

A large teal arrow pointing to the right, with a horizontal line through its center that extends into a long arrow pointing to the right.

Investor Workshop

London, May 3rd 2012

Bob Lawson – Chairman

Agenda



Thursday 3 May, 2012

2h45 – 2h50	Chairman's Introduction	Bob Lawson
2h50 – 3h30	Genus' Vision & Strategy	Karim Bitar
3h30 – 3h50	Research & Development	Denny Funk
3h50 – 4h10	Tea & Coffee Break	
4h10 – 4h30	North America	Bill Christianson
4h30 – 4h50	China	Jerry Thompson
4h50 – 5h05	Genus' Financial Strategy	John Worby
5h05 – 5h10	Summary	Karim Bitar
5h10 – 5h30	Q & A	
5h30	Drinks & Canapes	

Genus' history

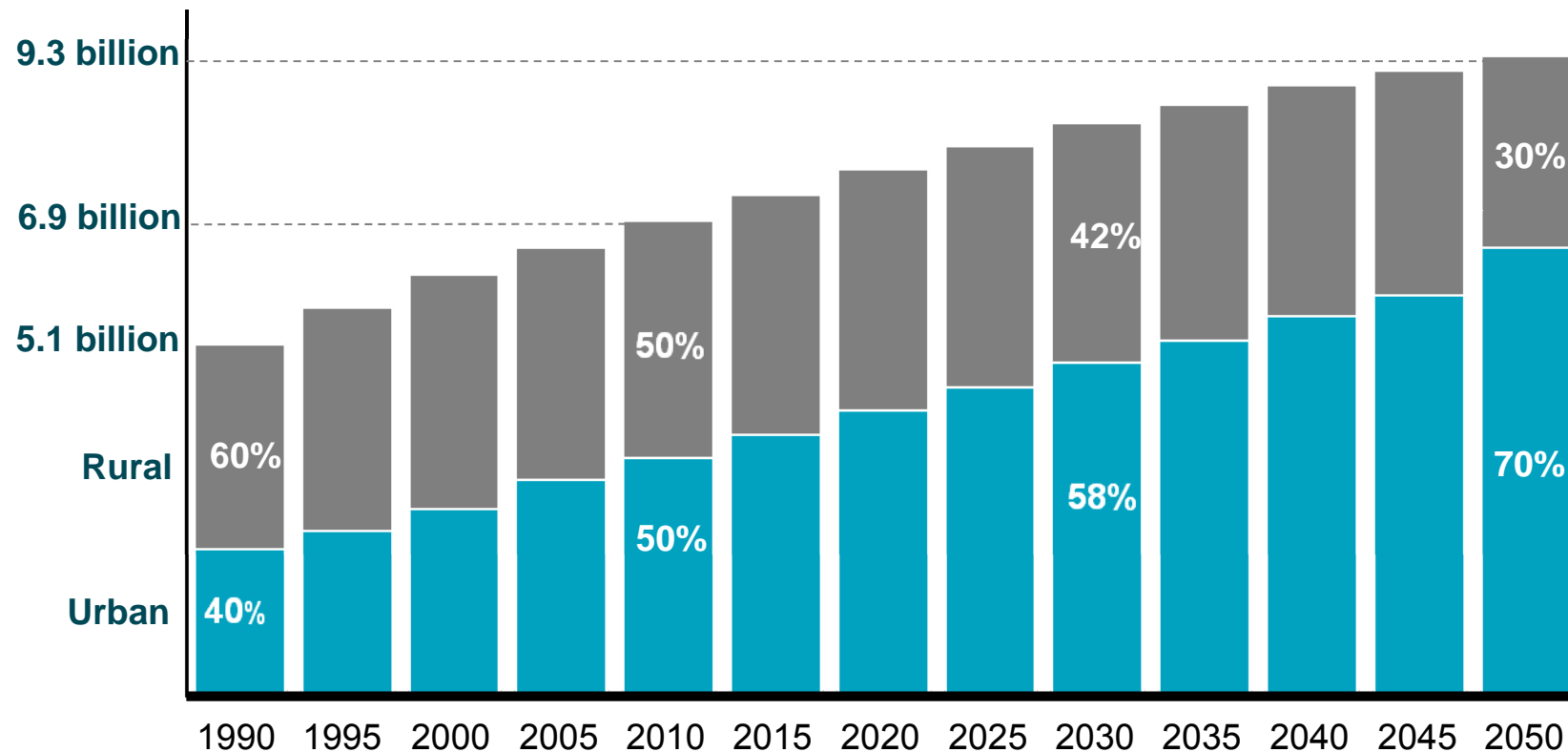


1996	Privatized from Milk Marketing Board – a UK only business
1999	Acquisition of ABS global bovine breeding business
2000	Flotation on AIM
2005	Acquisition of Sygen/PIC global porcine genetics business
2007	Entered the Main Market of the London Stock Exchange
2008	Admitted as a FTSE 250 company
2011	Karim Bitar appointed CEO

Population growth and increased urbanization is driving demand for milk, pork and beef



World population growth, 1990-2050 (medium variant)



Technology is critical to solving the efficiency challenge in livestock production



Information Technology



Superior Genetics



Disease Control



Advanced Nutrition



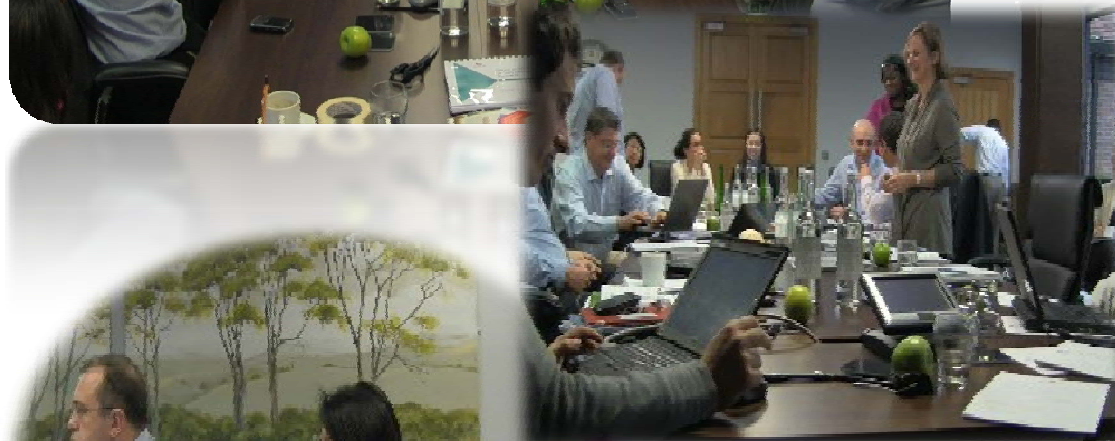
Highly Technified Farming



Karim Bitar – CEO

Vision & Strategy

Genus Executive Leadership Team at work



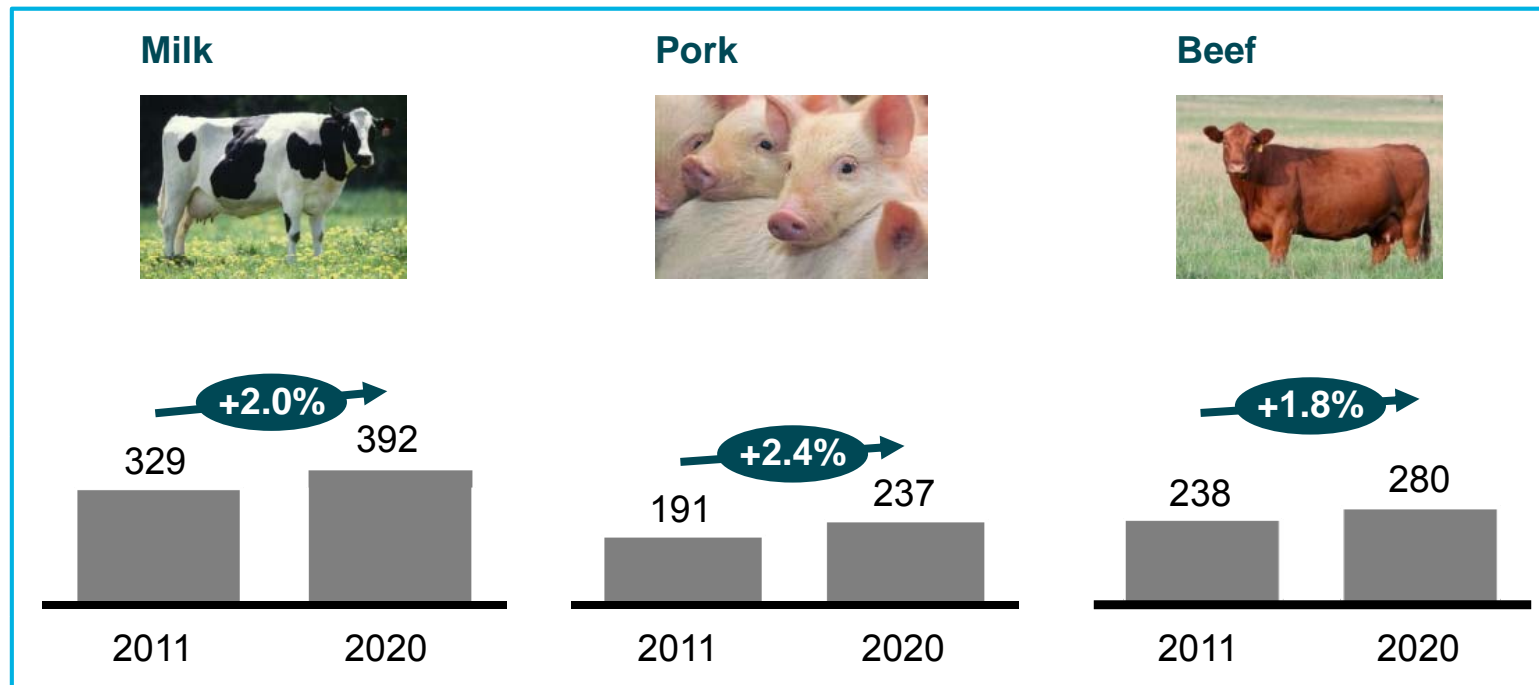
*“Pioneering
animal genetic
improvement
to help nourish
the world”*



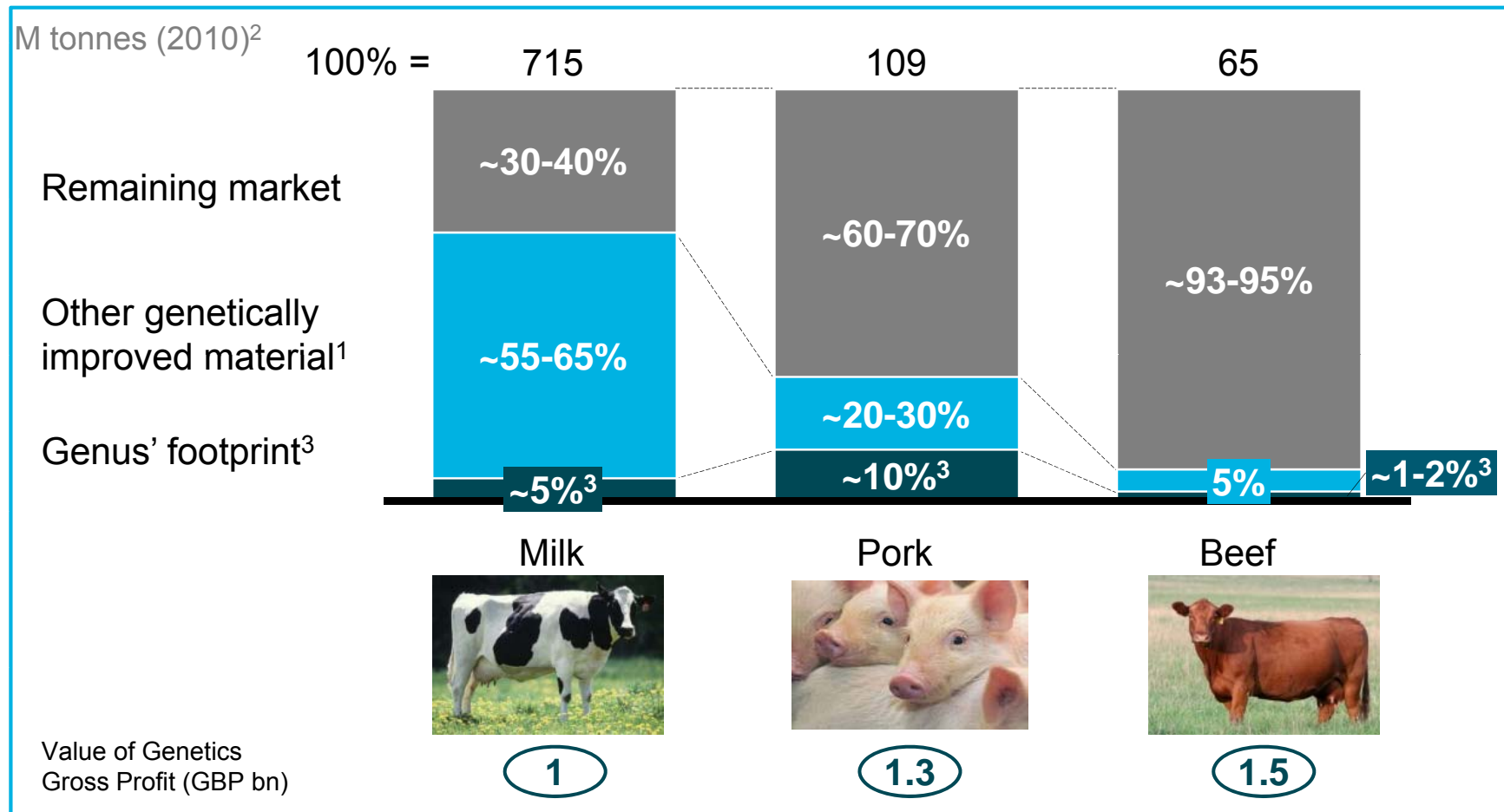
Protein production is rapidly growing in Genus' core species



World production value
\$Billions



There is significant gross profit potential opportunity



1 FAO: "State of the world's genetic resources" (Rome, 2007)

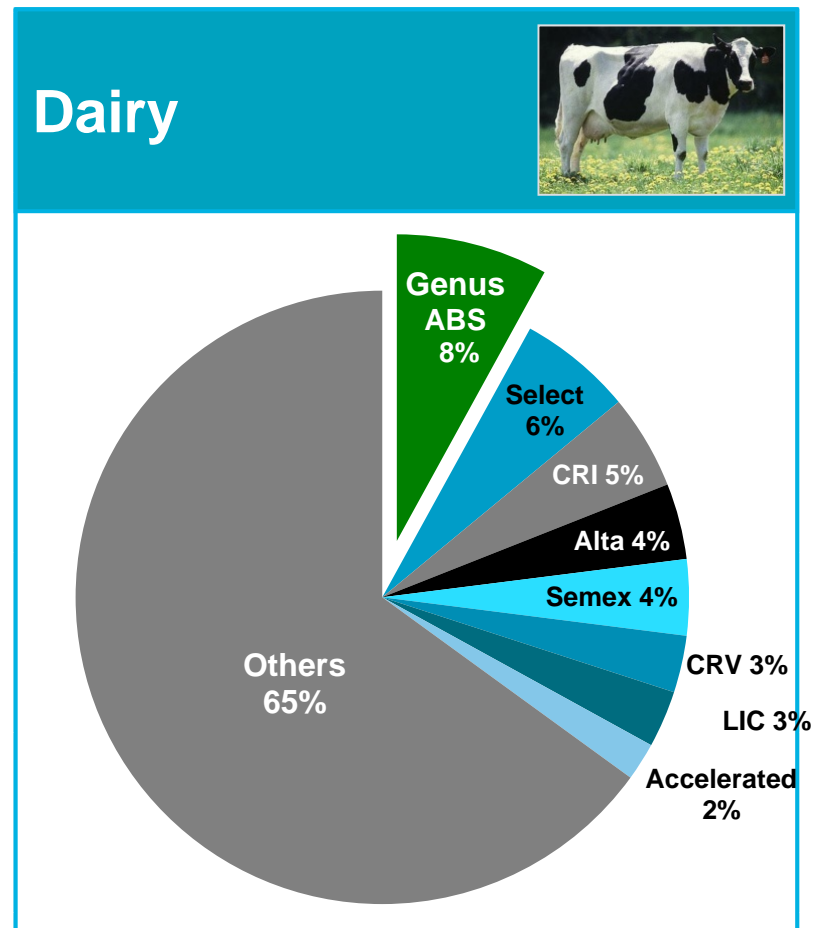
2 FAOStat; OECD-FAO

3 Estimates based on Genus data

Genus has a very strong starting position in Dairy



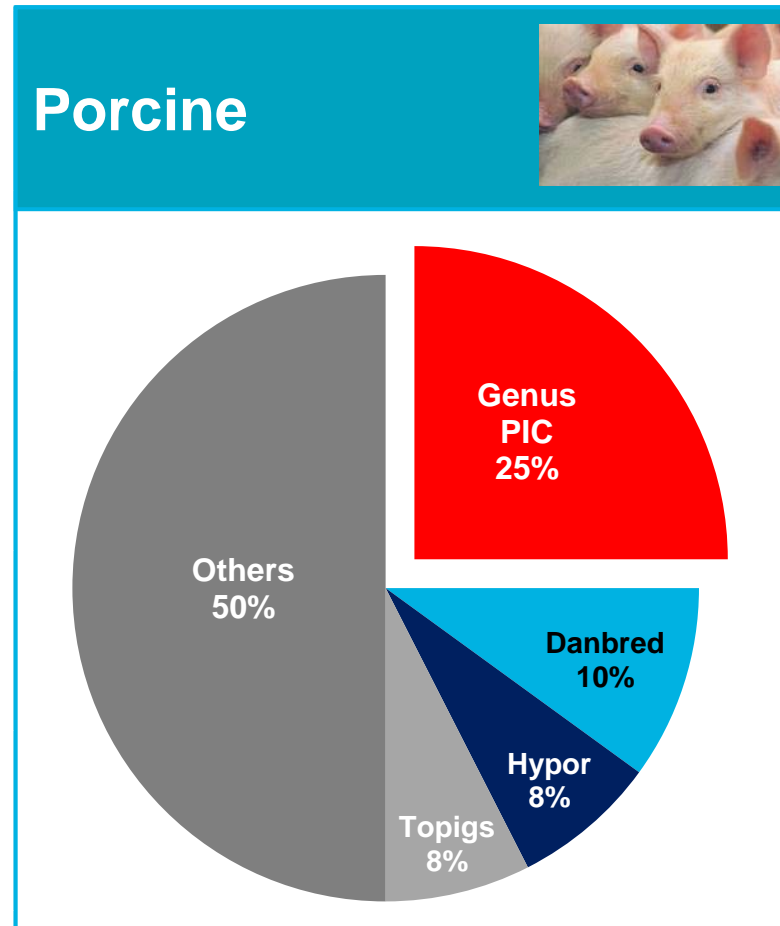
2010 market share (%)



Genus has a very strong starting point in **Porcine**



2010 market share (%)

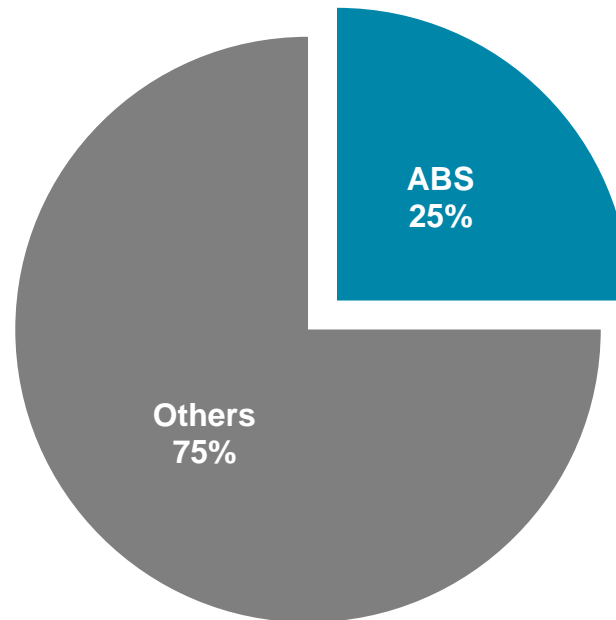


Genus is well positioned in Beef AI

2010 market share (%)



Beef AI



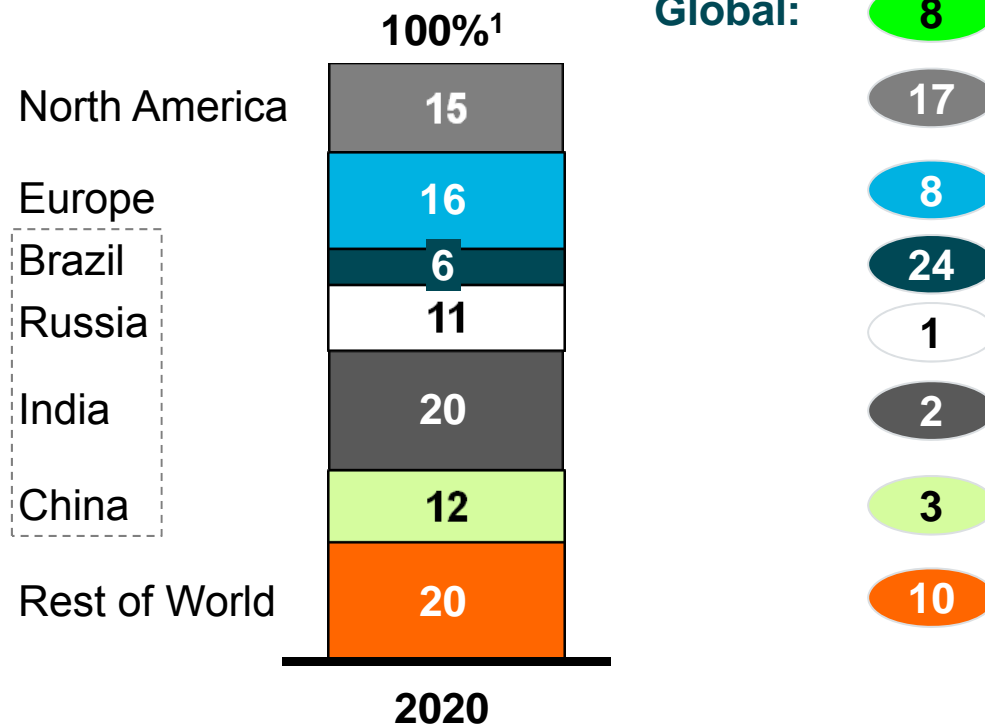
There is a large growth opportunity for dairy in BRIC



Projected units of industrial dairy semen in 2020¹

Units of semen
% World distribution

Genus' current share
%



¹ Figures are only for markets using industrial dairy genetics in some form; this comprises about 51% of cows. The remainder use little AI and neither Genus nor its competitors play in those markets

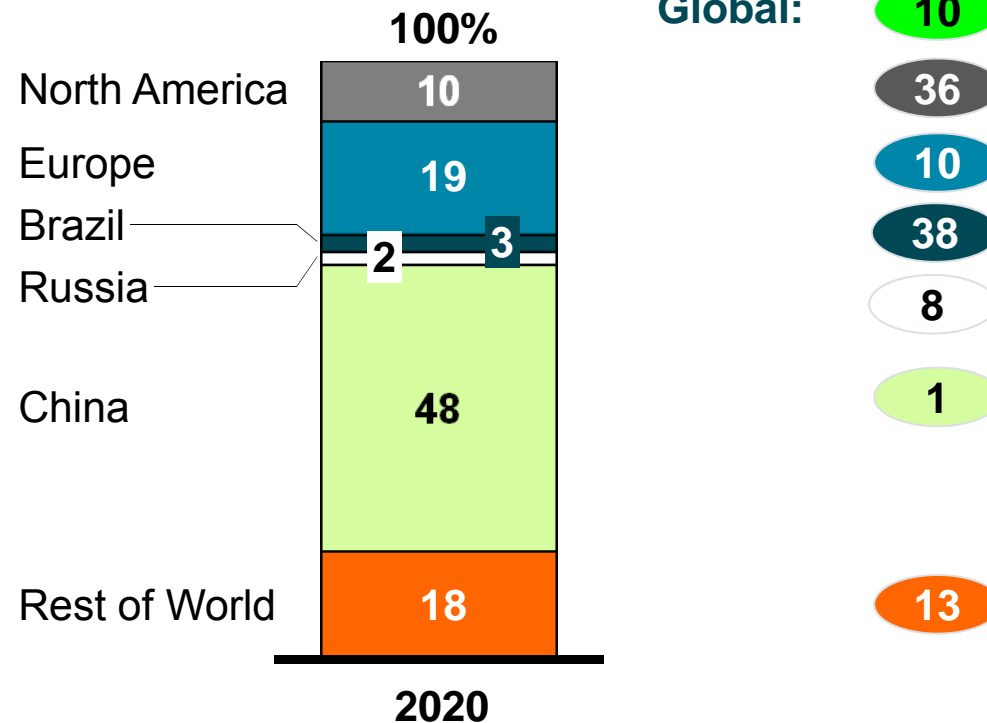
China offers the largest opportunity in pork, but we currently have a small market share



Pork production in 2020

Million Metric tonnes
% World distribution

Genus' current share
%



Genus' strategy focuses on 4 key elements



1 Increasing genetic control and product differentiation



2 Targeting key markets and segments



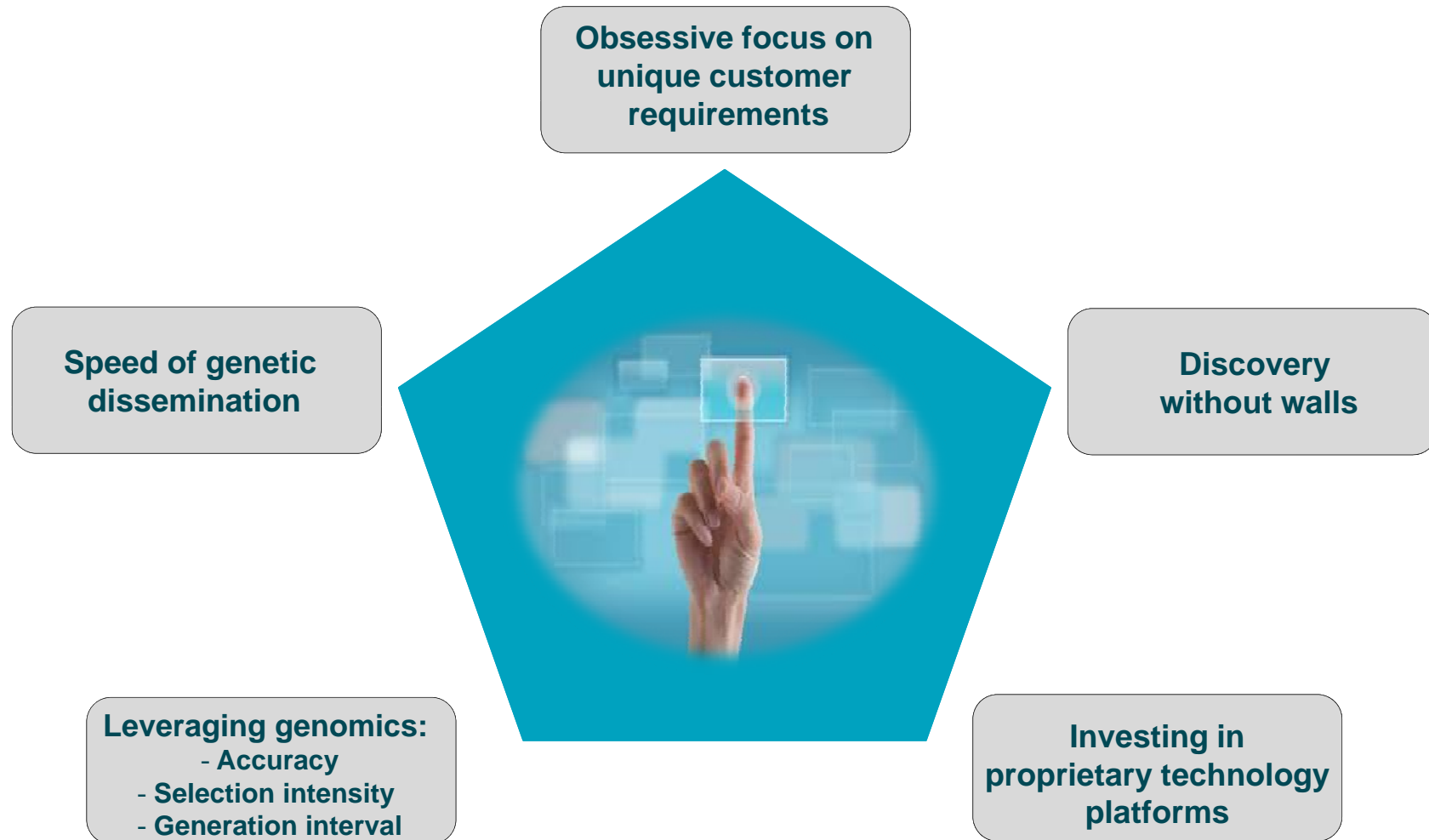
3 Tailoring the business model



4 Strengthening core competencies



1 Increasing genetic control & product differentiation



1 Increasing genetic control and product differentiation in **Porcine**...



Technology orientation

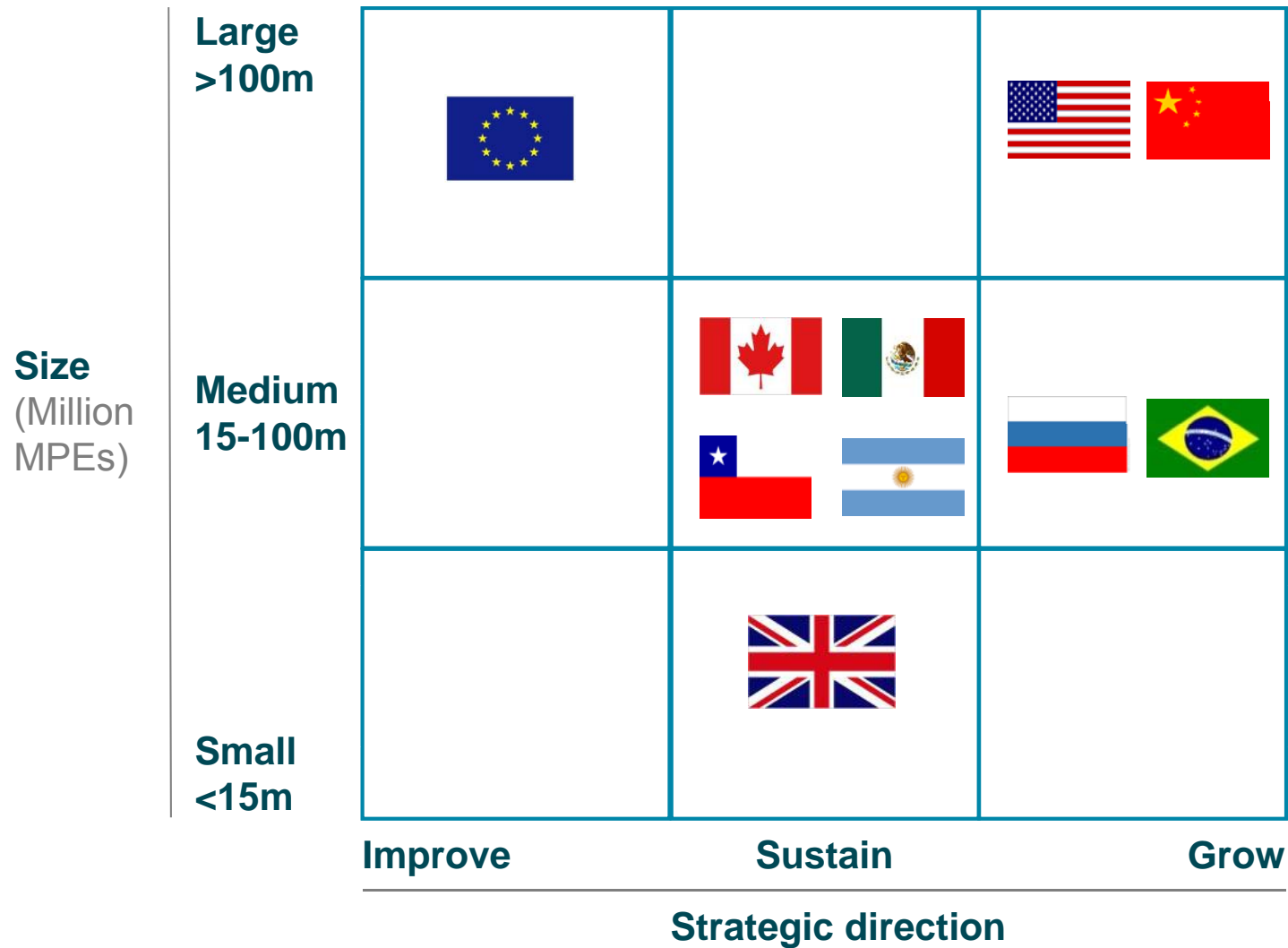
- Investing in proprietary technology
- Leveraging genomics
- Accelerating speed of genetic dissemination

Focusing development on relevant market place needs

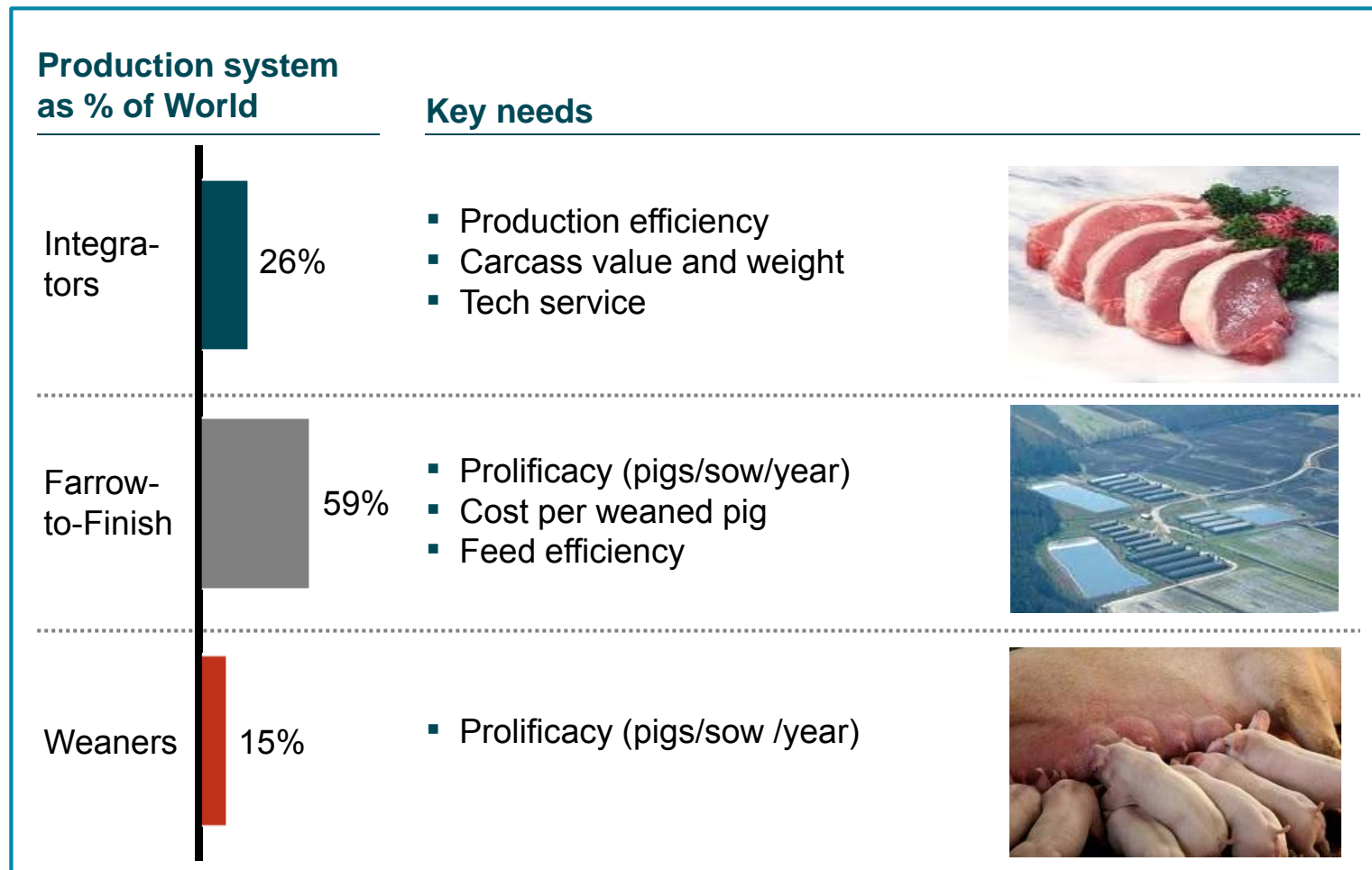
- Prolificacy
- Feed conversion
- Robustness
- Leanness



② We have prioritized markets – Porcine



② We are targeting key producer segments globally in **Porcine**



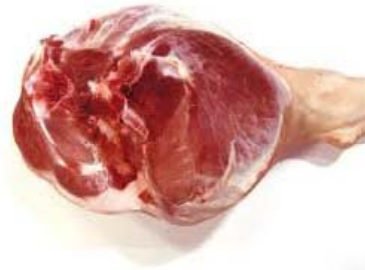
② We are strengthening our market focus – there is no “one size fits all” pig



US



Spain



China



③ ...while tailoring the business model to specific markets and segments



Russia, the Agro Belogorye example...



1 In **Dairy** we will build on our current product leadership and increase differentiation ...



Technology orientation

- Investing in proprietary technology platforms
- Leveraging genomics

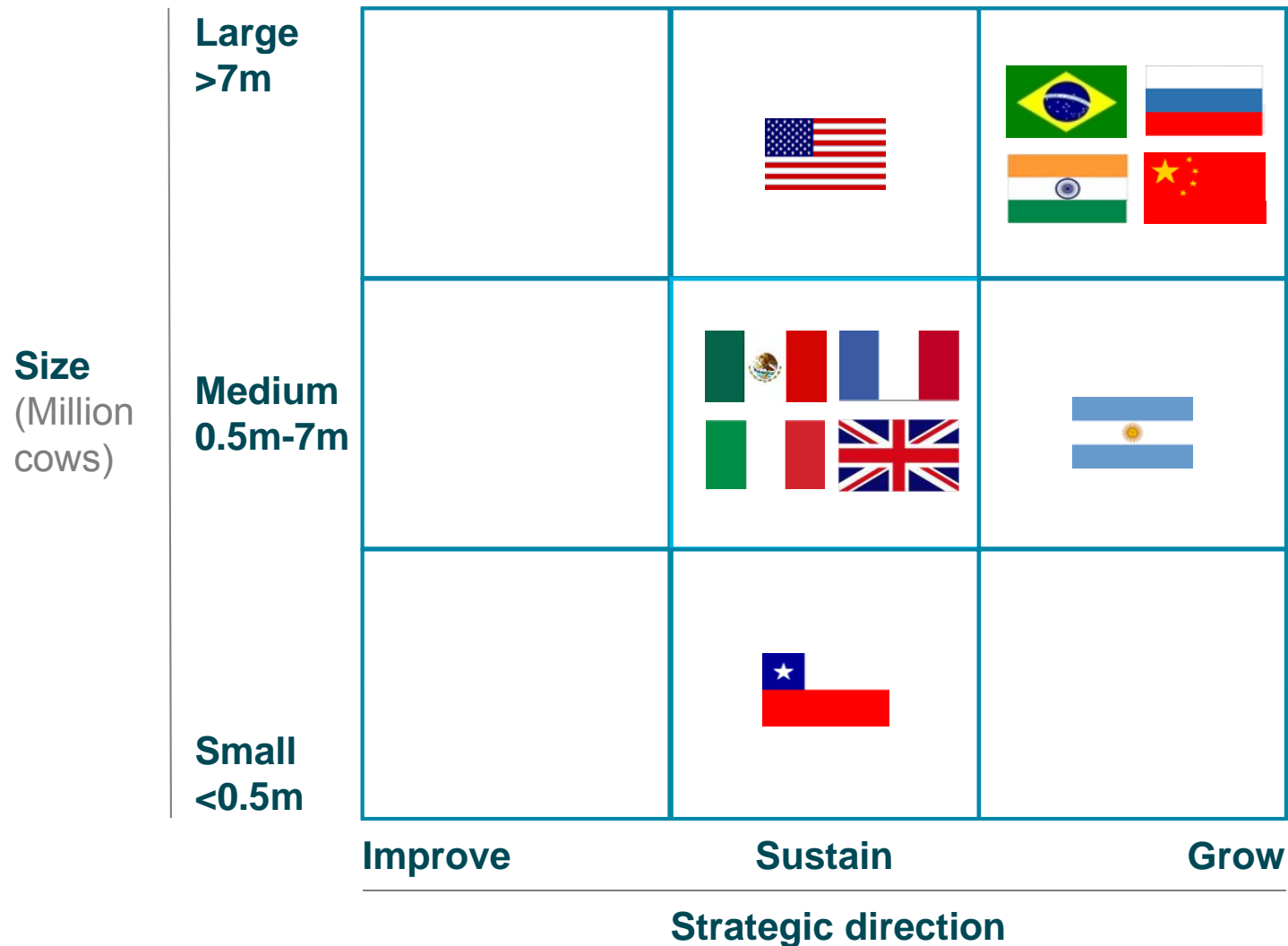


Focusing development on relevant market place needs

- Tailoring offering to large enterprises
- Yield
- Robustness



② We have prioritized markets and segments – Dairy



-
- ③ We are tailoring our business model in terms of products and services with large dairy enterprises



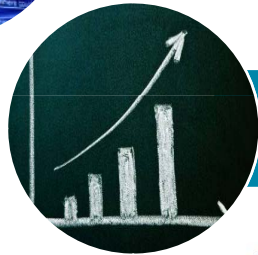
Mexico, the LALA example in Torreon



4 We are strengthening five core competencies



Marketing and sales



Product development



Supply chain



Technical services



People development

The **Porcine** strategy will focus on 4 key elements



Elements	Initiatives
① Increasing genetic control and product differentiation	Accelerate pace of differentiation and genetic dissemination
② Targeting key markets and segments	US, China, Russia, Brazil
③ Tailoring the business model	Product, Service and Royalty model
④ Strengthening core competencies	Key account mgnt., Product Development and Tech Services

The **Dairy** strategy will be built around 4 key elements



Elements	Initiatives
① Increased genetic control and product differentiation	Sustain product differentiation and invest in gender skewing
② Targeting key markets and segments	BRIC and Argentina US, Mexico, Italy, France and UK
③ Tailoring the business model	Focus on large enterprises with emphasis on customer solutions
④ Strengthening core competencies	Key account mgnt, tech service, product development & supply chain

Strategic Focus



	Near term	Medium term
Porcine	<ul style="list-style-type: none">▪ Build on leadership in key markets▪ Improve Europe▪ Accelerate China	<ul style="list-style-type: none">▪ Make China a “home market”
Dairy	<ul style="list-style-type: none">▪ Sustain leadership position in LatAm, N America, and EU▪ Drive growth in China, Russia and Brazil▪ Tailor business model for the Enterprise segment	<ul style="list-style-type: none">▪ Drive growth in India
Beef	<ul style="list-style-type: none">▪ Grow AI mainly in LatAm	<ul style="list-style-type: none">▪ Expand Natural Service in key markets
Enabling	<ul style="list-style-type: none">▪ Strengthen core competencies and optimize structure	<ul style="list-style-type: none">▪ Explore new technologies, geographies and species

In summary



There is a significant growth opportunity in Dairy, Porcine and Beef and Genus is well positioned



We have a robust strategy and we will execute against 4 key elements which will ensure:

- Stronger market place orientation
- Fully resourcing growth drivers
- Consistent implementation of best practices



The strategy will generate an improving rate of growth with modest investment

Dr. Denny Funk
Head of Research & Development

Focused on customer needs and aligned with business strategy



Research



Product Development



Our R & D effort is focused on 3 core platforms



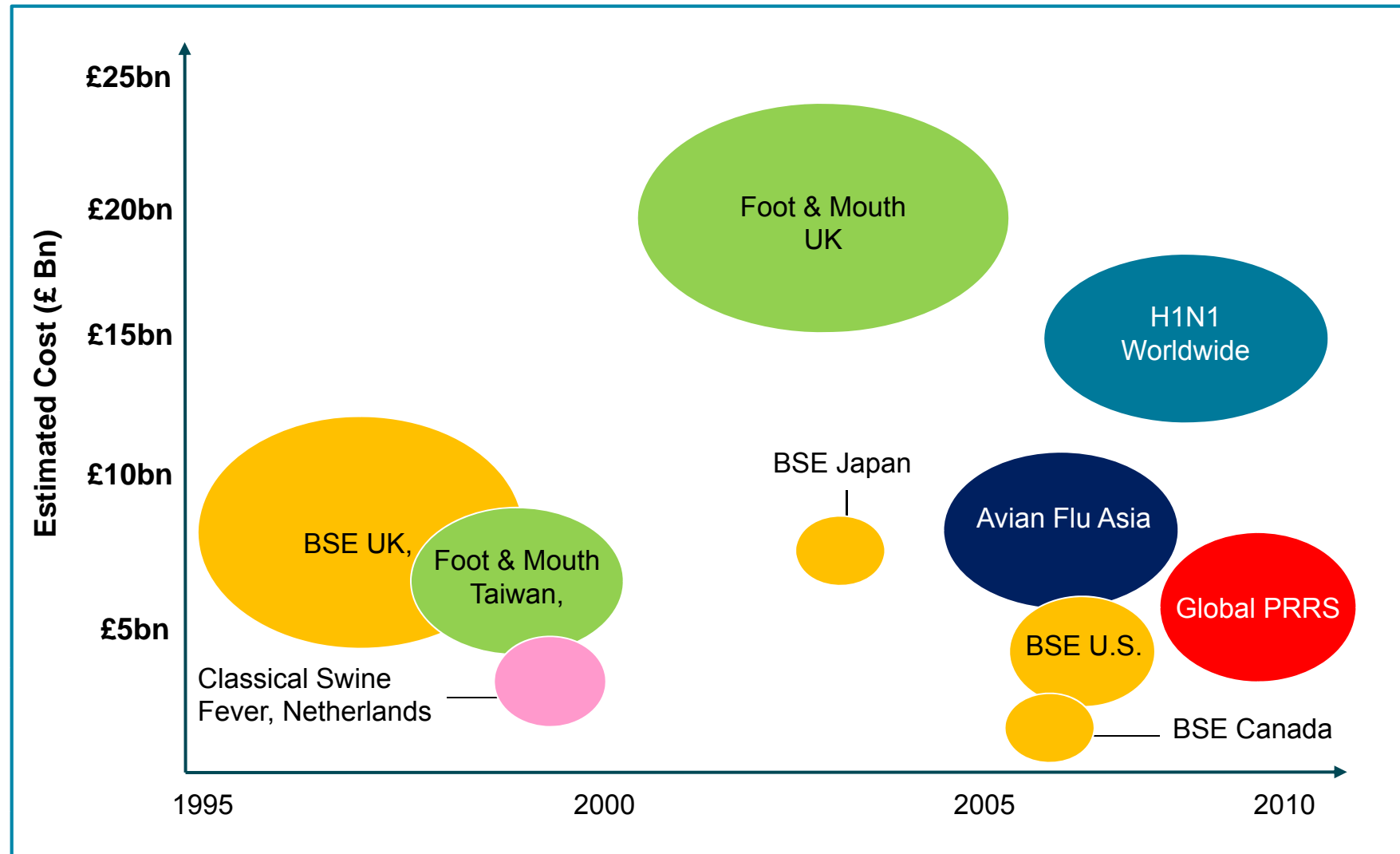
Disease Resilience

Gender Skewing

Genomic Selection



Historical livestock disease events



Note: Figures are estimates and are presented as relative size 1994 - 2004

Newcomb J, One World, One Health, An economic perspective, 2004 FAZ 09.11.2005

Disease Resilience - How



Initiative	Benefit	Status
PRRS Genetic Marker panel	Reduce incidence of PRRS in the population	Under Development
Biomolecular approach to disease resilience	Break-through in disease reduction in multi species	Research

Gender skew is a significant opportunity



Expansion into emerging countries/Dairy



- Largest milk producer in the World
- Milk demand growing at 4% CAGR
- Untapped need for better genetics

Applications beyond Dairy



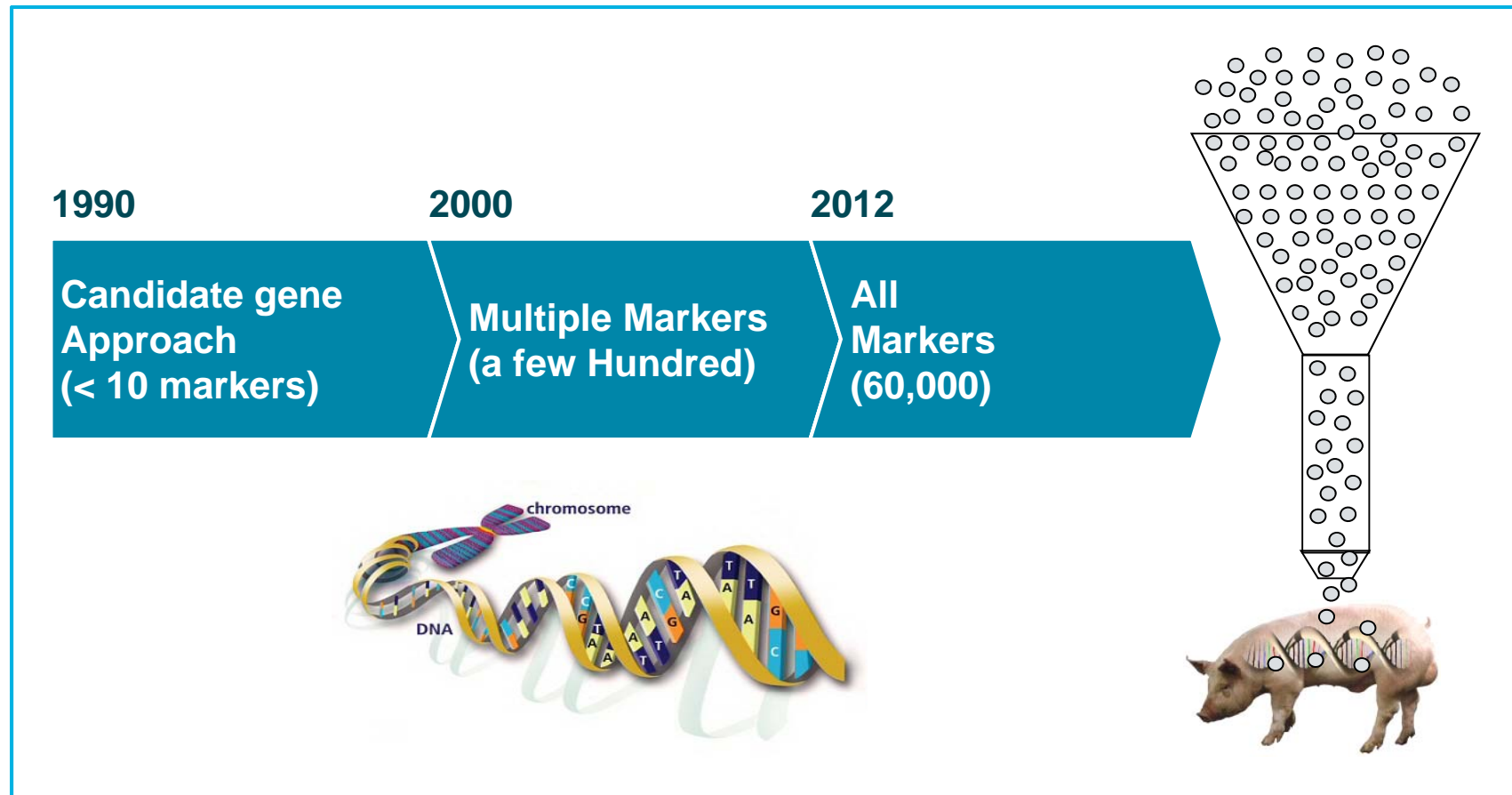
- No need for castration
- Better feed efficiency and leanness
- Reduced mortality and aggression

Gender Skewing - How

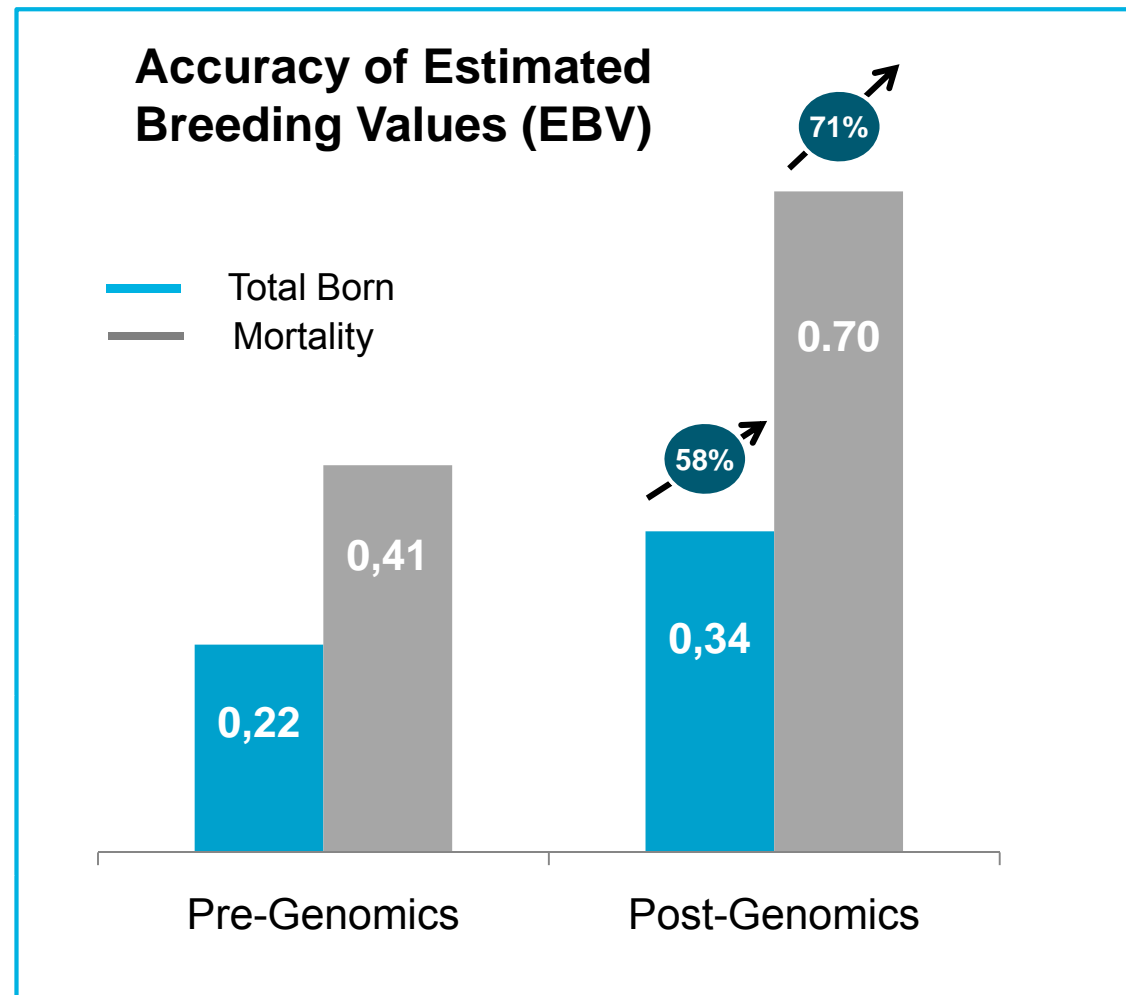


Initiative	Benefit	Status
Biomechanical Sorting - GSS	Allows expansion into new geographies and segments	Under Development
Biomolecular	New species application Use in higher merit breeding animals	Research

Why the focus on Genomic Selection?



Genomics increases the accuracy of genetic breeding values, driving faster genetic improvement for our customers

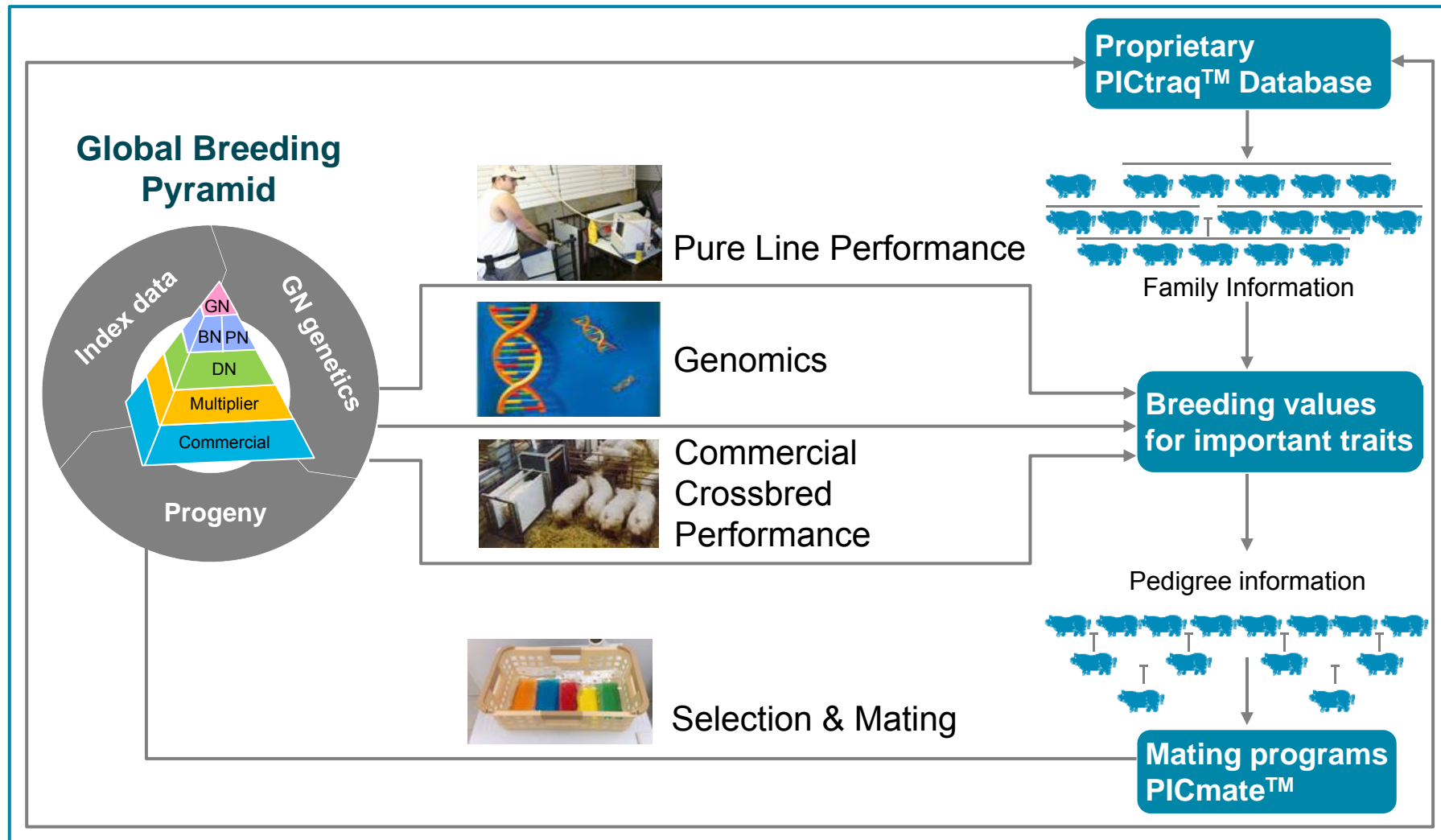


Genomic Selection - How



Initiative	Benefit	Status
High density genotyping	Increase accuracy of genetic estimates	Under Commercial implementation
Imputation	Increase selection intensity	Research into Development
<i>“Accelerates rate of improvement in key traits”</i>		

Our porcine product development strategy is to accelerate genetic improvement engine...

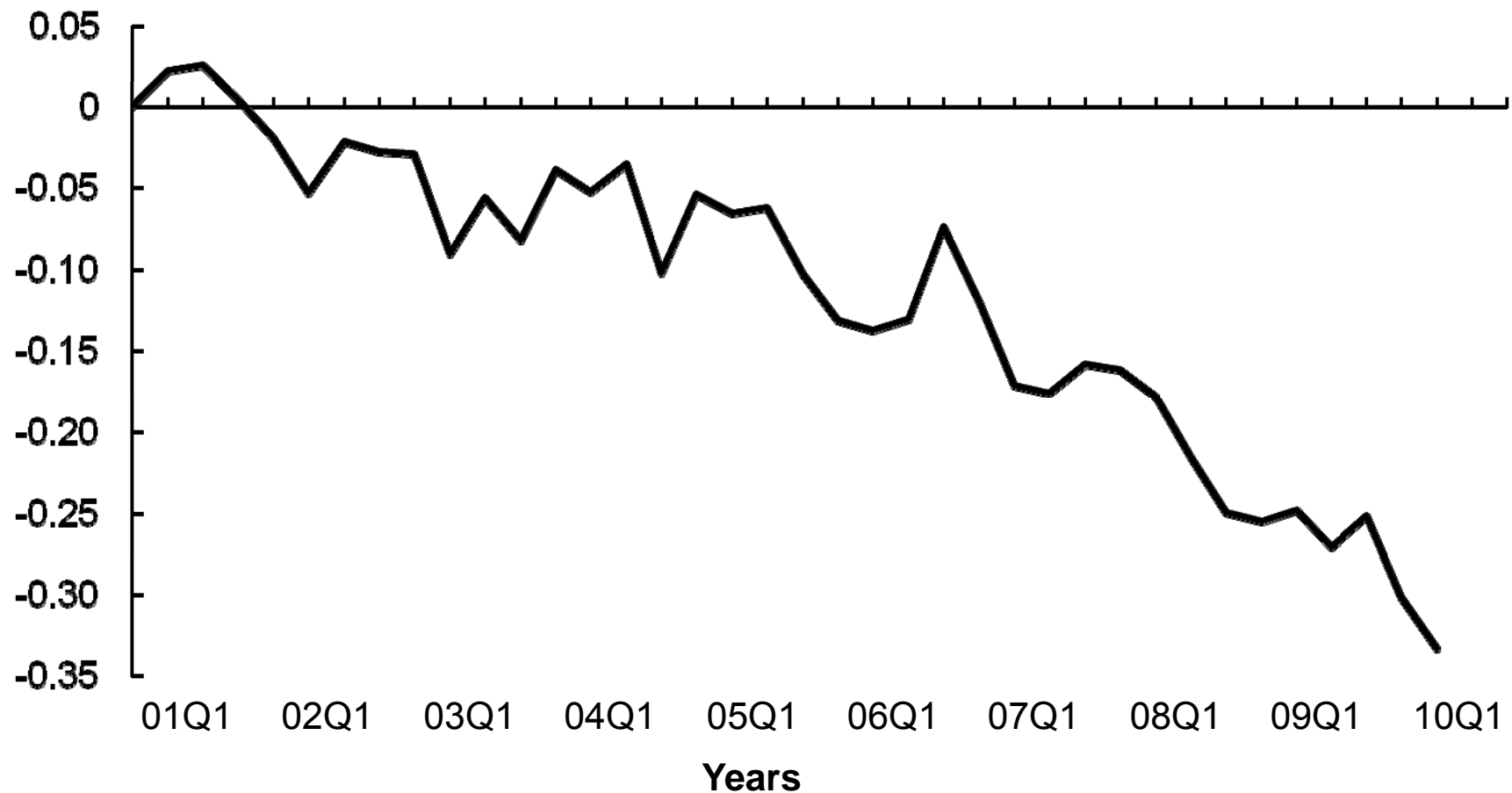


...and deliver good value to our customers'
bottom line

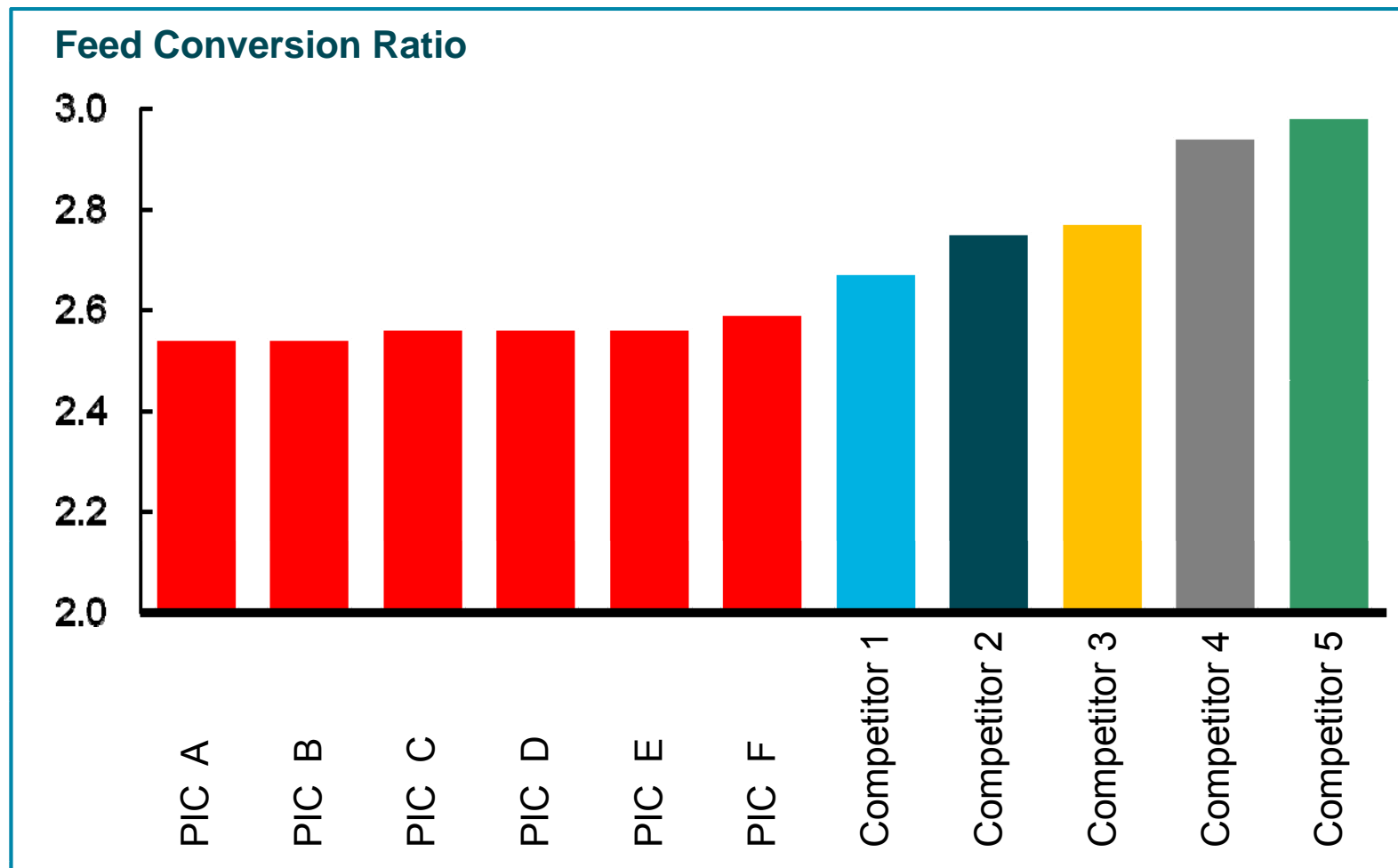


Feed Efficiency of main PIC Sireline products

Feed Conversion Rate, kg feed / kg gain



We continuously benchmark our value against our competitors...



In beef, feed efficiency is also critical for customer profitability



Brazil



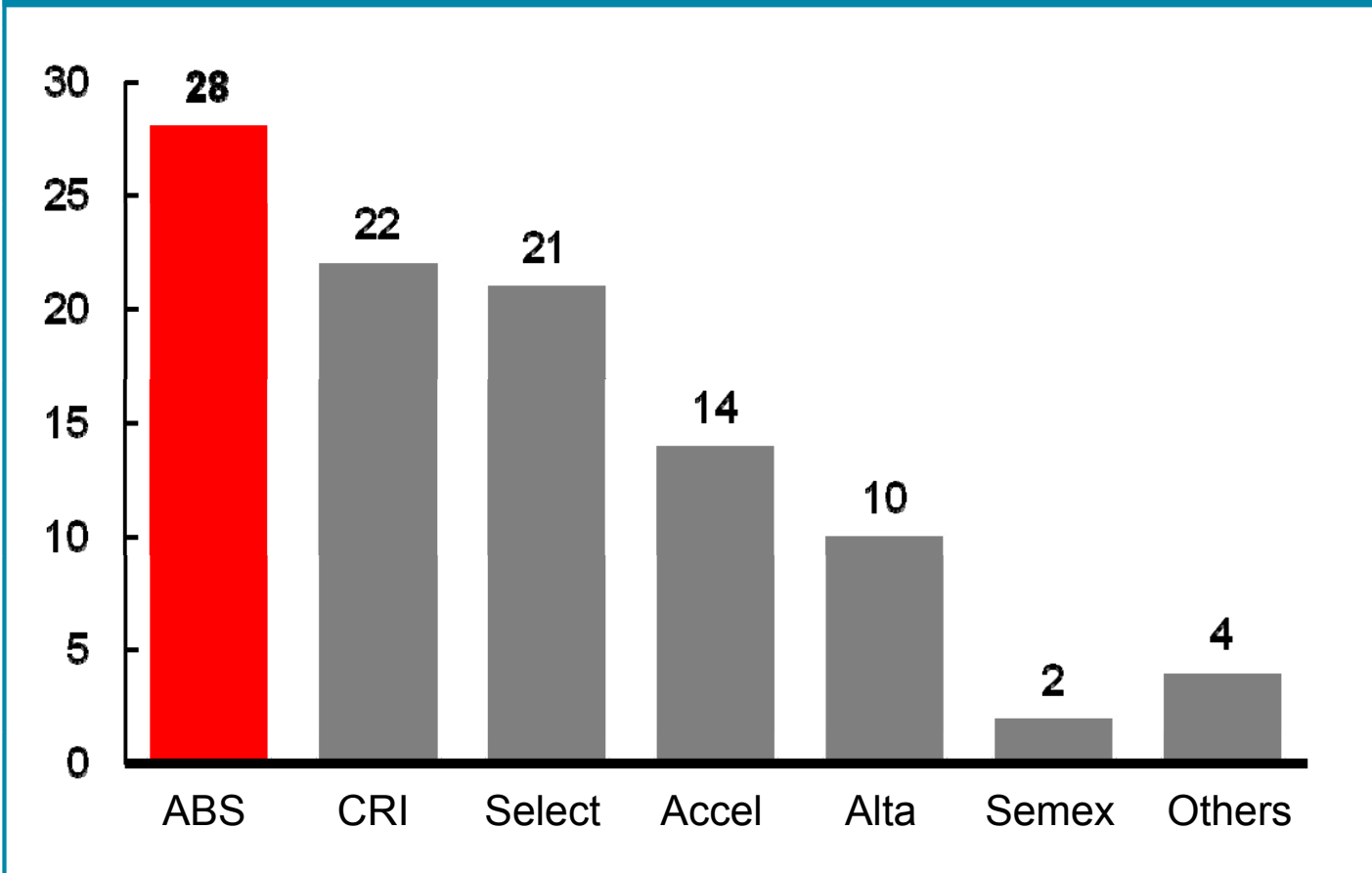
US

Genus leads the industry in the collection of feed efficiency and data analysis

In Dairy, we have delivered product leadership



Top 100 Holstein bulls for Total Performance Index (TPI), April 2012



1 Strike Rate = No. of bulls in Top 100 TPI/Bulls progeny tested annually

In summary



Increased market place orientation



Strengthening global leadership in pork, dairy and beef



Increased focus and investment in R&D

Tea & Coffee Break

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Bill Christianson, COO Americas

North America

We are starting from position of strength in NA Porcine



Excellent reputation and performance in the most competitive swine market

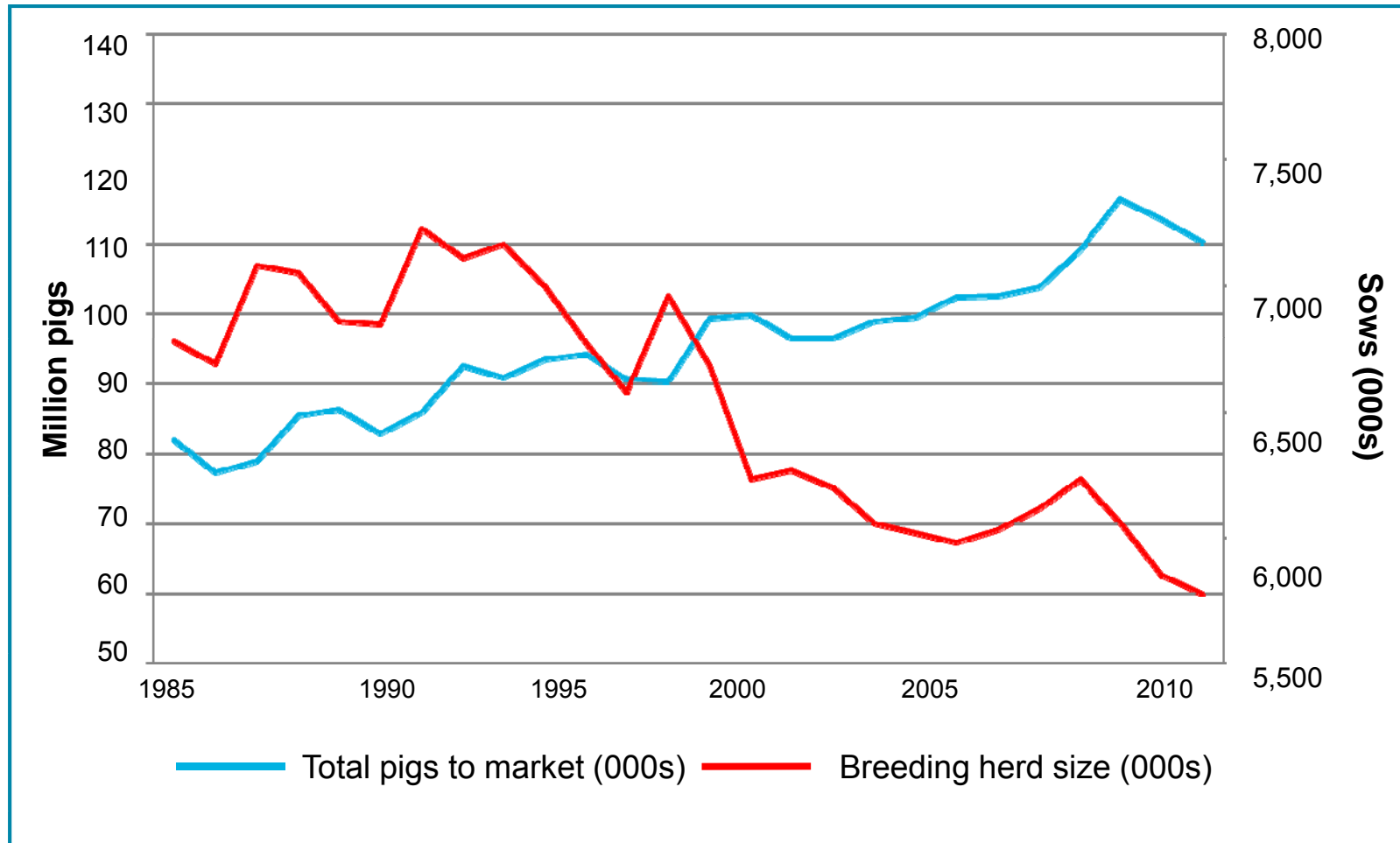
~10% of World's pigs

Some of the World's largest integrated/large scale players

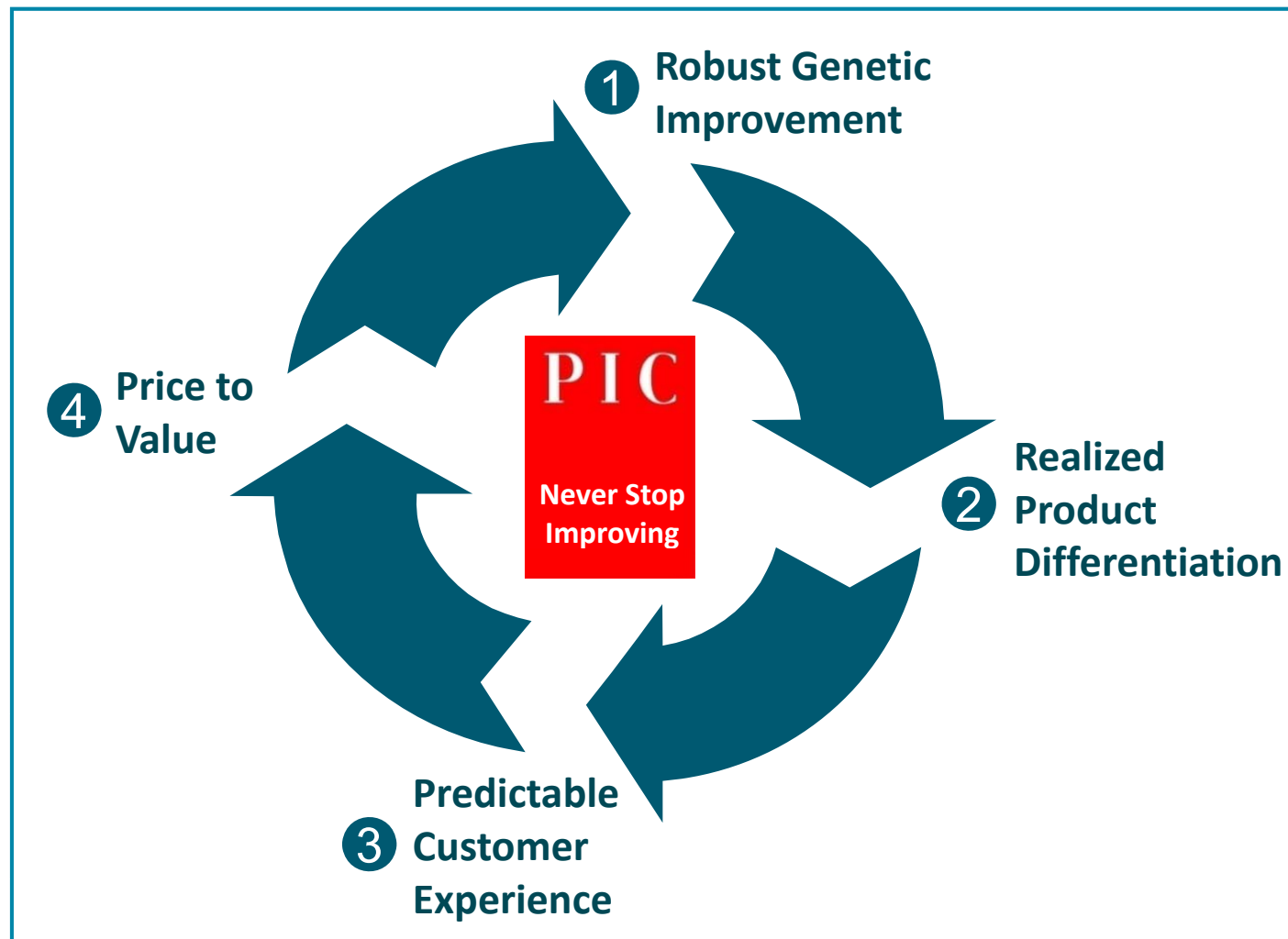
4 over 10 pigs have "PIC inside"

Customer Perspective

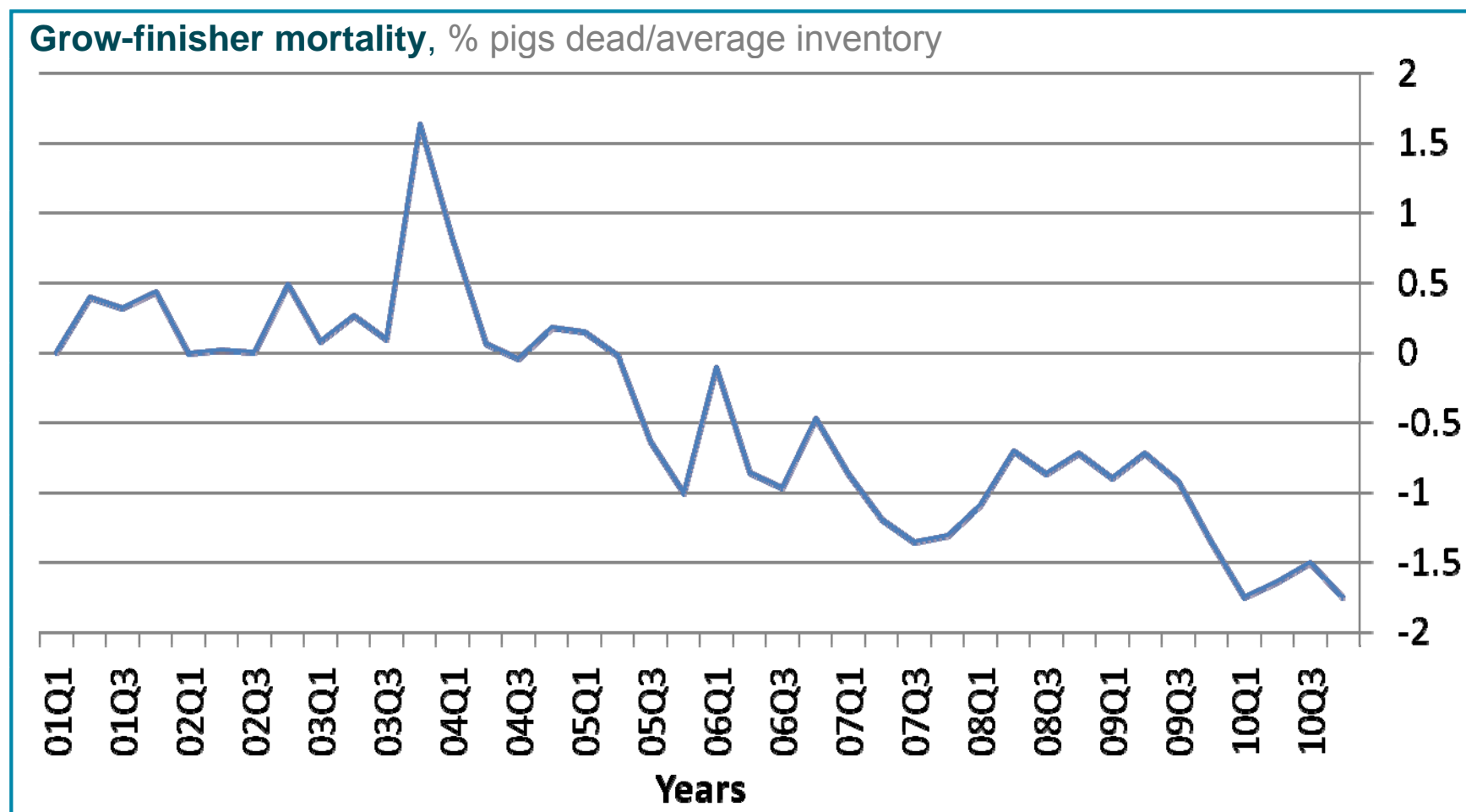
More pigs from fewer sows in the US



Our business model is customer focused – we are committed to delivering continuous value



1 Sireline grower/finisher mortality genetic trend



2 We are targeting two key segments – Porcine



● Non existent
● Weak
● Average
● Strong
● Very strong

Production system as % of US		Key needs	Overall competitive position	
			Genus	Competitors
Integra- tors	64%	<ul style="list-style-type: none"> Production efficiency Carcass value and weight Tech services 		
Farrow- to-Finish	28%	<ul style="list-style-type: none"> Prolificacy (pigs/sow/year) Cost per weaned pig Feed efficiency 		
Weaners	8%	<ul style="list-style-type: none"> Prolificacy (pigs/sow/year) 		

3 In the US Tech service helps customers actualize the genetic potential



Genetics



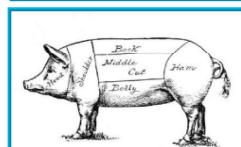
Production



Nutrition

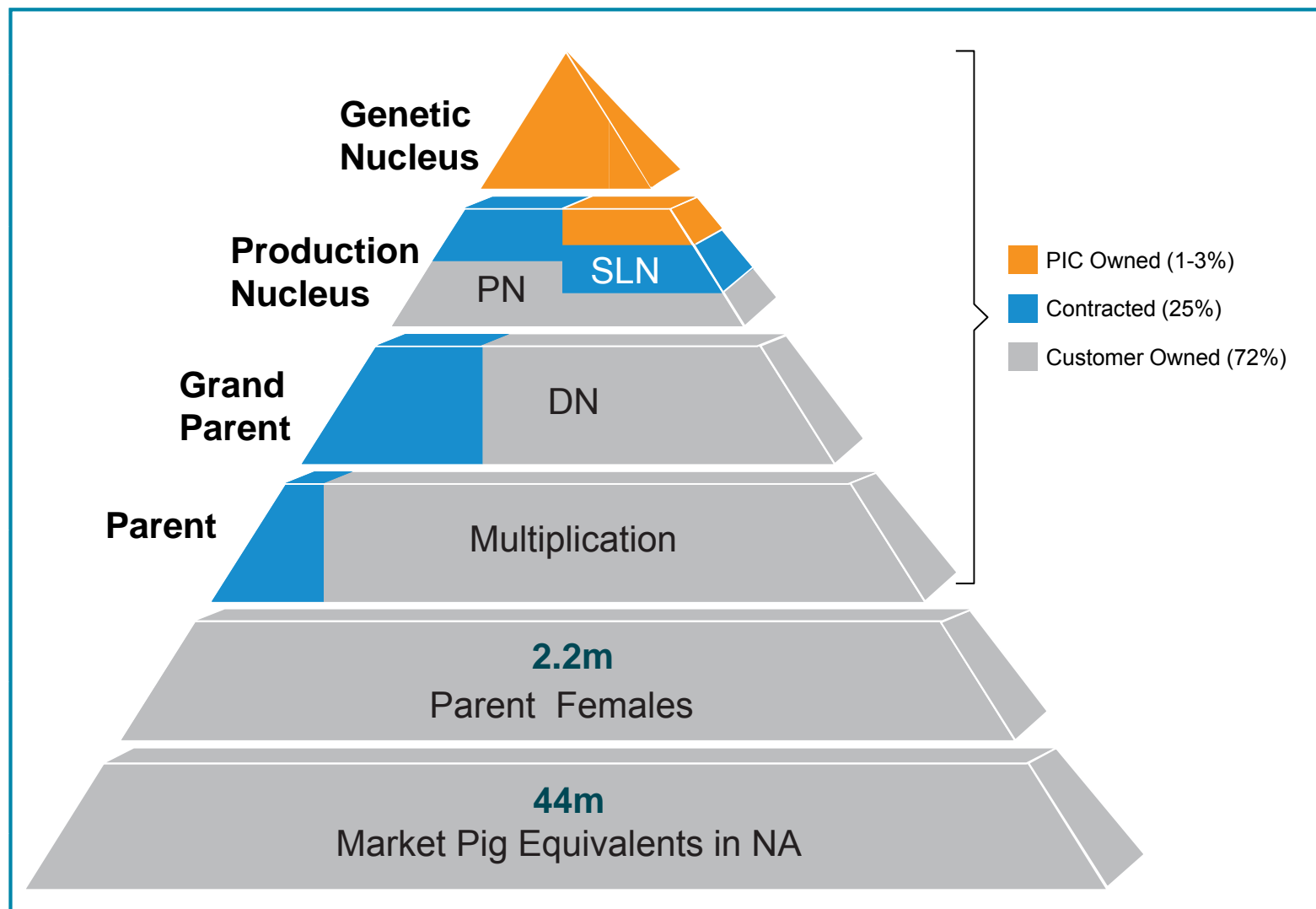


Health

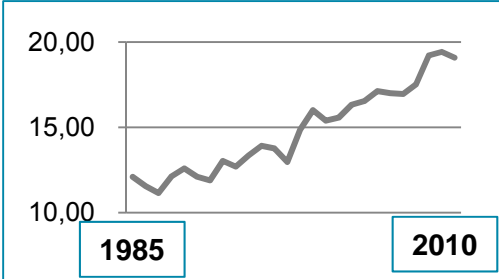

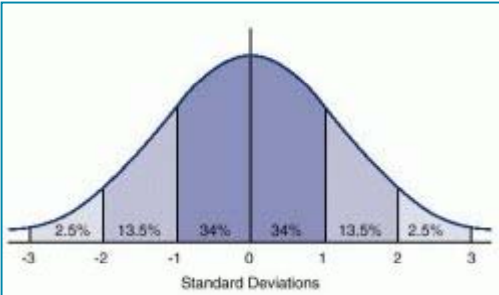


Pork chain

③ We work with our customers to disseminate genetics and reduce risk



4 Different methods for capturing incremental value through the royalty model

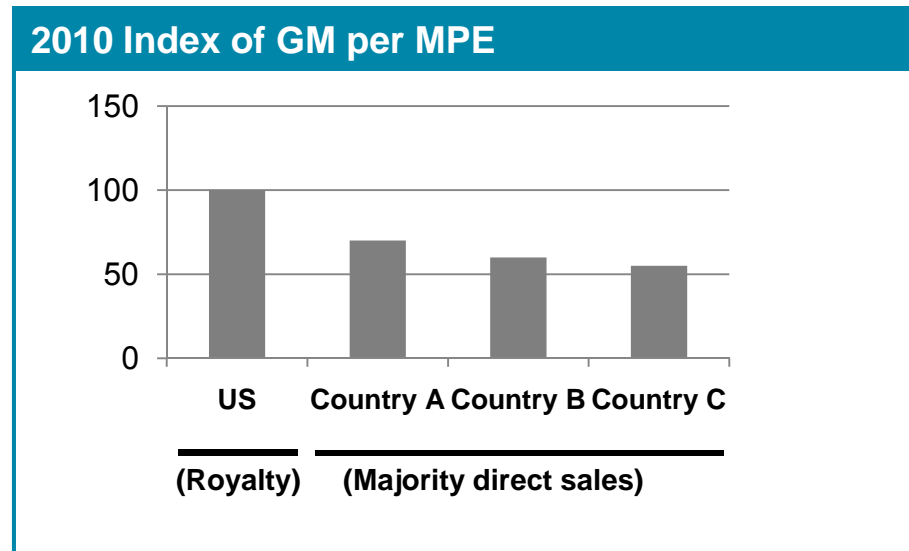
	Description	Rationale
1 Royalty per pig	<ul style="list-style-type: none"> Productivity grows at 1 pig every three years 	
2 Validation at the customer level	<ul style="list-style-type: none"> Joint customer trials to demonstrate value 	
3 New product Category "CBV Max"	<ul style="list-style-type: none"> Top boars deliver an extra \$1.30–1.50 value per pig 	

4 The royalty model is better for customers.....



- Optimizes overall customer breeding supply chain
- Improves cost efficiency
- Reduces transport and health risk
- More flexible

....and for Genus

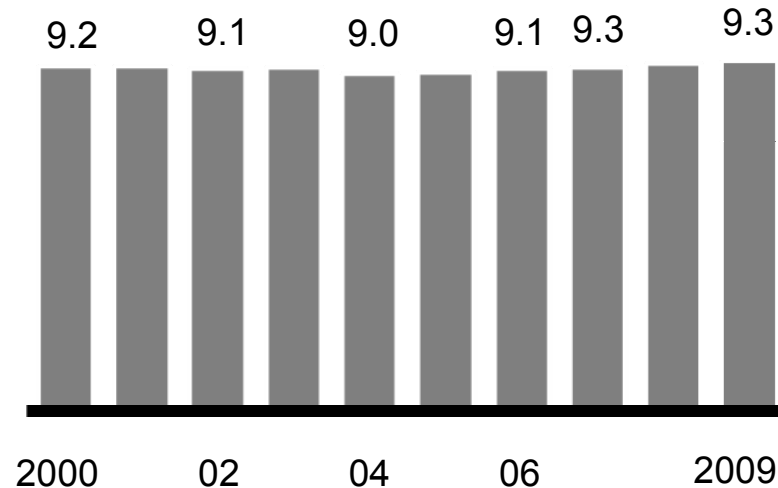


US Industry trend is relatively flat but productivity is World class

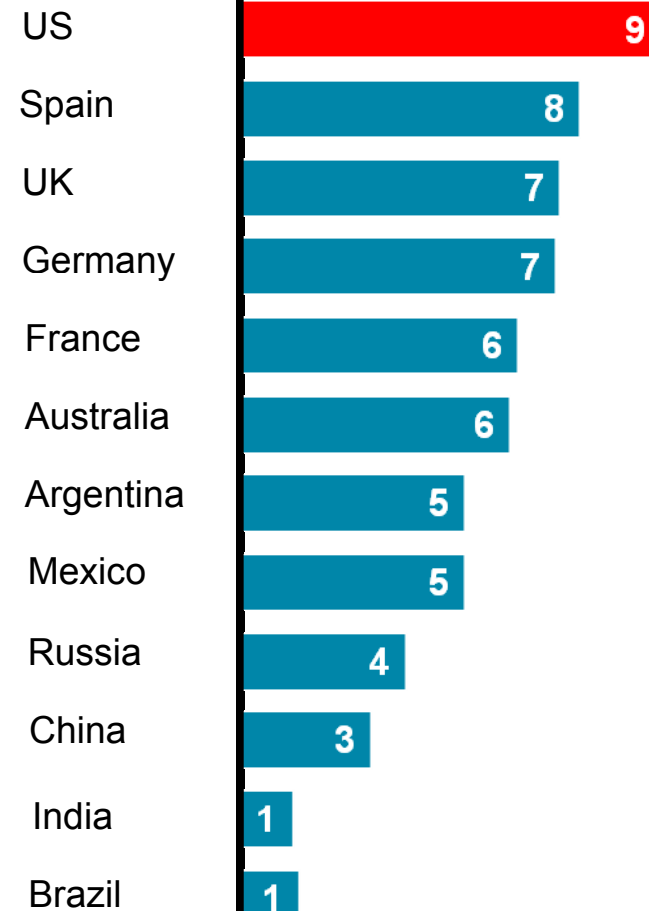


Dairy cows in the US

Millions



Yield (Tonnes/cow/year)



ABS NA is adopting new approaches to segmentation and business model tailoring



Segment	Description	Segment size % of US dairy cows	
Enterprise (large commercial operations)	<ul style="list-style-type: none"> Highly sophisticated (>5,000 cows) Require technical service support 		
Medium size commercial	<ul style="list-style-type: none"> Sophisticated, mid-sized farms (1,000–4,999 cows) Smaller ones declining Larger ones migrating into Enterprises 		
Traditional	<ul style="list-style-type: none"> Small operations (<1,000 cows) Product focused Decreasing as the industry consolidates 		
		2000	2010

Source: USDA Farms, Land in Farms, and Livestock Operations, Feb. 2011; SCALE ECONOMIES AND INEFFICIENCY OF U.S. DAIRY FARMS; Expert interviews

Latin America Business Model



Mexico – Large enterprise business model

- Few highly skilled key account/technical services representatives
- Design & implement programs that improve dairy profitability
- Transparent & premium pricing



Brazil – Traditional segment business model

- Use Independent Representatives to manage fragmented customer base
- Genus ABS sets pricing & invoicing

In NA we are shifting our business model with a focus on key target segments



- 1 Strengthening brand equity in enterprise segment**
- 2 Tailor product and tech service offering to distinctive segments**
- 3 Optimization of resource allocation**
- 4 Implement best practices from Latin America**

In summary



Porcine NA success driven by:

- Targeting key segments
- Outstanding Technical services
- Using the royalty model to capture value
- Outsourcing multiplication to mitigate risk



Opportunity to strengthen Dairy NA position



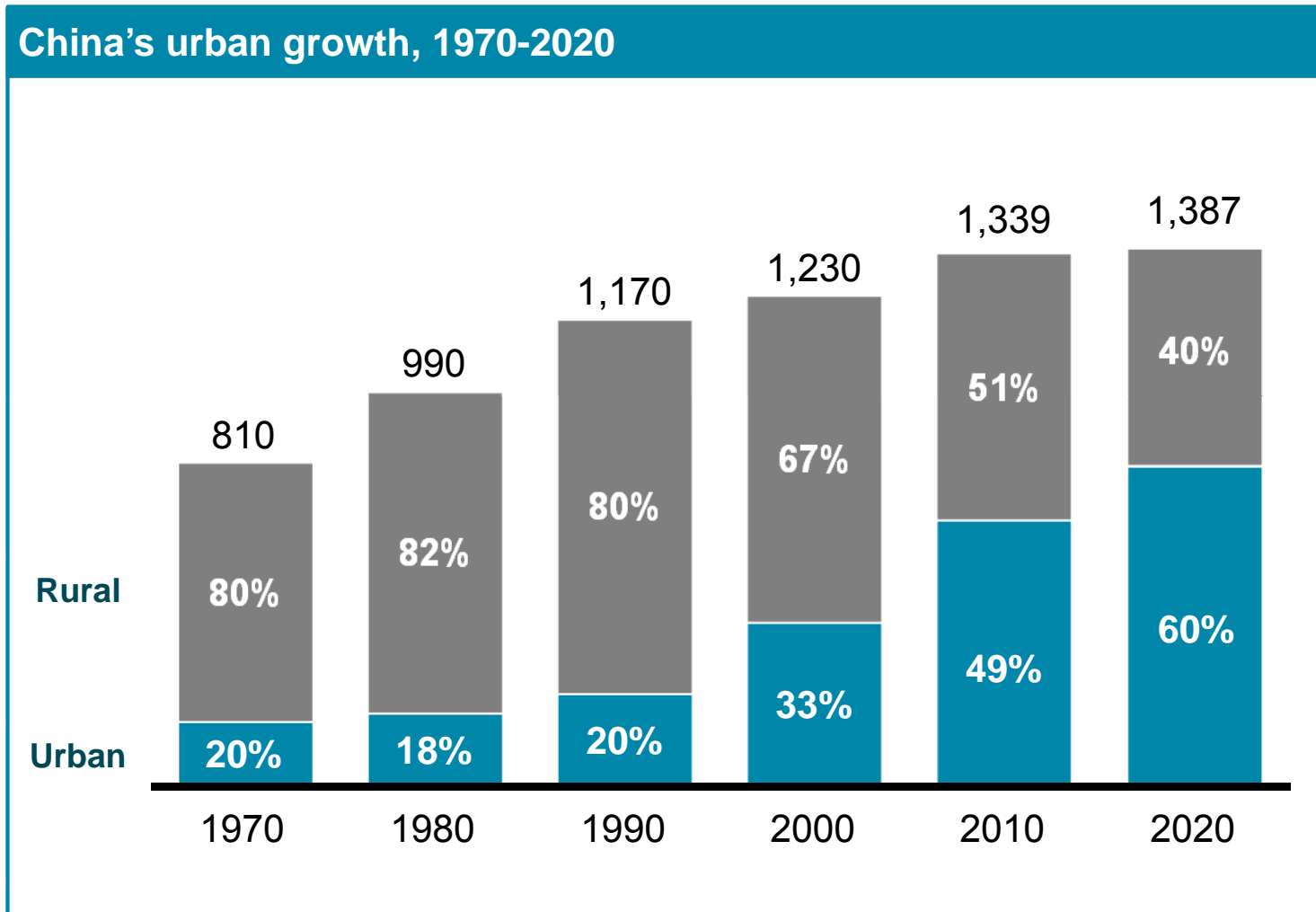
We will implement best practices around the globe:

- “Export NA porcine”
- “Import LA dairy”

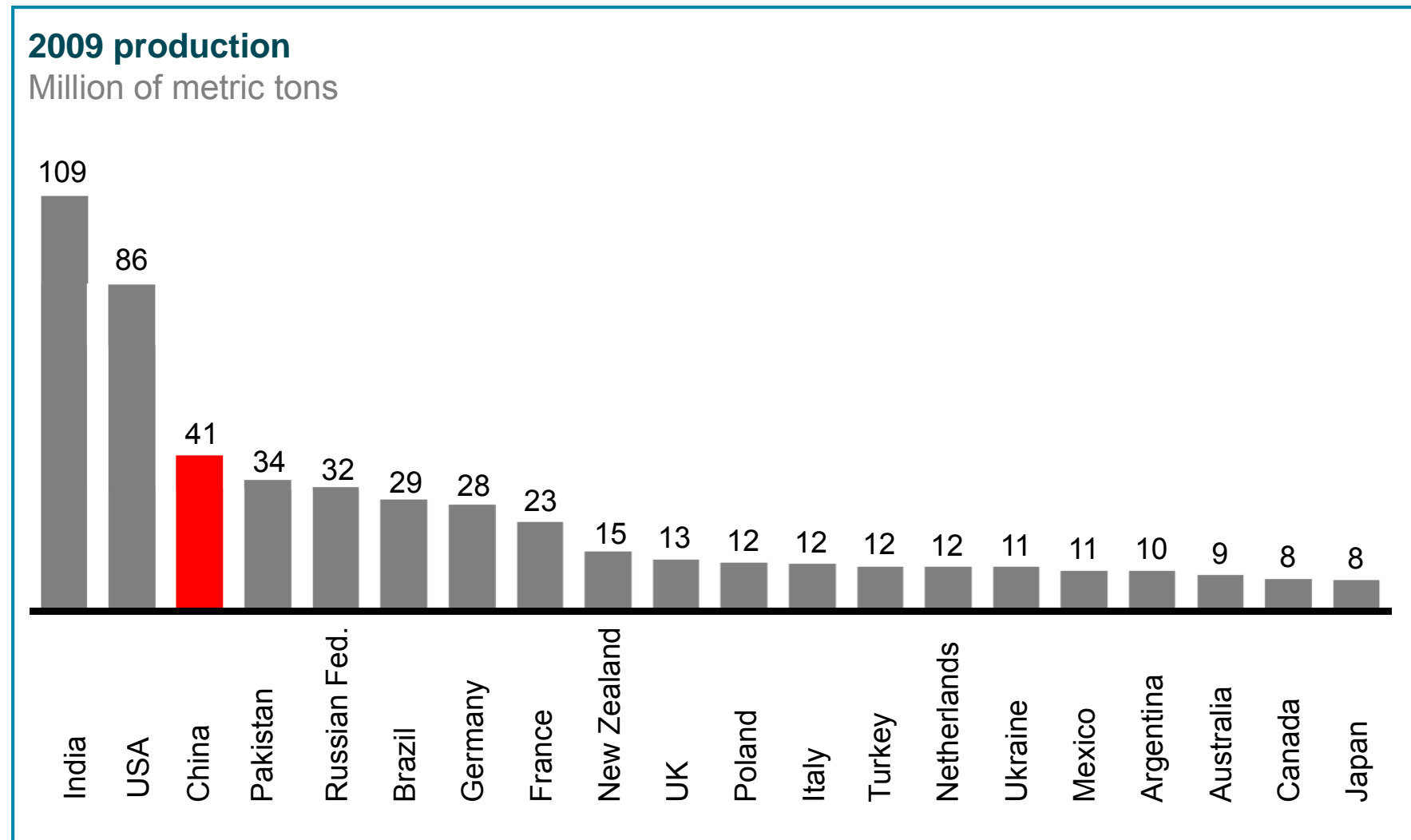


Jerry Thompson – COO Asia China

Urbanization is accelerating demand for animal protein



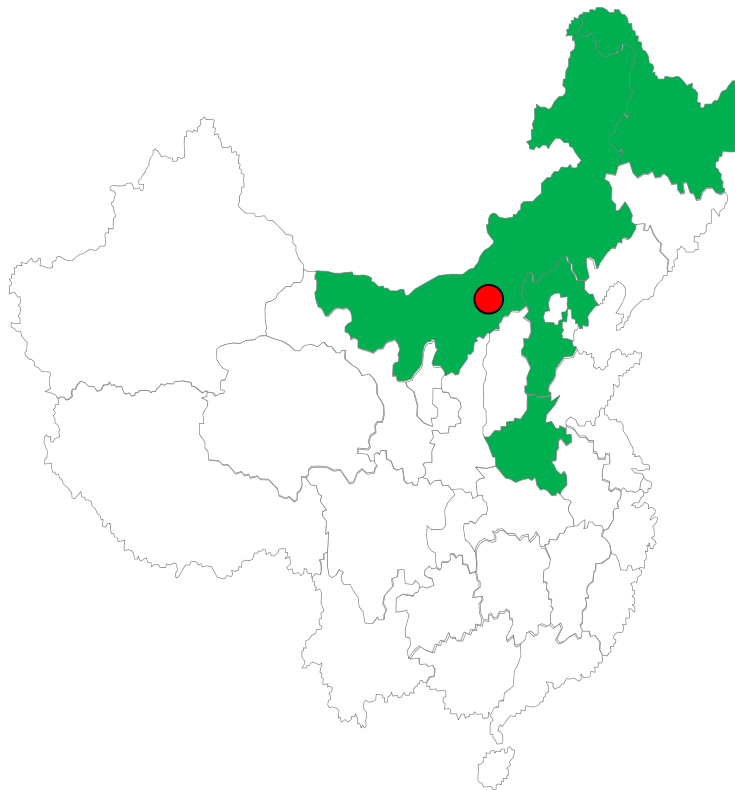
China is the third largest milk producer



Genus has a strong starting position - partnering with the largest milk processor



Largest milk provinces



China's dairy market is rapidly becoming more technified



Segment	Description	Segment size % of China dairy cows	
Enterprise (large commercial operations)	<ul style="list-style-type: none"> ▪ Larger farms growing more professional (up to 10,000 cows) ▪ Strong need for technical service ▪ Rapid growth as the industry expands and consolidates 	16 2m	45 8m
Small commercial operations	<ul style="list-style-type: none"> ▪ Family owned mid-sized farms (20–499 cows) ▪ Modest growth ▪ Larger ones migrating into Enterprises 	32 4m	35 6m
Traditional	<ul style="list-style-type: none"> ▪ Small operations (<20 cows) ▪ Decreasing as the dairy industry consolidates 	52 6m	20 4m
		2009	2017
		Total # Cows: 12m	18m

Source: China Dairy Yearbook 2010, extrapolation to 2017 by Genus team

We are complementing our current strategy by focusing more on the fast growing enterprise segment



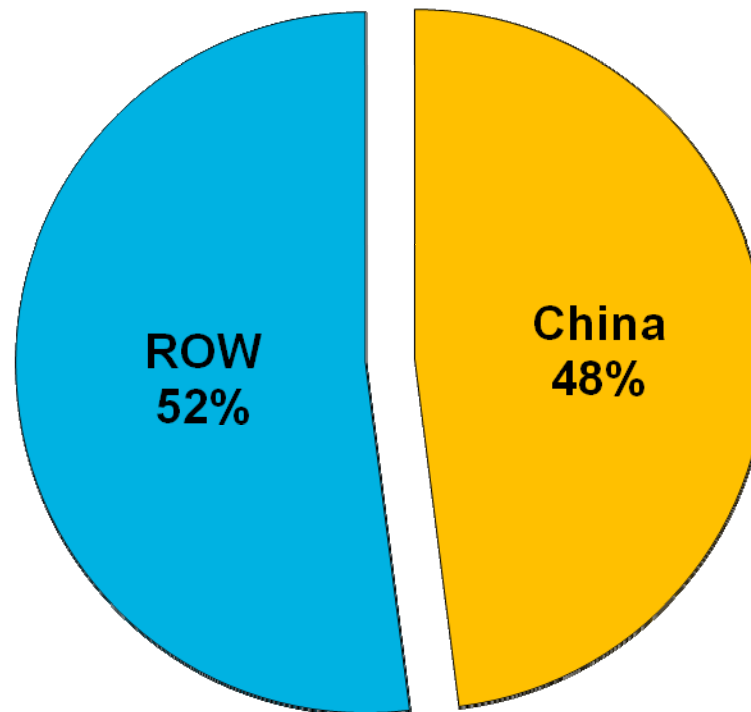
- 1 Direct relationships with the enterprise segment**
- 2 Investing in people and developing world class technical services as in Latin America**
- 3 Strengthening our relationship with key partner**

China Porcine

China produces nearly half of the world's pork...



Metric tonnes % distribution



2020

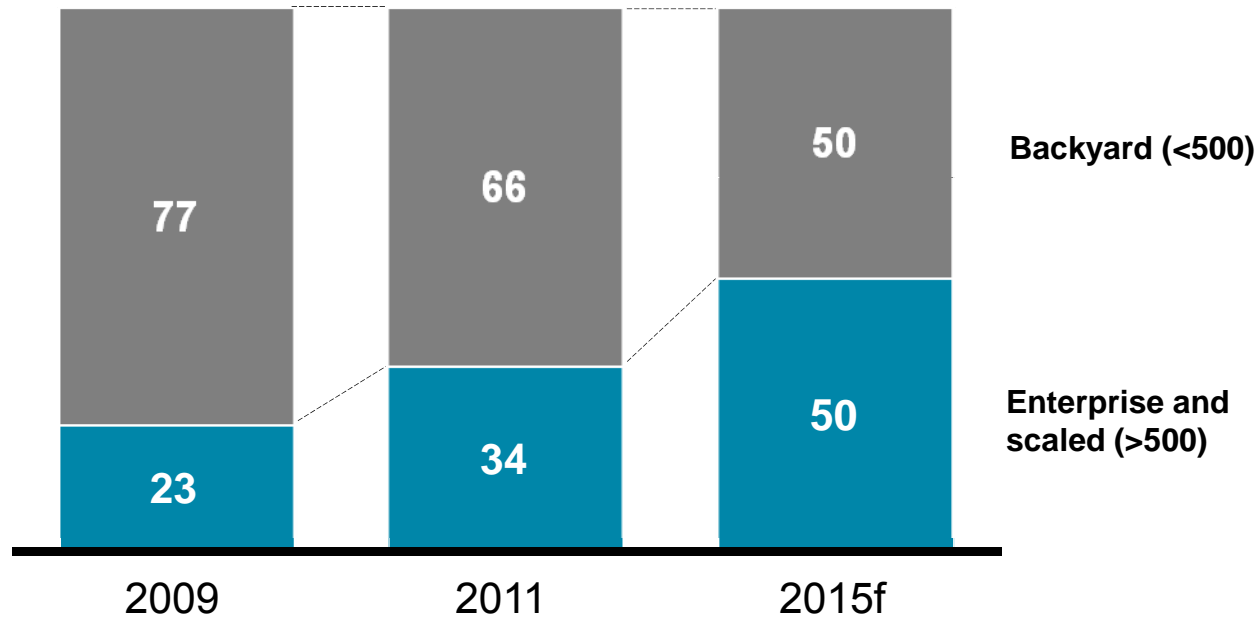
Source: Genus analysis; FAO

The Chinese pork industry is at an inflection point

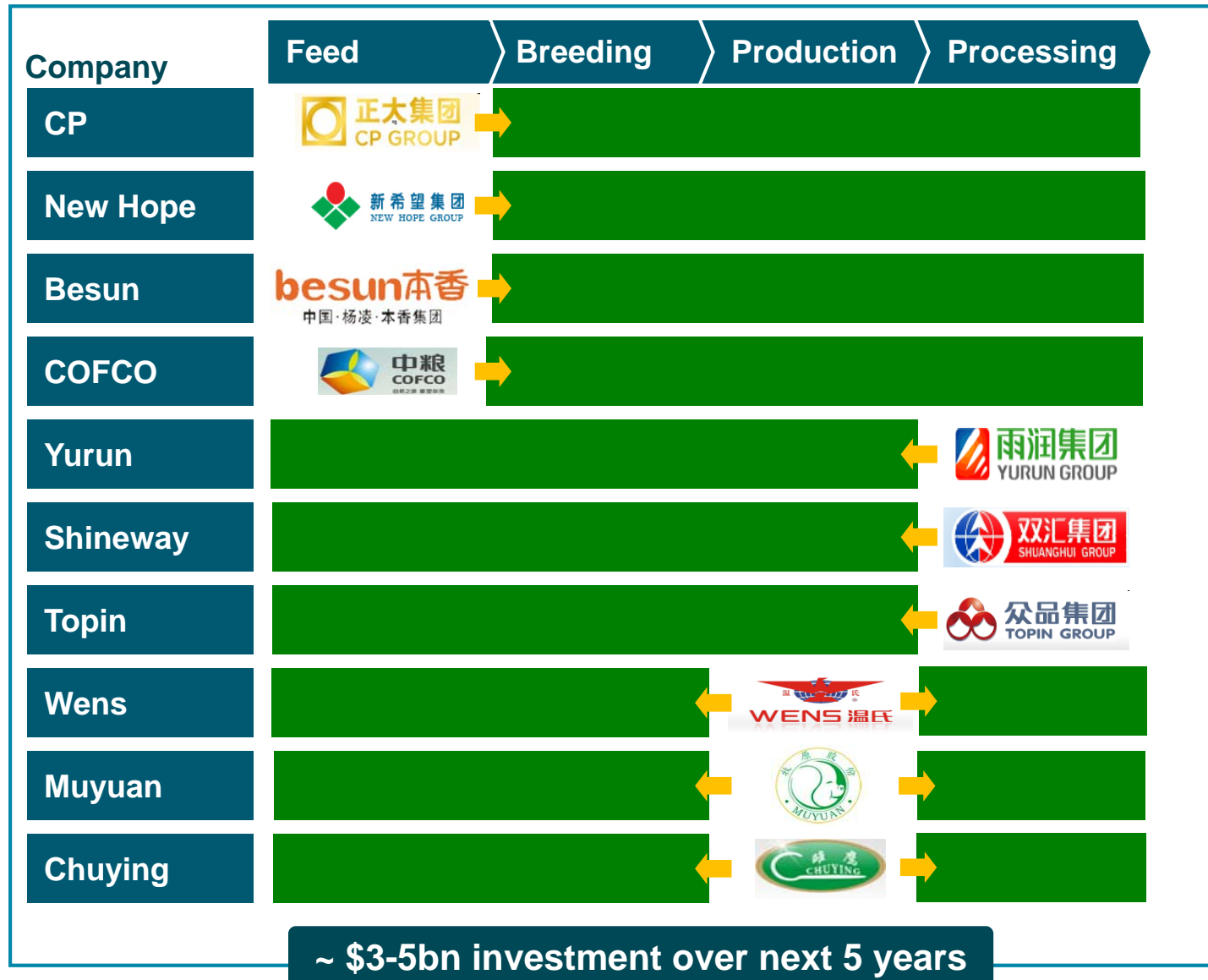


Split of Chinese farms by size of pig production

Percent



Vertical integration is accelerating along the value chain



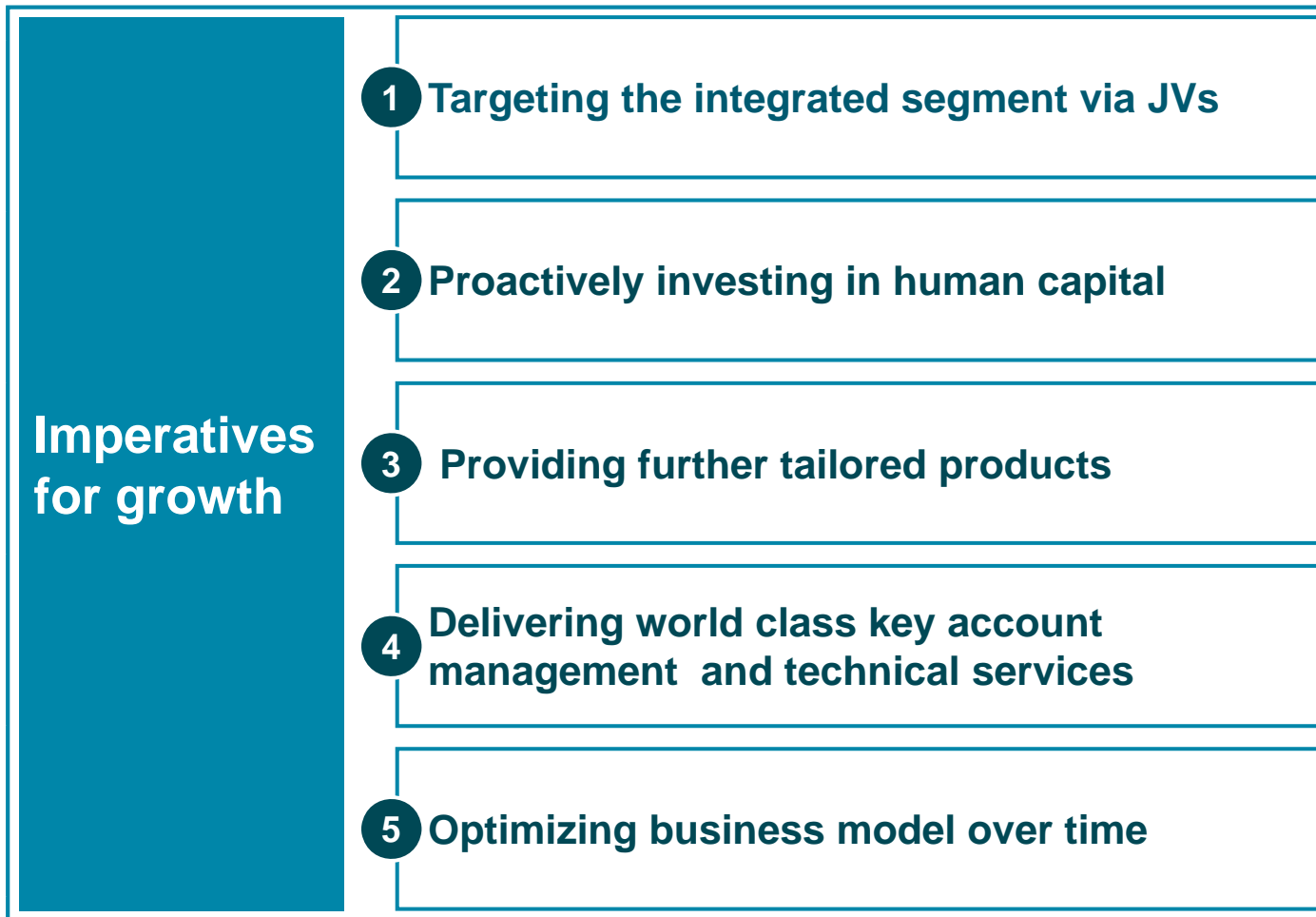
Given the scale of the opportunity, PIC China has established a clear vision....



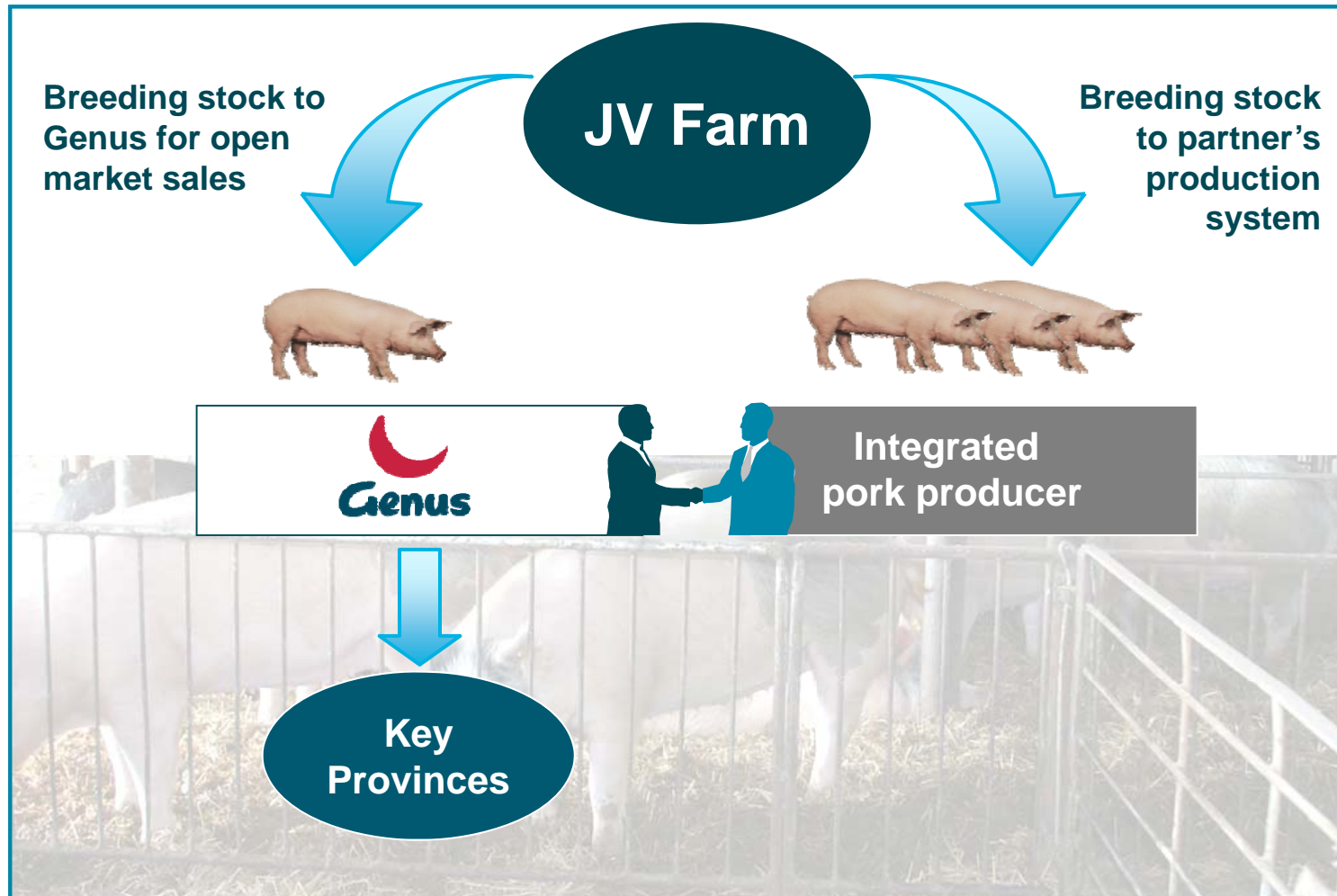
“Become the leading genetics partner for large Integrated Pork companies in China”



...and an achievable strategy



Genus is looking to partner with large integrated producers



Outline of a JV Nucleus with an Integrated Pork Producer



- 1** Joint investment with strong local partner
- 2** Genus retains operational control
- 3** Purchase commitment from partner
- 4** Royalty income
- 5** Long term agreement with agreed exit strategy

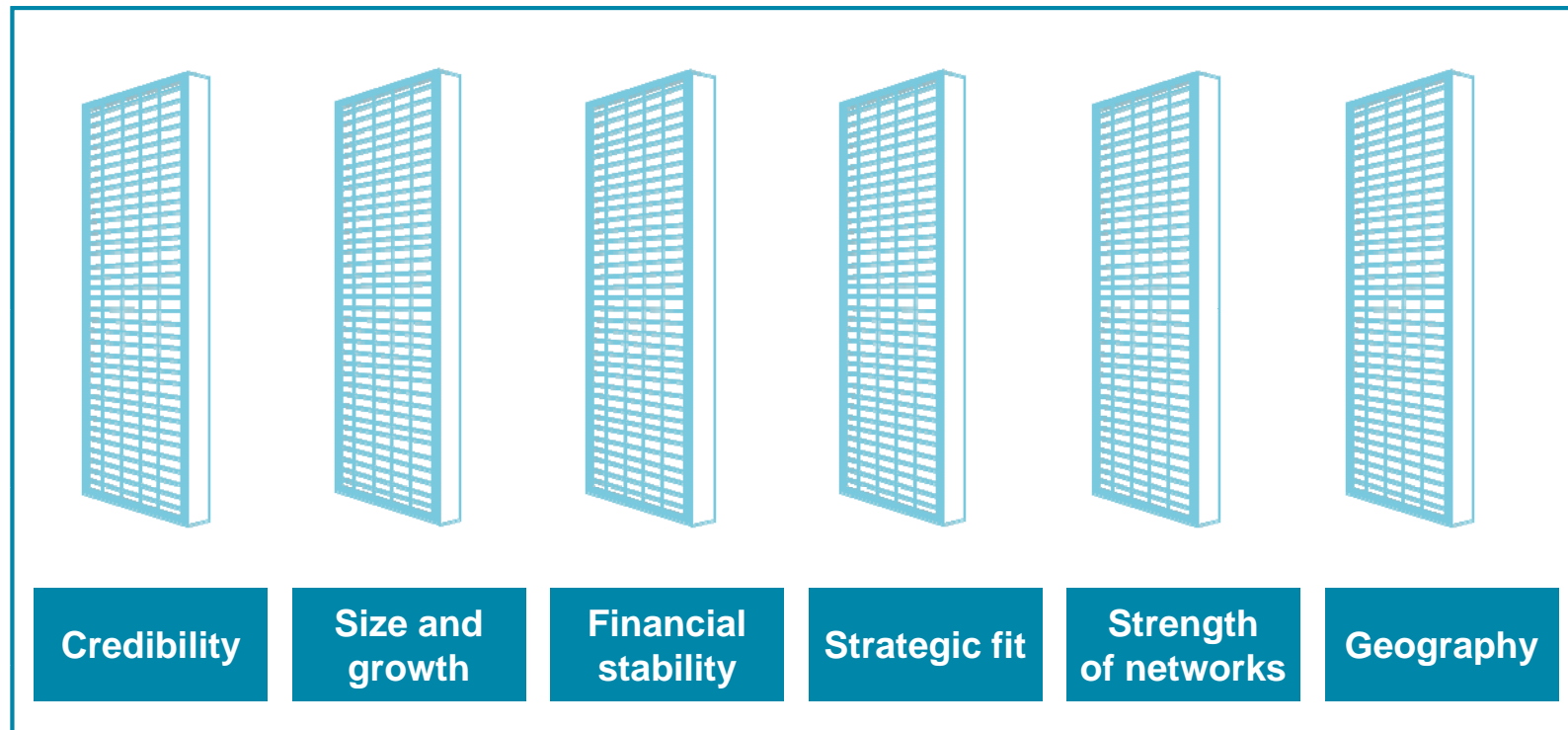
Partnering with customers accelerates growth while balancing market risks



JV Rationale

- ① Aligns us closely with key customers in the rapidly growing integrated segment
- ② Allows Genus to protect its IP and reduces market volatility
- ③ Enables introduction of royalty model
- ④ Provides guaranteed off-take

Potential JV partners are assessed through a set of screening criteria



In summary



Rapid technification and high demand in China dairy is creating a significant growth opportunity



China porcine market is very large and we are well positioned to seize the opportunity



Large integrators are emerging to shape the market



Genus will partner selectively with leading players to maximize the growth opportunities while balancing risk

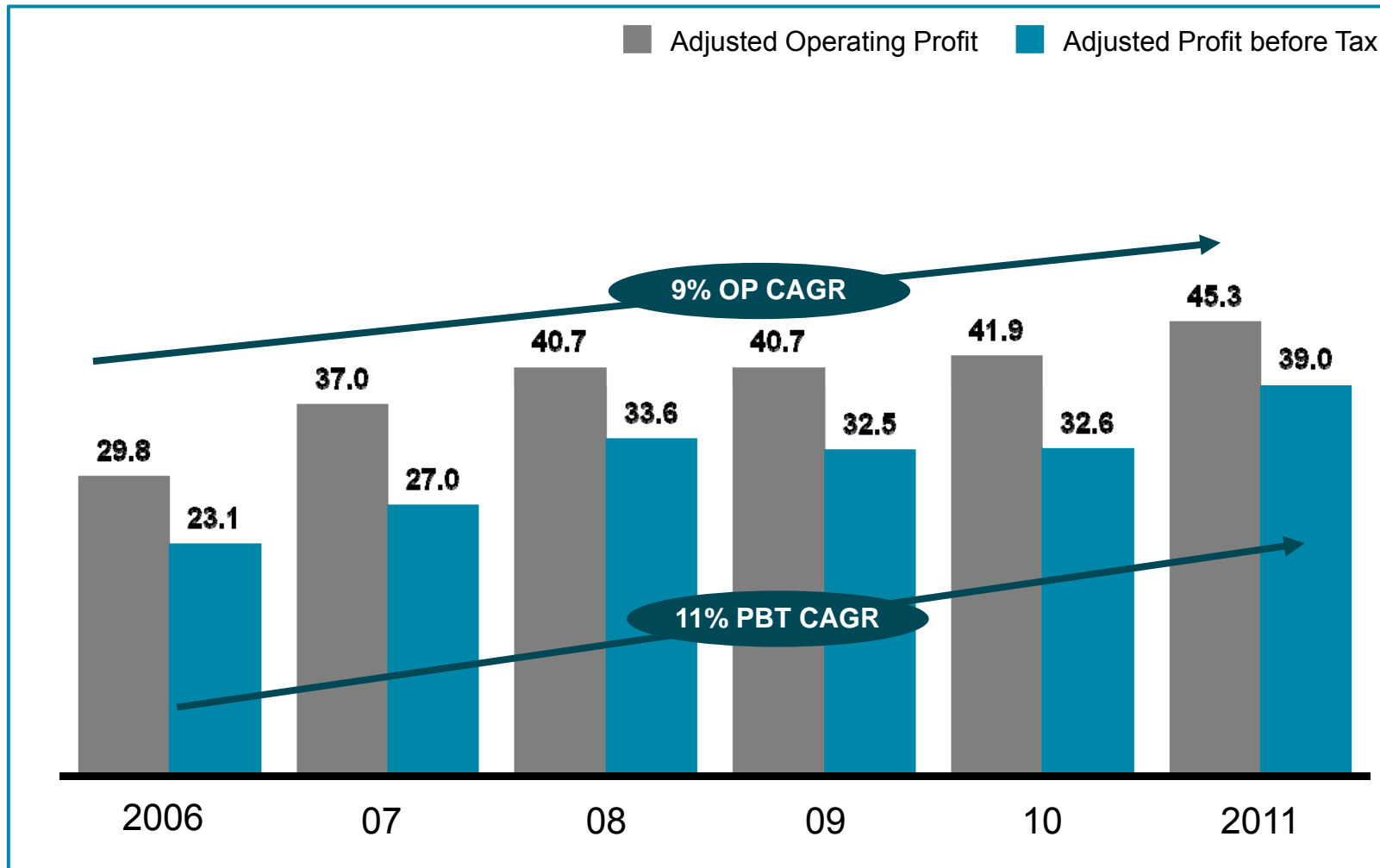
John Worby – CFO

Genus Financial Strategy

Strong historic performance



£ Millions (constant currency)

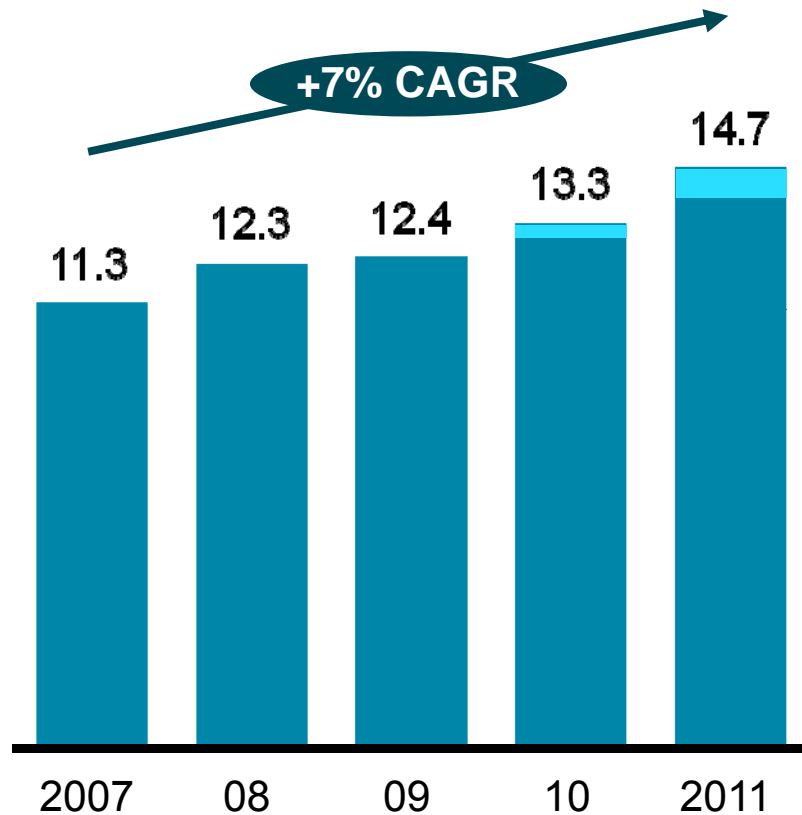


Driven by volume growth



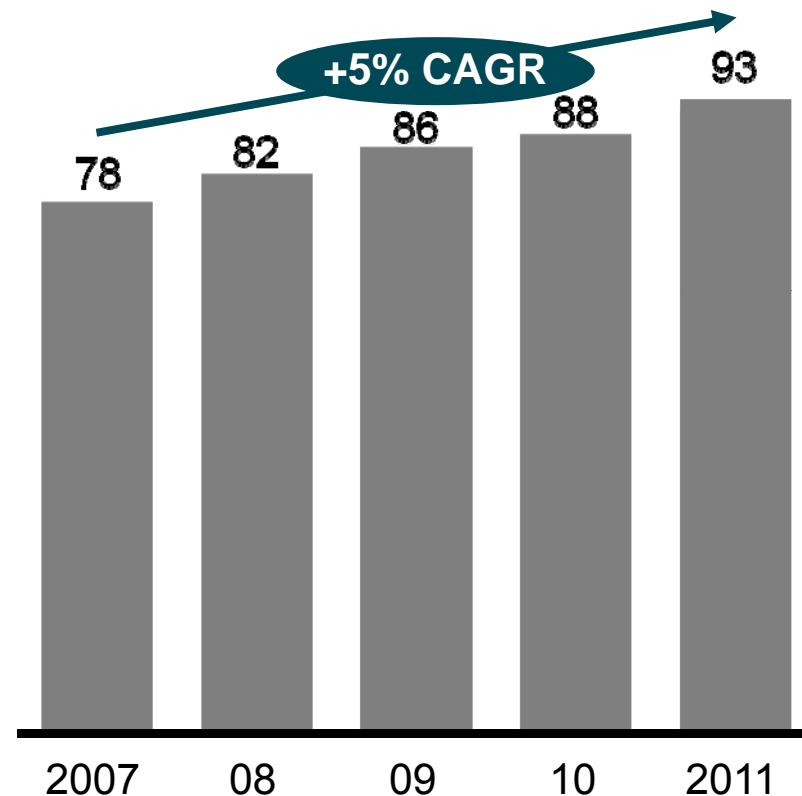
Bovine Units

Millions



Porcine volume MPEs

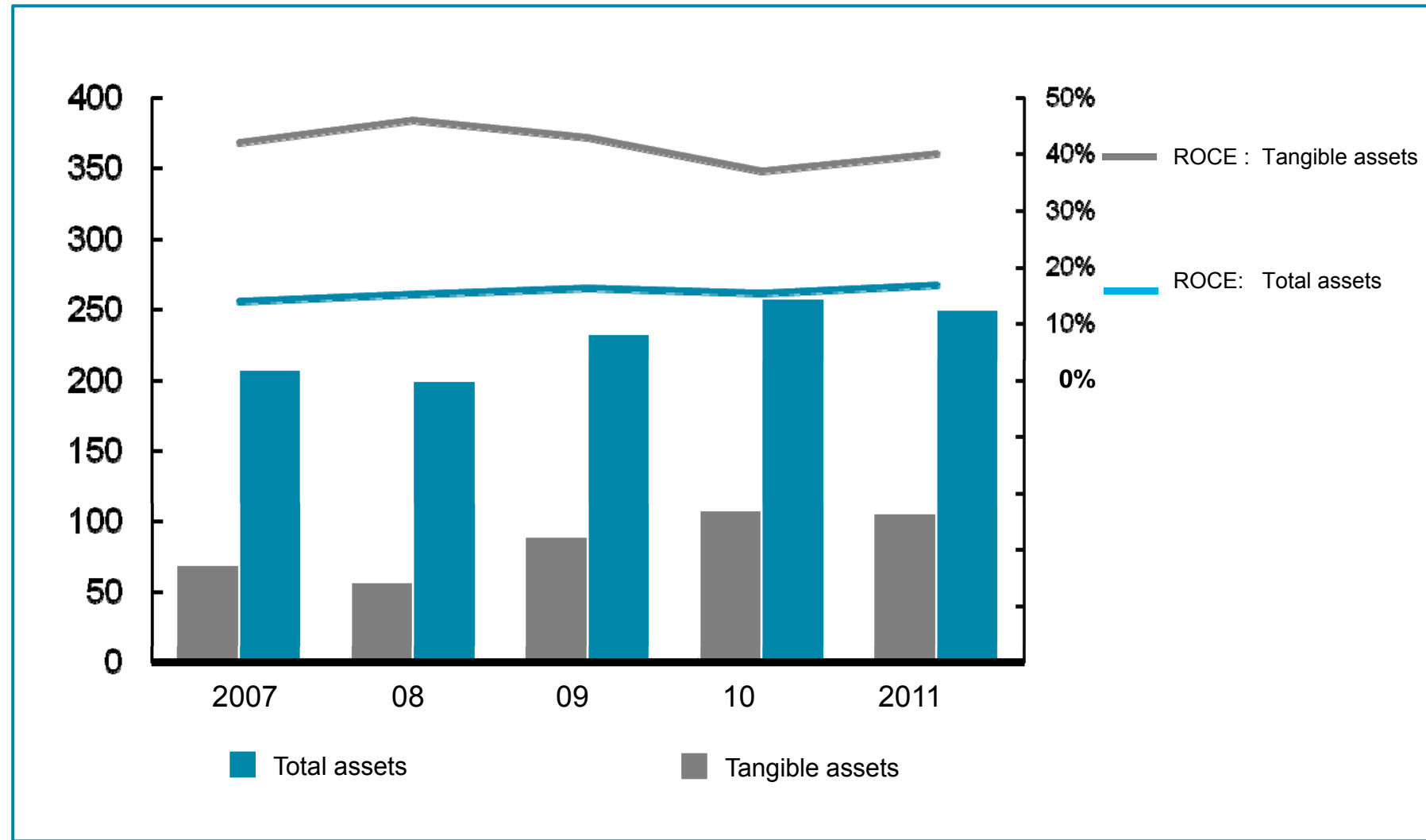
Millions



... and high return on investment



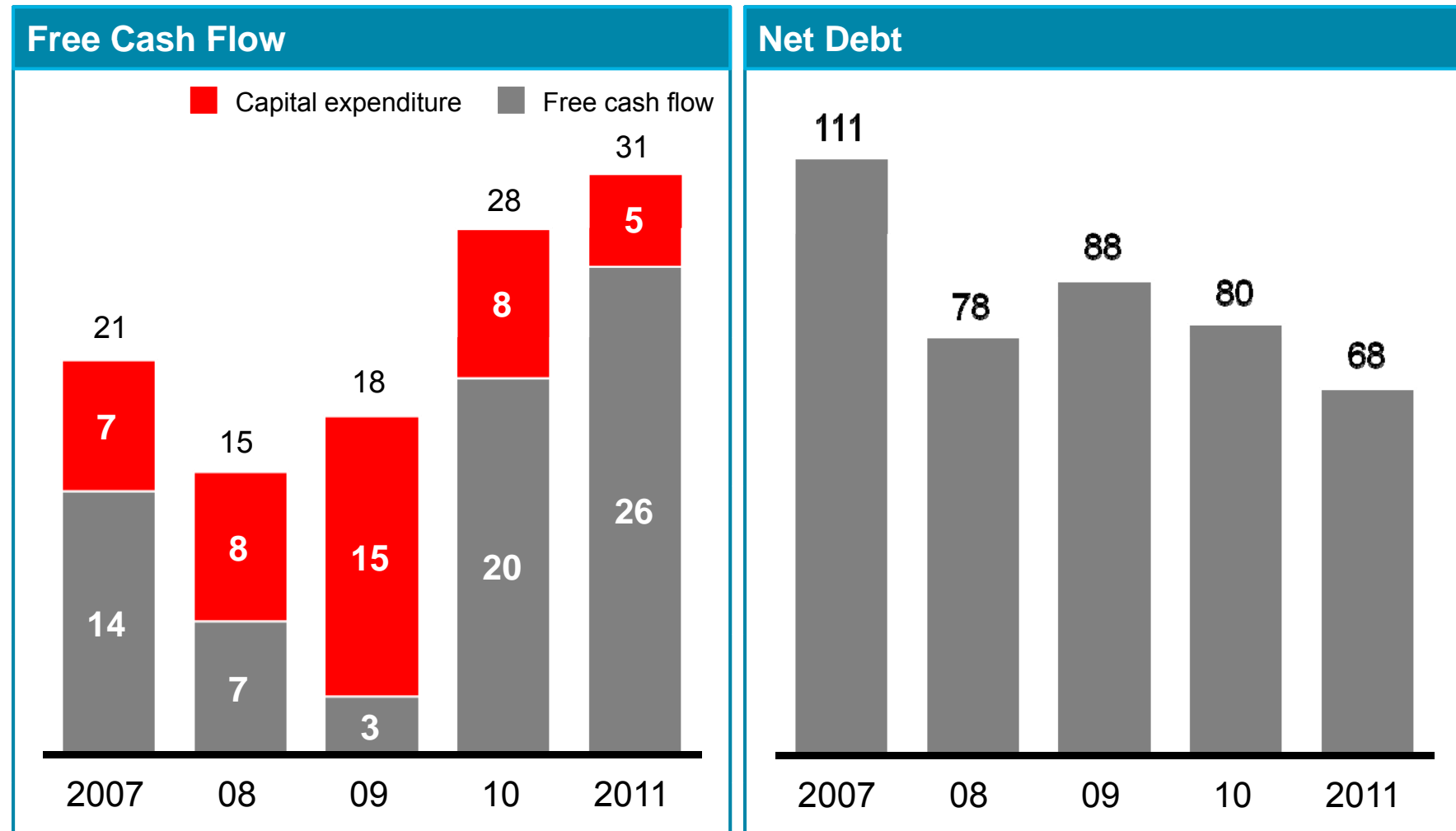
£ Millions



As a result underlying cash flow is strong resulting in reducing net debt



£ Millions



Note: Free cash flow is before dividends and share issues

Performance has benefited from the strength of the business model

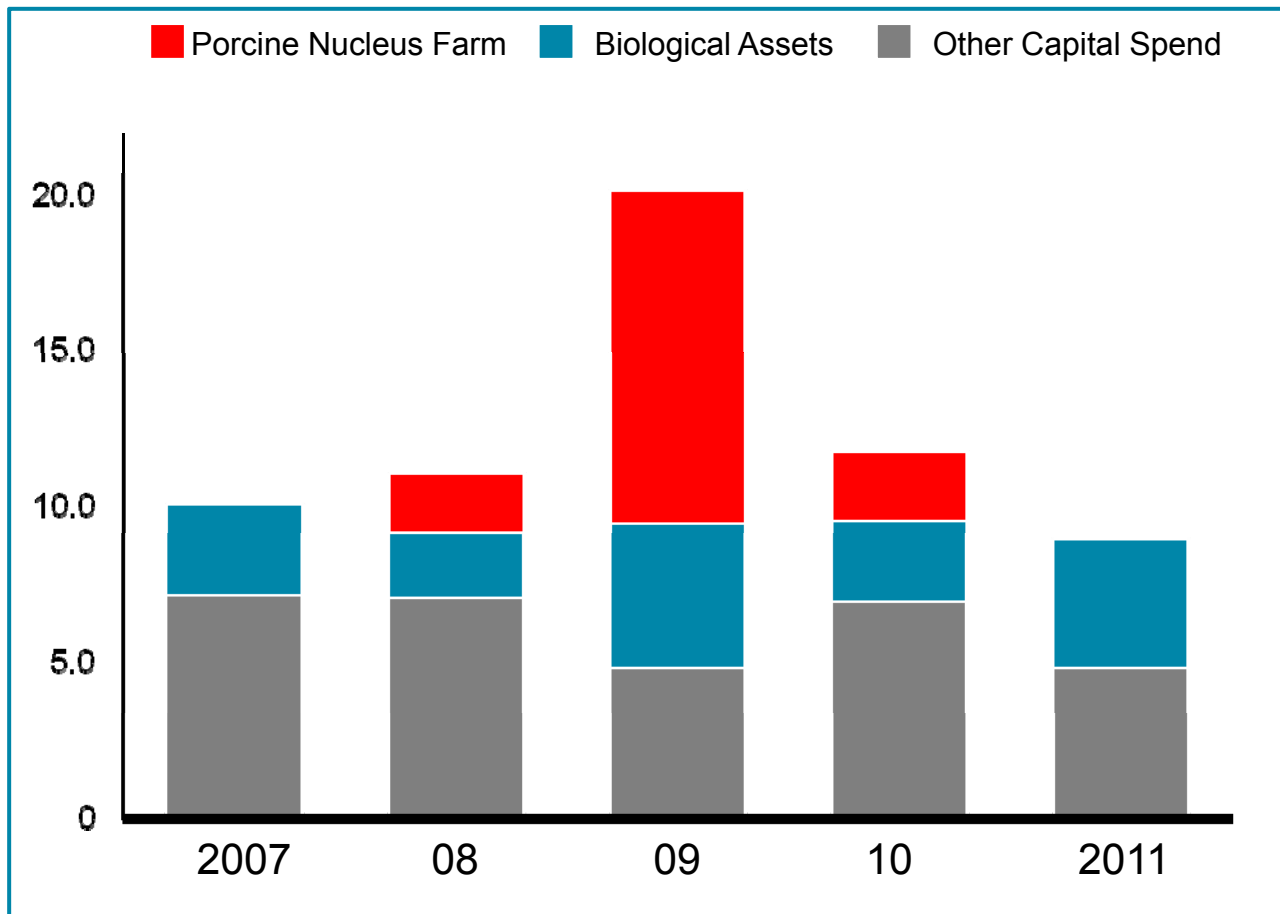


- **Geographic spread of businesses**
 - Present in 30 countries; sell into 70
- **Effectiveness of R&D compared to competitors**
- **Porcine**
 - Royalty model
 - Outsourcing of multiplication
- **Dairy**
 - Need for insemination
 - Better quality offspring improves herd

The investment needs of the business have been modest



£ Millions



The future capital investment plans will be higher but remain modest



- **Continued investment in biological assets**
- **Upgrading bovine supply chain**
- **Increased investment in Asia**
 - China Porcine: investment in JVs and farms
 - Bovine Asia: investment in stud facilities

FY13 will see increased investment to support future growth



- **Areas of additional investment**
 - JV farms: break even in 2 years
 - Increase R&D
 - People globally
- **Restructuring in Europe**
- **Continuing growth in FY2013**
- **Expect an improving rate of growth in 2014 onwards**

Growth rates will vary by region/product group ... with strong growth in emerging markets



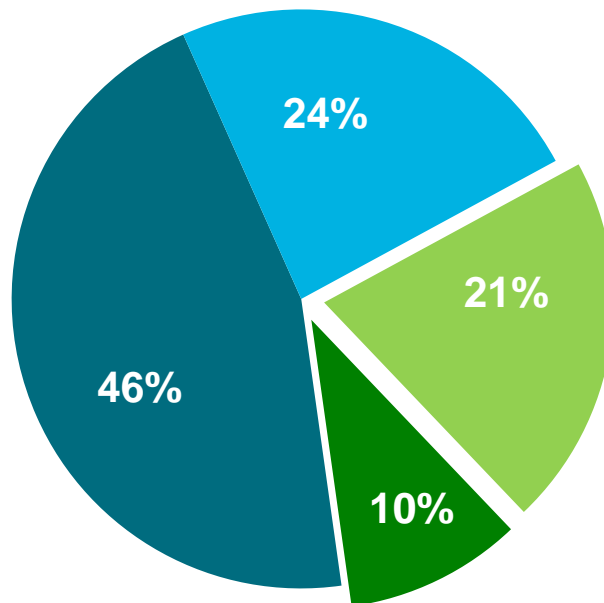
Region	% of Revenues	Rate of sales growth (5yrs)	
		Bovine	Porcine
N America	37		
L America	15		
Europe	37		
Asia	11		

The percentage of profits from emerging markets will increase to 40%



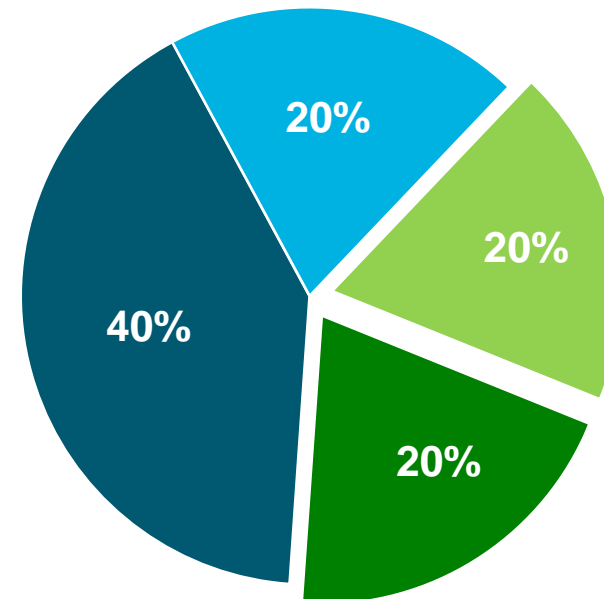
■ North America ■ Europe ■ Latin America ■ Asia

Now



LatAm & Asia = 31%

2017



LatAm & Asia = 40%

Financial implications of the new strategy



Continued growth in FY13 combined with increased investment



Improving rate of growth from 2014 onwards

- Improving performance in developed markets
- Stronger growth in emerging markets



Investment needs expected to be financed from free cash flow

Karim Bitar – CEO

Summary

Summary of Strategy



- **There is a significant opportunity in the dairy, porcine and beef genetic improvement market**
- **Genus is well positioned and has developed a robust strategy to seize the opportunity**
- **The strategy will employ 4 key elements**
 - Increasing genetic control and product differentiation
 - Targeting key markets and segments
 - Tailoring the business model
 - Strengthening core competencies
- **As a result, we expect an improving rate of growth from 2014 onwards**

