

LIC ANNUAL MEETING – 18 September 2024

Corrigan Sowman – LIC Board Chair

Tena koutou katoa,
Tuatahi, he mihi aroha ki te Kingi Māori, Tūheitia, moe mai ra.
Tuarua, he mihi nui ki te Kuīni Māori, Ngā Wai Hono i te po.
Ki nga mana whenua o tēnei rohe.
Tena koutou katoa

Greetings everyone,
Firstly, sympathies to the Māori King, Tūheitia, may he rest.
Secondly, acknowledgements to the Māori Queen, Nga Wai Hono i te po.
And to mana whenua of the area, we acknowledge you all.
Greetings to everyone

Good afternoon everyone, welcome to LIC's annual meeting. I'm Corrigan Sowman, Chair of LIC.

Thank you for attending today's meeting. I'd like to acknowledge that this is a busy time for our farmers – both this time of year and this time of the day - so I'd like to thank you for being here, we really appreciate your attendance.

Some of you would have entered LIC today through our new Hub. This hub is named Whakapiki. This name was gifted to LIC by Ngaati Hauaa and means to improve, do better for all, and support. All terms of which are fitting for both the essence and purpose at LIC and the passion for continuing to drive improvements for the farmer shareholders.

The opening of the entrance area space is a testament to LIC's commitment to growth and innovation, providing a great facility that acknowledges the land we are on and our long history delivering world-leading innovations for the dairy sector.

Before we start the proceedings, I have a small number of housekeeping matters to cover:

- **To vote** you will need your shareholder number provided by MUFG Corporate Markets
- **There are six resolutions** to be considered today – a poll will be held on each one.
- **General Business**
 - If anyone joining online has any items of general business or questions they would like to ask, please send them via the “ask a question” button now, or at any time throughout the meeting. These will be collated by the team and answered in the general business section towards the end of the meeting.
 - We may take a few minutes to collate and review these before general business.

We have designed the procedures for today's meeting so that those online have the same opportunity to participate as those in the room with us.

I understand that these meeting formats can cause some complications with voting and asking questions so before we officially begin the meeting, I would like to cover a few points regarding using the online platform.

Voting

To vote you will need your shareholder number provided by MUFG Corporate Markets. You can vote using the online platform, please click on the “Get a Voting Card” button and enter your shareholder number.

Voting remains fully confidential, no one on the call will see your vote.

Questions

To ask questions using the online platform, please click on the “Ask a Question” button. You will then need to enter your shareholder number.

We may take a few minutes to collate and review these before general business. It’s worth noting that your questions will only be visible to myself and the team who will be moderating and answering the questions.

For those joining us online, if you have any issues asking questions or voting please call the phone number on screen now, 0800 200 220.

If anyone has any items of general business or questions that are of a more technical nature, please ask them now so that our team can get the answers while we progress with the meeting and business to be discussed.

To run the meeting efficiently:

- One issue or question is to be considered at a time;
- Shareholders should keep discussion to the applicable part of the meeting – items of general business should be raised following completion of the formal business;
- Speakers should keep to the motion being discussed and irrelevant discussion should be avoided.

If you are in the room, when asking questions can you please:

- Raise your hand
- Wait for the microphone to be handed to you
- State your name and direct your question to me

Please do wait for the microphone before you ask your question – this is so everyone in the room and online can hear.

For those joining online, please comment with your questions now so we can answer these in the General Business section. We may take a few minutes to collate and review these before general business.

The Notice of Meeting has been circulated to all shareholders and is taken as read. With a quorum present, I now declare the meeting open.

Firstly, I’d like to extend a warm welcome again to LIC’s Annual Meeting:

- Fellow shareholders
- LIC staff

Also joining us today is LIC’s CE David Chin, our CFO Brent Mealings and LIC’s Directors and SRG members:

I’d like to acknowledge the departing Board members.

Matt Ross

Matt was elected to the Board in June 2017 and has had a long association with LIC and experience in leadership roles.

Matt has been a highly valued member of the LIC Board who brought his knowledge and practical experience in farming excellence to the table. LIC has benefited greatly from Matt’s ability to understand both the very grass roots of our business as a previous AB technician through to advanced strategic breeding decisions of today and what that means for creating value inside the farmgate for farmers.

Dr Alison Watters

Alison was elected to the Board in June 2014 and has significant experience in directorship and dairy industry innovation.

Alison's passion for the New Zealand dairy sector and focus on its success has been extremely beneficial for the LIC Board. Alison contributes significantly to the dairy sector, both on farm and in board rooms – we thank Alison for her service.

Candace Kinser

Candace has held a number of senior roles in the biotech and technology sector and her experience has been invaluable to LIC.

Candace has completed nine years as an Independent Director on the LIC Board. Her contribution to LIC's decision-making and the Technology Advisory Group, especially in relation to agri-tech developments, has put the company in good stead. We wish her all the best with her future endeavours.

Here's the agenda for today's meeting, which I will run you through briefly:

I'd like to share my views with you about the direction of the co-op from a farmers' perspective.

I will then pass over to LIC Chief Executive David Chin and Chief Financial Officer Brent Mealings to present the year in review, before David takes a look ahead for the co-op.

From there:

- Honoraria Committee Chair will present the Honoraria Report
- We will then move to Voting Resolutions
- Finally, General Business, where there will be an opportunity for Q&A

On every dairy farm across New Zealand, the herd is at the core of everything we do. As farmers, we provide what they need to grow, stay healthy, and be safe. Every decision we make impacts their well-being, both now and in the future. When we discuss the economic value of our farms, it's the herd that enables that value to be realised. Keeping them healthy and thriving is key to our livelihood.

LIC mirrors this principle. It exists to help us safeguard and develop our herds by harnessing our shared experience and expertise. It was founded on the understanding that herds are not only the backbone of dairy farming but essential to our nation. They nourish our people, drive our exports, and play a crucial role in our economy. LIC works to make our herds better, both now and in the future.

The concept of the herd, whether on our individual farms or as a commercial enterprise, is a constant that outlives us and becomes our legacy. It represents the decisions of past and present farmers and embodies our hopes for future generations. Every newborn calf is not just the result of our choices but also of those who came before us. The herd is more than an economic asset; it's a bridge between the past and the future.

When I think of my herd - 800 head in Golden Bay - I see it as part of something bigger. It's not just mine; it belonged to my parents and grandparents, and one day it will belong to my children and their children. Before us, it was someone else's herd, and after us, it will be again. It's also a small piece of New Zealand's herd, contributing to a larger whole. This cycle has always existed and will continue. We care for and pass on our herds, and in doing so, we invest in each other and future generations.

LIC exists to help us achieve that balance. Strengthening one herd - our dairy cows - directly strengthens the other - our people. Both are equally essential to New Zealand dairy farming, and in the coming year, LIC will more openly acknowledge and embrace this dual connection, recognising that the success of one depends on the well-being of the other.

Challenges and changes are a constant - just as they were in the past, they will be in the future. But by working together, for both our herds and each other, we can overcome them. Kiwi dairy farmers have always understood the power of cooperation, knowing that working as a collective achieves more than going it alone. They've taken a holistic view of the system, acting today to safeguard what's been built for the future.

As we look ahead, our focus may evolve, but our purpose remains clear: to protect and ensure the success of all our herds. Every decision we make goes beyond this year's milk yield or genetic improvements - we're considering the long-term health and productivity of our herds and how they contribute to New Zealand's national herd. Our work on the farm doesn't just support our families and communities; it strengthens the wider dairy sector and New Zealand's economy.

Like every dairy farmer, LIC is responsible not just for today's herd, but for those that will sustain future generations. Our decisions shape the future of our industry, our country, and our global contribution. Every calf born, and every family caring for it, represents growth, success, and continuity—a testament to the hard work of past and present farmers.

Together, we'll ensure the herd remains a source of strength and pride for New Zealand. Because together, we are the herd.

Now, I'll hand over to our CEO, David Chin, who will share how we've been fulfilling this role and supporting your herds and families over the past year.

Thank you.

David Chin – LIC Chief Executive

Thank you Corrigan. I am pleased to present the business highlights for the 2023/24 financial year.

These commitments are:

- Operationally excellence
- Deliver faster genetic improvement
- Ensure our software is both reliable and performs to your expectations

Before I get into how we have performed I'd like to acknowledge that we didn't live up to being operationally excellent last year with the semen quality issue. Following a thorough investigation, we've been working hard to implement improvements across the semen processing business. We have conducted an independent review of our processes, and we are implementing the recommendations. We have moved the critical quality control step to be finished by 5am each morning so we can catch any issues before cows are inseminated. We also have more back up straws in the field. The winter mating season went without a hitch, and we are confident that we will have a successful season this spring.

The performance of our sexed semen product has also been very good. Last spring, the non-return rate of fresh sexed semen was only 3% below conventional and over winter mating the non-return rate was 1.9% below the performance of conventional semen, for straws inseminated **in** the same herd **on** the same day. This is really pleasing as sexed semen will play a big role in accelerating genetic gain and allows farmers to get more heifer replacements from their best cows.

To be operationally excellent, we aim for all greens. We had an ambitious target for herd testing, to reduce complaints from shed set-up by 50%. We know herd testing can be a stressful time for farmers but the information you get from herd testing is incredibly valuable.

We want to reduce the stress for you by getting everything just right from our end – it all helps.

By the end of the year, we had reduced issues with shed setups by 46% which has made a big difference, and we will continue to focus on improving this further.

We also want to make sure we turn around your Milk Pregnancy Testing and Johne's Disease Testing within 10 working days every time – we didn't quite meet those targets and we will continue to strive for 100%

Continuing on with Operational Excellence, of the over 850 AB Technicians we had operating all around the country, we had one whose performance was below expectations. A Near Low Group is where a Technicians NRR is below 10% of the supervisor average and a Low group is below 15% of the supervisor average. I can report that we had 1 Near Low Group and no Low Groups.

Our AB Technicians do a fantastic job and it is pleasing to see that we are getting a good number of apprentice AB Techs qualifying each season – we had 105 pass training this year which ensures we have a good pipeline of AB Techs for the future.

For GeneMark we have a goal of getting the results back to farmers within four weeks. We achieved this 99% of the time. We know how important these results are for farmers and getting them to you in a timely fashion is our aim.

I'm proud to say we have delivered on all of our targets when it comes to genetic gain for our Sire Proving Scheme, our Premier Sires Bull Team and for you on farm.

I will talk more on genetic gain and how we are ramping this up later in this presentation.

MINDA is performing well and we continue to focus on ensuring MINDA is available at key times on farm. This will be more important going forward as we increase the data interoperability between MINDA and other 3rd party providers.

Except for the semen quality issue it was a very good year operationally for LIC and I'd like to thank all our frontline staff in Herd Testing, the farms, the Animal Health and GeneMark Labs, our AB Techs and the staff in the semen processing labs at Newstead and Awahuri for all your hard work and dedication.

I will now pass over to Brent Mealings, our CFO, who will run through our financials.

Brent Mealings – LIC Chief Financial Officer

Thank you David.

Despite some challenging conditions I'm pleased to present a positive result to our farmer shareholders.

Delivering value for our farmers is at the centre of everything we do:

- This financial year we paid a special dividend returning \$18.5m to our shareholders, as a result of the National Milk Records divestment.
- We were able to pass through the total proceeds of this divestment directly to our farmer shareholders including a \$9m gain on sale and the carrying value of the investment of a similar amount which was effectively paid out of retained earnings.
- This was paid at a helpful time of year - just after Christmas.
- During the year, we focused on delivering efficient and effective herd improvement products and services.
- And importantly, we focused on the right R&D investment to help keep our farmers' herds profitable and sustainable into the future.

This year we reported:

- Net Profit After Tax (**NPAT**) of \$7.7m
- Total dividends of \$26.8 million, including the special dividend paid earlier this year and a final dividend of \$8.3 million or 5.84 cents per share.
- **And Underlying Earnings** of \$13.9m

Your co-operative continues to have a **strong balance sheet** with no debt at year-end and **total assets** of \$358.6 million

Underlying earnings were close to \$10m lower than last year, driven largely by three key impacts:

In August and September last year, we saw an understandable reaction to the significant decrease in Fonterra's forecast milk price by our shareholder customers.

Total Revenue was down 3.3% on last year driven largely by a decrease in demand impacting volumes across our key product and service lines. Our response, was also to focus on controlling our costs across the business.

The after-tax impact of the semen quality issue during the year was \$1.5m.

There was also a one-off impact of a Government policy change, removing the tax deductibility of depreciation on commercial buildings and this was a \$3.6m impact within the financial year.

The last two years have seen a significant increase in investment into capability across our digital platforms – MINDA software, GeneMark Genomics technology amongst other initiatives. To stay ahead of the game, we are always going to have to invest in technology – but over the last two years in particular, we have invested into important foundations.

We committed to completing these critical pieces of work, even in a challenging year, as we firmly believe these critical investments are in the Co-operatives best interests longer term.

I am pleased to say that these foundational investments are almost in place. In this financial year we expect a revision to a more sustainable level of spend in this area.

Investment in R&D was \$21.2 million (7.9% of revenue), up from \$18.2 million the year prior maintaining our position as one of the largest private investors in R&D for the primary sector.

David will talk further about some of our key R&D focus areas including the slick breeding programme and methane research programme.

We are seeing positive signs in the sector – confidence is slowly rebuilding. However, it will take time for us to see the results as the short term cash constraints on farm continue and farmers take a considered approach to spend.

- This view is reflected in our underlying earnings outlook for 2024/25 to be in the range of \$16-22 million,
- We will of course remain focused on our controllable costs and ensuring our ongoing capital investments are well considered and are at a sustainable level with a focus on the future.

Back to you David

David Chin – LIC Chief Executive

Thanks Brent for the update on the financials. It would be fair to say that farmers have faced difficult trading conditions in the previous 12 months and that has had flow on effect throughout the sector. As your co-operative, we have continued to look through those cycles and invest for the long term.

Last year we significantly advanced the technology we use to identify parentage and generate animal genotypes. This means more accurate gBW's for all animals in MINDA.

This advanced technology is what powers our new GeneMark Genomics product. It was a proud moment for the co-operative to launch GeneMark Genomics this year and am pleased to see many farmers signing up for the new service, giving them genomic evaluations to make good decisions on farm, leading to more efficient and profitable dairy herds in the future.

I was even more pleasing to be able to bring the cost of genotyping down by 46% - it's a critical technology and to make it widely available and accessible is a tremendous achievement.

In August we uploaded an additional 600,000 genotypes to our reference population taking the total to over 900,000 genotypes. As young genotyped animals start lactating and we start collecting their phenotypes (fat protein, volume, SCC amongst others) they will make the co-operatives genomic evaluation tool far more powerful, allowing us to select elite young sires with more reliability than ever before AND giving farmers more reliable genetic evaluations on their young calves. This is truly a step change in our genetics programme, and it will be something that we reflect on in 5-10 years' time as being a watershed moment in our co-operatives proud history.

This also goes a long way to addressing some key recommendations raised by the DairyNZ commissioned Industry Working Group Report on Genetic Gain; In that report Professor Hayes estimates that having a genomic reference population of around 400,000 animals is what we should be aiming for. It is pleasing for us to have surpassed that figure. This all ensures that NZ dairy farmers can unlock faster rate of genetic gain and milk the most efficient cows possible.

Another achievement in the last 12 months that is worth reflecting on is in the area for data interoperability. In the last 12 months we released our MINDA Integrations. This is where we use our modern API platform to share data between MINDA and other software providers. The uptake of this has exceed our expectations with over 4,800 farmers connecting in the first 6 months. We are sharing data with **11** 3rd party providers and have plans to bring more on board. We have an open-door policy when it comes to who we partner with to make farmers lives easier. We're pleased to see this collaborative attitude reflected in the sector partners we're working with too.

Over the next 12 months we will continue to focus on new and existing research projects with an aim to deliver sustainable advantage to our entire dairy sector.

Shortly we will hit a significant milestone in our methane research where we will determine if the variation in methane efficiency we have seen in our bulls is passed on to their daughters. From there the final test will be to determine if the daughters display the trait when they are lactating. We are very encouraged by this research and other similar research. Low methane genetics will play an important role for both our sector and our country to meet our emissions targets.

I'd like to acknowledge our partners in the research, MPI and the New Zealand Greenhous Gas Research Consortium who have help fund this research, CRV who have measured the methane outputs on their bulls and Pamu who have supplied the cows to be mated and subsequent progeny that are being measured right now.

Also of note was the announcement last week of the collaboration with US company Acceligen and the Bill and Melinda Gates Foundation to explore the potential of gene edited heat tolerant cows to improve the productivity of dairy farmers in sub Saharan Africa. This project is funded by the Gates Foundation.

Quality partnerships are an important part of our future and it is great to be able to make that announcement. And in the coming weeks and months we will be making further announcements on collaborations to improve genetic diversity, deliver better udder traits and give farmers more options for their non-replacement calves. The key message is that we have ramped up our delivery of genetic gain for farmers, improved data access and there are a number of exciting projects in the pipeline to further improve the efficiency of the national herd.

The rates of genetic gain are arguably as important now than they have ever been.

- We need our cows to produce more milk solids for every mouthful of feed eaten and to do this as efficiently as possible
- Get back in calf
- Last in the herd

We know that we have improved the efficiency of dairy cows in NZ from averaging 200kg MS in the 1950s to 400kgMS now. And now our challenge is to accelerate those gains to ensure our farmers have the most efficient and profitable herds possible.

Some of the solutions we are enjoying right now have come from many years of investment and I would like to give you an example of one of them.

Short Gestation Length Semen

The idea that gestation length was both variable and heritable in cows was first proven in 2000 by LIC scientist Dr Anne Winkleman. Since then, we have been breeding a team of bulls specifically for gestation length with some outstanding results:

For the last 6 years we have delivered over 1m extra days in milk each year for farmers. And within the next couple of years, we will hit 2million DIM in a single year which will be a fantastic achievement.

But it is the synergies between different technologies and advancements that really drives efficiency.

With the increasing adoption of wearable technology and farmers extending AB to weeks 10, 11 Sires with a GL BV of ~22 days will make a huge contribution to farmers profitability.

By using SGL genetics later in the mating program (weeks 6 to 10), the cows will not only calve 10 to 12 days earlier but will also have longer to recover before mating and thus increase their reproductive performance the following year and improve the longevity in their herd.

More Days-in-Milk, better reproductive performance the following year, more opportunities to get cows in calf by extending AB, improved health and safety outcomes from not having service bulls on farm. The benefits speak for themselves.

To be able to deliver this to farmers today has required many years of patience and focus which is why it is important for the co-operative to continue to invest for the long term.

But whilst Short Gestation length Semen improves herd efficiency by generating more days in milk, we still have big opportunities to accelerate genetic gain within individual herds. We need more farmers to closely look at the cows they are keeping replacements from
Too many replacement heifers are being generated from poor performing cows.

The evidence is very clear that the best cows (with high BW) are more efficient at turning feed into milk, they:

- Produce more
- Are more emissions efficient.
- And have better fertility

You can see here that the best cows are generating 493 kgMS, this is the weighted average of the top quartile from each breed.

If we're going to help our farmers improve their profitability and in turn help our entire sector meet its environmental goals, we must breed more highly efficient cows that sit at the top, and fewer of those who sit at the bottom.

We've made good progress over the years but to continue this trajectory we need to sharpen our focus

Today's best cows are producing 493 kgMS, compared with an average of 188kgMS in 1950. This is a combination of improved farm management, feeding and improved genetics.

Considering that progress, supercharged by the introduction of genomics, it is incredible to think of the kinds of genetic gains we could achieve in the future.

The future

We are very optimistic about what the future holds for herd improvement.

We see more use of Dairy Beef x Sexed semen in the first 5-6 weeks of mating as farmers mate more of their poorer cows to Beef from day 1 of mating and use sexed semen to get the required number heifer replacements in a short a time as possible. This not only improves genetic gain but also optimises the farm operation by getting the heifer replacements early – giving them the best opportunity to grow out well.

As more farms move to adopt wearable technology we see more use of SGL semen in weeks 6 to 10 to improve days in milk and herd reproductive performance the following year. To this end we will continue to invest in data interoperability so farmers can get the most value from their technology investments on farm.

- **For LIC, we will continue to** rationalise our fresh AB products to get more use out of the very best bulls
- Improve genetic diversity
- Improve udder conformation
- Introduce more dairy beef offerings with the convenience of the fresh semen service
- Continue to drive performance of sexed semen and make it more accessible to more farmers

There is no question in my mind that the Board, Management and all staff are aligned on the importance of improving the profitability and efficiency of the national dairy herd.

The results the best individual farmers are achieving now, show that if we sharpen our focus on herd improvement, we can continue to have the world's most efficient dairy herd at converting pasture into milksolids.

High producing, emissions efficient cows aren't just a hope for the future - they exist in the national herd today and are well within reach for every dairy farmer. We simply need more of them.

I'd like to take this opportunity to thank you all for attending the AGM. These results are made possible by our team who are dedicated, passionate and committed to maintaining New Zealand's position as the world's most efficient pasture-based dairy herd.

I'd also like to thank Corrigan and the board for their hard work and support.

Finally, thank you to our staff for their hard work over the past year, we look forward to working together and delivering another great result next year.

I'll now hand back over to Corrigan.

Corrigan Sowman – LIC Board Chair

Corrigan – introduce Ian Brown – Honoraria Committee Chair