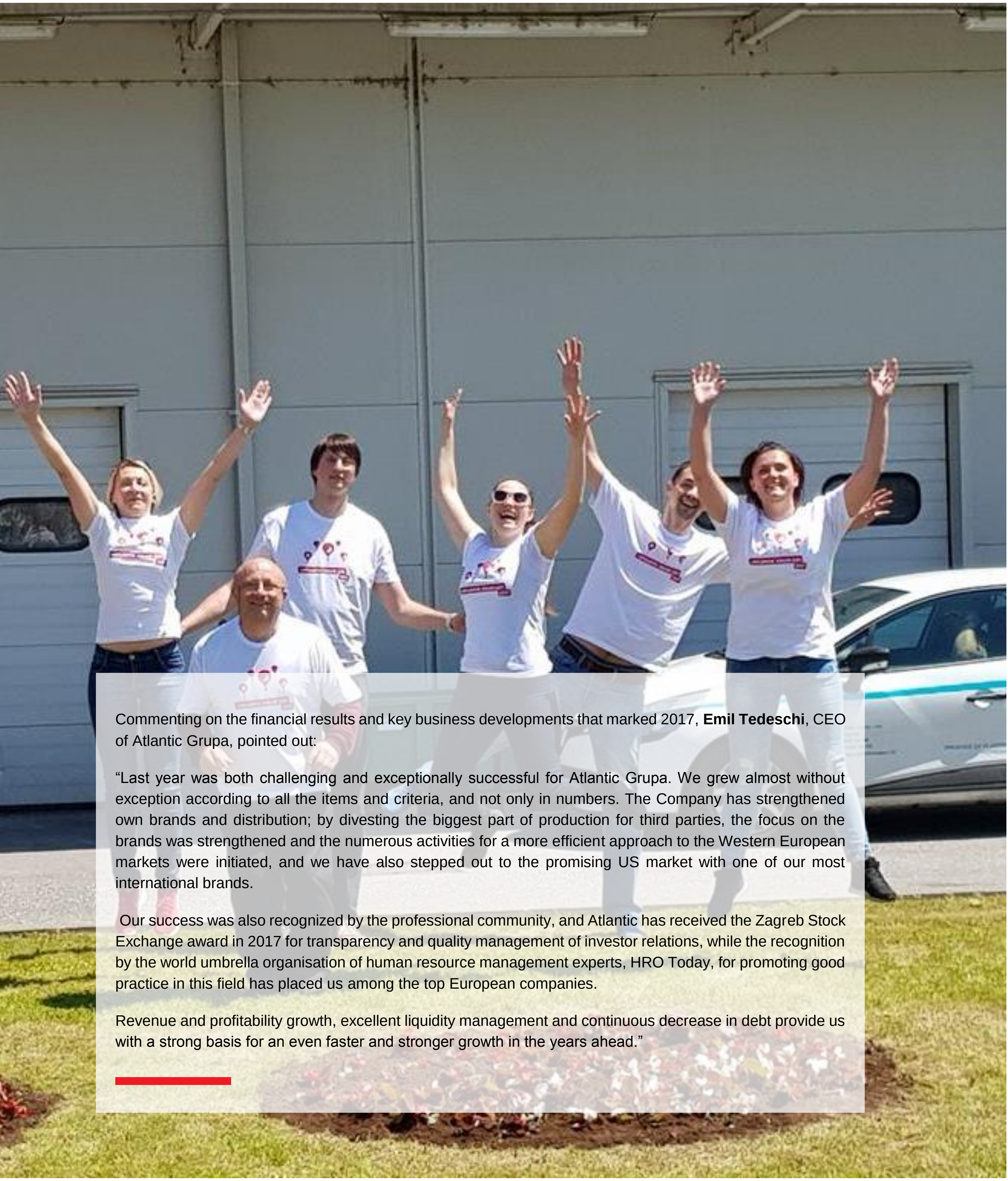
FINANCIAL RESULTS
IN 2017
(unaudited)

Zagreb, 28th February 2018

COMMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD 3
KEY DEVELOPMENTS IN 2017 4
SALES DYNAMICS 7
PROFITABILITY DYNAMICS 14
FINANCIAL INDICATORS 18
CAPITAL MARKET 20
OUTLOOK FOR 2018 22
CONSOLIDATED FINANCIAL STATEMENTS 24

INTRODUCTION

COMMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD AND CEO



Commenting on the financial results and key business developments that marked 2017, **Emil Tedeschi**, CEO of Atlantic Grupa, pointed out:

“Last year was both challenging and exceptionally successful for Atlantic Grupa. We grew almost without exception according to all the items and criteria, and not only in numbers. The Company has strengthened own brands and distribution; by divesting the biggest part of production for third parties, the focus on the brands was strengthened and the numerous activities for a more efficient approach to the Western European markets were initiated, and we have also stepped out to the promising US market with one of our most international brands.

Our success was also recognized by the professional community, and Atlantic has received the Zagreb Stock Exchange award in 2017 for transparency and quality management of investor relations, while the recognition by the world umbrella organisation of human resource management experts, HRO Today, for promoting good practice in this field has placed us among the top European companies.

Revenue and profitability growth, excellent liquidity management and continuous decrease in debt provide us with a strong basis for an even faster and stronger growth in the years ahead.”

RESULTS IN LINE WITH EXPECTATIONS COUPLED WITH STRONG PROFITABILITY GROWTH

- **SALES** AT HRK 5,306.8 MILLION
  + 3.9% compared to 2016

- EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (**EBITDA**) AT HRK 582.2 MILLION (excluding one-off items HRK 517.4 million)
  + 22.7% compared to 2016 (excluding one-off items 9.1% compared to 2016)

- ONE-OFF ITEMS OF HRK 64.8 MILLION
  (relate to the gain on sale of factories and private label production in the Sports and Functional Food segment)

- EARNINGS BEFORE INTEREST AND TAXES AT HRK 406.5 MILLION (**EBIT**) (excluding one-off items HRK 341.7 million)
  + 32.1% compared to 2016 (excluding one-off items 11.0% compared to 2016)

- **NET PROFIT** AFTER MINORITIES AT HRK 275.5 MILLION (excluding one-off items HRK 210.7 million)
  +69.2% compared to 2016 (excluding one-off items 29.4% compared to 2016)

FINANCIAL SUMMARY OF 2017

Key figures	**FY 2017**	FY 2016	FY 2017/ FY 2016
Sales (in HRK millions)	**5,306.8**	5,106.3	3.9%
Turnover (in HRK millions)	**5,372.1**	5,174.5	3.8%
EBITDA margin	**9.7%**	9.3%	+46 bp
Net income after minorities (in HRK millions)	**210.7**	162.8	29.4%
Gearing ratio*	**34.5%**	42.7%	-819 bp

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

1. ATLANTIC GRUPA AND BELGIAN AMINOLABS ENTERED INTO STRATEGIC PARTNERSHIP

For the purpose of further restructuring and simplification of operations in the sports and functional food segment, and focus on own brands and expansion of the principal brands distribution, Atlantic Grupa sold the factories in Germany (Bleckede) and Croatia (Nova Gradiška) and the associated service production for third parties (private label) to the Belgian company Aminolabs Group. The value of the transaction realised at the end of October 2017 is up to HRK 200 million, of which the payment of HRK 150 million was made in 2017, while the remaining portion, will be paid during the following two years. The gain on sale of the factories amounts to approximately HRK 65 million. In the facility in Nova Gradiška, Atlantic Grupa remains the minority partner, and the strategic brands Multipower, Champ and Multaben have been spun off into a separate business unit that remains in full ownership of Atlantic Grupa. Atlantic Grupa continues to develop the Multipower brand bringing it closer to the premium segment, retaining in its scope the marketing, sale and innovation of the sports food product portfolio. Service production of the strategic brand continues in cooperation with Aminolabs, and the new partnership opens the perspective for growth of the overall sports food business in Europe.

2. LIMITATIONS IN COOPERATION WITH KEY CUSTOMER

The 2017 was extremely turbulent for Agrokor, the largest regional retail partner of Atlantic Grupa. In April 2017, the Act on the Procedure for Extraordinary Administration in Companies of Systemic Importance for the Republic of Croatia was adopted and the extraordinary commissioner was appointed, starting the process of stabilisation of operations of operating companies owned by Agrokor. After Atlantic Grupa (for the purpose of limiting the credit risk at the beginning of 2017) reduced the deliveries to the Agrokor concern members, the adoption of the abovementioned Act significantly reduced the operating risk and, following the stabilisation of their operations, Atlantic Grupa gradually normalised the operations with Agrokor. It should be noted that delays in operations resulted in the loss of a portion of Agrokor's retail companies market share and the Atlantic Grupa's turnover through these chains in 2017 was significantly lower than in 2016, but this decrease is more than compensated for by the increase in sales to other customers.

The overall exposure to all Agrokor's retail chains at the end of 2017 amounted to approximately HRK 290 million. The collection of receivables in Serbia, Slovenia and Croatia is regular, save the part of so called "borderline" debt in Croatia, which is included in the Act on the Procedure for Extraordinary Administration in Companies of Systemic Importance for the Republic of Croatia. The part of the borderline debt in Croatia has already been collected, and the remaining portion (which amounts to HRK 96.7 million), according to the extraordinary procedure and in line with the objective of the extraordinary commissioner, will be completely settled.

3. REORGANISATION OF ATLANTIC GRUPA'S DISTRIBUTION ACTIVITIES

In an effort to create a simple and effective approach to markets, as of the beginning of 2018 the overall distribution business has been reorganised into one unit, thus eliminating the need for two distribution zones. The markets within the distribution unit where Atlantic Grupa provides the full distribution service, from physical distribution of goods to negotiations with customers and providing marketing assistance and where it is present with own sales team, are composed of SDU Croatia, SDU Serbia, SDU Slovenia, DU Macedonia, SDR HoReCa and DU Austria.

On the other hand, the markets which we predominantly manage through our distribution partners have been grouped into one distribution unit, the Global Distribution Account Management, that is responsible for managing a network of distribution partners on the global level and is divided into four main regions: Distribution Unit Commonwealth of Independent States (DU CIS) and three units of Distributor Account Management (DAM) for Germany, Switzerland & Benelux, European and Overseas markets and for Eastern Europe.

The German market remains in the centre of Atlantic Grupa's internationalisation efforts, and it is planned to organise the distribution in cooperation with distribution partners with the aim to increase the efficiency of the overall business in this market. We must also mention that, following the logic of brand portfolios, BU Baby Food became a part of the SBU Pharma and Personal Care as an additional programme.

4. NEW DISTRIBUTION CONTRACTS AND THE START OF ARGETA PRODUCTION IN THE UNITED STATES OF AMERICA

The development and expansion of the distribution business is a part of the Atlantic Grupa's long-term business strategy, as confirmed by two valuable distribution contracts concluded in 2017.

Atlantic Grupa signed with Red Bull the contract for the distribution of this famous energy drink in the market of Serbia, continuing to expand the distribution portfolio in line with expectations and announcements. The value of the new contract is approximately HRK 30 million of annual sales, and the highly developed distribution network, excellent coverage of distribution channels, especially in retail and HoReCa segment, developed relations with key customers and the overall level of the distribution service provided by Atlantic to its partners were decisive for the conclusion of the contract.

At the end of 2017, the contract with the Mars Company was concluded, covering the distribution of the entire Mars portfolio on the Croatian market. Atlantic starts the distribution in March 2018, and the expected revenue is approximately HRK 100 million annually. The new product range includes brands such as Twix, Mars, Bounty, Snickers, M&M's, Pedigree, Whiskas, Kitekat and Uncle Ben's. Since 1991 Atlantic Grupa has distributed the Wrigley range, which became a part of the Mars Company as of 2008. Due to excellent results and service quality, the partnership has been expanded to the remaining Mars range.

In addition to Argeta Tuna and Argeta Salmon, already being sold in the United States of America and Canada, since the end of 2017, the customers from these countries may also enjoy two flavours of Argeta chicken. Due to strict regulations, the export of Argeta's chicken meat products to the USA and Canada is not possible and Atlantic Grupa agreed service production with the American partner "Brother&Sister", with long experience in the production of meat spreads. In 2018, the range will be expanded to Argeta Liver and Argeta Tea pâtés, and the plan is to win a significant market share in the ethno segment.

5. DIVIDEND DISTRIBUTION APPROVED

Following the decision of the General Assembly held on 29th June 2017, 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 2017.

ATLANTIC GRUPA

SALES PROFILE BY STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(HRK million)	FY 2017	FY 2016	FY 2017/ FY 2016
SBU Coffee	**1,098.4**	1,064.7	3.2%
SBU (Sweet and Salted) Snacks	**678.4**	651.3	4.2%
SBU Beverages	**677.0**	630.8	7.3%
SBU Pharma and Personal Care	**583.6**	545.2	7.0%
SBU Savoury Spreads	**581.0**	543.0	7.0%
SBU Sports and Functional Food	**384.6**	449.3	(14.4%)
From which private label production	***194.3***	*177.2*	*9.7%*
SDU Serbia	**1,134.6**	1,101.1	3.0%
SDU Croatia	**1,035.9**	968.8	6.9%
DU Slovenia	**767.8**	754.4	1.8%
SDR Zone West	**419.4**	503.1	(16.6%)
Other segments*	**862.8**	763.0	13.1%
Reconciliation**	**(2,916.7)**	(2,868.5)	n/a
Sales	**5,306.8**	**5,106.3**	**3.9%**

In 2017, Atlantic Grupa recorded sales of HRK 5.3 billion, which is a 3.9% increase compared to 2016. The growth in revenues was recorded due to the increase in almost all own brands and the increase in revenue from the principal brands distribution, despite the decrease in sales in the Strategic Business Unit Sports and Functional Food.

Despite the significant negative impact of the loss of a portion of revenues realised through the major regional retail chain, Atlantic Grupa managed to compensate for the lost revenue and exceed the revenue recorded in 2016 by higher sales through other buyers. Thus, in 2017, a 5.1% growth compared to 2016 was recorded in the markets of Serbia, Croatia and Slovenia.

Atlantic Grupa records sales by business segments in a way that sales of individual Strategic Business Units and Business Units represent the total sales to third parties in the markets (either directly from a Strategic Business Unit or Business Unit, or through a Strategic Distribution Unit, Strategic Distribution Region or a Distribution Unit), while sales of Strategic Distribution Units, Strategic Distribution Regions and Distribution Units include both sales of external principals' products and sales of own products. Comparative period has been adjusted to reflect current period reporting.

** Other segments include SDR HoReCa, SDR CIS&Baltic, BU Baby Food, DU Macedonia, BU Gourmet and business activities not allocated to business and distribution units (headquarters and support functions in Serbia, Slovenia, Bosnia and Herzegovina and Macedonia) which are excluded from the reportable operating segments.*

***Line item "Reconciliation" relates to the sale of own brands which is included in the appropriate SBU and BU and in SDUs, SDRs and DUs through which the products were distributed.*

The STRATEGIC BUSINESS UNIT COFFEE records a considerable increase in sales, primarily due to good sales results in the markets of Serbia, Bosnia and Herzegovina, Slovenia and Croatia and despite difficulties in cooperation with retail chains of the Agrokor concern. Analyzed by categories, the most significant value growth was recorded by Turkish coffee, while the largest percentage double-digit growth was recorded by espresso and instant Turkish coffee (Black'n'Easy) categories. The growth in these markets multiply exceeded the drop in the market of Macedonia, which was under the strong competitors' pressure in terms of prices during the entire year. SBU Coffee launched Barcaffe D.O.T. capsules for coffee machines, which made it possible to enjoy top quality espresso at home. It should be noted that in November in Serbia Grand kafa and Bonito achieved a value market share of as much as 54.2%, while in Croatia Barcaffe achieved a record-high value market share of 17.4%. In addition, Barcaffe espresso achieved double digit growth in HoReCa distribution channel.

An increase in sales of the STRATEGIC BUSINESS UNIT SNACKS was primarily a result of great sales results in the markets of Serbia, Bosnia and Herzegovina and Montenegro, and a double-digit growth in the market of Croatia, which significantly exceeded the decrease in the market of Kosovo. Great results were recorded by both segments, led by flips under the Smoki brand, biscuits, wafers and waffles, chocolates under the Menaž and Najlepše želje brands, salty sticks under the Prima brand, and chocolates under the Bananica brand. In addition to great sales results of the existing products, numerous new and promotional products contributed to the growth.

The STRATEGIC BUSINESS UNIT BEVERAGES recorded a significant increase in sales in almost all categories, due to excellent sales results in Croatia, Slovenia, Russia and Bosnia and Herzegovina. In Croatia, the most significant contribution was made by vitamin instant drinks under the Cedevita brand, which recorded growth in all segments (retail, HoReCa and on-the-go, due to the higher sales of the existing products and innovation such as Chia Fresca by Cedevita), excellent results of waters under Kala and Kalnička brands, and the increase in sales of the functional drink Donat Mg. Donat Mg recorded a significant growth in all markets where it is present, with the most prominent growth in the market of Russia. Among major markets, a slight decrease in sales was recorded only in the Serbian market, as a result of difficulties in cooperation with Mercator. At the end of the year, the 0.2 litre Donat Mg packaging was launched, designed for restaurants, hotels and wellness centres.

The STRATEGIC BUSINESS UNIT PHARMA AND PERSONAL CARE records an excellent increase in sales primarily due to the increase in sales of the pharmacy chain Farmacia and the increase in sales of Multivita (Vitamin C in Russia), Neva i Dietpharm products. Farmacia records growth due to the increase in sales of the existing locations, but also due to opening new specialised stores.

The STRATEGIC BUSINESS UNIT SAVOURY SPREADS recorded a significant sales growth due to double-digit revenue growth in the majority of markets. Among regional markets, the most prominent are the markets of Croatia, Serbia, Slovenia, Macedonia, Bosnia and Herzegovina and Montenegro, while among other markets the most significant growth was recorded by the markets of the United States of America, Sweden, Switzerland and Canada. It should be noted that in 2017 Argeta, in addition to being the leader in the markets of Bosnia and Herzegovina, Slovenia, Macedonia and Austria, also became the market leader in Switzerland, ahead of the domestic brand. The record-high results in the above mentioned markets multiply exceeded lower sales in the markets of Germany, Kosovo and Australia. The increase was recorded by both meat and fish segments, while sandwiches under the Montana brand recorded a double-digit growth in the Croatian market. Among new products, we should mention the new segment of vegetable spreads and many new local flavours of savoury spreads.

The STRATEGIC BUSINESS UNIT SPORTS AND FUNCTIONAL FOOD recorded an observable decrease in sales following the lower sales results of own brands Multipower, Multaben and Champ, as a consequence of the portfolio restructuring and also due to the terminated cooperation with the major buyer of the private label at the end of the first quarter of 2016. The most significant decrease was recorded in the German market, which generates approximately 41% of the sales of this business unit and in the markets of the United Kingdom, Spain and Italy.

The increase in sales of the STRATEGIC DISTRIBUTION UNIT SERBIA is a consequence of great sales results of almost all product categories, with the sales growth of both own and principal brands. Among own brands, the best results were recorded by Menaž, Keksići, Napolitanke, Smoki, Bananica and Prima salty sticks from the snacks segment, Turkish coffee under the Bonito brand and instant Turkish coffee Black'n'Easy, Argeta from the savoury spreads segment and Granny's Secret from the gourmet segment. Good sales results were also recorded by brands from the beverages segment, Donat Mg and vitamin instant drink Cedevita. As for principal brands, the most significant growth was recorded by Rauch, Beam Suntory and Alkaloid. Difficulties in cooperation with Mercator resulting in lower sales through Mercator Serbia were exceeded by significantly higher sales of other key customers and smaller points of sale, as well as the beginning of cooperation with new retail partners.

The exceptional sales growth of the STRATEGIC DISTRIBUTION UNIT CROATIA is a result of excellent sales results of both own and principal brands. Own brands recorded an increase in all product categories, led by Cedevita from the vitamin instant drinks segment, Kala and Kalnička in the waters segment, Argeta from the savoury spreads segment, Barcaffe from the coffee segment, functional drink Donat Mg and Montana sandwiches. Among principal brands, the biggest growth was recorded by Ferrero, Philips, SABMiller, Wrigley and Vitamin Well. Due to the above, SDU Croatia recorded an all-time high revenue, despite the negative impact of cooperation with Agrokor concern members.

The DISTRIBUTION UNIT SLOVENIA recorded record-high sales primarily due to great results of own brands, with the most prominent growth recorded by coffee under the Barcaffe brand, savoury spreads under the Argeta brand, functional drinks under the Donat Mg brand and vitamin instant drink under the Cedevita brand. Among principal brands, Ferrero continues to record excellent results. The decrease in sales to the major customer, Mercator, was compensated by higher sales to other customers.

The STRATEGIC DISTRIBUTION REGION ZONE WEST records a decrease in sales mainly in the German market, but also in the United Kingdom, Spain, Italy and Turkey. The decrease was partly mitigated by the increase in sales in the markets of the United States of America, Sweden, France, Switzerland, Austria and Canada. The largest portion of the decrease was recorded in the sports and functional food segment, while an increase in sales was recorded by savoury spreads under the Argeta brand, Cockta in the beverages segment, Granny's Secret from the gourmet segment, Grand kafa from the coffee segment, products from the Štark range and the principal Nocco.

OTHER SEGMENTS recorded a double-digit increase in sales primarily due to the increase in sales of the Strategic Distribution Regions CIS and Baltic, and HoReCa, Business Units Baby Food and Gourmet and an increase in sales of the Distribution Unit Macedonia.

The BUSINESS UNIT BABY FOOD and the STRATEGIC DISTRIBUTION REGION CIS AND BALTIC recorded a significant sales increase, as a result of more favourable commercial terms and improved distribution, accompanied with an additional positive effect of the economic recovery in Russia and stabilisation of the Russian ruble. A double-digit growth was recorded by sales of functional drinks under the Donat Mg brand, sales of baby food under the Bebi brand (primarily baby cereals) and sales of the Multivita range.

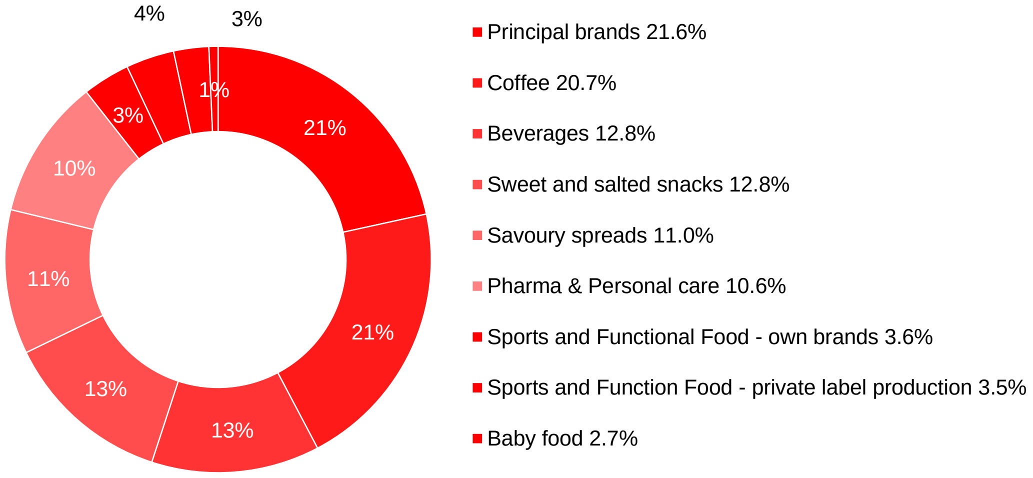
The DISTRIBUTION UNIT MACEDONIA recorded record-high sales due to the growth of the principal brand Ferrero and own brand Argeta from the savoury spreads segment, which exceeded the decrease in sales in the coffee segment, caused by aggressive competitors in terms of prices.

The double-digit sales growth of the STRATEGIC DISTRIBUTION REGION HORECA is primarily a result of the increase in sales of own brands, but also due to good results of principal brands. Analysed by largest product categories, the double-digit growth was recorded by the beverages segment (vitamin instant drinks under the Cedevita brand, water under the Kala and Kalnička brands and functional drinks under the Donat Mg brand), the coffee segment (espresso coffee under the Barcaffe brand) and chocolate and Smoki from the snacks segment. Of principal brands, Nescafe and Beam Suntory record the most significant growth.

The BUSINESS UNIT GOURMET recorded an increase in sales primarily due to the growth on the markets of Serbia, Austria, Croatia and Germany, which significantly exceeded the decrease in sales in the markets of Macedonia, Bosnia and Herzegovina, Russia and Slovenia. Analysed by brands, the growth was recorded by both Granny's Secret and Amfissa.

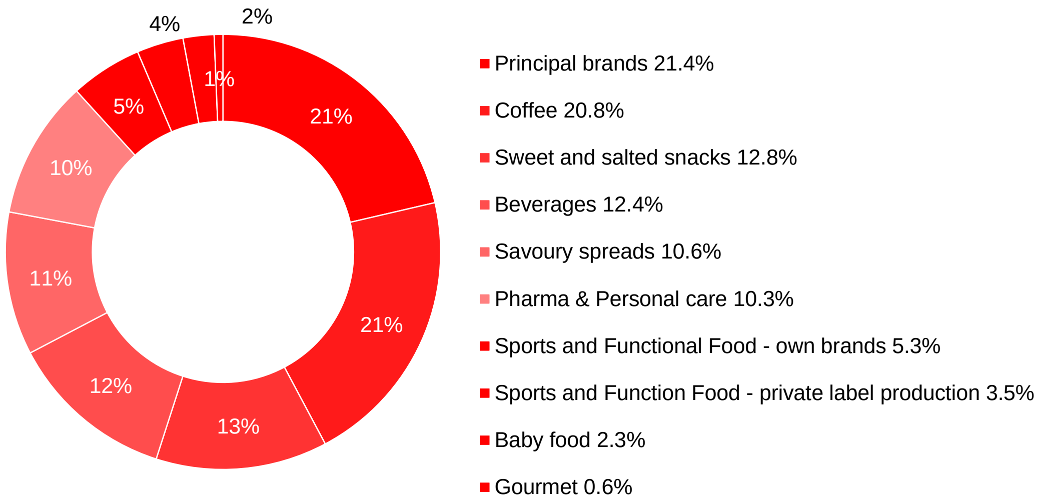
SALES PROFILE BY SEGMENTS

2017



SALES DYNAMICS
IN 2017

2016



SALES PROFILE BY MARKETS

(in HRK millions)	FY 2017	% of sales	FY 2016	% of sales	FY 2017/ FY 2016
Croatia	**1,581.6**	29.8%	1,471.0	28.8%	7.5%
Serbia	**1,225.1**	23.1%	1,183.7	23.2%	3.5%
Slovenia	**883.6**	16.7%	857.7	16.8%	3.0%
Bosnia and Herzegovina	**416.4**	7.8%	396.6	7.8%	5.0%
Other regional markets*	**345.5**	6.5%	343.4	6.7%	0.6%
Key European markets**	**504.0**	9.5%	514.0	10.1%	(1.9%)
Russia and CIS	**229.6**	4.3%	186.5	3.6%	23.1%
Other markets	**120.9**	2.3%	153.4	3.0%	(21.2%)
Total sales	**5,306.8**	100.0%	5,106.3	100.0%	3.9%

*Other regional markets: Macedonia, Montenegro, Kosovo

**Key European markets: Germany, United Kingdom, Italy, Switzerland, Austria, Sweden, Spain
Comparative period has been adjusted to reflect current period reporting.

The sales growth of as much as 7.5% in the CROATIAN MARKET is the result of the increase in sales of all product categories, especially: (i) the pharmacy chain Farmacia, (ii) own brands, primarily Cedevita in the vitamin instant drinks category, water under Kala and Kalnička brands, Argeta in the savoury spreads category, and coffee under the Barcaffe brand, and (iii) external principals, especially Ferrero, Philips, SABMiller, Wrigley and Vitamin Well.

The MARKET OF SERBIA recorded a considerable increase in sales due to the increase in sales of own brands, led by: (i) Smoki, Bananica, Prima salty sticks and chocolates, biscuits and wafers from the snacks segment, (ii) coffee under the Bonito brand, espresso coffee under the Barcaffe brand, and instant Turkish coffee under the Black'n'Easy brand, (iii) savoury spreads under the Argeta brand, and (iv) products from the gourmet segment under the Granny's Secret and Amfissa brands. Among principal brands, the most significant sales growth was recorded by Rauch, Beam Suntory and Alkaloid.

The increase in sales in the SLOVENIAN MARKET was recorded following: (i) the increase in sales of coffee under the Barcaffe brand, (ii) the increase in sales of Argeta in the savoury spreads category, and (iii) the increase in sales of Donat Mg and Cedevita in the beverages category.

The 5.0% sales growth in the MARKET OF BOSNIA AND HERZEGOVINA was recorded due to the increase in sales of: (i) the Grand Kafa brand in the Turkish coffee category, instant Turkish coffee Black'n'Easy and Barcaffe espresso coffee, (ii) vitamin instant drinks under the Cedevita brand and functional drinks under the Donat Mg brand, (iii) savoury spreads under the Argeta brand, and (iv) chocolates under the Najlepše želje and Menaž brands, and wafers and biscuits.

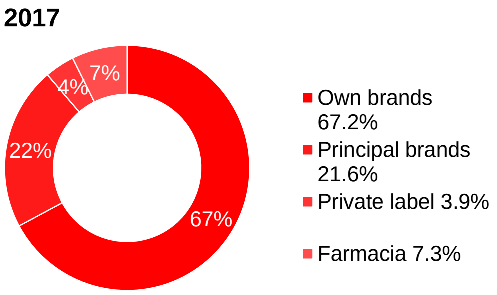
A mild sales increase in OTHER REGIONAL MARKETS was recorded due to the increase in sales in the markets of Macedonia and Montenegro, while a decrease in sales was recorded in the market of Kosovo.

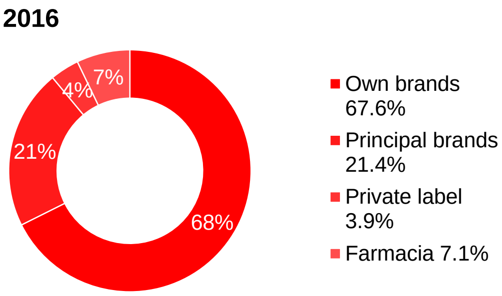
A mild decrease in sales in the KEY EUROPEAN MARKETS is a consequence of the decrease in sales in most markets, caused by the fall in revenues from the sport and function food segment. If we exclude the decrease in this segment, the key European markets record a 7.6% growth.

A significant sales growth in the MARKET OF RUSSIA AND THE CIS was recorded as a result of more favourable commercial terms and improved distribution of all major product categories, the recovery of the economic situation in Russia and surrounding countries and appreciation of the Russian ruble. The most prominent growth was recorded by baby cereals Bebi, functional drink Donat Mg and Multivita's Vitamin C.

OTHER MARKETS record a significant decrease in sales due to the drop in sales in the sports and functional food segment. If we exclude the decrease in this segment, Other markets record a 21.2% growth.

SALES PROFILE BY PRODUCT CATEGORY





In 2017, OWN BRANDS recorded 3.2% higher sales compared to the previous year, i.e. the sales amounted to HRK 3,563.8 million. The growth was recorded by almost all operating segments, and the greatest contribution was made by: (i) sales of Argeta in the savoury spreads segment, (ii) Bonito and Barcaffe in the coffee segment, (iii) sales of Donat Mg, Cedevita, Kala and Kalnička brands in the beverages segment, and (iv) sales of Smoki, Prima, Štark Keksići, Najlepše želje, Menaž, Bananica brands and wafers and waffles in the snacks segment. On the other hand, the decrease in sales was recorded by Multipower, Multaben and Champ brands from the sports and functional food segment. If the negative impact of the drop in sales of brands from the sports and functional food segment is excluded, other own brands record a 5.9% growth.

With HRK 1,145.0 million, PRINCIPAL BRANDS recorded an increase in sales of 5.0%. The growth is based on the increase in sales of principals Ferrero, SABMiller, Nocco, Philips, Beam Suntory, Rauch and Vitamin Well.

With sales of HRK 208.8 million, PRIVATE LABELS recorded a 5.3% growth, mainly due to new customers in the sports and functional food segment, despite the sale of service production in the sports and functional food segment realised at the end of October 2017.

The pharmacy chain FARMACIA recorded sales of HRK 389.1 million, which is a 6.9% growth compared to 2016, due to the increase in sales of the existing Farmacia locations and newly-opened specialised stores. In 2017, four new locations were opened and now Farmacia consists of 85 pharmacies and specialised stores.

PROFITABILITY DYNAMICS

(in HRK millions)	FY 2017	FY 2016	FY 2017/ FY 2016
Sales	**5,306.8**	5,106.3	3.9%
EBITDA	**582.2**	474.4	22.7%
Normalised EBITDA	**517.4**	474.4	9.1%
EBIT	**406.5**	307.8	32.1%
Normalised EBIT	**341.7**	307.8	11.0%
Net profit/(loss)	**276.2**	163.2	69.2%
Normalised Net profit/(Loss)	**211.4**	163.2	29.5%
Profitability margins			
EBITDA margin	**11.0%**	9.3%	+168 bp
Normalised EBITDA margin	**9.7%**	9.3%	+46 bp
EBIT margin	**7.7%**	6.0%	+163 bp
Normalised EBIT margin	**6.4%**	6.0%	+41 bp
Net profit margin	**5.2%**	3.2%	+201 bp
Normalised Net profit margin	**4.0%**	3.2%	+79 bp

In 2017, Atlantic Grupa recorded **EBITDA** in the amount of HRK 582.2 million, which is a 22.7% increase. If the effect of one-off gain on sale of factories in Nova Gradiška and Bleckede in the amount of HRK 64.8 million is excluded, the **normalised EBITDA** amounts to HRK 517.4 million and is 9.1% higher than in the previous year. The increase in normalised EBITDA is mainly affected by the higher sales in almost all business units, coupled with the strict control of expenses and risks. The negative impact of higher cost of production materials, primarily the higher average price of raw coffee, was compensated by higher operating efficiency and higher prices of final products. An additional positive effect came from the appreciation of the Russian ruble and the Serbian dinar.

Despite the increase in amortisation and depreciation costs of 5.5%, normalised EBIT grew 11.0%. Normalised net profit before minorities recorded an increase of 29.5%, primarily under the impact of, in addition to the increase in normalised EBIT, lower finance costs and higher foreign exchange gains. Finance costs for 2017 include the fee for guaranties given to Atlantic Grupa related to syndicated loans in the amount of HRK 14.6 million.

OPERATING EXPENSES STRUCTURE

(in HRK millions)	FY 2017	% of sales	FY 2016	% of sales	FY 2017/ FY 2016
Cost of goods sold	**1,327.8**	25.0%	**1,308.3**	25.6%	1.5%
Change in inventory	**6.6**	0.1%	**(14.0)**	(0.3%)	n/a
Production materials	**1,635.5**	30.8%	**1,581.0**	31.0%	3.4%
Energy	**57.8**	1.1%	**56.0**	1.1%	3.2%
Services	**409.5**	7.7%	**404.6**	7.9%	1.2%
Staff costs	**828.5**	15.6%	**800.9**	15.7%	3.5%
Marketing and selling expenses	**367.7**	6.9%	**355.3**	7.0%	3.5%
Other operating expenses	**221.2**	4.2%	**226.2**	4.4%	(2.2%)
Other (gains)/losses, net	**(64.9)**	(1.2%)	**(18.1)**	(0.4%)	257.6%
Depreciation and amortization	**175.8**	3.3%	**166.6**	3.3%	5.5%
Total operating expenses	**4,965.6**	**93.6%**	**4,866.7**	**95.3%**	**2.0%**

The increase in cost of goods sold of 1.5% is a consequence of higher sales, while the portion of cost of goods sold in sales revenue decreased.

Costs of production materials are 3.4% higher, mainly as a result of higher sales of own brands, but also of the increase in costs of raw materials, primarily raw coffee and sugar.

Costs of services and energy grew following the increase in production and sale volumes.

Staff costs grew by 3.5% due to a higher average number of employees and higher variable payments and provision for bonuses, following better business results. Despite the increase in the number of employees in most business and distribution units due to increased volumes of production and sale, as at 31 December 2017, Atlantic Grupa had 5,268 employees, i.e. 224 employees less than at the end of 2016, due to the sale of factories in Bleckede and Nova Gradiška, realised at the end of October 2017.

Marketing expenses are 3.5% higher, following the increased investments of the business units Snacks and Sports and Functional Food, despite savings in the business unit Coffee.

Other operating expenses are 2.2% lower, primarily due to lower impairments of inventories and savings in business travel expenses.

Other (gains)/losses – net: gain was realised primarily based on one-off gain on the sale of factories in Bleckede and Nova Gradiška.

OPERATING RESULT OF STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(HRK million)	2017	2016	2017/2016
SBU Coffee	**209.5**	227.8	(8.1%)
SBU (Sweet and Salted) Snacks	**121.0**	116.4	3.9%
SBU Beverages	**158.2**	162.1	(2.4%)
SBU Pharma and Personal Care	**55.2**	47.3	16.7%
SBU Savoury Spreads	**128.7**	119.1	8.1%
SBU Sports and Functional Food	**(7.5)**	(20.4)	63.4%
SDU Serbia	**28.1**	20.1	39.5%
SDU Croatia	**25.6**	12.9	99.4%
DU Slovenia	**45.9**	43.3	6.1%
SDR Zone West	**(40.8)**	(52.0)	21.6%
Other segments*	**(141.9)**	(202.4)	29.9%
Group EBITDA	**582.2**	**474.4**	**22.7%**

SBU Coffee: despite the increase in sales, the decrease in profitability is a result of higher costs of raw coffee, largely compensated by increasing retail prices.

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

SBU Beverages: the decrease in profitability primarily arises from the absence of one-off items (return of expenses for the water concession in Slovenia in 2016), despite the increase in sales and a better sales mix.

SBU Pharma and Personal Care: the increase in profitability is a result of the sales revenue growth, coupled with a good control of costs of production materials, services, marketing and staff costs.

SBU Savoury Spreads: a profitability growth was recorded following a significant revenue growth and lower marketing expenses, coupled with a strict control of other operating expenses.

SBU Sports and Functional Food: loss reduction as a result of restructuring (mainly lower staff costs and costs of services as well as lower inventory and receivables write-offs) and a more favourable relative gross margin as a result of changed product mix.

SDU Serbia: profitability growth as a consequence of sales growth, more favourable mix of customers and products (which led to a more favourable gross margin) and a favourable effect of the Serbian dinar exchange rate.

Comparative period has been adjusted to reflect current period reporting.

** Other segments include SDR HoReCa, SDU CIS&Baltic, BU Baby Food, DU Macedonia, BU Gourmet and business activities not allocated to business and distribution units (headquarters and support functions in Serbia, Slovenia, Bosnia and Herzegovina and Macedonia) which are excluded from the reportable operating segments.*

SDU Croatia: profitability growth in line with volume and value growth in sales and a more favourable mix of customers, with optimum cost management.

DU Slovenia: profitability growth as a result of an increase in sales and a better customer mix.

SDR Zone West: despite the decrease in sales, primarily caused by the decrease in revenue in the Sports and Functional Food segment, the improved profitability is a result of lower costs of services, staff costs, marketing expenses and lower impairment of receivables and inventories.

Other segments: DU Macedonia recorded a considerable increase in profitability due to the increase in sales and higher gross margin. The significant growth in profitability of the SDR HoReCa is a result of the improved profitability in all four markets (Croatia, Slovenia, Serbia, Macedonia), following the increase in sales and the solid increase in gross margin. A mild decrease in loss of the BU Gourmet is a result of the increase in sales, increase in margin as a result of a more favourable mix of customers and significant savings in costs of raw materials and staff costs following the optimisation of procurement and production. The significant profitability growth in the BU Baby Food was achieved despite the increase in prices of raw materials and following the increase in sales and a favourable effect of exchange rates, which also impacted the profitability growth in the SDR CIS and Baltic. The costs attributable to support services are lower compared to 2016 despite the increase in staff costs and costs of services (as a result of increased IT investments), following the gain on the sale of factories in Bleckede and Nova Gradiška.

FINANCIAL INDICATORS

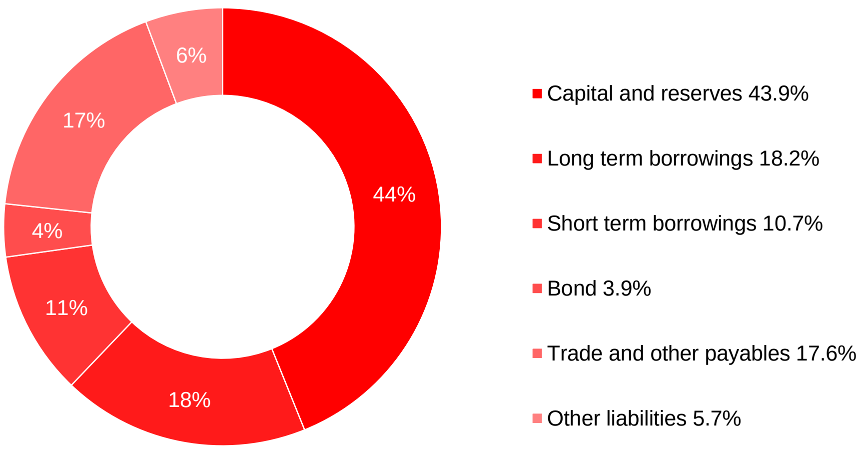
(in HRK millions)	FY 2017	FY 2016
Net debt	**1,185.4**	1,502.3
Total assets	**5,126.4**	5,395.8
Total Equity	**2,249.8**	2,016.5
Current ratio	**1.47**	1.42
Gearing ratio	**34.5%**	42.7%
Net debt/Normalised EBITDA	**2.29**	3.17
Interest coverage ratio	**8.85**	6.06
Capital expenditure	**129.2**	140.2
Cash flow from operating activities	**348.2**	292.0

Comparative period has been adjusted to reflect current period reporting.

Among key determinants of the Atlantic Grupa's financial position in 2017, the following should be pointed out:

Due to the decrease in net debt of HRK 316.9 million at the end of 2017 compared to the end of 2016, the gearing ratio decreased by 819 basis points. The debt measured as the net debt to normalised EBITDA ratio compared to the end of 2016 decreased from 3.17 to 2.29 at the end of 2017. At the same time, the coverage of interest expense by normalised EBITDA increased from 6.06 to 8.85, and cash flow from operating activities increased to HRK 348.2 million.

THE ATLANTIC GRUPA'S EQUITY AND LIABILITIES STRUCTURE AS AT 31 DECEMBER 2017



OVERVIEW OF KEY ITEMS IN THE CONSOLIDATED CASH FLOW STATEMENT

The increase in cash flow from operating activities in 2017 compared to the previous year is the result of improved profitability and better working capital management, following the normalisation of negative effects on the level of inventories and collection of receivables caused in 2016 by the launch of distribution operations in Germany and Austria and the implementation of the SAP solution, in these two countries as well as in Croatia. An additional favourable impact on cash flow came from the normalisation of operations and collection of receivables with retail chains from the Agrokor concern.

The positive effect on cash flow from investing activities came from the sale of two factories in the Strategic Business Unit Sports and Functional Food in the amount of HRK 129.3 million and from the receipts from the sale of tea business, while cash flow from financing activities decreased following the further deleveraging of Atlantic Grupa.

Capital expenditure in 2017 primarily relates to investments in the production equipment of business units for the purpose of increasing the efficiency of production processes, and in the development of new products and the development of IT infrastructure, business systems and applications.

Among significant investments, we should mention:

- SBU Beverages: investment in the new line for rigid packaging of Cedevita and investment in rebranding of Cockta;

- SBU SAVOURY SPREADS: investment in a new line for the production of 95-gram savoury spreads, and the cooling system of the production site

- SBU SNACKS: investment in the new line for the production of Bananica and Sweet chocolates, and the improved production efficiency

- SBU COFFEE: purchase of espresso and Coffee2GO machines, investment in production equipment for the purpose of improving production efficiency, investment in new equipment for duty stamps;

- BU Gourmet: investment in production equipment for the purpose of improving production efficiency;

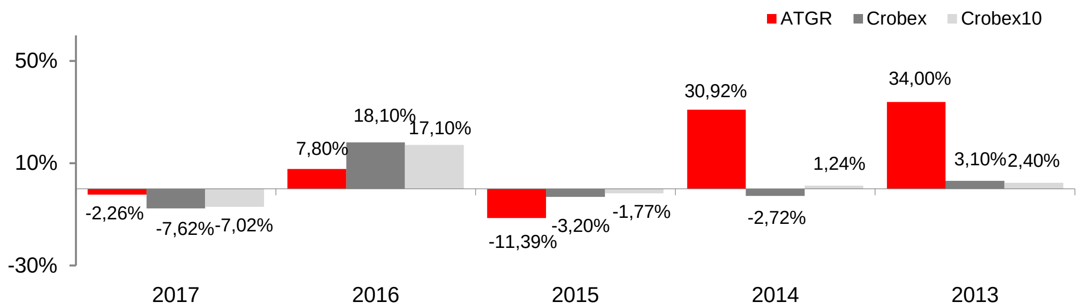
- SBU Pharma and Personal Care: investment in new pharmacy locations

- IT: investment in infrastructure, digital technologies and implementation of business applications and the replacement of equipment.

Following the decision of the General Assembly held on 29th June 2017, 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 2017.

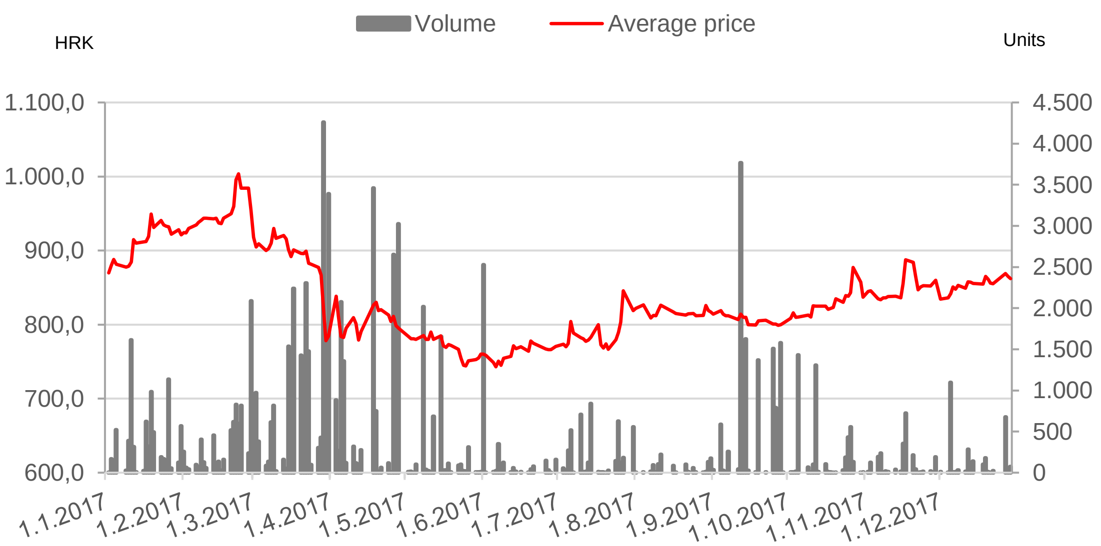
STOCK MARKET PERFORMANCE

Despite the optimistic beginning of the year, marked with an increase in turnover and prices of most stocks and indices, after the crisis in Agrokor broke out the Croatian capital market reversed. Thus, on the Zagreb Stock Exchange in 2017 the CROBEX stock index dropped 7.6%, while the CROBEX10 dropped 7.0%. The Atlantic Grupa's share recorded a drop of 2.3%.

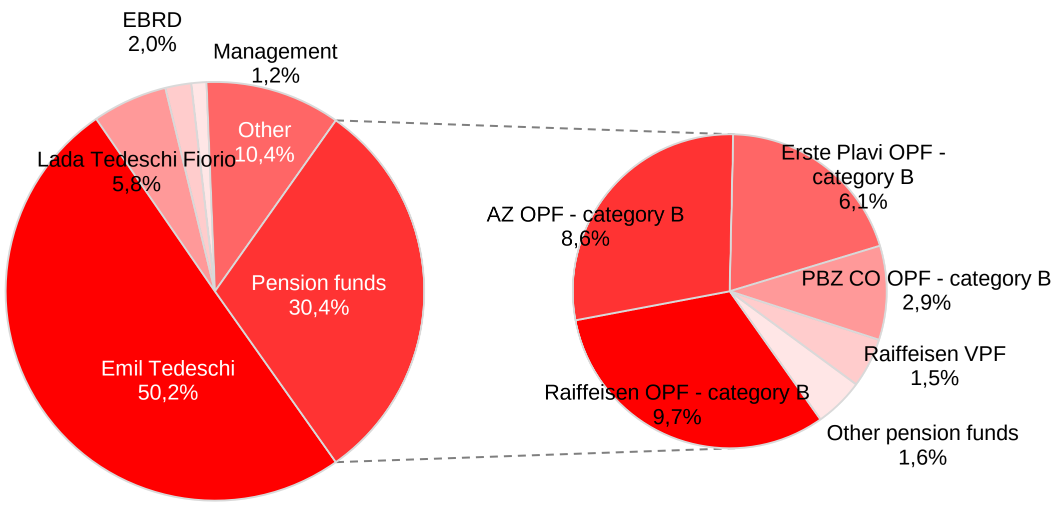


The average price of the Atlantic Grupa's share in 2017 was HRK 837.2, while the average daily turnover amounted to HRK 352.6 thousand. With the average market capitalisation of HRK 3,783.0 million, Atlantic Grupa holds fourth place among the components of the CROBEX10 stock index. Also, according to the total turnover in 2017, the Atlantic Grupa's share holds ninth place compared to all the shares quoted on the Zagreb Stock Exchange, with a turnover of HRK 76.2 million.

MOVEMENTS IN THE AVERAGE PRICE AND VOLUME OF THE ATLANTIC GRUPA'S SHARE IN 2017



OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2017



* Free float: 44.0%

Atlantic Grupa has a stable ownership structure: 50.2% of the company is owned by Emil Tedeschi and 5.8% by Lada Tedeschi Fiorio, while 30.4% of Atlantic Grupa is owned by pension funds. At the end of 2017, the free-float was 44.0%.

Valuation	31.12.2017.	31.12.2016.
Last price in reporting period	862.0	882.0
Market capitalization* (in HRK millions)	2,874.2	2,940.9
Average daily turnover (in HRK thousands)	356.2	717.9
EV (in HRK millions)	4,063.2	4,446.1
EV/EBITDA	7.9	9.4
EV/EBIT	11.9	14.4
EV/sales	0.8	0.9
EPS (in HRK)	63.2	48.8
P/E	13.6	18.1

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

MANAGEMENT'S VIEW ON MACROECONOMIC EXPECTATIONS

In 2017, for the third consecutive year the Croatian economy recorded a good economic growth, due to the successful tourist season, the increase in personal consumption and exports and the generally increasing optimism. Atlantic Grupa's management expects positive trends in the Croatian economy to continue in 2018, despite the risk posed by the Agrokor creditors' settlement.

In countries in the region, management also expects economic growth to continue in 2018. The Slovenian economy continues to grow due to the strong increase in exports and domestic demand and we expect that this will positively impact the decrease in unemployment, and the increase in salaries and consumption. The growth in the Serbian market is expected based on the growing domestic demand encouraged by the increase in salaries and decrease in unemployment, as well as the increased exports. Significant depreciation of the Serbian dinar is not expected. Further economic growth is expected in Bosnia and Herzegovina, due to the considerable increase in exports and inflows of international funds.

In 2017 the eurozone countries recorded positive growth rates, and Atlantic Grupa's management expects similar developments in 2018 as well, based on the improved labour market and strong global trade, as well as favourable monetary policy of the European Union.

The long-awaited recovery of the Russian economy in 2017 was a result of the increase in oil prices and the increased optimism, which positively affected the domestic demand growth. Accordingly, management expects further growth of the Russian economy in 2018 with moderate inflation and the stable ruble, and the increase in imports.

ATLANTIC GRUPA'S MANAGEMENT STRATEGIC GUIDANCE FOR 2018

In 2018, management will focus on (i) further strengthening the position of well-known regional brands, (ii) development of distribution operations by strengthening of the existing and acquisition of new principals, (iii) increasing of the regional HoReCa portfolio, and (iv) continued internationalisation of operations.

We continue the listing and positioning of our brands in the retail channel in Germany in cooperation with distribution partners with the aim to increase the efficiency of overall operations in this market.

In 2018, Atlantic Grupa's management expects lower average prices of raw coffee on global commodity markets in addition to a favourable effect of the EUR/USD exchange rate, which will consequently have a positive impact on the profitability of the Strategic Business Unit Coffee and Atlantic Grupa as a whole.

Accordingly, management's expectations for 2018 are as follows:

(in HRK millions)	2018 Guidance	2017	2018/2017
Sales	**5,400**	5,307	1.8%
EBITDA	**550**	517*	6.3%
EBIT	**375**	342*	9.8%
Interest expense	**45**	58	(23.1%)

*Normalised

If the effect of revenue realised on the basis of service production (private label) in the sports and functional food segment that in 2017 amounted to approximately HRK 194 million is excluded, the expected revenue growth in 2018 compared to 2017 will be 5.6%. If we exclude operating profit realised on the basis of this service production, the increase in EBITDA will be 9.6% while the increase in EBIT will be 13.3%.

In 2018, we expect capital expenditure in the amount of approximately HRK 160 million.

The expected effective tax rate in 2018 will remain at the same level as in the previous year.

ATLANTIC GRUPA d.d.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017 (UNAUDITED)

ATLANTIC GRUPA d.d.

CONSOLIDATED INCOME STATEMENT

in thousands of HRK, unaudited	Jan – Dec 2017	Jan - Dec 2016	Index	Oct - Dec 2017	Oct- Dec 2016	Index
Turnover	**5,372,074**	**5,174,539**	**103.8**	**1,392,406**	**1,350,981**	**103.1**
Sales revenues	5,306,817	5,106,266	103.9	1,356,582	1,324,095	102.5
Other revenues	65,257	68,273	95.6	35,824	26,886	133.2
Operating expenses	**(4,789,848)**	**(4,700,171)**	**101.9**	**(1,250,847)**	**(1,296,087)**	**96.5**
Cost of merchandise sold	(1,327,839)	(1,308,331)	101.5	(387,896)	(374,896)	103.5
Change in inventories	(6,644)	13,984	n/a	(13,601)	2,211	n/a
Production material and energy	(1,693,309)	(1,636,983)	103.4	(382,635)	(411,350)	93.0
Services	(409,541)	(404,622)	101.2	(105,845)	(103,525)	102.2
Staff costs	(828,533)	(800,863)	103.5	(215,292)	(223,392)	96.4
Marketing and selling expenses	(367,686)	(355,339)	103.5	(118,204)	(104,965)	112.6
Other operating expenses	(221,155)	(226,152)	97.8	(83,222)	(87,440)	95.2
Other gains - net	64,859	18,135	357.6	55,848	7,270	768.2
EBITDA	**582,226**	**474,368**	**122.7**	**141,559**	**54,894**	**257.9**
Depreciation and impairment	(175,758)	(166,580)	105.5	(59,167)	(64,036)	92.4
EBIT	**406,468**	**307,788**	**132.1**	**82,392**	**(9,142)**	**n/a**
Finance costs - net	(49,559)	(103,643)	47.8	(21,422)	(60,514)	35.4
EBT	**356,909**	**204,145**	**174.8**	**60,970**	**(69,656)**	**n/a**
Income tax	(80,685)	(40,910)	197.2	(22,903)	1,417	n/a
Profit/ (Loss) for the period	**276,224**	**163,235**	**169.2**	**38,067**	**(68,239)**	**n/a**
Attributable to:						
Non-controlling interest	695	435	159.8	70	(21)	n/a
Owners of the parent	275,529	162,800	169.2	37,997	(68,218)	n/a
Earnings per share for profit attributable to the owners of the Company						
- basic	82.69	48.83		11.41	(20.46)	
- diluted	82.69	48.83		11.41	(20.46)	

ATLANTIC GRUPA d.d.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of HRK, unaudited	Jan - Dec 2017	Jan - Dec 2016	Index	Oct - Dec 2017	Oct - Dec 2016	Index
Profit/ (Loss) for the period	**276,224**	**163,235**	**169.2**	**38,067**	**(68,239)**	**n/a**
Cash flow hedge	(15,466)	8,700	n/a	3,781	12,460	30.3
Revaluation of net liabilities for severance payments at regular retirement	1,033	(826)	n/a	1,033	(826)	n/a
Currency translation differences	21,411	(47,577)	n/a	11,323	5,301	213.6
Total comprehensive income	**283,202**	**123,532**	**229.3**	**54,204**	**(51,304)**	**n/a**
Attributable to:						
Non-controlling interest	682	423	161.2	73	(2)	n/a
Equity holders of the Company	282,520	123,109	229.5	54,131	(51,302)	n/a
Total comprehensive income	283,202	123,532	229.3	54,204	(51,304)	n/a

ATLANTIC GRUPA d.d.

CONSOLIDATED BALANCE SHEET

in thousands of HRK, unaudited	31 December 2017	31 December 2016
ASSETS		
Non-current assets		
Property, plant and equipment	999,866	1,082,059
Investment property	1,209	1,259
Intangible assets	1,750,216	1,756,217
Deferred tax assets	32,165	47,293
Available-for-sale financial assets	948	915
Trade and other receivables	95,239	59,102
	2,879,643	2,946,845
Current assets		
Inventories	547,278	623,318
Trade and other receivables	1,190,790	1,300,568
Prepaid income tax	5,029	10,326
Derivative financial instruments	-	18,139
Deposits given	252	227
Cash and cash equivalents	497,079	490,730
	2,240,428	2,443,308
Non-current assets held for sale	6,336	5,687
Total current assets	2,246,764	2,448,995
TOTAL ASSETS	**5,126,407**	**5,395,840**
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the Company		
Share capital	133,372	133,372
Share premium	881,089	881,489
Treasury shares	(1,514)	(88)
Reserves	(52,428)	(80,964)
Retained earnings	1,285,668	1,079,698
	2,246,187	2,013,507
Non-controlling interest	3,663	2,981
Total equity	2,249,850	2,016,488
Non-current liabilities		
Borrowings	1,135,191	1,422,605
Deferred tax liabilities	162,652	171,811
Other non-current liabilities	3,017	6,673
Provisions	50,456	58,036
	1,351,316	1,659,125
Current liabilities		
Trade and other payables	903,144	1,073,996
Borrowings	546,060	588,539
Derivative financial instruments	1,226	-
Current income tax liabilities	21,341	9,231
Provisions	53,470	48,461
	1,525,241	1,720,227
Total liabilities	2,876,557	3,379,352
TOTAL EQUTIY AND LIABILITIES	**5,126,407**	**5,395,840**

ATLANTIC GRUPA d.d.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of HRK, unaudited	Attributable to equity holders of Company					
	Share capital	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
At 1 January 2016	1,014,689	(26,264)	954,325	1,942,750	2,558	1,945,308
Comprehensive income:						
Net profit for the year	-	-	162,800	162,800	435	163,235
Cash flow hedge	-	8,700	-	8,700	-	8,700
Revaluation of net liabilities for severance payments at regular retirement	-	-	(826)	(826)	-	(826)
Other comprehensive loss	-	(47,565)	-	(47,565)	(12)	(47,577)
Total comprehensive income	-	(38,865)	161,974	123,109	423	123,532
Transactions with owners:						
Acquisition of non-controlling interest	-	-	(4,778)	(4,778)	-	(4,778)
Purchase of treasury shares	(1,076)	-	-	(1,076)	-	(1,076)
Share based payment	1,160	-	-	1,160	-	1,160
Transfer	-	(15,835)	15,835	-	-	-
Dividends relating to 2015	-	-	(47,658)	(47,658)	-	(47,658)
At 31 December 2016	1,014,773	(80,964)	1,079,698	2,013,507	2,981	2,016,488
At 1 January 2017	1,014,773	(80,964)	1,079,698	2,013,507	2,981	2,016,488
Comprehensive income:						
Net profit for the year	-	-	275,529	275,529	695	276,224
Cash flow hedge	-	(15,466)	-	(15,466)	-	(15,466)
Revaluation of net liabilities for severance payments at regular retirement	-	-	1,033	1,033	-	1,033
Other comprehensive income	-	21,424	-	21,424	(13)	21,411
Total comprehensive income	-	5,958	276,562	282,520	682	283,202
Transactions with owners:						
Acquisition of non-controlling interest	-	-	(1,126)	(1,126)	-	(1,126)
Purchase of treasury shares	(7,431)	-	-	(7,431)	-	(7,431)
Share based payment	5,605	-	-	5,605	-	5,605
Transfer	-	22,578	(22,578)	-	-	-
Dividends relating to 2016	-	-	(46,888)	(46,888)	-	(46,888)
At 31 December 2017	1,012,947	(52,428)	1,285,668	2,246,187	3,663	2,249,850

ATLANTIC GRUPA d.d.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of HRK, unaudited	Jan - Dec 2017	Jan – Dec 2016
Cash flows from operating activities		
Net profit	**276,224**	**163,235**
Income tax	80,685	40,910
Depreciation, amortization and impairment	175,758	166,580
Gain on sale of property, plant and equipment	(1,712)	(764)
Gain on sale of available-for-sale financial assets	(434)	-
Gain from sale of subsidiaries	(64,868)	-
Provision for current assets	56,849	49,730
Foreign exchange differences - net	(12,256)	(16,051)
Decrease in provisions for risks and charges	(976)	(264)
Fair value losses/ (gains) on financial assets	1,085	(12,124)
Share based payment	5,605	1,160
Interest income	(4,916)	(4,188)
Interest expense	73,117	123,261
Other non-cash items, net	(2,452)	1,454
Changes in working capital:		
Increase in inventories	(14,247)	(47,678)
Decrease/ (Increase) in current receivables	23,601	(111,668)
(Decrease)/ Increase in current payables	(85,987)	74,559
Cash generated from operations	**505,076**	**428,152**
Interest paid	(100,391)	(82,290)
Income tax paid	(56,441)	(53,839)
	348,244	**292,023**
Cash flow from/ (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	(129,193)	(140,172)
Proceeds from sale of property, plant and equipment and non-current assets held for sale	8,799	49,260
Proceeds from sale of subsidiary – net of cash disposed	129,342	-
Proceeds from sale of tea business	18,750	-
Acquisition of subsidiary – net of cash acquired	(2,207)	(1,122)
Loans granted and deposits placed	(22,640)	(5,029)
Repayments of loan and deposits granted	22,002	4,162
Interest received	4,584	3,390
	29,437	**(89,511)**
Cash flow used in financing activities		
Purchase of treasury shares	(7,431)	(1,076)
Proceeds from borrowings, net of fees paid	120,394	434,386
Repayment of borrowings	(437,715)	(451,575)
Withholding tax paid on dividend	(1,904)	(2,646)
Dividend paid to Company shareholders	(44,984)	(45,012)
Acquisition of interest in a subsidiary from non-controlling interests	(1,906)	(8,438)
	(373,546)	**(74,361)**
Net increase in cash and cash equivalents	**4,135**	**128,151**
Exchange gains/ (losses) on cash and cash equivalents	2,214	(3,113)
Cash and cash equivalents at beginning of period	490,730	365,692
Cash and cash equivalents at end of period	497,079	490,730

NOTE 1 – GENERAL INFORMATION

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

The condensed consolidated financial statements of the Group for the year ended 31 December 2017 were approved by the Management Board of the Company in Zagreb on 28 February 2017.

The condensed consolidated financial statements have not been audited.

NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the year ended 31 December 2017 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 2016.

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 2016.

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, Bosnia and Herzegovina and Macedonia) which are excluded from the reportable operating segments.

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

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

Sales revenues[1] *(in thousands of HRK)*	**Jan-Dec 2017**	**Jan-Dec 2016**
SBU Coffee	1,098,389	1,064,733
SBU (Sweet and Salted) Snacks	678,417	651,268
SBU Beverages	676,999	630,816
SBU Pharma and Personal Care	583,581	545,228
SBU Savoury Spreads	580,959	543,031
SBU Sports and Functional Food	384,636	449,347
SDU Serbia	1,134,623	1,101,050
SDU Croatia	1,035,905	968,768
DU Slovenia	767,845	754,403
SDU Zone West	419,405	503,137
Other segments	862,786	762,976
Reconciliation	(2,916,728)	(2,868,491)
Total	**5,306,817**	**5,106,266**

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

NOTE 3 – SEGMENT INFORMATION (continued)

Business results	EBITDA[*]	
	Jan-Dec 2017	Jan-Dec 2016
(in thousands of HRK)		
SBU Coffee	209,475	227,840
SBU (Sweet and Salted) Snacks	120,993	116,408
SBU Beverages	158,246	162,102
SBU Pharma and Personal Care	55,235	47,329
SBU Savoury Spreads	128,700	119,110
SBU Sports and Functional Food	(7,457)	(20,369)
SDU Serbia	28,107	20,144
SDU Croatia	25,644	12,859
DU Slovenia	45,902	43,270
SDR Zone West	(40,760)	(51,958)
Other segments	(141,859)	(202,367)
Total	**582,226**	**474,368**

[*] 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.

	2017	2016
Net profit attributable to equity holders *(in thousands of HRK)*	275,529	162,800
Weighted average number of shares	3,332,250	3,334,105
Basic earnings per share *(in HRK)*	82.69	48.83

Diluted earnings per share

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

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the year ended 31 December 2017, Group invested HRK 151,898 thousand in purchase of property, plant and equipment and intangible assets (2016: HRK 116,017 thousand). During the same period, property, plant and equipment and intangible asset impairment amounted to HRK 20,613 thousand (2016: HRK 10,494 thousand) and impairment of non-current assets available for sale amounted to HRK 409 thousand (2016: HRK 1,518 thousand).

Also, in 2016 the Group has sold Non-current assets held for sale for the amount of HRK 45,825 thousand. Furthermore, due to uncertainty of sale, assets of HRK 45,730 thousand were stopped being classified as assets held for sale and reclassified to property, plant and equipment. The impairment of HRK 8,933 thousand was made as adjustment to the carrying value that would have been recorded should these assets have not been classified as held for sale.

NOTE 6 - INVENTORIES

During the year ended 31 December 2017, the Group wrote down inventories in the amount of HRK 25,831 thousand due to damage and short expiry dates (2016: HRK 27,851 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 29 June 2017, distribution of dividend in the amount of HRK 13.50 per share, or HRK 44,984 thousand in total was approved (2016: HRK 13.50 per share, or HRK 45,012 thousand in total). Dividend was paid out in July 2017.

NOTE 8 – RELATED PARTY TRANSACTIONS

Related party transactions that relate to balance sheet as at 31 December 2017 and 31 December 2016 and transactions recognized in the Income statement for the year ended 31 December are as follows:

(all amounts expressed in thousands of HRK)	**31 December 2017**	**31 December 2016**
RECEIVABLES		
Current receivables		
Other entities	105,089	98,322
LIABILITIES		
Trade and other payables		
Shareholders	14,629	44,954
Other entities	2,246	3,906
	16,875	48,860

	Jan – Dec 2017	**Jan – Dec 2016**
REVENUES		
Sales revenues		
Other entities	494,620	471,771
Other revenues		
Other entities	1,296	733
EXPENSES		
Marketing and promotion expenses		
Other entities	16,785	13,020
Other expenses		
Other entities	2,220	2,393
Finance cost - net		
Shareholders	14,629	44,954
Purchases of property, plant and equipment		
Other entities	-	140

NOTE 9 – DIVESTMENT OF SUBSIDIARIES

In an effort to restructure and simplify its Sports and Functional Food business and focus on its core brands, Atlantic Grupa has decided to sell its production facilities in Germany (Bleckede) and Croatia (Nova Gradiška) as well as private label business to a Belgium based company Aminolabs Group, while the strategic brands Multipower, Champ and Multaben are spinned off in a special business unit and remain in full ownership of Atlantic. The transaction and the payoff of part of the sales price were realised on October 31st 2017, while the rest will be paid in full in the next two years. The gain that Group realized from this transaction amounts HRK 64,868 thousands.

Cash received and receivables from sale of subsidiaries *(in thousands of HRK)*	
Cash	150,031
Receivables	59,587
Total sales consideration	**209,618**
Current value of net asset disposed	(142,749)
Transaction expenses	(2,001)
Gain from sale of subsidiaries	**64,868**

Current net asset value of subsidiaries disposed as at 31 October 2017 *(in thousands of HRK)*	
Property, plant and equipment	81,542
Intangible assets	1,566
Deferred tax assets	243
Inventories	64,456
Trade and other receivables	57,901
Cash and cash equivalents	20,689
Provisions	(2,921)
Trade and other payables	(80,727)
	142,749

Cash flow from sale of subsidiaries *(in thousands of HRK)*	
Cash received	150,031
Cash in subsidiaries sold	(20,689)
Proceeds from sale of subsidiaries - net	**129.342**

ATLANTIC GRUPA

Atlantic Grupa d.d.
Miramarska 23
Zagreb

Register number: 1671910

Zagreb, February 28th 2018

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 provides

MANAGEMENT BOARD'S STATEMENT OF LIABILITY

The consolidated and separate financial statements of Atlantic Grupa d.d. have been prepared pursuant to the International Financial Reporting Standards (IFRS) and Croatian Accounting Law.

The consolidated financial statements for the period ended December 31st 2017 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 December 31st 2017 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

ATLANTIC GRUPA
Joint Stock Company for Domestic and Foreign Trade
Miramarska 23, 10000 Zagreb, Croatia
tel: +385 (1) 24 13 900
fax: +385 (1) 24 13 901

The Company is registered with the Commercial Court of Zagreb
MBS: 080245039
MB: 1671910
PIN: 71149912416
Account number: HR4624020061100280870 Raiffeisenbank Austria d.d., Zagreb, Petrinjska 59
The number of shares and their nominal value: 3,334,300 shares, each in the nominal amount of HRK 40.00
Share capital: HRK 133,372,000.00, paid in full.

Management Board: Emil Tedeschi, M. Veber, N. Vranković, Z. Stanković
President of the Supervisory Board: Z. Adrović