

5th September 2006

THE GENERICS GROUP AG ('GENERICS')

INTERIM RESULTS 2006

Generics, a leading integrated technology consulting, development and venturing organisation, today announces its results for the six months to 30 June 2006.

Highlights:

- Revenue increased by 20% to £13.0m (H1 2005: £10.8m)
- Consulting and IP Exploitation fee income increased by 9% to £9.6m (H1 2005: £8.8m)
- Consulting and IP Exploitation generated operating profit of £0.2m (H1 2005: £0.3m)
- Increase in fair value of venture portfolio assets of £0.2m (H1 2005: £1.1m). Period end balance sheet valuation of portfolio £12.0m (2005: £11.0m) including AIM-listed CMR Fuel Cells (£4.0m)
- Group loss from continuing activities before taxation of £0.4m (H1 2005: loss of £0.2m). Losses are stated after losses of £0.4m incurred by venture subsidiary companies (H1 2005: £0.5m), net central costs of £0.3m (H1 2005: £0.5m) and cost of share options of £0.1m (2005: £Nil).
- Loss per share of 0.2p (H1 2005 loss of 0.1p)
- Shareholders' funds increased to £23.2m (2005: £21.9m) 10.8p per share (H1 2005: 10.2p)
- Period end cash balance of £2.0m (2005: £3.6m). Bank facility increased from £6.6m to £11m, with £4.4m available to be drawn down.
- Shareholders' funds per share of 10.8p (H1 2005: 10.2p)

Johan Björklund, Generics' Chairman said:

"The results for the first six months demonstrate both continued growth in the core technology consulting business and satisfactory development within the investment portfolio. I am pleased with the progress made in the business during the first six months and the application of the Company's management in positioning the business to take a market leading position in its business sector."

Martin Frost, Generics' Managing Director, stated:

"Over the course of the last 2-3 years we have restored Scientific Generics, our technology development consulting business, as the key asset within the business. Markets in Germany, the USA and Hong Kong have supported international growth. They also provide an opportunity to scale the business over the course of the next 2 years, both organically and by acquisition, which will position Scientific Generics as the leading global technology development consulting business of its type. While revenues will continue to be dominated by fees for service revenues, we also anticipate that we will start to see manufacturing royalties building in SGAI, our Hong Kong based activity from the end of 2006.

The value of the venture portfolio is focussed in a reduced number of key businesses. CMR has achieved key technical milestones 6 months ahead of plan; Sphere Medical raised £6.2m in a significant financing completed in April 2006; and AtraNova, our water treatment business, is now installing equipment in Israel. During H2 2006, I look forward to announcing the accelerated development of Intrasonics, our new interactive media business resulting from the expected closure of the current funding round. Our strategy is to seek to create one or two new businesses a year from SG and its corporate network, and, underpinned by sufficient financial resources, to ensure that Generics retains an equity position stake of at least 20% until trade sale or IPO.

I am pleased with the progress we have achieved against the growth objectives we have set ourselves and delighted that CMR and Sphere are establishing themselves as important businesses in their own right. Our next challenge is to establish SG as the technology development consulting business of choice for all of our stakeholders."

Enquiries:

The Generics Group AG (44) 1223 875200

Martin Frost

Simon Davey

www.genericsgroup.com

Hansard Communications (44) 207 2451100

Andy Tan

THE GENERICS GROUP AG
PRELIMINARY RESULTS STATEMENT

OPERATIONS REVIEW

The following table analyses the sources of turnover and operating profits and losses on ordinary activities across the Group, and is extracted from the segmental information set out in the notes to this report.

£000s	Six months ended 30 June 2006		Six months ended 30 June 2005		Year ended 31 December 2005	
	Revenue	Profit / (Loss)	Revenue	Profit / (Loss)	Revenue	Profit / (Loss)
Consulting and IP exploitation	11,943	263	10,087	341	20,284	493
Venture Subsidiaries	315	(309)	123	(445)	288	(767)
Asset Management	240	(38)	255	(298)	516	(77)
Property and Centre	549	(239)	379	(450)	858	(1,106)
Revenues : Gross profit / (loss)	13,047	(323)	10,844	(852)	21,946	(1,457)
Profit/(loss) on disposals of investments		(22)		(43)		1,573
Change in fair value on financial assets		209		1,065		1,808
Related bonus accrual		(60)		(160)		(320)
Provision against losses of minorities		(101)		(43)		(156)
Cost of options		(119)		(2)		(107)
Operating profit (loss)		(416)		(35)		1,341

Revenue

Revenue is stated net of inter-company activity. Total revenues increased by 20% to £13.0m (H1 2005: £10.8m) due primarily to growth within technology consulting services. Revenues from technology consulting include recharged expenses and represents 92% of Group revenue (H1 2005: 93%).

Operating profit (loss)

Gross loss for the period of -£0.3m has reduced from -£0.9m in H1 2005. This follows from the core business moving from a loss making position to breakeven position (-£0.0m compared to -£0.4m in H1 2005), together with increased revenues in Venture Subsidiaries reducing their loss from -£0.4m to -£0.3m.

Operating losses in the period have been further affected by the cost of options charge, a non-cash cost resulting from the options granted in H2 2005 of £0.1m; together with the reduction in the fair value adjustments (net of bonus accrual) of £0.8m from £0.9m in H1 2005 to £0.1m.

Consulting and intellectual property (“IP”) exploitation

The Group’s international technology consulting and IP exploitation activities are primarily carried out through its wholly owned subsidiary, Scientific Generics (“SG”). The technology and business consulting services offer customised product and process solutions and advice on new technology opportunities to a wide range of international clients, from start-ups to multinationals. SG’s wide and interdisciplinary skill base means that the business can take a broad approach to issues surrounding new business development, including technological, financial, marketing and strategic aspects.

During H1 2006, the consulting and IP activities have sustained growth and profitability, growing fee income by 9% to £9.7m (H1 2005: £8.8m) and revenues by 18% to £11.9m (H1 2005: £10.0m). Top-line growth was driven by a robust sales performance in industrial and public sector markets. The UK market for the Group’s technology consulting services continued its recovery in 2005 strongly influenced by the public sector. Consulting revenues include recharged expenses of £2.2m (H1 2005: £1.1m). Operating expenses increased by 20% to £11.7m (H1 2005: £9.7m) driven by approximately 12% headcount growth in permanent and temporary staff, recharged project expenses (up £1.1m year-on-year) and incentive payments. SG returned a profit in H1 of £0.2m (H1 2005: £0.3m). Direct and indirect costs of approximately £0.5m have been incurred in achieving the growth rate in the business, primarily in the cost of recruitment and learning curve. Patent fees of £0.4m were incurred during H1 (H1 2005 £0.4m) and have been expensed through the profit and loss account. The next \$0.5m payment regarding the Autosheath™ licence pends grant of the US patent which is now

expected to be granted at the turn of the year. While the consulting and IP activity is capable of achieving margins of over 10% on turnover in steady state, the cost of growth, the current re-branding exercise and IP development will continue to limit significant margin improvement in the short term.

In February 2006 SGAI Tech Ltd, Scientific Generics' joint venture based in Hong Kong was named as the first winner of the Cathay Pacific Business Wings Award for innovation, creativity and dynamism. The awards scheme was designed to recognise and reward UK business dynamism and success in Hong Kong and China. Participants in the awards included corporations from a wide variety of sectors ranging across manufacturing, retail and academia.

All expenditure on the creation and development of intellectual property has been written off as incurred, in line with the Group's accounting policies.

Fundamental to the success of Generics' business model is a growing and profitable international technology consulting activity. In the consulting business, the quality of our innovation, delivery and people is validated by real customers; our technology is developed in the context of a real market place rather than a laboratory; a profitable consulting business is able to support a world-class technology engine at no cost. Finally the corporate culture fosters the conditions for the next CMR or Sphere without the business having to commit large amounts of capital to create the opportunity.

Venture subsidiaries

Venture subsidiaries are majority owned spin-out companies created by Generics for the purpose of exploiting a particular technology, intellectual property or business opportunity. Generics' goal with its venture portfolio is ultimately to realise value through IPO or trade sale. Under IFRS, controlled investments are consolidated as subsidiaries. Costs incurred are expensed through the profit and loss account and the fair value of controlled investments is not shown on the balance sheet. Controlled investments currently being exploited include Sensopad Ltd, AtraNova Ltd and now Intrasonics Ltd.

The net costs of venture subsidiaries in H1 were £0.4m (H1 2005: £0.4m).

Sensopad Limited

The automotive applications of Sensopad Technologies were sold to a subsidiary of TT electronics plc in March 2004 for a consideration of £1.2m together with anticipated future royalties capped at £10m. Discounted net royalties of £1.7m have been recognised to date. TT has announced that it has taken £100m of orders secured for its Autopad™ sensor. Royalty receipts are expected to commence in H1 2007.

Non-automotive applications for the contact-less inductive sensing technology are now being exploited by a new management team from a new company; Sensopad Ltd.

Sensopad Ltd has secured a number of orders in the industrial, aerospace and gaming controller market. Generics owns 77% of the equity in Sensopad.

AtraNova Limited

Hived out of Generics' portfolio company, Atraverda Ltd, AtraNova is seeking to commercialise Ebonex outside of the battery markets being exploited by Atraverda. During H1 2006 AtraNova has supplied initial water treatment sub-systems against a £0.4m contract in Israel. Generics owns 91% of the equity in AtraNova.

Intrasonics Limited

Intrasonics is Generics' new venture in interactive media services. Intrasonics develops and markets mobile-media interactivity solutions to broadcasters, media companies and content owners, based on its proprietary communications technology. Protected by a substantial patent portfolio, Intrasonics' unique 'Sound Link and Sync' system creates a completely new data channel for mobile devices, opening up a range of sophisticated, yet easy to use 'one touch' media applications that drives new revenues for content and media owners, advertisers and broadcasters, mobile operators and service providers.

Rob Morland, formerly sector leader of telecoms and media at Scientific Generics, has been appointed head of Intrasonics, leading ongoing discussions with potential broadcasting and

advertising partners. Generics owns approximately 90% of Intrasonics, the balance being held by founders and Generics' employees under Generics rewards for inventors' programme.

The fair value of both Sensopad and AtraNova is not shown in the consolidated balance sheet. The combined BVCA value of the Group holdings in Sensopad and AtraNova is £1.4m.

Asset management, property and central services

The combined net cost of asset management, the freehold property and central services in H1 was £0.3m (H1 2005: £0.7m). H1 costs included £43k (H1 2005: £300k) depreciation of the freehold property in Harston which has been reduced following a change in accounting estimate of the residual value. The residual value has been reset to the valuation put on the building were it to be disposed of with freehold interest with vacant possession. The current book value of the building is both supported by existing tenants and the improved commercial property market in Cambridge.

Rebranding

During H1 2006 the Company engaged third party advisers to assist in updating the brand and reviewing the market positioning of the company. Directors decided to commission third party advice, which will result in a positioning of the Group and its companies to better reflect its offer to stakeholders. During H1 2006 £0.2m was incurred in this exercise and a further £0.3m will be incurred in H2 2006.

Change in fair value of investments

The change in fair value of investments of £0.2m primarily relates to increases in fair value of Sensor Technologies LLC, Atraverda and Sphere Medical, offset by falls in CMR Fuel Cells, Nanoscience and British Titanium. CMR listed at a post-money value of £35.7m on 22nd December 2005. Generics own 2,234,540 shares or 11% of the issued share capital in CMR. CMR shares were priced at £1.925 at the end of 2005 and were trading at £1.805 at the end of H1. The price of CMR at 1 September was £1.555.

Bonus accrual on change in fair value

A bonus accrual of £60k has been accrued in H1 (H1 2005: £160k) against the increase in fair value of investments, to be paid out on cash realisation of investments under the authority of the Generics' remuneration committee.

Provisions against losses of minorities in subsidiaries

Provisions of £101k have been made against losses of minorities in subsidiaries in H1 (H1 2005: £43k)

Cost of options

Under IFRS the Group has provided for the cost of options issued and outstanding at the end of H1 of £119k (H1 2005: £2k).

Analysis of balance sheet

At 30 June 2006 the Group had shareholders funds of £23.0m (H1 2005: £21.5m) which was equivalent to approximately 10.7p per share (H1 2005: 10.0p per share). This includes freehold land and buildings with a net book value of £14.2m (H1 2005: £14.5m), against which the Group has an outstanding loan of £6.6m (H1 2005: £6.6m), in addition to cash of £2.0 m (H1 2005: £3.6m).

The fair value of investments and other loans to investee companies at end of H1 was £12.0m (H1 2005: £9.1m). This represents the BVCA or market valuation of all non-controlled investments. The BVCA valuation of controlled investments – venture subsidiaries - is £1.4m (H1 2005: £0.8m). The difference between the BVCA valuation and the net asset value at the year-end for venture subsidiaries is equivalent to approximately 0.5p per share (2004: 0.8p).

Investments

The following investee companies now comprise 62 per cent of the fair/BVCA value of the portfolio capitalised on Generics' balance sheet at 30 June 2006:

Investee company	Group fully diluted equity interest *	BVCA valuation of Group interest
	%	£m
CMR Fuel Cells plc ("CMR")	9.6	4.0
Sphere Medical Holding Ltd ("Sphere")	10.0	1.5
Sensortec Ltd ("Sensor-Tec")	12.1	1.2
Atraverda Ltd ("Atraverda")	17.0	0.8
Total		7.5

* Fully diluted interest assumes that granted options have been exercised

Progress during H1 in the above investee companies was as follows:

CMR Fuel Cells

On 22nd December 2005 Generics' spin-out company, CMR was admitted to AIM with a market capitalisation of £35.7m. Generics retain an 11% equity stake in CMR post IPO. On 30th June 2006 the mid-market price of CMR was £1.805 (price on admission £1.76).

CMR was created in Q4 2003 to exploit a revolutionary flow-through fuel cell utilising mixed reactants, developed at Scientific Generics. CMR's patented technology involves electrochemical devices, which convert fuel directly into electricity at higher efficiency rates and have the potential for higher power storage capacity.

In CMR's August 2006 interim statement, the company announced that commercial relationships were progressing well with leading consumer electronics OEMs and the core patent had been granted in China. CMR has achieved a significant technical performance milestone 6 months ahead of schedule, demonstrated stack volumetric power densities in excess of 300 W/l and entered into a product development program with Solvay SA.

Sphere Medical Holding ('Sphere')

Sphere was established by Generics with Siemens to develop a series of unique chip-based micro sensors for use in intensive care medicine. Based on cutting edge micro- and nano-technology, Sphere is developing highly innovative monitoring products to provide clinical and economic benefits in the critical care environment, based on the company's proprietary technology. The products allow minimally invasive, real time measurement of clinical chemistry parameters and therapeutic drug concentrators, giving healthcare professionals the information they require to more effectively manage therapy and optimise patient outcomes.

During H1 2006, Sphere completed a £6.2m financing (including a £586k investment by Generics) to strengthen the company's balance sheet, fund the development and production scale-up of the company's microchip-based medical products. Generics has therefore maintained its equity position in Sphere Medical of 10%.

Subsequently Sphere has announced that Analogic Corporation has been selected to develop and manufacture the monitor for its critical care monitoring system. Analogic has a history of developing world-class patient monitors for leading Original Equipment Manufacturers (OEMs). In June 2006 Sphere Medical further announced that it had selected AMI Semiconductor for the design and fabrication of the state of the art sensor interface ASIC. AMI Semiconductor is a leader in the design and manufacture of silicon solutions for the real world.

Sphere commercialised products will be marketed globally through multi-national marketing and distribution agreements. The costs associated with the conditions and complications addressed by its products are in the order of tens of billions of US\$ in the Intensive Care Unit alone. With limited alternative solutions currently available, Sphere estimates that the total market addressed by its initial products is around US \$2.2 billion a year.

Sensortec

Sensortec, a Jersey registered company, has developed a robust and adaptable platform technology for use in disposable biosensors based on immuno-assay techniques. Sensortec's proprietary technology enables the miniaturisation of a wide range of common format assays traditionally performed at clinical reference laboratories, all in a simplified form and at a competitive price. The unique design of the Sensortec sensor chips mean that low cost materials and methods can be used to produce the disposable cartridge incorporating the sensors and fluidics required to manipulate the blood sample and perform the tests, which has not been possible with alternative sensor technologies. This novel biosensor technology has multiple applications and has already been validated by use in the environmental and food quality assurance sectors for detecting such contaminants as mycotoxins and drug residues.

In H1 2006 Sensortec announced that it had entered into an exclusive global agreement with DxTech LLC, a private US company formed by XL TechGroup Inc, an AIM listed company. The deal assigns the exclusive global rights of the point of care clinical diagnostic instrument to DxTech to be used in the development of a multianalyte micro-fluidic cartridge that forms an integral part of the DxTech diagnostic platform.

Under the terms of the agreement, DxTech will be granted an exclusive worldwide licence for all medical and veterinary applications of the Sensortec technology, in return for which Sensortec will receive an equity stake of up to 12% in DxTech. The two companies will continue the joint development of the sensor technology, which will be covered by a separate operating agreement. It is anticipated that the diagnostic device with the first of many diagnostic panels (cartridges) will enter clinical trials in early 2007. Prior to then the company will be in product development.

Atraverda

Atraverda has developed an innovative lead acid battery design using Ebonex™ bipolar membranes. Atraverda's plates are based on a novel and patented ceramic material, which enables a performance increase of over 30% compared with standard lead acid batteries, while reducing weight by at least 25%. Atraverda's patented Ebonex technology is the first commercially viable bi-polar product to enter the market that makes lead-acid batteries smaller, lighter and more reliable. Ebonex technology signifies a new era for the battery manufacturing industry and its customers. Markets that the company is addressing include power tools, small UPS, military, aviation, telecoms, consumer electronics, and automotive including hybrid electric vehicles. Ebonex bi-polar batteries are an environmentally strong technology with significantly less lead used than conventional batteries.

During H1 2006 the company signed a co-development agreement with leading US-battery company East Penn to add to the existing agreement with Yuasa. During the same period Mike Greenlee has been appointed as Chairman for Atraverda. Mike has had years of experience in the Global Battery Industry and joins Atraverda following four years as Chief Engineer and other senior management positions at Exide Technologies and Delco Remy, based in the United States.

Other investments

TurfTrax Ltd primarily provides data to the betting market, media and consumer on horse racing. In particular the company has developed, with Scientific Generics, and introduced the TurfTrax Tracking System capturing and broadcasting horse race data to multiple clients. During H1 2006 TurfTrax completed a refinancing with existing shareholders, and has entered into an agreement with The Sun to provide form and other horse racing data. In the company's refinancing Generics managed to maintain an equity position of 9% in TurfTrax.

It remains the Company's goal to seek the disposal of a number of portfolio assets by trade sale, license or IPO in the short to medium term.

Cash and cash flow

During H1 2006 the Group re-mortgaged its site at Harston with Lloyds TSB and obtained a 5 year overdraft and loan facility of £11m. Of this £6.6m was drawn to repay the mortgage. Cash at H1 2006 was £2.0m (2005 £3.6m) and £4.4m of the loan facility remains available to be drawn down.

Net cash outflow from operating activities reduced significantly from £4.6 million outflow in 2004 to £0.9 million in 2005. Creditors increased by £1.6 million (2004: £1.4 million decrease). Capital expenditure and financial investment was limited to a net £0.8 million (2004: £2.2 million).

Building

The principal tenant of the Group's 77,000 square feet freehold headquarters in Harston remains the Group's consulting business, Scientific Generics Limited, which occupies 40,000 square feet on arms length terms. Over 90% of the remaining space is now let or under contract on short to medium term leases.

Board and management changes

The Nominations Committee have been actively reviewing the future composition of the Board including the position of Chairman.

Outlook

The medium to long term outlook for the technology development consulting market remains positive. Sales for Scientific Generics were in line with budget in the first six months. While demand for services has cooled as usual over the summer months, this is expected to pick up in Q4 and the pipeline remains satisfactory.

We anticipate continued progress within the venture portfolio and believe that, while still at an early stage, the prospects for Sphere and Intrasonics, in addition to CMR, are particularly strong.

Attachments
The Generics Group AG

Consolidated income statement
For the period ended 30 June 2006

	Notes	Core operations £000	Venture subsidiaries £000	Six months ended 30 June 2006 (Unaudited) £000	Six months ended 30 June 2005 (Unaudited Restated) £000	Year ended 31 December 2005 £000
Continuing operations						
Revenue						
Core operations		12,732	-	12,732	10,721	21,658
Venture subsidiaries		-	315	315	123	288
	4	12,732	315	13,047	10,844	21,946
Operating expenses						
Core operations		(12,747)	-	(12,747)	(11,128)	(22,348)
Venture subsidiaries		-	(623)	(623)	(568)	(1,055)
	4	(12,747)	(623)	(13,370)	(11,696)	(23,403)
Gross loss	4	(15)	(308)	(323)	(852)	(1,457)
Profit (loss) on disposal of investments				(22)	(43)	1,573
Change in fair value on financial assets				209	1,065	1,808
Bonus accrual on change in fair value				(60)	(160)	(320)
Additional provision against losses of minorities in subsidiaries*				(101)	(43)	(156)
Cost of options*				(119)	(2)	(107)
Operating profit (loss)	4			(416)	(35)	1,341
Finance charges (net)				21	(206)	(286)
Profit (loss) on continuing operations before income tax				(395)	(241)	1,055
Income tax expense				4	(11)	4
Profit (loss) on continuing operations for the year	4			(391)	(252)	1,059
Attributable to:						
Equity holders of the parent				(351)	(147)	1,252
Minority interests				(40)	(105)	(193)
Profit (loss) for the year				(391)	(252)	1,059
Earnings (loss) per share (basic)	5			(0.2p)	(0.1p)	0.5p
Earnings (loss) per share (diluted)	5			(0.2p)	(0.1p)	0.5p

* See Consolidated Statement of Changes in Equity.

The Generics Group AG
Consolidated statement of changes in equity
For the period ended 30 June 2006

Group	Issued capital	Share premium	Investment In own shares	Translation reserve	Share based payment reserve	Retained earnings	Total – Shareholders funds	Minority Interest	Total equity 2005
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2005	9,289	13,095	(74)	50	6	(245)	22,121	(364)	21,757
Profit (loss) for the year	-	-	-	-	-	(147)	(147)	(105)	(252)
Issue of shares to minorities	-	-	-	-	-	-	-	58	58
Additional provision against losses for minorities in subsidiaries	-	-	-	-	-	-	-	43	43
Share options adjustment	-	-	-	-	2	-	2	-	2
Exchange differences on translating foreign operations	-	-	-	(27)	-	-	(27)	-	(27)
Balance at 30 June 2005	9,289	13,095	(74)	23	8	(392)	21,949	(368)	21,581
Balance at 1 July 2005	9,289	13,095	(74)	23	8	(392)	21,949	(368)	21,581
Profit (loss) for the year	-	-	-	-	-	1,399	1,399	(88)	1,311
Issue of shares to minorities	-	-	-	-	-	-	-	21	21
Additional provision against losses for minorities in subsidiaries	-	-	-	-	-	-	-	113	113
Share options adjustment	-	-	-	-	105	-	105	-	105
Exchange differences on translating foreign operations	-	-	-	(75)	-	-	(75)	-	(75)
Balance at 31 December 2005	9,289	13,095	(74)	(52)	113	1,007	23,378	(322)	23,056
Balance at 1 January 2006	9,289	13,095	(74)	(52)	113	1,007	23,378	(322)	23,056
Profit (loss) for the year	-	-	-	-	-	(351)	(351)	(40)	(391)
New shares issued	17	39	-	-	-	-	56	-	56
Issue of shares to minorities	-	-	-	-	-	-	-	11	11
Additional provision against losses for minorities in subsidiaries	-	-	-	-	-	-	-	101	101
Share options adjustment	-	-	-	-	119	-	119	-	119
Exchange differences on translating foreign operations	-	-	-	22	-	-	22	-	22
Disposal of own shares	-	-	13	-	-	-	13	-	13
Balance at 30 June 2006	9,306	13,134	(61)	(30)	232	656	23,237	(250)	22,987

The Generics Group AG
Consolidated balance sheet
At 30 June 2006

	Notes	Six months ended 30 June 2006 (Unaudited) £000	Six months ended 30 June 2005 (Unaudited Restated) £000	Year ended 31 December 2005 £000
ASSETS				
Non-current assets				
Intangible assets		11	16	13
Goodwill		-	-	-
Property, plant and equipment		14,940	15,086	15,005
Investments		12,046	9,127	11,044
Deferred income tax assets		2,984	2,932	2,951
		29,981	27,161	29,013
Current assets				
Trade and other receivables		6,562	5,905	7,271
Investments		23	23	23
Cash and cash equivalents		1,977	3,602	3,567
		8,562	9,530	10,861
Total assets		38,543	36,691	39,874
EQUITY AND LIABILITIES				
Shareholders' equity				
Called-up share capital*		9,306	9,289	9,289
Share premium account*		13,134	13,095	13,095
Investment in own shares*		(61)	(74)	(74)
Translation reserves*		(30)	23	(52)
Share based payment reserve*		232	8	113
Retained earnings*		656	(392)	1,007
Total Shareholders' equity		23,237	21,949	23,378
Minority interest*		(250)	(368)	(322)
Total equity		22,987	21,581	23,056
Non-current liabilities				
Borrowings		6,946	6,425	6,451
Financial instruments		255	495	423
Deferred income tax liabilities		2,984	2,932	2,951
		10,185	9,852	9,825
Current liabilities				
Trade and other payables		5,300	4,612	6,354
Current income tax liabilities		26	30	26
Borrowings		45	616	613
		5,371	5,258	6,993
Total liabilities		15,556	15,110	16,818
Total equity and liabilities		38,543	36,691	39,874

* See Consolidated Statement of Changes in Equity.

The Generics Group AG
Consolidated cash flow statement
For the year ended 30 June 2006

	Note	Six months ended 30 June 2006 (Unaudited) £000	Six months ended 30 June 2005 (Unaudited Restated) £000	Year ended 31 December 2005 £000
(Loss) Profit before income tax		(395)	(241)	1,055
Discontinued operations		-	-	-
Depreciation charges		246	492	958
Profit on disposal of investments		22	43	(1,573)
Change in fair value		(209)	(1,065)	(1,808)
Change in fair value of interest rate swap		(168)	80	8
Cost of options		119	2	107
Decrease (increase) in debtors		709	(745)	(2,100)
(Decrease) (increase) in creditors		(917)	391	2,129
UK corporation tax (paid) received (net)		-	23	21
Foreign corporation tax paid (net)		4	(11)	(10)
Cash flows from operating activities		(589)	(1,031)	(1,213)
Purchase of property, plant and equipment		(187)	(231)	(610)
Loans granted to related parties		-	(566)	(691)
Loan repayments received from third parties		-	444	1,493
Purchase of financial assets through the income statement		(822)	(194)	(678)
Sale of financial assets through the income statement		-	-	5
Sale of current asset investments		-	-	-
Cash flow from investing activities		(1,009)	(547)	(481)
Issue of ordinary share capital / options		69	-	-
Issue of shares by subsidiary undertakings to minority		11	58	79
Issue of loans by minority interests to subsidiary undertakings		(13)	-	30
Loan repayments		(60)	(8)	(11)
Cash flows from financing activities		7	50	98
Decrease in cash and cash equivalents in the year		(1,591)	(1,528)	(1,596)
Cash and cash equivalents at the beginning of the year		3,567	5,144	5,144
Exchange gains (losses) on cash		1	(14)	19
Cash and cash equivalents at the end of the year		1,977	3,602	3,567

Extracts from notes to the financial statements

1. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued and effective or issued at the time of preparing these statements.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets at fair value, as allowed by IAS39 Financial Instruments: Recognition and Measure. The basis of consolidation is set out below:

Subsidiaries - Subsidiaries are entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. These acquisitions are accounted for using the purchase method of accounting.

Venture subsidiaries – Venture subsidiaries are investments in which the Group holds control, but holds these investments for ultimate disposal and capital gain. The Group accounts for such investments as subsidiaries until either they are disposed of or the Group issues shares to minorities and allows control to pass.

Investments – Investments are investments in which the Group does not hold significant influence. Where the Group holds these investments for ultimate disposal and capital gain, they are accounted for in accordance with IAS39, and are designated as at fair value through profit and loss.

1.2 Research and development expenditure

Research expenditure is written off as incurred.

Development expenditure is also written off as incurred, except where the Directors are satisfied that the technical, commercial and financial viability of individual projects under relevant IAS 38 criteria are met that would allow such costs to be capitalised. Under IAS 38, the Group recognise an intangible asset if it believes it can demonstrate the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits; either by the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Identifiable expenditure is then capitalised and amortised over the period during which benefits are expected.

1.3 Investments

The Directors consider that a substantial measure of the performance of the Group is assessed through changes in fair value arising from the investment activity of the Group. Consequently the Group classifies its investments that are not controlled investments as being financial assets at fair value through profit or loss, loans and receivables and available for sale financial assets.

Treatment of gains and losses arising on fair value investments that are not controlled investments are shown on the balance sheet at their fair value and any associated changes in fair value are included in the income statement in the period they arise.

Valuation policy - in determining fair value, investments have been valued by the Directors in compliance with the principles of the International Private Equity and Venture Capital Guidelines, updated and effective 1 January 2005, as recommended by the British Venture Capital Association (BVCA).

Listed investments - the fair values of quoted investments are based on bid prices at the balance sheet date

Unlisted investments - the valuation methodology used most commonly by the Group is the "price of recent investment", reflecting the early stage nature of the investments. The following considerations are used when calculating the fair value using the "price of recent investment" guidelines:

- Where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value; and
- Where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation.
- Where a fair value cannot be estimated reliably the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired.

Convertible loan notes - Under IAS 28 financial instruments that are presently exercisable are taken into account in determining control and significant influence and this may affect the basis of consolidation.

Under IAS 39 convertible loan notes are financial assets and are defined as compound financial instruments consisting of a liability component and an equity component. At the date of issue there is a requirement to split the instrument between its debt and equity components.

The debt component is classified under investments as "Loans and receivables" and subsequently carried in the balance sheet at cost less any impairment.

The equity component is classified under investments and subsequently carried in the balance sheet at fair value. The right to convert the loan into equity represents an embedded derivative (the option) and as such needs to be re-measured to fair value at each reporting date with any changes in fair value of this right taken through profit or loss.

Convertible loans issued in a different functional currency to the issuing entity are treated the same; however, there may also be an associated financial instrument to manage the risks associated with foreign currency fluctuations.

Controlled investments - The Group also undertake investment activities in investments that are controlled, the performance of which, therefore, cannot be measure by changes in fair value arising from the investment activity of the Group. The Group identify these activities separately as Venture Subsidiaries.

1.4 Property, plant and equipment

Land and buildings comprise offices and laboratories at Harston Mill, Harston Cambridge, UK. Land and buildings are shown at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also

include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or re-valued amounts to their residual values over their estimated useful lives, as follows:

Buildings	25 years
Furniture and fittings	3-10years
Equipment	3-4 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

The residual value of the property at Harston Mill has been revised to £10.6m. This has resulted in a reduction of depreciation for the period from £300k in H1 2005 to £43K in H1 2006.

2. Segmental information

Period ended 30 June 2006	Consulting and IP exploitation	Venture subsidiaries	Asset management	Property and central services	Total
Unaudited	£000	£000	£000	£000	£000
Fees	9,652	315	240	1,038	
Recharged project expenses	2,239	-	-	-	
Licence / royalty income	81	-	-	-	
Less: Inter company trading	(29)	-	-	(489)	
Revenue	11,943	315	240	549	13,047
Expenses	(9,470)	(624)	(278)	(1,277)	
Recharged project expenses	(2,239)	-	-	-	
Less: Inter company trading	29	-	-	489	
Expenses	(11,680)	(624)	(278)	(788)	(13,370)
Gross profit (loss)	263	(309)	(38)	(239)	(323)
Profit on disposal of investments	-	-	(22)	-	(22)
Change in fair value on financial assets	-	-	209	-	209
Bonus accrual on change in fair value	-	-	(60)	-	(60)
Additional provision against losses of minorities in subsidiaries	-	(101)	-	-	(101)
Cost of options	(40)	-	(36)	(43)	(119)
Operating profit (loss)	223	(410)	53	(282)	(416)
Finance charges					21
Profit before income tax					(395)
Income tax expense					4
Profit for the year					(391)
Total assets	7,533	303	10,471	20,236	38,543
Total liabilities	(8,648)	(2,725)	(915)	(3,268)	(15,556)
Total equity	(1,115)	(2,422)	9,556	16,968	22,987

2. Segmental information (continued)

Period ended 30 June 2005 Unaudited Restated	Consulting and IP exploitation £000	Venture Subsidiaries £000	Asset management £000	Property and central services £000	Total £000
Fees	8,778	123	255	868	
Recharged project expenses	1,108	-	-	-	
Licence / royalty income	233	-	-	-	
Less: Inter company trading	(32)	-	-	(489)	
Revenue	10,087	123	255	379	10,844
Expenses	(8,670)	(568)	(553)	(1,318)	
Recharged project expenses	(1,108)	-	-	-	
Less: Inter company trading	32	-	-	489	
Expenses	(9,746)	(568)	(553)	(829)	(11,696)
Gross profit (loss)	341	(445)	(298)	(450)	(852)
Profit / (loss) on disposal of investments	-	-	(43)	-	(43)
Change in fair value on financial assets	-	-	1,065	-	1,065
Bonus accrual on change in fair value	-	-	(160)	-	(160)
Additional provision against losses of minorities in subsidiaries	-	(43)	-	-	(43)
Cost of options	-	-	-	(2)	(2)
Operating profit (loss)	341	(488)	564	(452)	(35)
Finance charges					(206)
Profit before income tax					(241)
Income tax expense					(11)
Profit for the year					(252)
Total assets	6,717	76	9,562	20,336	36,691
Total liabilities	(6,752)	(522)	(1,004)	(6,832)	(15,110)
Total equity	(35)	(446)	8,558	13,504	21,581

2. Segmental information (continued)

	Consulting and IP exploitation	Venture Subsidiaries	Asset management	Property and central services	Total
Year ended 31 December 2005	£000	£000	£000	£000	£000
Fees	16,968	288	516	1,833	
Recharged project expenses	2,879	-	-	-	
Licence / royalty income	497	-	-	-	
Less: Inter company trading	(60)	-	-	(975)	
Revenue	20,284	288	516	858	21,946
Expenses	(16,972)	(1,055)	(593)	(2,939)	
Recharged project expenses	(2,879)	-	-	-	
Less: Inter company trading	60	-	-	975	
Expenses	(19,791)	(1,055)	(593)	(1,964)	(23,403)
Gross profit (loss)	493	(767)	(77)	(1,106)	(1,457)
Profit / (loss) on disposal of investments	-	-	1,573	-	1,573
Change in fair value on financial assets	-	-	1,808	-	1,808
Bonus accrual on change in fair value	-	-	(320)	-	(320)
Additional provision against losses of minorities in subsidiaries	-	(156)	-	-	(156)
Cost of options	(36)	-	(32)	(39)	(107)
Operating profit (loss)	457	(923)	2,952	(1,145)	1,341
Finance charges					(286)
Profit before income tax					1,055
Income tax expense					4
Profit for the year					1,059
Total assets	9,788	186	9,488	20,412	39,874
Total liabilities	(10,831)	(2,163)	(811)	(3,013)	(16,818)
Total equity	(1,043)	(1,977)	8,677	17,399	23,056

3. Earnings per share

The calculations of earnings per share are based on the following losses and numbers of shares:

	Six months ended 30 June 2006 (Unaudited) £000	Six months ended 30 June 2005 (Unaudited) £000	Year ended 31 December 2005 £000
(Loss) Profit for the financial period	(391)	(252)	1,059

Weighted average number of shares:	Number	Number	Number
For basic earnings per share	215,654,721	215,548,800	215,548,800
For fully diluted earnings per share	216,856,601	216,750,679	216,750,679

Options have no dilutive effect in loss-making years, and hence the diluted loss per share for these periods are shown as the same as the basic loss per share.

4.

The financial information set out above does not constitute full statutory financial statements within the meaning of Section 240 of the Companies Act 1985.

The financial information for the year ended 31 December 2005 has been abridged from the 2005 statutory financial statements of The Generics Group AG.

The auditors' report for the year ended 31 December 2005 was unqualified and did not contain a statement under S237 (2) or S237 (3) of the Companies Act.

5.

The Annual General Meeting of the company was held in Zürich on 28 April 2006. All resolutions were passed.

END.