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CHS reports net income of \$229.3 million for the third quarter of fiscal 2018

ST. PAUL, MINN. (July 11, 2018) – CHS Inc., the nation’s leading farmer-owned cooperative and a global energy, grains and foods company, today reported net income of \$229.3 million for the third quarter of its 2018 fiscal year (three-month period ended May 31, 2018), compared to a net loss of \$45.2 million for the same time period a year ago.

Consolidated revenues for the third quarter of fiscal 2018 were \$9.0 billion, up from \$8.6 billion for the third quarter of fiscal 2017. Pretax income was \$289.4 million for the third quarter of fiscal 2018, compared to a loss of \$209.2 million for the same period the prior fiscal year.

“Thanks to the hard work of many throughout CHS, we’ve made great strides this year in strengthening relationships, optimizing operations and improving results from our core businesses,” said CHS President and CEO Jay Debertin. “The steps we’ve taken will better position us to navigate the inevitable cycles in agriculture and energy. I am proud of our team and their dedication and commitment to operating with excellence.”

For the first nine months of fiscal 2018 (Sept. 1, 2017, through May 31, 2018), CHS reported net income of \$576.1 million compared with earnings of \$178.5 million for the same period in fiscal 2017. Revenues for the first nine months of fiscal 2018 were \$23.9 billion, on par with the same time period the prior fiscal year.

Results for the quarter were attributed to:

- Higher operating margins in the company’s Ag and Energy segments compared to prior years, primarily driven by higher margins in feed and farm supplies, crop nutrients, processing and food ingredients and refined fuels
- Higher volumes in the Ag segment compared to the same quarter prior year were driven by feed and farm supplies, and processing and food ingredients.
- Sales of certain assets and businesses within the Energy segment and Corporate and Other, resulting in cash proceeds that were used to eliminate the need for incremental long-term debt and reduce existing debt.
- The impact of reserve and impairment charges recorded in the third quarter of fiscal 2017 that did not reoccur in the current fiscal year, as well as the recovery of certain reserve and impairment charges during fiscal 2018, primarily in our Ag segment.

“We’re on the right path, and the cooperative system’s strengths and capabilities were evident during the compressed spring season,” said Debertin. “We will continue to focus on meeting the needs of farmers and rural communities, leveraging our strong supply chain to help improve profitability for our owners.”

For the third quarter of fiscal 2018, reporting segment results include:

Energy

- Energy generated pretax income of \$95.4 million during the third fiscal quarter compared to a loss of \$9.3 million during the same period last year.
- The \$104.7 million increase reflects improved margins in the refined fuels business, and gains associated with the sale of the Council Bluffs pipeline and refined fuels terminal in Council Bluffs, Iowa, and 34 Zip Trip stores located in the Pacific Northwest.

Ag

- The Ag segment, which includes domestic and global grain marketing and crop nutrients, renewable fuels, local retail operations, and processing and food ingredients businesses, generated pretax income of \$111.4 million for the quarter ending May 31, 2018. That compares to a loss of \$221.2 million for the same period the previous fiscal year.
- In addition to the non-reoccurrence of significant reserve and impairment charges recorded in the third quarter of fiscal 2017, the \$332.6 million increase was also the result of increased volumes and margins in feed and farm supplies, processing and food ingredients and retail operations. This increase was partially offset by reduced crop nutrients volumes resulting from the compressed planting season across the U.S. Midwest. Crop nutrient margins were also higher versus prior year.

Nitrogen Production

- This segment, comprised of the company's investment in CF Industries Nitrogen, LLC (CF Nitrogen), generated pretax income of \$18.8 million during the quarter ending May 31, 2018, compared to \$8.7 million during the same period in fiscal 2017.
- The \$10.1 million increase in earnings was primarily due to improved urea prices and margins.

Corporate and Other

- This category is primarily comprised of the company's wheat milling joint venture (Arden Mills), its investment in Ventura Foods, LLC (Ventura Foods), and its financing and hedging operations. Prior to its sale on May 4, 2018, the company's insurance subsidiary was also included within Corporate and Other. The combined businesses generated pretax income of \$63.8 million in the third quarter compared to \$12.6 million for the same period of fiscal 2017.
- The \$51.2 million increase was due to a gain on the sale of CHS Insurance which was partially offset by lower Ventura Foods earnings and reduced interest revenue from the company's finance business.

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 supplies energy, crop nutrients, grain marketing services, animal feed, food and food ingredients, along with 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, 2017. 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
millions \$

	For the Three Months Ended May 31,		For the Nine Months Ended May 31,	
	2018 (fiscal year)	2017 (fiscal year)	2018 (fiscal year)	2017 (fiscal year)
Energy	\$95.4	\$(9.3)	\$217.5	\$77.3
Ag	111.4	(221.2)	155.1	(121.3)
Nitrogen Production	18.8	8.7	29.0	41.2
Corporate and Other	63.8	12.6	72.9	42.8
Income before income taxes	289.4	(209.2)	474.5	40.0
Income taxes	60.3	(163.0)	(100.9)	(137.8)
Net income	229.1	(46.2)	575.4	177.8
Net income attributable to non-controlling interests	(0.2)	(1.0)	(0.7)	(0.7)
Net income attributable to CHS Inc.	\$229.3	\$(45.2)	\$576.1	\$178.5