

LIC

Annual Meeting

19.10.16



Murray King
Chairman

1. Financial Overview
2. LIC Strategy
3. Shareholder Roadshow
4. Separation



A photograph of two light-colored cows with brown faces grazing in a green field. The cow on the left has a yellow ear tag with the number 136. The background shows a fence and more greenery.

Financials

This year LIC is reporting its first loss in its history. This is not sustainable and the board and management are addressing the contributing factors head on to ensure that this is not repeated in future years.

Financial Overview

| | 2015 | 2016 |
|--------------------------------------|----------|---------|
| Revenue | \$232.5M | \$211M |
| EBIT | \$18.1M | \$2.1M |
| Underlying Net Earnings | \$11M | \$-0.3M |
| Balance Sheet | 73% | 65% |
| Cashflow (from operating activities) | \$34.8M | \$14.4M |

Earnings

| | 2016 \$M | 2015 \$M | \$M (Annual Difference) | % (Annual Difference) |
|---------------------------|----------|----------|-------------------------|-----------------------|
| Revenue | 210.7 | 232.5 | -21.8 | -9 |
| Depreciation/Amortisation | -24.6 | -21.1 | -3.5 | 17 |
| EBIT | 2.1 | 18.1 | -16 | -88 |
| Underlying Earnings | -0.3 | 11 | -11.3 | -103 |
| Livestock Revaluations | -5.1 | 3.8 | -8.9 | -234 |
| NPAT | -4 | 13.7 | -17.7 | -129 |

Financial Result - Annual Dividend 2016

2016
No dividend
declared

2015

\$6.58 million

Total dividend
(60% of underlying earnings)

2014

\$11.17 million

Total dividend
(60% of underlying earnings)



Shareholder Roadshow

We've listened

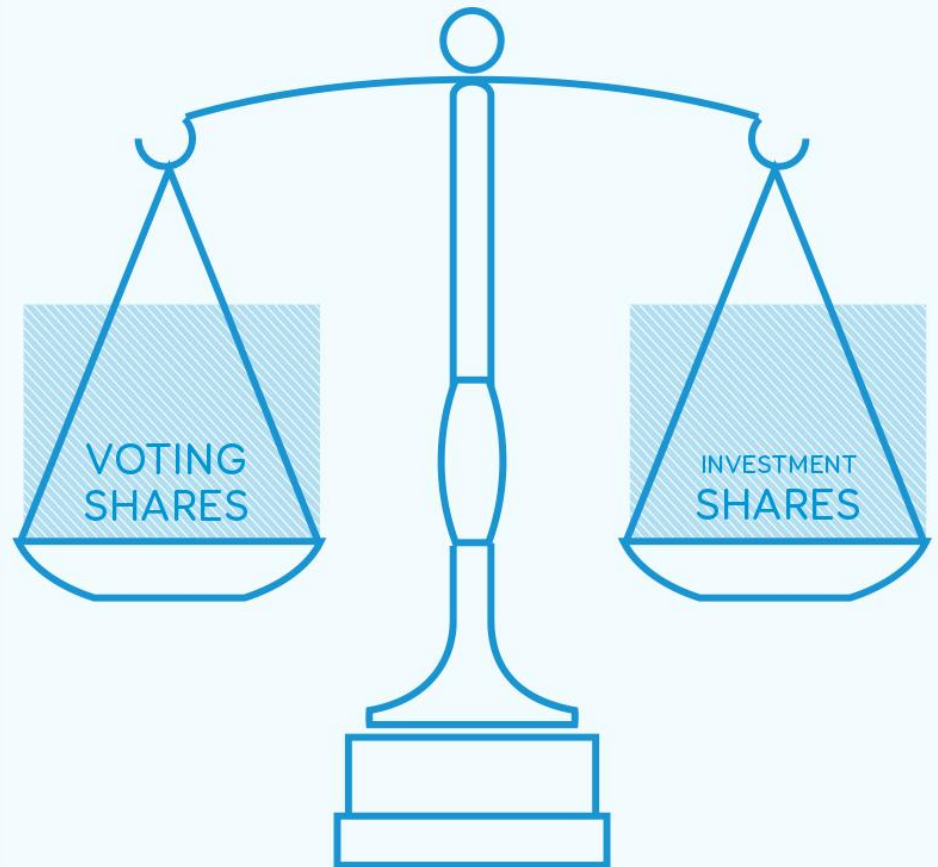
1. Share class structure
2. Goal
3. Stick to knitting

Share class structure

We've heard your views on the current share class structure. The current share structure is unsustainable, and the disparity that occurs between the two classes of LIC shares will only get worse.

The board is assessing a fairer way of dealing with all shareholder interests.

We'll come back to you in the first half of 2017 to present options and get your feedback.



Goal

We've also heard your views on the LIC Goal statement in our Strategy, and the board has agreed to remove the current Goal.

We are yet to develop a new Goal or statement of purpose, and will work with the Shareholder Council on this.

~~Delivering service and solutions for farmers which enable LIC to be a \$1 billion revenue co-operative~~

GOAL?



Our Strategy - Toward 2025



Our Vision

To improve the prosperity and productivity of our farmers



Strategic Themes

- Genetics and information to create superior livestock
- Information to improve decision making to enable superior livestock performance
- Hardware and systems to improve productivity and decision making
- LIC International - adding value for our shareholders, focussing on key markets



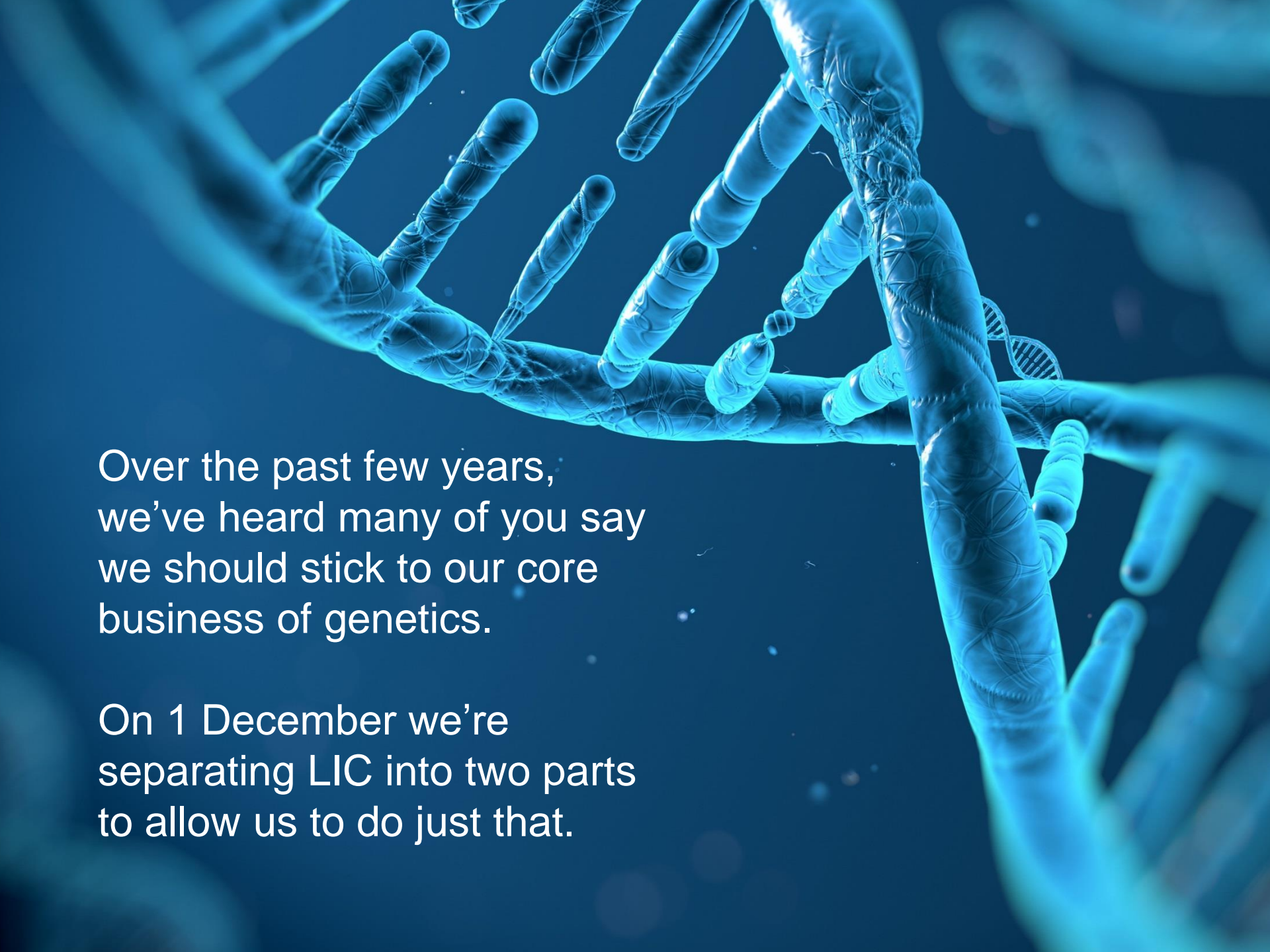
Integrity

Innovation

Spirit of co-operation

In tune

Passion



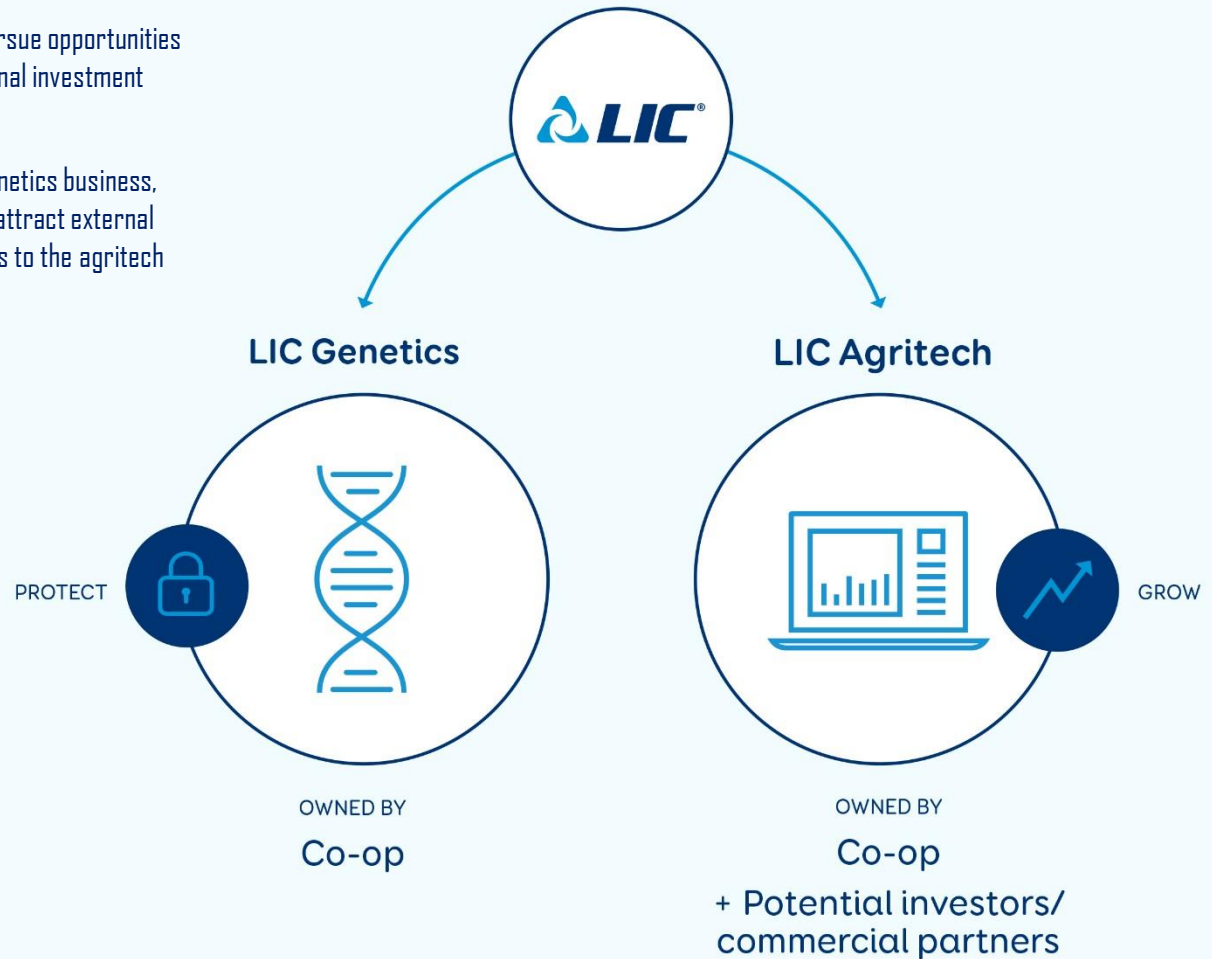
Over the past few years,
we've heard many of you say
we should stick to our core
business of genetics.

On 1 December we're
separating LIC into two parts
to allow us to do just that.

Separation

Forming an agritech company allows us to pursue opportunities for growth, with the potential to attract external investment and generate returns for investors.

External funding will not flow into our core genetics business, but the separation creates an opportunity to attract external investors and potentially commercial partners to the agritech business, with shareholder approval.



The reasons for change

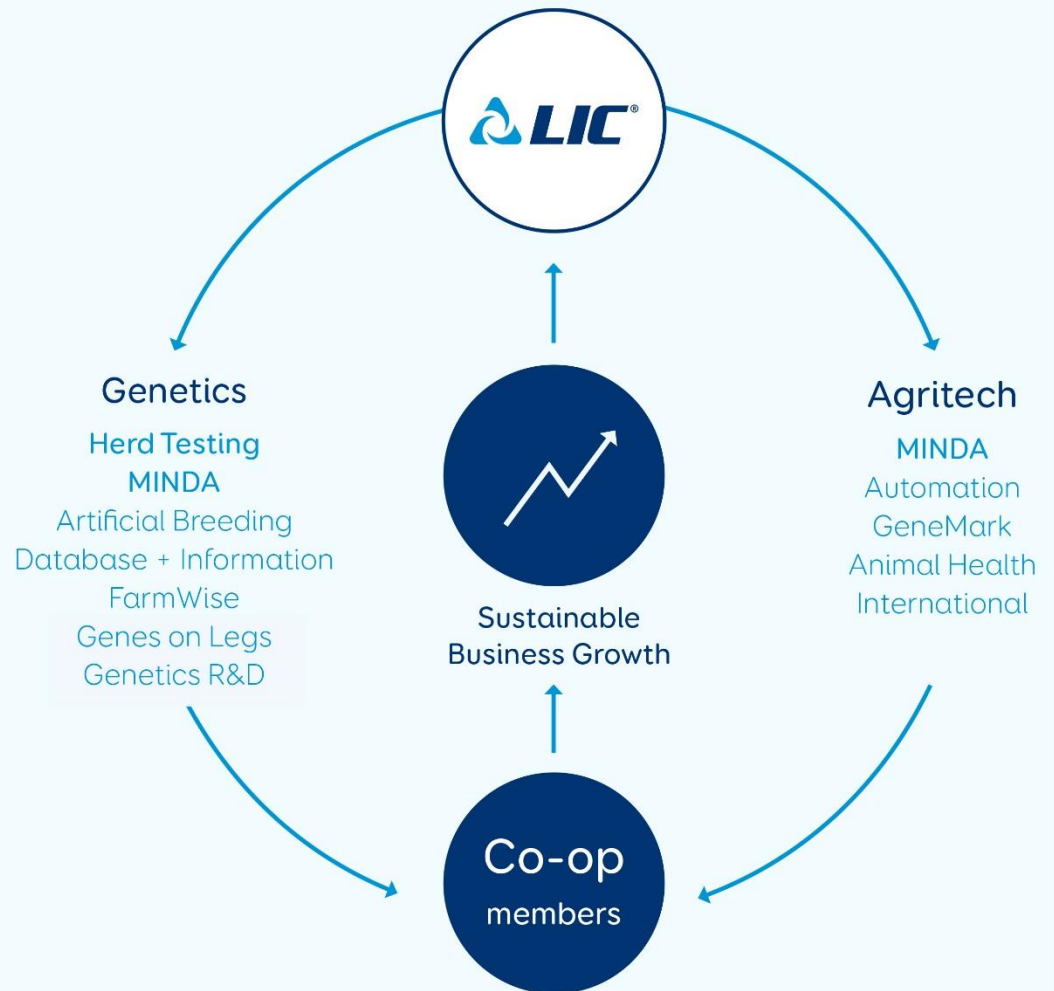


We're doing a lot of work at the moment to transform LIC to make it into a sustainable business for the next 50 years. This work has given us clarity around what needs to be done to protect and strengthen our co-operative.

We all value being part of a co-operative and want to protect what we've built together.

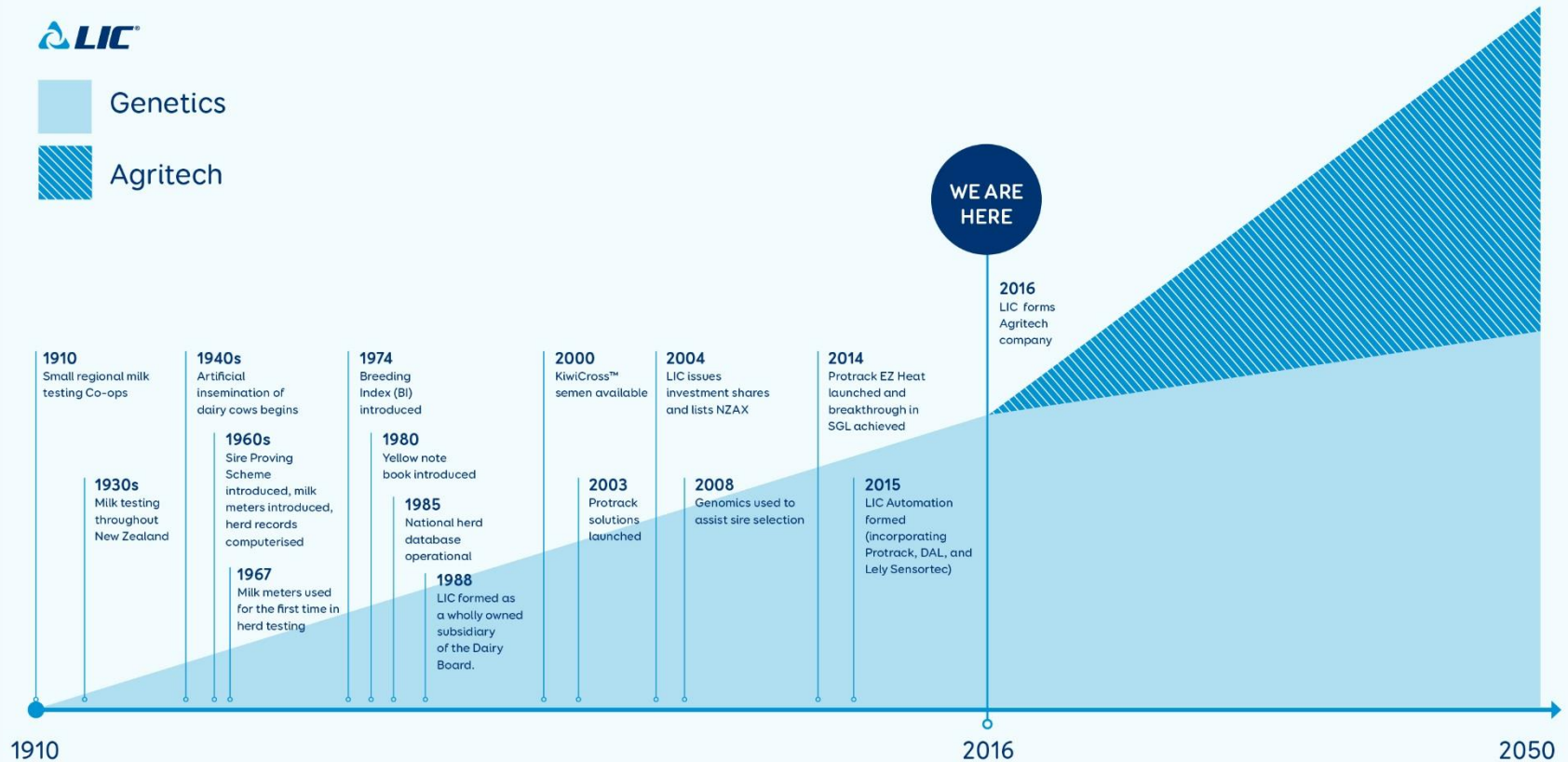
We've listened

The process around this separation has given us the opportunity to hear what you value about LIC. We've heard your concerns around MINDA and Herd Testing, and can confirm that post-separation both will remain with the co-operative. MINDA will be owned by the co-operative but operated by the agritech company.



We've never stood still

This isn't a journey with an end point, but the current volatility and rate of change and challenges for our industry means we can't afford to stand still.

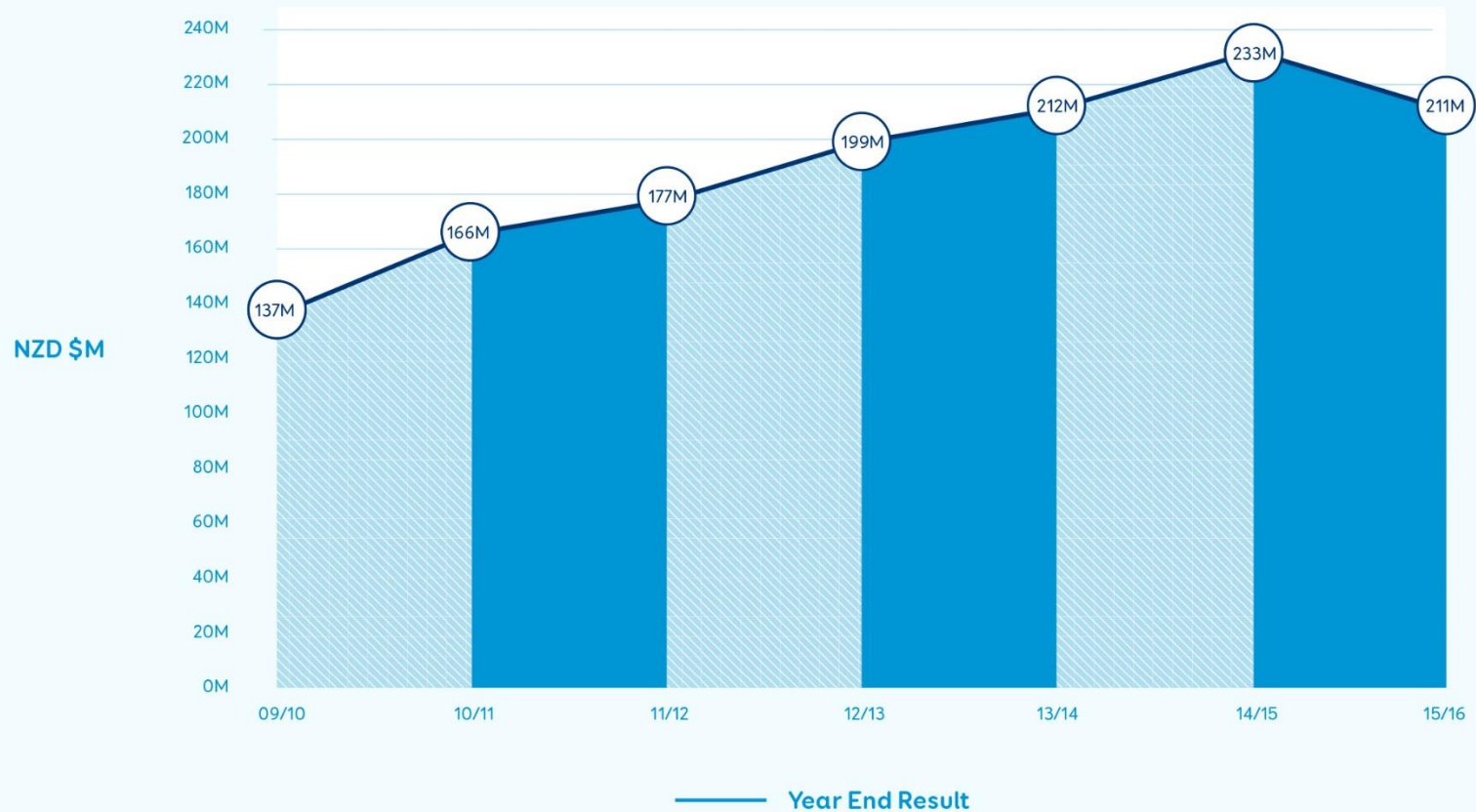


Wayne McNee
Chief Executive

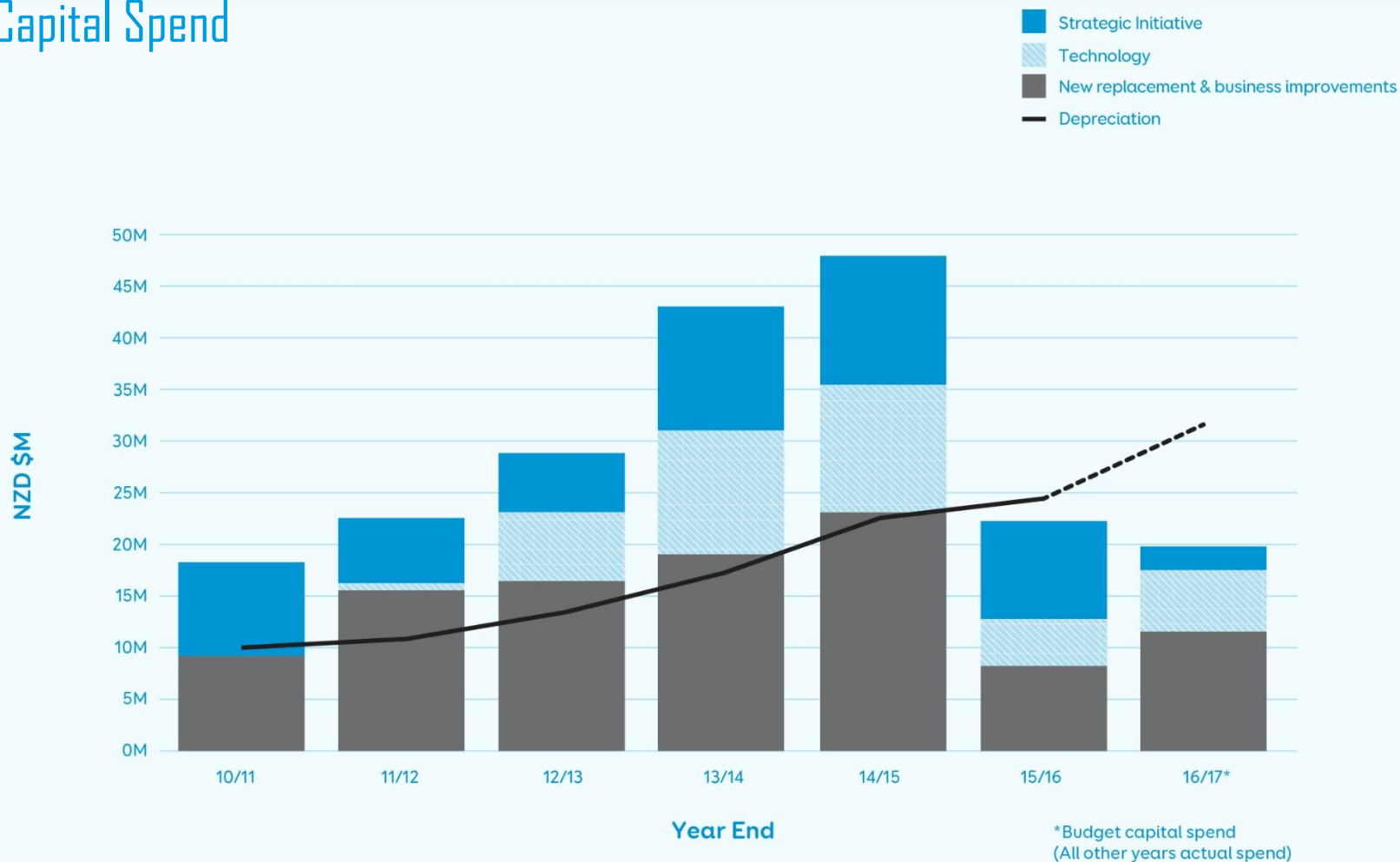
1. Financial Detail for the 2015 - 2016 Year



Financial Result - Revenue



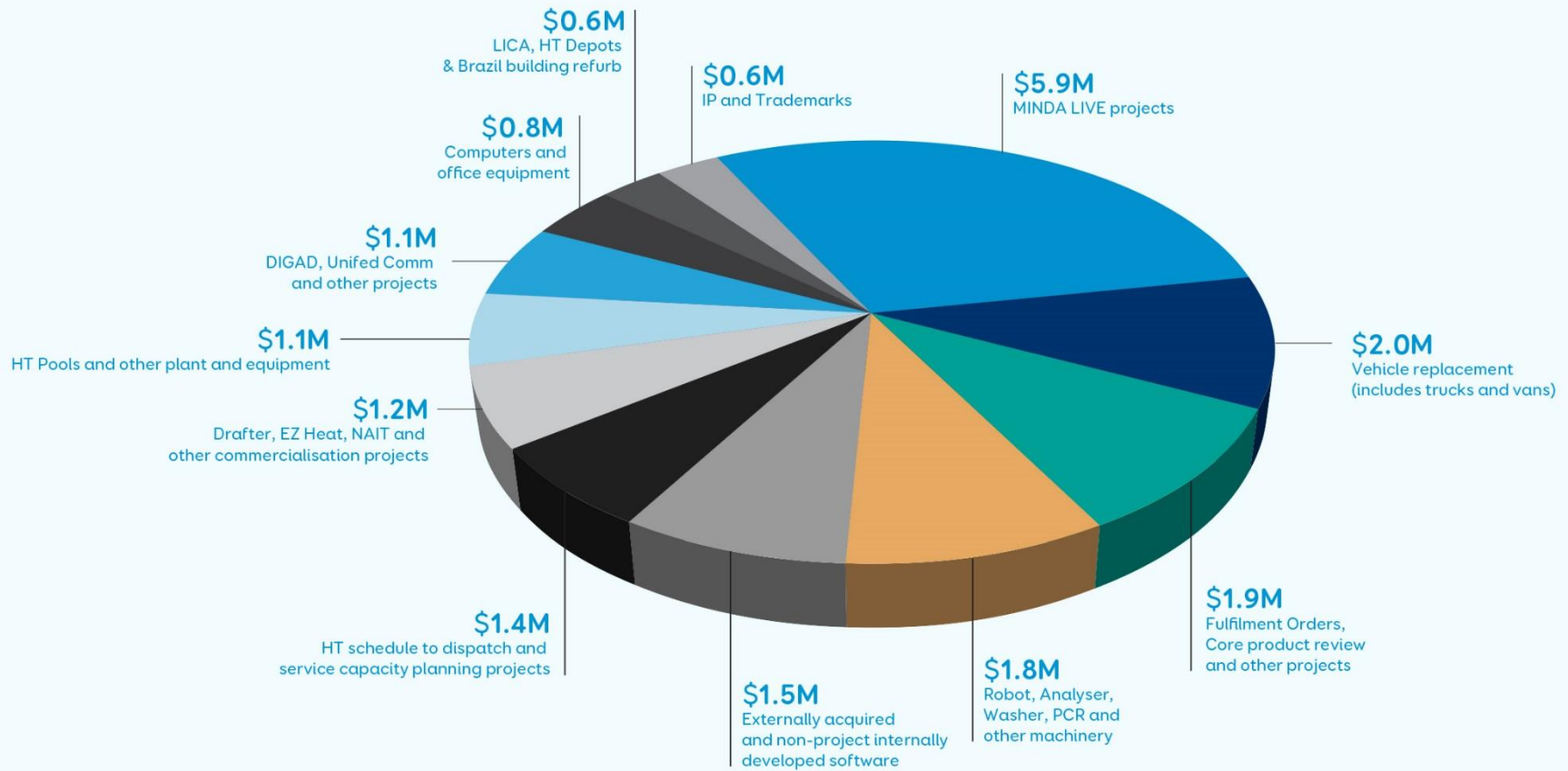
Capital Spend



What we invested in 2015/16

Capital Approval

\$20M

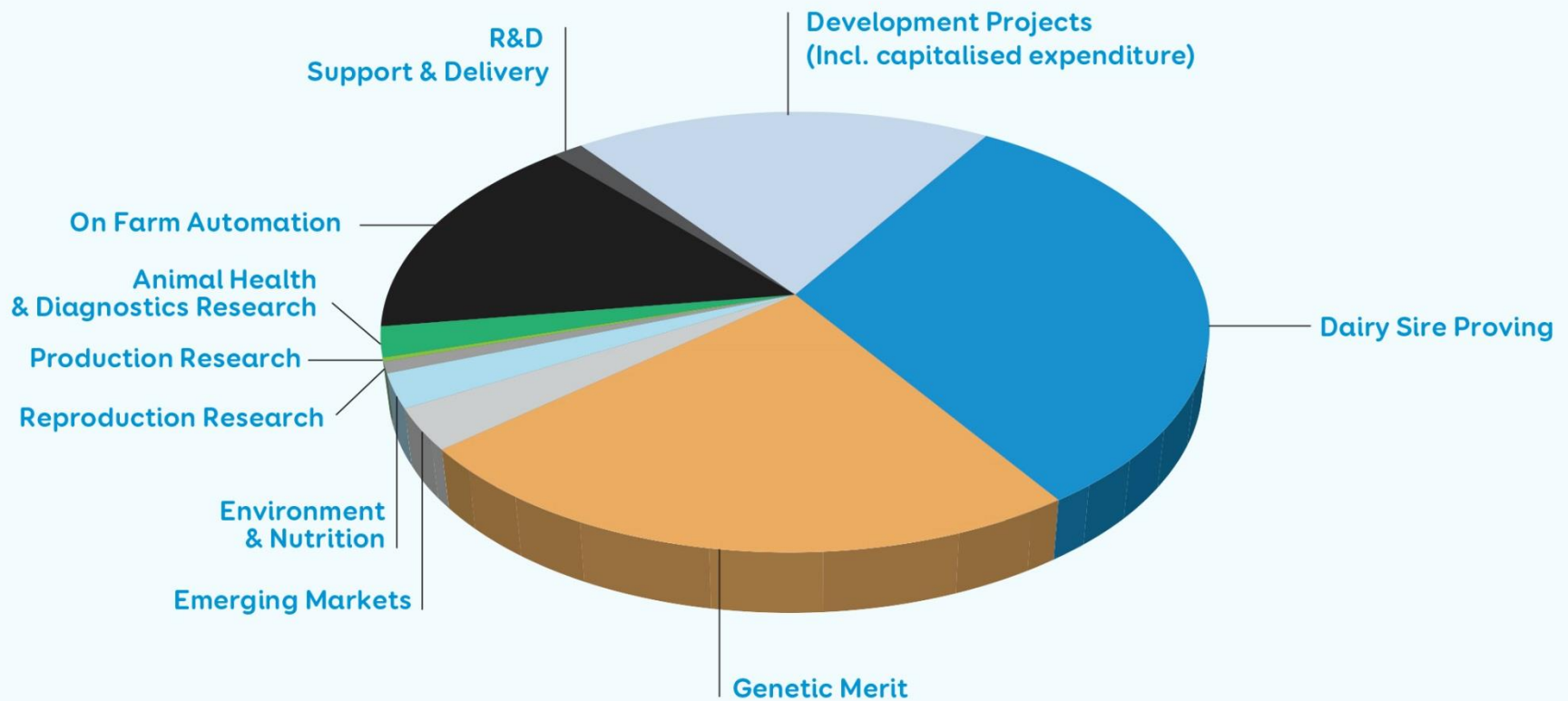


LIC 2015/16

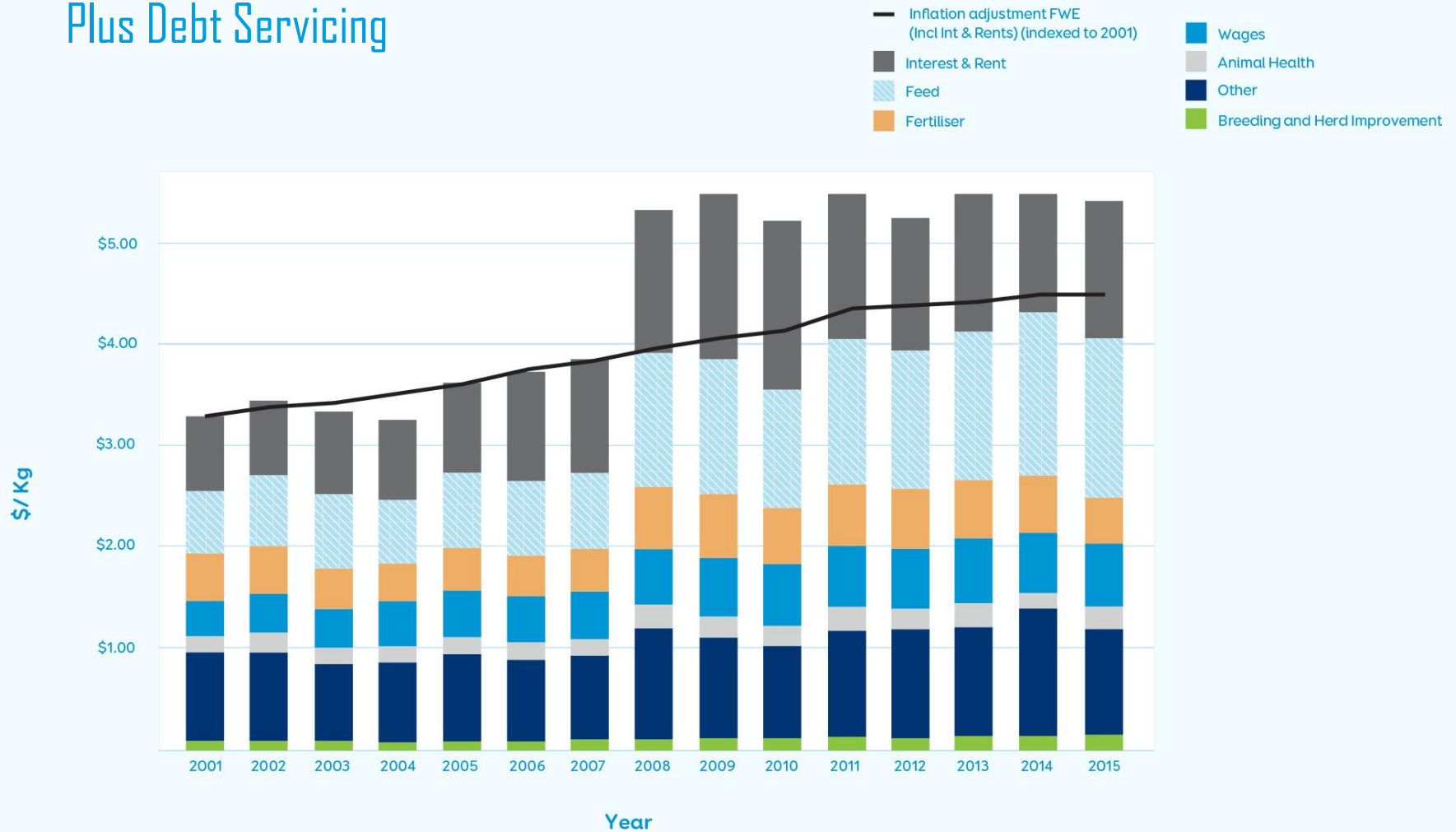
Investment in Research & Product Development

R&D Total

\$17.2M



Cash Farm Working Expenses Plus Debt Servicing



LIC Contribution to Value on Farm

| | 2014/15 | 2015/16 | 2016/17+ |
|---------------|---------|---------|----------|
| Genetic Merit | \$312M | \$317M | \$322M |
| Health | \$1.7M | \$2.2M | ➔ |
| Reproduction | \$35M | \$39.5M | \$45.5M |
| Production | \$40M | \$50M | ➔ |

Transformation Update

LIC is working to ensure our co-operative is here for future generations and performing to its full potential. It includes work to unlock significant additional value, identify new sources of revenue and remove waste in everything we do.

This program of work represents our desire to:

- Prioritise the most important areas for the business
- Bring to life opportunities to improve our performance
- Ensure LIC is in the right position to grow and innovate when we're ready
- Do everything we can to ensure our staff are happy and fulfilled at work



**Over 10% of LIC
involved in our 141
initiatives**



Reducing waste



**Creating new
source of earnings**

Shareholder Questions

Questions on Company's
Financial Statements for the year
ending 31 May 2016 and the
Directors' and Auditor's reports

Mark Meyer
Council Chair

Shareholder Council Report



Scott Montgomerie

Honoraria Committee

Honoraria Report

Director Remuneration

| | Current | Proposed | Difference |
|--|----------------------|----------------------|-----------------|
| Chair | \$115,000 | \$116,725 | \$1,725 |
| Each of the other 9 Directors | \$47,500 (\$427,500) | \$48,212 (\$433,908) | \$712 (\$6,408) |
| *Maximum sum available to reimburse for additional duties and skills | \$60,000 | \$60,000 | 0 |
| Total for LIC Board (as a whole) | \$602,500 | \$610,633 | \$8,133 |

Resolution 1

Approval of LIC Directors' Remuneration

To receive and consider the LIC Shareholder Honorary 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 \$8,133 from \$602,500 to \$610,633."

LIC Shareholder Council Remuneration

| | Current | Proposed | Difference |
|--|-----------|-----------|------------|
| Chair | \$25,000 | \$27,500 | \$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) | \$129,000 | \$131,500 | \$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 \$25,000 to \$27,500."

Resolution 3

Reappointment of External Auditor

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 2017."

LIC Shareholder Council's Budget

| Expenditure | 2015/16 | | 2016/17 |
|--------------------------|------------------|------------------|------------------|
| | Budget | Actual | Budget |
| Honoraria | \$137,800 | \$137,957 | \$137,800 |
| Training Costs | \$1,000 | \$0 | \$11,000 |
| Meeting Related Expenses | \$58,791 | \$49,449 | \$57,777 |
| Administration | \$4,610 | \$2,045 | \$3,130 |
| TOTAL | \$202,201 | \$189,451 | \$209,707 |

Resolution 5

Ratify the reappointment of Mr Philip Lough as an Appointed Director

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

“Ratify the reappointment of Mr Philip Lough as an Appointed Director for a further term of one year.”

Shareholder Questions

General Business



