

A close-up photograph of two hands shaking. The hands are weathered and appear to be from people who work with their hands. The background is dark and textured.

**TOUGHER**



**AURORA  
COOPERATIVE**



A photograph of two men in work attire. The man on the left is wearing a red and grey baseball cap and a dark blue polo shirt, looking towards the right. The man on the right is wearing a black baseball cap with a red and white 'A' logo and a dark grey jacket, looking towards the left. The background is a blurred outdoor setting with wooden structures.

**TOGETHER**

*AURORA & YOU | 2017 ANNUAL REPORT*



A hand holding a small object, split into a red textured left side and a white textured right side. The red side has a grainy, particle-like texture, while the white side has a more organic, skin-like texture. A thin black horizontal line runs across the middle of the hand.

**SEEDING**

**YOUR**

**SUCCESS**

# SHARE IN SUCCESS SUPPORT IN STRUGGLE

At Aurora, we truly believe that we're tougher together — better able to handle tough challenges, and make tough choices.

Because toughness doesn't mean going it alone, or doing things the way you've always done them. It means refusing to settle for less than the best results, and expecting the best from the people around you.

That's why we strive every day to share in your successes, and support you in times of struggle by taking responsible, calculated risks to make the most of your investment and your confidence. Because you only get one chance to get it right each season, and so do we.

It's been an honor to serve you for the last 110 years, and together we know we can build a cooperative that endures the next 100.



Bill Schuster

**BILL SCHUSTER | CHAIRMAN**



Chris Vincent

**CHRIS VINCENT | PRESIDENT & CEO**





**PUT**  
**GOOD IN**  
— **GET** —  
**GOOD OUT**

At Aurora we believe that people make the difference, which is why we invest heavily in our training and development programs for all Aurora Cooperative employees. We know that when we *put good in, you get good out.*



## INVESTING IN OUR PEOPLE

Our learning and development platform enables us to create a unique culture within the cooperative. Educating the whole team on values and expectations creates a superior partner for you, our owner. Our team is putting in extra hours so you have an extra advantage — informed partners in your hip pocket, 365 days a year.

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- + **46 days** of leadership development training
  - + **157 days** of safety training to all Aurora Cooperative employees
  - + **181 days** of product and market education training across all four divisions

## INVESTING IN A BETTER PARTNERSHIP

Facilitating the transfer of knowledge and expertise is one of the most valuable resources we provide. This year, we made it a goal to raise the bar when it comes to our owner education events. By creating a more interactive experience, it allowed our farmer-owners to hear, see and touch what's going on inside the cooperative and throughout the industry. Together, we're able to build more fruitful partnerships that yield.

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- + **21 local field tours** to evaluate on-farm performance
  - + **13 Yield Advantage events** focused on increasing yields — one field at a time
  - + **12 Real Farm Research technology tours** educating on new product developments
  - + **8 Owners' Acres tours** evaluating new yielding solutions
  - + **5 Profitability workshops** at our annual stockholders' meeting
  - + **4 Grain Marketing Outlook meetings** centered on your profitability
  - + **1 Weed Resistance Management forum** providing clean-field solutions
  - + **In total: 64 events** with more than **2,400 farmer-owners** in attendance



## WORKING HARD IN YOUR COMMUNITIES

Our responsibility to our owners doesn't stop at the edge of the field. It extends to our local communities, schools and youth organizations. Having a vibrant, rural America is an important value at Aurora Cooperative. We know the investments we make are vital to the lifeblood and leadership that will make Aurora Cooperative and the communities we serve successful for many years to come.

*“Receiving an Aurora Cooperative Scholarship has been beneficial by aiding me to further my education at the University of Nebraska–Lincoln. This scholarship has relieved some of the stress from the financial costs of higher education, and it has allowed me to focus more intently on my academics.”*

MARISSA KEGLEY | KEARNEY, NEBRASKA







## GROWING THE NEXT GENERATION

**207**

**DONATIONS GRANTED**

**40+**

**COMMUNITIES ENGAGED**

**\$420K**

**TOTAL INVESTMENTS**

Our community investments this year totaled \$411,109 and spanned initiatives ranging from supporting your communities at local county auctions, to making more than 200 donations to organizations you care about, to sponsoring education through the distribution of 15 Aurora scholarships worth \$10,000.

## 2017 APPLICATION ACRES

**1,639,018**

LIQUID FERTILIZER ACRES

**914,669**

DRY FERTILIZER ACRES

**1,778,408**

AERIAL APPLICATION ACRES

YEAR	LIQUID ACRES	DRY ACRES	AERIAL ACRES
2016	1,435,381	911,281	1,372,718
2015	1,356,133	859,034	1,977,344

# PARTNERS IN EVERY SEASON



## PLAN

No matter how well you plan, every season brings challenges you can't predict. That's why it's so important to have a partner who has your back. Aurora strives to provide its owners with the very best people, research, products, inputs and information possible — so you can plan with confidence, and achieve better results.



## PLANT

Once a solid plan is in place, you need a dependable partner by your side to help you get started down the correct path. So during this hectic season, rest assured that your local Aurora Cooperative team cares about your success like it's our own and is committed to making sure you get the job done.



## GROW

Whether you're raising animals or growing crops, we're with you at every step of the process. From our Right Start premium feed line to our Yield Advantage platform, we're constantly devising new ways to turn everything we know about your farm into valuable recommendations that yield results. Top it all off with an aerial team that knows timing is everything, and we're a one-stop, do-it-all advisor who keeps you growing, all year long.



## HARVEST

Our lights are on until yours are off. Our grain elevators are open until the farmer brings in his last truck of the day. We are tougher together. We're there when you need us — any time, every time.








## THE YEAR IN REVIEW

As we look to 2018, we want you to know that you're facing the future with a partner who shares your risks, and celebrates your success. Our goal is to make good times even better, and provide a helping hand when times are tough.



**It hasn't been easy this year,  
but we've accomplished a lot together.  
Here are just a few of the highlights from 2017:**

## **IDENTIFYING NEW OPPORTUNITIES**

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A new partnership with Pacific Ethanol, now called Pacific Aurora LLC, represents a new revenue stream opportunity through vertical integration for our farmer-owners.

By using your corn for your ethanol, we can help ensure great prices for your grain, share any downstream revenue, and promote the positive effects of corn ethanol on rural economies and the environment. Our new E-Power E15 blended gasoline brings your corn crop full circle by using ethanol straight from Pacific Aurora LLC in our A-Stops. From field to fuel, you can be confident in knowing that E-Power is locally grown and locally produced.

- 
- |  |   |
|--|---|
| + <b><u>54,561</u></b> inbound trucks per year       | + <b><u>50,768,239</u></b> total inbound bushels        |
| + <b><u>50,454,040</u></b> bushels of corn per year  | + <b><u>44,214,901</u></b> bushels of corn for ethanol  |
| + <b><u>314,199</u></b> bushels of soybeans per year | + <b><u>3,530,848</u></b> bushels of enogen for ethanol |







**RFR**

## **INVESTING IN RESEARCH ON REAL FARMS**

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New this year, Owners' Acres dedicated 60 acres to testing the products we've developed through Real Farm Research.

Tours of these innovative, large-scale strip trials included five distinct zones that allowed growers to discuss current and emerging management practices, assess new products, better understand nutrient uptake, and evaluate how data can help maximize yield on their farms.

We know that the decisions you make have a direct impact on your operation and must calculate environmental and agronomic conditions. At Owners' Acres, we tested varying planting dates, population changes, application methods and management techniques so that we can fully evaluate yields and provide you better recommendations for your farm.



## INVESTING IN YOUR FUTURE

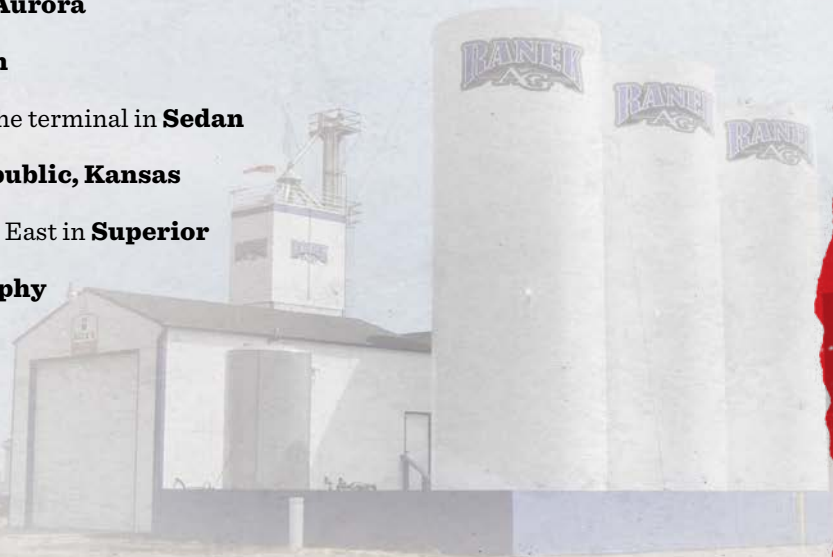
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Whenever we evaluate merger or acquisition opportunities, culture and core business beliefs have to come together. The right fit is always our focus, and we're thrilled to have added two new locations in Mitchell and Tyndall, South Dakota, this year in partnership with Ranek Ag. Our new South Dakota agronomy division will serve area farmers through Ranek Ag's existing locations, providing progressive South Dakota growers with future-forward products and services.

### THIS YEAR'S CAPITAL INVESTMENTS:

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- + Fertilizer shed, liquid fertilizer tanks and updates to office buildings were made at Agronomy Supply in **Norfolk** and **Neligh**
- + Upgraded the dry fertilizer sheds in **Dannebrog, Nebraska**, and **Traer, Iowa**
- + Increased harvest capacity through ground pile improvements at the following locations: **Grand Island, Harvard, Hubbell, Murphy, Sedan** and **Superior**
- + Grain dryer at PAL LLC in **Aurora**
- + Research equipment for Owners' Acres
- + Aurora West Warehouse in **Aurora**
- + Aerial hanger in **Henderson**
- + Drainage improvements at the terminal in **Sedan**
- + Dry fertilizer blender in **Republic, Kansas**
- + 100% ownership of Superior East in **Superior**
- + Grain scale addition in **Murphy**





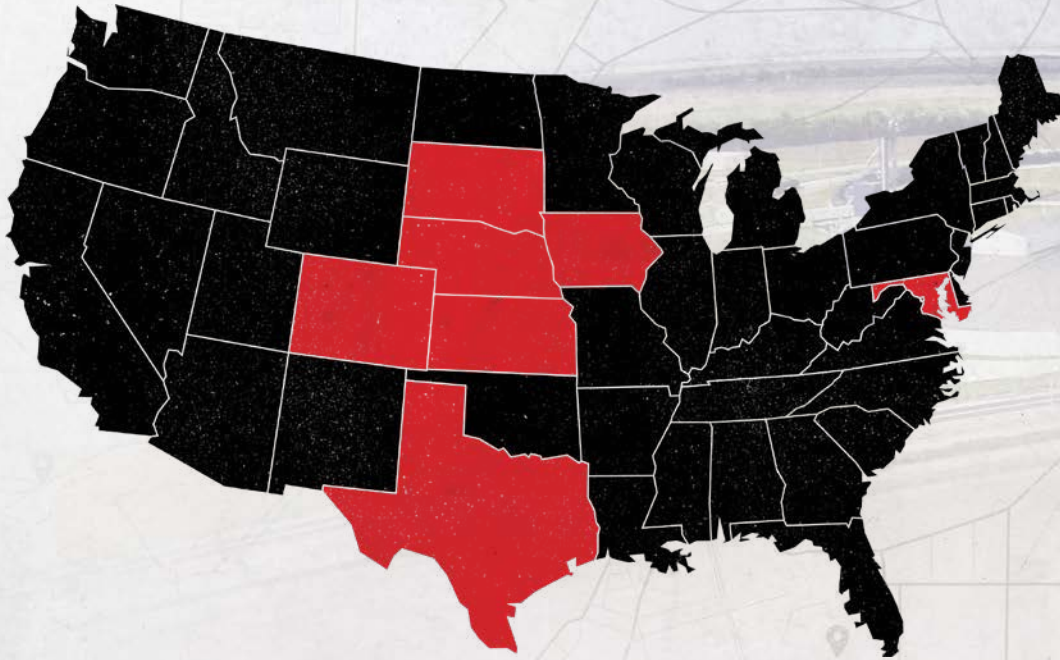
FUELING

TODAY

FOR

TOMORROW





56

NEBRASKA

15

TEXAS

4

COLORADO

3

S DAKOTA

2

KANSAS

1

MARYLAND

1

IOWA

Being successful together is about creating winning scenarios for you, our owner. We view every decision we make as an opportunity to increase value for you.

We work hard to negotiate the best possible deals with our vendors so we can pass those savings on to you. Whether we are working on your behalf to make input costs more competitive or to make your grain prices more profitable, the dollars generated — and the dollars saved — are continually reinvested with you and your farm in mind. Because it's your company, and it's your money. And it's our job to make investments that earn returns and get results.

Our A-Team commitment to you is in many ways the same as it's been in the last 110 years: to do what we say and say what we do, and give you — our owners — an opportunity to set yourselves apart and be successful together.





# PUTTING YOUR EQUITY TO WORK

## CONSOLIDATED BALANCE SHEETS

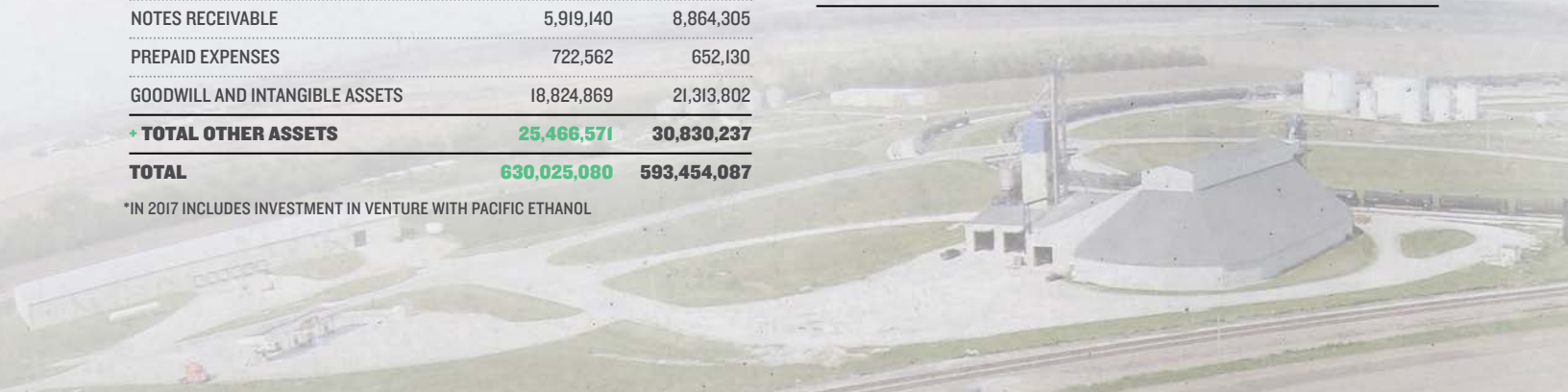
AS OF AUGUST 31, 2017 AND 2016

CURRENT ASSETS:	2017	2016
CASH AND CASH EQUIVALENTS	409,668	414,154
ACCOUNTS, NOTES AND OTHER RECEIVABLES – NET	151,047,006	143,658,050
ADVANCES ON INVENTORY	4,922,897	6,986,970
INVENTORIES:		
GRAIN	26,911,702	19,371,481
MERCHANDISE	200,074,480	195,414,377
DEFERRED INCOME TAXES	170,630	150,519
PREPAID EXPENSES AND OTHER CURRENT ASSETS	9,324,774	18,118,763
<b>+ TOTAL CURRENT ASSETS</b>	<b>392,861,157</b>	<b>384,114,314</b>
INVESTMENTS:		
INVESTMENTS IN OTHER COOPERATIVES	33,131,060	35,679,732
OTHER INVESTMENTS	50,791,668*	3,488,009
<b>+ TOTAL INVESTMENTS</b>	<b>83,922,728</b>	<b>39,167,741</b>
PROPERTY AND EQUIPMENT:		
LAND	9,314,631	9,405,216
BUILDING, EQUIPMENT AND VEHICLES	191,082,996	198,523,226
CONSTRUCTION IN PROGRESS	200,093	2,111,385
ACCUMULATED DEPRECIATION	(72,823,096)	(70,698,032)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>127,774,624</b>	<b>139,341,795</b>
OTHER ASSETS:		
NOTES RECEIVABLE	5,919,140	8,864,305
PREPAID EXPENSES	722,562	652,130
GOODWILL AND INTANGIBLE ASSETS	18,824,869	21,313,802
<b>+ TOTAL OTHER ASSETS</b>	<b>25,466,571</b>	<b>30,830,237</b>
<b>TOTAL</b>	<b>630,025,080</b>	<b>593,454,087</b>

\*IN 2017 INCLUDES INVESTMENT IN VENTURE WITH PACIFIC ETHANOL

## LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES:	2017	2016
OUTSTANDING CHECK LIABILITY	5,157,835	4,437,488
NOTES PAYABLE:		
LINE OF CREDIT	142,753,489	102,901,141
CURRENT PORTION OF TERM DEBT	10,602,188	11,402,347
ACCOUNTS AND OTHER PAYABLES	138,404,197	158,743,529
ACCRUED EXPENSES	7,257,390	7,368,953
CASH PATRONAGE REFUNDS	1,500,000	1,020,000
<b>+ TOTAL CURRENT LIABILITIES</b>	<b>305,675,099</b>	<b>285,873,458</b>
LONG-TERM LIABILITIES:		
NOTES PAYABLE	117,005,192	111,690,124
OTHER LONG-TERM LIABILITIES	1,218,797	2,034,176
DEFERRED INCOME TAX LIABILITY	4,385,067	4,116,428
<b>+ TOTAL LONG-TERM LIABILITIES</b>	<b>122,609,056</b>	<b>117,840,428</b>
<b>TOTAL LIABILITIES</b>	<b>428,284,155</b>	<b>403,714,186</b>
MEMBERS' EQUITY:		
CAPITAL STOCK	70,650	71,300
MEMBERS' EQUITY CREDITS	48,301,091	48,752,089
RETAINED EARNINGS	153,651,498	142,291,718
ACCUMULATED OTHER COMPREHENSIVE INCOME	(282,314)	(1,375,206)
<b>+ TOTAL MEMBERS' EQUITY</b>	<b>201,740,925</b>	<b>189,739,901</b>
<b>TOTAL</b>	<b>630,025,080</b>	<b>593,454,087</b>



## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

SALES:	2017	2016
GRAIN MARKETED	466,692,379	460,264,474
MERCHANDISE SALES	424,571,287	462,676,121
OTHER OPERATING REVENUE	45,980,636	43,205,728
<b>+ TOTAL SALES</b>	<b>937,244,302</b>	<b>966,146,323</b>
COST OF GOODS SOLD	(783,261,965)	(820,199,928)
GENERAL AND ADMINISTRATIVE EXPENSES	(128,267,997)	(123,133,129)
<b>OPERATING INCOME</b>	<b>25,714,340</b>	<b>22,813,266</b>

### OTHER INCOME (EXPENSE):

INTEREST INCOME AND FINANCE CHARGES	2,244,123	1,869,002
INTEREST EXPENSE	(15,007,831)	(12,522,330)
INVESTMENT INCOME AND OTHER	1,946,908	5,085,058
<b>+ TOTAL OTHER INCOME (EXPENSE) - NET (10,816,800)</b>	<b>(5,568,270)</b>	
INCOME BEFORE INCOME TAXES	14,897,540	17,244,996
INCOME TAX EXPENSE	605,585	392,335
<b>NET INCOME</b>	<b>14,291,955</b>	<b>16,852,661</b>

### DISTRIBUTION OF NET INCOME:

CASH PATRONAGE	1,500,000	1,020,000
MEMBERS' EQUITY CREDITS	1,500,000	2,380,000
<b>+ TOTAL PATRONAGE REFUNDS</b>	<b>3,000,000</b>	<b>3,400,000</b>
<b>RETAINED EARNINGS</b>	<b>11,291,955</b>	<b>13,452,661</b>
<b>NET INCOME</b>	<b>14,291,955</b>	<b>16,852,661</b>

### OTHER COMPREHENSIVE INCOME (LOSS):

UNREALIZED LOSS ON INTEREST RATE SWAPS	1,092,892	(106,634)
OTHER COMPREHENSIVE LOSS	1,092,892	(106,634)
<b>COMPREHENSIVE INCOME</b>	<b>15,384,847</b>	<b>16,746,027</b>

THE CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME INCLUDED HERE WERE DERIVED FROM THE CONSOLIDATED FINANCIAL STATEMENTS AUDITED BY DELOITTE & TOUCHE LLP UPON WHICH THERE WAS AN UNQUALIFIED OPINION.

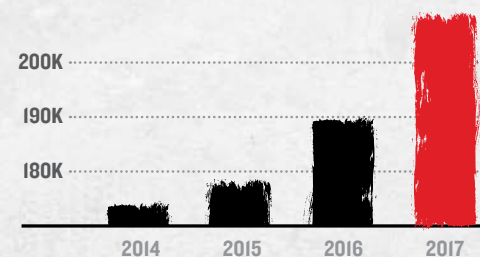
## \$16.5M 2017 YEAR PATRONAGE DISTRIBUTION & REDEMPTION

- + \$2M Equity Revolvement
- + \$1.5M Cash Patronage
- + \$1.5M Patronage Deferred Equity
- + \$11.5M Sec199

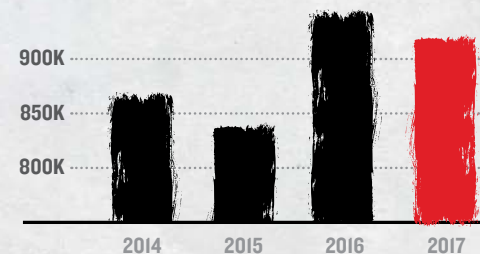
## \$63M TOTAL PATRONAGE DISTRIBUTION & REDEMPTION

- + \$12M Equity Revolvement
- + \$11M Cash Patronage
- + \$40M Sec199

## EQUITY HISTORY



## TOTAL SALES







# YOUR LEADERSHIP

Established in 1908, Aurora Cooperative is driven by one fundamental belief: By joining together, farmers can accomplish things they cannot accomplish alone. That belief hasn't changed in more than 100 years, and it's why every decision and every investment we make is focused on what's best for the farmers who own this company. Without you, we don't matter.





**BILL SCHUSTER**  
Chairman, 1985



**EVAN BRANDES**  
Vice Chairman, 2005



**ROBIN BOCHART**  
Governance Committee  
Chairman, 2004



**DANNY JANZEN**  
Director, 2004



**SCOTT ELTING**  
Director, 2006



**JOHN WILLOUGHBY**  
Director, 2007



**CRAIG B. GRAMS**  
Audit Committee  
Chairman, 2009



**PAUL MUMM**  
Director, 2009



**PAUL MCHARGUE**  
Secretary/Treasurer, 2011



**RYAN SANDS**  
Nominating Committee  
Chairman, 2014



**KEN KOZISEK**  
Director, 2014



**BRAD KROEGER**  
Director, 2014



**TOBE DUENSING**  
Director, 2014



**DEAN SCHWENKA**  
Director, 2015





*AURORA & YOU*

To participate, fill out the application for the Seeding Your Future contest at [auroracoop.com](http://auroracoop.com).

Throughout the growing season, submit three photos of you and your team to Facebook or Twitter, tagging @AuroraAgNetwork during planting, the emergence stage and at harvest.

Once we receive your submission, a random drawing will be made to select the winners.

\*Contest runs March 1–August 1, 2018. All submissions must be received by August 1, 2018. The winners will be announced shortly thereafter the close of the contest. Contest can be done as a group or individual.





**AURORA  
COOPERATIVE**