

9 August 2004

## Actavis' profit after tax for the first half 2004 is EUR34 million

Actavis Group hf. (ACT.IC) ('Actavis'), the international generic pharmaceuticals company, announces its results for the second quarter ended 30 June 2004.

### Highlights

- *Underlying revenue growth of 15.8% for the first half of 2004 and 11.5% in second quarter*
- *Sales grew by 45.7% for the first half of 2004 and 42.4% in 2Q, compared to 2003*
- *EBITDA increased by 42.7% in the first half*
- *Name change to Actavis from Pharmaco in May*
- *Actavis Malta launched its first new EU product*

Thousands of Euro	Three months ended 30 June			Six months ended 30 June		
	2Q 2004	2Q 2003	% Change	1H 2004	1H 2003	% Change
Revenue .....	108,793	76,405	42.4%	234,643	161,081	45.7%
EBITDA .....	26,323	19,610	34.2%	62,089	43,522	42.7%
EBITDA to sales margin	24.2%	25.7%	-5.7%	26.5%	27.0%	-2.1%
Profit before tax .....	16,317	16,402	-0.5%	44,028	36,386	21.0%
Net profit .....	13,906	14,310	-2.8%	34,075	31,197	9.2%
Earnings per share .....	0.0050	0.0050	-0.4%	0.0122	0.0110	11.1%

President & CEO, Robert Wessman commented:

"This has been a busy period during which the Group has made good progress on a number of fronts. In particular, in May we successfully launched our new company name, Actavis. This move is central to our broader strategy of creating a major international brand in generic pharmaceuticals.

From a financial perspective, the second quarter was in line with our expectations and we are pleased to have delivered solid growth. We continued to see strong results from our Third Party Sales division, with sales progressing in line with our expectations. As anticipated, growth in the Own Brand division continued to be somewhat inhibited due to external causes in Turkey and Bulgaria. These were caused by delays in obtaining regulatory approvals as well as reimbursement and pricing issues. Looking forward, we remain on track to meet our targets for the year as a whole."

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## 2004 Second Quarter Results

In the second quarter, sales increased by 42.4% to EUR108.8 million (2Q 2003: EUR76.4 million). Underlying sales grew by 11.5%. Own Brand division underlying sales increased by 6.8% and the Third Party division underlying sales grew by 22.2%. Underlying sales growth excludes acquisitions and divestments in the period.

Earnings before interest, tax, exceptional items, depreciation and goodwill amortisation (EBITDA) increased by 34.2% to EUR26.3 million (2Q 2003: EUR19.6 million). The Company's EBITDA to sales margin was 24.2%, slightly lower than the 25.7% in 2Q 2003 and mainly due to the cost of the name change (EUR3 million) which was expensed in the quarter. Return on equity in the quarter was 25.7% compared to 26.5% for the same period last year.

Profit before tax was EUR16.3 million (2Q 2003: EUR16.4 million). Net profit was EUR13.9 million (2Q 2003: EUR14.3 million). After tax earnings per share were EUR0.0050 (2Q 2003: EUR0.0050). The tax rate is 11.8% for the quarter.

Actavis had an operating cash inflow of EUR12.5 million, a decrease from EUR24.0 million reported in 2Q 2003. This is primarily due to increase in receivables as is explained in the 1H section below.

## 2004 First Half Results

In the first half of 2004 the Group's sales increased 45.7%, to EUR234.6 million (1H 2003: EUR161.1 million). Underlying sales grew by 15.8%. In the Own Brand division, underlying sales were reduced by 1.5% and the Third Party division underlying sales grew by 41.4%. Underlying sales growth excludes acquisitions and divestments in the period.

Earnings before interest, tax, exceptional items, depreciation and goodwill amortisation (EBITDA) increased by 42.7% to EUR62.1 million (1H 2003: EUR43.5 million). The EBITDA to sales margin was 26.5% (1H 2003: 27.0%). Return on equity in the first half was 31.3% compared to 26.5% for same periods last year.

Profit before tax was EUR44.0 million, an increase of 21.0% (1H 2003: EUR36.4 million). Net profit was EUR34.1 million (1H 2003: EUR31.2 million). Increases in profit are relatively less than in revenue and EBITDA due to losses from currency fluctuations, compared with considerable profit from the same in the equivalent period last year. Additionally, there was a considerable increase in the effective tax rate between periods.

After tax earnings per share was EUR0.0122 (1H 2003: EUR0.0110). Group tax rate is now is 19.8%.

Actavis had operating cash inflow of EUR19.7 million, a decrease from EUR42.4 million reported in 1H 2003. This is primarily due to an increase in receivables. In Turkey receivables factoring was stopped from the beginning of the year and Third Party Sales' receivables have gone up.

## Second Quarter Developments

In May the Group changed its name to Actavis from Pharmaco. The name change is a step towards building an international brand in generic pharmaceuticals.

The name change initially affected six brands within the Group: Balkanpharma, a leading pharmaceutical brand in Eastern Europe, the Baltic republics, Russia and the

CIS countries; Delta and Omega Farma in Iceland; Pharmamed in Malta; United Nordic Pharma in Scandinavia; and the Iceland-based holding company Pharmaco. The Company's two other businesses, Fako in Turkey and Zdravlje in Serbia, will continue to trade under their existing names for the time being, but they carry the sub-branding 'An Actavis company'. Medis, the group's division dealing with third party sales, will retain its current identity.

In April, Third Party Sales launched a new cardiovascular product (Lisinopril HCT) in Western Europe, the first new product launch from the Maltese facility into the EU. Actavis has invested considerably to bring the Maltese facility into line with the latest EU regulatory requirements. The facility has now been approved by a number of EU authorities and will become a key manufacturing facility for the EU countries in addition to the Icelandic manufacturing facility.

#### Divisional Review

Actavis has two key divisions for the sale of its products, Own Brand and Third Party Sales. Own Brand sales are of products either developed by Actavis or in-licensed from other companies. Key markets for this division include Turkey, Bulgaria, Russia, Serbia and the Nordic countries.

Third Party Sales are sales of products developed and manufactured by Actavis and sold by third parties. Key markets for this division include Germany, Austria, the UK and Holland.

#### *Own Brand Sales*

Own brand sales represent 52.6% of sales for the group. Sales in the second quarter were EUR57.2 million compared to EUR35.4 million for the second quarter 2003. Underlying growth for the second quarter was 6.8%, a very positive shift from the first quarter of -11.0%. First half underlying growth was -1.5% compared to 2003.

#### *Highest selling products by Own Brand division*

Product	2Q EUR(m)	1H EUR(m)	Description
BIOMENT	2.6	5.2	Anti-Infective
ORACEFTIN	2.6	4.6	Anti-Infective
TROXEVASIN CAPS.	2.8	4.2	Cardiovascular
PHEZAM CAPS.	2.1	3.7	Central Nervous System
ALFASID	1.7	3.7	Anti-Infective
CRAVIT	1.8	3.6	Anti-Infective
ALMAGEL SUSP	1.7	3.2	Ailmentary tract & metabolism
HELIPAK	0.8	2.8	Ailmentary tract & metabolism
ENALAPRIL	1.4	2.6	Cardiovascular
SEDALGIN NEO	1.3	2.4	Central Nervous System

\*The top 10 own brand products account for 32.0% of total own brand sales in 2Q.

As expected, growth in Own Brand division sales was slower due to external causes in Turkey and Bulgaria, including regulatory, reimbursement and pricing issues. The changes in these areas are now effective in Turkey and the issues in Bulgaria are expected to be resolved in the third quarter.

## Turkey

The Turkish operation, Fako, is showing healthy progress. Integration of Fako into the Group is on schedule and the Turkish market is now recovering from the slowdown earlier in the year, caused by the introduction of a new pricing decree. This had created some confusion in the market and temporarily slowed sales across the industry.

## Bulgaria

Continued delays in the country regarding pricing issues and the introduction of new reimbursement rules has led to slower market growth than expected.

Following the Bulgarian government's confirmation on 29 July of new reimbursement legislation, we now expect a new reimbursement scheme to become effective in Bulgaria by late September. As a consequence, Actavis expects to have several new products included on the new reimbursement list. In addition, the scheme should allow for better pricing of certain existing products.

## Russia

The Russian market is improving and our sales for May, June and July grew strongly, giving us confidence for the second half of the year. We are working diligently to strengthen our operations in Russia and to launch new products this year and the next.

## Serbia

Our business at the Zdravlje subsidiary in Serbia continues to gain ground, as the reorganisation and integration process is mostly behind us. Sales for Zdravlje are in line with our expectations and we gained market share during the quarter. First registrations of Actavis products are expected in the fourth quarter.

## Northern Europe

Regulatory issues in Denmark caused delays in the introduction of some of our key products in that market. Increased emphasis has, therefore, been placed on new product launches in this market.

In Iceland, the authorities have put increasing pressure on the pricing of pharmaceuticals which may lead to lower prices in the future. Actavis has already reduced prices to meet these requirements and is involved in ongoing negotiations with the government on pricing changes.

## *Third-Party Sales*

The performance of the Third-Party Sales division in this quarter was in line with our expectations.

Sales for this division represent 35.5% of total sales for the Group. Third-Party sales include the sale of intellectual property to other pharmaceutical companies. Sales in the quarter were EUR38.6 million, compared to EUR31.6 million for the second quarter 2003. Intellectual property sales reached EUR2.5 million in this quarter, representing 2.3% of the Group's revenue.

### *Highest selling products to third parties*

Product*	2Q EUR(m)	1H EUR(m)	Description
CITALOPRAM	8.3	19.9	Antidepressant
RAMIPRIL CAPSULES	2.9	11.6	Cardiovascular
RAMIPRIL	1.9	11.5	Cardiovascular
RAMIPRIL HCT	1.9	11.0	Cardiovascular
LISINOPRIL	3.4	7.1	Cardiovascular
PAROXETINE	3.2	6.7	Antidepressant
CIPROFLOXACIN	3.2	6.3	Antibiotic
LISINOPRIL HCT	4.9	5.2	Cardiovascular
ENALAPRIL	1.1	2.9	Cardiovascular
LORATADIN	0.8	2.6	Antihistamine

\*Top 10 products account for 82% of total third party sales in 2Q.

In April two new cardiovascular products were shipped to European clients, Lisinopril HCT tablets and Quinapril tablets. For both these products our customers were among the first to launch the generic products following patent expiry. Two further product launches are expected during the third and fourth quarters.

#### **Development**

Development programmes are progressing according to plan. About fifty products are currently in development across the Group. Additionally, some thirty own-brand products are being developed for domestic markets in Bulgaria, Turkey, Serbia and other countries where we market own brand products. The acquisition of Fako in Turkey has increased our development capacity and the company now plays an important role in this field. A number of new development projects are already underway in Turkey.

All products going off patent in the Group's markets in the years from 2008 to 2016 have been reviewed and evaluated, both from a technical and marketing standpoint. Some of these have already been formally approved for development, but others will be monitored closely with regards to sales development and the strategy of the respective innovator companies to determine whether a generic version will be developed. Equally important to the Group is the emphasis on generating new ideas for line-extensions, innovative combinations of products, new drug delivery techniques and therapeutic areas. Work is in progress to finalise evaluation and initiate development of selected products before the year-end.

#### **Outlook**

##### *Own Brand division*

The main emphasis will be on launching new products in new markets. Several new products will be registered in Mid- and Eastern Europe and Turkey in the next two to three years. Actavis has also set ambitious goals to deliver more products and services to all its clients worldwide. The Group is further strengthening its organisation with the people and processes that will enable it to reach these goals.

Our penetration of Central European markets is now moving faster and we have already registered seven products in Hungary and have about 20 products in the registration process. North European markets are expected to provide us with growth as we launch new products into Finland and the Baltics. We are also expecting to achieve continued sales growth in Sweden. Own Brand Marketing & Sales is strengthening its distribution network in Middle East and African markets and also in South-East European markets (Macedonia, Slovenia, Romania).

#### *Third Party Sales division*

The division works continuously to gain a wider geographical sales presence and a larger portfolio of products. Thus 27 different pharmaceuticals contributed to its product sales during the quarter. Germany continues to be the single most important market for the division but the Netherlands, Spain, France and especially the UK are of increasing importance. The Third Party Sales Division enjoys access to increased capacity on all fronts within in the Actavis Group including for instance development, regulatory and operations which will ensure the basis for further growth in the future.

#### **Purchase of Shares**

At the annual general meeting in March, shareholders granted the Board authority to buy up to 10% in a 18 month period.

It is the Boards intention to increase further ownership of Actavis shares. Currently the Group owns 6.6% of the shares in issue and intention is to acquire up to 3.4% in the next 9 months. This is done amongst other things to support the Group's ongoing acquisition strategy and use the shares as currency in such transactions.

#### **Analyst Meeting**

There will be an analyst meeting in Iceland at the Icelandic Art Museum, Frikkirkjuvegur 7, Reykjavik, at 16:30 GMT on 9 August 2004. A copy of the analyst presentation will be available at [www.actavis.com](http://www.actavis.com) following the meeting.

#### **Reporting**

The Group will report its results on a quarterly basis in 2004. Third quarter results will be announced 9 November. Our financial calendar is available on the Actavis' website, [www.actavis.com](http://www.actavis.com)

#### **About Us**

Actavis Group was formerly known as Pharmaco until 17 May 2004. Founded in 1956, Actavis is an international pharmaceutical company, 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 25 countries with over 7,000 employees. In addition to development and manufacturing facilities in Bulgaria, Turkey, Malta, Iceland and Serbia, Actavis has an extensive sales network. The Group has built a strong market position in Europe and 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.

## Actavis Group

Following are the key figures of the consolidated financial statements for the second quarter and first half of 2004.

Income Statement	2Q 2004	2Q 2003	1H 2004	1H 2003
Operating revenues.....	108,793	76,405	234,643	161,081
Total expenses.....	(88,320)	(60,547)	(183,346)	(125,884)
Operating profit (EBIT)	20,473	15,858	51,297	35,197
Net interest expense/income.....	(4,155)	544	(7,268)	1,189
Income before taxes	16,317	16,402	44,028	36,386
Taxes.....	(1,922)	(1,405)	(8,735)	(3,863)
Profit before minority interest	14,396	14,997	35,294	32,523
Minority interest.....	(490)	(687)	(1,219)	(1,326)
Profit	13,906	14,310	34,075	31,197
Balance sheet	2Q 2004	2Q 2003	1H 2004	1H 2003
Fixed assets.....	411,518	332,879	411,518	332,879
Current assets.....	228,066	148,443	228,066	148,443
Total Assets	639,585	481,322	639,585	481,322
Stockholders equity.....	253,721	251,196	253,721	251,196
Provisions.....	20,806	10,758	20,806	10,758
Long-term liabilities.....	168,575	160,834	168,575	160,834
Current liabilities.....	196,482	58,534	196,482	58,534
Total stockholders equity and liabilities	639,585	481,322	639,585	481,322
Cash flow	2Q 2004	2Q 2003	1H 2004	1H 2003
Working capital from operating activities	18,450	15,731	48,517	36,655
Net cash provided by operating activities.	12,507	5,616	19,716	23,996
Key ratios				
EBITDA.....	26,323	19,610	62,089	43,522
EBITDA/revenues.....	24.20%	25.67%	26.46%	27.02%
EBIT/revenues.....	18.82%	20.76%	21.86%	21.85%
Earnings per share (EPS).....	0.0050	0.0050	0.0122	0.0110
Profit to sale.....	12.78%	18.73%	14.52%	19.37%
Return on equity (ROE).....	25.70%	26.50%	31.30%	26.50%
Equity ratio.....	39.67%	52.19%	39.67%	52.19%
Current ratio.....	1.16	2.54	1.16	2.54
Internal value of shares.....	7.01	6.96	7.01	6.96