

# 2006 Annual Report



**Comprehensive solutions for producer results.**

# Business Scope

## Creating Value for Members

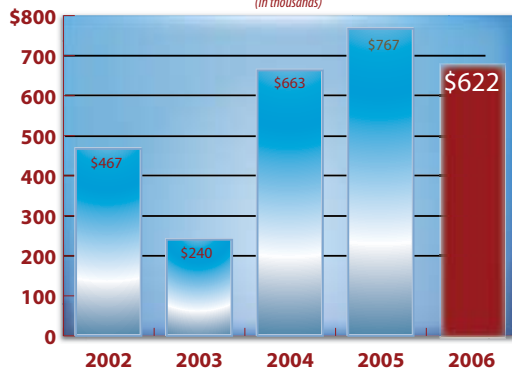
### Return on Average Equity



## Five Years of Solid Performance

### Net Margins

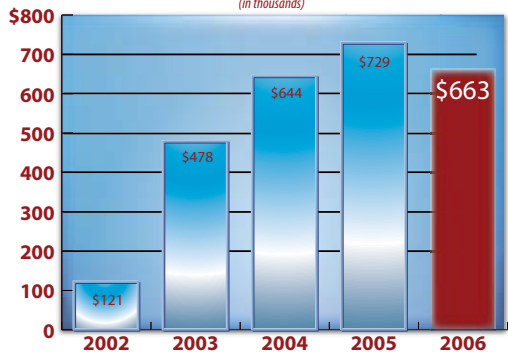
(in thousands)



## Profits Working for You

### Additions to Property & Equipment

(in thousands)

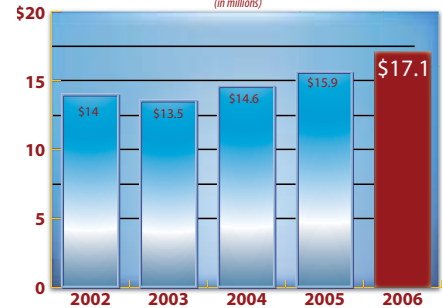


## Financial Highlights

- Third straight year of solid financial results and the third highest operating profit in NorthStar's history.
- Sales increased 7.6% for a new record of \$17.1 million.
- Net margin of \$622,000, is 3.6% of sales.
- New products and the dairy economy caused inventory and accounts receivables to increase by \$456,000.
- Highest Class A Preferred Stock dividend in NorthStar's history.

### Annual Sales Revenues

(in millions)



### Consolidated Results – September 30, 2005 and 2006

(in thousands)

Balance Sheet	2006	2005
Current Assets	\$5,599	\$5,068
Other Assets	1,654	1,633
Property and Equipment	1,539	1,463
<b>Total Assets</b>	<b>\$8,792</b>	<b>\$8,164</b>
Current Liabilities	2,251	2,012
Long Term Debt	160	181
Deferred Tax Liab	40	55
Minority Interest	2	2
Total Patron's Equities	6,339	5,914
<b>Total Liabilities and Equity</b>	<b>\$8,792</b>	<b>\$8,164</b>
Statement of Operations	2006	2005
Semen Sales	\$8,957	\$8,440
Other Sales	8,167	7,477
Total Sales	17,124	15,917
Cost of Sales	4,303	3,947
Gross Margin on Sales	12,821	11,970
Total Operating Expenses	12,265	11,365
Income from Operations	556	605
Total Other Income (Expense) - Net	187	330
Income before Federal Income tax exp	743	935
Income Tax Expense	121	168
<b>Net Margins</b>	<b>\$622</b>	<b>\$767</b>

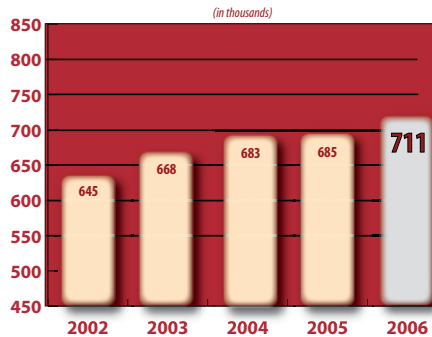
# Business Unit Highlights

## A.I. Sales & Service

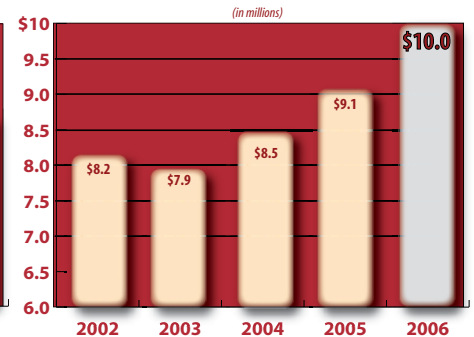


- **Nine years of consecutive growth**
- **Continued expansion of large-herd technician service**
- *gender* **SELECTed** 10,951 units sold

### UNITS



### REVENUES



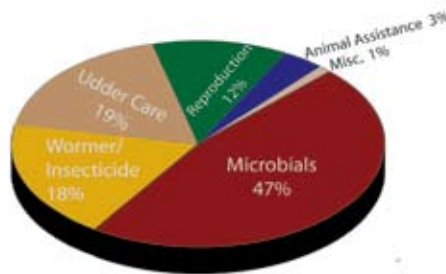
## Ag Products



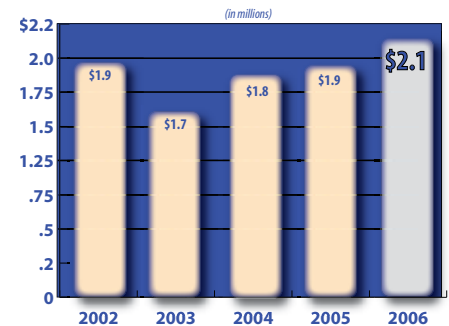
- **Highest revenue year ever!**
- **Addition of insecticides added \$75,582 in revenue**



### SALES BY PRODUCT TYPE



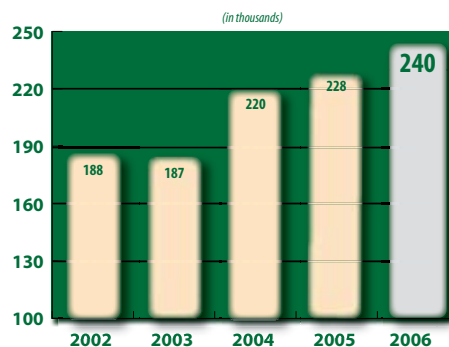
### REVENUES



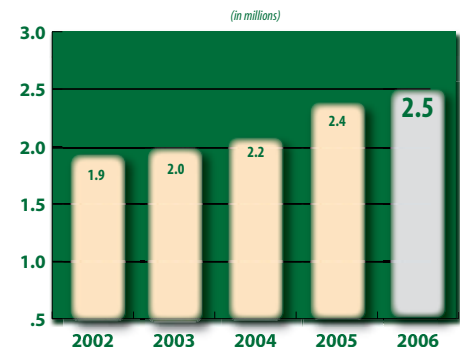
## DHI Services

- **Revenues exceeded \$4 million**
- **Sixth consecutive year of growth for samples analyzed**
- **Approved as official RFID tag distributor**
- **RFID readers used for on-farm identification**

### COWS ON TEST



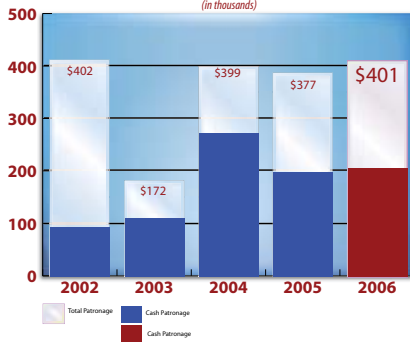
### MILK SAMPLES



*Comprehensive solutions for producer results.*

# Stockowner Benefits

## Common Stock Patronage

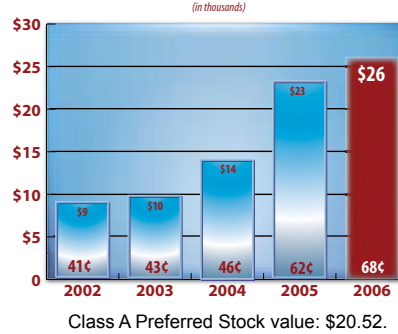


A minimum of 20% and maximum of 80% of patronage is paid in cash. The balance is converted to preferred stock at a rate of 100% after eight years.

### COMMON 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 Stock Dividend



### 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.

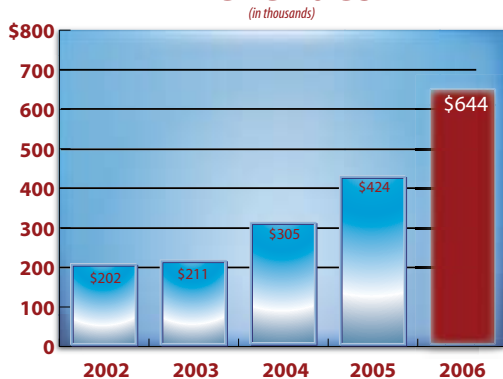
**4.6% average rate of return on purchases to common stockowners in 2006.**

# Antel BioSystems

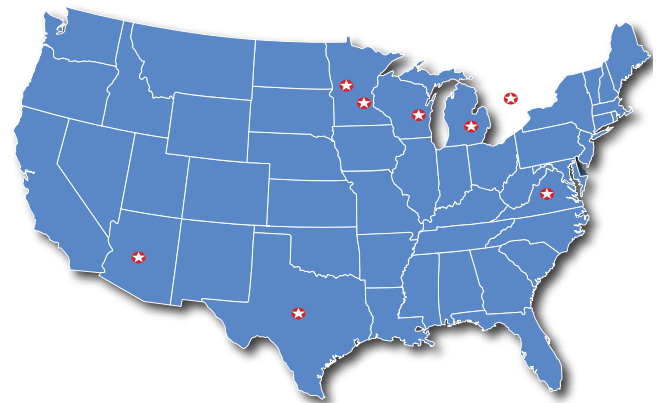
*A subsidiary of UniStar Inc., a wholly owned company of NorthStar Cooperative, Inc.*



## Revenues



## 2006 Johne's Milk ELISA Achievements



- **48% revenue growth**
- **Introduced five new diagnostic tests for Johne's and BVD**

- **Earned USDA License**
- **Now offered by 8 North American DHI labs**
- **90,000 tests performed**