Risk Factors Comparison 2024-02-22 to 2023-02-24 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

The Company' s business and financial results are subject to a number of risks and uncertainties, including those set forth below and in other documents filed with the SEC. The factors and other matters discussed herein are important factors that could cause actual results or outcomes for the Company to differ materially from those discussed in the forward- looking statements included elsewhere in this document. If any of the risks described below actually occur, the Company' s business, prospects, financial condition or financial results could be materially harmed. The following are the most material risk factors applicable to the Company and are not necessarily listed in order of importance or probability of occurrence. Separation Risks The proposed separation of **MDU Construction Services** ~~Knife River Holding Company~~ into an independent, publicly traded company is subject to various risks and uncertainties, and may not be completed on the terms or timeline currently contemplated, if at all. On ~~August 4~~ **November 2** , ~~2022~~ **2023** , the Company announced its ~~plan~~ **intent** to ~~separate Knife River Holding Company, the~~ **pursue a tax- free spinoff of its wholly- owned** construction **services** ~~materials and contracting~~ business, **MDU Construction** from the Company, which would result......, SEC filing and other professional services **Services** ~~, some of which may be incurred regardless if the separation occurs~~ . The proposed separation is ~~also~~ complex, and completion of the proposed separation and the timing of its completion will be subject to a number of factors and conditions, including the readiness of the new company to operate as an independent public company ~~and~~ **,** finalization of the capital structure of the new company **and final approval by the board of directors, among other things. The uncertainties associated with this process, foreseen and unforeseen costs incurred, and efforts involved, may negatively affect the Company' s operating results, business and the Company' s relationships with employees, customers, suppliers and vendors** . Unanticipated developments could delay, prevent or otherwise adversely affect the proposed separation, including, but not limited to, changes in general economic and financial market conditions ~~,~~ **and** material adverse changes in business or industry conditions ~~, unanticipated costs and potential problems or delays in obtaining various regulatory and tax approvals or clearances. In particular, changes in interest or exchange rates and the effects of inflation could delay or adversely affect the proposed separation, including in connection with any debt financing transactions undertaken in connection with the separation or the terms of any indebtedness incurred in connection therewith~~ . There can be no assurances that the Company will be able to complete the proposed separation ~~on the terms~~ or ~~on the timeline~~ that ~~from~~ **the combined value of the common stock of the two companies will be equal to or greater than what the value of** the Company ~~, which~~ **' s common stock** would ~~result in two independent, publicly traded companies~~ **have been had the proposed separation not occurred** .The execution of the ~~proposed~~ separation has required and ~~will~~ **may** continue to require significant time and attention from the Company' s senior management and employees,which could **cause** ~~disrupt~~ **disruption in** ~~the Company' s ongoing~~ business **processes** and adversely affect **the Company' s** financial results and **its** results ~~of~~ operations.Further ~~,~~ the Company' s employees may be distracted due to ~~the~~ uncertainty regarding ~~their~~ -- **the** future ~~roles with~~ **state of** the Company ~~or Knife River Holding Company pending the consummation of the proposed separation~~ .Additionally,foreseen and unforeseen costs may be incurred ~~in connection~~ with the proposed separation,including fees such ~~as advisory,accounting,tax,legal was~~ - **as** ~~announced~~ **advisory** , **accounting, tax, legal, reorganization, restructuring, and various other, some of which may be incurred regardless** if ~~at all~~ **the proposed separation occurs. In addition, if the separation is completed, the Company may not be able to achieve the full strategic and financial benefits that are expected to result from the separation** . If **either** the ~~distribution~~ **completed separation of Knife River or the proposed separation of MDU Construction Services** , together with certain related transactions, ~~does not~~ **were to fail to** qualify as a transaction that is generally tax- free for U. S. federal income tax purposes, the Company and its stockholders could be subject to significant tax liabilities. The Company ~~is seeking~~ **completed the separation of Knife River on May 31, 2023. In connection with the completed separation of Knife River, the Company received** a private letter ruling from the IRS and opinion (s) of **outside counsel** ~~its tax advisors,~~ regarding **the qualification of** certain **elements of** ~~U. S. federal income tax matters relating to~~ the separation and ~~the~~ distribution **under** ~~, including, with respect to the opinion (s), to the effect that the distribution will be a transaction described in~~ Section 355 (a) of the Code. ~~The~~ **Notwithstanding prior receipt of the** IRS private letter ruling and ~~the~~ opinion (s) of tax advisors ~~will be based upon and rely on, among other things, various facts and assumptions, as well as certain representations, statements and undertakings of the Company, including those relating to the past and future conduct of the Company. If any of these representations, statements or undertakings is, or becomes, inaccurate or incomplete, or if the Company should breach any of the representations or covenants contained in any of the separation- related agreements and documents or in any documents relating to the IRS private letter ruling and / or the opinion (s) of tax advisors, the IRS private letter ruling and / or the opinion (s) of tax advisors may be invalid and the conclusions reached therein could be jeopardized. Notwithstanding receipt of the IRS private letter ruling and the opinion (s) of tax advisors~~ , the IRS could determine that the **completed** distribution and / or certain related transactions should be treated as taxable transactions for U. S. federal income tax purposes if it determines that any of the representations, assumptions, or undertakings upon which the IRS private letter ruling or the opinion (s) of tax advisors were based are false or have been violated. In addition, neither the IRS private letter ruling nor ~~the~~ opinion (s) of tax advisors will address all of the issues that are relevant to determining whether the distribution, together with certain related transactions, qualifies as a transaction that is generally tax- free for U. S. federal income tax purposes. Further, ~~the~~ opinion (s) of tax advisors represent the judgment of such tax advisors and are not binding on the IRS or any court, and the IRS or a court may disagree with the conclusions in the opinion (s) of tax advisors. Accordingly, notwithstanding receipt by the Company of the IRS private letter ruling and the opinion (s) of tax advisors, there can be no assurance that the IRS will not assert that the distribution and / or certain related transactions do not qualify for tax- free treatment for U. S. federal income tax purposes or that a court would not sustain such a challenge. In the event the IRS were to prevail in such challenge, the Company and its stockholders could be subject to significant U. S. federal income tax liability. ~~24~~ **Additionally, although the Company intends for the proposed separation of** MDU **Construction Services to be tax** ~~Resources Group, Inc. Form 10- K IndexPart I~~ **free to the Company and its stockholders for U. S. federal income tax purposes, there can be no assurance that the proposed separation will qualify as such.** If the distribution, together with related transactions, fails to qualify as a transaction that is generally tax- free for U. S. federal income tax purposes under Sections 355 and 368 (a) (1) (D) of the Code, in general, for U. S. federal income tax purposes, the Company would recognize taxable gain as if it had sold **MDU Construction Services** ~~Knife River Holding Company~~ common stock in a taxable sale for its fair market value (unless the Company and **MDU Construction Services** ~~Knife River Holding Company~~ jointly make an election under Section 336 (e) of the Code with respect to the distribution, in which case, in general, (a) the Company would recognize a taxable gain as if **MDU Construction Services** ~~Knife River Holding Company~~ had sold all of its assets in a taxable sale in exchange for an amount equal to the fair market value of **MDU Construction Services** ~~Knife River Holding Company~~ common stock and the assumption of all of its liabilities and (b) **MDU Construction Services** ~~Knife River Holding Company~~ would obtain a related step- up in the basis of its assets) and, if the distribution fails to qualify as a transaction that is generally tax- free for U. S. federal income tax purposes under Section 355, the Company' s stockholders who receive **MDU Construction Services** ~~Knife River Holding Company~~ shares in the distribution would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares. **20 MDU Resources Group, Inc. Form 10- K IndexPart I** The Company may not achieve some or all of the expected benefits of the **proposed** separation **of MDU Construction Services** , and the separation may materially and adversely affect its financial position, results of operations and cash flows. The Company may be unable to achieve the full strategic and financial benefits expected to result from the **proposed** separation **of MDU Construction Services** , or such benefits may be delayed or not occur at all ~~. The separation and distribution are expected to provide the following benefits~~ , ~~among others: • A distinct investment identity allowing investors to evaluate the merits, strategy, performance and future prospects of the Company' s regulated energy delivery business and Knife River Holding Company' s aggregates- based construction materials and contracting services business. • Enhanced strategic focus to more effectively pursue individualized strategies specific to the industries in which each operates and use equity tailored to its own business to enhance acquisition and capital programs. • More efficient allocation of capital for both the Company and Knife River Holding Company based on each company' s profitability, cash flow and growth opportunities. • Creating an independent equity structure that will facilitate the Company' s and Knife River Holding Company' s ability to deploy capital toward its specific growth opportunities. • Enhanced employee hiring and retention by, among other things, improving the alignment of management and employee incentives with industry specific performance and growth objectives. The Company may not achieve these and / or other anticipated benefits~~ for a variety of reasons, including, among others, that: (a) the separation will require significant time and effort from management, which may divert management' s attention from operating and growing the business; (b) following the separation and distribution, the Company may be more susceptible to stock market fluctuations and other adverse events; (c) following the separation and distribution, the Company may not be able to maintain its historical practices with respect to dividends; (d) following the separation and distribution, the Company' s business will be less diversified than prior to the separation and distribution; and (e) the other actions required to separate the Company and **MDU Construction Services** ~~Knife River Holding Company' s~~ respective businesses could disrupt their operations. If the Company fails to achieve some or all of the benefits expected to result from the separation, or if such benefits are delayed, it could have a material adverse effect on its financial position, results of operations and cash flows. ~~The Company may fail to perform under various transaction agreements that are expected be executed as part of the separation. The Company' s inability to favorably resolve any disputes that arise with Knife River Holding Company with respect to their various past and ongoing relationships may adversely affect the Company' s operating results. In connection with the separation and prior to the distribution, it is anticipated that the Company will enter into a separation agreement and will also enter into various other agreements, including a transition services agreement, a tax matters agreement and an employee matters agreement with Knife River Holding Company. The separation agreement, the tax matters agreement and the employee matters agreement will determine the allocation of assets and liabilities between the companies following the separation for those respective areas and will include any necessary indemnifications related to liabilities and obligations. The transition services agreement will provide for the performance of certain services by the Company for the benefit of Knife River Holding Company, or in some cases certain services provided by Knife River Holding Company for the benefit of the Company, for a limited period of time after the separation. Knife River Holding Company will rely on the Company to satisfy its obligations under these agreements. If the Company is unable to satisfy its obligations under these agreements, including its indemnification obligations, the Company could be subject to disputes. The Company may not be able to resolve potential conflicts, and even if it does, the resolution may be less favorable than if it were dealing with an unaffiliated party. Disputes may arise between the Company and Knife River Holding Company in a number of areas relating to the various transaction agreements, including, among other things: • Labor, tax, employee benefit, indemnification and other matters arising from Knife River Holding Company' s separation from the Company. • Employee retention and recruiting. • Business combinations involving Knife River Holding Company. • And the nature, quality and pricing of services that the Company has agreed to provide. MDU Resources Group, Inc. Form 10- K 25 If the expected separation and distribution occurs, certain members of management, directors and stockholders will hold stock in both the Company and Knife River Holding Company, and as a result may face actual or potential conflicts of interest. If the separation and distribution occurs, the management and directors of each of the Company and Knife River Holding Company may own both the Company common stock and Knife River Holding Company common stock. This ownership overlap could create, or appear to create, potential conflicts of interest when the Company' s management and directors and Knife River~~

~~Holding Company' s management and directors face decisions that could have different implications for the Company and Knife River Holding Company. For example, potential conflicts of interest could arise in connection with the resolution of any dispute between the Company and Knife River Holding Company regarding the terms of the agreements governing the distribution and the relationship between the Company thereafter and Knife River Holding Company. These agreements include the separation and distribution agreement, the tax matters agreement, the employee matters agreement, the transition services agreement, the stockholder and registration rights agreement and any commercial agreements between the parties or their affiliates. Potential conflicts of interest may also arise out of any commercial arrangements that the Company or Knife River Holding Company may enter into in the future.~~ Following the **proposed** separation, there may be a substantial change in the Company' s stockholder base and its stock price may fluctuate significantly. Until the market has fully evaluated the Company' s remaining businesses without **MDU Construction Services** ~~Knife River Holding Company~~, the price at which shares of the Company common stock trade may fluctuate more significantly than might otherwise be typical, even with other market conditions, including general volatility, held constant. There can be no assurance that the combined value of the common stock of the two companies will be equal to or greater than what the value of the Company’ s common stock would have been had the proposed separation not occurred. It is possible that the Company' s stockholders will sell shares of common stock for a variety of reasons. For example, such stockholders may not believe that the Company' s remaining business profile or its level of market capitalization fits their investment objectives. The sale of significant amounts of the Company' s common stock or the perception in the market that this will occur may lower the market price of the Company' s common stock. The increased volatility of the Company' s common stock price following the distribution may have a material adverse effect on its business, financial condition and results of operations ~~. The Company could experience temporary interruptions in business operations and incur additional costs as it separates information technology infrastructure and systems. The Company is in the process of preparing information technology infrastructure and systems to support critical business functions at both the Company and Knife River Holding Company. If the Company cannot effectively transition both the Company and Knife River Holding Company to stand-alone systems and functions, they may experience disruptions to business operations, which could have a material adverse effect on profitability. In addition, the Company' s costs for the operation of these systems may be higher than the amounts historically reflected in the consolidated financial statements. The Company' s review of options to optimize the value of its construction services business is subject to various risks and uncertainties and may not achieve its intended goals. On November 3, 2022, the Company announced its intention to create two pure- play publicly traded companies, one focused on regulated energy delivery and the other on construction materials, and to achieve this future structure, the board authorized management to commence a strategic review process of MDU Construction Services. This process is active and ongoing. The uncertainties associated with this process, foreseen and unforeseen costs incurred, and efforts involved, may negatively affect the Company' s operating results, business and the Company' s relationships with employees, customers, suppliers and vendors. If the Company does not enter into or consummate a strategic transaction with respect to MDU Construction Services, the Company' s business and results of operations could be adversely affected. Furthermore, if the Company does not consummate a transaction, the price of the Company' s common stock may decline from the current market price, as the current market price might incorporate a market assumption that a transaction will be consummated. A failed transaction may also result in reduced employee morale and productivity, negative publicity and a negative impression of the Company in the investment community. Further, any disruptions to the Company' s business resulting from any announcement and the uncertainty around the timing of a transaction, including any adverse changes in the Company' s relationships with its customers, suppliers, vendors, and employees or recruiting and retention efforts, could continue or accelerate in the event of a failed transaction. Matters relating to any failed transaction may require significant costs and expenses and substantial management time and resources, which could otherwise have been devoted to operating and growing the Company' s business~~. Economic Risks The Company is subject to government regulations that may have a negative impact on its business and its results of operations and cash flows. Statutory and regulatory requirements also may limit another party' s ability to acquire the Company or impose conditions on an acquisition of or by the Company. The Company' s electric and natural gas transmission and distribution businesses are subject to comprehensive regulation by federal, state and local regulatory agencies with respect to, among other things, allowed rates of return and recovery of investments and costs; financing; rate structures; customer service; health care coverage and costs; taxes; franchises; recovery of fuel, purchased power and purchased natural gas costs; and construction and siting of generation and transmission facilities. These governmental regulations significantly influence the Company' s operating environment and may affect its ability to recover costs from its customers. The Company is unable to predict the impact on operating results from future regulatory activities of any of these agencies. Changes in regulations or the imposition of additional regulations could have an adverse impact on the Company' s results of operations and cash flows. There can be no assurance that applicable regulatory commissions will determine that the Company' s electric and natural gas transmission and distribution businesses' costs have been prudent, which could result in the disallowance of costs in setting rates for customers. Also, the regulatory ~~26 MDU Resources Group, Inc. Form 10- K~~ process of approving rates for these businesses may not allow for timely and full recovery of the costs of providing services or a return on the Company' s invested capital. Changes in regulatory requirements or operating conditions may require early retirement of certain assets. While regulation typically provides rate recovery for these retirements, there is no assurance regulators will allow full recovery of all remaining costs, which could leave stranded asset costs. Rising fuel costs could increase the risk that the utility businesses will not be able to fully recover those fuel costs from customers. Approval from federal and state regulatory agencies would be needed for acquisition of the Company, as well as for certain acquisitions by the Company. The approval process could be lengthy and the outcome uncertain, which may deter potential acquirers from approaching the Company or impact the Company' s ability to pursue acquisitions. Economic volatility affects the Company' s operations, as well as the demand for its products and services. Unfavorable economic conditions can negatively affect the level of public and private expenditures on projects and the timing of these projects which, in turn, can negatively affect demand for the Company' s products and services, primarily at the Company' s construction ~~businesses -~~ - **business** . The level of demand for construction ~~products and~~ services could be adversely impacted by the economic conditions in the industries the Company serves, as well as in the general economy. State and federal budget issues affect the funding available for infrastructure spending. Economic conditions and population growth affect the electric and natural gas distribution businesses' growth in service territory, customer base and usage demand. Economic volatility in the markets served, along with economic conditions such as increased unemployment which could impact the ability of the Company' s customers to make payments, could adversely affect the Company' s results of operations, cash flows and asset values. Further, any material decreases in customers' energy demand, for economic or other reasons, could have an adverse impact on the Company' s earnings and results of operations. **MDU Resources Group, Inc. Form 10- K 21** The Company' s operations involve risks that may result from catastrophic events. The Company' s operations, particularly those related to electric and natural gas transmission and distribution, include a variety of inherent hazards and operating risks, such as product leaks; explosions; mechanical failures; vandalism; fires; pandemics; social or civil unrest; protests and riots; natural disasters; cyberattacks; acts of terrorism; and acts of war. These hazards and operating risks have occurred and may ~~recur~~ **reoccur** in the future, which could result in loss of human life; personal injury; property damage; environmental impacts; impairment of operations; and substantial financial losses. The Company maintains insurance against some, but not all, of these risks and losses. A significant incident could also increase regulatory scrutiny and result in penalties and higher amounts of capital expenditures and operational costs. Losses not fully covered by insurance could have an adverse effect on the Company’ s financial position, results of operations and cash flows. A disruption of the regional electric transmission grid, local distribution infrastructure or interstate natural gas infrastructure could negatively impact the Company' s business and reputation. There have been cyber and physical attacks within the energy industry on energy infrastructure, such as substations, and such attacks may occur in the future. Because the Company' s electric and natural gas utility and pipeline systems are part of larger interconnecting systems, any attacks on the **interconnected systems or the** Company' s infrastructure causing a disruption could result in a significant decrease in revenues and an increase in system repair costs negatively impacting the Company' s financial position, results of operations and cash flows. The Company is subject to capital market and interest rate risks. The Company' s operations, particularly its electric and natural gas transmission and distribution businesses, require significant capital investment. Consequently, the Company relies on financing sources and capital markets as sources of liquidity for capital requirements not satisfied by cash flows from operations. If the Company is not able to access capital at competitive rates, the ability to implement business plans, make capital expenditures or pursue acquisitions the Company would otherwise rely on for future growth may be adversely affected. Market disruptions may increase the cost of borrowing or adversely affect the Company' s ability to access one or more financial markets. Such disruptions could include: • A significant economic downturn. • The financial distress of unrelated industry leaders in the same line of business. • Deterioration in capital market conditions. • Turmoil in the financial services industry. • Volatility in commodity prices. • Pandemics ~~, including COVID- 19~~ . • War. • Terrorist attacks. • Cyberattacks. The issuance of a substantial amount of the Company' s common stock, whether issued in connection with an acquisition or otherwise, or the perception that such an issuance could occur, could have a dilutive effect on stockholders and / or may adversely affect the market price of the Company' s common stock. Higher interest rates on borrowings have impacted and could further impact the Company' s future operating results ~~. MDU Resources Group~~ , ~~Inc. Form 10~~ **as evidenced by the Company' s increased interest expense in 2023 as discussed in Item 7** - ~~K 27~~ **MD & A.** Financial market changes could impact the Company’ s pension and postretirement benefit plans and obligations. The Company has pension and postretirement defined benefit plans for some of its current and former employees. Assumptions regarding future costs, returns on investments, interest rates and other actuarial assumptions have a significant impact on the funding requirements and expense recorded relating to these plans. Adverse changes in economic indicators, such as consumer spending, inflation data, interest rate changes, political developments and threats of terrorism, among other things, can create volatility in the financial markets. These changes could impact the assumptions and negatively affect the value of assets held in the Company' s pension and other postretirement benefit plans and may increase the amount and accelerate the timing of required funding contributions for those plans. Significant changes in prices for commodities, labor or other production and delivery inputs could negatively affect the Company' s businesses. The Company' s operations are exposed to fluctuations in prices for labor, oil ~~, cement~~ , raw materials and utilities. Prices are generally subject to change in response to fluctuations in supply and demand and other general economic and market conditions beyond the Company' s control. Fluctuations in oil and natural gas production, supplies and prices; fluctuations in commodity price basis differentials; political and economic conditions in oil- producing countries; actions of the Organization of Petroleum Exporting Countries; demand for oil due to economic conditions; war and other external factors impact the development of oil and natural gas supplies and the expansion and operation of natural gas pipeline systems. The Company has benefited from associated natural gas production in the Bakken, which has provided opportunities for organic growth projects. Depressed oil and natural gas prices, however, place pressure on the ability of oil exploration and production companies to meet credit requirements and can be a challenge if prices remain depressed long- term. Prolonged depressed prices for oil and natural gas could negatively affect the growth, results of operations, cash flows and asset values of the Company' s electric, natural gas and pipeline businesses. **22 MDU Resources Group, Inc. Form 10- K** If oil and natural gas prices increase significantly, which has occurred and may reoccur, customer demand could decline for utility, pipeline and construction ~~products and~~ services, which could impact the Company' s results of operations and cash flows. While the Company has fuel clause recovery mechanisms for its utility operations in all of the states where it operates, higher utility fuel costs could also significantly impact results of operations if such costs are not recovered. Delays in the collection of utility fuel cost recoveries, as compared to expenditures for fuel purchases, could also negatively impact the Company' s cash flows. ~~High oil and fuel prices also affect the margins realized and demand for construction materials and related contracting services. High energy prices, specifically for diesel fuel, natural gas and liquid asphalt have impacted and could further affect the margins realized, as well as demand for construction~~

~~materials and related contracting services.~~ Increased labor costs, due to labor shortages, competition from other industries, or other factors, could negatively affect the Company' s results of operations. ~~Due to their size and weight, aggregates are costly and difficult to transport efficiently. The Company' s construction materials products and services are generally localized around its aggregate sites and served by truck or in certain markets by rail or barge. The Company could be negatively impacted by freight costs due to rising fuel costs; rate increases for third party freight; truck, railcar or barge shortages, including shortages of truck drivers and rail crews; rail service interruptions; and minimum tonnage requirements, among other things.~~ In **2023,** 2022 and 2021, the Company experienced elevated commodity and supply chain costs including the costs of labor, raw materials, energy- related products and other inputs used in the production and distribution of its products and services. ~~At the~~ **The Company' s** construction ~~materials and contracting~~ business **tries** ~~, recent inflationary pressures have significantly increased the cost of raw materials above 10 % in comparison to average historical increases of 3 %. The Company' construction businesses try~~ to mitigate some or all cost increases through increases in selling prices, maintaining positive relationships with numerous raw material suppliers, and escalation clauses in contracting services contracts and fuel surcharges. To the extent price increases or other mitigating factors are not sufficient to offset these increased costs adequately or timely, and / or if the price increases result in a significant decrease in sales volumes, the Company' s results of operations, financial position and cash flows could be negatively impacted. Reductions in the Company' s credit ratings could increase financing costs. There is no assurance the Company' s current credit ratings, or those of its subsidiaries, will remain in effect or that a rating will not be lowered or withdrawn by a rating agency. Events affecting the Company' s financial results may impact its cash flows and credit metrics, potentially resulting in a change in the Company' s credit ratings. The Company' s credit ratings may also change as a result of the differing methodologies or changes in the methodologies used by the rating agencies. Increasing costs associated with health care plans may adversely affect the Company' s results of operations. The Company' s self- insured costs of health care benefits for eligible employees continues to increase. Increasing quantities of large individual health care claims and an overall increase in total health care claims could have an adverse impact on operating results, financial position and liquidity. Legislation related to health care could also change the Company' s benefit program and costs. The Company is exposed to risk of loss resulting from the nonpayment and / or nonperformance by the Company' s customers and counterparties. If the Company' s customers or counterparties experience financial difficulties, which has occurred and may ~~recur~~ **reoccur** in the future, the Company could experience difficulty in collecting receivables. Nonpayment and / or nonperformance by the Company' s customers and counterparties, particularly customers and counterparties of the Company’ s pipeline ~~, construction materials and contracting~~ and construction services businesses for large construction projects, could have a negative impact on the Company' s results of operations and cash flows. The Company could also have indirect credit risk from participating in energy markets such as MISO in which credit losses are socialized to all participants. ~~28 MDU Resources Group, Inc. Form 10- K~~ Changes in tax law may negatively affect the Company' s business. Changes to federal, state and local tax laws have the ability to benefit or adversely affect the Company' s earnings and customer costs. Significant changes to corporate tax rates could result in the impairment of deferred tax assets that are established based on existing law at the time of deferral. Changes to the value of various tax credits could change the economics of resources and the resource selection for the electric generation business. Regulation incorporates changes in tax law into the rate- setting process for the regulated energy delivery businesses, which could create timing delays before the impact of changes are realized. The Company' s operations could be negatively impacted by import tariffs and / or other government mandates. The Company operates in or provides services to capital intensive industries in which federal trade policies could significantly impact the availability and cost of materials. Imposed and proposed tariffs could significantly increase the prices and delivery lead times on raw materials and finished products that are critical to the Company and its customers, such as aluminum and steel. Prolonged lead times on the delivery of raw materials and further tariff increases on raw materials and finished products could adversely affect the Company' s business, financial condition and results of operations. Pandemics ~~, including COVID- 19,~~ may have a negative impact on the Company' s business operations, revenues, results of operations, liquidity and cash flows. Pandemics have disrupted national, state and local economies. To the extent pandemics adversely impact the Company' s businesses, operations, revenues, liquidity or cash flows, they could also have a heightened effect on other risks described in this section. The degree to which pandemics impact the Company depends on, among other things, federal and state mandates, actions taken by governmental authorities, availability, timing and effectiveness of vaccines being administered, and the pace and extent to which the economy recovers and operates under normal market conditions. **MDU Resources Group, Inc. Form 10- K 23** Operational Risks Significant portions of the Company’ s natural gas pipelines and power generation and transmission facilities are aging. The aging infrastructure may require significant additional maintenance or replacement that could adversely affect the Company’ s results of operations. Certain risks increase as the Company' s energy delivery infrastructure ages, including breakdown or failure of equipment, pipeline leaks and fires developing from power lines, all of which have occurred and may ~~recur~~ **reoccur** in the future resulting in material costs. Aging infrastructure is more prone to failure, which increases maintenance costs, unplanned outages and the need to replace facilities. Even if properly maintained, reliability may ultimately deteriorate and negatively affect the Company’ s ability to serve its customers, which could result in increased costs associated with regulatory oversight. The costs associated with maintaining the aging infrastructure and capital expenditures for new or replacement infrastructure could cause rate volatility and / or regulatory lag in some jurisdictions. If, at the end of its life, the investment costs of a facility have not been fully recovered, the Company may be adversely affected if commissions do not allow such costs to be recovered in rates. Such impacts of aging infrastructure could adversely affect the Company’ s results of operations and cash flows. Additionally, hazards from aging infrastructure could result in serious injury, loss of human life, significant damage to property, environmental impacts and impairment of operations, which in turn could lead to substantial financial losses. The location of facilities near populated areas, including residential areas, business centers, industrial sites and other public gathering places, could increase the damages resulting from these risks. A major incident involving another natural gas system could lead to additional capital expenditures, increased regulation, and fines and penalties on natural gas utilities and pipelines. The occurrence of any of these events could adversely affect the Company' s results of operations, financial position and cash flows. The Company' s utility and pipeline operations are subject to planning risks. Most electric and natural gas utility investments, including natural gas transmission pipeline investments, are made with the intent of being used for decades. In particular, electric transmission and generation resources are planned well in advance of when they are placed into service based upon resource plans using assumptions over the planning horizon, including sales growth, commodity prices, equipment and construction costs, regulatory treatment, available technology and public policy. Public policy changes and technology advancements related to areas such as energy efficient appliances and buildings, renewable and distributive electric generation and storage, carbon dioxide emissions, electric vehicle penetration, restrictions on or disallowance of new or existing services, and natural gas availability and cost may significantly impact the planning assumptions. Changes in critical planning assumptions may result in excess generation, transmission and distribution resources creating increased per customer costs and downward pressure on load growth. These changes could also result in a stranded investment if the Company is unable to fully recover the costs of its investments. The regulatory approval, permitting, construction, startup and / or operation of pipelines, power generation and transmission facilities ~~, and aggregate reserves~~ may involve unanticipated events, delays and unrecoverable costs. The construction, startup and operation of natural gas pipelines and electric power generation and transmission facilities involve many risks, which may include delays; breakdown or failure of equipment; inability to obtain required governmental permits and approvals; inability to obtain or renew easements; public opposition; inability to complete financing; inability to negotiate acceptable equipment acquisition, construction, fuel supply, off- take, transmission, transportation or other material agreements; **contractor performance failures;** changes in markets and market prices for power; cost increases and overruns; the risk of performance below expected levels of output or efficiency; and the inability to obtain full cost recovery in regulated rates. ~~Additionally, in a number of states in which the Company operates, it can be difficult to permit new aggregate sites or expand existing aggregate sites due to community resistance and regulatory requirements, among other things.~~ Such unanticipated events could negatively impact the Company' s business, its results of operations and cash flows. ~~MDU Resources Group, Inc. Form 10- K 29~~ Operating or other costs required to comply with current or potential pipeline safety regulations and potential new regulations under various agencies could be significant. The regulations require verification of pipeline infrastructure records by pipeline owners and operators to confirm the maximum allowable operating pressure of certain lines. Increased emphasis on pipeline safety and increased regulatory scrutiny may result in penalties and higher costs of operations. If these costs are not fully recoverable from customers, they could have an adverse effect on the Company' s results of operations and cash flows. The ~~backlogs~~ - **backlog** at the Company' s ~~construction materials and contracting and~~ construction services ~~businesses~~ -- **business** may not accurately represent future revenue. Backlog consists of the uncompleted portion of services to be performed under job- specific contracts. Contracts are subject to delay, default or cancellation, and contracts in the Company' s backlog are subject to changes in the scope of services to be provided, as well as adjustments to the costs relating to the applicable contracts. Backlog may also be affected by project delays or cancellations resulting from weather conditions, external market factors and economic factors beyond the Company' s control, among other things. Accordingly, there is no assurance that backlog will be realized. The timing of contract awards, duration of large new contracts and the mix of services can significantly affect backlog. Backlog at any given point in time may not accurately represent the revenue or net income that is realized in any period. Also, the backlog as of the end of the year may not be indicative of the revenue and net income expected to be earned in the following year and should not be relied upon as a stand- alone indicator of future revenues or net income. The Company' s participation in joint venture contracts may have a negative impact on its reputation, business operations, revenues, results of operations, liquidity and cash flows. The Company enters into certain joint venture arrangements typically to bid and execute particular projects. Generally, these agreements are directly with a third- party client; however, services may be performed by the venture, the joint venture partners or a combination thereof. Engaging in joint venture contracts exposes the Company to risks and uncertainties, some of which are outside the Company' s control. **24 MDU Resources Group, Inc. Form 10- K** The Company is reliant on joint venture partners to satisfy their contractual obligations, including obligations to commit working capital and equity, and to perform the work as outlined in the agreement. Failure to do so could result in the Company providing additional investments or services to address such performance issues. If the Company is unable to satisfactorily resolve any partner performance issues, the customer could terminate the contract, opening the Company to legal liability which could negatively impact the Company' s reputation, revenues, results of operations, liquidity and cash flows. Supply chain disruptions may adversely affect Company operations. The Company relies on third- party vendors and manufacturers to supply many of the materials necessary for its operations. Global logistic disruptions have impacted the flow of materials and restricted global trade flows. Manufacturers are competing for a limited supply of key commodities and logistical capacity which has impacted lead times, pricing, supply and demand. ~~National and regional demand for cement and liquid asphalt may at times outpace the supply in the market. This imbalance creates a temporary shortage which may cause prices to increase faster than downstream products.~~ Disruptions or delays in receiving materials; price increases from suppliers or manufacturers; or inability to source needed materials, which has occurred and could reoccur, could adversely affect the Company' s results of operations, financial condition and cash flows. Environmental and Regulatory Risks The Company' s operations could be adversely impacted by climate change. Severe weather events, such as tornadoes, hurricanes, rain, drought, ice and snowstorms, and high and low temperature extremes, occur in regions in which the Company operates and maintains infrastructure. Climate change could change the frequency and severity of these weather events, which may create physical and financial risks to the Company. Such risks could have an adverse effect on the Company' s financial condition, results of operations and cash flows. To date, the Company has not experienced any material impacts to its financial condition, results of operations or cash flows due to the physical effects of climate change. Severe weather events may damage or disrupt the Company' s electric and natural gas transmission and distribution facilities, which could result in disruption of service and ability to meet customer demand and increase maintenance or capital costs to repair facilities and restore customer service. The cost of providing service could increase if the frequency of severe weather events increases because of climate change or otherwise. The Company may not recover all costs related to mitigating these physical risks. Increases in severe weather conditions or extreme temperatures may cause infrastructure construction projects to be delayed or canceled and limit resources available for such projects resulting in decreased revenue or increased project costs at the construction ~~materials and contracting and construction~~ services ~~businesses~~ -- **business** ~~. In addition, drought conditions could restrict the availability of water supplies, inhibiting the ability of the construction businesses to conduct operations~~ . Utility customers’ energy needs vary with weather conditions, primarily temperature and humidity. For residential customers, heating and cooling represent the largest energy use. To the extent weather conditions are affected by climate change, customers’ energy use could increase or decrease. Increased energy use by its utility customers due to weather may require the Company to invest in additional generating assets, transmission and other infrastructure to serve increased load. Decreased energy use due to weather may result in decreased revenues. Extreme weather conditions, such as uncommonly long periods of high or low ambient temperature in general require more system backup, adding to costs, and can contribute to increased system stress, including service interruptions. Weather conditions outside of the Company' s service territory could also have an impact on revenues. The Company buys and sells electricity that might be generated outside its service territory, depending upon system needs and market ~~30 MDU Resources Group, Inc. Form 10- K~~ opportunities. Extreme temperatures may create high energy demand and raise electricity prices, which could increase the cost of energy provided to customers. Climate change may impact a region’ s economic health, which could impact revenues at all of the Company' s businesses. The Company' s financial performance is tied to the health of the regional economies served. The Company provides natural gas and electric utility service, as well as construction ~~materials and~~ services, for some states and communities that are economically affected by the agriculture industry. Increases in severe weather events or significant changes in temperature and precipitation patterns could adversely affect the agriculture industry and, correspondingly, the economies of the states and communities affected by that industry. The insurance industry may be adversely affected by severe weather events, which may impact availability of insurance coverage, insurance premiums and insurance policy terms. The Company may be subject to litigation related to climate change. Costs of such litigation could be significant, and an adverse outcome could require substantial capital expenditures, changes in operations and possible payment of penalties or damages, which could affect the Company' s results of operations and cash flows if the costs are not recoverable in rates. The price of energy also has an impact on the economic health of communities. The cost of additional regulatory requirements related to climate change, such as regulation of carbon dioxide emissions under the federal Clean Air Act, requirements to replace fossil fuels with renewable energy or credits, or other environmental regulation or taxes, could impact the availability of goods and the prices charged by suppliers, which would normally be borne by consumers through higher prices for energy and purchased goods, and could adversely impact economic conditions of areas served by the Company. To the extent financial markets view climate change and emissions of GHGs as a financial risk, this could negatively affect the Company' s ability to access capital markets or result in less competitive terms and conditions. **MDU Resources Group, Inc. Form 10- K 25** The Company' s operations are subject to environmental laws and regulations that may increase costs of operations, impact or limit business plans, or expose the Company to environmental liabilities. The Company is subject to environmental laws and regulations affecting many aspects of its operations, including air and water quality, wastewater discharge, the generation, transmission and disposal of solid waste and hazardous substances, ~~aggregate permitting~~ and other environmental considerations. These laws and regulations can increase capital, operating and other costs; cause delays as a result of litigation and administrative proceedings; and create compliance, remediation, containment, monitoring and reporting obligations, particularly relating to electric generation ~~, permitting and environmental compliance for construction material facilities~~ , and natural gas transmission and storage operations. Environmental laws and regulations can also require the Company to install pollution control equipment at its facilities, clean up spills and other contamination and correct environmental hazards, including payment of all or part of the cost to remediate sites where the Company' s past activities, or the activities of other parties, caused environmental contamination. These laws and regulations generally require the Company to obtain and comply with a variety of environmental licenses, permits, inspections and other approvals and may cause the Company to shut down existing facilities due to difficulties in assuring compliance or where the cost of compliance makes operation of the facilities uneconomical. Although the Company strives to comply with all applicable environmental laws and regulations, public and private entities and private individuals may interpret the Company' s legal or regulatory requirements differently and seek injunctive relief or other remedies against the Company. The Company cannot predict the outcome, financial or operational, of any such litigation or administrative proceedings. Existing environmental laws and regulations may be revised and new laws and regulations seeking to protect the environment may be adopted or become applicable to the Company. These laws and regulations could require the Company to limit the use or output of certain facilities; restrict the use of certain fuels; prohibit or restrict new or existing services; replace certain fuels with renewable fuels; retire and replace certain facilities; install pollution controls; remediate environmental impacts; remove or reduce environmental hazards; or forego or limit the development of resources. Revised or new laws and regulations that increase compliance and disclosure costs and / or restrict operations, particularly if costs are not fully recoverable from customers, could adversely affect the Company' s results of operations and cash flows. Stakeholder actions and increased regulatory activity related to environmental, social and governance matters, particularly climate change and reducing GHG emissions, could adversely impact the Company' s ~~operation~~ **operations** , costs of or access to capital and impact or limit business plans. The Company, primarily at its electric, natural gas distribution and pipeline businesses, is facing increasing stakeholder scrutiny related to environmental, social and governance matters. **The** ~~Recently, the~~ Company has seen a rise in certain stakeholders, such as investors, customers, employees and lenders, placing increasing importance on the impacts and social cost associated with climate change. Concern that GHG emissions contribute to global climate change has led to international, federal, state and local legislative and regulatory proposals to reduce or mitigate the effects of GHG emissions **. For example, the SEC has published proposed rules that**

would require significantly increased disclosures associated with climate change and other issues. The Company may experience significant future costs associated with compliance of such legislative actions . The Company' s primary GHG emission is carbon dioxide from fossil fuels combustion at Montana- Dakota' s electric generating facilities, particularly its coal-fired facilities. Treaties, legislation or regulations to reduce GHG emissions in response to climate change may be adopted that affect the Company' s utility and pipeline operations by requiring additional energy conservation efforts or renewable energy sources, limiting emissions, imposing carbon taxes or other compliance costs; as well as other mandates that could significantly increase capital expenditures and operating costs or reduce demand for the Company' s utility services. If the Company' s utility and pipeline operations do not receive timely and full recovery of GHG emission compliance costs from customers, then such costs could adversely impact the results of operations and cash flows. Significant reductions in demand for the ~~MDU Resources Group, Inc. Form 10- K 31~~ Company' s utility and pipeline services as a result of increased costs or emissions limitations could also adversely impact the results of operations and cash flows. The Company monitors, analyzes and reports GHG emissions from its other operations as required by applicable laws and regulations. The Company will continue to monitor GHG regulations and their potential impact on operations. Due to the uncertain availability of technologies to control GHG emissions and the unknown obligations that potential GHG emission legislation or regulations may create, the Company cannot determine the potential financial impact on its operations. In addition, the increasing focus on climate change and stricter regulatory requirements may result in the Company facing adverse reputational risks associated with certain of its operations producing GHG emissions. There have also been efforts to discourage the investment community from investing in equity and debt securities of companies engaged in fossil fuel related business and pressuring lenders to limit funding to such companies. Additionally, some insurance carriers have indicated an unwillingness to insure assets and operations related to certain fossil fuels. Although the Company has not experienced difficulties in these areas, if the Company is unable to satisfy the increasing climate- related expectations of certain stakeholders, the Company may suffer reputational harm, which may cause its stock price to decrease or difficulty in accessing the capital or insurance markets. Such efforts, if successfully directed at the Company, could increase the costs of or access to capital or insurance and interfere with business operations and ability to make capital expenditures. **26 MDU Resources Group, Inc. Form 10- K** Other Risks The Company' s various businesses are seasonal and subject to weather conditions that could adversely affect the Company' s operations, revenues and cash flows. The Company' s results of operations could be affected by changes in the weather. Weather conditions influence the demand for electricity and natural gas and affect the price of energy commodities. Utility operations have historically generated lower revenues when weather conditions are cooler than normal in the summer and warmer than normal in the winter, particularly in jurisdictions that do not have weather normalization mechanisms in place. Where weather normalization mechanisms are in place, there is no assurance the Company will continue to receive such regulatory protection from adverse weather in future rates. Adverse weather conditions, which have occurred and may ~~recur~~ **reoccur** , such as heavy or sustained rainfall or snowfall, **droughts,** storms, wind and colder weather may affect the demand for products and the ability to perform services at the construction ~~businesses~~ -- **business** and affect ongoing operation and maintenance and construction activities for the electric and natural gas transmission and distribution businesses. In addition, severe weather can be destructive, causing outages and property damage, which could require additional remediation costs ~~. The Company could also be impacted by drought conditions, which may restrict the availability of water supplies and inhibit the ability of the construction businesses to conduct operations~~ . As a result, unusual or adverse weather conditions could negatively affect the Company' s results of operations, financial position and cash flows. Competition exists in all of the Company' s businesses. The Company' s businesses are subject to competition. Construction services' competition is based primarily on price and reputation for quality, safety and reliability ~~. Construction materials products are marketed under highly competitive conditions and are subject to competitive forces such as price, service, delivery time and proximity to the customer~~ . The electric utility and natural gas businesses also experience competitive pressures as a result of consumer demands, technological advances and other factors. The pipeline business competes with several pipelines for access to natural gas supplies and for transportation and storage business. New acquisition opportunities are subject to competitive bidding environments which impact prices the Company must pay to successfully acquire new properties and acquisition opportunities to grow its business. The Company' s failure to effectively compete could negatively affect the Company' s results of operations, financial position and cash flows. The Company' s operations may be negatively affected if it is unable to obtain, develop and retain key personnel and skilled labor forces. The Company must attract, develop and retain executive officers and other professional, technical and skilled labor forces with the skills and experience necessary to successfully manage, operate and grow the Company' s businesses. Due to the changing workforce demographics and a lack of younger employees who are qualified to replace employees as they retire and remote work opportunities, among other things, competition for these employees is high. In some cases competition for these employees is on a regional or national basis. At times of low unemployment, it can be difficult for the Company to attract and retain qualified and affordable personnel. A shortage in the supply of skilled personnel creates competitive hiring markets, increased labor expenses, decreased productivity and potentially lost business opportunities to support the Company' s operating and growth strategies. Additionally, if the Company is unable to hire employees with the requisite skills, the Company may be forced to incur significant training expenses. As a result, the Company' s ability to maintain productivity, relationships with customers, competitive costs, and quality services is limited by the ability to employ, retain and train the necessary skilled personnel and could negatively affect the Company' s results of operations, financial position and cash flows. The Company' s construction ~~materials and contracting and construction~~ services ~~businesses~~ -- **business** may be exposed to warranty claims. The Company, particularly its construction **services** ~~businesses~~ -- **business** , may provide warranties guaranteeing the work performed against defects in workmanship and material. If warranty claims occur, they may require the Company to re- perform the services or to repair or replace the warranted item at a cost to the Company and could also result in other damages if the Company is not able to adequately satisfy warranty obligations. In addition, the Company may be required under contractual arrangements with customers to warrant any defects from subcontractors or failures in materials the Company purchased from third parties. While the Company generally requires suppliers to provide warranties that are consistent with those the Company ~~32 MDU Resources Group, Inc. Form 10- K~~ provides to customers, if any of the suppliers default on their warranty obligations to the Company, the Company may nonetheless incur costs to repair or replace the defective materials. Costs incurred as a result of warranty claims could adversely affect the Company' s results of operations, financial condition and cash flows. The Company is a holding company and relies on cash from its subsidiaries to pay dividends. The Company' s investments in its subsidiaries comprise the Company' s primary assets. The Company depends on earnings, cash flows and dividends from its subsidiaries to pay dividends on its common stock. Regulatory, contractual and legal limitations, as well as their capital requirements, affect the ability of the subsidiaries to pay dividends to the Company and thereby could restrict or influence the Company' s ability or decision to pay dividends on its common stock, which could adversely affect the Company' s stock price. Costs related to obligations under MEPPs could have a material negative effect on the Company' s results of operations and cash flows. Various operating subsidiaries of the Company participate in MEPPs for employees represented by certain unions. The Company is required to make contributions to these plans in amounts established under numerous collective bargaining agreements between the operating subsidiaries and those unions. The Company may be obligated to increase its contributions to underfunded plans that are classified as being in endangered, seriously endangered or critical status as defined by the Pension Protection Act of 2006. Plans classified as being in one of these statuses are required to adopt RPs or FIPs to improve their funded status through increased contributions, reduced benefits or a combination of the two. **MDU Resources Group, Inc. Form 10- K 27** The Company may also be required to increase its contributions to MEPPs if the other participating employers in such plans withdraw from the plans and are not able to contribute amounts sufficient to fund the unfunded liabilities associated with their participation in the plans. The amount and timing of any increase in the Company' s required contributions to MEPPs may depend upon one or more factors, including the outcome of collective bargaining; actions taken by trustees who manage the plans; actions taken by the plans' other participating employers; the industry for which contributions are made; future determinations that additional plans reach endangered, seriously endangered or critical status; newly- enacted government laws or regulations and the actual return on assets held in the plans; among others. The Company could experience increased operating expenses as a result of required contributions to MEPPs, which could have an adverse effect on the Company' s results of operations, financial position or cash flows. In addition, pursuant to ERISA, as amended by MPPAA, the Company could incur a partial or complete withdrawal liability upon withdrawing from a plan, exiting a market in which it does business with a union workforce or upon termination of a plan. The Company could also incur **an** additional withdrawal liability if its withdrawal from a plan is determined by that plan to be part of a mass withdrawal. Technology disruptions or cyberattacks could adversely impact the Company' s operations. The Company uses technology in substantially all aspects of its business operations and requires uninterrupted operation of information technology and operation technology systems, including disaster recovery and backup systems and network infrastructure. While the Company has policies, procedures and processes in place designed to strengthen and protect these systems, they may be vulnerable to physical and cybersecurity failures or unauthorized access, due to: • hacking, • human error, • theft, • sabotage, • malicious software, • ransomware, • third- party compromise, • acts of terrorism, • acts of war, • acts of nature or • other causes. Although there are manual processes in place, should a compromise or system failure occur, interdependencies to technology may disrupt the Company' s ability to fulfill critical business functions. This may include interruption of electric generation, transmission and distribution facilities, natural gas storage and pipeline facilities ~~and facilities for delivery of construction materials or other products and services~~ , any of which could adversely affect the Company' s reputation, business, cash flows and results of operations or subject the Company to legal or regulatory liabilities and increased costs. Additionally, the Company' s electric generation and transmission systems and natural gas pipelines are part of interconnected systems with other operators' facilities; therefore, a cyber- related disruption in another operator' s system could negatively impact the Company' s business. ~~MDU Resources Group, Inc. Form 10- K 33~~ The Company' s accounting systems and its ability to collect information and invoice customers for products and services could be disrupted. If the Company' s operations are disrupted, it could result in decreased revenues and remediation costs that could adversely affect the Company' s results of operations and cash flows. The Company is subject to cybersecurity and privacy laws, regulations and security directives of many government agencies, including TSA, FERC and NERC. NERC issues comprehensive regulations and standards surrounding the security of bulk power systems and continually updates these requirements, as well as establishing new requirements with which the utility industry must comply. As these regulations evolve, the Company may experience increased compliance costs and may be at higher risk for violating these standards. Experiencing a cybersecurity incident could cause the Company to be non- compliant with applicable laws and regulations, causing the Company to incur costs related to legal claims, proceedings and regulatory fines or penalties. **The SEC has adopted new rules that require the Company to provide greater disclosures around cybersecurity risk management, strategy, and governance, as well as disclose the occurrence of material cybersecurity incidents. The Company cannot predict or estimate the amount of additional costs it will incur in order to comply with these rules or the timing of such costs. These rules may also require the Company to report a cybersecurity incident before the Company has been able to fully assess its impact or remediate the underlying issue. Efforts to comply with such reporting requirements could divert management' s attention from the Company' s incident response and could potentially reveal system vulnerabilities to threat actors. Failure to timely report incidents under these or other similar rules could also result in monetary fines, sanctions or subject the Company to other forms of liability. This regulatory environment is increasingly challenging and may present material obligations and risks to the Company' s business, including significantly expanded compliance burdens, costs, and enforcement risks. 28 MDU Resources Group, Inc. Form 10- K** The Company, through the ordinary course of business, requires access to sensitive customer, supplier, employee and Company data. While the Company has implemented extensive security measures, including limiting the amount of sensitive information retained, a breach of its systems could compromise sensitive data and could go unnoticed for some time. Such an event could result in negative publicity and reputational harm, remediation costs, legal claims and fines that could have an adverse effect on the Company' s financial results. Third- party service providers that perform critical business functions for the Company or have access to sensitive information within the Company also may be vulnerable to security breaches and information technology risks that could adversely affect the Company. The Company' s information systems experience ongoing and often sophisticated cyberattacks by a variety of sources with the apparent aim to breach the Company' s cyber- defenses. The Company may face increased cyber risk due to the increased use of employee - owned devices, work from home arrangements, and the ~~proposed~~ separation of Knife River ~~Holding Company~~ . Although the incidents the Company has experienced to date have not had a material effect on its business, financial condition or results of operations, such incidents could have a material adverse effect in the future as cyberattacks continue to increase in frequency and sophistication. The Company is continuously reevaluating the need to upgrade and / or replace systems and network infrastructure. These upgrades and / or replacements could adversely impact operations by imposing substantial capital expenditures, creating delays or outages, or experiencing difficulties transitioning to new systems. System disruptions, if not anticipated and appropriately mitigated, could adversely affect the Company **. Artificial intelligence presents challenges that can impact our business by posing security risks to confidential or proprietary information and personal data. The use of artificial intelligence, combined with an uncertain regulatory environment, may result in reputational harm, liability, or other adverse consequences to our business operations. The Company may adopt and integrate artificial intelligence tools into its systems for specific use cases after review by legal and information security. The Company' s vendors and third- party partners may incorporate artificial intelligence tools into their offerings with or without disclosing this use to us. The providers of these artificial intelligence tools may not meet existing or rapidly evolving regulatory or industry standards concerning privacy and data protection, which may result in a loss of intellectual property or confidential information and / or cause harm to the Company' s reputation and the public perception of the effectiveness of its security measures. Further, bad actors around the world use increasingly sophisticated methods, including the use of artificial intelligence, to engage in illegal activities involving the theft and misuse of personal information, confidential information, and intellectual property. Any of these outcomes could damage the Company' s reputation, result in the loss of valuable property and information and adversely impact its business** . General risk factors that could impact the Company' s businesses. The following are additional factors that should be considered for a better understanding of the risks to the Company. These factors may negatively impact the Company' s financial results in future periods. • Acquisition, disposal and impairments of assets or facilities. • Changes in present or prospective electric generation. • Population decline and demographic patterns in the Company' s areas of service. • The cyclical nature of large construction projects at certain operations. • Labor negotiations or disputes. • Succession planning. • Attracting and retaining employees. • Stockholder and environmental activism. • Inability of contract counterparties to meet their contractual obligations. • The inability to effectively integrate the operations and the internal controls of acquired companies.