



Third Quarter 2017 General Manager Comments

The Company ended the 3rd Quarter of this fiscal year on June 30, 2017 with an unaudited net profit of approximately \$6.237 million for the quarter. The year-to-date profit through the 3rd quarter 2017 was \$18.435 million with margins averaging 18 cents per gallon for the first 3 quarters. We all want more but realistically this is a very solid performance. The improvements the company has made over the past 3 years has made us more efficient while increasing production from 120 million to 150 million gallons per year. The productivity improvements have increased the bottom line by \$5.4 million dollars annually at margins recorded to date during the fiscal year, quite impressive when you think about it.

The distillation and sieve expansion completed during our spring shutdown is operating very well. This project was designed to allow further expansion of production which is currently under way with two additional fermenters being constructed with a completion date of 12/31/2017. The milling project is also underway and should be completed by December 31, 2017 as well. Keep in mind, the hurdle we must jump with steam, the steam generators (boilers) we currently utilize are original equipment and will not have the capacity remaining to reach 185-million-gallon production. The options for additional steam requirements are being evaluated. At this point, we are going to install equipment to bypass excess steam from one side of the plant to the other which should allow us to push rates to 160 and possibly to 165 million once our fall shutdown is complete, the first week of October. However, to move beyond the 160-165 million production goal we will require additional steam. The goal to reach 185 million gallons of production is very aggressive but can be reached provided an economical steam source can be determined. I will pass along additional information as we explore the options we have available to us. Obviously, we want to optimize our current equipment first and then add what is required to reach the company's goal. An additional boiler is always an option but it opens a new permitting can of worms that on the surface looks simple but I can assure you is very technical and full of potential pitfalls.

Once fall shutdown is complete we will make the push to reach 160-165 million gallons of annual production. We will look for sources of steam that are economical and provide value and allow us to move toward the 185-million-gallon production level. We will have bumps along the way. Drier capacity even with modified feed production most likely will become an issue although at this point I cannot say to what degree. Air emissions at some sources may exceed limits we are currently operating under and we will need to find solutions to these issues. These are issues that can be solved, it takes capital, time, know-how and tenacity. I think the company has all four.

Have a good remainder of the summer! It's been dry for sure but it's amazing how good the crops have withstood the dryness. These hybrids today have the ability to go get moisture, the roots must be 6 feet in the ground for sure.

Steve

Financial Statements Review

By Gary Grotjohn

Fiscal Quarter ended June 30, 2017

We ended the third fiscal quarter with a gain for LSCP, LLLP of \$6,236,541 resulting in a gain for the LLC of \$3,679,967. Combined with the profit from the first two quarters, our year-to-date earnings for LSCP, LLLP are \$18,434,520 resulting in a gain for the LLC of \$10,307,330.

The Fiscal Quarter Ended June 30, 2017 and 2016 results are as follows:

	Three Months Ended June 30, 2017 (Unaudited)	Three Months Ended June 30, 2016 (Unaudited)
Revenues	\$ 66,712,982	\$ 64,504,276
Cost of Goods Sold	59,491,507	53,712,538
Gross Margin	<u>7,221,475</u>	<u>10,791,738</u>
Selling, General and Administrative Expenses	1,650,190	981,454
Other Income and (Expense)	<u>665,256</u>	<u>1,305,347</u>
Net Income Before Minority Interest	6,236,541	11,115,631
Minority Interest in Subsidiary Income	2,556,574	4,900,526
Net Income for Little Sioux Corn Processors LLC	<u>\$ 3,679,967</u>	<u>\$ 6,215,105</u>
Outstanding Units	164,115	164,115
Net Income (Loss) per Unit	22.42	37.87

Our revenues reflect an increase of approximately \$2,200,000 resulting from an increase in ethanol sales gallons offset by a decrease in selling prices. For the 3rd quarter, the ethanol sales gallons were 14% higher on 5% lower sales prices.

Our Cost of Goods Sold increased by approximately \$5,779,000 largely resulting from changes in inventory volume and prices along with increased depreciation expense.

Our Selling, General and Administrative expenses increased by approximately \$669,000 largely from increased amortization expense, labor costs due to timing of payments, and business promotions.

Other Income/Expense was approximately \$640,000 lower than last year largely due to decreased income from affiliates, partially offset by a gain on the sale of assets.

The Results of the Nine Months Ended June 30, 2017 and 2016 are as follows:

	Nine Months Ended June 30, 2017 (Unaudited)	Nine Months Ended June 30, 2016 (Unaudited)
Revenues	\$ 180,868,568	\$ 178,918,658
Cost of Goods Sold	159,399,242	160,319,379
Gross Margin	<u>21,469,326</u>	<u>18,599,279</u>
Selling, General and Administrative Expenses	3,959,926	3,297,878
Other Income and (Expense)	<u>925,120</u>	<u>1,844,435</u>
Net Income Before Minority Interest	18,434,520	17,145,836
Minority Interest in Subsidiary Income	8,127,190	7,559,050
Net Income for Little Sioux Corn Processors LLC	<u>\$ 10,307,330</u>	<u>\$ 9,586,786</u>
Outstanding Units	164,115	164,115
Net Income (Loss) per Unit	62.81	58.42

The increase in Gross Margins was mainly due to a 5% increase in ethanol sales prices and a 6% decrease in prices paid for corn. In addition, increased plant efficiencies increased the year-to-date corn/ethanol yield from 2.95 gallons per bushel in 2016 to 2.99 gallons per bushel in 2017.

Balance Sheet as of June 30, 2017 and 2016

Total Current Assets	\$ 30,624,258	\$ 47,499,758
Net Property and Equipment	85,809,802	76,761,182
Other Assets	4,794,241	9,635,360
Total Assets	<u>\$ 121,228,301</u>	<u>\$ 133,896,300</u>
Total Current Liabilities	\$ 12,708,633	\$ 9,843,124
Derivative Instruments-Interest Swap	-	-
Long Term Debt, net of current maturities	-	-
Minority Interest	37,718,110	53,226,786
Members' Equity, 164,115 outstanding units	70,801,558	70,826,390
Total Liabilities and Members Equity	<u>\$ 121,228,301</u>	<u>\$ 133,896,300</u>

Total Current Assets are approximately \$16,875,000 lower than last year resulting from the purchase of a limited partners units partially offset by the proceeds from the sale of an asset of a wholly owned subsidiary.

The increase in Net Property and Equipment reflect new capital expenditures, offset by normal depreciation.

Total Current Liabilities are approximately \$2,900,000 greater than last year mainly due to higher accrued expenses.

The decrease in the Minority Interest account resulted from the purchase of all units of a limited partner.

Gary