ATLANTIC GRUPA

FINANCIAL RESULTS IN 2016 (unaudited)

Zagreb, February 28th 2017

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INTRODUCTION

COMMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD AND CEO

Commenting on the financial results and key business developments that marked 2016, **Emil Tedeschi**, CEO of Atlantic Grupa, pointed out:

"In 2016, implementing the internationalisation strategy, Atlantic Grupa established distribution companies in Germany and Austria, for the purpose of putting target products with the highest international potential (Bakina Tajna, Argeta, Donat Mg, Multipower, Cedevita) on these markets. In addition to implementing the business internationalisation strategy, we continued the successful restructuring of the sports and functional food segment by simplifying recipes and product portfolio, and eliminating the products with unsatisfactory profitability. In the middle of the year, we refinanced long-term debt and reissued the Atlantic Grupa corporate bond, thus ensuring the extension of maturity of financial liabilities and significantly lower interest expense. By contracts with new principals we also expanded our distribution activities in regional markets and continued to actively develop own brands. This is confirmed by the fact that four own brands (Cedevita, Cockta, Smoki and Argeta) and one principal brand (Orbit) are listed among ten strongest brands on five largest regional markets.

In 2017, we continue to invest in the markets of Germany and Austria, at the same time focusing on growth in regional markets, with undiminished focus on maintaining liquidity, financial liabilities management and risk management."

RESULTS IN ACCORDANCE WITH EXPECTATIONS WITH THE FOCUS ON BUSINESS INTERNATIONALISATION

- SALES AT HRK 5,106.3 MILLION
  - 5.5% compared to 2015

- EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA) AT HRK 474.4 MILLION
  - 16.4% compared to 2015

- EARNINGS BEFORE INTEREST AND TAXES (EBIT) AT HRK 307.8 MILLION
  - 23.8% compared to 2015

- NET PROFIT AFTER MINORITIES AT HRK 162.8 MILLION
  - 32.8% compared to 2015

FINANCIAL SUMMARY OF 2016

Key figures	2016	2015	2016/2015
Sales (in HRK millions)	5,106.3	5,405.3	(5.5%)
Turnover (in HRK millions)	5,174.5	5,451.0	(5.1%)
EBITDA margin	9.3%	10.5%	- 120 bp
Net income after minorities (in HRK millions)	162.8	242.3	(32.8%)
Gearing ratio*	42.7%	46.3%	-362 bp

**Gearing ratio = Net debt/(Total equity + Net debt)*

1. CONTINUED DEVELOPMENT OF BUSINESS OPERATIONS IN WESTERN EUROPEAN MARKETS

Following the full establishment of distribution companies in Germany and Austria, the listing of Argeta, Donat Mg, Cedevita and Bakina Tajna has been continued, as well as the work on a better positioning of Multipower and Champ with key customers in Germany. In Austria, the focus is on the high-quality distribution, since the mentioned brands are mainly already present in the market. With respect to external principals, the distribution of Nocco for the markets of Germany, Austria and the United Kingdom began, and the work on acquiring new principals continues.

2. RESTRUCTURING OF THE STRATEGIC BUSINESS UNIT SPORTS AND FUNCTIONAL FOOD

During 2016, Atlantic Grupa focused on restructuring of this strategic unit and we end the year with a significantly more efficient business model which implies a smaller number of products with higher profitability, simplified recipes and fewer employees. As stated earlier, at the end of March the cooperation with the major buyer of the private label was terminated. In addition to the service production of protein bars for a new partner, we continue the development new products and negotiations with new potential partners.

3. AMENDED LOAN CONDITIONS AND ISSUE OF NEW CORPORATE BOND

Atlantic Grupa signed agreements with the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) on amendments to the loan conditions related to the total credit package of EUR 191.5 million, which define more favourable financial terms and prolong the maturity of loans by two years, until 2021. The new arrangement is the result of the fulfilment of all previously taken liabilities, prudent strategy and great business results based on which Atlantic Grupa confirms even stronger confidence of the financial community in Croatia and abroad.
In June, Atlantic Grupa successfully issued corporate bonds in the amount of HRK 200 million, at a fixed annual interest rate of 3.125% with a semi-annual payment of interest and maturity as at 17 June 2021. The bonds are issued on the domestic capital market and are listed in the first quotation of the Zagreb Stock Exchange, whereby Atlantic Grupa continued its practice of continued improvement of own sources of financing, as well as fostering the development of the domestic capital market.

4. OWN BRANDS IN 2016

According to the research conducted by Valicon, an independent agency for marketing research, which measures the brand strength calculated on the basis of the brand recognisability and experience and the use of brands within individual categories, the top 10 brands in the region include 4 brands of Atlantic Grupa: Cedevita, Smoki, Argeta and Cockta. Compared to 2015, Cedevita moved from fourth to third place. By countries, in three countries Atlantic Grupa's brands are the leaders - Argeta is the top brand in Bosnia and Herzegovina and Macedonia, Barcaffe is the top brand in Slovenia, while in three countries Atlantic's brands are ranked third – Smoki in Serbia and Cedevita in Croatia and Slovenia.

In the Business Unit Gourmet, Bakina Tajna blackcurrant juice won the Oscar in the food and beverages category – the Great Taste Award. This prestigious award ceremony was held in Great Britain, and blackcurrant juice is the sixth product of Bakina Tajna to proudly win this award.

In the Strategic Business Unit Beverages, many new products have been presented. Kala began the distribution of water in three new flavours: lemon&green tea, lime&mint, and elder. Cedevita candies have been redesigned, so that their visual identity fully corresponds to the design of instant drinks. Cedevita launched a new product, Cedevita Tropic for children, in a 200 gram packaging for household use and a bottled version for the on-the-go segment. During the summer season, great results were recorded by the latest product in the Cedevita family – Cedevita ice-cream, launched in the Croatian market, produced in cooperation with Ledo. At the Weekend Media Festival held in Rovinj, the creative and comic campaign "Akcija Markovec", a result of cooperation between Donat Mg and the Slovenian agency Pristop, won the special jury award in the regional show of best advertising agencies BalCannes, among as many as 125 agency projects from 5 countries. In addition to Slovenia, Donat Mg also installed an interactive shelf in Germany, which uses technology to place the customer in the centre of shopping experience as a personal shopping assistant, advising the consumer on indications of the Donat consumption.

In the Strategic Business Unit Coffee, instant Turkish coffee Black'n'Easy with added sugar was launched, the basic Barcaffe Cappuccino line has been redesigned, and for the market of Montenegro, Grand kafa invented a new recipe of double roasted coffee with a more intensive flavour, named Dark Gold.

The Strategic Business Unit Snacks launched to 8 different markets many new products as extensions of the existing brands (e.g. Smoki Megahrsker, new flavours of Chipsos, wafers with Bananica flavour) and various promotional packages of the existing products (chocolate figurines and holiday gift packages).

In the Strategic Business Unit Savoury Spreads, new Argeta chicken and fish pâté flavours have been launched, children's pâté with cheese, many flavours adapted to local markets and three new exclusive flavours. Argeta was proclaimed the product of the year by consumers in the research conducted by the globally famous agency Nielsen, based on three criteria – innovation, attractiveness and consumer satisfaction. In the Serbian market, new brand Šef has been launched, targeting the significant Serbian market of pork liver pâtés. After refreshing the product range with pancakes, in the summer season Montana extended its range with three salads, that may be adapted to consumers' individual tastes due to innovative packaging and it launched two new triangular sandwiches to the market.

In the Strategic Business Unit Sports and Functional Food, the Multipower brand won the award by readers of the Functional Sports Nutrition Magazine, the leading magazine for sports and functional food in the United Kingdom, who recognised the quality of this product placing it first among strong competition of protein products in the European market. Protein bars Multipower 40% and Multipower 53% represent new products, whose names indicate the percentage of proteins in the bar. Also, products under the brands Champ and Multipower endurance have been fully redesigned.

The Strategic Business Unit Pharma and Personal Care continued to introduce the existing products into new markets such as Albania, Romania, Lebanon, as well as 7 new products into the Croatian market. Two new Rosal Lip Balms have been launched, designed for the use in summer months, Melem offered a handy cream in a tube, and the Rosal family was enriched with innovative Macarons lip balms. Multivita's Vitamin C was proclaimed the best product in Russia in 2016, at a conference organised by the Pharmaceutical organisation of Saint-Petersburg and North-western region of Russia. According to readers of the Cosmopolitan magazine, Melem and Rosal won Cosmo Beauty Awards; Melem in the natural cosmetics category, and Rosal for the

Innovation of the year, for the unique Rosal Lip Balm Magic Pink product.

5. NEW DISTRIBUTION AGREEMENTS SIGNED

In the third quarter of 2016, Atlantic Grupa took over the distribution of premium spirits of the company Beam Suntory for the markets of Serbia, Macedonia, Montenegro, Kosovo and Albania. Beam Suntory is the third largest global company in the production of premium spirits and a part of the Japanese corporation Suntory, with the annual turnover of USD 22 billion. The main categories of spirits we start to distribute are whisky and tequila, sold under famous brands such as Jim Beam, Teachers, Canadian, Courvoisier and Sauza.
As already mentioned, on Western European markets Atlantic Grupa signed the agreement with the principal Nocco, a Swedish manufacturer of functional beverages focused on health and fitness, whose products started to earn substantial revenues.

6. OVERVIEW OF INFORMATION TECHNOLOGIES

Following the establishment of distribution companies in Germany and Austria, at the beginning of the year the SAP ERP* solution was implemented, covering all basic processes (accounting and finance, sale, procurement), the integration of the solution with logistic partners, and automatic exchange of electronic data with customers. At the same time, SAP ERP solutions were implemented in Atlantic Trade Zagreb, Atlantic Grupa and Bionatura Bidon Vode. This way, the SAP solution covers the operations of almost all companies in Croatia, with the exception of the Farmacia segment, which remains on the existing solutions due to its specific business processes. This continues the process of enhancing and consolidating business solutions across Atlantic Grupa, resulting in the standardisation of corporate processes and uniform technical platform, which leads to cost optimisation and the opportunity to achieve synergy effects in the segment of shared services and expertise within the company.

2016 was marked with initiating a number of development projects in the domain of IT infrastructure and digital transformation with an emphasis on the reliability of services, information network, business productivity, quality reporting and advanced analytics. The reliability of IT Infrastructure was improved by the successfully completed implementation of the consolidated solution for making backup files in group data centres. The tender procedure was held, the decision was made and the agreement on the consolidation of the system for data storage in group data centres was signed. These activities are a part of the defined strategy for the development, upgrade and consolidation of data centres and the Atlantic Grupa's network, and will be continued in 2017. In the field of corporate solutions for business analytics and reporting, several investments have been started or implemented, aimed at improving the agility in the reporting process, creating a consolidated group platform for reporting and analytics, and introducing cognitive analytics in the decision-making process. In the domain of improving efficiency of office operations, the project of paperless office was initiated, through the system for digital document management.

In addition to the already initiated activities, these projects require an adequate organisational structure and management. For this purpose, at the end of the year, the IT system department for business support was reorganised. Thereby, through internal promotions and additional new employees, the management team has been strengthened, operational implementation of business requests has been facilitated and additionally the focus has been placed on the IT system consolidation at the Group level.

** ERP: Enterprise Resource Planning system*

7. ATLANTIC GRUPA WON THE CORPORATE GOVERNANCE AWARD AND THE INVESTOR RELATIONS AWARD

At the business conference on Corporate Governance in Croatia, Atlantic Grupa won the award for the best corporate governance in Croatia. Atlantic Grupa is developing and acting in accordance with good practice of corporate governance and endeavours, through its business strategy, business policy and key internal acts, to contribute to transparent and efficient business and quality relationships with the business environment in which it operates, following global and European trends.

In 2016, Atlantic Grupa, for the fourth time, won the first prize for the best investor relations awarded by Poslovni dnevnik as the recognition of the investor community to companies that have fair and transparent investor relations. The prize was awarded at the conference of the Zagreb Stock Exchange and the fund industry in Poreč, for the seventh consecutive year, of which Atlantic Grupa six times won one of the first three prizes. At the conference of Beogradska berza (Belgrade Stock Exchange), Atlantic Grupa won the Silver Plate for investor relations in the regional competition.

8. DIVIDEND DISTRIBUTION

Following the decision by the General Assembly held on 16 June 2016, the dividend distribution is approved in the amount of HRK 13.5 per share, i.e. a total of HRK 45 million, which was distributed in July 2016.

SALES PROFILE BY STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(HRK million)	2016	2015 (reclassified)	2016/2015
SBU Coffee	1,063.9	1,073.5	(0.9%)
SBU Beverages	637.2	642.2	(0.8%)
SBU (Sweet and Salted) Snacks	651.3	631.6	3.1%
SBU Savoury Spreads	543.0	496.6	9.4%
SBU Pharma and Personal Care	538.9	511.3	5.4%
SBU Sports and Functional Food	449.3	768.5	(41.5%)
SDU Serbia	1,101.1	1,175.1	(6.3%)
SDU Croatia	969.6	948.9	2.2%
DU Slovenia	754.4	761.9	(1.0%)
SDR Zone West	504.5	522.1	(3.4%)
Other segments*	763.0	821.7	(7.1%)
Reconciliation**	(2,869.9)	(2,947.9)	n/a
Sales	5,106.3	5,405.3	(5.5%)

In 2016, Atlantic Grupa recorded sales of HRK 5.1 billion, which is a 5.5% decrease compared to the same period of the previous year. The decrease is largely a consequence of the decrease in sales of the Strategic Business Unit Sports and Functional Food, caused mainly by the terminated cooperation with the major buyer of the private label. If the effect of the sales revenue of this buyer is excluded, sales are 0.6% lower, and if the effects of the average depreciation of the Russian ruble of 9.6% and the average depreciation of the Serbian dinar of 2.9% compared to the same period of the previous year are also excluded, sales grew by 0.3%.

A positive impact on sales results was made by the majority of other business and distribution units, with the most significant effect from the Strategic Business Units Savoury Spreads, Pharma and Personal Care, Snacks and the Strategic Distribution Unit Croatia and the Strategic Distribution Region HoReCa.

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 Business Unit, or through a Strategic Distribution Unit, Strategic Distribution Region or a Distribution Unit), while sales of Strategic Distribution Units, Strategic Distribution Regions and Distribution Units include both sales of external principals' products and sales of own products. Comparative period has been adjusted to reflect current period reporting.

** Other segments include SDR HoReCa, SDU CIS, BU Baby Food, DU Macedonia, BU Gourmet 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, SDRs and DUs through which the products were distributed.*

PROFITABILITY DYNAMICS IN 2016

The STRATEGIC BUSINESS UNIT COFFEE records a slight decrease in sales, primarily due to the sales results in the market of Serbia and Slovenia, caused by the inventory optimisation by a key customer. This decrease was mainly compensated for by the great sales results in the markets of Macedonia, Croatia, Kosovo and Bosnia and Herzegovina. The decrease in the Serbian market was also caused by the average depreciation of the Serbian dinar (2.9% compared to the same period of the previous year) and volume and value drops of the overall market category of Turkish coffee (volume drop of 2.6%, and value drop of 5.4%*), despite the further growth of the market share that enabled retaining the convincingly leading market position with a record-high market share (value share of 52.9%*).

The decrease in sales of the STRATEGIC BUSINESS UNIT BEVERAGES was recorded in the Serbian and Slovenian markets, despite a strong sales growth in the HoReCa channel and on-the-go segment. In all regional markets (Croatia, Slovenia, B&H, Macedonia, Serbia) Cedevita remains the absolute market leader in the vitamin instant drinks category with value market shares ranging from 72.5%** to 86.0%*. The growth of the above mentioned categories significantly exceeded the decrease in sales of soft carbonated drinks category under the Cockta brand and the decrease in sales caused by withdrawing a part of the Multivita's product range (Multivita granules) from the market of Serbia. The increase in sales of vitamin instant drinks under the Cedevita brand is also recorded by the markets of Germany and Austria, mainly in the on-the-go segment.

The STRATEGIC BUSINESS UNIT SNACKS reached the record-high level of production, where the sales growth was recorded due to the increase in revenues of the overall range in all regional markets, led by the markets of Bosnia and Herzegovina, Croatia and Serbia, followed by the markets of Slovenia and Montenegro. The greatest contribution to the growth was made by chocolates under the Najlepše želje brand, chocolate bars under the Bananica brand and salty sticks under the Prima brand, while great results were also recorded by biscuits and wafers. Najlepše želje and Menaž with 25.4% of the market retain the leading position in the Serbian market, while Bananica holds a third of the market of individually packaged wafers with 33.2% market share.*** The markets of Croatia and Slovenia recorded a double-digit sales growth, which in Slovenia is a result of the increase in sales of flips under the Smoki brand, while the Croatian market records increase in sales of all categories (biscuits, flips and chips).

An exceptional sales growth of the STRATEGIC BUSINESS UNIT SAVOURY SPREADS is based on a strong organic growth in sales on the regional markets (Croatia, Bosnia and Herzegovina, Serbia, Kosovo and Slovenia). Great results in international markets (primarily Austria, Switzerland and Germany) are recorded due to well-accepted local flavours. Argeta savoury spreads keep increasing their market shares in the markets of Croatia (where they hold a quarter of the market) and Serbia, where, with an increase in value market shares of 3.7% and 3.2%, respectively* compared to the last-year's period, Argeta seriously catches up with market leaders. In the Austrian market, Argeta remains the absolute market leader, as proven by the fact that among 5 top-selling products, 4 are Argeta's savoury spreads.

The STRATEGIC BUSINESS UNIT PHARMA AND PERSONAL CARE records a significant increase in sales due to the increase in sales of the pharmacy chain Farmacia following the opening of five new specialised stores in 2016, better results of the existing locations and the increase in sales of products from the Multivita range.

** AC Nielsen Retail Panel, October 2016 – November 2016 (% annual changes)*

*** AC Nielsen Retail Panel, June 2016 – July 2016 (% annual changes)*

**** AC Nielsen Brand Performance Monitor, October 2016 - November 2016 (% annual changes)*

PROFITABILITY DYNAMICS
IN 2016

The STRATEGIC BUSINESS UNIT SPORTS AND FUNCTIONAL FOOD recorded a decrease in sales primarily due to the terminated cooperation with the major buyer of the private label, but also due to the targeted restructuring of the overall strategic business unit, which, aimed at simplifying the product range, led to a decrease in sales of own brands Champ, Multaben and Multipower. It should be noted that this is a termination of sale of low-profitability products.

The decrease in sales of the STRATEGIC DISTRIBUTION UNIT SERBIA is primarily a consequence of the decrease in sales of Turkish coffee caused by the decrease in the overall category and of the inventory optimisation by the key buyer, the terminated cooperation with two principals and the negative effect of the dinar exchange rate. The decrease in sales was partly compensated by the increase in sales of Argeta and chocolate and biscuits from the Štark portfolio, as well as the increase in sales of the principal Rauch. If the unfavourable effect of the dinar exchange rate and discontinued principals are excluded, the sales of the Strategic Distribution Unit Serbia dropped by 1.1%.

The STRATEGIC DISTRIBUTION UNIT CROATIA recorded a sales growth due to (i) an increase in sales from the distribution of own brands, primarily Argeta, Barcaffe, Cockta and products from the Štark range, (ii) an increase in sales of principal brands Ferrero, Unilever and Rauch, and (iii) the distribution of new principals Philips and SABMiler.

The DISTRIBUTION UNIT SLOVENIA recorded a slight decrease in sales due to lower sales results of Turkish coffee under the Barcaffe brand, caused by inventory optimisation by the key customer. This decrease was largely compensated for by the increase in sales of the majority of own brands, led by Argeta in the savoury spreads category, Donat, Cockta, flips under the Smoki brand, chips under the Chipsos brand and products from the Bakina Tajna portfolio. Great sales results among principal brands are recorded by Ferrero and Rauch.

The STRATEGIC DISTRIBUTION REGION ZONE WEST records a decrease in sales mainly in the German market, as a result of restructuring the Strategic Business Unit Sports and Functional Food, which was partly compensated by the increase in sales in the markets of Switzerland, Austria, Turkey, Australia and Canada. In this, savoury spreads under the Argeta brand, coffee and new principal Nocco have the most prominent growth among segments.

OTHER SEGMENTS recorded a decrease in sales primarily due to the decrease in sales of the Business Unit Baby Food, the Strategic Distribution Regions the CIS and Baltics and the Business Unit Gourmet, which was partly compensated by the double-digit increase in sales of the Strategic Distribution Region HoReCa and the Distribution Unit Macedonia.

Business Units BABY FOOD and the STRATEGIC DISTRIBUTION REGIONS BALTICS AND THE CIS recorded a decrease in sales as a consequence of the difficult economic situation in Russia (high inflation rate and depreciation of the ruble). The negative effect of the ruble exchange rate was partly mitigated due to the active pricing policy.

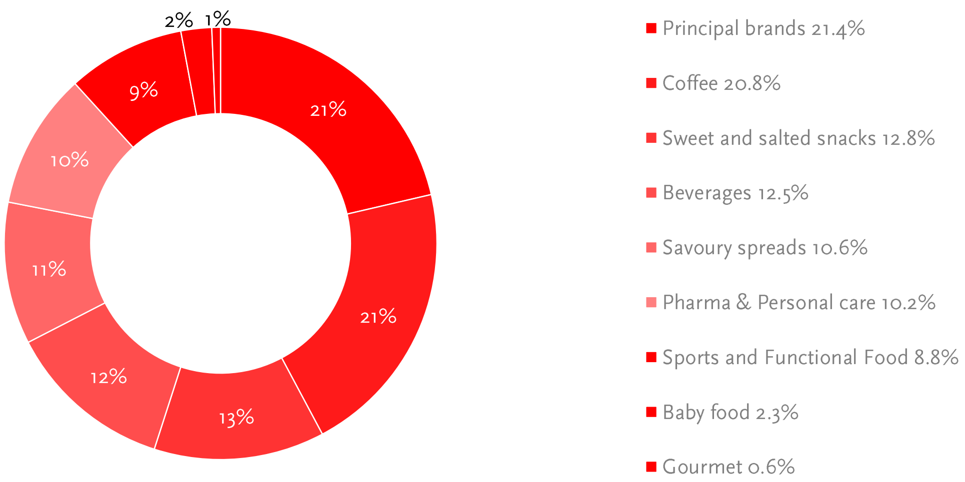
A significant increase in sales of the DISTRIBUTION UNIT MACEDONIA is a consequence of the excellent increase in sales of the Turkish coffee segment, good results of savoury spreads and chocolate, as well as good sales results of the external principal Ferrero.

The STRATEGIC DISTRIBUTION REGION HORECA continues to record a double-digit increase in sales, where all markets (Croatia, Serbia, Slovenia and Macedonia) record growth, led by the Slovenian and Croatian markets, which are also the two largest markets of this distribution region. The most significant growth is recorded by the sales of espresso coffee under the Barcaffe brand, the sales of vitamin instant drinks under the Cedevita brand and external principals.

PROFITABILITY DYNAMICS IN 2016

BUSINESS UNIT GOURMET recorded a decrease in sales due to terminating the non-profitable production of a private label and restructuring the product portfolio that led to the decrease in sales of the Amfissa brand, while products under the Bakina Tajna brand record sales growth. The decrease in sales was recorded primarily in the Serbian market, while a large number of markets (e.g. Slovenia, Croatia, Russia, France, the United Kingdom, etc.) record a double-digit growth.

SALES PROFILE BY SEGMENTS



PROFITABILITY DYNAMICS IN 2016

SALES PROFILE BY MARKETS

(in HRK millions)	2016	% of sales	2015	% of sales	2016/2015
Croatia	1,471.0	28.8%	1,409.0	26.1%	4.4%
Serbia	1,183.7	23.2%	1,256.3	23.2%	(5.8%)
Slovenia	857.7	16.8%	855.0	15.8%	0.3%
Bosnia and Herzegovina	396.6	7.8%	381.7	7.1%	3.9%
Other regional markets*	343.4	6.7%	325.2	6.0%	5.6%
Key European markets**	514.0	10.1%	603.4	11.2%	(14.8%)
Russia and CIS	186.5	3.7%	237.1	4.4%	(21.3%)
Other markets	153.4	3.0%	337.6	6.2%	(54.6%)
Total sales	5,106.3	100.0%	5,405.3	100.0%	(5.5%)

** Other regional markets: Macedonia, Montenegro, Kosovo*

*** Key European markets: Germany, United Kingdom, Italy, Switzerland, Austria, Sweden, Spain*

The sales growth of 4.4% in the CROATIAN MARKET is the result of: (i) an increase in sales of own brands, primarily Argeta in the savoury spreads category and Barcaffe in the coffee category (on-the-go and Turkish coffee), the Cedevita brand in the vitamin instant drinks category in the HoReCa and on-the-go segments, and Smoki in the flips segment, (ii) an increase in sales of the pharmacy chain Farmacia, (iii) an increase in sales of the existing principals, especially Unilever, Ferrero and Rauch, and (iv) the distribution of new principals Philips and SABMiler.

The MARKET OF SERBIA recorded a decrease in sales due to: (i) the decrease in sales of coffee under the Grand kafa brand (the decrease in sales of Turkish coffee was primarily caused by the drop in the overall category and the additional negative impact of the inventory optimisation by the key customer, while the increase in sales of Black'n'Easy instant Turkish coffee and espresso coffee are encouraging), (ii) the decrease in sales of products from the gourmet portfolio (terminated production of private labels due to unsatisfactory profitability and lower sales of Amfissa products after restructuring of the product portfolio), (iii) the decrease in sales of the beverages segment due to the decrease in sales of Multivitia granules after the terminated production, and (iv) the decrease in sales of principal brands due to the terminated cooperation with two principals. If the effects of the dinar exchange rate and discontinued principals are excluded, the sales in the Serbian market dropped by 0.5%.

The SLOVENIAN MARKET recorded a slight sales growth due to the increase in sales of most categories, especially: (i) Argeta in the savoury spreads segment, (ii) Smoki in the snacks segment, (iii) products from the Bakina Tajna portfolio from the gourmet segment, and (iv) the principal Ferrero.

PROFITABILITY DYNAMICS

IN 2016

The growth in sales in the MARKET OF BOSNIA AND HERZEGOVINA was recorded due to the growth in sales of: (i) savoury spreads under the Argeta brand, (ii) the Grand Kafa brand in the Turkish coffee category and Black'n'Easy instant Turkish coffee, and (iii) chocolates under the Najlepše želje and Bananica brands, flips under the Smoki brand and chips under the Chipsos brand.

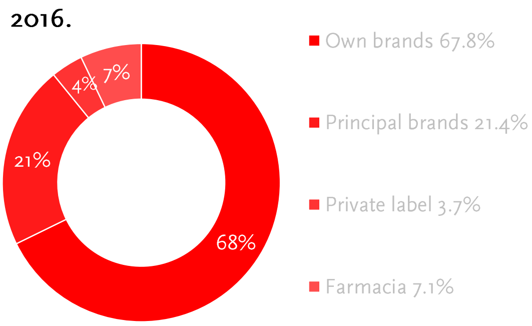
Other REGIONAL MARKETS recorded a significant sales growth due to the increase in sales on all markets (Macedonia, Montenegro and Kosovo). Analysed by categories, in all three countries the most significant growth was recorded by products from the coffee, savoury spreads and chocolate portfolios.

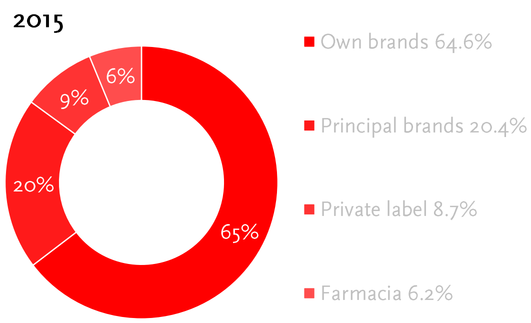
The decrease in sales in the KEY EUROPEAN MARKETS is a consequence of the decrease in sales of products from the sports and functional food portfolio, largely caused by the previously mentioned terminated cooperation with the major buyer of the private label. Other categories record growth, led by savoury spreads under the Argeta brand (due to expanded distribution and further adjustment of products to local preferences) and functional waters under the Donat Mg brand, coffee under the Grand kafa brand and the new principal Nocco.

Sales in the MARKET OF RUSSIA AND THE COMMONWEALTH OF INDEPENDENT STATES are negatively affected by the decrease in purchasing power caused by the depreciation of the ruble and high inflation rate. The most significant drop was recorded by baby cereals under the Bebi brand and Multipower from the sports and functional food segment.

OTHER MARKETS record a significant decrease in sales due to the drop in sales in the sports and functional food segment caused by the decrease in sales of private labels, following the terminated cooperation with the major buyer. If the decrease caused by the mentioned terminated cooperation is excluded, other markets record a 13.3% growth.

SALES PROFILE BY PRODUCT CATEGORY





Compared to the previous year, in 2016 OWN BRANDS recorded a mild decrease in sales of 0.9% to HRK 3.5 billion. The drop in sales was recorded by Champ, Multipower and Multaben brands from the sports and functional food segment, baby cereals under the Bebi brand and products from the Amfissa portfolio in the gourmet segment. On the other hand, the most prominent growth was recorded by: (i) Argeta in the savoury spreads segment, (ii) Najlepše želje, Bananica and Prima in the snacks segment, and (iii) vitamin instant drinks under the Cedevita brand in the beverages segment. If the effects of the drop in Sports and function food and negative impact coming from Russia and CIS markets are excluded, the sales of own brands would have increased by 3.7%.

With HRK 1.1 billion, PRINCIPAL BRANDS record a decrease in sales of 1.0%, due to the terminated cooperation with two principals in the Serbian market, that did not meet the set profitability standards. The decrease in sales was partly compensated for by good results of other principals, primarily Ferrero, Rauch, Unilever, and the beginning of the distribution of new principals such as Beam Suntory in the markets of Serbia, Macedonia, Montenegro, Kosovo and Albania and the principal Nocco in the markets of Germany, the United Kingdom and Austria.

With sales of HRK 190.8 million, PRIVATE LABELS record a 59.6% drop compared to 2015 due to the decrease in sales in the sports and functional food segment.

The pharmacy chain FARMACIA recorded sales of HRK 364.0 million, which is an 8.2% growth compared to 2015, due to the 5 percent increase in sales of the existing Farmacia locations and newly-opened specialised stores. In 2016, five new specialised stores were opened and two were closed, so as at 31 December 2016, the pharmacy chain Farmacia consisted of 48 pharmacies and 33 specialised stores.

PROFITABILITY DYNAMICS

(in HRK millions)	2016	2015	2016/2015
Sales	5,106.3	5,405.3	(5.5%)
EBITDA	474.4	567.3	(16.4%)
EBIT	307.8	404.0	(23.8%)
Net profit/(loss)	163.2	242.5	(32.7%)
Profitability margins			
EBITDA margin	9.3%	10.5%	-120 bp
EBIT margin	6.0%	7.5%	-145 bp
Net profit margin	3.2%	4.5%	-129 bp

In 2016, Atlantic Grupa recorded **EBITDA** in the amount of HRK 474.4 million, which is a 16.4% decrease compared to the previous year. The decrease in EBITDA is mainly affected by the decrease in revenues caused by the terminated cooperation with the major buyer of the private label in Sports and Functional Food, and the restructuring of this business unit, higher staff costs, marketing expenses and cost of services, following the targeted investments in the internationalisation of operations and the unfavourable exchange rate of the Serbian dinar and the Russian ruble. These negative impacts were partly compensated by the increase in operating profit of the majority of other business segments and additional favourable movements such as the decrease in cost of production materials (primarily due to lower prices of raw coffee) and energy.

Additional positive effect on EBITDA came from the increase in other income of HRK 22.6 million following the return of overpaid concession fee for water in Slovenia (due to the amended legislation) and reversal of provisions from previous years.

Following the decrease in EBITDA and the increase in depreciation and amortisation of 2 percent, the recorded EBIT is 23.8% lower, which, despite lower finance costs and lower income tax, reflected on the net profit before minority interests, which recorded a 32.7% drop. Finance costs in 2016 include the fee for guarantees given to Atlantic Grupa in relation to syndicated loans in the amount of HRK 45 million, of which HRK 30.7 million relates to previous years.

OPERATING EXPENSES STRUCTURE

(in HRK millions)	2016	% of sales	2015	% of sales	2016/2015
Cost of goods sold	1,308.3	25.6%	1,483.8	27.5%	(11.8%)
Change in inventory	(14.0)	(0.3%)	1.2	0.0%	(1299.3%)
Production materials	1,581.0	31.0%	1,729.2	32.0%	(8.6%)
Energy	56.0	1.1%	62.3	1.2%	(10.1%)
Services	404.6	7.9%	374.1	6.9%	8.2%
Staff costs	800.9	15.7%	767.8	14.2%	4.3%
Marketing and selling expenses	355.3	7.0%	332.8	6.2%	6.8%
Other operating expenses	226.2	4.4%	196.6	3.6%	15.0%
Other (gains)/losses, net	(18.1)	(0.4%)	(64.0)	(1.2%)	n/a
Depreciation and amortization	166.6	3.3%	163.3	3.0%	2.0%
Total operating expenses	4,866.7	95.3%	5,047.0	93.4%	(3.6%)

The decrease in cost of goods sold of 11.8% is a consequence of lower sales as a result of the terminated cooperation with the buyer of the private label, impacting the decrease in the share of cost of goods sold in sales revenues.
Costs of production materials are 8.6% lower, primarily due to lower prices of raw coffee and lower production in the sports and functional food segment, following the terminated cooperation with the major buyer of the private label.
Costs of services increased due to costs of logistics services related to the beginning of own distribution in Germany and Austria, increased logistics costs in Russia and higher IT investments (lease of licences, maintenance).
Staff costs grew by 4.3% due to a higher number of employees, partly as a result of employment related to the opening of the distribution companies in Austria and Germany, despite significant savings from the restructuring of the sports and functional food. As at 31 December 2016, Atlantic Grupa had 5,492 employees (2015: 5,387 employees).
Marketing expenses increased by 6.8%, primarily due to the increase in marketing expenses in the coffee, beverages and savoury spreads segments.
Other operating expenses are higher by 15.0%, primarily due to a higher inventory write-off, mainly related with restructuring in the Strategic Business Unit Sports and Functional Food and one-off expenses related to the establishment of own distribution in Germany and Austria.
Other (gains)/losses – net: Gains were realised primarily on financial (forward) instruments in the coffee segment.

OPERATING RESULT OF STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(HRK million)	2016	2015	2016/ 2015
SBU Coffee	227.9	211.2	7.9%
SBU Beverages	161.8	151.8	6.6%
SBU (Sweet and Salted) Snacks	116.4	99.7	16.8%
SBU Savoury Spreads	119.8	121.8	(1.6%)
SBU Pharma and Personal Care	45.7	43.5	5.2%
SBU Sports and Functional Food	(20.7)	(32.8)	(36.9%)
SDU Serbia	19.8	30.1	(34.4%)
SDU Croatia	10.3	21.1	(51.0%)
DU Slovenia	42.7	41.9	2.0%
SDR Zone West	(55.3)	10.6	(622.7%)
Other segments*	(194.1)	(131.5)	47.6%
Group EBITDA	474.4	567.3	(16.4%)

SBU Coffee: the increase in profitability is a result of lower costs of raw material (lower price of raw coffee compared to 2015 and active hedging), and despite the increase in marketing expenses.

SBU Beverages: the growth in profitability is primarily a result of a better sales mix (increase in sales of vitamin instant drinks in profitable channels and HoReCa), the effect of one-off items (concession for water in Slovenia) and control of other costs.

SBU Snacks: the increase in profitability is a consequence of the increase in sales revenue coupled with a good cost control.

SBU Savoury Spreads: a slight decrease in profitability is recorded despite the significant increase in revenue, as a consequence of increased investments on most markets.

SBU Pharma and Personal Care: the increase in profitability is a result of the increase in sales revenue, coupled with a good control of costs of production materials and staff costs and the positive effect of foreign exchange differences.

SBU Sports and Functional Food: the loss decrease caused by the absence of one-off restructuring costs from 2015 and the decrease in costs as a result of reorganisation.

SDU Serbia: the decrease in profitability as a consequence of the decrease in sales.

Comparative period has been adjusted to reflect current period reporting.

** Other segments include SDR HoReCa, SDU CIS, BU Baby Food, DU Macedonia, BU Gourmet 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.*

SDU Croatia: the decrease in profitability, despite the increase in sales, is a consequence of the stronger concentration of customers, intensive investments in seasonal activities, the increase in costs related to the improved organisation and the implementation of the SAP solution and higher marketing expenses.

DU Slovenia: the growth in profitability is a result of a better customer mix.

SDR Zone West: the decrease in profitability is caused by the development of own selling infrastructure in Germany and Austria, the related one-off expenses, the decrease in revenues of the sports and functional food segment and the depreciation of the British pound.

Other segments: The DU Macedonia recorded a significant increase in profitability due to the increase in sales and good cost control. The growth in profitability of the SDR HoReCa is a result of the improved profitability in the markets of Serbia and Croatia following the increase in sales. The decrease in profitability of the BU Gourmet is a result of the decrease in sales and the increase in staff costs and marketing expenses, despite a better control of production costs. The decrease in profitability of the BU Baby Food is a result of the continued adverse economic situation in Russia and the further strong depreciation of the ruble. The costs attributable to support services are higher compared to 2015 due to the increase in staff costs and costs of services (as a result of increased IT investments), and in 2015 they were also partly compensated by the income from the sale of tea business.

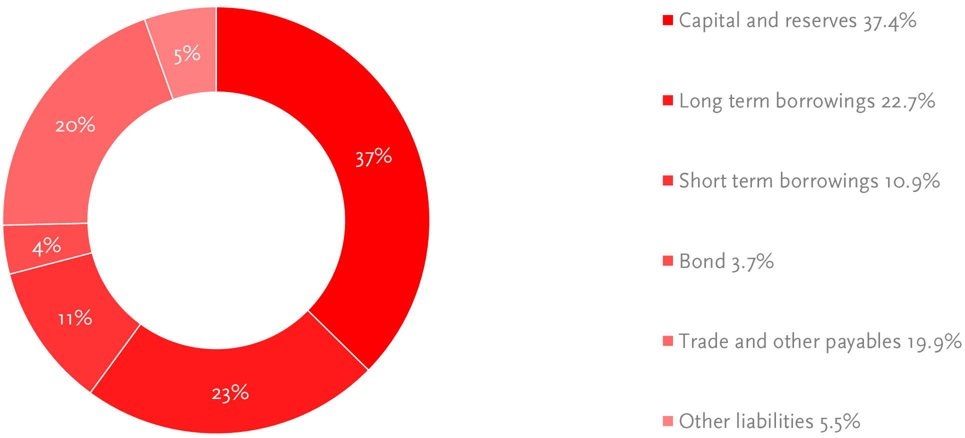
FINANCIAL INDICATORS

(in HRK millions)	2016	2015
Net debt	1,502.0	1,678.1
Total assets	5,395.8	5,294.6
Total Equity	2,016.5	1,945.3
Current ratio	1.4	1.3
Gearing ratio	42.7%	46.3%
Net debt/EBITDA	3.2	3.0
Interest coverage ratio	6.1	5.4
Capital expenditure	116.0	115.5
Cash flow from operating activities	267.9	470.8

Among key determinants of the Atlantic Grupa's financial position in 2016, the following should be pointed out:

Due to the decrease in net debt of HRK 176.1 million, i.e. by 10.5% at the end of 2016, the gearing ratio decreased by 362 basis points. Despite the decrease in net debt, the debt measured as the net debt to EBITDA ratio increased from 3.0 to 3.2, due to the decrease in EBITDA. At the same time, the coverage of interest expense by EBITDA increased from 5.4 to 6.1.

THE ATLANTIC GRUPA'S EQUITY AND LIABILITIES STRUCTURE AS AT 31 DECEMBER 2016



OVERVIEW OF KEY ITEMS IN THE CONSOLIDATED CASH FLOW STATEMENT

The decrease in cash flow from operating activities is primarily the result of the previously explained decrease in EBITDA. Difficulties related to the implementation of the SAP solution also caused the slow-down of payments to suppliers at the end of 2015, and the increased dynamics of repayment of these payables additionally negatively impacted cash flow from operating activities in 2016.

The positive effect on the cash flow from investing activities came from the sale of the building in Ljubljana and amounted to HRK 42 million. In cash flow from financing activities, the bond refinancing is shown (repayment of HRK 115 million, and issuance of the new bond in the amount of HRK 200 million), and also HRK 45 million of dividend paid to the shareholders.

Capital expenditure in 2016 primarily relates to investments in the production equipment of business units for the purpose of increasing the efficiency of production processes, and in the development of IT infrastructure, business systems and applications.

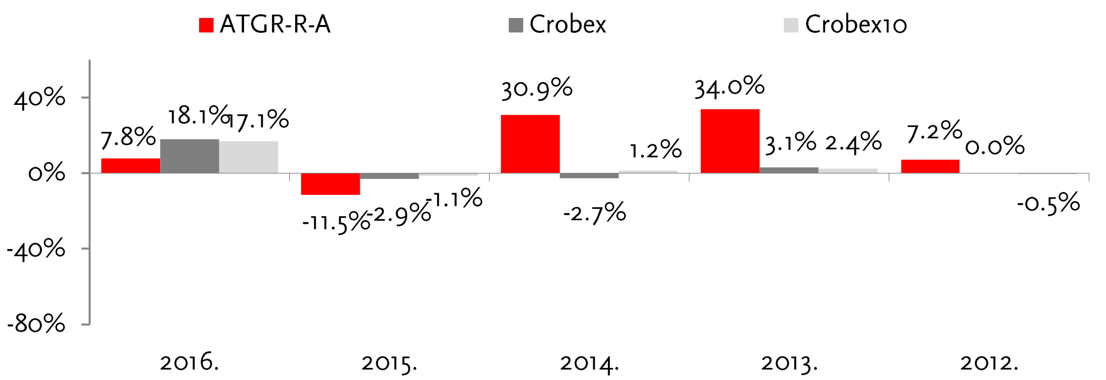
Among significant investments, we should mention:

- SBU SAVOURY SPREADS: investment in a new line for the production of 95-gram pâté, the upgrade of the cooling system of the production site;
- SBU BEVERAGES: purchase of a new line for rigid containers packaging of Cedevita, purchase of modern refrigerated display cabinets, investment in the improved production efficiency, infrastructure and energy efficiency;
- SBU COFFEE: purchase of espresso and Coffee2GO machines, investment in the improved production efficiency;
- SBU SNACKS: automatisation of sugar transport, investment in the improved production efficiency, expansion and reconstruction of business premises and investment in the cooling system;
- SBU GOURMET: investment in equipment for roasting and improved production efficiency and the CIP* system;
- SBU SPORTS AND FUNCTIONAL FOOD: investment in improved production efficiency and raw materials handling;
- IT: implementation of the SAP system and business applications.

** CIP system is a closed system for washing and cleaning the production equipment.*

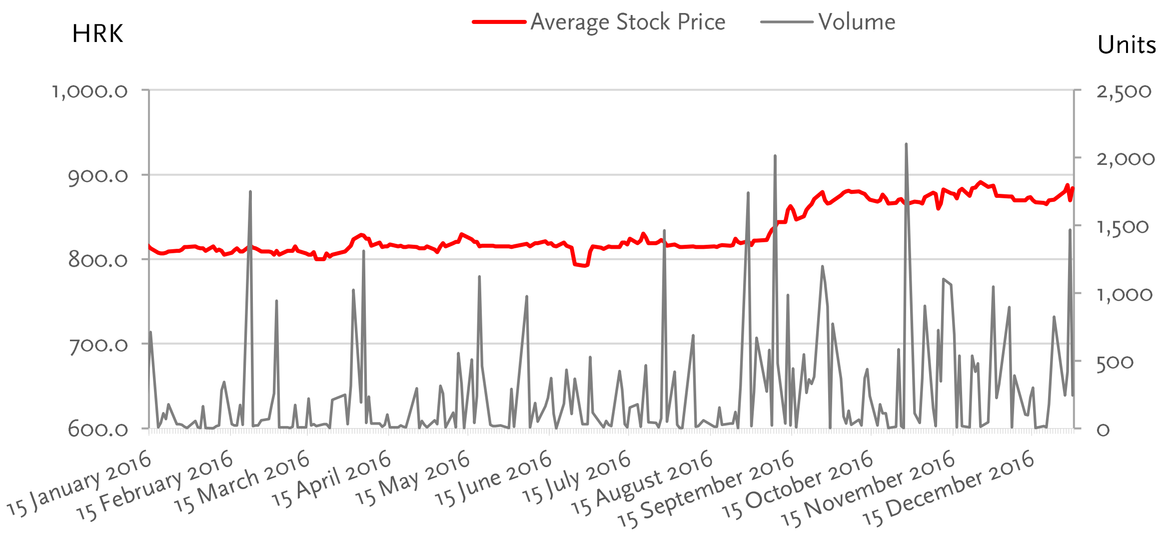
STOCK MARKET PERFORMANCE

On the Zagreb Stock Exchange in 2016 the CROBEX stock index rose 18.1%, while the CROBEX10 rose 17.1%. The Atlantic Grupa's share recorded a growth of 7.8%.

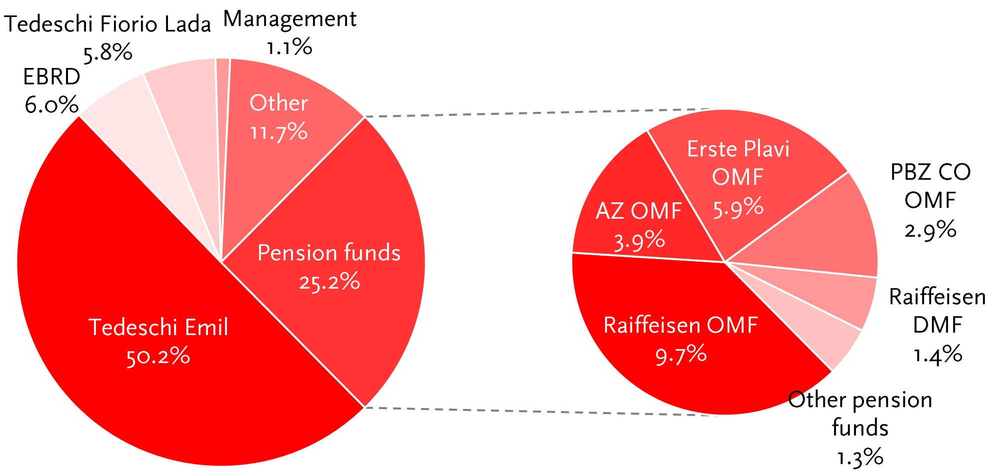


The average price of an Atlantic Grupa's share in 2016 was HRK 832.5, while the average daily turnover amounted to HRK 717.8 thousand. With the average market capitalisation of HRK 3,783.0 million, Atlantic Grupa holds fourth place among the components of the CROBEX10 stock index. Also, according to the total turnover in 2016, the Atlantic Grupa's share holds ninth place compared to all the shares quoted on the Zagreb Stock Exchange.

MOVEMENTS IN THE AVERAGE PRICE AND VOLUME OF THE ATLANTIC GRUPA'S SHARE IN 2016



OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2016



** Free float: 44.0%*

Atlantic Grupa has a stable ownership structure: 50.2% of the company is owned by Emil Tedeschi and 5.8% by Lada Tedeschi Fiorio, while 30.3% of Atlantic Grupa is owned by pension funds. At the end of 2016, the free-float was 44.0% which put the Atlantic Grupa's share in ninth place according to the free float market capitalisation of HRK 1.294 million.

Valuation	31.12.2016.	31.12.2015.
Last price in reporting period	882.0	832.9
Market capitalization* (in HRK millions)	2,940.9	2,777.1
Average daily turnover (in HRK thousands)	900.0	879.9
EV (in HRK millions)	4,445.9	4,457.7
EV/EBITDA	9.4	7.9
EV/EBIT	14.4	11.0
EV/sales	0.9	0.8
EPS (in HRK)	48.8	72.7
P/E	18.1	11.5

**Closing price multiplied by the total number of shares*

MANAGEMENT'S VIEW ON MACROECONOMIC EXPECTATIONS

After a long decline in economic activity and personal consumption, in 2016 the Croatian economy showed a solid growth, primarily due to the recovery of domestic demand. Atlantic Grupa's management expects positive trends in the Croatian economy to continue in 2017.

In countries in the region, in 2017 management also expects economic growth to continue. The Slovenian economy continues to grow due to the strong increase in domestic demand and we expect that this will have a positive impact on the decrease in unemployment and the increase in consumption. The growth in the Serbian market will also be encouraged by the increase in domestic demand, but it will also be somewhat limited by the slow-down of the fiscal consolidation, while significant depreciation of the Serbian dinar is not expected. A growth is also expected in Bosnia and Herzegovina, due to the expected significant decrease in unemployment.

After positive indicators of eurozone countries in 2016, Atlantic Grupa's management expects the positive growth trend to continue. The main driver of the eurozone growth in 2017 will be a strong increase in domestic demand encouraged by the decrease in unemployment.

After negative 2016, management expects the Russian economy to slightly recover despite the challenges Russia faces due to the prolongation of international sanctions.

ATLANTIC GRUPA'S MANAGEMENT STRATEGIC GUIDANCE FOR 2017

In 2017, management will focus on (i) continued internationalisation of operations (Multipower, Argeta, Donat Mg, Bebi, Cedevita, Bakina Tajna), (ii) strengthening the position of regional brands (Cockta, Cedevita, Smoki, Grand Kafa, Barcaffe, Najlepše želje, Chipsos), (iii) active development of the regional HoReCa portfolio, and (iv) completion of restructuring the Sports and Functional Food business unit.

Special focus will be on continued investments in listing and positioning of our brands in the retail channel in Germany and Austria and intensive marketing activities on these markets.

In addition, Atlantic Grupa's management in 2017 expects significantly higher average prices of raw coffee on global commodity markets in addition to the unfavourable effect of the EUR/USD exchange rate, which will have a significant impact on the profitability of the Strategic Business Unit Coffee. A portion of this negative impact will be compensated by increasing the selling price of coffee, and the remainder by increasing the profitability of all other business units.

OUTLOOK
FOR 2017

Accordingly, management's expectations for 2017 are as follows:

(in HRK millions)	2017 Guidance	2016.	2017/2016
Sales	5,300	5,106	3.8%
EBITDA	475	474	0.1%
EBIT	310	308	0.7%
Interest expense	65	78	(17.0%)

In 2017, we expect capital expenditure in the amount of approximately HRK 150 million.

The expected effective tax rate in 2017 should be at the same level as in the previous year.

CONSOLIDATED FINANCIAL STATEMENTS

FOR 2016

ATLANTIC GRUPA d.d.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (UNAUDITED)

ATLANTIC GRUPA d.d.

CONSOLIDATED INCOME STATEMENT

in thousands of HRK, unaudited	Jan -Dec 2016	Jan -Dec 2015	Index	Oct- Dec 2016	Oct-Dec 2015	Index
Turnover	**5,174,539**	**5,450,955**	**94.9**	**1,350,981**	**1,451,069**	**93.1**
Sales revenues	5,106,266	5,405,312	94.5	1,324,095	1,427,769	92.7
Other revenues	68,273	45,643	149.6	26,886	23,300	115.4
Operating expenses	**(4,700,171)**	**(4,883,679)**	**96.2**	**(1,296,087)**	**(1,334,223)**	**97.1**
Cost of merchandise sold	(1,308,331)	(1,483,783)	88.2	(374,896)	(403,515)	92.9
Change in inventories	13,984	(1,166)	n/a	2,211	(5,643)	n/a
Production material and energy	(1,636,983)	(1,791,442)	91.4	(411,350)	(458,068)	89.8
Services	(404,622)	(374,120)	108.2	(103,525)	(94,544)	109.5
Staff costs	(800,863)	(767,779)	104.3	(223,392)	(212,642)	105.1
Marketing and selling expenses	(355,339)	(332,773)	106.8	(104,965)	(105,800)	99.2
Other operating expenses	(226,152)	(196,602)	115.0	(87,440)	(64,812)	134.9
Other gains - net	18,135	63,986	28.3	7,270	10,801	67.3
EBITDA	**474,368**	**567,276**	**83.6**	**54,894**	**116,846**	**47.0**
Depreciation and impairment	(166,580)	(163,297)	102.0	(64,036)	(53,995)	118.6
EBIT	**307,788**	**403,979**	**76.2**	**(9,142)**	**62,851**	**n/a**
Finance costs - net	(103,643)	(114,883)	90,2	(60,514)	(38,893)	155,6
EBT	**204,145**	**289,096**	**70.6**	**(69,656)**	**23,958**	**n/a**
Income tax	(40,910)	(46,573)	87.8	1,417	(9,641)	n/a
Profit for the period	**163,235**	**242,523**	**67.3**	**(68,239)**	**14,317**	**n/a**
Attributable to:						
Non-controlling interest	435	232	187.5	(21)	88	n/a
Owners of the parent	162,800	242,291	67.2	(68,218)	14,229	n/a
Earnings per share for profit attributable to the owners of the Company						
- basic	48.83	72.67		(20.46)	4.27	
- diluted	48.83	72.67		(20.46)	4.27	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of HRK, unaudited	Jan - Dec 2016	Jan - Dec 2015	Index	Oct-Dec 2016	Oct - Dec 2015	Index
Profit /(Loss) for the period	**163,235**	**242,523**	**67.3**	**(68,239)**	**14,317**	**n/a**
Cash flow hedge	8,700	(2,052)	n/a	12,460	2,941	423.7
Revaluation of net liabilities for severance payments at regular retirement	(826)	(1,260)	65.6	(826)	(1,260)	65.6
Currency translation differences	(47,577)	(7,777)	611.7	5,301	(9,883)	n/a
Total comprehensive income	**123,532**	**231,434**	**53.4**	**(51,304)**	**6,115**	**n/a**
Attributable to:						
Non-controlling interest	423	226	187.2	(2)	94	n/a
Equity holders of the Company	123,109	231,208	53.2	(51,302)	6,021	n/a
Total comprehensive income	123,532	231,434	53.4	(51,304)	6,115	n/a

ATLANTIC GRUPA d.d.

CONSOLIDATED BALANCE SHEET

in thousands of HRK, unaudited	31 December 2016	31 December 2015
ASSETS		
Non-current assets		
Property, plant and equipment	1,082,059	1,083,566
Investment property	1,259	1,748
Intangible assets	1,756,217	1,797,791
Deferred tax assets	47,293	37,066
Available-for-sale financial assets	915	959
Trade and other receivables	83,802	83,695
	2,971,545	3,004,825
Current assets		
Inventories	623,318	603,491
Trade and other receivables	1,275,868	1,192,314
Prepaid income tax	10,326	16,018
Derivative financial instruments	18,139	12,728
Deposits given	227	305
Cash and cash equivalents	490,730	365,692
	2,418,608	2,190,548
Non-current assets held for sale	5,687	99,196
Total current assets	2,424,295	2,289,744
TOTAL ASSETS	**5,395,840**	**5,294,569**
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the Company		
Share capital	133,372	133,372
Share premium	881,489	881,515
Treasury shares	(88)	(198)
Reserves	(80,964)	(26,264)
Retained earnings	1,079,698	954,325
	2,013,507	1,942,750
Non-controlling interest	2,981	2,558
Total equity	2,016,488	1,945,308
Non-current liabilities		
Borrowings	1,422,605	1,309,180
Deferred tax liabilities	171,811	176,677
Derivative financial instruments	-	472
Other non-current liabilities	6,673	3,460
Provisions	58,036	54,475
	1,659,125	1,544,264
Current liabilities		
Trade and other payables	1,073,996	988,554
Borrowings	588,539	742,032
Derivative financial instruments	-	5,091
Current income tax liabilities	9,231	17,034
Provisions	48,461	52,286
	1,720,227	1,804,997
Total liabilities	3,379,352	3,349,261
TOTAL EQUTIY AND LIABILITIES	**5,395,840**	**5,294,569**

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 2015	1,015,870	(19,635)	756,497	1,752,732	2,332	1,755,064
Comprehensive income:						
Net profit for the year	-	-	242,291	242,291	232	242,523
Cash flow hedge	-	(2,052)	-	(2,052)	-	(2,052)
Revaluation of net liabilities for severance payments at regular retirement	-	-	(1,260)	(1,260)	-	(1,260)
Other comprehensive loss	-	(7,771)	-	(7,771)	(6)	(7,777)
Total comprehensive income	-	(9,823)	241,031	231,208	226	231,434
Transactions with owners:						
Purchase of treasury shares	(4,304)	-	-	(4,304)	-	(4,304)
Share based payment	3,123	-	-	3,123	-	3,123
Transfer	-	3,194	(3,194)	-		-
Dividends relating to 2014	-	-	(40,009)	(40,009)	-	(40,009)
At 31 December 2015	1,014,689	(26,264)	954,325	1,942,750	2,558	1,945,308
At 1 January 2016	1,014,689	(26,264)	954,325	1,942,750	2,558	1,945,308
Comprehensive income:						
Net profit for the year	-	-	162,800	162,800	435	163,235
Cash flow hedge	-	8,700	-	8,700	-	8,700
Revaluation of net liabilities for severance payments at regular retirement	-	-	(826)	(826)	-	(826)
Other comprehensive loss	-	(47,565)	-	(47,565)	(12)	(47,577)
Total comprehensive income	-	(38,865)	161,974	123,109	423	123,532
Transactions with owners:						
Acquisition of non-controlling interest	-	-	(4,778)	(4,778)	-	(4,778)
Purchase of treasury shares	(1,076)	-	-	(1,076)	-	(1,076)
Share based payment	1,160	-	-	1,160	-	1,160
Transfer	-	(15,835)	15,835	-	-	-
Dividends relating to 2015	-	-	(47,658)	(47,658)	-	(47,658)
At 31 December 2016	1,014,773	(80,964)	1,079,698	2,013,507	2,981	2,016,488

ATLANTIC GRUPA d.d.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of HRK, unaudited	Jan - Dec 2016	Jan - Dec 2015
Cash flows from operating activities		
Net profit	**163,235**	**242,523**
Income tax	40,910	46,573
Depreciation, amortization and impairment	166,580	163,297
Gain on sale of property, plant and equipment	(764)	(1,005)
Gain on sale of available-for-sale financial assets	-	(7,523)
Gain on sale of tea business	-	(23,782)
Provision for current assets	49,730	48,555
Foreign exchange differences - net	(16,051)	41,676
(Decrease) / increase in provisions for risks and charges	(264)	26,174
Fair value gains on financial assets	(12,124)	(42,257)
Share based payment	1,160	3,123
Interest income	(4,188)	(4,637)
Interest expense	123,261	105,664
Other non-cash items, net	1,454	5,591
Changes in working capital:		
Increase in inventories	(47,678)	(39,049)
Increase in current receivables	(111,668)	(38,153)
Increase in current payables	50,404	89,705
Cash generated from operations	**403,997**	**616,475**
Interest paid	(82,290)	(102,705)
Income tax paid	(53,839)	(42,949)
	267,868	**470,821**
Cash flow used in investing activities		
Purchase of property, plant and equipment and intangible assets	(116,017)	(115,534)
Proceeds from sale of property, plant and equipment and non-current assets held for sale	49,260	4,470
Proceeds from sale of assets available for sale	-	3,785
Acquisition of subsidiary – net of cash acquired	(1,122)	(5,295)
Loans granted and deposits placed	(5,029)	(37,629)
Repayments of loan and deposits granted	4,162	6,161
Interest received	3,390	4,637
	(65,356)	**(139,405)**
Cash flow used in financing activities		
Purchase of treasury shares	(1,076)	(4,304)
Proceeds from borrowings, net of fees paid	434,386	125,532
Repayment of borrowings	(451,575)	(462,186)
Acquisition of interest in a subsidiary from non-controlling interests	(8,438)	-
Witholding tax paid on dividend distributed within the Group	(2,646)	-
Dividend paid to Company shareholders	(45,012)	(40,009)
	(74,361)	**(380,967)**
Net increase/ (decrease) in cash and cash equivalents	**128,151**	**(49,551)**
Exchange losses on cash and cash equivalents	(3,113)	(2,345)
Cash and cash equivalents at beginning of period	365,692	417,588
Cash and cash equivalents at end of period	490,730	365,692

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 condensed consolidated financial statements of the Group for the year ended 31 December 2016 were approved by the Management Board of the Company in Zagreb on 27 February 2017.

The condensed consolidated financial statements have not been audited.

NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the year ended 31 December 2016 have been prepared in accordance with IAS 34 – Interim Financial Reporting.

The 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 2015.

2.2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the 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 2015.

NOTE 3 – SEGMENT INFORMATION

The business model of the Group is organized through six strategic business units which have been joined by business unit Baby food and business unit Gourmet. The distribution business is organized in two main zones: Zone East and Zone West.

SBU – Strategic distribution unit
BU – Business unit
SDU – Strategic distribution unit
DU – Distribution unit
SDR – Strategic distribution region
DR – Distribution region
PDR – Partner distribution region
DACH – Germany, Austria & Switzerland

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.

NOTE 3 – SEGMENT INFORMATION (continued)

Due to the fact that SDR HoReCa, SDR CIS & Baltic, BU Baby food, BU Gourmet 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.

Sales revenues[1] *(in thousands of HRK)*	**Jan-Dec 2016**	**Jan-Dec 2015**
SBU Beverages	637,185	642,236
SBU Coffee	1,063,927	1,073,474
SBU (Sweet and Salted) Snacks	651,275	631,553
SBU Savoury Spreads	543,031	496,560
SBU Sports and Functional Food	449,347	768,463
SBU Pharma and Personal Care	538,853	511,277
SDU Croatia	969,611	948,906
SDR Zone West	504,540	522,055
SDU Serbia	1,101,050	1,175,100
DU Slovenia	754,403	761,868
Other segments	762,982	821,707
Reconciliation	(2,869,938)	(2,947,887)

[1] Comparative period has been adjusted to reflect current period reporting

Total	**5,106,266**	**5,405,312**

NOTE 3 – SEGMENT INFORMATION (continued)

Business results	**EBITDA***	
	Jan-Dec 2016	**Jan-Dec 2015**
(in thousands of HRK)		
SBU Beverages	161,834	151,802
SBU Coffee	227,934	211,236
SBU (Sweet and Salted) Snacks	116,425	99,703
SBU Savoury Spreads	119,751	121,752
SBU Sports and Functional Food	(20,696)	(32,816)
SBU Pharma and Personal Care	45,699	43,460
SDU Croatia	10,316	21,073
SDR Zone West	(55,314)	10,582
SDU Serbia	19,759	30,104
DU Slovenia	42,715	41,879
Other segments	(194,055)	(131,499)
Total	**474,368**	**567,276**

* Comparative period has been adjusted to reflect current period reporting

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.

	2016	**2015**
Net profit attributable to equity holders (*in thousands of HRK*)	162,800	242,291
Weighted average number of shares	3,334,105	3,334,053
Basic earnings per share (*in HRK*)	48.83	72.67

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 year ended 31 December 2016, Group invested HRK 116,017 thousand in purchase of property, plant and equipment and intangible assets (2015: HRK 115,534 thousand). Also, in 2016 the Group has sold Non-current assets held for sale for the amount of HRK 45,825 thousand (2015: -). Furthermore, due to uncertainty of sale, assets of HRK 45,730 thousand were stopped being classified as assets held for sale and reclassified to property, plant and equipment. The impairment of HRK 8,933 thousand was made as adjustment to the carrying value that would have been recorded should these assets have not been classified as held for sale.

During the same period, property, plant and equipment and intangible asset impairment amounted to HRK 10,521 thousand (2015: HRK 13,795 thousand) and impairment of non-current assets available for sale amounted to HRK 1,518 thousand (2015: HRK 1,770 thousand).

NOTE 6 - INVENTORIES

During the year ended 31 December 2016, the Group wrote down inventories in the amount of HRK 27,851 thousand due to damage and short expiry dates (2015: HRK 27,571 thousand). The amount is recognized in the income statement within 'Other operating expenses'.

NOTE 7 – DIVIDEND DISTRIBUTION

According to the decision of the Company's General Assembly from 16 June 2016, distribution of dividend in the amount of HRK 13.50 per share, or HRK 45,012 thousand in total was approved (2015: HRK 12.00 per share, or HRK 40,009 thousand in total). Dividend was paid out in July.

NOTE 8 – RELATED PARTY TRANSACTIONS

Related party transactions that relate to balance sheet as at 31 December 2016 and 31 December 2015 and transactions recognized in the Income statement for the year ended 31 December are as follows:

(all amounts expressed in thousands of HRK)	**31 December 2016**	**31 December 2015**
RECEIVABLES		
Current receivables		
Other entities	98,322	92,057
LIABILITIES		
Borrowings		
Shareholders	-	1,323,737
Trade and other payables		
Shareholders	44,954	146
Other entities	3,906	5,645

REVENUES	**Jan – Dec 2016**	**Jan – Dec 2015**
Sales revenues		
Other entities	471,771	465,682
Other revenues		
Other entities	733	1,277
EXPENSES		
Marketing and promotion expenses		
Other entities	13,020	13,966
Other expenses		
Other entities	2,393	2,532
Finance cost - net		
Shareholders	44,954	57,035
Purchases of property, plant and equipment		
Other entities	140	11,000

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Tvrtka je upisana: Trgovački sud u Zagrebu
MBS: 080245039
MB: 1671910
OIB: 71149912416
Broj računa: 2484008-1101427897 Raiffeisenbank Austria d.d., Zagreb, Petrinjska 59
Broj dionica i njihov nominalni iznos: 3.334.300 dionica, svaka nominalnog iznosa 40,00kn
Temeljni kapital od 133.372.000,00 kuna uplaćen je u cijelosti.

Uprava: Emil Tedeschi, M. Veber, N. Vranković, Z. Stanković
Predsjednik Nadzornog odbora: Z. Adrović

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