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Genus plc

('Genus', the 'Company' or the 'Group')

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

FULL YEAR ON TRACK AFTER SOLID OVERALL FIRST HALF PERFORMANCE

Genus, a leading animal genetics company, announces its interim results for the six months ended 31 December 2015.

	Actual currency			Constant currency**
Six months ended 31 December	**2015**	2014	Movement	Movement
	£m	£m	%	%
Adjusted Results *				
Revenue	**188.3**	198.5	(5)	(3)
Operating profit	**23.9**	24.3	(2)	3
Operating profit inc JV	**26.3**	27.0	(3)	4
Profit before tax	**23.8**	24.7	(4)	4
Basic earnings per share (p)	**28.8**	29.7	(3)	5
Statutory Results				
Revenue	**188.3**	198.5	(5)	
Operating profit	**10.0**	28.5	(65)	
Profit before tax	**12.9**	28.6	(55)	
Basic earnings per share (p)	**18.1**	33.0	(45)	
Interim dividend per share (p)	**6.7**	6.1	10	

* Adjusted results are before net valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense and exceptional items. Adjusted results are the measures used by the Board to monitor underlying performance.

** Constant currency percentage movements are calculated by restating FY 2016 results at the average exchange rates applied in FY 2015.

BUSINESS HIGHLIGHTS

- Adjusted operating profit, including joint ventures, increased 4% in constant currency (3% lower in actual currency):
  - Genus PIC profits up 10% in constant currency (9% in actual currency) with improvement in all regions and 16% growth in strategically important royalty revenues
  - Genus ABS profits 23% lower in constant currency (28% in actual currency) with lower volumes due to tough dairy market conditions particularly in Europe. Action was taken in the period to improve Genus ABS performance
  - Genus Asia profits up 93% in constant currency (87% in actual currency) with a strong turnaround achieved in the China porcine business following the strategic repositioning of the business over the last two years
  - Research and development expenditure increased 16% in constant currency (19% in actual currency) to support planned strategic growth initiatives
- Revenue 3% lower in constant currency (5% lower in actual currency) primarily due to expected lower porcine by-product sales following the exit in the previous year from the Génétiporc Quebec nucleus and lower pig prices in North America
- Adjusted earnings per share up 5% in constant currency (3% lower in actual currency)
- Lower statutory results reflect non-cash fair value reduction in bovine biological assets due to lower overall volumes of semen and a planned increase in the percentage of genomic semen sales over future periods
- Net cash flow from operating activities of £5.6m (2014: £19.6m) was impacted by expected seasonal working capital outflows, higher exceptional items and increased tax payments. The prior period was also exceptionally strong, benefiting from the sale of the Génétiporc Quebec nucleus animals
- Net debt of £88.2m (2014: £73.2m), including adverse foreign exchange translation of £5.7m year to year, represented 1.5 times trailing twelve months EBITDA (2014: 1.3 times). New five year bank facility of £160m agreed on improved terms, effective 22 February 2016
- Interim dividend increased 10% to 6.7 pence per share payable on 30 March 2016
- Continued good progress in implementation of strategy:
  - Announced the discovery of the first pig resistant to Porcine Respiratory and Reproductive Syndrome virus ('PRRSv') in collaboration with the University of Missouri. An exclusive global licence has been signed enabling Genus to develop and commercialise the technology
  - In Vitro Brasil ('IVB') acquisition performing ahead of expectations with operations successfully started in North America
  - Second porcine royalty customer signed in China
  - New bull stud completed with our joint venture partner, Chitale, in India
  - Genus Sexed Semen development project continued to make good progress against plan

- Performance overall in line with expectations for 2016

Karim Bitar, Chief Executive, commented:

"Genus achieved a great deal during the first half of the year. Our performance was in line with our expectations and demonstrated the success of our strategy and strength of our diverse species and geographic presence. Performance was particularly strong in Asia, led by China, whilst ABS was impacted by challenging trading conditions, particularly in Europe.

"The announcement of the first pigs resistant to the devastating PRRS virus, developed through gene editing with the University of Missouri, was a very significant milestone in the history of our industry. We are seeing the early fruits of our strong commitment to lead in innovation through R&D. We are excited by the prospects this has for animals, our customers and our business and will continue to commit increasing resources to our R&D programmes.

"Our confidence in the strategy for the business and in the future prospects for the Company is reflected in the 10% increase in our interim dividend. We expect to make further good progress during the second half of the year and we anticipate that our full year performance will be in line with our objectives."

An analyst meeting will be held at 9.00am today at Buchanan's offices (107 Cheapside, London EC2V6DN). A live audio feed will be available to those unable to attend this meeting in person. To connect to the web cast facility, please go to the following link:

http://vm.buchanan.uk.com/2016/genus230216/registration.htm approximately 10 minutes (8.50am) before the start of the meeting.

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This announcement is available on the Genus website www.genusplc.com

About Genus
Genus creates advances to animal breeding and genetic improvement by applying biotechnology and sells added value products for livestock farming and food producers. Its technology is applicable across all livestock species and is currently commercialised by Genus in the dairy, beef and pork food production sectors.

Genus's worldwide sales are made in over seventy-five countries under the trademarks 'ABS' (dairy and beef cattle) and 'PIC' (pigs) and comprise semen, embryos and breeding animals with superior genetics to those animals currently in production. Genus's customers' animals produce offspring with greater production efficiency, and quality, and use these to supply the global dairy and meat supply chain.

The Group's competitive edge has been created from the ownership and control of proprietary lines of breeding animals, the biotechnology used to improve them and its global supply chain, technical service and sales and distribution network.

With headquarters in Basingstoke, United Kingdom, Genus companies operate in over twenty-five countries on six continents, with research laboratories located in Madison, Wisconsin, USA.

GROUP PERFORMANCE

Genus achieved considerable progress against its strategic objectives during the first half of the year and performance was in line with expectations, despite challenging market conditions for many of Genus's customers. Genus's results for the six months to 31 December 2015 showed growth in constant currency of 4% in adjusted profit before tax and 5% in earnings per share compared with the record prior year performance. Actual currencies had a £1.9m negative effect with the weakness of the Euro, key Latin American currencies and the Rouble resulting in adjusted profit before tax being 4% lower year to year.

Results

Revenue of £188.3m for the six months to 31 December 2015 (2014: £198.5m) was 3% lower in constant currency (5% lower in actual currency). Porcine byproduct sales were lower following the planned exit in the previous year from the Génétiporc Quebec nucleus and due to lower pig slaughter prices in the USA. Adjusted operating profit including joint ventures was 4% higher in constant currency but 3% lower in actual currency.

High porcine volume growth of 9% was achieved, with growth in all regions and a particularly strong performance in Asia. The percentage of volumes under strategically important royalty contracts also increased by 4 points to 77%, with increases in all regions. Bovine volumes were 5% lower with Europe particularly affected by the weak conditions in the dairy market.

Genus PIC performed strongly with a profit increase of 10% in constant currency (9% in actual currency) helped by robust volume performance across all regions, and continued focus on growing royalty business with key large accounts. Genus ABS's 23% decline in profit in constant currency (28% in actual currency) was impacted by tough trading conditions in dairy markets leading to lower volumes. Action was taken in the half year to reduce costs in Europe and increase prices in Latin America, where exchange rate devaluations have had the highest impact. In addition, IVB made a strong contribution, ahead of expectations. Genus Asia's profit increased by 93% in constant currency (87% in actual currency) with a significant turnaround in the performance of China porcine as a result of the actions taken over the last two years to strategically position the business for long-term success and improved market conditions. Research and development spending was increased 16% in constant currency (19% in actual currency) as planned strategic innovation continued to be prioritised.

Finance costs were £2.5m (2014: £2.3m) and adjusted profit before tax increased 4% in constant currency but was 4% lower in actual currency at £23.8m (2014: £24.7m). The tax rate on adjusted profits was 26.5% (2014: 27.1%), and adjusted earnings per share were up 5% in constant currency but declined 3% in actual currency to 28.8 pence (2014: 29.7 pence).

The Group monitors performance principally through these adjusted measures which exclude certain non-cash items, including the fair value movement on biological assets, which can be volatile period to period. In this period, a reduction in the bovine biological assets fair value was the result of lower semen volumes and an increase in the assumed percentage of genomic semen sales in the future. The statutory results, including these items, show a 55% reduction in profit before tax to £12.9m (2014: £28.6m) and a 45% reduction in earnings per share to 18.1 pence (2014: 33.0 pence). The Board believes that the adjusted results give a better view of underlying performance.

Cash Flow and Net Debt

The net cash flow from operating activities of £5.6m (2014: £19.6m) reflected expected seasonal working capital outflows, higher exceptional items and tax payments. The prior period was also exceptionally strong, benefiting from the sale of the Génétiporc Quebec nucleus animals. Net debt as at 31 December 2015 was £88.2m (2014: £73.2m), reflecting seasonal cash flows, continuing investment and £5.7m adverse impact of exchange movements, as our borrowings are denominated primarily in US Dollars. The balance sheet remains strong with net debt to EBITDA of 1.5 times (2014: 1.3 times).

Dividend

Based on its confidence in the Company's strategy and growth prospects, the Board has approved an interim dividend of 6.7 pence per share, an increase of 10% on last year's interim dividend of 6.1 pence. The interim dividend is payable on 30 March 2016 to those shareholders on the register at 4 March 2016.

Post Balance Sheet Events

On 11 January 2016, the Trustee of the Milk Pension Fund ('MPF') agreed with a request from the employers to change the index used for pension and deferred pension increases from RPI to CPI. The members of the scheme were informed of this change on 17 February which is effective for increases starting in 2016. The decision to change index is expected to materially reduce the MPF deficit which is in the process of being agreed as part of the triennial valuation process for the scheme effective as of March 2015, and which will be reflected in the Group's results for the year to 30 June 2016. The employers have agreed to maintain the current level of cash contributions to the fund until the remaining deficit is cleared as part of the agreement with the Trustees to change the index to CPI. The change to CPI is expected to result in a material exceptional credit to the full year results.

On 22 February 2016, Genus signed a new five year financing facility with five banks comprising a multi-currency £160m revolving credit facility with an accordion option of £50m. The terms of the new facility are improved compared with the previous facility.

Progress on Strategy

Genus continued to make good strategic progress in the half year with strong results from our product development teams and focused execution of our strategic priorities in key markets.

On 8 December 2015, Genus announced the development of the first pigs resistant to PRRSv, through a long-standing collaboration with the University of Missouri ('University'). PRRSv is the most significant and harmful pig disease faced by many farmers globally, causing animal reproductive failure, reduced growth and premature death in millions of pigs annually and, despite significant efforts over the last twenty years, there is currently no cure. The production of PRRSv resistant pigs is a significant breakthrough in combating this devastating porcine disease and a potential game-changer for the pork industry.

Using precise gene editing, pigs were bred that do not produce a specific protein necessary for the virus to spread in the animals. The early stage studies conducted by the University and published in the peer-reviewed scientific journal, Nature Biotechnology, demonstrate these PRRSv resistant pigs, when exposed to the virus, do not get sick and continue to gain weight normally. Genus will continue to develop this technology under an exclusive global licence from the University. We expect it will be at least five years until PRRSv resistant animals are available to farmers. The steps to commercialisation include amongst others: creation of the PRRSv resistant edits in PIC elite genetic lines, performance validation of the animals under commercial conditions, regulatory approvals, creation of a PRRSv resistant nucleus herd and building a dedicated supply chain capability for these lines.

In dairy product development, we made good progress in breeding bulls from our elite dairy heifer herd, with 18% (2014: 0%) of the North American Holstein bull intake sampled in our studs in the period coming from this programme. We also launched the Transition Right™ proprietary index focused on identifying genetics with lower propensity to common dairy cow health problems such as mastitis and saw an initially encouraging shift towards selection of these sires. Further indices are in development and we expect an increasing proportion of dairy genetics to come from our internal breeding.

IVB, in which Genus acquired 51% on 31 March 2015 and where there are put/call rights to the remaining shares in 2018, performed strongly with results ahead of expectations. Total embryo volumes in the period increased 32% compared with the prior year, and both revenues and profits have more than doubled. IVB opened a media production laboratory in the US in November 2015 and commenced serving its first large US customer through a newly-formed IVB US subsidiary. Together with ABS, new product lines of Direct Transfer frozen embryos were launched in Brazil in January 2016, enabling farmers anywhere in the country to access more easily superior male and female dairy and beef genetics to upgrade their herds rapidly.

In India, we completed the construction of our enlarged production bull stud with our joint venture partner, B G Chitale. The new stud was stocked in January 2016 with 83 bulls, and is now fully operational, increasing our capability to serve the large Indian dairy market.

The Genus Sexed Semen development project continued to make good progress against its plan and we continued to invest capital during the period. The legal proceedings commenced by ABS, against Inguran LLC (aka Sexing Technologies ('ST')) in Wisconsin continue, with the trial set to commence on 1 August 2016. On 11 January 2016, the US Patent Trial Appeal Board ruled on one of the inter-partes review ('IPR') proceedings seeking to invalidate an ST patent. The decision found the relevant claims of the patent invalid, upholding all of ABS's arguments. The IPR process is continuing on another of ST's patents. ABS remains committed to pursue vigorously this litigation.

Outlook

During the first half, Genus continued to make good progress towards its strategic goals. We expect continued progress in the second half against somewhat less challenging prior year comparatives. Currencies are projected to remain unfavourable for the full year though with less impact in the second half compared with the first half. For the full year, performance is anticipated to be in line with our expectations.

REVIEW OF OPERATIONS

Genus PIC

	Actual Currency			Constant Currency
	2015 £m	**2014 £m**	**Movement %**	**Movement %**
Revenue	**84.4**	86.1	(2)	(2)
Adjusted operating profit exc JV	**30.1**	27.1	11	10

Adjusted operating profit inc JV	**32.2**	29.6	9	10
Adjusted operating margin exc JV	**35.7%**	31.5%	4.2 pts	3.9 pts

Genus PIC comprises the Group's porcine business in North America, Latin America and Europe. It also includes the technical services and supply chain functions supporting the porcine business globally.

Market

Market conditions for Genus's porcine customers were challenging in most regions. Prices in North America were around 30% lower in the second half of 2015 compared with the prior year as high productivity drove supply close to the limits of processing plant capacity. Despite the loss-making conditions, producers continued to modestly expand herds as strong balance sheets and low input costs for corn and soya provided some support. The outlook in North America based on futures prices has been relatively volatile with producer margins over the remainder of 2016 swinging into profit over the summer months before reverting to loss making later in the year.

In Europe, the porcine industry also suffered from increased production and export bans, primarily to Russia. This led to oversupply and pork prices declining around 9% compared with the last year, resulting in significantly negative producer profitability. The outlook for producers remains challenging in the short-term.

In Brazil, pig prices rose seasonally in the second half of 2015 helped by strong exports to Russia and the depreciating Real. However while prices were healthy, they were still 9% lower than the strong period in the prior year. The outlook for domestic demand is under pressure from the general economic situation in Brazil.

Performance

During the period, Genus PIC performed strongly with operating profits including joint ventures of £32.2m, up 10% in constant currency and with margins expanding by 4 percentage points. Volumes grew by 5%, with all regions contributing and strong growth in royalty volumes in Latin America and Europe. Revenue was 2% lower due to reduced upfront animal sales which have a high revenue impact, however strategically important royalty revenues rose by 16% in constant currency.

In North America, profits were up 7% in constant currency on volume growth of 3%. Performance benefited from industry growth and productivity and greater customer uptake of very high genetic merit terminal boars through Genus's premium-priced CBV Plus and CBV Max programmes.

Latin American profits improved 10% in constant currency on 5% volume increases, helped by a strong operating profit performance in Mexico which was up 34%. In Brazil, the PIC Agroceres joint venture also performed well, with a 24% increase in constant currency operating profit, but the Andean region declined due to lower upfront animal shipments.

In Europe, volumes increased 10% with a 29% increase in royalty volumes and a 13% decline in upfront volumes, in line with the strategic direction of the business. Revenue declined by 2% due to the lower upfront sales, however operating profit increased 24% in constant currency. The strategic repositioning of the PIC Europe business to focus on royalty business with larger producers, that has been underway over the last few years, is starting to now show benefits despite the tough trading environment in the European pig industry.

Overall, the PIC business achieved continuing positive momentum in the period, along with effective execution of its strategy.

Genus ABS

	Actual Currency			Constant Currency
	2015 £m	**2014 £m**	**Movement %**	**Movement %**
Revenue	**77.6**	82.3	(6)	-
Adjusted operating profit	**9.1**	12.0	(24)	(16)
Adjusted operating profit less non-controlling interest	**8.6**	12.0	(28)	(23)
Adjusted operating margin	**11.7%**	14.6%	(2.9 pts)	(2.3 pts)

Genus ABS comprises the Group's dairy and beef businesses in North America, Latin America and Europe. It also includes the technical services, marketing, production and supply chain functions supporting the dairy and beef businesses globally.

Market

During the second half of 2015, milk prices remained depressed across major markets with further declines in the US and Europe. Continued production growth in key regions such as EMEA and weak import demand from markets such as Russia, China and the Middle East led to prices of key dairy commodities between 20% and 50% below their three year averages. It looks likely that prices will not improve until the end of 2016.

In Europe, the continuing trade ban imposed by Russia and weak exports to China, following previous stockpiling, was further exacerbated by a 3% supply increase as quotas were lifted and mild weather helped production. In the US, demand has remained solid and milk production growth has slowed, but higher milk imports have impacted the supply/demand equation. Operating margins for US farmers have been less negatively impacted compared with the rest of the globe due to the benefit of lower feed costs. In Brazil, the deepening economic recession has led to a further deterioration in dairy product demand and a fall in farm-gate prices of 8% in real terms.

Beef prices in the US were volatile over the 6 month period. This was caused by high carcass weights helped by low feed costs, high retail prices depressing consumer interest in beef and an import/export imbalance with imports up 30% and exports down 13%. In Brazil, cattle prices remained stable in the worsening economy helped by a combination of female retention which has reduced finished cattle going to market and higher exports with the opening of the US as an export destination. The outlook is for global beef prices to remain reasonably buoyant.

Performance

During the period, Genus ABS initiated a vigorous drive to mitigate the profit impact of the weak global dairy market and the adverse foreign exchange cross rates on semen produced in the US for global markets. These factors resulted in operating profit less non-controlling interest of £8.6m, down 23% in constant currency. The actions taken, which had specific focus on cost and efficiency in Europe and raising selling prices in Latin America, were beneficial in the period and will have a larger effect in the second half of the fiscal year. At the same time, ABS continued to invest in business transformation, introducing new offerings such as the Transition Right™ proprietary index, direct transfer frozen embryos and enhancement of its GMS customer herd genetic management software.

Revenues were unchanged in constant currency with an average price (blend) improvement of 2% and IVB revenue of £4.6 million offsetting a 7% semen volume decline and an exit from low margin US beef bull brokering.

In North America, revenues were 9% lower, predominantly from the beef brokering exit, however profits were up 1% in constant currency helped by a 3% improvement in blend prices which largely offset a 4% reduction in volumes, reduced product royalties and ongoing expense management. Beef performance was strong, with volumes up 19% over the prior year, including a continuing increased use of beef semen in dairy cows. Sorted semen volumes also performed strongly with growth of 18%.

In Europe, profits declined 22% in constant currency on a revenue decline of 9%. Volumes reduced 13%, including a 40% reduction in sales to distributors (particularly in the Middle East), without which volumes would have declined 4%. Aggregate blends improved 2% as a result of the reduction in the proportion of lower margin distributor business. The tough dairy market conditions saw farmers destocking semen tanks, increasing natural service and shifting buying patterns to lower priced semen. A strong focus on cost reduction initiatives, including reducing employee numbers and improving service margins in the period, mitigated the profit reduction and positions the business better going into the second half.

Across Latin America, profits were up 19% in constant currency despite a 4% volume decrease in tough dairy markets. However, in actual currencies, profits reduced as a result of the significant devaluations across the region. In response, ABS took the lead in increasing selling prices in key markets such as Brazil, Argentina and Mexico. By December, prices were on average 16% higher and we are continuing to raise prices as some competitors have now followed ABS's lead. Ongoing effort to manage local supply chain costs and operating expenses have also contributed favourably. Beef performed strongly with a 9% increase in volumes, primarily in Brazil, while also increasing Brazil blend prices by 18%.

IVB made a strong contribution to the half year results and exceeded expectations. Compared with the same period a year ago, prior to the ABS acquisition, embryo shipments were up 32%, both revenues and profits have more than doubled. IVB opened a media production laboratory in the US in November 2015 and commenced serving its first large US customer through a newly-formed IVB US subsidiary. IVB's previous joint venture in the US, In Vitro Origin, was unwound in the period and set up as an IVB franchise serving US beef customers.

Conditions in ABS's markets have been very challenging in the first half and are expected to remain challenging in the second half. ABS has taken actions to address these challenges in the short-term while continuing to invest in longer-term transformation.

Genus Asia

	Actual Currency			Constant Currency
	2015 £m	**2014 £m**	**Movement %**	**Movement %**
Revenue	**22.2**	20.9	6	8
Adjusted operating profit exc JV	**5.0**	2.9	72	72
Adjusted operating profit inc JV	**5.8**	3.1	87	93
Adjusted operating margin inc JV	**26.1%**	14.8%	11.3 pts	11.5 pts

Genus Asia includes the porcine, dairy and beef businesses across the region. In addition to our businesses in China, the Philippines, India and Australia, the region also includes the Group's operations in Russia.

Market

Since the late spring of 2015, pork prices have rebounded and remained at high levels over the last six months. Prices finished the year 20% above the prior year as sustained reductions in the sow herd in China since 2014 has now led to the pork market moving from over supply to tight supply. The outlook is for supply to remain constrained in 2016 with a government focus on improving environmental control favouring growth of larger, more technified producers. Across the rest of Genus Asia's porcine markets, Russia production growth is expected to resume in the Spring with herd expansion at new modern farms, and Vietnam is also well placed with an emerging 'non-oil producing' economy helped by low feed prices.

Local factors have impacted the Asia dairy markets over the last six months in addition to the global dairy market slump. In Australia, a hot, dry spring reduced production and increased feed and water prices. Milk producers in India also suffered from dry conditions making less forage available as well as reduced milk prices. In China, previous stockpiling of inventories largely kept down imports during the period. However, with the excess backlog in inventory now largely used up, imports are expected to grow in 2016 at the expense of the local producers.

Performance

During the period, Genus Asia performed strongly with operating profits including joint ventures of £5.8m, up 93% in constant currency and with margins expanding by 11 percentage points. Porcine volumes grew by 33%, with growth in all markets. Bovine volumes increased 2% led by growth in India. Revenue was up 8%, with Asia porcine growth of 20% offsetting an Asia bovine revenue decline of 11% caused by a change in mix towards India. Profits grew in porcine by 180% buoyed by the strong market conditions in China, rebound in Russia and growth in Vietnam, while in bovine profits grew by 16% with all units outside Japan showing improvement despite challenging markets.

In China, strong product performance across key accounts helped to drive porcine volumes growth of 29% and a return to profitability. A second royalty contract was signed for an initial farm of a very large key integrated producer, and royalty payments commenced as expected from the Riverstone contract. We are pleased with the progress being seen in strategic penetration of the large integrated producers. The better market conditions also led to stronger results from the Besun joint venture and our remaining owned farms.

In other Asia porcine markets, the opening of the border in Russia to Canada, enabled boars to be imported which led to improved volume and profit performance. In the Philippines, plans were implemented to close an aged owned farm and invest in stocking two new third party sire line nucleus units which will improve the supply and reduce genetic lag. Operating results were lower in the period during this transition. Results from Vietnam and other distributor markets in Asia showed continued growth in volumes and profits.

Bovine profit performance in Asia improved despite the lower revenue as product margins and costs were successfully managed. Relationships with key distributors in China were strengthened during the period. The new stud in India constructed with our joint venture partner, Chitale, was completed and stocked with 83 bulls in January 2016. This lays the foundation for further growth in the important Indian dairy market. We also increased technical and key account resources for Asia bovine markets to enable a focus on emerging large scale dairy producers in the region.

The overall performance in Asia is benefiting from the continued strategic investments made and focus on tailoring our business model for each of these markets.

Research and Development

	Actual Currency			Constant Currency
	2015 £m	2014 £m	Movement %	Movement %
Research	**2.7**	2.1	29	29
Porcine product development	**6.4**	5.1	25	23
Bovine product development	**6.6**	6.0	10	7
Total research and development	**15.7**	13.2	19	16

Total research and development spend for the half year was increased as planned by 19% to £15.7m (up 16% in constant currency), with increases across all categories as Genus pursued key strategic initiatives to further strengthen its proprietary differentiated offerings. We expect to continue to increase investment in research and development.

Research expenditure increased 29% in the period due to expenses associated with the PRRSv resistant pigs project and to increased spending on intellectual property creation and protection. These costs will continue to grow as we pursue the next stages of development of PRRSv resistant pigs. We also continued to invest in Genus Sexed Semen to ensure readiness for commercialisation. Genus continues to be at the forefront of research in the industry in developing genomic selection and gene editing to differentiate further both porcine and bovine product offerings and to drive genetic improvement even faster.

Within porcine product development, the execution of single-step genomic evaluation on all pure line populations, retail products and all traits of economic importance, is continuing to exceed the aim of a 35% increase in the rate of genetic gain compared with the period before its implementation. Growth in spending was unfavourably impacted by lower slaughter prices for by-product pigs from the nucleus herds and by the receipt in the prior year of a back payment under a Canadian government agricultural support programme.

Within bovine product development, our elite heifer programme produced 18% of our North American Holstein bull intake in the period (2014: 0%) with encouraging quality of animals focused on economically important traits. We continue to grow our genomic database and expertise in Real World Data and launched Transition Right™, the first proprietary index focused on cow health. There was also continued investment in building a beef nucleus herd to develop unique customer products to enable value capture in the beef supply chain through genetic improvement and differentiation. Costs were 7% higher in constant currency as we invested in increased resources for genomic prediction in bovine.

Genus Products

	Actual Currency			Constant Currency
	2015 £m	2014 £m	Movement %	Movement %
Revenue				
Dairy and beef	**85.1**	90.6	(6)	(1)
Porcine	**99.1**	98.7	-	1
Research and development	**4.1**	9.2	(55)	(55)
	188.3	198.5	(5)	(3)
Adjusted operating profit inc JV				
Dairy and beef	**4.1**	7.7	(47)	(39)
Porcine	**29.5**	25.9	14	17
Central costs and research	**(7.3)**	(6.6)	(11)	(5)
	26.3	27.0	(3)	4

Genus manages its global operations through the three businesses, Genus PIC, Genus ABS and Genus Asia, but also monitors product performance globally, after allocating product development costs specific to each species.

Porcine revenue grew 1% overall in constant currency on volume growth of 9% for the Group as the shift towards royalty based business tends to reduce upfront revenues. Profits grew strongly by 17% in constant currency with all regions improving and a strong turnaround in China. Market conditions were generally challenging for Genus's customers with the exception of China.

In bovine, volumes were 5% lower overall in tough dairy markets with Europe particularly challenged. Revenue, including a positive contribution from IVB, declined 1% in constant currency. Profits were 39% lower in constant currency due to lower volumes, adverse currency cross rates and increased bovine product development expenditure. Actions were taken in the period to reduce cost run rates and increase selling prices in key markets.

PRINCIPAL RISKS AND UNCERTAINTIES

Our approach to risk management is to identify, evaluate and prioritise risks and uncertainties and actively manage actions to mitigate them. The Genus plc Annual Report 2015 (a copy of which is available on the Genus plc website at www.genusplc.com) sets out on pages 18-19 a number of risks and uncertainties that might impact upon the performance of the Group. There has been no material change to the principal risks that might affect the performance of the Group in the current financial year.

GENUS PLC
CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 31 December 2015

	Note	**Six months ended 31 December 2015 £m**	Six months ended 31 December 2014 £m	Year ended 30 June 2015 £m
Revenue from continuing operations	4	**188.3**	198.5	398.5
Adjusted operating profit from continuing operations		**23.9**	24.3	47.2
Net valuation movement on biological assets	10	**(7.6)**	9.0	24.9
Amortisation of acquired intangible assets	9	**(3.0)**	(2.9)	(6.1)
Share-based payment expense		**(0.8)**	(0.7)	(1.4)
		12.5	29.7	64.6
Exceptional items				
- Acquisition and integration	5	**(0.1)**	(0.5)	(1.4)
- Legal expenses and other	5	**(2.7)**	(1.1)	(4.1)
- Pension related	5	**0.3**	0.4	0.4
Operating profit from continuing operations		**10.0**	28.5	59.5
Share of post-tax profit of joint ventures and associates	11	**5.4**	2.4	2.9
Net finance costs	6	**(2.5)**	(2.3)	(4.6)
Profit before tax from continuing operations		**12.9**	28.6	57.8
Taxation	7	**(1.9)**	(8.6)	(17.3)
Profit for the period from continuing operations		**11.0**	20.0	40.5
Attributable to:				
Owners of the Company		**10.6**	20.0	39.9
Non-controlling interest		**0.4**	-	0.6
		11.0	20.0	40.5
Earnings per share from continuing operations				
Basic earnings per share	13	**18.1p**	33.0p	66.7p
Diluted earnings per share	13	**17.9p**	32.7p	65.9p
Non-statutory measure of profit				
Adjusted operating profit from continuing operations	4	**23.9**	24.3	47.2
Operating profit attributable to non-controlling interest		**(0.5)**	-	(0.6)
Pre-tax share of profits from joint ventures and associates excluding net IAS 41 valuation movement		**2.9**	2.7	4.6
Adjusted operating profit including joint ventures and associates		**26.3**	27.0	51.2
Net finance costs	6	**(2.5)**	(2.3)	(4.6)
Adjusted profit before tax from continuing operations		**23.8**	24.7	46.6
Adjusted earnings per share from continuing operations				
Basic adjusted earnings per share	13	**28.8p**	29.7p	56.8p
Diluted adjusted earnings per share	13	**28.5p**	29.4p	56.1p

GENUS PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2015

	Six months ended 31 December 2015		Six months ended 31 December 2014		Year ended 30 June 2015	
	£m	**£m**	£m	£m	£m	£m
Profit for the period		**11.0**		20.0		40.5
Items that may be reclassified subsequently to profit or loss						
Foreign exchange translation differences	**21.3**		30.1		14.5	
Fair value movement on net investment hedges	**(5.0)**		(6.8)		(6.1)	
Tax relating to components of other						

comprehensive income	**(6.1)**	(9.6)	(6.7)	
	10.2	13.7	1.7	
Items that may not be reclassified subsequently to profit or loss				
Actuarial loss on retirement benefit obligations	**(6.4)**	(21.3)	(8.5)	
Tax relating to components of other comprehensive income	**0.9**	4.5	1.6	
	(5.5)	(16.8)	(6.9)	
Other comprehensive income/(expense) for the period	**4.7**	(3.1)	(5.2)	
Total comprehensive income for the period	**15.7**	16.9	35.3	
Attributable to:				
Owners of the Company	**14.2**	16.9	35.0	
Non-controlling interest	**1.5**	-	0.3	
	15.7	16.9	35.3	

GENUS PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2015

	Note	Called up share capital £m	Share premium account £m	Own shares £m	Translation reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2014		6.1	112.2	(0.1)	(12.1)	178.6	284.7	0.6	285.3
Foreign exchange translation differences, net of tax		-	-	-	6.8	-	6.8	(0.3)	6.5
Fair value movement on net investment hedges, net of tax		-	-	-	(4.8)	-	(4.8)	-	(4.8)
Actuarial loss on retirement benefit obligations, net of tax		-	-	-	-	(6.9)	(6.9)	-	(6.9)
Other comprehensive income/(expense) for the period		-	-	-	2.0	(6.9)	(4.9)	(0.3)	(5.2)
Profit for the period		-	-	-	-	39.9	39.9	0.6	40.5
Total comprehensive income for the period		-	-	-	2.0	33.0	35.0	0.3	35.3
Recognition of share-based payments, net of tax		-	-	-	-	2.2	2.2	-	2.2
Adjustment arising from change in non-controlling interest and written put option		-	-	-	-	-	-	(6.6)	(6.6)
Dividends	8	-	-	-	-	(11.1)	(11.1)	-	(11.1)
Balance at 30 June 2015		6.1	112.2	(0.1)	(10.1)	202.7	310.8	(5.7)	305.1
Foreign exchange translation differences, net of tax		-	-	-	13.1	-	13.1	1.1	14.2
Fair value movement on net investment hedges, net of tax		-	-	-	(4.0)	-	(4.0)	-	(4.0)
Actuarial loss on retirement benefit obligations, net of tax		-	-	-	-	(5.5)	(5.5)	-	(5.5)
Other comprehensive income/(expense) for the period		-	-	-	9.1	(5.5)	3.6	1.1	4.7
Profit for the period		-	-	-	-	10.6	10.6	0.4	11.0
Total comprehensive income for the period		-	-	-	9.1	5.1	14.2	1.5	15.7
Recognition of share-based payments, net of tax		-	-	-	-	1.0	1.0	-	1.0
Issue of ordinary shares		-	0.1	-	-	-	0.1	-	0.1
Adjustment arising from change in non-controlling interest and written put option		-	-	-	-	-	-	(0.8)	(0.8)
Dividends	8	-	-	-	-	(8.1)	(8.1)	-	(8.1)
Balance at 31 December 2015		**6.1**	**112.3**	**(0.1)**	**(1.0)**	**200.7**	**318.0**	**(5.0)**	**313.0**

	Note	Called up share capital £m	Share premium account £m	Own shares £m	Translation reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2014		6.1	112.2	(0.1)	(12.1)	178.6	284.7	0.6	285.3
Foreign exchange translation differences, net of tax		-	-	-	19.1	-	19.1	-	19.1
Fair value movement on net investment hedges, net of tax		-	-	-	(5.4)	-	(5.4)	-	(5.4)

Actuarial loss on retirement benefit obligations, net of tax		-	-	-	-	(16.8)	(16.8)	-	(16.8)
Other comprehensive income/(expense) for the period		-	-	-	13.7	(16.8)	(3.1)	-	(3.1)
Profit for the period		-	-	-	-	20.0	20.0	-	20.0
Total comprehensive income for the period		-	-	-	13.7	3.2	16.9	-	16.9
Recognition of share-based payments, net of tax		-	-	-	-	0.7	0.7	-	0.7
Dividends	8	-	-	-	-	(7.4)	(7.4)	-	(7.4)
Balance at 31 December 2014		6.1	112.2	(0.1)	1.6	175.1	294.9	0.6	295.5

GENUS PLC
CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 December 2015

	Note	**31 December 2015 £m**	31 December 2014 £m	30 June 2015 £m
Assets				
Goodwill	9	**75.1**	76.0	73.9
Other intangible assets	9	**71.4**	68.6	69.8
Biological assets	10	**252.9**	237.7	242.7
Property, plant and equipment		**53.2**	47.8	50.3
Interests in joint ventures and associates	11	**23.2**	23.3	19.6
Available for sale investments		**0.2**	0.1	0.2
Deferred tax assets		**8.5**	9.7	7.8
Total non-current assets		**484.5**	463.2	464.3
Inventories		**33.9**	32.4	32.2
Biological assets	10	**51.4**	44.7	50.2
Trade and other receivables		**73.2**	77.0	74.7
Cash and cash equivalents		**27.0**	23.8	21.3
Income tax receivable		**0.1**	0.5	0.4
Derivative financial assets	17	**0.1**	-	0.7
Asset held for sale		**-**	0.8	0.5
Total current assets		**185.7**	179.2	180.0
Total assets		**670.2**	642.4	644.3
Liabilities				
Trade and other payables		**(51.6)**	(60.1)	(58.9)
Interest-bearing loans and borrowings		**(11.5)**	(10.6)	(12.2)
Provisions		**(2.9)**	(1.0)	(2.4)
Obligations under finance leases		**(1.1)**	(1.1)	(1.1)
Current tax liabilities		**(3.2)**	(6.6)	(6.3)
Derivative financial liabilities	17	**(0.3)**	(0.3)	(0.2)
Total current liabilities		**(70.6)**	(79.7)	(81.1)

	Note	**31 December 2015 £m**	31 December 2014 £m	30 June 2015 £m
Interest-bearing loans and borrowings		**(100.2)**	(83.3)	(77.4)
Retirement benefit obligations	15	**(67.7)**	(77.6)	(63.1)
Deferred tax liabilities		**(108.0)**	(104.3)	(105.2)
Derivative financial liabilities	17	**(8.3)**	-	(10.0)
Obligations under finance leases		**(2.4)**	(2.0)	(2.4)
Total non-current liabilities		**(286.6)**	(267.2)	(258.1)
Total liabilities		**(357.2)**	(346.9)	(339.2)
Net assets		**313.0**	295.5	305.1
Equity				
Called up share capital		**6.1**	6.1	6.1
Share premium account		**112.3**	112.2	112.2
Own shares		**(0.1)**	(0.1)	(0.1)
Translation reserve		**(1.0)**	1.6	(10.1)
Retained earnings		**200.7**	175.1	202.7
Equity attributable to owners of the Company		**318.0**	294.9	310.8
Non-controlling interest		**3.3**	0.6	4.3
Put option over non-controlling interest		**(8.3)**	-	(10.0)
Total equity		**313.0**	295.5	305.1

GENUS PLC
GROUP STATEMENT OF CASH FLOWS
For the six months ended 31 December 2015

	Note	**Six months ended 31 December 2015 £m**	Six months ended 31 December 2014 £m	Year ended 30 June 2015 £m
Net cash flow from operating activities	14	**5.6**	19.6	34.8
Cash flows from investing activities				

Dividends received from joint ventures and associates	**-**	-	2.3
Acquisition of subsidiaries	**-**	(5.8)	(10.3)
Acquisition of investment in joint venture	**(0.2)**	(0.2)	(0.8)
Disposal of subsidiary	**0.3**	-	-
Purchase of property, plant and equipment	**(4.7)**	(6.7)	(12.0)
Purchase of intangible assets	**(2.9)**	(1.1)	(2.8)
Proceeds from sale of property, plant and equipment	**0.1**	0.7	0.3
Proceeds from sale of assets held for sale	**0.7**	-	-
Net cash outflow from investing activities	**(6.7)**	(13.1)	(23.3)
Cash flows from financing activities			
Drawdown of borrowings	**36.0**	26.3	51.8
Repayment of borrowings	**(18.6)**	(20.0)	(51.0)
Payment of finance lease liabilities	**(0.8)**	(0.6)	(1.5)
Equity dividends paid	**(8.1)**	(7.4)	(11.1)
Dividend to non-controlling interest	**(0.4)**	-	-
Issue of ordinary shares	**0.1**	-	-
Decrease in bank overdrafts	**(1.1)**	(4.0)	(2.0)
Net cash inflow/(outflow) from financing activities	**7.1**	(5.7)	(13.8)
Net increase/(decrease) in cash and cash equivalents	**6.0**	0.8	(2.3)
Cash and cash equivalents at beginning of period	**21.3**	22.8	22.8
Net increase/(decrease) in cash and cash equivalents	**6.0**	0.8	(2.3)
Cash (released)/acquired on (disposal)/acquisition	**(0.2)**	-	1.5
Effect of exchange rate fluctuations on cash and cash equivalents	**(0.1)**	0.2	(0.7)
Total cash and cash equivalents at end of period	**27.0**	23.8	21.3

GENUS PLC
ANALYSIS OF NET DEBT
For the six months ended 31 December 2015

	At 1 July 2015 £m	Net cash flows £m	Foreign exchange £m	Non-cash movements £m	**At 31 December 2015 £m**
Cash and cash equivalents	21.3	6.0	(0.1)	(0.2)	**27.0**
Interest-bearing loans - current	(12.2)	4.9	(0.8)	(3.4)	**(11.5)**
Obligation under finance leases - current	(1.1)	0.8	(0.1)	(0.7)	**(1.1)**
	(13.3)	5.7	(0.9)	(4.1)	**(12.6)**
Interest-bearing loans - non-current	(77.4)	(21.2)	(4.8)	3.2	**(100.2)**
Obligation under finance lease - non-current	(2.4)	-	(0.1)	0.1	**(2.4)**
	(79.8)	(21.2)	(4.9)	3.3	**(102.6)**
Net debt	(71.8)	(9.5)	(5.9)	(1.0)	**(88.2)**

	At 1 July 2014 £m	Net cash flows £m	Foreign exchange £m	Non-cash movements £m	At 31 December 2014 £m
Cash and cash equivalents	22.8	0.8	0.2	-	23.8
Interest-bearing loans - current	(13.0)	3.6	(1.0)	(0.2)	(10.6)
Obligation under finance leases - current	(1.1)	0.6	(0.1)	(0.5)	(1.1)
	(14.1)	4.2	(1.1)	(0.7)	(11.7)
Interest-bearing loans - non-current	(71.1)	(5.9)	(6.3)	-	(83.3)
Obligation under finance lease - non-current	(1.5)	-	(0.2)	(0.3)	(2.0)
	(72.6)	(5.9)	(6.5)	(0.3)	(85.3)
Net debt	(63.9)	(0.9)	(7.4)	(1.0)	(73.2)

Net debt is defined as the total of cash and cash equivalents, interest-bearing loans, unamortised debt issue costs and obligation under finance leases.

GENUS PLC
NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS
For the six months ended 31 December 2015

1. Basis of preparation

The unaudited Condensed Set of Financial Statements for the six months ended 31 December 2015:

- were prepared in accordance with International Accounting Standard 34 '*Interim Financial Reporting*' ('IAS 34') and thereby International Financial Reporting Standards ('IFRSs'), both as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union ('EU');
- are presented on a condensed basis as permitted by IAS 34 and therefore do not include all disclosures that would otherwise be required in a full set of financial statements; these should be read, therefore, in conjunction with the 2015 Annual Report;
- includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the periods presented;
- do not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006; and
- were approved by the Board of Directors on 22 February 2016.

The information relating to the year ended 30 June 2015 is an extract from the published financial statements for that year, which have been delivered to the Registrar of Companies. The auditor's report on those financial statements was not qualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The unaudited Condensed Set of Financial Statements for the six months ended 31 December 2015 has not been reviewed by our Auditor.

The Genus plc Annual Report 2015 (a copy of which is available on the Genus plc website at www.genusplc.com) sets out on pages 18-19 a number of risks and uncertainties that might impact upon the performance of the Group. There has been no material change to the principal risks that might affect the performance of the Group in the current financial year. Having considered these risks and uncertainties, and in the current economic environment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis in preparing the half-yearly report and the Condensed Set of Financial Statements.

The preparation of the Condensed Set of Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

2. Accounting policies and non-GAAP measures

The same accounting policies, presentation and methods of computation are followed in the Condensed Set of Financial Statements as applied in the Group's latest annual audited financial statements, dated 7 September 2015, which are available on the Group's website www.genusplc.com, except as described below.

New standards and interpretations

No new standards and interpretations have been adopted in the current period.

At the date of the interim report, the following standards and interpretations which have not been applied in the report were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- Amendments to IFRS 11*'Accounting for acquisitions of interests in Joint ventures'*, IAS 27*'Equity method in separate financial statements'*, IAS 1*'Disclosure Initiatives'*, IAS 12*'Recognition of deferred tax assets for unrealised losses';*
- Amendments to IFRS 10, IFRS 12 and IAS 28 *'Investment entities: Applying the consolidation exception';*
- Amendments to IAS 16 and IAS 38 *'Clarification of acceptable method of depreciation and amortisation';*
- *'Improvements to IFRS 2012 - 2014 cycle';*
- IFRS 9 '*Financial Instruments*';
- IFRS 14 *'Regulatory Deferral Response';*
- IFRS 15 '*Revenue from Contracts with Customers'; and*
- IFRS 16 *'Leases'.*

The Group is currently assessing the impact of the new pronouncements on its results, financial position and cash flows.

Non-GAAP measures - adjusted operating profit, adjusted profit before tax and adjusted earnings per share

Adjusted operating profit, adjusted operating profit before tax from continuing operations and adjusted earnings per share exclude the net valuation movement on biological assets and related financial derivative , amortisation of acquired intangible assets, share-based payment expense, exceptional items and other gains and losses.

We believe these non-GAAP measures provide shareholders with useful information about the Group's trading performance. The reconciliation between operating profit from continuing operations and adjusted operating profit from continuing operations is shown on the face of the Condensed Consolidated Income Statement.

3. Foreign currencies

The principal exchange rates used were as follows:

	Average			**Closing**		
	Six months ended 31 December 2015	Six months ended 31 December 2014	Year ended 30 June 2015	**31 December 2015**	31 December 2014	30 June 2015
US Dollar/£	**1.52**	1.62	1.57	**1.47**	1.56	1.57
Euro/£	**1.39**	1.27	1.32	**1.36**	1.29	1.41
Brazilian Real/£	**5.78**	3.94	4.26	**5.90**	4.14	4.89
Mexican Peso/£	**25.41**	22.03	22.68	**25.46**	22.98	24.68

The assets and liabilities of foreign operations, including goodwill arising on consolidation, are translated into Sterling at the prevailing exchange rates at the balance sheet date. We translate these operations' revenues and expenses using an average rate for the period.

4. Segmental information

The Group presents its segmental information on the basis that the chief operating decision maker regularly reviews for assessing our business performance and allocating resources.

Our business is not highly seasonal and our customer base is diversified, with no individual customer generating more than 2% of revenue.

Revenue

	Six months ended 31 December 2015 £m	Six months ended 31 December 2014 £m	Year ended 30 June 2015 £m
Genus PIC	**84.4**	86.1	175.5
Genus ABS	**77.6**	82.3	167.8

Genus Asia	**22.2**	20.9	41.4
Research and Development			
Research	**-**	-	-
Porcine Product Development	**4.1**	9.2	13.8
Bovine Product Development	**-**	-	-
	4.1	9.2	13.8
	188.3	198.5	398.5

Operating profit by segment is set out below and reconciled to the Group's adjusted operating profit.
A reconciliation of adjusted operating profit to profit for the period is shown on the Condensed Consolidated Income Statement.

Operating profit

	Six months ended 31 December 2015 £m	Six months ended 31 December 2014 £m	Year ended 30 June 2015 £m
Genus PIC	**30.1**	27.1	57.2
Genus ABS	**9.1**	12.0	24.0
Genus Asia	**5.0**	2.9	5.7
Research and Development			
Research	**(2.7)**	(2.1)	(4.6)
Porcine Product Development	**(6.4)**	(5.1)	(11.6)
Bovine Product Development	**(6.6)**	(6.0)	(12.4)
	(15.7)	(13.2)	(28.6)
Segment operating profit	**28.5**	28.8	58.3
Central costs	**(4.6)**	(4.5)	(11.1)
Adjusted operating profit	**23.9**	24.3	47.2

	Segment assets			**Segment liabilities**		
	31 December 2015 £m	31 December 2014 £m	30 June 2015 £m	**31 December 2015 £m**	31 December 2014 £m	30 June 2015 £m
Genus PIC	**201.4**	210.5	194.9	**(47.3)**	(50.1)	(45.5)
Genus ABS	**125.3**	114.5	123.7	**(30.9)**	(32.9)	(39.9)
Genus Asia	**38.3**	39.8	37.0	**(5.7)**	(8.9)	(7.6)
Research and Development						
Research	**9.8**	3.9	6.0	**(0.4)**	-	(0.1)
Porcine Product Development	**123.3**	100.5	110.0	**(51.5)**	(28.1)	(47.6)
Bovine Product Development	**166.2**	165.7	167.5	**(51.0)**	(51.4)	(52.2)
	299.3	270.1	283.5	**(102.9)**	(79.5)	(99.9)
Segment total	**664.3**	634.9	639.1	**(186.8)**	(171.4)	(192.9)
Central	**5.9**	7.5	5.2	**(170.4)**	(175.5)	(146.3)
Total	**670.2**	642.4	644.3	**(357.2)**	(346.9)	(339.2)

5. Exceptional items

Operating (expenses)/income:	**Six months ended 31 December 2015 £m**	Six months ended 31 December 2014 £m	Year ended 30 June 2015 £m
Acquisition and integration	**(0.1)**	(0.5)	(1.4)
Legal fees	**(2.5)**	(1.1)	(2.8)
Other (including restructuring)	**(0.2)**	-	(1.3)
Pension related	**0.3**	0.4	0.4
	(2.5)	(1.2)	(5.1)

Included within legal fees were £2.5m of legal fees related to an action by ABS Global Inc. against Inguran LLC (aka Sexing Technologies).

During the period, £0.1m of expenses were incurred in relation to integration, principally of In Vitro Brasil S.A.

During the period a settlement gain of £0.3m was recorded in relation to members leaving the Milk Pension Fund.

6. Net finance costs

	Six months ended 31 December 2015 £m	Six months ended 31 December 2014 £m	Year ended 30 June 2015 £m
Interest payable on bank loans and overdrafts	**(1.1)**	(0.9)	(1.8)
Amortisation of debt issue costs	**(0.2)**	(0.2)	(0.4)
Other interest payable	**-**	-	(0.1)
Net interest cost in respect of pension scheme liabilities	**(1.2)**	(1.2)	(2.3)

Net interest cost on derivative financial instruments	**(0.1)**	(0.1)	(0.2)
Total interest expense	**(2.6)**	(2.4)	(4.8)
Interest income on bank deposits	**0.1**	0.1	0.2
Total interest income	**0.1**	0.1	0.2
Net finance costs	**(2.5)**	(2.3)	(4.6)

7. Income tax expense

	Six months ended 31 December 2015 £m	Six months ended 31 December 2014 £m	Year ended 30 June 2015 £m
Current tax	**4.6**	5.0	12.6
Deferred tax	**(2.7)**	3.6	4.7
	1.9	8.6	17.3

The taxation charge for the period is based on the estimated effective tax rate on adjusted profits for the full year of 26.5% (2014: 27.1%).

The tax charge for the period on statutory profit of £1.9m (2014: £8.6m) represents a statutory tax rate of 14.7% (2014: 30.1%). The statutory tax rate for the period benefits from a 9.4% rate reduction from lower statutory profits primarily in the USA, including reductions in the fair value of biological assets, amortisation of intangibles and exceptional legal costs on which tax relief is available at an average rate of 32% (2014: increase in statutory tax rate of 7.5% due to net statutory profits on movements in biological assets, intangible assets and exceptional items taxed substantially at US rate).

There is a deferred tax liability at the period end of £108.0m (2014: £104.3m) which mainly relates to the recognition at fair value of biological assets and intangible assets arising on acquisition and a deferred tax asset of £8.5m (2014: £9.7m) which mainly relates to future tax deductions in respect of pension scheme liabilities, share scheme awards and financial instruments.

8. Dividends

	Six months ended 31 December 2015 £m	Six months ended 31 December 2014 £m	Year ended 30 June 2015 £m
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 30 June 2014 of 12.2 pence per share	**-**	7.4	7.4
Interim dividend for the year ended 30 June 2015 of 6.1 pence per share	**-**	-	3.7
Final dividend for the year ended 30 June 2015 of 13.4 pence per share	**8.1**	-	-
	8.1	7.4	11.1

The final dividend for the year ended 30 June 2015 was approved at the Company Annual General Meeting on 19 November 2015 and paid on 4 December 2015. On 22 February 2016 the Board proposed an interim dividend of 6.7 pence per share payable on 30 March 2016.

9. Intangible assets

	Technology £m	**Multiplier contracts £m**	**Customer relationships £m**	**Separately identified acquired intangible assets £m**	**Software £m**	**Genus sexed semen and other £m**	**Total £m**	**Goodwill £m**
Cost								
Balance at 1 July 2014	42.7	3.5	51.4	97.6	6.5	8.2	112.3	69.9
Additions	-	-	-	-	-	2.8	2.8	-
Disposals	-	-	-	-	-	(0.2)	(0.2)	-
Acquisition	3.5	-	4.1	7.6	-	-	7.6	5.3
Effect of movements in exchange rates	(0.1)	-	2.5	2.4	0.1	0.6	3.1	(1.3)
Balance at 30 June 2015	46.1	3.5	58.0	107.6	6.6	11.4	125.6	73.9
Additions	-	-	-	-	-	2.9	2.9	-
Effect of movements in exchange rates	(0.4)	0.2	2.9	2.7	0.1	0.7	3.5	1.2
Balance at 31 December 2015	**45.7**	**3.7**	**60.9**	**110.3**	**6.7**	**15.0**	**132.0**	**75.1**
Amortisation and impairment losses								
Balance at 1 July 2014	17.5	1.7	24.9	44.1	3.8	-	47.9	-
Amortisation for the year	2.3	0.2	3.6	6.1	0.6	-	6.7	-
Effect of movements in exchange rates	-	-	1.1	1.1	0.1	-	1.2	-
Balance at 30 June 2015	19.8	1.9	29.6	51.3	4.5	-	55.8	-
Amortisation for the period	1.2	0.2	1.6	3.0	0.3	-	3.3	-
Effect of movements in exchange rates	-	0.1	1.2	1.3	0.2	-	1.5	-
Balance at 31 December 2015	**21.0**	**2.2**	**32.4**	**55.6**	**5.0**	**-**	**60.6**	**-**
Carrying amounts								
At 31 December 2015	**24.7**	**1.5**	**28.5**	**54.7**	**1.7**	**15.0**	**71.4**	**75.1**
At 30 June 2015	26.3	1.6	28.4	56.3	2.1	11.4	69.8	73.9
At 30 June 2014	25.2	1.8	26.5	53.5	2.7	8.2	64.4	69.9

Additions in the period to intangible assets of £2.6m relates to costs capitalised in respect of a Genus Sexed Semen (GSS) development project.

Included above is £14.4m of capitalised development expenses in respect of GSS, and in addition there is also £5.6m included within fixed assets relating to GSS.

10. Biological assets

Fair value of biological assets	Bovine £m	Porcine £m	Total £m
Balance at 1 July 2015	144.8	148.1	292.9
Increases due to purchases	3.4	64.4	67.8
Decreases attributable to sales	-	(79.1)	(79.1)
Decrease due to harvest	(16.2)	(8.9)	(25.1)
Changes in fair value less estimated sale costs	1.1	30.2	31.3
Effect of movements in exchange rates	8.4	8.1	16.5
Balance at 31 December 2015	**141.5**	**162.8**	**304.3**
Non-current biological assets	141.5	111.4	252.9
Current biological assets	-	51.4	51.4
Balance at 31 December 2015	**141.5**	**162.8**	**304.3**
Balance at 1 July 2014	128.6	124.4	253.0
Increases due to purchases	3.0	58.6	61.6
Decreases attributable to sales	-	(79.5)	(79.5)
Decrease due to harvest	(16.6)	(6.1)	(22.7)
Changes in fair value less estimated sale costs	16.9	30.7	47.6
Effect of movements in exchange rates	10.9	11.5	22.4
Balance at 31 December 2014	142.8	139.6	282.4
Non-current biological assets	142.8	94.9	237.7
Current biological assets	-	44.7	44.7
Balance at 31 December 2014	142.8	139.6	282.4
Balance at 1 July 2014	128.6	124.4	253.0
Increases due to purchases	6.9	119.6	126.5
Decreases attributable to sales	-	(166.3)	(166.3)
Decrease due to harvest	(34.8)	(16.7)	(51.5)
Changes in fair value less estimated sale costs	34.5	78.7	113.2
Effect of movements in exchange rates	9.6	8.4	18.0
Balance at 30 June 2015	144.8	148.1	292.9
Non-current biological assets	144.8	97.9	242.7
Current biological assets	-	50.2	50.2
Balance at 30 June 2015	144.8	148.1	292.9

Bovine biological assets include £7.0m (2014: £3.8m) representing the fair value of bulls owned by third parties but managed by the Group, net of expected future payments to such third parties and are therefore treated as assets held under finance leases. There are no movements in the carrying value of the bovine biological assets in respect of sales or other changes during the period. The current market determined post-tax rate used to discount expected future net cash flows from the sale of bull semen is the Group's weighted average cost of capital. This has been assessed as 8.0% (2014: 8.0%). Decreases due to harvest represent the semen extracted from the biological assets. Inventories of such semen are shown as biological asset harvest.

Porcine biological assets include £32.6m (2014: £24.7m) relating to the fair value of the retained interest in the genetics in respect of animals, other than parent gilts, transferred to customers under royalty contracts. Decreases attributable to sales during the period of £79.1m (2014: £79.5m) include £21.0m (2014: £17.7m) in respect of the reduction in fair value of the retained interest in the genetics of animals, other than parent gilts, transferred under royalty contracts. Total revenue in the period includes £50.1m (2014: £43.9m) in respect of these contracts comprising £8.6m (2014: £7.6m) on initial transfer of animals to customers and £41.5m (2014: £36.2m) in respect of royalties received.

For pure line porcine herds, the net cash flows from the expected output of the herds are discounted at the Group's required rate of return adjusted for the greater risk implicit in including output from future generations. This adjusted rate has been assessed as 11.0% (2014: 11.0%). The number of future generations which have been taken into account is seven (2014: seven) and their estimated useful lifespan is 1.3 years (2014: 1.4 years).

Included in increases due to purchases is the aggregate gain arising during the period on initial recognition of biological assets in respect of multiplier purchases £23.1m (2014: £13.2m).

Six months ended 31 December 2015	**Bovine £m**	**Porcine £m**	**Total £m**
Net valuation movement on biological assets*			
Changes in fair value of biological assets	**1.1**	**30.2**	**31.3**
Fair value movements in related financial derivative	**-**	**(0.8)**	**(0.8)**
Inventory transferred to cost of sales at fair value	**(13.8)**	**(8.9)**	**(22.7)**
Biological assets transferred to cost of sales at fair value	**-**	**(15.4)**	**(15.4)**
	(12.7)	**5.1**	**(7.6)**

Six months ended 31 December 2014	Bovine £m	Porcine £m	Total £m
Net valuation movement on biological assets *			
Changes in fair value of biological assets	16.9	30.7	47.6
Inventory transferred to cost of sales at fair value	(14.8)	(6.1)	(20.9)
Biological assets transferred to cost of sales at fair value	-	(17.7)	(17.7)

	2.1	6.9	9.0

Year ended 30 June 2015	Bovine £m	Porcine £m	Total £m
Net valuation movement on biological assets *			
Changes in fair value of biological assets	34.5	78.7	113.2
Fair value movements in related financial derivative	-	0.6	0.6
Inventory transferred to cost of sales at fair value	(30.0)	(16.7)	(46.7)
Biological assets transferred to cost of sales at fair value	-	(42.2)	(42.2)
	4.5	20.4	24.9

* This represents the difference between operating profit including fair value movement on biological assets under IAS 41 and related financial derivative and operating profit prepared under historical cost accounting, which forms part of the reconciliation to adjusted operating profit.

11. Equity accounted investees

The Group's share of profit after tax in its equity accounted investees for the six months ended 31 December 2015 was £5.4m (2014: £2.4m).

	2015 £m	2014 £m
Balance at 1 July	**19.6**	21.7
Share of post-tax retained profits of joint ventures and associates	**5.4**	2.4
Addition	**0.2**	0.2
Effect of other movements including exchange rates	**(2.0)**	(1.0)
Balance at 31 December	**23.2**	23.3

Summary financial information for equity accounted investees, adjusted for the percentage ownership held by the Group:

Income statement	Revenue £m	Net IAS 41 valuation movement on biological assets £m	Expenses £m	Taxation £m	Profit after tax £m
Six months ended 31 December 2015	**11.0**	**2.8**	**(8.1)**	**(0.3)**	**5.4**
Six months ended 31 December 2014	12.7	0.3	(10.0)	(0.6)	2.4
Year ended 30 June 2015	25.8	(1.0)	(21.2)	(0.7)	2.9

12. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures and associates are described below:

Other related party transactions

	Transaction value			**Balance outstanding**		
	Six months ended 31 December 2015 £m	Six months ended 31 December 2014 £m	Year ended 30 June 2015 £m	**31 December 2015 £m**	31 December 2014 £m	30 June 2015 £m
Sale of goods and services to joint ventures and associates	**0.6**	1.6	3.6	**-**	0.2	0.1

All outstanding balances with joint ventures and associates are priced on an arm's length basis and are to be settled in cash within six months of the reporting date. None of the balances are secured.

13. Earnings per share

	Six months ended 31 December 2015 m	Six months ended 31 December 2014 m	Year ended 30 June 2015 m
Weighted average number of ordinary shares (basic)	**60.8**	60.7	60.7
Dilutive effect of share options	**0.7**	0.5	0.8
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**61.5**	61.2	61.5

	Six months ended 31 December 2015	Six months ended 31 December 2014	Year ended 30 June 2015
Earnings per share from continuing operations			
Basic earnings per share	**18.1p**	33.0p	66.7p
Diluted earnings per share	**17.9p**	32.7p	65.9p

Adjusted earnings per share from continuing operations

Adjusted earnings per share	**28.8p**	29.7p	56.8p
Diluted adjusted earnings per share	**28.5p**	29.4p	56.1p

Earnings per share measures are calculated on the weighted average number of ordinary shares in issue during the period. As in previous years, adjusted earnings per share have been shown, since the Directors consider that this alternative measure gives a more comparable indication of the Group's underlying trading performance.

Continuing operations

Basic earnings per share from continuing operations is calculated on the profit for the period of £11.0m (six months ended 31 December 2014: £20.0m; year ended 30 June 2015: £40.5m) divided by weighted average number of ordinary shares (basic and diluted) as calculated above.

Adjusted earnings per share is calculated on profit for the period before net valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense and exceptional items after charging taxation associated with those profits, of £17.5m (six months ended 31 December 2014: £18.0m; year ended 30 June 2015: £34.5m), as follows:

Adjusted earnings from continuing operations

	Six months ended 31 December 2015 £m	Six months ended 31 December 2014 £m	Year ended 30 June 2015 £m
Profit before tax from continuing operations	**12.9**	28.6	57.8
Add/(deduct):			
Net valuation movement on biological assets and commodity futures	**7.6**	(9.0)	(24.9)
Amortisation of acquired intangible assets	**3.0**	2.9	6.1
Share-based payment expense	**0.8**	0.7	1.4
Exceptional items	**2.5**	1.2	5.1
Net IAS 41 valuation movement on biological assets in joint ventures and associates	**(2.8)**	(0.3)	1.0
Tax on joint ventures and associates	**0.3**	0.6	0.7
Attributable to non-controlling interest	**(0.5)**	-	(0.6)
Adjusted profit before tax	**23.8**	24.7	46.6
Adjusted tax charge	**(6.3)**	(6.7)	(12.1)
Adjusted profit after taxation	**17.5**	18.0	34.5
Effective tax rate on adjusted profit	**26.5%**	27.1%	26.0%

14. Cash flow from operating activities

	Six months ended 31 December 2015 £m	Six months ended 31 December 2014 £m	Year ended 30 June 2015 £m
Profit for the period	**11.0**	20.0	40.5
Adjustment for:			
Net valuation movement on biological assets	**7.6**	(9.0)	(24.9)
Amortisation of acquired intangible assets	**3.0**	2.9	6.1
Share-based payment expense	**0.8**	0.7	1.4
Share of profit of joint ventures and associates	**(5.4)**	(2.4)	(2.9)
Finance costs (net)	**2.5**	2.3	4.6
Income tax expense	**1.9**	8.6	17.3
Exceptional items	**2.5**	1.2	5.1
Adjusted operating profit from continuing operations	**23.9**	24.3	47.2
Depreciation of property, plant and equipment	**4.1**	3.0	6.3
Loss/(gain) on disposal of plant and equipment	**0.2**	(0.1)	0.4
(Profit)/impairment on asset held for sale	**(0.2)**	-	0.3
Amortisation of intangible assets	**0.3**	0.3	0.6
Adjusted earnings before interest, tax, depreciation and amortisation	**28.3**	27.5	54.8
Exceptional item cash	**(2.8)**	(1.6)	(4.7)
Other movements in biological assets and harvested produce	**(1.4)**	1.9	1.9
Increase/(decrease) in provisions	**0.5**	(0.4)	1.0
Additional pension contribution in excess of pension charge	**(3.2)**	(3.1)	(6.1)
Other	**-**	(0.3)	(0.4)
Operating cash flows before movement in working capital	**21.4**	24.0	46.5
Increase in inventories	**(1.1)**	(1.2)	(0.6)
Decrease/(increase) in receivables	**1.5**	(0.8)	0.6
(Decrease)/increase in payables	**(7.9)**	5.2	4.2
Cash generated by operations	**13.9**	27.2	50.7
Interest received	**0.1**	0.1	0.2
Interest and other finance costs paid	**(0.9)**	(1.0)	(2.2)
Cash flow from derivative financial instruments	**-**	(0.1)	(1.2)
Income taxes paid	**(7.5)**	(6.6)	(12.7)
Net cash from operating activities	**5.6**	19.6	34.8

15. Retirement benefit obligations

The Group has a number of defined contribution and defined benefit pension schemes covering many of its employees, further details can be found in the Genus Annual Report 2015. The aggregated position of defined benefit schemes are provided below:

	31 December 2015 £m	31 December 2014 £m	30 June 2015 £m
Present value of funded obligations	**366.8**	389.5	378.3
Present value of unfunded obligations	**8.0**	7.8	7.8
Total present value of obligations	**374.8**	397.3	386.1
Fair value of plan assets	**(313.3)**	(326.1)	(329.2)
Restricted recognition of asset	**6.2**	6.4	6.2
Recognised liability for defined benefit obligations	**67.7**	77.6	63.1

The Milk Pension Fund ('MPF')

The MPF was previously operated by the Milk Marketing Board, and was also open to staff working for Milk Marque Ltd (the principal employer now known as Community Foods Group Limited), National Milk Records plc, First Milk Ltd, hauliers associated to First Milk Ltd, Dairy Farmers of Britain Ltd (which went into receivership in June 2009) and Milk Link Ltd.

We have accounted for our section of the scheme and our share of any orphan assets and liabilities, which together represent approximately 75% of the MPF. Although the MPF is managed on a sectionalised basis, it is a "last man standing scheme", which means that all participating employers are joint and severally liable for all of the fund's liabilities.

Further details of the Milk Pension Fund can be found in the Genus Annual Report 2015.

The principal actuarial assumptions (expressed as weighted averages) are:

	31 December 2015 %	31 December 2014 %	30 June 2015 %
Discount rate	**3.8**	3.6	3.8
Expected return on plan assets	**6.3**	6.6	6.3
Medical cost trend rate	**7.1**	7.2	7.1
Retail Price Index (RPI)	**3.0**	3.0	3.1
Consumer Price Index (CPI)	**1.9**	1.9	2.0

16. Contingencies

Other than the impact expected from a change of index used for pension and deferred pension increases from RPI to CPJ see note 18, there have been no material changes to the Group's contingent liabilities relating to the Group's ongoing joint and several liability for the Milk Pension Fund, more fully described in the Annual Report 2015.

There have been no changes to any other contingent liabilities involving the Group in the six months ended 31 December 2015 which are expected to have, or have had, a material effect on the financial position or profitability of the Group.

17. Financial instruments fair value disclosures

The table below sets out the categorisation of the financial instruments held by the Group at 31 December 2015.

We have categorised financial instruments held at valuation into a three-level fair value hierarchy, based on the priority of the inputs to the valuation technique in accordance with IFRS 7. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuations categorised as Level 2 are obtained from third parties. If the inputs used to measure fair value fall within different levels of the hierarchy, we base the category level on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety.

	Valuation level	**31 December 2015 £m**	31 December 2014 £m	30 June 2015 £m
Financial assets				
Derivative instruments in non-designated hedge accounting relationships	**2**	**0.1**	-	0.7
Financial liabilities				
Derivative instruments in designated hedge accounting relationships	**2**	**-**	-	(0.1)
Derivative instruments in non-designated hedge accounting relationships	**2**	**(0.3)**	(0.3)	(0.1)
Put option over non-controlling interest	**2**	**(8.3)**	-	(10.0)

The Directors consider that the carrying value amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values.

18. Post balance sheet events

On 11 January 2016, the Trustee of the Milk Pension Fund ('MPF') agreed with a request from the employers to change the index used for pension and deferred pension increases from RPI to CPI. The members of the scheme were informed of this change on 17 February which is effective for increases starting in 2016. The decision to change index is expected to materially reduce the MPF deficit which is in the process of being agreed as part of the triennial valuation process for the scheme effective as of March 2015, and which will be reflected in the Group's results for the year to 30 June 2016. The employers have agreed to maintain the current level of cash contributions to the fund until the remaining deficit is cleared as part of the agreement with the Trustees to change the index to CPI. The change to CPI is expected to result in a material exceptional credit to the full year results.

On 22 February 2016, Genus signed a new five year financing facility with five banks comprising a multi-currency £160m revolving credit facility with an accordion option of £50m. The terms of the new facility are improved

compared with the previous facility.

GENUS PLC
RESPONSIBILITY STATEMENT
For the six months ended 31 December 2015

We confirm that to the best of our knowledge:

a) the Condensed Set of Financial Statements has been prepared in accordance with IAS 34;

b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of the principal risks and uncertainties for the remaining six months of the year); and

c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and charges therein).

Neither the Company nor the Directors accept any liability to any person in relation to the half-yearly financial report except to the extent that such liability could arise under English Law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A of the Financial Services and Markets Act 2000.

By order of the Board

Chief Executive	Group Finance Director
Karim Bitar	Stephen Wilson

22 February 2016

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