



## 9M11 Financial results

Zagreb – October 27<sup>th</sup>, 2011

### Results in line with guidance alongside focus on integration activities

- **Sales at 3,450.2 million kuna**
  - + 104.8% yoy based on reported figures
  - + 2.0% yoy organic growth
  - + 4.0% yoy growth compared to pro-forma consolidated level in the same period last year
- **Earnings before interests, taxes and depreciation (EBITDA) at 402.0 million kuna**
  - + 102.2% yoy based on reported figures
- **Normalised EBITDA at 394.0 million kuna**
  - + 142.0% yoy based on reported figures
- **Net profit after minorities at 33.3 million kuna**
  - \* Linear allocation of financial expenses on a quarterly basis
  - \* **Normalised net profit after minorities at 25.3 million kuna**

### Chairman's comment

CEO of Atlantic Grupa, Emil Tedeschi commented financial performance and key business developments in 9M11:

“We are pleased with delivered results that reflected two times higher sales and normalised operating profitability as well as improvement in both top-line and operating profit compared to pro-forma consolidated levels in the same period last year, especially considering that in the first nine months of 2011 Atlantic Grupa simultaneously faced execution of integration activities, optimization of internal processes, costs optimisation and adverse macroeconomic trends with negative impact on personal consumption and substantial surge in global commodity prices.

Following 9M results, the company retains its 2011 guidance published at the beginning of this year with enhanced emphasis on improvement in internal processes and procedures, active risk management, active brand management and focused financial debt servicing.“

### 9M11 financial highlights

| Key figures                                      | 9M11  | 9M10  | Change 11/10 |
|--|-------|-------|--------------|
| Sales (HRK <sub>m</sub> )                        | 3,450 | 1,684 | 104.8%       |
| Revenues (HRK <sub>m</sub> )                     | 3,475 | 1,705 | 103.8%       |
| EBITDA margin*                                   | 11.4% | 9.7%  | +175 bps     |
| Net income after minorities (HRK <sub>m</sub> )* | 25    | 73    | -65.4%       |
| Gearing ratio                                    | 62.1% | 63.2% |              |

\*Normalized

\*\* Gearing ratio of 63.2% at YE10

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The company is registered with the Commercial Court in Zagreb, registration number: 080245039, OIB (personal identification number): 71149912416.

Account number: 2484008-1101427897 Raiffeisenbank Austria d.d., Zagreb, Petrinjska 59; The authorized share capital: 133.372.000,00 kuna, paid in cash completely.

The number of shares and their nominal value: 3.334.300 shares, each in the nominal amount of 40,00kn.

The Management Board: Emil Tedeschi, M. Veber, N. Vranković, Z. Stanković, S. Nakić, Z. Brekalo, M. Petrić, A. Klarica; The President of Supervisory Board: Z. Adrović.



## KEY DEVELOPMENTS in 9M11

### Integration of Droga Kolinska and Atlantic Grupa

Successful execution of the first phase of integration activities altogether included:

- ❖ Merger of Droga Kolinska and Atlantic Grupa's distribution activities on all regional markets by setting up independent distribution companies consolidated in the Distribution division and therewith related implementation of new commercial terms and sales force optimization;
- ❖ Merger of logistics processes and distribution centres;
- ❖ Establishment of centralised procurement system and purchasing category management with lead buyers for key raw materials;
- ❖ Implementation of centralised marketing.

In 3Q11, integration activities gained new dimension through the beginning of production consolidation. Namely, Atlantic Grupa finalised feasibility study on transfer of Cockta bottling for markets of Croatia and BiH from previously outsourced bottlers to Atlantic Grupa's bottling facility in Apatovac, acquired last year within acquisition of Kalničke vode Bio Natura. Bottling process in Apatovac is expected to begin in 2012, whereby this project reflects double synergy effects including synergies within Droga Kolinska's acquisition and synergies within Kalničke vode Bio Natura's acquisition.

### Issue of corporate bond ATGR-O-169A

On 20 September 2011, Atlantic Grupa issued Notes amidst restructuring of its maturity debt structure, i.e. refinancing of Notes issued 06 December 2006, maturing 06 December 2011, quoted on the Official market of the Zagreb Stock Exchange under ticker ATGR-O-11CA. According to the Capital Markets Act, the Notes are issued through a public offering addressed to investors who, for the subscribed securities, paid the amount of at least EUR 50,000.00 per investor, for each separate offer, in kuna counter value according to the mid exchange rate of the Croatian National Bank, valid on the date of issue, without prior publication of the Prospectus. Raiffeisenbank Austria d.d. and Zagrebačka banka d.d. acted as joined agents for the Note issue in the nominal amount of HRK115m and issue price of 99.375%. The Notes will be redeemed at their principal amount on 20 September 2016 and Atlantic Grupa will pay interest on the Notes semi-annually at the fixed rate of 6.75% per annum. Atlantic Grupa intends to list the Notes on the Official Market of the Zagreb Stock Exchange and in the meantime the company awaits Prospectus approval by regulatory agency - CFSSA.

### Regional brand strength – results of research agency Valicon

In 2011, research agency focusing on SEE, Valicon measured FMCG brands strength in the ex. YU region (Croatia, Slovenia, BiH, Serbia, Montenegro, Macedonia and Kosovo) with key indicators including



recognisability, experience and usage. The backbone of the research is that particular brand can be ranked among top regional brands only if it is present in the entire region.

The first two places on the regional FMCG brands list are taken by foreign brands – Coca-Cola and Milka, whereby Atlantic Grupa's brand in the savoury spreads segment – Argeta is ranked third. Valicon's research states the following: "Argeta is ranked third, while the brand is most likely one of the best marketing stories in the last 10 years. The brand constantly adds new concepts, tastes and develops new consumer segments with sub-brand Argeta Junior." The research as well indicates brand Cedevita as one of the most interesting brands that advanced to sixth place. Namely, the research emphasizes Cedevita as an example of brand that practically develops vitamin instant drinks category in the region and expands it in different directions – in on-the-go segment and HoReCa channel. Cockta is the third brand from Atlantic Grupa's portfolio that is placed among top 10 regional brands being ranked seventh thanks to, as the research emphasized, regional campaign and enhanced distribution and therewith precedes global brand Pepsi in the region.

Analysing individual markets, on each regional market, except in Serbia, at least one of Atlantic Grupa's brand is among top 5. In Croatia that is Cedevita, in Slovenia Barcaffè, in BiH Argeta and Cedevita, in Macedonia and Kosovo Argeta and in Montenegro Smoki.

### **Sale of available-for-sale financial assets: Atlantic Grupa and Agrokor sold their ownership in the company RTL Hrvatska**

Atlantic Grupa together with the regional food & beverages company Agrokor reached an agreement with the majority owner RTL Group to acquire their respective shares in RTL Group's Croatian broadcasting operation – RTL Hrvatska – in which Atlantic Grupa and Agrokor held 13% ownership, apiece.

Agrokor and Atlantic Grupa decided to leave the ownership structure of RTL Hrvatska in accordance with their long-term focus on core businesses. Representatives from both companies retained their positions in the Supervisory board of RTL Hrvatska and Atlantic Grupa kept the symbolic ownership of 0.01% in the company.

Atlantic Grupa recorded one-time gain from the sale of this stake in the amount of HRK12m in the 3Q11.

## SALES DYNAMICS IN 9M11

### Sales profile by division

in HRK thousands

| 9M11                                      | Distribution  | Consumer Health Care | Sports and Functional Food | Pharma       | Droga Kolinska | Consolidated Group | Atlantic Grupa ex. Droga Kolinska |
|---|---------------|----------------------|----------------------------|--------------|----------------|--------------------|-----------------------------------|
| <b>Gross sales</b>                        | 1,930,103     | 361,268              | 497,819                    | 267,697      | 1,620,248      | <b>4,677,136</b>   |                                   |
| Intersegment sales                        |               |                      |                            |              |                | 1,226,956          |                                   |
| <b>Consolidated sales</b>                 |               |                      |                            |              |                | <b>3,450,180</b>   |                                   |
| <b>Gross sales ex. DK</b>                 | 893,871       | 361,268              | 497,819                    | 267,697      |                |                    | <b>2,020,655</b>                  |
| Intersegment sales                        |               |                      |                            |              |                |                    | <b>302,676</b>                    |
| <b>Consolidated sales ex. DK</b>          |               |                      |                            |              |                |                    | <b>1,717,979</b>                  |
| <b>9M10</b>                               |               |                      |                            |              |                | <b>Pro-forma</b>   |                                   |
| Gross sales                               | 953,845       | 384,279              | 420,895                    | 237,960      | 1,632,759      | 3,629,739          | 1,996,980                         |
| Intersegment sales                        |               |                      |                            |              |                | 312,685            | 312,685                           |
| Consolidated sales                        |               |                      |                            |              |                | 3,317,054          | 1,684,295                         |
| <b>Change 11/10</b>                       |               |                      |                            |              |                |                    |                                   |
| <b>Gross sales</b>                        | <b>102.3%</b> | <b>-6.0%</b>         | <b>18.3%</b>               | <b>12.5%</b> | <b>-0.8%</b>   |                    |                                   |
| Intersegment sales                        |               |                      |                            |              |                |                    |                                   |
| <b>Consolidated sales</b>                 |               |                      |                            |              |                | <b>4.0%</b>        |                                   |
| <b>Gross sales (organic)</b>              | <b>-6.3%</b>  | <b>-6.0%</b>         | <b>18.3%</b>               | <b>12.5%</b> |                |                    |                                   |
| Intersegment sales                        |               |                      |                            |              |                |                    |                                   |
| <b>Consolidated sales- organic growth</b> |               |                      |                            |              |                |                    | <b>2.0%</b>                       |

In 9M11, Atlantic Grupa posted **sales of HRK3,450.2m** that came in **4.0%** higher compared to pro-forma consolidated sales in the same period last year. Excluding Droga Kolinska, Atlantic Grupa posted **2.0% yoy organic growth**.

Analysing the **3Q11** separately, Atlantic Grupa saw its top-line at HRK1,253.1m that resulted in 4.8% increase compared to pro-forma consolidated sales in 3Q10.

- **Distribution division** – Following successful execution of integration activities that resulted in (i) consolidated distribution of product portfolio from both Atlantic Grupa and Droga Kolinska on Croatian, Serbian, Slovenian and Macedonian markets as well as (ii) renewal of key customers' contracts and implementation of new commercial terms, Distribution division saw its top-line at HRK 1,930.1m. Thereby, Droga Kolinska's sales in total distribution sales accounted for 53.7%. Stripping off Droga Kolinska's assortment, the division delivered 6.3% yoy lower gross sales in 9M11 largely reflecting still anaemic personal consumption on all regional markets. Looking at the regional markets



more closely, yoy growth came in on Slovenian and Macedonian markets, while Serbian and Croatian markets showed yoy sales decline on the pro-forma consolidated basis.

- **Consumer HealthCare division** saw its top-line 6.0% lower in 9M11 compared to the same period last year largely affected by: (i) still dismal macroeconomic environment, particularly on the division's key market - Croatia and (ii) consolidation of distribution activities that impacted Atlantic Grupa's existing assortment and especially the Consumer HealthCare assortment.
- **Sports and Functional Food division** with 18.3% yoy higher top-line in 9M11 continued to stand out as the key engine of Atlantic Grupa's organic growth. Analysis of division's performance reveals the following: (i) within division's portfolio, the strongest growth came from sports and functional food brands – Champ and Multaben – that posted double-digit growth rates of 17.7% yoy and 13.5% yoy, apiece, as well as from private label, (ii) geographic profile revealed growth of the largest markets in terms of sales - Germany and UK – but also growth of other smaller markets (in terms of sales size) and (iii) expansion of mass market (retail market outside specialised sports channel) and sale on Internet in Germany. Following the latter, the mass market accounted for nearly 20% of total sales in Germany.
- **Pharma division** kept its momentum in 9M11 and delivered 12.5% yoy higher gross top-line on the back of: (i) 4.7% yoy sales advance in Fidifarm and (ii) 15.4% yoy sales growth in the pharmacy chain Farmacia. Simultaneously, Farmacia's result also reflected newly launched pharmacies and specialised stores in 9M11 (two pharmacies and two specialised stores) as well as consolidation of five pharmacies from the acquired Dvoržak pharmacy chain. Excluding the effect of consolidation of pharmacies from the acquired Dvoržak pharmacy chain, division saw organic growth of 9.3% yoy in 9M11. Following new openings of pharmacies and specialised stores as well as consolidation of pharmacies from the acquired Dvoržak pharmacy chain, at the end of September 2011 division operates with 58 points of sale, out of which 46 are pharmacies and 12 are specialised stores.
- **Droga Kolinska division** saw its gross sales 0.8% yoy lower in 9M11, while division's sales to third parties (customers) recorded 4.1% yoy growth in EUR terms. Thereby, higher sales in EUR terms came on wings of top-line advance in coffee segment, baby food assortment and confectionary portfolio. Furthermore, division's geographic profile revealed Serbian and Macedonian markets as the fastest growing with 11% yoy and 15% yoy in EUR terms, while Slovenian, Montenegrin, Russian and EU markets posted lower single-digit growth rates, also in EUR terms.

## Multi-division summary by geographic zone

| in HRK <sup>m</sup>           | 9M11           | % of total sales | 9M10    | % of total sales | Change 9M11/9M10 |
|-------------------------------|----------------|------------------|---------|------------------|------------------|
| <b>Croatia</b>                | <b>1,000.6</b> | 29.0%            | 941.2   | 55.9%            | <b>6.3%</b>      |
| <b>Serbia</b>                 | <b>849.5</b>   | 24.6%            | 93.6    | 5.6%             | <b>807.2%</b>    |
| <b>Slovenia</b>               | <b>415.1</b>   | 12.0%            | 113.5   | 6.7%             | <b>265.6%</b>    |
| <b>B&amp;H</b>                | <b>284.3</b>   | 8.2%             | 63.7    | 3.8%             | <b>346.1%</b>    |
| <b>Other ex. Yu*</b>          | <b>201.7</b>   | 5.8%             | 32.6    | 1.9%             | <b>518.4%</b>    |
| <b>Key WEU (GER, UK, ITA)</b> | <b>292.6</b>   | 8.5%             | 262.0   | 15.6%            | <b>11.7%</b>     |
| <b>Russia and EE</b>          | <b>122.1</b>   | 3.5%             | 25.0    | 1.5%             | <b>389.3%</b>    |
| <b>Other</b>                  | <b>284.4</b>   | 8.2%             | 152.6   | 9.1%             | <b>86.3%</b>     |
| <b>Total sales</b>            | <b>3,450.2</b> | 100.0%           | 1,684.3 | 100.0%           | <b>104.8%</b>    |

\*Other ex. YU: Macedonia, Montenegro, Kosovo

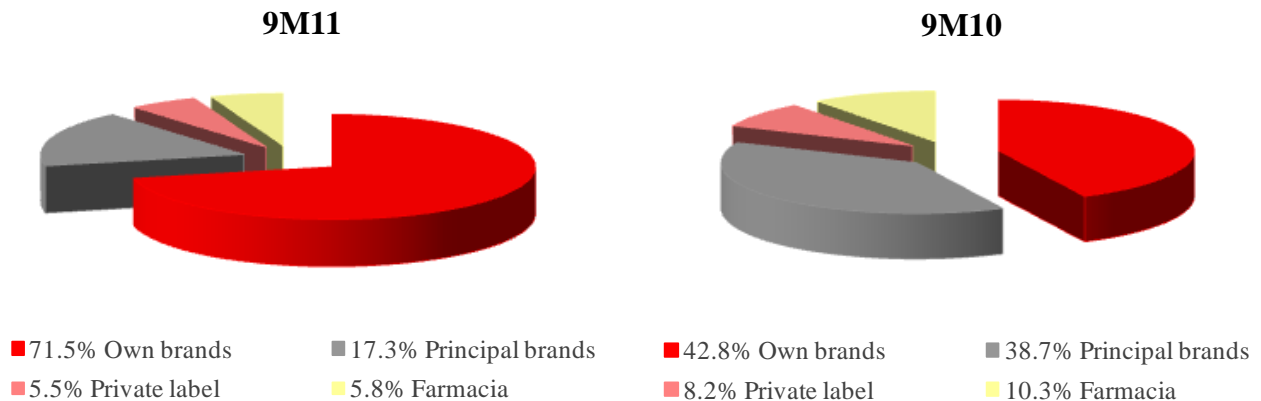
- In 9M11, **Croatian market** delivered total sales (including Droga Kolinska's assortment) of HRK1,000.6m compared to HRK941.2m in 9M10. Thereby, Croatian market remained Atlantic Grupa's largest market in terms of sales with 29.0% share while posting 4.0% yoy lower top-line on organic level and 3.8% yoy lower sales on the pro-forma consolidated level. On the pro-forma consolidated level, sales decrease was to some extent cushioned by: (i) growth in Droga Kolinska's coffee segment and savoury snacks program, (ii) growth in principal brands that came into company's distribution assortment last year – One2play and Rauch as well as (iii) Pharma division's showing. Croatian market performance is still largely affected by challenging trends in Croatian economy with modest personal consumption mirrored through unemployment rate of 16.8% in September, drop in real disposable income and average consumer sentiment index at -48.5 pts in 8M11.
- **Regional markets** (excluding Croatia) posted consolidated top-line of HRK1,750.6m in 9M11 compared to HRK303.5m in 9M10 and therewith their share in Atlantic Grupa's total sales amounted to 50.7% with Serbia and Slovenia as two key regional markets. Total regional sales advanced by 1.0% yoy on organic level, whereby on the pro-forma consolidated level, regional markets delivered 5.5% yoy higher top-line. Bearing the latter in mind, 3Q11 improved sales dynamic in the region, considering that 1H11 total sales came in 4.1% yoy higher on the pro-forma consolidated level.  
Looking at the regional markets individually, Serbian market spearheaded the growth with 11.0% yoy sales increase on the pro-forma consolidated level spurred by coffee segment with Grand Kafa brand and confectionary assortment. Slovenian market started to pick up pace in 3Q11 delivering 3.8% yoy



advance in 9M11 on the pro-forma consolidated basis, while in 1H11 growth was more modest at 1.2% yoy. Key growth drivers on Slovenian market were: (i) coffee segment with Barcaffè brand, (ii) savoury snacks portfolio with Smoki brand and (iii) distribution of Ferrero assortment. Sales advance on the pro-forma consolidated basis on Macedonian market reflected sales growth in Cedevita assortment, coffee portfolio, carbonated soft drinks driven by Cockta brand, savoury spreads segment represented by Argeta brand and confectionary assortment.

- **The key West European markets** (Germany, Italy and UK) posted 8.2% yoy higher top-line on the pro-forma consolidated level in 9M11, whereby Atlantic Grupa's portfolio excluding Droga Kolinska's assortment accounted for 96.2% of total sales on these markets. On the pro-forma consolidated level, growth was largely buoyed by the UK market that recorded 12.7% yoy and 12.2% yoy sales surge in functional and local currency, respectively, whereby Germany, as the key WEU market in terms of sales, posted 11.5% yoy and 9.2% yoy growth in functional and local currency, apiece. Italy delivered 9.4% yoy lower top-line in functional currency on the pro-forma consolidated level. Growth on the key West European markets was largely spurred by: (i) brand in sports food segment – Champ and brand in functional food segment – Multaben, (ii) uplift of private label and (iii) development of mass market – market outside specialised sports channel.
- **The Russian and East European markets** delivered HRK122.1m in sales in 9M11 compared to HRK25.0m in the same period last year. On the pro-forma consolidated level, the Russian and EE markets saw their sales 3.7% yoy down, while baby food assortment driven by Bebi brand posted advance.
- **Other markets** reported sales surge on the pro-forma consolidated level of 29.2% yoy in 9M11. The growth came on the back of Atlantic Grupa's assortment excluding Droga Kolinska's portfolio that posted sales surge of 38.4% yoy mostly on wings of sports and functional food segment.

## Sales profile



- Following the consolidation of Droga Kolinska, share of **own brands** in consolidated sales rocketed to 71.5% in 9M11 from 42.8% in the same period last year. Thereby, own brands reported 4.8% yoy sales growth on the pro-forma consolidated level buoyed by: (i) double-digit growth rate of brands in sports and functional food segment – Champ and Multaben, (ii) growth in coffee segment with Grand Kafa and Barcaffè posting 12.0% yoy and 7.9% yoy sales uplift, apiece, (iii) higher sales in snacks segment with Najlepše želje and Smoki delivering 15.9% yoy and 1.7% yoy growth, respectively, and (iv) baby food assortment with Bebi brand posting 4.1% yoy sales advance.  
On the organic level, own brands rose by 1.9% compared to 9M10.
- With the consolidation of Droga Kolinska, share of **principal brands** dropped to 17.3% of total sales in 9M11 compared to 38.7% in the same period last year. Thereby, principal brands posted 8.6% yoy sales drop amidst lower sales in several principal categories, while some distribution categories including Ferrero, One2play and Rauch assortments posted growth mostly driven by regional distribution expansion over the last two years.
- Share of **private label** in total sales dropped to 5.5% in 9M11 from 8.2% in 9M10, whereby private label posted 36.4% yoy sales surge. Growth was largely spurred by sports and functional food portfolio.
- Share of pharmacy chain **Farmacia** nearly halved to 5.8% in 9M11 from 10.3% in 9M10, whereby Farmacia delivered 15.0% yoy higher sales on wings of newly opened pharmacies/specialised stores and consolidation of the acquired pharmacy chain Dvoržak. Stripping off sales within the acquired pharmacy chain Dvoržak, the pharmacy chain Farmacia posted 10.6% yoy higher sales on organic level.



## PROFITABILITY DYNAMICS in 9M11

| in HRKm                      | 9M11           | 9M10    | Change 11/10 |
|------------------------------|----------------|---------|--------------|
| <b>Sales</b>                 | <b>3,450.2</b> | 1,684.3 | 104.8%       |
| <b>EBITDA</b>                | <b>402.0</b>   | 198.8   | 102.2%       |
| Normalized EBITDA            | 394.0          | 162.8   | 142.0%       |
| <b>EBIT</b>                  | <b>248.6</b>   | 162.0   | 53.5%        |
| Normalized EBIT              | 240.6          | 126.0   | 91.0%        |
| <b>Net profit/loss</b>       | <b>40.4</b>    | 106.6   | -62.1%       |
| Normalized Net profit/loss   | 32.5           | 80.4    | -59.6%       |
| <i>Profitability margins</i> |                |         |              |
| <b>EBITDA margin</b>         | <b>11.7%</b>   | 11.8%   |              |
| Normalized EBITDA margin     | 11.4%          | 9.7%    |              |
| <b>EBIT margin</b>           | <b>7.2%</b>    | 9.6%    |              |
| Normalized EBIT margin       | 7.0%           | 7.5%    |              |
| <b>Net profit margin</b>     | <b>1.2%</b>    | 6.3%    |              |
| Normalized Net profit margin | 0.9%           | 4.8%    |              |

### Key highlights:

➤ Following the consolidation of Droga Kolinska from the beginning of 2011, Atlantic Grupa posted substantial jump on EBITDA (earnings before interests, taxes and depreciation) and EBIT (earnings before interests and taxes) levels compared to showing in 9M10. Additionally, improvements came in on the normalised level, whereby one-off items included the following:

❖ In the 9M10:

- i. HRK48.6m one-off gain from the sale of Neva's former location in Tuškanova,
- ii. HRK21.6m one-time transaction costs related to the acquisition of Droga Kolinska,
- iii. HRK9.1m in positive financial impacts related to income on deposits from capital increase funds and therewith related positive exchange rate differences.

❖ In the 9M11:

- i. HRK12.0m one-off gain from the sale of 13% stake in the company RTL Hrvatska,
- ii. HRK4.0m one-time transaction costs related to the acquisition of Droga Kolinska.

➤ Consequently on the normalised level:

❖ **EBITDA of HRK394.0m** came in 2.4 times yoy higher compared to normalised EBITDA in 9M10 that resulted in 175 bps higher normalised EBITDA margin of 11.4% on wings of improvements in



Atlantic Grupa's product mix induced by consolidation of Droga Kolinska's 100% own brands portfolio.

- ❖ **EBIT of HRK240.6m** was 1.9 times yoy higher as opposed to 9M10 normalised EBIT with normalised EBIT margin at 7.0% and 51 bps lower on a yoy basis due to higher depreciation and amortization costs of acquired Droga Kolinska. Thereby, 9M11 EBIT does not reflect potentially material impact on amortisation coming from currently active PPA process related to the acquisition of Droga Kolinska that under International Financial Reporting Standards acquirer is obliged to execute in a year after the acquisition.

➤ On the **pro-forma consolidated basis**:

- ❖ Normalised EBITDA was 1.5% yoy lower as opposed to pro-forma consolidated EBITDA excluding one-offs in 9M10, largely amidst 22% yoy higher production material expenses.
  - ✓ Considering other expenses on the pro-forma consolidated basis, only energy costs increased substantially, even though these account only smaller share of total sales. On the other hand, COGS, service expenses and employee costs posted lower single-digit decline rate as opposed to pro-forma consolidated level in 9M10.
  - ✓ Increase in production materials expenses by 22% yoy largely came on the back of 25% upside (in EUR terms) in coffee costs compared to the same period last year, whereby coffee as the key raw material in Atlantic Grupa's raw materials mix accounted for 34% of total production materials expenses. This surge in coffee costs largely followed rocketing of coffee prices on global commodity markets (expressed through coffee "C" futures contract as the world benchmark for Arabica coffee) by 75% on average in 9M11 as opposed to 9M10<sup>1</sup>. The latest trends indicate fundamental improvements via global coffee beans surplus of 100 thousand tons in 2012 and uptrend in inventory in weeks of consumption (even though global coffee beans inventories are on historically low levels)<sup>2</sup>. Moreover, sugar and milk powder costs as well recorded double-digit growth on a yoy basis, whereby cocoa costs posted higher single-digit growth rate. Thereby, downtrend in global milk powder inventories indicates continuance of global milk powder prices uptrend.
- ❖ Normalised EBIT came in 1.0% yoy higher compared to pro-forma consolidated 9M10 EBIT on normalised level.

- In the 9M11, **normalised net profit** of HRK32.5m reflected: (i) HRK163.6m in interest expenses amidst acquisition financing and refinancing of Droga Kolinska's debt executed in 1Q11 and (ii) HRK15.7m in FX loss largely amidst changes in EUR/HRK rate impacting financial liabilities. Thereby,

<sup>1</sup> Financial information provider Bloomberg

<sup>2</sup> Kairos Commodities, <http://www.kairoscommodities.com/>



9M11 net profit does not reflect potentially material impact on amortisation coming from currently active PPA process related to the acquisition of Droga Kolinska.

➤ Considering **operating profitability of Atlantic Grupa's divisions:**

- ❖ Divisions Distribution and Pharma posted more significant operating profitability enhancement, whereby the former reflected distribution of Droga Kolinska's product portfolio on Atlantic Grupa's regional markets and the latter bore fruits of top-line growth and restructuring efforts in 2010. Droga Kolinska division delivered lower single-digit operating profitability improvement despite surge in prices of raw materials.
- ❖ Divisions Consumer HealthCare and Sports and Functional Food posted decline in operating profitability, whereby sales drop and operating costs growth caused decline in the former and the latter suffered from front-loaded investments in setting up new company in Spain – Atlantic Multipower Iberica and higher marketing investments amidst more aggressive foray onto mass market, i.e. retail market outside specialised sports channels.

➤ Analysing **3Q11** separately:

- ❖ Atlantic Grupa posted normalised EBITDA of HRK164.5m and normalised EBIT of HRK113.0m that accounted for 41.8% and 47.0%, apiece, of 9M11 EBITDA and EBIT showing. This thereby reflects stronger seasonal impact of third quarter on the Group level compared to first two quarters.
- ❖ On normalised level in 3Q11, EBITDA came in 1.4% yoy higher compared to pro-forma consolidated level in 3Q10 and EBIT was 1.3% yoy higher as opposed to pro-forma consolidated level last year.

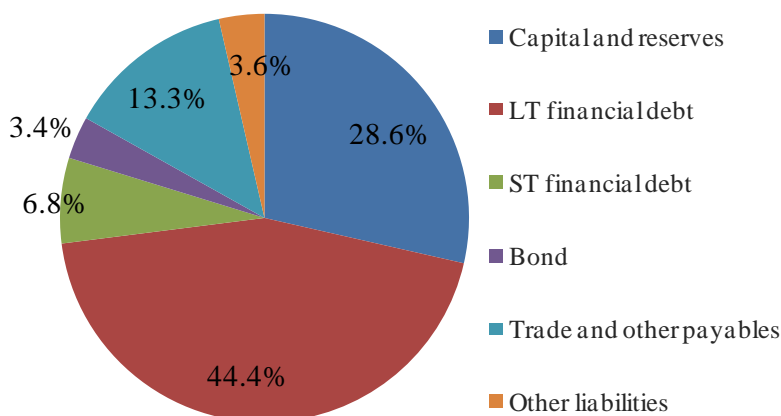
## FINANCIAL INDICATORS in 9M11

| in HRK <sup>m</sup>                 | 9M11    | YE10    |
|-------------------------------------|---------|---------|
| Net debt                            | 2,485.2 | 2,494.5 |
| Total assets                        | 5,314.1 | 5,101.1 |
| Equity                              | 1,517.9 | 1,455.5 |
| Current ratio                       | 1.87    | 1.31    |
| Gearing ratio                       | 62.1%   | 63.2%   |
|                                     | 9M11    | 9M10    |
| Interest coverage ratio*            | 2.4     | 8.6     |
| Capex (net of receipts from sale)   | 71.7    | 29.1    |
| Cash flow from operating activities | 158.5   | 44.9    |

\*Ex. one-offs

Among key highlights in Atlantic Grupa's 9M11 financial position, one should consider the following:

- ❖ Net debt at HRK2,485.2m reflects financial debt of HRK2,818.0m, net derivative liabilities of HRK60.1m and cash and cash equivalents as well as short-term deposits of altogether HRK392.9m.
- ❖ Atlantic Grupa's financing structure at 30 September 2011 is as follows:



- ❖ The largest item in the financing structure is long-term financial debt (including derivative liabilities and bond) with 46.5% share.
- ❖ The second largest item is capital and reserves with 28.6% share.
- ❖ Long-term and short-term financial liabilities (with derivative liabilities) account for 54.6% of Atlantic Grupa's financing structure.

- ❖ During 1Q11, Atlantic Grupa used interest rate swaps to fix substantial portion of its long-term financial debt in line with the Group's Policy of active debt management.
- ❖ At the end of September, Atlantic Grupa refinanced corporate bond in nominal amount of HRK115m and new maturity in 2016. Upon the issuance, Atlantic Grupa redeemed HRK49m notes in nominal amount, whereby the remaining portion will be redeemed upon maturity at 06 December 2011.
- ❖ Within HRK71.7m capex, key projects included: (i) investments in Cockta bottling in Apatovac, (ii) investments in production equipment and lines in the segments of sweet and salted snacks, coffee and savoury spreads and (iii) investments in distribution vehicle fleet expansion.



## OUTLOOK for FY11

### Atlantic Grupa's strategic guidance for 2011:

- ❖ Fast and efficient integration of Droga Kolinska into Atlantic Grupa's business model on all levels (operating and supporting functions) followed by delivery of planned synergy potentials both on sales and costs side
- ❖ Focus on organic growth through innovations in product categories and strengthening the regional character of distribution business
- ❖ Meeting financial commitments on regularly basis coupled with prudent debt and financial cost management
- ❖ Cost management and optimisation of operating processes on both centralised and lower levels, aiming to improve operating efficiency
- ❖ Prudent liquidity management

Deterioration in sentiment alongside surging risks in real and financial sectors in the eurozone expectedly resulted in raising risks in the region. Thereby, while the IMF expects (according to the last forecasts published in September) the region to deliver growth in economic activity of 2.0% in 2011, the EBRD recently lowered its GDP growth expectations to 1.8% from July's 2.3% for 2011. Among the regional economies, Croatia and Slovenia are expected to deliver the slowest economy growth of 0.5% and 1.0% in 2011<sup>3</sup>.

Following results delivered in 9M11, the management confirms earlier communicated guidance:

| In HRKm       | 2011 Guidance | Pro-forma consolidated 2010 (normalised) | AG 2010 (normalised) | 2011/Pro-forma 2010 | 2011/2010 |
|---------------|---------------|--|----------------------|---------------------|-----------|
| <b>Sales</b>  | <b>4,650</b>  | 4,513                                    | 2,269                | 3.0%                | 105.0%    |
| <b>EBITDA</b> | <b>527</b>    | 523                                      | 202                  | 0.8%                | 161.3%    |
| <b>EBIT</b>   | <b>319</b>    | 316                                      | 147                  | 1.0%                | 117.6%    |

Following financial indebtedness related to Droga Kolinska's acquisition financing as well as refinanced Droga Kolinska's debt in 1Q11, Atlantic Grupa expects financial expenses, thereby more specifically interest expenses to amount approximately to HRK230m in FY11.

Guided EBIT does not reflect potentially material impact on amortisation coming from currently active PPA process related to the acquisition of Droga Kolinska that under International Financial Reporting Standards acquirer is obliged to execute in a year after the acquisition.

<sup>3</sup> European Bank for Reconstruction and Development, Regional Economic Prospects in EBRD Countries of Operations: September 2011

**ATLANTIC GRUPA d.d.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS FOR NINE MONTH PERIOD ENDED  
30 SEPTEMBER 2011 (UNAUDITED)**

**ATLANTIC GRUPA d.d.**

**INTERIM CONSOLIDATED INCOME STATEMENT**

| in thousands of HRK, unaudited  | Jan - Sep<br>2011 | Jan - Sep<br>2010 | Index        | Jul - Sep<br>2011 | Jul - Sep<br>2010 | Index        |
|---|-------------------|-------------------|--------------|-------------------|-------------------|--------------|
| <b>Turnover</b>   | <b>3,474,598</b>  | <b>1,705,288</b>  | <b>203.8</b> | <b>1,265,140</b>  | <b>618,400</b>    | <b>204.6</b> |
| Sales revenues  | 3,450,179         | 1,684,295         | 204.8        | 1,253,052         | 611,233           | 205.0        |
| Other revenues  | 24,419            | 20,993            | 116.3        | 12,088            | 7,167             | 168.7        |
| <b>Operating expenses</b>   | <b>3,072,624</b>  | <b>1,506,528</b>  | <b>204.0</b> | <b>1,089,741</b>  | <b>555,223</b>    | <b>196.3</b> |
| Cost of goods sold  | 836,671           | 780,956           | 107.1        | 332,652           | 285,840           | 116.4        |
| Change in inventories   | (20,382)          | (7,931)           | 257.0        | 12,947            | 1,157             | 1119.0       |
| Production material and energy  | 1,190,113         | 234,994           | 506.4        | 412,048           | 81,948            | 502.8        |
| Services  | 226,261           | 116,068           | 194.9        | 77,769            | 45,695            | 170.2        |
| Staff costs   | 479,848           | 240,107           | 199.8        | 159,706           | 80,598            | 198.2        |
| Marketing and selling expenses  | 235,708           | 115,444           | 204.2        | 67,043            | 33,235            | 201.7        |
| Other operating expenses  | 143,943           | 79,333            | 181.4        | 49,066            | 35,547            | 138.0        |
| Other gains - net   | (19,538)          | (52,443)          | 37.3         | (21,490)          | (8,797)           | 244.3        |
| <b>EBITDA</b>   | <b>401,974</b>    | <b>198,760</b>    | <b>202.2</b> | <b>175,399</b>    | <b>63,177</b>     | <b>277.6</b> |
| Depreciation  | 106,623           | 30,103            | 354.2        | 35,643            | 10,188            | 349.9        |
| Amortization  | 46,761            | 6,691             | 698.9        | 15,923            | 2,397             | 664.3        |
| <b>EBIT</b>   | <b>248,590</b>    | <b>161,966</b>    | <b>153.5</b> | <b>123,833</b>    | <b>50,592</b>     | <b>244.8</b> |
| Financial expenses - net  | (179,330)         | (19,487)          | 920.3        | (74,093)          | (10,871)          | 681.6        |
| Share of profit of joint venture  | -                 | 75                | n/a          | -                 | -                 | n/a          |
| <b>EBT</b>  | <b>69,260</b>     | <b>142,554</b>    | <b>48.6</b>  | <b>49,740</b>     | <b>39,721</b>     | <b>125.2</b> |
| Income tax  | 28,815            | 35,942            | 80.2         | 20,869            | 10,889            | 191.7        |
| <b>Profit for the period</b>  | <b>40,445</b>     | <b>106,612</b>    | <b>37.9</b>  | <b>28,871</b>     | <b>28,832</b>     | <b>100.1</b> |
| Attributable to:  |                   |                   |              |                   |                   |              |
| Non-controlling interest  | 7,148             | 7,320             | 97.7         | 2,626             | 3,554             | 73.9         |
| Owners of the parent  | 33,297            | 99,292            | 33.5         | 26,245            | 25,278            | 103.8        |
| Earnings per share for profit attributable to the owners of the Company |                   |                   |              |                   |                   |              |
| - basic   | 9.99              | 36.92             |              | 7.87              | 9.40              |              |
| - diluted   | 9.99              | 36.92             |              | 7.87              | 9.40              |              |

**ATLANTIC GRUPA d.d.****INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

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| in thousands of HRK, unaudited    | Jan - Sep<br>2011 | Jan -<br>Sep<br>2010 | Index       | Jul - Sep<br>2011 | Jul -<br>Sep<br>2010 | Index        |
|-----------------------------------|-------------------|----------------------|-------------|-------------------|----------------------|--------------|
| <b>Profit for the period</b>      | <b>40,445</b>     | <b>106,612</b>       | <b>37.9</b> | <b>28,871</b>     | <b>28,832</b>        | <b>100.1</b> |
| Cash flow hedge                   | (46,831)          | 62                   | n/a         | (36,913)          | 4                    | n/a          |
| Currency translation differences  | 75,139            | (3,269)              | n/a         | 41,325            | 1,340                | 3084.0       |
| <b>Total comprehensive income</b> | <b>68,753</b>     | <b>103,405</b>       | <b>66.5</b> | <b>33,283</b>     | <b>30,176</b>        | <b>110.3</b> |
| Attributable to:                  |                   |                      |             |                   |                      |              |
| Non-controlling interest          | 9,424             | 7,290                | 129.3       | 3,615             | 3,589                | 100.7        |
| Equity holders of the Company     | <u>59,329</u>     | <u>96,115</u>        | 61.7        | <u>29,668</u>     | <u>26,587</u>        | 111.6        |
| Total comprehensive income        | 68,753            | 103,405              | 66.5        | 33,283            | 30,176               | 110.3        |

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**ATLANTIC GRUPA d.d.**

**INTERIM CONSOLIDATED BALANCE SHEET**

| in thousands of HRK, unaudited                                    | 30 September 2011 | 31 December 2010 |
|---|-------------------|------------------|
| Property, plant and equipment                                     | 1,158,618         | 1,172,877        |
| Investment property   | 1,478             | 1,816            |
| Intangible assets   | 1,882,575         | 1,858,710        |
| Available-for-sale financial assets                               | 1,301             | 36,202           |
| Derivative financial instrument                                   | 6,260             | -                |
| Trade and other receivables                                       | 17,782            | 23,736           |
| Deferred tax assets   | 55,652            | 52,924           |
| <b>Non-current assets</b>   | <b>3,123,666</b>  | <b>3,146,265</b> |
| Inventories   | 574,141           | 480,408          |
| Trade and other receivables                                       | 1,072,366         | 1,100,134        |
| Non-current assets held for sale                                  | 115,334           | 111,199          |
| Prepaid income tax  | 20,445            | 17,951           |
| Deposits given  | 367               | 5,192            |
| Derivative financial instrument                                   | 15,241            | 7,939            |
| Cash and cash equivalents   | 392,522           | 231,978          |
| <b>Current assets</b>   | <b>2,190,416</b>  | <b>1,954,801</b> |
| <b>Total assets</b>   | <b>5,314,082</b>  | <b>5,101,066</b> |
| <b>Capital and reserves attributable to owners of the Company</b> | <b>1,445,898</b>  | <b>1,391,834</b> |
| <b>Non-controlling interest</b>                                   | <b>71,981</b>     | <b>63,632</b>    |
| Borrowings  | 2,417,002         | 2,006,540        |
| Deferred tax liabilities  | 55,527            | 53,955           |
| Derivative financial instrument                                   | 56,264            | -                |
| Other non-current liabilities                                     | 38,385            | 38,421           |
| Provisions  | 56,588            | 59,745           |
| <b>Non-current liabilities</b>                                    | <b>2,623,766</b>  | <b>2,158,661</b> |
| Trade and other payables  | 706,336           | 711,751          |
| Borrowings  | 400,949           | 697,744          |
| Current income tax liabilities                                    | 21,091            | 16,594           |
| Derivative financial instrument                                   | 25,325            | 35,344           |
| Provisions  | 18,736            | 25,506           |
| <b>Current liabilities</b>  | <b>1,172,437</b>  | <b>1,486,939</b> |
| <b>Total liabilities</b>  | <b>3,796,203</b>  | <b>3,645,600</b> |
| <b>Total equity and liabilities</b>                               | <b>5,314,082</b>  | <b>5,101,066</b> |

**ATLANTIC GRUPA d.d.**

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| <i>in thousands of HRK, unaudited</i>   | Attributable to equity holders of Company |                |                   | Total            | Minority interest | Total            |
|---|---|----------------|-------------------|------------------|-------------------|------------------|
|   | Share capital                             | Reserves       | Retained earnings |                  |                   |                  |
| <b>At 1 January 2010</b>                | <b>408,404</b>                            | <b>(2,075)</b> | <b>318,858</b>    | <b>725,187</b>   | <b>32,620</b>     | <b>757,807</b>   |
| <b>Comprehensive income:</b>            |   |                |                   |                  |                   |                  |
| Net profit for the period               | -   | -              | 99,292            | 99,292           | 7,320             | 106,612          |
| Other comprehensive income              | -   | (3,177)        | -                 | (3,177)          | (30)              | (3,207)          |
| <b>Total comprehensive income</b>       | <b>-</b>                                  | <b>(3,177)</b> | <b>99,292</b>     | <b>96,115</b>    | <b>7,290</b>      | <b>103,405</b>   |
| <b>Transactions with owners:</b>        |   |                |                   |                  |                   |                  |
| Capital increase                        | 605,014                                   | -              | -                 | 605,014          | -                 | 605,014          |
| Acquisition of non-controlling interest | -   | -              | (11,474)          | (11,474)         | 674               | (10,800)         |
| Share based payment                     | 1,425                                     | -              | (1,462)           | (37)             | -                 | (37)             |
| Dividends relating to 2009              | -   | -              | (20,975)          | (20,975)         | (8,608)           | (29,583)         |
| <b>At 30 September 2010</b>             | <b>1,014,843</b>                          | <b>(5,252)</b> | <b>384,239</b>    | <b>1,393,830</b> | <b>31,976</b>     | <b>1,425,806</b> |
| <b>At 1 January 2011</b>                | <b>1,016,282</b>                          | <b>(3,980)</b> | <b>379,532</b>    | <b>1,391,834</b> | <b>63,632</b>     | <b>1,455,466</b> |
| <b>Comprehensive income:</b>            |   |                |                   |                  |                   |                  |
| Net profit for the period               | -   | -              | 33,297            | 33,297           | 7,148             | 40,445           |
| Other comprehensive income              | -   | 26,032         | -                 | 26,032           | 2,276             | 28,308           |
| <b>Total comprehensive income</b>       | <b>-</b>                                  | <b>26,032</b>  | <b>33,297</b>     | <b>59,329</b>    | <b>9,424</b>      | <b>68,753</b>    |
| <b>Transactions with owners:</b>        |   |                |                   |                  |                   |                  |
| Acquisition of non-controlling interest | -   | -              | (2,614)           | (2,614)          | (26)              | (2,640)          |
| Share based payment                     | (119)                                     | -              | -                 | (119)            | -                 | (119)            |
| Purchase of treasury shares             | (2,532)                                   | -              | -                 | (2,532)          | -                 | (2,532)          |
| Dividends relating to 2010              | -   | -              | -                 | -                | (1,049)           | (1,049)          |
| <b>At 30 September 2011</b>             | <b>1,013,631</b>                          | <b>22,052</b>  | <b>410,215</b>    | <b>1,445,898</b> | <b>71,981</b>     | <b>1,517,879</b> |

**ATLANTIC GRUPA d.d.**

**INTERIM CONSOLIDATED CASH FLOW STATEMENT**

| in thousands of HRK, unaudited                             | Jan - Sep 2011  | Jan - Sep 2010 |
|--|-----------------|----------------|
| <b>Cash flows from operating activities</b>                |                 |                |
| <b>Net profit</b>  | <b>40,445</b>   | <b>106,612</b> |
| Income tax   | 28,815          | 35,942         |
| Depreciation and amortization                              | 153,384         | 36,794         |
| Loss / (gain) on disposal of property, plant and equipment | 288             | (49,183)       |
| Gain on sale of assets available for sale                  | (11,962)        | -              |
| Value adjustment of current assets                         | 29,566          | 13,709         |
| Interest income  | (6,167)         | (8,270)        |
| Interest expense   | 163,620         | 18,867         |
| Other non-cash changes                                     | 38,298          | (8,379)        |
| <b>Changes in working capital:</b>                         |                 |                |
| Increase in inventories                                    | (107,461)       | (61,057)       |
| Decrease/ (increase) in current receivables                | 91              | (34,167)       |
| (Decrease)/ increase in current payables                   | (7,404)         | 32,587         |
| Decrease in provisions for risks and charges               | (9,927)         | (3,082)        |
| Interest paid  | (125,222)       | (15,075)       |
| Income tax paid  | (27,861)        | (20,427)       |
| <b>Net cash flow from operating activities</b>             | <b>158,503</b>  | <b>44,871</b>  |
| <b>Cash flow from investing activities</b>                 |                 |                |
| Purchase of tangible and intangible assets                 | (71,668)        | (29,052)       |
| Proceeds from sale of property, plant and equipment        | 12,478          | 10,031         |
| Proceeds from sale of assets available for sale            | 46,962          | -              |
| Acquisition of subsidiary and non-controlling interest     | (8,448)         | (12,500)       |
| Advances given for acquisition of subsidiaries             | -               | (4,233)        |
| Loans and deposits given- net                              | (2,882)         | 147,913        |
| Dividend received  | -               | 225            |
| Purchase of financial assets                               | -               | (1)            |
| Interest received  | 6,167           | 5,063          |
| <b>Net cash flow used in investing activities</b>          | <b>(17,391)</b> | <b>117,446</b> |
| <b>Cash flow from financing activities</b>                 |                 |                |
| Capital increase   | -               | 605,014        |
| Purchase of treasury shares                                | (2,532)         | -              |
| (Repayment of)/ proceeds from borrowings - net             | (39,208)        | 7,694          |
| Proceeds from bonds issued                                 | 62,221          | -              |
| Dividend paid to minority interest                         | (1,049)         | (8,608)        |
| Dividend paid to equity holders of the Company             | -               | (20,975)       |
| <b>Net cash flow from / (used in) financing activities</b> | <b>19,432</b>   | <b>583,125</b> |
| <b>Net increase in cash and cash equivalents</b>           | <b>160,544</b>  | <b>745,442</b> |
| Cash and cash equivalents at beginning of period           | 231,978         | 74,580         |
| Cash and cash equivalents at end of period                 | 392,522         | 820,022        |

**NOTE 1 – GENERAL INFORMATION**

Atlantic Grupa d.d. (the Company) is incorporated in the Republic of Croatia. The principal activities of the Company and its subsidiaries (the Group) are described in Note 3.

The interim condensed consolidated financial statements of the Group for the nine months ended 30 September 2011 were approved by the Management Board of the Company in Zagreb on 25 October 2011.

The interim condensed consolidated financial statements have not been audited.

**NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**2.1. BASIS OF PREPARATION**

The interim condensed consolidated financial statements of the Group for the nine months ended 30 September 2011 have been prepared in accordance with IAS 34 – Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of 31 December 2010.

**2.2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

## NOTE 3 – SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable segments – divisions as follows:

- **The Distribution Division** deals with the distribution of consumer goods including products of the Consumer Health Care, Pharma, Droga Kolinska and Sports and Functional Food divisions.
- **The Consumer Health Care Division** produces vitamin instant drinks, tea, sweets, cosmetics and personal hygiene products.
- **The Sports and Functional Food Division** specialises in development, production and sale of sports and functional food.
- **The Pharma Division** specialises in development and production of OTC products and food supplements as well as their sale through the pharmacy chain.
- **The Droga Kolinska Division** specialises in food and beverages production with a wide portfolio of leading brand names across the region.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Sales between operating segments are carried out at arm's length.

| For the period ended 30 September 2011 (in thousands of HRK) | Distribution     | Consumer Health Care | Sports and Functional Food | Pharma         | Droga Kolinska | Reconciliation | Group            |
|--|------------------|----------------------|----------------------------|----------------|----------------|----------------|------------------|
| Gross revenues /i/   | 1,941,730        | 370,353              | 502,253                    | 272,783        | 1,636,408      | 16,241         | 4,739,768        |
| Inter-segment revenues /ii/                                  | 18,386           | 277,849              | 3,329                      | 19,134         | 930,916        | 15,556         | 1,265,170        |
| <b>Total revenues</b>  | <b>1,923,344</b> | <b>92,504</b>        | <b>498,924</b>             | <b>253,649</b> | <b>705,492</b> | <b>685</b>     | <b>3,474,598</b> |
| Total assets /iii/   | 915,871          | 585,363              | 216,999                    | 618,757        | 3,213,856      | (733,099)      | 4,817,747        |
| Total assets at 31.12.2010. /iv/                             | 561,173          | 598,000              | 164,158                    | 580,608        | 3,037,730      | (208,437)      | 4,733,232        |

## NOTE 3 – SEGMENT INFORMATION (continued)

| For the period ended 30 September 2010 (in thousands of HRK) | Distribution   | Consumer Health Care | Sports and Functional Food | Pharma         | Droga Kolinska | Reconciliation | Group            |
|--|----------------|----------------------|----------------------------|----------------|----------------|----------------|------------------|
| Gross revenues /i/   | 967,695        | 392,591              | 422,043                    | 241,192        | n/a            | 6,727          | 2,030,248        |
| Inter-segment revenues /ii/                                  | 16,968         | 292,068              | 3,298                      | 12,626         | n/a            | -              | 324,960          |
| <b>Total revenues</b>  | <b>950,727</b> | <b>100,523</b>       | <b>418,745</b>             | <b>228,566</b> | <b>n/a</b>     | <b>6,727</b>   | <b>1,705,288</b> |

/i/ The Company's gross revenues are not allocated to operating segments.

/ii/ Inter-segment revenues are eliminated on consolidation.

/iii/ Inter-segment receivables are eliminated on consolidation. Segment assets do not include property, plant and equipment of the Company (HRK 2,094 thousand), Company's intangible assets (HRK 2,507 thousand), short term deposits given (HRK 367 thousand), trade and other receivables (HRK 18,317 thousand), prepaid income tax (HRK 2,074 thousand), available-for-sale financial assets (HRK 1,301 thousand), deferred tax assets (HRK 55,652 thousand), derivative financial instruments (HRK 21,501 thousand) and cash and cash equivalents (HRK 392,522 thousand).

/iv/ Inter-segment receivables are eliminated on consolidation. Segment assets do not include property, plant and equipment of the Company (HRK 1,036 thousand), Company's intangible assets (HRK 2,871 thousand), short term deposits given (HRK 5,192 thousand), trade and other receivables (HRK 29,692 thousand), available-for-sale financial assets (HRK 36,202 thousand), deferred tax assets (HRK 52,924 thousand), derivative financial instruments (HRK 7,939 thousand) and cash and cash equivalents (HRK 231,978 thousand).

**NOTE 4 – EARNINGS PER SHARE****Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit of the Group by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

|  | <u>2011</u> | <u>2010</u> |
|--|-------------|-------------|
| Net profit attributable to equity holders<br>(in thousands of HRK) | 33,297      | 99,292      |
| Weighted average number of shares                                  | 3,333,910   | 2,689,286   |
| Basic earnings per share (in HRK)                                  | 9.99        | 36.92       |

**Diluted earnings per share**

Diluted earnings per share is the same as basic earnings per share as there were no convertible dilutive potential ordinary shares.

**NOTE 5 – PROPERTY, PLANT AND EQUIPMENT**

During the nine months period ended 30 September 2011, Group invested HRK 71.668 thousand in purchase of property, plant and equipment (2010: HRK 29,052 thousand).

**NOTE 6 - INVENTORIES**

During the nine months period ended 30 September 2011, the Group wrote down HRK 13,728 thousand of inventories due to damage and short expiry dates (2010: HRK 11,147 thousand). The amount is recognised in the income statement within Other operating expenses.

**NOTE 7 – ACQUISITION OF NON-CONTROLLING INTEREST**

In January 2011 Group closed the public offer to acquire a non-controlling stake in the subsidiaries Palanački Kiseljak a.d. and Soko Nada Štark a.d., Serbia. The offer resulted in the acquisition of additional 14% stake in subsidiary Palanački Kiseljak a.d. Serbia thereby increasing the share in the company from 79% to 93%. Difference between acquisition cost and net book value of acquired minority interest is recognised directly in equity.

**NOTE 8 – BORROWINGS**

In September 2011 Atlantic Grupa issued Bonds in amount of HRK 115 million at the price of 99.375% with the coupon of 6.75% per annum and final redemption on 20 September 2016. The purpose of these Bonds is to refinance bonds issued in December 2006 and maturing on 6 December 2011.

Upon the issue of the Bonds in September 2011, Atlantic Grupa has redeemed HRK 49 million of nominal value of the bonds issued in 2006 and maturing in December 2011, thus reducing the outstanding debt to HRK 66 million of nominal value to be reported on 30 September 2011.

**NOTE 9 – ONE-OFF ITEMS**

One-off items realized during the nine months period ended 30 September 2011 and 2010 relate to following:

- HRK 3,971 thousand of one-time transaction expenses related to acquisition of Droga Kolinska, realized in a nine month period ending 30 September 2011,
- HRK 11,962 thousand of profit related to the sale of ownership share in RTL Croatia, realized in a nine month period ending 30 September 2011,
- HRK 21,645 thousand of one-time transaction expenses related to the acquisition of Droga Kolinska, realized in a nine month period ending 30 September 2010, and
- HRK 48,557 thousand of profit related to the sale of property on Neva's prior production location, realized in a nine month period ending 30 September 2010.





Atlantic Grupa d.d.  
Miramarska 23  
Zagreb

Register number: 1671910

Zagreb, 27 October 2011

Pursuant to the article 407. to 410. of the Capital market Law (Official Gazette 88/08. and 146/08) the President of the Management board of Atlantic Grupa d.d., Miramarska 23, Zagreb provide

## **MANAGEMENT BOARD'S STATEMENT OF LIABILITY**

The consolidated financial statements of Atlantic Grupa d.d. have been prepared pursuant to the International Financial Reporting Standards (IFRS) and Croatian Accounting Law.

The consolidated financial statements for the period ended 30 September 2011 present complete and fair view of assets and liabilities, profit and loss, financial position and operations of the Group.

The management report for the period ended 30 September 2011 presents true and fair presentation of development and results of the Group's operations with description of significant risks and uncertainties for the Group.

**President of the Management Board**

**Emil Tedeschi**



**Contact:**

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