

# ATLANTIC GRUPA

## *FY09 Financial results*

*Growth in line with guidance despite harsh macroeconomic environment*

23 February 2010



## SADRŽAJ:

1. Key business developments in FY09
2. Financial results in FY09
3. FY10 Guidance

## Key business developments in FY09

### Growth in recessionary macroeconomic milieu

- **Committed and experienced management**
- Business model stability
- **Financial stability of the company**
- Organic growth of the company
- **Delivering on announced guidance**
- Increase in number of employees and productivity per employee

## Key business developments in FY09

### Cedevita GO!

- Distribution start: in the period February-June
- FY09 sales of HRK 50m
- Value market share on the fragmented Croatian 'on-the-go' market in the period February-November: 3.3%



### Distribution deals in 2009

- Ferrero program in Slovenia (August 2009)
- Karolina assortment of sweet and salted snacks
- Nestle's NESCAFE program in the HoReCa channel



### Distribution deals in 2010

- Ferrero semi-freddo program in Serbia (February 2010)
- Rauch juices in the retail distribution channel (March 2010)
- Impulse assortment from the company One2play on the Croatian, Slovenian and Macedonian markets (March 2010)



## Key business developments in FY09

### Multipower Active

- Endurance line for bicyclists and joggers
- Expanding consumer base outside gyms and fitness centres
- The best sales showing in Italy, Netherlands, UK, Germany & Austria



### Neva

- HRK32m worth investment in modernization and capacity increase
- Modern production facility on 2,700 square metres with all required infrastructure



## Key business developments in FY09

### Further expansion of the pharmacy business

- Launch of 9 new locations (4 pharmacies, 5 specialized stores)
- Focus on more frequently visited locations (e.g. shopping malls)
- Acquisition of 49% share in the company Livia d.o.o.

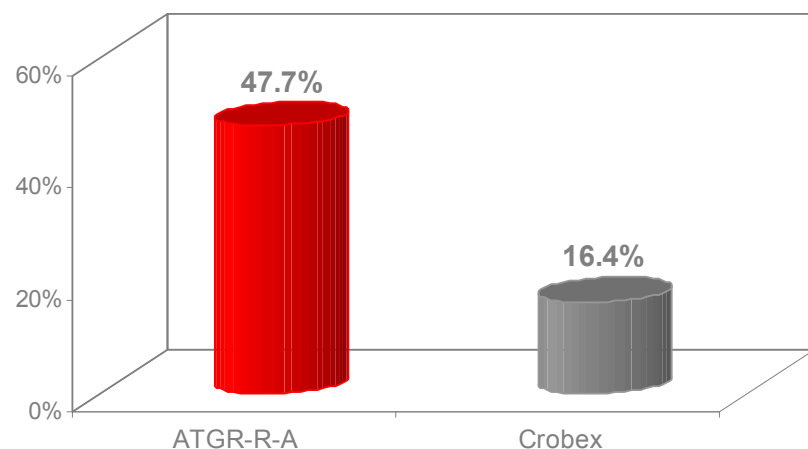
### Drug wholesale business

- Differentiated strategic focus on the market niche (OTC, food supplements, medical cosmetics, medical aids, etc.) through exclusive distribution deals
- Entire market coverage
- Achieving vertical integration in the Pharma division

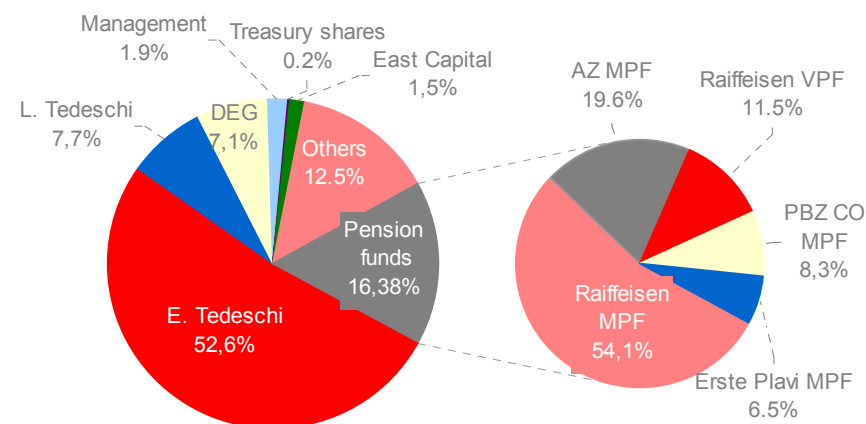


## Atlantic Grupa on Croatian capital market in 2009

Performance in 2009



Ownership structure on 31 December 2009



Valuation	2009*	2008
PPS (as of 31/12)	681.0	465.0
MCAp (HRK 000)	1,682,091	1,148,523
Average daily turnover (HRK)	361,052	1,262,835
EV (HRK 000)	1,985,353	1,515,763
EV/EBITDA	10.48	8.95
EV/EBIT	13.58	11.71
EV/sales	0.90	0.74
EPS (HRK)	31.40	27.84
P/E	21.69	16.70

\* Ex. one-offs

- In 2009, ATGR-R-A delivered the fastest growth among Crobex components
- Stable ownership structure
- Hiring market maker (Erste vrijednosni papiri d.o.o.) to provide extra liquidity
- PPS at 22/02/2010: HRK 726 (+6.6% ytd)

## Overview of FY09 results

- **Sales advanced to HRK2,199.4m**

  - + 9.8% yoy based on reported figures

- **EBIT soared to HRK153.8m**

  - + 18.9% yoy based on reported figures

- **EBIT excluding the one-offs surged to HRK146.2m**

  - + 13.0% yoy based on reported figures

    - The HRK7.6m in one-offs refer to the non-recurring gain on acquisition of minority interest in Cedevita from the DEG (HRK9.9m) lowered by the one-off cost arising from the transfer of Neva to new production facility (HRK2.2m)

- **Net profit after minorities advanced to HRK85.1m**

  - +23.9% yoy based on reported figures

  - +12.8% yoy higher net profit (excluding the one-offs) of HRK77.4m

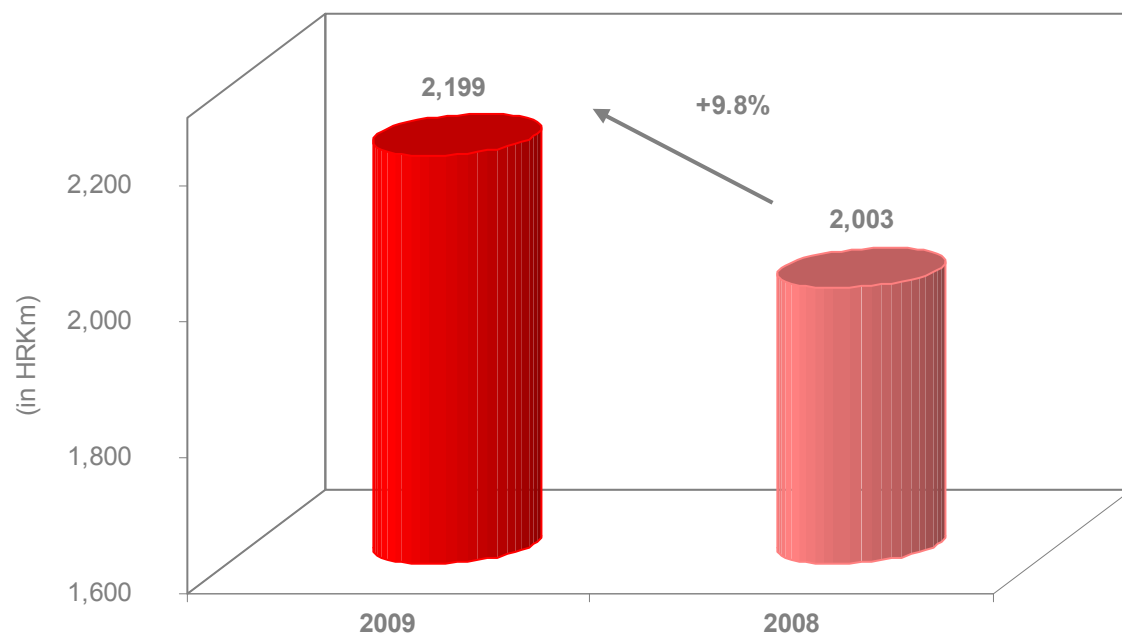
## Results in line with guidance

In HRKm	2009A	2009E	2009A/2009E
Revenues	2,225.2	2,166	102.7
Sales	2,199.4	2,143	102.6
EBITDA	189.4	194	97.8
EBIT	146.2	147	99.6

\* FY09 figures do not include one-offs:

- (i) non-recurring gain on acquisition of minority interest in Cedevita
- (ii) cost arising from the transfer of Neva to new production facility

## FY09 Sales dynamics



\* Growth of 9.8% yoy based on reported figures

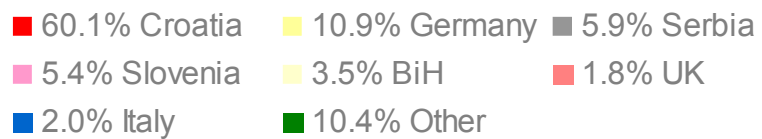
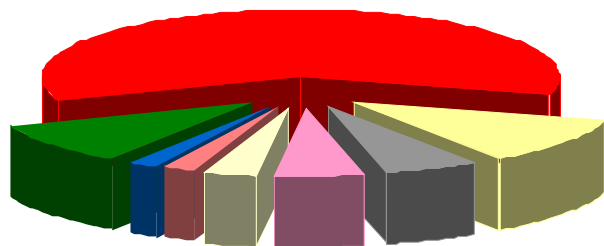
\* Delivered growth purely organic

➤ **Key growth drivers:**

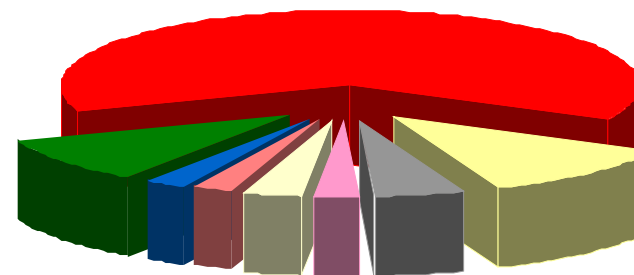
- (i) growth on regional markets
- (ii) new distribution deals
- (iii) launch of Cedevita GO!
- (iv) opening of new specialised stores and pharmacies

## Geographic sales profile

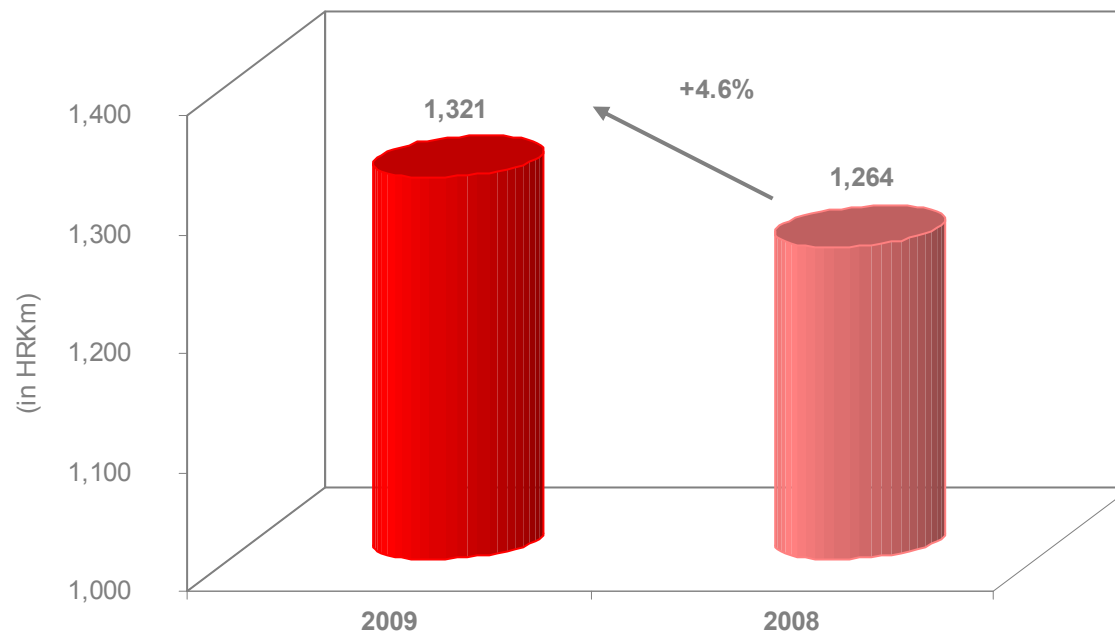
FY09



FY08



## Sales on the key markets - Croatia



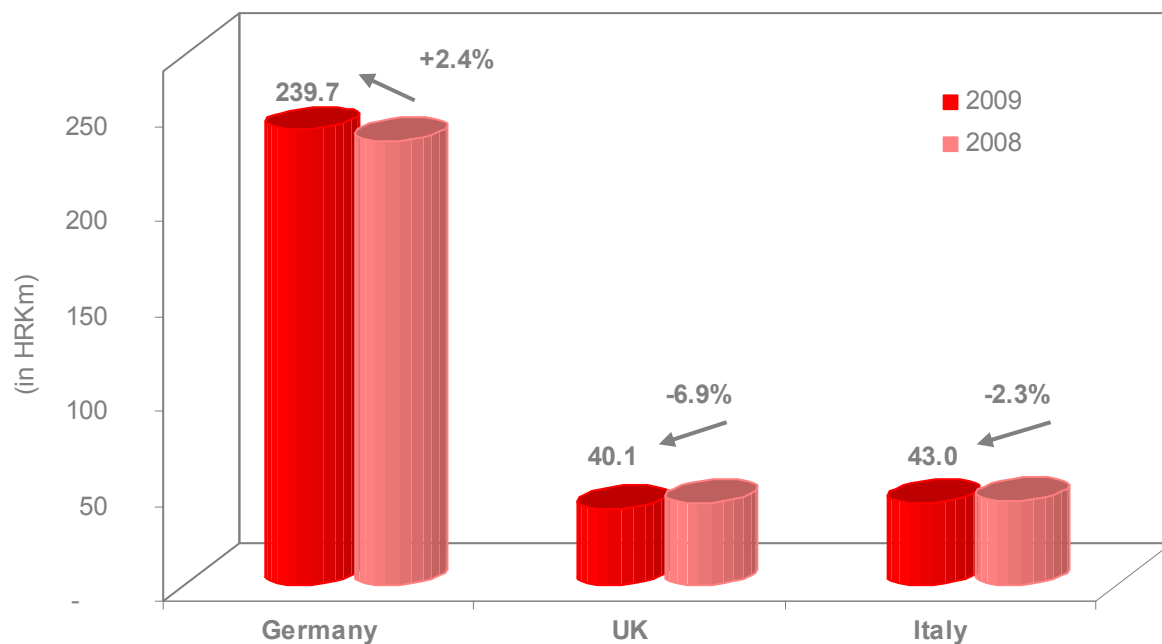
\* **Growth of 4.6% yoy** despite:

- (i) 9M09 GDP decline by 6.2% yoy
- (ii) 9M09 private consumption slump by 8.8%
- (iii) 5.8% yoy downturn in real 'core' retail trade
- (iv) cooperation determination with Nestle Purina Pet Care

➤ **Key growth drivers:**

- (i) new distribution categories (Karolina, NESCAFE in the HoReCa channel)
- (ii) launch of Cedevita GO!

## Sales on the key markets – Germany, UK and Italy



### Germany

**+0.7% in CER terms**

Despite 2009 GDP contraction

### UK

**+2.1% in CER terms**

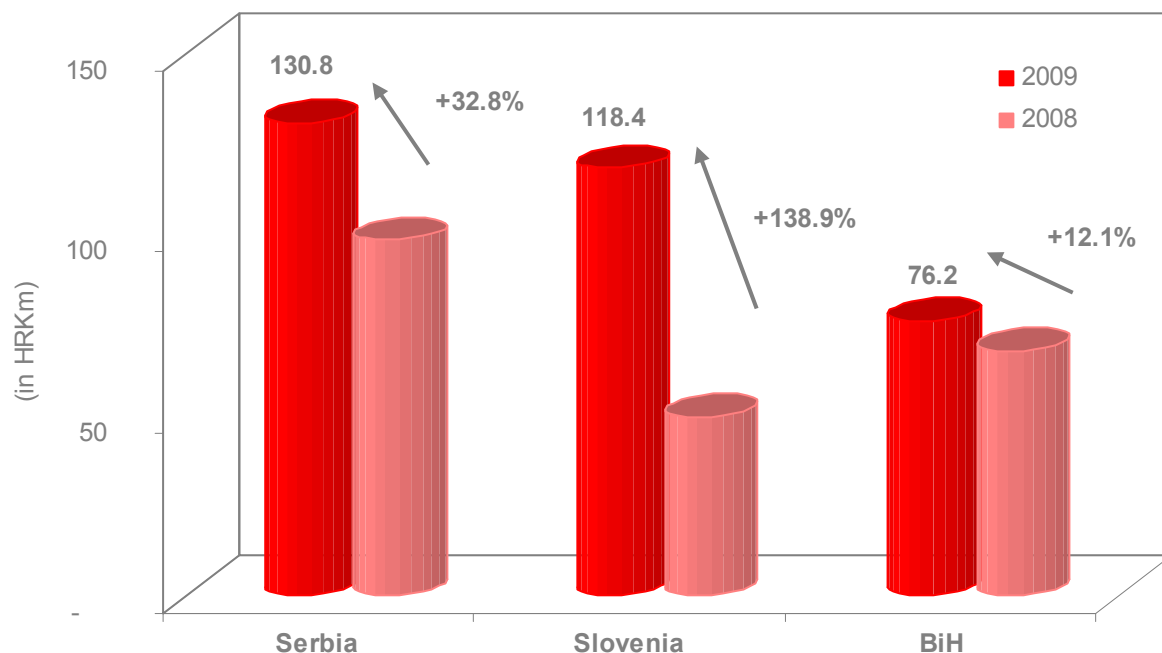
Slower growth amid suspension of sale to one of key accounts during contract renegotiation in 1H09

### Italy

**-3.9% in CER terms**

Reflecting economic activity contraction in 2009

## Sales on the key markets – Serbia, Slovenia and BiH



### Ex YU markets:

\* Growth of Cedevida sales in all distribution channel

\* Markets with the highest long-term growth potential

### Serbia

**+50.5% in CER terms**

Growth drivers:

- (i) launch of Cedevida GO!
- (ii) growth of Cedevida sales in all distribution channels
- (iii) new principals

### Slovenia

**+134.8% in CER terms**

Growth drivers:

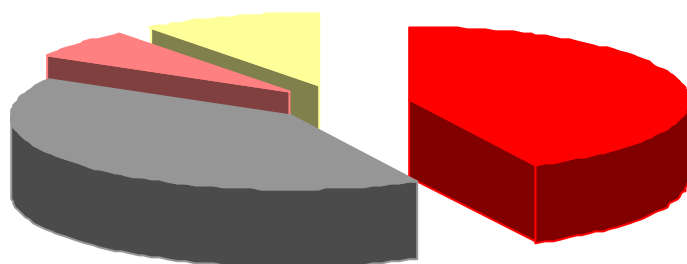
- (i) Commencement of Ferrero program distribution
- (ii) Cedevida GO!
- (iii) growth of the HoReCa channel

### Bosnia and Herzegovina

**+10.3% in CER terms**

## Sales by product type

FY09



■ 42.6% Own brands    ■ 40.7% Principal brands  
■ 6.5% Private label    ■ 10.2% Farmacia

### Private label

-0.6% reflecting the continuation of trend from 2008 related to decrease in private label sales with below average profitability

### Farmacia

+1.9% due to:

\* Spinning off 2 pharmacies from the HI Coner in exchange for the minority share for other pharmacies from the respective HI

### Own brands

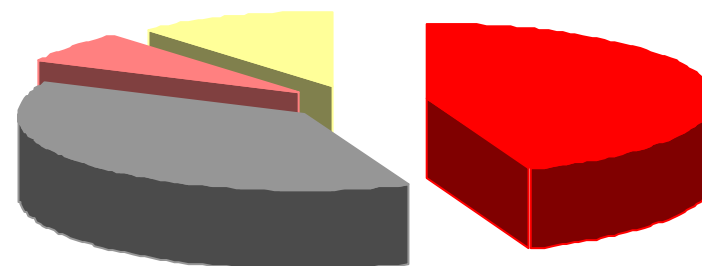
+ 5.8% amid:

- (i) launch of Cedevita GO!
- (ii) growth of brands in the Sports and Functional food division
- (iii) growth of Multivita's assortment (particularly on the Russian market)

### Principal brands

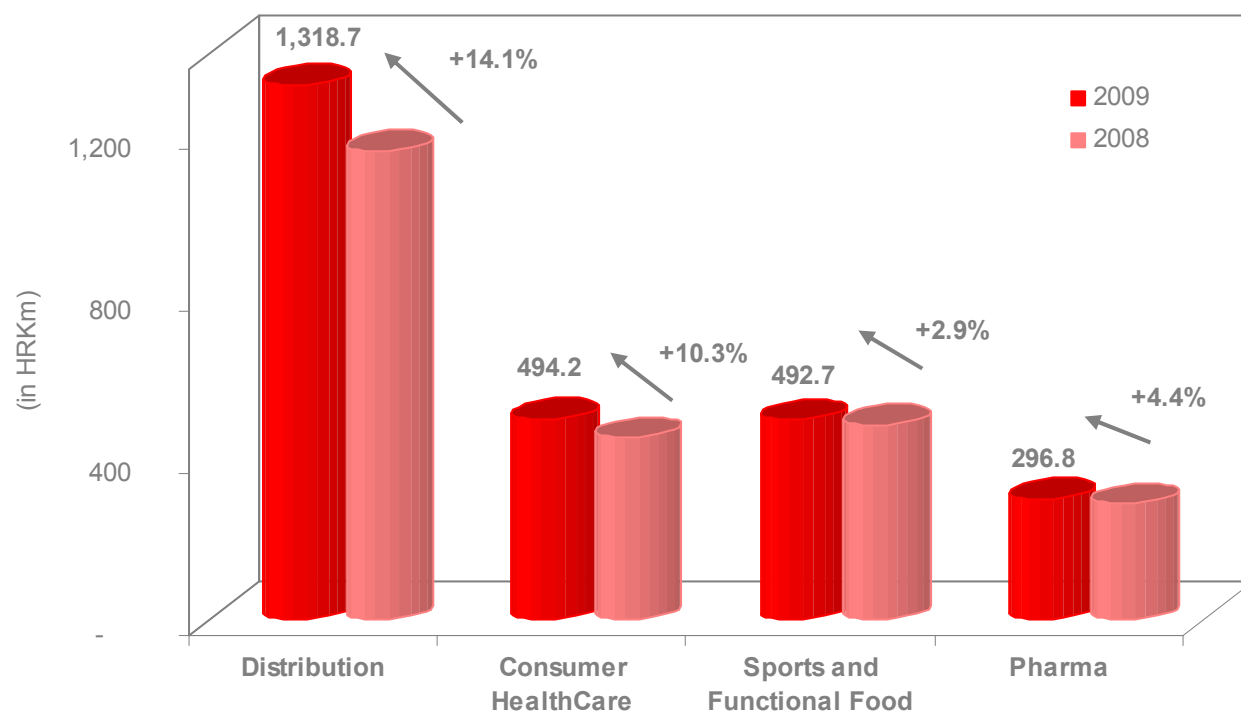
+ 18.8% due to new distribution groups (e.g. Karolina assortment, Ferrero program)

FY08



■ 44.2% Own brands    ■ 37.7% Principal brands  
■ 7.1% Private label    ■ 11.0% Farmacia

## Sales profile by division



### Distribution

+ 14.1% amidst:

- (i) new distribution deals (e.g. Karolina, Ferrero)
- (ii) Cedevida GO!
- (iii) HoReCa channel

### Consumer HealthCare

+ 10.3% due to:

- (i) launch of Cedevida GO!
- (ii) Multivita's sales increase on the Russian market

### Sports and Functional Food

+2.9%

\* Double-digit growth in Russia, Austria and Sweden

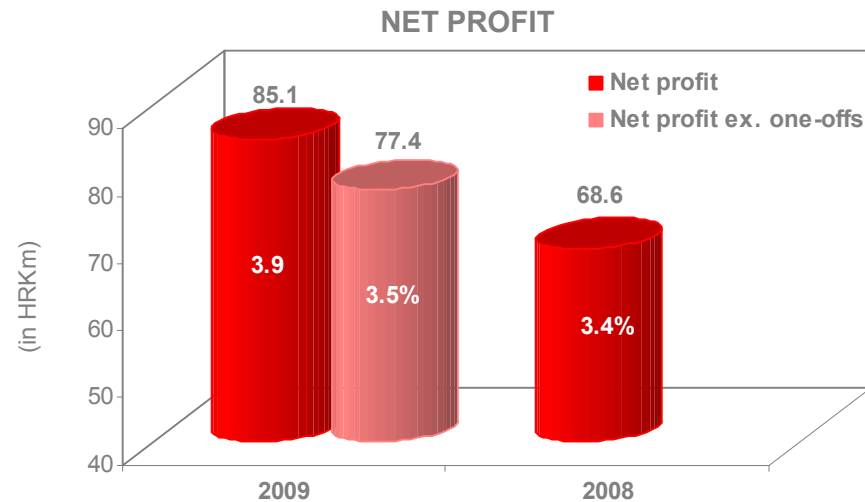
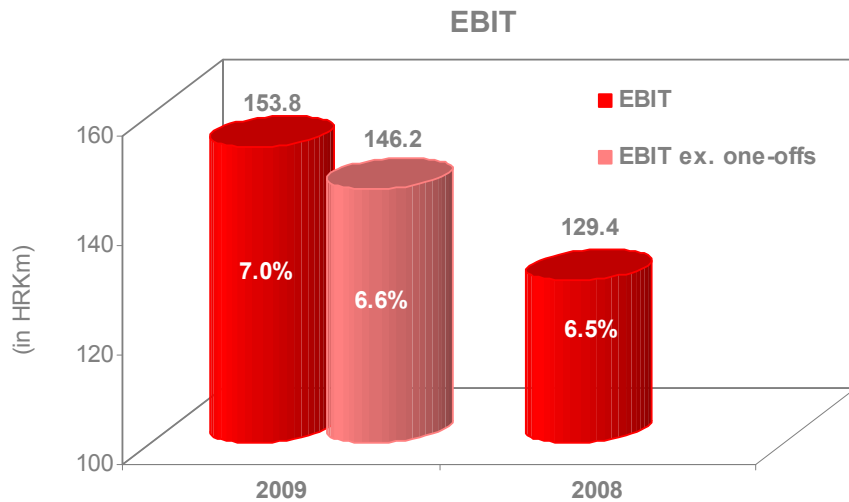
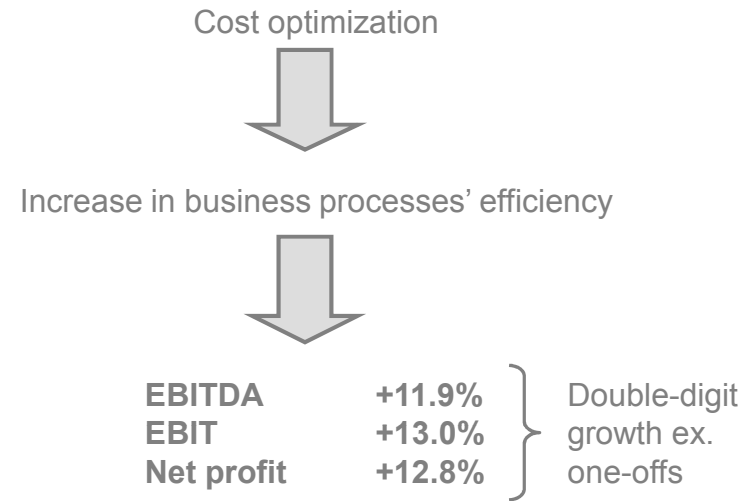
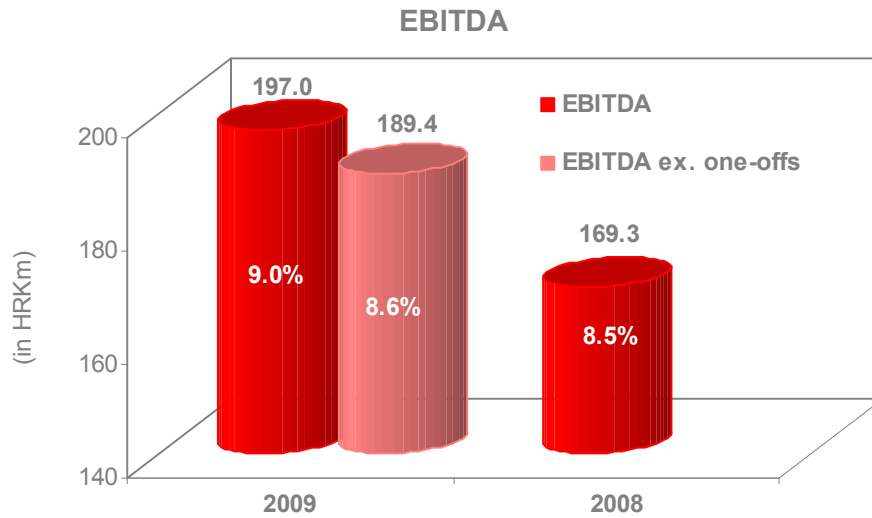
\* The most dynamic sales growth: brand Champ

### Pharma

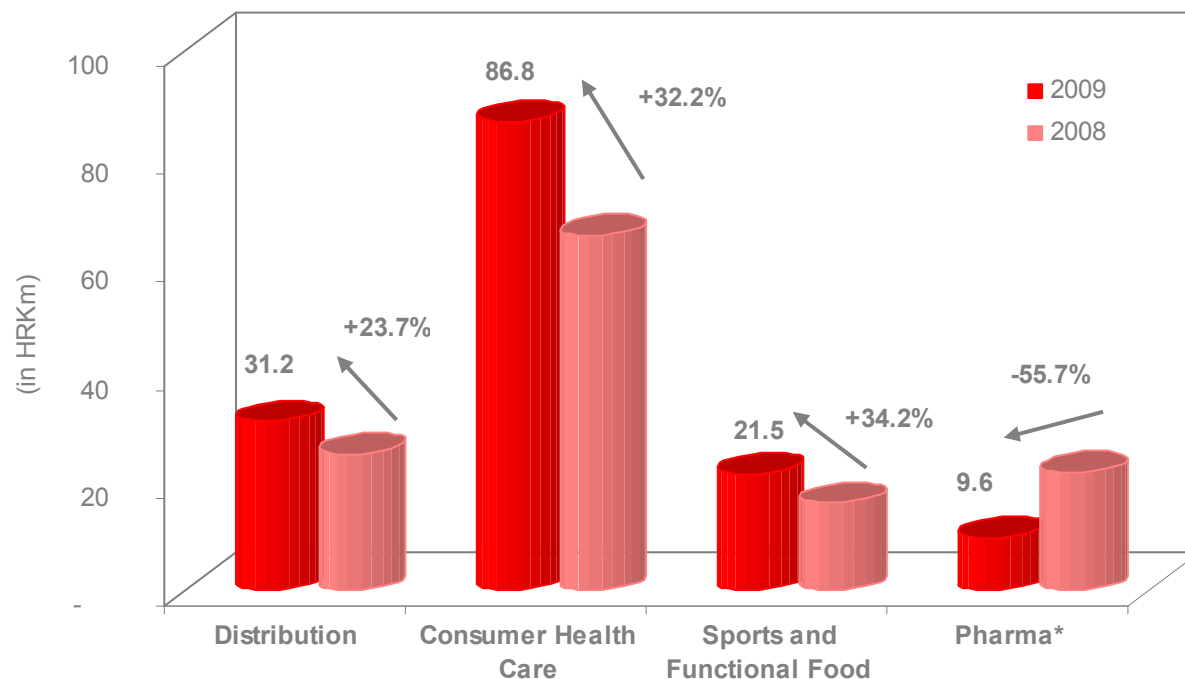
+4.4% due to:

- (i) 12.5% higher sales in Fidifarm
- (ii) lower single-digit sales growth in the pharmacy chain Farmacia

## Profitability dynamics



## Division operating profitability



### Distribution

+ 23.7% following the continuation of optimization activities:

- (i) optimisation of distribution-logistics processes (central warehouse in Jankomir)
- (ii) sales force reorganization

### Consumer HealthCare

+ 32.2% due to:

- \* Operating processes improvements (e.g. cost savings in raw materials procurement processes)
- \* More efficient production of Neva's assortment on new location

### Sports and Functional Food

+34.2% the strongest improvement due to:

- (i) finalisation of restructuring in 2008
- (ii) sale reduction of private label categories
- (iii) optimised investments in marketing

### Pharma

-55.7% amid:

- (i) launch of drug wholesale business (infrastructure investments, restructuring of Dietpharm's sales organisation, inventories cut downs at outside drug wholesalers)
- (ii) investments in newly opened pharmacies/specialised stores

## Financial indicators

in HRKm	2009	2008**
Net debt	270.6	288.7
Total assets	1,775.3	1,726.6
Equity	757.8	740.3
Interest coverage ratio*	6.9	6.7
Current ratio	1.7	1.8
Gearing ratio	26.3%	28.1%
Net debt/EBITDA	1.4	1.7
Capex (net of receipts from sale)	47.9	55.9
Cash flow from operating activities	110.1	106.3

\*Ex. one-offs

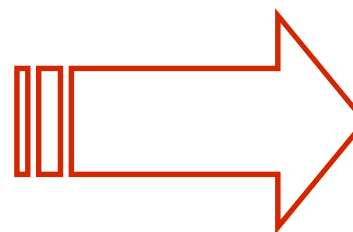
\*\* FY08 has been restated

### Key highlights

- Stable balance sheet
- Liquidity maintenance
- Prudent debt management
- Stability in the cash flow from operating activities
- Available HRK220m for capex financing or financing of acquisitions

### Key highlights in debt management:

- High interest coverage ratio
- Low gearing ratio
- Exploitation of available hedging instruments  
(the long-term financial debt cost fixed below 5%)
- Maintenance of favourable debt structure with the majority maturing in 2011



**In times of reduced liquidity in the system, the management pays considerable attention toward financial stability maintenance**

## FY10 Guidance

### Strategic focus during harsh macroeconomic times

- ✓ Each division's management should focus on innovations spurring organic growth with the contemporaneous identification of potential acquisition targets
- ✓ Continuous improvement of operating efficiency via conscious cost management
- ✓ Maintenance of financial stability ensuring business stability
- ✓ Liquidity maintenance
- ✓ Continuous business processes' optimisation in all operating divisions

### M&A strategy

- ✓ Screening potential acquisition targets in times of lowered acquisition premiums with an aim to ensure value-creative IRR
- ✓ In segments that strategically fit the company's development

## FY10 Guidance

In HRKm	2010 Plan	2009	2010/2009
Revenues	2,320	2,225.2	4.3%
Sales	2,300	2,199.4	4.6%
EBITDA	200	189.4	5.6%
EBIT	155	146.2	6.0%

### Guidance:

(i) on organic level

(ii) FY09 does not include one-offs (non-recurring gain on acquisition of minority interest in Cedevita, cost arising from Neva transfer)

(iii) FY10 guidance does not include net gain from the sale of Neva's former production location (HRK45m)

# Appendix

## Consolidated income statement for FY09 (unaudited)

In HRK000	2009	% of sales	2008	% of sales	Change 09/08
<b>Turnover</b>	<b>2,225,182</b>	<b>101.2%</b>	<b>2,020,194</b>	<b>100.9%</b>	<b>10.1%</b>
<b>Sales</b>	<b>2,199,413</b>	<b>100.0%</b>	<b>2,002,926</b>	<b>100.0%</b>	<b>9.8%</b>
Other income	25,769	1.2%	17,268	0.9%	49.2%
<b>Operating costs</b>	<b>2,028,153</b>	<b>92.2%</b>	<b>1,850,888</b>	<b>92.4%</b>	<b>9.6%</b>
Cost of merchandise sold	1,044,548	47.5%	929,646	46.4%	12.4%
Change in inventories	-15,233	-0.7%	2,433	0.1%	n/p
Production materials & energy	287,099	13.1%	261,921	13.1%	9.6%
Services	154,596	7.0%	127,651	6.4%	21.1%
Personnel costs	322,481	14.7%	310,245	15.5%	3.9%
Marketing expenses	142,624	6.5%	133,431	6.7%	6.9%
Other expenses	100,655	4.6%	85,275	4.3%	18.0%
Other (gains)/losses, net	-8,617	-0.4%	286	0.0%	n/p
<b>EBITDA</b>	<b>197,029</b>	<b>9.0%</b>	<b>169,306</b>	<b>8.5%</b>	<b>16.4%</b>
<b>EBIT</b>	<b>153,841</b>	<b>7.0%</b>	<b>129,400</b>	<b>6.5%</b>	<b>18.9%</b>
<b>EBT</b>	<b>127,087</b>	<b>5.8%</b>	<b>100,850</b>	<b>5.0%</b>	<b>26.0%</b>
Taxes	29,758	1.4%	22,489	1.1%	32.3%
<b>Net income</b>	<b>97,329</b>	<b>4.4%</b>	<b>78,361</b>	<b>3.9%</b>	<b>24.2%</b>
Minority interest	12,276	0.6%	9,732	0.5%	26.1%
<b>Net income II</b>	<b>85,053</b>	<b>3.9%</b>	<b>68,629</b>	<b>3.4%</b>	<b>23.9%</b>

### Strong growth rates:

- **Sales** +9.8%
- **EBITDA** + 16.4%
- **EBIT** + 18.9%
- **Net profit** +23.9%

## Normalized consolidated income statement for FY09 (unaudited)

In HRK000	2009	% of sales	2008	% of sales	Change 09/08
<b>Turnover</b>	<b>2,225,182</b>	<b>101.2%</b>	<b>2,020,194</b>	<b>100.9%</b>	<b>10.1%</b>
<b>Sales</b>	<b>2,199,413</b>	<b>100.0%</b>	<b>2,002,926</b>	<b>100.0%</b>	<b>9.8%</b>
Other income	25,769	1.2%	17,268	0.9%	49.2%
<b>Operating costs</b>	<b>2,035,788</b>	<b>92.6%</b>	<b>1,850,888</b>	<b>92.4%</b>	<b>10.0%</b>
Cost of merchandise sold	1,044,548	47.5%	929,646	46.4%	12.4%
Change in inventories	-15,233	-0.7%	2,433	0.1%	n/p
Production materials & energy	287,099	13.1%	261,921	13.1%	9.6%
Services	154,596	7.0%	127,651	6.4%	21.1%
Personnel costs	322,481	14.7%	310,245	15.5%	3.9%
Marketing expenses	142,624	6.5%	133,431	6.7%	6.9%
Other expenses	100,656	4.6%	85,275	4.3%	18.0%
Other (gains)/losses, net	-981	0.0%	286	0.0%	n/p
<b>EBITDA</b>	<b>189,393</b>	<b>8.6%</b>	<b>169,306</b>	<b>8.5%</b>	<b>11.9%</b>
<b>EBIT</b>	<b>146,206</b>	<b>6.6%</b>	<b>129,400</b>	<b>6.5%</b>	<b>13.0%</b>
<b>EBT</b>	<b>119,452</b>	<b>5.4%</b>	<b>100,850</b>	<b>5.0%</b>	<b>18.4%</b>
Taxes	29,758	1.4%	22,489	1.1%	32.3%
<b>Net income</b>	<b>89,694</b>	<b>4.1%</b>	<b>78,361</b>	<b>3.9%</b>	<b>14.5%</b>
Minority interest	12,276	0.6%	9,732	0.5%	26.1%
<b>Net income II</b>	<b>77,418</b>	<b>3.5%</b>	<b>68,629</b>	<b>3.4%</b>	<b>12.8%</b>

**Strong growth rates  
ex. one-offs:**

- **Sales**      **+9.8%**
- **EBITDA**    **+ 11.9%**
- **EBIT**        **+ 13.0%**
- **Net profit** **+12.8%**

## Overview of one-offs in FY09/FY10

### Acquisition of minority interest in Cedevita d.o.o.

- Financial effect in FY09
- Minority interest acquired from the German development bank DEG
- Non-recurring gain in the amount of HRK9.9m
- Atlantic Grupa's ownership share in Cedevita d.o.o. increased by 30% to 81%
- Purchase of minority interest came as a result of the call option exercise

### Neva

- Transferring Neva to new production location in Rakitje
  - \* Transfer cost in the amount of HRK2.2m
  - \* Financial effect in FY09
- The sale of Neva's former location in Tuskanova
  - \* Net gain in the amount of HRK45m
  - \* Financial effect in FY10

## Business segments

For the year ended 31 December 2009 (in thousands of HRK)	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Reconciliation	Group
Gross revenues	1,330,946	503,169	498,376	300,196	8,314	2,641,001
Inter-segment revenues	21,281	379,242	2,519	12,777	0	415,819
<b>Total revenues</b>	<b>1,309,665</b>	<b>123,927</b>	<b>495,857</b>	<b>287,419</b>	<b>8,314</b>	<b>2,225,182</b>
EBITDA	41,936	105,757	27,788	14,921	6,626	197,028
Depreciation and amortization	10,729	18,974	6,254	5,275	1,955	43,187
<b>EBIT</b>	<b>31,207</b>	<b>86,783</b>	<b>21,534</b>	<b>9,646</b>	<b>4,671</b>	<b>153,841</b>
For the year ended 31 December 2008 (in thousands of HRK)	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Reconciliation	Group
Gross revenues	1,164,339	453,756	485,006	287,641	3,792	2,394,534
Inter-segment revenues	11,395	356,623	2,413	3,909	0	374,340
<b>Total revenues</b>	<b>1,152,944</b>	<b>97,133</b>	<b>482,593</b>	<b>283,732</b>	<b>3,792</b>	<b>2,020,194</b>
EBITDA	32,884	87,372	21,949	26,385	716	169,306
Depreciation and amortization	7,651	21,727	5,904	4,624	0	39,906
<b>EBIT</b>	<b>25,233</b>	<b>65,645</b>	<b>16,045</b>	<b>21,761</b>	<b>716</b>	<b>129,400</b>
% change	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Reconciliation	Group
Gross revenues	14.3%	10.9%	2.8%	4.4%	119.3%	10.3%
Inter-segment revenues	86.8%	6.3%	4.4%	226.9%		11.1%
<b>Total revenues</b>	<b>13.6%</b>	<b>27.6%</b>	<b>2.7%</b>	<b>1.3%</b>	<b>119.3%</b>	<b>10.1%</b>
EBITDA	27.5%	21.0%	26.6%	-43.4%	825.4%	16.4%
Depreciation and amortization	40.2%	-12.7%	5.9%	14.1%		8.2%
<b>EBIT</b>	<b>23.7%</b>	<b>32.2%</b>	<b>34.2%</b>	<b>-55.7%</b>	<b>552.4%</b>	<b>18.9%</b>

## Consolidated statement of financial position on 31 December 2009 (unaudited)

in thousands of HRK, unaudited	31 December 2009	31 December 2008 (restated)
Property, plant and equipment	296,945	242,109
Intangible assets	449,414	483,653
Available-for-sale financial assets	35,041	35,041
Interest in joint venture	179	185
Trade and other receivables	10,718	5,097
Deferred tax assets	7,485	9,293
<b>Non-current assets</b>	<b>799,782</b>	<b>775,378</b>
Inventories	233,736	232,616
Trade and other receivables	512,768	506,277
Non-current assets held for sale	7,154	8,047
Prepaid income tax	4,128	1,599
Deposits given	143,129	2,514
Cash and cash equivalents	74,580	200,193
<b>Current assets</b>	<b>975,495</b>	<b>951,246</b>
<b>Total assets</b>	<b>1,775,277</b>	<b>1,726,624</b>
<b>Capital and reserves attributable to equity holders of the Company</b>	<b>725,187</b>	<b>661,776</b>
<b>Minority interest</b>	<b>32,620</b>	<b>78,537</b>
Borrowings	379,037	390,456
Deferred tax liabilities	45,989	51,391
Provisions	6,470	5,333
<b>Non-current liabilities</b>	<b>431,496</b>	<b>447,180</b>
Trade and other payables	448,110	408,612
Borrowings	109,314	100,929
Current income tax liabilities	10,626	8,958
Derivative financial instrument	1,846	-
Provisions	16,078	20,632
<b>Current liabilities</b>	<b>585,974</b>	<b>539,131</b>
<b>Total liabilities</b>	<b>1,017,470</b>	<b>986,311</b>
<b>Total equity and liabilities</b>	<b>1,775,277</b>	<b>1,726,624</b>

## Consolidated cash flow statement (unaudited)

in thousands of HRK, unaudited	Jan - Dec 2009	Jan - Dec 2008
<b>Net cash flow from operating activities</b>	<b>110,106</b>	<b>106,322</b>
<b>Net cash flow used in investing activities</b>	<b>-201,500</b>	<b>-284,609</b>
<b>Net cash flow used in financing activities</b>	<b>-34,219</b>	<b>-21,357</b>
<b>Net decrease in cash and cash equivalents</b>	<b>-125,613</b>	<b>-199,644</b>
Cash and cash equivalents at beginning of period	200,193	399,837
Cash and cash equivalents at end of period	74,580	200,193

\* Focus on maintenance of **stable cash flow from operating activities**

\* **Stated cash balance does not include deposit in the amount of HRK143.129 thousands as required by IFRS**

# Q & A

Thank you for the attention