FY10 Financial results

Zagreb – February 24th, 2011

Growth in line with guidance alongside finalisation of Atlantic Grupa's largest acquisition ever

- **Sales advanced to 2,268.6 million kuna**
  + 3.1% yoy based on reported figures

- **EBITDA surged to 220.0 million kuna**
  + 11.7% yoy based on reported figures

- **EBITDA (excluding the one-offs) increased to 201.7 million kuna**
  +6.5% yoy based on reported figures

- **Net profit after minorities soared to 95.0 million kuna**
  +11.7% yoy based on reported figures
  +10.3% yoy higher net profit after minorities (excluding the one-offs) of **85.4 million kuna**

Chairman's comment

Having commented financial performance and key business developments in FY10, the CEO of Atlantic Grupa, Emil Tedeschi pointed out:

"We consider the last year crucial in Atlantic Grupa's business development cycle amidst successful completion of Atlantic Grupa's largest acquisition ever – **Droga Kolinska** – as it transforms Atlantic Grupa in **one of the leading food and beverages company in the region**. We are very content that alongside enhanced M&A focus, Atlantic Grupa yet again delivered on guidance with top-line and profitability growth in anaemic macroeconomic environment for the real sector.
We find 2011 equally challenging, while the management is expected to execute fast and efficient integration of Droga Kolinska in Atlantic Grupa's business model, deliver on planned synergy potentials and ultimately to fulfil the company's financial commitments."

FY10 financial highlights

Key figures	2010	2009	Change 10/09
Sales (HRKm)	**2,269**	2,199	3.1%
Revenues (HRKm)	**2,302**	2,222	3.6%
EBIT margin*	**6.5%**	6.6%	-19 bps
Net income after minorities (HRKm)*	**85**	77	10.3%
Gearing ratio	**62.9%**	26.3%	

*Ex. one-offs

KEY DEVELOPMENTS in FY10

1. Acquisition of Droga Kolinska

At the end of November 2010, Atlantic Grupa successfully acquired the company Droga Kolinska for the enterprise value of EUR382m and therewith completed the largest acquisition in its business development cycle ever. The company eventually paid out EUR243,109 thousand (net of net debt) in cash for 100% share in Droga Kolinska to its previous owner Istrabenz d.d.. Atlantic Grupa financed the equity value with the combination of equity/debt financing, whereby equity financing accounted for 44% of total value (o/w 78% related to funds raised in the capital increase in July 2010 and the remaining part to the company's own funds) and debt financing made up 56% of total value (o/w 78% referred to senior funds and the remaining part to junior funds).
Considering the equity value of the acquisition as well as Droga Kolinska's FY10 reported figures, Atlantic Grupa completed the acquisition at the following multiples:

	Droga Kolinska
Ownership	100%
Equity value (EURm)	243.109
Enterprise value	382
2010 EV/Sales	1.2
2010 EV/EBITDA	8.6
2010 P/S	0.8
2010 P/EBITDA	5.5

Considering that the acquisition of Droga Kolinska is Atlantic Grupa's largest acquisition ever that simultaneously caused substantial financial burden of the company, it is of paramount importance to enhance the management's strategic reasoning for the acquisition:

- ❖ The acquisition of Droga Kolinska expands Atlantic Grupa to the second largest food and beverages company in the ex. YU region with significant presence on the Russian market.
- ❖ Widespread, modern and efficient Droga Kolinska's regional network of production facilities (particularly on BiH and Slovenian markets) transforms Atlantic Grupa into strong regional producer with support of existing distribution network and infrastructure.
- ❖ Droga Kolinska's strong regional presence balances geographic profile of consolidated company with reduced dependence on performance of Croatian market.
- ❖ Droga Kolinska's product assortment with well-known and leading brands region-wise enables substantial widening of Atlantic Grupa's product portfolio, resulting thereby in nearly twofold higher share of margin accretive own brands in consolidates sales.
- ❖ Potential for achieving sales synergies in both companies with particular emphasis on:

ATLANTIC
GRUPA

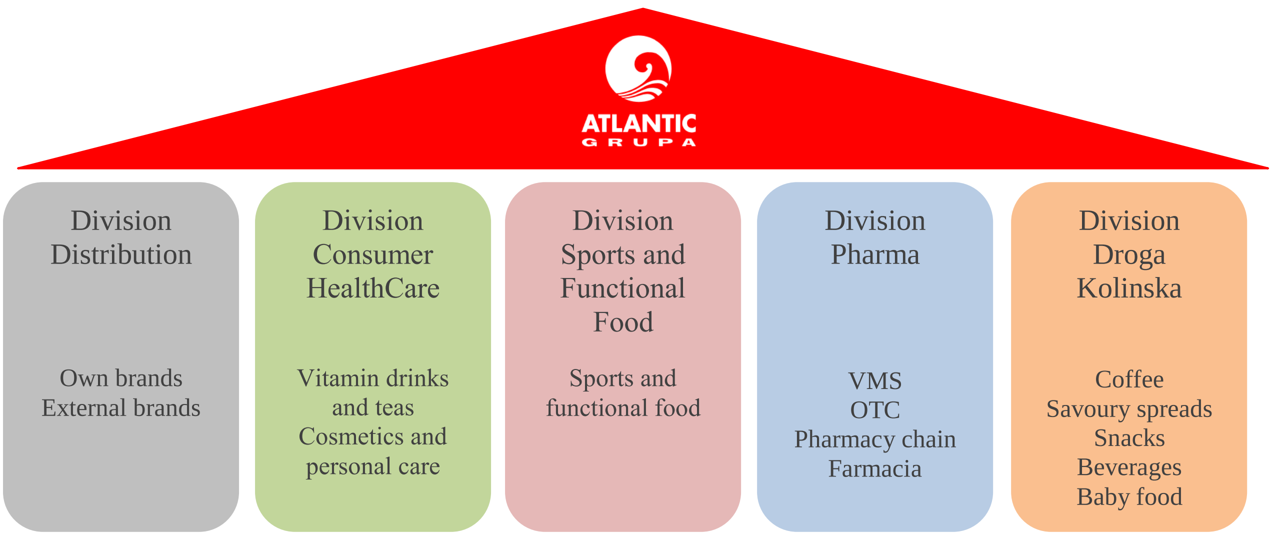
- Utilising Atlantic Grupa’s distribution know-how (in retail and HoReCa channels) generally, with special emphasis on the Croatian market, to better Droga Kolinska’s product assortment positioning.
- Exploiting Droga Kolinska’s strong presence in Serbia and Slovenia to enhance Atlantic Grupa’s presence of product assortments.
- Utilising Atlantic Grupa’s distribution infrastructure on the West European markets to position particular Droga Kolinska’s product categories. Moreover, expansion of other markets outside the region via joint assortment presence (e.g. on the Russian market).

❖ Potential for achieving cost savings in both companies with particular emphasis on merger of distribution-logistics processes, procurement and marketing.

Post-acquisition activities

After takeover of Droga Kolinska, Atlantic Grupa decided to retain divisional organisation structure by setting up Droga Kolinska as the company’s fifth operating division. Consequently, Atlantic Grupa’s business divisions include: Distribution, Consumer HealthCare, Sports and Functional Food, Pharma and Droga Kolinska. Droga Kolinska division is further divided into five business units: Coffee, Sweet and salted snack, Savoury spreads, Beverages and Baby food.

New organisation structure led to certain changes in the company’s Management Board with new Board comprised of eight members.



Overview of integration activities

With Atlantic Grupa’s strategic goal to execute fast and efficient integration, integration activities have been set up in accordance with the relevant business areas and divided into two key groups: (i) Operations (including distribution, procurement, logistics and production) and (ii) Support functions. Priority in delivering synergy potentials lies in Operations led by distribution-logistics activities. Despite special characteristics of each regional market, Atlantic Grupa's current distribution model suggests that separated distribution activities set up in standalone Distribution division enable high-level of distribution service (from development of distribution channels, customers relationship, development of distribution technology, brand management to trade marketing activities). Consequently, the company currently undergoes consolidation of distribution operations on regional markets and merges them into common distribution system within Distribution division. Among other Operations, Procurement's priority includes organisation of central procurement and suppliers' base consolidation, whereby Production's integration priorities include consolidation of production activities with ultimate aim to enhance efficiency and production capacity utilisation.

2. Overview of other key developments

<u>Distribution division:</u> New distribution deals aimed at further regional diversification of distribution mix

- After February 2010 when Atlantic Grupa entered the cooperation with one of the world's largest confectionary producers – **Ferrero** – to distribute its semifreddo program on the **Serbian market**, the company undertook complete distribution of Ferrero product assortment on the **Macedonian market** at the beginning of September. Therewith the Macedonian market became the fourth regional market (alongside Slovenia, Serbia and Croatia) where Atlantic Grupa distributes Ferrero assortment, whereby the company itself became Ferrero's regional partner. In FY10, Ferrero's brands – Kinder and Nutella – ranked among top 10 brands in Atlantic Grupa's distribution and production portfolio with yoy sales growth of ca. 30%.
- In March 2010 Atlantic Grupa commenced with **distribution of impulse assortment from the company One2play** (one of the leading domestic supplier of toys, multimedia content, etc. produced by well-known license owners including Disney, Gormits, Ben Ten etc.) on the Croatian, Slovenian, BiH and Macedonian markets. The company finds this distribution deal as well important due to its regional character, whereby FY10 showing topped expectations.

Distribution agreements with Ferrero and One2play reflect the company's strategic orientation towards strengthening of regional distribution know-how and infrastructure that should eventually enable the company to bear fruits from the economy of scale.

- Following distribution deal signed during 2010 with well-known Austrian juice and tea producer – Rauch – to distribute **Rauch's assortment** in all distribution channels on the **Croatian market**, Atlantic Grupa signed new deal at the beginning of December 2010 with global energy drinks producer - **Red Bull** – to distribute its **energy drinks in all distribution channels on the Croatian market**. Red Bull energy drinks and Rauch assortment in the company's distribution portfolio alongside Atlantic Grupa's own beverages assortment (including Droga Kolinska and Kalničke vode Bio Natura's beverages program) establishes the company as a respectable and unavoidable regional beverages supplier.

<u>Sports and Functional Food division:</u> Strong foray on the Spanish market

As a part of the company's business development strategy in the sports and functional food segment, including development of new products and geographical expansion, Atlantic Grupa decided to expand its business more actively on the perspective Spanish market by setting up new company **Atlantic Multipower Iberica**, headquartered in Barcelona. Sports and functional food segment on the Spanish market is estimated at approximately EUR40m (IMS sales) with 30% growth in the 2004-2009 period and estimated mid-to-high single-digit growth rate over the next two years. Moreover, the recent trends indicate endurance and body-building product lines among the key product categories.

<u>Consumer HealthCare division:</u> Acquisition of Kalničke vode Bio Natura d.d.

In 2010, Atlantic Grupa successfully completed smaller-size acquisition of 100% share in the **local water producer - Kalničke vode Bio Natura**. Kalničke vode Bio Natura's financials have been consolidated in Atlantic Grupa's financial statements in 4Q10 within the Consumer HealthCare division, where the company resumes its business. Integration of Kalničke vode Bio Natura into Consumer HealthCare division is sound business decision given that water bottling service for Cedevita GO! was outsourced to Kalničke vode Bio Natura prior to acquisition. Consequently, this acquisition enables consolidation of the entire production process within the company while enhancing production efficiency of Cedevita GO!.

<u>Pharma division:</u> Further expansion of pharmacy business

Throughout 2010, the Pharma division continued with further expansion of its pharmacy business by launching three new pharmacies and one specialized store. Furthermore, following the acquisition of Dvoržak pharmacy chain in 2009, division consolidated two pharmacies at the beginning of 2010 and additional four specialized stores in April 2010. Consequently, at the YE10, Atlantic Grupa's pharmacy business comprised **49 pharmacy units**, of which 10 referred to specialized stores.

During 2011, the Pharma division plans to consolidate five remaining pharmacies within acquired Dvoržak pharmacy chain and one smaller pharmacy. One should consider that Pharma division's management places considerable attention towards pharmacies/specialized stores positioning in high-traffic locations including shopping malls, near medical practitioners and health centres, etc..

Furthermore, Pharma division delivered the most pronounced operating profitability enhancement among Atlantic Grupa's divisions in FY10 thanks to business model changes and in accordance with the management's guidance.

SALES DYNAMICS IN FY10

Sales profile by division

in HRK thousands

2010	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Group
Gross sales	1,289,331	478,194	556,182	326,011	**2,649,719**
Intersegment sales					381,078
Consolidated sales					**2,268,641**
2009					
Gross sales	1,318,699	494,199	492,738	296,816	2,602,451
Intersegment sales					403,039
Consolidated sales					2,199,413
Change 10/09					
Gross sales	**-2.2%**	**-3.2%**	**12.9%**	**9.8%**	
Intersegment sales					
Consolidated sales					**3.1%**

In FY10 Atlantic Grupa showed **3.1% yoy higher top-line of HRK2.268,6m** supported by sales advance in Sports and Functional Food and Pharma divisions that cushioned sales drop in Distribution and Consumer HealthCare divisions. Delivered showing is in line with the management's guidance published at the beginning of FY10. Analysing the **4Q10** separately, Atlantic Grupa posted **3.7% yoy higher top-line** of **HRK584.3m** largely driven by double-digit growth rates in Sports and Functional Food and Pharma divisions.

- Gloomy macroeconomic environment depicted by amplified consumer pessimism, elevated unemployment and shrunken personal consumption on the geographically largest market within **Distribution division** – Croatia – negatively impacted division's showing with 2.2% yoy lower top-line. Furthermore, break up of distribution contract with Nestle Purina Pet Care on the Croatian market in 2009 also weighed down on division's performance with absence of ca. HRK30m sales in FY10. Nevertheless, the latter was recouped with new distribution deals with both new and existing principals including One2play and Rauch.

  Looking closely at other geographical markets within Distribution division, Slovenian and Macedonian markets posted double-digit growth rates both in local and functional currencies, whereby the Serbian market delivered top-line growth in local currency. Namely, positive sales developments on all three markets came on the back of sales growth of Cedevita vitamin instant drink in the retail distribution channel and Ferrero assortment distribution. Thereby, Serbian and Macedonian markets bore fruits from commencement of Ferrero assortment distribution in 2010, while Slovenian benefited market from the full financial year sales impact of Ferrero assortment.

- In FY10, **Consumer HealthCare division** showed 3.2% yoy sales drop, whereby sales growth in Multivita's assortment and Neva's program in the personal care segment partially dwarfed lower top-line performance of Cedevita's assortment. At individual level, Multivita's sales came in at higher double-digit growth rate on the Russian market. Precisely the latter stands out as an interesting market for further development of Atlantic Grupa, especially in light of consolidation of Droga Kolinska's assortment already present on the Russian market.

- The most dynamic top-line performance of 12.9% yoy in **Sports and Functional Food division** came on wings of sales growth in all own brands in the sports and functional food assortment as well as surge in private label categories. Thereby, Atlantic Grupa's second best-selling brand – Multipower – posted lower single-digit sales growth, whereby brands positioned in the lower price range – Champ and Multaben – saw 13.0% and 16.0% yoy higher sales, respectively.
  Geographical sales profile of Sports and Functional Food division depicts expansion of the key markets in terms of sale – Germany, UK and Italy, whereby Russian and Swiss markets came in as the fastest growing markets accounting for 5.3% of division's sale in FY10 as opposed to 3.1% in FY09.

- **Pharma division** posted 9.8% yoy higher FY10 top-line driven by 20.9% surge in Fidifarm sales and pharmacy chain Farmacia's sales up 6.3% yoy. The latter's expansion came on the back of newly launched pharmacies/specialized stores in the course of the last two years and partial consolidation of pharmacies and specialized stores within acquired pharmacy chain Dvoržak.
  On normalized level, Pharma division delivered 10.2% yoy higher top-line while excluding (i) FY10 sales of consolidated pharmacies/specialized stores within Dvoržak pharmacy chain and (ii) 8M09 sales of 2 pharmacies from the Health Institution Coner that were spun-off in exchange for the minority share in other pharmacies in August 2009.

Multi-division summary by geographic zone

in HRKm	2010	% of total sales	2009	% of total sales	Change FY10/FY09	in CER terms
Croatia	1,250.6	55.1%	1,321.4	60.1%	-5.4%	
Germany	244.3	10.8%	239.7	10.9%	1.9%	2.7%
Serbia	130.1	5.7%	130.8	5.9%	-0.5%	9.5%
Slovenia	172.5	7.6%	118.4	5.4%	45.7%	46.6%
Bosna and Herzegovina	79.0	3.5%	76.2	3.5%	3.8%	4.6%
UK	44.5	2.0%	40.1	1.8%	11.1%	7.9%
Italy	49.3	2.2%	43.0	2.0%	14.8%	15.7%
Other	298.2	13.0%	229.9	10.5%	29.7%	
Total sales	**2,268.6**	100.0%	2,199.4	100.0%	**3.1%**	

- Following 6.3% yoy dip in 9M10 sales, 4Q10 showing somewhat alleviated sales drop on an annual basis and consequently **Croatian market** posted 5.4% lower sales figure of HRK1,250.6m in FY10. Management finds delivered results largely impacted by instable and unfavourable macro profile that the company strived to deal with by: entering new distribution deals, launching new pharmacies/specialised stores, optimizing retail prices (e.g. on Cedevita GO!) and innovating in product lines and design. Thereby, the management highlights that dim macro picture largely reflected through consumer pessimism with an average consumer sentiment index at -47.5 pts in 2010 vs. -43.5 pts in 2009 as well as directly related labour market woes suggested by an increase in an average unemployment rate to 17.6% in 2010 from 14.9% in 2009 and an elevated level of job insecurity. Aforementioned trends coupled with disposable income worsening and real 'core' retail sales (ex. auto/motorcycle sales) contraction for the third consecutive year (-1.9% yoy in 2010) certainly pressured personal consumption (-1.6% yoy in 9M10) and consumers' spending appetite.

- On other regional markets, even though **Slovenia** somewhat slowed down sales expansion from FY09, with 45.7% yoy sales surge, the market stands out as the fastest growing in Atlantic Grupa's geographic sales profile. The latter therewith added 246bp to the overall top-line performance. This sales showing was largely buoyed by sales in the Ferrero assortment and lower single-digit sales growth in Cedevita vitamin instant drink in the retail distribution channel. One should note that dynamic sales performance came in despite personal consumption contraction in 9M10, stagnating average unemployment rate of 10.7% in 2010 as well as retail sales decline in food, beverages and tobacco.

  Serbian market saw 9.5% yoy higher sales in the local currency, whereby an average Serbian Dinar depreciation rate of 10.1% in 2010 eventually led to 0.5% yoy lower sales in the functional currency. Thereby, the key contributors in the local currency include: (i) sales growth in Cedevita assortment with Cedevita vitamin instant drink expanding in all distribution channel, whereby the HoReCa channel

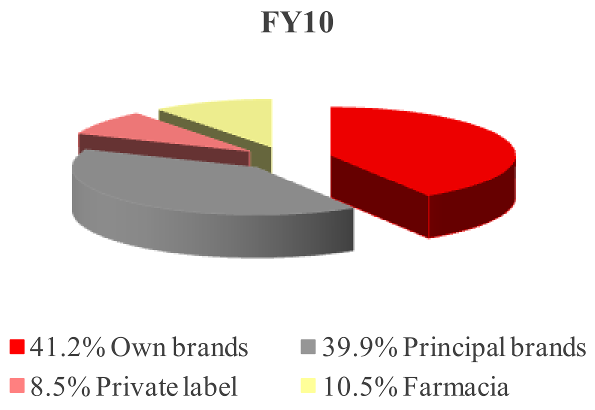
ATLANTIC GRUPA joint stock company for internal and external trade, Zagreb, Miramarska 23, Hrvatska, tel: +385 (1) 24 13 900, fax: +385 (1) 24 13 901, www.atlantic.hr.
The company is registered with the Commercial Court in Zagreb, registration number: 080245039, OIB (personal identification number): 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.

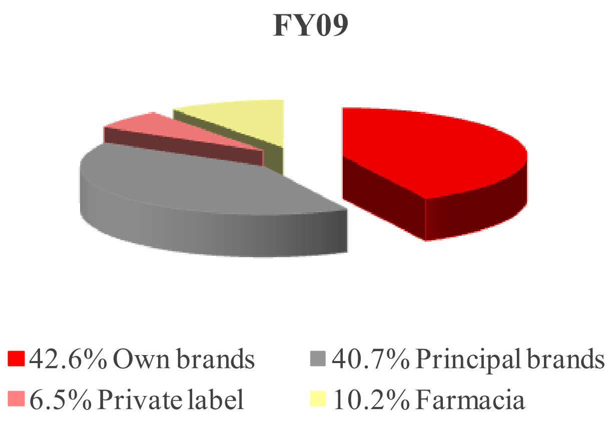
spearheaded advance, (ii) commencement of the Ferrero's semifreddo assortment distribution and (iii) other distribution categories. One should consider this showing in macroeconomic surrounding that failed to support real sector given expected personal consumption decline in 2010 amidst unfavourable dynamics on the labour market with unemployment rate at 19.2%.

- In 2010, the **key West European markets** showed positive developments in top-line with the largest market in terms of sales – Germany – posting 2.7% yoy lift in sales in CER terms, while Italy and UK delivered more dynamic growth rates of 14.8% yoy and 11.1% yoy (in functional currency), apiece. Reported showing was spurred by: (i) sales advance in own brands – Multipower, Champ and Multaben and (ii) private label sales growth. One should view this performance in light of macroeconomic rebound on the key West European markets in 2010 with 3.6% yoy higher GDP in Germany as well as labour market revival (unemployment rate down to 7.7% in 2010 as opposed to 8.2% in 2009), whereby Italian and UK economies saw somewhat moderate recovery with 1.1% and 1.4% higher GDP, respectively. Nevertheless, German economy still deals with rather muted personal consumption recovery of 0.5% yoy in 2010 as well as higher consumer spending aversion, whereby UK economy suffers from higher unemployment rate of 7.9% in 2010 vs. 7.7% in 2009.

- With 29.7% yoy higher sales, **other markets** contributed to the group top-line growth with 311bp and therewith, alongside Slovenia, spurred the most the Group's sales development. Thereby, Russia and Switzerland stand out as the fastest growing markets, while Multivita's program and sports and functional food assortment kicked in as the key growth drivers.

Sales profile





- Having posted 2.2% yoy decline in 1H10, Atlantic Grupa's **own brands** rebounded in 2H10 posting 1.8% yoy growth. Consequently, own brands dropped modestly by 0.2% yoy to HRK934.6mil and therewith retained their dominant share in the group's sales profile of 41.2%. Thereby, sales drop on a yoy basis largely came on the back of lower sales in Cedevita and Plidenta brands that was largely annulled by top-line surge in Sports and Functional Food brands as well as in Multivita and Dietpharm brands.

- **Principal brands** delivered 1.0% yoy higher sales on the back of: (i) regional Ferrero program distribution with flagship Ferrero brands – Kinder and Nutella – posting 30% yoy higher sales and (ii) introduction of new distribution categories including One2play's assortment in the region and Rauch program in the Croatian retail channel. Aforementioned categories compensated sales drop in some other distribution categories as well as distribution contract break up with Nestle Purina Pet Care for the Croatian market during 2009.

- Spurred by higher private label sales in the Sports and Functional Food division, **private label** category posted the most dynamic sales growth of 35% in the group's sales profile and thus expanded its share in total sales by 200bp to 8.5%.

- **Farmacia** saw its top-line up by 5.7% yoy in 2010. The category delivered the same showing on normalized level, whereby the latter strips off: (i) FY10 sales from partially consolidated pharmacies/specialized stores of the acquired pharmacy chain Dvoržak and (ii) 8M09 sales of 2 spun off pharmacies from the HI Coner.

PROFITABILITY DYNAMICS in FY10

in HRKm	2010	2009	Change 10/09
Sales	2,268.6	2,199.4	3.1%
EBITDA	220.0	197.0	11.7%
EBITDA ex. one-offs	201.7	189.4	6.5%
EBIT	165.0	153.8	7.2%
EBIT ex. one-offs	146.6	146.2	0.3%
Net profit	106.8	97.3	9.7%
Net profit ex. one-offs	97.2	89.7	8.4%
Profitability margins			
EBITDA margin	9.7%	9.0%	+74 bps
EBITDA margin ex. one-offs	8.9%	8.6%	+28 bps
EBIT margin	7.3%	7.0%	+28 bps
EBIT margin ex. one-offs	6.5%	6.6%	-19 bps
Net profit margin	4.7%	4.4%	+28 bps
Net profit margin ex. one-offs	4.3%	4.1%	+21 bps

Key highlights:

- In FY10, Atlantic Grupa delivered 11.7% yoy higher **earnings before interests, taxes and depreciation (EBITDA)** of HRK220m, whereby posted showing partially reflected one-offs occurring in 2009 and 2010.
- **One-offs in FY09 included:**
  - (i) HRK9.9m in non-recurring gain on acquisition of minority interest in Cedevita from the German development bank DEG
  - (ii) HRK2.2m in one-off cost related to transfer of Neva's production to new production location.
- **One-offs in FY10 included:**
  - (i) HRK48.5m one-off gain from the sale of Neva's former location in Tuškanova
  - (ii) HRK52.2m one-time transaction costs related to Droga Kolinska's acquisition
  - (iii) HRK16.9m in positive financial impacts related to income on deposits from capital increase funds (one third of total amount) and positive exchange rate differences
  - (iv) HRK5.1m in non-recurring gain on acquisition of the company Kalničke vode Bio Natura (badwill).

- Stripping off one-time events, **normalized EBITDA** advanced 6.5% to HRK201.7m reflecting focus on cost management and therewith surpassed management's guidance communicated at the beginning of 2010. The **4Q10** performance shows **15.2% yoy higher EBITDA on normalized level**.

➢ **Normalized operating profitability (EBIT)** showed somewhat slower 0.3% yoy growth in FY10 to HRK146.6m amidst elevated depreciation costs largely reflecting higher capital investments in lifting up Cedevita's production capacity and in Cedevita GO!'s production equipment throughout 2009.

➢ **Net profit** soared 8.4% yoy to HRK97.2m on normalized level whereby one-offs assumed:
(i) HRK18.4m in one-offs (above EBIT)
(ii) HRK10.4m in net financial impact (o/w HRK11.2m refers to interest expense amid Droga Kolinska acquisition financing and HRK0.8m to one-off FX gain)
(iii) HRK1.6m in tax impact related to abovementioned one-offs.

Division operating profitability ex. one-offs

in HRKm	2010	2009	Change10/09
Distribution	**29.0**	31.2	-7.2%
Consumer Health Care	**74.7**	86.8	-13.9%
Sports and Functional Food	**30.1**	21.5	39.9%
Pharma	**16.9**	9.6	74.9%
EBIT	**150.7**	149.2	1.0%
Reconciliation	**4.1**	3.0	
Group EBIT	**146.6**	146.2	0.3%

Somewhat modest growth in Atlantic Grupa's normalized operating profit in FY10 largely reflected profitability enhancement in Sports and Functional Food and Pharma divisions that eventually managed to annul lower profitability in Distribution and Consumer HealthCare divisions.

➢ **Distribution division** posted 7.2% yoy lower EBIT pressured by lower sales as well as higher marketing investments amidst more intensive trade-marketing activities for new distribution categories as Ferrero program. Nevertheless, division simultaneously saw lower COGS as well as tumbling service and other operating expenses. Precisely downfall in the latter reflects cost optimisation activities in the period of subdued consumer demand.

➢ Even though **Consumer HealthCare division** saw its operating profitability down 13.9% yoy to HRK74.7m, division retained the largest portion of the Group's profitability. One should consider that HRK74.7m in EBIT reflects consolidated financial showing of Kalničke vode Bio Natura of negative HRK2.8m in 4Q10. Stripping off the impact, Consumer HealthCare division would have posted somewhat lower drop in operating profitability of 10.7% yoy largely on the back of lower sales and higher COGS.

ATLANTIC
GRUPA

- Following 81% and 34.2% yoy growth in FY08 and FY09, apiece, **Sports and Functional Food division** continued with focused improvement in operating efficiency and thus posted EBIT growth for the third consecutive year. Consequently, in FY10 Sports and Functional Food division's EBIT soared 39.9% to HRK30.1m buoyed by improved top-line showing and, on the opex side, lower other operating and service costs.

- Following 55.7% yoy operating profitability deterioration in FY09 hurt by front-loaded costs from opening up new pharmacies/specialised stores as well as restructuring activities amidst drug wholesale business launch, **Pharma division** posted strong turnaround with 74.9% yoy uptic in EBIT to HRK16.9m. Therewith the latter showed the most dynamic operating profitability enhancement among divisions, while delivering on management's guidance.

Normalized operating costs structure

In HRKm	2010	% of FY10 sales	2009	% of FY09 sales	Change 10/09
COGS	**1,085.7**	47.9%	1,043.9	47.5%	4.0%
Production materials & energy and changes in inventory	**293.8**	13.0%	272.8	12.4%	7.7%
Services	**143.9**	6.3%	154.4	7.0%	-6.8%
Staff costs	**325.9**	14.4%	322.5	14.7%	1.1%
Marketing and promotion costs	**148.7**	6.6%	139.4	6.3%	6.7%
Other operating expenses	**95.2**	4.2%	100.3	4.6%	-5.2%
Other (gains)/losses, net	**0.9**	0.0%	- 1.0	0.0%	n/a
Total operating expenses	**2,094.2**	**92.3%**	**2,032.4**	**92.4%**	**3.0%**

Stripping off the one-time items, the share of operating costs in total sales dipped modestly to 92.3% from 92.4% in FY09 thanks to focused cost management. Thereby:

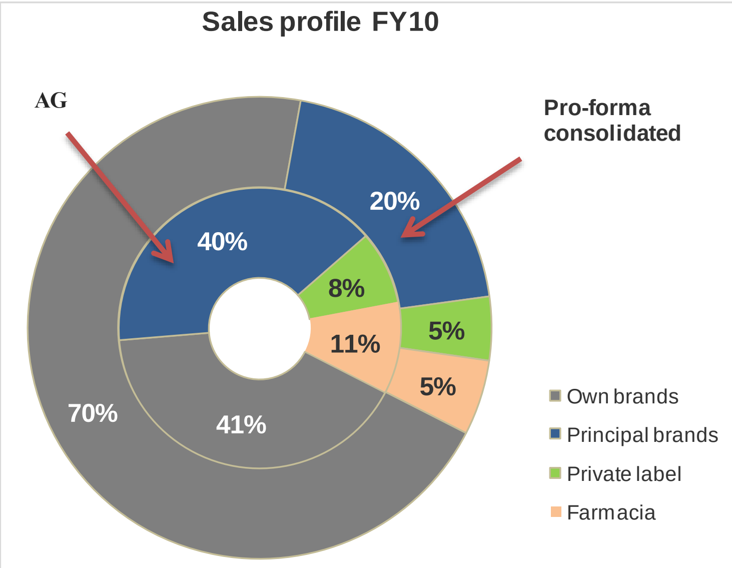
- **Costs of goods sold** – increased their share in Group's sales by 39bps to 47.9% largely on the back of changes in the product mix with higher share of private label sales in Group's sales.
- **Marketing and promotion costs** – advanced by 6.7% yoy and therewith meagrely raised their share in total sales by 22bps to 6.6%. Thereby, the key growth drivers were elevated marketing costs in Distribution and Sports and Functional Food divisions.
- **Staff costs** – advanced modestly by 1.1% yoy and thereby reduced their share in total sales to 14.4% from 14.7% in 2009. This comes in line with unchanged average number of employees (including seasonal impact) at 1,790 in 2010 as opposed to 1,784 employees (including seasonal impact) in 2009.

OVERVIEW of PRO-FORMA CONSOLIDATED ATLANTIC GRUPA AND DROGA KOLINSKA in FY10[1]

Key figures (HRKm)	AG	DK	2010
Revenues	2,301.9	2,283.7	**4,585.7**
Sales	2,268.6	2,244.4	**4,513.0**
EBITDA	220.0	322.3	**542.4**
Normalised EBITDA	201.7	322.3	**524.0**
EBIT	165.0	170.4	**335.4**
Normalised EBIT	146.6	170.4	**317.0**
Net profit	106.8	76.6	**183.4**
Normalised Net profit	97.2	76.6	**173.8**
Profitability margins			
EBITDA margin	9.7%	14.4%	**12.0%**
EBITDA margin ex. one-offs	8.9%	14.4%	**11.6%**
EBIT margin	7.3%	7.6%	**7.4%**
EBIT margin ex. one-offs	6.5%	7.6%	**7.0%**
Net profit margin	4.7%	3.4%	**4.1%**
Net profit margin ex. one-offs	4.3%	3.4%	3.9%

In FY10 Atlantic Grupa's P&L account does not reflect consolidation of Droga Kolinska, while pro-forma consolidation of acquired Droga Kolinska in FY10 depicts the following:

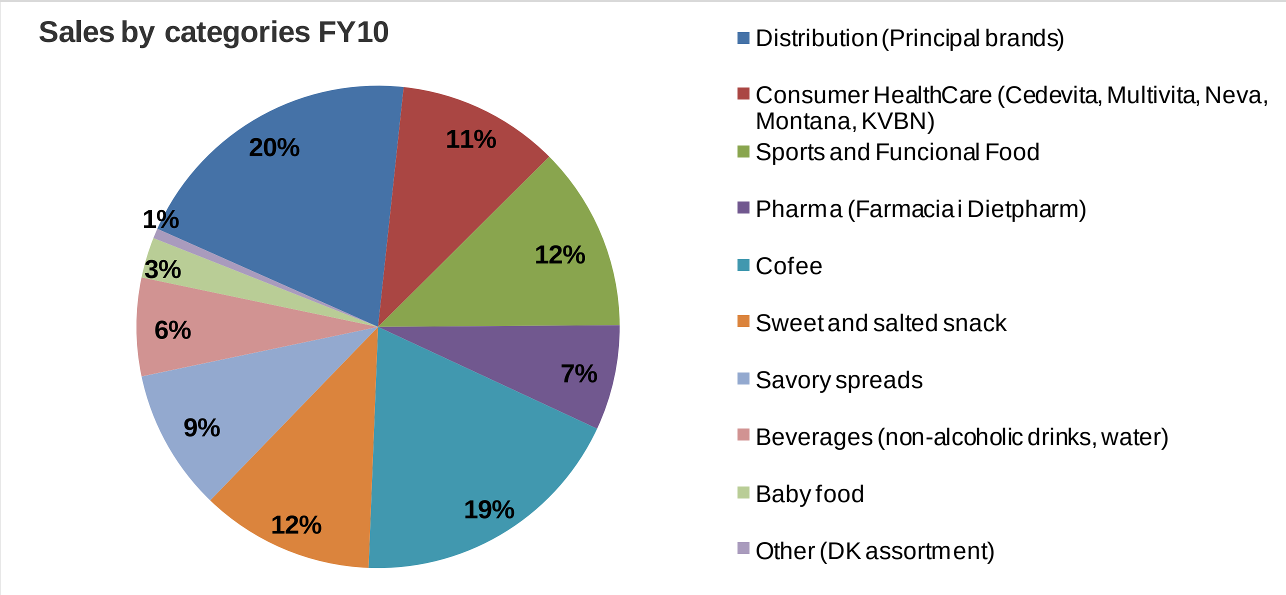
- Consolidated sales would have amounted to HRK4,513, i.e. two times the size of Atlantic Grupa's FY10 sales of HRK2.268,6m on a stand-alone basis.



Product mix:

- Product mix would have changed considerably in favour of own brands, whose share in total sales would have augmented to 70% from Atlantic Grupa's stand-alone showing of 41%.
- Share of principal brands would have halved to 20%, whereby private label share would have dropped to 5% from 8%. Lower share of principal brands and private label category and thus uplifted share of own brands will be (gross profit) margin accretive for the company.
- Farmacia's share would have slumped to 5% from the current 11%.

[1] Pro-forma consolidation reflects added unaudited results of two companies, but does not reflect actual and potential positive and negative effects of consolidation of two companies



- Pro-forma consolidation changes sales profile by product categories significantly, whereby:
  - Product assortment – Coffee – with brands Grand Kafa and Barcaffe stands out as the best selling individual product category in terms of sales with 19% share in pro-forma consolidated sales.
  - Product assortments – Sports and Functional Food – with brands Multipower, Champ and Multaben and – Sweet and Salted Snacks – with brands Smoki, Najlepše želje and Prima become the second largest assortments with 12% share in pro-forma consolidated sales, apiece.
  - Product assortment – Consumer HealthCare – with flagship brand Cedevita becomes the third largest assortment with 11% share in pro-forma consolidated sales.
  - Distribution (with principal brands primarily) accounts for 20% of pro-forma consolidated sales.

HRKm	AG		DK		AG+DK	
Croatia	1,250.6	55.1%	109.6	4.9%	**1,360.1**	**30.1%**
Serbia	130.1	5.7%	943.7	42.0%	**1,073.8**	**23.8%**
Slovenia	172.5	7.6%	410.8	18.3%	**583.4**	**12.9%**
BiH	79.0	3.5%	323.6	14.4%	**402.6**	**8.9%**
Other ex. YU	47.9	2.1%	213.2	9.5%	**261.2**	**5.8%**
Germany	244.3	10.8%	2.0	0.1%	**246.3**	**5.5%**
Great Britain	44.5	2.0%	3.8	0.2%	**48.3**	**1.1%**
Italy	49.3	2.2%	8.0	0.4%	**57.4**	**1.3%**
Russia and Eastern Europe	42.3	1.9%	137.9	6.1%	**180.2**	**4.0%**
Other	208.0	9.2%	91.7	4.1%	**299.7**	**6.6%**
Total sales	**2,268.6**	**100.0%**	**2,244.4**	**100.0%**	**4,513.0**	**100.0%**

- The company's geographical profile alters considerably with pro-forma consolidation that thereby assures more pronounced geographic diversification.

  - **Ex. YU region:** Even though ex. YU region's share in consolidated sales figure would have seen modest advance to 81.6% as opposed to Atlantic Grupa's stand-alone share of 74.1%, relations among particular markets change substantially, while becoming more balanced. Consequently:
    - Croatia stays the largest market in terms of sales with 30.1% in total sales, but its share diminishes significantly from Atlantic Grupa's stand-alone share of 55.1%. Therewith the company reduces the impact of Croatian performance on overall group performance.
    - Serbia grows to become the second largest market in terms of sales with 23.8% share vs. Atlantic Grupa's stand-alone share of 5.7%.
    - Slovenia nearly doubles its share in consolidated sales becoming therewith the third largest market in terms of sales with 12.9% share.
  - **Key West European markets:** Share of key WEU markets comes in considerably lower at 7.8% of pro-forma consolidated sales vs. Atlantic Grupa's stand-alone showing of 14.9%.
  - **Eastern Europe:** Share of this region, with Russia as dominant market, gains importance by extending to 4.0% as opposed to Atlantic Grupa's stand-alone performance of 1.9%. With HRK180m in sales from product categories including baby food, sports and functional food as well as Multivita's assortment, Russian market is perceived as perspective with potential for further development of other product categories.

- **Pro-forma consolidated profitability**:

  - Normalised profitability shows enhanced profit margins once Droga Kolinska consolidated whereby the most pronounced improvement comes in at EBITDA margin by 272bps to 11.6% as opposed to Atlantic Grupa's stand-alone showing of 8.9%. The latter largely comes on wings of Droga Kolinska's higher gross profit margin amidst own brands-oriented product mix.
  - In FY10, Droga Kolinska saw its normalized EBITDA surging 5.6% yoy in Croatian kuna, i.e. 6.4% yoy in EUR, spurred by, among other things, improved risk management activities as opposed to FY09. The latter largely relates to substantial reduction in net bad debt provisions below 1% of total sales thanks to stringent control of customers with deteriorated credit profiles as well as stricter receivables collection control via centralised credit control department.
  - Droga Kolinska's normalised operating profit jumped 19.4% yoy largely on the back of lower depreciation costs.
  - On the bottom-line level, Droga Kolinska showing came in 2.9 times higher thanks to lower net financial expenses.

ATLANTIC
GRUPA

FINANCIAL INDICATORS in FY10

in HRKm	2010	2009
Net debt	2,467.8	270.6
Total assets	5,099.0	1,775.3
Equity	1,454.5	757.8
Current ratio	1.25	1.66
Gearing ratio	62.9%	26.3%
Interest coverage ratio*	4.9	6.9
Net debt/EBITDA*	4.7	1.4
Capex (net of receipts from sale)	24.1	44.0
Cash flow from operating activities**	99.8	110.1

*Ex. one-offs, pro-forma
** Excluding impact of transaction costs

Atlantic Grupa's financial position in FY10 altered considerably, largely reflecting Droga Kolinska's acquisition.[2]

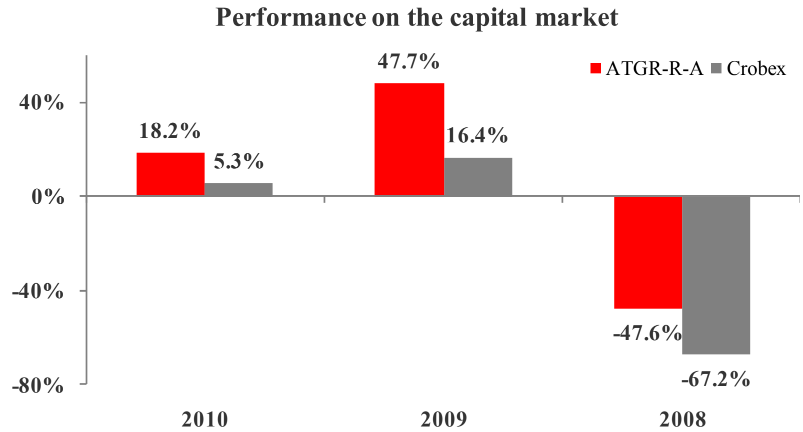
- At the YE10, Atlantic Grupa’s balance sheet positions reflect consolidated balance sheet of Droga Kolinska.
- At the YE10, Atlantic Grupa’s balance sheet reveals HRK2.5bn in net debt consisting of: (i) Atlantic Grupa’s existing leverage of HRK0.5bn, (ii) Droga Kolinska’s existing indebtness of HRK1.0bn, (iii) HRK1.1bn in new financing related to acquisition of Droga Kolinska (stated amount includes senior loans approved by Unicredit Group and Raiffeisen Group and junior loan granted by EBRD) and (iv) HRK237m in cash at disposal.
- At the YE10, Atlantic Grupa’s balance sheet shows HRK1.455m in total shareholders’ equity or two times position’s size at the YE09, while reflecting capital increase in July 2010 when the company raised altogether HRK605m funds.
- Following capital hike and elevated financial indebtness, all initiated by Droga Kolinska acquisition, Atlantic Grupa’s financing structure reveals the following: (i) capital and reserves account for 28.5% of total, (ii) long-term financial debt makes up 39.4% of total, (iii) short-term financial debt accounts for 11.4% of total, (iv) corporate bond holds 2.3% of total, (v) trade and other payables capture 14.0% of total and (vi) other liabilities hold 4.5%. Leverage indicators including: (i) elevated net debt – to – pro-forma consolidated normalized EBITDA ratio of 4.7 times vs. 1.4 times in FY09, (ii) lower pro-forma consolidated normalized EBITDA – to – pro-forma consolidated interest expense ratio of 4.9 times vs. 6.9 times in FY09 and (iii) higher gearing ratio of 62.9% vs. 26.3% at the YE09, call for prudent debt management, execution of fast integration, delivery of planned synergies and thus indebtness reduction in scheduled manner.

---

[2] Results are unaudited and audited results will be published in time required by law. According to the IFRS, Atlantic Grupa is required to make purchase price allocation in the 12-months period from the takeover. Depending on allocation’s results, changes are expected on net assets acquired and provisional goodwill.

PERFORMANCE ON THE CROATIAN CAPITAL MARKET in 2010

Despite challenging trends on the Croatian capital market in 2010, Atlantic Grupa's share surged 18.2% in 2010 and therewith outperformed the local benchmark Crobex's performance of 5.3%. Furthermore, the share was among a few Crobex components with double-digit share performance. One should consider that Atlantic Grupa's share outperformed the Crobex for the third consecutive year as the company delivers on business and financial guidance and continuously expands its business model. Furthermore, in 2010 Atlantic Grupa's share proved successful in terms of elevated liquidity thanks to, among other things, market making activities introduced at the beginning of 2010. Consequently, Atlantic Grupa's share ranked number nine among the most liquid shares on the Zagreb Stock Exchange in 2009 as opposed to 16th place a year earlier with 53.7% yoy higher average daily turnover in 2010.

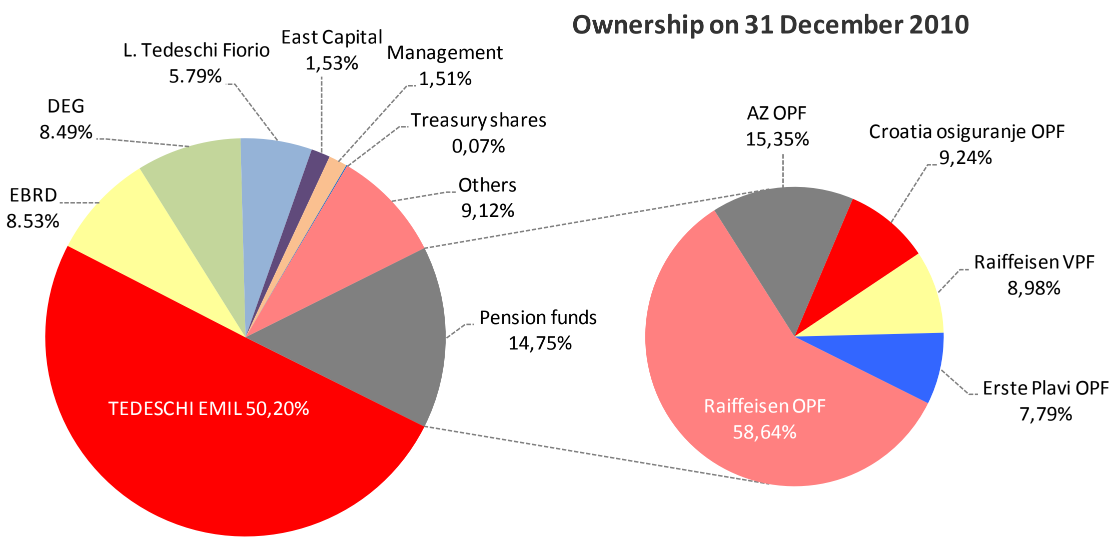


Comment:

Emphasized dates on the chart indicate:

1. Introduction of market maker
2. Announcement of non-binding offer for acquisition of Droga Kolinska
3. Announcement of signing a contract for the acquisition of Droga Kolinska

Since IPO in November 2007, last July's capital increase with 864,305 newly issued ordinary shares and raised HRK605m in fresh capital, is one of the key events for Atlantic Grupa on the Croatian capital market. Thereby, the European Bank for Reconstruction and Development (EBRD) entered Atlantic Grupa's shareholder structure as the second largest shareholder with 8.53% stake. Moreover, all four domestic obligatory pension funds, one voluntary pension fund, German development bank (DEG) and one of the leading asset management companies in Eastern Europe- East Capital participated in the capital hike.



Following capital hike and share performance, Atlantic Grupa's market capitalization of HRK2.7bn at the YE10 was 59.6% yoy higher. Furthermore, the latter resulted with Atlantic Grupa ranking number seven among the Croatian companies with the largest market capitalization.

Valuation	2010	2009
PPS (as of 31/12)	805.0	681.0
MCap (HRK 000)	2,684,112	1,682,091
Average daily turnover (HRK)	554,827	361,052
EV (HRK 000)	5,214,563	1,985,353
EV/EBITDA*	9.95	10.48
EV/EBIT*	16.45	13.58
EV/Sales*	1.16	0.90
EPS (HRK)	30.43	31.40
P/E	26.45	21.69

Ex. one-offs

*Pro-forma consolidated figures in 2010

OUTLOOK for FY11

Atlantic Grupa's strategic guidance for 2011 includes:

- ❖ 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 centralised level and lower levels, aiming to improve operating efficiency
- ❖ Prudent liquidity management

The management finds macroeconomic environment still challenging in 2011 for the real sector given that Croatian economy expects muted economic recovery of 1.6% yoy while still dealing with anaemic consumer fundamentals, ie. meagre recovery of personal consumption amidst elevated unemployment, pronounced jobs insecurity, consumer pessimism and deteriorated disposable income. Moreover, even though regional economies should see somewhat enhanced recovery as opposed to Croatia with Slovenia at +2.4% and Serbia and BiH at 3.0%, apiece, these still suffer from poor rebound in personal consumption and consumers' purchasing power largely amidst grim labour market trends (particularly in Serbian and BiH economies) and therewith related subdued personal income dynamics.
On the other side, key West European markets are expected to recover further with emphasis on the German market that was among the first to exit recessionary trends. Nevertheless, real sector is still worried with personal demand - weak environment despite lesser unemployment and personal income rebound. Simultaneously, on the Russian market, real sector is encouraged by uptic in Russian economy that should come in stronger in 2011 accompanied with better consumer prospects.

Furthermore, the management will place considerable attention on global commodity market trends evolution with particular emphasis on prices of key raw materials including coffee, sugar and cocoa that in 2010 jumped substantially.

Taken all into account, the management expects consolidated group to deliver in FY11:
- ❖ Lower single-digit growth rate in sales, while
- ❖ Maintaining operating profitability at FY10 pro-forma consolidated levels.

ATLANTIC GRUPA d.d.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (UNAUDITED)

ATLANTIC GRUPA d.d.

CONSOLIDATED INCOME STATEMENT

in thousands of HRK, unaudited	Jan - Dec 2010	Jan - Dec 2009	Index	Oct - Dec 2010	Oct - Dec 2009	Index
Turnover	**2,301,945**	**2,221,815**	**103.6**	**596,657**	**567,857**	**105.1**
Sales revenues	2,268,641	2,199,413	103.1	584,346	563,630	103.7
Other revenues	33,304	22,402	148.7	12,311	4,227	291.2
Operating expenses	**2,081,899**	**2,024,786**	**102.8**	**575,371**	**529,720**	**108.6**
Cost of merchandise sold	1,085,720	1,043,938	104.0	304,764	289,338	105.3
Change in inventories	(9,405)	(15,835)	59.4	(1,474)	626	n/a
Production material and energy	303,215	288,617	105.1	68,221	57,383	118.9
Services	163,338	154,421	105.8	47,270	38,780	121.9
Staff costs	325,942	322,544	101.1	85,835	81,986	104.7
Marketing and selling expenses	148,692	139,372	106.7	33,248	27,611	120.4
Other operating expenses	128,535	100,329	128.1	49,202	34,051	144.5
Other (gains)/losses - net	(64,138)	(8,600)	n/a	(11,695)	(55)	n/a
EBITDA	**220,046**	**197,029**	**111.7**	**21,286**	**38,137**	**55.8**
Depreciation	41,589	31,618	131.5	11,486	8,883	129.3
Amortization	13,472	11,570	116.4	6,781	4,060	167.0
EBIT	**164,985**	**153,841**	**107.2**	**3,019**	**25,194**	**12.0**
Financial expenses - net	(41,938)	(26,904)	155.9	(22,451)	(7,226)	n/a
Share of profit of joint venture	75	150	n/a	0	150	n/a
EBT	**123,122**	**127,087**	**96.9**	**-19,432**	**18,118**	**n/a**
Income tax	16,325	29,758	54.9	-19,617	2,575	n/a
Profit for the period	**106,797**	**97,329**	**109.7**	**185**	**15,543**	**n/a**
Attributable to:						
Minority interest	11,804	12,276	96.2	4,484	2,686	166.9
Equity holders of the Company	94,993	85,053	111.7	(4,299)	12,857	n/a
Earnings per share for profit attributable to the equity holders of the Company						
- basic	33.84	34.50		-1.53	5.22	
- diluted	33.84	34.50		-1.53	5.22	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of HRK, unaudited	Jan - Dec 2010	Jan - Dec 2009	Index	Oct - Dec 2010	Oct - Dec 2009	Index
Profit for the period	**106,797**	**97,329**	**109.7**	**185**	**15,543**	**n/a**
Currency translation differences	(3,907)	(1,752)	223.0	(638)	(377)	169.2
Cash Flow hedge	1,959	(1,788)	n/a	1,897	(1,788)	n/a
Total comprehensive income	**104,849**	**93,789**	**111.8**	**1,444**	**13,378**	**10.8**
Attributable to:						
Minority interest	11,761	12,136	96.9	4,471	2,671	167.4
Equity holders of the Company	93,088	81,653	114.0	(3,027)	10,707	n/a
Total comprehensive income	104,849	93,789	111.8	1,444	13,378	10.8

ATLANTIC GRUPA d.d.

CONSOLIDATED BALANCE SHEET

in thousands of HRK, unaudited	31 December 2010	31 December 2009
Property, plant and equipment	1,272,935	296,945
Investment property	1,816	-
Intangible assets	1,858,460	449,414
Available-for-sale financial assets	36,202	35,041
Interest in joint venture	-	179
Trade and other receivables	23,792	10,718
Deferred tax assets	50,982	7,485
Non-current assets	3,244,187	799,782
Inventories	480,408	233,736
Trade and other receivables	1,100,178	512,815
Non-current assets held for sale	11,141	7,154
Prepaid income tax	17,951	4,128
Deposits given	5,192	143,129
Derivative financial instrument	7,939	-
Cash and cash equivalents	231,978	74,580
Current assets	1,854,787	975,542
Total assets	5,098,974	1,775,324
Capital and reserves attributable to equity holders of the Company	1,391,834	725,187
Minority interest	62,654	32,620
Borrowings	2,006,516	379,240
Deferred tax liabilities	53,037	45,989
Other non-current liabilities	38,421	-
Provisions	60,419	5,739
Non-current liabilities	2,158,393	430,968
Trade and other payables	712,144	446,975
Borrowings	698,451	109,112
Current income tax liabilities	16,594	10,626
Derivative financial instrument	35,344	1,846
Provisions	23,560	17,990
Current liabilities	1,486,093	586,549
Total liabilities	3,644,486	1,017,517
Total equity and liabilities	5,098,974	1,775,324

ATLANTIC GRUPA d.d.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of Company					
in thousands of HRK, unaudited	Share capital	Reserves	Retained earnings	Total	Minority interest	Total
At 1 January 2009	**408,200**	**1,325**	**252,251**	**661,776**	**78,537**	**740,313**
Comprehensive income:						
Net profit for the period	-	-	85,053	85,053	12,276	97,329
Other comprehensive income	-	(3,400)	-	(3,400)	(140)	(3,540)
Total comprehensive income	-	(3,400)	85,053	81,653	12,136	93,789
Transactions with owners:						
Share based payment	1,275	-	(1,184)	91	-	91
Purchase of treasury shares	(1,071)	-	-	(1,071)	-	(1,071)
Acquisition of minority interest	-	-	-	-	(47,802)	(47,802)
Dividends relating to 2008	-	-	(17,262)	(17,262)	(10,251)	(27,513)
At 31 December 2009	**408,404**	**(2,075)**	**318,858**	**725,187**	**32,620**	**757,807**
At 1 January 2010	**408,404**	**(2,075)**	**318,858**	**725,187**	**32,620**	**757,807**
Comprehensive income:						
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
Transactions with owners:						
Capital increase	605,014	-	-	605,014	-	605,014
Acquisition of subsidiary	-	-	-	-	26,207	26,207
Acquisition of minority 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)
At 31 December 2010	**1,016,282**	**(3,980)**	**379,532**	**1,391,834**	**62,654**	**1,454,488**

ATLANTIC GRUPA d.d.

INTERIM CONSOLIDATED CASH FLOW STATEMENT

in thousands of HRK, unaudited	Jan - Dec 2010	Jan - Dec 2009
Cash flows from operating activities		
Net profit	**106,797**	**97,329**
Income tax	16,325	29,758
Depreciation, amortization and impairment	55,061	43,188
Gain on acquisition of minority interest	-	(9,856)
Gain on disposal of property, plant and equipment	(48,893)	(1,153)
Gain on acquisition of subsidiary	(5,068)	-
Share of the joint venture's profit	-	(150)
Value adjustment of current assets	21,886	29,912
Share based payment	994	91
Interest income	(13,050)	(11,739)
Interest expense	38,668	27,614
Other non-cash changes	2,226	182
Changes in working capital:		
Increase in inventories	(47,578)	(21,839)
Increase in current receivables	(3,068)	(32,561)
(Decrease) / increase in current payables	(19,455)	19,137
Decrease in provisions for risks and charges	(4,200)	(2,236)
Interest paid	(26,566)	(27,671)
Income tax paid	(25,714)	(29,922)
Net cash flow from operating activities	**48,365**	**110,084**
Cash flow from investing activities		
Purchase of tangible and intangible assets	(34,830)	(97,695)
Proceeds from sale of property, plant and equipment	10,750	5,301
Advance received for sale of tangible assets	-	48,416
Acquisition of subsidiary net of cash acquired	(10,800)	-
Acquisition of subsidiary	(1,687,258)	-
Advances given for acquisition of subsidiaries	-	(27,624)
Loans and deposits given	127,778	(140,910)
Dividend received	225	164
Interest received	13,025	10,868
Net cash flow used in investing activities	**(1,581,110)**	**(201,480)**
Cash flow from financing activities		
Capital increase	605,014	-
Purchase of treasury shares	-	(1,071)
Proceeds from / (repayment of) borrowings - net	1,114,712	(5,633)
Dividend paid to minority interest	(8,608)	(10,251)
Dividend paid to equity holders of the Company	(20,975)	(17,262)
Net cash flow from / (used in) financing activities	**1,690,143**	**(34,217)**
Net increase / (decrease) in cash and cash equivalents	**157,398**	**(125,613)**
Cash and cash equivalents at beginning of period	74,580	200,193
Cash and cash equivalents at end of period	231,978	74,580

NOTE 1 – GENERAL INFORMATION

Atlantic Grupa d.d. (the Company) is incorporated in the Republic of Croatia. Atlantic Grupa is the leading European producer of sports food with the Multipower brand, the largest regional producer of vitamin instant drinks and food supplements with Cedevita and Dietpharm brands, a significant manufacturer of personal care products as well as the leading distributor of fast moving consumer goods in South-eastern Europe and the owner of the leading private pharmacy chain in Croatia under the brand Farmacia.

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 2010 were approved by the Management Board of the Company in Zagreb on 22 February 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 year ended 31 December 2010 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 2009.

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 2009, except for the adoption of new Standards and Interpretations as of 1 January 2010, as noted below:

(a) New and amended standards adopted by the Group prospectively on acquisitions occurred after 1 January 2010

IFRS 3 (Revised) – Business combinations and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investments in associates, and IAS 31 - Interests in joint ventures are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs are expensed.

NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 27 (revised) - Consolidated and separate financial statements
requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events)

IFRIC 17 - Distribution of non-cash assets to owners (effective on or after 1 July 2009)
provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

IFRIC 18 - Transfers of assets from customers (effective for transfer of assets received on or after 1 July 2009) clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

IFRIC 9 - Reassessment of embedded derivatives and IAS 39 - Financial instruments: Recognition and measurement (effective 1 July 2009)
requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remains classified as at fair value through profit or loss in its entirety.

IFRIC 16 - Hedges of a net investment in a foreign operation (effective 1 July 2009)
states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group.

NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 38 (amendment) - Intangible assets (effective 1 January 2010)
clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

IAS 1 - Presentation of financial statements (amendment)
clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IAS 36 - Impairment of assets (amendment, effective 1 January 2010)
clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8 - Operating segments (that is, before the aggregation of segments with similar economic characteristics).

IFRS 2 - Group cash-settled share-based payment transactions (amendments, effective form 1 January 2010) in addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

IFRS 5 - Non-current assets held for sale and discontinued operations (amendment).
clarificaties that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted

- IFRS 9 - Financial instruments
- IAS 24 (revised) - Related party disclosures
- IAS 32 (amendment) - Classification of rights issues
- IFRIC 19 - Extinguishing financial liabilities with equity instruments
- IFRIC 14 - Prepayments of a minimum funding requirement

2.3. COMPARATIVES AND RESTATEMENTS

During 2010, the Group has changed the classification of several categories of expenses and income and this resulted in changes in comparative figures for 2009. Most important changes are related to the reclassification of income from sale of marketing material from 'Other revenues' to decrease of 'Marketing and selling expenses'.

NOTE 3 – SEGMENT INFORMATION

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

- The Distribution Division deals with the distribution of consumer goods including products of the Consumer Health Care, Sports and Functional Food and Pharma division.

- 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 health food.

- The Pharma Division specialises in the development, production and sales of prescription drugs, OTC products and food supplements, through its chain of pharmacy stores.

By the end of 2010, the Group has acquired 100% ownership in Droga Kolinska d.d.. Consolidated balance sheet as at 31 December 2010 includes balance sheet positions of Droga Kolinska.

Starting from January 1st 2011, operating results of Droga Kolinska business will be monitored separately, through the fifth reportable segment – **The Droga Kolinska Division**.

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

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

NOTE 3 – SEGMENT INFORMATION (continued)

For the year ended 31 December 2010 (in thousands of HRK)	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Reconciliation	Group
Gross revenues /i/	1,308,296	492,044	558,412	330,832	9,647	2,699,231
Inter-segment revenues /ii/	21,397	352,128	4,024	19,737	-	397,286
Total revenues	**1,286,899**	**139,916**	**554,388**	**311,095**	**9,647**	**2,301,945**
EBITDA /iii/	48,778	108,695	36,832	23,287	2,454	220,046
Depreciation and amortization	11,329	25,519	6,703	6,410	5,100	55,061
EBIT	**37,449**	**83,176**	**30,129**	**16,877**	**(2,646)**	**164,985**
Total assets /iv/	560,971	598,302	164,158	577,677	(208,437)	1,692,671
Total assets at 31.12.2009. /v/	480,240	458,183	144,634	556,797	(155,942)	1,483,912

On December 31, 2010 asset of the segment Droga Kolinska amounted to 3,040,411 thousand.

For the year ended 31 December 2009 (in thousands of HRK)	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Reconciliation	Group
Gross revenues /i/	1,331,304	503,222	494,602	300,196	8,314	2,637,638
Inter-segment revenues /ii/	21,281	379,241	2,519	12,782	-	415,823
Total revenues	**1,310,023**	**123,981**	**492,083**	**287,414**	**8,314**	**2,221,815**
EBITDA /vi/	41,936	105,758	27,788	14,921	6,626	197,029
Depreciation and amortization	10,729	18,975	6,254	5,275	1,955	43,188
EBIT	**31,207**	**86,783**	**21,534**	**9,646**	**4,671**	**153,841**

/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 1,036 thousand), Company's intangible assets (HRK 2,871 thousand), short term deposits given (HRK 5,192 thousand), Company's trade and other receivables (HRK 29,692 thousand), available-for-sale financial assets (HRK 36,202 thousand), deferred tax assets (HRK 50,982 thousand), derivative financial instruments (HRK 7,939 thousand) and cash and cash equivalents (HRK 231,978 thousand).
/iv/ Inter-segment receivables are eliminated on consolidation. Segment assets do not include property, plant and equipment of the Company (HRK 1,754 thousand), Company's intangible assets (HRK 1,407 thousand), short term deposits given (HRK 143,129 thousand), trade and other receivables (HRK 27,837 thousand), available-for-sale financial assets (HRK 35,041 thousand), interest in joint venture (HRK 179 thousand), deferred tax assets (HRK 7,485 thousand) and cash and cash equivalents (HRK 74,580 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.

	2010	**2009**
Net profit attributable to equity holders (in thousands of HRK)	94,993	85,056
Weighted average number of shares	2,807,386	2,465,279
Basic earnings per share (in HRK)	33.84	34.50

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 2010, Group invested HRK 34,830 thousand in purchase of property, plant and equipment (2009: HRK 97,695 thousand).
Furthermore, transaction of property sale has completed and resulted in HRK 48,557 thousand profit.

NOTE 6 - INVENTORIES

During the year ended 31 December 2010, the Group wrote down HRK 17,590 thousand of inventories due to damage and short expiry dates (2009: HRK 18,226 thousand). The amount is recognised in the income statement within Other operating expenses.

NOTE 7 – ACQUISITION OF SUBSIDIARIES AND MINORITY INTEREST

In January 2010 Group acquired additional 5% in subsidiary Atlantic Farmacia d.o.o. Difference between acquisition cost and net book value of acquired minority interest is recognised directly in equity.

By the end of September 2010, Atlantic Grupa d.d. signed a contract with Badel 1862 to takeover ownership in Kalničke vode Bio Natura for the amount of HRK 82 million (enterprise value). The process of control takeover has finished during October. Surplus value of net assets acquired over acquisition cost amounted HRK 5,068 thousand and was recognised directly in profit and loss account within Other (gains)/losses.

By the end of November 2010, the Group has finalized takeover of Droga Kolinska d.d. for the amount of EUR 243.1 million. As the result of this transaction, the provisional goodwill of HRK 502,433 thousand has been determined as the difference between cost of acquisition and value of net assets acquired. The process of control takeover has finished by the end of 2010 and thereof balance sheet positions of Droga Kolinska are included in the consolidated balance sheet as at 31 December 2010.

Had all companies been acquired as at 1 January 2010, the consolidated revenue for the year ended 31 December 2010 would have been HRK 2,313,419 higher, while profit before taxation would have been HRK 70,010 thousand higher than currently reported.

NOTE 8 – SHARE CAPITAL

	Number of shares	Ordinary shares	Share premium	Treasury shares	Total
			(in thousands of HRK)		
1 January 2010	2,465,608	98,800	312,784	(3,180)	408,404
Capital increase /i/	864,305	34,572	570,442	-	605,014
Share based payment	4,233	-	(204)	3,068	2,864
31 December 2010	**3,334,146**	**133,372**	**883,022**	**(112)**	**1,016,282**

/i/ With an aim to raise funds to finance the acquisition of Droga Kolinska d.d., Slovenia, Management Board adopted, during July, the decision on capital increase by the public offering of 864,305 newly issued ordinary shares (each in the nominal value of HRK 40.00). This resulted in increase of subscribed share capital of the Company from the amount of HRK 98,799,800.00, for the amount of HRK 34,572,200.00 to the amount of HRK 133,372,000.00. Newly issued shares are issued for the amount of HRK 700.00 per share and therefore funds collected amounted HRK 605 million.

Dividends paid

According to the decision of the Company's General Assembly in June 2010 (in June 2009), distribution of dividend in the amount of HRK 8.50 per share, HRK 20,975 thousand in total was approved (2009: HRK 7.00 per share and HRK 17,262 thousand in total).

Atlantic Grupa d.d.
Miramarska 23
Zagreb

Register number: 1671910

Zagreb, 24 February 2010

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 2010 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 2010 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:

Atlantic Grupa
Investor relations

+385 1 2413 908
ir@atlantic.hr