

# #01

shareholders' edition APRIL 2003



## editorial

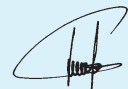
Dear shareholders,

This issue of the Shareholders' Newsletter that you hold in your hands, the first for 2003, mainly deals with the Lavipharm financials figures for 2002, both on a parent and on a consolidated level.

The year 2002 has been characterized as a disappointing year for the totality of the listed companies on the ASE - among the relevant analyses published the following conclusions predominate: "out of a total of 317 companies, 65 posted losses, while out of the remaining 252 a considerable number presented a decrease in profits in relation to 2001," "a drop in profits by 14.36% for 317 listed companies," "a decrease in financial results of listed companies by 25% for the fiscal year 2002 in comparison to the previous year" - Lavipharm not only exceeded the market average (which ranges between -14% and -17%, as can be deduced from analyzing the annual results), but exceeded its own projections as well. More specifically profits before tax at parent company level rose by 13.7%, while profits before tax and after minority interests (on a consolidated level) rose by 43.5%, reaching €6.7 million and €5.4 million respectively. At this point, it is worth noting that recent Management projections spoke of an increase of the order of 10-12%.

Analyzing the financial results for 2002 further, however, you will notice that the proposed dividend for the fiscal year 2002 is at €0.04, reduced in comparison to the previous year by €0.02 or 33%. This is due to the fact that the tax audit of the company for fiscal years 1994-1997 was completed and the respective tax audit differences resulted which consequently reduced by an equal amount the profits for distribution. Despite this reduction, however, the Company's Management, respecting the interests of Lavipharm shareholders, proposed that the total (95%) profits be distributed as dividend which are in the order of €1,632,630.

In conclusion, we would like to wish you a happy Easter and to renew our appointment for June with our next issue as well as our Annual General Meeting.



**Gitzos Theodore**  
Investor Relations Manager



## PRODUCTS

### ■ Solid Gel – Innovative Technology by Lavipharm

Pioneer in the Research and Development of innovative technologies, Lavipharm Group recently announced the completion of the first application of its Solid Gel Technology, a new technology developed for the delivery of an active agent to the skin.

More specifically, the Solid Gel Technology creates thin films that contain active components, which with the use of solvents (water or serum, depending on the case), and with simultaneous inunction, create a gel on the epidermis transporting the drastic substances on the skin safely and successfully.

The technology's solid form helps in the stabilization of sensitive substances and in the precise definition of dosages when needed. The film is very small in size and easy to use, has no side effects, doesn't cause any negative effects on the skin, while at the same time protects the skin from external factors. It does not contain preservatives and its use doesn't prevent the skin's perspiration.

The important advantage of Solid Gel Technology is that it guarantees, with the easiest and friendliest way, the transmission of drastic components to the human epidermis. It may be applied both in Cosmetology (for the maintenance and intensive care of the skin) and in Pharmaceuticals.

The first application of the Solid Gel technology has already circulated in the market as Lavipharm Group has recently completed the first skin care line, "Clarté Extrême", on behalf of Yves Saint Laurent. The line, which includes skin brightening products suitable for any skin type, has already been launched in the Japanese market while other countries will follow. It is worth mentioning that Solid Gel Technology is the fourth drug delivery systems technology that Lavipharm applies, for which a patent application has already been submitted.

The nitroglycerine patch for the angina was the first technology applied initially in 1995, which then circulated in many countries under the name of well known multinationals. In 1996 followed the first application of Lavipharm's epidermal technology, the patch for acne and imperfections of young skin by L'Oreal and GlaxoSmithKline. The Liquid patch technology has already been applied on products for the rejuvenation and care of the skin, where gel is transformed into a thin film.

## PRODUCTS

### ■ Lavilon – Effective Hair Loss Treatment by Castalia

Castalia Soins Dermocosmetiques, the dermocosmetics brand of Lavipharm Group, developed two new products that complete the dermatological line Lavilon for the hair loss treatment. The line includes a lotion, Lotion Antichute and a shampoo, Shampooing Fortifiant.

#### Specifically, the dermatological Lotion Antichute:

- ›› Slows down hair loss due to the plant extract Saw Palmetto, which does not allow the hormones, responsible for hair loss, to act.
- ›› Increases the number of hair during the growth phase, improves the microcirculation at the hair root and regulates the sebum secretion with the Capigen complex that combines three substances rich in sulfur.
- ›› Stimulates the growth of hair due to the Glycosaminoglycans that protect, hydrate and strengthen the hair.

Moreover the vitamins and amino acids contained in Lotion Antichute nourish the hair and strengthen its growth (R.P.: 32,00 € - 100 ml).

For complete treatment the lotion may be combined with the Lavilon Shampooing Fortifiant that prepares the scalp to accept the special hair loss treatment, while strengthens and offers volume and shine to weak hair.

The shampoo is recommended for all types of hair loss and may be combined with any special treatments. It has excellent cosmetic properties and is suitable for daily use. (R.P.: 9,00 € - 150 ml). Based on the philosophy «with respect to the physiology of the skin», Castalia Soins Dermocosmetiques gives dermocosmetic solutions to the most important categories of skin problems the modern dermatological surgery faces. In addition, through its innovative and complete product lines, it offers answers to the daily consumer health needs, while it ensures proven effectiveness with maximum safety and cosmetic pleasure.

## ■ Financial results

### Consolidated financial results 2002

Specifically, consolidated earnings before taxes and after minority interests posted a significant increase of 43.5%, reaching € 5.4 million, compared to € 3.7 million in 2001. Consolidated own sales reached € 304.8 million, compared to € 290.6 million in the corresponding period of 2001, showing an increase of 5%.

**The year 2002 was characterized by significant strategic decisions for Lavipharm Group:**

- ›› The signing of an agreement and plan of merger between



Lavipharm Corp. and the Nasdaq-listed, Zonagen Inc.

- >> The signing of a collaboration agreement with GlaxoSmithKline for the stickering, wholesaling and exclusive distribution of its pharmaceutical products in Greece by Lavipharm.
- >> The successful re-launching of the well-known and established analgesic, Algon, by Lavipharm.

At the same time Lavipharm continued its investment activities in the following sectors of:

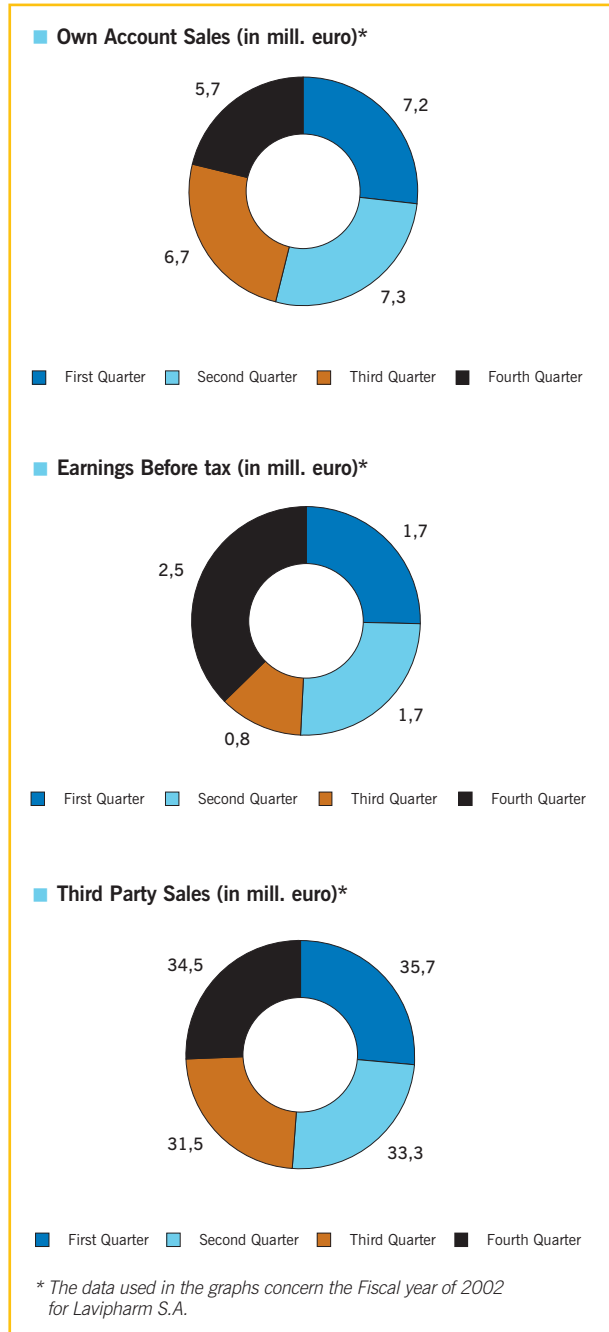
- >> Services, with the acquisition of real estate in Avlona, where construction work is underway for the new warehousing and distribution center.
- >> Research and Development.
- >> Production, with the purchase of state-of-the-art machinery.

It is also worth noting Lavipharm Alliance Santé's continuing upward course in 2002. Specifically, consolidated profits before taxes and after minority interests were considerably strengthened, reaching € 1.30 million from € 1.03 million in the same period of 2001, marking an increase of 25.2%. Consolidated own sales increased by 19%, reaching € 145.8 million from € 122.5 million in 2001.

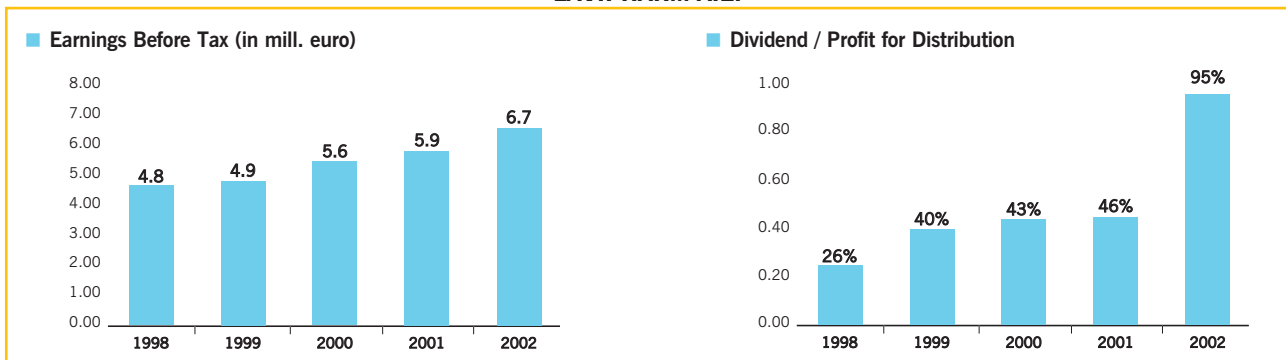
«Considering the worldwide unfavourable economic environment, Lavipharm's positive results in 2002 were especially encouraging, as we did not only succeed but exceeded our objectives», stated Dr. Athanase Lavidas, Chairman and CEO of Lavipharm Group, and continued: «The hard work, the right business decisions and the solid basis we have built allow us to look positively towards a prosperous future».

## Lavipharm S.A. financial results 2003

The financial results of the listed company Lavipharm SA were also positive. Earnings before taxes showed an increase of 13.7%, reaching € 6.7 million from € 5.9 million in the corresponding period of 2001. Lavipharm's own sales reached € 27.0 million, while earnings per share reached € 0.17 in 2002 from € 0.15 in the corresponding period of 2001.



## LAVIPHARM A.E.



**CONSOLIDATED BALANCE SHEET** (amounts in '000 euro)

	2001	2002
<b>ASSETS</b>		
Intangible Assets	14,570	34,232
Less: Accumulated depreciation	8,058	10,095
<b>NET INTANGIBLE ASSETS</b>	<b>6,512</b>	<b>24,137</b>
Tangible Assets	39,520	43,522
Less: Accumulated depreciation	21,414	24,367
<b>NET TANGIBLE ASSETS</b>	<b>18,105</b>	<b>19,155</b>
Participations	48,154	47,141
Other long-term financial assets	9,631	3,785
<b>TOTAL FIXED ASSETS</b>	<b>82,403</b>	<b>94,218</b>
Inventories	27,138	27,652
Receivables	89,593	102,194
Other receivables	29,521	31,611
Securities	2,903	2,648
Liquid Assets	25,786	19,259
<b>TOTAL CURRENT ASSETS</b>	<b>174,940</b>	<b>183,364</b>
<b>TRANSITORY ASSET ACCOUNTS</b>	<b>1,120</b>	<b>1,375</b>
<b>TOTAL ASSETS</b>	<b>258,463</b>	<b>278,956</b>
<b>LIABILITIES</b>		
Share Capital	34,594	39,293
Net over par	62,948	59,893
Asset revaluation differences-Grants on investments	1,536	0
Reserves	3,436	-11,692
Minority Interest	4,199	3,000
<b>TOTAL EQUITY</b>	<b>106,714</b>	<b>90,494</b>
<b>PROVISIONS</b>	<b>7,057</b>	<b>6,419</b>
Long-term liabilities	354	25,624
Other long-term liabilities	80	4,069
<b>LONG-TERM LIABILITIES</b>	<b>434</b>	<b>29,693</b>
Notes Payable	66,460	72,220
Short-term bank loans	66,456	51,112
Taxes 2,845	9,454	
Dividends	4,603	4,079
Other Creditors	3,207	14,142
<b>TOTAL SHORT-TERM LIABILITIES</b>	<b>143,571</b>	<b>151,007</b>
<b>TRANSITORY LIABILITIES</b>	<b>688</b>	<b>1,343</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>258,463</b>	<b>278,956</b>

**CONSOLIDATED P&L** (amounts in '000 euro)

	2001	2002
<b>GROSS SALES</b>	<b>290,614</b>	<b>304,801</b>
Sales for the account of third parties	100,754	93,344
Sales for own account	<b>189,860</b>	<b>211,457</b>
Cost of sales for own account	140,141	159,115
Total cost of sales	240,895	252,459
<b>Gross Profit</b>	<b>49,719</b>	<b>52,342</b>
<i>Gross Profit Margin for own account</i>	<i>26.2%</i>	<i>24.8%</i>
<i>Gross Profit Margin of total sales</i>	<i>17.1%</i>	<i>17.2%</i>
Other operating income	5,247	6,505
Administrative expenses	11,673	13,979
Distribution expenses	26,464	27,728
Total operating expenses	38,137	41,707
<b>Operating Profits</b>	<b>16,829</b>	<b>17,140</b>
<i>Operating Profit Margin</i>	<i>5.8%</i>	<i>5.6%</i>
Income from participations and securities	-156	8,682
<b>Profits before financial transactions, depreciation &amp; taxes</b>	<b>16,674</b>	<b>25,822</b>
<i>% on sales</i>	<i>5.7%</i>	<i>8.5%</i>
Depreciation	4,938	5,197
<b>Profits before financial transactions &amp; taxes</b>	<b>11,736</b>	<b>20,625</b>
<i>% on sales</i>	<i>4.0%</i>	<i>6.8%</i>
Interest Income	1,814	1,376
Debit Interest	5,842	6,660
Extraordinary income/(expenses)	-1,385	-7,857
<b>Profits before taxes</b>	<b>6,323</b>	<b>7,484</b>
<i>% on sales</i>	<i>2.2%</i>	<i>2.5%</i>
Minority Interest	2,574	2,105
<b>NET CONSOLIDATED GROUP PROFITS</b>	<b>3,748</b>	<b>5,380</b>
<i>% on sales</i>	<i>1.3%</i>	<i>1.8%</i>

**LAVIPHARM S.A. BALANCE SHEET** (amounts in '000 euro)

	2001	2002
<b>ASSETS</b>		
Intangible Assets	10,706	29,861
Less: Accumulated depreciation	7,092	8,739
<b>NET INTANGIBLE ASSETS</b>	<b>3,614</b>	<b>21,123</b>
Tangible Assets	32,915	34,966
Less: Accumulated depreciation	18,157	20,228
<b>NET TANGIBLE ASSETS</b>	<b>14,758</b>	<b>14,738</b>
Participations	61,077	62,546
Other long-term financial assets	9,535	3,533
<b>TOTAL FIXED ASSETS</b>	<b>88,984</b>	<b>101,940</b>
Inventories	2,910	3,429
Notes Receivables	59,798	69,291
Other Receivables	29,307	31,514
Securities	2,903	2,546
TRANSITORY ASSET ACCOUNTS	19,749	13,484
<b>TOTAL CURRENT ASSETS</b>	<b>114,666</b>	<b>120,265</b>
<b>TRANSITORY ASSET ACCOUNTS</b>	<b>293</b>	<b>250</b>
<b>TOTAL ASSETS</b>	<b>203,943</b>	<b>222,455</b>
<b>LIABILITIES</b>		
Share Capital	34,594	39,293
Net over par	62,948	59,860
Asset revaluation differences-Grants on investments	1,536	0
Reserves	10,149	8,035
<b>TOTAL EQUITY</b>	<b>109,228</b>	<b>107,188</b>
<b>PROVISIONS</b>	<b>5,319</b>	<b>2,985</b>
Long-term liabilities	0	19,080
Other long-term liabilities	0	1,430
<b>LONG-TERM LIABILITIES</b>	<b>0</b>	<b>20,510</b>
Notes Payable	40,028	44,415
Short-term bank loans	43,614	32,267
Taxes 209	2,934	
Dividends	2,328	1,680
Other Accounts Payable	2,929	9,662
<b>TOTAL SHORT-TERM LIABILITIES</b>	<b>89,108</b>	<b>90,958</b>
<b>TRANSITORY LIABILITIES ACCOUNTS</b>	<b>288</b>	<b>815</b>
<b>TOTAL LIABILITIES</b>	<b>203,943</b>	<b>222,455</b>

**LAVIPHARM S.A. P&L** (amounts in '000 euro)

	2001	2002
<b>GROSS SALES</b>	<b>175,654</b>	<b>162,100</b>
Sales for the account of third parties	146,963	135,054
Sales for own account	<b>28,691</b>	<b>27,046</b>
Cost of sales for own account	14,558	14,163
Total cost of sales	161,522	149,217
<b>Gross Profit</b>	<b>14,133</b>	<b>12,883</b>
<i>Gross Profit Margin for own account</i>	<i>49.3%</i>	<i>47.6%</i>
<i>Gross Profit Margin of total sales</i>	<i>8.0%</i>	<i>7.9%</i>
Other operating income	4,824	5,468
Administrative expenses	7,053	7,180
Distribution expenses	761	1,248
Total operating expenses	7,814	8,428
<b>Operating Profits</b>	<b>11,142</b>	<b>9,923</b>
<i>Operating Profit Margin</i>	<i>6.3%</i>	<i>6.1%</i>
Income from participations and securities	1,704	10,523
<b>Profits before financial transactions, depreciation &amp; taxes</b>	<b>12,846</b>	<b>20,446</b>
<i>% on sales</i>	<i>7.3%</i>	<i>12.6%</i>
Depreciation	3,767	3,774
<b>Profits before financial transactions &amp; taxes</b>	<b>9,079</b>	<b>16,672</b>
<i>% on sales</i>	<i>5.2%</i>	<i>10.3%</i>
Interest Income	1,704	1,208
Debit Interest	3,991	4,766
Extraordinary income/(expenses)	-906	-6,420
<b>NET PROFITS BEFORE TAXES</b>	<b>5,886</b>	<b>6,693</b>
<i>% on sales</i>	<i>3.4%</i>	<i>4.1%</i>
Taxes	1,454	1,945
Other non-incorporated taxes	95	162
<b>Profits after taxes and tax differences</b>	<b>4,337</b>	<b>4,586</b>
<i>% on sales</i>	<i>2.5%</i>	<i>2.8%</i>