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CHS reports fiscal 2017 third-quarter results

Underlying business performance stable, one-time events cause quarterly loss

ST. PAUL, MINN. (July 14, 2017) – CHS Inc., the nation's leading farmer-owned cooperative and a global energy, grains and foods company, today reported a net loss of \$45.2 million for the third quarter of its 2017 fiscal year (three-month period ended May 31, 2017), compared to net income of \$190.3 million for the same period one year ago. Consolidated revenues for the third quarter were \$8.6 billion, compared to \$7.8 billion for the third quarter of 2016, representing a 10 percent increase.

"Despite the economic challenges in agriculture and energy, several of our underlying businesses are having a solid year," said CHS President and Chief Executive Officer Jay Debertin. "Unfortunately, we've experienced three negative one-time events this fiscal year that have resulted in charges leading to a loss in the third quarter and a significant earnings decline for the year to date. In response to these events, we are implementing measures to better identify risk management gaps in some of our processes and when necessary enhance our ability to effectively manage our risks."

Pretax income for the nine-month period ended May 31, 2017, was \$40.0 million, compared to \$407.9 million for the nine-month period ended May 31, 2016. The decrease is primarily the result of charges related to a Brazilian trading partner entering into bankruptcy proceedings under Brazilian law, loan loss reserve charges, of which a significant portion relate to a single large producer borrower, and asset impairment charges.

Revenues for the nine-month period ended May 31, 2017, were \$24.0 billion, compared to \$22.2 billion for the nine-month period ended May 31, 2016, an increase of 8 percent.

"Throughout the world, agriculture and energy markets remain unpredictable and our owners and customers depend on us, so it's our job to be prepared to succeed in any economic environment," said Debertin. "That's why we're committed to improving our risk management practices across our businesses. Additionally we are refocusing on the areas we know best and in parts of the world where we need to be to serve the U.S. farmer. We will do this based on the core values and tenets CHS has built on for more than 85 years: trust, partnership and opportunity."

The CHS Energy segment experienced a loss before income taxes of \$9.3 million for the three months ended May 31, 2017, compared to income before taxes of \$109.4 million for the same period in fiscal 2016. Results were primarily due to significantly reduced refining margins and a \$32.7 million charge incurred due to a cancelled capital project. The company's propane, transportation and lubricants businesses experienced decreases in earnings compared to the same period a year ago.

The CHS Ag segment, which includes domestic and global grain marketing and crop nutrients businesses, renewable fuels, local retail operations, and processing and food ingredients, generated a loss before income taxes of \$221.2 million for the three months ended May 31, 2017, compared to income before taxes of \$24.2 million for the same period in fiscal 2016. Grain marketing earnings decreased primarily due to a \$230 million charge driven by a trading partner in Brazil entering bankruptcy proceedings under Brazilian law. The wholesale crop nutrients and renewable fuels businesses experienced decreases due to lower margins. The processing and food ingredients business earnings decreased primarily due to impairment charges taken on certain

assets during the three months ended May 31, 2017. Country Operations earnings increased due primarily to increased volumes.

The Nitrogen Production segment generated income of \$8.7 million during the third quarter, compared to \$25.0 million during the same period last year. The decrease is primarily due to lower production margins.

The company's Foods segment, previously reported as a component of Corporate and Other, generated pretax earnings of \$7.0 million during the third quarter of fiscal 2017, compared to \$17.0 million in the same period the previous year. The decreases were primarily due to reduced margins at Ventura Foods, LLC, the investment that makes up the Foods segment.

The Corporate and Other segment generated pretax income of \$5.6 million during the third quarter of fiscal 2017, compared to \$18.9 million during the same time period the previous year. Earnings in this category are primarily derived from the company's equity investment in the Ardent Mills, LLC, wheat milling joint venture and our Business Solutions operations.

CHS Inc. (www.chsinc.com) is a leading global agribusiness owned by farmers, ranchers and cooperatives across the United States. Diversified in energy, grains and foods, CHS is committed to helping its customers, farmer-owners and other stakeholders grow their businesses through its domestic and global operations. CHS, a Fortune 100 company, supplies energy, crop nutrients, grain marketing services, animal feed, food and food ingredients, along with business solutions including insurance, financial and risk management services. The company operates petroleum refineries/pipelines and manufactures, markets and distributes Cenex® brand refined fuels, lubricants, propane and renewable energy products.

This document and other CHS Inc. publicly available documents contain, and CHS officers and representatives may from time to time make, "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Report Act of 1995. Forward-looking statements can be identified by words such as "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on CHS current beliefs, expectations and assumptions regarding the future of its businesses, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of CHS control. CHS actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause CHS actual results and financial condition to differ materially from those indicated in the forward-looking statements are discussed or identified in CHS public filings made with the U.S. Securities and Exchange Commission, including in the "Risk Factors" discussion in Item 1A of CHS Annual Report on Form 10-K for the fiscal year ended August 31, 2016. Any forward-looking statements made by CHS in this document are based only on information currently available to CHS and speak only as of the date on which the statement is made. CHS undertakes no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

**CHS Inc. Earnings
By segment
(in millions \$)**

	For the Three Months Ended May 31,		For the Nine Months Ended May 31,	
	2017 (fiscal year)	2016 (fiscal year)	2017 (fiscal year)	2016 (fiscal year)
Energy	(9.3)	109.4	77.3	239.2
Ag	(221.2)	24.2	(121.3)	62.4
Nitrogen Production	8.7	25.0	41.2	26.3
Foods	7.0	17.0	20.7	46.9
Corporate and Other	5.6	18.9	22.1	33.1
Income (loss) before income taxes	(209.2)	194.5	40.0	407.9
Income tax (benefit) expense	(163.0)	4.8	(137.8)	(17.8)
Net income (loss)	(46.2)	189.7	177.8	425.7
Net income (loss) attributable to non-controlling interests	(1.0)	(0.6)	(0.7)	(.1)
Net income attributable to CHS Inc.	<u>(45.2)</u>	<u>190.3</u>	<u>178.5</u>	<u>425.8</u>