1H11 Financial results

Zagreb – July 28th, 2011

Results in line with expectations alongside successful execution of integration processes

- **Sales at 2,197.1 million kuna**
  + 104.8% yoy based on reported figures
  + 2.2% yoy organic growth
  + 3.6% yoy growth compared to pro-forma consolidated levels in the same period last year
- **Earnings before interests, taxes and depreciation (EBITDA) at 226.6 million kuna**
  + 67.1% yoy based on reported figures
- **Normalised EBITDA at 229.5 million kuna**
  + 156.5% yoy based on reported figures
- **Net profit after minorities at 7.1 million kuna**
  * Linear allocation of financial expenses on a quarterly basis
  * **Normalised net profit after minorities at 10.0 million kuna**

Chairman's comment

CEO of Atlantic Grupa, Emil Tedeschi commented financial performance in 1H11:

"Following successful execution of key integration activities with special emphasis on distribution and logistics on the regional markets, in 1H11 Atlantic Grupa delivered two times higher sales and normalised operating profitability as compared to the same period last year.
In the remaining of 2011 as well as in the next year, the company will place focus on improvement and optimisation of internal processes, development of financial and operating risk management techniques as well as active brand management with key aim to realise synergy potentials and meet all financial commitments. "

1H11 financial highlights

Key figures	1H11	1H10	Change 11/10
Sales (HRKm)	**2,197**	1,073	104.8%
Revenues (HRKm)	**2,209**	1,087	103.3%
EBITDA margin*	**10.4%**	8.3%	+211 bps
Net income/(loss) after minorities (HRKm)*	**10**	38	-73.5%
Gearing ratio**	**62.7%**	62.9%	

*Ex. one-offs ** Gearing ratio of 62.9% at YE10

KEY DEVELOPMENTS in 1H11

Integration of Droga Kolinska and Atlantic Grupa

During 1Q11, Atlantic Grupa successfully finalised first, but key phase of the integration process of Droga Kolinska into Atlantic Grupa's business model in order to deliver synergy potentials.
Integration activities have been focused on the following areas:

- Distribution:
  - Setting up joined distribution on all regional markets: establishing independent distribution companies on each regional market that are consolidated in the Distribution division
  - Implemented new commercial terms on all regional markets
  - Sales force optimized
- Logistics and investments:
  - Setting up joined logistics operations and processes (the most complex one in Serbia with 11 distribution centres initially, reallocated to 4 new locations finally)
  - Logistics reorganisation in Croatia (in-house logistics as opposed to formerly outsourced logistics)
  - Consolidation of office space on all regional markets
- Procurement
  - Implemented centralised procurement system
  - Developed purchasing category management concept with lead buyers for key raw materials
- Marketing
  - Implemented centralised marketing that consolidates market research, marketing communication and marketing related development projects.

More complex as well as longer-term phase of integration process includes integration of specific IT systems and production, while the latter currently develops feasibility studies for consolidation of particular production activities (e.g. transfer of currently outsourced production to in-house production).

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

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

In 2003, Agrokor and Atlantic Grupa became part of the consortium of Croatian companies and RTL Group that won the bid for the national television concession. Companies within the consortium had a goal, in cooperation with one of the largest media companies in Europe with vast experience and knowledge in

media business, to generate modern competition and bring new quality to the Croatian media market, which RTL Croatia succeeded in doing through its systematic trendsetting and leading position.
As at 31 December 2010, Atlantic Grupa had an investment in equity instrument in the amount of HRK 35,041 thousand, related to an unlisted equity instrument (31 December 2009: HRK 35,041 thousand) in a company with a BBB/stable/A-2 credit rating by Standard & Poor’s.

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

ATLANTIC GRUPA

SALES DYNAMICS IN 1H11

Sales profile by division

in HRK thousands

1H11	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Droga Kolinska	Consolidated Group	Atlantic Grupa ex. Droga Kolinska
Gross sales	1,157,290	242,226	325,612	176,433	1,072,242	**2,973,802**	
Intersegment sales						776,675	
Consolidated sales						**2,197,127**	
Gross sales ex. DK	563,987	242,226	325,612	176,433			**1,308,257**
Intersegment sales							211,500
Consolidated sales ex. DK							**1,096,757**
1H10						**Pro-forma**	
Gross sales	599,992	252,177	272,566	156,875	1,048,166	2,329,776	1,281,610
Intersegment sales						208,548	208,548
Consolidated sales						2,121,228	1,073,062
Change 11/10							
Gross sales	**92.9%**	**-3.9%**	**19.5%**	**12.5%**	**2.3%**		
Intersegment sales							
Consolidated sales						**3.6%**	
Gross sales (organic)	**-6.0%**	**-3.9%**	**19.5%**	**12.5%**			
Intersegment sales							
Consolidated sales- organic growth							**2.2%**

Atlantic Grupa delivered sales of **HRK2,197.1m** in 1H11, that came in 3.6% yoy higher compared to pro-forma consolidated sales in 1H10. Stripping off Droga Kolinska's assortment, Atlantic Grupa posted **2.2% yoy** higher sales on **organic level**.

- **Distribution division** – Following integration activities in distribution during 1Q11, today this Division incorporates distribution of Atlantic Grupa's portfolio before the acquisition and distribution of acquired Droga Kolinska on four key regional markets: Croatia, Serbia, Slovenia and Macedonia. Consequently, in 1H11 Distribution division posted gross sales of HRK1,157.3m, whereby excluding Droga Kolinska's assortment in the same period, sales amounted to HRK564.0m and came in 6.0% yoy lower. Performance in 2Q11 largely alleviated decline in the 1Q11 on the back of Eastern holidays-driven sales as well as renewal of key customers' contracts following distribution assortment expansion with Droga Kolinska's product portfolio. Analysing regional markets' 1H11 performance, on pro-forma consolidated level growth came in on Slovenian, Serbian and Macedonian markets, whereby Croatian market showed decline largely reflecting contracting macroeconomic activity in 1Q11 and therewith extension of recession in the third consecutive year.

- Following gross sales decline in 1Q11, **Consumer HealthCare division** posted 7.5% yoy rebound in 2Q11 that eventually led to 3.9% yoy lower gross sales on cumulative level in 1H11. Even though Eastern holidays-spurred sales positively impacted larger portion of Consumer HealthCare division, key culprits behind lower gross sales in 1H11 include: (ii) consolidation of distribution activities that impacted Atlantic Grupa’s existing assortment and (iii) anaemic macroeconomic environment particularly on the Croatian market.

- With 19.5% yoy higher sales in 1H11, **Sports and Functional Food division** emerged as one of the key sales growth drivers in Atlantic Grupa. This advance came on wings of 21.3% yoy higher sales in Champ brand and 14.9% yoy sales growth in Multaben brand as well as private label sales uplift. Geographically, the largest market in terms of sales – Germany – delivered double-digit top-line growth in functional and local currency, supported as well by German economy growth.

- Within 12.5% yoy sales surge in **Pharma division**, 14% yoy sales increase came from the pharmacy chain Farmacia and 7% yoy sales advance from the VMS (vitamins, minerals and food supplements) and OTC producer – Fidifarm. Growth in the former was largely driven by newly opened pharmacies and specialised stores as well as finalised consolidation of pharmacies and specialised stores from the acquired Dvoržak pharmacy chain. Stripping off the impact of newly opened pharmacies/specialised stores as well as consolidation of acquired Dvoržak pharmacy chain, division saw 1.0% yoy higher sales in 1H11.

- **Droga Kolinska division** saw its gross top-line up by 2.3% yoy in 1H11 reflecting thereby sales rebound in the 2Q11 by 7.2% yoy following decline in 1Q11. Recovery came on the back of finalisation of integration activities with distribution of Droga Kolinska’s assortment transferred to Atlantic Grupa’s distribution infrastructure from former distribution partners. Analysing categories separately, the most pronounced growth came in the coffee segment, baby food assortment and confectionary portfolio. Division’s geographic profile depicts Serbian, Macedonian and Russian markets as growing markets.

Multi-division summary by geographic zone

in HRKm	1H11	% of total sales	1H10	% of total sales	Change 1H11/1H10
Croatia	**629.4**	28.6%	593.8	55.3%	**6.0%**
Serbia	**547.3**	24.9%	60.4	5.6%	**806.8%**
Slovenia	**261.2**	11.9%	74.0	6.9%	**252.8%**
BiH	**185.0**	8.4%	40.2	3.7%	**359.9%**
Other ex. YU*	**113.8**	5.2%	19.8	1.8%	**474.5%**
Key WEU (GER, UK, ITA)	**197.1**	9.0%	172.7	16.1%	**14.1%**
Russia & EE	**81.5**	3.7%	15.9	1.5%	**411.6%**
Other	**181.8**	8.3%	96.2	9.0%	**89.0%**
Total sales	**2,197.1**	100.0%	1,073.1	100.0%	**104.8%**

- **Croatian market** posted total sales (including Droga Kolinska's portfolio) of HRK629.4m in 1H11 as opposed to HRK593.8m in 1H10, while remaining the largest geographic market with 28.6% of the group's sales. Croatian market delivered 3.3% yoy lower sales on organic level and 4.3% yoy lower sales on pro-forma consolidated level in 1H11. Considering 6.0% yoy lower sales on organic level and 9.2% yoy lower sales on pro-forma consolidated level in 1Q11, the second quarter certainly dwarfed decline in sales on cumulative level. From the macroeconomic perspective, Croatian market continues to suffer from the least favourable macroeconomic dynamics with regards to all markets where Atlantic Grupa operates as reflected in anaemic domestic spending and consumer pessimism evident by dip in real retail sales, ex. auto/motorcycle sales, by 1.0% yoy in May, deteriorating consumer sentiment index to -50.2 pts on average in 1H11 from -48.3 pts on average in 1H10 as well as registered number of unemployed at 287k.

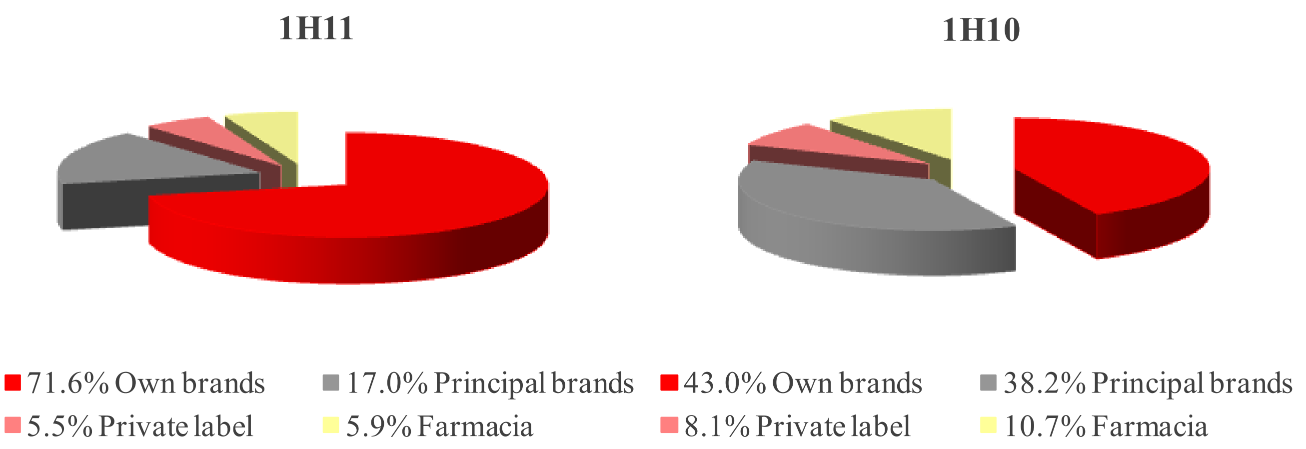
- **Regional markets** (excluding Croatia) delivered sales of HRK1,107.3m compared to HRK194.4m in 1H10, whereby 50.4% share in the total vs. 18.1% year ago reflects consolidation of Droga Kolinska with Sebia and Slovenia as two key sales markets in the geographic sales profile of the acquired company. Analysing Atlantic Grupa's showing excluding Droga Kolinska's assortment, sales rose 0.4% yoy on organic level, whereby sales advanced 4.1% yoy on the pro-forma consolidated level in 1H10. Consequently, 2Q11 performance certainly annulled sales decline recorded in the 1Q11. Moreover, two largest markets in terms of sales – Serbia and Slovenia – showed 9.4% and 1.2% yoy growth on the pro-forma consolidated level. Serbian showing came on wings of higher sales in (i) coffee segment represented by Grand Kafa brand, (ii) confectionary assortment as well as (iii) functional water assortment represented by Donat Mg brand. Slovenian market delivered growth driven by distribution of Ferrero assortment as well as higher sales in the coffee segment shown by Barcaffe brand. Macedonian market saw higher sales spurred by Cedevita assortment, coffee portfolio, savoury spread segment represented by Argeta brand, sweet and salted snacks assortment and carbonated soft drinks driven by Cockta brand.

- Among the **key West European markets** (Germany, Italy and UK), UK popped out as the fastest growing market in the functional and local currency with 20.9% and 18.4% yoy, higher sales on organic level, apiece. The largest market in terms of sales (71.2% of WEU sales) – Germany – posted 13.3% yoy higher sales in functional currency and 11.3% yoy higher sales in local currency, on organic level. Italy delivered 4.8% yoy lower sales on the pro-forma consolidated level. Growth on the key West European markets was largely buoyed by (i) sports brand in the lower price segment – Champ, (ii) functional food brand – Multaben and (iii) further private label sales advance.

- The **Russian and East European markets** saw 2.8% yoy higher top-line on the pro-forma consolidated level with baby food assortment represented by Bebi brand spearheading the increase.

- Sales surged 27.4% yoy on **other markets** on the pro-forma consolidated level and 38.7% yoy organically, mostly reflecting growth in the sports and functional food assortment.

Sales profile



- Following the consolidation of Droga Kolinska with portfolio consisting entirely of own brands, share of **own brands** in consolidated sales soared to 71.6% from 43.0% in 1H10. Thereby, own brands posted organic (excluding Droga Kolinska) growth of 2.4% yoy driven by: (i) double-digit growth rates in the sports and functional food brands (Champ and Multaben), (ii) growth in the VMS assortment with 6.9% higher Dietpharm sales and (iii) modest sales growth of Cedevita brand. On the pro-forma consolidated level, own brands posted 4.2% yoy higher sales thanks to growth in: (i) coffee segment with Grand Kafa posting 12.9% higher sales and Barcaffe 6.1% sales growth, (ii) sweet and salted snacks segment with brands Smoki and Najlepše želje and (iii) baby food assortment with Bebi brand. These eventually annulled modest sales decline in the savoury spread segment with Argeta brand and beverages assortment with Cockta and Donat Mg brands.

Short overview of Atlantic Grupa's top brands:

- ❖ According to data by the research agency AC Nilesen for 2010, in the Turkish coffee segment (accounting for 84% of total coffee consumption in the region) Atlantic Grupa has dominant market shares and leading market positions in Slovenia, Serbia, BiH and Macedonia with brands Barcaffe on the Slovenian market and Grand Kafa on other markets. In the instant and espresso category, Atlantic Grupa has the leading brand Barcaffe on the Slovenian market.
- ❖ According to data by the research agency AC Nielsen for 2010, in the savoury spreads segment Argeta has dominant market shares and leading market positions in Slovenia, BiH and Macedonia as well as increasing market shares in Serbia, Croatia, Austria and Switzerland. In the savoury spreads segment, the largest per capita consumption is on markets of Macedonia (1.55kg), Slovenia and BiH.
- ❖ According to data by research agency Canadean for 2010, Cedevita has dominant market shares in the VIN (vitamins instant drinks) segment in Croatia, Slovenia, BiH and Serbia. The highest per capita consumption in the VIN category is in Croatia amounting to 12.1L where Cedevita stands as the forth most selling brand in the entire soft drinks market. Per capita VIN consumption gap between Croatia and the region with Serbia at 2.7L, Slovenia at 8.9L and BiH at 5.0L reveals potential for further regional expansion.

- ➢ Following the consolidation of Droga Kolinska, the share of **principal brands** in total sales dropped to 17.0% from the last year's 38.2%. Thereby, principal brands posted 8.9% yoy lower sales, while several distribution categories including Ferrero assortment (Kinder and Nutella) as well as One2play assortment delivered growth driven by regional distribution expansion over the last two years.

- ➢ **Private label** sales advanced 38.5% yoy, but reduced portion in consolidated sales to 5.5% from 8.1% last year. Surge in sales was largely buoyed by growth in private label sales in the sports and functional food portfolio.

- ➢ Even though the consolidation of Droga Kolinska nearly halved the share of pharmacy chain **Farmacia**'s sales to 5.9% from 10.7% in 1H10, this segment posted 13.6% yoy higher sales on wings of newly opened pharmacies/specialised stores as well as consolidation of earlier acquired pharmacies/specialised stores. With regards to the latter, Farmacia opened one pharmacy and two specialised stores (of which one in the shopping mall) in 1H11 as well as consolidated the last five pharmacies at the end of May from the acquired pharmacy chain Dvoržak. Consequently, at the end of 1H11 the pharmacy chain Farmacia has 57 points of sale, of which 45 pharmacies and 12 specialised stores. Stripping off sales delivered by consolidated pharmacies within acquired pharmacy chain Dvoržak, pharmacy chain Farmacia posted organic sales growth of 11.7% yoy.

PROFITABILITY DYNAMICS in 1H11

in HRKm	1H11	1H10	1H11/1H10
Sales	**2,197.1**	1,073.1	104.8%
EBITDA	**226.6**	135.6	67.1%
EBITDA ex. one-offs	**229.5**	89.5	156.5%
EBIT	**124.8**	111.4	12.0%
EBIT ex. one-offs	**127.7**	65.3	95.7%
Net profit/(loss)	**11.6**	77.8	-85.1%
Net profit/(loss) ex. one-offs	**14.5**	41.4	-64.9%
Profitability margins			
EBITDA margin	**10.3%**	12.6%	
EBITDA margin ex. one-offs	**10.4%**	8.3%	
EBIT margin	**5.7%**	10.4%	
EBIT margin ex. one-offs	**5.8%**	6.1%	
Net profit/(loss) margin	**0.5%**	7.2%	
Net margin ex. one-offs	**0.7%**	3.9%	

Key highlights:

- Following consolidation of Droga Kolinska, in 1H11 Atlantic Grupa delivered profitability improvement on EBITDA (earnings before interests, taxes and depreciation) and EBIT (earnings before interests and taxes) levels on normalised basis compared to last year's performance.

  Thereby, one-off items include the following:
  - In 1H10, HRK48.5m one-off gain from the sale of Neva's former location in Tuškanova and HRK2.4m one-time transaction costs related to the acquisition of Droga Kolinska.
  - In 1H11, HRK2.9m one-time transaction costs related to the last year's acquisition of Droga Kolinska.

- **EBITDA of HRK229.5m** was 2.6 times yoy higher as opposed to normalised EBITDA in 1H10 that consequently led to normalised EBITDA margin enhancing by 211bps to 10.4% thanks to consolidation of Droga Kolinska with product portfolio entirely oriented to own brands.
- **EBIT of HRK127.7m** came in 2.0 times yoy higher from the 1H10 normalised EBIT, but normalised EBIT margin was 27bps yoy lower largely amidst higher depreciation levels of acquired Droga Kolinska.

- On pro-forma consolidated level:

  - Normalised EBITDA came in 3.6% yoy lower compared to pro-forma consolidated EBITDA on normalised level thanks to considerable rebound in the 2Q11 following 19.2% yoy drop in 1Q11. Key culprit behind lower cumulative profitability on pro-forma consolidated level is 25% yoy higher production materials expense reflecting surge in raw materials prices on global commodity markets. Thereby, coffee with a 34% share in total production materials expense in 1H11 acts as one of the key raw materials in Atlantic Grupa's production mix. In Atlantic Grupa's production materials cost, coffee jumped 31% yoy (in EUR), whereby on the global commodity markets coffee prices rocketed 93% yoy on average in 1H11 and hit 14-years high beginning of June[1]. Thereby, coffee prices on global commodity market posted incredible jumps despite somewhat improved fundamentals in the period July 2010 – June 2011 evident by global coffee beans surplus of 540 tons thanks to 9% higher global coffee beans production and 2% lower coffee global demand[2]. Nevertheless, global coffee inventories on historical minimum certainly pressured the prices[3]. Moreover, sugar costs in total production materials expense as well posted double-digit growth rates following 4 million tons of sugar shortage on the EU market, whereby global milk powder prices came under pressure amidst 3.4% higher global demand in 2010 and 1.8% decline in global production eventually negatively impacting inventory levels[4]. Beginning of March[5] global cocoa prices hit the highest level since 1977 following inventory in weeks of consumption in downtrend since 1990s[6].

  - Normalised EBIT was 0.7% yoy higher as opposed to pro-forma consolidated EBIT on normalised level in 1H10.

- Following net loss in 1Q11, 2Q11 saw net profit of HRK24.8m, entirely annulling impact of the 1Q and eventually leading to cumulative net profit of HRK14.5m on normalised level. The latter reflected (i) HRK103.5m in interest expenses related to financing acquisition of Droga Kolinska, refinanced financial debt of Droga Kolinska in 1Q11 as well as existing indebtness of Atlantic Grupa and (ii) HRK1.7m in FX loss stemming from kuna depreciation versus euro on the back of financial liabilities.

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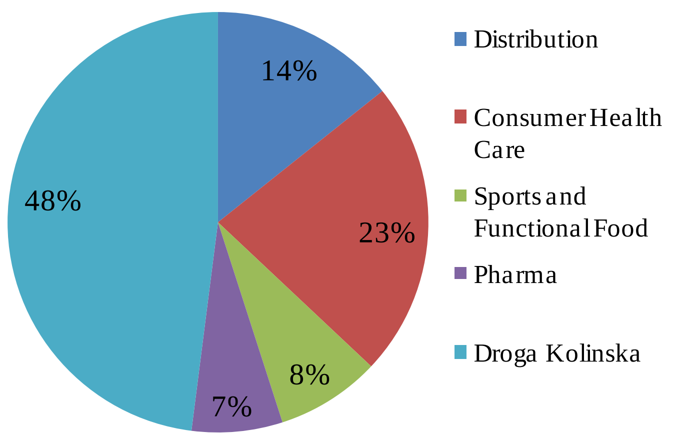
1 Financial information provider Bloomberg
2 Kairos Commodities, http://www.kairoscommodities.com/
3 Ibid.
4 Ibid.
5 Financial information provider Bloomberg
6 Kairos Commodities, http://www.kairoscommodities.com/

Division operating profitability ex. one-offs

in HRKm	1H11	1H10	Change 11/10
Distribution	**18.2**	7.7	136.2%
Consumer Health Care	**29.0**	35.4	-17.9%
Sports and Functional Food	**10.2**	15.5	-33.8%
Pharma	**8.9**	6.7	33.9%
Droga Kolinska	**61.3**	n/a	
EBIT	**127.7**	65.2	95.7%
Reconciliation	**2.9**	-46.1	
Group EBIT	**124.8**	111.4	12.0%

Improvement in Atlantic Grupa's normalised operating profitability largely reflected profitability enhancement in divisions Distribution and Pharma as well as consolidation of Droga Kolinska that all eventually mitigated lower profitability in divisions Consumer HealthCare and Sports and Functional Food. Analysing share of individual divisions in the group's profitability, the following is evident:



- ❖ Droga Kolinska division with HRK61.3m in operating profit contributes the most to the group's profitability (48% of total EBIT).
- ❖ With 23% share, Consumer HealthCare is the second division with the largest contribution to the group's profitability.
- ❖ Distribution division carries 14% share in the group's profitability, while division's profitability in the 1H11 also reflects distribution of Droga Kolinska's assortment.

- ➢ Lower profitability in Consumer HealthCare division reflects lower sales and higher other operating expenses.
- ➢ Profitability in the Sports and Functional Food division was largely pressured by front-loaded investments in launching new company on the Spanish market as well as higher production materials cost amidst higher raw materials prices.
- ➢ Profitability enhancement in Pharma division came on wings of higher sales, finalisation of the restructuring process and low-base effect in 1H10.

Operating costs structure excluding one-offs

In HRKm	1H11	% of 1H11 sales	1H10	% of 1H10 sales
COGS	**504.0**	22.9%	495.1	46.1%
Production materials	**748.7**	34.1%	147.2	13.7%
Energy	**29.3**	1.3%	5.8	0.5%
Changes in inventories	**- 33.3**	-1.5%	- 9.1	-0.8%
Services	**146.4**	6.7%	67.9	6.3%
Staff costs	**320.1**	14.6%	159.5	14.9%
Marketing & promotion costs	**168.7**	7.7%	82.2	7.7%
Other operating expenses	**94.1**	4.3%	43.8	4.1%
Other (gains)/losses, net	**1.9**	0.1%	4.9	0.5%
Total operating expenses	**1,980.0**	**90.1%**	**997.4**	**93.0%**

Comparing 1H11 operating costs structure reflecting consolidation of Droga Kolinska with 1H10 structure (excluding Droga Kolinska), it is evident that last year's acquisition only partially changed Atlantic Grupa's operating costs structure.

- Namely, the key change came in the relation: COGS - production materials cost. Namely, following the consolidation of Droga Kolinska with 100% share in own brands, the share of production materials costs augmented to 34.1% in 1H11 from 13.7% in 1H10. Moreover, as the portion of own brands in the group's sales soared to 71.6% in 1H11 from 43.0% in 1H10, ie share of principal brands tumbled to 17.0% from 38.2% last year, COGS share in total sales dived to 22.9% from 46.1%.
  In the vertically integrated organization, the latter reflects the company's more pronounced focus on production in 1H11 as opposed to last year.

- Considering other costs categories, there are no sizeable changes in share of costs in total sales following the consolidation of Droga Kolinska. Thereby staff costs and marketing & promotion costs with 14.6% and 7.7% share in total sales make up two largest cost categories following production materials cost and COGS. Still, share of staff costs was somewhat reduced in 1H11 to 14.6% of sales from 14.9% last year following finalisation of integration activities in 1Q11. At the end of 1H11, Atlantic Grupa has 4,310 employees with the largest portion of employees in Serbia and Croatia (74% of the group's employees).

FINANCIAL INDICATORS in 1H11

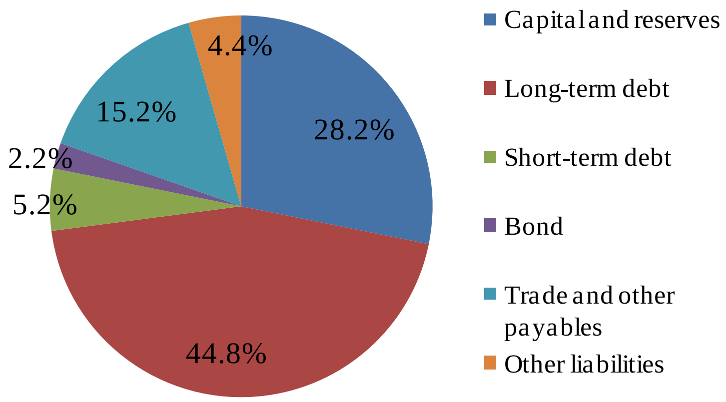
in HRKm	1H11	YE10
Net debt	**2,497.2**	2,467.1
Total assets	**5,271.4**	5,101.1
Equity	**1,485.2**	1,455.5
Current ratio	**1.72**	1.31
Gearing ratio	**62.7%**	62.9%
	1H11	1H10
Interest coverage ratio*	**2.2**	7.1
Capex	**59.4**	20.9
Cash flow from operating activities	**51.0**	12.2

*Ex. one-offs

Among key highlights in Atlantic Grupa's 1H11 financial position, one should consider the following:

❖ Net debt at HRK2,497.2m reflects financial debt of HRK2,751.1m and cash and cash equivalents at HRK253.9m.

❖ Atlantic Grupa's financing structure is as follows:



❖ The largest item in the financing structure is long-term financial debt with 44.8% share.

❖ The second largest item is capital and reserves with 28.2% share.

❖ Long-term and short-term financial liabilities of the company account for 52.2% of Atlantic Grupa's financing structure.

❖ Within Atlantic Grupa's Policy of active financial debt management, that prescribes that the company in every moment in the next three years has interest rates on financial liabilities fixed in the range of 50%-100%, Atlantic Grupa used interest rate swaps to fix significant portion of its long-term financial liabilities during 1Q11.

❖ Within short-term financial debt, Atlantic Grupa has corporate bond in the amount of HRK115m maturing in December 2011, that the company plans to refinance.

OUTLOOK for FY11

Atlantic Grupa's strategic guidance for 2011 includes:

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

Overview of macroeconomic dynamics on Atlantic Grupa's key operating markets:

- ❖ Following further contraction of economic activity in 1Q11, in Croatia recession entered its third consecutive year. Nevertheless, activity is expected to rebound in the remaining of the year on the back of solid tourist season and recovery in domestic demand. Thereby, rebound is expected to be moderate especially considering that the EBRD recently lowered this year's real GDP growth forecast to 1.1% from 1.4% projected in May. For the economy that as EBRD emphasises 'has yet to show convincing signs of recovery', activity is expected to expand by 2.8%[7] in 2012.
- ❖ For regional economies (Serbia, BiH, Macedonia and Montenegro), EBRD forecasts recovery in economic activity but at rates far below pre-crisis levels. Moreover, EBRD considers debt crisis to pose substantial risk for regional recovery. In 2011, EBRD expects Serbian real GDP to grow 3.3% and BiH by 2.0%[8]. Slovenian economic activity should expand by 2.0% in 2011, while economy is still pressured by sluggish domestic demand.
- ❖ Outside the region, Germany and Russia deliver uptrend in economic activity with projected 3.4%[9] and 4.6%[10] annual real GDP growth rates in 2011, apiece, even though both economies still face weak consumer spending.
- ❖ Volatility in raw materials prices on global commodity markets fails to abate as evidenced by multi-year highs reached by certain raw materials only recently. Thereby on for Atlantic Grupa key raw materials, as for example coffee, uptrend remains intact since 2002.

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[7] European Bank for Reconstruction and Development, Regional Economic Prospects in EBRD Countries of Operations: July 2011
[8] Ibid.
[9] Commerzbank, Economic and Market Monitor, July/August 2011
[10] European Bank for Reconstruction and Development, Regional Economic Prospects in EBRD Countries of Operations: July 2011

Conclusion: Even though macroeconomic trends somewhat improved in relation to the period 2009-2010, corporate sector still finds macroeconomic conditions unfavourable, particularly indicators as consumer spending, real disposable incomes, unemployment rate and real retail sales. That coupled with high risk of raw material prices' volatility on global commodity markets creates macroeconomic uncertainty for the corporate sector in 2011.

Management's guidance for 2011:

Following results delivered in 1H11, the management confirms guidance communicated at the beginning of 2011 and supplements guidance for EBIT and interest expenses:

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

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

ATLANTIC GRUPA d.d.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTH PERIOD ENDED 30 JUNE 2011 (UNAUDITED)

ATLANTIC GRUPA d.d.

INTERIM CONSOLIDATED INCOME STATEMENT

in thousands of HRK, unaudited	Jan - Jun 2011	Jan - Jun 2010	Index	Apr - Jun 2011	Apr - Jun 2010	Index
Turnover	**2,209,458**	**1,086,888**	**203.3**	**1,226,462**	**574,258**	**213.6**
Sales revenues	2,197,127	1,073,062	204.8	1,220,921	568,826	214.6
Other revenues	12,331	13,826	89.2	5,541	5,432	102.0
Operating expenses	**1,982,883**	**951,305**	**208.4**	**1,092,819**	**529,436**	**206.4**
Cost of goods sold	504,019	495,116	101.8	258,504	256,368	100.8
Change in inventories	(33,329)	(9,088)	366.7	(4,009)	(1,227)	326.7
Production material and energy	778,065	153,046	508.4	425,315	81,348	522.8
Services	148,492	70,373	211.0	80,505	39,670	202.9
Staff costs	320,142	159,509	200.7	168,436	81,362	207.0
Marketing and selling expenses	168,665	82,209	205.2	105,741	46,102	229.4
Other operating expenses	94,877	43,786	216.7	54,197	23,076	234.9
Other gains - net	1,952	(43,646)	n/a	4,130	2,737	150.9
EBITDA	**226,575**	**135,583**	**167.1**	**133,643**	**44,822**	**298.2**
Depreciation	70,980	19,915	356.4	36,037	10,363	347.7
Amortization	30,838	4,294	718.2	15,708	1,874	838.2
EBIT	**124,757**	**111,374**	**112.0**	**81,898**	**32,585**	**251.3**
Financial expenses - net	(105,237)	(8,616)	n/a	(55,716)	(3,858)	n/a
Share of profit of joint venture	-	75	n/a	-	75	n/a
EBT	**19,520**	**102,833**	**19.0**	**26,182**	**28,802**	**90.9**
Income tax	7,946	25,053	31.7	4,273	7,708	55.4
Profit for the period	**11,574**	**77,780**	**14.9**	**21,909**	**21,094**	**103.9**
Attributable to:						
Non-controlling interest	4,522	3,766	120.1	3,889	2,519	154.4
Owners of the parent	7,052	74,014	9.5	18,020	18,575	97.0
Earnings per share for profit attributable to the owners of the Company						
- basic	2.12	30.01		5.40	7.53	
- diluted	2.12	30.01		5.40	7.53	

ATLANTIC GRUPA d.d.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of HRK, unaudited	Jan - Jun 2011	Jan - Jun 2010	Index	Apr - Jun 2011	Apr - Jun 2010	Index
Profit for the period	**11,574**	**77,780**	**14.9**	**21,909**	**21,094**	**103.9**
Cash flow hedge	(9,918)	58	n/a	(6,608)	58	n/a
Currency translation differences	33,814	(4,609)	n/a	9,361	(2,317)	n/a
Total comprehensive income	**35,470**	**73,229**	**48.4**	**24,662**	**18,835**	**130.9**
Attributable to:						
Non-controlling interest	5,809	3,701	157.0	4,770	2,442	195.3
Equity holders of the Company	29,661	69,528	42.7	19,892	16,393	121.3
Total comprehensive income	35,470	73,229	48.4	24,662	18,835	130.9

ATLANTIC GRUPA d.d.

INTERIM CONSOLIDATED BALANCE SHEET

in thousands of HRK, unaudited	30 June 2011	31 December 2010
Property, plant and equipment	1,157,513	1,172,877
Investment property	1,475	1,816
Intangible assets	1,862,954	1,858,710
Available-for-sale financial assets	1,230	36,202
Derivative financial instrument	8,931	-
Trade and other receivables	20,451	23,736
Deferred tax assets	61,364	52,924
Non-current assets	3,113,918	3,146,265
Inventories	600,031	480,408
Trade and other receivables	1,126,295	1,100,134
Non-current assets held for sale	113,443	111,199
Prepaid income tax	21,544	17,951
Deposits given	357	5,192
Available-for-sale financial assets	35,041	-
Derivative financial instrument	7,198	7,939
Cash and cash equivalents	253,566	231,978
Current assets	2,157,475	1,954,801
Total assets	5,271,393	5,101,066
Capital and reserves attributable to owners of the Company	1,416,349	1,391,834
Non-controlling interest	68,815	63,632
Borrowings	2,359,591	2,006,540
Deferred tax liabilities	54,788	53,955
Derivative financial instrument	23,246	-
Other non-current liabilities	39,078	38,421
Provisions	58,346	59,745
Non-current liabilities	2,535,049	2,158,661
Trade and other payables	801,407	711,751
Borrowings	391,523	697,744
Current income tax liabilities	16,911	16,594
Derivative financial instrument	22,792	35,344
Provisions	18,547	25,506
Current liabilities	1,251,180	1,486,939
Total liabilities	3,786,229	3,645,600
Total equity and liabilities	5,271,393	5,101,066

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 2010	**408,404**	**(2,075)**	**318,858**	**725,187**	**32,620**	**757,807**
Comprehensive income:						
Net profit for the period	-	-	74,014	74,014	3,766	77,780
Other comprehensive income	-	(4,486)	-	(4,486)	(65)	(4,551)
Total comprehensive income	-	(4,486)	74,014	69,528	3,701	73,229
Transactions with owners:						
Acquisition of non-controlling interest	-	-	(11,474)	(11,474)	674	(10,800)
Share based payment	1,425	-	(1,462)	(37)	0	(37)
Dividends relating to 2009	-	-	(20,975)	(20,975)	-	(20,975)
At 30 June 2010	**409,829**	**(6,561)**	**358,961**	**762,229**	**36,995**	**799,224**
At 1 January 2011	**1,016,282**	**(3,980)**	**379,532**	**1,391,834**	**63,632**	**1,455,466**
Comprehensive income:						
Loss for the period	-	-	7,052	7,052	4,522	11,574
Other comprehensive income	-	22,609	-	22,609	1,287	23,896
Total comprehensive income	-	22,609	7,052	29,661	5,809	35,470
Transactions with owners:						
Acquisition of non-controlling interest	-	-	(2,614)	(2,614)	(26)	(2,640)
Purchase of treasury shares	(2,532)	-	-	(2,532)	-	(2,532)
Dividends relating to 2010	-	-	-	-	(600)	(600)
At 30 June 2011	**1,013,750**	**18,629**	**383,970**	**1,416,349**	**68,815**	**1,485,164**

ATLANTIC GRUPA d.d.

INTERIM CONSOLIDATED CASH FLOW STATEMENT

in thousands of HRK, unaudited	**Jan - Jun 2011**	**Jan - Jun 2010**
Cash flows from operating activities		
Net profit	**11,574**	**77,780**
Income tax	7,946	25,053
Depreciation and amortization	101,818	24,209
Loss/(Gain) on disposal of property, plant and equipment	841	(49,067)
Value adjustment of current assets	15,962	9,413
Interest income	(3,680)	(4,542)
Interest expense	103,523	12,558
Other non-cash changes	9,439	(7,271)
Changes in working capital:		
Increase in inventories	(126,448)	(47,241)
Increase in current receivables	(47,815)	(44,176)
Increase in current payables	90,430	51,131
Decrease in provisions for risks and charges	(8,357)	(6,404)
Interest paid	(81,737)	(12,434)
Income tax paid	(22,473)	(16,801)
Net cash flow from operating activities	**51,023**	**12,208**
Cash flow from investing activities		
Purchase of tangible and intangible assets	(59,448)	(20,900)
Proceeds from sale of property, plant and equipment	13,720	9,257
Acquisition of subsidiary and non-controlling interest	(5,052)	(12,500)
Loans and deposits given	511	141,777
Dividend received	-	225
Purchase of financial assets	-	(1)
Interest received	3,680	4,550
Net cash flow used in investing activities	**(46,589)**	**122,408**
Cash flow from financing activities		
Purchase of treasury shares	(2,532)	-
Proceeds from / (repayment of) borrowings - net	20,286	(9,202)
Dividend paid to equity holders of the Company	(600)	(20,975)
Net cash flow from / (used in) financing activities	**17,154**	**(30,177)**
Net increase in cash and cash equivalents	**21,588**	**104,439**
Cash and cash equivalents at beginning of period	231,978	74,580
Cash and cash equivalents at end of period	253,566	179,019

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 six months ended 30 June 2011 were approved by the Management Board of the Company in Zagreb on 26 July 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 six months ended 30 June 2011 have been prepared in accordance with IAS 34 – Interim Financial Reporting.

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

2.2. SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – SEGMENT INFORMATION

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

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

- **The Consumer Health Care Division** produces vitamin instant drinks, tea, sweets, cosmetics and personal hygiene products.

- **The Sports and Functional Food Division** specialises in development, production and sale of sports and functional food.

- **The Pharma Division** specialises in development and production of OTC products and food supplements as well as their sale through the pharmacy chain.

- **The Droga Kolinska Division** specialises in food and beverages production with a wide portfolio of leading brand names across the region.

Management monitors the operating results of its business 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.

For the period ended 30 June 2011 (in thousands of HRK)	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Droga Kolinska	Reconciliation	Group
Gross revenues /i/	1,163,252	254,742	326,884	180,292	1,081,574	9,080	3,015,824
Inter-segment revenues /ii/	11,037	201,328	2,270	13,679	569,100	8,952	806,366
Total revenues	**1,152,215**	**53,414**	**324,614**	**166,613**	**512,474**	**128**	**2,209,458**
EBITDA /iii/	26,169	44,755	12,984	12,431	133,183	(2,947)	226,575
Depreciation and amortization	7,944	15,707	2,743	3,523	71,901	-	101,818
EBIT	**18,225**	**29,048**	**10,241**	**8,908**	**61,282**	**(2,947)**	**124,757**
Total assets /iv/	936,951	593,714	208,445	622,191	3,189,099	(672,668)	4,877,732
Total assets at 31.12.2010. /v/	561,173	598,000	164,158	580,608	3,037,730	(208,437)	4,733,232

NOTE 3 – SEGMENT INFORMATION (continued)

For the period ended 30 June 2010 (in thousands of HRK)	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Droga Kolinska	Reconciliation	Group
Gross revenues /i/	610,120	257,266	273,351	159,056	n/a	3,456	1,303,249
Inter-segment revenues /ii/	11,048	195,023	2,417	7,873	n/a	-	216,361
Total revenues	**599,072**	**62,243**	**270,934**	**151,183**	**n/a**	**3,456**	**1,086,888**
EBITDA /iii/	13,636	47,271	18,823	9,726	n/a	46,127	135,583
Depreciation and amortization	5,919	11,872	3,349	3,069	n/a	-	24,209
EBIT	**7,717**	**35,399**	**15,474**	**6,657**	**n/a**	**46,127**	**111,374**

/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 2,155 thousand), Company's intangible assets (HRK 2,680 thousand), short term deposits given (HRK 357 thousand), trade and other receivables (HRK 20,067 thousand), prepaid income tax (HRK 1,072 thousand), available-for-sale financial assets (HRK 36,271 thousand), deferred tax assets (HRK 61,364 thousand), derivative financial instruments (HRK 16,129 thousand) and cash and cash equivalents (HRK 253,566 thousand).

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

NOTE 4 – EARNINGS PER SHARE

Basic earnings per share

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

	2011	2010
Net profit attributable to equity holders (in thousands of HRK)	7,052	74,014
Weighted average number of shares	3,333,952	2,466,460
Basic earnings per share (in HRK)	2.12	30.01

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 six months period ended 30 June 2011, Group invested HRK 59,448 thousand in purchase of property, plant and equipment (2010: HRK 20,900 thousand).

NOTE 6 - INVENTORIES

During the six months period ended 30 June 2011, the Group wrote down HRK 6,826 thousand of inventories due to damage and short expiry dates (2010: HRK 7,432 thousand). The amount is recognised in the income statement within Other operating expenses.

NOTE 7 – ACQUISITION OF NON-CONTROLLING INTEREST

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

NOTE 8 – ONE-OFF ITEMS

One-off items realised during the six months period ended 30 June 2011 relate to following:

- realised one-time transaction expenses related to acquisition of Droga Kolinska in the amount of HRK 2,926 thousand,
- HRK 2,430 thousand of one-time transaction expenses related to the acquisition of Droga Kolinska, realized in a six month period ending 30 June 2010, and
- HRK 48,557 thousand of profit related to the sale of property on Neva's prior production location, realized in a six month period ending 30 June 2010.

NOTE 9 – POST BALANCE SHEET EVENTS

In July 2011, Atlantic Grupa sold its 13% ownership share in RTL Croatia to the majority owner of this Croatian television channel, RTL Group. After this transaction, Atlantic Grupa will retain symbolic share of 0.01% of RTL Croatia.

Atlantic Grupa d.d.
Miramarska 23
Zagreb

Register number: 1671910

Zagreb, 28 July 2011

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

MANAGEMENT BOARD'S STATEMENT OF LIABILITY

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

The consolidated financial statements for the period ended 30 June 2011 present complete and fair view of assets and liabilities, profit and loss, financial position and operations of the Group.
The management report for the period ended 30 June 2011 presents true and fair presentation of development and results of the Group's operations with description of significant risks and uncertainties for the Group.

President of the Management Board

Emil Tedeschi

Contact:

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Investor relations

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