ATLANTIC GRUPA

FINANCIAL RESULTS IN THE FIRST HALF OF 2017
(unaudited)

Zagreb, 27 July 2017

CONTENTS

INTRODUCTION

COMMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD AND CEO

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

"After promising business results in the first quarter of 2017, which, despite the challenges in cooperation with retail chains of the Agrokor concern reached the expected levels, the second quarter showed the Atlantic Grupa's strength and brought increase in sales. The growth was recorded in the majority of business segments and markets, accompanied also with improved profitability of almost all business units.

Coupled with excellent business results, we are very pleased with the reached agreement with the reputable Belgian company Aminolabs. The new partnership will enable us to put additional focus on development of our own brands and to continue with the strong development of the distribution of own and principal brands, as well as the finalisation of the restructuring of Sports and functional food segment.

INCREASE IN SALES COUPLED WITH SIGNIFICANT PROFITABILITY GROWTH

- SALES AT HRK 2,505.3 MILLION
  + 2.0% compared to the first half of 2016
- EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA) AT HRK 281.5 MILLION
  + 8.4% compared to the first half of 2016
- EARNINGS BEFORE INTEREST AND TAXES (EBIT) AT HRK 204.1 MILLION
  + 6.2% compared to the first half of 2016
- NET PROFIT AFTER MINORITIES AT HRK 154.1 MILLION
  + 15.4% compared to the first half of 2016

FINANCIAL SUMMARY OF THE FIRST HALF OF 2017

Key figures	H1 2017	H1 2016	H1 2017/ H1 2016
Sales (in HRK millions)	**2,505.3**	2,456.6	2.0%
Turnover (in HRK millions)	**2,525.1**	2,486.9	1.5%
EBITDA margin	**11.2%**	10.6%	+66 bp
Net income after minorities (in HRK millions)	**154.1**	133.5	15.4%
Gearing ratio*	**41.7%**	46.9%	- 517 bp

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

1. OWN BRANDS IN THE FIRST HALF OF 2017

In the year in which it marks its 20th anniversary, at the first Effie festival in Serbia, Grand kafa was awarded two of the total of eight awards, for the campaign "Kafa of the new generation" for Grand Black'n'Easy and for the Grand kafa Gold campaign. Effie awards are awarded based on the return of funds invested in marketing campaigns. According to one of the largest European surveys on the consumer trust in brands conducted by the Institute for market and media research Mediana, Barcaffe is the most trusted brand in Slovenia for the eleventh consecutive year.

Cedevita presented an innovative product Chia Fresca, which refreshes by its great lemonade flavour with added energy provided by chia seeds. With reduced sugar content, high vitamin values and added chia seeds as a rich source of proteins, iron and calcium, Chia Fresca offers pleasure due to the fusion of the texture and flavour and servings in special glass jars. In this-year's summer months, Chia Fresca has already become an essential summer refreshment.

Donat Mg won a golden award in the Food and beverages category at the 6th Slovenian conference and award ceremony of the Diggit awards for exceptional results in the area of digital communications, as well as the special Grand Prix in the category of digital marketing for the creative campaign Donat Trump that reached 54 million of users. This is the seventh Diggit award for Donat Mg.

As in every quarter, the Strategic Business Unit Snacks launched many new products, among which two new flavours of Integrino biscuits stand out, which follow the healthy food trend with reduced sugar content and increased level of fibres. With respect to salty snacks, Smoki launched retro packaging for its 45th anniversary and new Smokić with pictures, while Chipsos was redesigned in the minimalist style, which improved visibility at points of sale.

Bakina Tajna *Ajvar* won another in the line of prestigious awards for quality, this time awarded by 120 famous chefs and sommeliers – two Michelin stars. Products are assessed using a method similar to the Michelin Culinary Guide, and two stars awarded mean that 80-90% of experts confirmed that the product has extraordinary flavour.

2. LIMITATIONS IN COOPERATION WITH KEY CUSTOMER

After a very turbulent period for the Atlantic Grupa's largest regional retail partner, the Agrokor concern, the beginning of April this year was marked by the adoption of the Act on the Procedure for Extraordinary Administration in Companies of Systemic Importance for the Republic of Croatia and the appointment of the extraordinary commissioner, thereby starting the process of stabilisation of operations of operating companies owned by Agrokor. After Atlantic Grupa, during March 2017, for the purpose of limiting credit risk reduced the deliveries to the concern members, the adoption of the above mentioned Act significantly reduced the operating risk and Atlantic Grupa decided to gradually normalise operations. Despite the stabilisation of operations of the Agrokor concern retail chains, the delays in operations resulted in the loss of a portion of their market share and the sales of Atlantic Grupa through these chains continue to be lower than in the same period of the previous year.

3. 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, as well as focusing on own brands and expanding the principal brands' distribution, Atlantic Grupa decided to sell 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 is up to HRK 200 million, of which HRK 150 million will be paid upon the signature of the agreement, while the remaining portion will be paid during the following two years. The expected gain on sale of the factories is approximately HRK 50 million. The completion of the transaction is expected in the last quarter of this year. In the factory in Nova Gradiška Atlantic Grupa remains a minority partner, and strategic brands Multipower, Champ and Multaben are segregated into a separate business unit and remain 100 percent owned by Atlantic Grupa. Atlantic Grupa continues to develop the Multipower brand bringing it closer to the premium segment, retaining the marketing, sale and innovation of the product portfolio of the sports food. The contracted production of the strategic brand continues in cooperation with Aminolabs, and the new partnership offers prospects for growth in overall operations with sports food in Europe.

4. DIVIDEND DISTRIBUTION APPROVED

Following the decision by the General Assembly held on 29 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.

SALES PROFILE BY STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(HRK million)	H1 2017	H1 2016	H1 2017/ H1 2016
SBU Coffee	503.6	493.4	2.1%
SBU Beverages	338.0	319.6	5.8%
SBU (Sweet and Salted) Snacks	315.2	302.5	4.2%
SBU Savoury Spreads	270.3	253.1	6.8%
SBU Pharma and Personal Care	287.2	266.2	7.9%
SBU Sports and Functional Food	201.4	257.4	(21.8%)
SDU Serbia	526.1	515.2	2.1%
SDU Croatia	471.4	445.4	5.8%
DU Slovenia	347.6	351.8	(1.2%)
SDR Zone West	235.0	274.5	(14.4%)
Other segments*	414.4	370.3	11.9%
Reconciliation**	(1,404.7)	(1,392.8)	n/a
Sales	2,505.3	2,456.6	2.0%

In the first half of 2017, Atlantic Grupa recorded sales of HRK 2.5 billion, which is a 2.0% increase compared to the previous year. The increase in revenues was recorded due to the growth in own brands, and despite the decrease in sales in the Strategic Business Unit Sports and Functional Food, mainly caused by the last year's termination of the cooperation with the major buyer of the private label. If the effect of this buyer's sales is excluded, sales are 4.1% higher.

Despite the significant negative impact of loss of a portion of revenues realised through the major regional retail chain, Atlantic Grupa managed to compensate for the entire lost revenue and exceed the revenue recorded in the first half of the previous year by higher sales through other buyers. Thus, in the first half of 2017, a 4.8% growth was recorded in Serbia, Croatia and Slovenia compared to the same period of the previous year.

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

** Other segments include SDR HoReCa, SDU CIS&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 an increase in sales, primarily due to the sales results in the markets of Serbia, Slovenia, Bosnia and Herzegovina, and Croatia. The growth in these markets was recorded despite difficulties in cooperation with retail chains of the Agrokor concern. Analysed by categories, the increase was recorded by Turkish coffee, espresso and instant Turkish coffee (Black'n'Easy). The growth in these markets exceeded the drop in the market of Macedonia (caused by strong competitors' pressure in terms of prices).

The STRATEGIC BUSINESS UNIT BEVERAGES recorded a steble increase in sales primarily due to the increase in sales in Croatia, Slovenia and Russia. The most significant contribution in the Russian and Slovenian markets was made by Donat Mg, while in the Croatian market, great sales results are recorded by Cedevita, especially in the HoReCa segment, and Kala and Kalnička waters. Among significant markets, a decrease in sales was recorded only in the Serbian market, as a consequence of difficulties in cooperation with Mercator.

The increase in sales of the STRATEGIC BUSINESS UNIT SNACKS was recorded primarily due to great sales results in the markets of Serbia, Bosnia and Herzegovina, Croatia and Montenegro, thereby significantly exceeding the decrease in the markets of Macedonia and Slovenia. Great results were recorded by all product segments, especially chocolate under the Menaž brand, flips under the Smoki brand, salty sticks under the Prima brand, and wafers and waffles. The growth was recorded due to great sales results of the existing, but also of new products.

The STRATEGIC BUSINESS UNIT SAVOURY SPREADS continues with record-high results, due to a continuous growth in sales on almost all significant markets, led by regional markets such as Croatia, Bosnia and Herzegovina, Serbia and Macedonia, but also the markets of Switzerland, Austria, Sweden and the Netherlands. The increase was recorded by both meat and fish savoury spreads under the Argeta brand, and an exceptional growth was recorded by Montana sandwiches sold in the markets of Croatia and Slovenia.

The STRATEGIC BUSINESS UNIT PHARMA AND PERSONAL CARE records a significant increase in sales primarily due to the increase in sales of the pharmacy chain Farmacia and the double-digit increase in sales of products from the Neva and Multivita ranges, where with respect to Neva, an outstanding sales growth was recorded by products under Melem and Rosal brands, and as for Multivita, sales of Vitamin C are growing in the Russian market.

The STRATEGIC BUSINESS UNIT SPORTS AND FUNCTIONAL FOOD recorded a significant decrease in sales primarily due to the terminated cooperation with the major buyer of the private label and partly due to lower sales results of own brands Multipower, Multaben and Champ, as a consequence of the portfolio restructuring. If the effect of the last year's termination of the cooperation mentioned above is excluded, decrease in sales would be 4.1%.

The increase in sales of the STRATEGIC DISTRIBUTION UNIT SERBIA is a consequence of great sales results of almost all product categories, especially Smoki, Bananica, Prima salty sticks, and biscuits and wafers from the snacks segment, Argeta from the savoury spreads segment, Turkish coffee under the Bonito brand and espresso coffee. Good sales results were also recorded by Cedevita in the on-the-go segment and Donat Mg in the beverages segment, as well as the majority of external principals, especially Rauch. Lower sales of Mercator Serbia were exceeded by significantly higher sales of other key buyers and retail stores of smaller formats.

The increase in sales of the STRATEGIC DISTRIBUTION UNIT CROATIA is a result of the increase in sales from the distribution of own and principal brands. If we analyse own brands, the increase was recorded in all product categories, led by Argeta from the savoury spreads segment, Cedevita from the vitamin instant drinks segment, Kala and Kalnička from the waters segment and Montana sandwiches. Among principal brands, the best results are recorded by Ferrero, SABMiller and Philips. Good results achieved are especially pleasing if the strong negative impact of difficulties in cooperation with members of the Agrokor concern is taken into account. Furthermore, we need to emphasize, that in June this Strategic Distribution Unit has set the new sales record in its history.

A slight decrease in sales of the DISTRIBUTION UNIT SLOVENIA is a consequence of the negative impact of difficulties in cooperation with Mercator. This decrease in sales was largely compensated for by great sales results of other buyers. The decrease in sales was recorded in the categories of vitamin instant drinks and soft carbonated drinks, while good business results were recorded by the segments of coffee, functional beverages and savoury spreads, and the principal Ferrero. Set down in the Euro, sales recorded in the first half of 2017 are at the same level as sales realised in the same period of the previous year.

The STRATEGIC DISTRIBUTION REGION ZONE WEST records a decrease in sales mainly in the German market, and the markets of the United Kingdom, Turkey, Spain and Italy, as a result of lower sales of products from the Strategic Business Unit Sports and Functional Food. The decrease was partly mitigated by the increase in sales in the markets of Sweden, Australia, the United States of America, Switzerland and Austria. In this, the principal Nocco, savoury spreads under the Argeta brand and products from the Bakina Tajna portfolio have the most prominent growth among segments, and the growth in sales of coffee and products from the snacks segment is also satisfactory.

OTHER SEGMENTS recorded a double-digit increase in sales primarily due to the increase in sales of the Strategic Distribution Regions HoReCa and the CIS and Baltics, as well as the increase in sales of the Business Unit Baby Food. The Distribution Unit Macedonia and the Business Unit Gourmet recorded a decrease in sales.

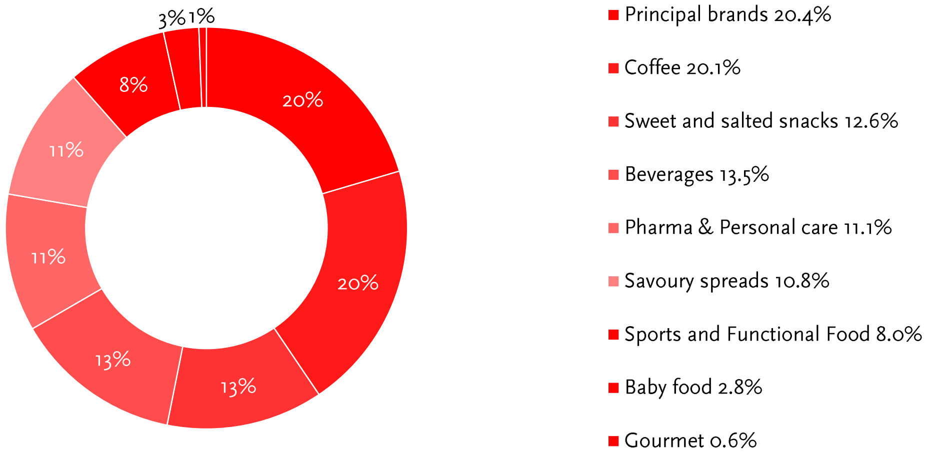
The increase in sales of the STRATEGIC DISTRIBUTION REGION THE CIS AND BALTICS is a result of more favourable commercial terms and improved distribution, accompanied by the positive effect of a mild economic recovery in Russia and stabilisation of the Russian ruble. A significant growth was recorded by sales of Donat Mg from the beverages segment and of baby food under the Bebi brand.

The DISTRIBUTION UNIT MACEDONIA recorded a slight decrease in sales due to lower sales results of the Strategic Business Units Coffee and Beverages, which decreased due to higher prices accompanied by aggressive pricing strategies from competitors, and the Strategic Business Unit Snacks. The decrease was largely compensated by the increase in sales of the Strategic Business Units Savoury Spreads and Pharma and Personal Care, and the external principal Ferrero.

The STRATEGIC DISTRIBUTION REGION HORECA continues with double-digit sales growth. The increase is recorded in all markets, and the greatest contribution was made by the markets of Croatia and Slovenia. The most significant growth is recorded by the sales of vitamin instant drinks under the Cedevita brand, sales of espresso coffee under the Barcaffe brand and external principals.

The BUSINESS UNIT GOURMET recorded a decrease in sales primarily due to the decrease in the market of Slovenia, resulting from difficulties in cooperation with Mercator, which was partly compensated for by the increase in sales on the Serbian and Croatian markets, and on the markets of Germany and Austria.

SALES PROFILE BY SEGMENTS



SALES PROFILE BY MARKETS

(in HRK millions)	H1 2017	% of sales	H1 2016	% of sales	H1 2017/H1 2016
Croatia	740.1	29.5%	688.1	28.0%	7.5%
Serbia	568.8	22.7%	554.2	22.6%	2.6%
Slovenia	403.2	16.1%	401.6	16.3%	0.4%
Bosnia and Herzegovina	201.1	8.0%	190.7	7.8%	5.4%
Other regional markets*	157.9	6.3%	163.3	6.6%	(3.3%)
Key European markets**	265.9	10.6%	270.2	11.0%	(1.6%)
Russia and CIS	109.4	4.4%	91.6	3.7%	19.5%
Other markets	59.0	2.4%	96.9	3.9%	(39.1%)
Total sales	2,505.3	100.0%	2,456.6	100.0%	2.0%

*Other regional markets: Macedonia, Montenegro, Kosovo

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

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

The MARKET OF SERBIA recorded a solid increase in sales due to: (i) the increase in sales of coffee under the Bonito brand, sales of espresso coffee under the Barcaffe brand, and instant Turkish coffee under the Black'n'Easy brand, (ii) the increase in sales of Smoki, Bananica, Prima salty sticks brands as well as biscuits and wafers from the snacks segment, and (iii) the increase in sales of savoury spreads under the Argeta brand. If the effect of the dinar exchange rate is excluded, the revenue in the Serbian market grew by 4.2%.

The SLOVENIAN MARKET recorded sales at the same level as in the previous year. A small increase in sales was recorded by (i) coffee under the Barcaffe brand, (ii) Donat Mg and Cedevita in the beverages category, and (iii) Argeta in the savoury spreads category.

The satisfactory growth in sales 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 and Barcaffe espresso coffee, (ii) savoury spreads under the Argeta brand, and (iii) chocolates under the Najlepše želje and Menaž brands, and biscuits and wafers.

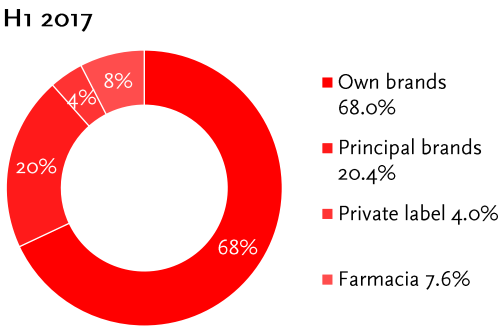
The decrease in sales in OTHER REGIONAL MARKETS was caused by the decrease in sales on the markets of Kosovo and Montenegro, while the Macedonian market recorded sales at the same level as in the same last-year's period.

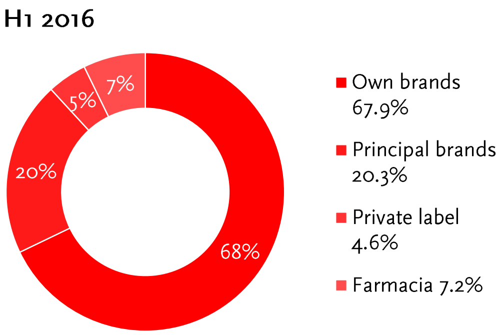
The decrease in sales in the KEY EUROPEAN MARKETS is a consequence of the decrease in sales of products from the sports and functional food portfolio, largely caused by the last year's ending of cooperation with the major buyer of the private label.

Sales in the MARKET OF RUSSIA AND THE COMMONWEALTH OF INDEPENDENT STATES are positively affected by the improved economic situation and appreciation of the Russian ruble. The most prominent growth was recorded by Bebi from the baby food segment, Donat Mg from the beverages segment, and Vitamin C from the Multivita range.

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 (the cooperation was terminated at the end of March 2016). If the decrease caused by the mentioned terminated cooperation is excluded, other markets record a 5.6% growth.

SALES PROFILE BY PRODUCT CATEGORY





In the first half of 2017, OWN BRANDS recorded 2.2% higher sales than in the same period of the previous year, i.e. HRK 1,704.0 million. The growth was recorded by: (i) sales of Argeta in the savoury spreads segment, (ii) sales of Donat Mg, Cedevita, Kala and Kalnička brands in the beverages segment, (iii) sales of Menaž, Bananica, Smoki, Prima brands and wafers and waffles in the snacks segment, and (iv) Bonito and Barcaffe in the coffee segment. On the other hand, the decrease in sales was recorded by Multipower, Multaben and Champ brands from the sports and functional food segment, Grand kafa from the coffee segment and Chipsos from the snacks 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 6.9% growth.

With HRK 511.3 million, PRINCIPAL BRANDS record an increase in sales of 2.5%. The increase is based on the increase in sales of the principals Ferrero, Nocco, Philips, SABMiller and Beam Suntory.

With sales of HRK 100.0 million, PRIVATE LABELS recorded an 11.5% decrease, as a consequence of the last year's termination of cooperation with the major buyer in the sports and functional food segment. This decrease in sales was partly mitigated by the increase in sales of other partners and entering into contracts with new clients.

The pharmacy chain FARMACIA recorded sales of HRK 190.0 million, which is a 7.0% growth compared to the first half of 2016, due to the 10.1 percent increase in sales of the existing Farmacia locations and newly-opened specialised stores.

PROFITABILITY DYNAMICS

(in HRK millions)	H1 2017	H1 2016	H1 2017/ H1 2016
Sales	2,505.3	2,456.6	2.0%
EBITDA	281.5	259.8	8.4%
EBIT	204.1	192.2	6.2%
Net profit/(loss)	154.4	133.7	15.5%
Profitability margins			
EBITDA margin	11.2%	10.6%	+ 66 bp
EBIT margin	8.1%	7.8%	+ 32 bp
Net profit margin	6.2%	5.4%	+ 72 bp

In the first half of 2017, Atlantic Grupa recorded **EBITDA** in the amount of HRK 281.5 million, which is an 8.4% increase compared to the same period of the previous year. The increase in EBITDA is mainly affected by the improved sales mix, since the decrease in sales of private labels and products from the sports and functional food segment was largely compensated by the growth in sales of other own brands. These positive impacts fully annulled the negative impact of cost of production materials, that grew primarily due to significantly higher average prices of raw coffee and unfavourable exchange rate of US Dollar.

Due to the increase in amortisation and depreciation costs of 14.7%, EBIT grew slower, i.e. by 6.2%. Net profit before minorities recorded an increase of 15.5%, primarily due to lower finance costs and higher foreign exchange gains.

OPERATING EXPENSES STRUCTURE

(in HRK millions)	H1 2017	% of sales	H1 2016	% of sales	H1 2017/H1 2016
Cost of goods sold	591.2	23.6%	603.9	24.6%	(2.1%)
Change in inventory	(20.3)	(0.8%)	(22.1)	(0.9%)	(8.3%)
Production materials	825.7	33.0%	796.7	32.4%	3.6%
Energy	27.7	1.1%	28.5	1.2%	(2.9%)
Services	196.6	7.8%	198.5	8.1%	(0.9%)
Staff costs	385.1	15.4%	377.9	15.4%	1.9%
Marketing and selling expenses	163.6	6.5%	169.2	6.9%	(3.3%)
Other operating expenses	88.0	3.5%	82.7	3.4%	6.5%
Other (gains)/losses, net	(14.1)	(0.6%)	(8.3)	(0.3%)	n/a
Depreciation and amortization	77.4	3.1%	67.5	2.7%	14.7%
Total operating expenses	2,321.0	92.6%	2,294.7	93.4%	1.1%

The 2.1% decrease in cost of goods sold is a consequence of lower sales resulting from the terminated cooperation with a buyer of the private label, impacting the decrease in the share of cost of goods sold.
Costs of production materials are 3.6% higher, as a result of higher prices of raw materials, primarily raw coffee and sugar.
Costs of services are lower primarily due to savings resulting from restructuring in the sports and functional food segment.
Staff costs increased due to a higher number of employees and higher variable payments following better sales results. As at 30 June 2017, Atlantic Grupa had 5,641 employees, 165 more compared to the end of the same period of the previous year.
Marketing expenses decreased by 3.3%, primarily due to lower marketing expenses in the segments of coffee, savoury spreads and pharma and personal care.
Other (gains)/losses – net: Gains were primarily realised on financial (forward) instruments in the coffee segment.

OPERATING RESULT OF STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(HRK million)	H1 2017	H1 2016	H1 2017/H1 2016
SBU Coffee	97.4	91.8	6.2%
SBU Beverages	84.5	97.8	(13.6%)
SBU (Sweet and Salted) Snacks	59.8	60.8	(1.6%)
SBU Savoury Spreads	67.2	63.5	5.7%
SBU Pharma and Personal Care	25.9	21.7	19.2%
SBU Sports and Functional Food	(4.5)	(11.5)	60.5%
SDU Serbia	9.2	4.9	86.8%
SDU Croatia	11.1	4.8	130.7%
DU Slovenia	17.2	16.9	1.5%
SDR Zone West	(17.4)	(10.1)	(71.9%)
Other segments*	(68.8)	(80.9)	14.9%
Group EBITDA	281.5	259.8	8.4%

STRATEGIC BUSINESS UNITS: The Strategic Business Unit Coffee records a profitability growth due to the increase in sales, despite a significant growth in the prices of raw coffee, which was partly compensated for by raising retail prices. Strategic Business Units Savoury Spreads and Pharma and Personal Care record a profitability growth due to the increase in sales, while the Strategic Business Unit Sports and Functional Food records better profitability due to lower expenses as a result of the implemented restructuring and more favourable relative gross margin. The Strategic Business Unit Beverages records a decrease in profitability due to the absence of one-off refund of amounts overpaid for the water concession, which was present in the same period of the previous year, while the Strategic Business Unit Snacks records a slight decrease in profitability due to higher price of sugar and increased investment in marketing activities.

STRATEGIC DISTRIBUTION UNITS AND DISTRIBUTION UNITS: The profitability growth in the SDU Croatia, SDU Serbia and DU Slovenia is a result of increase in sales and favourable customer mix that resulted in lower rebates. The decrease in profitability of the SDU Zone West is the result of a drop in sales.

OTHER SEGMENTS: The increase in profitability of the SDR HoReCa is based on the increase in sales. The increase in profitability of the BU Baby Food and SDR the CIS and Baltics was caused by the increase in sales, following the stabilisation of the economic situation in Russia and the recovery of the Russian ruble. The DU Macedonia recorded profitability at the same level as in the previous year, while the profitability of the BU PP Gourmet dropped following the decrease in revenues, caused by the simplification of the sales portfolio.

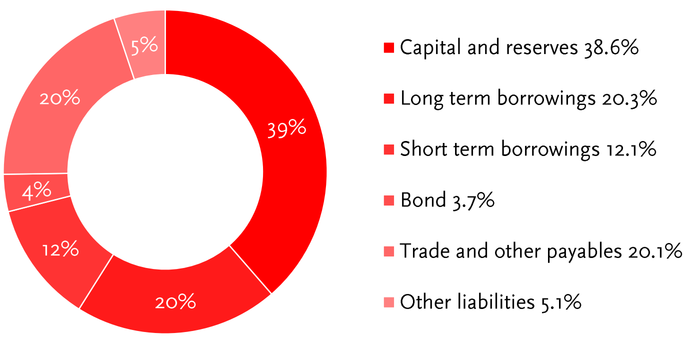
FINANCIAL INDICATORS

(in HRK millions)	H1 2017	2016
Net debt	1,482.76	1,502.05
Total assets	5,371.30	5,395.84
Total Equity	2,073.39	2,016.49
Current ratio	1.38	1.41
Gearing ratio	41.7%	42.7%
Net debt/EBITDA	2.99	3.17
	H1 2017	H1 2016
Interest coverage ratio	8.02	6.00
Capital expenditure	58.28	47.96
Cash flow from operating activities	80.96	-115.22

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

Due to the decrease in net debt of HRK 19.29 million at the end of the first half of 2017, compared to the end of 2016, the gearing ratio decreased by 99 basis points. The debt measured as the net debt to EBITDA ratio compared to the end of 2016 decreased from 3.17 to 2.99 at the end of the first half of 2017. At the same time, the coverage of interest expense by EBITDA increased from 6.00 to 8.02, and cash flow operating activities increased to HRK 80.96 million.

THE ATLANTIC GRUPA'S EQUITY AND LIABILITIES STRUCTURE AS AT 30 JUNE 2017



OVERVIEW OF KEY ITEMS IN THE CONSOLIDATED CASH FLOW STATEMENT

As presented in the published results in the first quarter of 2017, the increase in cash flow from operating activities in the first quarter of 2017 compared to the same period of the previous year is the result of solving problems with collection of receivables and optimisation of inventories that were caused during the previous year by launching distribution operations in Germany and Austria and the implementation of the SAP solution, in these two countries as well as in Croatia.

Capital expenditure in the first half of 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 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: investment in the new line for rigid packaging of Cedevita;
- SBU SNACKS: investment in the renovation of the administration building, new line for the production of Bananica and the improved production efficiency;
- SBU COFFEE: purchase of espresso and Coffee2GO machines, investment in production equipment for the purpose of improving production efficiency;
- BU Gourmet: investment in production equipment for the purpose of improving production efficiency;
- IT: implementation of business applications.

Following the decision by the General Assembly held on 29 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.

OUTLOOK
FOR 2017

Management has the same expectations for 2017 as announced on 28th February 2017, as follows:

(in HRK millions)	2017 Guidance	2016.	2017/2016
Sales	5,300	5.106	3,8%
EBITDA	475	474	0,1%
EBIT	310	308	0,7%
Interest expense	65	78	(17,0%)

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

The expected effective tax rate in 2017 will remain unchanged.

The outlook presented above does not include the exceptional gain of approximately HRK 50 million that will be realised from the transaction with Aminolabs.

CONSOLIDATED FINANCIAL REPORTS

FOR THE FIRST HALF OF 2017

ATLANTIC GRUPA d.d.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

ATLANTIC GRUPA d.d.

CONSOLIDATED INCOME STATEMENT

in thousands of HRK, unaudited	Jan - Jun 2017	Jan - Jun 2016	Index	Apr - Jun 2017	Apr - Jun 2016	Index
Turnover	**2,525,109**	**2,486,886**	**101.5**	**1,396,707**	**1,324,460**	**105.5**
Sales revenues	2,505,275	2,456,581	102.0	1,384,088	1,301,339	106.4
Other revenues	19,834	30,305	65.4	12,619	23,121	54.6
Operating expenses	**(2,243,577)**	**(2,227,134)**	**100.7**	**(1,224,103)**	**(1,168,609)**	**104.7**
Cost of merchandise sold	(591,198)	(603,924)	97.9	(329,367)	(300,926)	109.5
Change in inventories	20,285	22,118	91.7	7,917	19,332	41.0
Production material and energy	(853,385)	(825,274)	103.4	(462,009)	(446,695)	103.4
Services	(196,631)	(198,510)	99.1	(103,540)	(107,102)	96.7
Staff costs	(385,086)	(377,939)	101.9	(199,410)	(194,447)	102.6
Marketing and selling expenses	(163,622)	(169,217)	96.7	(95,824)	(97,452)	98.3
Other operating expenses	(88,027)	(82,657)	106.5	(47,667)	(41,462)	115.0
Other gains - net	14,087	8,269	170.4	5,797	143	4053.8
EBITDA	**281,532**	**259,752**	**108.4**	**172,604**	**155,851**	**110.7**
Depreciation and impairment	(77,419)	(67,521)	114.7	(38,747)	(33,455)	115.8
EBIT	**204,113**	**192,231**	**106.2**	**133,857**	**122,396**	**109.4**
Finance costs - net	(9,376)	(27,357)	34.3	(5,485)	(14,473)	37.9
Profit before tax	**194,737**	**164,874**	**118.1**	**128,372**	**107,923**	**118.9**
Income tax	(40,343)	(31,167)	129.4	(26,347)	(19,416)	135.7
Profit for the period	**154,394**	**133,707**	**115.5**	**102,025**	**88,507**	**115.3**
Attributable to:						
Non-controlling interest	316	214	147.7	212	314	67.5
Owners of the parent	154,078	133,493	115.4	101,813	88,193	115.4
Earnings per share for profit attributable to the owners of the Company						
- basic	46.24	40.04		30.56	26.45	
- diluted	46.24	40.04		30.56	26.45	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of HRK, unaudited	Jan - Jun 2017	Jan - Jun 2016	Index	Apr - Jun 2017	Apr - Jun 2016	Index
Profit for the year	**154,394**	**133,707**	**115.5**	**102,025**	**88,507**	**115.3**
Cash flow hedge	(20,466)	(4,092)	500.1	(13,726)	6,129	n/a
Currency translation differences	(26,922)	(50,361)	53.5	12,411	(9,251)	n/a
Total comprehensive income	**107,006**	**79,254**	**135.0**	**100,710**	**85,385**	**117.9**
Attributable to:						
Non-controlling interest	245	175	140.0	199	311	64.0
Equity holders of the Company	106,761	79,079	135.0	100,511	85,074	118.1
Total comprehensive income	107,006	79,254	135.0	100,710	85,385	117.9

ATLANTIC GRUPA d.d.

CONSOLIDATED BALANCE SHEET

in thousands of HRK, unaudited	30 June 2017	31 December 2016
ASSETS		
Non-current assets		
Property, plant and equipment	1,059,765	1,082,059
Investment property	1,213	1,259
Intangible assets	1,736,204	1,756,217
Deferred tax assets	41,324	47,293
Available-for-sale financial assets	1,008	915
Trade and other receivables	75,759	59,102
	2,915,273	2,946,845
Current assets		
Inventories	689,765	623,318
Trade and other receivables	1,274,424	1,300,568
Prepaid income tax	19,839	10,326
Derivative financial instruments	-	18,139
Deposits given	250	227
Cash and cash equivalents	466,362	490,730
	2,450,640	2,443,308
Non-current assets held for sale	5,382	5,687
Total current assets	2,456,022	2,448,995
TOTAL ASSETS	**5,371,295**	**5,395,840**
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the Company		
Share capital	133,372	133,372
Share premium	881,051	881,489
Treasury shares	(1,863)	(88)
Reserves	(175,459)	(80,964)
Retained earnings	1,233,065	1,079,698
	2,070,166	2,013,507
Non-controlling interest	3,226	2,981
Total equity	2,073,392	2,016,488
Non-current liabilities		
Borrowings	1,291,701	1,422,605
Deferred tax liabilities	163,735	171,811
Other non-current liabilities	6,531	6,673
Provisions	57,370	58,036
	1,519,337	1,659,125
Current liabilities		
Trade and other payables	1,080,287	1,073,996
Borrowings	650,638	588,539
Derivative financial instruments	7,033	-
Current income tax liabilities	27,414	9,231
Provisions	13,194	48,461
	1,778,566	1,720,227
Total liabilities	3,297,903	3,379,352
TOTAL EQUTIY AND LIABILITIES	**5,371,295**	**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	-	-	133,493	133,493	214	133,707
Cash flow hedge	-	(4,092)	-	(4,092)	-	(4,092)
Other comprehensive income	-	(50,322)	-	(50,322)	(39)	(50,361)
Total comprehensive income	-	(54,414)	133,493	79,079	175	79,254
Transactions with owners:						
Purchase of treasury shares	(1,076)	-	-	(1,076)	-	(1,076)
Share based payment	1,160	-	-	1,160	-	1,160
Transfer	-	(18,921)	18,921	-	-	-
Dividends relating to 2015	-	-	(47,661)	(47,661)	-	(47,661)
At 30 June 2016	1,014,773	(99,599)	1,059,078	1,974,252	2,733	1,976,985
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	-	-	154,078	154,078	316	154,394
Cash flow hedge	-	(20,466)	-	(20,466)	-	(20,466)
Other comprehensive income	-	(26,851)	-	(26,851)	(71)	(26,922)
Total comprehensive income	-	(47,317)	154,078	106,761	245	107,006
Transactions with owners:						
Acquisition of non-controlling interest	-	-	(1,001)	(1,001)	-	(1,001)
Purchase of treasury shares	(7,431)	-	-	(7,431)	-	(7,431)
Share based payment	5,218	-	-	5,218	-	5,218
Transfer	-	(47,178)	47,178	-	-	-
Dividends relating to 2016	-	-	(46,888)	(46,888)	-	(46,888)
At 30 June 2017	1,012,560	(175,459)	1,233,065	2,070,166	3,226	2,073,392

ATLANTIC GRUPA d.d.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of HRK, unaudited	**Jan - Jun 2017**	**Jan - Jun 2016**
Cash flows from /(used in) operating activities		
Net profit	**154,394**	**133,707**
Income tax	40,343	31,167
Depreciation, amortization and impairment	77,419	67,521
Gain on sale of property, plant and equipment	(1,686)	817
Provision for current assets	13,828	8,096
Foreign exchange differences - net	(25,378)	(25,703)
Decrease in provisions for risks and charges	(35,933)	(35,695)
Fair value gains on financial assets	(10,728)	(4,864)
Share based payment	5,218	1,160
Interest income	(2,201)	(1,778)
Interest expense	35,104	43,283
Other non-cash items, net	(4)	(110)
Changes in working capital:		
Increase in inventories	(75,137)	(109,964)
Decrease / (increase) in current receivables	2,545	(115,124)
Increase / (decrease) in current payables	3,872	(31,711)
Cash generated from operations	**181,656**	**(39,198)**
Interest paid	(72,978)	(46,614)
Income tax paid	(27,718)	(29,410)
	80,960	**(115,222)**
Cash flow used in investing activities		
Purchase of property, plant and equipment and intangible assets	(58,276)	(47,956)
Proceeds from sale of property, plant and equipment and non-current assets held for sale	2,795	43,677
Proceeds from sale assets	18,750	-
Loans granted and deposits placed	(18,401)	(2,810)
Repayments of loan and deposits granted	1,087	1,544
Interest received	2,003	1,308
	(52,042)	**(4,237)**
Cash flow (used in)/ from financing activities		
Purchase of treasury shares	(7,431)	(1,076)
Proceeds from borrowings, net of fees paid	90,377	151,740
Repayment of borrowings	(132,638)	(227,493)
Bonds issued	-	200,000
Redemption of bonds	-	(28,002)
Witholding tax paid on dividend	(1,904)	(2,649)
Acquisition of interest in a subsidiary from non-controlling interests	(1,690)	-
	(53,286)	**92,520**
Net decrease in cash and cash equivalents	**(24,368)**	**(26,939)**
Cash and cash equivalents at beginning of period	490,730	365,692
Cash and cash equivalents at end of period	466,362	338,753

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 six month period ended 30 June 2017 were approved by the Management Board of the Company in Zagreb on 26 July 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 six month period ended 30 June 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-Jun 2017**	**Jan-Jun 2016**
SBU Beverages	338,036	319,622
SBU Coffee	503,552	493,385
SBU (Sweet and Salted) Snacks	315,195	302,489
SBU Savoury Spreads	270,265	253,134
SBU Sports and Functional Food	201,385	257,364
SBU Pharma and Personal Care	287,151	266,198
SDU Croatia	471,389	445,438
SDU Zone West	234,968	274,491
SDU Serbia	526,088	515,180
DU Slovenia	347,589	351,782
Other segments	414,398	370,288
Reconciliation	(1,404,741)	(1,392,790)
Total	**2,505,275**	**2,456,581**

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

NOTE 3 – SEGMENT INFORMATION (continued)

Business results	EBITDA[2]	
	Jan- Jun	Jan- Jun
(in thousands of HRK)	2017	2016
SBU Beverages	84,512	97,788
SBU Coffee	97,440	91,780
SBU (Sweet and Salted) Snacks	59,816	60,772
SBU Savoury Spreads	67,172	63,548
SBU Sports and Functional Food	(4,538)	(11,483)
SBU Pharma and Personal Care	25,884	21,719
SDU Croatia	11,120	4,821
SDU Zone West	(17,444)	(10,149)
SDU Serbia	9,215	4,932
DU Slovenia	17,172	16,927
Other segments	(68,817)	(80,903)
Total	**281,532**	**259,752**

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

NOTE 4 – EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit of the Group by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

	2017	2016
Net profit attributable to equity holders *(in thousands of HRK)*	154,078	133,493
Weighted average number of shares	3,332,312	3,334,013
Basic earnings per share *(in HRK)*	46.24	40.04

Diluted earnings per share

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

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six month period ended 30 June 2017, Group invested HRK 58,276 thousand in purchase of property, plant and equipment and intangible assets (2016: HRK 47,956 thousand).

In the first half of 2016 the Group has sold Non-current assets held for sale for the amount of HRK 42,002 thousand.

NOTE 6 - INVENTORIES

During the six month period ended 30 June 2017, the Group wrote down inventories in the amount of HRK 8,690 thousand due to damage and short expiry dates (2016: HRK 5,647 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. Dividend was paid out in July 2017 and at the 30 June 2017 dividend payable was stated in the balance sheet under Trade and other payables position.

NOTE 8 – RELATED PARTY TRANSACTIONS

Related party transactions that relate to balance sheet as at 30 June 2017 and 31 December 2016 and transactions recognized in the Income statement for the six month period ended 30 June are as follows:

(all amounts expressed in thousands of HRK)	**30 June 2017**	**31 December 2016**
RECEIVABLES		
Long term loans given		
Shareholders	17,214	-
Current receivables		
Other entities	108,278	98,322
LIABILITIES		
Trade and other payables		
Shareholders	51,937	44,954
Other entities	1,262	3,906
	53,199	48,860

REVENUES	**Jan – Jun 2017**	**Jan – Jun 2016**
Sales revenues		
Other entities	237,651	231,150
Other revenues		
Other entities	476	304
EXPENSES		
Marketing and promotion expenses		
Other entities	6,171	5,750
Other expenses		
Other entities	1,078	1,070
Finance cost - net		
Shareholders	6,784	-

NOTE 9 – EVENTS AFTER BALANCE SHEET DATE

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 will be spinned off in a special business unit that will remain in full ownership of Atlantic. Transaction is valued at around 200 million kuna of which 150 million will be processed upon the signing of the contract while the rest will be payed in full in the next two years. The completion of the transaction is expected in the last quarter of this year.

Atlantic Grupa d.d.
Miramarska 23
Zagreb

Register number: 1671910

Zagreb, July 27th 2017

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 2017 to 30 June 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 30 June 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:

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ATLANTIC GRUPA
Joint Stock Company for Domestic and Foreign Trade
Miramarska 23, 10000 Zagreb, Hrvatska
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
Broj računa: 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