

#### Murray King Chairman

- 1. Financial Overview
- 2. Business Highlights
- 3. Strategy & Purpose
- 4. Protect & Grow



#### Financial Overview

	2016	2017
Revenue	\$211M	\$204M
EBIT	\$2.1M	\$8.1M
Underlying Net Earnings	\$-0.3M	\$3M
Equity Ratio	65%	68%
Cashflow (from operating activities)	\$14.4M	\$25.4M

### Earnings

	2016 \$M	2017 \$M	\$M (Annual Difference)
Revenue	210.7	203.5	-7.2
Depreciation/Amortisation	-24.6	-28.1	-3.5
EBIT	2.1	8.1	6
Underlying Earnings	-0.3	3	3.3
Livestock Revaluations	-5.1	24.7	29.8
NPAT	-4	20.8	24.8

### Financial Result - Annual Dividend 2017

2017	2016	2015	
\$2.44 million	No dividend declared	\$6.58 million	
Total dividend (80% of underlying earnings)		Total dividend (60% of underlying earnings)	

### **Business Highlights**

1.	2.	3.	4.	5.
Highest number of herd tests at peak	GeneMark™ operating at capacity	10,000th bull tagged by SPS	Launch of MINDA™ LIVE	Agrigate

#### Strategy and Purpose The process

1.

2.

3.

Remove Goal

#### Consultation

- Staff
- Shareholder Council
- Board

Purpose Statement Development Purpose Statement Why do we do what we do?

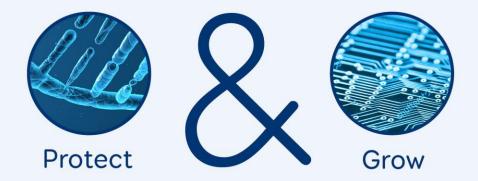
Our co-operative empowers livestock farmers through the delivery of superior genetics and technology

### Protect & Grow

#### **Protect & Grow**

- 1. Our Journey
- 2. Disruption
- 3. Our Roadmap

## Protect & Grow Our Journey



LIC has begun a process of change and transformation.

This is about protecting the fundamentals of the co-operative while making sufficient profits to enable LIC to reinvest for the future.

# Protect & Grow Disruption

### Disruption threatens to impact our 4 core strategic areas of focus:

1.

Genetics and information to create superior livestock

2.

Information to improve decision making to enable superior livestock performance

3

Hardware systems to improve productivity and decision making

4.

Success of LIC International

#### Threat

Gene editing affecting genetics programmes and In Line Milk Meters disrupting herd testing and access to data

#### Threat

Competitors to MINDA from the US and Europe, reducing LIC's access to data

#### Threat

In Line Milk Meters
disrupting herd testing and
access to data, milking
machine manufacturers
displacing MINDA with herd
management tools

#### Threat

Competition from other businesses investing in technology to keep their products and services at the leading edge globally

### Protect & Grow Disruption

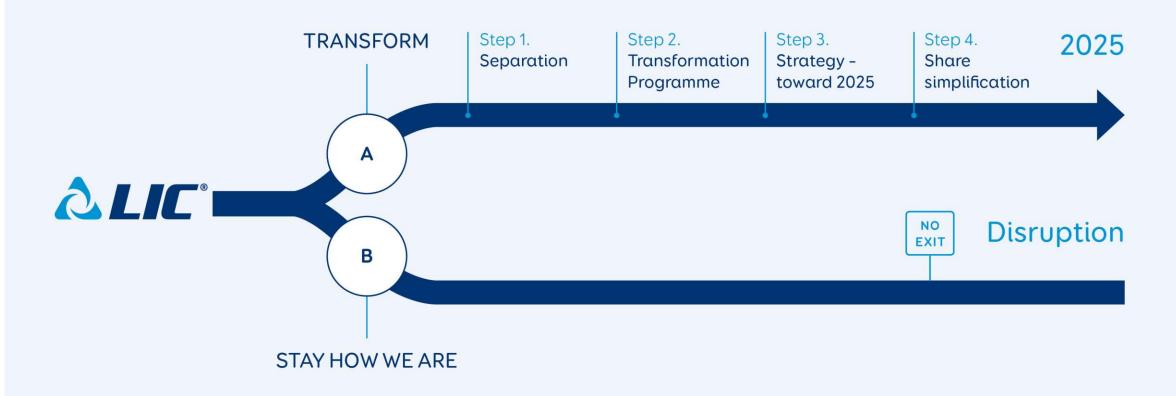
We have a global edge that gives our farmers their competitive advantage in terms of on-farm productivity and profitability - but we have to be ambitious about keeping that edge against the best in the world.

There are other disruptive threats to the dairy industry from regulation, to taxation, to alternative milk products.

To do that we have to constantly be improving the way we do business, and investing in our technology and genetics.

### Protect & Grow Our Roadmap for Adapting to Disruption

Standing still is not an option for LIC. In this age of disruption and radical change if we don't continue to evolve we put at risk what you value most about the co-op.



#### Protect & Grow Our Roadmap - Adapting to Disruption

1. Separation	2. Transformation Programme	3. Strategy- Purpose	4. Share Simplification
Done	Underway	Underway	The next step

#### Protect & Grow Transformation Programme Update

We continue to make substantial reductions in costs by reducing expenses and making the best use of existing resources.

We acknowledge that change can be difficult for customers and thank you for working with us as we continue to make the business more efficient.

The cost efficiencies and business growth delivered through the transformation programme have been a key contributor toward a better result in the 2016-2017 financial year.

As a result of the transformation we are expecting a significant improvement in earnings in future years.

#### Protect & Grow Share Simplification

The next step in LIC's ongoing transformation is share simplification.

In response to concerns raised by you we began a comprehensive review of LIC's share structure two years ago.

This review found that the current two-share structure is not best for meeting the current and future needs of the co-operative and our farmers.

#### Protect & Grow Share Simplification

We believe that simplifying LIC's share structure by moving to a single class of shares is an important step in better positioning LIC for the future by ensuring:

1. Fairness

2. Capital flexibility

One co-op, one voice

4.
Making life simpler

#### Protect & Grow Where we are up to

No final decisions have been made by the Board. We are still considering options on how best to simplify LIC's share structure and listening to valued feedback.

We expect to come back to you with a more substantive update early in 2018.

#### Wayne McNee Chief Executive

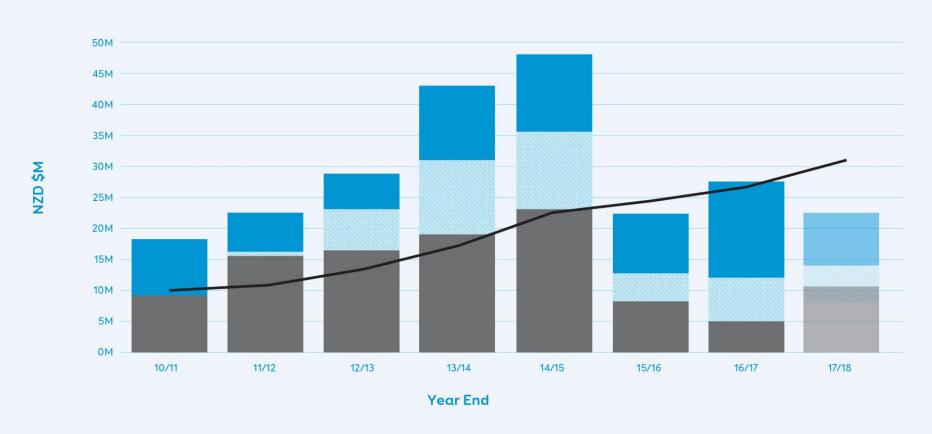
# 1. Financial Detail for the 2016 - 2017 Year

#### Financial Result - Revenue



#### Capital Spend

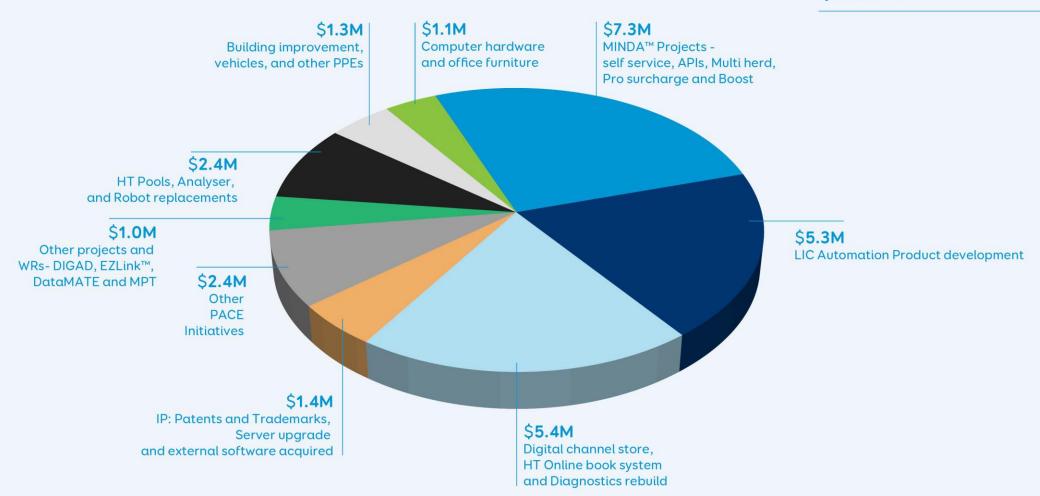




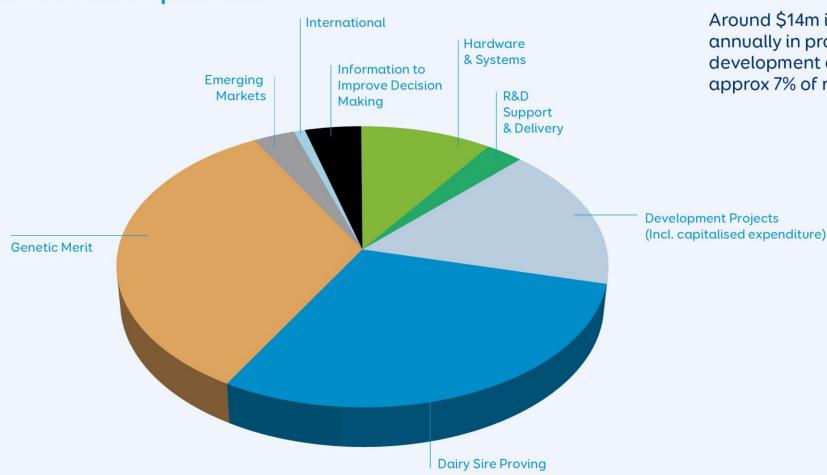
#### Capital Approvals 2016/17

#### **Capital Approvals**

\$27.6M



#### LIC 2016/17 Investment in Research & Product Development



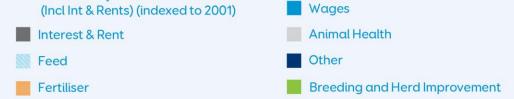
#### **R&D Total**

#### \$14M

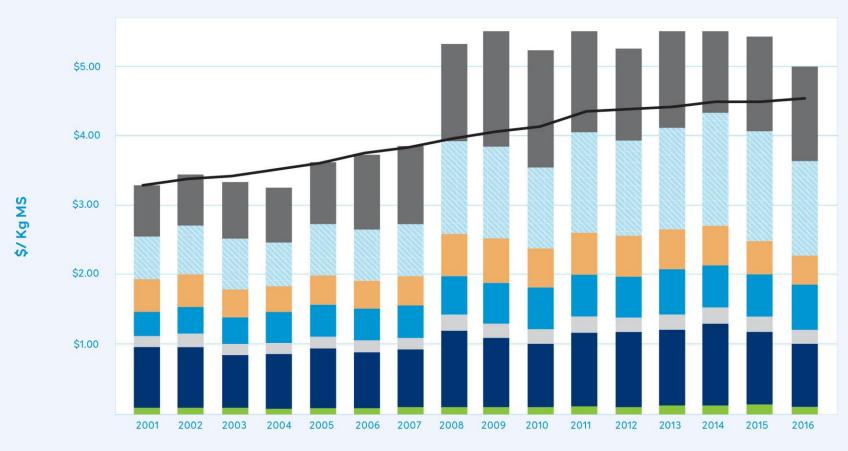
Around \$14m invested annually in product development and R&D; approx 7% of revenue

# Cash Farm Working Expenses Plus Debt Servicing

\$/Kg MS, Owner-Operators



Inflation adjustment FWE



### LIC Contribution to Value on Farm

	2015/16	2016/17	2017/18
Genetic Merit	\$317M	\$322M	\$328M
Health	\$2.2M	\$2.2M	\$2.2M
Reproduction	\$39.5M	\$45M	\$30M
Production	\$50M	\$35M	\$36M



#### KPIs Required on Key Strategic Objectives Towards 2025

- Genetics and information to create superior livestock:
  - RAS list
  - Movement in market share
  - Genetic gain achieved vs 'optimal' gain
- Information to improve decision making to enable superior livestock performance:
  - Uptake and utilisation of all MINDA products
- Hardware and systems to improve productivity and decision making:
  - · Development and uptake of new hardware
  - Financial performance of relevant acquisitions
- ✓ LIC International adding value for our shareholders, focussing on key markets:
  - EBIT contribution of international business



#### **Director Remuneration**

	Current	Proposed	Difference
Chair	\$116,725	\$120,000	\$3,275
Each of the other 9 Directors	\$48,212	\$50,000	\$1,778
*Maximum sum available to reimburse for additional duties and skills	\$60,000	\$60,000	\$0
Total for LIC Board (as a whole)	\$610,633	\$630,000	\$19,367

#### Resolution 1 Approval of LIC Directors' Remuneration

To receive and consider the LIC Shareholder Honoraria Committee's recommendation as to Directors' remuneration, and if thought fit, to resolve by way of ordinary resolution to:

"Approve the total remuneration of all Directors taken together being increased by \$19,367 from \$610,633 to \$630,000."

#### LIC Shareholder Council Remuneration

	Current	Proposed	Difference
Chair	\$27,500	\$30,000	\$2,500
Deputy Chair	\$9,000	\$9,000	\$0
Each of the other 19 Councillors	\$5,000	\$5,000	\$0
Total for LIC Shareholder Council (as a whole)	\$131,500	\$134,000	\$2,500

### Resolution 2 Approval of Shareholder Council Chair's Remuneration

To receive and consider the LIC Shareholder Honoraria Committee's recommendation as to the Shareholder Council Chair's remuneration, and if thought fit, to resolve by way of ordinary resolution to:

"Approve the annual remuneration of the Shareholder Council Chair being increased by \$2,500 from \$27,500 to \$30,000."

### Resolution 3 Reappointment of External Auditor, KPMG

# To consider, and if thought fit, to resolve by way of ordinary resolution to:

"Reappoint the chartered accountancy partnership KPMG as the Auditor until the conclusion of the Company's next Annual Meeting, and that the Directors be authorised to fix its remuneration."

### Resolution 4 Approval of the LIC Shareholder Council's Budget

To consider, and if thought fit, to resolve by way of ordinary resolution to:

"Approve the LIC Shareholder Council's budget for the year ending 31 May 2018."

#### LIC Shareholder Council's Budget

	2016/1/		201//18
Expenditure	Budget	Actual	Budget
Honoraria	\$137,800	\$135,507	\$140,300
Training Costs	\$11,000	\$11,053	\$15,000
Meeting Related Expenses	\$57,777	\$40,222	\$59,207
Administration	\$3,130	\$4,525	\$4,030
TOTAL	\$209,707	\$191,307	\$218,537

#### Resolution 5

Ratify the reappointment of, and elect, Mrs Abigail Foote as an Appointed Director

To consider, and if thought fit, to resolve by way of ordinary resolution to:

"To ratify the reappointment of, and elect, Mrs Abigail Foote as an Appointed Director for a further three year term."

#### Resolution 6

Ratify the appointment of, and elect, Mr Timothy Gibson as an Appointed Director

To consider, and if thought fit, to resolve by way of ordinary resolution to:

"Ratify the appointment of, and elect, Mr Timothy Gibson as an Appointed Director for a two year term."

### General Business

