

9 November 2004

Actavis reports net profits of €48 million for the first nine months 2004

Actavis Group hf. ("ACT") ('Actavis'), the international generic pharmaceuticals company, announces its results for the third quarter ended 30 September 2004.

Highlights

- *Sales up 36.9% in third quarter and 42.8% for first nine months*
- *Underlying revenue grew by 5.8% in third quarter and 12.5% for first nine months*
- *EBITDA margin 25.2% for third quarter and 26.1% for first nine months*
- *Antidepressant Mirtazapine launched in the quarter by Third Party division*
- *Executive Board strengthened with three new executive appointments*

Thousands of Euro	Three months ended 30 September			Nine months ended 30 September		
	3Q 2004	3Q 2003	% Change	9M 2004	9M 2003	% Change
Operating revenues.....	105.138	76.795	36,9%	339.781	237.876	42,8%
EBITDA.....	26.477	20.576	28,7%	88.565	64.098	38,2%
EBITDA/revenues.....	25,2%	26,8%	-6,0%	26,1%	26,9%	-3,3%
Earnings before tax.....	18.989	(9.154)		63.017	27.232	131,4%
Net earnings.....	14.021	(7.868)		48.095	23.329	106,2%
Earnings per share.....	0,0050	(0,0028)		0,0173	0,0110	57,3%

* Loss in 3Q '03 due to impairment.....

President & CEO, Robert Wessman commented:

"This quarter has been a busy period for us and we have made good progress in a number of areas. Sales in the Third Party division were in line with expectations, although we are seeing an increased price pressure on one of our largest products, Citalopram. As expected, Own Brand sales slowed somewhat due to a number of external factors.

We have made some organisational changes to further strengthen the Company structure by creating three new executive positions. These changes will allow us to place greater emphasis on developing strategic relationships with third parties and increase the in-licensing of products for Own Brand markets in Europe and the US."

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2004 Third Quarter Results

In the third quarter, sales increased by 36.9% to EUR105.1 million (3Q 2003: EUR76.8 million). Underlying sales¹ grew by 5.8%. Own Brand division underlying sales increased slightly by 0.2% and the Third Party division underlying sales grew by 18.5%.

Earnings before interest, tax, exceptional items, depreciation and goodwill amortisation (EBITDA) grew 28.7% to EUR26.5 million (3Q 2003: EUR20.6 million). The EBITDA margin stands at 25.2%. Lower EBITDA to sales margin was mainly affected by lower sales in the quarter.

Profit before tax was EUR19.0 million (3Q 2003: loss of EUR9.2 million). Net profit was EUR14.0 million (3Q 2003: loss of EUR7.9 million). The loss for the third quarter last year was due to an impairment write-down in Bulgaria and the subsequent creation of special reserves. Return on equity in the third quarter was 25.9% compared to a loss last year.

After tax earnings per share (EPS) were EUR0.0050 (3Q 2003: loss EUR0.0028). The tax rate was 19.4% for the quarter.

Actavis had an operating cash outflow of EUR5.2 million in third quarter, compared to inflow of EUR14.1 million reported 3Q 2003. Cash flow was affected by a number of issues during the first 9 months, in particular an increase in receivables in Turkey as Actavis' subsidiary in Turkey, Fako, no longer factors its receivables. In addition, the third quarter cash flow was also affected by extended credit terms of sales in Turkey during the last few months to be more in line with terms offered at the market. Third Party sales are mainly "made to order". Deliveries in the third quarter were strong in September, resulting in higher receivables.

2004 Nine Months Results

In the first nine months of 2004 the Group's sales increased 42.8% to EUR339.8 million (9M 2003: EUR237.9 million). Own Brand division underlying sales decreased by 0.9% and the Third Party division underlying sales grew by 34.7%.

Earnings before interest, tax, exceptional items, depreciation and goodwill amortisation (EBITDA) increased by 38.2% to EUR88.6 million (9M 2003: EUR64.1 million). The EBITDA to sales margin was 26.1% (9M 2003: 26.9%). Return on equity in the first nine months was 29.5% compared to 12.9% for the same period last year.

Profit before tax was EUR63.0 million, an increase of 131.4% (9M 2003: EUR27.2 million). Net profit was EUR48.1 million (9M 2003: EUR23.3 million).

After tax earnings per share was EUR0.0173 (9M 2003: EUR0.0110). The Group tax rate was 19.7%.

Actavis had an operating cash inflow of EUR14.5 million, a decrease from EUR38.1 million reported in 9M 2003. This is primarily due to an increase in receivables, as explained above.

Third Quarter and Recent Developments

The Group announced last month that it had made three new executive appointments. These appointments are designed to further strengthen the overall structure and efficiency of the business as it continues to grow.

¹ Underlying sales growth excludes acquisitions and divestments in the period

Appointments

Three new executive positions were created during the third quarter; Corporate Development, Strategic Businesses, and Strategy and Organisational Development. The new members of the Executive Board are: Sigurdur Oli Olafsson, Chief Executive of Corporate Development, Ashok Narasimhan, Chief Executive of Strategic Businesses and Svafa Gronfeldt, Chief Executive of Strategy and Organisational Development. Per Edelman was appointed Chief Executive of Sales and Marketing in the Own Brand division as of 1 November 2004. Kristjan Sverrisson, former Chief Executive of the Own Brand division, left the Company as of 1 November.

Divisional Review

Actavis has two main divisions for the sale of products and intellectual property, 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 intellectual property developed by Actavis and sales of finished products sold to third parties. Key markets for this division include Germany, Austria, the UK and Netherlands.

Own Brand

Own Brand sales represented 50.5% of sales for the Group in the first nine months. Sales in the third quarter were EUR58.8 million, compared to EUR38.8 million for the same period 2003. Underlying growth for the third quarter was 0.2% and -0.9% for first nine months compared to 2003. In underlying growth calculations, discontinued sales to aid organisations from Malta is accounted for, negatively affecting the growth.

Highest selling products by Own Brand division

Products *	3Q 2004	9M 2004	Description
	EUR (m)	EUR (m)	
Bioment	2.1	7.3	Anti-Infective
Troxevasin	2.6	6.8	Cardiovascular
Almagel	3.3	6.5	Ailmentary tract & metabolism
Oraceftin	1.7	6.4	Anti-Infective
Alfasid	2.3	6.0	Anti-Infective
Cravit	2.3	5.9	Anti-Infective
Phezam	1.8	5.5	Central Nervous System
Sedalgin Neo	2.4	4.8	Central Nervous System
Enalapril	1.5	4.1	Cardiovascular
Helipak	1.2	4.0	Ailmentary tract & metabolism

* Top 10 Own Brand products account for 36.2% of Own Brand sales in 3Q and 33.4% for the first nine months of 2004.

As expected, growth in Own Brand sales was slower due to external causes. This was mainly due to general pricing pressure, further delays in reimbursement issues in Bulgaria, and delays in registrations. Market by market commentary follows:

Turkey

Sales in the Turkey have been below expectations but the market has now stabilised after recovering from the introduction of a new pricing decree. Despite this, EBITDA to sales margin and profits were in line with expectations. To retain current market position, Actavis has decided to extend credit terms to be closer to market norms.

Bulgaria

Continued delays regarding pricing issues and the introduction of a new reimbursement list. This has led to slower market growth than expected and sales were below expectations. The implementation of the new reimbursement list in Bulgaria is in its final stages. We expect that introduction of the list can possibly be delayed until beginning of the year 2005. Due to the complexity of the situation around issuing the new reimbursement list an exact date is difficult to estimate. Despite difficult market situation, Actavis is retaining its market position.

Russia/CIS²

The Russian/CIS market continues to improve and sales have been stable for the quarter and in line with expectations. In the CIS, sales increased due to some price increases for core brands in the quarter, which has coincided with increased marketing efforts and strengthened distribution channels.

Serbia

Our business in Serbia continues to gain ground with increased market share and sales for the period in line with expectations. New legislation was passed in Parliament in July this year allowing for up to 9% price increases for some of our products, taking effect in January 2005.

Northern Europe

The integration of Pliva Pharma Nordic has been successfully completed and the Group has a strong Nordic sales network in place. Competition in Denmark continues to be tough, with continued pricing pressure in that market. Sales, margins and profitability are therefore below expectations and whilst this is not expected to change in the short term, several product launches are under preparation awaiting final approval of marketing authorisations. Sales in Iceland were in line with expectations, though the region as a whole was below our expectations in the quarter.

Third Party Sales

Third Party Sales include the sale of intellectual property and sales of finished products to other pharmaceutical companies (third parties). Underlying growth of the Third Party Sales division was 34.7% for the first nine months and 18.5% in the quarter. Third Party sales is experiencing increased price pressure for products like Citalopram and Ramipril capsules in the UK. In key markets like Germany, healthcare reform has taken place, which is putting additional price pressure on pharmaceutical products in the market. Looking forward, this is expected to benefit the generic industry.

Sales for the division represented 38.7% of total sales for the Group in the first nine months. Sales in the quarter were EUR33.8 million, compared to EUR28.5 million for the third quarter 2003. Intellectual property sales reached EUR2.0 million in this quarter.

In January of this year we launched Captopril HCT tablets in France through our customers, the first French launch for some time. During the fourth quarter, Ciprofloxacin and Lisinopril tablets will also be shipped to France, demonstrating the increasing importance of France as a market for the Third Party Sales division. A cardiovascular product will be shipped to several European countries during the fourth quarter.

² Commonwealth of independent states

Highest selling products to third parties

Products *	3Q 2004 EUR (m)	9M 2004 EUR (m)	Description
Citalopram	7.6	27.4	Antidepressant
Ramipril Caps	2.3	13.9	Cardiovascular
Ramipril	2.0	13.5	Cardiovascular
Ramipril HTC	0.5	11.6	Cardiovascular
Lisinopril	2.8	9.9	Cardiovascular
Ciprofloxacin	3.4	9.7	Antibiotic
Paroxetine	2.7	9.4	Antidepressant
Lisinopril HTC	2.1	7.3	Cardiovascular
Enalapril	1.1	4.1	Cardiovascular
Mirtazapine	3.2	3.2	Antidepressant

* Top 10 products account for 87% of total Third Party sales in 3Q and 88.6%, 9 months '04.

In September and October, our customers were amongst the first to launch Mirtazapine antidepressant tablets in Germany.

Sertraline (antidepressant) tablets were shipped to customers in CEE³ countries as well as Spain during the quarter. This product will be launched generally throughout Europe in October 2005 but this earlier launch in certain markets was made possible due to local patent circumstances.

Outlook

With the new executive positions within Actavis, greater emphasis is being placed on developing strategic relationships with third parties. In particular, a greater drive is being put into in-licensing of products for Own Brand markets in Europe and for the US markets.

New development centre in India

We are also establishing a new development unit in India in the coming months, which will help improve the efficiency of Actavis' product development. The role of the new unit is to increase further the effort in developing Actavis' own API (Active Pharmaceutical Ingredients) and to develop more products over the longer term for the US market.

³ Central Eastern Europe
Third quarter results 2004

Analyst Meeting

There will be an analyst meeting in Iceland at Nordica Hotel, Reykjavik, at 17:00 GMT on 9 November 2004. A copy of the analyst presentation will be available at www.actavis.com following the meeting.

Reporting

Fourth quarter and annual results will be announced 22 February 2005. Our financial calendar is available on the Actavis' website, www.actavis.com

About Us

Actavis Group was 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 6600 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 third quarter and first nine months of 2004.

Income Statement	3Q 2004	3Q 2003	9M 2004	9M 2003
Operating revenues.....	105.138	76.795	339.781	237.876
Operating expenses.....	(83.310)	(60.461)	(266.657)	(186.345)
Impairment losses.....	0	(18.887)	0	(18.887)
Total expenses.....	(83.310)	(79.348)	(266.657)	(205.232)
Operating profit (EBIT)	21.828	(2.553)	73.124	32.644
Net interest expense/income.....	(2.839)	(2.912)	(10.107)	(1.723)
Special reserves	0	(3.689)	0	(3.689)
Income before taxes	18.989	(9.154)	63.017	27.232
Taxes.....	(3.692)	1.698	(12.427)	(2.165)
Profit before minority interest	15.297	(7.456)	50.590	25.067
Minority interest.....	(1.276)	(412)	(2.495)	(1.738)
Profit	14.021	(7.868)	48.095	23.329
Balance sheet	3Q 2004	3Q 2003	9M 2004	9M 2003
Fixed assets.....	420.456	324.878	420.456	324.878
Current assets.....	247.639	168.966	247.639	168.966
Total Assets	668.095	493.844	668.095	493.844
Stockholders equity.....	266.044	241.197	266.044	241.197
Provisions.....	22.876	10.552	22.876	10.552
Long-term liabilities.....	157.312	173.062	157.312	173.062
Current liabilities.....	221.863	69.033	221.863	69.033
Total stockholders equity and liabilities	668.095	493.844	668.095	493.844
Cash flow	3Q 2004	3Q 2003	30.9.2004	30.9.2003
Working capital from operating activities....	19.933	17.437	68.450	54.092
Net cash provided by operating activities.....	(5.251)	14.140	14.466	38.136
Key ratios				
EBITDA.....	26.477	20.576	88.565	64.098
EBITDA/revenues.....	25,18%	26,79%	26,07%	26,95%
EBIT/revenues.....	20,76%	-3,32%	21,52%	13,72%
Earnings per share (EPS).....	0,0050	(0,0028)	0,0173	0,0110
Profit to sale.....	13,34%	-10,25%	14,15%	9,81%
Return on equity (ROE).....	25,90%	-13,80%	29,50%	12,90%
Equity ratio.....	39,82%	48,84%	39,82%	48,84%
Current ratio.....	1,12	2,45	1,12	2,45
Internal value of shares.....	7,35	6,56	7,35	6,56