

**For immediate release
Zagreb, 26 January 2006**

PLIVA Divests AWD Manufacturing Plant

PLIVA d.d. ("PLIVA") announced today that its German subsidiary AWD.pharma GmbH & Co. KG ("AWD") signed an agreement with the Menarini Group ("Menarini") of Italy, for the divestment of its manufacturing plant in Dresden, Germany. The sale of the German facility reflects a key step in the process of optimizing PLIVA's manufacturing asset base and consolidation of production, which was announced at the end of 2004.

The closing of the transaction is expected to occur within the following six months and is subject to the completion of specific terms and conditions. Restructuring charges of USD 22m, however, mainly related to asset impairment, will be reflected in Q4 2005 results. PLIVA has already started transferring production from the AWD plant to its Eastern European facilities, which is expected to deliver savings from 2007 and should be completed by 2008. Following divestment of the manufacturing plant, AWD will continue to invest strongly in its sales and marketing activities in Germany.

Zeljko Covic, Chief Executive Officer and President of PLIVA's Management Board said: "We are very pleased to have signed this agreement with an industry leader such as Menarini and look forward to working towards a successful closing of the transaction. The divestment of our Dresden production facility represents a significant milestone in our effort to consolidate PLIVA's manufacturing operations and supports our efforts to build a sustainable business model, which we believe will position PLIVA as one of the leading global generics companies."

More information about PLIVA can be found at www.pliva.com

More information about the Menarini Group can be found at www.menarini.com

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