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311482

May 26, 2026

VIA E-FILING

Chief of Case Administration
Office of Chief Counsel
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423-0001

ENTERED
Office of Chief Counsel
May 26, 2026
Part of
Public Record

Re: Docket No. AB-290 (Sub-No. 424X), *Norfolk Southern Railway Company—Abandonment Exemption—in Polk County, Iowa*

Docket No. AB-414 (Sub-No. 9X), *Iowa Interstate Railroad, LLC—Discontinuance of Lease and Operation Authority—in Polk County, Iowa*

Dear Chief of Case Administration:

On behalf of Ellis & Eastern Company (“E&E”), enclosed for filing in the above-captioned proceedings is the *Reply of Ellis & Eastern Company in Opposition to the Petition for Exemption; Comments as an Interested Party; and Motion for Leave to File a Late-Filed Expression of Intent to File an Offer of Financial Assistance* (the “Combined Filing”).

The Combined Filing includes the following:

- Reply in Opposition to the Petition for Exemption and Comments of E&E as an Interested Party (Part III);
- Motion for Leave to File a Late-Filed Expression of Intent to File an Offer of Financial Assistance, for good cause shown (Part IV);
- Expression of Intent to File an Offer of Financial Assistance (Part V), electing to **purchase** the Line; and

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- Exhibit 1, Verified Statement of Clark Meyer, President of the Ellis & Eastern Company (Financial Responsibility), with Attachments A (Financial Statements), B (Financing Commitment/Line of Credit Letter), and C (Parent Financial Support Letter of the Knife River Corporation).

Pursuant to the Board's notice served May 4, 2026, copies of the Combined Filing are being served concurrently by e-mail on William A. Mullins (wmullins@mullinslawgroup.net), Mullins Law Group PLLC, counsel for Norfolk Southern Railway Company; and on Onna B. Houck (obhouck@iaisrr.com), Vice President and Chief Legal Officer, Iowa Interstate Railroad, LLC. Courtesy copies are being sent to Spencer M. Naake (snaake@mullinslawgroup.net) and Crystal Zorbaugh (czorbaugh@mullinslawgroup.net) at Mullins Law Group PLLC.

If you have any questions concerning this filing, please contact the undersigned at 605-906-0000 or john.taylor@taylorlawsd.com.

Respectfully submitted,



John Taylor
Counsel for Ellis & Eastern Company

Enclosures: As described above

cc: William A. Mullins, Mullins Law Group PLLC - wmullins@mullinslawgroup.net
Onna B. Houck, Iowa Interstate Railroad, LLC - obhouck@iaisrr.com
Spencer M. Naake, Mullins Law Group PLLC - snaake@mullinslawgroup.net
Crystal Zorbaugh, Mullins Law Group PLLC - czorbaugh@mullinslawgroup.net

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

**Docket No. AB-290 (Sub-No. 424X)
NORFOLK SOUTHERN RAILWAY COMPANY—ABANDONMENT EXEMPTION—
IN POLK COUNTY, IOWA**

**Docket No. AB-414 (Sub-No. 9X)
IOWA INTERSTATE RAILROAD, LLC—DISCONTINUANCE OF LEASE AND
OPERATION AUTHORITY—IN POLK COUNTY, IOWA**

**REPLY OF ELLIS & EASTERN COMPANY IN OPPOSITION TO THE PETITION
FOR EXEMPTION; COMMENTS AS AN INTERESTED PARTY; AND MOTION FOR
LEAVE TO FILE A LATE-FILED EXPRESSION OF INTENT TO FILE AN OFFER OF
FINANCIAL ASSISTANCE**

The Ellis & Eastern Company (“EE”), pursuant to the Board’s notice served May 4, 2026, and 49 C.F.R. § 1152.25, respectfully submits this combined filing, which (i) replies in opposition to the joint petition for exemption filed by Norfolk Southern Railway Company (“NSR”) and Iowa Interstate Railroad, LLC (“IAIS”) (collectively, “Petitioners”) and comments as an interested party; (ii) moves, pursuant to 49 C.F.R. § 1104.7, for leave to file a late-filed expression of intent to file an offer of financial assistance (“OFA”) under 49 U.S.C. § 10904 and 49 C.F.R. § 1152.27; and (iii) sets forth EE’s expression of intent. For the reasons below, the Board should deny the petition or, in the alternative, condition any authorization to preserve EE’s opportunity to acquire the approximately 12.2-mile rail line at issue and continue rail service through the OFA process.

I. INTEREST OF ELLIS & EASTERN COMPANY

EE is a South Dakota corporation and a Class III short-line rail carrier. EE has informed NSR of its interest in acquiring the approximately 12.2-mile rail line extending from milepost DU 340.8 to milepost DU 353.0, together with the 0.8-mile Clive Spur (collectively, the “Line”), and in continuing rail freight service to shippers located on the Line. EE is a financially responsible person prepared to acquire and operate the Line. EE is a common-carrier and operates

approximately 68.38 miles of owned and leased facilities in South Dakota and Minnesota. On its own accord and through that of its parent corporation (the Knife River Corporation) it has the financial capacity to acquire and provide common-carrier service over the Line. EE is therefore directly and materially interested in the outcome of this proceeding.

II. BACKGROUND

Petitioners filed their joint petition for exemption on April 14, 2026. The Board served its notice instituting this exemption proceeding on May 4, 2026, establishing, among other deadlines, a May 14, 2026 deadline for filing a formal expression of intent to file an OFA, a May 26, 2026 deadline for replies to the petition, and a final decision date of July 31, 2026. The Line has not been abandoned; it remains intact and in service. EE communicated to NSR its interest in acquiring the Line but has not yet communicated with IAIS. Although EE was aware of this proceeding, through inadvertence it did not file the formal expression of intent by the May 14, 2026 deadline, and it moves below to cure that oversight.

III. REPLY IN OPPOSITION TO THE PETITION FOR EXEMPTION AND COMMENTS OF EE AS AN INTERESTED PARTY

A. The Petition Should Be Denied Because Continued Rail Service Is Feasible and a Financially Responsible Carrier Stands Ready to Acquire the Line.

To grant an exemption under 49 U.S.C. § 10502(a), the Board must find that regulation is not necessary to carry out the rail transportation policy of 49 U.S.C. § 10101, and that either the transaction is limited in scope or regulation is not needed to protect shippers from the abuse of market power. Those findings cannot be made on this record. The rail transportation policy expressly favors, among other things, the continuation of the rail transportation system and

meeting the needs of shippers. 49 U.S.C. § 10101. Abandonment here would extinguish service that EE, as a financially responsible carrier, stands ready to continue. EE will run the line as a short-line railroad and forecasts the operations will be profitable on its own. Where a willing and able purchaser is prepared to maintain service, exemption from the prior-approval requirements of 49 U.S.C. § 10903 is not warranted, and the public interest is best served by full scrutiny of the proposed abandonment.

Petitioners' central premise, that the Line "is not economically viable for IAIS, NSR, or any potential new operator" (Pet. 5), is directly contradicted by EE's interest. A low-cost short-line operator may operate the Line economically where IAIS, operating under a lease, could not. EE anticipates that its own cost structure, and the established traffic base along the Line are sufficient to continue operations. At a minimum, Petitioners' "no potential new operator" assertion cannot be credited in the face of EE's documented interest.

B. In the Alternative, the Board Should Condition Any Authorization to Preserve the OFA Opportunity.

Even if the Board grants the exemption, it should do so subject to the OFA process and should hold the matter in abeyance, or impose an appropriate condition, to permit EE to acquire the Line and continue service. The OFA process exists precisely to preserve rail lines that would otherwise be lost to abandonment. As set forth in Part IV below, EE seeks leave to file a late expression of intent for good cause. Granting the exemption without preserving the OFA opportunity would truncate the very mechanism Congress established to protect against the premature loss of rail service, and would do so notwithstanding the presence of a financially responsible offeror.

C. Corridor Preservation and the Pending Trail-Use Request.

The Board's notice reflects a pending request by Polk County and several municipalities for a public-use condition and interim trail use/rail banking. Preservation of the corridor for continued rail service through EE's acquisition is fully consistent with, and indeed advances, the public interest in maintaining the corridor. EE's continued operation of the Line as an active rail line is preferable to abandonment and removal.

IV. MOTION FOR LEAVE TO FILE A LATE-FILED EXPRESSION OF INTENT

EE respectfully moves, pursuant to 49 C.F.R. § 1104.7 and the Board's discretionary authority to waive its procedural rules for good cause, for leave to file the late-filed expression of intent set forth in Part V below. Good cause exists for the following reasons:

1. EE is a bona fide, financially responsible prospective purchaser committed to continued service. EE is a Class III short-line rail carrier that has expressed to NSR its interest in acquiring the Line and continuing common-carrier service. EE is prepared to make the preliminary financial-responsibility showing required by 49 C.F.R. § 1152.27(c)(1)(i) and to file a complete OFA within the time the Board prescribes.
2. EE's lapse was inadvertent. EE did not withhold its expression of intent for tactical advantage. It communicated its acquisition interest to NSR and intended to preserve its rights, but failed to file the formal expression by the deadline. Permitting the late filing will not reward gamesmanship; it will correct an inadvertent omission by a genuine prospective purchaser.
3. No prejudice to Petitioners. The Line remains intact and no abandonment has been consummated. The proceeding is ongoing and the Board's decision is not due until July 31, 2026. Permitting the late expression of intent allows the OFA process to proceed within

the Board's existing schedule and imposes no unfair prejudice on Petitioners, who face only the OFA process that Congress designed.

4. The public interest in continued rail service favors leave. The OFA mechanism exists to preserve rail service that would otherwise be lost to abandonment. Denying leave would foreclose the only party that has come forward prepared to acquire the Line and maintain service to its shippers. The strong public interest in preserving rail service weighs decisively in favor of permitting the filing.
5. The compressed notice window supports excusable neglect. Only ten days elapsed between service of the Board's notice on May 4, 2026 and the May 14, 2026 expression-of-intent deadline. That short window, measured against the Board's overall schedule running through July 31, 2026, supports a finding of excusable neglect and counsels in favor of a modest accommodation that does not disturb the proceeding.

V. EXPRESSION OF INTENT TO FILE AN OFFER OF FINANCIAL ASSISTANCE

Subject to the Board's grant of leave, EE hereby expresses its intent to file an offer of financial assistance under 49 U.S.C. § 10904 and 49 C.F.R. § 1152.27 to purchase the Line. EE intends to acquire the Line and continue common-carrier rail service to shippers located thereon.

Preliminary Financial Responsibility. EE is preliminarily financially responsible within the meaning of 49 C.F.R. § 1152.27(c)(1)(i). EE's preliminary financial responsibility is demonstrated by the Verified Statement of Clark Meyer, President of EE, attached hereto as Exhibit 1, and the supporting documentation referenced therein, which establish that EE has, or has access to, sufficient financial resources to acquire the Line and to cover cash operating losses and the cost of continued common-carrier service.

EE stands ready to file a complete OFA, including the information required by 49 C.F.R. § 1152.27(c)(1), within the time prescribed by the Board.

VI. CONCLUSION

For the foregoing reasons, EE respectfully requests that the Board: (1) deny the petition for exemption; or, in the alternative, condition any authorization granted to preserve EE's opportunity to acquire the Line and continue rail service, including through the OFA process; and (2) grant leave to file the foregoing late-filed expression of intent, accept EE's expression of intent as timely filed, and permit EE to participate in the offer-of-financial-assistance process in this proceeding.

Respectfully submitted,

Ellis & Eastern Company
1500 North Sweetman Place
Sioux Falls, SD 57107

APPLICANT



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Taylor Law Firm, P.C.
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Sioux Falls, SD 57108
(605) 906-0000
john.taylor@taylorlawsd.com

Attorneys for:

ELLIS & EASTERN COMPANY

Dated: May 26, 2026

CERTIFICATE OF SERVICE

I hereby certify that on this 26th day of May, 2026, a copy of the foregoing was served by e-mail and first-class mail on the following:

William A. Mullins
Mullins Law Group PLLC
2001 L St., N.W., Suite 720
Washington, DC 20036
wmullins@mullinslawgroup.net
with courtesy copies to
 Spencer M. Nakke: snaake@mullinslawgroup.net
 Crystal Zorbaugh: czorbaugh@mullinslawgroup.net
(counsel for Norfolk Southern Railway Company)

Onna B. Houck
Iowa Interstate Railroad, LLC
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Cedar Rapids, IA 52404
obhouck@iaisrr.com
(for Iowa Interstate Railroad, LLC)



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Attorneys for:

ELLIS & EASTERN COMPANY

EXHIBIT 1
VERIFIED STATEMENT OF CLARK MEYER
PRESIDENT, ELLIS & EASTERN COMPANY
(Financial Responsibility)

I, Clark Meyer, being duly sworn, state as follows:

1. I am the President of the Ellis & Eastern Company ("EE"). I am authorized to make this Verified Statement on behalf of EE. I have personal knowledge of the matters stated herein, and they are true and correct.
2. EE is a South Dakota corporation and a Class III short-line railroad and common carrier with its principal place of business at 1500 N. Sweetman Pl., Sioux Falls, SD 57107. EE operates approximately 68.38 miles of rail in southeast South Dakota and southwest Minnesota. EE is a wholly owned subsidiary of the Knife River Corporation, and EE connects and interchanges with the BNSF and Union Pacific ("UP") as part of its operations in South Dakota and Minnesota.
3. EE is preliminarily financially responsible within the meaning of 49 C.F.R. § 1152.27(c)(1)(i) and is prepared to file an offer of financial assistance to purchase the approximately 12.2-mile rail line at issue in this proceeding, together with the Clive Spur (the "Line"), and to continue common-carrier rail service over it.
4. As of December 31st, 2025, EE had total assets of approximately \$12.2M, total liabilities of approximately \$3.4M, and net worth (stockholders' equity) of approximately \$8.8M. EE's unaudited financial statements are attached as Attachment A.
5. EE has, or has access to, sufficient financial resources to pay the purchase price for the Line. Specifically, EE has financial support from its parent, Sweetman Const. Co. d/b/a in South Dakota as Knife River, evidenced by the 2025 Knife River Corporation audited financial statements attached as Attachment B.
6. EE has, or has access to, sufficient resources to cover the costs of continued common-carrier service over the Line, including any cash operating losses, for the period required under 49 C.F.R. § 1152.27. This conclusion is based on EE's projected operating revenues and costs for the Line, available working capital, and parent support, as summarized in Attachment C.
7. EE is a rail carrier and will obtain the operating authority necessary to provide common-carrier rail service over the Line, and is willing and able to do so. EE will provide such service directly, and anticipates it will interchange with BNSF, UP, NSR and will obtain an overhead trackage agreement with IAIS to serve shippers on the Line.
8. Based on the foregoing, EE is financially responsible within the meaning of 49 U.S.C. § 10904 and 49 C.F.R. § 1152.27, and is prepared to consummate the purchase of the Line and to continue rail service.

VERIFICATION

I, CLARK MEYER, declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

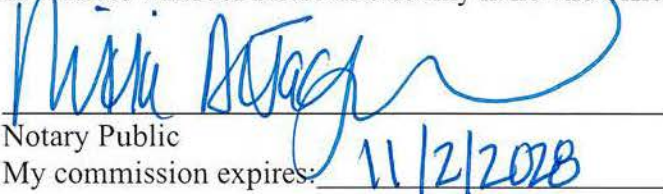
Executed on May 26, 2026.

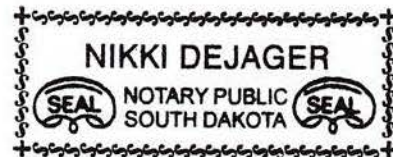

CLARK MEYER

STATE OF SOUTH DAKOTA)
 :SS
COUNTY OF MINNEHAHA)

On May 26, 2026, before me, the undersigned officer, personally appeared Clark Meyer, known to me or satisfactorily proven to be the person whose name is subscribed as President of the Ellis & Eastern Company, and acknowledged that he executed the same for the purposes therein contained.

In witness whereof I hereunto set my hand and official seal.


Notary Public
My commission expires: 11/2/2028



Attachments:

- Attachment A — Financial Statements of EE
- Attachment B — Knife River Corporation 2025 Audited Financial Statements
- Attachment C — Knife River Corporation Financial Support Letter

Attachment A
VERIFIED STATEMENT OF CLARK MEYER
PRESIDENT, ELLIS & EASTERN COMPANY

Financial Statements of EE

Knife River Corp

Consolidated Income Statement

For KRC-CENTRAL REGION

For ELLIS & EASTERN
December, 2025

MONTH TO DATE					YEAR TO DATE				
CURRENT YEAR	GP%	LAST YEAR	GP%	VARIANCE	CURRENT YEAR	GP%	LAST YEAR	GP%	VARIANCE
0		0		0	0		0		0
0		0		0	0		0		0
0		0		0	0		0		0
0		0		0	0		0		0
314,277		0		314,277	5,667,940		0		5,667,940
0		0		0	0		0		0
350,592		410,976		(60,384)	7,100,625		8,559,393		(1,458,768)
664,869		410,976		253,893	12,768,564		8,559,393		4,209,172
0		0		0	0		0		0
664,869		410,976		253,893	12,768,564		8,559,393		4,209,172
303,017		0		(303,017)	4,406,356		0		(4,406,356)
(92,419)		8,058		100,477	0		17		17
281,662		337,740		56,078	3,866,287		5,031,849		1,165,561
492,260		345,798		(146,461)	8,272,643		5,031,866		(3,240,778)
0		0		0	0		0		0
492,260		345,798		(146,461)	8,272,643		5,031,866		(3,240,778)
11,260	3.58%	0	0.00%	11,260	1,261,584	22.26%	0	0.00%	1,261,584
92,419	0.00%	(8,058)	0.00%	100,477	0	0.00%	(17)	0.00%	17
68,930	19.66%	73,237	17.82%	(4,306)	3,234,337	45.55%	3,527,544	41.21%	(293,207)
172,610	25.96%	65,178	15.86%	107,431	4,495,921	35.21%	3,527,527	41.21%	968,394
114,468		57,976		(56,492)	988,759		527,677		(461,082)
7,232		9,395		2,163	17,132		15,695		(1,437)
121,700		67,371		(54,328)	1,005,891		543,372		(462,519)
4,211		(2,159)		6,371	(30,331)		(19,851)		(10,480)
0		0		0	4		0		4
0		0		0	0		0		0
55,121		(4,353)		59,474	3,459,704		2,964,304		495,400
117,559	17.68%	43,585	10.61%	73,974	4,125,483	32.31%	3,523,319	41.16%	602,164
(203,168)		(1,178,568)		(975,400)	470,031		509,005		38,974
340,401		(106,939)		(447,340)	218,631		(92,510)		(311,141)
137,233		(1,285,507)		(1,422,740)	688,662		416,495		(272,167)
(82,112)		1,281,154		(1,363,266)	2,771,042		2,547,809		223,233
(82,112)		1,281,154		(1,363,266)	2,771,042		2,547,809		223,233

ELLIS & EASTERN

Balance Sheet Period 12, 2025

		Current Month	Last Year Current Month	Last Year Dec-31st
Assets				
	<u>Cash</u>			
	Cash	-1,315	-4,679	-4,679
	<u>Receivables</u>			
	Trade Receivables	756,255	1,918,022	1,918,022
	Intercompany Receivables	1,178,878	-573,795	-573,795
	Contracts Receivable	238,644	0	0
	Other Receivables	0	0	0
	Costs in Excess of Billings	18,277	0	0
	Allowance for Doubtful Accounts	-32,000	-5,500	-5,500
	Total Receivables	2,160,054	1,338,727	1,338,727
	<u>Inventories:</u>			
	Inventory – Mat'l's and Supplies	1,190,054	973,973	973,973
	Total Inventories	1,190,054	973,973	973,973
	Prepaid Expenses	34,367	32,617	32,617
	Deposits	0	0	0
	Current IC Notes Receivable	293,402	0	0
	Other Current Assets	0	0	0
	Total Current Assets	3,676,562	2,340,637	2,340,637
	<u>Other Assets:</u>			
	Other Assets	0	0	0
	Right of Use Asset - Lease	268,653	155,848	155,848
	Total Other Assets	268,653	155,848	155,848
	<u>Fixed Assets:</u>			
	Land	1,210,640	1,210,640	1,210,640
	Plant And Equipment	9,469,610	7,852,472	7,852,472
	Buildings	233,647	142,029	142,029
	Const. Work in Process	1,056,700	1,056,700	1,056,700
	Fixed Assets Subtotal	11,970,597	10,261,842	10,261,842
	Accumulated DEPR & DEPL	-3,679,518	-3,045,163	-3,045,163
	Net Property, Plant and Equipment	8,291,079	7,216,679	7,216,679
	Total Assets	12,236,293	9,713,164	9,713,164

		Current Month	Last Year Current Month	Last Year Dec-31st	
Liabilities					
	<u>Accounts Payable:</u>				
	Trade Payables	884,923	27,537	27,537	
	Intercompany Payables	0	1,000	1,000	
	Billings in Excess of Cost	339,220	0	0	
	Total Accounts Payable	1,224,143	28,537	28,537	
	<u>Accrued Liabilities:</u>				
	Accrued Payroll	75,928	38,838	38,838	
	Accrued Payroll Related Costs	420,517	315,004	315,004	
	Current Federal Income Tax	-39,876	-625,727	-625,727	
	Current State Income Tax	84,409	-32,293	-32,293	
	Other Accrued Liabilities	0	0	0	
	Other Taxes Payable	58,593	27,411	27,411	
	Current Lease Liability	132,898	102,720	102,720	
	Current IC Notes Payable	0	651,292	651,292	
	Current Portion Notes Payable	0	0	0	
	Total Current Liabilities	1,956,611	505,782	505,782	
	<u>Noncurrent Liabilities:</u>				
	Long Term Debt	0	0	0	
	NC Deferred Fed Tax Liab	1,085,321	903,043	903,043	
	NC Deferred State Tax Liab	218,523	182,170	182,170	
	NC Lease Liability	135,754	53,127	53,127	
	Other NC Liabilities	0	0	0	
	Total Non Current Liabilities	1,439,598	1,138,340	1,138,340	
	Total Liabilities	3,396,210	1,644,123	1,644,123	
Equity					
	<u>Stockholders Equity</u>				
	Common Stock	1,000	1,000	1,000	
	Add'l Paid In Capital	8,748,484	8,748,484	8,748,484	
	Current Year	2,771,042	2,547,809	2,547,809	
	Dividends Paid	-6,500,000	-4,500,000	-4,500,000	
	Prior Year Retained Earnings	3,819,558	1,271,749	1,271,749	
	Total Stockholders Equity	8,840,083	8,069,041	8,069,041	
	Total Liabilities and Stockholders Equity	12,236,293	9,713,164	9,713,164	

Attachment B
VERIFIED STATEMENT OF CLARK MEYER
PRESIDENT, ELLIS & EASTERN COMPANY

Knife River Corporation 2025 Audited Financial Statements

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Report on Internal Control Over Financial Reporting

The management of Knife River Corporation is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may be inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2025. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*.

Based on our evaluation under the framework in *Internal Control-Integrated Framework (2013)*, management concluded that our internal control over financial reporting was effective as of December 31, 2025.

The scope of our assessment of the effectiveness of our internal control over financial reporting did not include Strata Corporation as we acquired them on March 7, 2025. The assets acquired from Strata were 13.5 percent of consolidated assets as of December 31, 2025 and revenues were 6.2 percent of consolidated revenue during the year ended December 31, 2025. We excluded Strata from the scope of our assessment in accordance with the Securities and Exchange Commission's guidance that allows a recently acquired business to be omitted from the scope of the assessment for one year from the date of its acquisition.

The effectiveness of our internal control over financial reporting as of December 31, 2025, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report.

/s/ Brian R. Gray

/s/ Nathan W. Ring

Brian R. Gray
President and Chief Executive Officer

Nathan W. Ring
Vice President and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Knife River Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Knife River Corporation and subsidiaries (the “Company”) as of December 31, 2025 and December 31, 2024, the related consolidated statements of operations, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2025, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and December 31, 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2026, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue from Contracts with Customers—Contracting Services Revenue—Refer to Notes 1, 2, 4 and 5 to the financial statements*Critical Audit Matter Description*

The Company recognizes contracting services revenue over time using an input method based on the cost-to-cost measure of progress for contracts because it best depicts the transfer of assets to the customer which occurs as Knife River incurs costs on the contract. Under the cost-to-cost measure of progress, the costs incurred are compared with total estimated costs of a performance obligation. Revenues are recorded proportionately to the costs incurred. This method depends largely on the ability to make reasonably dependable estimates related to the extent of progress toward completion of the contract, contract revenues, contract costs. The accounting for these contracts involves judgment, particularly as it relates to the process of estimating total costs and profit for the performance obligation. For the year ended December 31, 2025, the Company recognized \$1.4 billion of contracting services revenue.

Given the judgments necessary to estimate total costs and profit for the performance obligations used to recognize revenue for construction contracts, auditing such estimates required extensive audit effort due to the volume and complexity of construction contracts and a high degree of auditor judgment when performing audit procedures and evaluating the results of those procedures.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's estimates of total costs and profit for the performance obligations used to recognize revenue for contracts included the following, among others:

- We tested the operating effectiveness of management's controls over contracting services revenue, including controls over management's estimation of total costs and profit for the performance obligations.
- For certain contracts, we developed an expectation of the amount of contracting services revenue based on prior year markups, and taking into account current year events, applied to the contracting services contract costs in the current year and compared our expectation to the amount of contracting services revenue recorded by management.
- For certain contracts, we selected a sample of contracting services contracts and performed the following:
 - Evaluated whether the contracts were properly included in management's calculation of contracting services revenue based on the terms and conditions of each contract, including whether continuous transfer of control to the customer occurred as progress was made toward fulfilling the performance obligation.
 - Compared the transaction prices to the consideration expected to be received based on current rights and obligations under the contracts and any modifications that were agreed upon with the customers.
 - Tested management's identification of distinct performance obligations by evaluating whether the underlying goods and services were highly interdependent and interrelated.
 - Tested the accuracy and completeness of the costs incurred to date for the performance obligation.
 - Evaluated the estimates of total cost and profit for the performance obligation by:
 - Comparing total costs incurred to date to the costs management estimated to be incurred to date and selecting specific cost types to compare costs incurred to date to management's estimated costs at completion.
 - Evaluating management's ability to achieve the estimates of total cost and profit by performing corroborating inquiries with the Company's project managers and engineers, and comparing the estimates to management's work plans, engineering specifications, and supplier contracts.
 - Comparing management's estimates for the selected contracts to costs and profits of similar performance obligations, when applicable.

- Tested the mathematical accuracy of management's calculation of contracting services revenue for the performance obligation.
- For certain contracts, we evaluated management's ability to estimate total costs and profits accurately by comparing actual costs and profits to management's historical estimates for performance obligations that have been fulfilled.

Acquisitions—Valuation of property, plant and equipment—Refer to Notes 1, 2 and 3 to the financial statements

Critical Audit Matter Description

On March 7, 2025, the Company completed the acquisition of Strata Corporation. Accordingly, the assets acquired and liabilities assumed were measured at their acquisition date fair values, including the fair values of acquired property, plant and equipment.

The principal considerations of our determination that the valuation of Strata property, plant and equipment acquired is a critical audit matter are (i) the significant judgments made by management, including the use of management's specialists; (ii) a high degree of auditor judgment and an increased extent of effort in performing procedures and evaluating assumptions; and (iii) the audit effort involved the use of valuation specialists to determine the fair value of acquired Strata property, plant and equipment.

How the Critical Audit Matter Was Addressed in the Audit

With the assistance of our fair value specialists, our audit procedures related to management's valuation of acquired Strata property, plant and equipment included the following, among others:

- We tested the operating effectiveness of management's controls over the valuation of acquired Strata property, plant and equipment and the review of the work of management's third-party specialists.
- With the assistance of our fair value specialists, we selected a sample of assets and evaluated management's valuation of the assets by comparing management's fair value conclusions to those determined using a market approach valuation method.
- With the assistance of our fair value specialists, we evaluated management's valuation of the assets by comparing management's fair value conclusions to those determined under generally accepted valuation practices for similar assets.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota

February 20, 2026

We have served as the Company's auditor since 2002.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Knife River Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Knife River Corporation and subsidiaries (the “Company”) as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2025, of the Company and our report dated February 20, 2026, expressed an unqualified opinion on those financial statements.

As described in Management’s Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Strata Corporation, which was acquired on March 7, 2025, and whose financial statements constitute 13.5 percent of total assets and 6.2 percent of revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2025. Accordingly, our audit did not include the internal control over financial reporting at Strata Corporation.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota

February 20, 2026

KNIFE RIVER CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31,	2025	2024	2023
	(In thousands, except per share amounts)		
Revenue:			
Construction materials	\$ 1,762,132	\$ 1,540,749	\$ 1,523,040
Contracting services	1,383,880	1,358,256	1,307,310
Total revenue	3,146,012	2,899,005	2,830,350
Cost of revenue:			
Construction materials	1,339,127	1,147,429	1,133,042
Contracting services	1,229,556	1,181,747	1,158,373
Total cost of revenue	2,568,683	2,329,176	2,291,415
Gross profit	577,329	569,829	538,935
Selling, general and administrative expenses	291,455	253,635	242,538
Operating income	285,874	316,194	296,397
Interest expense	81,936	55,242	58,096
Other income	9,272	10,042	7,007
Income before income taxes	213,210	270,994	245,308
Income taxes	56,136	69,316	62,436
Net income	\$ 157,074	\$ 201,678	\$ 182,872
Net income per share:			
Basic	\$ 2.77	\$ 3.56	\$ 3.23
Diluted	\$ 2.76	\$ 3.55	\$ 3.23
Weighted average common shares outstanding:			
Basic	56,653	56,607	56,568
Diluted	56,895	56,844	56,668

KNIFE RIVER CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

Years ended December 31,	2025	2024	2023
	(In thousands)		
Net income	\$ 157,074	\$ 201,678	\$ 182,872
Other comprehensive income (loss):			
Reclassification adjustment for loss on derivative instruments included in net income, net of tax of \$0, \$0 and \$28 in 2025, 2024 and 2023, respectively	—	—	90
Pension and postretirement liability adjustment:			
Pension and postretirement liability gains (losses) arising during the period, net of tax of \$(417), \$567 and \$252 in 2025, 2024 and 2023, respectively	(1,209)	1,709	751
Amortization of pension and postretirement liability losses included in net periodic benefit cost, net of tax of \$85, \$103 and \$64 in 2025, 2024 and 2023, respectively	249	308	192
Pension and postretirement liability adjustment	(960)	2,017	943
Other comprehensive income (loss)	(960)	2,017	1,033
Comprehensive income attributable to common stockholders	\$ 156,114	\$ 203,695	\$ 183,905

KNIFE RIVER CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31,	2025	2024
(In thousands, except shares and per share amounts)		
Assets		
Current assets:		
Cash, cash equivalents and restricted cash	\$ 123,418	\$ 281,134
Receivables, net	278,030	267,240
Contract assets	77,528	31,283
Inventories	435,714	380,336
Prepayments and other current assets	46,232	27,675
Total current assets	960,922	987,668
Noncurrent assets:		
Net property, plant and equipment	2,028,933	1,441,700
Goodwill	519,668	297,225
Other intangible assets, net	32,680	29,414
Operating lease right-of-use assets	52,589	49,378
Investments and other	55,321	45,817
Total noncurrent assets	2,689,191	1,863,534
Total assets	<u>\$ 3,650,113</u>	<u>\$ 2,851,202</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Long-term debt - current portion	\$ 11,708	\$ 10,475
Accounts payable	145,581	140,834
Contract liabilities	33,773	42,126
Accrued compensation	44,253	50,655
Current operating lease liabilities	15,942	14,844
Other taxes payable	11,252	8,286
Accrued interest	7,348	5,535
Other accrued liabilities	108,132	97,282
Total current liabilities	377,989	370,037
Noncurrent liabilities:		
Long-term debt	1,153,830	666,911
Deferred income taxes	287,917	174,727
Noncurrent operating lease liabilities	36,647	34,534
Other	152,790	128,908
Total liabilities	2,009,173	1,375,117
Commitments and contingencies		
Stockholders' equity:		
Common stock, 300,000,000 shares authorized, \$0.01 par value, 57,095,301 shares issued and 56,664,165 shares outstanding at December 31, 2025; 57,043,841 shares issued and 56,612,705 shares outstanding at December 31, 2024	571	570
Other paid-in capital	629,637	620,897
Retained earnings	1,024,620	867,546
Treasury stock held at cost - 431,136 shares	(3,626)	(3,626)
Accumulated other comprehensive loss	(10,262)	(9,302)
Total stockholders' equity	1,640,940	1,476,085
Total liabilities and stockholders' equity	<u>\$ 3,650,113</u>	<u>\$ 2,851,202</u>

KNIFE RIVER CORPORATION AND SUBSIDIARIES

Consolidated Statements of Equity

Years ended December 31, 2025, 2024 and 2023	Common Stock		Other Paid-In Capital	Retained Earnings	MDU Resources' Stock Held by Subsidiary		Treasury Stock		Accumulated Other Comprehensive Loss	Total
	Shares	Amount			Shares	Amount	Shares	Amount		
	(In thousands, except shares)									
Balance at December 31, 2022	80,000	\$ 800	\$549,106	\$ 494,661	(538,921)	\$ (3,626)	—	\$ —	\$ (12,352)	\$ 1,028,589
Net income	—	—	—	182,872	—	—	—	—	—	182,872
Other comprehensive income	—	—	—	—	—	—	—	—	1,033	1,033
Stock-based compensation	—	—	2,888	(37)	—	—	—	—	—	2,851
Common stock issued for board of director fees	12,192	—	702	—	—	—	—	—	—	702
Retirement of historical common stock in connection with the Separation	(80,000)	(800)	800	—	—	—	—	—	—	—
Issuance of common stock in connection with the Separation	56,997,350	570	(570)	—	—	—	—	—	—	—
Transfer of MDU Resources stock held by subsidiary	—	—	—	—	538,921	3,626	—	—	—	3,626
Receipt of treasury stock at historical cost	—	—	—	—	—	—	(431,136)	(3,626)	—	(3,626)
Net transfers from Centennial and MDU Resources including Separation adjustments	—	—	62,972	—	—	—	—	—	—	62,972
Net transfers to Centennial pre-Separation	—	—	(1,385)	(11,622)	—	—	—	—	—	(13,007)
Balance at December 31, 2023	57,009,542	\$ 570	\$614,513	\$ 665,874	—	\$ —	(431,136)	\$ (3,626)	\$ (11,319)	\$ 1,266,012
Net income	—	—	—	201,678	—	—	—	—	—	201,678
Other comprehensive income	—	—	—	—	—	—	—	—	2,017	2,017
Stock-based compensation	—	—	8,057	(6)	—	—	—	—	—	8,051
Common stock issues for employee compensation, net of tax withholding	31,298	—	(1,673)	—	—	—	—	—	—	(1,673)
Common stock issued for board of director fees	3,001	—	—	—	—	—	—	—	—	—
Balance at December 31, 2024	57,043,841	\$ 570	\$620,897	\$ 867,546	—	\$ —	(431,136)	\$ (3,626)	\$ (9,302)	\$ 1,476,085
Net income	—	—	—	157,074	—	—	—	—	—	157,074
Other comprehensive loss	—	—	—	—	—	—	—	—	(960)	(960)
Stock-based compensation	—	—	11,394	—	—	—	—	—	—	11,394
Common stock issued for employee compensation, net of tax withholding	39,656	1	(2,654)	—	—	—	—	—	—	(2,653)
Common stock issued for board of director fees	11,804	—	—	—	—	—	—	—	—	—
Balance at December 31, 2025	57,095,301	\$ 571	\$629,637	\$1,024,620	—	\$ —	(431,136)	\$ (3,626)	\$ (10,262)	\$ 1,640,940

KNIFE RIVER CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31,	2025	2024	2023
	(In thousands)		
Operating activities:			
Net income	\$ 157,074	\$ 201,678	\$ 182,872
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	193,740	136,871	123,805
Deferred income taxes	25,491	(350)	(1,606)
Provision for credit losses	2,445	1,099	2,001
Amortization of debt issuance costs	3,724	2,762	3,115
Stock-based compensation costs	11,394	7,826	2,888
Pension and postretirement benefit plan net periodic benefit cost	1,239	1,628	1,182
Unrealized gains on investments	(2,939)	(2,918)	(2,202)
Gains on sale of assets	(21,777)	(9,215)	(27)
Gain on bargain purchase	(3,547)	—	—
Equity in unconsolidated affiliates	(259)	(279)	(286)
Changes in current assets and liabilities, net of acquisitions:			
Receivables	(44,037)	14,061	(54,817)
Due from related-party	—	—	16,050
Inventories	(13,444)	(44,303)	3,654
Other current assets	(9,050)	10,907	(19,556)
Accounts payable	(14,991)	7,308	33,092
Due to related-party	—	—	(7,310)
Other current liabilities	(9,298)	(4,003)	48,977
Pension and postretirement benefit plan contributions	(570)	(2,651)	(1,756)
Other noncurrent changes	3,280	1,903	5,650
Net cash provided by operating activities	278,475	322,324	335,726
Investing activities:			
Capital expenditures	(348,041)	(172,427)	(124,283)
Acquisitions, net of cash acquired	(609,994)	(130,981)	—
Net proceeds from sale or disposition of property and other ...	47,472	11,996	8,284
Investments	(3,097)	(3,389)	(1,890)
Net cash used in investing activities	(913,660)	(294,801)	(117,889)
Financing activities:			
Issuance of long-term related-party notes, net	—	—	205,275
Issuance of long-term debt	500,000	—	700,000
Repayment of long-term debt	(8,808)	(7,036)	(3,653)
Debt issuance costs	(11,070)	—	(16,640)
Tax withholding on stock-based compensation	(2,653)	(1,673)	—
Net transfers to Centennial	—	—	(850,589)
Net cash provided by (used in) financing activities	477,469	(8,709)	34,393
Increase (decrease) in cash, cash equivalents and restricted cash ..	(157,716)	18,814	252,230
Cash, cash equivalents and restricted cash - beginning of year	281,134	262,320	10,090
Cash, cash equivalents and restricted cash - end of year	\$ 123,418	\$ 281,134	\$ 262,320

KNIFE RIVER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2025, 2024 and 2023

Note 1 – Organization and Basis of Presentation

At Knife River, we are 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 are one of the leading providers of crushed stone and sand and gravel in the United States and operate across 14 states. We conduct our operations through four reportable segments: West, Mountain, Central and Energy Services.

In January 2025, we made a change to our organizational structure to better align with our business strategy. We reorganized our business segments to reflect changes in the way our chief operating decision maker evaluates performance, makes operating decisions and allocates resources. Our former Pacific and Northwest operating segments were combined to form the new West operating segment. Our former North Central and South operating segments were combined to form the new Central operating segment. The reorganization resulted in four operating segments: West, Mountain, Central and Energy Services, each of which is also a reportable segment. Each segment's performance is evaluated based on segment results without allocating corporate expenses, which include corporate costs associated with accounting, legal, treasury, business development, information technology, human resources, and other corporate expenses that support the operating segments. Prior periods have been recast to conform to the current reportable segment presentation.

On March 7, 2025, we acquired Strata Corporation (Strata), a leading construction materials and contracting services provider in North Dakota and northwestern Minnesota. The purchase price for Strata totaled \$454.0 million and was subject to post-closing adjustments. The results of operations and balance sheet accounts for Strata are included in the consolidated financial statements from the date of acquisition. For more information, see Note 3.

In July 2025, House Bill 1, known as the One Big Beautiful Bill Act ("OBBBA"), was enacted. The OBBBA includes significant provisions that, among other provisions, makes 100% bonus depreciation permanent and restores the ability to expense domestic research expenditures. The OBBBA did not have a material impact on the Company's annual estimated income tax rate, but did result in a reclassification between current taxes payable and deferred tax liabilities.

In December 2025, we reclassified our retention receivables of \$42.8 million on a contract-by-contract basis from accounts receivable. The reclassification resulted in an increase to contract assets of \$31.8 million and a decrease to contract liabilities of \$11.0 million due to FASB's clarification of retention receivables under ASC 606. Prior years were not revised.

Separation from MDU Resources

On May 31, 2023, MDU Resources completed the 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 continued to be provided by MDU Resources under a transition services agreement. For more information on the transition services agreement, see Note 19.

KNIFE RIVER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2025, 2024 and 2023

Basis of Presentation

Prior to the Separation, we operated as a wholly owned subsidiary of Centennial and an indirect, wholly owned subsidiary of MDU Resources and not as a stand-alone company. The accompanying audited 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 audited consolidated financial statements of MDU Resources as if we operated on a stand-alone basis during these periods.

All revenues and costs as well as assets and liabilities directly associated with the business activity of Knife River are included in the financial statements. In the periods prior to the Separation, the audited 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 amount allocated to us was \$10.7 million for the year ended December 31, 2023. These expenses were allocated to us on the basis of direct usage when identifiable, with the 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 expense we would have incurred as a 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, we participated in Centennial’s centralized cash management program, including its overall financing arrangements. 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 our current debt financing, see Note 9.

Related-party transactions between us and MDU Resources or Centennial for general operating activities and intercompany debt have been included in the audited consolidated financial statements for periods prior to the Separation. The cash settlement of these transactions are included in the Consolidated Statements of Cash Flows as operating or financing activities following the nature of the transactions. The aggregate net effect of related-party transactions not settled in cash as part of the Separation have been reflected in the Consolidated Balance Sheets and Statements of Stockholders’ Equity within “Other paid-in capital” and within the Consolidated Statements of Cash Flows following the nature of the transactions with a majority included in the financing section. See Note 19 for additional information on related-party transactions.

Management has also evaluated the impact of events occurring after December 31, 2025, up to the date of issuance of these audited consolidated financial statements on February 20, 2026, that would require recognition or disclosure in the audited Consolidated Financial Statements.

Principles of consolidation

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

KNIFE RIVER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2025, 2024 and 2023

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 audited 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; 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.

Note 2 – Significant Accounting Policies

New accounting standards

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

Standard	Description	Standard Effective Date	Impact on financial statements/disclosures
<i>Recently issued ASU's not yet adopted</i>			
ASU 2024-03 - Disaggregation of Income Statement Expenses	In November 2024, the FASB issued guidance on modifying the disclosure requirements to improve the disclosures for a public entity's expenses and address requests from investors for more detailed information about the types of expenses in commonly presented expense captions. The guidance is to be applied either on a prospective basis to the financial statements issued for reporting periods after the effective date or on a retrospective basis to the financial statements to all prior periods presented in the financial statements. Early adoption is permitted.	Annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027.	We are currently evaluating the impact the guidance will have on our disclosures for the year ended December 31, 2027 and interim periods for fiscal year 2028.
ASU 2025-05 - Measurement of Credit Losses for Accounts Receivable and Contract Assets	In July 2025, the FASB issued guidance to provide a practical expedient for all entities related to the estimation of expected credit losses for current accounts receivable and current contract assets that arise from transactions accounted for under ASC 606, Revenue from Contracts with Customers.	Annual reporting periods beginning after December 15, 2025 and interim reporting periods within those annual reporting periods on a prospective basis. Early adoption is permitted and should be applied on a prospective basis.	We are currently evaluating the impact the guidance will have on our financial statements and related disclosures.

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Standard	Description	Standard Effective Date	Impact on financial statements/disclosures
ASU 2025-06 - Targeted Improvements to the Accounting for Internal-Use Software	In September 2025, the FASB issued guidance to provide targeted improvements to the accounting for internal-use software which is intended to modernize the recognition and capitalization framework to reflect current software development practices. Under this guidance, eligible software development costs will begin capitalization when management has authorized and committed to funding the software project, and it is probable that the project will be completed and the software will be used to perform the function intended.	Annual reporting periods beginning after December 15, 2027 and interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period.	We are currently evaluating the impact this guidance will have on our financial statements and disclosures.

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. 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 at December 31 was comprised of:

	2025	2024
	(In thousands)	
Cash and cash equivalents	\$ 73,821	\$ 236,799
Restricted cash	49,597	44,335
Cash, cash equivalents and restricted cash	<u>\$ 123,418</u>	<u>\$ 281,134</u>

Business combinations

For all business combinations, we preliminarily allocate the purchase price of the acquisitions to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition dates and are considered provisional until final fair values are determined, or the measurement period has passed. We expect to record adjustments as we accumulate the information needed to estimate the fair value of assets acquired and liabilities assumed, including working capital balances, estimated fair value of identifiable intangible assets, property, plant and equipment, total consideration and goodwill. The excess of the purchase price over the aggregate fair value is recorded as goodwill. We calculated the fair value of the assets acquired in 2025 and 2024 using a market or cost approach (or a combination of both). Fair values for some of the assets were determined based on Level 3 inputs including estimated future cash flows, discount rates, growth rates, sales projections, retention rates and terminal values, all of which required significant management judgment and are susceptible to change. The final fair value of the net assets acquired may result in adjustments to the assets and liabilities, including goodwill, and will be made as soon as practical, but no later than 12 months from the respective acquisition dates. Any subsequent measurement period adjustments are not expected to have a material impact on our results of operations.

Revenue recognition

Revenue is recognized when a performance obligation is satisfied by transferring control over a product or service to a customer. We are 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.

We generate revenue from contracting services and construction materials sales. We focus on the vertical integration of our contracting services with our construction materials to support the aggregate-based product lines.

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We provide contracting services to a customer when a contract has been approved by both the customer and a representative of Knife River, obligating a service to be provided in exchange for the consideration identified in the contract. The nature of the services provided generally include integrating a set of services and related construction materials into a single project to create a distinct bundle of goods and services, which we have determined are generally a single performance obligation. We determine the transaction price to include the fixed consideration required pursuant to the original contract price together with any additional consideration, to which we expect to be entitled to, associated with executed change orders plus the estimate of variable consideration to which we expect to be entitled, subject to the constraint discussed below.

The nature of our contracts gives rise to several types of variable consideration. Examples of variable consideration include: liquidated damages; performance bonuses or incentives and penalties; claims; unpriced change orders; and index pricing. The variable amounts usually arise upon achievement of certain performance metrics or change in project scope. We estimate the amount of revenue to be recognized on variable consideration using the most likely amount method, which best predicts the most likely amount of consideration we expect to be entitled to or expect to incur. Assumptions as to the occurrence of future events and the likelihood and amount of variable consideration are made during the contract performance period. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on the assessment of anticipated performance and all information (historical, current and forecasted) that is reasonably available to management. We only include variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Changes in circumstances could impact management's estimates made in determining the value of variable consideration recorded. When determining if the variable consideration is constrained, we consider if factors exist that could increase the likelihood or the magnitude of a potential reversal of revenue. We update our estimate of the transaction price each reporting period and the effect of variable consideration on the transaction price is recognized as an adjustment to revenue on a cumulative catch-up basis.

Contracting services revenue is recognized over time using an input method based on the cost-to-cost measure of progress on a project. We have determined this method to be appropriate for measuring revenue because the costs incurred have been determined to represent the best indication of the overall progress toward the transfer of such goods or services promised to a customer. Under the cost-to-cost measure of progress, the costs incurred are compared with total estimated costs of a performance obligation. Revenues are recorded proportionately to the costs incurred. The percentage of completion is determined on a performance obligation basis.

We also sell construction materials to external customers and internal customers. The contract for material sales is the use of a sales order or an invoice, which includes the pricing and payment terms. All material contracts contain a single performance obligation for the delivery of a single distinct product or a distinct separately identifiable bundle of products and services. Revenue is recognized at a point in time when the performance obligation has been satisfied with the delivery of the products or services. The warranties associated with the sales are those consistent with a standard warranty that the product meets certain specifications for quality or those required by law. For most contracts, amounts billed to customers are due within 30 days of receipt. There are no material obligations for returns, refunds or other similar obligations.

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Receivables and allowance for expected credit losses

Receivables consist primarily of trade and contract receivables from 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 \$15.3 million and \$14.3 million at December 31, 2025 and 2024, respectively. Receivables, net consisted of the following at December 31:

	2025	2024
	(In thousands)	
Trade receivables	\$ 155,836	\$ 134,480
Contract receivables	127,383	137,105
Receivables, gross	283,219	271,585
Less expected credit loss	5,189	4,345
Receivables, net	<u>\$ 278,030</u>	<u>\$ 267,240</u>

Our 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 we use 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 our expected credit losses were as follows:

	West	Mountain	Central	Energy Services	Total
	(In thousands)				
At December 31, 2023	\$ 3,057	\$ 2,293	\$ 718	\$ 100	\$ 6,168
Current expected credit loss provision	417	35	575	72	1,099
Less write-offs charged against the allowance	996	1,548	372	6	2,922
At December 31, 2024	\$ 2,478	\$ 780	\$ 921	\$ 166	\$ 4,345
Current expected credit loss provision	422	436	752	835	2,445
Less write-offs charged against the allowance	495	942	71	93	1,601
At December 31, 2025	<u>\$ 2,405</u>	<u>\$ 274</u>	<u>\$ 1,602</u>	<u>\$ 908</u>	<u>\$ 5,189</u>

Inventories

Inventories at December 31 consisted of:

	2025	2024
	(In thousands)	
Finished products	\$ 304,281	\$ 252,563
Raw materials	91,069	91,334
Supplies and parts	40,364	36,439
Total	<u>\$ 435,714</u>	<u>\$ 380,336</u>

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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.

Property, plant and equipment

Additions to property, plant and equipment are recorded at cost. Gains or losses resulting from the retirement or disposal of assets are recognized as a component of operating income. Generally, property, plant and equipment are depreciated on a straight-line basis over the average useful lives of the assets with the exception of large marine equipment, which is computed using units-of-production.

Aggregate mining development costs are capitalized and classified as land improvements and depreciated over the lower of the estimated life of the reserves or the life of the associated improvement. We begin capitalizing development costs at a point when reserves are determined to be proven or probable and economically mineable. Capitalization of these costs ceases when production commences. The cost of acquiring reserves in connection with a business combination are valued at fair value. Aggregate reserves, from both owned and leased mining sites, are a component within property, plant and equipment and are depleted using the units-of-production method. We use proven and probable aggregate reserves as the denominator in our units-of production calculation. Exploration costs are expensed as incurred in cost of revenue and production costs are capitalized to inventory.

Capitalized interest

The interest cost on capital projects is capitalized and included in the cost of the project. Capitalization commences in the pre-acquisition or construction stage of the project and continues until the project is substantially complete and ready for its intended use. When no debt is incurred specifically for a project, interest is capitalized using the weighted average cost of our outstanding borrowings. For the years ended December 31, 2025 and 2024, the amount we capitalized into net property, plant and equipment on the Consolidated Balance Sheet was immaterial.

Impairment of long-lived assets, excluding goodwill

We review the carrying values of our long-lived assets, including mining and related assets, whenever events or changes in circumstances indicate that such carrying values may not be recoverable. We test long-lived assets for impairment at a level significantly lower than that of goodwill impairment testing. Long-lived assets or groups of assets that are evaluated for impairment at the lowest level of largely independent identifiable cash flows at an individual operation or group of operations collectively serving a local market. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, compared to the carrying value of the assets. If impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a loss if the carrying value is greater than the fair value. No impairment losses were recorded in 2025 or 2024. During the year ended December 31, 2023, we recognized non-cash asset impairments of \$5.8 million as a result of certain aggregate sites no longer being economically feasible to mine and having no remaining value.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net tangible and intangible assets acquired in a business combination. Goodwill is required to be tested for impairment annually, which we complete in the fourth quarter, or more frequently if events or changes in circumstances indicate that goodwill may be impaired.

We have determined the reporting units for our goodwill impairment test are our operating segments along with the Prestress component of the West operating segment as they each constitute a business for which discrete financial information is available and for which management regularly reviews the operating results. For more

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information on our operating segments, see Note 15. Goodwill impairment, if any, is measured by comparing the fair value of each reporting unit to its carrying value. If the fair value of a reporting unit exceeds its carrying value, the goodwill of the reporting unit is not impaired. If the carrying value of a reporting unit exceeds its fair value, we must record an impairment loss for the amount that the carrying value of the reporting unit, including goodwill, exceeds the fair value of the reporting unit. For the years ended December 31, 2025, 2024 and 2023, there were no impairment losses recorded. Our annual goodwill impairment test was performed in the fourth quarter of 2025 and determined the fair value of each of our reporting units substantially exceeded the carrying value as of October 31, 2025.

We use a weighted average combination of both an income approach and a market approach to estimate the fair value of our reporting units for our goodwill impairment analysis. Determining the fair value of a reporting unit requires judgment and the use of significant estimates, which include assumptions about our future revenue, profitability and cash flows, amount and timing of estimated capital expenditures, inflation rates, weighted average cost of capital, operational plans, and current and future economic conditions, among others. We believe the estimates and assumptions used in our impairment assessments are reasonable and based on available market information.

Investments

Our investments include the cash surrender value of life insurance policies and insurance contracts. We measure our investment in the insurance contracts at fair value with any unrealized gains and losses recorded on the Consolidated Statements of Operations.

Government Assistance

We account for government assistance received for capital projects by reducing the cost of the project by the amount of assistance received. We record government assistance received as taxable income and write-up the tax basis of the asset to include the amount of the assistance received.

Government assistance received for the years ended December 31, 2025, 2024 and 2023, was not material.

Joint Ventures

We account for unconsolidated joint ventures using either the equity method or proportionate consolidation. As of December 31, 2025, we held interests of 25 percent and 33 percent in joint ventures formed primarily for the purpose of pooling resources on construction contracts. Proportionate consolidation is used for joint ventures that include unincorporated legal entities and activities of the joint venture which are construction-related. For those joint ventures accounted for under proportionate consolidation, only our pro rata share of assets, liabilities, revenues and expenses are included in the Consolidated Balance Sheets and Consolidated Statements of Operations.

For those joint ventures accounted for using proportionate consolidation, we recorded in our Consolidated Statements of Operations revenue of \$514,000, \$0 and \$4.9 million for the years ended December 31, 2025, 2024 and 2023, respectively. Also for the years ended December 31, 2025, 2024 and 2023, we reported operating losses of \$10,000, \$3,000 and \$1.9 million, respectively. We had interest in assets from these joint ventures of \$50,000 for 2025 and \$45,000 for both 2024 and 2023.

For joint ventures accounted for under the equity method, our investment balances for the joint ventures are included in Investments in the Consolidated Balance Sheets and our pro rata share of net income is included in Other income in the Consolidated Statements of Operations. Our investments in equity method joint ventures were a net asset of \$2.1 million, \$1.9 million and \$68,000 for December 31, 2025, 2024 and 2023, respectively. In 2025, 2024 and 2023, we recognized income from equity method joint ventures of \$199,000, \$279,000 and \$55,000, respectively.

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Leases

The recognition of leases requires us to make estimates and assumptions that affect the lease classification and the assets and liabilities recorded. The accuracy of lease assets and liabilities reported on the audited Consolidated Financial Statements depends on, among other things, management's estimates of interest rates used to discount the lease assets and liabilities to their present value, as well as the lease terms based on the unique facts and circumstances of each lease.

Lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected lease term. We recognize leases with an original lease term of 12 months or less in income on a straight-line basis over the term of the lease and do not recognize a corresponding right-of-use asset or lease liability. We determine the lease term based on the non-cancelable and cancelable periods in each contract. The non-cancelable period consists of the term of the contract that is legally enforceable and cannot be canceled by either party without incurring a significant penalty. The cancelable period is determined by various factors that are based on who has the right to cancel a contract. If only the lessor has the right to cancel the contract, we will assume the contract will continue. If the lessee is the only party that has the right to cancel the contract, we look to asset, entity and market-based factors. If both the lessor and the lessee have the right to cancel the contract, we assume the contract will not continue.

The discount rate used to calculate the present value of the lease liabilities is based upon the implied rate within each contract. If the rate is unknown or cannot be determined, we use an incremental borrowing rate, which is determined by the length of the contract, asset class and our borrowing rates, as of the commencement date of the contract.

Insurance

Our wholly-owned captive insurance company, Spring Creek Insurance Company, which is subject to applicable insurance rules and regulations, insures our exposure related to workers' compensation, general liability and automobile liability on a primary basis. We also purchase excess coverage from unrelated insurance carriers and obtain third-party coverage for other forms of insurance including, but not limited to, excess liability, contractor's pollution liability, marine liability, directors and officers liability and employment practices liability.

Spring Creek Insurance Company establishes a reserve for estimated ultimate losses on reported claims and those incurred but not yet reported utilizing actuarial projections. The reserves are classified within other accrued liabilities or noncurrent liabilities - other on the Consolidated Balance Sheets based on projections of when the estimated loss will be paid. The estimates that are utilized to record potential losses on claims are inherently subjective, and actual claims could differ from amounts recorded, which could result in increased or decreased expense in future periods.

Additionally, we maintain a self-insurance reserve for health insurance programs offered to eligible employees, included within other accrued liabilities on the Consolidated Balance Sheets. The reserve includes an estimate for losses on reported claims as well as for amounts incurred but not yet reported, based on historical trends.

Asset retirement obligations

We record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, we capitalize a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we either settle the obligation for the recorded amount or incur a gain or loss.

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Net income per share

Basic net income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the applicable period. Diluted 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 and restricted stock units. Basic and diluted 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:

Years ended December 31,	2025	2024	2023
	(In thousands, except per share amounts)		
Net income.....	\$ 157,074	\$ 201,678	\$ 182,872
Weighted average common shares outstanding - basic.....	56,653	56,607	56,568
Effect of dilutive performance and restricted stock units.....	242	237	100
Weighted average common shares outstanding - diluted.....	56,895	56,844	56,668
Shares excluded from the calculation of diluted earnings per share.....	34	—	—
Net income per share - basic.....	\$ 2.77	\$ 3.56	\$ 3.23
Net income per share - diluted.....	\$ 2.76	\$ 3.55	\$ 3.23

Stock-based compensation

We determine compensation expense for stock-based compensation awards based on the estimated fair values at the grant date and recognize the related compensation expense over the vesting period. We use the straight-line amortization method to recognize compensation expense related to restricted stock units, which only has a service condition. This method recognizes stock compensation expense on a straight-line basis over the requisite service period for the entire award. We recognize compensation expense related to performance awards that vest based on performance metrics and service conditions on a straight-line basis over the service period. Inception-to-date expense is adjusted based upon the determination of the potential achievement of the performance target at each reporting date. We recognize compensation expense related to performance awards with market-based performance metrics on a straight-line basis over the requisite service period. Forfeitures are recognized as they occur, and expenses are adjusted on a cumulative catch-up basis at the time of any forfeitures.

Prior to the Separation, key employees participated in various stock-based compensation plans authorized and managed by MDU Resources. All awards granted under the plans were based on MDU Resources' common shares, however, we recognized the expense for our participants in our financial statements.

At the time of the Separation, each outstanding MDU Resources' time-vested restricted stock unit and performance share awards held by a Knife River employee was converted into Knife River time-vested restricted stock units. The converted awards continue to vest over the original vesting period, which is generally three years from the grant date. All performance share awards that were converted at the time of the Separation were first adjusted using a combined performance factor based on MDU Resources' actual performance as of December 31, 2022. The number of restricted stock units was determined by taking the closing per share price of MDU Resources on May 31, 2023, and dividing by the closing per share price of Knife River on June 1, 2023. The ratio used to convert the MDU Resources' stock-based compensation awards was designed to preserve the aggregate intrinsic value of the award immediately after the Separation when compared to the aggregate intrinsic value of the award immediately prior to the Separation. The existing unvested stock-based awards issued through MDU Resources' stock-based compensation plans were modified in connection with the Separation to maintain an equivalent value immediately before and after Separation. Incremental fair value for unvested awards has been recorded over the remaining vesting periods.

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Income taxes

Knife River and its subsidiaries file consolidated federal income tax returns and combined and separate state income tax returns. Pursuant to the tax sharing agreement that exists between Knife River and its subsidiaries, federal income taxes paid by Knife River, as parent of the consolidated group, are allocated to the individual subsidiaries based on separate company computations of tax. However, all income tax expense is reported within the Corporate Services segment. We make a similar allocation for state income taxes paid in connection with combined state filings.

We provide deferred federal and state income taxes on all temporary differences between the book and tax basis of our assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We record uncertain tax positions in accordance with accounting guidance on accounting for income taxes on the basis of a two-step process in which (1) we determine whether it is more-likely-than-not that the tax position will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of the tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. Tax positions that do not meet the more-likely-than-not criteria are reflected as a tax liability. We recognize interest and penalties accrued related to unrecognized tax benefits in income taxes.

Note 3 – Acquisitions and Dispositions

Acquisitions

The following acquisitions were accounted for as business combinations in accordance with *ASC 805 - Business Combinations*. The results of the business combinations have been included in the Company's Consolidated Financial Statements beginning on the acquisition dates.

Acquisitions are also subject to customary adjustments based on, among other things, the amount of cash, debt and working capital in the business as of the closing date. The amounts included in the Consolidated Balance Sheets for these adjustments are considered provisional until final settlement has occurred.

Strata Corporation

On March 7, 2025, we completed the acquisition of Strata Corporation, a leading construction materials and contracting services provider in North Dakota and northwestern Minnesota. The purchase of Strata includes operations that expand our aggregates, ready-mix and asphalt operations, as well as our trucking fleet, locomotives and railcars, in our current geographic locations. The purchase price for Strata totaled \$454.0 million and was subject to post-closing adjustments. The results of Strata are included in our Central segment.

The estimated fair value of the assets acquired and liabilities assumed were final as of December 31, 2025. Post closing, we continued to gather information to finalize the valuation of these assets and liabilities. The fair values were considered provisional until final fair values were determined during the measurement period. We recorded adjustments to the estimated fair value of assets acquired and liabilities assumed, including working capital balances, estimated fair value of identifiable intangible assets, property, plant and equipment, total consideration and goodwill. We utilized market and cost approaches to estimate the fair value of the property, plant and equipment, excluding aggregate reserves. The fair value of aggregate reserves and intangible assets were determined using the income approach. All estimates, key assumptions, and forecasts were either provided by or reviewed by management. We engaged third-party valuation firms to assist in the analysis and valuation of the assets of Strata. While we chose to utilize third-party valuation firms, the fair value analysis and related valuations represent the conclusions of management and not the conclusions or statements of any third party.

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The excess of the total purchase price over the fair value of assets acquired and liabilities assumed was allocated to goodwill. We believe that the goodwill relates to several factors, including potential synergies related to market opportunities for multiple product offerings and economies of scale expected from combining our operations with the business acquired.

The final allocation of the aggregate purchase price for Strata is as follows, which has been updated as of December 31, 2025, to include measurement period adjustments for updated fair values of certain assets, working capital adjustments and reclassification of assets held for sale to property, plant and equipment.

	As of March 7, 2025	Measurement Period Adjustment	As of December 31, 2025
(In thousands)			
Assets			
Current assets:			
Cash and cash equivalents	\$ 7,906	\$ 732	\$ 8,638
Receivables, net	3,751	1,005	4,756
Contract assets	9,013	196	9,209
Inventories	36,355	(277)	36,078
Assets held for sale	21,093	(2,726)	18,367
Prepayments and other current assets	4,850	477	5,327
Total current assets	82,968	(593)	82,375
Noncurrent assets:			
Property, plant and equipment	266,370	8,201	274,571
Goodwill	152,329	(5,368)	146,961
Other intangible assets	13,600	(700)	12,900
Operating lease right-of-use assets	53	—	53
Total noncurrent assets	432,352	2,133	434,485
Total assets acquired	\$ 515,320	\$ 1,540	\$ 516,860
Liabilities			
Current liabilities:			
Accounts payable	\$ 3,312	\$ 202	\$ 3,514
Contract liabilities	921	(324)	597
Current operating lease liabilities	29	—	29
Other accrued liabilities	21,378	(8,145)	13,233
Total current liabilities	25,640	(8,267)	17,373
Noncurrent liabilities:			
Deferred income taxes	45,092	5,193	50,285
Other noncurrent liabilities	3,293	898	4,191
Total noncurrent liabilities	48,385	6,091	54,476
Total liabilities assumed	\$ 74,025	\$ (2,176)	\$ 71,849
Total consideration (fair value)	\$ 441,295	\$ 3,716	\$ 445,011

Intangible assets for Strata, as of the date of acquisition, included \$8.8 million for customer backlog with an amortization period of 9 months and \$4.1 million for permits with an amortization period of 10 years upon commencement of operations.

Revenue attributable to Strata included in our Consolidated Statements of Operations for the year ended December 31, 2025 was \$198.7 million and net income was not meaningful.

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Other Acquisitions

During 2025, we completed the following acquisitions:

- A Washington aggregate quarry operation in the West segment which included a bargain purchase gain of \$3.5 million, net of deferred taxes of \$1.3 million, and was recorded in other income on the Consolidated Statement of Operations. We reviewed the fair values of the assets acquired and liabilities assumed and determined that the purchase would result in a gain being recognized at the time of the acquisition. We believe the bargain purchase gain was primarily the result of the sellers' desire to exit quickly due to cash flow constraints which were limiting their ability to operate the business efficiently. In the fourth quarter of 2025, we finalized the purchase accounting and no material adjustments were made.
- An Oregon aggregates and contracting company in the West segment which included a \$5.4 million holdback liability. The fair value of the assets acquired and liabilities assumed are still provisional.
- A central Minnesota aggregates and contracting services business in the Central segment. The fair value of the assets acquired and liabilities assumed are still provisional.
- A Texas aggregates and ready-mix concrete supplier in the Central segment. The fair value of the assets acquired and liabilities assumed are still provisional.

The aggregated purchase consideration of these four acquisitions was \$177.2 million. These acquisitions were not considered material separately or in the aggregate. The acquisitions resulted in the recognition of \$22.1 million of current assets; \$98.7 million of assets in property, plant and equipment; \$3.1 million of operating lease right-of-use assets; \$75.6 million of goodwill; \$5.2 million of intangible assets, which included \$100,000 of non-compete agreements, \$1.1 million of backlog and \$4.0 million of customer relationships; \$13.4 million of current liabilities; \$1.3 million deferred income tax liability and \$9.3 million of noncurrent liabilities - other.

During 2024, we completed four acquisitions with an aggregated purchase consideration of \$119.0 million. These acquisitions were not considered material separately or in the aggregate. The acquisitions resulted in the recognition of \$28.9 million of current assets; \$51.5 million of assets in property, plant and equipment; \$22.7 million of goodwill; \$21.1 million of intangible assets; \$1.9 million of other noncurrent assets; \$5.6 million of current liabilities; and \$1.5 million of noncurrent liabilities - other. The purchase accounting for these acquisitions was completed in 2025 and no material adjustments were recorded.

For the years ended December 31, 2025 and 2024, we incurred acquisition-related costs on completed and other potential acquisitions of \$10.8 million and \$7.7 million, respectively. These costs are included in our Corporate Services in selling, general and administrative expenses on the Consolidated Statement of Operations.

Dispositions

On March 7, 2025, we sold four ready-mix plant operations for total proceeds of \$14.5 million. The ready-mix plant operations were acquired by us as part of the Strata acquisition and subsequently sold to an unrelated third-party. The ready-mix plants were included in assets held for sale on the opening balance sheet for Strata at the time of the acquisition.

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Note 4 – Revenue from Contracts with Customers

In the following table, revenue is disaggregated by category for each reportable segment. 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. Revenue for contracting services is recognized over time while revenue for construction materials is recognized at a point in time. For more information on our reportable segments, see Note 15.

Presented in the following tables are the 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 the contracting services to arrive at the external operating revenues.

Year ended December 31, 2025	West	Mountain	Central	Energy Services	Corporate Services	Total
Aggregates	\$ 296,260	\$ 95,220	\$ 225,646	\$ —	\$ —	\$ 617,126
Ready-mix concrete	346,736	124,536	308,152	—	—	779,424
Asphalt	131,796	99,023	190,163	—	—	420,982
Liquid asphalt	—	—	—	296,032	—	296,032
Other	177,240	12	35,154	53,523	13,888	279,817
Contracting services public-sector	349,310	330,390	445,169	—	—	1,124,869
Contracting services private-sector	121,041	105,293	32,677	—	—	259,011
Internal sales	(213,670)	(110,632)	(232,407)	(61,276)	(13,264)	(631,249)
Revenues from contracts with customers	<u>\$ 1,208,713</u>	<u>\$ 643,842</u>	<u>\$ 1,004,554</u>	<u>\$ 288,279</u>	<u>\$ 624</u>	<u>\$ 3,146,012</u>

Year ended December 31, 2024	West	Mountain	Central	Energy Services	Corporate Services	Total
Aggregates	\$ 297,173	\$ 101,810	\$ 157,165	\$ —	\$ —	\$ 556,148
Ready-mix concrete	313,532	117,108	224,803	—	—	655,443
Asphalt	135,306	120,827	185,305	—	—	441,438
Liquid asphalt	—	—	—	238,939	—	238,939
Other	167,361	36	31,734	50,585	16,104	265,820
Contracting services public-sector	351,377	360,790	410,072	—	—	1,122,239
Contracting services private-sector	115,284	98,268	22,465	—	—	236,017
Internal sales	(197,074)	(135,947)	(213,672)	(54,872)	(15,474)	(617,039)
Revenues from contracts with customers	<u>\$ 1,182,959</u>	<u>\$ 662,892</u>	<u>\$ 817,872</u>	<u>\$ 234,652</u>	<u>\$ 630</u>	<u>\$ 2,899,005</u>

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Year ended December 31, 2023	West	Mountain	Central	Energy Services	Corporate Services	Total
Aggregates.....	\$ 294,672	\$ 100,505	\$ 152,691	\$ —	\$ —	\$ 547,868
Ready-mix concrete.....	305,673	120,534	227,735	—	—	653,942
Asphalt.....	135,505	112,897	204,018	—	—	452,420
Liquid asphalt.....	—	—	—	253,196	—	253,196
Other.....	158,493	16	28,745	49,363	12,414	249,031
Contracting services public-sector.....	268,734	308,711	426,318	—	—	1,003,763
Contracting services private-sector.....	157,989	124,282	21,276	—	—	303,547
Internal sales.....	(195,223)	(133,328)	(235,875)	(57,373)	(11,618)	(633,417)
Revenues from contracts with customers.....	<u>\$ 1,125,843</u>	<u>\$ 633,617</u>	<u>\$ 824,908</u>	<u>\$ 245,186</u>	<u>\$ 796</u>	<u>\$ 2,830,350</u>

Note 5 – Uncompleted Contracts

Costs, estimated earnings, and billings on uncompleted contracts at December 31 are summarized as follows:

	2025	2024
	(In thousands)	
Costs incurred on uncompleted contracts.....	\$ 1,570,937	\$ 1,300,669
Estimated earnings.....	261,986	222,368
Estimated revenue on uncompleted contracts.....	1,832,923	1,523,037
Less billings to date.....	(1,789,168)	(1,533,880)
Net contract asset (liability).....	<u>\$ 43,755</u>	<u>\$ (10,843)</u>

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.

Such amounts are included in the accompanying Consolidated Balance Sheets at December 31 under the following captions:

	2025	2024	Change
	(In thousands)		
Contract assets ¹	\$ 77,528	\$ 31,283	\$ 46,245
Contract liabilities ¹	(33,773)	(42,126)	8,353
Net contract asset (liability).....	<u>\$ 43,755</u>	<u>\$ (10,843)</u>	<u>\$ 54,598</u>

¹ Following the issuance of the FASB Staff Educational Paper on Topic 606: Presentation and Disclosure of Retainage for Construction Contractors, we have reclassified retention receivables on a contract-by-contract basis from accounts receivable to contract assets and liabilities. The change in presentation was on a prospective basis beginning with balances as of December 31, 2025.

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	2024	2023	Change
	(In thousands)		
Contract assets	\$ 31,283	\$ 27,293	\$ 3,990
Contract liabilities	(42,126)	(51,376)	9,250
Net contract asset (liability)	<u>\$ (10,843)</u>	<u>\$ (24,083)</u>	<u>\$ 13,240</u>

We recognized \$41.2 million and \$50.6 million in revenue for the years ended December 31, 2025 and 2024, respectively, which was previously included in contract liabilities at December 31, 2024 and 2023, respectively.

We recognized a net increase in revenues of approximately \$28.5 million and \$32.6 million for the years ended December 31, 2025 and 2024, respectively, from performance obligations satisfied in prior periods.

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 December 31, 2025, our remaining performance obligations were \$1.0 billion. We expect to recognize the following revenue amounts in future periods related to these remaining performance obligations: \$768.8 million within the next 12 months; \$170.8 million within the next 13 to 24 months; and \$92.5 million thereafter.

Note 6 – Property, Plant and Equipment

Property, plant and equipment at December 31 was as follows:

	2025	2024	Depreciable Lives
	(In thousands)		
Land	\$ 229,551	\$ 175,313	—
Aggregate reserves	847,472	624,280	*
Buildings and improvements	291,893	241,129	15-30
Machinery, vehicles and equipment	2,050,249	1,721,427	3-30
Construction in progress	90,073	43,535	—
Less: accumulated depreciation and depletion	1,480,305	1,363,984	
Net property, plant and equipment	<u>\$ 2,028,933</u>	<u>\$ 1,441,700</u>	

* Depleted on the units-of-production method based on proven and probable aggregate reserves.

Total depreciation and depletion expense was \$175.5 million, \$132.2 million and \$119.2 million for the years ended December 31, 2025, 2024 and 2023, respectively.

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Note 7 – Goodwill and Other Intangible Assets

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

	Balance at January 1, 2025	Goodwill Acquired During the Year	Measurement Period Adjustments	Balance at December 31, 2025
	(In thousands)			
West	\$ 123,674	\$ 11,904	\$ 1,997	\$ 137,575
Mountain	26,816	—	—	26,816
Central	115,322	212,962	(4,381)	323,903
Energy Services	31,413	—	(39)	31,374
Total	<u>\$ 297,225</u>	<u>\$ 224,866</u>	<u>\$ (2,423)</u>	<u>\$ 519,668</u>

	Balance at January 1, 2024	Goodwill Acquired During the Year	Measurement Period Adjustments	Balance at December 31, 2024
	(In thousands)			
West	\$ 123,599	\$ 75	\$ —	\$ 123,674
Mountain	26,816	—	—	26,816
Central	114,587	735	—	115,322
Energy Services	9,476	21,937	—	31,413
Total	<u>\$ 274,478</u>	<u>\$ 22,747</u>	<u>\$ —</u>	<u>\$ 297,225</u>

Other amortizable intangible assets at December 31, were as follows:

	Average Useful Life In Years	2025	2024
		(In thousands)	
Customer relationships	1-9	\$ 34,699	\$ 30,703
Less accumulated amortization		15,789	11,060
		<u>18,910</u>	<u>19,643</u>
Noncompete agreements	1-4	3,107	3,950
Less accumulated amortization		2,904	3,524
		<u>203</u>	<u>426</u>
Tradename	9	7,470	7,470
Less accumulated amortization		871	124
		<u>6,599</u>	<u>7,346</u>
Backlog	1-2	10,395	390
Less accumulated amortization		9,052	22
		<u>1,343</u>	<u>368</u>
Other	10-15	5,968	3,310
Less accumulated amortization		343	1,679
		<u>5,625</u>	<u>1,631</u>
Total		<u>\$ 32,680</u>	<u>\$ 29,414</u>

The previous tables include goodwill and intangible assets associated with the business combinations completed during 2025 and 2024. For acquisitions in 2025, the weighted average useful life for customer relationships was two years and other intangible assets was four years. For acquisitions in 2024, the weighted average useful life for

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customer relationships was ten years, noncompete agreements was three years, tradename was ten years and other intangible assets was 11 years. For more information related to these business combinations, see Note 3.

Amortization expense for amortizable intangible assets for the years ended December 31, 2025, 2024 and 2023, was \$14.8 million, \$2.5 million and \$2.6 million, respectively. Estimated amortization expense for identifiable intangible assets as of December 31, 2025, was:

	2026	2027	2028	2029	2030	Thereafter
	(In thousands)					
Amortization expense	\$6,587	\$5,336	\$4,071	\$3,466	\$2,676	\$10,544

Note 8 – 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 assets and liabilities measured on a recurring basis are determined using the market approach.

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 our executive officers and certain key management employees, and invest in these fixed-income and equity securities for the purpose of earning investment returns and capital appreciation. These investments, which totaled \$34.0 million and \$28.4 million as of December 31, 2025 and 2024, respectively, are classified as investments on the Consolidated Balance Sheets. The net unrealized gains on these investments for the years ended December 31, 2025, 2024, and 2023 were \$2.9 million, \$2.9 million, and \$1.9 million, 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.

Our assets measured at fair value on a recurring basis were as follows:

	Fair Value Measurements at December 31, 2025, 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, 2025
	(In thousands)			
Assets:				
Money market funds	\$ —	\$ 2,775	\$ —	\$ 2,775
Insurance contracts	—	33,982	—	33,982
Total assets measured at fair value	\$ —	\$ 36,757	\$ —	\$ 36,757

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	Fair Value Measurements at December 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 December 31, 2024
	(In thousands)			
Assets:				
Money market funds	\$ —	\$ 4,082	\$ —	\$ 4,082
Insurance contracts	—	28,377	—	28,377
Total assets measured at fair value	\$ —	\$ 32,459	\$ —	\$ 32,459

Our 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 Level 2 insurance contracts are 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.

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.

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 2025 and 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. For more information on these Level 2 and Level 3 fair value measurements, see Note 3.

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

	December 31, 2025	December 31, 2024
	(In thousands)	
Carrying amount	\$ 1,181,142	\$ 689,950
Fair value	\$ 1,202,247	\$ 707,853

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

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Note 9 – Debt

Certain debt instruments of ours contain restrictive and financial covenants and cross-default provisions. In order to borrow under the debt instruments, we must be in compliance with the applicable covenants and certain other conditions, all of which management believes we, as applicable, were in compliance with at December 31, 2025. 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 Outstanding Long-term debt outstanding was as follows:

	Weighted Average Interest Rate at December 31, 2025	December 31, 2025	December 31, 2024
		(In thousands)	
Term loan A agreement due on March 7, 2030	5.42 %	\$ 259,725	\$ 264,688
Term loan B agreement due on March 8, 2032	5.74 %	496,250	—
Senior notes due on May 1, 2031	7.75 %	425,000	425,000
Other notes due on January 1, 2061	— %	167	262
Less unamortized debt issuance costs		15,604	12,564
Total long-term debt		1,165,538	677,386
Less current maturities		11,708	10,475
Net long-term debt		<u>\$ 1,153,830</u>	<u>\$ 666,911</u>

Term Loan and Revolving Credit Facility

On March 7, 2025, we entered into an amendment to the senior secured credit agreement to, among other things, increase our revolving credit facility from \$350.0 million to \$500.0 million and extend the maturity to March 7, 2030, refinance the existing \$275.0 million Term Loan A to extend the maturity to March 7, 2030, and provide for a new Term Loan B in an aggregate principal amount of \$500.0 million with a maturity of March 8, 2032. The Term Loan B was funded on March 7, 2025. Each facility has a SOFR-based interest rate. The Term Loan A has a mandatory annual amortization of 2.50 percent for years one and two, 5.00 percent for years three and four, and 7.50 percent in the fifth year. The Term Loan B has a mandatory annual amortization of \$5.0 million. The agreement contains customary covenants and provisions, including a covenant of Knife River not to permit, at any time, the ratio of total debt to trailing-twelve-month EBITDA to be greater than 4.75 to 1.00. The covenants also include restrictions on the sale of certain assets, loans and investments.

Schedule of Debt Maturities Long-term debt maturities, which excludes unamortized debt issuance costs, at December 31, 2025, were as follows:

	2026	2027	2028	2029	2030	Thereafter
	(In thousands)					
Long-term debt maturities	\$ 11,708	\$ 16,657	\$ 18,234	\$ 23,197	\$ 215,096	\$ 896,250

Note 10 – Leases

Most of the leases we enter into are for equipment, buildings and vehicles as part of our ongoing operations. We determine if an arrangement contains a lease at inception of a contract and account for all leases in accordance with ASC 842 - *Leases*.

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Lessee accounting

The leases we have entered into as part of our ongoing operations are considered operating leases and are recognized on the Consolidated Balance Sheets as operating lease right-of-use assets, current operating lease liabilities and noncurrent operating lease liabilities. The corresponding lease costs are included in cost of revenue and selling, general and administrative expenses on the Consolidated Statements of Operations.

Generally, the leases for vehicles and equipment have a term of five years or less and buildings have a longer term of up to 35 years or more. To date, we do not have any residual value guarantee amounts probable of being owed to a lessor, financing leases or material agreements with related parties.

The following tables provide information on operating leases at and for the years ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
	(In thousands)		
Lease costs:			
Operating lease cost	\$ 18,568	\$ 18,844	\$ 18,199
Variable lease cost	221	337	383
Short-term lease cost	52,705	56,373	53,987
Total lease costs	<u>\$ 71,494</u>	<u>\$ 75,554</u>	<u>\$ 72,569</u>

	<u>2025</u>	<u>2024</u>
	(Dollars in thousands)	
Weighted average remaining lease term	2.15 years	1.95 years
Weighted average discount rate	5.81 %	5.65 %
Cash paid for amounts included in the measurement of lease liabilities	\$ 18,568	\$ 18,844

The reconciliation of future undiscounted cash flows to operating lease liabilities presented on the Consolidated Balance Sheet at December 31, 2025, was as follows (in thousands):

2026	\$ 17,508
2027	14,022
2028	10,252
2029	6,351
2030	3,342
Thereafter	9,425
Total	<u>60,900</u>
Less discount	8,311
Total operating lease liabilities	<u>\$ 52,589</u>

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Note 11 – Asset Retirement Obligations

We have asset retirement obligations, which are liabilities associated with our legally required obligations to reclaim owned and leased aggregate properties, asphalt plant sites, ready-mix plant sites and other properties. For the years ended December 31, 2025 and 2024, the current portion of our liability, which is included in other accrued liabilities, was \$14.2 million and \$7.1 million, respectively. The noncurrent amount, which is included in other liabilities, was \$64.6 million and \$52.3 million, respectively. Total accretion and depreciation expenses for the years ended December 31, 2025, 2024 and 2023, were \$9.9 million, \$3.4 million and \$2.6 million, respectively, and are included in cost of revenue on the Consolidated Statements of Operations. A reconciliation of our liability for the years ended December 31 was as follows:

	2025	2024
	(In thousands)	
Balance at beginning of year	\$ 59,430	\$ 41,782
Revisions in estimated cash flows	634	12,929
Liabilities incurred	17,354	3,509
Liabilities settled	(2,113)	(999)
Accretion expense	3,465	2,209
Balance at end of year	<u>\$ 78,770</u>	<u>\$ 59,430</u>

Note 12 – Stock-Based Compensation

Periods Prior to the Separation

Prior to the Separation, certain key employees participated in stock-based compensation plans sponsored by MDU Resources. Under these plans, employees were granted time-vested restricted stock units and performance share awards. The shares vest over three years, contingent on continued employment. As previously discussed in Note 2, the outstanding restricted stock units and performance share awards granted to our employees were converted to restricted stock units of Knife River at the time of the Separation.

Prior to the Separation, stock-based compensation expense in the Consolidated Statements of Operations is representative of those employees of Knife River. Additionally, stock-based compensation expense was allocated to Knife River for corporate employees of MDU Resources. This stock-based compensation expense was allocated using a proportional cost allocation method and is included as a component of corporate allocations for periods prior to the Separation. The amounts presented for the periods prior to the Separation are not necessarily indicative of future awards and do not necessarily reflect the costs that we would have incurred as an independent company.

Periods Post Separation

At the time of the Separation, each outstanding MDU Resources' time-vested restricted stock unit and performance share award held by a Knife River employee was converted into Knife River time-vested restricted stock units. The conversion of the stock and the fair value of the awards was determined using the policies described in Note 2. As a result of the award modification, we incurred \$185,000 of incremental stock-based compensation expense, recognizing \$44,000, \$53,000, and \$88,000 during the years ended December 31, 2025, 2024 and 2023, respectively. There was no incremental compensation expense incurred related to the performance share awards.

Effective June 1, 2023, we established a stock-based compensation plan under which we are currently authorized to grant 2.5 million restricted stock units and other stock awards. Under our stock-based compensation plan, we have both restricted stock units and performance stock units. The performance stock units are tied to either a company specific performance metric or total stockholder return of the company as compared to its peers. Additional information on the stock units follows.

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As of December 31, 2025, there were 2.2 million shares available to grant under this plan. Shares are either purchased on the open market or new shares of common stock are issued to satisfy the vesting of stock-based awards.

Restricted Stock Units

During the year ended December 31, 2025, we granted 53,726 restricted stock units to certain executive officers, employees and members of our board of directors. The restricted stock units generally vest over three years, contingent on continued employment for employees, and over one year for our board of directors. We use the straight-line amortization method to recognize compensation expense related to restricted stock units, which only has a service condition. The fair value of all restricted stock units is based on the market value of our stock on the date of grant.

The weighted average grant-date fair value per share for the restricted stock units granted in 2025, 2024 and 2023 was \$94.06, \$73.02 and \$39.57, respectively. The total fair value of restricted stock units that vested during the years ended December 31, 2025, 2024 and 2023, was \$7.2 million, \$2.5 million and \$2.0 million, respectively.

Performance Stock Units

During the year ended December 31, 2025, we granted 76,658 performance stock units to certain executive officers and employees. The performance stock units vest over three years, contingent on continued employment for employees, and are tied to either a market condition or performance metric. We recognize compensation expense related to performance stock units with performance-based metrics on a straight-line basis over the requisite service period.

Under the performance metric for these performance stock units, participants may earn from zero to 200 percent of the apportioned target grant of shares. The performance metric is based on adjusted EBITDA margin growth. The weighted average grant-date fair value per share granted in 2025 and 2024 was \$93.24 and \$72.14, respectively.

Under the market condition for these performance stock units, participants may earn from zero to 200 percent of the apportioned target grant of performance stock units based on our total stockholder return relative to that of the selected peer group. Compensation expense was based on the grant-date fair value as determined by Monte Carlo simulation. The blended volatility term structure ranges are comprised of 50 percent historical volatility and 50 percent implied volatility. Risk-free interest rates were based on U.S. Treasury security rates in effect as of the grant date.

Assumptions used for grants applicable to the market condition for shares granted were:

	2025	2024
Weighted average grant date fair value	\$130.59	\$99.83
Weighted average volatility	43.86 %	37.83 %
Weighted average risk-free interest rate	4.01 %	4.62 %

Consolidated Stock-Based Compensation

The following table summarizes stock-based compensation expense recorded in selling, general and administrative expense on the Consolidated Statements of Operations:

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Years ended December 31,	2025	2024	2023
	(In thousands)		
Restricted stock units	\$ 5,715	\$ 4,384	\$ 2,921
Performance stock units	5,679	2,915	—
Tax benefit associated with stock-based compensation	2,780	2,933	1,219

As of December 31, 2025, total remaining unrecognized compensation expense related to stock-based compensation was approximately \$13.0 million (before income taxes), which will be amortized over a weighted average period of 1.6 years.

For the year ended December 31, 2025, the following summarizes the activity of the performance stock units and restricted stock units.

	Performance Stock Units		Restricted Stock Units	
	Number of Shares	Weighted Average Grant-Date Fair Value	Number of Shares	Weighted Average Grant-Date Fair Value
Nonvested at the beginning of period	101,688	\$ 85.99	222,420	\$ 49.82
Granted	76,658	111.91	53,726	94.06
Vested shares	—	—	(167,863)	42.70
Nonvested at end of period	178,346	\$ 97.13	108,283	\$ 82.79

Note 13 – 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	Postretirement Liability Adjustment	Total Accumulated Other Comprehensive Loss
	(In thousands)		
At December 31, 2023	\$ —	\$ (11,319)	\$ (11,319)
Other comprehensive income before reclassifications	—	1,709	1,709
Amounts reclassified from accumulated other comprehensive loss	—	308	308
Net current-period other comprehensive income	—	2,017	2,017
At December 31, 2024	—	(9,302)	(9,302)
Other comprehensive loss before reclassifications	—	(1,209)	(1,209)
Amounts reclassified from accumulated other comprehensive loss	—	249	249
Net current-period other comprehensive loss	—	(960)	(960)
At December 31, 2025	\$ —	\$ (10,262)	\$ (10,262)

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The following amounts were reclassified out of accumulated other comprehensive loss into net income. The amounts presented in parentheses indicate a decrease to net income on the Consolidated Statements of Operations. The reclassifications for the years ended December 31 were as follows:

	2025	2024	2023	Location on Consolidated Statements of Operations
	(In thousands)			
Reclassification adjustment for loss on derivative instruments included in net income	\$ —	\$ —	\$ (118)	Interest expense
	—	—	28	Income taxes
	—	—	(90)	
Amortization of postretirement liability losses included in net periodic benefit cost	(334)	(411)	(256)	Other income
	85	103	64	Income taxes
	(249)	(308)	(192)	
Total reclassifications	\$ (249)	\$ (308)	\$ (282)	

Note 14 – Cash Flow Information

Cash expenditures for interest and income taxes for the years ended December 31 were as follows:

	2025	2024	2023
	(In thousands)		
Interest paid, net	\$ 78,780	\$ 56,916	\$ 54,925
Income taxes paid, net	\$ 41,765	\$ 62,181	\$ 76,689

Noncash investing and financing transactions at December 31 were as follows:

	2025	2024	2023
	(In thousands)		
Property, plant and equipment additions in accounts payable	\$ 25,840	\$ 22,167	\$ 12,672
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 15,811	\$ 20,777	\$ 14,967
Equity contribution from Centennial related to the Separation	\$ —	\$ —	\$ 64,724
Equity contribution to MDU Resources for asset/liability transfers related to the Separation	\$ —	\$ —	\$ (1,537)
MDU Resources' stock issued in connection with a business combination	\$ —	\$ —	\$ 383
Accrual for holdback payment related to a business combination	\$ 5,686	\$ —	\$ —

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Note 15 – Business Segment Data

In January 2025, we made a change to our organizational structure to better align with our business strategy. We reorganized our business segments to reflect changes in the way our chief operating decision maker evaluates performance, makes operating decisions and allocates resources. Our former Pacific and Northwest operating segments were combined to form the new West operating segment. Our former North Central and South operating segments were combined to form the new Central operating segment. The reorganization resulted in four operating segments: West, Mountain, Central and Energy Services, each of which is also a reportable segment. Each segment's performance is evaluated based on segment results without allocating corporate expenses, which include corporate costs associated with accounting, legal, treasury, business development, information technology, human resources, and other corporate expenses that support the operating segments.

Three of our 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 our chief operating officer, who is also our chief operating decision maker, along with the chief executive officer. Our chief operating decision maker uses EBITDA to evaluate the performance of the segments, perform analytical comparisons to budget and uses historical and projected EBITDA to allocate resources, including capital allocations.

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 including 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, business development, information technology, human resources and other corporate expenses that support the operating segments. Corporate Services also includes an immaterial amount of external revenue from the Knife River Training Center. 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 Note 2. Prior periods presented have been recast to conform to the current reportable segment presentation. Information on our segments as of December 31, and for the years then ended was as follows:

For the year ended December 31, 2025	West	Mountain	Central	Energy Services	Total
Revenues from external customers	\$1,208,713	\$ 643,842	\$1,004,554	\$ 288,279	\$ 3,145,388
Intersegment revenues	1,329	198	274	49,758	51,559
Total segment revenue	1,210,042	644,040	1,004,828	338,037	3,196,947
Other revenues ¹					1,343
Less: Elimination of intersegment revenue					52,278
Total consolidated revenue					<u>\$ 3,146,012</u>
Cost of revenue excluding depreciation, depletion and amortization	890,176	512,618	774,540	267,702	
Selling, general and administrative expenses excluding depreciation, depletion and amortization	88,346	32,089	71,194	15,577	
Other segment items ²	2,591	242	534	132	
Total segment EBITDA	<u>\$ 234,111</u>	<u>\$ 99,575</u>	<u>\$ 159,628</u>	<u>\$ 54,890</u>	<u>\$ 548,204</u>
Consolidated income before income taxes					\$ 213,210
Plus:					
Depreciation, depletion and amortization					193,740
Interest expense, net ³					77,366
Less unallocated amounts:					
Other corporate revenue					623
Other corporate expenses					(64,511)
Total segment EBITDA					<u>\$ 548,204</u>
Capital Expenditures	\$ 187,208	\$ 44,011	\$ 111,252	\$ 9,596	\$ 352,067
Assets	\$1,516,719	\$ 384,868	\$1,394,257	\$ 241,522	\$ 3,537,366
Other assets					5,463,594
Elimination of intercompany receivables and investment in subsidiaries					5,350,847
Total consolidated assets					<u>\$ 3,650,113</u>

1 Other revenues is comprised of revenue included within our corporate services.

2 Other segment items is comprised of other income (expense) items on the income statement.

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

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Year ended December 31, 2024	West	Mountain	Central	Energy Services	Total
Revenues from external customers	\$1,182,959	\$ 662,892	\$ 817,872	\$ 234,652	\$ 2,898,375
Intersegment revenues	2,381	173	193	41,041	43,788
Total segment revenue	1,185,340	663,065	818,065	275,693	2,942,163
Other revenues ¹					1,149
Elimination of intersegment revenue					44,307
Total consolidated revenue					<u>\$ 2,899,005</u>
Cost of revenue excluding depreciation, depletion and amortization	889,626	516,292	630,499	205,423	
Selling, general and administrative expenses excluding depreciation, depletion and amortization	84,714	33,377	56,459	10,208	
Other segment items ²	(1,331)	108	502	104	
Total segment EBITDA	<u>\$ 209,669</u>	<u>\$ 113,504</u>	<u>\$ 131,609</u>	<u>\$ 60,166</u>	<u>\$ 514,948</u>
Consolidated income before income taxes					\$ 270,994
Plus:					
Depreciation, depletion and amortization					136,871
Interest expense, net ³					46,409
Less unallocated amounts:					
Other corporate revenue					630
Other corporate expenses					(61,304)
Total segment EBITDA					<u>\$ 514,948</u>
Capital Expenditures	\$ 91,412	\$ 48,322	\$ 55,365	\$ 117,730	\$ 312,829
Assets	\$1,276,458	\$ 355,078	\$ 706,795	\$ 252,130	\$ 2,590,461
Other assets					4,560,924
Elimination of intercompany receivables and investment in subsidiaries					4,300,183
Total consolidated assets					<u>\$ 2,851,202</u>

1 Other revenues is comprised of revenue included within our corporate services.

2 Other segment items is comprised of other income (expense) items on the income statement.

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

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Year ended December 31, 2023	West	Mountain	Central	Energy Services	Total
Revenues from external customers	\$1,125,843	\$ 633,617	\$ 824,908	\$ 245,186	\$2,829,554
Intersegment revenues	2,445	409	49	47,168	50,071
Total segment revenue	1,128,288	634,026	824,957	292,354	2,879,625
Other revenues ¹					1,267
Elimination of intersegment revenue					50,542
Total consolidated revenue					<u>\$2,830,350</u>
Cost of revenue excluding depreciation, depletion and amortization	860,254	500,677	657,586	204,463	
Selling, general and administrative expenses excluding depreciation, depletion and amortization	89,496	30,264	51,049	9,809	
Other segment items ²	(1,234)	57	331	42	
Total segment EBITDA	<u>\$ 177,304</u>	<u>\$ 103,142</u>	<u>\$ 116,653</u>	<u>\$ 78,124</u>	<u>\$ 475,223</u>
Consolidated income before income taxes					\$ 245,308
Plus:					
Depreciation, depletion and amortization					123,805
Interest expense, net ³					52,891
Less unallocated amounts:					
Other corporate revenues					796
Other corporate expenses					(54,015)
Total segment EBITDA					<u>\$ 475,223</u>
Capital Expenditures	\$ 53,165	\$ 25,506	\$ 39,302	\$ 4,099	\$ 122,072
Assets	\$1,214,460	\$ 315,661	\$ 663,134	\$ 128,383	\$2,321,638
Other assets					4,049,800
Elimination of intercompany receivables and investment in subsidiaries					3,771,625
Total consolidated assets					<u>\$2,599,813</u>

1 Other revenues is comprised of revenue included within our corporate services.

2 Other segment items is comprised of other income (expense) items on the income statement.

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

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Note 16 – Income Taxes

Income tax expense on the Consolidated Statements of Operations for the years ended December 31 was as follows:

	2025	2024	2023
	(In thousands)		
Current:			
Federal	\$ 21,690	\$ 51,899	\$ 45,746
State	8,955	17,767	18,296
	<u>30,645</u>	<u>69,666</u>	<u>64,042</u>
Deferred:			
Income taxes:			
Federal	19,032	(1,082)	263
State	6,459	732	(1,869)
	<u>25,491</u>	<u>(350)</u>	<u>(1,606)</u>
Total income tax expense	<u>\$ 56,136</u>	<u>\$ 69,316</u>	<u>\$ 62,436</u>

Components of deferred tax assets and deferred tax liabilities at December 31 were as follows:

	2025	2024
	(In thousands)	
Deferred tax assets:		
Deferred compensation/compensation related	\$ 20,750	\$ 23,751
Asset retirement obligations	20,506	15,420
Operating lease liabilities	13,317	12,725
Accrued pension costs	9,958	9,528
Capitalized inventory overheads	9,951	8,359
Net operating loss	3,318	5,528
Section 174 costs	—	4,051
Other	7,053	4,645
Total deferred tax assets	<u>\$ 84,853</u>	<u>\$ 84,007</u>
	2025	2024
	(In thousands)	
Deferred tax liabilities:		
Basis differences on property, plant and equipment	\$ 317,809	\$ 209,488
Intangible assets	17,347	13,574
Operating lease right-of-use-assets	13,317	12,725
Other	21,269	17,419
Total deferred tax liabilities	<u>369,742</u>	<u>253,206</u>
Valuation allowance	<u>3,028</u>	<u>5,528</u>
Net deferred income tax liability	<u>\$ (287,917)</u>	<u>\$ (174,727)</u>

As of December 31, 2025 and 2024, we had various state income tax net operating loss carryforwards of \$62.5 million and \$98.6 million, respectively. The state income tax net operating loss carryforwards are due to

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expire between 2026 and 2044. Changes in tax regulations or assumptions regarding current and future taxable income could require additional valuation allowances in the future.

The following table reconciles the change in the net deferred income tax liability from December 31, 2024, to December 31, 2025, to deferred income tax expense:

	2025	2024
	(In thousands)	
Change in net deferred income tax liability from the preceding table	\$ 113,190	\$ 185
Deferred taxes established due to acquisition	(88,031)	—
Deferred taxes associated with other comprehensive loss	332	(670)
Other	—	135
Deferred income tax expense for the period	<u>\$ 25,491</u>	<u>\$ (350)</u>

Total income tax expense differs from the amount computed by applying the statutory federal income tax rate to income before taxes. The reasons for this difference were as follows:

Years ended December 31,	2025		2024		2023	
	Amount	%	Amount	%	Amount	%
	(Dollars in thousands)					
Computed tax at federal statutory rate	\$ 44,770	21.0	\$ 56,909	21.0	\$ 51,515	21.0
Increases (reductions) resulting from:						
State income taxes, net of federal income tax*	12,189	5.7	14,559	5.4	12,977	5.3
Depletion allowance	(2,359)	(1.1)	(2,767)	(1.0)	(2,808)	(1.1)
Nondeductible expenses ..	2,041	1.0	1,258	0.5	2,299	0.9
Tax credits	(549)	(0.3)	(720)	(0.3)	(1,722)	(0.7)
Unrecognized tax benefits	44	—	77	—	175	0.1
Total income tax expense	<u>\$ 56,136</u>	<u>26.3</u>	<u>\$ 69,316</u>	<u>25.6</u>	<u>\$ 62,436</u>	<u>25.5</u>

* State taxes in Oregon and California for 2025; and Oregon, Minnesota, and California for 2024 and 2023 constitute the majority (greater than 50%) of the tax effect within this category.

The following table provides cash taxes paid (net of refunds) for the year end December 31 were as follows:

Jurisdiction	2025	2024
	(In thousands)	
Federal	\$ 26,500	\$ 40,736
Oregon	6,350	7,229
Minnesota	1,300	4,396
Other States/Cities ...	7,615	9,820
Total	<u>\$ 41,765</u>	<u>\$ 62,181</u>

Knife River and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and local jurisdictions. We are no longer subject to U.S. federal or non-U.S. income tax examinations by tax authorities for years ending prior to 2022. With few exceptions, as of December 31, 2025, we are no longer subject to state and local income tax examinations by tax authorities for years ending prior to 2022.

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Total reserves for uncertain tax positions were not material. We recognize interest and penalties accrued relative to unrecognized tax benefits in income tax expense.

Note 17 – Employee Benefit Plans

Pension and other postretirement benefit plans

We participate in self-sponsored qualified defined benefit pension plans which are accounted for as single-employer plans and are reflected in our audited consolidated financial statements. We use a measurement date of December 31 for all our pension and postretirement benefit plans. Prior to 2010, defined benefit pension plan benefits and accruals for the nonunion plan were frozen and on June 30, 2015, the remaining union plan was frozen. These employees were eligible to receive additional defined contribution plan benefits.

Prior to the Separation, we participated in a multiple-employer postretirement benefit plan sponsored by MDU Resources. In connection with the Separation, we assumed all the obligations and liabilities of our employees in that plan, along with all MDU Resources employees that transferred to Knife River as a result of the Separation. Subsequent to the Separation, the postretirement benefit plans in which we participate are single employer plans. Employees hired after December 31, 2010 are not eligible for retiree medical benefits. Effective January 1, 2011, eligibility to receive retiree medical benefits was modified such that eligible employees who attained age 55 with 10 years of continuous, full-time service by December 31, 2010, will have an option to select one of two retiree medical insurance benefits. All other eligible employees must meet the new eligibility criteria of age 60 and 10 years of continuous, full-time service at the time they retire. These employees will be eligible for a company funded retiree reimbursement account. Employees hired after December 31, 2014 are not eligible for retiree medical benefits.

In 2012, we modified health care coverage for certain retirees. Effective January 1, 2013, post-65 coverage was replaced by a fixed-dollar subsidy for retirees and spouses to be used to purchase individual insurance through a healthcare exchange.

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Changes in benefit obligation and plan assets and amounts recognized in the Consolidated Balance Sheets at December 31, were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2025	2024	2025	2024
	(In thousands)			
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 30,720	\$ 33,380	\$ 14,055	\$ 14,759
Service cost	—	—	364	372
Interest cost	1,583	1,542	745	697
Actuarial (gain) loss	583	(1,549)	1,628	(1,221)
Benefits paid	(2,559)	(2,653)	(570)	(552)
Benefit obligation at end of year	30,327	30,720	16,222	14,055
Change in net plan assets:				
Fair value of plan assets at beginning of year...	30,375	30,187	—	—
Actual return on plan assets	2,564	741	—	—
Employer contribution	—	2,100	570	552
Benefits paid	(2,559)	(2,653)	(570)	(552)
Fair value of net plan assets at end of year	30,380	30,375	—	—
Funded status - over (under)	\$ 53	\$ (345)	\$ (16,222)	\$ (14,055)
Amounts recognized in the Consolidated Balance Sheets at December 31:				
Other accrued assets	\$ 533	\$ 140	\$ —	\$ —
Other accrued liabilities	—	—	795	702
Noncurrent liabilities - other	480	485	15,427	13,353
Benefit obligation assets (liabilities) - net	\$ 53	\$ (345)	\$ (16,222)	\$ (14,055)
Amounts recognized in accumulated other comprehensive loss consist of:				
Actuarial (gain) loss	\$ 15,995	\$ 16,742	\$ (1,815)	\$ (3,663)
Prior service credit	—	—	—	—
Total	\$ 15,995	\$ 16,742	\$ (1,815)	\$ (3,663)

Employer contributions and benefits paid in the preceding table include only those amounts contributed directly to, or paid directly from, plan assets.

In 2025, the actuarial losses recognized in the pension and other postretirement benefit obligations was largely the combination of losses resulting from decreased discount rates, offset in part by higher asset gains. In 2024, the actuarial gains recognized in the pension and other postretirement benefit obligations was primarily the result of an increase in the discount rate. For more information on the discount rates, see the table below. Unrecognized pension actuarial gains and losses in excess of 10 percent of the greater of the projected benefit obligation or the market-related value of assets are amortized over the average life expectancy of plan participants for frozen plans. The market-related value of assets is determined using a 5 year average of assets.

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The pension plans all have plan assets in excess of accumulated benefit obligations. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for these plans at December 31, were as follows:

	2025	2024
	(In thousands)	(In thousands)
Projected benefit obligation	\$ 30,327	\$ 30,720
Accumulated benefit obligation	\$ 30,327	\$ 30,720
Fair value of plan assets	\$ 30,380	\$ 30,375

The components of net periodic benefit cost, other than the service cost component, are included in other income (expense) on the Consolidated Statements of Operations. Prior service credit is amortized on a straight-line basis over the average remaining service period of active participants. The components related to our pension and other postretirement benefit plans for the years ended December 31, were as follows:

	Pension Benefits			Other Postretirement Benefits		
	2025	2024	2023	2025	2024	2023
	(In thousands)					
Components of net periodic benefit cost:						
Service cost	\$ —	\$ —	\$ —	\$ 364	\$ 372	\$ 361
Interest cost	1,583	1,542	1,633	745	697	721
Expected return on assets ..	(1,788)	(1,812)	(1,800)	—	—	11
Amortization of prior service credit	—	—	—	—	(30)	(79)
Amortization of actuarial gain (loss)	554	559	510	(220)	(118)	(175)
Net periodic benefit cost	349	289	343	889	921	839
Other changes in plan assets and benefit obligations recognized in accumulated other comprehensive loss:						
Net (gain) loss	(193)	(479)	(797)	1,628	(1,221)	(678)
Amortization of actuarial gain (loss)	(554)	(559)	(510)	220	118	175
Amortization of prior service credit	—	—	—	—	30	79
Total recognized in accumulated other comprehensive loss	(747)	(1,038)	(1,307)	1,848	(1,073)	(424)
Total recognized in net periodic benefit cost and accumulated other comprehensive loss	\$ (398)	\$ (749)	\$ (964)	\$ 2,737	\$ (152)	\$ 415

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Weighted average assumptions used to determine benefit obligations at December 31, were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2025	2024	2025	2024
Discount rate	5.21%	5.40%	5.32%	5.44%
Expected return on plan assets	6.00%	6.00%	—%	—%
Rate of compensation increase	N/A	N/A	3.50%	4.00%

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31, were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2025	2024	2025	2024
Discount rate	5.40%	4.83%	5.44%	4.84%
Expected return on plan assets	6.00%	6.50%	—%	—%
Rate of compensation increase	N/A	N/A	4.00%	4.00%

The expected rate of return on pension plan assets is based on a targeted asset allocation range determined by the funded ratio of the plan. As of December 31, 2025, the expected rate of return on pension plan assets is based on the targeted asset allocation range of 30 percent to 40 percent equity securities and 60 percent to 70 percent fixed-income securities and the expected rate of return from these asset categories.

Health care rate assumptions for our other postretirement benefit plans as of December 31, were as follows:

	2025	2024
Health care trend rate assumed for next year	9.5%	8.5%
Health care cost trend rate – ultimate	4.5%	4.5%
Year in which ultimate trend rate achieved	2036	2035

Our other postretirement benefit plans include health care and life insurance benefits for certain retirees. The plans underlying these benefits may require contributions by the retiree depending on such retiree's age and years of service at retirement or the date of retirement. We contribute a flat dollar amount to the monthly premiums, which is updated annually on January 1.

We do not expect to contribute to our defined pension plans in 2026. We expect to contribute approximately \$795,000 to our postretirement benefit plans in 2026.

The following benefit payments, which reflect future service, as appropriate, at December 31, 2025, are as follows:

Years	Pension Benefits	Other Postretirement Benefits
	(In thousands)	
2026	\$ 2,780	\$ 795
2027	2,720	978
2028	2,660	1,152
2029	2,630	1,235
2030	2,570	1,366
2031-2035	11,690	7,621

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Outside investment managers manage our pension assets. Our investment policy with respect to the pension assets is to make investments solely in the interest of the participants and beneficiaries of the plans and for the exclusive purpose of providing benefits accrued and defraying the reasonable expenses of administration. We strive to maintain investment diversification to assist in minimizing the risk of large losses. Our policy guidelines allow for investment of funds in cash equivalents, fixed-income securities and equity securities. The guidelines prohibit investment in commodities and futures contracts, equity private placement, employer securities, leveraged or derivative securities, options, direct real estate investments, precious metals, venture capital and limited partnerships. The guidelines also prohibit short selling and margin transactions. Our practice is to periodically review and rebalance asset categories based on our targeted asset allocation percentage policy.

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 ASC establishes a hierarchy for grouping assets and liabilities, based on the significance of inputs. The estimated fair values of our pension plans' assets are determined using the market approach.

The carrying value of the pension plans' Level 1 and Level 2 cash equivalents are based on quoted prices in active markets for identical instruments and approximates fair value by using observable inputs in active markets. The estimated fair value of the pension plans' Level 1 and Level 2 cash equivalents is based on the net asset value of shares held at year end, based on quoted prices in active markets and is determined using other observable inputs, including pricing from outside sources.

The carrying value of the pension plan'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 pension plans' Level 1 and Level 2 equity securities are based on the closing price reported on the active market on which the individual securities are traded or other known sources including pricing from outside sources. The estimated fair value of the pension plans' Level 1 and Level 2 collective and mutual funds are based on the net asset value of shares held at year end, based on either published market quotations on active markets or other known sources, including pricing from outside sources.

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.

The fair value of our pension plans' assets by class were as follows:

	Fair Value Measurements at December 31, 2025, 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, 2025
	(In thousands)			
Assets:				
Cash equivalents.....	\$ 423	\$ —	\$ —	\$ 423
Collective and mutual funds.....	28,636	1,321	—	29,957
Total assets measured at fair value	\$ 29,059	\$ 1,321	\$ —	\$ 30,380

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	Fair Value Measurements at December 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 December 31, 2024
	(In thousands)			
Assets:				
Cash equivalents.....	\$ —	\$ 297	\$ —	\$ 297
Collective and mutual funds.....	28,374	1,672	—	30,046
Money market funds	—	32	—	32
Total assets measured at fair value	\$ 28,374	\$ 2,001	\$ —	\$ 30,375

Nonqualified benefit plans

Prior to the Separation, we participated in unfunded, nonqualified defined benefit plans sponsored by MDU Resources. In connection with the Separation, we assumed all the obligations and liabilities of our employees in those plans, along with all MDU Resources employees that transferred to Knife River as a result of the Separation. Subsequent to the Separation, the unfunded, nonqualified defined benefit plans in which we participate are single employer plans for executive officers and certain key management employees. The plans generally provide for defined benefit payments at age 65 following the employee's retirement or, upon death, to their beneficiaries for a 15-year period. In February 2016, the unfunded, nonqualified defined benefit plans were frozen to new participants and eliminated benefit increases. Vesting for participants not fully vested was retained.

The projected benefit obligation and accumulated benefit obligation for our participants in these plans at December 31, were as follows:

	2025	2024
	(In thousands)	
Projected benefit obligation	\$ 13,747	\$ 14,468
Accumulated benefit obligation	\$ 13,747	\$ 14,468

The components of net periodic benefit cost are included in other income (expense) on the Consolidated Statements of Operations. The components related to our participation in the nonqualified defined benefit plans for the years ended December 31, were as follows:

	2025	2024	2023
	(In thousands)		
Components of net periodic benefit cost:			
Interest cost.....	\$ 720	\$ 714	\$ 765
Recognized net actuarial loss	—	—	—
Net periodic benefit cost.....	\$ 720	\$ 714	\$ 765

Weighted average assumptions used at December 31, were as follows:

	2025	2024
Benefit obligation discount rate	5.01%	5.29%
Benefit obligation rate of compensation increase	N/A	N/A
Net periodic benefit cost discount rate	5.29%	4.74%
Net periodic benefit cost rate of compensation increase	N/A	N/A

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The amount of future benefit payments for the unfunded, nonqualified defined benefit plans at December 31, 2025 are expected to aggregate as follows:

	2026	2027	2028	2029	2030	2031-2035
	(In thousands)					
Nonqualified benefits	\$ 1,690	\$ 1,640	\$ 1,680	\$ 1,400	\$ 1,160	\$ 4,860

Prior to the Separation, we participated in nonqualified defined contribution plans sponsored by MDU Resources. In connection with the Separation, we assumed all the obligations and liabilities of our employees in those plans, along with all MDU Resources employees that transferred to Knife River as a result of the Separation. In 2020, the plan established in 2012 was frozen to new participants and no new employer contributions were made to the plan after December 31, 2020. Vesting for participants not fully vested was retained.

Effective January 1, 2021, a new nonqualified defined contribution plan was adopted, to replace the plan originally established in 2012 with similar provisions. Expenses we incurred under these plans for 2025, 2024 and 2023 were \$1.4 million, \$800,000 and \$1.5 million, respectively.

The amount of investments that we anticipate using to satisfy obligations under these plans at December 31, was as follows:

	2025	2024
	(In thousands)	
Investments		
Insurance contract ¹	\$ 33,982	\$ 28,377
Life insurance ²	7,642	7,484
Other	2,775	4,082
Total investments	<u>\$ 44,399</u>	<u>\$ 39,943</u>

1 For more information on the insurance contract, see Note 8.

2 Investments of life insurance are carried on plan participants (payable upon the employee's death).

Defined contribution plan

We sponsor a defined contribution plan in which our employees participate. The costs incurred by us under this plan for eligible employees were \$31.7 million, \$33.9 million and \$31.1 million in 2025, 2024 and 2023, respectively.

Multiemployer plans

We contribute to a number of MEPPs under the terms of collective-bargaining agreements that cover our union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the MEPP by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If we choose to stop participating in some of our MEPPs, we may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Our participation in these plans is outlined in the following table. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2025, 2024 and 2023 is for the plan's year-end at December 31, 2024, December 31, 2023 and December 31, 2022, respectively. The zone status is based on information that we

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received from the plan and is certified by the plan's actuary. Among other factors, plans in the "red zone," or critical status, are generally less than 65 percent funded, plans in the "yellow zone," or endangered status, are between 65 percent and 80 percent funded, and plans in the "green zone," or healthy status, are at least 80 percent funded.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Contributions			Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2025	2024		2025	2024	2023		
		(In thousands)							
DB Pension Plan of AGC-IUOE Local 701 Pension Trust Fund	936075580-001	Green	Green	No	1,434	1,225	1,295	No	12/31/2025
Minnesota Teamsters Construction Division Pension Fund	416187751-001	Green	Green	No	412	367	418	No	4/30/2027
Pension Trust Fund for Operating Engineers	946090764-001	Green	Green	No	3,004	2,746	2,476	No	3/31/2026- 6/30/2026
Western Conference of Teamsters Pension Plan	916145047-001	Green	Green	No	3,753	3,396	3,307	No	12/31/2023- 6/30/2026 *
Other funds					5,619	5,427	5,245		
Total contributions					\$ 14,222	\$ 13,161	\$ 12,741		

* Plan includes contributions required by collective bargaining agreements which have expired but contain provisions automatically renewing their terms in the absence of a subsequent negotiated agreement.

We were listed in the plans' Forms 5500 as providing more than 5 percent of the total contributions for the following plans and plan years:

Pension Fund	Year Contributions to Plan Exceeded More Than 5 Percent of Total Contributions (as of December 31, of the Plan's Year-End)
Minnesota Teamsters Construction Division Pension Fund	2024 and 2023
DB Pension Plan of AGC-IUOE Local 701 Pension Trust Fund	2023

We also contribute to a number of multiemployer other postretirement plans under the terms of collective-bargaining agreements that cover our union-represented employees. These plans provide benefits such as health insurance, disability insurance and life insurance to retired union employees. Many of the multiemployer other postretirement plans are combined with active multiemployer health and welfare plans. Our total contributions to the multiemployer other postretirement plans, which also includes contributions to active multiemployer health and welfare plans, were \$2.2 million, \$2.0 million and \$1.8 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Note 18 – Commitments and contingencies

We are party to claims and lawsuits arising out of our business and that of our 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

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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 December 31, 2025 and 2024, we accrued liabilities which have not been discounted, of \$3.3 million and \$6.6 million, respectively. At December 31, 2025 and 2024, we also recorded corresponding insurance receivables of \$0 and \$459,000, respectively, related to the accrued liabilities. The accruals are for contingencies, including litigation and environmental matters. Most of these claims and lawsuits are covered by insurance, thus our exposure is typically limited to our deductible amount. We 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 our financial position, results of operations or cash flows. Unless otherwise required by GAAP, legal costs are expensed as they are incurred.

Environmental matters

Portland Harbor Site. In 1999, Knife River - Northwest acquired a commercial property along the portion of the Willamette River know as the Portland Harbor from Georgia-Pacific West, Inc. (the “Linnton Property”). In December 2000, the EPA designated portions of the Portland Harbor, including the area encompassing the Linnton Property, as a Superfund site due to sediment contamination (the “Portland Harbor Site” or “Site”). The EPA has issued General Notice Letters to more than 150 parties, including Knife River - Northwest, indicating that the recipients could potentially be liable for investigation and remediation costs associated with the Portland Harbor Site. Liability for those costs may be joint and several between the potentially responsible parties (“PRPs”). We have joined with approximately 100 other PRPs, in a voluntary, non-judicial mediation process to try and allocate those cleanup costs. This process remains ongoing.

In January 2017, the EPA issued a Record of Decision (“ROD”) identifying its preferred remedy to address the sediment contamination, including a combination of sediment removal, capping, enhanced and monitored natural recovery, and riverbank improvements depending on the particular part of the river. This remedy, which will not begin until the EPA has approved remedial design and remedial action plans from the PRPs, was expected to require 13 years of active remediation and cost \$1 billion to \$2 billion. The EPA has, through voluntary consent agreements or unilateral administrative orders, engaged certain PRPs to perform the remedial design work throughout the Site. We are not a party to any of the voluntary consent agreements or unilateral administrative orders. Remedial design work is ongoing for 100 percent of the Site, but Site-wide remediation activities are not expected to begin for several years as different parts of the Site are at different stages of the remedial design process. While it is not presently possible to estimate the total cleanup costs given the large number of PRPs and the variation in the ROD remedy across the Site, costs for the ROD remedy are likely to increase given the anticipated timeline for implementation.

In November 2024, EPA initiated the negotiation process for a consent decree that would govern remediation as well as long-term site monitoring by issuing Special Notice Letters to approximately 60 PRPs. Knife River–Northwest did not receive a Special Notice Letter.

Separate from the EPA’s remediation and allocation process, we have also been notified that the Portland Harbor Natural Resource Trustee Council (the “Trustees”) intends to perform a natural resource injury assessment for damage resulting from the release of hazardous substances at the Site. Until that assessment is complete, there is not adequate information to estimate the cost of any natural resource damages or the allocation to any PRP. The Trustees may seek to negotiate their own settlements or take other legal action against parties responsible for those damages.

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We do not expect that we will incur material costs related to remediation or natural resource damages. Additionally, we believe Georgia-Pacific West, Inc. and its successors – are required to indemnify Knife River – Northwest under the Linnton Property sale agreement for any costs and liabilities incurred in relation to the Portland Harbor Site and have notified them accordingly.

Purchase commitments

We have entered into various commitments, largely purchased cement, liquid asphalt, minimum royalties and fuel. The commitment terms vary in length, up to 45 years. The commitments under these contracts as of December 31, 2025, were:

	2026	2027	2028	2029	2030	Thereafter
(In thousands)						
Purchase commitments	\$ 42,868	\$ 33,328	\$ 32,732	\$ 32,507	\$ 2,264	\$ 10,534

These commitments were not reflected in our audited consolidated financial statements. Amounts purchased under various commitments for the years ended December 31, 2025, 2024 and 2023 were \$135.3 million, \$128.3 million and \$128.7 million, respectively.

Guarantees

We have outstanding obligations to third parties where we have guaranteed their performance. These guarantees are related to contracts for contracting services and certain other guarantees. At December 31, 2025, the fixed maximum amounts guaranteed under these agreements aggregated \$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 December 31, 2025.

We have outstanding letters of credit to third parties related to insurance policies, reclamation obligations and other agreements. At December 31, 2025, the fixed maximum amounts guaranteed under these letters of credit aggregated to \$23.4 million. The amounts of scheduled expiration of the maximum amounts guaranteed under these letters of credit aggregate to \$11.9 million in 2026, \$11.3 million in 2027 and \$175,000 in 2028. There were no amounts outstanding under the previously mentioned letters of credit at December 31, 2025.

In the normal course of business, we have surety bonds related to contracts for contracting services and reclamation obligations of its subsidiaries. In the event a subsidiary of ours does not fulfill a bonded obligation, we would be responsible to the surety bond company for completion of the bonded contract or obligation. A large portion of the surety bonds is expected to expire within the next 12 months; however, we will likely continue to enter into surety bonds for its subsidiaries in the future. At December 31, 2025, approximately \$858.3 million of surety bonds were outstanding, which were not reflected on the Consolidated Balance Sheet.

Note 19 – Related-party Transactions

Allocation of corporate expenses

Prior to the Separation, Centennial and MDU Resources provided expense allocations for corporate services provided to us, including costs related to senior management, legal, human resources, finance and accounting, treasury, information technology, and other shared services. Some of these services were provided by MDU Resources on a temporary basis under a transition services agreement. For the year ended December 31, 2023, we were allocated \$10.7 million for these corporate services and for the years ended December 31, 2025 and 2024, there were no expenses allocated. These expenses were allocated to us on the basis of direct usage when identifiable, with the remainder allocated on the basis of percent of total capital invested, the percent of total average commercial paper borrowings at Centennial or other allocation methodologies that are 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

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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.

Management believes these cost allocations were a reasonable reflection of the utilization of services provided to, or the benefit derived by, us during the periods presented. The allocations may not, however, be indicative of the actual expenses that would have been incurred had we operated as a stand-alone public company for these periods. Actual costs that would have been incurred if we had been a stand-alone public company would depend on a number of factors, including the chosen organizational structure, whether functions were outsourced or performed by our employees, and strategic decisions made in areas such as selling and marketing, information technology and infrastructure.

Transition services agreements

As part of the Separation, MDU Resources provided transition services to us and we provided transition services to MDU Resources in accordance with the Transition Services Agreement entered into on May 30, 2023. For the years ended December 31, 2024 and 2023, we paid \$1.2 million and \$3.0 million, respectively, related to these activities, which was reflected in selling, general and administrative expenses on the Consolidated Statements of Operations. For the years ended December 31, 2024 and 2023, we received \$156,000 and \$824,000, respectively, related to these activities, which was reflected in other income on the Consolidated Statements of Operations. The majority of the transition services were completed over a period of 1 year after the Separation and, as of December 31, 2024, no further obligation for services existed for either party.

Attachment C

VERIFIED STATEMENT OF CLARK MEYER
PRESIDENT, ELLIS & EASTERN COMPANY

Knife River Corporation Financial Support Letter



May 26, 2026

Chief of Case Administration
Office of Chief Counsel
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423-0001

Re: Docket No. AB-290 (Sub-No. 424X), Norfolk Southern Railway Company / Abandonment Exemption in Polk County, Iowa

Docket No. AB-414 (Sub-No. 9X), Iowa Interstate Railroad, LLC / Discontinuance of Lease and Operation Authority in Polk County, Iowa

Parent Company Financial Support / Offer of Financial Assistance by Ellis & Eastern Company

Dear Chief of Case Administration:

I am writing on behalf of the Knife River Corporation, the ultimate parent of Sweetman Const. Co. dba Knife River ("Sweetman") which in turn is the parent of Ellis & Eastern Company ("EE"), in support of EE's expression of intent to file an offer of financial assistance ("OFA") to purchase the approximately 12.2-mile rail line that is the subject of the above-captioned proceedings, together with the Clive Spur (the "Line"), and the accompanying Verified Statement of Clark Meyer.

Sweetman is a South Dakota corporation with its principal place of business at 1500 North Sweetman Place, Sioux Falls, SD 57107. EE is a wholly owned subsidiary of Sweetman, which in turn is ultimately owned by the Knife River Corporation ("Knife River"). Knife River has reviewed the petition for exemption filed by Norfolk Southern Railway Company and Iowa Interstate Railroad, LLC and is fully aware of EE's intent to acquire the Line and continue common-carrier rail service to the shippers located thereon.

Knife River is financially capable of providing, and willing to provide financial support to EE in connection with the acquisition of the Line, provided that the terms and conditions of the acquisition (whether negotiated with the abandoning carrier or established by the Surface Transportation Board under 49 U.S.C. § 10904 and 49 C.F.R. § 1152.27) are acceptable to E&E in E&E's sole discretion. Subject to that condition, Knife River intends to make available to EE sufficient financial resources to enable EE to pay the purchase price established for the Line and

EE will cover the costs of continued common-carrier rail service over the Line, including any cash operating losses, for the period required by 49 U.S.C. § 10904 and applicable Board regulations.

If EE, in its sole discretion, elects to proceed with the acquisition on terms acceptable to EE, Knife River is prepared to provide to EE, directly or through one or more affiliated entities, such financial support as may be necessary to enable EE to consummate the purchase. Knife River's audited consolidated financial statements for the year ended December 31, 2025, which demonstrate its capacity to provide this support, are attached as Exhibit B to the Verified Statement of Clark Meyer.

This letter is provided to accompany EE expression of intent and to inform the Board, in connection with the preliminary financial-responsibility showing under 49 C.F.R. § 1152.27(c)(1)(i), of Knife River's present willingness and financial capacity to support EE's acquisition on the conditions described above. This letter is a statement of present intent only and does not constitute a binding commitment, guarantee, or keepwell obligation by Knife River. Knife River expressly reserves the right, together with EE, to evaluate the terms and conditions ultimately established for the acquisition and to determine whether to proceed.

The undersigned represents and warrants that he has full authority to execute this letter on behalf of Knife River.

Sincerely,

A handwritten signature in blue ink, appearing to read "Trevor Hastings", is written over a horizontal line.

Trevor Hastings

Vice President & Chief Operating Officer
Knife River Corporation