

For immediate release  
September 8, 2004

## PLIVA Announces H1 2004 Results

### Generic Pipeline Coming to Fruition

#### Highlights

##### Q2 2004

- Revenue up 10.7% to USD 276m (CER\* +7.7%)
- Sales increase 6.8% to USD 236m (CER +3.6%)
- Strong EBIT growth of 26.7% to USD 46m (CER +34.5%)
- Strategic deal for exclusive US rights to SANCTURA™ for treatment of overactive bladder (OAB)
  - OAB market valued at USD 1.1bn in 2003 (IMS) growing at 20%+

##### H1 2004

- Strong revenue growth, up 7.6% to USD 560m (CER +3.0%)
- Solid sales increase to USD 472m, up 7.8% (CER +2.5%)
  - Pharmaceuticals display healthy increase of 9.5% to USD 371m (CER +3.5%)
    - WE sales up 36.4% to USD 79m (CER +22.1%)
    - US sales increase 9.4% to USD 112m, +24.8% excluding Urecholine
- Improved operating performance
  - EBITDA +7.8% to USD 159m, +16.2% to USD 85m excluding royalties
  - EBIT +2.3% to USD 109m (CER +7.5%), +8.6% to USD 36m excluding royalties (CER +25.3%)
- 45 new molecule launches: 20 in CEE, 24 in WE and 1 in US markets

##### 2004 Outlook

- Following SANCTURA deal, PLIVA separates generics and proprietary businesses in the US
  - Build-up of proprietary sales force and set up costs of separate businesses expected to negatively impact operating profit (EBIT) by about USD 20m in full year
- Foreign exchange movements expected to decrease EBIT by about USD 10m in full year
- EBIT expected to be similar to the 2003 normalised level of USD 213m
- Sales guidance of 10%+ maintained despite increasing competition and pricing pressure

\*CER: Constant exchange rates

## 1. PLIVA Group Revenue

| Division                      | H1<br>(USD m) |              | %<br>04/03 | Q2<br>(USD m) |              | %<br>04/03  |
|-------------------------------|---------------|--------------|------------|---------------|--------------|-------------|
|                               | 2004          | 2003         |            | 2004          | 2003         |             |
| Pharmaceuticals <sup>1</sup>  | 371.2         | 338.8        | 9.5        | 186.0         | 172.1        | 8.1         |
| Pharma Chemicals <sup>2</sup> | 69.9          | 70.8         | (1.3)      | 33.4          | 33.9         | (1.6)       |
| Non-core <sup>3</sup>         | 28.5          | 26.4         | 8.0        | 15.5          | 14.7         | 5.7         |
| Other                         | 1.9           | 1.6          | 21.1       | 1.4           | 0.5          | 154.8       |
| <b>TOTAL SALES</b>            | <b>471.5</b>  | <b>437.6</b> | <b>7.8</b> | <b>236.3</b>  | <b>221.2</b> | <b>6.8</b>  |
| Research (Royalties)          | 73.8          | 74.1         | (0.4)      | 34.1          | 24.5         | 39.3        |
| Other income                  | 14.7          | 8.7          | 69.8       | 6.1           | 4.2          | 47.5        |
| <b>TOTAL REVENUE</b>          | <b>560.1</b>  | <b>520.4</b> | <b>7.6</b> | <b>276.4</b>  | <b>249.8</b> | <b>10.7</b> |

1. *Pharmaceuticals (Rx & OTC)*
2. *Formerly Fine Chemicals*
3. *Includes Animal Health & Agrochemicals and DDDI*

### Q2

In the second quarter, PLIVA Group revenue displayed a strong performance increasing by 10.7% to USD 276m (CER\* 7.7%), with total sales increasing 6.8% to USD 236m (CER 3.6%). The strongest drivers of this growth included an 8.1% increase in core pharmaceutical sales to USD 186m, driven by the launch of 22 new molecules on key markets, together with a 39.3% rise in royalty revenue to USD 34m. Pharma Chemicals sales were moderately down by 1.6% to USD 33m, while non-core sales rose 5.7% to USD 16m.

### H1

In the first half, total revenue increased 7.6% to USD 560m (CER\* 3.0%) and total sales by 7.8% to USD 472m (CER +2.5%). Growth was led by increases of 9.5% in pharmaceutical sales to USD 371m, 8.0% in non-core sales to USD 29m and 69.8% in other income to USD 15m. International revenues rose 6.7% to USD 461m, representing 82.2% of total revenues, of which 73.4% related to western markets. Very strong performances were noted in all key Western European markets, including a EUR 10.7% increase in Germany, a market heavily hit by healthcare reforms during the period (EUR -2%, IMS). The US also displayed a growth of 9.4%, or +24.8% growth excluding sales of Urecholine.

| Region               | H1<br>(USD m) |              | %<br>04/03 | Q2<br>(USD m) |              | %<br>04/03  |
|----------------------|---------------|--------------|------------|---------------|--------------|-------------|
|                      | 2004          | 2003         |            | 2004          | 2003         |             |
| North America        | 232.6         | 221.3        | 5.1        | 114.5         | 95.5         | 19.9        |
| CEE*                 | 214.8         | 205.2        | 4.7        | 108.8         | 105.0        | 3.6         |
| Western Europe       | 105.3         | 84.3         | 24.9       | 48.8          | 43.8         | 11.4        |
| ROW                  | 7.4           | 9.6          | (22.9)     | 4.3           | 5.6          | (23.2)      |
| <b>TOTAL REVENUE</b> | <b>560.1</b>  | <b>520.4</b> | <b>7.6</b> | <b>276.4</b>  | <b>249.8</b> | <b>10.7</b> |

## 2. PLIVA Group Profitability

### Q2

**Gross Profit** rose 11.3% to USD 163m, with the margin increasing to 58.9%. The most significant influence on Cost of Goods Sold (COGS), however, were negative foreign exchange (FX) movements which added USD 5m, or an increase of 4.9%. Gross Profit was also negatively impacted by a lower proportion of Odyssey's more profitable proprietary portfolio, a result of a 33.3% fall in sales of Urecholine.

| (USD m)             | Q2    |       | %    | Margin % |       |
|---------------------|-------|-------|------|----------|-------|
|                     | 2004  | 2003* |      | 04/03    | 2004  |
| <b>Revenue</b>      | 276.4 | 249.8 | 10.7 | 100.0    | 100.0 |
| <b>Gross profit</b> | 162.9 | 146.3 | 11.3 | 58.9     | 58.6  |
| <b>EBIT</b>         | 46.4  | 36.6  | 26.7 | 16.8     | 14.7  |
| <b>Net Income</b>   | 37.5  | 27.2  | 38.1 | 13.6     | 10.9  |

\*Please note that adjustment in Q2 2003 numbers is due to switch to USD reporting, with no effect on full period

**General and Administrative (G&A)** costs increased 15.6% to USD 34m or 12.2% of total revenue. Negative FX movements accounted for an increase of USD 2m or 5.4%, while costs related to SANCTURA™ and the separation of the US proprietary business masked underlying savings achieved in the cost cutting program implemented at the end of 2003.

**Sales and Distribution (S&D)** costs were slightly up by 3.1% to USD 53m, decreasing to 19.3% of total revenue from 20.7% in 2003.

**Research and Development (R&D)** costs increased 6.4% to USD 26m, reaching 9.4% of total revenue.

**Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)** increased 21.2% to USD 70m, with the EBITDA margin improving over 2 percentage points to 25.3%.

**Earnings Before Interest and Tax (EBIT)** rose 26.7% to USD 46m, improving to a 16.8% margin, following the trend in EBITDA. On an ex-royalty basis, EBIT remained relatively flat at USD 12m with a margin of 5.1%, significantly affected by adverse FX movements of USD 3m.

**Earnings Before Tax (EBT)** increased 27.3% to USD 42m reaching a margin of 15.3%, up from 13.3% in 2003.

**Net Income** increased 38.1% to USD 38m, increasing to a margin of 13.6% from 10.9% in 2003.

### H1

**Gross profit** increased 4.9% to USD 330m with the margin falling to 58.9% from 60.4% in 2003. Gross Profit was negatively impacted by a total USD 8m inventory adjustment taken in PLIVA Croatia, as well as USD 15m in COGS growth due to negative FX movements (+7.2%). The lower margin was also impacted by lower sales of Urecholine, which fell 47.5% from 2003.

| (USD m)             | H1    |       | %   | Margin % |       |
|---------------------|-------|-------|-----|----------|-------|
|                     | 2004  | 2003  |     | 04/03    | 2004  |
| <b>Revenue</b>      | 560.1 | 520.4 | 7.6 | 100.0    | 100.0 |
| <b>Gross profit</b> | 330.0 | 314.5 | 4.9 | 58.9     | 60.4  |
| <b>EBIT</b>         | 109.4 | 106.9 | 2.3 | 19.5     | 20.5  |
| <b>Net Income</b>   | 90.1  | 84.3  | 6.9 | 16.1     | 16.2  |

**G&A** increased 6.2% to USD 61m, s slightly lower margin of 10.8% in relation to 2003. Negative FX movements alone contributed to a 7.1% increase (USD 5m), showing underlying improvements hidden beneath the additional costs incurred during the second quarter.

**S&D** increased 6.7% to USD 104m with the margin slightly decreasing to 18.6%.

**R&D** increased 10.5% to USD 49m or 8.8% of total revenue. New amortization of USD 4m was included in R&D, resulting from the allocation from goodwill to identifiable intangibles in Q4 2003.

**EBITDA** increased 7.8% to USD 159m with a stable margin of 28.4%, while on an ex-royalty basis, the margin significantly improved to 17.5% from 16.4%.

**EBIT** increased slightly by 2.3% to USD 109m with the margin falling 1 percentage point to 19.5%, adversely affected by negative FX movements of USD 6m. Excluding this effect, EBIT increased 7.5% and the EBIT margin was actually up at 21.4%. Excluding royalties EBIT was also up 8.6%, and 25.3% without FX movements.

**EBT** increased 5.2% over 2003 to USD 106m, with a margin of 18.8%. The rise in net financial position was driven by a increase in foreign exchange gains to USD 6m, which resulted from the depreciation of EUR denominated loans in HRK terms.

**Net Income** reached USD 90m, increasing 6.9% over 2003 and maintaining a margin of 16.1%. Lower taxes of USD 1m, on account of the R&D tax incentive introduced in Croatia in 2003, led to a decrease in effective tax rate to 14.6% from 16.2% in 2003.

### 3. Divisional Performance

#### 3.2 Pharmaceuticals Division (Rx and OTC)

##### Q2

Pharmaceuticals Division revenue in the second quarter increased 7.3% to USD 190m and sales increased 8.1% to USD 186m. The main drivers of growth continued to be the WE (+26.9%) and USA regions (+11.1%), which jointly accounted for 51.3% of total divisional sales. Both showed strong organic growth of 18.4% and 11.1% respectively.

The growth in key countries of WE region was most impressive in the UK and Italy, while Spain was up 23.7%. In Germany sales were actually up 4.4% to USD 22m, a good performance given the negative effect of healthcare reforms on the overall German market.

In the USA, the quarter was marked by the entry of Torasemide, PLIVA's first in-house developed product offered on this market. The US posted a double digit sales growth over the period despite generic competition to the Group's leading product in 2003, Urecholine. Excluding Urecholine, the Q2 US sales were up strongly by 20.4%.

In the CEE region sales were flat at USD 90m, with varied performance among key markets; Croatia (USD -3.2%, HRK -10.5%), Poland (USD +0.6%, PLN +1.5%), Russia (USD +24.1%), and Czech Republic (USD +19.9%, CZK +14.6%).

**Gross profit** increased 1.8% to USD 105m with gross margin declining to 55.4% from 58.4% while **EBIT** declined to USD 16m

| Pharmaceutical<br>Regional Sales | Q2<br>(USD m) |              | %<br>04/03    |
|----------------------------------|---------------|--------------|---------------|
|                                  | 2004          | 2003         |               |
| <b>TOTAL CEE</b>                 | <b>90.0</b>   | <b>89.4</b>  | <b>0.7</b>    |
| Croatia                          | 34.0          | 35.1         | (3.2)         |
| Poland                           | 20.3          | 20.2         | 0.6           |
| Russia                           | 11.5          | 9.2          | 24.1          |
| Other                            | 24.2          | 24.9         | (2.5)         |
| <b>USA</b>                       | <b>56.6</b>   | <b>50.9</b>  | <b>11.1</b>   |
| <b>Western Europe</b>            | <b>38.7</b>   | <b>30.5</b>  | <b>26.9</b>   |
| Germany                          | 22.3          | 21.4         | 4.4           |
| Spain                            | 4.1           | 3.3          | 23.7          |
| UK                               | 4.1           | 2.1          | 97.9          |
| Italy                            | 3.7           | 2.0          | 82.4          |
| <b>ROW</b>                       | <b>0.6</b>    | <b>1.3</b>   | <b>(53.8)</b> |
| <b>TOTAL SALES</b>               | <b>185.9</b>  | <b>172.1</b> | <b>8.0</b>    |

| Pharmaceutical<br>Profitability | Q2<br>(USD m) |              | %<br>04/03   |
|---------------------------------|---------------|--------------|--------------|
|                                 | 2004          | 2003         |              |
| <b>Revenue</b>                  | <b>189.8</b>  | <b>177.0</b> | <b>7.2</b>   |
| <b>Gross profit</b>             | <b>105.2</b>  | <b>103.4</b> | <b>1.8</b>   |
| <i>Gross profit margin (%)</i>  | <i>55.4</i>   | <i>58.4</i>  |              |
| <b>EBIT</b>                     | <b>16.2</b>   | <b>22.8</b>  | <b>-28.8</b> |
| <i>EBIT margin (%)</i>          | <i>8.5</i>    | <i>12.9</i>  |              |

with the margin falling to 8.5% versus 12.9% in Q2 2003. The lower operating performance was predominantly due to the inventory adjustment in Croatia (USD 8m), lower sales of Urecholine, additional USD 2m amortization, resulting from the allocation of goodwill to identifiable intangible assets performed in Q4 2003, and negative FX impact.

**H1**

In the first six months of 2004, the Pharmaceutical division showed revenue growth of 9.8% to USD 380m and a sales increase of 9.6% to USD 371m. Sales outside Croatia accounted for 80.0% of total divisional sales as compared to 79.4% in 2003.

**CEE** region sales increased 1.2% to USD 178m representing 48.0% of total pharmaceutical sales. Sales on the key markets of Croatia (USD +6.3%, HRK -5.2%), Poland (USD -0.5%, PLN -1.0%) and Russia (unchanged) accounted for 73.3% of the region's sales from 71.8% recorded last year. Total launches during the period amounted to 20 molecules, of which 16 were on key CEE markets.

The first half was also marked by EU accession of certain key countries and a relatively unstable external environment, especially in Poland and Czech Republic where social and economic reforms are creating tensions in the healthcare system.

**Western Europe** region sales increased 36.4% to USD 79m. All key markets posted a strong sales performance, supported by the successful launch of 24 new molecules: Germany (USD 52m, +23.4%; EUR +10.7%), Spain (USD 9m, +58.1%; EUR +41.7%), UK (USD 9m, +113.0%; GBP +88.3%) and Italy (USD 7m, +102.6%; EUR +82.1%). Although the entire German pharmaceutical market witnessed a downturn of -2% in local currency (IMS), PLIVA delivered a solid performance with the launch of 10 new molecules which contributed 10.3% to H1 sales.

**USA** region sales reached USD 112m and achieved organic growth of 9.4%, with the key growth driver embedded in the generics business. Excluding Urecholine, sales growth was strong up 24.8% from 2003. This region has remained the second most important region for PLIVA with 30.3% of total divisional sales.

Overall, new products launched over the last 5 years contributed 22.8% to total pharmaceutical sales, with the largest growth in sales recorded in the muscular system, CNS and cardiovascular groups.

**Gross profit** increased 4.9% to USD 212m with the margin decreasing to 55.6% from 58.2% in the previous year, mainly due to USD 8m in inventory adjustments and provisions.

**EBIT** decreased 15.7% to USD 43m with the margin falling to 11.2% from 14.6% in the previous year. EBIT was additionally impacted by an additional USD 4m charge of amortization related to the allocation of goodwill to identifiable intangible assets and previously

| Pharmaceutical Regional Sales | H1 (USD m)   |              | % 04/03       |
|-------------------------------|--------------|--------------|---------------|
|                               | 2004         | 2003         |               |
| <b>TOTAL CEE</b>              | <b>178.1</b> | <b>176.0</b> | <b>1.2</b>    |
| Croatia                       | 74.2         | 69.8         | 6.3           |
| Poland                        | 39.0         | 39.2         | (0.5)         |
| Russia                        | 17.4         | 17.4         | 0.0           |
| Other                         | 47.5         | 49.7         | (4.4)         |
| <b>USA</b>                    | <b>112.3</b> | <b>102.6</b> | <b>9.4</b>    |
| <b>Western Europe</b>         | <b>79.4</b>  | <b>58.2</b>  | <b>36.4</b>   |
| Germany*                      | 52.3         | 42.3         | 23.4          |
| Spain                         | 8.9          | 5.6          | 58.1          |
| UK                            | 8.5          | 4.0          | 113.0         |
| Italy                         | 7.3          | 3.6          | 102.6         |
| <b>ROW</b>                    | <b>1.3</b>   | <b>1.9</b>   | <b>(31.4)</b> |
| <b>TOTAL SALES</b>            | <b>371.2</b> | <b>338.8</b> | <b>9.5</b>    |

\*Please note H1 total includes an additional contract sales from Q1

| Pharmaceutical Profitability   | H1 (USD m)   |              | % 04/03      |
|--------------------------------|--------------|--------------|--------------|
|                                | 2004         | 2003         |              |
| <b>Revenue</b>                 | <b>380.3</b> | <b>346.3</b> | <b>9.8</b>   |
| <b>Gross profit</b>            | <b>211.4</b> | <b>201.6</b> | <b>4.9</b>   |
| <i>Gross profit margin (%)</i> | 55.6         | 58.2         |              |
| <b>EBIT</b>                    | <b>42.7</b>  | <b>50.7</b>  | <b>-15.7</b> |
| <i>EBIT margin (%)</i>         | 11.2         | 14.6         |              |

mentioned items of inventory adjustment, foreign exchange movements, and lower proprietary sales. On a comparable basis (excluding inventory adjustment and amortization charge) EBIT amounted to USD 55m, or 14.4% margin.

### 3.2 Other Divisions

**Pharma Chemical** sales in **H1** slightly decreased to USD 70m (-1.3%). Azithromycin contributed 83.1% of total divisional sales exceeding 2003 by 3.2%. Gross profit margin amounted to 47.9%, an increase of 2.6 percentage points over the same period last year as the result of increased Azithromycin sales. EBIT of USD 29m and a margin of 41.5% exceeded 2003, positively impacted by a modified intra-group cost allocation model and the write-off of nonperforming assets in 2003. In **Q2** sales decreased 1.6% to USD 33m while EBIT grew to USD 15m versus USD 12m in 2003.

**Research** royalty revenue in **H1** remained flat at USD 74m following the trend of Pfizer's Zithromax sales, while EBIT increased by 8.5% to USD 57m with an increased margin of 77.5%. In **Q2** royalty revenue increased 39.5% to USD 34 and EBIT doubled to USD 25m.

The **Non-core division**, consisting of DDDI (Diagnostics, Dialysis, Disinfectants and Infusion) and Animal Health and Agrochemicals, reached sales of USD 29m, an 8.0% increase compared to the same period last year. EBIT amounted to USD 1m and a margin of 3.6% compared to 4.3% in 2003. In **Q2** sales increased 5.7% to USD 16m and EBIT amounted to USD 1m and a margin of 3.4%.

## 4. Investments

During H1 2004, PLIVA's CAPEX amounted to USD 33m. The most significant transaction of the period was the USD 150m purchase of exclusive US rights to SANCTURA™ (trospium chloride) for the treatment of overactive bladder, a market estimated at USD 1.1bn (IMS Jan 2004). This brought total investment in assets to USD 183m.

The exclusive license and commercialisation agreement was signed on 07 April 2004 between PLIVA's specialty branded subsidiary, Odyssey Pharmaceuticals, Inc., and Indevus Pharmaceuticals, Inc. SANCTURA was approved by the US Food and Drug Administration for the treatment of overactive bladder (OAB) on 28 May 2004, and launched into pharmacies on 23 August 2004.

## 5. Financial position

The total value of PLIVA group assets increased 8.0% to USD 1,760m mainly as a result of a growth in intangible assets caused by the SANCTURA™ license acquisition. Total liabilities increased by USD 82m, or 14.7%, to USD 639m driven by the increase in short-term borrowings and dividends payable, as well as by the increase in bonds issued. The increase was partly offset by a drop in a long-term debt. This has resulted in an increase in net assets to USD 1,121m.

Interest bearing debt increased to USD 399m. During H1 2004, PLIVA raised a net total of USD 24m of new short-term loans via the ECP program in order to restructure internal debt and use for operational purposes. Additionally, PLIVA launched a EUR 75m fixed rate bond issue in Q2. The bond will mature in 2011 year and will carry a six-month coupon payment of 5.75% per annum.

The shareholders' equity of PLIVA Group grew by USD 49m as a result of a 6.5% retained profit growth. The slower growth in shareholders' equity compared to growth in total liabilities caused leverage to increase to 35.7% from 32.7% in 2003.

Net working capital decreased 16.3% to USD 273m from USD 327m at 31 December 2003, causing the current ratio to decrease from 1.9 to 1.6.

## 6. Research and Development

During H1, PLIVA submitted a total of 187 filings for 48 different molecules across 19 countries, with 158 in CEE (43 molecules), 23 in WE (8 molecules), and 6 in the US (2 molecules). A total of 156 products or 49 various molecules were also approved, with 114 in CEE (42 molecules), 41 in WE (16 molecules), and 1 in the US.

During the period, work continued in the proprietary arena on a number of projects in various stages of clinical programs; **PLD-118** (novel oral anti-fungal compound, Phase II); **PLD-116** (inflammatory bowel disease, Phase II); **PLD-147** (novel orally active platinum based cytostatic, Phase I); and **PLD-177** (novel asthma compound, Preclinical). PLIVA also continued with the development of the late stage compounds in its specialty portfolio: **PLD-165** (type II diabetes, new indication); **PLD-179** (non-obstructive bladder urinary retention, novel buccal delivery system) and **PLD-180** (treatment of amyotrophic lateral sclerosis (ALS), new indication). Development of equivalent biologicals is currently ongoing and both the *EPO* clinical program and *G-CSF* program continued in Croatia.

## 7. 2004 Outlook

With the acquisition of SANCTURA, PLIVA took the first significant steps in the development of its proprietary business in the US. In line with this, PLIVA undertook steps to separate its generics and proprietary businesses in the US in order to better manage these two distinct areas. Each of the two businesses has now been established with its own management team, sales force, targets and operations. Together with the build-up of the proprietary sales force and strong promotional campaign for the successful launch and performance of SANCTURA in the US, these costs are expected to have a total net impact on PLIVA's full year operating profit (EBIT) of about USD 20m.

Foreign exchange movements are also expected to negatively impact EBIT by about USD 10m for the full year. As a result, PLIVA is revising its EBIT guidance to a level in line with the 2003 normalised EBIT of USD 213m. Despite increasing competition and pricing pressure in some areas, PLIVA is maintaining its sales guidance of 10%+, this driven by a robust underlying sales performance in certain key markets and the positive impact of the strong new product flow through the year.

\*\*\*\*\*

**Pliva will be hosting a conference call to present its half year 2004 results on September 8<sup>th</sup>, 2004 at 18:00 CET (17:00 UK time). To join the call, please dial + 44 (0) 1296 480 100, and quote passcode C436270. A recording of the conference call will be available for one week, and can be accessed by dialing + 44 (0) 1296 618 700 followed by the access code 648706. An accompanying presentation will be available on PLIVA's "Investor's Page" at [www.pliva.com](http://www.pliva.com) to use in preparation for the conference call.**

### **Calendar of upcoming events\***

9M 2004 Results.....04 November 2004  
Year 2004 Results..... February 2005

\* *Provisional timetable; changes possible. For up-to-date calendar, please refer to our website: [www.pliva.com](http://www.pliva.com).*

**For additional information, please contact:**

Marija Mandic  
 Executive Director  
 Corporate Communications  
 Tel: +385 1 6160 355, 6120 909  
 Fax: +385 1 6114 413  
 E-mail: [Marija.Mandic@pliva.com](mailto:Marija.Mandic@pliva.com)

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. PLIVA GROUP Divisional Profitability**

Profitability by division is reported at an EBIT level, before deducting costs associated with goodwill amortization and corporate overheads. Consolidating the latter with divisional operating profits will reconcile Divisional EBIT figures to the PLIVA Group.

| Region                        | H1 2004 | %      | Margin  |         | Q2 2004 | %       | Margin  |         |
|-------------------------------|---------|--------|---------|---------|---------|---------|---------|---------|
|                               | (USD m) | 04/03  | H1 2004 | H1 2003 | (USD m) | 04/03   | Q2 2004 | Q2 2003 |
| <b>TOTAL REVENUE</b>          | 560.1   | 7.6    | 100.0   | 100.0   | 276.4   | 10.7    | 100.0   | 100.0   |
| <b>GROSS PROFIT:</b>          |         |        |         |         |         |         |         |         |
| Pharmaceuticals               | 211.5   | 4.9    | 55.6    | 58.2    | 105.2   | 1.9     | 55.4    | 58.4    |
| Pharma Chemicals              | 33.5    | 4.0    | 47.9    | 45.3    | 17.2    | 3.8     | 51.7    | 48.8    |
| Research                      | 73.8    | (0.4)  | 100.0   | 100.0   | 34.1    | 39.5    | 100.0   | 100.0   |
| Non-core                      | 10.9    | 1.1    | 37.2    | 39.0    | 6.4     | 6.1     | 41.3    | 41.2    |
| <b>TOTAL GROSS PROFIT</b>     | 330.0   | 4.9    | 58.9    | 60.4    | 162.9   | 11.3    | 58.9    | 58.6    |
| <b>EBIT:</b>                  |         |        |         |         |         |         |         |         |
| Pharmaceuticals               | 42.7    | (15.7) | 11.2    | 14.6    | 16.2    | (28.5)  | 8.6     | 12.8    |
| Pharma Chemicals              | 29.0    | 24.6   | 41.5    | 32.8    | 15.0    | 25.9    | 44.8    | 34.9    |
| Research                      | 57.2    | 8.5    | 77.5    | 71.1    | 25.3    | 129.3   | 74.2    | 45.1    |
| Non-core                      | 1.1     | (11.8) | 3.6     | 4.3     | 0.6     | (65.2)  | 3.4     | 10.4    |
| <b>TOTAL DIVISIONAL EBIT</b>  | 130.0   |        |         |         |         |         |         |         |
| Goodwill amortization         | (6.8)   | (20.9) | (1.2)   | (1.7)   | 3.4     | (22.5)  | (1.2)   | (1.8)   |
| Corporate overheads           | (12.2)  | 20.8   | (2.2)   | (1.9)   | (8.3)   | 46.2    | (3.0)   | (2.3)   |
| Reconciliation and other      | (1.5)   | (33.0) | (0.3)   | (0.4)   | 1.2     | (352.4) | 0.4     | (0.2)   |
| <b>TOTAL PLIVA GROUP EBIT</b> | 109.4   | 2.3    | 19.5    | 20.5    | 46.4    | 26.7    | 16.8    | 14.7    |

**Appendix 2. PLIVA Group – Unaudited Consolidated Income Statement**

|  | USD m             |                   | USD m             |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | H1 2004           | H1 2003           | Q2 2004           | Q2 2003           |
| <b>REVENUE</b>                                 | <b>560.1</b>      | <b>520.4</b>      | <b>276.4</b>      | <b>249.8</b>      |
| <b>Sales</b>                                   | <b>471.5</b>      | <b>437.6</b>      | <b>236.2</b>      | <b>221.3</b>      |
| Pharmaceuticals                                | 371.2             | 338.8             | 186.0             | 172.1             |
| Pharma Chemicals                               | 69.9              | 70.8              | 33.4              | 33.9              |
| Non Core                                       | 28.5              | 26.4              | 15.5              | 14.7              |
| Other  | 1.9               | 1.6               | 1.4               | 0.5               |
| Royalties                                      | 73.8              | 74.1              | 34.1              | 24.5              |
| Other income                                   | 14.7              | 8.7               | 6.1               | 4.2               |
| Costs of goods sold                            | (230.1)           | (205.9)           | (113.6)           | (103.5)           |
| <b>GROSS PROFIT</b>                            | <b>330.0</b>      | <b>314.5</b>      | <b>162.9</b>      | <b>146.3</b>      |
| General and administrative costs               | (60.5)            | (56.9)            | (33.7)            | (29.1)            |
| Research and development costs                 | (49.4)            | (44.7)            | (25.9)            | (24.4)            |
| Sales and distribution costs                   | (104.0)           | (97.4)            | (53.5)            | (51.8)            |
| Goodwill amortisation                          | (6.8)             | (8.6)             | (3.4)             | (4.4)             |
| <b>INCOME BEFORE INTEREST &amp; TAXES*</b>     | <b>109.4</b>      | <b>106.9</b>      | <b>46.4</b>       | <b>36.7</b>       |
| Net financial expenses                         | (9.4)             | (8.1)             | (7.2)             | (7.4)             |
| Net foreign exchange gains                     | 5.7               | 1.5               | 3.0               | 3.9               |
| Share of loss of associate                     | (0.2)             | -                 | -                 | -                 |
| <b>INCOME BEFORE TAXES**</b>                   | <b>105.5</b>      | <b>100.3</b>      | <b>42.2</b>       | <b>33.2</b>       |
| Taxes  | (15.4)            | (16.2)            | (4.7)             | (6.1)             |
| <b>INCOME AFTER TAX</b>                        | <b>90.2</b>       | <b>84.1</b>       | <b>37.6</b>       | <b>27.1</b>       |
| Minority interests                             | (0.1)             | 0.2               | (0.1)             | 0.1               |
| <b>NET INCOME</b>                              | <b>90.1</b>       | <b>84.3</b>       | <b>37.6</b>       | <b>27.2</b>       |
| <i>Average number of shares</i>                | <i>17,383,443</i> | <i>17,309,623</i> | <i>17,373,004</i> | <i>17,303,534</i> |
| <i>*Depreciation and goodwill amortization</i> | <i>49.8</i>       | <i>40.3</i>       | <i>23.4</i>       | <i>21.0</i>       |
| 1 USD (average) = HRK                          | 6.1295            | 6.8607            | 6.1694            | 6.6516            |

\*Note: Provisions reported as a separate line item in the profit and loss account for 2003 have been reclassified to conform with the presentation in the current year and in the 2003 annual report. Out of total provisions from H1 2003 in the amount of USD 4.8m, USD 0.4m to R&D and USD 4.4m to S&D costs.

\*\*During 2004, the Company identified transaction costs directly attributable to financing arrangements and accordingly classified and presented these costs as financial expenses. In H1 2004 these costs amounted to USD 3.9m. Comparative figures for 2003 have been reclassified to ensure consistency, which resulted in a reclassification of USD 4.3m from G&A costs to financial expenses."

### Appendix 3. PLIVA Group – Unaudited Balance Sheet

|   | USD m          |                |
|---|----------------|----------------|
|   | 30 Jun 2004    | 31 Dec 2003    |
| <b>Assets</b>   |                |                |
| <b>Non-current assets</b>                               |                |                |
| Property, plant and equipment                           | 591.8          | 599.0          |
| Intangible assets                                       | 413.6          | 273.7          |
| Investment in associate                                 | 10.6           | 10.7           |
| Other investments                                       | 2.1            | 1.4            |
| Other receivables                                       | 6.4            | 7.8            |
| Deferred tax assets                                     | 39.3           | 36.5           |
| <b>Total non-current assets</b>                         | <b>1,063.8</b> | <b>929.1</b>   |
| <b>Current assets</b>                                   |                |                |
| Inventories   | 221.4          | 209.3          |
| Trade and other receivables                             | 338.9          | 362.0          |
| Bank deposits   | 0.5            | 0.3            |
| Other investments                                       | 1.4            | 1.5            |
| Cash and cash equivalents                               | 133.7          | 126.7          |
| <b>Total current assets</b>                             | <b>695.8</b>   | <b>699.8</b>   |
| <b>Total assets</b>                                     | <b>1,759.6</b> | <b>1,628.9</b> |
| <b>Equity</b>   |                |                |
| Share capital   | 359.9          | 359.9          |
| Share premium   | 9.3            | 8.5            |
| Treasury shares   | (16.1)         | (17.0)         |
| Legal and other reserves                                | 18.5           | 19.0           |
| Translation reserve                                     | 15.5           | 12.3           |
| Retained earnings                                       | 728.9          | 684.4          |
| <b>Total equity</b>                                     | <b>1,116.0</b> | <b>1,067.1</b> |
| <b>Minority interests</b>                               | <b>4.6</b>     | <b>4.5</b>     |
| <b>Non-current liabilities</b>                          |                |                |
| Interest bearing borrowings                             | 106.0          | 163.4          |
| Bonds issued  | 89.6           | -              |
| Deferred tax liabilities                                | 0.5            | 0.3            |
| Employee benefits                                       | 15.2           | 15.2           |
| Other provisions  | 5.1            | 4.5            |
| Other non-current liabilities                           | 0.1            | 0.7            |
| <b>Total non-current liabilities</b>                    | <b>216.5</b>   | <b>184.1</b>   |
| <b>Current liabilities</b>                              |                |                |
| Trade and other payables                                | 211.2          | 174.5          |
| Interest bearing borrowings                             | 202.9          | 185.3          |
| Other provisions  | 7.9            | 7.2            |
| Income tax payable                                      | 0.6            | 6.2            |
| <b>Total current liabilities</b>                        | <b>422.6</b>   | <b>373.2</b>   |
| <b>Total liabilities</b>                                | <b>639.1</b>   | <b>557.3</b>   |
| <b>Total equity, minority interests and liabilities</b> | <b>1,759.6</b> | <b>1,628.9</b> |

Note that certain items in the balance sheet for 2003 have been reclassified to conform with the presentation in the current year.

**Appendix 4. PLIVA Group – Unaudited Consolidated Cash Flow Statement**

|   | <i>USD m</i>           |                        |
|---|------------------------|------------------------|
|   | <i>30 Jun<br/>2004</i> | <i>30 Jun<br/>2003</i> |
| Operating profit  | 109.4                  | 106.9                  |
| Depreciation and amortization   | 49.8                   | 40.3                   |
| Non-cash income and expenses  | 10.0                   | 2.8                    |
| Income taxes paid   | (17.3)                 | (20.0)                 |
| Interest and other financial charges paid   | (11.6)                 | (11.7)                 |
| Increase in inventories   | (12.9)                 | (7.0)                  |
| Decrease in receivables   | 16.9                   | 18.7                   |
| Decrease in payables  | (9.8)                  | (5.6)                  |
| <b>Cash flows from operating activities</b>   | <b>134.4</b>           | <b>124.5</b>           |
| Purchase of subsidiaries, net of cash acquired  | -                      | (9.6)                  |
| Net purchase of tangible and intangible fixed assets                                  | (180.7)                | (32.0)                 |
| Change in loans given   | 3.2                    | 4.1                    |
| Net (purchase)/proceeds of marketable securities and investments                      | (0.8)                  | 4.5                    |
| Interest and other financial income received  | 3.5                    | 1.5                    |
| <b>Net cash used in investing activities</b>  | <b>(174.7)</b>         | <b>(31.4)</b>          |
| Proceeds from sale of own shares  | 1.8                    | 0.4                    |
| Proceeds from bonds issued  | 90.1                   | -                      |
| Net repayment of long-term interest bearing borrowings                                | (61.2)                 | (68.8)                 |
| Net proceeds from short-term interest bearing borrowings and commercial papers issued | 24.1                   | 3.9                    |
| <b>Net cash used in financing activities</b>  | <b>54.8</b>            | <b>(64.6)</b>          |
| Effect of foreign exchange rate changes on cash and cash equivalents                  | (7.4)                  | 12.3                   |
| Net increase in cash and cash equivalents   | 7.0                    | 40.9                   |
| <b>Cash and cash equivalents at the beginning of the period</b>                       | <b>126.7</b>           | <b>73.3</b>            |
| <b>Cash and cash equivalents at the end of the period</b>                             | <b>133.7</b>           | <b>114.2</b>           |