

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2020

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-44



ARCHER-DANIELS-MIDLAND COMPANY
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

41-0129150

(I. R. S. Employer Identification No.)

77 West Wacker Drive, Suite 4600

Chicago, Illinois

(Address of principal executive offices)

60601

(Zip Code)

(312) 634-8100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	ADM	NYSE
1.000% Notes due 2025		NYSE

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐.

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

Large Accelerated Filer	☒	Accelerated Filer	☐	Emerging Growth Company	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, no par value – 555,646,889 shares
(July 29, 2020)

SAFE HARBOR STATEMENT

This Form 10-Q contains forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995 that is subject to risks and uncertainties that could cause actual results to differ materially from those projected, expressed, or implied by such forward-looking information. Risks and uncertainties that could cause or contribute to such differences include, but are not limited to, those discussed in Item 1A, “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2019, as may be updated in our subsequent Quarterly Reports on Form 10-Q. To the extent permitted under applicable law, the Company assumes no obligation to update any forward-looking statements as a result of new information or future events.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Archer-Daniels-Midland Company

Consolidated Statements of Earnings
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
(In millions, except per share amounts)				
Revenues	\$ 16,281	\$ 16,297	\$ 31,251	\$ 31,601
Cost of products sold	15,173	15,325	29,192	29,701
Gross Profit	1,108	972	2,059	1,900
Selling, general, and administrative expenses	638	602	1,302	1,261
Asset impairment, exit, and restructuring costs	16	136	57	147
Interest expense	87	109	170	210
Equity in (earnings) losses of unconsolidated affiliates	(103)	(90)	(243)	(191)
Interest income	(15)	(46)	(55)	(95)
Other (income) expense – net	(67)	(13)	(99)	(21)
Earnings Before Income Taxes	552	274	927	589
Income tax (benefit) expense	80	36	64	117
Net Earnings Including Noncontrolling Interests	472	238	863	472
Less: Net earnings attributable to noncontrolling interests	3	3	3	4
Net Earnings Attributable to Controlling Interests	\$ 469	\$ 235	\$ 860	\$ 468
Average number of shares outstanding – basic	561	565	562	565
Average number of shares outstanding – diluted	562	566	563	566
Basic earnings per common share	\$ 0.84	\$ 0.42	\$ 1.53	\$ 0.83
Diluted earnings per common share	\$ 0.84	\$ 0.42	\$ 1.53	\$ 0.83
Dividends per common share	\$ 0.36	\$ 0.35	\$ 0.72	\$ 0.70

See notes to consolidated financial statements.

Archer-Daniels-Midland Company

Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions)			
Net earnings including noncontrolling interests	\$ 472	\$ 238	\$ 863	\$ 472
Other comprehensive income (loss):				
Foreign currency translation adjustment	(34)	94	(275)	15
Tax effect	28	7	(14)	(3)
Net of tax amount	<u>(6)</u>	101	<u>(289)</u>	12
 Pension and other postretirement benefit liabilities adjustment	 1	 (4)	 5	 3
Tax effect	—	2	(12)	15
Net of tax amount	<u>1</u>	<u>(2)</u>	<u>(7)</u>	<u>18</u>
 Deferred gain (loss) on hedging activities	 81	 14	 (1)	 (63)
Tax effect	(15)	(7)	(1)	5
Net of tax amount	<u>66</u>	<u>7</u>	<u>(2)</u>	<u>(58)</u>
 Unrealized gain (loss) on investments	 (3)	 7	 3	 5
Tax effect	1	(1)	(1)	(1)
Net of tax amount	<u>(2)</u>	<u>6</u>	<u>2</u>	<u>4</u>
Other comprehensive income (loss)	<u>59</u>	112	<u>(296)</u>	<u>(24)</u>
Comprehensive income (loss) including noncontrolling interests	<u>531</u>	350	<u>567</u>	448
 Less: Comprehensive income (loss) attributable to noncontrolling interests	 <u>3</u>	 <u>3</u>	 <u>7</u>	 <u>4</u>
Comprehensive income (loss) attributable to controlling interests	<u>\$ 528</u>	<u>\$ 347</u>	<u>\$ 560</u>	<u>\$ 444</u>

See notes to consolidated financial statements.

Archer-Daniels-Midland Company

Consolidated Balance Sheets

(In millions)	June 30, 2020	December 31, 2019
	(Unaudited)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,203	\$ 852
Segregated cash and investments	5,045	4,458
Trade receivables	2,583	2,267
Inventories	7,626	9,170
Other current assets	5,554	4,600
Total Current Assets	<u>22,011</u>	<u>21,347</u>
Investments and Other Assets		
Investments in and advances to affiliates	5,239	5,132
Goodwill and other intangible assets	5,212	5,476
Other assets	2,046	1,936
Total Investments and Other Assets	<u>12,497</u>	<u>12,544</u>
Property, Plant, and Equipment		
Land and land improvements	534	592
Buildings	5,399	5,381
Machinery and equipment	19,003	19,005
Construction in progress	963	1,021
	<u>25,899</u>	<u>25,999</u>
Accumulated depreciation	(16,066)	(15,893)
Net Property, Plant, and Equipment	<u>9,833</u>	<u>10,106</u>
Total Assets	<u><u>\$ 44,341</u></u>	<u><u>\$ 43,997</u></u>
Liabilities, Temporary Equity, and Shareholders' Equity		
Current Liabilities		
Short-term debt	\$ 531	\$ 1,202
Trade payables	2,897	3,746
Payables to brokerage customers	5,840	5,022
Accrued expenses and other payables	3,531	3,757
Current maturities of long-term debt	10	7
Total Current Liabilities	<u>12,809</u>	<u>13,734</u>
Long-Term Liabilities		
Long-term debt	8,632	7,672
Deferred income taxes	1,347	1,194
Other	2,157	2,114
Total Long-Term Liabilities	<u>12,136</u>	<u>10,980</u>
Temporary Equity - Redeemable noncontrolling interest	85	58
Shareholders' Equity		
Common stock	2,705	2,655
Reinvested earnings	19,293	18,958
Accumulated other comprehensive income (loss)	(2,705)	(2,405)
Noncontrolling interests	<u>18</u>	<u>17</u>

Total Shareholders' Equity	19,311	19,225
Total Liabilities, Temporary Equity, and Shareholders' Equity	\$ 44,341	\$ 43,997

See notes to consolidated financial statements.

Archer-Daniels-Midland Company
Consolidated Statements of Cash Flows
(Unaudited)

(In millions)	Six Months Ended June 30,	
	2020	2019
Operating Activities		
Net earnings including noncontrolling interests	\$ 863	\$ 472
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Depreciation and amortization	489	493
Asset impairment charges	47	44
Deferred income taxes	49	11
Equity in earnings of affiliates, net of dividends	(93)	(60)
Stock compensation expense	75	45
Loss on debt extinguishment	14	—
Deferred cash flow hedges	(1)	(63)
Gains on sales of assets and businesses	(64)	(30)
Other – net	232	104
Changes in operating assets and liabilities		
Segregated investments	570	113
Trade receivables	(364)	129
Inventories	1,439	852
Deferred consideration in securitized receivables	(2,456)	(3,613)
Other current assets	(1,058)	(467)
Trade payables	(819)	(742)
Payables to brokerage customers	881	71
Accrued expenses and other payables	(240)	(72)
Total Operating Activities	(436)	(2,713)
Investing Activities		
Purchases of property, plant, and equipment	(360)	(383)
Proceeds from sales of business and assets	91	23
Net assets of businesses acquired	(3)	(1,944)
Purchases of marketable securities	(3)	(2)
Proceeds from sales of marketable securities	—	67
Investments in and advances to affiliates	(5)	(10)
Investments in retained interest in securitized receivables	(2,121)	(2,590)
Proceeds from retained interest in securitized receivables	4,577	6,203
Other – net	(3)	(18)
Total Investing Activities	2,173	1,346
Financing Activities		
Long-term debt borrowings	1,478	2
Long-term debt payments	(525)	(611)
Net borrowings (payments) under lines of credit agreements	(667)	1,413
Share repurchases	(112)	(94)
Cash dividends	(405)	(395)
Other – net	3	(42)
Total Financing Activities	(228)	273
Increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	1,509	(1,094)
Cash, cash equivalents, restricted cash, and restricted cash equivalents - beginning of period	2,990	3,843

Cash, cash equivalents, restricted cash, and restricted cash equivalents - end of period	<u>\$</u>	<u>4,499</u>	<u>\$</u>	<u>2,749</u>
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents to the consolidated balance sheets				
Cash and cash equivalents	\$	1,203	\$	849
Restricted cash and restricted cash equivalents included in segregated cash and investments		<u>3,296</u>		<u>1,900</u>
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	\$	<u>4,499</u>	\$	<u>2,749</u>

Supplemental Disclosure of Noncash Investing Activity:

Retained interest in securitized receivables	\$	3,383	\$	3,662
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See notes to consolidated financial statements.

Archer-Daniels-Midland-Company

**Consolidated Statements of Shareholders' Equity
(Unaudited)**

	Common Stock		Reinvested Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Shareholders' Equity
	Shares	Amount				
(In millions, except per share amounts)						
Balance, March 31, 2020	555	\$ 2,690	\$ 19,026	\$ (2,764)	\$ 24	\$ 18,976
Comprehensive income						
Net earnings			469		3	
Other comprehensive income (loss)				59	—	
Total comprehensive income						531
Dividends paid - \$0.36 per share			(202)			(202)
Share repurchases	—		—			—
Stock compensation expense	1	24				24
Other	—	(9)	—	—	(9)	(18)
Balance, June 30, 2020	556	\$ 2,705	\$ 19,293	\$ (2,705)	\$ 18	\$ 19,311
Balance, December 31, 2019	557	\$ 2,655	\$ 18,958	\$ (2,405)	\$ 17	\$ 19,225
Impact of ASC 326 (see Note 2)			(8)			(8)
Balance, January 1, 2020	557	\$ 2,655	\$ 18,950	\$ (2,405)	\$ 17	\$ 19,217
Comprehensive income						
Net earnings			860		3	
Other comprehensive income (loss)				(300)	4	
Total comprehensive income						567
Dividends paid - \$0.72 per share			(405)			(405)
Share repurchases	(3)		(112)			(112)
Stock compensation expense	2	75				75
Other	—	(25)	—	—	(6)	(31)
Balance, June 30, 2020	556	\$ 2,705	\$ 19,293	\$ (2,705)	\$ 18	\$ 19,311
Balance, March 31, 2019	560	\$ 2,584	\$ 18,553	\$ (2,242)	\$ 15	\$ 18,910
Comprehensive income						
Net earnings			235		3	
Other comprehensive income (loss)				112	—	
Total comprehensive income						350
Dividends paid - \$0.35 per share			(197)			(197)
Share repurchases	(2)		(94)			(94)
Stock compensation expense	—	2				2
Other	—	2	—	—	6	8
Balance, June 30, 2019	558	\$ 2,588	\$ 18,497	\$ (2,130)	\$ 24	\$ 18,979
Balance, December 31, 2018	559	\$ 2,560	\$ 18,527	\$ (2,106)	\$ 15	\$ 18,996
Comprehensive income						
Net earnings			468		4	
Other comprehensive income (loss)				(24)	—	
Total comprehensive income						448
Dividends paid - \$0.70 per share			(395)			(395)
Share repurchases	(2)		(94)			(94)
Stock compensation expense	1	45				45
Other	—	(17)	(9)	—	5	(21)
Balance, June 30, 2019	558	\$ 2,588	\$ 18,497	\$ (2,130)	\$ 24	\$ 18,979

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See notes to consolidated financial statements.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these statements do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. The Company consolidates all entities, including variable interest entities (VIEs), in which it has a controlling financial interest. For VIEs, the Company assesses whether it is the primary beneficiary as defined under the applicable accounting standard. Investments in affiliates, including VIEs through which the Company exercises significant influence but does not control the investee and is not the primary beneficiary of the investee's activities, are carried at cost plus equity in undistributed earnings since acquisition and are adjusted, where appropriate, for basis differences between the investment balance and the underlying net assets of the investee. The Company's portion of the results of certain affiliates and results of certain VIEs are included using the most recent available financial statements. In each case, the financial statements are within 93 days of the Company's year end and are consistent from period to period.

Reclassifications

Effective January 1, 2020, the Company started reporting its newly created dry mill ethanol subsidiary, Vantage Corn Processors (VCP), as a sub-segment within the Carbohydrate Solutions segment. VCP replaces the Bioproducts sub-segment which included the combined results of the Company's corn dry and wet mill ethanol operations. The wet mill ethanol operations that were previously reported in Bioproducts are now included in the Starches and Sweeteners sub-segment. In addition to dry mill ethanol production, VCP will sell/broker ADM's wet mill ethanol production as the sole marketer of ethanol produced at the Company's facilities. The change does not have an impact on the total results of the Carbohydrate Solutions segment.

Effective July 1, 2019, the Company changed its segment reporting to reflect the creation of the combined Ag Services and Oilseeds segment. The former Origination and Oilseeds businesses were merged into a combined Ag Services and Oilseeds segment which enables the Company to better respond to market changes by integrating the supply and value chains and risk management, while delivering significant simplification and efficiency to the day-to-day business. As part of the Company's efforts for a streamlined management structure, the combined segment is led by the former President of Oilseeds expanding his role to President of Ag Services and Oilseeds.

Prior period information in Notes 4 and 14 has been reclassified to conform to the current period segment presentation.

Segregated Cash and Investments

The Company segregates certain cash, cash equivalents, and investment balances in accordance with regulatory requirements, commodity exchange requirements, and insurance arrangements. These balances represent deposits received from customers of the Company's registered futures commission merchant and commodity brokerage services, cash margins and securities pledged to commodity exchange clearinghouses, and cash pledged as security under certain insurance arrangements. Segregated cash and investments also include restricted cash collateral for the various insurance programs of the Company's captive insurance business. To the degree these segregated balances are comprised of cash and cash equivalents, they are considered restricted cash and cash equivalents on the statement of cash flows.

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 1. Basis of Presentation (Continued)

Receivables

The Company records receivables at net realizable value in trade receivables, other current assets, and other assets. These amounts include allowances for estimated uncollectible accounts totaling \$113 million and \$110 million at June 30, 2020 and December 31, 2019, respectively, to reflect any loss anticipated on the accounts receivable balances including any accrued interest receivables thereon. Long-term receivables recorded in other assets were not material to the Company's overall receivables portfolio.

Effective January 1, 2020, the Company adopted Accounting Standards Codification (ASC) Topic 326, *Financial Instruments - Credit Losses* (Topic 326), and developed a new methodology for estimating uncollectible accounts. Under this methodology, receivables are pooled according to type, region, credit risk rating, and age. Each pool is assigned an expected loss co-efficient to arrive at a general reserve based on historical write-offs adjusted, as needed, for regional, economic, and other forward-looking factors. The Company minimizes credit risk due to the large and diversified nature of its worldwide customer base. ADM manages its exposure to counter-party credit risk through credit analysis and approvals, credit limits, and monitoring procedures.

The Company recorded bad debt expense in selling, general, and administrative expenses of \$14 million and \$25 million in the three and six months ended June 30, 2020, respectively, and \$7 million in the three and six months ended June 30, 2019.

Inventory Valuation

Effective January 1, 2020, the Company changed the method of accounting for certain of its agricultural commodity inventories from the last-in, first-out (LIFO) method to market value in the Ag Services and Oilseeds segment. As of December 31, 2019, inventories accounted for using LIFO at the lower of cost or net realizable value represented approximately 10% of consolidated inventories. The Company believes market value is preferable because it: (i) conforms to the inventory valuation methodology used for the majority of ADM's agricultural commodity inventories; (ii) enhances the matching of inventory costs with revenues and better reflects the current cost of inventory on the Company's balance sheet; and (iii) provides better comparability with the Company's peers.

The Company concluded that the accounting change does not have a material effect on prior periods' financial statements and elected not to apply the change on a retrospective basis. As a result, the Company recorded a reduction in cost of products sold of \$91 million (\$69 million after tax, equal to \$0.12 per diluted share) for the cumulative effect of the change in the three months ended March 31, 2020 with no impact to the statement of cash flows. The Company does not expect the change to have a material impact on its results for the year ending December 31, 2020.

If the Company had not made the accounting change, the effect of LIFO valuation on ADM's operating results would have been an increase in cost of products sold of \$1 million (\$1 million after tax, equal to \$0.00 per diluted share) in the three months ended June 30, 2020 and a reduction in cost of goods sold of \$43 million (\$33 million after tax, equal to \$0.06 per diluted share) in the six months ended June 30, 2020, with no impact to the consolidated statement of cash flows.

Note 2. New Accounting Standards

Effective January 1, 2020, the Company adopted the amended guidance of Topic 326, which is intended to improve financial reporting by requiring more timely recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The amended guidance replaces the prior "incurred loss" approach with an "expected loss" model and requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The Company was required to adopt the amended guidance on a modified retrospective basis through a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption. The Company evaluated its current methodology of estimating allowance for doubtful accounts and the risk profile of its receivable portfolio and developed a model that includes the qualitative and forecasting aspects of the "expected loss" model under the amended guidance. The Company finalized its assessment of the impact of the amended guidance and recorded a \$8 million cumulative effect adjustment to retained earnings at January 1, 2020. For more information about the Company's receivables, see Note 1.

Effective January 1, 2020, the Company adopted the amended guidance of ASC Topic 820, *Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements. The adoption of this amended guidance did not impact the Company's financial results.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued) (Unaudited)

Note 3. Pending Accounting Standards

Effective December 31, 2020, the Company will be required to adopt the amended guidance of ASC Subtopic 715-20, *Compensation - Retirement Benefits - Defined Benefit Plans - General*, which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. Early adoption is permitted. The adoption of this amended guidance will not impact the Company's financial results.

Effective January 1, 2021, the Company will be required to adopt the amended guidance of ASC Topic 740, *Income Taxes* (Topic 740), which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify other areas of Topic 740. Early adoption is permitted. The Company has not yet completed its assessment of the impact of the amended guidance on the consolidated financial statements but does not expect the adoption of the amendments to have a significant impact on its financial results.

Through December 31, 2022, the Company has the option to adopt the amended guidance of ASC Topic 848, *Reference Rate Reform*, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amended guidance do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The Company plans to adopt the expedients and exceptions provided by the amended guidance before the December 31, 2022 expiry date but has not yet completed its assessment of the impact on the consolidated financial statements.

Note 4. Revenues

Revenue Recognition

The Company principally generates revenue from merchandising and transporting agricultural commodities and manufactured products used as ingredients in food, feed, energy, and industrial products. Revenue is measured based on the consideration specified in the contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Company follows a policy of recognizing revenue at a single point in time when it satisfies its performance obligation by transferring control over a product or service to a customer. The majority of the Company's contracts with customers have one performance obligation and a contract duration of one year or less. The Company applies the practical expedient in paragraph 10-50-14 of ASC 606, *Revenue from Contracts with Customers* ("Topic 606") and does not disclose information about remaining performance obligations that have original expected durations of one year or less. For transportation service contracts, the Company recognizes revenue over time as the barge, ocean-going vessel, truck, rail, or container freight moves towards its destination in accordance with the transfer of control guidance of Topic 606. The Company recognized revenue from transportation service contracts of \$106 million and \$223 million for the three and six months ended June 30, 2020, respectively, and \$128 million and \$243 million for the three and six months ended June 30, 2019, respectively. For physically settled derivative sales contracts that are outside the scope of Topic 606, the Company recognizes revenue when control of the inventory is transferred within the meaning of Topic 606 as required by ASC 610-20, *Gains and Losses from the Derecognition of Nonfinancial Assets* ("Topic 610-20").

Shipping and Handling Costs

Shipping and handling costs related to contracts with customers for the sale of goods are accounted for as a fulfillment activity and are included in cost of products sold. Accordingly, amounts billed to customers for such costs are included as a component of revenues.

Taxes Collected from Customers and Remitted to Governmental Authorities

The Company does not include taxes assessed by governmental authorities that are (i) imposed on and concurrent with a specific revenue-producing transaction and (ii) collected from customers, in the measurement of transactions prices or as a component of revenues and cost of products sold.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Revenues (Continued)

Contract Liabilities

Contract liabilities relate to advance payments from customers for goods and services that the Company has yet to provide. Contract liabilities of \$286 million and \$604 million as of June 30, 2020 and December 31, 2019, respectively, were recorded in accrued expenses and other payables in the consolidated balance sheets. Contract liabilities recognized as revenues for the three and six months ended June 30, 2020 were \$339 million and \$621 million, respectively, and \$160 million and \$326 million for the three and six months ended June 30, 2019, respectively.

Disaggregation of Revenues

The following tables present revenue disaggregated by timing of recognition and major product lines for the three and six months ended June 30, 2020 and 2019.

	Three Months Ended June 30, 2020					
	Topic 606 Revenue			Topic 815 ⁽¹⁾ Revenue	Total Revenues	
	Point in Time	Over Time	Total			
	(In millions)					
Ag Services and Oilseeds						
Ag Services	\$ 877	\$ 106	\$ 983	\$ 7,669	\$ 8,652	
Crushing	200	—	200	2,205	2,405	
Refined Products and Other	521	—	521	1,163	1,684	
Total Ag Services and Oilseeds	1,598	106	1,704	11,037	12,741	
Carbohydrate Solutions						
Starches and Sweeteners	1,137	—	1,137	408	1,545	
Vantage Corn Processors	469	—	469	—	469	
Total Carbohydrate Solutions	1,606	—	1,606	408	2,014	
Nutrition						
Human Nutrition	723	—	723	—	723	
Animal Nutrition	714	—	714	—	714	
Total Nutrition	1,437	—	1,437	—	1,437	
Other Business	89	—	89	—	89	
Total Revenues	\$ 4,730	\$ 106	\$ 4,836	\$ 11,445	\$ 16,281	

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Revenues (Continued)

	Six Months Ended June 30, 2020					
	Topic 606 Revenue			Topic 815 ⁽¹⁾ Revenue	Total Revenues	
	Point in Time	Over Time	Total			
	(In millions)					
Ag Services and Oilseeds						
Ag Services	\$ 1,728	\$ 223	\$ 1,951	\$ 13,627	\$	15,578
Crushing	380	—	380	4,338		4,718
Refined Products and Other	1,039	—	1,039	2,485		3,524
Total Ag Services and Oilseeds	3,147	223	3,370	20,450		23,820
Carbohydrate Solutions						
Starches and Sweeteners	2,377	—	2,377	818		3,195
Vantage Corn Processors	1,135	—	1,135	—		1,135
Total Carbohydrate Solutions	3,512	—	3,512	818		4,330
Nutrition						
Human Nutrition	1,442	—	1,442	—		1,442
Animal Nutrition	1,466	—	1,466	—		1,466
Total Nutrition	2,908	—	2,908	—		2,908
Other Business	193	—	193	—		193
Total Revenues	\$ 9,760	\$ 223	\$ 9,983	\$ 21,268	\$	31,251

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Revenues (Continued)

Three Months Ended June 30, 2019						
	Topic 606 Revenue			Topic 815 ⁽¹⁾ Revenue	Total Revenues	
	Point in Time	Over Time	Total			
(In millions)						
Ag Services and Oilseeds						
Ag Services	\$ 810	\$ 128	\$ 938	\$ 7,092	\$ 8,030	
Crushing	201	—	201	2,115	2,316	
Refined Products and Other	523	—	523	1,359	1,882	
Total Ag Services and Oilseeds	1,534	128	1,662	10,566	12,228	
Carbohydrate Solutions						
Starches and Sweeteners	1,260	—	1,260	424	1,684	
Vantage Corn Processors	757	—	757	—	757	
Total Carbohydrate Solutions	2,017	—	2,017	424	2,441	
Nutrition						
Human Nutrition	728	—	728	—	728	
Animal Nutrition	796	—	796	—	796	
Total Nutrition	1,524	—	1,524	—	1,524	
Other Business	104	—	104	—	104	
Total Revenues	\$ 5,179	\$ 128	\$ 5,307	\$ 10,990	\$ 16,297	

Six Months Ended June 30, 2019						
	Topic 606 Revenue			Topic 815 ⁽¹⁾ Revenue	Total Revenues	
	Point in Time	Over Time	Total			
(In millions)						
Ag Services and Oilseeds						
Ag Services	\$ 1,141	\$ 243	\$ 1,384	\$ 14,023	\$ 15,407	
Crushing	372	—	372	4,293	4,665	
Refined Products and Other	1,035	—	1,035	2,659	3,694	
Total Ag Services and Oilseeds	2,548	243	2,791	20,975	23,766	
Carbohydrate Solutions						
Starches and Sweeteners	2,459	—	2,459	847	3,306	
Vantage Corn Processors	1,538	—	1,538	—	1,538	
Total Carbohydrate Solutions	3,997	—	3,997	847	4,844	
Nutrition						
Human Nutrition	1,402	—	1,402	—	1,402	
Animal Nutrition	1,404	—	1,404	—	1,404	
Total Nutrition	2,806	—	2,806	—	2,806	
Other Business	185	—	185	—	185	
Total Revenues	\$ 9,536	\$ 243	\$ 9,779	\$ 21,822	\$ 31,601	

⁽¹⁾ Topic 815 revenue relates to the physical delivery or the settlement of the Company's sales contracts that are accounted for as derivatives and are outside the scope of Topic 606.

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Revenues (Continued)

Ag Services and Oilseeds

The Ag Services and Oilseeds segment generates revenue from the sale of commodities, from service fees for the transportation of goods, and from the sale of products manufactured in its global processing facilities. Revenue is measured based on the consideration specified in the contract and excludes any sales incentives and amounts collected on behalf of third parties. Revenue is recognized when a performance obligation is satisfied by transferring control over a product or providing service to a customer. For transportation service contracts, the Company recognizes revenue over time as the barge, ocean-going vessel, truck, rail, or container freight moves towards its destination in accordance with the transfer of control guidance of Topic 606. The amount of revenue recognized follows the contractually specified price which may include freight or other contractually specified cost components. For physically settled derivative sales contracts that are outside the scope of Topic 606, the Company recognizes revenue when control of the inventory is transferred within the meaning of Topic 606 as required by Topic 610-20.

Carbohydrate Solutions

The Carbohydrate Solutions segment generates revenue from the sale of products manufactured at the Company's global corn and wheat milling facilities around the world. Revenue is recognized when control over products is transferred to the customer. Products are shipped to customers from the Company's various facilities and from its network of storage terminals. The amount of revenue recognized is based on the consideration specified in the contract which could include freight and other costs depending on the specific shipping terms of each contract. For physically settled derivative sales contracts that are outside the scope of Topic 606, the Company recognizes revenue when control of the inventory is transferred within the meaning of Topic 606 as required by Topic 610-20.

Nutrition

The Nutrition segment sells specialty products including natural flavor ingredients, flavor systems, natural colors, animal nutrition products, and other specialty food and feed ingredients. Revenue is recognized when control over products is transferred to the customer. The amount of revenue recognized follows the contracted price or the mutually agreed price of the product. Freight and shipping are recognized as a component of revenue at the same time control transfers to the customer.

Other Business

Other Business includes the Company's futures commission business whose primary sources of revenue are commissions and brokerage income generated from executing orders and clearing futures contracts and options on futures contracts on behalf of its customers. Commissions and brokerage revenue are recognized on the date the transaction is executed. Other also includes the Company's captive insurance business which generates third party revenue through its proportionate share of premiums from third-party reinsurance pools. Reinsurance premiums are recognized on a straight-line basis over the period underlying the policy.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements

The following tables set forth, by level, the Company's assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2020 and December 31, 2019.

Fair Value Measurements at June 30, 2020				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In millions)			
Assets:				
Inventories carried at market	\$ —	\$ 3,183	\$ 1,399	\$ 4,582
Unrealized derivative gains:				
Commodity contracts	—	304	442	746
Foreign currency contracts	—	309	—	309
Interest rate contracts	—	10	—	10
Cash equivalents	498	—	—	498
Marketable securities	3	—	—	3
Segregated investments	1,061	—	—	1,061
Deferred receivables consideration	—	1,149	—	1,149
Total Assets	\$ 1,562	\$ 4,955	\$ 1,841	\$ 8,358
Liabilities:				
Unrealized derivative losses:				
Commodity contracts	\$ —	\$ 321	\$ 363	\$ 684
Foreign currency contracts	—	391	—	391
Interest rate contracts	—	46	—	46
Inventory-related payables	—	629	14	643
Total Liabilities	\$ —	\$ 1,387	\$ 377	\$ 1,764

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements (Continued)

Fair Value Measurements at December 31, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In millions)			
Assets:				
Inventories carried at market	\$ —	\$ 3,227	\$ 1,477	\$ 4,704
Unrealized derivative gains:				
Commodity contracts	—	277	201	478
Foreign currency contracts	—	138	—	138
Interest rate contracts	—	3	—	3
Cash equivalents	505	—	—	505
Marketable securities	5	—	—	5
Segregated investments	628	—	—	628
Deferred receivables consideration	—	446	—	446
Total Assets	<u>\$ 1,138</u>	<u>\$ 4,091</u>	<u>\$ 1,678</u>	<u>\$ 6,907</u>
Liabilities:				
Unrealized derivative losses:				
Commodity contracts	\$ —	\$ 375	\$ 199	\$ 574
Foreign currency contracts	—	125	—	125
Interest rate contracts	—	43	—	43
Inventory-related payables	—	702	27	729
Total Liabilities	<u>\$ —</u>	<u>\$ 1,245</u>	<u>\$ 226</u>	<u>\$ 1,471</u>

Estimated fair values for inventories carried at market are based on exchange-quoted prices, adjusted for differences in local markets and quality, referred to as basis. Market valuations for the Company's inventories are adjusted for location and quality (basis) because the exchange-quoted prices represent contracts that have standardized terms for commodity, quantity, future delivery period, delivery location, and commodity quality or grade. The basis adjustments are generally determined using the inputs from broker or dealer quotations or market transactions in either the listed or over the counter (OTC) markets and are considered observable. In some cases, the basis adjustments are unobservable because they are supported by little to no market activity. When unobservable inputs have a significant impact on the measurement of fair value, the inventory is classified in Level 3. Changes in the fair value of inventories are recognized in the consolidated statement of earnings as a component of cost of products sold.

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements (Continued)

Derivative contracts include exchange-traded commodity futures and options contracts, forward commodity purchase and sale contracts, and OTC instruments related primarily to agricultural commodities, energy, interest rates, and foreign currencies. Exchange-traded futures and options contracts are valued based on unadjusted quoted prices in active markets and are classified in Level 1. The majority of the Company's exchange-traded futures and options contracts are cash-settled on a daily basis and, therefore, are not included in these tables. Fair value for forward commodity purchase and sale contracts is estimated based on exchange-quoted prices adjusted for differences in local markets. Market valuations for the Company's forward commodity purchase and sale contracts are adjusted for location (basis) because the exchange-quoted prices represent contracts that have standardized terms for commodity, quantity, future delivery period, delivery location, and commodity quality or grade. The basis adjustments are generally determined using inputs from broker or dealer quotations or market transactions in either the listed or OTC markets and are considered observable. In some cases, the basis adjustments are unobservable because they are supported by little to no market activity. When observable inputs are available for substantially the full term of the contract, it is classified in Level 2. When unobservable inputs have a significant impact (more than 10%) on the measurement of fair value, the contract is classified in Level 3. Except for certain derivatives designated as cash flow hedges, changes in the fair value of commodity-related derivatives are recognized in the consolidated statement of earnings as a component of cost of products sold. Changes in the fair value of foreign currency-related derivatives are recognized in the consolidated statement of earnings as a component of revenues, cost of products sold, or other (income) expense - net, depending upon the purpose of the contract. The changes in the fair value of derivatives designated as effective cash flow hedges are recognized in the consolidated balance sheet as a component of accumulated other comprehensive income (loss) (AOCI) until the hedged items are recorded in earnings or it is probable the hedged transaction will no longer occur.

The Company's cash equivalents are comprised of money market funds valued using quoted market prices and are classified as Level 1.

The Company's segregated investments are comprised of U.S. Treasury securities. U.S. Treasury securities are valued using quoted market prices and are classified in Level 1.

The Company has deferred consideration under its accounts receivable securitization program (the "First Program") which represents notes receivable from the purchasers under the First Program (see Note 16 for more information). This amount is reflected in other current assets on the consolidated balance sheet (see Note 7 for more information). The Company carries the deferred receivables consideration at fair value determined by calculating the expected amount of cash to be received. The fair value is principally based on observable inputs (a Level 2 measurement) consisting mainly of the face amount of the receivables adjusted for anticipated credit losses and discounted at the appropriate market rate. Payment of deferred receivables consideration is not subject to significant risks other than delinquencies and credit losses on accounts receivable transferred under the First Program, which have historically been insignificant.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements (Continued)

The following table presents a rollforward of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended June 30, 2020.

Level 3 Fair Value Asset Measurements at June 30, 2020			
	Inventories Carried at Market	Commodity Derivative Contracts Gains	Total Assets
	(In millions)		
Balance, March 31, 2020	\$ 1,938	\$ 391	\$ 2,329
Total increase (decrease) in net realized/unrealized gains included in cost of products sold*	279	229	508
Purchases	3,012	—	3,012
Sales	(3,625)	—	(3,625)
Settlements	—	(190)	(190)
Transfers into Level 3	306	23	329
Transfers out of Level 3	(511)	(11)	(522)
Ending balance, June 30, 2020	<u>\$ 1,399</u>	<u>\$ 442</u>	<u>\$ 1,841</u>

* Includes increase in unrealized gains of \$422 million relating to Level 3 assets still held at June 30, 2020.

The following table presents a rollforward of liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended June 30, 2020.

Level 3 Fair Value Liability Measurements at June 30, 2020			
	Inventory- related Payables	Commodity Derivative Contracts Losses	Total Liabilities
	(In millions)		
Balance, March 31, 2020	\$ 20	\$ 309	\$ 329
Total increase (decrease) in net realized/unrealized losses included in cost of products sold*	1	247	248
Purchases	2	—	2
Sales	(9)	—	(9)
Settlements	—	(211)	(211)
Transfers into Level 3	—	19	19
Transfers out of Level 3	—	(1)	(1)
Ending balance, June 30, 2020	<u>\$ 14</u>	<u>\$ 363</u>	<u>\$ 377</u>

* Includes increase in unrealized losses of \$253 million relating to Level 3 liabilities still held at June 30, 2020.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements (Continued)

The following table presents a rollforward of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended June 30, 2019.

Level 3 Fair Value Asset Measurements at			
June 30, 2019			
	Inventories Carried at Market	Commodity Derivative Contracts Gains	Total Assets
	(In millions)		
Balance, March 31, 2019	\$ 1,511	\$ 212	\$ 1,723
Total increase (decrease) in net realized/unrealized gains included in cost of products sold*	237	84	321
Purchases	2,657	—	2,657
Sales	(2,958)	—	(2,958)
Settlements	—	(137)	(137)
Transfers into Level 3	232	10	242
Transfers out of Level 3	(291)	(10)	(301)
Ending balance, June 30, 2019	<u>\$ 1,388</u>	<u>\$ 159</u>	<u>\$ 1,547</u>

* Includes increase in unrealized gains of \$280 million relating to Level 3 assets still held at June 30, 2019.

The following table presents a rollforward of liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended June 30, 2019.

Level 3 Fair Value Liability Measurements at			
June 30, 2019			
	Inventory- related Payables	Commodity Derivative Contracts Losses	Total Liabilities
	(In millions)		
Balance, March 31, 2019	\$ 16	\$ 143	\$ 159
Total increase (decrease) in net realized/unrealized losses included in cost of products sold*	1	154	155
Purchases	11	—	11
Sales	(6)	—	(6)
Settlements	—	(88)	(88)
Transfers into Level 3	—	17	17
Transfers out of Level 3	—	(10)	(10)
Ending balance, June 30, 2019	<u>\$ 22</u>	<u>\$ 216</u>	<u>\$ 238</u>

* Includes increase in unrealized losses of \$157 million relating to Level 3 liabilities still held at June 30, 2019.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements (Continued)

The following table presents a rollforward of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the six months ended June 30, 2020.

Level 3 Fair Value Asset Measurements at			
June 30, 2020			
	Inventories Carried at Market	Commodity Derivative Contracts Gains	Total Assets
	(In millions)		
Balance, December 31, 2019	\$ 1,477	\$ 201	\$ 1,678
Total increase (decrease) in net realized/unrealized gains included in cost of products sold*	396	446	842
Purchases	6,419	—	6,419
Sales	(7,135)	—	(7,135)
Settlements	—	(235)	(235)
Transfers into Level 3	306	44	350
Transfers out of Level 3	(64)	(14)	(78)
Ending balance, June 30, 2020	\$ 1,399	\$ 442	\$ 1,841

* Includes increase in unrealized gains of \$804 million relating to Level 3 assets still held at June 30, 2020.

The following table presents a rollforward of liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the six months ended June 30, 2020.

Level 3 Fair Value Liability Measurements at			
June 30, 2020			
	Inventory- related Payables	Commodity Derivative Contracts Losses	Total Liabilities
	(In millions)		
Balance, December 31, 2019	\$ 27	\$ 199	\$ 226
Total increase (decrease) in net realized/unrealized losses included in cost of products sold*	4	452	456
Purchases	8	—	8
Sales	(25)	—	(25)
Settlements	—	(333)	(333)
Transfers into Level 3	—	55	55
Transfers out of Level 3	—	(10)	(10)
Ending balance, June 30, 2020	\$ 14	\$ 363	\$ 377

* Includes increase in unrealized losses of \$463 million relating to Level 3 liabilities still held at June 30, 2020.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements (Continued)

The following table presents a rollforward of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the six months ended June 30, 2019.

Level 3 Fair Value Asset Measurements at			
June 30, 2019			
	Inventories Carried at Market	Commodity Derivative Contracts Gains	Total Assets
	(In millions)		
Balance, December 31, 2018	\$ 1,515	\$ 155	\$ 1,670
Total increase (decrease) in net realized/unrealized gains included in cost of products sold*	216	228	444
Purchases	5,346	—	5,346
Sales	(5,782)	—	(5,782)
Settlements	—	(240)	(240)
Transfers into Level 3	232	33	265
Transfers out of Level 3	(139)	(17)	(156)
Ending balance, June 30, 2019	<u>\$ 1,388</u>	<u>\$ 159</u>	<u>\$ 1,547</u>

* Includes increase in unrealized gains of \$491 million relating to Level 3 assets still held at June 30, 2019.

The following table presents a rollforward of liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the six months ended June 30, 2019.

Level 3 Fair Value Liability Measurements at			
June 30, 2019			
	Inventory- related Payables	Commodity Derivative Contracts Losses	Total Liabilities
	(In millions)		
Balance, December 31, 2018	\$ 18	\$ 245	\$ 263
Total increase (decrease) in net realized/unrealized losses included in cost of products sold*	1	172	173
Purchases	15	—	15
Sales	(12)	—	(12)
Settlements	—	(187)	(187)
Transfers into Level 3	—	24	24
Transfers out of Level 3	—	(38)	(38)
Ending balance, June 30, 2019	<u>\$ 22</u>	<u>\$ 216</u>	<u>\$ 238</u>

* Includes increase in unrealized losses of \$177 million relating to Level 3 liabilities still held at June 30, 2019.

Transfers into Level 3 of assets and liabilities previously classified in Level 2 were due to the relative value of unobservable inputs to the total fair value measurement of certain products and derivative contracts rising above the 10% threshold. Transfers out of Level 3 were primarily due to the relative value of unobservable inputs to the total fair value measurement of certain products and derivative contracts falling below the 10% threshold and thus permitting reclassification to Level 2.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements (Continued)

In some cases, the price components that result in differences between exchange-traded prices and local prices for inventories and commodity purchase and sale contracts are observable based upon available quotations for these pricing components, and in some cases, the differences are unobservable. These price components primarily include transportation costs and other adjustments required due to location, quality, or other contract terms. In the table below, these other adjustments are referred to as basis. The changes in unobservable price components are determined by specific local supply and demand characteristics at each facility and the overall market. Factors such as substitute products, weather, fuel costs, contract terms, and futures prices also impact the movement of these unobservable price components.

The following table sets forth the weighted average percentage of the unobservable price components included in the Company's Level 3 valuations as of June 30, 2020 and December 31, 2019. The Company's Level 3 measurements may include basis only, transportation cost only, or both price components. As an example, for Level 3 inventories with basis, the unobservable component as of June 30, 2020 is a weighted average 17.5% of the total price for assets and 13.5% of the total price for liabilities.

Component Type	Weighted Average % of Total Price			
	June 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Inventories and Related Payables				
Basis	17.5%	13.5%	28.2%	14.7%
Transportation cost	16.4%	—%	24.7%	—%
Commodity Derivative Contracts				
Basis	13.4%	19.2%	16.0%	20.2%
Transportation cost	6.1%	6.0%	9.7%	3.1%

In certain of the Company's principal markets, the Company relies on price quotes from third parties to value its inventories and physical commodity purchase and sale contracts. These price quotes are generally not further adjusted by the Company in determining the applicable market price. In some cases, availability of third-party quotes is limited to only one or two independent sources. In these situations, absent other corroborating evidence, the Company considers these price quotes as 100% unobservable and, therefore, the fair value of these items is reported in Level 3.

Note 6. Derivative Instruments and Hedging Activities

Derivatives Not Designated as Hedging Instruments

The majority of the Company's derivative instruments have not been designated as hedging instruments. The Company uses exchange-traded futures and exchange-traded and OTC options contracts to manage its net position of merchandisable agricultural product inventories and forward cash purchase and sales contracts to reduce price risk caused by market fluctuations in agricultural commodities and foreign currencies. The Company also uses exchange-traded futures and exchange-traded and OTC options contracts as components of merchandising strategies designed to enhance margins. The results of these strategies can be significantly impacted by factors such as the correlation between the value of exchange-traded commodities futures contracts and the value of the underlying commodities, counterparty contract defaults, and volatility of freight markets. Derivatives, including exchange-traded contracts and physical purchase or sale contracts, and inventories of certain merchandisable agricultural product inventories, which include amounts acquired under deferred pricing contracts, are stated at market value. Inventory is not a derivative and therefore fair values of and changes in fair values of inventories are not included in the tables below.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 6. Derivative Instruments and Hedging Activities (Continued)

The following table sets forth the fair value of derivatives not designated as hedging instruments as of June 30, 2020 and December 31, 2019.

	June 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Foreign Currency Contracts	\$ 239	\$ 391	\$ 125	\$ 120
Commodity Contracts	746	684	478	574
Total	<u>\$ 985</u>	<u>\$ 1,075</u>	<u>\$ 603</u>	<u>\$ 694</u>

The following tables set forth the pre-tax gains (losses) on derivatives not designated as hedging instruments that have been included in the consolidated statements of earnings for the three and six months ended June 30, 2020 and 2019.

(In millions)	Revenues	Cost of products sold	Other expense (income) - net	
Three Months Ended June 30, 2020				
Consolidated Statement of Earnings	\$ 16,281	\$ 15,173	\$ (67)	
Pre-tax gains (losses) on:				
Foreign Currency Contracts	\$ 11	\$ (76)	\$ (52)	
Commodity Contracts	—	(29)	—	
Total gain (loss) recognized in earnings	<u>\$ 11</u>	<u>\$ (105)</u>	<u>\$ (52)</u>	<u>\$ (146)</u>
Three Months Ended June 30, 2019				
Consolidated Statement of Earnings	\$ 16,297	\$ 15,325	\$ (13)	
Pre-tax gains (losses) on:				
Foreign Currency Contracts	\$ (10)	\$ 51	\$ 14	
Commodity Contracts	—	(131)	—	
Total gain (loss) recognized in earnings	<u>\$ (10)</u>	<u>\$ (80)</u>	<u>\$ 14</u>	<u>\$ (76)</u>

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 6. Derivative Instruments and Hedging Activities (Continued)

(In millions)	Revenues	Cost of products sold	Other expense (income) - net	
Six Months Ended June 30, 2020				
Consolidated Statement of Earnings	\$ 31,251	\$ 29,192	\$ (99)	
Pre-tax gains (losses) on:				
Foreign Currency Contracts	\$ 46	\$ (661)	\$ 72	
Commodity Contracts	—	593	55	
Total gain (loss) recognized in earnings	<u>\$ 46</u>	<u>\$ (68)</u>	<u>\$ 127</u>	<u>\$ 105</u>
 Six Months Ended June 30, 2019				
Consolidated Statement of Earnings	\$ 31,601	\$ 29,701	\$ (21)	
Pre-tax gains (losses) on:				
Foreign Currency Contracts	\$ (2)	\$ 51	\$ (16)	
Commodity Contracts	—	(11)	—	
Total gain (loss) recognized in earnings	<u>\$ (2)</u>	<u>\$ 40</u>	<u>\$ (16)</u>	<u>\$ 22</u>

Changes in the market value of inventories of certain merchandisable agricultural product inventories, forward cash purchase and sales contracts, exchange-traded futures and exchange-traded and OTC options contracts are recognized in earnings immediately as a component of cost of products sold.

Derivatives Designated as Cash Flow, Fair Value or Net Investment Hedging Strategies

The Company had certain derivatives designated as cash flow and net investment hedges as of June 30, 2020 and cash flow, fair value, and net investment hedges as of December 31, 2019.

For derivative instruments that were designated and qualify as fair value hedges, changes in the fair value of the hedging instrument and changes in the fair value of the hedged item were recognized in the consolidated statement of earnings during the period.

The Company used interest rate swaps designated as fair value hedges to protect the fair value of \$495 million in fixed-rate debt due to changes in interest rates. The terms of the interest rate swaps matched the terms of the underlying debt. At December 31, 2019, the Company had \$3 million in other current assets representing the fair value of the interest rate swaps and a corresponding increase in the underlying debt for the same amount with no net impact to earnings. In June 2020, the Company redeemed the debt and recorded a gain of \$8 million from the termination of the swaps.

For derivative instruments that are designated and qualify as net investment hedges, foreign exchange gains and losses related to changes in foreign currency exchange rates are deferred in AOCI until the underlying investment is divested.

The Company uses cross-currency swaps and foreign exchange forwards designated as net investment hedges to protect the Company's investment in a foreign subsidiary against changes in foreign currency exchange rates. The Company executed USD-fixed to Euro-fixed cross-currency swaps with an aggregate notional amount of \$1.2 billion as of June 30, 2020 and December 31, 2019, and foreign exchange forwards with an aggregate notional amount of \$1.6 billion as of June 30, 2020.

As of June 30, 2020 and December 31, 2019, the Company had after-tax gains of \$12 million and \$6 million in AOCI, respectively, related to foreign exchange gains and losses from these net investment hedge transactions. The amount is deferred in AOCI until the underlying investment is divested.

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 6. Derivative Instruments and Hedging Activities (Continued)

For derivative instruments that are designated and qualify as highly-effective cash flow hedges (i.e., hedging the exposure to variability in expected future cash flow that is attributable to a particular risk), the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) ("AOCI") and as an operating activity in the statement of cash flows and reclassified into earnings in the same line item affected by the hedged transaction and in the same period or periods during which the hedged transaction affects earnings. Hedge components excluded from the assessment of effectiveness and gains and losses related to discontinued hedges are recognized in the consolidated statement of earnings during the current period.

The Company uses interest rate swaps designated as cash flow hedges to hedge the forecasted interest payments on certain letters of credit from banks. The terms of the interest rate swaps match the terms of the forecasted interest payments. The deferred gains and losses are recognized in other (income) expense - net over the period in which the related interest payments are paid to the banks.

The Company also uses swap locks designated as cash flow hedges to hedge the changes in the forecasted interest payments due to changes in the benchmark rate leading up to future bond issuance dates. The terms of the swap locks match the terms of the forecasted interest payments. The deferred gains and losses will be recognized in interest expense over the period in which the related interest payments will be paid. During the six months ended June 30, 2020, the Company executed swap locks maturing on various dates with an aggregate notional amount of \$550 million.

As of June 30, 2020 and December 31, 2019, the Company had after-tax losses of \$38 million and \$43 million in AOCI, respectively, related to the interest rate swaps and the swap locks. The Company expects to recognize this amount in its consolidated statement of earnings during the life of the instruments.

For each of the hedge programs described below, the derivatives are designated as cash flow hedges. The changes in the market value of such derivative contracts have historically been, and are expected to continue to be, highly effective at offsetting changes in price movements of the hedged item. Once the hedged item is recognized in earnings, the gains and losses arising from the hedge are reclassified from AOCI to either revenues or cost of products sold, as applicable. As of June 30, 2020 and December 31, 2019, the Company had after-tax losses of \$2 million and \$5 million in AOCI, respectively, related to gains and losses from these programs. The Company expects to recognize \$2 million of the June 30, 2020 after-tax losses in its consolidated statement of earnings during the next 12 months.

The Company uses futures or options contracts to hedge the purchase price of anticipated volumes of corn to be purchased and processed in a future month. The objective of this hedging program is to reduce the variability of cash flows associated with the Company's forecasted purchases of corn. The Company's corn processing plants grind approximately 72 million bushels of corn per month. During the past 12 months, the Company hedged between 20% and 60% of its monthly anticipated grind. At June 30, 2020, the Company had designated hedges representing between 2% and 30% of its anticipated monthly grind of corn for the next 12 months.

The Company, from time to time, also uses futures, options, and swaps to hedge the sales price of certain ethanol sales contracts. The Company has established hedging programs for ethanol sales contracts that are indexed to unleaded gasoline prices and to various exchange-traded ethanol contracts. The objective of these hedging programs is to reduce the variability of cash flows associated with the Company's sales of ethanol. During the past 12 months, the Company hedged between 0 and 91 million gallons of ethanol sales per month under these programs. At June 30, 2020, the Company had designated hedges representing between 0 and 1 million gallons of ethanol sales per month over the next 3 months.

The Company uses futures and options contracts to hedge the purchase price of anticipated volumes of soybeans to be purchased and processed in a future month for certain of its U.S. soybean crush facilities. The Company also uses futures or options contracts to hedge the sales prices of anticipated soybean meal and soybean oil sales proportionate to the soybean crushing process at these facilities. During the past 12 months, the Company hedged between 79% and 100% of the anticipated monthly soybean crush for soybean purchases and soybean meal and oil sales at the designated facilities. At June 30, 2020, the Company had designated hedges representing between 4% and 100% of the anticipated monthly soybean crush for soybean purchases and soybean meal and oil sales at the designated facilities over the next 12 months.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 6. Derivative Instruments and Hedging Activities (Continued)

The following table sets forth the fair value of derivatives designated as hedging instruments as of June 30, 2020 and December 31, 2019.

	June 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Foreign Currency Contracts	\$ 70	\$ —	\$ 13	\$ 5
Interest Rate Contracts	10	46	3	43
Total	<u>\$ 80</u>	<u>\$ 46</u>	<u>\$ 16</u>	<u>\$ 48</u>

The following table sets forth the pre-tax gains (losses) on derivatives designated as hedging instruments that have been included in the consolidated statements of earnings for the three and six months ended June 30, 2020 and 2019.

(In millions)	Revenues	Cost of products sold	Interest expense	Other expense (income) - net
Three Months Ended June 30, 2020				
Consolidated Statement of Earnings	\$ 16,281	\$ 15,173	\$ 87	\$ (67)
Effective amounts recognized in earnings				
Pre-tax gains (losses) on:				
Commodity Contracts	\$ 3	\$ (36)	\$ —	\$ —
Interest Contracts	—	—	(8)	(16)
Total gain (loss) recognized in earnings	<u>\$ 3</u>	<u>\$ (36)</u>	<u>\$ (8)</u>	<u>\$ (16)</u>
				<u>\$ (57)</u>
Three Months Ended June 30, 2019				
Consolidated Statement of Earnings	\$ 16,297	\$ 15,325	\$ 109	\$ (13)
Effective amounts recognized in earnings				
Pre-tax gains (losses) on:				
Commodity Contracts	\$ 5	\$ 1	\$ —	\$ —
Interest Contracts	—	—	—	(6)
Total gain (loss) recognized in earnings	<u>\$ 5</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ (6)</u>
				<u>\$ —</u>

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 6. Derivative Instruments and Hedging Activities (Continued)

(In millions)	Revenues	Cost of products sold	Interest expense	Other expense (income) - net	
Six Months Ended June 30, 2020					
Consolidated Statement of Earnings	\$ 31,251	\$ 29,192	\$ 170	\$ (99)	
Effective amounts recognized in earnings					
Pre-tax gains (losses) on:					
Commodity Contracts	\$ 8	\$ (60)	\$ —	\$ —	
Interest Contracts	—	—	(8)	(41)	
Total gain (loss) recognized in earnings	<u>\$ 8</u>	<u>\$ (60)</u>	<u>\$ (8)</u>	<u>\$ (41)</u>	<u>\$ (101)</u>
Six Months Ended June 30, 2019					
Consolidated Statement of Earnings	\$ 31,601	\$ 29,701	\$ 210	\$ (21)	
Effective amounts recognized in earnings					
Pre-tax gains (losses) on:					
Commodity Contracts	\$ (8)	\$ 6	\$ —	\$ —	
Interest Contracts	—	—	—	(8)	
Total gain (loss) recognized in earnings	<u>\$ (8)</u>	<u>\$ 6</u>	<u>\$ —</u>	<u>\$ (8)</u>	<u>\$ (10)</u>

Other Net Investment Hedging Strategies

The Company has designated €1.3 billion and €1.7 billion of its outstanding long-term debt and commercial paper borrowings at June 30, 2020 and December 31, 2019, respectively, as hedges of its net investment in a foreign subsidiary. As of June 30, 2020 and December 31, 2019, the Company had after-tax gains of \$21 million and \$7 million in AOCI, respectively, related to foreign exchange gains and losses from these net investment hedge transactions. The amount is deferred in AOCI until the underlying investment is divested.

Note 7. Other Current Assets

The following table sets forth the items in other current assets:

	June 30, 2020	December 31, 2019
	(In millions)	
Unrealized gains on derivative contracts	\$ 1,065	\$ 619
Deferred receivables consideration	1,149	446
Customer omnibus receivable	1,086	1,014
Financing receivables - net ⁽¹⁾	551	395
Insurance premiums receivable	66	41
Prepaid expenses	337	318
Biodiesel tax credit	134	541
Tax receivables	606	579
Non-trade receivables ⁽²⁾	297	369
Other current assets	263	278
	<u>\$ 5,554</u>	<u>\$ 4,600</u>

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 7. Other Current Assets (Continued)

⁽¹⁾ The Company provides financing to certain suppliers, primarily Brazilian farmers, to finance a portion of the suppliers' production costs. The amounts are reported net of allowances of \$5 million and \$3 million at June 30, 2020 and December 31, 2019, respectively. Interest earned on financing receivables of \$3 million and \$11 million for the three and six months ended June 30, 2020, respectively and \$6 million and \$14 million for the three and six months ended June 30, 2019, respectively, is included in interest income in the consolidated statements of earnings.

⁽²⁾ Non-trade receivables included \$74 million and \$81 million of reinsurance recoverables as of June 30, 2020 and December 31, 2019, respectively.

Note 8. Accrued Expenses and Other Payables

The following table sets forth the items in accrued expenses and other payables:

	June 30,	December 31,
	2020	2019
	(In millions)	
Unrealized losses on derivative contracts	\$ 1,121	\$ 742
Accrued compensation	307	300
Income tax payable	106	72
Other taxes payable	128	120
Biodiesel tax credit payable	63	332
Insurance claims payable	292	284
Contract liability	286	604
Current maturities - operating leases	239	215
Other accruals and payables	989	1,088
	<u>\$ 3,531</u>	<u>\$ 3,757</u>

Note 9. Debt and Financing Arrangements

In June 2020, the Company redeemed \$495 million aggregate principal amount of 4.479% debentures and incurred \$14 million in early debt repayment expenses related to the indenture agreement's make-whole call provision.

On March 27, 2020, the Company issued \$0.5 billion and \$1.0 billion aggregate principal amounts of 2.75% Notes due in 2025 and 3.25% Notes due in 2030, respectively. Net proceeds before expenses for the 2.75% and 3.25% Notes were \$492 million and \$988 million, respectively.

At June 30, 2020, the fair value of the Company's long-term debt exceeded the carrying value by \$2.4 billion, as estimated using quoted market prices (a Level 2 measurement under applicable accounting standards).

At June 30, 2020, the Company had lines of credit, including the accounts receivable securitization programs described below, totaling \$10.9 billion, of which \$9.7 billion was unused. Of the Company's total lines of credit, \$5.0 billion supported the combined U.S. and European commercial paper borrowing programs, against which there was no commercial paper outstanding at June 30, 2020.

The Company has accounts receivable securitization programs (the "Programs"). The Programs provide the Company with up to \$1.8 billion in funding resulting from the sale of accounts receivable, of which \$1.2 billion was unused as of June 30, 2020 (see Note 16 for more information about the Programs).

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 10. Income Taxes

The Company's effective tax rates for the three and six months ended June 30, 2020 were 14.5% and 6.9%, respectively, compared to 13.1% and 19.9% for the three and six months ended June 30, 2019, respectively. The change in the rate for the three months was driven primarily by an unfavorable change in discrete tax items during the quarter compared to the prior year, partially offset by the favorable impact of U.S. tax credits signed into law in December 2019. The change in the rate for the six months was primarily due to the impact of U.S. tax credits signed into law in December 2019, including a \$73 million discrete tax benefit related to 45G railroad credits recognized in the six months ended June 30, 2020, which are now reflected in the 2020 projected effective tax rate. The prior period rate also included unfavorable discrete tax items primarily related to U.S. tax reform transition tax adjustments.

In March 2020, the Coronavirus Aid Relief and Economic Security Act (CARES Act) was signed into law in the United States. The Company continues to assess the effects of the provisions of the CARES Act and does not expect any income tax effects to have a material impact on the annual effective tax rate for the year ending December 31, 2020. The Company also continues to evaluate the effects of COVID-19 on its ability to indefinitely reinvest foreign earnings and does not expect any change in its assertion to have a material impact on the annual effective tax rate for the year ending December 31, 2020.

The Company is subject to income taxation and routine examinations in many jurisdictions around the world and frequently faces challenges regarding the amount of taxes due. These challenges include positions taken by the Company related to the timing, nature and amount of deductions and the allocation of income among various tax jurisdictions. In its routine evaluations of the exposure associated with various tax filing positions, the Company recognizes a liability, when necessary, for estimated potential tax owed by the Company in accordance with applicable accounting standards. Resolution of the related tax positions, through negotiations with relevant tax authorities or through litigation, may take years to complete. Therefore, it is difficult to predict the timing for resolution of tax positions and the Company cannot predict or provide assurance as to the ultimate outcome of these ongoing or future examinations. However, the Company does not anticipate that the total amount of unrecognized tax benefits will increase or decrease significantly in the next twelve months. Given the long periods of time involved in resolving tax positions, the Company does not expect that the recognition of unrecognized tax benefits will have a material impact on the Company's effective income tax rate in any given period.

During the second quarter, the ongoing litigation between the Company's wholly-owned subsidiary, ADM do Brasil Ltda. ("ADM do Brasil"), and the Brazilian Federal Revenue Service ("BFRS") was favorably resolved without any tax due. The litigation related to assessments received totaling approximately \$77 million in tax and \$228 million in interest and penalties as of June 30, 2020 (adjusted for variation in currency exchange rates), with respect to the tax deductibility of commodity hedging losses and related expenses for the tax years 2004, 2006, and 2007. The Company does not expect to receive any additional tax assessments with respect to this issue.

The Company's subsidiary in Argentina, ADM Agro SRL (formerly ADM Argentina SA and Alfred C. Toepfer Argentina SRL), received tax assessments challenging transfer prices used to price grain exports for the tax years 1999 through 2011. As of June 30, 2020, these assessments totaled \$12 million in tax and \$47 million in interest (adjusted for variation in currency exchange rates). The Argentine tax authorities conducted a review of income and other taxes paid by large exporters and processors of cereals and other agricultural commodities resulting in allegations of income tax evasion. The Company strongly believes that it has complied with all Argentine tax laws. To date, the Company has not received assessments for closed years subsequent to 2011. While the statute of limitations has expired for tax years 2012 and 2013, the Company cannot rule out receiving additional assessments challenging transfer prices used to price grain exports for years subsequent to 2013, and estimates that these potential assessments could be approximately \$37 million in tax and \$23 million in interest (adjusted for variation in currency exchange rates as of June 30, 2020). The Company believes that it has appropriately evaluated the transactions underlying these assessments, and has concluded, based on Argentine tax law, that its tax position would be sustained, and accordingly, has not recorded a tax liability for these assessments. In accordance with the accounting requirements for uncertain tax positions, the Company has not recorded an uncertain tax liability for this assessment because it has concluded that it is more likely than not to prevail on the matter based upon its technical merits and because the taxing jurisdiction's process does not provide a mechanism for settling at less than the full amount of the assessment. The Company intends to vigorously defend its position against the current assessments and any similar assessments that may be issued for years subsequent to 2013.

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 10. Income Taxes (Continued)

In 2014, the Company's wholly-owned subsidiary in the Netherlands, ADM Europe B.V., received a tax assessment from the Netherlands tax authority challenging the transfer pricing aspects of a 2009 business reorganization, which involved two of its subsidiary companies in the Netherlands. As of June 30, 2020, this assessment was \$91 million in tax and \$36 million in interest (adjusted for variation in currency exchange rates). In September 2019, the Company received an interim decision on its appeal which directed the parties to work toward a settlement. On April 23, 2020, the court issued an unfavorable ruling and directed the parties to explore the possibility of settling, noting that any unresolved valuation questions may be assigned to a third party expert to establish a valuation. Subsequent appeals may take an extended period of time and could result in additional financial impacts of up to the entire amount of the assessment. The Company has carefully evaluated the underlying transactions and has concluded that the amount of gain recognized on the reorganization for tax purposes was appropriate. As of June 30, 2020, the Company has accrued its best estimate of what it believes will be the likely outcome of the litigation and will vigorously defend its position against the assessment.

Note 11. Leases

Lessee Accounting

The Company leases certain transportation equipment, plant equipment, office equipment, land, buildings, and storage facilities. Most leases include options to renew, with renewal terms that can extend the lease term from 10 months to 49 years. Certain leases also include index and non-index escalation clauses and options to purchase the leased property. Leases accounted for as finance leases were immaterial at June 30, 2020.

As an accounting policy election, the Company does not apply the recognition requirements of Topic 842 to short-term leases in all of its underlying asset categories. The Company recognizes short-term lease payments in earnings on a straight-line basis over the lease term, and variable lease payments in the period in which the obligation for those payments is incurred.

The following table sets forth the amounts relating to the Company's total lease cost and other information.

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(In millions)			
Lease cost:				
Operating lease cost	\$ 75	\$ 73	\$ 147	\$ 146
Short-term lease cost	25	24	54	47
Total lease cost	<u>\$ 100</u>	<u>\$ 97</u>	<u>\$ 201</u>	<u>\$ 193</u>
Other information:				
Operating lease liability principal payments			\$ 142	\$ 98
Right-of-use assets obtained in exchange for new operating lease liabilities			\$ 169	\$ 168
	June 30, 2020	June 30, 2019		
Weighted-average remaining lease term - operating leases (in years)	7	8		
Weighted average discount rate - operating leases	4.5%	4.7%		

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 11. Leases (Continued)

Below is a tabular disclosure of the future annual undiscounted cash flows for operating lease liabilities.

	Undiscounted Cash Flows
	(In millions)
Remainder of 2020	\$ 145
2021	264
2022	232
2023	186
2024	126
2025	71
Thereafter	241
Total	<u>1,265</u>
Less interest ⁽¹⁾	<u>(181)</u>
Lease liability	<u><u>\$ 1,084</u></u>

⁽¹⁾ Calculated using the implicit rate of the lease, if available, or the incremental borrowing rate that is appropriate for the tenor and geography of the lease.

As of June 30, 2020 and December 31, 2019, the Company had right-of-use assets included in Other assets of \$1.1 billion and \$1.0 billion, respectively, current lease liabilities included in Accrued expenses and other payables of \$239 million and \$215 million, respectively, and non-current lease liabilities included in Other long-term liabilities of \$846 million and \$781 million, respectively, in its consolidated balance sheets.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 12. Accumulated Other Comprehensive Income

The following tables set forth the changes in AOCI by component for the three and six months ended June 30, 2020 and the reclassifications out of AOCI for the three and six months ended June 30, 2020 and 2019:

Three months ended June 30, 2020					
	Foreign Currency Translation Adjustment	Deferred Gain (Loss) on Hedging Activities	Pension Liability Adjustment	Unrealized Gain (Loss) on Investments	Total
	(In millions)				
Balance at March 31, 2020	\$ (2,439)	\$ (80)	\$ (276)	\$ 31	\$ (2,764)
Other comprehensive income (loss) before reclassifications	(34)	24	(4)	(3)	(17)
Amounts reclassified from AOCI	—	57	5	—	62
Tax effect	28	(15)	—	1	14
Net of tax amount	(6)	66	1	(2)	59
Balance at June 30, 2020	<u>\$ (2,445)</u>	<u>\$ (14)</u>	<u>\$ (275)</u>	<u>\$ 29</u>	<u>\$ (2,705)</u>

Six months ended June 30, 2020					
	Foreign Currency Translation Adjustment	Deferred Gain (Loss) on Hedging Activities	Pension Liability Adjustment	Unrealized Gain (Loss) on Investments	Total
	(In millions)				
Balance at December 31, 2019	\$ (2,152)	\$ (12)	\$ (268)	\$ 27	\$ (2,405)
Other comprehensive income (loss) before reclassifications	(279)	(102)	—	3	(378)
Amounts reclassified from AOCI	—	101	5	—	106
Tax effect	(14)	(1)	(12)	(1)	(28)
Net of tax amount	(293)	(2)	(7)	2	(300)
Balance at June 30, 2020	<u>\$ (2,445)</u>	<u>\$ (14)</u>	<u>\$ (275)</u>	<u>\$ 29</u>	<u>\$ (2,705)</u>

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 12. Accumulated Other Comprehensive Income (Continued)

Details about AOCI components	Amount reclassified from AOCI				Affected line item in the consolidated statement of earnings
	Three months ended June 30,		Six months ended June 30,		
	2020	2019	2020	2019	
(In millions)					
<u>Deferred loss (gain) on hedging activities</u>					
	\$ (3)	\$ (5)	\$ (8)	\$ 8	Revenues
	36	(1)	60	(6)	Cost of products sold
	16	6	41	8	Other (income) expense-net
	8	—	8	—	Interest expense
	57	—	101	10	Total before tax
	(10)	2	(14)	—	Tax
	\$ 47	\$ 2	\$ 87	\$ 10	Net of tax
<u>Pension liability adjustment</u>					
Amortization of defined benefit pension items:					
Prior service credit	\$ (8)	\$ (9)	\$ (16)	\$ (13)	Other (income) expense-net
Actuarial losses	13	6	21	7	Other (income) expense-net
	5	(3)	5	(6)	Total before tax
	—	1	(11)	15	Tax
	\$ 5	\$ (2)	\$ (6)	\$ 9	Net of tax

The Company's accounting policy is to release the income tax effects from AOCI when the individual units of account are sold, terminated, or extinguished.

Note 13. Other (Income) Expense - Net

The following table sets forth the items in other (income) expense:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
(In millions)				
Gains on sales of assets	\$ (64)	\$ (15)	\$ (64)	\$ (30)
Other – net	(3)	2	(35)	9
Other (Income) Expense - Net	\$ (67)	\$ (13)	\$ (99)	\$ (21)

Gains on sales of assets in the three and six months ended June 30, 2020 included gains on the sale of certain assets, an investment revaluation gain, and disposals of individually insignificant assets in the ordinary course of business. Gains on sales of assets in the three months ended June 30, 2019 included gains on disposals of individually insignificant assets in the ordinary course of business. Gains on sales of assets in the six months ended June 30, 2019 included gains on the sale of certain assets, step-up gains on equity investments, and gains on disposals of individually insignificant assets in the ordinary course of business.

Other - net in the three and six months ended June 30, 2020 included the non-service components of net pension benefit income of \$8 million and \$21 million, respectively, foreign exchange gains, and other income, partially offset by expenses related to the early repayment of debt and other expenses. Other - net in the six months ended June 30, 2020 also included loss provisions related to the Company's futures commission and brokerage business. Other - net in the three and six months ended June 30, 2019 included foreign exchange losses, partially offset by other income and the non-service components of net pension benefit income of \$6 million and \$8 million, respectively.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 14. Segment Information

As discussed in Note 1, prior period results have been reclassified to conform to the current period segment presentation.

The Company's operations are organized, managed, and classified into three reportable business segments: Ag Services and Oilseeds, Carbohydrate Solutions, and Nutrition. Each of these segments is organized based upon the nature of products and services offered. The Company's remaining operations are not reportable segments, as defined by the applicable accounting standard, and are classified as Other Business.

The Ag Services and Oilseeds segment includes global activities related to the origination, merchandising, transportation, and storage of agricultural raw materials, and the crushing and further processing of oilseeds such as soybeans and soft seeds (cottonseed, sunflower seed, canola, rapeseed, and flaxseed) into vegetable oils and protein meals. Oilseeds products produced and marketed by the segment include ingredients for food, feed, energy, and industrial customers. Crude vegetable oils produced by the segment's crushing activities are sold "as is" or are further processed by refining, blending, bleaching, and deodorizing into salad oils. Salad oils are sold "as is" or are further processed by hydrogenating and/or interesterifying into margarine, shortening, and other food products. Partially refined oils are used to produce biodiesel and glycols or are sold to other manufacturers for use in chemicals, paints, and other industrial products. Oilseed protein meals are principally sold to third parties to be used as ingredients in commercial livestock and poultry feeds. The Ag Services and Oilseeds segment is also a major supplier of peanuts, tree nuts, and peanut-derived ingredients to both the U.S. and export markets. In North America, cotton cellulose pulp is manufactured and sold to the chemical, paper, and other industrial markets. The Ag Services and Oilseeds segment's grain sourcing, handling, and transportation network (including barge, ocean-going vessel, truck, rail, and container freight services) provides reliable and efficient services to the Company's customers and agricultural processing operations. The Ag Services and Oilseeds segment also includes agricultural commodity and feed product import, export, and global distribution, and structured trade finance activities. This segment also includes the Company's share of the results of its equity investment in Wilmar International Limited (Wilmar) and its share of the results of its Pacificor, Stratas Foods LLC, Edible Oils Limited, Olenex Sarl, and SoyVen joint ventures.

The Carbohydrate Solutions segment is engaged in corn and wheat wet and dry milling and other activities. The Carbohydrate Solutions segment converts corn and wheat into products and ingredients used in the food and beverage industry including sweeteners, corn and wheat starches, syrup, glucose, wheat flour, and dextrose. Dextrose and starch are used by the Carbohydrate Solutions segment as feedstocks for its bioproducts operations. By fermentation of dextrose, the Carbohydrate Solutions segment produces alcohol and other food and animal feed ingredients. Ethyl alcohol is produced by the Company for industrial use as ethanol or as beverage grade. Ethanol, in gasoline, increases octane and is used as an extender and oxygenate. Corn gluten feed and meal, as well as distillers' grains, are produced for use as animal feed ingredients. Corn germ, a by-product of the wet milling process, is further processed into vegetable oil and protein meal. Other Carbohydrate Solutions products include citric acids which are used in various food and industrial products. This segment also includes the Company's share of the results of its equity investments in Hungana Ltd., Almidones Mexicanos S.A., Red Star Yeast Company, LLC, and Aston Foods and Food Ingredients.

The Nutrition segment serves customer needs for food, beverages, health and wellness, and more. The segment engages in the manufacturing, sale, and distribution of a wide array of products from nature including plant-based proteins, natural flavor ingredients, flavor systems, natural colors, emulsifiers, soluble fiber, polyols, hydrocolloids, natural health and nutrition products including probiotics, prebiotics, enzymes, and botanical extracts, and other specialty food and feed ingredients. The Nutrition segment includes the activities related to the procurement, processing, and distribution of edible beans. The Nutrition segment also includes activities related to the processing and distribution of formula feeds and animal health and nutrition products and the manufacture of contract and private label pet treats and foods. In January 2020, ADM acquired Yerbalatina, a natural plant-based extracts and ingredients manufacturer.

Other Business includes the Company's financial business units related to futures commission and insurance activities.

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 14. Segment Information (Continued)

Intersegment sales have been recorded at amounts approximating market. Operating profit for each segment is based on net sales less identifiable operating expenses. Also included in operating profit for each segment is equity in earnings of affiliates based on the equity method of accounting. Specified items included in total segment operating profit and certain corporate items are not allocated to the Company's individual business segments because operating performance of each business segment is evaluated by management exclusive of these items. Corporate results principally include the impact of LIFO-related adjustments, unallocated corporate expenses, interest cost net of investment income, and the Company's share of the results of its equity investment in Compagnie Industrielle et Financiere des Produits Amylaces SA (Luxembourg) (CIP), which was sold in December 2019.

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Gross revenues				
Ag Services and Oilseeds	\$ 14,431	\$ 13,728	\$ 26,781	\$ 26,601
Carbohydrate Solutions	2,213	2,878	4,767	5,454
Nutrition	1,474	1,541	2,990	2,841
Other Business	89	104	193	185
Intersegment elimination	(1,926)	(1,954)	(3,480)	(3,480)
Total gross revenues	<u>\$ 16,281</u>	<u>\$ 16,297</u>	<u>\$ 31,251</u>	<u>\$ 31,601</u>
Intersegment sales				
Ag Services and Oilseeds	\$ 1,690	\$ 1,500	\$ 2,961	\$ 2,835
Carbohydrate Solutions	199	437	437	610
Nutrition	37	17	82	35
Total intersegment sales	<u>\$ 1,926</u>	<u>\$ 1,954</u>	<u>\$ 3,480</u>	<u>\$ 3,480</u>
Revenues from external customers				
Ag Services and Oilseeds				
Ag Services	\$ 8,652	\$ 8,030	\$ 15,578	\$ 15,407
Crushing	2,405	2,316	4,718	4,665
Refined Products and Other	1,684	1,882	3,524	3,694
Total Ag Services and Oilseeds	<u>12,741</u>	<u>12,228</u>	<u>23,820</u>	<u>23,766</u>
Carbohydrate Solutions				
Starches and Sweeteners	1,545	1,684	3,195	3,306
Vantage Corn Processors	469	757	1,135	1,538
Total Carbohydrate Solutions	<u>2,014</u>	<u>2,441</u>	<u>4,330</u>	<u>4,844</u>
Nutrition				
Human Nutrition	723	728	1,442	1,402
Animal Nutrition	714	796	1,466	1,404
Total Nutrition	<u>1,437</u>	<u>1,524</u>	<u>2,908</u>	<u>2,806</u>
Other Business	89	104	193	185
Total revenues from external customers	<u>\$ 16,281</u>	<u>\$ 16,297</u>	<u>\$ 31,251</u>	<u>\$ 31,601</u>

Archer-Daniels-Midland Company

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 14. Segment Information (Continued)

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Segment operating profit				
Ag Services and Oilseeds	\$ 413	\$ 362	\$ 835	\$ 779
Carbohydrate Solutions	195	192	263	288
Nutrition	158	117	300	198
Other Business	38	11	49	25
Specified Items:				
Gains (losses) on sales of assets and businesses ⁽¹⁾	23	—	23	12
Impairment, restructuring, and settlement charges ⁽²⁾	(14)	(37)	(58)	(46)
Total segment operating profit	813	645	1,412	1,256
Corporate	(261)	(371)	(485)	(667)
Earnings before income taxes	\$ 552	\$ 274	\$ 927	\$ 589

⁽¹⁾ Current quarter and year-to-date gain consisted of a gain on the sale of certain assets. Prior year-to-date gains consisted of a gain on the sale of certain assets and a step up gain on an equity investment.

⁽²⁾ Current quarter and year-to-date charges related to the impairment of certain long-lived assets and restructuring. Prior quarter and year-to-date charges related to the impairment of certain long-lived assets and a settlement.

Note 15. Asset Impairment, Exit, and Restructuring Costs

Asset impairment, exit, and restructuring costs in the three months ended June 30, 2020 consisted of individually insignificant long-lived asset impairments of \$3 million and restructuring charges of \$13 million. Asset impairment, exit, and restructuring costs in the six months ended June 30, 2020 consisted primarily of \$47 million of impairments related to certain intangible and other long-lived assets and \$10 million of restructuring charges.

Asset impairment, exit, and restructuring costs in the three and six months ended June 30, 2019 consisted of \$35 million and \$44 million, respectively, of impairments related to certain long-lived assets presented as specified items within segment operating profit and \$101 million and \$103 million, respectively, of restructuring and pension remeasurement charges in Corporate primarily related to early retirement and reorganization initiatives.

Note 16. Sale of Accounts Receivable

The Company has an accounts receivable securitization program (the “First Program”) with certain commercial paper conduit purchasers and committed purchasers (collectively, the “First Purchasers”). Under the First Program, certain U.S.-originated trade accounts receivable are sold to a wholly-owned bankruptcy-remote entity, ADM Receivables, LLC (“ADM Receivables”). ADM Receivables in turn transfers such purchased accounts receivable in their entirety to the First Purchasers pursuant to a receivables purchase agreement. In exchange for the transfer of the accounts receivable, ADM Receivables receives a cash payment of up to \$1.2 billion, as amended, and an additional amount upon the collection of the accounts receivable (deferred consideration). The First Program terminates on September 18, 2020, unless extended.

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Note 16. Sale of Accounts Receivable (Continued)

The Company also has an accounts receivable securitization program (the “Second Program”) with certain commercial paper conduit purchasers and committed purchasers (collectively, the “Second Purchasers”). Under the Second Program, certain non-U.S.-originated trade accounts receivable are sold to a wholly-owned bankruptcy-remote entity, ADM Ireland Receivables Company (“ADM Ireland Receivables”). Prior to April 1, 2020, ADM Ireland Receivables transferred such purchased accounts receivable in their entirety to the Second Purchasers pursuant to a receivables purchase agreement. In exchange for the transfer of the accounts receivable, ADM Ireland Receivables received a cash payment up to a certain amount and an additional amount upon the collection of the accounts receivable (deferred consideration). On April 1, 2020, the Company restructured the Second Program from a deferred purchase price to a pledge structure. Under the new structure, ADM Ireland Receivables transfers a portion of the purchased accounts receivable together with an equally proportional interest in all of its right, title and interest in the remaining purchased accounts receivable to each of the Second Purchasers. In exchange, ADM Ireland Receivables receives a cash payment of up to \$0.6 billion (€0.5 billion) for the accounts receivables transferred. The Second Program terminates on March 12, 2021, unless extended.

Under the First and Second Programs (collectively, the “Programs”), ADM Receivables and ADM Ireland Receivables use the cash proceeds from the transfer of receivables to the First Purchasers and Second Purchasers (collectively, the “Purchasers”) and other consideration, as applicable, to finance the purchase of receivables from the Company and the ADM subsidiaries originating the receivables. The Company accounts for these transfers as sales. The Company has no retained interests in the transferred receivables, other than collection and administrative responsibilities and its right to the deferred consideration under the First Program. At June 30, 2020 and December 31, 2019, the Company did not record a servicing asset or liability related to its retained responsibility, based on its assessment of the servicing fee, market values for similar transactions, and its cost of servicing the receivables sold.

As of June 30, 2020 and December 31, 2019, the fair value of trade receivables transferred to the Purchasers under the Programs and derecognized from the Company’s consolidated balance sheets was \$1.7 billion and \$1.9 billion, respectively. In exchange for the transfers as of June 30, 2020 and December 31, 2019, the Company received cash of \$0.6 billion and \$1.4 billion, respectively, and recorded a receivable for deferred consideration included in other current assets of \$1.1 billion and \$0.4 billion, respectively. Cash collections from customers on receivables sold were \$16.4 billion and \$16.5 billion for the six months ended June 30, 2020 and 2019, respectively. Of this amount, \$4.6 billion and \$6.2 billion were cash collections on the deferred receivables consideration reflected as cash inflows from investing activities for the six months ended June 30, 2020 and 2019, respectively. Deferred receivables consideration is paid to the Company in cash on behalf of the First Purchasers as receivables are collected; however, as this is a revolving facility, cash collected from the Company’s customers is reinvested by the First Purchasers daily in new receivable purchases under the First Program.

The Company’s risk of loss following the transfer of accounts receivable under the First Program is limited to the deferred receivables consideration outstanding. The Company carries the deferred receivables consideration at fair value determined by calculating the expected amount of cash to be received and is principally based on observable inputs (a Level 2 measurement under the applicable accounting standards) consisting mainly of the face amount of the receivables adjusted for anticipated credit losses and discounted at the appropriate market rate. Payment of deferred receivables consideration is not subject to significant risks other than delinquencies and credit losses on accounts receivable transferred under the First Program which have historically been insignificant.

Transfers of receivables under the Programs resulted in an expense for the loss on sale of \$3 million and \$4 million for the three months ended June 30, 2020 and 2019, respectively, and \$5 million and \$9 million for the six months ended June 30, 2020 and 2019, respectively, which is classified as selling, general, and administrative expenses in the consolidated statements of earnings.

In accordance with the amended guidance of Topic 230, the Company reflects cash flows related to the deferred receivables consideration as investing activities in its consolidated statements of cash flows. All other cash flows are classified as operating activities because the cash received from the Purchasers upon both the sale and collection of the receivables is not subject to significant interest rate risk given the short-term nature of the Company’s trade receivables.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Company Overview

This MD&A should be read in conjunction with the accompanying unaudited consolidated financial statements.

ADM is a global leader in human and animal nutrition and one of the world's premier agricultural origination and processing companies. It is one of the world's leading producers of ingredients for human and animal nutrition, and other products made from nature. The Company uses its significant global asset base to originate and transport agricultural commodities, connecting to markets in more than 190 countries. The Company also processes corn, oilseeds, and wheat into products for food, animal feed, chemical and energy uses. The Company also engages in the manufacturing, sale, and distribution of specialty products including natural flavor ingredients, flavor systems, natural colors, proteins, emulsifiers, soluble fiber, polyols, hydrocolloids, natural health and nutrition products, and other specialty food and feed ingredients. The Company uses its global asset network, business acumen, and its relationships with suppliers and customers to efficiently connect the harvest to the home thereby generating returns for our shareholders, principally from margins earned on these activities.

Effective January 1, 2020, the Company started reporting its newly created dry mill ethanol subsidiary, Vantage Corn Processors (VCP), as a sub-segment within the Carbohydrate Solutions segment. VCP replaces the Bioproducts sub-segment which included the combined results of the Company's corn dry and wet mill ethanol operations. The wet mill ethanol operations that were previously reported in Bioproducts are now included in the Starches and Sweeteners sub-segment. In addition to dry mill ethanol production, VCP will sell/broker ADM's wet mill ethanol production as the sole marketer of ethanol produced at the Company's facilities. The change does not have an impact on the total results of the Carbohydrate Solutions segment.

Effective July 1, 2019, the Company changed its segment reporting to reflect the creation of the combined Ag Services and Oilseeds segment. The former Origination and Oilseeds businesses were merged into a combined Ag Services and Oilseeds segment which enables the Company to better respond to market changes by integrating the supply and value chains and risk management, while delivering significant simplification and efficiency to the day-to-day business. As part of the Company's efforts for a streamlined management structure, the combined segment is led by the former President of Oilseeds expanding his role to President of Ag Services and Oilseeds.

Prior period results have been reclassified to conform to the current period segment presentation.

The Company's operations are organized, managed, and classified into three reportable business segments: Ag Services and Oilseeds, Carbohydrate Solutions, and Nutrition. Each of these segments is organized based upon the nature of products and services offered. The Company's remaining operations are not reportable business segments, as defined by the applicable accounting standard, and are classified as Other Business. Financial information with respect to the Company's reportable business segments is set forth in Note 14 of "Notes to Consolidated Financial Statements" included in Item 1 herein, "Financial Statements".

The Company's recent significant portfolio actions and announcements include:

- the acquisition in January 2020 of Yerbalatina, a natural plant-based extracts and ingredients manufacturer in Brazil;
- the announcement in May 2020 of an agreement to create PlantPlus Foods, a 30% joint venture with Marfrig, one of the world's leading beef producers and the world's largest beef patty producer, to sell plant-based food products across the South American and North American markets; and
- the temporary idling in April 2020 of ethanol production at the corn dry mill facilities in Cedar Rapids, Iowa, and Columbus, Nebraska, for a period of four months subject to market conditions. To better align production with current demand, the Company has also reduced the ethanol grind at its corn wet mill plants and rebalanced grind to produce more industrial alcohol for the sanitizer market and industrial starches for the container board market.

The Company executes its strategic vision through three pillars: Optimize the Core, Drive Efficiencies, and Expand Strategically, all supported by its Readiness effort. During 2018, the Company launched Readiness to drive new efficiencies and improve the customer experience in the Company's existing businesses through a combination of data analytics, process simplification and standardization, and behavioral and cultural change, building upon its earlier 1ADM and operational excellence programs. Readiness also supports the execution of the Company's growth strategies across its five key growth platforms: Taste, Nutrition, Animal Nutrition, Health and Wellness, and Carbohydrates.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating Performance Indicators

The Company is exposed to certain risks inherent to an agricultural-based commodity business. These risks are further described in Item 1A, "Risk Factors" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

The Company's Ag Services and Oilseeds operations are principally agricultural commodity-based businesses where changes in selling prices move in relationship to changes in prices of the commodity-based agricultural raw materials. As a result, changes in agricultural commodity prices have relatively equal impacts on both revenues and cost of products sold. Therefore, changes in revenues of these businesses do not necessarily correspond to the changes in margins or gross profit. Thus, gross margins per volume or metric ton are more meaningful than gross margins as percentage of revenues.

The Company's Carbohydrate Solutions operations and Nutrition businesses also utilize agricultural commodities (or products derived from agricultural commodities) as raw materials. However, in these operations, agricultural commodity market price changes do not necessarily correlate to changes in cost of products sold. Therefore, changes in revenues of these businesses may correspond to changes in margins or gross profit. Thus, gross margin rates are more meaningful as a performance indicator in these businesses.

The Company has consolidated subsidiaries in more than 70 countries. For the majority of the Company's subsidiaries located outside the United States, the local currency is the functional currency except certain significant subsidiaries in Switzerland where Euro is the functional currency, and Brazil and Argentina where U.S. dollar is the functional currency. Revenues and expenses denominated in foreign currencies are translated into U.S. dollars at the weighted average exchange rates for the applicable periods. For the majority of the Company's business activities in Brazil and Argentina, the functional currency is the U.S. dollar; however, certain transactions, including taxes, occur in local currency and require remeasurement to the functional currency. Changes in revenues are expected to be correlated to changes in expenses reported by the Company caused by fluctuations in the exchange rates of foreign currencies, primarily the Euro, British pound, Canadian dollar, and Brazilian real, as compared to the U.S. dollar.

The Company measures its performance using key financial metrics including net earnings, gross margins, segment operating profit, return on invested capital, EBITDA, economic value added, manufacturing expenses, and selling, general, and administrative expenses. The Company's financial results can vary significantly due to changes in factors such as fluctuations in energy prices, weather conditions, crop plantings, government programs and policies, trade policies, changes in global demand, general global economic conditions, changes in standards of living, and global production of similar and competitive crops. Due to these unpredictable factors, the Company undertakes no responsibility for updating any forward-looking information contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Market Factors Influencing Operations or Results in the Three Months Ended June 30, 2020

The Company is subject to a variety of market factors which affect the Company's operating results. In Ag Services and Oilseeds, North American crushing margins were compressed due to slow farmer selling and COVID-19 impacts on demand for meal and oil. South America saw record origination volumes as it benefited from strong farmer selling in Brazil driven by the devaluation of the Brazilian Real. Demand and margins for biodiesel remained solid in North and South America, but were challenging in Europe, Middle East, Africa, and India ("EMEA") due in part to the impact of COVID-19. In Carbohydrate Solutions, demand for starches and sweeteners was soft early in the quarter due to the impacts of COVID-19 while margins remained solid. Wheat flour demand and margins in North America remained strong. Ethanol margins improved throughout the quarter on lower stock levels as ADM and many ethanol producers idled some capacity. Nutrition benefited from improved margins in flavors and growing demand for pet food, feed for livestock, plant-based proteins, and probiotics. Lower out-of-home consumption caused by COVID-19 lock down measures negatively impacted flavors volumes especially in the food service channel, and demand for aqua feed.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)***Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019***

Net earnings attributable to controlling interests increased \$234 million from \$235 million to \$469 million. Segment operating profit increased \$168 million from \$645 million to \$813 million. Included in segment operating profit in the current quarter was a net income of \$9 million consisting of a gain on the sale of certain assets partially offset by asset impairment and restructuring charges. Included in segment operating profit in the prior year quarter were asset impairment charges of \$37 million. Adjusted segment operating profit increased \$122 million to \$804 million due primarily to higher results in Ag Services, Vantage Corn Processors, Nutrition, and Other Business, partially offset by lower results in Starches and Sweeteners and Crushing and lower equity earnings from the Wilmar investment. Corporate results were a net charge of \$261 million in the current quarter compared to \$371 million in the prior year quarter. Corporate results in the current quarter included early debt repayment expenses of \$14 million. Corporate results in the prior year quarter included restructuring charges of \$101 million and a charge of \$25 million from changes in agricultural commodity prices on LIFO inventory valuation reserves.

Income tax expense increased \$44 million to \$80 million. The Company's effective tax rate for the quarter ended June 30, 2020 was 14.5% compared to 13.1% for the quarter ended June 30, 2019. The increase in rate was driven primarily by an unfavorable change in discrete tax items during the quarter compared to the prior year, partially offset by the favorable impact of U.S. tax credits signed into law in December 2019.

In March 2020, the CARES Act was signed into law in the United States. The Company does not expect the provisions of the CARES Act to have a material impact on the annual effective tax rate for the year ending December 31, 2020.

Analysis of Statements of Earnings

Processed volumes by product for the quarter are as follows (in metric tons):

(In thousands)	Three Months Ended		
	June 30,		
	2020	2019	Change
Oilseeds	9,103	8,773	330
Corn	4,099	5,545	(1,446)
Total	13,202	14,318	(1,116)

The Company generally operates its production facilities, on an overall basis, at or near capacity, adjusting facilities individually, as needed, to react to the current margin environment and seasonal local supply and demand conditions. The overall increase in oilseeds is due to increased capacity utilization at new plants combined with downtime in the prior year due to weather-related issues. The overall decrease in corn is primarily related to the idling of two dry mill facilities in response to the current challenging operating environment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Revenues by segment for the quarter are as follows:

	Three Months Ended		
	June 30,		
	2020	2019	Change
	(In millions)		
Ag Services and Oilseeds			
Ag Services	\$ 8,652	\$ 8,030	\$ 622
Crushing	2,405	2,316	89
Refined Products and Other	1,684	1,882	(198)
Total Ag Services and Oilseeds	12,741	12,228	513
Carbohydrate Solutions			
Starches and Sweeteners	1,545	1,684	(139)
Vantage Corn Processors	469	757	(288)
Total Carbohydrate Solutions	2,014	2,441	(427)
Nutrition			
Human Nutrition	723	728	(5)
Animal Nutrition	714	796	(82)
Total Nutrition	1,437	1,524	(87)
Other Business	89	104	(15)
Total	\$ 16,281	\$ 16,297	\$ (16)

Revenues and cost of products sold in a commodity merchandising and processing business are significantly correlated to the underlying commodity prices and volumes. During periods of significant changes in commodity prices, the underlying performance of the Company is better evaluated by looking at margins because both revenues and cost of products sold, particularly in Ag Services and Oilseeds, generally have a relatively equal impact from commodity price changes which generally result in an insignificant impact to gross profit.

Revenues were comparable at \$16.3 billion. Lower sales prices of biodiesel and alcohol and lower sales volumes of alcohol and oils, were offset by higher sales volumes of soybeans, corn, and meal. Ag Services and Oilseeds revenues increased 4% to \$12.7 billion due to higher sales volumes (\$0.6 billion), partially offset by lower sales prices (\$0.1 billion). Carbohydrate Solutions revenues decreased 17% to \$2.0 billion due to lower sales volumes (\$0.3 billion) and lower sales prices (\$0.1 billion). Nutrition revenues decreased 6% to \$1.4 billion due to lower sales volumes (\$0.2 billion), partially offset by higher sales prices (\$0.1 billion).

Cost of products sold decreased \$0.2 billion to \$15.2 billion due principally to lower manufacturing expenses. Included in cost of products sold in the prior quarter was a charge of \$25 million from the effect of changes in agricultural commodity prices on LIFO inventory valuation reserves. Manufacturing expenses decreased \$0.1 billion to \$1.3 billion due principally to lower energy and labor costs and maintenance expenses.

Foreign currency translation impacts decreased both revenues and cost of products sold by \$0.3 billion.

Gross profit increased \$0.1 billion or 14%, to \$1.1 billion. Higher results in Human and Animal Nutrition (\$43 million), Ag Services (\$100 million), and Vantage Corn Processors (\$38 million) were partially offset by lower results in Crushing (\$42 million) and Starches and Sweeteners (\$34 million). These factors are explained in the segment operating profit discussion on page 44. The effect of changes in agricultural commodity prices on LIFO inventory valuation reserves had a negative impact on gross profit of \$25 million in the prior year quarter compared to no impact in the current year due to the discontinuation of LIFO effective January 1, 2020.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Selling, general, and administrative expenses increased \$36 million to \$638 million due principally to higher variable performance-related compensation expense accruals.

Asset impairment, exit, and restructuring costs decreased \$120 million to \$16 million. Charges in the current quarter consisted of individually insignificant long-lived asset impairments and restructuring charges. Charges in the prior year quarter consisted of \$35 million of impairments related to certain long-lived assets presented as specified items within the segment operating profit and \$101 million of restructuring and pension remeasurement charges in Corporate related to early retirement and reorganization initiatives.

Interest expense decreased \$22 million to \$87 million due principally to lower interest rates and net interest savings from cross currency swaps.

Equity in earnings of unconsolidated affiliates increased \$13 million to \$103 million due to a loss in the prior year quarter from the Company's investment in CIP which was sold in December 2019 and higher earnings from the Company's investment in Soyven, partially offset by lower earnings from the Company's investment in Wilmar.

Other income - net increased \$54 million to \$67 million. Income in the current quarter included gains on the sale of certain assets and disposals of individually insignificant assets in the ordinary course of business, foreign exchange gains, the non-service components of net pension benefit income, and other income, partially offset by expenses related to the early repayment of debt. Income in the prior year quarter included gains on disposals of individually insignificant assets in the ordinary course of business, the non-service components of net pension benefit income, and other income, partially offset by foreign exchange losses.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Segment operating profit (loss), adjusted segment operating profit (a non-GAAP measure), and earnings before income taxes for the quarter are as follows:

Segment Operating Profit (Loss)	Three Months Ended		
	June 30,		
	2020	2019	Change
	(In millions)		
Ag Services and Oilseeds			
Ag Services	\$ 171	\$ 90	\$ 81
Crushing	113	139	(26)
Refined Products and Other	78	71	7
Wilmar	51	62	(11)
Total Ag Services and Oilseeds	413	362	51
Carbohydrate Solutions			
Starches and Sweeteners	177	215	(38)
Vantage Corn Processors	18	(23)	41
Total Carbohydrate Solutions	195	192	3
Nutrition			
Human Nutrition	131	103	28
Animal Nutrition	27	14	13
Total Nutrition	158	117	41
Other Business	38	11	27
Specified Items:			
Gains (losses) on sales of assets and businesses	23	—	23
Asset impairment and settlement charges	(14)	(37)	23
Total Specified Items	9	(37)	46
Total Segment Operating Profit	\$ 813	\$ 645	\$ 168
Adjusted Segment Operating Profit ⁽¹⁾	\$ 804	\$ 682	\$ 122
Segment Operating Profit	\$ 813	\$ 645	\$ 168
Corporate	(261)	(371)	110
Earnings Before Income Taxes	\$ 552	\$ 274	\$ 278

⁽¹⁾ Adjusted segment operating profit is segment operating profit excluding the above specified items.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Ag Services and Oilseeds operating profit increased 14%. Ag Services results were substantially higher year-over-year on strong execution in South America which helped deliver record quarterly origination and export volumes in a significantly improved margin environment, driven by a weaker Brazilian Real and strong farmer selling. Global trade also contributed to improved results as countries looked to secure stable supplies of food amid the pandemic. Lower interior grain margins impacted results in North America. In North America crushing, margins were impacted by COVID-19 effects on customers. South America crushing delivered significantly higher year-over-year results in an environment of solid domestic meal demand and the weaker Brazilian Real. In EMEAI, crush volumes and margins remained solid. Refined Products and Other results were higher year-over-year on improved biodiesel volumes and margins in North and South America as well as strong volumes and margins in refined and packaged oils in South America, partially offset by lower demand for biodiesel in EMEAI, and edible oils in both EMEAI and North America. Wilmar results were lower year-over-year.

Carbohydrate Solutions operating profit increased 2%. Starches and Sweeteners results were lower year-over-year, impacted by lower food service demand in North America and mark-to-market losses on corn oil contracts, partially offset by lower net raw material costs and strong risk management results. Wheat milling had another strong quarter, as solid retail demand and footprint optimization initiatives continued to drive results. Vantage Corn Processors results were higher than the prior year quarter driven by gains on inventory ownership and supported by favorable risk management and strong demand for industrial ethanol. While average industry margins were down against the prior year quarter, prices and margins improved throughout the quarter as lower production, including two idled ADM dry mills, and some recovery in driving miles led to falling industry stocks.

Nutrition operating profit increased 35%. Human Nutrition results were higher than the prior year quarter as flavors continued to deliver solid results on good sales mix and margin expansion in North America, partially offset by some softness in EMEAI. Strong execution to meet rising customer demand for plant-based proteins and edible beans drove higher results in Specialty Ingredients. Health & Wellness delivered higher performance on strong sales for probiotics, improved volumes and margins in fiber, and additional fermentation income. Animal Nutrition was higher year-over-year on continued execution on Neovia synergies, robust demand for pet food and treats, and improvement in amino acids drove improved results, despite impacts from COVID-19 on demand in some regions.

Other Business operating profit increased 245%. Improvements in underwriting performance at the captive insurance operations were partially offset by lower results from the Company's futures commission and brokerage business.

Corporate results for the quarter are as follows:

	Three Months Ended		
	June 30,		
	2020	2019	Change
	(In millions)		
LIFO adjustment	\$ —	\$ (25)	\$ 25
Interest expense-net	(86)	(101)	15
Unallocated corporate costs	(194)	(132)	(62)
Early debt repayment expenses	(14)	—	(14)
Impairment and restructuring charges	(2)	(101)	99
Other income (charges)	35	(12)	47
Total Corporate	<u>\$ (261)</u>	<u>\$ (371)</u>	<u>\$ 110</u>

Corporate results were a net charge of \$261 million in the current quarter compared to \$371 million in the prior year quarter. The effect of changes in agricultural commodity prices on LIFO inventory valuation reserve resulted in a charge of \$25 million in the prior quarter. Interest expense-net decreased \$15 million due principally to lower interest rates and net interest savings from cross currency swaps. Unallocated corporate costs increased \$62 million due to higher variable performance-related compensation expense accruals and costs transferred in from the businesses related to centralization of certain activities. Early debt repayment expenses were related to the make-whole call provision on a bond. Restructuring charges in the prior quarter, which included pension remeasurement charges, related to early retirement and reorganization initiatives. Other income in the current quarter included foreign exchange gains, an investment revaluation gain, and the non-service components of net pension benefit income. Other charges in the prior quarter included foreign exchange losses and a loss from the Company's equity investment in CIP, which was sold in December 2019.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Non-GAAP Financial Measures

The Company uses adjusted earnings per share ("EPS"), adjusted earnings before taxes, interest, and depreciation and amortization ("EBITDA"), and adjusted segment operating profit, non-GAAP financial measures as defined by the Securities and Exchange Commission, to evaluate the Company's financial performance. These performance measures are not defined by accounting principles generally accepted in the United States and should be considered in addition to, and not in lieu of, GAAP financial measures.

Adjusted EPS is defined as diluted EPS adjusted for the effects on reported diluted EPS of specified items. Adjusted EBITDA is defined as earnings before taxes, interest, and depreciation and amortization, adjusted for specified items. The Company calculates adjusted EBITDA by removing the impact of specified items and adding back the amounts of interest expense and depreciation and amortization to earnings before income taxes. Adjusted segment operating profit is segment operating profit adjusted, where applicable, for specified items.

Management believes that adjusted EPS, adjusted EBITDA, and adjusted segment operating profit are useful measures of the Company's performance because they provide investors additional information about the Company's operations allowing better evaluation of underlying business performance and better period-to-period comparability. Adjusted EPS, adjusted EBITDA, and adjusted segment operating profit are not intended to replace or be an alternative to diluted EPS, earnings before income taxes, and segment operating profit, respectively, the most directly comparable amounts reported under GAAP.

The table below provides a reconciliation of diluted EPS to adjusted EPS for the three months ended June 30, 2020 and 2019.

	Three months ended June 30,			
	2020		2019	
	In millions	Per share	In millions	Per share
Average number of shares outstanding - diluted	562		566	
Net earnings and reported EPS (fully diluted)	\$ 469	\$ 0.84	\$ 235	\$ 0.42
Adjustments:				
LIFO adjustment - net of tax of \$6 million in 2019 ⁽¹⁾	—	—	19	0.03
(Gains) losses on sales of assets and businesses - net of tax of \$5 million in 2020 ⁽²⁾	(18)	(0.03)	—	—
Asset impairment, restructuring, and settlement charges - net of tax of \$4 million in 2020 and \$33 million in 2019 ⁽²⁾	12	0.02	105	0.18
Early debt repayment expenses - net of tax of \$3 million in 2020 ⁽²⁾	11	0.02	—	—
Certain discrete tax adjustments	1	—	(19)	(0.03)
Total adjustments	6	0.01	105	0.18
Adjusted net earnings and adjusted EPS	\$ 475	\$ 0.85	\$ 340	\$ 0.60

⁽¹⁾ Tax effected using the Company's U.S. tax rate. LIFO accounting was discontinued effective January 1, 2020.

⁽²⁾ Tax effected using the U.S. and other applicable tax rates.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The tables below provide a reconciliation of earnings before income taxes to adjusted EBITDA and adjusted EBITDA by segment for the three months ended June 30, 2020 and 2019.

(In millions)	Three months ended June 30,		
	2020	2019	Change
Earnings before income taxes	\$ 552	\$ 274	\$ 278
Interest expense	87	109	(22)
Depreciation and amortization	244	248	(4)
LIFO	—	25	(25)
(Gains) losses on sales of assets and businesses	(23)	—	(23)
Early debt repayment expenses	14	—	14
Asset impairment, restructuring, and settlement charges	16	138	(122)
Adjusted EBITDA	<u>\$ 890</u>	<u>\$ 794</u>	<u>\$ 96</u>

(In millions)	Three months ended June 30,		
	2020	2019	Change
Ag Services and Oilseeds	\$ 502	\$ 457	\$ 45
Carbohydrate Solutions	274	274	—
Nutrition	217	173	44
Other Business	39	18	21
Corporate	(142)	(128)	(14)
Adjusted EBITDA	<u>\$ 890</u>	<u>\$ 794</u>	<u>\$ 96</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Market Factors Influencing Operations or Results in the Six Months Ended June 30, 2020

The Company is subject to a variety of market factors which affect the Company's operating results. In Ag Services and Oilseeds, North American crushing margins were compressed due to slow farmer selling and COVID-19 impacts on demand for meal and oil. South America saw record origination volumes as it benefited from strong farmer selling in Brazil driven by the devaluation of the Brazilian Real. Demand and margins for biodiesel remained solid in North and South America but were challenging in EMEA. In Carbohydrate Solutions, demand for starches and sweeteners was soft early in the first half of the year due to the impacts of COVID-19 while margins remained solid. Wheat flour demand and margins in North America remained strong. Ethanol margins were mixed as U.S. industry ethanol production exceeded demand and inventories remained high early in the year but improved throughout the second quarter on lower stock levels as ADM and many ethanol producers idled some capacity. Nutrition benefited from improved mix and margins in flavors and robust demand for pet food, feed for livestock, plant-based proteins, and probiotics. Lower out-of-home consumption caused by COVID-19 lock down measures negatively impacted flavors volumes especially in the food service channel, and demand for aqua feed.

Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Net earnings attributable to controlling interests increased \$0.4 billion to \$0.9 billion. Segment operating profit increased \$0.2 billion to \$1.4 billion. Included in segment operating profit in the current period was a net charge of \$35 million consisting of asset impairment and restructuring charges and a gain on the sale of certain assets. Included in segment operating profit in the prior period was a net charge of \$34 million consisting of asset impairment and settlement charges, a gain on the sale of certain assets, and a step-up gain on an equity investment. Adjusted segment operating profit increased \$0.2 billion to \$1.4 billion due primarily to higher results in Ag Services, Nutrition and Vantage Corn Processors, and higher equity earnings from the Wilmar investment, partially offset by lower results in Crushing and Starches and Sweeteners. Corporate results were a net charge of \$485 million for the six months compared to \$667 million the same period last year. Corporate results included a credit of \$91 million from the elimination of the LIFO reserve in connection with the accounting change effective January 1, 2020, and early debt repayment expenses of \$14 million for the six months, compared to restructuring charges of \$103 million and a charge of \$26 million from changes in agricultural commodity prices on LIFO inventory valuation reserves the same period last year.

Income taxes of \$64 million decreased \$53 million. The Company's effective tax rate for the six months ended June 30, 2020 was 6.9% compared to 19.9% for the six months ended June 30, 2019. The change in the rate was primarily due to the impact of U.S. tax credits signed into law in December 2019, including a \$73 million discrete tax benefit related to 45G railroad credits recognized in the six months ended June 30, 2020, which are now reflected in the 2020 projected effective tax rate.

In March 2020, the CARES Act was signed into law in the United States. The Company does not expect the provisions of the CARES Act to have a material impact on the annual effective tax rate for the year ending December 31, 2020.

Analysis of Statements of Earnings

Processed volumes by product for the six months are as follows (in metric tons):

(In thousands)	Six Months Ended		
	June 30,		
	2020	2019	Change
Oilseeds	18,266	17,940	326
Corn	9,633	10,678	(1,045)
Total	27,899	28,618	(719)

The Company generally operates its production facilities, on an overall basis, at or near capacity, adjusting facilities individually, as needed, to react to the current margin environment and seasonal local supply and demand conditions. The overall increase in oilseeds is due to increased capacity utilization at new plants combined with downtime in the prior year due to weather-related issues. The overall decrease in corn is primarily related to the idling of two dry mill facilities in the second quarter in response to the current challenging operating environment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Revenues by segment for the six months are as follows:

	Six Months Ended June 30,		
	2020	2019	Change
	(In millions)		
Ag Services and Oilseeds			
Ag Services	\$ 15,578	\$ 15,407	\$ 171
Crushing	4,718	4,665	53
Refined Products and Other	3,524	3,694	(170)
Total Ag Services and Oilseeds	<u>23,820</u>	<u>23,766</u>	<u>54</u>
Carbohydrate Solutions			
Starches and Sweeteners	3,195	3,306	(111)
Vantage Corn Processors	1,135	1,538	(403)
Total Carbohydrate Solutions	<u>4,330</u>	<u>4,844</u>	<u>(514)</u>
Nutrition			
Human Nutrition	1,442	1,402	40
Animal Nutrition	1,466	1,404	62
Total Nutrition	<u>2,908</u>	<u>2,806</u>	<u>102</u>
Other Business	193	185	8
Total	<u>\$ 31,251</u>	<u>\$ 31,601</u>	<u>\$ (350)</u>

Revenues and cost of products sold in a commodity merchandising and processing business are significantly correlated to the underlying commodity prices and volumes. During periods of significant changes in commodity prices, the underlying performance of the Company is better evaluated by looking at margins because both revenues and cost of products sold, particularly in Ag Services and Oilseeds, generally have a relatively equal impact from commodity price changes which generally result in an insignificant impact to gross profit.

Revenues decreased \$0.4 billion to \$31.3 billion due to lower sales prices and volumes. Lower sales prices of wheat and biodiesel and lower sales volumes of soybeans, alcohol, rice, and oils, were partially offset by higher sales prices of oils and higher sales volumes of wheat, corn, and meal. Ag Services and Oilseeds revenues increased \$0.1 billion due to higher sales volumes (\$0.2 billion) partially offset by lower sales prices (\$0.1 billion). Carbohydrate Solutions revenues decreased 11% to \$4.3 billion due to lower sales volumes (\$0.3 billion) and lower sales prices (\$0.2 billion). Nutrition revenues increased 4% to \$2.9 billion due to higher sales prices (\$0.1 billion).

Cost of products sold decreased \$0.5 billion to \$29.2 billion due to lower prices and volumes. Included in cost of products sold was a credit of \$91 million from the effect of the elimination of the LIFO reserve in connection with the accounting change in the current period compared to a charge of \$26 million from the effect of changes in agricultural commodity prices on LIFO inventory valuation reserves in the prior period. Manufacturing expenses decreased \$0.1 billion to \$2.8 billion due principally to lower energy and labor costs and maintenance expenses, partially offset by railroad maintenance expenses..

Foreign currency translation impacts decreased both revenues and cost of products sold by \$0.4 billion.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Gross profit increased \$0.2 billion or 8% to \$2.1 billion. Higher results in Human and Animal Nutrition (\$118 million), Ag Services (\$182 million), and Vantage Corn Processors (\$43 million) were partially offset by lower results in Crushing (\$203 million) and Starches and Sweeteners (\$75 million). These factors are explained in the segment operating profit discussion on page 51. The elimination of the LIFO reserve in connection with the accounting change effective January 1, 2020 had a positive impact on gross profit of \$91 million in the current period compared to the negative impact of \$26 million from changes in agricultural commodity prices on LIFO inventory valuation reserves in the prior period.

Selling, general, and administrative expenses increased 3% to \$1.3 billion due principally to higher variable performance-related compensation expense accruals, partially offset by lower compensation expenses.

Asset impairment, exit, and restructuring costs decreased \$90 million to \$57 million. Charges in the current period consisted primarily of impairments related to certain intangible and other long-lived assets and individually insignificant restructuring charges. Prior period charges consisted of \$44 million of impairments related to certain long-lived assets presented as specified items within segment operating profit, and \$103 million of restructuring and pension remeasurement charges in Corporate primarily related to early retirement and reorganization initiatives.

Interest expense decreased \$40 million to \$170 million due principally to lower interest rates and net interest savings from cross currency swaps.

Equity in earnings of unconsolidated affiliates increased \$52 million to \$243 million due to higher earnings from the Company's investments in Wilmar and SoyVen and a loss in the prior period from the Company's investment in CIP which was sold in December 2019, partially offset by a loss in the current period from the Company's investment in Olenex.

Other income - net increased \$78 million to \$99 million. Current period income included included foreign exchange gains, the non-service components of net pension benefit income, and other income, partially offset by loss provisions related to the Company's futures commission and brokerage business and expenses related to the early repayment of debt. Prior period income included gains on the sale of certain assets, step-up gains on equity investments, gains on disposals of individually insignificant assets in the ordinary course of business, and other income, partially offset by foreign exchange losses.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Segment operating profit, adjusted segment operating profit (a non-GAAP measure), and earnings before income taxes for the six months are as follows:

	Six Months Ended		
	June 30,		
	2020	2019	Change
Segment Operating Profit (Loss)	(In millions)		
Ag Services and Oilseeds			
Ag Services	\$ 335	\$ 165	\$ 170
Crushing	183	355	(172)
Refined Products and Other	159	143	16
Wilmar	158	116	42
Total Ag Services and Oilseeds	835	779	56
Carbohydrate Solutions			
Starches and Sweeteners	276	350	(74)
Vantage Corn Processors	(13)	(62)	49
Total Carbohydrate Solutions	263	288	(25)
Nutrition			
Human Nutrition	244	191	53
Animal Nutrition	56	7	49
Total Nutrition	300	198	102
Other Business	49	25	24
Specified Items:			
Gains (losses) on sales of assets and businesses	23	12	11
Asset impairment, restructuring, and settlement charges	(58)	(46)	(12)
Total Specified Items	(35)	(34)	(1)
Total Segment Operating Profit	\$ 1,412	\$ 1,256	\$ 156
Adjusted Segment Operating Profit ⁽¹⁾	\$ 1,447	\$ 1,290	\$ 157
Segment Operating Profit	\$ 1,412	\$ 1,256	\$ 156
Corporate	(485)	(667)	182
Earnings Before Income Taxes	\$ 927	\$ 589	\$ 338

⁽¹⁾ Adjusted segment operating profit is segment operating profit excluding the above specified items.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Ag Services and Oilseeds operating profit increased 7%. Ag Services results more than doubled compared to the prior period, which were negatively impacted by high water conditions in North America. Strong performance in global trade was driven by strong results in destination marketing and structured trade finance. Robust farmer selling in Brazil drove higher origination volumes and margins, which were partially offset by weaker results in North America. Crushing results were lower than the prior year period. Volumes were strong and execution margins were solid although below the high realized margins in the first half of 2019. The prior year period also benefited from positive timing effects. Refined Products and Other results were higher due to improved biodiesel margins in both North and South America, partially offset by lower biodiesel margins in EMEAI. Wilmar results were higher year-over-year.

Carbohydrate Solutions operating profit decreased 9%. Starches and Sweeteners results were down driven largely by negative mark-to-market timing effects on forward sales of corn oil. Absent those impacts, results were higher due to better operating performance at the Decatur facility, strong results in wheat milling, and improved conditions in EMEAI. VCP results improved from the prior period due to effective risk management and increased demand for industrial ethanol.

Nutrition operating profit increased 52%. Human Nutrition delivered strong performance and growth across its broad portfolio. Strong execution to meet rising customer demand for plant-based proteins and edible beans drove higher results in Specialty Ingredients. Additional fermentation revenue and strong sales for probiotics and fiber drove higher performance in Health & Wellness. Flavors continued to deliver solid results. Animal Nutrition results improved year-over-year driven by strong performance from Neovia, good volumes and margins in feed additives, and solid sales in pet care. Amino acids were negatively impacted by a decline in the global pricing environment.

Other Business operating profit increased 96%. Improvements in underwriting performance at the captive insurance operations were partially offset by loss provisions related to the Company's futures commission and brokerage business.

Corporate results for the six months are as follows:

	Six Months Ended		
	June 30,		
	2020	2019	Change
	(In millions)		
LIFO credit (charge)	\$ 91	\$ (26)	\$ 117
Interest expense-net	(163)	(191)	28
Unallocated corporate costs	(383)	(315)	(68)
Expenses related to acquisitions	—	(14)	14
Early debt repayment expenses	(14)	—	(14)
Impairment and restructuring adjustments (charges)	1	(103)	104
Other charges	(17)	(18)	1
Total Corporate	<u>\$ (485)</u>	<u>\$ (667)</u>	<u>\$ 182</u>

Corporate results were a net charge of \$485 million in the current period compared to \$667 million in the prior period. The elimination of the LIFO reserve in connection with the accounting change effective January 1, 2020 resulted in a credit of \$91 million in the current period compared to a LIFO charge of \$26 million in the prior period. Interest expense-net decreased \$28 million due principally to lower interest rates and net interest savings from cross currency swaps. Unallocated corporate costs increased \$68 million due principally to higher variable performance-related compensation expense accruals and costs transferred in from the businesses related to centralization of certain activities. Expenses related to acquisitions in the prior period related to the Neovia acquisition. Early debt repayment expenses were related to the make-whole call provision on a bond. Restructuring charges in the prior period, which included pension remeasurement charges, related to early retirement and reorganization initiatives. Other charges in the current period included railroad maintenance expenses of \$73 million that had an offsetting benefit in income tax expense, partially offset by foreign exchange gains, an investment revaluation gain, and the non-service components of net pension benefit income. Other charges in the prior period included foreign exchange losses and a loss from the Company's equity investment in CIP, which was sold in December 2019.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Non-GAAP Financial Measures

The Company uses adjusted EPS, adjusted EBITDA, and adjusted segment operating profit, non-GAAP financial measures as defined by the Securities and Exchange Commission, to evaluate the Company's financial performance. These performance measures are not defined by accounting principles generally accepted in the United States and should be considered in addition to, and not in lieu of, GAAP financial measures.

Adjusted EPS is defined as diluted EPS adjusted for the effects on reported diluted EPS of specified items. Adjusted EBITDA is defined as earnings before taxes, interest, and depreciation and amortization, adjusted for specified items. The Company calculates adjusted EBITDA by removing the impact of specified items and adding back the amounts of interest expense and depreciation and amortization to earnings before income taxes. Adjusted segment operating profit is segment operating profit adjusted, where applicable, for specified items.

Management believes that adjusted EPS, adjusted EBITDA, and adjusted segment operating profit are useful measures of the Company's performance because they provide investors additional information about the Company's operations allowing better evaluation of underlying business performance and better period-to-period comparability. Adjusted EPS, adjusted EBITDA, and adjusted segment operating profit are not intended to replace or be an alternative to diluted EPS, earnings before income taxes, and segment operating profit, respectively, the most directly comparable amounts reported under GAAP.

The table below provides a reconciliation of diluted EPS to adjusted EPS for the six months ended June 30, 2020 and 2019.

	Six months ended June 30,			
	2020		2019	
	In millions	Per share	In millions	Per share
Average number of shares outstanding - diluted	563		566	
Net earnings and reported EPS (fully diluted)	\$ 860	\$ 1.53	\$ 468	\$ 0.83
Adjustments:				
LIFO charge (credit) - net of tax of \$22 million in 2020 and \$6 million in 2019 ⁽¹⁾	(69)	(0.12)	20	0.03
(Gains) losses on sales of assets and businesses - net of tax of \$5 million in 2020 and \$3 million in 2019 ⁽²⁾	(18)	(0.03)	(9)	(0.02)
Asset impairment, restructuring, and settlement charges - net of tax of \$13 million in 2020 and \$34 million in 2019 ⁽²⁾	44	0.08	115	0.20
Expenses related to acquisitions - net of tax of \$5 million in 2019 ⁽²⁾	—	—	9	0.02
Early debt repayment expenses - net of tax of \$3 million ⁽¹⁾	11	0.02	—	—
Certain discrete tax adjustments	8	0.01	(2)	—
Total adjustments	(24)	(0.04)	133	0.23
Adjusted net earnings and adjusted EPS	\$ 836	\$ 1.49	\$ 601	\$ 1.06

⁽¹⁾ Tax effected using the Company's U.S. tax rate. LIFO accounting was discontinued effective January 1, 2020.

⁽²⁾ Tax effected using the applicable tax rates.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The tables below provide a reconciliation of earnings before income taxes to adjusted EBITDA and adjusted EBITDA by segment for the six months ended June 30, 2020 and 2019.

(In millions)	Six months ended June 30,		
	2020	2019	Change
Earnings before income taxes	\$ 927	\$ 589	\$ 338
Interest expense	170	210	(40)
Depreciation and amortization	489	493	(4)
LIFO	(91)	26	(117)
(Gains) losses on sales of assets and businesses	(23)	(12)	(11)
Early debt repayment expenses	14	—	14
Expenses related to acquisitions	—	14	(14)
Railroad maintenance expenses	73	—	73
Asset impairment, restructuring, and settlement charges	57	149	(92)
Adjusted EBITDA	<u>\$ 1,616</u>	<u>\$ 1,469</u>	<u>\$ 147</u>

(In millions)	Six months ended June 30,		
	2020	2019	Change
Ag Services and Oilseeds	\$ 1,016	\$ 967	\$ 49
Carbohydrate Solutions	422	452	(30)
Nutrition	416	307	109
Other	54	42	12
Corporate	(292)	(299)	7
Adjusted EBITDA	<u>\$ 1,616</u>	<u>\$ 1,469</u>	<u>\$ 147</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Liquidity and Capital Resources

A Company objective is to have sufficient liquidity, balance sheet strength, and financial flexibility to fund the operating and capital requirements of a capital intensive agricultural commodity-based business. The Company depends on access to credit markets, which can be impacted by its credit rating and factors outside of ADM's control, to fund its working capital needs and capital expenditures. The primary source of funds to finance ADM's operations, capital expenditures, and advancement of its growth strategy is cash generated by operations and lines of credit, including a commercial paper borrowing facility and accounts receivable securitization programs. In addition, the Company believes it has access to funds from public and private equity and debt capital markets in both U.S. and international markets.

Cash used in operating activities was \$0.4 billion for the six months compared to \$2.7 billion for the same period last year. Working capital changes, including the increase in deferred consideration, decreased cash by \$2.0 billion for the six months compared to \$3.7 billion for the same period last year. Inventories decreased approximately \$1.4 billion primarily due to lower inventory quantities, partially offset by higher prices. Trade payables declined approximately \$0.8 billion principally reflecting seasonal cash payments for North American harvest-related grain purchases.

Increase in deferred consideration in securitized receivables of \$2.5 billion and \$3.6 billion for the six months and the same period last year, respectively, was offset by \$2.5 billion and \$3.6 billion of net consideration received for beneficial interest obtained for selling trade receivables for the six months and the same period last year, respectively.

Cash provided by investing activities was \$2.2 billion for the six months compared to \$1.3 billion for the same period last year. Capital expenditures for the six months of \$0.4 billion were comparable to the same period last year. Net assets of businesses acquired were \$3 million for the six months compared to \$1.9 billion for the same period last year due to the acquisition of Neovia in 2019. Net consideration received for beneficial interest obtained for selling trade receivables was \$2.5 billion for the six months compared to \$3.6 billion the same period last year.

Cash used in financing activities was \$0.2 billion for the six months compared to cash provided of \$0.3 billion for the same period last year. Long-term debt borrowings for the six months of \$1.5 billion consisted of the \$0.5 billion and \$1.0 billion aggregate principal amounts of 2.75% Notes due in 2025 and 3.25% Notes due in 2030, respectively, issued on March 27, 2020 compared to long-term borrowings of \$2 million for the same period last year. Commercial paper net payments for the six months were \$0.7 billion compared to net borrowings of \$1.4 billion for the same period last year. Proceeds from the borrowings in the current period will be used for general corporate purposes, including the reduction of short-term debt. Long-term debt payments for the six months of \$0.5 billion related to the early redemption of the \$0.5 billion aggregate principal amount of 4.479% debentures due in 2021 compared to \$0.6 billion for the same period last year which primarily related to the €0.5 billion Floating Rate Notes that matured in June 2019. Share repurchases of \$0.1 billion and dividends of \$0.4 billion for the six months were comparable to the same period last year.

At June 30, 2020, the Company had \$1.2 billion of cash, cash equivalents, and short-term marketable securities and a current ratio, defined as current assets divided by current liabilities, of 1.7 to 1. Included in working capital was \$4.6 billion of readily marketable commodity inventories. At June 30, 2020, the Company's capital resources included shareholders' equity of \$19.3 billion and lines of credit, including the accounts receivable securitization programs described below, totaling \$10.9 billion, of which \$9.7 billion was unused. The Company's ratio of long-term debt to total capital (the sum of the Company's long-term debt and shareholders' equity) was 31% and 29% at June 30, 2020 and December 31, 2019, respectively. The Company uses this ratio as a measure of the Company's long-term indebtedness and an indicator of financial flexibility. The Company's ratio of net debt (the sum of short-term debt, current maturities of long-term debt, and long-term debt less the sum of cash and cash equivalents and short-term marketable securities) to capital (the sum of net debt and shareholders' equity) was 29% at June 30, 2020 and December 31, 2019. Of the Company's total lines of credit, \$5.0 billion supported the combined U.S. and European commercial paper borrowing programs, against which there was no commercial paper outstanding at June 30, 2020.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

COVID-19 has not significantly impacted ADM's capital and financial resources, and pricing on its revolving credit facility remains unchanged. However, in line with the overall markets, COVID-19 has created dislocations in the credit markets during certain periods in the first half of 2020 with corporate spreads increasing, partially offset by a decline in benchmark yields. The Company has utilized its diversified sources of liquidity, including its inventory financing and bilateral bank facilities, to ensure it has ample cash and is prepared for possible unexpected credit market disruptions. Additionally, ADM has been accepted into the Federal Reserve's Commercial Paper Financing Facility and the Bank of England's Covid Corporate Financing Facility ensuring uninterrupted access to both the U.S. and European commercial paper markets. To date, the Company has not utilized these facilities.

As of June 30, 2020, the Company had \$1.2 billion of cash and cash equivalents, \$0.5 billion of which was cash held by foreign subsidiaries whose undistributed earnings are considered indefinitely reinvested. Based on the Company's historical ability to generate sufficient cash flows from its U.S. operations and unused and available U.S. credit capacity of \$7.0 billion, the Company has asserted that these funds are indefinitely reinvested outside the U.S.

The Company has accounts receivable securitization programs (the "Programs") with certain commercial paper conduit purchasers and committed purchasers. The Programs provide the Company with up to \$1.8 billion in funding against accounts receivable transferred into the Programs and expands the Company's access to liquidity through efficient use of its balance sheet assets (see Note 16 of "Notes to Consolidated Financial Statements" included in Item 1 herein, "Financial Statements" for more information and disclosures on the Programs). As of June 30, 2020, the Company utilized \$0.6 billion of its facility under the Programs.

For the six months ended June 30, 2020, the Company spent approximately \$0.4 billion in capital expenditures, \$0.4 billion in dividends, and \$0.1 billion in share repurchases. The Company has a stock repurchase program. Under the program, the Company acquired 3.8 million shares for the six months ended June 30, 2020, and has 105 million shares remaining that may be repurchased until December 31, 2024.

The Company expects capital expenditures of approximately \$0.8 billion, dividends of \$0.8 billion, and share repurchases of \$0.1 billion during 2020.

Contractual Obligations and Commercial Commitments

The Company's purchase obligations as of June 30, 2020 and December 31, 2019 were \$13.2 billion and \$12.2 billion, respectively. The increase is primarily related to energy commitments and obligations to purchase higher quantities of agricultural commodity inventories. As of June 30, 2020, the Company expects to make payments related to purchase obligations of \$12.2 billion within the next twelve months. There were no other material changes in the Company's contractual obligations during the quarter ended June 30, 2020.

Off Balance Sheet Arrangements

In June 2020, the Company extended its accounts receivable securitization program (the "First Program") with certain commercial and conduit purchases and committed purchasers (collectively, the "First Purchasers") and decreased its facility from \$1.3 billion to \$1.2 billion. The First Program terminates on September 18, 2020 unless extended (see Note 16 of "Notes to Consolidated Financial Statements" included in Item 1 herein, "Financial Statements" for more information and disclosures on the Programs).

There were no other material changes in the Company's off balance sheet arrangements during the quarter ended June 30, 2020.

Critical Accounting Policies

There were no material changes in the Company's critical accounting policies during the quarter ended June 30, 2020.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in: commodity market prices as they relate to the Company's net commodity position, foreign currency exchange rates, and interest rates. Significant changes in market risk sensitive instruments and positions for the quarter ended June 30, 2020 are described below. There were no material changes during the period in the Company's potential loss arising from changes in foreign currency exchange rates and interest rates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

For detailed information regarding the Company's market risk sensitive instruments and positions, see Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Commodities

The availability and prices of agricultural commodities are subject to wide fluctuations due to factors such as changes in weather conditions, crop disease, plantings, government programs and policies, competition, changes in global demand, changes in customer preferences and standards of living, and global production of similar and competitive crops.

The fair value of the Company's commodity position is a summation of the fair values calculated for each commodity by valuing all of the commodity positions at quoted market prices for the period, where available, or utilizing a close proxy. The Company has established metrics to monitor the amount of market risk exposure, which consist of volumetric limits and value-at-risk ("VaR") limits. VaR measures the potential loss, at a 95% confidence level, that could be incurred over a one-year period. Volumetric limits are monitored daily and VaR calculations and sensitivity analysis are monitored weekly.

In addition to measuring the hypothetical loss resulting from an adverse two standard deviation move in market prices (assuming no correlations) over a one-year period using VaR, sensitivity analysis is performed measuring the potential loss in fair value resulting from a hypothetical 10% adverse change in market prices. The highest, lowest, and average weekly position together with the market risk from a hypothetical 10% adverse price change is as follows:

Long/(Short) (In millions)	Six months ended June 30, 2020		Year ended December 31, 2019	
	Fair Value	Market Risk	Fair Value	Market Risk
Highest position	\$ 400	\$ 40	\$ 576	\$ 58
Lowest position	(595)	(60)	(83)	(8)
Average position	(185)	(19)	280	28

The change in fair value of the average position was the result of a decrease in average quantities underlying the weekly commodity position partially offset by an increase in prices.

ITEM 4. CONTROLS AND PROCEDURES

As of June 30, 2020, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. There was no change in the Company's internal controls over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

During 2018, the Company launched Readiness to drive new efficiencies and improve the customer experience in the Company's existing businesses through a combination of data analytics, process simplification and standardization, and behavioral and cultural change, building upon its earlier IADM and operational excellence programs. As part of this transformation, the Company is implementing a new enterprise resource planning ("ERP") system on a worldwide basis, which is expected to occur in phases over the next several years. The Company continues to consider these changes in its design of and testing for effectiveness of internal controls over financial reporting and concluded, as part of the evaluation described in the above paragraph, that the implementation of the new ERP in these circumstances has not materially affected its internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is routinely involved in a number of actual or threatened legal actions, including those involving alleged personal injuries, employment law, product liability, intellectual property, environmental issues, alleged tax liability (see Note 10 for information on income tax matters), and class actions. The Company also routinely receives inquiries from regulators and other government authorities relating to various aspects of our business, and at any given time, the Company has matters at various stages of resolution. The outcomes of these matters are not within our complete control and may not be known for prolonged periods of time. In some actions, claimants seek damages, as well as other relief including injunctive relief, that could require significant expenditures or result in lost revenues. In accordance with applicable accounting standards, the Company records a liability in its consolidated financial statements for material loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a material loss contingency is reasonably possible but not known or probable, and can be reasonably estimated, the estimated loss or range of loss is disclosed in the notes to the consolidated financial statements. When determining the estimated loss or range of loss, significant judgment is required to estimate the amount and timing of a loss to be recorded. Estimates of probable losses resulting from litigation and governmental proceedings involving the Company are inherently difficult to predict, particularly when the matters are in early procedural stages, with incomplete facts or legal discovery; involve unsubstantiated or indeterminate claims for damages; potentially involve penalties, fines, disgorgement, or punitive damages; or could result in a change in business practice.

On September 4, 2019, AOT Holding AG (“AOT”) filed a putative class action under the U.S. Commodities Exchange Act in federal district court in Urbana, Illinois, alleging that the Company sought to manipulate the benchmark price used to price and settle ethanol derivatives traded on futures exchanges. AOT alleges that members of the putative class suffered “hundreds of millions of dollars in damages” as a result of the Company’s alleged actions. In May 2020, the court granted in part and denied in part the Company’s motion to dismiss, and the parties are engaged in discovery. On July 14, 2020, a putative class action lawsuit, alleging substantially the same operative facts, was filed in federal court in Nebraska by Green Plains Inc. and its related entities, seeking to represent all sellers of ethanol. On July 23, 2020, Midwest Renewable Energy, LLC filed a putative class action in federal court in Illinois alleging substantially the same operative facts and asserting claims under the Sherman Act. The Company denies liability, and is vigorously defending itself in these actions. As these actions are in pretrial proceedings, the Company is unable at this time to predict the final outcome with any reasonable degree of certainty, but believes the outcome will not have a material adverse effect on its financial condition, results of operations, or cash flows.

On September 5, 2019, D&M Farms, Mark Hasty, and Dustin Land filed a putative class action on behalf of a purported class of peanut farmers under the U.S. federal antitrust laws in federal court in Norfolk, Virginia, alleging that the Company’s subsidiary, Golden Peanut, and another peanut shelling company, conspired to fix the price they paid to farmers for raw peanuts. In May 2020, the court denied the Company’s motion to dismiss, and the parties are engaged in discovery. The Company denies liability and is vigorously defending itself, in this action. As this action is in pretrial proceedings, the Company is unable at this time to predict the final outcome with any reasonable degree of certainty, but believes the outcome will not have a material adverse effect on its financial condition, results of operations, or cash flows.

The Company is not currently a party to any legal proceeding or environmental claim that it believes would have a material adverse effect on its financial position, results of operations, or liquidity.

ITEM 1A. RISK FACTORS

The information presented below updates, and should be read in conjunction with, the risk factors in Part I, “Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019. Except as presented below, there were no other significant changes in the Company’s risk factors during the quarter ended June 30, 2020.

The Company faces risks related to health epidemics, pandemics, and similar outbreaks.

ADM is monitoring the global outbreak of the novel coronavirus (COVID-19) and taking steps to mitigate the potential risks posed by its spread, including working with its customers, employees, suppliers, local communities, and other stakeholders. COVID-19 or other health epidemics, pandemics, or similar outbreaks could impact the Company’s operations if significant portions of its workforce are unable to work effectively, including because of illness, quarantines, government actions, facility closures, or other restrictions. In such circumstances, ADM may be unable to perform fully on its contracts, supply chain may be affected, and costs may increase. These cost increases may not be fully recoverable or adequately covered by insurance. In addition, a prolonged outbreak of COVID-19 or a resurgence of the virus in the future may have a material impact on demand for certain products that ADM produces, particularly biofuels and ingredients that go into food and beverages that service the food services channels. The Company cannot at this time predict the impact of the COVID-19 pandemic on its future financial or operational results, but the impact could potentially be material over time.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program ⁽²⁾	Number of Shares Remaining that May be Purchased Under the Program ⁽²⁾
April 1, 2020 to April 30, 2020	4,652	\$ 35.193	49	104,962,001
May 1, 2020 to May 31, 2020	1,236	37.695	161	104,961,840
June 1, 2020 to June 30, 2020	1,090	40.185	180	104,961,660
Total	6,978	\$ 36.416	390	104,961,660

(1) Total shares purchased represents those shares purchased in the open market as part of the Company’s publicly announced share repurchase program described below, shares received as payment for the exercise price of stock option exercises, and shares received as payment for the withholding taxes on vested restricted stock awards. During the three-month period ended June 30, 2020, there were 6,588 shares received as payments for the minimum withholding taxes on vested restricted stock awards and for the exercise price of stock option exercises.

(2) On August 7, 2019, the Company’s Board of Directors approved the extension of the stock repurchase program through December 31, 2024 and the repurchase of up to an additional 100,000,000 shares under the extended program.

ITEM 6. EXHIBITS

- (3)(i) [Composite Certificate of Incorporation, as amended \(incorporated by reference to Exhibit 3\(i\) to the Company's Form 10-Q for the quarter ended September 30, 2001 \(File No. 1-44\)\).](#)
- (3)(ii) [Bylaws, as amended through May 1, 2019 \(incorporated by reference to Exhibit 3\(ii\) to the Company's Form 8-K filed on May 7, 2019 \(File No. 1-44\)\).](#)
- (10.1) [Form of Performance Share Unit Award Agreement under the Company's 2020 Incentive Compensation Plan](#)
- (10.2) [Form of Restricted Stock Unit Award Agreement under the Company's 2020 Incentive Compensation Plan](#)
- (31.1) [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act, as amended.](#)
- (31.2) [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act, as amended.](#)
- (32.1) [Certification of Chief Executive Officer pursuant to 18 U.S.C. 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. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- (101) Interactive Data File
- (104) Cover Page Interactive Data File (formatted as Inline XBRL and incorporated by reference to Exhibit 101)

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 thereunto duly authorized.

ARCHER-DANIELS-MIDLAND COMPANY

/s/ R. G. Young

R. G. Young

Executive Vice President and Chief Financial Officer

/s/ D. C. Findlay

D. C. Findlay

Senior Vice President, General Counsel, and Secretary

Dated: July 30, 2020

**Archer-Daniels-Midland Company
2020 Incentive Compensation Plan**

Performance Share Unit Award Terms and Conditions

These Terms and Conditions are part of a Performance Share Unit Award Agreement (the “Agreement”) that governs a Performance Share Unit Award made to you as an employee of Archer-Daniels-Midland Company (“ADM”) or one of its Affiliates pursuant to the terms of the Company’s 2020 Incentive Compensation Plan (the “Plan”). The Agreement consists of a notice of Performance Share Unit Award that has been provided to you (the “Notice”), these Terms and Conditions (including Appendix A to these Terms and Conditions (“Appendix A”)) and the applicable terms of the Plan which are incorporated into the Agreement by reference, including the definitions of capitalized terms contained in the Plan. In this Agreement, the term “Company” refers to ADM and its Affiliates, unless the context refers to the issuer of this Award or the Shares issued in settlement of this Award, in which case the term refers to ADM.

Section 1. Grant of Performance Share Unit Award. The grant of this Performance Share Unit Award to you is effective as of the Date of Grant specified in the Notice. This Performance Share Unit Award provides you a number of Performance Share Units initially equal to the target number of Performance Share Units specified in the Notice (the “Target Number of Units”). The number of Performance Share Units that may actually be earned and become eligible to vest pursuant to this Award can be between 0% and 200% of the Target Number of Units, but may not under any circumstances exceed the maximum number of Performance Share Units specified in the Notice (the “Maximum Number of Units”). Each Performance Share Unit that is determined to have been earned as provided in Appendix A and which thereafter vests represents the right to receive one Share of the Company’s common stock. Prior to their settlement or forfeiture in accordance with the terms of this Agreement, the Performance Share Units granted to you shall be credited to an account in your name maintained by the Company. This account shall be unfunded and maintained for bookkeeping purposes only, with the Performance Share Units simply representing an unfunded and unsecured obligation of the Company.

Section 2. Rights of the Recipient.

(a) **No Shareholder Rights.** The Performance Share Units granted pursuant to this Award do not entitle you to any rights of a shareholder of the Company’s common stock. Your rights with respect to the Performance Share Units shall remain forfeitable at all times by you until satisfaction of the vesting conditions set forth in Section 3.

(b) **Restrictions on Transfer.** You shall not be entitled to transfer, sell, pledge, alienate, hypothecate or assign the Performance Share Units or this Award, except that in the event of your death, your estate shall be entitled to the Shares represented by the earned and vested Performance Share Units. Any attempt to otherwise transfer the Performance Share Units or this Award shall be void. All rights with respect to the Performance Share Units and this Award shall be available only to you during your lifetime, and thereafter to your estate.

Section 3. Vesting of Performance Share Units. Subject to the provisions of Section 7 below, the Performance Share Units granted hereunder and your right to receive Shares in settlement thereof shall vest (i) on the Scheduled Vesting Date specified in Appendix A, but only if and to the extent that the Performance Share Units have been determined by the Committee to have been earned in accordance with Section 4 hereof during the Performance Period specified in Appendix A (the “Performance Period”), and your status as an Employee has been continuous since the Date of Grant, or (ii) at such earlier time and to the extent specified in Section 6 (the Scheduled Vesting Date or such earlier vesting date being referred to as the “Vesting Date”). Any outstanding Performance Share Units granted under this Agreement that do not vest on the applicable Vesting Date shall be forfeited.

Section 4. Earned Units. Whether and to what degree the Performance Share Units subject to this Award will have been earned as of the end of the Performance Period will be determined by whether and to what degree the Company has satisfied the applicable performance objective(s) for the Performance Period as set forth in Appendix A, and whether and to what degree, if any, the Committee has chosen to exercise its discretion to adjust the number of Performance Share Units otherwise deemed to have been earned. You acknowledge that the number of Performance Share Units deemed to have been earned based on whether and to what degree the Company has satisfied the applicable performance objective(s) for the Performance Period may be adjusted, including to zero, by the Committee in its sole and absolute discretion based on such factors as the Committee determines to be appropriate and/or advisable.

Section 5. Settlement of Performance Share Units. Subject to the provisions of Section 7, to the extent the Performance Share Units subject to this Award vest in accordance with Section 3, the Company shall cause to be issued to you, or to your estate in the event of your death, one share of its common stock in payment and settlement of each vested Performance Share Unit. Except as otherwise provided in Section 6 below, such issuance shall follow certification by the Committee that the Company has satisfied the applicable performance objective(s) as of the end of the Performance Period, and shall occur on or as soon as administratively practicable after the Vesting Date, but no later than the 15th day of the third calendar month after the Vesting Date, and you shall have no power to affect the timing of such issuance. Such issuance shall be evidenced by a stock certificate or appropriate entry on the books of the Company or a duly authorized transfer agent of the Company, shall be subject to the tax withholding provisions of Section 8, and shall be in complete settlement and satisfaction of such vested Performance Share Units. If the Performance Share Units that vest include a fractional Performance Share Unit,

the Company shall round the number of vested Performance Share Units to the nearest whole unit prior to issuance of Shares as provided herein. If the ownership of or issuance of Shares to you as provided herein is not feasible due to applicable exchange controls, securities or tax laws or other provisions of applicable law, as determined by the Committee in its sole discretion, you or your legal representative shall receive cash proceeds in an amount equal to the Fair Market Value (as of the Vesting Date) of the Shares otherwise issuable to you, net of any amount required to satisfy withholding tax obligations as provided in Section 8.

Section 6. Effect of Termination of Service and Change of Control. If you cease to be an Employee prior to the Scheduled Vesting Date under circumstances other than as set forth in paragraphs 6(a) through 6(d), you shall immediately forfeit all unvested Performance Share Units. To the extent any of paragraphs 6(a) through 6(d) is applicable to this Award, any unvested Performance Share Units that do not vest on the applicable Vesting Date as provided therein shall immediately be forfeited.

(a) **Retirement.** If you cease to be an Employee by reason of your Retirement prior to the Scheduled Vesting Date, then you will be entitled to have vest on the Scheduled Vesting Date the number of Performance Share Units that would otherwise have been determined to have been earned during the Performance Period and vested in accordance with Appendix A if you had remained continuously employed until the Scheduled Vesting Date.

(b) **Disability.** If you cease to be an Employee by reason of your Disability prior to the Scheduled Vesting Date, then you will be entitled to have vest on the Scheduled Vesting Date the number of Performance Share Units that would otherwise have been determined to have been earned during the Performance Period and vested in accordance with Appendix A if you had remained continuously employed until the Scheduled Vesting Date.

(c) **Death.** If you cease to be an Employee as a result of your death prior to the Scheduled Vesting Date, then you will be entitled to have vest as of the date of your death a number of Performance Share Units equal to the sum of the Target Number of Shares.

(d) **Change of Control.** If a Change of Control occurs after the Date of Grant but before the Scheduled Vesting Date and you continue to be an Employee to the date of the Change of Control, then the following provisions shall apply:

(i) **Termination After a Change of Control.** If, within 24 months after a Change of Control (A) described in paragraphs (a) or (d) of Section 2.8 of the Plan or (B) that constitutes a Business Combination as defined in paragraph (c) of Section 2.8 of the Plan and in connection with which the surviving or acquiring entity (or its parent entity) has continued, assumed or replaced this Performance Share Unit Award, you cease to be an Employee due either to an involuntary termination for reasons other than Cause (as defined in paragraph 7(b)) or a resignation for Good Reason (as defined in subparagraph 6(d)(v)), then the Performance Period will be truncated and will end as of the end of the Company's most recently completed fiscal year prior to the date you cease to be an Employee, and you will be entitled to have vest as of the date of such employment termination a number of Performance Share Units determined as provided in subparagraph 6(d)(iv).

(ii) **Award Not Continued, Assumed or Replaced.** If this Performance Share Unit Award is not continued, assumed or replaced in connection with a Change of Control that constitutes a Business Combination as contemplated by clause (B) of subparagraph 6(d)(i), or if a Change of Control described in paragraph (b) of Section 2.8 of the Plan occurs, then the Performance Period will be truncated and will end as of the end of the Company's most recently completed fiscal year prior to the date of the Change of Control, and you will be entitled to have vest as of the date of the Change of Control a number of Performance Share Units determined as provided in subparagraph 6(d)(iv).

(iii) **Assumption or Replacement.** For purposes of this paragraph 6(d), this Performance Share Unit Award will be considered assumed or replaced if, in connection with the Change of Control transaction and in a manner consistent with Code Section 409A, either (i) the contractual obligations represented by this Award are expressly assumed by the surviving or acquiring entity (or its parent entity) with appropriate adjustments to the number and type of securities subject to this Award and the applicable performance goals that preserves the intrinsic value of this Award existing at the time of the Change of Control transaction, or (ii) you have received a comparable performance share unit award that preserves the intrinsic value of this Award existing at the time of the Change of Control transaction and is subject to substantially similar terms and conditions as this Award.

(iv) **Units Subject to Accelerated Vesting.** The number of Performance Share Units that would be subject to accelerated vesting pursuant to subparagraph 6(d)(i) or 6(d)(ii) will be equal to the greater of (A) the number of Performance Share Units determined by the Committee to have been earned during the truncated Performance Period, and (B) the Target Number of Units.

(v) **Good Reason.** For purposes of this Agreement, "Good Reason" shall have the meaning specified in your employment agreement with the Company; provided if you are not a party to an employment agreement that contains such definition, then a termination for "Good Reason" shall occur upon your resignation from employment with the Company as a result of one or more of the following reasons: (i) the Company materially reduces the amount of your base salary or cash bonus opportunity (it being understood that the Committee shall have discretion to set the Company's and your personal performance targets to which the cash bonus will be tied), (ii) a material diminution in your authority, duties or responsibilities, or (iii) the Company changes your place of work (other than in connection with a return to your home country upon the termination of a work assignment in a different country) to a location more than fifty (50) miles from your present place of work; provided, however, that the occurrence of any such condition shall not constitute Good Reason unless (A)

you provide written notice to the Company of the existence of such condition not later than 60 days after you know or reasonably should know of the existence of such condition, (B) the Company fails to remedy such condition within 30 days after receipt of such notice and (C) you resign due to the existence of such condition within 60 days after the expiration of the remedial period described in clause (B) hereof.

Section 7. Forfeiture of Award and Compensation Recovery.

(a) Forfeiture Conditions. Notwithstanding anything to the contrary in this Agreement, if you cease to be an Employee because your employment is terminated for “Cause” (as defined in paragraph 7(b)), or if you breach any restrictive covenants applicable to you (including those contained in paragraph 7(c)), (i) you shall immediately forfeit this Award and any right to receive Shares that have not yet been issued pursuant to Section 5, and (ii) with respect to Shares that have been issued pursuant to this Award (or the cash value thereof paid) after the Vesting Date, either (A) you shall return such Shares to the Company, or (B) you shall pay to the Company in cash an amount equal to the Fair Market Value of such Shares as of the Vesting Date (or equal to the cash value previously paid).

(b) Definition of “Cause”. For purposes of this Section 7, “Cause” shall mean the Company’s good faith determination that you have engaged in any act that creates just cause for termination, which, without limiting the foregoing, shall be deemed to include the following: (i) any act of dishonesty with respect to your responsibilities as an Employee, embezzlement, misappropriation, intentional fraud, or other violations of the law or similar conduct by you involving the Company, (ii) any acts resulting in a conviction for, or plea of guilty or nolo contendere to, a charge of commission of a felony, (iii) misconduct resulting in injury to the Company, (iv) activities harmful to the reputation of the Company, (v) a violation of Company operating guidelines or policies, (vi) willful refusal to perform, or substantial disregard of, the duties properly assigned to you, including failure to provide your Best Efforts on behalf of the Company, (vi) a violation of any contractual, statutory or common law duty of loyalty to the Company; (vii) any breach of your obligations to the Company, including any confidentiality or non-disclosure obligations; or (viii) any willful and/or gross misconduct by you that in the good faith determination of the Company demonstrates unfitness to be an employee of the Company, including the harassment of any employee or violation of any law, regulation, or Company policies. “Best Efforts” shall mean that, during your employment or relationship with the Company, you will devote your best efforts to the performance of your duties and the advancement of the Company and shall not engage in any other employment, profitable activities, or other pursuits which would cause you to not devote your full attention to matters of the Company during business hours, to disclose or utilize the Confidential Information of the Company, or which would reflect adversely on the Company.

(c) Restrictive Covenants. You agree that the covenants set forth in subparagraph 7(c)(i) through (iii) are reasonable and necessary to protect the legitimate interests of the Company and that you will abide by all provisions of the Restrictive Covenants set forth in subparagraphs 7(c)(i) through (iii) below for the respective time periods set forth therein.

(i) Non-Disclosure and Return of Confidential Information. You have or will be given access to and provided with sensitive, confidential, proprietary, and/or trade secret information (collectively, “Confidential Information”) in the course of your employment. Examples of Confidential Information include, but are not limited to, inventions, new product or marketing plans, business strategies and plans, merger and acquisition targets, financial and pricing information, computer programs, source codes, models and databases, analytical models, customer lists and information, and supplier and vendor lists and information. “Confidential Information” does not include information that lawfully is or becomes generally and publicly known outside of the Company, or that has been independently developed and disclosed by others with proper authority to do so, in each case other than through your breach of this Agreement or breach by you or another person or entity of some other obligation to the Company. You agree not to disclose or use Confidential Information, either during or after your employment with the Company, except as necessary to perform your duties or as the Company may consent in writing, and except as required by applicable law or by subpoena in each case disclosed in advance to the Company (subject to Section 7(c)(vii) below). You further agree to return any and all Confidential Information and all other Company property, whether in hard or electronic format, regardless of the location on which such information or property may reside, no later than three (3) business days following the termination of your employment or upon demand of the Company, if earlier.

(ii) Non-Solicitation. During the time in which your Performance Share Units shall vest and for one year after the Vesting Date under Section 3 (even if your employment hereafter ends and your Performance Share Units are no longer eligible for vesting), and subject to Section 7(c)(vi) below, you may not, without the Company’s prior written consent, directly or indirectly, for you or for any other person or entity, as agent, employee, officer, director, consultant, owner, principal, partner, or shareholder, or in any other individual or representative capacity:

(A) Solicit any business competitive with the Company from any person or entity who (a) was a Company provider or customer any time within the 12 months prior to such actual or contemplated solicitation by or involving you (or, if your employment with the Company has by then terminated, any time within the 12 months prior to such employment termination) and with whom you had direct or indirect contact to further the Company’s business, or for whom you provided services or supervised employees who provided those services, or about which you received or had access to Confidential Information about the provider or customer, or (b) was a prospective provider or customer the Company solicited any time within the 12 months prior to such actual or contemplated solicitation by or involving you (or, if your employment with the Company has by then terminated, any time within the 12 months prior to such employment termination) and with whom you had contact for the purposes of soliciting the person or entity to become a provider or customer of the Company, or supervised employees who had those contacts, or about which you received or had access to Confidential Information about the prospective

customer or provider.

(B) Recruit or solicit any Company employee or consultant that you gained knowledge of during your employment.

(C) Induce or influence any Company employee or consultant that you gained knowledge of during your employment to terminate his, her or its employment or other relationship with the Company.

(D) Assist anyone in any of the activities listed above.

(iii) Non-Competition. During the time in which your Performance Share Units shall vest and for one year after the Vesting Date under Section 3 (even if your employment hereafter ends and your Performance Share Units are no longer eligible for vesting), and subject to Section 7(c)(vi) below, you may not, without the Company's prior written consent, directly or indirectly, for you or for any other person or entity, as agent, employee, officer, director, consultant, owner, principal, partner or shareholder, or in any other individual or representative capacity, anywhere in the Restricted Area:

(A) Engage in or participate in any activity that is similar to those you performed during the Look Back Period and/or likely to result in your use or disclosure of the Company's Confidential Information on behalf of any person or entity that competes, directly or indirectly, with any Company product or service that you engaged in, participated in, or had Confidential Information about during the Look Back Period, including, but not limited to, any business engaged in any of the following with respect to which you were involved or had responsibilities during the Look Back Period or about which you received or had access to Confidential Information: (i) the development and/or manufacture of products which involve experimental and/or inventive work relating to the origination, trading and/or processing of agricultural commodities, (ii) the development, manufacture sourcing and/or supply of food and/or feed ingredients, flavoring, ethanol, biodiesel, derivatives of agricultural feedstocks, enzymes, probiotics and/or other biologically active compositions, and/or (iii) the operation of grain elevators and/or crop origination and/or transportation networks; or

(B) Assist anyone in any of the activities listed above.

(C) "Restricted Area" means the geographic territory(ies) assigned to you by the Company any time during the twenty-four months prior to such actual or contemplated competitive activity (as described in subpart (A) and (B) above) by or involving you (or, if your employment with the Company has by then terminated, any time within the twenty-four months prior to such employment termination) ("Look Back Period") set by recognized geographic boundary used in the Company's business; and, if you have no such specifically assigned geographic boundary then: (i) the geographic area in which you participated in the Company's business and/or about which you were provided access to Confidential Information during the Look Back Period; and (ii) the state and county where you reside. If you are employed by the Company in a research and/or development capacity and/or if you are employed in a senior management position then you are presumed to have participated in the Company's business and/or had Confidential Information about the Company's business throughout the United States. You are responsible for seeking clarification from the Company's Human Resources department if it is unclear to you at any time what the scope of the Restricted Area is.

(D) Nothing in this Section 7(c)(iii) prohibits you from passively owning not in excess of 2% in the aggregate of any company's stock or other ownership interests that are publicly traded on any national or regional stock exchange.

(iv) Certification of Compliance. Prior to the issuance of Shares, you may be required to certify to the Company and provide such other evidence to the Company as the Company may reasonably require that you have not engaged in any activities that compete with the business operations of the Company since you ceased to be an Employee due to Retirement or Disability.

(v) Consideration and Voluntariness. You stipulate, acknowledge and agree that: (A) your opportunity to enter into this Agreement is adequate consideration to make the provisions of this Agreement, including, without limitation Section 7(c), immediately binding and enforceable against you and you agree not to assert otherwise; and (B) you are under no obligation (including as a condition of initial or continued employment) to accept the Performance Share Unit Award referenced herein with respect to which this Agreement is a condition, and that your decision to accept and thus to execute this Agreement as a condition of such Performance Share Unit Award is entirely knowing and voluntary on your part in order to be eligible for the substantial benefit and opportunities hereunder.

(vi) Limitation on Post-Employment Restrictions. Unless the time period for a restriction is extended by a Court as allowed under Section 17, the time period for the restrictions in Section 7(c)(ii) and (iii) shall in no event exceed two (2) years after any termination of your employment.

(vii) Protected Conduct. Nothing in this Agreement prohibits you from reporting or filing a charge or complaint regarding an event that you in good faith believe is or may be a violation of law (including concerning alleged or suspected criminal conduct or unlawful employment practices such as discrimination, harassment or retaliation) to or with a federal, state, local or other governmental agency or regulatory entity (such as the Securities and Exchange Commission, the Equal Employment Opportunity Commission (or state or local equivalent), or the Department of Labor), requires notice to or approval from the Company before doing so, or prohibits you from communicating with or cooperating in an investigation conducted by such a government agency or regulatory entity. This may include a disclosure of trade secret information provided that it must comply with the restrictions in the Defend Trade Secrets Act of 2016 (DTSA).

(d) Compensation Recovery Policy. In addition to those provisions contained within paragraphs 7(a) through 7(c), to the extent that this Award and any compensation associated therewith is considered “incentive-based compensation” within the meaning and subject to the requirements of Section 10D of the Exchange Act, this Award and any compensation associated therewith shall be subject to potential forfeiture or recovery by the Company in accordance with any compensation recovery policy adopted by the Board or the Committee in response to the requirements of Section 10D of the Exchange Act and any implementing rules and regulations thereunder adopted by the Securities and Exchange Commission or any national securities exchange on which the Company’s Shares are then listed. This Agreement may be unilaterally amended by the Committee to comply with any such compensation recovery policy.

Section 8. Withholding of Taxes. You shall be responsible for the payment of any withholding taxes upon the occurrence of any event in connection with the Award (for example, vesting or issuance of Shares in settlement of Performance Share Units) that the Company determines may result in any tax withholding obligation, including any social security obligation. The delivery of Shares in settlement of Performance Share Units shall be conditioned upon the prior payment by you, or the establishment of arrangements satisfactory to the Company for the payment by you, of all such withholding tax obligations. You hereby authorize the Company to withhold from salary or other amounts owed to you any sums required to satisfy withholding tax obligations in connection with the Award. As contemplated by Section 17.2 of the Plan, you may elect to satisfy such withholding tax obligations by delivering Shares you already own or by having the Company retain a portion of the Shares that would otherwise be issued to you in settlement of the Performance Share Units by notifying the Company of such election prior to the Vesting Date. If payment of withholding tax obligations, or satisfactory payment arrangements, are not made on a timely basis, the Company may instruct an authorized broker to sell such number of Shares subject to the Award as are equal in value to the tax withholding obligations prior to the issuance of any Shares to you.

Section 9. Securities Law Compliance. No Shares shall be delivered upon the vesting of any Performance Share Units unless and until the Company and/or you shall have complied with all applicable federal, state or foreign registration, listing and/or qualification requirements and all other requirements of law or of any regulatory agencies having jurisdiction, unless the Committee has received evidence satisfactory to it that you may acquire such shares pursuant to an exemption from registration under the applicable securities laws. Any determination in this connection by the Committee shall be final, binding, and conclusive. The Company reserves the right to legend any Share certificate or book entry, conditioning sales of such Shares upon compliance with applicable federal and state securities laws and regulations.

Section 10. No Rights as Employee or Consultant. Nothing in this Agreement or this Award shall confer upon you any right to continue as an Employee or consultant of the Company, or to interfere in any way with the right of you or the Company to terminate your employment or other service at any time. This Agreement shall survive any such termination in accordance with its terms and conditions.

Section 11. Adjustments. If at any time while this Award is outstanding, the number of outstanding Shares is changed by reason of a reorganization, recapitalization, stock split or any of the other events described in Section 4.7 of the Plan, the number of Performance Share Units and the number and kind of securities that may be issued in respect of such Units shall be adjusted in accordance with the provisions of the Plan.

Section 12. Notices. Any notice hereunder by you shall be given to the Company in writing and such notice shall be deemed duly given only upon receipt thereof by the Secretary of the Company at the Company’s office at 77 West Wacker Drive, Suite 4600, Chicago, Illinois 60601 or at such other address as the Company may designate by notice to you. Any notice hereunder by the Company shall be given to you in writing and such notice shall be deemed duly given only upon receipt thereof at such address as you may have on file with the Company.

Section 13. Construction. The construction of the Notice and these Terms and Conditions (including Appendix A) is vested in the Committee, and the Committee’s construction shall be final and conclusive. The Notice and these Terms and Conditions are subject to the provisions of the Plan, and to all interpretations, rules and regulations which may, from time to time, be adopted and promulgated by the Committee pursuant to the Plan. If there is any conflict between the provisions of the Notice and these Terms and Conditions on the one hand and the Plan on the other hand, the provisions of the Plan will govern.

Section 14. Governing Law and Venue. This Agreement, the parties’ performance hereunder, and the relationship between them shall be governed by, construed, and enforced in accordance with the laws of the State of Illinois, without giving effect to the choice of law principles thereof. The parties expressly agree that any action relating to or arising out of this Agreement shall take place exclusively in the State of Illinois, and you consent to the jurisdiction of the federal and/or state courts in Illinois. You further consent to personal jurisdiction and venue in both such courts and to service of process by United States Mail or express courier service in any such action.

Section 15. Binding Effect. This Agreement will be binding in all respects on your heirs, representatives, successors and permitted assigns (if any), and on the successors and assigns of the Company.

Section 16. Remedies. The parties expressly agree that the forfeiture and repayment obligations contained within Section 7 do not constitute the Company's exclusive remedy for your violation of subparagraph 7(c). The Company may seek any additional legal or equitable remedy, including injunctive relief, for any such violation of that provision. You acknowledge and agree that any breach of subparagraph 7(c) will result in immediate and irreparable harm to the Company for which damages alone are an inadequate remedy and cannot readily be calculated. Accordingly, in the event of any actual or threatened violation of subparagraph 7(c), the parties expressly agree that the Company shall be entitled to obtain and enforce immediately temporary restraining orders, preliminary injunctions and final injunctions without the posting of a bond enjoining such breach or threatened breach.

Section 17. Miscellaneous.

(a) Amendment, Waiver, Severability, Other Agreements, Headings. No waiver of any breach of any provision of this Agreement by the Company shall be effective unless it is in writing and no waiver shall be construed to be a waiver of any succeeding breach or as a modification of any provision of this Agreement. The provisions of this Agreement shall be severable and if any provision of this Agreement is found by any court to be unenforceable, in whole or in part, the remainder of this Agreement shall nevertheless be enforceable and binding on the parties. You also agree that the court may, and it is the parties' intent and agreement that it shall, modify any invalid, overbroad or unenforceable term of this Agreement so that such term, as modified, is valid and enforceable under applicable law. Further, you acknowledge and agree that you have not, will not, and cannot rely on any representations not expressly made herein. The terms of this Agreement shall not be amended by you or the Company except by the express written consent of both you and the Company, subject to the terms of the Plan including Section 16.2 thereof. For avoidance of doubt, nothing in this Agreement shall limit, restrict or supersede any obligations to the Company (including without limitation with respect to fiduciary duties, non-competition, non-solicitation, intellectual property, confidentiality, forfeiture, repayment or recoupment) that you have or may have pursuant to any other law (including common law), agreement or plan, all of which shall continue in full force and effect in accordance with their respective terms. The paragraph headings in this Agreement are for convenience of reference and in no way define, limit or affect the meaning of this Agreement.

(b) Assignment and Transfer of Employment. The rights and/or obligations herein may only be assigned by the Company (except as otherwise expressly set forth herein), may be done without your consent and shall bind and inure to the benefit of the Company, its successors and assigns. If the Company makes any assignment of the rights and/or obligations herein or transfers your employment or relationship within the Company, you agree that this Agreement shall remain binding upon you.

(c) Acceptance. You agree that this Agreement is accepted by you through your original, electronic or facsimile signature. You further agree that the Company is deemed to have accepted this Agreement as evidenced by your receipt of the Notice of Performance Share Units.

(d) Third Party Beneficiaries. This Agreement is intended to benefit each and every Subsidiary, Affiliate, or business unit of the Company for which you perform services, for which you have customer contacts, or about which you receive Confidential Information and may be enforced by any such entity. You agree and intend to create a direct, consequential benefit to the Company regardless of the Company entity with which you are affiliated on the last day of your employment or relationship with the Company.

(e) Attorney's Fees Recovery by the Company. You expressly agree that, in the event of any breach or threatened breach of any provision of Section 7(c): (i) you hereby agree to and shall reimburse the Company for, and the Company shall be entitled to recovery of, its attorneys' fees and expenses (including not only the costs of court, but also expert fees, travel expenses, and other expenses incurred) incurred in enforcing its rights under this Agreement; and (ii) the Company also will be entitled to all remedies that may be awarded by a court of competent jurisdiction, and any other legal or equitable relief allowed by law.

By indicating your acceptance of this Performance Share Unit Award, you agree to all the terms and conditions described above and contained in the Notice and in the Plan document.

**Archer-Daniels-Midland Company
2020 Incentive Compensation Plan**

Restricted Stock Unit Award Terms and Conditions

These Terms and Conditions are part of a Restricted Stock Unit Award Agreement (the “Agreement”) that governs a Restricted Stock Unit Award made to you as an employee of Archer-Daniels-Midland Company (“ADM”) or one of its Affiliates pursuant to the terms of the Company’s 2020 Incentive Compensation Plan (the “Plan”). The Agreement consists of a notice of Restricted Stock Unit Award that has been provided to you (the “Notice”), these Terms and Conditions and the applicable terms of the Plan which are incorporated into the Agreement by reference, including the definitions of capitalized terms contained in the Plan. In this Agreement, the term “Company” refers to ADM and its Affiliates, unless the context refers to the issuer of this Award or the Shares issued in settlement of this Award, in which case the term refers to ADM.

Section 1. Grant of Restricted Stock Unit Award. The grant of this Restricted Stock Unit Award to you is effective as of the Date of Grant specified in the Notice. This Restricted Stock Unit Award provides you the number of Restricted Stock Units specified in the Notice, each such Restricted Stock Unit representing the right to receive one share of the Company’s common stock. The Restricted Stock Units granted to you will be credited to an account in your name maintained by the Company. This account shall be unfunded and maintained for bookkeeping purposes only, with the Restricted Stock Units simply representing an unfunded and unsecured obligation of the Company.

Section 2. Rights of the Recipient.

(a) **No Shareholder Rights.** The Restricted Stock Units granted pursuant to this Award do not entitle you to any rights of a shareholder of the Company’s common stock. Your rights with respect to the Restricted Stock Units shall remain forfeitable at all times by you until satisfaction of the vesting conditions set forth in Section 3.

(b) **Restrictions on Transfer.** You shall not be entitled to transfer, sell, pledge, alienate, hypothecate or assign the Restricted Stock Units or this Award, except that in the event of your death, your estate shall be entitled to the Shares represented by the vested Restricted Stock Units. Any attempt to otherwise transfer the Restricted Stock Units or this Award shall be void. All rights with respect to the Restricted Stock Units and this Award shall be available only to you during your lifetime, and thereafter to your estate.

(c) **Dividend Equivalents.** As of each date that the Company pays a cash dividend to the holders of its common stock generally, the Company shall pay you an amount equal to the per share cash dividend paid by the Company on its common stock on that date multiplied by the number of Restricted Stock Units credited to you under this Award as of the related dividend payment record date. No such dividend equivalent payment shall be made with respect to any Restricted Stock Units which, as of such record date, have either been settled as provided in Section 4 or forfeited pursuant to Sections 5 or 7. Any such payment shall be made as soon as practicable after the related dividend payment date, but no later than the later of (i) the end of the calendar year in which the dividend payment date occurs, or (ii) the 15th day of the third calendar month after the dividend payment date.

Section 3. Vesting. Subject to the provisions of Section 7 below, the Restricted Stock Units subject to this Award and your right to receive Shares in settlement thereof shall vest in full on the vesting date specified in the Notice (the “Scheduled Vesting Date”), or at such earlier time as may be specified in Section 5 or Section 6 (the Scheduled Vesting Date or such earlier vesting date being referred to as the “Vesting Date”).

Section 4. Settlement of Restricted Stock Units. Subject to the provisions of Section 7, after any Restricted Stock Units vest pursuant to Section 3, the Company shall cause to be issued to you, or to your estate in the event of your death, one share of its common stock in payment and settlement of each vested Restricted Stock Unit. Such issuance shall occur as soon as administratively practicable after the Vesting Date occurs, but no later than the 15th day of the third calendar month after the Vesting Date, and you shall have no power to affect the timing of such issuance. Such issuance shall be evidenced by a stock certificate or appropriate entry on the books of the Company or a duly authorized transfer agent of the Company, shall be subject to the tax withholding provisions of Section 8, and shall be in complete satisfaction of such vested Restricted Stock Units. If the Restricted Stock Units that vest include a fractional Restricted Stock Unit, the Company shall round the number of vested Restricted Stock Units to the nearest whole unit prior to issuance of Shares as provided herein. If the ownership of or issuance of Shares to you as provided herein is not feasible due to applicable exchange controls, securities or tax laws or other provisions of applicable law, as determined by the Committee in its sole discretion, you or your legal representative shall receive cash proceeds in an amount equal to the Fair Market Value (as of the Vesting Date) of the Shares otherwise issuable to you, net of any amount required to satisfy withholding tax obligations as provided in Section 8.

Section 5. Effect of Termination of Service. If you cease to be an Employee prior to the Scheduled Vesting Date other than as a result of your death, Retirement or Disability, you shall immediately forfeit the Restricted Stock Units. If you cease to be an Employee as a result of death, then all Restricted Stock Units subject to this Award and your right to receive Shares in settlement thereof shall immediately vest in full and the Company shall settle such Restricted Stock Units pursuant to Section 4. If you cease to be an Employee as a result of

Retirement or Disability, then subject to the forfeiture conditions of Section 7, the Restricted Stock Units subject to this Award and your right to receive Shares in settlement thereof shall continue to vest in accordance with Section 3.

Section 6. Change of Control. In the event a Change of Control occurs prior to the Scheduled Vesting Date, the following provisions shall apply:

(a) Termination After a Change of Control. If, within 24 months after a Change of Control (i) described in paragraphs (a) or (d) of Section 2.8 of the Plan or (ii) that constitutes a Business Combination as defined in paragraph (c) of Section 2.8 of the Plan and in connection with which the surviving or acquiring entity (or its parent entity) has continued, assumed or replaced this Restricted Stock Unit Award, you cease to be an Employee due either to an involuntary termination for reasons other than Cause (as defined in paragraph 7(b)) or a resignation for Good Reason (as defined in paragraph 6(d)), then all Restricted Stock Units subject to this Award and your right to receive Shares in settlement thereof shall immediately vest in full and will be settled in shares of Company common stock as provided in Section 4.

(b) Award Not Continued, Assumed or Replaced. If this Restricted Stock Unit Award is not continued, assumed or replaced in connection with a Change of Control that constitutes a Business Combination as contemplated by clause (ii) of paragraph 6(a), then all Restricted Stock Units subject to this Award and your right to receive Shares in settlement thereof shall immediately vest in full upon the occurrence of the Change of Control and will be settled in shares of Company common stock as provided in Section 4 above. Unless the Committee provides otherwise in connection with a Change of Control described in paragraph (b) of Section 2.8 of the Plan, all Restricted Stock Units subject to this Award shall vest in full prior to the consummation of the dissolution or liquidation.

(c) Assumption or Replacement. For purposes of this Section 6, this Restricted Stock Unit Award will be considered assumed or replaced if, in connection with the Change of Control transaction and in a manner consistent with Code Section 409A, either (i) the contractual obligations represented by this Award are expressly assumed by the surviving or acquiring entity (or its parent entity) with appropriate adjustments to the number and type of securities subject to this Award that preserves the intrinsic value of this Award existing at the time of the Change of Control transaction, or (ii) you have received a comparable restricted stock unit award that preserves the intrinsic value of this Award existing at the time of the Change of Control transaction and is subject to substantially similar terms and conditions as this Award.

(d) Good Reason. For purposes of this Agreement, “Good Reason” shall have the meaning specified in your employment agreement with the Company; provided if you are not a party to an employment agreement that contains such definition, then a termination for “Good Reason” shall occur upon your resignation from employment with the Company as a result of one or more of the following reasons: (i) the Company materially reduces the amount of your base salary or cash bonus opportunity (it being understood that the Committee shall have discretion to set the Company’s and your personal performance targets to which the cash bonus will be tied), (ii) a material diminution in your authority, duties or responsibilities, or (iii) the Company changes your place of work (other than in connection with a return to your home country upon the termination of a work assignment in a different country) to a location more than fifty (50) miles from your present place of work; provided, however, that the occurrence of any such condition shall not constitute Good Reason unless (A) you provide written notice to the Company of the existence of such condition not later than 60 days after you know or reasonably should know of the existence of such condition, (B) the Company fails to remedy such condition within 30 days after receipt of such notice and (C) you resign due to the existence of such condition within 60 days after the expiration of the remedial period described in clause (B) hereof.

Section 7. Forfeiture of Award and Compensation Recovery.

(a) Forfeiture Conditions. Notwithstanding anything to the contrary in this Agreement, if you cease to be an Employee because your employment is terminated for “Cause” (as defined in paragraph 7(b)), or if you breach any restrictive covenants applicable to you (including those contained in paragraph 7(c)), (i) you shall immediately forfeit this Award and any right to receive Shares that have not yet been issued pursuant to Section 4, and (ii) with respect to Shares that have been issued pursuant to this Award (or the cash value thereof paid) after the Vesting Date, either (A) you shall return such Shares to the Company, or (B) you shall pay to the Company in cash an amount equal to the Fair Market Value of such Shares as of the Vesting Date (or equal to the cash value previously paid).

(b) Definition of “Cause”. For purposes of this Section 7, “Cause” shall mean the Company’s good faith determination that you have engaged in any act that creates just cause for termination, which, without limiting the foregoing, shall be deemed to include the following: (i) any act of dishonesty with respect to your responsibilities as an Employee, embezzlement, misappropriation, intentional fraud, or other violations of the law or similar conduct by you involving the Company, (ii) any acts resulting in a conviction for, or plea of guilty or nolo contendere to, a charge of commission of a felony, (iii) misconduct resulting in injury to the Company, (iv) activities harmful to the reputation of the Company, (v) a violation of Company operating guidelines or policies, (vi) willful refusal to perform, or substantial disregard of, the duties properly assigned to you, including failure to provide your Best Efforts on behalf of the Company, (vi) a violation of any contractual, statutory or common law duty of loyalty to the Company; (vii) any breach of your obligations to the Company, including any confidentiality or non-disclosure obligations; or (viii) any willful and/or gross misconduct by you that in the good faith determination of the Company demonstrates unfitness to be an employee of the Company, including the harassment of any employee or violation of any law, regulation, or Company policies. “Best Efforts” shall mean that, during your employment or relationship with the Company, you will devote your best efforts to the performance of your duties and the advancement of the Company and shall not engage in any other employment, profitable activities, or other pursuits which would cause you to not devote your full attention to matters of the Company during business

hours, to disclose or utilize the Company's Confidential Information, or which would reflect adversely on the Company.

(c) Restrictive Covenants. You agree that the covenants set forth in subparagraph 7(c)(i) through (iii) are reasonable and necessary to protect the legitimate interests of the Company and that you will abide by all provisions of the Restrictive Covenants set forth in subparagraphs 7(c)(i) through (iii) below for the respective time periods set forth therein.

(i) Non-Disclosure and Return of Confidential Information. You have or will be given access to and provided with sensitive, confidential, proprietary, and/or trade secret information (collectively, "Confidential Information") in the course of your employment. Examples of Confidential Information include, but are not limited to, inventions, new product or marketing plans, business strategies and plans, merger and acquisition targets, financial and pricing information, computer programs, source codes, models and databases, analytical models, customer lists and information, and supplier and vendor lists and information. "Confidential Information" does not include information that lawfully is or becomes generally and publicly known outside of the Company, or that has been independently developed and disclosed by others with proper authority to do so, in each case other than through your breach of this Agreement or breach by you or another person or entity of some other obligation to the Company. You agree not to disclose or use Confidential Information, either during or after your employment with the Company, except as necessary to perform your duties or as the Company may consent in writing, and except as required by applicable law or by subpoena in each case disclosed in advance to the Company (subject to Section 7(c)(vii) below). You further agree to return any and all Confidential Information and all other Company property, whether in hard or electronic format, regardless of the location on which such information or property may reside, no later than three (3) business days following the termination of your employment or upon demand of the Company, if earlier.

(ii) Non-Solicitation. During the time in which your Restricted Stock Units shall vest and for one year after the Vesting Date under Section 3 (even if your employment hereafter ends and your Restricted Stock Units are no longer eligible for vesting), and subject to Section 7(c)(vi) below, you may not, without the Company's prior written consent, directly or indirectly, for you or for any other person or entity, as agent, employee, officer, director, consultant, owner, principal, partner, or shareholder, or in any other individual or representative capacity:

(A) Solicit any business competitive with the Company from any person or entity who (a) was a Company provider or customer any time within the 12 months prior to such actual or contemplated solicitation by or involving you (or, if your employment with the Company has by then terminated, any time within the 12 months prior to such employment termination) and with whom you had direct or indirect contact to further the Company's business, or for whom you provided services or supervised employees who provided those services, or about which you received or had access to Confidential Information about the provider or customer, or (b) was a prospective provider or customer the Company solicited any time within the 12 months prior to such actual or contemplated solicitation by or involving you (or, if your employment with the Company has by then terminated, any time within the 12 months prior to such employment termination) and with whom you had contact for the purposes of soliciting the person or entity to become a provider or customer of the Company, or supervised employees who had those contacts, or about which you received or had access to Confidential Information about the prospective customer or provider.

(B) Recruit or solicit any Company employee or consultant that you gained knowledge of during your employment.

(C) Induce or influence any Company employee or consultant that you gained knowledge of during your employment to terminate his, her or its employment or other relationship with the Company.

(D) Assist anyone in any of the activities listed above.

(iii) Non-Competition. During the time in which your Restricted Stock Units shall vest and for one year after the Vesting Date under Section 3 (even if your employment hereafter ends and your Restricted Stock Units are no longer eligible for vesting), and subject to Section 7(c)(vi) below, you may not, without the Company's prior written consent, directly or indirectly, for you or for any other person or entity, as agent, employee, officer, director, consultant, owner, principal, partner or shareholder, or in any other individual or representative capacity, anywhere in the Restricted Area:

(A) Engage in or participate in any activity that is similar to those you performed during the Look Back Period and/or likely to result in your use or disclosure of the Company's Confidential Information on behalf of any person or entity that competes, directly or indirectly, with any Company product or service that you engaged in, participated in, or had Confidential Information about during the Look Back Period, including, but not limited to, any business engaged in any of the following with respect to which you were involved or had responsibilities during the Look Back Period or about which you received or had access to Confidential Information: (i) the development and/or manufacture of products which involve experimental and/or inventive work relating to the origination, trading and/or processing of agricultural commodities, (ii) the development, manufacture, sourcing and/or supply of food and/or feed ingredients, flavoring, ethanol, biodiesel, derivatives of agricultural feedstocks, enzymes, probiotics and/or other biologically active compositions, and/or (iii) the operation of grain elevators and/or crop origination and/or transportation networks; or

- (B) Assist anyone in any of the activities listed above.
- (C) “Restricted Area” means the geographic territory(ies) assigned to you by the Company any time during the twenty-four months prior to such actual or contemplated competitive activity (as described in subpart (A) and (B) above) by or involving you (or, if your employment with the Company has by then terminated, any time within the twenty-four months prior to such employment termination) (“Look Back Period”) set by recognized geographic boundary used in the Company’s business; and, if you have no such specifically assigned geographic boundary then: (i) the geographic area in which you participated in the Company’s business and/or about which you were provided access to Confidential Information during the Look Back Period; and (ii) the state and county where you reside. If you are employed by the Company in a research and/or development capacity and/or if you are employed in a senior management position then you are presumed to have participated in the Company’s business and/or had Confidential Information about the Company’s business throughout the United States. You are responsible for seeking clarification from the Company’s Human Resources department if it is unclear to you at any time what the scope of the Restricted Area is.
- (D) Nothing in this Section 7(c)(iii) prohibits you from passively owning not in excess of 2% in the aggregate of any company’s stock or other ownership interests that are publicly traded on any national or regional stock exchange.

(iv) Certification of Compliance. Prior to the issuance of Shares, you may be required to certify to the Company and provide such other evidence to the Company as the Company may reasonably require that you have not engaged in any activities that compete with the business operations of the Company since you ceased to be an Employee due to Retirement or Disability.

(v) Consideration and Voluntariness. You stipulate, acknowledge and agree that: (A) your opportunity to enter into this Agreement is adequate consideration to make the provisions of this Agreement, including, without limitation Section 7(c), immediately binding and enforceable against you and you agree not to assert otherwise; and (B) you are under no obligation (including as a condition of initial or continued employment) to accept the Restricted Stock Unit Award referenced herein with respect to which this Agreement is a condition, and that your decision to accept and thus to execute this Agreement as a condition of such Restricted Stock Unit Award is entirely knowing and voluntary on your part in order to be eligible for the substantial benefit and opportunities hereunder.

(vi) Limitation on Post-Employment Restrictions. Unless the time period for a restriction is extended by a Court as allowed under Section 17, the time period for the restrictions in Section 7(c)(ii) and (iii) shall in no event exceed two (2) years after any termination of your employment.

(vii) Protected Conduct. Nothing in this Agreement prohibits you from reporting or filing a charge or complaint regarding an event that you in good faith believe is or may be a violation of law (including concerning alleged or suspected criminal conduct or unlawful employment practices such as discrimination, harassment or retaliation) to or with a federal, state, local or other governmental agency or regulatory entity (such as the Securities and Exchange Commission, the Equal Employment Opportunity Commission (or state or local equivalent), or the Department of Labor), requires notice to or approval from the Company before doing so, or prohibits you from communicating with or cooperating in an investigation conducted by such a government agency or regulatory entity. This may include a disclosure of trade secret information provided that it must comply with the restrictions in the Defend Trade Secrets Act of 2016 (DTSA).

(d) Compensation Recovery Policy. In addition to those provisions contained within paragraphs 7(a) through 7(c), to the extent that this Award and any compensation associated therewith is considered “incentive-based compensation” within the meaning and subject to the requirements of Section 10D of the Exchange Act, this Award and any compensation associated therewith shall be subject to potential forfeiture or recovery by the Company in accordance with any compensation recovery policy adopted by the Board or the Committee in response to the requirements of Section 10D of the Exchange Act and any implementing rules and regulations thereunder adopted by the Securities and Exchange Commission or any national securities exchange on which the Company’s Shares are then listed. This Agreement may be unilaterally amended by the Committee to comply with any such compensation recovery policy.

Section 8. Withholding of Taxes. You shall be responsible for the payment of any withholding taxes upon the occurrence of any event in connection with the Award (for example, vesting or issuance of Shares in settlement of Restricted Stock Units) that the Company determines may result in any tax withholding obligation, including any social security obligation. The delivery of Shares in settlement of Restricted Stock Units shall be conditioned upon the prior payment by you, or the establishment of arrangements satisfactory to the Company for the payment by you, of all such withholding tax obligations. You hereby authorize the Company to withhold from salary or other amounts owed to you any sums required to satisfy withholding tax obligations in connection with the Award. As contemplated by Section 17.2 of the Plan, you may elect to satisfy such withholding tax obligations by delivering Shares you already own or by having the Company retain a portion of the Shares that would otherwise be issued to you in settlement of the Restricted Stock Units by notifying the Company of such election prior to the Vesting Date. If payment of withholding tax obligations, or satisfactory payment arrangements, are not made on a timely

basis, the Company may instruct an authorized broker to sell such number of Shares subject to the Award as are equal in value to the tax withholding obligations prior to the issuance of any Shares to you.

Section 9. Securities Law Compliance. No Shares shall be delivered upon the vesting of any Restricted Stock Units unless and until the Company and/or you shall have complied with all applicable federal, state or foreign registration, listing and/or qualification requirements and all other requirements of law or of any regulatory agencies having jurisdiction, unless the Committee has received evidence satisfactory to it that you may acquire such shares pursuant to an exemption from registration under the applicable securities laws. Any determination in this connection by the Committee shall be final, binding, and conclusive. The Company reserves the right to legend any Share certificate or book entry, conditioning sales of such Shares upon compliance with applicable federal and state securities laws and regulations.

Section 10. No Rights as Employee or Consultant. Nothing in this Agreement or this Award shall confer upon you any right to continue as an Employee or consultant of the Company, or to interfere in any way with the right of you or the Company to terminate your employment or other service at any time. This Agreement shall survive any such termination in accordance with its terms and conditions.

Section 11. Adjustments. If at any time while this Award is outstanding, the number of outstanding Shares is changed by reason of a reorganization, recapitalization, stock split or any of the other events described in Section 4.7 of the Plan, the number of Restricted Stock Units and the number and kind of securities that may be issued in respect of such Units shall be adjusted in accordance with the provisions of the Plan.

Section 12. Notices. Any notice hereunder by you shall be given to the Company in writing and such notice shall be deemed duly given only upon receipt thereof by the Secretary of the Company at the Company's office at 77 West Wacker Drive, Suite 4600, Chicago, Illinois 60601 or at such other address as the Company may designate by notice to you. Any notice hereunder by the Company shall be given to you in writing and such notice shall be deemed duly given only upon receipt thereof at such address as you may have on file with the Company.

Section 13. Construction. The construction of the Notice and these Terms and Conditions is vested in the Committee, and the Committee's construction shall be final and conclusive. The Notice and these Terms and Conditions are subject to the provisions of the Plan, and to all interpretations, rules and regulations which may, from time to time, be adopted and promulgated by the Committee pursuant to the Plan. If there is any conflict between the provisions of the Notice and these Terms and Conditions on the one hand and the Plan on the other hand, the provisions of the Plan will govern.

Section 14. Governing Law and Venue. This Agreement, the parties' performance hereunder, and the relationship between them shall be governed by, construed, and enforced in accordance with the laws of the State of Illinois, without giving effect to the choice of law principles thereof. The parties expressly agree that any action relating to or arising out of this Agreement shall take place exclusively in the State of Illinois, and you consent to the jurisdiction of the federal and/or state courts in Illinois. You further consent to personal jurisdiction and venue in both such courts and to service of process by United States Mail or express courier service in any such action.

Section 15. Binding Effect. This Agreement will be binding in all respects on your heirs, representatives, successors and permitted assigns (if any), and on the successors and assigns of the Company.

Section 16. Remedies. The parties expressly agree that the forfeiture and repayment obligations contained within Section 7 do not constitute the Company's exclusive remedy for your violation of subparagraph 7(c). The Company may seek any additional legal or equitable remedy, including injunctive relief, for any such violation of that provision. You acknowledge and agree that any breach of subparagraph 7(c) will result in immediate and irreparable harm to the Company for which damages alone are an inadequate remedy and cannot readily be calculated. Accordingly, in the event of any actual or threatened violation of subparagraph 7(c), the parties expressly agree that the Company shall be entitled to obtain and enforce immediately temporary restraining orders, preliminary injunctions and final injunctions without the posting of a bond enjoining such breach or threatened breach.

Section 17. Miscellaneous.

(a) Amendment, Waiver, Severability, Other Agreements, Headings. No waiver of any breach of any provision of this Agreement by the Company shall be effective unless it is in writing and no waiver shall be construed to be a waiver of any succeeding breach or as a modification of any provision of this Agreement. The provisions of this Agreement shall be severable and if any provision of this Agreement is found by any court to be unenforceable, in whole or in part, the remainder of this Agreement shall nevertheless be enforceable and binding on the parties. You also agree that the court may, and it is the parties' intent and agreement that it shall, modify any invalid, overbroad or unenforceable term of this Agreement so that such term, as modified, is valid and enforceable under applicable law. Further, you acknowledge and agree that you have not, will not, and cannot rely on any representations not expressly made herein. The terms of this Agreement shall not be amended by you or the Company except by the express written consent of both you and the Company, subject to the terms of the Plan including Section 16.2 thereof. For avoidance of doubt, nothing in this Agreement shall limit, restrict or supersede any obligations to the Company (including without limitation with respect to fiduciary duties, non-competition, non-solicitation, intellectual property, confidentiality, forfeiture, repayment or recoupment) that you have or may have pursuant to any other law (including common law), agreement or plan, all of which shall continue in full force and effect in accordance with their respective terms. The paragraph headings in

this Agreement are for convenience of reference and in no way define, limit or affect the meaning of this Agreement.

(b) Assignment and Transfer of Employment. The rights and/or obligations herein may only be assigned by the Company (except as otherwise expressly set forth herein), may be done without your consent and shall bind and inure to the benefit of the Company, its successors and assigns. If the Company makes any assignment of the rights and/or obligations herein or transfers your employment or relationship within the Company, you agree that this Agreement shall remain binding upon you.

(c) Acceptance. You agree that this Agreement is accepted by you through your original, electronic or facsimile signature. You further agree that the Company is deemed to have accepted this Agreement as evidenced by your receipt of the Notice of Restricted Stock Units.

(d) Third Party Beneficiaries. This Agreement is intended to benefit each and every Subsidiary, Affiliate, or business unit of the Company for which you perform services, for which you have customer contacts, or about which you receive Confidential Information and may be enforced by any such entity. You agree and intend to create a direct, consequential benefit to the Company regardless of the Company entity with which you are affiliated on the last day of your employment or relationship with the Company.

(e) Attorney's Fees Recovery by the Company. You expressly agree that, in the event of any breach or threatened breach of any provision of Section 7(c): (i) you hereby agree to and shall reimburse the Company for, and the Company shall be entitled to recovery of, its attorneys' fees and expenses (including not only the costs of court, but also expert fees, travel expenses, and other expenses incurred) incurred in enforcing its rights under this Agreement; and (ii) the Company also will be entitled to all remedies that may be awarded by a court of competent jurisdiction, and any other legal or equitable relief allowed by law.

By indicating your acceptance of this Restricted Stock Unit Award, you agree to all the terms and conditions described above and contained in the Notice and in the Plan document.

RULE 13a – 14(a)/15d-14(a) CERTIFICATION

I, J. R. Luciano, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Archer-Daniels-Midland Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2020

/s/ J. R. Luciano

J. R. Luciano

Chairman, Chief Executive Officer, and President

RULE 13a – 14(a)/15d-14(a) CERTIFICATION

I, R. G. Young, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Archer-Daniels-Midland Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2020

/s/ R. G. Young
R. G. Young
Executive Vice President &
Chief Financial Officer

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of Archer-Daniels-Midland Company (the “Company”) on Form 10-Q for the quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, J. R. Luciano, Chairman, Chief Executive Officer, and President of the Company, certify that:

- (i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2020

/s/ J. R. Luciano

J. R. Luciano

Chairman, Chief Executive Officer, and President

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of Archer-Daniels-Midland Company (the “Company”) on Form 10-Q for the quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, R. G. Young, Executive Vice President and Chief Financial Officer of the Company, certify that:

- (i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2020

/s/ R. G. Young
R. G. Young
Executive Vice President &
Chief Financial Officer