

MAY 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.

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

12,582
employees





COMPANY OVERVIEW

DAVE GOODIN

PRESIDENT & CEO





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®.**

IN THE COMMUNITY TO SERVE®
MDU RESOURCES GROUP COMPANIES
CASCADE NATURAL GAS CORPORATION
MONTANA-DAKOTA UTILITIES CO.
INTERMOUNTAIN GAS COMPANY
GREAT PLAINS NATURAL GAS CO.

KNIFE RIVER® CORPORATION
AN MDU RESOURCES COMPANY

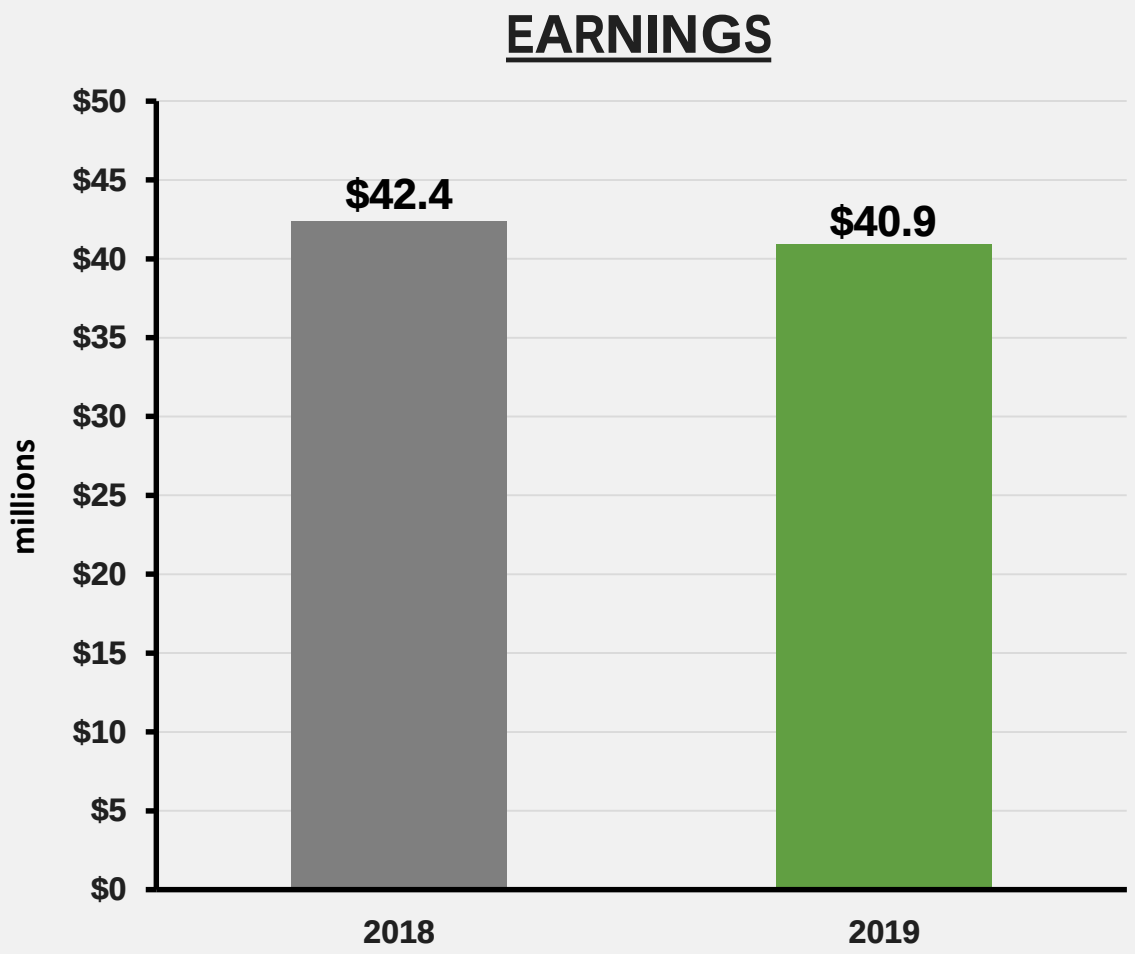
WBI ENERGY®
An MDU Resources Group company

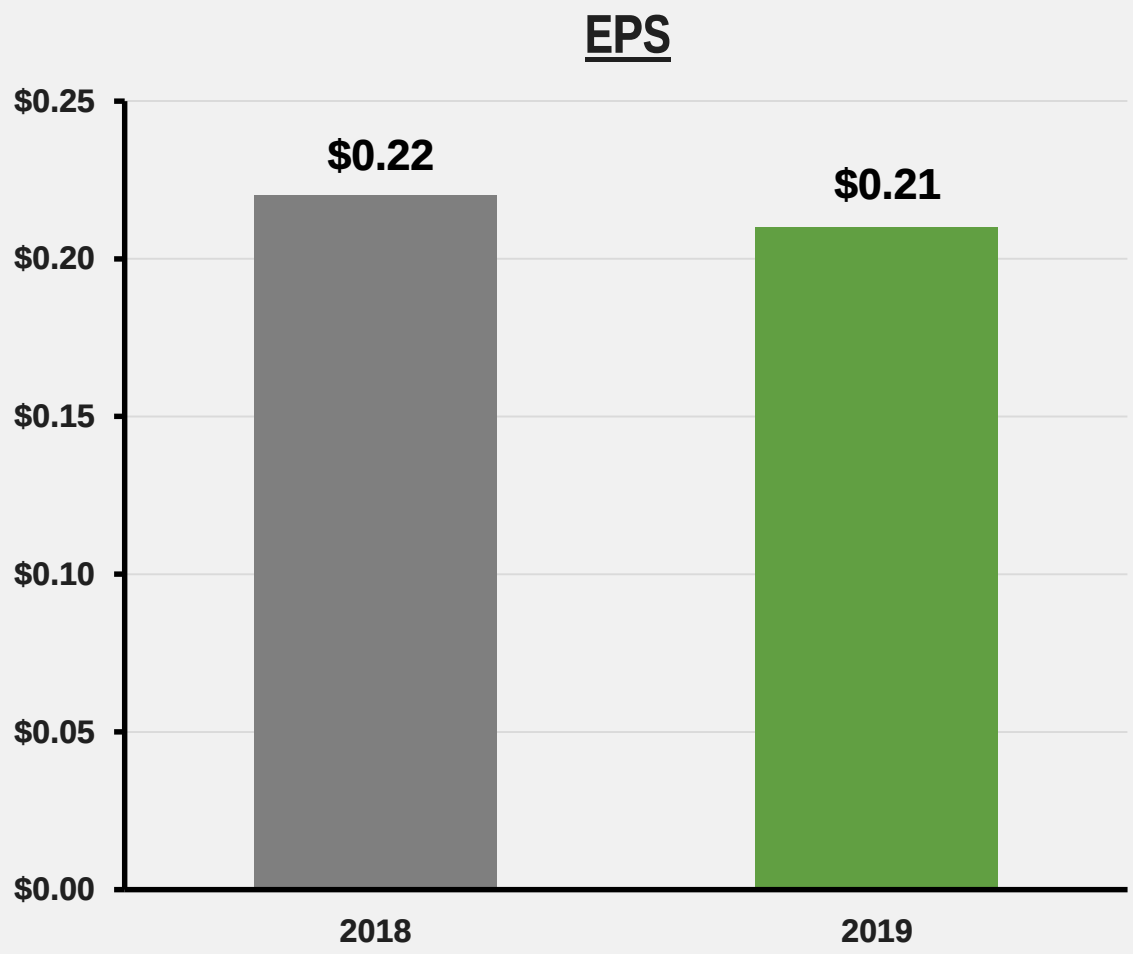
MDU Construction Services Group, Inc.
An MDU Resources Company

FIRST QUARTER HIGHLIGHTS

- Earnings of $40.9 million or 21 cents per share, compared to $42.4 million or 22 cents per share in 2018; Narrowed 2019 EPS guidance range to $1.40 - $1.55
- Utility: Earnings of $52.0 million, up from $45.7 million in 2018
  - 12% higher natural gas retail sales volumes
  - Higher electric revenues associated with regulatory mechanisms
- Pipeline & Midstream: Earnings of $6.8 million, up from $5.3 million in 2018
  - Record transportation volumes for the ninth consecutive quarter
- Construction Services: Record first quarter earnings of $20.0 million, record revenues and all time record backlog; Increased 2019 revenue guidance by $50 million
- Construction Materials: Reported all time record backlog and completed two acquisitions expanding market coverage

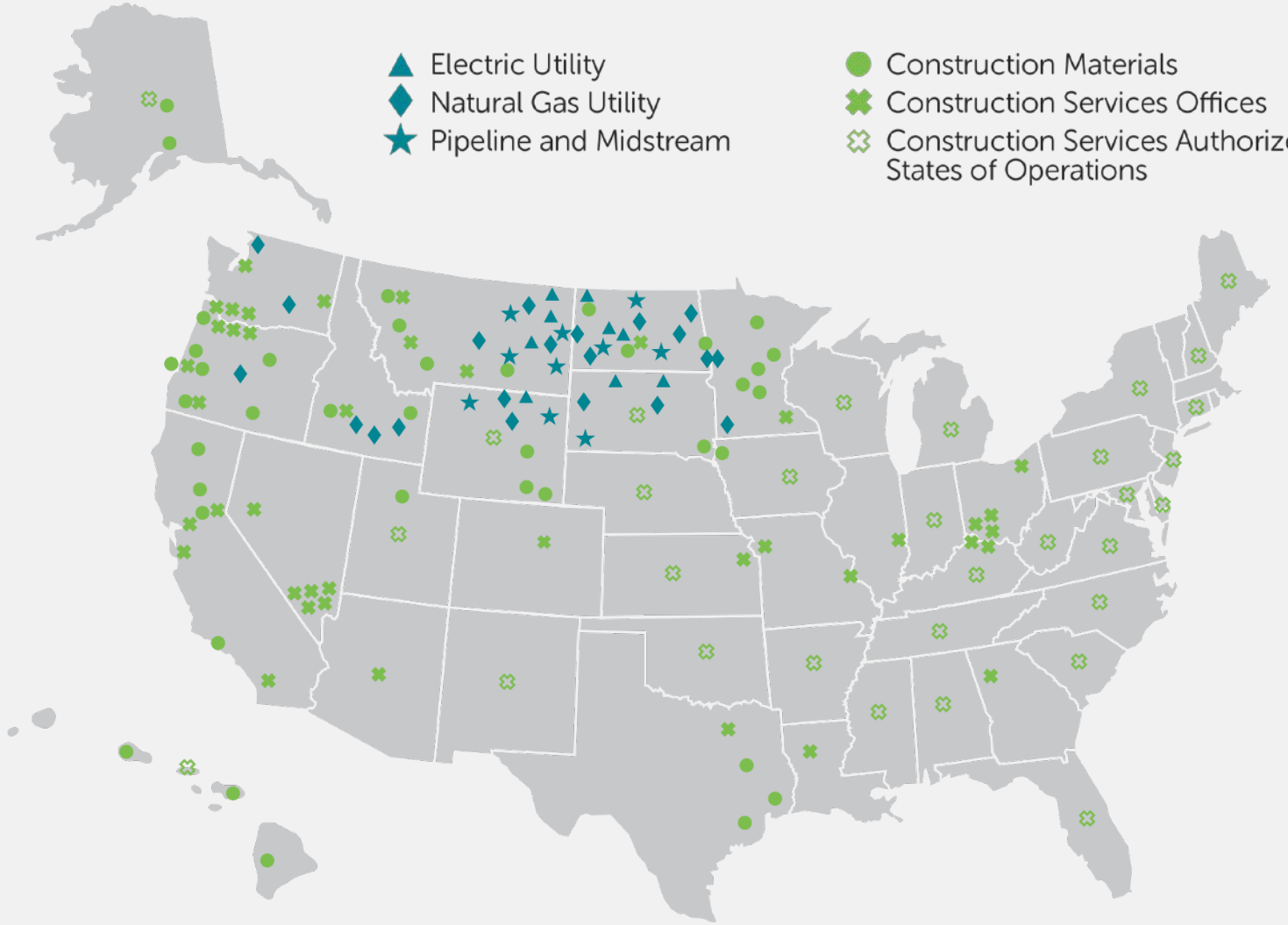
FIRST QUARTER EARNINGS



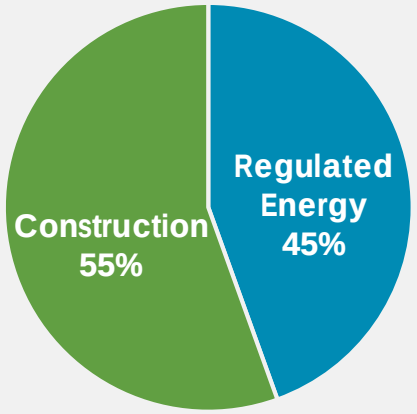


EARNINGS CONTRIBUTIONS

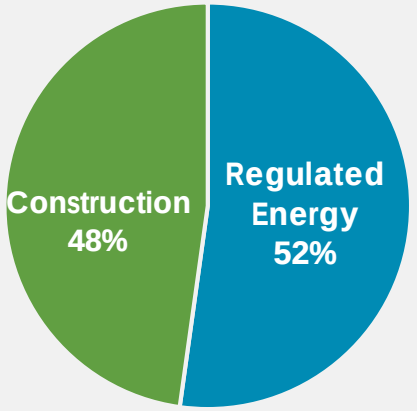
TRAILING TWELVE MONTH ENDING MARCH 31, 2019



EARNINGS



EBITDA[1]



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

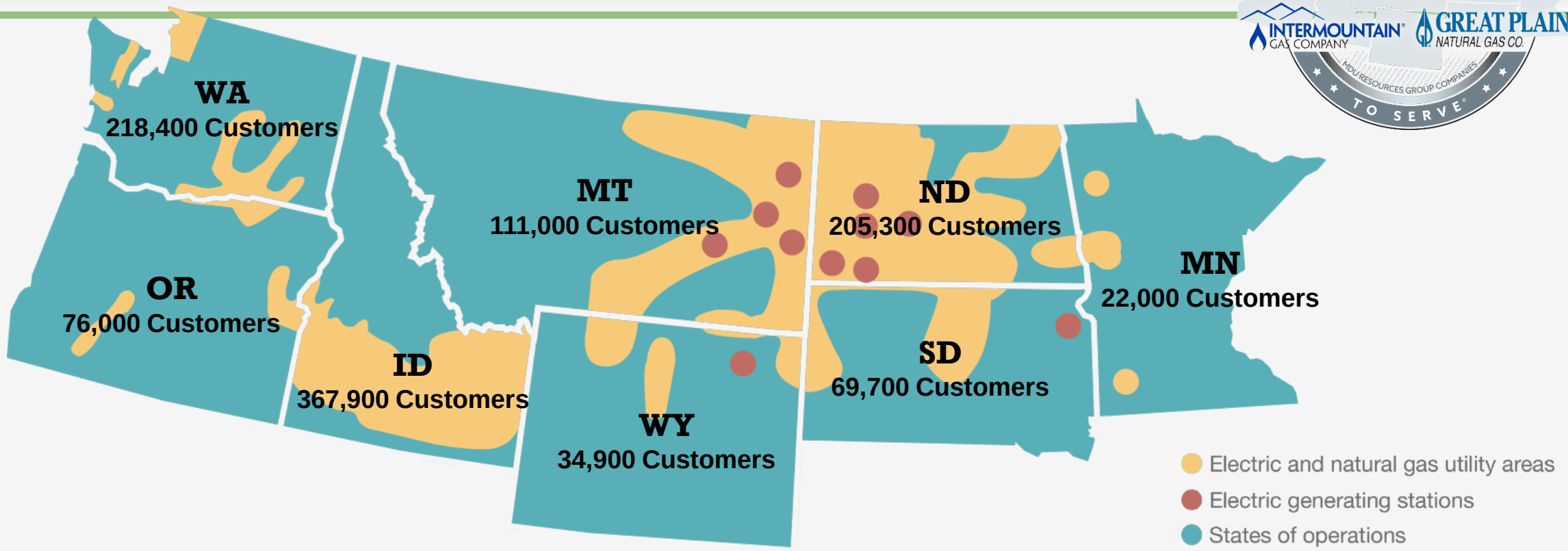
INVESTOR RELATIONS | MAY 2019

UTILITY ELECTRIC & NATURAL GAS





ELECTRIC AND NATURAL GAS



- 1,105,200 electric and natural gas customers in 459 communities

Electric

- 143,000 customers
- 800 MW of owned generation

Natural Gas

- 962,200 customers

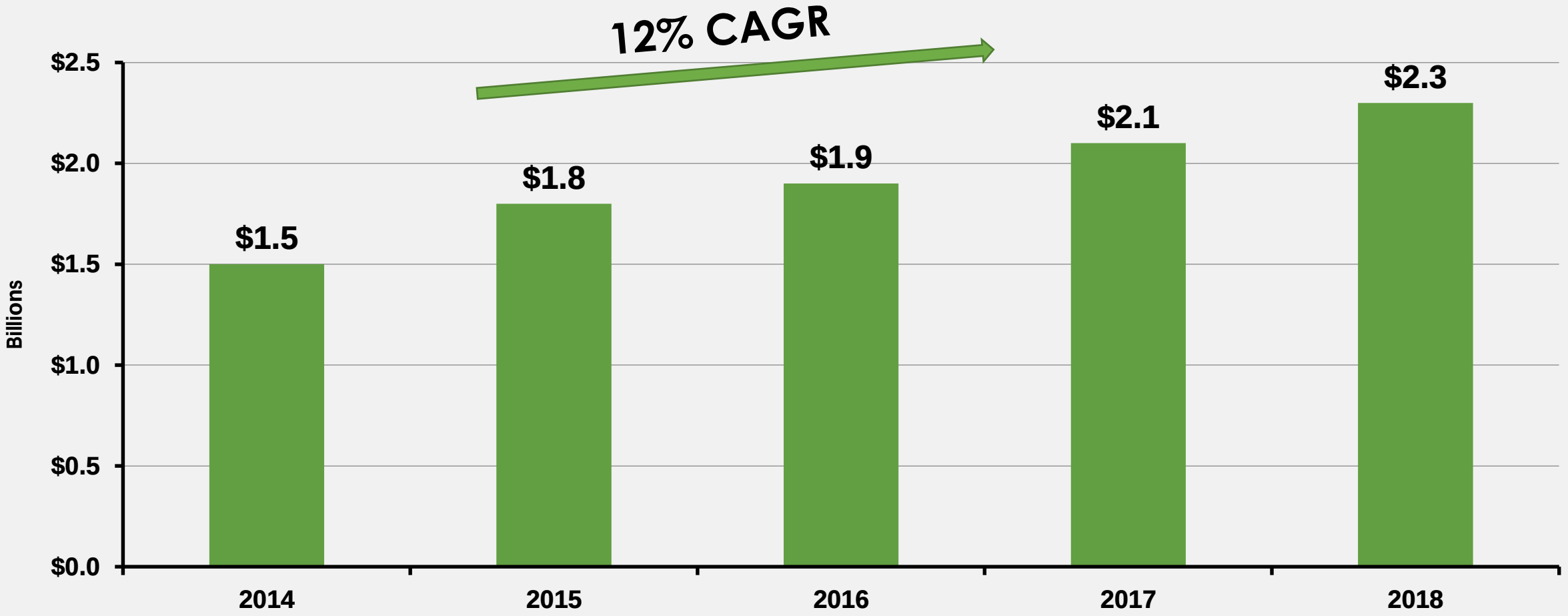




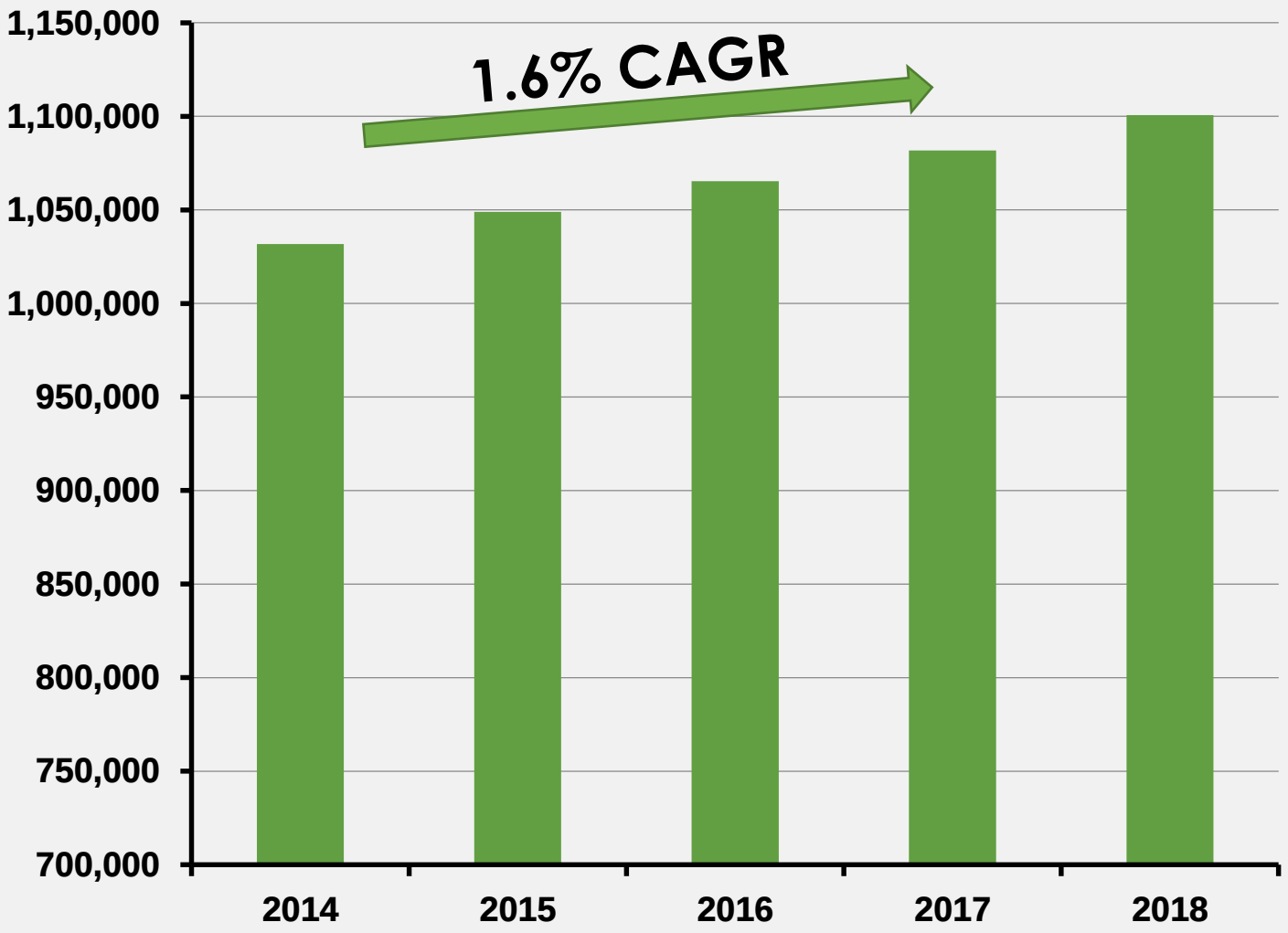
STRATEGY

- Grow the business by investing in the safety and reliability of our existing system
- Focus on organic growth first while managing operating costs
- Look to expand into areas where similar operating and growth objectives exist
- Pillars to success
  - Integrity, safety, employees, customers and shareholders

RATE BASE GROWTH
FOR YEAR ENDED DECEMBER 31



CUSTOMER GROWTH
FOR YEAR ENDED DECEMBER 31

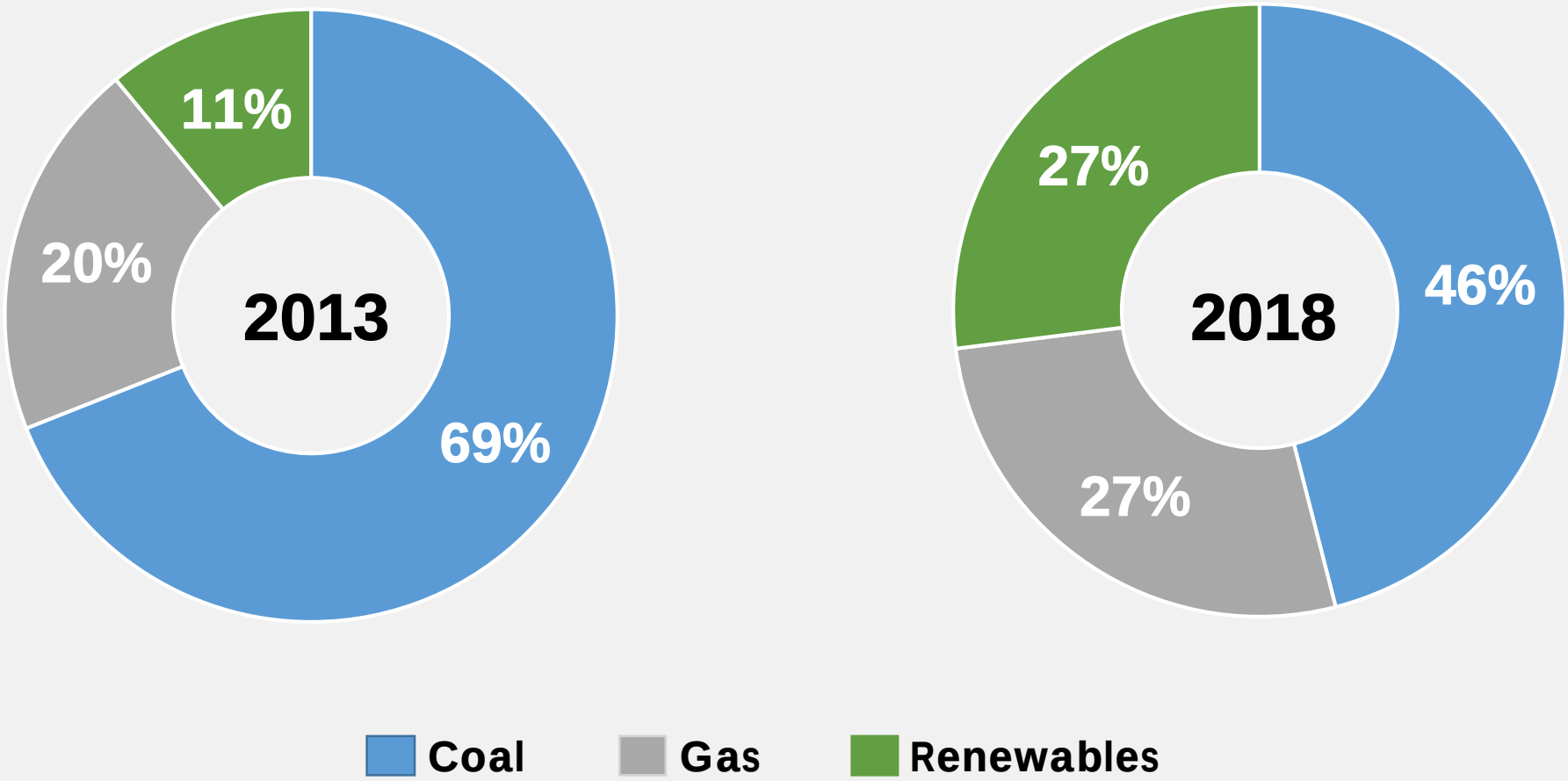


Customer Growth CAGR 2014-2018

- Montana-Dakota Utilities – 1.0%
- Intermountain Gas – 2.3%
- Cascade Natural Gas – 1.8%

TRANSITIONING OUR ELECTRIC RESOURCES

BASED ON NAME PLATE RATING



ELECTRIC 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 natural gas combustion turbine in Mandan, ND; plan to file advance determination of prudence with ND PSC in the fall
- The cost of building and operating the new simple-cycle natural gas combustion turbine, coupled with market purchases, is expected to be about half the total cost of continuing to run the three coal-fired units

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							✘	





UTILITY ELECTRIC & NATURAL GAS OUTLOOK

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

INVESTOR RELATIONS | MAY 2019

PIPELINE & MIDSTREAM



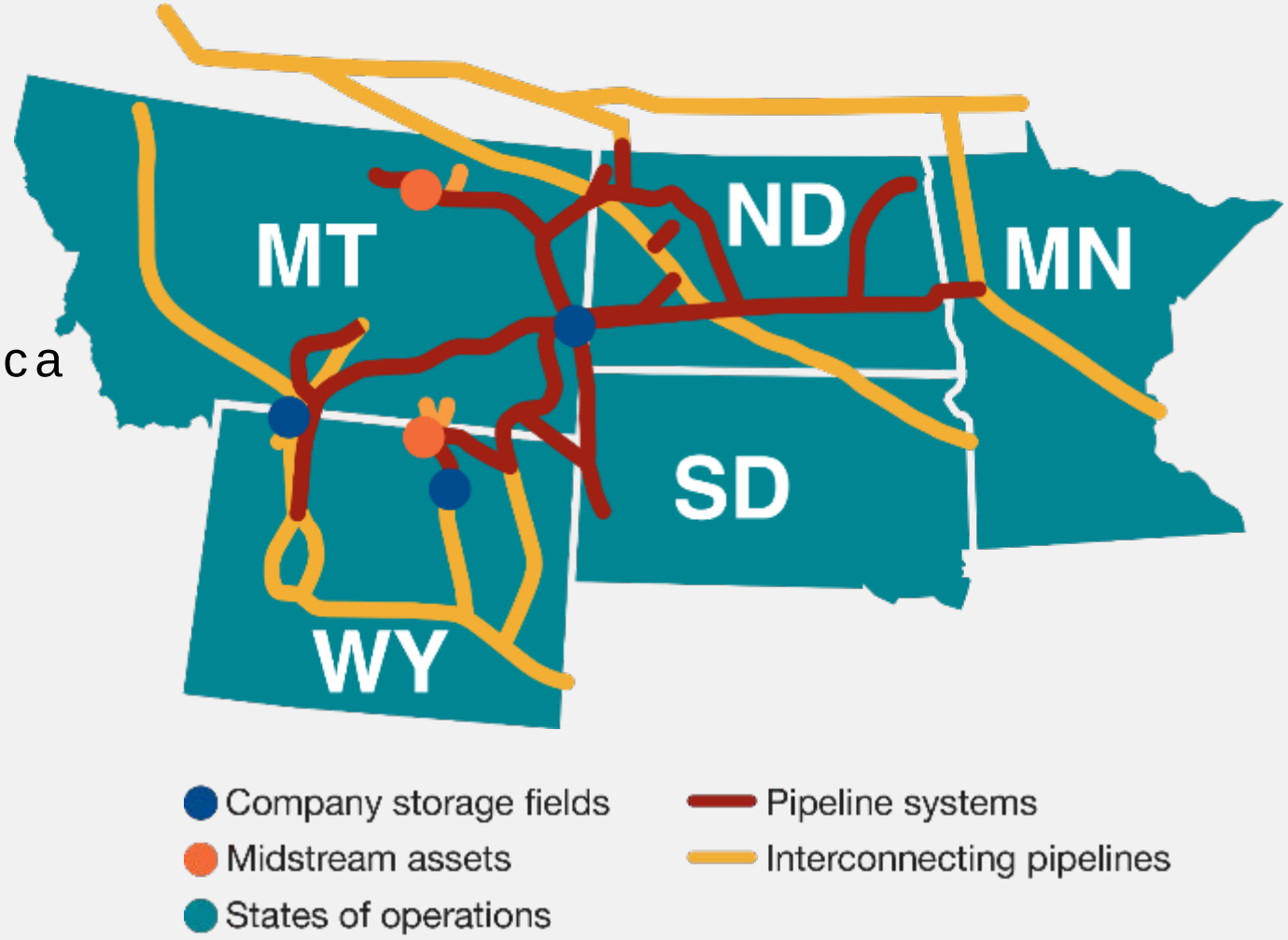


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WBI ENERGY ASSETS

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



STRATEGY STATEMENT

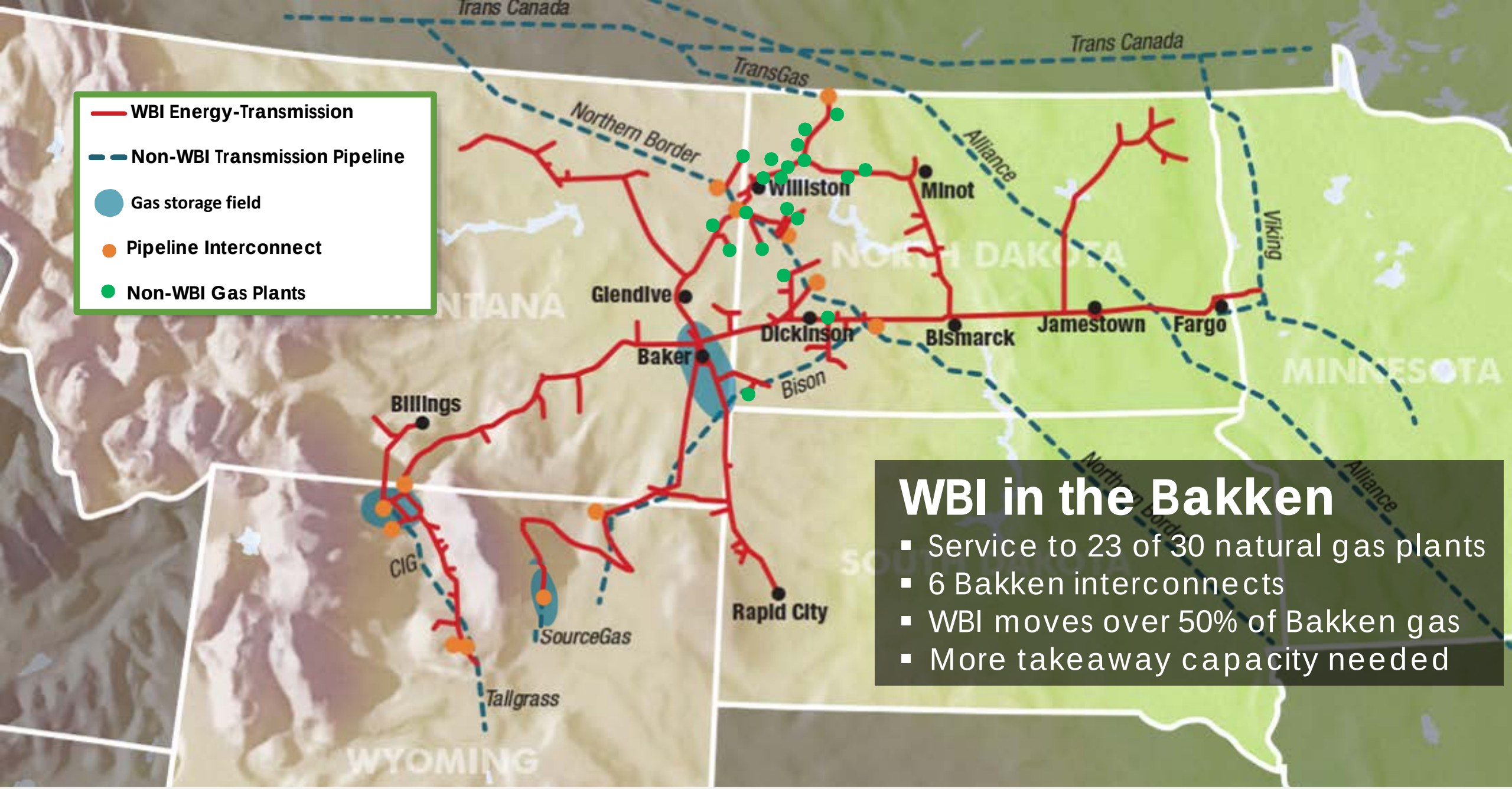
Building upon our core strengths and expertise, WBI Energy will become a leader in the Mid-Continent and Rocky Mountain regions in meeting North America's energy needs



OUR STRENGTHS

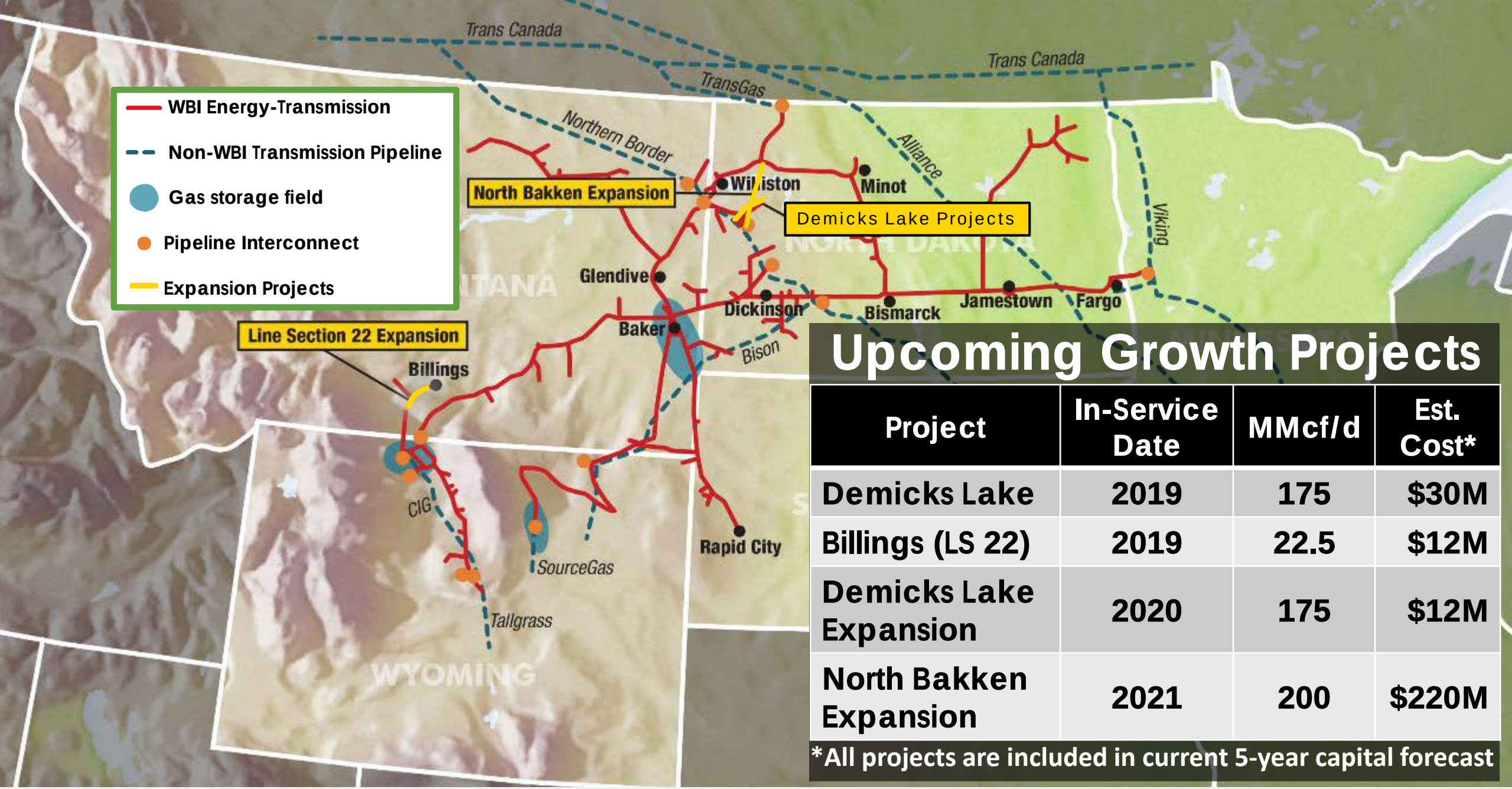
- Low risk, stable returns with regulated business
- Integrated pipeline, storage and interconnects in heart of Bakken
- Experienced, talented team
- Design, engineer, construct and operate capability





WBI in the Bakken

- Service to 23 of 30 natural gas plants
- 6 Bakken interconnects
- WBI moves over 50% of Bakken gas
- More takeaway capacity needed



Upcoming Growth Projects

Project	In-Service Date	MMcf/d	Est. Cost*
Demicks Lake	2019	175	$30M
Billings (LS 22)	2019	22.5	$12M
Demicks Lake Expansion	2020	175	$12M
North Bakken Expansion	2021	200	$220M

*All projects are included in current 5-year capital forecast





PIPELINE & MIDSTREAM OUTLOOK

- 14-mile Demicks Lake project; estimated cost of $30 million
  - Will increase capacity, as designed, by 175 million cubic feet per day
  - Expected to be in service in fall 2019
- Demicks Lake Expansion project; estimated cost of $12 million
  - Will increase capacity, as designed, by 175 million cubic feet per day
  - Expected to be in service in early 2020
- Line Section 22 Expansion project; estimated cost of $12 million
  - Will increase capacity, as designed, by 22.5 million cubic feet per day
  - Expected to be in service in late 2019
- North Bakken Expansion project; estimated cost of $220 million
  - Will increase capacity, as designed, by an estimated 200 million cubic feet per day
  - Expected to start construction in early 2021
  - Expected to be in service late 2021

INVESTOR RELATIONS | MAY 2019

CONSTRUCTION SERVICES





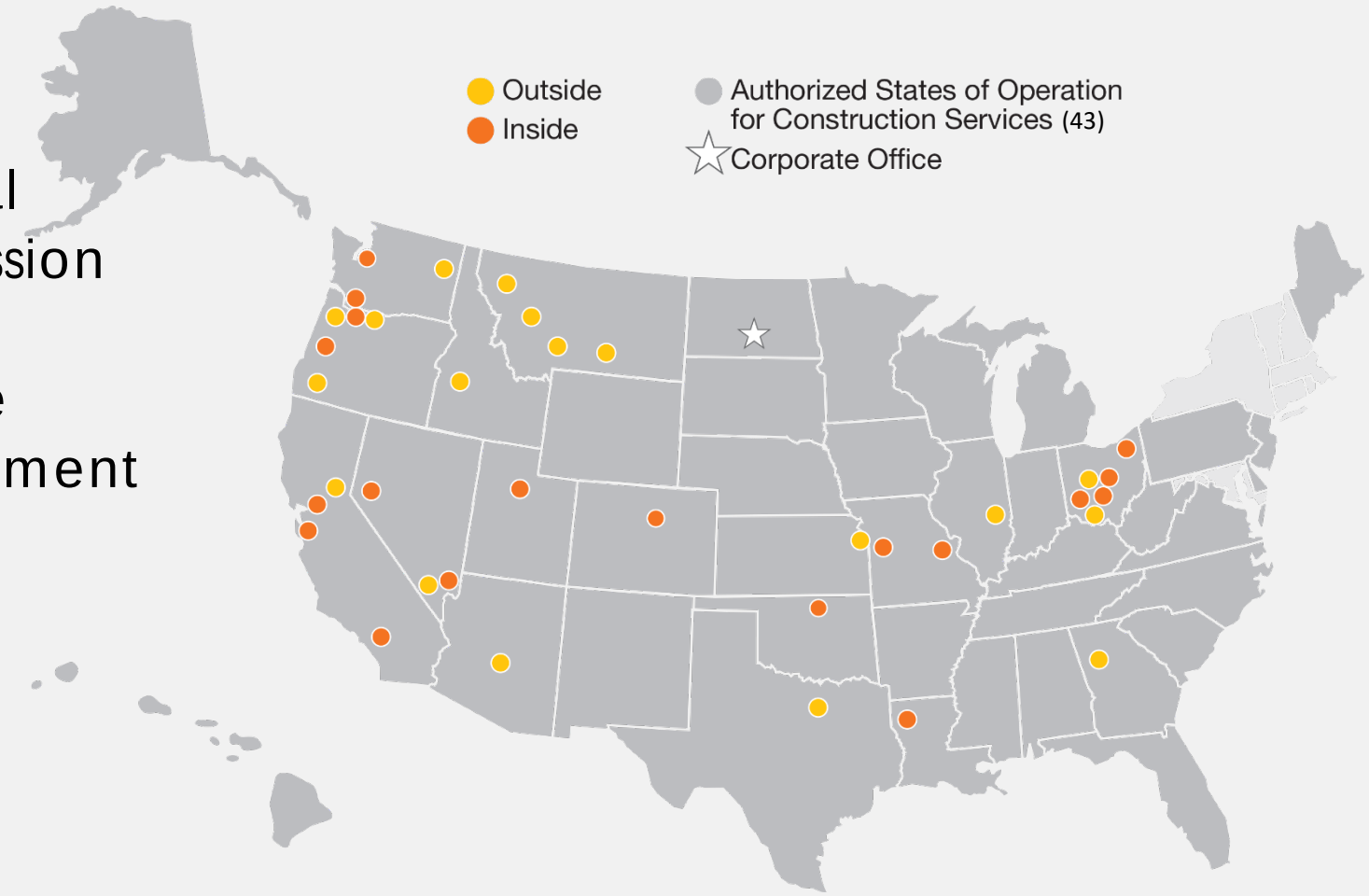
CONSTRUCTION SERVICES

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

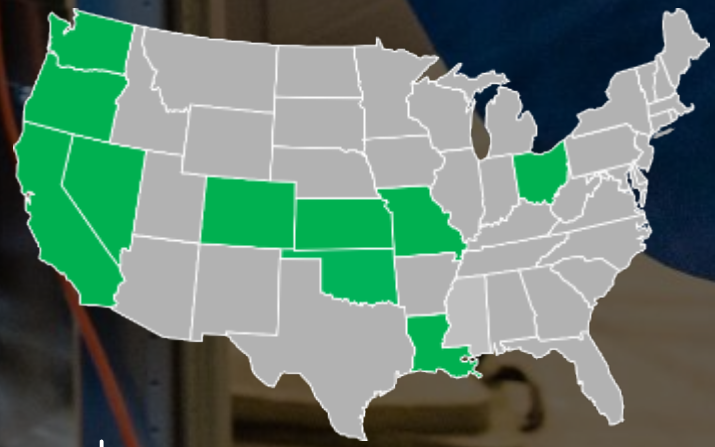
OUTSIDE COMPANIES

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



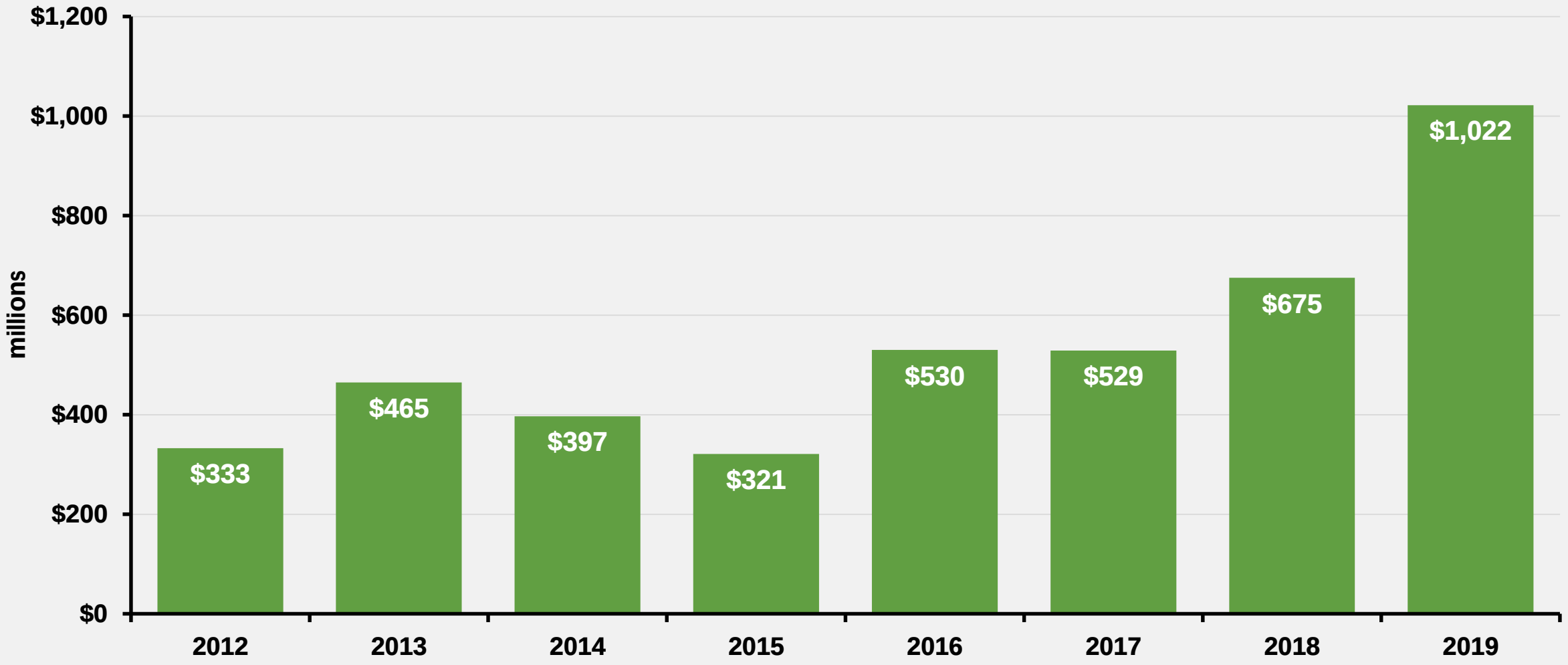
INSIDE COMPANIES

- 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
- Wagner Industrial Electric



CUSTOMER SATISFACTION: BACKLOG

FOR QUARTER ENDED MARCH 31







OUTLOOK

- $1.02 billion of backlog, up 51% from 2018
  - All-time record backlog
- 2019 revenue guidance $1.40 billion to $1.55 billion
  - Increased range from initial 2019 guidance
  - Margins expected to be comparable to 2018
- Currently staffing at record levels with over 6,000 employees
- High demand for specialty contracting work in the following areas:
  - High-tech, mission critical area
  - Gaming and hospitality
  - Medical and education
- Evaluating acquisition opportunities

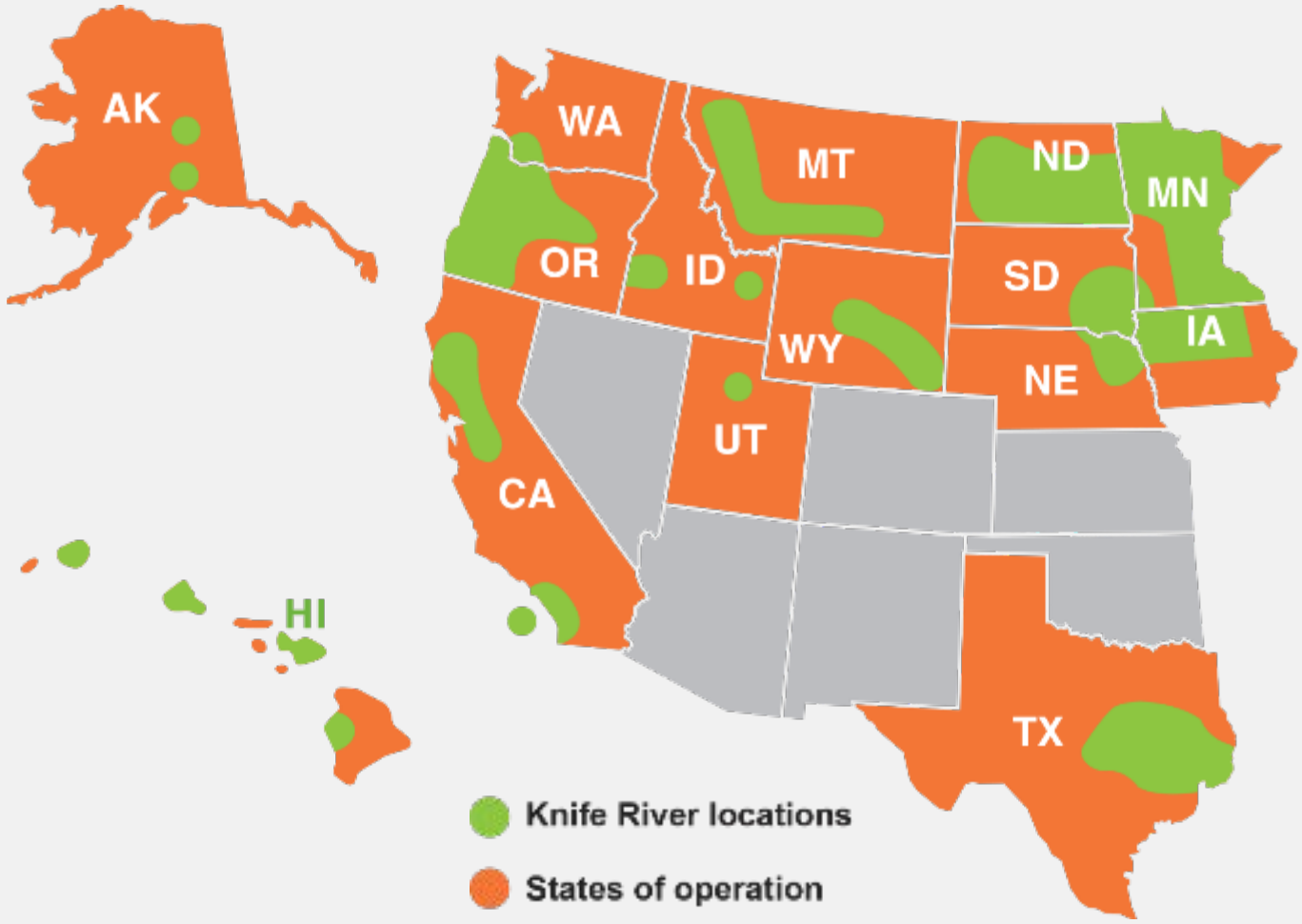
INVESTOR RELATIONS | MAY 2019

CONSTRUCTION MATERIALS





WHO WE ARE



- Top 10 U.S. aggregate producer
  - 6th sand and gravel
  - 1.0B tons of reserves
- Operations in 15 states
- 5,400 employees in peak season
- $2.00B - $2.15B in revenue projected for 2019

KNIFE RIVER CORPORATION
AN MDU RESOURCES COMPANY

KNIFE RIVER STRATEGY

- Create value by treating our people well and leading our markets in quality, service and safety
- Enhance shareholder value by generating cash and continued meaningful growth
- Grow through M&A and greenfield
- Take advantage of our vertical integration

THE Life AT Knife



VERTICAL INTEGRATION

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





SERVICES

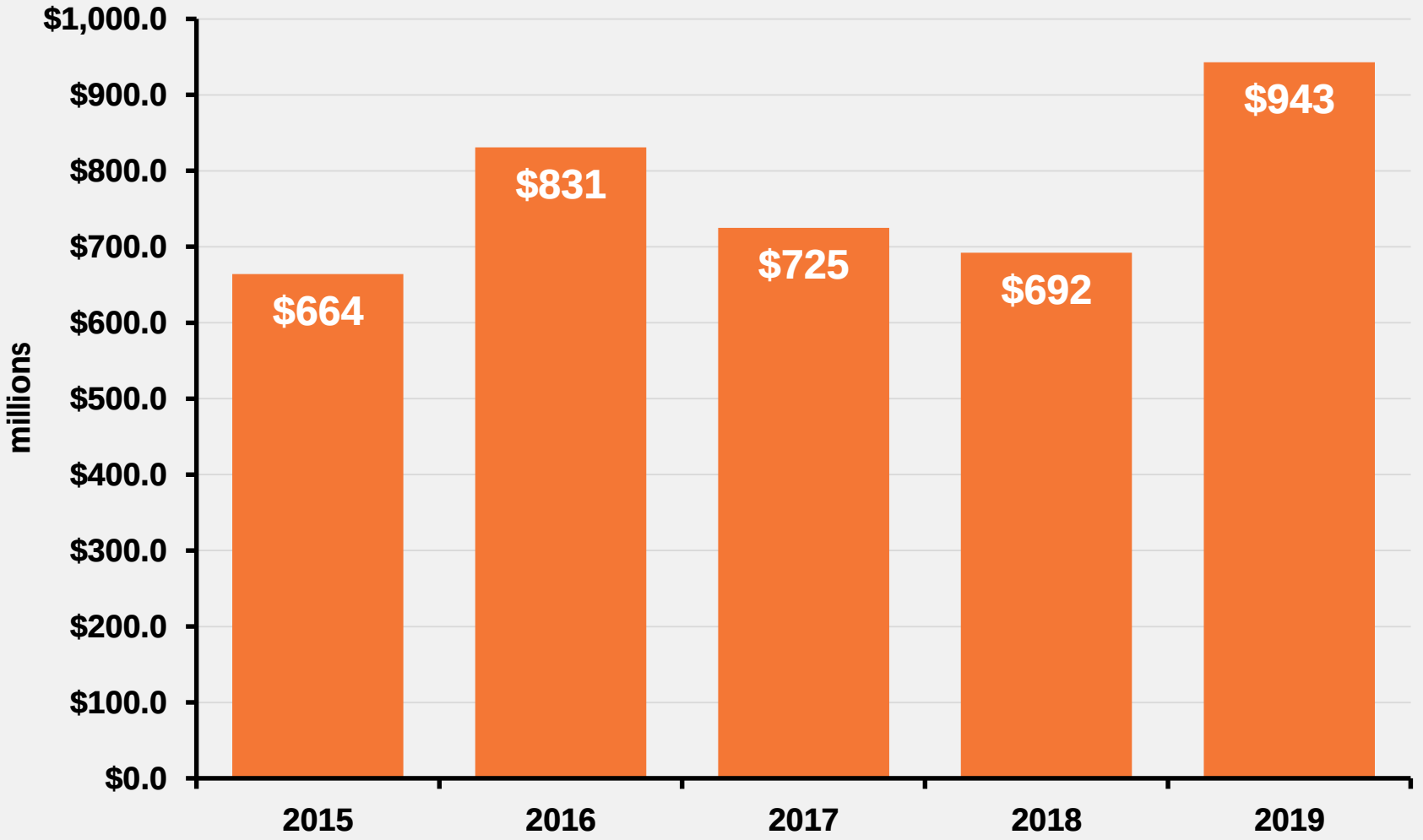
- General Contractor
- Subcontractor
- Aggregate Laydown
- Asphalt Paving
- Concrete Construction
- Site Development
- Underground Utilities
- Railroad Work
- Bridges
- Marine Construction





CONSTRUCTION BACKLOG

FOR QUARTER ENDED MARCH 31



GROWING OUR OPERATIONS



ACQUISITION ACTIVITY

Viesko Redi-Mix

- March 2019
- Salem, OR

Molalla Redi-Mix

- July 2018
- Molalla, OR

Honey Creek Deposits

- February 2019
- Marble Falls, TX

Tri-City Paving

- June 2018
- Little Falls, MN

Sweetman Const. Co.

- October 2018
- Sioux Falls, SD

Teevin & Fischer

- April 2018
- Seaside, OR

OUTLOOK

- Backlog of $943 million as of March 31, 2019, up 36 percent from first quarter 2018
  - Record backlog
- 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







MAY 2019

FINANCIAL UPDATE





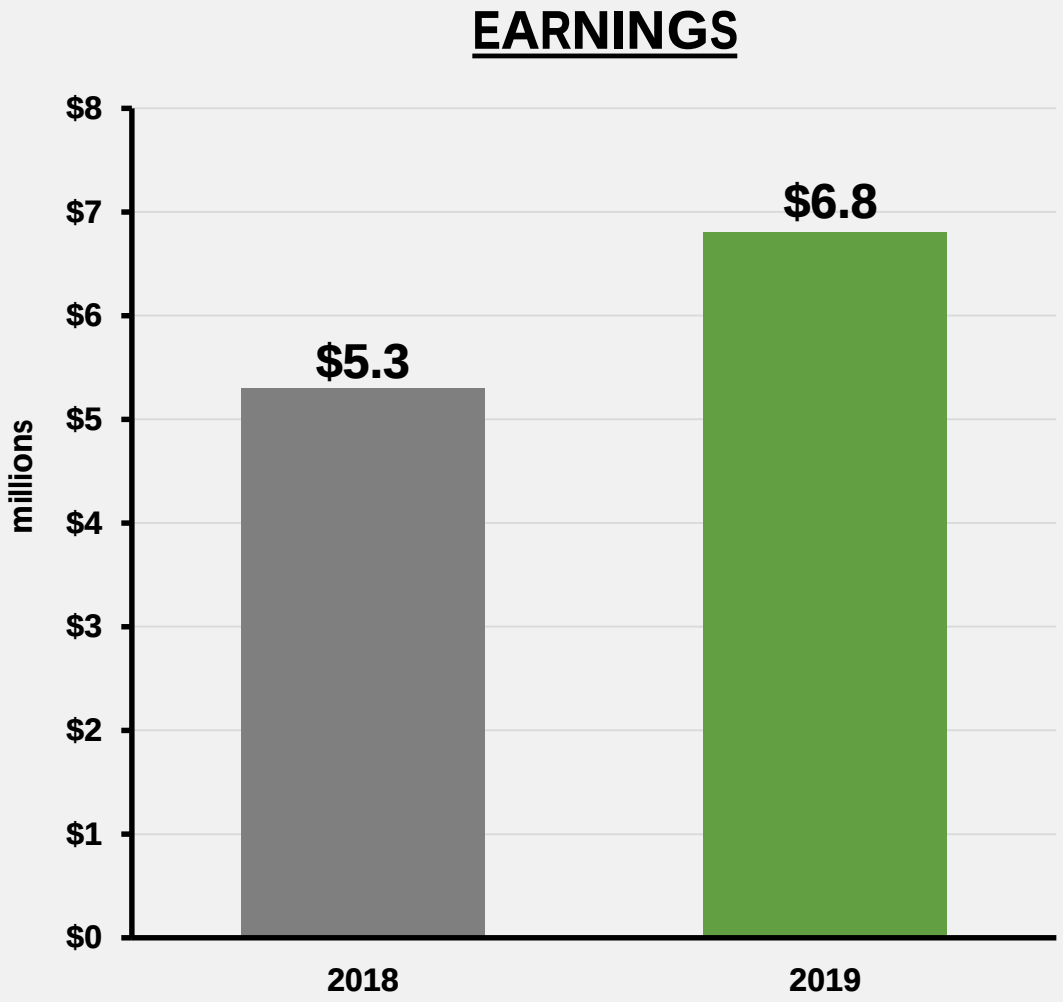
ELECTRIC & NATURAL GAS UTILITY
FIRST QUARTER EARNINGS

- Reported combined earnings of $52.0 million
  - Higher natural gas retail sales volumes, increased returns on investments and higher electric revenues associated with regulatory mechanisms
  - Earnings partially offset by higher depreciation, depletion and amortization expense from increased property, plant and equipment balances



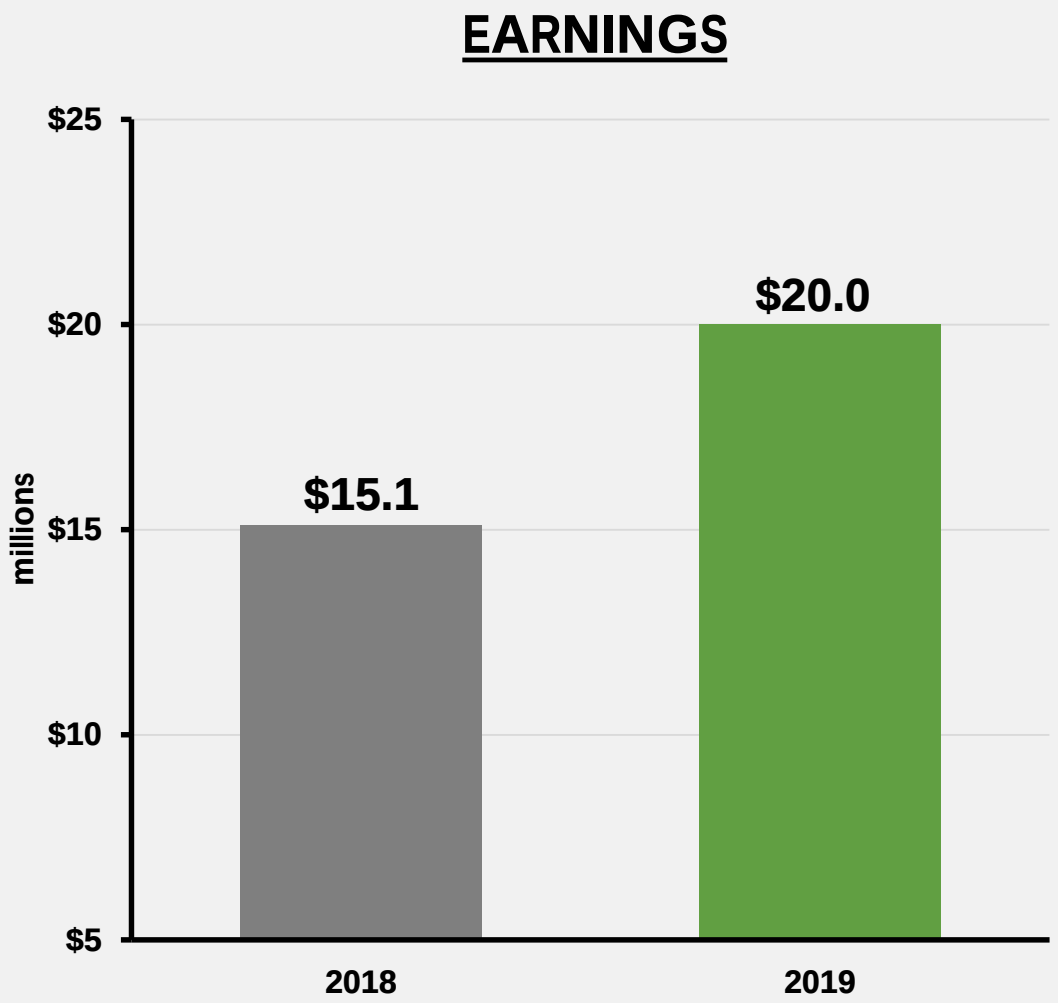
PIPELINE & MIDSTREAM
FIRST QUARTER EARNINGS

- Reported earnings of $6.8 million
  - Increased transportation revenues driven by organic growth projects placed in service in the second half of 2018
  - The increase was partially offset by higher interest expense, higher depreciation, depletion and amortization expense from increased property, plant and equipment balances and lower storage revenues



CONSTRUCTION SERVICES
FIRST QUARTER EARNINGS

- Reported record earnings of $20.0 million
  - Higher inside and outside specialty contracting workloads
  - Higher equipment sales and rentals
  - Earnings offset by higher selling, general and administration expense
- Record revenues of $420.9 million, compared to $334.1 million in the first quarter 2018



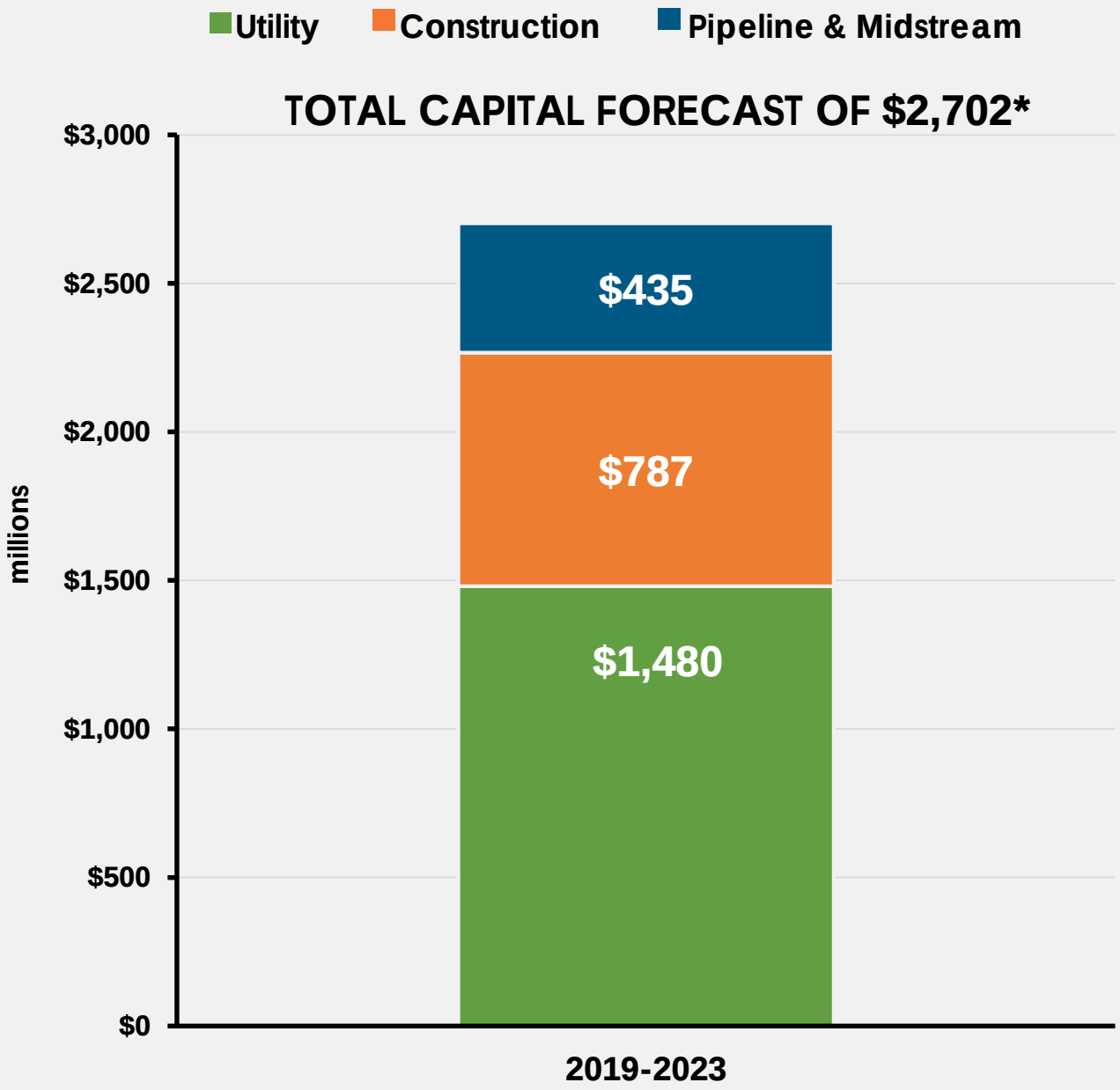
CONSTRUCTION MATERIALS
FIRST QUARTER EARNINGS

- Reported a seasonal loss of $34.4 million
  - Increased loss, as expected, reflects seasonal losses associated with companies acquired in 2018, and lower materials margins from less favorable weather conditions in certain regions
  - Partially offsetting the loss were higher construction margins
- Revenues of $227.2 million, compared to $213.4 million in the first quarter 2018



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
  - Demicks Lake 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

2019 EPS GUIDANCE UPDATED

$1.40 - $1.55

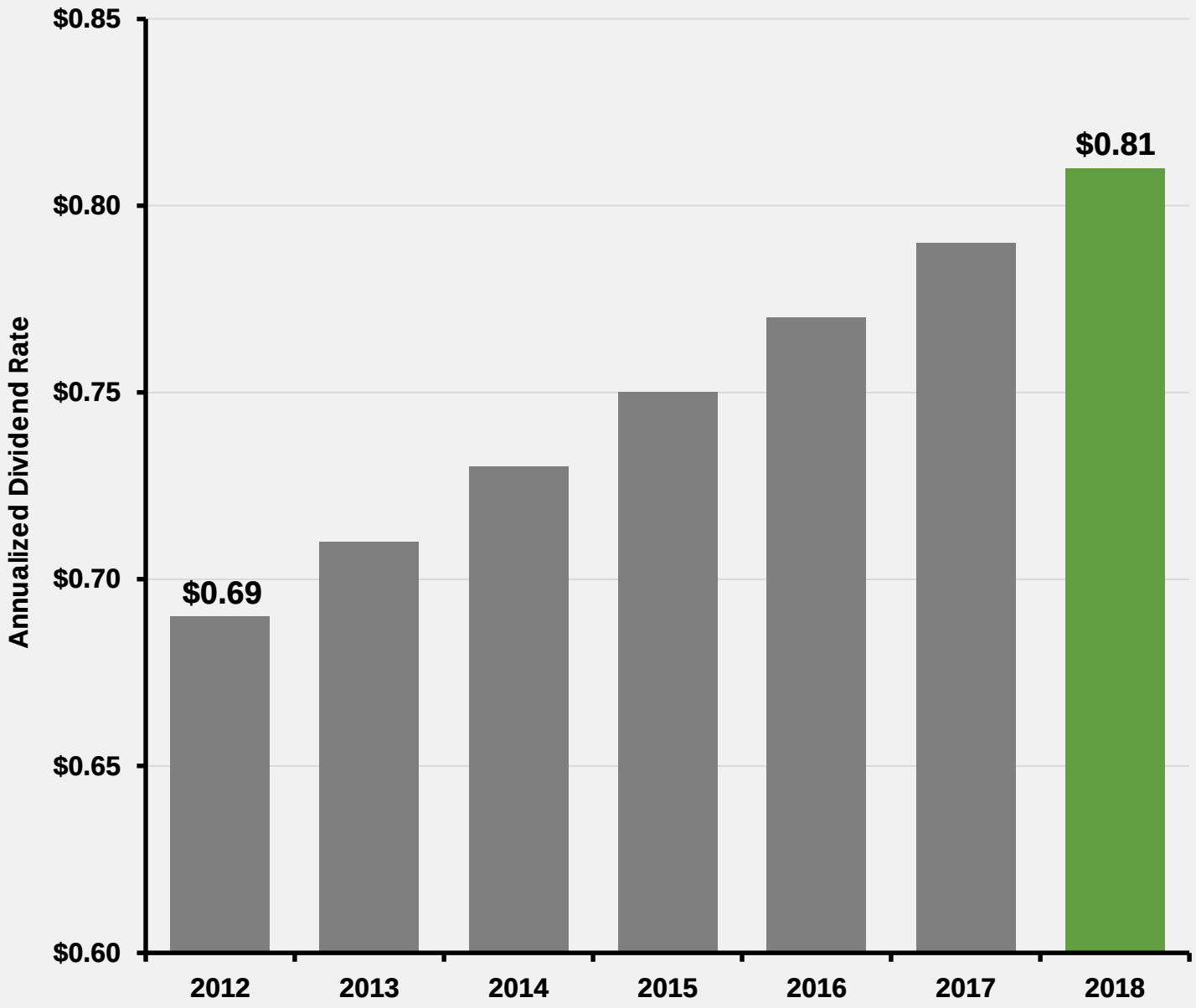
Consolidated EPS Guidance

Note: As of April 30, 2019

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

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







INVESTOR RELATIONS

QUESTIONS





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APPENDIX
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES: EBITDA

(dollars in millions)	Trailing Twelve Month Ended March 31, 2019				
	Electric	**Natural Gas**	**Pipeline**	**Construction Services**	**Construction Materials**
Earnings	$49.4	$41.6	$30.0	$69.2	$81.7
Adjustments:					
Interest Expense	25.7	31.6	6.6	3.7	18.9
Income Taxes	(7.0)	3.5	2.8	22.0	24.3
Depreciation, depletion and amortization	52.0	74.2	18.3	15.9	65.2
EBITDA	**$120.1**	**$150.9**	**$57.7**	**$110.8**	**$190.1**