

Zagreb, 3 September 2003

PLIVA Announces First-Half 2003 Results**USA – PLIVA's largest market**

During the first half of 2003, PLIVA's revenue continued to grow solidly, primarily as a result of the strong sales increase in prescribed pharmaceuticals (Rx) of more than eighty per cent to USD 316.6 m*.

Highest sales growth contribution came from the US and WE markets, with the US becoming, as previously announced, PLIVA's largest single market, accounting for one-third of Rx revenues.

In the first six months of 2003, PLIVA's total revenue rose 48.6% to USD 520.4 m. Prescribed pharmaceuticals increased 82.7%, EBIT grew 12.4%, while earnings per GDR rose 15.1%.

On 3 September 2003, PLIVA announced its first-half 2003 results, which are in line with management expectations. Over the first six months of 2003, total revenue grew at 48.6% to USD 520.4 m. This strong sales increase confirms our strategy of international expansion, particularly on western markets. The US has in a very short time become PLIVA's leading market. Performance was driven by the consolidation of PLIVA's subsidiaries, PLIVA Inc. (formerly Sidmak), in the US, and Spanish generic company EDIGEN. In addition, significant revenue growth was also recorded in the WE region, where Rx sales rose 44.3%. Germany, Spain and Italy are PLIVA's leading WE markets.

At the end of July, PLIVA's US subsidiary opened a new research and development facility in East Hanover, which will contribute to the company's strategy of site specialization, and in the long-term, to consolidation of PLIVA's overall R&D activities.

PLIVA's outlook for the rest of 2003 is very positive, reflecting expectations of Rx revenue growth throughout all markets, fuelled by the acquired portfolios and new products from PLIVA's development.

"The first half results confirm our strategy of focusing predominantly on external growth, with US and European acquisitions to build solid platforms in all PLIVA's regions. Enhanced gross profitability reflects PLIVA's efficiency in manufacturing, which is among the highest in the industry. With close to thirty molecules launched throughout Western Europe and CEE within only six months, we have built a product base for future growth that is expected to offset the upcoming expiry of the Azithromycin patent", said Željko Čović, CEO and President of PLIVA's Management Board, commenting on first-half 2003 results.

Total revenue, profitability, earnings per share

Over the first six months of 2003, total revenue continued to grow solidly and amounted to USD 520.4 m. The 48.6% revenue increase can be attributed principally to the strong sales growth in Rx pharmaceuticals of 82.7% to USD 316.6 m. This year, PLIVA also successfully divested a substantial portion of its remaining stake in its non-core businesses (KVASAC, ADRIA Servis, Media Log), in line with its strategy of focusing on its core pharmaceuticals business. PLIVA's non-core operations now consist only of the animal health and agrochemicals business (VETERINA d.o.o.), whose first-half year revenue contribution amounted to less than five per cent.

During the first half of 2003, revenue from North America more than doubled to USD 221.3 m, primarily as a result of the PLIVA Inc. acquisition. Revenues from CEE grew to USD 208.3 m, and in Western Europe, PLIVA achieved a revenue level of USD 83.5 m.

PLIVA Group gross profit was USD 314.5 m during the first half of 2003, up by 44.7%. Earnings Before Interest and Tax (EBIT) grew by 12.4% to USD 102.6 m. Net Income increased by 13.8% to USD 84.3 m, while Earnings per GDR rose by 15.1% to USD 0.97.

Eighty per cent sales increase in Rx Pharmaceuticals

The Pharmaceuticals Division achieved revenues of USD 324 m, up 81% in the first six months of 2003. The three largest therapeutic groups in Rx sales structure are central nervous system (CNS), cardiovascular health and anti-infectives. The fastest growing therapeutic areas are CNS (26% of total Rx sales), followed by cardiovascular health (18% of total Rx sales) and antibiotics (17% of total Rx sales).

Sumamed, PLIVA's leading Rx product, recorded sales increase of 21.1% to USD 23.6 m, with largest growth recorded in Poland, Hungary and CIS countries. Urecholine (urinary tract) and Hydroxyzine HCl (CNS) were the second and the third best selling products, respectively. Katadolon (CNS) came in fourth, while VoSpire ER (an innovative branded specialty pharmaceutical for the treatment of bronchospasm) was PLIVA's fifth best selling product.

Research and Development

Amongst a range of generics in different stages of development, 19 molecules (represented by 46 products) were launched in Western Europe and 11 molecules (represented by 41 products) were launched in CEE. PLIVA also obtained its first marketing authorization (MA) approval during the first six months of 2003 for 10 molecules and additional MA approvals for 27 molecules in CEE and Western Europe. In addition, files representing a total of 109 products were submitted for registration.

PLIVA's most advanced NCE projects, i.e., three new chemical entities are currently advancing through clinical studies. Their strong dynamics is expected to continue; consequently, R&D costs are expected to reach their highest share of total revenue, between 10 and 11%. This increase is attributable to the advanced stages of clinical studies, an increased number of generics in development and the full consolidation of the acquired companies' R&D activities.

* Results are expressed in USD terms as the currency represents the majority of PLIVA's revenue.

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