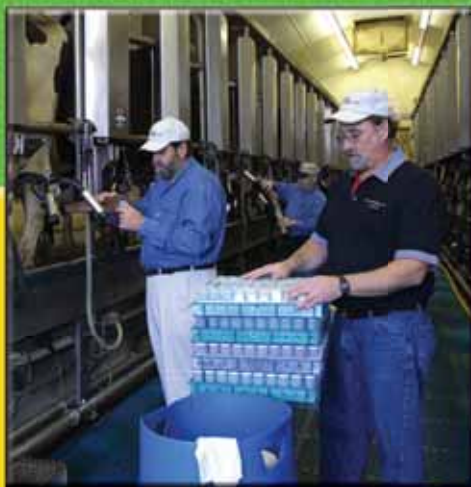


# 2005 Annual Report



{Ag Products}

{DHI}

**NorthStar Cooperative**  
INC.

{More than you imagined}

{Select Sires}



{AntelBio}

# Business Scope

## Consolidated Results – September 30, 2004 and 2005

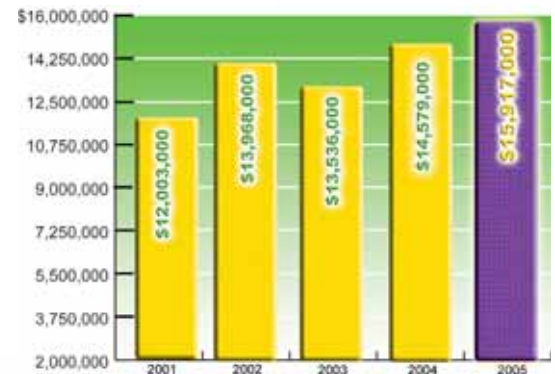
Balance Sheet	2005	2004 (restated)	2004
Current Assets	\$5,068,000	\$5,448,000	\$ 4,894,000
Other Assets	1,633,000	1,955,000	1,955,000
Property and Equipment	1,463,000	1,271,000	1,271,000
<b>Total Assets</b>	<b>\$8,164,000</b>	<b>\$8,674,000</b>	<b>\$8,120,000</b>
Current Liabilities	2,012,000	1,992,000	1,907,000
Long Term Debt	181,000	148,000	148,000
Deferred Tax Liab	55,000	-	-
Minority Interest	2,000	2,000	2,000
Total Patron's Equities	5,914,000	6,532,000	6,063,000
<b>Total Liabilities and Equity</b>	<b>\$8,164,000</b>	<b>\$8,674,000</b>	<b>\$8,120,000</b>

Statement of Operations	2005	2004 (restated)	2004
Semen Sales	\$8,440,000	\$7,903,000	\$7,903,000
Other Sales	7,477,000	6,676,000	6,676,000
Total Sales	15,917,000	14,579,000	14,579,000
Cost of Sales	3,947,000	3,715,000	3,715,000
Gross Margin on Sales	11,970,000	10,864,000	10,864,000
Total Operating Expenses	11,365,000	10,388,000	10,388,000
Income from Operations	605,000	476,000	476,000
Total Other Income (Expense) - Net	330,000	295,000	203,000
Income before federal income tax exp	935,000	771,000	679,000
Income Tax Expense	168,000	108,000	83,000
Change in Accounting Principle	-	-	-
<b>Net Margins</b>	<b>\$767,000</b>	<b>\$663,000</b>	<b>\$596,000</b>

\* 2004 Restated to record common stock from demutualization of an insurance company.  
 Excerpt from Audited Financial Statements. Completed Audited Financials available by calling 800.631.3510.

NorthStar Cooperative had one of the best year's in its history in 2005. The mix of products and services that combine to make up NorthStar Cooperative are tailored to meet the demands of today's producers. The business units – DHI, Select Sires, Ag Products and AntelBio – have all contributed to the success of the past year. When you put it all together: the products, the services and the cooperative advantage - NorthStar Cooperative is more than you imagined!

## ANNUAL SALES REVENUES



# Financial Highlights



- Second highest operating profit in NorthStar's history. Best year since 1990!
- Sales increased 9.2% for a new record of \$15.9 million dollars.
- Net margin of \$767,000, represents a 12.3% return on equity.
- Current ratio remains strong at 2.5 to 1.
- One-time windfall of \$731,000 from sale of shares received from insurance company that administered previous NorthStar defined benefit pension plan.
- Purchased 56,000 shares from the Employee Stock Bonus Plan and merged into 401k Plan.

# Stockowner Benefits

## COMMON STOCKOWNERS:

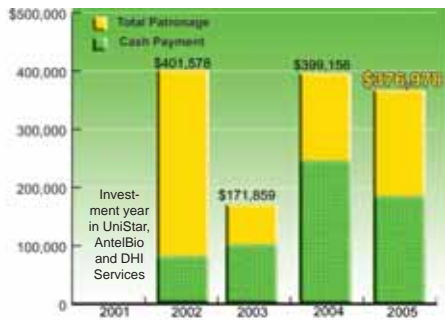
- Establish future direction of NorthStar by voting on leadership positions and policy.
- Receive patronage based on purchasing levels and the Cooperative's profitability.
- Stock valued at \$200 per share.

## PREFERRED STOCKOWNERS:

- Investors in NorthStar help provide capital to run the business.
- Eligible to receive dividends as declared by the board of directors.
- Stock value tied to Cooperative's non-patronage performance.

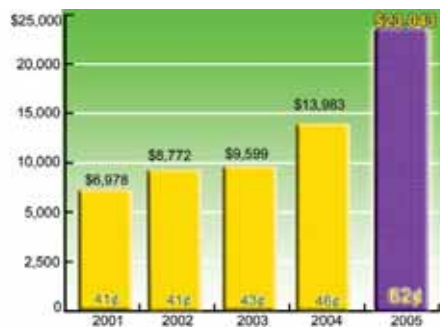
*“Enhancing  
Producer Results Through  
Integrated Services”*

## COMMON STOCK PATRONAGE HISTORY



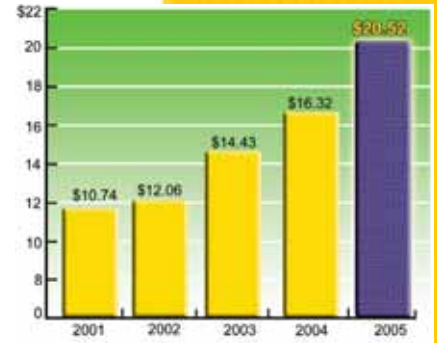
A minimum of 20% and maximum of 80% of patronage is paid in cash. The balance is converted to preferred stock at a rate of 100% after eight years. Common stock patronage 5-year average: \$269,914.

## PREFERRED STOCK DIVIDEND HISTORY



The average rate of return over the past five years on Class A Preferred Stock is 47¢ per share.

## PREFERRED STOCK VALUATION



Change this year: 25.7%  
Compound annual change: 12.8%

*{ 4.9% average rate of return on purchases to stockowners in 2005. }*

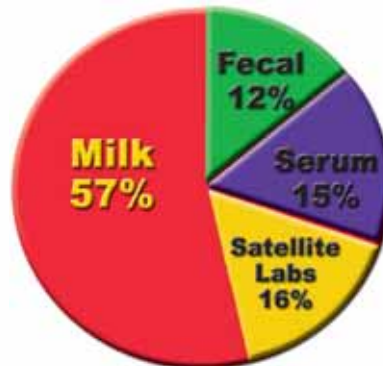
# Antel BioSystems, Inc.



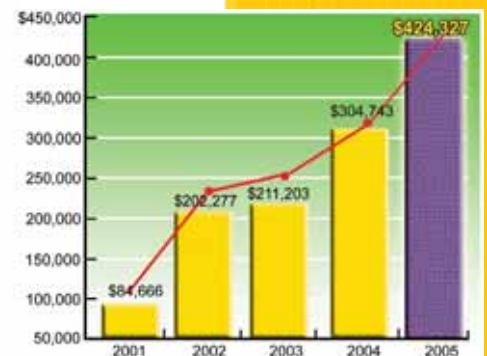
*{ A subsidiary of UniStar Inc.,  
a wholly owned company of  
NorthStar Cooperative, Inc. }*

- 39% revenue growth
- Established two satellite laboratories
- Milk platform gained acceptance with scientific publication of previous research
- BVD test introduced to veterinarians

## TESTING REVENUE



## REVENUES



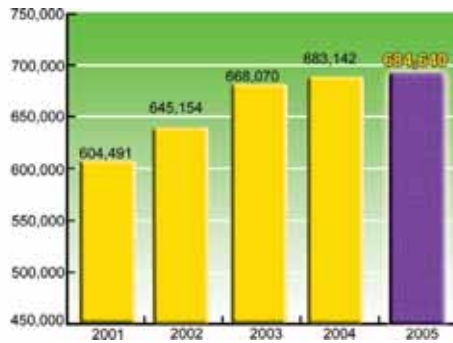
# Business Unit Highlights

## A.I. Sales & Services

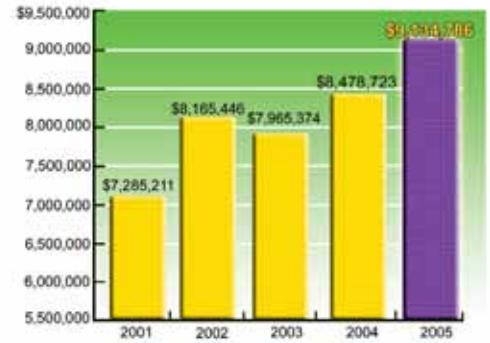


- Six years of consecutive growth
- Continued growth with large-herd technician service
- *gender* **SELECTed** 3,400 units sold

UNITS



REVENUES

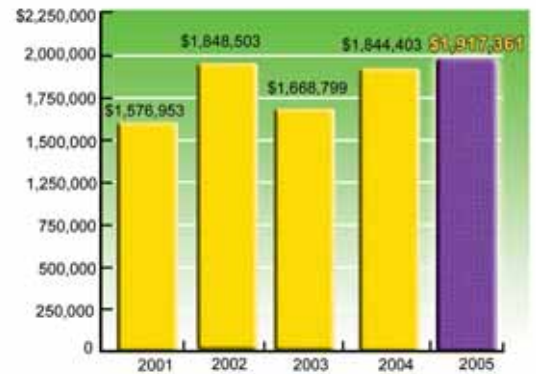


## Ag. Products & Technologies

- Highest revenue year ever!
- Top selling products:



REVENUES

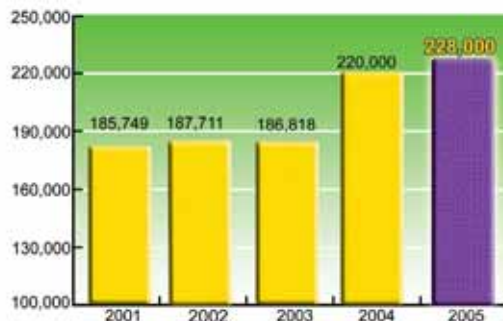


## DHI Services



- Revenues increase to \$3,954,000
- Fastest turnaround of all DRMS affiliates
- PCDART updates to more user-friendly windows format

COWS ON TEST



MILK SAMPLES ANALYZED

