Company Overview

- CHS Inc. is an "open" cooperative owned by approximately 1,800 local cooperatives and 46,000 producers who conduct business directly with CHS.
- CHS is governed by a 17 member board. Each board member is a producer and is independently elected by the membership, without influence from management.
- CHS was listed as the 166th largest US company on the 2007 Fortune 500 survey based upon sales.

Sources of Capital

- **Earnings**
  - Allocated patronage certificates
  - Unallocated equity resulting from non-patronage earnings
- **Debt**
  - Bank Syndicate for working capital requirements
  - Insurance Companies for long-term financing
- **Preferred Stock**
  - Used to retire patronage certificates as a substitute for cash

Balancing Cooperative Equity Management

- **Enterprise Maintenance and Growth**
  - Service debt
  - Maintain profitable business units
  - Grow profitable business units and acquire new businesses
- **Provide Equity Value to Shareholders**
  - Adequate cash to handle the taxes associated with patronage income
  - Equity redemptions (greater value to the holder the sooner redeemed)

Challenges for Cooperatives and Cooperative Members

- Cooperative equity typically has little or no liquidity
- Because of the lack of liquidity, the equity does not reflect enterprise value
- Little recognition by shareholders of enterprise value (as the result of lack of liquidity)
- Diversity of members perspective of value
  - As a customer
  - As an owner
- The Cooperative has no equity currency for acquisitions, which is a disadvantage compared to a public company
Advantages of Cooperative Structure versus Public Company

- Single level of income taxation
- Probably more conducive to long-term planning
- Potentially closer customer ties
- Customer ultimately receives the earnings

CHS Inc.
Cash Return on Allocated Equity (Southwest District)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>(Projected) 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>$142,258</td>
<td>$218,742</td>
<td>$373,816</td>
</tr>
<tr>
<td>Certificate</td>
<td>$1,224,903</td>
<td>$1,260,843</td>
<td>$1,444,307</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>12%</td>
<td>15%</td>
<td>20%</td>
</tr>
</tbody>
</table>

CHS Inc.
Cash and Preferred Stock Distributed to Members

- 2005: $142,258
- 2006: $218,742
- 2007: $373,816

CHS Inc.
Equity Management Cash Distributions - Cooperative vs. Public ($000's Omitted)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$1,855,250</td>
<td>543,180</td>
<td>241,995</td>
<td>(25,052)</td>
<td>$1,682,068</td>
<td>2,726,000</td>
<td>185,000</td>
<td>2,541,000</td>
<td>1,421,000</td>
</tr>
<tr>
<td>2006</td>
<td>$8,189,000</td>
<td>2,726,000</td>
<td>185,000</td>
<td>2,541,000</td>
<td>$5,463,000</td>
<td>68,790,600</td>
<td>6,600,000</td>
<td>62,190,600</td>
<td>4,969,000</td>
</tr>
</tbody>
</table>

How much difference for CHS if CHS had used the public company's distributor percentage?

CHS Inc.
Equity/Enterprise Valuation - Cooperative vs. Public ($000's Omitted)

<table>
<thead>
<tr>
<th>Year</th>
<th>ADM EBITDA</th>
<th>ADM Valors</th>
<th>Combined EBITDA</th>
<th>CHS EBITDA</th>
<th>CHS Valors</th>
<th>Combined EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Price</td>
<td>36.14</td>
<td>73.35</td>
<td>54.33</td>
<td>36.14</td>
<td>73.35</td>
<td>54.33</td>
</tr>
<tr>
<td>Equity Value</td>
<td>$23,718,212</td>
<td>$26,027,272</td>
<td>$69,745,484</td>
<td>$3,825,210</td>
<td>$46,027,272</td>
<td>$79,557,994</td>
</tr>
<tr>
<td>Debt</td>
<td>4,679,510</td>
<td>5,133,000</td>
<td>9,812,510</td>
<td>766,752</td>
<td>766,752</td>
<td>766,752</td>
</tr>
<tr>
<td>EBITDA</td>
<td>9.87</td>
<td>5.35</td>
<td>6.40</td>
<td>6.40</td>
<td>6.40</td>
<td>6.40</td>
</tr>
<tr>
<td>Equity Value / EBITDA</td>
<td>9.87</td>
<td>5.35</td>
<td>6.40</td>
<td>6.40</td>
<td>6.40</td>
<td>6.40</td>
</tr>
</tbody>
</table>

Summary

- Balancing needs of company with shareholder value
- Creative capital programs available to cooperatives
- Cooperative or public both require earnings to create value

Most important...
Most Important Source of Capital
Cooperative and Public Companies

“Earnings”

Q & A

Thank you for your time!