



August 1, 2018

SECOND QUARTER EARNINGS CALL

JASON VOLLMER

Vice President, Chief Financial Officer & Treasurer



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.



MDU Resources Group, Inc.

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.

”

LEADERSHIP TEAM

A. Dave Goodin
President & CEO

B. Jason Vollmer
Vice President, CFO & Treasurer

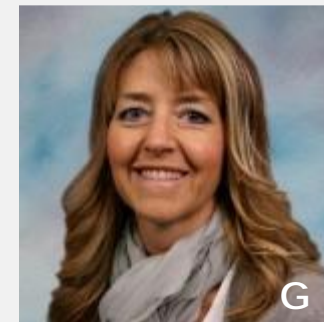
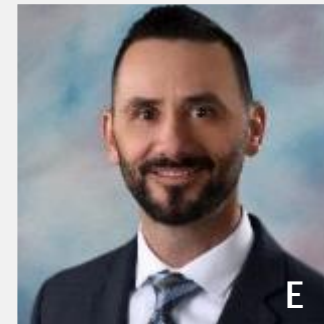
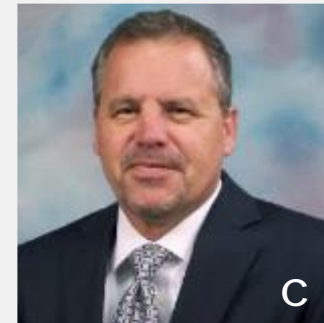
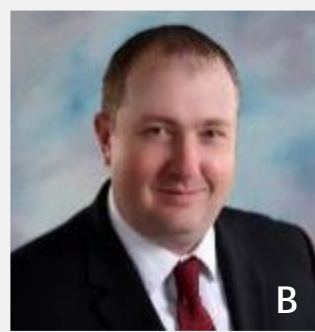
C. Dave Barney
Knife River
President & CEO

D. Jeff Thiede
MDU Construction
Services Group
President & CEO

E. Trevor Hastings
WBI Energy
President & CEO

F. Nicole Kivisto
Utilities Group
President & CEO

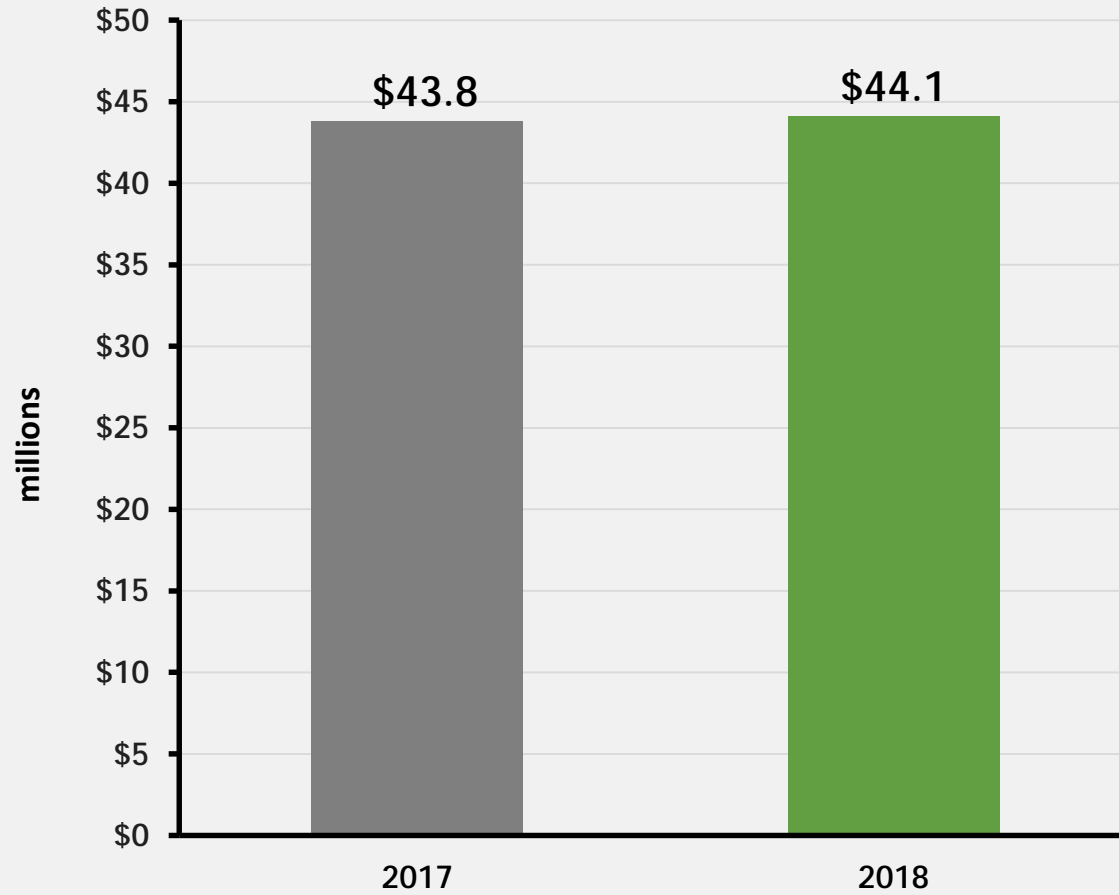
G. Stephanie Barth
Vice President, CAO & Controller



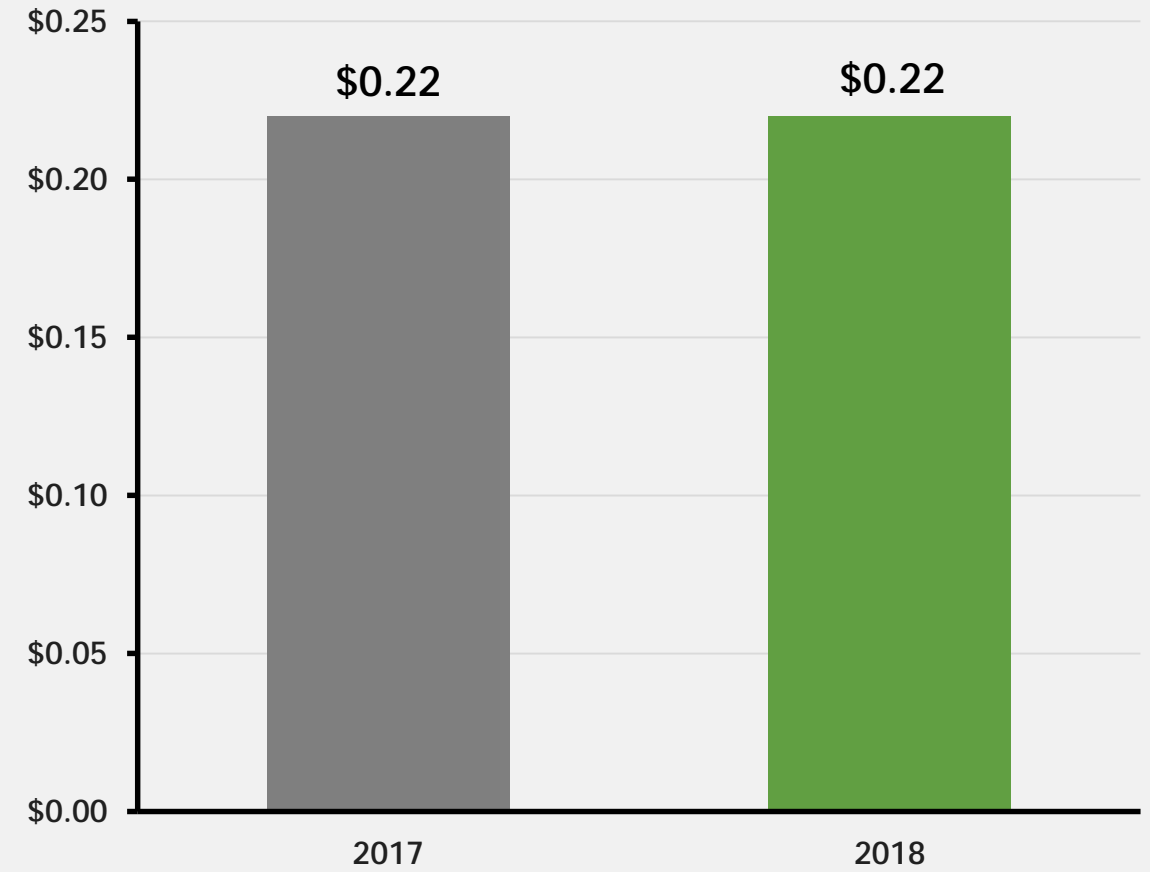
RESULTS FROM CONTINUING OPERATIONS

SECOND QUARTER 2018

EARNINGS



EPS



CONSOLIDATED OPERATIONS*

SECOND QUARTER 2018

EARNINGS



EPS



* Includes both continuing and discontinued operations

CONSTRUCTION SERVICES

SECOND QUARTER 2018

- Reported earnings of \$14.1 million
 - Lower income taxes due to the enactment of the TCJA
 - Higher outside equipment sales and rentals partially offset by lower inside specialty contracting workloads and higher SG&A
- Revenues of \$323.6 million

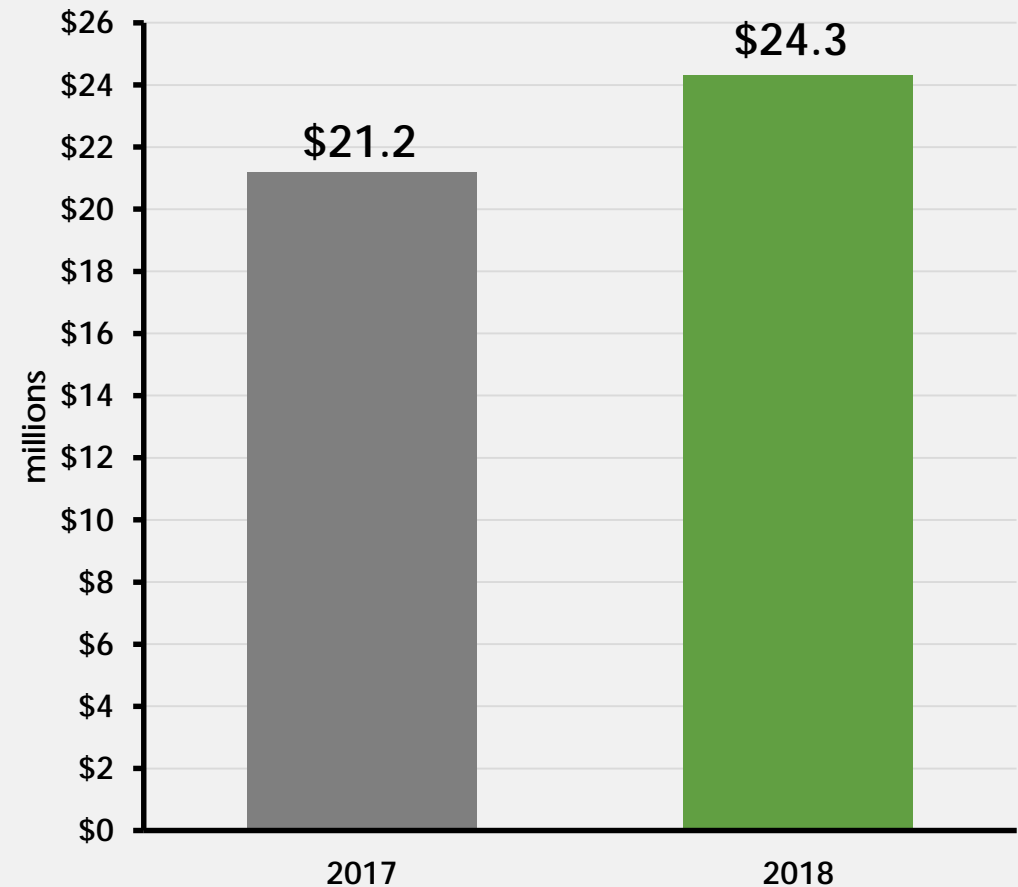


CONSTRUCTION MATERIALS

SECOND QUARTER 2018

- Reported earnings of \$24.3 million
 - Lower income taxes due to the enactment of the TCJA
 - Lower overall material product margins were partially offset by higher construction margins
- Revenues of \$509.6 million

Earnings

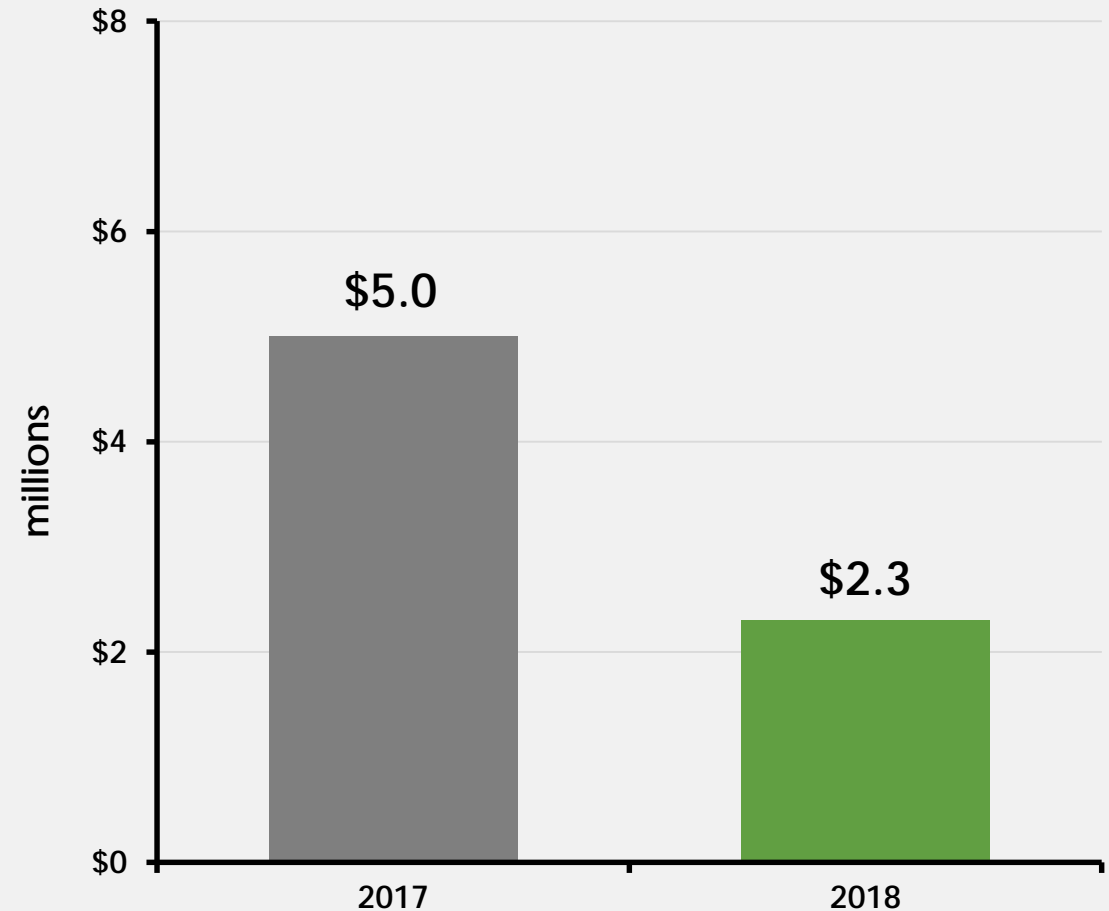


ELECTRIC & NATURAL GAS UTILITY

SECOND QUARTER 2018

- Reported combined earnings of \$2.3 million
 - Increased O&M reflects certain adjustments related to the recent WUTC general rate case decision, including the effects of federal tax reform and higher payroll-related costs
 - Higher DD&A expense
 - Partially offset by approximately 5 percent higher electric retail sales volumes

Earnings



PIPELINE & MIDSTREAM

SECOND QUARTER 2018

- Reported earnings of \$5.7 million
 - Lower income taxes due to the enactment of the TCJA
 - Higher nonregulated project revenues partially offset by higher O&M expense
 - Increased transportation volumes from new projects were offset by decreased storage related revenue and increased DD&A





August 1, 2018

SECOND QUARTER EARNINGS CALL

DAVE GOODIN

President & Chief Executive Officer





CONSTRUCTION SERVICES OUTLOOK

- Record backlog of \$888 million, up from \$596 million in second quarter 2017
- 2018 revenue guidance of \$1.45 billion to \$1.60 billion with margins comparable to or slightly higher than 2017
- High demand for inside specialty contracting work
 - High-tech, mission-critical
 - Gaming and hospitality
 - Medical and education
- Exploring acquisition and organic growth opportunities



CONSTRUCTION MATERIALS OUTLOOK

- Backlog of \$731 million, down from \$766 million in second quarter 2017
- 2018 revenue guidance of \$1.8 billion to \$1.9 billion with margins comparable to or slightly higher than 2017
- Anticipated state and local infrastructure spending initiatives are expected to drive demand
- Acquisitions
 - Teevin & Fischer Quarry – northwest Oregon
 - Tri-City Paving - central Minnesota
 - Molalla Redi-Mix and Rock Products – south of Portland
- Evaluating additional acquisition opportunities



UTILITY OUTLOOK

- Customer base expected to continue growing by 1-2 percent annually
- Thunder Spirit Wind farm expansion
 - On track to be in-service in late 2018
 - Total generation capacity will be approximately 155 megawatts
- Big Stone South to Ellendale joint-venture transmission line
 - Expected to be completed in 2019
 - Project cost is estimated to be between \$130 million and \$150 million
- Focused on timely regulatory recovery
- Rate base growth to continue at 6 percent annually over the next five years on a compound basis
- Capital expenditures - \$1.5 billion over the next five years
- Safely meet customer demand by upgrading and expanding facilities



PIPELINE & MIDSTREAM OUTLOOK

- 13-mile Line Section 27 Expansion project; estimated cost of \$27 to \$30 million
 - Will increase capacity by over 200 million cubic feet per day
 - Construction started and on track to be in-service in fall 2018
- 38-mile Valley Expansion project; estimated cost of \$55 to \$60 million
 - Designed to transport 40 million cubic feet of natural gas per day
 - Construction started and on track to be in-service in late 2018
- 14-mile Demicks Lake project; estimated cost of \$30 million
 - Expected to be in-service in fall 2019
- Line Section 22 Expansion project; estimated cost of \$12 to \$15 million
 - Will increase capacity by 22.5 million cubic feet per day
 - Expected to be in-service in late 2019
- Record Bakken natural gas production will provide additional opportunities

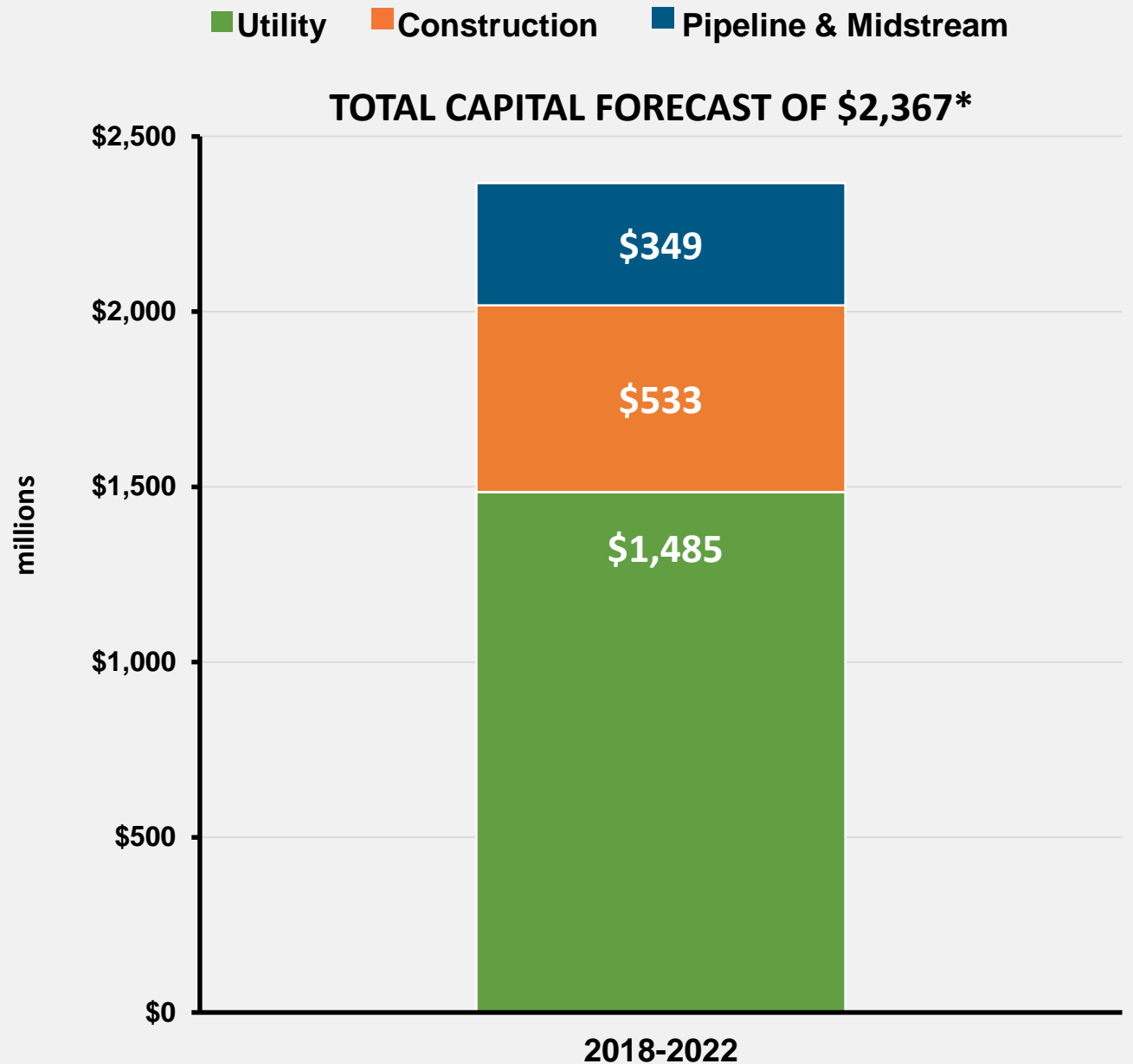
2018 EPS GUIDANCE REAFFIRMED

Consolidated **\$1.25** to **\$1.45**

Note: As of July 31, 2018

2018 - 2022 CAPITAL PROGRAM

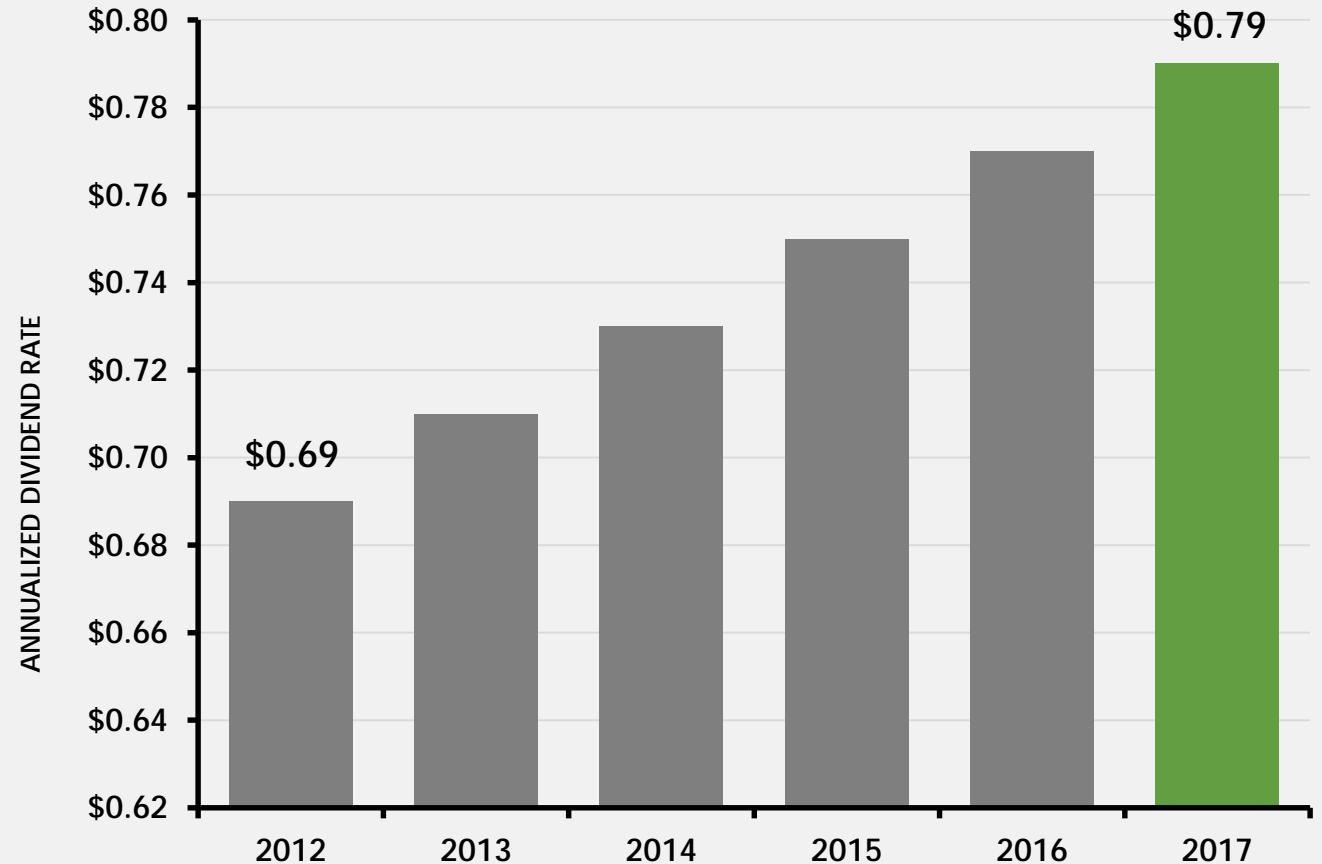
- Electric and natural gas Utility
 - 345-kilovolt transmission line
 - Thunder Spirit Wind farm expansion
- Construction materials and services
 - Equipment and plant replacements and upgrades
 - Completed acquisitions
- Pipeline and midstream
 - Valley Expansion & Demicks Lake projects
 - Line Section 27 & Line Section 22 expansions
- Additional acquisitions incremental to our capital program



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

DIVIDEND GROWTH

- 80 consecutive years of quarterly dividend payments
- Dividend increased November 2017, making 27 consecutive years of increases
- 2017 annualized dividend \$0.79 per share
- Member of S&P High-Yield Dividend Aristocrats index





QUESTIONS

