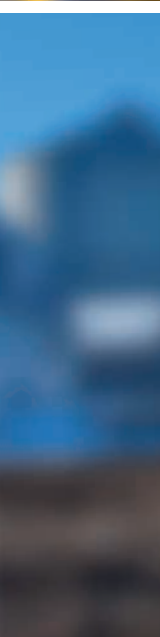




F O C U S E D
2018 CHS ANNUAL REPORT





Focused

In the nearly 90 years of our cooperative's history, we have seen many ups and downs. The cyclical nature of our agricultural and energy businesses has trained us to prepare for good times and difficult times. And we have become incredibly skilled at managing those highs and lows in every part of the supply chain, from the farm field to the consumer's table.

But we wouldn't be able to succeed or even survive those cycles without focus — focus on the big picture and on our long-term goal: serving those who produce food for the world.

Fiscal 2018 was a challenging year on many levels, but we remained focused on our priorities. That single-minded focus helped us complete the year with significant results in many of our energy, grains and foods businesses. We're proud of what we were able to accomplish as a system and as a company, despite demanding market conditions.

One year ago, we described our fiscal 2018 priorities, which were to strengthen relationships with owners and employees, sharpen our operational excellence, and restore financial flexibility. Through the hard work of leaders and employees of CHS, our goals within those priorities have been met and exceeded. And they have laid the foundation for our 2019 priorities:

- Enhance the owner experience through deeper relationships, seamless interactions with CHS at every level and more effective technology solutions
- Equip our employees by enhancing their expertise, preparing them to serve CHS owners amid change and encouraging new perspectives
- Drive enterprise business growth by focusing on our core businesses, continuing to improve efficiency and increasing market share

The bottom line is a focus on our owners' needs and on doing what we do well — but doing it even better. There is no shortage of companies striving to provide inputs and marketing services for American farmers. And as razor-thin margins continue to put pressure on farm income and force increasingly difficult decisions on farms and at local cooperatives, we know we will need to earn our owners' business every day.



From left, Debertin and Schurr

We take that task seriously. We understand it will require better access to data, stronger connections between businesses, more effective understanding of owner needs and a streamlined approach to doing business with our complex system.

And becoming the first choice for our owners and customers in every core business will require continuing to build deep relationships that benefit everyone. That focus on collaboration and mutually beneficial results is what cooperatives do best. Our success depends on the success of our owners.

We are committed to delivering value to our owners — local cooperatives and producers — at every step. That value will come through providing creative solutions and local expertise, making global connections, and identifying practical approaches that give owners the advantages they need to reach their goals. We are focused on their success.

Dan Schurr
Chairman, Board of Directors

Jay Debertin
President and Chief Executive Officer

Year in Review

- **CHS refineries** celebrated 75 years of serving cooperative owners and rural America in 2018. Together, the refineries in McPherson, Kan., and Laurel, Mont., process more than 160,000 barrels of crude oil per day, producing premium diesel fuel, gasoline, propane and other value-added energy products.
- 39 retail stores were converted to the **Cenex®** brand in fiscal 2018, representing an additional 31.6 million gallons of refined fuels volume. The sale of 33 former Cenex Zip Trip® stores was successfully completed in the second quarter, with collaboration between CHS Energy, finance, enterprise strategy and information technology teams enabling a smooth transition.
- Despite continued decline in agriculture fuel demand, **CHS Refined Fuels** sold more than 3 billion gallons of Cenex branded products, including more than 864 million gallons of premium diesel fuel.

Cenex® Automated Fuel Delivery system drivers covered **3.5 million miles**



- Achieving significant logistical savings, **CHS Lubricants** transitioned to total use of one-way drums for all Cenex brand lubricant products in 2018. This change helped alleviate concerns over the rising cost of steel, integrity of aging drums and inconsistent returns. The Cenex Total Protection Plan® warranty program, an industry-leading program for users of Cenex lubricants and premium diesel fuels for more than five decades, continued to expand as more owners recognized the value of regular used-oil analyses and coverage for both new and used equipment.
- The challenging 2017 harvest season triggered strong demand for propane throughout corn-production areas of the Midwestern U.S. **CHS Transportation** and **CHS Propane** met the demand with a 40 percent increase in propane loads in that quarter compared with the previous year.
- The Cenex **Automated Fuel Delivery system** provided 132 million gallons of refined fuels to farms, ranches, cooperatives and other businesses in 13 states. The results underscore continued interest in this innovative technology-based fuel delivery program.

More than **12,000 propane deliveries** were made by CHS Transportation in fall 2017

- A behavior-based **safety observation program** helped reinforce safe behavior and identify areas for improvement based on more than 700 recorded observations of daily activity within CHS Transportation, which continued its ranking in the top tier of U.S. fleets for safety.
- Trusted Payback® and Equis® feed brands from **CHS Animal Nutrition** completed the year with solid financial performance based on strong sales volume. With emphasis on serving beef and dairy producers, the business provides value-added livestock risk management tools, custom feed formulations informed by herd-specific nutritional consulting and livestock leasing options.



- **CHS Global Grain Marketing** continued to add value for owners with an increased volume of container shipments to the Asia Pacific region and building market share advantages for wheat sold to customers in North Africa and corn for southeast Asia customers. Enhanced collaboration between CHS businesses in grain marketing, agronomy, processing and local retail supply improved efficiency across the enterprise and allowed more effective use of assets, especially in the western Corn Belt.

CHS markets grains and oilseeds to **more than 65 countries**

- In July 2018, **tariffs** on many U.S. commodities, including soybeans, corn and wheat, posed significant grain movement and logistics challenges for the grain marketing team and cooperatives throughout the system. Loss of shipments to China required CHS traders to search for other buyers, while local cooperatives and terminals prepared for anticipated grain storage concerns and uncertain markets for the 2018 harvest.



More than **3 million gallons** of liquid starter fertilizer boosted crop growth

- **CHS Hedging** completed fiscal 2018 with the second highest volume of any year in the group's history. The business continued to focus on strengthening relationships with customers through expert advice and technical support, adding capabilities and placing brokers in strategic locations throughout the U.S. to match the needs of agriculture and energy risk management.
- CHS investment in **nitrogen production** continued with CF Nitrogen, differentiating CHS as an integrated supplier in the increasingly consolidated fertilizer industry that experienced tighter margins, increased costs and changed asset valuations in fiscal 2018. Multiple CF Nitrogen production sites, including a key facility in Port Neal, Iowa, helped CHS Agronomy provide owners with a consistent, competitively priced supply of nitrogen fertilizers to help crops reach their genetic potential for yield.

- The XLR-rate® line of premium starter fertilizers from **CHS Agronomy** continued to gain traction with record volumes sold in fiscal 2018, even while volatile weather and cold, wet spring conditions made crop nutrient applications difficult in many regions.
- CHS introduced Agellum™, a digital farm planning and management platform that helps owners activate their data to generate full-farm **agronomic and economic insights**. The Allegiant® seed brand experienced significant growth, covering more corn and soybean acres and adding sunflowers to the portfolio. Agellum and Allegiant are available through **CHS Country Operations** retail locations.
- Executing on the promise at the close of fiscal 2017 to **focus on core businesses** and enhance financial flexibility, CHS completed sale of soy protein processing facilities in South Sioux City, Neb.; Hutchinson, Kan.; and Creston, Iowa. Strong performances at the company's soy crushing facilities in Mankato and Fairmont, Minn., and canola processing facility in Hallock, Minn., continued to deliver excellent returns to cooperative owners through added-value production and increased demand for high-quality oils and other soy and canola food ingredients and livestock feed products.





More than **2 billion pounds** of soybean and canola oil were refined

8,000+ young people learned about safety practices for farm and home

- **CHS Processing and Food Ingredients** completed its first full year of processing Plenish high-oleic soybeans in collaboration with the Pioneer seed brand. With the ability to produce oil with no trans fats from these identity-preserved soybeans, the program added value for growers and helped meet consumer demand for healthier oils used in food products and food preparation.
- **CHS Sunflower** was incorporated into the CHS Processing and Food Ingredients business in fiscal 2018, which will support standardization of processing best practices across the enterprise. New trade advertising launched in 2018 will help increase awareness of CHS Sunflower as a global leader in confectionary sunflower products, serving bakery, snack and processed foods customers.

- **Ventura Foods, LLC**, a joint venture between CHS and Mitsui & Co., Ltd., is a leading producer of oils, dressings, sauces, mayonnaises and margarines for foodservice and retail customers in more than 60 countries. In fiscal 2018, with joint-venture partner Ram Reddy, Ventura Foods further established Flavor Reddy Foods as a key supplier of products in the U.S., servicing one of the world's largest quick-service restaurant chains. The relationship supported ongoing efforts to diversify the company's customer base and increase demand for oil-based food products.
- **Ardent Mills, LLC**, a CHS joint venture with Cargill and Conagra, is making connections across the supply chain to propel growth with food companies serving consumers interested in heritage and ancient grains, in addition to processing 260 million bushels of wheat originated through the CHS system. These efforts were supported by The Annex by Ardent Mills, a business unit focused on ingredient-based marketing, including branded quinoa.



■ Establishment of a center of excellence around **environment, health and safety** in 2018 reinforced a continuing companywide commitment to the safety of CHS employees and customers and the environment. With best practices and more efficient, consistent and transparent processes in place, CHS will continue to enhance its culture of safety. The **Enterprise Risk Management** team led conversations on key risks across the enterprise, focusing on critical impacts to people, financial health, corporate reputation and adherence to legal and compliance requirements. This work has increased understanding of risk at all levels and established principles regarding what are acceptable risks and appropriate actions to manage risk.

■ **CHS Government Affairs** advocated for farmer-owners and the cooperative system at the federal level and in key states. Issues included expanded international market access, the 2018 Farm Bill, renewable fuel and transportation infrastructure, tax and regulatory reform, and state rulemaking and project permitting.



CHS Seeds for Stewardship has awarded more than 100 grants

■ By the close of fiscal 2018, more than 100 rural communities had benefitted from matching grants awarded by the CHS **Seeds for Stewardship** program. More than 600 students learned safety skills at Progressive Ag Safety Days hosted by five CHS Country Operations locations. The **CHS Foundation** continued to promote agricultural and cooperative education through scholarships, support of youth organizations and programs for agricultural educators.

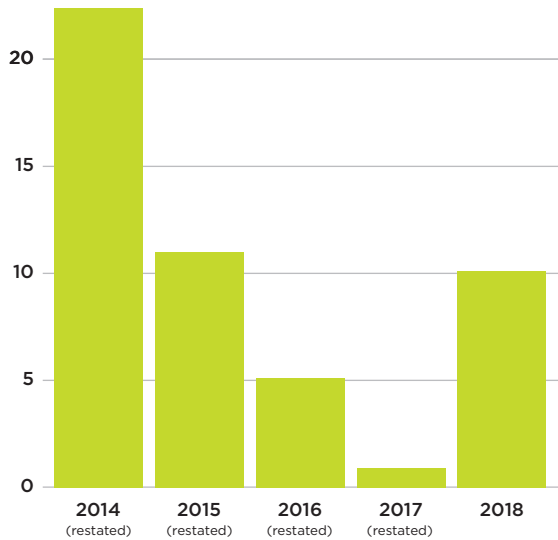
■ **CHS Cooperative Resources** led strategic planning sessions with more than 50 local cooperatives and helped several cooperatives identify and place key management personnel. The CHS Cooperative Leadership Academy provided individual and group learning opportunities for more than 200 current and emerging leaders within the cooperative system.



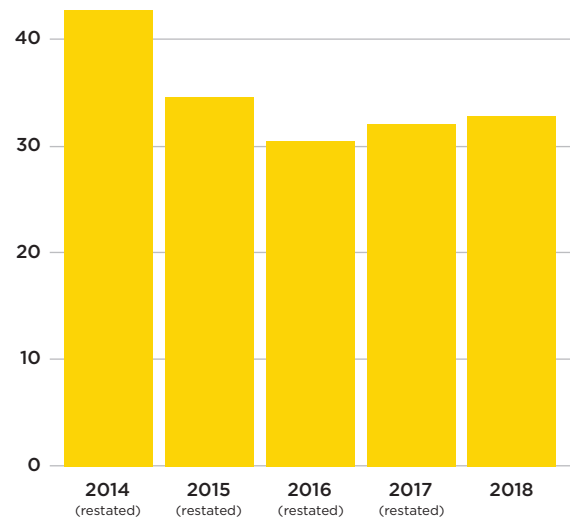
Fiscal 2018 Financial Highlights



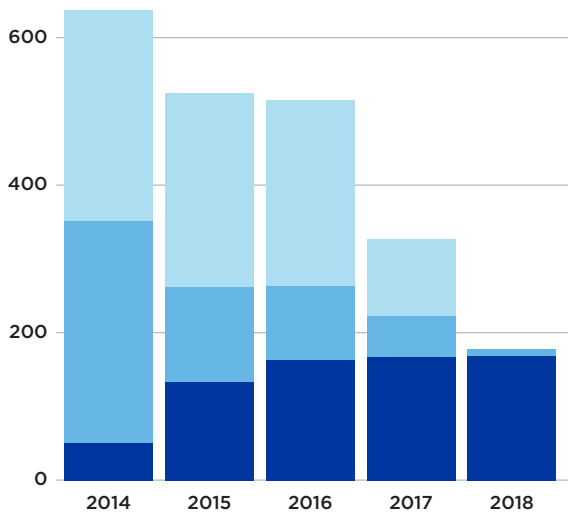
Owner Return on Equity
(percent)



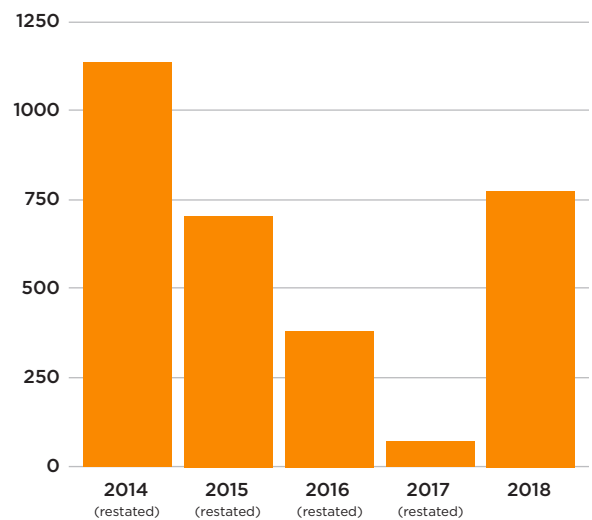
Net Sales
(\$ in billions)



Cash Return
(\$ in millions)



Net Income
(\$ in millions)



- Cash patronage
- Equity redemption (paid in the form of cash or preferred stock)
- Preferred stock dividends

Fiscal 2018 Financial Highlights



Overall results in all CHS segments improved significantly in fiscal 2018 over fiscal 2017, led by improved margins and results in refined fuels. Company businesses serving the agriculture industry faced continuation of historically low commodity prices plus demand pressure amid uncertainty related to international trade. Sales of assets contributed to strong income gains over the previous year.

CHS net income of \$775.9 million for fiscal 2018 (Sept. 1, 2017, through Aug. 31, 2018) increased significantly from net income of \$71.6 million in fiscal 2017 (Sept. 1, 2016, through Aug. 31, 2017). Consolidated revenues totaled \$32.7 billion for fiscal 2018, an increase of \$646 million from consolidated revenues for fiscal 2017. Pretax income of \$671.2 million in fiscal 2018 signified an increase of \$781 million over fiscal 2017.

Energy

In Energy, year-over-year income before income taxes increased by \$391.0 million to \$452.1 million, primarily due to 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, Mont., refinery. Sale of the Council Bluffs pipeline and terminal and 34 Cenex Zip Trip® stores located in the Pacific Northwest contributed gains of \$65.9 million. Propane revenues increased in fiscal 2018 as a result of an increase in the net average selling price and slightly higher volumes. The year-over-year increase in income for the Energy segment also reflected an impairment charge of \$32.7 million that was recorded in fiscal 2017 related to cancellation of a capital project and did not recur in fiscal 2018.

Ag

The CHS Ag segment recorded income before income taxes in fiscal 2018 of \$74.3 million versus a loss of \$270.1 million in fiscal 2017. The segment includes domestic and global grain marketing, wholesale crop nutrients, renewable fuels, local retail operations, and processing and food ingredients. Lower demand and uncertainties primarily associated with international trade resulted in decreased margins across multiple businesses, led by global grain marketing. These challenges were partially offset by increased margins within the company's processing and food ingredients business. The increased income for fiscal 2018 reflects significant reserve and impairment charges that were recorded in fiscal 2017 but did not recur in fiscal 2018. The most significant of those charges related to 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 were also recorded in fiscal 2018.

Additional Segments

The CHS Nitrogen Production segment includes the company's investment in CF Industries Nitrogen, LLC (CF Nitrogen) and generated \$38.8 million in income before taxes in fiscal 2018, an increase of \$9.0 million over results in fiscal 2017. The increase was largely due to higher pretax income attributed to increased sale prices of urea and UAN, crop nutrients products that are produced and sold by CF Nitrogen. A gain of \$30.5 million was recorded in fiscal 2017 and was associated with an embedded derivative asset inherent in the agreement relating to the company's investment in CF Nitrogen. The gain was solely responsible for Nitrogen Production income in fiscal 2017; there was no comparable gain in fiscal 2018.

The Corporate and Other category recorded pretax income of \$106.0 million, an increase from \$69.1 million

in pretax income recorded in fiscal 2017. The category primarily includes the company's investment in food ingredient and wheat milling joint ventures and CHS Capital. The company's insurance arm, CHS Insurance, was sold in fiscal 2018 and resulted in a gain of \$58.2 million. The gain was offset by lower earnings from CHS investments in Ventura Foods, LLC, Ardent Mills, LLC, and CHS Capital.

Other Factors

Improved consolidated results over fiscal 2017 were also partially due to sales of assets that 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, which helped enhance overall financial flexibility. In addition, CHS realized 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 enacted in 2017.

In October, CHS filed a Form 8-K with the Securities and Exchange Commission (SEC) announcing that it would restate its audited consolidated financial results for fiscal years 2017, 2016 and 2015 and its unaudited consolidated financial results for the first three quarters of 2018 and 2017. The restatement was necessary to correct material misstatements related to valuation and accounting for certain rail freight contracts. The misstatements were discovered in 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 restated CHS financial results. CHS is taking actions to make prompt and sustained improvements in the company's internal controls. Additional information can be found in the Form 10-K filed with the SEC.

Consolidated Balance Sheets

AUGUST 31 (DOLLARS IN THOUSANDS)	2018	(AS RESTATED) 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 450,617	\$ 181,379
Receivables	2,460,401	1,892,168
Inventories	2,768,649	2,601,604
Derivative assets	329,757	218,742
Margin and related deposits	151,150	206,062
Supplier advance payments	288,423	249,234
Other current assets	244,208	281,925
Total current assets	6,693,205	5,631,114
Investments	3,711,925	3,750,993
Property, plant and equipment	5,141,719	5,356,434
Other assets	834,329	1,080,381
Total assets	\$ 16,381,178	\$ 15,818,922
LIABILITIES AND EQUITIES		
Current liabilities:		
Notes payable	\$ 2,272,196	\$ 1,985,163
Current portion of long-term debt	167,565	156,345
Customer margin deposits and credit balances	137,395	157,914
Customer advance payments	409,088	423,770
Accounts payable	1,844,489	1,991,294
Derivative liabilities	438,465	300,946
Accrued expenses	511,032	454,996
Dividends and equities payable	153,941	12,121
Total current liabilities	5,934,171	5,482,549
Long-term debt	1,762,690	2,023,448
Long-term deferred tax liabilities	182,770	329,980
Other liabilities	336,519	277,305
Commitments and contingencies (Note 15)		
Equities:		
Preferred stock	2,264,038	2,264,038
Equity certificates	4,609,456	4,341,649
Accumulated other comprehensive loss	(199,915)	(180,360)
Capital reserves	1,482,003	1,267,808
Total CHS Inc. equities	8,155,582	7,693,135
Noncontrolling interests	9,446	12,505
Total equities	8,165,028	7,705,640
Total liabilities and equities	\$ 16,381,178	\$ 15,818,922

The accompanying notes are an integral part of the consolidated financial statements.
CHS Inc. and Subsidiaries

Consolidated Statements Of Operations

FOR THE YEARS ENDED AUGUST 31 (DOLLARS IN THOUSANDS)	2018	(AS RESTATED) 2017	(AS RESTATED) 2016
Revenues	\$ 32,683,347	\$ 32,037,426	\$ 30,355,260
Cost of goods sold	31,589,887	31,142,766	29,386,515
Gross profit	1,093,460	894,660	968,745
Marketing, general and administrative	674,083	612,007	601,266
Reserve and impairment charges (recoveries), net	(37,709)	456,679	75,036
Operating earnings (loss)	457,086	(174,026)	292,443
(Gain) loss on disposal of business	(131,816)	2,190	—
Interest expense	149,202	171,239	113,704
Other (income) loss	(78,015)	(99,951)	(47,609)
Equity (income) loss from investments	(153,515)	(137,338)	(175,777)
Income (loss) before income taxes	671,230	(110,166)	402,125
Income tax expense (benefit)	(104,076)	(181,124)	19,099
Net income (loss)	775,306	70,958	383,026
Net income (loss) attributable to noncontrolling interests	(601)	(634)	(223)
Net income (loss) attributable to CHS Inc.	\$ 775,907	\$ 71,592	\$ 383,249

The accompanying notes are an integral part of the consolidated financial statements.
CHS Inc. and Subsidiaries

Consolidated Statements Of Comprehensive Income

FOR THE YEARS ENDED AUGUST 31 (DOLLARS IN THOUSANDS)	2018	(AS RESTATED) 2017	(AS RESTATED) 2016
Net income (loss)	\$ 775,306	\$ 70,958	\$ 383,026
Other comprehensive income (loss), net of tax:			
Postretirement benefit plan activity	20,066	32,702	6,583
Unrealized net gain (loss) on available for sale investments	(3,148)	4,385	1,500
Cash flow hedges	2,540	2,242	(3,872)
Foreign currency translation adjustment	(12,021)	(8,159)	(2,904)
Other comprehensive income (loss), net of tax	7,437	31,170	1,307
Comprehensive income	782,743	102,128	384,333
Less comprehensive income attributable to noncontrolling interests	(601)	(634)	(223)
Comprehensive income attributable to CHS Inc.	\$ 783,344	\$ 102,762	\$ 384,556

The accompanying notes are an integral part of the consolidated financial statements.
CHS Inc. and Subsidiaries

Consolidated Statements Of Changes In Equities

(DOLLARS IN THOUSANDS)	FOR THE YEARS ENDED AUGUST 31, 2018, 2017, AND 2016		
	EQUITY CERTIFICATES		
	CAPITAL EQUITY CERTIFICATES	NONPATRONAGE EQUITY CERTIFICATES	NONQUALIFIED EQUITY CERTIFICATES
BALANCES, AUGUST 31, 2015 (AS PREVIOUSLY REPORTED)	\$ 3,793,897	\$ 23,057	\$ 282,928
Cumulative restatement adjustments			
Balances, August 31, 2015 (As Restated)	3,793,897	23,057	282,928
Reversal of prior year patronage and redemption estimates	(268,017)		
Distribution of 2015 patronage refunds	375,506		
Redemptions of equities	(22,948)	(143)	(820)
Equities issued	23,258		
Capital equity certificates exchanged for preferred stock	(76,756)		
Preferred stock dividends			
Other, net	(1,248)	(20)	(341)
Net income (loss)			
Other comprehensive income (loss), net of tax			
Estimated 2016 patronage refunds	153,579		
Estimated 2016 equity redemptions	(58,560)		
BALANCES, AUGUST 31, 2016 (AS RESTATED)	3,918,711	22,894	281,767
Reversal of prior year patronage and redemption estimates	(95,019)		
Distribution of 2016 patronage refunds	153,589		
Redemptions of equities	(35,041)	(389)	(1,960)
Equities issued	3,194		
Capital equity certificates redeemed with preferred stock	(19,985)		
Preferred stock dividends			
Other, net	(9,023)	7,331	(753)
Net income (loss)			
Other comprehensive income (loss), net of tax			
Estimated 2017 patronage refunds			126,333
Estimated 2017 equity redemptions	(10,000)		
BALANCES, AUGUST 31, 2017 (AS RESTATED)	3,906,426	29,836	405,387
Reversal of prior year patronage and redemption estimates	6,058		(126,333)
Distribution of 2017 patronage refunds			128,831
Redemptions of equities	(6,064)	(185)	(476)
Preferred stock dividends			
Other, net	(3,840)	(153)	(361)
Net income (loss)			
Other comprehensive income (loss), net of tax			
Reclassification of tax effects to retained earnings			
Estimated 2018 patronage refunds			345,330
Estimated 2018 equity redemptions	(65,000)		(10,000)
BALANCES, AUGUST 31, 2018	\$ 3,837,580	\$ 29,498	\$ 742,378

The accompanying notes are an integral part of the consolidated financial statements.
CHS Inc. and Subsidiaries

FOR THE YEARS ENDED AUGUST 31, 2018, 2017, AND 2016

PREFERRED STOCK	ACCUMULATED OTHER COMPREHENSIVE LOSS	CAPITAL RESERVES	NONCONTROLLING INTERESTS	TOTAL EQUITIES
\$ 2,167,540	\$ (214,207)	\$ 1,604,670	\$ 11,526	\$ 7,669,411
	1,370	(119,237)	(105)	(117,972)
2,167,540	(212,837)	1,485,433	11,421	\$ 7,551,439
		625,444		357,427
		(627,246)		(251,740)
				(23,911)
				23,258
76,756				—
		(122,824)		(122,824)
(164)		2,401	2,988	3,616
		383,249	(223)	383,026
	1,307			1,307
		(257,458)		(103,879)
				(58,560)
2,244,132	(211,530)	1,488,999	14,186	7,759,159
		257,458		162,439
		(257,468)		(103,879)
				(37,390)
				3,194
19,960		25		—
		(167,643)		(167,643)
(54)		1,178	(1,047)	(2,368)
		71,592	(634)	70,958
	31,170			31,170
		(126,333)		—
				(10,000)
2,264,038	(180,360)	1,267,808	12,505	7,705,640
		126,333		6,058
		(128,831)		—
				(6,725)
		(168,668)		(168,668)
		2,792	(2,458)	(4,020)
		775,907	(601)	775,306
	7,437			7,437
	(26,992)	26,992		—
		(420,330)		(75,000)
				(75,000)
\$ 2,264,038	\$ (199,915)	\$ 1,482,003	\$ 9,446	\$ 8,165,028

Consolidated Statements Of Cash Flows

FOR THE YEARS ENDED AUGUST 31 (DOLLARS IN THOUSANDS)	2018	(AS RESTATED) 2017	(AS RESTATED) 2016
Cash flows from operating activities:			
Net income (loss)	\$ 775,306	\$ 70,958	\$ 383,026
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	478,050	480,223	447,492
Amortization of deferred major repair costs	61,686	67,058	73,483
Equity (income) loss from investments	(153,515)	(137,338)	(175,777)
Distributions from equity investments	190,297	213,352	178,464
Provision for doubtful accounts	2,085	177,969	57,200
(Gain) loss on disposal of business	(131,816)	2,190	—
Unrealized (gain) loss on crack spread contingent liability	—	(15,051)	(60,931)
Long-lived asset impairment, net of recoveries	(10,352)	145,042	27,247
Reserve against supplier advance payments	—	130,705	—
Deferred taxes	(146,961)	(194,467)	28,190
Other, net	6,653	20,173	(15,444)
Changes in operating assets and liabilities, net of acquisitions:			
Receivables	210,775	146,788	1,570
Inventories	(169,581)	(333,479)	353,572
Derivative assets	(102,368)	114,023	29,822
Margin and related deposits	54,912	97,804	(30,705)
Supplier advance payments	(39,189)	(33,952)	43,415
Other current assets and other assets	(13,450)	(50,729)	128,603
Customer margin deposits and credit balances	(20,518)	(50,920)	20,841
Customer advance payments	(14,682)	(1,329)	(7,079)
Accounts payable and accrued expenses	(78,388)	227,967	(129,587)
Derivative liabilities	132,495	(132,423)	1,443
Other liabilities	40,629	(25,446)	(94,291)
Net cash provided by (used in) operating activities	1,072,068	919,118	1,260,554
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(355,412)	(444,397)	(692,780)
Proceeds from disposition of property, plant and equipment	91,153	19,541	13,417
Proceeds from sale of business	234,914	—	—
Expenditures for major repairs	(80,514)	(2,340)	(19,610)
Investments in joint ventures and other	(21,679)	(16,645)	(2,855,218)
Changes in CHS Capital notes receivable, net	25,335	322	(209,902)
Financing extended to customers	(74,402)	(67,225)	(82,302)
Payments from customer financing	52,453	88,154	35,188
Other investing activities, net	48,628	17,549	64,236
Net cash provided by (used in) investing activities	(79,524)	(405,041)	(3,746,971)
Cash flows from financing activities:			
Proceeds from lines of credit and long-term borrowings	36,040,240	37,295,236	31,586,968
Payments on lines of credit, long-term borrowings and capital lease obligations	(36,525,136)	(37,584,011)	(29,232,842)
Mandatorily redeemable noncontrolling interest payments	—	—	(153,022)
Preferred stock dividends paid	(168,668)	(167,642)	(163,324)
Redemptions of equities	(8,847)	(35,268)	(23,911)
Cash patronage dividends paid	—	(103,879)	(251,740)
Other financing activities, net	(69,759)	(22,694)	52,067
Net cash provided by (used in) financing activities	(732,170)	(618,258)	1,814,196
Effect of exchange rate changes on cash and cash equivalents	8,864	(4,713)	(5,223)
Net increase (decrease) in cash and cash equivalents	269,238	(108,894)	(677,444)
Cash and cash equivalents at beginning of period	181,379	290,273	967,717
Cash and cash equivalents at end of period	\$ 450,617	\$ 181,379	\$ 290,273

The accompanying notes are an integral part of the consolidated financial statements.
CHS Inc. and Subsidiaries

One

Organization, Basis of Presentation and Significant Accounting Policies

Organization

CHS Inc. (“CHS”, “the Company”, “we”, “us”, “our”) is the nation’s leading integrated agricultural cooperative. As a cooperative, CHS is owned by farmers and ranchers and their member cooperatives (“members”) across the United States. We also have preferred stockholders that own shares of our various series of preferred stock, which are each listed on the Global Select Market of the Nasdaq Stock Market LLC (“Nasdaq”). See Note 10, *Equities* for more detailed information.

We buy commodities from and provide products and services to individual agricultural producers, local cooperatives and other companies (including member and other non-member customers), both domestic and international. Those products and services include initial agricultural inputs such as fuels, farm supplies, crop nutrients and crop protection products; as well as agricultural outputs that include grains and oilseeds, grain and oilseed processing and food products, and ethanol production and marketing. A portion of our operations are conducted through equity investments and joint ventures whose operating results are not fully consolidated with our results; rather, a proportionate share of the income or loss from those entities is included as a component in our net income under the equity method of accounting.

Basis of Presentation

The consolidated financial statements include the accounts of CHS and all wholly-owned and majority-owned subsidiaries and limited liability companies. The effects of all significant intercompany transactions have been eliminated.

As described in Note 2, *Restatement of Previously Issued Consolidated Financial Statements* the consolidated financial statements for the years ended August 31, 2017 and 2016, have been restated to reflect the correction of misstatements to the consolidated financial statements. We have also restated all amounts impacted within the Notes to the consolidated financial statements.

Over the course of fiscal 2017, we incurred charges related to a trading partner of ours in Brazil, which entered into bankruptcy-like proceedings under Brazilian law; intangible and fixed asset impairment charges associated with certain assets meeting the criteria to be classified as held for sale; fixed asset impairment

charges due to the cancellation of a capital project at one of our refineries; and bad debt/loan loss reserve charges relating to a single large producer borrower. Charges and impairments of this nature, as well as any recoveries related to amounts previously reserved, are included in the Consolidated Statements of Operations in the line item, “reserve and impairment charges (recoveries), net” for the twelve months ended August 31, 2018, 2017, and 2016. The timing and amounts of these charges and impairments, and any recoveries were determined utilizing facts and circumstances that were present in the respective years in which the charges, impairments or recoveries were recorded. See additional information related to the reserves and impairment charges in Note 3, *Receivables*, Note 6, *Property, Plant and Equipment*, and Note 7, *Other Assets*.

The notes to our consolidated financial statements refer to our Energy, Ag and Nitrogen Production reportable segments, as well as our Corporate and Other category, which represents an aggregation of individually immaterial operating segments. The Nitrogen Production reportable segment resulted from our investment in CF Industries Nitrogen, LLC (“CF Nitrogen”) in February 2016. Our investment in Ventura Foods, LLC (“Ventura Foods”) is no longer a significant operating segment and is now included in our Corporate and Other category. See Note 12, *Segment Reporting* for more information.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates on assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates. We evaluate our estimates and assumptions on an ongoing basis.

Cash and Cash Equivalents

Cash equivalents include short-term, highly liquid investments with original maturities of three months or

ONE: Organization, Basis of Presentation and Significant Accounting Policies, continued

less at the date of acquisition. The fair value of cash and cash equivalents approximates the carrying value due to the short-term nature of the instruments.

Inventories

Grain, processed grain, oilseed, processed oilseed and other minimally processed soy-based inventories are stated at net realizable value. These inventories are agricultural commodity inventories that are readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms. Agricultural commodity inventories have quoted market prices in active markets, may be sold without significant further processing and have predictable and insignificant disposal costs. Changes in the net realizable value of merchandisable agricultural commodities inventories are recognized in earnings as a component of cost of goods sold.

All other inventories are stated at the lower of cost or net realizable value. Costs for inventories produced or modified by us through a manufacturing process include fixed and variable production and raw material costs, and in-bound freight costs for raw materials. Costs for inventories purchased for resale include the cost of products and freight incurred to place the products at our points of sale. The costs of certain energy inventories (wholesale refined products, crude oil and asphalt) are determined on the last-in, first-out (“LIFO”) method; all other inventories of non-grain products purchased for resale are valued on the first-in, first-out (“FIFO”) and average cost methods.

Derivative Financial Instruments and Hedging Activities

We enter into various derivative instruments to manage our exposure to movements primarily associated with agricultural commodity prices and to a lesser degree, foreign currency exchange rates and interest rates. Except for certain interest rate swap contracts, which are accounted for as cash flow hedges or fair value hedges, our derivative instruments represent economic hedges of price risk for which hedge accounting under Accounting Standards Codification (“ASC”) Topic 815, *Derivatives and Hedging*, is not applied. Rather, the derivative instruments are recorded on our Consolidated Balance Sheets at fair value with changes in fair value being recorded directly to earnings, primarily within cost of goods sold in our Consolidated Statements of Operations. See Note 13, *Derivative Financial*

Instruments and Hedging Activities and Note 14, *Fair Value Measurements* for additional information.

Although we have certain netting arrangements for our exchange-traded futures and options contracts and certain over-the-counter (“OTC”) contracts, we have elected to report our derivative instruments on a gross basis on our Consolidated Balance Sheets under ASC Topic 210-20, *Balance Sheet—Offsetting*.

Margin and Related Deposits

Many of our derivative contracts with futures and options brokers require us to make margin deposits of cash or other assets. Subsequent margin deposits may also be necessary when changes in commodity prices result in a loss on the contract value, to comply with applicable regulations. Our margin and related deposit assets are held by external brokers in segregated accounts to support the associated derivative contracts and may be used to fund or partially fund the settlement of those contracts as they expire. Similar to our derivative financial instruments, margin and related deposits are also reported on a gross basis.

Supplier Advance Payments and Rebates

Supplier advance payments are typically for periods less than 12 months and primarily include amounts paid for grain purchases from suppliers and amounts paid to crop nutrient suppliers to lock in future supply and pricing.

We receive volume-based rebates from certain vendors during the year. These vendor rebates are accounted for in accordance with ASC 605, *Revenue Recognition*, based on the terms of the volume rebate program. For those rebates which meet the definition of a binding arrangement and are both probable and estimable, we estimate the amount of the rebate we will receive and accrue it as a reduction of the cost of inventory over the period in which the rebate is earned.

Investments

The equity method of accounting is used for joint ventures and other investments in which we are able to exercise significant influence over the entity’s operations, but do not have a controlling interest in the entity. Various factors are considered when assessing significant influence, including our ownership interest, representation on the Board of Directors, voting rights, and the impact of commercial arrangements that may exist

with the entity. Our equity in the income or loss of these equity method investments is recorded within equity (income) loss from investments in the Consolidated Statements of Operations. We account for our investment in CF Nitrogen, LLC using the hypothetical liquidation at book value method which is discussed further in Note 5, *Investments*.

The cost method of accounting is used for other investments in which we do not exercise significant influence. Investments in other cooperatives are stated at cost, plus patronage dividends received in the form of capital stock and other equities. Patronage dividends are recorded as a reduction to cost of goods sold at the time qualified written notices of allocation are received.

Investments in other debt and equity securities are classified as available-for-sale financial instruments and are stated at fair value, with unrealized gains and losses included as a component of accumulated other comprehensive loss on our Consolidated Balance Sheets. Investments in debt and equity instruments are carried at amounts that approximate fair values.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided on the straight-line method by charges to operations at rates based on the expected useful lives of individual or groups of assets (generally 15 to 20 years for land improvements; 20 to 40 years for buildings; 5 to 20 years for machinery and equipment; and 3 to 10 years for office equipment and other). Expenditures for maintenance and minor repairs and renewals are expensed, while the costs for major maintenance activities are capitalized and amortized on a straight-line basis over the period estimated to lapse until the next major maintenance activity occurs. We also capitalize and amortize eligible costs to acquire or develop internal-use software that are incurred during the application development stage. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the related accounts and resulting gains or losses are reflected in operations.

Property, plant and equipment and other long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. This evaluation of

recoverability is based on various indicators, including the nature, future economic benefits and geographic locations of the assets, historical or future profitability measures, and other external market conditions. If these indicators suggest that the carrying amounts of an asset or asset group may not be recoverable, potential impairment is evaluated using undiscounted estimated future cash flows. Should the sum of the expected future net cash flows be less than the carrying value, an impairment loss would be recognized. An impairment loss would be measured at the amount by which the carrying value of the asset or asset group exceeds its fair value.

We have asset retirement obligations with respect to certain of our refineries and other assets due to various legal obligations to clean and/or dispose of the component parts at the time they are retired. In most cases, these assets can be used for extended and indeterminate periods of time if they are properly maintained and/or upgraded. It is our practice and current intent to maintain refineries and related assets and to continue making improvements to those assets based on technological advances. As a result, we believe our refineries and related assets have indeterminate lives for purposes of estimating asset retirement obligations because dates or ranges of dates upon which we would retire a refinery and related assets cannot reasonably be estimated at this time. When a date or range of dates can reasonably be estimated for the retirement of any component part of a refinery or other asset, we estimate the cost of performing the retirement activities and record a liability for the fair value of that future cost.

We have other assets that we may be obligated to dismantle at the end of corresponding lease terms subject to lessor discretion for which we have recorded asset retirement obligations. Based on our estimates of the timing, cost and probability of removal, these obligations are not material.

Major Maintenance Activities

Within our Energy segment, major maintenance activities (“turnarounds”) are performed at our Laurel, Montana and McPherson, Kansas refineries regularly. Turnarounds are the planned and required shutdowns of refinery processing units, which include the replacement or overhaul of equipment that have experienced decreased efficiency in resource conversion. Because turnarounds are performed to extend the life, increase the capacity, and/or improve the safety or efficiency of

ONE: Organization, Basis of Presentation and Significant Accounting Policies, continued

refinery processing assets, we follow the deferral method of accounting for turnarounds. Expenditures for turnarounds are capitalized (deferred) when incurred and amortized on a straight-line basis over a period of 2 to 4 years, which is the estimated time lapse between turnarounds. Should the estimated period between turnarounds change, we may be required to amortize the remaining cost of the turnaround over a shorter period, which would result in higher depreciation and amortization costs. Capitalized turnaround costs are included in other assets (long-term) on our Consolidated Balance Sheets and amortization expense related to the capitalized turnaround costs is included in cost of goods sold in our Consolidated Statements of Operations.

The selection of the deferral method, as opposed to expensing the turnaround costs when incurred, results in deferring recognition of the turnaround expenditures. The deferral method also results in the classification of the related cash outflows as investing activities in our Consolidated Statements of Cash Flows, whereas expensing these costs as incurred would result in classifying the cash outflows as operating activities. Repair, maintenance and related labor costs are expensed as incurred and are included in operating cash flows.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets are included in other assets (long-term) on our Consolidated Balance Sheets. Goodwill represents the excess of cost over the fair value of identifiable assets acquired. Goodwill is tested for impairment on an annual basis as of July 31, or more frequently if triggering events or other circumstances occur which could indicate impairment. Goodwill is tested for impairment at the reporting unit level, which has been determined to be our operating segments or one level below our operating segments in certain instances.

Other intangible assets consist primarily of customer lists, trademarks and non-compete agreements. Intangible assets subject to amortization are expensed over their respective useful lives, which generally range from 2 to 30 years. We have no material intangible assets with indefinite useful lives. See Note 7, *Other Assets* for more information on goodwill and other intangible assets.

Revenue Recognition

We provide a wide variety of products and services, ranging from agricultural inputs such as fuels, farm supplies and crop nutrients, to agricultural outputs that include grain and oilseed, processed grains and oilseeds and food products, and ethanol production and marketing. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. Sales are generally recognized upon transfer of title, which could occur either upon shipment to or receipt by the customer, depending upon the terms of the transaction. Shipping and handling amounts billed to a customer as part of a sales transaction are included in revenues, and the related costs are included in cost of goods sold.

Environmental Expenditures

We are subject to various federal, state, and local environmental laws and regulations. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Liabilities, including legal costs, related to remediation of contaminated properties are recognized when the related costs are considered probable and can be reasonably estimated. Estimates of environmental costs are based on current available facts, existing technology, undiscounted site-specific costs and currently enacted laws and regulations. Recoveries, if any, are recorded in the period in which recovery is received. Liabilities are monitored and adjusted as new facts or changes in law or technology occur.

Income Taxes

CHS is a nonexempt agricultural cooperative and files a consolidated federal income tax return within our tax return period. We are subject to tax on income from nonpatronage sources, non-qualified patronage distributions and undistributed patronage-sourced income. Income tax expense is primarily the current tax payable for the period and the change during the period in certain deferred tax assets and liabilities. Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for federal and state income tax purposes, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce

deferred tax assets to the amount expected to be realized. Reserves are recorded against unrecognized tax benefits when we believe that certain fully supportable tax return positions are likely to be challenged and that we may or may not prevail. If we determine that a tax position is more likely than not to be sustained upon audit, based on the technical merits of the position, we recognize the benefit by measuring the amount that is greater than 50% likely of being realized. We reevaluate the technical merits of our tax positions and recognize an uncertain tax benefit, or derecognize a previously recorded tax benefit, when there is (i) a completion of a tax audit, (ii) effective settlement of an issue, (iii) a change in applicable tax law including a tax case or legislative guidance, or (iv) the expiration of the applicable statute of limitations. Significant judgment is required in accounting for tax reserves.

Recent Accounting Pronouncements

Adopted

In March 2018, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2018-05, *Income Taxes (Topic 740)—Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*. This ASU provides guidance on the income tax accounting implications of the Tax Cuts and Jobs Act of 2017 (the "Tax Act") and allows for entities to report provisional amounts for specific income tax effects of the Tax Act for which the accounting under ASC Topic 740 was not yet complete, but a reasonable estimate could be determined. A measurement period of one year is available to complete the accounting effects under ASC Topic 740 and revise any previous estimates reported. Any provisional amounts or subsequent adjustments included in an entity's financial statements during the measurement period should be included in income from continuing operations as an adjustment to tax expense in the reporting period the amounts are determined. As of August 31, 2018, we have not finalized our work associated with the income tax effects of the enactment of the Tax Act, however, a reasonable estimate was provisionally recorded as a net benefit of \$155.2 million from the revaluation of our U.S. net deferred tax liability that resulted from the reduced corporate tax rate and CHS being subject to the employee compensation deduction limitations imposed by Internal Revenue Code Section 162(m).

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220)*. Under existing U.S. GAAP, the effects of changes in tax rates and laws on deferred tax balances are recorded as a component of income tax expense in the period in which the law was enacted. When deferred tax balances related to items originally recorded in accumulated other comprehensive income are adjusted, certain tax effects become stranded in accumulated other comprehensive income. The amendments in ASU 2018-02 allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act. The amendments in this ASU also require certain disclosures about stranded tax effects. This ASU is effective for us beginning September 1, 2019, for our fiscal year 2020 and for interim periods within that fiscal year. Early adoption in any period is permitted. The Company's provisional adjustments recorded to account for the impact of the Tax Act resulted in stranded tax effects. We elected to early adopt ASU No. 2018-02 during the fourth quarter of fiscal 2018. The adoption resulted in a reclassification from accumulated other comprehensive income to retained earnings in the amount of \$27.0 million for stranded tax effects resulting from the Tax Act.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. This ASU is intended to improve the financial reporting of hedging relationships to better represent the economic results of an entity's risk management activities in its financial statements and make certain improvements to simplify the application of the hedge accounting guidance. The amendments in this ASU will make more financial and nonfinancial hedging strategies eligible for hedge accounting, amend the presentation and disclosure requirements and change how entities assess effectiveness. Entities are required to apply this ASU's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. This ASU is effective for us beginning September 1, 2019, for our fiscal year 2020 and for interim periods within that fiscal year. We elected to early adopt ASU No. 2017-12 during the fourth quarter of fiscal 2018. The adoption did not have a material impact on our consolidated financial statements.

ONE: Organization, Basis of Presentation and Significant Accounting Policies, continued

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes—Intra-Entity Transfers of Assets Other Than Inventory* (Topic 740). This ASU is intended to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory by requiring an entity to recognize the income tax consequences when a transfer occurs, instead of when an asset is sold to an outside party. This ASU is effective for periods beginning after December 15, 2017; however, early adoption of this ASU is permitted during the first interim period if an entity issues interim financial statements. The amendments in this ASU should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We elected to early adopt ASU No. 2016-16 during the first quarter of fiscal 2018. The adoption did not have a material impact on our consolidated financial statements.

Not Yet Adopted

In August 2018, the FASB issued ASU No. 2018-14, *Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which amends ASC 715-20, *Compensation—Retirement Benefits—Defined Benefit Plans—General*. This ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans by removing and adding certain disclosures for these plans. The eliminated disclosures include (a) the amounts in accumulated other comprehensive income expected to be recognized in net periodic benefit costs over the next fiscal year and (b) the effects of a one-percentage-point change in assumed health care cost trend rates on the net periodic benefit costs and the benefit obligation for postretirement health care benefits. The new disclosures include the interest crediting rates for cash balance plans and an explanation of significant gains and losses related to changes in benefit obligations. This ASU is effective for us beginning September 1, 2021, for our fiscal year 2022 and for interim periods within that fiscal year, with early adoption permitted. The adoption of this amended guidance is not expected to have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which amends ASC 820, *Fair Value Measurement*. This ASU modifies the disclosure requirements for fair value measurements by

removing, modifying and adding certain disclosures. Specifically, the guidance removes the requirement to disclose the amount and reasons for any transfers between Level 1 and Level 2 of the fair value hierarchy and removes the requirement to disclose a description of the valuation processes used to value Level 3 fair value measurements. The guidance also requires additional disclosures surrounding Level 3 changes in unrealized gains/losses included in other comprehensive income as well the range and weighted average significant unobservable inputs calculation. This ASU is effective for us beginning September 1, 2020, for our fiscal year 2021 and for interim periods within that fiscal year. Early adoption is permitted. We elected to remove the disclosures permitted by ASU No. 2018-13 during the fourth quarter of fiscal 2018 but have not early adopted the new required additional disclosures, which is permitted by the guidance. The adoption of this amended guidance is not expected to have a material impact on our consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation—Retirement Benefits* (Topic 715): *Improving the Presentation of Net Periodic Pension Costs and Net Postretirement Benefit Cost*. This ASU changes the presentation of net periodic pension cost and net periodic postretirement benefit cost in the Consolidated Statements of Operations. This ASU provides that the service cost component should be included in the same income statement line item as other compensation costs arising from services rendered by the employees during the period. The other components of net periodic benefit cost should be presented in the Consolidated Statements of Operations separately outside of operating income if that subtotal is presented. Additionally, only service cost may be capitalized in assets. This ASU is effective for us beginning September 1, 2018, for our fiscal year 2019 and for interim periods within that fiscal year. Early adoption is permitted as of the beginning of an annual period for which interim financial statements have not been issued or made available for issuance. The guidance on the presentation of the components of net periodic benefit cost in the Consolidated Statement of Operations should be applied retrospectively and the guidance regarding the capitalization of the service cost component in assets should be applied prospectively. The adoption of this amended guidance is not expected to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations* (Topic 805): *Clarifying the Definition of a Business*. The amendments within this ASU narrow the existing definition of a business and provide a more robust framework for evaluating whether a transaction should be accounted for as an acquisition (or disposal) of assets or a business. The definition of a business impacts various areas of accounting, including acquisitions, disposals and goodwill. Under the new guidance, fewer acquisitions are expected to be considered businesses. This ASU is effective for us beginning September 1, 2018, for our fiscal year 2019 and for interim periods within that fiscal year. Early adoption is permitted, and the guidance should be applied prospectively to transactions following the adoption date. The adoption of this amended guidance is not expected to have a material impact on our consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*. This ASU is intended to reduce diversity in practice by adding or clarifying guidance on classification and presentation of changes in restricted cash on the Consolidated Statements of Cash Flows. This ASU is effective for us beginning September 1, 2018, for our fiscal year 2019 and for interim periods within that fiscal year. Early adoption is permitted, including in an interim period. The amendments in this ASU should be applied retrospectively to all periods presented. The adoption of this amended guidance is not expected to have a material impact on our Consolidated Statements of Cash Flows.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows* (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*. This ASU is intended to reduce existing diversity in practice in how certain cash receipts and payments are presented and classified in the Consolidated Statements of Cash Flows. This ASU is effective for us beginning September 1, 2018, for our fiscal year 2019 and for interim periods within that fiscal year. The adoption of this amended guidance is not expected to have a material impact on our Consolidated Statements of Cash Flows.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU introduce a new approach, based on expected losses, to estimate credit losses on certain

types of financial instruments. This ASU is intended to provide financial statement users with more decision-useful information about the expected credit losses associated with most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases, and off-balance-sheet credit exposures. Entities are required to apply this ASU's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. This ASU is effective for us beginning September 1, 2020, for our fiscal year 2021 and for interim periods within that fiscal year. We are currently evaluating the impact the adoption will have on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which replaces the existing guidance in ASC 840—*Leases*. The amendments within this ASU, as well as within additional clarifying ASUs issued by the FASB, introduce a lessee model requiring entities to recognize assets and liabilities for most leases, but continue recognizing the associated expenses in a manner similar to existing accounting guidance. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, which amends ASU No. 2016-02, *Leases*. This ASU is effective for us beginning September 1, 2019, for our fiscal year 2020 and for interim periods within that fiscal year. We have initiated our assessment of the new lease standard, including the utilization of surveys to gather more information about existing leases and the implementation of a new lease software to improve the collection, maintenance, and aggregation of lease data necessary for the expanded reporting and disclosure requirements under the new lease standard. It is expected that the primary impact upon adoption will be the recognition, on a discounted basis, of our minimum commitments under noncancelable operating leases as right of use assets and liabilities on our Consolidated Balance Sheets. This will result in a significant increase in assets and liabilities recorded on our Consolidated Balance Sheets. Although we expect the new lease guidance to have a material impact on our Consolidated Balance Sheets, we are continuing to evaluate the practical expedient guidance provisions available and the extent of potential impacts on our consolidated financial statements, processes, and internal controls.

ONE: Organization, Basis of Presentation and Significant Accounting Policies, continued

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The amendments within this ASU, as well as within additional clarifying ASUs issued by the FASB, provide a single comprehensive model to be used in the accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new revenue recognition guidance includes a five-step model for the recognition of revenue, including (1) identifying the contract with a customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing revenue when (or as) an entity satisfies a performance obligation. The adoption of the new revenue recognition guidance will require expanded disclosures in our

consolidated financial statements including quantitative disclosure of revenues that fall within and outside the scope of the new revenue recognition guidance. Certain revenue streams are expected to fall within the scope of the new revenue recognition guidance; however, a substantial portion of our revenue falls outside the scope of the new revenue recognition guidance and will continue to follow existing guidance, primarily ASC 815, *Derivatives and Hedging*. We have completed an initial assessment of our revenue streams and do not believe that the new revenue recognition guidance will have a material impact on our consolidated financial statements. We will adopt ASU No. 2014-09 and the related ASUs using the modified retrospective method on September 1, 2018, in the first quarter of fiscal 2019.

Two

Restatement of Previously Issued Consolidated Financial Statements

The consolidated financial statements for the years ended August 31, 2017 and 2016, have been restated to reflect the correction of misstatements. We have also restated all amounts impacted within the Notes to the consolidated financial statements. A description of the adjustments and their impact on the previously issued financial statements are included below.

Descriptions of Restatement Adjustments

Restatement Background

During the preparation of our Annual Report on Form 10-K for the year ended August 31, 2018, we noted potentially excessive valuations in the net derivative asset valuations relating to certain rail freight contracts purchased in connection with our North American grain marketing operations. An investigation concluded that the rail freight misstatements included in our consolidated financial statements for the periods identified below were due to intentional misconduct by a former employee in our rail freight trading operations, as well as due to rail freight contracts and certain non-rail contracts not meeting the technical accounting requirements to qualify as a derivative financial instrument. The

misconduct consisted of the former employee manipulating the mark-to-market valuation of rail cars that were the subject of rail freight purchase contracts and manipulating the quantity of rail cars included in the monthly mark-to-market valuation. In addition, the investigation revealed intentional misstatements were made by the former employee to our independent registered public accounting firm in connection with its audit of our consolidated financial statements for the fiscal year ended August 31, 2017. During the course of, and as a result of, the investigation, we terminated the former employee and have taken additional personnel actions.

As a result of the misstatements, we have restated our consolidated financial statements as of and for the year ended August 31, 2017, and for the year ended August 31, 2016, in accordance with ASC 250, *Accounting Changes and Error Corrections* (the "Restated Financial Statements"). In addition to the adjustments related to freight derivatives and related misstatements, we also made adjustments related to certain intercompany balances and other historical misstatements unrelated to the freight derivatives and related misstatements.

The restated interim financial information for the relevant unaudited interim financial statements for the quarterly periods ended November 30, 2017 and 2016, February 28, 2018 and 2017, May 31, 2018 and 2017, and August 31, 2017, is included in Note 18, *Quarterly Financial Information (Unaudited)*.

The categories of restatement adjustments and their impact on previously reported consolidated financial statements are described below.

(a) *Freight Derivatives and Related Misstatements*—Corrections for freight derivatives and related misstatements were driven by the misstatement of amounts associated with both the value and quantity of rail freight contracts, as well as due to rail freight contracts and certain non-rail freight contracts not meeting the technical accounting requirements to qualify as derivative financial instruments. In addition to the elimination of the underlying freight derivative assets and liabilities and related impacts on revenues and cost of goods sold, additional adjustments were recorded to account for prepaid freight capacity balances in relevant periods and the impact of a goodwill impairment charge recorded as of May 31, 2015, for goodwill held within our grain marketing reporting unit. Additional details related to the impact of the freight derivatives and related misstatements and their impact on each period are discussed in restatement reference (a).

(b) *Intercompany Misstatements*—As a result of the work performed in relation to the freight misstatement, additional misstatements related to the incorrect elimination of intercompany balances were also identified and corrected within the consolidated financial statements. Certain of these intercompany misstatements resulted in a misstatement of various financial statement line items; however, the intercompany misstatements did not result in a material misstatement of income (loss) before income taxes or net income (loss). Additional details related to the impact of the intercompany misstatements and their impact on each period are discussed in restatement reference (b).

(c) *Other Misstatements*—We made adjustments for other previously identified misstatements unrelated to the freight derivatives and related misstatements that were not material, individually or in the aggregate, to our

consolidated financial statements. These other misstatements related primarily to certain misclassifications, adjustments to revenues and cost of goods sold, and adjustments to various income tax and indirect tax accrual accounts. Additional details related to the impact of the other misstatements and their impact on each period are discussed in restatement reference (c).

Summary impact of restatement adjustments to previously reported financial information

The following tables present the summary impacts of the restatement adjustments on our previously reported consolidated capital reserves and total equities at August 31, 2015, and income (loss) before income taxes and net income (loss) for the years ended August 31, 2017 and 2016:

(DOLLARS IN THOUSANDS)	AUGUST 31, 2015	
	CAPITAL RESERVES	TOTAL EQUITIES
As previously reported	\$ 1,604,670	\$ 7,669,411
Cumulative restatement adjustments	(119,237)	(117,972)
As restated	\$ 1,485,433	\$ 7,551,439

(DOLLARS IN THOUSANDS)	FOR THE YEARS ENDED AUGUST 31	
	2017	2016
Income (loss) before income taxes—As previously reported	\$ (54,852)	\$ 419,878
Restatement adjustments	(55,314)	(17,753)
Income (loss) before income taxes—As restated	\$ (110,166)	\$ 402,125
Net income (loss)—As previously reported	\$ 127,223	\$ 423,969
Restatement adjustments	(56,265)	(40,943)
Net income (loss)—As restated	\$ 70,958	\$ 383,026

Reclassifications

Amounts previously included within (gain) loss on investments were reclassified into other (income) loss to conform to the current year presentation. This reclassification had no impact on our previously reported net income, cash flows or shareholders' equity and represents a reclassification of \$4.6 million and \$9.3 million for the periods ended August 31, 2017, and August 31, 2016, respectively.

TWO: *Restatement of Previously Issued Consolidated Financial Statements, continued*

Consolidated financial statement adjustment tables

The following tables present the restatement adjustments to previously issued consolidated financial statements, including the previously reported Consolidated Balance Sheet as of August 31, 2017, and the Consolidated Statements of Operations, Comprehensive

Income and Cash Flows for the years ended August 31, 2017, and 2016. The corrections of misstatements affecting fiscal years prior to fiscal 2017 are reflected as a cumulative adjustment to the balance of capital reserves and accumulated other comprehensive income as of August 31, 2015, on the Consolidated Statements of Changes in Shareholders' Equity.

CHS INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS)	AS OF AUGUST 31, 2017			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 181,379	\$ —	\$ 181,379	
Receivables	1,869,632	22,536	1,892,168	c
Inventories	2,576,585	25,019	2,601,604	c
Derivative assets	232,017	(13,275)	218,742	a
Margin and related deposits	206,062	—	206,062	
Supplier advance payments	249,234	—	249,234	
Other current assets	299,618	(17,693)	281,925	a, c
Total current assets	5,614,527	16,587	5,631,114	
Investments	3,750,993	—	3,750,993	
Property, plant and equipment	5,356,434	—	5,356,434	
Other assets	1,251,802	(171,421)	1,080,381	a
Total assets	\$ 15,973,756	\$ (154,834)	\$ 15,818,922	
LIABILITIES AND EQUITIES				
Current liabilities:				
Notes payable	\$ 1,988,215	\$ (3,052)	\$ 1,985,163	c
Current portion of long-term debt	156,345	—	156,345	
Customer margin deposits and credit balances	157,914	—	157,914	
Customer advance payments	413,163	10,607	423,770	c
Accounts payable	1,951,292	40,002	1,991,294	c
Derivative liabilities	316,018	(15,072)	300,946	a
Accrued expenses	437,527	17,469	454,996	a, c
Dividends and equities payable	12,121	—	12,121	
Total current liabilities	5,432,595	49,954	5,482,549	
Long-term debt	2,023,448	—	2,023,448	
Long-term deferred tax liabilities	333,221	(3,241)	329,980	a, c
Other liabilities	278,667	(1,362)	277,305	a
Commitments and contingencies (Note 15)				
Equities:				
Preferred stock	2,264,038	—	2,264,038	
Equity certificates	4,341,649	—	4,341,649	
Accumulated other comprehensive loss	(183,670)	3,310	(180,360)	a, c
Capital reserves	1,471,217	(203,409)	1,267,808	a, c
Total CHS Inc. equities	7,893,234	(200,099)	7,693,135	
Noncontrolling interests	12,591	(86)	12,505	a
Total equities	7,905,825	(200,185)	7,705,640	
Total liabilities and equities	\$ 15,973,756	\$ (154,834)	\$ 15,818,922	

TWO: *Restatement of Previously Issued Consolidated Financial Statements, continued*

As of August 31, 2017

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$174.1 million reduction of total assets, a \$39.1 million reduction of current liabilities, a \$27.5 million increase of long-term liabilities, and a \$162.4 million reduction of total equities. The reduction of total assets related primarily to the elimination of \$156.0 million of long-term derivative assets, an approximate \$16.0 million reduction of goodwill which was triggered by the lower earnings associated with this restatement with the impairment charge recorded during fiscal 2015 and the elimination of \$12.9 million of current derivative assets that had been recorded as assets on the Consolidated Balance Sheet. The decreases of total assets were partially offset by related adjustments, including an \$8.9 million increase of prepaid income taxes resulting from the income tax impact of the freight misstatement and the recognition of a \$1.5 million prepaid freight capacity balance. The decrease of total current liabilities related primarily to an \$18.0 million reduction of current derivative liabilities and a \$21.1 million reduction of income taxes payable resulting from the income tax effect of the freight misstatement. The increase of long-term liabilities resulted from a \$28.9 million increase of long-term deferred tax liabilities, which was partially offset by a \$1.4 million reduction of long-term derivative liabilities. The decrease of total equities related primarily to the elimination of the derivative assets and liabilities described above and the related income tax impacts, as well as the reduction of goodwill associated with the goodwill impairment charge recorded during fiscal 2015.

Intercompany misstatements

(b) None

Other misstatements

(c) Adjustments for other misstatements related primarily to misclassifications between line items included within the Consolidated Balance Sheets, as well as the impact of certain income tax adjustments on prepaid income taxes, income taxes payable and deferred income taxes. The misclassification adjustments arose primarily due to the application of differing accounting policies between businesses and collectively with the

impact of income tax adjustments resulted in a \$19.3 million increase of total assets, an \$89.1 million increase of current liabilities, a \$32.1 million decrease of long-term liabilities and a \$37.7 million decrease of total equities.

The increase of total assets related primarily to a \$49.2 million increase of inventory with a corresponding increase to accounts payable that resulted from a misclassification adjustment for certain items previously included within a contra-inventory account to accounts payable. The increased inventories were partially offset by a \$24.1 million misclassification adjustment to decrease inventory and increase accounts receivable as a result of a timing difference related to the settlement of a single ocean vessel. The increase of total assets was partially offset by a \$28.1 million decrease of prepaid income taxes associated with the correction of other misstatements identified during fiscal 2017 and other periods.

The increase of current liabilities related primarily to the \$49.2 million increase of accounts payable as a result of a misclassification adjustment for certain items previously included within a contra-inventory account to accounts payable and a \$38.6 million increase of accrued expenses. The increase of accrued expenses primarily resulted from the recognition of a \$24.9 million accrued income tax balance associated with the correction of other misstatements identified during fiscal 2017 and other periods. Additionally, \$13.7 million of accrued expenses were recorded in relation to the use of a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018. The decrease of long-term liabilities related to a \$32.1 million decrease of long-term deferred tax liabilities that arose from the correction of other misstatements identified during fiscal 2017 and other periods.

The \$37.7 million decrease of total equities was primarily related to the \$20.6 million net impact on income tax accounts and the recognition of \$13.7 million of additional accrued expenses due to the use of a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018.

CHS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS)	FOR THE YEAR ENDED AUGUST 31, 2017			FOR THE YEAR ENDED AUGUST 31, 2016			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Revenues	\$ 31,934,751	\$ 102,675	\$ 32,037,426	\$ 30,347,203	\$ 8,057	\$ 30,355,260	a, b, c
Cost of goods sold	30,985,510	157,256	31,142,766	29,387,910	(1,395)	29,386,515	a, b, c
Gross profit	949,241	(54,581)	894,660	959,293	9,452	968,745	
Marketing, general and administrative	604,359	7,648	612,007	601,261	5	601,266	c
Reserve and impairment charges (recoveries), net	456,679	—	456,679	47,836	27,200	75,036	c
Operating earnings (loss)	(111,797)	(62,229)	(174,026)	310,196	(17,753)	292,443	
(Gain) loss on disposal of business	—	2,190	2,190	—	—	—	c
Interest expense	171,239	—	171,239	113,704	—	113,704	
Other (income) loss	(90,846)	(9,105)	(99,951)	(47,609)	—	(47,609)	c
Equity (income) loss from investments	(137,338)	—	(137,338)	(175,777)	—	(175,777)	
Income (loss) before income taxes	(54,852)	(55,314)	(110,166)	419,878	(17,753)	402,125	
Income tax expense (benefit)	(182,075)	951	(181,124)	(4,091)	23,190	19,099	a, c
Net income (loss)	127,223	(56,265)	70,958	423,969	(40,943)	383,026	
Net income (loss) attributable to noncontrolling interests	(634)	—	(634)	(223)	—	(223)	
Net income (loss) attributable to CHS Inc.	\$ 127,857	\$ (56,265)	\$ 71,592	\$ 424,192	\$ (40,943)	\$ 383,249	

For the year ended August 31, 2017

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$38.1 million reduction of income before income taxes and a \$47.3 million reduction of net income. These adjustments related primarily to a \$38.1 million increase of cost of goods sold and a \$9.2 million increase of income tax expense resulting from the tax effect of the freight derivatives and related misstatements.

Intercompany misstatements

(b) The correction of intercompany misstatements had no impact on income (loss) before income taxes or net income (loss); however, the correction resulted in a \$35.7 million decrease of both revenues and cost of goods sold due to different practices of eliminating intercompany sales between CHS's businesses which existed in previous periods.

Other misstatements

(c) The correction of other misstatements resulted in a \$17.2 million decrease of income before income taxes and a \$9.0 million decrease of net income. The \$17.2 million decrease of income before income taxes related to a \$12.1 million increase of cost of goods sold due to the use of a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018, a \$2.6 million combined increase in cost of goods sold and marketing, general and administrative expenses for post-retirement benefit plan activity that resulted from a timing difference associated with recording certain benefit plan expenses and a \$2.5 million increase of costs of goods sold related to the valuation of crack spread derivatives. An income tax benefit of \$8.2 million partially offset the decrease of income before income taxes and was recorded to adjust for the impact of other identified misstatements, as well as income tax items that had previously been identified and recorded as out of period adjustments in subsequent periods.

TWO: *Restatement of Previously Issued Consolidated Financial Statements, continued*

Additionally, certain misclassification and offsetting adjustments were made between line items included in the Consolidated Statements of Operations primarily due to the application of differing accounting policies between businesses. These misclassification adjustments resulted in a \$138.4 million increase of revenues, a \$138.3 million increase of cost of goods sold, a \$7.0 million increase of marketing, general and administrative expenses, a \$2.2 million increase of loss on disposal of business and a \$9.1 million increase of other income.

For the year ended August 31, 2016

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$15.7 million reduction of income before income taxes and a \$9.9 million reduction of net income. These adjustments related to a \$15.7 million increase of cost of goods sold and a \$5.8 million income tax benefit resulting from the tax effect of the freight derivatives and related misstatements.

Intercompany misstatements

(b) The correction of intercompany misstatements had no impact on income (loss) before income taxes or net income (loss); however, the correction resulted in a \$57.5 million decrease of both revenues and cost of goods sold due to different practices of eliminating

intercompany sales between CHS's businesses which existed in previous periods.

Other misstatements

The correction of other misstatements resulted in a \$2.1 million decrease of income before income taxes and a \$31.0 million decrease of net income. The \$2.1 million decrease of income before income taxes related to a \$1.7 million increase of cost of goods sold due to the use of a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018 and a \$0.4 million increase of costs of goods sold related to the valuation of crack spread derivatives. In addition to the decrease of income before income taxes, additional income tax expense of \$29.0 million was recorded to adjust for the impact of other identified misstatements, as well as income tax items that had previously been identified and recorded as out of period adjustments in subsequent periods.

Additionally, misclassification and offsetting adjustments were made between line items included in the Consolidated Statements of Operations primarily due to the application of differing accounting policies between businesses. These adjustments resulted in a \$65.6 million increase of revenues, a \$38.4 million increase of cost of goods sold and a \$27.2 million increase of reserve and impairment charges (recoveries), net.

CHS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(DOLLARS IN THOUSANDS)	FOR THE YEAR ENDED AUGUST 31, 2017			FOR THE YEAR ENDED AUGUST 31, 2016			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Net income (loss)	\$ 127,223	\$ (56,265)	\$ 70,958	\$ 423,969	\$ (40,943)	\$ 383,026	a, b, c
Other comprehensive income (loss), net of tax:							
Postretirement benefit plan activity	30,100	2,602	32,702	6,583	—	6,583	c
Unrealized net gain (loss) on available for sale investments	4,385	—	4,385	1,500	—	1,500	
Cash flow hedges	2,242	—	2,242	(3,872)	—	(3,872)	
Foreign currency translation adjustment	(8,671)	512	(8,159)	(1,730)	(1,174)	(2,904)	a
Other comprehensive income (loss), net of tax	28,056	3,114	31,170	2,481	(1,174)	1,307	
Comprehensive income	155,279	(53,151)	102,128	426,450	(42,117)	384,333	
Less comprehensive income attributable to noncontrolling interests	(634)	—	(634)	(223)	—	(223)	
Comprehensive income attributable to CHS Inc.	\$ 155,913	\$ (53,151)	\$ 102,762	\$ 426,673	\$ (42,117)	\$ 384,556	

For the year ended August 31, 2017

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$47.3 million reduction of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the year ended August 31, 2017, above. The adjustment related to foreign currency translation relates to the foreign currency impact associated with goodwill that was impaired during fiscal 2015.

Intercompany misstatements

(b) None

Other misstatements

(c) The correction of other misstatements resulted in a \$9.0 million decrease of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the year ended August 31, 2017, above. The adjustment related to postretirement benefit plan activity relates to a timing difference associated with recording certain benefit plan expenses.

For the year ended August 31, 2016

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$9.9 million reduction of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the year ended August 31, 2016, above. The adjustment related to foreign currency translation relates to the foreign currency impact associated with goodwill that was impaired during fiscal 2015.

Intercompany misstatements

(b) None

Other misstatements

(c) The correction of other misstatements resulted in a \$31.0 million decrease of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the year ended August 31, 2016, above.

TWO: Restatement of Previously Issued Consolidated Financial Statements, continued

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITIES

(DOLLARS IN THOUSANDS)	FOR THE YEARS ENDED AUGUST 31, 2017, 2016, AND 2015							
	EQUITY CERTIFICATES			PREFERRED STOCK	ACCUMULATED OTHER COMPREHENSIVE LOSS	CAPITAL RESERVES	NONCONTROLLING INTERESTS	TOTAL EQUITIES
	CAPITAL EQUITY CERTIFICATES	NONPATRONAGE EQUITY CERTIFICATES	NONQUALIFIED EQUITY CERTIFICATES					
Balances, August 31, 2015 (As previously reported)	\$ 3,793,897	\$ 23,057	\$ 282,928	\$ 2,167,540	\$ (214,207)	\$ 1,604,670	\$ 11,526	\$ 7,669,411
Cumulative restatement adjustments	—	—	—	—	1,370	(119,237)	(105)	(117,972)
Balances, August 31, 2015 (As restated)	\$ 3,793,897	\$ 23,057	\$ 282,928	\$ 2,167,540	\$ (212,837)	\$ 1,485,433	\$ 11,421	\$ 7,551,439
Balances, August 31, 2016 (As previously reported)	\$ 3,932,513	\$ 22,894	\$ 281,767	\$ 2,244,132	\$ (211,726)	\$ 1,582,380	\$ 14,290	\$ 7,866,250
Cumulative restatement adjustments	(13,802)	—	—	—	196	(93,381)	(104)	(107,091)
Balances, August 31, 2016 (As restated)	\$ 3,918,711	\$ 22,894	\$ 281,767	\$ 2,244,132	\$ (211,530)	\$ 1,488,999	\$ 14,186	\$ 7,759,159
Balances, August 31, 2017 (As previously reported)	\$ 3,906,426	\$ 29,836	\$ 405,387	\$ 2,264,038	\$ (183,670)	\$ 1,471,217	\$ 12,591	\$ 7,905,825
Cumulative restatement adjustments	—	—	—	—	3,310	(203,409)	(86)	(200,185)
Balances, August 31, 2017 (As restated)	\$ 3,906,426	\$ 29,836	\$ 405,387	\$ 2,264,038	\$ (180,360)	\$ 1,267,808	\$ 12,505	\$ 7,705,640

As of August 31, 2017, 2016, and 2015

The decrease of total equities for each restated period was driven primarily by the elimination of derivative assets and liabilities associated with the freight derivatives and related misstatements. Adjustments for the freight derivatives and related misstatements resulted in a \$162.4 million reduction of total equities as of August 31, 2017, a \$115.7 million reduction of total equities as of August 31, 2016, and a \$104.6 million reduction of total equities as of August 31, 2015.

CHS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)	FOR THE YEAR ENDED AUGUST 31, 2017			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Cash flows from operating activities:				
Net income (loss)	\$ 127,223	\$ (56,265)	\$ 70,958	a, b, c
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	480,223	—	480,223	
Amortization of deferred major repair costs	67,058	—	67,058	
Equity (income) loss from investments	(137,338)	—	(137,338)	
Distributions from equity investments	213,352	—	213,352	
Provision for doubtful accounts	177,969	—	177,969	
(Gain) loss on disposal of business	—	2,190	2,190	c
Unrealized (gain) loss on crack spread contingent liability	(15,051)	—	(15,051)	
Long-lived asset impairment, net of recoveries	145,042	—	145,042	
Reserve against supplier advance payments	130,705	—	130,705	
Deferred taxes	(175,914)	(18,553)	(194,467)	a, c
Other, net	24,044	(3,871)	20,173	
Changes in operating assets and liabilities, net of acquisitions:				
Receivables	121,630	25,158	146,788	b, c
Inventories	(293,549)	(39,930)	(333,479)	b, c
Derivative assets	126,824	(12,801)	114,023	a, b, c
Margin and related deposits	104,214	(6,410)	97,804	b, c
Supplier advance payments	(34,583)	631	(33,952)	b
Other current assets and other assets	(66,119)	15,390	(50,729)	a, c
Customer margin deposits and credit balances	(50,920)	—	(50,920)	
Customer advance payments	(528)	(801)	(1,329)	b, c
Accounts payable and accrued expenses	197,445	30,522	227,967	a, b, c
Derivative liabilities	(183,287)	50,864	(132,423)	a, b, c
Other liabilities	(25,446)	—	(25,446)	
Net cash provided by (used in) operating activities	932,994	(13,876)	919,118	
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(444,397)	—	(444,397)	
Proceeds from disposition of property, plant and equipment	19,541	—	19,541	
Expenditures for major repairs	(2,340)	—	(2,340)	
Investments in joint ventures and other	(16,645)	—	(16,645)	
Changes in CHS Capital notes receivable, net	322	—	322	
Financing extended to customers	(67,225)	—	(67,225)	
Payments from customer financing	88,154	—	88,154	
Other investing activities, net	17,549	—	17,549	
Net cash provided by (used in) investing activities	(405,041)	—	(405,041)	
Cash flows from financing activities:				
Proceeds from lines of credit and long-term borrowings	37,295,236	—	37,295,236	
Payments on lines of credit, long-term borrowings and capital lease obligations	(37,580,959)	(3,052)	(37,584,011)	c
Mandatorily redeemable noncontrolling interest payments	—	—	—	
Preferred stock dividends paid	(167,642)	—	(167,642)	
Redemptions of equities	(35,268)	—	(35,268)	
Cash patronage dividends paid	(103,879)	—	(103,879)	
Other financing activities, net	(28,681)	5,987	(22,694)	c
Net cash provided by (used in) financing activities	(621,193)	2,935	(618,258)	
Effect of exchange rate changes on cash and cash equivalents	(4,694)	(19)	(4,713)	
Net increase (decrease) in cash and cash equivalents	(97,934)	(10,960)	(108,894)	
Cash and cash equivalents at beginning of period	279,313	10,960	290,273	c
Cash and cash equivalents at end of period	\$ 181,379	\$ —	\$ 181,379	

TWO: *Restatement of Previously Issued Consolidated Financial Statements, continued*

For the year ended August 31, 2017

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$47.3 million reduction of net income for the year ended August 31, 2017. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the year ended August 31, 2017, above. The impact of the adjustments to the Consolidated Balance Sheets as of August 31, 2017, and 2016, resulted in certain misclassifications between line items in the Consolidated Statements of Cash Flows; however, none of the freight derivatives and related misstatements impacted the classifications between operating, investing or financing activities. Refer to descriptions of the adjustments and their impact on the Consolidated Balance Sheet in the Consolidated Balance Sheet section as of August 31, 2017, above.

Intercompany misstatements

(b) The correction of intercompany misstatements did not impact net income for the year ended August 31, 2017; however, the impact of adjustments to the Consolidated Balance Sheets as of August 31, 2017, and 2016, resulted in certain misclassification adjustments between line items in the Consolidated Statements of Cash Flows. None of the intercompany misstatements impacted the classifications between operating, investing or financing activities within the Consolidated Statements of Cash Flows.

Other misstatements

(c) The correction of other misstatements resulted in a \$9.0 million decrease of net income for the year ended August 31, 2017. Refer to further details of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the year ended August 31, 2017, above. The impact of the adjustments to the Consolidated Balance Sheets as of August 31, 2017, and 2016, resulted in certain misclassification adjustments between line items in the Consolidated Statements of Cash Flows. As a result, two misclassification adjustments were made between operating and financing activities, including a \$3.1 million reduction of notes payable resulted from a duplicative entry and the misclassification of a \$6.0 million negative cash balance associated with a timing difference for the application of in-transit cash. Refer to descriptions of the adjustments and their impact on the Consolidated Balance Sheet in the Consolidated Balance Sheet section as of August 31, 2017, above.

Additionally, an adjustment of \$11.0 million was recorded to the opening cash balance, which related to a timing difference associated with the application of in-transit cash. Refer to the Consolidated Statement of Cash Flows for the year ended August 31, 2016, below for further details.

CHS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)	FOR THE YEAR ENDED AUGUST 31, 2016			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Cash flows from operating activities:				
Net income (loss)	\$ 423,969	\$ (40,943)	\$ 383,026	a, b, c
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	447,492	—	447,492	
Amortization of deferred major repair costs	73,483	—	73,483	
Equity (income) loss from investments	(175,777)	—	(175,777)	
Distributions from equity investments	178,464	—	178,464	
Provision for doubtful accounts	57,200	—	57,200	
Unrealized (gain) loss on crack spread contingent liability	(60,931)	—	(60,931)	
Long-lived asset impairment, net of recoveries	27,247	—	27,247	
Reserve against supplier advance payments	—	—	—	
Deferred taxes	(24,178)	52,368	28,190	a, c
Other, net	(15,444)	—	(15,444)	
Changes in operating assets and liabilities, net of acquisitions:				
Receivables	46,405	(44,835)	1,570	b, c
Inventories	338,662	14,910	353,572	b, c
Derivative assets	(20,257)	50,079	29,822	a, b, c
Margin and related deposits	(37,115)	6,410	(30,705)	b, c
Supplier advance payments	44,047	(632)	43,415	b
Other current assets and other assets	120,993	7,610	128,603	a, c
Customer margin deposits and credit balances	20,841	—	20,841	
Customer advance payments	5,664	(12,743)	(7,079)	b, c
Accounts payable and accrued expenses	(129,259)	(328)	(129,587)	a, b, c
Derivative liabilities	36,283	(34,840)	1,443	a, b, c
Other liabilities	(94,291)	—	(94,291)	
Net cash provided by (used in) operating activities	1,263,498	(2,944)	1,260,554	
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(692,780)	—	(692,780)	
Proceeds from disposition of property, plant and equipment	13,417	—	13,417	
Expenditures for major repairs	(19,610)	—	(19,610)	
Investments in joint ventures and other	(2,855,218)	—	(2,855,218)	
Changes in CHS Capital notes receivable, net	(209,902)	—	(209,902)	
Financing extended to customers	(82,302)	—	(82,302)	
Payments from customer financing	35,188	—	35,188	
Other investing activities, net	64,236	—	64,236	
Net cash provided by (used in) investing activities	(3,746,971)	—	(3,746,971)	
Cash flows from financing activities:				
Proceeds from lines of credit and long-term borrowings	31,586,968	—	31,586,968	
Payments on lines of credit, long-term borrowings and capital lease obligations	(29,232,842)	—	(29,232,842)	
Mandatorily redeemable noncontrolling interest payments	(153,022)	—	(153,022)	
Preferred stock dividends paid	(163,324)	—	(163,324)	
Redemptions of equities	(23,911)	—	(23,911)	
Cash patronage dividends paid	(251,740)	—	(251,740)	
Other financing activities, net	52,067	—	52,067	
Net cash provided by (used in) financing activities	1,814,196	—	1,814,196	
Effect of exchange rate changes on cash and cash equivalents	(5,223)	—	(5,223)	
Net increase (decrease) in cash and cash equivalents	(674,500)	(2,944)	(677,444)	
Cash and cash equivalents at beginning of period	953,813	13,904	967,717	c
Cash and cash equivalents at end of period	\$ 279,313	\$ 10,960	\$ 290,273	

TWO: *Restatement of Previously Issued Consolidated Financial Statements, continued*

For the year ended August 31, 2016

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$9.9 million reduction of net income for the year ended August 31, 2016. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the year ended August 31, 2016, above. The impact of the adjustments to the Consolidated Balance Sheets as of August 31, 2016, and 2015, resulted in certain misclassification adjustments between operating activity line items in the Consolidated Statements of Cash Flows; however, none of the freight derivatives and related misstatements impacted the classifications between operating, investing or financing activities. Refer to descriptions of the adjustments and their impact on the Consolidated Balance Sheets in the Consolidated Balance Sheet section as of August 31, 2017, and 2016, above.

Intercompany misstatements

(b) The correction of intercompany misstatements did not impact net income for the year ended August 31, 2016; however, the impact of adjustments to the Consolidated Balance Sheet as of August 31, 2016, resulted in certain misclassification adjustments between operating activity line items in the Consolidated Statements of Cash Flows. None of the intercompany misstatements impacted the classifications between operating,

investing or financing activities within the Consolidated Statements of Cash Flows.

Other misstatements

(c) The correction of other misstatements resulted in a \$31.0 million decrease of net income for the year ended August 31, 2016. Refer to further details of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the year ended August 31, 2016, above. The impact of the adjustments to the Consolidated Balance Sheets as of August 31, 2016, and 2015, resulted in certain misclassification adjustments between operating activity line items within Consolidated Statements of Cash Flows and a \$2.9 million reduction of cash that resulted from a timing difference for the application of in-transit cash; however, none of the other misstatements impacted the classifications between operating, investing or financing activities. Refer to descriptions of the adjustments and their impact on the Consolidated Balance Sheets in the Consolidated Balance Sheet section as of August 31, 2017, and 2016, above.

Additionally, an adjustment of \$13.9 million was recorded to the opening cash balance, which related to a timing difference associated with the application of in-transit cash during the prior year.

Three

Receivables

Receivables as of August 31, 2018, and 2017, are as follows:

(DOLLARS IN THOUSANDS)	2018	(AS RESTATED) 2017
Trade accounts receivable	\$ 1,578,764	\$ 1,258,644
CHS Capital short-term notes receivable	569,379	164,807
Deferred purchase price receivable	—	202,947
Other	534,071	491,496
	2,682,214	2,117,894
Less allowances and reserves	221,813	225,726
Total receivables	\$ 2,460,401	\$ 1,892,168

Trade Accounts

Trade accounts receivable are initially recorded at a selling price, which approximates fair value, upon the sale of goods or services to customers. Subsequently, trade accounts receivable are carried at net realizable value, which includes an allowance for estimated uncollectible amounts. We calculate this allowance based on our history of write-offs, level of past due accounts, and our relationships with and the economic status of our customers. Receivables from related parties are disclosed in Note 17, *Related Party Transactions*.

During the third quarter of fiscal 2017, a trading partner of ours in Brazil entered bankruptcy-like proceedings under Brazilian law, resulting in a \$98.7 million increase to our accounts receivable reserve. We also recorded a reserve of approximately \$130.7 million related to supplier advance payments held by this trading partner, which is included in supplier advance payments in the Consolidated Balance Sheets. We initiated efforts to recover these losses during fiscal 2017 and we recorded a recovery of approximately \$20.8 million during the fourth quarter of fiscal 2018 within reserve and impairment charges (recoveries), net in the Consolidated Statements of Operations. We continue to pursue additional recoveries in relation to these losses; however, additional recoveries are not estimable and have not been recorded as of the date of this Annual Report on Form 10-K.

CHS Capital

Notes Receivable

CHS Capital, our wholly-owned subsidiary, has short-term notes receivable from commercial and producer borrowers. The short-term notes receivable have

maturity terms of 12 months or less and are reported at their outstanding unpaid principal balances, adjusted for the allowance of loan losses, as CHS Capital has the intent and ability to hold the applicable loans for the foreseeable future or until maturity or pay-off. The carrying value of CHS Capital short-term notes receivable approximates fair value given the notes' short-term duration and the use of market pricing adjusted for risk.

The notes receivable from commercial borrowers are collateralized by various combinations of mortgages, personal property, accounts and notes receivable, inventories and assignments of certain regional cooperative's capital stock. These loans are primarily originated in the states of Minnesota, Wisconsin and North Dakota. CHS Capital also has loans receivable from producer borrowers which are collateralized by various combinations of growing crops, livestock, inventories, accounts receivable, personal property and supplemental mortgages and are originated in the same states as the commercial notes with the addition of Michigan.

In addition to the short-term balances included in the table above, CHS Capital had long-term notes receivable, with durations of generally not more than 10 years, totaling \$203.0 million and \$17.0 million at August 31, 2018, and 2017, respectively. The long-term notes receivable are included in other assets on our Consolidated Balance Sheets. As of August 31, 2018, and 2017, the commercial notes represented 40% and 17%, respectively, and the producer notes represented 60% and 83%, respectively, of the total CHS Capital notes receivable. The increase in short-term and long-term notes receivable is the result of the activities described within the *Sale of Receivables* section below.

CHS Capital has commitments to extend credit to customers if there are no violations of any contractually established conditions. As of August 31, 2018, CHS Capital's customers have additional available credit of \$706.3 million.

Allowance for Loan Losses and Impairments

CHS Capital maintains an allowance for loan losses which is the estimate of potential incurred losses inherent in the loans receivable portfolio. In accordance with FASB ASC 450-20, *Accounting for Loss Contingencies*, and ASC 310-10, *Accounting by Creditors for Impairment of a Loan*, the allowance for loan losses consists of general and specific components. The general

THREE: *Receivables, continued*

component is based on historical loss experience and qualitative factors addressing operational risks and industry trends. The specific component relates to loans receivable that are classified as impaired. Additions to the allowance for loan losses are reflected within reserve and impairment charges (recoveries), net in the Consolidated Statements of Operations. The portion of loans receivable deemed uncollectible is charged off against the allowance. Recoveries of previously charged off amounts increase the allowance for loan losses. No significant amounts of CHS Capital notes were past due as of August 31, 2018, or August 31, 2017, and specific and general loan loss reserves related to CHS Capital notes were not material as of either date.

Interest Income

Interest income is recognized on the accrual basis using a method that computes simple interest on a daily basis. The accrual of interest on commercial loans receivable is discontinued at the time the receivable is 90 days past due unless the credit is well-collateralized and in process of collection. Past due status is based on contractual terms of the loan. Producer loans receivable are placed in non-accrual status based on estimates and analysis due to the annual debt service terms inherent to CHS Capital's producer loans. In all cases, loans are placed in nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful.

Troubled Debt Restructurings

A restructuring of a loan constitutes a troubled debt restructuring, or restructured loan, if the creditor for economic reasons related to the debtor's financial difficulties grants a concession to the debtor that it would otherwise not consider. Concessions vary by program and borrower. Concessions may include interest rate reductions, term extensions, payment deferrals, or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. When a restructured loan constitutes a troubled debt restructuring, CHS includes these loans within its impaired loans.

During the third quarter of fiscal 2017, CHS Capital concluded a transaction with a single producer borrower whereby CHS Capital obtained from the borrower title to approximately 14,000 acres of land and improvements that, prior to the transaction, was owned by the borrower and served as collateral for the outstanding loans to CHS Capital. The amount corresponding to the

fair value of the land and improvements was credited against the notes receivable from this single producer borrower. As a result of this arrangement, all remaining outstanding notes receivable balances and corresponding reserves related to this single producer borrower were removed from the balance sheet of CHS Capital, with no incremental impact to the Consolidated Statements of Operations. During the first quarter of fiscal 2018, CHS Capital sold all rights to the outstanding notes receivable which had been previously removed from the balance sheet as they were deemed uncollectible. Through this sale, we realized a small recovery in the first quarter of fiscal year 2018. As of August 31, 2018, and 2017, CHS Capital had no other significant troubled debt restructurings and no third-party borrowers that accounted for more than 10% of the total CHS Capital notes receivable.

Sale of Receivables

Receivables Securitization Facility

On June 28, 2018, we amended an existing receivables and loans securitization facility ("Securitization Facility") with certain unaffiliated financial institutions (the "Purchasers"). Under the Securitization Facility, we and certain of our subsidiaries sell trade accounts and notes receivable (the "Receivables") to Cofina Funding, LLC ("Cofina"), a wholly-owned bankruptcy-remote indirect subsidiary of CHS. Cofina in turn transfers the purchased Receivables to the Purchasers. During the period from July 2017 through the amendment of the Securitization Facility in June 2018, CHS accounted for Receivables sold under the Facility as a sale of financial assets pursuant to ASC 860, *Transfers and Servicing*, and the Receivables sold were derecognized from its Consolidated Balance Sheets. Under the terms of the amended Securitization Facility, the transfer of Receivables is accounted for as a secured borrowing. We use the proceeds from the sale of Receivables under the Securitization Facility for general corporate purposes. The Securitization Facility terminates on June 17, 2019, but may be extended.

The amount available under the Securitization Facility fluctuates over time based on the total amount of eligible Receivables generated during the normal course of business, with maximum availability of \$700.0 million. Sales of Receivables by Cofina occur continuously and are settled with the Purchasers on a monthly basis. As of August 31, 2018, and 2017, the total availability under the Securitization Facility was \$645.0 million and

\$618.0 million, respectively, of which all had been utilized. Prior to amending the Securitization Facility in June 2018, the proceeds from the sale of these Receivables were comprised of a combination of cash and a deferred purchase price (“DPP”) receivable. The DPP receivable was ultimately realized by CHS following the collection of the underlying Receivables sold to the Purchasers.

At the time of the amendment to the Securitization Facility in June 2018, \$1.0 billion of Receivables and \$634.0 million of securitized debt were recognized and a DPP receivable of \$386.9 million was removed from the Consolidated Balance Sheets. At the time of a previous amendment to the Securitization Facility in July 2017, \$1.1 billion of Receivables and \$554.0 million of securitized debt were removed from the Consolidated Balance Sheets and a DPP receivable of \$580.5 million was recognized. These amounts have been reflected as non-cash transactions in the Consolidated Statements of Cash Flows and disclosed within Note 16, *Supplemental Cash Flow and Other Information*.

Prior to its derecognition during June 2018, the fair value of the DPP receivable was determined by discounting the expected cash flows to be received based on unobservable inputs consisting of the face amount of the Receivables adjusted for anticipated credit losses. Refer to Note 14, *Fair Value Measurements*, for details related to the fair value measurement of the DPP receivable.

The following table is a reconciliation of the beginning and ending balances of the DPP receivable, including

the long-term portion included in other assets, for the years ended August 31, 2018, and 2017:

(DOLLARS IN THOUSANDS)	2018	2017
Balance—beginning of year	\$ 548,602	\$ —
Cash collections on DPP receivable	(10,961)	—
Transfer of receivables	(386,900)	580,509
Monthly settlements, net	(169,827)	(31,907)
Fair value adjustment	19,086	—
Balance—end of year	\$ —	\$ 548,602

Loan Participations

During fiscal 2018 CHS Capital sold \$64.1 million of notes receivable to numerous counterparties under a master participation agreement. The sale resulted in the removal of the notes receivable from the Consolidated Balance Sheet. CHS Capital has no retained interests in the transferred notes receivable, other than collection and administrative services. The proceeds from the sale of the notes receivable have been included in investing activities in the Consolidated Statement of Cash Flows. Fees received related to the servicing of the notes receivables are recorded in other income in the Consolidated Statements of Operations. We consider the fees received adequate compensation for services rendered, and accordingly have recorded no servicing asset or liability.

Other Receivables

Other receivables are comprised of certain other amounts recorded in the normal course of business, including receivables related to value added taxes and pre-crop financing, primarily to Brazilian farmers, to finance a portion of supplier production costs. CHS does not bear any of the costs or operational risks associated with the related growing crops. The financing is largely collateralized by future crops and physical assets of the suppliers, carries a local market interest rate and settles when the farmer’s crop is harvested and sold.

Four

Inventories

Inventories as of August 31, 2018, and 2017, are as follows:

(DOLLARS IN THOUSANDS)	2018	(AS RESTATED) 2017
Grain and oilseed	\$ 1,298,522	\$ 1,121,141
Energy	715,161	755,886
Crop nutrients	246,326	248,699
Feed and farm supplies	391,906	402,293
Processed grain and oilseed	99,426	49,723
Other	17,308	23,862
Total inventories	\$ 2,768,649	\$ 2,601,604

As of August 31, 2018, we valued approximately 16% of inventories, primarily crude oil and refined fuels within our Energy segment, using the lower of cost, determined on the LIFO method, or net realizable value (19% as of August 31, 2017). If the FIFO method of accounting had been used, inventories would have been higher than the reported amount by \$345.0 million and \$186.2 million as of August 31, 2018, and 2017, respectively.

Five

Investments

Investments as of August 31, 2018, and 2017, are as follows:

(DOLLARS IN THOUSANDS)	2018	2017
Equity method investments:		
CF Industries Nitrogen, LLC	\$ 2,735,073	\$ 2,756,076
Ventura Foods, LLC	360,150	347,016
Ardent Mills, LLC	205,898	206,529
Other equity method investments	288,016	309,767
Cost method and other investments	122,788	131,605
Total investments	\$ 3,711,925	\$ 3,750,993

Joint ventures and other investments in which we have significant ownership and influence but not control, are accounted for in our consolidated financial statements using the equity method of accounting. Our significant equity method investments consist of CF Nitrogen, Ventura Foods, and Ardent Mills, LLC ("Ardent Mills"), which are summarized below.

CF Nitrogen

On February 1, 2016, we invested \$2.8 billion in CF Nitrogen, commencing our strategic venture with CF

Industries Holdings, Inc. The investment consists of an approximate 10% membership interest (based on product tons) in CF Nitrogen. We also entered into an 80-year supply agreement that entitles us to purchase up to 1.1 million tons of granular urea and 580,000 tons of urea ammonium nitrate ("UAN") annually from CF Nitrogen for ratable delivery. Our purchases under the supply agreement are based on prevailing market prices and we receive semi-annual cash distributions (in January and July of each year) from CF Nitrogen via our membership interest. These distributions are based on actual volumes purchased from CF Nitrogen under the strategic venture and will have the effect of reducing our investment to zero over 80 years on a straight-line basis. We account for this investment using the hypothetical liquidation at book value method, recognizing our share of the earnings and losses of CF Nitrogen based upon our contractual claims on the entity's net assets pursuant to the liquidation provisions of CF Nitrogen's Limited Liability Company Agreement, adjusted for the semi-annual cash distributions. For the years ended August 31, 2018, and 2017, these amounts were \$106.9 million and \$66.5 million, respectively, and are included as equity income from investments in our Nitrogen Production segment.

The following tables provide aggregate summarized financial information for CF Nitrogen for the balance sheets as of August 31, 2018, and 2017, and the statements of operations for the twelve months ended August 31, 2018, and 2017, and the seven months ended August 31, 2016:

(DOLLARS IN THOUSANDS)	2018	2017
Current assets	\$ 576,076	\$ 394,089
Non-current assets	7,447,594	7,314,629
Current liabilities	215,104	390,206
Non-current liabilities	71	6

(DOLLARS IN THOUSANDS)	2018	2017	2016
Net sales	\$ 2,449,695	\$ 2,051,159	\$ 1,027,142
Gross profit	423,612	195,142	243,911
Net earnings	401,295	123,965	186,665
Earnings attributable to CHS Inc.	106,895	66,530	74,700

Ventura Foods and Ardent Mills

We have a 50% interest in Ventura Foods which is a joint venture that produces and distributes primarily vegetable oil-based products and we have a 12% interest in Ardent Mills, which is a joint venture with Cargill Incorporated (“Cargill”) and ConAgra Foods, Inc., which combines the North American flour milling operations of the

three parent companies. We account for Ventura Foods and Ardent Mills as equity method investments included in Corporate and Other.

The following tables provide aggregate summarized financial information for our equity method investments in Ventura Foods and Ardent Mills for balance sheets as of August 31, 2018, and 2017, and statements of operations for the twelve months ended August 31, 2018, 2017 and 2016:

(DOLLARS IN THOUSANDS)	2018	2017
Current assets	\$ 1,462,590	\$ 1,483,384
Non-current assets	2,331,295	2,358,434
Current liabilities	671,928	685,462
Non-current liabilities	693,360	765,078

(DOLLARS IN THOUSANDS)	2018	2017	2016
Net sales	\$ 5,882,035	\$ 5,762,849	\$ 5,694,622
Gross profit	601,927	673,329	677,920
Net earnings	226,776	265,126	265,025
Earnings attributable to CHS Inc.	46,069	60,716	88,936

Our investments in other equity method investees are not significant in relation to our consolidated financial statements, either individually or in the aggregate.

Property, Plant and Equipment

As of August 31, 2018, and 2017, major classes of property, plant and equipment, which include capital lease assets, consisted of the amounts in the table below.

(DOLLARS IN THOUSANDS)	2018		2017	
Land and land improvements	\$	341,767	\$	357,829
Buildings		1,034,860		1,030,478
Machinery and equipment		7,199,509		6,950,435
Office equipment and other		316,946		235,361
Construction in progress		204,207		327,682
		9,097,289		8,901,785
Less accumulated depreciation and amortization		3,955,570		3,545,351
Total property, plant and equipment	\$	5,141,719	\$	5,356,434

We have various assets under capital leases totaling \$50.0 million and \$58.2 million as of August 31, 2018, and 2017, respectively. Accumulated amortization on assets under capital leases was \$18.9 million and \$27.4 million as of August 31, 2018, and 2017, respectively.

The following is a schedule by fiscal year of future minimum lease payments under capital leases together

with the present value of the net minimum lease payments as of August 31, 2018:

(DOLLARS IN THOUSANDS)	
2019	\$ 4,845
2020	4,595
2021	4,197
2022	3,593
2023	3,427
Thereafter	7,936
Total minimum future lease payments	28,593
Less amount representing interest	3,313
Present value of net minimum lease payments	\$ 25,280

During fiscal 2017, our Ag segment recorded an impairment charge of \$30.4 million from the reduction in the fair value of agricultural assets held, which was determined using a market-based approach. In addition, our Energy segment recorded an impairment charge of \$32.7 million associated with the cancellation of a capital project during fiscal 2017. These impairments were included in the reserve and impairment charges (recoveries), net line of the Consolidated Statements of Operations.

Depreciation expense, including amortization of capital lease assets, for the years ended August 31, 2018, 2017, and 2016, was \$475.8 million, \$475.9 million and \$437.6 million, respectively.

Seven

Other Assets

Other assets as of August 31, 2018, and 2017, are as follows:

(DOLLARS IN THOUSANDS)	2018	(AS RESTATED) 2017
Goodwill	\$ 138,464	\$ 138,454
Customer lists, trademarks and other intangible assets	29,338	33,330
Notes receivable	211,986	51,586
Deferred purchase price receivable	—	345,655
Long-term derivative assets	23,084	40,897
Prepaid pension and other benefits	101,539	122,433
Capitalized major maintenance	130,780	105,006
Cash value life insurance	123,010	118,677
Other	76,128	124,343
	\$ 834,329	\$ 1,080,381

Changes in the net carrying amount of goodwill for the years ended August 31, 2018, and 2017, by segment, are as follows:

(DOLLARS IN THOUSANDS)	ENERGY	AG	CORPORATE AND OTHER	TOTAL
Balances, August 31, 2016—As previously reported	\$ 552	\$ 148,916	\$ 10,946	\$ 160,414
Cumulative restatement adjustments	—	(16,130)	—	(16,130)
Balances, August 31, 2016—As restated	552	132,786	10,946	144,284
Effect of foreign currency translation adjustments	—	352	—	352
Impairment	—	(5,542)	—	(5,542)
Other	—	(268)	(372)	(640)
Balances, August 31, 2017—As restated	\$ 552	\$ 127,328	\$ 10,574	\$ 138,454
Effect of foreign currency translation adjustments	—	10	—	10
Other	—	—	—	—
Balances, August 31, 2018	\$ 552	\$ 127,338	\$ 10,574	\$ 138,464

No goodwill has been allocated to our Nitrogen Production segment, which consists of a single investment accounted for under the equity method.

All long-lived assets, including property, plant and equipment, goodwill, investments in unconsolidated affiliates and other identifiable intangible assets, are evaluated for impairment in accordance with U.S. GAAP. Goodwill is evaluated for impairment annually as of July 31. All long-lived assets, including goodwill, are also evaluated for impairment whenever triggering events or other circumstances indicate that the carrying amount of an asset group or reporting unit may not be recoverable. No material impairments related to long-lived assets were recorded, and no goodwill impairments were identified as a result of CHS's annual goodwill analyses performed as of July 31, 2018.

During the year ended August 31, 2017, certain assets and liabilities associated with a disposal group in our Ag segment were classified as held for sale, including \$5.5 million of goodwill allocated to the disposal group on a relative fair value basis. As a result of impairment tests performed over the disposal group, impairment charges of \$78.8 million, which includes the allocated goodwill, were recorded in the reserve and impairment charges (recoveries), net line item in the Consolidated Statements of Operations for the year ended August 31, 2017. The disposal group assets were sold during the year ended August 31, 2018, and the related recoveries were recorded in the reserve and impairment charges (recoveries), net line item in the Consolidated Statements of Operations.

SEVEN: Other Assets, continued

Intangible assets subject to amortization primarily include customer lists, trademarks and non-compete agreements, and are amortized over their respective useful lives (ranging from 2 to 30 years). Information regarding intangible assets included in other assets on our Consolidated Balance Sheets is as follows:

(DOLLARS IN THOUSANDS)	AUGUST 31, 2018			AUGUST 31, 2017		
	CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET	CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET
Customer lists	\$ 40,815	\$ (13,082)	\$ 27,733	\$ 46,180	\$ (14,695)	\$ 31,485
Trademarks and other intangible assets	6,536	(4,931)	1,605	23,623	(21,778)	1,845
Total intangible assets	\$ 47,351	\$ (18,013)	\$ 29,338	\$ 69,803	\$ (36,473)	\$ 33,330

Intangible asset amortization expense for the years ended August 31, 2018, 2017, and 2016, was \$3.4 million, \$4.3 million and \$6.1 million, respectively. The estimated annual amortization expense related to intangible

assets subject to amortization for the next five years is as follows:

(DOLLARS IN THOUSANDS)	
2019	\$ 3,355
2020	3,272
2021	3,201
2022	2,989
2023	2,910
Thereafter	13,515
Total	\$ 29,242

Activity related to capitalized major maintenance costs at our refineries for the years ended August 31, 2018, 2017, and 2016, is summarized below:

(DOLLARS IN THOUSANDS)	BALANCE AT BEGINNING OF YEAR	COST DEFERRED	AMORTIZATION	BALANCE AT END OF YEAR
2018	\$ 105,006	\$ 87,460	\$ (61,686)	\$ 130,780
2017	169,054	3,010	(67,058)	105,006
2016	241,588	949	(73,483)	169,054

Eight

Notes Payable and Long-Term Debt

Our notes payable and long-term debt are subject to various restrictive requirements for maintenance of minimum consolidated net worth and other financial ratios. We were in compliance with our debt covenants as of August 31, 2018.

Notes Payable

Notes payable as of August 31, 2018, and 2017, consisted of the following:

(DOLLARS IN THOUSANDS)	WEIGHTED-AVERAGE INTEREST RATE			
	(AS RESTATED) 2018	(AS RESTATED) 2017	(AS RESTATED) 2018	(AS RESTATED) 2017
Notes payable	3.50%	2.40%	\$ 1,437,264	\$ 1,695,423
CHS Capital notes payable	2.82%	1.90%	834,932	289,740
Total notes payable			\$ 2,272,196	\$ 1,985,163

Our primary committed line of credit is a five-year, unsecured revolving credit facility with a syndication of domestic and international banks.

We maintain a series of uncommitted bilateral facilities that are renewed annually. Amounts borrowed under these short-term credit facilities are used to fund our working capital. The following table summarizes our primary lines of credit as of August 31, 2018, and 2017:

PRIMARY REVOLVING CREDIT FACILITIES (DOLLARS IN THOUSANDS)	FISCAL YEAR OF MATURITIES	TOTAL CAPACITY	BORROWINGS OUTSTANDING		INTEREST RATES
			2018	2017	
Committed Five-Year Unsecured Facility	2021	\$3,000,000	\$ —	\$480,000	LIBOR or Base Rate +0.00% to 1.45%
Uncommitted Bilateral Facilities	2019	515,000	515,000	350,000	LIBOR or Base Rate +0.00% to 1.20%

In addition to our primary revolving lines of credit, we have a three-year \$315.0 million committed revolving pre-export credit facility for CHS Agronegocio Industria e Comercio Ltda (“CHS Agronegocio”), our wholly-owned subsidiary, to provide financing for its working capital needs arising from its purchases and sales of grains, fertilizers and other agricultural products which expires in April 2020. As of August 31, 2018, the outstanding balance under the facility was \$181.1 million.

As of August 31, 2018, our wholly-owned subsidiaries, CHS Europe S.a.r.l. and CHS Agronegocio, had uncommitted lines of credit with \$454.1 million outstanding. In addition, our other international subsidiaries had lines of credit with a total of \$279.4 million outstanding as of August 31, 2018, of which \$40.5 million was collateralized.

Miscellaneous short-term notes payable totaled \$7.4 million as of August 31, 2018.

CHS Capital Notes Payable

On June 28, 2018, we amended our Securitization Facility with the Purchasers. Under the Securitization Facility, we and certain of our subsidiaries sell Receivables to Cofina, a wholly-owned bankruptcy-remote indirect subsidiary of CHS. Cofina in turn transfers the purchased Receivables to the Purchasers. During the period from July 2017 through the amendment of the Securitization Facility in June 2018, CHS accounted for Receivables sold under the Securitization Facility as a sale of financial assets pursuant to ASC 860, *Transfers and Servicing*, and the Receivables sold were derecognized from its Consolidated Balance Sheets. Under the terms of the amended Securitization Facility, the transfer of Receivables is accounted for as a secured borrowing. We use the proceeds from the sale of Receivables under the Securitization Facility for general corporate purposes. The Securitization Facility terminates on June 17, 2019, but may be extended. See Note 3, *Receivables* for additional information.

EIGHT: *Notes Payable and Long-Term Debt, continued*

CHS Capital has available credit under master participation agreements with several counterparties. Borrowings under these agreements are accounted for as secured borrowings and bear interest at variable rates ranging from 2.22% to 3.72% as of August 31, 2018. As of August 31, 2018, the total funding commitment under these agreements was \$36.0 million, of which \$6.3 million was borrowed.

CHS Capital sells loan commitments it has originated to ProPartners Financial on a recourse basis. The total outstanding commitments under the program totaled

\$180.9 million as of August 31, 2018, of which \$98.3 million was borrowed under these commitments with an interest rate of 3.22%.

CHS Capital borrows funds under short-term notes issued as part of a surplus funds program. Borrowings under this program are unsecured and bear interest at variable rates ranging from 0.10% to 1.40% as of August 31, 2018, and are due upon demand. Borrowings under these notes totaled \$69.3 million as of August 31, 2018.

Long-Term Debt

During the year ended August 31, 2018, we repaid approximately \$208 million of long-term debt consisting of scheduled debt maturities and optional prepayments. There were no new material borrowings of long-term debt during fiscal 2018. Amounts included in long-term debt on our Consolidated Balance Sheets as of August 31, 2018, and 2017, are presented in the table below.

(DOLLARS IN THOUSANDS)	2018	2017
6.18% unsecured notes \$400 million face amount, due in equal installments beginning in 2014 through 2018	\$ —	\$ 80,000
5.60% unsecured notes \$60 million face amount, due in equal installments beginning in 2012 through 2018	—	4,615
5.78% unsecured notes \$50 million face amount, due in equal installments beginning in 2014 through 2018	—	10,000
4.00% unsecured notes \$100 million face amount, due in equal installments beginning in 2017 through 2021	60,000	80,000
4.08% unsecured notes \$130 million face amount, due in 2019 (a)	129,229	130,690
4.52% unsecured notes \$160 million face amount, due in 2021 (a)	157,528	163,496
4.67% unsecured notes \$130 million face amount, due in 2023 (a)	128,577	135,792
4.39% unsecured notes \$152 million face amount, due in 2023	152,000	152,000
3.85% unsecured notes \$80 million face amount, due in 2025	80,000	80,000
3.80% unsecured notes \$100 million face amount, due in 2025	100,000	100,000
4.58% unsecured notes \$150 million face amount, due in 2025	145,213	149,293
4.82% unsecured notes \$80 million face amount, due in 2026	80,000	80,000
4.69% unsecured notes \$58 million face amount, due in 2027	58,000	58,000
4.74% unsecured notes \$95 million face amount, due in 2028	95,000	95,000
4.89% unsecured notes \$100 million face amount, due in 2031	100,000	100,000
4.71% unsecured notes \$100 million face amount, due in 2033	100,000	100,000
5.40% unsecured notes \$125 million face amount, due in 2036	125,000	125,000
Private Placement debt	1,510,547	1,643,886
5.59% unsecured term loans from cooperative and other banks, due in equal installments beginning in 2013 through 2018	—	15,000
2.25% unsecured term loans from cooperative and other banks, due in 2025(b)	366,000	430,000
Bank financing	366,000	445,000
Capital lease obligations	25,280	33,075
Other notes and contracts with interest rates from 1.30% to 15.25%	32,607	62,652
Deferred financing costs	(4,179)	(4,820)
Total long-term debt	1,930,255	2,179,793
Less current portion	167,565	156,345
Long-term portion	\$ 1,762,690	\$ 2,023,448

(a) We have entered into interest rate swaps designated as fair value hedging relationships with these notes. Changes in the fair value of the swaps are recorded each period with a corresponding adjustment to the carrying value of the debt. See Note 13, *Derivative Financial Instruments and Hedging Activities* for more information.

(b) Borrowings are variable under the agreement and bear interest at a base rate (or a LIBO rate) plus an applicable margin.

EIGHT: Notes Payable and Long-Term Debt, continued

As of August 31, 2018, the carrying value of our long-term debt approximated its fair value, which is estimated to be \$1.8 billion based on quoted market prices of similar debt (a Level 2 fair value measurement based on the classification hierarchy of ASC Topic 820, *Fair Value Measurement*). We have outstanding interest rate swaps designated as fair value hedges of select portions of our fixed-rate debt. During fiscal 2018, we recorded corresponding fair value adjustments of \$18.7 million, which are included in the amounts in the table above. See Note 13, *Derivative Financial Instruments and Hedging Activities* for additional information.

In September 2015, we entered into a 10-year term loan with a syndication of banks. The agreement provides for committed term loans in an amount up to \$600.0 million. As of August 31, 2018, \$236.0 million was outstanding under this agreement. In June 2016, we amended the 10-year term loan so that \$300.0 million of the \$600.0 million loan balance possessed a revolving feature, whereby we were able to pay down and re-advance an amount up to the referenced \$300.0 million. During fiscal 2017, we re-advanced \$130.0 million under the revolving provision of the loan. As of

August 31, 2018, \$130.0 million was outstanding under this agreement. Principal on the outstanding balances is payable in full in September 2025.

Long-term debt outstanding as of August 31, 2018, has aggregate maturities, excluding fair value adjustments and capital leases (see Note 6, *Property, Plant and Equipment* for a schedule of minimum future lease payments under capital leases), as follows:

(DOLLARS IN THOUSANDS)	
2019	\$ 162,846
2020	30,671
2021	182,472
2022	65
2023	282,065
Thereafter	1,260,570
Total	\$ 1,918,689

Interest expense for the years ended August 31, 2018, 2017, and 2016, was \$149.2 million, \$171.2 million and \$113.7 million, respectively, net of capitalized interest of \$6.7 million, \$6.9 million and \$30.3 million, respectively.

Nine

Income Taxes

The provision for (benefit from) income taxes for the years ended August 31, 2018, 2017, and 2016 is as follows:

(DOLLARS IN THOUSANDS)	2018	(AS RESTATED) 2017	(AS RESTATED) 2016
Current:			
Federal	\$ 15,576	\$ 8,394	\$ (14,536)
State	7,041	(1,787)	2,427
Foreign	20,268	6,736	3,018
	42,885	13,343	(9,091)
Deferred:			
Federal	(146,780)	(173,184)	34,753
State	(127)	(13,244)	(13,684)
Foreign	(54)	(8,039)	7,121
	(146,961)	(194,467)	28,190
Total	\$ (104,076)	\$ (181,124)	\$ 19,099

The tax expense above for fiscal 2017 and 2016 are restatements of originally filed amounts to reflect necessary tax adjustments caused by restatements to pre-tax income for the relevant periods as well as to reflect certain tax only adjustments moved to or from other years. For fiscal 2017 and 2016, the adjustments to tax expense were \$1.0 million and \$23.2 million, respectively. In addition, the disclosures of deferred tax assets for fiscal 2017 discussed below similarly reflect restatements from originally filed amounts for changes in book income and tax only adjustments to or from previous years. The net deferred tax liability for fiscal 2017 reflects a total adjustment from originally filed for \$3.7 million. All other disclosures reflect amounts after restatement.

Domestic income before income taxes was \$717.4 million, \$158.5 million, and \$473.0 million for the years ended August 31, 2018, 2017, and 2016, respectively. Foreign income before income taxes was (\$46.2) million, (\$268.7) million, and (\$70.9) million for the years ended August 31, 2018, 2017, and 2016, respectively.

On December 22, 2017, the Tax Act was enacted into law. The Tax Act provides for significant U.S. tax law changes that reduced our federal corporate statutory tax rate from 35% to 21% as of January 1, 2018. As a fiscal year-end taxpayer, our annual statutory federal corporate tax rate applicable to fiscal 2018 was a blended rate of 25.7%. Beginning in fiscal 2019, the annual statutory federal corporate tax rate will be 21%.

The Tax Act also requires companies to pay a one-time repatriation tax on certain unrepatriated earnings of foreign subsidiaries that were previously tax deferred ("transition tax") and creates new taxes on certain foreign sourced earnings. Foreign taxes have not historically had a material impact on our consolidated financial statements. The foreign impacts of the Tax Act are discussed below.

The Tax Act initially repealed the Domestic Production Activities Deduction ("DPAD") and enacted the Deduction for Qualified Business Income of Pass-Thru Entities ("QBI Deduction"); however, the Consolidated Appropriations Act, 2018 (the "Appropriations Act") enacted into law on March 23, 2018, impacted these deductions. The Appropriations Act modifies the QBI Deduction under Sec. 199A of the Tax Act to reenact DPAD for agricultural and horticultural cooperatives as it existed prior to the enactment of the Tax Act, and also modifies the QBI Deduction available to cooperative patrons as enacted by the Tax Act. All references to the Tax Act below include the modifications introduced by the Appropriations Act.

As discussed in Note 1, *Organization, Basis of Presentation and Significant Accounting Policies*, the FASB issued ASU 2018-05 during March 2018, which allows for entities to report provisional amounts for specific income tax effects associated with the Tax Act for which the accounting is not complete, but a reasonable estimate can be determined.

As of August 31, 2018, we have not finalized our work associated with the income tax effects of the enactment

of the Tax Act; however, a reasonable estimate was provisionally recorded as a net benefit of \$155.2 million from the revaluation of our U.S. net deferred tax liability that resulted from the reduced federal corporate tax rate and CHS being subject to the employee compensation deduction limitations imposed by Internal Revenue Code Section 162(m).

We have provisionally estimated that we will not have a transition tax liability; however, we continue to gather additional information and will refine that estimate, if necessary. Additionally, we continue to review the anticipated impacts of global intangible low-taxed income ("GILTI"), including whether its tax effects should be accounted for as an in-period or deferred tax expense. Due to the complexity of the GILTI tax rules and the dependency upon future results of our global operations and our global structure, we are currently unable to make a reasonable estimate of this provision and have not recorded any impact associated with GILTI in the tax rate for the year ended August 31, 2018.

Deferred taxes are comprised of basis differences related to investments, accrued liabilities and certain federal and state tax credits. Deferred tax assets and liabilities as of August 31, 2018, and 2017, are as follows:

(DOLLARS IN THOUSANDS)	2018	(AS RESTATED) 2017
Deferred tax assets:		
Accrued expenses	\$ 138,417	\$ 227,877
Postretirement health care and deferred compensation	41,797	82,682
Tax credit carryforwards	154,240	169,549
Loss carryforwards	104,519	156,615
Nonqualified equity	178,046	140,009
Major maintenance	5,484	13,011
Other	83,580	83,138
Deferred tax assets valuation reserve	(230,373)	(289,082)
Total deferred tax assets	475,710	583,799
Deferred tax liabilities:		
Pension	19,397	32,150
Investments	98,608	130,816
Property, plant and equipment	513,238	709,313
Other	26,828	40,323
Total deferred tax liabilities	658,071	912,602
Net deferred tax liabilities	\$ 182,361	\$ 328,803

We have total gross loss carry forwards of \$531.1 million, of which \$342.8 million will expire over periods ranging from fiscal 2019 to fiscal 2040. The remainder will carry

NINE: Income Taxes, continued

forward indefinitely. Based on estimates of future taxable profits and losses in certain foreign tax jurisdictions, as well as consideration of other factors, we assessed whether a valuation allowance was necessary to reduce specific foreign loss carry forwards to amounts that we believe are more likely than not to be realized as of August 31, 2018. If our estimates prove inaccurate, adjustments to the valuation allowances may be required in the future with gains or losses being charged to income in the period such determination is made. During fiscal 2018, valuation allowances related to foreign operations decreased by \$33.8 million due to net operating loss carry forwards and other timing differences. CHS McPherson Refinery Inc. (“CHS McPherson”) (formerly known as National Cooperative Refinery Association) gross state tax credit carry forwards for income tax were approximately \$121.6 million and \$172.9 million as of August 31, 2018, and 2017, respectively. During the year ended August 31, 2018, the valuation allowance for CHS McPherson decreased by \$17.0 million, net of federal tax, due to a change in the amount of state tax credits that will be available for use and estimated to be utilized. The significant decrease in state tax credit carry forwards resulted from the CHS McPherson expansion project qualifying for an alternative Kansas state credit than the credit under which the project previously qualified. CHS McPherson’s valuation allowance on Kansas state credits is necessary due to the limited amount of taxable income generated in Kansas by the combined group on an annual basis.

Our foreign tax credit of \$11.2 million was generated in fiscal 2018 and will expire in ten years. Our alternative minimum tax credit of \$6.1 million will not expire. Our general business credits of \$61.2 million, comprised primarily of low sulfur diesel credits, will begin to expire on August 31, 2027 and our state tax credits of \$121.6 million will begin to expire on August 31, 2019.

As of August 31, 2018, and 2017, net deferred tax assets of \$0.4 million and \$1.2 million were included in other assets, respectively.

The reconciliation of the statutory federal income tax rates to the effective tax rates for the years ended August 31, 2018, 2017, and 2016 is as follows:

	2018	(AS RESTATED) 2017	(AS RESTATED) 2016
Statutory federal income tax rate	25.7%	35.0%	35.0%
State and local income taxes, net of federal income tax benefit	0.7	12.1	0.3
Patronage earnings	(13.6)	91.7	(21.2)
Domestic production activities deduction	(8.4)	30.5	(12.1)
Export activities at rates other than the U.S. statutory rate	6.1	51.6	(3.0)
U.S. tax reform	(23.2)	—	—
Intercompany transfer of business assets	(6.1)	—	—
Increase in unrecognized tax benefits	6.8	—	—
Valuation allowance	(3.4)	(77.1)	25.4
Tax credits	0.7	22.8	(14.1)
Crack spread contingency	—	4.8	(5.3)
Other	(0.8)	(7.0)	(0.3)
Effective tax rate	(15.5)%	164.4%	4.7%

The primary drivers of the fiscal 2018 income tax benefit are the recognition of deferred benefits from the revaluation of our net deferred tax liability resulting from the Tax Act, the intercompany transfer of a business on December 1, 2017, and a current tax benefit from retaining a significant portion of the DPAD, which were partially offset by deferred tax expense from an increase in our unrecognized tax benefit as described below.

The components of the income tax benefit disclosed as a percentage of income (loss) before income taxes in the reconciliation of the statutory federal income tax rate for the year ended August 31, 2017, were magnified because our fiscal 2017 income tax benefit was unusually large in relation to our income (loss) before income taxes. The primary drivers of the fiscal 2017 income tax benefit were the recognition of deferred tax benefits related to the issuance of non-qualified equity certificates for fiscal 2013 and 2014, which is disclosed within ‘Patronage earnings’ and U.S. and Brazil deductions related to the Brazilian trading partner loss, which are disclosed within ‘Statutory federal income tax rate’ and ‘Export activities at rates other than the U.S. statutory

rate', respectively, as well as a current tax benefit from retaining a significant portion of the DPAD. A significant income tax expense within the fiscal 2017 income tax benefit is an increase in the valuation allowance against deferred tax assets generated in the Brazilian trading partner loss and Kansas state tax credits.

We file income tax returns in the U.S. federal jurisdiction, as well as various state and foreign jurisdictions. Our uncertain tax positions are affected by the tax years that are under audit or remain subject to examination by the relevant taxing authorities. In addition to the current year, fiscal 2007 through 2017 remain subject to examination, at least for certain issues.

We account for our income tax provisions in accordance with ASC Topic 740, *Income Taxes*, which prescribes a minimum threshold that a tax provision is required to meet before being recognized in our consolidated financial statements. This interpretation requires us to recognize in our consolidated financial statements tax positions determined more likely than not to be sustained upon examination, based on the technical merits of the position. A reconciliation of the gross beginning and ending amounts of unrecognized tax benefits for the periods presented follows:

(DOLLARS IN THOUSANDS)	2018	2017	2016
Balance at beginning of period	\$ 37,830	\$ 37,105	\$ 72,181
Additions attributable to current year tax positions	3,640	725	1,387
Additions attributable to prior year tax positions	49,665	—	—
Reductions attributable to prior year tax positions	—	—	(36,463)
Balance at end of period	\$ 91,135	\$ 37,830	\$ 37,105

Ten

Equities

In accordance with our bylaws and by action of the Board of Directors, annual net earnings from patronage sources are distributed to consenting patrons following the close of each fiscal year, and are based on amounts using financial statement earnings. The cash portion of

During fiscal 2018, adverse judicial opinions received by other taxpayers with similar filing positions resulted in an increase to our unrecognized tax benefits primarily for excise tax credits related to the blending and sale of renewable fuels deducted from income taxes. During fiscal 2017, we increased our unrecognized tax benefits for excise tax credits related to the blending and sale of renewable fuels deducted for income taxes. During fiscal 2016, we decreased our unrecognized tax benefits due to a settlement with the Internal Revenue Service and increased our unrecognized tax benefits for excise tax credits related to the blending and sale of renewable fuels deducted for income taxes.

If we were to prevail on all positions taken in relation to uncertain tax positions, \$83.3 million of the unrecognized tax benefits would ultimately benefit our effective tax rate. However, we do not believe it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

We recognize interest and penalties related to unrecognized tax benefits in our provision for income taxes. We recognized \$1.2 million for interest related to unrecognized tax benefits in our Consolidated Statement of Operations for the year ended August 31, 2018, and a related \$1.2 million interest payable on our Consolidated Balance Sheet as of August 31, 2018. No interest or penalties were recognized in our Consolidated Statements of Operations for the years ended August 31, 2017, and 2016 and no interest payable was recorded on our Consolidated Balance Sheet as of August 31, 2017.

the qualified patronage distribution, if any, is determined annually by the Board of Directors, with the balance issued in the form of qualified and/or non-qualified capital equity certificates. Total patronage distributions for fiscal 2018 are estimated to be \$420.3 million, with

TEN: *Equities, continued*

the qualified cash portion estimated to be \$75.0 million and non-qualified equity distributions of \$345.3 million. No portion of annual net earnings for fiscal 2018 will be issued in the form of qualified capital equity certificates. Patronage distributions in fiscal 2017 were \$128.8 million, with no cash portion. The actual patronage distributions and cash portion for fiscal 2016, and 2015 were \$257.5 million (\$103.9 million in cash), and \$627.2 million (\$251.7 million in cash), respectively.

Annual net earnings from patronage or other sources may be added to the unallocated capital reserve or, upon action by the Board of Directors, may be allocated to members in the form of nonpatronage equity certificates. The Board of Directors authorized, in accordance with our bylaws, that 10% of the earnings from patronage business for fiscal 2018, 2017, and 2016 be added to our capital reserves.

Redemptions of outstanding equity are at the discretion of the Board of Directors. Redemptions of capital equity certificates approved by the Board of Directors are divided into two pools, one for non-individuals (primarily member cooperatives) who may participate in an annual redemption program for qualified equities held by them and another for individual members who are eligible for equity redemptions at age 70 or upon death. Beginning with fiscal 2017 patronage (for which distributions were made in fiscal 2018), CHS's redemption policy includes a redemption program for individuals

similar to the one that was previously only available to non-individual members, subject to the CHS Board of Directors' overall discretion whether to redeem outstanding equity. In accordance with authorization from the Board of Directors, we expect total redemptions related to the year ended August 31, 2018, that will be distributed in fiscal 2019, to be approximately \$75.0 million. This amount is classified as a current liability on our August 31, 2018, Consolidated Balance Sheet. During the years ended August 31, 2018, 2017, and 2016, we redeemed in cash, outstanding owners' equities in accordance with authorization from the Board of Directors, in the amounts of \$8.8 million, \$35.3 million and \$23.9 million, respectively.

In March 2017, we redeemed approximately \$20.0 million of patrons' equities by issuing 695,390 shares of Class B Cumulative Redeemable Preferred Stock, Series 1 ("Class B Series 1 Preferred Stock"), with a total redemption value of \$17.4 million, excluding accumulated dividends. Each share of Class B Series 1 Preferred Stock was issued in redemption of \$28.74 of patrons' equities in the form of capital equity certificates. Additionally, in fiscal 2016, we redeemed approximately \$76.8 million of patrons' equities by issuing 2,693,195 shares of Class B Series 1 Preferred Stock with a total redemption value of \$67.3 million, excluding accumulated dividends. Each share of Class B Series 1 Preferred Stock was issued in redemption of \$28.50 of patrons' equities in the form of capital equity certificates.

Preferred Stock

The following is a summary of our outstanding preferred stock as of August 31, 2018, all shares of which are listed on the Global Select Market of Nasdaq:

(DOLLARS IN MILLIONS)	NASDAQ SYMBOL	ISSUANCE DATE	SHARES OUTSTANDING	REDEMPTION VALUE	NET PROCEEDS (a)	DIVIDEND RATE (b) (c)	DIVIDEND PAYMENT FREQUENCY	REDEEMABLE BEGINNING (d)
8% Cumulative Redeemable	CHSCP	(e)	12,272,003	\$306.8	\$311.2	8.00%	Quarterly	7/18/2023
Class B Cumulative Redeemable, Series 1	CHSCO	(f)	21,459,066	\$536.5	\$569.3	7.875%	Quarterly	9/26/2023
Class B Reset Rate Cumulative Redeemable, Series 2	CHSCN	3/11/2014	16,800,000	\$420.0	\$406.2	7.10%	Quarterly	3/31/2024
Class B Reset Rate Cumulative Redeemable, Series 3	CHSCM	9/15/2014	19,700,000	\$492.5	\$476.7	6.75%	Quarterly	9/30/2024
Class B Cumulative Redeemable, Series 4	CHSCL	1/21/2015	20,700,000	\$517.5	\$501.0	7.50%	Quarterly	1/21/2025

- (a) Includes patrons' equities redeemed with preferred stock.
- (b) The Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 2 accumulates dividends at a rate of 7.10% per year until March 31, 2024, and then at a rate equal to the three-month LIBOR plus 4.298%, not to exceed 8.00% per annum, subsequent to March 31, 2024.
- (c) The Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 3 accumulates dividends at a rate of 6.75% per year until September 30, 2024, and then at a rate equal to the three-month LIBOR plus 4.155%, not to exceed 8.00% per annum, subsequent to September 30, 2024.
- (d) Preferred stock is redeemable for cash at our option, in whole or in part, at a per share price equal to the per share liquidation preference of \$25.00 per share, plus all dividends accumulated and unpaid on that share to and including the date of redemption, beginning on the dates set forth in this column.
- (e) The 8% Cumulative Redeemable Preferred Stock was issued at various times from 2003 through 2010.
- (f) Shares of Class B Cumulative Redeemable Preferred Stock, Series 1 were issued on September 26, 2013, August 25, 2014, March 31, 2016 and March 30, 2017.

We made dividend payments on our preferred stock of \$168.7 million, \$167.6 million, and \$163.3 million, during the years ended August 31, 2018, 2017 and 2016, respectively. As of August 31, 2018, we have no authorized but unissued shares of preferred stock.

TEN: *Equities, continued*

Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive income (loss) by component, for the years ended August 31, 2018, 2017, and 2016 are as follows:

(DOLLARS IN THOUSANDS)	PENSION AND OTHER POSTRETIREMENT BENEFITS	UNREALIZED NET GAIN (LOSS) ON AVAILABLE FOR SALE INVESTMENTS	CASH FLOW HEDGES	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	TOTAL
Balance as of August 31, 2015, net of tax (As previously reported)	\$ (171,729)	\$ 4,156	\$ (5,324)	\$ (41,310)	\$ (214,207)
Cumulative restatement adjustments	—	—	—	1,370	1,370
Balance as of August 31, 2015, net of tax (As restated)	(171,729)	4,156	(5,324)	(39,940)	(212,837)
Other comprehensive income (loss), before tax:					
Amounts before reclassifications	(10,512)	2,447	(11,353)	(2,210)	(21,628)
Amounts reclassified out	20,998	—	5,071	469	26,538
Total other comprehensive income (loss), before tax	10,486	2,447	(6,282)	(1,741)	4,910
Tax effect	(3,903)	(947)	2,410	(1,163)	(3,603)
Other comprehensive income (loss), net of tax	6,583	1,500	(3,872)	(2,904)	1,307
Balance as of August 31, 2016, net of tax (As restated)	(165,146)	5,656	(9,196)	(42,844)	(211,530)
Other comprehensive income (loss), before tax:					
Amounts before reclassifications	25,216	7,117	1,892	(7,960)	26,265
Amounts reclassified out	26,174	—	1,742	15	27,931
Total other comprehensive income (loss), before tax	51,390	7,117	3,634	(7,945)	54,196
Tax effect	(18,688)	(2,732)	(1,392)	(214)	(23,026)
Other comprehensive income (loss), net of tax	32,702	4,385	2,242	(8,159)	31,170
Balance as of August 31, 2017, net of tax (As restated)	(132,444)	10,041	(6,954)	(51,003)	(180,360)
Other comprehensive income (loss), before tax:					
Amounts before reclassifications	7,633	21,078	1,031	(10,062)	19,680
Amounts reclassified out	21,804	(25,534)	1,704	(2,042)	(4,068)
Total other comprehensive income (loss), before tax	29,437	(4,456)	2,735	(12,104)	15,612
Tax effect	(9,371)	1,308	(195)	83	(8,175)
Other comprehensive income (loss), net of tax	20,066	(3,148)	2,540	(12,021)	7,437
Reclassification of tax effects to retained earnings	(27,957)	1,968	(1,468)	465	(26,992)
Balance as of August 31, 2018, net of tax	\$ (140,335)	\$ 8,861	\$ (5,882)	\$ (62,559)	\$ (199,915)

During fiscal 2018, we adopted ASU No. 2018-02, *Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income*. Under U.S. GAAP, the effects of tax law changes on deferred tax balances, including adjustments to deferred taxes originally recorded to accumulated other comprehensive income (loss), are recorded as a component of income tax expense. Adjusting deferred tax balances related to items originally recorded in accumulated other comprehensive income (loss) through tax expense resulted in a remaining accumulated other comprehensive income (loss) balance that was disproportionate to the amounts that would have been recorded through net income in future periods. The new guidance allowed us to reclassify \$27.0 million of disproportionate (or stranded) amounts related to the Tax Act to capital reserves.

Amounts reclassified from accumulated other comprehensive income (loss) were related to pension and other postretirement benefits, cash flow hedges, available for sale investments and foreign currency translation adjustments. Pension and other postretirement reclassifications include amortization of net actuarial loss, prior service credit and transition amounts and are recorded as cost of goods sold and marketing, general and administrative expenses (see Note 11, *Benefit Plans* for further information). Amortization related to gains or losses on cash flow hedges is recorded to interest expense. Gains or losses on the sale of available for sale investments are recorded to other income. Foreign currency translation reclassifications related to sales of businesses are recorded to gain on sale of business or reserve and impairment charges (recoveries), net.

During fiscal 2016, interest rate swaps accounted for as cash flow hedges were terminated as the issuance of the underlying debt was no longer probable. As a result, a \$3.7 million loss was reclassified from accumulated other

comprehensive loss into net income. This pre-tax loss is included as a component of interest expense in our Consolidated Statement of Operations for the year ended August 31, 2016.

Eleven

Benefit Plans

We have various pension and other defined benefit as well as defined contribution plans in which substantially all employees may participate. We also have non-qualified supplemental executive and Board retirement plans.

Financial information on changes in benefit obligation, plan assets funded and balance sheet status as of August 31, 2018, and 2017, is as follows:

	QUALIFIED PENSION BENEFITS		NON-QUALIFIED PENSION BENEFITS		OTHER BENEFITS	
	2018	2017	2018	2017	2018	2017
(DOLLARS IN THOUSANDS)						
Change in benefit obligation:						
Benefit obligation at beginning of period	\$ 806,174	\$ 812,749	\$ 25,599	\$ 32,696	\$ 31,836	\$ 36,779
Service cost	39,677	42,149	548	1,206	943	1,160
Interest cost	24,007	22,999	711	843	908	930
Actuarial (gain) loss	3,146	(10,054)	205	(5,692)	(623)	(4,650)
Assumption change	(36,515)	(17,750)	(783)	(655)	(1,612)	(775)
Plan amendments	244	—	—	—	—	—
Settlements	—	—	(4,824)	(2,131)	—	—
Benefits paid	(69,549)	(43,919)	(701)	(668)	(1,662)	(1,608)
Benefit obligation at end of period	\$ 767,184	\$ 806,174	\$ 20,755	\$ 25,599	\$ 29,790	\$ 31,836
Change in plan assets:						
Fair value of plan assets at beginning of period	\$ 875,820	\$ 883,265	\$ —	\$ —	\$ —	\$ —
Actual gain (loss) on plan assets	23,345	36,474	—	—	—	—
Company contributions	—	—	5,525	2,799	1,662	1,608
Settlements	—	—	(4,824)	(2,131)	—	—
Benefits paid	(69,549)	(43,919)	(701)	(668)	(1,662)	(1,608)
Fair value of plan assets at end of period	\$ 829,616	\$ 875,820	\$ —	\$ —	\$ —	\$ —
Funded status at end of period	\$ 62,432	\$ 69,646	\$ (20,755)	\$ (25,599)	\$ (29,790)	\$ (31,836)
Amounts recognized on balance sheet:						
Non-current assets	\$ 62,432	\$ 70,019	\$ —	\$ —	\$ —	\$ —
Accrued benefit cost:						
Current liabilities	—	—	(1,780)	(2,270)	(2,040)	(2,140)
Non-current liabilities	—	(373)	(18,975)	(23,329)	(27,750)	(29,696)
Ending balance	\$ 62,432	\$ 69,646	\$ (20,755)	\$ (25,599)	\$ (29,790)	\$ (31,836)
Amounts recognized in accumulated other comprehensive loss (pretax):						
Prior service cost (credit)	\$ 1,288	\$ 2,481	\$ (691)	\$ (660)	\$ (3,716)	\$ (4,281)
Net (gain) loss	209,606	236,232	427	953	(17,875)	(16,864)
Ending balance	\$ 210,894	\$ 238,713	\$ (264)	\$ 293	\$ (21,591)	\$ (21,145)

ELEVEN: *Benefit Plans, continued*

The accumulated benefit obligation of the qualified pension plans was \$736.2 million and \$743.5 million at August 31, 2018, and 2017, respectively. The accumulated benefit obligation of the non-qualified pension plans was \$18.6 million and \$20.6 million at August 31, 2018, and 2017, respectively.

Information for the pension plans with an accumulated benefit obligation in excess of plan assets is set forth below:

(DOLLARS IN THOUSANDS)	FOR THE YEARS ENDED AUGUST 31	
	2018	2017
Projected benefit obligation	\$ 20,755	\$ 28,177
Accumulated benefit obligation	18,586	23,221
Fair value of plan assets	—	2,203

A significant assumption for pension plan accounting is the discount rate. Historically, we have selected a discount rate each year (as of our fiscal year-end measurement date) for our plans based upon a high-quality corporate bond yield curve for which the cash flows from coupons and maturities match the year-by-year projected benefit cash flows for our pension plans. The corporate bond yield curve is comprised of high-quality fixed income debt instruments available at the measurement date. At August 31, 2016, we made the determination to use an individual spot-rate approach, discussed below. This alternative approach focuses on measuring the service cost and interest cost components of net periodic benefit cost by using individual spot rates

derived from a high-quality corporate bond yield curve and matched with separate cash flows for each future year instead of a single weighted-average discount rate approach.

As of August 31, 2016, we changed the method used to estimate the service and interest cost components of net periodic benefit cost for pension and other post-retirement benefits. This change in methodology has and is expected to continue to result in a decrease in the service and interest cost components for the pension and other post-retirement benefit costs. We historically estimated these service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. Beginning in fiscal 2017, we elected to utilize a full-yield curve approach in the determination of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. We elected to make this change to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. This change does not affect the measurement of our total benefit obligations at August 31, 2016, the net periodic cost recognized in fiscal 2016 or the ultimate benefit payment that must be made in the future. We have accounted for this change as a change in accounting estimate and, accordingly, have accounted for it on a prospective basis.

Components of net periodic benefit costs for the years ended August 31, 2018, 2017, and 2016 are as follows:

(DOLLARS IN THOUSANDS)	QUALIFIED PENSION BENEFITS			NON-QUALIFIED PENSION BENEFITS			OTHER BENEFITS		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Components of net periodic benefit costs:									
Service cost	\$ 39,677	\$ 42,149	\$ 37,533	\$ 548	\$ 1,206	\$ 1,035	\$ 943	\$ 1,160	\$ 1,412
Interest cost	24,007	22,999	30,773	711	843	1,406	908	930	1,709
Expected return on assets	(48,159)	(48,235)	(48,055)	—	—	—	—	—	—
Settlement of retiree obligations	—	—	—	(112)	(30)	—	—	—	—
Prior service cost (credit) amortization	1,437	1,540	1,606	30	19	228	(565)	(565)	(120)
Actuarial loss (gain) amortization	18,073	22,869	19,016	61	546	692	(1,224)	(798)	(464)
Net periodic benefit cost	\$ 35,035	\$ 41,322	\$ 40,873	\$ 1,238	\$ 2,584	\$ 3,361	\$ 62	\$ 727	\$ 2,537
Weighted-average assumptions to determine the net periodic benefit cost:									
Discount rate	3.80%	3.60%	4.20%	3.53%	3.28%	4.20%	3.56%	3.30%	4.20%
Expected return on plan assets	5.75%	5.75%	6.00%	N/A	N/A	N/A	N/A	N/A	N/A
Rate of compensation increase	5.08%	5.60%	4.90%	5.08%	5.60%	4.90%	N/A	N/A	N/A
Weighted-average assumptions to determine the benefit obligations:									
Discount rate	4.23%	3.80%	3.60%	4.09%	3.53%	3.28%	4.13%	3.56%	3.30%
Rate of compensation increase	5.14%	5.08%	5.60%	5.14%	5.08%	5.60%	N/A	N/A	N/A

Components of net periodic benefit costs and amounts recognized in other comprehensive income (loss) for the years ended August 31, 2018, 2017, and 2016 are as follows:

(DOLLARS IN THOUSANDS)	QUALIFIED PENSION BENEFITS			NON-QUALIFIED PENSION BENEFITS			OTHER BENEFITS		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Other comprehensive income (loss)									
Prior service cost (credit)	\$ 244	\$ —	\$ 411	\$ —	\$ —	\$ (1,044)	\$ —	\$ —	\$ (4,495)
Net actuarial loss (gain)	(8,553)	(16,044)	17,712	(578)	(6,345)	(655)	(2,234)	(5,427)	(2,290)
Amortization of actuarial loss (gain)	(18,073)	(22,869)	(19,016)	(61)	(546)	(692)	1,224	798	464
Amortization of prior service costs (credit)	(1,437)	(1,540)	(1,606)	(30)	(19)	(228)	565	565	120
Settlement of retiree obligations (a)	—	—	—	112	30	—	—	—	—
Total recognized in other comprehensive income	\$ (27,819)	\$ (40,453)	\$ (2,499)	\$ (557)	\$ (6,880)	\$ (2,619)	\$ (445)	\$ (4,064)	\$ (6,201)

(a) Reflects amounts reclassified from accumulated other comprehensive income (loss) to net earnings

ELEVEN: *Benefit Plans, continued*

The estimated amortization in fiscal 2019 from accumulated other comprehensive loss into net periodic benefit cost is as follows:

(DOLLARS IN THOUSANDS)	QUALIFIED PENSION BENEFITS	NON-QUALIFIED PENSION BENEFITS	OTHER BENEFITS
Amortization of prior service cost (credit)	\$ 190	\$ (75)	\$ (556)
Amortization of net actuarial (gain) loss	12,266	2	(1,629)

For measurement purposes, a 7.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for the year ended August 31, 2018. The rate was assumed to decrease gradually to 4.5% by 2027 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in the assumed health care cost trend rates would have the following effects:

(DOLLARS IN THOUSANDS)	1% INCREASE	1% DECREASE
Effect on total of service and interest cost components	\$ 230	\$ (200)
Effect on postretirement benefit obligation	2,400	(2,100)

We provide defined life insurance and health care benefits for certain retired employees and Board of Directors participants. The plan is contributory based on years of service and family status, with retiree contributions adjusted annually.

We did not contribute to the qualified pension plans in fiscal 2018. Based on the funded status of the qualified pension plans as of August 31, 2018, we do not believe we will be required to contribute to these plans in fiscal 2019, although we may voluntarily elect to do so. We expect to pay \$3.8 million to participants of the non-qualified pension and postretirement benefit plans during fiscal 2019.

Our retiree benefit payments, which reflect expected future service, are anticipated to be paid as follows:

(DOLLARS IN THOUSANDS)	QUALIFIED PENSION BENEFITS	NON-QUALIFIED PENSION BENEFITS	OTHER BENEFITS GROSS
2019	\$ 66,528	\$ 1,780	\$ 2,040
2020	62,320	1,670	2,260
2021	61,279	1,750	2,400
2022	62,877	2,230	2,590
2023	64,573	1,840	2,720
2024–2028	328,313	9,270	12,690

We have trusts that hold the assets for the defined benefit plans. CHS has a qualified plan committee that sets investment guidelines with the assistance of external consultants. Investment objectives for the plans' assets are as follows:

- optimization of the long-term returns on plan assets at an acceptable level of risk;
- maintenance of a broad diversification across asset classes and among investment managers; and
- focus on long-term return objectives.

Asset allocation targets promote optimal expected return and volatility characteristics given the long-term time horizon for fulfilling the obligations of the pension plans. Our pension plans' investment policy strategy is such that liabilities match assets. This is being accomplished through the asset portfolio mix by reducing volatility and de-risking the plans. The plans' target allocation percentages range between 45% and 65% for fixed income securities, and range between 35% and 55% for equity securities. An annual analysis of the risk versus the return of the investment portfolio is conducted to justify the expected long-term rate of return assumption. We generally use long-term historical return information for the targeted asset mix identified in asset and liability studies. Adjustments are made to the expected long-term rate of return assumption, when deemed necessary, based upon revised expectations of future investment performance of the overall investment markets.

The discount rate reflects the rate at which the associated benefits could be effectively settled as of the measurement date. In estimating this rate, we look at rates of return on fixed-income investments of similar duration

to the liabilities in the plans that receive high, investment-grade ratings by recognized ratings agencies.

The investment portfolio contains a diversified portfolio of investment categories, including domestic and international equities, fixed-income securities and real estate. Securities are also diversified in terms of domestic and international securities, short and

long-term securities, growth and value equities, large and small cap stocks, as well as active and passive management styles.

The committee believes that with prudent risk tolerance and asset diversification, the plans should be able to meet pension obligations in the future.

Our pension plans' recurring fair value measurements by asset category at August 31, 2018, and 2017, are presented in the tables below:

(DOLLARS IN THOUSANDS)	2018			TOTAL
	LEVEL 1	LEVEL 2	LEVEL 3	
Cash and cash equivalents	\$ 7,424	\$ —	\$ —	\$ 7,424
Equities:				
Mutual funds	692	—	—	692
Common/collective trust at net asset value (1)	—	—	—	216,962
Fixed income securities:				
Common/collective trust at net asset value (1)	—	—	—	500,637
Partnership and joint venture interests measured at net asset value (1)	—	—	—	101,954
Other assets measured at net asset value (1)	—	—	—	1,947
Total	\$ 8,116	\$ —	\$ —	\$ 829,616

(DOLLARS IN THOUSANDS)	2017			TOTAL
	LEVEL 1	LEVEL 2	LEVEL 3	
Cash and cash equivalents	\$ 9,988	\$ —	\$ —	\$ 9,988
Equities:				
Mutual funds	459	—	—	459
Common/collective trust at net asset value (1)	—	—	—	231,228
Fixed income securities:				
Common/collective trust at net asset value (1)	—	—	—	535,185
Partnership and joint venture interests measured at net asset value (1)	—	—	—	96,994
Other assets measured at net asset value (1)	—	—	—	1,966
Total	\$ 10,447	\$ —	\$ —	\$ 875,820

- (1) In accordance with ASC Topic 820-10, Fair Value Measurements, certain assets that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of net assets.

Definitions for valuation levels are found in Note 14, *Fair Value Measurements*. We use the following valuation methodologies for assets measured at fair value.

Mutual funds: Valued at quoted market prices, which are based on the net asset value of shares held by the

plan at year end. Mutual funds traded in active markets are classified within Level 1 of the fair value hierarchy. Mutual funds measured at fair value using the net asset value per share practical expedient have not been categorized in the fair value hierarchy in accordance with ASC Topic 820-10, *Fair Value Measurement*.

ELEVEN: *Benefit Plans, continued*

Common/Collective Trusts: Common/collective trusts primarily consist of equity and fixed income funds and are valued using other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risks, referenced indices, quoted prices in inactive markets, adjusted quoted prices in active markets, adjusted quoted prices on foreign equity securities that were adjusted in accordance with pricing procedures approved by the trust, etc.). Common/collective trust investments can be redeemed daily and without restriction. Redemption of the entire investment balance generally requires a 45- to 60-day notice period. The equity funds provide exposure to large, mid and small cap U.S. equities, international large and small cap equities and emerging market equities. The fixed income funds provide exposure to U.S., international and emerging market debt securities. Common/collective trusts measured at fair value using the net asset value per share practical expedient have not been categorized in the fair value hierarchy in accordance with ASC Topic 820-10, *Fair Value Measurement*.

Partnership and joint venture interests: Valued at the net asset value of shares held by the plan at year end as a practical expedient for fair value. The net asset value is based on the fair value of the underlying assets owned by the trust, minus its liabilities then divided by the number of units outstanding. Redemptions of these interests generally require a 45- to 60-day notice period. Partnerships and joint venture interests measured at fair

value using the net asset value per share practical expedient have not been categorized in the fair value hierarchy in accordance with ASC Topic 820-10, *Fair Value Measurement*.

Other assets: Other assets primarily includes real estate funds and hedge funds held in the asset portfolio of our U.S. defined benefit pension plans. Other funds measured at fair value using the net asset value per share practical expedient have not been categorized in the fair value hierarchy in accordance with ASC Topic 820-10, *Fair Value Measurement*.

We are one of approximately 400 employers that contribute to the Co-op Retirement Plan (“Co-op Plan”), which is a defined benefit plan constituting a “multiple employer plan” under the Internal Revenue Code of 1986, as amended, and a “multiemployer plan” under the accounting standards. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers;
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and
- If we choose to stop participating in the multiemployer plan, we may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Our participation in the Co-op Plan for the years ended August 31, 2018, 2017, and 2016 is outlined in the table below:

(DOLLARS IN THOUSANDS)		CONTRIBUTIONS OF CHS			SURCHARGE IMPOSED	EXPIRATION DATE OF COLLECTIVE BARGAINING AGREEMENT
PLAN NAME	EIN/PLAN NUMBER	2018	2017	2016		
Co-op Retirement Plan	01-0689331 / 001	\$1,662	\$1,653	\$ 1,862	N/A	N/A

Our contributions for the years stated above did not represent more than 5% of total contributions to the Co-op Plan as indicated in the Co-op Plan’s most recently available annual report (Form 5500).

Provisions of the Pension Protection Act of 2006 (“PPA”) do not apply to the Co-op Plan because there is a special exemption for cooperative plans if the plan is maintained by more than one employer and at least 85% of the employers are rural cooperatives or cooperative organizations owned by agricultural producers. In the

Co-op Plan, a “zone status” determination is not required, and therefore not determined. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employers. The most recent financial statements available in 2018 and 2017 are for the Co-op Plan’s year-end at March 31, 2018, and 2017, respectively. In total, the Co-op Plan was at least 80% funded on those dates based on the total plan assets and accumulated benefit obligations.

Because the provisions of the PPA do not apply to the Co-op Plan, funding improvement plans, and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

In addition to the contributions to the Co-op Plan listed above, total contributions to individually insignificant

multi-employer pension plans were immaterial in fiscal 2018, 2017, and 2016.

We have other contributory defined contribution plans covering substantially all employees. Total contributions by us to these plans were \$24.7 million, \$19.9 million and \$29.5 million, for the years ended August 31, 2018, 2017, and 2016, respectively.

Twelve

Segment Reporting

We are an integrated agricultural enterprise, providing grain, foods and energy resources to businesses and consumers on a global basis. We provide a wide variety of products and services, from initial agricultural inputs such as fuels, farm supplies, crop nutrients and crop protection products, to agricultural outputs that include grains and oilseeds, grain and oilseed processing and food products, and the production and marketing of ethanol. We define our operating segments in accordance with ASC Topic 280, *Segment Reporting*, to reflect the manner in which our chief operating decision maker, our Chief Executive Officer, evaluates performance and allocates resources in managing the business. We have aggregated those operating segments into three reportable segments: Energy, Ag and Nitrogen Production.

Our Energy segment produces and provides primarily for the wholesale distribution of petroleum products and transportation of those products. Our Ag segment purchases and further processes or resells grains and oilseeds originated by our country operations business, by our member cooperatives and by third parties; serves as a wholesaler and retailer of crop inputs; and produces and markets ethanol. Our Nitrogen Production segment consists solely of our equity method investment in CF Nitrogen, which was completed in February 2016 and which entitles us, pursuant to a supply agreement that we entered with CF Nitrogen, to purchase up to a specified annual quantity of granular urea and UAN annually from CF Nitrogen. The addition of the Nitrogen Production segment had no impact on historically reported

segment results and balances as this segment came into existence in fiscal 2016. There were no changes to the composition of our Energy or Ag segments as a result of the addition of the Nitrogen Production segment. Corporate and Other primarily represents our non-consolidated wheat milling operations and packaged food joint ventures, as well as our business solutions operations, which primarily consists of commodities hedging, financial services related to crop production, and insurance which was disposed of in May 2018. Our investment in Ventura Foods is included in our Corporate and Other category.

Corporate administrative expenses and interest are allocated to each business segment, and Corporate and Other, based on direct usage for services that can be tracked, such as information technology and legal, and other factors or considerations relevant to the costs incurred.

Many of our business activities are highly seasonal and operating results vary throughout the year. For example, in our Ag segment, our crop nutrients and country operations businesses generally experience higher volumes and income during the spring planting season and in the fall, which corresponds to harvest. Our grain marketing operations are also subject to fluctuations in volume and earnings based on producer harvests, world grain prices and demand. Our Energy segment generally experiences higher volumes and profitability in certain operating areas, such as refined products, in the summer and early fall when gasoline and diesel fuel usage is highest

TWELVE: *Segment Reporting, continued*

and is subject to global supply and demand forces. Other energy products, such as propane, may experience higher volumes and profitability during the winter heating and crop drying seasons.

Our revenues, assets and cash flows can be significantly affected by global market prices for commodities such as petroleum products, natural gas, grains, oilseeds, crop nutrients and flour. Changes in market prices for commodities that we purchase without a corresponding change in the selling prices of those products can affect revenues and operating earnings. Commodity prices are affected by a wide range of factors beyond our control, including the weather, crop damage due to disease or insects, drought, the availability and adequacy of supply, government regulations and policies, world events, and general political and economic conditions.

While our revenues and operating results are derived from businesses and operations which are wholly-owned and majority-owned, a portion of our business operations are conducted through companies in which

we hold ownership interests of 50% or less and do not control the operations. We account for these investments primarily using the equity method of accounting, wherein we record our proportionate share of income or loss reported by the entity as equity income from investments, without consolidating the revenues and expenses of the entity in our Consolidated Statements of Operations. In our Ag segment, this principally includes our 50% ownership in TEMCO. In our Nitrogen Production segment, this consists of our approximate 10% membership interest (based on product tons) in CF Nitrogen. In Corporate and Other, this principally includes our 50% ownership in Ventura Foods and our 12% ownership in Ardent Mills. See Note 5, *Investments* for more information related to CF Nitrogen, Ventura Foods and Ardent Mills.

Reconciling amounts represent the elimination of revenues between segments. Such transactions are executed at market prices to more accurately evaluate the profitability of the individual business segments.

Segment information for the years ended August 31, 2018, 2017, and 2016 is presented in the tables below.

(DOLLARS IN THOUSANDS)	ENERGY	AG	NITROGEN PRODUCTION	CORPORATE AND OTHER	RECONCILING AMOUNTS	TOTAL
For the year ended August 31, 2018:						
Revenues, including intersegment revenues	\$ 8,068,717	\$ 25,052,395	\$ —	\$ 64,516	\$ (502,281)	\$ 32,683,347
Operating earnings (loss)	390,092	95,883	(20,619)	(8,270)	—	457,086
(Gain) loss on disposal of business	(65,862)	(7,707)	—	(58,247)	—	(131,816)
Interest expense	14,627	94,256	50,499	(7,712)	(2,468)	149,202
Other (income) loss	(7,718)	(66,316)	(3,061)	(3,388)	2,468	(78,015)
Equity (income) loss from investments	(3,063)	1,392	(106,895)	(44,949)	—	(153,515)
Income (loss) before income taxes	\$ 452,108	\$ 74,258	\$ 38,838	\$ 106,026	\$ —	\$ 671,230
Intersegment revenues	\$ (479,598)	\$ (14,914)	\$ —	\$ (7,769)	\$ 502,281	\$ —
Capital expenditures	\$ 248,207	\$ 77,962	\$ —	\$ 29,243	\$ —	\$ 355,412
Depreciation and amortization	\$ 230,230	\$ 218,716	\$ —	\$ 29,104	\$ —	\$ 478,050
Total assets as of August 31, 2018	\$ 4,168,239	\$ 6,534,777	\$ 2,758,668	\$ 2,919,494	\$ —	\$ 16,381,178

(DOLLARS IN THOUSANDS)	ENERGY	AG	NITROGEN PRODUCTION	CORPORATE AND OTHER	RECONCILING AMOUNTS	TOTAL
For the year ended August 31, 2017 (As restated):						
Revenues, including intersegment revenues	\$ 6,620,680	\$ 25,738,740	\$ —	\$ 95,414	\$ (417,408)	\$ 32,037,426
Operating earnings (loss)	75,138	(268,946)	(18,430)	38,212	—	(174,026)
(Gain) loss on disposal of business	—	2,190	—	—	—	2,190
Interest expense	18,365	71,986	48,893	33,250	(1,255)	171,239
Other (income) loss	(1,164)	(65,684)	(30,534)	(3,824)	1,255	(99,951)
Equity (income) loss from investments	(3,181)	(7,277)	(66,530)	(60,350)	—	(137,338)
Income (loss) before income taxes	\$ 61,118	\$ (270,161)	\$ 29,741	\$ 69,136	\$ —	\$ (110,166)
Intersegment revenues	\$ (392,842)	\$ (20,312)	\$ —	\$ (4,254)	\$ 417,408	\$ —
Capital expenditures	\$ 260,543	\$ 146,139	\$ —	\$ 37,715	\$ —	\$ 444,397
Depreciation and amortization	\$ 223,229	\$ 232,443	\$ —	\$ 24,551	\$ —	\$ 480,223
Total assets as of August 31, 2017	\$ 4,290,618	\$ 6,359,058	\$ 2,781,610	\$ 2,387,636	\$ —	\$ 15,818,922

(DOLLARS IN THOUSANDS)	ENERGY	AG	NITROGEN PRODUCTION	CORPORATE AND OTHER	RECONCILING AMOUNTS	TOTAL
For the year ended August 31, 2016 (As restated):						
Revenues, including intersegment revenues	\$ 5,743,882	\$ 24,896,354	\$ —	\$ 92,725	\$ (377,701)	\$ 30,355,260
Operating earnings (loss)	246,105	36,649	(6,193)	15,882	—	292,443
Interest expense	(22,244)	82,085	34,437	30,647	(11,221)	113,704
Other (income) loss	(287)	(53,044)	—	(5,499)	11,221	(47,609)
Equity (income) loss from investments	(4,739)	(7,644)	(74,700)	(88,694)	—	(175,777)
Income (loss) before income taxes	\$ 273,375	\$ 15,252	\$ 34,070	\$ 79,428	\$ —	\$ 402,125
Intersegment revenues	\$ (335,003)	\$ (40,336)	\$ —	\$ (2,362)	\$ 377,701	\$ —
Capital expenditures	\$ 376,841	\$ 260,865	\$ —	\$ 55,074	\$ —	\$ 692,780
Depreciation and amortization	\$ 193,525	\$ 230,172	\$ —	\$ 23,795	\$ —	\$ 447,492

TWELVE: Segment Reporting, continued

We have international sales, which are predominantly in our Ag segment. The following table presents our sales, based on the geographic locations in which the sales originated, for the years ended August 31, 2018, 2017, and 2016:

(DOLLARS IN THOUSANDS)	2018	(AS RESTATED) 2017	(AS RESTATED) 2016
North America	\$ 29,475,724	\$ 29,068,842	\$ 26,571,367
South America	1,569,330	1,441,316	1,847,284
Europe, the Middle East and Africa (EMEA)	536,501	652,308	878,407
Asia Pacific (APAC)	1,101,792	874,960	1,058,202
Total	\$ 32,683,347	\$ 32,037,426	\$ 30,355,260

Included in North American revenues are revenues from the United States of \$29.5 billion, \$29.0 billion and \$26.5 billion for the years ended August 31, 2018, 2017, and 2016, respectively.

Long-lived assets include our property, plant and equipment, capital lease assets and capitalized major maintenance costs. The following table presents long-lived assets by geographical region:

(DOLLARS IN THOUSANDS)	2018	2017
United States	\$ 5,185,572	\$ 5,359,270
International	86,927	102,170
Total	\$ 5,272,499	\$ 5,461,440

Thirteen

Derivative Financial Instruments and Hedging Activities

Our derivative instruments primarily consist of commodity and forward contracts and, to a minor degree, may include foreign currency and interest rate swap contracts. These contracts are economic hedges of price risk, but we do not apply hedge accounting under ASC Topic 815, *Derivatives and Hedging*, except with respect to certain interest rate swap contracts which are accounted for as cash flow hedges or fair value hedges as described below. Derivative instruments are recorded on our Consolidated Balance Sheets at fair value as described in Note 14, *Fair Value Measurements*.

The following tables present the gross fair values of derivative assets, derivative liabilities, and margin deposits (cash collateral) recorded on our Consolidated Balance Sheets along with the related amounts permitted to be offset in accordance with U.S. GAAP. We have elected not to offset derivative assets and liabilities when we have the right of offset under ASC Topic 210-20, *Balance Sheet—Offsetting*; or when the instruments are subject to master netting arrangements under ASC Topic 815-10-45, *Derivatives and Hedging—Overall*.

(DOLLARS IN THOUSANDS)	AUGUST 31, 2018			
	AMOUNTS NOT OFFSET ON THE CONSOLIDATED BALANCE SHEET BUT ELIGIBLE FOR OFFSETTING			
	GROSS AMOUNTS RECOGNIZED	CASH COLLATERAL	DERIVATIVE INSTRUMENTS	NET AMOUNTS
Derivative Assets:				
Commodity derivatives	\$ 313,033	\$ —	\$ 26,781	\$ 286,252
Foreign exchange derivatives	15,401	—	8,703	6,698
Embedded derivative asset	23,595	—	—	23,595
Total	\$ 352,029	\$ —	\$ 35,484	\$ 316,545
Derivative Liabilities:				
Commodity derivatives	\$ 421,054	\$ 12,983	\$ 26,781	\$ 381,290
Foreign exchange derivatives	24,701	—	8,703	15,998
Total	\$ 445,755	\$ 12,983	\$ 35,484	\$ 397,288

(DOLLARS IN THOUSANDS)	AUGUST 31, 2017 (AS RESTATED)			
	AMOUNTS NOT OFFSET ON THE CONSOLIDATED BALANCE SHEET BUT ELIGIBLE FOR OFFSETTING			
	GROSS AMOUNTS RECOGNIZED	CASH COLLATERAL	DERIVATIVE INSTRUMENTS	NET AMOUNTS
Derivative Assets:				
Commodity derivatives	\$ 215,349	\$ —	\$ 34,912	\$ 180,437
Foreign exchange derivatives	8,779	—	3,636	5,143
Embedded derivative asset	25,533	—	—	25,533
Total	\$ 249,661	\$ —	\$ 38,548	\$ 211,113
Derivative Liabilities:				
Commodity derivatives	\$ 293,330	\$ 3,898	\$ 34,912	\$ 254,520
Foreign exchange derivatives	19,931	—	3,636	16,295
Total	\$ 313,261	\$ 3,898	\$ 38,548	\$ 270,815

Derivative assets and liabilities with maturities of less than 12 months are recorded in derivative assets and derivative liabilities, respectively, on the Consolidated Balance Sheets. Derivative assets and liabilities with maturities greater than 12 months are recorded in other assets and other liabilities, respectively, on the Consolidated Balance Sheets. The amount of long-term derivative assets, excluding derivatives accounted for as fair value hedges, recorded on the Consolidated Balance Sheet at August 31, 2018, and 2017, was \$23.1 million and \$30.9 million, respectively. The amount of long-term derivative liabilities, excluding derivatives accounted for as fair value hedges, recorded on the Consolidated Balance Sheet at August 31, 2018, and 2017, was \$7.9 million and \$12.3 million, respectively.

Derivatives Not Designated as Hedging Instruments

The majority of our derivative instruments have not been designated as hedging instruments. The following table sets forth the pretax gains (losses) on derivatives not accounted for as hedging instruments that have been included in our Consolidated Statements of Operations for the years ended August 31, 2018, 2017, and 2016.

THIRTEEN: *Derivative Financial Instruments and Hedging Activities, continued*

(DOLLARS IN THOUSANDS)	LOCATION OF GAIN (LOSS)	2018	(AS RESTATED) 2017	(AS RESTATED) 2016
Commodity derivatives	Cost of goods sold	\$ 162,321	\$ 168,569	\$ (67,014)
Foreign exchange derivatives	Cost of goods sold	(26,010)	(13,140)	(10,904)
Foreign exchange derivatives	Marketing, general and administrative	596	(1,604)	(97)
Interest rate derivatives	Interest expense	(1)	8	(6,292)
Embedded derivative	Other income (loss)	3,061	30,533	—
Total		\$ 139,967	\$ 184,366	\$ (84,307)

Commodity Contracts:

When we enter a commodity purchase or sales commitment, we are exposed to risks related to price changes and performance including delivery, quality, quantity and shipment period. If market prices decrease, we are exposed to risk of loss in the market value of inventory and purchase contracts with a fixed or partially fixed price. Conversely, we are exposed to risk of loss on our fixed or partially fixed price sales contracts if market prices increase.

Our use of hedging reduces the exposure to price volatility by protecting against adverse short-term price movements, but it also limits the benefits of favorable short-term price movements. To reduce the price risk associated with fixed price commitments, we generally enter into commodity derivative contracts, to the extent practical, to achieve a net commodity position within the formal position limits we have established and deemed prudent for each commodity. These contracts are primarily transacted on regulated commodity futures exchanges but may also include over-the-counter derivative instruments when deemed appropriate. For commodities where there is no liquid derivative contract, risk is managed using forward sales contracts, other pricing arrangements and, to some extent, futures contracts in highly correlated commodities. These contracts are economic hedges of price risk, but are not designated as hedging instruments for accounting purposes. The contracts are recorded on our Consolidated Balance Sheets at fair values based on quotes listed on regulated commodity exchanges or the market prices of the underlying products listed on the exchanges, except that fertilizer and certain propane contracts are accounted for as normal purchase and normal sales transactions. Unrealized gains and losses on these contracts are recognized in cost of goods sold in our Consolidated Statements of Operations.

When a futures position is established, initial margin must be deposited with the applicable exchange or broker. The amount of margin required varies by commodity and is set by the applicable exchange at its sole discretion. If the market price relative to a short futures position increases, an additional margin deposit would be required. Similarly, a margin deposit would be required if the market price relative to a long futures position decreases. Conversely, if the market price increases relative to a long futures position or decreases relative to a short futures position, margin deposits may be returned by the applicable exchange or broker.

Our policy is to manage our commodity price risk exposure according to internal policies and in alignment with our tolerance for risk. Our profitability from operations is primarily derived from margins on products sold and grain merchandised, not from hedging transactions. At any one time, inventory and purchase contracts for delivery to us may be substantial. We have risk management policies that include established net position limits. These limits are defined for each commodity and business unit, and may include both trader and management limits as appropriate. The limits policy is managed within each individual business unit to ensure any limits overage is explained and exposures reduced, or a temporary limit increase is established if needed. The position limits are reviewed, at least annually, with senior leadership and the Board of Directors. We monitor current market conditions and may expand or reduce our net position limits in response to changes in those conditions. In addition, all purchase and sales contracts are subject to credit approvals and appropriate terms and conditions.

The use of hedging instruments does not protect against nonperformance by counterparties to cash contracts. We evaluate counterparty exposure by reviewing contracts and adjusting the values to reflect potential

nonperformance. Risk of nonperformance by counterparties includes the inability to perform because of a counterparty's financial condition and the risk that the counterparty will refuse to perform on a contract during periods of price fluctuations where contract prices are significantly different than the current market prices. We manage these risks by entering into fixed price purchase and sales contracts with preapproved producers and by establishing appropriate limits for individual suppliers. Fixed price contracts are entered into with customers of acceptable creditworthiness, as internally evaluated. Regarding our use of derivatives, we primarily transact in exchange traded instruments or enter into over-the-counter derivatives that clear through a designated clearing organization, which limits our counterparty exposure relative to hedging activities. Historically, we have not experienced significant events of nonperformance on open contracts. Accordingly, we only adjust the estimated fair values of specifically identified contracts for nonperformance. Although we have established policies and procedures, we make no assurances that historical nonperformance experience will carry forward to future periods.

As of August 31, 2018, and 2017, we had outstanding commodity futures and options contracts that were used as economic hedges, as well as fixed-price forward contracts related to physical purchases and sales of commodities. The table below presents the notional volumes for all outstanding commodity contracts accounted for as derivative instruments.

(UNITS IN THOUSANDS)	2018		(AS RESTATED) 2017	
	LONG	SHORT	LONG	SHORT
Grain and oilseed—bushels	715,866	929,873	569,243	767,110
Energy products—barrels	17,011	8,329	15,072	18,252
Processed grain and oilseed—tons	1,064	2,875	299	2,347
Crop nutrients—tons	11	76	9	15
Ocean freight—metric tons	227	45	160	198
Natural gas—MMBtu	610	—	500	—

Foreign Exchange Contracts

We conduct a substantial portion of our business in U.S. dollars, but we are exposed to risks relating to foreign currency fluctuations primarily due to grain marketing

transactions in South America, the Asia Pacific region, and Europe, and purchases of products from Canada. We use foreign currency derivative instruments to mitigate the impact of exchange rate fluctuations. Although CHS has some risk exposure relating to foreign currency transactions, a larger impact with exchange rate fluctuations is the ability of foreign buyers to purchase U.S. agricultural products and the competitiveness of U.S. agricultural products compared to the same products offered by alternative sources of world supply. The notional amounts of our foreign exchange derivative contracts were \$988.8 million and \$776.7 million as of August 31, 2018, and August 31, 2017, respectively.

Embedded Derivative Asset

Under the terms of our strategic investment in CF Nitrogen, if CF Industries' credit rating is reduced below certain levels by two of three specified credit ratings agencies, we are entitled to receive a non-refundable annual payment of \$5.0 million from CF Industries. These payments will continue on an annual basis until the date that CF Industries' credit rating is upgraded to or above certain levels by two of the three specified credit ratings agencies or February 1, 2026, whichever is earlier.

During the first quarter of fiscal 2017, CF Industries' credit rating was reduced below the specified levels and we recorded a gain of \$29.1 million in other income (loss) in our Consolidated Statement of Operations and received a \$5.0 million payment from CF Industries. A total gain of \$30.5 million was recognized in relation to the embedded credit derivative during fiscal 2017. During fiscal 2018, we received a second \$5.0 million payment from CF Industries. The fair value of the embedded derivative asset recorded on our Consolidated Balance Sheet as of August 31, 2018, was equal to \$23.6 million. The current and long-term portions of the embedded derivative asset are included in derivative assets and other assets on our Consolidated Balance Sheet, respectively. See Note 14, *Fair Value Measurements* for additional information regarding the valuation of the embedded derivative asset.

Derivatives Designated as Cash Flow or Fair Value Hedging Strategies

Fair Value Hedges

As of August 31, 2018, and 2017, we had outstanding interest rate swaps with an aggregate notional amount

THIRTEEN: *Derivative Financial Instruments and Hedging Activities, continued*

of \$495.0 million designated as fair value hedges of portions of our fixed-rate debt that is due between fiscal 2019 and fiscal 2025. Our objective in entering into these transactions is to offset changes in the fair value of the debt associated with the risk of variability in the three-month U.S. dollar LIBOR interest rate (“LIBOR”), in essence converting the fixed-rate debt to variable-rate

debt. Under these interest rate swaps, we receive fixed-rate interest payments and make interest payments based on the three-month LIBOR. Offsetting changes in the fair values of both the swap instruments and the hedged debt are recorded contemporaneously each period and only create an impact to earnings to the extent that the hedge is ineffective.

The following table presents the fair value of our derivative interest rate swap instruments designated as fair value hedges and the line items on our Consolidated Balance Sheets in which they are recorded as of August 31, 2018, and 2017.

BALANCE SHEET LOCATION (DOLLARS IN THOUSANDS)	2018		2017		BALANCE SHEET LOCATION (DOLLARS IN THOUSANDS)	2018		2017	
	DERIVATIVE ASSETS		DERIVATIVE ASSETS			DERIVATIVE LIABILITIES		DERIVATIVE LIABILITIES	
Derivative assets	\$ —	\$ —	—	—	Derivative liabilities	\$ 771	\$ —	—	—
Other assets	—	9,978	—	—	Other liabilities	8,681	707	—	—
Total	\$ —	\$ 9,978	—	—	Total	\$ 9,452	\$ 707	—	—

The following table sets forth the pretax gains (losses) on derivatives accounted for as hedging instruments that have been included in our Consolidated Statements of Operations for the years ended August 31, 2018, 2017, and 2016.

GAIN (LOSS) ON FAIR VALUE HEDGING RELATIONSHIPS: (DOLLARS IN THOUSANDS)	LOCATION OF GAIN (LOSS)	2018			2017			2016		
Interest rate swaps	Interest expense	\$ 18,723	\$ 12,806	\$ (9,842)						
Hedged item	Interest expense	(18,723)	(12,806)	9,842						
Total		\$ —	\$ —	\$ —						

The following table provides the location and carrying amount of hedged liabilities in our Consolidated Balance Sheets as of August 31, 2018, and 2017.

BALANCE SHEET LOCATION (DOLLARS IN THOUSANDS)	AUGUST 31, 2018		AUGUST 31, 2017	
	CARRYING AMOUNT OF HEDGED LIABILITIES	CUMULATIVE AMOUNT OF FAIR VALUE HEDGING ADJUSTMENTS INCLUDED IN THE CARRYING AMOUNT OF HEDGED LIABILITIES	CARRYING AMOUNT OF HEDGED LIABILITIES	CUMULATIVE AMOUNT OF FAIR VALUE HEDGING ADJUSTMENTS INCLUDED IN THE CARRYING AMOUNT OF HEDGED LIABILITIES
Long-term debt	\$ 485,548	\$ 9,452	\$ 504,271	\$ (9,271)

Cash Flow Hedges

In the fourth quarter of fiscal 2018, our Energy segment entered into pay-fixed, receive-variable, cash-settled swaps designated as cash flow hedges of future crude oil purchases. We also entered into pay-variable, receive-fixed, cash-settled swaps designated as cash flow hedges of future refined product sales. These hedging instruments and the related hedged items are exposed to significant market price risk and potential volatility. As part of our risk management strategy, we look to hedge a portion of our expected future crude oil needs and the resulting refined product output based

on prevailing futures prices, management’s expectations about future commodity price changes and our risk appetite. As of August 31, 2018, the notional amount, the fair value and the amounts recorded in other comprehensive income relating to these cash flow hedges were immaterial. There were no outstanding cash flow hedges as of August 31, 2017.

In fiscal 2015, we entered into forward-starting interest rate swaps with an aggregate notional amount of \$300.0 million designated as cash flow hedges of the expected variability of future interest payments on our

anticipated issuance of fixed-rate debt. During the first quarter of fiscal 2016, we determined that certain of the anticipated debt issuances would be delayed; and we consequently recorded an immaterial amount of losses on the ineffective portion of the related swaps in earnings. Additionally, we paid \$6.4 million in cash to settle two of the interest rate swaps upon their scheduled termination dates. During the second quarter of fiscal 2016, we settled an additional two interest rate swaps, paying \$5.3 million in cash upon their scheduled termination. In January 2016, we issued the fixed-rate debt associated with these swaps and will amortize the amounts which were previously deferred to other comprehensive income into earnings over the life of the debt. The amounts to be included in earnings are not expected to be material during any 12-month period. During the third

quarter of fiscal 2016, we settled the remaining two interest rate swaps, paying \$5.1 million in cash upon their scheduled termination. We did not issue additional fixed-rate debt as previously planned, and we reclassified all amounts previously recorded to other comprehensive income into earnings.

The following table presents the pretax gains (losses) recorded in other comprehensive income relating to cash flow hedges for the years ended August 31, 2018, 2017, and 2016:

(DOLLARS IN THOUSANDS)	2018	2017	2016
Interest rate derivatives	\$ 178	\$ —	\$ (10,070)

The following table presents the pretax gains (losses) relating to cash flow hedges that were reclassified from accumulated other comprehensive loss into income for the years ended August 31, 2018, 2017, and 2016:

(DOLLARS IN THOUSANDS)	LOCATION OF GAIN (LOSS)	2018	2017	2016
Interest rate derivatives	Interest expense	\$ (1,704)	\$ (1,742)	\$ (5,071)

Fourteen

Fair Value Measurements

ASC Topic 820, *Fair Value Measurement* defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

We determine fair values of derivative instruments and certain other assets, based on the fair value hierarchy established in ASC Topic 820, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. ASC Topic 820 describes three levels within its hierarchy that may be used to

measure fair value, and our assessment of relevant instruments within those levels is as follows:

Level 1: Values are based on unadjusted quoted prices in active markets for identical assets or liabilities. These assets and liabilities include exchange-traded derivative instruments, Rabbi Trust investments, deferred compensation investments and available-for-sale investments.

Level 2: Values are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. These assets and liabilities include interest rate, foreign exchange, and commodity swaps; forward commodity contracts with a fixed price component; and other OTC derivatives whose value is determined with inputs that are based on

FOURTEEN: Fair Value Measurements, continued

exchange traded prices, adjusted for location specific inputs that are primarily observable in the market or can be derived principally from, or corroborated by, observable market data.

Level 3: Values are generated from unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities. These unobservable inputs would reflect our own estimates of assumptions that market participants would use in pricing related assets or liabilities. Valuation techniques might include the use of pricing models, discounted cash flow models or similar techniques.

The following tables present assets and liabilities, included on our Consolidated Balance Sheets, that are recognized at fair value on a recurring basis, and indicate the fair value hierarchy utilized to determine these fair values. Assets and liabilities are classified, in their entirety, based on the lowest level of input that is a significant component of the fair value measurement. The lowest level of input is considered Level 3. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels.

Recurring fair value measurements at August 31, 2018, and 2017, are as follows:

(DOLLARS IN THOUSANDS)	2018			TOTAL
	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	
Assets:				
Commodity derivatives	\$ 54,487	\$ 259,359	\$ —	\$ 313,846
Foreign currency derivatives	—	15,401	—	15,401
Deferred compensation assets	39,073	—	—	39,073
Embedded derivative asset	—	23,595	—	23,595
Other assets	5,334	—	—	5,334
Total	\$ 98,894	\$ 298,355	\$ —	\$ 397,249
Liabilities:				
Commodity derivatives	\$ 31,778	\$ 389,911	\$ —	\$ 421,689
Foreign currency derivatives	—	24,701	—	24,701
Interest rate swap derivatives	—	9,452	—	9,452
Total	\$ 31,778	\$ 424,064	\$ —	\$ 455,842

(DOLLARS IN THOUSANDS)	2017 (AS RESTATED)				TOTAL
	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)		
Assets:					
Commodity derivatives	\$ 48,483	\$ 166,866	\$ —	\$ —	\$ 215,349
Foreign currency derivatives	—	8,779	—	—	8,779
Interest rate swap derivatives	—	9,978	—	—	9,978
Deferred compensation assets	52,414	—	—	—	52,414
Deferred purchase price receivable	—	—	548,602	—	548,602
Embedded derivative	—	25,533	—	—	25,533
Other assets	14,846	—	—	—	14,846
Total	\$ 115,743	\$ 211,156	\$ 548,602	\$ —	\$ 875,501
Liabilities:					
Commodity derivatives	\$ 31,190	\$ 262,140	\$ —	\$ —	\$ 293,330
Foreign currency derivatives	—	19,931	—	—	19,931
Interest rate swap derivatives	—	707	—	—	707
Total	\$ 31,190	\$ 282,778	\$ —	\$ —	\$ 313,968

Commodity and foreign currency derivatives—Exchange-traded futures and options contracts are valued based on unadjusted quoted prices in active markets and are classified within Level 1. Our forward commodity purchase and sales contracts with fixed-price components, select ocean freight contracts and other OTC derivatives are determined using inputs that are generally based on exchange traded prices and/or recent market bids and offers, adjusted for location specific inputs, and are classified within Level 2. The location specific inputs are driven by local market supply and demand, and are generally based on broker or dealer quotations, or market transactions in either the listed or OTC markets. Changes in the fair values of these contracts are recognized in our Consolidated Statements of Operations as a component of cost of goods sold.

Interest rate swap derivatives—Fair values of our interest rate swap derivatives are determined utilizing valuation models that are widely accepted in the market to value these OTC derivative contracts. The specific terms of the contracts, as well as market observable inputs, such as interest rates and credit risk assumptions, are factored into the models. As all significant inputs are market observable, all interest rate swaps are classified within Level 2. Changes in the fair values of contracts not designated as hedging instruments for accounting purposes are recognized in our Consolidated Statements of

Operations as a component of interest expense. See Note 13, *Derivative Financial Instruments and Hedging Activities* for additional information about interest rates swaps designated as fair value and cash flow hedges.

Deferred compensation and other assets—Our deferred compensation investments, Rabbi Trust assets and available-for-sale investments in common stock of other companies are valued based on unadjusted quoted prices on active exchanges and are classified within Level 1. Changes in the fair values of these other assets are primarily recognized in our Consolidated Statements of Operations as a component of marketing, general and administrative expenses.

Embedded derivative asset—The embedded derivative asset relates to contingent payments inherent to our investment in CF Nitrogen. The inputs used in the fair value measurement include the probability of future upgrades and downgrades of CF Industries' credit rating based on historical credit rating movements of other public companies and the discount rates applied to potential annual payments based on applicable historical and current yield coupon rates. Based on these observable inputs, our fair value measurement is classified within Level 2. See Note 13, *Derivative Financial Instruments and Hedging Activities* for additional information.

FOURTEEN: *Fair Value Measurements, continued*

Deferred purchase price receivable—As described in Note 3, *Receivables* our Securitization Facility was amended during fiscal 2018 such that no DPP receivable remained as of August 31, 2018. The fair value of the DPP receivable as of August 31, 2017, was included in receivables, net and other assets, and was determined by discounting the expected cash flows to be received. The

expected cash flows were primarily based on unobservable inputs consisting of the face amount of the Receivables adjusted for anticipated credit losses. Due to the use of significant unobservable inputs in the pricing model, including management's assumptions related to anticipated credit losses, the DPP receivable was classified as a Level 3 fair value measurement. A reconciliation of the DPP receivable for the years ended August 31, 2018, and 2017, is included in Note 3, *Receivables*.

Fifteen

Commitments and Contingencies

Environmental

We are required to comply with various environmental laws and regulations incidental to our normal business operations. To meet our compliance requirements, we establish reserves for the probable future costs of remediation of identified issues, which are included in cost of goods sold and marketing, general and administrative in our Consolidated Statements of Operations. The resolution of any such matters may affect consolidated net income for any fiscal period; however, we believe any resulting liabilities, individually or in the aggregate, will not have a material effect on our consolidated financial position, results of operations or cash flows during any fiscal year.

Other Litigation and Claims

We are involved as a defendant in various lawsuits, claims and disputes, which are in the normal course of our business. The resolution of any such matters may affect consolidated net income for any fiscal period; however, we believe any resulting liabilities, individually or in the aggregate, will not have a material effect on our consolidated financial position, results of operations or cash flows during any fiscal year.

Guarantees

We are a guarantor for lines of credit and performance obligations of related, non-consolidated companies. Our bank covenants allow maximum guarantees of \$1.0 billion, of which \$122.3 million were outstanding on August 31, 2018. We have collateral for a portion of these contingent obligations. We have not recorded a liability

related to the contingent obligations as we do not expect to pay out any cash related to them, and the fair values are considered immaterial. The underlying loans to the counterparties for which we provide these guarantees are current as of August 31, 2018.

Credit Commitments

CHS Capital has commitments to extend credit to customers if there is no violation of any condition established in the contracts. As of August 31, 2018, CHS Capital's customers have additional available credit of \$706.3 million.

Lease Commitments

We lease certain property, plant and equipment used in our operations under both capital and operating lease agreements. Many leases contain renewal options and escalation clauses. Our operating leases, which are primarily for rail cars, equipment, vehicles and office space have remaining terms of one to 19 years. Total rental expense for operating leases was \$88.5 million, \$81.3 million and \$74.7 million for the years ended August 31, 2018, 2017, and 2016, respectively.

On November 30, 2017, we completed a sale-leaseback transaction for our primary corporate office building located in Inver Grove Heights, Minnesota. Simultaneous with the closing of the sale of the building we entered into a 20-year operating lease arrangement with respect to the building, with base annual rent of approximately \$3.4 million during the first year, followed by annual

increases of 2% through the remainder of the lease period.

We lease certain rail cars, equipment, vehicles and other assets under capital lease arrangements. These assets are included in property, plant and equipment on our Consolidated Balance Sheets while the corresponding capital lease obligations are included in long-term debt. See Note 6, *Property, Plant and Equipment* and Note 8, *Notes Payable and Long-Term Debt* for more information about capital leases.

Minimum future lease payments required under noncancelable operating leases as of August 31, 2018, are as follows:

(DOLLARS IN THOUSANDS)	
2019	\$ 103,800
2020	50,653
2021	41,428
2022	29,733
2023	22,648
Thereafter	103,800
Total minimum future lease payments	<u>\$ 352,062</u>

Unconditional Purchase Obligations

Unconditional purchase obligations are commitments to transfer funds in the future for fixed or minimum amounts or quantities of goods or services at fixed or minimum prices. Our long-term unconditional purchase obligations primarily relate to pipeline and grain handling take-or-pay and through-put agreements and are not recorded on our Consolidated Balance Sheets. As of August 31, 2018, minimum future payments required under long-term commitments that are noncancelable, and that third parties have used to secure financing for the facilities that will provide the contracted goods, are as follows:

(DOLLARS IN THOUSANDS)	PAYMENTS DUE BY PERIOD						
	TOTAL	2019	2020	2021	2022	2023	THEREAFTER
Long-term unconditional purchase obligations	\$ 639,010	\$ 54,631	\$ 57,152	\$ 57,523	\$ 57,947	\$ 58,372	\$ 353,385

Total payments under these arrangements were \$61.4 million, \$70.5 million and \$88.0 million for the years ended August 31, 2018, 2017, and 2016, respectively.

Gain Contingency

As of August 31, 2018, a gain contingency resulted from applying ASC Topic 450-30, *Gain Contingencies*, to the facts and circumstances surrounding the potential for certain excise tax credits associated with manufacturing changes within our Energy business. The resulting gain, if recognized, will likely have a material impact on our consolidated financial statements.

Sixteen

Supplemental Cash Flow and Other Information

Additional information concerning supplemental disclosures of cash flow activities for the years ended August 31, 2018, 2017, and 2016, is included in the table below.

(DOLLARS IN THOUSANDS)	2018	2017	(AS RESTATED) 2016
Net cash paid during the period for:			
Interest	\$ 148,874	\$ 160,040	\$ 147,089
Income taxes	13,410	14,571	5,184
Other significant noncash investing and financing transactions:			
Notes receivable reacquired under Securitization Facility	615,089	—	—
Trade receivables reacquired under Securitization Facility	402,421	—	—
Securitized debt reacquired under Securitization Facility	634,000	—	—
Deferred purchase price receivable extinguished under Securitization Facility	386,900	—	—
Notes receivable sold under Securitization Facility	—	747,345	—
Securitized debt extinguished under Securitization Facility	—	554,000	—
Deferred purchase price receivable recognized under Securitization Facility	—	547,553	—
Land and improvements received for notes receivable	—	138,699	—
Capital expenditures and major repairs incurred but not yet paid	53,453	22,490	44,307
Capital lease obligations incurred	396	6,832	23,921
Capital equity certificates redeemed with preferred stock	—	19,985	76,756
Capital equity certificates issued in exchange for Ag acquisitions	—	2,928	19,089
Accrual of dividends and equities payable	153,941	12,121	162,439

Seventeen

Related Party Transactions

Related party transactions with equity investees, primarily CF Nitrogen, TEMCO, Ardent Mills and Ventura Foods for the years ended August 31, 2018, 2017, and 2016, respectively, and balances as of August 31, 2018, and 2017, respectively, are as follows:

(DOLLARS IN THOUSANDS)	2018	2017	2016
Sales	\$ 2,928,984	\$ 3,183,944	\$ 2,728,793
Purchases	2,505,185	2,610,887	1,707,990

(DOLLARS IN THOUSANDS)	2018	2017
Due from related parties	\$ 31,063	\$ 33,119
Due to related parties	52,284	39,232

As a cooperative, we are owned by farmers and ranchers and their member cooperatives, which are referred to as members. We buy commodities from and provide products and services to our members. Individually, our members do not have a significant ownership in CHS.

Eighteen

Quarterly Financial Information (Unaudited)

As further described in Note 2, *Restatement of Previously Issued Consolidated Financial Statements*, the previously reported financial information for the quarters ended November 30, 2017 and 2016, February 28, 2018 and 2017, May 31, 2018 and 2017, and August 31, 2017, have been restated. Relevant restated financial information for the first, second and third quarters of fiscal 2018 is included in this Annual Report on Form 10-K in the tables that follow. The unaudited interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. Although misstatements impacted individual line items within operating cash flows, the quarterly cash flow information classification between operating, investing and financing activities for these periods was not materially impacted by the misstatements and has not been presented. Restated amounts are computed independently each quarter; therefore, the sum of the quarterly amounts may not equal the total amount for the respective year due to rounding.

EIGHTEEN: Quarterly Financial Information (Unaudited), continued

CHS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(DOLLARS IN THOUSANDS)	(AS RESTATED)		
	AS OF NOVEMBER 30, 2017	AS OF FEBRUARY 28, 2018	AS OF MAY 31, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 249,767	\$ 219,273	\$ 533,887
Receivables	2,058,222	1,836,490	2,248,213
Inventories	3,111,963	3,676,325	2,913,507
Derivative assets	166,557	251,048	250,005
Margin and related deposits	206,955	188,167	253,141
Supplier advance payments	542,770	658,815	426,607
Other current assets	270,674	296,982	190,680
Total current assets	6,606,908	7,127,100	6,816,040
Investments	3,777,000	3,752,876	3,787,163
Property, plant and equipment	5,266,408	5,179,868	5,140,106
Other assets	997,402	943,552	960,240
Total assets	\$ 16,647,718	\$ 17,003,396	\$ 16,703,549
LIABILITIES AND EQUITIES			
Current liabilities:			
Notes payable	\$ 2,480,264	\$ 3,071,639	\$ 2,868,506
Current portion of long-term debt	71,022	46,290	53,056
Customer margin deposits and credit balances	139,868	106,323	137,999
Customer advance payments	413,519	756,642	372,590
Accounts payable	2,444,650	1,853,974	1,898,172
Derivative liabilities	207,426	361,909	316,831
Accrued expenses	425,912	465,032	538,249
Dividends and equities payable	121,209	128,700	209,718
Total current liabilities	6,303,870	6,790,509	6,395,121
Long-term debt	1,936,744	1,915,843	1,905,515
Long-term deferred tax liabilities	348,902	165,659	203,208
Other liabilities	315,254	265,028	278,869
Commitments and contingencies (Note 15)			
Equities:			
Preferred stock	2,264,038	2,264,038	2,264,038
Equity certificates	4,319,840	4,307,292	4,253,414
Accumulated other comprehensive loss	(177,341)	(167,230)	(167,302)
Capital reserves	1,324,372	1,450,326	1,559,040
Total CHS Inc. equities	7,730,909	7,854,426	7,909,190
Noncontrolling interests	12,039	11,931	11,646
Total equities	7,742,948	7,866,357	7,920,836
Total liabilities and equities	\$ 16,647,718	\$ 17,003,396	\$ 16,703,549

CHS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(DOLLARS IN THOUSANDS)	(AS RESTATED)		
	AS OF NOVEMBER 30, 2016	AS OF FEBRUARY 28, 2017	AS OF MAY 31, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 516,646	\$ 276,137	\$ 266,748
Receivables	3,034,083	2,767,150	2,767,967
Inventories	3,143,551	3,730,682	2,688,949
Derivative assets	277,498	233,429	206,187
Margin and related deposits	312,899	290,291	251,695
Supplier advance payments	476,907	701,705	431,433
Other current assets	187,524	196,237	265,469
Total current assets	7,949,108	8,195,631	6,878,448
Investments	3,828,899	3,802,379	3,841,749
Property, plant and equipment	5,443,079	5,404,347	5,405,651
Other assets	1,054,454	1,056,873	955,532
Total assets	\$ 18,275,540	\$ 18,459,230	\$ 17,081,380
LIABILITIES AND EQUITIES			
Current liabilities:			
Notes payable	\$ 3,227,564	\$ 3,867,438	\$ 3,321,808
Current portion of long-term debt	206,894	205,136	193,096
Customer margin deposits and credit balances	180,850	149,625	132,479
Customer advance payments	543,411	897,464	391,122
Accounts payable	2,574,006	1,919,421	1,865,803
Derivative liabilities	282,658	232,507	233,955
Accrued expenses	397,446	392,058	436,111
Dividends and equities payable	239,857	131,380	134,718
Total current liabilities	7,652,686	7,795,029	6,709,092
Long-term debt	1,958,907	2,051,567	2,046,264
Long-term deferred tax liabilities	511,821	531,522	369,170
Other liabilities	332,610	272,532	276,483
Commitments and contingencies (Note 15)			
Equities:			
Preferred stock	2,244,132	2,244,114	2,264,063
Equity certificates	4,194,534	4,201,803	4,214,657
Accumulated other comprehensive loss	(224,935)	(211,091)	(208,568)
Capital reserves	1,592,434	1,560,498	1,397,834
Total CHS Inc. equities	7,806,165	7,795,324	7,667,986
Noncontrolling interests	13,351	13,256	12,385
Total equities	7,819,516	7,808,580	7,680,371
Total liabilities and equities	\$ 18,275,540	\$ 18,459,230	\$ 17,081,380

EIGHTEEN: Quarterly Financial Information (Unaudited), continued

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(DOLLARS IN THOUSANDS)	(AS RESTATED)					
	THREE MONTHS ENDED	THREE MONTHS ENDED	SIX MONTHS ENDED	THREE MONTHS ENDED	NINE MONTHS ENDED	THREE MONTHS ENDED
	NOVEMBER 30, 2017	FEBRUARY 28, 2018	FEBRUARY 28, 2018	MAY 31, 2018	MAY 31, 2018	AUGUST 31, 2018
Revenues	\$ 8,031,884	\$ 6,980,153	\$ 15,012,037	\$ 9,087,328	\$ 24,099,365	\$ 8,583,982
Cost of goods sold	7,711,057	6,844,849	14,555,906	8,841,361	23,397,267	8,192,620
Gross profit	320,827	135,304	456,131	245,967	702,098	391,362
Marketing, general and administrative	139,500	186,713	326,213	161,579	487,792	186,291
Reserve and impairment charges (recoveries), net	(3,787)	(11,346)	(15,133)	(3,811)	(18,944)	(18,765)
Operating earnings (loss)	185,114	(40,063)	145,051	88,199	233,250	223,836
(Gain) loss on disposal of business	—	(7,705)	(7,705)	(124,050)	(131,755)	(61)
Interest expense	40,702	40,176	80,878	49,340	130,218	18,984
Other (income) loss	(25,014)	(11,364)	(36,378)	(14,622)	(51,000)	(27,015)
Equity (income) loss from investments	(38,362)	(39,441)	(77,803)	(59,308)	(137,111)	(16,404)
Income (loss) before income taxes	207,788	(21,729)	186,059	236,839	422,898	248,332
Income tax expense (benefit)	20,606	(187,688)	(167,082)	55,219	(111,863)	7,787
Net income (loss)	187,182	165,959	353,141	181,620	534,761	240,545
Net income (loss) attributable to noncontrolling interests	(464)	(48)	(512)	(187)	(699)	98
Net income (loss) attributable to CHS Inc.	\$ 187,646	\$ 166,007	\$ 353,653	\$ 181,807	\$ 535,460	\$ 240,447

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(DOLLARS IN THOUSANDS)	(AS RESTATED)					
	THREE MONTHS ENDED	THREE MONTHS ENDED	SIX MONTHS ENDED	THREE MONTHS ENDED	NINE MONTHS ENDED	THREE MONTHS ENDED
	NOVEMBER 30, 2016	FEBRUARY 28, 2017	FEBRUARY 28, 2017	MAY 31, 2017	MAY 31, 2017	AUGUST 31, 2017
Revenues	\$ 8,001,904	\$ 7,400,773	\$ 15,402,677	\$ 8,638,410	\$ 24,041,087	\$ 7,996,339
Cost of goods sold	7,655,524	7,165,265	14,820,789	8,417,264	23,238,053	7,904,713
Gross profit	346,380	235,508	581,888	221,146	803,034	91,626
Marketing, general and administrative	151,258	160,166	311,424	155,347	466,771	145,236
Reserve and impairment charges (recoveries), net	18,357	72,373	90,730	326,779	417,509	39,170
Operating earnings (loss)	176,765	2,969	179,734	(260,980)	(81,246)	(92,780)
(Gain) loss on disposal of business	4,105	(1,395)	2,710	(1,224)	1,486	704
Interest expense	38,265	39,945	78,210	39,201	117,411	53,828
Other (income) loss	(44,509)	(18,083)	(62,592)	(11,952)	(74,544)	(25,407)
Equity (income) loss from investments	(40,328)	(35,800)	(76,128)	(48,393)	(124,521)	(12,817)
Income (loss) before income taxes	219,232	18,302	237,534	(238,612)	(1,078)	(109,088)
Income tax expense (benefit)	16,076	3,685	19,761	(166,124)	(146,363)	(34,761)
Net income (loss)	203,156	14,617	217,773	(72,488)	145,285	(74,327)
Net income (loss) attributable to noncontrolling interests	(208)	406	198	(955)	(757)	123
Net income (loss) attributable to CHS Inc.	\$ 203,364	\$ 14,211	\$ 217,575	\$ (71,533)	\$ 146,042	\$ (74,450)

EIGHTEEN: Quarterly Financial Information (Unaudited), continued

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(DOLLARS IN THOUSANDS)	(AS RESTATED)					
	THREE MONTHS ENDED	THREE MONTHS ENDED	SIX MONTHS ENDED	THREE MONTHS ENDED	NINE MONTHS ENDED	THREE MONTHS ENDED
	NOVEMBER 30, 2017	FEBRUARY 28, 2018	FEBRUARY 28, 2018	MAY 31, 2018	MAY 31, 2018	AUGUST 31, 2018
Net income (loss)	\$ 187,182	\$ 165,959	\$ 353,141	\$ 181,620	\$ 534,761	\$ 240,545
Other comprehensive income (loss), net of tax:						
Postretirement benefit plan activity	1,594	3,142	4,736	3,417	8,153	11,913
Unrealized net gain (loss) on available for sale investments	3,640	3,554	7,194	6,286	13,480	(16,628)
Cash flow hedges	(4)	1,063	1,059	413	1,472	1,068
Foreign currency translation adjustment	(2,211)	2,352	141	(10,188)	(10,047)	(1,974)
Other comprehensive income (loss), net of tax	3,019	10,111	13,130	(72)	13,058	(5,621)
Comprehensive income	190,201	176,070	366,271	181,548	547,819	234,924
Less comprehensive income attributable to noncontrolling interests	(464)	(48)	(512)	(187)	(699)	98
Comprehensive income attributable to CHS Inc.	\$ 190,665	\$ 176,118	\$ 366,783	\$ 181,735	\$ 548,518	\$ 234,826

(DOLLARS IN THOUSANDS)	(AS RESTATED)					
	THREE MONTHS ENDED	THREE MONTHS ENDED	SIX MONTHS ENDED	THREE MONTHS ENDED	NINE MONTHS ENDED	THREE MONTHS ENDED
	NOVEMBER 30, 2016	FEBRUARY 28, 2017	FEBRUARY 28, 2017	MAY 31, 2017	MAY 31, 2017	AUGUST 31, 2017
Net income (loss)	\$ 203,156	\$ 14,617	\$ 217,773	\$ (72,488)	\$ 145,285	\$ (74,327)
Other comprehensive income (loss), net of tax:						
Postretirement benefit plan activity	3,239	3,724	6,963	3,636	10,599	22,103
Unrealized net gain (loss) on available for sale investments	777	968	1,745	(118)	1,627	2,758
Cash flow hedges	654	964	1,618	375	1,993	249
Foreign currency translation adjustment	(18,075)	8,187	(9,888)	(1,369)	(11,257)	3,098
Other comprehensive income (loss), net of tax	(13,405)	13,843	438	2,524	2,962	28,208
Comprehensive income	189,751	28,460	218,211	(69,964)	148,247	(46,119)
Less comprehensive income attributable to noncontrolling interests	(208)	406	198	(955)	(757)	123
Comprehensive income attributable to CHS Inc.	\$ 189,959	\$ 28,054	\$ 218,013	\$ (69,009)	\$ 149,004	\$ (46,242)

Reclassifications

Amounts previously included within (gain) loss on investments were reclassified into other (income) loss to conform to the current period presentation. This reclassification had no impact on our previously reported net income, cash flows or shareholders' equity and represents reclassifications for the periods ended November 30, 2017 and 2016, and February 28, 2018 and 2017. The reclassifications included a \$2.8 million gain reclassification during the three months ended November 30, 2017, a \$4.1 million gain reclassification during the three months ended February 28, 2018, a \$7.4 million loss during the three months ended November 30, 2016, and a \$2.9 million gain during the three months ended February 28, 2017.

Consolidated financial statement adjustment tables

The following tables present the impacts of the restatement adjustments to the previously reported financial information for the quarterly periods ended November 30, 2017 and 2016, February 28, 2018 and 2017, May 31, 2018 and 2017, and August 31, 2017. Refer to discussion in Note 2, *Restatement of Previously Issued Consolidated Financial Statements*. The restatement references identified in the following tables directly correlate to the restatement adjustments detailed below.

The categories of restatement adjustments and their impact on previously reported consolidated financial statements are described below.

(a) *Freight Derivatives and Related Misstatements*—Corrections for freight derivatives and related misstatements were driven by the misstatement of amounts associated with both the value and quantity of rail freight contracts, as well as due to freight contracts not meeting the technical accounting requirements to

qualify as derivative financial instruments. In addition to the elimination of the underlying freight derivative assets and liabilities and related impacts on revenues and cost of goods sold, additional adjustments were recorded to account for prepaid freight capacity balances in relevant periods and the impact of a goodwill impairment charge recorded during fiscal 2015 for goodwill held within our Grain Marketing reporting unit which was triggered by the lowering of earnings due to the restatement. Additional details related to the impact of the freight derivatives and related misstatements and their impact on each period are discussed in restatement reference (a).

(b) *Intercompany Misstatements*—As a result of the work performed in relation to the freight misstatement, additional misstatements related to the incorrect elimination of intercompany balances were also identified and corrected within the consolidated financial statements. Certain of these intercompany misstatements resulted in a misstatement of various financial statement line items; however, the intercompany misstatements did not result in a material misstatement of income (loss) before income taxes or net income (loss). Additional details related to the impact of the intercompany misstatements and their impact on each period are discussed in restatement reference (b).

(c) *Other Misstatements*—We made adjustments for other previously identified misstatements unrelated to the freight derivatives and related misstatements that were not material, individually or in the aggregate, to our consolidated financial statements. These other misstatements related primarily to certain misclassifications, adjustments to revenues and cost of goods sold, and adjustments to various income tax and indirect tax accrual accounts. Additional details related to the impact of the other misstatements and their impact on each period are discussed in restatement reference (c).

EIGHTEEN: Quarterly Financial Information (Unaudited), continued

CHS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(DOLLARS IN THOUSANDS)	AS OF NOVEMBER 30, 2017			AS OF NOVEMBER 30, 2016			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 252,129	\$ (2,362)	\$ 249,767	\$ 515,484	\$ 1,162	\$ 516,646	b, c
Receivables	2,059,623	(1,401)	2,058,222	3,052,989	(18,906)	3,034,083	a, b, c
Inventories	3,046,101	65,862	3,111,963	3,117,935	25,616	3,143,551	c
Derivative assets	283,256	(116,699)	166,557	419,103	(141,605)	277,498	a, c
Margin and related deposits	206,955	—	206,955	312,899	—	312,899	
Supplier advance payments	542,139	631	542,770	480,709	(3,802)	476,907	b
Other current assets	289,250	(18,576)	270,674	189,896	(2,372)	187,524	a, c
Total current assets	6,679,453	(72,545)	6,606,908	8,089,015	(139,907)	7,949,108	
Investments	3,777,000	—	3,777,000	3,828,899	—	3,828,899	
Property, plant and equipment	5,266,408	—	5,266,408	5,443,079	—	5,443,079	
Other assets	1,061,562	(64,160)	997,402	1,069,468	(15,014)	1,054,454	a
Total assets	\$ 16,784,423	\$ (136,705)	\$ 16,647,718	\$ 18,430,461	\$ (154,921)	\$ 18,275,540	
LIABILITIES AND EQUITIES							
Current liabilities:							
Notes payable	\$ 2,480,264	\$ —	\$ 2,480,264	\$ 3,227,564	\$ —	\$ 3,227,564	
Current portion of long-term debt	71,022	—	71,022	206,894	—	206,894	
Customer margin deposits and credit balances	139,868	—	139,868	180,850	—	180,850	
Customer advance payments	414,441	(922)	413,519	544,266	(855)	543,411	b, c
Accounts payable	2,380,998	63,652	2,444,650	2,568,533	5,473	2,574,006	a, b, c
Derivative liabilities	226,279	(18,853)	207,426	317,505	(34,847)	282,658	a, c
Accrued expenses	409,522	16,390	425,912	389,321	8,125	397,446	a, c
Dividends and equities payable	121,209	—	121,209	275,448	(35,591)	239,857	b, c
Total current liabilities	6,243,603	60,267	6,303,870	7,710,381	(57,695)	7,652,686	
Long-term debt	1,936,744	—	1,936,744	1,958,907	—	1,958,907	
Long-term deferred tax liabilities	350,841	(1,939)	348,902	497,283	14,538	511,821	a, c
Other liabilities	315,460	(206)	315,254	332,610	—	332,610	
Commitments and contingencies (Note 15)							
Equities:							
Preferred stock	2,264,038	—	2,264,038	2,244,132	—	2,244,132	
Equity certificates	4,319,840	—	4,319,840	4,208,336	(13,802)	4,194,534	b
Accumulated other comprehensive loss	(178,445)	1,104	(177,341)	(226,220)	1,285	(224,935)	a
Capital reserves	1,520,218	(195,846)	1,324,372	1,691,603	(99,169)	1,592,434	a, b, c
Total CHS Inc. equities	7,925,651	(194,742)	7,730,909	7,917,851	(111,686)	7,806,165	
Noncontrolling interests	12,124	(85)	12,039	13,429	(78)	13,351	a
Total equities	7,937,775	(194,827)	7,742,948	7,931,280	(111,764)	7,819,516	
Total liabilities and equities	\$ 16,784,423	\$ (136,705)	\$ 16,647,718	\$ 18,430,461	\$ (154,921)	\$ 18,275,540	

As of November 30, 2017**Freight derivatives and related misstatements**

(a) The correction of freight derivatives and related misstatements resulted in a \$171.7 million reduction of total assets, a \$38.6 million reduction of current liabilities, a \$30.2 million increase of long-term liabilities and a \$163.2 million reduction of total equities. The reduction of total assets related primarily to the elimination of \$116.8 million of current derivative assets and a \$49.2 million reduction of long-term derivative assets that had been recorded as assets on the Consolidated Balance Sheet as well as an approximate \$16.0 million reduction of goodwill associated with a goodwill impairment charge recorded during fiscal 2015. The decreases of total assets were partially offset by related adjustments, including an \$8.5 million increase of prepaid income taxes resulting from the income tax impact of the freight misstatement and the recognition of a \$1.1 million prepaid freight capacity balance. The decrease of total current liabilities related primarily to a \$16.5 million reduction of current derivative liabilities and a \$22.2 million reduction of income taxes payable resulting from the income tax effect of the freight misstatement. The increase of long-term liabilities resulted from a \$30.2 million increase of long-term deferred tax liabilities. The decrease of total equities related primarily to the elimination of the derivative assets and liabilities described above and the related income tax impacts, as well as the reduction of goodwill associated with the goodwill impairment charge recorded during fiscal 2015.

Intercompany misstatements

(b) The correction of intercompany misstatements resulted in a \$3.4 million reduction of total assets and a \$3.4 million reduction of current liabilities due to different practices of eliminating intercompany balances between CHS's businesses which existed in previous periods.

Other misstatements

(c) Adjustments for other misstatements related primarily to misclassifications between line items included within the Consolidated Balance Sheets, as well as the impact of income tax adjustments on income tax accounts, including prepaid income taxes, income taxes payable and deferred income taxes. The misclassification adjustments arose primarily due to the application of differing accounting policies between businesses and collectively with the income tax adjustments resulted in a \$38.4 million increase of total assets, a \$102.3 million increase of current liabilities, a \$32.3 million decrease of

long-term liabilities and a \$31.6 million decrease of total equities.

The increase of total assets related primarily to a \$67.5 million increase of inventories that resulted from a misclassification adjustment related to \$67.5 million previously included as a contra-inventory balance moving to accounts payable. The increase related to inventories was partially offset by a \$28.1 million decrease of other current assets that resulted from the reduction of prepaid income taxes associated with the correction of other misstatements identified during fiscal 2018 and other periods.

The increase of current liabilities related primarily to a \$67.5 million increase of accounts payable that resulted from a misclassification adjustment for amounts previously included as a contra-inventory balance to accounts payable and a \$38.6 million increase of accrued expenses. The increase of accrued expenses related to the recognition of a \$24.9 million accrued income tax balance associated with the correction of other misstatements identified during fiscal 2018 and other periods, as well as the recognition of \$13.7 million of accrued expense related to the use of a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018. Long-term liabilities decreased primarily as a result of a \$32.1 million decrease of long-term deferred tax liabilities related to the correction of other misstatements identified during fiscal 2018 and other periods.

The \$31.6 million decrease of total equities related primarily to the impacts associated with the \$20.6 million net impact on income tax accounts and the recognition of an additional \$13.7 million of accrued expense related to the use of a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018.

As of November 30, 2016**Freight derivatives and related misstatements**

(a) The correction of freight derivatives and related misstatements resulted in a \$145.5 million reduction of total assets, a \$47.0 million reduction of current liabilities, a \$15.5 million increase of long-term liabilities and a \$114.0 million reduction of total equities. The reduction of total assets related primarily to the elimination of \$141.0 million of current derivative assets that had been incorrectly recorded as assets on the Consolidated Balance Sheet and an approximate \$16.0 million reduction

EIGHTEEN: Quarterly Financial Information (Unaudited), continued

of goodwill associated with a goodwill impairment charge recorded during fiscal 2015. The decreases of total assets were partially offset by related adjustments, including a \$4.0 million increase of receivables, a \$5.7 million increase of prepaid income taxes resulting from the income tax impact of the freight misstatement and the recognition of a \$0.9 million prepaid freight capacity balance. The decrease of total current liabilities related primarily to a \$35.0 million reduction of current derivative liabilities and a \$20.7 million reduction of income taxes payable resulting from the income tax effect of the freight misstatement. These decreases of current liabilities were partially offset by an \$8.7 million increase of accounts payable. The increase of long-term liabilities resulted from a \$15.5 million increase of long-term deferred tax liabilities. The decrease of total equities related primarily to the elimination of the derivative assets and liabilities described above and the related income tax impacts, as well as the reduction of goodwill associated with the goodwill impairment charge recorded during fiscal 2015.

Intercompany misstatements

(b) The correction of intercompany misstatements resulted in a \$73.3 million reduction of total assets, an \$85.4 million reduction of current liabilities and a \$12.1 million increase of total equities due to different practices of eliminating intercompany balances between CHS's businesses which existed in previous periods.

Other misstatements

(c) Adjustments for other misstatements related primarily to misclassifications between line items included

within the Consolidated Balance Sheets, as well as the impact of income tax adjustments on income tax accounts, including prepaid income taxes, income taxes payable and deferred income taxes. The misclassification adjustments arose primarily due to the application of differing accounting policies between businesses and collectively with the income tax adjustments resulted in a \$63.9 million increase of total assets, a \$74.6 million increase of current liabilities, a \$0.9 million decrease of long-term liabilities and a \$9.9 million decrease of total equities.

The increase of total assets related primarily to a misclassification adjustment for \$73.8 million previously included as a contra-inventory balance moving to accounts payable. The increased inventories were partially offset by a \$48.2 million reduction of inventory related to a misclassification adjustment for certain collateral moving from inventory to receivables.

The increase of total liabilities relates primarily to a misclassification adjustment for \$73.8 million previously included as a contra-inventory balance moving to accounts payable.

The \$9.9 million decrease of total equities relates primarily to the \$28.8 million net impact on income tax accounts and the recognition of \$8.1 million of accrued expense related to the use of a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018. The overall decrease in total equities was partially offset by an increase that arose from a \$27.9 million timing difference for the accrual of dividends and equities payable.

CHS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(DOLLARS IN THOUSANDS)	AS OF FEBRUARY 28, 2018			AS OF FEBRUARY 28, 2017			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 190,426	\$ 28,847	\$ 219,273	\$ 249,801	\$ 26,336	\$ 276,137	b, c
Receivables	1,765,640	70,850	1,836,490	2,697,699	69,451	2,767,150	a, b, c
Inventories	3,650,158	26,167	3,676,325	3,752,218	(21,536)	3,730,682	c
Derivative assets	429,625	(178,577)	251,048	386,613	(153,184)	233,429	a, c
Margin and related deposits	188,167	—	188,167	290,291	—	290,291	
Supplier advance payments	658,815	—	658,815	701,705	—	701,705	b
Other current assets	310,674	(13,692)	296,982	200,288	(4,051)	196,237	a, c
Total current assets	7,193,505	(66,405)	7,127,100	8,278,615	(82,984)	8,195,631	
Investments	3,752,876	—	3,752,876	3,802,379	—	3,802,379	
Property, plant and equipment	5,179,868	—	5,179,868	5,404,347	—	5,404,347	
Other assets	958,613	(15,061)	943,552	1,072,824	(15,951)	1,056,873	a
Total assets	\$ 17,084,862	\$ (81,466)	\$ 17,003,396	\$ 18,558,165	\$ (98,935)	\$ 18,459,230	
LIABILITIES AND EQUITIES							
Current liabilities:							
Notes payable	\$ 2,993,456	\$ 78,183	\$ 3,071,639	\$ 3,867,438	\$ —	\$ 3,867,438	c
Current portion of long-term debt	46,290	—	46,290	205,136	—	205,136	
Customer margin deposits and credit balances	106,323	—	106,323	149,625	—	149,625	
Customer advance payments	727,535	29,107	756,642	871,370	26,094	897,464	b, c
Accounts payable	1,835,289	18,685	1,853,974	1,877,040	42,381	1,919,421	a, b, c
Derivative liabilities	372,406	(10,497)	361,909	275,484	(42,977)	232,507	a, c
Accrued expenses	459,867	5,165	465,032	378,318	13,740	392,058	a, c
Dividends and equities payable	128,700	—	128,700	131,380	—	131,380	
Total current liabilities	6,669,866	120,643	6,790,509	7,755,791	39,238	7,795,029	
Long-term debt	1,915,843	—	1,915,843	2,051,567	—	2,051,567	
Long-term deferred tax liabilities	171,844	(6,185)	165,659	516,681	14,841	531,522	c
Other liabilities	265,349	(321)	265,028	272,532	—	272,532	c
Commitments and contingencies (Note 15)							
Equities:							
Preferred stock	2,264,038	—	2,264,038	2,244,114	—	2,244,114	b
Equity certificates	4,307,292	—	4,307,292	4,201,803	—	4,201,803	a
Accumulated other comprehensive loss	(168,225)	995	(167,230)	(211,442)	351	(211,091)	a
Capital reserves	1,646,837	(196,511)	1,450,326	1,713,784	(153,286)	1,560,498	a, c
Total CHS Inc. equities	8,049,942	(195,516)	7,854,426	7,948,259	(152,935)	7,795,324	a
Noncontrolling interests	12,018	(87)	11,931	13,335	(79)	13,256	
Total equities	8,061,960	(195,603)	7,866,357	7,961,594	(153,014)	7,808,580	
Total liabilities and equities	\$ 17,084,862	\$ (81,466)	\$ 17,003,396	\$ 18,558,165	\$ (98,935)	\$ 18,459,230	

EIGHTEEN: *Quarterly Financial Information (Unaudited), continued*

As of February 28, 2018

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$183.8 million reduction of total assets, a \$26.8 million reduction of current liabilities, a \$28.9 million increase of long-term liabilities and a \$185.9 million reduction of total equities. The reduction of total assets related primarily to the elimination of \$179.3 million of current derivative assets which had been incorrectly recorded as assets on the Consolidated Balance Sheet and an approximate \$16.0 million impairment of goodwill which was triggered when earnings were lowered due to the restatement. The decrease of total assets was partially offset by a related adjustment to increase prepaid income taxes by \$9.7 million as a result of the income tax impact of the freight misstatement. The decrease of total current liabilities related primarily to a \$7.1 million reduction of current derivative liabilities and a \$19.7 million reduction of income taxes payable resulting from the income tax effect of the freight misstatement. The increase of long-term liabilities was primarily attributable to the \$28.9 million increase of long-term deferred tax liabilities. The decrease of total equities was related primarily to the elimination of derivative assets and liabilities from the Consolidated Balance Sheet as described above and the related income tax impacts, as well as the reduction of goodwill associated with the goodwill impairment charge recorded during fiscal 2015.

Intercompany misstatements

(b) The correction of intercompany misstatements resulted in a \$5.6 million reduction of total assets and a \$5.6 million reduction of current liabilities due to different practices of eliminating intercompany balances between CHS's businesses which existed in previous periods.

Other misstatements

(c) Adjustments for other misstatements related primarily to misclassifications between line items included within the Consolidated Balance Sheets, as well as the impact of income tax adjustments on income tax accounts, including prepaid income taxes, income taxes payable and deferred income taxes. These misclassification adjustments arose primarily due to the application of differing accounting policies between businesses and collectively with the income tax adjustments resulted in a \$108.0 million increase of total assets, a \$153.1 million increase of current liabilities, a \$35.4 million decrease of

long-term liabilities and a \$9.7 million decrease of total equities.

The increase of total assets related primarily to a \$28.8 million increase of cash that resulted from a timing difference for the application of in-transit cash and a \$78.2 million increase of receivables and notes payable related to a participation arrangement that did not meet certain criteria for off-balance sheet treatment. As a result, both receivables and notes payable were increased by \$78.2 million.

The increase of current liabilities related primarily to the \$78.2 million increase of receivables and notes payable in a participation arrangement that did not meet certain criteria for off-balance sheet treatment, a \$29.1 million increase of customer advance payments that resulted from a timing difference related to the application of in-transit cash and a \$27.9 million increase of accounts payable that had previously been included as a contra-inventory balance. Long-term liabilities decreased primarily due to the recognition of long-term deferred tax liabilities of \$35.1 million related to the correction of other misstatements identified during fiscal 2018 and other periods.

The \$9.7 million decrease of total equities relates primarily to the \$14.1 million net impact on income tax accounts, which was partially offset by a \$4.5 million increase related to the valuation of crack spread derivatives.

As of February 28, 2017

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$160.3 million reduction of total assets, a \$61.3 million reduction of current liabilities, a \$15.8 million increase of long-term liabilities and a \$114.7 million reduction of total equities. The reduction of total assets related primarily to the elimination of \$153.0 million of current derivative assets that were incorrectly recorded as assets on the Consolidated Balance Sheet and an approximate \$16.0 million impairment of goodwill recorded in fiscal 2015 associated with lower earnings as a result of the restatement. The overall decrease of total assets was partially offset by related adjustments, including a \$6.4 million increase of prepaid income taxes resulting from the income tax impact of the freight misstatement and the recognition of a \$0.6 million prepaid freight capacity balance. The

decrease of total current liabilities related primarily to a \$43.0 million reduction of current derivative liabilities and a \$20.7 million reduction of income taxes payable resulting from the income tax effect of the freight misstatement, which were partially offset by the recognition of a \$2.3 million accounts payable balance. The increase of long-term liabilities resulted from the \$15.8 million increase of long-term deferred tax liabilities. The decrease of total equities related primarily to the elimination of the derivative assets and liabilities described above and the related income tax impacts, as well as the reduction of goodwill associated with the goodwill impairment charge recorded during fiscal 2015.

Intercompany misstatements

(b) The correction of intercompany misstatements resulted in a \$4.9 million reduction of total assets and a \$4.9 million reduction of current liabilities due to different practices of eliminating intercompany balances between CHS's businesses which existed in previous periods.

Other misstatements

(c) Adjustments for other misstatements related primarily to misclassifications between line items included within the Consolidated Balance Sheets, as well as the impact of income tax adjustments on income tax accounts, including prepaid income taxes, income taxes payable and deferred income taxes. These misclassification adjustments arose primarily due to the application of differing accounting policies between businesses and collectively with the income tax adjustments resulted in a \$66.3 million increase of total assets, a \$105.5 million increase of current liabilities, a \$0.9 million decrease of long-term liabilities and a \$38.3 million decrease of total equities.

The increase of total assets related primarily to a \$24.8 million increase of cash that resulted from a timing difference for the application of in-transit cash and a \$47.7 million increase of inventory with a corresponding increase to accounts payable as a result of a misclassification adjustment for certain items previously included as a contra-inventory balance moving to accounts payable. The increase of inventory was offset by a \$48.2 million reduction of inventory that resulted from a misclassification adjustment for certain collateral being classified as receivables rather than inventory.

The increase of current liabilities related primarily to the \$47.7 million increase of accounts payable as a result of a misclassification adjustment for certain items previously included as a contra-inventory balance moving to accounts payable, a \$26.1 million increase of customer advance payments that resulted from a timing difference for the application in-transit cash and \$34.4 million increase of accrued expenses. The increase of accrued expenses related to the recognition of a \$20.7 million accrued income tax balance associated with the correction of other misstatements identified during fiscal 2017 and other periods and the recognition of \$13.7 million of accrued expense related to the use of a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018.

The \$38.3 million decrease of total equities related primarily to the impacts associated with the \$24.4 million net impact on income tax accounts and the recognition of \$13.7 million of accrued expense related to the use of a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018.

EIGHTEEN: Quarterly Financial Information (Unaudited), continued

CHS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(DOLLARS IN THOUSANDS)	AS OF MAY 31, 2018			AS OF MAY 31, 2017			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 533,887	\$ —	\$ 533,887	\$ 267,229	\$ (481)	\$ 266,748	b, c
Receivables	2,198,211	50,002	2,248,213	2,722,325	45,642	2,767,967	a, b, c
Inventories	2,940,907	(27,400)	2,913,507	2,684,087	4,862	2,688,949	c
Derivative assets	483,794	(233,789)	250,005	388,188	(182,001)	206,187	a, c
Margin and related deposits	253,141	—	253,141	251,695	—	251,695	
Supplier advance payments	426,607	—	426,607	431,433	—	431,433	b
Other current assets	198,078	(7,398)	190,680	255,236	10,233	265,469	a, c
Total current assets	7,034,625	(218,585)	6,816,040	7,000,193	(121,745)	6,878,448	
Investments	3,787,163	—	3,787,163	3,841,749	—	3,841,749	
Property, plant and equipment	5,140,106	—	5,140,106	5,409,151	(3,500)	5,405,651	
Other assets	973,885	(13,645)	960,240	970,704	(15,172)	955,532	a
Total assets	\$ 16,935,779	\$ (232,230)	\$ 16,703,549	\$ 17,221,797	\$ (140,417)	\$ 17,081,380	
LIABILITIES AND EQUITIES							
Current liabilities:							
Notes payable	\$ 2,819,086	\$ 49,420	\$ 2,868,506	\$ 3,321,808	\$ —	\$ 3,321,808	
Current portion of long-term debt	53,056	—	53,056	193,096	—	193,096	
Customer margin deposits and credit balances	137,999	—	137,999	132,479	—	132,479	
Customer advance payments	372,616	(26)	372,590	390,576	546	391,122	b, c
Accounts payable	1,904,819	(6,647)	1,898,172	1,809,868	55,935	1,865,803	a, b, c
Derivative liabilities	344,973	(28,142)	316,831	284,212	(50,257)	233,955	a, c
Accrued expenses	538,249	—	538,249	422,371	13,740	436,111	a, c
Dividends and equities payable	209,718	—	209,718	134,718	—	134,718	
Total current liabilities	6,380,516	14,605	6,395,121	6,689,128	19,964	6,709,092	
Long-term debt	1,905,515	—	1,905,515	2,046,264	—	2,046,264	
Long-term deferred tax liabilities	207,912	(4,704)	203,208	350,966	18,204	369,170	
Other liabilities	279,303	(434)	278,869	276,483	—	276,483	
Commitments and contingencies (Note 15)							
Equities:							
Preferred stock	2,264,038	—	2,264,038	2,264,063	—	2,264,063	b
Equity certificates	4,253,414	—	4,253,414	4,214,657	—	4,214,657	a
Accumulated other comprehensive loss	(169,726)	2,424	(167,302)	(209,700)	1,132	(208,568)	a, b, c
Capital reserves	1,803,078	(244,038)	1,559,040	1,577,469	(179,635)	1,397,834	
Total CHS Inc. equities	8,150,804	(241,614)	7,909,190	7,846,489	(178,503)	7,667,986	a
Noncontrolling interests	11,729	(83)	11,646	12,467	(82)	12,385	
Total equities	8,162,533	(241,697)	7,920,836	7,858,956	(178,585)	7,680,371	
Total liabilities and equities	\$ 16,935,779	\$ (232,230)	\$ 16,703,549	\$ 17,221,797	\$ (140,417)	\$ 17,081,380	

As of May 31, 2018***Freight derivatives and related misstatements***

(a) The correction of freight derivatives and related misstatements resulted in a \$229.3 million reduction of total assets, a \$50.5 million reduction of current liabilities, a \$30.4 million increase of long-term liabilities and a \$209.2 million reduction of total equities. The reduction of total assets related primarily to the elimination of \$233.9 million of current derivative assets that had been recorded as assets on the Consolidated Balance Sheet and an approximate \$16.0 million reduction of goodwill associated with a goodwill impairment charge recorded during fiscal 2015. The decreases of total assets were partially offset by related adjustments, including an \$11.1 million increase of prepaid income taxes resulting from the income tax impact of the freight misstatement and the recognition of a \$7.5 million prepaid freight capacity balance. The decrease of total current liabilities related primarily to a \$25.6 million reduction of current derivative liabilities and a \$24.9 million reduction of income taxes payable resulting from the income tax effect of the freight misstatement. The increase of long-term liabilities resulted from a \$30.4 million increase of long-term deferred tax liabilities. The decrease of total equities related primarily to the elimination of the derivative assets and liabilities described above and the related income tax impacts, as well as the reduction of goodwill associated with the goodwill impairment charge recorded during fiscal 2015.

Intercompany misstatements

(b) The correction of intercompany misstatements resulted in a \$6.9 million reduction of total assets and a \$6.9 million reduction of current liabilities due to different practices of eliminating intercompany balances between CHS's businesses which existed in previous periods.

Other misstatements

(c) Adjustments for other misstatements related primarily to misclassifications between line items included within the Consolidated Balance Sheets, as well as the impact of income tax adjustments on income tax accounts, including prepaid income taxes, income taxes payable and deferred income taxes. These misclassification adjustments arose primarily due to the application of differing accounting policies between businesses and collectively with the income tax adjustments resulted in a \$3.9 million increase of total assets, a \$72.0 million increase of current liabilities, a \$35.5 million decrease of

long-term liabilities and a \$32.5 million decrease of total equities.

The increase of total assets related primarily to a \$49.4 million increase of receivables and notes payable for a participation arrangement that did not meet certain criteria for off-balance sheet treatment. The increase of receivables was mostly offset by an \$18.8 million decrease of inventories that resulted from the overstatement of inventories following the implementation of a new enterprise resource planning software during the third quarter of fiscal 2018 and a \$24.5 million reduction of prepaid income taxes as a result of the income tax effects associated with the correction of other misstatements identified during fiscal 2018 and other periods.

The increase of current liabilities resulted primarily from the \$49.4 million increase of notes payable associated with the participation agreement described above, as well as the recognition of a \$24.9 million accrued income tax balance due to the income tax effects of the other misstatements. The decrease of long-term liabilities related primarily to a \$35.1 million decrease of long-term deferred tax liabilities related to the correction of other misstatements identified during fiscal 2018 and other periods.

The decrease of total equities related primarily to the \$14.1 million net impact on income tax accounts and the \$18.8 million timing difference adjustment associated with the implementation of a new enterprise resource planning software during the third quarter of fiscal 2018.

As of May 31, 2017***Freight derivatives and related misstatements***

(a) The correction of freight derivatives and related misstatements resulted in a \$181.6 million reduction of total assets, a \$64.0 million reduction of current liabilities, a \$19.1 million increase of long-term liabilities and a \$136.8 million reduction of total equities. The reduction of total assets related primarily to the elimination of \$181.8 million of current derivative assets that had been recorded as assets on the Consolidated Balance Sheet and an approximate \$16.0 million reduction of goodwill associated with a goodwill impairment charge recorded during fiscal 2015. The decreases of total assets were partially offset by related adjustments, including a \$12.9 million increase of prepaid income taxes resulting from the income tax impact of the freight misstatement,

EIGHTEEN: Quarterly Financial Information (Unaudited), continued

the recognition of a \$2.0 million prepaid freight capacity balance and the recognition of a \$0.5 million receivable. The decrease of total current liabilities related primarily to a \$50.3 million reduction of current derivative liabilities and a \$20.7 million reduction of income taxes payable resulting from the income tax effect of the freight misstatement, which were partially offset by the recognition of a \$7.0 million accounts payable balance. The increase of long-term liabilities resulted from a \$19.1 million increase of long-term deferred tax liabilities. The decrease of total equities related primarily to the elimination of the derivative assets and liabilities described above and the related income tax impacts, as well as the reduction of goodwill associated with the goodwill impairment charge recorded during fiscal 2015.

Intercompany misstatements

(b) None

Other misstatements

(c) Adjustments for other misstatements related primarily to misclassifications between line items included within the Consolidated Balance Sheets, as well as the impact of income tax adjustments on income tax accounts, including prepaid income taxes, income taxes payable and deferred income taxes. These misclassification adjustments arose primarily due to the application of differing accounting policies between businesses and collectively with the income tax adjustments resulted in a \$41.2 million increase of total assets, an \$83.9 million increase of current liabilities, a \$0.9 million decrease of

long-term liabilities and a \$41.8 million decrease of total equities.

The most significant driver of the \$41.2 million increase of total assets related to a \$53.1 million misclassification adjustment for certain items previously included as a contra-inventory balance moving to accounts payable. The overall increase of inventories was mostly offset by a \$48.2 million reduction of inventory that resulted from a misclassification adjustment for certain collateral being classified as receivables rather than inventory; however, this misstatement did not impact total assets.

The increase of current liabilities related primarily to the \$53.1 million increase of accounts payable associated with a misclassification adjustment for a contra-inventory balance moving to accounts payable, as well as the impact of the income tax adjustments on accrued income taxes, which increased by \$20.7 million.

The \$41.8 million decrease of total equities related primarily to the \$24.4 million net impact on income tax accounts, the recognition of \$13.7 million of accrued expense related to the use of a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018 and a \$3.5 million increase of reserve and impairment charges related to a fixed asset impairment charge that should have been recorded during the third quarter of fiscal 2017 rather than the fourth quarter of fiscal 2017.

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(DOLLARS IN THOUSANDS)	FOR THE THREE MONTHS ENDED NOVEMBER 30, 2017			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Revenues	\$ 8,048,889	\$ (17,005)	\$ 8,031,884	a, b, c
Cost of goods sold	7,735,627	(24,570)	7,711,057	a, b, c
Gross profit	313,262	7,565	320,827	
Marketing, general and administrative	140,168	(668)	139,500	c
Reserve and impairment charges (recoveries), net	(3,787)	—	(3,787)	
Operating earnings (loss)	176,881	8,233	185,114	
Interest expense	40,702	—	40,702	
Other (income) loss	(25,014)	—	(25,014)	
Equity (income) loss from investments	(38,362)	—	(38,362)	
Income (loss) before income taxes	199,555	8,233	207,788	
Income tax expense (benefit)	19,936	670	20,606	a
Net income (loss)	179,619	7,563	187,182	
Net income (loss) attributable to noncontrolling interests	(464)	—	(464)	
Net income (loss) attributable to CHS Inc.	\$ 180,083	\$ 7,563	\$ 187,646	

For the three months ended November 30, 2017

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$0.5 million reduction of income before income taxes and a \$1.2 million reduction of net income. These adjustments related to a \$0.5 million increase of cost of goods sold and a \$0.7 million increase of income tax expense related to the tax effect of the freight derivatives and related misstatements.

Intercompany misstatements

(b) The correction of intercompany misstatements had no impact on income (loss) before income taxes or net income (loss); however, the correction resulted in an \$11.4 million decrease of both revenues and cost of goods sold due to different practices of eliminating intercompany sales between CHS's businesses which existed in previous periods.

Other misstatements

(c) The correction of other misstatements resulted in an \$8.8 million increase of income before income taxes

and net income. The \$8.8 million increase of income before income taxes relates primarily to a \$6.2 million decrease of cost of goods sold related to the valuation of crack spread derivatives and a \$2.6 million decrease in costs related to postretirement benefit plan activity that resulted from a timing difference associated with recording certain benefit plan expenses (included in cost of goods sold and marketing, general and administrative expenses).

Additionally, certain misclassification and offsetting adjustments were made between line items included in the Consolidated Statements of Operations primarily due to the application of differing accounting policies between businesses. These misclassification adjustments resulted in a \$5.7 million decrease of revenues and cost of goods sold.

EIGHTEEN: *Quarterly Financial Information (Unaudited), continued*

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(DOLLARS IN THOUSANDS)	FOR THE THREE MONTHS ENDED FEBRUARY 28, 2018			FOR THE SIX MONTHS ENDED FEBRUARY 28, 2018			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Revenues	\$ 6,851,093	\$ 129,060	\$ 6,980,153	\$ 14,899,982	\$ 112,055	\$ 15,012,037	a, b, c
Cost of goods sold	6,708,610	136,239	6,844,849	14,444,237	111,669	14,555,906	a, b, c
Gross profit	142,483	(7,179)	135,304	455,745	386	456,131	
Marketing, general and administrative	186,716	(3)	186,713	326,881	(668)	326,213	c
Reserve and impairment charges (recoveries), net	(11,349)	3	(11,346)	(15,133)	—	(15,133)	c
Operating earnings (loss)	(32,884)	(7,179)	(40,063)	143,997	1,054	145,051	
(Gain) loss on disposal of business	(7,705)	—	(7,705)	(7,705)	—	(7,705)	
Interest expense	40,176	—	40,176	80,878	—	80,878	
Other (income) loss	(11,364)	—	(11,364)	(36,378)	—	(36,378)	
Equity (income) loss from investments	(39,441)	—	(39,441)	(77,803)	—	(77,803)	
Income (loss) before income taxes	(14,550)	(7,179)	(21,729)	185,005	1,054	186,059	
Income tax expense (benefit)	(181,176)	(6,512)	(187,688)	(161,240)	(5,842)	(167,082)	a, c
Net income (loss)	166,626	(667)	165,959	346,245	6,896	353,141	
Net income (loss) attributable to noncontrolling interests	(48)	—	(48)	(512)	—	(512)	
Net income (loss) attributable to CHS Inc.	\$ 166,674	\$ (667)	\$ 166,007	\$ 346,757	\$ 6,896	\$ 353,653	

For the three months ended February 28, 2018

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$22.5 million reduction of income before income taxes and a \$22.6 million reduction of net income. These adjustments related to a \$22.5 million increase of cost of goods sold and a \$0.1 million increase of income tax expense related to the tax effect of the freight derivatives and related misstatements.

Intercompany misstatements

(b) The correction of intercompany misstatements had no impact on income (loss) before income taxes or net income (loss); however, the correction resulted in a \$161.5 million increase of both revenues and cost of goods sold due to different practices of eliminating intercompany sales between CHS's businesses which existed in previous periods.

Other misstatements

(c) The correction of other misstatements resulted in a \$15.3 million increase of income before income taxes

and a \$21.9 million increase of net income. The \$15.3 million increase of income before income taxes relates primarily to a \$13.7 million decrease of cost of goods sold arising from the use of a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018. The remaining increase relates to a \$1.6 million decrease of cost of goods sold as a result of the valuation of crack spread derivatives. In addition to the increase of income before income taxes, an income tax benefit of \$6.6 million was recorded to adjust for the impact of other identified misstatements, as well as income tax items that had previously been identified and recorded as out of period adjustments in subsequent periods.

Additionally, certain misclassification and offsetting adjustments were made between line items included in the Consolidated Statements of Operations primarily due to the application of differing accounting policies between businesses. These misclassification adjustments resulted in a \$27.7 million decrease of revenues and cost of goods sold.

For the six months ended February 28, 2018
Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$23.0 million reduction of income before income taxes and a \$23.8 million reduction of net income. These adjustments related to a \$23.0 million increase of cost of goods sold and a \$0.8 million increase of income tax expense related to the tax effect of the freight derivatives and related misstatements.

Intercompany misstatements

(b) The correction of intercompany misstatements had no impact on income (loss) before income taxes or net income (loss); however, the correction resulted in a \$150.2 million increase of both revenues and cost of goods sold due to different practices of eliminating intercompany sales between CHS's businesses which existed in previous periods.

Other misstatements

(c) The correction of other misstatements resulted in an \$24.1 million increase of income before income taxes and a \$30.7 million increase of net income. The \$24.1 million increase of income before income taxes relates primarily to a \$13.7 million decrease of cost of goods sold

that arose from a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018. The remaining increase relates to a \$7.9 million decrease of cost of goods sold related to the valuation of crack spread derivatives and a \$2.6 million increase to expense related to postretirement benefit plan activity that resulted from a timing difference associated with the recording of certain benefit plan expenses (included in cost of goods sold and marketing, general and administrative expenses). In addition to the increase of income before income taxes, an income tax benefit of \$6.6 million was recorded to adjust for the impact of other identified misstatements, as well as income tax items that had previously been identified and recorded as out of period adjustments in subsequent periods.

Additionally, certain misclassification and offsetting adjustments were made between line items included in the Consolidated Statements of Operations primarily due to the application of differing accounting policies between businesses. These misclassification adjustments resulted in \$33.4 million decrease of revenues and cost of goods sold.

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(DOLLARS IN THOUSANDS)	FOR THE THREE MONTHS ENDED MAY 31, 2018			FOR THE NINE MONTHS ENDED MAY 31, 2018			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Revenues	\$ 9,027,525	\$ 59,803	\$ 9,087,328	\$ 23,927,508	\$ 171,857	\$ 24,099,365	a, b, c
Cost of goods sold	8,728,914	112,447	8,841,361	23,173,151	224,116	23,397,267	a, b, c
Gross profit	298,611	(52,644)	245,967	754,357	(52,259)	702,098	
Marketing, general and administrative	161,578	1	161,579	488,459	(667)	487,792	c
Reserve and impairment charges (recoveries), net	(3,811)	—	(3,811)	(18,944)	—	(18,944)	
Operating earnings (loss)	140,844	(52,645)	88,199	284,842	(51,592)	233,250	
(Gain) loss on disposal of business	(124,050)	—	(124,050)	(131,755)	—	(131,755)	
Interest expense	49,340	—	49,340	130,218	—	130,218	
Other (income) loss	(14,622)	—	(14,622)	(51,000)	—	(51,000)	
Equity (income) loss from investments	(59,308)	—	(59,308)	(137,111)	—	(137,111)	
Income (loss) before income taxes	289,484	(52,645)	236,839	474,490	(51,592)	422,898	
Income tax expense (benefit)	60,338	(5,119)	55,219	(100,901)	(10,962)	(111,863)	a, c
Net income (loss)	229,146	(47,526)	181,620	575,391	(40,630)	534,761	
Net income (loss) attributable to noncontrolling interests	(187)	—	(187)	(699)	—	(699)	
Net income (loss) attributable to CHS Inc.	\$ 229,333	\$ (47,526)	\$ 181,807	\$ 576,090	\$ (40,630)	\$ 535,460	

EIGHTEEN: *Quarterly Financial Information (Unaudited), continued*

For the three months ended May 31, 2018

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$29.8 million reduction of income before income taxes and a \$24.7 million reduction of net income. These adjustments related to a \$29.8 million increase of cost of goods sold and a \$5.1 million decrease of income tax expense related to the tax effect of the freight derivatives and related misstatements.

Intercompany misstatements

(b) The correction of intercompany misstatements had no impact on income (loss) before income taxes or net income (loss); however, the correction resulted in a \$38.8 million increase of both revenues and cost of goods sold due to different practices of eliminating intercompany sales between CHS's businesses which existed in previous periods.

Other misstatements

(c) The correction of other misstatements resulted in a \$22.8 million decrease of income before income taxes and net income. The \$22.8 million decrease of income before income taxes related primarily to an \$18.8 million increase of cost of goods sold due to adjustments associated with the implementation of a new enterprise resource planning software during the third quarter of fiscal 2018. The remaining decrease relates to an \$11.8 million increase of revenues and a \$14.5 million increase of cost of goods sold related to the timing of revenue recognition as well as a \$1.3 million increase of cost of goods sold related to the valuation of crack spread derivatives.

Additionally, certain misclassification and offsetting adjustments were made between line items included in the Consolidated Statements of Operations primarily due to the application of differing accounting policies between businesses. These misclassification adjustments resulted in a \$9.2 million increase of revenues and cost of goods sold.

For the nine months ended May 31, 2018

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$52.9 million reduction of

income before income taxes and a \$48.5 million reduction of net income. These adjustments related to a \$52.9 million increase of cost of goods sold and a \$4.4 million increase of income tax benefit related to the tax effect of the freight derivatives and related misstatements.

Intercompany misstatements

(b) The correction of intercompany misstatements had no impact on income (loss) before income taxes or net income (loss); however, the correction resulted in a \$189.0 million increase of both revenues and cost of goods sold due to different practices of eliminating intercompany sales between CHS's businesses which existed in previous periods.

Other misstatements

(c) The correction of other misstatements resulted in a \$1.3 million increase of income before income taxes and a \$7.9 million increase of net income. The \$1.3 million increase of income before income taxes relates to a combination of offsetting misstatements, including a \$13.7 million decrease of cost of goods sold that arose from a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018, a \$6.6 million decrease of cost of goods sold related to the valuation of crack spread derivatives, and a \$2.6 million decrease in expense related to postretirement benefit plan activity that resulted from a timing difference associated with recording certain benefit plan expenses (included in cost of goods sold and marketing, general and administrative expenses). The overall increase was mostly offset by an \$18.8 million increase of cost of goods sold due to a timing difference associated with the implementation of a new enterprise resource planning software during the third quarter of fiscal 2018. The increase in income before income taxes and net income was also impacted by a \$7.0 million increase of revenue and a \$9.9 million increase of cost of goods sold related to the timing of revenue recognition. In addition to the increase of income before income taxes, an income tax benefit of \$6.6 million was recorded to adjust for the impact of other identified misstatements, as well as income tax items that had previously been identified and recorded as out of period adjustments in subsequent periods.

Additionally, certain misclassification and offsetting adjustments were made between line items included in the Consolidated Statements of Operations primarily due to the application of differing accounting policies between businesses. These misclassification adjustments resulted in a \$24.1 million decrease of revenues and cost of goods sold.

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(DOLLARS IN THOUSANDS)	FOR THE THREE MONTHS ENDED NOVEMBER 30, 2016			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Revenues	\$ 8,048,250	\$ (46,346)	\$ 8,001,904	a, b, c
Cost of goods sold	7,695,553	(40,029)	7,655,524	a, b, c
Gross profit	352,697	(6,317)	346,380	
Marketing, general and administrative	147,849	3,409	151,258	c
Reserve and impairment charges (recoveries), net	18,357	—	18,357	
Operating earnings (loss)	186,491	(9,726)	176,765	
(Gain) loss on disposal of business	—	4,105	4,105	c
Interest expense	38,265	—	38,265	
Other (income) loss	(37,000)	(7,509)	(44,509)	c
Equity (income) loss from investments	(40,328)	—	(40,328)	
Income (loss) before income taxes	225,554	(6,322)	219,232	
Income tax expense (benefit)	16,612	(536)	16,076	a
Net income (loss)	208,942	(5,786)	203,156	
Net income (loss) attributable to noncontrolling interests	(208)	—	(208)	
Net income (loss) attributable to CHS Inc.	\$ 209,150	\$ (5,786)	\$ 203,364	

For the three months ended November 30, 2016

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$0.1 million increase of income before income taxes and a \$0.6 million increase of net income. These adjustments were primarily related to a \$1.9 million increase of cost of goods sold, a \$1.9 million increase of revenues related to the timing of revenue recognition, and a \$0.6 million decrease of income tax expense related to the tax effect of the freight derivatives and related misstatements.

Intercompany misstatements

(b) The correction of intercompany misstatements had no impact on income (loss) before income taxes or net income (loss); however, the correction resulted in a \$77.3 million decrease of both revenues and cost of goods sold due to different practices of eliminating intercompany sales between CHS's businesses which existed in previous periods.

Other misstatements

(c) The correction of other misstatements resulted in a \$6.4 million decrease of income before income taxes and net income. The \$6.4 million decrease of income before income taxes and net income relates primarily to an increase of cost of goods sold that arose from a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018.

Additionally, certain misclassification and offsetting adjustments were made between line items included in the Consolidated Statements of Operations primarily due to the application of differing accounting policies between businesses. These misclassification adjustments resulted in a \$29.1 million increase of revenues, a \$29.1 million increase of cost of goods sold, a \$3.4 million increase of marketing, general and administrative expenses, a \$4.1 million increase of loss on disposal of business and a \$7.5 million increase of other income.

EIGHTEEN: *Quarterly Financial Information (Unaudited), continued*

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(DOLLARS IN THOUSANDS)	FOR THE THREE MONTHS ENDED FEBRUARY 28, 2017			FOR THE SIX MONTHS ENDED FEBRUARY 28, 2017			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Revenues	\$ 7,320,406	\$ 80,367	\$ 7,400,773	\$ 15,368,656	\$ 34,021	\$ 15,402,677	a, b, c
Cost of goods sold	7,079,664	85,601	7,165,265	14,775,217	45,572	14,820,789	a, b, c
Gross profit	240,742	(5,234)	235,508	593,439	(11,551)	581,888	
Marketing, general and administrative	157,862	2,304	160,166	305,711	5,713	311,424	c
Reserve and impairment charges (recoveries), net	72,373	—	72,373	90,730	—	90,730	
Operating earnings (loss)	10,507	(7,538)	2,969	196,998	(17,264)	179,734	
(Gain) loss on disposal of business	—	(1,395)	(1,395)	—	2,710	2,710	c
Interest expense	39,945	—	39,945	78,210	—	78,210	
Other (income) loss	(17,235)	(848)	(18,083)	(54,235)	(8,357)	(62,592)	c
Equity (income) loss from investments	(35,800)	—	(35,800)	(76,128)	—	(76,128)	
Income (loss) before income taxes	23,597	(5,295)	18,302	249,151	(11,617)	237,534	
Income tax expense (benefit)	8,624	(4,939)	3,685	25,236	(5,475)	19,761	a, c
Net income (loss)	14,973	(356)	14,617	223,915	(6,142)	217,773	
Net income (loss) attributable to noncontrolling interests	406	—	406	198	—	198	
Net income (loss) attributable to CHS Inc.	\$ 14,567	\$ (356)	\$ 14,211	\$ 223,717	\$ (6,142)	\$ 217,575	

For the three months ended February 28, 2017

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$0.3 million reduction of income before income taxes and a \$0.2 million increase of net income. These adjustments related to a \$1.1 million reduction of revenues and a \$0.9 million decrease of cost of goods sold, and a \$0.5 million decrease of income tax expense related to the tax effect of the freight derivatives and related misstatements.

Intercompany misstatements

(b) The correction of intercompany misstatements had no impact on income (loss) before income taxes or net income (loss); however, the correction resulted in a \$58.9 million increase of both revenues and cost of goods sold due to different practices of eliminating intercompany sales between CHS's businesses which existed in previous periods.

Other misstatements

(c) The correction of other misstatements resulted in a \$5.0 million decrease of income before income taxes

and a \$0.6 million decrease of net income. The \$5.0 million decrease of income before income taxes relates primarily to a \$5.6 million increase of cost of goods sold that arose from a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018. The overall decrease of income before income taxes was partially offset by a \$0.6 million decrease of cost of goods sold related to the valuation of crack spread derivatives. The decrease of income before income taxes was mostly offset by an income tax benefit of \$4.5 million that was recorded to adjust for the impact of other identified misstatements, as well as income tax items that had previously been identified and recorded as out of period adjustments in subsequent periods.

Additionally, certain misclassification and offsetting adjustments were made between line items included in the Consolidated Statements of Operations primarily due to the application of differing accounting policies between businesses. These misclassification adjustments resulted in a \$22.6 million increase of revenues, a \$22.5 million increase of cost of goods sold, a \$2.3 million increase of marketing, general and administrative

expenses, a \$1.4 million increase of gain on disposal of business, and a \$0.8 million increase of other income.

For the six months ended February 28, 2017

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$0.2 million reduction of income before income taxes and a \$0.8 million increase of net income. These adjustments related to a \$0.7 million increase of revenues and a \$1.0 million increase of cost of goods and a \$1.0 million decrease of income tax expense related to the tax effect of the freight derivatives and related misstatements.

Intercompany misstatements

b) The correction of intercompany misstatements had no impact on income (loss) before income taxes or net income (loss); however, the correction resulted in a \$18.4 million decrease of both revenues and cost of goods sold due to different practices of eliminating intercompany sales between CHS's businesses which existed in previous periods.

Other misstatements

(c) The correction of other misstatements resulted in an \$11.4 million decrease of income before income taxes

and a \$6.9 million decrease of net income. The \$11.4 million decrease of income before income taxes relates primarily to a \$12.1 million increase of cost of goods sold that arose from a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018. The overall decrease of income before income taxes was partially offset by a \$0.7 million decrease of cost of goods sold related to the valuation of crack spread derivatives. The decrease of income before income taxes was partially offset by an income tax benefit of \$4.5 million that was recorded to adjust for the impact of other identified misstatements, as well as income tax items that had previously been identified and recorded as out of period adjustments in subsequent periods.

Additionally, certain misclassification and offsetting adjustments were made between line items included in the Consolidated Statements of Operations primarily due to the application of differing accounting policies between businesses. These misclassification adjustments resulted in a \$51.7 million increase of revenues, a \$51.6 million increase of cost of goods sold, a \$5.7 million increase of marketing, general and administrative expenses, a \$2.7 million increase of loss on disposal of business, and an \$8.4 million increase of other income.

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(DOLLARS IN THOUSANDS)	FOR THE THREE MONTHS ENDED MAY 31, 2017			FOR THE NINE MONTHS ENDED MAY 31, 2017			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Revenues	\$ 8,614,090	\$ 24,320	\$ 8,638,410	\$ 23,982,746	\$ 58,341	\$ 24,041,087	a, b, c
Cost of goods sold	8,366,988	50,276	8,417,264	23,142,205	95,848	23,238,053	a, b, c
Gross profit	247,102	(25,956)	221,146	840,541	(37,507)	803,034	
Marketing, general and administrative	153,498	1,849	155,347	459,831	6,940	466,771	c
Reserve and impairment charges (recoveries), net	323,901	2,878	326,779	414,009	3,500	417,509	c
Operating earnings (loss)	(230,297)	(30,683)	(260,980)	(33,299)	(47,947)	(81,246)	
(Gain) loss on disposal of business	—	(1,224)	(1,224)	—	1,486	1,486	c
Interest expense	39,201	—	39,201	117,411	—	117,411	
Other (income) loss	(11,947)	(5)	(11,952)	(66,183)	(8,361)	(74,544)	c
Equity (income) loss from investments	(48,393)	—	(48,393)	(124,521)	—	(124,521)	
Income (loss) before income taxes	(209,158)	(29,454)	(238,612)	39,994	(41,072)	(1,078)	
Income tax expense (benefit)	(163,018)	(3,106)	(166,124)	(137,781)	(8,582)	(146,363)	a, c
Net income (loss)	(46,140)	(26,348)	(72,488)	177,775	(32,490)	145,285	
Net income (loss) attributable to noncontrolling interests	(955)	—	(955)	(757)	—	(757)	
Net income (loss) attributable to CHS Inc.	\$ (45,185)	\$ (26,348)	\$ (71,533)	\$ 178,532	\$ (32,490)	\$ 146,042	

For the three months ended May 31, 2017

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$25.9 million reduction of income before income taxes and a \$22.8 million reduction of net income. These adjustments related to a \$3.7 million decrease of revenues and a \$22.2 million increase of cost of goods sold and a \$3.1 million increase of income tax benefit related to the tax effect of the freight derivatives and related misstatements.

Intercompany misstatements

(b) The correction of intercompany misstatements had no impact on income (loss) before income taxes or net income (loss); however, the correction resulted in a \$9.6 million decrease of both revenues and cost of goods sold due to different practices of eliminating intercompany sales between CHS's businesses which existed in previous periods.

Other misstatements

(c) The correction of other misstatements resulted in a \$3.6 million decrease of income before income taxes and net income. The \$3.6 million decrease of income

before income taxes and net income relates primarily to a \$3.5 million increase of reserve and impairment charges related to a timing difference for a fixed asset impairment charge that should have been recorded during the third quarter of fiscal 2017 rather than the fourth quarter of fiscal 2017.

Additionally, certain misclassification and offsetting adjustments were made between line items included in the Consolidated Statements of Operations primarily due to the application of differing accounting policies between businesses. These misclassification adjustments resulted in a \$37.6 million increase of revenues, a \$37.6 million increase of cost of goods sold, a \$1.8 million increase of marketing, general and administrative expenses, a \$0.6 million decrease of reserve and impairment charges and a \$1.2 million increase of gain on disposal of business.

For the nine months ended May 31, 2017

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$26.2 million reduction of

income before income taxes and a \$22.1 million reduction of net income. These adjustments related to a \$2.9 million reduction of revenues and a \$23.2 million increase of cost of goods sold, as well as a \$4.1 million increase of income tax benefit related to the tax effect of the freight derivatives and related misstatements.

Intercompany misstatements

(b) The correction of intercompany misstatements had no impact on income (loss) before income taxes or net income (loss); however, the correction resulted in a \$28.0 million decrease of both revenues and cost of goods sold due to different practices of eliminating intercompany sales between CHS's businesses which existed in previous periods.

Other misstatements

(c) The correction of other misstatements resulted in a \$14.9 million decrease of income before income taxes and a \$10.4 million decrease of net income. The \$14.9 million decrease of income before income taxes relates primarily to a \$12.1 million increase of cost of goods sold that arose from a unit of measure assumption in the calculation of an excise tax credit that was changed during fiscal 2018 and a \$3.5 million increase of

reserve and impairment charges related to a fixed asset impairment charge that should have been recorded during the third quarter of fiscal 2017 rather than the fourth quarter of fiscal 2017. The overall decrease of income before income taxes was partially offset by a \$0.7 million decrease of cost of goods sold related to the valuation of crack spread derivatives. The decrease of income before income taxes was partially offset by an income tax benefit of \$4.5 million that was recorded to adjust for the impact of other identified misstatements, as well as income tax items that had previously been identified and recorded as out of period adjustments in subsequent periods.

Additionally, certain misclassification and offsetting adjustments were made between line items included in the Consolidated Statements of Operations primarily due to the application of differing accounting policies between businesses. These misclassification adjustments resulted in an \$89.2 million increase of revenues, a \$89.2 million increase of cost of goods sold, a \$6.9 million increase of marketing, general and administrative expenses, a \$1.5 million increase of loss on sale of business and an \$8.4 million increase of other income.

EIGHTEEN: *Quarterly Financial Information (Unaudited), continued*

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(DOLLARS IN THOUSANDS)	FOR THE THREE MONTHS ENDED AUGUST 31, 2017			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Revenues	\$ 7,952,005	\$ 44,334	\$ 7,996,339	a, b, c
Cost of goods sold	7,843,305	61,408	7,904,713	a, b, c
Gross profit	108,700	(17,074)	91,626	
Marketing, general and administrative	144,528	708	145,236	c
Reserve and impairment charges (recoveries), net	42,670	(3,500)	39,170	c
Operating earnings (loss)	(78,498)	(14,282)	(92,780)	
(Gain) loss on disposal of business	—	704	704	c
Interest expense	53,828	—	53,828	
Other (income) loss	(24,664)	(743)	(25,407)	c
Equity (income) loss from investments	(12,817)	—	(12,817)	
Income (loss) before income taxes	(94,845)	(14,243)	(109,088)	
Income tax expense (benefit)	(44,293)	9,532	(34,761)	a, c
Net income (loss)	(50,552)	(23,775)	(74,327)	
Net income (loss) attributable to noncontrolling interests	123	—	123	
Net income (loss) attributable to CHS Inc.	\$ (50,675)	\$ (23,775)	\$ (74,450)	

For the three months ended August 31, 2017

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$12.0 million reduction of income before income taxes and a \$25.2 million reduction of net income. These adjustments related to a \$2.9 million increase of revenues, and a \$14.9 million increase of cost of goods sold and a \$13.3 million decrease of income tax benefit related to the tax effect of the freight derivatives and related misstatements.

Intercompany misstatements

(b) The correction of intercompany misstatements had no impact on income (loss) before income taxes or net income (loss); however, the correction resulted in a \$7.7 million decrease of both revenues and cost of goods sold due to different practices of eliminating intercompany sales between CHS's businesses which existed in previous periods.

Other misstatements

(c) The correction of other misstatements resulted in a \$2.3 million decrease of income before income taxes and a \$1.4 million increase of net income. The \$2.3 million decrease of income before income taxes related primarily to a \$3.2 million increase of cost of goods sold related to the valuation of crack spread derivatives and a \$2.6 million increase of cost of goods sold and marketing, general and administrative expenses related to a timing difference associated with the recording of certain benefit plan expenses. These decreases of income before income taxes were partially offset by a \$3.5 million decrease of reserve and impairment charges related to a timing difference for recording a fixed asset impairment charge. The decrease of net income was partially offset by an income tax benefit of \$3.7 million that was recorded to adjust for the impact of other identified misstatements, as well as income tax items that had previously been identified and recorded as out of period adjustments in subsequent periods.

Additionally, certain misclassification and offsetting adjustments were made between line items included in the Consolidated Statements of Operations primarily due to the application of differing accounting policies between businesses. These misclassification adjustments resulted in a \$49.1 million increase of revenues, a \$49.1 million increase of cost of goods sold, a \$0.7 million increase of loss on disposal of business and a \$0.7 million increase of other income.

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(DOLLARS IN THOUSANDS)	FOR THE THREE MONTHS ENDED NOVEMBER 30, 2017			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Net income (loss)	\$ 179,619	\$ 7,563	\$ 187,182	a, c
Other comprehensive income (loss), net of tax:				
Postretirement benefit plan activity, net of tax expense (benefit) of \$2,620	4,196	(2,602)	1,594	c
Unrealized net gain (loss) on available for sale investments net of tax expense (benefit) of \$404	3,640	—	3,640	
Cash flow hedges net of tax expense (benefit) of \$(2)	(4)	—	(4)	
Foreign currency translation adjustment net of tax expense (benefit) of \$(443)	(2,607)	396	(2,211)	a
Other comprehensive income (loss), net of tax	5,225	(2,206)	3,019	
Comprehensive income	184,844	5,357	190,201	
Less comprehensive income attributable to noncontrolling interests	(464)	—	(464)	
Comprehensive income attributable to CHS Inc.	\$ 185,308	\$ 5,357	\$ 190,665	

For the three months ended November 30, 2017

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$1.2 million reduction of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the three months ended November 30, 2017, above. The adjustment related to foreign currency translation is attributable to the foreign currency impact associated with goodwill that was impaired during fiscal 2015.

Intercompany misstatements

(b) None.

Other misstatements

(c) The correction of other misstatements resulted in an \$8.8 million increase of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the three months ended November 30, 2017, above. The adjustment related to postretirement benefit plan activity is attributable to a timing difference associated with recording certain benefit plan expenses.

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(DOLLARS IN THOUSANDS)	FOR THE THREE MONTHS ENDED FEBRUARY 28, 2018			FOR THE SIX MONTHS ENDED FEBRUARY 28, 2018			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Net income (loss)	\$ 166,626	\$ (667)	\$ 165,959	\$ 346,245	\$ 6,896	\$ 353,141	a, c
Other comprehensive income (loss), net of tax:							
Postretirement benefit plan activity net of tax expense (benefit) of \$1,309 and \$3,929	3,141	1	3,142	7,338	(2,602)	4,736	c
Unrealized net gain (loss) on available for sale investments net of tax expense (benefit) of \$1,481 and \$1,885	3,554	—	3,554	7,194	—	7,194	
Cash flow hedges net of tax expense (benefit) of \$443 and \$441	1,063	—	1,063	1,059	—	1,059	
Foreign currency translation adjustment net of tax expense (benefit) of \$422 and \$(21)	2,461	(109)	2,352	(146)	287	141	a
Other comprehensive income (loss), net of tax	10,219	(108)	10,111	15,445	(2,315)	13,130	
Comprehensive income	176,845	(775)	176,070	361,690	4,581	366,271	
Less comprehensive income attributable to noncontrolling interests	(48)	—	(48)	(512)	—	(512)	
Comprehensive income attributable to CHS Inc.	\$ 176,893	\$ (775)	\$ 176,118	\$ 362,202	\$ 4,581	\$ 366,783	

For the three months ended February 28, 2018

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$22.6 million reduction of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the three months ended February 28, 2018, above. The adjustment related to foreign currency translation is attributable to the foreign currency impact associated with goodwill that was impaired during fiscal 2015.

Intercompany misstatements

(b) None.

Other misstatements

(c) The correction of other misstatements resulted in a \$21.9 million increase of net income. Refer to descriptions of the adjustments and their impact on net income

(loss) in the Consolidated Statement of Operations section for the three months ended February 28, 2018, above.

For the six months ended February 28, 2018

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$23.8 million reduction of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the six months ended February 28, 2018, above. The adjustment related to foreign currency translation is attributable to the foreign currency impact associated with goodwill that was impaired during fiscal 2015.

Intercompany misstatements

(b) None.

Other misstatements

(c) The correction of other misstatements resulted in a \$30.7 million increase of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the six months ended February 28, 2018, above.

The adjustment related to postretirement benefit plan activity is attributable to a timing difference associated with recording certain benefit plan expenses.

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(DOLLARS IN THOUSANDS)	FOR THE THREE MONTHS ENDED MAY 31, 2018			FOR THE NINE MONTHS ENDED MAY 31, 2018				RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	AS RESTATED	
Net income (loss)	\$ 229,146	\$ (47,526)	\$ 181,620	\$ 575,391	\$ (40,630)	\$ 534,761		a, c
Other comprehensive income (loss), net of tax:								
Postretirement benefit plan activity net of tax expense (benefit) of \$1,424 and \$5,353	3,417	—	3,417	10,755	(2,602)	8,153		c
Unrealized net gain (loss) on available for sale investments net of tax expense (benefit) of \$2,620 and \$4,505	6,286	—	6,286	13,480	—	13,480		
Cash flow hedges net of tax expense (benefit) of \$172 and \$613	413	—	413	1,472	—	1,472		
Foreign currency translation adjustment net of tax expense (benefit) of \$(254) and \$(275)	(11,617)	1,429	(10,188)	(11,763)	1,716	(10,047)		a
Other comprehensive income (loss), net of tax	(1,501)	1,429	(72)	13,944	(886)	13,058		
Comprehensive income	227,645	(46,097)	181,548	589,335	(41,516)	547,819		
Less comprehensive income attributable to noncontrolling interests	(187)	—	(187)	(699)	—	(699)		
Comprehensive income attributable to CHS Inc.	\$ 227,832	\$ (46,097)	\$ 181,735	\$ 590,034	\$ (41,516)	\$ 548,518		

For the three months ended May 31, 2018***Freight derivatives and related misstatements***

(a) The correction of freight derivatives and related misstatements resulted in a \$24.7 million reduction of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the three months ended May 31, 2018, above. The adjustment related to foreign currency translation is attributable to the foreign currency impact associated with goodwill that was impaired during fiscal 2015.

Intercompany misstatements

(b) None.

Other misstatements

(c) The correction of other misstatements resulted in a \$22.8 million decrease of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the three months ended May 31, 2018, above.

EIGHTEEN: *Quarterly Financial Information (Unaudited), continued*

For the nine months ended May 31, 2018

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$48.5 million reduction of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the nine months ended May 31, 2018, above. The adjustment related to foreign currency translation is attributable to the foreign currency impact associated with goodwill that was impaired during fiscal 2015.

Intercompany misstatements

(b) None.

Other misstatements

(c) The correction of other misstatements resulted in a \$7.9 million increase of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the nine months ended May 31, 2018, above. The adjustment related to postretirement benefit plan activity relates to a timing difference associated with recording certain benefit plan expenses.

**CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)**

(DOLLARS IN THOUSANDS)	FOR THE THREE MONTHS ENDED NOVEMBER 30, 2016			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Net income (loss)	\$ 208,942	\$ (5,786)	\$ 203,156	a, c
Other comprehensive income (loss), net of tax:				
Postretirement benefit plan activity net of tax expense (benefit) of \$2,011	3,239	—	3,239	
Unrealized net gain (loss) on available for sale investments net of tax expense (benefit) of \$482	777	—	777	
Cash flow hedges net of tax expense (benefit) of \$406	654	—	654	
Foreign currency translation adjustment net of tax expense (benefit) of \$(209)	(19,164)	1,089	(18,075)	a
Other comprehensive income (loss), net of tax	(14,494)	1,089	(13,405)	
Comprehensive income	194,448	(4,697)	189,751	
Less comprehensive income attributable to noncontrolling interests	(208)	—	(208)	
Comprehensive income attributable to CHS Inc.	\$ 194,656	\$ (4,697)	\$ 189,959	

For the three months ended November 30, 2016

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$0.6 million increase of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated

Statement of Operations section for the three months ended November 30, 2016, above. The adjustment related to foreign currency translation is attributable to the foreign currency impact associated with goodwill that was impaired during fiscal 2015.

Intercompany misstatements

(b) None.

Other misstatements

(c) The correction of other misstatements resulted in a \$6.4 million decrease of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the three months ended November 30, 2016, above.

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(DOLLARS IN THOUSANDS)	FOR THE THREE MONTHS ENDED FEBRUARY 28, 2017			FOR THE SIX MONTHS ENDED FEBRUARY 28, 2017			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Net income (loss)	\$ 14,973	\$ (356)	\$ 14,617	\$ 223,915	\$ (6,142)	\$ 217,773	a, c
Other comprehensive income (loss), net of tax:							
Postretirement benefit plan activity net of tax expense (benefit) of \$2,312 and \$4,323	3,724	—	3,724	6,963	—	6,963	
Unrealized net gain (loss) on available for sale investments net of tax expense (benefit) of \$600 and \$1,083	968	—	968	1,744	1	1,745	c
Cash flow hedges net of tax expense (benefit) of \$598 and \$1,005	963	1	964	1,618	—	1,618	c
Foreign currency translation adjustment net of tax expense (benefit) of \$(204) and \$5	9,123	(936)	8,187	(10,041)	153	(9,888)	a
Other comprehensive income (loss), net of tax	14,778	(935)	13,843	284	154	438	
Comprehensive income	29,751	(1,291)	28,460	224,199	(5,988)	218,211	
Less comprehensive income attributable to noncontrolling interests	406	—	406	198	—	198	
Comprehensive income attributable to CHS Inc.	\$ 29,345	\$ (1,291)	\$ 28,054	\$ 224,001	\$ (5,988)	\$ 218,013	

For the three months ended February 28, 2017Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$0.2 million increase of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the three months ended February 28, 2017, above. The adjustment related to foreign currency translation is attributable to the foreign currency impact associated with goodwill that was impaired during fiscal 2015.

Intercompany misstatements

(b) None.

Other misstatements

(c) The correction of other misstatements resulted in a \$0.6 million decrease of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the three months ended February 28, 2017, above.

For the six months ended February 28, 2017Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$0.8 million increase of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated

EIGHTEEN: *Quarterly Financial Information (Unaudited), continued*

Statement of Operations section for the six months ended February 28, 2017, above. The adjustment related to foreign currency translation relates to the foreign currency impact associated with goodwill that was impaired during fiscal 2015.

Intercompany misstatements

(b) None.

Other misstatements

(c) The correction of other misstatements resulted in a \$6.9 million decrease of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the six months ended February 28, 2017, above.

**CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)**

(DOLLARS IN THOUSANDS)	FOR THE THREE MONTHS ENDED MAY 31, 2017			FOR THE NINE MONTHS ENDED MAY 31, 2017			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Net income (loss)	\$ (46,140)	\$ (26,348)	\$ (72,488)	\$ 177,775	\$ (32,490)	\$ 145,285	a, c
Other comprehensive income (loss), net of tax:							
Postretirement benefit plan activity net of tax expense (benefit) of \$2,257 and \$6,580	3,635	1	3,636	10,599	—	10,599	c
Unrealized net gain (loss) on available for sale investments net of tax expense (benefit) of \$(72) and \$1,010	(117)	(1)	(118)	1,627	—	1,627	c
Cash flow hedges net of tax expense (benefit) of \$233 and \$1,238	375	—	375	1,993	—	1,993	
Foreign currency translation adjustment net of tax expense (benefit) of \$(334) and \$(329)	(2,151)	782	(1,369)	(12,193)	936	(11,257)	a
Other comprehensive income (loss), net of tax	1,742	782	2,524	2,026	936	2,962	
Comprehensive income	(44,398)	(25,566)	(69,964)	179,801	(31,554)	148,247	
Less comprehensive income attributable to noncontrolling interests	(955)	—	(955)	(757)	—	(757)	
Comprehensive income attributable to CHS Inc.	\$ (43,443)	\$ (25,566)	\$ (69,009)	\$ 180,558	\$ (31,554)	\$ 149,004	

For the three months ended May 31, 2017

Freight derivatives and related misstatements

(a) The correction of freight derivatives and related misstatements resulted in a \$22.8 million reduction of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the three months ended May 31, 2017, above. The adjustment related to foreign currency translation is attributable to the foreign currency impact associated with goodwill that was impaired during fiscal 2015.

Intercompany misstatements

(b) None.

Other misstatements

(c) The correction of other misstatements resulted in a \$3.6 million decrease of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the three months ended May 31, 2017, above.

For the nine months ended May 31, 2017***Freight derivatives and related misstatements***

(a) The correction of freight derivatives and related misstatements resulted in a \$22.1 million reduction of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the nine months ended May 31, 2017, above. The adjustment related to foreign currency translation is attributable to the foreign currency impact associated with goodwill that was impaired during fiscal 2015.

Intercompany misstatements

(b) None.

Other misstatements

(c) The correction of other misstatements resulted in a \$10.4 million decrease of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the nine months ended May 31, 2017, above.

CHS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(DOLLARS IN THOUSANDS)	FOR THE THREE MONTHS ENDED AUGUST 31, 2017			RESTATEMENT REFERENCES
	AS PREVIOUSLY REPORTED	RESTATEMENT ADJUSTMENTS	AS RESTATED	
Net income (loss)	\$ (50,552)	\$ (23,775)	\$ (74,327)	a, c
Other comprehensive income (loss), net of tax:				
Postretirement benefit plan activity net of tax expense (benefit) of \$12,108	19,501	2,602	22,103	c
Unrealized net gain (loss) on available for sale investments net of tax expense (benefit) of \$1,722	2,758	—	2,758	
Cash flow hedges net of tax expense (benefit) of \$155	249	—	249	
Foreign currency translation adjustment net of tax expense (benefit) of \$542	3,522	(424)	3,098	a
Other comprehensive income (loss), net of tax	26,030	2,178	28,208	
Comprehensive income	(24,522)	(21,597)	(46,119)	
Less comprehensive income attributable to noncontrolling interests	123	—	123	
Comprehensive income attributable to CHS Inc.	\$ (24,645)	\$ (21,597)	\$ (46,242)	

For the three months ended August 31, 2017***Freight derivatives and related misstatements***

(a) The correction of freight derivatives and related misstatements resulted in a \$25.2 million reduction of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the three months ended August 31, 2017, above. The adjustment related to foreign currency translation is attributable to the foreign currency impact associated with goodwill that was impaired during fiscal 2015.

Intercompany misstatements

(b) None.

Other misstatements

(c) The correction of other misstatements resulted in a \$1.4 million increase of net income. Refer to descriptions of the adjustments and their impact on net income (loss) in the Consolidated Statement of Operations section for the three months ended August 31, 2017, above. The adjustment related to postretirement benefit plan activity relates to a timing difference associated with recording certain benefit plan expenses.

Report Of Independent Registered Public Accounting Firm

To the Board of Directors, Members and Patrons of CHS Inc.:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CHS Inc. and its subsidiaries (the "Company") as of August 31, 2018 and 2017 and the related consolidated statements of operations, comprehensive income, changes in equities and cash flows for each of the three years in the period ended August 31, 2018 appearing in the 2018 Annual Report on Form 10-K and have issued our report thereon dated December 3, 2018, which included an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Restatement of Previously Issued Financial Statements

As discussed in Note 2 in the 2018 Annual Report on Form 10-K, the Company has restated its 2017 and 2016 financial statements to correct misstatements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
December 3, 2018

Board of Directors



From left, seated: Riegel, Blew, Schurr, Johnsrud, Erickson; standing: Cordes, Kehl, Jones, Fritel, Knecht, Carlson, Anthony, Farrell, Holm, Kayser, Meyer, Malesich

Dan Schurr

Chairman
LeClaire, Iowa

C.J. Blew

First Vice Chairman
Castleton, Kansas

David Johnsrud

Secretary-Treasurer
Starbuck, Minnesota

Jon Erickson

Second Vice Chairman
Minot, North Dakota

Steve Riegel

Assistant Secretary-Treasurer
Ford, Kansas

Don Anthony

Lexington, Nebraska

Dennis Carlson

Mandan, North Dakota

Scott Cordes

Wanamingo, Minnesota

Mark Farrell

Cross Plains, Wisconsin

Steve Fritel

Barton, North Dakota

Alan Holm

Sleepy Eye, Minnesota

Tracy Jones

Kirkland, Illinois

David Kayser

Alexandria, South Dakota

Russ Kehl

Quincy, Washington

Randy Knecht

Houghton, South Dakota

Edward Malesich

Dillon, Montana

Perry Meyer

New Ulm, Minnesota

Detailed biographical information on the CHS Board of Directors is available at chsinc.com.

Executive Team



From left: Halvorson, Black, Skidmore, Debertin, Hunhoff, Kaul-Hottinger, Griffith, Dusek, Zappa

Jay Debertin

*President and
Chief Executive Officer*

David Black

*Senior Vice President, Enterprise
Strategy, and Chief Information Officer*

Rick Dusek

*Executive Vice President,
Country Operations*

John Griffith

*Senior Vice President, Global Grain
Marketing and Renewable Fuels*

Gary Halvorson

Senior Vice President, Agronomy

Darin Hunhoff

*Executive Vice President,
Energy and Processing and
Food Ingredients*

Mary Kaul-Hottinger

*Senior Vice President,
Human Resources*

Timothy Skidmore

*Executive Vice President
and Chief Financial Officer*

Jim Zappa

*Executive Vice President
and General Counsel*

Detailed biographical information on the CHS leadership team is available at chsinc.com.

Acknowledgements

To create this annual report, CHS worked with local cooperatives and farmer owners and their families. The collective accomplishments described in these pages reflect their commitment to the cooperative system. We thank them for inviting us into their homes and businesses.

Iowa: Billie Danner, West Liberty, Iowa, and employees of Japan Corn Starch Co.

Minnesota: Bret Berg, Farmington; Matt Hart, Ag Partners Cooperative, Wanamingo; Dusty Dienst and team, Faribault Fire Department; Loren and Deb Zutz, Ronnie Zutz, CHS Ag Services and Northland Grain, Warren; Deron Johnson, Hector; Doug Lund, United Farmers Cooperative, Winthrop; Ken Doebbeling, CHS Transportation

North Dakota: Dustin Johnsrud, Epping; Jamie Routledge, Glenburn; Dan Sem and staff, Dakota Agronomy Partners, Minot

Oregon: Troy Kuenzi, Clinton Kuenzi and the staff of Pratum Cooperative, Salem; Ivan Schurter, Silverton

South Dakota: Dave Farrell and the Cenex Automated Fuel Delivery system team, Brookings

Washington: Beau Duff and employees of HighLine Grain Growers, Four Lakes

Wisconsin: Lisa Kopp and students of Medford Area Public Schools, Medford





**Farmer-owned with
global connections**

5500 Cenex Drive
Inver Grove Heights, MN 55077
651-355-6000
chsinc.com
NASDAQ: CHSCP, CHSCO,
CHSCN, CHSCM, CHSCL

