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CHS Reports Fiscal 2018 Net Income of \$776 Million

ST. PAUL, MINN. (Dec. 3, 2018) – CHS Inc., the nation’s leading farmer-owned cooperative and a global energy, grains and foods company, today reported net income of \$775.9 million for the fiscal year that ended Aug. 31, 2018.

“Our fiscal 2018 results show the progress we are making on the priorities we set for CHS,” said Jay Debertin, CHS president and chief executive officer. “Our year-over-year financial performance shows good improvement, our balance sheet is solid, and our relationships with cooperative owners are strong. The diverse CHS business platform allowed us to deliver improved earnings and enables us to return \$150 million in cash patronage and equity redemptions to owners even as we navigated challenging market conditions.”

Key financial highlights for the fiscal year that ended Aug. 31, 2018, include:

- Net income of \$775.9 million, an increase of \$704 million from the previous fiscal year.
- Consolidated revenues of \$32.7 billion, a \$646 million increase from the previous fiscal year.
- Pretax income of \$671.2 million, an increase of \$781 million from fiscal 2017.
- Energy gains driven by higher refinery margins and favorable crude oil discounts.
- Disposal of assets resulted in cash proceeds of approximately \$234.9 million and a pretax gain of approximately \$131.8 million. The cash proceeds were used to optimize debt levels.
- A tax benefit through revaluation of the company’s U.S. net deferred tax liability as a result of the Tax Cuts and Jobs Act in 2017.

“As we move into fiscal 2019, we continue to build on the momentum and strong performance we started in fiscal 2018. This includes evolving and growing our core businesses in a changing marketplace and capitalizing on the value of this diverse organization to make CHS our owners’ and customers’ first choice,” said Debertin. “We are focused on serving those who grow food to feed the world.”

In October, CHS filed an 8-K with the Securities and Exchange Commission (SEC) announcing that it would restate its audited consolidated financial results for fiscal years 2015, 2016, 2017 and its unaudited consolidated financial results for the first three quarters of 2017 and 2018. The restatement was necessary to correct material misstatements related to valuation and accounting for certain rail freight contracts. The misstatements were discovered as a result of an investigation the company conducted through external counsel and under the oversight of the Audit Committee of its Board of Directors. Appropriate personnel actions were taken, based on the investigation’s findings. All overstated non-cash values have been written off and appropriately reflected in the company’s restated financial results. Additional information can be found in the [form 10-K filed with the SEC](#).

Fiscal 2018 Segment Results

The following segments results have been reported for fiscal 2018:

ENERGY

The \$391.0 million increase in Energy pretax earnings over fiscal 2017 reflects:

- Improved market conditions in the refined fuels business due to higher refinery margins and favorable crude oil discounts, which drove higher pretax earnings. These benefits were partially offset by planned maintenance activities at the company’s Laurel, Montana, refinery.

- Gains of \$65.9 million associated with the sale of the Council Bluffs pipeline and terminal and 34 Zip Trip stores located in the Pacific Northwest.
- An impairment charge of \$32.7 million recorded during fiscal 2017 related to the cancellation of a capital project, which did not recur in fiscal 2018.

AG

The \$344.4 million increase in Ag pretax earnings over fiscal 2017 reflects:

- Lower demand and uncertainties primarily associated with international trade, which resulted in decreased margins across multiple businesses in the Ag segment. These were partially offset by increased margins within the company's processing and food ingredients business.
- Significant reserve and impairment charges recorded in fiscal 2017 that did not recur in fiscal 2018, the most significant of which related to the bankruptcy-like proceedings of a Brazilian trading partner.
- Impairments of \$26.3 million related to international investments that CHS has exited or is in the process of exiting.

NITROGEN PRODUCTION

The \$9.0 million increase in Nitrogen Production pretax earnings versus fiscal 2017 reflects:

- Higher pretax income attributed to increased sale prices of urea and UAN, which are produced and sold by CF Nitrogen.
- A gain of \$30.5 million in fiscal 2017 associated with an embedded derivative asset inherent in the agreement relating to CHS investment in CF Nitrogen. The gain was solely responsible for the income in Nitrogen Production in fiscal 2017, and there was no comparable gain in fiscal 2018.

The \$36.9 million increase in Corporate and Other pretax earnings reflects:

- A gain of \$58.2 million related to the sale of CHS Insurance, which was partially offset by lower earnings from the company's investments in Ventura Foods, LLC and Ardent Mills, LLC and CHS Capital and CHS Insurance (as a result of its sale).

CHS Inc. (www.chsinc.com) is a leading global agribusiness owned by farmers, ranchers and cooperatives across the United States. Diversified in energy, agronomy, 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 supplies energy, crop nutrients, grain marketing services, animal feed, food and food ingredients along with 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, 2018. 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* for Fiscal 2018
(in millions \$)

	For the Twelve Months Ended	
	Aug. 31,	
	2018	(As restated)
		2017
Energy	\$452.1	61.1
Ag	74.3	(270.1)
Nitrogen Production	38.8	29.8
Corporate and Other	106.0	69.1
Income before income taxes	671.2	(110.1)
Income tax expense (benefit)	(104.1)	(181.1)
Net income (loss)	775.3	71.0
Net income attributable to non-controlling interests	(0.6)	(0.6)
Net income (loss) attributable to CHS Inc.	\$775.9	\$71.6

*Earnings is defined as income (loss) before income taxes.