

PLIVA Successfully Completes Exit from Proprietary Business

Zagreb, Croatia, 14 February 2006 – PLIVA d.d. (LSE: PLVD) today announced a deal in which it has reached agreement with GlaxoSmithKline (GSK) for the purchase of PLIVA – Istraživački Institut d.o.o. (PLIVA – Research Institute Ltd.), PLIVA's proprietary R&D arm renowned for its research into macrolides, in Zagreb, Croatia. In May 2005, PLIVA announced its strategic intent to completely focus on its generics operations and exit the proprietary business. Following the divestments of the majority of PLIVA's US proprietary business and Research Institute in Zagreb, PLIVA has now successfully completed its strategic objective of exiting the proprietary segment.

Under the terms of the agreement, PLIVA will receive an upfront payment of USD 35m and, conditional on the entry of certain early stage projects into clinical development, contingent payments totaling up to USD 15m, thus the total potential cash consideration may be up to USD 50m. In addition, PLIVA will receive contingent royalty-based consideration pending commercialisation of certain assets. GSK will also take on all 130 employees of the PLIVA – Research Institute and will gain full ownership of the company, including all intellectual property and other assets, while PLIVA will retain ownership of the building which will in part be under long term lease to GSK.

The closing of the transaction is expected to occur during April 2006, subject to obtaining necessary regulatory approvals, and should result in a respective book gain of about USD 20m in the same period. Remaining proprietary projects have been reclassified as Discontinued Operations and written off in Q4 2005 resulting in a mainly non-cash charge of up to USD 38m. PLIVA has also decided to retain its remaining US proprietary portfolio, which recorded sales of USD 16m during the 9M 2005 period and which does not require the support of a dedicated sales team. This portfolio includes the CNS franchise, Custodial, Nystatin and Urecholine, which will be reported as part of the Generics division from 2006.

In line with International Financial Reporting Standards, PLIVA will reclassify all Research Institute operations (9M 2005 total costs of USD 22m) as Discontinued Operations and CNS sales activities as Continuing Operations. These reclassifications, together with the restructuring charges related to the recent divestment of PLIVA's manufacturing facility in Germany, will have a positive net impact of about USD 20m on Continuing Operations EBIT in 2005.

Zeljko Covic, Chief Executive Officer and President of PLIVA's Management Board commented: "We are pleased to have delivered upon our promise of exiting the proprietary segment in this relatively short period of time. This will allow us to now fully focus on our generics business, which we believe will deliver greater value to our shareholders. We will continue to invest strongly into generics research and development, where we employ about 450 dedicated R&D employees, whose work will remain a key success factor and foundation for the continued growth of PLIVA's core business. We also believe

that the fact that we have reached an agreement with a world class organisation such as GSK is recognition of the knowledge and scientific expertise of the Research Institute employees, and that this transaction will play an important role for the future of Croatian science.

Allan Baxter, Senior Vice President of Drug Discovery at GSK, said, "We are delighted to take this opportunity to expand GSK's successful R&D model which will benefit from the unique capabilities of the team at the PLIVA Research Institute. This Centre of Excellence will strongly complement and enhance our specific expertise and commitment to the discovery of new chemical entities across several therapeutic areas."

Merrill Lynch International acted as advisor to PLIVA on this transaction.

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

More information about GSK can be found at www.gsk.com.

PLIVA will host a conference call today on 14 February 2006 to discuss this transaction at 15:30 CET (14:30 GMT, 09:30 EST). To join the conference call, please dial +44 20 7365 8426 or +1 617 597 5326 from the US and quote PLIVA. The call will also be webcast and can be accessed through the company website at www.pliva.com. A replay will be available for one week at +44 20 7365 8427 or +1 617 801 6888 from the US followed by the access code 49910845 as well as on the company website.

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