



Growing opportunities.

**AURORA
COOPERATIVE**

2011 Annual Report



George Hohwieler



Bill Schuster



We are pleased to report that the Aurora Cooperative – your cooperative – achieved success on several fronts in 2011, from a solid bottom line to an enviable financial structure built for the future.

Following our long-held ideals and beliefs, your company reached these goals in the face of continued interesting times in all commodity markets, from grain to energy to fertilizer. Certainly our 104-year history of sensible decision making and insistence on acting from a position of strength has served us well.

It is underscored by our long-term vision of being a financially strong, innovative, independent and locally-owned agri-business...now, and for the next generation.

Our syndication of commercial banks, reported earlier in the fiscal year, provides the Aurora Cooperative with unparalleled financial strength, expertise and experience that will be valuable to your company's continued success. This multi-year credit agreement has been strategically planned for many years as your company moved to strengthen its asset platform, earnings performance and balance sheet structure.

This year also offered your company the opportunity to provide a near record amount of PROCAP and Over-65 equity payments to those who are eligible. Over the last few years, farmer-owners made it clear they prefer these types of payments because of their beneficial tax status, and we are pleased that our contemporary system allows us to make such equity payments a reality.

Related to this, of course, is that for 2011, the entire federal and state income tax obligation for company earnings will be burdened by the company. That means farmer-owners will have no additional income tax burden stemming from Aurora Cooperative patronage distribution in 2011.

Additional details on these financial achievements are included within this annual report, as are other company highlights from 2011, including the early completion of our Tri-Terminal Grain Project, additional upgrades and additional A-Stop 24™ fueling locations.

Thank you for your support over the previous year. You own a great company, and together we are growing opportunities.

Bill Schuster
Board Chairman

George Hohwieler
President and CEO

BOARD TERMS

| | | |
|---------------------|-------------------------|------|
| CHAIRMAN | William Schuster (Bill) | 2012 |
| VICE-CHAIRMAN | Duane Keller | 2014 |
| SECRETARY/TREASURER | Les Simonsen | 2013 |
| DIRECTOR | Evan Brandes | 2012 |
| DIRECTOR | Scott Elting | 2012 |
| DIRECTOR | Paul Mumm | 2012 |
| DIRECTOR | Steve Olson | 2012 |
| DIRECTOR | Robin Bochart | 2013 |
| DIRECTOR | Curt Carlson | 2013 |
| DIRECTOR | Danny Janzen | 2013 |
| DIRECTOR | John Willoughby | 2013 |
| DIRECTOR | Craig Grams | 2014 |
| DIRECTOR | Paul McHargue | 2014 |
| DIRECTOR | Roy Stoltenberg | 2014 |



Front row, from left: Roy Stoltenberg,
John Willoughby, Steve Olson, Paul
McHargue, Bill Schuster. Middle row,
from left: Evan Brandes, Curt Carlson,
Duane Keller, Paul Mumm, Scott Elting.
Back row, from left: Danny Janzen, Robin
Bochart, Craig Grams, Les Simonsen.

MANAGEMENT TEAM

| | |
|--|------------------|
| PRESIDENT AND CEO | George Hohwieler |
| CHIEF OPERATING OFFICER / CHIEF SECURITY OFFICER | Chris Vincent |
| CHIEF FINANCIAL OFFICER | Robert Brown |
| SENIOR VICE PRESIDENT GRAIN MARKETING/ | |
| MERCHANDISING/TRANSPORTATION | Alan Hagemeier |
| VICE PRESIDENT AGRONOMY SERVICES | Chris Decker |
| VICE PRESIDENT CORPORATE OPERATIONS | Chad Carlson |
| HEAD OF GRAIN OPERATIONS | Mark Cleveland |
| HEAD AVIATION AND CROP PROTECTION | Kenton Schegg |
| SENIOR CONTROLLER, GRAIN AND AGRONOMY | Carl Smith |
| SENIOR CONTROLLER, CORPORATE | Gerald Painter |
| SENIOR CONTROLLER, FEED, ENERGY, ASSISTANT GRAIN | Kent Kincanon |
| CORPORATE COMMUNICATIONS MANAGER | Dawn Caldwell |





Solid financial backing built for the future

Over the last several years, your company has created a new, contemporary financial model for cooperatives. This industry-leading effort culminated in 2011 with the successful transition to a new banking group, placing the Aurora Cooperative in an optimal financing position for many years to come.



To achieve this goal, the Aurora Cooperative assembled a syndication of commercial banks with a combined asset portfolio of more than \$9 trillion. The lead banks include Wells Fargo, Bank of America and MetLife. Together they and the other banks provide unparalleled financial strength, expertise and experience that will be valuable to your company's continued success. Strategically planned for many years, this move allows the Aurora Cooperative to strengthen its asset platform, earnings performance and balance sheet structure. It also marks the transition from our previous bank syndication led by CoBank.

The size and scope of the facility is structured to support continued high commodity and input prices, respond to potential interest rate concerns and provide capital to our company's existing operations. It provides long-term stability and resources to the Aurora Cooperative as we grow new opportunities and pursue our mission to remain a strong, independent and innovative business that is exclusively-owned by local farmer-producers.

While it is possible to measure financial strength of an organization in various ways, one significant measure is the quality of its financial partners. The bank group assembled by the Aurora Cooperative is one of the strongest syndications in the U.S. agri-business marketplace.

The Aurora Cooperative banking syndication

Line of Credit

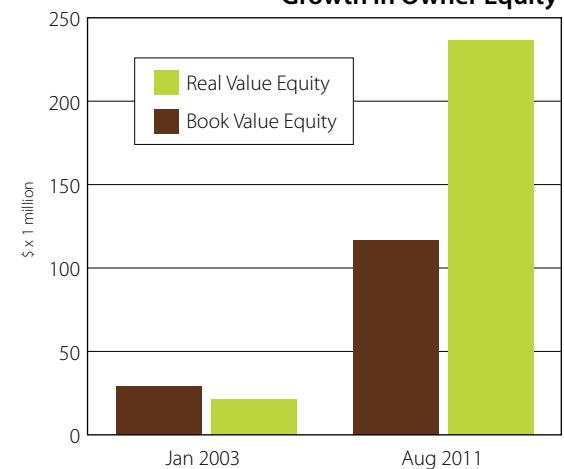
- Wells Fargo*
- Bank of America*
- JP Morgan Chase
- Bank of the West
- ING
- Society Generle
- First National Bank of Omaha
- Commerce Bank
- Macquarie
- Heritage Bank
- BMO/Harris
- Bankers' Trust

Long Term Debt

- MetLife*
- Union Bank & Trust

*Lead bank

Growth in Owner Equity



Equity, patronage advancements

The Aurora Cooperative board of directors approved a near-record amount of PROCAP and Over-65 equity payments to eligible Aurora Cooperative farmer-owners for 2011.

PROCAP payments included nearly 30 percent of the deferred equity that was at least 10 years old, and was paid to all who were eligible regardless of age or farming status. Over-65 equity payments accumulated through 1998 were approved for farmer-owners attaining age 66 in the 2011 calendar year. Both equity payments were generally tax free in status, although the company encouraged members to see their tax advisor for the official tax provision of equity revolvement.

This was the second year of returning member equity via PROCAP, and the continued success of this program is a testament to your support of the Aurora Cooperative and the financial model we have created.

In 2011, your company also announced a new, contemporary way of addressing annual patronage distribution. The change was driven by your feedback provided during farmer-owner update meetings and other venues. You made it clear that Over-65 is a priority and that PROCAP is beneficial for all owners – and that you prefer the tax status of these programs.

It also became clear that patronage distributions were less desired due to the income tax burden placed on farmer-owners for both cash and deferred patronage, and that the timing of patronage distributions, historically in late-December, caused end-of-year tax planning challenges.

This is why in 2011 the entire federal and state income tax obligation for company earnings of approximately \$10 million were burdened by the company and not passed along via a patronage distribution.

Going forward, any patronage distribution will be paid in January of the subsequent year, following the Aurora Cooperative annual meeting. By making this change, farmer-owners will have the balance of the year to incorporate such income into their tax-planning process.





Growing Capabilities

The long-term vision of the Aurora Cooperative is to be a financially strong, innovative, independent and locally-owned agri-business... now, and for the next generation. One way to deliver on this vision is by operating facilities that will keep you and your cooperative competitive in the future.

Of course this process began several years ago with the construction of Aurora West – yet we knew farmers would continue to advance and produce more grain and oilseeds. That led to the kick off of our Tri-Terminal Grain Project in 2010, the construction of which wrapped up ahead of schedule during 2011.

The project significantly expanded storage capacity and grain handling capabilities in Grand Island, Aurora West and Sedan. It gives the Aurora Cooperative three, full-service shuttle train facilities on two Class I railroads, the Union Pacific and Burlington-Northern Santa Fe.

Other facility improvements during 2011 included beginning construction of a new office and associated capabilities in Sedan, which will allow significantly improved truck flow going forward, as well as the launch of two A-Stop 24 fueling locations, one in York and one in Grand Island. Additional facility improvements and capabilities are scheduled for completion in 2012 – and your company continues to examine the most efficient and sensible ways to meet future needs.

A separate project at Sedan began in 2011 and included a new office and scales. This important upgrade will allow for a better experience for grain trucks and customers and will be completed in 2012.

The Tri-Terminal Grain Project at Sedan included two silos that reach 140 feet in height, shown under construction and completed. Construction began in 2010, and like terminal expansions at Aurora West and Grand Island, wrapped up ahead of schedule in 2011.





To continue offering class-leading, innovative services, the Aurora Cooperative opened two A-Stop 24 locations in 2011 – one in Grand Island and another in York. Construction at a third location began at Aurora West. These fueling stations are open 24/7 and feature high-speed pumps and easy access for semi tractor-trailers and other large trucks. They also feature ethanol blender pumps, which were supported in part by grants from the Nebraska Corn Board. Blender pumps deliver multiple ethanol/gasoline blends for standard and flex fuel cars and pickups.

Shown are photos from the A-Stop 24 grand opening in York.
(Courtesy of the Nebraska Corn Board.)





Growing Communities



The Aurora Cooperative's aerial applicator planes operated by Traudt Aerial and Boardman Aerial were called to support fighting a grass fire near Phillips in March. Two planes each dropped two loads of 400-500 gallons of water each and helped knock down the fire that burned about 100 acres in the dry, windy conditions. Ag application aircraft can be a tool in such circumstances through a Nebraska Forestry Service program. In addition, Pioneer Aerial in Minden supported fire departments in Kearney County by assisting with two separate fires in October. (Image courtesy of Aurora News Register.)



The Aurora Cooperative Education (ACE) Summit was held for the first time in December 2010. Participants, shown here, were nominated by your company's board of directors to attend the two-day conference that focused on opportunity for young farmers and the cooperative business structure. President and CEO George Hohwieler (front, left) and board chairman Bill Schuster (front, right) attended the conference both days, making formal presentations and allowing participants to ask questions and visit in a casual setting.



The Aurora Cooperative supports many youth activities throughout the year. In 2011, for example, we hosted the Nebraska State FFA officer team, which visited the company and learned about Real Farm Research, a component of Aurora Agronomy. Your company also presents scholarships each year to students pursuing a college education and career in agriculture. In 2011, the top scholarship winner was Matraca Meyer of Edgar (inset), daughter of Chris and Theresa Meyer. Other winners included Michael Schroer, Lawrence, son of Burt and Judy Schroer; Jacob Trausch, Roseland, son of Dennis and Janelle Trausch; and Victoria Simonsen, Ruskin, daughter of Gerald and Julie Simonsen.

Donation program supports recovery effort in Japan

The Aurora Cooperative helped launch a grain donation program to support Red Cross relief efforts in Japan and the Pacific following the devastating earthquake and tsunami in the region in March.

Japan has been a top global corn customer for many years, but the country is also an important market for other Nebraska agriculture products, including beef and pork. Supporting people there through the Red Cross was a great way to help our neighbors in the global market.

The plan was developed during a meeting with the Nebraska Corn Growers Association, who then helped organize and manage the effort. Farmer-owned KRVN rural radio also supported the program.

The grain donation program resulted in nearly 9,000 bushels of grain being donated at Aurora Cooperative locations plus some cash donations.

Your generosity resulted in a total contribution of nearly \$67,000, which was marked during a ceremonial check presentation by the Nebraska Corn Growers to the American Red Cross at the Nebraska State Fair in September. Thank you to everyone who supported this program.

Related to this program, board members John Willoughby and Bill Schuster traveled to Japan as part of a corn-fed beef promotion sponsored by the Nebraska Corn Board and U.S. Meat Export Federation. They had an opportunity to see a portion of the earthquake- and tsunami-ravaged area and prepare meals for the victims.



Bill Schuster (left) and John Willoughby help prepare meals for tsunami and earthquake evacuees in Japan.



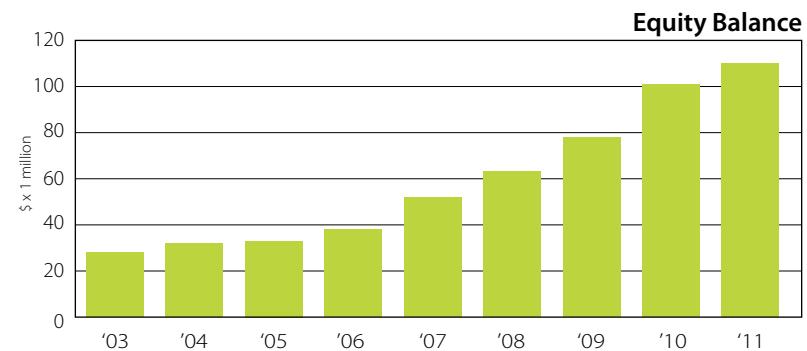


Aurora Cooperative Elevator Company and Subsidiaries

Consolidated Balance Sheets As of August 31, 2011 and 2010

| ASSETS | 2011 | 2010 | LIABILITIES AND MEMBERS' EQUITY | 2011 | 2010 |
|--|----------------------|----------------------|--|----------------------|----------------------|
| CURRENT ASSETS | | | CURRENT LIABILITIES | | |
| Cash and cash equivalents | \$ 4,647,984 | \$ 6,800 | Outstanding check liability | \$ - | \$ 1,635,287 |
| Accounts, notes, and other receivables — net | 81,302,369 | 60,918,394 | Notes payable: | | |
| Advances on inventory | 33,626,098 | 21,206,817 | Line of credit | 120,000,000 | 104,083,773 |
| Inventories: | | | Current portion of term debt | 10,535,858 | 16,687,365 |
| Grain | 31,263,564 | 36,408,943 | Accounts and other payables | 71,632,074 | 42,534,247 |
| Merchandise | 87,087,524 | 70,831,826 | Accrued expenses | 8,875,393 | 8,366,075 |
| Deferred income taxes | 105,281 | 945,144 | Cash patronage refunds | - | 2,086,350 |
| Prepaid expenses and | | | Total current liabilities | 211,043,325 | 175,393,097 |
| Other current assets | 67,701,812 | 36,564,332 | | | |
| Total current assets | 305,734,632 | 226,882,256 | | | |
| INVESTMENTS | | | LONG-TERM LIABILITIES | | |
| Investments in other cooperatives | 26,289,249 | 24,326,879 | Notes payable | 98,148,536 | 45,010,185 |
| Other investments | 6,075,919 | 4,826,002 | Other long-term liability | 6,908,127 | 2,080,553 |
| Total investments | 32,365,168 | 29,152,881 | Deferred income tax liability | 790,740 | 785,564 |
| PROPERTY AND EQUIPMENT | | | Total long-term liabilities | 105,847,403 | 47,876,302 |
| Land | 4,214,757 | 3,425,022 | Total liabilities | 316,890,728 | 223,269,399 |
| Buildings, equipment, and vehicles | 115,449,620 | 95,994,274 | | | |
| Construction in progress | 113,206 | 9,185,121 | | | |
| Total property and equipment | 119,777,583 | 108,604,417 | | | |
| Accumulated depreciation | (46,627,405) | (54,396,573) | | | |
| Net property and equipment | 73,150,178 | 54,207,844 | | | |
| OTHER ASSETS | | | COMMITMENTS AND CONTINGENCIES MEMBERS' EQUITY | | |
| Notes receivable | 319,766 | 538,809 | Capital stock | 50,600 | 50,200 |
| Prepaid expenses | 2,523,923 | 58,266 | Members' equity credits | 50,232,310 | 51,238,625 |
| Goodwill and intangible assets | 12,950,649 | 13,864,843 | Retained earnings | 59,870,678 | 50,146,675 |
| Total other assets | 15,794,338 | 14,461,918 | Total members' equity | 110,153,588 | 101,435,500 |
| TOTAL | \$427,044,316 | \$324,704,899 | TOTAL | \$427,044,316 | \$324,704,899 |

The Consolidated Balance Sheets and Income Statements included here were derived from the financial statements audited by Deloitte & Touche LLP upon which there was an unqualified opinion.

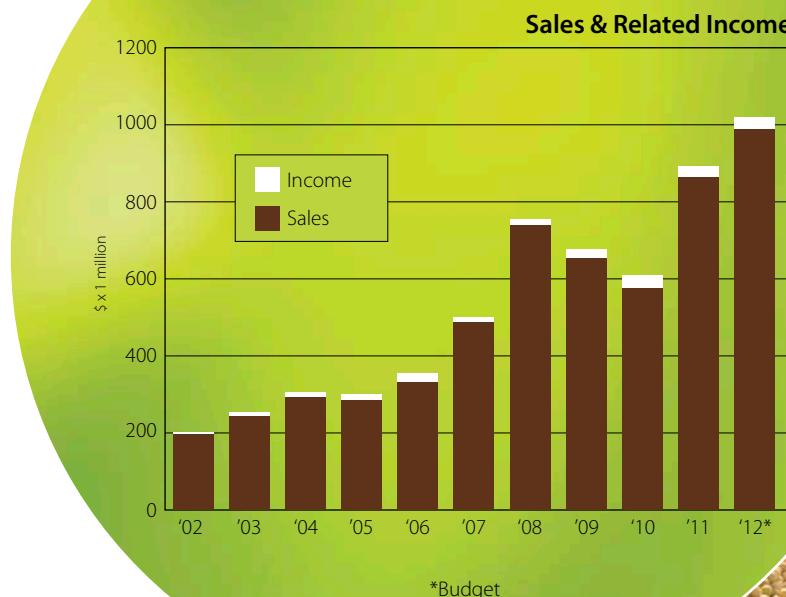
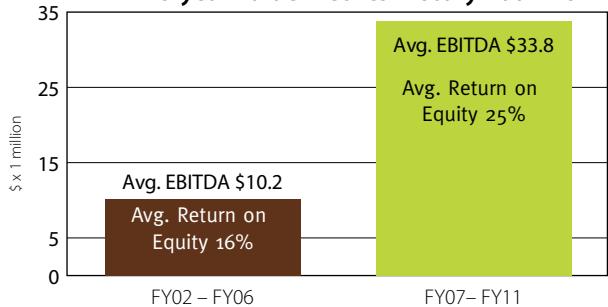


Consolidated Statement of Operations

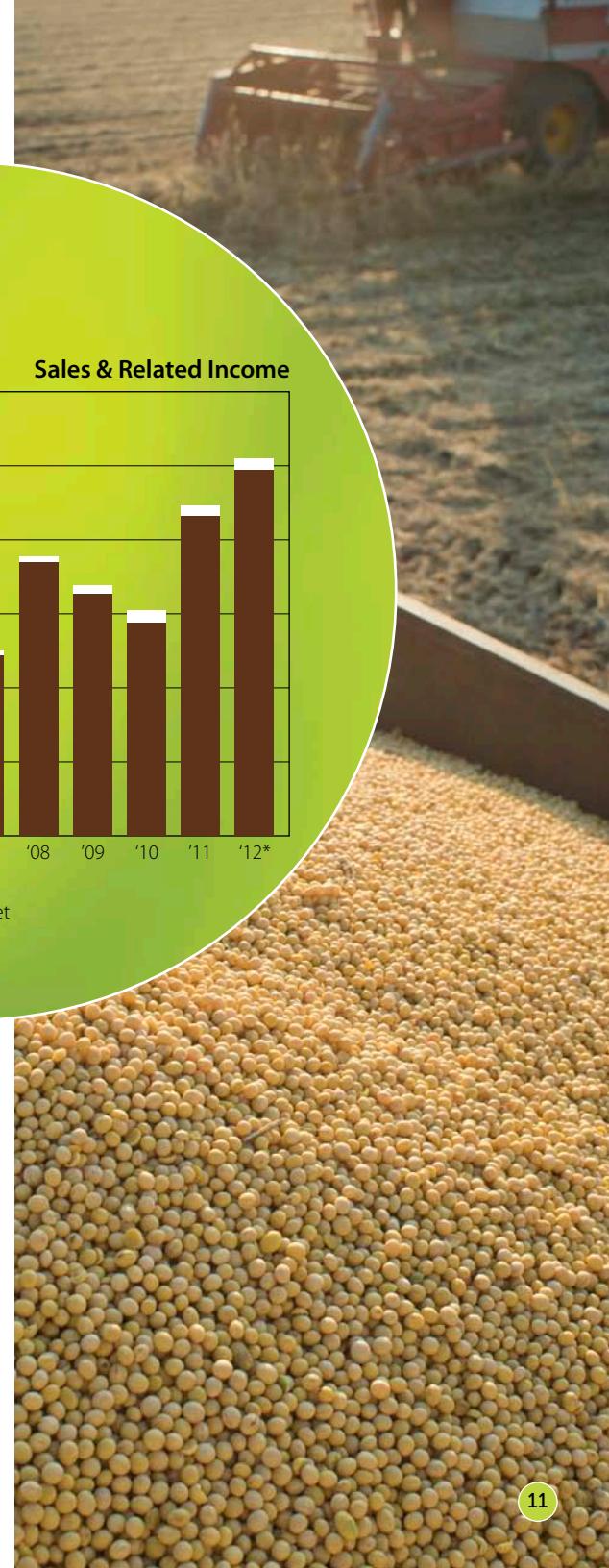
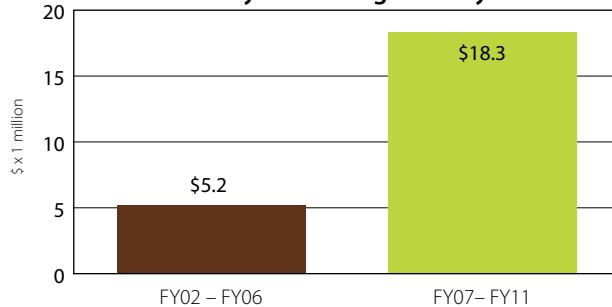
For the years ended August 31, 2011 and 2010

| | 2011 | 2010 |
|-------------------------------------|---------------------|----------------------|
| SALES: | | |
| Grain marketed | \$498,849,684 | \$ 338,231,961 |
| Merchandise sales | 354,495,488 | 237,228,026 |
| Other operating revenue | 28,643,927 | 31,202,450 |
| Total sales | 881,989,099 | 606,662,437 |
| COST OF GOODS SOLD | 790,110,526 | 517,731,308 |
| GROSS MARGIN | 91,878,573 | 88,931,129 |
| GENERAL AND ADMINISTRATIVE EXPENSES | (76,318,201) | (66,282,426) |
| OPERATING INCOME | 15,560,372 | 22,648,703 |
| OTHER INCOME (EXPENSE): | | |
| Interest income and finance charges | 1,113,194 | 919,888 |
| Interest expense | (16,082,679) | (7,698,575) |
| Investment income and other | 9,133,743 | 6,263,311 |
| Total other expense — net | (5,835,742) | (515,376) |
| INCOME BEFORE INCOME TAXES | 9,724,630 | 22,133,327 |
| INCOME TAX (BENEFIT) EXPENSE | 1,111 | (3,085,868) |
| NET INCOME | \$ 9,723,519 | \$ 25,219,195 |
| DISTRIBUTION OF NET INCOME: | | |
| Cash patronage | \$ - | \$ 2,086,350 |
| Members' equity credits | - | 4,868,149 |
| Total patronage refunds | - | 6,954,499 |
| Retained earnings | 9,723,519 | 18,264,696 |
| NET INCOME | \$ 9,723,519 | \$ 25,219,195 |

10-year Value Metrics History 2002-2011



10-year Earnings History 2002-2011





Established in 1908, the Aurora Cooperative is a world-class, multi-purpose agricultural cooperative that provides service and expertise in grain, agronomy, feed and energy. The company is headquartered in Aurora, Nebraska, and is growing opportunities for customers and patrons across Nebraska and northern Kansas.

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