

Section 1. *Financial Information*

LAND O'LAKES, INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 2018	December 31, 2017
	(Unaudited)	
	(\$ in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 60,874	\$ 73,132
Receivables, net	2,650,036	1,902,448
Inventories	2,841,793	2,639,969
Prepaid assets	560,054	1,885,769
Other current assets	17,936	15,105
Total current assets	<u>6,130,693</u>	<u>6,516,423</u>
Investments	307,384	311,127
Property, plant and equipment, net	1,418,512	1,411,490
Goodwill	579,741	578,064
Other intangibles, net	498,168	506,725
Other assets	178,741	185,071
Total assets	<u>\$ 9,113,239</u>	<u>\$ 9,508,900</u>
LIABILITIES AND EQUITIES		
Current liabilities:		
Notes and short-term obligations	\$ 1,055,863	\$ 679,578
Current portion of long-term debt	25,964	24,899
Accounts payable	1,735,666	1,859,421
Customer advances	1,056,717	1,936,086
Accrued liabilities	706,818	566,194
Patronage refunds and other member equities payable	147,955	140,629
Total current liabilities	<u>4,728,983</u>	<u>5,206,807</u>
Long-term debt	1,056,469	1,056,469
Employee benefits and other liabilities	546,587	522,989
Commitments and contingencies	—	—
Equities:		
Preferred Stock	552,300	552,300
Common stock	754	754
Additional paid-in capital	307,261	307,261
Member equities	1,246,893	1,250,498
Retained earnings	903,466	802,928
Accumulated other comprehensive loss	(250,759)	(218,303)
Total Land O'Lakes, Inc. equity	<u>2,759,915</u>	<u>2,695,438</u>
Noncontrolling interests	21,285	27,197
Total equities	<u>2,781,200</u>	<u>2,722,635</u>
Total liabilities and equities	<u>\$ 9,113,239</u>	<u>\$ 9,508,900</u>

See accompanying notes to consolidated financial statements.

LAND O'LAKES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended March 31,	
	2018	2017
	(\$ in thousands)	
Net sales	\$ 3,922,823	\$ 3,674,464
Cost of sales	3,483,492	3,246,169
Gross profit	439,331	428,295
Selling, general and administrative	305,515	291,076
Earnings from operations	133,816	137,219
Interest expense, net	14,404	15,131
Other expense (income), net	(622)	—
Equity in earnings of affiliated companies	(3,116)	(3,701)
Earnings before income taxes	123,150	125,789
Income tax (benefit) expense	7,478	15,892
Net earnings from continuing operations	115,672	109,897
Net earnings from discontinued operations	—	—
Net earnings	115,672	109,897
Less: net earnings attributable to noncontrolling interests	63	4,980
Net earnings attributable to Land O'Lakes, Inc.	<u>\$ 115,609</u>	<u>\$ 104,917</u>
Applied to:		
Member equities		
Allocated patronage	\$ 44,406	\$ 63,365
Deferred equities	(1,745)	(2,547)
	42,661	60,818
Retained earnings	72,948	44,099
	<u>\$ 115,609</u>	<u>\$ 104,917</u>

See accompanying notes to consolidated financial statements.

LAND O'LAKES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(Unaudited)

	For the Three Months Ended March 31,	
	2018	2017
	(\$ in thousands)	
Net earnings	\$ 115,672	\$ 109,897
Other comprehensive earnings, net of tax		
Pension and other postretirement adjustments, net of income taxes	6,072	3,787
Cash flow hedge adjustments, net of income taxes	1,833	555
Foreign currency translation adjustments, net of income taxes	3,370	1,084
Total other comprehensive earnings (loss)	11,275	5,426
Comprehensive earnings	126,947	115,323
Less: comprehensive earnings (loss) attributable to noncontrolling interests	537	5,550
Comprehensive earnings attributable to Land O'Lakes, Inc.	<u>\$ 126,410</u>	<u>\$ 109,773</u>

See accompanying notes to consolidated financial statements.

LAND O'LAKES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended	
	March 31,	
	2018	2017
	(\$ in thousands)	
Cash Flows from operating activities:		
Net earnings	\$ 115,672	\$ 109,897
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization.....	59,487	48,489
Amortization of deferred financing costs.....	446	(93)
Non-cash patronage income.....	(1,290)	(911)
Deferred income tax expense (benefit).....	—	(55)
Equity in earnings of affiliated companies.....	(3,116)	(3,701)
Dividends from investments in affiliated companies.....	6,600	6,947
Other.....	197	150
Changes in assets and liabilities, net of acquisitions and divestitures:		
Receivables.....	(732,831)	(867,518)
Inventories.....	(202,106)	(185,536)
Prepays and other current assets.....	1,337,201	1,300,800
Accounts payable.....	(127,559)	84,152
Customer advances.....	(892,445)	(1,004,031)
Accrued liabilities.....	172,527	65,989
Other assets.....	(253)	(507)
Other liabilities.....	355	6,373
Net cash used by operating activities.....	<u>(267,115)</u>	<u>(439,555)</u>
Cash Flows from investing activities:		
Additions to property, plant and equipment.....	(66,189)	(79,643)
Acquisitions, net of cash acquired.....	(1,827)	(94,479)
Investments in affiliates.....	(665)	(240)
Net proceeds from sale of investments.....	5,405	130
Proceeds from sale of property, plant and equipment.....	1,230	1,699
Change in notes receivable.....	3,541	(30,049)
Other.....	526	135
Net cash used by investing activities.....	<u>(57,979)</u>	<u>(202,447)</u>
Cash Flows from financing activities:		
Increase in short-term debt.....	375,123	434,484
Proceeds from issuance of long-term debt.....	1,203	200,033
Principal payments on long-term debt and capital lease obligations.....	(1,064)	(3,960)
Cash patronage and payments for redemption of member equities.....	(37,905)	(32,386)
Preferred stock dividends paid.....	(12,049)	(6,300)
Other.....	(12,136)	(4)
Net cash provided by (used by) financing activities.....	<u>313,172</u>	<u>591,867</u>
Effect of exchange rate changes on cash and cash equivalents.....	(336)	86
Net decrease in cash and cash equivalents.....	(11,922)	(50,135)
Cash and cash equivalents at beginning of the period.....	73,132	101,024
Cash and cash equivalents at end of the period.....	<u>\$ 60,874</u>	<u>\$ 50,975</u>
Supplementary Disclosure of Cash Flow Information		
Cash paid during periods for:		
Interest.....	\$ 13,138	\$ 13,166
Income taxes.....	17	475

See accompanying notes to consolidated financial statements.