

Actavis reports net profits of EUR63 million for 2004

Actavis Group hf. ("ACT") ('Actavis'), the international generic pharmaceuticals company, announces its audited results for the year ended 31 December 2004.

Highlights: Q4 and 2004

- Sales grew by 43.0% to EUR111.9 million in Q4 and 42.9% to EUR451.7 million for the full year
- Underlying revenue grew by 4.8% in Q4 and 10.6% for the full year.
- EBITDA margin 23.4% or EUR26.1 million for the Q4 and 25.4% or EUR114.7 for the year.
- Net profit down by 15.4% and was EUR14.6 million for Q4 and up by 54.6% to EUR62.6 million for the year
- Earnings per share (EPS) up 57.3% for the year
- Nine products launched, five of which were first to market
- Acquisition of Polish company, Biovena

President & CEO, Robert Wessman commented: "2004 was a year of growth and high profitability for Actavis and I am pleased with the results for the year as a whole. This was a busy year for us and we achieved positive results in many of our strategic activities. Emphasis was placed on consolidating new companies into the Group and we had a record year in the number of new products launches. Margins and profits were strong and we are pleased to see how the recently acquired companies have performed.

Looking ahead we continue to adhere to our strategy of targeting growth in our present market as well as looking at strategic opportunities in the US and India. Our recent activity in India shows great promise for the Group and we look forward to developing our operations there.

Looking forward, I am confident that our strong customer focus and our ambitious and hard working employees will continue to enhance the rapid growth of Actavis."

Post period end events

- **Bulgaria, Jan 05.** Reimbursement list in Bulgaria confirmed
- **India, Feb 05.** Actavis acquires the CRO company Lotus and signs a strategic collaboration agreement with Emcure

Thousands of Euro	Three months ended 31 December			Twelve months ended 31 December		
	4Q 2004	4Q 2003	% Change	2004	2003	% Change
Operating revenues.....	111,916	78,275	43.0%	451,697	316,151	42.9%
EBITDA.....	26,143	19,961	31.0%	114,708	84,059	36.5%
EBITDA/revenues.....	23.4%	25.5%	-2.1%	25.4%	26.6%	-1.2%
Profit before tax (PBT).....	15,435	19,556	-21.1%	78,451	46,788	67.7%
Net profit.....	14,562	17,211	-15.4%	62,656	40,540	54.6%
Earnings per share (EPS).....	0.0052	0.0061	-14.8%	0.0225	0.0143	57.3%

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Group Strategy

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

Financial highlights

Q4 2004 results

In Q4 sales increased by 43.0% to EUR111.9 million (4Q 2003: EUR78.3 million). Underlying sales¹ grew by 4.8%. Underlying sales for our Own Brand division increased slightly by 3% but the Third Party division's underlying sales decreased by 5.6%.

Earnings before interest, tax, exceptional items, depreciation and goodwill amortisation (EBITDA) rose by 31% to EUR26.1 million (4Q 2003: EUR19.9 million). The EBITDA to sales margin stands at 23.4%.

Profit before tax was EUR15.4 million (4Q 2003: profit of EUR19.5 million). Net profit was EUR14.6 million (Q4 2003: profit of EUR17.2 million). Return on equity in Q4 was 26.9% compared to 31.4% in the previous year.

After tax earnings per share (EPS) were 0.0052 (4Q 2003: 0.0061). Tax in the quarter was positive by EUR1 million which is mainly due to increased tax asset in Malta.

Actavis had an operating cash inflow of EUR34.4 million in Q4 compared to an inflow of EUR5.7 million reported Q4 2003.

2004 Full Year Results

In 2004 the Group's sales increased 42.9% to EUR451.7 million (2003: EUR316.1 million). Own Brand division's underlying sales increased by 0.2% and the Third Party division's underlying sales grew by 24%.

Earnings before interest, tax, exceptional items, depreciation and goodwill amortisation (EBITDA) increased by 36.5% to EUR114.7 million (2003: EUR84.1 million). The EBITDA to sales margin was 25.4% (2003: 26.6%). Return on equity was 28.9% compared to 17.8% for the same period last year.

Profit before tax was EUR78.5 million, an increase of 67.7% (2003: EUR46.8 million). Net profit was EUR62.7 million (2003: EUR40.5 million).

After tax earnings per share were 0.0225 (2003: 0.0143). Effective tax rate was 14.6% for the year.

Actavis had an operating cash inflow of EUR48.8 million, an increase of EUR5.1 million compared to 2003. This increase is less than anticipated for the year as a whole. It is mainly due to an increase in receivables in Actavis' subsidiary in Turkey, Fako. The company no longer factors its receivables. In addition, Fako has extended the credit terms of sales in Turkey to be more in line with the terms generally offered in the market. This increased the receivables for the Group by EUR34 million.

An impairment test on the Groups' Goodwill was performed by an independent third party at year end 2004. The main conclusion of the test was that the operation acquired companies supports the Goodwill apart from the Danish subsidiary. The total amount of Goodwill was at year 2004 EUR229 million. The total amount of the impairment is EUR3 million.

Q4 and Recent Developments

In February 2005 Actavis announced an agreement to conditionally acquire Lotus Laboratories, an Indian Contract Research Organisation (CRO), for around EUR19.1 million. The acquisition is not expected to affect Actavis' financial results in the short term but it is expected to reduce the Group's R&D expenditure and to support its entry into the US market. In the same month, Actavis also announced a strategic collaboration with the Indian pharmaceutical company, Emcure Pharmaceuticals. The agreement focuses on four products which Emcure will manufacture for Actavis for the US market.

In January 2005 Actavis welcomed the publication of a new reimbursement list in Bulgaria. This long-awaited final step by the Bulgarian Government is expected to make Actavis more competitive and is expected to support the Company's sales in Bulgaria.

In December 2004, Actavis launched the generic version of Quinapril HCT tablets to its customers in Germany. Cardiovascular Quinapril HCT is expected to be a healthy contributor to Actavis' revenues. In the same month, Actavis acquired the Polish generic pharmaceutical company, Biovena. The acquisition is an important step in Actavis' strategy to penetrate one of Europe's largest pharmaceutical markets. In addition, it gives Actavis a suitable platform from which to register and launch its Own Brand products in Poland.

Divisional Review

¹ Underlying sales growth in core business activities and excludes acquisitions and divestments in the period.

4 Divisional Review



creating value in pharmaceuticals

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 & CIS, Serbia and the Nordic region.

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 53.2% of total sales for the full year. Sales for 2004 were EUR240.2 million, compared to EUR156.4 million for 2003. Underlying growth for Q4 was 3% and 0.2% for the full year.

Own Brand sales by markets (EUR '000)

Market	4Q 2004	4Q 2003	% Change	2004	2003	% Change
Turkey	23,820	0	N/A	82,371	0	N/A
Bulgaria	13,965	13,167	6.1%	49,657	53,630	-7.4%
Russia & CIS	10,484	10,111	3.7%	38,327	34,090	12.4%
Northern Europe	7,243	1,424	408.7%	24,664	18,099	36.3%
Serbia	7,435	5,084	46.2%	24,547	22,913	7.1%
Other	5,653	7,868	-28.1%	20,621	22,968	-10.2%
Total Own Brand	68,601	37,655	82.2%	240,188	151,700	58.3%

Highest selling products by Own Brand in EUR million

Products	4Q 2004	2004	Description
Bioment	2.8	10.1	Anti-Infective
Troxevasin	2.7	9.6	Cardiovascular
Cravit	2.8	9.3	Anti-Infective
Almagel	2.6	9.0	Alimentary tract & metabolism
Oraceftin	2.9	8.9	Anti-Infective

Growth in Own Brand Sales was slower than expected, due to several reasons. Primarily this was due to pricing pressures and the delay in introduction of a new reimbursement list during 2004 in Bulgaria. Important progress was made in Q4 and 2004 as a whole in streamlining sales and marketing operations across the Group and creating a more effective service platform.

A big step in the Company's strategy to consolidate the various businesses under one brand and build a leading brand in generic pharmaceuticals was taken when the Company was rebranded as Actavis.

Market by market commentary follows.

Turkey

Acquisition of Fako was completed in beginning of 2004 and the company is accounted for the full year.

Integration has been a success and the company is now contributing a strong margin and profits to the Group.

The strongest contributing products were the anti-infectives Bioment and Oraceftin and the anti-infective/alimentary tract drug Helipak. Competition remained intense with discounts and extended credit terms being given by competitors. By the end of the year increased discounts were implemented in the market by the Government. These will result in discounts of 11% to the market for 2005. Actavis accrued for those discounts, for products already with the wholesalers and pharmacies.

The Company filed 17 registrations in 2004 which included both cardiovascular and central nervous system products. Four to five of these products are expected to be launched in late 2005. Actavis expects healthy growth in the market in the coming year.

4 Divisional Review

Bulgaria

Sales in Bulgaria were down 7% for the year compared to 2003. The main reason for slower growth was the delay in the confirmation of the final reimbursement list from the Government. The list was confirmed in January 2005 and is expected to support Actavis sales and make the business more competitive. The Company remains the leading generic pharmaceutical

The strongest contributors to sales in 2004 were the cardiovascular products Renapril, Dehydratin and Verapamil.

In 2004, Actavis introduced five new products to the market and registered another 12. The Group expects 10 to 12 products to be launched in 2005 and anticipates a healthy growth in the coming year

Russia, Ukraine and the CIS

These markets continued to perform strongly with total sales of pharmaceutical products growing by 12.4% in 2004 compared to 2003.

The management team has predominantly focused on increased promotion and strengthening its relationship with distributors. The main contributors to sales were products such as Almagel (Antacid), Sedalgin Neo (Central Nervous System) and Troxevasin (Cardiovascular).

Serbia and Montenegro

Sales in Serbia were up 7% for the year. The Company continued to gain ground in 2004 with increased market share and sales were in line with expectations. The Company remains one of the market leaders in the region. The main contributing products were Enalapril, Ciprocinol and Ranisan. A new law was passed in August 2004 with the intention of conforming local pharmaceutical regulatory bodies to EU standards. Once operational, this agency is expected to improve the regulatory and registration processes in the market.

Nordic region

Sales grew 36.3% in 2004 excluding the Pliva-acquired products. The Group established itself in the region with the integration of Pliva Pharma Nordic and gained market share in all major Nordic markets, with 14 new product launches in Denmark. Competition in Denmark remains strong with continued pricing pressure yet the market continues to develop in favour of generics. Several patent expiries in the region and reimbursement reforms being implemented in Norway and Denmark will favour additional growth for

generics. During 2005, 15 new market launches² are expected in the region (counting all markets).

Third Party Sales

Third Party Sales include the sale of intellectual property and finished products to other pharmaceutical companies (third parties). Underlying growth for this division was 24% for the full year but negative of 5.6% in Q4. 2004 was the best year in the Third Party Sales division's history. The launch in January of Ramipril capsules, Ramipril tablets and Ramipril HCT products represented the Group's biggest new product launch. In total nine products were launched in the year of which five were first to market.

Q4 saw three market launches (products launched earlier in other markets) in the French market upon patent expiry - an important indication of the growing significance of the French market for the division. In December, the division launched the new generic version of Quinapril HCT tablets to its customers in Germany, who were consequently first to market with the product. Quinapril HCT is expected to be a healthy contributor to Actavis' product portfolio.

Germany

Sales in Germany were up 50% for the full year compared to 2003, partly due to strong sales of Ramipril. Government resulted in a new obligation for pharmaceutical companies to give national healthcare funds a 16% discount under the country's reimbursement system. A new reference price group for ACE inhibitors impacted adversely on Ramipril, Ramipril HCT, Quinapril and Quinapril HCT. The German reforms are boosting the use of generics and generally benefit the industry. In the longer term, however, both generic and patent-protected medicines are expected to come under continued pricing pressures.

The UK

Sales in the UK market were up 88.6% for the full year compared to 2003. Whilst Ramipril and Citalopram both experienced price squeezes, there was good news in the UK where the market remained buoyant and Ramipril prices in particular remained strong for longer than originally anticipated. Paroxetine was successfully launched in the UK in February 2004.

² A new market launch: is when a product ("old product") previously launched in other markets is launched into new market.

Austria

Sales to Austria were down 60% for the full year compared to 2003. The reduction is entirely due to lower sales of Citalopram for international distribution, although Citalopram is still by far the highest selling product on the market, covering almost 70% of the Company's sales to Austria. Last year two new Austrian customers launched Ramipril products and Lisinopril HCT.

Netherlands

Sales to the Dutch market were up 69.3%. The Netherlands, with its developed generic market, has always been an important market for the division. The key product is Ciprofloxacin for international distribution, followed by Loratadine and Lisinopril for local sales.

Third Party product sales by markets (EUR '000)

Market	2004	2003	% Change
Germany	79,244	52,815	50.0%
UK	20,513	10,876	88.6%
Austria	12,296	31,118	-60.5%
Netherland	7,403	4,372	69.3%
Spain	5,634	3,848	46.4%
Denmark	5,435	7,515	-27.7%
France	3,216	2,186	47.1%
Other	17,893	15,403	16.2%
Total Third Party	151,632	128,134	18.3%

Highest selling products by Third Party Sales in EUR million

Products	4Q 2004	2004	Description
Citalopram	3.2	30.6	Antidepressant
Ramipril Caps	2.2	16.1	Cardiovascular
Ramipril	1.6	15.1	Cardiovascular
Ramipril HCT	1.2	12.7	Cardiovascular
Paroxetine	2.7	12.7	Antidepressant

Research and Development

2004 was a productive year for the Group's R&D Division. By year end, 45 products were in the development pipeline for Group markets, in addition to 30 products for Own Brand markets (non EU markets).

EU Marketing Authorisations

A total of 11 first Marketing Authorisations for a new generic product in an EU country were granted in 2004, including three products, which were launched in 2004, but most of these products will be launched upon patent expiry in 2005-2007.

Marketing Authorisation applications for sixteen new generic products were submitted in 2004.

24 registrations were ongoing at the year end. The total number of marketing authorisation applications for EU members was around one thousand in 2004.

ANDA filings

Two new applications for the US market were completed.

Approximately 8-10 other ANDA targets have been identified and expected to be filed in 2005 and the Company sees considerable synergies in developing products for EU and US simultaneously.

In-licensing

Actavis aims to in-license products for Group markets that are not developed by the company. Number of products expected to be in-licensed for the US and EU in 2005.

Outlook

Third Party Sales

The first quarter 2004 was exceptional in terms of product sales. January saw the major product launch of the three Ramipril products, significantly boosting sales in Q1. This year, the main new product launches are expected to take place in the second and third quarter which are expected to be stronger in terms of sales. While Germany is expected to continue to be the biggest market for the division, dependence on this market will diminish as other markets, such as the UK and France, become increasingly important. The growth of the Third Party Sales division is expected to be less than 2005 than in 2004.

Own Brand Sales

Sales in the first quarter are expected to meet expectations and show improved growth from 2004. The acquisition of Biovena in Poland has secured a strong platform from which to register Actavis products and support future growth in the region. Emphasis will be placed on market penetration in the

Czech Republic, Slovak Republic and Rumania. Actavis will continue to look for acquisition opportunities in Central Europe to strengthen its sales platform in the region. The Group expects 30-35 new product launches in all key markets in 2005.

Emphasis will be placed on increased focus on the US market and create a strong pipeline to support sales in the market. India is expected to play a significant role in Actavis growth strategy for the US market, focusing on supply and development for the market. First year of US revenues is expected in the year 2006.

Shareholder structure

The Actavis Group shareholder structure as of 17 February 2005 is demonstrated in the table below:

Shareholders	Ownership (%)
Amber Intl. & related parties	36.20%
Institutional Investors	32.99%
Private Investors	22.24%
Treasury shares	6.63%
Management	1.94%
Total	100%
Free float *	40%
Total shares	ISK 2,993,780,301
Outstanding shares	ISK 2,795,166,852

Milestones 2004

December:

- Acquisition of Polish sales and marketing company Biovena
- Actavis first to market with new generic product Quinapril HCT through its customers in Germany

October:

- Actavis concluded a EUR24 million credit agreement with the Nordic Investment Bank
- Three new executive appointments were made at Actavis, in a move to further strengthen the overall structure and efficiency of the business. A new Chief Executive S&M Own Brand joined the executive board.

May:

- Actavis became the new name for the Pharmaco Group of companies. The new name is a part of a broader strategy to consolidate the various businesses in order to build a leading global pharmaceuticals business.

* According to Iceland Stock Exchange calculations, see www.icex.is.

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April:

- Launch of Lisinopril HCT, first new product launch from newly upgraded facility in Malta to the EU market

February:

- The acquisition of Pliva Nordic was finalised, completing Actavis' sales and marketing presence throughout the entire Nordic region

January

- The acquisition of Fako, one of Turkey's largest generic pharmaceutical companies, was completed in January
- Actavis was first to market (through its customers) with three new generic products (Ramipril tablets, Ramipril capsules and Ramipril HCT)

Board Structure

The Board of Directors of Actavis, as of 31 December 2004, comprised of Bjorgolfur Thor Bjorgolfsson, Karl Wernersson, Sindri Sindrason, Magnus Thorsteinsson and Andri Sveinsson.

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 annual accounts have been audited by Actavis' s auditors, KPMG.

IFRS Implementation

According to an EC Directive, companies listed on European Stock Exchanges must prepare consolidated financial statements in accordance with international

financial reporting standards (IFRS) as of the year 2005. The Company will present its report for the first quarter of 2005 in accordance with IFRS. The main changes from the Company's current financial statements relate to the valuation of intangible assets. Furthermore, presentation of the income statement as well as the balance sheet will be altered and notes to the financial statements will be more detailed.

Annual General Meeting

The Annual General Meeting of Actavis Group will be held on Tuesday 15 March 2005 at the National Gallery of Iceland at 17.00.

Dividend Payments

The Board of Actavis has recommended a final dividend of 10% of outstanding shares amounting to 5.1% of the Profit after tax for 2004. The final dividend will be paid on 22 March 2005 to shareholders on the register at the close of business on 14 March 2005.

Actavis' financial calendar

Q1 results	24 May 2005
Q2 results	9 August 2005
Q3 results	8 October 2005
Q4 and annual results	7 February 2006

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

Presentation of financial results

There will be an open meeting in Iceland at Nordica Hotel, Reykjavik, at 08:15 GMT on 22 February 2005. A copy of the presentation will be available at 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 27 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.

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Following are the key figures of the consolidated financial statements for the fourth quarter and full year 2004.

Income Statement	4Q 2004	4Q 2003	2004	2003
Operating revenues.....	111,916	78,275	451,697	316,151
Operating expenses.....	(95,977)	(59,351)	(362,635)	(245,696)
Impairment losses.....	0	551	0	(18,336)
Total expenses.....	(95,977)	(58,800)	(362,635)	(264,032)
Operating profit (EBIT)	15,939	19,475	89,062	52,119
Net interest expense/income.....	(504)	81	(10,611)	(1,642)
Special reserves	0	0	0	(3,689)
Income before taxes	15,435	19,556	78,451	46,788
Taxes.....	996	(2,269)	(11,431)	(4,434)
Profit before minority interest	16,431	17,287	67,020	42,354
Minority interest.....	(1,869)	(76)	(4,364)	(1,814)
Net profit	14,562	17,211	62,656	40,540
Balance sheet	4Q 2004	4Q 2003	2004	2003
Fixed assets.....	435,773	396,979	435,773	396,979
Current assets.....	242,721	200,548	242,721	200,548
Total Assets	678,494	597,527	678,494	597,527
Stockholders equity.....	277,380	220,475	277,380	220,475
Provisions.....	25,524	21,167	25,524	21,167
Long-term liabilities.....	166,535	173,974	166,535	173,974
Current liabilities.....	209,055	181,911	209,055	181,911
Total stockholders equity and liabilities	678,494	597,527	678,494	597,527
Cash flow	4Q 2004	4Q 2003	2004	2003
Working capital from operating activities.....	27,230	16,910	95,680	71,002
Net cash provided by operating activities.....	34,366	5,647	48,832	43,783
Key ratios	4Q 2004	4Q 2003	2004	2003
EBITDA.....	26,143	19,961	114,708	84,059
EBITDA/revenues.....	23.36%	25.50%	25.39%	26.59%
EBIT/revenues.....	14.24%	24.88%	19.72%	16.49%
Earnings per share (EPS).....	0.0052	0.0061	0.0225	0.0143
Profit to sale.....	13.01%	21.99%	13.87%	12.82%
Return on equity (ROE).....	26.90%	31.40%	28.90%	17.80%
Equity ratio.....	40.88%	36.90%	40.88%	36.90%
Current ratio.....	1.16	1.10	1.16	1.10
Internal value of shares.....	7.67	6.11	7.67	6.11

