Third Quarter 2018

General Manager Comments

The 3rd Quarter of the fiscal year ended on June 30, 2018 with an unaudited net profit of approximately $9.023 million for the period. Year-to-date income stands at approximately $10.735 million. The margins improved in the 3rd quarter substantially and our production continues to grow at a steady pace. One would think production would begin to pressure margins, but this has not been the case. Exports are on a record pace, let's hope this demand continues to be robust. Without aggressive exports current production will exceed demand quickly. The company has hedged about 30% of its production through September 2018 at approximately 12 cents per gallon. We will continue to look for hedging opportunity's that lock in margins at acceptable levels. The fuel business in general is led by the front months, making deferred sales difficult. It's hard to sell a 12-cent margin in September and take 2 cents less for a deferred month.

I was hoping for an earlier startup of the package boiler mentioned in the second quarter report, but equipment delivery has slipped. Our target today is startup immediately after our fall shutdown in early October. This date may move if equipment does not arrive timely. We are pushing hard and are attempting to move up shipment dates but it's difficult to get anyone locked down. Our contractors will put the necessary resources at our disposal to move quickly once the boiler and equipment unloads at the plant. As I mentioned in the last report the rental boiler will shut down August 31 when our permit to operate this unit expires. We are currently operating in the 163-165 million-gallon range in annual production. Without the steam from the rental, rates will be reduced approximately 6-8 million gallons annually until the package boiler comes on line.

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 or higher rates. This study will be completed in mid-August. We are soliciting bids for additional grain storage that could potentially add 4 million bushels to our current storage capacity. At this writing I have asked our grain handling partners the options available to increase our current dumping capacity that currently stands at 40-42,000 bushels per hour. As those who deliver corn to LSCP are aware, the pit capacity in the east dump limits the system's capacity. We will be looking into other ways to improve capacity of the system. Options are limited to a degree because of pit depth and the nasty word "downtime". I don't see a way to upgrade this equipment without extended downtime, but I am pursuing options anyway. Hopefully I am wrong, and a quick fix is at our fingertips. The plant engineering study and additional storage capacity will be presented at the board of directors strategic planning meeting August 21 and 22. The dump capacity issue will not be presented until a later date because of time constraint prior to the August meeting although you can rest assured this is a priority along with the other 2 projects being reviewed.

Nothing has changed in Washington DC. Vapor pressure relief has not occurred and there has been no resolution to the small refiner waivers granted for 2016 and 2017. We do know the waivers destroyed 2.2-2.3 billion gallons of ethanol demand by putting excess RINS into the market. The industry needs the RVP waiver to grow demand with higher blends, otherwise demand will eventually stagnant and our industry has lost its potential to grow. Not a pleasant situation for those invested or employed in the renewable liquid fuels industry. Somehow, I think we will work through it for the betterment of the renewable fuels.

In closing, the crops look great in NW Iowa except for those hit by hail or wind. We will have ample supplies of corn to operate the plant. Stay safe, enjoy the great weather and the timely rain.

Steve

Financial Statements Review
By Gary Grotjohn

Fiscal Quarter ended June 30, 2018

We ended the third fiscal quarter with a gain for Little Sioux Corn Processors LLC of $9,023,000, combined with the first two quarters, our year-to-date earnings for the Company is $10,735,000. This compares to last year's earnings of the Company of $6,237,000 for the quarter and $18,435,000 for year-to -date.

The Fiscal Quarter Ended June 30, 2018 and 2017 results are as follows:

	Three Months Ended June 30, 2018 (Unaudited)	Three Months Ended June 30, 2017 (Unaudited)
Revenues	$ 68,351,166	$ 66,712,982
Cost of Goods Sold	58,087,591	59,491,507
Gross Margin	10,263,575	7,221,475
Selling, General and Administrative Expenses	1,296,665	1,650,190
Other Income and (Expense)	55,965	665,256
Net Income	$ 9,022,875	$ 6,236,541
Outstanding Units	271,065	271,065
Net Income (Loss) per Unit	33.29	23.01

Our revenues reflect an increase of approximately $1,600,000 resulting from an increase in co-products sales dollars offset by lower ethanol sales gallons and prices. While our ethanol production increased by 4,000,000 gallons from last year, our ethanol sales gallons were 4% lower with prices that were also 4% lower. This was offset by co-product tons and prices that were generally higher.

Our Cost of Goods Sold was similar to last year largely resulting from lower corn costs offset by increased bushels used.

Our Selling, General and Administrative expenses decreased by approximately $354,000 largely from the timing of payments.

Other Income/Expense was approximately $600,000 lower than last year largely due to last year's gain on the sale of the Akron property.

The Results of the Nine Months Ended June 30, 2018 and 2017 are as follows:

	Nine Months Ended June 30, 2018 (Unaudited)	Nine Months Ended June 30, 2017 (Unaudited)
Revenues	$ 198,817,548	$ 180,868,568
Cost of Goods Sold	184,445,566	159,399,242
Gross Margin	14,371,982	21,469,326
Selling, General and Administrative Expenses	3,838,552	3,959,926
Other Income and (Expense)	201,928	925,120
Net Income	$ 10,735,358	$ 18,434,520
Outstanding Units	271,065	271,065
Net Income (Loss) per Unit	39.60	68.01

The decrease in Gross Margins was mainly due to an 11% reduction of ethanol sales prices compounded by slightly higher corn prices.

Balance Sheet as of June 30, 2018 and 2017

	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Total Current Assets	$ 33,949,356	$ 30,624,258
Net Property and Equipment	92,149,864	85,809,802
Other Assets	4,330,648	4,794,241
Total Assets	$ 130,429,868	$ 121,228,301
Total Current Liabilities	$ 14,637,129	$ 12,708,633
Derivative Instruments-Interest Swap		
Long Term Debt, net of current maturities	-	-
Members' Equity, 271,065 outstanding units	115,792,739	108,519,668
Total Liabilities and Members Equity	$ 130,429,868	$ 121,228,301

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

The increase in Member’s Equity is a result of earnings offset by cash distributions to owners.

Gary