Immediate

28 February 2018

Genus plc

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

STRONG FINANCIAL PERFORMANCE AND STRATEGIC PROGRESS

Genus, a leading global animal genetics company, announces its unaudited interim results for the six months ended 31 December 2017.

	Actual currency			Constant currency **
Six months ended 31 December	**2017**	**2016**	**Movement**	**Movement**
Adjusted results*	**£m**	**£m**	**%**	**%**
Revenue	**238.6**	222.1	7	10
Operating profit	**28.3**	24.5	16	19
Operating profit inc JVs	**31.5**	26.8	18	21
Profit before tax	**29.0**	25.1	16	20
Basic earnings per share (pence)	**40.9**	30.5	34	39
Statutory results				
Revenue	**238.6**	222.1	7	
Operating profit	**14.3**	10.0	43	
Profit before tax	**14.3**	11.4	25	
Basic earnings per share (pence)	**69.0**	13.3	419	
Dividend per share (pence)	**8.1**	7.4	9	

* Adjusted results are before net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense and exceptional items. Adjusted results are the alternative performance measures used by the Board to monitor underlying performance at a Group and operating segment level. See note 2 to the accounts for further information.

** Constant currency percentage movements are calculated by restating the results for the six months ended 31 December 2017 at the average exchange rates applied to adjusted operating profit for the year ended 30 June 2017.

2018 H1 Highlights

- The period under review was another successful six months for Genus, achieving a strong financial performance and strategic progress, including the successful launch of Sexcel®, Genus's proprietary, innovative sexed genetics product

Financial Highlights

- Revenue of £238.6m increased 7% (10% in constant currency) with strong bovine revenues, up 13% (16% in constant currency). Porcine revenues grew 3% (6% in constant currency) with increased royalty revenues in all regions

- 16% increase in adjusted profit before tax to £29.0m (20% in constant currency) with a strong performance in Genus ABS reflecting management actions and improved dairy market conditions

- Statutory profit before tax up 25% to £14.3m due to the strong overall performance

- Adjusted basic earnings per share up 34% to 40.9p (up 39% in constant currency) and statutory basic earnings per share up 419% to 69.0p, reflecting non-cash deferred tax credits of £3.7m and £32.0m respectively following the recently announced tax reforms in the United States

- Strong free cash inflow[1] of £6.5m (2016: £0.1m outflow) and cash conversion[2] of 78% (2016: 55%)

- Interim dividend increased 9.5% to 8.1 pence per share payable on 4 April 2018

Operational Highlights[3]

- A strong first half performance in ABS with the launch of Sexcel, improved market conditions and continued actions to strengthen execution and improve efficiency
  - Volumes growth of 8%, with sexed semen up 32% and IVB embryos up 35%
  - Operating profit up 47%
  - Encouraging global sales of Sexcel, our 21st Century high fertility sexed genetics product produced with IntelliGen® technology (previously called Genus Sexed Semen), following its launch in September 2017
  - Enabled Geno SA ('Geno'), the leading Norwegian bull stud, to produce sexed genetics with IntelliGen technology. Signed contracts with Mehsana, a leading dairy cooperative in Gujarat, India, and after the period end with the Uttar Pradesh Livestock Development Board, to sex their genetics using IntelliGen technology

- Continued operating profit growth of 7% in PIC on volumes up 5%, particularly in Europe and Latin America, while pig prices returning to a more normal level reduced profits in China
  - Royalty revenues up 8% with growth in all regions, and particular strength in Europe
  - Signed an agreement with Møllevang Genetics, an independent Danish genetics provider, to establish a strategic relationship from 1 July 2018
  - Results from Hermitage acquisition and partnership in line with expectations and with encouraging prospects

- Research and development investment increased by 5%, primarily driven by a 47% increase in gene editing investment
  - First batches of founder gene edited pigs born under the PRRSv resistance development programme[4]
  - IntelliGen technology successfully brought into production in the US, Europe and India to support ABS Sexcel and third party customers wanting to use a 21st Century sexing technology

- Strong genetic pipeline in bovine as results from the De Novo joint venture start to come through

Commenting, Karim Bitar, Chief Executive said:

"Genus performed strongly in the first half of the 2018 fiscal year and made substantial strategic progress. The launch of Sexcel, our proprietary innovative sexed genetics product, has been well received by customers and early indications of its performance in the field are encouraging. We are also pleased to have started sales of the IntelliGen technology to third parties in Europe and India, enabling other bull studs to take advantage of this novel technology.

"ABS overall continued its trend of improved results following the actions taken last year. PIC continued to perform well, despite market headwinds in China, and we continued to strengthen its presence in Europe through the acquisition and partnership with Hermitage.

"As planned, we increased our investment in our gene editing platform and made good progress in the PRRSv resistance development plan. We expect to further increase this investment in the second half.

"We anticipate performing in line with our expectations in the full year on a constant currency basis, but now expect actual currencies to be a headwind for the year. Reflecting the Board's continuing confidence in the Group's prospects we are recommending a 9.5% increase in the interim dividend."

An analyst meeting will be held at 8:30am today at Buchanan's offices (107 Cheapside, London, EC2V 6DN). 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 approximately 10 minutes (8:20am) before the start of the meeting: http://vm.buchanan.uk.com/2018/genus280218/registration.htm

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This announcement will be available on the Genus website, www.genusplc.com

[1] Free cash flow is before debt repayments (other than finance leases), acquisitions, investments and dividends.
[2] Cash conversion is the cash generated by operations of £22.0m (2016: £13.5m) as a percentage of adjusted operating profit from continuing operations of £28.3m (2016: £24.5m).
[3] Based on adjusted results in constant currency.
[4] The PRRSv programme refers to our development-phase gene editing programme seeking to confer resistance to pigs to Porcine Reproductive and Respiratory Syndrome virus.

About Genus

Genus is a world-leading animal genetics company. We continuously produce better breeding livestock with desirable characteristics, which helps farmers to produce better quality meat and milk more efficiently and sustainably. We do this by analysing animals' DNA to select those with desirable characteristics, and then breed successive generations from those animals. We also own technology to screen and process semen for desirable traits, such as gender, and license technology to make precise, desirable gene edits to animals' DNA.

Genus's worldwide sales are made in over seventy 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.

The Group's competitive edge has been created from the ownership and control of proprietary lines of breeding animals, proprietary technology and knowhow used to improve them, relationships with leading meat and milk producers, and its global supply chain and distribution networks.

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 strong financial growth in the first half of the year, with revenue up 7% (10% in constant currency) and adjusted profit before tax up 16% (20% in constant currency) from strong business performances across the Group, particularly in bovine. Adjusted earnings per share were up 34% (39% in constant currency) including a deferred tax credit of £3.7m following the enactment of the US tax reform measures.

On a statutory basis, profit before tax was 25% higher primarily due to the underlying business performance. Earnings per share were 419% higher boosted by a £32.0m non-cash reduction in Genus's deferred tax liabilities primarily related to its biological assets following the US tax reforms. We continue to use adjusted results as our primary measures of financial performance as they better reflect our underlying progress.

The effect of exchange rate movements on the translation of our overseas profits was to reduce the Group's adjusted profit before tax for the period by £1.0m or 4% compared with 2016. Unless stated otherwise, the results and review of operations quote constant currency adjusted growth rates, to give a better reflection of underlying trading.

Results

Revenue increased by 7% in actual currency and 10% in constant currency to £238.6m (2016: £222.1m) during the period. In Genus ABS, revenue growth of 16% was across all regions with particularly strong growth in sexed semen revenues, up 30% and IVB, up 45%. In Genus PIC, revenues grew 6% driven by strong royalty revenues, up 8%, with growth in all regions and particularly in Europe.

Adjusted operating profit including joint ventures was £31.5m (2016: £26.8m), up 18% in actual currency and 21% in constant currency. Within this, Genus's share of adjusted joint venture operating profits was higher at £3.6m (2016: £3.3m).

Genus ABS performed strongly following the actions to sharpen execution, improve efficiency and launch Sexcel, with sales exceeding expectations. Improved market conditions were also a contributory factor in the ABS performance. Volumes grew 8% and operating profit less non-controlling interest increased 47%. Volumes, average selling prices and revenues grew in all regions. Profits grew in Europe, Latin America and Asia, while North America remained little changed as we invested further in the key account sales force.

Genus PIC had another solid performance with volume growth of 5%, royalty growth of 8%, and profits including joint ventures up 7%. Profits grew strongly in Europe and Latin America, but declined in Asia due to lower farm margins in China following the exceptionally high pig prices in the prior year. Customer sales and royalties in China continued to grow. In North America two boar multiplication farms were infected by PRRSv in December 2017 and January 2018, resulting in the need to slaughter the animals and creating a headwind for 2018.

R&D investment increased as planned by 5%, as we create our first generation of gene edited elite pigs and the costs of the PRRSv programme rose by 47%. We also continued to increase our investment in IntelliGen technologies.

Net finance costs increased to £2.5m (2016: £1.7m) principally due to higher levels of net debt following the acquisition of Hermitage's porcine genetics and higher interest income in the prior period on Brazilian

Real cash deposits hedging the planned 49% IVB acquisition. Adjusted profit before tax increased 16% in actual currency to £29.0m (2016: £25.1m) and was 20% higher in constant currency.

The tax rate on adjusted profits was 13.8% (2016: 25.9%) and adjusted earnings per share were up 34% to 40.9 pence (2016: 30.5 pence) benefiting from a £3.7m credit from the reduction of deferred tax liabilities in the US following the enactment of the US tax reform measures. In the absence of this one-off credit, the underlying tax rate on adjusted profits would have been 26.6%.

Statutory profit before tax was £14.3m (2016: £11.4m), up 25% with the net effect of adjusting items little changed in the period. Statutory after tax profit was £42.6m (2016: £8.8m) reflecting a large non-cash deferred tax credit as a result of US tax reform. This primarily arose on applying the new US tax rates to the deferred tax liabilities associated with the fair value uplift under IAS 41 on the Group's biological assets.

Cash Flow and Net Debt

Free cash flow was strong at £6.5m (2016: £0.1m outflow), driven by strong cash generated by operations of £22.0m (2016: £13.5m), representing conversion of adjusted operating profit of £28.3m (2016: £24.5m) into cash of 78% (2016: 55%) following strong trading performances, particularly in ABS. Capital expenditure of £7.1m (2016: £10.2m) included continued investment in IntelliGen capacity and technology.

Net debt increased from £109.0m to £113.4m at 31 December 2017, primarily due to the investments in Hermitage Genetics and the remaining 49% of IVB during the early part of 2017 partially offset by the strong trading performance and a beneficial impact of exchange rates on our US Dollar borrowings. The balance sheet remains healthy with net debt to EBITDA of 1.4 times (2016: 1.6 times), as defined in the debt facility agreement.

Dividend

Reflecting the Board's continuing confidence in the Group's prospects, the Board has approved an interim dividend of 8.1 pence per share, an increase of 9.5% on last year's interim dividend of 7.4 pence per share. The interim dividend is payable on 4 April 2018 to those shareholders on the register at 9 March 2018.

Progress on Strategy

During the period we continued to invest in initiatives to strengthen our competitive position and saw clear benefits from strategic investments made in the past to strengthen our core genetics and technology.

We are achieving encouraging results from our investment in De Novo, our majority owned dairy breeding programme, and expect 45% of new Holstein bulls coming into production in this fiscal year to come from De Novo, compared with 23% internally bred in FY17. The quality of our pipeline of young bulls has also materially strengthened and is already industry leading. This puts us in a strong position to provide our customers with elite genetics, but also enables us to increase the proportion of bulls that are bred internally, rather than depending on third party breeders.

We successfully launched our proprietary bovine semen sexing technology in September, offering our bovine customers superior genetics sexed with our 21st Century laser-based technology under the Sexcel brand. Sales of Sexcel since launch have exceeded expectations. Early results in the field have been encouraging, with many customers reporting increased conception rates using Sexcel. We have also secured licensing and contract sexing deals with third parties under the IntelliGen brand. Geno, Norway's leading bull stud, licensed and took delivery of IntelliGen machines in October and began sexing bovine genetics in December. We also signed deals with the Mehsana cooperative in Gujarat, India, and with the Uttar Pradesh Livestock Development Board ('UPLDB') after the period end to provide their bull studs with sexed genetics using IntelliGen technology. Genus continues to defend vigorously its position in the US courts against Sexing Technologies ('ST') and filed Inter-Partes Reviews at the US Patent and Trademark Office seeking to revoke five patents ST has asserted against Genus and has also filed a Motion to Dismiss and Counterclaims in the Federal Court.

Genus PIC signed a strategic relationship agreement with Møllevang Genetics, an independent Danish porcine genetics company, which had until recently been part of the Danbred Danish cooperative breeding system. This strategic relationship will commence in July 2018, at which point Møllevang Genetics will become a genetic distribution and production partner for PIC in Denmark and parts of Europe.

In our PRRSv resistance programme, the first batches of elite gene edited piglets were born. The successfully edited piglets, along with future batches, will serve as the initial founders of our gene edited herd, which will be monitored and assessed for technical and regulatory purposes. In addition, US patents relating to the PRRSv resistance edits and exclusively licensed to Genus have been granted, strengthening our ability to protect our intellectual property relating to the PRRSv resistance programme.

Outlook

Genus performed strongly in the first half of the year. The year on year comparatives are more demanding in the second half and some headwinds exist. Nevertheless, Genus expects to make continued financial and strategic progress in the second half and to perform in line with its expectations in constant currency. Actual currencies, while continuing to be volatile, are now expected to have an adverse impact on reported results in the region of £3m for the 2018 financial year.

Review of Operations

Genus PIC – Operating Review

	Actual currency			Constant currency
	2017	**2016**	**Movement**	**Movement**
	£m	**£m**	**%**	**%**
Revenue	**126.4**	122.5	3	6
Adjusted operating profit exc JV	**44.1**	42.8	3	6
Adjusted operating profit inc JV	**47.7**	46.1	3	7
Adjusted operating margin exc JV	**34.9%**	34.9%	-	0.1pts

Market

Strong demand in the US, both domestically and from Mexico, combined with low input costs and added meat packing capacity, have offered producers moderate profits over the last two quarters. Two new pig processing facilities came on-line in September, adding slaughter capacity to the US. This has increased competition for pigs and has enabled pig producers to enjoy continued positive margins in spite of the previous year's expansion in sow numbers.

Global pork production has expanded throughout most major pork exporting regions while import demand in China was over 20% lower compared with the prior year, resulting in competition and reduced margins for the key suppliers to this market. The European Union has been most affected by this change, with a 10% decline in total exports and 19% erosion in pork prices through the latter half of 2017. Global pig prices have responded similarly with the Global Pig Price Index slipping over 8% from the June highs. Despite this decline, pig producers across the globe have generally maintained positive net margins.

The United States Department of Agriculture is forecasting an additional 2% growth in global pork production in 2018. China is the primary driver of this growth with the US, Canada, and Brazil contributing to lesser degrees. The Chinese sow herd expansion that began in 2017 is expected to continue in 2018 with large commercial systems replacing traditional small-scale family farms which will benefit Genus. Stricter environmental regulations are driving this modernisation, with vertically integrated companies rapidly expanding through contract farming agreements. China is projected to add 1.25 million tons of pork production in 2018, representing a 2.3% increase over the last year. Pig prices in China were 18% below the exceptionally high prices of the previous year, but producers were still profitable in the period.

Russia is approaching self-sufficiency in pork production and is looking toward participation in the global export market and in December, Russian government authorities placed a ban on imports of Brazilian beef and pork. As Brazil is Russia's largest supplier of pork, this development poses a challenge to a Brazilian pork sector that has already faced increased volatility from inflation and political instability.

Performance

During the period, PIC operating profit including joint ventures was £47.7m, up 7% in constant currency. Volumes grew by 5% and revenue was 6% higher, primarily due to royalty growth and higher breeding stock sales.

In North America, revenue grew 6% in constant currency due to royalty and breeding stock sales growth. Despite PIC's continued investments in expanding the supply chain and upgrading company-owned facilities, North America's profit grew by 3% during the period. In December 2017 and January 2018, two PIC boar multiplication farms were infected by PRRSv, resulting in the need to slaughter out the animals. This will create a headwind for the North America business in 2018.

Latin American profits improved by 25% and revenues were up 19% in constant currency. Revenues were up in all countries, showing signs of improved economic stability in the region. A key contributor to this growth was royalty revenue which increased by 14% in constant currency. Additionally, operational and product performance in Brazil drove profits from PIC's joint venture up by almost 50% for the period in constant currency.

Europe achieved impressive growth in the period, with volumes up 20%, and operating profits grew by 55% in constant currency. Strong royalty growth driven by execution of strategic pricing initiatives is a key driver of profit improvements across the region. Additionally the integration of PIC's partnership with Hermitage Genetics continues to progress positively. The business transformation in Europe continues to focus on a royalty model with producers who value genetics and multiple distribution partners.

Asia's results were below the prior year by 15% in constant currency due primarily to weakening market prices for by-product pigs and biosecurity challenges in China. China continued to grow customer volumes and revenues, including royalties. Russia, Philippines and Asia franchises all achieved profit growth. This performance underscores the benefit of the PIC royalty revenue model in Asia which achieved 11% growth in constant currency. PIC's strategy to focus on key large scale customers in emerging markets while mitigating operational risks continues to position the Asia region for good long term results.

Overall, the PIC global business delivered solid performance, despite varying global market conditions and continued investment to enhance product supply and differentiation. These investments, along with our strategic relationships such as with Hermitage and as recently announced with Møllevang, an independent Danish genetics provider, will continue to enable PIC to better serve customers, mitigate market risks and support future growth.

Genus ABS - Operating Review

	Actual currency			Constant currency
	2017	2016	Movement	Movement
	£m	£m	%	%
Revenue	**105.6**	93.4	13	16
Adjusted operating profit	**11.7**	9.0	30	36
Adjusted operating profit less non-controlling interest	**11.6**	8.3	40	47
Adjusted operating margin	**11.1%**	9.6%	1.5pts	1.7pts

Market

The second half of 2017 generally provided dairy producers with favourable conditions for profitable milk production. This was at its peak in Europe with UK milk prices around 30% higher than the prior year, however there were also gains and less volatility than recent history in other markets. With global feed prices also down by 5% against the same period last year, the improved ability for producers to create cash surpluses for reinvestment and growth helped to re-instil confidence following the challenges of 2016.

Demand for dairy product continues to show incremental increases supported by China's growth in demand, particularly for milk powder, not being met by domestic growth in output. At the same time challenges in the Middle East increased the levels of surplus milk available for global marketing.

The growth in milk supply through early 2017 accelerated into the second half particularly across the big seven exporters (Europe, the US, New Zealand, Australia, Brazil, Argentina and Uruguay) and through New Zealand's spring period. Growth in milk output in the US of around 1.5% has been more moderate with higher milk yield per cow and a nominal increase in the dairy herd size. However, global prices have fallen as we enter 2018, with a particularly pronounced drop in the US, and this is expected to cause financial strain for US milk producers in the months ahead.

Global beef output in 2017 grew by 1.5% compared with 2016. This varied with growth in output of more than 5% in the US, 4% in Argentina and 2% in Brazil, whereas Europe and Australia were flat. Consumption of beef globally also grew by just over 1%. China is developing into a critically important beef market as consumption grew by 3%, representing a third of the total global increase in consumption. In contrast, European consumption fell by 1%. Relatively balanced levels of beef supply and demand suggest that margins will remain sustainable for global beef producers.

Performance

Operating profits for ABS increased by 47% in constant currency, on an 8% volume increase and a 16% increase in revenue. Sexed volumes were up 32% reflecting both a successful launch of Sexcel, using Genus's proprietary IntelliGen technology, and sales of sexed inventory produced under the contract with ST which terminated in August 2017. The increased volumes of sexed genetics also positively influenced the use of beef-on-dairy genetics, supporting a 6% increase in global beef volumes. Europe and Asia were key contributors to the higher results. The business benefited from favourable global market conditions, particularly in Europe, and from a reduced overhead base following past management actions.

In Europe, profits were up 15% in constant currency with conventional dairy volumes increasing 3%. Customers appreciated the value in using high end beef genetics and sexed genetics as part of their dairy breeding strategy. As a result, beef volumes increased by 8%, beef selling prices increased by 10%, due to focus on the value of differentiated beef genetics, and sexed semen grew 26%, with a strong uptake of Sexcel.

In North America, profits decreased by 1% in constant currency. Unit volumes were up by 2% and revenue by 9%, however this was offset by planned investment in support of a strengthened focus on key account management. Beef had a good start to the year, with volumes up 15% over prior year, reflecting improved market conditions and the use of beef genetics on dairy herds when paired with sexed genetics, supported by NuEra® genetics selected for cross-bred beef on dairy performance.

In Latin America, profits were up 19% in constant currency with conventional dairy volumes increasing 8%. Beef volumes were up 5% despite challenging market conditions and decreased domestic beef consumption. The launch of NuEra genetics, selected for cross-bred performance of North American sires with tropical cows, supported this performance.

In Asia, volumes were up 15% and profits up 111% with growth across all major countries as we successfully executed our strategies in each country. China was up 92%, Australia up 93% and Japan up 32%. Asia also successfully launched Sexcel from our Brahma stud in India to provide elite sexed genetics into the Indian market for the first time.

IVB made a positive contribution to the half year results, delivering embryo volumes up 35%, revenues up 45% and profit up 66% including the effect of buying out the remaining 49% of IVB earlier in 2017.

Overall, ABS has delivered an improved performance and, with the momentum of the Sexcel launch and a strong genetic portfolio, anticipates continued progress, albeit against stronger comparatives and with lower US milk prices in the second half.

Research and Development - Operating Review

	Actual currency			Constant currency
	2017	**2016**	**Movement**	**Movement**
	£m	**£m**	**%**	**%**
Porcine product development	**8.4**	8.2	2	6
Bovine product development	**7.8**	8.2	(5)	(2)
Gene editing	**2.1**	1.5	40	47
Other research and development	**3.8**	4.0	(5)	-
Net expenditure in R&D less non-controlling interest	**22.1**	21.9	1	5

Performance

Net research and development investment increased by 5% in constant currency for the half year, as Genus pursued key strategic initiatives to further strengthen its proprietary differentiated offerings. Genus expects to continue increasing investment in gene editing primarily under the PRRSv programme, and also IntelliGen technology.

The execution of single-step genomic evaluation on all porcine pure line populations, crossbred 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. Spending growth in porcine product development was a result of increased investments to expand genetic testing and product validation and to identify new traits of commercial relevance. These costs were partially offset by increased slaughter volumes, improved slaughter market prices, and lower operating expenses in PIC's nucleus herds.

Gene editing expenditure increased 47% in the period primarily from investment in the investigational PRRSv resistance project, including work with Caribou Biosciences Inc. to screen editing reagents and with RenOVAte to produce first generation elite gene edited pigs. This investment will continue to grow as Genus pursues the next stages of development and generates further gene edited animals.

Bovine product development expenditure decreased by 2%. As part of the continued integration of De Novo, a majority owned joint venture created in 2016 with DeSu Holsteins, Genus achieved efficiencies in the bull portfolio and reduced the costs of the progeny testing programme to streamline and focus operations. At the same time, the competitive strength of the pipeline of young bulls increased significantly and the proportion of internally bred bulls is increasing as expected.

Genus continued to invest in IntelliGen, scaling up product manufacturing and operations to meet the commercial launch and high demand. In addition, we continued to drive business development opportunities in technology transfer and external customer manufacturing to expand the global IntelliGen footprint. Geno, the leading Norwegian bull stud, commenced production with IntelliGen equipment after a successful technology transfer in the period and a contract to provide sexed semen was signed with the

Mehsana cooperative in Gujarat, India. After the period end, a contract to provide sexed semen to UPLDB was also signed.

Genus continued to grow its genomic database and expertise in Real World Data® and through this to explore new proprietary traits. There was also continued investment in building a beef nucleus herd to develop unique customer products for value capture in the beef supply chain through genetic improvement and differentiation. Industry-leading research continued in developing genomic selection to drive genetic improvement and differentiation even faster, and on intellectual property creation and protection.

PRINCIPAL RISKS AND UNCERTAINTIES

The Genus 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 2017 (a copy of which is available on the Genus plc website at www.genusplc.com) sets out on pages 12-13 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 2017

	Notes	Six months ended 31 December 2017 £m	Six months ended 31 December 2016 £m	Year ended 30 June 2017 £m
Revenue	4	**238.6**	222.1	459.1
Adjusted operating profit	4	**28.3**	24.5	55.1
Adjusting items:				
- Net IAS 41 valuation movement on biological assets	10	**(3.6)**	(5.0)	(1.1)
- Amortisation of acquired intangible assets	9	**(5.0)**	(3.6)	(8.7)
- Share-based payment expense		**(3.0)**	(1.7)	(4.6)
		(11.6)	(10.3)	(14.4)
- Exceptional items:				
- Litigation	5	**(2.2)**	(2.9)	(5.3)
- Acquisition and integration	5	**(0.6)**	(0.3)	(0.6)
- Other (including restructuring)	5	**0.4**	(1.0)	(2.3)
- Pension related	5	**-**	-	5.7
Total exceptional items		**(2.4)**	(4.2)	(2.5)
Total adjusting items		**(14.0)**	(14.5)	(16.9)
Operating profit		**14.3**	10.0	38.2
Share of post-tax profit of joint ventures and associates retained	11	**2.5**	3.1	6.2
Finance costs	6	**(2.6)**	(2.2)	(4.5)
Finance income	6	**0.1**	0.5	0.8
Profit before tax		**14.3**	11.4	40.7
Taxation	7	**28.3**	(2.6)	(6.4)
Profit for the period from continuing operations		**42.6**	8.8	34.3
Attributable to:				
Owners of the Company		**42.1**	8.1	32.8
Non-controlling interest		**0.5**	0.7	1.5
		42.6	8.8	34.3
Earnings per share from continuing operations				
Basic earnings per share	13	**69.0p**	13.3p	53.8p
Diluted earnings per share	13	**67.8p**	13.1p	53.0p
Alternative measures of performance				
Adjusted operating profit from continuing operations		**28.3**	24.5	55.1
Adjusted operating profit attributable to non-controlling interest		**(0.4)**	(1.0)	(2.1)
Pre-tax share of profits from joint ventures and associates excluding net IAS 41 valuation movement		**3.6**	3.3	7.1
Adjusted operating profit including joint ventures and associates		**31.5**	26.8	60.1
Net finance costs	6	**(2.5)**	(1.7)	(3.7)
Adjusted profit before tax from continuing operations		**29.0**	25.1	56.4
Adjusted earnings per share from continuing operations				
Basic adjusted earnings per share	13	**40.9p**	30.5p	69.4p
Diluted adjusted earnings per share	13	**40.3p**	30.2p	68.4p

GENUS PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2017

	Six months ended 31 December 2017		Six months ended 31 December 2016		Year ended 30 June 2017	
	£m	**£m**	£m	£m	£m	£m
Profit for the period		**42.6**		8.8		34.3
Items that may be reclassified subsequently to profit or loss						
Foreign exchange translation differences	**(22.3)**		40.7		7.7	
Fair value movement on net investment hedges	**3.2**		(6.9)		(2.7)	
Fair value movement on cash flow hedges	**0.5**		2.3		2.1	
Tax relating to components of other comprehensive income	**3.5**		(10.9)		(4.6)	
		(15.1)		25.2		2.5
Items that may not be reclassified subsequently to profit or loss						
Actuarial gain on retirement benefit obligations	**1.8**		0.5		1.2	
Movement on pension asset recognition restriction	**-**		(2.7)		0.3	
(Recognition) /release of additional pension liability	**(2.0)**		1.3		(4.3)	
Tax relating to components of other comprehensive income	**(0.1)**		0.2		0.4	
		(0.3)		(0.7)		(2.4)
Other comprehensive (expense) / income for the period		**(15.4)**		24.5		0.1
Total comprehensive income for the period		**27.2**		33.3		34.4
Attributable to:						
Owners of the Company		**26.7**		32.6		33.8
Non-controlling interest		**0.5**		0.7		0.6
		27.2		33.3		34.4

GENUS PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2017

	Note	Called up share capital £m	Share premium account £m	Own shares £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
BALANCE AT 30 JUNE 2016		6.1	112.3	(0.1)	37.5	(0.6)	219.3	374.5	(6.4)	368.1
Foreign exchange translation differences, net of tax		-	-	-	3.9	-	-	3.9	(0.9)	3.0
Fair value movement on net investment hedges, net of tax		-	-	-	(2.2)	-	-	(2.2)	-	(2.2)
Fair value movement on cash flow hedges, net of tax		-	-	-	-	1.7	-	1.7	-	1.7
Actuarial gain on retirement benefit obligations, net of tax		-	-	-	-	-	1.0	1.0	-	1.0
Movement on pension asset recognition restriction, net of tax		-	-	-	-	-	0.3	0.3	-	0.3
Recognition of additional pension liability, net of tax		-	-	-	-	-	(3.7)	(3.7)	-	(3.7)
Other comprehensive income/(expense) for the year		-	-	-	1.7	1.7	(2.4)	1.0	(0.9)	0.1
Profit for the year		-	-	-	-	-	32.8	32.8	1.5	34.3
Total comprehensive income/(expense) for the year		-	-	-	1.7	1.7	30.4	33.8	0.6	34.4
Recognition of share-based payments, net of tax		-	-	-	-	-	4.0	4.0	-	4.0
Adjustment arising from change in non-controlling interest		-	-	-	-	-	-	-	8.6	8.6
Dividends	8	-	-	-	-	-	(13.5)	(13.5)	-	(13.5)
Issue of ordinary shares		-	0.5	-	-	-	-	0.5	-	0.5
BALANCE AT 30 JUNE 2017		**6.1**	**112.8**	**(0.1)**	**39.2**	**1.1**	**240.2**	**399.3**	**2.8**	**402.1**
Foreign exchange translation differences, net of tax		-	-	-	**(18.1)**	-	-	**(18.1)**	-	**(18.1)**
Fair value movement on net investment hedges, net of tax		-	-	-	**2.6**	-	-	**2.6**	-	**2.6**
Fair value movement on cash flow hedges, net of tax		-	-	-	-	**0.4**	-	**0.4**	-	**0.4**
Actuarial gain on retirement benefit obligations, net of tax		-	-	-	-	-	**1.8**	**1.8**	-	**1.8**
Movement on pension asset recognition restriction, net of tax		-	-	-	-	-	-	-	-	-
Release of additional pension liability, net of tax		-	-	-	-	-	**(2.1)**	**(2.1)**	-	**(2.1)**
Other comprehensive (expense)/ income for the period		-	-	-	**(15.5)**	**0.4**	**(0.3)**	**(15.4)**	-	**(15.4)**
Profit for the period		-	-	-	-	-	**42.1**	**42.1**	**0.5**	**42.6**
Total comprehensive (expense)/income for the period		-	-	-	**(15.5)**	**0.4**	**41.8**	**26.7**	**0.5**	**27.2**
Recognition of share-based payments, net of tax		-	-	-	-	-	**3.0**	**3.0**	-	**3.0**
Adjustment arising from change in non-controlling interest and written put option		-	-	-	-	-	-	-	**0.8**	**0.8**
Dividends	8	-	-	-	-	-	**(9.9)**	**(9.9)**	-	**(9.9)**
Issue of ordinary shares		-	-	-	-	-	-	-	-	-
BALANCE AT 31 DECEMBER 2017		**6.1**	**112.8**	**(0.1)**	**23.7**	**1.5**	**275.1**	**419.1**	**4.1**	**423.2**

	Note	Called up share capital £m	Share premium account £m	Own shares £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
BALANCE AT 30 JUNE 2016		**6.1**	**112.3**	**(0.1)**	**37.5**	**(0.6)**	**219.3**	**374.5**	**(6.4)**	**368.1**
Foreign exchange translation differences, net of tax		-	-	-	28.8	-	-	28.8	-	28.8
Fair value movement on net investment hedges, net of tax		-	-	-	(5.5)	-	-	(5.5)	-	(5.5)
Fair value movement on cash flow hedges, net of tax		-	-	-	-	1.9	-	1.9	-	1.9
Actuarial gain on retirement benefit obligations, net of tax		-	-	-	-	-	0.7	0.7	-	0.7
Movement on pension asset recognition restriction, net of tax		-	-	-	-	-	(2.7)	(2.7)	-	(2.7)
Release of additional pension liability, net of tax		-	-	-	-	-	1.3	1.3	-	1.3
Other comprehensive income/(expense) for the period		-	-	-	23.3	1.9	(0.7)	24.5	-	24.5
Profit for the period		-	-	-	-	-	8.1	8.1	0.7	8.8
Total comprehensive income for the period		-	-	-	23.3	1.9	7.4	32.6	0.7	33.3
Recognition of share-based payments, net of tax		-	-	-	-	-	1.3	1.3	-	1.3
Adjustment arising from change in non-controlling interest and written put option		-	-	-	-	-	-	-	2.2	2.2
Dividends	8	-	-	-	-	-	(9.0)	(9.0)	-	(9.0)
Issue of ordinary shares		-	0.1	-	-	-	-	0.1	-	0.1
BALANCE AT 31 DECEMBER 2016		**6.1**	**112.4**	**(0.1)**	**60.8**	**1.3**	**219.0**	**399.5**	**(3.5)**	**396.0**

GENUS PLC
CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 December 2017

	Notes	31 December 2017 £m	31 December 2016 £m	30 June 2017 £m
Assets				
Goodwill	9	**101.9**	96.7	104.7
Other intangible assets	9	**81.5**	87.0	88.3
Biological assets	10	**267.9**	289.7	279.2
Property, plant and equipment		**66.4**	67.4	67.5
Interests in joint ventures and associates	11	**23.8**	26.8	22.7
Other investments		**5.5**	3.9	5.5
Derivative financial assets	16	**1.8**	1.6	0.1
Deferred tax assets		**3.9**	5.5	3.8
Total non-current assets		**552.7**	578.6	571.8
Inventories		**32.9**	39.8	33.1
Biological assets	10	**70.1**	70.6	73.9
Trade and other receivables		**89.3**	83.2	88.8
Cash and cash equivalents		**27.7**	37.0	26.5
Income tax receivable		**2.0**	1.2	1.9
Derivative financial assets	16	**-**	0.3	1.3
Asset held for sale		**0.3**	0.3	0.3
Total current assets		**222.3**	232.4	225.8
Total assets		**775.0**	811.0	797.6
Liabilities				
Trade and other payables		**(72.9)**	(71.5)	(76.4)
Interest-bearing loans and borrowings		**(13.8)**	(2.4)	(7.7)
Provisions		**(1.9)**	(0.9)	(2.7)
Obligations under finance leases		**(1.6)**	(2.0)	(1.4)
Current tax liabilities		**(4.2)**	(5.2)	(5.2)
Derivative financial liabilities	16	**(0.8)**	(0.4)	(0.6)
Total current liabilities		**(95.2)**	(82.4)	(94.0)

	Notes	31 December 2017 £m	31 December 2016 £m	30 June 2017 £m
Interest-bearing loans and borrowings		**(123.6)**	(140.0)	(127.2)
Retirement benefit obligations	15	**(38.1)**	(43.3)	(40.9)
Provisions		**(3.7)**	-	(3.7)
Deferred tax liabilities		**(85.2)**	(132.5)	(124.2)
Derivative financial liabilities	16	**(3.9)**	(15.2)	(3.7)
Obligations under finance leases		**(2.1)**	(1.6)	(1.8)
Total non-current liabilities		**(256.6)**	(332.6)	(301.5)
Total liabilities		**(351.8)**	(415.0)	(395.5)
Net assets		**423.2**	396.0	402.1
Equity				
Called up share capital		**6.1**	6.1	6.1
Share premium account		**112.8**	112.4	112.8
Own shares		**(0.1)**	(0.1)	(0.1)
Translation reserve		**23.7**	60.8	39.2
Hedging reserve		**1.5**	1.3	1.1
Retained earnings		**275.1**	219.0	240.2
Equity attributable to owners of the Company		**419.1**	399.5	399.3
Non-controlling interest		**7.2**	11.7	6.1
Put option over non-controlling interest		**(3.1)**	(15.2)	(3.3)
Total non-controlling interest		**4.1**	(3.5)	2.8
Total equity		**423.2**	396.0	402.1

GENUS PLC
GROUP STATEMENT OF CASH FLOWS
For the six months ended 31 December 2017

	Notes	**Six months ended 31 December 2017 £m**	Six months ended 31 December 2016 £m	Year ended 30 June 2017 £m
Net cash flow from operating activities	14	**14.3**	8.3	34.6
Cash flows from investing activities				
Dividends received from joint ventures and associates		**-**	-	3.8
Joint venture loan repayment		**-**	1.7	3.0
Acquisition of subsidiaries, net of cash acquired		**-**	(2.9)	(17.5)
Deferred consideration paid		**(1.6)**	-	-
Increase investment in subsidiaries		**-**	-	(12.0)
Acquisition of investment		**-**	(0.3)	(0.3)
Acquisition of investment in joint venture		**-**	-	(0.2)
Disposal of joint venture		**-**	-	1.5
Purchase of property, plant and equipment		**(5.5)**	(6.5)	(13.4)
Purchase of intangible assets		**(1.6)**	(3.7)	(5.5)
Proceeds from sale of property, plant and equipment		**0.3**	1.0	1.4
Net cash outflow from investing activities		**(8.4)**	(10.7)	(39.2)
Cash flows from financing activities				
Drawdown of borrowings		**28.5**	35.2	68.1
Repayment of borrowings		**(18.0)**	(17.8)	(55.7)
Payment of finance lease liabilities		**(1.0)**	(1.0)	(2.0)
Equity dividends paid		**(9.9)**	(9.0)	(13.5)
Dividend to non-controlling interest		**-**	-	(0.1)
Issue of ordinary shares		**-**	0.1	0.5
Debt issue costs		**-**	-	(0.4)
Decrease in bank overdrafts		**(4.0)**	(3.5)	-
Net cash (outflow) / inflow from financing activities		**(4.4)**	4.0	(3.1)
Net increase/(decrease) in cash and cash equivalents		**1.5**	1.6	(7.7)
Cash and cash equivalents at beginning of period		**26.5**	34.0	34.0
Net increase / (decrease) in cash and cash equivalents		**1.5**	1.6	(7.7)
Effect of exchange rate fluctuations on cash and cash equivalents		**(0.3)**	1.4	0.2
Total cash and cash equivalents at end of period		**27.7**	37.0	26.5

GENUS PLC
ANALYSIS OF NET DEBT
For the six months ended 31 December 2017

	At 1 July 2017 £m	Net cash flows £m	Foreign exchange £m	Non-cash movement £m	**At 31 December 2017 £m**
Cash and cash equivalents	26.5	1.5	(0.3)	-	**27.7**
Interest-bearing loans - current	(7.7)	(6.1)	0.2	(0.2)	**(13.8)**
Obligation under finance leases – current	(1.4)	1.0	-	(1.2)	**(1.6)**
	(9.1)	(5.1)	0.2	(1.4)	**(15.4)**
Interest-bearing loans – non-current	(127.2)	(0.4)	4.0	-	**(123.6)**
Obligation under finance lease – non-current	(1.8)	-	0.1	(0.4)	**(2.1)**
	(129.0)	(0.4)	4.1	(0.4)	**(125.7)**
Net debt	(111.6)	(4.0)	4.0	(1.8)	**(113.4)**

	At 1 July 2016 £m	Net cash flows £m	Foreign exchange £m	Non-cash movement £m	At 31 December 2016 £m
Cash and cash equivalents	34.0	1.6	1.4	-	37.0
Interest-bearing loans - current	(4.6)	2.8	(0.4)	(0.2)	(2.4)
Obligation under finance leases – current	(1.1)	1.0	(0.1)	(1.8)	(2.0)
	(5.7)	3.8	(0.5)	(2.0)	(4.4)
Interest-bearing loans – non-current	(115.3)	(16.7)	(8.0)	-	(140.0)
Obligation under finance lease – non-current	(2.7)	-	(0.2)	1.3	(1.6)
	(118.0)	(16.7)	(8.2)	1.3	(141.6)
Net debt	(89.7)	(11.3)	(7.3)	(0.7)	(109.0)

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

1. Basis of preparation

The unaudited Condensed Set of Financial Statements for the six months ended 31 December 2017:

- 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 Genus plc Annual Report 2017;
- 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 27 February 2018.

The information relating to the year ended 30 June 2017 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 2017 has not been reviewed by our Auditor.

The Genus plc Annual Report 2017 (a copy of which is available on the Genus plc website at www.genusplc.com) sets out on pages 12-13 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.

In Note 4 we have reclassified the comparative periods to reflect the change in allocation of costs within the sub analysis of Research and Development segment, to conform to the current period definition.

2. Accounting policies and non-GAAP measures

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins after 1 January 2017. Their addition has not had any material impact on the disclosures or the amounts reported in the Interim Financial Statements.

- Amendments to IAS 7 – Disclosure Initiative
- Amendments to IAS 12 - Recognition of Deferred tax Assets for Unrealised Losses
- Annual Improvements to IFRSs 2014 -2016

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).

- IFRS 9 – Financial Instruments
- IFRS 15 - Revenue from contracts with Customers
- IFRS 16 - Leases
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payments Transactions
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- IFRIC 23 – Uncertainty over Income Tax Treatments

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

Alternative performance measures (‘APMs’)

In reporting financial information, the Group presents alternative performance measures, (‘APMs’), which are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. The APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board and the executive leadership committee. Some of these measures are also used for the purpose of setting remuneration targets.

The key APMs that the Group uses include: adjusted operating profit, adjusted profit before tax from continuing operations, adjusted earnings per share, adjusted EBITDA and net debt.

The Group reports some financial measures, on both a reported and constant currency basis. The constant currency basis, which is an APM, retranslates the previous year results at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results.

The Group makes certain adjustments to the statutory profit measures in order to derive many of these APMs. The Group’s policy is to exclude items that are considered to be significant in nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group. On this basis, the following were included within adjusted items for the 6 months ended 31 December 2017:

- net IAS 41 valuation movements on biological assets - movements can be materially volatile and do not directly correlate to the underlying trading performance in the period. Furthermore, the movement is non-cash related and many assumptions used in the valuation model are based on future projections rather than current trading;

- amortisation of acquired intangible assets – by excluding it helps the comparability between acquired operations and organically grown operations, as the latter are not able to recognise internally generated intangible assets. Adjusting for amortisation provides a more consistent basis for comparison between the two;
- share based payments – this expense is considered to be relatively volatile and is not fully reflective of the current period trading as the performance criteria are based on EPS performance over a three year period and include estimates of future period performance; and
- exceptional items – are items which either due to their size or their nature are excluded to improve the understanding of the Company's underlying performance, see note 5 for further details.

The reconciliation between operating profit from continuing operations and adjusted operating profit from continuing operations is shown on the face of the Group Income Statement. For adjusted earnings per share, the reconciliation between profit before tax and adjusted profit after tax is shown in note 13. For adjusted EBITDA, the reconciliation between profit after tax and adjusted EBITDA is shown in note 14. A reconciliation of net debt is provided after the Group Statement of Cash Flows.

3. Foreign currencies

The principal exchange rates used were as follows:

	Average			Closing		
	Six months ended 31 December 2017	Six months ended 31 December 2016	Year ended 30 June 2017	**31 December 2017**	31 December 2016	30 June 2017
US Dollar/£	**1.33**	1.27	1.27	**1.35**	1.24	1.30
Euro/£	**1.12**	1.16	1.16	**1.13**	1.17	1.14
Brazilian Real/£	**4.28**	4.14	4.11	**4.48**	4.01	4.30
Mexican Peso/£	**24.68**	24.79	24.61	**26.58**	25.46	23.51

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

IFRS 8 'Operating Segments' requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group Chief Executive and the Board to allocate resources to the segments and to assess their performance.

The Group's operating and reporting structure comprises of three operating segments; Genus PIC, Genus ABS and Research and Development. These segments are the basis on which the Group reports its segmental information. The principal activities of each segment are as follows:

- Genus PIC – our global porcine sales business;
- Genus ABS - our global bovine sales business; and
- Research and Development – our global spend on research and development.

A segment analysis of revenue, operating profit and segment assets and liabilities are detailed below. We do not include our adjusting items in the segments as we believe these do not reflect the underlying progress of the segments. The accounting policies of the reportable segments are the same as the Group's accounting policies as described in the financial statements.

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 2017 £m	Six months ended 31 December 2016 £m	Year ended 30 June 2017 £m
Genus PIC	**126.4**	122.5	249.5
Genus ABS	**105.6**	93.4	195.9
Research and Development			
Porcine Product Development	**5.6**	5.4	10.7
Bovine Product Development	**1.0**	0.8	3.0
Gene Editing	**-**	-	-
Other Research and Development	**-**	-	-
	6.6	6.2	13.7
	238.6	222.1	459.1

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 2017 £m	Six months ended 31 December 2016 (Restated) £m	Year ended 30 June 2017 (Restated) £m
Genus PIC	**44.1**	42.8	87.7
Genus ABS	**11.7**	9.0	22.3
Research and Development			
Porcine Product Development	**(8.4)**	(8.2)	(16.6)
Bovine Product Development	**(7.5)**	(7.9)	(14.2)
Gene Editing	**(2.1)**	(1.5)	(3.5)
Other Research and Development	**(3.8)**	(4.0)	(8.4)
	(21.8)	(21.6)	(42.7)
Segment operating profit	**34.0**	30.2	67.3
Central	**(5.7)**	(5.7)	(12.2)
Adjusted operating profit	**28.3**	24.5	55.1

	Segment assets			Segment liabilities		
	31 December 2017 £m	31 December 2016 £m	30 June 2017 £m	**31 December 2017 £m**	31 December 2016 £m	30 June 2017 £m
Genus PIC	**250.4**	253.2	258.3	**(52.0)**	(55.4)	(60.1)
Genus ABS	**141.2**	145.7	132.8	**(36.1)**	(43.5)	(41.1)
Research and Development						
Porcine Product Development	**170.7**	172.5	182.4	**(52.7)**	(68.3)	(72.0)
Bovine Product Development	**188.2**	219.5	202.7	**(39.8)**	(61.5)	(52.6)
Gene Editing	**5.1**	5.1	5.1	**(1.4)**	(0.2)	(1.4)
Other Research and Development	**0.4**	4.9	0.8	**-**	-	-
	364.4	402.0	391.0	**(93.9)**	(130.0)	(126.0)
Segment total	**756.0**	800.9	782.1	**(182.0)**	(228.9)	(227.2)
Central	**19.0**	10.1	15.5	**(169.8)**	(186.1)	(168.3)
Total	**775.0**	811.0	797.6	**(351.8)**	(415.0)	(395.5)

Exceptional items of £2.4m expense (2016: £4.2m expense), relate to Genus ABS (£2.3m expense), Genus PIC (£0.4m credit) and our central segment (£0.5m expense). Note 5 provides the details of these exceptional items.

We consider share-based payment expenses on a Group-wide basis and do not allocate them to reportable segments.

Revenue is split by product

	Six months ended 31 December 2017 £m	Six months ended 31 December 2016 £m	Year ended 30 June 2017 £m
Sale of animals, semen, embryos and associated products and services	**175.1**	161.4	335.7
Royalties – animal and semen	**60.0**	57.3	116.1
Consulting services	**3.5**	3.4	7.3
	238.6	222.1	459.1
Interest income (see note 6)	**0.1**	0.5	0.8
	238.7	222.6	459.9

5. Exceptional items

Operating (expenses)/income:	**Six months ended 31 December 2017 £m**	Six months ended 31 December 2016 £m	Year ended 30 June 2017 £m
Litigation	**(2.2)**	(2.9)	(5.3)
Acquisition and integration	**(0.6)**	(0.3)	(0.6)
Other (including restructuring)	**0.4**	(1.0)	(2.3)
Pension related	**-**	-	5.7
	(2.4)	(4.2)	(2.5)

Litigation

Litigation includes legal fees of £2.4m (2016: £4.2m) related to the action by ABS Global, Inc. ('ABS') against Inguran, LLC (aka Sexing Technologies ('ST')).

On 14 July 2014, ABS launched a legal action against ST in the US District Court for the Western District of Wisconsin alleging, among other matters, that ST: (i) has a monopoly in the processing of sexed bovine semen in the US; and (ii) unlawfully maintains this monopoly through anticompetitive conduct. The legal action aimed to remove these barriers and allow free and fair competition in the sexed bovine semen processing market ('ABS Action'). In parallel with the ABS Action, ABS also filed Inter-Partes Review applications ('IPR') before the US Patent Office challenging the validity of several of ST's group patents, which ST later claimed were infringed by ABS.

On 11 January and 15 April 2016, the PTAB ruled that US Patent No. 7,195,920 (the ''920 patent') and US Patent No. 7,820,425 (the ''425 patent') were unpatentable. ST has appealed these decisions, and the appeal was heard by a federal court of appeals on 5 December 2017. The parties await the Federal Circuit's decision. On 14 July 2015 and 2 October 2017, PTAB declined to revoke US Patent No. 8,206,987 (the ''987 patent') and US Patent No. 8,198,092 (the ''092 patent') respectively. ABS has appealed the '092 patent decision and the validity of the '987 patent will be considered as part of the ABS Action appeal.

On 31 March 2017, the Court entered a judgment in the ABS Action which confirmed: (i) the Company and ABS had proved that ST had wilfully maintained a monopoly in the market for sexed bovine semen processing in the US since July 2012, and awarded a permanent injunction against ST which, among other matters, relieved ABS of certain research, marketing and other non-compete restrictions contained in the 2012 semen sorting agreement between the parties; (ii) ST's '987 and '092 patents were valid and infringed; and (iii) that ABS had materially breached the confidentiality obligations under the 2012 semen sorting agreement. The Court also confirmed that: (i) the Company and ABS should pay ST an up-front amount of $750,000 and an on-going royalty of $1.25 per straw on commercialisation of the Genus Sexed Semen technology for the use of ST's '987 patent in the US; (ii) the Company and ABS should pay ST an up-front payment of $500,000 and an on-going royalty of $0.50 per straw for the use of ST's '092 patent in the US; (iii) ABS should pay XY, LLC damages of $750,000 for the use of certain XY trade secrets; and (iv) ABS had breached the confidentiality obligations under the 2012 semen sorting agreement.

ABS and the Company appealed the '987 patent and the breach of contract decisions and the appeal hearing was heard on 20 February 2018. The parties await the Court of Appeal's decision. Damages of $1,250,000 were paid by ABS to ST shortly after the Court's decision in the ABS Action, and ABS has subsequently amended its technology such that it does not infringe the '092 patent claims. ABS has informed ST that it does not intend to pay the $0.50 royalty going forward. Claims for legal costs (and post judgement interest) already incurred in connection with the ABS Action have been filed by both parties. ABS has sought approximately $5.4m in legal fees and costs already charged to the income statement and ST has sought approximately $280,000 in legal costs (excluding fees). Both parties await the Court's decision.

On 7 June 2017, ST, XY LLC and Cytonome/ST, LLC filed proceedings against ABS, the Company and Premium Genetics (UK) Limited ('PG') in the United States District Court for the Western District of Wisconsin ("New Litigation"). The New Litigation alleges that ABS and the Company infringe seven further patents and asserts trade secret and breach of contract claims. ABS and the Company have filed an Answer and Counterclaim confirming that they do not infringe any valid patent, and alleging among other things that: (i) ST is again in breach of anti-trust legislation; (ii) ST has breached its 2012 semen sorting agreement with ABS by failing to produce sorted semen that complies with the contractual specifications; and (iii) ST has obtained certain patents through inequitable conduct. In addition, ABS has filed five IPRs seeking to revoke the additional patents raised in the New Litigation. The Company and ABS intend to pursue vigorously their counterclaims and defend the patent infringement and other claims.

Acquisition and integration

During the period, £0.6m of expenses were incurred in relation to acquisitions and integration.

Other (including restructuring)

Included within 'other' are costs principally relating to an insurance receipt from a legacy environmental claim.

6. Net finance costs

	Six months ended 31 December 2017 £m	Six months ended 31 December 2016 £m	Year ended 30 June 2017 £m
Interest payable on bank loans and overdrafts	**(1.7)**	(1.3)	(2.7)
Amortisation of debt issue costs	**(0.2)**	(0.2)	(0.4)
Other interest payable	**(0.1)**	-	(0.1)
Net interest cost in respect of pension scheme liabilities	**(0.5)**	(0.6)	(1.2)
Net interest cost on derivative financial instruments	**(0.1)**	(0.1)	(0.1)
Total interest expense	**(2.6)**	(2.2)	(4.5)
Interest income on bank deposits	**0.1**	0.5	0.8
Total interest income	**0.1**	0.5	0.8
Net finance costs	**(2.5)**	(1.7)	(3.7)

7. Taxation

	Six months ended 31 December 2017 £m	Six months ended 31 December 2016 £m	Year ended 30 June 2017 £m
Current tax	**5.6**	4.0	10.3
Deferred tax	**(33.9)**	(1.4)	(3.9)
Income tax (credit) / expense	**(28.3)**	2.6	6.4

The tax credit for the period of £28.3m on statutory profit (2016: tax charge of £2.6m) represents an effective tax rate of -198%. The tax credit for the period has been materially impacted by the passage into law of the Tax Cuts and Jobs Act in the US, resulting in the revaluation of the Group's net deferred tax liability in the US from Federal tax rates of 35% to the lower Federal tax rate of 28% for reversals in the year to 30 June 2018 and 21% for reversals thereafter. The total deferred tax credit recognised as at 31 December 2017 in respect of this revaluation of the Group's net deferred tax liabilities was £32.0m. Absent the revaluation of these deferred tax liabilities the statutory effective tax rate would have been a charge of 25.9% (2016: 22.8%). Other aspects of US tax reform are broadly neutral in the period.

The tax charge on adjusted profits for the period is £4.0m (2016: £6.5m), which represents a tax rate on adjusted profits of 13.8%. The tax charge on adjusted profits for the period is also impacted by tax credits from the restatement of US deferred tax liabilities totalling £3.7m. In the absence of this one-off credit, the underlying tax rate on adjusted profits would have been 26.6% (2016: 25.9%). Other aspects of US tax reform on the adjusted tax charge for the period are broadly neutral.

There is a deferred tax liability at the period end of £85.2m (2016: £132.5m) which mainly relates to the recognition at fair value of biological assets and intangible assets arising on acquisition and a deferred tax asset of £3.9m (2016: £5.5m) which mainly relates to future tax deductions in respect of pension scheme liabilities, share scheme awards and financial instruments.

8. Dividends

Amounts recognised as distributions to equity holders in the period:	**Six months ended 31 December 2017 £m**	Six months ended 31 December 2016 £m	Year ended 30 June 2017 £m
Final dividend			
Final dividend for the year ended 30 June 2017 of 16.2 pence per share	**9.9**	-	-
Final dividend for the year ended 30 June 2016 of 14.7 pence per share	**-**	9.0	9.0
Interim dividend			
Interim dividend for the year ended 30 June 2017 of 7.4 pence per share	**-**	-	4.5
	9.9	9.0	13.5

The final dividend for the year ended 30 June 2017 was approved at the Company Annual General Meeting on 16 November 2017 and paid on 1 December 2017. On 27 February 2018, the Directors proposed an interim dividend of 8.1 pence per share payable on 4 April 2018.

9. Intangible assets

	Technology £m	Brand, multiplier contracts and customer relationships £m	Separately identified acquired intangible assets £m	Software £m	Genus Sexed Semen £m	Patents, licence and other £m	Total £m	Goodwill £m
Cost								
Balance at 1 July 2016	46.6	72.7	119.3	6.9	17.8	2.6	146.6	86.0
Additions	-	-	-	0.9	3.1	1.5	5.5	-
Acquisition	6.7	7.4	14.1	-	-	-	14.1	16.2
Reclassified from Tangible assets	-	-	-	1.0	-	-	1.0	-
Effect of movements in exchange rates	0.1	2.2	2.3	-	0.4	-	2.7	2.5
Balance at 30 June 2017	53.4	82.3	135.7	8.8	21.3	4.1	169.9	104.7
Additions	**-**	**-**	**-**	**0.9**	**0.8**	**-**	**1.7**	**-**
Transfers	**(1.0)**	**-**	**(1.0)**	**1.0**	**-**	**-**	**-**	**-**
Reclassified from tangible assets	**-**	**-**	**-**	**1.1**	**-**	**-**	**1.1**	**-**
Disposals	**-**	**-**	**-**	**(0.1)**	**-**	**(0.2)**	**(0.3)**	**-**
Effect of movements in exchange rates	**0.1**	**(2.9)**	**(2.8)**	**(0.2)**	**(0.8)**	**0.1**	**(3.7)**	**(2.8)**
Balance at 31 December 2017	**52.5**	**79.4**	**131.9**	**11.5**	**21.3**	**4.0**	**168.7**	**101.9**
Amortisation and impairment losses								
Balance at 1 July 2016	22.1	40.9	63.0	5.4	-	0.2	68.6	-
Amortisation for the year	2.7	6.0	8.7	1.3	0.4	0.8	11.2	-
Reclassified from tangible assets	-	-	-	0.7	-	-	0.7	-
Effect of movements in exchange rates	-	1.0	1.0	0.1	-	-	1.1	-
Balance at 30 June 2017	24.8	47.9	72.7	7.5	0.4	1.0	81.6	-
Amortisation for the period	**1.8**	**3.2**	**5.0**	**0.6**	**1.1**	**0.5**	**7.2**	**-**
Transfers	**(0.2)**	**-**	**(0.2)**	**0.2**	**-**	**-**	**-**	
Reclassified from tangible assets	**-**	**-**	**-**	**0.4**	**-**	**-**	**0.4**	**-**
Disposals	**-**	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**	**-**
Effect of movements in exchange rates	**-**	**(1.8)**	**(1.8)**	**(0.1)**	**-**	**-**	**(1.9)**	**-**
Balance at 31 December 2017	**26.4**	**49.3**	**75.7**	**8.6**	**1.5**	**1.4**	**87.2**	**-**
Carrying amounts								
At 31 December 2017	**26.1**	**30.1**	**56.2**	**2.9**	**19.8**	**2.6**	**81.5**	**101.9**
At 30 June 2017	28.6	34.4	63.0	1.3	20.9	3.1	88.3	104.7

Included within the carrying amount of Software is £0.8m relating to internally generated software assets in the course of construction.

10. Biological assets

Fair value of biological assets	Bovine	Porcine	Total
	£m	£m	£m
Balance at 1 July 2017	**137.5**	**215.6**	**353.1**
Increases due to purchases	**5.9**	**62.8**	**68.7**
Decreases attributable to sales	**-**	**(89.7)**	**(89.7)**
Decrease due to harvest	**(14.4)**	**(10.3)**	**(24.7)**
Changes in fair value less estimated sale costs	**11.5**	**31.9**	**43.4**
Effect of movements in exchange rates	**(4.9)**	**(7.9)**	**(12.8)**
Balance at 31 December 2017	**135.6**	**202.4**	**338.0**
Non-current biological assets	135.6	132.3	267.9
Current biological assets	-	70.1	70.1
Balance at 31 December 2017	**135.6**	**202.4**	**338.0**
Balance at 1 July 2016	146.3	184.7	331.0
Increases due to purchases	6.7	80.2	86.9
Acquisition	5.4	-	5.4
Decreases attributable to sales	-	(95.2)	(95.2)
Decrease due to harvest	(17.6)	(9.9)	(27.5)
Changes in fair value less estimated sale costs	1.4	32.8	34.2
Effect of movements in exchange rates	11.0	14.5	25.5
Balance at 31 December 2016	**153.2**	**207.1**	**360.3**
Non-current biological assets	153.2	136.5	289.7
Current biological assets	-	70.6	70.6
Balance at 31 December 2016	153.2	207.1	360.3
Balance at 1 July 2016	146.3	184.7	331.0
Increases due to purchases	11.9	176.0	187.9
Acquisition	5.4	-	5.4
Decreases attributable to sales	-	(197.8)	(197.8)
Decrease due to harvest	(40.7)	(19.3)	(60.0)
Changes in fair value less estimated sale costs	10.3	66.0	76.3
Effect of movements in exchange rates	4.3	6.0	10.3
Balance at 30 June 2017	**137.5**	**215.6**	**353.1**
Non-current biological assets	137.5	141.7	279.2
Current biological assets	-	73.9	73.9
Balance at 30 June 2017	**137.5**	**215.6**	**353.1**

Bovine

Bovine biological assets include £7.4m (2016: £7.7m) 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 has been assessed as 9.0% (2016: 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

Included in increases due to purchases is the aggregate increase arising during the period on initial recognition of biological assets in respect of multiplier purchases, other than parent gilts, of £23.6m (2016: £46.9m).

Decreases attributable to sales during the period of £89.7m (2016: £95.2m) include £27.6m (2016: £31.5m) 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.

Also included is £46.8m (2016: £54.3m) relating to the fair value of the retained interest in the genetics in respect of animals, other than parent gilts, sold to customers under royalty contracts in the period.

Total revenue in the period, including parent gilts, includes £81.7m (2016: £77.8m) in respect of these contracts, comprising £28.3m (2016: £26.0m) on initial transfer of animals to customers and £53.5m (2016: £51.8m) 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% (2016: 11.0%). The number of future generations which have been taken into account is seven (2016: seven) and their estimated useful lifespan is 1.4 years (2016: 1.4 years).

Six months ended 31 December 2017	**Bovine £m**	**Porcine £m**	**Total £m**
Net valuation movement on biological assets*			
Changes in fair value of biological assets	**11.5**	**31.9**	**43.4**
Inventory transferred to cost of sales at fair value	**(11.3)**	**(10.3)**	**(21.6)**
Biological assets transferred to cost of sales at fair value	**-**	**(25.2)**	**(25.2)**
	0.2	**(3.6)**	**(3.4)**
Fair value movements in related financial derivative	**-**	**(0.2)**	**(0.2)**
	0.2	**(3.8)**	**(3.6)**

Six months ended 31 December 2016	**Bovine £m**	**Porcine £m**	**Total £m**
Net valuation movement on biological assets*			
Changes in fair value of biological assets	1.4	32.8	34.2
Inventory transferred to cost of sales at fair value	(15.8)	(9.9)	(25.7)
Biological assets transferred to cost of sales at fair value	-	(13.1)	(13.1)
	(14.4)	9.8	(4.6)
Fair value movements in related financial derivative	-	(0.4)	(0.4)
	(14.4)	9.4	(5.0)

Year ended 30 June 2017	**Bovine £m**	**Porcine £m**	**Total £m**
Net valuation movement on biological assets*			
Changes in fair value of biological assets	10.3	66.0	76.3
Inventory transferred to cost of sales at fair value	(38.8)	(19.3)	(58.1)
Biological assets transferred to cost of sales at fair value	-	(18.8)	(18.8)
	(28.5)	27.9	(0.6)
Fair value movements in related financial derivative	-	(0.5)	(0.5)
	(28.5)	**27.4**	**(1.1)**

* 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 2017 was £2.5m (2016: £3.1m).

	31 December 2017 £m	31 December 2016 £m
Balance at 1 July	**22.7**	24.3
Share of post-tax retained profits of joint ventures and associates	**2.5**	3.1
Shareholder loan repayment	**-**	(1.7)
Effect of other movements including exchange rates	**(1.4)**	1.1
Balance at 31 December	**23.8**	26.8

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 2017	**13.6**	**(0.1)**	**(10.0)**	**(1.0)**	**2.5**
Six months ended 31 December 2016	14.9	0.5	(11.6)	(0.7)	3.1
Year ended 30 June 2017	28.4	0.5	(21.3)	(1.4)	6.2

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 2017 £m	Six months ended 31 December 2016 £m	Year ended 30 June 2017 £m	31 December 2017 £m	31 December 2016 £m	30 June 2017 £m
Purchase of goods and services to joint ventures and associates	**1.3**	2.3	3.7	**(0.7)**	(0.1)	(0.3)

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 2017 m	Six months ended 31 December 2016 m	Year ended 30 June 2017 m
Weighted average number of ordinary shares (basic)	**61.1**	60.9	60.9
Dilutive effect of share options	**1.0**	0.7	0.9
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**62.1**	61.6	61.8

	Six months ended 31 December 2017	Six months ended 31 December 2016	Year ended 30 June 2017
Earnings per share from continuing operations			
Basic earnings per share	**69.0p**	13.3p	53.8p
Diluted earnings per share	**67.8p**	13.1p	53.0p
Adjusted earnings per share from continuing operations			
Adjusted earnings per share	**40.9p**	30.5p	69.4p
Diluted adjusted earnings per share	**40.3p**	30.2p	68.4p

Earnings per share measures are calculated on the weighted average number of ordinary shares in issue during the period. As in previous periods, 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 based on the net profit attributable to owners of the Company for the period of £42.1m (six months ended 31 December 2016: £8.1m; year ended 30 June 2017: £32.8m) 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 IAS 41 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 £25.0m (six months ended 31 December 2016: £18.6m; year ended 30 June 2017: £42.3m), which is calculated as follows:

Adjusted earnings from continuing operations	**Six months ended 31 December 2017 £m**	Six months ended 31 December 2016 £m	Year ended 30 June 2017 £m
Profit before tax from continuing operations	**14.3**	11.4	40.7
Add/(deduct):			
Net IAS 41 valuation movement on biological assets and commodity futures	**3.6**	5.0	1.1
Amortisation of acquired intangible assets	**5.0**	3.6	8.7
Share-based payment expense	**3.0**	1.7	4.6
Exceptional items	**2.4**	4.2	2.5
Net IAS 41 valuation movement on biological assets in joint ventures and associates	**0.1**	(0.5)	(0.5)
Tax on joint ventures and associates	**1.0**	0.7	1.4
Attributable to non-controlling interest	**(0.4)**	(1.0)	(2.1)
Adjusted profit before tax	**29.0**	25.1	56.4
Adjusted tax charge	**(4.0)**	(6.5)	(14.1)
Adjusted profit after tax	**25.0**	18.6	42.3
Effective tax rate on adjusted profit	**13.8%**	25.9%	25.0%

14. Cash flow from operating activities

	Six months ended 31 December 2017 £m	Six months ended 31 December 2016 £m	Year ended 30 June 2017 £m
Profit for the period	**42.6**	8.8	34.3
Adjustment for:			
Net IAS 41 valuation movement on biological assets	**3.6**	5.0	1.1
Amortisation of acquired intangible assets	**5.0**	3.6	8.7
Share-based payment expense	**3.0**	1.7	4.6
Share of profit of joint ventures and associates	**(2.5)**	(3.1)	(6.2)
Finance costs (net)	**2.5**	1.7	3.7
Income tax (credit) / expense	**(28.3)**	2.6	6.4
Exceptional items	**2.4**	4.2	2.5
Adjusted operating profit from continuing operations	**28.3**	24.5	55.1
Depreciation of property, plant and equipment	**4.9**	4.3	8.8
(Profit) / loss on disposal of plant and equipment	**(0.1)**	0.2	0.2
Loss on disposal of intangible assets	**0.2**	-	-
Amortisation of intangible assets	**2.2**	0.8	2.5
Adjusted earnings before interest, tax, depreciation and amortisation	**35.5**	29.8	66.6
Exceptional item cash	**(3.6)**	(4.2)	(5.4)
Other movements in biological assets and harvested produce	**(0.4)**	(3.0)	(5.7)
(Decrease)/increase in provisions	**(0.4)**	(0.3)	0.1
Additional pension contribution in excess of pension charge	**(3.6)**	(3.1)	(6.6)
Other	**(0.7)**	0.4	(0.9)
Operating cash flows before movement in working capital	**26.8**	19.6	48.1
(Increase)/decrease in inventories	**(1.7)**	(3.7)	1.4
Increase in receivables	**(2.3)**	(1.4)	(9.0)
(Decrease)/increase in payables	**(0.8)**	(1.0)	5.8
Cash generated by operations	**22.0**	13.5	46.3
Interest received	**0.1**	0.5	0.8
Interest and other finance costs paid	**(1.9)**	(1.2)	(3.1)
Cash flow from derivative financial instruments	**(0.3)**	0.3	0.6
Income taxes paid	**(5.6)**	(4.8)	(10.0)
Net cash from operating activities	**14.3**	8.3	34.6

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 2017. The aggregated position of defined benefit schemes are provided below:

	31 December 2017 £m	31 December 2016 £m	30 June 2017 £m
Present value of funded obligations	**421.1**	372.6	424.2
Present value of unfunded obligations	**8.7**	9.4	9.0
Total present value of obligations	**429.8**	382.0	433.2
Fair value of plan assets	**(420.1)**	(361.8)	(418.4)
Restricted recognition of asset	**6.5**	9.5	6.5
Recognition of additional liability (MPF)	**21.9**	13.6	19.6
Recognised liability for defined benefit obligations	**38.1**	43.3	40.9

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 85% 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 2017.

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

	31 December 2017 %	31 December 2016 %	30 June 2017 %
Discount rate	**2.6**	2.7	2.7
Retail Price Index (RPI)	**3.2**	3.2	3.2
Consumer Price Index (CPI)	**2.1**	2.1	2.1

16. Financial instruments fair value disclosures

The table below sets out the categorisation of the financial instruments held by the Group at 31 December 2017.

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 13. 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 2017 £m**	31 December 2016 £m	30 June 2017 £m
Financial assets				
Derivative instruments in non-designated hedge accounting relationships	**2**	**-**	0.3	1.3
Derivative instruments in designated hedge accounting relationships	**2**	**1.8**	1.6	0.1
Other investments	**2**	**5.5**	3.9	5.5
Trade and other receivables excluding prepayments	**2**	**78.9**	76.0	81.0
Cash and equivalents	**1**	**27.7**	37.0	26.5
Assets held for sale	**2**	**0.3**	0.3	0.3
Financial liabilities				
Derivative instruments in designated hedge accounting relationships	**2**	**(0.8)**	-	(0.4)
Derivative instruments in non-designated hedge accounting relationships	**2**	**(0.8)**	(0.4)	(0.6)
Put option over non-controlling interest	**2**	**(3.1)**	(15.2)	(3.3)
Trade and other payables excluding other taxes and social securities	**2**	**(65.7)**	(65.4)	(69.7)
Loans and overdrafts	**2**	**(137.4)**	(142.4)	(134.9)
Leasing obligations	**2**	**(3.7)**	(3.6)	(3.2)

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.

RESPONSIBILITY STATEMENT
For the six months ended 31 December 2017

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

27 February 2018