October 30, 2026

Knife River Corporation
1150 West Century Avenue
Bismarck, ND 58503
Attn: Brian Gray, Karen Fagg, William Sandbrook
CC: Board of Directors

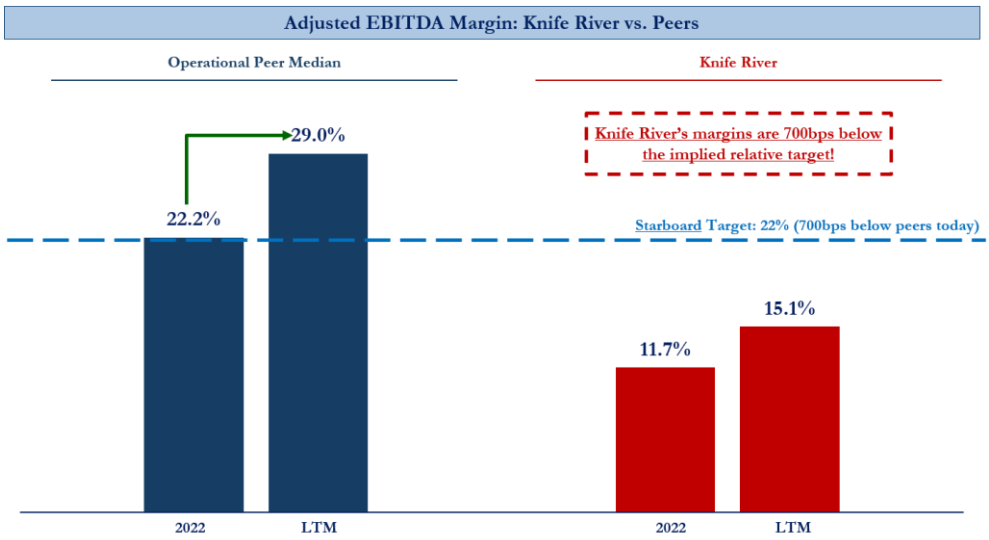
Dear Brian, Karen, and Bill,

Thank you for taking the time to meet with us earlier this week. We appreciate the opportunity to share our perspectives on Knife River Corporation ("Knife River" or the "Company") and its path forward. As a follow-up to our discussion, we have enclosed a presentation and ask that you share it, along with this letter, with the full Board of Directors (the "Board").

As we discussed, we invested in Knife River principally based on our conviction that it has the potential to be an exceptional business. The Company operates in attractive markets, owns scarce and difficult-to-replicate assets, and benefits from durable demand. Unfortunately, Knife River's total shareholder returns have lagged the Board's own Proxy Peers since separation, and the Company trades at a widening valuation discount. In our view, these are symptoms of a more fundamental issue: Knife River's failure to meaningfully close the margin gap to peers. As we discussed, it is unclear to us if the reason the Company has failed to close the gap is due to poor execution, poor goal setting by management and the Board, or both. But what is clear is that the management and the Board have failed to close the stated margin gap. The margin gap was approximately 1,000 bps at separation and is approximately 1,400 bps today. This shortfall has not only constrained the Company's earnings power relative to expectations at separation but has also eroded investor confidence in its ability to deliver on its commitments, further pressuring its valuation.

We recognize that the industry may face headwinds, but these do not diminish the opportunity for Knife River to improve. While peers capitalized on years of favorable industry conditions to expand margins, Knife River failed to keep pace. With an enormous margin gap remaining, the Company has meaningful self-help opportunities through pricing, operational execution, and efficiency that should support improvement even in a more challenging environment. It seems incongruous for you to potentially blame headwinds when the Company did not capture tailwinds.

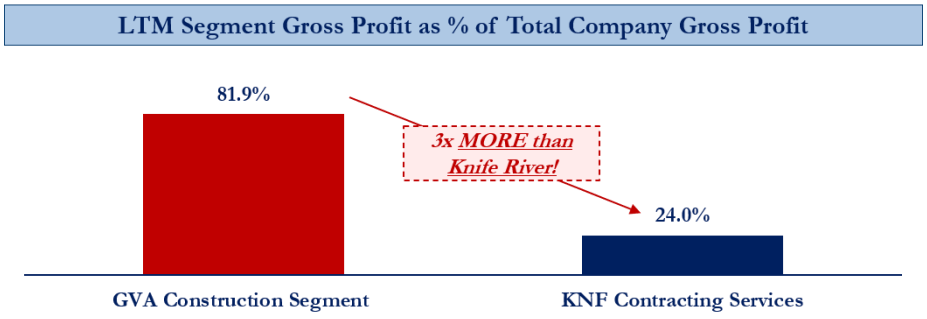
We believe the path to unlocking Knife River's potential begins with delivering on its original commitment to shareholders: narrowing the margin gap to peers. The enclosed presentation includes extensive margin benchmarking to assess the profitability Knife River should reasonably be capable of achieving. We recognize that no single company has precisely the same business mix or geographic exposure as Knife River. We have therefore assessed the opportunity against a broad group of operating peers and through a more tailored analysis that gives greater weight to businesses with comparable operating models. Both approaches point to the same conclusion: Knife River should be capable of generating adjusted EBITDA margins of approximately 22%, meaningfully above current levels.



Source: Company filings and Starboard research and estimates. Note: Starboard has identified MLM, VMC, ROAD, CRH, and EXP as relevant peers. Starboard believes these provide appropriate peer comparisons. This presentation is a determination that is subject to a certain degree of subjectivity. As the full universe of potential peers is not listed here, the comparisons made herein may differ materially if other firms had been included. Amrize and Summit Materials have been excluded as they were not publicly traded during the entire duration of this analysis (2022 to LTM as of October 2026). Represents Q2 2026 comparable company financial metric.

Our weighted-average analysis, which places a greater emphasis on companies with comparable materials and contracting operations instead of pure-play aggregates businesses, yields similar conclusions. Even under this more conservative approach, the weighted average peer generates approximately 21% adjusted EBITDA margins today versus approximately 15% for Knife River, reinforcing the substantial opportunity for improvement.

During our discussion, you raised Granite Construction ("Granite" or "GVA") as a close peer that should serve as a key benchmark for Knife River. We believe this comparison warrants closer scrutiny. Like Knife River, Granite owns aggregate assets and operates a vertically integrated business. However, we believe these high-level similarities mask meaningful differences to Knife River's consolidated economics. Over the last twelve months, Granite's Construction segment accounted for approximately 82% of total gross profit, compared with approximately 24% for Knife River's Contracting Services business. Measured as a share of total gross profit, Granite has approximately three times Knife River's exposure to construction activities. Further, although Granite does not disclose a detailed breakdown of its construction work, we understand it has large exposure to heavy civil projects beyond road paving, which carry different risks and margin profiles. These differences in business mix are critical when assessing the profitability each company should be capable of achieving.



Source: Public company filings. Represents LTM Q2 2026 comparable company financial metrics.

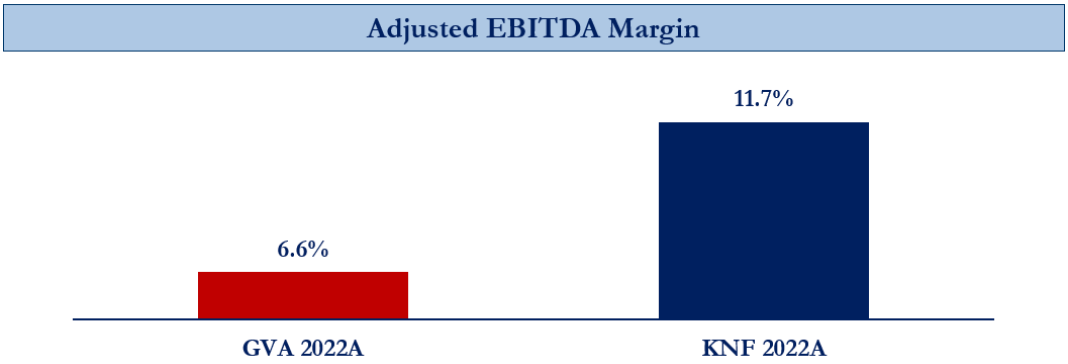
Furthermore, we struggle to reconcile the emphasis on Granite in our recent meeting with management's own framing of the opportunity at separation. In 2023, Brian explicitly discussed looking to peers and focusing the organization on the margin improvement opportunity.

Brian Gray, Knife River President and CEO, 2023 Investor Day, May 18, 2023:

"But as we prepare to spin to become independent, we started looking at our peers. We started looking at ourselves in the mirror as a stand-alone materials supplier that's vertically integrated and realized that we want to do -- focus our attention on our margin improvements... We have a motivated, highly experienced leadership team with a strong track record of achieving its goals, now laser-focused on executing our EDGE strategy for margin improvement and long-term value creation"

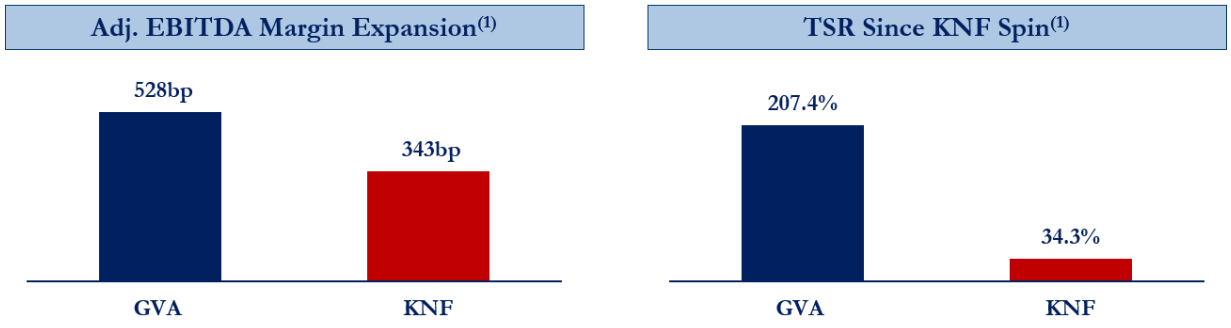
Note quotes are underlined for emphasis. Source: Public company transcripts.

Yet in 2022, the year immediately before Knife River's separation, Granite generated adjusted EBITDA margins of approximately 6.6%, compared with approximately 11.7% for Knife River, as shown below. It is therefore difficult to understand how a company earning barely more than half Knife River's margins could have been the benchmark management had in mind when discussing the opportunity to close the margin gap. As such, we do not believe Granite should now become the primary benchmark against which the Board measures Knife River's progress. We urge the Board to consider a broader range of relevant peers, which underscores both the Company's current margin shortfall and the substantial improvement achieved elsewhere in the industry. Further, the Board needs to not only understand the peer group and how each company's mix compares to Knife River but also should make sure they understand the relative improvement of each peer compared to the improvement for Knife River.



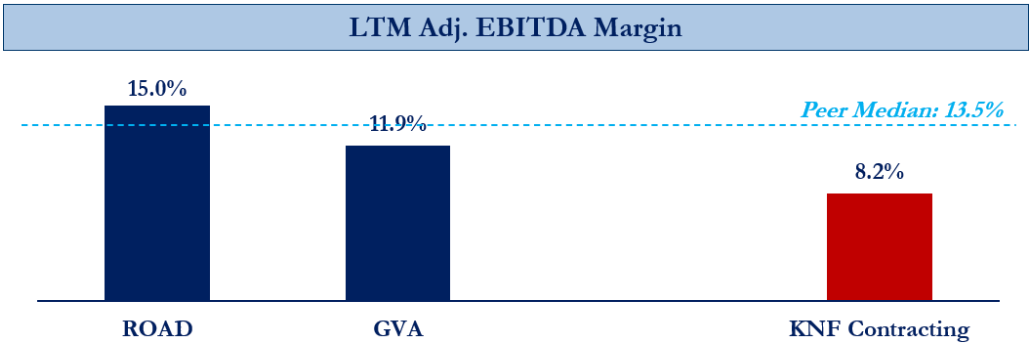
Source: Public company filings.

Even if one were to include Granite in our benchmarking analysis, it does not change the fundamental conclusion: Knife River's margin gap to peers has widened since separation, despite management's explicit commitment to close such gap. On a consolidated basis, Granite itself has expanded its margin by approximately 528 bps since 2022, while Knife River has made far less progress. Unsurprisingly, as shown below, Granite's margin expansion over the last several years has resulted in strong shareholder returns compared to Knife River's lackluster results.



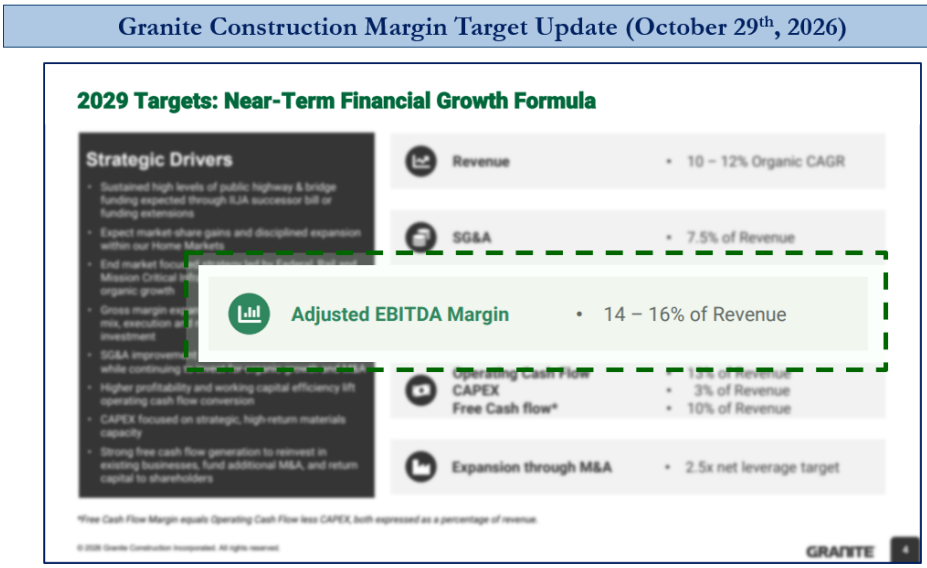
Source: Public company filings. (1) Represents Bloomberg market performance from May 26th, 2023, to October 26th, 2026. Represents LTM Q2 2026 comparable company financial metrics.

Granite is more useful as a benchmark for Knife River's Contracting Services business than for the Company as a whole. As shown below, this comparison underscores Knife River's underperformance: Granite generates higher margins than Knife River's Contracting Services business. We believe the takeaway should be that Knife River has an opportunity to improve its Contracting Services profitability, not that its consolidated margins are acceptable.



Source: Public company filings. Note: Starboard defines peers as ROAD and GVA. Starboard believes these provide appropriate peer comparisons. This presentation is a determination that is subject to a certain degree of subjectivity. As the full universe of potential peers is not listed here, the comparisons made herein may differ materially if other firms had been included. KNF Contracting represents Starboard estimate based on weighted average allocation of KNF expenses to each reportable segment.

Notwithstanding the flaws in the peer comparison noted above, Granite is continuing to raise the bar. On October 29, yesterday, it announced a new adjusted EBITDA margin target of 14% to 16% by 2029, implying approximately 200 to 400 bps of further expansion from its LTM June 2026 margin.[1] If the Board insists on using Granite as a benchmark, the takeaway should not be that Knife River's current margins are acceptable. Rather, Granite is building on its progress by setting higher expectations and a clear deadline for further improvement. We believe Knife River should do the same, not use Granite's lower margins to justify standing still.



Source: Public company presentation. Emphasis added.

We believe the Board's focus should now be on translating this opportunity into a credible plan. We appreciate management and the Board's continued commitment to the 20% long-term adjusted EBITDA margin target established at the 2023 Investor Day. However, given limited progress toward that target, an open-ended commitment without a clear timeline is no longer sufficient. As outlined in the presentation, we believe the Company should establish and communicate a clear target to achieve at least 22% adjusted EBITDA margins by FY2029.

In addition, we believe the Board should align management incentives with that target. Unfortunately, we believe the Company's incentive compensation practices to date have failed to properly hold management accountable for closing the margin gap versus peers. At separation, management committed to reaching 20% adjusted EBITDA margins. Yet, after achieving 15.3% margins in 2023, the Board established a 2024 STIP target that implied just 15.2%, effectively requiring no improvement while peers continued improving. Management ultimately delivered less than half the

[1] *Represents comparison to LTM Q2 2026 Adjusted EBITDA.*

margin expansion of our weighted peers (69 bps versus 141 bps) but received 180% of target bonuses. This was not an isolated occurrence. In 2025, the Board again set modest hurdles, implying just 73 bps of margin improvement. Actual margins declined while peers expanded by 114 bps, yet management still received 84% of target bonuses. We believe these outcomes are difficult to reconcile with the Company's commitment to close the margin gap. Going forward, we believe the Board should establish more rigorous performance hurdles and ensure management is rewarded for delivering meaningful progress toward its stated margin targets.

Further, as we discussed, should you continue to believe that producing 22% Adj. EBITDA margins in the near term is too difficult to achieve, we would strongly suggest that you engage a banker to explore alternatives. There would be other companies willing to pay a substantial premium for these terrific assets and be able to produce much more acceptable returns.

We remain enthusiastic about Knife River's potential, but the status quo is not acceptable. Realizing that potential will require greater urgency and a Board that can both support management and hold it accountable for results. To that end, we look forward to discussions with Board leadership about working constructively on a mutually agreeable path to strengthen the Board.

Sincerely,

Jeffrey Smith
Managing Member
Starboard Value LP