

Actavis Group hf.

**Condensed Consolidated Interim Financial Statements
1 January - 30 June 2007**

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Report by the Board of Directors and President and CEO

The Condensed Consolidated Interim Financial Statements of Actavis Group for the six months ended 30 June 2007 have been prepared in accordance with International Financial Reporting Standard IAS 34 for Interim Financial Statements. The Condensed Consolidated Interim Financial Statements include the Interim Financial Statements of Actavis Group hf. (the Company) and its subsidiaries, together referred to as the "Group".

Profit, according to the Condensed Consolidated Condensed Interim Financial Statements, amounted to EUR 56.3 million for the period from 1 January to 30 June 2007. Total assets, according to the Interim Financial Statements, were EUR 2,937.7 million and equity amounted to EUR 939.2 million at the end of the period.

The acquisition of a controlling interest in Zio Zdorovje, a leading Russian pharmaceutical manufacturer, was completed at the end of January 2007. During February the Company finalized the acquisitions of a manufacturing plant from Grandix Pharmaceuticals and an API division from Sanmar Specialty Chemicals Ltd. in India.

In the middle of April the acquisition of Abrika Pharmaceuticals Inc., a US based specialty generic pharmaceuticals company engaged in the formulation and commercialization of both controlled release and other technically difficult pharmaceutical products, was completed. In April the Company also acquired Lyfjathroun hf., an Icelandic biopharmaceutical company focusing on the development of nasal drug products.

The Board of Directors and President and CEO of Actavis Group hf. hereby confirm the Condensed Consolidated Interim Financial Statements of Actavis Group for the period 1 January to 30 June 2007 with their signatures.

Hafnarfjörður, 9 August 2007

Board of Directors:

Björgolfur Thor Björgolfsson
Chairman of the Board

Andri Sveinsson

Robert Wessman

Sindri Sindrason

Magnus Thorsteinsson

President and CEO:

Robert Wessman

Financial Ratios

Consolidated statement		1H 2007	1H 2006	2006	2005	2004
Growth						
Net sales.....	EUR '000	744,216	684,280	1,339,189	551,384	424,596
EBITDA.....	EUR '000	163,535	151,884	287,134	148,471	113,759
Profit from operations.....	EUR '000	109,726	105,457	197,583	106,512	88,466
Profit for the period.....	EUR '000	56,317	61,946	102,689	81,003	64,282
Total assets.....	EUR '000	2,937,714	2,652,032	2,579,362	2,389,632	684,166
Operational performance						
Cash provided by operating activities.....	EUR '000	34,939	29,527	161,914	103,004	46,710
- as ratio to total debt.....	%	1.9	1.9	10.5	11.6	12.2
- as ratio to net profit.....		0.6	0.5	1.6	1.3	0.7
Working capital from operating activities.....	EUR '000	75,232	92,052	204,122	109,079	92,116
- as ratio to long-term debt and stockh. Equity.....	%	3.6	4.4	10.1	8.9	20.7
Liquidity and solvency						
Quick ratio.....		0.6	1.1	0.8	1.0	0.8
Current ratio.....		1.0	1.6	1.3	1.6	1.2
Equity ratio.....	%	32.0	35.3	34.5	42.2	41.2
Asset utilization and efficiency						
Total asset turnover.....		0.3	0.3	0.5	0.4	0.7
Profitability						
Operating profit as ratio to net sales.....	%	14.7	15.4	14.8	19.3	20.8
Net income before taxes as ratio to net sales.....	%	9.5	11.8	9.5	16.6	17.7
Net income for the period as ratio to net sales.....	%	7.6	9.1	7.7	14.7	15.1
Market						
Value of stock.....	EUR mill.	3,593	2,160	2,279	2,236	1,387
Price/book ratio.....		3.64	2.28	2.43	2.20	4.43
Number of shares.....	Millions	3.369	3.355	3.369	3.355	2.994
Earnings per Share, (EPS).....	EUR	0.00994	0.01193	0.01811	0.02551	0.02162
Diluted Earnings per Share, (Diluted EPS).....	EUR	0.00990	0.01188	0.01804	0.02548	0.02159

Report on Review of Interim Financial Information

To the Board of Directors of Actavis Group hf.

Introduction

We have reviewed the accompanying balance sheet of Actavis Group hf. as of June 30, 2007 the related statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at June 30, 2007, and of its financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavik, 9 August 2007

KPMG hf.

Alexander G. Edvardsson

Audur Thorisdottir

Consolidated Interim Income Statement for the period 1 January to 30 June 2007

	Notes	2007 1.4. - 30.6.	2006 1.4. - 30.6.	2007 1.1. - 30.6.	2006 1.1. - 30.6.
Net sales	6	372,487	351,224	744,216	684,280
Cost of sales		<u>(203,465)</u>	<u>(205,376)</u>	<u>(420,976)</u>	<u>(400,738)</u>
Gross profit		169,022	145,847	323,240	283,542
Other operating income		6,363	12,830	17,328	21,652
Sales and marketing expenses		(60,859)	(49,454)	(116,119)	(96,449)
Research and development expenses		(22,153)	(20,265)	(43,522)	(37,380)
General and administrative expenses		<u>(36,181)</u>	<u>(33,544)</u>	<u>(71,201)</u>	<u>(65,909)</u>
		<u>(112,830)</u>	<u>(90,431)</u>	<u>(213,514)</u>	<u>(178,085)</u>
Profit from operations		56,192	55,416	109,726	105,457
Financial income and (expenses)	7	<u>(20,204)</u>	<u>(14,509)</u>	<u>(39,074)</u>	<u>(24,541)</u>
Profit before tax		35,988	40,908	70,652	80,916
Income tax	8	<u>(6,671)</u>	<u>(10,821)</u>	<u>(14,335)</u>	<u>(18,971)</u>
Profit for the period		<u><u>29,317</u></u>	<u><u>30,088</u></u>	<u><u>56,317</u></u>	<u><u>61,946</u></u>
Attributable to:					
Equity holders of the Parent		29,208	29,963	56,140	61,283
Minority interest		109	124	177	662
Profit for the period		<u>29,317</u>	<u>30,088</u>	<u>56,317</u>	<u>61,946</u>
Earnings per Share					
Basic Earnings per Share (EUR)	9	<u>0.00501</u>	<u>0.00605</u>	<u>0.00994</u>	<u>0.01193</u>
Diluted Earnings per Share (EUR)		<u>0.00499</u>	<u>0.00601</u>	<u>0.00990</u>	<u>0.01188</u>

Consolidated Interim Balance Sheet as at 30 June 2007

	Notes	30.6.2007	31.12.2006
Assets			
Non-current assets			
Goodwill	10	1,028,452	936,052
Other intangible assets	10	591,882	504,157
Property, plant and equipment	10	451,855	398,333
Deferred tax assets		80,428	68,940
		<u>2,152,617</u>	<u>1,907,482</u>
Current assets			
Inventories		309,119	277,917
Fair value derivatives		0	2,142
Trade and other receivables	11	427,645	313,511
Cash and cash equivalents		48,333	78,310
		<u>785,097</u>	<u>671,880</u>
		<u>2,937,714</u>	<u>2,579,362</u>
Equity			
Share capital	12	51,396	51,356
Share premium		593,507	590,833
Reserves	13	(132,630)	(112,613)
Retained earnings		406,763	350,623
Equity attributable to equity holders of the company		<u>919,036</u>	<u>880,199</u>
Minority interest		20,156	9,457
		<u>939,192</u>	<u>889,656</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	14	989,808	989,728
Retirement benefit obligation		19,512	18,487
Obligations under finance leases		33,955	30,591
Other long term liabilities		84,307	46,547
Deferred income tax liabilities		96,695	86,262
		<u>1,224,277</u>	<u>1,171,615</u>
Current liabilities			
Loans and borrowings	14	409,537	193,841
Tax liabilities		21,251	11,279
Accounts payable and other liabilities	15	327,617	303,793
Obligations under finance leases		6,066	4,660
Provisions	16	9,774	4,518
		<u>774,245</u>	<u>518,091</u>
		<u>1,998,522</u>	<u>1,689,706</u>
		<u>2,937,714</u>	<u>2,579,362</u>

Consolidated Interim Statement of Cash Flows for the period 1 January to 30 June 2007

	Notes	2007 1.1. - 30.6.	2006 1.1. - 30.6.
Cash flows from operating activities			
Profit for the period		56,317	61,946
Adjustments to reconcile profit to net cash provided by operating activities:			
Depreciation of fixed assets	10	25,476	20,497
Amortisation of intangible assets	10	28,333	25,930
Currency fluctuations and indexation		(14,285)	(8,946)
Changes in deferred taxes		(16,136)	(4,225)
Other changes		(4,473)	(3,150)
Working capital provided by operating activities		75,232	92,052
Changes in operating assets and liabilities:			
Inventories, increase		(28,612)	(15,277)
Receivables, increase		(62,116)	(68,626)
Short-term liabilities, increase		50,435	21,379
Changes in operating assets and liabilities		(40,293)	(62,525)
Net cash provided by operating activities		34,939	29,527
Cash flows to investing activities			
Investments in intangible assets		(62,027)	(24,769)
Proceeds from sale of intangible assets		0	977
Investment in property, plant and equipment		(50,541)	(40,763)
Proceeds from sale of property and equipment		12,612	210
Investm. in subsidiaries and other companies net of cash acquired		(153,714)	(141,929)
Net cash used in investing activities		(253,670)	(206,274)
Cash flows from financing activities			
Change in share capital		0	(9,076)
Proceeds from long-term borrowings		4,166	224,918
Payments of long-term debt		(24,827)	(17,057)
Changes in bank loans		210,868	(41,543)
Payments of finance lease obligations		(2,220)	(207)
Net cash provided by financing activities		187,987	157,035
Net change in cash and cash equivalents		(30,744)	(19,711)
Effects of foreign exchange adjustments		767	(3,095)
Cash and cash equivalents at beginning of year		78,310	99,308
Cash and cash equivalents at end of period		48,333	76,502
Other information			
Interest paid		(33,402)	(4,856)
Income tax paid		(6,750)	(7,966)

Consolidated Interim Statement of Changes in Shareholders' Equity for the period 1 January 2006 to 30 June 2007

	Equity attributable to equity holders of the company							Total equity
	Share capital		Share premium	Other reserves	Retained earnings	Total	Minority interest	
	Common shares	Preference shares						
Balance at 1 January 2006.....	42,961	10,000	687,764	10,012	246,597	997,334	10,695	1,008,029
Translation difference				(87,865)		(87,865)		(87,865)
Defined benefit plan actuarial gains and losses.....					1,754	1,754		1,754
Total income and expenses recognised directly in equity.....				(87,865)	1,754	(86,111)	0	(86,111)
Profit for the period.....					102,272	102,272	417	102,689
Total recognised income and expenses for the period.....	0	0	0	(87,865)	104,026	16,161	417	16,578
Purchases of treasury shares.....	(2,052)		(121,522)			(123,574)		(123,574)
Sales of treasury shares.....	281		18,438			18,719		18,719
Preference shares issued	166		6,153			6,319		6,319
Common shares issued						0		0
Written put options transferred as liability.....				(37,005)		(37,005)		(37,005)
Accrued stock option				2,245		2,245		2,245
Acquisition of minority interest.....						0	(1,655)	(1,655)
Balance at 31 December 2006 / 1 January 2007.....	41,356	10,000	590,833	(112,613)	350,623	880,199	9,457	889,656
Translation difference				18,929		18,929	1,061	19,990
Net income and expenses recognised directly in equity.....				18,929		18,929	1,061	19,990
Profit for the period.....					56,140	56,140	177	56,317
Total recognised income and expenses for the period.....	0	0	0	18,929	56,140	75,069	1,238	76,307
Sales of treasury shares.....	40		2,674			2,714		2,714
Written put options transferred as liability.....				(39,924)		(39,924)		(39,924)
Accrued stock option				978		978		978
Addition due to acquisition.....						0	9,461	9,461
Balance at 30 June 2007.....	41,396	10,000	593,507	(132,630)	406,763	919,036	20,156	939,192

Notes to the Condensed Consolidated Interim Financial Statements

1. Reporting entity

Actavis Group hf. (the Company) is a limited liability company incorporated and domiciled in Iceland. The address of the Company's registered office is Reykjavikurvegur 76 - 78, 220 Hafnarfjordur. The Condensed Consolidated Interim Financial Statements of the Company for the six-month period ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

2. Basis of preparation

Statement of compliance

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 (IAS 34), "Interim Financial Reporting", as adopted by the European Union. They do not include all of the information required for full annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2006, as they provide an update of previously reported information.

The Consolidated Financial Statements of Actavis Group hf. for the year ended 31 December 2006 are available at www.actavis.com or www.omxgroup.com.

Basis of measurement

The Condensed Consolidated Interim Financial Statements are prepared on a historical cost basis.

Functional and presentation currency

These Condensed Consolidated Interim Financial Statements are presented in Euro, which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest thousand.

Use of estimates and judgements

The preparation of the Condensed Consolidated Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the date of the Interim Financial Statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the Interim Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

Seasonality

The Group operates in an industry where significant seasonal or cyclical variations in total sales are not experienced during the financial year.

3. Significant Accounting Policies

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with the accounting policies set out in the Consolidated Financial Statements for the year ended 31 December 2006, except for the adoption of new standards and interpretations, noted below.

- IFRS 7 Financial instruments, disclosure.
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting Hyperinflationary Economics.
- IFRIC 8 Scope of IFRS 2 Share-based payments.
- IFRIC 9 Reassessment of Embedded Derivatives.
- IFRIC 10 Interim Financial Reporting and Impairment.

These new standards and interpretations did not have any significant impact on the financial position or performance of the Group.

Notes to the Condensed Consolidated Interim Financial Statements

4. Exchange rates

The Group uses the average of exchange rates prevailing during the period to translate the results and cash flows of subsidiaries into Euro and period-end rates to translate their assets and liabilities. The currencies which most influence these translations, and the relevant exchange rates, were:

	1H 2007	2006
Average rates:		
GBP/EUR.....	1.482360	1.466706
US\$/EUR.....	0.752332	0.795862
ISK/EUR.....	0.011394	0.011395
MTL/EUR.....	2.332090	2.332090
TRY/EUR.....	0.547405	0.555401
DKK/EUR.....	0.134212	0.134064
Period end rates:		
GBP/EUR.....	1.490091	1.491424
US\$/EUR.....	0.743329	0.758668
ISK/EUR.....	0.011859	0.010682
MTL/EUR.....	2.332090	2.332090
TRY/EUR.....	0.567440	0.538242
DKK/EUR.....	0.134382	0.134133

5. Quarterly statements

	2Q 2007	1Q 2007	4Q 2006	3Q 2006	2Q 2006
Net sales	372,487	371,729	341,695	313,214	351,224
Cost of sales	(203,465)	(217,511)	(202,539)	(184,989)	(205,376)
Gross profit	169,022	154,218	139,156	128,225	145,848
Other operating income	6,363	10,965	8,488	10,592	12,830
Sales and marketing expenses	(60,859)	(55,260)	(53,990)	(46,832)	(49,454)
Research and development expenses	(22,153)	(21,369)	(16,372)	(13,011)	(20,265)
General and administration expenses	(36,181)	(35,020)	(31,700)	(32,428)	(33,544)
Profit from operations	56,192	53,534	45,581	46,545	55,416
Financial income/(expenses)	(20,204)	(18,870)	(7,461)	(38,325)	(14,509)
Profit before tax	35,988	34,664	38,121	8,220	40,908
Income tax	(6,671)	(7,664)	(5,581)	(16)	(10,821)
Profit for the period	29,317	27,000	32,540	8,203	30,087
EBITDA	84,224	79,311	69,548	65,702	79,387

Notes to the Condensed Consolidated Interim Financial Statements

6. Segment reporting

Geographical segments

Segment reporting for the period 1.1. - 30.6.2007

	WEMEA	CEEA	USA	Eliminations	Group
Total external revenue.....	242,014	303,620	198,582	0	744,216
Internal revenue.....	182,929	25,362	1,019	(209,309)	0
Total segment revenue.....	424,943	328,982	199,601	(209,309)	744,216
Segment results.....	29,687	45,918	49,038	(14,917)	109,726
Net financing cost.....					(39,074)
Income tax.....					(14,335)
Profit for the period.....					56,317

Segment reporting for the period 1.1. - 30.6.2006

	WEMEA	CEEA	USA	Eliminations	Group
Total external revenue.....	217,235	242,618	224,427	0	684,280
Internal revenue.....	114,149	13,695	0	(127,844)	0
Total segment revenue.....	331,384	256,313	224,427	(127,844)	684,280
Segment results.....	16,736	40,231	60,570	(12,080)	105,457
Net financing cost.....					(24,541)
Income tax.....					(18,971)
Profit for the period.....					61,946

Management segments

Segment reporting for the period 1.1. - 30.6.2007

	USA	CEEA	Third party	WEMEA	Other	Group
Revenue 2Q 2007.....	96,329	157,126	35,684	86,335	3,377	378,850
Revenue 1H 2007.....	205,206	314,272	71,566	165,477	5,024	761,544
Revenue 2Q 2006.....	117,423	139,924	32,996	70,270	3,441	364,054
Revenue 1H 2006.....	230,437	256,384	71,894	142,164	5,054	705,932

Revenue according to Management segments consist of net sales and other income as stated in the Income Statement. In the Geographical segments other income is included in the segment results and not included with external revenue.

Notes to the Condensed Consolidated Interim Financial Statements

7. Financial income and (expenses)

	1H 2007	1H 2006
Interest income		
Interest on bank deposits.....	668	1,520
Other interest income.....	931	463
	<u>1,599</u>	<u>1,983</u>
Interest expenses		
Interest on obligations under finance leases.....	(971)	(571)
Interest on loans and borrowings.....	(35,454)	(20,537)
Other interest expenses.....	(1,127)	(2,258)
	<u>(37,552)</u>	<u>(23,366)</u>
Foreign exchange rate differences (net).....	(3,121)	(3,158)
Net financial income and expense.....	<u>(39,074)</u>	<u>(24,541)</u>

8. Income tax expense

The Group's effective tax rate decreased to 20.3% from 23.4% in the same period in the previous year. The main reason for the decrease is explained by different geographical build up of profit before taxes between the periods.

9. Earnings per share

The calculation of earnings per common share is based on the following data:

	1H 2007	1H 2006
Net profit attributable to equity holders.....	56,140	61,283
Effect of accumulated premium on preferred shares.....	(24,318)	(21,806)
Net profit attributable to equity holders of common shares.....	<u>31,822</u>	<u>39,477</u>
Basic earnings per common share:		
Outstanding common shares at the beginning of year.....	3,200	3,329
Effect of treasury shares.....	2	(20)
Total average number of common shares outstanding during the period (in million).....	<u>3,202</u>	<u>3,309</u>
Basic earnings per common share (EUR).....	0.00994	0.01193
Diluted earnings per common share:		
Outstanding common shares at the beginning of year.....	3,200	3,329
Effect of treasury shares.....	2	(20)
Effect of stock options.....	12	13
Total average number of common shares outstanding during the period (in millions).....	<u>3,214</u>	<u>3,322</u>
Diluted earnings per common share (EUR).....	0.00990	0.01188

Notes to the Condensed Consolidated Interim Financial Statements

10. Goodwill, other intangible and tangible assets

	Goodwill	Other intangible assets	Tangible assets	Total
The year 2006				
Opening net book amount 1 January 2006	876,571	467,577	362,254	1,706,402
Currency adjustments	(33,019)	(28,034)	(32,476)	(93,529)
Additions	0	59,355	120,010	179,365
Additions due to acquisitions	92,500	52,326	7,790	152,616
Sales and disposals	0	(714)	(16,048)	(16,762)
Depreciation, amortisation and impairment	0	(46,353)	(43,197)	(89,550)
Closing net book amount 31 December 2006	<u>936,052</u>	<u>504,157</u>	<u>398,333</u>	<u>1,838,542</u>
Six months ended 30 June 2007				
Opening net book amount 1 January 2007	936,052	504,157	398,333	1,838,542
Currency adjustments	9,719	586	3,389	13,694
Additions	9,254	62,114	59,702	131,070
Additions due to acquisitions	73,427	53,372	22,244	149,043
Sales and disposals	0	(14)	(6,337)	(6,351)
Depreciation, amortisation and impairment	0	(28,333)	(25,476)	(53,809)
Closing net book amount 30 June 2007	<u>1,028,452</u>	<u>591,882</u>	<u>451,855</u>	<u>2,072,189</u>

Additions in goodwill amounting to 9.3 million EUR are mainly due to earn-out payments relating to Amide (Actavis Totowa LLC) and Keri Pharma.

Depreciation, amortisation and impairment losses

The depreciation, amortisation and impairment losses of other intangibles, tangible assets and goodwill, classified by operational category, are specified as follows:

	1H 2007	1H 2006
Cost of sales.....	16,221	17,028
Sales and marketing expenses.....	8,408	5,166
General and administrative expenses.....	11,277	10,156
Research and development expenses.....	17,903	14,076
	<u>53,809</u>	<u>46,427</u>

11. Trade and other receivables

	30.6.2007	31.12.2006
Trade receivables.....	345,139	232,150
Other receivables.....	90,843	89,901
Allowances for doubtful accounts.....	(8,337)	(8,540)
	<u>427,645</u>	<u>313,511</u>

A loan to the CEO amounting to EUR 2.6 million (31 December 2006: 2.3 million) is included in other receivables.

Notes to the Condensed Consolidated Interim Financial Statements

12. Share capital

Class A shares

The total number of class A common shares were 3,369,435,093 at the end of the period.

	Number of shares in thousands	EUR
Outstanding common shares at 1 January 2006.....	3,329,101	42,961
New shares issued.....	14,764	166
Purchase of treasury shares.....	(170,000)	(2,052)
Sale of treasury shares.....	25,760	281
Outstanding common shares at 1 January 2007.....	3,199,625	41,356
Sale of treasury shares.....	3,527	40
Outstanding common shares at 30 June 2007.....	3,203,152	41,396

Common shares are as follows, and the nominal value of each share is one Icelandic krona.

	Number of shares in thousands	Ratio	EUR
Outstanding common shares at the end of the period.....	3,203,152	95.1%	41,396
Treasury shares at the end of the period.....	166,283	4.9%	1,847
Total common stock issued.....	3,369,435	100.0%	43,243

Class B shares

The Company has outstanding 100 class B preference shares each with a nominal value of EUR 100,000 (total EUR 10,000 thousand).

13. Reserves

Included in reserves are the translation reserve, stock option reserve and statutory reserve.

	Translation reserve	Stock option reserve	Statutory reserve	Total
Balance at 1 January 2006.....	7,245	1,817	950	10,012
Translation difference.....	(87,865)	0	0	(87,865)
Accrued stock options.....	0	2,246	0	2,246
Written put options transferred as liability.....	0	(37,005)	0	(37,005)
Balance at 31 December 2006.....	(80,620)	(32,942)	950	(112,613)
Translation difference.....	18,929	0	0	18,929
Accrued stock options.....	0	978	0	978
Written put options transferred as liability.....	0	(39,924)	0	(39,924)
Balance at 30 June 2007.....	(61,691)	(71,888)	950	(132,630)

Notes to the Condensed Consolidated Interim Financial Statements

14. Loans and borrowings

	<u>Total</u>
The year 2006	
Opening amounts at 1 January 2006.....	888,433
Additions due to acquisition.....	103
New loans during the year.....	239,185
Payments during the year.....	(113,981)
Currency fluctuation and indexation.....	<u>(16,027)</u>
Closing amount at 31 December 2006.....	997,713
Current maturities, included in loans and borrowings (see below).....	<u>(7,984)</u>
Non-current loans and borrowing.....	<u>989,728</u>
Six months ended 30 June 2007	
Opening amounts at 1 January 2007.....	997,713
Additions due to acquisition.....	9,126
New loans during the period.....	11,416
Payments during the period.....	(13,718)
Currency fluctuation and indexation.....	<u>(2,493)</u>
Closing amount at 30 June 2007.....	1,002,044
Current maturities, included in loans and borrowings (see below).....	<u>(12,236)</u>
Non-current loans and borrowing.....	<u>989,808</u>

Current part of loans and borrowings is specified as follows:

	<u>30.06.2007</u>	<u>31.12.2006</u>
Current maturities of secured bank loans and borrowings	12,236	7,984
Short term borrowings from credit institutions	<u>397,301</u>	<u>185,857</u>
	<u>409,537</u>	<u>193,841</u>

15. Accounts payable and other liabilities

	<u>30.6.2007</u>	<u>31.12.2006</u>
Accounts payable.....	157,918	132,959
Other liabilities.....	165,704	165,229
Current maturities of other long term liabilities	3,996	5,605
	<u>327,617</u>	<u>303,793</u>

Presentation of certain other liabilities have been changed from prior year. Other liabilities payable in 2008-2011 have been reclassified from current liabilities to non-current liabilities. The comparative amounts have been changed accordingly.

16. Provisions

	<u>Restruct-</u> <u>uring</u>	<u>Other</u>	<u>Total</u>
At 1 January 2007	1,548	2,970	4,518
Reclassified	7,956	0	7,956
Additional provision during the period	168	1,468	1,636
Utilisation of provision	(1,484)	(2,890)	(4,374)
Currency adjustments	0	40	40
At 30 June 2007	<u>8,187</u>	<u>1,587</u>	<u>9,774</u>

Notes to the Condensed Consolidated Interim Financial Statements

17. Acquisitions

During the period the Company completed the following subsidiary and asset acquisitions:

- Lyfjathroun hf., an Icelandic research and development company. Controlling interest 100%.
- Abrika Pharmaceuticals Inc., an US reasearch and development company. Controlling interest 100%.
- Zio Zdorovje, a Russian pharmaceutical manufacturer. Controlling interest 51%.
- The API (Active Pharmaceutical Ingredient) division of the Indian pharmaceutical company Sanmar Specialty Chemicals Ltd.
- A manufacturing plant from the Indian pharmaceutical company Grandix Pharmaceuticals.

The initial accounting for the acquisitions have only been provisionally determined at the balance sheet date. The allocation will be completed prior to year end 2007.

The acquisitions are accounted for by applying the purchase method. The acquisitions had the following effect on the Group's assets and liabilities.

	Acquiree's carrying amount	Fair value adjustments	Preliminary fair value
Property, plant and equipment.....	21,310	934	22,244
Intangible assets.....	103	53,268	53,372
Inventories.....	2,925	0	2,925
Trade and other receivables.....	25,984	0	25,984
Cash and cash equivalents.....	1,778	0	1,778
Loans and borrowings.....	(9,126)	0	(9,126)
Financial leases.....	(4,958)		(4,958)
Deferred tax liabilities.....	(23)	(21,344)	(21,367)
Account and other payables.....	(6,460)	0	(6,460)
Net identifiable assets and liabilities.....	<u>31,532</u>	<u>32,858</u>	<u>64,391</u>
Minority Interest.....			(9,461)
Goodwill on acquisition.....			<u>73,427</u>
Total consideration.....			128,356
Cash acquired.....			<u>(1,778)</u>
Net cash outflow.....			<u>126,578</u>

18. Related parties

Transactions and balances with the Company's principal shareholders

Some of the principal shareholders are major stakeholders in Landsbanki Islands hf., Sjova hf. and Straumur - Burdaras Investment bank hf. All transactions during the period with these companies were made on an arm's-length basis.

Transactions and balances with the company's Executive Management Board

There is a loan to the CEO relating to the acquisition of shares in the Company as is explained in the note on Trade and other receivables. The loan bears interest at market rates.

Transactions and balances with other related parties

There have been no transactions and balances with other related parties .

Notes to the Condensed Consolidated Interim Financial Statements

19. Group entities

At the end of the period the Company owned three subsidiaries that are all included in the consolidation. The subsidiaries owned ninety subsidiaries at the end of the period. The companies are as follows:

Name of subsidiary	Location	Ownership	Principal activity
Actavis Equity ehf.	Iceland	100%	Holding company
Actavis HY ehf.	Iceland	100%	Holding company
Actavis SD ehf.	Iceland	100%	Holding company
Actavis Group PTC ehf.	Iceland	100%	Sales and Marketing
Actavis hf. (Delta hf.)	Iceland	100%	Production, Sales and Marketing
Actavis Inc.	USA	100%	Business Development
Actavis South Atlantic LLC	USA	100%	Sales and Marketing and R&D
Actavis Elizabeth LLC	USA	100%	Production, S&M and R&D
Actavis Mid-Atlantic LLC	USA	100%	Production, S&M and R&D
Actavis Norway A/S	Norway	100%	Production
Actavis Totowa LLC	USA	100%	Production, S&M and R&D
Point Holdings Inc.	USA	100%	Holding company
Medis ehf.	Iceland	100%	Third party sales
Medis Danmark AS	Denmark	100%	Third party sales
Lyfjathroun hf.	Iceland	100%	Research and Development
Actavis Dutch Holding BV	Netherlands	100%	Holding company
Actavis Holding Asia BV	Netherlands	100%	Holding company
Actavis (China) Holding Ltd.	Hong Kong	100%	Holding company
Actavis (Foshan) Pharmac. Co. Ltd. ..	China	90%	Sales and Marketing
Actavis Australia Pty. Ltd.	Australia	100%	Sales and Marketing
Actavis Pharma Dev. Centra Private	India	100%	Research and Development
Actavis Pharma Manufact. Pvt. Ltd.	India	100%	Production, S&M and R&D
Actavis Pharma Ltd.	India	100%	Research and Development
Alpharma (Singapore) Pte. Ltd.	Singapore	100%	Sales and Marketing
Lotus Laboratories Ltd	India	100%	Clinical Research Organisation
PT Actavis	Indonesia	100%	Production
Actavis Holding CEE	Netherlands	100%	Holding company
Actavis Holding BV	Netherlands	100%	Holding company
Actavis BV	Netherlands	100%	Sales and Marketing
Actavis GmbH	Austria	100%	Sales and Marketing
Actavis Ltd.	Malta	100%	Production, S&M and R&D
Actavis International Ltd	Malta	100%	Trading
Actavis Exp International Ltd	Malta	100%	Trading
Actavis Malta Ltd.	Malta	100%	Trading
Actavis Polska Sp.zoo	Poland	100%	Trading
Actavis Switzerland AG	Switzerland	100%	Sales and Marketing
Higia EAD	Bulgaria	100%	Distribution
Higia Trans EAD	Bulgaria	100%	Distribution
Actavis Ltd.	Cyprus	100%	Holding company
Actavis EAD	Bulgaria	100%	Holding company and S&M
Balkanpharma OOO	Russia	100%	Sales and Marketing
Actavis OOO	Russia	90%	Sales and Marketing
Actavis Operations EOO	Bulgaria	100%	Holding company
Balkanpharma Razgrad AD	Bulgaria	98%	Production
Balkanpharma Troyan AD	Bulgaria	98%	Production
Balkanpharma Security AD	Bulgaria	100%	Security services
Balkanpharma Dubnitza AD	Bulgaria	98%	Production

Notes to the Condensed Consolidated Interim Financial Statements

Consolidation, continued:

Balkanpharma Healthcare Int.	Cyprus	100%	Sales and Marketing
MM Pharma LLC	USA	100%	Sales and Marketing
Biovena Pharma Sp.	Poland	100%	Sales and Marketing
Oncopharma AG	Switzerland	100%	Distribution
Sindan Polska SA	Poland	100%	Sales and Marketing
Pharma AVALANCHEE s.r.o.	Czech Rep.	100%	Sales and Marketing
Actavis s.r.o.	Slovakia	100%	Sales and Marketing
Sindan AG	Switzerland	100%	Holding company
Actavis Pharma SRL	Romania	100%	Production
Actavis SRL	Romania	100%	Distribution
Zdravlje AD	Serbia	73%	Production, S&M and R&D
Zdravlje Trade Ltd.	Serbia	100%	Sales and Marketing
Zio-Zdorovje	Russia	51%	Production, S&M and R&D
Actavis Holding NWE BV	Netherlands	100%	Holding company
Actavis Holdings UK Ltd.	UK	100%	Administration
Sindan Ltd.	UK	100%	Sales and Marketing
Actavis Ireland	Ireland	100%	Sales and Marketing
Actavis Nordic A/S	Denmark	100%	Business Support
Actavis Holding A/B	Sweden	100%	Sales and Marketing
Actavis AB	Sweden	100%	Sales and Marketing
Actavis A/S	Denmark	100%	Sales and Marketing
Actavis A/S	Norway	100%	Sales and Marketing
Actavis OY	Finland	100%	Sales and Marketing
Alpharma Germany GmbH	Germany	100%	Holding company
Alpharma Management GmbH	Germany	100%	Administration
Actavis Deutschl. GmbH & Co. ...	Germany	100%	Sales and Marketing
Alpharma International GmbH	Germany	100%	No activity
GM Invest BV	Netherlands	100%	Holding company
Kéri Pharma Generics Kft	Hungary	100%	Sales and Marketing
Nordisk Ibu-Pharma ApS	Denmark	100%	Sales and Marketing
Orbita ApS	Denmark	100%	Holding company
Ophtha A/S	Denmark	100%	Sales and Marketing
UAB Actavis Baltic	Lithuania	100%	Sales and Marketing
Alpharma Holdings Ltd.	UK	100%	Holding company
Alpharma (U.K) Ltd.	UK	100%	No activity
Cox Investments Ltd.	UK	100%	No activity
Actavis UK Ltd.	UK	100%	Production, S&M and R&D
Arthur H. Cox & Co. Ltd.	UK	100%	No activity
Alpharma Laboratories Ltd.	UK	100%	No activity
Colotech AS	Denmark	86%	Research and Development
Medis Pharma GmbH	Germany	60%	Sales and Marketing
Medis Ltd.	Isle of Man	100%	Sales and Marketing
Actavis Italy S.p.A.	Italy	100%	Sales and Marketing
Actavis Spain S.A.	Spain	100%	Sales and Marketing
Fako İlaçları AŞ	Turkey	100%	Production, S&M and R&D
Actavis Istanbul Ilac Sanayiye Ticaret Ltd.	Turkey	100%	Sales and Marketing
Henota a.s.	Czech Rep.	100%	Holding company

The acquisition of a controlling interest in Zio Zdorovje, a leading Russian pharmaceutical manufacturer, was completed in the end of January 2007. During February the Company finalized the acquisitions of a manufacturing plant from Grandix Pharmaceuticals and an API division from Sanmar Specialty Chemicals Ltd. in India.

Notes to the Condensed Consolidated Interim Financial Statements

The acquisition of Abrika Pharmaceuticals Inc., a US based specialty generic pharmaceuticals company engaged in the formulation and commercialization of both controlled release and other technically difficult pharmaceutical products, was completed in the middle of April 2007. The name of the company was then changed to Actavis South Atlantic LLC.

During April the Company also acquired Lyfjathroun hf., an Icelandic biopharmaceutical company focusing on the development of nasal drug products.

A new sales and marketing company, Actavis Spain S.A, was founded during the period.

At the start of the year NM Pharma ehf. and Actavis PTC ehf. merged and were renamed Actavis Group PTC ehf.

20. Subsequent events

In June 2007 Novator eignarhaldsfelag ehf. submitted a takeover offer to all shareholders of Actavis Group hf. The offer expired on 18 July 2007 and at that time Novator had secured promises for share capital corresponding to 99.66% of the total share capital in Actavis Group hf., inclusive of shares owned by the offeror and its affiliated companies as well as shares held in treasury by Actavis Group hf. Shareholders which accepted the takeover offer received payment in cash EUR 1.075 pr. share which was settled on 25 July 2007. Subsequent to the takeover settlement all options and other share-based payments to employees were settled at the same price per share.

According to the above Actavis Group hf. no longer fulfills the condition on ownership distribution of share capital stipulated by the rules on issuers of securities issued by the OMX Nordic Exchange Iceland hf. Therefore the Board of Directors of Actavis Group hf. has sent the board of the OMX Nordic Exchange a request that the Class A shares in Actavis Group hf. be removed from the OMX Nordic Exchange as soon as possible.

21. Approval of the Condensed Consolidated Interim Financial Statements

The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors and authorised for issue on 9 August 2007.