

Actavis reports net profits of EUR22.4 million for 1H 2005

Actavis Group hf. ("ACT"), the international generic pharmaceuticals company, announces its results for the quarter ended 30 June 2005.

Highlights -second quarter and first half 2005

- Total revenue up 14.4% to EUR122.0m in Q2 (Q2 2004: EUR106.6m)
- Own Label sales up 27.9% in Q2, but delivery issues slow Third Party progress
- EBITDA, down 5.3% to EUR23.4m (Q2 2004: EUR24.7m) , due to delivery constraints and price reductions in Turkey
- Net profit in 2Q was EUR11.3 and for H1 EUR22,4
- Lamotrigine (CNS) in two dosage forms launched in nine different European markets and Actavis first to market with Benazepril Hydrochlorothiazide tablets in Germany
- Actavis acquired Amide Pharmaceuticals Inc. the US based generic pharmaceutical company, for EUR414m
- Successful rights issue and sale of treasury shares, raising ISK21bn (EUR263m)

Post period end events

- Syndicated loan facility of EUR600m completed, significantly reducing Group borrowing costs
- Actavis was first to market with Fosinopril tablets
- Divestment of veterinary API manufacturing site in Bulgaria
- Completion of acquisition of Amide
- Acquisition of three generic products from Novartis for US market

Thousands of Euro	Three months ended 30 June			Six months ended 30 June		
	2Q 2005	2Q 2004	% Change	1H 2005	1H 2004	% Change
Total revenues.....	121,989	106,622	14.4%	223,779	235,881	-5.1%
Total expenses.....	(105,409)	(86,886)	21.3%	(188,328)	(185,934)	1.3%
EBITDA.....	23,445	24,747	-5.3%	48,010	59,802	-19.7%
EBITDA/revenues.....	19.2%	23.2%	-4.0%	21.5%	25.4%	-3.9%
Profit before tax (PBT).....	16,093	12,228	31.6%	27,765	39,867	-30.4%
Net profit.....	11,291	10,053	12.3%	22,384	31,877	-29.8%
Earnings per share (EPS).....	0.00354	0.00359	-1.4%	0.00725	0.01110	-34.7%

Actavis President & CEO, Robert Wessman, commented:

"The quarter was a busy period for us and we completed the purchase of the US generic company, Amide, our largest acquisition to date. We saw positive results in our Own Label division with strong growth in all key markets but our Third Party business was impacted by delivery constraints, resulting in lower EBITDA margins and profits for the Group in the quarter. However, with a significant number of new product launches expected in the second half, we are optimistic that we are on track to meet our targets for the year as a whole, supported by continued strong growth in the Own Label division and the consolidation of Amide into the Group accounts. We are pleased to report that Amide is already performing above our expectations."

Group Strategy

Actavis is committed to driving growth through aggressive product launches, penetration of new markets, regulatory approvals of new generic pharmaceuticals and by leading the consolidation of a still fragmented industry through strategic acquisitions.

Actavis' strategy is to develop and strengthen its value chain which will enable the Group to exploit its strategy to be first to market with new products, reduce costs, penetrate existing markets and expand its international sales and marketing networks.

Financial highlights - Q2 and H1

Income

Total revenues were EUR122.0 million in the quarter (Q2 2004: EUR106.6 million) and EUR223.8 million for the first six months (H1 2004: EUR235.9 million). Underlying growth for Own Label products was 26.6% in the quarter with strong performance in Turkey, in addition to strong growth in the Russia, Ukraine, CIS countries and other key markets. Sales to third parties were below expectations with negative growth of -13.8% from 2004. One of the reasons for lower Third Party sales were delivery constraints in the Icelandic manufacturing site, due to the complexity of the May and June launches, resulting in lower sales in the quarter than expected. The Group's underlying growth (including Own Label Sales, Third Party Sales, sales of dossiers and other revenue) is therefore up 11.4% in the quarter but down 6.8% overall in the first half.

Thousands of Euro	Three months ended 30 June			Six months ended 30 June		
	2Q 2005	2Q 2004	UG %	1H 2005	1H 2004	UG %
Own Label.....	73.212	57.243	26,6%	137.362	112.809	20,4%
Third Party sales and dossiers.....	33.273	38.618	-13,8%	60.076	97.665	-38,5%
API (Active Pharmaceutical Ingredients).....	5.242	4.806	9,1%	11.005	10.489	4,9%
Other revenues.....	10.262	5.955	31,2%	15.336	14.918	-13,8%
Total revenues.....	121.989	106.622	11,4%	223.779	235.881	-6,8%

Operating expenses

Operating expenses during the second quarter increased by 21.3% to EUR105.4 million (Q2 2004: EUR86.9million). For the first half of 2005, operating expenses grew by 1.3% to EUR188.3 million (H1 2004: EUR185.9 million). Cost of sales was EUR63.1 million in the quarter (Q2 2004: EUR53.0 million, up by 19.1%, as a result of changes in product mix and is now 51.7% of total revenues compared to 49.7% in Q2 2004. Sales and marketing expenditure was EUR20.7 million (Q2 2004: EUR14.2 million), up by 45.5%, due to increased marketing efforts in our branded markets in Turkey and Russia, where we experienced strong growth in the period. We expect this ratio to fall in the remainder of the year since increased marketing effort in the quarter will benefit the division in the second half of the year.

Research and development expenses increased by 18.9% compared to Q2 2004 and amounted to EUR9.5 million. However, R&D cost is just slightly higher than in the first quarter and, reflects increased output from the Group's development activities. Capitalized development cost represented an additional EUR5.1 million in the second quarter (Q2 2004: EUR4.3 million) and for the first six months it was EUR9.0 million (H1 2004: EUR8.4 million).

Thousands of Euro	Three months ended 30 June			Six months ended 30 June		
	2Q 2005	2Q 2004	% Change	1H 2005	1H 2004	% Change
Cost of goods sold.....	(63,090)	(52,962)	19.1%	(113,636)	(118,399)	-4.0%
Sales and marketing expenses.....	(20,722)	(14,243)	45.5%	(34,844)	(28,432)	22.6%
Research and development expenses.....	(9,497)	(7,987)	18.9%	(18,374)	(16,388)	12.1%
General and administrative expenses.....	(12,100)	(11,694)	3.5%	(21,474)	(22,715)	-5.5%
Total operating expenses.....	(105,409)	(86,886)	21.3%	(188,328)	(185,934)	1.3%

EBITDA

Earnings before interest, tax, exceptional items, depreciation and goodwill amortisation ("EBITDA") was EUR23.4 million in the second quarter (Q2 2004: EUR24.7 million). For the first six months EBITDA was

EUR48.0 million (H1 2004: EUR59.8 million). This represents an EBITDA to revenue margin of 19.2% for Q2 and 21.5% for the first half. Lower EBITDA derives from a number of causes: firstly, a mandatory price reduction in Turkey of 8.8% introduced on 15 July (which followed a previous decrease as of 1 January), affecting all pharmaceutical companies in the country, which resulted in credit payments by the end of June being made to wholesalers amounting to EUR2.6 million, which significantly reduced the EBITDA margin for Fako and the Group as a whole, secondly, the fact that a low number of new products were launched in the first half of the year; thirdly, higher sales and marketing cost in the period than in previous quarters because of intensive marketing campaigns in Turkey and in Russia, supporting the strong growth in these regions.

Despite a lower margin in the first half, the EBITDA margin is expected to significantly improve in the second half, especially in the fourth quarter, as previously anticipated. For the year as a whole, the Company remains on target and is expected to deliver an EBITDA to revenue margin of 26% or above.

Thousands of Euro	Three months ended 30 June			Six months ended 30 June		
	2Q 2005	2Q 2004	% Change	1H 2005	1H 2004	% Change
EBITDA.....	23,445	24,747	-5.3%	48,010	59,802	-19.7%
EBITDA/revenues.....	19.2%	23.2%	-4.0%	21.5%	25.4%	-3.9%

Tax

The Company's tax charge was EUR4.8 million in the second quarter of 2005, and the effective tax rate was 29.8%. For the first six months the Company's tax charge was EUR5.4 million and the effective tax rate was 19.4%. The increase in the tax rate can mainly be explained by strong performance of Fako in Turkey, where corporate tax rate is 37%. The effective tax rate is positively affected by an increase in tax assets in Malta, amounting to EUR2.5 million during the period as a result of a special tax deduction offered to companies in Malta that is calculated both from the amount of investment in fixed assets and salaries paid. The tax asset is not paid but is offset against future taxable income. The effective tax rate of the Group is 28.3% for the first six months without the increased tax asset in Malta.

Profit and return on equity

Profit before tax was EUR16.1 million in the quarter (Q2 2004: EUR12.2 million) and EUR27.8 million for the first half (H1 2004: EUR39.9 million). Net profit was EUR11.3 million in the quarter (Q2 2004: EUR10.1 million) and EUR 22.4 million for the first half of the year (H1 2004: EUR31.9 million). Return on equity in Q2 was 12.0% compared to 27.5% in the previous year.

After tax earnings per share (EPS) were EUR0.00354 during Q2 (Q2 2004: EUR0.00359), down 1.4%. For the first half, EPS was EUR0.00725 down 34.7%.

Cash flow

During the second quarter, net cash provided by operating activities was EUR13.1 million in Q2 (Q2 2004: EUR10.8 million), representing an operating profit to cash conversion ratio of 0.79.

Capital expenditure

The Company's capital expenditure reached EUR21.9 million during the second quarter, representing 18.0% of revenues, and was EUR63.2 million for the first six months (28.2% of revenues). Investments in other companies amounted to EUR3.6 million (Q2 2004: EUR0.7 million), investments in development projects were EUR5.1 million (Q2 2004: EUR4.3 million) and in fixed assets EUR12.6 million (Q2 2004: EUR8.4 million) during the second quarter.

Q2 and Recent Developments

3 August

Actavis' recently acquired US subsidiary, Amide Pharmaceuticals Inc. ("Amide"), has acquired three generic pharmaceuticals from Novartis AG's subsidiary, Sandoz. This investment follows a ruling by the US Federal Trade Commission, approving Novartis' acquisition of Eon Labs Inc. on the condition that it divests three overlapping products to Amide to encourage competition in the US market. The three products Desipramine (Anti-depressant), Orphenadrine (Musculo-skeletal) and Rifampin (Antibiotic), are a valuable addition to Amide's portfolio

28 July

Actavis completed the acquisition of Amide, . Amide was acquired for an initial consideration of EUR414 million (US\$500 million) in cash with up to an additional EUR83 million (US\$100 million) payable over two years subject to performance. The deal brings together two premier generic companies with complementary strengths in Europe and the US and represents a significant milestone in Actavis' plans to become one of the leading global companies within the sector.

25 July

Actavis successfully closed a EUR600 million syndicated credit facility. After a very successful syndication, Actavis opted to increase the loan from EUR500 million to EUR600 million. The loan supported Actavis' acquisition of Amide and will also be used to refinance Actavis' existing short-term and long-term debt over five years. The loan will significantly lower Actavis' borrowing costs and improve its capacity and flexibility to take advantage of opportunities in the market.

22 July

Actavis divested its Bulgarian subsidiary, Balkanpharma Razgrad AD, to Biovet AD Peshtera. Actavis divested a part of the site, which manufactures API's and veterinary products. Actavis will continue operating the part of the plant related to the manufacture of finished forms. The sale is not expected to have a material effect on Actavis' financial results or its operations in 2005. The sale of the plant reflects Actavis' strategy to focus on the growth of its core business.

4 July

Actavis, announces that through its subsidiary, Medis, was first to market with two different strength doses of the cardiovascular product Fosinopril tablets in Dutch, British and Swedish markets upon patent expiry, at the end of June. The launch quantity is approximately 13 million tablets and the product is an important contributor to Actavis' strong cardiovascular product line. The product is not expected to have any material effect on the Company's financial results for 2005.

29 June

Through its subsidiary Medis, Actavis was first to the German market with the cardiovascular generic Benazepril Hydrochlorothiazide tablets. With a launch quantity of approximately 10 million tablets, the product is expected to be a good contributor to the Actavis portfolio, even though it is not expected to reach Actavis' top 10 product list in 2005.

24 June

A highly successful rights offering of new shares and treasury shares with nominal value of 543 million shares was completed in June. The offer price was ISK38.5 per share, amounting to ISK20.9 billion (EUR263 million) in market value, with oversubscription of 46.2%. The purpose of the share offering was to finance the acquisition of Amide, which was completed in July.

2 June

Actavis introduced two dosage forms of the CNS drug, Lamotrigine, in nine European countries through its subsidiary Medis. With a launch quantity of approximately 40 million tablets, these two products are expected to be strong contributors to the Actavis portfolio, although they may not reach Actavis' top 10 product list.

18 April

Actavis in Russia launched the (type product) Lisinoton under its own label in April. It presented its new product at the Russian national congress "People and Medicine" which was held in Moscow 18-22 April.

Divisional Review

Following the acquisition of Amide in May, Actavis now has three main divisions for the sale of the Group's products and intellectual property. These comprise Sales & Marketing International ("Own Label sales"), Sales & Marketing Third-Party Global ("Third-Party sales"), and finally the newly formed North America Division incorporating Own Label sales within that region.

Sales & Marketing, International Division, (Own-Label sales) which handles products developed either by Actavis itself or which have been in-licensed from other companies. Key markets for this division include Turkey, Bulgaria, Russia & CIS, Serbia and the Nordic region.

Sales & Marketing, Third Party - Global Division, which handles sales of intellectual property developed by Actavis and sales of finished products to third parties. Key markets for this division include Germany, the United Kingdom and the Netherlands. In addition, Austria, France, Spain and the Scandinavian countries will play an important role going forward.

North America Division, the revenues from which will be incorporated in the Group accounts from beginning of July. Approval from the competition authorities in the US was received by the end of June and completion of the deal was announced shortly thereafter.

Sales & Marketing, International Division - Own Label sales - 61.4% of total revenues

Financial performance for both the second quarter and the first half of the year is in line with management expectations. Total sales for this division grew 27.9% compared to the same period last year and were EUR73.2 million or 60% of Group's revenues (Q2 2004: EUR57.2 million). For the first six months revenues grew by 21.8%, amounting to EUR137.4 (H1 2004: EUR112.8 million). The division focused on growing through new product launches, as well as integrating the newly acquired companies. A strong performance was seen in Russia, Ukraine and the CIS region, in addition to good growth in both Turkey and Serbia. Biovena in Poland has been successfully integrated into the Group and integration of new subsidiaries in the Czech and Slovak Republics is ongoing.

A market by market commentary follows below.

Own Label sales by markets (EUR '000)

Market	2Q 2005	2Q 2004	% Change	1H 2005	1H 2004	% Change
Turkey	29.973	19.469	54,0%	53.059	38.700	37,1%
Bulgaria	12.408	11.447	8,4%	24.923	23.680	5,2%
Russia, Ukraine & CIS	14.806	11.693	26,6%	27.133	20.514	32,3%
Nordic Region	9.109	9.329	-2,4%	15.493	15.571	-0,5%
Serbia	6.437	3.961	62,5%	13.181	11.324	16,4%
Other	478	1.344	-64,4%	3.573	3.019	18,4%
Total Own Label	73.211	57.243	27,9%	137.362	112.809	21,8%

Highest selling products in Own Label in EUR million

Products	2Q 2005	1H 2005	Description
Cravit	4,9	8,3	Anti-Infective
Oraceftin	4,1	7,1	Anti-Infective
Troxevasin	3,6	5,9	Cardiovascular
Bioment	2,6	5,0	Anti-Infective
Alfasid	2,4	5,0	Anti-Infective

Turkey - 39% of Own Label sales

Sales grew by 54.0% compared to 2Q 2004 and were EUR30.0 million (2Q 2004: EUR19.5 million), with growth in the 1H of 37.1% compared to the same period in 2004. This increase was primarily due to volume increases, partially offset by price decreases. Effective from January 1 2005, the Turkish government imposed mandatory price decreases on all manufacturers, followed by a second price decrease of 8.8% in July. Turkey is still expected to show good growth in 2005. The strongest contributing products in H1 were the antibiotic products, Cravit, Oraceftin, Bioment and Alfasid.

Russia, Ukraine & the CIS Region - 20% of Own Label sales

The region experienced growth of 26.6% in 2Q 2005 compared to the same period in 2004 and sales grew by 32.3% in the first half, exceeding management expectations. Sales rose to EUR27.1 million (H1 2004: EUR20.5 million), mostly fuelled by strong growth in Russia and Ukraine. Core contributing products in the first half of the year were the OTC products, Troxevasin, Phezam and Almagel. This positive growth results from successful promotional activities, as well as increased demand for key products. Two

products were launched on the market in the first half and eight products¹ are expected to be launched in the second half of the year in the region.

Bulgaria - 18% of Own Label sales

Sales in Bulgaria grew 8.4% in the second quarter to EUR12.4 million (Q2 2004: EUR11.4 million 2004). In the first half sales grew by 5.2% to EUR24.9 million (H1 2004: EUR23.7 million). The growth can mainly be explained by a seasonal increase in hospital demand, effective promotional activities and successful completion of the negotiation of trade terms with major customers. The strongest contributor in this market is the cardiovascular product portfolio including Enalapril Hydrochlorothiazid (Cardiovascular) and Piracetam. Two new products were launched in the second quarter, Metfodiab (for the treatment of non-insulin dependant diabetes) and the anti-histamine Cetranax (Cetirizine). Six products are expected to be launched in the second half of this year.

Serbia - 10% of Own Label sales

Effective marketing activities and the winning of a government tender helped achieve sales in the second quarter of EUR6.4 million (Q2 2004: EUR4.0 million). First half sales were EUR13.2 million (H1 2004: 11.3 million). Major contributing products were Enalapril (Cardiovascular), Ranitidin and Omeprazole.

North Europe Region & the Baltic countries - 11% of Own Label sales

The North European region includes Iceland, Denmark, Sweden, Finland, Norway and the Baltic countries. Sales in this region decreased by 2.4% in 2Q 2005 compared to the same period in 2004 and totalled EUR9.1 million (2Q 2004: EUR9.3 million). In the first half sales decreased by 0.5% and were EUR15.5 million (H1 2004: 15.6 million). Pricing pressure and intense competition from originator companies and parallel importers inhibited growth.

Own Label Outlook

Emphasis will be placed on continued growth of the division and effective registration of new products. Integration is ongoing of the newly acquired subsidiaries in Czech Republic and Slovakia. Areas for expansion include Central and Eastern-Europe. The outlook for the division for the remainder of the year remains strong.

Sales & Marketing, Third Party - Global Division, 27% of total revenues

Sales in the second quarter were EUR33.3 million, down 13.8% (Q2 2004: EUR38.6 million) and were EUR60.1 million in the first half, down 38.5% (H1 2004: EUR97.7 million). The weaker performance in the second quarter arises from delivery constraints in Actavis' Icelandic manufacturing site, the high complexity of the new product launches in May and June, and a slight delay of product transfer to the Maltese site. This situation is expected to be resolved by the end of the year, but will nevertheless result in reduction in revenues from 2004. The year 2004 was exceptionally good because of the launches of the three Ramipril products in first half of 2004.

The division saw four new product launches in the second quarter: Lamotrigine conventional tablets and Lamotrigine dispersible tablets in May, Benazepril Hydrochlorothiazide tablets and Fosinopril tablets at the end of June. Both Lamotrigine products reached the top 10 revenue makers for the division in H1 2005, although they may not maintain that position for the full year.

The competitive environment in the division's most important market, Germany, is improving and sales to Germany in the second quarter grew over 40% compared to the first quarter. The UK market also improved significantly in the period. The Dutch market was also important in the quarter, as this is the main market for Fosinopril.

Third Party sales include the sale of intellectual property and finished products to third parties (other pharmaceutical companies).

¹ **New market launch:** is when a product ("old product") previously launched in other markets is launched into new market.

Third Party product sales by markets (EUR '000)

Market	2Q 2005	2Q 2004	% Change	1H 2005	1H 2004	% Change
Germany	11.897	15.579	-23,6%	20.359	48.921	-58,4%
UK	4.371	4.360	0,2%	5.223	12.553	-58,4%
Netherlands	2.223	3.576	-37,8%	4.785	6.923	-30,9%
Denmark	1.183	2.202	-46,3%	2.346	4.154	-43,5%
Austria	817	2.084	-60,8%	3.609	3.415	5,7%
Spain	1.513	2.101	-28,0%	3.445	3.692	-6,7%
Belgium	1.745	1.220	43,1%	3.100	1.846	67,9%
France	1.041	794	31,2%	2.386	2.031	17,5%
Other	5.348	4.161	28,5%	8.596	8.769	-2,0%
Total Third Party	30.138	36.079	-16,5%	53.850	92.303	-41,7%

Highest selling products by Third Party sales in EUR million

Products	1H 2005	1H 2004	Description
Citalopram	11,5	19,9	Antidepressant
Ciprofloxacin	5,6	6,3	Anti-Infective
Lamotrigine Dispersible	4,4	N/A	Central Nervous System
Paroxetine	4,3	6,7	Antidepressant
Lisinoril HTC	2,9	5,2	Cardiovascular

Germany - 36% of Third Party sales

The pharmaceutical market in Germany is showing positive signs following a slow year in 2004. Sales in Germany were EUR11.9 million in 2Q 2005, down by 26.6% from previous year (2Q 2004: EUR15.6 million). This can mainly be explained by delivery constraints in the Icelandic manufacturing site. Sales in the first half were down 58.4% compared to the first half of 2005 (1H 2004: EUR48.9 million), with Lamotrigine dispersible, Citalopram, Ciprofloxacin and Ramipril HCT being the most important products. As expected, Lisinopril, which has traditionally been one of the most important products for the German market, has experienced reduced sales. This was mainly due to the fact that the product was launched over five years ago and supply agreements with some of the larger customers have expired.

Austria - 6% of Third Party sales

Sales in Austria were down by 60.8% as compared to 2Q 2004 and totalled EUR0.8 million (2Q 2004 EUR2.1 million). Sales in the first half were 3.6 million up 5.7% compared to the first half of 2005 (1H 2004: EUR3.4 million). Sales to Austria continue to decline as a result of lower sales of its largest product, Citalopram for international distribution. Sales of products for local marketing is showing positive signs with Lamotrigine dispersible tablets, which were launched in Austria in May, being the most important product on the market. The generic market in Austria is growing at a much faster rate than the overall pharmaceutical market.

Netherlands - 8% of Third Party sales

Sales in the Netherlands were down 37.8% from last year, amounting to EUR2.2 million (Q2 2004 EUR3.6 million). For the first six months, sales were down 30.9%, totalling EUR4.8 million (H1 2004: EUR6.9 million). The highest selling product was Citalopram, followed by Ciprofloxacin for international distribution and Fosinopril - the Netherlands is the most important market for Fosinopril. The decrease in sales can mainly be explained by delivery constraints in the Icelandic manufacturing site.

Spain - 6% of Third Party sales

Sales to Spain were somewhat lower in second quarter as compared to the first quarter, which was an exceptional quarter in this country due to the launch of Sertraline. Sertraline is still the highest selling product in the first half of the year, followed by Paroxetine and Enalapril. Sales in the first half were comparable to the same period last year.

France - 4% of Third Party sales

Sales to the French market were up by 31.2% in the quarter. The highest selling product in the the first half was Paroxetine, which was launched in the first quarter, followed by Ciprofloxacin, Enalapril and Citalopram.

The UK - 9% of Third Party sales

Product sales in the UK grew by 0.2% as compared to 2004 and totalled EUR4.4 million in the second quarter. For the first six months sales totalled EUR5.2 million (H1 2004: EUR12.6 million). The UK market has improved considerably following a very slow first quarter and the sales in Q2 were a fivefold increase on sales in Q1. The most important product was Citalopram followed by Lamotrigine conventional tablets, Ramipril capsules and Paroxetine.

Intellectual Property

Sales of intellectual property were in line with expectations, with Ramipril tablets, Benazepril HCT, Ramipril capsules, Terbinafine and Fosinopril being the strongest contributors.

Third Party Outlook

Sales in the second half are expected to be higher than sales in the first half but, for the year as a whole, the division is expected to deliver reduced sales compared to 2004 which was an exceptional year for the division, with major launches of the Ramipril products. One product launch will take place in August and three in the fourth quarter. The division maintains high market share for Citalopram, its highest selling product but pressure on prices remains high due to strong competition.

Research and Development

The Group has 445 products on Group markets, in addition to the newly acquired portfolio of another 67 products on the US market (Amide).

Including Amide the group had 97 products² in the development pipeline in addition to 32 products that were in registration, a total of 129 products.

Product launches

Three new products³ were launched in 1H 2005 to the EU markets. The Group plans to launch nine new products to the market in 2H 2005. Four of those products are for the North-American division. The Group relaunched a total of 49 existing products to new markets⁴ 1H 2005, nine for third-party customers and 40 for own-label markets.

EU Marketing Authorisations

A total of 89 first Marketing Authorisations in preparation for new market launches were received in EU markets and another 14 for other European markets, were granted in the first half of 2005.

A total of 270 first Marketing Authorisation Applications were submitted in EU markets and another 35 in other European markets, in the first half of 2005.

277 registrations were ongoing at the periods end for EU markets and another 103 for other European markets.

ANDA⁵ filings

Two new applications for the US market were completed in 1H 2005. One ANDA was granted in the period and 15 were ongoing at the periods end.

In-licensing

Eight In-licensing projects were finalised in the first half of 2005 for the EU markets.

² **Product:** is defined as molecule per form per multiple strength (eg Lamotrigine dispersible and conventional tablets are then two products). Own brand registrations should be defined in the same manner.

³ **New product launch:** a launch of a new product in the first market e.g. Germany. Entering another market at a later date with the same product (now defined as old product) is NOT a new product launch.

⁴ **New market launch:** is when a product ("old product") previously launched in other markets is launched into new market.

⁵ Abbreviated New Drug Application for the US market

Outlook

In addition to making strategic acquisitions to lead the consolidation of a still fragmented industry, Actavis is committed to driving further organic growth through innovative product launches, penetration of new markets and regulatory approvals of new generic pharmaceuticals.

The Group is expected to show strong progress in the second half of the year. Although EBITDA and net profit was lower in the second quarter than anticipated, they are expected to pick up in the second half of the year. The Group's North America division (Amide) will be incorporated in the Group's accounts as from beginning of July and is expected to significantly support sales growth and EBITDA margins. For the first half of 2005, financial performance of Amide has significantly exceeded the Company's expectations and the remainder of the year is also expected to be strong for Amide, with an expected EBITDA to revenue margin of at least 45% for the year as whole. The Own Label division is expected to deliver continuing strong growth in the second half whilst the Third Party division is expected to show improvement in the second half but is still expected to show reduced sales compared to 2004.

The Company expects a strong third quarter with improved margins and growth, furthermore, the fourth quarter is expected to deliver the best quarter of the year as a result of a number of new product launches, both in Europe and the US, delivering high EBITDA margin and good growth. For the full year 2005, the Company is expected to be on target with its EBITDA margin of 26% and underlying growth in single digits.

Shareholder Structure

The Actavis Group shareholder structure as of 1 August 2005 is demonstrated in the table below:

Shareholders	Ownership (%)
Amber International and related parties *	36,2%
Institutional investors	41,5%
Private investors	20,4%
Management	1,8%
Treasury shares	0,1%
	100%
Total Shares	3.338.645.294
Outstanding shares	3.335.345.485

* Amber International and related parties are controlled by Actavis' Chairman, Thor Bjorgolfsson.

Method of Consolidation

The consolidated financial statements comprise the financial statements of Actavis Group hf. and its subsidiaries. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Group companies are those companies in which the parent company has a controlling financial interest through direct and indirect ownership of a majority voting interest or effective managerial and contractual control. The subsidiaries held or acquired exclusively with a view to subsequent resale are excluded from consolidation and are included as available-for-sale investments and measured at fair value where this can be reliably measured or at cost less impairment losses where fair value cannot be reliably measured. All material intra-group balances, transactions and any unrealised gains from intra-group transactions have been eliminated in consolidation. The equity and net income attributable to minority interests are shown as separate items in the consolidated financial statements.

Auditing

The interim consolidated financial statements have been reviewed by the Group's auditors.

Actavis' Financial Calendar

Q3 results	15 November 2005
Q4 and annual results	14 February 2006
Q1 results	27 April 2006
Q2 results	1 August 2006

Financial calendar is also available on the Actavis' website, www.actavis.com

Presentation of Financial Results

An open meeting will be held at the Nordica Hotel in Reykjavik, Iceland, at 08:15 GMT on 10 August 2005. A copy of the presentation will be available on www.actavis.com following the meeting.

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About Actavis

Actavis is an international pharmaceutical company, founded in 1956, specialising in the development, manufacture and sale of high quality generic pharmaceuticals. The Group has also established itself as a supplier of pharmaceutical intellectual property.

Headquartered in Iceland, Actavis has operations in 28 countries with around 7,000 employees. In addition to development and manufacturing facilities in Bulgaria, US, Turkey, Malta, Iceland and Serbia, Actavis has an extensive sales network. The Group has built a strong market position in Europe and is entering the US market through its newly acquired company Amide. Furthermore, Actavis is constantly looking to establish itself in new markets. Actavis' intellectual property has resulted in Actavis and its customers being first to market with generic products when patents expire.

Forward Looking Statements

This press release contains forward-looking statements with respect to the financial condition, results of operations and businesses of Actavis. By their nature, forward-looking statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from that expressed or implied by these forward-looking statements. These factors include, among other things, exchange rate fluctuations, the risk that research and development will not yield new products that achieve commercial success, the impact of competition, price controls and price reductions, the risk of loss or expiration of patents or trade marks, difficulties of obtaining and maintaining governmental approvals for products, the risk of substantial product liability claims and exposure to environmental liability.

Following are the financial statements.

Income Statement	2Q 2005	2Q 2004	1H 2005	1H 2004
Net sales.....	115,720	103,636	212,678	221,108
Cost of goods sold.....	(63,090)	(52,962)	(113,636)	(118,399)
Gross profit.....	52,630	50,674	99,042	102,709
Other income.....	6,269	2,986	11,101	14,773
Sales and marketing expenses.....	(20,722)	(14,243)	(34,844)	(28,432)
Research and development expenses.....	(9,497)	(7,987)	(18,374)	(16,388)
General and administrative expenses.....	(12,100)	(11,694)	(21,474)	(22,715)
	<u>(36,050)</u>	<u>(30,938)</u>	<u>(63,591)</u>	<u>(52,762)</u>
Profit from operations (EBIT).....	16,580	19,736	35,451	49,947
Income / (Loss) from associates.....	0	(282)	0	(564)
Financial income/(expenses).....	(487)	(7,226)	(7,686)	(9,516)
Profit before tax.....	16,093	12,228	27,765	39,867
Income tax.....	(4,802)	(2,175)	(5,381)	(7,990)
Net profit.....	11,291	10,053	22,384	31,877
Attributable to:				
Equity holders of the Company.....	10,514	9,604	20,893	30,936
Minority interest.....	777	449	1,491	941
Profit for the period.....	11,291	10,053	22,384	31,877

Balance sheet	30.6.2005	31.12.2004	30.6.2005	31.12.2004
Non-current assets.....	503,739	442,085	503,739	442,085
Current assets.....	537,312	242,081	537,312	242,081
Total Assets	1,041,051	684,166	1,041,051	684,166
Stockholders' equity.....	586,140	281,823	586,140	281,823
Minority interest.....	11,704	9,853	11,704	9,853
Non-current liabilities.....	168,166	183,123	168,166	183,123
Current liabilities.....	275,040	209,367	275,040	209,367
Total equity and liabilities	1,041,051	684,166	1,041,051	684,166
Cash flow	2Q 2005	2Q 2004	1H 2005	1H 2004
Working capital from operating activities.....	28,797	13,126	53,556	42,832
Net cash provided by operating activities.....	13,052	10,833	37,807	16,691
Key ratios	2Q 2005	2Q 2004	1H 2005	1H 2004
EBITDA.....	23,445	24,747	48,010	59,802
EBITDA/revenues.....	19.2%	23.2%	21.5%	25.4%
EBIT/revenues.....	13.6%	18.5%	15.8%	21.2%
Earnings per share (EPS).....	0.00354	0.00359	0.00725	0.01110
Profit to sale.....	9.3%	9.4%	10.0%	13.5%
Return on equity (ROE).....	11.49%	17.33%	13.39%	27.47%
Equity ratio.....	0.57	0.43	0.57	0.43
Current ratio.....	1.95	1.16	1.95	1.16
Internal value of shares.....	13.69	7.79	13.69	7.79