

CHS reports fiscal year-end results, announces FY 2018 priorities

CHS Inc., the nation's leading farmer-owned cooperative and a global energy, grains and foods company, today reported net income of \$127.9 million for the fiscal year ended Aug. 31, 2017, compared to net income of \$424.2 million for the fiscal year ended Aug. 31, 2016. Consolidated revenues totaled \$31.9 billion for fiscal 2017, approximately a five percent increase over consolidated revenues of \$30.3 billion for fiscal 2016.

"It's been a challenging year, but we're committed to meeting the long-term needs of our cooperative owners and customers. We will continue to take prudent actions to ensure the company is well positioned for future opportunities," said CHS President and Chief Executive Officer Jay Debertin.

For fiscal 2017, CHS experienced a loss before income taxes of \$54.8 million, down from income before income taxes of \$419.9 million in fiscal 2016, reflecting significant charges that relate to a Brazilian trading partner entering into bankruptcy-like proceedings under Brazilian law, intangible and fixed asset impairments, and bad debt and loan loss reserve charges, of which a significant portion relate to a single large producer borrower.

"As fiscal 2018 unfolds, CHS is focusing on three key priorities: strengthen relationships with owners and customers, sharpen focus on operational excellence, and restore financial flexibility," Debertin said. "I'm happy to report that we've seen progress on these priorities already. We are making significant headway towards managing credit risk consistently across the organization and are leveraging our ongoing asset review to drive decisions that will further strengthen our balance sheet."

For fiscal year 2017 ending on Aug. 31, 2017, reporting segments results are:

- **Energy:**
Year-over-year income before income taxes declined 72 percent to \$76.9 million, primarily due to significantly reduced refining margins and a charge incurred for the write-off of assets associated with a cancelled project. These decreases were partially offset by higher demand for energy products, most significantly in refined fuels.
- **Ag:**
The CHS Ag segment includes domestic and global grain marketing, wholesale crop nutrients, renewable fuels, local retail operations, and processing and food ingredients. CHS Ag experienced a loss before income taxes of \$230.8 million for fiscal 2017, compared to income before income taxes of \$30.9 million for fiscal 2016. Grain marketing earnings decreased primarily due to charges associated with a trading partner in our Brazilian operations entering bankruptcy-like proceedings under Brazilian law. Country operations experienced a decrease in pretax income due to changes in reserves related to a single producer borrower and asset impairments, which were significantly offset by higher grain margins and volumes. A decrease in processing and food ingredients pretax income was primarily caused by long-lived asset impairment charges. Pretax income for crop nutrients and renewable fuels increased due to higher volumes and higher margins, respectively.
- **Nitrogen Production:**
The Nitrogen Production segment is comprised of the company's investment in CF Industries Nitrogen, LLC ("CF Nitrogen"), and generated income before income taxes of \$29.7 million during fiscal 2017, compared to \$34.1 million in fiscal 2016. The decrease is primarily due to downward

pressures on the pricing of urea and urea ammonium nitrate, which are produced and sold by CF Nitrogen. The decrease was partially offset by a \$30.5 million gain from an embedded derivative associated with CF Nitrogen.

- **Food:**
The Foods segment is comprised of the company's investment in Ventura Foods, LLC ("Ventura Foods"), and generated income before income taxes of \$26.0 million during fiscal 2017, compared to \$64.8 million the previous year. The decreases were primarily due to reduced margins at Ventura Foods.
- **Corporate and Other:**
The Corporate and Other category is primarily comprised of the company's wheat milling joint venture and Business Solutions operations. Year over year income before taxes increased to \$43.4 million, compared to \$14.7 million during fiscal 2016.

CHS Inc. Net Income

By segment (in millions \$)

For the Twelve Months Ended August 31,

	<u>2017</u> <u>(fiscal year)</u>	<u>2016</u> <u>(fiscal year)</u>
Energy	76.9	275.4
Ag	(230.8)	30.9
Nitrogen Production	29.7	34.1
Foods	26.0	64.8
Corporate and Other	43.4	14.7
Income (loss) before income taxes	<u>(54.8)</u>	<u>419.9</u>
Income tax expense (benefit)	<u>(182.1)</u>	<u>(4.1)</u>
Net income (loss)	127.3	424.0
Net income (loss) attributable to non-controlling interests	<u>(0.6)</u>	<u>(0.2)</u>
Net income attributable to CHS Inc.	<u><u>127.9</u></u>	<u><u>424.2</u></u>