Financial results in the first half of 2012

Zagreb – 30 July 2012

Results in line with management expectations on the continued growth in the first half of 2012

- **Sales at HRK 2,342.5 million**
  + 6.6% compared to the same period of the previous year
- **Earnings before interest, taxes, depreciation and amortisation (EBITDA) at HRK 282.8 million**
  + 24.8% compared to the same period of the previous year
- **Earnings before interest and taxes (EBIT) at HRK 208.2 million**
  + 42.8% compared to the same period of the previous year
- **Net profit after minorities at HRK 6.6 million**
  - 76.3% compared to the same period of the previous year

Chairman's comment

Commenting on the financial results and key business developments in the first half of 2012, Emil Tedeschi, CEO of Atlantic Grupa, pointed out:

"By focusing on the synergy potentials and organic growth, in the first half of 2012, Atlantic Grupa recorded a growth in sales and an increase in operating profit. We are extremely satisfied with the results that prove the success of integration activities carried out during 2011 and in the first half of this year, and confirm that the investment in Droga Kolinska was justified.
Despite the challenging macroeconomic situation, the Management Board and employees of Atlantic Grupa continue to focus on further business growth through active brand management and innovation, cost optimisation, operating risk management and settlement of financial liabilities, whereby Atlantic Grupa is on its way to achieve the announced expectations for 2012."

Financial highlights of the first half of 2012

Key figures	1H12	1H11	1H12/1H11
Sales (in HRK millions)	**2,342.5**	2,197.1	6.6%
Revenues (in HRK millions)	**2,375.9**	2,209.5	7.5%
EBITDA margin	**12.1%**	10.3%	+176 bp
Net income after minorities (in HRK millions)	**6.6**	28.1	(76.3%)
Gearing ratio*	**63.1%**	62.3%	+83 bp

* Net debt/(Total equity+Net debt), Gearing ratio of 62.3% at the end of 2011

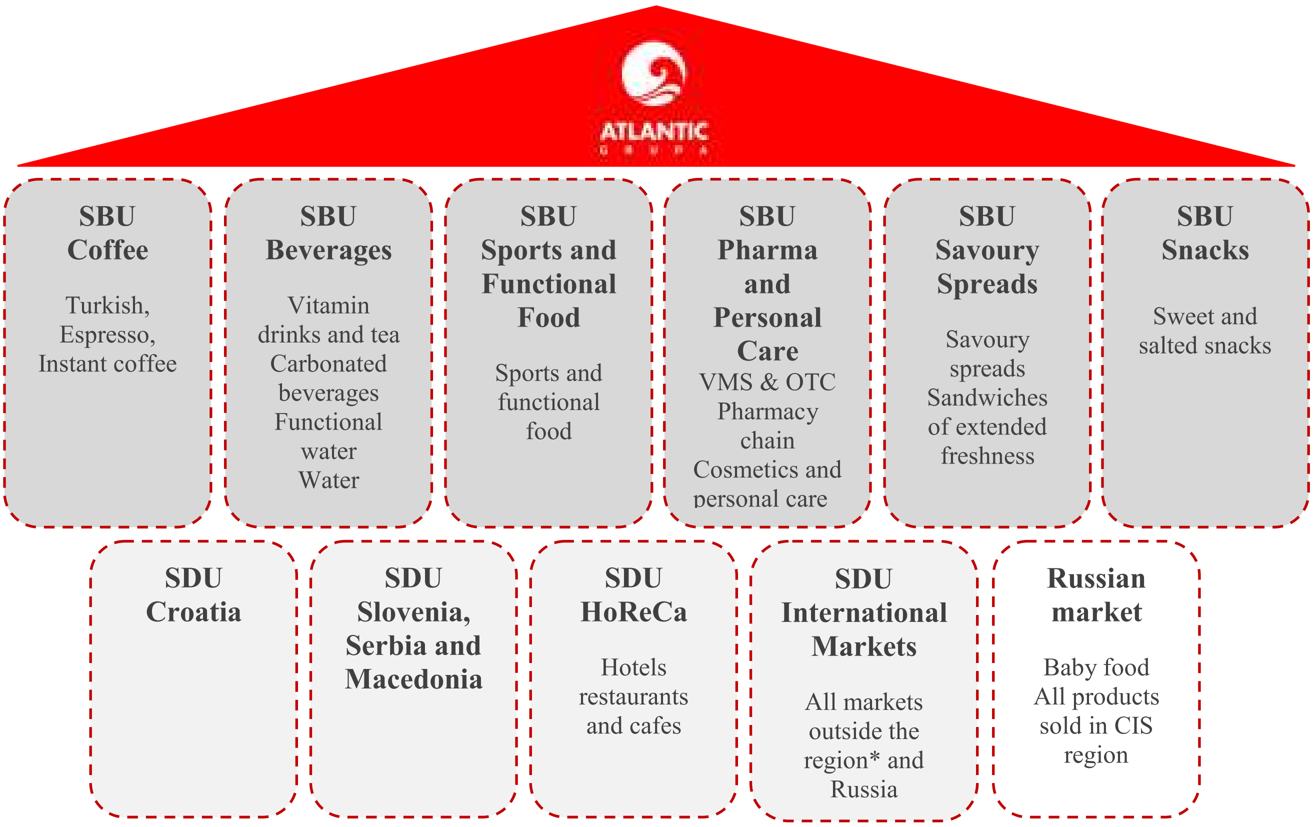
KEY DEVELOPMENTS in the first half of 2012

1. New organisational structure and Management Board of Atlantic Grupa

As of 1 January 2012, Atlantic Grupa introduced a new organisational structure aimed at more efficient management of business segments and distribution markets. The new business organisation includes:

1. Six Strategic Business Units (SBU) – Coffee, Snacks, Savoury Spreads, Beverages, Pharma and Personal Care, and Sports and Functional Food,
2. Four Strategic Distribution Units (SDU) – Croatia; Slovenia, Serbia and Macedonia; HoReCa; International Markets and
3. Russian market.

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



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* The region includes Croatia, Slovenia, Bosnia and Herzegovina, Serbia, Montenegro and Macedonia

In addition to Strategic Business Units and Strategic Distribution Units, Operational Business also includes the Central procurement function, Central marketing function and Corporative quality management function, in order to use all synergies within the system and secure efficient coordination of procurement, marketing and quality assurance, as well as to establish unified standards on the Group level.
In order to achieve as efficient management as possible, the Strategic Management Council has been established, as a multifunctional body in charge of key strategic and operational corporate issues

In relation with the new business organisation and establishment of the Strategic Management Council, as of the beginning of 2012, the new Management Board of Atlantic Grupa d.d. was reduced to four members:

2. Second integration phase of Droga Kolinska and Atlantic Grupa

The second integration phase, focused on consolidation of production plants and information technology, initiated in the second half of 2011, was successfully continued in the first half of 2012.

During the first quarter, the production of Multipower beverages was transferred from the contractor to own production plant in Rogaška Slatina. Also, further feasibility studies for the transfer of other production from outsourced producers to own production plants are being prepared.

In the first quarter, two major projects in the segment of consolidating IT solutions by markets were completed in the segment of integration of business IT solutions. In Slovenia, all companies are integrated in a single infrastructure and the same business solution – SAP. In Macedonia, all companies are integrated in a single infrastructure and the same business solution – MIS. Further integration of business IT solutions in the region is in progress, as well as redefining the existing IT contracts related to telecom services, licences and outsourced IT support.

3. Introduction of new own and principals' products

In line with the Atlantic Grupa's focus on organic business growth through innovation in production categories, active brand management, strengthening of regional character of distribution operations and further development of individual distribution channels such as the HoReCa segment, during the first half of the year, new products were launched in regional markets, existing products were introduced to new markets, and the distribution portfolio was further extended.

Strategic Business Unit Beverages launched in the first half of 2012 two new products in the carbonated soft drinks segment, Cockta Rossa, which started to be distributed in the markets of Croatia, Slovenia, Serbia and Macedonia, and Cockta Easy lemon, which replaced former brand Cockta light. In the "on-the-go" beverages segment, Cedevita Go! has been launched on the market of Ireland under the name Twist2GO!, while Cedevita GO! with grapefruit flavour has been launched on all regional markets. In the water segment, natural spring water Kala has been launched, and sparkling natural mineral water Kalnička, which replaced former brands in the water segment, Unique and Kapljica. Cockta Rossa, Cockta Easy, Kala and Kalnička have been launched on the retail and HoReCa markets, thereby additionally strengthening the Atlantic Grupa's portfolio in the HoReCa segment.

Strategic Business Unit Coffee extended its product range of brands Grand kafa and Barcaffe. Grand kafa Antistress has thus been launched on the Serbian market in the instant coffee segment; Barcaffe Selection has been launched in the Slovenian market in the Turkish coffee segment, as well as Barcaffe CocoFreeze and Barcaffe Cappuccino Choco Orange in the instant coffee segment.

Strategic Business Unit Snacks initiated a more active launching of products from own portfolio to the Croatian market, so the distribution of Prima salted sticks, Soko Štark biscuits, No problem dragée, Čoko Smoki Naranča and Smoki King Size began.

Strategic Business Unit Savoury Spreads additionally extended its portfolio of savoury spreads by launching Argeta Delight on the markets of Croatia, Bosnia and Herzegovina, Slovenia and Serbia and Argeta Posna on the markets of Serbia, Bosnia and Herzegovina and Macedonia. In addition, the distribution of Argeta Snack commenced in the Croatian and Slovenian markets, whereby Argeta entered the "snacks on-the-go" segment.

Strategic Business Unit Pharma and Personal Care strengthened its Rosal portfolio with three new products, Rosal Lip Balm Aloe Vera, Rosal Lip Balm Magic Glow and Rosal Lip Balm Oriental Beauty which are distributed in Croatia and Bosnia and Herzegovina, while Dietpharm launched two new products, Nutrival Triaktiv and Magnezij 375 effervescent tablets. In addition, Atlantic Pharmacentar initiated the distribution of the principal's brand Apivita.

Strategic Distribution Unit Croatia extended its product range by adding new products from the Soko Štark portfolio and by signing a new agreement on the exclusive distribution with Sofidel, the second largest producer of paper hygienic products in Europe with the most prominent brand Regina.

SALES DYNAMICS in the first half of 2012

Sales profile by Strategic Business Units and Strategic Distribution Units

Sales revenues	1H12	1H11	1H12/1H11
(in HRK thousands)			
SBU Beverages	**331,183**	329,224	0.6%
SBU Coffee	**497,934**	442,974	12.4%
SBU (Sweet and Salted) Snacks	**283,019**	260,858	8.5%
SBU Savoury Spreads	**221,859**	197,299	12.4%
SBU Sports and Functional Food	**352,096**	326,181	7.9%
SBU Pharma and Personal Care	**240,321**	209,653	14.6%
SDU Croatia	**403,945**	411,360	(1.8%)
SDU Slovenia, Serbia, Macedonia	**888,736**	830,073	7.1%
Other segments*	**171,417**	161,023	6.5%
Reconciliation**	**(1,047,989)**	(971,518)	n/a
Sales	**2,342,521**	2,197,127	6.6%

In the first half of 2012, Atlantic Grupa records **sales** in the amount of **HRK 2,342.5 million**, which is a 6.6% growth compared to the same period of 2011, when sales amounted to HRK 2,197.1 million. All Strategic Business Units contributed to the growth in sales, headed by the Strategic Business Unit Coffee, Savoury Spreads and Pharma and Personal Care that recorded double-digit growth rates.

Considering separately the second quarter, Atlantic Grupa recorded sales of HRK 1,289.4 million, which is 5.6% higher compared to sales in the second quarter of 2011.

Following the new organisational structure effective from the beginning of 2012, Atlantic Grupa records sales by business segments in a way that sales of individual Strategic Business Units represent the total sales to third parties in the markets (either directly from a Strategic Business Unit, or through a Strategic Distribution Unit), while sales of Strategic Distribution Units include both sales of external principals' products and sales of own products. This double representation of sales of own products is eliminated in the line item "Reconciliation".

* Other segments include SDU HoReCa, Russian market and non-allocable business activities (headquarters and support functions in Serbia, Slovenia and Macedonia) which are excluded from the reportable operating segments. For the time being, SDU International Markets will not be separated, but its sales and profitability will be presented within SBU to which they relate.
** Line item "Reconciliation" relates to the sale of own brands which is included in the appropriate SBU and in SDUs through which the products were distributed.

- **Strategic Business Unit Beverages** records a mild growth in sales of 0.6% compared to the same period of the previous year in which the biggest contribution was made by brands Cockta and Donat Mg that had double-digit growth rates. SBU Beverages recorded growth in sales in the markets of Serbia, Slovenia and Macedonia, while in the markets of Croatia and Bosnia and Herzegovina they recorded a drop in sales.

- **Strategic Business Unit Coffee** grew by 12.4% in the first half of 2012 compared to the same period of 2011. The growth in the SBU Coffee reflects a higher single-digit volume growth in the Barcaffe brand in the Turkish coffee segment, and a double-digit volume growth in the Grand kafa brand in the segment of Turkish and instant coffee, as well as a double-digit volume growth in a lower-price brand Bonito in the Turkish coffee segment. The SBU Coffee recorded growth in sales in all regional markets, with double-digit growth rates in the markets of Slovenia, Croatia, Macedonia and Bosnia and Herzegovina.

- **Strategic Business Unit Snacks** grew in the first half of 2012 by 8.5% compared to the first half of 2011. The growth was evident in all product categories, and the highest growth was achieved in: (i) the biscuits category, (ii) the flips category, (iii) the salted sticks category and (iv) the bars category. The growth was also recorded in all regional markets. During the first half of 2012, the product range of SBU Snacks in the Croatian market was extended by introducing five products of Soko Štark.

- **Strategic Business Unit Savoury Spreads** records a 12.4% growth in the first half of 2012 compared to the same period of 2011. The SBU Savoury Spreads records the most significant growth in the regional markets of Croatia, Serbia, Slovenia, Macedonia, Montenegro and Kosovo, and with respect to European markets, in the markets of Switzerland, Sweden, Russia and Austria. In the Austrian market, Argeta continues an extremely positive development dynamics with a market share of 26%, which indicates that Argeta is increasingly well received in Austria and gains an increasing number of loyal consumers. In addition to the existing products, the growth in the SBU Savoury Spreads was also influenced by newly launched products from the savoury spreads segment, which have been very well received in the market.

- **Strategic Business Unit Sports and Functional Food** ended the first half of 2012 with 7.9% higher sales compared to the first half of 2011. The primary market, the German one, recorded lower sales in the period under consideration. The Italian market recorded sales at the same level as the year before, while the sales growth was recorded in the markets of the United Kingdom, Austria, Spain and Russia. The stagnation in the Italian market, in addition to the extremely adverse macroeconomic situation, was also caused by the transition of one of the leading fitness centre chains to sales through vending machines.

- **Strategic Business Unit Pharma and Personal Care** grew in the first half of 2012 by 14.6% compared to the same period of the previous year. The factors that contributed most to the growth are as follows: (i) a 16.6% growth in sales of pharmacy chain Farmacia, caused by the organic growth as well as the merger of 5 pharmacies acquired in May 2011 and (ii) a significant growth rate of Multivita in the Russian market as a result of solving the problems in product registration and operation of the relevant distributor, which marked 2011 but were solved at the year-end.

- **Strategic Distribution Unit Croatia** recorded in the first half of 2012 a decrease of 1.8% compared to the first half of 2011. This result is a consequence of the decrease in the segment of principals' brands, primarily caused by the termination of a portion of Karolina product range distribution. The decrease in sales of the Strategic Distribution Unit Croatia was largely mitigated by the growth in the own brands segment, of which the most significant is the growth in sales of the Barcaffe brand, which is strongly taking position in the Croatian market, the Argeta brand and the distribution of new products from the snacks product range.

- **Strategic Distribution Unit Slovenia, Serbia, Macedonia** records a growth of 7.1% compared to the first half of the previous year. Such growth was significantly impacted by a double-digit growth in sales in segments of coffee, beverages, snacks and savoury spreads. The Slovenian market records growth compared to the same period of the previous year caused by: (i) the growth in the segments of Turkish and espresso coffee with the Barcaffe brand, (ii) growth in the beverages segment, primarily with brands Cedevita and Donat Mg, (iii) growth in the savoury spreads segment with the Argeta brand and (iv) growth in the snacks segment with the Smoki brand. The Serbian market grew due to: (i) growth in the coffee segment, primarily of the Grand kafa brand in the segment of Turkish and instant coffee and the Bonito brand in the Turkish coffee segment, (ii) growth in the beverages segment, primarily with brands Donat Mg and Cedevita, (iii) growth in the savoury spreads segment with the Argeta brand and (iv) growth in the snacks segment, where all categories recorded growth. The growth in the Macedonian market was impacted by: (i) growth in the Turkish coffee segment with brands Grand kafa, Minas and C kava, (ii) growth in the beverages segment with brands Cockta and Cedevita, (iii) growth in the savoury spreads segment with the Argeta brand and (iv) growth in the snacks segment, where all categories recorded growth.

- **Other segments** in the first half of 2012 record an increase in sales of 6.5% compared to the same period of the previous year. Other segments include the Russian market, Strategic Distribution Unit HoReCa and non-allocable business activities (headquarters and support functions in Serbia, Slovenia and Macedonia) which are excluded from the reportable operating segments. The Russian market is growing due to a double-digit growth in the baby food brand Bebi. The Strategic Distribution Unit HoReCa records a drop in sales in the period under consideration due to the termination of the Tvornica Duhana Rovinj product portfolio distribution, but if the sale of this product range is excluded from the first half of 2011, the Strategic Distribution Unit HoReCa has a double-digit growth rate.

Sales profile by markets

(in HRK millions)	1H12	% of sales	1H11	% of sales	1H12/1H11
Croatia	**624.0**	26.6%	629.5	28.7%	(0.9%)
Serbia	**575.2**	24.6%	538.1	24.5%	6.9%
Slovenia	**288.7**	12.3%	261.2	11.9%	10.5%
B&H	**185.2**	7.9%	185.0	8.4%	0.1%
Other regional markets*	**143.1**	6.1%	129.7	5.9%	10.3%
Western Europe**	**202.3**	8.6%	200.2	9.1%	1.1%
Russia and EE	**106.4**	4.5%	79.7	3.6%	33.4%
Other	**217.6**	9.4%	173.7	7.9%	25.3%
Total sales	**2,342.5**	100.0%	2,197.1	100.0%	6.6%

*Other regional markets: Macedonia, Montenegro, Kosovo
**Western Europe: Germany, UK, Italy

- **The Croatian Market** had sales in the amount of HRK 624.0 million in the first half of 2012, which is a mild decrease of 0.9% compared to the same period of the previous year, when sales amounted to HRK 629.5 million. The decrease in sales in the Croatian market was primarily caused by the termination of the distribution of Tvornica Duhana Rovinj product portfolio and a portion of products from the product range of Karolina. If these sales are excluded from the first half of 2011, the Croatian market shows growth in sales. The Croatian market continues to be marked by adverse macroeconomic trends and a decrease in the consumer purchasing power with: (i) negative trends in the labour market, where in the first five months on average there were more persons unemployed, and less employed compared to the same period in 2011, (ii) stagnation of retail sales, other than trade in motor vehicles and motorcycles in the first five months of 2012 compared to the same period of 2011, (iii) decrease in real net salaries in the first four months of 2012 of 0.5% compared to the first four months of 2011 and (iv) increase in the consumer pessimism with the consumer confidence index drop from -21.8 in January to -40.3 in June this year. Despite such unstimulating environment, some categories from the segments of coffee, savoury spreads, snacks and principals' brands recorded growth in sales, whereby the Croatian market with a 26.6% share in the Atlantic Grupa's total sales remains the largest sales market.

- As the second largest sales market of Atlantic Grupa with the 24.6% share in the Atlantic Grupa's total sales, **the Serbian market** recorded sales of HRK 575.2 million in the first half of 2012. In the period under consideration, the Serbian market recorded growth in sales of 6.9% in the functional currency, i.e. a growth of 14.0% in the local currency which is a result of the growth in the product range in the segments of coffee, beverages, savoury spreads and snacks. This result is even more significant having in mind that in the Serbian market, similar macroeconomic trends to those in the Croatian market prevail with: (i) the drop in the economy in the first quarter of 2012, which is the fourth consecutive quarter of the economy drop on the quarterly level, (ii) an increase in the unemployment rate (25.5% in April 2012, while in November 2011 it was 23.7%) and a decrease in the employment rate (34.3% in April

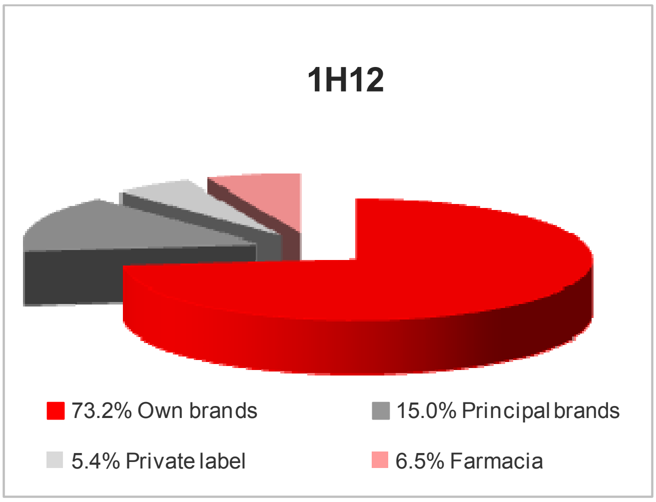
2012 while in November 2011 it was 35.3%) and (iii) a decrease in retail sales in the first five months of 2012 (-0.7% on an annual level). **The Slovenian Market** is the third largest sales market of Atlantic Grupa with a 12.3% share in Atlantic Grupa's total sales in the first half of 2012 and sales amounting to HRK 288.7 million. In the period under consideration, the Slovenian market recorded a 10.5% growth in sales compared to the same period of the previous year, primarily due to the growth in the segments of coffee, beverages, savoury spreads and snacks. Unlike the Croatian and Serbian markets, in the Slovenian market there was no increase in the average number of the unemployed in the first five months of 2012 on an annual level. However, the macroeconomic situation in Slovenia is not good, as indicated by: (i) the third consecutive quarterly decrease in GDP on an annual level, (ii) decreased volume of retail sales, other than fuel, in the first five months of 4.6% on an annual level and (iii) growth in consumer prices higher than in net salaries in the first five months (consumer prices grew by 2.5%, while net salaries grew by 1.5% on an annual level), which decreases the consumer purchasing power. **The market of Bosnia and Herzegovina** in the first half of 2012 had sales of HRK 185.2 million with a 7.9% share in the Atlantic Grupa's total sales. This result is at the same level as the result for the first half of 2011 despite adverse macroeconomic environment reflected through: (i) registered average unemployment rate of 44.0% in the first five months of 2012, (ii) decreasing average number of the employed in the first five months of the period under consideration on an annual level and (iii) decreasing consumer purchasing power due to a higher growth in consumer prices than in net salaries in the first five months of 2012 (consumer prices grew by 2.2%, while net salaries grew by 1.8% on an annual level). **Other markets in the region** (Macedonia, Montenegro, Kosovo), with sales of HRK 143.1 million in the first half of 2012, had the sales growth of 10.3% compared to the same period of the previous year.

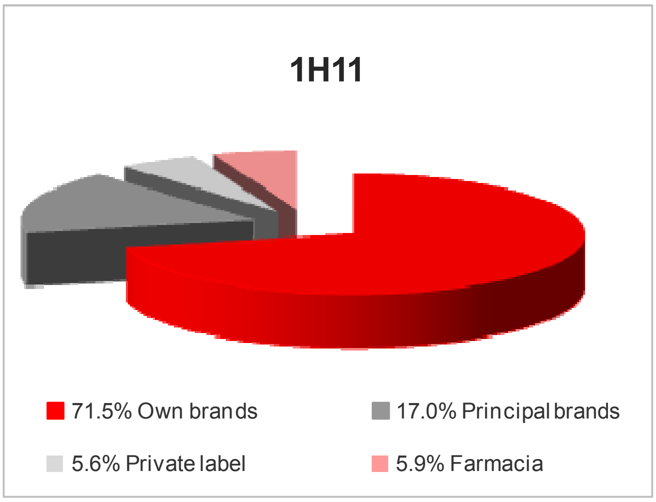
- **Western European markets** (Germany, Italy and the United Kingdom) in the first half of 2012 recorded sales of HRK 202.3 million compared to HRK 200.2 million in the same period of the previous year, which is a growth of 1.1%. Compared to the first half of 2011, the most significant Western European market of Atlantic Grupa, **the German market**, had 1.0% lower sales in the functional currency, while in the local currency the sales were lower by 2.9%. Lower sales reflect a decrease in sales of brands from the sports and functional food segment due to the delisting from the leading German fitness centre chain which introduced similar products under own brand and the bankruptcy of the significant retail chain Schlecker. **The market of the United Kingdom** recorded a growth in sales of 11.1% in the functional currency and of 3.4% in the local currency. The result was achieved in a situation of: (i) a growing unemployment rate (in the period March-May 2012 it was 8.1%, while in the same period of the previous year it was 7.7%), (ii) a higher growth in consumer prices than in weekly wages (consumer prices in the first five months of 2012 grew by 3.3% on average, while weekly wages in the same period grew by 1.3% on an annual level) and (iii) a decrease in household spending in the first three months of 0.9% on an annual level. **The Italian market** in the first half of 2012 recorded a growth in sales of 1.8% in the functional currency and a mild decrease of 0.2% in the local currency compared to the first half of 2011. Negative trends in the Italian economy continue with: (i) a drop in the economy in the first quarter of 2012 of 1.4% on an annual level, (ii) an increase in unemployment rate (in May 2012 it was 10.1% while in the same period of the previous year it was 8.1%) and (iii) a higher growth in consumer prices than in gross wages, which decreases the purchasing power of the population (gross wages in the first three months of 2012 grew by 2.1% on an annual level, while the average growth in consumer prices in the same period was 3.5%).

➢ **The markets of Russia and Eastern Europe** in the first half of 2012 recorded sales of HRK 106.4 million, representing a growth of 33.4% compared to the same period of the previous year. This result increases the share of the markets of Russia and Eastern Europe in the Atlantic Grupa's total sales, which now amounts to 4.5% as opposed to the first half of 2011 when their share was 3.6%.

➢ **Other markets** had sales of HRK 217.6 million in the first half of 2012, which is a 25.3% growth compared to the first half of 2011 when the total sales of other markets amounted to HRK 173.7 million.

Sales profile





➢ **Own brands** in the first half of 2012 recorded a 9.2% growth on an annual level and with sales of HRK 1,714.7 million they represent 73.2% of the Atlantic Grupa's sales profile. The growth in sales of own brands is a result of activities aimed at a more efficient management of the existing products and launching new products from the current Atlantic Grupa's product range. The growth in own brands was most significant in the following Strategic Business Units: (i) SBU Coffee with brands Grand Kafa and Barcaffe, (ii) SBU Beverages with brands Cockta and Donat Mg, (iii) SBU Savoury Spreads with the Argeta brand and (iv) SBU Snacks with a growth in all segments.

➢ **External brands** in the first half of 2012 decreased their share in the Atlantic Grupa's sales profile to 15.0%, following the growth in own brands. External brands record a decrease in sales compared to the same period of the previous year impacted by the termination of distributing a portion of the Karolina product range and the termination of the Tvornica Duhana Rovinj product portfolio distribution.

➢ **Private labels** make 5.4% of the company's sales profile in the first half of 2012 and record a growth in sales of 2.7% compared to the first half of 2011. The growth primarily relates to the product range of the Strategic Business Unit Sports and Functional Food.

➢ The pharmacy chain **Farmacia** continues with double-digit growth rates for sales, so the sales in the first half of 2012 were by 16.6% higher on the annual level. Thereby, the share of the pharmacy chain Farmacia in the Atlantic Grupa's total sales increased to 6.5% compared to the relevant period of 2011, when it was 5.9%. The growth in the pharmacy chain was achieved at the organic level, as well as through the merger of 5 pharmacies acquired in May 2011. At the end of the first half of 2012, the pharmacy chain Farmacia consisted of 46 pharmacies and 11 specialised stores.

PROFITABILITY DYNAMICS in the first half of 2012

Atlantic Grupa's profitability

(in HRK millions)	1H12	1H11 (Restated)*	1H12/1H11
Sales	**2,342.5**	2,197.1	6.6%
EBITDA	**282.8**	226.6	24.8%
Normalized EBITDA	**284.2**	229.5	23.8%
EBIT	**208.2**	145.8	42.8%
Normalized EBIT	**209.6**	148.7	41.0%
Net profit/loss	**14.4**	32.6	(55.8%)
Normalized Net profit/loss	**15.8**	35.5	(55.6%)
Profitability margins			
EBITDA margin	**12.1%**	10.3%	+176 bp
Normalized EBITDA margin	**12.1%**	10.4%	+169 bp
EBIT margin	**8.9%**	6.6%	+225 bp
Normalized EBIT margin	**8.9%**	6.8%	+218 bp
Net profit margin	**0.6%**	1.5%	-87 bp
Normalized Net profit margin	**0.7%**	1.6%	-94 bp

The Atlantic Grupa's profitability on the EBITDA (earnings before interest, taxes, depreciation and amortisation) and EBIT (earnings before interest and taxes) levels increased significantly in the first half of 2012. This profitability growth was influenced by: (i) the sales growth that was not accompanied by equal cost growth due to the implementation of cost management through the CORE cost reduction programme and optimisation of business processes on the central level and lower levels, introduced in order to improve the operative efficiency, (ii) synergy impacts that were not fully realised in the first half of 2011, (iii) the fact that the first half of 2011 was burdened by numerous integration activities and negotiations with key customers and (iv) a change in the sales mix with a larger share of own brands sales.

Taking into account the synergy impacts that were not fully realised in the first half of 2011, as well as integration activities and negotiations with key customers in the same period, the growth dynamics achieved in the first half of 2012 is not representative for the trends expected in subsequent periods.

* In December 2011, the Group finalised the allocation of the amount paid for the acquired assets of Droga Kolinska. For this purpose, Atlantic Grupa hired an independent valuator and conclusions resulting from this process, among others, were that the useful lives of all brands of Droga Kolinska are indefinite and that, accordingly, they will not be depreciated but instead will be annually tested for impairment. The effect of the reduced depreciation charge in 2011 was distributed over the entire 2011 in order to obtain amounts comparable to results in 2012.

One-off items that have been excluded in the normalisation process include the following:

- ❖ In the first half of 2011, transaction costs of HRK 2.9 million were incurred related to the acquisition of Droga Kolinska in 2010.
- ❖ In the first half of 2012, additional transaction costs of HRK 1.4 million were incurred related to the acquisition of Droga Kolinska in 2010.

- ❖ **Normalised EBITDA of HRK 284.2 million** is by 23.8% higher than the normalised EBITDA level in the first half of 2011, while the normalised EBITDA margin in the period under consideration is by 169 basis points higher on an annual level and amounts to 12.1%. The growth in the normalised EBITDA and EBITDA margin was influenced by: (i) sales growth due to a more efficient management of the existing products and launching new products, (ii) a decrease in the cost of goods sold as a result of changes in the sales mix, with an increased share of own brands, (iii) a decrease in marketing expenses and other operating expenses and (iv) growth in other revenues due to collection and expected collection of damages incurred in previous periods.

- ❖ **Normalised EBIT of HRK 209.6 million** is by 41.0% higher compared to the normalised EBIT in the first half of the previous year and the EBIT margin in the period under consideration increased by 218 basis points to 8.9%. The profitability growth on the normalised EBIT level, in addition to the factors mentioned in the previous point, was also influenced by lower depreciation and amortisation resulting from efficient management of the existing resources and accordingly lower need for new investments.

- ❖ **Normalised net profit of HRK 15.8 million** in the first half of 2012 is by 55.6% lower compared to the same period of 2011, mainly due to HRK 59.5 million of net foreign exchange losses primarily as a result of a significant change in the exchange rate between RSD and EUR.

Summary analysis of the second quarter of 2012

- ❖ In the second quarter of 2012, normalised EBITDA of HRK 150.1 million was recorded, which is by 9.9% higher compared to the second quarter of 2011, when normalised EBITDA amounted to HRK 136.6 million. The normalised EBITDA margin was 11.6% with a growth of 45 basis points compared to the same period in 2011.
- ❖ Normalised EBIT with HRK 112.2 million recorded a growth of 17.2% in the period under consideration, while the normalised EBIT margin with a growth of 86 basis points was 8.7%.
- ❖ In the second quarter of 2012, the normalised net profit of HRK 18.7 million was recorded, which is a drop of 47.7% compared to the second quarter of 2011. The normalised net profit margin was 1.4%.

Operating profitability of Strategic Business Units and Strategic Distribution Units

(in HRK millions)	1H12	1H11	1H12/1H11
SBU Beverages	64.4	58.1	10.9%
SBU Coffee	44.9	76.1	(41.0%)
SBU (Sweet and Salted) Snacks	57.4	28.8	99.2%
SBU Savoury Spreads	57.4	50.9	12.7%
SBU Sports and Functional Food	12.6	12.2	2.9%
SBU Pharma and Personal Care	23.8	13.1	82.1%
SDU Croatia	(1.6)	5.3	n/a
SDU Slovenia, Serbia, Macedonia	32.7	14.4	127.2%
Other segments*	(83.4)	(113.2)	n/a
Group EBIT	208.2	145.8	42.8%

The growth in the Atlantic Grupa's operating profitability in the first half of 2012 primarily reflects profitability enhancement in SBU Snacks, SBU Savoury Spreads, SBU Pharma and Personal Care, SDU Slovenia, Serbia, Macedonia and Other segments, annulling the profitability decrease in SBU Coffee and SDU Croatia.

- **Strategic Business Unit Beverages** records a 10.9% growth in EBIT influenced by the growth in the sales product range of the business unit and optimisation of service costs, whereby operating expenses grew less than sales.

- **Strategic Business Unit Coffee** in the first half of 2012 recorded EBIT of HRK 44.9 million, which is by 41.0% lower than in the same period of the previous year, primarily due to a further increase in the price of raw coffee and a significant weakening of EUR against USD.

- **Strategic Business Unit Snacks** with EBIT of HRK 57.4 million records a growth in operating profitability of 99.2% in the first half of 2012 compared to the same period in 2011. The operating profitability is enhanced due to a decrease in operating expenses, decrease in the price of raw materials and weakening of RSD against EUR, taking into account that one third of sales is realised outside of Serbia.

- **Strategic Business Unit Savoury Spreads** in the first half of 2012 recorded EBIT of HRK 57.4 million, which is a 12.7% growth compared to the same period of 2011. The growth was impacted by the growth in sales of the Argeta brand, while at the same time operating expenses grew insignificantly.

* Other segments include SDU HoReCa, Russian market and non-allocable business activities (headquarters and support functions in Serbia, Slovenia and Macedonia) which are excluded from the reportable operating segments. For the time being, SDU International Markets will not be separated, but its sales and profitability will be presented within SBU to which they relate.

- **Strategic Business Unit Sports and Functional Food** maintained operating profitability at the previous-year level, which resulted in the EBIT of HRK 12.6 million. The growth in sales of this business unit was annulled by an increase in prices of key raw materials.

- **Strategic Business Unit Pharma and Personal Care** records EBIT of HRK 23.8 million in the first half of 2012, which is an 82.1% growth compared to the first half of 2011. The higher EBIT is a result of a higher sales growth than the operating expenses growth of the pharmacy chain Farmacia and re-launching of Multivita sale in the Russian market as a result of solving the problems in product registration and operation of the relevant distributor.

- **Strategic Distribution Unit Croatia** had a negative operating profitability of HRK 1.6 million in the first half of 2012. The drop in EBIT was a result of a drop in sales.

- **Strategic Distribution Unit Slovenia, Serbia, Macedonia** in the first half of 2012 had an operating profit of HRK 32.7 million, which is a 127.2% growth compared to the first half of 2011 when the operating profit amounted to HRK 14.4 million. Individually, all distribution units recorded growth in operating profit.

- **Other segments** include the Russian market, Strategic Distribution Unit HoReCa and non-allocable business activities (headquarters and support functions in Serbia, Slovenia and Macedonia) which are excluded from the reportable operating segments. Improvement of the negative EBIT was impacted by the rationalisation of expenses in other segments as a consequence of the cost reduction programme and optimisation of operations.

Operating expenses structure excluding one-off items

(in HRK millions)	1H12	% of sales	1H11	% of sales	1H12/1H11
COGS	**492.6**	21.0%	504.0	22.9%	(2.3%)
Changes in inventory	**(34.8)**	(1.5%)	(33.3)	(1.5%)	n/a
Production materials	**885.5**	37.8%	748.7	34.1%	18.3%
Energy	**34.9**	1.5%	29.3	1.3%	18.8%
Services	**145.3**	6.2%	146.4	6.7%	(0.7%)
Staff costs	**320.8**	13.7%	320.1	14.6%	0.2%
Marketing and promotion costs	**158.6**	6.8%	168.7	7.7%	(6.0%)
Other operating expenses	**91.1**	3.9%	94.1	4.3%	(3.1%)
Other (gains)/losses, net	**(2.3)**	(0.1%)	1.9	0.1%	n/a
Total operating expenses	**2,091.7**	**89.3%**	**1,980.0**	**90.1%**	**5.6%**

Total operating expenses excluding one-off items in the first half of 2012 amounted to HRK 2,091.7 million, which is a 5.6% growth compared to the first half of 2011 when they amounted to HRK 1,980.0

million. The share of operating expenses in the total sales decreased and in the period under consideration it is 89.3%, while in the same period of the previous year it was 90.1%.

- The increase in own brands share in the Atlantic Grupa's sales profile in relation to principals' brands in the first half of 2012 reflects on the ratio of related items of operating expenses - cost of goods sold and production materials. In the period under consideration, the cost of production material records a growth of 18.3% on an annual level, while the cost of goods sold records a drop of 2.3% on an annual level.

- The growth in production material was significantly impacted by the increase in the price of coffee in the global commodity market, and the significant weakening of EUR against USD. Most of the agreements for purchase of coffee for the first half of 2012 were contracted at the end of 2011, when the prices of coffee in the global commodity market recorded growth compared to the end of 2010 when agreements were contracted for the first half of 2011, thus resulting in the higher production material expenses.

- Of other operating expenses items, in the period under consideration, energy costs grew by 18.8% and staff costs by mild 0.2%, while as a consequence of the optimisation of business process and use of synergies, service costs, marketing and sales expenses and other operating expenses decreased.

FINANCIAL INDICATORS in the first half of 2012

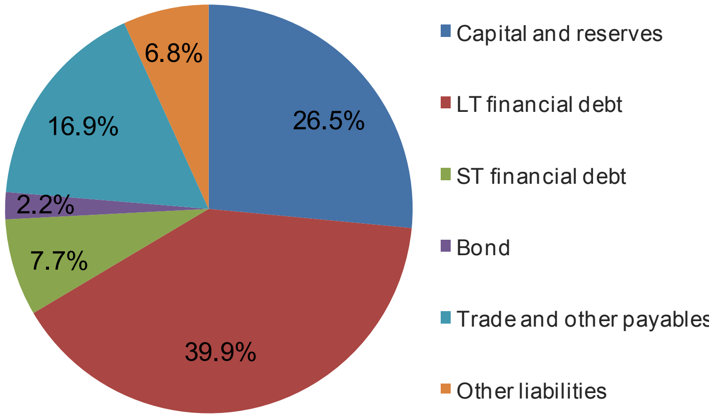
(in HRK millions)	1H12	2011
Net debt	**2,400.0**	2,494.0
Total assets	**5,297.6**	5,355.2
Equity	**1,404.3**	1,512.3
Current ratio	**1.68**	1.84
Gearing ratio	**63.1%**	62.3%
Net debt/EBITDA*	**4.2**	4.8
	1H12	1H11
Interest coverage ratio**	**2.4**	2.2
Capex	**39.6**	59.4
Cash flow from operating activities	**160.7**	51.0

* Normalized, 12M trailing EBITDA for 1H12; **Normalized

Among key determinants of the Atlantic Grupa's financial position in the first half of 2012, the following should be pointed out:

- Net debt of HRK 2,400.0 million was reduced by almost HRK 100 million and reflects the financial debt of HRK 2,639.9 million, net derivative liabilities of HRK 63.1 million and the amount of cash and cash equivalents and short-term deposits in the total amount of HRK 303.0 million. Consequently, the debt indicators are as follows: (i) ratio of net debt and capital increased by net debt of 63.1%, (ii) ratio of net debt and EBITDA of 4.2 and (iii) 2.4 times coverage of interest expense by normalised EBITDA.

- The Atlantic Grupa's equity and liabilities structure as at 30 June 2012 is as follows:



- The most significant item of equity and liabilities are non-current financial liabilities which represent 39.9% of the total equity and liabilities.
- The second most significant item is capital and reserves with a share of 26.5 percent.
- Non-current and current financial liabilities with the bond make 49.8% of the Atlantic Grupa's total equity and liabilities.

- As a consequence of the debt amount incurred primarily through the acquisition of Droga Kolinska, at the beginning of 2011, Atlantic Grupa prescribed the policy of active financial debt management, requiring the company to have fixed interest rates ranging from 50% to 100% on its financial liabilities at any time during the following year. Accordingly, a substantial portion of non-current financial liabilities was fixed by interest rate swaps already during the first quarter of 2011.

- The company's capital expenditure in the first half of 2012 amounts to HRK 39.6 million, with the most significant investments related to the following: (i) the construction of the Cockta bottling plant in Apatovac, (ii) SAP licences for Slovenia, (iii) investments related to transferring the production of Multipower beverages to Rogaška Slatina, (iv) investment in the wafers packaging machine in Soko Štark, (v) equipping the bottling plant of Palanački Kiseljak and (vi) purchase of equipment for the production of coffee.

OUTLOOK for 2012

Management's view on macroeconomic expectations

Atlantic Grupa's management is supporting the position of leading Croatian and European economic analysts on the drop in the Croatian economy in 2012. After Croatia entered the recession in the last quarter of 2011 and the first quarter of 2012, indicators in the second quarter do not leave much optimism for a quick economic recovery. Especially adverse situation is in the Croatian labour market, with an increasing unemployment and decreasing employment, while the growth in prices, following the decision on the increase in VAT and administrative decision on the increase in the price of energy, is threatening to reduce the real household income. Macroeconomic situation in the regional markets of Slovenia, Serbia and Bosnia and Herzegovina will on the one hand depend on the determination of the newly established authorities in solving structural problems, but also on the developments in European countries that are significant trade partners of regional markets and sources of funding. In the positive scenario, stagnation of the stated markets is expected. The main risks for the German market arise from its environment and the threat of a further escalation of the debt crisis. However, due to good domestic indicators, the German market should continue the growth trend. Adopted austerity measures and related structural reforms resulted in a deteriorated situation in the Italian labour market in the first half of 2012, so until the end of the year, a further decrease in personal consumption may be expected. At the entire eurozone level, 2012 might bring the slowdown in economic activities mainly due to endeavours for a stricter fiscal discipline of the member states, which can have a negative impact on the government spending and labour market in the short term.

Atlantic Grupa's strategic management guidance for 2012

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

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

Taken all into account, the management currently retains guidance communicated in February with publication of FY11 Financial figures:

(in HRK millions)	2012 Guidance (excluding one-offs)	2011 Normalized	2012/2011
Sales	**4,964**	4,728	5.0%
EBITDA	**550**	517	6.3%
EBIT	**385**	351	9.5%
Interest expense	**223**	222	

ATLANTIC GRUPA d.d.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTH PERIOD ENDED 30 JUNE 2012 (UNAUDITED)

ATLANTIC GRUPA d.d.

INTERIM CONSOLIDATED INCOME STATEMENT

in thousands of HRK, unaudited	Jan - Jun 2012	Jan - Jun 2011 (Restated)	Index	Apr - Jun 2012	Apr - Jun 2011 (Restated)	Index
Turnover	**2,375,916**	**2,209,458**	**107.5**	**1,303,607**	**1,226,462**	**106.3**
Sales revenues	2,342,521	2,197,127	106.6	1,289,385	1,220,921	105.6
Other revenues	33,395	12,331	270.8	14,222	5,541	256.7
Operating expenses	**2,093,079**	**1,982,883**	**105.6**	**1,154,920**	**1,092,819**	**105.7**
Cost of merchandise sold	492,634	504,019	97.7	281,622	258,504	108.9
Change in inventories	(34,818)	(33,329)	104.5	(14,875)	(4,009)	371.0
Production material and energy	920,392	778,065	118.3	499,285	425,315	117.4
Services	146,141	148,492	98.4	76,169	80,505	94.6
Staff costs	320,807	320,142	100.2	167,364	168,436	99.4
Marketing and selling expenses	158,557	168,665	94.0	97,482	105,741	92.2
Other operating expenses	91,698	94,877	96.6	52,891	54,197	97.6
Other gains - net	(2,332)	1,952	n/a	(5,018)	4,130	n/a
EBITDA	**282,837**	**226,575**	**124.8**	**148,687**	**133,643**	**111.3**
Depreciation	66,388	69,924	94.9	33,405	34,981	95.5
Amortization	8,199	10,864	75.5	4,465	5,854	76.3
EBIT	**208,250**	**145,787**	**142.8**	**110,817**	**92,808**	**119.4**
Financial expenses - net	(176,824)	(105,237)	168.0	(85,360)	(55,716)	153.2
EBT	**31,426**	**40,550**	**77.5**	**25,457**	**37,092**	**68.6**
Income tax	17,012	7,946	214.1	8,156	4,273	190.9
Profit for the period	**14,414**	**32,604**	**44.2**	**17,301**	**32,819**	**52.7**
Attributable to:						
Non-controlling interest	7,767	4,522	171.8	4,336	3,889	111.5
Owners of the parent	6,647	28,082	23.7	12,965	28,930	44.8
Earnings per share for profit attributable to the owners of the Company						
- basic	1.99	8.42		3.87	8.67	
- diluted	1.99	8.42		3.87	8.67	

ATLANTIC GRUPA d.d.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of HRK, unaudited	Jan - Jun 2012	Jan - Jun 2011 (Restated)	Index	Apr - Jun 2012	Apr - Jun 2011 (Restated)	Index
Profit for the period	**14,414**	**32,604**	**44.2**	**17,301**	**32,819**	**52.7**
Cash flow hedge	(3,777)	(10,708)	35.3	(6,513)	(7,398)	88.0
Currency translation differences	(102,108)	33,814	n/a	(43,454)	9,361	n/a
Total comprehensive income	**(91,471)**	**55,710**	**n/a**	**(32,666)**	**34,782**	**n/a**
Attributable to:						
Non-controlling interest	3,691	5,809	63.5	2,400	4,770	50.3
Equity holders of the Company	(95,162)	49,901	n/a	(35,066)	30,012	n/a
Total comprehensive income	(91,471)	55,710	n/a	(32,666)	34,782	n/a

ATLANTIC GRUPA d.d.

INTERIM CONSOLIDATED BALANCE SHEET

in thousands of HRK, unaudited	30 June 2012	31 December 2011
Property, plant and equipment	1,114,339	1,189,502
Investment property	1,725	1,934
Intangible assets	1,862,221	1,956,194
Available-for-sale financial assets	1,281	1,358
Derivative financial instruments	-	8,617
Trade and other receivables	17,862	21,514
Deferred tax assets	48,869	56,412
Non-current assets	3,046,297	3,235,531
Inventories	640,132	533,680
Trade and other receivables	1,138,580	1,119,851
Non-current assets held for sale	142,560	139,127
Prepaid income tax	24,540	24,877
Deposits given	29,580	36,334
Derivative financial instruments	2,532	18,249
Cash and cash equivalents	273,422	247,596
Current assets	2,251,346	2,119,714
Total assets	5,297,643	5,355,245
Capital and reserves attributable to owners of the Company	1,339,817	1,444,404
Non-controlling interest	64,457	67,920
Borrowings	2,228,664	2,346,725
Deferred tax liabilities	183,188	193,064
Derivative financial instruments	55,290	62,393
Other non-current liabilities	36,325	36,357
Provisions	53,024	54,540
Non-current liabilities	2,556,491	2,693,079
Trade and other payables	894,294	719,606
Borrowings	411,264	375,035
Current income tax liabilities	8,124	12,553
Derivative financial instruments	10,305	20,673
Provisions	12,891	21,975
Current liabilities	1,336,878	1,149,842
Total liabilities	3,893,369	3,842,921
Total equity and liabilities	5,297,643	5,355,245

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	Non-controlling interest	Total
At 1 January 2011	**1,016,282**	**(3,190)**	**379,532**	**1,392,624**	**63,632**	**1,456,256**
Comprehensive income:						
Net profit for the period	-	-	28,082	28,082	4,522	32,604
Cash flow hedge	-	(10,708)	-	(10,708)	-	(10,708)
Other comprehensive income	-	32,527	-	32,527	1,287	33,814
Total comprehensive income	-	21,819	28,082	49,901	5,809	55,710
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**	**405,000**	**1,437,379**	**68,815**	**1,506,194**
At 1 January 2012	**1,015,904**	**3,203**	**425,297**	**1,444,404**	**67,920**	**1,512,324**
Comprehensive income:						
Net profit for the period	-	-	6,647	6,647	7,767	14,414
Cash flow hedge	-	(3,777)	-	(3,777)	-	(3,777)
Other comprehensive income	-	(98,032)	-	(98,032)	(4,076)	(102,108)
Total comprehensive income	-	(101,809)	6,647	(95,162)	3,691	(91,471)
Transactions with owners:						
Acquisition of non-controlling interest	-	-	(9,981)	(9,981)	(6,275)	(16,256)
Purchase of treasury shares	(5,319)	-	-	(5,319)	-	(5,319)
Share based payment	5,404	-	471	5,875	-	5,875
Transfer	-	281	(281)	-	-	-
Dividends relating to 2011	-	-	-	-	(879)	(879)
At 30 June 2012	**1,015,989**	**(98,325)**	**422,153**	**1,339,817**	**64,457**	**1,404,274**

ATLANTIC GRUPA d.d.

INTERIM CONSOLIDATED CASH FLOW STATEMENT

in thousands of HRK, unaudited	**Jan - Jun 2012**	**Jan - Jun 2011 (Restated)**
Cash flows from operating activities		
Net profit	**14,414**	**32,604**
Income tax	17,012	7,946
Depreciation and amortization	74,587	80,788
(Gain) / loss on disposal of property, plant and equipment	(761)	841
Value adjustment of current assets	14,332	15,962
Interest income	(5,271)	(3,680)
Interest expense	117,281	103,523
Other non-cash changes	23,699	9,439
Changes in working capital:		
Increase in inventories	(115,668)	(126,448)
Increase in current receivables	(16,000)	(47,815)
Increase in current payables	174,687	90,430
Decrease in provisions for risks and charges	(10,600)	(8,357)
Interest paid	(101,454)	(81,737)
Income tax paid	(25,537)	(22,473)
Net cash flow from operating activities	**160,721**	**51,023**
Cash flow from investing activities		
Purchase of tangible and intangible assets	(39,641)	(59,448)
Proceeds from sale of property, plant and equipment	3,570	13,720
Acquisition of subsidiary	-	(2,412)
Acquisition of available-for-sale financial assets	(15,000)	-
Proceeds from sale of available-for-sale financial assets	15,035	-
Loans and deposits given	9,733	511
Interest received	5,271	3,680
Net cash flow used in investing activities	**(21,032)**	**(43,949)**
Cash flow from financing activities		
Purchase of treasury shares	(5,319)	(2,532)
(Repayment of) / proceeds from borrowings - net	(91,409)	20,286
Dividend paid to non-controlling interests	(879)	(600)
Acquisition of non-controlling interest	(16,256)	(2,640)
Net cash flow (used in) / from financing activities	**(113,863)**	**14,514**
Net increase in cash and cash equivalents	**25,826**	**21,588**
Cash and cash equivalents at beginning of period	247,596	231,978
Cash and cash equivalents at end of period	273,422	253,566

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 2012 were approved by the Management Board of the Company in Zagreb on 27 July 2012.

The interim condensed consolidated financial statements have not been audited.

NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012 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 2011.

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 2011.

2.3. COMPARATIVES AND RESTATEMENTS

In December 2011 the Group has finished the allocation of the purchase price paid for Droga Kolinska’s assets acquired. For that purpose, Atlantic Grupa engaged the independent appraiser and conclusions emerging form the process, among others were that the useful life for all of Droga Kolinska’s brands is indefinite and consequently, these will not be amortized but tested annually for impairment. The effect of lower amortization in 2011 was therefore spread over the whole 2011 in order to obtain comparative figures to 2012 results. For the same reason, the impact of different depreciation due to change in fair value and useful lives of property, plant and equipment was spread over the whole 2011.The effects of changes in comparative figures for 2011 are as follows:

(in thousands of HRK)	Jan - Jun 2011
Decrease in depreciation	(1,056)
Decrease in amortization	(19,974)

NOTE 3 – SEGMENT INFORMATION

In January 2012, the Group adopted a new organization and replaced the earlier divisional structure with a model where business has been organized through six strategic business units and three strategic distribution units, which have been joined by a separate market unit, Russia. The newly formed Strategic Management Council is responsible for strategic and operational issues.

For more efficient management of individual strategic business and strategic distribution units, the new organization unites similar business activities, or products, shared markets, or channels, together. Specifically, from now on, Atlantic Grupa's business has been organized in six strategic business units (SBU) and three strategic distribution units (SDU):

- SBU Beverages,
- SBU Coffee,
- SBU (Sweet and Salted) Snacks,
- SBU Savoury Spreads,
- SBU Sports and Functional Food,
- SBU Pharma and Personal Care
- SDU Croatia,
- SDU Slovenia, Serbia, Macedonia,
- SDU HoReCa,

and the Russian market.

Due to the fact that SDU HoReCa and MU Russia do not meet quantitative thresholds required by IFRS 8 for reportable segments, they are reported within Other segments. The Other segments category comprises also of non-allocable business activities (headquarters and support functions in Serbia, Slovenia and Macedonia) which are excluded from the reportable operating segments.

Strategic Management Council monitors the operating results of its business unites separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group financing and income taxes are managed on Group basis and are not allocated to operating segments.

Sales of individual SBUs represent in market sales made to third parties (either directly through SBUs or through SDUs). SDU sales includes sales of own products also reported as SBU sales. This double counting of own product sales is eliminated in the "Reconciliation" line. For the purpose of segmental profit calculation, sales between operating segments are carried out at arm's length.

Operating results for period Jan-Jun 2011 are restated in order to reflect changes in organisation and provide relevant comparable information.

NOTE 3 – SEGMENT INFORMATION (continued)

Sales revenues *(in thousands of HRK)*	**Jan - Jun 2012**	**Jan - Jun 2011**
SBU Beverages	331,183	329,224
SBU Coffee	497,934	442,974
SBU (Sweet and Salted) Snacks	283,019	260,858
SBU Savoury Spreads	221,859	197,299
SBU Sports and Functional Food	352,096	326,181
SBU Pharma and Personal Care	240,321	209,653
SDU Croatia	403,945	411,360
SDU Slovenia, Serbia, Macedonia	888,736	830,073
Other segments	171,417	161,023
Reconciliation	(1,047,989)	(971,518)
Total	**2,342,521**	**2,197,127**

Operating results	**Jan - Jun 2012**			**Jan - Jun 2011**		
(in thousands of HRK)	**EBITDA**	**Depreciation and Amortization**	**EBIT**	**EBITDA**	**Depreciation and Amortization**	**EBIT**
SBU Beverages	86,275	21,844	64,431	79,721	21,631	58,090
SBU Coffee	52,944	8,042	44,902	80,494	4,357	76,137
SBU (Sweet and Salted) Snacks	68,362	10,916	57,446	41,987	13,152	28,835
SBU Savoury Spreads	65,704	8,333	57,371	58,500	7,594	50,906
SBU Sports and Functional Food	15,760	3,167	12,593	14,984	2,743	12,241
SBU Pharma and Personal Care	28,490	4,684	23,806	18,320	5,245	13,075
SDU Croatia	1,778	3,356	(1,578)	11,040	5,711	5,329
SDU Slovenia, Serbia, Macedonia	35,378	2,699	32,679	20,201	5,818	14,383
Other segments	(71,854)	11,546	(83,400)	(98,672)	14,537	(113,209)
Total	**282,837**	**74,587**	**208,250**	**226,575**	**80,788**	**145,787**

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.

	2012	2011 (Restated)
Net profit attributable to equity holders (in thousands of HRK)	6,647	28,082
Weighted average number of shares	3,333,961	3,333,952
Basic earnings per share (in HRK)	1.99	8.42

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 2012, Group invested HRK 39,641 thousand in purchase of property, plant and equipment (2011: HRK 59,448 thousand).

NOTE 6 - INVENTORIES

During the six months period ended 30 June 2012, the Group wrote down HRK 9,216 thousand of inventories due to damage and short expiry dates (2011: HRK 6,826 thousand). The amount is recognised in the income statement within Other operating expenses.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Group enters into transactions with the following related parties: shareholders and other entities controlled or owned by shareholder. Related party transactions that relate to balance sheet as at 30 June 2012 and 31 December and transactions recognised in the Income statement for six month period ended 30 June are as follows:

(all amounts expressed in thousands of HRK)	**30 June 2012**	**31 December 2011**
RECEIVABLES		
Current receivables		
Other entities	94,939	93,528
LIABILITIES		
Borrowings		
Shareholders	423,745	427,959
Trade payables		
Shareholders	22	22
Other entities	8	2,003

REVENUES	**Jan – Jun 2012**	**Jan – Jun 2011**
Sales revenues		
Other entities	227,664	157,354
Other revenues		
Other entities	227	91
EXPENSES		
Marketing and promotion expenses		
Other entities	4,450	2,195
Finance cost - net		
Shareholder	15,547	16,561

Atlantic Grupa d.d.
Miramarska 23
Zagreb

Register number: 1671910

Zagreb, 30 July 2012

Pursuant to the article 407. to 410. of the Capital market Law (Official Gazette 88/08, 146/08 and 74/09) the President of the Management board of Atlantic Grupa d.d., Miramarska 23, Zagreb provide

MANAGEMENT BOARD'S STATEMENT OF LIABILITY

The consolidated and separate 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 2012 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 2012 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@atlanticgrupa.com