Financial results in the first nine months of 2016

Zagreb – October 28th 2016

Net profit growth with strong focus on further business internationalisation

- **Sales at HRK 3,782.2 million**
  - 4.9% compared to the first nine months of 2015
- **Earnings before interest, taxes, depreciation and amortisation (EBITDA) at HRK 419.5 million**
  - 6.9% compared to the first nine months of 2015
- **Earnings before interest and taxes (EBIT) at HRK 316.9 million**
  - 7.1% compared to the first nine months of 2015
- **Net profit after minorities at HRK 231.0 million**
  + 1.3% compared to the first nine months of 2015

Comment of President of the Management Board and CEO

Commenting on the financial results and key business developments in the first nine months of 2016, Emil Tedeschi, CEO of Atlantic Grupa, pointed out:

"In the first nine months of 2016, Atlantic Grupa continued the development of distribution business in challenging Western European markets to achieve the strategic goal of further business internationalisation. At the same time, we completed the first phase of the restructuring of the Strategic Business Unit Sports and Functional Food, we continued the development of overall business operations by launching new products, expanding the network of principals and opening new Farmacia specialised stores, coupled with continued strengthening of the regional distribution network.

Until the end of 2016, an undiminished focus will remain on growth on the existing markets and internationalisation, and we will continue to pay special attention to liquidity, financial liabilities and risk management."

Financial summary of the first nine months of 2016

Key figures	9M 2016	9M 2015	9M 2016/ 9M 2015
Sales (in HRK millions)	**3,782.2**	3,977.5	(4.9%)
Turnover (in HRK millions)	**3,823.6**	3,999.9	(4.4%)
EBITDA margin	**11.1%**	11.3%	- 23 bp
Net income after minorities (in HRK millions)	**231.0**	228.1	1.3%
Gearing ratio*	**44.7%**	46.3%	-160 bp

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

KEY DEVELOPMENTS in the first nine months of 2016

1. Continued development of business 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 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. Atlantic Grupa won the corporate governance award and 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.

For the fourth time, Atlantic Grupa won the first award for the best investor relations in Croatia, awarded by Poslovni dnevnik at Zagreb stock exchange conference in Poreč. This award recognizes the companies that have fair and transparent relations with investors and is awarded for the seventh year in a row, of which Atlantic Grupa received one of the first three prizes six times.

3. 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 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.

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

During the first nine months of 2016, the first phase of the restructuring of this strategic unit was completed, 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. With successful contracting of the new partner in service production, we continue negotiations with new potential partners.

5. 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.

6. Own brands in the first nine months of 2016

According to the research conducted by Valicon, an independent agency for marketing research, the top 10 brands in the region include 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. 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 two countries Atlantic's brands are ranked second – Smoki in Serbia and Cedevita in Croatia.

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 six product of Bakina Tajna to proudly win this award.

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 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. 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.

In the Strategic Business Unit **Coffee**, the basic Barcaffe cappuccino line has been redesigned, while the Strategic Business Unit **Snacks** launched to 8 different markets many new products as extensions of the existing brands and various promotional packages of the existing products.

In the Strategic Business Unit **Savoury Spreads**, new Argeta chicken and fish pâté flavours have been launched, and many new flavours adapted to individual markets. 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. After refreshing the product range wit pancakes, in the summer season Montana extended its range with three salads, that may be adapted to consumers' individual tastes due to innovative packaging.

In the Strategic Business Unit **Sports and Functional Food**, the Multipower brand has presented a protein bar Multipower 40%, and 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 4 new products into the Croatian market. Two new Rosal Lip Balms have been launched, designed for the use in summer months, and Melem offered a handy cream in a tube. 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.

7. Overview of information technologies

During the third quarter, the company implemented additional changes to organisation and employee structure in order to organise the information and communication support in accordance with the globally integrated company model. In the field of IT infrastructure, projects of reviewing and upgrading IT networks of Atlantic Grupa have been initiated, the project of a unified communication system that in the first phase aims to select an adequate video conference system for AG and the project of Group Centre for 24/7 IT support to internal users. The project of selecting telecom services has been successfully continued, aimed at minimising communication costs.

In terms of achieving operational excellence, the programme of process management according to the ITIL* standard has been initiated, in the first phase focused on processes of incidents and changes management, and in the second phase, planned for 2017, focused on the process of requests management.

In the field of IT systems, procurement decisions have been made and accordingly, the implementation of two systems at the Group level began, in the fields of analytics and in the field of improving efficiency of office administration.

The IBM Cognos tool has been selected for business analytics and reporting, whose introduction will improve and unify the level of information available to management and all employees of Atlantic Grupa. For the Group DMS (Document Management System), the OfficePoint solution developed by the Croatian company eVision has been selected, whose introduction will improve and unify business processes in the field of processing incoming invoices, contract management and incoming mail.

8. 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.

* Information Technology Infrastructure Library (ITIL) is a set of guidelines developed by the UK Office of Government Commerce (OGC), which was adopted as a global, integrated, process-oriented framework of best practices for IT service management.

SALES DYNAMICS in the first nine months of 2016

Sales profile by Strategic Business Units and Strategic Distribution Units

(HRK million)	9M 2016	9M 2015	9M 2016/ 9M 2015
SBU Coffee	**775.3**	777.1	(0.2%)
SBU Beverages	**506.7**	503.6	0.6%
SBU (Sweet and Salted) Snacks	**453.8**	443.1	2.4%
SBU Pharma and Personal Care	**397.8**	374.2	6.3%
SBU Sports and Functional Food	**361.0**	600.7	(39.9%)
SBU Savoury Spreads	**420.5**	368.7	14.1%
SDU Serbia	**787.5**	838.5	(6.1%)
SDU Croatia	**727.4**	716.4	1.5%
DU Slovenia	**536.4**	532.6	(7.1%)
SDU Zone West	**393.8**	394.4	0.7%
Other segments*	**559.4**	602.2	(0.2%)
Reconciliation**	**(2,137.4)**	(2,173.9)	(7.1%)
Sales	**3,782.2**	3,977.5	(4.9%)

In the first nine months of 2016, Atlantic Grupa **recorded sales of HRK 3.8 billion**, which is a 4.9% 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 of this buyer is excluded, sales are at the same level as in the same period of the previous year, and if the effects of the average depreciation of the Russian rouble of 16.3% and the average depreciation of the Serbian dinar of 2.9% compared to the same period of the previous year are excluded, sales grew by 3.0%.

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 Region HoReCa and the Strategic Distribution Unit 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 SDR HoReCa, SDR CIS and Baltic, 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 insignificant decrease in sales, primarily due to the impact of lower sales results in the market of Serbia, which was almost fully annulled by the increase in sales in the markets of Croatia, Macedonia, Slovenia, Bosnia and Herzegovina, Kosovo and Montenegro. The decrease in the Serbian market was caused by depreciation of Serbian dinar, by the volume and value drops of the overall market category of Turkish coffee (volume drop of 2.9%, and value drop of 5.7%*), but the market share was slightly increased while keeping the leading position on the market (value share of 52.5%*).
- The **Strategic Business Unit Beverages** recorded a mild sales growth due to the increased 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, which records great results in Russia. Cedevita remains the absolute market leader in the vitamin instant drinks category in all regional markets (Croatia, Slovenia, B&H, Macedonia, Serbia) with value market shares ranging from 73.7% 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.
- The **Strategic Business Unit Snacks** recorded an increase in sales due to the increase in revenues of sweet and salty product ranges on all significant regional markets, led by the markets of Croatia and Bosnia and Herzegovina, followed by the markets of Slovenia and Serbia. 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. 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 and chips under the Chipsos brand, 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, Bosnia and Herzegovina, Kosovo, Slovenia, Serbia, Montenegro and Macedonia) and great results in international markets (primarily Austria, Switzerland and Germany). Argeta savoury spreads keep increasing their market shares in the markets of Croatia and Serbia, where, with an increase in value market shares of 4.0% and 2.9% 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 proved by the fact that among 5 top-selling products, 4 are Argeta's savoury spreads.
- The significant 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 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 **Strategic Business Unit Pharma and Personal Care** records an excellent increase in sales due to the increase in sales of the pharmacy chain Farmacia following the opening of four new specialised stores in the first nine months of 2016, better results of the existing locations and the

---

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

increase in sales of products from the Multivita range, while other segments of the strategic business unit recorded results at the same level as in 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 Argeta, Barcaffe, Cockta and products from the Štark range, (ii) an increase in sales of principal brands Unilever, Ferrero and Rauch, and (iii) the distribution of new principal Philips.
- 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, as well as 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 3.2%, and if the discounted principals are also excluded, the sales of the Strategic Distribution Unit Serbia dropped by 1.4%.
- The **Strategic Distribution Unit Zone West** records a decrease in sales in the German market, as a result of restructuring the Strategic Business Unit Sports and Functional Food, which was almost fully compensated by the increase in sales in the markets of Turkey, Switzerland and Canada. In this, savoury spreads under the Argeta brand, coffee and new principal Nocco have the most prominent growth among segments.
- The growth of the **Distribution Unit Slovenia** is a consequence of the increase in sales of the majority of own brands, led by Argeta in the savoury spreads category, flips under the Smoki brand, chips under the Chipsos brand and products from the Bakina Tajna portfolio. Among principal brands, great sales results are again recorded by Ferrero.
- **Other segments** recorded a decrease in sales primarily due to the decrease in sales of the Business Unit Baby Food, the Strategic Distribution Region 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.

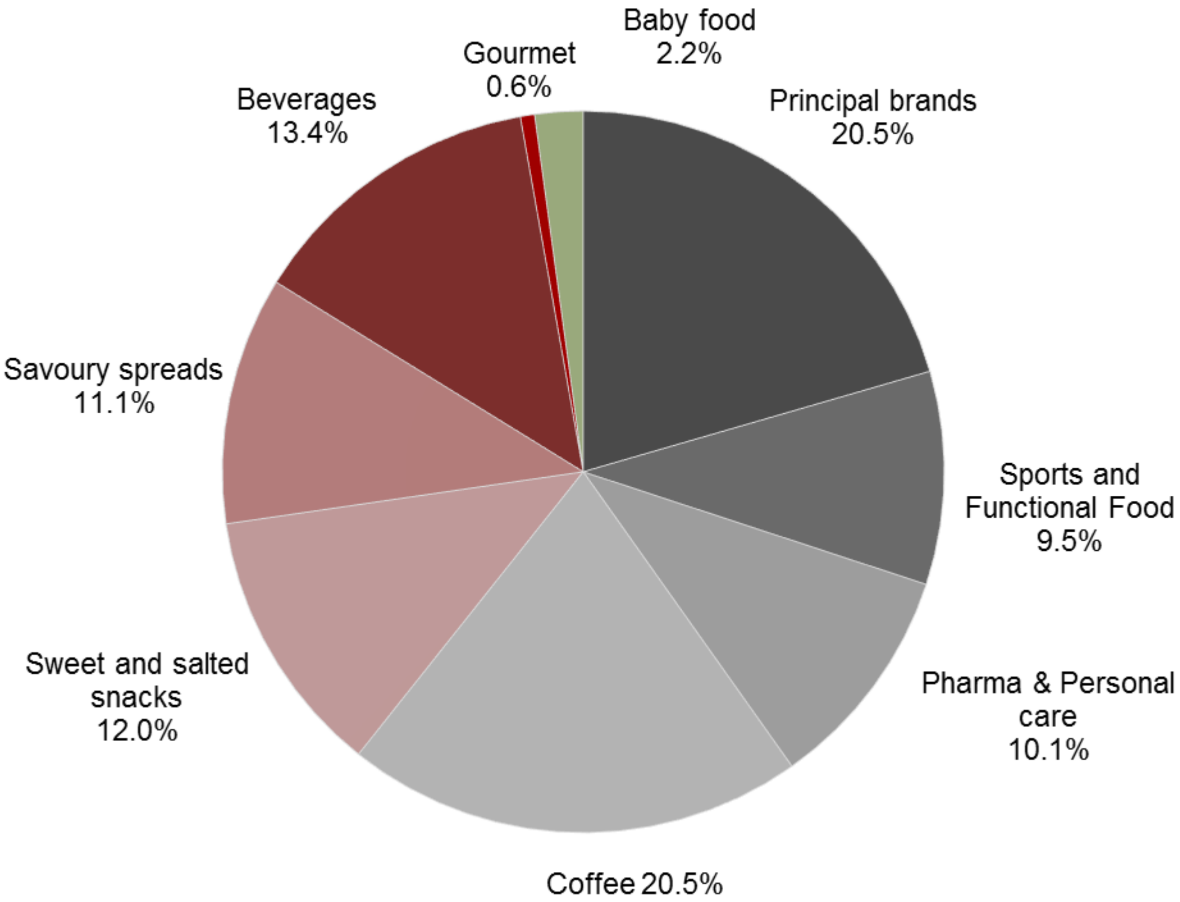
  Business Units **Baby Food** and the **Strategic Distribution Region the CIS and Baltics** recorded a decrease in sales as a consequence of the difficult economic situation in Russia (high inflation rate and depreciation of the rouble). The negative effect of the rouble exchange rate was partly mitigated due to the active pricing policy. In this, a decrease recorded in the baby food segment was party compensated by great sales results of the Donat Mg brand from the functional beverages segment.

  A solid increase in sales of the **Distribution Unit Macedonia** is a result of the increase in sales of the Turkish coffee and savoury spreads segments, as well as of good sales results of the external principal Ferrero.

  The **Strategic Distribution Region HoReCa** records 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. Analysed by segments, 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 revenues from the distribution of external principals.

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.

Sales profile by segments



Sales profile by markets

(in HRK millions)	9M 2016	% of sales	9M 2015	% of sales	9M 2016/ 9M 2015
Croatia	**1,106.9**	29.3%	1,067.3	26.8%	3.7%
Serbia	**847.7**	22.4%	897.5	22.6%	(5.5%)
Slovenia	**614.3**	16.2%	602.2	15.1%	2.0%
Bosnia and Herzegovina	**301.2**	8.0%	291.3	7.3%	3.4%
Other regional markets*	**256.6**	6.8%	239.8	6.0%	7.0%
Key European markets**	**402.2**	10.6%	459.5	11.6%	(12.5%)
Russia and CIS	**127.7**	3.4%	159.2	4.0%	(19.8%)
Other markets	**125.5**	3.3%	260.8	6.6%	(51.9%)
Total sales	**3,782.2**	100.0%	3,977.5	100.0%	(4.9%)

*Other regional markets: Macedonia, Montenegro, Kosovo
**Key European markets: Germany, United Kingdom, Italy, Switzerland, Austria, Sweden, Spain

- The sales growth of 3.7% in the **Croatian market** is the result of: (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 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, 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, 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 branded products due to restructuring of the product portfolio), (iii) the decrease in sales of the beverages segment due to the decrease in sales of Multivita granules after the terminated production, and (iv) 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 2.8% 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 dropped by 1.1%.
- The **Slovenian market** recorded a sales growth due to the increase in sales of all categories, especially (i) Argeta fish pâté in the savoury spreads segment, (ii) Smoki in the snacks segment, and (iii) products from the Bakina Tajna portfolio from the gourmet segment.

- 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) chocolates under the Najlepše želje brand, flips under the Smoki brand and chips under the Chipsos brand.

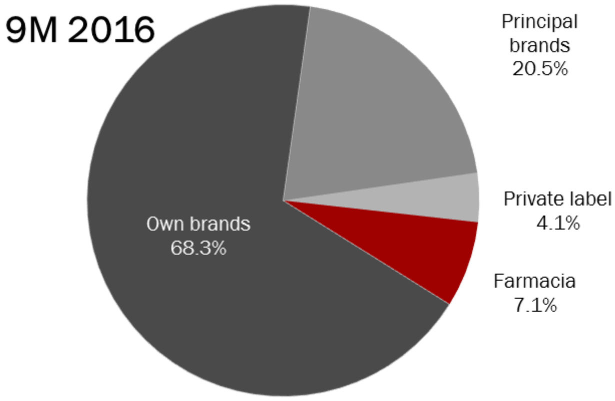
- **Other regional markets** recorded a significant sales growth due to the increase in sales on all markets (Macedonia, Montenegro and Kosovo). Analysed by categories, in all three countries the most significant growth was recorded by products from the coffee and savoury spreads portfolios.

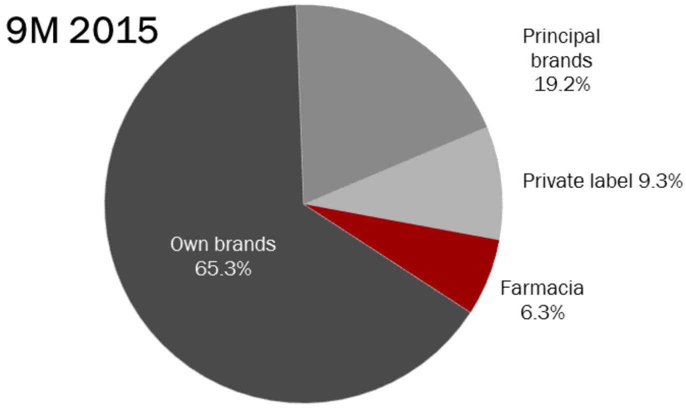
- The decrease in sales in the **Key European markets** is a consequence of the decrease in sales of products from the sports and functional food portfolio, largely caused by the previously mentioned terminated cooperation with the major buyer of the private label. Other categories record growth, led 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 rouble 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 Analysed by segments, which was partly compensated by great of functional beverages under the Donat Mg brand.

- **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.

Sales profile by product category





- Compared to the same period of 2015, in the first nine months of 2016 **own brands** recorded a mild decrease in sales of 0.4% to HRK 2.6 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 growth was recorded by (i) Argeta brands in the savoury spreads segment, (ii) Najlepše želje, Bananica and Prima brands in the snacks segment, and (iii) functional waters under the Donat Mg brand and vitamin instant drinks under the Cedevita brand in the beverages segment.
- With HRK 775.6 million, **principal brands** record 1.4% 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 and the principal Nocco in the markets of Germany, the United Kingdom and Austria.
- With sales of HRK 153.6 million, **private labels** record a 58.3% drop compared to the first nine months of 2015 due to the decrease in sales in the sports and functional food segment.
- The pharmacy chain **Farmacia** recorded sales of HRK 268.1 million, which is an 8.0% 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 nine months of 2016, four new specialised stores were opened and as at 30 September 2016, the pharmacy chain Farmacia consisted of 48 pharmacies and 33 specialised stores.

PROFITABILITY DYNAMICS in the first nine months of 2016

(in HRK millions)	9M 2016	9M 2015	9M 2016/9M 2015
Sales	**3,782.2**	3,977.5	(4.9%)
EBITDA	**419.5**	450.4	(6.9%)
EBIT	**316.9**	341.1	(7.1%)
Net profit/(loss)	**231.5**	228.2	1.4%
Profitability margins			
EBITDA margin	**11.1%**	11.3%	-23 bp
EBIT margin	**8.4%**	8.6%	-20 bp
Net profit margin	**6.1%**	5.7%	+38 bp

In the first nine months of 2016, Atlantic Grupa recorded **EBITDA** in the amount of HRK 419.5 million, which is a 6.9% 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 increase in operating profit of the other segments, supported by decrease in cost of production materials (primarily due to lower prices of raw coffee), energy and fuel.

- 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 8.0%, primarily 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 September 2016, Atlantic Grupa had 5,351 employees, 19 less compared to the same period of the previous year. For the purpose of expanding to Western European markets, 63 new persons have been employed (of which 18 employees in Austria, 34

in Germany, and 11 employees in other parts of Atlantic Grupa in the function of support to operations of the newly-established companies).

- 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 were partly reduced by lower marketing expenses in the sports and functional food segment.

Following the decrease in EBITDA and the decrease in depreciation and amortisation of 6.2%, the recorded EBIT is also lower by 7.1%. Due to a significant decrease in interest expense of 24.9%, and the positive effect of net foreign exchange differences, the net profit before minority interests grew by 1.4%. Negative impact on net profit came from higher tax burden arising from income tax payments in Bosnia and Herzegovina, which Atlantic Grupa was exempt from paying until this year.

FINANCIAL INDICATORS in the first nine months of 2016

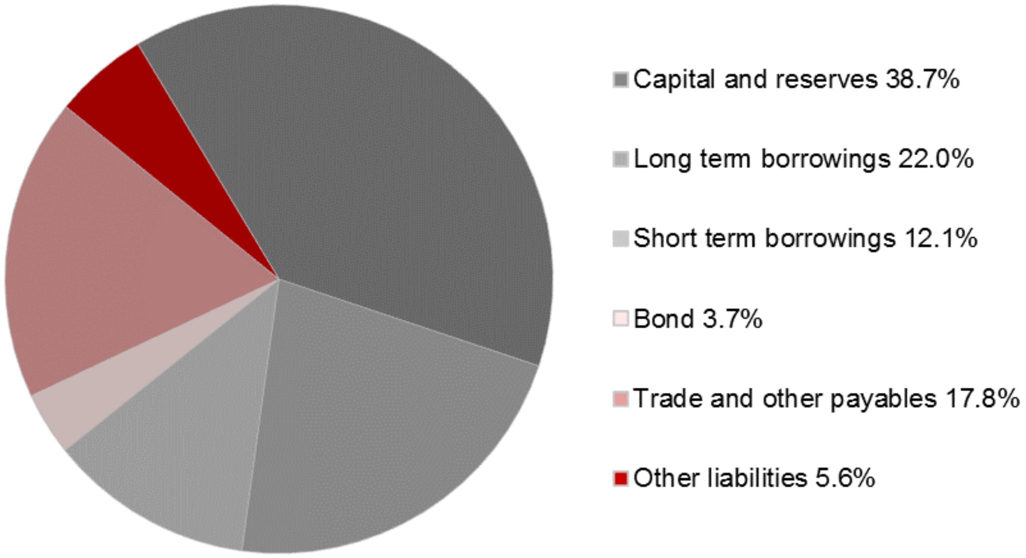
(in HRK millions)	9M 2016	2015
Net debt	**1,675.8**	1,678.1
Total assets	**5,350.1**	5,294.6
Total Equity	**2,072.6**	1,945.3
Current ratio	**1.4**	1.3
Gearing ratio	**44.7%**	46.3%
Net debt/EBITDA	**3.1**	3.0
	9M 2016	9M 2015
Interest coverage ratio	**7.0**	5.6
Capital expenditure	**73.5**	55.5
Cash flow from operating activities	**49.5**	298.2

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

- Despite the fact that net debt at the end of the third quarter remained almost unchanged compared to the end of 2015, due to the increase in retained earnings and the resulting increase in capital and reserves, the gearing ratio decreased by 160 basis points. At the same time, the coverage of interest expense by EBITDA increased from 5.6 to 7.0, due to the decrease in interest expense, i.e. more favourable terms of 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 the third quarter. 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 affected cash flow from operating activities in the first nine months of 2016.

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



Overview of key items in the consolidated cash flow statement

Capital expenditure in the first nine 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 Savoury Spreads: investment in a new line for the production of 95-gram pâté and the cooling system of the production site;
- SBU Beverages: purchase of modern refrigerated display cabinets, investment in the improved production efficiency, infrastructure and energy efficiency;
- SBU Coffee: purchase of espresso machines and HoReCa C2GO machines, investment in the improved production efficiency;
- SBU Snacks: automatization of sugar transport, 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.

OUTLOOK for 2016

After the results of the first nine months of 2016, management retains their previously announced expectations for different profitability levels in 2016; however, the sales expectations are revised due to:

(i) slower dynamics of listings in sales points in Germany and resulting lower expected revenues from own brands;

(ii) impact from the restructuring of the Strategic business units Sport and functional food (delisting of unprofitable products) was higher than expected;

(iii) continuation of the rouble depreciation and the harsh economic conditions in Russia.

Additionally, the expected interest expense is 20 HRK million lower than previously announced and amounts to 80 HRK million.

(in HRK millions)	**2016 Guidance**	2015	2016/2015
Sales	**5,100**	5,405	(5.6%)
EBITDA	**475**	567	(16.3%)
EBIT	**310**	404	(23.3%)
Interest expense	**80**	106	(24.3%)

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 PERIOD ENDED 30 SEPTEMBER 2016 (UNAUDITED)

ATLANTIC GRUPA d.d.

CONSOLIDATED INCOME STATEMENT

in thousands of HRK, unaudited	Jan -Sep 2016	Jan -Sep 2015	Index	Jul - Sep 2016	Jul - Sep 2015	Index
Turnover	**3,823,558**	**3,999,886**	**95.6**	**1,336,672**	**1,445,892**	**92.4**
Sales revenues	3,782,171	3,977,543	95.1	1,325,590	1,437,473	92.2
Other revenues	41,387	22,343	185.2	11,082	8,419	131.6
Operating expenses	**(3,404,084)**	**(3,549,456)**	**95.9**	**(1,176,950)**	**(1,275,897)**	**92.2**
Cost of merchandise sold	(933,435)	(1,080,268)	86.4	(329,511)	(388,934)	84.7
Change in inventories	11,773	4,477	263.0	(10,345)	(40,125)	25.8
Production material and energy	(1,225,633)	(1,333,374)	91.9	(400,359)	(441,504)	90.7
Services	(301,097)	(279,576)	107.7	(102,587)	(99,300)	103.3
Staff costs	(577,471)	(555,137)	104.0	(199,532)	(194,296)	102.7
Marketing and selling expenses	(250,374)	(226,973)	110.3	(81,157)	(79,140)	102.5
Other operating expenses	(138,712)	(131,790)	105.3	(56,055)	(46,271)	121.1
Other gains - net	10,865	53,185	20.4	2,596	13,673	19.0
EBITDA	**419,474**	**450,430**	**93.1**	**159,722**	**169,995**	**94.0**
Depreciation and impairment	(102,544)	(109,302)	93.8	(35,023)	(36,744)	95.3
EBIT	**316,930**	**341,128**	**92.9**	**124,699**	**133,251**	**93.6**
Interest expenses	(59,930)	(79,846)	75.1	(16,647)	(24,957)	66.7
Foreign exchange differences from financing - net	16,801	3,856	435.7	875	(14,011)	n/a
EBT	**273,801**	**265,138**	**103.3**	**108,927**	**94,283**	**115.5**
Income tax	(42,327)	(36,932)	114.6	(11,160)	(9,950)	112.2
Profit for the period	**231,474**	**228,206**	**101.4**	**97,767**	**84,333**	**115.9**
Attributable to:						
Non-controlling interest	456	144	316.7	242	305	79.3
Owners of the parent	231,018	228,062	101.3	97,525	84,028	116.1
Earnings per share for profit attributable to the owners of the Company						
- basic	69.29	68.40		29.25	25.20	
- diluted	69.29	68.40		29.25	25.20	

ATLANTIC GRUPA d.d.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of HRK, unaudited	Jan - Sep 2016	Jan - Sep 2015	Index	Jul - Sep 2016	Jul - Sep 2015	Index
Profit for the year	**231,474**	**228,206**	**101.4**	**97,767**	**84,333**	**115.9**
Cash flow hedge	(3,760)	(4,993)	75.3	332	(6,068)	n/a
Currency translation differences	(52,878)	2,106	n/a	(2,517)	22,013	n/a
Total comprehensive income	**174,836**	**225,319**	**77.6**	**95,582**	**100,278**	**95.3**
Attributable to:						
Non-controlling interest	425	132	322.0	250	322	77.6
Equity holders of the Company	174,411	225,187	77.5	95,332	99,956	95.4
Total comprehensive income	174,836	225,319	77.6	95,582	100,278	95.3

CONSOLIDATED BALANCE SHEET

in thousands of HRK, unaudited	30 September 2016	31 December 2015
ASSETS		
Non-current assets		
Property, plant and equipment	1,037,644	1,083,566
Investment property	1,694	1,748
Intangible assets	1,766,409	1,797,791
Deferred tax assets	42,975	37,066
Available-for-sale financial assets	1,002	959
Trade and other receivables	83,347	83,695
	2,933,071	3,004,825
Current assets		
Inventories	682,850	603,491
Trade and other receivables	1,299,738	1,192,314
Prepaid income tax	26,782	16,018
Derivative financial instruments	2,559	12,728
Deposits given	298	305
Cash and cash equivalents	347,979	365,692
	2,360,206	2,190,548
Non-current assets held for sale	56,862	99,196
Total current assets	2,417,068	2,289,744
TOTAL ASSETS	**5,350,139**	**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	(64,010)	(26,264)
Retained earnings	1,118,821	954,325
	2,069,584	1,942,750
Non-controlling interest	2,983	2,558
Total equity	2,072,567	1,945,308
Non-current liabilities		
Borrowings	1,378,775	1,309,180
Deferred tax liabilities	171,077	176,677
Derivative financial instruments	49	472
Other non-current liabilities	6,760	3,460
Provisions	51,239	54,475
	1,607,900	1,544,264
Current liabilities		
Trade and other payables	953,300	988,554
Borrowings	647,594	742,032
Derivative financial instruments	260	5,091
Current income tax liabilities	39,739	17,034
Provisions	28,779	52,286
	1,669,672	1,804,997
Total liabilities	3,277,572	3,349,261
TOTAL EQUTIY AND LIABILITIES	**5,350,139**	**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	-	-	228,062	228,062	144	228,206
Cash flow hedge	-	(4,993)	-	(4,993)	-	(4,993)
Other comprehensive income	-	2,118	-	2,118	(12)	2,106
Total comprehensive income	-	(2,875)	228,062	225,187	132	225,319
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 September 2015	1,014,725	(21,738)	943,778	1,936,765	2,464	1,939,229
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	-	-	231,018	231,018	456	231,474
Cash flow hedge	-	(3,760)	-	(3,760)	-	(3,760)
Other comprehensive income	-	(52,847)	-	(52,847)	(31)	(52,878)
Total comprehensive income	-	(56,607)	231,018	174,411	425	174,836
Transactions with owners:						
Purchase of treasury shares	(1,076)	-	-	(1,076)	-	(1,076)
Share based payment	1,160	-	-	1,160	-	1,160
Transfer	-	18,861	(18,861)	-	-	-
Dividends relating to 2015	-	-	(47,661)	(47,661)	-	(47,661)
At 30 September 2016	1,014,773	(64,010)	1,118,821	2,069,584	2,983	2,072,567

CONSOLIDATED CASH FLOW STATEMENT

in thousands of HRK, unaudited	Jan - Sep 2016	Jan - Sep 2015
Cash flows from operating activities		
Net profit	**231,474**	**228,206**
Income tax	42,327	36,932
Depreciation, amortization and impairment	102,544	109,302
Loss / (gain) on sale of property, plant and equipment	489	(730)
Gain on sale of available-for-sale financial assets	-	(7,523)
Provision for current assets	19,840	25,761
Foreign exchange differences - net	(26,002)	37,860
Decrease in provisions for risks and charges	(26,743)	(5,278)
Fair value gains on financial assets	(6,752)	(45,035)
Share based payment	1,160	2,731
Interest income	(2,815)	(3,612)
Interest expense	59,930	79,846
Other non-cash items, net	(245)	25
Changes in working capital:		
Increase in inventories	(94,762)	(94,429)
Increase in current receivables	(116,776)	(55,693)
(Decrease) / increase in current payables	(28,635)	104,150
Cash generated from operations	**155,034**	**412,513**
Interest paid	(66,563)	(81,736)
Income tax paid	(39,008)	(32,550)
	49,463	**298,227**
Cash flow from investing activities		
Purchase of property, plant and equipment and intangible assets	(73,545)	(55,541)
Proceeds from sale of property, plant and equipment and non-current assets held for sale	44,380	1,865
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	(2,906)	(2,142)
Repayments of loan and deposits granted	1,942	5,754
Interest received	2,220	3,612
	(29,031)	**(47,962)**
Cash flow from financing activities		
Purchase of treasury shares	(1,076)	(3,877)
Proceeds from borrowings, net of fees paid	223,819	76,228
Repayment of borrowings	(298,230)	(356,365)
Bonds issued	200,000	-
Redemption of bonds	(115,000)	-
Witholding tax paid on dividend distributed within the Group	(2,646)	-
Dividend paid to Company shareholders	(45,012)	(39,889)
	(38,145)	**(323,903)**
Net decrease in cash and cash equivalents	**(17,713)**	**(73,638)**
Cash and cash equivalents at beginning of period	365,692	417,588
Cash and cash equivalents at end of period	347,979	343,950

NOTE 1 – GENERAL INFORMATION

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

The interim condensed consolidated financial statements of the Group for the nine month period ended 30 September 2016 were approved by the Management Board of the Company in Zagreb on 27 October 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 nine month period ended 30 September 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-Sep 2016**	**Jan-Sep 2015**
SBU Beverages	506,748	503,643
SBU Coffee	775,344	777,076
SBU (Sweet and Salted) Snacks	453,792	443,041
SBU Savoury Spreads	420,462	368,662
SBU Sports and Functional Food	360,970	600,739
SBU Pharma and Personal Care	397,801	374,234
SDU Croatia	727,351	716,389
SDU International	393,782	394,378
SDU Serbia	787,493	838,540
DU Slovenia	536,432	532,565
Other segments	559,382	602,162
Reconciliation	(2,137,386)	(2,173,886)
Total	**3,782,171**	**3,977,543**

[1] 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*)	231,018	228,062
Weighted average number of shares	3,334,074	3,334,088
Basic earnings per share (*in HRK*)	69.29	68.40

Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as there were no convertible dilutive potential ordinary shares.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the nine month period ended 30 September 2016, Group invested HRK 73,545 thousand in purchase of property, plant and equipment and intangible assets (2015: HRK 55,541 thousand). Also, in the first nine months 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 nine month period ended 30 September 2016, the Group wrote down inventories in the amount of HRK 15,398 thousand due to damage and short expiry dates (2015: HRK 12,056 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 2016.

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 September 2016 and 31 December 2015 and transactions recognized in the Income statement for the nine month period ended 30 September are as follows:

(all amounts expressed in thousands of HRK)	**30 September 2016**	**31 December 2015**
RECEIVABLES		
Current receivables		
Other entities	114,592	92,057
LIABILITIES		
Borrowings		
Shareholders	-	1,323,737
Trade and other payables		
Shareholders	945	146
Other entities	3,356	5,645

REVENUES	**Jan – Sep 2016**	**Jan – Sep 2015**
Sales revenues		
Other entities	361,548	357,670
Other revenues		
Other entities	696	738
EXPENSES		
Marketing and promotion expenses		
Other entities	8,930	10,082
Other expenses		
Other entities	1,521	1,952
Finance cost - net		
Shareholders	-	45,491

Atlantic Grupa d.d.
Miramarska 23
Zagreb

Register number: 1671910

Zagreb, October 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 September 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 September 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:

Atlantic Grupa d.d.
Miramarska 23
10 000 Zagreb
Croatia

Tel: +385 1 2413 145
E-mail: ir@atlanticgrupa.com