

LIC ANNUAL MEETING

18 October 2018

A Transformational Year





Murray King - Chairman

Meeting Agenda

1. Financial Overview
2. Business Highlights
3. Transformation Programme Results
4. Dairy Herd Improvement Regulatory Review
5. *M. bovis* Update
6. Outlook
7. Strategy Refresh
8. Financial Detail
9. Shareholder Council Report
10. Honoraria Report
11. Voting on Resolutions
12. General Business

Financials

After a year of transformation and change, including share simplification, our co-operative is in strong shape. As a business, we are more match-fit than we have ever been and better positioned to drive good outcomes for our farmers.

Highlights

236.4M

TOTAL REVENUE

▲ up 16% from 2016-17.

27M

EARNINGS BEFORE
INTEREST AND TAX (EBIT)

▲ up 175% from 2016-17 excluding bull team revaluation and one-off transformation costs.

14.9M

REPORTED EBIT

▼ down 54% from 2016-17 due to the impact of the one-off transformation costs and the annual revaluation of the biological bull team.

3.0M

UNDERLYING EARNINGS

Net profit after tax excluding the increase on fair value of the biological assets and related tax effect. Same as 2016-17.

2.44M

FULL YEAR DIVIDEND

Fully imputed and paid to shareholders on 17 August 2018, representing 80% of underlying earnings.

13.2M

R&D INVESTMENT

continued to be high at 5.6% of revenue.

18-22M

EXPECTED FUTURE UNDERLYING
EARNINGS FOR 2018-19

Assuming no significant climate event or milk price drop takes place between now and then nor any major impacts from M. bovis.

Transformation Programme Results

60M

RECURRING BENEFITS

30.7M

ONE-OFF BENEFITS

Organisational
Health Score:

Before transformation
programme started:

54

FOURTH QUARTILE

After one year:

66

SECOND QUARTILE

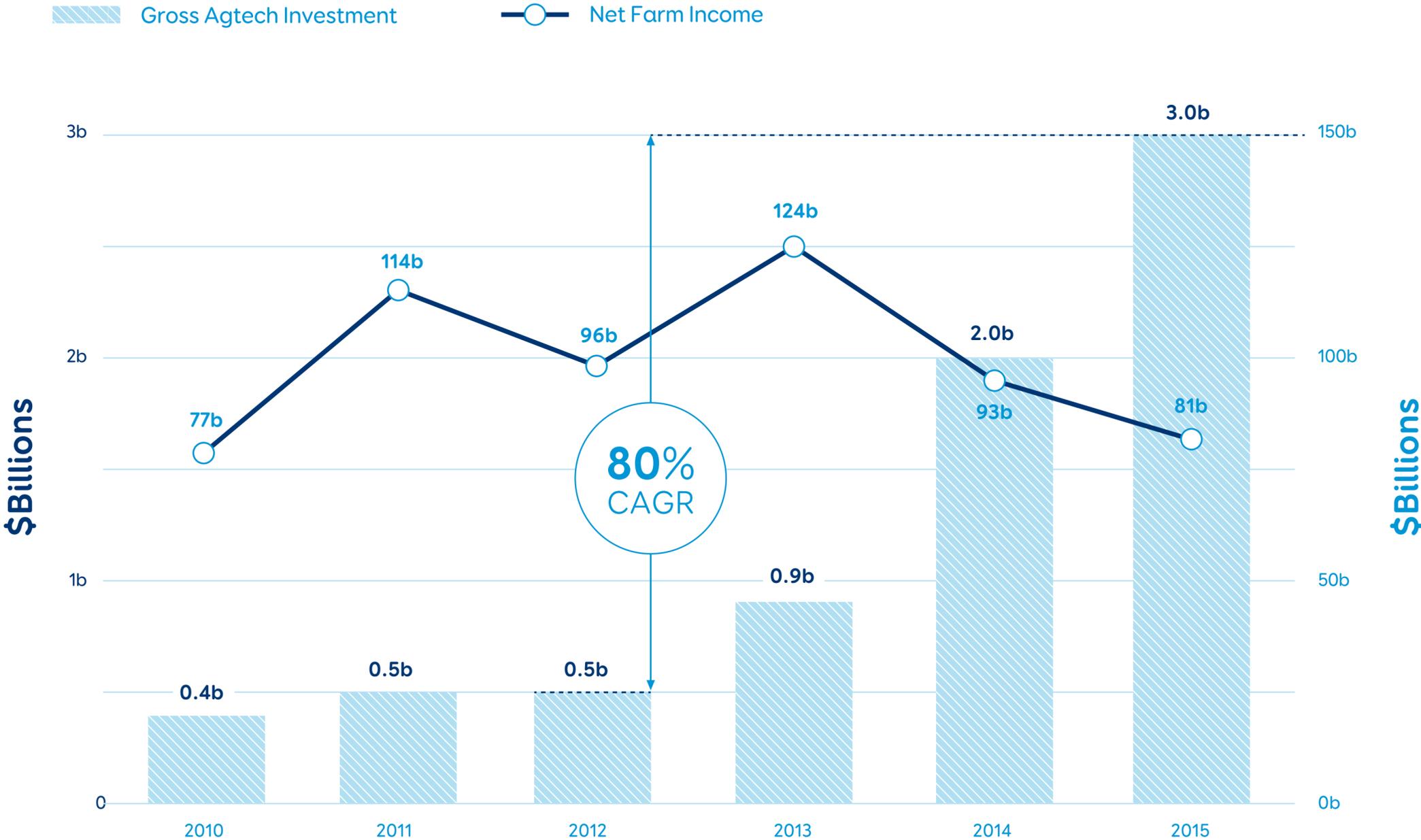
After two years:

68

SECOND QUARTILE

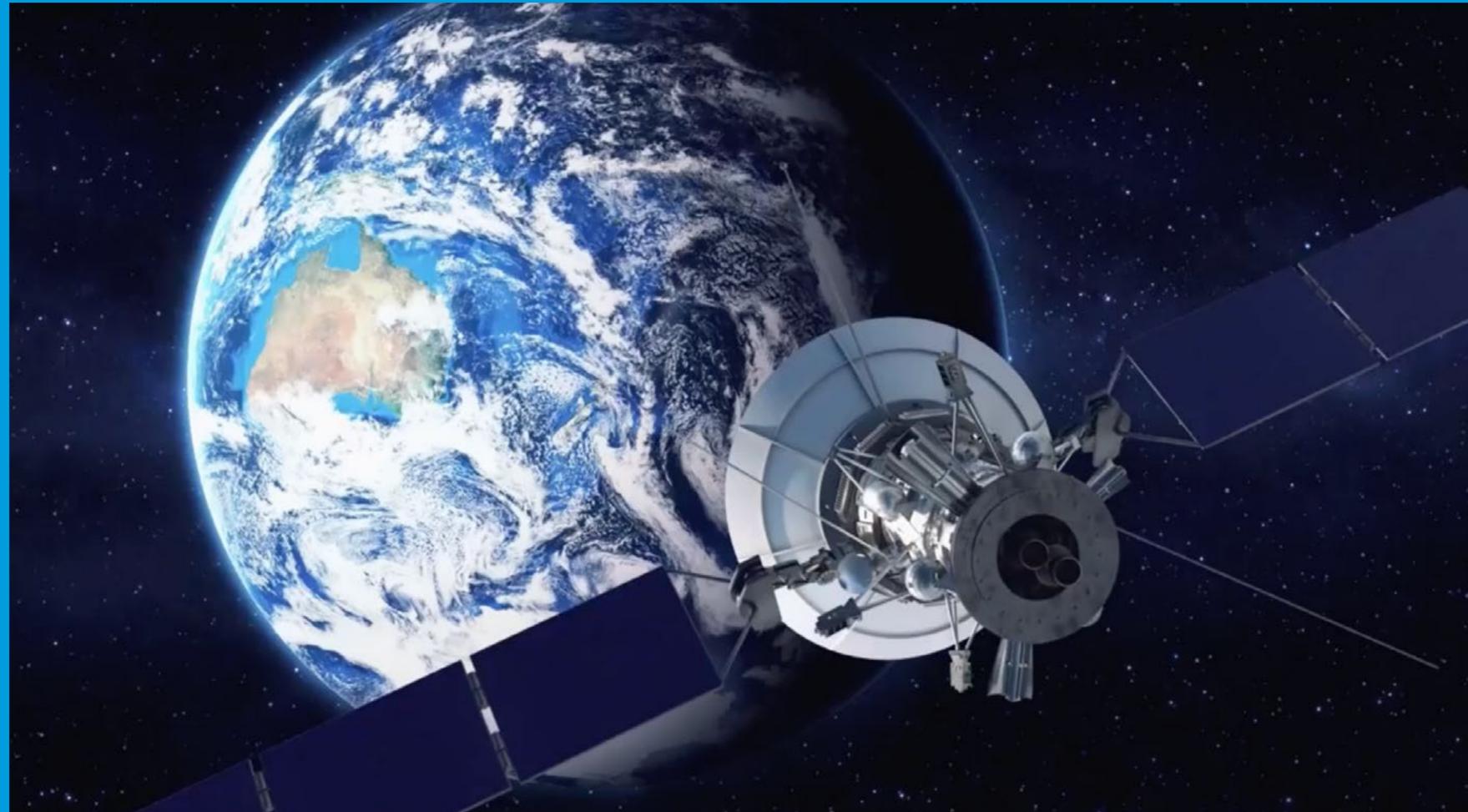
Evolution of AgriTech Investment

Global AgriTech investment is up, despite lower farm income.



Sources: US Department of Agriculture, August 30, 2016; AgFunder

SPACE™ A New Zealand First For Pasture Management



WATCH

Imaging Tech - Automated Lameness Detection



WATCH

Dairy Herd Improvement Regulatory Review

- Core database was transferred to DairyNZ in December 2014
- Expected benefits to LIC have not been realised
- The Cabinet paper on the regulatory review suggests regulatory shackles on LIC will be removed
- MPI argues the current regulations do not keep pace with technology
- LIC does not consider any further regulation is needed as the industry's current voluntary arrangements are working well
- More regulation could add cost to dairy farmers for no clear benefit

World-leading measures to combat *Mycoplasma bovis* (*M. bovis*)

- LIC bulls extensively tested and no sign or indication of *M. bovis* found
- Working closely with farmers and MPI
- Investing \$800,000 in changes to effectively manage any risk of transmission of *M. bovis*
- LIC absorbing cost - no price increases for farmers this season
- Daily testing of semen and confirming results before distribution
- Antibiotic to target *M. bovis* added to semen diluents
- Heightened hygiene protocols for all farm visits and within LIC

Our Strategic Roadmap

Next Step



Strategy - Findings

FY19 Performance

\$18-22m
FORECAST underlying
earnings

Transformation Programme

DELIVERING ONGOING
BENEFITS

Share Simplification

IMPLEMENTED
JULY 2018

A strong platform for future growth

Outlook

The increased revenue position in the 2017-18 financial year was driven by the success of the transformation programme.

LIC expects underlying earnings for the 2018-19 financial year to be in the range of \$18-22 million, assuming no significant climate event or milk price drop takes place between now and then nor any major impacts from *M. bovis*.



Wayne McNee – Chief Executive
Strategy Refresh & Financial Detail

Strategy - Findings

External Factors Influencing LIC Strategy

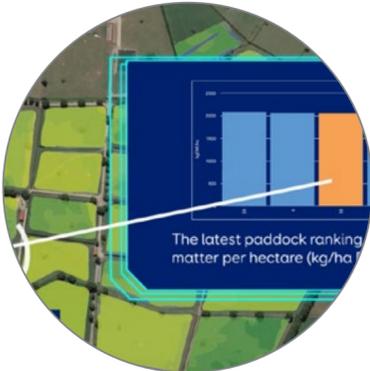
Macro Factors

1



Rising environmental demands

2



Technology enabled and data driven agriculture

Industry Dynamics

3



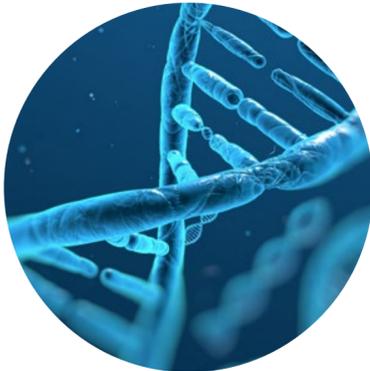
Changing shape of the NZ dairy industry

4



Globalised competition

5



Advances in animal genetics

Consumer

6



Continued global demand for dairy fat and protein

7



Consumer demand for transparency & food trust

LIC 2018 Strategy Refresh

OUR PURPOSE

LIC is a dairy farmer owned cooperative which empowers livestock farmers through the delivery of superior genetics and technology.

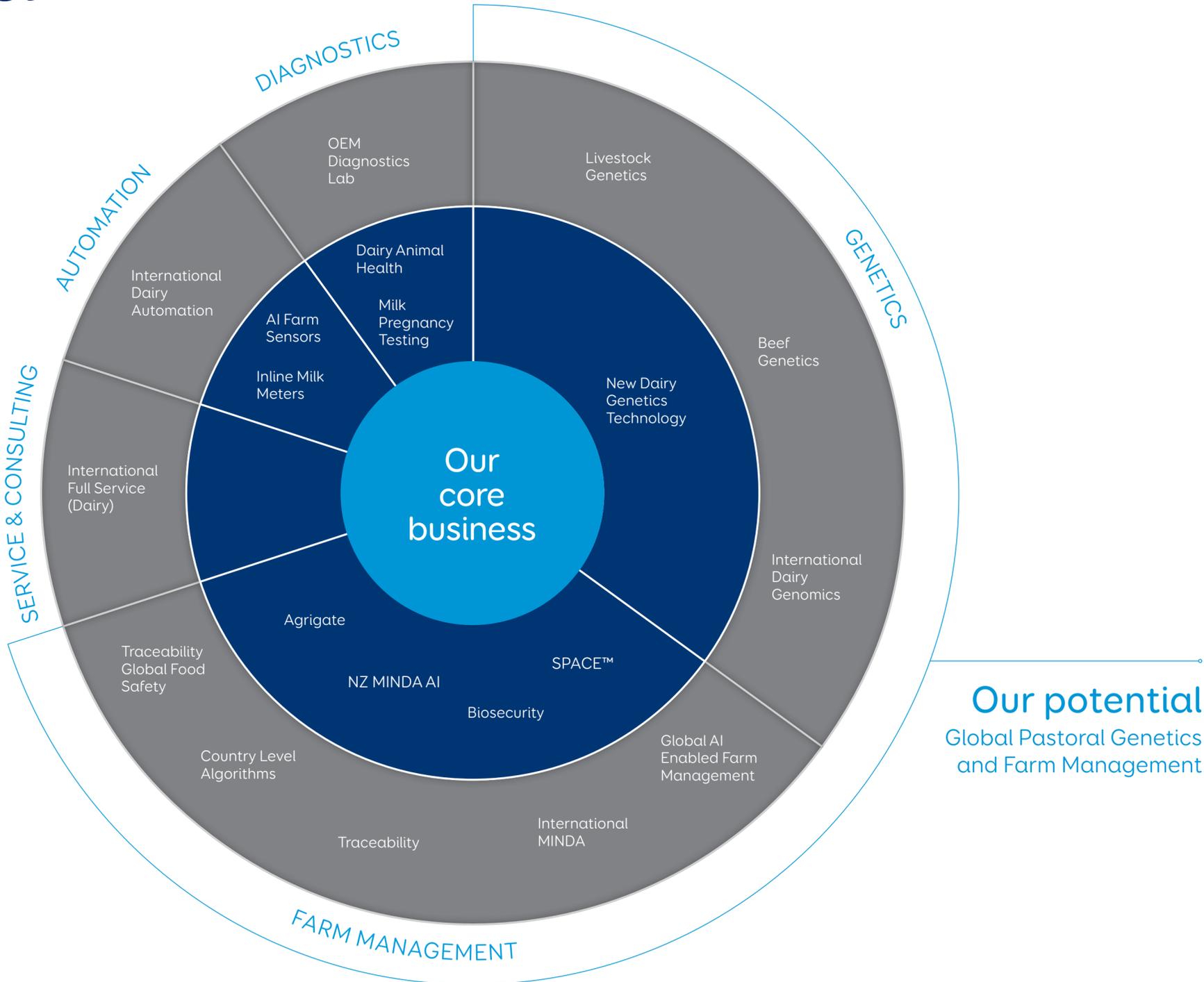
OUR AMBITION

Continuing to lead the global pastoral dairy system

STRATEGY

An innovation-led growth strategy for LIC, with an ongoing focus on the core NZ Dairy industry

LIC 2018 Strategy Refresh



Our potential
Global Pastoral Genetics
and Farm Management

60%

Optimise
the core

Drive value from
the current business

30%

Enhance
the core

Growth through
innovation

10%

Capture value
beyond the core

Leverage existing capabilities
for profitable growth
outside pastoral dairy

The Future of Genetics

Transforming Dairy Cattle Improvement Through Next Generation Genomic Selection And Strategic Mating

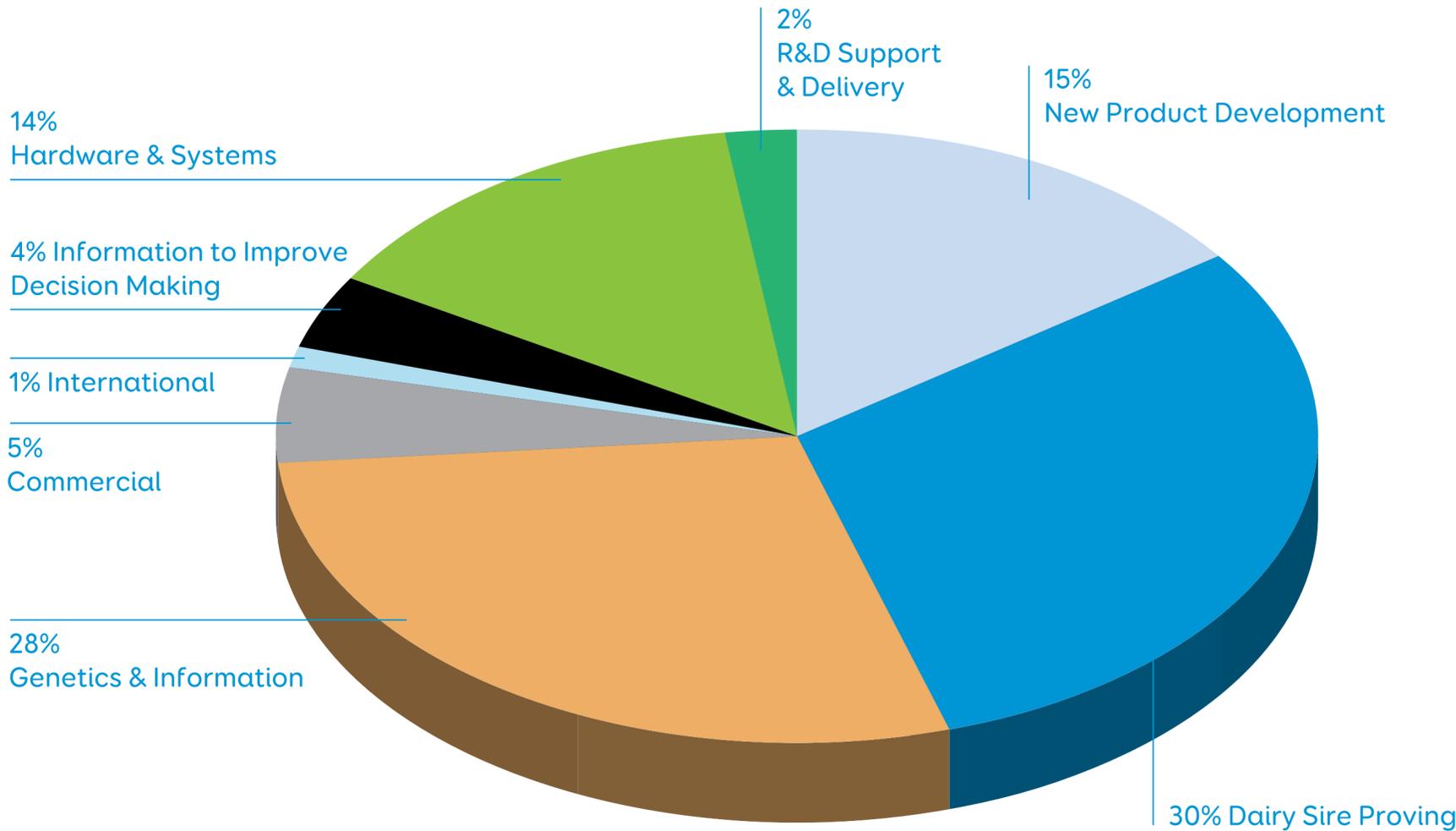


LIC 2017/18 Investment in Research & Product Development

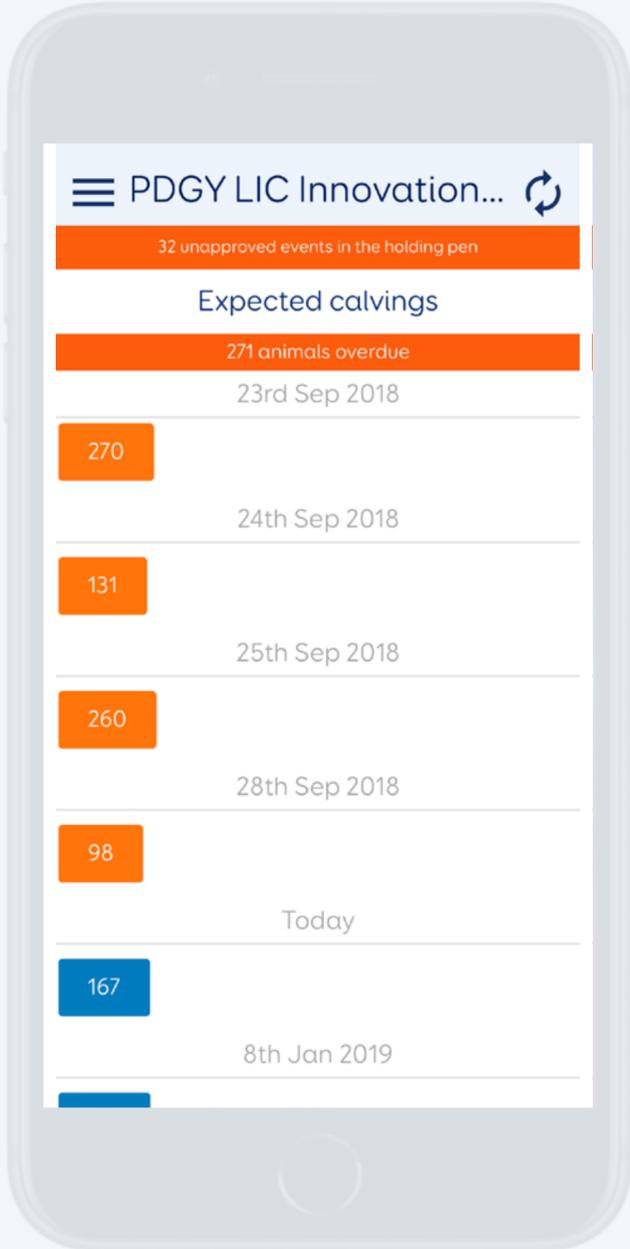
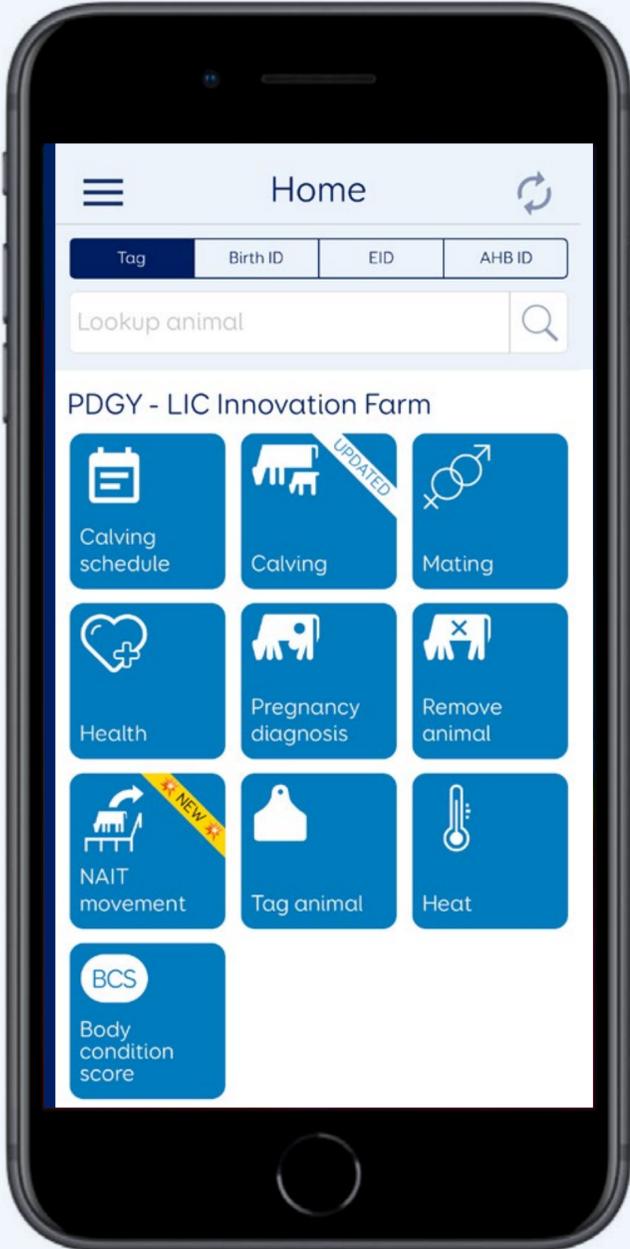
R&D TOTAL

\$13M_{approx}

Around \$13m invested annually
in product development and
R&D; approx 5.6% of revenue



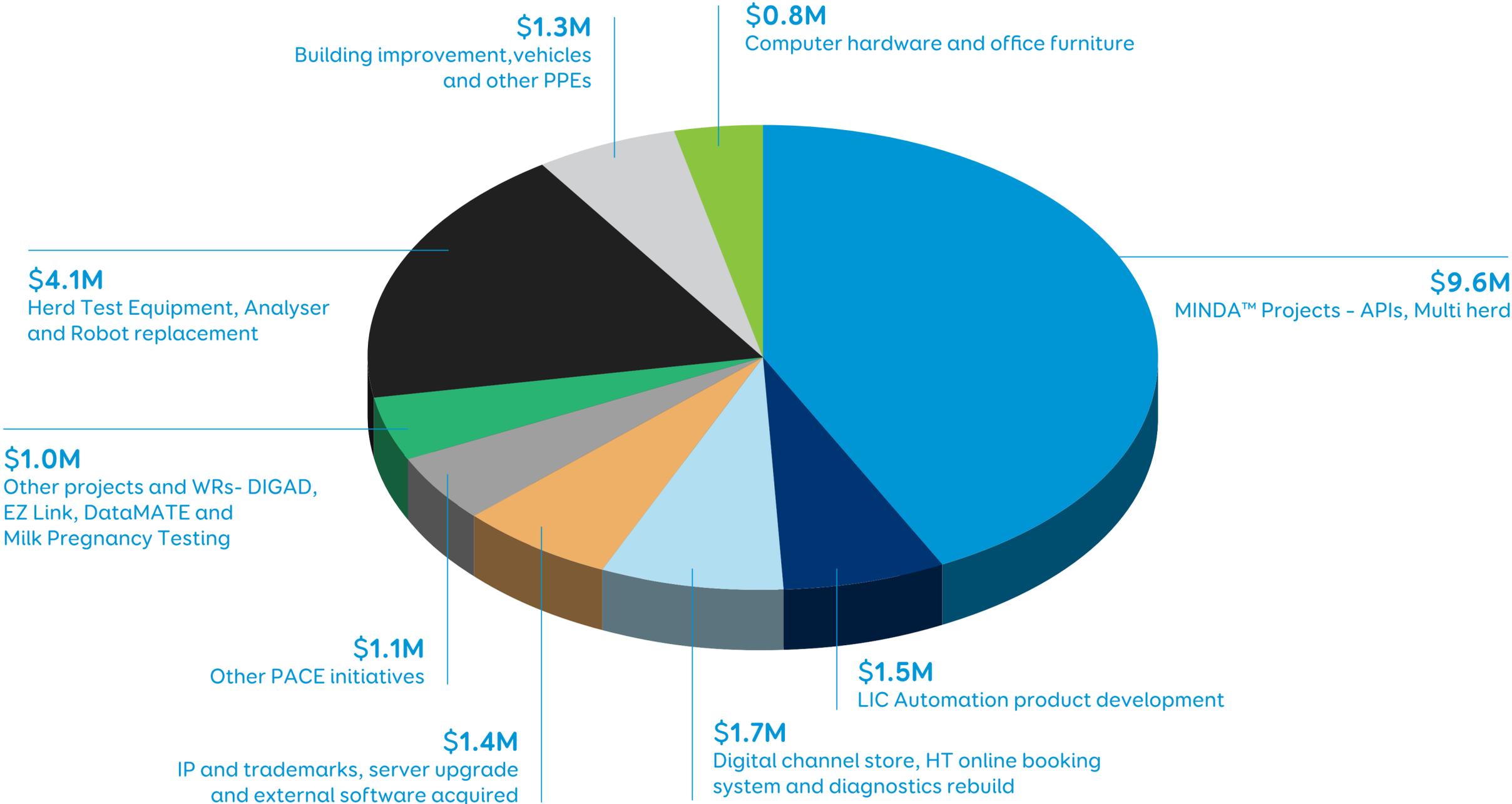
Improving Farm Management MINDA®LIVE



Capital Approvals 2018/19

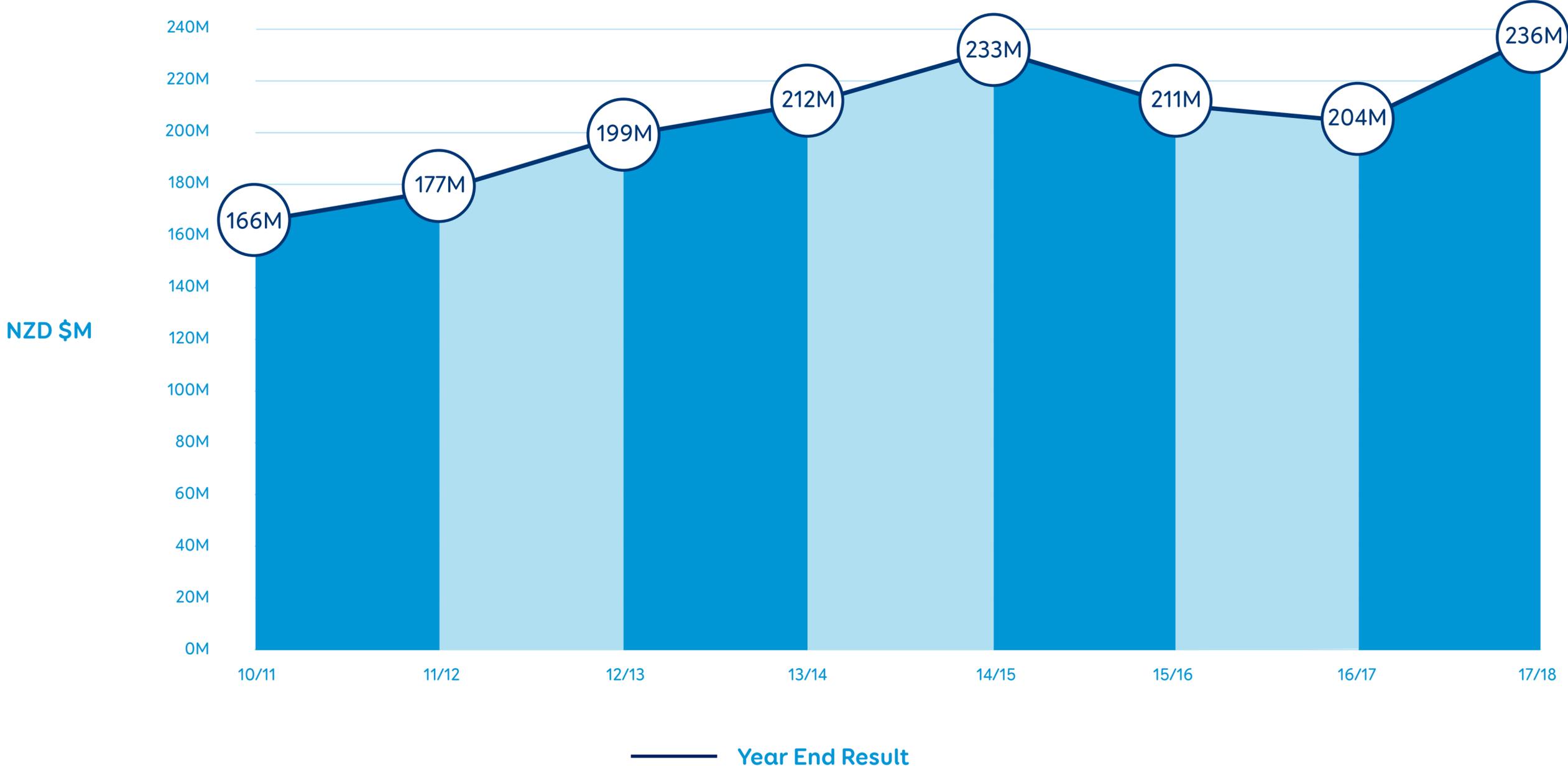
CAPITAL APPROVALS

\$22.3M



Financial Overview

Total Revenue



LIC Contribution to Value on Farm

| | 2018/19 | 2019/20 | 2020/21 |
|---------------|---------|---------|---------|
| Genetic Merit | \$334M | \$339M | \$344M |
| Health | \$3.3M | \$3.5M | \$3.7M |
| Reproduction | \$30M | \$30M | \$30M |
| Production | \$39M | \$41M | \$44M |

A dynamic splash of water in shades of light blue and white, moving from left to right across the frame. The splash is captured in mid-air, with various droplets and streams of water creating a sense of motion and energy. The background is a clean, light blue gradient.

Mark Meyer
Council Chair

Shareholder Council Report



David Gasquoine
Honorary Committee

Honorary Report

Director Remuneration

| | CURRENT | PROPOSED | DIFFERENCE |
|--|------------------|------------------|-----------------|
| Chair | \$120,000 | \$123,600 | \$3,600 |
| Each of the other nine directors | \$50,000 | \$51,500 | \$1,500 |
| *Maximum sum available to reimburse for additional duties and skills | \$60,000 | \$60,000 | \$0 |
| Total for LIC Board (as a whole) | \$630,000 | \$647,100 | \$17,100 |

*maximum pool available to LIC Board to set the remuneration required for Appointed Directors honoraria and/or the Committee Chairs' remuneration

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 \$17,100 from \$630,000 to \$647,100."

LIC Shareholder Council Remuneration

| | CURRENT | PROPOSED | DIFFERENCE |
|--|-----------|-----------|------------|
| Chair | \$30,000 | \$30,000 | Nil |
| Deputy Chair | \$9,000 | \$9,000 | Nil |
| Each of the other 19 Councillors | \$5,000 | \$5,000 | Nil |
| Total for LIC Shareholder Council (as a whole) | \$134,000 | \$134,000 | Nil |

There is also a daily allowance of \$220 available for Councillors who carry out extraordinary duties at the request of the Company.

Resolution 2

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.”

LIC Shareholder Council's Budget

| EXPENDITURE | 2017/18 | | 2018/19 |
|---------------------------------|------------------|------------------|------------------|
| | BUDGET | ACTUAL | BUDGET |
| Honoraria (inc daily allowance) | \$140,300 | \$138,251 | \$142,000 |
| Training Costs | \$15,000 | \$0 | \$15,500 |
| Meeting Related Expenses | \$59,207 | \$45,536 | \$74,672 |
| Administration | \$4,030 | \$2,576 | \$4,280 |
| TOTAL | \$218,537 | \$186,363 | \$236,452 |

Resolution 3

Approval of Shareholder Council 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 2019 as outlined in the Explanatory Note in the Notice of Annual Meeting.”

Resolution 4

Ratify the reappointment of Ms Candace Kinser Reed as an Appointed Director

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

“Ratify the reappointment of Ms Candace Kinser Reed as an Appointed Director for a further three year term.”



General Business

