



# INTERIM RESULTS

Half Year Ended 31<sup>st</sup> December 2011

21<sup>st</sup> February 2012

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# INTRODUCTION

Bob Lawson

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## Overview



- Strong performance in the six months to 31 December 2011
- New CEO in position
  - Strategy review progressing well; full update in May
- Genus increasingly well placed to continue to grow



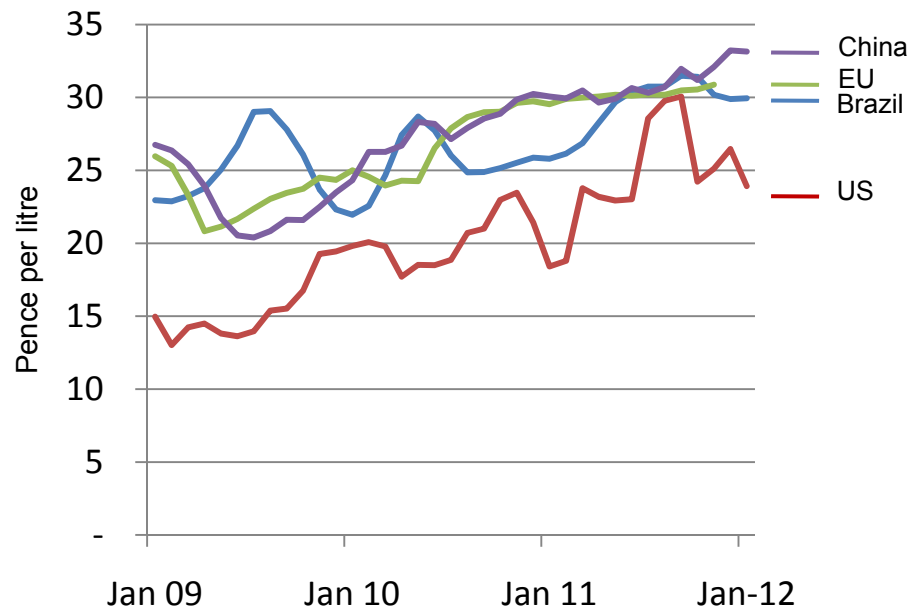
Karim Bitar

# International Dairy and Pork Markets

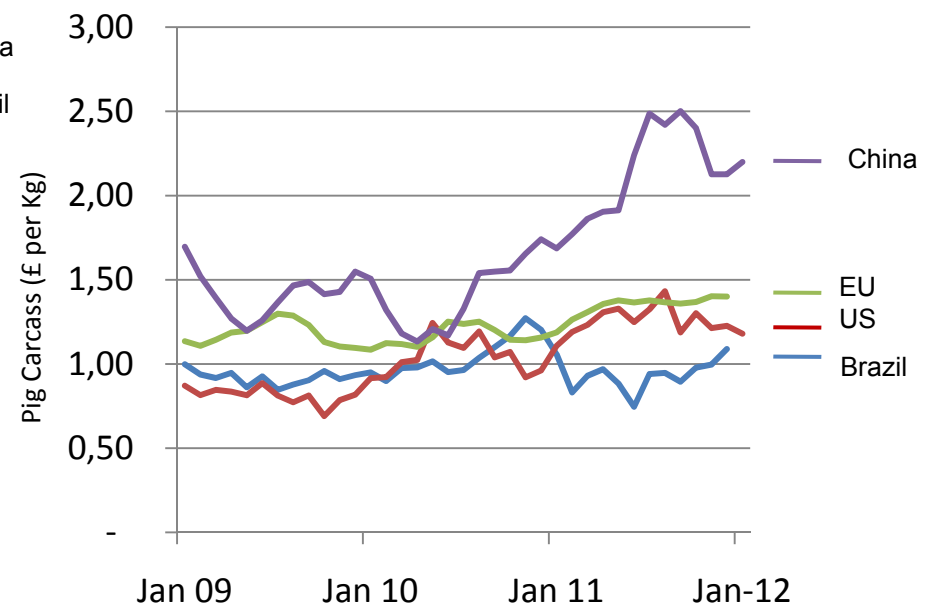
2009 - 2012



## International Dairy Prices



## International Pork Prices

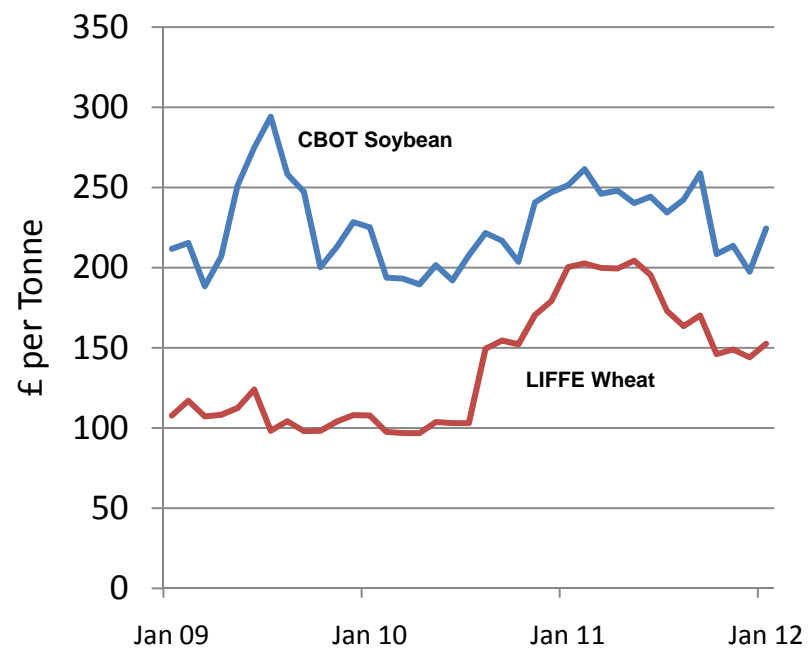


# Input Prices

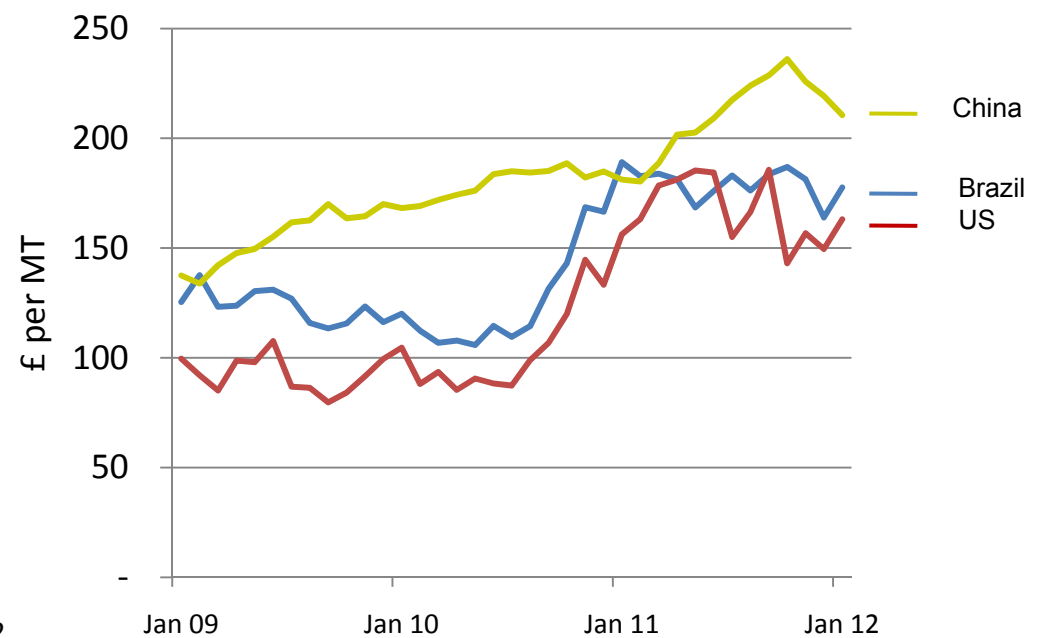
2009 - 2012



## Global LIFFE Wheat and CBOT Soybean Prices



## Global Corn Prices



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# Results – Half Year to 31 December 2011

## Strong Overall Results



|                           |         | Movement           |                      |
|---------------------------|---------|--------------------|----------------------|
|                           |         | Actual<br>Currency | Constant<br>Currency |
| Revenue                   | £166.9m | +9%                | +10%                 |
| Adjusted operating profit | £24.4m  | +7%                | +9%                  |
| Profit Before Tax         | £23.3m  | +22%               | +25%                 |

- **Continued robust growth in North America Swine**
- **Good growth in emerging markets**
- **Interim dividend 4.5p per share**





# FINANCIAL REVIEW

John Worby

# Adjusted Profit Before Tax and Earnings

## Half Year Ended 31 December



|   |              |              | Movement                |                           |
|---|--------------|--------------|-------------------------|---------------------------|
|   | 2011<br>£m   | 2010<br>£m   | Actual<br>Currency<br>% | Constant<br>Currency<br>% |
| Revenue                                       | <u>166.9</u> | <u>153.2</u> | <u>9</u>                | <u>10</u>                 |
| Adjusted operating profit                     | 23.0         | 21.4         | 7                       | 10                        |
| JV pre-tax profit excluding IAS 41 adjustment | <u>1.4</u>   | <u>1.5</u>   | <u>(7)</u>              | <u>(7)</u>                |
| Adjusted operating profit inc JV              | 24.4         | 22.9         | 7                       | 9                         |
| Finance costs                                 | (1.1)        | (3.8)        | 71                      | 71                        |
| Adjusted profit before tax                    | <u>23.3</u>  | <u>19.1</u>  | <u>22</u>               | <u>25</u>                 |
| Adjusted earnings per share                   | 26.7p        | 21.1p        | 27                      | 30                        |

# Adjusted Operating Profit

## Half Year Ended 31 December

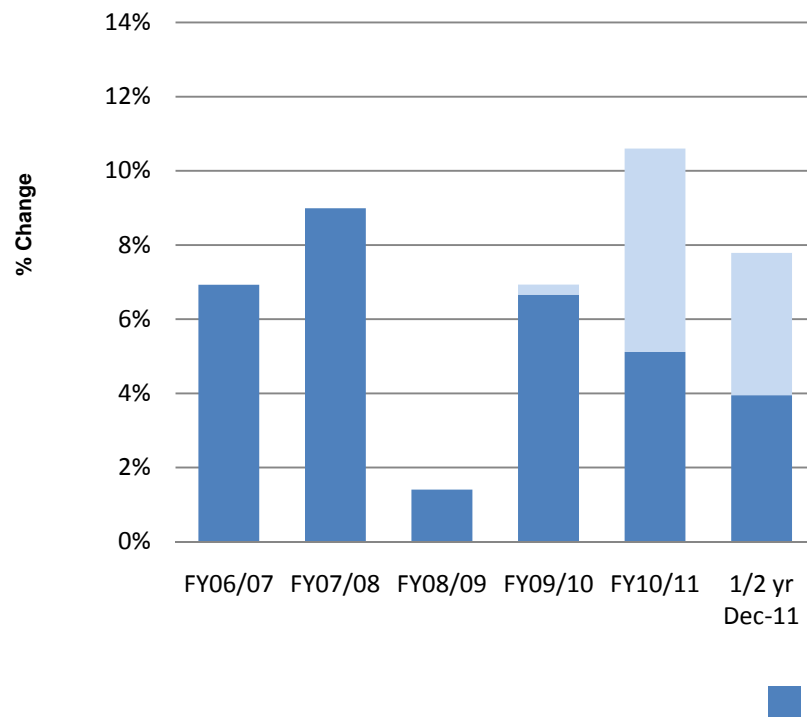


|   | 2011<br>£m         | 2010<br>£m         | Actual<br>Currency<br>% | Constant<br>Currency<br>% |
|---|--------------------|--------------------|-------------------------|---------------------------|
| North America                             | 19.0               | 17.1               | 11                      | 13                        |
| Latin America                             | 7.6                | 6.9                | 10                      | 13                        |
| Europe                                    | 9.5                | 10.2               | (7)                     | (7)                       |
| Asia (inc Russia)                         | 5.8                | 3.2                | 81                      | 81                        |
| <b>Regional profits</b>                   | <u>41.9</u>        | <u>37.4</u>        | <u>12</u>               | <u>13</u>                 |
| Research & Product Development            | (14.6)             | (12.4)             | (18)                    | (17)                      |
| Unallocated                               | <u>(4.3)</u>       | <u>(3.6)</u>       | <u>(19)</u>             | <u>(19)</u>               |
| <b>Adjusted operating profit (exc JV)</b> | <u><u>23.0</u></u> | <u><u>21.4</u></u> | <u><u>7</u></u>         | <u><u>10</u></u>          |

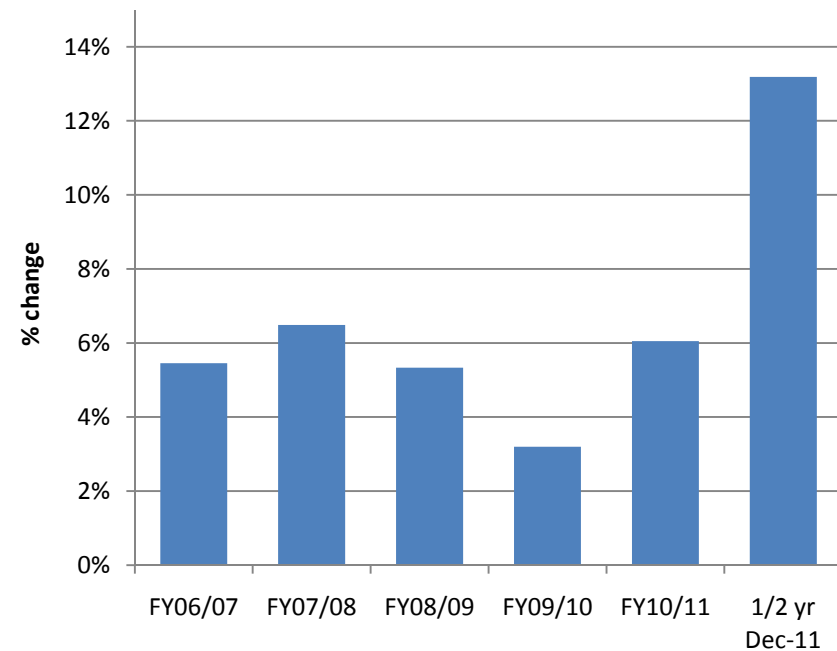
# Volume Growth



## Bovine



## Porcine



## North America



| Half Year Ended 31 December | 2011<br>£m | 2010<br>£m | Movement                |                           |
|-----------------------------|------------|------------|-------------------------|---------------------------|
|                             |            |            | Actual<br>Currency<br>% | Constant<br>Currency<br>% |
| Revenue                     | 56.7       | 56.3       | 1                       | 2                         |
| Operating profit            | 19.0       | 17.1       | 11                      | 13                        |

- **Porcine:** Higher royalty income with volumes up 5% and benefits of improved royalty rates including expansion of CBV Plus
- **Bovine:** Volumes recovered in second quarter after slow start due to hot weather
  - : Higher average selling prices
  - : Good cost control

## Latin America



### Movement

| Half Year Ended 31 December | 2011<br>£m | 2010<br>£m | Actual<br>Currency<br>% | Constant<br>Currency<br>% |
|-----------------------------|------------|------------|-------------------------|---------------------------|
| Revenue                     | 25.1       | 23.3       | 8                       | 11                        |
| Operating profit exc JV     | 7.6        | 6.9        | 10                      | 13                        |
| Operating profit inc JV     | 8.5        | 8.4        | 1                       | 5                         |

- **Strong underlying performance in Porcine and Bovine held back by lower profits in Brazil porcine J.V.**
- **Porcine: Focus on key account management and technical services**
- **Bovine: Volumes 8% higher**

## Europe



| Half Year Ended 31 December | 2011<br>£m | 2010<br>£m | Movement                |                           |
|-----------------------------|------------|------------|-------------------------|---------------------------|
|                             |            |            | Actual<br>Currency<br>% | Constant<br>Currency<br>% |
| Revenue                     | 58.9       | 57.5       | 2                       | 3                         |
| Operating profit            | 9.5        | 10.2       | (7)                     | (7)                       |

- **Porcine: Margins impacted by weak demand**  
: Restructuring of sales force in Germany
- **Bovine : Volumes 6% higher**  
: Mild autumn weather delayed sales; reversing in H2

## Asia



Movement

| Half Year Ended 31 December | 2011<br>£m | 2010<br>£m | Actual<br>Currency<br>% | Constant<br>Currency<br>% |
|-----------------------------|------------|------------|-------------------------|---------------------------|
| Revenue                     | 26.3       | 16.8       | 57                      | 52                        |
| Operating profit exc JV     | 5.8        | 3.2        | 81                      | 81                        |
| Operating profit inc JV     | 6.3        | 3.2        | 97                      | 94                        |

- **Porcine: Buoyant market conditions**  
: Strong increase in volumes especially China & Russia
- **Bovine : Volumes up 30% driven by local production in China & India**  
: Initial sales of locally produced semen in Russia



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## Research & Product Development



| Half Year Ended 31 December | 2011<br>£m | 2010<br>£m | Movement                |                           |
|-----------------------------|------------|------------|-------------------------|---------------------------|
|                             |            |            | Actual<br>Currency<br>% | Constant<br>Currency<br>% |
| R & D Expenditure           | 14.6       | 12.4       | 18                      | 17                        |

- **Majority of costs in USA**
- **Increased operating costs of enlarged bull development programme**
- **Higher feed costs to run genetic nucleus farms**
- **Additional investment in research focused on key research platforms**

# Statutory Profit and Loss Account

## Half Year Ended 31 December



|                                  | 2011<br>£m  | 2010<br>£m  | Change<br>% |
|----------------------------------|-------------|-------------|-------------|
| <b>Adjusted operating profit</b> | <b>23.0</b> | <b>21.4</b> | <b>7</b>    |
| Net IAS 41 valuation movement    | 8.1         | 7.8         |             |
| Amortisation of intangibles      | (2.6)       | (2.7)       |             |
| Share-based payments             | (1.8)       | (1.3)       |             |
| Exceptional items                | -           | 0.6         |             |
| <b>Operating profit</b>          | <b>26.7</b> | <b>25.8</b> | <b>3</b>    |
| <b>Profit before tax</b>         | <b>26.0</b> | <b>23.0</b> | <b>13</b>   |

# Cash Flow

Half Year Ended 31 December



|   | 2011<br>£m  | 2010<br>£m  |
|---|-------------|-------------|
| EBITDA                                    | 25.9        | 24.1        |
| Working Capital                           | (4.8)       | (3.5)       |
| Interest and Tax                          | (5.5)       | (5.4)       |
| Other inc. biological assets              | (2.5)       | (3.6)       |
| <b>Net cash from operating activities</b> | <b>13.1</b> | <b>11.6</b> |
| Capital Investments                       | (4.0)       | (2.2)       |
| Share capital issued                      | 0.1         | -           |
|   | 9.2         | 9.4         |
| Dividend                                  | (8.0)       | -           |
| Cash flow                                 | 1.2         | 9.4         |

# Strong Financial Position

Half Year Ended 31 December



|                                | December<br>2011<br>£m | June<br>2011<br>£m |
|--------------------------------|------------------------|--------------------|
| Shareholders' funds            | 274.5                  | 271.6              |
| Net Debt                       | 69.6                   | 67.9               |
| Key Financial ratios improved: |                        |                    |
| - Gearing                      | 25%                    | 25%                |
| - Net debt to EBITDA           | 1.4                    | 1.4                |
| - Interest cover               | 18.4                   | 7.8                |

Substantial headroom on banking covenants



# **BUSINESS & STRATEGY UPDATE**

A horizontal teal arrow pointing to the right, located below the title.

**Karim Bitar**

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# Strategic Review



- Very large opportunity in core species and BRIC markets
- Some markets, such as China swine, are at an inflection point
- Performing well in core species, however, opportunity to improve customer segmentation and tailoring of business model
- Ensuring we strengthen organizational capabilities and talent critical to future growth
- Primary focus remains growing the core
- Fully developed strategy will be shared in early May

# Protein production is rapidly growing in Genus' core species



Per annum



Milk

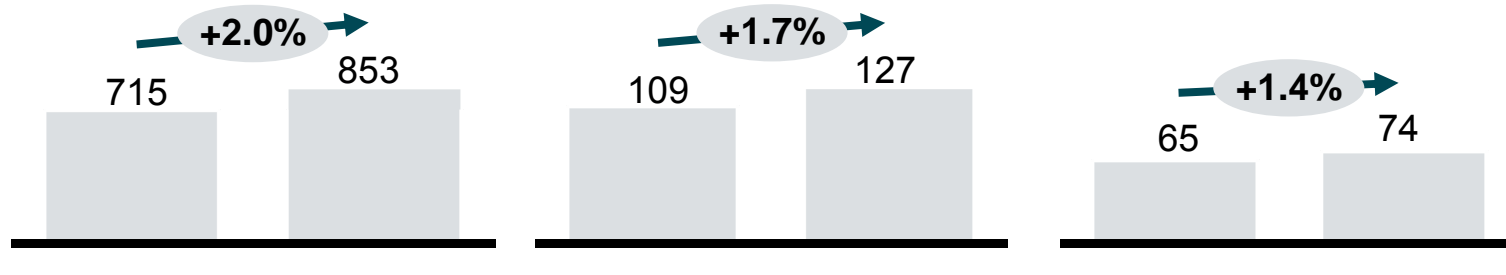


Pork

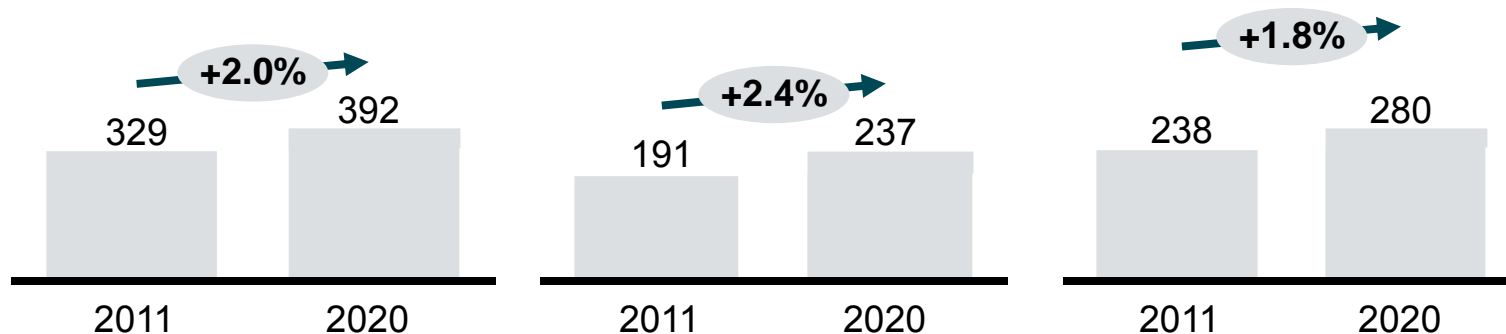


Beef

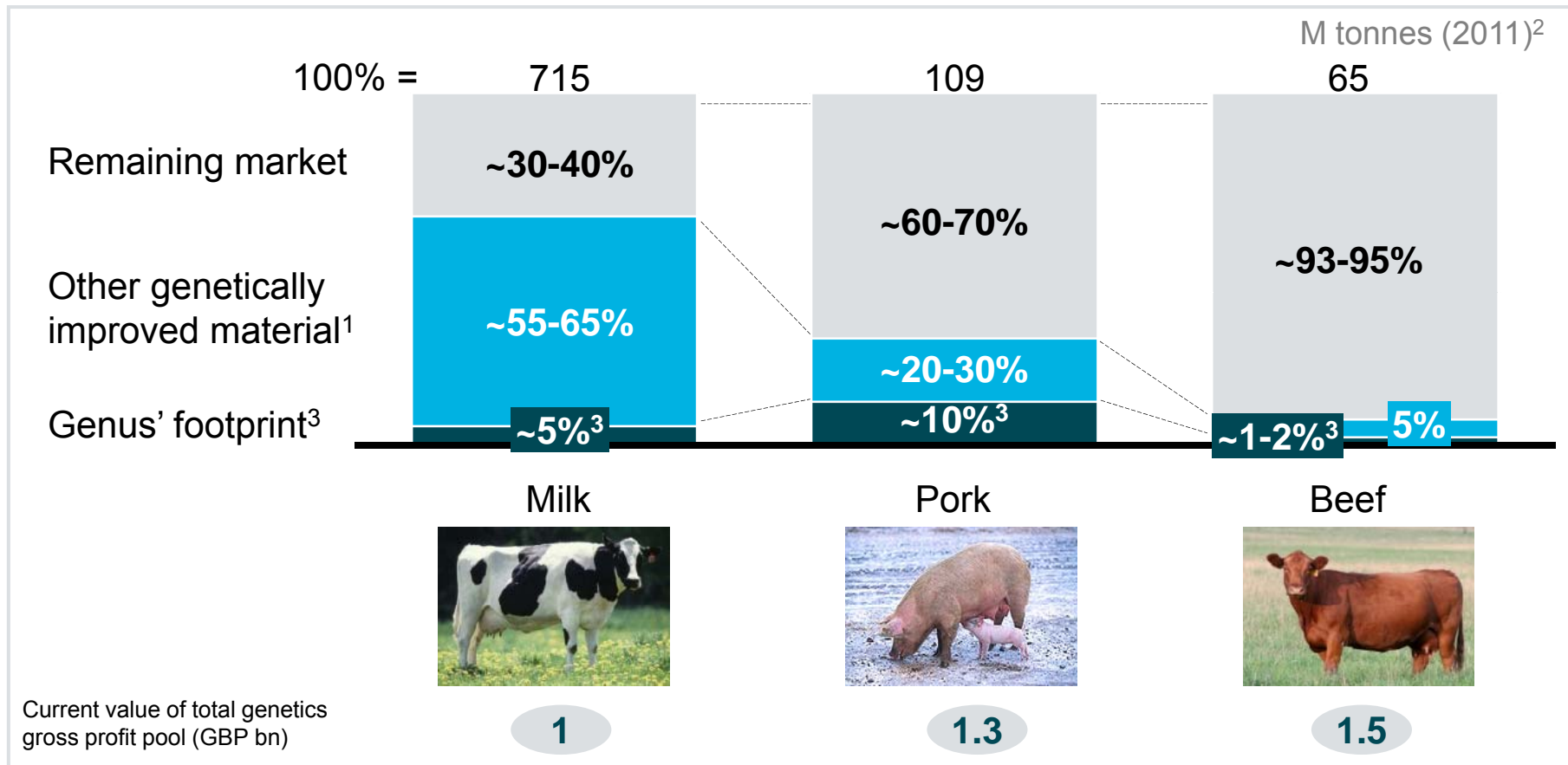
**World production**  
M tonnes



**World production value**  
\$Billions



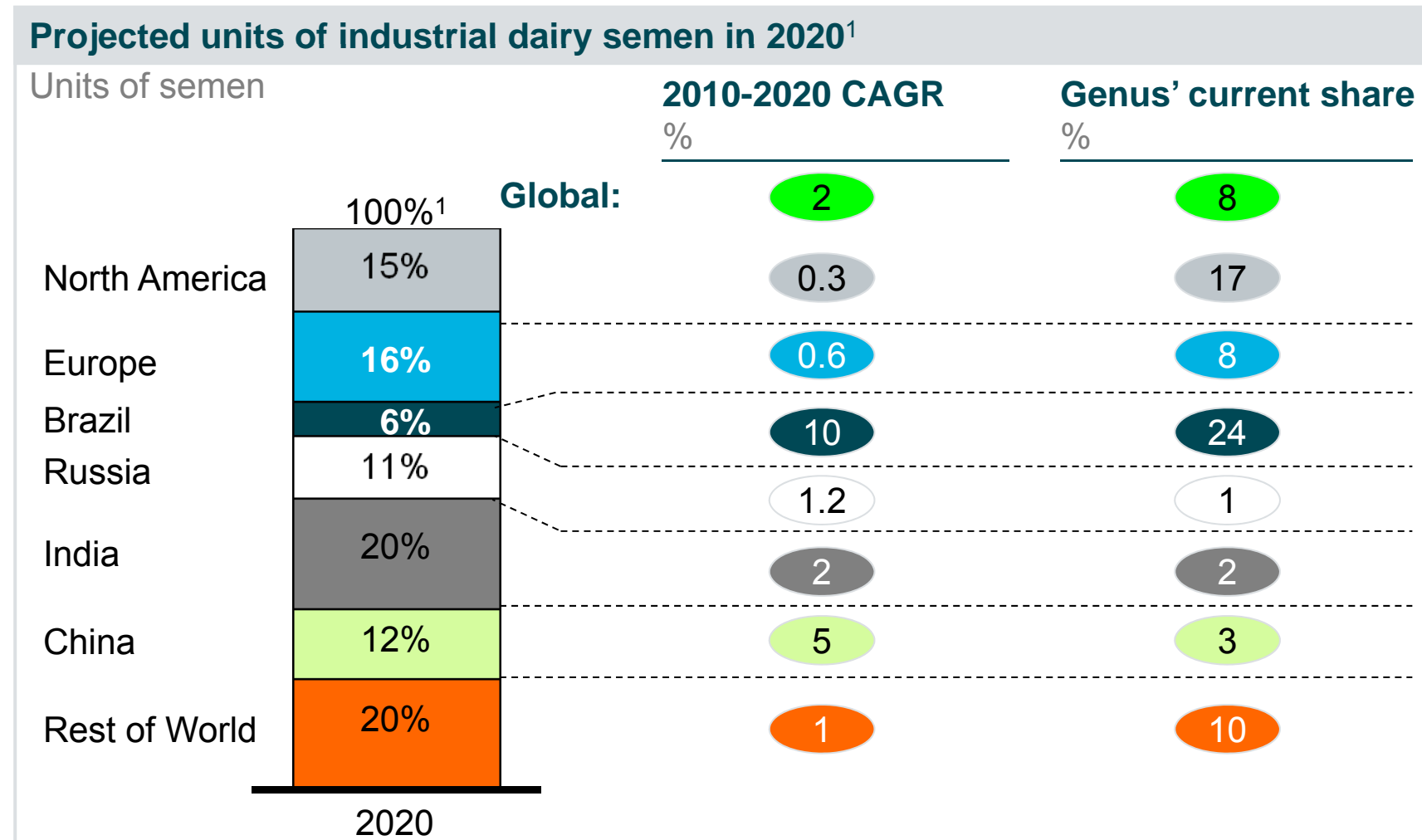
# There is significant opportunity for further genetics value capture



- 1 FAO: "State of the world's genetic resources" (Rome, 2007);
- 2 FAOStat; OECD-FAO
- 3 Estimates based on Genus data



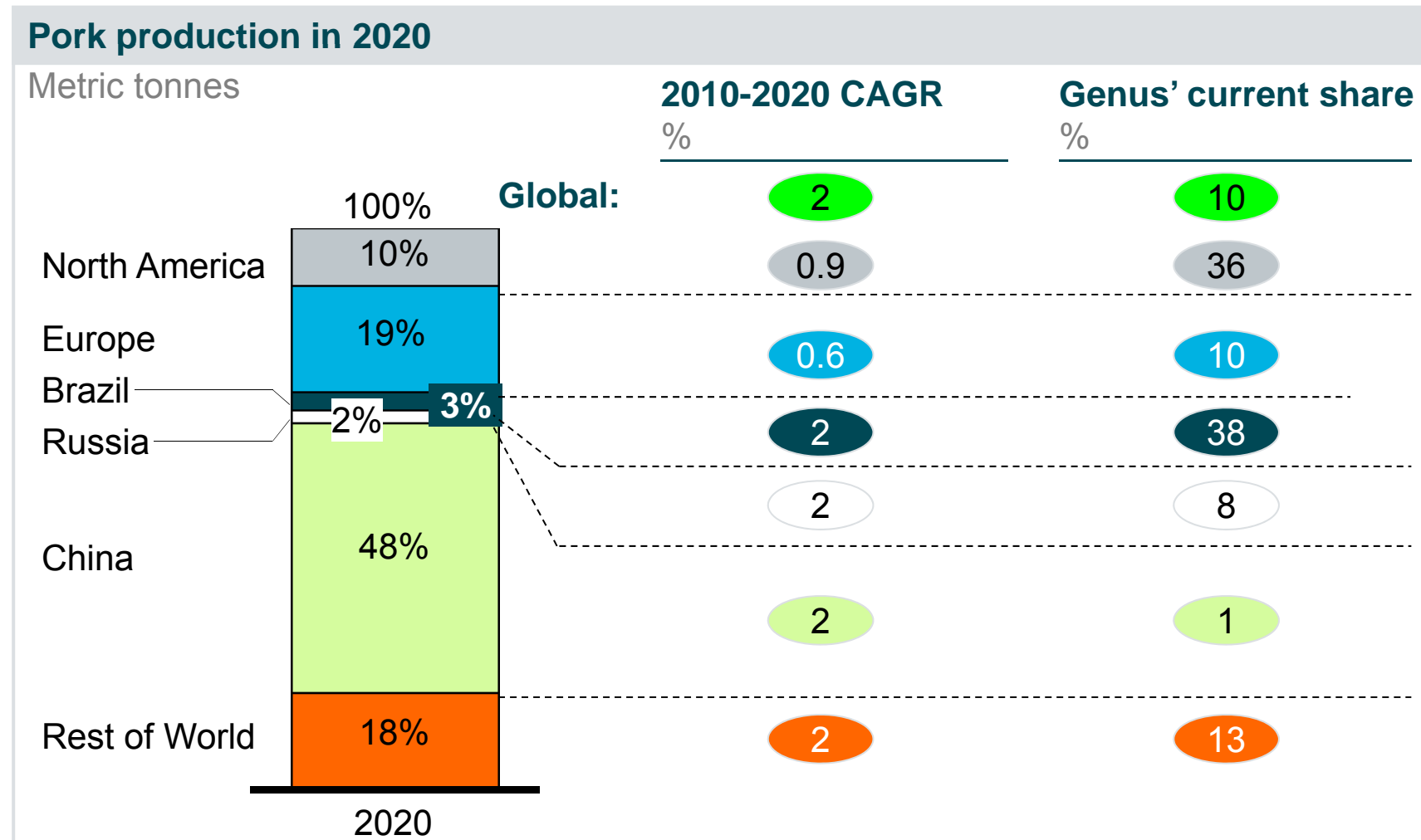
# There is a large growth opportunity for dairy in the BRICs



<sup>1</sup> 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

Source: Genus analysis; FAO

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



Source: Genus analysis; FAO

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## Strategic Review



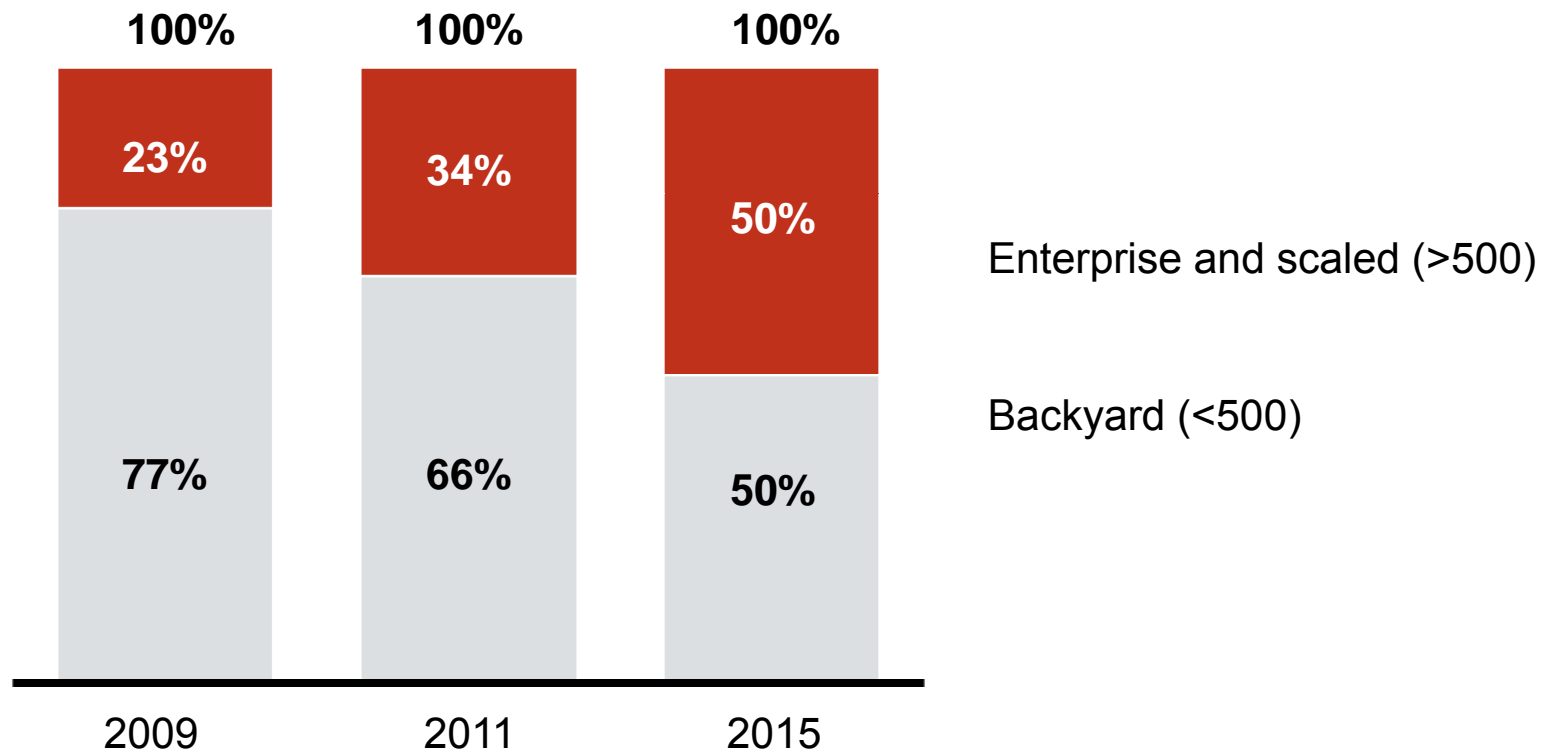
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# The Chinese pork industry is at an inflection point driven by rapid consolidation and vertical integration



## Split of Chinese pig farms by size of pig production

Percent



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# There is an opportunity to improve customer segmentation (Europe example)



## Production system as % of EU <sup>1</sup>

|                  |     | Description  | Key needs  |
|------------------|-----|--|--|
| Integrators      | 20% | <ul style="list-style-type: none"> <li>Vertically integrated with farming, slaughter, and processing operations</li> </ul> | <ul style="list-style-type: none"> <li>Production efficiency</li> <li>Leanness</li> <li>Carcass value</li> <li>Tech service</li> </ul> |
| Farrow-to-Finish | 48% | <ul style="list-style-type: none"> <li>Pigs farrowed and finished to slaughter weight</li> </ul>                           | <ul style="list-style-type: none"> <li>Prolificacy (pigs/sow/year)</li> <li>Feed efficiency</li> <li>Leanness</li> </ul>               |
| Weaner           | 31% | <ul style="list-style-type: none"> <li>Pigs farrowed and sold after weaning</li> </ul>                                     | <ul style="list-style-type: none"> <li>Prolificacy (pigs / sow / year)</li> <li>Cost per weaned pig</li> </ul>                         |

<sup>1</sup> EU includes only countries where Genus is currently active: UK, Germany, Spain, France, Italy and Eastern Europe (Romania, Poland and Czech Rep)

Source: External expert interviews, Internal market research

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## Strategic Review



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## Organisation Developments



- **Organisation structure flattened**
  - Increases focus and responsiveness to differing markets
  - Four key regions represented in Genus Executive Leadership Team
- **Importance of Research and Development emphasized with Dr. Denny Funk, Chief Scientific Officer/Head of R&D reporting directly to the CEO**
- **New Head of Human Resources appointed**
  - Catherine Glickman, ex-Head of Tesco Human Resources, joined in January 2012
  - Emphasis is on talent development and resourcing for growth



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## Strategic Review



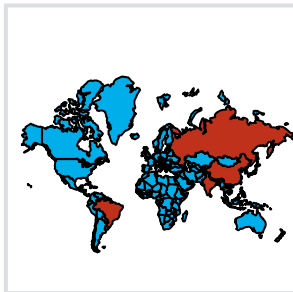
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# Genus' primary focus will remain in the core species



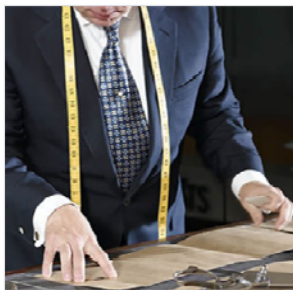
**Focusing where we know we can win**

- Focus on core; swine, dairy & beef



**Large, untapped, and growing markets for our core species**

- BRIC mainly characterized by
  - Large scale and rapidly growing demand
  - Large proportions of unmet need



**Further value to capture in our home markets**

- Opportunity to improve through
  - Customer segmentation
  - Tailoring business model

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## Summary



- **Genus performed well in six months to 31 December 2011**
- **Strong performances in Emerging Markets**
- **Strategic review progressing well**

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## Outlook



- **Need for improved agricultural efficiency will continue to drive growth in animal genetics**
- **Markets remain generally favourable**
- **Genus continues to perform well and expects to make further progress in line with market expectations during the second half year**