

OCTOBER 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

14,396
employees

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®.**

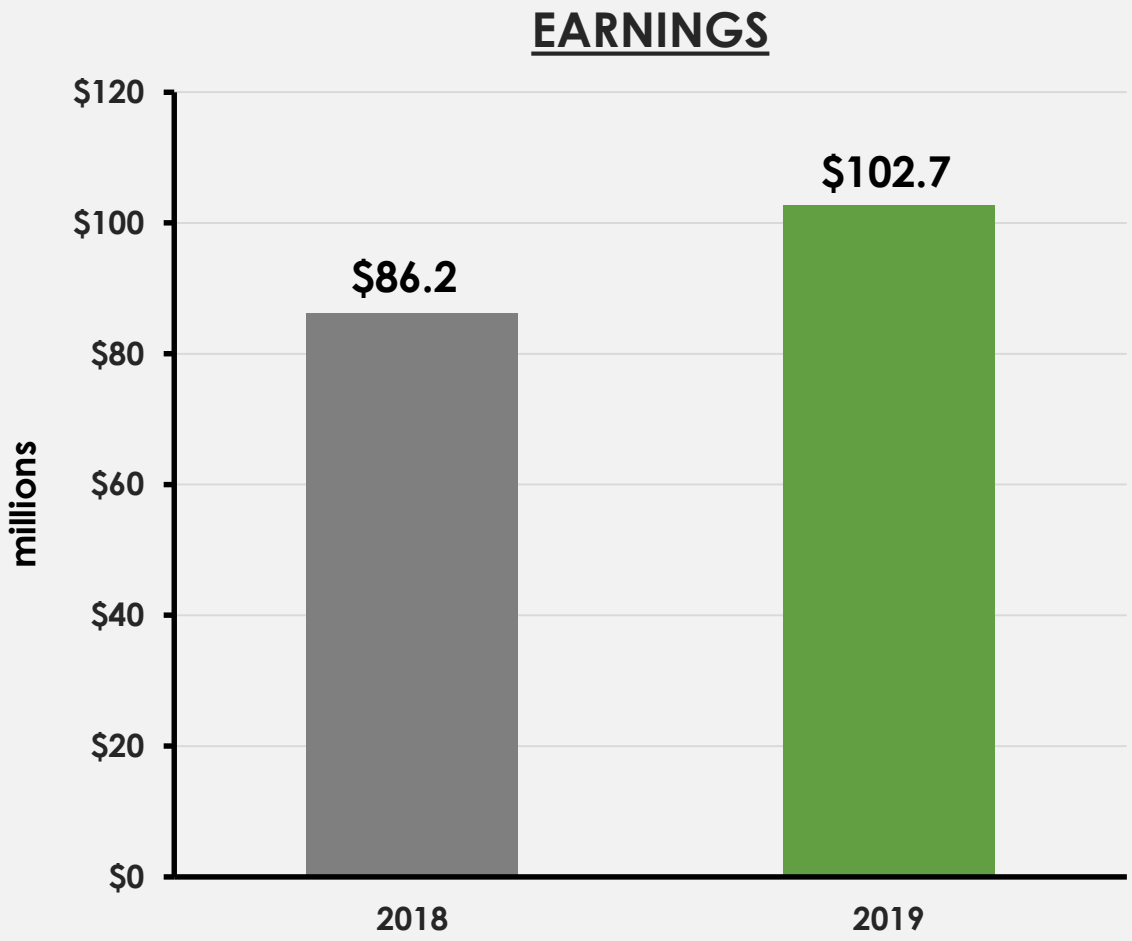


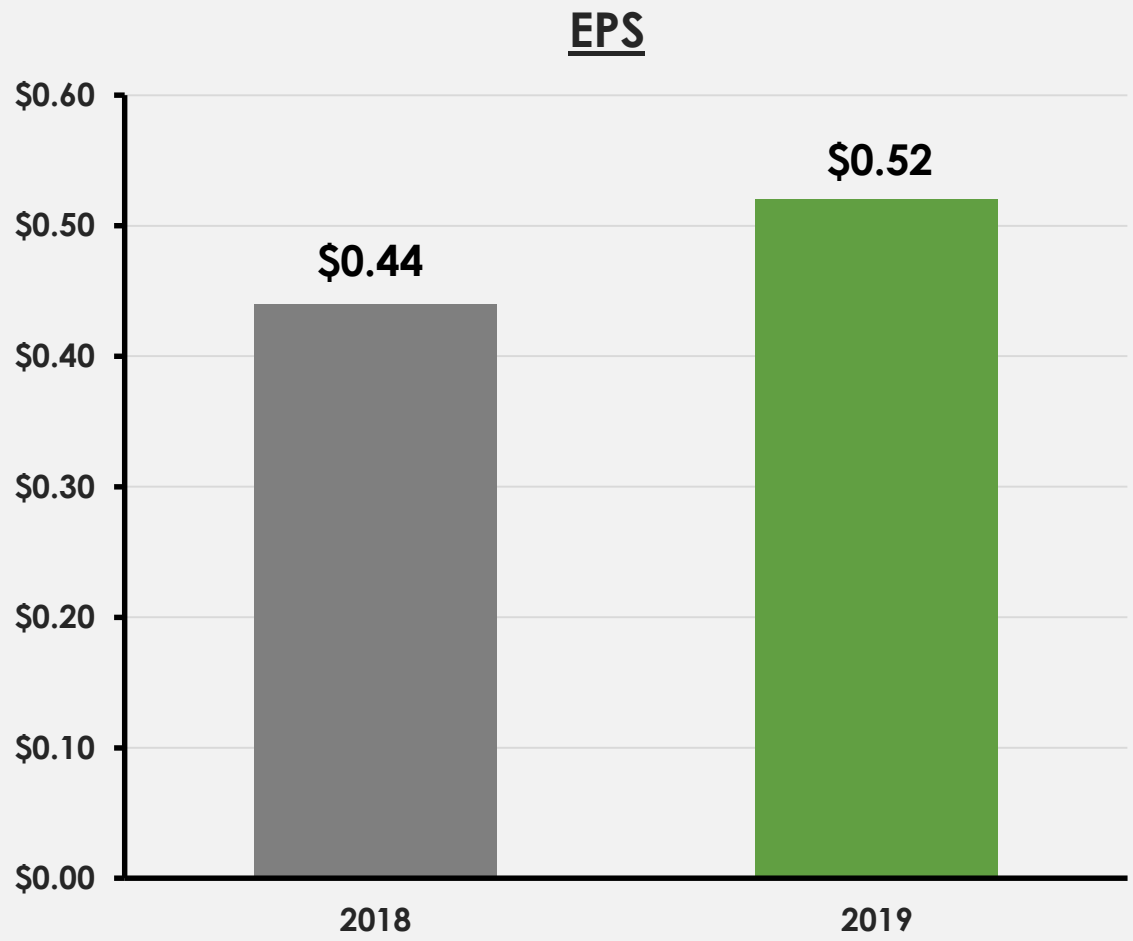
KNIFE RIVER CORPORATION
AN MDU RESOURCES COMPANY

WBI ENERGY®
An MDU Resources Group company

MDU Construction Services Group, Inc.
An MDU Resources Company

YEAR-TO-DATE RESULTS*
AS OF JUNE 30, 2019

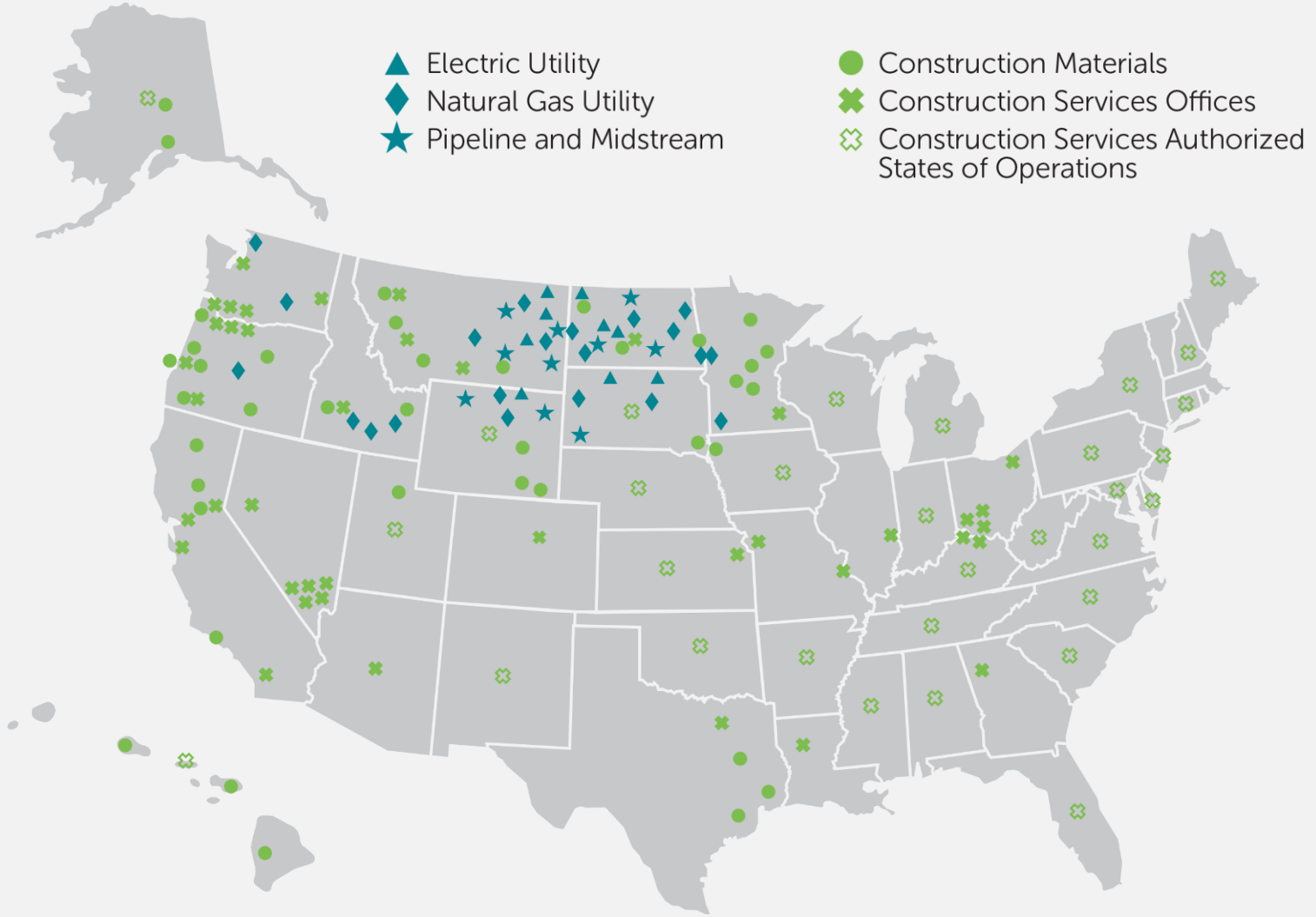




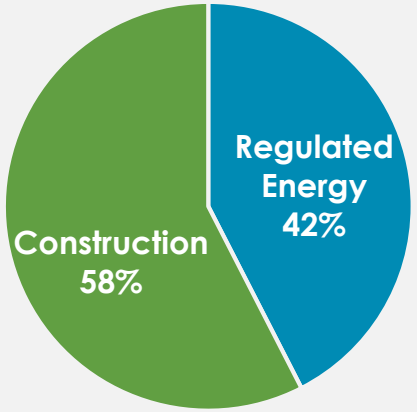
* Includes both continuing and discontinued operations

EARNINGS CONTRIBUTIONS

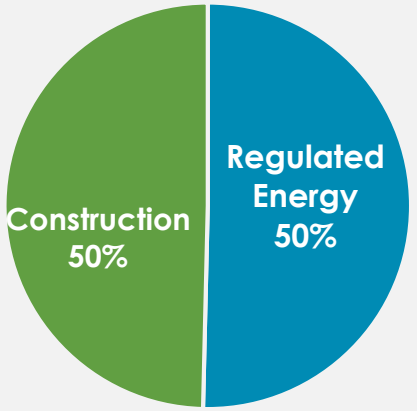
TRAILING TWELVE MONTH ENDED JUNE 30, 2019



EARNINGS



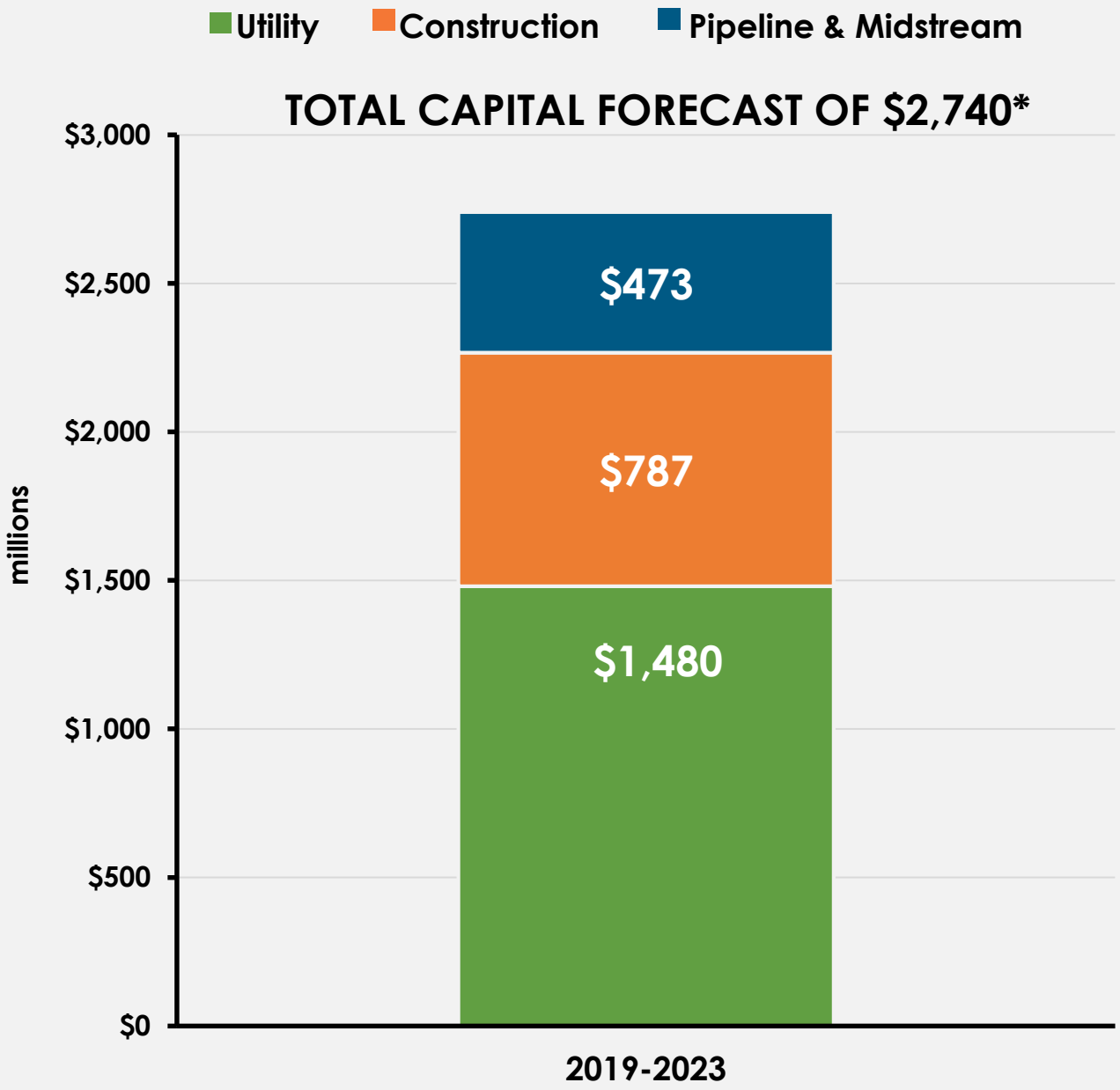
EBITDA[1]



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

2019-23 CAPITAL PROGRAM

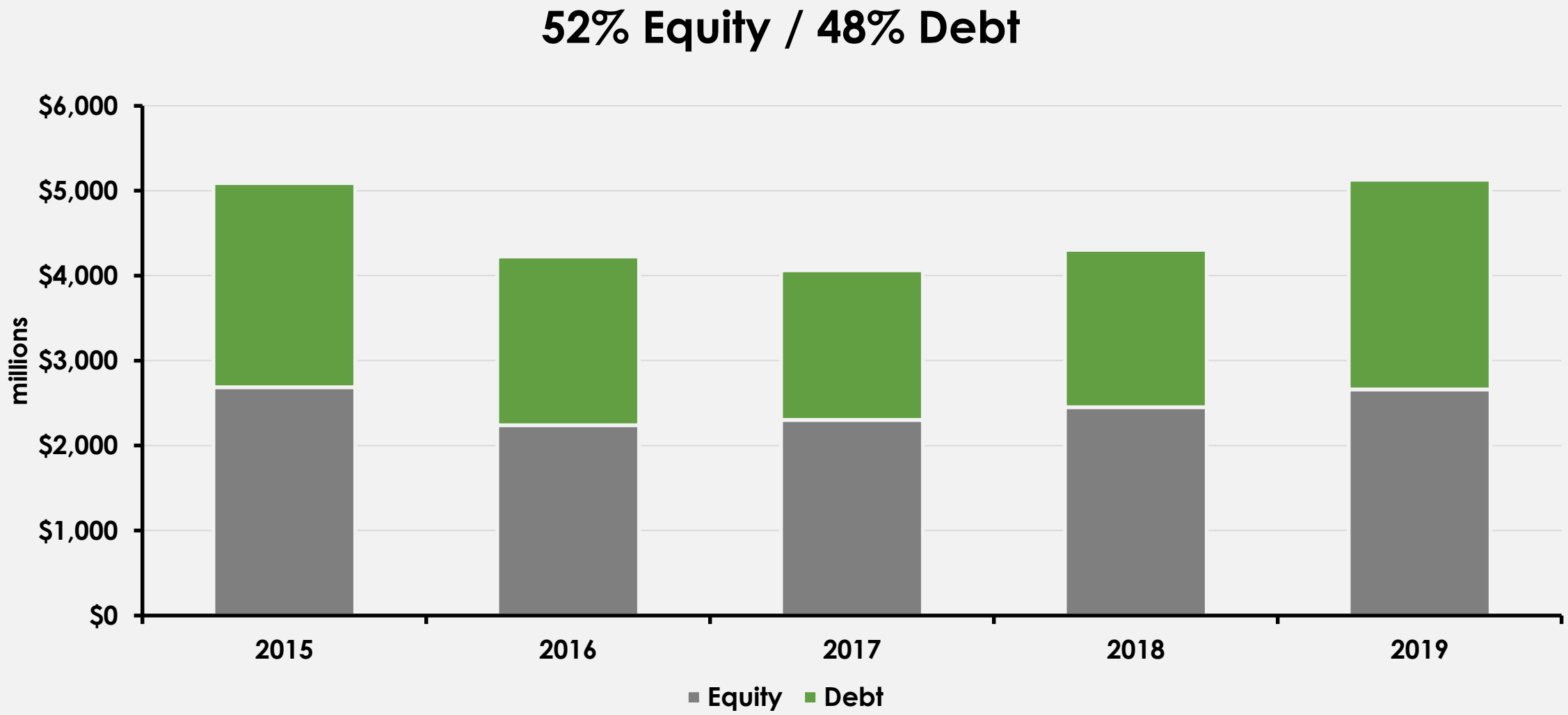
- Electric and natural gas utility
  - System infrastructure upgrades and replacements
  - Natural gas combustion turbine
- Pipeline and midstream
  - Demicks Lake project
  - Line Section 22 expansion
  - Demicks Lake expansion
  - North Bakken expansion
- Construction materials and services
  - Equipment and plant replacements and upgrades
  - Includes acquisitions completed in 2019
- 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

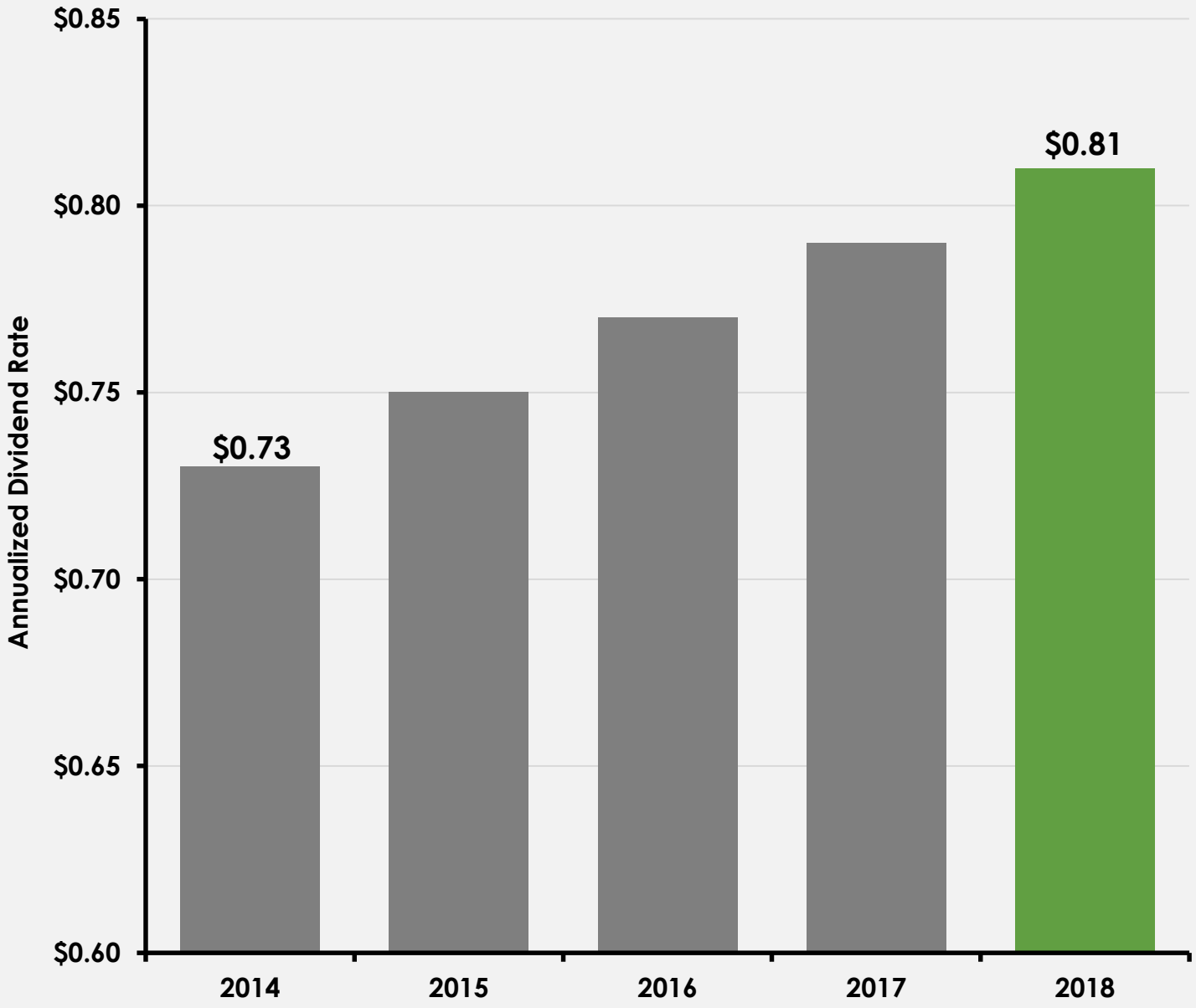
SOUND FINANCIAL POSITION

FOR QUARTER ENDED JUNE 30



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



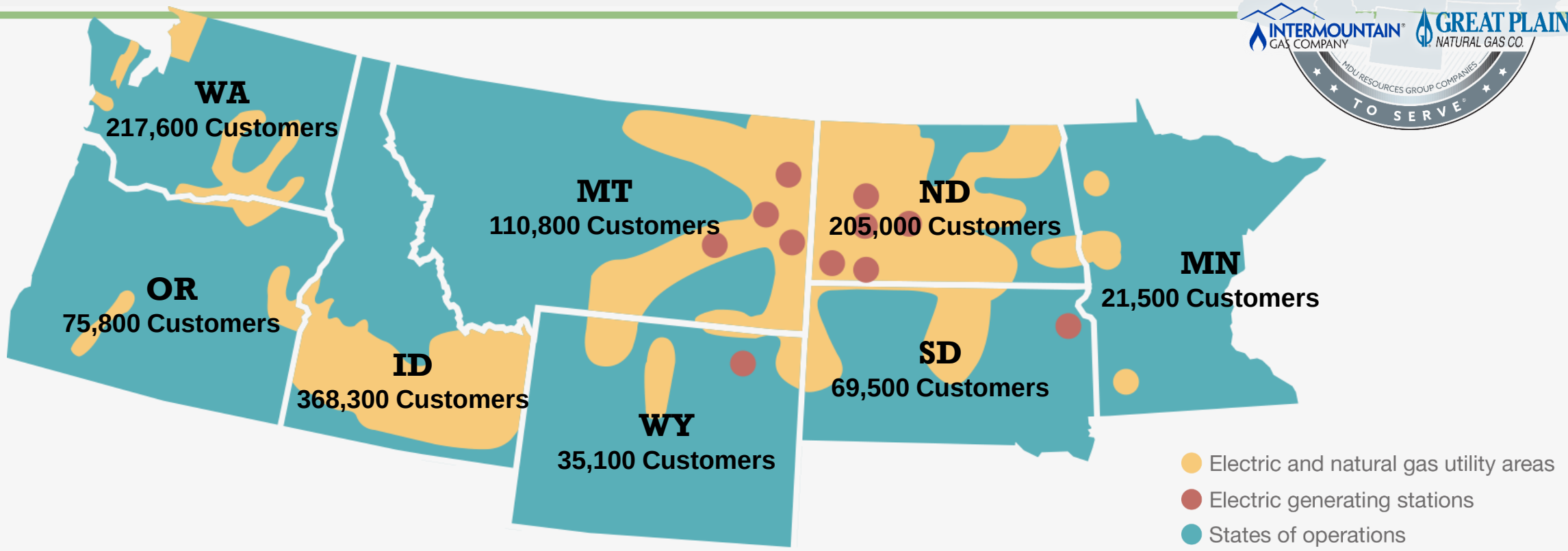
INVESTOR RELATIONS | OCTOBER 2019

UTILITY ELECTRIC & NATURAL GAS





ELECTRIC AND NATURAL GAS



- 1,103,600 electric and natural gas customers in 459 communities

Electric

- 143,400 customers
- 800 MW of owned generation

Natural Gas

- 960,200 customers



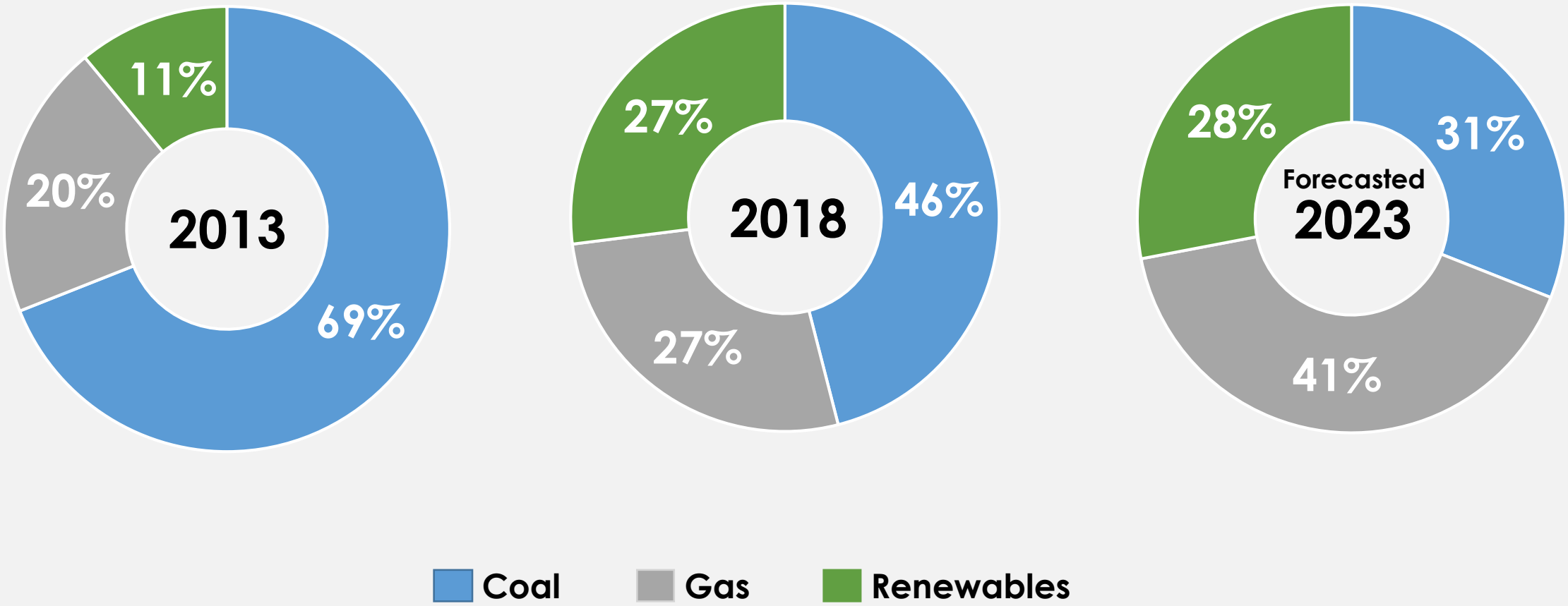


STRATEGY

- 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

TRANSITIONING OUR ELECTRIC RESOURCES

BASED ON NAME PLATE RATING



ELECTRIC GENERATION

- Announced in February plans to retire aging coal-fired units
  - Lewis & Clark Station around the end of March 2021
  - Heskett Station Units 1 & 2 around the end of March 2022
- Construct simple cycle natural gas combustion turbine
  - 88 megawatts; located adjacent to similar turbine at Heskett site
  - Advance determination of prudence filed Aug. 28 with ND PSC
  - Estimated cost $73 million; expected to be online first quarter 2023

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 | OCTOBER 2019

PIPELINE & MIDSTREAM





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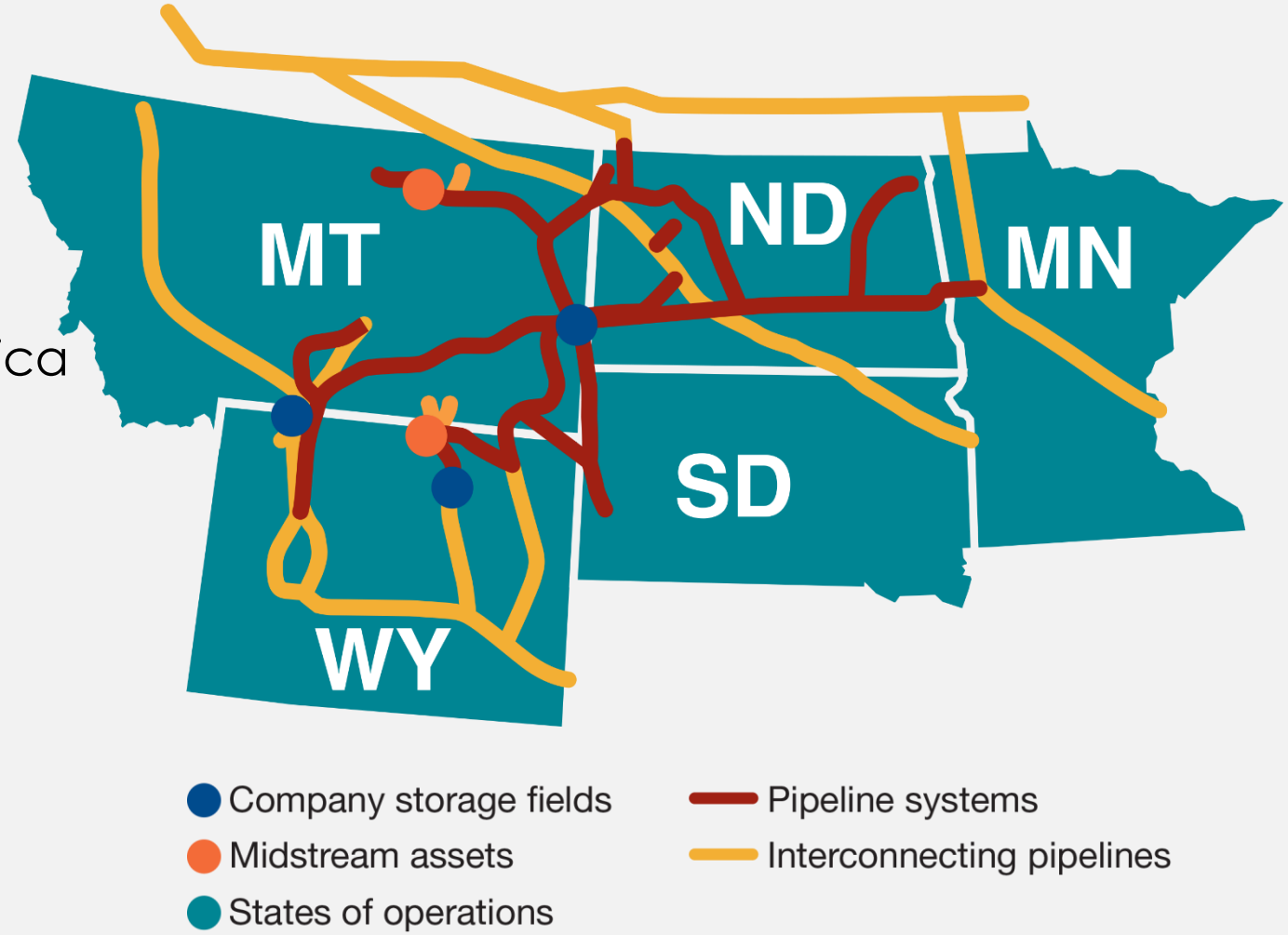
WBI ENERGY ASSETS AND OPERATIONS

- Regulated (Approx. 90%)
  - Approx. 4,000 miles of pipe
  - Over 1.8 Bcf/d system capacity
  - 13 Interconnecting points
  - Largest storage field in N. America
- Non-regulated (Approx. 10%)
  - Gas gathering
  - Cathodic protection
  - Energy management



STRATEGY STATEMENT

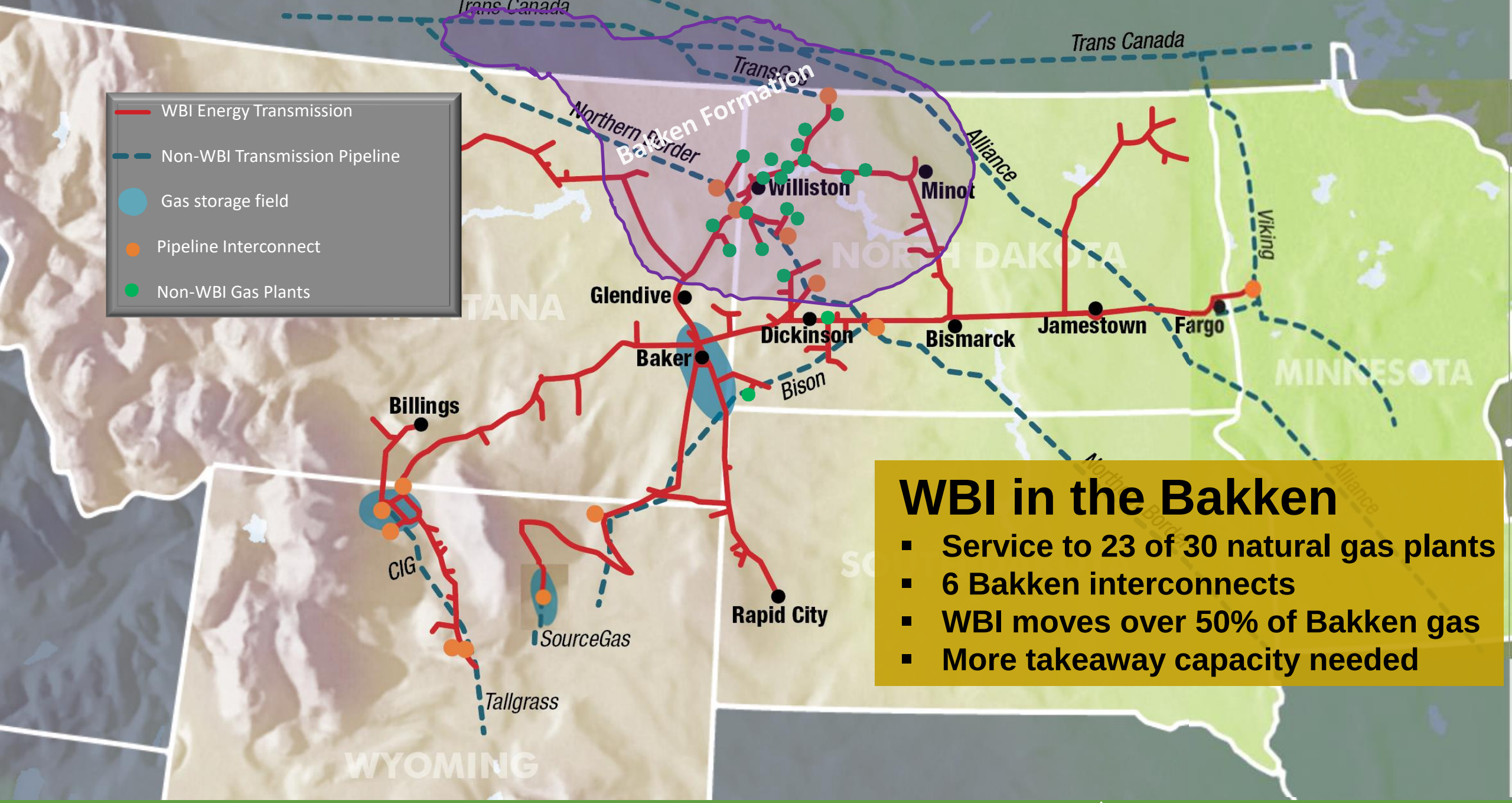
Building upon our core strengths and expertise, WBI Energy will become a leader in the Mid-Continent and Rocky Mountain regions in meeting North America's energy needs



OUR STRENGTHS

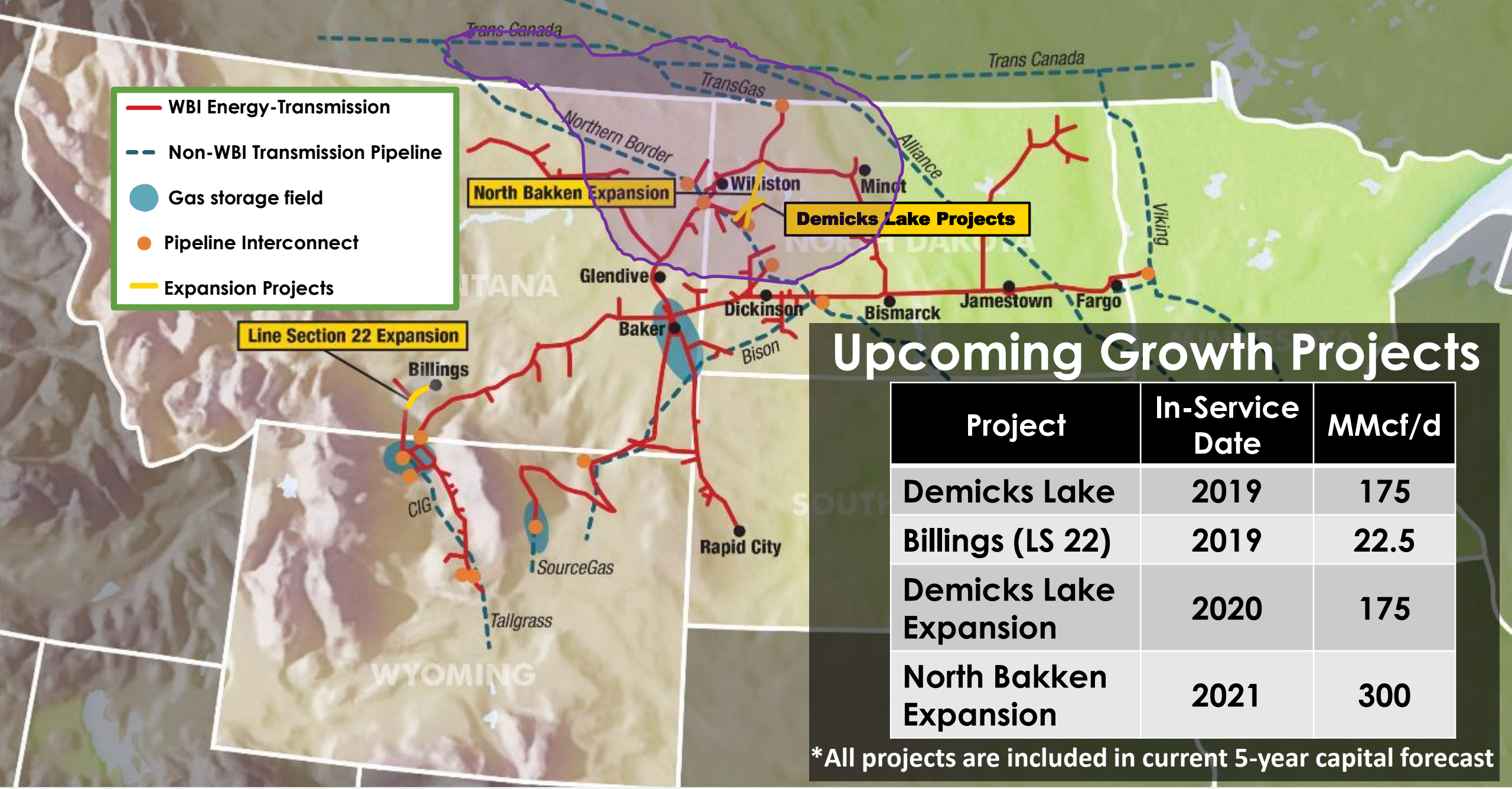
- Low risk, stable returns with regulated business
- Integrated pipeline, storage and interconnects in heart of Bakken
- Experienced, talented team
- Design, engineer, construct and operate capability





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
Demicks Lake	2019	175
Billings (LS 22)	2019	22.5
Demicks Lake Expansion	2020	175
North Bakken Expansion	2021	300

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





PIPELINE & MIDSTREAM OUTLOOK

- Demicks Lake project
  - Will increase capacity, as designed, by 175 million cubic feet per day
  - Expected to be in service in fall 2019
- Line Section 22 Expansion project
  - Will increase capacity, as designed, by 22.5 million cubic feet per day
  - Expected to be in service in late 2019
- Demicks Lake Expansion project
  - Will increase capacity, as designed, by 175 million cubic feet per day
  - Expected to be in service in early 2020
- North Bakken Expansion project
  - Will increase capacity, as designed, by an estimated 300 million cubic feet per day
  - Expected to start construction in early 2021
  - Expected to be in service late 2021

INVESTOR RELATIONS | OCTOBER 2019

CONSTRUCTION SERVICES





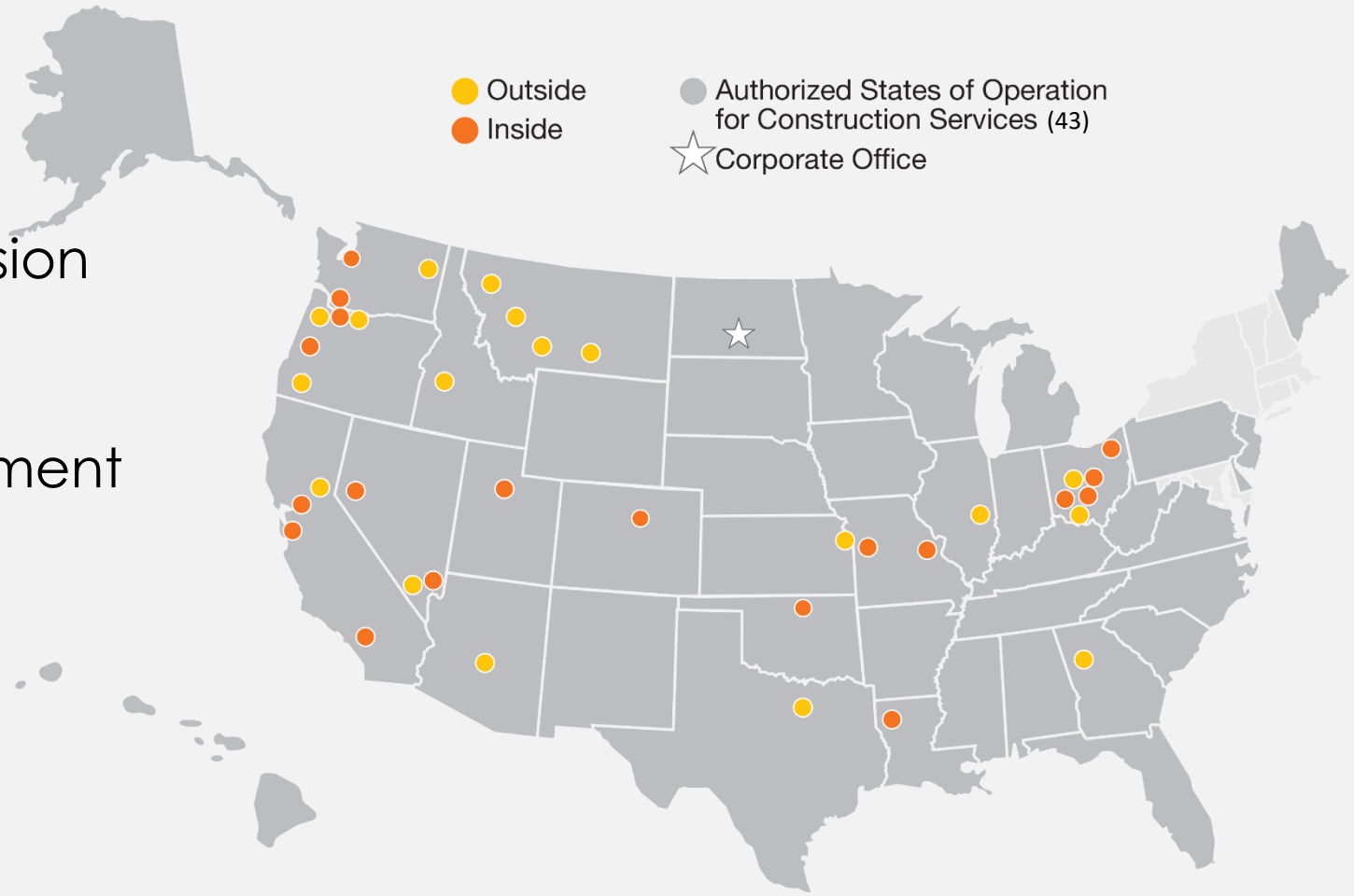
CONSTRUCTION SERVICES

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

- Currently staffing at record levels with over 6,500 employees





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

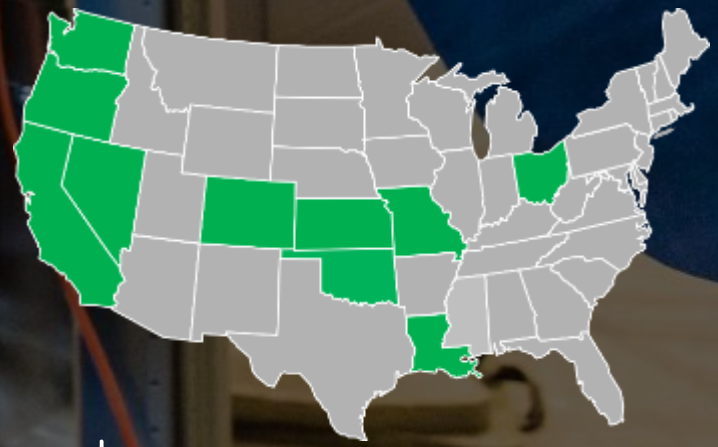
OUTSIDE COMPANIES

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



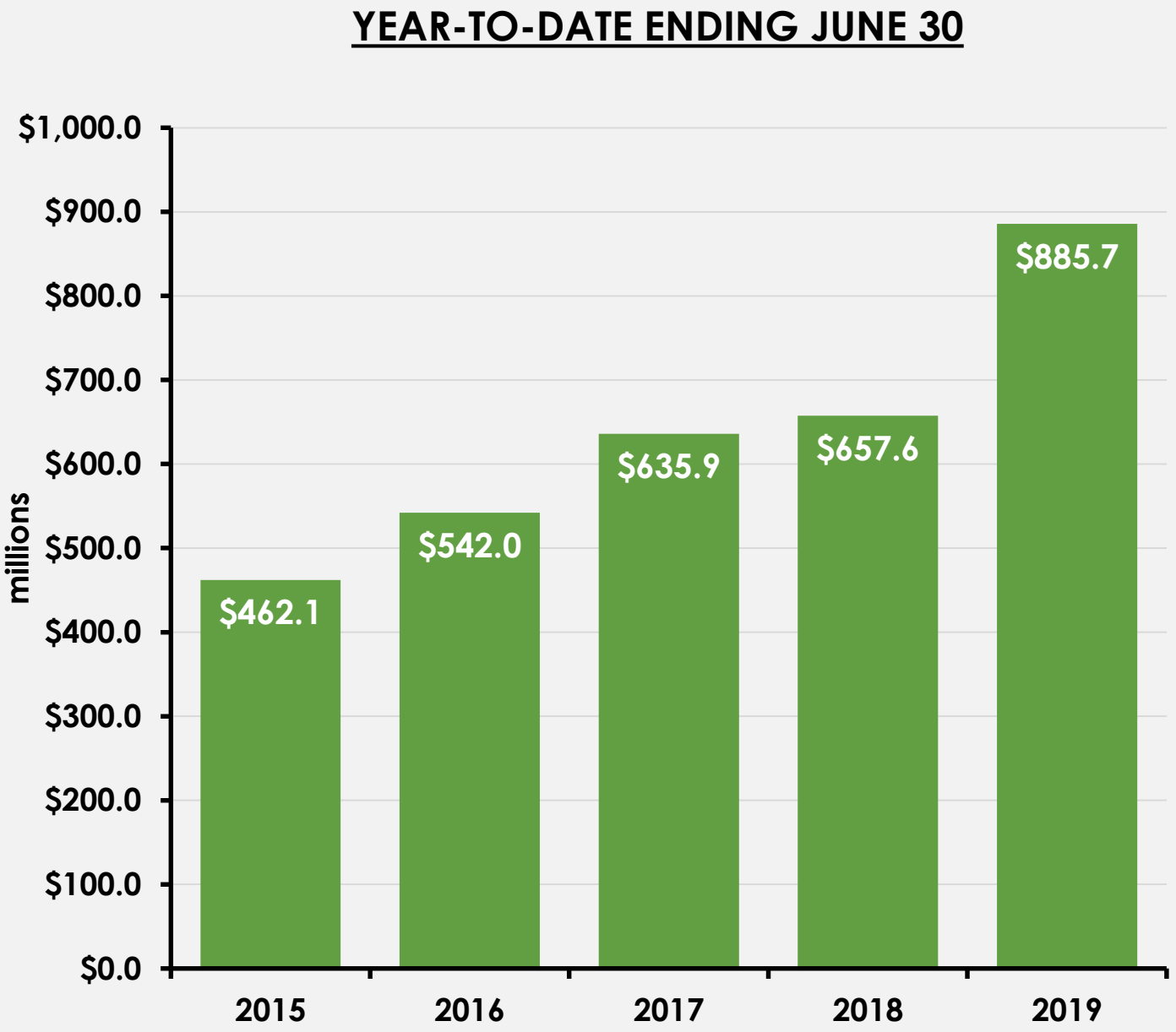
INSIDE COMPANIES

- 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



REVENUE GROWTH

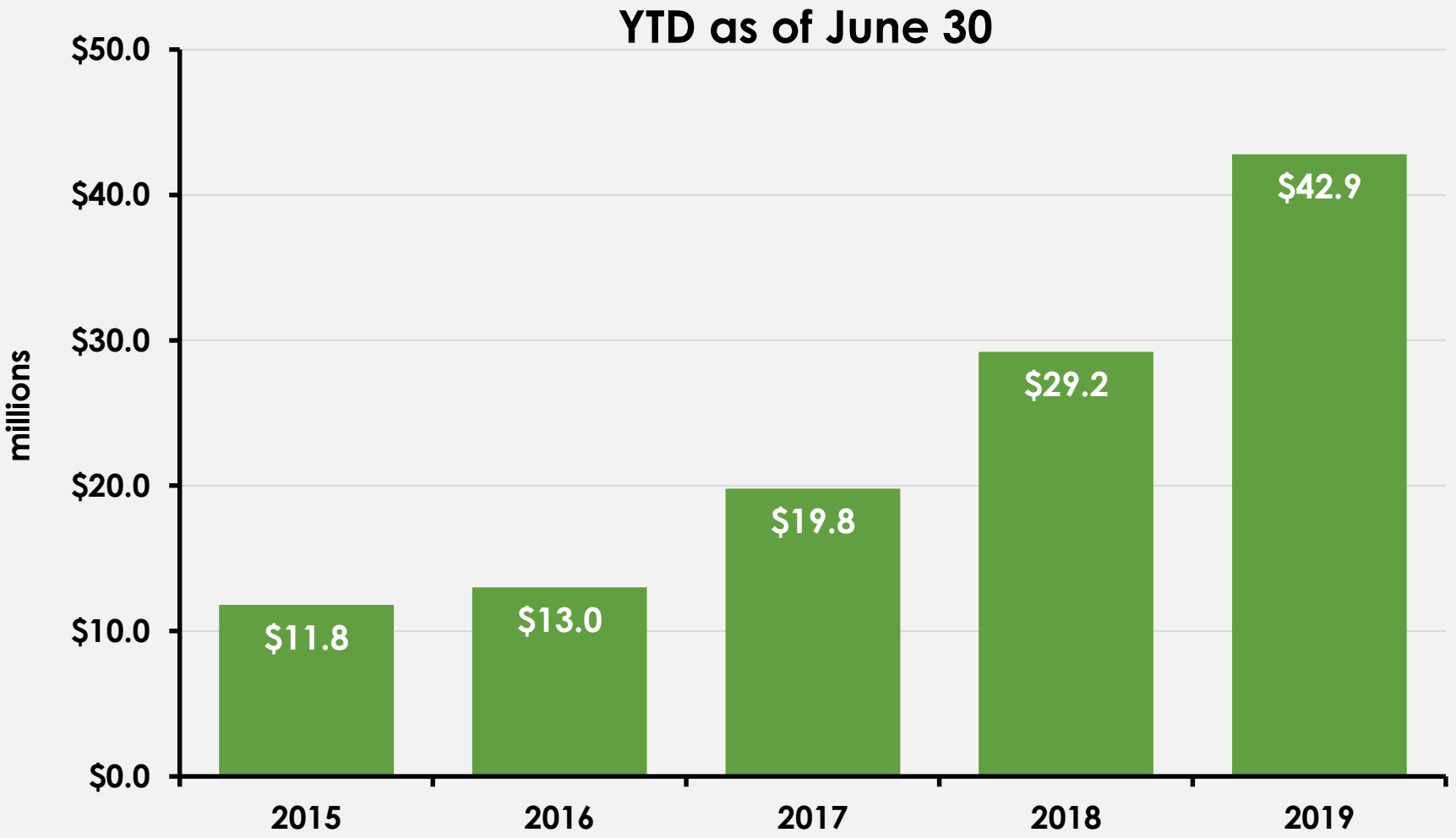
- Year-To-Date revenues of $885.7 million as of June 30
- Record year-to-date earnings of $42.9 million
- 2019 revenue guidance $1.6 billion to $1.8 billion
- 2019 margins expected to be comparable to 2018





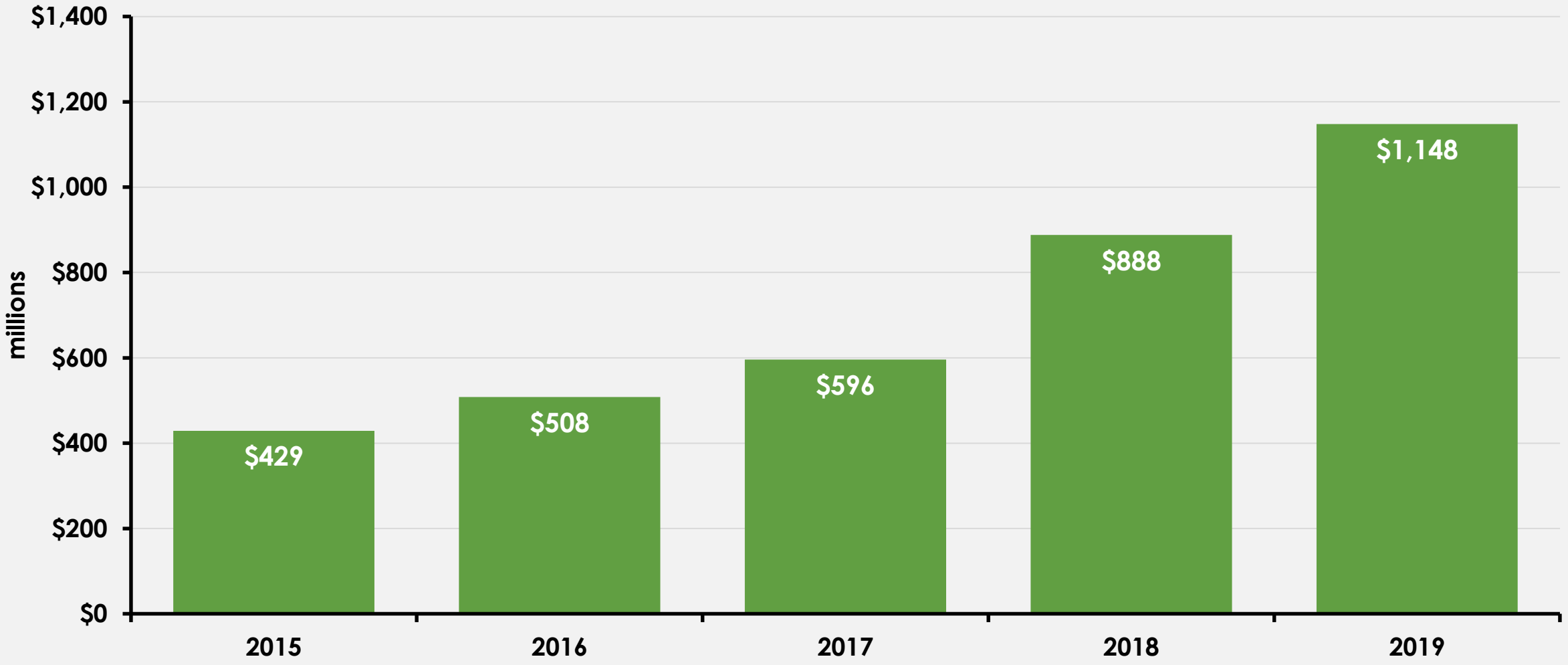


EARNINGS


YTD as of June 30
millions
$50.0
$40.0
$30.0
$20.0
$10.0
$0.0
$11.8
$13.0
$19.8
$29.2
$42.9
2015
2016
2017
2018
2019

CUSTOMER SATISFACTION: BACKLOG

FOR QUARTER ENDED JUNE 30



GROWING OUR OPERATIONS



- Pride Electric, Inc. acquisition completed September 2019
- Purchase expands and strengthens the services portfolio in the Seattle, WA market
- Founded in 1993, Pride Electric provides high-end commercial, industrial and tenant improvement electrical construction, along with tele-data and security system installation.





OUTLOOK

- $1.15 billion of backlog, up 30% from 2018
  - Record second quarter backlog
- 2019 revenue guidance $1.6 billion to $1.8 billion
  - Margins expected to be comparable to 2018
- Currently staffing at record levels with over 6,500 employees
- High demand for specialty contracting work in the following areas:
  - High-tech, mission critical area
  - Gaming and hospitality
  - Medical and public sector
  - Electrical transmission, distribution and gas utilities
- Evaluating acquisition opportunities

INVESTOR RELATIONS | OCTOBER 2019

CONSTRUCTION MATERIALS





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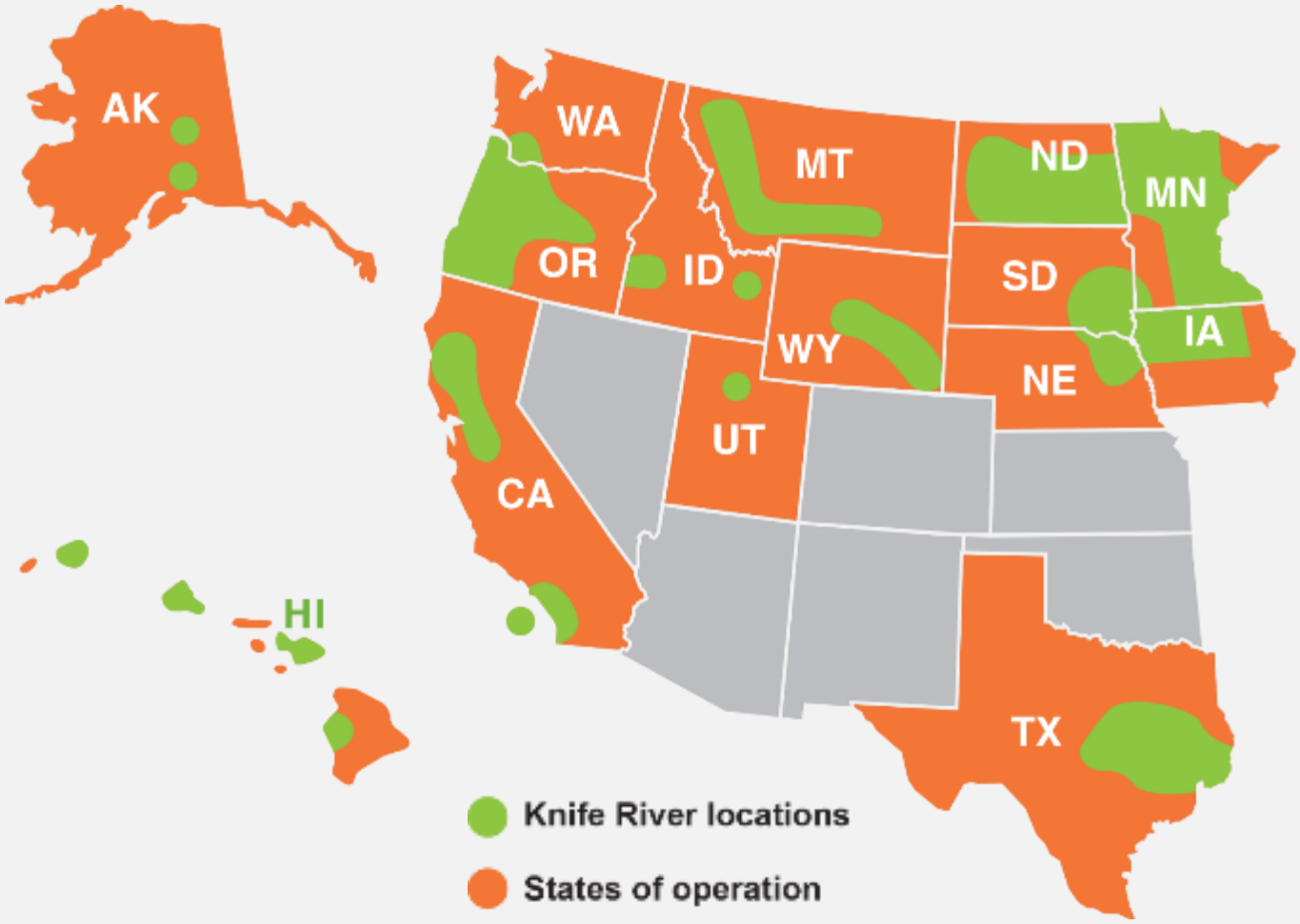
WHO WE ARE



- Top 10 U.S. aggregate producer
  - 6th sand and gravel
  - 1.0B tons of reserves
- Operations in 15 states
- 5,700 employees in peak season
- $2.0B - $2.2B 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

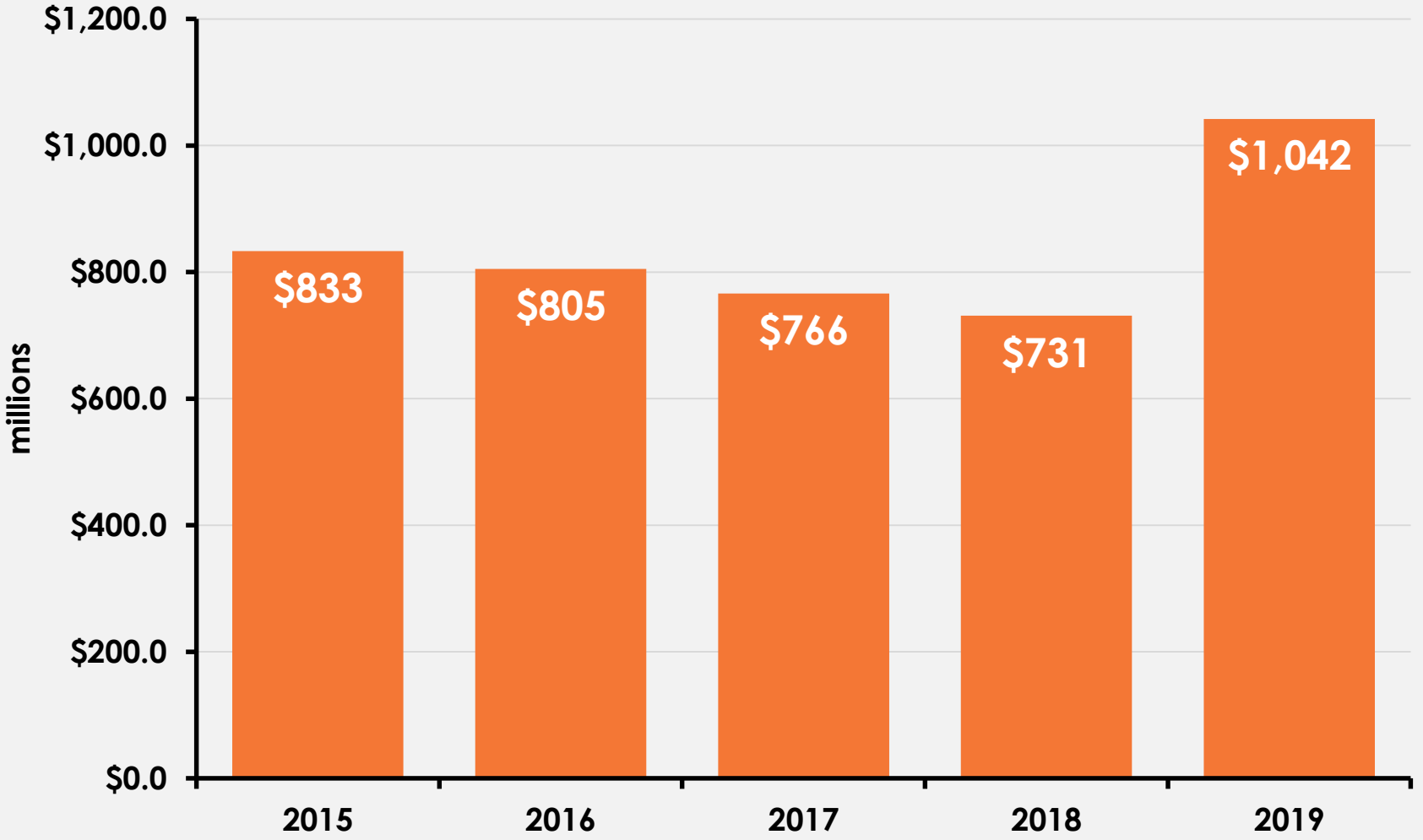
- General Contractor
- Subcontractor
- Aggregate Laydown
- Asphalt Paving
- Concrete Construction
- Site Development
- Underground Utilities
- Railroad Work
- Bridges
- Marine Construction





CONSTRUCTION BACKLOG

FOR QUARTER ENDED JUNE 30



GROWING OUR OPERATIONS

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 $1.04 billion as of June 30, 2019, up 42% from second quarter 2018
  - All-time record backlog
- 2019 revenue guidance range of $2.0 billion to $2.2 billion
  - Margins expected to be comparable to or slightly higher than 2018
- Actively pursuing acquisition opportunities







INVESTOR RELATIONS

QUESTIONS





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APPENDIX
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES: EBITDA

(dollars in millions)	Trailing Twelve Month Ended June 30, 2019				
	Electric	**Natural Gas**	**Pipeline**	**Construction Services**	**Construction Materials**
Earnings	$47.8	$42.2	$31.4	$78.0	$86.5
Adjustments:					
Interest Expense	25.4	33.0	7.1	4.2	21.3
Income Taxes	(9.4)	3.2	2.9	25.6	26.1
Depreciation, depletion and amortization	53.5	76.2	19.3	16.0	70.0
EBITDA	**$117.3**	**$154.6**	**$60.7**	**$123.8**	**$203.9**