

FINANCIAL RESULTS IN 2018

(UNAUDITED)

YEAR OF RECORDS FOR ATLANTIC GRUPA

Zagreb, 28th February 2019

ATLANTIC
GRUPA

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2. FINANCIAL RESULTS IN 2018

3. GUIDANCE FOR 2019

KEY DEVELOPMENTS IN 2018

ORGANIC GROWTH
OF SALES AND
PROFITABILITY

HISTORICALLY THE
HIGHEST SALES ON
ALL REGIONAL
MARKETS

HISTORICALLY THE
HIGHEST MARKET
CAPITALIZATION of
HRK 3.868m

HISTORICALLY THE
HIGHEST AMOUNT OF
CASH GENERATED
THROUGH OPERATIONS
of HRK 634m

LOWEST NET
DEBT/EBITDA OF 1.5x
SINCE DROGA
KOLINSKA
ACQUISITION

CONFIRMING
SETTLEMENT
AGREEMENT WITH
AGROKOR GROUP

CONTINUED
DISINVESTMENT OF
NON-CORE
SEGMENTS

LISTING ON „PRIME”
MARKET OF ZSE

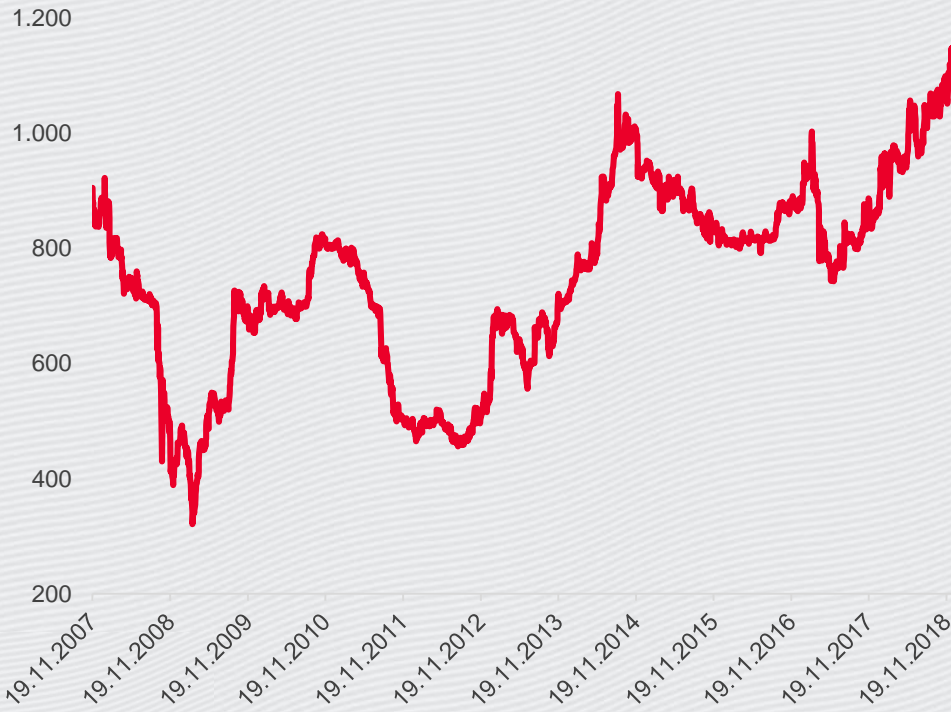
ORGANIC GROWTH OF SALES AND PROFITABILITY

ORGANIC SALES
GROWTH
+ 4.2%
HRK 5.256m

NORMALISED
EBITDA
+ 9.3%
HRK 566m

RECORD PERFORMANCE ON CAPITAL MARKET

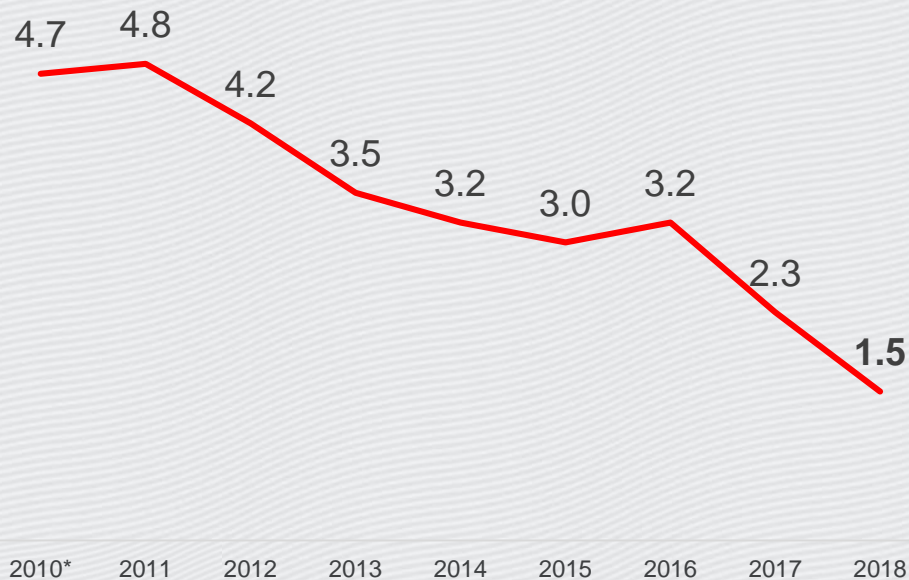
RECORD MARKET CAPITALIZATION of HRK 3.868m



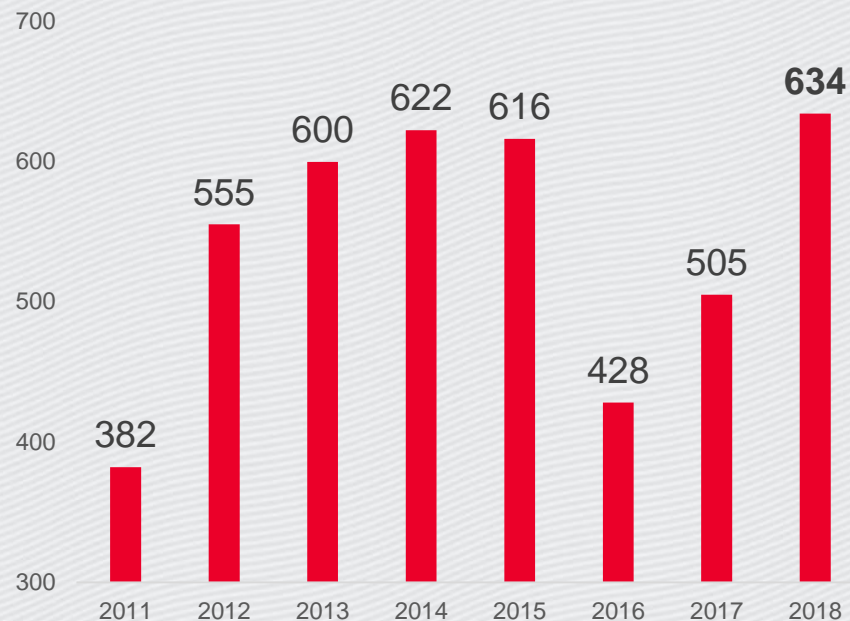
- LISTING ON the PRIME MARKET of ZSE
- ZSE AWARD for THE HIGHEST PRICE INCREASE in 2018 +35% YoY
- FIRST AWARD for INVESTOR RELATIONS at the Conference of Zagreb Stock Exchange and Fund industry
- Increase of AVERAGE DAILY TURNOVER in 2018 for 23% YoY

LOWER NET DEBT AND STRONG CASH FLOW

LOWEST NET DEBT/EBITDA SINCE DROGA KOLINSKA ACQUISITION



HISTORICALLY THE HIGHEST AMOUNT OF CASH GENERATED THROUGH OPERATIONS



* Pro-forma konsolidirano

SUCCESS OF OWN BRANDS

ARGETA®

1

Bosnia and Herzegovina

Slovenia

Austria

Switzerland

Montenegro

Since August 2018

CROATIA



"Based on Nielsen RMS data for the Meat Pate/Spread category (defined by Droga Kolinska) for the 12-month period ending March 31st, 2018 for the 19 European countries (Austria, Bosnia and Herzegovina, Croatia, Czech Republic, Denmark, France, Germany, Great Britain, Italy, Montenegro, Netherlands, Poland, Romania, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland) total retail market as per local specifics (Copyright © 2018, Nielsen)"

SUCCESS OF OWN BRANDS



HoReCa sales
+47% yoy



Barcaffe
Espresso
+13% yoy



B'n'E
+19% yoy



110th birthday
+25% yoy in
Russia



80th birthday
+9% yoy



10th birthday
+6% yoy

NEW EXTERNAL PRINCIPALS

MARS



Red Bull®



ENERGY DRINK



HiPP



DISINVESTMENT OF NON-CORE SEGMENTS

Atlantic Grupa sold NEVA to renowned Croatian cosmetics manufacturer – MAGDIS

Production site in Rakitje and product portfolio with 52 employees

Atlantic Grupa remains distributor of Neva's portfolio

Sales of HRK 60m
EBITDA of HRK 4.4m

Negative effect of one-off item (gain from sale reduced by the provision for legal claim): HRK 19.7m



CONTENT

1. KEY DEVELOPMENTS IN 2018

2. FINANCIAL RESULTS IN 2018

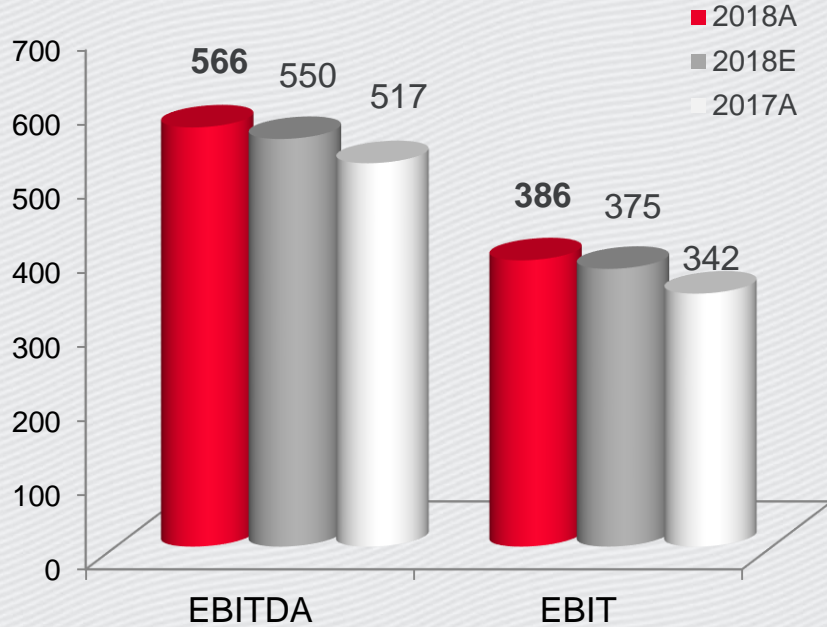
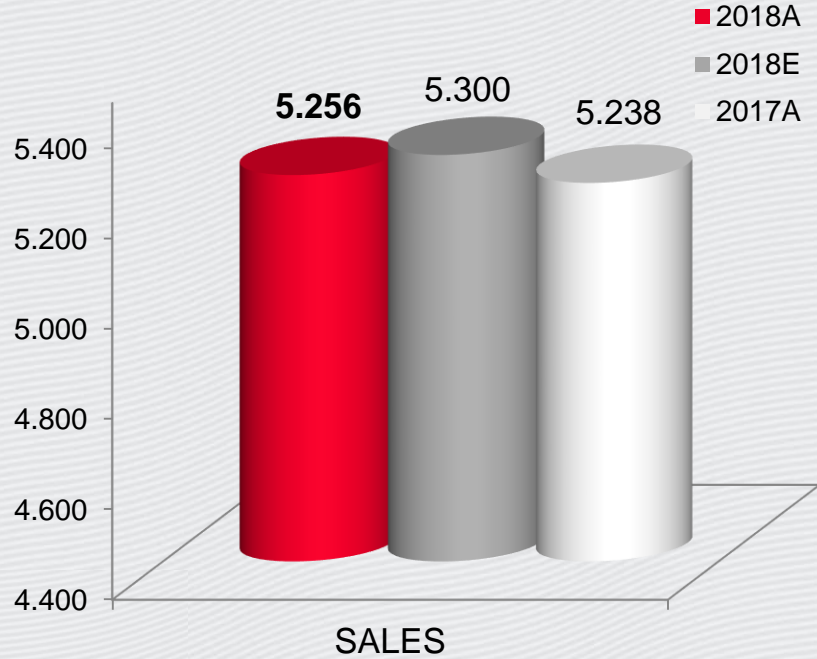
3. GUIDANCE FOR 2019

RESULTS IN LINE WITH EXPECTATIONS

2018A/2018E: 99.2
2018A/2017A: 100.3

2018A/2018E: 102.8
2018A/2017A: 109.3

2018A/2018E: 103.1
2018A/2017A: 113.1



* Normalized data

ORGANIC SALES GROWTH OF +4.2%

HRKm	2018	2017	2018 / 2017	COMMENTS
SBU Coffee	1.124	1.086	3.5%	<ul style="list-style-type: none"> ▪ SBU Coffee: growth in all key markets and key categories. ▪ SBU Beverages: growth of the brands Cedevita, Donat Mg, Cockta and bottled waters. ▪ SBU (Sweet and Salted) Snacks: growth in Serbia, B&H, Montenegro and Slovenia. ▪ SBU PPC: a decrease in due to baby food. Excluding baby food, sales growth +2.2%. ▪ SBU Savoury Spreads: growth of Argeta in all regional markets, Western European markets and the USA. ▪ SBU SFF: disinvestment of private label production ▪ SDU and DU: growth in all key markets, except Russia, Germany and Switzerland
SBU Beverages	711	661	7.5%	
SBU (Sweet and Salted) Snacks	688	666	3.3%	
SBU Pharma and Personal Care	648	687	(5.7%)	
SBU Savoury Spreads	639	569	12.4%	
SBU Sports and Functional Food	134	401	(66.6%)	
<i>From which private label production</i>	<i>0,3</i>	<i>193,9</i>	<i>(99.8%)</i>	
SDU Croatia	1.265	1.126	12.4%	
SDU Serbia	1.253	1.191	5.3%	
SDU Slovenia	908	872	4.1%	
Global distribution network management	371	399	(7.0%)	
Other segments*	333	311	7.1%	
Reconciliation**	(2.818)	(2.730)	n/a	
Sales	5.256	5.238	0.3%	

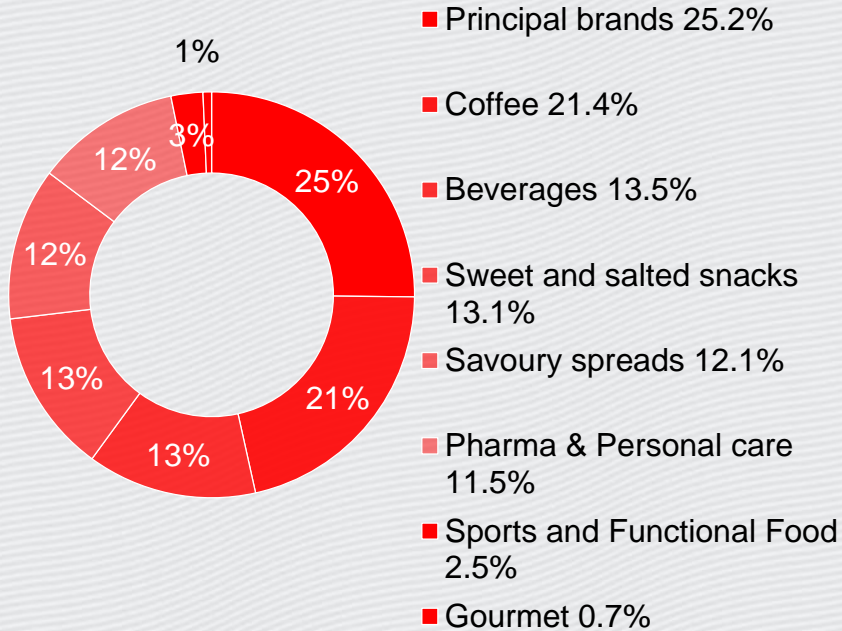
Comparative period has been adjusted to reflect current period reporting.

* Other segments include BU Gourmet, DU Macedonia and DU Austria and business activities not allocated to business and distribution units (headquarters and support functions in Serbia, Slovenia and Macedonia) which are excluded from the reportable operating segments.

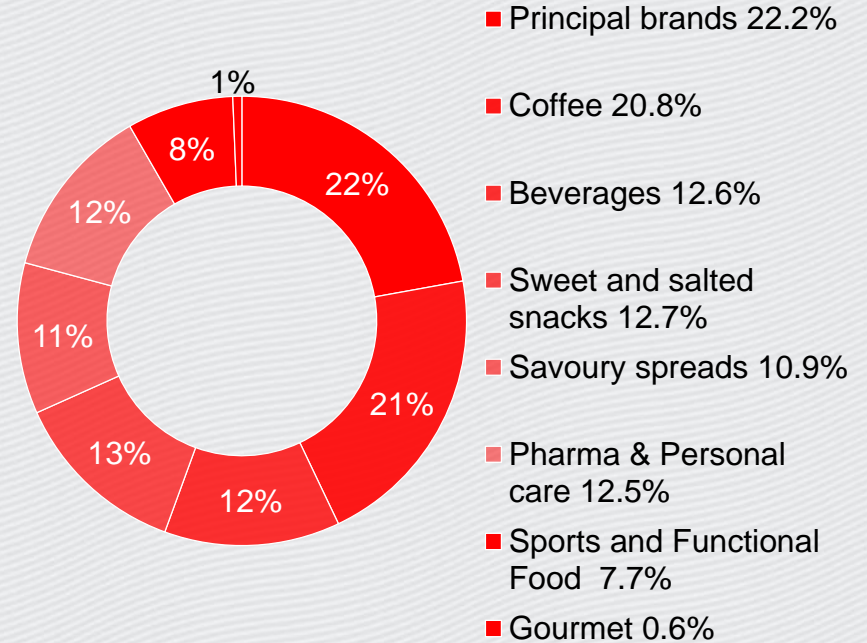
** Line item "Reconciliation" relates to the sale of own brands which is included in the appropriate SBU and BU and in SDUs, SDRs and DUs through which the products were distributed.

SALES BY SEGMENTS

2018

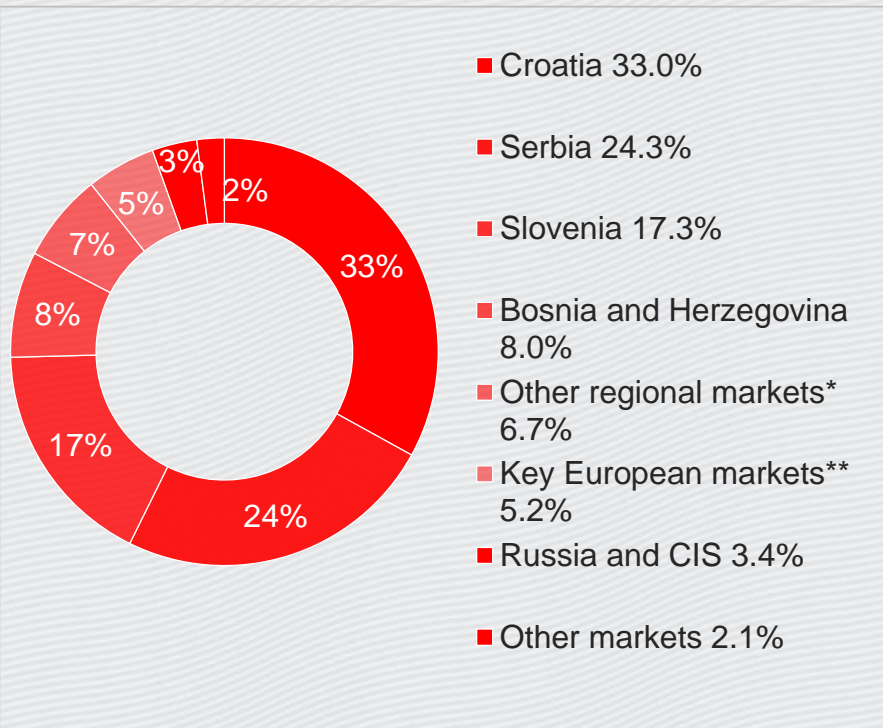


2017

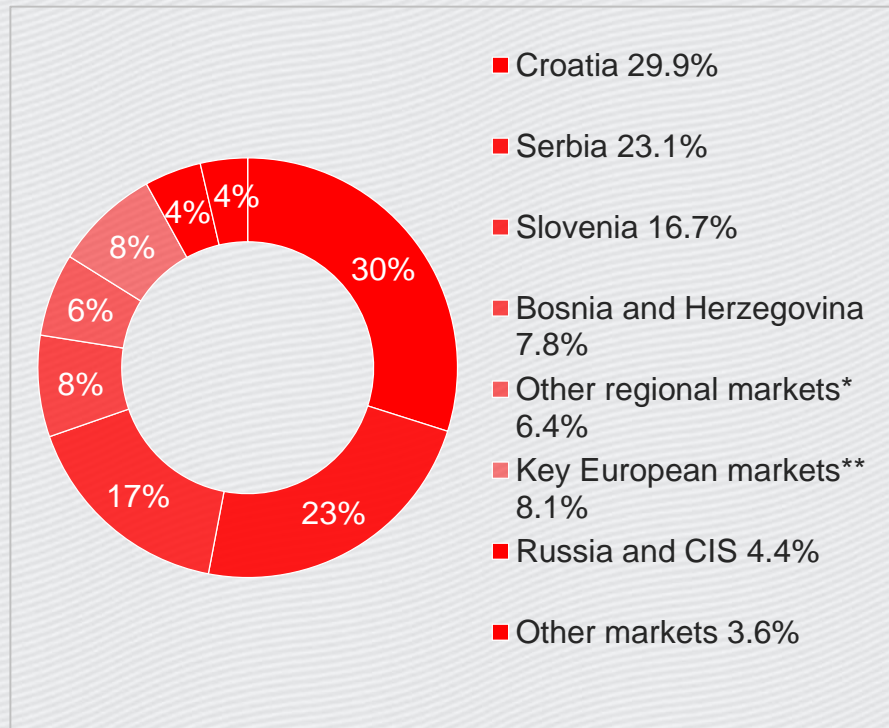


SALES BY MARKETS

2018



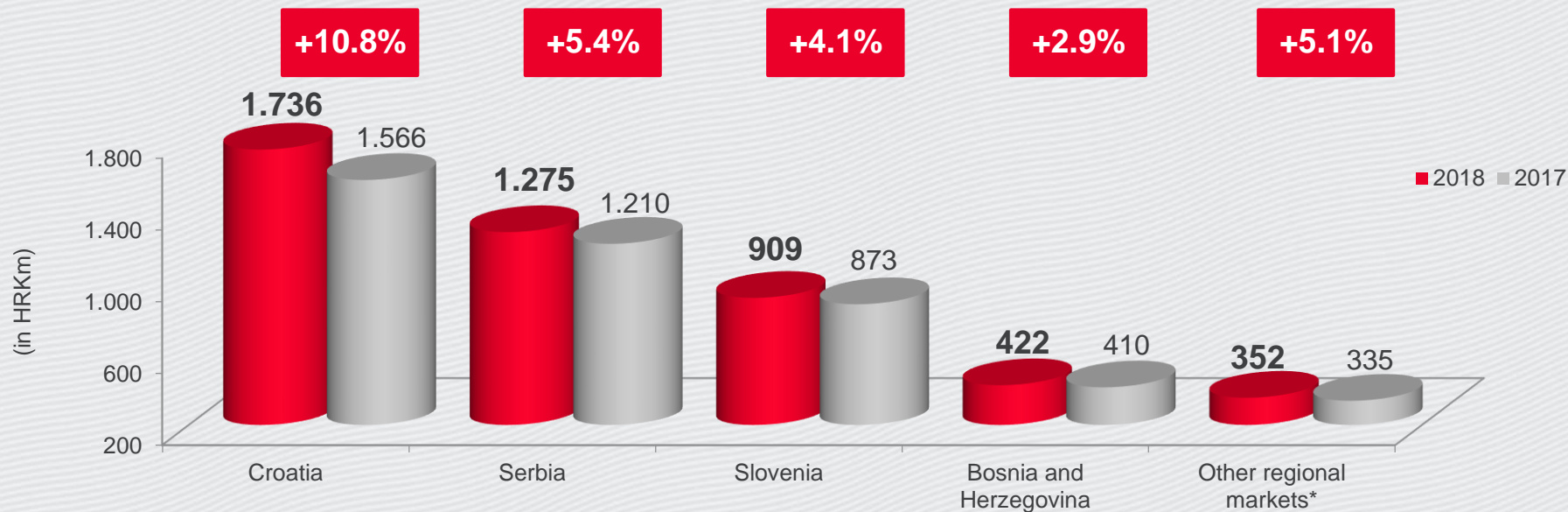
2017



* Macedonia, Montenegro, Kosovo

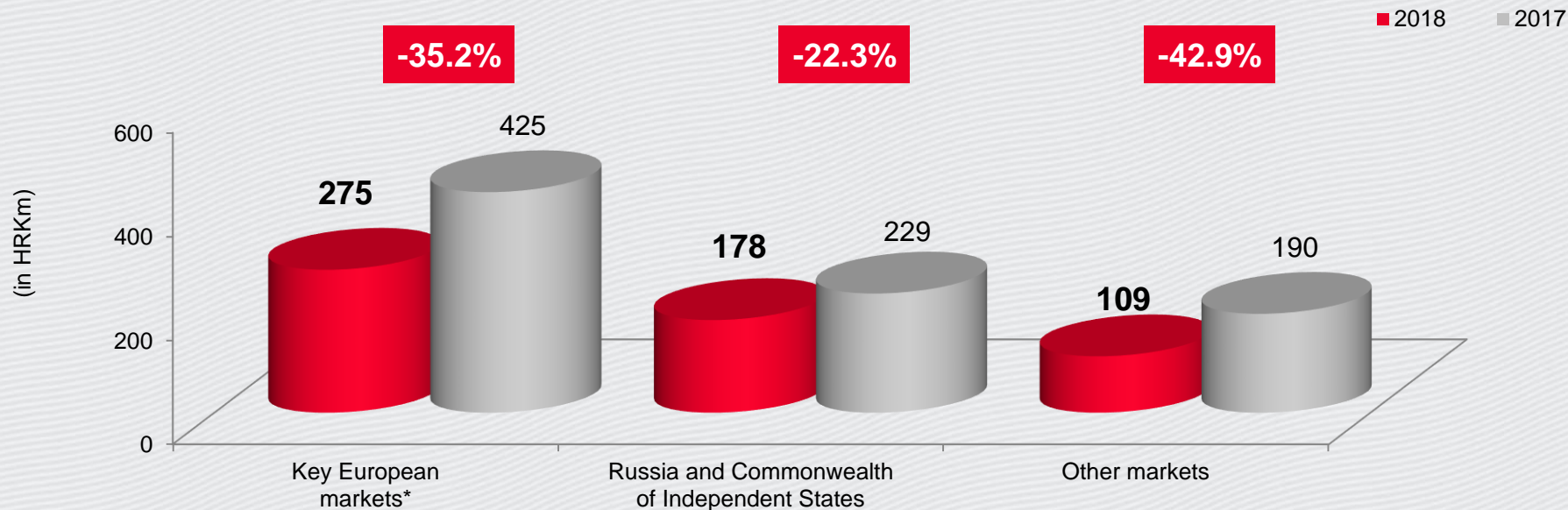
** Germany, Switzerland, Austria, Sweden

HISTORICALLY HIGHEST SALES ON REGIONAL MARKETS



- Croatia: sales growth (i) the pharmacy chain Farmacia, (ii) Cedevida, Kala, Cockta, Argeta and Barcaffe, & (iii) most of external principals.
- Serbia: sales growth of key brands from coffee, sweet and salted, beverages, savoury spreads and gourmet segments.
- Slovenia: sales growth (i) Cockta, Cedevida and Donat Mg, Argeta and Barcaffe, and (ii) external principals.
- B&H: sales growth (i) Argeta, (ii) Cockta and Cedevida & (iii) Barcaffe espresso coffee.
- Other regional markets: sales growth in Macedonia and Montenegro, while sales decreased in Kosovo.

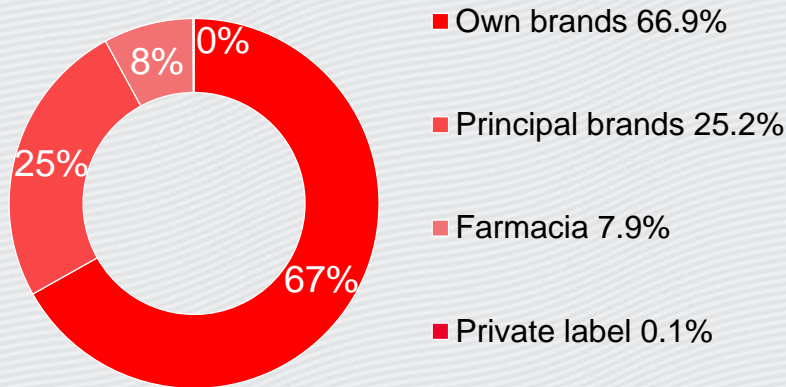
SALES PROFILE BY MARKETS



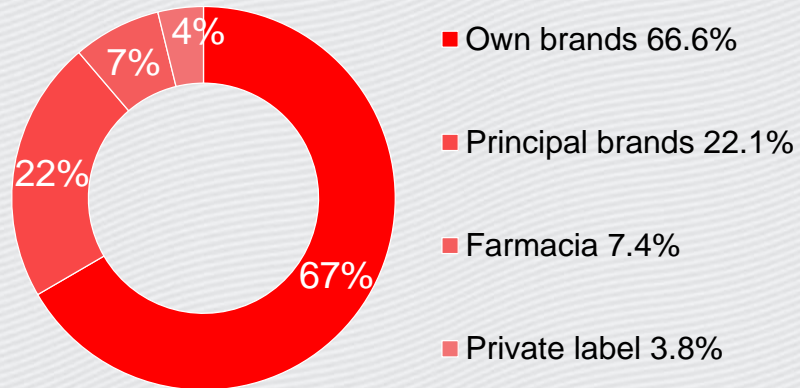
- Key European markets* (Germany, United Kingdom, Italy, Switzerland, Austria, Sweden, Spain): a decrease in sales in most markets in the sports and functional food segment. If we exclude this decrease, other markets recorded growth of +19.5%.
- Russia and CIS: a decrease in sales primarily caused by the decrease in baby food and sports and functional food sales, partly compensated by the increase in sales of Donat Mg and Argeta. If we exclude this decrease, Russia and CIS grew slightly.
- Other markets: a significant decrease in sales of the sports and functional food segment. If we exclude this decrease, other markets recorded a +6.0% growth.

SALES PROFILE BY CATEGORIES

2018

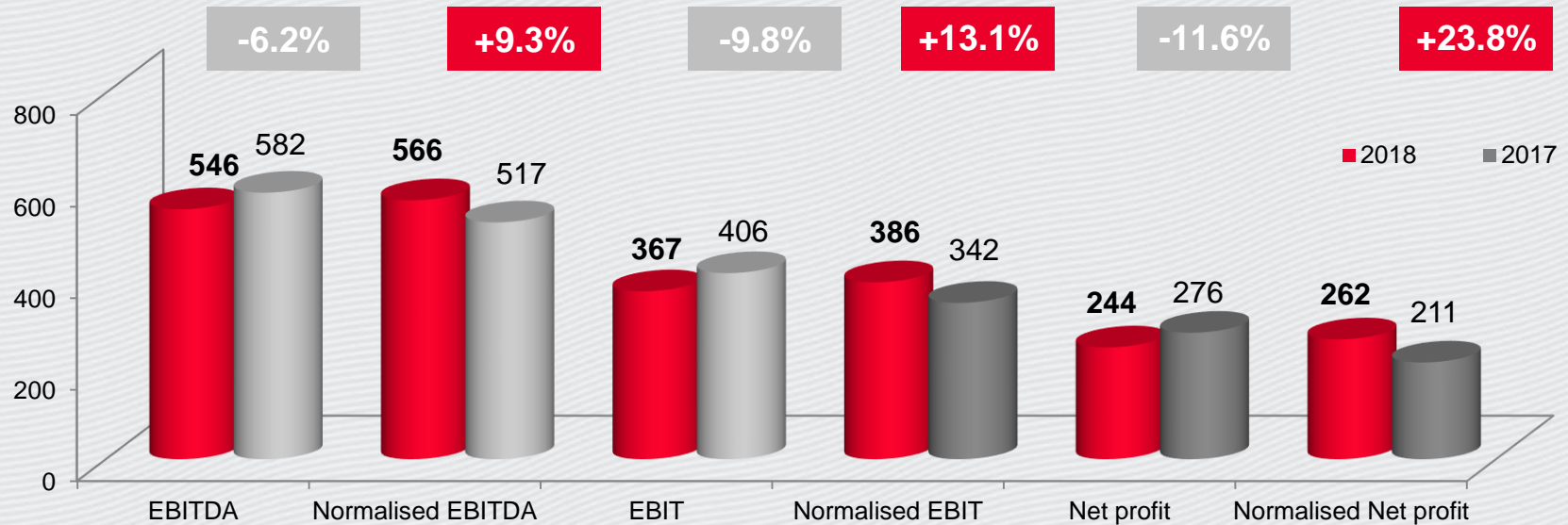


2017



- **Own brands:** +0.7% due to: Argeta, Cedevita, Donat Mg, Cockta, Barcaffè, Grand, Bonito, Najlepše želje, Smoki, Bananica and Prima sticks. Decrease in sales of brands in sports and functional food and baby food, if excluding the decrease, sales growth +4.4%.
- **Principal brands:** +14.3% based on the growth of existing principals and adding new principals.
- **Private label:** -97.6% following the private label production disinvestment of sports and functional food segment and disinvestment of Neva.
- **Farmacia:** +6.2% due to increase in sales of existing Farmacia locations and newly opened specialized store (in 2018 Farmacia consists of 85 locations).

PROFITABILITY DYNAMICS



- Higher EBITDA is mainly impacted by higher sales in most business units, lower costs of production materials and lower operating costs, despite the higher COGS and MEX.
- Significantly lower interest expense due to lower foreign exchange gains.
- Normalised net profit increased following the increase in EBIT and lower tax expense.

OPERATING RESULTS OF SBUs AND SDUs

HRKm	2018	2017	2018/2017	COMMENTS
SBU Coffee	260	210	23.6%	<ul style="list-style-type: none"> ▪ Coffee, Beverages, Sweet and Salted, Savoury spreads: increase in sales and higher gross profit margin, despite higher marketing investments ▪ Pharma and Personal Care: increase in profitability of Farmacia, but decrease of baby food brand Bebi and Multivita in Russia ▪ Sports and Functional Food: in restructuring process
SBU Beverages	171	162	5.5%	
SBU (Sweet and Salted) Snacks	131	120	9.4%	
SBU Pharma and Personal Care	45	68	(34.1%)	
SBU Savoury Spreads	147	131	12.1%	
SBU Sports and Functional Food	(64)	(59)	(9.2%)	
SDU Serbia	31	28	12.1%	
SDU Croatia	31	28	11.3%	
SDU Slovenia	52	49	6.9%	
GDNM	15	12	22.6%	
Other segments*	(272)	(166)	(63.8%)	<ul style="list-style-type: none"> ▪ Distribution: increase in sales with optimum cost management ▪ Other segments: including one-off items that are main reason for negative movement.
Group EBITDA	546	582	(6.2%)	

* Other segments include BU Gourmet, DU Macedonia, DU Austria and business activities not allocated to business and distribution units (headquarters and support functions in Serbia, Slovenia and Macedonia) which are excluded from the reportable operating segments.

OPERATING COSTS STRUCTURE

HRKm	2018	% of Sales	2017	% of Sales	2018/2017
Cost of goods sold	1.506	28.7%	1.317	25.1%	14.3%
Change in inventories	13	0.3%	7	0.1%	n/a
Production materials	1.392	26.5%	1.636	31.2%	(14.9%)
Energy	58	1.1%	58	1.1%	0.9%
Services	413	7.8%	410	7.8%	0.7%
Staff costs	843	16.0%	829	15.8%	1.7%
Marketing and selling expenses	338	6.4%	310	5.9%	9.3%
Other operating expenses	208	4.0%	221	4.2%	(5.9%)
Other (gains)/losses, net	13	0.2%	(65)	(1.2%)	n/a
Depreciation and amortization	179	3.4%	176	3.4%	1.9%
Total operating expenses	4.964	94.5%	4.897	93.5%	1.4%

- Increase in COGS was due to an increase in sales of external principals and outsourcing production of the sports and functional food to the third party
- Production materials were lower due to outsourcing production to the third party and lower prices of raw materials
- Staff costs are higher because of higher number of employees and due to the pay off of rewards to all employees
- Marketing expenses were higher due to higher investments in beverages, coffee, savoury spreads and sweet and salted segments.
- Other operating expenses decreased due to restructuring of sports and functional food segment and better collection control in Russia.

FINANCIAL INDICATORS: CONTINUED DELEVERAGING

HRKm	2018	2017
Net debt	862,9	1.185,4
Total assets	4.935,3	5.168,9
Total Equity	2.398,4	2.249,9
Current ratio	1,44	1,46
Gearing ratio	26,5%	34,5%
Net debt/EBITDA*	1,5	2,3
Interest coverage ratio*	11,3	8,8
Capital expenditure	140,6	129,2
Cash flow from operating activities	462,1	346,3

*Excluding one-off items

31.12.2018

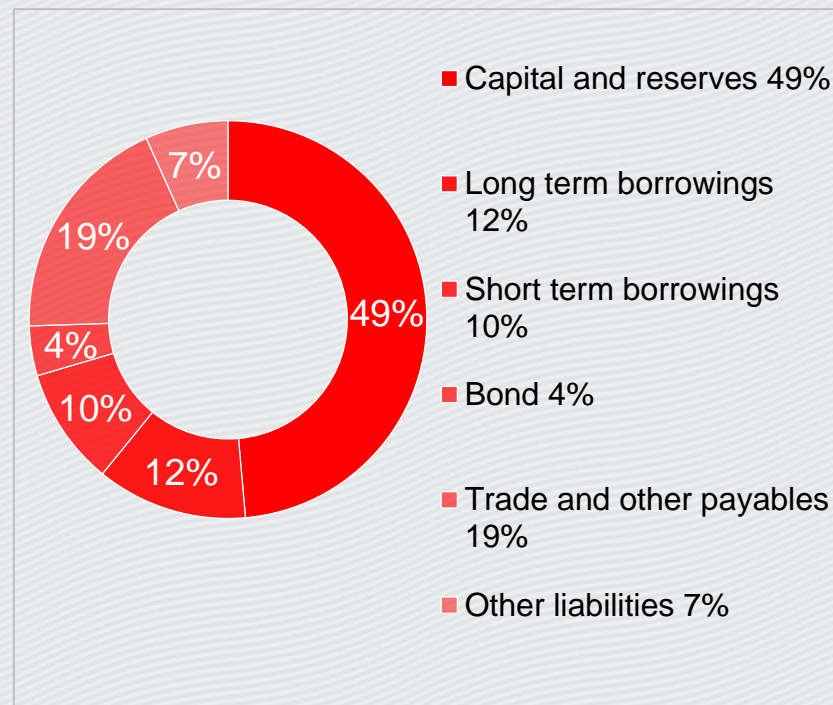


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EXPECTING FURTHER GROWTH OF SALES AND PROFITABILITY

HRKm	2019 Guidance	2018*	2019/2018
Sales	5.400	5.256	2.7%
EBITDA	615	566	8.7%
EBIT	430	386	11.3%
Interest expense (loans and bond)	30	38	(20.8%)

STRATEGIC MANAGEMENT GUIDANCE

- Focus on: (i) strengthening the position of prominent regional brands, (ii) internationalisation of certain brands, (iii) development of distribution operations by strengthening the existing and acquiring new principals, and (iv) further disinvestment of non-core business operations that do not have a significant growth potential.
- Expecting lower average prices of raw coffee on the global commodity markets, which will be partly negatively affected by the EUR/USD exchange rate.
- Expecting capital investments of approximately HRK 230m.
- Effect of non-core disinvestments as well as potential acquisitions are not included in the stated expectations.

*Normalised

**Guidance for 2019 is comparable to 2018 data and it does not apply new IFRS 16.

APPENDIX

CONSOLIDATED INCOME STATEMENT

(in HRK thousands)	31.12.2018	% of sales	31.12.2017	% of sales	2018/2017
Turnover	5.330.624	101,4%	5.303.426	101,2%	0,5%
Sales revenues	5.255.506	100,0%	5.238.169	100,0%	0,3%
Other revenues	75.118	1,4%	65.257	1,2%	15,1%
Operating expenses	4.784.744	91,0%	4.721.200	90,1%	1,3%
Cost of merchandise sold	1.505.820	28,7%	1.317.355	25,1%	14,3%
Change in inventories	13.195	0,3%	6.644	0,1%	98,6%
Production material and energy	1.450.652	27,6%	1.693.309	32,3%	(14,3%)
Services	412.548	7,8%	409.541	7,8%	0,7%
Staff costs	842.955	16,0%	828.533	15,8%	1,7%
Marketing and selling expenses	338.293	6,4%	309.522	5,9%	9,3%
Other operating expenses	208.166	4,0%	221.155	4,2%	(5,9%)
Other - net	13.115	0,2%	(64.859)	(1,2%)	n/a
EBITDA	545.880	10,4%	582.226	11,1%	(6,2%)
Amortization and depreciation	179.113	3,4%	175.758	3,4%	1,9%
EBIT	366.767	7,0%	406.468	7,8%	(9,8%)
Finance costs-net	50.209	0,9%	49.559	0,9%	1,3%
EBT	316.558	6,0%	356.909	6,8%	(11,3%)
Tax	72.340	1,4%	80.685	1,5%	(10,3%)
Net income	244.218	4,6%	276.224	5,3%	(11,6%)
Minority interest	248	0,0%	695	0,0%	n/a
Net income II	243.970	4,6%	275.529	5,3%	(11,5%)

CONSOLIDATED BALANCE SHEET

(in HRK thousands)	31.12.2018	% of total assets	31.12.2017	% of total assets
Property, plant and equipment	966.860	19,6%	999.866	19,3%
Investment property	1.152	0,0%	1.209	0,0%
Intangible assets	1.706.820	34,6%	1.750.216	33,9%
Available-for-sale financial assets	1.027	0,0%	948	0,0%
Trade and other receivables	52.168	1,1%	95.239	1,8%
Deferred tax assets	31.943	0,6%	32.165	0,6%
Non-current assets	2.759.970	55,9%	2.879.643	55,7%
Inventories	493.910	10,0%	547.278	10,6%
Trade and other receivables	1.247.343	25,3%	1.233.312	23,9%
Non-current assets held for sale	5.583	0,1%	6.336	0,1%
Prepaid income tax	13.052	0,3%	5.029	0,1%
Deposits given	135	0,0%	253	0,0%
Derivative financial instruments	1.689	0,0%	0	-
Cash and cash equivalents	413.663	8,4%	497.079	9,6%
Current assets	2.175.375	44,1%	2.289.287	44,3%
Total assets	4.935.345	100,0%	5.168.930	100,0%
Capital and reserves attributable to owners of the Company	2.394.571	48,5%	2.246.187	43,5%
Non-controlling interest	3.869	0,1%	3.663	0,1%
Borrowings	805.882	16,3%	1.135.191	22,0%
Deferred tax liabilities	160.437	3,3%	162.652	3,1%
Other non-current liabilities	2.656	0,1%	3.017	0,1%
Provisions	58.761	1,2%	50.456	1,0%
Non-current liabilities	1.027.736	20,8%	1.351.316	26,1%
Trade and other payables	926.188	18,8%	945.667	18,3%
Borrowings	472.386	9,6%	546.060	10,6%
Current income tax liabilities	10.174	0,2%	21.341	0,4%
Derivative financial instruments	0	0,0%	1.226	0,0%
Provisions	100.421	2,0%	53.470	1,0%
Current liabilities	1.509.169	30,6%	1.567.764	30,3%
Total liabilities	2.536.905	51,4%	2.919.080	56,5%
Total equity and liabilities	4.935.345	100,0%	5.168.930	100,0%

CONSOLIDATED CASH FLOW

(in HRK thousands)	2018	2017
Cash flow generated from business activities	633.824	505.076
Paid interest	- 61.860	- 100.391
Paid tax	- 109.858	- 58.345
Net cash flow from operating activities	462.106	346.340
Cash flow from investing activities		
Purchase of tangible and intangible assets	- 140.626	- 129.193
Proceeds from sale of property, plant and equipment	1.512	8.799
Acquisition of subsidiary - net of cash acquired	-	- 2.207
Disposal of subsidiary - net of cash disposed	59.511	129.342
Proceeds from sale of assets available for sale	-	18.750
Loans and deposits given - net	- 8.540	- 638
Interest received	1.604	4.584
Net cash flow used in investing activities	- 86.539	29.437
Cash flow from financing activities		
Purchase of treasury shares	- 2.164	- 7.431
Proceeds from borrowings, net of fees paid	80.064	120.394
Repayment of borrowings	- 466.298	- 437.715
Acquisition of non-controlling interest	-	- 1.906
Dividend paid to Company shareholders	- 66.674	- 44.984
Net cash flow used in financing activities	- 455.072	- 371.642
Net increase in cash and cash equivalents	- 79.505	4.135
Exchange gains/(losses) on cash and cash equivalents	- 3.911	2.214
Cash and cash equivalents at beginning of period	497.079	490.730
Cash and cash equivalents at end of period	413.663	497.079

THANK YOU FOR YOUR ATTENTION