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Net profit growth with strong focus on further business internationalization

In the first nine months of 2016, Atlantic Grupa recorded sales of HRK 3.78 billion, which is a 4.9 percent decrease compared to the same period of 2015. Earnings before interest and taxes (EBITDA) amount to HRK 419.5 million and are lower by 6.9 percent, while net profit after minorities increased by 1.3% and amounts to HRK 231 million. “The decrease in sales is the result of the terminated cooperation with the major buyer of the private label in the Sports and Functional Food segment and the depreciation of the Russian rouble and the Serbian dinar. If these effects are excluded, sales increased by 3.0 percent compared to the same period of the previous year. Operating profit decreased mainly due to previously announced significant investments in the development of own brands distribution in Germany and Austria, while at the same time all business segments record a significant profitability growth”, Zoran Stanković, the Group’s Vice President for Finance explained.

Among significant business developments, we point out the investment in strengthening distribution capacities in Germany and Austria aimed at significant increase in sales of own brands in these markets, and the restructuring of the Strategic Business Unit Sports and Functional Food with the focus on products with the highest profitability. Also, with the EBRD and four partner banks (Erste, Raiffeisen, Sberbank and Unicredit) and the International Finance Corporation (IFC), Atlantic agreed more favourable financial terms of the credit package in the amount of EUR 191.5 million, with prolonged maturity. We also record the successful issue of corporate bonds in the amount of HRK 200 million, at a fixed annual interest rate of 3.125 percent. According to the latest research conducted by Valicon, the top 10 brands in the region include 4 brands of Atlantic Grupa (Cedevita, Smoki, Argeta and Cockta), and Atlantic Grupa won the awards for the best corporate governance in Croatia and for transparency in investor relations.

Major contributions to the overall increase in sales of Atlantic Grupa in the first nine months of 2016, if the previously mentioned negative effects are excluded, were made by the Strategic Business Unit Savoury Spreads with a 14.1 growth, the Strategic Business Unit Pharma and Personal Care with a 6.3 percent growth, the Strategic Business Unit Snacks with a 2.4 percent growth and the Distribution Unit Croatia with a 1.5 percent growth. With 20.5 percent



share in total sales, Coffee stands out as the largest individual category with sales of HRK 775.3 million.

Analysed by markets, the most significant increase, of 3.7 percent, was recorded in the Croatian market which, with a 29.3 percent share in total revenues, is Atlantic Grupa's biggest market, followed by the market of Bosnia and Herzegovina, which grew by 3.4 percent and holds an 8.0 percent share in total revenues, and the Slovenian market with a 2.0 percent growth and a 16.2 percent share in total revenues.

Own brands of Atlantic Grupa participate in sales with 68.3 percent, the distribution of principals' products with 20.5 percent, the pharmacy chain Farmacia with 7.1 percent, while products produced by Atlantic Grupa as private labels for large business systems in the country and abroad participate in the total revenues with 4.1 percent.

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