

## FY11 Financial results (unaudited)

Zagreb – February 23<sup>th</sup>, 2012

### Performance in line with guidance alongside successful execution of integration processes

- **Sales at 4,727.8 million kuna**
  - + 108.4% yoy based on reported figures
  - + 1.2% yoy organic growth
  - + 4.8% yoy growth compared to pro-forma consolidated level in the same period last year
- **Normalized earnings before interests, taxes and depreciation (EBITDA) at 517.3 million kuna**
  - + 156.5% yoy based on reported figures
  - 1.7% yoy growth compared to pro-forma consolidated level in the same period last year
- **Normalized earnings before interests and taxes (EBIT) at 309.2 million kuna**
  - + 110.9% yoy based on reported figures
  - + 12.1% yoy growth compared to pro-forma consolidated level in the same period last year
- **Net profit after minorities at 46.6 million kuna**
  - \* Normalised net profit after minorities at 19.7 million kuna

### Chairman's comment

Commenting 2011 achievements, Emil Tedeschi, CEO of Atlantic Grupa, highlighted:

“We are very pleased that again in 2011 Atlantic Grupa delivered strong business results and thereby **fulfilled announced guidance**. The management and the company's employees have successfully executed the first integration phase and entered strongly the second phase of Droga Kolinska's integration that as well drove sales and operating profitability enhancement despite grim macroeconomic surrounding.

Even though we expect 2012 to be at the least equally challenging from the macroeconomic aspect, we are confident in further top-line and profitability growth and thereby to achieve this goal we put focus on realization of synergy potentials, organic growth through active brand management and innovations, costs optimization, active risk management and further fulfilment of financial obligations.“

### FY11 financial highlights

Key figures	2011	Pro-forma 2010	Stand-alone 2010	2011/ Pro-forma 2010	2011/ Stand-alone 2010
Sales (HRKm)	<b>4,728</b>	4,513	2,269	4.8%	108.4%
Revenues (HRKm)	<b>4,774</b>	4,576	2,302	4.3%	107.4%
EBITDA margin*	<b>10.9%</b>	11.7%	8.9%	-72 bps	+205 bps
Net income after minorities (HRKm)*	<b>20</b>	113	74	-82.5%	-73.5%
Gearing ratio**	<b>62.3%</b>	63.2%	63.2%	-86 bps	-86 bps

\*Normalized

\*\* Net debt/(Total equity+Net debt)



## **KEY DEVELOPMENTS in FY11 and ANNOUNCEMENT of EVENTS in FY12**

### **Integration of Droga Kolinska and Atlantic Grupa**

#### **Initial integration activities**

Following the acquisition of Droga Kolinska at the end of November 2010, Atlantic Grupa successfully executed the first phase of integration activities during the first half of 2011 based on:

- ❖ 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;
  - On Croatian market joined distribution started at the end of 2010,
  - On Slovenian and Macedonian market joined distribution started at the beginning of February 2011,
  - On Serbian market joined distribution started at the beginning of March, at the same time outsourced distribution started on Bosnian and Herzegovinian market.
- ❖ Merger of logistics processes and distribution centres;
  - On Croatian market logistic operations were reorganized within Atlantic Grupa while prior to acquisition, Droga Kolinska operated with outsourced logistics,
  - The most complex joining of logistics processes was carried out on Serbian market where operations were reallocated from initial 11 logistics centres to 4 new central locations,
  - Negotiations of more favourable terms with outsourced logistics partner on Slovenian market were executed.
- ❖ Establishment of centralised procurement system and purchasing category management with lead buyers for key raw materials,
- ❖ Implementation of centralised marketing,
- ❖ Consolidation of office space on all regional markets, mostly emphasized on Serbian and Croatian market.

#### **Second integration phase**

Second and more complex phase of integration activities started in the second half of 2011 with the key focus on following:

- ❖ Consolidation of production facilities;
  - At the end of 2011, Atlantic Grupa finalized the process of transfer of Cockta bottling for markets of Croatia and Bosnia and Herzegovina from previously outsourced bottlers to Atlantic Grupa's bottling facility in Apatovac (acquired last year within acquisition of Kalničke vode Bio Natura),
  - Project for transfer of coffee roasting for Croatian market from previously outsourced producer to own production plant in Izola, Slovenia,



- Currently, feasibility studies are being prepared for transfer of other production from outsourced producers to own production plants (e.g. beverages based on water within sports and functional food segment).
- ❖ Consolidation of information technology;
  - Consolidation of business IT solution is ongoing on several regional markets based on the assessment of business systems for operational support within Droga Kolinska and Atlantic Grupa and selection of best practice,
  - Redefining current IT contracts related to telecom services, licences and outsourced IT support.

### **Sale of non-core assets**

Atlantic Grupa is engaged in the real estate and financial assets portfolio management with the goal to sell all assets not required for core business operations, including

- In the third quarter of 2011, Atlantic Grupa reported one-off gain from sale of 13% ownership in Croatian broadcasting channel – RTL Hrvatska – to its major owner RTL Group. Atlantic Grupa kept symbolic 0.01% ownership share and the Supervisory Board position in RTL Hrvatska.
- Currently the company assesses sale of several real estate that are not in accordance with the company's core business operations.

### **Synergy effects**

Following the execution of integration activities in 2011, the largest portion of savings in operations was achieved in the segment of distribution and logistics activities and investment management that altogether accounted for 46% of total synergy savings. In 2011, Atlantic Grupa delivered synergy savings in the amount of EUR 5.9m.

Furthermore, in November 2011, Atlantic Grupa launched cost reduction program – CORE program with the key goal to optimize the company's primarily external expenses in the period from 2011 to 2013 within the plan to generate expense synergies following the integration of Droga Kolinska and Atlantic Grupa. The emphasis is on the group of expenses that are encountered as result of purchase of goods and services from suppliers including expenses for production materials, contract manufacturing, overhead materials, marketing materials, procurement of capital equipment, technical material and spare parts, rent and leasing of space and equipment, vehicles, energy, logistic services, maintenance services and intellectual services.

### **Purchase Price Allocation for Droga Kolinska**

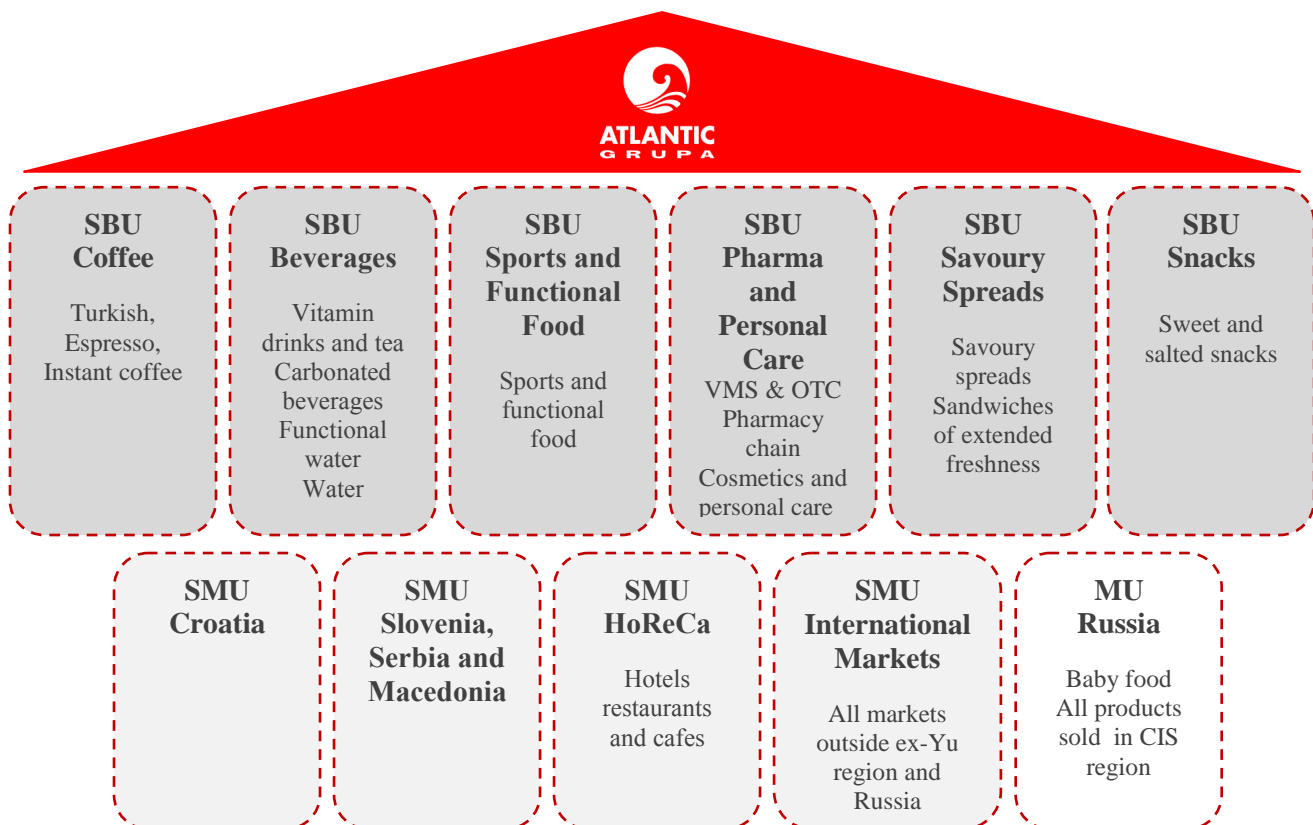
Pursuant to the International Financial Reporting Standards (IFRS 3), Atlantic Grupa was obliged to allocate the purchase price of EUR 243,109 ths paid for Droga Kolinska's assets acquired, within a year from the transaction. For that purpose, Atlantic Grupa engaged an independent appraiser, whereas conclusions emerging from the process are in more detailed discussed in the section "Profitability dynamics in 2011".

## New organizational structure and Management Board of Atlantic Grupa

In 2012, Atlantic Grupa is implementing new organizational structure with the goal of more efficient management of business segments and distribution markets, thus abandoning the former divisional organization structure. Accordingly, the new business organizational structure includes:

1. Six Strategic Business Units (SBU) – Coffee, Snacks, Savoury Spreads, Beverages, Pharma and Personal Care, and Sports and Functional Food,
2. Four Strategic Market Units (SMU) – Croatia; Slovenia, Serbia and Macedonia; HoReCa; International Markets and
3. Market Unit (MU) Russia.

Main feature of such organizational structure is to connect operations in special business areas related to specific product type and special sales areas that cover all key markets as well as all strategic sales channels.



Alongside Strategic Business Units and Strategic Market Units, Operational Business also includes Central procurement function, Central marketing function and Corporative quality management function in order to achieve all synergies within the system and secure efficient coordination of business within procurement, marketing, quality assurance as well as to establish unified standards on the Group level.



In order to more efficiently Strategic Management Council is established as a multifunctional body that deals with key strategic and operational corporate issues with members in charge of business and distribution areas, central functions and corporation support functions.

As of beginning of 2012 new Management Board of Atlantic Grupa has four members:



## SALES DYNAMICS IN FY11

### Sales profile by division

*in HRK thousands*

FY11	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Droga Kolinska	Consolidated Group	Atlantic Grupa ex. Droga Kolinska
<b>Gross sales</b>	2,762,616	447,743	647,051	366,604	2,248,944	<b>6,472,958</b>	
Intersegment sales						1,745,192	
<b>Consolidated sales</b>						<b>4,727,766</b>	
<b>Gross sales ex. DK</b>	1,207,042	447,743	647,051	366,604			<b>2,668,440</b>
Intersegment sales							372,925
<b>Consolidated sales ex. DK</b>							<b>2,295,515</b>
<b>FY10</b>						<b>Pro-forma</b>	
Gross sales	1,289,331	478,194	556,182	326,011	2,244,342	4,894,061	2,649,719
Intersegment sales						381,297	381,078
Consolidated sales						4,512,764	2,268,641
<b>Change 11/10</b>							
<b>Gross sales</b>	<b>114.3%</b>	<b>-6.4%</b>	<b>16.3%</b>	<b>12.5%</b>	<b>0.2%</b>		
Intersegment sales							
<b>Consolidated sales</b>						<b>4.8%</b>	
<b>Gross sales (organic)</b>	<b>-6.4%</b>	<b>-6.4%</b>	<b>16.3%</b>	<b>12.5%</b>			
Intersegment sales							
<b>Consolidated sales- organic growth</b>							<b>1.2%</b>

In 2011, Atlantic Grupa posted **sales of HRK 4,727.8 million** that came in 4.8% yoy higher compared to pro-forma consolidated sales in 2010. Without Droga Kolinska, Atlantic Grupa posted 1.2% organic growth comparing to the same period last year. Double-digit growth rates of Sports and Functional Food division and Pharma division had positive impact on organic sales growth and have annulled negative impact on sales from divisions Distribution and Consumer HealthCare.

Looking at **the fourth quarter**, Atlantic Grupa reached HRK 1,277.6 million in sales, which is 6.8% yoy higher compared to pro-forma consolidated sales in the fourth quarter of 2010.

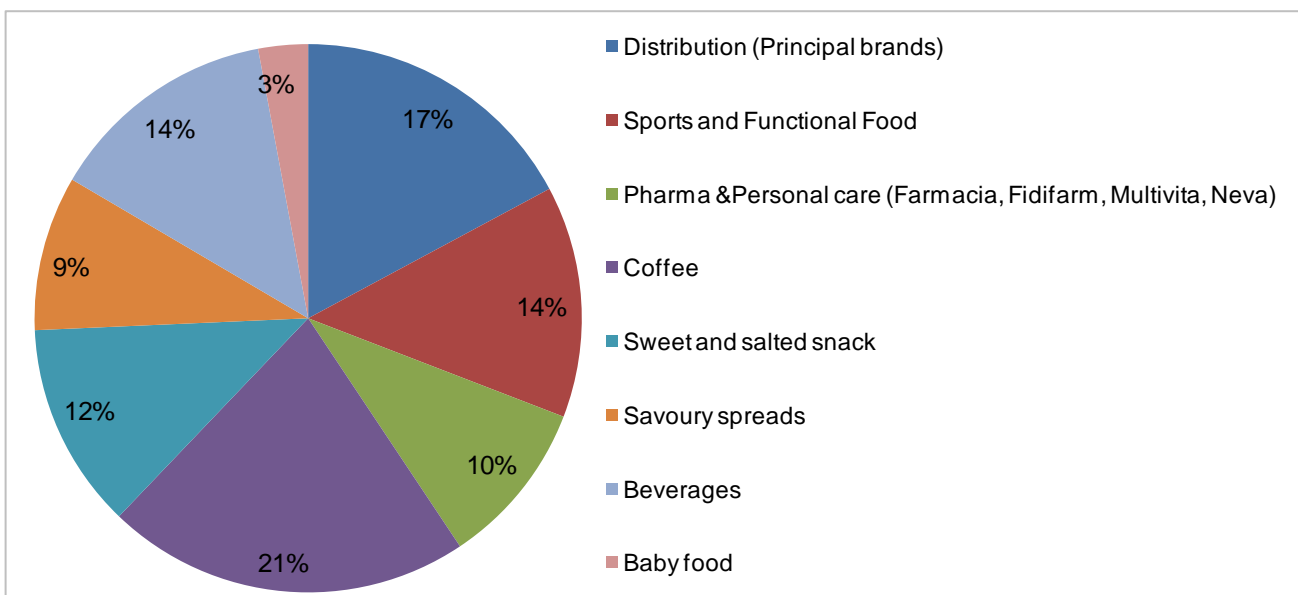
- **Distribution division** – Integration activities, carried out in 2011, consolidated distribution of product portfolio of Atlantic Grupa and Droga Kolinska on Croatian, Serbian, Slovenian and Macedonian markets. Following integrated distribution, successfully closed negotiations with key customers and implementation of new commercial contracts, Distribution division reached sales of HRK 2,762.6 million. Integration of Droga Kolinska's product portfolio impacted growth of Distribution division and thus the share of Droga Kolinska's product portfolio reached 56.3% of division's gross sales.

Due to still unfavourable macroeconomic environment influenced by contracted spending on all regional markets, sales of Distribution division without Droga Kolinska's product portfolio fell by 6.4% yoy. Renewal of contracts with key customers in the first quarter of 2011 as well contributed to negative showing since lower sales in the first quarter have never been fully compensated in the rest of the year. Accordingly, analysing regional distribution markets, Slovenian and Macedonian market posted organic growth in sales, while Croatian and Serbian market showed decline.

- **Consumer HealthCare division** delivered 6.4% yoy lower sales mainly hurt by: (i) gloomy macroeconomic environment pressuring sales of Cedevida and Neva's product assortments, (ii) consolidation of distribution activities of product portfolios of Atlantic Grupa and Droga Kolinska that especially impacted the Consumer HealthCare assortment and (iii) product assortment rationalization, particularly on Serbian and Macedonian markets, following in depth analysis of division's product portfolio.
- With double-digit growth in 2011, **Sports and Functional Food division** stood out as one of the key drivers of Atlantic Grupa's organic growth with 16.3% yoy sales advance. Product portfolio analysis reveals growth of Champ and Multaben brands, 17.7% and 11.7% respectively, as well as growth of private label sales. Geographic profile reveals growth of German market as the key market for the division as well as growth of UK market as the second largest market for branded products. In 2011, division ventured out to Spanish market with newly established company - Atlantic Multipower Iberica. Distribution channels' analysis on the most important market - Germany - reveals continuation of upward trend in mass market and online sales that showed 9% and 25% yoy growth, respectively. Mass market and on-line sales have outgrown traditional specialized sports sales channel.
- **Pharma division** posted 12.5% yoy growth and thereby was the second largest organic growth generator after Sports and Functional Food division. Growth was spurred by 15.9% gross sales increase in pharmacy chain Farmacia and 2.8% higher sales of vitamin, mineral, supplement and OTC assortment producer and drug wholesaler – Fidifarm. Opening of two new pharmacies and two new specialized stores during 2011 as well as finalized consolidation of five pharmacies from acquired pharmacy chain Dvoržak buoyed Farmacia's sales growth. Following opening of new sales locations, consolidation of Dvoržak pharmacies as well as closure of unprofitable sales location, at the end of 2011 division operated with 56 sales locations, out of which 45 pharmacies and 11 specialized stores. Stripping off sales from acquired pharmacy chain Dvoržak, division delivered 8.2% yoy organic growth.
- In 2011, **Droga Kolinska division** saw its gross sales growing only modestly at 0.2% compared to 2010. However, Droga Kolinska's sales directly to third parties showed 8% growth with following categories standing out as three key growth drivers in 2011: (i) coffee with brands Grand Kafa and Barcaffè, (ii) sweet and salted snack with brands Najlepše želje and Smoki and (ii) baby food with brand Bebi. These product categories dwarfed lower sales of carbonated soft drinks with brand Cockta and savoury spreads with brand Argeta.

➤ **Indicative overview of sales by categories** (according to the new business model) in 2011 reflects the following:

- ❖ Product category – coffee – with brands Grand Kafa i Barcaffè is the largest individual product category with 21% share in total sales,
- ❖ Product category – beverages – with key brands Cedevita, Cockta, Donat Mg is the second largest product category with 14% share in total sales,
- ❖ Product category – sports and functional foods – with key brands Multipower and Champ is the third largest product category with 14% share in total sales,
- ❖ Distribution which includes principal brands has 17% share in total sales.





## Multi-division summary by geographic zone

in HRK m	2011	% of sales	Pro-forma 2010	% of sales	Stand-alone 2010	% of sales	2011/ Pro-forma 2010	2011/ Stand-alone 2010
<b>Croatia</b>	<b>1,332.2</b>	28.2%	1,377.9	30.5%	1,250.6	55.1%	<b>-3.3%</b>	<b>6.5%</b>
<b>Serbia</b>	<b>1,204.2</b>	25.5%	1,068.6	23.7%	130.1	5.7%	<b>12.7%</b>	<b>825.6%</b>
<b>Slovenia</b>	<b>598.1</b>	12.7%	577.7	12.8%	172.5	7.6%	<b>3.5%</b>	<b>246.7%</b>
<b>B&amp;H</b>	<b>359.2</b>	7.6%	395.9	8.8%	79.0	3.5%	<b>-9.3%</b>	<b>354.5%</b>
<b>Other ex. Yu*</b>	<b>294.7</b>	6.2%	261.1	5.8%	47.7	2.1%	<b>12.8%</b>	<b>517.4%</b>
<b>Key WEU**</b>	<b>355.9</b>	7.5%	351.9	7.8%	338.2	14.9%	<b>1.1%</b>	<b>5.2%</b>
<b>Russia and EE</b>	<b>144.0</b>	3.0%	180.0	4.0%	41.4	1.8%	<b>-20.0%</b>	<b>247.6%</b>
<b>Other</b>	<b>439.6</b>	9.3%	299.7	6.6%	209.1	9.2%	<b>46.7%</b>	<b>110.2%</b>
<b>Total sales</b>	<b>4,727.8</b>	100.0%	4,512.8	100.0%	2,269	100.0%	<b>4.8%</b>	<b>108.4%</b>

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

\*\*Key WEU: Germany, UK, Italy

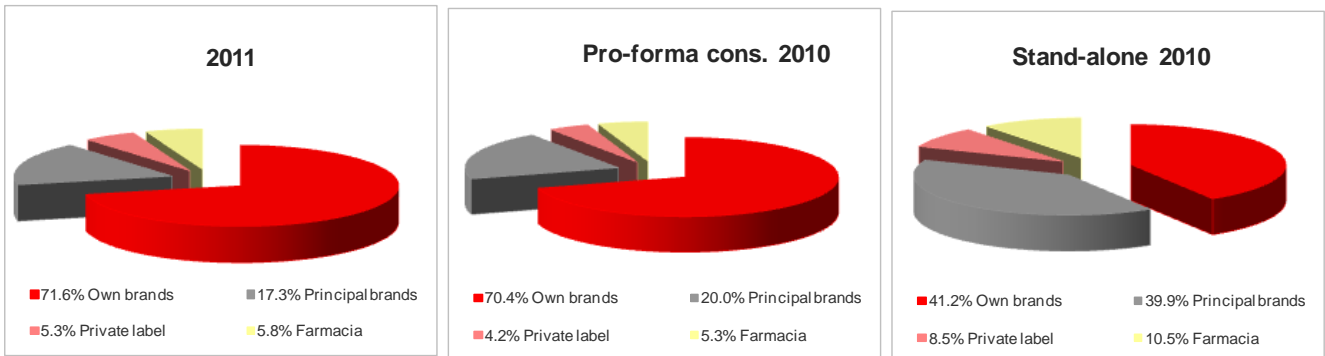
- In 2011, **Croatia** posted sales (including Droga Kolinska's assortment) of HRK 1,332.2m compared to HRK 1,250.6m in 2010. Even though the acquisition of Droga Kolinska significantly reduced the Group's exposure to domestic market from 55.1% in 2010 to 28.2% in 2011, Croatia still remained the largest selling market for Atlantic Grupa. Sales decreased 3.9% yoy on the organic level, while decline was 3.3% on the pro-forma consolidated level. However, sales decline on the pro-forma consolidated level was partially cushioned by following: (i) increase in coffee and salted snacks category as well as mild increase in savoury spreads and beverages categories of Droga Kolinska, (ii) growth in some principal brands, and (iii) growth in Pharma division. Thereby, one should consider that two major factors affected sales on Croatian market: (i) renewal of contracts with key customers due to integration of Droga Kolinska's product portfolio during 2011 and (ii) continuation of negative trends in Croatian economy. The latter was mainly emphasized by: (i) GDP and household consumption stagnation in 9M11, (ii) negative dynamics in the labour market (evidenced by growth in average number of unemployed followed by an average unemployment rate of 18.0% in 2011, decline in real net wages in 11M11 and annual decline in working population), (iii) decline in real retail sales, ex. auto/motorcycle sales, during 2011 and (iv) average consumer confidence index at -37.0 points in 2011.
- **Regional markets** (excluding Croatia) delivered total sales of HRK 2,456.1m compared to HRK 429.4m in 2010. On the pro-forma consolidated level, regional markets posted 6.6% yoy sales growth, while on the organic level sales modestly decreased by 0.8% yoy. **Serbian market**, as the second largest market in Atlantic Grupa with 25.5% share of total sales, posted sales of HRK 1,204.2m, thus

showing 12.7% growth compared to pro-forma consolidated sales in 2010. Excluding Droga Kolinska's assortment, Serbian market saw 10.7% yoy lower sales on the organic level mainly due to: (i) economic slowdown in 2H11, (ii) high unemployment rate (23.7% in November according to manpower survey) and (iii) decline in retail sales (-16.7% yoy in 11M11). The third most important market, **Slovenia**, reached sales of HRK 598.1m in the observed period, accounting for 12.7% of Atlantic Grupa's total sales. In 2011, sales were up 3.5% yoy compared to pro-forma consolidated sales in 2010 and 2.5% yoy on organic level (excluding Droga Kolinska's assortment). In the environment characterized by stagnating household consumption and increasing number of unemployed (10.9% yoy in 11M11), growth was boosted by coffee assortment with key brand Barcaffè, salted snacks with brand Smoki, Cedevita vitamin drink in the retail segment and on-the-go channel as well as certain principal brands. With HRK 359.2 million in sales, **Bosnia and Herzegovina** is the fourth largest market in Atlantic Grupa accounting for 7.6% share of total sales. Compared to pro-forma consolidated sales showing in 2010, BiH market posted 9.3% yoy lower sales as a result of sales over outsourced distributor that bears all distribution costs, but simultaneously purchases products from Atlantic Grupa at lower prices compared to prices charged by Droga Kolinska during previous years. On the organic level, sales declined 2.5% yoy largely as a result of gloomy macroeconomic trends manifested in retail sales stagnation and registered unemployment rate at 43.6% in November 2011.

- **Key West European markets** (Germany, Italy and UK) delivered sales of HRK 355.9m with 1.1% yoy growth on the pro-forma consolidated level and 5.2% yoy growth on the organic level. The UK market posted the fastest organic growth with 13.0% in functional and 12.4% in local currency but also expanded on the pro-forma consolidated basis with 4.2% yoy to HRK 50.3m, thus becoming the second largest West European market in Atlantic Grupa. The best selling West European market – Germany – posted organic growth of 8.1% in functional and 5.9% in local currency as well as 7.2% yoy better showing compared to the pro-forma consolidated 2010 figure, boosted among others with solid macroeconomic indicators showing lower unemployment and increasing retail sales. Third key West European market – Italy – delivered 15.8% organic growth in functional and 17.5% in local currency. Three key factors buoyed sales growth in this geographic region: (i) double-digit growth in sports food brand Champ and functional food brand Multaben, (ii) double-digit growth in private label sales and (iii) further expansion of mass market outside the specialized sports channel.
- In 2011, **Russian and East European markets** posted 20% yoy lower sales of HRK 144.0m compared to pro-forma consolidated showing in 2010. Decline mainly reflected lower sales of Multivita assortment, whereby growth in baby food assortment with brand Bebi was insufficient to annul decline in the former. Poor Multivita showing in 2011 largely reflected certain difficulties in products registration as well as difficulties in cooperation with the local distributor. Considering that these were largely removed by the end of 2011, in 2012 Atlantic Grupa expects more intensive swing in sales enhancement that should compensate for the fall in 2011.

- **Other markets** saw sales jumping 46.7% yoy compared to pro-forma consolidated sales in 2010, while growth on the organic level advanced as much as 34.6% yoy on wings of sports and functional food assortment.

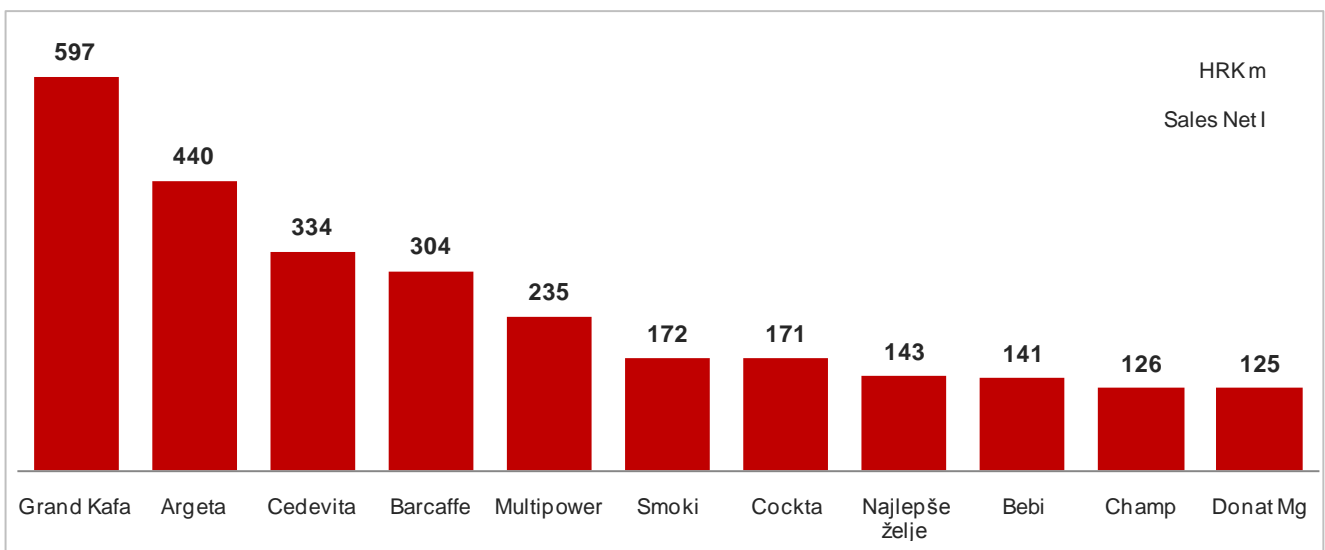
## Sales profile



- Share of **own brands** in Atlantic Grupa's total sales reached 71.6% in 2011 compared to 41.2% in 2010. The shift in the structure of sales profile in favour of own brands came as the result of acquisition of Droga Kolinska whose assortment consists only of own brands. Own brands delivered 6.4% yoy growth on the pro-forma consolidated basis primarily driven by: (i) brands in the coffee segment – Grand Kafa and Barcaffè that posted 12.3% and 9.7% sales growth, respectively, (ii) brands in the sweet and salted snack segment – Najlepše želje and Smoki, that posted 11.6% and 5.5% sales growth, apiece, (iii) 11.7% sales growth of brand Bebi in the baby food segment and (iv) double-digit sales growth of brands in the sports and functional food segment - Champ and Multaben. The growth of abovementioned segments cushioned sales decline in certain brands including Cedevita and Cockta in the beverages segment and Argeta in the savoury spreads segment.

On the organic level (excluding Droga Kolinska's assortment), own brands rose by 1.8% yoy.

❖ Overview of key own brands with sales over EUR 15 million (expressed in HRK value)





- With increasing share of own brands in 2011, share of **principal brands** dropped to 17.3% of total Atlantic Grupa's sales compared to 39.9% share in 2010. On annual level, principal brands posted 9.7% lower sales following in-depth portfolio analysis that eventually led to its rationalization, even though some principal categories, as Ferrero, Rauch and One2play posted growth mainly spurred by regional distribution expansion.
- In 2011, share of **private label** in total sales dropped to 5.3%, compared to 8.5% in 2010, whereby the category posted yoy growth of 31.8% primarily driven by sports and functional food assortment.
- Share of pharmacy chain **Farmacia** nearly halved in 2011 to 5.8% from 10.5% in 2010. Pharmacy chain Farmacia posted 15.6% yoy higher sales buoyed by newly opened pharmacies/specialized stores as well as consolidation of acquired pharmacy chain Dvoržak, while on the organic level (without consolidation of acquired pharmacy chain Dvoržak) Farmacia delivered yoy growth of 9.8%.

## PROFITABILITY DYNAMICS in FY11

in HRKm	2011	Pro-forma cons. 2010	Stand-alone 2010	2011/ Pro-forma 2010	2011/ Stand-alone 2010
<b>Sales</b>	<b>4,727.8</b>	<b>4,513.0</b>	2,268.6	4.8%	108.4%
<b>EBITDA</b>	<b>500.7</b>	<b>544.7</b>	220.0	-8.1%	127.5%
Normalized EBITDA	517.3	526.3	201.7	-1.7%	156.5%
<b>EBIT</b>	<b>334.8</b>	<b>294.3</b>	165.0	13.8%	103.0%
Normalized EBIT	309.2	275.9	146.6	12.1%	110.9%
<b>Net profit/loss</b>	<b>54.9</b>	<b>146.4</b>	106.8	-62.5%	-48.6%
Normalized Net profit/loss	28.0	125.6	86.0	-77.7%	-67.5%
<i>Profitability margins</i>					
<b>EBITDA margin</b>	<b>10.6%</b>	<b>12.1%</b>	9.7%		
Normalized EBITDA margin	10.9%	11.7%	8.9%		
<b>EBIT margin</b>	<b>7.1%</b>	<b>6.5%</b>	7.3%		
Normalized EBIT margin	6.5%	6.1%	6.5%		
<b>Net profit margin</b>	<b>1.2%</b>	<b>3.2%</b>	4.7%		
Normalized Net profit margin	0.6%	2.8%	3.8%		

### Key highlights:

#### 2011 vs. 2010 on a stand-alone basis (Atlantic Grupa without Droga Kolinska)

Two-fold higher profitability on EBITDA (earnings before interests, taxes and depreciation) and EBIT (earnings before interests and taxes) levels compared to 2010 primarily reflected consolidation of Droga Kolinska.

On normalized basis:

- ❖ Growth is even more pronounced with **normalised EBITDA** 2.6 times higher compared to showing in 2010 that led to 205bps higher EBITDA margin. Higher margin primarily reflected changes in the product mix with considerably higher share of own brands on consolidated level in 2011.
- ❖ **Normalised EBIT** came in 2.1 times higher compared to 2010 performance while retaining margins on the same level, reflecting thereby the impact of finalised purchase price allocation process for Droga Kolinska on tangible assets depreciation and intangible assets amortization in 2011 (explained further in the text).
- ❖ **Normalised net profit** amounted to HRK 28.0m in 2011 reflecting: (i) HRK 221.2m in interest expenses on the back of acquisition financing, refinanced financial borrowings of Droga Kolinska and financial borrowings of Atlantic Grupa as well as (ii) HRK 35.2m in FX losses following substantial EUR/HRK changes in 2011 with particular impact on financial liabilities.

- ❖ One-off items that have been excluded in the normalization in 2010 relate to:
  - To reach normalized EBIT level, HRK 18.4m in one-offs should be excluded:
    - i. -HRK 48.6m one-off gain from the sale of Neva's former location in Tuškanova,
    - ii. +HRK 52.2m one-time transaction costs related to the acquisition of Droga Kolinska,
    - iii. -HRK 16.9m in positive financial impacts related to income on deposits from capital increase funds (approximately one-third of the amount) and positive exchange rate differences
    - iv. -HRK 5.1m in non-recurring gain on acquisition of the company Kalničke vode Bio Natura (badwill).
  - To reach normalized net profit, HRK 20.8m in one-offs should be extracted:
    - i. -HRK 18.4m in one-offs above EBIT
    - ii. -HRK 0.8m in FX gains
    - iii. -HRK 1.6m in tax impact related to abovementioned one-offs.
  
- ❖ One-off items that have been excluded in the normalization in 2011 relate to:
  - To reach normalized EBITDA level, HRK 16.6m in one-offs should be added:
    - i. -HRK 12.0m one-off gain from the sale of 13% stake in the company RTL Hrvatska,
    - ii. +HRK 5.8m one-time transaction costs related to the acquisition of Droga Kolinska,
    - iii. +HRK 22.8m one-off impact of increase in inventories value emerging as a result of purchase price allocation.
  - To reach normalized EBIT level, HRK 25.7 m in one-offs should be excluded:
    - i. +HRK 16.6m in one-offs above EBITDA
    - ii. -HRK 42.3m impact on depreciation of tangible assets and amortization of intangible assets emerging as a result of purchase price allocation. Certainly one should consider that this depreciation and amortization impact is classified as a one-off since otherwise depreciation and amortization amount is incomparable to 2010 results. Nevertheless, one should keep in mind that the effect of lower depreciation and amortization emerging as a result of purchase price allocation will be carried over in 2012 and years beyond and thus in the following results announcements will not be normalized.
  - To reach normalized net profit, HRK 26.9m in one-offs should be extracted:
    - i. -HRK 25.7m in one-offs above EBIT
    - ii. -HRK 1.2m in one-off impact of increase in financial borrowings value emerging as a result of purchase price allocation.

#### ❖ **Purchase Price Allocation**

Pursuant to the International Financial Reporting Standards (IFRS 3), Atlantic Grupa was obliged to allocate the purchase price of EUR 243,109 ths paid for Droga Kolinska's assets acquired, within a year from the transaction. For that purpose, Atlantic Grupa engaged the independent appraiser and conclusions emerging from the process are as follows:

- Intangible assets:
  - i. Independent appraisers recognized and valued trademarks and software as intangible assets.

- ii. Fair value of acquired trademarks (Grand Kafa, Barcaffè, Argeta, Najlepše želje, Bananica, Smoki, Donat Mg, Cockta, Bebi) has been determined based on income approach, i.e. Relief-from-Royalty method that combines the use of comparative market transactions of licensing trademarks (adjusted for brand's specifics including market position, geographic presence, future growth potential) as well as cash flow projections of hypothetical royalty income based on historical sales information of related products and estimated growth rates for subsequent periods. Additionally, an indefinite useful life for all of Droga Kolinska's brands has been assumed and consequently these will not be amortised but tested annually for impairment. Fair value of trademarks on 31 December 2010 is HRK 764.8m and has been increased by HRK 206.3m from their book value.
- Tangible assets
  - i. Independent appraisers have applied market-based approach and cost-based approaches to value tangible assets and concluded that fair value of tangible assets (property, plant and equipment, investment property and assets held for sale) is HRK 73.6m higher compared to their net book value.
  - ii. Looking more closely at individual categories of tangible assets, the largest increase in value has been determined on production equipment.
- Other assets and liabilities
  - i. On 31 December 2010, fair value of inventories has been estimated at HRK 22.6m above its book value.
  - ii. On 31 December 2010, fair value of financial borrowings has been estimated at HRK 1.2m above its book value.
- Residual goodwill
 

Goodwill of HRK 571.5m has been calculated as the excess of the acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary. Goodwill has been allocated to those cash-generating units (CGUs) that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment. Thereby, to the following operating segments (CGUs) goodwill has been allocated: coffee, savoury spreads, snacks and confectionary, beverages, baby food and distribution.

#### 2011 vs. Pro-forma consolidated 2010

- ❖ **Normalised EBITDA** came in 1.7% yoy lower compared to pro-forma consolidated normalised EBITDA in FY10 largely reflecting 20.7% yoy higher production materials costs.
- ❖ **Normalised EBIT** was 12.1% yoy higher as opposed to pro-forma consolidated EBIT excluding one-offs largely on the back of substantially lower tangible and intangible assets-related impairment losses in 2011 vs. 2010. In 2010, Atlantic Grupa had impairment loss of HRK 5.1m related to pharma licences that were acquired, but subsequently not used. Furthermore, in 2010 Droga Kolinska had impairment loss of HRK 43.5m that in larger part related to intangible assets. In 2011, Atlantic Grupa had impairment loss of HRK 8.1m.

## Overview of 4Q11

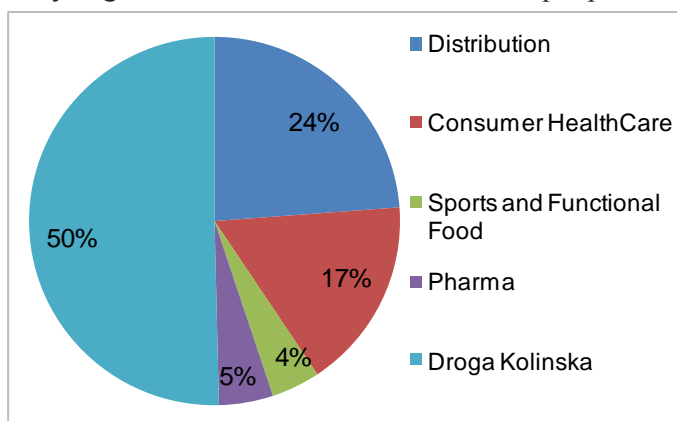
- ❖ Atlantic Grupa delivered 2.2% yoy lower normalized EBITDA of HRK 123.3m in 4Q11 compared to pro-forma consolidated showing in 4Q10 and normalized EBIT of HRK 68.6m. The latter was 1.8 times higher as opposed to pro-forma consolidated EBIT in the 4Q10.
- ❖ Lower profitability on the EBITDA level largely reflected higher production materials costs stemming from rising raw materials prices on the global commodity markets.

## Divisional operating profitability excluding one-off items

in HRKm	2011	Pro-forma cons. 2010	Stand-alone 2010	2011/Pro-forma 2010	2011/Stand-alone 2010
<b>Distribution</b>	<b>80.3</b>		37.4		114.3%
<b>Consumer HealthCare</b>	<b>56.6</b>		83.2		-32.0%
<b>Sports and Functional Food</b>	<b>14.4</b>		30.1		-52.3%
<b>Pharma</b>	<b>16.0</b>		16.9		-5.2%
<b>Droga Kolinska</b>	<b>169.8</b>		n/a		
EBIT	<b>337.0</b>	296.9	167.6	13.5%	101.0%
Reconciliation	<b>2.1</b>	2.6	2.6		
Group EBIT	<b>334.8</b>	294.3	165.0	13.8%	103.0%

Growth in Atlantic Grupa's operating profitability excluding one-offs primarily reflected profitability enhancement in Distribution division as well as consolidation of operating result of Droga Kolinska Division, thus completely annulling deteriorating profitability in Consumer HealthCare, Sports and Functional Food as well as Pharma divisions. The comparison of 2011 and pro-forma consolidated 2010 results lacks sense on the division level due to significant changes in the business model with Droga Kolinska division becoming exclusively production division following the acquisition, while Distribution division took over distribution of Droga Kolinska's products.

Analysing share of each division in the Group's profitability, the following is evident:



- ❖ Division Droga Kolinska with HRK 169.8m in operating profit contributes the most to the Group's profitability (50% of total profitability)
- ❖ With 24% share, Distribution division is the second highest contributor to the Group's profitability
- ❖ Division consumer HealthCare accounts for 17% share in the Group's profitability



- ❖ **Distribution division** posted 2.1 times higher EBIT in 2011, primarily due to distribution of Droga Kolinska portfolio.
- ❖ **Consumer HealthCare division** saw its operating profitability deteriorating due to lower sales and modest increase in production materials costs.
- ❖ Profitability in **Sports and Functional Food division** dropped due to front-loaded investments in new company on the Spanish market (Atlantic Multipower Iberica), surging production materials costs, as well as marketing and selling expenses with the latter largely driven by expansion of mass market i.e. retail market outside specialised sports channels as well as increasing service costs.
- ❖ **Pharma division** posted lower operating profitability largely amidst stronger growth in operating costs base, primarily service costs, staff costs and costs of goods sold.

### Operating costs structure excluding one-offs

In HRKmn	2011	% of sales	Pro-forma 2010	% of sales	Stand-alone 2010	% of sales	2011/ Pro-forma 2010
<b>COGS</b>	<b>1,165</b>	24.6%	<b>1,202</b>	26.6%	1,086	47.9%	-3.1%
<b>Changes in inventory</b>	- 6	-0.1%	6	0.1%	- 9	-0.4%	n/a
<b>Production materials</b>	<b>1,580</b>	33.4%	<b>1,309</b>	29.0%	291	12.8%	20.7%
<b>Energy</b>	<b>61</b>	1.3%	<b>53</b>	1.2%	12	0.5%	14.8%
<b>Services</b>	<b>304</b>	6.4%	<b>308</b>	6.8%	144	6.3%	-1.3%
<b>Staff costs</b>	<b>635</b>	13.4%	<b>658</b>	14.6%	326	14.4%	-3.5%
<b>Marketing and promotion costs</b>	<b>313</b>	6.6%	<b>315</b>	7.0%	149	6.6%	-0.5%
<b>Other operating expenses</b>	<b>212</b>	4.5%	<b>198</b>	4.4%	95	4.2%	6.8%
<b>Other (gains)/losses, net</b>	- 7	-0.2%	- 6	-0.1%	1	0.0%	n/a
<b>Total operating expenses</b>	<b>4,257</b>	<b>90.0%</b>	<b>4,043</b>	<b>89.6%</b>	<b>2,094</b>	<b>92.3%</b>	<b>5.3%</b>

Share of operating costs in total sales increased only marginally to 90.0% in 2011 from 89.6% in 2010 on the pro-forma consolidated level. Nevertheless, analysing Atlantic Grupa's showing on the stand-alone basis in 2010, the share of operating costs decreased from 92.3% in 2010.

- ❖ Thereby, the key change in the operating costs structure occurred in the relation COGS and production materials costs. Following substantial change in the product mix with 72% share in own brands in 2011 compared to 41% in 2010, the share of COGS in sales dropped to 24.6% in 2011 from 47.9% in 2010, whereby the share of production materials costs jumped to 33.4% from 12.8% in 2010.
- ❖ On the pro-forma consolidated level, production materials costs posted the highest increase inflated by raw materials costs including coffee, sugar, milk powder and others largely on the back of surging prices on the global commodity markets as well as packaging materials costs. Coffee as Atlantic Grupa's key raw material in total production materials costs with 36% share, rocketed 55% on average on global commodity markets (expressed through coffee "C" futures contract as the world benchmark for Arabica

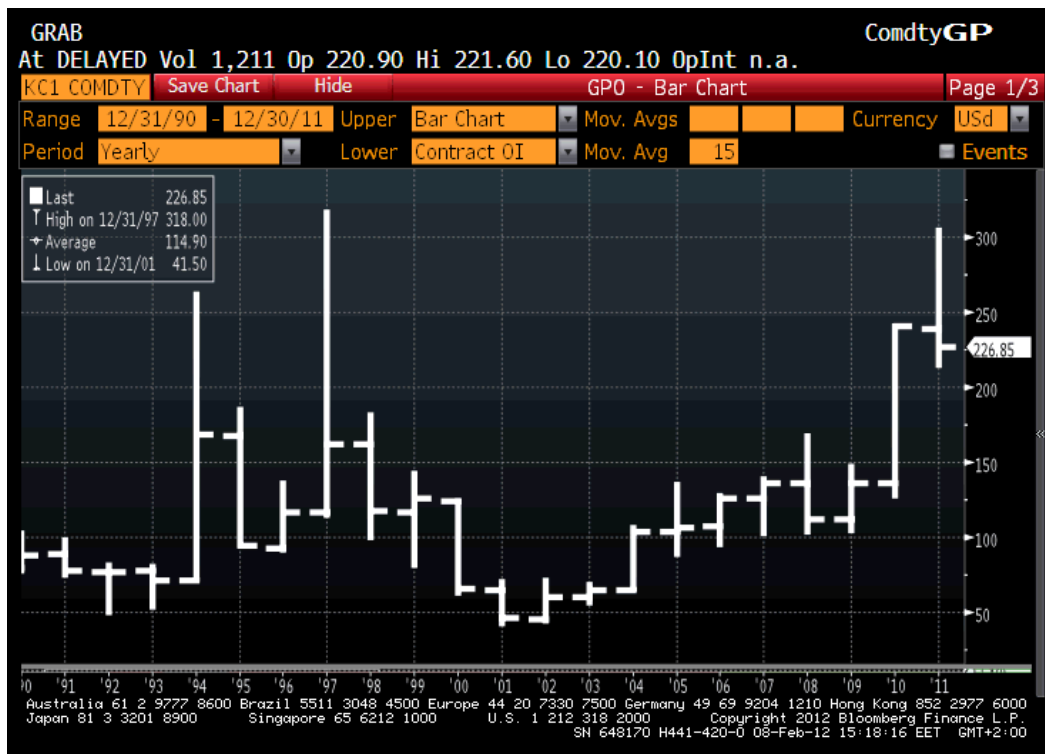
coffee) compared to 2010<sup>1</sup>. Growth in coffee prices on global commodity markets has to large extent been neutralised by using hedging techniques.



Source: Financial information provider Bloomberg

Graph above shows coffee price movements (expressed through coffee “C” futures contract as the world benchmark for Arabica coffee) throughout 2010 and 2011 and indicates that the maximum price was reached in May 2011.

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



Source: Financial information provider Bloomberg

Graph above shows coffee price movements (expressed through coffee “C” futures contract as the world benchmark for Arabica coffee) in the last 20 years and indicates that beginning of May 2011 the highest price has been reached since the end of 1997.

In the following period, the fundamentals indicate upward pressure on global coffee prices largely amidst historically low global coffee inventories and downtrend in inventories in weeks of consumption. Nevertheless, excess of global supply should cushion uptrend in 2012<sup>2</sup>.

- ❖ Among other operating costs categories, staff costs with 13.4% share and marketing and selling costs with 6.6% share are two second largest cost items following COGS and production materials costs. Thereby, staff costs declined 3.5% yoy compared to pro-forma consolidated levels in 2010 largely reflecting integration activities in 2011. At the end of 2011, Atlantic Grupa had 4,198 employees with the largest portion of employees in Croatia, Serbia and Slovenia (86% of the group’s employees).

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

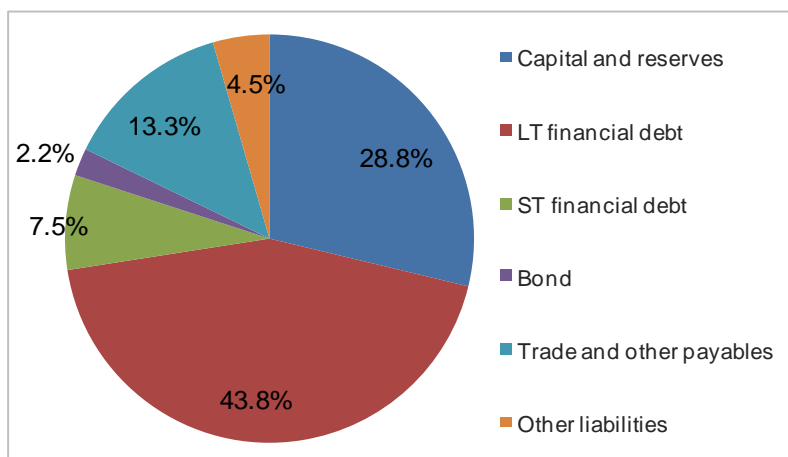
## FINANCIAL INDICATORS in FY11

in HRKm	2011	2010*
<b>Net debt</b>	<b>2,494.0</b>	2,495.8
<b>Total assets</b>	<b>5,247.7</b>	5,163.2
<b>Equity</b>	<b>1,509.2</b>	1,455.5
<b>Current ratio</b>	<b>1.89</b>	1.33
<b>Gearing ratio</b>	<b>62.3%</b>	63.2%
<b>Net debt/EBITDA**</b>	<b>4.8</b>	4.7
<b>Interest coverage ratio**</b>	<b>2.3</b>	5.3
<b>Capex</b>	<b>91.4</b>	34.8
<b>Cash flow from operating activities***</b>	<b>163.1</b>	99.9

\* P&L items on pro-forma consolidated basis \*\*Normalized \*\*\* Excluding impact of transaction costs

Among key highlights in Atlantic Grupa's 2011 financial position, one should consider the following:

- ❖ Net debt at HRK 2,494.0m reflects financial debt of HRK 2,721.8m, net derivative liabilities of HRK 56.2m and cash and cash equivalents as well as short-term deposits of altogether HRK 283.9m. Consequently, leverage indicators are: (i) net debt-to-normalized EBITDA at 4.8 times, (ii) gearing ratio (net debt-to-net debt and total equity) at 62.3% and (iii) interest covered with normalized EBITDA at 2.3 times.
- ❖ At the end of 2010, acquired net assets has been restated to reflect purchase price allocation results. To be more precise, the following items have been restated: (i) non-current assets (primarily, property, plant and equipment as well as intangible assets), (ii) inventories in current assets, (iii) financial borrowings and (iv) deferred tax liability.
- ❖ Atlantic Grupa's financing structure at 31 December 2011 was as follows:



- ❖ The largest item in the financing structure is long-term financial debt (including derivative liabilities and bond) with 45.9% share.
- ❖ The second largest item is capital and reserves with 28.8% share.
- ❖ Long-term and short-term financial liabilities with derivative liabilities account for 53.5% of Atlantic Grupa's financing structure.

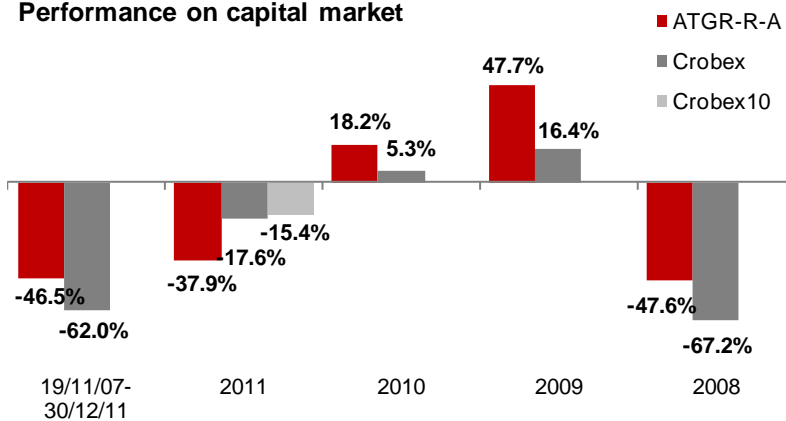


- ❖ Considering the amount of acquisition financing, Atlantic Grupa implemented the Policy of active financial debt management already at the beginning of 2011 requiring the company to have fixed interest rates on its financial liabilities in the range of 50%-100% every moment in the next three years. Consequently, Atlantic Grupa fixed substantial portion of its long-term financial liabilities with interest rate swaps.
- ❖ In 2011, Atlantic Grupa refinanced corporate bond in the nominal amount of HRK 115m maturing in 2016.
- ❖ Atlantic Grupa's capital investments amounted to HRK 91.4m in 2011 with key investments referring to the following: (i) investments in Cockta bottling in Apatovac plant, (ii) investments in production equipment and lines in the segments of sweet and salted snacks, coffee, savoury spreads and vitamin instant drinks and (iii) investments in distribution vehicle fleet expansion as well as logistics expansion.

## PERFORMANCE ON THE CROATIAN CAPITAL MARKET in 2011

Global financial crisis followed by negative market sentiment and rising risk aversion resulted in drop of the majority of leading global stock indices in 2011 on annual basis and therewith failed to circumvent Croatian capital market. Consequently, all components of the local blue-chip index - Crobex10 – recorded negative performance in 2011 resulting in 15.4% drop in the index itself. In these conditions, local and foreign investors present on the Croatian capital market cut their positions in more liquid issues as for example Atlantic Grupa. This led to underperformance of Atlantic Grupa’s share compared to official Zagreb Stock Exchange stock index – Crobex – for the first time since the company’s IPO. Nevertheless, since the IPO Atlantic Grupa’s share clearly outperformed Crobex. Additionally, despite unfavourable trends on the local capital market as well as regional and global uncertainties, Atlantic Grupa’s share successfully retained total turnover and average daily turnover on the 2010 levels.

### Performance on capital market

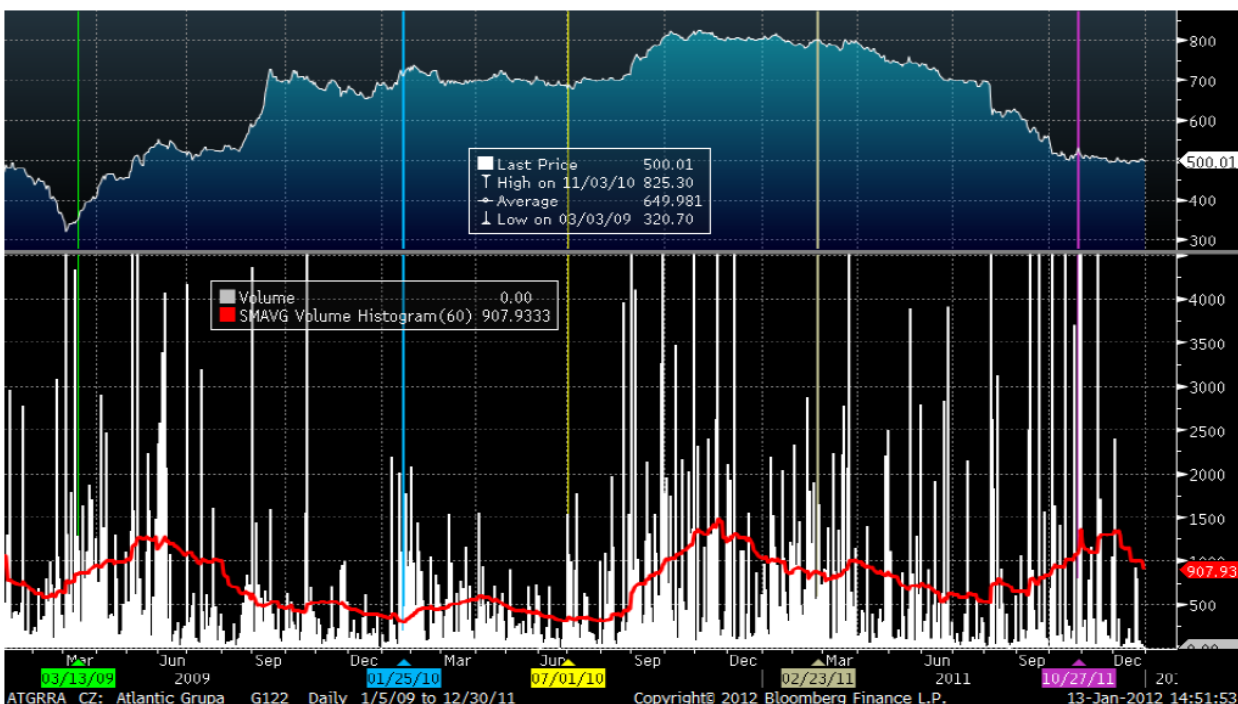


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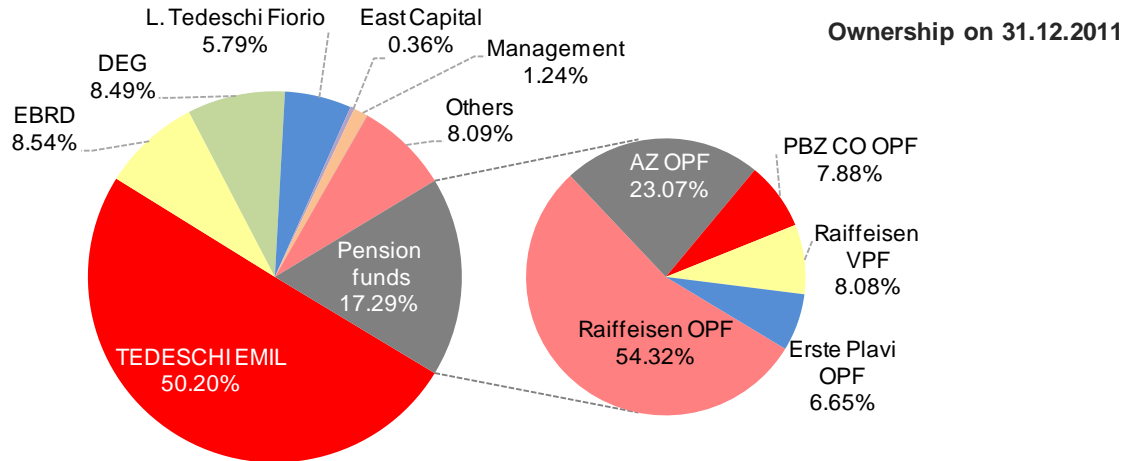
Emphasized dates on the chart indicate:

1. Publication of the FY08 financial results
2. Introduction of market maker
3. Announcement of signing a contract for the acquisition of Droga Kolinska
4. Publication of the FY10 financial results
5. Publication of the 9M11 financial results

Source: Fin. information provider Bloomberg



With an average market capitalization of HRK 2.2bn in 2011, Atlantic Grupa positioned second among components of local blue-chip index – Crobex 10.



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 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 Notes 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 received Prospectus approval from the regulatory agency – CFSSA and consequently the company listed Notes on the Official Market of the Zagreb Stock Exchange on 18 January 2012 under ticker ATGR-O-169A.

Valuation	2011	2010**
Last price in reporting period	500.0	805.0
Market capitalization (HRK 000)	1,667,150	2,684,112
Average daily turnover (HRK)	551,157	554,827
EV (HRK 000)	4,229,100	5,243,503
EV/EBITDA*	8.18	9.96
EV/EBIT*	13.68	19.01
EV/sales*	0.89	1.16
EPS* (HRK)	5.90	26.43
P/E*	84.71	30.46

\*Normalized P&L figures \*\*Pro-forma consolidated figures in 2010

## **OUTLOOK for FY12**

### **Management's view on macroeconomic surrounding**

Atlantic Grupa's management expects the corporate sector to face equally challenging 2012 as was 2011, mostly on regional markets. Consequently, Croatia will continue suffering from reduced purchasing power and negative trends on the local labour market, additionally augmented by fiscal consolidation and structural reforms that come as precondition for economic recovery in the years ahead. Croatia as others regional markets suffer from the spill-over effect of uncertainties and crisis in the euro zone. Moreover, looking closely at regional markets separately, it is expected that Serbian economic activity will stagnate in 2012 whereas Slovenian and BiH's economies are expected to decline. When it comes to West European markets, Germany particularly, key risks emerge from external factors including further economic deterioration in other euro zone members. While the German labour market and economy in general are relatively well structured and flexible and therewith can rather quickly adapt to deteriorated external factors, UK and Italy are not and consequently could face rising unemployment and thus negative impact on personal consumption in 2012. Russian economy is expected to easily slowdown in 2012 followed by stagnating personal consumption.

### **Atlantic Grupa's strategic management guidance for 2012**

Considering grim macroeconomic environment in 2012, the management expects that business growth can only be achieved by sticking to strategic management guidance that includes the following:

- ❖ Further delivery of planned synergy potentials both on sales and costs side following finalisation of the first integration phase of Atlantic Grupa and Droga Kolinska;
- ❖ Focus on execution of the second integration phase (consolidation of production facilities, information technology consolidation, real estate portfolio management) as the basis for further improvement of operating efficiency;
- ❖ Further focus on organic growth through innovations in product categories and active brand management (new flavours, modernized packaging, product line extensions), strengthening the regional character of distribution business and further development of certain distribution channels as HoReCa segment;
- ❖ Meeting financial commitments on regularly basis coupled with active debt and financial cost management;
- ❖ Cost management through the CORE program and optimisation of operating processes on both centralised and lower levels, aiming to improve operating efficiency;
- ❖ Prudent liquidity management;
- ❖ Continuous analysis of global commodity markets with particular focus on coffee, sugar, cocoa and milk powder as well as more active application of hedging instruments;
- ❖ More focused development of risk management on all levels in the company.





Following strategic management guidance, in FY12 the management expects the following:

In HRKm	2012 Guidance (excluding one-offs)	2011 Normalized	2012/2011
<b>Sales</b>	<b>4,964</b>	4,728	5.0%
<b>EBITDA</b>	<b>550</b>	517	6.3%
<b>EBIT</b>	<b>385</b>	351	9.5%
<b>Interest expense</b>	<b>223</b>	222	

\*In 2011, EBIT was calculated on normalised EBITDA level, however depreciation and amortization expenses have not been normalized for the PPA impact in order to make it more comparable to 2012 guidance (as explained in the section „Profitability dynamics in FY11“).

**ATLANTIC GRUPA d.d.**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2011 (UNAUDITED)**

**ATLANTIC GRUPA d.d.**
**CONSOLIDATED INCOME STATEMENT**

in thousands of HRK, unaudited	Jan - Dec 2011	Jan - Dec 2010	Index	Oct - Dec 2011	Oct - Dec 2010	Index
<b>Turnover</b>	<b>4,774,385</b>	<b>2,301,945</b>	<b>207.4</b>	<b>1,299,787</b>	<b>596,657</b>	<b>217.8</b>
Sales revenues	4,727,766	2,268,641	208.4	1,277,587	584,346	218.6
Other revenues	46,619	33,304	140.0	22,200	12,311	180.3
<b>Operating expenses</b>	<b>4,273,715</b>	<b>2,081,899</b>	<b>205.3</b>	<b>1,201,091</b>	<b>575,371</b>	<b>208.8</b>
Cost of goods sold	1,187,673	1,085,720	109.4	351,002	304,764	115.2
Change in inventories	(5,772)	(9,405)	61.4	14,610	(1,474)	n/a
Production material and energy	1,641,174	303,215	541.3	451,061	68,221	661.2
Services	308,439	163,340	188.8	82,178	47,272	173.8
Staff costs	635,047	325,942	194.8	155,199	85,835	180.8
Marketing and selling expenses	313,218	148,692	210.6	77,510	33,248	233.1
Other operating expenses	212,994	128,510	165.7	69,051	49,177	140.4
Other gains - net	(19,058)	(64,115)	29.7	480	(11,672)	-4.1
<b>EBITDA</b>	<b>500,670</b>	<b>220,046</b>	<b>227.5</b>	<b>98,696</b>	<b>21,286</b>	<b>463.7</b>
Depreciation	136,419	41,589	328.0	29,796	11,486	259.4
Amortization	29,408	13,472	218.3	(17,353)	6,781	-255.9
<b>EBIT</b>	<b>334,843</b>	<b>164,985</b>	<b>203.0</b>	<b>86,253</b>	<b>3,019</b>	<b>2857.0</b>
Financial expenses - net	(256,339)	(41,938)	611.2	(77,009)	(22,451)	343.0
Share of profit of joint venture	333	75	n/a	333	-	n/a
<b>EBT</b>	<b>78,837</b>	<b>123,122</b>	<b>64.0</b>	<b>9,577</b>	<b>(19,432)</b>	<b>-49.3</b>
Income tax	23,945	16,325	146.7	(4,870)	(19,617)	24.8
<b>Profit for the period</b>	<b>54,892</b>	<b>106,797</b>	<b>51.4</b>	<b>14,447</b>	<b>185</b>	<b>n/a</b>
Attributable to:						
Non-controlling interest	8,291	11,804	70.2	1,143	4,484	25.5
Owners of the parent	46,601	94,993	49.1	13,304	(4,299)	n/a
Earnings per share for profit attributable to the owners of the Company						
- basic	13.98	33.84		3.99	(1.53)	
- diluted	13.98	33.84		3.99	(1.53)	

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

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in thousands of HRK, unaudited	Jan - Dec 2011	Jan - Dec 2010	Index	Oct - Dec 2011	Oct - Dec 2010	Index
<b>Profit for the period</b>	<b>54,892</b>	<b>106,797</b>	<b>51.4</b>	<b>14,447</b>	<b>185</b>	<b>n/a</b>
Cash flow hedge	(48,374)	(2,161)	n/a	(1,543)	(638)	n/a
Currency translation differences	49,466	213	n/a	(25,673)	1,897	n/a
<b>Total comprehensive income</b>	<b>55,984</b>	<b>104,849</b>	<b>53.4</b>	<b>(12,769)</b>	<b>1,444</b>	<b>n/a</b>
Attributable to:						
Non-controlling interest	5,363	11,761	45.6	(4,061)	4,471	n/a
Equity holders of the Company	<u>50,621</u>	<u>93,088</u>	54.4	<u>(8,708)</u>	<u>(3,027)</u>	n/a
Total comprehensive income	<u>55,984</u>	<u>104,849</u>	53.4	<u>(12,769)</u>	<u>1,444</u>	n/a

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**ATLANTIC GRUPA d.d.**

**CONSOLIDATED BALANCE SHEET**

in thousands of HRK, unaudited	31 December 2011	31 December 2010 Restated
Property, plant and equipment	1,182,390	1,235,866
Investment property	1,934	2,481
Intangible assets	1,850,313	1,827,137
Available-for-sale financial assets	1,358	36,379
Derivative financial instrument	8,617	-
Trade and other receivables	21,514	23,736
Deferred tax assets	51,451	52,924
<b>Non-current assets</b>	<b>3,117,577</b>	<b>3,178,523</b>
Inventories	533,680	503,014
Trade and other receivables	1,118,200	1,100,134
Non-current assets held for sale	151,163	118,518
Prepaid income tax	24,877	17,951
Deposits given	352	5,192
Derivative financial instrument	18,249	7,939
Cash and cash equivalents	283,578	231,978
<b>Current assets</b>	<b>2,130,099</b>	<b>1,984,726</b>
<b>Total assets</b>	<b>5,247,676</b>	<b>5,163,249</b>
<b>Capital and reserves attributable to owners of the Company</b>	<b>1,441,242</b>	<b>1,391,834</b>
<b>Non-controlling interest</b>	<b>67,920</b>	<b>63,632</b>
Borrowings	2,347,477	2,007,781
Deferred tax liabilities	116,615	114,897
Derivative financial instrument	62,393	-
Other non-current liabilities	36,357	38,421
Provisions	47,785	59,745
<b>Non-current liabilities</b>	<b>2,610,627</b>	<b>2,220,844</b>
Trade and other payables	699,317	711,751
Borrowings	374,283	697,744
Current income tax liabilities	12,553	16,594
Derivative financial instrument	20,673	35,344
Provisions	21,061	25,506
<b>Current liabilities</b>	<b>1,127,887</b>	<b>1,486,939</b>
<b>Total liabilities</b>	<b>3,738,514</b>	<b>3,707,783</b>
<b>Total equity and liabilities</b>	<b>5,247,676</b>	<b>5,163,249</b>

**ATLANTIC GRUPA d.d.**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to equity holders of Company			Total	Non-controlling interest	Total
	Share capital	Reserves	Retained earnings			
<i>in thousands of HRK, unaudited</i>						
<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	-	-	94,993	94,993	11,804	106,797
Other comprehensive income	-	(1,905)	-	(1,905)	(43)	(1,948)
Total comprehensive income	-	(1,905)	94,993	93,088	11,761	104,849
<b>Transactions with owners:</b>						
Capital increase	605,014	-	-	605,014	-	605,014
Acquisition of subsidiary	-	-	-	-	27,185	27,185
Acquisition of non-controlling interest	-	-	(11,474)	(11,474)	674	(10,800)
Share based payment	2,864	-	(1,870)	994	-	994
Dividends relating to 2009	-	-	(20,975)	(20,975)	(8,608)	(29,583)
<b>At 31 December 2010</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>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	-	-	46,601	46,601	8,291	54,892
Other comprehensive income	-	4,020	-	4,020	(2,928)	1,092
Total comprehensive income	-	4,020	46,601	50,621	5,363	55,984
<b>Transactions with owners:</b>						
Acquisition of non-controlling interest	-	-	-	-	(26)	(26)
Share based payment	2,155	-	(836)	1,319	-	1,319
Purchase of treasury shares	(2,532)	-	-	(2,532)	-	(2,532)
Dividends relating to 2010	-	-	-	-	(1,049)	(1,049)
<b>At 31 December 2011</b>	<b>1,015,905</b>	<b>40</b>	<b>425,297</b>	<b>1,441,242</b>	<b>67,920</b>	<b>1,509,162</b>

**ATLANTIC GRUPA d.d.**

**CONSOLIDATED CASH FLOW STATEMENT**

in thousands of HRK, unaudited	Jan - Dec 2011	Jan - Dec 2010
<b>Cash flows from operating activities</b>		
<b>Net profit</b>	<b>54,892</b>	<b>106,797</b>
Income tax	23,945	16,325
Depreciation, amortization and impairment	165,827	55,061
Loss/ (Gain) on disposal of property, plant and equipment	63	(49,647)
Gain on sale of assets available for sale	(11,962)	-
Gain on acquisition of subsidiary	-	(4,090)
Value adjustment of current assets	51,341	21,001
Share based payment	1,318	994
Interest income	(11,350)	(13,050)
Interest expense	221,167	38,667
Other non-cash changes	32,538	6,560
<b>Changes in working capital:</b>		
Increase in inventories	(59,771)	(46,834)
(Increase) / Decrease in current receivables	(55,484)	1,813
Decrease in current payables	(15,912)	(26,313)
Decrease in provisions for risks and charges	(16,404)	(6,145)
Interest paid	(188,372)	(27,249)
Income tax paid	(34,529)	(25,999)
<b>Net cash flow from operating activities</b>	<b>157,307</b>	<b>47,891</b>
<b>Cash flow from investing activities</b>		
Purchase of tangible and intangible assets	(91,364)	(34,830)
Proceeds from sale of property, plant and equipment	13,591	10,750
Proceeds from sale of assets available for sale	46,962	-
Acquisition of subsidiary and non-controlling interest	(5,834)	(1,695,637)
Advances given for acquisition of subsidiaries	-	-
Loans and deposits given- net	12,487	125,834
Dividend received	-	225
Purchase of financial assets	(2,000)	-
Interest received	11,350	13,025
<b>Net cash flow used in investing activities</b>	<b>(14,808)</b>	<b>(1,580,633)</b>
<b>Cash flow from financing activities</b>		
Capital increase	-	605,014
Purchase of treasury shares	(2,532)	-
(Repayment of)/ proceeds from borrowings - net	(83,457)	1,114,709
Proceeds from bonds issued	(3,861)	-
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>(90,899)</b>	<b>1,690,140</b>
<b>Net increase in cash and cash equivalents</b>	<b>51,600</b>	<b>157,398</b>
Cash and cash equivalents at beginning of period	231,978	74,580
Cash and cash equivalents at end of period	283,578	231,978

**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 year ended 31 December 2011 were approved by the Management Board of the Company in Zagreb on 22 February 2012.

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 year ended 31 December 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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 31 December 2011 (in thousands of HRK)	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Droga Kolinska	Reconciliation	Group
Gross revenues /i/	2,784,594	458,099	654,224	373,558	2,276,696	744	6,547,915
Inter-segment revenues /ii/	24,532	337,961	4,340	27,015	1,379,682	-	1,773,530
<b>Total revenues</b>	<b>2,760,062</b>	<b>120,138</b>	<b>649,884</b>	<b>346,543</b>	<b>897,014</b>	<b>744</b>	<b>4,774,385</b>
EBITDA	93,993	86,893	20,116	22,986	270,659	6,023	500,670
Depreciation and amortization	13,722	30,333	5,748	6,990	100,893	8,141	165,827
<b>EBIT</b>	<b>80,271</b>	<b>56,560</b>	<b>14,368</b>	<b>15,996</b>	<b>169,766</b>	<b>(2,118)</b>	<b>334,843</b>
Total assets /iii/	972,874	566,217	196,322	620,003	3,319,620	(826,134)	4,848,902
Total assets at 31.12.2010. /iv/	561,173	598,000	164,158	580,608	3,099,913	(208,437)	4,795,415

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 3 – SEGMENT INFORMATION (continued)

For the period ended 31 December 2010 (in thousands of HRK)	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Droga Kolinska	Reconciliation	Group
Gross revenues /i/	1,308,296	492,044	558,412	330,832	n/a	9,647	2,699,231
Inter-segment revenues /ii/	21,397	352,128	4,024	19,737	n/a	-	397,286
<b>Total revenues</b>	<b>1,286,899</b>	<b>139,916</b>	<b>554,388</b>	<b>311,095</b>	<b>n/a</b>	<b>9,647</b>	<b>2,301,945</b>
EBITDA	48,778	108,695	36,832	23,287	n/a	2,454	220,046
Depreciation and amortization	11,329	25,519	6,703	6,410	n/a	5,100	55,061
<b>EBIT</b>	<b>37,449</b>	<b>83,176</b>	<b>30,129</b>	<b>16,877</b>	<b>n/a</b>	<b>(2,646)</b>	<b>164,985</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 2,896 thousand), Company's intangible assets (HRK 2,710 thousand), short term deposits given (HRK 352 thousand), trade and other receivables (HRK 26,863 thousand), prepaid income tax (HRK 2,519 thousand), available-for-sale financial assets (HRK 1,539 thousand), deferred tax assets (HRK 51,451 thousand), derivative financial instruments (HRK 26,866 thousand) and cash and cash equivalents (HRK 283,578 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).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 (in thousands of HRK)	46,601	94,993
Weighted average number of shares	3,333,889	2,807,386
Basic earnings per share (in HRK)	13.98	33.84

**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 year ended 31 December 2011, Group invested HRK 105.169 thousand in purchase of property, plant and equipment (2010: HRK 34,830 thousand).

## NOTE 6 - INVENTORIES

During the year ended 31 December 2011, the Group wrote down HRK 29,105 thousand of inventories due to damage and short expiry dates (2010: HRK 17,590 thousand). The amount is recognised in the income statement within Other operating expenses.

## NOTE 7 – COMPARATIVES AND RESTATEMENTS

Upon the finalization of the purchase price allocation process relating to acquisition of Droga Kolinska which was provided by independent valuers, following changes to 2010 comparative figures in balance sheet were made:

<i>(in thousands of HRK)</i>	<u>2010</u>
Increase in property, plant and equipment	62,989
Increase in investment property	665
Decrease in intangible assets	(31,573)
Increase in available for sale financial assets	177
Increase in inventories	22,606
Increase in assets held for sale	7,319
Increase in borrowings	(1,241)
Increase in deferred tax liability	(60,942)

**NOTE 8 – ONE-OFF ITEMS**

One-off items realized during the year ended 31 December 2011 and 2010 relate to following:

- HRK 5,817 thousand of one-time transaction expenses related to acquisition of Droga Kolinska, realized in a year ending 31 December 2011,
- HRK 11,962 thousand of profit related to the sale of ownership share in RTL Croatia, realized in a year ending 31 December 2011,
- HRK 20,778 thousand positive impact relating to purchase price allocation results
- HRK 52,240 thousand of one-time transaction expenses related to the acquisition of Droga Kolinska, realized in a year ending 31 December 2010,
- HRK 48,557 thousand of profit related to the sale of property on Neva's prior production location, realized in a year ending 31 December 2010,
- HRK 16,975 thousand positive financial impact related to income from deposits from capital increase funds and positive exchange differences and
- HRK 5,068 thousand of gain on acquisition of the company Kalnicke vode Bio Natura (badwill).



Atlantic Grupa d.d.  
Miramarska 23  
Zagreb

Register number: 1671910

Zagreb, 23 February 2012

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 31 December 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 31 December 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**



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