



Newsletter – Q3 2021

Notes from the CEO

Net income during the three months in Q3 2021 (April, May, June) was a positive \$6.8M, versus a net loss of \$(1.4M) during the same three months of FY 2020. Modified Earnings Before Income Tax Depreciation and Amortization (MEBITDA) for Q3 2021 was a positive \$8.5M, versus a positive \$2M during the same period last year. Net income after nine months in FY2021 is a positive \$4.7M versus a net loss of \$(2.3M) in the comparative period of FY 2020. After nine months, MEBITDA is \$13.2M for FY 2021 which compares to \$6.8M during the first nine months of FY 2020.

The following table provides comparative data relating from Third Quarter FY 2021 versus the same period last year. In addition, the nine-month values are provided for your reference.

Table 1. Operational and Financial Summary

	Three months ended	Three months ended	Nine months ended	Nine months ended
Description	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Production (million gal)	32.09	23.59	96.78	86.23
Ethanol Yield (den gal/bu)	2.95	2.83	2.94	2.89
Ethanol Price (per gal)	\$2.06	\$1.06	\$1.64	\$1.26
Corn Price (per bushel)	\$5.88	\$3.05	\$5.07	\$3.55
Corn Oil Yield (lbs/bu)	0.96	0.91	0.93	0.97
BTU's/gallon	21,637	24,486	22,697	24,234
Steam/Natural Gas cost per MMBTU	\$3.22	\$2.27	\$3.24	\$2.69
kWh/gallon	0.64	0.8	0.63	0.67
Chemical cost (\$/gal)	\$0.09	\$0.06	\$0.09	\$0.09

As the table above indicates, during the three and nine months ended June 30, 2021, our performance against the operating measures significantly improved over the same periods during the prior period. With the economy picking up from the

COVID-19 doldrums, our production increased to match the opportunity. Ethanol output during the current period was over 8 million gallons higher than third quarter of Fiscal 2020 and our production during the nine-month ended June 30, 2021, production was over 10 million gallons higher than the prior nine-month period. Ethanol yield, BTU's per gallon and to an extent, distillers corn oil yield all improved as well. The third quarter of our fiscal year is typically when we schedule our annual maintenance outage. That was the case during Fiscal 2021 with our Plant going offline for five days in May.

For further performance comparison of operating measures, the cost of production data on a cents per gallon basis is presented in Table 2.

[The following table excludes noncash depreciation that is included in "Fixed Cost" and "General and Administrative Cost" ("G&A") in the Statement of Operations included later in this document in the calculation of the cost per gallon of ethanol produced]

Table 2. Cost per gallon

	Metric	YTD Fiscal 2021	Fiscal 2020	Fiscal 2019
Variable Cost		\$0.206	\$0.207	\$0.244
Fixed Cost		0.115	0.129	0.121
G&A Cost		0.041	0.043	0.038
Total		\$0.362	\$0.379	\$0.403

We continue to make positive strides in achieving the goals set out in our "5-10-20" initiative. As a reminder, the "5" represents a goal of 5% increase in efficiency/yield, the "10" represents a goal of 10% reduction in production expense and "20" is for 20% improvement in energy efficiency from fiscal 2019 levels by the end of fiscal 2022. While we are making strides on all fronts, even with the unexpected impact of COVID, our team has done a particularly good job of expense reduction.

Based on the results through the first three quarters of Fiscal 2021, expenses are at the goal we set, albeit a year early. For context, the four cents per gallon improvement in our expense profile, applied to the gallons we have produced thus far, amounts to approximately \$3.8 million of cost reduction. Importantly, we see additional opportunities for savings.

In December, the board approved adding 1.5 million bushels of corn storage capacity to the SIRE footprint. The project consists of two 750,000-bushel bins, electrical capacity upgrades, filling and reclaim equipment. We expect the bins to be available for use this fall and it appears that the project is slightly ahead of schedule.

There has been a lot of attention in the media to the issue of climate change and the role carbon plays in its exacerbation. The petroleum based liquid fuels transportation sector is a significant source of emissions and this fact has many expressing the opinion that electric vehicles are the answer. Putting all of one's eggs in a single basket is rarely, if ever, a good approach. As recently as last February, we were all witness to the impact that a widespread winter storm could have on the electrical grid in states like Texas and Oklahoma. As a country, our infrastructure is not robust enough to support a single solution approach to carbon, nor should it be. We need the strength that diversity provides. The biofuels

industry has been part of the environmental solution since its inception. As the ethanol process has evolved and become more efficient, our carbon footprint has improved as well.

A technology that has the potential to bring a significant reduction to the amount of carbon that is released into the atmosphere is carbon sequestration. Essentially, carbon sequestration is the process of capturing carbon dioxide, compressing it into liquid form, and storing it in geological formations that prevent it from being re-released. An ethanol plants' natural fermentation process represents a very clean, and desirable, source of carbon that lends itself well to sequestration. However, a major challenge is that most ethanol plants are not located on top of, or near, the geological formations required to successfully sequester the carbon dioxide. This challenge has resulted in the creation of several new businesses that are focused on aggregating the carbon dioxide from ethanol plants and then developing pipeline systems to transport the carbon dioxide to locations suited for geological sequestration. SIRE is actively engaged with these companies to determine if one company's model fits SIRE's strategic goals better than another. Among the myriad of components, we need to evaluate are the costs, our market access to areas of the country (currently, California, Oregon and Washington) that have adopted low carbon fuel standards (LCFS), and the evolving political environment. When SIRE was built, there was existing broad demand for ethanol. In the case of carbon sequestration, there are very limited LCFS markets relative to the announced projects, and gallons they represent that intend to send product to those markets. This doesn't make carbon sequestration a pointless topic for SIRE. It simply represents a reality that we need to thoughtfully consider.

Our management team continues to evaluate opportunities to add value to our production process by diversifying into high protein feed along with measures to reduce the carbon index ("CI") of the ethanol we produce. We believe that consolidation within the ethanol industry, coupled with our location, good operating efficiencies and our solid team may provide new opportunities for our plant.

Mike Jerke, CEO
Southwest Iowa Renewable Energy, LLC
712.352.5002

Financial Results

SOUTHWEST IOWA RENEWABLE ENERGY, LLC
Summary Statements of Operations
Unaudited
(Dollars in thousands, except per unit data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Revenues	\$87,869	\$34,107	213,280	\$146,500
Cost of Goods Sold	79,301	34,040	204,119	143,857
Gross Margin	8,568	67	9,161	2,643
General and administrative expenses	1,305	1,288	3,940	3,811
Interest and other expense, net	509	196	502	1,146
Net Income (Loss)	\$6,754	\$(1,417)	\$4,719	\$(2,314)
Weighted Average Units Outstanding, Basic	8,975	8,975	8,975	10,210
Weighted Average Units Outstanding, Diluted	8,975	8,975	8,975	10,210
Net Income (Loss) per unit, Basic	\$752.53	\$(157.88)	\$525.79	\$(226.64)
Net Income (Loss) per unit, Diluted	\$752.53	\$(157.88)	\$525.79	\$(226.64)

Modified EBITDA

Management uses Modified EBITDA, a non-GAAP measure, to measure the Company's financial performance and to internally manage its business. Management believes that Modified EBITDA provides useful information to investors as a measure of comparison with peer and other companies. Modified EBITDA should not be considered an alternative to net income or cash flow as determined in accordance with generally accepted accounting principles. Modified EBITDA calculations may vary from company to company. Accordingly, our computation of Modified EBITDA may not be comparable with a similarly titled measure of another company.

Modified EBITDA, which is defined as earnings before interest, income taxes, depreciation, amortization, unrealized hedging gains and losses, and other significant noncash expenses was \$8.5 million for the three months ended June 30, 2021, compared to \$2 million for the three months ended June 30, 2020. Modified EBITDA was \$13.2 million for the nine months ended June 30, 2021, compared to \$6.8 million for the nine months ended June 30, 2020. The following sets forth the reconciliation of net income to Modified EBITDA for the periods indicated:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
	Unaudited in 000's	Unaudited in 000's	Unaudited in 000's	Unaudited in 000's
Net Income (Loss)	\$6,754	\$(1,417)	\$4,719	\$(2,314)
Interest expense, net	524	574	1,522	1,568
Depreciation	2,764	2,741	8,290	7,946
EBITDA	10,042	1,898	14,531	7,200
Unrealized Hedging Loss (Gain)	(1,578)	97	(1,302)	(448)
Modified EBITDA	\$8,464	\$1,995	\$13,229	\$6,752

About Southwest Iowa Renewable Energy, LLC:

SIRE is located on 275 acres in Council Bluffs, Iowa, operating a 140 million gallon per year ethanol plant. SIRE began producing ethanol in February 2009 and sells its ethanol, distillers grains, corn syrup, and corn oil in the continental United States,

Mexico and the Pacific Rim.

This newsletter contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "1995 Act"). Such statements are made in good faith by SIRE and are identified as including terms such as "may," "will," "should," "expects," "anticipates," "estimates," "plans," or similar language. In connection with these safe-harbor provisions, SIRE has identified in its Annual Report on Form 10-K, important factors that could cause actual results to differ materially from those contained in any forward-looking statement made by or on behalf of SIRE, including, without limitation, the risk and nature of SIRE's business, and the effects of general economic conditions on SIRE. The forward-looking statements contained in this Press Release are included in the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. SIRE further cautions that such factors are not exhaustive or exclusive. SIRE does not undertake to update any forward-looking statement which may be made from time to time by or on behalf of SIRE.

Ann Reis, CFO
Southwest Iowa Renewable Energy, LLC
712.352.5005

FORWARD LOOKING STATEMENTS DISCLAIMER. Some of the information in this newsletter may contain forward looking statements that express current beliefs, projections and predictions about future results or events of Southwest Iowa Renewable Energy, LLC (the "Company") and its management, such as statements with respect to financial results and condition; future trends in the industry or in business, revenues or income; litigation or regulatory matters; business and operating plans and strategies; competitive position; operational and production improvements and opportunities that may be available to the Company. Forward looking statements are necessarily subjective in nature and are made based on numerous and varied estimates, projections, beliefs, strategies and assumptions, and are subject to numerous risks and uncertainties. Forward looking statements are not guarantees of future results, performance or business or operating conditions, and no one should place undue reliance on any forward looking statements because actual results, performance or conditions could be materially different. The Company undertakes no obligation to revise or update any forward looking statements. The forward looking statements contained in this newsletter are included in the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended

Interested in selling your grain to SIRE? Interested in buying dried or wet distillers grain? Call Kristan Barta (402-415-1020) or Mack Walford (712-352-5017) today.

Sincerely,
Mike Jerke, CEO
mike.jerke@sireethanol.com
712-352-5002

Southwest Iowa Renewable Energy
712-366-0392 or 877-366-2480
10868 189th Street
Council Bluffs, IA 51503

Connect With Us:

