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Genus PLC
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Genus plc
('Genus' or the 'Group')

Strategic porcine collaboration in China

with Beijing Capital Agribusiness

Genus plc (LSE: GNS), a leading global animal genetics company,is pleased to announce that it has entered into a strategic porcine collaboration in China, the world's largest pork market. The collaboration, which is with Beijing Capital Agribusiness Co. Ltd ("BCA"), is to research, develop, register and market in China elite PIC pigs that are resistant to Porcine Reproductive and Respiratory Syndrome virus ("PRRSv"). BCA has a leading Chinese animal protein genetics business and is owned by the Beijing Capital Agribusiness and Food Group (part of the Beijing Municipality), GLP-Youshan Fund and CITIC Agriculture ("CITIC"), a division of one of the largest state-owned conglomerates in China.

Under the terms of the strategic collaboration, Genus will receive:

- upfront and milestone cash payments totalling US$20m subject to certain conditions being fulfilled;
- between US$120m-$160m for the creation with BCA of a joint venture, including Genus's existing PIC operations in China, in several years' time after the required regulatory approval of PRRSv resistant pigs has been obtained in China; and
- intellectual property royalties from the joint venture on sales in China of PRRSv resistant pigs.

The Collaboration

The initial phase of the collaboration, which is expected to take several years, focuses on the research, development and regulatory approval in China of PRRSv resistant pigs. BCA will establish and fund a specific, wholly owned corporate entity for the purposes of the collaboration which will be called Beijing Shou Nong Future Bio-Tech Co., Ltd. ("BCA Future Bio-Tech"). BCA Future Bio-Tech and Genus also intend to cooperate to research and develop solutions to other major challenges facing the Chinese pork industry including African Swine Fever. At the same time the parties will explore ways to accelerate the use of PIC genetics in China through the phased integration of PIC genetics into BCA's current 6,000 sow capacity breeding facilities and their planned major expansion in response to the shortage of quality breeding stock in China caused by African Swine Fever.

Genus will grant a technology licence to BCA Future Bio-Tech for intellectual property rights and transfer know-how to enable BCA Future Bio-Tech to undertake the PRRSv resistance development and regulatory work in China. This will be funded exclusively by BCA and is expected to cost several tens of millions of US dollars and take several years. BCA Future Bio-Tech plans to work collaboratively with Chinese regulatory authorities to seek approval of the gene edited pigs, while focussing on animal well-being and bio-security practices.

Following Chinese regulatory approval and the launch of PRRSv resistant pigs in China, Genus and BCA have agreed that they will work together in a joint venture which will include Genus's existing PIC operations in China ("PIC China"). A framework agreement has been entered into governing the transaction and the proposed joint venture between Genus and BCA.

Background to the Collaboration

As China seeks to modernise its pork production, these efforts are significantly hindered by disease outbreaks. PRRSv is one of the most harmful pig diseases in China, together with African Swine Fever and Foot and Mouth Disease. PRRSv affects the majority of pigs in China and causes animal suffering, reproductive failure, increased mortality and reduced growth. There is currently no cure for PRRSv.

Genus has been able to breed pigs that demonstrate resistance to PRRSv. This breakthrough has been confirmed by several independent studies. Genus has the exclusive global rights to this technology and is working constructively with the US Food and Drug Administration to obtain regulatory approval in the US to commercialise PRRSv resistant pigs in a responsible way. PRRSv resistant pigs have great potential to improve animal well-being, the environmental sustainability of pig production, farm productivity and benefit consumers by significantly reducing the use of antibiotics.

The potential to reduce PRRSv will bring significant benefits to China, improving the reliability of the pork supply chain and helping to provide safe and high-quality pork to Chinese consumers, while benefiting pig farmers who will see a reduction in disease outbreaks. By minimising the prevalence of PRRSv, BCA Future Bio-Tech could help accelerate the development of a sustainable Chinese pork industry and reduce government spending on disease control.

The Transaction

Under the terms of the transaction, Genus will receive cash consideration under the development and technology licence agreement of US$20m, in aggregate, upon the satisfaction of certain commercial and regulatory milestones relating to the development programme. US$13m of the commercial and regulatory milestone payments will be creditable against future intellectual property royalty payments to Genus.

Following receipt of regulatory approval in China for PRRSv resistant pigs in several years' time, the PIC China business will be combined with BCA Future Bio-Tech to form a joint venture which will be 51% owned by BCA and 49% owned by Genus. Under the terms of the combination, Genus will receive a further cash payment based on the performance of PIC China in the three years prior to the combination, with a floor of US$120m and cap of US$160m. This payment

will be further adjusted to reflect any difference between the cash or net debt balance of BCA Future Bio-Tech and PIC China. The PIC China - BCA Future Bio-Tech joint venture will pay intellectual property royalties to Genus on the sales of PRRSv resistant pigs in China.

The Genus board will consider the appropriate use of the US$ cash proceeds derived from the formation of the joint venture at the time based on Genus's financial position and prospects.

The transaction constitutes a Class 2 transaction for the purposes of the UK Listing Rules. For the purposes of Listing Rule LR 10.4.1 R, as at 30 June 2018, the total book value of gross assets attributable to PIC China were approximately £31m.[(1)] In the year to 30 June 2018, the pre-tax profits attributable to PIC China were approximately £6m.[(2)] Completion of the transaction is subject to customary Chinese regulatory approvals.

Comments on the Collaboration

Karim Bitar, CEO of Genus, said: "Today's announcement represents a very important step in our PRRSv resistance program. The collaboration with BCA with full support from its shareholders in the food and agriculture space, Beijing Capital Agribusiness & Food Group and CITIC Agriculture, can accelerate the availability of PRRSv resistant pigs as well as PIC's leading porcine genetics in China and validates our ongoing investment in this initiative. BCA is a strong long-term partner to co-develop and co-market this technology in China, the largest pork market in the world. BCA brings a unique market place understanding of the Chinese pork industry and customer landscape, as well as robust regulatory capabilities, and understand the importance of developing this technology collaboratively and responsibly."

Bill Christianson, COO of Genus PIC said "The combination of PIC's PRRSv resistant genetics and related breeding knowhow along with BCA's deep understanding of the porcine sector in China and its distribution channels plays to the strengths of each party. We are looking forward to rapidly progressing the PRRSv resistance program in collaboration with BCA and launching this important new product in China with our partners."

Liu Jiantong, General Manager and Vice Chairman of Beijing Capital Agribusiness Co., Ltd., said: "We are excited to collaborate with Genus PIC, the world's leading porcine genetics company, for the registration and launch of PRRSv resistant pigs in China as an important step of a broader partnership. BCA is a leading agricultural company that focuses on providing high quality and modern technology to Chinese animal protein producers. Our exclusive collaboration with Genus PIC in China on this cutting-edge technology and other future ventures further expands BCA's presence in the animal protein genetics sector and is consistent with BCA's long-term strategy."

Mao Changqing, CEO of CITIC Agriculture Technology Co., Ltd., also commented: "Pork is very important in the Chinese culture and the single most important source of animal protein for the Chinese people. As Chinese farmers continue to professionalise, access to PIC genetics and PRRSv resistant pigs will further improve farming productivity and enable our farmers to more efficiently produce safe, disease resistant and sustainable pork. The proposed joint venture with PIC combines the global technological strength of Genus PIC with the Chinese market infrastructure of BCA, which will ultimately benefit Chinese farmers and consumers and help achieve our food security goals."

HSBC acted as Sole Financial Adviser and Herbert Smith Freehills acted as Legal Counsel to Genus on this transaction.

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This announcement is available on the Genus website www.genusplc.com
The person responsible for making this announcement on behalf of Genus is Dan Hartley, Group General Counsel and Company Secretary

About Genus

Genus is a UK public company with ordinary shares admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities with a premium listing under the symbol ("GNS"). 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 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 farms. Genus's customers' animals produce offspring with greater production efficiency, and quality, and use these to supply the global dairy and meat supply chains. 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.

About PIC China

PIC China are wholly owned subsidiaries of Genus. PIC China supplies and distributes elite porcine genetics to several leading Chinese pig producers through a mixture of contracted, joint venture and owned animals.

About BCA

BCA owns extensive poultry breeding businesses in ducks, layers, and broiler chickens. Its portfolio of animal genetics businesses is the most diversified in species and one of the largest in scale in China, including: Cherry Valley ducks,

which are 85% of Chinese broiler ducks, Yukou layers, which are over 40% of Chinese layers, Golden Star Beijing Ducks, which are 95% of the Beijing Roasted Ducks, AA broiler chickens, which are over 12% of the Chinese white feather broiler chickens, Holstein dairy cows that breed elite herds with the highest record of average milk production, and Zhong Yu Brand pigs, with over 6,000 sows capacity, a leader in North China market for many years.

BCA intends to build on this portfolio to become China's number one genetics supplier of animal protein, with market leadership in the main farming animal species.

BCA is 45% owned by Beijing Capital Agribusiness & Food Group (which is in turn owned by the Beijing Municipality), 38% owned by GLP-Youshan Fund, and 17% owned by CITIC Agriculture Technology Co., Ltd and CITIC Agri Investment Fund. Beijing Capital Agribusiness and Food Group is a conglomerate in the agriculture and food space with annual sales of over RMB126 Billion in 2018. GLP- Youshan Fund is a special purpose investment fund established under GLP, the modern logistics infrastructure and asset management company with over US$64 Billion assets under management.

About CITIC

CITIC Limited (SEHK: 00267) is one of China's largest conglomerates and a constituent of the Hang Seng Index. Among its diverse global businesses, CITIC focus primarily on financial services, resources and energy, manufacturing, engineering contracting and real estate. As China's economy matures and is increasingly weighted toward consumption and services, CITIC is building upon its existing consumer platform, expanding into complementary businesses that reflect these trends and opportunities. As of 31 December 2018, CITIC Limited had total assets of HK$7,661 billion and total ordinary shareholders' funds of over HK$558 billion.

Tracing its roots to the beginning of China's opening and reform, it is driven today by the same values upon which it was founded: a pioneering spirit, a commitment to innovation and a focus on the long term. The group embraces world-class technologies and aims for international best practice. Its platform is unique in its diversity and scale, allowing CITIC to capture emerging opportunities in China and around the world.

CITIC Agriculture Technology Co., Ltd. serves as the only platform to plan and execute CITIC Limited's agriculture investment strategy. CITIC Agriculture focuses on agricultural biotechnology with a mission of upgrading China's agricultural industry. Leveraging CITIC Limited's advantages in capital, branding and internationalisation, CITIC Agriculture today is building and shaping globally competitive agricultural companies.

(1) Assumes an average CNY / GBP exchange rate of 8.7121 on 30 June 2018

(2) Assumes an average CNY / GBP exchange rate of 8.9661 for the financial year ended 30 June 2018

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