REFINITIV

DELTA REPORT

10-Q

KNF - KNIFE RIVER CORP

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1031
CHANGES	153
DELETIONS	302
ADDITIONS	576

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024 June 30, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____________ to ______________

Commission file number 1-41642

Knife River Corporation

(Exact name of registrant as specified in its charter)

Delaware	92-1008893
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1150 West Century Avenue
P.O. Box 5568
Bismarck, North Dakota 58506-5568
(Address of principal executive offices)
(Zip Code)

(701) 530-1400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	KNF	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☒	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒.

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of May 2, 2024 August 1, 2024: 56,609,704 56,612,705 shares.

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Unless otherwise stated or the context otherwise requires, references in this report to “Knife River,” the “Company,” “we,” “our,” or “us” refer to Knife River Corporation and its consolidated subsidiaries.

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Introduction

Knife River is an aggregates-led construction materials and contracting services provider in the United States. Our 1.1 billion tons of aggregate reserves provide the foundation for our vertically integrated business strategy, with approximately 37 percent of our aggregates in 2023 being used internally to support value-added downstream products (ready-mix concrete and asphalt) and contracting services (heavy-civil construction, asphalt paving, concrete construction, site development and grading services, and in some segments the manufacturing of prestressed concrete products). We are strategically focused on being the provider of choice in mid-size, high-growth markets and are committed to our plan for continued growth and to delivering for our stakeholders — customers, communities, employees and stockholders — by executing on our four core values: People, Safety, Quality and the Environment.

We supply construction materials to customers from 14 states and also provide related contracting services, which are primarily to public-sector customers for the development and servicing of highways, local roads, bridges and other public-infrastructure projects. We have broad access to high-quality aggregates in most of our markets, which forms the foundation of our vertically integrated business model. We share resources, including plants, equipment and people, across our various locations to maximize efficiency. We also transport our products by truck, rail and barge, depending on the particular market, to complete the vertical value chain, depending on the particular market. chain. Our strategically located aggregate sites, ready-mix plants and asphalt plants, along with our fleet of ready-mix and dump trucks, enable us to better serve our customers. We believe our integrated and expansive business model is a strong competitive advantage that provides scale, efficiency and operational excellence for the benefit of customers, stockholders and the broader communities that we serve.

Knife River is organized into six operating segments: Pacific, Northwest, Mountain, North Central, South and Energy Services. These operating segments are used to determine the Company's reportable segments, segments: Pacific, Northwest, Mountain, Central and Energy Services, which are based on our method of internal reporting and management of our business. Four of the reportable segments are aligned by key geographic areas due to the production of construction materials and related contracting services and one is based on product line. Each geographic segment offers a vertically integrated suite of products and services, including aggregates, ready-mix concrete, asphalt and contracting services, while the Energy Services segment, which has locations throughout our geographic footprint, produces and supplies liquid asphalt and related services, primarily for use in asphalt road construction. We also provide the details of Corporate Services, which includes accounting, legal, treasury, information technology, human resources and certain corporate expenses that support our operating segments. The internal reporting of these segments is defined based on the reporting and review process used by our chief executive officer and chief operating officers. officer.

In the fourth quarter of 2023, we realigned our reportable segments to better support our operational strategies. The liquid asphalt and related services portion of the Pacific segment's businesses are now reported under the Energy Services segment. In addition, the North Central and South operating regions have been aggregated into one reportable segment, Central. We also reallocated certain amounts to the operating segments that were previously reported within Corporate Services. All periods have been recast to conform with the revised presentation. For more information on the Company's business segments, see Note 14 of the Notes to Consolidated Financial Statements.

On May 31, 2023, the separation of Knife River from MDU Resources Group, Inc. ("MDU Resources") and its other businesses was completed and Knife River became an independent, publicly traded company ("Separation") listed on the New York Stock Exchange under the symbol "KNF". The Separation was completed as a tax-free spin-off for U.S. federal income tax purposes. As a result of the Separation, MDU Resources distributed shares representing approximately 90 percent of Knife River's outstanding common stock to holders of record of MDU Resources' common stock as of the close of business on May 22, 2023 ("Distribution"). In November 2023, MDU Resources disposed of all retained shares of Knife River.

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Part I -- Financial Information

Item 1. Financial Statements

Knife River Corporation

Knife River Corporation

Knife River Corporation **Consolidated Statements of Operations** **(Unaudited)**

	Three Months Ended		Three Months Ended		Six Months Ended
	June 30,				
	2024	2023	2024	2023	
	(In thousands, except per share amounts)				
	(In thousands, except per share amounts)				
Revenue:	Revenue:				

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Construction materials
Construction materials
Contracting services
Total revenue
Cost of revenue:
Construction materials
Contracting services
Contracting services
Contracting services
Total revenue
Total revenue
Total revenue
Cost of revenue:
Cost of revenue:
Cost of revenue:
Construction materials
Construction materials
Construction materials
Contracting services
Contracting services
Contracting services
Total cost of revenue
Total cost of revenue
Total cost of revenue
Gross profit
Gross profit
Gross profit
Selling, general and administrative expenses
Selling, general and administrative expenses
Selling, general and administrative expenses
Operating loss
Operating loss
Operating loss
Interest expense
Interest expense
Operating income
Interest expense
Other income
Other income
Other income
Loss before income taxes
Loss before income taxes
Loss before income taxes
Income tax benefit

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Income tax benefit
Income tax benefit

Net loss
Net loss
Net loss

Income before income taxes

Income tax expense

Net income

Net loss per share:
Net loss per share:
Net loss per share:

Basic
Basic

Net income per share:
Net income per share:
Net income per share:

Basic

Diluted
Diluted
Diluted

Weighted average common shares outstanding:
Weighted average common shares outstanding:
Weighted average common shares outstanding:

Basic					
Basic					
Basic		56,611	56,566	56,601	56,566
Diluted	Diluted	56,811	56,599	56,791	56,583
Diluted					
Diluted					

The accompanying notes are an integral part of these consolidated financial statements.

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Knife River Corporation

Knife River Corporation

Consolidated Statements of Comprehensive Income (Unaudited)

Knife River Corporation

	Three Months Ended		Three Months Ended		Six Months Ended
	June 30,		June 30,		
	2024	2023	2024	2023	
	(In thousands)				
(In thousands)					

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Net loss
Net income
Other comprehensive income:
Other comprehensive income:
Other comprehensive income:
Reclassification adjustment for loss on derivative instruments included in net loss, net of tax of $— and $15 for the three months ended in 2024 and 2023, respectively
Reclassification adjustment for loss on derivative instruments included in net loss, net of tax of $— and $15 for the three months ended in 2024 and 2023, respectively
Reclassification adjustment for loss on derivative instruments included in net loss, net of tax of $— and $15 for the three months ended in 2024 and 2023, respectively
Amortization of postretirement liability losses included in net periodic benefit cost, net of tax of $25 and $15 for the three months ended in 2024 and 2023, respectively
Amortization of postretirement liability losses included in net periodic benefit cost, net of tax of $25 and $15 for the three months ended in 2024 and 2023, respectively
Amortization of postretirement liability losses included in net periodic benefit cost, net of tax of $25 and $15 for the three months ended in 2024 and 2023, respectively
Reclassification adjustment for loss on derivative instruments included in net income, net of tax of $0 and $13 for the three months ended and $0 and $28 for the six months ended in 2024 and 2023, respectively
Reclassification adjustment for loss on derivative instruments included in net income, net of tax of $0 and $13 for the three months ended and $0 and $28 for the six months ended in 2024 and 2023, respectively
Reclassification adjustment for loss on derivative instruments included in net income, net of tax of $0 and $13 for the three months ended and $0 and $28 for the six months ended in 2024 and 2023, respectively
Postretirement liability adjustment:
Postretirement liability losses arising during the period, net of tax of $0 and $(6) for the three months ended and $0 and $(6) for the six months ended in 2024 and 2023, respectively
Postretirement liability losses arising during the period, net of tax of $0 and $(6) for the three months ended and $0 and $(6) for the six months ended in 2024 and 2023, respectively
Postretirement liability losses arising during the period, net of tax of $0 and $(6) for the three months ended and $0 and $(6) for the six months ended in 2024 and 2023, respectively
Amortization of postretirement liability losses included in net periodic benefit cost, net of tax of $25 and $15 for the three months ended and $50 and $31 for the six months ended in 2024 and 2023, respectively
Postretirement liability adjustment
Other comprehensive income
Other comprehensive income
Other comprehensive income
Comprehensive loss attributable to common stockholders
Comprehensive loss attributable to common stockholders
Comprehensive loss attributable to common stockholders
Comprehensive income attributable to common stockholders

The accompanying notes are an integral part of these consolidated financial statements.

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Knife River Corporation Consolidated Balance Sheets (Unaudited)

	March 31, 2024	March 31, 2023	December 31, 2023	June 30, 2024	June 30, 2023	December 31, 2023
	(In thousands, except shares and per share amounts)			(In thousands, except shares and per share amounts)		
Assets	Assets			Assets		

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Current assets:	Current assets:		Current assets:	
Cash, cash equivalents and restricted cash				
Receivables, net				
Costs and estimated earnings in excess of billings on uncompleted contracts				
Due from related-party				
Inventories				
Inventories				
Inventories				
Prepayments and other current assets				
Total current assets				
Noncurrent assets:	Noncurrent assets:		Noncurrent assets:	
Property, plant and equipment				
Less accumulated depreciation, depletion and amortization				
Net property, plant and equipment				
Goodwill				
Other intangible assets, net				
Operating lease right-of-use assets				
Investments and other				
Total noncurrent assets				
Total assets				
Liabilities and Stockholders' Equity	Liabilities and Stockholders' Equity		Liabilities and Stockholders' Equity	
Current liabilities:	Current liabilities:		Current liabilities:	
Long-term debt - current portion				
Related-party notes payable - current portion				
Accounts payable				
Accounts payable				
Accounts payable				
Billings in excess of costs and estimated earnings on uncompleted contracts				
Taxes payable				
Accrued compensation				
Accrued interest				
Accrued compensation				
Accrued compensation				
Accrued compensation				
Accrued Interest				
Due to related-party				
Current operating lease liabilities				
Current operating lease liabilities				
Current operating lease liabilities				
Other accrued liabilities				

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Total current liabilities		
Noncurrent liabilities:	Noncurrent liabilities:	Noncurrent liabilities:
Long-term debt		
Related-party notes payable		
Deferred income taxes		
Deferred income taxes		
Deferred income taxes		
Noncurrent operating lease liabilities		
Other		
Total liabilities		
Commitments and contingencies	Commitments and contingencies	Commitments and contingencies
Stockholders' equity:	Stockholders' equity:	Stockholders' equity:
Common stock, 300,000,000 shares authorized, $0.01 par value, 57,040,840 shares issued and 56,609,704 shares outstanding at March 31, 2024; 80,000 shares authorized, issued and outstanding, $10 par value at March 31, 2023; 300,000,000 shares authorized, $0.01 par value, 57,009,542 shares issued and 56,578,406 shares outstanding at December 31, 2023		
Common stock, 300,000,000 shares authorized, $0.01 par value, 57,043,841 shares issued and 56,612,705 shares outstanding at June 30, 2024; 56,997,350 shares issued and 56,566,214 shares outstanding at June 30, 2023; 57,009,542 shares issued and 56,578,406 shares outstanding at December 31, 2023		
Other paid-in capital		
Retained earnings		
MDU Resources common stock held by subsidiary at cost - 538,921 shares at March 31, 2023		
Treasury stock held at cost - 431,136 shares		
Treasury stock held at cost - 431,136 shares		
Treasury stock held at cost - 431,136 shares		
Accumulated other comprehensive loss		
Total stockholders' equity		
Total liabilities and stockholders' equity		

The accompanying notes are an integral part of these consolidated financial statements.

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Knife River Corporation

Consolidated Statements of Equity (Unaudited)

	Common Stock Shares	Amount	Shares	Amount	Shares	Amount	Total	Amount	Shares	Amount	Shares	Amount	Total
	Shares												
	Shares												
	(In thousands, except shares)							(In thousands, except shares)					
At December 31, 2023													

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Net loss	
Other comprehensive income	
Stock-based compensation	
Issuance of common stock upon vesting of stock-based compensation, net of shares used for tax withholding	
Stock-based compensation expense	
Common stock issued for employee compensation, net of tax withholding	
At March 31, 2024	
Net income	
Other comprehensive Income	
Stock-based compensation expense	
Common stock issued for board of director fees	
At June 30, 2024	

The accompanying notes are an integral part of these consolidated financial statements.

Knife River Corporation

Consolidated Statements of Equity (Unaudited)

	Common Stock												
	Shares												
	Shares												
	Shares	Amount	Shares	Amount	Shares	Amount	Total	Amount	Shares	Amount	Shares	Amount	Total
	(In thousands, except shares)							(In thousands, except shares)					
At December 31, 2022													
Net loss													
Other comprehensive income													
Stock-based compensation													
Stock-based compensation expense													
Net transfers to Centennial													
At March 31, 2023													
Net income													
Other comprehensive Income													
Stock-based compensation expense													
Transfer of MDU Resources' stock held by subsidiary													
Receipt of treasury stock at cost													
Retirement of historical common stock in connection with the Separation													
Issuance of common stock in connection with the Separation													
Net transfers from Centennial and MDU Resources including Separation adjustments													
At June 30, 2023													

The accompanying notes are an integral part of these consolidated financial statements.

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Knife River Corporation **Consolidated Statements of Cash Flows** **(Unaudited)**

	Three Months Ended	Six Months Ended
	March 31,	June 30,
	2024 2023	2024 2023
	(In thousands)	(In thousands)
Operating activities:	Operating activities:	Operating activities:
Net loss		
Adjustments to reconcile net loss to net cash used in operating activities:		
Net income		
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation, depletion and amortization		
Deferred income taxes		
Provision for credit losses		
Amortization of debt issuance costs		
Employee stock-based compensation costs		
Pension and postretirement benefit plan net periodic benefit cost		
Unrealized gains on investments		
Gains on sales of assets		
Equity in losses of unconsolidated affiliates		
Changes in current assets and liabilities, net of acquisitions:		
Changes in current assets and liabilities, net of acquisitions:		
Changes in current assets and liabilities, net of acquisitions:		
Receivables		
Receivables		
Receivables		
Due from related-party		
Inventories		
Other current assets		
Accounts payable		
Due to related-party		
Other current liabilities		
Pension and postretirement benefit plan contributions		
Other noncurrent changes		
Net cash used in operating activities		
Investing activities:	Investing activities:	Investing activities:
Capital expenditures		
Net proceeds from sale or disposition of property and other		
Net proceeds from sale or disposition of property and other		

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Acquisitions, net of cash acquired		
Net proceeds from sale or disposition of property and other		
Investments		
Net cash used in investing activities		
Financing activities:	Financing activities:	Financing activities:
Issuance of long-term related-party notes, net		
Issuance of long-term related-party notes, net		
Issuance of long-term related-party notes, net		
Repayment of long-term debt		
Repayment of long-term debt		
Issuance of long-term debt		
Repayment of long-term debt		
Debt issuance costs		
Tax withholding on stock-based compensation		
Tax withholding on stock-based compensation		
Proceeds from issuance of common stock		
Tax withholding on stock-based compensation		
Net transfers to Centennial		
Net cash provided by (used in) financing activities		
Decrease in cash, cash equivalents and restricted cash		
Increase (decrease) in cash, cash equivalents and restricted cash		
Cash, cash equivalents and restricted cash -- beginning of year		
Cash, cash equivalents and restricted cash -- end of period		

The accompanying notes are an integral part of these consolidated financial statements.

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Knife River Corporation
Notes to Consolidated
Financial Statements

March 31, June 30, 2024 and 2023
(Unaudited)

Note 1 - Background

Knife River is a people-first construction materials and contracting services company. We provide construction materials and contracting services to build safe roads, bridges, airport runways and other critical infrastructure needs that connect people with where they want to go and with the supplies they need. Knife River is one of the leading providers of crushed stone and sand and gravel in the United States and operates across 14 states. We conduct our operations through five reportable segments: Pacific, Northwest, Mountain, Central and Energy Services.

In the fourth quarter of 2023, we realigned our reportable segments to better support our operational strategies. As a result, a portion of the Pacific segment's businesses are now reported under the Energy Services segment. In addition, the North Central and South operating regions have been aggregated into one reportable segment, Central. We also reallocated certain amounts to the operating segments that were previously reported within Corporate Services. All periods have been recast to conform with the revised presentation. See Note 14 for additional information.

Separation from MDU Resources

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On May 31, 2023, MDU Resources completed the previously announced separation of Knife River through the distribution of approximately 90 percent of the outstanding shares of common stock, par value $.01 per share, of Knife River to the stockholders of record of MDU Resources as of the close of business on May 22, 2023. MDU Resources retained approximately 10 percent of the outstanding shares of Knife River common stock. The Distribution was structured as a pro rata distribution of one share of Knife River common stock for every four shares of MDU Resources common stock. In November 2023, MDU Resources disposed of all 5,656,621 retained shares of Knife River common stock in an underwritten public offering. As a result of the Distribution, Knife River is now an independent public company and its common stock is listed under the symbol “KNF” on the New York Stock Exchange.

The Separation was completed pursuant to a separation and distribution agreement and other agreements with MDU Resources related to the Separation, including, but not limited to, a tax matters agreement, an employee matters agreement and a transition services agreement. For an interim period following the Separation, certain functions will continue to be provided by MDU Resources under a transition services agreement. For more information on the transition services agreement, see Note 16. We have incurred certain costs in establishing Knife River as an independent, publicly traded company and expect to incur ongoing additional costs associated with operating as an independent, publicly traded company.

All share and earnings per share information has been retroactively adjusted for all periods presented to reflect the Distribution.

Note 2 - Basis of presentation

The accompanying consolidated interim financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Interim financial statements do not include all disclosures provided in annual financial statements and, accordingly, these financial statements should be read in conjunction with the Company's 2023 Annual Report on Form 10-K ("Annual Report"). The information is unaudited but includes adjustments that are, in the opinion of management, necessary for a fair presentation of the accompanying consolidated interim financial statements and are of a normal recurring nature.

Prior to the Separation, Knife River operated as a wholly owned subsidiary of Centennial Energy Holdings, Inc., a direct wholly owned subsidiary of MDU Resources and the direct parent company of Knife River prior to the spinoff ("Centennial") and an indirect, wholly owned subsidiary of MDU Resources and not as a stand-alone company. The accompanying consolidated financial statements and footnotes for the periods prior to the Separation were prepared on a "carve-out" basis using a legal entity approach in conformity with GAAP and were derived from the consolidated financial statements of MDU Resources as if Knife River operated on a stand-alone basis during these periods.

All revenues and costs, as well as assets and liabilities, directly associated with our business activities are included in the consolidated financial statements. In the periods prior to the Separation, the consolidated financial statements include expense allocations for certain functions provided by MDU Resources and Centennial, including, but not limited to, certain general corporate expenses related to senior management, legal, human resources, finance and accounting, treasury, information technology, communications, procurement, tax, insurance and other shared services. These general corporate expenses are included in the Consolidated Statements of Operations within selling, general and administrative expenses and other income (expense). The income. For the three and six months ended June 30, 2023, the amount allocated to Knife River was $4.9 million $4.7 million and $9.6 million, respectively, in selling, general and administrative expenses and $300,000 and $600,000, respectively, in other income for the three months ended March 31, 2023. income. These items were allocated on the basis of direct usage when identifiable, with the

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remainder principally allocated on the basis of percent of total capital invested or other allocation methodologies that were considered to be a reasonable reflection of the utilization of the services provided to the benefits received, including the following: number of employees paid and stated as cost per check; number of employees served; weighted factor of travel, managed units, national account spending, equipment and fleet acquisitions; purchase order dollars spent and purchase order line count; number of payments, vouchers or unclaimed property reports; labor hours; time tracked; and projected workload. The allocations may not, however, reflect the expenses we would have incurred as a

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stand-alone company for the periods presented. These costs also may not be indicative of the expenses that we will incur in the future or would have incurred if we had obtained these services from a third party.

Prior to the Separation, Knife River participated in Centennial's centralized cash management program, including its overall financing arrangements. Knife River also had related-party note agreements in place with Centennial for the financing of its capital needs, which are reflected as related-party notes payable on the Consolidated Balance Sheet as of March 31, 2023. Interest expense in the Consolidated Statements of Operations, for the periods prior to the Separation, reflects the allocation of interest on borrowing and funding associated with the related-party note agreements. Upon the completion of the Separation, we implemented our own financing agreements with lenders. For additional information on the Knife River's current debt financing, see Note 12.
Related-party transactions between Knife River and MDU Resources or Centennial for general operating activities and intercompany debt have been included in the consolidated financial statements for periods prior to the Separation. Outstanding balances as of the periods presented were reflected on Consolidated Balance Sheets as “Due from related-party” or “Due to related-party” and “Related-party notes payable”. See Note 16 for additional information on related-party transactions.

Prior to the Separation, income tax expense and tax balances in the consolidated financial statements were calculated on a separate tax return basis. The separate tax return method applies the accounting guidance for income taxes to the stand-alone financial statements as if Knife River were a separate taxpayer and a standalone

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enterprise. We believe the assumptions supporting the allocation and presentation of income taxes on a separate return basis are reasonable. As a stand-alone entity, we will file tax returns on our own behalf, and tax balances and effective income tax rate may differ from the amounts reported in the historical periods.

Management has also evaluated the impact of events occurring after March 31, 2024 June 30, 2024, up to the date of issuance of these consolidated interim financial statements on May 7, 2024 August 6, 2024, that would require recognition or disclosure in the Consolidated Financial Statements.

Principles of consolidation

For all periods, the consolidated financial statements were prepared in accordance with GAAP and include the accounts of Knife River and its wholly owned subsidiaries. All intercompany accounts and transactions between the businesses comprising Knife River have been eliminated in the accompanying audited consolidated financial statements.

Use of estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Estimates are used for items such as long-lived assets and goodwill; fair values of acquired assets and liabilities under the acquisition method of accounting; aggregate reserves; property depreciable lives; tax provisions; revenue recognized using the cost-to-cost measure of progress for contracts; expected credit losses; environmental and other loss contingencies; costs on contracting services contracts; actuarially determined benefit costs; asset retirement obligations; lease classification; present value of right-of-use assets and lease liabilities; and the valuation of stock-based compensation. These estimates are based on management’s best knowledge of current events, historical experience, actions that we may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. As additional information becomes available, or actual amounts are determinable, the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

Cash, cash equivalents and restricted cash

We consider all highly liquid investments with an original maturity of three months or less, when purchased, to be cash and cash equivalents. At March 31, 2024, the $170.7 million of cash, cash equivalents and restricted cash on the Consolidated Statements of Cash Flows is comprised of $128.4 million of cash and cash equivalents and $42.3 million of restricted cash. At March 31, 2023, the Company did not have any restricted cash. At December 31, 2023, the $262.3 million of cash, cash equivalents and restricted cash on the Consolidated Statements of Cash Flows is comprised of $219.3 million of cash and cash equivalents and $43.0 million of restricted cash. Restricted cash represents deposits held by our captive insurance company that is required by state insurance regulations to remain in the captive insurance company. Cash, cash equivalents and restricted cash on the Consolidated Balance Sheets is comprised of:

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	June 30, 2024	June 30, 2023	December 31, 2023
	(In thousands)		
Cash and cash equivalents	$ 15,468	$ 40,089	$ 219,324
Restricted cash	41,701	28,400	42,996
Cash, cash equivalents and restricted cash	$ 57,169	$ 68,489	$ 262,320

Seasonality of operations

Some of our operations are seasonal and revenues from, and certain expenses for, such operations may fluctuate significantly among quarterly periods, with lower activity in the winter months and higher activity in the summer months. Accordingly, the interim results for particular segments, and for Knife River as a whole, may not be indicative of results for the full fiscal year or other future periods.

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Note 3 - New accounting standards

The following table provides a brief description of the accounting pronouncements applicable to Knife River and the potential impact on its consolidated financial statements and/or disclosures:

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Standard	Description	Standard Effective Date	Impact on financial statements/disclosures
Recently issued Financial Accounting Standards Board (FASB) accounting standards updates ("ASU") not yet adopted			
ASU 2023-07 - Improvements to Reportable Segment Disclosures	In November 2023, the FASB issued guidance on modifying the disclosure requirements to improve reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. The guidance also expands the interim disclosure requirements. The guidance is to be applied on a retrospective basis to the financial statements and footnotes and early adoption is permitted.	Fiscal periods beginning after December 15, 2023 and interim periods beginning after December 31, 2024	The Company is currently evaluating the impact the guidance will have on its disclosures for the year ended December 31, 2024 and interim periods for fiscal year 2025.
ASU 2023-09 - Improvements to Income Tax Disclosures	In December 2023, the FASB issued guidance on modifying the disclosure requirements to increase transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The guidance is to be applied on a prospective basis to the financial statements and footnotes, however, retrospective adoption is also permitted. The guidance also permits early adoption.	Fiscal periods beginning after December 15, 2024	The Company is currently evaluating the impact the guidance will have on its disclosures for the year ended December 31, 2025.

Note 4 - Receivables and allowance for expected credit losses

Receivables consist primarily of trade and contract receivables for the sale of goods and services net of expected credit losses. A majority of our receivables are due in 30 days or less. The total balance of receivables past due 90 days or more was $12.6 million $7.4 million, $13.7 million $11.6 million and $16.7 million at March 31, 2024 June 30, 2024, March 31, 2023 June 30, 2023 and December 31, 2023, respectively. Receivables were as follows:

		March 31, 2024	March 31, 2023	December 31, 2023		June 30, 2024	June 30, 2023	December 31, 2023
			(In thousands)					
Trade receivables	Trade receivables	$ 107,834	$ 100,487	$ 124,134	Trade receivables	$ 206,673	$ 220,948	$ 124,134
Contract receivables	Contract receivables	50,427	52,487	112,037	Contract receivables	188,120	173,318	112,037
Retention receivables	Retention receivables	31,524	27,438	36,782	Retention receivables	32,649	30,224	36,782
Receivables, gross	Receivables, gross	189,785	180,412	272,953	Receivables, gross	427,442	424,490	272,953
Less expected credit loss	Less expected credit loss	6,077	5,822	6,168	Less expected credit loss	4,501	5,870	6,168
Receivables, net	Receivables, net	$ 183,708	$ 174,590	$ 266,785	Receivables, net	$ 422,941	$ 418,620	$ 266,785

The Company's expected credit losses are determined through a review using historical credit loss experience; changes in asset specific characteristics; current conditions; and reasonable and supportable future forecasts, among other specific account data, and is performed at least quarterly. We develop and document our methodology to determine our allowance for expected credit losses. Risk characteristics used by management may include customer mix, knowledge of customers and general economic conditions of the various local economies, among others. Specific account balances are written off when management determines the amounts to be uncollectible. Management has reviewed the balance reserved through the allowance for expected credit losses and believes it is reasonable.

Details of the Company's expected credit losses were as follows:

	Pacific	Pacific	Northwest	Mountain	Central	Energy Services	Total	Pacific	Northwest	Mountain	Central	Energy Services	Total
			(In thousands)						(In thousands)				
As of December 31, 2023													
Current expected credit loss provision													
Less write-offs charged against the allowance													
At March 31, 2024													
At March 31, 2024													
At March 31, 2024													
Current expected credit loss provision													
Less write-offs charged against the allowance													
At June 30, 2024													
At June 30, 2024													
At June 30, 2024													

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	Pacific	Pacific	Northwest	Mountain	Central	Energy Services	Total	Pacific	Northwest	Mountain	Central	Energy Services	Total
		(In thousands)						(In thousands)					
As of December 31, 2022													
Current expected credit loss provision													
Less write-offs charged against the allowance													
At March 31, 2023													
At March 31, 2023													
At March 31, 2023													
Current expected credit loss provision													
Less write-offs charged against the allowance													
At June 30, 2023													
At June 30, 2023													
At June 30, 2023													

Note 5 - Inventories

Inventories on the Consolidated Balance Sheets were as follows:

	March 31, 2024	March 31, 2023	December 31, 2023	June 30, 2024	June 30, 2023	December 31, 2023
	(In thousands)			(In thousands)		
Finished products						
Raw materials						
Supplies and parts						
Total						

Inventories are valued at the lower of cost or net realizable value using the average cost method. Inventories include production costs incurred as part of our aggregate mining activities. These inventoriable production costs include all mining and processing costs associated with the production of aggregates. Stripping costs incurred during the production phase, which represent costs of removing overburden and waste materials to access mineral deposits, are a component of inventoriable production costs.

Note 6 - Net loss income per share

The calculation for basic and diluted earnings per share for any period presented prior to the Separation are based on the number of shares outstanding on May 31, 2023, the Separation and Distribution date. For periods prior to the Separation, it is assumed that there are no dilutive equity instruments as there were no Knife River stock-based awards outstanding at the time.

Basic net loss income per share is computed by dividing net loss income by the weighted average number of shares of common stock outstanding during the applicable period. Diluted earnings net income per share is computed by dividing net income by the total of the weighted average number of shares of common stock outstanding during the applicable period, plus the effect of non-vested performance shares and restricted stock units. The Company's potentially dilutive securities have been excluded from the computation of diluted net loss per share as the effect would reduce the net loss per share and is considered antidilutive. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share is the same. Weighted average common shares outstanding is comprised of issued shares of 57,040,840 57,043,841 less shares held in treasury of 431,136. Basic and diluted earnings net income per share are calculated as follows, based on a reconciliation of the weighted-average common shares outstanding on a basic and diluted basis:

	Three Months Ended		Three Months Ended		Six Months Ended	
	Three Months Ended					
	Three Months Ended					
	March 31,					
	March 31,					
	March 31,					
	2024					
	2024					
		June 30,		June 30,		
	2024		2024	2023	2024	2023
	(In thousands, except per share amounts)			(In thousands, except per share amounts)		

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(In thousands, except per share amounts)
(In thousands, except per share amounts)

Net loss	
Weighted average common shares outstanding - basic	
Weighted average common shares outstanding - basic	
Net income	
Weighted average common shares outstanding - basic	
Effect of dilutive performance shares and restricted stock units	
Effect of dilutive performance shares and restricted stock units	
Effect of dilutive performance shares and restricted stock units	
Weighted average common shares outstanding - diluted	
Weighted average common shares outstanding - diluted	
Weighted average common shares outstanding - diluted	
Shares excluded from the calculation of diluted loss per share	
Shares excluded from the calculation of diluted loss per share	
Shares excluded from the calculation of diluted loss per share	
Net loss per share - basic	
Net loss per share - basic	
Net loss per share - basic	
Net loss per share - diluted	
Net loss per share - diluted	
Net loss per share - diluted	
Net income per share - basic	
Net income per share - diluted	

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Note 7 - Accumulated other comprehensive loss

The after-tax changes in the components of accumulated other comprehensive loss were as follows:

	Net Unrealized Loss on Derivative Instruments Qualifying as Hedges	Net Unrealized Loss on Derivative Instruments Qualifying as Hedges	Net Unrealized Loss on Derivative Instruments Qualifying as Hedges	Postretirement Liability Adjustment	Total Accumulated Other Comprehensive Loss	Postretirement Liability Adjustment	Total Accumulated Other Comprehensive Loss
			(In thousands)			(In thousands)	

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As of December 31, 2023
Amounts reclassified from accumulated other comprehensive loss
Net current-period other comprehensive income
At March 31, 2024
Amounts reclassified from accumulated other comprehensive loss
Amounts reclassified from accumulated other comprehensive loss
Amounts reclassified from accumulated other comprehensive loss
Net current-period other comprehensive income
At March 31, 2024
At June 30, 2024

Net Unrealized Loss on Derivative Instruments Qualifying as Hedges

Net Unrealized Loss on Derivative Instruments Qualifying as Hedges

	Net Unrealized Loss on Derivative Instruments Qualifying as Hedges	Postretirement Liability Adjustment	Total Accumulated Other Comprehensive Loss	Postretirement Liability Adjustment	Total Accumulated Other Comprehensive Loss
	(In thousands)			(In thousands)	
As of December 31, 2022					
Amounts reclassified from accumulated other comprehensive loss					
Net current-period other comprehensive income					
At March 31, 2023					
Other comprehensive loss before reclassification					
Amounts reclassified from accumulated other comprehensive loss					
Other comprehensive loss before reclassification					
Amounts reclassified from accumulated other comprehensive loss					
Other comprehensive loss before reclassification					
Amounts reclassified from accumulated other comprehensive loss					
Net current-period other comprehensive income					
At March 31, 2023					
At June 30, 2023					

The following amounts were reclassified out of accumulated other comprehensive loss into net loss. income. The amounts presented in parenthesis indicate a decrease to net loss income on the Consolidated Statements of Operations. The reclassifications were as follows:

Three Months Ended		Three Months Ended	Six Months Ended	Location on Consolidated Statements of Operations
Three Months Ended				

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	Three Months Ended		Location on Consolidated Statements of Operations												
March 31,															
2024															
2024															
		June 30,		June 30,		Location on Consolidated Statements of Operations									
2024		2024		2023	2024		2023								
(In thousands)															
(In thousands)															
(In thousands)															
Reclassification adjustment for loss on derivative instruments included in net loss															
Reclassification adjustment for loss on derivative instruments included in net loss															
Reclassification adjustment for loss on derivative instruments included in net loss	$ —	$ (61)	Interest expense												
Reclassification adjustment for loss on derivative instruments included in net income															
Reclassification adjustment for loss on derivative instruments included in net income															
Reclassification adjustment for loss on derivative instruments included in net income	$ —	$ (57)	$ —	$ (118)	Interest expense										
—		—	15	15	Income taxes	Income taxes		—	13	13	—	—	28	28	Income taxes / Income taxes
—															
Amortization of postretirement liability losses included in net periodic benefit cost															
Amortization of postretirement liability losses included in net periodic benefit cost															
Amortization of postretirement liability losses included in net periodic benefit cost	(103)	(62)	(62)	Other income	Other income	(102)	(63)	(63)	(205)	(205)	(126)	(126)	Other income	Other income	
25		25	15	15	Income taxes	Income taxes	25	15	15	50	50	31	31	Income taxes	Income taxes
(78)															
(77)															
Total reclassifications															
Total reclassifications															
Total reclassifications															

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Note 8 - Revenue from contracts with customers

Revenue is recognized when a performance obligation is satisfied by transferring control over a product or service to a customer. Revenue includes revenue from the sales of construction materials and contracting services. Revenue is measured based on consideration specified in a contract with a customer and excludes any sales incentives and amounts collected on behalf of third parties. Knife River is considered an agent for certain taxes collected from customers. As such, we present revenues net of these taxes at the time of sale to be remitted to governmental authorities, including sales and use taxes. Revenue for construction materials is recognized at a point in time when delivery of the products has taken place. Contracting revenue is recognized over time using an input method based on the cost-to-cost measure of progress on a project.

Disaggregation

In the following tables, revenue is disaggregated by category for each segment and includes sales of materials to both third parties and internal customers. Due to consolidation requirements, the internal sales revenues must be eliminated against the construction materials product used in downstream materials and contracting services to arrive at the external operating revenues. We believe this level of disaggregation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. For more information on the Company's reportable segments, see Note 14.

Three Months Ended March 31, 2024	Pacific	Northwest	Mountain	Central	Energy Services	Corporate Services and Eliminations	Total
Three Months Ended June 30, 2024	Pacific	Northwest	Mountain	Central	Energy Services	Corporate Services and Eliminations	Total
					(In thousands)		
Aggregates							
Ready-mix concrete							
Asphalt							
Liquid asphalt							
Other							
Contracting services public-sector							
Contracting services private-sector							
Internal sales							
Revenues from contracts with customers							

Three Months Ended March 31, 2023	Pacific	Northwest	Mountain	Central	Energy Services	Corporate Services and Eliminations	Total
Three Months Ended June 30, 2023	Pacific	Northwest	Mountain	Central	Energy Services	Corporate Services and Eliminations	Total
					(In thousands)		
Aggregates							
Ready-mix concrete							
Asphalt							
Liquid asphalt							
Other							
Contracting services public-sector							
Contracting services private-sector							
Internal sales							
Revenues from contracts with customers							

Six Months Ended June 30, 2024	Pacific	Northwest	Mountain	Central	Energy Services	Corporate Services and Eliminations	Total
				(In thousands)			
Aggregates	$ 50,809	$ 92,459	$ 40,592	$ 58,814	$ —	$ —	$ 242,674
Ready-mix concrete	67,887	77,436	48,803	85,248	—	—	279,374
Asphalt	10,969	40,766	33,690	50,326	—	—	135,751
Liquid asphalt	—	—	—	—	76,340	—	76,340
Other	67,686	9,147	13	12,773	17,448	9,654	116,721
Contracting services public-sector	26,188	107,343	115,882	123,853	—	—	373,266
Contracting services private-sector	22,296	40,628	55,355	5,724	—	—	124,003
Internal sales	(35,621)	(48,402)	(40,740)	(61,173)	(16,428)	(9,269)	(211,633)

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Revenues from contracts with customers	$ 210,214	$ 319,377	$ 253,595	$ 275,565	$ 77,360	$ 385	$ 1,136,496

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Six Months Ended June 30, 2023	Pacific	Northwest	Mountain	Central	Energy Services	Corporate Services and Eliminations	Total
				(In thousands)			
Aggregates	$ 46,143	$ 90,540	$ 38,532	$ 54,722	$ —	$ —	$ 229,937
Ready-mix concrete	66,670	78,488	48,876	87,633	—	—	281,667
Asphalt	7,591	41,445	30,282	59,238	—	—	138,556
Liquid asphalt	—	—	—	—	81,206	—	81,206
Other	63,222	7,016	11	12,495	16,040	1,767	100,551
Contracting services public-sector	20,819	70,304	108,619	136,885	—	—	336,627
Contracting services private-sector	19,474	55,115	50,762	6,442	—	—	131,793
Internal sales	(33,197)	(48,254)	(40,710)	(68,761)	(15,928)	(398)	(207,248)
Revenues from contracts with customers	$ 190,722	$ 294,654	$ 236,372	$ 288,654	$ 81,318	$ 1,369	$ 1,093,089

Note 9 - Uncompleted contracts

The timing of revenue recognition may differ from the timing of invoicing to customers. The timing of invoicing to customers does not necessarily correlate with the timing of revenues being recognized under the cost-to-cost method of accounting. Contracts from contracting services are billed as work progresses in accordance with agreed upon contractual terms. Generally, billing to the customer occurs contemporaneous to revenue recognition. A variance in timing of the billings may result in a contract asset or a contract liability. A contract asset occurs when revenues are recognized under the cost-to-cost measure of progress, which exceeds amounts billed on uncompleted contracts. Such amounts will be billed as standard contract terms allow, usually based on various measures of performance or achievement. A contract liability occurs when there are billings in excess of revenues recognized under the cost-to-cost measure of progress on uncompleted contracts. Contract liabilities decrease as revenue is recognized from the satisfaction of the related performance obligation.

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The changes in contract assets and liabilities were as follows:

	March 31, 2024	December 31, 2023	Change	Location on Consolidated Balance Sheets
	June 30, 2024	December 31, 2023	Change	Location on Consolidated Balance Sheets
	(In thousands)			
Contract assets				
Contract assets				

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Contract assets	$33,559	$	27,293	$	6,266	Costs and estimated earnings in excess of billings on uncompleted contracts	Costs and estimated earnings in excess of billings on uncompleted contracts	$	49,150	$	27,293	$	21,857	Costs and estimated earnings in excess of billings on uncompleted contracts	Costs and estimated earnings in excess of billings on uncompleted contracts	
Contract liabilities	Contract liabilities	(50,844)	(51,376)	(51,376)	532	532	Billings in excess of costs and estimated earnings on uncompleted contracts	Billings in excess of costs and estimated earnings on uncompleted contracts	Contract liabilities	(45,123)	(51,376)	(51,376)	6,253	6,253	Billings in excess of costs and estimated earnings on uncompleted contracts	Billings in excess of costs and estimated earnings on uncompleted contracts
Net contract liabilities																
Net contract assets (liabilities)																

	March 31, 2023	December 31, 2022	Change	Location on Consolidated Balance Sheets
	June 30, 2023	December 31, 2022	Change	Location on Consolidated Balance Sheets
	(In thousands)			
Contract assets				
Contract assets				

Contract assets	$30,974	$	31,145	$	(171)	Costs and estimated earnings in excess of billings on uncompleted contracts	Costs and estimated earnings in excess of billings on uncompleted contracts	$	58,020	$	31,145	$	26,875	Costs and estimated earnings in excess of billings on uncompleted contracts	Costs and estimated earnings in excess of billings on uncompleted contracts	
Contract liabilities	Contract liabilities	(37,375)	(39,843)	(39,843)	2,468	2,468	Billings in excess of costs and estimated earnings on uncompleted contracts	Billings in excess of costs and estimated earnings on uncompleted contracts	Contract liabilities	(44,590)	(39,843)	(39,843)	(4,747)	(4,747)	Billings in excess of costs and estimated earnings on uncompleted contracts	Billings in excess of costs and estimated earnings on uncompleted contracts
Net contract liabilities																
Net contract assets (liabilities)																

The Company recognized $30.5 $14.4 million and $44.9 million in revenue for the three and six months ended March 31, 2024 June 30, 2024, respectively, which was previously included in contract liabilities at December 31, 2023. The Company recognized $20.3 million $11.4 million and $31.7 million in revenue for the three and six

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months ended March 31, 2023 June 30, 2023, respectively, which was previously included in contract liabilities at December 31, 2022.

The Company recognized a net increase in revenues of $9.2 million $15.1 million and $3.6 million $21.2 million for the three and six months ended March 31, 2024 and 2023, June 30, 2024, respectively, from performance obligations satisfied in prior periods. The Company recognized a net increase in revenues of $7.4 million and $8.1 million for the three and six months ended June 30, 2023, respectively, from performance obligations satisfied in prior periods.

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Remaining performance obligations

The remaining performance obligations, also referred to as backlog, include unrecognized revenues that we reasonably expect to be realized. These unrecognized revenues can include: projects that have a written award, a letter of intent, a notice to proceed, an agreed upon work order to perform work on mutually accepted terms and conditions, and change orders or claims to the extent management believes additional contract revenues will be earned and are deemed probable of collection. The majority of our contracts for contracting services have an original duration of less than one year.

At March 31, 2024 June 30, 2024, the Company's remaining performance obligations were $959.5 $988.5 million. We expect to recognize the following revenue amounts in future periods related to these remaining performance obligations: $891.0 $936.7 million within the next 12 months or less; $59.2 $44.0 million within the next 13 to 24 months; and $9.3 $7.8 million in 25 months or more.

Note 10 - Goodwill and other intangible assets

The changes in the carrying amount of goodwill were as follows:

	Balance at January 1, 2024	Balance at January 1, 2024	Goodwill Acquired During the Year	Measurement Period Adjustments	Reallocation of Goodwill	Balance at March 31, 2024	Balance at January 1, 2024	Goodwill Acquired During the Year	Measurement Period Adjustments	Reallocation of Goodwill	Balance at June 30, 2024
		(In thousands)					(In thousands)				
Pacific											
Northwest											
Mountain											
North Central											
South											
Energy Services											
Total											

	Balance at January 1, 2023	Goodwill Acquired During the Year	Measurement Period Adjustments	Reallocation of Goodwill	Balance at June 30, 2023
			(In thousands)		
Pacific	$ 38,339	$ —	$ (62)	$ —	$ 38,277
Northwest	90,978	—	—	—	90,978
Mountain	26,816	—	—	—	26,816
North Central	75,879	—	—	—	75,879
South	38,708	—	—	—	38,708
Energy Services	3,820	—	—	—	3,820
Total	$ 274,540	$ —	$ (62)	$ —	$ 274,478

	Balance at January 1, 2023	Goodwill Acquired During the Year	Measurement Period Adjustments	Reallocation of Goodwill	Balance at December 31, 2023
			(In thousands)		
Pacific	$ 38,339	$ —	$ (62)	$ (5,656)	$ 32,621
Northwest	90,978	—	—	—	90,978
Mountain	26,816	—	—	—	26,816

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North Central		75,879		—		—		—		75,879
South		38,708		—		—		—		38,708
Energy Services		3,820		—		—		5,656		9,476
Total	$	274,540	$	—	$	(62)	$	—	$	274,478

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		Balance at January 1, 2023		Goodwill Acquired During the Year		Measurement Period Adjustments		Reallocation of Goodwill		Balance at March 31, 2023
					(In thousands)					
Pacific	$	38,339	$	—	$	—	$	—	$	38,339
Northwest		90,978		—		—		—		90,978
Mountain		26,816		—		—		—		26,816
North Central		75,879		—		—		—		75,879
South		38,708		—		—		—		38,708
Energy Services		3,820		—		—		—		3,820
Total	$	274,540	$	—	$	—	$	—	$	274,540

		Balance at January 1, 2023		Goodwill Acquired During the Year		Measurement Period Adjustments		Reallocation of Goodwill		Balance at December 31, 2023
					(In thousands)					
Pacific	$	38,339	$	—	$	(62)	$	(5,656)	$	32,621
Northwest		90,978		—		—		—		90,978
Mountain		26,816		—		—		—		26,816
North Central		75,879		—		—		—		75,879
South		38,708		—		—		—		38,708
Energy Services		3,820		—		—		5,656		9,476
Total	$	274,540	$	—	$	(62)	$	—	$	274,478

Other amortizable intangible assets were as follows:

	March 31, 2024	March 31, 2023	December 31, 2023	June 30, 2024	June 30, 2023	December 31, 2023
		(In thousands)			(In thousands)	
Customer relationships						
Less accumulated amortization						
Noncompete agreements						
Less accumulated amortization						
	505					
	501					
Other						
Less accumulated amortization						
Total						

Amortization expense for amortizable intangible assets for the three and six months ended March 31, 2024 June 30, 2024, was $526,000 and 2023 $1.1 million, respectively. Amortization expense for amortizable intangible assets for the three and six months ended June 30, 2023, was $545,000 $653,000 and $667,000, $1.3 million, respectively. Estimated amortization expense for identifiable intangible assets as of March 31, 2024 June 30, 2024, was:

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	Remainder of 2024	Remainder of 2024	2025	2026	2027	2028	Thereafter	Remainder of 2024	2025	2026	2027	2028	Thereafter
(In thousands)													
Amortization expense													

Note 11 - Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The fair value guidance establishes a hierarchy for grouping assets and liabilities, based on the significance of inputs. The estimated fair values of the Company's assets and liabilities measured on a recurring basis are determined using the market approach.

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Financial instruments measured at fair value on a recurring basis

We measure our investments in certain fixed-income and equity securities at fair value with changes in fair value recognized in income. We anticipate using these investments, which consist of insurance contracts, to satisfy our obligations under our unfunded, nonqualified defined benefit and defined contribution plans for the Company's our executive officers and certain key management employees, and invests in these fixed-income and equity securities for the purpose of earning investment returns and capital appreciation. These investments, which totaled $27.1 $27.3 million, $22.4 $19.1 million and $24.9 million at March 31, 2024 June 30, 2024 and 2023, and December 31, 2023, respectively, are classified as investments on the Consolidated Balance Sheets. The net unrealized gains on these investments were $1.2 million $392,000 and $827,000 $197,000 for the three months ended March 31, 2024 and $1.6 million and $1.1 million for the six months ended June 30, 2024 and 2023, respectively. The change in fair value, which is considered part of the cost of the plan, is classified in other income on the Consolidated Statements of Operations.

The Company's assets measured at fair value on a recurring basis were as follows:

	Fair Value Measurements at March 31, 2024, Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2024	Fair Value Measurements at June 30, 2024, Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2024
(In thousands)								
Assets:	Assets:				Assets:			
Money market funds								
Insurance contracts*								
Total assets measured at fair value								
Total assets measured at fair value								
Total assets measured at fair value								

* The insurance contracts invest approximately 36 percent in fixed-income investments, 22 23 percent in common stock of large-cap companies, 16 15 percent in cash equivalents, 10 9 percent in common stock of mid-cap companies, 8 9 percent target date investments, 5 percent in common stock of small-cap companies, 1 percent in international investments, 1 percent in real estate investments and 1 percent in high yield investments.

	Fair Value Measurements at March 31, 2023, Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2023
(In thousands)				
Assets:				

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Money market funds	$	—	$	2,472	$	—	$	2,472
Insurance contracts*		—		22,438		—		22,438
Total assets measured at fair value	$	—	$	24,910	$	—	$	24,910

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	Fair Value Measurements at June 30, 2023, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2023
		(In thousands)		
Assets:				
Money market funds	$ —	$ 7,529	$ —	$ 7,529
Insurance contracts*	—	19,141	—	19,141
Total assets measured at fair value	$ —	$ 26,670	$ —	$ 26,670

* The insurance contracts invest approximately 61 47 percent in fixed-income investments, 20 percent in cash equivalents, 15 percent in common stock of large-cap companies, 8 percent in common stock of mid-cap companies, 7 percent target date investments, 6 percent in common stock of small-cap companies 2 and 4 percent in cash equivalents, and 1 percent in international target date investments.

	Fair Value Measurements at December 31, 2023, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2023
		(In thousands)		
Assets:				
Money market funds	$ —	$ 3,241	$ —	$ 3,241
Insurance contracts*	—	24,896	—	24,896
Total assets measured at fair value	$ —	$ 28,137	$ —	$ 28,137

* The insurance contracts invest approximately 40 percent in fixed-income investments, 19 percent in common stock of large-cap companies, 18 percent in cash equivalents, 8 percent in target date investments, 8 percent in common stock of mid-cap companies, 6 percent in common stock of small-cap companies and 1 percent in international investments.

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The Company’s Level 2 money market funds are valued at the net asset value of shares held at the end of the period, based on published market quotations on active markets, or using other known sources including pricing from outside sources. The estimated fair value of the Company’s Level 2 insurance contracts is based on contractual cash surrender values that are determined primarily by investments in managed separate accounts of the insurer. These amounts approximate fair value. The managed separate accounts are valued based on other observable inputs or corroborated market data.

Though we believe the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value.

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Nonfinancial instruments measured at fair value on a nonrecurring basis

We apply the provisions of the fair value measurement standard to our nonrecurring, non-financial measurements, including long-lived asset impairments. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. We review the carrying value of our long-lived assets, excluding goodwill, whenever events or changes in circumstances indicate that such carrying amounts may not be recoverable.

The assets and liabilities of the acquisitions that occurred during the second quarter of 2024 were calculated using a market or cost approach. The fair value of some of the assets was determined based on Level 3 inputs including estimated future cash flows, discount rates, growth rates and sales projections, all of which require significant management judgment.

The Company's long-term debt is not measured at fair value on the Consolidated Balance Sheets and the fair value is being provided for disclosure purposes only. The fair value was categorized as Level 2 in the fair value hierarchy and was based on

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discounted cash flows using current market interest rates. The estimated fair value of the Company's Level 2 long-term debt was as follows:

	March 31, 2024	December 31, 2023	June 30, 2024	June 30, 2023	December 31, 2023
	(In thousands)		(In thousands)		
Carrying amount					
Fair value					

The carrying amounts of our remaining financial instruments included in current assets and current liabilities approximate their fair values.

Note 12 - Debt

Certain debt instruments of the Company contain restrictive covenants and cross-default provisions. In order to borrow under the debt agreements, we must be in compliance with the applicable covenants and certain other conditions, all of which management believes the Company, as applicable, was in compliance with at March 31, 2024 June 30, 2024. In the event we do not comply with the applicable covenants and other conditions, alternative sources of funding may need to be pursued.

Long-term debt

Long-term Debt Outstanding Long-term debt outstanding was as follows:

	Weighted Average Interest Rate at March 31, 2024	March 31, 2024	December 31, 2023	Weighted Average Interest Rate at June 30, 2024	June 30, 2024	June 30, 2023	December 31, 2023
			(In thousands)				(In thousands)
Term loan agreement due on May 31, 2028							
Senior notes due on May 1, 2031							
Senior notes due on May 1, 2031							
Revolving credit agreement							
Senior notes due on May 1, 2031							
Other notes due on January 1, 2061							
Less unamortized debt issuance costs							
Total long-term debt							
Less current maturities							
Net long-term debt							

Schedule of Debt Maturities Long-term debt maturities, which excludes unamortized debt issuance costs, at March 31, 2024 June 30, 2024, were as follows:

	Remainder of 2024	Remainder of 2024	2025	2026	2027	2028	Thereafter	Remainder of 2024	2025	2026	2027	2028	Thereafter
				(In thousands)									
Long-term debt maturities													

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Note 13 - Cash flow information

Cash expenditures for interest and income taxes were as follows:

	Three Months Ended		Six Months Ended
	March 31,	June 30,	
	(In thousands)	(In thousands)	
Interest paid, net			
Income taxes paid, net			

Noncash investing and financing transactions were as follows:

	Three Months Ended
	Three Months Ended
	Three Months Ended
	March 31,
	March 31,
	March 31,
	Six Months Ended
	Six Months Ended
	Six Months Ended
	June 30,
	June 30,
	June 30,
	2024
	2024
	2024
	(In thousands)
	(In thousands)
	(In thousands)
Right-of-use assets obtained in exchange for new operating lease liabilities	
Property, plant and equipment additions in accounts payable	
Property, plant and equipment additions in accounts payable	
Property, plant and equipment additions in accounts payable	
Equity contribution from Centennial related to the Separation	
Equity contribution from Centennial related to the Separation	
Equity contribution from Centennial related to the Separation	
Equity contribution to MDU Resources for asset/liability transfers related to the Separation	
Equity contribution to MDU Resources for asset/liability transfers related to the Separation	
Equity contribution to MDU Resources for asset/liability transfers related to the Separation	
MDU Resources' stock issued prior to spin in connection with a business combination	
MDU Resources' stock issued prior to spin in connection with a business combination	
MDU Resources' stock issued prior to spin in connection with a business combination	

Note 14 - Business segment data

We focus on the vertical integration of our products and services by offering customers a single source for construction materials and related contracting services. We operate in 14 states across the United States through our operating segments: Pacific, Northwest, Mountain, North Central, South and Energy Services. These operating segments are used to determine the Company's reportable segments, Pacific, Northwest, Mountain, Central and Energy Services, which are based on our method of internal reporting and management of our business. Four of the reportable segments are aligned by key geographic areas due to the production of construction materials and related contracting services and one is based on product line. Each segment is led by a segment manager who reports to the Company's chief operating officer, who is also the

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Company's chief operating decision maker, along with the chief executive officer. The chief operating decision maker evaluates the performance of the segments and allocates resources to them based on earnings before interest, taxes, depreciation, depletion and amortization ("EBITDA").

In the fourth quarter of 2023, we realigned our reportable segments to better support our operational strategies. The liquid asphalt and related services portion of the Pacific segment's businesses are now reported under the Energy Services segment. In addition, the North Central and South operating regions have been aggregated into one reportable segment, Central. We also reallocated certain amounts to the operating segments that were previously reported within Corporate Services. All periods have been recast to conform with the revised presentation.

Each geographic segment offers a vertically integrated suite of products and services, including aggregates, ready-mix concrete, asphalt and contracting services, while the Energy Services segment produces and supplies liquid asphalt, primarily for use in asphalt road construction, and is a supplier to some of the other segments. Each geographic segment mines, processes and sells construction aggregates (crushed stone and sand and gravel); produces and sells asphalt; and produces and sells ready-mix concrete as well as vertically integrating its contracting services to support the aggregate-based product lines. Contracting services include heavy-civil construction, asphalt and concrete paving, and site development and grading. Although not common to all locations, the geographic segments also sell cement, merchandise and other building materials and related services.

Corporate Services represents the unallocated costs of certain corporate functions, such as accounting, legal, treasury, information technology, human resources and other corporate expenses that support the operating segments. We account for intersegment sales and transfers as if the sales or transfers were to third parties. The accounting policies applicable to each segment are consistent with those used in the audited consolidated financial statements.

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The information below follows the same accounting policies as described in the audited financial statements and notes included in the Company's 2023 Annual Report. Information on the Company's segments was as follows:

	Three Months Ended
	Three Months Ended
	Three Months Ended
	March 31,
	March 31,
	March 31,
	June 30,
	June 30,
	June 30,
External operating revenues:	
External operating revenues:	
External operating revenues:	
Pacific	
Pacific	
Pacific	
Northwest	
Northwest	
Northwest	
Mountain	
Mountain	
Mountain	
Central	
Central	
Central	

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Energy Services
Energy Services
Energy Services
Corporate Services and Eliminations
Corporate Services and Eliminations
Corporate Services and Eliminations
Total external operating revenues
Total external operating revenues
Total external operating revenues
Total reportable segment external operating revenues
Total reportable segment external operating revenues
Total reportable segment external operating revenues
Intersegment operating revenues:
Intersegment operating revenues:
Intersegment operating revenues:
Pacific
Pacific
Pacific
Northwest
Northwest
Northwest
Mountain
Mountain
Mountain
Central
Central
Central
Energy Services
Energy Services
Energy Services
Corporate Services and Eliminations
Corporate Services and Eliminations
Corporate Services and Eliminations
Total intersegment operating revenues
Total intersegment operating revenues
Total intersegment operating revenues
Total reportable segment intersegment operating revenues
Total reportable segment intersegment operating revenues
Total reportable segment intersegment operating revenues
EBITDA:
EBITDA:
EBITDA:
Pacific
Pacific
Pacific

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Northwest
Northwest
Northwest
Mountain
Mountain
Mountain
Central
Central
Central
Energy Services
Energy Services
Energy Services
Corporate Services and Eliminations
Corporate Services and Eliminations
Corporate Services and Eliminations
Total segment EBITDA
Total segment EBITDA
Total segment EBITDA
Total reportable segment EBITDA
Total reportable segment EBITDA
Total reportable segment EBITDA

A reconciliation of consolidated operating revenues to reportable segment operating revenues is as follows:

	Three Months Ended		Three Months Ended		Six Months Ended
	Three Months Ended				
	Three Months Ended				
	March 31,				
	March 31,				
	March 31,				
	2024				
	2024				
		June 30,	June 30,		
	2024	2024	2023	2024	2023
	(In thousands)			(In thousands)	
	(In thousands)				
	(In thousands)				
Consolidated operating revenues					
Plus:					
Plus:					
Plus:					
Intersegment operating revenues					
Intersegment operating revenues					
Intersegment operating revenues					
Less:					
Less:					
Less:					
Corporate Services revenue					
Corporate Services revenue					

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Corporate Services revenue	
Total reportable segment operating revenues	
Total reportable segment operating revenues	
Total reportable segment operating revenues	

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A reconciliation of consolidated loss net income before income taxes to reportable segment EBITDA is as follows:

	Three Months Ended		Three Months Ended	Six Months Ended	
	Three Months Ended				
	Three Months Ended				
	March 31,				
	March 31,				
	March 31,				
	2024				
	2024				
		June 30,	June 30,		
	2024	2024	2023	2024	2023
	(In thousands)			(In thousands)	
	(In thousands)				
	(In thousands)				
Total consolidated loss before income taxes					
Plus:					
Plus:					
Total consolidated net income before income taxes					
Plus:					
Depreciation, depletion and amortization					
Depreciation, depletion and amortization					
Depreciation, depletion and amortization					
Interest expense, net*					
Interest expense, net*					
Interest expense, net*					
Interest expense, net*					
Less:					
Less:					
Less:					
Corporate Services EBITDA					
Corporate Services EBITDA					
Corporate Services EBITDA					
Total EBITDA for reportable segments					
Total EBITDA for reportable segments					
Total EBITDA for reportable segments					

* Interest, net is interest expense net of interest income.

* Interest, net is interest expense net of interest income.

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* Interest, net is interest expense net of interest income.

Note 15 - Commitments and contingencies

The Company is party to claims and lawsuits arising out of its business and that of its consolidated subsidiaries, which may include, but are not limited to, matters involving property damage, personal injury, and environmental, contractual and statutory obligations. We accrue a liability for those contingencies when the incurrence of a loss is probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. We do not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is probable or reasonably possible and which are material, we disclose the nature of the contingency and, in some circumstances, an estimate of the possible loss. Accruals are based on the best information available, but in certain situations management is unable to estimate an amount or range of a reasonably possible loss including, but not limited to when: (1) the damages are unsubstantiated or indeterminate, (2) the proceedings are in the early stages, (3) numerous parties are involved, or (4) the matter involves novel or unsettled legal theories.

At March 31, 2024 June 30, 2024 and 2023, and December 31, 2023, we accrued contingent liabilities as a result of litigation, which have not been discounted, of $1.2 $3.2 million, $2.0 million $970,000 and $873,000, respectively. At March 31, 2024 June 30, 2024 and 2023 and December 31, 2023, we also recorded corresponding insurance receivables of $400,000, $1.3 million $0, $325,000 and $42,000, respectively, related to the accrued liabilities. Most of these claims and lawsuits are covered by insurance, thus the Company's exposure is typically limited to its deductible amount. Management will continue to monitor each matter and adjust accruals as might be warranted based on new information and further developments. Management believes that the outcomes with respect to probable and reasonably possible losses in excess of the amounts accrued, net of insurance recoveries, while uncertain, either cannot be estimated or will not have a material effect upon the Company's financial position, results of operations or cash flows. Unless otherwise required by GAAP, legal costs are expensed as they are incurred.

Environmental matters

The Company is a party to claims for the cleanup of a superfund site in Portland, Oregon. There were no material changes to the environmental matters that were previously reported in the audited financial statements and notes included in the Company's 2023 Annual Report.

Guarantees

Knife River and certain of its subsidiaries have outstanding obligations to third parties where the Company has guaranteed their performance. These guarantees are related to contracts for contracting services and certain other guarantees. At March 31, 2024 June 30, 2024, the fixed maximum amounts guaranteed under these agreements aggregated to $11.5 million, all of which have no scheduled maturity date. Certain of the guarantees also have no fixed maximum amounts specified. There were no amounts outstanding under the previously mentioned guarantees at March 31, 2024 June 30, 2024.

Knife River and certain of its subsidiaries have outstanding letters of credit to third parties related to insurance policies, cement purchases and other agreements. At March 31, 2024 June 30, 2024, the fixed maximum amounts guaranteed under these letters of credit aggregated $21.0 $20.9 million. At March 31, 2024 June 30, 2024, the amounts of scheduled expiration of the maximum amounts guaranteed under these letters of credit aggregate to $20.6 million $335,000 in 2024, $332,000 $20.5 million in 2025, $0 in 2026 and $104,000 in 2027. There were no amounts outstanding under the previously mentioned letters of credit at March 31, 2024 June 30, 2024.

In the normal course of business, we have surety bonds related to contracts for contracting services, reclamation obligations and insurance policies of its subsidiaries. In the event a subsidiary of Knife River does not fulfill a bonded obligation, the Company would be responsible to the surety bond company for completion of the bonded contract or obligation. A large portion of the surety bonds are expected to expire within the next 12 months; however, we will likely continue to enter into surety bonds for our

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subsidiaries in the future. At March 31, 2024 June 30, 2024, approximately $902.3 $894.2 million of surety bonds were outstanding, which were not reflected on the Consolidated Balance Sheet.

Note 16 - Related-party transactions

Transition services agreements

As part of the Separation, MDU Resources is providing transition services to Knife River and Knife River is providing transition services to MDU Resources in accordance with the Transition Services Agreement entered into on May 30, 2023. For The Company paid $413,000 and $599,000 for the three months ended March 31, 2024, and $1.2 million and $599,000 for the Company paid $816,000 six months ended June 30, 2024 and 2023, respectively, related to these activities, which were reflected in selling, general and administrative expenses on the Consolidated Statements of Operations. For The Company received $62,000 and $277,000 for the three months ended March 31, 2024, and $138,000 and $277,000 for the Company received $76,000 six months ended June 30, 2024 and 2023, respectively, related to these activities, which were reflected in other income on the Consolidated Statements of Operations. The majority of the transition services are expected to be were completed over a period of one year but no longer than two years after the Separation. The Company expects minimal continued services by Knife River to MDU Resources through May 2025.

For additional information on the presentation of related-party transactions, see Note 2.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Forward-looking statements are all statements other than statements of historical fact, including without limitation those statements that are identified by the words "anticipates," "estimates," "expects," "intends," "plans," "predicts" and similar expressions, and include statements concerning plans, trends, objectives, goals, strategies, future events or performance, and underlying assumptions (many of which are based, in turn, upon further assumptions) and other statements that are other than statements of historical facts. From time to time, Knife River Corporation ("Knife River," the "Company," "we," "our," or "us") may publish or otherwise make available forward-looking statements of this nature, including statements related to its "competitive Competitive EDGE strategy ("EDGE" strategy) implemented to improve margins and to execute on other strategic initiatives aimed at generating long-term profitable growth ("EDGE"). growth.

Forward-looking statements involve risks and uncertainties, which could cause actual results or outcomes to differ materially from those expressed. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties. Nonetheless, the Company's expectations, beliefs or projections may not be achieved or accomplished and changes in such assumptions and factors could cause actual future results to differ materially.

Any forward-looking statement contained in this document speaks only as of the date on which the statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as required by law. New factors emerge from time to time, and it is not possible for management to predict all the factors, nor can it assess the effect of each factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. All forward-looking statements, whether written or oral and whether made by or on behalf of the Company, are expressly qualified by the risk factors and cautionary statements reported in the section entitled "Item 1A. Risk Factors" in Part I of the Company's 2023 Annual Report on Form 10-K ("Annual Report") and subsequent filings with the United States Securities and Exchange Commission ("SEC").

Company Overview

Knife River is a people-first construction materials and contracting services company. We provide construction materials and contracting services to build safe roads, bridges, airport runways and other critical infrastructure needs that connect people with where they want to go and with the supplies they need. We also champion a positive workplace culture by focusing on safety, training, inclusion, compensation and work-life balance.

Knife River is one of the leading providers of crushed stone and sand and gravel in the United States and operates through six operating segments across 14 states: Pacific, Northwest, Mountain, North Central, South and Energy Services. These operating segments are used to determine the Company's reportable segments and are based on our method of internal reporting and management of our business, as discussed in Note 14. The Company's reportable segments are: Pacific, Northwest, Mountain, Central and Energy Services. The geographic segments primarily provide aggregates, asphalt and ready-mix concrete, as well as related contracting services such as heavy-civil construction, asphalt paving, concrete construction, site development and grading. The Energy Services segment produces and supplies liquid asphalt and related services, primarily for use in asphalt road construction.

As an aggregates-led construction materials and contracting services provider in the United States, our 1.1 billion tons of aggregate reserves provide the foundation for a vertically integrated business strategy, with approximately 37 percent of our aggregates in 2023 being used internally to support value-added downstream products (ready-mix concrete and asphalt) and contracting services (heavy-civil construction, laydown, asphalt paving, concrete construction, site development and grading services, bridges and in some segments the manufacturing of prestressed concrete products). Our aggregate sites and associated asphalt and ready-mix plants are primarily in strategic locations near mid-sized, high-growth markets, providing us with a transportation advantage for our materials that supports competitive pricing and increased margins. We provide our products and services to both public and private markets, with public markets tending to be more stable across economic cycles, which helps offset the cyclical nature of the private markets.

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We provide various products and services and operate a variety of facility types, including aggregate quarries and mines, ready-mix concrete plants, asphalt plants and distribution facilities, in the following states:

- Pacific: Alaska, California and Hawaii
- Northwest: Oregon and Washington
- Mountain: Idaho, Montana and Wyoming
- Central: Iowa, Minnesota, North Dakota, South Dakota and Texas
- Energy Services: California, Iowa, Nebraska, South Dakota, Texas and Wyoming

The following table presents a summary of products and services provided, as well as modes of transporting those products:

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	Products and Services							Modes of Transportation			
					Precast/						
			Ready-Mix	Construction	Prestressed	Liquid		Heavy			
	Aggregates	Asphalt	Concrete	Services	Concrete	Asphalt	Cement	Equipment	Trucking	Rail	Barge
Pacific	X	X	X	X	X		X	X	X	X	X
Northwest	X	X	X	X	X			X	X	X	X
Mountain	X	X	X	X				X	X		
Central	X	X	X	X	X			X	X	X	
Energy Services						X			X	X	

Basis of Presentation

On May 31, 2023, Knife River became a stand-alone publicly traded company. Prior to the Separation, Knife River operated as a wholly owned subsidiary of Centennial Energy Holdings, Inc. ("Centennial") and an indirect, wholly owned subsidiary of MDU Resources Group, Inc. ("MDU Resources") and not as a stand-alone company. The accompanying historical consolidated financial statements and footnotes for the periods prior to the Separation were prepared on a "carve-out" basis using the legal entity approach in conformity with GAAP accounting principles generally accepted in the United States of America ("GAAP") and were derived from the consolidated financial statements of MDU Resources as if Knife River operated on a stand-alone basis during these periods. For additional information related to the basis of presentation, see Note 2.

Prior to the Separation, Knife River participated in Centennial's centralized cash management program, including its overall financing arrangements. Knife River also had related-party note agreements in place with Centennial for the financing of its capital needs, which are reflected as related-party notes payable on the Consolidated Balance Sheet at March 31, 2023. Interest expense in the Consolidated Statements of Operations, for the periods prior to the Separation, reflects the allocation of interest on the borrowings associated with the related-party note agreements. Upon the completion of the Separation, we implemented our own financing agreements with lenders. For additional information on the Knife River's current debt financing, see Note 12.

All intercompany balances and transactions between the businesses comprising Knife River have been eliminated in the accompanying consolidated financial statements.

In the fourth quarter of 2023, we realigned our reportable segments to better support our operational strategies. The liquid asphalt and related services portion of the Pacific segment's businesses are now reported under the Energy Services segment. In addition, the North Central and South operating regions have been aggregated into one reportable segment, Central. We also reallocated certain amounts to the operating segments that were previously reported within Corporate Services. All periods have been recast to conform with the revised presentation.

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Market Conditions and Outlook

Our markets remain resilient and construction activity remains generally strong, despite ongoing general and economic challenges in the United States, such as higher interest rates and inflation. Our contracting services revenue averages approximately 80 percent each year being from public-sector projects, allowing us to better balance the cyclical nature of our private-sector customers. States. While we continued to experience experienced inflationary pressures in the past year, recent years, price increases for our products and services have generally outpaced these increased costs. Further, approximately 80 percent of our contracting services revenue each year comes from public-sector projects, enhancing stability through market cycles. For more information on factors that may negatively impact Knife River's business, see the section entitled "Item 1A. Risk Factors" in Part I of the Company's 2023 Annual Report.

Backlog. Knife River's contracting services backlog was as follows:

	March 31, 2024	March 31, 2023	December 31, 2023
	June 30, 2024	June 30, 2023	December 31, 2023
		(In millions)	
Pacific			
Northwest			
Mountain			
Central			
$			
$			
$			

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Expected margins on backlog at March 31, 2024 June 30, 2024, were greater slightly higher than the expected margins on backlog at March 31, 2023 June 30, 2023. Of the $959.5 million $988.5 million of expected backlog at March 31, 2024 June 30, 2024, we expect to complete approximately $891.0 936.7 million in the 12 months following March 31, 2024June 30, 2024. Approximately 85 87 percent of our backlog at March 31, 2024 June 30, 2024 relates to publicly funded projects, including street and highway construction projects, which are driven primarily by public works projects for state departments of transportation. Further, there continues to be infrastructure development, as discussed in the following section on Public Funding, which is expected to continue to provide bidding opportunities in our markets throughout 2024. markets.

Period-over-period increases or decreases in backlog may not be indicative of future revenues, margins, net income or earnings before interest, taxes, depreciation, depletion and amortization ("EBITDA"). While we believe the current backlog of work remains firm, prolonged delays in the receipt of critical supplies and materials, or continued increases to pricing, among other things, could result in customers seeking to delay or terminate existing or pending agreements and could reduce expected margins. See the section entitled "Item 1A. Risk Factors" in Part I of the Company's 2023 Annual Report for a list of factors that can cause revenues to be realized in periods and at levels that are different from originally projected.

Public Funding. Funding for public projects is dependent on federal and state funding, such as appropriations to the Federal Highway Administration. States have moved forward with allocating funds from the federal programs, such as the Infrastructure Investment and Jobs Act ("IIJA"), the American Rescue Plan Act and more. In addition At the federal level, funding from IIJA is still being allocated. Approximately 56 percent of IIJA formula funding has yet to federal funding, 12 out be obligated in our market areas. At the state level, eight of the 14 states in which we operate have recently implemented funding mechanisms for public introduced legislation to fund additional construction projects including projects related to highways, airports and other public infrastructure. Within our 14 states as of operation, state transportation departments have increased their 2024 spending authorizations by more than $9 billion, a 16 percent increase from 2023. July 1, 2024. We continue to monitor the implementation and impact of these legislative items and budget increases. items.

Profitability. Our management team continually monitors our margins and has been proactive in applying strategies to improve increase margins toward to support our long-term profitability. profitability goals. In 2023, we began implementing EDGE initiatives and established teams to deliver training, assist with targeting higher-margin bidding opportunities across the regions and pursue growth opportunities. The process improvement team ("PIT crew") visited 10 of our largest locations in 2023, including quarries, asphalt plants and ready-mix plants. In 2024, the PIT crew has been expanded to extend its influence to more locations to and standardize best practices. The PIT crew has visited 98 sites across 10 states through the second quarter of 2024 and we expect the PIT crew to reach 31 additional sites in the second half of 2024.

Our management team has also continued to evaluate growth opportunities, both through organic growth and acquisitions. During the first second quarter of 2024, we advanced continued to advance a number of our strategic investments, including upgraded plants improvements to add capacity, a new ready-mix operation in number of our Central segment sites to increase efficiencies. Also during the second quarter of 2024, we completed two acquisitions that strategically align with our long-term objectives and the redeployment of plant assets into markets where they are expected to achieve higher returns. Also, on April 3, 2024, we acquired that complement our existing operations, a small ready-mix operation in South Dakota. Dakota and an existing aggregate site in Oregon. Our management team will continue continues to evaluate future focus on growth opportunities that they believe will strategically align with our EDGE initiatives. generate shareholder value.

Knife River operates in geographically diverse and competitive markets, and strives to maximize efficiencies, including transportation costs and economies of scale, to maintain strong margins. Our margins can experience negative pressure from competition, as well as impacts from the volatility in the cost of raw materials, such as diesel fuel, gasoline, natural gas, liquid asphalt, cement and steel, with fuel and liquid asphalt costs often having the most significant impact on results. Many of these raw materials are subject to factors that are beyond our control, including global economic and political events and new and changing governmental regulations. The Energy Services segment is particularly susceptible to volatility variability in liquid asphalt costs, which can impact both cost of sales and revenues, for which we cannot reliably predict future pricing. Such volatility variability and inflationary pressures may have an impact on our margins, including fixed-price contracting services contracts that are particularly vulnerable to impacted by the variability of energy and material prices. We mitigate our exposure to these fluctuations by entering into various purchase commitments, as well as by generally including terms in our contracting services agreements that provide for price adjustments related to variations in raw materials costs.

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Our operations can also be significantly impacted by both favorable and unfavorable weather conditions. Unseasonably dry or warm weather in the states where we operate can allow for a lengthened construction season or allow for an earlier start on specific projects, while unseasonably wet and/or cold weather in the states where we operate can delay the start or cause an early end to the construction season or cause temporary delays on specific projects, while unseasonably dry or warm weather in the states where we operate can allow for a lengthened construction season or allow for an earlier start on specific projects. Either of these conditions can impact both our construction materials sales and contracting services revenues. Other variables that can impact margins include the timing of project starts or completions, pre-construction season activities including equipment repair and maintenance costs or equipment mobilization, and declines or delays in new and existing projects due to the cyclical nature of the construction industry. Accordingly, operating results in any particular period may not be indicative of the results that can be expected for any other period.

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Workforce. As a people-first company, we continually take steps to address the challenge of recruitment and retention of our employees. We continue to deploy significant resources to attract, develop and retain qualified and diverse talent. As the United States continues to face shortages in the availability of individuals to fill construction careers, we have taken significant steps to showcase construction as a career of choice. We own and operate a state-of-the-art training facility, the Knife River Training Center, which is used corporate-wide to enhance the skills of both our new and existing employees through both classroom education and hands-on experience. One of the most popular courses at the Knife River Training Facility is the commercial driver's license

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training, which is helping to address some an industry-wide labor shortages and trends. shortage. The training facility also offers a variety of courses around leadership development for all Knife River employees.

Consolidated Overview

	Three Months Ended	Three Months Ended	Six Months Ended
	Three Months Ended		
	Three Months Ended		
	March 31,		
	March 31,		
	March 31,		
		June 30,	
	(In millions)		
	(In millions)		
	(In millions)	(In millions)	
Revenue			
Cost of revenue			
Cost of revenue			
Cost of revenue			
Gross profit			
Gross profit			
Gross profit			
Selling, general and administrative expenses			
Selling, general and administrative expenses			
Selling, general and administrative expenses			
Operating loss			
Operating loss			
Operating loss			
Interest expense			
Interest expense			
Operating income			
Interest expense			
Other income			
Other income			
Other income			
Loss before income taxes			
Loss before income taxes			

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Loss before income taxes
Income tax benefit
Income tax benefit
Income tax benefit
Net loss
Net loss
Net loss
Income before income taxes
Income tax expense
Net income
EBITDA*
EBITDA*
EBITDA*
Adjusted EBITDA*
Adjusted EBITDA*
Adjusted EBITDA*

* EBITDA and Adjusted EBITDA are non-GAAP financial measures. For more information and reconciliations to the nearest GAAP measures, see the section entitled "Non-GAAP Financial Measures."

Revenue includes revenue from the sale of construction materials and contracting services. Revenue for construction materials is recognized at a point in time when delivery of the products has taken place. Contracting services revenue is recognized over time using an input method based on the cost-to-cost measure of progress on a project.

Cost of revenue includes all material, labor and overhead costs incurred in the production process for Knife River's products and services. Cost of revenue also includes depreciation, depletion and amortization attributable to the assets used in the production process.

Gross profit includes revenue less cost of revenue, as defined above, and is the difference between revenue and the cost of making a product or providing a service, before deducting selling, general and administrative expenses, income taxes and interest expense.

Selling, general and administrative expenses include the costs for estimating, bidding and business development, as well as costs related to corporate and administrative functions. Selling expenses can vary depending on the volume of projects in process and the number of employees assigned to estimating and bidding activities. Other general and administrative expenses include outside services; information technology; depreciation and amortization; training, travel and entertainment; office supplies; allowance for expected credit losses; gains or losses on the sale of assets; and other miscellaneous expenses.

Other income (expense) includes net periodic benefit costs for the Company's benefit plan expenses, other than service costs; interest income; realized and unrealized gains and losses on investments for the Company's nonqualified benefit plans; earnings or

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losses on joint venture arrangements; and other miscellaneous income or expenses, including income and expenses related to the transition services agreement with MDU Resources.

Income tax (benefit) expense consists of corporate income taxes related to the net income of the Company. Income taxes are presented at the corporate services level and not at the individual segments. The effective tax rate can be affected by many factors, including changes in tax laws, regulations or rates, new interpretations of existing laws or regulations and changes to the Company's overall levels of income before income tax.

The discussion that follows focuses on the key financial measures the Company uses to evaluate the performance of its business, which include revenue, gross profit, gross margin, EBITDA and EBITDA margin. Gross margin is calculated by dividing gross profit by revenue. Gross margin reflects the percentage of revenue earned in comparison to cost. EBITDA and EBITDA margin are non-GAAP financial measures. For more information and reconciliations to the nearest GAAP measures, see the section entitled "Non-GAAP Financial Measures."

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The following tables summarize operating results for the Company.

	Three Months Ended March 31,					
	2024			2023		
		Dollars	Margin		Dollars	Margin
	(In millions)					
Revenues by segment:						
Pacific	$	78.4		$	65.7	
Northwest		120.3			115.9	
Mountain		59.8			60.6	
Central		61.0			57.6	
Energy Services		12.8			9.4	
Total segment revenues		332.3			309.2	
Corporate Services and Eliminations		(2.7)			(1.3)	
Consolidated revenues	$	329.6		$	307.9	
Gross profit by segment:						
Pacific	$	3.8	4.8%	$	4.4	6.7%
Northwest		20.2	16.8%		16.6	14.3%
Mountain		(3.7)	(6.2)%		(3.0)	(5.0)%
Central		(12.9)	(21.2)%		(12.2)	(21.0)%
Energy Services		(1.3)	(10.2)%		(1.8)	(19.6)%
Total segment gross profit		6.1	1.8%		4.0	1.3%
Corporate Services and Eliminations		.4	(17.0)%		.1	(9.1)%
Consolidated gross profit	$	6.5	2.0%	$	4.1	1.3%
Net income (loss) by segment:						
Pacific	$	(6.5)	(8.3)%	$	(5.0)	(7.6)%
Northwest		10.2	8.5%		5.1	4.4%
Mountain		(12.4)	(20.8)%		(9.8)	(16.2)%
Central		(27.4)	(44.9)%		(25.0)	(43.3)%
Energy Services		(3.7)	(29.1)%		(4.2)	(44.8)%
Total segment net loss		(39.8)	(12.0)%		(38.9)	(12.6)%
Corporate Services and Eliminations		(7.8)	288.4%		(2.4)	184.7%
Consolidated net loss	$	(47.6)	(14.5)%	$	(41.3)	(13.4)%

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	Three Months Ended		Three Months Ended		Six Months Ended
	Three Months Ended				
	Three Months Ended				
	March 31,				
	March 31,				

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	March 31,								
	2024								
	2024								
			June 30,						
	2024		2024		2023		2024		2023
	Dollars	Dollars	Margin	Dollars	Margin	Dollars	Margin	Dollars	Margin
	Dollars								
	Dollars								
	(In millions)				(In millions)				
	(In millions)								
	(In millions)								
EBITDA (a):									
Revenues by segment:									
Pacific									
Pacific									
Pacific									
Northwest									
Northwest									
Northwest									
Mountain									
Mountain									
Mountain									
Central									
Central									
Central									
Energy Services									
Energy Services									
Energy Services									
Total segment EBITDA (a)									
Total segment EBITDA (a)									
Total segment EBITDA (a)									
Corporate Services and Eliminations (b)									
Corporate Services and Eliminations (b)									
Corporate Services and Eliminations (b)									
Consolidated EBITDA (a)									
Consolidated EBITDA (a)									
Consolidated EBITDA (a)									
Total segment revenues									
Total segment revenues									
Total segment revenues									
Corporate Services and Eliminations									
Corporate Services and Eliminations									
Corporate Services and Eliminations									
Consolidated revenues									
Consolidated revenues									
Consolidated revenues									

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Gross profit by segment:								
Gross profit by segment:								
Gross profit by segment:								
Pacific								
Pacific								
Pacific	$ 22.0	16.7%	$ 22.1	17.7%	$ 25.8	12.3%	$ 26.5	13.9%
Northwest	51.5	25.6%	41.2	23.0%	71.7	22.3%	57.9	19.6%
Mountain	43.8	22.6%	32.1	18.3%	40.1	15.8%	29.1	12.3%
Central	38.2	17.8%	32.9	14.2%	25.2	9.1%	20.7	7.2%
Energy Services	20.3	26.7%	23.3	27.7%	19.0	21.4%	21.4	23.0%
Total segment gross profit	175.8	21.5%	151.6	19.1%	181.8	80.9%	155.6	76.0%
Corporate Services and Eliminations	.4	(3.8)%	1.4	(13.6)%	.9	(6.4)%	1.5	(13.1)%
Consolidated gross profit	$ 176.2	21.8%	$ 153.0	19.5%	$ 182.7	16.1%	$ 157.1	14.4%
Net income (loss) by segment:								
Net income (loss) by segment:								
Net income (loss) by segment:								
Pacific								
Pacific								
Pacific	$ 11.7	8.8%	$ 12.1	9.7%	$ 5.1	2.4%	$ 7.1	3.7%
Northwest	39.7	19.7%	29.2	16.3%	50.0	15.5%	34.3	11.6%
Mountain	36.5	18.8%	24.1	13.7%	24.1	9.5%	14.3	6.1%
Central	26.9	12.5%	20.0	8.6%	(.5)	(.2)%	(5.0)	(1.7)%
Energy Services	18.1	23.8%	20.5	24.4%	14.4	16.2%	16.3	17.5%
Total segment net income	132.9	16.2%	105.9	13.3%	93.1	8.1%	67.0	6.1%
Corporate Services and Eliminations (a)	(55.0)	N.M.	(49.1)	N.M.	(62.8)	N.M.	(51.5)	N.M.
Consolidated net income	$ 77.9	9.7%	$ 56.8	7.2%	$ 30.3	2.7%	$ 15.5	1.4%
EBITDA (b):								
EBITDA (b):								
EBITDA (b):								
Pacific								
Pacific								
Pacific	$ 17.8	13.5%	$ 17.4	14.0%	$ 17.0	8.1%	$ 17.6	9.2%
Northwest	50.7	25.2%	38.9	21.7%	70.9	22.1%	52.9	17.9%
Mountain	43.1	22.2%	30.3	17.2%	37.0	14.6%	26.5	11.2%
Central	36.2	16.9%	28.4	12.3%	17.4	6.3%	11.5	4.0%
Energy Services	19.4	25.4%	21.8	25.9%	16.9	19.0%	18.8	20.1%
Total segment EBITDA (b)	167.2	20.4%	136.8	17.2%	159.2	13.8%	127.3	11.5%
Corporate Services and Eliminations	(15.8)	143.6%	(11.7)	119.2%	(28.4)	208.3%	(16.3)	146.7%
Consolidated EBITDA (b)	$ 151.4	18.8%	$ 125.1	15.9%	$ 130.8	11.5%	$ 111.0	10.2%

(a) N.M. - not meaningful

(b) EBITDA, segment EBITDA, EBITDA margin and segment EBITDA margin are non-GAAP financial measures. For more information and a reconciliation to the nearest GAAP measure, see the section entitled "Non-GAAP Financial Measures."

(b) N.M. - not meaningful

Three Months Ended

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	March 31,	
	2024	2023
Sales (thousands):		
Aggregates (tons)	4,255	4,868
Ready-mix concrete (cubic yards)	530	561
Asphalt (tons)	221	179
Average selling price:*		
Aggregates (per ton)	$ 19.80	$ 17.16
Ready-mix concrete (per cubic yard)	$ 188.41	$ 172.64
Asphalt (per ton)	$ 74.50	$ 76.07

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Sales (thousands):				
Aggregates (tons)	9,408	9,181	13,663	14,049
Ready-mix concrete (cubic yards)	975	1,113	1,505	1,674
Asphalt (tons)	1,813	1,913	2,034	2,092
Average selling price:*				
Aggregates (per ton)	$ 16.84	$ 15.95	$ 17.76	$ 16.37
Ready-mix concrete (per cubic yard)	$ 184.12	$ 166.11	$ 185.63	$ 168.30
Asphalt (per ton)	$ 65.82	$ 65.32	$ 66.76	$ 66.24

* The average selling price includes freight and delivery and other revenues.

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Three Months Ended			Three Months Ended			Six Months Ended		
Three Months Ended								
Three Months Ended								
March 31,								
March 31,								
March 31,								
2024								
2024								
			June 30,					
2024			2024		2023	2024		2023
Dollars		Dollars	Margin	Dollars	Margin	Dollars	Margin	Dollars	Margin

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	Dollars											
	Dollars											
	(In millions)											
	(In millions)											
	(In millions)						(In millions)					
Revenues by product line:												
Aggregates												
Aggregates												
Aggregates												
Ready-mix concrete												
Ready-mix concrete												
Ready-mix concrete												
Asphalt												
Asphalt												
Asphalt												
Liquid Asphalt												
Liquid Asphalt												
Liquid Asphalt												
Other*												
Other*												
Other*												
Contracting services												
Contracting services												
Contracting services												
Internal sales												
Internal sales												
Internal sales												
Total revenues												
Total revenues												
Total revenues												
Gross profit by product line:												
Gross profit by product line:												
Gross profit by product line:												
Aggregates												
Aggregates												
Aggregates	$	39.6	25.0%	$	36.4	24.9%	$	44.4	18.3%	$	38.8	16.9%
Ready-mix concrete	Ready-mix concrete	29.8	16.6%		28.1	15.2%		38.5	13.8%		36.8	13.1%
Ready-mix concrete												
Ready-mix concrete												
Asphalt												
Asphalt												
Asphalt	Asphalt	17.3	14.5%		16.4	13.1%		11.7	8.6%		10.3	7.5%
Liquid Asphalt	Liquid Asphalt	15.8	24.2%		19.2	26.3%		14.8	19.5%		18.1	22.3%
Liquid Asphalt												
Liquid Asphalt												
Other*												

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Other*									
Other*	Other*	22.3	28.7%	15.5	22.0%	9.7	8.3%	10.4	10.2%
Contracting services	Contracting services	51.4	13.8%	37.4	10.6%	63.6	12.8%	42.7	9.1%
Contracting services									
Contracting services									
Total gross profit	Total gross profit	$ 176.2	21.8%	$ 153.0	19.5%	$ 182.7	16.1%	$ 157.1	14.4%
Total gross profit									
Total gross profit									

* Other includes cement, merchandise, fabric and spreading, and other products and services that individually are not considered to be a core line of business.

Three Months Ended March 31, 2024 June 30, 2024, Compared to Three Months Ended March 31, 2023 June 30, 2023

Revenue

Revenue improved increased $21.7 million, as increased pricing added $24.5 million largely driven by price increases in revenue across all regions and most product lines, supported by demand and EDGE-related pricing initiatives, offset in part by lower our aggregates and ready-mix sales product lines and increased public agency work contributing additional contracting services revenue. Partially offsetting the increase was a decline in ready-mix concrete volumes across all segments resulting from EDGE-related initiatives of quality over quantity of work and the timing of projects. Asphalt volumes were also lower due in part to our EDGE-related initiatives. Our liquid asphalt revenues were lower as a result of project timing and the absence of a large data center project in 2023. Contracting services revenues were higher as a result of improved weather conditions and availability of winter work, which provided an earlier start to the construction season and fewer delays. industry-wide reduced market pricing.

Gross profit and gross margin

Gross profit improved $2.4 $23.2 million and gross margin improved 70 230 basis points. Contracting We recognized higher contracting services margins from improved across all regions, partly due to improved weather conditions, higher bid margins and job productivity gains favorable project execution in some regions. Overall aggregate margins also improved due the quarter. Also contributing to pricing. These increases were mostly offset by the improvement was higher expenses gross profit in the aggregates, ready-mix concrete and asphalt product lines as operations were able to begin pre-construction season activities earlier, which includes maintenance-related work, plant mobilization and crew training. higher prices outpaced increased costs. Partially offsetting the increase was reduced market pricing for liquid asphalt.

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Selling, general and administrative expenses

Selling, general and administrative expenses were consistent year-over-year. Our reportable segments had lower costs of $2.8 million, largely the result of higher asset sale gains in the quarter of $3.7 million, which was partially offset by increased $11.5 million. professional services and payroll-related costs.

As a result of the Separation, we Corporate Services experienced higher recurring costs as a publicly traded company of $9.5 $6.9 million, including payroll-related costs of $5.6 $4.0 million, largely due to additional staff and stock-based compensation expenses for the management team and board of directors: directors; information technology costs of $1.4 million; professional services of $1.3 million; $850,000; fees of $520,000 $350,000, primarily related to new debt issued in conjunction with the Separation; and insurance costs of $200,000. These recurring costs were partially offset by a reduction in general corporate expenses from MDU Resources of $4.7 million, as discussed in Note 2. Also, as part of the Separation, we incurred less one-time costs of $750,000, primarily related to insurance costs and the transition services agreement with MDU Resources.

Interest expense

Interest expense decreased $5.2 million due primarily to lower average debt balances, offset in part by higher average interest rates.

Other income

Other income decreased $1.2 million, largely driven by decreased interest income on lower average cash balances.

Income tax expense

Income tax expense increased $6.1 million, corresponding with higher income before income taxes.

Six Months Ended June 30, 2024, Compared to Six Months Ended June 30, 2023

Revenue

Revenue increased $43.4 million, largely driven by price increases across most product lines and increased public agency work contributing additional contracting services revenue. Partially offsetting the increase was a decline in ready-mix concrete, aggregates and asphalt volumes due to EDGE-related initiatives and the timing of projects. Our liquid asphalt revenues were lower as a result of industry-wide reduced market pricing.

Gross profit and gross margin

Gross profit improved $25.6 million and gross margin improved 170 basis points. We recognized higher margins from contracting services due to improved bid margins and favorable project execution during the year. Also contributing to the improvement was higher gross profit in the aggregates, ready-mix concrete and asphalt product lines as higher prices outpaced higher costs. Partially offsetting the increase was reduced market pricing for liquid asphalt.

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Selling, general and administrative expenses

Selling, general and administrative expenses increased $11.6 million. Our reportable segments had higher costs of $400,000, which were largely the result of higher payroll-related costs and professional services, partially offset by higher gains on asset sales of $2.3 million and lower bad debt expense.

As a result of the Separation, Corporate Services experienced higher recurring costs as a publicly traded company of $16.3 million, including payroll-related costs of $9.5 million, largely due to additional staff and stock-based compensation expenses for the management team and board of directors; information technology costs of $2.8 million; professional services of $2.1 million; fees of $870,000 primarily related to fees on new debt issued in conjunction with the Separation; and insurance costs of $395,000. $600,000. These recurring costs were partially offset by a reduction in general corporate expenses from MDU Resources of $4.6 million $9.6 million, as discussed in Note 2. Also, as part of the Separation, we incurred additional one-time costs of $1.5 million, $860,000, primarily related to insurance costs and the transition services agreement with MDU Resources. Further contributing to the higher selling, general and administrative costs were increased payroll-related costs of $4.7 million throughout the segments and lower gains on asset sales in the Mountain segment, offset in part by higher gains on assets sales in the Northwest segment.

Interest expense

Interest expense increased $4.4 million decreased $800,000 due primarily to lower average debt balances, largely offset by higher average interest rates as a result of the Company settling related-party notes payable as part of the Separation and entering into new debt arrangements with higher interest rates.

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Other income

Other income improved $2.8 million increased $1.8 million due to increased interest income on higher average cash balances over the prior period. balances.

Income tax benefit expense

Income tax benefit expense increased $4.4 million $1.8 million, corresponding with the higher net loss income before income taxes.

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Business Segment Financial and Operating Data

A discussion of key financial data from Knife River's business segments follows. Knife River provides segment level segment-level information by revenue, gross profit, gross margin, EBITDA and EBITDA margin, as these are the measures of profitability used by our management to assess operational results. EBITDA and EBITDA margin are non-GAAP financial measures. For more information and reconciliations to the nearest GAAP measure, see the section entitled "Non-GAAP Financial Measures."

In the fourth quarter of 2023, we realigned our reportable segments to better support our operational strategies. Based on how the chief operating decision maker manages the Company, the reportable segments are: Pacific, Northwest, Mountain, Central and Energy Services. The liquid asphalt and related services portion of the Pacific segment's businesses are now reported under the Energy Services segment. In addition, the North Central and South operating regions have been aggregated into one reportable segment, Central. We also provide the details of Corporate Services, which includes accounting, legal, treasury, information technology, human resources and certain corporate expenses that support our operating segments. As a result of the segment changes, we reallocated certain amounts to the operating segments that were previously reported within Corporate Services. All periods have been recast to conform with the revised presentation.

Results of Operations - Pacific

	Three Months Ended		Three Months Ended		Six Months Ended
	Three Months Ended				
	Three Months Ended				
	March 31,				
	March 31,				
	March 31,				
		June 30,			
2024	2024	2023 2023	% Change % Change	2024 2023 2023	% Change % Change
2024					
2024					
	(In millions)				
	(In millions)				

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		(In millions)						(In millions)			
Revenue	Revenue	$	131.8	$	125.1	5%	$	210.2	$	190.7	10%
Gross profit	Gross profit	$	22.0	$	22.1	—%	$	25.8	$	26.5	(3)%
Gross profit											
Gross profit											
Gross margin											
Gross margin											
Gross margin											
EBITDA											
EBITDA											
EBITDA		$	17.8	$	17.4	2%	$	17.0	$	17.6	(3)%
EBITDA margin											
EBITDA margin											
EBITDA margin											

Three Months Ended Three Months Ended Six Months Ended

Three Months Ended

Three Months Ended

March 31,

March 31,

March 31,

June 30,

2024

2024

2024

(In millions)

(In millions)

		(In millions)				(In millions)		
Revenues:								
Aggregates								
Aggregates								
Aggregates		$	31.3	$ 27.5	$	50.8	$ 46.1	
Ready-mix concrete	Ready-mix concrete		36.6	40.5		67.9		66.7
Ready-mix concrete								
Ready-mix concrete								
Asphalt								
Asphalt								
Asphalt	Asphalt		8.6	6.3		10.9		7.6
Other*	Other*		42.4	39.8		67.7		63.2
Other*								
Other*								
Contracting services								
Contracting services								
Contracting services	Contracting services		34.9	33.4		48.5		40.3
Internal sales	Internal sales		(22.0)	(22.4)		(35.6)		(33.2)

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Internal sales								
Internal sales								
	$		$	131.8	$ 125.1	$	210.2	$ 190.7
	$							
	$							

* Other includes cement, merchandise and other products that individually are not considered to be a core line of business for the segment.

Three Months Ended March 31, 2024 June 30, 2024, Compared to Three Months Ended March 31, 2023 June 30, 2023

Revenue

Revenue improved $12.7 increased $6.7 million largely as price increases across all product lines contributed an additional $8.4 million, which was mainly due to pricing initiatives and aggregate product mix sales differences. Public agency-related contracting services activity in Northern California continued to see an uptick in the result of higher second quarter, improving contracting services revenues by $1.5 million and leading to an increase in northern California driven by improved weather conditions compared to 2023, which provided an earlier start asphalt volumes. Offsetting the increases was a decline in ready-mix concrete volumes of $6.9 million due largely to the construction season. Increased pricing for most product lines also contributed $6.3 million to the revenue improvement. Ready-mix concrete volumes also increased as a result timing of strong residential demand in northern California driven by the earlier start to the construction season and market improvements in Hawaii. Partially offsetting these increases were lower aggregate sales volumes of $2.9 million, largely due to less work in the quarter.

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projects.

Gross profit and gross margin

Gross profit decreased $600,000 $100,000 and gross margin decreased 190 100 basis points. Gross points, largely driven by lower gross profit was negatively impacted by higher repair on ready-mix concrete and aggregates due to increased costs for repairs and maintenance costs as the segment had an earlier start preparing for the construction season compared to the prior year. and higher depletion expense in aggregates. Also impacting gross profit were lower margins on aggregates of $1.1 million, primarily related to the timing of production costs and lower third-party sales in California. Partially offsetting the decreases were improved margins on was reduced ready-mix concrete volumes, as price increases discussed above, and higher depreciation expense on equipment. Higher contracting services margins contributed $1.6 million of $850,000 mostly outpaced increased costs, as well as additional gross profit due to improved project execution during the quarter.

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EBITDA and EBITDA margin

EBITDA improved $400,000 year-over-year, largely due to improved contracting services margins, as previously discussed. Partially offsetting the increase was higher selling, general and administrative expenses primarily for additional professional services. EBITDA margin resulted in a decrease of 50 basis points, largely the result of the previously discussed lower gross margin.

Six Months Ended June 30, 2024, Compared to Six Months Ended June 30, 2023

Revenue

Revenue increased $19.5 million across all core product lines. This increase resulted from increased prices contributing $14.6 million, strong asphalt sales volumes of $3.4 million and public agency-related construction work contributing to an increase on contracting services revenue of $8.2 million. Partially offsetting the increased revenues were lower aggregate volumes resulting from the absence of some larger projects this year compared to last year in Hawaii and California and lower ready-mix concrete volumes across the segment's markets.

Gross profit and gross margin

Gross profit decreased $700,000 and gross margin decreased 160 basis points, largely the result of increased labor-related costs and repairs and maintenance costs that outpaced higher prices for both the aggregates and ready-mix product lines. Also contributing to lower gross profit was higher depletion expense in aggregates and higher depreciation expense on equipment. Partially offsetting the decrease in gross profit was higher contracting services margins, which contributed $2.5 million of additional gross profit due to improved project execution during the earlier start to the construction season. year.

EBITDA and EBITDA margin

EBITDA decreased $800,000 $600,000 and EBITDA margin decreased 110 basis points. The decrease was These decreases are the result of decreased the previously discussed lower gross profit as discussed above, increased labor and labor-related higher selling, general and administrative costs due to a restructuring in Hawaii, and increased bad debt expense of $200,000. driven mainly by higher professional services.

Results of Operations - Northwest

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Three Months Ended
Three Months Ended
March 31,
March 31,
March 31,
2024
2024
(In millions)
(In millions)

	Three Months Ended			Six Months Ended		
	June 30,					
	2024	2023	% Change	2024	2023	% Change
	(In millions)			(In millions)		
Revenue	$ 201.2	$ 179.0	12%	$ 321.5	$ 294.9	9%
Gross profit	$ 51.5	$ 41.2	25%	$ 71.7	$ 57.9	24%
Gross margin						
EBITDA	$ 50.7	$ 38.9	31%	$ 70.9	$ 52.9	34%
EBITDA margin						

Gross profit
Gross profit
Gross margin
Gross margin
EBITDA
EBITDA
EBITDA margin
EBITDA margin
Three Months Ended
Three Months Ended
March 31,
March 31,
March 31,
2024
2024
(In millions)
(In millions)
Aggregates
Aggregates

	Three Months Ended		Six Months Ended	
	June 30,			
	2024			
	(In millions)		(In millions)	
Revenues:				
Aggregates	$ 53.1	$ 47.9	$ 92.5	$ 90.5
Ready-mix concrete	45.7	44.6	77.4	78.5

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Ready-mix concrete					
Ready-mix concrete					
Asphalt					
Asphalt					
Asphalt	Asphalt	32.5	34.5	40.8	41.4
Other*	Other*	5.5	4.4	9.1	7.1
Other*					
Other*					
Contracting services					
Contracting services					
Contracting services	Contracting services	96.9	82.7	148.0	125.4
Internal sales	Internal sales	(32.5)	(35.1)	(46.3)	(48.0)
Internal sales					
Internal sales					
$		$ 201.2	$ 179.0	$ 321.5	$ 294.9
$					
$					

* Other includes merchandise, transportation services and other products that individually are not considered to be a core line of business for the segment.

Three Months Ended March 31, 2024 June 30, 2024, Compared to Three Months Ended March 31, 2023 June 30, 2023

Revenue

Revenue improved $4.4 increased $22.2 million, largely driven by the result of higher contracting services revenues benefiting from more available winter work in certain markets, as well as price increases contributing $7.6 million revenue of additional revenue across most of the region for ready-mix concrete and aggregates. Additional asphalt volumes of $1.6 million, partially resulting from $14.2 million due to increased public agency commercial work. Price increases on ready-mix concrete contributed $5.7 million and residential demand, also contributed to higher revenues. third-party aggregate sales volumes provided an additional $5.1 million in revenue. Partially offsetting these the increases were lower ready-mix concrete and asphalt sales volumes of $6.5 million as a result of due to reduced demand in the quarter, as well as lower aggregate sales volumes of $6.4 million driven by the absence of a large data center project in the prior year. resulting from EDGE-related price initiatives, market conditions and less available paving projects.

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Gross profit and gross margin

Gross profit improved $3.6 $10.3 million and gross margin improved 250 260 basis points mainly due to increased margins on contracting services work. margins due to disciplined project bidding and favorable execution of projects. Also contributing to the increase was higher gross profit of $3.7 million across its core product lines with price increases outpacing costs. Aggregates gross profit increased from higher volumes, as previously discussed, and lower indirect costs. Ready-mix concrete gross profit increased $1.2 million, largely the result of pricing outpacing costs, and asphalt gross profit increased $1.0 million driven by lower raw material costs. Partially offsetting the increase was higher depreciation expense across all product lines.

EBITDA and EBITDA margin

EBITDA improved $11.8 million and EBITDA margin improved 350 basis points, largely due to improved gross profit, as previously discussed. Also contributing to the improvement was higher gross profit on aggregates, asset sale gains of $400,000.

Six Months Ended June 30, 2024, Compared to Six Months Ended June 30, 2023

Revenue

Revenue increased $26.6 million, largely the result of higher contracting services revenue of $22.6 million due to increased public agency work. Also contributing to the increase was improved pricing on ready-mix concrete and aggregates of $12.9 million, which was mostly offset by lower ready-mix sales volumes due to reduced demand resulting from EDGE-related price initiatives and market conditions.

Gross profit and gross margin

Gross profit improved $13.8 million and gross margin improved 270 basis points mainly due to increased contracting services margins resulting from favorable project execution and disciplined project bidding. Higher aggregates gross profit of $3.1 million was primarily due to increased pricing and lower repairs and maintenance costs and higher asphalt gross profit of $2.4 million was recognized due to lower material costs. Ready-mix concrete gross profit increased $760,000, largely the result of pricing outpacing costs and higher gross profit on asphalt of $1.4 million driven which were offset in part by lower material costs.

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volumes. Partially offsetting the increase was higher depreciation expense across all product lines.

EBITDA and EBITDA margin

EBITDA improved $6.1 $18.0 million and EBITDA margin improved 470 420 basis points, mainly largely due to higher improved gross profit, margins discussed above, as previously discussed. Also contributing to the improvement was higher asset sale gains on asset sales of $1.0 million and lower selling, general and administrative expenses. $1.4 million.

Results of Operations - Mountain

	Three Months Ended			Three Months Ended		Six Months Ended
	Three Months Ended					
	Three Months Ended					
	March 31,					
	March 31,					
	March 31,					
			June 30,			
	2024 2024	2023 2023	% Change % Change	2024	2023 2023	% Change % Change
	2024					
	2024					
	(In millions)					
	(In millions)					
	(In millions)				(In millions)	
Revenue Revenue	$ 194.0	$ 175.8	10%	$ 253.8	$ 236.4	7%
Gross profit Gross profit	$ 43.8	$ 32.1	36%	$ 40.1	$ 29.1	38%
Gross profit						
Gross profit						
Gross margin						
Gross margin						
Gross margin						
EBITDA						
EBITDA						
EBITDA	$ 43.1	$ 30.3	42%	$ 37.0	$ 26.5	39%
EBITDA margin						
EBITDA margin						
EBITDA margin						

	Three Months Ended	Three Months Ended	Six Months Ended
	Three Months Ended		
	Three Months Ended		
	March 31,		
	March 31,		
	March 31,		
		June 30,	
2024			
2024			

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	2024				
	(In millions)				
	(In millions)				
	(In millions)			(In millions)	
Revenues:					
Aggregates					
Aggregates					
Aggregates	$	31.1 $	28.9	$ 40.6 $	38.5
Ready-mix concrete	Ready-mix concrete	35.0	34.5	48.8	48.9
Ready-mix concrete					
Ready-mix concrete					
Asphalt					
Asphalt					
Asphalt	Asphalt	32.9	29.5	33.7	30.3
Contracting services					
Contracting services					
Contracting services		131.6	117.7	171.2	159.4
Internal sales	Internal sales	(36.6)	(34.8)	(40.5)	(40.7)
Internal sales					
Internal sales					
	$	$ 194.0 $	175.8	$ 253.8 $	236.4
	$				
	$				

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Three Months Ended March 31, 2024 June 30, 2024, Compared to Three Months Ended March 31, 2023 June 30, 2023

Revenue

Revenue decreased $800,000 as increased $18.2 million due to increased contracting services throughout Montana activity, largely resulting from additional airport work and Wyoming more Idaho public agency work, which also positively impacted asphalt sales volumes. Improved pricing across its core product lines also contributed $9.6 million. Partially offsetting the increase were negatively impacted by lower ready-mix concrete and aggregate sales volumes due to the timing of public agency work and aggregates sales volumes declined in Idaho due to project timing. Further impacting revenues were decreased ready-mix concrete sales volumes in Montana resulting from reduced residential demand in eastern Montana, along with the timing of customer projects throughout Montana. These decreases were partially offset by increased pricing for aggregates and ready-mix concrete of $3.6 million, higher aggregates sales volumes in Wyoming due to increased sales to wind energy and solar projects and an increase in contracting services in Idaho of $1.4 million due to change order work. certain projects.

Gross profit and gross margin

Gross profit decreased $700,000 improved $11.7 million and gross margin decreased 120 improved 430 basis points. Gross profit was negatively impacted by higher equipment mobilization and repair and maintenance points resulting from increased pricing across its core products outpacing increased costs, to prepare for an earlier start of with aggregates being the construction season. Partially offsetting the decrease was an increase in contracting largest contributor. Contracting services gross profit margins also increased mainly due to change order work higher revenues, as previously discussed, and cost savings on projects, as well as higher aggregates gross profit due to lower production costs. favorable project execution.

EBITDA and EBITDA margin

EBITDA decreased $2.3 improved $12.8 million and EBITDA margin decreased 390 improved 500 basis points, largely due to improved gross profit, as previously discussed, and lower bad debt expense.

Six Months Ended June 30, 2024, Compared to Six Months Ended June 30, 2023

Revenue

Revenue increased $17.4 million primarily the result of higher average selling prices across all core product lines contributing $13.3 million of additional revenues. Contracting services revenue increased by $11.8 million resulting from additional airport work and more Idaho public agency work, which also positively impacted asphalt sales volumes. These increases were partially offset by a reduction in aggregate and ready-mix concrete sales volumes due to the decreased timing of certain projects.

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Gross profit and gross margin

Gross profit improved $11.0 million and gross margin improved 350 basis points. Driving the improvement was higher product pricing outpacing higher costs and increased contracting services margins, mainly due to higher revenues and favorable project execution.

EBITDA and EBITDA margin

EBITDA improved $10.5 million and EBITDA margin improved 340 basis points, largely the result of improved gross profit, as previously discussed, above, in addition to and lower bad debt expense. Partially offsetting the increase was the absence of asset sale gains of $2.0 million $2.0 million in the prior year.

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Results of Operations - Central

	Three Months Ended			Three Months Ended			Six Months Ended
	Three Months Ended						
	Three Months Ended						
	March 31,						
	March 31,						
	March 31,						
			June 30,				
	2024	2024	2023 2023	% Change % Change	2024	2023 2023	% Change % Change
	2024						
	2024						
	(In millions)						
	(In millions)						
	(In millions)				(In millions)		
Revenue Revenue	$ 214.7	$ 231.0	(7)%		$ 275.7	$ 288.7	(5)%
Gross profit Gross profit	$ 38.2	$ 32.9	16%		$ 25.2	$ 20.7	22%
Gross profit							
Gross profit							
Gross margin							
Gross margin							
Gross margin							
EBITDA							
EBITDA							
EBITDA	$ 36.2	$ 28.4	27%		$ 17.4	$ 11.5	52%
EBITDA margin							
EBITDA margin							
EBITDA margin							

	Three Months Ended		Three Months Ended		Six Months Ended
	Three Months Ended				
	Three Months Ended				
	March 31,				
	March 31,				
	March 31,				

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					June 30,		
2024							
2024							
2024							
(In millions)							
(In millions)							
(In millions)						(In millions)	
Revenues:							
Aggregates							
Aggregates							
Aggregates	$	42.9	$ 42.1		$	58.8	$ 54.8
Ready-mix concrete	Ready-mix concrete	62.2	65.3			85.3	87.6
Ready-mix concrete							
Ready-mix concrete							
Asphalt							
Asphalt							
Asphalt	Asphalt	45.3	54.7			50.3	59.2
Other*	Other*		10.9			12.7	12.5
Other*							
Other*							
Contracting services							
Contracting services							
Contracting services	Contracting services	108.4	119.6			129.6	143.3
Internal sales	Internal sales	(55.0)	(61.6)			(61.0)	(68.7)
Internal sales							
Internal sales							
	$	$	214.7	$ 231.0	$	275.7	$ 288.7
$							
$							

* Other includes merchandise and other products that individually are not considered to be a core line of business for the segment.

Three Months Ended March 31, 2024 June 30, 2024, Compared to Three Months Ended March 31, 2023 June 30, 2023

Revenue

Revenue improved $3.4 million, the largest driver being increased pricing decreased $16.3 million. The segment had lower revenues across most of $5.3 million across all its core product lines, with most which was primarily a result of the impact realized in the south region. Partially offsetting the increase was lower contracting services revenues during the quarter, primarily related to less paving work in the south region and decreased subcontract work volumes due to EDGE-related initiatives of quality over quantity of work being implemented across the segment and project timing due to heavy rainfall and flooding in the north central region. June of 2024. This decrease was partially offset by price increases on ready-mix concrete contributing $7.5 million of additional revenue.

Gross profit and gross margin

Gross profit decreased $700,000 improved $5.3 million and gross margin decreased 20 improved 360 basis points. The decrease was primarily attributed to an earlier start to pre-construction season activities in the north central region, including maintenance-related work, plant mobilization and crew training. Partially offsetting this decrease was improved points, largely resulting from higher margins on contracting services work as both regions continue from EDGE-related initiatives, which contributed an additional $1.9 million in gross profit. Also contributing to implement EDGE-related initiatives. Also offsetting the decrease increase was higher aggregate ready-mix concrete gross profit, in the south region as increased pricing of $2.5 million more than offset higher sales prices outpaced increased costs.

EBITDA and EBITDA margin

EBITDA decreased $1.8 improved $7.8 million and EBITDA margin decreased 140 improved 460 basis points as a direct result of the lower and was driven by increased gross profit, as well as increased previously discussed, and higher gains on asset sales of $3.3 million. Partially offsetting the increase was higher selling, general and administrative costs expenses of $1.7 million, largely due to higher payroll-related costs.

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Six Months Ended June 30, 2024, Compared to Six Months Ended June 30, 2023

Revenue

Revenue decreased $13.0 million. The segment had lower revenues across most of its core product lines, which was primarily a result of lower volumes due to EDGE-related initiatives being implemented across the segment, as well as project timing due to heavy rainfall and flooding in June of 2024. This decrease was partially offset by sales price increases on ready-mix concrete of $9.9 million and aggregates of $1.0 million as the segment continues to implement EDGE-related initiatives. Aggregates also contributed $3.1 million in higher sales volumes, which was due mostly to increased demand for base materials.

Gross profit and gross margin

Gross profit improved $4.5 million and gross margin improved 190 basis points. The improvement largely resulted from higher margins on contracting services from EDGE-related initiatives including disciplined project bidding and favorable project execution, which contributed an additional $3.8 million. Also positively impacting gross profit was higher ready-mix concrete gross profit as higher sales prices outpaced higher costs. Partially offsetting the increase was lower asphalt gross profit, primarily in the south operating segment related to labor higher plant repair costs.

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EBITDA and training. EBITDA margin

EBITDA improved $5.9 million and EBITDA margin improved 230 basis points, driven by higher gross profit, as previously discussed, and higher gains on asset sales of $3.0 million. Partially offsetting the increase was higher selling, general and administrative expenses, largely related to higher payroll-related costs.

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Results of Operations - Energy Services

	Three Months Ended			Three Months Ended		Six Months Ended	
	Three Months Ended						
	Three Months Ended						
	March 31,						
	March 31,						
	March 31,						
				June 30,			
	2024	2024	2023	% Change	2024	2023	% Change
	2024						
	2024						
	(In millions)						
	(In millions)						
	(In millions)				(In millions)		
Revenue	$ 76.2	$ 84.1		(9)%	$ 89.0	$ 93.5	(5)%
Gross profit	$ 20.3	$ 23.3		(13)%	$ 19.0	$ 21.4	(11)%
Gross profit							
Gross profit							
Gross margin							
Gross margin							
Gross margin							
EBITDA							
EBITDA							
EBITDA	$ 19.4	$ 21.8		(11)%	$ 16.9	$ 18.8	(10)%

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EBITDA margin

EBITDA margin

EBITDA margin

	Three Months Ended		Three Months Ended		Six Months Ended	
	Three Months Ended					
	Three Months Ended					
	March 31,					
	March 31,					
	March 31,					
			June 30,			
	2024					
	2024					
	2024					
	(In millions)					
	(In millions)					
	(In millions)				(In millions)	
Revenues:						
Liquid Asphalt						
Liquid Asphalt						
Liquid Asphalt	$ 65.3	$ 72.9	$ 76.3	$ 81.2		
Other*	Other* 14.4	13.8	17.5	16.0		
Other*						
Other*						
Internal sales						
Internal sales						
Internal sales	Internal sales (3.5)	(2.6)	(4.8)	(3.7)		
$	$ 76.2	$ 84.1	$ 89.0	$ 93.5		
$						
$						

* Other includes fabric and spreading, burner fuels, merchandise and other products that individually are not considered to be a core line of business for the segment.

Three Months Ended March 31, 2024 June 30, 2024, Compared to Three Months Ended March 31, 2023 June 30, 2023

Revenue

Revenue improved $3.4 decreased $7.9 million due largely to reduced market pricing in all of the segment's markets as a result of lower input costs. Total liquid asphalt sales volumes were consistent with prior year. California continued to see strong markets demand in California and Texas, which benefited from favorable weather and higher demand, more than offsetting lower the second quarter while the Midwest had a slowdown in volumes in Wyoming due to project timing and the absence of throughput volumes when compared to the prior year. heavy rainfall.

Gross profit and gross margin

Gross profit improved $500,000 decreased $3.0 million and gross margin improved 940 decreased 100 basis points, which was driven by lower cost of materials the reduced market pricing. Partially offsetting the decrease was increased margins on liquid asphalt spreading, fabric installation services and lower maintenance costs in the quarter. costs.

EBITDA and EBITDA margin

EBITDA improved $500,000 decreased $2.4 million and EBITDA margin improved 1,230 decreased 50 basis points, which was related to increased decreased gross profit, as previously discussed. discussed, offset in part by lower selling, general and administrative costs related to lower payroll-related costs.

Six Months Ended June 30, 2024, Compared to Six Months Ended June 30, 2023

Revenue

Revenue decreased $4.5 million due to reduced market pricing across most of the segment's markets as a result of lower input costs. Liquid asphalt sales volumes were up slightly, primarily from strong demand in California and Texas, which were partially offset by decreased volumes in the Midwest due to heavy rainfall in the second quarter of

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2024. Also improving revenues were increased spreading rates, as well as higher burner fuels pricing and sales volume related to project timing.

Gross profit and gross margin

Gross profit decreased $2.4 million and gross margin decreased 160 basis points, driven by the reduced market pricing. Partially offsetting the decrease was increased margins on liquid asphalt spreading, fabric installation services and lower maintenance costs.

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EBITDA and EBITDA margin

EBITDA decreased $1.9 million and EBITDA margin decreased 110 basis points, which was related to decreased gross profit, as previously discussed, offset in part by lower selling, general and administrative costs related to lower payroll-related costs.

Corporate Services and Eliminations

Corporate Services includes all expenses related to the corporate functions of the Company, as well as insurance activity at our captive insurer; interest expense on a majority of the Company's long-term debt; interest income; and unrealized gains or losses on investments for the Company's nonqualified benefit plans.

Three Months Ended June 30, 2024, Compared to Three Months Ended June 30, 2023

During the first second quarter of 2024, Corporate Services contributed negative EBITDA of $12.7 million $15.8 million, or $8.2 million $4.1 million less EBITDA compared to the prior year.The decrease was largely due to higher selling, general and administrative costs of $8.3 million $2.8 million primarily resulting from additional costs incurred as a publicly traded company, as well as costs related to the Separation from MDU Resources.

As a result of the Separation, we experienced higher recurring costs of $9.5 $6.9 million, including payroll-related costs of $5.6 million $4.0 million, largely due to additional staff and stock-based compensation expense for the management team and board of directors; information technology costs of $1.4 million; professional services of $1.3 million; $850,000; fees of $520,000 primarily $350,000, largely related to fees on the new debt issued in conjunction with the Separation; and insurance costs of $395,000. $200,000. These recurring costs were partially offset by a reduction in general corporate expenses from MDU Resources of $4.6 $4.7 million, as further discussed in Note 2. Also, as part of the Separation, we incurred additional less one-time costs of $1.5 million primarily related to insurance costs, information technology costs and $750,000 in the transition services agreement with MDU Resources.

Indexquarter.

Further increasing selling, general and administrative expenses were higher health care costs in 2024 of $1.7 $1.0 million as prior year claims for 2023 were paid from the MDU Resources health and welfare trust therefore reducing the Company's expense in 2023. Partially offsetting these increased

Six Months Ended June 30, 2024, Compared to Six Months Ended June 30, 2023

Corporate Services contributed negative EBITDA of $28.4 million, or $12.1 million less EBITDA compared to the prior year. The decrease was largely due to higher selling, general and administrative costs of $11.2 million primarily resulting from additional costs incurred as a publicly traded company, as well as costs related to the Separation from MDU Resources.

As a result of the Separation, we experienced higher recurring costs of $16.3 million, including payroll-related costs of $9.5 million, largely due to additional staff and stock-based compensation expense for the management team and board of directors; information technology costs of $2.8 million; professional services of $2.1 million; fees of $870,000, largely related to fees on the new debt issued in conjunction with the Separation; and insurance costs of $600,000. These recurring costs were improved returns on partially offset by a reduction in general corporate expenses from MDU Resources of $9.6 million, as further discussed in Note 2. Also, as part of the Separation, we incurred additional one-time costs of $860,000 primarily related to insurance costs and the transition services agreement with MDU Resources.

Further increasing selling, general and administrative expenses were higher health care costs in 2024 of $2.8 million as prior year claims for 2023 were paid from the MDU Resources health and welfare trust therefore reducing the Company's nonqualified benefit plan investments of $320,000. expense in 2023.

Liquidity and Capital Resources

At March 31, 2024 June 30, 2024, Knife River we had cash and cash equivalents of $128.4 million $15.5 million, working capital of $520.5 million $571.4 million and borrowing capacity of $329.0 million $329.1 million on our revolving credit agreement. agreement, net of our outstanding letters of credit. Working capital is calculated as current assets less current liabilities. As of March 31, 2024 June 30, 2024, we believe Knife River has have sufficient liquid assets, cash flows from operations and borrowing capacity to meet its our financial commitments, debt obligations and anticipated capital expenditures for at least the next 12 months.

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Given the seasonality of our business, we typically experience significant fluctuations in working capital needs and balances throughout the year. Working capital requirements generally increase in the first half of the year as we build up inventory and focus on preparing our equipment, facilities and crews for our construction season. Working capital levels then decrease as the construction season winds down and we collect on receivables.

Knife River's ability to fund its cash needs will depend on the ongoing ability to generate cash from operations and obtain debt financing with competitive rates. Knife River relies on access to capital markets as sources of liquidity for capital requirements not satisfied by cash flows from operations, particularly in the first half of the year due to the seasonal nature of the industry. Our principal uses of cash in the future will be to fund our operations, working capital needs, capital expenditures, repayment of debt and strategic business development transactions.

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Capital expenditures

We currently estimate total 2024 capital expenditures to be between $170 million to $180 million for both maintenance and growth projects and excludes acquisitions. As of March 31, 2024 June 30, 2024, $43.7 $103.6 million has been spent on routine replacement and maintenance of vehicles and equipment, plant and building improvements, organic growth projects, a liquid asphalt expansion project and redistribution of plant assets. replacement aggregate reserves. These expenditures were funded by internally generated cash.

Our management team remains focused on organic and acquisition growth opportunities that they believe align with our EDGE strategies, which includes strategies. During the acquisition second quarter of 2024, we acquired a small ready-mix operation in South Dakota on April 3, 2024. and an aggregates site in Oregon.

While the 2024 budgeted capital expenditures includes some organic growth projects, future acquisitions and other growth opportunities that support our EDGE strategy would be incremental to the outlined capital program; however, these opportunities are dependent upon economic and other competitive conditions. It is anticipated that capital expenditures for 2024 will be funded by various sources, including internally generated cash and debt.

Cash flows

	Three Months Ended March 31,	
	2024	2023
	(In millions)	
Net cash provided by (used in)		
Operating activities	$ (43.2)	$ (79.3)
Investing activities	(45.1)	(40.8)
Financing activities	(3.3)	117.2
Decrease in cash, cash equivalents and restricted cash	(91.6)	(2.9)
Cash, cash equivalents and restricted cash -- beginning of year	262.3	10.1
Cash, cash equivalents and restricted cash -- end of period	$ 170.7	$ 7.2

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	Six Months Ended June 30,	
	2024	2023
	(In millions)	
Net cash provided by (used in)		
Operating activities	$ (89.7)	$ (70.4)
Investing activities	(110.2)	(64.1)
Financing activities	(5.2)	192.9
Increase (decrease) in cash, cash equivalents and restricted cash	(205.1)	58.4
Cash, cash equivalents and restricted cash -- beginning of year	262.3	10.1
Cash, cash equivalents and restricted cash -- end of period	$ 57.2	$ 68.5

Operating activities

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	Three Months Ended Three Months Ended Three Months Ended March 31, March 31, March 31,
	Six Months Ended Six Months Ended Six Months Ended June 30, June 30, June 30,
	(In millions)
	(In millions)
	(In millions)
Components of net cash used in operating activities:	
Components of net cash used in operating activities:	
Components of net cash used in operating activities:	
Net loss	
Net loss	
Net loss	
Adjustments to reconcile net loss to net cash used in operating activities	
Adjustments to reconcile net loss to net cash used in operating activities	
Adjustments to reconcile net loss to net cash used in operating activities	
Net income	
Net income	
Net income	
Adjustments to reconcile net income to net cash used in operating activities	
Adjustments to reconcile net income to net cash used in operating activities	
Adjustments to reconcile net income to net cash used in operating activities	
Changes in current assets and liabilities, net of acquisitions:	
Changes in current assets and liabilities, net of acquisitions:	
Changes in current assets and liabilities, net of acquisitions:	
Receivables	
Receivables	
Receivables	
Due from related-party	
Due from related-party	
Due from related-party	
Inventories	
Inventories	
Inventories	
Other current assets	
Other current assets	
Other current assets	
Accounts payable	

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Accounts payable
Accounts payable
Due to related-party
Due to related-party
Due to related-party
Other current liabilities
Other current liabilities
Other current liabilities
Pension and postretirement benefit plan contributions
Pension and postretirement benefit plan contributions
Pension and postretirement benefit plan contributions
Other noncurrent charges
Other noncurrent charges
Other noncurrent charges
Net cash used in operating activities
Net cash used in operating activities
Net cash used in operating activities

Cash used in operating activities at March 31, 2024 June 30, 2024, decreased $36.1 million increased $19.3 million, largely related to lower higher working capital needs. Cash used by working capital components totaled $39.8 $195.9 million for the three six months ended March 31, 2024 June 30, 2024, compared to $64.7 $171.4 million for the three six months ended March 31, 2023 June 30, 2023. This reduction increase in cash usage in 2024 was primarily the result of collections on higher receivables balances in the last quarter of 2023 and the first quarter of 2024, offset payroll-related costs due in part by to additional employees associated with the Separation. Also impacting working capital were higher liquid asphalt inventory balances. In addition, balances largely related to filling a large tank that was out service in the previous year; timing of prepaid insurance due to the Separation; the removal of all related-party balances due to the Separation; and fluctuations in the timing of insurance costs associated with the captive insurer had a positive impact payment on cash. accounts payable. Partially offsetting these decreases were stronger collections on receivables balances during 2024 and higher net income.

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Investing activities

	Three Months Ended
	Three Months Ended
	Three Months Ended
	March 31,
	March 31,
	March 31,
	Six Months Ended
	Six Months Ended
	Six Months Ended
	June 30,
	June 30,
	June 30,
	(In millions)
	(In millions)
	(In millions)
Capital expenditures	

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Capital expenditures
Capital expenditures
Acquisitions, net of cash acquired
Acquisitions, net of cash acquired
Acquisitions, net of cash acquired
Net proceeds from sale or disposition of property and other
Net proceeds from sale or disposition of property and other
Net proceeds from sale or disposition of property and other
Investments
Investments
Investments
Net cash used in investing activities
Net cash used in investing activities
Net cash used in investing activities

The increase in cash used in investing activities for the three six months ended March 31, 2024 June 30, 2024, compared to the three six months ended March 31, 2023 June 30, 2023, was primarily due to lower gains on asset sales, higher contributions to the Company's nonqualified benefit plan investments due to additional participants in the plan and higher capital expenditures, which includes including a liquid asphalt expansion project. project and routine replacement of vehicles and equipment. In addition, two acquisitions were completed in the first half of 2024.

Financing activities

	Three Months Ended
	Three Months Ended
	Three Months Ended
	March 31,
	March 31,
	March 31,
	Six Months Ended
	Six Months Ended
	Six Months Ended
	June 30,
	June 30,
	June 30,
	(In millions)
	(In millions)
	(In millions)
Issuance of long-term related-party notes, net	
Issuance of long-term related-party notes, net	
Issuance of long-term related-party notes, net	
Issuance of long-term debt	
Issuance of long-term debt	
Issuance of long-term debt	
Repayment of long-term debt	
Repayment of long-term debt	
Repayment of long-term debt	
Debt issuance costs	

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Debt issuance costs
Debt issuance costs
Tax withholding on stock-based compensation
Tax withholding on stock-based compensation
Tax withholding on stock-based compensation
Net transfers to Centennial
Net transfers to Centennial
Net transfers to Centennial
Net cash provided by (used in) financing activities
Net cash provided by (used in) financing activities
Net cash provided by (used in) financing activities

The decrease in cash flows provided by financing activities for the three six months ended March 31, 2024 June 30, 2024, compared to the three six months ended March 31, 2023 June 30, 2023, was largely related to the changes in the Company's debt structure as a result of the Separation. Separation, which included the issuance of senior notes, term loans and a revolving credit facility, and a transfer of the majority of the proceeds to Centennial.

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Material cash requirements

There were no material changes in the Company's contractual obligations related to estimated interest payments, purchase commitments, asset retirement obligations, uncertain tax positions and minimum funding requirements for its defined benefit plans for 2024 from those reported in the 2023 Annual Report. For more information on the Company's our contractual obligations on long-term debt, operating leases and purchase commitments, see Part II, Item 7 in the 2023 Annual Report.

Our material short-term and long-term cash requirements include repayment of third-party long-term debt and related interest payments, related-party notes payable and related interest payments, payments on operating lease agreements, payments of obligations on purchase commitments and asset retirement obligations.

Defined benefit pension plans

We have noncontributory qualified defined benefit pension plans for certain employees. Various assumptions are used in calculating the benefit expense (income) and liability (asset) related to these plans. Costs of providing these benefits are dependent upon assumptions of future conditions and bear the risk of changing.

There were no other material changes to our qualified noncontributory defined benefit pension plans from those reported in the 2023 Annual Report other than increased contributions of approximately $2.1 million made to our pension plans during the third quarter of 2024. The increase was driven by additional discretionary contributions. For more information, see Note 17 and Part II, Item 7 in the 2023 Annual Report.

Non-GAAP Financial Measures

The Business Segment Financial and Operating Data includes financial information prepared in accordance with GAAP, as well as EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin financial measures. These non-GAAP financial measures, including those measures by segment, as applicable, are considered non-GAAP measures of financial performance. These non-GAAP financial measures are not measures of financial performance under GAAP. The items excluded from these non-GAAP financial measures are significant components in understanding and assessing financial performance. Therefore, these non-GAAP financial measures should not be considered substitutes for the applicable GAAP metric.

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EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin are most directly comparable to the corresponding GAAP measures of net income and net income margin. We believe these non-GAAP financial measures, in addition to corresponding GAAP measures, are useful to investors by providing meaningful information about operational efficiency compared to our peers by excluding the impacts of differences in tax jurisdictions and structures, debt levels and capital investment. We believe Adjusted EBITDA and Adjusted EBITDA margin are useful performance measures because they allow for an effective evaluation of our operating performance by excluding stock-based compensation and unrealized gains and losses on benefit plan investments as they are considered non-cash and not part of our core operations. We also exclude the one-time, non-recurring costs associated with the Separation as those are not expected to continue. We believe EBITDA and Adjusted EBITDA assist rating agencies and investors in comparing operating performance across operating periods on a consistent basis by excluding items management does not believe are indicative of the Company's operating performance. Additionally, EBITDA and Adjusted EBITDA are important financial metrics for debt investors who utilize debt to EBITDA and debt to Adjusted EBITDA ratios. We believe EBITDA and EBITDA margin, these non-GAAP financial measures, including those measures by segment, are useful performance measures because they provide clarity as to the operational results of the Company. Our management uses these non-GAAP financial measures in conjunction with GAAP results when evaluating our operating results internally and calculating employee incentive compensation.

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EBITDA is calculated by adding back income taxes, interest expense (net of interest income) and depreciation, depletion and amortization expense to net income. EBITDA margin is calculated by dividing EBITDA by revenues. Adjusted EBITDA is calculated by adding back unrealized gains and losses on benefit plan investments, stock-based compensation and one-time Separation costs, to EBITDA. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenues. These non-GAAP financial measures are calculated the same for both the segment and consolidated metrics and should not be considered as alternatives to, or more meaningful than, GAAP financial measures such as net income or net income margin, and are intended to be helpful supplemental financial measures for investors' understanding of our operating performance. Our non-GAAP financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin measures having the same or similar names.

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The following information reconciles segment and consolidated net income (loss) to EBITDA and Adjusted EBITDA and provides the calculation of EBITDA margin and Adjusted EBITDA margin. Interest expense, net, is net of interest income that is included in other income (expense) on the Consolidated Statements of Operations.

Three Months Ended March 31, 2024	Pacific	Northwest	Mountain	Central	Energy Services	Corporate Services and Eliminations	Consolidated
Three Months Ended June 30, 2024	Pacific	Northwest	Mountain	Central	Energy Services	Corporate Services and Eliminations	Consolidated
				(In millions)			
Net income (loss)							
Depreciation, depletion and amortization							
Interest expense, net							
Interest expense, net							
Interest expense, net							
Income taxes							
EBITDA							
Unrealized (gains) losses on benefit plan investments							
Stock-based compensation expense							
One-time separation costs							
Adjusted EBITDA							
Revenue							
Revenue							
Revenue							
Net income margin — Net income margin	(8.3)%	8.5 %	(20.8) %	(44.9)%	(29.1) %	N.M.	(14.5) %
Net income margin	8.8 %	19.7 %	18.8 %	12.5 %	23.8 %	N.M.	9.7 %
EBITDA margin — EBITDA margin	(.9)%	16.8 %	(10.1) %	(30.7)%	(19.4) %	N.M.	(6.2) %
EBITDA margin	13.5 %	25.2 %	22.2 %	16.9 %	25.4 %	N.M.	18.8 %
Adjusted EBITDA margin — Adjusted EBITDA margin						N.M.	(5.4) %
Adjusted EBITDA margin						N.M.	19.1 %

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* N.M. - not meaningful

Three Months Ended March 31, 2023	Pacific	Northwest	Mountain	Central	Energy Services	Corporate Services and Eliminations	Consolidated
				(In millions)			
Net income (loss)	$ (5.0)	$ 5.1	$ (9.8)	$ (25.0)	$ (4.2)	$ (2.4)	$ (41.3)
Depreciation, depletion and amortization	5.1	8.9	6.0	8.1	1.2	.3	29.6
Interest expense, net	—	—	—	—	—	9.5	9.5
Income taxes	—	—	—	—	—	(11.9)	(11.9)
EBITDA	$ .1	$ 14.0	$ (3.8)	$ (16.9)	$ (3.0)	$ (4.5)	$ (14.1)
Unrealized (gains) losses on benefit plan investments						$ (1.3)	$ (1.3)
Stock-based compensation expense						.9	.9
One-time separation costs						.8	.8
Adjusted EBITDA						$ (4.1)	$ (13.7)
Revenue	$ 65.7	$ 115.9	$ 60.6	$ 57.6	$ 9.4	$ (1.3)	$ 307.9
Net income margin	(7.6)%	4.4 %	(16.2)%	(43.3)%	(44.8)%	N.M.	(13.4)%
EBITDA margin	.2 %	12.1 %	(6.2)%	(29.3)%	(31.7)%	N.M.	(4.6)%
Adjusted EBITDA margin						N.M.	(4.5)%

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Three Months Ended June 30, 2023	Pacific	Northwest	Mountain	Central	Energy Services	Corporate Services and Eliminations	Consolidated
				(In millions)			
Net income (loss)	$ 12.1	$ 29.2	$ 24.1	$ 20.0	$ 20.5	$ (49.1)	$ 56.8
Depreciation, depletion and amortization	5.3	9.7	6.2	8.4	1.3	.2	31.1
Interest expense, net	—	—	—	—	—	17.1	17.1
Income taxes	—	—	—	—	—	20.1	20.1
EBITDA	$ 17.4	$ 38.9	$ 30.3	$ 28.4	$ 21.8	$ (11.7)	$ 125.1
Unrealized (gains) losses on benefit plan investments						$ (.4)	$ (.4)
Stock-based compensation expense						(.1)	(.1)
One-time separation costs						1.7	1.7
Adjusted EBITDA						$ (10.5)	$ 126.3
Revenue	$ 125.1	$ 179.0	$ 175.8	$ 231.0	$ 84.1	$ (9.8)	$ 785.2
Net income margin	9.7 %	16.3 %	13.7 %	8.6 %	24.4 %	N.M.	7.2 %
EBITDA margin	14.0 %	21.7 %	17.2 %	12.3 %	25.9 %	N.M.	15.9 %
Adjusted EBITDA margin						N.M.	16.1 %

* N.M. - not meaningful

Six Months Ended June 30, 2024	Pacific	Northwest	Mountain	Central	Energy Services	Corporate Services and Eliminations	Consolidated
				(In millions)			
Net income (loss)	$ 5.1	$ 50.0	$ 24.1	$ (.5)	$ 14.4	$ (62.8)	$ 30.3

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Depreciation, depletion and amortization	11.9	20.9	12.9	17.9	2.5	.6	66.7
Interest expense, net	—	—	—	—	—	23.9	23.9
Income taxes	—	—	—	—	—	9.9	9.9
EBITDA	$ 17.0	$ 70.9	$ 37.0	$ 17.4	$ 16.9	$ (28.4)	$ 130.8
Unrealized (gains) losses on benefit plan investments						$ (1.6)	$ (1.6)
Stock-based compensation expense						3.6	3.6
One-time separation costs						3.8	3.8
Adjusted EBITDA						$ (22.6)	$ 136.6
Revenue	$ 210.2	$ 321.5	$ 253.8	$ 275.7	$ 89.0	$ (13.7)	$ 1,136.5
Net income margin	2.4 %	15.5 %	9.5 %	(.2)%	16.2 %	N.M.	2.7 %
EBITDA margin	8.1 %	22.1 %	14.6 %	6.3 %	19.0 %	N.M.	11.5 %
Adjusted EBITDA margin						N.M.	12.0 %

* N.M. - not meaningful

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Six Months Ended June 30, 2023	Pacific	Northwest	Mountain	Central	Energy Services	Corporate Services and Eliminations	Consolidated
				(In millions)			
Net income (loss)	$ 7.1	$ 34.3	$ 14.3	$ (5.0)	$ 16.3	$ (51.5)	$ 15.5
Depreciation, depletion and amortization	10.5	18.6	12.1	16.5	2.5	.5	60.7
Interest expense, net	—	—	.1	—	—	26.6	26.7
Income taxes	—	—	—	—	—	8.1	8.1
EBITDA	$ 17.6	$ 52.9	$ 26.5	$ 11.5	$ 18.8	$ (16.3)	$ 111.0
Unrealized (gains) losses on benefit plan investments						$ (1.7)	$ (1.7)
Stock-based compensation expense						.8	.8
One-time separation costs						2.4	2.4
Adjusted EBITDA						$ (14.8)	$ 112.5
Revenue	$ 190.7	$ 294.9	$ 236.4	$ 288.7	$ 93.5	$ (11.1)	$ 1,093.1
Net income margin	3.7 %	11.6 %	6.1 %	(1.7)%	17.5 %	N.M.	1.4 %
EBITDA margin	9.2 %	17.9 %	11.2 %	4.0 %	20.1 %	N.M.	10.2 %
Adjusted EBITDA margin						N.M.	10.3 %

* N.M. - not meaningful

New Accounting Standards

For information regarding new accounting standards, see Note 3, which is incorporated by reference.

Critical Accounting Estimates

Knife River's critical accounting estimates include revenue recognized using the cost-to-cost measure of progress for contracts; impairment testing of goodwill; and impairment testing of long-lived assets excluding goodwill. There were no material changes in the Company's critical accounting estimates from those that were previously reported in the Company's 2023 Annual Report.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to the impact of market fluctuations associated with interest rates and commodity prices. We have policies and procedures to assist in controlling these market risks and from time to time has have utilized derivatives to manage a portion of its our risk.

Interest rate risk

As of March 31, 2024 June 30, 2024, the Company had $269.8 million $268.1 million in term loans outstanding which bear interest at a variable rate. As of March 31, 2024 June 30, 2024, the rate in effect was 7.19 7.20 percent, therefore, a hypothetical increase of 1.00 percent to the interest rate at March 31, 2024 June 30, 2024 would increase the all-in rate to 8.19 8.20 percent, the effect of which would increase the Company's interest expense by $2.7 million over the next 12 months based on the balances outstanding for these borrowings as of March 31, 2024 June 30, 2024.

At March 31, 2024 June 30, 2024, the Company had no outstanding interest rate hedges.

Commodity price risk

There were no material changes to commodity price risk faced by the Company from those reported in the 2023 Annual Report.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. The Company's disclosure controls and other procedures are designed to provide reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and other procedures are designed to provide reasonable assurance that information required to be disclosed is accumulated and communicated to management, including the Company's chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure. The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and other procedures as of the end of the period

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covered by this report. Based upon that evaluation, the chief executive officer and the chief financial officer have concluded that, as of the end of the period covered by this report, such controls and procedures were effective at a reasonable assurance level.

Changes in internal controls

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended March 31, 2024 June 30, 2024, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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Part II -- Other Information

Item 1. Legal Proceedings

There were no material changes to the Company's legal proceedings that were previously reported in Part 1, Item 3 - Legal Proceedings in the 2023 Annual Report.

Item 1A. Risk Factors

Refer to the Company's risk factors that are disclosed in Part I, Item 1A. Risk Factors in its 2023 Annual Report that could be materially harmful to the Company's business, prospects, financial condition or financial results if they occur. As of March 31, 2024 June 30, 2024, there were no material changes to the Company's risk factors provided in Part I, Item 1A. Risk Factors in its 2023 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

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None.

Item 4. Mine Safety Disclosures

For information regarding mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K, see Exhibit 95 to this Form 10-Q, which is incorporated herein by reference.

Item 5. Other Information

During the three months ended March 31, 2024 June 30, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

See the index to exhibits immediately preceding the signature page to this report.

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Exhibits Index

Exhibit Number	Exhibit Description	Filed Herewith	Furnished Herewith	Incorporated by Reference Form	Period Ended	Exhibit	Filing Date	File Number
3(a)	Amended and Restated Certificate of Incorporation of Knife River Corporation			8-K		3.1	6/01/23	1-41642
3(b)	Amended and Restated Bylaws of Knife River Corporation			8-K		3.2	6/01/23	1-41642
+10(a)	Knife River Corporation Director Compensation Policy, as amended May 15, 2024	X						
+10(b)	Form of Knife River Corporation Restricted Stock Unit Award Agreement for Non-Employee Directors under the Long-Term Performance-Based Incentive Plan, as of May 15, 2024	X						
+10(c)	Knife River Corporation Section 16 Officers and Directors with Indemnification Agreements Chart, as of June 30, 2024	X						
31(a)	Certification of Chief Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X						
31(b)	Certification of Chief Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X						
32	Certification of Chief Executive Officer and Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002		X					
95	Mine Safety Disclosures	X						
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document							
101.SCH	XBRL Taxonomy Extension Schema Document							
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document							
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document							
101.LAB	XBRL Taxonomy Extension Label Linkbase Document							
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document							
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)							

+ Management contract, compensatory plan or arrangement.

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Signatures

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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Knife River Corporation

DATE: May 7, August 6, 2024

BY: /s/ Nathan W. Ring

Nathan W. Ring

Vice President and Chief Financial Officer

BY: /s/ Marney L. Kadrmas

Marney L. Kadrmas

Chief Accounting Officer

CERTIFICATION

I, Brian R. Gray, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Knife River Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2024 August 6, 2024

/s/ Brian R. Gray
Brian R. Gray
President and Chief Executive Officer

CERTIFICATION

I, Nathan W. Ring, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Knife River Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2024 August 6, 2024

/s/ Nathan W. Ring
Nathan W. Ring
Vice President and Chief Financial Officer

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned, Brian R. Gray, the President and Chief Executive Officer, and Nathan W. Ring, the Vice President and Chief Financial Officer of Knife River Corporation (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 June 30, 2024 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHERE OF, each of the undersigned has executed this statement this 7th 6th day of May, August, 2024.

/s/ Brian R. Gray
Brian R. Gray
President and Chief Executive Officer

/s/ Nathan W. Ring
Nathan W. Ring
Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Knife River Corporation and will be retained by Knife River Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

KNIFE RIVER CORPORATION
MINE SAFETY INFORMATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires issuers to include in periodic reports filed with the SEC certain information relating to citations or orders for violations of standards under the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006 (Mine Safety Act). The Dodd-Frank Act requires reporting of the following types of citations or orders:

1. Citations issued under Section 104 of the Mine Safety Act for violations that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard.
2. Orders issued under Section 104(b) of the Mine Safety Act. Orders are issued under this section when citations issued under Section 104 have not been totally abated within the time period allowed by the citation or subsequent extensions.
3. Citations or orders issued under Section 104(d) of the Mine Safety Act. Citations or orders are issued under this section when it has been determined that the violation is caused by an unwarrantable failure of the mine operator to comply with the standards. An unwarrantable failure occurs when the mine operator is deemed to have engaged in aggravated conduct constituting more than ordinary negligence.
4. Citations issued under Section 110(b)(2) of the Mine Safety Act for flagrant violations. Violations are considered flagrant for repeat or reckless failures to make reasonable efforts to eliminate a known violation of a mandatory health and safety standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.

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5. Imminent danger orders issued under Section 107(a) of the Mine Safety Act. An imminent danger is defined as the existence of any condition or practice in a coal or other mine which could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated.
6. Notice received under Section 104(e) of the Mine Safety Act of a pattern of violations or the potential to have such a pattern of violations that could significantly and substantially contribute to the cause and effect of mine health and safety standards.

During the three months ended March 31, 2024 June 30, 2024, none of the Company's operating subsidiaries received citations or orders under the following sections of the Mine Safety Act: 104(b), 104(d), 110(b)(2), 107(a) or 104(e). The Company did not have any mining-related fatalities during this period.

MSHA Identification Number/Contractor ID	Section 104 S&S Citations (#)	Total Dollar Value of MSHA Assessments Proposed ($)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)
04-05156	—	$ 147	—	—
13-02222	—	—	1	1
24-00462	—	749	—	—
35-00426	—	—	2	2
35-00634	—	466	—	—
35-03496	—	147	—	—
35-03558	—	441	—	—
35-03605	—	147	—	—
35-03667	—	147	—	—
41-03931	—	—	1	1
41-05492	2	1,184	—	—
51-00171	—	147	—	—
51-00192	1	2,791	—	—
	3	$ 6,366	4	4

MSHA Identification Number/Contractor ID	Section 104 S&S Citations (#)	Total Dollar Value of MSHA Assessments Proposed ($)
10-02170	1	$ —
32-00774	1	—
35-00512	3	1,833
48-01598	2	—
51-00036	1	626
	8	$ 2,459

Legal actions pending before the Federal Mine Safety and Health Review Commission (the Commission) may involve, among other questions, challenges by operators to citations, orders and penalties they have received from the Federal Mine Safety and Health Administration (MSHA) or complaints of discrimination by miners under section 105 of the Mine Act. The following is a brief description of the types of legal actions that may be brought before the Commission.

- Contests of Citations and Orders - A contest proceeding may be filed with the Commission by operators, miners or miners' representatives to challenge the issuance of a citation or order issued by MSHA.
- Contests of Proposed Penalties (Petitions for Assessment of Penalties) - A contest of a proposed penalty is an administrative proceeding before the Commission challenging a civil penalty that MSHA has proposed for the alleged violation contained in a citation or order.
- Complaints for Compensation - A complaint for compensation may be filed with the Commission by miners entitled to compensation when a mine is closed by certain withdrawal orders issued by MSHA. The purpose of the proceeding is to determine the amount of compensation, if any, due miners idled by the orders.
- Complaints of Discharge, Discrimination or Interference - A discrimination proceeding is a case that involves a miner's allegation that he or she has suffered a wrong by the operator because he or she engaged in some type of activity protected under the Mine Act, such as making a safety complaint.

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- Applications for Temporary Relief - Applications for temporary relief from any modification or termination of any order or from any order issued under section 104 of the Mine Act.
- Appeals of Judges' Decisions or Orders to the Commission - A filing with the Commission for discretionary review of a judge's decision or order by a person who has been adversely affected or aggrieved by such decision or order.

The following table reflects the types of legal actions pending before the Commission as of March 31, 2024 June 30, 2024:

MSHA Identification Number	Contests of Citations and Orders	Contests of Proposed Penalties	Complaints for Compensation	Complaints of Discharge, Discrimination or Interference	Applications for Temporary Relief	Appeals of Judges' Decisions or Orders to the Commission
13-02222	1	—	—	—	—	—
35-00426	2	—	—	—	—	—
41-03931	1	—	—	—	—	—

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KNIFE RIVER CORPORATION

DIRECTOR COMPENSATION POLICY

This Director Compensation Policy (the "Policy") was adopted by the Board of Directors (the "Board") of Knife River Corporation (the "Company") on May 15, 2024.

Each member of the Board who is not an employee of the Company or any of its subsidiaries (a "Director") shall receive compensation made up of annual cash retainers and a restricted stock unit ("RSU") award for shares of the Company's common stock ("Common Stock"), as set forth in this policy.

Cash Compensation

	Annual Cash Retainers
Base Retainer	$110,000
Additional Retainers:	
Non-Executive Chair of the Board	$125,000
Chair of Audit Committee	$20,000
Chair of Compensation Committee	$15,000
Chair of Nominating and Governance Committee	$15,000

Such cash retainers shall be paid in monthly installments.

The Knife River Corporation Deferred Compensation Plan for Directors (the "Plan") permits a Director to defer all or any portion of the annual cash retainers. The amount deferred is recorded in each participant's deferred compensation account and credited with income in the manner prescribed in the Plan.

Equity Compensation

Each person, other than the Non-Executive Chair of the Board, who is then a Director of the Company shall automatically receive an RSU award with a value of $150,000, and any person who is then the Non-Executive Chair of the Board shall automatically receive an RSU award with a value of $175,000, immediately after each Company Annual Meeting of Stockholders

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(each, an “Annual RSU Award”); provided, however, that for 2024, the Annual RSU Awards shall be automatically granted on May 15, 2024. Any Director who is initially elected or appointed to the Board at any time other than at a Company Annual Meeting of Stockholders will automatically receive on the date of such election or appointment a pro-rated RSU award (the “Initial RSU Award”) determined by multiplying the value of the Annual RSU award by a fraction, the numerator of which is the number of expected months (with a partial month counted as a full month) of service on the Board between the date of initial election or appointment and the date of the next Company Annual Meeting of Stockholders and the denominator of which is twelve. Each RSU award granted under the Policy shall be made under the Company’s Long-Term Performance-Based Incentive Plan (the “LTIP”) and shall be subject to the terms and conditions thereof and the applicable award agreement. The number of shares subject to each RSU award shall be determined by dividing the dollar value of the applicable RSU award by the closing price of the Common Stock on the New York Stock Exchange on the grant date. Any fractional shares shall be paid in cash. Annual RSU awards and Initial RSU awards shall vest on the day immediately prior to the date of the next Company Annual Meeting of Stockholders occurring after the date of grant, in either case, subject to the Director continuing in service on the Board through such vesting date.

By written election a Director may reduce his or her annual cash retainers and have that amount instead delivered in the form of additional shares of Common Stock under the LTIP. The annual election shall specify the percentage of the annual cash retainers to be applied toward the purchase of additional shares and must be received by the Company by December 14 of the year prior to the year in which the election is to be effective. No election may be changed or revoked for the current year but an election may be changed for a subsequent year. The additional stock payments will be made on the last business day of March, June, September, and December. The stock payment shall be made by providing the Director with the number of whole shares of Common Stock determined (i) if the shares are original issue or treasury stock, by dividing the amount of the applicable stock payment by the closing price of the Common Stock on the New York Stock Exchange on the grant date or (ii) if the shares are purchased on the open market, by dividing the amount of the applicable stock payment by the weighted average price paid to purchase shares for the Director for that stock payment, excluding any related brokerage commissions or other service fees. No fractional shares shall be purchased and cash in lieu of any fractional shares shall be paid to the Director.

Travel Expense Reimbursement

All Directors will be reimbursed for reasonable travel expenses incurred while serving as a Director, including spouse’s expenses, in connection with attendance at meetings of the Company’s Board of Directors and its committees. If the travel expense is related to the reimbursement of airfare, such reimbursement will not exceed full-coach rate. Spousal travel expenses paid by the Company are treated as taxable income to the Director. See the paragraph below entitled "Code Section 409A" for further rules relating to travel expense reimbursements.

Life Insurance Coverage

All Directors are protected by a non-contributory group life insurance policy with coverage of $100,000. The coverage begins the day the Director is elected or appointed to the Board of Directors and terminates when the Director ceases to be a Director. A Summary Plan Description (SPD) will be provided to the Director. The beneficiary of the insurance will be the beneficiary recorded on a beneficiary designation provided by the Company. The group life insurance policy is considered taxable compensation under current tax laws. Consequently, the Company will provide each Director annually on Form 1099 the amount of taxable income related to this coverage.

Code Section 409A

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To the extent any reimbursements or in-kind benefits provided to a Director pursuant to this policy constitute “deferred compensation” under Internal Revenue Code Section 409A, any such reimbursement or in-kind benefit shall be paid in a manner consistent with Treasury Regulation Section 1.409A-3(i)(1)(iv), including the requirements that the amount of reimbursable expenses or in-kind benefits provided during a year may not affect the expenses eligible for reimbursement or in-kind benefits provided in any other year and that any reimbursement be made on or before the last day of the calendar year following the calendar year in which the expense was incurred.

KNIFE RIVER CORPORATION
RESTRICTED STOCK UNIT AWARD NOTICE
(For Non-Employee Directors)

This Award Notice evidences the award of restricted stock units (each, an “***RSU***” or collectively, the “***RSUs***”) that have been granted to, (XXXXXXXXX), by Knife River Corporation, a Delaware corporation (the “***Company***”), subject to your acceptance of the terms of this Award Notice, the Restricted Stock Unit Award Agreement, which is attached hereto (the “***Agreement***”) and the Knife River Corporation Long-Term Performance-Based Incentive Plan (the “***Plan***”). When vested, each RSU entitles you to receive one share of common stock of the Company (the “***Shares***”). The RSUs are granted pursuant to the terms of the Plan.

This Award Notice constitutes part of, and is subject to the terms and provisions of, the Agreement and the Plan, which are incorporated by reference herein. Capitalized terms used but not defined in this Award Notice shall have the meanings set forth in the Agreement or in the Plan.

Grant Date:	[ ]
Number of RSUs:	[ ], subject to adjustment as provided under Section 4.2 of the Plan.
Vesting Schedule:	Subject to the provisions of the Agreement and the Plan, the RSUs shall vest in full on the day immediately prior to the date of the Company’s next Annual Meeting of Stockholders occurring after the Grant Date, provided that you continuously provide services to the Company until such date. Except for termination of service due to death or Disability or a Change in Control, any unvested portion of the Award will be forfeited and/or cancelled on the date you cease to provide services to the Company.
Settlement Date:	Each vested RSU will be settled in Shares as soon as practicable following vesting but in no event later than 60 days after such RSUs vest.
Acceleration on Death or Disability:	In the case of your death or Disability, the RSUs will vest in full.
Dividend Equivalents:	Yes

THESE RESTRICTED STOCK UNITS ARE SUBJECT TO FORFEITURE AS PROVIDED HEREIN.

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Further terms and conditions of the Award are set forth in Annex A hereto, which is an integral part of the Agreement.

You must accept this Award Notice by logging onto your account with Fidelity Investments and accepting this Award Notice and the Agreement. If you fail to do so, the RSUs will be null and void. By accepting the RSUs granted to you in this Award, you agree to be bound by all of the provisions set forth in this Award Notice, the Agreement, and the Plan.

Attachments:
Annex A: Restricted Stock Unit Award Agreement

Annex A
RESTRICTED STOCK UNIT AWARD AGREEMENT UNDER THE KNIFE RIVER CORPORATION
LONG-TERM PERFORMANCE-BASED INCENTIVE PLAN
(For Non-Employee Directors)

Knife River Corporation (the "***Company***") has granted to you an Award consisting of restricted stock units, subject to the terms and conditions set forth herein and in the Restricted Stock Unit Award Notice (the "***Award Notice***"). The Award has been granted to you pursuant to the Knife River Corporation Long-Term Performance-Based Incentive Plan (the "***Plan***"). Subject to the terms of the Plan, decisions and interpretations of the Compensation Committee of the Company's Board of Directors (the "**Committee**") are binding, conclusive and final upon any questions arising under the Award Notice, this Restricted Stock Unit Award Agreement (the "***Agreement***") or the Plan. Unless otherwise defined herein or in the Award Notice, capitalized terms shall have the meanings assigned to such terms in the Plan.

1. **Grant of RSUs**. On the Grant Date, you were awarded the number of RSUs set forth in the Award Notice.

2. **Vesting of RSUs.** The RSUs shall become vested and nonforfeitable in accordance with the Vesting Schedule set forth in the Award Notice. Vesting may be accelerated only as described in the Award Notice.

3. **Termination of service**. Except for termination of service due to death, Disability, or a Change in Control, any unvested portion of the Award will be forfeited and/or cancelled on the date you cease to provide services to the Company.

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4. **Settlement of RSU**. Each RSU, at the discretion of the Committee, will be settled in Shares as soon as practicable after the Vesting Date but in no event later than 60 days after unvested RSUs become vested RSUs. Directors are required to own Shares at a designated multiple of their annual cash base retainer. If you have not achieved the applicable stock ownership requirement, you are required to hold the net after-tax Shares received under this Award until the requirement is met.

5. **Voting Rights**. Since RSUs do not represent actual Shares, no voting rights or other rights as a stockholder of the Company arise with respect to the RSUs until Shares have been delivered to you upon settlement of the RSUs.

6. **Dividend Equivalents.** Dividend Equivalents will be earned with respect to any Shares issued pursuant to the Award. The amount of Dividend Equivalents earned shall be equal to the total dividends declared on a Share for stockholders of record between the Grant Date of this Award and the vesting date of the RSUs, multiplied by the number of Shares issued pursuant to the vesting of the RSUs awarded in the Award Agreement. Any Dividend Equivalents earned shall be paid in cash when the Shares to which they relate are issued or as soon thereafter as practicable, but no later than 60 days after the Shares are issued. No Dividend Equivalents will be issued for unvested or forfeited RSUs.

7. **Tax Withholding**. Pursuant to Article 14 of the Plan, the Committee has the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy any federal, state and local taxes (including the Participant's FICA obligations) required by law to be withheld with respect to the Award and Dividend

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Equivalents. The Committee may condition the delivery of vested Shares upon the Participant's satisfaction of such withholding obligations.

8. **Non-Guarantee of Employment or Service Relationship or Future Awards**. Nothing in the Plan, the Award Notice or this Agreement will be construed as a contractual right for you to continue to provide services to or become employed by the Company.

9. **Non-transferability of RSUs**. No RSUs granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.

10. **Personal Information**. You agree the Company and its suppliers or vendors may collect, use and disclose your personal information for the purposes of the implementation, management, administration and termination of the Plan.

11. **Amendment**. The Committee may amend, alter, modify, suspend or terminate the Award Notice or this Agreement at any time and from time to time, in whole or in part; provided, however, no amendment, alteration, modification, suspension or termination of the Award Notice or Agreement shall adversely affect in any material way the Award Notice or this Agreement, without your written consent, except to the extent such amendment, alteration, modification, suspension or termination is reasonably determined by the Committee in its sole discretion to be necessary to comply with applicable laws, rules, regulations, or is necessary for such approvals by any governmental agencies or national securities exchanges as may be required.

12. **Binding Effect**. This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon you and your heirs, beneficiaries, executors, legal representatives,

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successors and assigns.

13. **Integrated Agreement**. The Award Notice, this Agreement and the Plan constitute the entire understanding and agreement between you and the Company with respect to the subject matter contained herein or therein and supersedes any prior agreements, understandings, restrictions, representations, or warranties between you and the Company with respect to such subject matter other than those as set forth or provided for herein or therein.

14. **Ratification of Actions**. By accepting the Award or other benefit under the Plan, you and each person claiming under or through you shall be conclusively deemed to have indicated your acceptance and ratification of, and consent to, any action taken under the Plan or the Award by the Company, its Board of Directors, or the Committee.

15. **Notices**. Any notice hereunder to the Company shall be addressed to its office, 1150 West Century Avenue, Bismarck, North Dakota 58503; Attention: Corporate Secretary, and any notice hereunder to you shall be addressed to you at the most recent addressyou have provided in writing to the Company,subject to the right of either party to designate at any time hereafter in writing some other address.

16. **Governing Law**. To the extent not preempted by Federal law, the Award Notice and this Agreement shall be governed and construed in accordance with the laws of the State of Delaware, without regard to conflicts of law provisions. In the event any provision of the Award Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Award Agreement, and the Award Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

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17. **Construction**. Captions and titles contained in this Agreement are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

18. **Conformity**. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Any conflict between the terms of the Award Notice, this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in the Award Notice or this Agreement or any matters as to which the Award Notice and this Agreement are silent, the Plan shall govern. Any conflict between the terms of the Award Notice and the Agreement shall be resolved in accordance with the terms of the Agreement.

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Section 16 Officers and Directors with Indemnification Agreements

As of June 30, 2024

Section 16 Officers

Name	Title	Date of Agreement
Nancy K. Christenson	Vice President of Administration	May 30, 2023
Brian R. Gray	President and Chief Executive Officer	May 30, 2023
Trevor J. Hastings	Vice President and Chief Operating Officer	May 30, 2023
Marney L. Kadrmas	Chief Accounting Officer	May 30, 2023
Karl A. Liepitz	Vice President, Chief Legal Officer and Secretary	May 30, 2023
Glenn R. Pladsen	Vice President of Support Services	May 30, 2023
Nathan W. Ring	Vice President and Chief Financial Officer	May 30, 2023

Directors

Name	Title	Date of Agreement
German Carmona Alvarez	Director	May 30, 2023
Patricia Chiodo	Director	June 27, 2024
Karen B. Fagg	Director and Chair of the Board	May 30, 2023
Thomas W. Hill	Director	May 14, 2024
Patricia L. Moss	Director	May 30, 2023
William J. Sandbrook	Director	May 30, 2023

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