

**For immediate release
Zagreb, 16 May 2005**

PLIVA to Exit Proprietary Business and Divest SANCTURA®

PLIVA d.d. ("PLIVA") announced today that following an in-depth strategic review and evaluation of its core activities and approval from its Supervisory Board, it has decided to exit the proprietary segment and focus operations on its generics business.

PLIVA has achieved a key part of this objective by signing an agreement to divest SANCTURA of Odyssey Pharmaceuticals Inc. ("Odyssey"), PLIVA's US branded subsidiary, to a privately held company for a total consideration of up to USD 140m. The agreement calls for an up-front payment of USD 45m as well as additional contingent payments of up to USD 95m upon the achievement of commercial sales milestones. The divestment, which is expected to close by the end of the second quarter, should result in an exceptional non-cash charge of about USD 93m related to asset impairment.

PLIVA expects that the divestment of Odyssey's remaining product portfolio will occur within the next few months and that it will have a positive impact on 2005 earnings. Given the expected materiality of these remaining divestments, PLIVA is not issuing full year guidance at this time. PLIVA is also continuing to evaluate various strategic alternatives for its proprietary R&D activities.

Željko Čović, Chief Executive Officer and President of PLIVA's Management Board commented, "We have assessed our core strengths against available resources and demands of our generics and proprietary businesses, and believe that exiting the proprietary segment will allow us to refocus our efforts on a model which we believe will deliver greater long term value for shareholders. PLIVA has a strong underlying generics business where returns on past investments in development are now beginning to show through and where our specific competencies in R&D have been globally recognized. By reinvesting all resources and efforts into generics, we believe that we can further enhance PLIVA's overall competitiveness and market position."

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

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