



ATLANTIC
G R U P A

ATLANTIC GRUPA d.d.
Annual Report 2010

INTRODUCTION

CORPORATE PROFILE

Atlantic Grupa is a Croatian multinational company which in its business operations combines the production, development, sales and distribution of fast moving consumer goods with market presence in over 30 countries around the world. Based on the business results achieved so far, Atlantic Grupa developed into the leading European producer of sports food, the regional leader in the production of vitamin drinks and food supplements, a prominent regional producer of cosmetics and personal care products, the leading distributor of consumer goods in South East Europe and the leading national private chain of pharmacies, united under the name Farmacia.

Atlantic Grupa's business operations in year 2010 may be divided into two key components - Consumer Health Care and Distribution.

The Consumer Health Care segment incorporates the following areas: *Health Food* - which is dominated by products under the brand Cedevita (instant vitamin drinks, tea, vitamin candies), Multivita (vitamin drinks) and Montana (sandwiches and ready-to-eat products), *Nutraceuticals and VMS* (vitamins, minerals, supplements) - whose principal brands are Multipower (functional food for athletes), Multaben (assortment of weight control products) and Dietpharm (vitamin products, food supplements containing herbal extracts and medicinal substances of natural origin), *Over-the-Counter Medicines (OTC)* - Purisan and Uvin H Forte and *Personal Care* - in this segment the leading brands are Plidenta (dental care), Melem (universal cream), Rosal (lip, face and body care). In addition to the above, this segment also includes the pharmacy chain Farmacia since 2008.

Distribution, as the second key component of Atlantic Grupa's business operations, works in close correlation with the first and merges the distribution of brands from own production with the distribution of well-known international brands, for which it is an authorised distributor, such as: Wrigley, Johnson's Baby, Ferrero, Durex, Scholl, etc., which all together form the Company's strong distribution portfolio.

OPERATING COMPANIES AND REPRESENTATIVE OFFICES

As a multinational company with firms and representative offices in 10 countries, Atlantic Grupa exports its products to more than 30 markets worldwide. After Croatia, the most important markets are Germany, Great Britain, Italy, Slovenia, Bosnia and Herzegovina, Serbia, Montenegro and Macedonia. In those markets where it is not present with its own operating companies, Atlantic Grupa has developed partnerships with regional and national distributors.

Atlantic Grupa includes the following operating companies in which the Company has over 50% share package and control:

ATLANTIC GRUPA d. d.¹, Zagreb

	<u>2010</u>	<u>2009</u>
Cedevita d.o.o., Hrvatska	81%	81%
- Multivita d.o.o., Srbija	100%	100%
Neva d.o.o., Hrvatska	100%	100%
- Atlantic Naložbe d.o.o., Slovenija (osnovano u 2010)	100%	-
- Droga Kolinska d.d., Slovenija (stečeno u 2010)	100%	-
- Grand Prom a.d., Srbija	100%	-
- Unikomerc d.o.o., Srbija	100%	-
- Bonito a.d., Srbija	100%	-
- Kofikom Produkt d.o.o., Bosna i Hercegovina	100%	-
- DK Trade d.o.o., Bosna i Hercegovina	100%	-
- Kofikom d.o.o., Bosna i Hercegovina	100%	-
- Droga Kolinska d.o.o.e.l., Makedonija	100%	-
- Slovin Jugokokta d.o.o.e.l., Makedonija	100%	-
- DK Mont d.o.o., Crna Gora	100%	-
- Grand Kafa d.o.o., Srbija	100%	-
- Palanački kiseljak a.d., Srbija	79%	-
- Tobess d.o.o., Srbija	100%	-
- Soko Nada Štark a.d., Srbija	94%	-
- Soko Štark maloprodaja d.o.o., Srbija	100%	-
- Droga d.o.o., Bosna i Hercegovina	100%	-
- DK Faktor d.o.o., Bosna i Hercegovina	96%	-
- Argeta d.o.o., Bosna i Hercegovina	100%	-
- Droga d.o.o.e.l., Makedonija	100%	-
- o.o.o. Droga Kolinska, Rusija	100%	-
- Droga Livsmedel AB, Švedska	100%	-
Atlantic Trade d.o.o., Hrvatska	100%	100%
- Atlantic BG d.o.o., Srbija	100%	100%
- Atlantic Brands d.o.o., Srbija (osnovano u 2010)	100%	-
- Atlantic Trade d.o.o., Slovenija	100%	100%
- Atlantic Trade d.o.o., Makedonija	75%	75%
- Lasago d.o.o., Hrvatska	100%	-
- Bionatura bidon vode d.o.o., Hrvatska	100%	-
Atlantic Trade Sofia e.o.o.d., Bugarska (osnovano u 2010)	100%	-
	<u>2010</u>	<u>2009</u>
Atlantic Farmacia d.o.o., Hrvatska	95%	90%
- Farmacia, health institution for pharmacy services, Croatia	100%	100%

¹ d.d. - Croatian abbreviation for "joint-stock company"

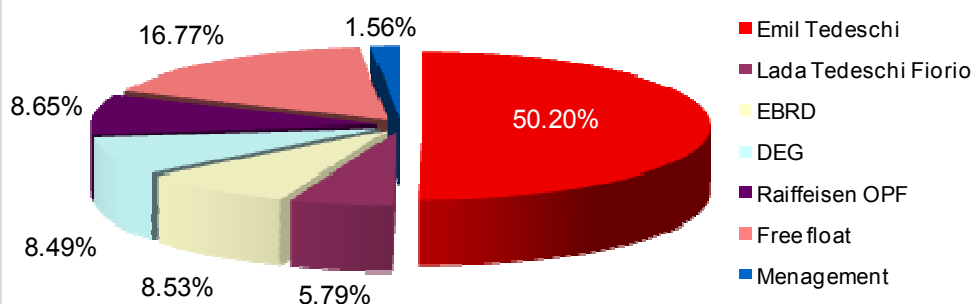
² d.o.o. - Croatian abbreviation for "limited liability company"

- Ljekarna Farmacia, health institution for pharmacy services ,Bosna i Hercegovina	100%	100%
- Bamapharm, health institution for pharmacy services ,Hrvatska	75%	75%
- Ljekarne Baričević II, health institution for pharmacy services ,Hrvatska	-	100%
- Farmacia Plus d.o.o., Hrvatska	100%	100%
Farmacia-specijalizirana prodavaonica d.o.o., Hrvatska	100%	100%
Ljekarne Marijam, health institution for pharmacy services ,Hrvatska (stečeno u 2010, Bilješka 28)	100%	-
Alpha Medical 2,d.o.o., Hrvatska (stečeno u 2010, Bilješka 28)	100%	-
Montana d.o.o., Hrvatska	100%	100%
Atlantic s.r.l., Italija	100%	100%
Hopen Investments, BV, Nizozemska	100%	100%
- Atlantic Multipower GmbH & CO OHG, Njemačka	100%	100%
- Atlantic Multipower UK Ltd, Velika Britanija	65%	65%
- Sport Direct Ltd, Velika Britanija	100%	100%
- Atlantic Multipower Srl, Italija	100%	100%
- Atlantic Multipower Iberica, Španjolska	100%	100%
- AKTIVKOST Handelsgesellschaft mbH, Njemačka	100%	100%
- Atlantic Management GmbH, Njemačka	100%	100%
Fidifarm d.o.o., Hrvatska	100%	100%
- Atlantic Pharmacentar d.o.o., Hrvatska	100%	100%

OWNERSHIP STRUCTURE

In July 2010, Atlantic Grupa carried out capital increase by issuing 864,305 new ordinary shares, thereby increasing the number of shares issued on the Zagreb Stock Exchange official market to 3,334,300 under ATGR-R-A ticker. Following the capital increase, Emil Tedeschi remained the major owner of Atlantic Grupa with 50.20% share on 31 December 2010. Raiffeisen Obligatory Pension Fund also participated in the capital increase and acted as the second largest shareholder with 8.65% share at the 2010 year end. During capital increase, the European Bank for Reconstruction and Development entered Atlantic Grupa's ownership structure with 8.53% share and thus ended 2010 as the third largest shareholder. German development bank DEG also took part in the capital increase and ended up as the fourth largest shareholder with 8.49% share at the 2010 year end. Additionally, all other obligatory pension funds, one voluntary pension fund and one of the leading asset management companies in the CEE - East Capital participated in the capital hike. Alongside 5.79% share of Lada Tedeschi Fiorio, 1.56% share of Atlantic Grupa's management and 154 Atlantic Grupa's own shares, 16.77% share of Atlantic Grupa resides within free float on the Zagreb Stock Exchange.

Ownership structure on 31 December 2010



Overview of top 15 investors on 31/12/2010

1	Emil Tedeschi	1,673,819
2	Raiffeisen MPF	288,466
3	European Bank for Reconstruction and Development - EBRD	284,301
4	German development bank - DEG	283,209
5	Lada Tedeschi Fiorio	193,156
6	AZ MPF	75,533
7	SG-Splitska banka/Joint Scandinavian-swedish account (East Capital)	51,060
8	PBZ Croatia osiguranje MPF	45,436
9	Raiffeisen VPF	44,196
10	Zagrebačka banka/joint custody account for UniCredit Bank Austria AG	43,468
11	Erste Plavi MPF	38,304
12	Neven Vranković	17,863
13	Mladen Veber	16,936
14	PBZ d.d./state street client account	11,500
15	Raiffeisen bank Austria d.d	9,104

In 2010, Atlantic Grupa's shares realised turnover in the amount of HRK138.7m as opposed to HRK89.2m in 2009. The average trading price in 2010 was HRK735 and the closing price on 31 December 2010 stood at HRK805.

Atlantic Grupa's market capitalisation on 1 January 2010 amounted to HRK1,728,971,800, while on 31 December 2010 amounted to HRK 2,684,111,500. Following the capital increase and share performance, Atlantic Grupa's YE10 market capitalisation of HRK2.7bn was 59.6% yoy higher and thereby resulted with Atlantic Grupa ranking seventh among Croatian companies with the highest market capitalization.

INVESTOR RELATIONS

In 2010, Investor Relations Department continued to act as a link in communication between the company's management and the financial community, thereby enabling Atlantic Grupa to transparently present its business model, key business events, long-term strategic development and financial results. All this helped developing investors' confidence and recognition of Atlantic Grupa as the company that delivers on announced guidance. The latter as well resulted in successful capital increase in July 2010 when the company issued 864,305 new ordinary shares and raised HRK605m to finance the acquisition of Droga Kolinska. What's more, success of the capital increase was also evident from the European Bank for Reconstruction and Development (EBRD) entering the company's shareholder structure as the second largest shareholder with 8.53% stake, followed by participation of all four domestic obligatory pension funds, German development bank (DEG) and one of the leading asset management companies in the CEE - East Capital.

For the third consecutive year Atlantic Grupa's share outperformed the local benchmark Crobex and thereby was among a few Crobex components with double-digit share price performance. Following the last year's capital increase coupled with share price performance, Atlantic Grupa's market capitalisation of HRK2.7bn at the YE10 ranked the company seventh among Croatian companies with the largest market capitalization. Furthermore, in 2010 Atlantic Grupa's share proved successful in terms of elevated liquidity that ranked the company ninth among the most liquid shares on the Zagreb Stock Exchange. Elevated liquidity was achieved thanks to, among other things, market making activities introduced at the beginning of 2010, offered by Erste vrijednosni papiri Zagreb d.o.o..

Despite grim macroeconomic environment, financial community recognized strong share performance coupled with guidance delivery and awarded Atlantic Grupa with the Golden Share award for the best share in 2009 and the best industrial share in the food and pharmacy segment. Additionally, further acknowledgment for elevated liquidity and market capitalisation came in March 2011, when Atlantic Grupa's share entered the Zagreb Stock Exchange blue chip index Crobex10.

Throughout 2010, the Investors Relations Office confirmed standards in relationship and communication with the investment community by participating on a number of domestic and foreign investor conferences organised by banks, regional stock exchanges and companies in the asset management segment, where individual meetings with existing and potential investors were held. Moreover, the Office placed substantial efforts on improving communication of quarterly, semi-annual and annual financial results together with the financial expectations. Investment community recognised invested efforts and awarded Atlantic Grupa for high quality investor relations on the Zagreb Stock Exchange's 20-th annual conference in October 2010. In 2010, all relevant financial institutions with corporate analysis departments continued to follow Atlantic Grupa's business activities, whereby Erste Grupa commenced with the first international coverage of Atlantic Grupa.

In order to retain high level of investor relations based on communication, transparency and direct contact, the Investors Relations Office plans further participations on various meetings, conferences and road-shows throughout 2011.

ORGANISATIONAL STRUCTURE

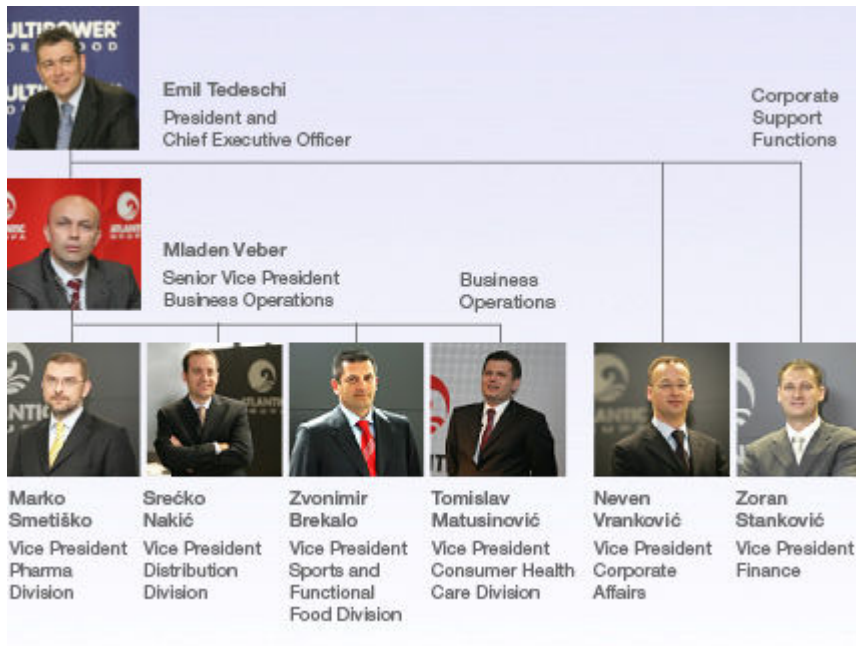
The organisational structure of Atlantic Grupa is based on a divisional principle. In order to facilitate the system management, entire business operations of all operating companies within the Group are divided into divisions - Consumer Health Care, Sports and Functional Food, Distribution, and Pharma division. The principal feature of divisional organisation is the linking of business activities into special business units associated with specific types of products and services in Atlantic Grupa's business operations.

Business operations, divided according to the listed divisions within Atlantic Grupa, are linked by the collective management of corporate support functions at the level of Atlantic Grupa, namely in the Finance Area and the Corporate Affairs Area. The Finance Area includes Finances, Information Technologies and Investor Relations, while the Corporate Affairs Area includes Human Resources, Corporate Communications, Legal Affairs, Investment Maintenance and Corporate Security. Through those support functions, the procedures for performing the listed tasks contribute to the introduction of a single corporate standard and to more transparent and efficient business operations at the level of Atlantic Grupa.

In addition to the above, the dynamic development and growth of Atlantic Grupa created the need to organisationally integrate all activities related to the Company's business development, primarily those related to the business strategy and new projects, which subsequently resulted in the Decision of the President of the Management Board concerning the establishment of a new Office for Business Development.

The Office for Business Development coordinates the development of strategic projects, identification of new potential targets in the expansion of business operations through acquisitions, mergers or strategic partnerships, communication with consulting firms and the investment community, as well as the preparation of the Company's strategic documents.

The functioning of this Office is significant for the Company's business development, as well as for the development of investor relations, presentation of Atlantic Grupa through communication with key financial and investment firms and for the participation in conferences that contribute to introducing the investment community to Atlantic's business activities and building the company's reputation.



THE SUPERVISORY BOARD OF ATLANTIC GRUPA

The joint stock company Atlantic Grupa has the Supervisory Board consisting of seven members. In 2010, the Supervisory Board held five meetings in accordance with the previously announced Schedule posted on the Company's and the Zagreb Stock Exchange's web pages.

The members of the Supervisory Board are:

Zdenko Adrović/President

Zdenko Adrović is the Chief Executive Officer at Raiffeisenbank Austria d.d. since 1996. During his twelve-year mandate, RBA developed into one of the leading financial institutions and received several awards from the Croatian Chamber of Economy as the most successful bank in Croatia. Furthermore, in 2006 and 2008, a respectable magazine, The Banker, awarded the bank with the "Best Bank in Croatia" award. Previously, he was the Deputy General Manager of Privredna Banka Zagreb, where he also worked as the Manager of the Investment Banking Sector and the Executive Vice President in charge of treasury and liquidity. He was a member of the Supervisory Board in Pliva, Management Board of the Croatian Chamber of Economy and the Croatian Council for Competitiveness. He graduated in Foreign Trade at the Faculty of Economics and Business at the University of Zagreb

Lada Tedeschi Fiorio/Vice-President

Lada Tedeschi Fiorio began her career in Atlantic in 1997 as the Executive Director for Property Management. During the acquisition of Cedevida in 2001, she acted as the leading negotiator with potential investors. In 2004, she was appointed Managing Director of Atlantic Italy. Before joining Atlantic, she acquired business experience working in multinational companies, Wrigley in Germany and Mars Masterfood in Poland and the United Arab Emirates. As Atlantic Grupa transformed into a joint stock company, she was appointed Vice President of the Supervisory Board of Atlantic Grupa. She graduated from the Università commerciale L. Bocconi in Milan, specializing in economics and she completed the Corporate Finance Programme at the London Business School.

Željko Perić/Member

Željko Perić is one of the leading Croatian experts for mergers and acquisitions with extensive experience in leading management positions. He is the Director of the consulting company Caper that specialises in mergers and acquisitions and strategic consulting. Before his successful career as an independent consultant, he was the President of the Management Board of Lura in the period during which the company was geared towards the national and regional expansion. Previous to that, he has been the Chief Financial Officer and a member of the Management Board of Pliva. He also worked at the Ministry of Foreign Affairs of the Republic of Croatia in the Department for Foreign Economic Affairs. He graduated in Foreign Trade at the Faculty of Economics and Business at the University of Zagreb, and gained additional professional education at the Harvard University and management schools such as Management Centre Europe (Brussels) and IEDC (Bled).

Siniša Petrović/Member

Siniša Petrović is an associate professor at the Commercial and Company Law Department at the Faculty of Law in Zagreb. In 1995, he was a legal advisor of the special envoy of the President of the Republic of Croatia for negotiations with the international community as well as a member of the delegation of the Republic of Croatia at the International Peace Conference for Bosnia and Herzegovina in Dayton. From 2000 to 2003, he was the Vice President of the Council for the Protection of Market Competition. He was also the Croatian representative in the Arbitration Committee of the International Chamber of Commerce. He participated in the drafting of regulations concerning companies, market competition, real estate agency, privatisation, sports and prevention of conflicts of interest in performance of public functions. He is a member of the Croatian Negotiating Team for the accession negotiations with the European Union. He graduated from the Faculty of Law at the University of Zagreb, where he also earned his master's and doctorate degree.

Karl Weinfurtner/Member

Karl Weinfurtner is the Vice President of DEG Invest, a German development bank which, through the recapitalisation process, became Atlantic Grupa's shareholder in November 2006. He is the Manager of Structural Finances for Agriculture, Forestry and Food Industry at DEG, where he is working for more than fifteen years. He started his career as an expert for agricultural policies at the Bavarian Farmers Association in Munich, and afterwards he was the German Farmers Association representative in Tanzania, where he planned and

supervised educational and training programmes. Since 2001, DEG has been a member of KfW Bankengruppe, one of the largest German banks with AAA credit rating.

Aleksandar Pekeč/Member

Aleksandar Saša Pekeč is an associate professor in the Decision Sciences Area at the Fuqua School of Business of Duke University in the United States of America. He is an internationally acclaimed expert in design and analysis of choice, allocation and pricing mechanisms in complex competitive environments by combining methods from operations research, computer science and economics. Until 1998, he worked at the Danish University of Aarhus and, prior to that, at the Rutgers University in New Jersey where he also earned his Ph.D. degree. He is a leading Croatian economic scientist with tenure at one of the most renowned international academic institutions in the area of business management. He is also a holder of several professional awards and the author of numerous scientific papers. He graduated from the Faculty of Science at the University of Zagreb.

Eduardo Alberto Schindler/Member

Eduardo Schindler is the founder and President of the Management Board of the consulting firm 2thePoint with headquarters in Zurich, which deals in consulting on strategies, finances and mergers and acquisitions. He is a co-founder of the Alpinium Bank from Liechtenstein and founder and president of the Chilean Chapter of the Swiss-Latin American Chamber of Commerce. He was the Vice President of the acclaimed investment bank UBS Warburg in Zurich, where he also previously worked at one of the leading international consulting firms McKinsey&Co. The Swiss Stock Exchange officially recognised him as a referent expert in clients' representation for the issuing of securities. He is an associate member of the Swiss Financial Institute and the Executive School of Management in St. Gallen where he regularly teaches the subject of corporate finances. He earned his doctorate degree in International Economics at the Graduate Institute of International Studies in Geneva.

On November 22, 2010, Mr. Eduard Albert Schindler's term of office as a member of the Supervisory Board ended. Thereupon, at the extraordinary general assembly of the company, held on November 22, 2010, a new member of the Supervisory Board was appointed, Ms. Vedrana Jelušić-Kašić as a representative from the European Bank for Reconstruction and Development – a new shareholder of Atlantic Grupa. Following the increase of share capital in July, the EBRD acquired the 8,53 percent ownership share and one vacant position of a representative in the Supervisory Board.

Vedrana Jelušić Kašić/member

Vedrana Jelušić-Kašić has pursued her career at EBRD for the last 13 years, and has been working as a senior banker since the end of 2005 at the European Bank for Reconstruction and Development, where she runs operations of the agribusiness sector for Croatia, Serbia, Bosnia and Herzegovina, Macedonia, Albania and Montenegro. Ever since she joined the EBRD, she has completed over 40 transactions worth more than one billion Euro in Sout-Eastern Europe, Commonwealth of Independent States (CIS) and Russia. She also

managed projects with key regional and multinational companies, including the Croatian Agrokor, Bunge from the US, Serbian Viktorija and Droga Kolinska, as well as the leading banks in the region. Prior to her thriving career at EBRD, she worked as an analyst in the Investment Banking Department for Raiffeisen Bank. After completing the Faculty of Economics and Business (*Ekonomski fakultet*), she was engaged in professional training in finance at the Wienese Institut für Wirtschaftswissenschaften. She completed her masters in international finance at Brandeis University of Massachusetts, where she worked as an assistant in accounting, banking and macroeconomics, with internship at the Merrill Lynch and Commonwealth of Massachusetts. She is an active member of the business community in Croatia and countries of Western Balkans. She is also a member of the Croatian Business Leaders Forum, and a co-author of a book on international accounting. She lectures at various domestic and European conferences.

Three Committees function within the Supervisory Board with the purpose to assist the operation and functioning of the Supervisory Board: the Audit Committee, the Nomination and Remuneration Committee and the Corporate Governance Committee. Each of these Committees consists of three members, of which two are appointed from the ranks of the Supervisory Board members while one member is appointed from the ranks of top experts in the subject area.

The Audit Committee is chaired by Lada Tedeschi Fiorio, Karl Weinfurter was appointed from the ranks of the Supervisory Board members, while Marko Lesić was appointed as the external expert. The Corporate Governance Committee is chaired by Siniša Petrović, Eduardo Schindler was appointed from the ranks of the Supervisory Board members and Hrvoje Markovinović was appointed as the external expert. After the election of Ms. Vedrana Jelušić Kašić as a Board member she became a member of Corporate Governance Committee instead of Mr. Eduardo Schindler. The Nomination and Remuneration Committee is chaired by Željko Perić, Aleksandar Pekeč was appointed from the ranks of the Supervisory Board members and Goran Radman was appointed from the ranks of external experts.

The members of the said Committees, who at the same time are not members of the Supervisory Board, have the right to remuneration for their work and contribution to the functioning of the Supervisory Board of Atlantic Grupa in the net value of HRK 4,000.00 per held committee session.

The members of the Supervisory Board have been remunerated for their work and have the right to remuneration which is appropriate for the tasks performed as well as the Company's situation and business performance. All members of the Supervisory Board receive a gross monthly remuneration, which for the President of the Supervisory Board amounts to HRK 32,358.16, for the Vice President of the Supervisory Board amounts to HRK 26,702.13 while all other members of the Supervisory Board receive a gross monthly remuneration in the amount of HRK 13,351.06.

In 2010, the members of the Supervisory Board have received from Atlantic Grupa d.d. on all grounds the gross total value of HRK 1.384.912,44. From the above figure, individual members of the Supervisory Board have received remunerations in the following amounts:

Zdenko Adrović - HRK 382.473,45

Lada Tedeschi Fiorio – HRK 320,425.56

Karl Weinfurtner - HRK 120,480.00

Siniša Petrović - HRK 160,212.72

Željko Perić - HRK 160,212.72

Eduardo Schindler – HRK 116.512,29

Aleksandar Pekeč – HRK 124.595,70

THE MANAGEMENT BOARD OF ATLANTIC GRUPA

The Management Board of Atlantic Grupa consists of the President and all Vice Presidents of the Company which in 2010 held 8 Management Board meetings.

Emil Tedeschi/President of the Management Board

Emil Tedeschi is the founder and majority shareholder of Atlantic Grupa. Previous to founding Atlantic Trade, the company on whose grounds Atlantic Grupa developed into one of the largest and most dynamic companies in Croatia, he was a director of Meteor Paper Milan, Italian subsidiary of Meteor Holding London, at the time one of the largest paper trading companies in Europe.

In 2002 he was named Manager of the Year by CROMA (Croatia's Managers Association), and in 2005 he was elected CEO of the Year by Croatian business paper Poslovni vjesnik. In 2006 and 2008 he was named Businessman of the Year by the expert jury of Kapital Network, first business television in the region. In 2010 Emil Tedeschi was awarded "The Seal of Večernji list" as Businessman of the Year in the region of SEE by the Bosnia and Herzegovina edition of the influential daily newspaper, as well as the state medal for extraordinary contribution to economy by the President of Republic of Croatia. Through his participation in the work of crucial political bodies, Emil Tedeschi engaged himself actively in the process of Croatian moving forward and closer to the standards and membership in the European Union. He is a member of the Parliamentary Committee overseeing Croatian negotiating process with the EU, as well as the Croatian Social and Economic Council. From 2005 to 2007 he was the President of HUP (Croatian Employers Association), where he has been an active

member since its founding. He is a member of Forum Young of the Global Leaders, a part of the World Economic Forum. He is also a member of the INSEAD Alumni Association, and the Program Council of the Zagreb School of Economics and Management. He is the Vicepresident of the Supervisory Board of RTL Hrvatska, and a honorary consul of Ireland in the Republic of Croatia. From 2010 he has been the member of the Economic Advisory Council to the President of the State.

Mladen Veber/ Senior Vice President of Business Operations

Mladen Veber joined Atlantic in 1996 as the Director of the Rijeka Distribution Centre, while as the General Manager of Ataco (a partnership company in BiH) he made a key contribution to its development as one of the leading distributors in BiH. In July 2001, he was appointed Vice President of Atlantic Trade responsible for brand management and international markets. In 2006 he was appointed Senior Vice President for Business Operations for all three divisions of Atlantic Grupa. Since 2001, he has been a board member of the Trade Association Council of the Croatian Chamber of Economy. He is the President of the Management Board of the basketball club Cedevita. He graduated at the Faculty of Mechanical Engineering and Naval Architecture at the University of Zagreb, and continued his education at the IEDC in Bled.

Neven Vranković/ Vice President of Corporate Affairs

Neven Vranković joined Atlantic Grupa in 1998 as the Executive Director of Corporate Affairs. In 2001 he was responsible for Atlantic Grupa's merger and acquisition activities, while in 2002 he was appointed Vice President of Corporate Affairs. His extensive business experience includes working in the legal department of Bergen Bank in Norway and as a career diplomat at Croatian embassies in Washington and Belgrade. He is a member of the Working Group for Preparing Negotiations for the Accession of the Republic of Croatia to the European Union for Chapter 6 – Company Law. He graduated from the Faculty of Law at the University of Zagreb and received his master's degree from the Washington College of Law in the USA. Furthermore, he gained additional knowledge at INSEAD in France, where he completed Strategic Issues in Mergers and Acquisitions.

Zoran Stanković/ Vice President of Finance

Zoran Stanković joined Atlantic Grupa in February 2007 at the position of Vice President of Finance. For the previous four years he had been working at Pliva as the Director of Controlling responsible for the coordination and supervision of financial activities of the Pliva's network of companies, domestic and abroad. Before his arrival to Pliva, from 1995 to 2003, he worked at Arthur Andersen and Ernst&Young as Senior Audit Manager responsible for key accounts. He is a member of the Croatian Association of Certified Auditors as well as a member of the International Association of Chartered Certified Accountants. He Graduated from the Faculty of Economics and Business at the University of Zagreb.

Srećko Nakić/ Vice President of Distribution Division

Srećko Nakić has been building his career at Atlantic from 1994 and he participated in all phases of the Company's development. He began as a sales representative in Atlantic Trade and in 1995 was already appointed Director of the Distribution Centre in Split and, two years later, the Distribution Centre in Rijeka was also added to his list of responsibilities. In 2002 he became the Company's Vice President responsible for overall sales and distribution in the Croatian market. In April 2005 he was appointed Atlantic Grupa's Vice President of the Distribution Division. He is responsible for managing the distribution system of Atlantic Grupa for the entire region of South East Europe. He attended the Faculty of Maritime Studies in Split and completed the General Management Program at the IEDC Bled School of Management.

Marko Smetiško/ Vice President of Pharma Division

Marko Smetiško joined Atlantic Grupa in 2004 at the position of Vice President responsible for the Customer Health Care Division. Before coming to Atlantic Grupa, he worked in Pliva as the Director of the Business Programme of Pharmaceuticals. In 1999, he joined Lura as the Executive Director of Sales and Marketing, while in 2002 he became a member of the Management Board for Sales and Marketing at Belupo d.d. Throughout his business career he was a member of supervisory boards of Medika and Pliva's company in Poland. He graduated from the Faculty of Medicine at the University of Zagreb.

Zvonimir Brekalo/ Vice President of Sports and Functional Food Division

Zvonimir Brekalo started his career in Atlantic Grupa in 2000, where he was responsible for distribution development of the Johnson&Johnson brand selection in the Croatian market. In 2001 he became Director of Central Services of Ataco, and in 2003 a member of Neva's Management Board. After Neva's acquisition in 2003 and Haleko in 2005, his key contribution was integrating the new companies within Atlantic Grupa, with direct responsibilities for sales and marketing, as well as business development activities in export markets. In 2007 he was appointed Vice President of Atlantic Grupa responsible for the Sports and Functional Food Division. He graduated dental medicine at the Medical Faculty at the University of Zagreb, and continued his education at the IEDC Management School of Business in Bled.

Tomislav Matusinović/Vice President of Consumer Health Care Division

Tomislav Matusinović came to Atlantic Grupa in 2002 to the position of Vice President of the Management Board of Cedevida in charge of sales and marketing, and later held positions of Atlantic Grupa's Executive Director for External Markets and Executive Director for Brand Management. In February 2008 he was appointed Executive Director for the Consumer Health Care Division. He came to Atlantic Grupa from the company Agrokor where he worked as the Corporate Projects Director. Previous to that, for nine years (1992-2001) he was developing his career in the company Coca-Cola Adriatic where he was the Regional Technical Operations Manager in charge of markets of Slovenia, Croatia and BiH. He graduated from the Faculty of Chemical Engineering and Technology, where he also earned his master's degree.

Remuneration Policy for Management Board Members

The contract on performing activities of a member of the Management Board i.e. the employment contract for board members who are employed at AG lays down the rights and obligations of board members based on their function as the Management Board members, as follows:

- monthly salary for board members, set in the gross amount
- annual bonus (bonus remuneration) per year of contract duration, set in the defined percentage of the realised principal annual gross salary and remuneration on the grounds of membership in supervisory boards of associated companies. The payment of the annual bonus is conditioned on the realisation of planned business results in the ratio of at least 90% of the EBT plan for the consolidated AG's business year. For board members, bonus coefficient is calculated from the EBT coefficient and the performance evaluation by the President of the Management Board, while for the President of the Management Board this is performed by the Supervisory Board. The payment of bonus remunerations, under provision that all contractual criteria were satisfied, is performed in a way that 55% of the realised bonus amount is paid in cash, while the remaining percentage of the realised bonus is paid under the Share Option Programme by acquiring own shares of Atlantic Grupa. For the President of the Management Board, the whole bonus remuneration amount is paid in cash.
- life insurance policy for the members of the Management Board contracted by Atlantic Grupa at the reputable insurance companies in Croatia, with the annual premium of EUR 2,200 in kuna countervalue.
- personal accident insurance policy
- voluntary health insurance policy, whose system includes the Management Board members, with which Atlantic Grupa, as the insurance contractor with an annual premium of HRK 7,500 per person, provides a quality health treatment through an annual comprehensive health examination, any required specialist medical tests through the application of most contemporary and efficient medical tools and equipment in specialized polyclinics with the best health experts.
- right to use an official vehicle, right to compensation of all costs incurred by the Management Board member while performing his/her function.

All Management Board members have manager contracts which include a whole set of binding provisions as well as stimulative ones, as follows:

- confidentiality clause – board members are obliged to keep the Company's business secrets confidential during and after their employment, regardless of the reasons for employment termination. The obligation of confidentiality extends to business secrets of AG's associated companies as well.
- no-competition clause – binds a board member to a period of one year from the date of receiving severance pay, if he/she is entitled to it.
- contract penalty - in case of breaking the no-competition clause, any board member shall be liable to pay the contract penalty in the amount of twelve average net monthly salaries paid to that board member in the period of three months before contract termination.

- prohibition of participation of any board member in the ownership and/or management structure, whether directly or indirectly, in any company which is in market competition with Atlantic Grupa and associated companies, or in a company with which Atlantic Grupa and associated companies have business cooperation, as well as to act as an advisor or consultant in such companies, regardless of being paid or not for such activities.
- performance of other activities as a board member, except those performed for Atlantic Grupa's associated companies, regardless of being paid or not for such activities, including also the membership in supervisory boards, advisory bodies, etc. shall only be allowed pursuant to the prior approval of the Management Board of Atlantic Grupa.
- employment, contract duration and termination periods – board members are as a rule employed for an indefinite period in Atlantic Grupa or its associated companies, and the contract on performing the function of a board member is concluded for the period of 3 years, with the possibility of termination in accordance with the periods prescribed by law.
- severance pay – severance pay is contracted in the amount of six average monthly gross salaries of the board member and gross remunerations based on the membership in supervisory boards of associated companies paid to that board member in the period of three months prior to contract termination. The obligation of severance payment occurs in a case of contract termination by Atlantic Grupa in the period of its duration, unless the contract is terminated due to reasons caused by the fault of the board member.

In 2010, Management Board members received from Atlantic Grupa d.d. on all grounds the gross total value of HRK 16.953.335,00. From the above figure, individual Management Board members received remunerations in the following amounts:

Emil Tedeschi

- salary and SB remuneration in the amount of HRK 2.097.848,67 paid in equal monthly instalments and annual bonus in the amount of HRK 700.829,33 , or the total gross amount of HRK 2.798.678,00

Mladen Veber:

- salary and bonus – paid in shares and cash, remuneration in the total gross amount of HRK 2.433.803,00 .

Neven Vranković

salary and bonus – paid in shares and cash, remuneration in the total gross amount of HRK 2.904.877,00.

Marko Smetiško:

salary and bonus – paid in shares and cash, remuneration in the total gross amount of HRK 1.498.094,00 .

Srećko Nakić:

salary and bonus – paid in shares and cash, remuneration in the total gross amount of HRK 1.738.173,00.

Zoran Stanković:

salary and bonus – paid in shares and cash, remuneration in the total gross amount of HRK 2.420.990,00

Zvonimir Brekalo:

salary and bonus – paid in shares and cash, remuneration in the total gross amount of HRK 1.940.135,00..

Tomislav Matusinović:

salary and bonus – paid in shares and cash, remuneration in the total gross amount of HRK 1.218.584,00..

BUSINESS SUMMARY 2010

DISTRIBUTION DIVISION

With its past business related to the activity of distribution and based on the turnover in Southeast Europe market, Atlantic Grupa has developed into a leading distributor of high-quality consumer goods whose distributing portfolio encompasses brands of regional and world production leaders. The Division is characterized by highly developed know how in the field of key account management, product category management, supply chain management and trade marketing which is continuously adjusted to market trends. The distributive assortment of the Group is in continuous expansion making Atlantic Grupa the exclusive, i.e. authorized distributor of renowned international brands in different markets of the region:

- William Wrigley Jr. Co.
- Ferrero
- Duyvis
- Johnson&Johnson
- Nestle Purina Pet Care
- Hipp
- Durex
- Duracell
- Scholl
- Lorenz Snack World
- Manner
- Vivera
- Rauch
- Zvečevo
- Italfood
- Nestle
- TDR
- Karolina
- One2Play

Atlantic Grupa distributes brands from its own production program as well:

- Cedevida
- Melem
- Plidenta
- Rosal

- Dietpharm
- Multivita
- Multipower
- Unique spring water

A total of nine of the abovementioned brands from Atlantic Grupa's distribution portfolio have the status of Superbrand, three of them being the company's own brands (Cedevita, Plidenta, and Melem) and six principal brands (Wrigley, Ferrero, Nutella, Kinder, Johnson&Johnson, Duracell, and Durex).

During 2010 the Division's business was characterized by an intensive development of distribution channels, so by the end of the business year the presence of the company's distribution was registered in more than 60 000 sales points, including the market of Bosnia and Herzegovina, namely 15 000 HORECA sales points, 1000 electronics and technical goods stores, 300 specialized sports facilities, 6500 households and 3500 business entities (offices and branch offices) by direct sale of gallon packaging of the water Unique, and the rest of almost 34 000 retail outlets selling consumer goods.

Strategic entrance in direct sales in households and offices, achieved by Atlantic Grupa's acquisition of Kalničke vode which sold gallon packaging of spring water Unique, creates preconditions for covering new sales channels for the Distribution Division, for now only in Croatia.

Since this is a channel that has not been carefully analyzed by any of the consumer goods distributor, Atlantic sees a potential for growth and new service to our existing and potential partners. Considering only the gallon business, our share in this market is more than 40% and we are the biggest supplier of these products in Croatia. The assortment offered in our traditional sales channel (consumer goods stores) will be part of this channel too, and the number of items and type of products will depend on the consumer's needs and way of consumption.

During 2010 Atlantic Grupa further strengthened its distribution portfolio with new distributive programs of globally known brands, thus confirming its strategic orientation towards the development of the distribution business segment as an important leverage in the total Company's activity.

The fact that foreign producers consider Atlantic Grupa a strong distribution partner has been proven again by a new distribution contract with one of the leading global producers of confectionery products Ferrero in the Macedonian market, including traditional assortment as well as Ferrero's assortment of cooled products. Atlantic Grupa distributes Ferrero brands in the Macedonian market, including Nutella, Kinder, Ferrero Rocher, Raffaello and Mon Cheri, as well as Kinder Pingui and Milch Schnitte.

Collaboration with Ferrero for the assortment of cooled products (Kinder Pingui, Milch Schnitte) was agreed for the Serbian market as well.

Collaboration with Italfood was agreed for the Slovenian market as well. Based on good experience in the Serbian market, Italfood recognized Atlantic Grupa as a partner to whom they entrusted the distribution of their salty snack products.

In 2010 the Division had 1,288,164 HRK in revenue, which is at the level of 2009 results.

Atlantic Grupa's distributive network in 16 distributive centers (Zagreb, Osijek, Rijeka, Split, Široki Brijeg, Sarajevo, Tuzla, Laktaši, Bihać, Ljubljana, Belgrade, Novi Sad, Niš, Čačak, Podgorica and Skopje) covers the markets of Croatia, Bosnia and Herzegovina, Slovenia, Serbia, Macedonia and Montenegro. With international principals in all these markets, Atlantic Grupa ensures distribution services of highest standard with direct access to more than 60 000 sales points in the region of Southeast Europe.

CONSUMER HEALTH CARE DIVISION

Atlantic Group's strategic focus is to systematically increase the production and sales of their own products and brands. A large number of Atlantic's brands in the segment of instant vitamin drinks, food supplements, teas, candies, sandwiches, cosmetics and products in the segment of personal care are the market leaders, not only in the Croatian market but also in the market of Southeast Europe. Given that the production of these products is the main business of the Consumer Healthcare Division, thereby the Consumer Healthcare Division is a significant regional producer of products intended for a healthy diet, good looks and a modern lifestyle.

The most important and well know Consumer Healthcare Division's products on the market are the following brands; instant vitamin drinks like Cedevida and Multivita, herbal and fruit Cedevida teas, medicinal teas as Naturavita tea, food supplements and products of medical purpose such as Dietpharm products, Montana sandwiches, Multivita effervescent tablets, Plidenta toothpaste, Rosal face and body cosmetics, Lip Balm for lip care and widely known, universal protective cream Melem, and by the end of the year some new brands in the Unique and Kapljica portfolio in the segment of non-carbonated and carbonated mineral water. Consumer demands, particularly in relation to quality and innovation of products, are continually growing. Aware of this fact, Consumer Healthcare Division annually introduces about thirty new and innovative products.

Since quality and safety of the product are the key factors in gaining and maintaining consumer confidence, in order to provide high quality products there is a systematic investment in knowledge, equipment, technical skills, marketing and communication with consumers. Quality management systems of the Healthcare Division are in accordance with strict international standards.

In 2010 Consumer Healthcare Division achieved sales of 481.4 million kuna, which represents a decrease of 3.1% in relation to the sale in 2009. Of the total sales, 230.1 million kuna was generated in foreign markets, while the share of exports in total sales rose from 44% in 2009 to 48% in 2010.

The Healthcare Division operates in two segments: a segment of products intended for a healthy diet and a segment of products designed for personal care.

Segment of Health Food Products

In the area of food products assortment in 2010 was realized the production of a total of 7840 tons, of which 96%, are instant vitamin drinks, other group by volume are comprimates with a share of 3% in the realization of

production.

Herbal teas as commercial goods were produced in quantities of 280 tons, which is 7% more than last year.

New group of products, iced teas-soft drinks under the brand name of Cedevita teas, commercial goods, came out on the market after the first quarter, resulting in production of 490 thousand liters.

New products were developed in the assortment of instant vitamin products of new flavors and shapes, and new assortment of instant Vitamin C and Vitamin C with no sugar added.

Comprimates as the other group of products had innovation in the new group of special products for the HV so-called survival packages in three flavors.

After completion of the investment cycle of the capacity increase in grain size and line of Cedevita GO filling caps, investment in process equipment continued on a smaller scale and investment in mill for citric acid as part of the harmonization process of technological equipment with the ATEX directive, leading to increased levels of security processes and standardized quality of one of the raw materials.

On the line for filling caps one risky point was corrected by investing into a flow scale, which reduced the level of material losses.

Through the upgrade of technological lines, which are the result of investments, positive results are accomplished in productivity by 11% or 16 890 hours spent less. In addition to the productivity achieved good results and the cost of using the material for the manufacture of products by 2.6%.

Following consumers' wishes assortment of instant vitamin drinks are continuously updated and refreshed with new flavors. Lime flavor, which was launched in 2009, after showing good results in the initial package, in 2010 was expanded into packaging of 1 kg, giving consumers the option to purchase the largest and the most economical package.

Multivita instant vitamin drinks with flavors of orange, lemon, grapefruit, wild strawberry, wild berries and Multivita junior were primarily sold in the Serbian market during 2010.

In 2010 Multivita has enriched its range of products in the segment of effervescent, launching a new product Multivita Junior supplemented with calcium, thus offering a tasty and healthy preparation that helps children's growth and development.

The year was marked by further strengthening of Cedevita GO market's position, product that was launched a year earlier. With the constant work on the quality of vending refrigerator positioning, we achieved a market share of 4.4% in the beverage category, surpassing shares held by Fanta, Sprite, Schweppes and others.

Cedevita GO! is innovation for the company, as well as for the market, allowing Atlantic Group once again to demonstrate how a combination of consumer care, monitoring of global trends and our own vision results in superior products, innovative and with global dimensions.

On Cedevita range of teas in 2010 the focus was placed on defining the best quality in-store promotions, improving the look of shelves and our part on it, and expansion of distribution in the HORECA channel. All this was accompanied by a very successful TV campaign.

In mid-2010 *company began intensive preparations* for acquisitions of Badel's Kalnik water (Kalničke vode) Bionatura which was successfully completed at the end of 2010. Completed was also work on preparation of synergies and Kalnik water (Kalničke vode) facility was annexed to Cedevida d.o.o at the end of 2010. Therewith it was made possible that one of the main lines of instant beverages Cedevida-GO can be produced in own facility. Together with production of Cedevida GO, in the same facility is produced natural spring water, mineral water and water for sale in gallons. In addition, this acquisition enables further synergies, such as providing a service for fillings bottles of Cockta for DK Division.

In 2010 Montana sold 2 million pieces of its products.

Last year, Montana has started exporting its products to the Serbian market, where contracts were signed with major petrol chains and distribution was done via AT BG.

Last year was invested in the business program to accelerate, rationalize and simplify the process of ordering, production and sales.

Together with business program, the HHT sale system was also upgraded, which made the process of selling (delivery, return and order) more simple and easy.

Healthcare Division in the segment of products designed for healthy nutrition has made 405.8 million kuna of sales, of which 205 million was generated in foreign markets.

There has been decline in total sales of 5%, and increase in share of exports in sales with 46.2% achieved in 2009 to 51% in 2010. The entire 2010 was strongly influenced by the economic crisis that has hit most of our largest domestic market, where there was a general decline in retail sales of some 20%.

Healthcare Division in the segment of products intended for a healthy diet, and their further development will be based on the development and improvement of instant vitamin drinks, food supplements, teas, sandwiches, candy and products for consumers with "on-the-go" habits.

Segment of Personal Care Products

After successful completion of the investment in new facility for manufacturing of cosmetic products and commissioning with all the necessary permissions, realized are planned quantities for 1% higher than planned for 2010. The largest shares are still of course toothpastes that were produced 3% more than planned.

Serious interventions are made on brand Melem, which is produced in a new form of packaging for practical application, with appropriate hygiene process. Total realized amounts are 11% higher than the realization in 2009, and on plan even 26% higher.

Following trends in world markets, Healthcare Division has launched a range of reformulated Rosal facial care, reconditioning the entire portfolio in a way that improved product formulations, making them more modern and more convenient for our customers, and fundamentally changing a visual identity of the entire line.

At the same time, through investment operations, in Weckerle line was improved the use of packaging components of the world manufacturers, so other than having direct financial effects, the risk of supplying markets was reduced.

Line Weckerle was prepared for a significant redesign, therefore the final appearance of lip balm was completely changed into a shiny new blister packaging.

The supplier for hilz Rosal Lip Balm was also used, and from 2010 hilz is purchased from the world's leading suppliers, thereby gaining greater choice in selecting hilz and greater assurance for deliveries.

From a total of 11 groups of products, 8 achieved higher production than planned in 2010 and 6 products achieved higher production than in 2009.

Change in appearance of products with new formulas, was also enabled by modifications of production facilities. Facility technology of cosmetic products has been successfully tested for the production of preparations for another company within the group, which accomplished multiple benefits for the Group.

Effects of the technological design of production processes have contributed to the improved efficiency of use of materials by 1.6% and labor productivity by about 3,000 hours. Use of energy-generating products also records savings on heating, but also on water and electricity.

In 2010 Healthcare Division in the segment of products intended for personal care realized 75.1 million kunas, which is an increase in sales by 3.3% over the previous year. Exactly one third of its revenue in this segment is realized in foreign markets, and the share of this business remained identical to the share from last year.

SPORTS AND FUNCTIONAL FOOD DIVISION

Based on the business of the Sports and Functional Food Division Atlantic Grupa is a leading European producer of sports food under the brand name Multipower. Thirty-four years of tradition and leadership status in the segment of sports food resulted in diverse product lines, including drinks, powdered products, concentrates, supplements and energy bars, as well as the establishment of today's leading brands at the international market in this segment of products: Multipower, Multaben, Champ and Megaslim. The production processes are certified with ISO 9001:2000, IFS; the facility for the production of powder products and supplements is in Bleckede, while the Division's headquarters is located in Hamburg.

The Division's strategy is based on the idea of continuous development of new innovative products for sports and healthy foods, in line with monitoring the needs of the modern market and the final consumer's needs, the increase of the market share in key markets, as well as the initiatives for increasing the consumers/users of sports nutrition in general. Due to the specific consumer group for which the products of the Division are intended, special distribution channels have been developed through fitness clubs, sports shops, pharmacies and drug stores, which include over 35,000 retail outlets across Europe; particular care is taken about the continuing education of sales teams and partners. Special focus in 2011 will continue to be on the fastest growing sales channels - Mass Market and the internet.

During 2010 the main business focus and feature of the Division was the modification of design and packaging of products of the bearing trademark of the Division – Multipower - in the segment Endurance and Professional.

In line with trends occurring daily in the market, the visual brand identity was changed, with an emphasis on upgrading its package and communication in the segment Professional, and customizing the appearance and convenience of the packaging of the segment Endurance, in order to adjust the products to the sales channels and consumers types in the so-called mass-market distribution channel, which is the largest-growing in this segment.

In the area of private label products, the continued growth with Herbalife and the acquisition of new customers like Oriflame and WNT have resulted in the high sales growth of 36% in 2010.

At the close of 2009 the IFS certification process was successfully completed, and in 2010 the company confirmed its deserved high standard with a 98.7% compliance with standards.

In 2010 the gross sales of 556.2 million kuna were reached, which is an increase of 12.9% compared to 2009. All brands of the Division were on the rise compared to 2009, with a special increase of the brand Champ by 14% and 17% of Multaben.

In the coming period the main business focus of the Sports and Functional Food Division will be the further increase in the market share in key markets, with a large focus on Britain and Spain, where own companies were founded, as well as the strengthening of our position in the new distribution channels (Mass Market, Online).

From a marketing point of view, as the dominant leader in sports foods in Europe, the Division's goal is to increase the share of new users of sports foods among active athletes and recreational consumers. The quest for a healthier lifestyle in view of food and fitness levels throughout Europe is contributing to the sales growth of sports foods. Although the sports food industry is growing by 4-6% in developed markets and 10-15% in the less developed ones, the industry of sports foods is still a niche with only 3% of the total population of sports food users in developed markets. As a leading manufacturer of sports food in Europe, our goal and responsibility is to promote this industry and the benefits of sports food consumption, so that the number of users grows. Our focus in 2011 will continue to be to develop marketing concepts that will facilitate that, as well as the development of convenience packaging and new concepts of product use. In particular we will focus on the growth of consumer-users among women who are still disproportionately represented. The re-launch of the product range "Body" in late 2011 will greatly facilitate that.

PHARMA DIVISION

Pharmaceutical Business

During 2010 Atlantic Grupa has continued to work on the consolidation of the pharmacy business in Croatia, and the current turnover of over 300 million kuna has put us into the leading position in the pharmacy business segment on the Croatian market.

Following the announcements, Atlantic Grupa has achieved further growth and consolidation of the pharmacy business in 2010 by opening its own new pharmacies, acquisitions and organic growth.

In 2010 the Pharma Division opened a total of 5 new business units, 4 of which are pharmacies and one is a specialty store for non-prescription medicines and dietary supplements.

The 4 new pharmacies were opened in Zagreb, Slavonski Brod, Sarvaš and Vrsi, while the specialty store for non-prescription medicines and dietary supplements was opened in December in Split, in the shopping center City Center One. Based on the agreement on strategic partnership with the Health Services Institute Dvoržak, whose main aim was the further growth and consolidation of the pharmacy business, in 2010 Atlantic Grupa took over the full management control over the mentioned units. Since 01.01.2010 we have included two pharmacies in the consolidation of the pharmacy business in the area of Split and Stobreč (Health Institute Marijam), and since 01.04.2010 the specialty stores for non-prescription drugs and medical products have also been taken over. During the first half of 2011 we anticipate finalizing the resolution of formal requirements, as well as the complete takeover of the remaining 5 pharmacies.

After the final allocation of these 12 pharmacies and specialty stores, and their inclusion into the Atlantic Grupa, the other pharmacies which continue to be managed by the family business Dvoržak will work in strategic partnership with the Atlantic pharmacy chain Farmacia. Partnership will be realized through the joint coordination and management of functions like procurement, marketing, education and other professional activities.

During 2010 the integration of new business units was continued, including the implementation of a single IT platform for the pharmaceutical and accounting segment, and the established business processes of the Atlantic Grupa were introduced.

The process of the central procurement organization, which began in 2008 with large suppliers, included the acquisition for all suppliers in 2010. This has significantly contributed to alleviating the burden of the technical part of the job for pharmacy staff, providing opportunities and space for the full care and attention to patients. Also, the centralization of procurement had a significant impact on the optimization of inventories in pharmacies, as well as the maximum realization of additional revenue per contractual terms with suppliers. In an effort to

integrate all business units into a single pharmacy system in 2010 the Pharma Division continued to work intensively on developing its own, distinctive visual identity. This was primarily reflected in the space design of all new business units, which follows all industry standards and trends and enables all elements of modern pharmacy to be carried out, providing superior pharmaceutical services, along with an individualized approach to the patient. Furthermore, significant investments in the reconstruction and rehabilitation of some business units were made - activities which will, depending on possibilities, continue in 2011.

To achieve a unique visual identity, standards for exposure and advertising in the pharmacy chain Farmacia have been defined and implemented. Apart from our personal goals, standards bring substantial benefit to all business partners of the Atlantic pharmacy chain. Activities at the outlet are defined, agreed upon and conducted coordinately in all business units, which for Farmacia's partners means safe returns on each investment at the outlet. To further improve sale services, following global trends, Atlantic Grupa has introduced a unique digital media system with central database management in 2010 in all pharmacies and specialty stores. This innovative approach enables all users in our pharmacies to get quality and timely information on maintaining health and our new products and activities.

Furthermore, during 2010 the Pharma Division has successfully continued the projects in career development and professional competence in pharmacy, as well as the professional training of staff.

In the first year of its existence, the Education Center Farmacia has fulfilled a truly rich educational program for pharmacists, pharmacy technicians and health professionals working in our pharmacy institution. In accordance with the primary goal of our pharmacies to offer additional counseling and pharmaceutical care, and raise and equalize the quality of our services with international standards and current trends in pharmacy, we have worked extensively on the education and reorganization of professional competencies in the pharmaceutical segment.

This year in the Centre 36 lectures and workshops took place with eminent speakers from the fields of sociology, pharmacotherapy, gynecology, pharmacovigilance, aromatherapy, nutrition, dermocosmetics, otolaryngology, physical medicine, phytotherapy and apitherapy, as well as 30 more meetings for the personal development of our staff (finance, marketing, IT, presentation, communication and sales skills).

We have included 17 apprentices and 17 mentors in the internship program through a special education system. Within the personal development educational programs were held in the area of communication and sales skills, marketing, IT and finance, enriched with an exchange of experiences within the company using its own resources - the expertise and competence of our colleagues who have demonstrated to be excellent speakers.

Our employees are involved in all important educational programs in vocational institutions, pharmacists' conferences, the World Pharmaceutical Congress and professional consultations.

Our pharmacies have adopted and implemented their own new professional ethics and rules to standardize financial management and ensure a high level of pharmaceutical services.

As a significant contribution to the impact on public health we have designed and launched in our pharmacies a school of smoking cessation and counseling services under the name "My Personal Pharmacist". Also, in synergy with Multipower, we have launched a "School of Weight Loss" in our pharmacies, where we have expert advice to answer many questions of our patients. We continued to cooperate with vocational institutions in England, and visited and been introduced to the pharmaceutical system and national training and university courses in Scotland, and launched new programs to develop competencies of pharmacists and to take over a more responsible role in treating our patients.

At the International Congress of FIP in September 2010 in Lisbon we presented the results of the competencies, i.e. the progress in relation to 2009. Also, we held a lecture on the "Development of Competencies in the Croatian Pharmaceutical Industry within the Farmacia System".

In October 2010 in Copenhagen at the Congress EUROPHARM forum (European Parliament of Pharmacists) we also held a presentation on additional services which we provide to our customers in Farmacia.

In the process of documenting pharmaceutical care, all pharmacists have continued to document interventions in their portfolio that contains evidence of medical interventions and medication reviews, and reported side effects and drug interactions. For this we received an award this year. Of the nearly 3000 pharmacists in Croatia, the Croatian Agency for Medicinal Products and Medical Devices (HALMED) has selected and awarded the 4 best and soonest-to-report pharmacists in reporting adverse reactions, as a result of care and patient access. All 4 candidates are employees of Farmacia.

Through a scoring system in the Croatian Pharmaceutical Chamber all our pharmacists have reached a sufficient number of credits for license renewal for 2010.

Fidifarm Ltd. Manufacture of Medicines and Dietary Products

Wholesale Pharmaceutical Business

According to the defined and planned development in 2008 Fidifarm expanded its business in March 2009 by starting its own wholesalers, and during 2010 it confirmed the planned strategy of business diversification of Fidifarm through sales growth. The set goal was to strengthen the position of its own brand Dietpharm on the Croatian market and establish itself as a reliable distributor of quality local and international brands aimed at pharmacy chains and specialty stores.

By activating the wholesalers with the concept of exclusive distribution business, new opportunities for expansion and development of distribution in all pharmacies and specialist shops in the territory of Croatia have opened up; during 2010 the wholesale pharmaceutical business 100% exceeded its distribution targets and direct cooperation with all the 1200 delivery spots.

The range of wholesale products, except for the brand Dietpharm, was extended with a considerable number of brands from the Atlantic trade portfolio (Wrigley, Johnson & Johnson, Durex, Scholl and his shoes, Vivera, Cedevita and Neva), and since May 2009 with Principal Contracts for the OTC portfolio of SSL, Hungary and Stada Hemofarm, Serbia, and thus the range of OTC preparations was extended for a dozen new items. In the pharmaceutical wholesale product range Maria Galland cosmetics is included, as well as the Israeli preparative and dermo-cosmetics AHAVA, which Fidifarm exclusively distributes in Croatia. Mid-year we have further expanded the business through a Distribution Agreement with the renowned pharmaceutical cosmetic brand Vichy and La Roche Posay.

The cooperation with our logistics partner Medika Split has been continued, with whom we have contracted the use of a regional warehouse, where Medica provides warehousing, commissioning and shipping in Dalmatia. During 2010 we have expanded the cooperation of delivery to the northwestern and eastern Croatian market.

With the aim of optimizing wholesaler sales results even faster, in the sales team of the call center regional sales coordinators are employed along with professional medical Dietpharm representatives.

Through the management of key clients and various marketing activities, in accordance with the profession and the final consumer's needs, it is expected that the position and market share of all the products in the wholesalers range will be further strengthened.

Export Markets

With its Dietpharm brand, Fidifarm is active in six markets in the region (Bosnia and Herzegovina, Serbia, Montenegro, Macedonia, Hungary and Kosovo). The share of export markets in total sales of the Dietpharm brand was 30% in 2010.

At the end of 2010 a Cooperation Agreement with Farmicom from Slovenia was signed. The agreement is on a partnership, in which Fidifarm manufactures its products as private label for the Slovenian market for Farmicom and Ljubljanske ljekarne companies (Ljubljana Pharmacies). Reverse cooperation was also agreed, where Fidifarm would place 5 new products under its own brand during 2011 (Butirex, Ten Plus, Lizzy Tusol, Centravit Lizzy and Osteopan Plus).

In the first quarter of the year Fidifarm has produced 5 SKU private label products (chewing gums + Centravit Prenatal) for Hemofarm Vršac in Serbia, which will be distributed by them to the Serbian market and other foreign markets in which we are not present with our brand.

By changing the exclusive importer and distributor in the Macedonian market in March 2010 the model of work and distribution method were changed. The distribution for the Macedonian market was taken over by ATLANTIC TRADE SKOPJE. Thus Fidifarm took complete control over all marketing activities aimed at final consumers, but also the professional medical promotion aimed at medical doctors. Professional promotion is carried out over a quality sales team of medical sales representatives, while marketing ATL activities are conducted and arranged directly in the market in coordination with the Fidifarm marketing service from Croatia.

Brand Dietpharm

At the end of 2010, the Fidifarm production program consisted of 94 products marked by Dietpharm trademark, 9 of which were market leaders in their respective groups (segment of magnesium, calcium in the prevention and treatment of osteoporosis, menopause segment, eye vitamins segment, prostate protective food supplements segment, segment of iron in food supplements, group of coenzymes Q10, segment of C vitamin in food supplements and segment of food supplements used to help lower the blood fat levels). The product Magnezij 300 effervescent tables was one of the best sold food supplements also in 2010, with 53% units of market share and 60% of revenue in its respective group (data by IMS Pharmis). During 2010, the assortment was expanded by the total of six new products in the category of food supplements for special purpose and category of cosmetics for special purpose (*Centravit Energy tablets a 30 and a 50, Centravit postnatal, Fitosterol Omega, Tusol syrup -common ivy, Ginko Omega and Hemero protect*).

Products with exceptional market potential are *Ginko Omega capsules* and *Hemero Protect cream*. *Ginko Omega capsules* are intended to improve circulation and stimulate better memory. The market of products containing ginkgo extracts amounted to 15 million Kuna in 2010, where our new product has achieved exceptional success in the last quarter, by 32% of market share per unit and per revenue.

Hemero Protect cream is intended for relieving haemorrhoid difficulties, so it represents an innovation and novelty on the Croatian market – it is the only one that contains the active substance of beta-glucan, which is proven to improve healing of wounds and locally decreases swelling and pain. The initial months of sale of this product were exceptionally successful and it is already ranked among the 10 best sold Dietpharm products per unit.

The multivitamin market is one of the largest in the category of food supplements (21,5 million Kuna in 2010) so it was a strategic step forward to supplement the Centravit brand by expanding it by 2 sizes of packaging: Centravit Energy tablets. Centravit brand is ranked 2nd in the multivitamin market (21% per unit and 19% per revenue of MS), and complementing the composition of Centravit Energy tablets is essential for conquering additional market shares.

The Croatian market in the segment of products for pregnant women still continues to gradually grow (2% unit growth during 2010). Through the products in this segment (Centravit Prenatal, Folic Acid) we managed to achieve market shares in 2010 of 19% (per unit) and 21% (per revenue). Centravit postnatal sachets represent quite an innovative concept in this segment – to be exact, this is a vitamin-mineral supplement for lactating women, as well as all young mothers after labor. Since we have created a niche that did not exist before, we expect further increase of Dietpharm products' market share.

Fitosterol Omega capsules are an extension of the brand Fitosterol. Their appealing composition (they are intended to lower values of both types of most common blood fats – cholesterol and triglycerides) have immediately launched this brand to the position of the leading product in its category (45% of units and 60% of revenue).

The syrup market segment amounted to 20 million Kuna in 2010, where the Tusol brand has achieved 12% of unit and 15% of revenue of MS. Introduction of the new *Tusol syrup, with common ivy extract*, gives an answer to the altered demand of consumers, as well as a necessary supplement of this brand with yet another syrup.

Fidifarm owes its market position in the segment of dietetic products – food supplements, to high quality and continued introduction of new products, as a result of long-term orientation to research and development, fulfilling all legal requirements and fulfilling increasingly demanding consumer requirements. As a long-term leader on the Croatian market of food supplements, Dietpharm has achieved in 2010 the growth of 1% in units and sales revenue. In 2010, the market of dietetics dropped by 11% in units and 6% in revenues, while Dietpharm's brand dropped 5% in units and kept the unchanged sales revenue on the market.

The loyalty program which gathers most loyal consumers of the Dietpharm brand – the Health Club was exceptionally active in 2010. It has during the year acquired five new partners, health institutions, who offer numerous benefits to members of the Health Club. In 2010, 12600 new members have joined the Health Club, so that the HC gathered 28.000 members at the end of 2010.

Drugs (prescription and OTC)

During 2010, Fidifarm was present on the market of drugs with one prescription drug (Purisan granules which are listed on the list of the Croatian Institute for Health Insurance, indicated for the preparation and emptying of bowels prior to radiological or endoscopic tests) and 7 over-the-counter drugs (Uvin H forte granules, C 1000 effervescent tablets, Ulcodyn effervescent tablets, Fibralgin[®] 500 mg tablets, Fibralgin syrup, Fibralgin C effervescent tablets and Fidiprofen[®] 200 mg effervescent tablets).

The mentioned drugs had a turnover in 2010 in the value of 2,6 million Kuna (compared to 1,3 million Kuna in 2009).

It should be noted that Ulcodyn effervescent, Fibralgin[®] 500 mg tablets, Fibralgin syrup, Fibralgin C effervescent and Fidiprofen[®] 200 mg effervescent were launched on the market during 2010.

Total market of OTC drugs in 2010 amounted to 389 million Kuna.

Other activities

Since the Purchasing Department was reorganized during 2009, in a way that the processes of planning demand, purchase of initial material, primary and secondary packaging, office supplies, small inventory and commodities, as well as shipment of goods to distributors on foreign markets, were all gathered jointly in one organizational unit, there emerged the need for computerization and automatization. In the middle of the year, a decision was made to change the business solutions at Fidifarm, where Microlab was chosen as the most favorable partner (ERP Diglas). DIGLAS is an integrated business-information system which is a business-oriented, operational and managerial solution, designed to be used in dynamic and fast-growing business environments. Implementation of the system was done successfully on January 01, 2011.

Following the strategy of differentiating wholesale business from production, all preparations were completed at the end of 2010 for detaching of the wholesale business and transferring it into a new company Atlantic Pharmacentar, which formally begun its operation on January 01, 2011.

The existing integrated system of quality management, based on internationally recognized standards ISO 9001:2000 and HACCP food safety management principles, was additionally improved by introducing the Good Production Practice (GPP) for pharmaceutical production. The rules of GPP are primarily implemented in the processes of storing, production and distribution of drugs, but they at the same time represent the basis for continued growth and improvement of integrated system of quality management in all organizational units.

Growth of production, new technological procedures, application of new materials in production and laboratory activities call for Fidifarm to continuously safeguard the environment and be engaged in waste disposal. Treatment of all types of waste is done in cooperation with the Functions of Support of Atlantic Grupa.

Expectations

Future growth and development of Fidifarm is still expected significantly in the area of OTC drugs by placing on the market of all drugs registered by now, with intensive cooperation with doctors and chemists. The marketing activities will also be oriented toward the end users, by conducting the ATL and BTL activities. An increase of the production program is expected by cooperation with new contractual producers. In 2010, the Agreement was signed and a drug has been submitted for registration, namely Desloratadin (for treatment of allergies). In the upcoming period, we expect the Agency for Medicinal Products and Medical Devices to issue a decision so that we could start manufacturing and distributing.

In the segment of food supplements, the growth is expected primarily by expansion to the new markets that are being prepared, Russia, and additional activities in Slovenia. By introducing new, innovative products from the category of herbal preparations, specific active substances and improvement of existing vitamin mineral formulas – it is expected to increase the market share on the Croatian market. Strengthening and widening the loyalty program of the Health Club, which includes increase of membership, new partners at pharmacies and health institutions, will be reflected on the increased consumption of existing consumers, but also on the creation of new ones.

On the markets with biggest potential, namely the markets of Serbia and Bosnia&Herzegovina, the development will be focused on strengthening the market position through new distributors and support of professional associates. By adjusting the marketing approach to the specific requirements of the market, it is expected to better establish the brand Dietpharm.

In the wholesale business, the goal is to further reinforce the position of own brand, Dietpharm. By introducing new principal players, the market shares are expected to increase, while the key accounts management and various marketing activities, toward the peers and end users are expected to reinforce positions of all products in the wholesale assortment.

FINANCIAL OVERVIEW

Extract from the consolidated Profit and loss account for Atlantic Grupa for the year ended on 31 December 2010

In HRKm	2010	2009	% change
Revenues	2,302	2,222	4%
Sales	2,269	2,199	3%
EBITDA	220	197	12%
EBIT	165	154	7%
EBT	123	127	-3%
Net profit	107	97	10%
Net profit after minorities	95	85	12%

In FY10, Atlantic Grupa delivered on guidance and posted top-line and profitability growth in anaemic macroeconomic environment for the real sector. Alongside 3% yoy higher sales to HRK2,269bn, the company delivered 12% yoy higher EBITDA to HRK220m. Portion of profitability enhancement referred to one-offs, whereby one these stripped off in 2009 and 2010, the company posted 6% yoy higher EBITDA to HRK202m thanks to cost optimisation focus. Atlantic Grupa saw its EBIT up by 7% yoy to HRK165m and EBIT at 2009 levels once one-time effects stripped off. Net profit before minority interests advanced by 10% yoy and 8% yoy once one-offs excluded.

KEY DEVELOPMENTS in FY10

1. Acquisition of Droga Kolinska

At the end of November 2010, Atlantic Grupa successfully acquired the company Droga Kolinska for the enterprise value of EUR382m and therewith completed the largest acquisition in its business development cycle ever. The company eventually paid out EUR243,109 thousand (net of net debt) in cash for 100% share in Droga Kolinska to its previous owner Istrabenz d.d.. Atlantic Grupa financed the equity value with the combination of equity/debt financing, whereby equity financing accounted for 44% of total value (o/w 78% related to funds raised in the capital increase in July 2010 and the remaining part to the company's own funds) and debt financing made up 56% of total value (o/w 78% referred to senior funds and the remaining part to junior funds).

Considering the equity value of the acquisition as well as Droga Kolinska's FY10 reported figures, Atlantic Grupa completed the acquisition at the following multiples:

Droga Kolinska	
Ownership	100%
Equity value (EURm)	243.109
Enterprise value (EURm)	382
<hr style="border-top: 1px dashed black;"/>	
2010 EV/Sales	1.2
2010 EV/EBITDA	8.7
2010 P/S	0.8
2010 P/EBITDA	5.5

Considering that the acquisition of Droga Kolinska is Atlantic Grupa's largest acquisition ever that simultaneously caused substantial financial burden of the company, it is of paramount importance to enhance the management's strategic reasoning for the acquisition:

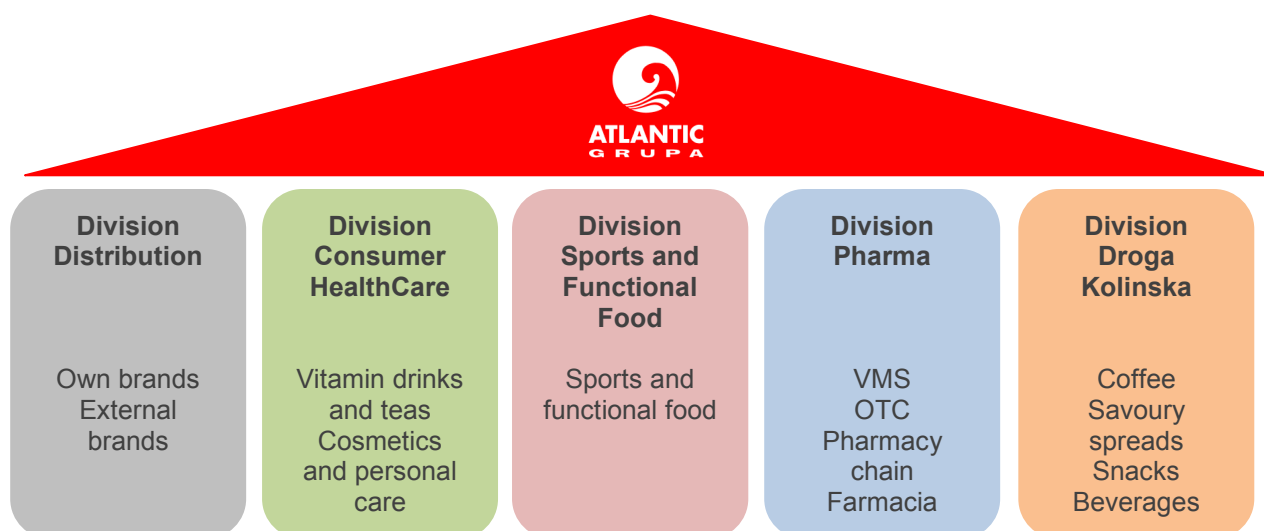
- ❖ The acquisition of Droga Kolinska expands Atlantic Grupa to the second largest food and beverages company in the ex. YU region with significant presence on the Russian market.
- ❖ Widespread, modern and efficient Droga Kolinska's regional network of production facilities (particularly on BiH and Slovenian markets) transforms Atlantic Grupa into strong regional producer with support of existing distribution network and infrastructure.
- ❖ Droga Kolinska's strong regional presence balances geographic profile of consolidated company with reduced dependence on performance of Croatian market.
- ❖ Droga Kolinska's product assortment with well-known and leading brands region-wise enables substantial widening of Atlantic Grupa's product portfolio, resulting thereby in nearly twofold higher share of margin accretive own brands in consolidates sales.
- ❖ Potential for achieving sales synergies in both companies with particular emphasis on:
 - Utilising Atlantic Grupa's distribution know-how (in retail and HoReCa channels) generally, with special emphasis on the Croatian market, to better Droga Kolinska's product assortment positioning.
 - Exploiting Droga Kolinska's strong presence in Serbia and Slovenia to enhance Atlantic Grupa's presence of product assortments.
 - Utilising Atlantic Grupa's distribution infrastructure on the West European markets to position particular Droga Kolinska's product categories. Moreover, expansion of other markets outside the region via joint assortment presence (e.g. on the Russian market).

- ❖ Potential for achieving cost savings in both companies with particular emphasis on merger of distribution-logistics processes, procurement and marketing.

Post-acquisition activities

After takeover of Droga Kolinska, Atlantic Grupa decided to retain divisional organisation structure by setting up Droga Kolinska as the company's fifth operating division. Consequently, Atlantic Grupa's business divisions include: Distribution, Consumer HealthCare, Sports and Functional Food, Pharma and Droga Kolinska. Droga Kolinska division is further divided into five business units: Coffee, Sweet and salted snack, Savoury spreads, Beverages and Baby food.

New organisation structure led to certain changes in the company's Management Board with new Board comprised of eight members.



Overview of integration activities

With Atlantic Grupa's strategic goal to execute fast and efficient integration, integration activities have been set up in accordance with the relevant business areas and divided into two key groups: (i) Operations (including distribution, procurement, logistics and production) and (ii) Support functions. Priority in delivering synergy potentials lies in Operations led by distribution-logistics activities. Despite special characteristics of each regional market, Atlantic Grupa's current distribution model suggests that separated distribution activities set up in standalone Distribution division enable high-level of distribution service (from development of distribution channels, customers relationship, development of distribution technology, brand management to trade marketing activities). Consequently, the company currently undergoes consolidation of distribution operations on regional markets and merges them into common distribution system within Distribution division. Among other Operations, Procurement's priority includes organisation of central procurement and suppliers' base consolidation, whereby Production's integration priorities include consolidation of production activities with

ultimate aim to enhance efficiency and production capacity utilisation.

2. Overview of other key developments

Distribution division: New distribution deals aimed at further regional diversification of distribution mix

- ❖ After February 2010 when Atlantic Grupa entered the cooperation with one of the world's largest confectionary producers – **Ferrero** – to distribute its semifreddo program on the **Serbian market**, the company undertook complete distribution of Ferrero product assortment on the **Macedonian market** at the beginning of September. Therewith the Macedonian market became the fourth regional market (alongside Slovenia, Serbia and Croatia) where Atlantic Grupa distributes Ferrero assortment, whereby the company itself became Ferrero's regional partner. In FY10, Ferrero's brands – Kinder and Nutella – ranked among top 10 brands in Atlantic Grupa's distribution and production portfolio with yoy sales growth of ca. 30%.
- ❖ In March 2010 Atlantic Grupa commenced with **distribution of impulse assortment from the company One2play** (one of the leading domestic supplier of toys, multimedia content, etc. produced by well-known license owners including Disney, Gormits, Ben Ten etc.) on the Croatian, Slovenian, BiH and Macedonian markets. The company finds this distribution deal as well important due to its regional character, whereby FY10 showing topped expectations.

Distribution agreements with Ferrero and One2play reflect the company's strategic orientation towards strengthening of regional distribution know-how and infrastructure that should eventually enable the company to bear fruits from the economy of scale.

- ❖ Following distribution deal signed during 2010 with well-known Austrian juice and tea producer – Rauch – to distribute **Rauch's assortment** in all distribution channels on the **Croatian market**, Atlantic Grupa signed new deal at the beginning of December 2010 with global energy drinks producer - **Red Bull** – to distribute its **energy drinks in all distribution channels on the Croatian market**. Red Bull energy drinks and Rauch assortment in the company's distribution portfolio alongside Atlantic Grupa's own beverages assortment (including Droga Kolinska and Kalničke vode Bio Natura's beverages program) establishes the company as a respectable and unavoidable regional beverages supplier.

Sports and Functional Food division: Strong foray on the Spanish market

As a part of the company's business development strategy in the sports and functional food segment, including development of new products and geographical expansion, Atlantic Grupa decided to expand its business more actively on the perspective Spanish market by setting up new company **Atlantic Multipower Iberica**, headquartered in Barcelona. Sports and functional food segment on the Spanish market is estimated at

approximately EUR40m (IMS sales) with 30% growth in the 2004-2009 period and estimated mid-to-high single-digit growth rate over the next two years. Moreover, the recent trends indicate endurance and body-building product lines among the key product categories.

Consumer HealthCare division: Acquisition of Kalničke vode Bio Natura d.d.

In 2010, Atlantic Grupa successfully completed smaller-size acquisition of 100% share in the **local water producer - Kalničke vode Bio Natura**. Kalničke vode Bio Natura's financials have been consolidated in Atlantic Grupa's financial statements in 4Q10 within the Consumer HealthCare division, where the company resumes its business. Integration of Kalničke vode Bio Natura into Consumer HealthCare division is sound business decision given that water bottling service for Cedevida GO! was outsourced to Kalničke vode Bio Natura prior to acquisition. Consequently, this acquisition enables consolidation of the entire production process within the company while enhancing production efficiency of Cedevida GO!.

Pharma division: Further expansion of pharmacy business

Throughout 2010, the Pharma division continued with further expansion of its pharmacy business by launching three new pharmacies and one specialized store. Furthermore, following the acquisition of Dvoržak pharmacy chain in 2009, division consolidated two pharmacies at the beginning of 2010 and additional four specialized stores in April 2010. Consequently, at the YE10, Atlantic Grupa's pharmacy business comprised **49 pharmacy units**, of which 10 referred to specialized stores.

During 2011, the Pharma division plans to consolidate five remaining pharmacies within acquired Dvoržak pharmacy chain and one smaller pharmacy. One should consider that Pharma division's management places considerable attention towards pharmacies/specialized stores positioning in high-traffic locations including shopping malls, near medical practitioners and health centres, etc..

Furthermore, Pharma division delivered the most pronounced operating profitability enhancement among Atlantic Grupa's divisions in FY10 thanks to business model changes and in accordance with the management's guidance.

SALES DYNAMICS IN FY10

Sales profile by division

in HRK thousands

2010	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Group
Gross sales	1,289,331	478,194	556,182	326,011	2,649,719
Intersegment sales					381,078
Consolidated sales					2,268,641
2009					
Gross sales	1,318,699	494,199	492,738	296,816	2,602,451
Intersegment sales					403,039
Consolidated sales					2,199,413
Change 10/09					
Gross sales	-2.2%	-3.2%	12.9%	9.8%	
Intersegment sales					
Consolidated sales					3.1%

In FY10 Atlantic Grupa showed **3.1% yoy higher top-line of HRK2.268,6m** supported by sales advance in Sports and Functional Food and Pharma divisions that cushioned sales drop in Distribution and Consumer HealthCare divisions. Delivered showing is in line with the management's guidance published at the beginning of FY10. Analysing the **4Q10** separately, Atlantic Grupa posted **3.7% yoy higher top-line of HRK584.3m** largely driven by double-digit growth rates in Sports and Functional Food and Pharma divisions.

- Gloomy macroeconomic environment depicted by amplified consumer pessimism, elevated unemployment and shrunken personal consumption on the geographically largest market within **Distribution division** – Croatia – negatively impacted division's showing with 2.2% yoy lower top-line. Furthermore, break up of distribution contract with Nestle Purina Pet Care on the Croatian market in 2009 also weighed down on division's performance with absence of ca. HRK30m sales in FY10. Nevertheless, the latter was recouped with new distribution deals with both new and existing principals including One2play and Rauch. Looking closely at other geographical markets within Distribution division, Slovenian and Macedonian markets posted double-digit growth rates both in local and functional currencies, whereby the Serbian market delivered top-line growth in local currency. Namely, positive sales developments on all three markets came on the back of sales growth of Cedevita vitamin instant drink in the retail distribution channel and Ferrero assortment distribution. Thereby, Serbian and Macedonian markets bore fruits from commencement of

Ferrero assortment distribution in 2010, while Slovenian benefited market from the full financial year sales impact of Ferrero assortment.

- In FY10, **Consumer HealthCare division** showed 3.2% yoy sales drop, whereby sales growth in Multivita's assortment and Neva's program in the personal care segment partially dwarfed lower top-line performance of Cedevida's assortment. At individual level, Multivita's sales came in at higher double-digit growth rate on the Russian market. Precisely the latter stands out as an interesting market for further development of Atlantic Grupa, especially in light of consolidation of Droga Kolinska's assortment already present on the Russian market.

- The most dynamic top-line performance of 12.9% yoy in **Sports and Functional Food division** came on wings of sales growth in all own brands in the sports and functional food assortment as well as surge in private label categories. Thereby, Atlantic Grupa's second best-selling brand – Multipower – posted lower single-digit sales growth, whereby brands positioned in the lower price range – Champ and Multaben – saw 13% and 16% yoy higher sales, respectively.
Geographical sales profile of Sports and Functional Food division depicts expansion of the key markets in terms of sale – Germany, UK and Italy, whereby Russian and Swiss markets came in as the fastest growing markets accounting for 5.3% of division's sale in FY10 as opposed to 3.1% in FY09.

- **Pharma division** posted 9.8% yoy higher FY10 top-line driven by 20.9% surge in Fidifarm sales and pharmacy chain Farmacia's sales up 6.3% yoy. The latter's expansion came on the back of newly launched pharmacies/specialized stores in the course of the last two years and partial consolidation of pharmacies and specialized stores within acquired pharmacy chain Dvoržak.
On normalized level, Pharma division delivered 10.2% yoy higher top-line while excluding (i) FY10 sales of consolidated pharmacies/specialized stores within Dvoržak pharmacy chain and (ii) 8M09 sales of 2 pharmacies from the Health Institution Coner that were spun-off in exchange for the minority share in other pharmacies in August 2009.

Multi-division summary by geographic zone

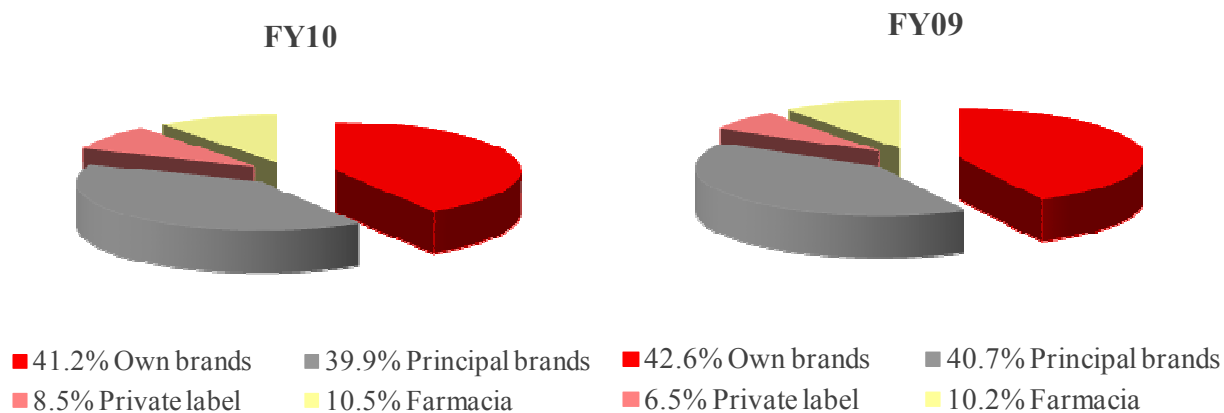
in HRK _m	2010	% of total sales	2009	% of total sales	Change FY10/FY09	in CER terms
Croatia	1,250.6	55.1%	1,321.4	60.1%	-5.4%	
Germany	244.3	10.8%	239.7	10.9%	1.9%	2.7%
Serbia	130.1	5.7%	130.8	5.9%	-0.5%	9.5%
Slovenia	172.5	7.6%	118.4	5.4%	45.7%	46.6%
Bosna and Herzegovina	79.0	3.5%	76.2	3.5%	3.8%	4.6%
UK	44.5	2.0%	40.1	1.8%	11.1%	7.9%
Italy	49.3	2.2%	43.0	2.0%	14.8%	15.7%
Other	298.2	13.0%	229.9	10.5%	29.7%	
Total sales	2,268.6	100.0%	2,199.4	100.0%	3.1%	

- Following 6.3% yoy dip in 9M10 sales, 4Q10 showing somewhat alleviated sales drop on an annual basis and consequently **Croatian market** posted 5.4% lower sales figure of HRK1,250.6m in FY10. Management finds delivered results largely impacted by instable and unfavourable macro profile that the company strived to deal with by: entering new distribution deals, launching new pharmacies/specialised stores, optimizing retail prices (e.g. on Cedevida GO!) and innovating in product lines and design. Thereby, the management highlights that dim macro picture largely reflected through consumer pessimism with an average consumer sentiment index at -47.5 pts in 2010 vs. -43.5 pts in 2009 as well as directly related labour market woes suggested by an increase in an average unemployment rate to 17.6% in 2010 from 14.9% in 2009 and an elevated level of job insecurity. Aforementioned trends coupled with disposable income worsening and real 'core' retail sales (ex. auto/motorcycle sales) contraction for the third consecutive year (-1.9% yoy in 2010) certainly pressured personal consumption (-0.9% yoy in 2010) and consumers' spending appetite.
- On other regional markets, even though **Slovenia** somewhat slowed down sales expansion from FY09, with 45.7% yoy sales surge, the market stands out as the fastest growing in Atlantic Grupa's geographic sales profile. The latter therewith added 246bp to the overall top-line performance. This sales showing was largely buoyed by sales in the Ferrero assortment and lower single-digit sales growth in Cedevida vitamin instant drink in the retail distribution channel. One should note that dynamic sales performance came in despite only a meagre personal consumption recovery in 2010, stagnating average unemployment rate of 10.7% in 2010 as well as retail sales decline in food, beverages and tobacco.
Serbian market saw 9.5% yoy higher sales in the local currency, whereby an average Serbian Dinar depreciation rate of 10.1% in 2010 eventually led to 0.5% yoy lower sales in the functional currency. Thereby, the key contributors in the local currency include: (i) sales growth in Cedevida assortment with Cedevida vitamin instant drink expanding in all distribution channel, whereby the HoReCa channel

spearheaded advance, (ii) commencement of the Ferrero's semifreddo assortment distribution and (iii) other distribution categories. One should consider this showing in macroeconomic surrounding that failed to support real sector given personal consumption decline in 2010 amidst unfavourable dynamics on the labour market with unemployment rate at 19.2%.

- In 2010, the **key West European markets** showed positive developments in top-line with the largest market in terms of sales – Germany – posting 2.7% yoy lift in sales in CER terms, while Italy and UK delivered more dynamic growth rates of 14.8% yoy and 11.1% yoy (in functional currency), apiece. Reported showing was spurred by: (i) sales advance in own brands – Multipower, Champ and Multaben and (ii) private label sales growth. One should view this performance in light of macroeconomic rebound on the key West European markets in 2010 with 3.6% yoy higher GDP in Germany as well as labour market revival (unemployment rate down to 7.7% in 2010 as opposed to 8.2% in 2009), whereby Italian and UK economies saw somewhat moderate recovery with 1.1% and 1.4% higher GDP, respectively. Nevertheless, German economy still deals with rather muted personal consumption recovery of 0.5% yoy in 2010 as well as higher consumer spending aversion, whereby UK economy suffers from higher unemployment rate of 7.9% in 2010 vs. 7.7% in 2009.
- With 29.7% yoy higher sales, **other markets** contributed to the group top-line growth with 311bp and therewith, alongside Slovenia, spurred the most the Group's sales development. Thereby, Russia and Switzerland stand out as the fastest growing markets, while Multivita's program and sports and functional food assortment kicked in as the key growth drivers.

Sales profile



- Having posted 2.2% yoy decline in 1H10, Atlantic Grupa's **own brands** rebounded in 2H10 posting 1.8% yoy growth. Consequently, own brands dropped modestly by 0.2% yoy to HRK934.6mil and therewith retained their dominant share in the group's sales profile of 41.2%. Thereby, sales drop on a yoy basis largely came on the back of lower sales in Cedevita and Plidenta brands that was largely annulled by top-line surge in Sports and Functional Food brands as well as in Multivita and Dietpharm brands.
- **Principal brands** delivered 1.0% yoy higher sales on the back of: (i) regional Ferrero program distribution with flagship Ferrero brands – Kinder and Nutella – posting 30% yoy higher sales and (ii) introduction of new distribution categories including One2play's assortment in the region and Rauch program in the Croatian retail channel. Aforementioned categories compensated sales drop in some other distribution categories as well as distribution contract break up with Nestle Purina Pet Care for the Croatian market during 2009.
- Spurred by higher private label sales in the Sports and Functional Food division, **private label** category posted the most dynamic sales growth of 35% in the group's sales profile and thus expanded its share in total sales by 200bp to 8.5%.
- **Farmacia** saw its top-line up by 5.7% yoy in 2010. The category delivered the same showing on normalized level, whereby the latter strips off: (i) FY10 sales from partially consolidated pharmacies/specialized stores of the acquired pharmacy chain Dvoržak and (ii) 8M09 sales of 2 spun off pharmacies from the HI Coner.

PROFITABILITY DYNAMICS in FY10

in HRK ^m	2010	2009	Change 10/09
Sales	2,268.6	2,199.4	3.1%
EBITDA	220.0	197.0	11.7%
EBITDA ex. one-offs	201.7	189.4	6.5%
EBIT	165.0	153.8	7.2%
EBIT ex. one-offs	146.6	146.2	0.3%
Net profit	106.8	97.3	9.7%
Net profit ex. one-offs	97.2	89.7	8.4%
<i>Profitability margins</i>			
EBITDA margin	9.7%	9.0%	+74 bps
EBITDA margin ex. one-offs	8.9%	8.6%	+28 bps
EBIT margin	7.3%	7.0%	+28 bps
EBIT margin ex. one-offs	6.5%	6.6%	-19 bps
Net profit margin	4.7%	4.4%	+28 bps
Net profit margin ex. one-offs	4.3%	4.1%	+21 bps

Key highlights:

- In FY10, Atlantic Grupa delivered 11.7% yoy higher **earnings before interests, taxes and depreciation (EBITDA)** of HRK220m, whereby posted showing partially reflected one-offs occurring in 2009 and 2010.
- **One-offs in FY09 included:**
 - (i) HRK9.9m in non-recurring gain on acquisition of minority interest in Cedevita from the German development bank DEG
 - (ii) HRK2.2m in one-off cost related to transfer of Neva's production to new production location.
- **One-offs in FY10 included:**
 - (i) HRK48.5m one-off gain from the sale of Neva's former location in Tuškanova
 - (ii) HRK52.2m one-time transaction costs related to Droga Kolinska's acquisition
 - (iii) HRK16.9m in positive financial impacts related to income on deposits from capital increase funds (one third of total amount) and positive exchange rate differences
 - (iv) HRK5.1m in non-recurring gain on acquisition of the company Kalničke vode Bio Natura (badwill).
- Stripping off one-time events, **normalized EBITDA** advanced 6.5% to HRK201.7m reflecting focus on cost management and therewith surpassed management's guidance communicated at the beginning of 2010. The **4Q10** performance shows **1.9% yoy higher EBITDA on normalized level**.

- **Normalized operating profitability (EBIT)** showed somewhat slower 0.3% yoy growth in FY10 to HRK146.6m amidst elevated depreciation costs largely reflecting higher capital investments in lifting up Cedevida's production capacity and in Cedevida GO!'s production equipment throughout 2009.
- **Net profit** soared 8.4% yoy to HRK97.2m on normalized level whereby one-offs assumed:
 - (i) HRK18.4m in one-offs (above EBIT)
 - (ii) HRK10.4m in net financial impact (o/w HRK11.2m refers to interest expense amid Droga Kolinska acquisition financing and HRK0.8m to one-off FX gain)
 - (iii) HRK1.6m in tax impact related to abovementioned one-offs.

Division operating profitability ex. one-offs

in HRKm	2010	2009	Change10/09
Distribution	29.0	31.2	-7.2%
Consumer Health Care	74.7	86.8	-13.9%
Sports and Functional Food	30.1	21.5	39.9%
Pharma	16.9	9.6	74.9%
EBIT	150.7	149.2	1.0%
Reconciliation	4.1	3.0	
Group EBIT	146.6	146.2	0.3%

Somewhat modest growth in Atlantic Grupa's normalized operating profit in FY10 largely reflected profitability enhancement in Sports and Functional Food and Pharma divisions that eventually managed to annul lower profitability in Distribution and Consumer HealthCare divisions.

- **Distribution division** posted 7.2% yoy lower EBIT pressured by lower sales as well as higher marketing investments amidst more intensive trade-marketing activities for new distribution categories as Ferrero program. Nevertheless, division simultaneously saw lower COGS as well as tumbling service and other operating expenses. Precisely downfall in the latter reflects cost optimisation activities in the period of subdued consumer demand.
- Even though **Consumer HealthCare division** saw its operating profitability down 13.9% yoy to HRK74.7m, division retained the largest portion of the Group's profitability. One should consider that HRK74.7m in EBIT reflects consolidated financial showing of Kalničke vode Bio Natura of negative HRK2.8m in 4Q10. Stripping off the impact, Consumer HealthCare division would have posted somewhat lower drop in operating profitability of 10.7% yoy largely on the back of lower sales and higher COGS.

- Following 81% and 34.2% yoy growth in FY08 and FY09, apiece, **Sports and Functional Food division** continued with focused improvement in operating efficiency and thus posted EBIT growth for the third consecutive year. Consequently, in FY10 Sports and Functional Food division's EBIT soared 39.9% to HRK30.1m buoyed by improved top-line showing and, on the opex side, lower other operating and service costs.
- Following 55.7% yoy operating profitability deterioration in FY09 hurt by front-loaded costs from opening up new pharmacies/specialised stores as well as restructuring activities amidst drug wholesale business launch, **Pharma division** posted strong turnaround with 74.9% yoy uptick in EBIT to HRK16.9m. Therewith the latter showed the most dynamic operating profitability enhancement among divisions, while delivering on management's guidance.

Normalized operating costs structure

In HRKm	2010	% of FY10 sales	2009	% of FY09 sales	Change 10/09
COGS	1,085.7	47.9%	1,043.9	47.5%	4.0%
Production materials & energy and changes in inventory	293.8	13.0%	272.8	12.4%	7.7%
Services	143.9	6.3%	154.4	7.0%	-6.8%
Staff costs	325.9	14.4%	322.5	14.7%	1.1%
Marketing and promotion costs	148.7	6.6%	139.4	6.3%	6.7%
Other operating expenses	95.2	4.2%	100.3	4.6%	-5.2%
Other (gains)/losses, net	0.9	0.0%	- 1.0	0.0%	n/a
Total operating expenses	2,094.2	92.3%	2,032.4	92.4%	3.0%

Stripping off the one-time items, the share of operating costs in total sales dipped modestly to 92.3% from 92.4% in FY09 thanks to focused cost management. Thereby:

- **Costs of goods sold** – increased their share in Group's sales by 39bps to 47.9% largely on the back of changes in the product mix with higher share of private label sales in Group's sales.
- **Marketing and promotion costs** – advanced by 6.7% yoy and therewith meagrely raised their share in total sales by 22bps to 6.6%. Thereby, the key growth drivers were elevated marketing costs in Distribution and Sports and Functional Food divisions.
- **Staff costs** – advanced modestly by 1.1% yoy and thereby reduced their share in total sales to 14.4% from 14.7% in 2009. This comes in line with unchanged average number of employees (including seasonal impact) at 1,790 in 2010 as opposed to 1,784 employees (including seasonal impact) in 2009.

OVERVIEW of PRO-FORMA CONSOLIDATED ATLANTIC GRUPA AND DROGA KOLINSKA in FY10²

Key figures (HRK _m)	AG	DK	2010
Revenues	2,301.9	2,282.5	4,584.5
Sales	2,268.6	2,244.4	4,513.0
EBITDA	220.0	321.1	541.1
Normalised EBITDA	201.7	321.1	522.8
EBIT	165.0	169.2	334.2
Normalised EBIT	146.6	169.2	315.8
Net profit	106.8	75.6	182.4
Normalised Net profit	97.2	75.6	172.9
<i>Profitability margins</i>			
EBITDA margin	9.7%	14.3%	12.0%
EBITDA margin ex. one-offs	8.9%	14.3%	11.6%
EBIT margin	7.3%	7.5%	7.4%
EBIT margin ex. one-offs	6.5%	7.5%	7.0%
Net profit margin	4.7%	3.4%	4.0%
Net profit margin ex. one-offs	4.3%	3.4%	3.8%

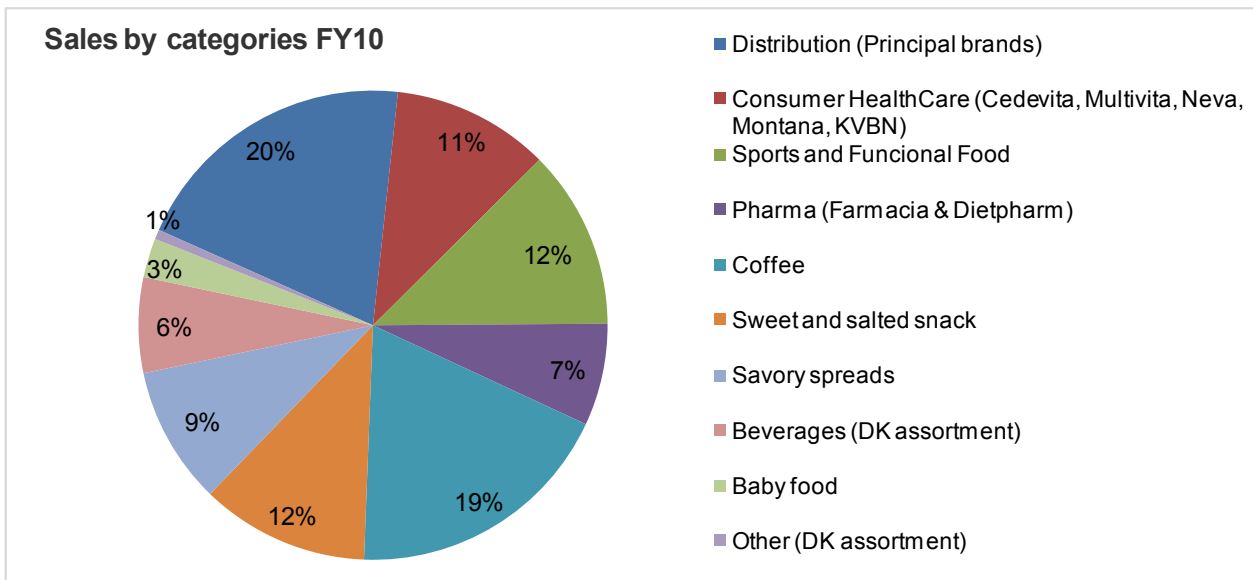
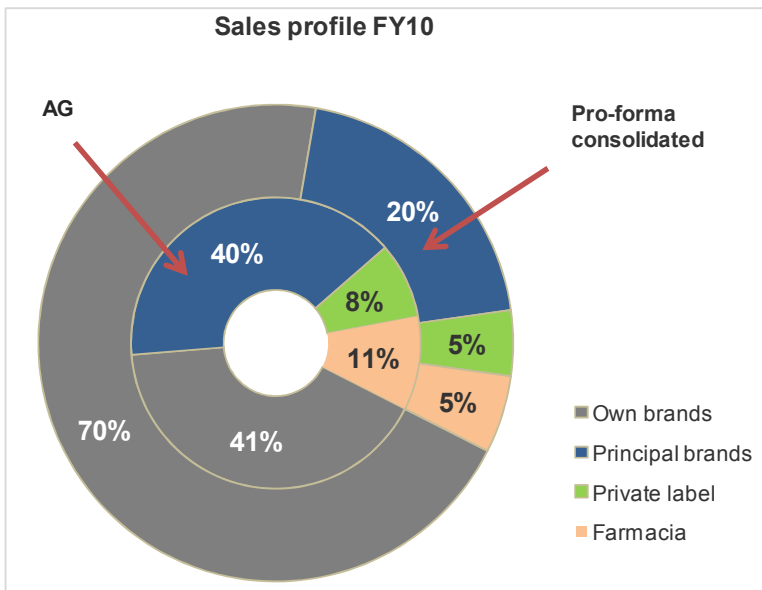
In FY10 Atlantic Grupa's P&L account does not reflect consolidation of Droga Kolinska, while pro-forma consolidation of acquired Droga Kolinska in FY10 depicts the following:

- Consolidated sales would have amounted to HRK4,513, i.e. two times the size of Atlantic Grupa's FY10 sales of HRK2.268,6m on a stand-alone basis.

Product mix:

- Product mix would have changed considerably in favour of own brands, whose share in total sales would have augmented to 70% from Atlantic Grupa's stand-alone showing of 41%.
- Share of principal brands would have halved to 20%, whereby private label share would have dropped to 5% from 8%. Lower share of principal brands and private label category and thus uplifted share of own brands will be (gross profit) margin accretive for the company.
- Farmacia's share would have slumped to 5% from the current 11%.

² Pro-forma consolidation reflects added results of two companies, but does not reflect actual and potential positive and negative effects of consolidation of two companies.



- Pro-forma consolidation changes sales profile by product categories significantly, whereby:
 - ❖ Product assortment – Coffee – with brands Grand Kafa and Barcaffè stands out as the best selling individual product category in terms of sales with 19% share in pro-forma consolidated sales.
 - ❖ Product assortments – Sports and Funcional Food – with brands Multipower, Champ and Multaben and – Sweet and Salted Snacks – with brands Smoki, Najlepše želje and Prima become the second largest assortments with 12% share in pro-forma consolidated sales, apiece.
 - ❖ Product assortment – Consumer HealthCare – with flagship brand Cedevita becomes the fourth largest assortment with 11% share in pro-forma consolidated sales.
 - ❖ Distribution (with principal brands primarily) accounts for 20% of pro-forma consolidated sales.

HRK _m	AG		DK		AG+DK	
Croatia	1,250.6	55.1%	109.6	4.9%	1,360.1	30.1%
Serbia	130.1	5.7%	943.7	42.0%	1,073.8	23.8%
Slovenia	172.5	7.6%	410.8	18.3%	583.4	12.9%
BiH	79.0	3.5%	323.6	14.4%	402.6	8.9%
Other ex. YU	47.9	2.1%	213.2	9.5%	261.2	5.8%
Germany	244.3	10.8%	2.0	0.1%	246.3	5.5%
Great Britain	44.5	2.0%	3.8	0.2%	48.3	1.1%
Italy	49.3	2.2%	8.0	0.4%	57.4	1.3%
Russia and Eastern Europe	42.3	1.9%	137.9	6.1%	180.2	4.0%
Other	208.0	9.2%	91.7	4.1%	299.7	6.6%
Total sales	2,268.6	100.0%	2,244.4	100.0%	4,513.0	100.0%

➤ The company's geographical profile alters considerably with pro-forma consolidation that thereby assures more pronounced geographic diversification.

- ❖ **Ex. YU region:** Even though ex. YU region's share in consolidated sales figure would have seen modest advance to 81.6% as opposed to Atlantic Grupa's stand-alone share of 74.1%, relations among particular markets change substantially, while becoming more balanced. Consequently:
 - ❖ Croatia stays the largest market in terms of sales with 30.1% in total sales, but its share diminishes significantly from Atlantic Grupa's stand-alone share of 55.1%. Therewith the company reduces the impact of Croatian performance on overall group performance.
 - ❖ Serbia grows to become the second largest market in terms of sales with 23.8% share vs. Atlantic Grupa's stand-alone share of 5.7%.
 - ❖ Slovenia nearly doubles its share in consolidated sales becoming therewith the third largest market in terms of sales with 12.9% share.
- ❖ **Key West European markets:** Share of key WEU markets comes in considerably lower at 7.8% of pro-forma consolidated sales vs. Atlantic Grupa's stand-alone showing of 14.9%.
- ❖ **Eastern Europe:** Share of this region, with Russia as dominant market, gains importance by extending to 4.0% as opposed to Atlantic Grupa's stand-alone performance of 1.9%. With HRK180m in sales from product categories including baby food, sports and functional food as well as Multivita's assortment, Russian market is perceived as perspective with potential for further development of other product categories.

➤ **Pro-forma consolidated profitability:**

- ❖ Normalised profitability shows enhanced profit margins once Droga Kolinska consolidated whereby the most pronounced improvement comes in at EBITDA margin by 229 bps to 11.6% as opposed to Atlantic Grupa's stand-alone showing of 8.9%. The latter largely comes on wings of Droga Kolinska's higher gross profit margin amidst own brands-oriented product mix.
- ❖ In FY10, Droga Kolinska saw its normalized EBITDA surging 5.2% yoy in Croatian kuna, i.e. 6.0% yoy in EUR, spurred by, among other things, improved risk management activities as opposed to FY09. The latter largely relates to substantial reduction in net bad debt provisions below 1% of total sales thanks to stringent control of customers with deteriorated credit profiles as well as stricter receivables collection control via centralised credit control department.
- ❖ Droga Kolinska's normalised operating profit jumped 18.6% yoy largely on the back of lower depreciation costs.
- ❖ On the bottom-line level, Droga Kolinska showing came in 2.9 times higher thanks to lower net financial expenses.

FINANCIAL INDICATORS in FY10

in HRK ^m	2010	2009
Net debt	2,467.1	270.6
Total assets	5,101.1	1,775.3
Equity	1,455.5	757.8
Current ratio	1.31	1.66
Gearing ratio	62.9%	26.3%
Interest coverage ratio*	4.9	6.9
Net debt/EBITDA*	4.7	1.4
Capex (net of receipts from sale)	24.1	44.0
Cash flow from operating activities**	99.9	110.1

*Ex. one-offs, pro-forma

** Excluding impact of transaction costs

Atlantic Grupa's financial position in FY10 altered considerably, largely reflecting Droga Kolinska's acquisition.³

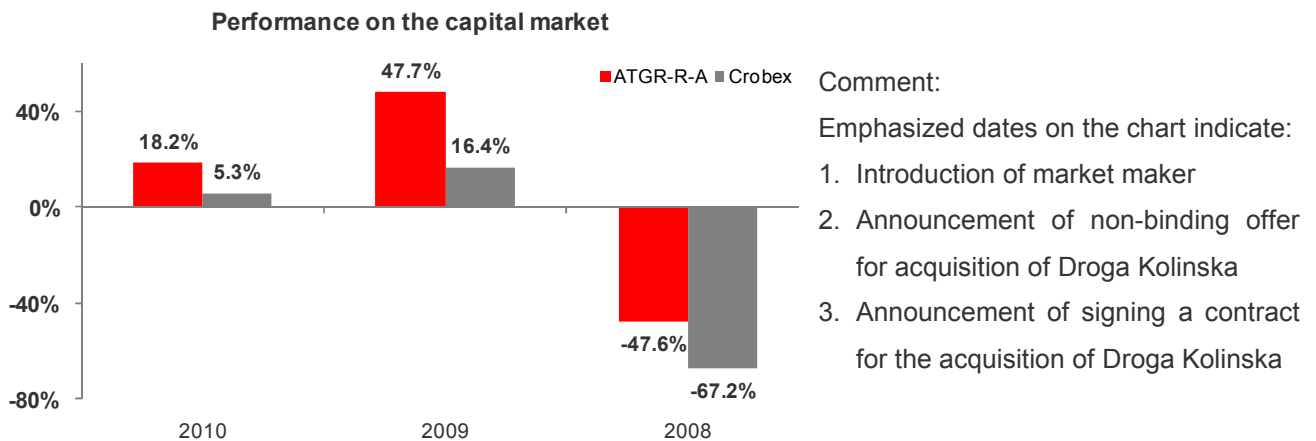
- ❖ At the YE10, Atlantic Grupa's balance sheet positions reflect consolidated balance sheet of Droga Kolinska.
- ❖ At the YE10, Atlantic Grupa's balance sheet reveals HRK2.5bn in net debt consisting of: (i) Atlantic Grupa's existing leverage of HRK0.5bn, (ii) Droga Kolinska's existing indebtedness of HRK1.0bn, (iii) HRK1.1bn in new financing related to acquisition of Droga Kolinska (stated amount includes senior loans approved by Unicredit Group and Raiffeisen Group and junior loan granted by EBRD) and (iv) HRK237m in cash at disposal.
- ❖ At the YE10, Atlantic Grupa's balance sheet shows HRK1.455m in total shareholders' equity or two times position's size at the YE09, while reflecting capital increase in July 2010 when the company raised altogether HRK605m funds.
- ❖ Following capital hike and elevated financial indebtedness, all initiated by Droga Kolinska acquisition, Atlantic Grupa's financing structure reveals the following: (i) capital and reserves account for 28.5% of total, (ii) long-term financial debt makes up 39.3% of total, (iii) short-term financial debt accounts for 11.4% of total, (iv) corporate bond holds 2.3% of total, (v) trade and other payables capture 14.0% of total and (vi) other liabilities hold 4.5%. Leverage indicators including: (i) elevated net debt – to – pro-forma consolidated normalized EBITDA ratio of 4.7 times vs. 1.4 times in FY09, (ii) lower pro-forma consolidated normalized EBITDA – to – pro-forma consolidated interest expense ratio of 4.9 times vs. 6.9 times in FY09 and (iii)

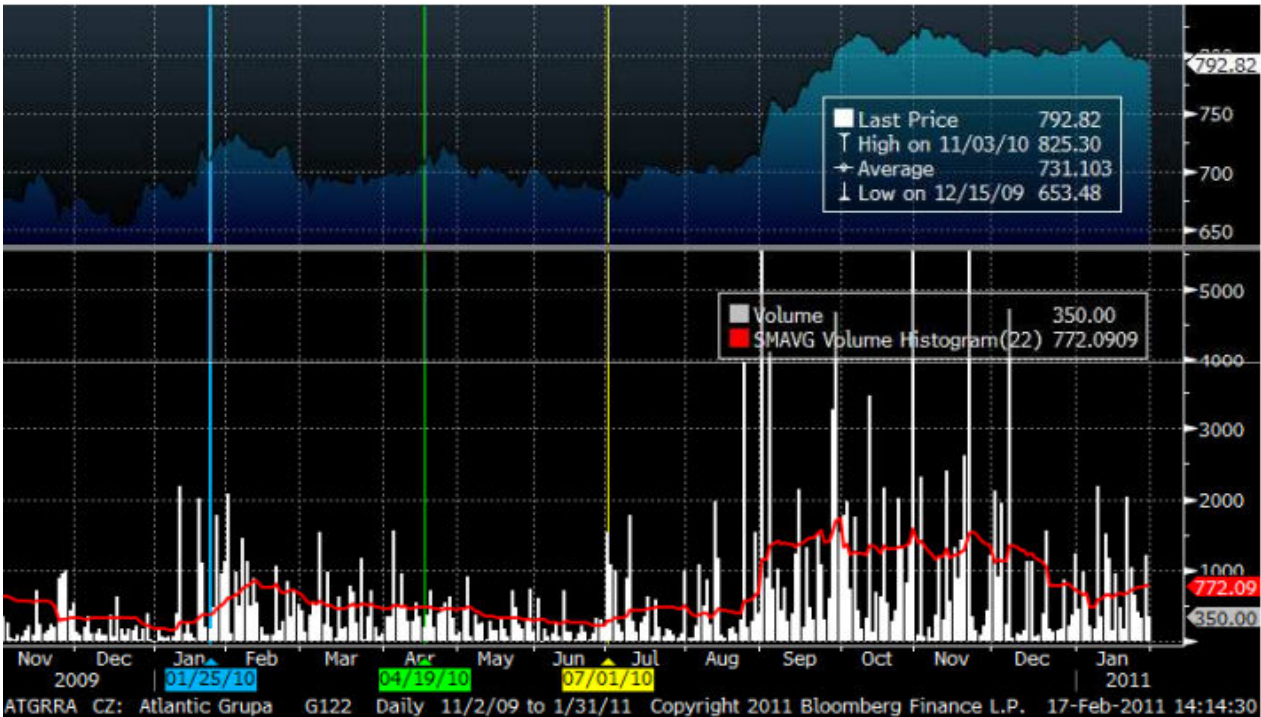
³ According to the IFRS, Atlantic Grupa is required to make purchase price allocation in the 12-months period from the takeover. Depending on allocation's results, changes are expected on net assets acquired and provisional goodwill.

higher gearing ratio of 62.9% vs. 26.3% at the YE09, call for prudent debt management, execution of fast integration, delivery of planned synergies and thus indebtedness reduction in scheduled manner.

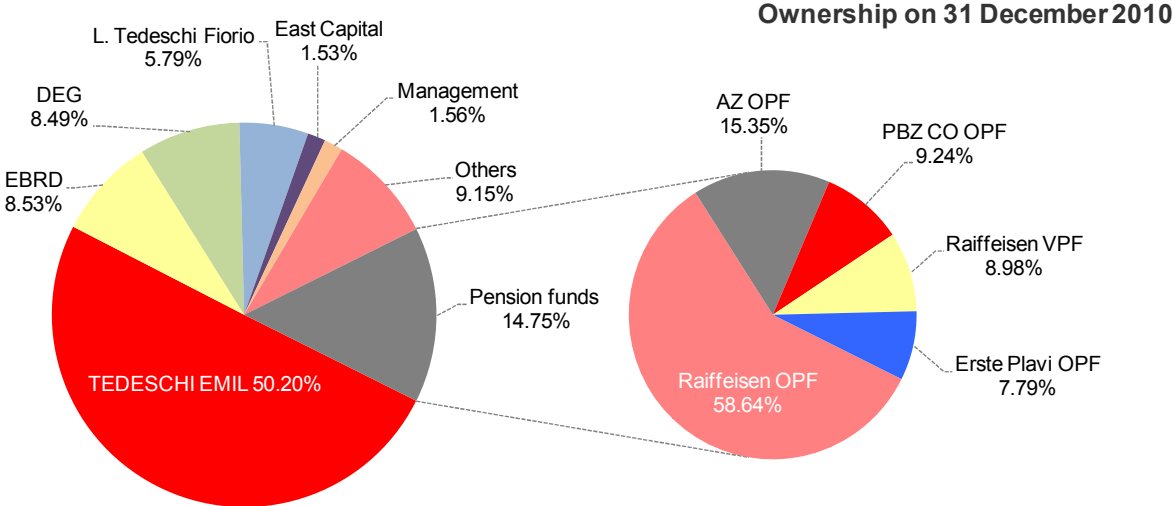
PERFORMANCE ON THE CROATIAN CAPITAL MARKET in 2010

Despite challenging trends on the Croatian capital market in 2010, Atlantic Grupa's share surged 18.2% in 2010 and therewith outperformed the local benchmark Crobex's performance of 5.3%. Furthermore, the share was among a few Crobex components with double-digit share performance. One should consider that Atlantic Grupa's share outperformed the Crobex for the third consecutive year as the company delivers on business and financial guidance and continuously expands its business model. Furthermore, in 2010 Atlantic Grupa's share proved successful in terms of elevated liquidity thanks to, among other things, market making activities introduced at the beginning of 2010. Consequently, Atlantic Grupa's share ranked number nine among the most liquid shares on the Zagreb Stock Exchange in 2009 as opposed to 16th place a year earlier with 53.7% yoy higher average daily turnover in 2010.





Since IPO in November 2007, last July's capital increase with 864,305 newly issued ordinary shares and raised HRK605m in fresh capital, is one of the key events for Atlantic Grupa on the Croatian capital market. Thereby, the European Bank for Reconstruction and Development (EBRD) entered Atlantic Grupa's shareholder structure as the second largest shareholder with 8.53% stake. Moreover, all four domestic obligatory pension funds, one voluntary pension fund, German development bank (DEG) and one of the leading asset management companies in Eastern Europe- East Capital participated in the capital hike.



Following capital hike and share performance, Atlantic Grupa's market capitalization of HRK2.7bn at the YE10 was 59.6% yoy higher. Furthermore, the latter resulted with Atlantic Grupa ranking number seven among the

Croatian companies with the largest market capitalization.

Valuation	2010	2009
PPS (as of 31/12)	805.0	681.0
MCap (HRK 000)	2,684,112	1,682,091
Average daily turnover (HRK)	554,827	361,052
EV (HRK 000)	5,214,858	1,985,353
EV/EBITDA*	9.98	10.48
EV/EBIT*	16.51	13.58
EV/Sales*	1.16	0.90
EPS (HRK)	30.43	31.40
P/E	26.45	21.69

Ex one-offs

*Pro-forma consolidated figures in 2010

OUTLOOK for FY11

Atlantic Grupa's strategic guidance for 2011 includes:

- ❖ Fast and efficient integration of Droga Kolinska into Atlantic Grupa's business model on all levels (operating and supporting functions) followed by delivery of planned synergy potentials both on sales and costs side
- ❖ Focus on organic growth through innovations in product categories and strengthening the regional character of distribution business
- ❖ Meeting financial commitments on regularly basis coupled with prudent debt and financial cost management
- ❖ Cost management and optimisation of operating processes on centralised level and lower levels, aiming to improve operating efficiency
- ❖ Prudent liquidity management

The management finds macroeconomic environment⁴ still challenging in 2011 for the real sector given that Croatian economy expects muted economic recovery of 1.3% yoy while still dealing with anaemic consumer fundamentals, ie. meagre recovery of personal consumption amidst elevated unemployment, pronounced jobs

⁴ IMF, World Economic Outlook Database, April 2011

insecurity, consumer pessimism and deteriorated disposable income. Moreover, even though regional economies should see somewhat enhanced recovery as opposed to Croatia with Slovenia at +2.0% and Serbia at +3.0% and BiH at +2.2%, apiece, these still suffer from poor rebound in personal consumption and consumers' purchasing power largely amidst grim labour market trends (particularly in Serbian and BiH economies) and therewith related subdued personal income dynamics.

On the other side, key West European markets are expected to recover further with emphasis on the German market that was among the first to exit recessionary trends. Nevertheless, real sector is still worried with personal demand - weak environment despite lesser unemployment and personal income rebound. Simultaneously, on the Russian market, real sector is encouraged by uptick in Russian economy that should come in stronger in 2011 accompanied with better consumer prospects.

Furthermore, the management will place considerable attention on global commodity market trends evolution with particular emphasis on prices of key raw materials including coffee, sugar and cocoa that in 2010 jumped substantially.

Taken all into account, the management expects consolidated group to deliver in FY11:

- ❖ Lower single-digit growth rate in sales, while
- ❖ Maintaining operating profitability at FY10 pro-forma consolidated levels.

OVERVIEW OF FINANCIAL INDICATORS

(In HRK000)	2008	2009	2010
Revenues	2,020,194	2,221,815	2,301,945
<i>% yoy change</i>	<i>18.9%</i>	<i>10.0%</i>	<i>3.6%</i>
Sales	2,002,926	2,199,413	2,268,641
<i>% yoy change</i>	<i>19.9%</i>	<i>9.8%</i>	<i>3.1%</i>
EBITDA	169,306	197,029	220,046
<i>EBITDA margin</i>	<i>8.5%</i>	<i>9.0%</i>	<i>9.7%</i>
EBIT	129,400	153,841	164,985
<i>EBIT margin</i>	<i>6.5%</i>	<i>7.0%</i>	<i>7.3%</i>
Net profit	78,361	97,329	106,797
Net debt	288,678	270,643	2,467,114
Total assets	1,726,624	1,775,324	5,101,066
Equity	740,313	757,807	1,455,466
Interest coverage ratio (EBITDA/Interest expense)	6.7	7.1	5.7
Current ratio	1.76	1.66	1.31
Gearing ratio	28.1%	26.3%	62.9%
Capex net of receipts from sale	54,085	43,978	24,080
MCap (as of 31. December)	1,138,668	1,682,091	2,684,112
EV	1,505,883	1,985,353	5,214,858
EV/EBITDA (as of 31. December)	8.89	10.08	23.70
EV/EBIT (as of 31. December)	11.64	12.91	31.61
EV/Sales (as of 31. December)	0.75	0.90	2.30
EPS - in HRK	27.84	34.50	33.84
P/E	16.56	19.74	23.79
EUR/HRK rate as of 31. December	7.1280	7.3062	7.3852
Average EUR/HRK rate	7.2199	7.3398	7.2857

Balance sheet as of 31 December 2010 reflects consolidation of Droga Kolinska, but Profit and loss account does not reflect consolidation of Droga Kolinska

HUMAN RESOURCES

The business system of Atlantic Grupa stimulates values of high professional standards, so that the employees are expected to be professional, appreciative and open, responsible and engaged in efficient teamwork. Human resources of Atlantic Grupa are open to realization of corporate strategy, solving specific corporate challenges, quality, general organizational success and particularly individual development.

Based on defined strategy and plan, the annual focus of HR activities for 2010 has realized numerous goals, out of which we particularly mention the following:

- A comprehensive audit of systematization of jobs on the level of Atlantic Grupa was finished.

Within the audit of systematization, negotiations with the Unions have been completed successfully, within the Consumer Health Care Division for transfer from the coefficient system for individual tasks to the system of basic contractual salary for various ranks according to career level, based on which we have reached an agreement to transfer to the new system and new calculation of salaries.

- Development of Competencies

Implementation of the system of developing employee's competencies, pursuant to defined developmental requirements, which are a constituent part of individual plans for managing effect and employee development.

According to individual plans of developing competencies, 13 educational topics were defined, in the areas of social, business and professional competencies. In cooperation with the best quality training schools, numerous internal and external trainings were organized, for more than 300 employees from various organizational units of all divisions. Additionally, for the purpose of developing competencies in the segment of pharmaceutical business, there were numerous professional educations within the Education Centre of the Pharma Division. All indicators of testing competencies show a significant positive move in our pharmaceutical institution, precisely owing to regular and good-quality educational activities.

- Motivation

We need competent and motivated employees to achieve ambitious corporate goals. Corporate culture is an important leverage in activating employee creativity and energy. By applying various methods, we continually reevaluate the conditions of corporate environment and organization's needs for changes, which derive from changes in business focuses and work conditions. In 2010, a survey was conducted on corporate values of the company.

For additional stimulation of initiative and innovation, the bonus system was introduced for rewarding innovative ideas and solutions. From the very beginning of application of new ordinance, numerous ideas and proposals were received for innovations in the company, and the best proposals were rewarded, with their proposals already being materialized.

- Implemented HR of computer system - project **AtlantIS**

At the end of October 2009, the strategy of computerization of HR processes was defined and implementation agreed in cooperation with the department of Information and Communications Technology, starting a huge project of standardizing HR business processes through development of unique tool for managing human resources. The goal of this project is to set up a unified HR administration, reduce costs, unified reporting, overview and comparison of HR data according to the same criteria and data accuracy, and integration and harmonization of all existing HR applications on the group level, including the system for calculating salaries.

The SAP's HR module was chosen, and implementation of the computerization of human resources management process is envisaged in the following phases:

Phase 1 – Organizational structure, catalogue of jobs, HR records, calculation of salaries, MSS portal

Phase 2 – hiring process, effect management and career management

Phase 3 – Managing and planning competencies, self-service for employees, self-service for managers – web portal.

In mid-2010, the first phase of the Atlant/IS project was successfully completed according to all planned parameters.

At the end of 2010, Atlantic Grupa started recertifying the HR process to confirm high standards in human resources management and prove quality of HR processes by certificate *Partner Employer* in the following evaluated categories: HR Strategy; Recruitment and Selection; Motivation and Bonuses; Relationship toward Employees; Training and Development. In the previous year, Atlantic Grupa was evaluated above average in all evaluated areas, and has achieved 94% of points, out of the total 100%.

RECRUITMENT AND EMPLOYMENT

Atlantic Grupa had the total of 1719 employees at the beginning of 2010. During the year, in the structure of AG prior to merger with the acquired Kalničke vode Bionatura d.d. and Droga Kolinska, the fluctuation had a relatively stable trend of stagnation from the previous year; there was the total of 248 new employments during the year, while 222 employees have left. By the end of the year, the total number of employees has reached 4379, including the people integrated by the acquisition of Kalničke vode Bionatura d.d and Droga Kolinska d.d.

By new acquisitions, the socio-demographic structure has somewhat changed. Average age has risen from 35 to 40 years of age, ratio of female and male employees is 48/52, among which 24% have college and university degrees, 46% high school degrees, and 30 % are skilled workers or have lower qualifications.

CORPORATE AND SOCIAL RESPONSIBILITY

SPONSORSHIPS AND DONATIONS

Atlantic Grupa, as part of the wider community in which it functions, is aware of its influence on the improvement of general social conditions, promotion of the proper values and ultimately the need to invest a part of their own profits into the community. In addition to donor projects, the company's sponsorship activities are also notable, especially when it comes to the promotion of sports where most of the resources and efforts are invested in supporting projects such as the Basketball Club Cedevita, Duje Draganja – an accredited Croatian swimmer, the Croatian Olympic Committee, the German Handball Alliance, the beach volleyball club and the Croatian Bridge Federation. Atlantic Grupa is an active participant and organizer of a number of humanitarian actions, and systematically helps a whole range of organizations and associations concerned with protecting and assisting the vulnerable social groups.

SPORT

- Basketball Club Cedevita
- Duje Draganja – swimmer
- Mario Todorović - swimmer
- Ljubljana marathon
- DHB – German Handball Alliance
- Football Club Hajduk
- Football Club Dinamo
- Football Club Bjelovar
- Beach Volleyball Club
- Croatian Bridge Federation
- Fitness Academy
- Hockey Club - Hamburg Freezers
- Croatian Olympic Committee
- Croatian Sports Journalists Association
- Planica ski-jumping (the most important sponsorship that Atlantic Grupa realizes through the Droga Kolinska division)
- Croatian Basketball Federation
- Tennis Club Agram

BASKETBALL

The **Basketball Club Cedevita** continues to be the pride of Atlantic Grupa's sponsorships. Atlantic Grupa has become actively involved in promoting basketball as an important sport which is of national interest by continuing to bring in better players and coaches, as well as promoting the Cedevita brand after which the club was renamed. What is particularly important, and what the success of this project is based on, is the support Atlantic

Grupa provides the **Basketball Club Academy** (including over 400 children) with regard to the financing, organization and management. The Club and the Academy are active in 11 basketball schools in Zagreb elementary schools where around 200 children momentarily train, thus ensuring the future of this sport as well as the possibility of healthy and beneficial leisure activities for children. Thanks to the sponsorship of Atlantic Grupa and the efforts put in for gathering additional sponsors around Basketball Club Cedevita, the club is now one of the most promising teams in the Croatian A1 league, having won the third place in the Eurocup in the 2010/2011 season, and having spent the season in the regional NLB league.

Great efforts have been made to popularize basketball in the general public by encouraging the audience's support of the players in order to achieve the best possible results, which has in turn also enhanced media interest in basketball events. For these reasons, Atlantic Grupa, with the support of the Croatian Basketball Federation, is also the sponsor of the **Croatian women's regional basketball league**, using the Multipower brand to add to its recognition.

SWIMMING

Duje Draganja and Mario Todorović are successful Croatian swimmers whose careers Atlantic Grupa's Cedevita has been following for years, aware of the fact that that these promising swimmers proudly represent Atlantic Grupa as a leading European producer of instant vitamin drinks and sports nutrition, and a company that promotes a healthy and sporty lifestyle. The sponsorship with Duje Draganja continued in 2010 and with his many medals earned recently, he has managed to justify the company's trust in his sporting potential. Mario Todorović, under the Atlantic Grupa's scholarship, continues to achieve great results, hinting that in time he could become Duje's successor.

GERMANY (HANDBALL, HOCKEY, FITNESS)

Atlantic Grupa understands social responsibility as a principle that it practices in all countries it is present with its business. Atlantic Grupa's sponsorship activity in Germany is significant; Germany is a market where Atlantic Grupa realizes an important part of its total income. Hence, Atlantic Multipower has been a sponsor of the German Handball Alliance (DHB) for many years.

Atlantic Grupa also sponsors the Hamburg Freezers with its Multipower brand, whose headquarters are in the same town as the hockey team. By promoting the needs of active leisure time and recreation, Atlantic Grupa aids the largest fitness chain in Germany and beyond - Fitness First, by sponsoring it.

OTHER SPORTS: FOOTBALL, TENNIS, MARATHON, SKI JUMPS, BEACH VOLLEYBALL, BRIDGE

As a sport which marks its global popularity in Croatia, football is in a constant focus of Atlantic Grupa through many sponsorships as well as associations with the well known Atlantic Grupa's sports nutrition brand Multipower. In 2010, we mark the sponsorships with football clubs Hajduk, Dinamo and Bjelovar.

The Ski jumps on the Slovenian Planica where the World Cup competitions take place yearly is the most important sponsorship Atlantic Grupa realizes through the Droga Kolinska division.

Beach volleyball, Agram tennis club, the Ljubljana marathon and the Croatian Bridge Federation can also be found on the list of significant sponsorships with which Atlantic supports the promotion of sports values.

ASSOCIATIONS

Recognizing the importance of sport in its entirety, Atlantic Grupa is a sponsor of various sports associations that promote or contribute to its development. This is why, for the second consecutive year, Atlantic Grupa has been a special partner of the Croatian Olympic Committee, supplying it with sports nutrition and supplements which all Croatian Olympians use during their preparations and performances. It should also be noted that the traditional partnership between Multipower and the Rhein-Ruhr Olympic Center is important as a status item in the German sport. Also, recognizing the importance of promoting sports in public, Atlantic has provided its support to sports journalists by sponsoring the Sports Journalists Association awards.

MEDICINE AND HEALTH

Through its activities in its Pharma division, Atlantic Grupa - as a leading entity in the pharmaceutical market in Croatia, is a significant sponsor of the students of the Pharmacological College at the University of Zagreb and the college itself. By financially supporting the University by helping with the renewal of its infrastructure, Atlantic Grupa confirms its commitment to the development of the pharmacy profession by investing into the development of future pharmaceutical personnel.

Aware of the fact that the future of pharmacy is primarily in the development and education of staff, and ensuring a sufficient number of pharmacists in the market, Atlantic Grupa, in collaboration with the Faculty has developed a scholarship program for pharmacy students with a guarantee of employment within the company. The Atlantic Grupa has also invested significant resources in the establishment and development of the Learning Center **Atlantic Farmacia** through which programs (developed in collaboration with FIP, WHO and UNESCO) pharmacists acquire additional expertise, communication and presentation skills, and knowledge in the field of finance.

CULTURE AND KNOWLEDGE

- Jewish film festival
- Sarajevo film festival
- AIESC Maribor / IEDC Bled
- Effie academy
- Diplomatic Bazaar
- Špancirfest
- Hrvatsko društvo dramskih umjetnika- Nagrada hrvatskog glumišta (Croatian Association of Dramatic Artists – Croatian Theatre Awards)
- Chivalry association Sinj, Sinjska alka (Sinj Alka)

Atlantic Grupa, as a sponsor of culture, is traditionally involved in the organization of the Sarajevo Film Festival, helping maintain the most influential regional film event. In the previous years, the Atlantic Grupa along with one of the strongest regional brands, Cedevisa, has supported the organization and activities of the SFF, and also among other things, the children's program during the festival. Atlantic Grupa along with its brands is the main partner of the Sarajevo grad filma (Sarajevo City of Film) in the SFF as well as a sponsor of the Atlantic Talent Award, which is awarded to the best movie created during the year in the Sarajevo grad filma. In this way, Atlantic shows that in its sponsorship activities, it chooses developmental projects that ensure long-term success and sustainability of cultural projects it supports, resulting in the profit of the wider community.

Atlantic Grupa is also a sponsor of the Jewish Film Festival which is one of the most prestigious film festivals held in Zagreb, and whose goal it is, besides promoting quality films, to promote multiculturalism, tolerance and respect among different peoples.

Atlantic Grupa contributed to promoting culture in 2010, supporting the 295th Sinj Alka, and also the Croatian Association of Dramatic Artists through the support of the Croatian Theatre Awards.

SOCIALLY VULNERABLE GROUPS

- Centar za odgoj i obrazovanje Dubrava (Center for Education Dubrava)
- Korak u život (Step into Life)
- Terry Fox Run

In 2010, Atlantic Grupa has continued its cooperation with the **Centar za odgoj i obrazovanje Dubrava** (Center for Education Dubrava). For the consecutive four years, Atlantic Grupa has been investing in the renovation of the Center and so far a number of sports facilities including a gym and a swimming pool have been renovated. With the aim of facilitating the everyday lives of children with disabilities, Atlantic Grupa has paid for the renovations of the rooms used for rehabilitation as well as the needed educational equipment.

The Atlantic Grupa has been actively involved in the humanitarian action **Korak u život** (Step into Life) whose goal is to help children that come from abandoned children homes to continue their education by going to college. Atlantic Grupa is also traditionally involved in supporting the **Terry Fox Run**.

CORPORATE GOVERNANCE

Since its foundation and listing on the Zagreb Stock Exchange, Atlantic Grupa based its business activities on the Code of Corporate Governance with which the standards of business transparency in line with the European Union directives and relevant Croatian legislation have been significantly improved. With the given Code, Atlantic Grupa defined the procedures for the functioning of the Supervisory Board, Management Board and other bodies and structures responsible for decision-making, ensuring the avoidance of conflicts of interest, efficient internal control and an effective responsibility system. The Code also prescribes the obligation of publishing data belonging to categories of price-sensitive information, all in an effort to ensure equal treatment of shareholders and information transparency for present and future investors. In line with consistent implementation of the Code's principles, Atlantic Grupa d.d. develops and operates in accordance with the good corporate governance practice and strives to contribute with its business strategy, business policy, key internal acts and business practice to transparent and efficient business operations and quality relations with the business environment in which it operates.

In addition to the above, Atlantic Grupa is a signatory of the Code of Ethics in Business initiated by the Croatian Chamber of Economy. The listed Code lays down guidelines for ethical behaviour of business subjects in the Croatian economy. Such definition of ethical criteria contributes to more transparent and efficient business operations and high quality relations between economic subjects in Croatia and the business environment in which they operate. By signing the Code of Ethics, its parties are obliged to responsible and ethical behaviour towards the other companies on the market as well as the development of high quality relations and loyal competition.

In accordance with relevant regulations, Atlantic Grupa in 2010 issued the Statement of Application of the Code of Corporate Governance, thereby confirming its actions and development in accordance with the good corporate governance practice in all business segments. The Statement of Application of the Code of Corporate Governance has been published on the Company's webpage - www.atlantic.hr - as well as on the official webpage of the Zagreb Stock Exchange.

ECOLOGY AND SUSTAINABLE DEVELOPMENT

In its work throughout all of 2010, Atlantic Grupa continued to promote and conduct the principles of sustainable development. It was done mostly through economically successful, ecologically acceptable, and socially responsible work. As a member of the Croatian Business Council for Sustainable Development, Atlantic Grupa continues to give great attention to employee relations, environmental protection, and responsible relations with the social community in all its segments. The Committee for Social Responsibility of Atlantic Grupa monitors the state and encourages the use of principles of sustainable development in the daily conduct of the company, as well as launching initiatives for improving socially responsible work.

In 2007, Atlantic Grupa joined the “Global Compact” global initiative of socially responsible business set up by the United Nations. Participation in this initiative demands the adaptation of business activities with the demands of socially responsible business, based on the demands of the mentioned initiative. The responsibility of all the members of the initiative is to draw up an annual report which covers the description of synchronization and the state of fulfilled commitments Atlantic Grupa took upon itself when signing the Global Compact contract, especially the method of its doing business which were integrated into the 10 regulated principles for responsible business, such as the freedom to merge and recognizing rights to collective negotiations, weeding out all forms of forced work, abolishing all forms of child labour, environmental protection, encouraging the development of environmentally friendly technologies, and fighting all forms of corruption.

Atlantic Grupa has accepted a Code of Ethical Conduct, as well as a Code of Corporate Management in accordance with the newest European directives, which makes it one of the most advanced companies in Croatia. The process of integrating the new members of Atlantic Grupa to the joint sustainable development standards of the company is currently underway.

RESEARCH AND DEVELOPMENT

The success of the company or part of the company that is engaged in the production largely depends on the development of new products. Therefore, in the Healthcare Division research and development are one of the key functions. Requirements that are placed before the Research and Development, with each year are becoming bigger and bigger, as for the satisfaction of customers and their needs, as well as because of competing with competition or to maintain and increase sales. One of the biggest challenges is to develop ideas for new products and their successful implementation. Health and food-conscious consumers are looking for new products intended for their diverse needs and lifestyles in order to preserve their health, appearance and physical condition. The success of new product development depends largely on the struggle with time, which is how to faster and better implement the new product, satisfy customers and to do all of this before the competition. In doing so, the function of development, timely analysis of market trends and spending, the foundation of successful development of new and upgrading existing products.

During 2010 Healthcare Division has developed a completely new range of products in the category of ice teas. Looking at the market and tremendous competition in this category of products, it was a very challenging project for Research and Development, to create new, attractive and interesting taste of the products that will attract consumers' attention. Three new ice teas were successfully implemented - two "classic" flavors: Peach Ice Tea, Cranberry and Pomegranate Ice Tea, and a unique on market Rose Hip Ice Tea with vitamin C. With this assortment Healthcare Division expanded its range of products in vending refrigerators' display cases and provided to young, modern, urban consumers who are "living in motion" to have another form of refreshments to choose from next to Cedevita Go. Another major challenge is set before the Research and Development was a "Survival package", produced for the army to ensure the energy in extreme situations. Complex formulation and packaging have been realized to a great pleasure of the MORH and the "Survival package" has become a standard piece of equipment of Croatian soldiers.

The range of instant vitamin drinks, in 2009 was enriched with a new flavor of lime. Due to the high interest of consumer in 2010 this line of products was extended to a family pack of 1000g. Developed are two new instant vitamin products: Vitamin C and Vitamin C no sugar added that were placed on the market. They are intended for consumers to increase their immunity, and can be used as a cold drink or as an excellent addition to Cedevita teas. For the needs of the Sports and Functional Food Division two new isotonic drinks in the instant form were developed: Champ iso-drink, cherry- acai flavor- and Champ iso-drink, lemon-mint flavor in an attractive package. During 2009 by investing in equipment and production lines, not only the preconditions for successful production of products of Cedevita brand and products of Multivita brand have been created, but also for improving the formulation and use of high quality raw materials. Thus, in 2010 were introduced new materials that have contributed to further increasing in the quality of the existing product range. Under the brand Multivita, realized were multivitamin-multi mineral Junior effervescent tablets designed to preserve health of children, age groups above 4 years old. In the category of candy, by demand and needs of the market, a new form of packaging was developed – XXL packing of bottles. With this to all Cedevita candy lovers it was made possible to enjoy a taste of orange or fruit mix candy.

In line of Cedevita teas last year were developed new flavors: Green Tea with Lemon and Rose Hip with Vitamin C. The first one to true tea lovers gives a new flavor to enjoy, and the other, in combination with Vitamin C, protects the organism especially during winter. Montana sandwiches have been expanded to a mini format that is distributed through a new market channel. In 2010 works in Research and development of cosmetic products are intended to expand production lines for face, hands and body. Product formulations are developed in accordance with EU directive for cosmetics and Croatian legislation for cosmetic products. The active components of plant characters were completely innovative. The products are adjusted to market trends, closer to the needs and requirements of consumers. Products are adjusted to meet the market demands in the region and in the EU. Formulated is exit and competitiveness in the

emerging markets of the EU and countries outside the EU. In the segment of toothpastes there has been an intense develop of the toothpaste with probiotic bacteria - an entirely new approach to oral hygiene, in order to achieve a targeted action on the causes of decay and to be a unique product on the market. Research and development develops this product in cooperation with the manufacturer of probiotic bacteria BASF, Germany. Innovate in the formulation of insect repellents, 4 products in the group DIPTEROL products. Bases product of the product are changed, as well as the concentration of active components and new auxiliary components are add. Such formulations are highly effective biocide preparations. New ASEBON shampoo for dry and greasy dandruffs are formulated so as to incorporate the active ingredients in a mild surfactant base and to have exceptional anti- dandruffs effectiveness. Lip care category continues to expand its portfolio with new flavors, and particular important is Melem lip balm, the formulation of universal balm, applied as a stick. Intensive work is continued on private label lip balms that align with customers' demands, particularly from Israel, Finland, Italy, Monaco and Switzerland.

QUALITYASSURANCE

From the very beginning of developing a new product or throughout improvement of the existing product, the aim is to achieve the high quality standard of Atlantic products that the consumers are familiar with.

Continuous follow-up of scientific research, EU and Croatian legislation, and their application from the very creation of the product ensure safe and healthy products to consumers. In order to achieve such complex goals, it is mandatory to engage experts in research and development and Quality Assurance. In the manufacture of health safe products a significant role is played by non-toxic, non-allergenic, GMO-free initial materials, harmonized with the REACH directive etc, followed by quality control of all raw materials, monitoring of all stages of production and analysis of all finished products.

Activities at the CHCD level include: monitoring legislation and cooperation with inspections and external institutions, control of initial materials and products, analytic support also to other organizational units.

Activities at the level of all AG members include: widening the services to other AG members (Fidifarm, Atlantic trade), registration of products, inspection and correction of AG's product labels.

During 2010, a new system of quality control was implemented at the Consumer Health Care Division (CHCD). The new system encompassed several levels of monitoring at the entry control, with significant focus on process control and choice of reliable suppliers. Inter-phase control, including process control, is an entry data for final control. Quality of each batch is evaluated, which is the basis for the trend analysis of quality key indicators. In

2010, in addition to monitoring quality of food and cosmetic products, the business activities have expanded to monitoring quality of drugs, as well as mineral and spring waters.

Quality of initial materials at the Consumer Health Care Division

Quality of initial materials in 2010 is at high level, exceeding 95,5 % without deviations and it follows the equable trend of past several years.

In 2010, at the level of Consumer Health Care Division (Cedevita, Neva, Montana) there were complaints regarding 52 batches out of the total of 6143 received batches of initial materials, which makes 0,8 %. All supplier complaints were successfully resolved.

Quality of final products at the Consumer Health Care Division

Depending on the category, 95-99 % of produced finished products were evaluated by highest quality category, without deviations.

The Consumer Health Care Division has recorded a significant drop in complaints in 2010 in comparison to 2009. Number of complaints against Cedevita products has reduced by 35 %, Neva is at the same level as in 2009, while Montana records a drop in complaints by 84 % due to the change of type of refrigerated showcases.

Non-conformities

In 2010, number of non-conformities, i.e. deviations in products and processes for which corrective measures must be undertaken was reduced by 23 % which reflects efficiency of integrated management system.

Efficiency in the removal of non-conformities has also risen by 10 %.

Registrations

Four products from the category of cosmetics for special purpose were registered, and all products from the cosmetic assortment were notified due to harmonization of the legislation with the EU and Croatian regulations.

Integral system for managing quality, the environment and food safety

2010 was a year of integrating process management systems at the Consumer Health Care Division level, for Cedevita, Neva and Montana plus. Integration was conducted at the basic level of the system (Process management policies, Process management regulations, basic procedures the system is based on).

Process management system integration includes:

ISO 9001:2008 (Quality management system) implementation of a joint system in Neva, Cedevita and Montana plus (ISO 9001:2008)

HACCP (Hazard and Critical Control Point Analysis) implemented in the food area as a specific request for ensuring food safety (Cedevita and Montana plus)

ISO 14001:2004 (Environment Management System) implemented in Neva and Cedevita

IFS (Cedevita – production of instant vitamin beverages, instant “ready to use” beverages, and vitamin and peppermint candies)

GMP (Good Manufacturing Practice) – requests applied in Cedevita and Neva

The process management systems in the Consumer Health Care Division are based on prerequisite programs (Good Hygienic Practice, Good Manufacturing Practice, Good Laboratory Practice, Good Storage Practice).

A joint internal audit plan (for Cedevita, Neva, Montana plus, Fidifarm and Atlantic trade) was made, which included internal audits of all members, so that the exchange of experiences took place because internal auditors from one member audited other members.

In January, Atlantic trade received the HACCP certificate for its Zagreb location, in June Fidifarm confirmed its ISO 9001:2008 certificate and was certified again according to HACCP.

A new auditing method was introduced to the Consumer Health Care Division by the certification agency, so that joint processes are supervised simultaneously, which contributed to a great savings of both time, and money.

In November, Cedevita was re-certified according to IFS for the production of instant vitamin drinks and for vitamin and peppermint candies with a high degree of success, after which both Neva and Cedevita successfully confirmed their ISO 9001:2008 and ISO 14001:2004 certificates and Cedevita confirmed its HACCP certificate, while Montana plus was re-certified for HACCP and ISO 9001, and underwent a transfer to the normatives of ISO 9001:2008.

Having an IFS certificate secures Cedevita’s path onto the international market, since Cedevita has been added to the list of certified manufacturers on the IFS Audit-portal (<http://www.food-care.info/>), the official website of the HDE (Hauptverband des Deutschen Einzelhandels).

A joint approach to education linked to the integral process managing system was taken. During 2010, several external and internal schools and workshops were held, in which participants from all divisions of AG were included.

The lip care category continues to expand its assortment with new flavours, and special significance is given to Melem lip balm, the universal Melem formula, in a stick form. Intensive work on a private label of lip balm, which includes customer demands, especially from Israel, Finland, Italy, Monaco, and Switzerland, continues.

BUSINESS RISK FACTORS

BUSINESS ENVIRONMENT RISK

Business environment risk includes political, macroeconomic and social risks on all markets where a company trades which directly influence company's activities, while the company cannot individually influence such risks. Political risk refers to all risks which might potentially lead to political instability of a country, while *in extremis* they include risks to the very existence of a country. Considering actual internal, as well as external political relations, Croatia functions as a stable parliamentary democracy, and the accession to EU is considered the fundamental aim of its foreign policy. In order to achieve that, a large part of Croatia's activities is focused on the implementation of various reforms required for harmonization with EU's *acquis communautaire* as well as the development and maintenance of partner relations with EU member states. Considering that the political and general social risk is characteristic to all segments of a society, the latter cannot be influenced by any specific individual.

Taking into account that a part of Atlantic Grupa's business is conducted on the EU market, where the three key EU markets (Germany, Great Britain and Italy) in which Atlantic Grupa operates represent 15 % of company's total sales revenue in 2010, Atlantic Grupa does not expect its business will run into problems due to the integration of Croatia into EU. That is, a geographic profile of Atlantic Grupa indicates the international features of its operations carried out through its operating companies in Ljubljana (Slovenia), London (Great Britain), Treviso (Italy), Hamburg (Germany) and Barcelona (Spain). Furthermore, Atlantic Grupa has already focused its efforts on developing standards complying with EU legislation in order to adapt technically to doing business on EU markets, and consequently compete better with foreign competitors. Finally, it should be pointed out that Atlantic Grupa's Pan-European strategy shows in the combination of familiar European brands in the segment of sports and active food with the most prominent Multipower brand and regional brands in the segments of food & beverage, vitamin drinks, personal hygiene products and vitamins, minerals and food supplements from the product ranges offered by Droga Kolinska, Cedevisa, Neva, Dietpharma, Multivita etc.

As previously said, political and general social risk is characteristic to all segments of a society, so the latter cannot be influenced by efforts of an individual company. International companies doing business in many different countries can diversify the above mentioned risk positively or negatively, which mostly depends on country risks in countries where such companies trade. As to companies doing business on the regional level, that is, on the markets of the former Yugoslavia, one should take into account their political and general social risk considering that those countries are still undergoing the political transition process. Consequently, each investor should be aware of the political and general social risk in the markets where a company does business.

Business transactions of each company are influenced by macroeconomic risks, although their force primarily depends on the cyclical character of an industry in which the company itself operates. Despite its relatively diversified business model, Atlantic Grupa generally operates in a stable, non-cyclical food industry. Taking into account that Atlantic Grupa's sales of its own products as well as distributed products are influenced by macroeconomic variables such as personal consumption, the level of disposable personal income and trends in retail sales, the company continuously monitors above mentioned macroeconomic factors, while never underestimating unfavorable macroeconomic trends for 2011.

INDUSTRY AND COMPETITION RISKS

Consumer goods industry

Despite unfavorable macroeconomic trends in 2010, consumer goods industry in the food product segment in Croatia is considered interesting mostly due to inelastic product demand since such products are necessary to fulfill basic needs. When considering the development of consumer goods industry, it is precisely the industry liberalization and globalization which opened the gates to global producers and supermarket chains, which in the end had a two-sided effect. The arrival of global players with wide product-ranges and significant marketing budgets resulted, on one side, in a fiercer market competition, and, on the other side, in larger and more diverse offer, product quality improvement and introduction of global production standards. The arrival of foreign supermarket chains, on the other hand, opened new distribution channels which increased and facilitated the distribution of consumer goods. In such conditions, domestic manufactures can only compete through continuous investment in and development of new production lines, technology development, marketing in order to improve the brand recognition and human resources.

As an important factor of Croatian economy, consumer goods industry in the food product segment is protected by the Croatian Government through various levies on imported goods or direct subsidies. One should bear in mind that opening new negotiation chapters, which entails the alignment with EU policies and regulations, may require new material investments in order to reach the level of foreign producers' competitiveness.

Macroeconomic environment, GNP dynamics, in particular its private consumption component, trends in disposable personal income and the development of consumers' standards of life in general considerably determine trends in consumer goods industry. In addition to that, the development of consumer goods industry is significantly influenced by company's capacity to adapt to consumers' needs and market trends, which requires investments in research and development, marketing and technology. In view of the above, industry's key risks are its modest growth rates consistent with macroeconomic conditions and the requirement for significant investments in order to achieve competitive advantages in relation to local and global competitors.

Consumer goods industry is strictly regulated and permanently monitored by regulatory bodies, mostly due to its direct influence on consumer health. At the same time, this industry is exposed to the risk caused by uncertainty as to the introduction of new, stricter standards which may also entail additional material expenses.

At the same time, the industry is open to the risks of the uncertainty of new, more rigorous standards that can also incur new material costs.

Certain segments of consumer goods industry, particularly those involving food products, are influenced by the factors that companies cannot control, like volatile prices of commodity (coffee, sugar, cacao, etc.) on world markets, the weather conditions/troubles and success of the touristic season. Following the above, certain industry branches are of seasonal character so sensible working capital management imposes itself as an extremely important component for providing steady company business. Also, a relatively low cyclicity level of consumer goods makes them appealing to many companies, resulting in a larger number of competitors on the market, and diversification of the industry. Furthermore, since there is no significant market leader, there is a risk of new competitors entering the market.

Atlantic Grupa does business in the consumer goods segment covering food products with added value. With the subsegment of instant vitamin drinks under the brand of Cedevita, Atlantic Grupa covers over 90% of the market and does not have any significant competitors on the domestic market except for one domestic manufacturer and private brands whose product quality, design and quality of packaging fall greatly behind quality standards implemented in Atlantic Grupa. Apart from the above, Atlantic Grupa mostly benefits from the activities including research and development investments, investments in technology and close observation of market trends and consumer preferences in order to maintain high market shares in the mentioned subsegment. With the acquisition of Droga Kolinska at the end of 2010, Atlantic Grupa widened its manufacturing portfolio with a wide array of brands with leading positions on regional markets in subsegments of coffee, deli spreads, sweet and salty snacks and soft drinks. Considering that some of the mentioned subsegments were exposed to heavy competitive pressure by local and multinational companies, focused brand management will become a strategic preoccupation of the company in the future.

Subsegment of products dedicated to personal care primarily depends on consumers' purchasing power, i.e. GDP trends. On the other hand, this subsegment is marked by heavy competitive pressure from multinational companies disposing with a range of resources, including modern technology, aggressive price policy, aggressive and frequent marketing campaigns, investments in research and development, and flexibility to quickly adapt to changeable market trends. All of the above presents great challenges before domestic producers in this subsegment, demanding important financial investments in keeping up with the competition.

Having entered the pharmaceutical segment in 2008 and further expanding the pharmaceutical chain Farmacia in 2009 and 2010, Atlantic Grupa today owns a pharmaceutical chain with pharmacies disseminated at national level. Among the main risks of this business, three stand out. The first refers to the risk of uncertainty regarding introduction of new and potentially more rigorous regulations that pharmacies are obliged to abide by, since pharmaceutical industry has strictly proscribed standards and is monitored by regulatory bodies. The second pertains to the fluctuations in price lists of basic and supplemental drug lists that pharmacies as subcontractors of

the Croatian Health Insurance Institute (HZZO) must follow. Furthermore, apart from the inconstancy of price list, additional risk arises from delays in collection of debts from the HZZO, which puts additional strain on quality and sensible working capital management. Still, Atlantic Grupa implements certain activities trying to alleviate these risk, like focusing on increasing the share of non-prescription drugs and food supplements in the portfolio of pharmacies, by opening specialized shops (with non-prescription drugs and dietary supplements), which are regulated by the Agency for drugs and medical products, and by researching the synergy of the distribution and production portfolio of the company. And last, but not least, the company regards pharmacies as a new distribution channel for other products from the production and distribution portfolio of Atlantic Grupa.

Competition risk

Harmonization of legislation of countries candidates for ascension to the European Union with the *acquis communautaire* imposes new standards and norms, but also removes last obstacles to free competition as a result of gradual merger of markets on the internal market of the European Union. In accordance with these processes, local companies are being increasingly exposed to international competition, while on the other hand experiencing new business opportunities on foreign markets. In recent years local companies have been investing efforts to expand their businesses on regional markets that are generally characterized by the increasing demand for consumer goods and at the same time, the increasing recognizability of domestic brands. Acquisition of the regional food processing company Droga Kolinska in 2010 certainly marks the efforts of Atlantic Grupa to expand the scope of its business to regional markets.

Foreign food processing competition surpasses local companies as regards technical infrastructure, ability to invest in research and development, financial strength, size of marketing budgets, and global recognizability of their brands as result of long term business tradition. In addition to the above, fierce competition of established foreign brands is also a consequence of increased domestic demand, a result of scarce supply of foreign products in the past. Still, Croatian market and regional markets display a high level of loyalty to tradition as well as the previously acquired purchasing habits, prompting the demand for domestic products. Main competitive advantage of production/distribution portfolio of Atlantic Grupa is precisely this recognizability of brands whose products Atlantic Grupa produces and/or distributes in partnership with high market shares they cover. The same applies to Droga Kolinska brands acquired at the end of 2010. With strategic focus on development of strong, recognizable brands, Atlantic Grupa is attempting to reduce the risks that come with competition. Examples of this company focus are visible in the launching of Cedevita GO!, which added a new distribution channel to Cedevita vitamin instant vitamin drinks portfolio – consumption on the go. Atlantic Grupa is also finding new distribution channels, like HoReCa channel, characterized by lesser competitive pressures in comparison to traditional retail channel whose potential arises from the touristic potential of Croatia and the region.

Atlantic Grupa is facing strong foreign competition in segments of personal hygiene products and cosmetics, however, expansion of the array of products, maintaining quality, marketing support, brand recognizability and

distributive support provided by the Distribution division, back up this segment consumption with well known brands like Plidenta, Rosal and Melem.

Competition in the pharmaceutical segment primarily comes from city and county pharmacies, and private pharmacies owned by natural persons, and much less from wholesale pharmacy chains or generic pharmaceutical companies that also operate in the pharmaceutical segment. Atlantic Grupa is striving to ensure competitive advantage against the existing competition combining several key factors, including the following: continual expansion of the pharmaceutical chain, national dispersion of pharmacies, opening of specialized shops as upgrades and developments of the pharmaceutical activity, management of pharmaceutical segment with due medical practice with focus on education and development of pharmaceutical staff competencies in order to provide good quality pharmaceutical service.

BUSINESS RISK

Business risk refers to risks present in company day-to-day operation that directly influence maintaining of company's competitive position and stability of regular business activities. Following the above, business risk is determined by the business environment of the company, level of cyclicity of company's industry segment and ongoing business policies and decisions.

Influence of individual product and business cooperation on business

In past years, Atlantic Grupa gave much attention to diversification and expansion of the production and distribution portfolio with the strategic aim to reduce dependability on individual product sales results, and the fickleness in realization of sales results, especially during the changes of macroeconomic cycles. The largest diversification of the production portfolio the company is about to experience with the acquisition of Droga Kolinska finalized in 2010, i.e. through the already diverse portfolio of the acquired company ranging from the coffee segment, to sweet and salty snacks, deli spreads, drinks and children's food.

Accordingly to the said diversification in production and distribution portfolio, changes in business environment linked to a particular production segment or business cooperation with a particular partner will not jeopardize the operation of Atlantic Grupa on the whole.

Product dependence

As a result of significant expansion and deepening of the production and distribution portfolio in past years, and especially after the acquisition of Droga Kolinska in 2010, Atlantic Grupa day-to-day operation today does not significantly depend on any individual product. The most important category being the food and beverages category, and consumer goods for healthy diet.

During the past years, Atlantic Grupa combined acquisition activities, innovative approach to new product development and making new distribution agreements while diversifying both the production and distribution portfolio. Acquisition activities resulted in so far Atlantic Grupa's biggest acquisition – Droga Kolinska at the end of 2010, which will further reduce dependence of the company on one product.

Dependence on business cooperation

In recent years, Atlantic Grupa developed a firm cooperation with domestic and international producers of brands pertaining to Atlantic Grupa distribution portfolio, and continues to pursue good cooperation with principals of new brands in the company's distribution portfolio. Although the loss of exclusive distribution right of a particular product would influence the operation of the Distribution division, the risk has been significantly reduced over the past years due to important expansion of the distribution portfolio, resulting in low dependency on individual business partners. The above particularly stands out when we consider it in the light of the fact that income share of principal brands distribution sales in total sales including the sale of Droga Kolinska shall amount to 20 percent. In addition, in 2010, Atlantic Grupa pursued the expansion of the distribution portfolio by adding new categories and spreading from the existing to new markets, i.e. new distribution channels. It should also be said that in the case of termination of cooperation with one of the principals, the existing contractual relations with key partners allow for adequate "transition" periods so that the company would have enough time to adapt to new circumstances.

As new distributive categories introduced in 2009 and 2010 indicate, Atlantic Grupa continually monitors brand market trends with the aim of initiating new business cooperation. Continual expansion of the distribution portfolio enables the company to adapt to new circumstances in a short period of time in case cooperation with any of present partners should be terminated.

Narrow business cooperation with leading domestic chain stores is at the very nature of distribution activities. At that, dependency of the distributor on large sales chains can incur additional costs for maintaining cooperation in the form of additional discounts, payment prolongation, and similar activities. Although Atlantic Grupa has good cooperation with most domestic chain stores, which in turn are company's main buyers, its dependency on individual buyers is of an appropriate level. In case of termination of cooperation or bankruptcy of one of major buyers, the impact on Distribution division business results would be significant. Still, with continual monitoring of buyers risk and payment process, and by limiting exposure to more risky buyers, the company aims to reduce the risk for its operation in case of termination or bankruptcy of one of major buyers. The latter proved to be useful during 2009 when one of the largest buyers announced bankruptcy. Also, Atlantic Grupa aims to reduce the dependency of distribution on sales chains by developing "alternative distribution channels" characterized by less pressure from the competition. The latter refers to HoReCa channel (hotel industry), sale points with technical merchandise and pharmaceutical channels.

FINANCIAL RISKS

The Group's business activities expose it to different kinds of financial risks which include: market risk (including currency risk, fair value interest rate risk, cash flow interest risk as well as risk of investing into securities), credit risk and liquidity risk. The Board monitors carefully the Group's business risks, including the introduction of the approval and responsibility level.

Currency risk

The Group acts at the international level and is exposed to currency risk that results from various changes of foreign currency exchange rate. In relation to financial activities, exposure to exchange rate change risk between EUR and HRK is increased since the majority of the financial debt is pegged to the Euro. Concerning operative activities, exposure to the risk of exchange rate between USD and HRK increased as the production assortment expanded since the materials' price is in USD and EUR. With the acquisition of Droga Kolinska, exposure to the risk of exchange rate of the Serbian currency Dinar increased since the Serbian market has become the second most important market.

An exchange rate change between EUR and HRK can influence future business results and future cash flows.

Considering the fact that the Group has dependant companies outside Croatia, the value of shareholder's equity is exposed to exchange rate changes. Changes in shareholder's equity caused by exchange rate changes are expressed as exchange differences in consolidated statement of comprehensive income.

Risk of investing into securities

The Group is exposed to the risk of investing into securities by fair value risks and price change risks since the Group's investment is classified in consolidated balance sheet as available for sale. Investment into securities classified as available for sale are not listed at the stock exchange. In order to manage risks that result from their fair values and price changes, the Group monitors market transactions and the results of investment in entities.

Cash flow interest risk and fair value interest rate risk

Since the Group does not have significant assets which produce interest revenues, the Group's revenues and cash flow from business operations do not depend significantly on the changes of market interest rates.

The Group's interest rate risk results from long-term loan and bonds issued. Floating rate loans expose the Group to the cash flow risk. Fixed rate loans expose the Group to fair value interest rate risk.

The Group continuously monitors interest rate changes. Different situations are simulated taking into consideration refinancing, restoration of current state as well as alternative financing. Based on these situations, the Group calculates the influence of interest rate change on profit and loss statement.

The Group is managing interest rate risk of cash flow where interest rate swap from variable to fixed interest rate is applied. Such interest rate swap has economic effect of the loan conversion with variable interest rate into loans with fixed interest rates. The Group substituted arranged long term loans with variable interest rate with the loans with fixed interest rate that are lower than the ones that should have been available if the Group had acquired direct loans with fixed interest rates. Within interest rate swap the Group is arranging the difference swap with other parties, in precisely defined intervals (quarterly and semi-annual), between the amounts with fixed interest rates and the amounts with variable interest rates calculated on agreed amounts of the principal.

Loan risk

The property of the Group that bears the credit risk is made of mainly financial instruments, deposits, and customer's claims and other claims. Sales politics of the Group are ensuring that the sale is executed to the buyers who have relevant loan history within the framework of loan limitations that are predefined. The Group credit risk is lower because of the distribution of claims on larger buyers' groups. Moreover, key buyers of the Group are big wholesale chain stores and the dependence on such buyers is decreased with the development of other distribution channels. The Group is decreasing the credit risk with the implementation of strict measures of collection control and goods delivery, as well as with the acquisition of the instruments for the insurance of the debtors (bonds and bills of exchange).

Solvency risk

Prudent managing of solvency risk implies the maintenance of necessary financial means, ensuring the availability of financial means with adequate amount of contracted credit lines and the possibility of closing all obligations. The goal of the Group is maintaining the flexibility of financing in a way where contracted credit lines are available. The cash flow projection is made on business segment level and is aggregated on the Group level. The Group is permanently covering the solvency, in order to ensure enough financial means for the business with maintaining enough space for using available credit lines when this is needed. Such projection takes into consideration Group's plans in relation to covering the debts, and harmonizing with the contractually defined relations and internal relations in balance sheet.

Cash surpluses beyond the limit that is needed for managing the working capital is deposited on interest rate bank accounts, active deposits or money funds, with the choice of instruments with appropriate due date or such instruments that ensure necessary solvency.

The risks connected to the shares

The share market value, as the riskiest asset category, could be of very volatile character under the influence of the volatility of complete capital market, macroeconomic trends on the markets where the company is doing business, the gap in financial analysts' expectations in relation to achieved results, the change in dividend policy, the activity in the M&A segment, and in the segment of entering into strategic partnerships, potential shocks with connected parties (suppliers, buyers, strategic partners etc.), the instability of company business model and with the fluctuations in the financial results of the company operations. If above mentioned factors have negative connotation, there is significant risk of the decrease of the share market value. Moreover, each investor should be aware that there is market risk where the investor shall not be able to sell its shares for fair market price at any given time.