisitions being incremental to our capital program



* Excludes "Other" category as well as assumed net proceeds from the sale or disposition of property

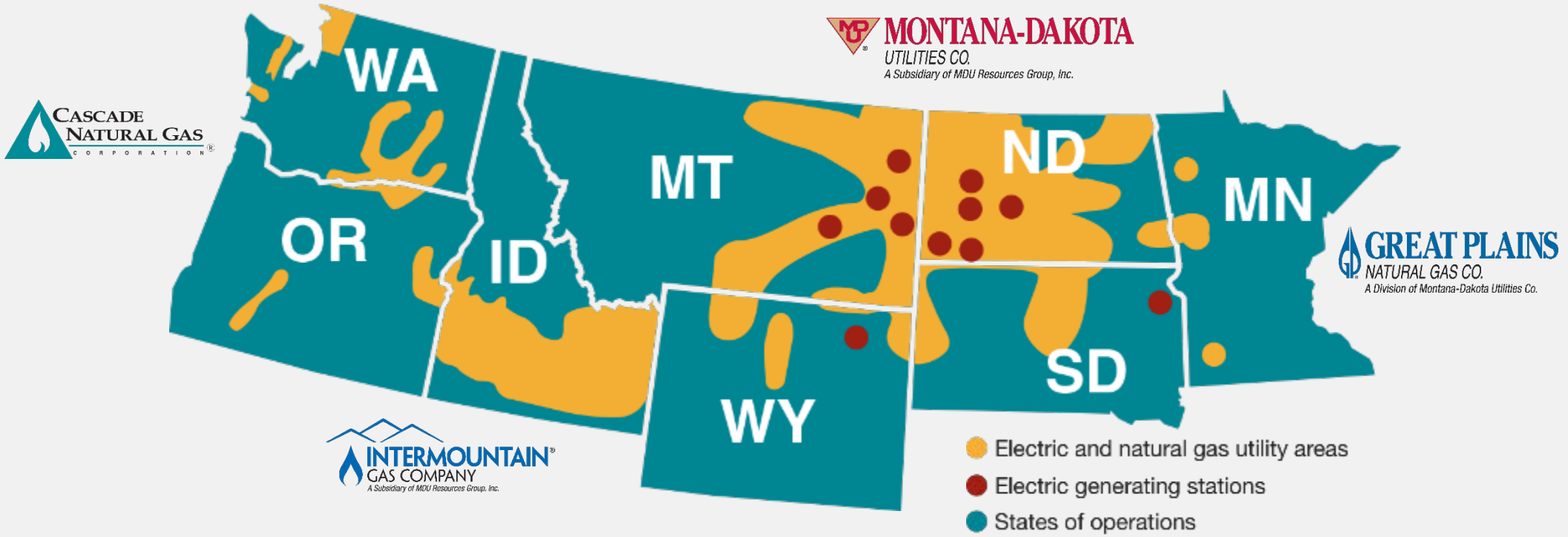
INVESTOR RELATIONS | MARCH 2019

UTILITY ELECTRIC & NATURAL GAS





ELECTRIC AND NATURAL GAS



- 1,100,700 electric and natural gas customers in 459 communities

Electric

- 143,000 customers
- 800 MW of owned generation

Natural Gas

- 957,700 customers



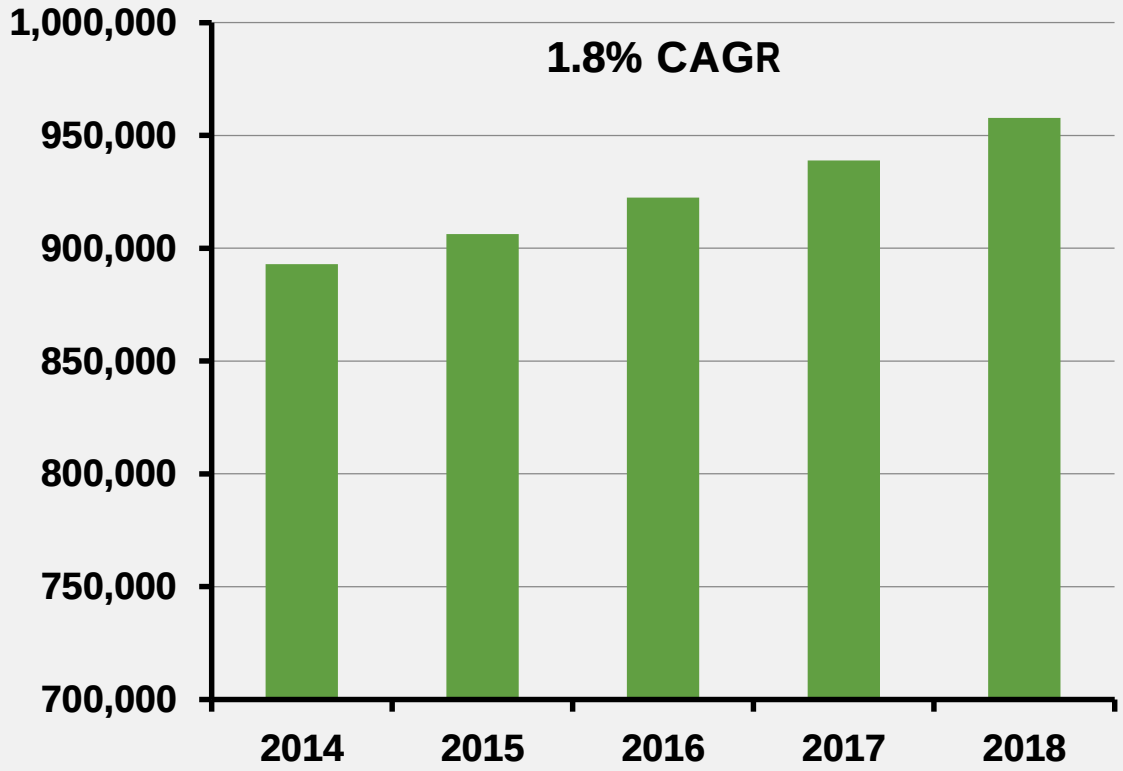


STRATEGY

- Provide safe, reliable and economic service
- Focus on organic growth through investments needed to provide these services
- Look to expand into areas where similar operating and growth objectives exist
- Be one of the top performing utilities in the nation
  - Measured by integrity, safety, employees, customer service and shareholder performance

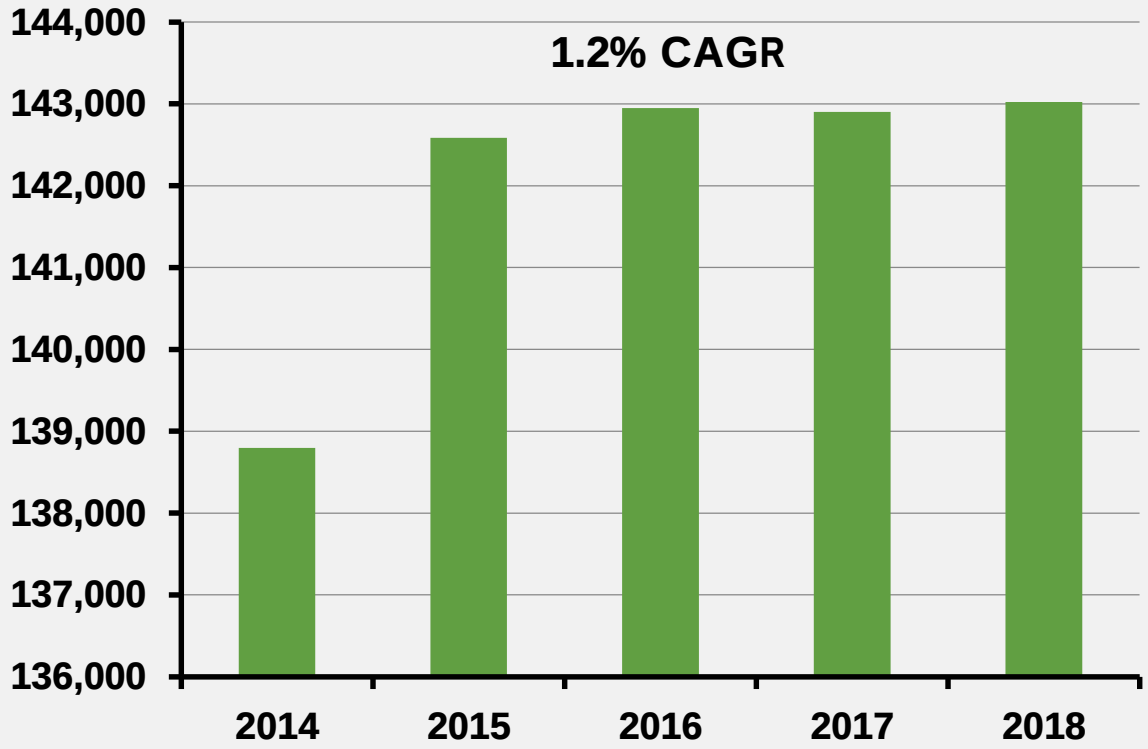
CUSTOMER GROWTH

NATURAL GAS



National Average - 0.7% CAGR

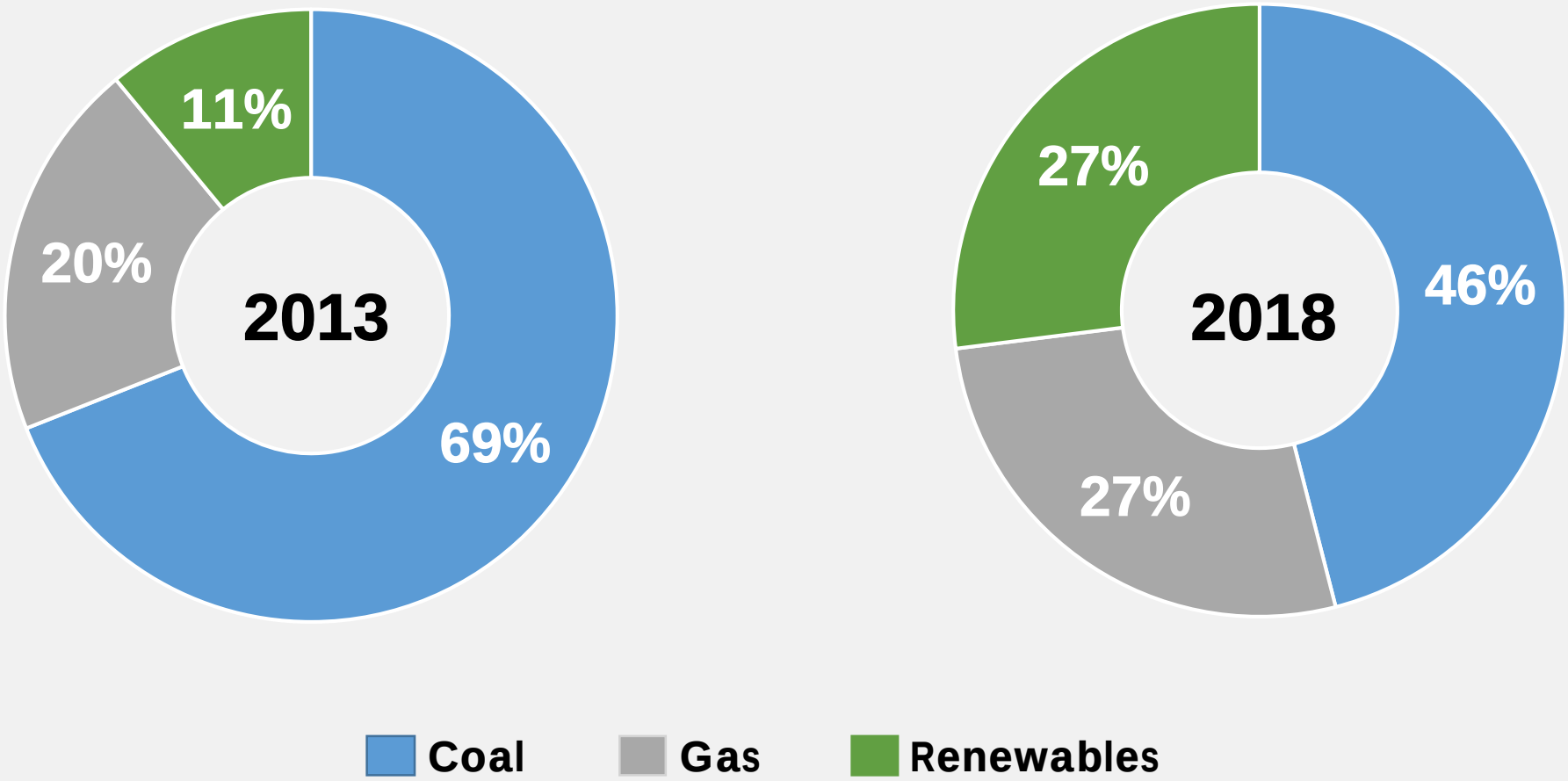
ELECTRIC



National Average - 0.9% CAGR

TRANSITIONING OUR RESOURCES

BASED ON NAME PLATE RATING



GENERATION FLEET UPDATE

- Announced Feb. 19 results of integrated resource plan
- Intend to retire three coal-fired units at two locations; one by around the end of 2020; two by around the end of 2021
- Intend to construct an 88-megawatt simple cycle combustion turbine in Mandan, ND; plan to file ADP with ND PSC in the fall
- The cost of building and operating the new simple-cycle combustion turbine, coupled with market purchases, is expected to be about half the total cost of continuing to run the three coal-fired units

BIG STONE SOUTH TO ELLENDALE

- MISO multivalue 345-kV transmission line; 160 miles from Big Stone City, SD, to Ellendale, ND
- Recovery through MISO tariff
- Energized February 2019



THUNDER SPIRIT WIND EXPANSION

- Project purchase completed in October 2018
- Acquisition costs of $84 million
  - Levelized cost of $26/megawatt
- Qualifies for full PTCs
- Added 16 turbines; 48 MW; brings project to 155 MW in total
- In total, Thunder Spirit's 69 turbines can power approximately 50,000 homes.

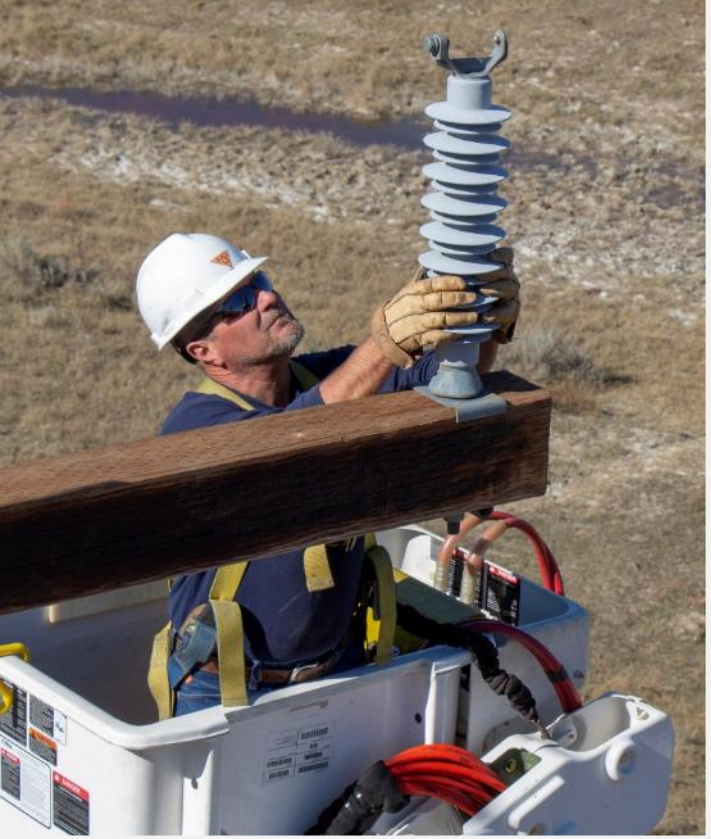


ELECTRIC REGULATORY MECHANISMS

	MT	ND	SD	WY
Fuel Clause Adjustment	✘	✘	✘	✘
Transmission Rider		✘	✘	
Environmental/ Renewable Rider		✘	✘	
Generation Rider		✘		
Property Tax Tracker	✘			
Interim Rate Relief	✘	✘	✘	
Forecasted Test Period		✘		
Forward Year Test Period	✘		✘	✘

NATURAL GAS REGULATORY MECHANISMS

	MN	MT	ND	SD	WY	ID	WA	OR
Purchased Gas Adjustment	✘	✘	✘	✘	✘	✘	✘	✘
Full Decoupling	✘						✘	✘
Weather Normalization	✘		✘	✘			✘	✘
Full Fixed General Service Rate			✘					
Pipeline Replacement / Integrity Tracker	✘						✘	
Property Tax Tracker		✘						
Earnings Sharing							✘	✘
Interim Rate Relief	✘	✘	✘	✘				
Forecasted Test Period	✘		✘					
Forward Year Test Period		✘		✘	✘	✘		✘
Historical Test Period							✘	





OUTLOOK

- Safely meet customer demand by upgrading and expanding infrastructure and facilities
- Historic and future organic growth opportunities
  - Capital expenditures: $1.5 billion over next five years
- Expects to grow rate base by 5% compounded annually over the next five years
- Customer growth rates of 1-2%
- Focused on regulatory recovery

INVESTOR RELATIONS | MARCH 2019

PIPELINE & MIDSTREAM





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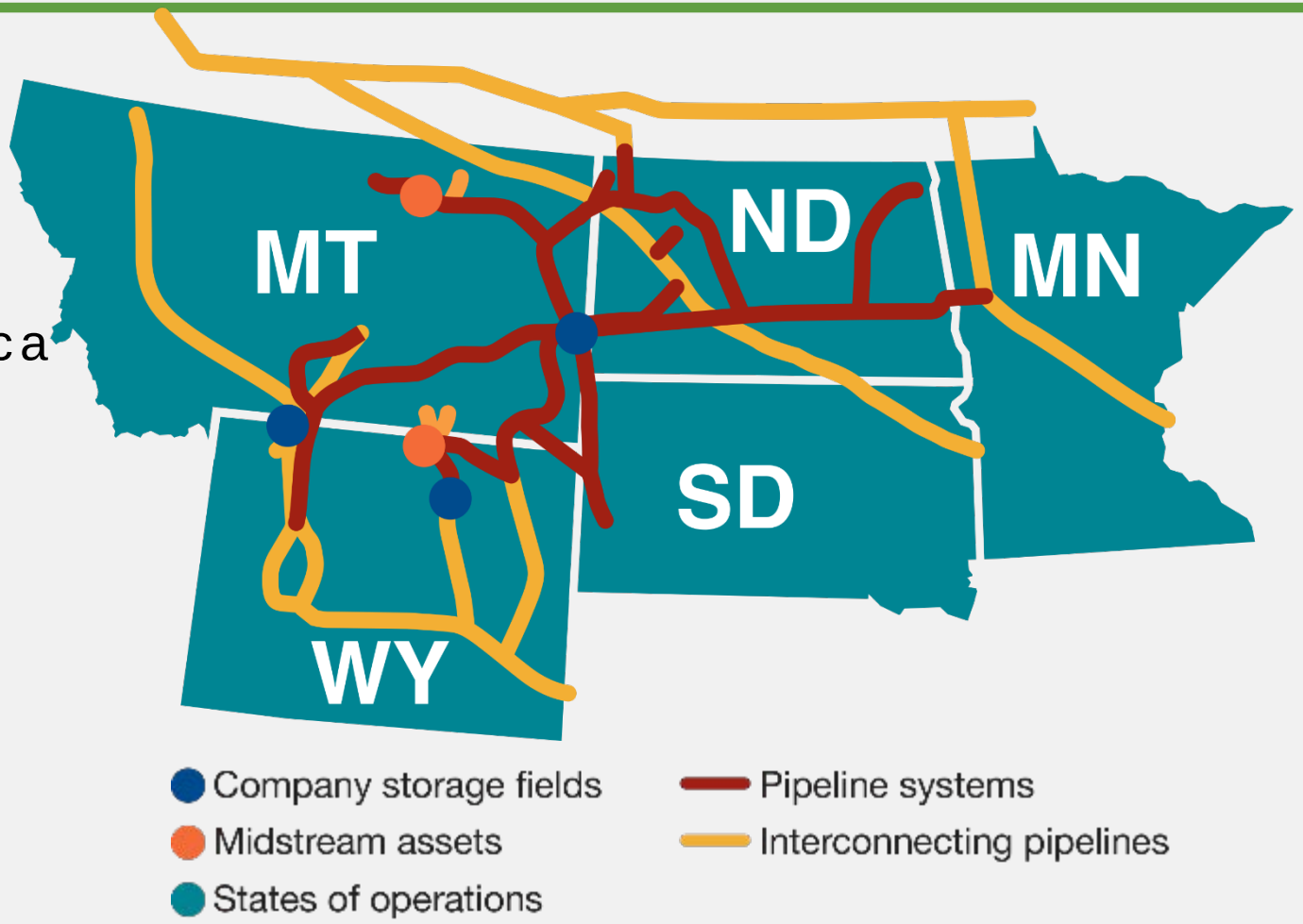
PIPELINE & MIDSTREAM

- Regulated operations
  - Approx. 4,000 miles of pipe
  - 1.8 Bcf/d system capacity
  - 14 Interconnecting points
  - Largest storage field in N. America
- Non-regulated operations
  - Gas gathering
  - Cathodic protection
  - Energy management

WBI ENERGY®
An MDU Resources Group company







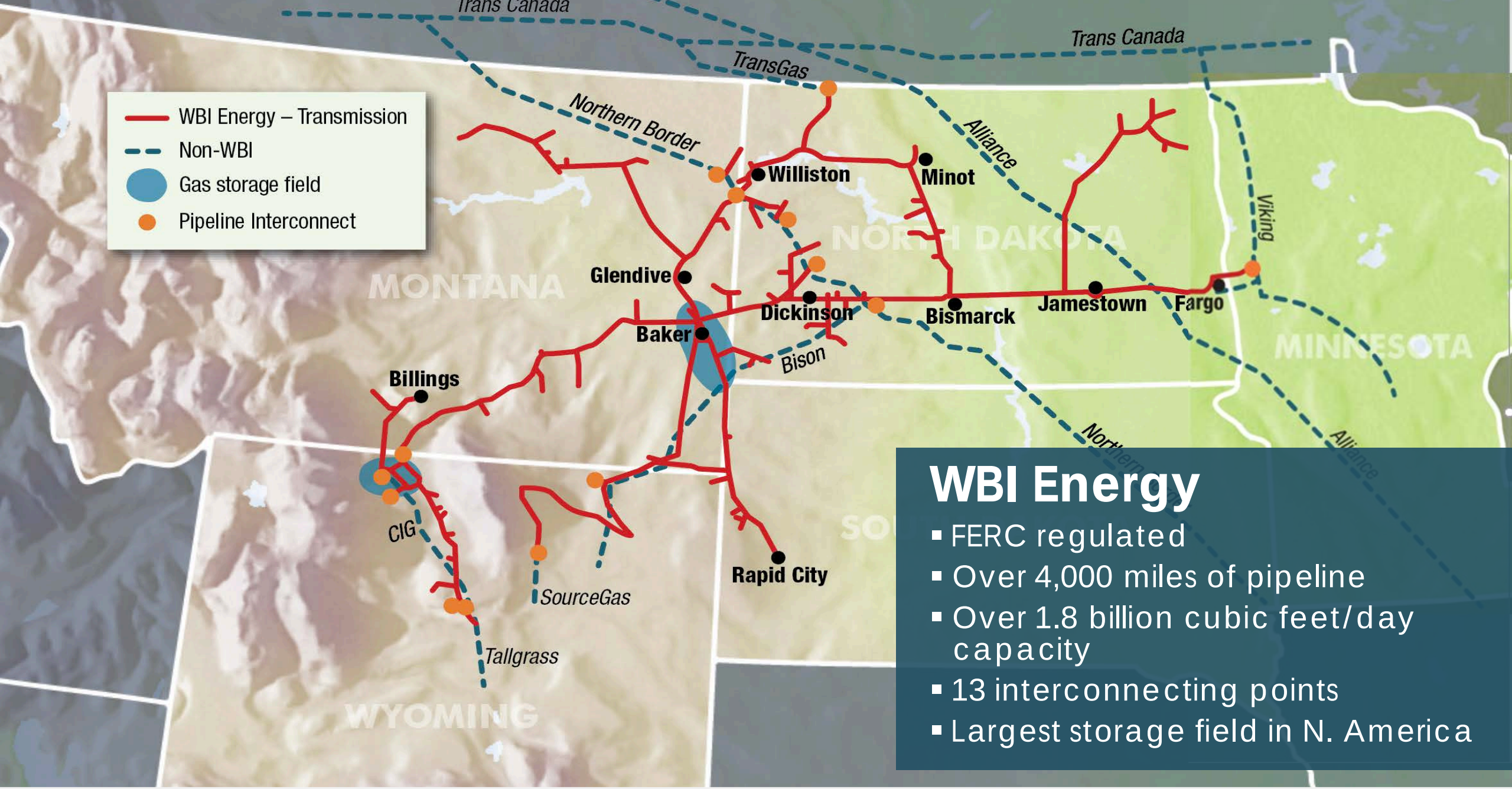
STRATEGY STATEMENT

We will maximize the value of our integrated system of assets by targeting growth projects that utilize our competitive advantages: the existing location of our asset base; our talented team; our competitiveness in deal origination, design, engineering and construction; and operating high-pressure pipelines, gathering and storage assets.

OUR STRENGTHS

- Low risk, stable returns with regulated business
- Integrated pipeline, storage and interconnects in heart of Bakken
- Experienced, talented team
- Design, engineer, construct, operate capability





WBI Energy

- FERC regulated
- Over 4,000 miles of pipeline
- Over 1.8 billion cubic feet/day capacity
- 13 interconnecting points
- Largest storage field in N. America


Trans Canada
TransGas
Trans Canada
Northern Border
Alliance
WBI Energy – Transmission
Non-WBI
Gas storage field
Pipeline Interconnect
Williston
Demicks Lake
LS 27
Valley Expansion
MONTANA
NORTH DAKOTA
Glendive
Dickinson
Bismarck
Jamestown
Fargo
MINNESOTA
Baker
Bison
LS 22 Expansion
Billings
CIG
SourceGas
Rapid City
Tallgrass
WYOMING
GROWTH PROJECTS
Demand Related Project
Bakken Related Project

2019 ORGANIC GROWTH

- Demicks Lake
  - 14 miles of 20-inch pipeline in McKenzie County, North Dakota
  - Will increase capacity by 175 million cubic feet per day
  - Estimated construction costs of $30 million
  - Targeted in-service date in the fall of 2019
- Line Section 22
  - Replacing 10-inch pipe with larger diameter pipe
  - Additional capacity of 22.5 million cubic feet per day
  - Estimated construction costs of $12 million - $15 million
  - Targeted in-service date in late 2019

2019 ORGANIC GROWTH

- North Bakken Expansion
  - 67 miles of new 20-inch pipeline and two associated compressor facilities
  - As designed, will increase capacity 200 million cubic feet per day
  - Construction expected to begin in early 2021 and be completed late that year
  - Estimated cost of $220 million





OUTLOOK

- Begin construction on Demicks Lake and Line Section 22 projects in 2019
- Begin construction on North Bakken Expansion project in 2021
- Profitably grow the core business
  - Be the pipeline of choice for increasing Bakken takeaway and demand customers
  - $435 million CAPEX investment for 2019-23
- Focus on organic growth opportunities with potential for strategic acquisitions

INVESTOR RELATIONS | MARCH 2019

CONSTRUCTION SERVICES





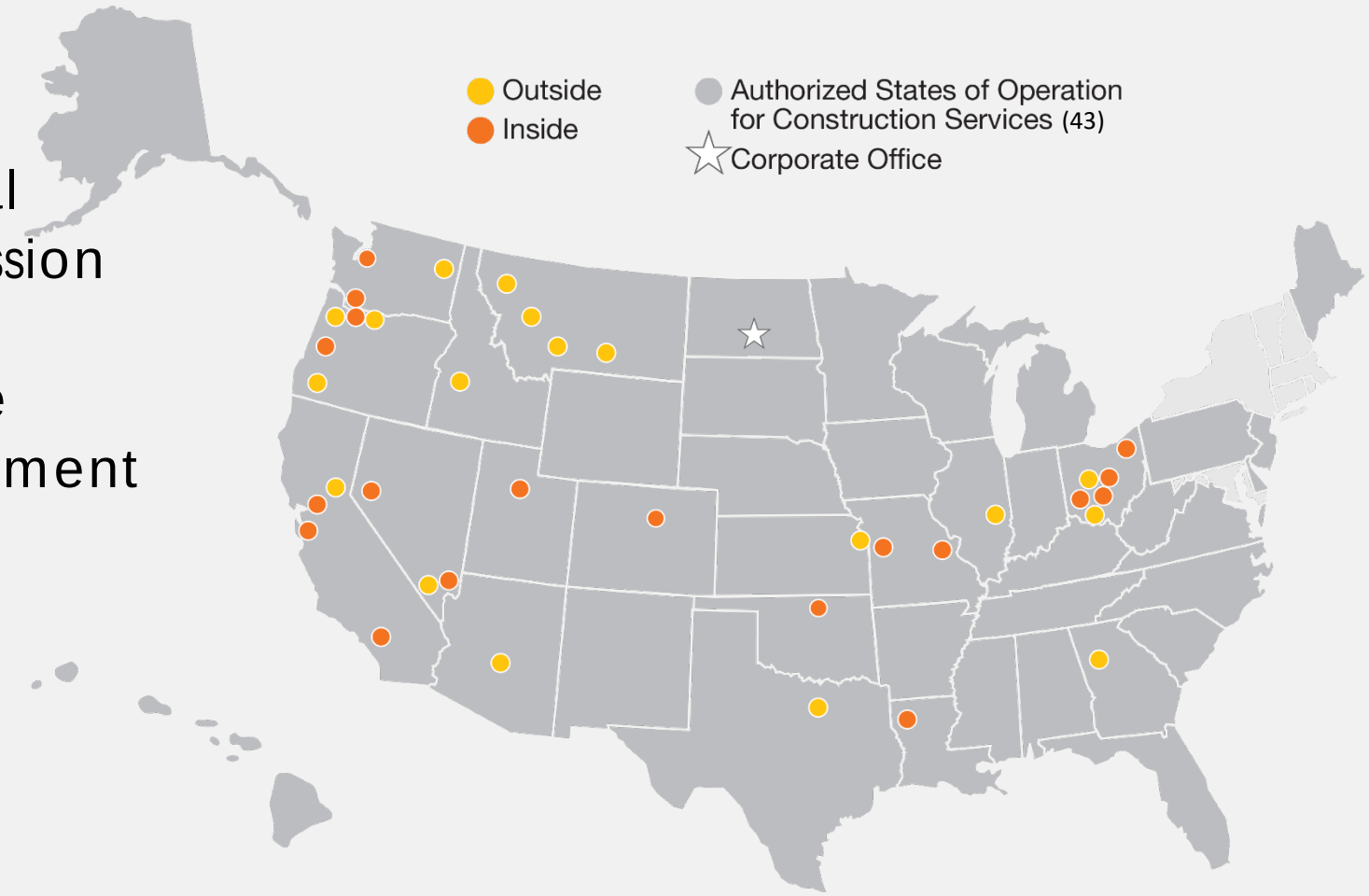
CONSTRUCTION SERVICES

Outside

- Power lines
- Substations
- Excavation & underground utilities
- Equipment & tools rentals and sales

Inside

- Electrical
- Mechanical
- Fire suppression
- Refineries
- Automotive
- Water treatment



2018 ENR TOP 600

Ranked **11th** on ENR's Top 600 Specialty Contractors List





STRATEGY

- Industry-best safety results
- Organic & M&A growth
- Earnings growth
- Strong cash flow
- Retain and attract top talent
- Strong customer base, locally and nationally

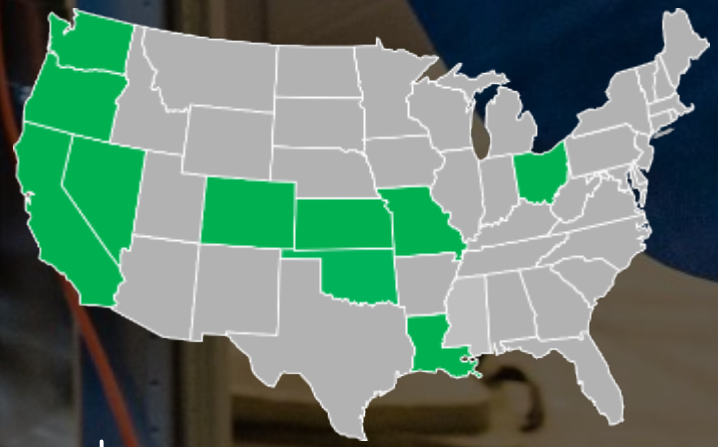
OUTSIDE COMPANIES

- Capital Electric Line Builders
- International Line Builders
- Lone Mountain Excavation
- Loy Clark Construction
- Rocky Mountain Contractors
- Wagner-Smith Equipment



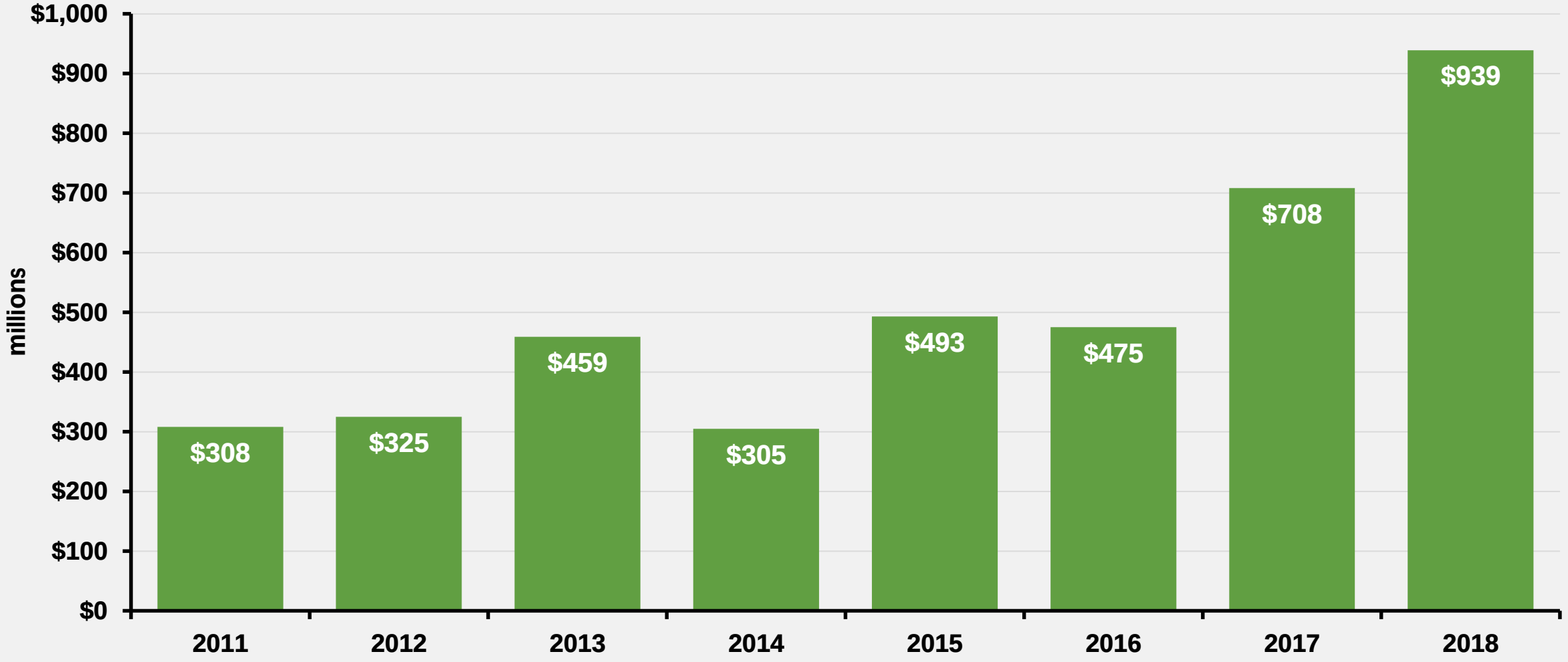
INSIDE COMPANIES

- Bell Electrical Contractors
- Bombard Electric
- Bombard Mechanical
- Capital Electric Construction
- Desert Fire Protection
- Duro Electric
- ESI Electrical Contractors
- Lone Mountain Excavation
- OEG, Inc
- USI Industrial



CUSTOMER SATISFACTION: BACKLOG

AS OF DECEMBER 31, 2018







OUTLOOK

- $939 million of backlog, up 33% from 2017
- 2019 revenue guidance $1.35 billion to $1.50 billion
  - Margins expected to be comparable to 2018
- Strong demand for utility construction equipment it manufactures as well as electrical transmission, distribution and substation work
- High demand for specialty contracting work in the following areas:
  - High-tech, mission critical area
  - Gaming and hospitality
  - Medical and education
- Evaluating acquisition opportunities

INVESTOR RELATIONS | MARCH 2019

CONSTRUCTION MATERIALS





WHO WE ARE

KNIFE RIVER CORPORATION
AN MDU RESOURCES COMPANY



About Us

- 1.0 billion tons of aggregate reserves
- Top 10 aggregate producer
  - 6th sand and gravel
  - 1.0B tons of reserves
- Operations in 15 states
- Over 5,100 employees at peak season

KNIFE RIVER STRATEGY

- Take advantage of vertical integration
- Grow operations through M&A and greenfield
- Success through People, Safety, Quality, Environmental
- Focus on recruiting and retention

THE Life AT Knife



VERTICAL INTEGRATION

- Aggregates-based
- Asphalt, concrete, liquid asphalt, cement, construction
- Advantage over competition
- Adds margin





SERVICES

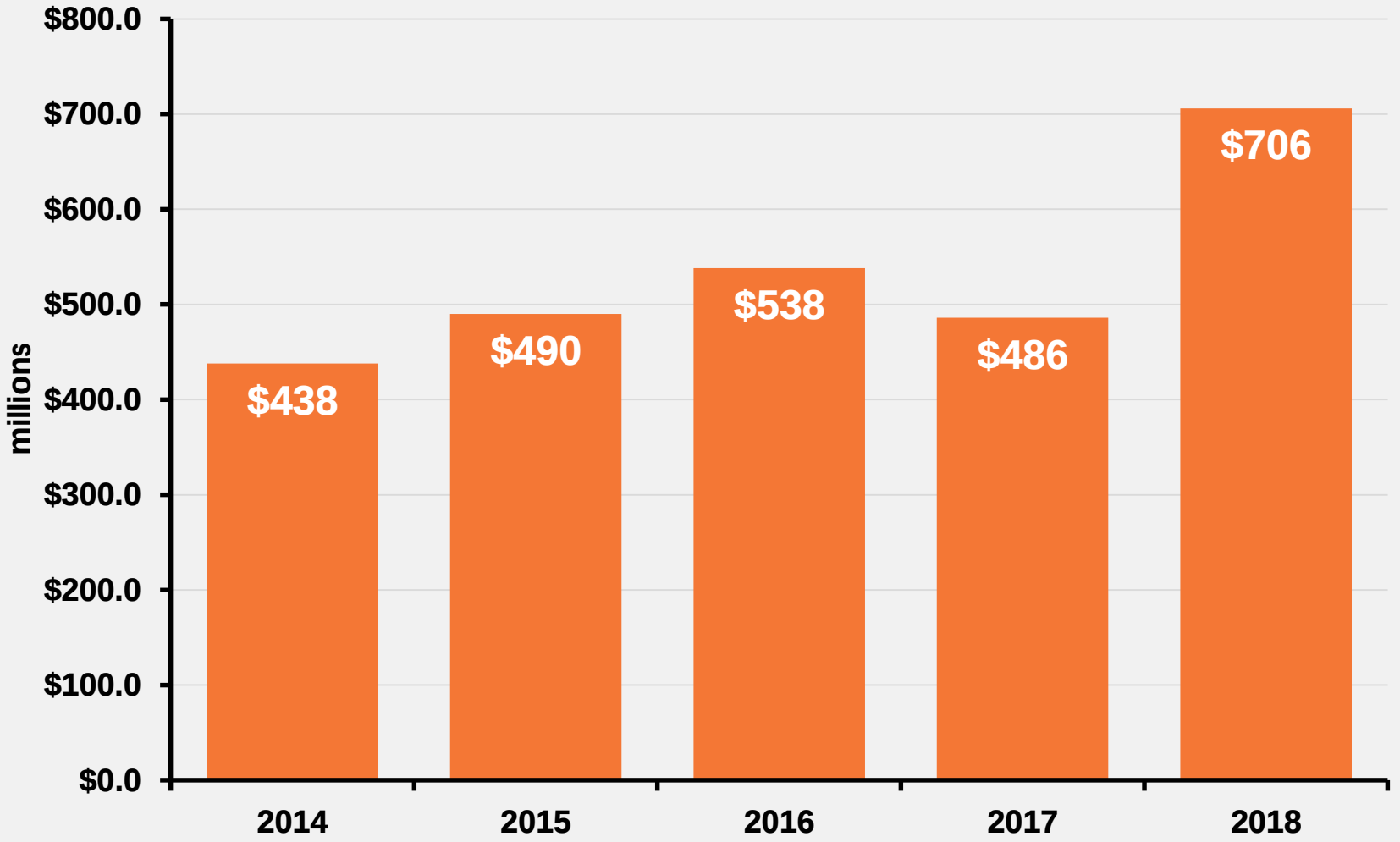
- General Contractor
- Subcontractor
- Aggregate Laydown
- Asphalt Paving
- Concrete Construction
- Site Development
- Underground Utilities
- Railroad Work
- Bridges
- Marine Construction



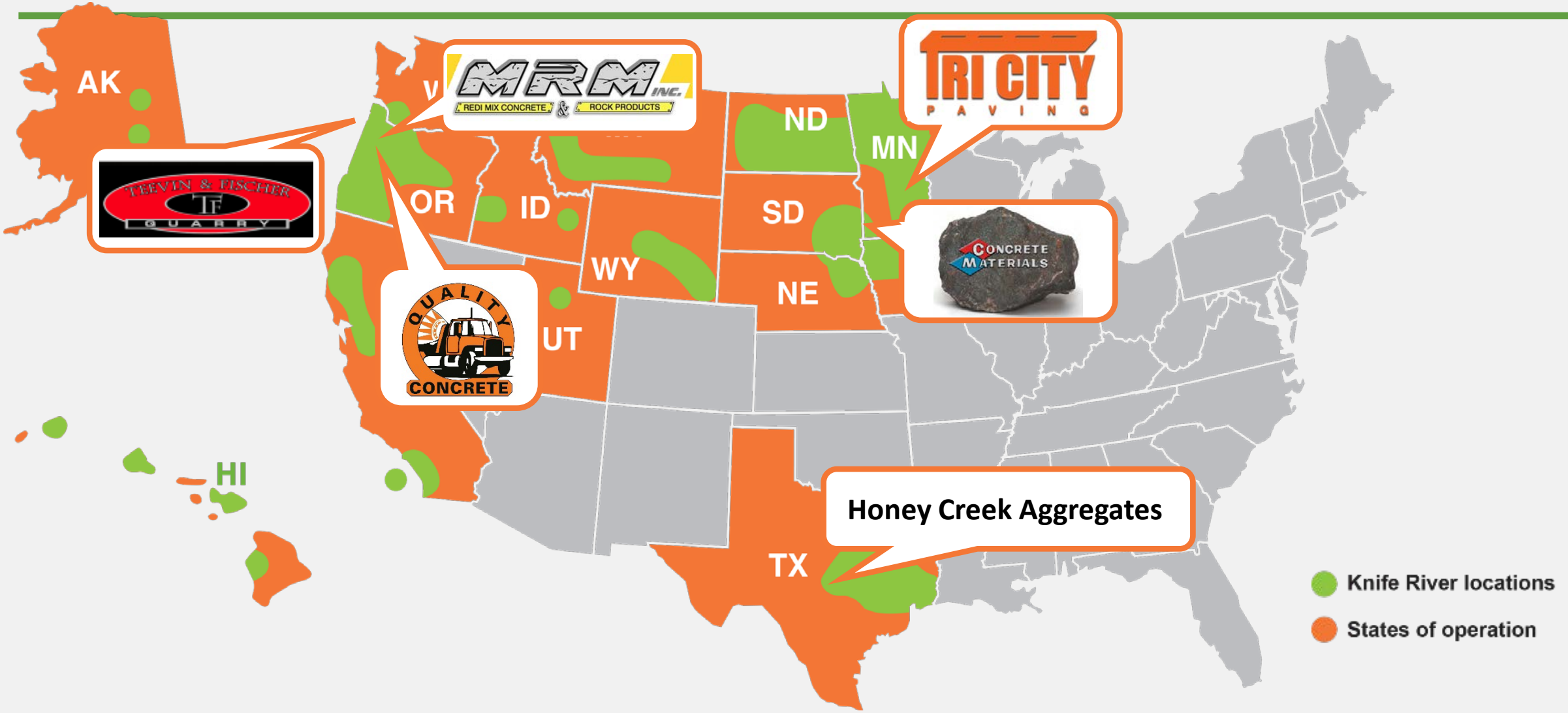


CONSTRUCTION BACKLOG

AS OF DECEMBER 31, 2018



GROWING OUR OPERATIONS - 2018



OUTLOOK

- Backlog of $706 million as of December 31, 2018, up 45 percent from year-end 2017
- 2019 revenue guidance range of $2.00 billion to $2.15 billion
  - Margins expected to be comparable to or slightly higher than 2018
- Actively pursuing acquisition opportunities







MARCH 2019

FINANCIAL UPDATE





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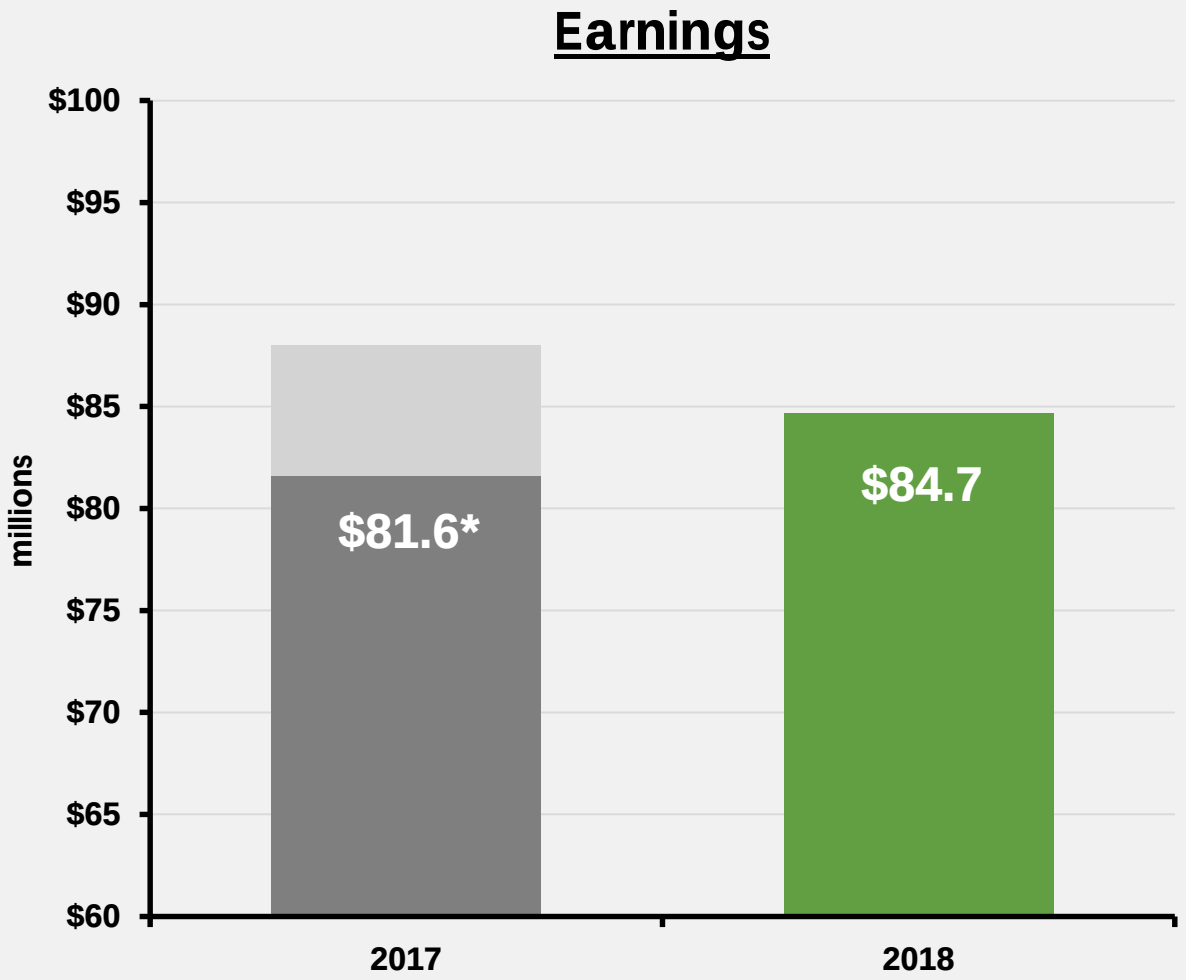
ELECTRIC & NATURAL GAS UTILITY
YEAR-END 2018

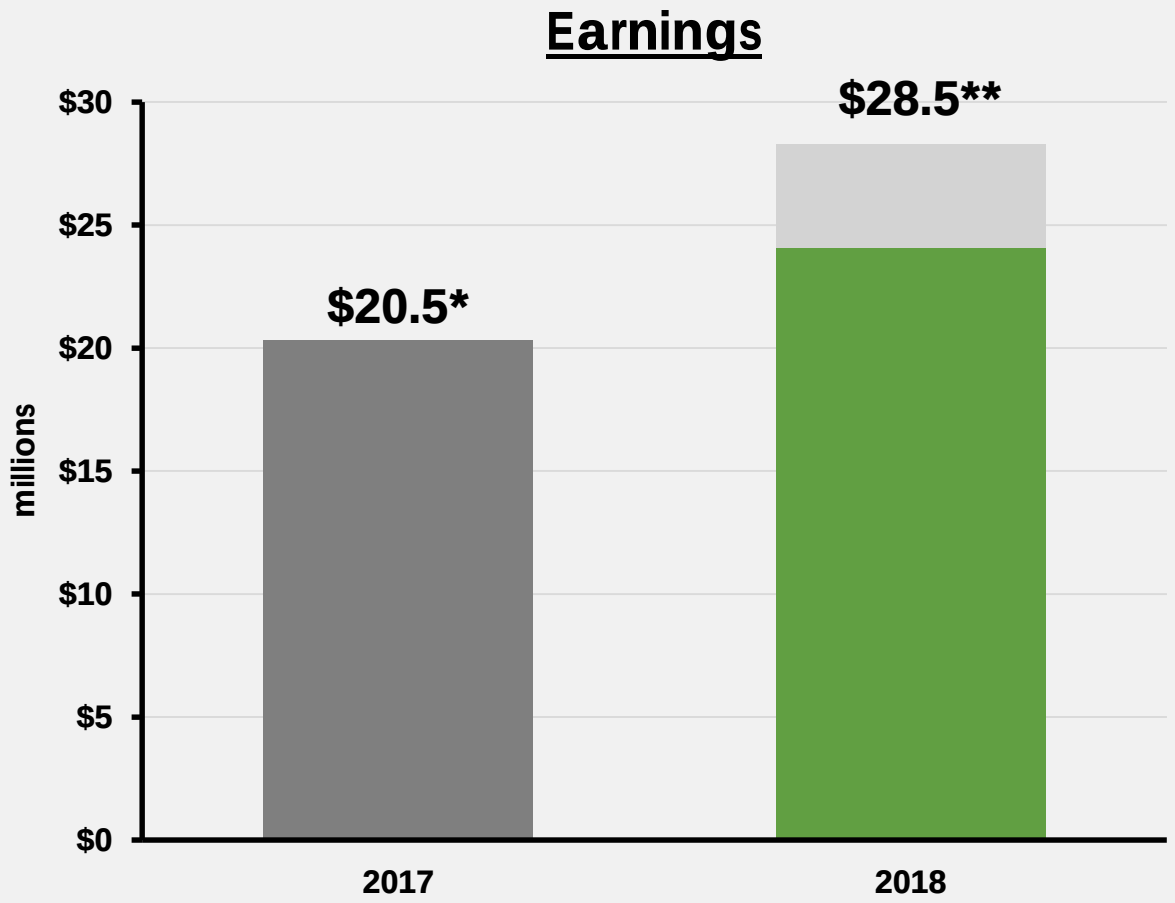
- Reported combined earnings of $84.7 million
  - Higher electrical retail sales volumes to all major customer classes
  - Higher natural gas distribution retail sales margins
  - Earnings offset by higher depreciation, depletion and amortization expense, lower investment returns



* Light gray area reflects a $6.4 million decrease resulting from tax reform

PIPELINE & MIDSTREAM
YEAR-END 2018

- Reported earnings of $28.5 million
  - Increased transportation revenues and volumes from organic growth projects
  - Increase in earnings was driven by a tax benefit of $4.2 million in the third quarter related to a final accounting order recently issued by the Federal Energy Regulatory Commission
  - The increase was offset by higher operation and maintenance expense, depreciation, depletion and amortization expense and lower storage revenues



* Earnings reflects a $200,000 decrease resulting from tax reform

** Light gray area reflects a $4.2 million tax benefit due to the reversal of a regulatory liability

CONSTRUCTION SERVICES

YEAR-END 2018

- Reported record earnings of $64.3 million
  - Higher outside specialty contracting workloads, largely from higher equipment sales and rentals and increased power line recovery work related to natural disasters
  - Lower income taxes due to the enactment of the TCJA
  - Earnings offset by higher selling, general and administration expense and lower inside specialty contracting workloads
- Record revenues of $1.37 billion

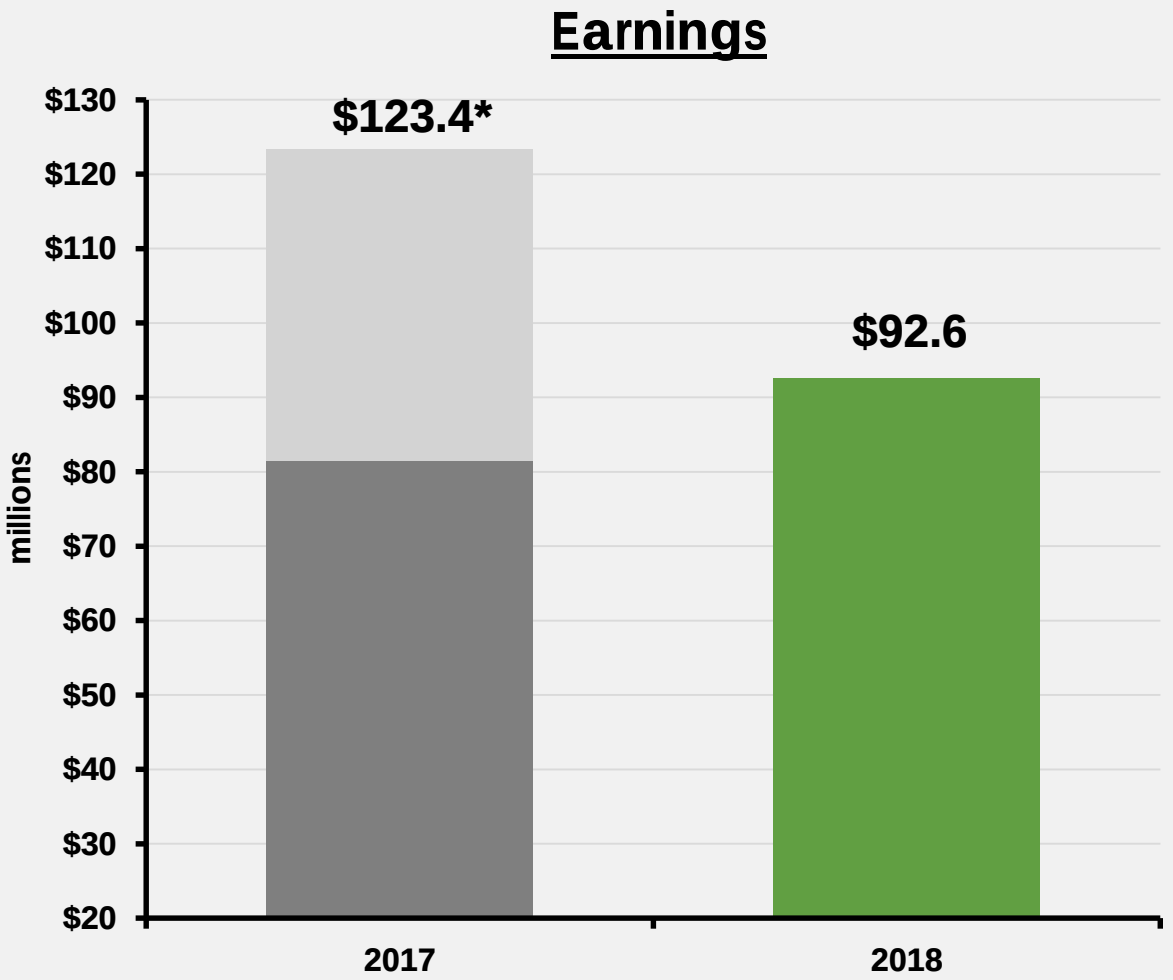


* Light gray area reflects a $4.3 million benefit resulting from tax reform

CONSTRUCTION MATERIALS

YEAR-END 2018

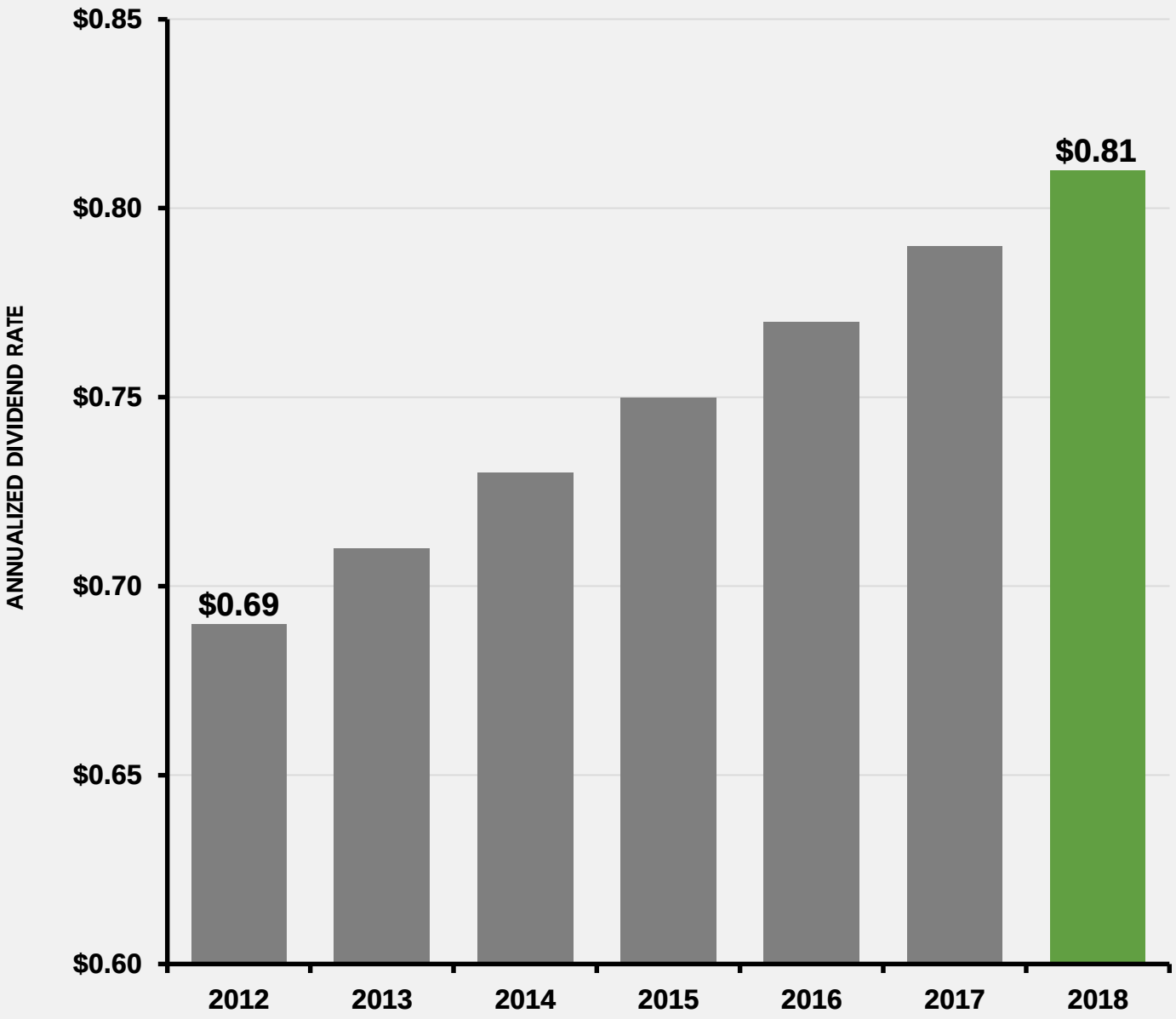
- Reported earnings of $92.6 million
  - Higher aggregate and asphalt product workloads and margins and lower income taxes due to the enactment of the TCJA
  - Earnings offset by higher selling, general and administration expense and higher interest expense
- Record revenues of $1.93 billion



* Light gray area reflects a $41.9 million benefit resulting from tax reform

DIVIDEND GROWTH

- 81 consecutive years of quarterly dividend payments
- Dividend increased November 2018, making 28 consecutive years of increases
- 2018 annualized dividend $0.81 per share
- Member of S&P High-Yield Dividend Aristocrats index



2019 EARNINGS GUIDANCE

$1.35 - $1.55

Consolidated EPS Guidance

Note: As of February 5, 2019

5 - 8% Long-Term Compound Annual Growth Rate Target





INVESTOR RELATIONS

QUESTIONS





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APPENDIX
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES: EBITDA

(dollars in millions)	Trailing Twelve Month Ended December 31, 2018				
	Electric	**Natural Gas**	**Pipeline**	**Construction Services**	**Construction Materials**
Earnings	$47.0	$37.7	$28.5	$64.3	$92.6
Adjustments:					
Interest Expense	25.9	30.7	5.9	3.6	17.3
Income Taxes	(6.5)	4.1	2.7	20.0	28.4
Depreciation, depletion and amortization	51.0	72.5	17.9	15.7	61.2
EBITDA	**$117.4**	**$145.0**	**$55.0**	**$103.6**	**$199.5**