

For immediate release
May 5, 2005

PLIVA Announces Q1 2005 Results

Highlights

- Revenue up 23% at USD 348m
- Sales up 13% at USD 266m
 - Generics up 13% to USD 192m
 - Improved CEE performance of 18% to USD 104m
 - Continued strong growth in Western Europe at USD 49m, +20%
- Royalties up 78% to USD 71m
- PLIVA Group EBIT down 7% to USD 59m following restructuring costs of USD 11m
 - Group EBIT ex restructuring up 11% to USD 70m
 - Generics EBIT ex restructuring up 4% to USD 23m
 - Proprietary EBIT ex restructuring down 14% to USD 32m
- EPS HRK 14.30, -23%; EPGDR USD 0.51, -16%
- Partnerships for EPO and G-CSF with Mayne Pharma and Barr Pharmaceuticals Inc

1. PLIVA Group Revenue

As previously announced, PLIVA will from 2005 report its former Pharmaceuticals division as two separate business segments, Generics and Proprietary, with royalty payments included as part of Proprietary revenue in order to enhance transparency.

During the first quarter, PLIVA Group reported **total revenue** of USD 348m, up 23% over the same period last year. **Group sales** increased 13% (CER +8%) to USD 266m driven by the **Generics division** which contributed 55% to total revenue. Generics sales increased 13% to USD 192m with double-digit growth achieved on most PLIVA key markets and 2004 and 2005 new product launches representing close to 10% of total divisional sales.

In **Central and Eastern European (CEE)** sales growth was 18% with the strongest performances noted in **Russia**, up 151%, and **Poland**, up 39% (CER +10%). Sales in Russia benefited from the inclusion of over ten PLIVA products in the Russian government's subsidy program introduced in 2005, while double-digit sales growth in Poland was driven by a strong flu season and the addition of 13 new molecules to the reimbursement list. Sales in **Croatia** decreased 14% (CER -19%) to USD 35m impacted by new price reductions brought on by the new reimbursement list introduced at the beginning of the year as well as a tighter inventory policy implemented by wholesalers.

With excellent sales performances achieved on the **Western European (WE)** markets, sales increased 20% to USD 49m with about 20% of sales coming from new product launches. PLIVA outperformed the **German** pharmaceuticals market with an 8% (CER +2%) sales growth to USD 30m with 10% of sales coming from new product launches (2004 and 2005 launches). In **Italy**, this was another quarter of high growth with sales increasing 81% (CER +72%) and reaching USD 7m. PLIVA's sales performance recovered in **Spain** increasing 35% (CER +29%) to USD 7m, while sales in the UK reached USD 5m, an increase of 23% (CER +20%).

While H2 2004 price cuts on two leading generics products were still affecting PLIVA's **US** business, sales decreased only slightly by 3% to USD 38m while increasing 4% in volume terms, with the remainder of the generic portfolio posting an overall strong performance.

Proprietary division sales decreased 27% to USD 12m, showing the effects of increased focus of sales and marketing teams on SANCTURA promotion at the expense of baseline product sales. **Royalty revenues** increased 78% to USD 71m following the trend of increased Zithromax sales in the US.

The **Pharma Chemicals** division recorded an excellent USD 48m sales level or 30% growth, reflecting strong orders for bulk Azithromycin, up 22% to USD 38m, as well as strong growth of its remaining portfolio. (Please note that following the upcoming expiry of its US Azithromycin patent in November, PLIVA intends to stop reporting bulk Azithromycin sales from Q3 2005).

Non Core sales increased 7% for the quarter to USD 14m, while **Other Income** increased 23% to USD 11m.

2. PLIVA Group Profitability

PLIVA Group's **Gross profit** increased 28% to USD 214m, with the gross margin remaining flat at 52% on an ex-royalty basis despite a more unfavorable product mix.

Total operating costs increased 49% of which 7% was due to negative foreign exchange movements. **General and Administrative costs (G&A)** increased 23% to USD 33m or one percentage point to 12% of total revenues, reflecting increased costs related to Paragraph IV filings in the US and one-time consultancy services incurred during the period. **Sales and Distribution costs (S&D)** increased 58% to 29% of total revenue or USD 80m, predominantly due to increased costs of SANCTURA marketing and distribution. Excluding SANCTURA amortization of USD 6m, **Research and Development costs (R&D)** were up 8% at USD 25m or 7% of revenues, driven up solely by generic development activities. Proprietary related expenditures remained flat over Q1 2004, however, due to work on activities already committed to in 2004.

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) remained flat at USD 89m with the decreasing margin from 31% to 26%, while **Earnings Before Interest and Tax (EBIT)** decreased 7% to USD 59m or 17% margin, additionally impacted by restructuring charges of USD 11m. Increased depreciation and amortization, relating to SANCTURA and FX movements, more than offset the savings in goodwill amortization, which resulted from the change in International Financial Reporting Standards (IFRS) according to which, from January 1st 2005, goodwill is no longer amortized but annually tested for impairment.

Charges related to previously announced restructuring negatively affected the **Generics division EBIT** by USD 6m, which dropped 22% to USD 17m or a 9% margin. Excluding this charge, EBIT was up 4% despite the negative impact of 2004 price cuts in the US and increasing provisions related to Paragraph IV filings. At the end of the quarter, PLIVA had four Paragraph IV filings pending out of which we believe two represent first to file opportunities.

Proprietary division EBIT decreased 22% to USD 28m or 34% margin as a result of increased product amortization and sales and distribution costs related to SANCTURA. Restructuring costs of USD 3m, relating to severance payments in Croatia, further depressed the divisional operating profit.

Pharma Chemicals recorded an improved EBIT level increasing from 38% to 43% or USD 21m, while the **Non Core** division recorded an improved EBIT level of USD 1m.

PLIVA posted a net foreign exchange gain of USD 4m while financial expenses increased in line with increased borrowings to USD 7m. As a result, **EBT** decreased 12% to USD 56m and a margin of 16%.

Net Income was down 16% to USD 44m with the margin decreasing from 19% to 13% and both **Earnings per share** and **Earnings per GDR** decreased 23% and 16% to HRK 14.30 and USD 0.51 respectively.

3. Investments and Financial Position

PLIVA Group's total assets increased 6% to USD 2bn mainly due to an increase in current assets, which were up 19% to USD 1bn. This reflected an increase in cash balance resulting from increased borrowing and the Group's strong operating cash flow. Cash generated from financing operations was the strongest source of cash inflow this quarter as USD 180m was drawn from a previously approved syndicated loan for corporate operations. Cash from operating activities remained a significant source of financing at USD 62m and following CAPEX of USD 14m for the quarter.

Total liabilities increased 13% to USD 816m with interest bearing debt up 21% to USD 525m, while shareholders' equity increased 2% to USD 1bn consequently increasing PLIVA Group's debt to equity ratio from 35% to 42%. Net working capital increased 50% above the 31 December 2004 level to USD 602m, reflecting an increased cash balance and lower current liabilities and bringing net debt to USD 208m.

4. Other

Development Projects in Biotechnology Area

As announced previously, PLIVA entered into two strategic partnerships during the quarter, one with Mayne Pharma for its two most advanced biological programs – Erythropoietin (EPO) and granulocyte colony stimulating factor (G-CSF) and the second with Barr Pharmaceuticals Inc for G-CSF. Through these partnerships, PLIVA intends to develop, manufacture and exclusively supply the products to its partners, which Mayne and Barr will market and distribute in selected markets around the world.

PLIVA received USD 5m from Barr upon signing of the agreement as well as rights to future payments as successive milestones are achieved, while through its partnership with Mayne, PLIVA will receive total net proceeds of USD 21m over a three-year period. Based on the terms of the exclusive supply agreement, PLIVA will also benefit from additional proceeds from both companies from future sales of the products based on margins and volumes achieved.

PLIVA Evaluates Strategic Options for Proprietary Business

Following an in-depth strategic review and evaluation of its core activities initiated at the end of the fourth quarter of 2004, PLIVA is currently in an advanced stage of executing some of these strategic options for its US branded operations, and is reviewing a number of alternatives for proprietary R&D. Given the significant impact that these activities might have on Group earnings, PLIVA will issue 2005 guidance once these effects can be accurately quantified.

PLIVA will host a conference call today on 05 May 2005 to present its Q1 2005 results at 15:00 CET (14:00 BST, 09:00 EDT). The call will be webcast and can be accessed through PLIVA's "Investor's Page" at www.pliva.com. Please log on to the website and register for the event approximately 10 minutes prior to the webcast. To join the conference call and Q&A, please dial +44 1296 480 122 and quote the passcode 622938. A replay of the webcast will also be available on the website for one month following the call.

Calendar of upcoming events*

Annual General Meeting	14 June 2005
Q2 & H1 2005 Results	07 September 2005
Q3 & 9M 2004 Results.....	04 November 2005
Year 2005 Results	February 2006

* This is a provisional timetable as at the time of this release, which is subject to possible changes. For an up-to-date calendar, please refer to our website: www.pliva.com

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This release contains certain "forward-looking statements", relating to the Group's business, which can be identified by the use of forward-looking terminology such as "will", "planned", "expectations", "forecast" or similar expressions, or by discussions of strategy, plans or intentions. Such statements include descriptions of new products expected to be introduced or have been introduced by the Group companies and anticipated customer demand for such products. Such statements reflect the current views of the Group with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Group to be materially different from any future results that may be expressed or implied by such forward-looking statements.

APPENDIX 1.
I. Pliva Group Profitability

PLIVA GROUP	Q1 2005	Q1 2004	+/- %
(USDm)			
Revenue	347.5	283.7	22.5
Gross profit	213.9	167.1	28.0
Gross margin	61.6%	58.9%	
<i>EBITDA ex restructuring</i>	99.7	89.1	12.1
<i>EBITDA margin ex restructuring</i>	28.7%	31.3%	
EBITDA	88.7	89.1	(0.3)
EBITDA margin	25.5%	31.4%	
<i>EBIT ex restructuring</i>	69.6	63.0	10.5
<i>EBIT margin ex restructuring</i>	20.0%	22.2%	
EBIT	58.6	63.0	(7.0)
EBIT margin	16.9%	22.2%	
Net Profit	44.2	52.5	(15.9)
Net Margin	12.7%	18.5%	

II. PLIVA GROUP Divisional Profitability

Division	(USDm)	Q1 2005	Q1 2004	+/- %
Generics				
	Revenues	201.1	174.9	15.0
	Operating profit ex restructuring	22.9	22.0	4.2
	<i>Operating margin ex restructuring</i>	11.4%	12.6%	
	Operating profit	17.2	22.0	(21.7)
	<i>Operating margin</i>	8.6%	12.6%	
Proprietary				
	Revenues	82.3	55.5	48.4
	Operating profit ex restructuring	31.5	36.6	(14.0)
	<i>Operating margin ex restructuring</i>	32.2%	65.9%	
	Operating profit	28.30	36.6	(22.6)
	<i>Operating margin</i>	34.4%	65.9%	
Pharma Chemicals				
	Revenues	47.6	36.5	30.4
	Operating profit ex restructuring	21.6	14.0	54.1
	<i>Operating margin ex restructuring</i>	45.3%	38.5%	
	Operating profit	20.6	14.0	47.1
	<i>Operating margin</i>	43.2%	38.3%	
Non-core				
	Revenues	14.2	13.2	7.8
	Operating profit ex restructuring	1.1	0.5	120.6
	<i>Operating margin ex restructuring</i>	7.8%	3.8%	
	Operating profit	1.0	0.5	87.9
	<i>Operating margin</i>	6.7%	3.8%	
Other				
	Revenues	2.2	3.6	(37.9)
	Operating profit ex restructuring	(7.5)	(10.1)	(25.7)
	<i>Operating margin ex restructuring</i>			
	Operating profit	(8.50)	(10.1)	(16.1)
	<i>Operating margin</i>	-	-	

III. PLIVA Group Sales

PLIVA GROUP	(USD m)	Q1 2005	Q1 2004	+/- %
GENERICS:		192.2	169.6	13.3
CEE*		104.6	88.9	17.6
Croatia		34.8	40.3	(13.7)
Poland		26.1	18.7	39.4
Russia		14.9	5.9	150.9
Other		27.9	23.3	19.7
USA		38.3	39.5	(3.2)
Western Europe		49.4	41.2	19.9
Germany**		29.8	27.5	8.3
Spain		6.5	4.8	35.0
UK		5.4	4.4	23.3
Italy		6.5	3.6	81.2
Other		1.2	0.5	140.0
PROPRIETARY		11.5	15.7	(26.8)
PHARMA CHEMICALS		47.6	36.5	30.3
NON CORE		13.9	13.0	6.8
OTHER		1.0	0.5	111.8
TOTAL SALES		266.2	235.3	13.1

*Including ROW in the amount of USD 0.9m (Q1 05) and USD 0.7m (Q1 04)

**Q1 2004 restated as per Q2 2004 press release

Appendix 2. PLIVA Group – Consolidated Income Statement

	Jan-Mar 2005 USD 000	Jan-Mar 2004 USD 000
Sales	266,174	235,297
Royalties	70,808	39,754
Other Income	10,551	8,615
Total revenue	347,533	283,665
Cost of goods sold	133,594	116,521
Gross profit	213,939	167,144
General and administration costs	32,984	26,772
Goodwill amortization	0	3,411
Sales and distribution costs	79,764	50,522
Research and development costs	31,637	23,482
<i>of which SANCTURA amortization</i>	<i>6,250</i>	-
Restructuring costs	10,978	-
Operating profit	58,576	62,958
Net financial expense	-6,785	-2,444
Foreign exchange gains/losses	3,841	2,740
Profit before tax	55,632	63,254
Income tax expense	11,652	10,674
Profit for the period	43,980	52,580
Attributable to		
Equity holders of the parent	44,155	52,533
Minority interest	-0.176	0.047

Appendix 2. PLIVA Group – Balance Sheet

	31/03/2005 USD 000	31/12/2004 USD 000
ASSETS		
Non-current assets		
Property , plant and equipment	606,113	638,181
Intangible assets	413,556	422,968
Investment in associates	11,173	11,386
Other investment	1,712	2,107
Receivables	7,561	8,302
Deffered tax assets	35,939	40,748
TOTAL NON-CURRENT ASSETS	1,076,054	1,123,692
Current assets		
Inventories	233,884	251,327
Trade and other receivables	437,498	407,614
Income tax receivable	13,281	16,495
Other investments	414	321
Bank deposit	71	109
Cash and cash equivalents	316,145	167,853
TOTAL CURRENT ASSETS	1,001,293	843,719
TOTAL ASSETS	2,077,347	1,967,411
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	359,862	359,862
Share premium	9,723	9,406
Treasury shares	-15,966	-15,988
Legal and other reserve	24,202	18,578
Translation reserve	73,467	98,678
Retained earnings	805,367	767,084
Total equity attributable to equity holders of the parent	1,256,655	1,237,620
Minority Interest	5,198	5,676
TOTAL EQUITY	1,261,853	1,243,296
LIABILITIES		
Non current liabilities		
Interest bearing loans and borrowings	396,298	262,489
Deferred tax liabilities	418	759
Employee benefits	15,415	16,336
Provisions	3,737	2,117
Other non-current liabilities	83	89
TOTAL NON-CURRENT LIABILITIES	415,951	281,790
Current liabilities		
Trade and other payables	255,098	255,508
Interest bearing loans and borrowings	128,908	172,572
Employee benefits	4,608	3,873
Provisions	4,925	7,838
Income tax payable	6,004	2,534
TOTAL CURRENT LIABILITIES	399,543	442,325
TOTAL LIABILITIES	815,494	724,115
TOTAL EQUITY AND LIABILITIES	2,077,347	1,967,411

**Certain amounts as at 31 December 2004 have been restated to conform with presentation in 2005*

Appendix 4. PLIVA Group – Cash Flow Statement

	Jan - March 2005 000 USD	Jan - March 2004 000 USD
EBIT	58,576	62,958
Depreciation and amortization	30,267	25,973
Noncash income and expense	89	2,371
Income tax paid	2,974	-2,305
Interest and other financial charges paid	-9,283	-5,719
Increase/decrease in working capital	-20,329	6,911
Cash-Flows from operating activities	62,293	90,188
Proceeds from tangible and intangible assets	4,195	7,339
Net purchase of tangible and intangible assets	-7,518	-5,573
Change in long-term receivables	1,387	-1,542
Net purchase of marketable securities and investment	213	-36,363
Interest and other financial income received	1,992	2,477
Cash-Flows from investing activities	-3,926	-41,001
Proceeds from sale of own shares	65	674
Net proceeds/(payments) from long-term debt	167,008	-45,450
Net payments/(proceeds) from short-term borrowings and commercial papers	-56,557	94,870
Changes in minorities	-312	0
Cash-Flows from financing activities	110,204	50,094
Effect of foreign exchange rate changes on investing and financing activities, cash and cash equivalents	-20,279	-5,778
Net increase (decrease) in cash and cash equivalents	148,292	93,503
Cash: beginning of the year	167,853	126,692
Cash: end of reporting period	316,145	220,195