Financial results in the first nine months of 2014

Zagreb – 30 October 2014

Stability of operations despite unstable environment

- **Sales at HRK 3,796.4 million**
  + 2.7% compared to the same period of 2013
- **Earnings before interest, taxes, depreciation and amortisation (EBITDA) at HRK 481.8 million**
  + 0.4% compared to the same period of 2013
- **Earnings before interest and taxes (EBIT) at 378.5 million**
  + 0.7% compared to the same period of 2013
- **Net profit after minorities at HRK 209.2 million**
  + 8.2% compared to the same period of 2013

Comment of President of the Management Board and CEO

Commenting on the financial results and key business developments, Emil Tedeschi, President of the Management Board and CEO of Atlantic Grupa, pointed out:

"In the first nine months of 2014, Atlantic Grupa recorded business growth with further deleveraging and generating stable cash flows from operating activities. Although it operates in extremely difficult macro and micro economic environment, the company has extended the distribution portfolio, brought innovation to the production portfolio, engaged in the construction of the new energy bars production plant (in line with the set timeframe), at the same time focusing on systematic risk management.

In the rest of the year, the company expects to continue with the cost optimisation and to achieve the set profitability objectives. The sales dynamics realised in the first nine months indicates the challenging business environment where the company continually offers price discounts to stimulate sales, at the same time limiting the exposure to risky customers. Consequently, the company revised and lowered its announced sales expectations for 2014."

Financial summary of the first nine months of 2014

Key figures	9M 2014	9M 2013*	9M 2014/ 9M 2013
Sales (in HRK millions)	**3,796.4**	3,695.7	2.7%
Turnover (in HRK millions)	**3,821.9**	3,724.4	2.6%
EBITDA margin	**12.7%**	13.0%	-29 bp
Net income after minorities (in HRK millions)	**209.2**	193.3	8.2%
Gearing ratio**	**52.6%**	55.2%	-255 bp

* Sales for the first nine months of 2013 were restated, as explained in the "Sales dynamics" section
** Gearing ratio = Net debt/(Total equity+Net debt); Gearing ratio of 55.2% relates to 31 December 2013

KEY DEVELOPMENTS in the first nine months of 2014

1. Successful beginning of Unilever distribution for Croatia and Slovenia

After signing the Agreement on distribution in December 2013, the first nine months of 2014 was mainly marked by the successful beginning of the Unilever's product range distribution in the markets of Croatia and Slovenia. Unilever is one of the leading global producers of consumer goods with a rich portfolio of globally famous brands (Knorr, Hellman's, Axe, Rexona, Brut, Signal, Coccolino, Domestos, Cif and many others), and its inclusion into the Atlantic Grupa's distribution portfolio confirmed Atlantic Grupa’s status of the leading distributor in the region, offering the highest level of the distribution service with the high realisation of distribution parameters.

2. Construction of the new energy bars factory in Nova Gradiška

The new factory of energy bars from the sports and functional food product range in the Industrial park Nova Gradiška is under construction (began in April 2014). In accordance with the contractual time schedule, the construction of the new plant of 6,000 square meters, equipped with the full infrastructure, installations and landscaping, is finalised. At the beginning of November, the production plant will be ready for the delivery of the main production line, assembly, installation and connection to the facility’s infrastructure.

In the new plant construction project, the project team prepared the implementation of SAP solution for supporting business processes of the new plant. The implementation was completed in line with the plan and the SAP system will “go live” at the beginning of November, in time for first orders of raw materials and the beginning of the test production.

At the end of September, the European Bank for Reconstruction and Development (EBRD) and Atlantic Grupa signed the agreement on a credit line in the amount of EUR 10 million for investment in the construction and equipment of this factory. The remaining amount of EUR 6 million to the total value of the investment of EUR 16 million is financed from the company’s own funds.

3. Own brands in the first nine months of 2014

In addition to great business results of the Strategic Business Unit **Savoury Spreads**, Argeta's “Approved by Moms” campaign won the silver Euro Effie 2014. Winning this award in direct competition with companies such as Beiersdorf AG, P&G, GlaxoSmithKline, Barilla, Unilever and Coca-Cola best illustrates the strength of the Argeta brand. The Euro Effie award is the most valuable and most respected European award in the area of market communications, and it is awarded solely on the basis of proven market efficiency on at least two markets.

In September 2014, within the Strategic Business Unit **Snacks** as part of the Štark brand, Atlantic Grupa launched its chips under the Chipsos label. This establishes Atlantic Grupa as an important factor in the chips segment in South East Europe.

In the Strategic Business Unit **Beverages,** Donat Mg, in cooperation with a marketing agency, won the title of the “General web champion” for “Trudnica Mg” website. Since this summer, Cockta is available in R-PET plastic bottles made of 50% recycled plastics. By introducing R-PET packaging, Cockta consistently fulfils its environmental obligations arising from the brand value, but also follows Atlantic Grupa’s business commitment as a socially responsible company. In the HoReCa channel, Cedevita offers consumers in the entire region a new experience by 25% extra content for the same price, unique serving and innovative packaging not seen in the market before. In the retail channel, new handy Cedevita packs of 75g for 1L of the beverage and 150g for 2L of the beverage were launched, with the most popular orange and lemon flavours.

4. Strategic partnership with INA

Based on the strategic partnership of Atlantic Grupa and INA, from April, Montana sandwiches, the market leader in their category, are exclusively sold on Ina's gas stations, and from June, the strategic partnership extended to the Coffee segment.

This cooperation is an example of an effective synergy of business units, strengthening the position of Atlantic Grupa as the most developed distributor of consumer goods and it represents a significant step forward in the development and expansion of the coffee business, specially of the Coffee to Go segment.

5. Purchase of minority interests in operating companies

Further to its strategic commitment to ownership consolidation in all operating companies within the system, Atlantic Grupa purchased minority interests in the companies in which it is the majority owner.

This includes purchases in companies Cedevita d.o.o. and Atlantic Multipower UK Ltd., where Atlantic Grupa directly purchased a 19-percent minority share in Cedevita, while Atlantic Multipower Germany, a company fully owned by Atlantic Grupa, purchased a 35-percent share in Atlantic Multipower UK, an operating company registered in London. The amount paid for these minority interests is HRK 93.3 million.

SALES DYNAMICS in the first nine months of 2014

Sales profile by business segments

(HRK 000)	9M 2014	9M 2013*	9M 2014/ 9M 2013
SBU Beverages	490,838	509,098	(3.6%)
SBU Coffee	734,835	775,125	(5.2%)
SBU (Sweet and Salted) Snacks	422,365	436,496	(3.2%)
SBU Savoury Spreads	345,783	334,756	3.3%
SBU Sports and Functional Food	616,087	608,870	1.2%
SBU Pharma and Personal Care	365,880	365,945	(0.0%)
SDU Croatia	644,665	578,584	11.4%
SDU Serbia	774,217	828,080	(6.5%)
SDU International markets	437,745	420,290	4.2%
DU Slovenia	515,136	425,822	21.0%
Other segments**	630,567	629,071	0.2%
Reconciliation***	(2,181,702)	(2,216,446)	n/a
Sales	3,796,416	3,695,691	2.7%

In the first nine months of 2014, Atlantic Grupa **recorded sales of HRK 3.8 billion**, which is a 2.7% growth compared to the same period of the previous year. The growth was mainly impacted by the growth in sales in the Strategic Business Unit Savoury Spreads, the Strategic Business Unit Sports and Functional Food, the Strategic Distribution Unit International Markets and the beginning of the Unilever principal distribution in the Strategic Distribution Unit Croatia and the Distribution Unit Slovenia. The sales are mildly higher than in the first nine months of 2013 if we exclude the effect of new and old principals (the beginning of Unilever distribution and the termination of cooperation with principals Red Bull, Bobi, Lorenz, Manner) and unfavourable impacts of movements in exchange rates (the average depreciation of the Serbian dinar of 2.3% and the average depreciation of the Russian ruble of 14.3% compared to the same period of the previous year).

Atlantic Grupa records sales by business segments in a way that sales of individual Strategic Business Units and 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 or a Distribution Unit), while sales of Strategic Distribution Units and Distribution Units include both sales of external principals' products and sales of own products.
* In 2014 the classification of contracted marketing expenses has changed from "Marketing and selling expenses" to decrease in "Sales revenues", and classification of support for contracted marketing expenses has changed from decrease in "Marketing and selling expenses" to decrease in "Cost of merchandise sold". In accordance with these changes, sales revenue (referring to sales from distribution company Atlantic Trade Zagreb) for segment information for the nine months of 2014 has also been restated, but no restatement has been made for sales revenue referring to SBU Savoury Spreads on markets outside the region and BU Baby Food due to immateriality.
** Other segments include SDU HoReCa, SDU CIS, BU Baby Food, DU Macedonia and business activities not allocated to business and distribution units (headquarters and support functions in Serbia, Slovenia and Macedonia) which are excluded from the reportable operating segments.
*** Line item "Reconciliation" relates to the sale of own brands which is included in the appropriate SBU and BU and in SDUs and DUs through which the products were distributed.

- The lower result of the **Strategic Business Unit Beverages** is a consequence of a decrease in sales of carbonated soft drinks and vitamin drinks. After the floods in the region during the second quarter, the consumption was also unfavourably impacted by unstable weather conditions during the summer tourist season, as well as the volume and value drop in the overall market categories on regional markets (for example, carbonated soft drinks recorded a volume market drop of 9.3% in Slovenia and 6.5% in Serbia, while vitamin instant drinks recorded a volume market drop of 4.9% in Slovenia, 4.4% in Croatia and 10.3% in Serbia)*. At the same time, Cockta improves its market position in Slovenia and Croatia, while in the period June-July Cedevita records the highest market share in the last 12 months on the Croatian market. Withins SBU Beverages, functional waters with the Donat Mg brand and waters with the Kala brand record double-digit growth in the sales. In this, Donat Mg records the highest sales growth in the markets of Slovenia, Russia and Bosnia and Herzegovina, while Kala, due to the growth during 2014, reached the greatest volume and value market shares (since its launching) taking the second position (including the sale of gallons), or the third position (excluding the sale of gallons) in the Croatian market of spring waters** with the tendency of further growth.

- The decrease in sales of the **Strategic Business Unit Coffee** is a consequence of lower sales of Turkish coffee in the markets of Serbia, Bosnia and Herzegovina and Macedonia, partially annulled by the growth in sales in the markets of Slovenia and Croatia. In this, the depreciation of the dinar, the growth of 'cheap' competition in the form of small roasting plants and significantly higher marketing investment in the form of price discounts (that decrease sales) are the main factors that impacted the drop in sales in the Serbian market. Nevertheless, while the overall Turkish coffee market category recorded the volume drop of 7.9 percent and the value drop of as much as 15.8 percent in Serbia*, the Grand Kafa brand retained its market shares in the same period. In the Slovenian market, great results of the “Kavamania” loyalty programme resulted in the growth of the volume and value market shares of the Barcaffe brand, while the overall Turkish coffee market category recorded the volume and value drop of 3.0% and 3.3%*, respectively. The double-digit sales growth in Croatia and the growth of the volume and value market shares are recorded despite the volume and value drop in the overall Turkish coffee market category of 7.3%, and 10.4%, respectively*.

- The **Strategic Business Unit Snacks** recorded a decrease in sales as a consequence of lower results of biscuits, flips and wafers categories, partly mitigated by launching the new category – chips, in September. In general, natural disasters (floods in May) in the region and significantly increased redirection of marketing into price discounts compared to the same period of the previous year are among main factors for such results. Analysed by markets, the greatest drop in sales was recorded by the Serbian market impacted by the depreciation of the Serbian dinar, lower consumption during the floods in May and the decrease in sales of the biscuits and flips categories. The decrease in sales in the markets of Bosnia and Herzegovina and Montenegro is primarily a consequence of the drop in sales of chocolate in the former and flips in the latter market, while the Croatian market recorded double-digit growth rates, primarily due to the flips category. Thus, in the Croatian market, the Smoki brand records the growth in the volume and value market shares, while the overall flips market category records a volume drop of 6.0% and a value drop of 11.7%*.

* AC Nielsen Retail Panel, January-July 2014 (percentage movements on an annual level)
** According to the report of the Croatian Association of Drink Producers, January-September 2014

- The **Strategic Business Unit Savoury Spreads** recorded sales growth due to key regional markets (Bosnia and Herzegovina, Slovenia and Croatia) and international markets, primarily Russia and Austria. It should be noted that Argeta records the volume and value growth in market shares in key regional markets (Slovenia, Bosnia and Herzegovina, Croatia and Serbia)* while, for example, the overall market category records a volume drop of 7.8% in Croatia and 3.1% in Serbia*.

- The **Strategic Business Unit Sports and Functional Food** records increased sales primarily in the markets of Germany, Great Britain and Italy, whereby the highest sales growth was recorded by Multipower and Champ brands.

- The **Strategic Business Unit Pharma and Personal Care** records sales at the last year's levels, whereby the drop in sales of Fidifarm and Atlantic Pharmacentar product ranges was compensated by the growth in sales of the pharmacy chain Farmacia and product range of Multivita in Russia. Fidifarm product range records a decrease, mainly in the Croatian market, due to the volume drop in the food supplements market of 6.0%* and also due to the application of the EU legislation that caused delisting of certain products under the Dietpharm brand from pharmacies. Geographically, the growth is recorded in the markets of Russia, due to the Multivita product range, and Bosnia and Herzegovina, due to the Neva product range.

- The **Strategic Distribution Unit Croatia** recorded growth in sales due to the range of own and principal brands, where the most prominent factors are as follows: (i) the beginning of the distribution of new principals, primarily of the Unilever product range, but also others, such as Ilirija and Monster, (ii) an increase in the sales of own brands, especially Kala, Barcaffe, Smoki and Argeta, (iii) an increase in the sales of the existing principals' brands such as Johnson & Johnson, Rauch, Wrigley and Ferrero, and (iv) previous year's temporarily suspended distribution in March during negotiations related to the implementation of new commercial terms and conditions. If the Unilever sales are excluded, as well as the termination of the Bobi, Lorenz, Manner and Red Bull product ranges distribution, the Strategic Distribution Unit Croatia recorded a 2.5% growth in sales.

- The decrease in sales of the **Strategic Distribution Unit Serbia** is a consequence of the combination of several factors, including: (i) the depreciation of the dinar, (ii) natural disasters in May, (iii) the decrease in sales of the coffee, carbonated soft drinks, vitamin instant drinks and sweet snacks and flips segments, as a consequence of the volume and value drop in all these categories in the market (excluding flips, which records only the value drop)* and (iv) redirecting the marketing into price discounts due to extremely aggressive price competition. The drop was partly compensated by the increase in sales of principal brands and Argeta, and personal care brands from own product range.

- The **Strategic Distribution Unit International Markets** recorded a growth in sales, primarily in the markets of Germany, United Kingdom and Italy, and in the sports and functional food, snacks and functional waters segments.

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* AC Nielsen Retail Panel, January-July 2014 (percentage movements on an annual level)

- The highest sales growth among all segments was recorded by the **Distribution Unit Slovenia**, primarily due to the beginning of the Unilever product range distribution, but also due to the increase in sales of internal principals from the segments of coffee, functional waters and savoury spreads and the increase in sales of the existing external principals, primarily Ferrero. If sales of Unilever are excluded, the DU Slovenia recorded a 3.3% growth in sales.

- **Other segments** recorded a mild increase in sales following the increase in sales of the Business Unit Baby Food and the Strategic Distribution Unit CIS, which compensated the decrease in sales of the Strategic Distribution Unit HoReCa and the Distribution Unit Macedonia.

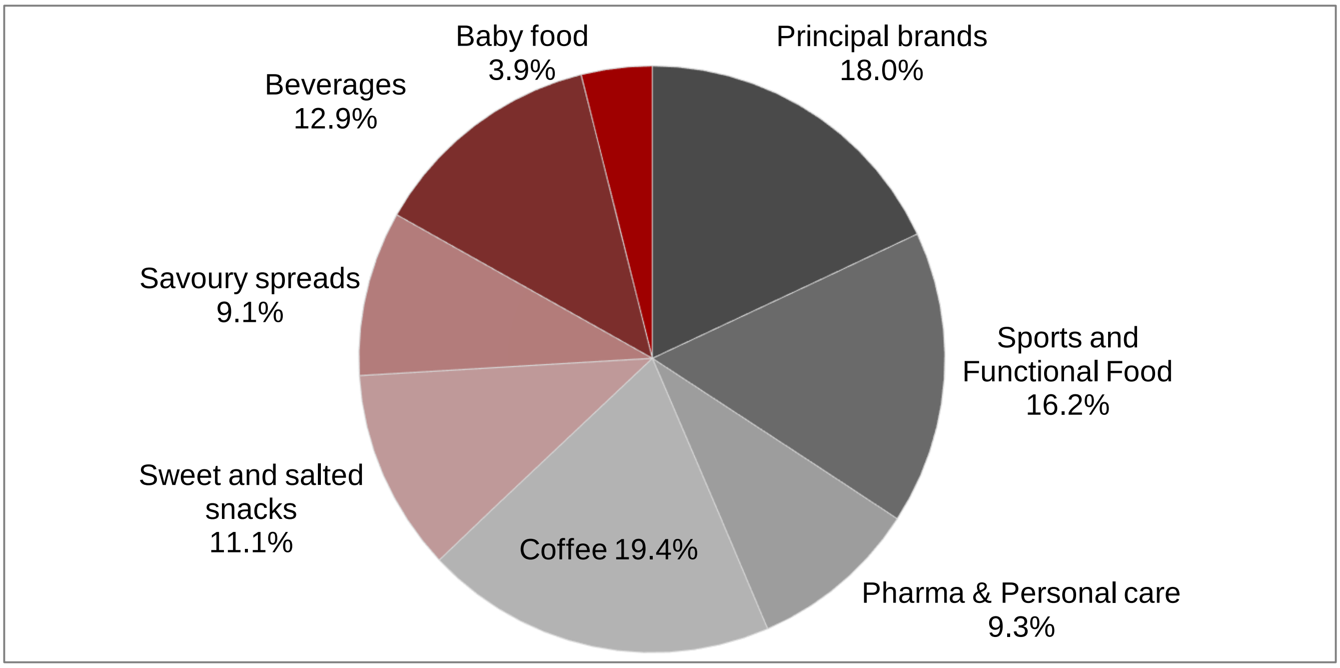
  The sales of the BU Baby Food grew despite (i) this year's changes in the classification of contracted marketing expenses and sales promotion[1], (ii) continual political risks in Ukraine, and (iii) average depreciation of the ruble of 14.3% compared to the same period of the previous year.

  The SDU CIS grew primarily due to the Russian market and categories of functional waters with the Donat Mg brand, baby food with the Bebi brand and savoury spreads with the Argeta brand.

  The SDU HoReCa recorded lower sales primarily in the Croatian market due to adverse weather conditions during the summer season and following the termination of cooperation with the principal Red Bull. The decrease was partly mitigated by the growth in sales in the HoReCa channel in the markets of Slovenia and Macedonia.

  The DU Macedonia recorded lower sales primarily due to a decrease in sales of coffee and savoury spreads, partly compensated by the increase in sales of the external principal Ferrero. In general, this DU has problems with slower collection of receivables, resulting in limiting the exposure to certain customers, and thereby limiting the sales.

Sales profile by segments



[1] Described in detail on page 4 of the document

Sales profile by markets

(in HRK millions)	9M 2014	% of sales	9m 2013	% of sales	9M 2014/ 9M 2013
Croatia	**975.3**	25.7%	916.3	24.8%	6.4%
Serbia	**818.8**	21.6%	878.1	23.8%	(6.7%)
Slovenia	**577.2**	15.2%	481.9	13.0%	19.8%
Bosnia and Herzegovina	**265.7**	7.0%	277.8	7.5%	(4.4%)
Other regional markets*	**224.9**	5.9%	234.8	6.4%	(4.2%)
Key European markets**	**451.2**	11.9%	456.2	12.3%	(1.1%)
Russia and CIS	**222.2**	5.9%	209.3	5.7%	6.2%
Other markets	**261.0**	6.9%	241.4	6.5%	8.1%
Total sales	**3,796.4**	100.0%	3,695.7	100.0%	2.7%

- In addition to the Unilever product range distribution as one of the key factors contributing to the sales growth, **the Croatian market** records 6.4% higher sales also due to (i) an increase in sales of own brands (Kala in the waters category, Barcaffe in the coffee category, Smoki in the flips category and Argeta in the savoury spreads category) and (ii) an increase in sales of the existing principals' brands, especially Johnson & Johnson, Rauch, Wrigley and Ferrero. In addition, the positive effect came from the previous year's temporarily suspended distribution in March during negotiations related to the implementation of new commercial terms and conditions. If the effect of new and old principals is excluded (the beginning of the Unilever distribution, and the termination of cooperation with principals Red Bull, Bobi, Lorenz, Manner), the Croatian market recorded a 1.7% growth in sales in conditions when the economy is predisposed to record the sixth year of contracted activity and personal consumption.

- The decrease in sales in the **market of Serbia** was primarily a consequence of the combination of several factors, including: (i) continued depreciation of the dinar, (ii) generally lower consumption during and after the floods in May, which will partly be the cause of the expected drop in personal consumption for the sixth consecutive year, and (iii) extremely aggressive price competition, resulting in continual redirection of marketing into price discounts. At the same time, the market of Serbia records the most prominent decrease in the segments of coffee, sweet and salted snacks and beverages, following the volume and value drop of all categories (excluding flips, which records only the value drop)[2].

Sales for the first nine months of 2013 are restated, as explained in the "Sales dynamics" section.
* Other regional markets: Macedonia, Montenegro, Kosovo
** Key European markets: Germany, the United Kingdom, Italy, Switzerland, Austria, Sweden, Spain
[2] AC Nielsen Retail Panel, January-July 2014, percentage movements on an annual level

- A strong growth in the **Slovenian market** is mainly the result of the beginning of the Unilever product range distribution, but the growth was also a consequence of the growth in sales of (i) own principals (functional waters with the Donat Mg brand, coffee with the Barcaffe brand and savoury spreads with the Argeta brand) and (ii) external principals, primarily Ferrero. If the effect of the Unilever distribution is excluded, the Slovenian market grew by 4.2%.

- Lower sales in the **market of Bosnia and Herzegovina** are primarily a result of generally lower consumption following a poorer standard of living caused by, among other things, high unemployment rate, and natural disasters (floods in May). Analysed by categories, lower sales are recorded by the segments of coffee, beverages (carbonated soft drinks and vitamin instant drinks) and snacks, while some categories, such as savoury spreads with the Argeta brand and functional waters with the Donat Mg brand, record growth.

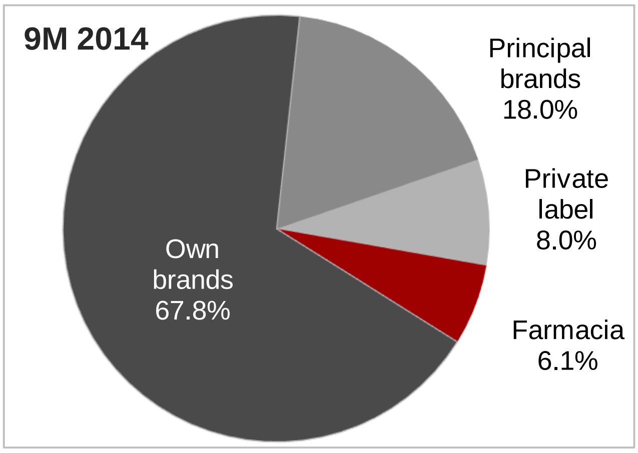
- Lower sales in **Other regional markets** are a consequence of lower sales in the markets of Macedonia, Montenegro and Kosovo. Lower sales were recorded by the segments of coffee, beverages (primarily carbonated soft drinks), savoury spreads and snacks, while higher sales were recorded by functional waters with the Donat Mg brand and Ferrero in the principals' brands segment.

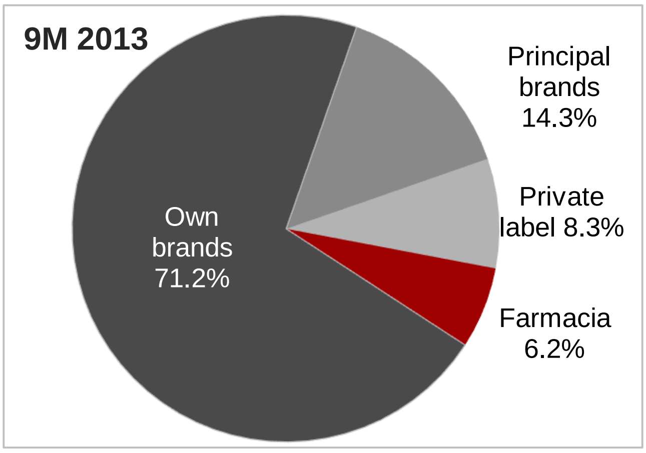
- A mild drop in sales on **Key European markets** is a consequence of lower sales of private labels within the sports and functional food segment, partly compensated by the growth in sales of own brands Multipower and Champ in the sports and functional food segment and Donat Mg in the functional waters category. Analysed by markets, the highest growth in sales was recorded in the markets of United Kingdom, Germany and Italy.

- Despite the 14.3 percent depreciation of the ruble and political instability in Ukraine, the **markets of Russia and the Commonwealth of Independent States** record growth in sales, primarily in Russia and Belarus. The Russian market records a 10 percent growth as a result of growth in sales of functional waters with the Donat Mg brand, baby food with the Bebi brand and savoury spreads with the Argeta brand.

- **Other markets** recorded a growth in sales primarily due to a growth in sales of sports and functional food, particularly private labels.

Sales profile by product category





- **Own brands** record a drop in sales of 2.1% compared to the same period of the previous year, primarily as a result of the drop in sales of the following brands: (i) Grand Kafa in the coffee segment, (ii) Cedevita and Cockta in the beverages segment, and (iii) Smoki in the snacks segment. However, the decrease in sales of these brands was partly compensated by the growth in sales of the following brands: (i) Argeta in the savoury spreads segment, (ii) Donat Mg in the functional waters segment and Kala in the waters segment, (iii) Multipower and Champ in the sports and functional food segment, (iv) Barcaffe in the coffee segment, and (v) Bebi in the baby food segment.

- The 29.0 growth in sales of **principal brands** was primarily impacted by the beginning of the Unilever product range distribution. If the effect of the Unilever product range distribution is excluded, principals' brands remained at the levels of the same period of the previous year, whereby the increase in sales of principals Ferrero, Johnson & Johnson, Rauch and Wrigley compensated the termination of the distribution of certain principals (Red Bull, Bobi, Lorenz, Manner).

- **Private labels**[3] record a mild 0.6% drop in sales compared to the same period of the previous year, as a consequence of the drop in sales of private labels in the sports and functional food segment following the termination of cooperation with one principal.

- The pharmacy chain **Farmacia** recorded a 1.7 percent growth in sales, primarily due to the newly opened specialised stores. As at 30 September 2014, the pharmacy chain Farmacia consisted of 48 pharmacies and 23 specialised stores. During 2014, 6 new specialised stores were opened across Croatia. Additionally in October, another specialised store was opened. Excluding the effect of newly opened locations during 2014, the pharmacy chain Farmacia recorded a lower single-digit decrease in sales, primarily due to a decrease in prices of prescription drugs by the Croatian Institute for Health Insurance (HZZO) on four occasions during this year (twice in 2013) and the HZZO's instruction to issue the cheapest drugs whereby the producers decrease the prices themselves in order to be the most competitive in a group of drugs.

[3] Sales for the first nine months of 2013 were restated, following the new classification of some principals.

PROFITABILITY DYNAMICS in the first nine months of 2014

Atlantic Grupa's profitability

(in HRK millions)	9M 2014	9M 2013	9M 2014/ 9M 2013
Sales	**3,796.4**	3,695.7	2.7%
EBITDA	**481.8**	479.7	0.4%
EBIT	**378.5**	375.9	0.7%
Net profit/loss	**222.6**	198.1	12.4%
Profitability margins			
EBITDA margin	**12.7%**	13.0%	-29 bp
EBIT margin	**10.0%**	10.2%	-20 bp
Net profit margin	**5.9%**	5.4%	+50 bp

In the first nine months of 2014, Atlantic Grupa recorded **EBITDA** in the amount of HRK 481.8 million, which is a mild growth compared to the same period of the previous year. If cost categories are analysed separately, the following should be pointed out:

- Cost of goods sold increased primarily due to changes in the sales mix, whereby the share of principal brands increased to 18.0% of sales from 14.3% in the same period of the previous year, primarily due to the beginning of the Unilever product range distribution.

- Costs of production materials decreased by 7.4% due to (i) the positive impact of the prices of raw coffee, purchased under significantly better conditions than the ones effective in the spot market, (ii) the positive effect of the EUR/USD exchange rate movements, and (iii) the positive impact of prices of the majority of raw materials (especially sugar, but excluding the price of powdered milk, which grew) and packaging expenses.

- Costs of services grew as a consequence of (i) higher transportation and logistics costs following the beginning of the Unilever range distribution and the growth in sales in Russia, (ii) higher lease expenses following the opening of the office in Russia and opening of new specialised stores in the pharmacy chain Farmacia, and (iii) expansion of the vehicle fleet in Serbia.

- Staff costs grew due to a higher number of employees as a result of increased business volume after (i) taking over the Unilever distribution, (ii) opening new pharmacies, (iii) strengthening the sales team in Russia, and (iv) forming an internal team of consultants for the development and implementation of the SAP system. As at 30 September 2014, Atlantic Grupa had 4,411 employees, or 144 more compared to the same period of the previous year.

- In the period under consideration, marketing expenses also increased due to more aggressive marketing activities in the coffee and snacks segments and the pharma and personal care segment in line with the regional expansion strategy with the selected Neva product range. The increase in total marketing expenses is even higher taking into account almost doubled price discounts (compared to the same period of the previous year), which decrease sales.

The 12.4 percent growth in net profit, in addition to impacts above the EBIT level, is a consequence of (i) a significant decrease in interest expense by 21.4% due to a successful refinancing of long-term borrowings completed at the end of 2012 and (ii) a decrease in the effective tax rate to 14% from the previous year's 19% due to tax optimization. However, the depreciation of the Serbian dinar resulted in an increased net foreign exchange losses compared to the same period of the previous year.

In the first nine months of 2014, profit attributable to minority interests significantly grew, due to the one-off profit earned by the company Cedevita d.o.o. Croatia as a consequence of the sale of the 100-percent share in the subsidiary Multivita d.o.o. Serbia to Soko Štark d.o.o. Serbia.

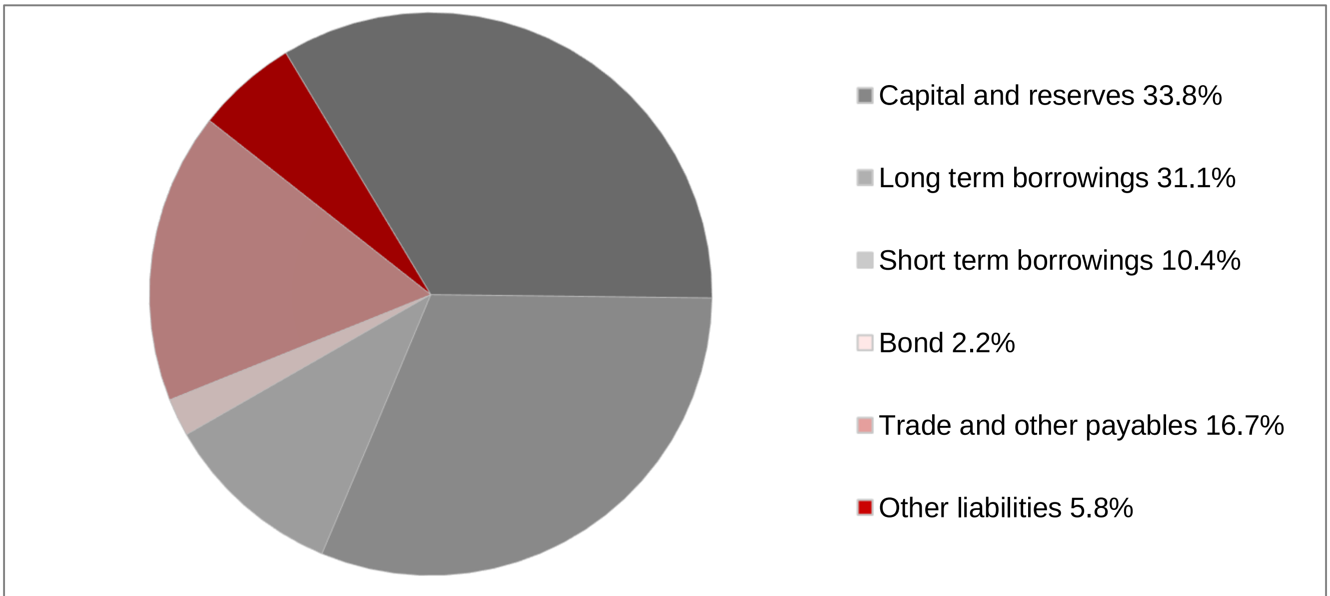
FINANCIAL INDICATORS in the first nine months of 2014

(in HRK millions)	9M 2014	2013
Net debt	**1,951.5**	2,059.3
Total assets	**5,213.7**	5,082.8
Total Equity	**1,758.4**	1,674.5
Current ratio	**1.6**	1.8
Gearing ratio	**52.6%**	55.2%
Net debt/EBITDA	**3.3**	3.5
	9M 2014	9M 2013
Interest coverage ratio	**5.0**	3.9
Capital expenditure	**104.4**	67.1
Cash flow from operating activities	**326.4**	329.7

Among key determinants of the Atlantic Grupa's financial position in the first nine months of 2014, the following should be pointed out:

- Net debt of HRK 1,951.5 million at the end of September 2014 represents a significant reduction of HRK 107.8 million compared to the end of 2013, which is a result of the company's continuous focus on deleveraging. Consequently, the gearing ratios improved, including (i) the decrease in the ratio of net debt and EBITDA to 3.3 times, (ii) the decrease in the ratio of net debt and capital increased by net debt to 52.6% and (iii) the increase in the coverage of interest expense by EBITDA to 5.0 times.

- The Atlantic Grupa's equity and liabilities structure as at 30 September 2014 is as follows:



Overview of key items in the consolidated cash flow statement

The company's capital expenditure in the first nine months of 2014 significantly increased compared to the same period of the previous year and amount to HRK 104.4 million. The majority of capital expenditure, or HRK 38.2 million, relate to the construction of the production plant for the production of energy bars in Nova Gradiška.

Of other significant investments, we should mention:

- SBU Beverages: automatic line for new HoReCa packaging, automatic line for Doypack packaging, refrigerators, investment in the bottling plant Palanački Kiseljak.
- SBU Coffee: purchase of espresso machines and C2GO machines, transport system for ground coffee, automatic packaging line.
- SBU Snacks: purchase of the line for the production of fillings, purchase of production equipment including the cooling tunnel and the chocolate coating line for the production of Bananica.
- SBU Savoury Spreads: reconstruction of the premises and the line for savoury spreads in smaller packaging in Izola, upgrading the line for packaging in aluminium doses.
- SDU Croatia and DU SLO: investments related to the integration of Unilever (IT, warehouses, offices).
- Upgrade of SAP and development of the SALMEX program.

According to the decision of the Company's General Assembly held as at 30 June 2014, the dividend distribution was approved in the amount of HRK 10.50 per share, i.e. a total of HRK 35 million. The dividend was distributed in July 2014.

Acquisition of share in a minority interest subsidiary in the amount of HRK 93.3 million relates to the purchase of minority interests in companies Cedevita d.o.o. (19-percent minority interest) and Atlantic Multipower UK Ltd. (35-percent minority interest).

OUTLOOK for 2014

Management's view on macroeconomic expectations

Atlantic Grupa's management expect further negative trends in the Croatian economy taking into account that personal consumption remains poor, industrial production stagnates, investments decrease and the tourism growth is lower than expected. Also, due to announced tax reforms and the last year of the Government's mandate, the uncertainty grows, which negatively impacts the investment climate and reduces the opportunities for the Croatian economy to recover. The neighbouring Slovenia records a gradual recovery of GDP with household consumption stabilised due to the decrease in unemployment and real wage growth. However, the economy is expected to remain under pressure due to deleveraging of households and fiscal consolidation. Severe floods in May in Serbia pushed the economy back into recession and enhanced the challenges this country faces. Accordingly, further contraction of the economy is expected due to poor personal consumption, expected severe fiscal measures and depreciation of the dinar. Natural disasters that hit Bosnia and Herzegovina and poor personal consumption, high unemployment and severe fiscal measures caused further stagnation of this economy.

After the disappointing stagnation of the Eurozone economies in the first half of 2014, Atlantic Grupa's management expect only a mild recovery in Eurozone in the last quarter. Improvement in the labour market combined with better lending conditions has a significant impact on the consumer confidence and thereby on personal consumption. However, the pace of economic rise will be uneven across Eurozone countries. A more vigorous rise is expected in economies that promptly implemented structural reforms. The differences between Italy on one hand and Germany on the other will become increasingly more notable. Strengthening of the German economy is expected as a consequence of low unemployment, increase in disposable income and personal consumption. On the other hand, the Italian market is characterised by low domestic demand due to high unemployment, strict credit terms and low wages.

Political uncertainty and sanctions imposed by the Russian economy are negatively reflected not only on the economies of Russia and Ukraine, but also on Eurozone economies. Therefore, further stagnation of the Russian economy is expected as a result of consumer pessimism, political uncertainty, decrease in disposable income and personal consumption, limited access to international financial market and depreciation of the Russian ruble.

Atlantic Grupa's management strategic guidance for 2014

- Focus on organic business growth through active brand management with a special emphasis on strengthening the position of regional brands (Cockta, Cedevita, Smoki, Grand Kafa, Barcaffe, Bananica, Štark) and brands with international potential (Multipower, Argeta, Donat Mg, Bebi, Cedevita GO!);
- Strengthening the regional character of distribution operations through the extension of the principals' brands portfolio;
- Active development of the regional HoReCa segment with a portfolio that covers '24/7 consumer needs' and other sale channels (Online, Etno channel);
- Rationalisation of operations, cost management and optimisation of business processes on all operating levels aimed at improving operating efficiency;
- Active monitoring of trends and hedging the price of raw coffee and other raw materials;
- Regular settlement of existing financial liabilities with an active management of debt and finance costs; and
- Prudent liquidity management and further deleveraging.

After the results of the first nine months of 2014, management retains their previously announced expectations for different profitability levels in 2014; however, they revise and lower their sales expectations due to (i) almost doubled price discounts (that decrease sales) compared to the same period of the previous year as a result of extremely aggressive price competition, (ii) natural disasters (floods in May) across the region, which reduced the consumption in general, (iii) adverse weather conditions during the summer tourist season, impacting the beverages segment, (iv) higher than expected negative market movements of most categories in the region and (v) continues depreciation of Russian ruble and Serbian dinar.

(in HRK millions)	2014 Guidance	2013*	2014/2013
Sales	**5,220**	5,006	4.3%
EBITDA	**620**	591	4.9%
EBIT	**460**	425	8.3%
Interest expense	**140**	159	(12.1%)

In 2014, we expect capital expenditure in the amount of HRK 216 million, 46% of which relates to the investment in the new factory of energy bars in Nova Gradiška.

The expected effective tax rate in 2014 should be at the same levels as in 2013.

* Sales in 2013 were restated as the classification of contracted expenses of marketing and sales promotion was changed from "Expenses of marketing and sales promotion" to decrease in "Sales", and the classification of income from principal support for contracted expenses of marketing and sales promotion was changed from decrease in "Expenses of marketing and sales promotion" to decrease in "Cost of goods sold".

ATLANTIC GRUPA d.d.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014 (UNAUDITED)

ATLANTIC GRUPA d.d.

CONSOLIDATED INCOME STATEMENT

in thousands of HRK, unaudited	Jan -Sep 2014	Jan - Sep 2013	Index	Jul - Sep 2014	Jul - Sep 2013	Index
Turnover	**3,821,879**	**3,724,374**	**102.6**	**1,347,868**	**1,301,175**	**103.6**
Sales revenues	3,796,416	3,695,691	102.7	1,342,458	1,292,279	103.9
Other revenues	25,463	28,683	88.8	5,410	8,896	60.8
Operating expenses	**3,340,103**	**3,244,637**	**102.9**	**1,165,901**	**1,110,966**	**104.9**
Cost of merchandise sold	1,021,355	873,852	116.9	373,684	318,701	117.3
Change in inventories	(34,075)	(26,691)	127.7	2,617	13,157	19.9
Production material and energy	1,207,388	1,303,442	92.6	409,732	425,902	96.2
Services	264,946	242,903	109.1	93,566	82,467	113.5
Staff costs	509,556	495,662	102.8	176,651	170,194	103.8
Marketing and selling expenses	231,302	218,281	106.0	67,288	57,427	117.2
Other operating expenses	130,976	125,935	104.0	44,670	41,997	106.4
Other losses - net	8,655	11,253	76.9	(2,307)	1,121	n/a
EBITDA	**481,776**	**479,737**	**100.4**	**181,967**	**190,209**	**95.7**
Depreciation and impairment	103,232	103,840	99.4	34,330	33,458	102.6
EBIT	**378,544**	**375,897**	**100.7**	**147,637**	**156,751**	**94.2**
Interest expenses	(96,193)	(122,453)	78.6	(28,416)	(41,252)	68.9
Foreign exchange differences from financing - net	(22,938)	(9,017)	254.4	(23,893)	(16,688)	143.2
EBT	**259,413**	**244,427**	**106.1**	**95,328**	**98,811**	**96.5**
Income tax	36,779	46,312	79.4	15,844	17,384	91.1
Profit for the period	**222,634**	**198,115**	**112.4**	**79,484**	**81,427**	**97.6**
Attributable to:						
Non-controlling interest	13,408	4,786	280.2	1,686	2,580	65.3
Owners of the parent	209,226	193,329	108.2	77,798	78,847	98.7
Earnings per share for profit attributable to the owners of the Company						
- basic	62.75	58.00		23.33	23.65	
- diluted	62.75	58.00		23.33	23.65	

ATLANTIC GRUPA d.d.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of HRK, unaudited	Jan - Sep 2014	Jan - Sep 2013	Index	Jul - Sep 2014	Jul - Sep 2013	Index
Profit for the year	**222,634**	**198,115**	**112.4**	**79,484**	**81,427**	**97.6**
Cash flow hedge	22,526	27,578	81.7	13,011	(1,704)	n/a
Currency translation differences	(32,855)	4,749	n/a	(8,584)	32,315	n/a
Total comprehensive income	**212,305**	**230,442**	**92.1**	**83,911**	**112,038**	**74.9**
Attributable to:						
Non-controlling interest	13,408	4,761	281.6	1,502	2,915	51.5
Equity holders of the Company	198,897	225,681	88.1	82,409	109,123	75.5
Total comprehensive income	212,305	230,442	92.1	83,911	112,038	74.9

ATLANTIC GRUPA d.d.

CONSOLIDATED BALANCE SHEET

in thousands of HRK, unaudited	30 September 2014	31 December 2013
Property, plant and equipment	1,056,823	1,060,847
Investment property	1,435	1,672
Intangible assets	1,831,250	1,851,023
Available-for-sale financial assets	970	1,072
Trade and other receivables	8,369	9,054
Deferred tax assets	41,309	47,912
Non-current assets	2,940,156	2,971,580
Inventories	601,932	537,232
Trade and other receivables	1,198,351	1,126,410
Non-current assets held for sale	99,464	99,133
Prepaid income tax	24,111	22,820
Deposits given	274	251
Derivative financial instruments	16,057	-
Cash and cash equivalents	333,362	325,334
Current assets	2,273,551	2,111,180
Total assets	5,213,707	5,082,760
Capital and reserves attributable to owners of the Company	1,756,106	1,623,203
Non-controlling interest	2,335	51,292
Borrowings	1,737,229	1,968,950
Deferred tax liabilities	183,478	181,378
Derivative financial instruments	10,008	9,733
Other non-current liabilities	123	143
Provisions	58,899	59,723
Non-current liabilities	1,989,737	2,219,927
Trade and other payables	869,322	736,172
Borrowings	542,958	387,288
Current income tax liabilities	20,836	16,213
Derivative financial instruments	11,042	18,950
Provisions	21,371	29,715
Current liabilities	1,465,529	1,188,338
Total liabilities	3,455,266	3,408,265
Total equity and liabilities	5,213,707	5,082,760

ATLANTIC GRUPA d.d.

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 2013	1,016,120	(57,091)	455,201	1,414,230	47,136	1,461,366
Comprehensive income:						
Net profit for the year	-	-	193,329	193,329	4,786	198,115
Cash flow hedge	-	27,549	-	27,549	29	27,578
Other comprehensive income	-	4,803	-	4,803	(54)	4,749
Total comprehensive income	-	32,352	193,329	225,681	4,761	230,442
Transactions with owners:						
Purchase of treasury shares	(4,726)	-	-	(4,726)	-	(4,726)
Share based payment	4,334	-	-	4,334	-	4,334
Transfer	-	(277)	277	-	-	-
Dividends relating to 2012	-	-	(30,008)	(30,008)	-	(30,008)
At 30 September 2013	1,015,728	(25,016)	618,799	1,609,511	51,897	1,661,408
At 1 January 2014	1,015,953	(15,363)	622,613	1,623,203	51,292	1,674,495
Comprehensive income:						
Net profit for the year	-	-	209,226	209,226	13,408	222,634
Cash flow hedge	-	22,526	-	22,526	-	22,526
Other comprehensive income	-	(32,855)	-	(32,855)	-	(32,855)
Total comprehensive income	-	(10,329)	209,226	198,897	13,408	212,305
Transactions with owners:						
Acquisition of non-controlling interest	-	-	(30,984)	(30,984)	(62,365)	(93,349)
Transfer	-	264	(264)	-	-	-
Dividends relating to 2013	-	-	(35,010)	(35,010)	-	(35,010)
At 30 September 2014	1,015,953	(25,428)	765,581	1,756,106	2,335	1,758,441

ATLANTIC GRUPA d.d.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of HRK, unaudited	**Jan - Sep 2014**	**Jan - Sep 2013**
Cash flows from operating activities		
Net profit	**222,634**	**198,115**
Income tax	36,779	46,312
Depreciation, amortization and impairment	103,232	103,840
(Gain) / loss on disposal of property, plant and equipment	(1,324)	(405)
Value adjustment of current assets	21,586	19,719
Interest income	(3,207)	(5,039)
Interest expense	96,193	122,453
Other non-cash changes	6,483	20,898
Changes in working capital:		
Increase in inventories	(79,332)	(30,739)
(Decrease) / increase in current receivables	(65,926)	32,308
Increase / (decrease) in current payables	140,738	(39,637)
Decrease in provisions for risks and charges	(9,167)	(4,120)
Interest paid	(101,691)	(109,598)
Income tax paid	(40,594)	(24,416)
Net cash flow from operating activities	**326,404**	**329,691**
Cash flow from investing activities		
Purchase of tangible and intangible assets	(104,350)	(67,071)
Proceeds from sale of property, plant and equipment	2,868	20,609
Acquisition of subsidiary net of cash acquired	(5,332)	-
Acquisition of available-for-sale financial assets	-	(50,005)
Proceeds from sale of assets available for sale	-	50,000
Loans and deposits given - net	(1,161)	5,622
Interest received	3,207	5,039
Net cash flow used in investing activities	**(104,768)**	**(35,806)**
Cash flow from financing activities		
Purchase of treasury shares	-	(4,726)
Proceeds from borrowings, net of fees paid	168,530	70,129
Repayment of borrowings	(253,888)	(252,892)
Dividend paid to Company shareholders	(34,901)	(30,008)
Acquisition of non-controlling interest	(93,349)	-
Net cash flow used in financing activities	**(213,608)**	**(217,497)**
Net increase in cash and cash equivalents	**8,028**	**76,388**
Cash and cash equivalents at beginning of period	325,334	250,865
Cash and cash equivalents at end of period	333,632	327,253

NOTE 1 – GENERAL INFORMATION

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

The interim condensed consolidated financial statements of the Group for the nine month period ended 30 September 2014 were approved by the Management Board of the Company in Zagreb on 29 October 2014.

The interim condensed consolidated financial statements have not been audited.

NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group for the nine month period ended 30 September 2014 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 2013.

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 2013.

2.3. COMPARATIVES AND RESTATEMENTS

In 2014 the classification of contracted marketing expenses has changed from “Marketing and selling expenses” to decrease in “Sales revenues”, and classification of support for contracted marketing expenses has changed from decrease in “Marketing and selling expenses” to decrease in “Cost of merchandise sold”. In accordance with these changes, sales revenue for segment information for nine month period ended 30 September 2013 has also been restated.

The effect of these changes on comparative figures for 2013 is as follows:

(*in thousands of HRK*)	2013
Decrease in sales revenues	(29,778)
Decrease in cost of merchandise sold	7,350
Decrease in marketing and promotion expenses	22,428

NOTE 3 – SEGMENT INFORMATION

As of 1 January 2014, the business model of the Group is organized through six strategic business units which have been joined by business unit Baby food and five strategic distribution units, which have been joined by distribution units Slovenia and Macedonia:

- 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 International,
- SDU Serbia,
- SDU HoReCa,
- SDU CIS,
- BU Baby food,
- DU Slovenia,
- DU Macedonia.

Strategic Management Council is responsible for strategic and operational issues. For more efficient management of individual strategic business and strategic distribution units, the organization unites similar business activities or products, shared markets or channels, together.

Due to the fact that SDU HoReCa, SDU CIS, BU Baby food and DU Macedonia 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 units 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 and DUs). SDU and DU 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.

NOTE 3 – SEGMENT INFORMATION (continued)

Sales revenues *(in thousands of HRK)*	**Jan-Sep 2014**	**Jan-Sep 2013**
SBU Beverages	490,838	509,098
SBU Coffee	734,835	775,125
SBU (Sweet and Salted) Snacks	422,365	436,496
SBU Savoury Spreads	345,783	334,756
SBU Sports and Functional Food	616,087	608,870
SBU Pharma and Personal Care	365,880	365,945
SDU Croatia	644,665	578,584
SDU International	437,745	420,290
SDU Serbia	774,217	828,080
DU Slovenia	515,136	425,822
Other segments	630,567	629,071
Reconciliation	(2,181,702)	(2,216,446)
Total	**3,796,416**	**3,695,691**

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.

	2014	**2013**
Net profit attributable to equity holders (in thousands of HRK)	209,226	193,329
Weighted average number of shares	3,334,278	3,332,983
Basic earnings per share (in HRK)	62.75	58.00

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 AND INTANGIBLE ASSETS

During the nine month period ended 30 September 2014, Group invested HRK 104,350 thousand in purchase of property, plant and equipment and intangible assets (2013: HRK 67,071 thousand).

NOTE 6 - INVENTORIES

During the nine month period ended 30 September 2014, the Group wrote down inventories in the amount of HRK 14,629 thousand due to damage and short expiry dates (2013: HRK 10,031 thousand). The amount is recognised in the income statement within 'Other operating expenses'.

NOTE 7 – DIVIDEND DISTRIBUTION

According to the decision of the Company's General Assembly from 30 June 2014, distribution of dividend in the amount of HRK 10.50 per share, or HRK 35,010 thousand in total was approved. Dividend was paid out in July 2014.

NOTE 8 – ACQUISITION OF NON-CONTROLLING INTEREST

During the nine month period ended 30 September 2014 the Group acquired the non-controlling interest in subsidiaries Cedevita d.o.o. and Atlantic Multipower UK, Ltd and became the sole owner of these subsidiaries.

Difference between acquisition cost and net book value of acquired non-controlling interest is recognised directly in equity.

NOTE 9 – 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 September 2014 and 31 December 2013 and transactions recognised in the Income statement for the nine month period ended 30 September are as follows:

(all amounts expressed in thousands of HRK)	**30 September 2014**	**31 December 2013**
RECEIVABLES		
Current receivables		
Other entities	100,113	93,294
LIABILITIES		
Borrowings		
Shareholders	1,549,842	1,678,297
Trade and other payables		
Shareholders	204	111
Other entities	692	1,416
REVENUES	**Jan – Sep 2014**	**Jan – Sep 2013**
Sales revenues		
Other entities	271,676	348,824
Other revenues		
Other entities	807	763
EXPENSES		
Marketing and promotion expenses		
Other entities	10,355	14,841
Other expenses		
Other entities	2,649	117
Finance cost - net		
Shareholders	51,516	62,387

Atlantic Grupa d.d.
Miramarska 23
Zagreb

Register number: 1671910

Zagreb, 30 October 2014

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 September 2014 present complete and fair view of assets and liabilities, profit and loss, financial position and operations of the Group.
The management report for the period ended 30 September 2014 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 d.d.
Miramarska 23
10 000 Zagreb
Croatia

Tel: +385 1 2413 908
E-mail: ir@atlanticgrupa.com