

GARDNER DENVER INC

Form 4

August 01, 2013

FORM 4**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Check this box
if no longer
subject to
Section 16.
Form 4 or
Form 5
obligations
may continue.
See Instruction
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

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(Print or Type Responses)

1. Name and Address of Reporting Person *
HIPP RAYMOND R

(Last) (First) (Middle)

**GARDNER DENVER, INC., 1500
LIBERTY RIDGE DRIVE, SUITE
3000**

(Street)

WAYNE, PA 19087

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading
Symbol

GARDNER DENVER INC [GDI]

3. Date of Earliest Transaction
(Month/Day/Year)

07/30/2013

4. If Amendment, Date Original
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

☒ Director ☐ 10% Owner
☐ Officer (give title below) ☐ Other (specify below)

6. Individual or Joint/Group Filing(Check
Applicable Line)
☒ Form filed by One Reporting Person
☐ Form filed by More than One Reporting
Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	07/30/2013		D	17,564	D	0	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Conversion or Exercise Price of Derivative Security (Instr. 3)			
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Restricted Stock Units	(2)	07/30/2013		D		600		(3)	(3)	Common Stock	600
Restricted Stock Units	(2)	07/30/2013		D		1,700		(3)	(3)	Common Stock	1,700
Phantom Stock Units	(4)	07/30/2013		D		9,609.7		(5)	(5)	Common Stock	9,609.7

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HIPP RAYMOND R GARDNER DENVER, INC. 1500 LIBERTY RIDGE DRIVE, SUITE 3000 WAYNE, PA 19087	X			

Signatures

/s/ Brent A. Walters,
Attorney-in-fact

**Signature of Reporting Person

Date _____

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Disposed of pursuant to the Agreement and Plan of Merger, dated as of March 7, 2013, by and among Gardner Denver, Inc. (the "Company"), Renaissance Parent Corp. and Renaissance Acquisition Corp. (the "Merger Agreement") in exchange for a cash payment of \$76.00 per share.

(2) Each restricted stock unit was the economic equivalent of one share of the Company's Common Stock.

(3) Pursuant to the Merger Agreement, any vesting conditions or restrictions applicable to each Restricted Stock Unit lapsed as of the effective time of the merger and each Restricted Stock Unit was converted into the right to receive a cash payment of \$76.00 for each share of common stock underlying a Restricted Stock Unit.

(4) The security converts to common stock on a one-for-one basis.

(5)

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The cash value of these units will be distributed to the director or beneficiary on the first day of the month following the date upon which the director ceases to be a director of the Company for any reason (unless otherwise elected by the director in accordance with the terms of the Phantom Plan).

- (6) Pursuant to the Merger Agreement, each phantom stock unit was converted into the right to receive a cash payment of \$76.00 per phantom stock unit.

Remarks:

Brent A. Walters, Attorney-in-fact for Raymond R. Hipp, pursuant to Power of Attorney dated November 13, 2009 and filed w

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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Other Benefits

Gross

(Dollars in thousands)

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

Explanation of Responses:

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.

Explanation of Responses:

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

	2018			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
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

	2017			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
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.

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.

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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:

Plan Name	EIN/Plan Number	Contributions of CHS (Dollars in thousands)			Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		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.

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Note 12 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 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.

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

	Energy	Ag	Nitrogen Production	Corporate and Other	Reconciling Amounts	Total
	(Dollars in thousands)					
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
	Energy	Ag	Nitrogen Production	Corporate and Other	Reconciling Amounts	Total
	(Dollars in thousands)					

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

	Energy	Ag	Nitrogen Production	Corporate and Other	Reconciling Amounts	Total
	(Dollars in thousands)					
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

Explanation of Responses:

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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	

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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:

	2018	(As Restated) 2017	(As Restated) 2016
	(Dollars in thousands)		
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:

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

Note 13 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.

August 31, 2018				
Amounts Not Offset on the Consolidated Balance Sheet but Eligible for Offsetting				
Gross Amounts Recognized	Cash Collateral	Derivative Instruments	Net Amounts	

(Dollars in thousands)

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

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	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
	(Dollars in thousands)			
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.

	Location of Gain (Loss)	2018	(As Restated) 2017	(As Restated) 2016
		(Dollars in thousands)		
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)

Explanation of Responses:

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

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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.

	2018		(As Restated) 2017	
	Long	Short	Long	Short
	(Units in thousands)			
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	—
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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 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	2018	Balance Sheet Location	2018
	2017		2017
Derivative Assets		Derivative Liabilities	

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	(Dollars in thousands)		(Dollars in thousands)
Derivative assets	\$—	Derivative liabilities	\$771
Other assets	— 9,978	Other liabilities	8,681
Total	\$— 9,978	Total	\$9,452

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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:	Location of Gain (Loss)	2018	2017	2016
(Dollars in thousands)				
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	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
(Dollars in thousands)				
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:

	2018	2017	2016
	(Dollars in thousands)		
Interest rate derivatives	\$178	\$	—\$(10,070)

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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:

Location of Gain (Loss)	2018	2017	2016
	(Dollars in thousands)		
Interest rate derivatives Interest expense	\$(1,704)	\$(1,742)	\$(5,071)

Note 14 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 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.

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

	2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)			
	(Dollars in thousands)			
		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
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

	2017 (As Restated)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)			
	(Dollars in thousands)			
		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
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

Explanation of Responses:

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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

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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.

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.

Note 15 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

Explanation of Responses:

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.

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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	\$ 352,062

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:

	Payments Due by Period						
	Total	2019	2020	2021	2022	2023	Thereafter
	(Dollars in thousands)						
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.

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Note 16 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.

	2018	2017	(As Restated) 2016
	(Dollars in thousands)		
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

Note 17 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:

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

	2018	2017
	(Dollars in thousands)	
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.

Note 18 Quarterly Financial Information (Unaudited)

Explanation of Responses:

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

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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.

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CHS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	(As Restated)		
	As of November 30, 2017	As of February 28, 2018	As of May 31, 2018
	(Dollars in thousands)		
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

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CHS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	(As Restated)		
	As of November 30, 2016	As of February 28, 2017	As of May 31, 2017
	(Dollars in thousands)		
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

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

	(As Restated)					
	Three Months Ended November 30, 2017	Three Months Ended February 28, 2018	Six Months Ended February 28, 2018	Three Months Ended May 31, 2018	Nine Months Ended May 31, 2018	Three Months Ended August 31, 2018
	(Dollars in thousands)					
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

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

	(As Restated)					
	Three Months Ended November 30, 2016	Three Months Ended February 28, 2017	Six Months Ended February 28, 2017	Three Months Ended May 31, 2017	Nine Months Ended May 31, 2017	Three Months Ended August 31, 2017
	(Dollars in thousands)					
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)

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

	(As Restated)					
	Three Months Ended November 30, 2017	Three Months Ended February 28, 2018	Six Months Ended February 28, 2018	Three Months Ended May 31, 2018	Nine Months Ended May 31, 2018	Three Months Ended August 31, 2018
	(Dollars in thousands)					
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
	(As Restated)					
	Three Months Ended November 30, 2016	Three Months Ended February 28, 2017	Six Months Ended February 28, 2017	Three Months Ended May 31, 2017	Nine Months Ended May 31, 2017	Three Months Ended August 31, 2017
	(Dollars in thousands)					
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)

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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).

Table of ContentsCHS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	As of November 30, 2017			As of November 30, 2016			
	As Previously Reported (Dollars in thousands)	Restatement Adjustments	As Restated	As Previously Reported	Restatement Adjustments	As Restated	Restatement References
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	

Explanation of Responses:

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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	

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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.

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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 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.

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CHS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	As of February 28, 2018			As of February 28, 2017			
	As Previously Reported	Restatement Adjustments	As Restated	As Previously Reported	Restatement Adjustments	As Restated	Restatement References
	(Dollars in thousands)						
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	
	171,844	(6,185)	165,659	516,681	14,841	531,522	c

Explanation of Responses:

Long-term deferred tax liabilities							
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	

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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.

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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 Consolidate 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.

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CHS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	As of May 31, 2018			As of May 31, 2017			Restatement References
	As Previously Reported (Dollars in thousands)	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	

Explanation of Responses:

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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	

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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

Explanation of Responses:

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, 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

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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.

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

	For the Three Months Ended November 30, 2017			
	As Previously Reported	Restatement Adjustments	As Restated	Restatement References
	(Dollars in thousands)			
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

Explanation of Responses:

businesses. These misclassification adjustments resulted in a \$5.7 million decrease of revenues and cost of goods sold.

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

	For the Three Months Ended February 28, 2018			For the Six Months Ended February 28, 2018			
	As Previously Reported	Restatement Adjustments	As Restated	As Previously Reported	Restatement Adjustments	As Restated	Restatement References
	(Dollars in thousands)						
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

Explanation of Responses:

(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.

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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.

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

	For the Three Months Ended May 31, 2018			For the Nine Months Ended May 31, 2018			
	As Previously Reported	Restatement Adjustments	As Restated	As Previously Reported	Restatement Adjustments	As Restated	Restatement References
	(Dollars in thousands)						
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	

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.

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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.

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

	For the Three Months Ended November 30, 2016			
	As Previously Reported	Restatement Adjustments	As Restated	Restatement References
	(Dollars in thousands)			
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.

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

	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	
	(Dollars in thousands)						
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

Explanation of Responses:

(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

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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.

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

	For the Three Months Ended May 31, 2017			For the Nine Months Ended May 31, 2017			
	As Previously Reported	Restatement Adjustments	As Restated	As Previously Reported	Restatement Adjustments	As Restated	Restatement References
	(Dollars in thousands)						
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.

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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.

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

	For the Three Months Ended August 31, 2017			
	As Previously Reported	Restatement Adjustments	As Restated	Restatement References
	(Dollars in thousands)			
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.

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

	For the Three Months Ended November 30, 2017			
	As Previously Reported	Restatement Adjustments	As Restated	Restatement References
	(Dollars in thousands)			
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.

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CHS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended February 28, 2018			For the Six Months Ended February 28, 2018			
	As Previously Reported	Restatement Adjustments	As Restated	As Previously Reported	Restatement Adjustments	As Restated	Restatement References
(Dollars in thousands)							
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

Explanation of Responses:

(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.

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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.

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CHS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended May 31, 2018			For the Nine Months Ended May 31, 2018			
	As Previously Reported	Restatement Adjustments	As Restated	As Previously Reported	Restatement Adjustments	As Restated	Restatement References
(Dollars in thousands)							
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	3,417	—	3,417	10,755	(2,602)	8,153	c
(benefit) of \$1,424 and							
\$5,353							
Unrealized net gain (loss) on							
available for sale investments	6,286	—	6,286	13,480	—	13,480	
net of tax expense (benefit) of							
\$2,620 and \$4,505							
Cash flow hedges net of tax							
expense (benefit) of \$172 and 413	—		413	1,472	—	1,472	
\$613							
Foreign currency translation							
adjustment net of tax expense	(11,617)	1,429	(10,188)	(11,763)	1,716	(10,047)	a
(benefit) of \$(254) and \$(275)							
Other comprehensive income	(1,501)	1,429	(72)	13,944	(886)	13,058	
(loss), net of tax							
Comprehensive income	227,645	(46,097)	181,548	589,335	(41,516)	547,819	
Less comprehensive income							
attributable to noncontrolling	(187)	—	(187)	(699)	—	(699)	
interests							
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

Explanation of Responses:

(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.

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.

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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.

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

	For the Three Months Ended November 30, 2016			
	As Previously Reported	Restatement Adjustments	As Restated	Restatement References
	(Dollars in thousands)			
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.

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CHS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended February 28, 2017			For the Six Months Ended February 28, 2017			
	As Previously Reported	Restatement Adjustments	As Restated	As Previously Reported	Restatement Adjustments	As Restated	Restatement References
(Dollars in thousands)							
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, 2017

Freight 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

Explanation of Responses:

(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, 2017

Freight 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 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.

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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.

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

	For the Three Months Ended May 31, 2017			For the Nine Months Ended May 31, 2017			
	As Previously Reported	Restatement Adjustments	As Restated	As Previously Reported	Restatement Adjustments	As Restated	Restatement References
(Dollars in thousands)							
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

Explanation of Responses:

(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.

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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.

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

	For the Three Months Ended August 31, 2017			
	As Previously Reported	Restatement Adjustments	As Restated	Restatement References
	(Dollars in thousands)			
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.