

*shareholder's newsletter*

envisioning  
the future of health

 Lavipharm  
Group of Companies

## Editorial

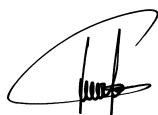
Dear Shareholders,

**O**nce more this year, (for the fourth consecutive time) we communicate with you through the quarterly issue of the Investment Relations Department of Lavipharm. This time, except for the quarterly financial results, which you can find in the current issue (besides the most important developments for the Group in the last quarter), an exceptionally important event marks the history of the Group: the signing of a definitive merger agreement between Lavipharm Corp. and the NASDAQ-listed Zonagen Inc.

With the completion of the merger Lavipharm Corp. will be listed on the NASDAQ market of the New York Stock Exchange (the largest stock market in the United States, listing nearly 4,000 of the most innovative companies in the world), a development which was especially difficult until today, considering conditions prevailing in the international financial markets for some time.

As President and CEO of the Group Mr. Lavidas commented, "this merger marks the beginning of a new era for the Lavipharm Group." The Lavipharm affiliated company is now on the brink of being listed on the NASDAQ market of the New York Stock Exchange and of all that such a significant business move entails: the participation of international institutional investors in the shareholder structure of the company, increased visibility, easier access to capital from the financial markets, etc.

Furthermore, after the completion of the aforementioned merger, the Lavipharm Group will be among the very few Greek Groups with direct or indirect presence in American Capital Markets, signaling a series of developments that we are confident will bring the Group international recognition as well as facilitate the path to become a major player in pharmaceutical technology.



**Gitzos Theodore**  
Investor Relations Manager

## Financial results

### ● Q3 2002 consolidated results

Lavipharm Group's financial results posted an increase on the consolidated own sales as well as consolidated earnings before taxes and after minority interests level in the 3rd quarter of 2002.

Specifically, consolidated earnings before taxes and after minority interests increased by 21.8% reaching € 4.7 million, compared to € 3.9 million in the corresponding period of 2001. Consolidated own sales reached € 160 million compared to € 141.5 million in the corresponding period of 2001, an increase of 13.1%.

The key factors that contributed to this increase in consolidated own sales were on the one hand the increase of pharmaceutical products' own sales, that reached € 24.5 million (+7.7%), and on the other hand the strong performance of the subsidiary Lavipharm Alliance Santé, which achieved a robust increase in sales of 22.9%, reaching € 102.3 million.

Administration expenses (as a percentage of own sales), remained at the significantly low level of 6.4%, while distribution expenses (again as a percentage of own sales) decreased at 12.5% compared to 13.9% in the corresponding period of 2001.

"Despite the difficult economic environment in which we operate, the business strategy we follow has already created the conditions for our dynamic development and the accomplishment of our goals for 2002", stated Dr. Athanase Lavidas, the President and CEO of Lavipharm Group.

### ● Lavipharm S.A. Q3 2002 results

Regarding the parent company Lavipharm SA, earnings before taxes increased by 6.0%, reaching € 4.2 million compared to € 4.0 million in the corresponding period of 2001. Exports, which exceeded 55% of Lavipharm's own sales, continued their positive performance reaching € 12.2 million. Earnings per share reached 10.7 cents compared to 10.1 cents in the corresponding period of 2001.

## International developments

### ● Lavipharm Corp. and Zonagen, Inc. sign a definitive merger agreement

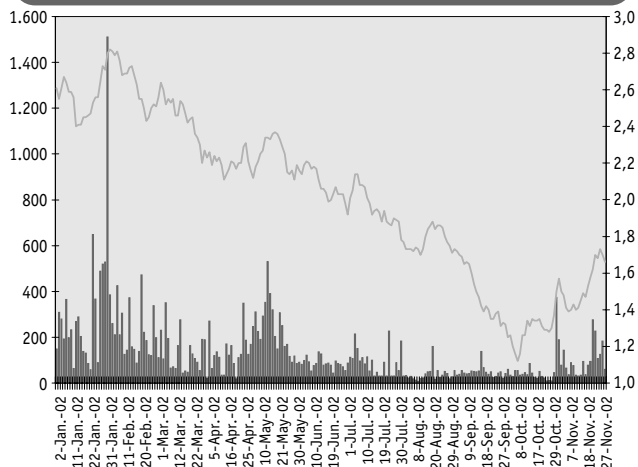
Lavipharm Corp., located in New Jersey, U.S.A. and Zonagen, Inc., located in Texas, U.S.A. (Nasdaq: ZONA and PCX: ZNG) have entered into a definitive agreement to merge in a tax-free (according to U.S.A. legislation), stock-for-stock transaction.

Upon completion of the merger, Dr. Athanase Lavidas, Chairman of Lavipharm Group, will become the Chairman of the new BoD while Lavipharm Corp.'s executive management team will become the executive management team of the merged company, which will be renamed to "Lavipharm Corporation."

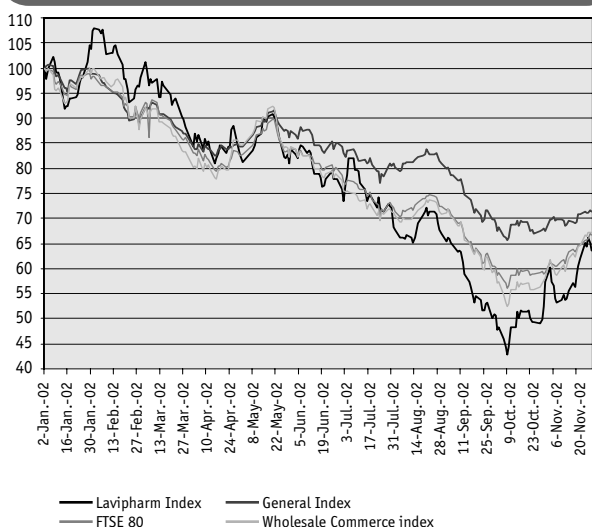
"With the consummation of this merger, Lavipharm S.A.'s US affiliate will be listed on the NASDAQ marking a new era for the Lavipharm Group", Dr. Lavidas commented. "With a strong financial base and a state of the art technology platform, Lavipharm Corporation will improve its competitive position in the formulation and drug delivery area".

Under the terms of the merger agreement, which has been approved by the Boards of Directors of Zonagen Inc. and Lavipharm Corp., as well as of the Board of Directors of Lavipharm S.A. (resolution € 633/30.10.2002),

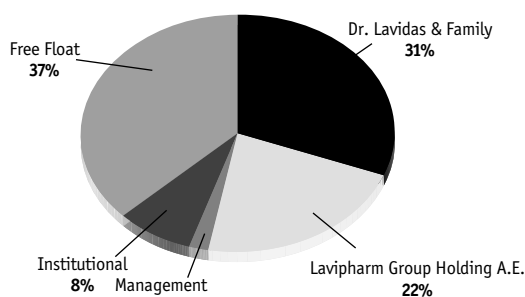
**Lavipharm Value Traded (€ .000) & Share Price (€) Jan. - Nov.**



**Lavipharm S.A. - General Index - FTSE80 - Wholesale Commerce Index**  
Jan - Nov. 2002



**Lavipharm Shareholders** November 2002



the holders of Lavipharm Corp. common stock and Series A preferred stock together will receive an amount of shares of Zonagen common stock that would provide them with 40% of the total shares of Zonagen common stock outstanding following the merger. In addition, Lavipharm S.A., as holder of Lavipharm Corp. Series B preferred stock, will receive 2,000,000 shares of Zonagen common stock in connection with the repayment of \$10,000,000 of Lavipharm indebtedness.

Certain holders of Lavipharm Corp. common stock and Series A preferred stock will be entitled to receive additional shares of Zonagen common stock upon the achievement of specific earn-out milestones. Based upon the amount of shares of Zonagen common stock outstanding as of yesterday, Zonagen would issue approximately 7.7 million shares at the closing of the merger and up to approximately 9.6 million additional shares if all of the earn-out milestones are achieved. The number of these shares would result in existing Lavipharm Corp. stockholders owning 60% of the total shares of Zonagen common stock outstanding, excluding the 2,000,000 shares described above. Zonagen's obligation to issue earn-out shares expires on December 31, 2003. Zonagen's board of directors has received a fairness opinion from CIBC World Markets Corp. in connection with the merger.

The consummation of the merger is conditioned upon customary closing conditions, including the approval of Zonagen's stockholders.

After the merger, it is anticipated that Lavipharm will focus on development of its operations and especially its innovative drug formulation and drug delivery technologies.

## Developments in Greece

### • The relaunching of Algon, a strategic move by Lavipharm Group

Further strengthening its position in the OTC market, Lavipharm Group relaunched Algon, the highly credible analgesic.

Introduced by the Group's OTC Division, Algon, in its new packaging, contains the same active ingredients that ensure effectiveness and superiority. With Algon, Lavipharm Group aims to significantly increase its market share in the current pharmaceutical retail market.

Algon combines unsurpassed effectiveness with safety. It is recommended for the temporary relief of headaches, fever, arthralgia, toothaches, neuralgia, muscular aches and dysmenorrhea.

Algon is a combination of two analgesic, antipyretic and anti-inflammatory substances. It also contains caffeine that facilitates and speeds up the absorption of the other two active ingredients in the gastrointestinal tract and at the same time triggers stimulants that improve the psychological and muscular state of the patient.

"Algon represents for us an important investment in the rapidly growing OTC market and marks a new era in the analgesics sector", stated the Chairman and CEO of Lavipharm Group, Dr. Athanase Lavidas. "Committed to our vision for the improvement of the quality of human life, we continue to provide pioneering services and innovative products".

Having as its main objective the health needs of modern consumers, Lavipharm Group created the OTC Division in 2000. This strategic move reaffirms the Group's predictions regarding the high growth potential of the Greek OTC market. In the highly competitive OTC market that counts for 10% of the pharmaceutical consumption in Greece, the OTC Division's turnover in 2001 increased by 16% compared to 2000, while the expectation for 2002 is a 59% increase in compared to 2001.

With Algon, Lavipharm Group strengthens its OTC products portfolio, which includes its own Research and Development products such as the anti-lice line Ivaliten, as well as products of well-known international companies. The successful Additiva vitamin line, the Butler Gum oral care products, the Breathe Right nasal strip, the Exorex medicine for the treatment of psoriasis and the bandaging material of the multinational 3M, are some of the international OTC products that Lavipharm represents.

Algon is sold exclusively in pharmacies in a cartoon box containing 2 blisters of 8 tablets each.

**LAVIPHARM S.A. (AMOUNTS IN EURO - €)**

<b>BALANCE SHEET for the period:</b>	<b>1/1-30/9/2002</b>	<b>1/1-30/9/2001</b>
	<b>€</b>	<b>€</b>
<b>ASSETS</b>		
Establishment Expenses (Net Book value)	1,222,972	1,043,804
Fixed Assets	59,958,267	39,179,633
Less: Depreciation	-24,709,986	-21,688,105
Participations & other Long-term financial assets	67,942,257	70,569,440
Inventories	3,060,133	3,087,128
Customers	53,909,770	72,274,251
Other Receivables	39,763,692	40,571,662
Securities	2,638,335	3,119,582
Liquid Assets	14,624,088	14,692,629
Transitory Assets	151,306	470,300
<b>TOTAL ASSETS</b>	<b>218,560,835</b>	<b>223,320,323</b>
<b>MEMORY ACCOUNTS-ASSETS</b>	<b>1,035,682</b>	<b>2,398,740</b>
<b>LIABILITIES</b>		
Share Capital	39,293,100	34,594,072
Reserves & Other Shareholders' equity accounts	70,127,709	74,182,444
Profit/(Loss) for the period	4,211,583	3,972,886
Previous years' results c/f	1,961,825	667,898
Readjustments of tax audit differences from previous years	-5,069,068	0
Open balance of own share's account	-2,313,886	-2,313,886
Sundry provisions	4,138,635	4,033,938
Long Term Obligations	22,891,539	27,007
Short Term Obligations	82,253,700	106,591,481
Transitory Liabilities	1,065,697	1,564,482
<b>TOTAL LIABILITIES</b>	<b>218,560,835</b>	<b>223,320,323</b>
<b>MEMORY ACCOUNTS-LIABILITIES</b>	<b>1,035,682</b>	<b>2,398,740</b>
<b>II. PROFIT &amp; LOSS STATEMENT as of:</b>	<b>01/01-30/09/2002</b>	<b>01/01-30/09/2001</b>
	<b>€</b>	<b>€</b>
<b>REVENUES</b>		
Sales	121,899,729	142,854,119
Own sales	21,325,316	21,450,851
Sales for third parties	100,574,412	121,403,269
Less: Cost of goods sold	112,309,403	133,053,589
Less: Cost of goods sold-own sales	11,734,991	11,650,320
Less: Cost of goods sold-third parties sales	100,574,412	121,403,269
Plus: Other Operating Income	286,830	3,088,856
<b>TOTAL</b>	<b>9,877,155</b>	<b>12,889,387</b>
Less: General & Administrative Expenses	7,346,011	6,949,329
Distribution Expenses	760,273	821,194
Interest & similar income / expenses	-7,427,370	354,571
<b>TOTAL</b>	<b>678,914</b>	<b>8,125,094</b>
<b>TOTAL OPERATING RESULTS</b>	<b>9,198,241</b>	<b>4,764,293</b>
Plus: Extraordinary income / profit	1,621,631	630,452
Less: Extraordinary expenses / loss	6,608,288	1,421,859
<b>TOTAL NET RESULTS BEFORE TAX</b>	<b>4,211,583</b>	<b>3,972,886</b>
Less: Total depreciation of fixed assets	2,512,108	2,776,107
Less: Depreciation included in costs of sales	-2,512,108	-2,776,107
<b>TOTAL NET RESULTS BEFORE TAX</b>	<b>4,211,583</b>	<b>3,972,886</b>

**NOTES:**

1. The Company's management values the current value of its participations, in terms of acquisition cost, due to the technological structure of the above mentioned companies and their significant prospects.
2. The generally accepted Accounting Principles were used for the preparation of the financial statements of the first nine months of the fiscal year.
3. The inventories have been counted based on an accounting record and not on a physical count.
4. The Company's headcount on 30/9/2002 were 253 people.
5. On the fixed assets there is a mortgage of 17,312,987 € as a security of short term loans.
6. There was a share capital increase by 4,699,028.10 € with a conversion of the share's nominal value in EURO. This amount was covered by capitalization of reserves.
7. There was a reformation of the previous year's amounts in order to be similar and comparable to the relevant amounts of the present year.

PEANIA, NOVEMBER 20, 2002

PRESIDENT & CEO  
ATHANASE LAVIDAS

COMMISSIONED MEMBER  
HANS E. REICHE

FINANCE DIRECTOR  
YIANNIS ALEXIADIS

ACCOUNTING MANAGER  
PANAYIOTIS A. PAVLOU

## LAVIPHARM GROUP OF COMPANIES (AMOUNTS IN EURO - €)

BALANCE SHEET for the period:	01/01-30/09/2002	01/01-30/09/2001
	€	€
<b>ASSETS</b>		
Establishment Expenses (Net Book value)	2,458,800	1,592,956
Fixed Assets	70,270,882	47,426,004
Less : Depreciation	-29,364,366	-25,286,807
Participations & other Long-term financial assets	52,209,459	58,004,858
Inventories	25,680,028	25,517,674
Customers	71,930,242	89,756,813
Other Receivables	70,474,298	58,362,355
Securities	2,638,335	3,119,582
Liquid Assets	19,493,279	19,887,047
Transitory Assets	1,164,222	854,488
<b>TOTAL ASSETS</b>	<b>286,955,179</b>	<b>279,234,970</b>
<b>MEMORY ACCOUNTS-ASSETS</b>	<b>1,435,682</b>	<b>2,712,702</b>
<b>LIABILITIES</b>		
Share Capital	39,293,100	34,594,072
Reserves & Other Shareholders' equity accounts	70,322,694	74,346,747
Profit/(Loss) for the period	7,273,593	6,610,798
Previous years' results c/f	-3,889,772	-1,777,314
Readjustments of tax audit differences from previous years	-12,900,126	0
Differences in consolidation	-1,014,888	-1,038,060
Minorities interest	4,020,361	4,145,221
Open balance of own share's account	-2,313,886	-2,313,886
Sundry provisions	6,751,203	6,086,557
Long Term Obligations	27,433,456	223,781
Short Term Obligations	149,255,260	155,381,950
Transitory Liabilities	2,724,184	2,975,103
<b>TOTAL LIABILITIES</b>	<b>286,955,179</b>	<b>279,234,970</b>
<b>MEMORY ACCOUNTS-LIABILITIES</b>	<b>1,435,682</b>	<b>2,712,702</b>
<b>II. PROFIT &amp; LOSS STATEMENT as of:</b>	<b>01/01-30/09/2002</b>	<b>01/01-30/09/2001</b>
	€	€
<b>REVENUES</b>		
Sales	226,941,723	226,736,497
Own sales	160,025,369	141,521,467
Sales for third parties	66,916,354	85,215,030
Less: Cost of goods sold	187,102,734	188,462,041
Less: Cost of goods sold-own sales	120,186,380	103,247,011
Less: Cost of goods sold-third parties sales	66,916,354	85,215,030
Plus: Other Operating Income	1,044,246	3,585,436
<b>TOTAL</b>	<b>40,883,234</b>	<b>41,859,892</b>
Less: General & Administrative Expenses	12,180,606	10,766,021
Distribution Expenses	20,915,982	20,413,568
Interest & similar income / expenses	-4,898,504	2,880,503
<b>TOTAL</b>	<b>28,198,084</b>	<b>34,060,091</b>
<b>TOTAL OPERATING RESULTS</b>	<b>12,685,150</b>	<b>7,799,801</b>
Plus: Extraordinary income / profit	1,858,145	864,819
Less: Extraordinary expenses / loss	7,269,702	2,053,821
<b>TOTAL NET RESULTS BEFORE TAX</b>	<b>7,273,593</b>	<b>6,610,798</b>
Less :Total depreciation of fixed assets	3,577,204	3,585,036
Less:Depreciation included in costs of sales	-3,577,204	-3,585,036
<b>TOTAL NET RESULTS BEFORE TAX</b>	<b>7,273,593</b>	<b>6,610,798</b>
Less: Minority interest	2,541,909	2,726,396
<b>NET CONSOLIDATED GROUP PROFIT</b>	<b>4,731,684</b>	<b>3,884,403</b>

### NOTES:

- The Company's management values the current value of its participations, in terms of acquisition cost, due to the technological structure of the above mentioned companies and their significant prospects.
- The generally accepted Accounting Principles were used for the preparation of the financial statements of the first nine months of the fiscal year.
- The inventories have been counted based on an accounting record and not on a physical count.
- The Company's headcount on 30/9/2002 were 779 people.
- On the fixed assets there is a mortgage of 17,312,987 € as a security of short term loans.
- The consolidated financial statements include the companies: LAVIPHARM S.A., LAVICOSMETICA COSMETIQUE ACTIVE S.A., LAVIPHARM HELLAS S.A., LAVIPHARM ALLIANCE SANTE GROUP S.A., LAVICO S.A., PHARMA PLUS Pharmacy Services S.A., PHARMA LOGISTICS S.A. and LAVIPHARM PHARMACEUTICAL SERVICES LTD.
- There was a share capital increase of the parent company Lavipharm S.A. by 4,699,028.10 € with a conversion of the share's nominal value in EURO. This amount was covered by capitalization of reserves.
- There was a reformation of the previous year's amounts in order to be similar and comparable to the relevant amounts of the present year.

PEANIA, NOVEMBER 20, 2002

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## Products

### ● Chronolift - New line for the face and the eyes by LAVIDERM Active Technology

LAVIDERM Active Technology, Lavipharm's cosmetic brand designed to play an active role in beauty, launched a new line, Chronolift. Following the lines of hair and face care (cleansing, hydration and sunblock protection), this line consists of two products for the firming, anti-wrinkle and repairing care of the skin.

Chronolift and Chronolift Eye Contour, fine creams for the face and the eyes respectively, are especially designed for the daily firming and anti-wrinkle care of the skin. The active and stable retinol in microcapsules, that is released progressively, reduces the fine lines and the wrinkles, while in combination with synthetic microcollagen, firms the skin.

LAVIDERM Active Technology's objective is to satisfy the health and beauty needs of modern consumers with active technology products that ensure proven effectiveness with maximum safety and cosmetic pleasure.

### ● Hair and Scalp Care Line by LAVIDERM Active Technology

The cosmetic brand LAVIDERM Active Technology of Lavipharm Group has launched in the Greek pharmacy market a complete line for the problems and needs of hair and scalp that include nine specialized products.

This line's products, a result of Lavipharm's own Research and Development, contain in their composition innovative and active ingredients, plant extracts and volatile oils, that ensure effectiveness. They are produced and tested with the strictest specifications of the pharmaceutical industry.

In the scalp care line, LAVIDERM Active Technology presents five products:

- Laviderm Hair Loss Treatment, against permanent or temporary hair loss of men or women
- Laviderm Hair Loss Shampoo, against permanent or temporary hair loss problems. It is also recommended for weak hair
- Laviderm Oil Balancing Shampoo, regulates seboregulatory and excessive oiliness
- Laviderm Antidandruff Shampoo, against resistant oily or dry dandruff
- Laviderm Extra Mild Shampoo, cleanses gently delicate-sensitive scalp. It is also recommended as a balancing shampoo during or after a specific treatment

In the hair care line, LAVIDERM Active Technology presents four products:

- Laviderm Revitalizing Shampoo, for revitalization and shine of the hair
- Laviderm Silk Repairing Shampoo, restructures dry-damaged hair
- Laviderm Nourishing Mask, for the nutrition and protection of dry and destroyed hair
- Laviderm Multi Conditioning Spray, for sensitized hair due to perms, dyes, other chemical or mechanical agents, styling products and also from aggressive environmental factors

### ● Sensial Masque Hydratant Apaisant Moisture and Soothing Face Mask

The Sensial line of the dermocosmetic brand Castalia presents Masque Hydratant Apaisant, the new hydrating and soothing face mask, for instant relief and hydration of sensitive, irritated skin.

A soothing combination of lipoaminoacids with minerals and plant extracts, Masque Hydratant Apaisant relieves from irritations, reduces stinging and tautness sensations and helps in skin anaplasia.

It is recommended for irritated skin that appears with redness, intense dryness, «sun burn», and also for skin after peeling, laser and other dermatological operations.

Due to the innovative emulsion technology with structure and composition of components that imitate those of the skin, the Masque Hydratant Apaisant is especially absorbent. It can be used once daily for one week for irritated skin, or once-twice a week for instant invigoration and shine.

Masque Hydratant Apaisant is a hypoallergic product, not comedogenic, dermatologically tested that provides effective protection.

A product of Lavipharm's dermocosmetic brand Castalia, Masque Hydratant Apaisant completes the Sensial line "Intensive hydration and soothing of sensitive skin".

### ● Sensial - Crème Mains Moisturising, Emollient and Healing Hand

The Sensial line of the dermocosmetic brand Castalia presents the new moisturising, emollient and healing hand cream, Crème Mains, for dry or irritated hands.

Crème Mains is recommended for skin "tired" from labor work, detergents or weather conditions, in cases of chronic toxic dermatitis and in psoriasis of hands. It completes the Sensial line «Intensive hydration and soothing of sensitive skin».

Crème Mains can be used as often as needed. This product is sold exclusively in pharmacies.

### ● LACTAL - The Natural Choice for the Regulation of Women's Vaginal pH.

Lavipharm Group enters the significant market of obstetrics-gynecology with the launch of Lactal vaginal gel, a unique product that imitates the natural pH balance mechanism of women's vagina. Lactal is completely safe and well tolerated by women of any age group, and that makes it a precious "tool" for gynecologists.

Lactal contributes to the restoration of vaginal imbalance, as it is the only product that contains, as active ingredients, lactic acid and glycogen, two substances that normally exist in women's vagina and constitute part of its natural defence.

Lactal acts against the unpleasant discharge and irritation of the vagina.

Lactal is natural, safe, effective, easy to use, does not contain preservatives and has been clinically tested for vaginal imbalance for more than ten years. Available in a gel form, Lactal can be used even during pregnancy. In addition, Lactal is ideal for the regulation of the vagina balance after menstruation, during menopause, after intense sexual activity and also after long treatment with antibiotics or contraceptives.

Lactal is registered in the medical device category and is certified by the European Union (CE). It is launched by the Pharmaceutical Division of Lavipharm Hellas, a subsidiary of Lavipharm, in collaboration with the Swedish company Tremedic Health Care. The Pharmaceutical Division promotes products of Lavipharm's research and development as well as products of other international and well-known companies.

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