



Second Quarter 2018 General Manager Comments

The 2nd Quarter of the fiscal year ended on March 31, 2018 with an unaudited net profit of approximately \$880,000 for the period. Year-to-date income stands at approximately \$1,712,000. Margins remained under pressure throughout the 2nd quarter however modest improvement did occur in March and has continued as of this writing in Mid-May. The company has hedged about 30% of its production through September 2018 at approximately 12 cents per gallon. We plan on hedging additional production up to 50% of our capacity if the opportunity arises. Capacity creep and new plants coming on line will pressure margins over time.

The company is currently operating in the 163-165 million-gallon range of annual production. The package boiler install is progressing well and should be operational early in the 4th quarter of calendar year 2018. This will give us the steam required when the rental boiler is removed in September. We obtained an exemption to operate the rental boiler based upon stack emissions and natural gas usage. We will reach the exemptions limitations in September 2018. We will then operate at a reduced rate until the package boiler is installed and operational. The company is making every effort to expediate this process to reduce the period we operate at less than optimum capacity.

The company has commissioned our engineering firm to conduct a thorough review of the current plant and to make recommendations on revisions required to take the annual production capacity to 185 million gallons. Once the study is complete, the board of directors will make the decision on further expansion keeping cost and return to equity the primary focus.

I am sure all of you are aware of the turmoil within the ethanol industry because of EPA's granting of small refiner exemptions, RINS for export rumors, and the RVP waiver to allow E-15 sales year- round. Senator Grassley, Senator Ernst, and other Midwest Senators have been instrumental in forcing the EPA to take pause in their regulatory moves. We are a long way from having a deal that the refiners and ethanol groups can agree to if such a thing exists. Keep in mind, once the deal is struck, if one is struck, the devil is in the details. EPA will have to go through a rule-making process, public hearings scheduled and held, and a final rule issued. This process will take months so to be blunt, the fight is far from over.

Steve

Financial Statements Review

By Gary Grotjohn

Fiscal Quarter ended March 31, 2018

We ended the second fiscal quarter with a gain for Little Sioux Corn Processors LLC of \$880,000. Combined with the profit from the first quarter, our year-to-date earnings for the Company is \$1,712,000. The ethanol/corn price spread has changed significantly from last year where we posted earnings of \$3,000,000 for the quarter and \$12,000,000 YTD.

The Fiscal Quarter Ended March 31, 2018 and 2017 results are as follows:

	Three Months Ended March 31, 2018 (Unaudited)	Three Months Ended March 31, 2017 (Unaudited)
Revenues	\$ 68,785,000	\$ 57,573,000
Cost of Goods Sold	66,672,000	53,082,000
Gross Margin	<u>2,113,000</u>	<u>4,491,000</u>
Selling, General and Administrative Expenses	1,332,000	1,294,000
Other Income and (Expense)	<u>99,000</u>	<u>137,000</u>
Net Income for Little Sioux Corn Processors LLC	<u><u>\$ 880,000</u></u>	<u><u>\$ 3,334,000</u></u>
Outstanding Units	271,065	271,065
Net Income (Loss) per Unit	3.25	12.30

Our revenues reflect an increase of approximately \$11,212,000 resulting from an increase in sales gallons offset by a decrease in ethanol selling prices. For the 2nd quarter, the ethanol prices were 8% lower on 23% higher sales gallons.

Our Cost of Goods Sold increased by approximately \$13,590,000 largely resulting from increased ethanol production of 14%. All input costs were higher due to the increase in production.

Our Selling, General and Administrative expenses were similar to last year.

Other Income/Expense was similar to last year.

The Results of the Six Months Ended March 31, 2018 and 2017 are as follows:

	Six Months Ended March 31, 2018 (Unaudited)	Six Months Ended March 31, 2017 (Unaudited)
Revenues	\$ 130,466,000	\$ 114,156,000
Cost of Goods Sold	126,358,000	99,905,000
Gross Margin	<u>4,108,000</u>	<u>14,251,000</u>
Selling, General and Administrative Expenses	2,542,000	2,313,000
Other Income and (Expense)	<u>146,000</u>	<u>260,000</u>
Net Income for Little Sioux Corn Processors LLC	<u><u>\$ 1,712,000</u></u>	<u><u>\$ 12,198,000</u></u>
Outstanding Units	271,065	271,065
Net Income (Loss) per Unit	6.32	45.00

The decrease in Gross Margins was mainly due to a 14% decrease in ethanol sales prices but less than a 1% decrease in prices paid for corn.

Balance Sheet as of March 31, 2018 and 2017

	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Total Current Assets	\$ 24,462,314	\$ 39,998,103
Net Property and Equipment	92,727,743	83,606,603
Other Assets	4,398,228	9,104,522
Total Assets	<u><u>\$ 121,588,285</u></u>	<u><u>\$ 132,709,228</u></u>
Total Current Liabilities	\$ 11,246,700	\$ 10,723,368
Long Term Debt, net of current maturities	-	-
Members' Equity, 271,065 outstanding units	110,341,585	132,339,137
Total Liabilities and Members Equity	<u><u>\$ 121,588,285</u></u>	<u><u>\$ 143,062,505</u></u>

The reduction of Total Current Assets resulted mainly from reduced cash balances.

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

The reduction of Other Assets reflect the buyout of a limited partner in 2017.

Total Current Liabilities are similar to last year.

The decrease in Member's Equity is a result of the elimination of a limited partner and cash distributions to owners offset by earnings.

Gary