

Green Plains Inc.  
Form 10-Q  
November 03, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the Quarterly Period Ended September 30, 2016

Commission File Number 001-32924

Green Plains Inc.

(Exact name of registrant as specified in its charter)

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Iowa  
(State or other jurisdiction of incorporation or organization)

84-1652107  
(I.R.S. Employer Identification No.)

450 Regency Parkway, Suite 400, Omaha, NE 68114  
(Address of principal executive offices, including zip code)

(402) 884-8700  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes    No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes    No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer      Accelerated filer      Non-accelerated filer      Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes    No

The number of shares of common stock, par value \$0.001 per share, outstanding as of October 31, 2016, was 38,368,478 shares.



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Commonly Used Defined Terms

Green Plains Inc. and Subsidiaries:

|  |  |
|--|--|
| Green Plains; the company              | Green Plains Inc. and its subsidiaries           |
| BioProcess Algae                       | BioProcess Algae LLC                             |
| Fleischmann's Vinegar                  | Fleischmann's Vinegar Company, Inc.              |
| Green Plains Cattle                    | Green Plains Cattle Company LLC                  |
| Green Plains Grain                     | Green Plains Grain Company LLC                   |
| Green Plains Partners; the partnership | Green Plains Partners LP                         |
| Green Plains Processing                | Green Plains Processing LLC and its subsidiaries |
| Green Plains Trade                     | Green Plains Trade Group LLC                     |
| SCI Ingredients                        | SCI Ingredients Holdings, Inc.                   |

Accounting Defined Terms:

|              |   |
|--------------|---|
| ASC          | Accounting Standards Codification                                     |
| EBITDA       | Earnings before interest, income taxes, depreciation and amortization |
| EPS          | Earnings per share  |
| Exchange Act | Securities Exchange Act of 1934, as amended                           |
| GAAP         | U.S. Generally Accepted Accounting Principles                         |
| IPO          | Initial public offering of Green Plains Partners LP                   |
| LIBOR        | London Interbank Offered Rate   |
| LTIP         | Green Plains Partners LP 2015 Long-Term Incentive Plan                |
| Nasdaq       | The Nasdaq Global Market  |
| SEC          | Securities and Exchange Commission                                    |

Industry Defined Terms:

|       |   |
|-------|---|
| Bgy   | Billion gallons per year                          |
| BTU   | British Thermal Units                             |
| E15   | Gasoline blended with up to 15% ethanol by volume |
| EIA   | U.S. Energy Information Administration            |
| EPA   | U.S. Environmental Protection Agency              |
| Mmg   | Million gallons                                   |
| Mmgy  | Million gallons per year                          |
| RBOB  | Reformulated blendstock for oxygenate blending    |
| RIN   | Renewable identification number                   |
| U.S.  | United States                                     |
| USDA  | U.S. Department of Agriculture                    |
| WASDE | World Agriculture Supply and Demand Estimates     |

## GREEN PLAINS INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

|  | September<br>30,<br>2016 | December<br>31,<br>2015 |
|--|--------------------------|-------------------------|
|  | (unaudited)              |                         |
| <b>ASSETS</b>  |                          |                         |
| Current assets   |                          |                         |
| Cash and cash equivalents  | \$ 407,359               | \$ 384,867              |
| Restricted cash  | 34,219                   | 27,018                  |
| Accounts receivable, net of allowances of \$342 and \$285, respectively                          | 132,574                  | 96,150                  |
| Income taxes receivable  | 4,806                    | 9,104                   |
| Inventories  | 324,287                  | 353,957                 |
| Prepaid expenses and other   | 11,200                   | 10,941                  |
| Derivative financial instruments   | 38,577                   | 30,540                  |
| Total current assets   | 953,022                  | 912,577                 |
| Property and equipment, net of accumulated depreciation of \$397,470 and \$338,558, respectively | 1,139,592                | 922,070                 |
| Goodwill   | 40,877                   | 40,877                  |
| Other assets   | 43,467                   | 42,396                  |
| Total assets   | \$ 2,176,958             | \$ 1,917,920            |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                          |                         |
| Current liabilities  |                          |                         |
| Accounts payable   | \$ 129,317               | \$ 166,963              |
| Accrued and other liabilities  | 46,373                   | 32,026                  |
| Derivative financial instruments   | 20,831                   | 8,245                   |
| Income taxes payable   | 4,096                    | -                       |
| Short-term notes payable and other borrowings  | 229,086                  | 226,928                 |
| Current maturities of long-term debt   | 13,244                   | 4,507                   |
| Total current liabilities  | 442,947                  | 438,669                 |
| Long-term debt   | 681,182                  | 432,139                 |



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|  |              |              |
|--|--------------|--------------|
| Deferred income taxes  | 80,932       | 81,797       |
| Other liabilities  | 6,358        | 6,406        |
| Total liabilities  | 1,211,419    | 959,011      |
| Stockholders' equity   |              |              |
| Common stock, \$0.001 par value; 75,000,000 shares authorized;<br>46,051,685 and 45,281,571 shares issued, and 38,336,695<br>and 37,889,871 shares outstanding, respectively | 46           | 45           |
| Additional paid-in capital   | 656,522      | 577,787      |
| Retained earnings  | 269,135      | 290,974      |
| Accumulated other comprehensive loss   | (54)         | (1,165)      |
| Treasury stock, 7,714,990 and 7,391,700 shares, respectively   | (75,816)     | (69,811)     |
| Total Green Plains stockholders' equity  | 849,833      | 797,830      |
| Noncontrolling interests   | 115,706      | 161,079      |
| Total stockholders' equity   | 965,539      | 958,909      |
| Total liabilities and stockholders' equity   | \$ 2,176,958 | \$ 1,917,920 |

See accompanying notes to the consolidated financial statements.

## GREEN PLAINS INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited and in thousands, except per share amounts)

|  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |              |
|--|-------------------------------------|------------|------------------------------------|--------------|
|  | 2016                                | 2015       | 2016                               | 2015         |
| Revenues   |                                     |            |                                    |              |
| Product revenues   | \$ 839,786                          | \$ 740,634 | \$ 2,472,741                       | \$ 2,219,319 |
| Service revenues   | 2,066                               | 2,163      | 6,042                              | 6,356        |
| Total revenues   | 841,852                             | 742,797    | 2,478,783                          | 2,225,675    |
| Costs and expenses                                       |                                     |            |                                    |              |
| Cost of goods sold                                       | 758,883                             | 679,348    | 2,293,095                          | 2,048,379    |
| Operations and maintenance expenses                      | 8,564                               | 7,715      | 25,713                             | 21,850       |
| Selling, general and administrative expenses             | 24,264                              | 19,280     | 68,225                             | 58,473       |
| Depreciation and amortization expenses                   | 19,286                              | 16,621     | 56,132                             | 48,634       |
| Total costs and expenses                                 | 810,997                             | 722,964    | 2,443,165                          | 2,177,336    |
| Operating income   | 30,855                              | 19,833     | 35,618                             | 48,339       |
| Other income (expense)                                   |                                     |            |                                    |              |
| Interest income  | 484                                 | 319        | 1,263                              | 749          |
| Interest expense   | (11,819)                            | (10,196)   | (33,117)                           | (29,918)     |
| Other, net   | (1,553)                             | (519)      | (2,050)                            | (2,484)      |
| Total other expense                                      | (12,888)                            | (10,396)   | (33,904)                           | (31,653)     |
| Income before income taxes                               | 17,967                              | 9,437      | 1,714                              | 16,686       |
| Income tax expense (benefit)                             | 5,083                               | (604)      | (4,339)                            | 2,171        |
| Net income   | 12,884                              | 10,041     | 6,053                              | 14,515       |
| Net income attributable to noncontrolling interests      | 4,956                               | 3,862      | 14,072                             | 3,862        |
| Net income (loss) attributable to Green Plains           | \$ 7,928                            | \$ 6,179   | \$ (8,019)                         | \$ 10,653    |
| Earnings per share:                                      |                                     |            |                                    |              |
| Net income (loss) attributable to Green Plains - basic   | \$ 0.21                             | \$ 0.16    | \$ (0.21)                          | \$ 0.28      |
| Net income (loss) attributable to Green Plains - diluted | \$ 0.20                             | \$ 0.16    | \$ (0.21)                          | \$ 0.27      |

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|                                      |         |         |         |         |
|--------------------------------------|---------|---------|---------|---------|
| Weighted average shares outstanding: |         |         |         |         |
| Basic                                | 38,282  | 38,066  | 38,301  | 37,966  |
| Diluted                              | 39,136  | 38,556  | 38,301  | 39,266  |
| Cash dividend declared per share     | \$ 0.12 | \$ 0.12 | \$ 0.36 | \$ 0.28 |

See accompanying notes to the consolidated financial statements.

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## GREEN PLAINS INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited and in thousands)

|   | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|---|-------------------------------------|-----------|------------------------------------|-----------|
|   | 2016                                | 2015      | 2016                               | 2015      |
| Net income  | \$ 12,884                           | \$ 10,041 | \$ 6,053                           | \$ 14,515 |
| Other comprehensive income, net of tax:   |                                     |           |                                    |           |
| Unrealized gains (losses) on derivatives arising during period,<br>net of tax (expense) benefit of \$(1,331), \$(2,232), \$762<br>and \$(5,554), respectively | 1,919                               | 3,682     | (1,395)                            | 9,245     |
| Reclassification of realized (gains) losses on derivatives, net<br>of tax expense (benefit) of \$(1,144), \$547, \$(1,369) and \$(420),<br>respectively       | 2,150                               | (903)     | 2,506                              | 700       |
| Total other comprehensive income, net of tax  | 4,069                               | 2,779     | 1,111                              | 9,945     |
| Comprehensive income  | 16,953                              | 12,820    | 7,164                              | 24,460    |
| Comprehensive income attributable to noncontrolling interests   | 4,956                               | 3,862     | 14,072                             | 3,862     |
| Comprehensive income (loss) attributable to Green Plains  | \$ 11,997                           | \$ 8,958  | \$ (6,908)                         | \$ 20,598 |

See accompanying notes to the consolidated financial statements.

## GREEN PLAINS INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited and in thousands)

|   | Nine Months Ended<br>September 30, |             |
|---|------------------------------------|-------------|
|   | 2016                               | 2015        |
| Cash flows from operating activities:   |                                    |             |
| Net income  | \$ 6,053                           | \$ 14,515   |
| Adjustments to reconcile net income to net cash provided<br>(used) by operating activities: |                                    |             |
| Depreciation and amortization   | 56,132                             | 48,634      |
| Amortization of debt issuance costs and debt discount                                       | 7,588                              | 5,756       |
| Deferred income taxes   | (16,413)                           | (39,645)    |
| Stock-based compensation  | 4,837                              | 3,207       |
| Undistributed equity in loss of affiliates  | 2,067                              | 2,678       |
| Other   | 57                                 | 104         |
| Changes in operating assets and liabilities before<br>effects of business combinations:     |                                    |             |
| Accounts receivable   | (36,431)                           | (3,051)     |
| Inventories   | 46,126                             | (8,045)     |
| Derivative financial instruments  | 6,279                              | 18,503      |
| Prepaid expenses and other assets   | (849)                              | 6,732       |
| Accounts payable and accrued liabilities  | (23,704)                           | (56,636)    |
| Current income taxes  | 8,089                              | (1,532)     |
| Other   | 1,150                              | 1,300       |
| Net cash provided (used) by operating activities  | 60,981                             | (7,480)     |
| Cash flows from investing activities:   |                                    |             |
| Purchases of property and equipment   | (35,658)                           | (44,464)    |
| Acquisition of businesses, net of cash acquired   | (252,488)                          | -           |
| Investments in unconsolidated subsidiaries  | (1,388)                            | (3,309)     |
| Net cash used by investing activities   | (289,534)                          | (47,773)    |
| Cash flows from financing activities:   |                                    |             |
| Proceeds from the issuance of long-term debt  | 337,000                            | 178,400     |
| Payments of principal on long-term debt   | (40,578)                           | (194,819)   |
| Proceeds from short-term borrowings   | 2,969,034                          | 2,382,589   |
| Payments on short-term borrowings   | (2,967,191)                        | (2,391,874) |

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|   |            |            |
|---|------------|------------|
| Proceeds from issuance of Green Plains Partners common units, net | -          | 157,422    |
| Payments for repurchase of common stock                           | (6,005)    | (4,003)    |
| Payments of cash dividends and distributions                      | (27,837)   | (10,646)   |
| Change in restricted cash   | (7,200)    | 13,085     |
| Payments of loan fees   | (7,810)    | (5,314)    |
| Proceeds from exercises of stock options                          | 1,632      | 766        |
| Net cash provided by financing activities                         | 251,045    | 125,606    |
| Net change in cash and cash equivalents                           | 22,492     | 70,353     |
| Cash and cash equivalents, beginning of period                    | 384,867    | 425,510    |
| Cash and cash equivalents, end of period                          | \$ 407,359 | \$ 495,863 |

Continued on the following page

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GREEN PLAINS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited and in thousands)

Continued from the previous page

|                                       | Nine Months Ended<br>September 30, |           |
|---------------------------------------|------------------------------------|-----------|
|                                       | 2016                               | 2015      |
| Supplemental disclosures of cash flow |                                    |           |
| Cash paid for income taxes            | \$ 3,348                           | \$ 43,347 |
| Cash paid for interest                | \$ 24,280                          | \$ 23,262 |

See accompanying notes to the consolidated financial statements.

GREEN PLAINS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. BASIS OF PRESENTATION, DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

References to the Company

References to “Green Plains” or the “company” in the consolidated financial statements and in these notes to the consolidated financial statements refer to Green Plains Inc., an Iowa corporation, and its subsidiaries.

Consolidated Financial Statements

The consolidated financial statements include the company’s accounts and all significant intercompany balances and transactions are eliminated. Unconsolidated entities are included in the financial statements on an equity basis. Interim period results are not necessarily indicative of the results to be expected for the entire year. Effective April 1, 2016, the company increased its ownership of BioProcess Algae, a joint venture formed in 2008, to 82.8% and consolidated BioProcess Algae in its consolidated financial statements beginning on that date.

The accompanying unaudited consolidated financial statements are prepared in accordance with GAAP for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Because they do not include all of the information and footnotes required by GAAP, the consolidated financial statements should be read in conjunction with the company’s annual report on Form 10-K for the year ended December 31, 2015.

The unaudited financial information reflects adjustments which are, in the opinion of management, necessary for a fair presentation of results of operations, financial position and cash flows for the periods presented. The adjustments are normal and recurring in nature, unless otherwise noted.



## Reclassifications

Certain prior year amounts were reclassified to conform to the current year presentation. These reclassifications did not affect total revenues, costs and expenses, net income or stockholders' equity.

## Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of the consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The company bases its estimates on historical experience and assumptions it believes are proper and reasonable under the circumstances and regularly evaluates the appropriateness of its estimates and assumptions. Actual results could differ from those estimates. Key accounting policies, including but not limited to those relating to revenue recognition, depreciation of property and equipment, impairment of long-lived assets and goodwill, derivative financial instruments, and accounting for income taxes, are impacted significantly by judgments, assumptions and estimates used in the preparation of the consolidated financial statements.

## Description of Business

Green Plains is the third largest ethanol producer in North America. The company operates within four business segments: (1) ethanol production, which includes the production of ethanol, distillers grains and corn oil, (2) agribusiness, which includes grain handling and storage and cattle feedlot operations, (3) marketing and distribution, which includes marketing and merchant trading for company-produced and third-party ethanol, distillers grains, corn oil, natural gas and other commodities, and (4) partnership, which includes fuel storage and transportation services. The company is also a partner in a joint venture focused on developing technology to grow and harvest algae in commercially viable quantities.

## Revenue Recognition

The company recognizes revenue when the following criteria are satisfied: persuasive evidence that an arrangement exists, title of product and risk of loss are transferred to the customer, price is fixed and determinable and collectability is reasonably assured.

Sales of ethanol, distillers grains, corn oil, natural gas and other commodities by the company's marketing business are recognized when title of product and risk of loss are transferred to an external customer. Revenues related to marketing for third parties are presented on a gross basis when the company takes title of the product and assumes risk of loss. Unearned revenue is recorded for goods in transit when the company has received payment but the title has not yet been transferred to the customer. Revenues for receiving, storing, transferring and transporting ethanol and other fuels are recognized when the product is delivered to the customer.

The company routinely enters into fixed-price, physical-delivery energy commodity purchase and sale agreements. At times, the company settles these transactions by transferring its obligations to other counterparties rather than delivering the physical commodity. These transactions are reported net as a component of revenues. Revenues also include realized gains and losses on related derivative financial instruments, ineffectiveness on cash flow hedges and reclassifications of realized gains and losses on effective cash flow hedges from accumulated other comprehensive income or loss.

Sales of agricultural commodities, including cattle, are recognized when title of product and risk of loss are transferred to the customer, which depends on the agreed upon terms. The sales terms provide passage of title when shipment is made or the commodity is delivered. Revenues related to grain merchandising are presented gross and include shipping and handling, which is also a component of cost of goods sold. Revenues from grain storage are recognized when services are rendered.

A substantial portion of the partnership revenues are derived from fixed-fee commercial agreements for storage, terminal or transportation services. The partnership recognizes revenue when there is evidence an arrangement exists; risk of loss and title transfer to the customer; the price is fixed or determinable; and collectability is reasonably assured. Revenues from base storage, terminal or transportation services are recognized once these services are performed, which occurs when the product is delivered to the customer.

## Cost of Goods Sold

Cost of goods sold includes direct labor, materials and plant overhead costs. Direct labor includes all compensation and related benefits of non-management personnel involved in ethanol plant and cattle feedlot operations. Grain purchasing and receiving costs, excluding labor costs for grain buyers and scale operators, are also included in cost of goods sold. Materials include the cost of corn feedstock, denaturant, process chemicals, cattle and veterinary supplies. Corn feedstock costs include unrealized gains and losses on related derivative financial instruments not designated as cash flow hedges, inbound freight charges, inspection costs and transfer costs as well as realized gains and losses on related derivative financial instruments, ineffectiveness on cash flow hedges and reclassifications of realized gains and losses on effective cash flow hedges from accumulated other comprehensive income or loss. Plant overhead consists primarily of plant and feedlot utilities, repairs and maintenance, yard expenses and outbound freight charges. Shipping costs incurred by the company, including railcar costs, are also reflected in cost of goods sold.

The company uses exchange-traded futures and options contracts to minimize the effect of price changes on the agribusiness segment's grain and cattle inventories and forward purchase and sales contracts. Exchange-traded futures and options contracts are valued at quoted market prices and settled predominantly in cash. The company is exposed to loss when counterparties default on forward purchase and sale contracts. Grain inventories held for sale and forward purchase and sale contracts are valued at market prices when available or other market quotes adjusted for differences, primarily in transportation, between the exchange-traded market and local market where the terms of the contract is based. Changes in the fair value of grain inventories held for sale, forward purchase and sale contracts, and exchange-traded futures and options contracts are recognized as a component of cost of goods sold.

#### Operations and Maintenance Expenses

In the partnership segment, transportation expenses represent the primary component of operations and maintenance expenses. Transportation expenses includes railcar leases, freight and shipping of the company's ethanol and co-products, as well as costs incurred storing ethanol at destination terminals.

## Derivative Financial Instruments

The company uses various derivative financial instruments, including exchange-traded futures and exchange-traded and over-the-counter options contracts, to minimize risk and the effect of price changes related to corn, ethanol, cattle and natural gas. The company monitors and manages this exposure as part of its overall risk management policy to reduce the adverse effect market volatility may have on its operating results. The company may hedge these commodities as one way to mitigate risk, however, there may be situations when the hedging activities themselves result in losses.

By using derivatives to hedge exposures to changes in commodity prices, the company is exposed to credit and market risk. The company's exposure to credit risk includes the counterparty's failure to fulfill its performance obligations under the terms of the derivative contract. The company minimizes credit risk by entering into transactions with high quality counterparties, limiting the amount of financial exposure it has with each counterparty and monitoring their financial condition. Market risk is the risk that the value of the financial instrument might be adversely affected by a change in commodity prices or interest rates. The company manages market risk by incorporating parameters to monitor exposure within its risk management strategy which limits the types of derivative instruments and strategies the company can use and the degree of market risk it can take using derivative instruments.

The company evaluates its physical delivery contracts to determine if they qualify for normal purchase or sale exemptions which are expected to be used or sold over a reasonable period in the normal course of business. Contracts that do not meet the normal purchase or sale criteria are recorded at fair value. Changes in fair value are recorded in operating income unless the contracts qualify for, and the company elects to use, hedge accounting treatment.

Certain qualifying derivatives related to the ethanol production and agribusiness segments are designated as cash flow hedges. The company evaluates the derivative instrument to ascertain its effectiveness prior to entering into cash flow hedges. Ineffectiveness is recognized in current period results, while other unrealized gains and losses are reflected in accumulated other comprehensive income until the gain or loss from the underlying hedged transaction is realized. When it becomes probable a forecasted transaction will not occur, the cash flow hedge treatment is discontinued, which affects earnings. These derivative financial instruments are recognized in current assets or other current liabilities at fair value.

At times, the company hedges its exposure to changes in the value of inventories and designates qualifying derivatives as fair value hedges. The carrying amount of the hedged inventory is adjusted in current period results for changes in fair value. Ineffectiveness is recognized in current period results to the extent the change in fair value of the inventory is not offset by the change in fair value of the derivative.

## Recent Accounting Pronouncements

Effective January 1, 2016, the company adopted the amended guidance in ASC Topic 835-30, Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a deduction from the carrying amount of the debt, consistent with debt discounts. The amended guidance has been applied on a retrospective basis, and the balance sheet of each individual period presented has been adjusted to reflect the period-specific effects of the new guidance.

Effective January 1, 2017, the company will adopt the amended guidance in ASC 718, Compensation – Stock Compensation, which requires all income tax effects of awards to be recognized in the income statement when the awards vest or settle. The amended guidance also will allow an employer to repurchase more of an employee’s shares than it can currently for tax withholding purposes without triggering liability accounting and make a policy election to account for forfeitures as they occur. Early application is permitted. The company is currently evaluating the impact the adoption of the amended guidance will have on the consolidated financial statements and related disclosures.

Effective January 1, 2017, the company will adopt the amended guidance in ASC 330, Inventory: Simplifying the Measurement of Inventory, which requires inventory to be measured at lower of cost or net realizable value. Net realizable value is the estimated selling prices during the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The amended guidance will be applied prospectively.

Effective January 1, 2018, the company will adopt the amended guidance in ASC 606, Revenue from Contracts with Customers, which requires revenue recognition to reflect the transfer of promised goods or services to customers. The updated standard permits either the retrospective or cumulative effect transition method. Early application beginning January 1, 2017, is permitted. The company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements and related disclosures.

Effective January 1, 2019, the company will adopt the amended guidance in ASC 842, Leases, which aims to make leasing activities more transparent and comparable and requires substantially all leases to be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability, including leases currently accounted for as operating leases. Early application is permitted. The company is currently evaluating the impact the adoption of the amended guidance will have on the consolidated financial statements and related disclosures.

## 2. GREEN PLAINS PARTNERS LP

### Initial Public Offering of Subsidiary

On July 1, 2015, Green Plains Partners LP, or the partnership, a newly formed subsidiary of the company, closed its initial public offering, or the IPO. In conjunction with the IPO, the company contributed its downstream ethanol transportation and storage assets to the partnership. A total of 11,500,000 common units, representing limited partner interests, including 1,500,000 common units pursuant to the underwriters' overallotment option, were sold to the public for \$15.00 per common unit. The partnership received net proceeds of approximately \$157.5 million, after deducting underwriting discounts, structuring fees and offering expenses. The partnership used the proceeds to make a distribution to the company of \$155.3 million and to pay approximately \$0.9 million in origination fees under its new \$100.0 million revolving credit facility. The remaining \$1.3 million was retained for general partnership purposes. The company now owns a 62.5% limited partner interest, consisting of 4,389,642 common units and 15,889,642 subordinated units, and a 2.0% general partner interest in the partnership. The public owns the remaining 35.5% limited partner interest in the partnership. As such, the partnership is consolidated in the company's financial statements.

The partnership is a fee-based master limited partnership formed by Green Plains to provide fuel storage and transportation services by owning, operating, developing and acquiring ethanol and fuel storage tanks, terminals, transportation assets and other related assets and businesses. The partnership's assets currently include (i) 38 ethanol storage facilities, located at or near the company's 17 ethanol production plants, which have the ability to efficiently and effectively store and load railcars and tanker trucks with all of the ethanol produced at the company's ethanol production plants, (ii) eight fuel terminal facilities, located near major rail lines, which enable the partnership to receive, store and deliver fuels from and to markets that seek access to renewable fuels, and (iii) transportation assets, including a leased railcar fleet of approximately 3,100 railcars, which is contracted to transport ethanol from the company's ethanol production plants to refineries throughout the United States and international export terminals. The partnership expects to be the company's primary downstream logistics provider to support its approximately 1.5 Bgy ethanol marketing and distribution business since the partnership's assets are the principal method of storing and delivering the ethanol the company produces.

A substantial portion of the partnership's revenues are derived from long-term, fee-based commercial agreements with Green Plains Trade, a subsidiary of the company. In connection with the IPO, the partnership (1) entered into (i) a ten-year fee-based storage and throughput agreement; (ii) a six-year fee-based rail transportation services agreement; and (iii) a one-year fee-based trucking transportation agreement, and (2) assumed (i) an approximately 2.5-year terminal services agreement for the partnership's Birmingham, Alabama-unit train terminal; and (ii) various other terminal services agreements for its other fuel terminal facilities, each with Green Plains Trade. The partnership's storage and throughput agreement, and certain terminal services agreements, including the terminal services agreement for the Birmingham facility, are supported by minimum volume commitments. The partnership's rail transportation services agreement is supported by minimum take-or-pay capacity commitments. The company also has agreements which establish fees for general and administrative, and operational and maintenance services it provides. These transactions are eliminated in the presentation of consolidated financial results.

### 3. ACQUISITIONS

#### Acquisition of Abengoa Ethanol Plants

On September 23, 2016, the company acquired three ethanol plants located in Madison, Illinois, Mount Vernon, Indiana, and York, Nebraska from subsidiaries of Abengoa S.A. for approximately \$237.4 million for the ethanol plant assets and \$15.2 million for working capital acquired or assumed, subject to certain post-closing adjustments.

These ethanol facilities have a combined annual production capacity of 236 mmgy. The company recorded \$0.8 million of acquisition costs for the Abengoa ethanol plants to selling, general and administrative expenses during the three months ended September 30, 2016.

The purchase price allocation is based on the preliminary results of an independent valuation. The purchase price and purchase price allocation are preliminary until contractual post-closing working capital adjustments are finalized and the final independent valuation report is issued. The following is a summary of the preliminary purchase price of assets acquired and liabilities assumed (in thousands):

|   |            |
|---|------------|
| Amounts of Identifiable<br>Assets Acquired<br>and Liabilities Assumed |            |
| Inventory   | \$ 16,456  |
| Accounts<br>receivable,<br>net  | 1,588      |
| Prepaid<br>expenses<br>and<br>other                                   | 457        |
| Property and<br>equipment,<br>net                                     | 235,395    |
| Other<br>assets   | 60         |
| Current<br>liabilities  | (1,403)    |
| Total<br>identifiable<br>net assets                                   | \$ 252,553 |

Concurrently with the company's acquisition of the Abengoa ethanol plants, on September 23, 2016, the partnership acquired the storage assets of the Abengoa ethanol plants from the company for \$90 million in a transfer between entities under common control and entered into amendments to the related commercial agreements with Green Plains Trade.

Disclosure of pro forma combined total revenues and net income (loss) information for the acquisition of the Abengoa ethanol plants is not currently practicable because financial statements for the acquired plants are currently under audit and have not yet been provided by the sellers. The company expects to report pro forma financial information in the annual report on Form 10-K for the year ending December 31, 2016.

Acquisition of Hereford Ethanol Plant



On November 12, 2015, the company acquired an ethanol production facility in Hereford, Texas, with an annual production capacity of approximately 100 mmgy for approximately \$78.8 million for the ethanol plant assets, as well as working capital acquired or assumed of approximately \$19.4 million.

The following is a summary of the final purchase price of assets acquired and liabilities assumed (in thousands):

|   |           |
|---|-----------|
| Amounts of<br>Identifiable Assets<br>Acquired<br>and Liabilities<br>Assumed |           |
| Inventory   | \$ 20,487 |
| Derivative<br>financial<br>instruments                                      | 2,625     |
| Property and<br>equipment,<br>net   | 78,786    |
| Current<br>liabilities  | (2,542)   |
| Other<br>liabilities  | (1,128)   |
| Total<br>identifiable<br>net assets   | \$ 98,228 |

Effective January 1, 2016, the partnership acquired the storage and transportation assets of the Hereford and Hopewell production facilities in a transfer between entities under common control for approximately \$62.3 million and entered into amendments to the related commercial agreements with Green Plains Trade.

#### 4. FAIR VALUE DISCLOSURES

The following methods, assumptions and valuation techniques were used to estimate the fair value of the company's financial instruments:

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Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities the company can access at the measurement date. Level 1 unrealized gains and losses on commodity derivatives relate to exchange-traded open trade equity and option values in the company’s brokerage accounts.

Level 2 – directly or indirectly observable inputs such as quoted prices for similar assets or liabilities in active markets other than quoted prices included within Level 1, quoted prices for identical or similar assets in markets that are not active, and other inputs that are observable or can be substantially corroborated by observable market data through correlation or other means. Grain inventories held for sale in the agribusiness segment are valued at nearby futures values, plus or minus nearby basis.

Level 3 – unobservable inputs that are supported by little or no market activity and comprise a significant component of the fair value of the assets or liabilities. The company currently does not have any recurring Level 3 financial instruments.

There have been no changes in valuation techniques and inputs used in measuring fair value. The company’s assets and liabilities by level are as follows (in thousands):

|  | Fair Value Measurements at September 30, 2016                                       |   |  |            |
|--|---|---|--|------------|
|  | Quoted<br>Prices in<br>Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Reclassification<br>for<br>Balance Sheet<br>Presentation | Total      |
| Assets:                                  |   |   |  |            |
| Cash and cash equivalents                | \$ 407,359  | \$ -  | \$ -   | \$ 407,359 |
| Restricted cash                          | 34,219  | -   | -  | 34,219     |
| Margin deposits                          | 8,792   | -   | (8,792)  | -          |
| Inventories carried at market            | -   | 45,199  | -  | 45,199     |
| Unrealized gains on derivatives          | 26,098  | 17,468  | (4,989)  | 38,577     |
| Other assets                             | 116   | -   | -  | 116        |
| Total assets measured at fair value      | \$ 476,584  | \$ 62,667   | \$ (13,781)  | \$ 525,470 |
| Liabilities:                             |   |   |  |            |
| Unrealized losses on derivatives         | \$ 10,938   | \$ 23,674   | \$ (13,781)  | \$ 20,831  |
| Other                                    | -   | 15  | -  | 15         |
| Total liabilities measured at fair value | \$ 10,938   | \$ 23,689   | \$ (13,781)  | \$ 20,846  |

|  | Fair Value Measurements at December 31, 2015  |   |  |            |
|--|---|---|--|------------|
|  | Quoted<br>Prices in<br>Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Reclassification<br>for<br>Balance Sheet<br>Presentation | Total      |
| <b>Assets:</b>                           |   |   |  |            |
| Cash and cash equivalents                | \$ 384,867  | \$ -  | \$ -   | \$ 384,867 |
| Restricted cash                          | 27,018  | -   | -  | 27,018     |
| Margin deposits                          | 7,658   | -   | (7,658)  | -          |
| Inventories carried at market            | -   | 43,936  | -  | 43,936     |
| Unrealized gains on derivatives          | 19,756  | 7,145   | 3,639  | 30,540     |
| Other assets                             | 117   | -   | -  | 117        |
| Total assets measured at fair value      | \$ 439,416  | \$ 51,081   | \$ (4,019)   | \$ 486,478 |
| <b>Liabilities:</b>                      |   |   |  |            |
| Unrealized losses on derivatives         | \$ 4,492  | \$ 7,772  | \$ (4,019)   | \$ 8,245   |
| Total liabilities measured at fair value | \$ 4,492  | \$ 7,772  | \$ (4,019)   | \$ 8,245   |

The company believes the fair value of its debt was approximately \$913.8 million compared with a book value of \$923.5 million at September 30, 2016, and the fair value of its debt was approximately \$661.8 million compared with a book value of \$663.6 million at December 31, 2015. The company estimated the fair value of its outstanding debt using Level 2 inputs. The company believes the fair values of its accounts receivable and accounts payable approximated book value, which were \$132.6 million and \$129.3 million, respectively, at September 30, 2016, and \$96.2 million and \$167.0 million, respectively, at December 31, 2015.

Although the company currently does not have any recurring Level 3 financial measurements, the fair values of tangible assets and goodwill acquired and the equity component of convertible debt represent Level 3 measurements which were derived using a combination of the income approach, market approach and cost approach for the specific assets or liabilities being valued.

## 5. SEGMENT INFORMATION

Company management reports the financial and operating performance in the following four operating segments: (1) ethanol production, which includes the production of ethanol, distillers grains and corn oil, (2) agribusiness, which includes grain handling and storage and cattle feedlot operations, (3) marketing and distribution, which includes marketing and merchant trading for company-produced and third-party ethanol, distillers grains, corn oil, natural gas and other commodities, and (4) partnership, which includes fuel storage and transportation services.

Under GAAP, when transferring assets between entities under common control, the entity receiving the net assets initially recognizes the carrying amounts of the assets and liabilities at the date of transfer. The transferee's prior period financial statements are restated for all periods its operations were part of the parent's consolidated financial statements. On July 1, 2015, Green Plains Partners received ethanol storage and railcar assets and liabilities in a transfer between entities under common control. Effective January 1, 2016, the partnership acquired the storage and transportation assets of the Hereford and Hopewell production facilities in a transfer between entities under common control and entered into amendments to the related commercial agreements with Green Plains Trade. The transferred assets and liabilities are recognized at our historical cost and reflected retroactively in the segment information of the consolidated financial statements presented in this Form 10-Q. The assets of Green Plains Partners were previously included in the ethanol production and marketing and distribution segments. Expenses related to the ethanol storage and railcar assets, such as depreciation, amortization and railcar lease expenses, are also reflected retroactively in the following segment information. There were no revenues related to the operation of the ethanol storage and railcar assets in the partnership segment prior to their respective transfers to the partnership, when the related commercial agreements with Green Plains Trade became effective.

Corporate activities include selling, general and administrative expenses, consisting primarily of compensation, professional fees and overhead costs not directly related to a specific operating segment.

During the normal course of business, the operating segments do business with each other. For example, the ethanol production segment sells ethanol to the marketing and distribution segment, the agribusiness segment sells grain to the ethanol production segment and the partnership segment provides fuel storage and transportation services for the marketing and distribution segment. These intersegment activities are treated like third-party transactions and recorded at market values. Consequently, these transactions affect segment performance; however, they do not impact the company's consolidated results since the revenues and corresponding costs are eliminated in consolidation.

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The following tables set forth certain financial data for the company's operating segments (in thousands):

|  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |              |
|--|-------------------------------------|------------|------------------------------------|--------------|
|  | 2016                                | 2015       | 2016                               | 2015         |
| Revenues (1):                            |                                     |            |                                    |              |
| Ethanol production:                      |                                     |            |                                    |              |
| Revenues from external customers         | \$ 74,892                           | \$ 37,702  | \$ 222,424                         | \$ 140,640   |
| Intersegment revenues                    | 457,549                             | 352,215    | 1,249,333                          | 1,145,879    |
| Total segment revenues                   | 532,441                             | 389,917    | 1,471,757                          | 1,286,519    |
| Agribusiness:                            |                                     |            |                                    |              |
| Revenues from external customers         | 83,615                              | 54,519     | 242,049                            | 191,495      |
| Intersegment revenues                    | 359,715                             | 255,671    | 1,058,813                          | 783,388      |
| Total segment revenues                   | 443,330                             | 310,190    | 1,300,862                          | 974,883      |
| Marketing and distribution:              |                                     |            |                                    |              |
| Revenues from external customers         | 681,279                             | 648,413    | 2,008,268                          | 1,887,184    |
| Intersegment revenues                    | 54,704                              | 21,914     | 165,558                            | 93,176       |
| Total segment revenues                   | 735,983                             | 670,327    | 2,173,826                          | 1,980,360    |
| Partnership:                             |                                     |            |                                    |              |
| Revenues from external customers         | 2,066                               | 2,163      | 6,042                              | 6,356        |
| Intersegment revenues                    | 24,139                              | 19,247     | 69,445                             | 21,895       |
| Total segment revenues                   | 26,205                              | 21,410     | 75,487                             | 28,251       |
| Revenues including intersegment activity | 1,737,959                           | 1,391,844  | 5,021,932                          | 4,270,013    |
| Intersegment eliminations                | (896,107)                           | (649,047)  | (2,543,149)                        | (2,044,338)  |
| Revenues as reported                     | \$ 841,852                          | \$ 742,797 | \$ 2,478,783                       | \$ 2,225,675 |

(1) Revenues from external customers include realized gains and losses from derivative financial instruments.

|                     | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |              |
|---------------------|-------------------------------------|------------|------------------------------------|--------------|
|                     | 2016                                | 2015       | 2016                               | 2015         |
| Cost of goods sold: |                                     |            |                                    |              |
| Ethanol production  | \$ 494,225                          | \$ 365,348 | \$ 1,410,720                       | \$ 1,184,595 |

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|                            |            |            |              |              |
|----------------------------|------------|------------|--------------|--------------|
| Agribusiness               | 434,582    | 307,995    | 1,278,211    | 962,979      |
| Marketing and distribution | 726,323    | 656,934    | 2,147,803    | 1,950,327    |
| Intersegment eliminations  | (896,247)  | (650,929)  | (2,543,639)  | (2,049,522)  |
|                            | \$ 758,883 | \$ 679,348 | \$ 2,293,095 | \$ 2,048,379 |

|                            | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|----------------------------|-------------------------------------|-----------|------------------------------------|-----------|
|                            | 2016                                | 2015      | 2016                               | 2015      |
| Operating income (loss):   |                                     |           |                                    |           |
| Ethanol production         | \$ 15,311                           | \$ 5,528  | \$ (7,385)                         | \$ 43,139 |
| Agribusiness               | 6,251                               | 365       | 15,039                             | 5,833     |
| Marketing and distribution | 5,252                               | 9,406     | 13,908                             | 17,446    |
| Partnership                | 15,084                              | 11,030    | 42,958                             | 416       |
| Intersegment eliminations  | 141                                 | 1,882     | 491                                | 5,264     |
| Corporate activities       | (11,184)                            | (8,378)   | (29,393)                           | (23,759)  |
|                            | \$ 30,855                           | \$ 19,833 | \$ 35,618                          | \$ 48,339 |



The following table sets forth third-party revenues by product line (in thousands):

|                   | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |              |
|-------------------|-------------------------------------|------------|------------------------------------|--------------|
|                   | 2016                                | 2015       | 2016                               | 2015         |
| Revenues:         |                                     |            |                                    |              |
| Ethanol           | \$ 550,724                          | \$ 468,005 | \$ 1,622,168                       | \$ 1,381,203 |
| Distillers grains | 129,345                             | 121,273    | 357,070                            | 359,164      |
| Corn oil          | 49,844                              | 28,949     | 111,727                            | 67,649       |
| Grain             | 30,003                              | 47,106     | 145,800                            | 199,982      |
| Cattle            | 70,012                              | 56,904     | 201,423                            | 168,381      |
| Service revenues  | 2,066                               | 2,163      | 6,042                              | 6,356        |
| Other             | 9,858                               | 18,397     | 34,553                             | 42,940       |
|                   | \$ 841,852                          | \$ 742,797 | \$ 2,478,783                       | \$ 2,225,675 |

The following table sets forth total assets by operating segment (in thousands):

|                            | September<br>30,<br>2016 | December<br>31,<br>2015 |
|----------------------------|--------------------------|-------------------------|
| Total assets (1):          |                          |                         |
| Ethanol production         | \$ 1,199,374             | \$ 1,002,270            |
| Agribusiness               | 271,290                  | 300,364                 |
| Marketing and distribution | 279,368                  | 230,651                 |
| Partnership                | 75,541                   | 81,430                  |
| Corporate assets           | 362,121                  | 314,068                 |
| Intersegment eliminations  | (10,736)                 | (10,863)                |
|                            | \$ 2,176,958             | \$ 1,917,920            |

(1) Asset balances by segment exclude intercompany payable and receivable balances.

## 6. INVENTORIES

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Inventories are carried at lower of cost or market, except for commodities held for sale and fair-value hedged inventories, which are reported at market value.

The components of inventories are as follows (in thousands):

|                           | September<br>30,<br>2016 | December<br>31,<br>2015 |
|---------------------------|--------------------------|-------------------------|
| Finished goods            | \$ 68,654                | \$ 71,595               |
| Commodities held for sale | 35,880                   | 43,936                  |
| Raw materials             | 94,080                   | 116,673                 |
| Work-in-process           | 95,303                   | 96,950                  |
| Supplies and parts        | 30,370                   | 24,803                  |
|                           | \$ 324,287               | \$ 353,957              |

7. GOODWILL

The company did not have any changes in the carrying amount of goodwill, which was \$40.9 million at September 30, 2016, and December 31, 2015. Goodwill of \$30.3 million is attributable to the ethanol production segment and \$10.6 million is attributable to the partnership segment.

## 8. DERIVATIVE FINANCIAL INSTRUMENTS

At September 30, 2016, the company's consolidated balance sheet reflected unrealized losses of \$0.1 million, net of tax, in accumulated other comprehensive income (loss). The company expects these losses will be reclassified in operating income over the next 12 months as a result of hedged transactions that are forecasted to occur. The amount realized in operating income will differ as commodity prices change.

## Fair Values of Derivative Instruments

The fair values of the company's derivative financial instruments and the line items on the consolidated balance sheets where they are reported are as follows (in thousands):

|                                      | Asset Derivatives' |               | Liability Derivatives' |          |
|--------------------------------------|--------------------|---------------|------------------------|----------|
|                                      | Fair Value         |               | Fair Value             |          |
|                                      | September          | December      | September              | December |
|                                      | 30,                | 31,           | 30,                    | 31,      |
|                                      | 2016               | 2015          | 2016                   | 2015     |
| Derivative financial instruments (1) | \$ 29,785 (2)      | \$ 22,882 (3) | \$ -                   | \$ -     |
| Accrued and other liabilities        | -                  | -             | 20,831                 | 8,245    |
| Other liabilities                    | -                  | -             | 15                     | -        |
| Total                                | \$ 29,785          | \$ 22,882     | \$ 20,846              | \$ 8,245 |

(1) Derivative financial instruments as reflected on the consolidated balance sheets are net of related margin deposit assets of \$8.8 million and \$7.7 million at September 30, 2016 and December 31, 2015, respectively.

(2) Balance at September 30, 2016 includes \$4.2 million of net unrealized gains on derivative financial instruments designated as cash flow hedging instruments.

(3) Balance at December 31, 2015 includes \$2.3 million of net unrealized losses on derivative financial instruments designated as cash flow hedging instruments.

Refer to Note 4 - Fair Value Disclosures, which contains fair value information related to derivative financial instruments.

Effect of Derivative Instruments on Consolidated Statements of Operations and Consolidated Statements of Stockholders' Equity and Comprehensive Income

The gains or losses recognized in income and other comprehensive income related to the company's derivative financial instruments and the line items on the consolidated financial statements where they are reported are as follows (in thousands):

|   | Three Months Ended |            | Nine Months Ended |            |
|---|--------------------|------------|-------------------|------------|
|   | September 30,      |            | September 30,     |            |
|   | 2016               | 2015       | 2016              | 2015       |
| Gains (Losses) on Derivative Instruments Not Designated in a Hedging Relationship |                    |            |                   |            |
| Revenues  | \$ (1,084)         | \$ (9,431) | \$ 6,187          | \$ (9,597) |
| Cost of goods sold  | (39)               | 20,992     | (8,740)           | 2,783      |
| Net increase (decrease) recognized in earnings before tax                         | \$ (1,123)         | \$ 11,561  | \$ (2,553)        | \$ (6,814) |

|   | Three Months Ended |        | Nine Months Ended |         |
|---|--------------------|--------|-------------------|---------|
|   | September 30,      |        | September 30,     |         |
|   | 2016               | 2015   | 2016              | 2015    |
| Gains (Losses) Due to Ineffectiveness of Cash Flow Hedges |                    |        |                   |         |
| Revenues  | \$ 34              | \$ 14  | \$ (5)            | \$ (45) |
| Cost of goods sold  | 96                 | (23)   | (65)              | -       |
| Net increase (decrease) recognized in earnings before tax | \$ 130             | \$ (9) | \$ (70)           | \$ (45) |

|  | Three Months Ended |          | Nine Months Ended |            |
|--|--------------------|----------|-------------------|------------|
|  | September 30,      |          | September 30,     |            |
|  | 2016               | 2015     | 2016              | 2015       |
| Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Net Income |                    |          |                   |            |
| Revenues   | \$ 25,254          | \$ 935   | \$ 12,029         | \$ 4,643   |
| Cost of goods sold   | (28,548)           | 515      | (15,904)          | (5,763)    |
| Net increase (decrease) recognized in earnings before tax                                      | \$ (3,294)         | \$ 1,450 | \$ (3,875)        | \$ (1,120) |



| Effective Portion of Cash Flow<br>Hedges Recognized in<br>Other Comprehensive Income (Loss)<br>Commodity Contracts | Three Months           |          |                                    |           |
|--|------------------------|----------|------------------------------------|-----------|
|  | Ended<br>September 30, |          | Nine Months Ended<br>September 30, |           |
|  | 2016                   | 2015     | 2016                               | 2015      |
|  | \$ 3,250               | \$ 5,914 | \$ (2,157)                         | \$ 14,799 |

| Gains (Losses) from Fair Value<br>Hedges of Inventory<br>Revenues (effect of change in inventory value)<br>Cost of goods sold (effect of change in inventory value)<br>Revenues (effect of fair value hedge)<br>Cost of goods sold (effect of fair value hedge)<br>Ineffectiveness recognized in earnings before tax | Three Months           |          |                                    |          |
|--|------------------------|----------|------------------------------------|----------|
|  | Ended<br>September 30, |          | Nine Months Ended<br>September 30, |          |
|  | 2016                   | 2015     | 2016                               | 2015     |
|  | \$ (40)                | \$ -     | \$ 1,379                           | \$ -     |
|  | (470)                  | 376      | 7,712                              | (1,994)  |
|  | 40                     | -        | (1,379)                            | -        |
|  | 918                    | 842      | (7,648)                            | 4,742    |
|  | \$ 448                 | \$ 1,218 | \$ 64                              | \$ 2,748 |

There were no gains or losses from discontinuing cash flow or fair value hedge treatment during the three and nine months ended September 30, 2016 and 2015.

The open commodity derivative positions as of September 30, 2016, are as follows (in thousands):

| September 30, 2016        |                           |     |                     |             |                    |                          |
|---------------------------|---------------------------|-----|---------------------|-------------|--------------------|--------------------------|
| Derivative<br>Instruments | Exchange Traded           |     | Non-Exchange Traded |             | Unit of<br>Measure | Commodity                |
|                           | Net Long &<br>(Short) (1) |     | Long (2)            | (Short) (2) |                    |                          |
| Futures                   | (30,405)                  |     |                     |             | Bushels            | Corn, Soybeans and Wheat |
| Futures                   | 18,905                    | (3) |                     |             | Bushels            | Corn                     |
| Futures                   | (7,950)                   | (4) |                     |             | Bushels            | Corn                     |
| Futures                   | 13,986                    |     |                     |             | Gallons            | Ethanol                  |
| Futures                   | (95,760)                  | (3) |                     |             | Gallons            | Ethanol                  |
| Futures                   | (7,773)                   |     |                     |             | mmBTU              | Natural Gas              |
| Futures                   | (8,730)                   | (4) |                     |             | mmBTU              | Natural Gas              |
| Futures                   | (200)                     |     |                     |             | Pounds             | Livestock                |
| Futures                   | (80,440)                  | (3) |                     |             | Pounds             | Livestock                |
| Futures                   | (966)                     |     |                     |             | Barrels            | Crude Oil                |
| Futures                   | 7,560                     |     |                     |             | Pounds             | Soybean Oil              |

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|              |          |        |           |                          |                   |
|--------------|----------|--------|-----------|--------------------------|-------------------|
| Futures      | 6,342    |        | Gallons   | Denaturant               |                   |
| Options      | (488)    |        | Bushels   | Corn, Soybeans and Wheat |                   |
| Options      | (23,798) |        | Gallons   | Ethanol                  |                   |
| Options      | (1,838)  |        | Pounds    | Livestock                |                   |
| Options      | 96       |        | Barrels   | Crude Oil                |                   |
| Options      | 56       |        | mmBTU     | Natural Gas              |                   |
| Options      | 340      |        | Pounds    | Sugar                    |                   |
| Forwards     |          | 40,871 | (1,405)   | Bushels                  | Corn and Soybeans |
| Forwards     |          | 5,594  | (107,750) | Gallons                  | Ethanol           |
| Forwards     |          | 143    | (343)     | Tons                     | Distillers Grains |
| Forwards     |          | 41,648 | (79,215)  | Pounds                   | Corn Oil          |
| Forwards (4) |          | -      | (26,993)  | Pounds                   | Corn Oil          |
| Forwards     |          | 15,827 | (806)     | mmBTU                    | Natural Gas       |
| Forwards     |          | 1,532  | (614)     | Barrels                  | Crude Oil         |

- (1) Exchange traded futures and options are presented on a net long and (short) position basis. Options are presented on a delta-adjusted basis.
- (2) Non-exchange traded forwards are presented on a gross long and (short) position basis including both fixed-price and basis contracts.
- (3) Futures used for cash flow hedges.
- (4) Futures or non-exchange traded forwards used for fair value hedges.



Energy trading contracts that do not involve physical delivery are presented net in revenues on the consolidated statements of operations. Included in revenues are net gains on energy trading contracts of \$2.7 million and \$5.7 million for the three and nine months ended September 30, 2016, respectively, and net gains of \$2.9 million and \$10.7 million for the three and nine months ended September 30, 2015, respectively.

## 9. DEBT

The components of long-term debt are as follows (in thousands):

|  | September<br>30,<br>2016 | December<br>31,<br>2015 |
|--|--------------------------|-------------------------|
| Green Plains Partners:                     |                          |                         |
| \$155.0 million revolving credit facility  | \$ 132,000               | \$ -                    |
| Green Plains Processing:                   |                          |                         |
| \$345.0 million term loan                  | 303,105                  | 306,439                 |
| Corporate:                                 |                          |                         |
| \$120.0 million convertible notes due 2018 | 107,339                  | 103,072                 |
| \$170.0 million convertible notes due 2022 | 125,799                  | -                       |
| Other                                      | 26,183                   | 27,135                  |
| Total long-term debt                       | 694,426                  | 436,646                 |
| Less: current portion of long-term debt    | (13,244)                 | (4,507)                 |
| Long-term debt                             | \$ 681,182               | \$ 432,139              |

Short-term notes payable and other borrowings at September 30, 2016, include working capital revolvers at Green Plains Cattle, Green Plains Grain and Green Plains Trade with outstanding balances of \$63.0 million, \$73.0 million and \$93.1 million, respectively. Short-term notes payable and other borrowings at December 31, 2015, include working capital revolvers at Green Plains Cattle, Green Plains Grain and Green Plains Trade with outstanding balances of \$69.7 million, \$77.0 million and \$80.2 million, respectively.

Effective January 1, 2016, the company adopted ASC 835-30, Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs, which resulted in the reclassification of approximately \$11.4 million from other assets to long-term debt within the balance sheet as of December 31, 2015. As of September 30, 2016, there was \$13.7 million of debt issuance costs recorded as a reduction of the carrying value of the company's long-term debt.

#### Ethanol Production Segment

Green Plains Processing has a \$345.0 million senior secured credit facility, which is guaranteed by the company and subsidiaries of Green Plains Processing and secured by the stock and substantially all of the assets of Green Plains Processing. The interest rate is 5.50% plus LIBOR, subject to a 1.00% floor. The terms of the credit facility require the borrower to maintain a maximum total leverage ratio of 4.00 to 1.00 at the end of each quarter, decreasing to 3.25 to 1.00 over the life of the credit facility, and a minimum fixed charge coverage ratio of 1.25 to 1.00. Effective September 30, 2016, the maximum total leverage ratio is 3.75 to 1.00. The credit facility also has a provision requiring the company to make special quarterly payments of 50% to 75% of its available free cash flow, subject to certain limitations.

At September 30, 2016, the interest rate on this term debt was 6.50%. Scheduled principal payments are \$0.9 million each quarter.

#### Agribusiness Segment

Green Plains Grain has a \$125.0 million senior secured asset-based revolving credit facility, to finance working capital up to the maximum commitment based on eligible collateral equal to the sum of percentages of eligible cash, receivables and inventories, less miscellaneous adjustments. The credit facility was amended on July 27, 2016, extending the maturity date to July 26, 2019. Advances under the amended credit facility are subject to an interest rate equal to LIBOR plus 3.00% or the lenders' base rate plus 2.00%. The credit facility also includes an accordion feature that enables the facility to be increased by up to \$75.0 million with agent approval. The credit facility can also be increased by up to \$50.0 million for seasonal borrowings. Total commitments outstanding cannot exceed \$250.0 million.

Lenders receive a first priority lien on certain cash, inventory, accounts receivable and other assets owned by subsidiaries in the agribusiness segment as security on the credit facility. The terms impose affirmative and negative covenants, including maintaining minimum working capital and tangible net worth. Capital expenditures are limited to \$8.0 million per year under the credit facility, plus equity contributions from the company and unused amounts from the previous year. In addition, the credit facility requires the company to maintain a minimum fixed charge coverage ratio of 1.25 to 1.00 and a maximum annual leverage ratio of 6.00 to 1.00 at the end of each quarter. The credit facility also contains restrictions on distributions related to capital stock, with exceptions for distributions up to 50% of net profit before tax, subject to certain conditions.

Green Plains Cattle has a \$100.0 million senior secured asset-based revolving credit facility, which matures on October 31, 2017, to finance working capital for the cattle feedlot operations up to the maximum commitment based on eligible collateral equal to the sum of percentages of eligible receivables, inventories and other current assets, less miscellaneous adjustments. Advances are subject to variable interest rates equal to LIBOR plus 2.00% to 3.00%, or the base rate plus 0.00% to 0.25%, depending upon availability. The credit facility also includes an accordion feature that enables the credit facility to be increased by up to \$50.0 million with agent approval.

Lenders receive a first priority lien on certain cash, inventory, accounts receivable, property and equipment and other assets owned by Green Plains Cattle as security on the credit facility. The terms impose affirmative and negative covenants, including maintaining working capital of \$15.0 million and tangible net worth of \$20.3 million for 2016 and a total debt to tangible net worth ratio of 3.50 to 1.00. Capital expenditures are limited to \$3.0 million per year under the credit facility, plus unused amounts from the previous year.

#### Marketing and Distribution Segment

Green Plains Trade has a \$150.0 million senior secured asset-based revolving credit facility, which matures on November 26, 2019, to finance working capital for marketing and distribution activities based on eligible collateral equal to the sum of percentages of eligible receivables and inventories, less miscellaneous adjustments. The outstanding balance is subject to the lender's floating base rate plus the applicable margin or LIBOR plus the applicable margin.

The terms impose affirmative and negative covenants, including maintaining a fixed charge coverage ratio of 1.15 to 1.00. Capital expenditures are limited to \$1.5 million per year under the credit facility. The credit facility also contains restrictions on distributions related to capital stock, with exceptions for distributions up to 50% of net income if, on a pro forma basis, (a) availability has been greater than \$10.0 million for the last 30 days and (b) the borrower would be in compliance with the fixed charge coverage ratio on the distribution date.

At September 30, 2016, Green Plains Trade had \$16.1 million presented as restricted cash on the consolidated balance sheet, the use of which was restricted for repayment towards the outstanding loan balance.

#### Partnership Segment

Green Plains Partners, through a wholly owned subsidiary, has a \$155.0 million revolving credit facility, which matures in July 2020, to fund working capital, acquisitions, distributions, capital expenditures and other general partnership purposes. The credit facility was amended on September 16, 2016, increasing the revolving credit facility available from \$100.0 million to \$155.0 million. Advances under this amended credit facility are subject to a floating interest rate based on the partnership's maximum consolidated net leverage ratio equal to (a) a base rate plus 1.25% to 2.00% or (b) a LIBOR rate plus 2.25% to 3.00%. The amended credit facility may be increased up to \$100.0 million without the consent of the lenders.

The partnership's obligations under the credit facility are secured by a first priority lien on (i) the capital stock of the partnership's present and future subsidiaries, (ii) all of the partnership's present and future personal property, such as investment property, general intangibles and contract rights, including rights under agreements with Green Plains Trade, and (iii) all proceeds and products of the equity interests of the partnership's present and future subsidiaries and its personal property. The terms impose affirmative and negative covenants including restricting the partnership's ability to incur additional debt, acquire and sell assets, create liens, invest capital, pay distributions and materially amend the partnership's commercial agreements with Green Plains Trade. The credit facility also requires the partnership to maintain a maximum consolidated net leverage ratio of no more than 3.50 to 1.00, and a minimum consolidated interest coverage ratio of no less than 2.75 to 1.00, each of which is calculated on a pro forma basis with respect to acquisitions and divestitures occurring during the applicable period.

## Corporate Activities

In August 2016, the company issued \$170.0 million of 4.125% convertible senior notes due 2022, or the 4.125% notes. The 4.125% notes are senior, unsecured obligations of the company, with interest payable on March 1 and September 1 of each year. The company may settle the 4.125% notes in cash, common stock or a combination of cash and common stock. The company intends to repay the 4.125% notes with cash for the principal and cash or common stock for the conversion premium.

The 4.125% notes contain liability and equity components which were bifurcated and accounted for separately. The liability component of the 4.125% notes, as of the issuance date, was calculated by estimating the fair value of a similar liability issued at a 9.31% effective interest rate, which was determined by considering the rate of return investors would require for comparable debt of the company without conversion rights. The amount of the equity component was calculated by deducting the fair value of the liability component from the principal amount of the 4.125% notes, resulting in the initial recognition of \$40.6 million as debt discount costs recorded in additional paid-in capital. The carrying amount of the 4.125% notes will be accreted to the principal amount over the remaining term to maturity, and the company will record a corresponding amount of noncash interest expense. Additionally, the company incurred debt issuance costs of \$5.7 million related to the 4.125% notes and allocated \$4.3 million of debt issuance costs to the liability component of the 4.125% notes. These costs will be amortized to noncash interest expense over the six-year term of the 4.125% notes.

Prior to March 1, 2022, the 4.125% notes are not convertible unless certain conditions are satisfied. The conversion rate is subject to adjustment upon the occurrence of certain events, including when the quarterly cash dividend exceeds \$0.12 per share and upon redemption of the 4.125% notes. The initial conversion rate is 35.7143 shares of common stock per \$1,000 of principal, which is equal to a conversion price of approximately \$28.00 per share.

The company may redeem all, but not less than all, of the 4.125% notes at any time on or after September 1, 2020, if the company's common stock equals or exceeds 140% of the applicable conversion price for a specified time period ending on the trading day immediately prior to the date the company delivers notice of the redemption. The redemption price will equal 100% of the principal plus any accrued and unpaid interest. Holders of the 4.125% notes have the option to require the company to repurchase the 4.125% notes in cash at a price equal to 100% of the principal plus accrued and unpaid interest when there is a fundamental change, such as change in control. If an event of default occurs, it could result in the 4.125% notes being declared due and payable.

In September 2013, the company issued \$120.0 million of 3.25% convertible senior notes due 2018, or the 3.25% notes. The 3.25% notes are senior, unsecured obligations of the company, with interest payable on April 1 and October 1 of each year. The company may settle the 3.25% notes in cash, common stock or a combination of cash and common stock. The company intends to repay the 3.25% notes with cash for the principal and cash or common stock for the conversion premium.

Prior to April 1, 2018, the 3.25% notes are not convertible unless certain conditions are satisfied. The conversion rate is subject to adjustment when the quarterly cash dividend exceeds \$0.04 per share. The conversion rate was recently adjusted to 49.2564 shares of common stock per \$1,000 of principal, which is equal to a conversion price of approximately \$20.30 per share. The company may be obligated to increase the conversion rate in certain events, including redemption of the 3.25% notes.

The company may redeem all of the 3.25% notes at any time on or after October 1, 2016, if the company's common stock equals or exceeds 140% of the applicable conversion price for a specified time period ending on the trading day immediately prior to the date the company delivers notice of the redemption. The redemption price will equal 100% of the principal plus any accrued and unpaid interest. Holders of the 3.25% notes have the option to require the company to repurchase the 3.25% notes in cash at a price equal to 100% of the principal plus accrued and unpaid interest when there is a fundamental change, such as change in control. If an event of default occurs, it could result in the 3.25% notes being declared due and payable.

#### Covenant Compliance

The company was in compliance with its debt covenants as of September 30, 2016.

### Capitalized Interest

The company had \$483 thousand and \$1.4 million of capitalized interest during the three and nine months ended September 30, 2016, respectively, and \$313 thousand and \$707 thousand during the three and nine months ended September 30, 2015, respectively.

### Restricted Net Assets

At September 30, 2016, there were approximately \$624.5 million of net assets at the company's subsidiaries that could not be transferred to the parent company in the form of dividends, loans or advances due to restrictions contained in the credit facilities of these subsidiaries.

## 10. STOCK-BASED COMPENSATION

The company has an equity incentive plan that reserves 3,500,000 shares of common stock for issuance to its directors and employees. The plan provides for shares, including options to purchase shares of common stock, stock appreciation rights tied to the value of common stock, restricted stock, and restricted and deferred stock unit awards, to be granted to eligible employees, non-employee directors and consultants. The company measures stock-based compensation at fair value on the grant date, adjusted for estimated forfeitures. The company records noncash compensation expense related to equity awards in its consolidated financial statements over the requisite period on a straight-line basis. Substantially all of the existing stock-based compensation has been equity awards.

The activity related to the exercisable stock options for the nine months ended September 30, 2016, is as follows:

| Shares | Weighted-Average<br>Exercise Price | Weighted-Average<br>Remaining<br>Contractual Term<br>(in years) | Aggregate<br>Intrinsic<br>Value<br>(in<br>thousands) |
|--------|------------------------------------|---|--|
|--------|------------------------------------|---|--|

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|                                       |           |          |     |          |
|---------------------------------------|-----------|----------|-----|----------|
| Outstanding at December 31, 2015      | 298,750   | \$ 9.81  | 2.4 | \$ 3,866 |
| Granted                               | -         | -        | -   | -        |
| Exercised                             | (140,000) | 7.14     | -   | 2,093    |
| Forfeited                             | -         | -        | -   | -        |
| Expired                               | -         | -        | -   | -        |
| Outstanding at September 30, 2016     | 158,750   | \$ 12.16 | 3.1 | \$ 2,229 |
| Exercisable at September 30, 2016 (1) | 158,750   | \$ 12.16 | 3.1 | \$ 2,229 |

(1) Includes in-the-money options totaling 158,750 shares at a weighted-average exercise price of \$12.16.

Option awards allow employees to exercise options through cash payment for the shares of common stock or simultaneous broker-assisted transactions in which the employee authorizes the exercise and immediate sale of the options in the open market. The company uses newly issued shares of common stock to satisfy its stock-based payment obligations.

The non-vested stock award and deferred stock unit activity for the nine months ended September 30, 2016, is as follows:

|                                     | Non-Vested Shares and Deferred<br>Stock Units | Weighted-Average<br>Grant-Date Fair<br>Value | Weighted-Average<br>Vesting Term<br>(in years) | Remaining |
|-------------------------------------|---|--|--|-----------|
| Non-Vested at December<br>31, 2015  | 736,728                                       | \$ 22.96                                     |  |           |
| Granted                             | 793,463                                       | 13.73  |  |           |
| Forfeited                           | (34,789)                                      | 18.94  |  |           |
| Vested                              | (373,265)                                     | 20.36  |  |           |
| Non-Vested at September<br>30, 2016 | 1,122,137                                     | \$ 17.42                                     | 1.8  |           |



## Green Plains Partners

Green Plains Partners has adopted the LTIP, an incentive plan intended to promote the interests of the partnership, its general partner and affiliates by providing incentive compensation based on units to employees, consultants and directors to encourage superior performance. The incentive plan reserves 2,500,000 common units for issuance in the form of options, restricted units, phantom units, distributable equivalent rights, substitute awards, unit appreciation rights, unit awards, profits interest units or other unit-based awards. The partnership measures unit-based compensation related to equity awards in its consolidated financial statements over the requisite service period on a straight-line basis.

The non-vested unit-based awards activity for the nine months ended September 30, 2016, is as follows:

|                                     | Non-Vested Shares and Deferred<br>Stock Units | Weighted-Average<br>Grant-Date Fair<br>Value | Weighted-Average Remaining<br>Vesting Term<br>(in years) |
|-------------------------------------|---|--|--|
| Non-Vested at December<br>31, 2015  | 10,089  | \$ 14.93                                     |  |
| Granted                             | 16,260  | 15.82  |  |
| Forfeited                           | (5,333)                                       | 14.93  |  |
| Vested                              | (6,007)                                       | 14.69  |  |
| Non-Vested at September<br>30, 2016 | 15,009  | \$ 15.99                                     | 0.8  |

Compensation costs for stock-based and unit-based payment plans during the three and nine months ended September 30, 2016, were approximately \$2.4 million and \$7.0 million, respectively, and \$2.5 million and \$6.8 million during the three and nine months ended September 30, 2015. At September 30, 2016, there was \$13.3 million of unrecognized compensation costs from stock-based and unit-based compensation related to non-vested awards. This compensation is expected to be recognized over a weighted-average period of approximately 1.8 years. The potential tax benefit related to stock-based payment is approximately 38.0% of these expenses.

## 11. EARNINGS PER SHARE

Basic earnings per share, or EPS, is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS is computed using the treasury stock method by dividing net income by the weighted average number of common shares outstanding during the period, adjusted for the dilutive effect of any outstanding dilutive securities.

The basic and diluted EPS are calculated as follows (in thousands):

|  | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|----------|------------------------------------|-----------|
|  | 2016                                | 2015     | 2016                               | 2015      |
| <b>Basic EPS:</b>  |                                     |          |                                    |           |
| Net income (loss) attributable to Green Plains           | \$ 7,928                            | \$ 6,179 | \$ (8,019)                         | \$ 10,653 |
| Weighted average shares outstanding - basic              | 38,282                              | 38,066   | 38,301                             | 37,966    |
| EPS - basic  | \$ 0.21                             | \$ 0.16  | \$ (0.21)                          | \$ 0.28   |
| <b>Diluted EPS:</b>                                      |                                     |          |                                    |           |
| Net income (loss) attributable to Green Plains - diluted | \$ 7,928                            | \$ 6,179 | \$ (8,019)                         | \$ 10,653 |
| Weighted average shares outstanding - basic              | 38,282                              | 38,066   | 38,301                             | 37,966    |
| Effect of dilutive convertible debt - 3.25% notes        | 760                                 | 355      | -                                  | 1,154     |
| Effect of dilutive stock-based compensation awards       | 94                                  | 135      | -                                  | 146       |
| Weighted average shares outstanding - diluted            | 39,136                              | 38,556   | 38,301                             | 39,266    |
| EPS - diluted  | \$ 0.20                             | \$ 0.16  | \$ (0.21)                          | \$ 0.27   |

For the nine months ended September 30, 2016, 108 thousand shares related to stock-based compensation awards were excluded from the computation of diluted EPS as the inclusion of these shares would have been antidilutive.

## 12. STOCKHOLDERS' EQUITY

Components of stockholders' equity are as follows (in thousands):

|   | Common<br>Stock<br>Shares | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accum.<br>Other<br>Comp.<br>Income<br>(Loss) | Treasury<br>Shares | Stock<br>Amount | Total<br>Green<br>Plains<br>Stockholder<br>Equity | Non-<br>Controlling<br>Interests | Total<br>Stockholders'<br>Equity |            |
|---|---------------------------|----------------------------------|----------------------|--|--------------------|-----------------|---|----------------------------------|----------------------------------|------------|
| Balance,<br>December 31,<br>2015  | 45,282                    | \$ 45                            | \$ 577,787           | \$ 290,974                                   | \$ (1,165)         | 7,392           | \$ (69,811)                                       | \$ 797,830                       | \$ 161,079                       | \$ 958,909 |
| Net income<br>(loss)  | -                         | -                                | -                    | (8,019)                                      | -                  | -               | -   | (8,019)                          | 14,072                           | 6,053      |
| Cash dividends<br>and<br>distributions<br>declared                      | -                         | -                                | -                    | (13,820)                                     | -                  | -               | -   | (13,820)                         | (14,017)                         | (27,837)   |
| Other<br>comprehensive<br>loss,<br>before<br>reclassification           | -                         | -                                | -                    | -  | (1,395)            | -               | -   | (1,395)                          | -                                | (1,395)    |
| Amounts<br>reclassified from<br>accum. other<br>comprehensive<br>income | -                         | -                                | -                    | -  | 2,506              | -               | -   | 2,506                            | -                                | 2,506      |
| Other<br>comprehensive  | -                         | -                                | -                    | -  | 1,111              | -               | -   | 1,111                            | -                                | 1,111      |

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|  |        |       |            |            |         |       |             |            |            |            |
|--|--------|-------|------------|------------|---------|-------|-------------|------------|------------|------------|
| loss,<br>net of tax<br>Transfer of<br>assets to Green<br>Plains Partners<br>LP | -      | -     | 47,389     | -          | -       | -     | -           | 47,389     | (47,389)   | -          |
| Consolidation of<br>BioProcess<br>Algae  | -      | -     | -          | -          | -       | -     | -           | -          | 2,807      | 2,807      |
| Investment in<br>BioProcess<br>Algae   | -      | -     | 928        | -          | -       | -     | -           | 928        | (928)      | -          |
| Repurchase of<br>common stock  | -      | -     | -          | -          | -       | 323   | (6,005)     | (6,005)    | -          | (6,005)    |
| Issuance of<br>4.125%<br>convertible<br>notes due 2022,<br>net of tax          | -      | -     | 24,350     | -          | -       | -     | -           | 24,350     | -          | 24,350     |
| Stock-based<br>compensation  | 630    | 1     | 4,436      | -          | -       | -     | -           | 4,437      | 82         | 4,519      |
| Stock options<br>exercised   | 140    | -     | 1,632      | -          | -       | -     | -           | 1,632      | -          | 1,632      |
| Balance,<br>September 30,<br>2016  | 46,052 | \$ 46 | \$ 656,522 | \$ 269,135 | \$ (54) | 7,715 | \$ (75,816) | \$ 849,833 | \$ 115,706 | \$ 965,539 |

Amounts reclassified from accumulated other comprehensive income are as follows (in thousands):

|   | Three Months Ended<br>September 30,<br>2016 |        | Nine Months Ended<br>September 30,<br>2015 |          | Statements of<br>Operations<br>Classification |
|---|---|--------|--|----------|---|
| Gains (losses) on cash flow<br>hedges:  |   |        |  |          |   |
| Ethanol commodity derivatives   | \$ 25,254                                   | \$ 935 | \$ 12,029                                  | \$ 4,643 | Revenues                                      |
| Corn commodity derivatives  | (28,548)                                    | 515    | (15,904)                                   | (5,763)  | Cost of goods sold                            |
| Total   | (3,294)                                     | 1,450  | (3,875)                                    | (1,120)  | Income before income taxes                    |
| Income tax expense (benefit)  | (1,144)                                     | 547    | (1,369)                                    | (420)    | Income tax expense (benefit)                  |
| Amounts reclassified from<br>accumulated other<br>comprehensive income (loss) | \$ (2,150)                                  | \$ 903 | \$ (2,506)                                 | \$ (700) |   |

### 13. INCOME TAXES

Beginning in 2016, the company records actual income tax expense or benefit during interim periods rather than on an annual effective tax rate method. Certain items are given discrete period treatment and the tax effect of those items are reported in full in the relevant interim period. Green Plains Partners is a limited partnership, which is treated as a flow-

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through entity for federal income tax purposes and is not subject to federal income taxes. The partnership is subject to state income taxes in certain states. As a result, the company's consolidated financial statements reflect a benefit or provision for income taxes on pre-tax income or loss attributable to the noncontrolling interest in the partnership.

Income tax expense was \$5.1 million and income tax benefit was \$4.3 million for the three and nine months ended September 30, 2016, respectively, compared with income tax benefit of \$0.6 million and income tax expense of \$2.2 million for three and nine months ended September 30, 2015, respectively. The variation in tax expense was due primarily to the impact of the noncontrolling interest in the partnership on the consolidated financial results.

The amount of unrecognized tax benefits for uncertain tax positions was \$0.2 million as of September 30, 2016, and December 31, 2015. Recognition of these benefits would have a favorable impact on the company's effective tax rate.

The 2016 effective tax rate can be affected by variances among the estimates and amounts of taxable income among the various states, entities and activity types, realization of tax credits, adjustments from resolution of tax matters under review, valuation allowances and the company's assessment of its liability for uncertain tax positions.

#### 14. COMMITMENTS AND CONTINGENCIES

##### Operating Leases

The company leases certain facilities, equipment and parcels of land under agreements that expire at various dates. For accounting purposes, rent expense is based on a straight-line amortization of the total payments required over the lease. The company incurred lease expenses of \$9.1 million and \$27.2 million during the three and nine months ended September 30, 2016, respectively and \$8.0 million and \$24.8 million during the three and nine months ended September 30, 2015, respectively.

Aggregate minimum lease payments under these agreements for the remainder of 2016 and in future years are as follows (in thousands):

| Year Ending December 31, | Amount |
|--------------------------|--------|
|--------------------------|--------|

|            |            |
|------------|------------|
| 2016       | \$ 8,422   |
| 2017       | 30,213     |
| 2018       | 22,065     |
| 2019       | 14,872     |
| 2020       | 12,123     |
| Thereafter | 20,497     |
| Total      | \$ 108,192 |

#### Commodities

As of September 30, 2016, the company had contracted future purchases of grain, corn oil, natural gas, crude oil, ethanol, distillers grains and cattle, valued at approximately \$383.7 million.

#### Legal

In November 2013, the company acquired two ethanol plants located in Fairmont, Minnesota and Wood River, Nebraska. There is ongoing litigation related to the consideration for this acquisition. On August 19, 2016, the Delaware Superior Court granted Green Plains' motion for summary judgment and ordered that the seller's attempt to disclaim liability for certain shortfall amounts was ineffective. Based on the court order, the company determined that previously accrued contingent liabilities of approximately \$6.3 million no longer represent probable losses. These accruals were reversed as a reduction of cost of goods sold during the three months ended September 30, 2016, because the adjustment relates to a reduction in the cost of inventory purchased in the acquisitions. The court has directed the company and the seller to work together to determine the precise total of the shortfall amount due to Green Plains. The company believes the remaining amount due to Green Plains is approximately \$5.5 million; however, the seller has the right to dispute the details of the calculation and appeal the underlying Superior Court order. Accordingly, the total amount Green Plains may receive is yet to be determined. The remaining amount due to the company represents a gain contingency which will not be recorded until all contingencies are resolved.

In addition to the above-described proceeding, the company is currently involved in litigation that has arisen in the ordinary course of business, but does not believe any pending litigation will have a material adverse effect on its financial position, results of operations or cash flows.

## 15. RELATED PARTY TRANSACTIONS

### Commercial Contracts

Three subsidiaries of the company have executed separate financing agreements for equipment with Axis Capital Inc. Gordon Glade, Vice Chairman/Founder of Axis Capital, is a member of the company's board of directors. In March 2014, a subsidiary of the company entered into \$1.4 million of new equipment financing agreements with Axis Capital with monthly payments beginning in April 2014. Balances of approximately \$0.9 million and \$1.0 million related to these financing arrangements were included in debt at September 30, 2016, and December 31, 2015, respectively. Payments, including principal and interest, totaled \$69 thousand and \$207 thousand during the three and nine months ended September 30, 2016, respectively, and \$69 thousand and \$207 thousand during the three and nine months ended September 30, 2015, respectively. The weighted average interest rate for the financing agreements with Axis Capital was 6.8%.

### Aircraft Leases

Effective January 1, 2015, the company entered into two agreements with an entity controlled by Wayne Hoovestol for the lease of two aircrafts. Mr. Hoovestol is chairman of the company's board of directors. The company agreed to pay \$9,766 per month for the combined use of up to 125 hours per year of the aircrafts. Flight time in excess of 125 hours per year will incur additional hourly charges. Payments related to these leases totaled \$49 thousand and \$137 thousand during the three and nine months ended September 30, 2016, respectively, and \$49 thousand and \$153 thousand during the three and nine months ended September 30, 2015, respectively. The company had no outstanding payables related to these agreements at September 30, 2016 or December 31, 2015.

## 16. SUBSEQUENT EVENTS

Acquisition of Fleischmann's Vinegar Company, Inc.



On October 3, 2016, the company, through an indirect wholly-owned subsidiary, entered into a stock purchase agreement with SCI Ingredients, Stone Canyon Industries LLC and other selling shareholders to purchase all of the issued and outstanding capital stock of SCI Ingredients for \$250 million in cash, subject to certain post-closing adjustments. A portion of the purchase price was used to fully repay existing debt. SCI Ingredients is the holding company of Fleischmann's Vinegar, the world's largest manufacturer and marketer of food-grade industrial vinegar.

The closing of the transaction occurred immediately following the execution of the purchase agreement, on October 3, 2016. The transaction was financed using \$135 million of debt described under "Credit Agreement" below, with the balance paid from cash on hand.

#### Credit Agreement

On October 3, 2016, in order to partially fund the acquisition of Fleischmann's Vinegar described above, certain subsidiaries of the company entered into a credit agreement with a group of lenders, consisting of a term loan and a revolving loan commitment.

The subsidiaries borrowed \$130 million under the term loan. The term loan principal is scheduled to be repaid in installments of \$325,000 per quarter beginning December 31, 2016 through September 30, 2022, with a final balloon payment of \$122.2 million on October 3, 2022. The revolving loan commitment provides for principal borrowings of up to \$15 million through October 3, 2022. The subsidiaries initially borrowed \$5 million under the revolving loan commitment. Both the term loan and loans under the revolving loan commitment are subject to mandatory prepayments based on, as defined, excess cash flow, extraordinary receipts, asset dispositions and proceeds from equity and debt issuances. Voluntary term loan prepayments and mandatory term loan prepayments based on debt issuances and certain equity issuances are generally subject to prepayment fees of (i) 2.0% if prepaid on or before the first anniversary of the credit agreement or (ii) 1.0% if prepaid after the first anniversary but on or before the second anniversary of the credit agreement.

The term loan and loans under the revolving loan commitment each bear interest at a floating rate based on the consolidated total net leverage ratio for the Fleischmann's Vinegar operations, adjusted quarterly, equal to (i) for portions of

the term loan and/or revolving credit advances designated as base rate loans, the sum of the base rate plus an applicable margin of 5.0% to 6.0% and (ii) for portions of the term loan and/or revolving credit advances designated as LIBOR loans, the sum of the LIBOR rate, subject to a 1.00% floor, plus an applicable margin of 6.0% to 7.0%.

The initial interest rate on both the term loan and revolving loan was 8.0%. The unused portion of the revolving loan commitment is also subject to a commitment fee of 0.5% per annum.

The obligations under the credit agreement are secured by a first priority lien on (i) all of the assets of Fleischmann's Vinegar, and (ii) all of the capital stock of the parent company of Fleischmann's Vinegar and its subsidiaries.

The credit agreement contains certain customary representations and warranties, affirmative covenants, negative covenants, financial covenants and events of default. The negative covenants include restrictions on the Fleischmann's Vinegar operations' ability to incur additional indebtedness, acquire and sell assets, create liens, make investments, make distributions and enter into transactions with affiliates. The financial covenants include requirements to maintain a minimum consolidated fixed charge coverage ratio and a maximum consolidated total net leverage ratio for the Fleischmann's Vinegar operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

The following discussion and analysis provides information we believe is relevant to understand our consolidated financial condition and results of operations. This discussion should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements contained in this report together with our annual report on Form 10-K for the year ended December 31, 2015.

Cautionary Information Regarding Forward-Looking Statements

This report contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. Forward-looking statements generally do not relate strictly to historical or current facts, but rather plans and objectives for future operations based on management's reasonable estimates of future results or trends, and include statements preceded by, followed by, or that include words such as "anticipates," "believes," "continue," "estimates," "expects," "intends," "outlook," "plans," "predicts," "may," "could," "should," "will," and similar words and phrases, and include, but not limited to, statements regarding future operating or financial performance, business strategy, business environment, key trends, and benefits of actual or planned acquisitions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The forward-looking statements are made in accordance with safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although we believe our expectations regarding future events are based on reasonable assumptions, any or all forward-looking statements in this report may be based on inaccurate assumptions or not account for known or unknown risks and uncertainties, and therefore, be incorrect. Consequently, no forward-looking statement is guaranteed, and actual future results may vary materially from the results expressed or implied in our forward-looking statements. The cautionary statements in this report expressly qualify all of our forward-looking statements. In addition, we are not obligated, and do not intend, to update any of our forward-looking statements at any time unless an update is required by applicable securities laws.

Factors that could cause actual results to differ from those expressed or implied in the forward-looking statements include, but are not limited to, those discussed in Part I, Item 1A – Risk Factors of our annual report on Form 10-K for the year ended December 31, 2015 and Part II, Item 1A– Risk Factors of this quarterly report on Form 10-Q. Specifically, we may experience significant fluctuations in future operating results due to a number of economic conditions, including, but not limited to, competition in the ethanol and other industries in which we operate, commodity market risks including those that may result from current weather conditions, financial market risks, counterparty risks, risks associated with changes to federal policy or regulation, risks related to closing and achieving anticipated results from acquisitions, risks associated with merchant trading, risks associated with the operations of a cattle-feeding business, risks associated with the joint venture to commercialize algae production and growth potential of the algal biomass industry, risks associated with the recent acquisitions of three Abengoa ethanol plants and Fleischmann's Vinegar, and other risk factors detailed in our reports filed with the SEC. Also in relation to Green

Plains Partners LP, or the partnership, additional risks include, but are not limited to, compliance with commercial contractual obligations, potential tax consequences related to our investment in the partnership and risks disclosed in the partnership's SEC filings and associated with the operation of the partnership as a separate, publicly traded entity.

In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this report or any document incorporated by reference might not occur. We caution investors not to place undue reliance on the forward-looking statements, which represent management's views only as of the date of this report or document incorporated by reference. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

## Overview

Green Plains is a vertically integrated ethanol producer, marketer and distributor focused on generating stable operating margins through our diversified business segments and risk management strategy. We have operations throughout the ethanol value chain, beginning upstream with our grain handling and storage operations, continuing through our ethanol, distillers grains and corn oil production operations, and ending downstream with our marketing, terminal and transportation services. We believe owning and operating assets throughout the ethanol value chain enables us to mitigate changes in commodity prices, differentiating us from companies focused only on ethanol production. We formed Green Plains Partners LP, a master limited partnership, to be our primary downstream logistics provider since its assets are the principal method of storing and delivering the ethanol we produce. The partnership completed its IPO on July 1, 2015. We own a 62.5% limited partner

interest, a 2.0% general partner interest and all of the partnership's incentive distribution rights. The public owns the remaining 35.5% limited partner interest. The partnership is consolidated in our financial statements.

## Recent Developments

On October 3, 2016, we acquired Fleischmann's Vinegar, the world's largest manufacturer and marketer of food-grade industrial vinegar, for \$250 million in cash and certain post-closing adjustments. A portion of the purchase price was used to repay existing debt. The transaction was partially financed using \$135 million of debt under a new credit agreement, consisting of a \$130 million term loan and \$5 million borrowed under a \$15 million revolving credit facility. The balance of the transaction was paid from cash on hand. This acquisition is expected to be immediately accretive to earnings.

On September 23, 2016, we acquired three ethanol plants located in Madison, Illinois, Mount Vernon, Indiana, and York, Nebraska, from subsidiaries of Abengoa S.A. for total consideration of approximately \$237 million in cash, plus certain inventory adjustments. The plants have a combined annual production capacity of approximately 236 million gallons of ethanol. Concurrently, the partnership acquired the storage assets of these three ethanol production facilities from us for \$90 million. The partnership used its revolving credit facility to fund the purchase of the assets. In connection with this transaction, the partnership and Green Plains amended the omnibus agreement, operational services agreement, and ethanol storage and throughput agreement.

On August 25, 2016, the partnership filed a shelf registration statement on Form S-3 with the SEC, declared effective September 2, 2016, registering an indeterminate number of debt and equity securities with a total offering price not to exceed \$500,000,250. The partnership also registered 13,513,500 common units, consisting of 4,389,642 common units and 9,123,858 common units that may be issued upon conversion of subordinated units, in each case, currently held by Green Plains.

On June 14, 2016, we announced that we formed a 50/50 joint venture with Jefferson Gulf Coast Energy Partners, a subsidiary of Fortress Transportation and Infrastructure Investors LLC, to construct and operate an intermodal export and import fuels terminal at Jefferson's existing Beaumont, Texas terminal. The joint venture is expected to invest approximately \$55 million in its Phase I development, which will initially focus on storage and throughput capabilities for multiple grades of ethanol. The joint venture's terminal will have direct access to multiple transportation options, including Aframax vessels, inland and coastwise barges, trucks, and unit trains with direct mainline service from the Union Pacific, BNSF and Kansas City Southern railroads. Construction of Phase I is expected to be completed in the second quarter of 2017. We will offer our interest in the joint venture to the partnership once commercial development is completed.

## Results of Operations

We operated our facilities at approximately 92.5% of capacity, resulting in record ethanol production of 292.2 million gallons for the third quarter of 2016, compared with 215.6 million gallons for the same quarter last year. The increase in production volumes and associated revenues were primarily attributable to production at the Hereford, Texas plant, which was acquired on November 12, 2015; the Hopewell, Virginia plant, which was acquired on October 23, 2015, and resumed ethanol production on February 8, 2016; and the Madison, Illinois, Mount Vernon, Indiana, and York, Nebraska plants, which were acquired on September 23, 2016.

#### Industry Trends and Factors Affecting our Results of Operations

According to the EIA, domestic ethanol production in the third quarter of 2016 averaged 1,005,000 barrels per day, compared with an average of 962,000 barrels per day during the third quarter of last year. The blend rate of ethanol into the U.S. gasoline supply remained at 9.9% during the third quarter of 2016. U.S. domestic ethanol ending stocks were 20.2 million barrels as of September 30, 2016, 6.4% lower than the inventory at the beginning of the quarter.

U.S. demand for gasoline was 2.6% higher in the third quarter of 2016, compared to the same period a year ago. Higher gasoline demand for the third quarter led to a similar increase in ethanol demand. In addition, the number of retail stations offering E15 has increased since the beginning of the year. As of September 30, 2016, 355 retail stations were selling E15, up from 182 stations at December 31, 2015.

On October 12, 2016, the USDA updated its corn production estimate for the 2016-17 marketing year to 15.057 billion bushels, an 11% increase in its production forecast over the 2015-16 marketing year. The projected range for the 2016-17 marketing year's average corn price is \$2.95 to \$3.55 per bushel, according to the October WASDE report. The average price

of sugar increased to July 2012 levels, averaging 21 cents per pound during the third quarter due to concerns regarding the world's sugar supply. Brazil, the second-largest ethanol producing country, uses sugarcane to produce sugar and ethanol.

As of August 31, 2016, year-to-date domestic ethanol exports were 594.3 million gallons, up 5.3% from year-to-date August 2015 volumes. According to the EIA, net U.S. ethanol exports are forecasted to be approximately 900 million gallons for 2016, up from 730 million gallons in 2015. Canada, China, Brazil, India and the Philippines accounted for approximately 80% of August year-to-date U.S. ethanol export volumes.

On September 23, 2016, China's Ministry of Commerce issued a preliminary determination in the anti-dumping investigation against U.S. distillers grains, proposing a 33.8% tariff on imports. Year-to-date U.S. distillers grains exports were 7.6 million metric tons, of which China accounted for 26% of export volumes. China was 50% of export volumes for all of 2015. China, Mexico, Vietnam, South Korea, Turkey and Thailand accounted for approximately 70% of total U.S. distillers export volumes.

#### Comparability of our Financial Results

Under GAAP, when transferring assets between entities under common control, the entity receiving the net assets initially recognizes the carrying amounts of the assets and liabilities at the date of transfer. The transferee's prior period financial statements are restated for all periods its operations were part of the parent's consolidated financial statements. On July 1, 2015, Green Plains Partners received ethanol storage and railcar assets and liabilities in a transfer between entities under common control. Effective January 1, 2016, the partnership acquired the storage and transportation assets of the Hereford and Hopewell production facilities in a transfer between entities under common control. The transferred assets and liabilities are recognized at our historical cost and reflected retroactively in the segment information of the consolidated financial statements presented in this Form 10-Q. The assets of Green Plains Partners were previously included in the ethanol production and marketing and distribution segments. Expenses related to the ethanol storage and railcar assets, such as depreciation, amortization and railcar lease expenses, are also reflected retroactively in the following segment information. There are no revenues related to the operation of these ethanol storage and railcar assets in the partnership segment prior July 1, 2015, the date the related commercial agreements with Green Plains Trade became effective.

We report the financial and operating performance in the following four operating segments: (1) ethanol production, which includes the production of ethanol, distillers grains and corn oil, (2) agribusiness, which includes grain handling and storage and cattle feedlot operations, (3) marketing and distribution, which includes marketing and merchant trading for company-produced and third-party ethanol, distillers grains, corn oil, natural gas and other commodities and (4) partnership, which includes fuel storage and transportation services.

On October 23, 2015, we acquired an ethanol production facility located in Hopewell, Virginia. The dry mill ethanol plant's production capacity is approximately 60 mmgy. We resumed ethanol production at the plant in February of 2016, and corn oil processing began operating in July of 2016.

On November 12, 2015, we acquired an ethanol production facility in Hereford, Texas. The purchase includes an ethanol plant with production capacity of approximately 100 mmgy, a corn oil extraction system, working capital and other related assets.

On September 23, 2016, we acquired three ethanol production facilities located in Madison, Illinois, Mount Vernon, Indiana, and York, Nebraska, with combined annual production capacity of 236 million gallons per year.

Corporate activities include selling, general and administrative expenses, consisting primarily of compensation, professional fees and overhead costs not directly related to a specific operating segment.

During the normal course of business, the operating segments do business with each other. For example, the ethanol production segment sells ethanol to the marketing and distribution segment, the agribusiness segment sells grain to the ethanol production segment and the partnership segment provides fuel storage and transportation services for the marketing and distribution segment. These intersegment activities are treated like third-party transactions and recorded at market values. Consequently, these transactions affect segment performance; however, they do not impact the company's consolidated results since the revenues and corresponding costs are eliminated in consolidation.

We, together with our subsidiaries, own a 62.5% limited partner interest and a 2.0% general partner interest in the partnership and own all of the partnership's incentive distribution rights, with the remaining 35.5% limited partner interest owned by public common unitholders for the three months ended September 30, 2016. We consolidate the financial results of



the partnership, and record a noncontrolling interest for the economic interest in the partnership held by the public common unitholders.

Effective April 1, 2016, we increased our ownership of BioProcess Algae, a joint venture formed in 2008, to 82.8% and currently own approximately 90.0%. Beginning April 1, 2016, we consolidate the financial results of BioProcess Algae, and record a noncontrolling interest for the economic interest in the joint venture held by others.

## Segment Results

The selected operating segment financial information are as follows (in thousands):

|  | Three Months Ended    |           |               | Nine Months Ended     |            |               |
|--|-----------------------|-----------|---------------|-----------------------|------------|---------------|
|  | September 30,<br>2016 | 2015      | %<br>Variance | September 30,<br>2016 | 2015       | %<br>Variance |
| Revenues (1):                            |                       |           |               |                       |            |               |
| Ethanol production:                      |                       |           |               |                       |            |               |
| Revenues from external customers         | \$ 74,892             | \$ 37,702 | 98.6%         | \$ 222,424            | \$ 140,640 | 58.2%         |
| Intersegment revenues                    | 457,549               | 352,215   | 29.9          | 1,249,333             | 1,145,879  | 9.0           |
| Total segment revenues                   | 532,441               | 389,917   | 36.6          | 1,471,757             | 1,286,519  | 14.4          |
| Agribusiness:                            |                       |           |               |                       |            |               |
| Revenues from external customers         | 83,615                | 54,519    | 53.4          | 242,049               | 191,495    | 26.4          |
| Intersegment revenues                    | 359,715               | 255,671   | 40.7          | 1,058,813             | 783,388    | 35.2          |
| Total segment revenues                   | 443,330               | 310,190   | 42.9          | 1,300,862             | 974,883    | 33.4          |
| Marketing and distribution:              |                       |           |               |                       |            |               |
| Revenues from external customers         | 681,279               | 648,413   | 5.1           | 2,008,268             | 1,887,184  | 6.4           |
| Intersegment revenues                    | 54,704                | 21,914    | 149.6         | 165,558               | 93,176     | 77.7          |
| Total segment revenues                   | 735,983               | 670,327   | 9.8           | 2,173,826             | 1,980,360  | 9.8           |
| Partnership:                             |                       |           |               |                       |            |               |
| Revenues from external customers         | 2,066                 | 2,163     | (4.5)         | 6,042                 | 6,356      | (4.9)         |
| Intersegment revenues                    | 24,139                | 19,247    | 25.4          | 69,445                | 21,895     | *             |
| Total segment revenues                   | 26,205                | 21,410    | 22.4          | 75,487                | 28,251     | *             |
| Revenues including intersegment activity | 1,737,959             | 1,391,844 | 24.9          | 5,021,932             | 4,270,013  | 17.6          |

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|                           |            |            |      |              |              |      |
|---------------------------|------------|------------|------|--------------|--------------|------|
| Intersegment eliminations | (896,107)  | (649,047)  | 38.1 | (2,543,149)  | (2,044,338)  | 24.4 |
| Revenues as reported      | \$ 841,852 | \$ 742,797 | 13.3 | \$ 2,478,783 | \$ 2,225,675 | 11.4 |

(1) Revenues from external customers include realized gains and losses from derivative financial instruments.

|                            | Three Months Ended    |            |               | Nine Months Ended     |              |               |
|----------------------------|-----------------------|------------|---------------|-----------------------|--------------|---------------|
|                            | September 30,<br>2016 | 2015       | %<br>Variance | September 30,<br>2016 | 2015         | %<br>Variance |
| Cost of goods sold:        |                       |            |               |                       |              |               |
| Ethanol production         | \$ 494,225            | \$ 365,348 | 35.3%         | \$ 1,410,720          | \$ 1,184,595 | 19.1%         |
| Agribusiness               | 434,582               | 307,995    | 41.1          | 1,278,211             | 962,979      | 32.7          |
| Marketing and distribution | 726,323               | 656,934    | 10.6          | 2,147,803             | 1,950,327    | 10.1          |
| Intersegment eliminations  | (896,247)             | (650,929)  | 37.7          | (2,543,639)           | (2,049,522)  | 24.1          |
|                            | \$ 758,883            | \$ 679,348 | 11.7          | \$ 2,293,095          | \$ 2,048,379 | 11.9          |

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|                            | Three Months Ended    |           |               | Nine Months Ended     |           |               |
|----------------------------|-----------------------|-----------|---------------|-----------------------|-----------|---------------|
|                            | September 30,<br>2016 | 2015      | %<br>Variance | September 30,<br>2016 | 2015      | %<br>Variance |
| Operating income (loss):   |                       |           |               |                       |           |               |
| Ethanol production         | \$ 15,311             | \$ 5,528  | 177.0%        | \$ (7,385)            | \$ 43,139 | (117.1%)      |
| Agribusiness               | 6,251                 | 365       | *             | 15,039                | 5,833     | 157.8         |
| Marketing and distribution | 5,252                 | 9,406     | (44.2)        | 13,908                | 17,446    | (20.3)        |
| Partnership                | 15,084                | 11,030    | 36.8          | 42,958                | 416       | *             |
| Intersegment eliminations  | 141                   | 1,882     | (92.5)        | 491                   | 5,264     | (90.7)        |
| Corporate activities       | (11,184)              | (8,378)   | 33.5          | (29,393)              | (23,759)  | 23.7          |
|                            | \$ 30,855             | \$ 19,833 | 55.6          | \$ 35,618             | \$ 48,339 | (26.3)        |

\* Percentage variance not considered meaningful.

Three Months Ended September 30, 2016, compared with the Three Months Ended September 30, 2015

#### Consolidated Results

Consolidated revenues increased \$99.1 million for the three months ended September 30, 2016, compared with the same period in 2015. Revenues from ethanol, corn oil and cattle increased \$82.7 million, \$20.9 million and \$13.1 million, respectively, while revenues from grain decreased \$17.1 million. Ethanol and cattle revenues were affected by increased volumes sold, partially offset by lower average realized prices. Corn oil revenues were impacted by an increase in volumes sold. Grain revenues were impacted by both lower volumes sold and lower average realized prices.

Operating income increased \$11.0 million for the three months ended September 30, 2016, compared with the same period last year primarily due to increased margins on ethanol production and cattle. Interest expense increased \$1.6 million for the three months ended September 30, 2016, compared with the same period in 2015, primarily due to higher average debt outstanding. Income tax expense was \$5.1 million for the three months ended September 30, 2016, compared with income tax benefit of \$0.6 million for the same period in 2015.

The following discussion provides greater detail about our third quarter segment performance.

#### Ethanol Production Segment

Key operating data for our ethanol production segment is as follows:

|  | Three Months<br>Ended<br>September 30, |         | % Variance |
|--|--|---------|------------|
|  | 2016                                   | 2015    |            |
| Ethanol sold<br>(thousands of gallons)                         | 292,238                                | 215,561 | 35.6%      |
| Distillers grains sold<br>(thousands of equivalent dried tons) | 790                                    | 577     | 36.9       |
| Corn oil sold<br>(thousands of pounds)                         | 72,176                                 | 55,918  | 29.1       |
| Corn consumed<br>(thousands of bushels)                        | 102,113                                | 75,538  | 35.2       |

Revenues in our ethanol production segment increased \$142.5 million for the three months ended September 30, 2016, compared with the same period in 2015 primarily due to higher volumes of ethanol, distillers grains and corn oil produced and sold, partially offset by lower average ethanol and distillers grains prices realized. The increased volumes produced was primarily due to increased production at our existing ethanol plants and the acquisition of the Hereford and Hopewell ethanol plants, which produced approximately 34.2 mmg of ethanol during the three months ended September 30, 2016.

Cost of goods sold for our ethanol production segment increased \$128.9 million for the three months ended September 30, 2016, compared with the same period last year due to higher production volumes, partially offset by lower corn prices, including hedging activity, during the three months ended September 30, 2016. As a result of the factors identified above,

operating income increased \$9.8 million for the three months ended September 30, 2016, compared with the same period in 2015. Depreciation and amortization expense for the segment was \$15.7 million for the three months ended September 30, 2016, compared with \$13.8 million for the same period last year.

#### Agribusiness Segment

Revenues in our agribusiness segment increased \$133.1 million while operating income increased by \$5.9 million for the three months ended September 30, 2016, compared with the same period in 2015. Grain revenues increased due to increased volumes sold, partially offset by decreased average realized prices. We sold 105.2 million bushels of grain, including 102.2 million bushels to our ethanol production segment during the third quarter of 2016 compared with sales of 63.2 million bushels of grain, including 62.4 million bushels to our ethanol production segment during the same period last year. Cattle feedlot revenues increased \$13.1 million due to a 39% increase in volumes sold during the third quarter of 2016 compared with the same quarter last year, partially offset by decreased average realized prices.

#### Marketing and Distribution Segment

Revenues in our marketing and distribution segment increased \$65.7 million for the three months ended September 30, 2016, compared with the same period in 2015 due to increased ethanol and corn oil revenues of \$67.7 million and \$21.0 million, respectively, as a result of higher volumes sold, partially offset by decreased grain revenues of \$14.2 million and distillers grains revenues of \$6.8 million as a result of lower average realized prices. The marketing and distribution segment sold 336.0 mmg and 294.3 mmg of ethanol for the three months ended September 30, 2016 and 2015, respectively.

Operating income decreased \$4.2 million for the three months ended September 30, 2016, compared with the same period in 2015 primarily due to lower margins on merchant trading activity, partially offset by increased intersegment marketing fees.

#### Partnership Segment

Revenues generated by our partnership segment increased \$4.8 million for the three months ended September 30, 2016 compared to the same period of 2015, due to higher storage and throughput volumes and increased railcar capacity provided to Green Plains. Operating income increased \$4.1 million for the three months ended September 30, 2016, compared with the same period in 2015 due to the higher revenues, partially offset by increased operations and maintenance expenses of \$0.8 million for the three months ended September 30, 2016 compared to the same period of

2015 primarily due to increased railcar lease expenses.

#### Intersegment Eliminations

Intersegment eliminations of revenues increased by \$247.1 million for the three months ended September 30, 2016, compared with the same period in 2015 primarily due to the following factors: increased ethanol sales from the ethanol production segment to the marketing and distribution segment of \$99.8 million, increased corn sales from the agribusiness segment to the ethanol production segment of \$111.0 million, increased corn sales from the marketing and distribution segment to the agribusiness segment of \$14.7 million, increased transportation and storage fees from the partnership segment to the marketing and distribution segment of \$4.9 million, and increased corn oil sales from the ethanol production segment to the marketing and distribution segment of \$4.6 million.

Intersegment eliminations of operating income increased by \$1.7 million for the three months ended September 30, 2016, compared with the same period in 2015 due primarily to an increase in average margins eliminated in the third quarter 2016 when compared to the same period in 2015. Ethanol is sold from the ethanol production segment to the marketing and distribution segment as it is produced and transferred into storage tanks located at each respective plant. The finished product is then sold by the marketing and distribution segment to external customers. Profit is recognized by the ethanol production segment upon sale to the marketing and distribution segment, but is eliminated from consolidated results until title to the product has been transferred to a third party.

#### Corporate Activities

Operating income was impacted by an increase in operating expenses for corporate activities of \$2.8 million for the three months ended September 30, 2016, compared with the same period in 2015 primarily due to an increase in personnel costs and the consolidation of BioProcess Algae in the corporate activities segment.

## Income Taxes

We recorded income tax expense of \$5.1 million for the three months ended September 30, 2016, compared with income tax benefit of \$0.6 million for the same period in 2015. The variation in tax expense was due primarily to the impact of the noncontrolling interest in the partnership on the consolidated financial results.

Nine Months Ended September 30, 2016, compared with the Nine Months Ended September 30, 2015

## Consolidated Results

Consolidated revenues increased \$253.1 million for the nine months ended September 30, 2016, compared with the same period in 2015. Revenues from ethanol, corn oil and cattle sales increased \$241.0 million, \$44.1 million and \$33.0 million, respectively, while revenues from grain sales decreased \$54.2 million. Ethanol and cattle revenues were affected by increased volumes sold, partially offset by lower average realized prices. Corn oil revenues were impacted by an increase in volumes sold. Grain revenues were impacted by both lower volumes sold and lower average realized prices.

Operating income decreased \$12.7 million for the nine months ended September 30, 2016, compared with the same period last year primarily due to decreased ethanol production margins. Interest expense increased \$3.2 million for the nine months ended September 30, 2016, compared with the same period in 2015 due to higher average debt outstanding. Income tax benefit was \$4.3 million for the nine months ended September 30, 2016, compared with income tax expense of \$2.2 million for the same period in 2015.

The following discussion provides greater detail about our segment performance for the first nine months of 2016.

## Ethanol Production Segment

Key operating data for our ethanol production segment is as follows:

|  | Nine Months<br>Ended<br>September 30, |         | % Variance |
|--|---------------------------------------|---------|------------|
|  | 2016                                  | 2015    |            |
| Ethanol sold<br>(thousands of gallons)                         | 813,464                               | 686,791 | 18.4%      |
| Distillers grains sold<br>(thousands of equivalent dried tons) | 2,170                                 | 1,837   | 18.1       |
| Corn oil sold<br>(thousands of pounds)                         | 196,530                               | 175,975 | 11.7       |
| Corn consumed<br>(thousands of bushels)                        | 284,282                               | 241,747 | 17.6       |

Revenues in our ethanol production segment increased \$185.2 million for the nine months ended September 30, 2016, compared with the same period in 2015 primarily due to higher volumes of ethanol, distillers grains and corn oil produced and sold, partially offset by lower average prices realized for each commodity. The increased volumes produced was primarily due to the acquisition of the Hereford and Hopewell ethanol plants, which produced approximately 90.6 mmg during the nine months ended September 30, 2016 and increased production at our existing ethanol plants.

Cost of goods sold for our ethanol production segment increased \$226.1 million for the nine months ended September 30, 2016, compared with the same period last year due to higher production volumes during the nine months ended September 30, 2016. As a result of the factors identified above, operating income decreased \$50.5 million for the nine months ended September 30, 2016, compared with the same period in 2015. Depreciation and amortization expense for the segment was \$46.7 million for the nine months ended September 30, 2016, compared with \$41.1 million for the same period last year.

#### Agribusiness Segment

Revenues in our agribusiness segment increased \$326.0 million and operating income increased by \$9.2 million for the nine months ended September 30, 2016, compared with the same period in 2015. Grain revenues increased due to increased volumes sold, partially offset by decreased average realized prices. We sold 292.2 million bushels of grain,



including 284.2

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million bushels to our ethanol production segment during the nine months ended September 30, 2016, compared with sales of 206.6 million bushels of grain, including 201.3 million bushels to our ethanol production segment during the same period last year. Cattle feedlot revenues increased \$32.9 million due to a 44% increase in volumes sold during the nine months ended September 30, 2016, compared with the same period last year, partially offset by lower average realized prices.

#### Marketing and Distribution Segment

Revenues in our marketing and distribution segment increased \$193.5 million for the nine months ended September 30, 2016, compared with the same period in 2015 due to increased ethanol and corn oil revenues of \$241.1 million and \$41.9 million, respectively, as a result of higher volumes sold, partially offset by decreased grain and distillers grains revenues of \$45.0 million and \$32.9 million, respectively. Grain revenues were impacted by lower volumes sold and lower average realized prices. Distillers grains revenues were impacted by lower average realized prices. The marketing and distribution segment sold 1,017.8 mmg and 870.0 mmg of ethanol for the nine months ended September 30, 2016 and 2015, respectively.

Operating income decreased \$3.5 million for the nine months ended September 30, 2016, compared with the same period in 2015 primarily due to lower margins on merchant trading activity, partially offset by increased intersegment marketing fees.

#### Partnership Segment

As a result of the IPO, the partnership segment received downstream ethanol transportation and storage assets. Expenses related to these contributed assets, such as depreciation, amortization and railcar lease expenses, are reflected retroactively in the partnership segment. No revenues related to the operation of the contributed ethanol storage and railcar assets are reflected in this segment for periods prior to its initial public offering on July 1, 2015, when the storage and transportation agreements became effective.

Revenues generated by our partnership segment from the new ethanol storage and railcar commercial agreements were approximately \$64.5 million for the nine months ended September 30, 2016 compared to \$17.8 million for the same period of the prior year, as the new agreements were only in effect for three months of the comparable prior year period. Operating income increased \$42.5 million for the nine months ended September 30, 2016, compared with the same period in 2015 due to revenues related to these commercial agreements, partially offset by increased operations and maintenance expenses of \$3.9 million for the nine months ended September 30, 2016. Operations and maintenance expenses increased primarily due to increased railcar lease and payroll expenses.

## Intersegment Eliminations

Intersegment eliminations of revenues increased by \$498.8 million for the nine months ended September 30, 2016, compared with the same period in 2015 due to the following factors: increased ethanol sales from the ethanol production segment to the marketing and distribution segment of \$132.0 million, increased corn sales from the agribusiness segment to the ethanol production segment of \$278.8 million, increased corn sales from the marketing and distribution segment to the agribusiness segment of \$64.6 million and increased transportation and storage fees from the partnership segment to the marketing and distribution segment of \$50.2 million, partially offset by decreased distillers grains sales from the ethanol production segment to the marketing and distribution segment of \$29.2 million.

Intersegment eliminations of operating income increased by \$4.8 million for the nine months ended September 30, 2016, compared with the same period in 2015 due primarily to an increase in average margins eliminated during the first nine months of 2016, compared with 2015. Ethanol is sold from the ethanol production segment to the marketing and distribution segment as it is produced and transferred into storage tanks located at each respective plant. The finished product is then sold by the marketing and distribution segment to external customers. Profit is recognized by the ethanol production segment upon sale to the marketing and distribution segment, but is eliminated from consolidated results until title to the product has been transferred to a third party.

## Corporate Activities

Operating income was impacted by an increase in operating expenses for corporate activities of \$5.6 million for the nine months ended September 30, 2016, compared with the same period in 2015 primarily due to an increase in personnel costs and the consolidation of BioProcess Algae in the corporate activities segment.

## Income Taxes

We recorded income tax benefit of \$4.3 million for the nine months ended September 30, 2016, compared with income tax expense of \$2.2 million for the same period in 2015. The variation in tax expense was due primarily to the impact of the noncontrolling interest in the partnership on the consolidated financial results.

## EBITDA

We use EBITDA to compare the financial performance of our business segments and manage those segments. We believe EBITDA allows investors to compare our results with our peers and other companies. EBITDA should not be considered an alternative to, or more meaningful than, net income, which is prepared in accordance with GAAP. Since EBITDA calculations may vary from company to company, our computation of EBITDA may not be comparable with a similarly titled measure.

The reconciliation of net income to EBITDA is as follows (in thousands):

|                               | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|-------------------------------|-------------------------------------|-----------|------------------------------------|-----------|
|                               | 2016                                | 2015      | 2016                               | 2015      |
| Net income                    | \$ 12,884                           | \$ 10,041 | \$ 6,053                           | \$ 14,515 |
| Interest expense              | 11,819                              | 10,196    | 33,117                             | 29,918    |
| Income tax expense (benefit)  | 5,083                               | (604)     | (4,339)                            | 2,171     |
| Depreciation and amortization | 19,286                              | 16,621    | 56,132                             | 48,634    |
| EBITDA                        | \$ 49,072                           | \$ 36,254 | \$ 90,963                          | \$ 95,238 |

## Liquidity and Capital Resources

Our principal sources of liquidity include cash generated from operating activities and bank credit facilities. We fund our operating expenses and service debt primarily with operating cash flows. Capital resources for maintenance and growth expenditures are funded by a variety of sources, including cash generated from operating activities, borrowings under bank credit facilities, or issuance of senior notes or equity. Our ability to access capital markets for debt under reasonable terms depends on our financial condition, credit ratings and market conditions. We believe that our ability to obtain financing at reasonable rates and history of consistent cash flow from operating activities provide a solid foundation to meet our future liquidity and capital resource requirements.

On September 30, 2016, we had \$407.4 million in cash and equivalents, excluding restricted cash, consisting of \$311.7 million held at our parent company and the remainder held at our subsidiaries. We also had \$168.9 million available under our revolving credit agreements, some of which were subject to restrictions or other lending conditions. Funds held by our subsidiaries are generally required for their ongoing operational needs and restricted from distribution. At September 30, 2016, our subsidiaries had approximately \$624.5 million of net assets that were not available to us in the form of dividends, loans or advances due to restrictions contained in their credit facilities.

Net cash provided by operating activities was \$61.0 million for the nine months ended September 30, 2016, compared with net cash used by operating activities of \$7.5 million for the same period in 2015. Operating activities compared to the prior year were primarily affected by changes in working capital and higher adjustments for deferred income tax expense in the comparable period of the prior year. Working capital was relatively unchanged for the nine months ended September 30, 2016, as an increase in accounts receivable and decrease in accounts payable and accrued liabilities were offset by a decrease in inventory. Net cash used by investing activities was \$289.5 million for the nine months ended September 30, 2016, due primarily to \$252.6 million paid to acquire three ethanol plants and related working capital from subsidiaries of Abengoa S.A., along with capital expenditures at our existing ethanol plants. Net cash provided by financing activities was \$251.0 million for the nine months ended September 30, 2016, due primarily to our issuance of \$170 million of 4.125% convertible senior notes in August 2016. In addition, the partnership has made net borrowings of \$132 million during the nine months ended September 30, 2016, primarily to finance the acquisitions of the storage and transportation assets of the Hereford and Hopewell ethanol plants on January 1, 2016, and the Mount Vernon, Madison and York ethanol plants on September 23, 2016. Additionally, Green Plains Trade, Green Plains Cattle and Green Plains Grain use revolving credit facilities to finance working capital requirements. We frequently draw from and repay these facilities which results in significant cash movements reflected on a gross basis within financing activities as proceeds from and payments on short-term borrowings.



On October 3, 2016, we acquired Fleischmann's Vinegar for \$250 million in cash, subject to certain post-closing adjustments. A portion of the purchase price was used to fully repay existing Fleischmann's Vinegar debt. The acquisition was partially financed using \$135 million of debt, consisting of a new \$130 million term loan and \$5 million borrowed under a new \$15 million revolving credit facility. The balance of the acquisition was paid from cash on hand.

We incurred capital expenditures of \$33.8 million in the first nine months of 2016 for various maintenance and expansion projects. Capital spending for the remainder of 2016 is expected to be approximately \$24.0 million for various projects, and is expected to be financed with available borrowings under our credit facilities and cash provided by operating activities.

We have paid a quarterly cash dividend since August 2013 and anticipate declaring a cash dividend in future quarters on a regular basis. Future declarations of dividends, however, are subject to board approval and may be adjusted as our liquidity, business needs or market conditions change. On August 17, 2016, our board of directors declared a quarterly cash dividend of \$0.12 per share. The dividend was paid on September 16, 2016, to shareholders of record at the close of business on August 26, 2016.

For each calendar quarter commencing with the quarter ended September 30, 2015, the partnership agreement requires us to distribute all available cash, as defined, to our partners within 45 days after the end of each calendar quarter. Available cash generally means all cash and cash equivalents on hand at the end of that quarter less cash reserves established by our general partner plus all or any portion of the cash on hand resulting from working capital borrowings made subsequent to the end of that quarter. On October 20, 2016, the board of directors of the general partner of the partnership declared a cash distribution of \$0.42 per unit on outstanding common and subordinated units. The distribution is payable on November 14, 2016, to unitholders of record at the close of business on November 4, 2016.

In August 2014, we announced a share repurchase program of up to \$100 million of our common stock. Under the program, we may repurchase shares in open market transactions, privately negotiated transactions, accelerated share buyback programs, tender offers or by other means. The timing and amount of repurchase transactions are determined by our management based on market conditions, share price, legal requirements and other factors. The program may be suspended, modified or discontinued at any time without prior notice. There were no shares repurchased under the program during the third quarter of 2016. To date, we have repurchased 514,990 shares of common stock for approximately \$10.0 million under the program.

On August 25, 2016, the partnership filed a shelf registration statement on Form S-3 with the SEC, declared effective September 2, 2016, registering an indeterminate number of debt and equity securities with a total offering price not to exceed \$500,000,250. The partnership also registered 13,513,500 common units, consisting of 4,389,642 common units and 9,123,858 common units that may be issued upon conversion of subordinated units, in each case, currently held by Green Plains.

We believe we have sufficient working capital for our existing operations. A sustained period of unprofitable operations, however, may strain our liquidity making it difficult to maintain compliance with our financing arrangements. We may sell additional equity or borrow capital to improve or preserve our liquidity, expand our business or build additional or acquire existing businesses. We cannot provide assurance that we will be able to secure funding necessary for additional working capital or these projects at reasonable terms, if at all.

## Debt

For additional information related to our debt, see Note 9 – Debt included as part of the notes to consolidated financial statements and Note 11 – Debt included as part of the notes to consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2015.

We were in compliance with our debt covenants at September 30, 2016. Based on our forecasts and the current margin environment, we believe we will maintain compliance at each of our subsidiaries for the next twelve months or have sufficient liquidity available on a consolidated basis to resolve noncompliance. We cannot provide assurance that actual results will approximate our forecasts or that we will inject the necessary capital into a subsidiary to maintain compliance with its respective covenants. In the event a subsidiary is unable to comply with its debt covenants, the subsidiary's lenders may determine that an event of default has occurred, and following notice, the lenders may terminate the commitment and declare the unpaid balance due and payable.



Effective January 1, 2016, we adopted ASC 835-30, Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs, which resulted in the reclassification of approximately \$11.4 million from other assets to long-term debt within the balance sheet as of December 31, 2015. As of September 30, 2016, there was \$13.7 million of debt issuance costs recorded as a direct reduction of the carrying value of our long-term debt.

#### Ethanol Production Segment

Green Plains Processing has a \$345.0 million senior secured credit facility which matures in June of 2020. At September 30, 2016, the outstanding principal balance was \$310.6 million and our interest rate was 6.5%.

We also have small equipment financing loans, capital leases on equipment or facilities, and other forms of debt financing.

#### Agribusiness Segment

Green Plains Grain has a \$125.0 million senior secured asset-based revolving credit facility to finance working capital up to the maximum commitment based on eligible collateral. The facility matures in July of 2019. This facility can be increased by up to \$75.0 million with agent approval and up to \$50.0 million for seasonal borrowings. Total commitments outstanding under the facility cannot exceed \$250.0 million. At September 30, 2016, the outstanding principal balance was \$73.0 million on the facility and our interest rate was 5.0%.

Green Plains Cattle has a \$100.0 million senior secured asset-based revolving credit facility to finance working capital up to the maximum commitment based on eligible collateral. The facility matures in October of 2017. At September 30, 2016, the outstanding principal balance was \$63.0 million on the facility and our interest rate was 2.5%.

#### Marketing and Distribution Segment

Green Plains Trade has a \$150.0 million senior secured asset-based revolving credit facility to finance working capital up to the maximum commitment based on eligible collateral. The facility matures in November of 2019. At September 30, 2016, the outstanding principal balance was \$93.1 million on the facility and our interest rate was 3.7%.

## Partnership Segment

Green Plains Partners, through a wholly owned subsidiary, has a \$155.0 million secured revolving credit facility to fund working capital, acquisitions, distributions, capital expenditures and other general partnership purposes. The credit facility was amended on September 16, 2016, increasing the revolving credit facility available from \$100.0 million to \$155.0 million. The amended facility can be increased by up to \$100.0 million without the consent of the lenders. The facility matures in July of 2020. At September 30, 2016, the outstanding principal balance was \$132.0 million on the facility and our interest rate was 3.3%.

## Corporate Activities

In August 2016, we issued \$170.0 million of 4.125% convertible senior notes due in 2022, or 4.125% notes, which are senior, unsecured obligations with interest payable on March 1 and September 1 of each year. Prior to March 1, 2022, the 4.125% notes are not convertible unless certain conditions are satisfied. The initial conversion rate is 35.7143 shares of common stock per \$1,000 of principal which is equal to a conversion price of approximately \$28.00 per share. The conversion rate is subject to adjustment upon the occurrence of certain events, including when the quarterly cash dividend exceeds \$0.12 per share. We intend to repay the 4.125% notes with cash for the principal, and cash or common stock for the conversion premium.

In September 2013, we issued \$120.0 million of 3.25% convertible senior notes due in 2018, or 3.25% notes, which are senior, unsecured obligations with interest payable on April 1 and October 1 of each year. Prior to April 1, 2018, the 3.25% notes are not convertible unless certain conditions are satisfied. The conversion rate is subject to adjustment upon the occurrence of certain events, including when the quarterly cash dividend exceeds \$0.04 per share. The conversion rate was recently adjusted as of September 30, 2016 to 49.0976 shares of common stock per \$1,000 of principal, which is equal to a conversion price of approximately \$20.37 per share. We intend to repay the 3.25% notes with cash for the principal, and cash or common stock for the conversion premium.

On October 3, 2016, through certain of our subsidiaries, we partially financed our acquisition of Fleischmann's Vinegar using borrowings under a new credit agreement with a group of lenders, consisting of a term loan and a revolving loan commitment. We borrowed \$130 million under the term loan. The term loan principal is scheduled to be repaid in installments of \$325,000 per quarter beginning December 31, 2016 through September 30, 2022, with a final balloon payment of \$122.2 million on October 3, 2022. The revolving loan commitment provides for principal borrowings of up to \$15 million through October 3, 2022. We initially borrowed \$5 million under the revolving loan commitment. The initial interest rate on both the term loan and revolving loan was 8.0%.

## Contractual Obligations

Contractual obligations as of September 30, 2016, were as follows (in thousands):

| Contractual Obligations                   | Payments Due By Period |                     |            |            |                      |
|---|------------------------|---------------------|------------|------------|----------------------|
|   | Total                  | Less Than<br>1 Year | 1-3 Years  | 3-5 Years  | More Than<br>5 Years |
| Long-term and short-term debt obligations |                        |                     |            |            |                      |
| (1)                                       | \$ 988,102             | \$ 242,330          | \$ 128,888 | \$ 425,457 | \$ 191,427           |
| Interest and fees on debt obligations (2) | 165,162                | 45,473              | 69,309     | 33,389     | 16,991               |
| Operating lease obligations (3)           | 108,192                | 30,760              | 41,423     | 18,818     | 17,191               |
| Other                                     | 7,320                  | 2,148               | 926        | 2,713      | 1,533                |
| Purchase obligations:                     |                        |                     |            |            |                      |
| Forward grain purchase contracts (4)      | 220,392                | 212,248             | 3,977      | 2,000      | 2,167                |
| Other commodity purchase contracts (5)    | 163,351                | 161,438             | 1,913      | -          | -                    |
| Other                                     | 118                    | 47                  | 70         | 1          | -                    |
| Total contractual obligations             | \$ 1,652,637           | \$ 694,444          | \$ 246,506 | \$ 482,378 | \$ 229,309           |

(1) Includes the current portion of long-term debt and excludes the effect of any debt discounts and issuance costs.

(2) Interest amounts are calculated over the terms of the loans using current interest rates, assuming scheduled principal and interest amounts are

paid pursuant to the debt agreements. Includes administrative and/or commitment fees on debt obligations.

(3) Operating lease costs are primarily for railcars and office space.

(4) Purchase contracts represent index-priced and fixed-price contracts. Index purchase contracts are valued at current quarter-end prices.

(5) Includes fixed-price ethanol, dried distillers grains and natural gas purchase contracts.

## Critical Accounting Policies and Estimates

Key accounting policies, including those relating to revenue recognition, depreciation of property and equipment, asset retirement obligations, impairment of long-lived assets and goodwill, derivative financial instruments, and accounting for income taxes, are impacted significantly by judgments, assumptions and estimates used in the preparation of the consolidated financial statements. Information about our critical accounting policies and estimates are included in our annual report on Form 10-K for the year ended December 31, 2015.

#### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements other than the operating leases, which are entered into during the ordinary course of business and disclosed in the Contractual Obligations section above.

#### Item 3. Qualitative and Quantitative Disclosures About Market Risk.

We use various financial instruments to manage and reduce our exposure to various market risks, including changes in commodity prices and interest rates. We conduct all of our business in U.S. dollars and are not currently exposed to foreign currency risk.

## Interest Rate Risk

We are exposed to interest rate risk through our loans which bear interest at variable rates. Interest rates on our variable-rate debt are based on the market rate for the lender's prime rate or LIBOR. A 10% increase in interest rates would affect our interest cost by approximately \$3.3 million per year. At September 30, 2016, we had \$923.5 million in debt, \$664.2 million of which had variable interest rates.

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See Note 9 – Debt included as part of the notes to consolidated financial statements for more information about our debt.

### Commodity Price Risk

Our business is highly sensitive to commodity price risk, particularly for ethanol, distillers grains, corn oil, corn and natural gas. Corn prices are affected by weather conditions, yield, changes in domestic and global supply and demand, and government programs and policies. Natural gas prices are influenced by severe weather in the summer and winter and hurricanes in the spring, summer and fall. Other factors include North American energy exploration and production, and the amount of natural gas in underground storage during injection and withdrawal seasons. Ethanol prices are sensitive to world crude oil supply and demand, the price of crude oil, gasoline and corn, the price of substitute fuels, refining capacity and utilization, government regulation and consumer demand for alternative fuels. Distillers grains prices are impacted by livestock numbers on feed, prices for feed alternatives and supply, which is associated with ethanol plant production.

To reduce the risk associated with fluctuations in the price of corn, natural gas, ethanol, distillers grains and corn oil, at times we use forward fixed-price physical contracts and derivative financial instruments, such as futures and options executed on the Chicago Board of Trade and the New York Mercantile Exchange. We focus on locking in favorable operating margins, when available, using a model that continually monitors market prices for corn, natural gas and other inputs relative to the price for ethanol and distillers grains at each of our production facilities. We create offsetting positions using a combination of forward fixed-price purchases, sales contracts and derivative financial instruments. As a result, we frequently have gains on derivative financial instruments that are offset by losses on forward fixed-price physical contracts or inventories and vice versa.

### Ethanol Production Segment

In the ethanol production segment, net gains and losses from settled derivative instruments are offset by physical commodity purchases or sales to achieve the intended operating margins. Our results are impacted when there is a mismatch of gains or losses associated with the derivative instrument during a reporting period when the physical commodity purchases or sale has not yet occurred. During the three and nine months ended September 30, 2016, revenues included net gains of \$24.2 million and \$16.8 million, respectively, and cost of goods sold included net losses of \$27.6 million and \$32.4 million, respectively, associated with derivative financial instruments.

Our exposure to market risk, which includes the impact of our risk management activities resulting from our fixed-price purchase and sale contracts and derivatives, is based on the estimated net income effect resulting from a

hypothetical 10% change in price for the next 12 months starting on September 30, 2016, are as follows (in thousands):

| Commodity         | Estimated Total Volume Requirements for the Next 12 Months (1) | Unit of Measure | Net Income Effect of Approximate 10% Change in Price |
|-------------------|--|-----------------|--|
| Ethanol           | 1,477,000  | Gallons         | \$ 126,850   |
| Corn              | 518,000  | Bushels         | \$ 107,846   |
| Distillers grains | 3,900  | Tons (2)        | \$ 22,969  |
| Corn Oil          | 363,000  | Pounds          | \$ 6,188   |
| Natural gas       | 41,800   | mmBTU (3)       | \$ 5,632   |

(1) Estimated volumes reflect anticipated expansion of production capacity at our ethanol plants and assumes production at full capacity.

(2) Distillers grains quantities are stated on an equivalent dried ton basis.

(3) Millions of BTUs.

#### Agribusiness Segment

In the agribusiness segment, our inventories, physical purchase and sale contracts and derivatives are marked to market. To reduce commodity price risk caused by market fluctuations for purchase and sale commitments of grain and cattle, and grain held in inventory, we enter into exchange-traded futures and options contracts that serve as economic hedges.

The market value of exchange-traded futures and options used for hedging are highly correlated with the underlying market value of grain inventories and related purchase and sale contracts for grain and cattle. The less correlated portion of inventory and purchase and sale contract market values, known as basis, is much less volatile than the overall market value of exchange-traded futures and tends to follow historical patterns. We manage this less volatile risk by constantly monitoring our position relative to the price changes in the market. Inventory values are affected by the month-to-month spread in the

futures markets. These spreads are also less volatile than the overall market value of our inventory and tend to follow historical patterns, but cannot be mitigated directly. Our accounting policy for futures and options, as well as the underlying inventory held for sale and purchase and sale contracts, is to reflect their current market values and include gains and losses in the consolidated statement of operations.

Our daily net commodity position consists of inventories related to purchase and sale contracts and exchange-traded contracts. The fair value of our position was approximately \$0.6 million for grain and \$7.7 million for cattle at September 30, 2016. Our market risk at that date, based on the estimated net income effect resulting from a hypothetical 10% change in price, was approximately \$0.1 million for grain and \$0.5 million for cattle.

#### Item 4. Controls and Procedures.

##### Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure information that must be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required financial disclosure.

Under the supervision of and participation of our chief executive officer and chief financial officer, management carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2016, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act and concluded that our disclosure controls and procedures were effective.

##### Changes in Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles. There were no material changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.





## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings.

We are currently involved in litigation that has arisen during the ordinary course of business. We do not believe this litigation will have a material adverse effect on our financial position, results of operations or cash flows.

### Item 1A. Risk Factors.

Investors should carefully consider the discussion of risks and the other information in our annual report on Form 10-K for the year ended December 31, 2015, including the risk factors discussion in Part I, Item 1A, “Risk Factors,” and the discussion of risks and other information in this report, including “Cautionary Information Regarding Forward-Looking Statements,” which is included in Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Investors should also carefully consider the discussion of risks with the partnership under the heading “Risk Factors” and other information in their annual report on Form 10-K for the year ended December 31, 2015. Although we have attempted to discuss key factors, our investors need to be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance. The following risk factor supplements and/or updates risk factors previously disclosed and should be considered in conjunction with the other information included in, or incorporated by reference in, this quarterly report on Form 10-Q.

Owning and operating a food ingredients business involves numerous external factors that are outside of our control.

Our food ingredients operations involve numerous risks that could lead to increased costs or decreased demand for products, which could have an adverse effect on our results of operations and financial condition, including:

- we use many different commodities in the production of vinegar. Commodities are subject to price volatility caused by market fluctuations, and constantly changing and potentially volatile supply and demand, which affect the cost of vinegar. Commodity price increases may result in increases in raw materials, packaging, and energy costs and operating costs. We may not be able to increase our product prices to fully offset these increased costs, and increasing prices may result in reduced sales volume, reduced margins and profitability;
- changes in our relationships with significant customers or suppliers could adversely affect us, as the loss of a significant customer or a material reduction in sales to a significant customer could materially and adversely affect our product sales and results of operations;
- our ability to manufacture, transport and sell our products is critical to our success and any disruptions in our supply chain could have an adverse impact on our business and results of operations;
- the food industry is highly competitive and further consolidation in the industry would likely increase competition;

- our customers have continued to consolidate, resulting in fewer customers upon which we can rely for business. These consolidations have produced large sophisticated customers with increased buying power and negotiating strength, which could have a negative impact on profits;
- consumer preferences evolve over time and the success of our products depends on our ability to identify the tastes of consumers and work with manufacturers to develop products that appeal to those preferences;
- food ingredients used in products for human consumption may be subject to product liability claims and product recalls which could negatively impact our profitability; and
- our facilities and products are subject to many laws and regulations administered by various federal, state and local government agencies related to the processing, packaging, storage, distribution, quality and safety of food products, the health and safety of our employees and the protection of the environment. Failure to comply with applicable laws and regulations could subject us to lawsuits, administrative penalties and civil remedies including fines, injunctions and recalls of our products.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Employees surrender shares when restricted stock grants are vested to satisfy statutory minimum required payroll tax withholding obligations.

The following table lists the shares that were surrendered during the third quarter of 2016:

| Period                     | Total Number of<br>Shares Withheld for<br>Employee Awards | Average<br>Price<br>Paid per<br>Share |
|----------------------------|---|---------------------------------------|
| July 1 - July 31           | 51  | \$ 21.80                              |
| August 1 - August 31       | 1,079   | 23.10                                 |
| September 1 - September 30 | 472   | 24.85                                 |
| Total                      | 1,602   | \$ 23.57                              |

In August 2014, we announced a share repurchase program of up to \$100 million of our common stock. Under this program, we may repurchase shares in open market transactions, privately negotiated transactions, accelerated buyback programs, tender offers or by other means. The timing and amount of the transactions are determined by management based on its evaluation of market conditions, share price, legal requirements and other factors. The program may be suspended, modified or discontinued at any time, without prior notice. There were no shares repurchased under the program during the third quarter of 2016. Approximately \$90.0 million of shares are remaining to be repurchased under the program.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Index

| Exhibit No. | Description of Exhibit   |
|-------------|--|
| 2.1         | Asset Purchase Agreement, dated September 23, 2016, by and among Green Plains Inc., Green Plains Madison LLC, Green Plains Mount Vernon LLC, Green Plains York LLC, Green Plains Holdings LLC, Green Plains Partners LP, Green Plains Operating Company LLC, Green Plains Ethanol Storage LLC and Green Plains Logistics LLC (incorporated by reference to Exhibit 2.1 to the company's Current Report on Form 8-K dated September 26, 2016)                 |
| 2.2         | Amended and Restated Asset Purchase Agreement, dated August 25, 2016, by and among Green Plains Inc., Abengoa BioEnergy of Illinois, LLC and Abengoa BioEnergy of Indiana, LLC (incorporated by reference to Exhibit 2.2 to the company's Current Report on Form 8-K dated September 26, 2016)   |
| 2.3         | Amended and Restated Asset Purchase Agreement, dated August 25, 2016, by and among Green Plains Inc. and Abengoa BioEnergy Company, LLC (incorporated by reference to Exhibit 2.1 to the company's Current Report on Form 8-K dated September 1, 2016)   |
| 4.1         | Indenture relating to the 4.125% Convertible Senior Notes due 2022, dated as of August 15, 2016, between Green Plains Inc. and Wilmington Trust, National Association, including the form of Global Note attached as Exhibit A thereto (incorporated by reference to Exhibit 4.1 to the company's Current Report on Form 8-K dated August 15, 2016)  |
| 10.1        | Second Amendment to the Omnibus Agreement, dated September 23, 2016, by and among Green Plains Inc., Green Plains Partners LP, Green Plains Holdings LLC and Green Plains Operating Company LLC (incorporated by reference to Exhibit 10.1 to the company's Current Report on Form 8-K dated September 26, 2016)   |
| 10.2        | Amendment No. 2 to Operational Services and Secondment Agreement, dated September 23, 2016, between Green Plains Inc. and Green Plains Holdings LLC (incorporated by reference to Exhibit 10.2 to the company's Current Report on Form 8-K dated September 26, 2016)   |
| 10.3        | Amendment No. 2 to Ethanol Storage and Throughput Agreement, dated September 23, 2016, by and between Green Plains Ethanol Storage LLC and Green Plains Trade Group LLC (incorporated by reference to Exhibit 10.3 to the company's Current Report on Form 8-K dated September 26, 2016)   |
| 10.4        | Seventh Amendment to Credit Agreement, dated July 27, 2016, by and among Green Plains Grain Company LLC (including in its capacity as successor by merger to Green Plains Essex Inc.), Green Plains Grain Company TN LLC, BNP Paribas, as the administrative agent under the Credit Agreement, and the lenders party to the Credit Agreement (incorporated by reference to Exhibit 10.7 to the company's Quarterly Report on Form 10-Q filed August 3, 2016) |
| 31.1        | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002  |
| 31.2        | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002  |
| 32.1        | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 32.2        | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 101         | The following information from Green Plains Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive   |



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GREEN PLAINS INC.

(Registrant)

Date: November 3, 2016

By: /s/ Todd A. Becker

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Todd A. Becker  
President and Chief Executive Officer

(Principal Executive Officer)

Date: November 3, 2016

By: /s/ Jerry L. Peters

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Jerry L. Peters  
Chief Financial Officer

(Principal Financial Officer)



