ATLANTIC GRUPA

General Assembly

Zagreb, June 29th 2017

FINANCIAL RESULTS IN 2016

GUIDANCE FOR 2017

- Performance in line with guidance
- Continued development of business operations in Western European markets
- Restructuring and reorganization of Strategic Business Unit Sports and Functional food
- Amended loan conditions and issue of new corporate bond coupled with debt decrease
- Development of own brands and opening of new pharma locations
- Risk management and consolidation of IT solutions

VALICON

TOP25 REGIONAL BRANDS 2016

1.	bezalkoholna pića	Coca-Cola
2.	čokolade	Milka
3.	bezalkoholna pića	Cedevita
4.	začini	Vegeta
5.	paštete	Argeta
6.	slane grickalice	Smoki
7.	žvakače gume	Orbit
8.	bezalkoholna pića	Cockta
9.	kreme	Nivea
10.	vode	Jana
11.	zubne paste	Colgate
12.	bezalkoholna pića	Fanta
13.	čips	Chipsy
14.	maramice	Paloma
15.	bezalkoholna pića	Sprite
16.	keksi	Plazma
17.	omekšivaći	Lenor
18.	bezalkoholna pića	Pepsi
19.	bomboni	Ki-Ki
20.	instant kave	Nescafé
21.	keksi	Jaffa cakes
22.	čokoladice	Snickers
23.	britvice	Gillette
24.	žvakače gume	Airwaves
25.	jogurti	Dukat

Snaga brenda kriterij je za rangiranje. Snaga brenda izračunata je na temelju prepoznavanja, iskustva i korištenja brenda unutar konkretne kategorije. Rezultati su ponderirani veličinom populacije određene zemlje.

Rangiranje se temelji na reprezentativnom istraživanju provedenom na pet najvećih regionalnih tržišta - Srbija, Hrvatska, Bosna i Hercegovina, Makedonija i Slovenija.

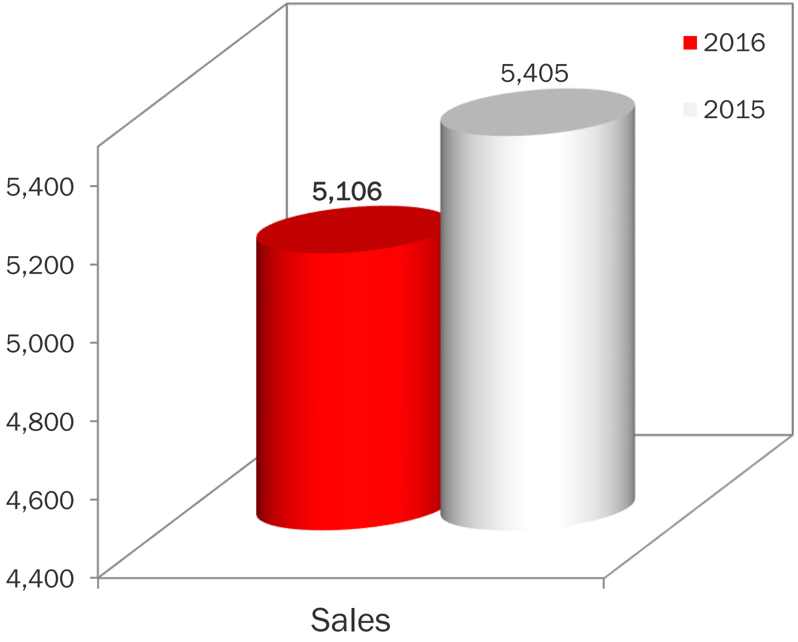
Istraživačka metodologija: prikupljanje podataka u rujnu i listopadu 2016; n=1000 do 1500 po zemlji; uzorak reprezentativan po spolu, dobi, obrazovanju i regiji za populaciju 15 do 65 godina starosti; "mix-mode" računalom potpomognuto anketiranje koje uključuje reprezentativno web i dopunsko terensko anketiranje populacije bez interneta.

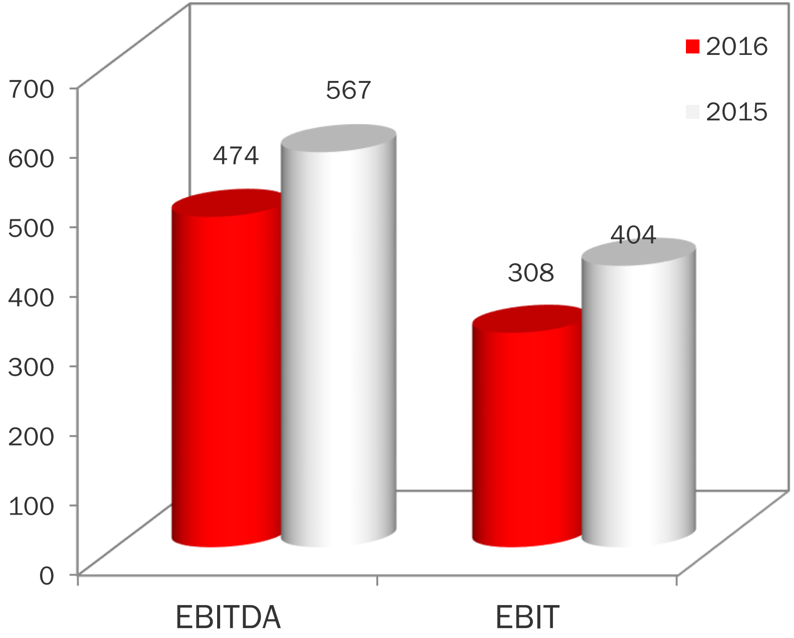
Za više informacija: www.valicon.net/top25

2016/2015: 94.5

2016/2015: 83.6

2016/2015: 76.2





(HRK million)	FY 2016	FY 2015 (reclassified)	FY 2016/FY 2015
SBU Coffee	1,063.9	1,073.5	(0.9%)
SBU Beverages	637.2	642.2	(0.8%)
SBU (Sweet and Salted) Snacks	651.3	631.6	3.1%
SBU Savoury Spreads	543.0	496.6	9.4%
SBU Pharma and Personal Care	538.9	511.3	5.4%
SBU Sports and Functional Food	449.3	768.5	(41.5%)
SDU Serbia	1,101.1	1,175.1	(6.3%)
SDU Croatia	969.6	948.9	2.2%
DU Slovenia	754.4	761.9	(1.0%)
SDR Zone West	504.5	522.1	(3.4%)
Other segments*	763.0	821.7	(7.1%)
Sales	5,106.3	5,405.3	(5.5%)

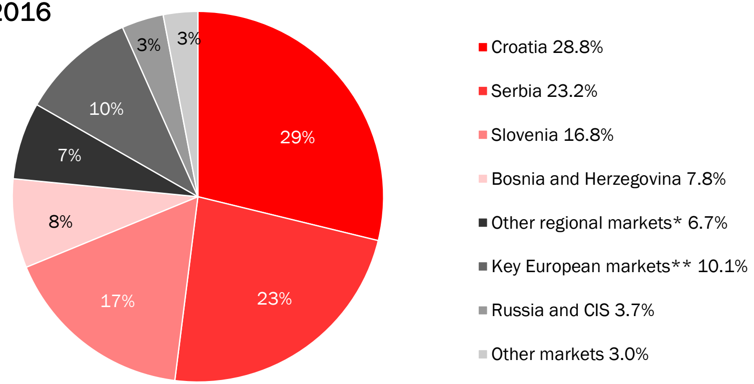
- SBU Coffee: slight decrease in sales, primarily due to the sales results in the market of Serbia and Slovenia, caused by the inventory optimisation by a key customer and drop in the category (significant growth of market share in both countries).
- SBU Beverages: decrease in sales in the Serbian and Slovenian markets, despite a strong sales growth in the HoReCa channel and on-the-go segment, remaining the absolute market lider on all markets.
- SBU Snacks: increase in revenues of the overall range in all regional markets.
- SBU Savoury Spreads: exceptional sales growth on the regional markets coupled with great results in of Switzerland, Germany and Austria.
- SBU Pharma and Personal Care: increase in OTC sales of the pharmacy chain Farmacia and products from the Multivita range.
- SBU Sports and Functional Food: decrease in sales primarily due to the terminated cooperation with the major buyer of the private label, but also due to the targeted restructuring of the overall strategic business unit.
- SDU Serbia: decrease in sales of Turkish coffee (the decrease in the category and inventory optimisation by the key buyer), also the ended cooperation with two principals.
- SDU Croatia: growth of sales of both own and principal brands.
- SDU Slovenia: decrease in sales of Turkish coffee (inventory optimisation by the key customer) largely compensated for by the increase in sales of the majority of own brands.
- SDR Zone West: decrease in sales as a result of restructuring the Strategic Business Unit Sports and Functional Food, and on the other side the increase in sales in the markets of Switzerland, Austria, Turkey, Australia and Canada.

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

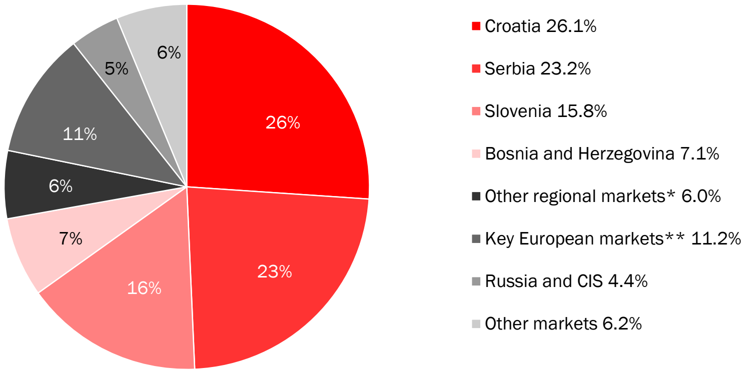
*** Line item “Reconciliation” relates to the sale of own brands which is included in the appropriate SBU and BU and in SDUs, SDRs and DUs through which the products were distributed.*

SALES BY STRATEGIC BUSINESS UNITS AND STATEGIC DISTRIBUTION UNITS

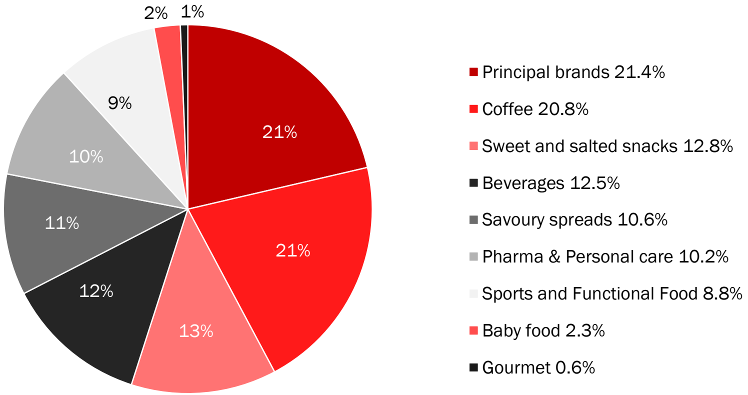
2016

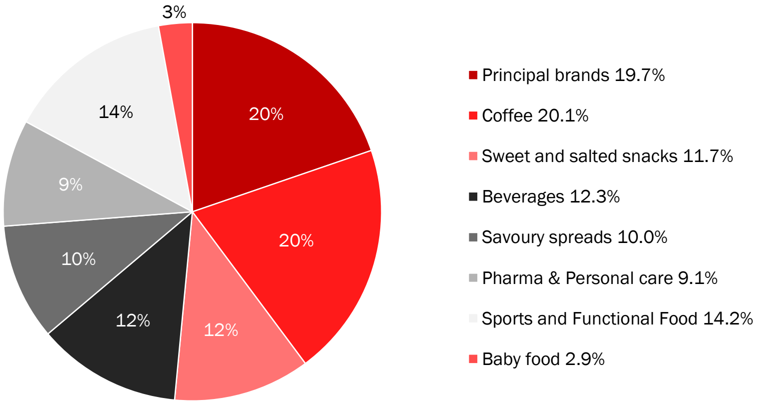


2015



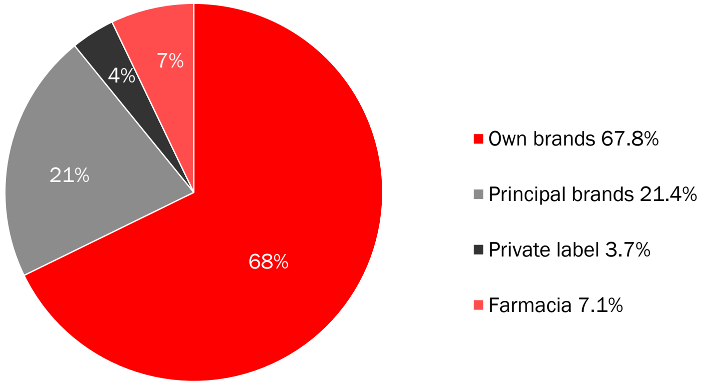
** Macedonia, Montenegro, Kosovo   ** Germany, United Kingdom, Italy, Switzerland, Austria, Sweden, Spain*



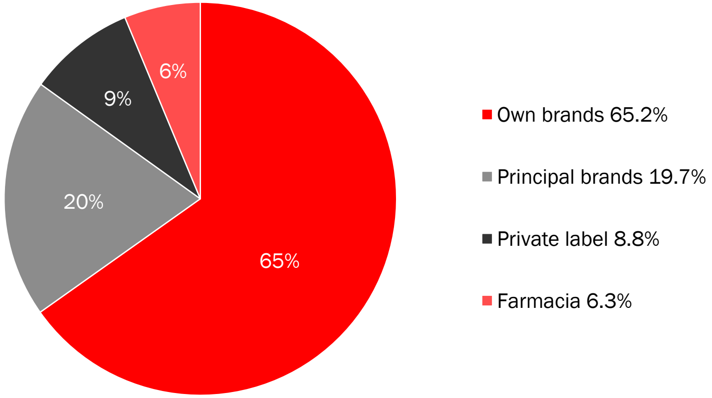


SALES BY MARKETS AND SEGMENTS

2016



2015



- <u>Own brands:</u>

❖ Decrease of 0.9% due to sales decrease of: (i) Champ, Multipower and Multaben, (ii) baby food under the brand Baby, (iii) Amfissa, which was to the high degree compensated by the growth of all other own brands.

❖ If the effects of the drop in Sports and function food and negative impact coming from Russia and CIS markets are excluded, the sales of own brands would have increased by 3.7%.

- <u>Principal brands:</u>

❖ Decrease of 1.0% due to the terminated cooperation with two principals in the Serbian market.

- <u>Private label:</u>

❖ A drop of 59.6% compared to 2015 due to the decrease in sales in the sports and functional food segment, caused by the termination of the cooperation with the largest buyer of private label.

- <u>Farmacia:</u>

❖ Increase of 8.2% due to the OTC sales increase.

❖ On December 31st 2016 Farmacia consisted of 48 pharmacies and 33 specialized stores (5 new ones).

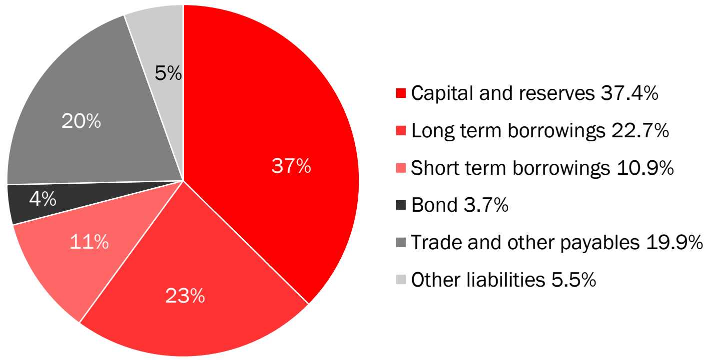
(HRK million)	FY 2016	FY 2015	FY 2016/FY 2015
SBU Coffee	227.9	211.2	7.9%
SBU Beverages	161.8	151.8	6.6%
SBU (Sweet and Salted) Snacks	116.4	99.7	16.8%
SBU Savoury Spreads	119.8	121.8	(1.6%)
SBU Pharma and Personal Care	45.7	43.5	5.2%
SBU Sports and Functional Food	(20.7)	(32.8)	n/a
SDU Serbia	19.8	30.1	(34.4%)
SDU Croatia	10.3	21.1	(51.0%)
DU Slovenia	42.7	41.9	2.0%
SDR Zone West	(55.3)	10.6	n/a
Other segments*	(194.1)	(131.5)	n/a
Group EBITDA	474.4	567.3	(16.4%)

- SBU Coffee: the increase in profitability is a result of lower costs of raw material and despite the increase in marketing expenses.
- SBU Beverages: the growth in profitability is primarily a result of a better sales mix (HoReCa), the effect of one-off items (water concession in Slovenia) and control of other costs.
- SBU Snacks: the increase in profitability is a consequence of the increase in sales revenue coupled with a good cost control.
- SBU Savoury Spreads: despite the significant increase in revenue, a slight decrease in profitability is recorded, as a consequence of increased investments on most markets.
- SBU Pharma and Personal Care: increase in sales revenue, coupled with a good control of costs of production materials and staff costs and the positive effect of foreign exchange differences.
- SBU Sports and Functional Food: profitability growth caused by the absence of one-off restructuring costs from 2015 and the decrease in costs as a result of reorganisation.

- SDU Serbia: the decrease in profitability as a consequence of the decrease in sales.
- SDU Croatia: the decrease in profitability, despite the increase in sales, is a consequence of the stronger concentration of customers, intensive investments in seasonal activities, the increase in costs related to the improved organisation and higher marketing expenses.
- DU Slovenia: the growth in profitability is a result of a better customer mix.
- SDR Zone West: the decrease in profitability is caused by the development of own infrastructure in Germany and Austria, the related one-off expenses, the decrease in revenues of the sports and functional food segment and the depreciation of the British pound.

** Other segments include SDR HoReCa, SDR CIS&Baltics, BU Baby food, BU Gourmet, DU Macedonia and business activities which are not allocated on business and distributive areas (administrative headquarters and service support in Serbia, Slovenia and Macedonia) and are excluded from reporting operative segments.*

(in HRK millions)	2016	2015
Net debt	1,502.0	1,678.1
Total assets	5,395.8	5,294.6
Total Equity	2,016.5	1,945.3
Current ratio	1.4	1.3
Gearing ratio	42.7%	46.3%
Net debt/EBITDA	3.2	3.0
Interest coverage ratio	6.1	5.4
Capital expenditure	116.0	115.5
Cash flow from operating activities	267.9	470.8



- Continuous focus on further deleveraging (net debt decrease of HRK 176.1 million or by 10.5%).
- Amended loan conditions and issue of new corporate bond (prolonged maturity and lower interest rates).
- Interest coverage ratio grew from 5.4 to 6.1.
- Capital investments at the previous year level.

FINANCIAL RESULTS IN 2016

GUIDANCE FOR 2017

Strategic management guidance

- Focus on (i) continuing internationalisation of the business (Multipower, Argeta, Donat Mg, Bebi, Cedevita, Granny's Secret), (ii) strengthening the position of regional brands (Cockta, Cedevita, Smoki, Grand Kafa, Barcaffe, Najlepše želje, Chipsos), (iii) active development of the regional HoReCa portfolio, and (iv) finishing of the restructuring of the business unit Sports and functional food.
- Special efforts will be placed into listing and positioning of own brands into retail channel in Germany and Austria and on marketing activities on those markets.
- The management of Atlantic Grupa in 2017 expects significantly higher average prices of raw coffee in the global commodity markets and an unfavourable effect of the EUR/USD exchange rate, which will influence the profitability of the Strategic business unit Coffee. The negative influence will be partially compensated by higher retail process of coffee, and partially by the higher profitability of other business units.

(in HRK millions)	2017 Guidance	2016.	2017/2016
Sales	5,300	5,106	3.8%
EBITDA	475	474	0.1%
EBIT	310	308	0.7%
Interest expense	65	78	(17.0%)

- In 2017 we expect capital expenditure in the amount of around HRK 150 million.
- The expected effective tax rate in 2017 should be at the level of the previous year.

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