Financial results in the first half of 2016

Zagreb – 28 July 2016

Increase in sales of own brands and investment in internationalisation of operations

- **Sales at HRK 2,456.6 million**
  - 3.3% compared to the first half of 2015
- **Earnings before interest, taxes, depreciation and amortisation (EBITDA) at HRK 259.8 million**
  - 7.4% compared to the first half of 2015
- **Earnings before interest and taxes (EBIT) at HRK 192.2 million**
  - 7.5% compared to the first half of 2015
- **Net profit after minorities at HRK 133.5 million**
  - 7.3% compared to the first half of 2015

Comment of President of the Management Board and CEO

Commenting on the financial results and key business developments in the first half of 2016, Emil Tedeschi, CEO of Atlantic Grupa, pointed out: "In the first half of 2016, Atlantic Grupa paid special attention to the development of distribution operations in Western European markets to achieve the strategic focus of further internationalisation of the company. At the same time, we worked intensively on restructuring the Strategic Business Unit Sports and Functional Food, we continued the development of overall operations by launching new products and opening new Farmacia specialised stores and we strengthened the regional distribution network with an undiminished focus.

In the second half of 2016, the focus will be on further growth on the existing markets and continued internationalisation of operations, and we will continue to pay special attention to liquidity, financial liabilities and risk management."

Financial summary of the first half of 2016

Key figures	**H1 2016**	H1 2015	H1 2016/H1 2015
Sales (in HRK millions)	**2,456.6**	2,540.1	(3.3%)
Turnover (in HRK millions)	**2,486.9**	2,554.0	(2.6%)
EBITDA margin	**10.6%**	11.0%	- 47 bp
Net income after minorities (in HRK millions)	**133.5**	144.0	(7.3%)
Gearing ratio*	**47.3%**	46.3%	+100 bp

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

KEY DEVELOPMENTS in the first half of 2016

1. Continued development of operations in Western European markets

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

2. Restructuring of the Strategic Business Unit Sports and Functional Food

During the first half of 2016, the majority of processes related to the restructuring of this strategic unit was completed, and we continue the year with significantly more efficient business model which implies a smaller number of products but 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, while at the same time we continue negotiations with new potential partners in the production of private labels.

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, which defined more favourable financial terms and prolonged the maturity of loans by two years, until 2021. The new arrangement is the result of the continuous 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. The total contracted credit package amounts to EUR 191.5 million, in which the EBRD with partner banks from the Erste Bank, Raiffeisen Bank, Sberbank and Unicredit Bank groups participates with EUR 146 million, the IFC participates with EUR 38 million, while the EBRD in the parallel bilateral loan for the investment in Nova Gradiška participates with EUR 7.5 million.

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. Funds collected by this issue will be used for refinancing the existing bonds with the ATGR-O-169A ticker symbol, which mature in September 2016 this year, while the remaining portion of the funds will be used for financing the working capital. By issuing bonds on the domestic capital market, Atlantic Grupa continues 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 the first half of 2016

According to the research conducted at the end of 2015 by Valicon, an independent agency for marketing research, among top 10 brands in the region (research conducted in Croatia, Serbia, Bosnia and Herzegovina, Slovenia and Macedonia) there are 4 brands of Atlantic Grupa: Cedevita, Smoki, Argeta and Cockta. Valicon measures the brand strength calculated on the basis of the brand recognisability and experience and the use of brands within individual categories.

At the Diggit award ceremony, held on 15 June in Ljubljana, Donat Mg together with the agency Pristop won the gold medal in the Food and beverages category for the video Roylet. For Donat Mg this is the fifth Diggit award, confirming its success in the field of digital communications. Also, at the 25th Slovenian Advertising Festival, the central event of the Slovenian communications industry, held in April in Portorož, Donat Mg with the agency Pristop won 5 awards.

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. Novelties also include the retail packaging of Cedevita with stevia, providing a healthier choice due to 35% less sugar but keeping the great flavour. Due to great sales results in the HoReCa channel, Cedevita mint&lemon deserved the 200 gram packaging and the bottled version for the on-the-go segment. The latest product in the Cedevita family is Cedevita ice-cream launched in the Croatian market, produced in cooperation with Ledo. The perfect choice for refreshment with Cedevita orange flavour enriched with 9 vitamins has been exceptionally accepted, as indicated by the fact that in two months from the launch date the sales of Cedevita ice-creams reached 130% of the planned quantity.

In the Strategic Business Unit **Coffee**, the Grand kafa brand made a new recipe of double roasted coffee for the market of Montenegro under the name Dark Gold, while in the Serbian market new flavours of instant coffee have been launched.

In the Strategic Business Unit **Savoury Spreads**, new Argeta pâté flavours have been launched, while the existing flavours have been introduced to more markets. Montana sandwiches were extended by pancakes with sweet filling and new triangle sandwiches.

In the Strategic Business Unit **Snacks** many new products have been launched, and special attention was given to the Integrino brand, whose visual identity was redesigned, and the brand was extended by two new products. Chipsos range was extended by a “French fries” version with ketchup, and Smoki by a Mega Hrsker flips.

In the Strategic Business Unit **Sports and Functional Food**, the Multipower brand has presented a protein bar Multipower 53%, while the products under Champ and Multipower endurance brands have been fully redesigned.

5. 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. In that way, SAP solution covers almost all all companies, with exception of Farmacia, due to its business specifics. 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.

In the IT operations segment, at the beginning of the second quarter of 2016, the software solution for investments management was put in production, developed on the IBM Maximo platform, which makes business processes related to investments automatic. The solution will significantly speed up and simplify processes, reporting and supervision of all investments.

At the beginning of June, Croatia entered the Single Euro Payment Area under the SEPA regulation. For uninterrupted payment operations, it was necessary to upgrade all payment systems in 34 countries (ERP systems and bank payment systems). The adjustments have been implemented fully and timely to meet the deadlines set by the regulator.

6. Dividend distribution approved

Following the decision by the General Assembly held on 16 June 2016, the dividend distribution is approved in the amount of HRK 13.50 per share, i.e. a total of HRK 45 million, which was distributed in July 2016.

* ERP: Enterprise Resource Planning system

SALES DYNAMICS in the first half of 2016

Sales profile by Strategic Business Units and Strategic Distribution Units

(HRK million)	H1 2016	H1 2015	H1 2016/H1 2015
SBU Coffee	499.6	489.0	2.2%
SBU Beverages	323.0	314.0	2.9%
SBU (Sweet and Salted) Snacks	302.5	294.0	2.9%
SBU Pharma and Personal Care	262.8	250.2	5.0%
SBU Sports and Functional Food	257.4	407.4	(36.8%)
SBU Savoury Spreads	253.1	218.2	16.0%
SDU Serbia	515.2	539.3	(4.5%)
SDU Croatia	446.0	434.0	2.7%
DU Slovenia	351.8	338.7	(2.2%)
SDU Zone West	274.0	268.8	3.9%
Other segments*	370.3	378.5	1.9%
Reconciliation**	- 1,399.0	- 1,391.9	(2.2%)
Sales	2,456.6	2,540.1	(3.3%)

In the first half of 2016, Atlantic Grupa **recorded sales of HRK 2.5 billion**, which is a 3.3% decrease compared to the same period of the previous year. The decrease is mainly a consequence of the decrease in sales of the Strategic Business Unit Sports and Functional Food, to the largest extent caused by the terminated cooperation with the major buyer of the private label. If the effect of the sales of this buyer is excluded, sales grew by 1.2%, and if the effects of the average depreciation of the Russian ruble of 23.4% and the average depreciation of the Serbian dinar of 2.5% compared to the same period of the previous year are excluded, sales grew by 5.2%. 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 and Coffee and the Strategic Distribution Units Slovenia, HoReCa and Croatia.

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. Comparative period has been adjusted to reflect current period reporting.

* Other segments include SDU HoReCa, SDR Baltic and CIS, BU Baby Food, BU Gourmet, 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 **Strategic Business Unit Coffee** records an increase in sales in the markets of Croatia, Macedonia, Slovenia and Bosnia and Herzegovina, which significantly exceeded the decrease in sales in the market of Serbia. The decrease in the Serbian market was caused by volume and value drop of the overall market category of Turkish coffee (volume drop of 3.3%, and value drop of 4.5%*), but the leading market position was kept (value share of 52.4%*).

- The **Strategic Business Unit Beverages** recorded a sales growth due to the growth in sales of vitamin instant drinks under the Cedevita brand, where the main impact was made by a double-digit growth in sales in the HoReCa channel and on-the-go segment, and the increase in sales of functional waters under the Donat Mg brand. Cedevita remains the absolute market leader in the vitamin instant drinks category in all regional markets* (Croatia, Slovenia, B&H, Macedonia, Serbia). 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 of water in the Serbian market. It should be noted that the business result of the strategic business unit no longer includes the tea business, which was sold at the end of 2015.

- The **Strategic Business Unit Snacks** recorded an increase in sales due to the increase in sales on all significant regional markets, with the growth recorded by both salty and sweet ranges. The greatest contribution to the growth was made by chocolates under the Najlepše želje brand, flips under the Smoki brand and salty sticks under the Prima brand. It should be noted that in the markets of Croatia, Slovenia and Montenegro double-digit sales growth was recorded, which is in Slovenia a result of the increase in sales of flips under the Smoki brand and chips under the Chipsos brand, in Montenegro of the increase in sales of chocolates and wafers, while the Croatian market records increase in sales of all categories (biscuits, flips and chips).

- The double-digit sales growth of the **Strategic Business Unit Savoury Spreads** is based on a strong organic growth in sales on the regional markets (Croatia, Slovenia, Macedonia, Montenegro, Serbia and Bosnia and Herzegovina) and international markets (primarily Switzerland and Germany). Analysed by market shares, Argeta savoury spreads have the leading position in the markets of Slovenia and Bosnia and Herzegovina (value share of 43.6% and 52.9%, respectively*), while in the markets of Croatia and Serbia, in addition to the increase in the market share compared to the same period of the previous year, they hold the second position. In the markets of Bosnia and Herzegovina and Macedonia, according to the Valicon's research, Argeta is the leading brand, positioned in front of brands of multinational corporations, and Argeta chicken pâté in the last year increased its value market share in Austria to 33.9%, additionally strengthening its position of the market leader in this country.**

- The noticeable decrease in sales of the **Strategic Business Unit Sports and Functional Food** is primarily a consequence of the terminated cooperation with the major buyer of the private label and, to a lesser extent, of the decrease in sales of own brands Champ, Multaben and Multipower, resulting from discontinuing of low-profitability products, as the targeted result of restructuring the Strategic Business Unit.

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* AC Nielsen Retail Panel, April 2016 – May 2016. (% annual changes)

** AC Nielsen Austria Pate Retail Panel FY15

- The **Strategic Business Unit Pharma and Personal Care** records an increase in sales due to (i) the increase in sales of the pharmacy chain Farmacia following the opening of three new specialised stores and better results of the existing locations, (ii) the increase in sales of products from the Multivita range, and (iii) the increase in sales of principal brands. If the effect of opening new locations is excluded, the pharmacy chain Farmacia records a 4% sales growth compared to the same period of the previous year.

- The **Strategic Distribution Unit Croatia** recorded a sales growth due to (i) an increase in sales from the distribution of own brands, primarily Barcaffe, Argeta and products from the Štark range, (ii) an increase in sales of principal brands Unilever, Ferrero and Rauch, and (iii) the distribution of new principals Philips, SABMiller and Naturavita teas.

- The decrease in sales of the **Strategic Distribution Unit Serbia** is caused primarily by the decrease in sales of Turkish coffee, 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 products from the Štark portfolio, and the increase in sales of the principal Rauch. If the unfavourable effect of the dinar exchange rate is excluded, the Strategic Distribution Unit Serbia records a decrease in sales of 1.9%, and if the discounted principals are also excluded, the sales of the Strategic Distribution Unit Serbia dropped by 0.6%.

- The Strategic Distribution Unit **Zone West** records a sales growth primarily in the markets of Switzerland, Spain and Turkey. In this, savoury spreads under the Argeta brand have the most prominent growth among segments.

- The increase in sales of the **Distribution Unit Slovenia** is a consequence of the increase in all segments, led by own brands in the savoury spreads category under the Argeta brand, flips under the Smoki brand, chips under the Chipsos brand, coffee under the Barcaffe brand and vitamin instant drinks under the Cedevita brand. Great sales results were also recorded by principal brands led by Ferrero.

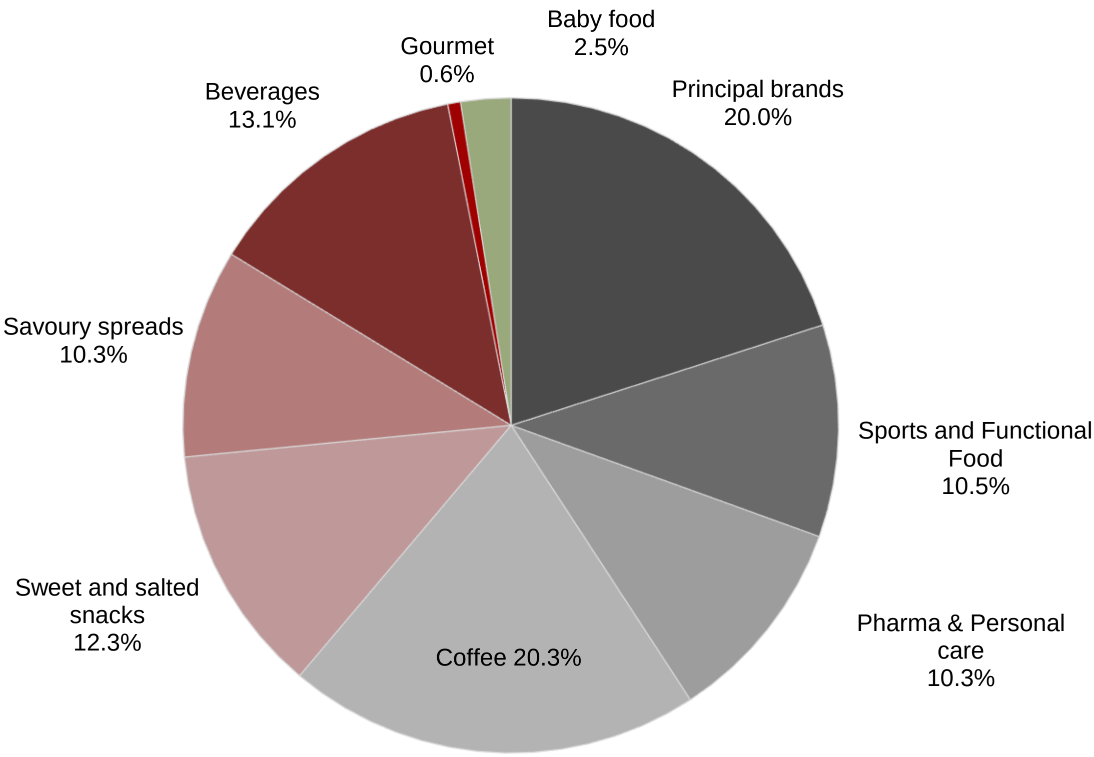
- **Other segments** recorded a decrease in sales following primarily the decrease in sales of the Business Unit Baby Food, the Strategic Distribution Unit Baltics and the CIS and the Business Unit Gourmet, which was partly compensated by the double-digit increase in sales of the Strategic Distribution Unit 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 mitigated due to the flexible pricing policy.

  Distribution Unit Macedonia records an increase in sales of 9.7%, primarily due to the increase in sales of the Turkish coffee and savoury spreads segments, and the increase in sales of the external principal Ferrero.

  The **Strategic Distribution Unit HoReCa** records a significant increase in sales, of 12.0%, where all markets (Croatia, Serbia, Slovenia and Macedonia) record growth, led by the Slovenian and Croatian markets. Analysed by segments, the most significant growth is recorded by the sales of espresso coffee under the Barcaffe brand, revenue from the distribution of external principals and the sales of vitamin instant drinks under the Cedevita brand.

Sales profile by segments



Sales profile by markets

(in HRK millions)	H1 2016	% of sales	H1 2015	% of sales	H1 2016/H1 2015
Croatia	**688.1**	28.0%	661.7	26.0%	4.0%
Serbia	**554.2**	22.6%	578.4	22.8%	(4.2%)
Slovenia	**401.6**	16.3%	382.8	15.1%	4.9%
Bosnia and Herzegovina	**190.7**	7.8%	184.3	7.3%	3.5%
Other regional markets*	**163.3**	6.6%	145.4	5.7%	12.3%
Key European markets**	**270.2**	11.0%	313.0	12.3%	(13.7%)
Russia and CIS	**91.6**	3.7%	102.1	4.0%	(10.3%)
Other markets	**96.9**	3.9%	172.3	6.8%	(43.8%)
Total sales	**2,456.6**	100.0%	2,540.1	100.0%	(3.3%)

- **The Croatian market** recorded a strong growth in sales of 4.0% due to: (i) an increase in sales of the existing principals, especially Unilever, Ferrero and Rauch, (ii) an increase in sales of the pharmacy chain Farmacia, and (iii) an increase in sales of own brands, primarily Barcaffe in the coffee category and Argeta in the savoury spreads category, the Cedevita brand in the vitamin instant drinks category in the HoReCa and on-the-go segments, and (iv) the distribution of new principals Philips, SABMiler and Naturavita teas. If the effect of the beginning of the distribution of new principals, and the effect of the discontinued principal are excluded, the Croatian market records 1.8% higher sales.

- **The market of Serbia** recorded a decrease in sales due to: (i) primarily the decrease in sales coffee under the Grand kafa brand (the decrease in sales of Turkish coffee was primarily caused by the decrease of the overall category, while sales of Black'n'Easy instant Turkish coffee and espresso coffee increased), (ii) the decrease in sales of products from the Gourmet portfolio (terminated production of private labels due to unsatisfactory profitability and lower sales of branded products due to restructuring of the product portfolio), and (iii) the decrease in sales of principal brands due to the terminated cooperation with two principals. If the effect of the dinar exchange rate is excluded, the market of Serbia recorded a 1.8% drop in sales, and if the effect of the discontinued principals and the effect of the dinar exchange rate are excluded, the sales in the Serbian market were at the last year's level.

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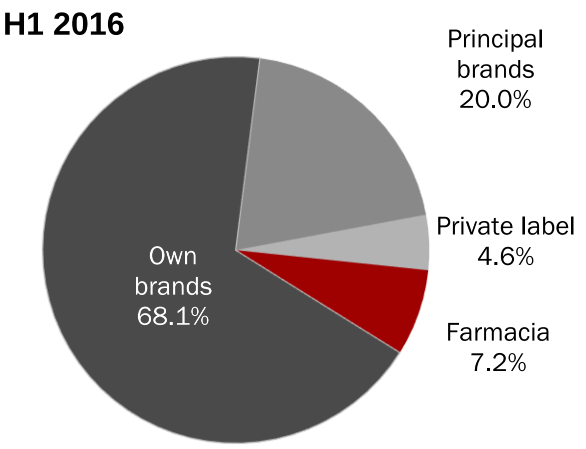
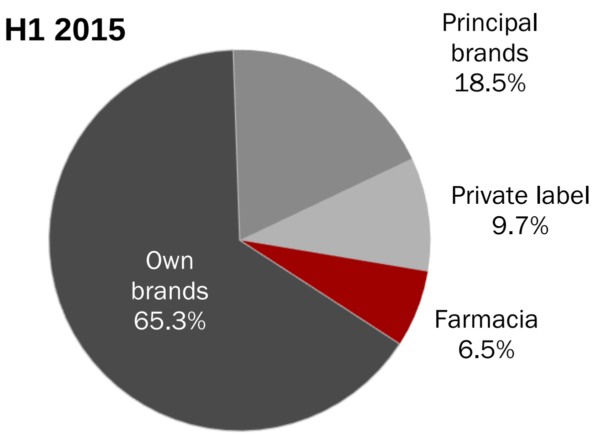
* Other regional markets: Macedonia, Montenegro, Kosovo

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

- The sales growth of 4.9% in the **Slovenian market** was generated by the increase in sales of all categories, especially: (i) principal brands, led by Ferrero, and (ii) own brands, such as Argeta, Barcaffe and Cedevita.
- The major contribution to the growth in sales in the **market of Bosnia and Herzegovina** was made by the increased sales of (i) the Grand Kafa brand in the Turkish coffee category and Black'n'Easy instant Turkish coffee, (ii) savoury spreads under the Argeta brand, and (iii) the Cedevita brand in the vitamin instant drinks category, especially in the HoReCa channel.
- **Other regional markets** recorded a double-digit 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 coffee and savoury spreads, while good results were recorded also by beverages and products from the snacks portfolio in the Montenegrin market.
- 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, primarily caused by the discontinuation of cooperation with before mentioned private label buyer, while 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.
- Sales in the **market of Russia and the Commonwealth of Independent States** continue to be negatively affected by the depreciation of the Russian ruble and high inflation rate, impacting the decrease in purchasing power. Analysed by segments, great results were recorded by functional beverages under the Donat Mg brand and products under the Bakina Tajna brand, while 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 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.

Sales profile by product category





- Compared to the same period of 2015, in the first half of 2016 **own brands** recorded an increase in sales of 0.9% at HRK 1.67 billion. The growth primarily comes from: (i) Argeta brands in the savoury spreads segment, (ii) Najlepše želje, Bananica, Smoki and Prima brands in the snacks segment, (iii) Barcaffe and Grand Kafa brands in the coffee segment, and (iv) functional waters under the Donat Mg brand and vitamin instant drinks under the Cedevita brand in the beverages segment. On the other hand, lower sales were recorded by Champ, Multipower and Multaben brands from the sports and functional food segment and baby cereals under the Bebi brand.

- With HRK 492.5 million, **principal brands** record 4.9% higher sales, due to the increase in sales of the existing principals, primarily Ferrero, Rauch, Unilever, as well as the beginning of the distribution of new principals such as Philips and SABMiler in the Croatian market.

- With sales of HRK 113.0 million, **private labels** record a drop of 54.2% compared to the first half of 2015 due to the drop in sales in the sports and functional food segment.

- The pharmacy chain **Farmacia** recorded sales of HRK 177.7 million, which is a 7.2% growth compared to the same period of 2015 due to the increase in sales of the existing Farmacia locations (primarily non-prescription sales) and newly-opened specialised stores. In the first half of 2016, three new specialised stores were opened and as at 30 June 2016 the pharmacy chain Farmacia consisted of 48 pharmacies and 32 specialised stores.

PROFITABILITY DYNAMICS in the first half of 2016

(in HRK millions)	H1 2016	H1 2015	H1 2016/H1 2015
Sales	**2,456.6**	2,540.1	(3.3%)
EBITDA	**259.8**	280.4	(7.4%)
EBIT	**192.2**	207.9	(7.5%)
Net profit/(loss)	**133.7**	143.9	(7.1%)
Profitability margins			
EBITDA margin	**10.6%**	11.0%	-47 bp
EBIT margin	**7.8%**	8.2%	-36 bp
Net profit margin	**5.4%**	5.7%	-22 bp

In the first half of 2016, Atlantic Grupa recorded **EBITDA** in the amount of HRK 259.8 million, which is a 7.4% decrease compared to the same period of the previous year. As mentioned earlier, the decrease in EBITDA is primarily a result of targeted investments in the internationalisation of operations (increased staff and distribution costs) and higher marketing expenses (primarily in the coffee and beverages segments), terminated cooperation with the major buyer of the private label in the Sports and Functional Food and foreign exchange rate pressures on operations in Russia and the CIS, which was party compensated by the decrease in cost of production materials (primarily due to lower prices of raw coffee) and energy.

Following the decrease in EBITDA and the decrease in depreciation and amortisation of 6.9%, the recorded EBIT is also lower by 7.5%. Despite the significant decrease in interest expense of 21.1%, the net profit before minority interests recorded a decrease of 7.1%. Negative impact on net profit was also made by lower foreign exchange gains and higher tax burden, caused by the tax in Bosnia and Hercegovina, which we did not have to pay in the past.

Operating expenses structure

(in HRK millions)	H1 2016	% of sales	H1 2015	% of sales	H1 2016/H1 2015
Cost of goods sold	**603.9**	24.6%	**691.3**	27.2%	(12.6%)
Change in inventory	**(22.1)**	(0.9%)	**(44.6)**	(1.8%)	(50.4%)
Production materials	**796.7**	32.4%	**860.3**	33.9%	(7.4%)
Energy	**28.5**	1.2%	**31.6**	1.2%	(9.5%)
Services	**198.5**	8.1%	**180.3**	7.1%	10.1%
Staff costs	**377.9**	15.4%	**360.8**	14.2%	4.7%
Marketing and selling expenses	**169.2**	6.9%	**147.8**	5.8%	14.5%
Other operating expenses	**82.7**	3.4%	**85.5**	3.4%	(3.3%)
Other gains/(losses), net	**(8.3)**	(0.3%)	**(39.5)**	(1.6%)	n/a
Depreciation and amortization	**67.5**	2.7%	**72.6**	2.9%	(6.9%)
Total operating expenses	**2,294.7**	**93.4%**	**2,346.1**	**92.4%**	**(2.2%)**

- Despite the increase in sales of principal brands and their share in total sales, cost of goods sold decreased due to changes in the sales mix, primarily as a result of terminated cooperation with the major buyer of the private label, which was manufactured by a contractual partner.
- Costs of production materials recorded a decrease of 7.4%, due to lower prices of raw coffee. An additional positive effect came from restructuring the production of the business unit Sports and Functional Food.
- Costs of services increased due to higher distribution costs (transport, logistics and warehouses) following the establishment of the distribution business in Austria and Germany and higher expenses of IT services as a consequence of the SAP system implementation.
- Staff costs increased due to a higher number of employees as a result of employment related to the opening of the distribution companies in Austria and Germany, despite the decrease in the number of employees resulting from the restructuring of the Strategic Business Unit Sports and Functional Food. As at 30 June 2016, Atlantic Grupa had 5,476 employees, 75 more compared to the same period of the previous year. Of this, 17 employees relate to the company in Austria, 33 to the company yin Germany, and 11 employees in other parts of Atlantic Grupa in the function of support to operations of the newly-established companies in Austria and Germany.
- Marketing expenses increased as a result of higher investments in the coffee and beverages segments due to different dynamics of marketing activities compared to the previous year, which was partly reduced by lower marketing expenses in the sports and functional food segment.
- Other (gains)/losses – net: Gains were primarily realised on financial (forward) contracts in the coffee segment.

Operating result by business segments

(in HRK millions)	H1 2016	H1 2015	H1 2016/H1 2015
SBU Beverages	**98.1**	85.3	15.0%
SBU Coffee	**91.8**	102.5	(10.4%)
SBU (Sweet and Salted) Snacks	**60.5**	51.3	18.1%
SBU Savoury Spreads	**64.1**	54.0	18.6%
SBU Pharma and Personal Care	**21.6**	19.7	9.8%
SBU Sports and Functional Food	**(11.4)**	(7.0)	63.1%
DU Slovenia	**16.9**	15.1	12.0%
SDU Croatia	**4.8**	4.0	19.6%
SDU Serbia	**5.2**	10.9	(52.0%)
SDU Zone West	**(11.5)**	7.8	(246.1%)
Other segments*	**(80.4)**	(63.1)	(27.4%)
Group EBITDA	**259.8**	280.4	(7.4%)

Strategic Business Units: Strategic Business Units Beverages, Savoury Spreads, Pharma and Personal Care, Snacks record a profitability growth due to the increase in sales. Despite the savings resulting from the decrease in prices of raw coffee, the decrease in profitability of the SBU Coffee was caused by the increase in marketing expenses due to different dynamics of marketing activities compared to the previous year. The decrease in profitability of the SBU Sports and Functional Food was caused by the termination of cooperation with the major buyer of the private label, and it was party compensated by savings in costs of production materials and marketing.

Strategic Distribution Units and Distribution Units: The profitability growth in the DU Slovenia is a result of the improved gross margin following the new commercial policy and lower rebates. SDU Croatia records a profitability growth due to the increase in sales. The decrease in profitability of the SDU Serbia is a consequence of lower sales and the negative effect of the dinar exchange rate. The decrease in profitability of the SDU Zone West is the result of higher staff and services costs, following the investment in own distribution network.

Other segments: Despite the increase in sales, the profitability of the SDU HoReCa remained at the last-year's level due to the increase in investments in the organisation development. The decrease in profitability of the BU Baby Food and SDR Baltics and the CIS was caused primarily by the depreciation of the Russian ruble and the increase in costs of production materials. The DU Macedonia records a profitability growth due to the increase in revenues and control of staff costs. Despite the increase in gross margin, the BU Gourmet recorded lower profitability due to lower revenues. Support services record increase in expensed due to increase in number of employees and costs of SAP implementation.

FINANCIAL INDICATORS in the first half of 2016

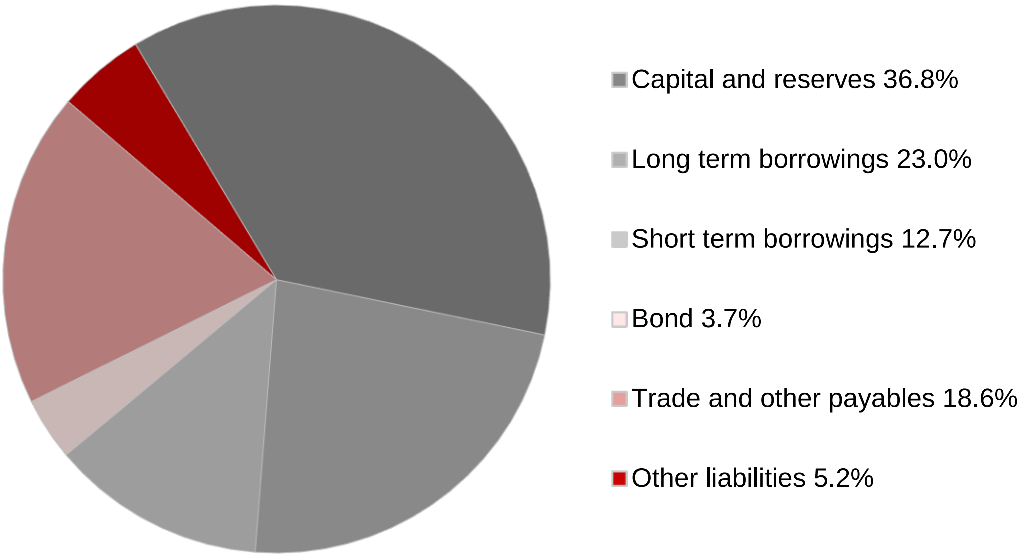
(in HRK millions)	H1 2016	2015
Net debt	**1,775.3**	1,678.1
Total assets	**5,366.5**	5,294.6
Total Equity	**1,977.0**	1,945.3
Current ratio	**1.4**	1.3
Gearing ratio	**47.3%**	46.3%
Net debt/EBITDA	**3.2**	3.0
	H1 2016	Q1 2015
Interest coverage ratio	**6.0**	5.1
Capital expenditure	**48.0**	32.8
Cash flow from operating activities	**(115.2)**	155.9

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

- Despite repayment of long-term borrowings in the amount of HRK 74.4 million in the first half of 2016, net debt, following the decrease in cash flow from operating activities, increased by 5.8%. Accordingly, the gearing ratio increased by 100 basis points, and the coverage of interest expense by EBITDA increased from 5.1 to 6.0, due to the decrease in long-term borrowings.

- The decrease in cash flow from operating activities is primarily the result of negative changes in the working capital, mainly due to difficulties in the collection of receivables, caused by operational problems related to the implementation of the SAP solution in Germany and Austria, which were solved during June. 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 the first half of 2016.

The Atlantic Grupa's equity and liabilities structure as at 30 June 2016 is as follows:



Overview of key items in the consolidated cash flow statement

Capital expenditure in the first six months of 2016 primarily relates to investments in the production equipment of all 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 Beverages: purchase of modern refrigerated display cabinets;
- SBU Coffee: purchase of espresso machines, and HoReCa C2GO machines;
- SBU Snacks: automatization of sugar transport, expansion and reconstruction of business premises;
- SBU Gourmet: investment in equipment for roasting peppers and increase in production efficiency;
- SBU Sports and Functional Food: investment in improved production efficiency and raw materials handling;
- IT: implementation of the SAP system.

OUTLOOK for 2016

Management has the same expectations for 2016 as announced on 22nd February 2016, as follows:

(in HRK millions)	2016 Guidance	2015	2016/2015
Sales	**5,400**	5,405	(0.1%)
EBITDA	**475**	567	(16.3%)
EBIT	**310**	404	(23.3%)
Interest expense	**100**	106	(5.4%)

In 2016, we expect capital expenditure in the amount of approximately HRK 150 million.

The expected effective tax rate in 2016 should be at the level of the statutory tax rate for Croatia.

ATLANTIC GRUPA d.d.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

ATLANTIC GRUPA d.d.

CONSOLIDATED INCOME STATEMENT

in thousands of HRK, unaudited	Jan -Jun 2016	Jan - Jun 2015	Index	Apr - Jun 2016	Apr - Jun 2015	Index
Turnover	**2,486,886**	**2,553,994**	**97.4**	**1,324,460**	**1,385,731**	**95.6**
Sales revenues	2,456,581	2,540,070	96.7	1,301,339	1,382,325	94.1
Other revenues	30,305	13,924	217.6	23,121	3,406	678.8
Operating expenses	**(2,227,134)**	**(2,273,559)**	**98.0**	**(1,168,609)**	**(1,214,760)**	**96.2**
Cost of merchandise sold	(603,924)	(691,334)	87.4	(300,926)	(369,822)	81.4
Change in inventories	22,118	44,602	49.6	19,332	25,843	74.8
Production material and energy	(825,274)	(891,870)	92.5	(446,695)	(488,981)	91.4
Services	(198,510)	(180,276)	110.1	(107,102)	(95,100)	112.6
Staff costs	(377,939)	(360,841)	104.7	(194,447)	(179,105)	108.6
Marketing and selling expenses	(169,217)	(147,833)	114.5	(97,452)	(88,416)	110.2
Other operating expenses	(82,657)	(85,519)	96.7	(41,462)	(45,142)	91.8
Other losses - net	8,269	39,512	20.9	143	25,963	0.6
EBITDA	**259,752**	**280,435**	**92.6**	**155,851**	**170,971**	**91.2**
Depreciation and impairment	(67,521)	(72,558)	93.1	(33,455)	(36,651)	91.3
EBIT	**192,231**	**207,877**	**92.5**	**122,396**	**134,320**	**91.1**
Interest expenses	(43,283)	(54,889)	78.9	(19,841)	(26,404)	75.1
Foreign exchange differences from financing - net	15,926	17,867	89.1	5,368	9,290	57.8
Profit before tax	**164,874**	**170,855**	**96.5**	**107,923**	**117,206**	**92.1**
Income tax	(31,167)	(26,982)	115.5	(19,416)	(17,805)	109.0
Profit for the period	**133,707**	**143,873**	**92.9**	**88,507**	**99,401**	**89.0**
Attributable to:						
Non-controlling interest	214	(161)	n/a	314	(59)	n/a
Owners of the parent	133,493	144,034	92.7	88.193	99.460	88.7
Earnings per share for profit attributable to the owners of the Company						
- basic	40.04	43.20		26.45	29.83	
- diluted	40.04	43.20		26.45	29.83	

ATLANTIC GRUPA d.d.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of HRK, unaudited	Jan - Jun 2016	Jan -Jun 2015	Index	Apr -Jun 2016	Apr -Jun 2015	Index
Profit for the period	**133,707**	**143,873**	**92.9**	**88,507**	**99,401**	**89.0**
Cash flow hedge	(4,092)	1,075	n/a	6,129	(17,874)	n/a
Currency translation differences	(50,361)	(19,907)	253.0	(9,251)	(7,430)	124.5
Total comprehensive income	**79,254**	**125,041**	**63.4**	**85,385**	**74,097**	**115.2**
Attributable to:						
Non-controlling interest	175	(190)	n/a	311	(82)	n/a
Equity holders of the Company	79,079	125,231	63.1	85,074	74,179	114.7
Total comprehensive income	79,254	125,041	63.4	85,385	74,097	115.2

ATLANTIC GRUPA d.d.

CONSOLIDATED BALANCE SHEET

in thousands of HRK, unaudited	30 June 2016	31 December 2015
ASSETS		
Non-current assets		
Property, plant and equipment	1,046,239	1,083,566
Investment property	1,706	1,748
Intangible assets	1,769,389	1,797,791
Deferred tax assets	36,457	37,066
Available-for-sale financial assets	1,003	959
Trade and other receivables	83,375	83,695
	2,938,169	3,004,825
Current assets		
Inventories	707,801	603,491
Trade and other receivables	1,300,042	1,192,314
Prepaid income tax	21,553	16,018
Derivative financial instruments	3,282	12,728
Deposits given	481	305
Cash and cash equivalents	338,753	365,692
	2,371,912	2,190,548
Non-current assets held for sale	56,459	99,196
Total current assets	2,428,371	2,289,744
TOTAL ASSETS	**5,366,540**	**5,294,569**
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the Company		
Share capital	133,372	133,372
Share premium	881,490	881,515
Treasury shares	(89)	(198)
Reserves	(99,599)	(26,264)
Retained earnings	1,059,078	954,325
	1,974,252	1,942,750
Non-controlling interest	2,733	2,558
Total equity	1,976,985	1,945,308
Non-current liabilities		
Borrowings	1,434,409	1,309,180
Deferred tax liabilities	171,755	176,677
Derivative financial instruments	146	472
Other non-current liabilities	6,844	3,460
Provisions	51,262	54,475
	1,664,416	1,544,264
Current liabilities		
Trade and other payables	996,175	988,554
Borrowings	682,470	742,032
Derivative financial instruments	822	5,091
Current income tax liabilities	25,868	17,034
Provisions	19,804	52,286
	1,725,139	1,804,997
Total liabilities	3,389,555	3,349,261
TOTAL EQUTIY AND LIABILITIES	**5,366,540**	**5,294,569**

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 period	-	-	144,034	144,034	(161)	143,873
Cash flow hedge	-	1,075	-	1,075	-	1,075
Other comprehensive income	-	(19,878)	-	(19,878)	(29)	(19,907)
Total comprehensive income	-	(18,803)	144,034	125,231	(190)	125,041
Transactions with owners:						
Purchase of treasury shares	(3,875)	-	-	(3,875)	-	(3,875)
Share based payment	2,730	-	-	2,730	-	2,730
Transfer	-	772	(772)	-	-	-
Dividends relating to 2014	-	-	(40,009)	(40,009)	-	(40,009)
At 30 June 2015	1,014,725	(37,666)	859,750	1,836,809	2,142	1,838,951
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 period	-	-	133,493	133,493	214	133,707
Cash flow hedge	-	(4,092)	-	(4,092)	-	(4,092)
Other comprehensive income	-	(50,322)	-	(50,322)	(39)	(50,361)
Total comprehensive income	-	(54,414)	133,493	79,079	175	79,254
Transactions with owners:						
Purchase of treasury shares	(1,076)	-	-	(1,076)	-	(1,076)
Share based payment	1,160	-	-	1,160	-	1,160
Transfer	-	(18,921)	18,921	-	-	-
Dividends relating to 2015	-	-	(47,661)	(47,661)	-	(47,661)
At 30 June 2016	1,014,773	(99,599)	1,059,078	1,974,252	2,733	1,976,985

CONSOLIDATED CASH FLOW STATEMENT

in thousands of HRK, unaudited	Jan - Jun 2016	Jan - Jun 2015
Cash flows from operating activities		
Net profit	**133,707**	**143,873**
Income tax	31,167	26,982
Depreciation, amortization and impairment	67,521	72,558
Loss / (gain) on sale of property, plant and equipment	817	(615)
Provision for current assets	8,096	19,106
Foreign exchange differences - net	(25,703)	12,485
Decrease in provisions for risks and charges	(35,695)	(14,467)
Fair value gains on financial assets	(4,864)	(32,158)
Share based payment	1,160	2,730
Interest income	(1,778)	(2,652)
Interest expense	43,283	54,888
Other non-cash items, net	(110)	(1,450)
Changes in working capital:		
Increase in inventories	(109,964)	(130,742)
Increase in current receivables	(115,124)	(48,577)
(Decrease) / increase in current payables	(31,711)	131,450
Cash generated from operations	**(39,198)**	**233,411**
Interest paid	(46,614)	(52,966)
Income tax paid	(29,410)	(24,524)
	(115,222)	**155,921**
Cash flow from investing activities		
Purchase of property, plant and equipment and intangible assets	(47,956)	(32,830)
Proceeds from sale of property, plant and equipment and non-current assets held for sale	43,677	1,223
Acquisition of subsidiary – net of cash acquired	-	(5,030)
Loans granted and deposits placed	(2,810)	(2,051)
Repayments of loan and deposits granted	1,544	5,126
Interest received	1,308	2,652
	(4,237)	**(30,910)**
Cash flow from financing activities		
Purchase of treasury shares	(1,076)	(3,877)
Proceeds from borrowings, net of fees paid	151,740	39,310
Repayment of borrowings	(227,493)	(232,474)
Bonds issued	200,000	-
Redemption of bonds	(28,002)	-
Witholding tax paid on dividend distributed within the Group	(2,649)	-
	92,520	**(197,041)**
Net decrease in cash and cash equivalents	**(26,939)**	**(72,030)**
Cash and cash equivalents at beginning of period	365,692	417,588
Cash and cash equivalents at end of period	338,753	345,558

NOTE 1 – GENERAL INFORMATION

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

The interim condensed consolidated financial statements of the Group for the six month period ended 30 June 2016 were approved by the Management Board of the Company in Zagreb on 27 July 2016.

The condensed consolidated financial statements have not been audited.

NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group for the six month period ended 30 June 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 unit
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 SDU HoReCa, SDU CIS, 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-Jun 2016**	**Jan-Jun 2015**
SBU Beverages	323,041	314,009
SBU Coffee	499,637	488,978
SBU (Sweet and Salted) Snacks	302,472	294,019
SBU Savoury Spreads	253,127	218,242
SBU Sports and Functional Food	257,364	407,353
SBU Pharma and Personal Care	262,803	250,176
SDU Croatia	445,958	434,028
SDU Zone West	273,971	268,760
SDU Serbia	515,180	539,271
DU Slovenia	351,782	338,692
Other segments	370,278	378,489
Reconciliation	(1,399,032)	(1,391,947)
Total	**2,456,581**	**2,540,070**

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

Business results[2]	EBITDA	
	Jan-Jun 2016	Jan-Jun 2015
(in thousands of HRK)		
SBU Beverages	98,126	85,326
SBU Coffee	91,817	102,461
SBU (Sweet and Salted) Snacks	60,537	51,279
SBU Savoury Spreads	64,086	54,032
SBU Sports and Functional Food	(11,440)	(7,016)
SBU Pharma and Personal Care	21,615	19,680
SDU Croatia	4,824	4,034
SDU Zone West	(11,459)	7,842
SDU Serbia	5,227	10,892
DU Slovenia	16,858	15,055
Other segments	(80,439)	(63,150)
Total	**259,752**	**280,435**

[2] 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*)	133,493	144,034
Weighted average number of shares	3,334,013	3,334,079
Basic earnings per share (*in HRK*)	40.04	43.20

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 six month period ended 30 June 2016, Group invested HRK 47,956 thousand in purchase of property, plant and equipment and intangible assets (2015: HRK 32,830 thousand). Also, in the first half of 2016 the Group has sold Non-current assets held for sale for the amount of HRK 42,002 thousand.

NOTE 6 - INVENTORIES

During the six month period ended 30 June 2016, the Group wrote down inventories in the amount of HRK 5,647 thousand due to damage and short expiry dates (2015: HRK 6,937 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. Dividend was paid out in July 2016 and at the 30 June 2016 dividend payable was stated in the balance sheet under Trade and other payables position.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Group enters into transactions with the following related parties: shareholders and other entities controlled or owned by shareholder. Related party transactions that relate to balance sheet as at 30 June 2016 and 31 December 2015 and transactions recognized in the Income statement for the six month period ended 30 June are as follows:

(all amounts expressed in thousands of HRK)	**30 June 2016**	**31 December 2015**
RECEIVABLES		
Current receivables		
Other entities	116,758	92,057
LIABILITIES		
Borrowings		
Shareholders	1,167,772	1,323,737
Trade and other payables		
Shareholders	45,905	146
Other entities	4,616	5,645

REVENUES	**Jan – Jun 2016**	**Jan – Jun 2015**
Sales revenues		
Other entities	231,150	223,851
Other revenues		
Other entities	304	361
EXPENSES		
Marketing and promotion expenses		
Other entities	5,750	6,948
Other expenses		
Other entities	1,070	1,326
Finance cost - net		
Shareholders	21,502	31,296

Atlantic Grupa d.d.
Miramarska 23
Zagreb

Register number: 1671910

Zagreb, July 28th 2016

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 from 1 January 2016 to 30 June 2016 present complete and fair view of assets and liabilities, profit and loss, financial position and operations of the Group.
The management report for the period ended 30 June 2016 presents true and fair presentation of development and results of the Group's operations with description of significant risks and uncertainties for the Group.

President of the Management Board:

Emil Tedeschi

Contact:

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