

# Atlantic Grupa

*Company of Added Value*

SEE Regional Capital Markets Conference 2010



**ATLANTIC**  
G R U P A

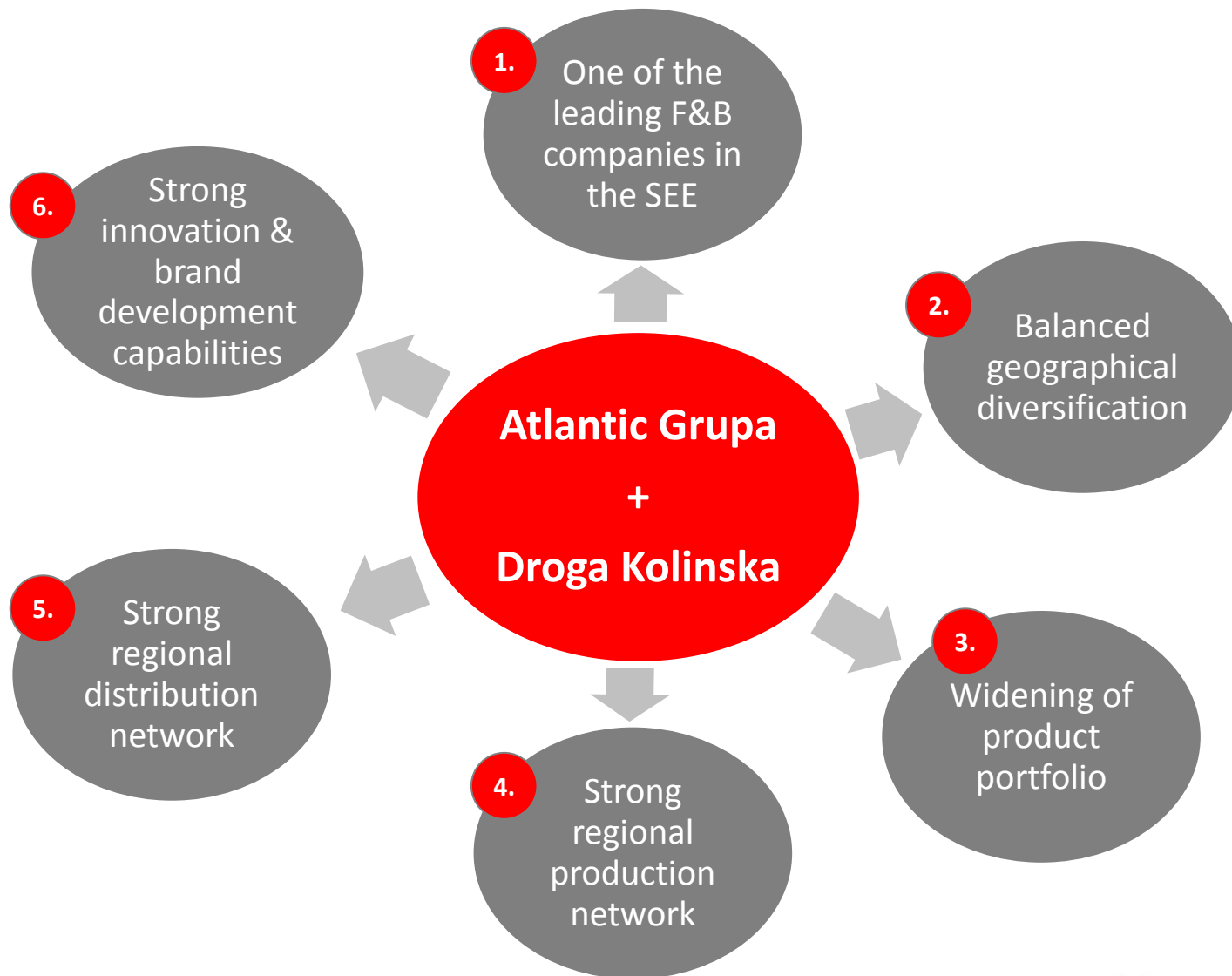
## CONTENT

- Acquisition of Droga Kolinska: Investment highlights
- Intermezzo: What preceded to the acquisition of Droga Kolinska?
- Strategic reasoning and medium-term synergies plan
- Acquisition info/Financing structure

## VERTICALLY INTEGRATED COMPANY IN *NUTRITION HEALTHCARE PERFORMANCE*

HIGHLIGHTS

INVESTMENT



## CONTENT

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- **Intermezzo: What preceded to the acquisition of Droga Kolinska?**
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## ATLANTIC GRUPA'S DEVELOPMENT CYCLE

### Development based on:

- Carefully thought diversification strategy
- Extensive M&A track record

1999	Cooperation Johnson & Johnson
1996	Cooperation Duracell
1994	Distribution centre Rijeka
1994	Distribution centre Osijek
1992	Distribution centre Split
1991	Cooperation Wrigley

### Croatian company

2004	Melem
2004	Atlantic Ljubljana
2003	Atlantic Skopje
2003	Neva
2001	Cedevita
2001	Atlantic Beograd
2001	Representative office Sarajevo

### Regional company

2010	Acquisition of Kalničke vode Bionatura
2010	<b>Acquisition of DROGA KOLINSKA</b>
2008/9	Acquisition of pharmacies – Farmacia
2007	IPO
2007	Višički komerc (Macedonia)
2007	Multivita (Serbia)
2007	Fidifarm (Croatia)
2006	Representative office Moscow
2005	Power Gym (affiliated company in UK)
2005	Haleko Italy (affiliated company in Italy)
2005	Haleko

### European company

## STRONG TRACK RECORD IN ACQUISITIONS

### Acquisition

... 2001



- Stagnating sales
- Declining market share
- Characterized as a product with no futures

... 2003



- Leading market position lead
- Outdated products
- Barely profitable business operations

... 2005



- Company on the verge of bankruptcy
- Shattered reputation

... 2007



- CedeVita's main competitor in the Serbian market

### Situation before takeover

### Situation after takeover

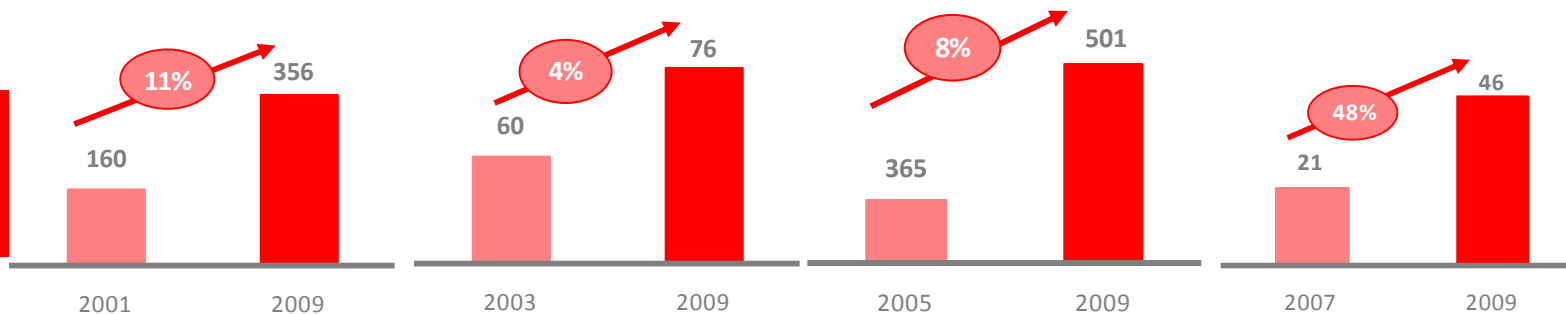
- Enlivened sales and brand through innovations and marketing campaigns

- Market leader
- Modern products and new plant
- Profitable business operations

- Implemented restructuring
- Profitable business operations
- International expansion

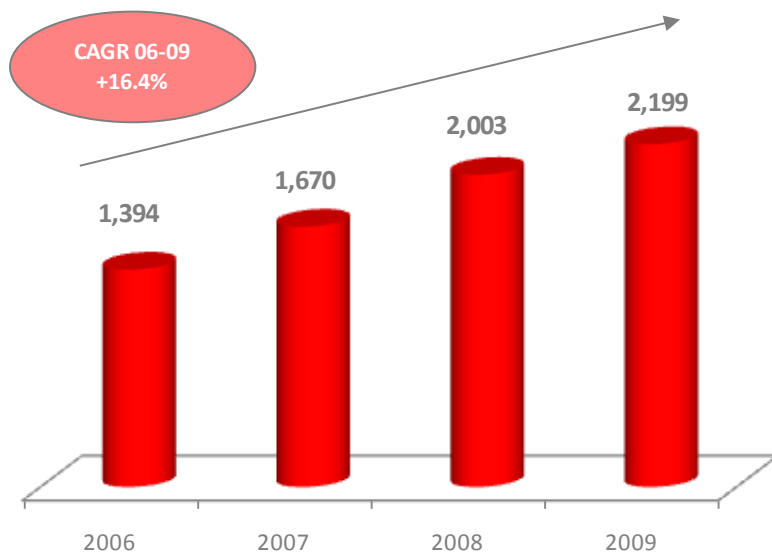
- Successful integration
- Strengthening of CedeVita's position in Serbia
- Opening of the Russian market

### Revenues at takeover and today

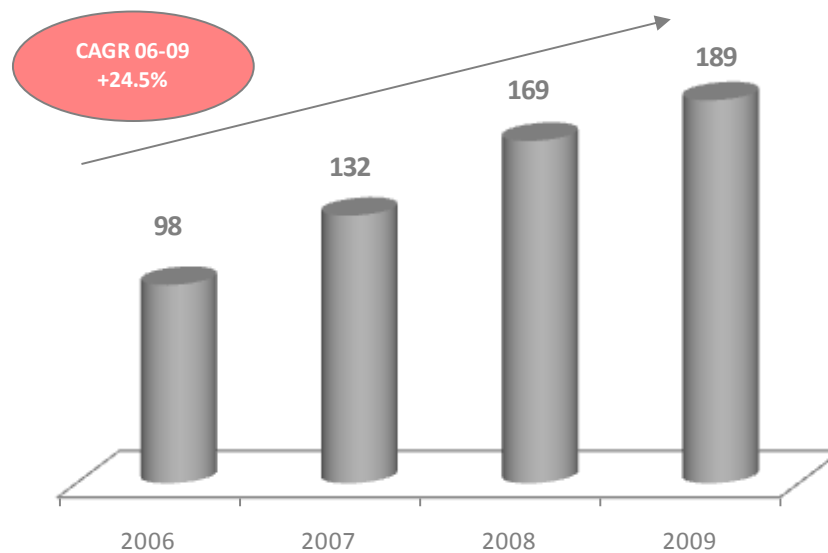


## ATLANTIC GRUPA'S BUSINESS MODEL DEVELOPMENT

Atlantic Grupa's sales HRKm



Atlantic Grupa's EBITDA normalized HRKm



### No. of employees

1,332	1,452	1,672	1,719
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### Sales per employee (HRK000)

1,047	1,150	1,198	1,279
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### EBITDA margin

7.0%	7.9%	8.5%	8.6%
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## FINANCIAL OVERVIEW: 2007-2009

In HRKm	FY09	FY08	FY07	CAGR 09/07
Revenues	2,225	2,020	1,699	14.4%
Sales	2,199	2,003	1,670	14.8%
Normalized EBITDA	189	169	132	19.6%
Normalized EBIT	146	129	95	24.0%
Normalized Net profit	90	78	54	28.3%
EBITDA margin	8.6%	8.5%	7.9%	
EBIT margin	6.6%	6.5%	5.7%	
Net debt	271	289	89	
Total assets	1,775	1,727	1,499	
Equity	758	740	674	
Interest coverage (normalized)	6.9	6.7	5.6	
Gearing ratio	26.3%	28.1%	11.6%	
Normalized ROE	12.0%	11.1%	11.4%	

- Growth in challenging macro milieu thanks to innovation
- Double-digit sales and EBIT growth
- Stable balance sheet
- ROE improvement

## OVERVIEW OF 9M10 FINANCIAL FIGURES

In HRKm	9M10	9M09	9M10/9M09
Revenues	1,702	1,654	2.9%
Sales	1,684	1,636	3.0%
Normalized EBITDA	163	151	7.6%
Normalized EBIT	126	121	4.1%
Normalized net profit	80	74	8.4%
Interest coverage (normalized)	8.6	7.1	

	9M10	YE09
Net debt	- 320	271
Equity	1,426	758
Current ratio	2.72	1.66
Gearing ratio	-28.9%	26.3%

➤ **Continued growth despite unfavourable macro trends**

➤ **Performance ex. one-offs:**

✓ Sales +3.0% yoy

✓ EBITDA +7.6% yoy

✓ EBIT +4.1% yoy

➤ One-offs refer to:

✓ (i) HRK9.9m in non-recurring gain on acquisition of minority interest in Cedevida

✓ (ii) HRK2.2m in one-off cost related to transfer of Neva's production to new production location

✓ (iii) HRK48.6m one-off gain in 2010 from the sale of Neva's former location in Tuskanova

✓ (iv) HRK21.6m hitherto realised one-time transaction costs related to Droga Kolinska's acquisition i

✓ (v) HRK9.1m in positive financial impacts in 2010 (related to income on deposits from capital increase funds and positive FX differences)

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1. MERGER OF AG & DK WILL CREATE ... the **2ND STRONGEST F&B COMPANY IN THE REGION**

**Atlantic Grupa**

FY09 sales **EUR301m**

Kalničke vode Bionatura

(water producer)

FY09 sales **EUR6m**



**Droga Kolinska**

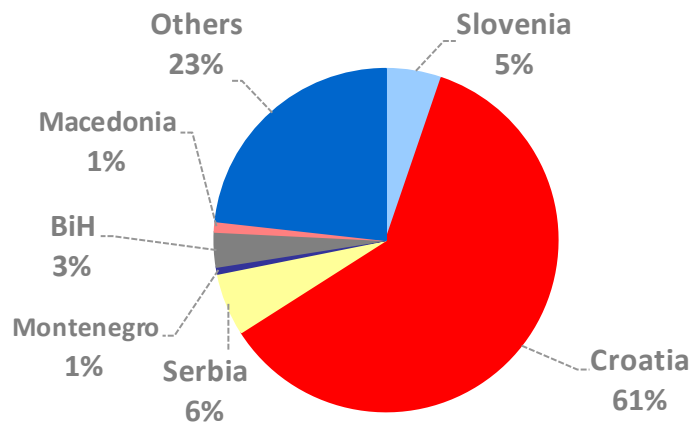
(Food & beverage)

FY09 sales **EUR326m**

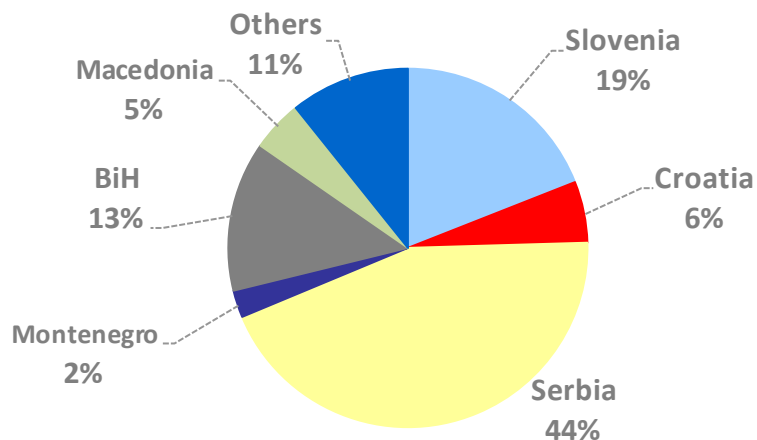
Consolidated FY09  
pro-forma sales  
**EUR632m**

## 2. MERGER OF AG & DK WILL CREATE ... the COMPANY WITH BALANCED GEOGRAPHICAL DIVERSIFICATION

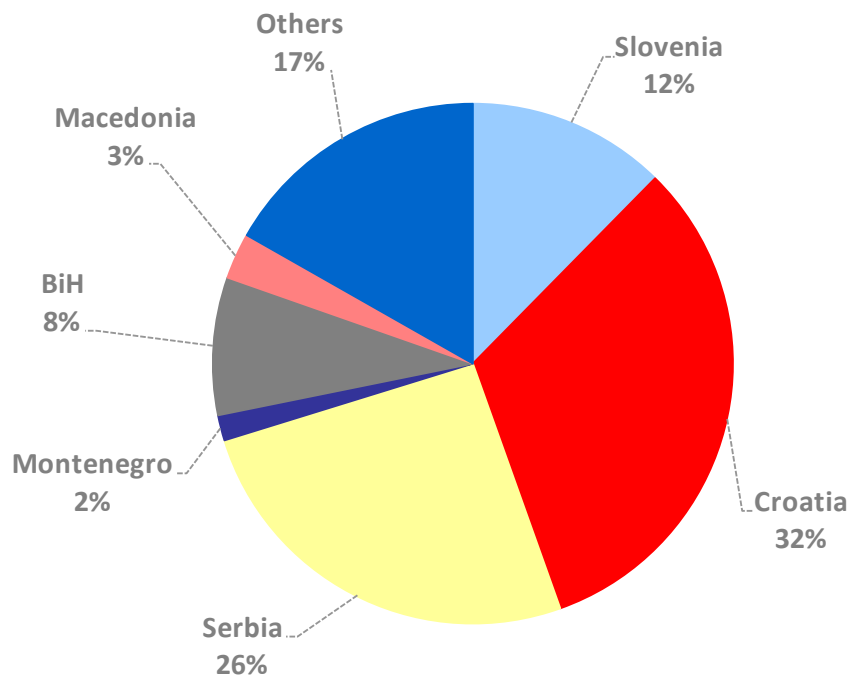
Atlantic Grupa



Droga Kolinska



Atlantic Grupa (incl. KVBN) + Droga Kolinska



Pro-forma 2009 sales of EUR 632m

### 3. MERGER OF AG & DK WILL CREATE ... the **COMPANY** with **WIDE PRODUCT/DISTRIBUTION PORTFOLIO**

#### COFFEE

- Turkish c.
- Espresso c.
- Instant c.



#### SAVOURY SPREADS

- Meat s.
- Fish s.



#### CONFECTIONERY & SNACKS

- Snacks
- Chocolate
- Biscuits & wafers



#### SPORTS & FUNCTIONAL FOOD

- Sports food
- Food supplements

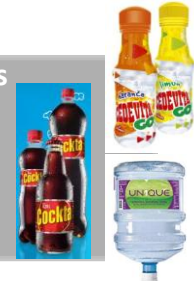


#### DISTRIBUTION

- Own brands
- International brands (Wrigley, Ferrero, Duracell, Johnson&Johnson, etc.)

#### BEVERAGES

- Carbonated soft drinks
- Vitamin instant drink
- Teas & functional teas
- Functional water
- Bottled water



#### PERSONAL CARE PRODUCTS

- Toothpaste
- Body creams/universal creams
- Lip balms



#### PHARMA

- Pharmacy chain
- Vitamins, minerals & food supplements

**farmacia+**

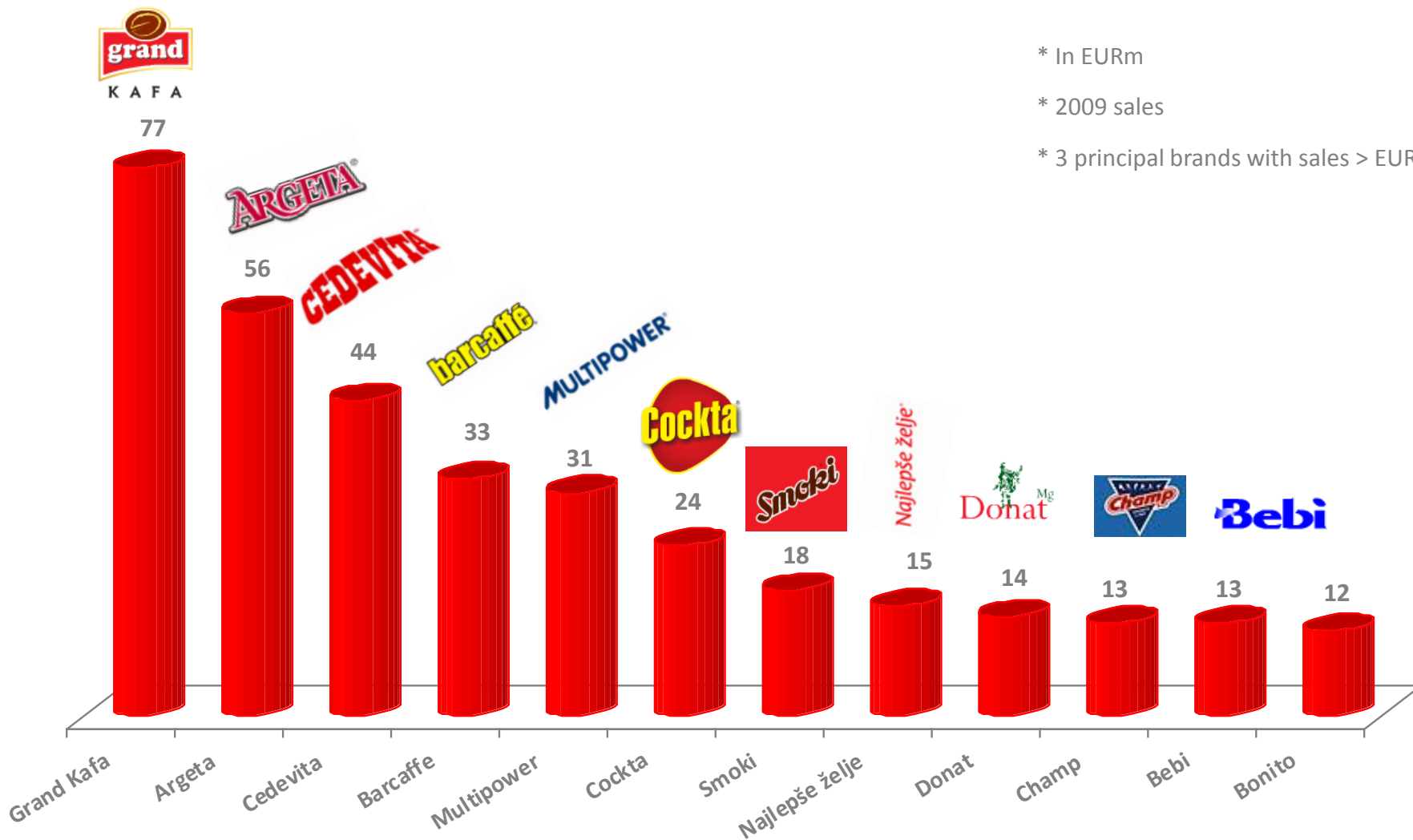


#### BABY FOOD

- Cereals
- Jars, tea
- Milk formula & juices



3. MERGER OF AG & DK WILL CREATE ... the **COMPANY with 12 OWN BRANDS with SALES > EUR10m**



\* In EURm

\* 2009 sales

\* 3 principal brands with sales > EUR10m

### 3. OVERVIEW of MARKET POSITIONS: among TOP 3 BRANDS in CATEGORY on the MARKET

Slovenia



Serbia



Croatia



BiH



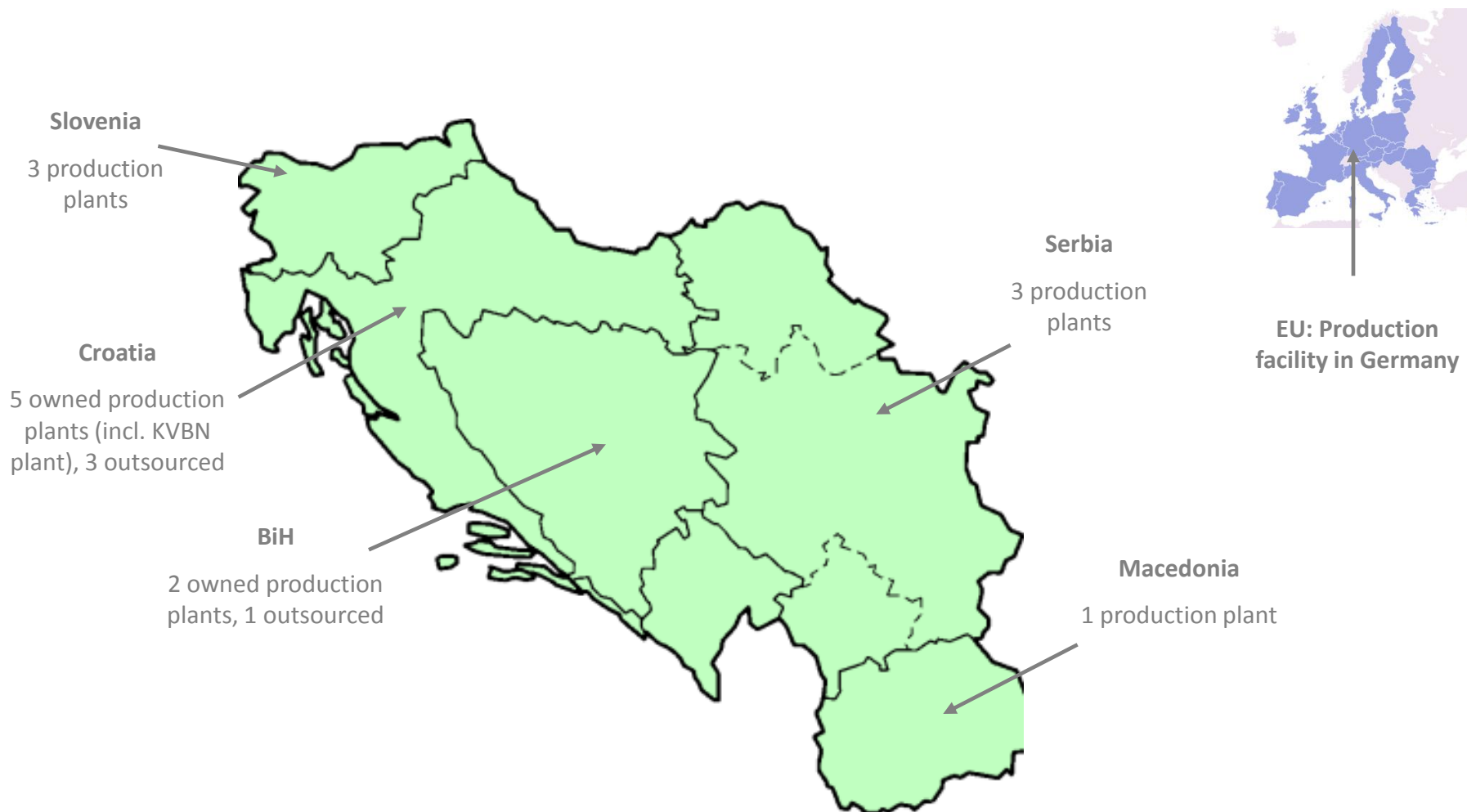
Germany/  
UK/Italy



Russia

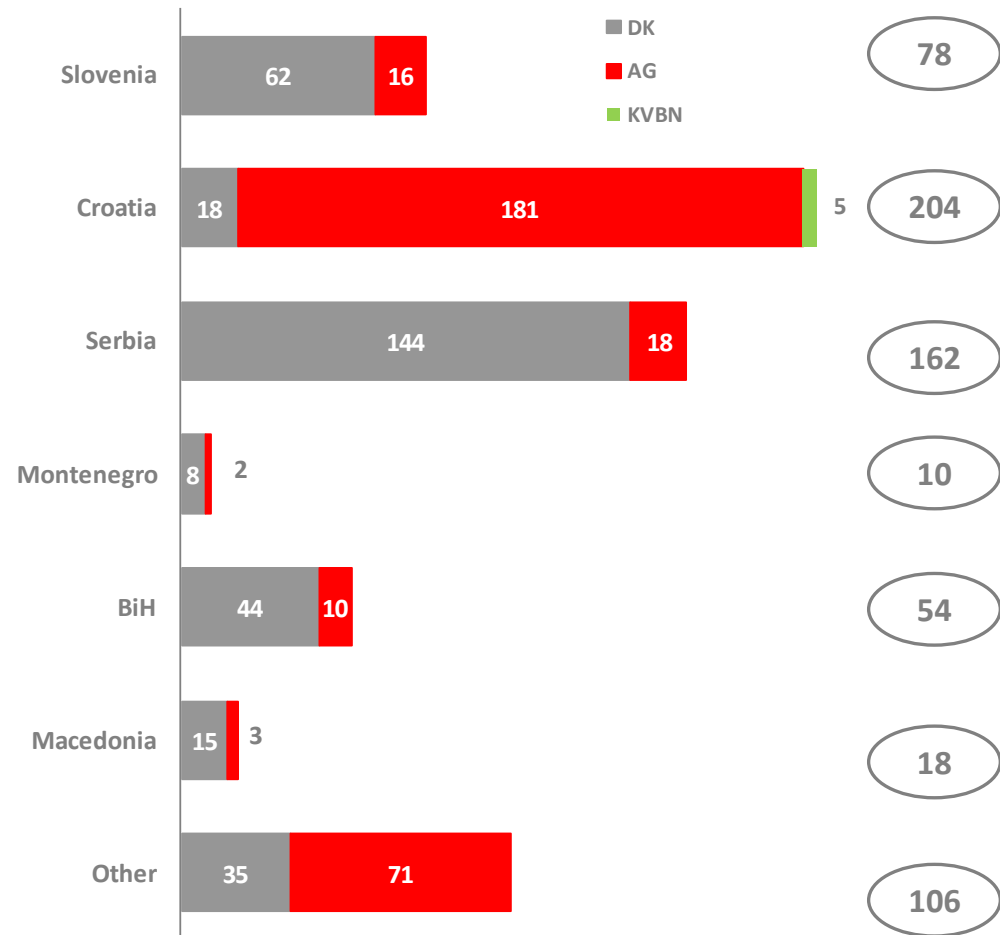


4. MERGER OF AG & DK WILL CREATE ... **STRONG REGIONAL PRODUCTION NETWORK**



## 5. MERGER OF AG & DK WILL CREATE ... **STRONG REGIONAL DISTRIBUTION NETWORK**

FY09 Sales AG+DK+KVBN EURm (AG financials at EUR/HRK of 7.3)



- ...
- ✓ The company with strong regional distribution network and thus strong negotiating power in retail
- ✓ The company with the vertically integrated organization combining R&D/production/marketing-distribution-retail (pharmacies in AG and small retail formats in DK)

## 6. MERGER OF AG & DK WILL CREATE ... the **COMPANY WITH STRONG INNOVATION AND BRAND DEVELOPMENT CAPABILITIES**

- Strong competitive position built through innovation and understanding of consumer needs and consumption trends
- Successful examples of developed products and distribution channels:



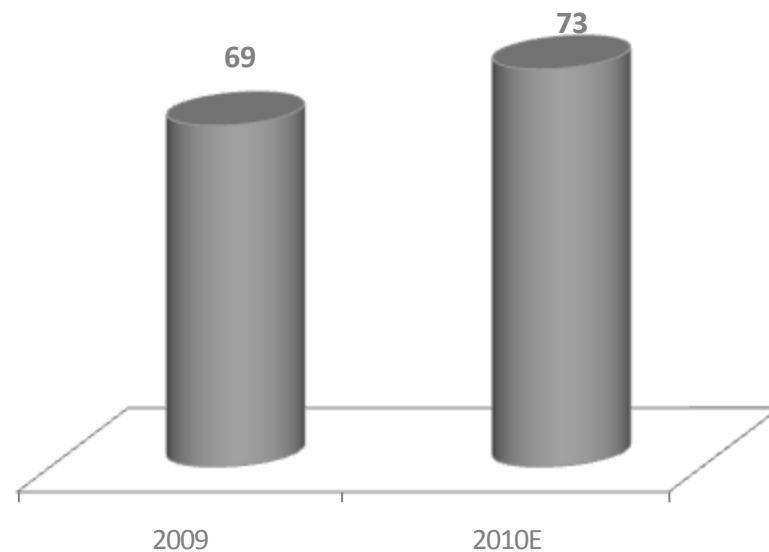
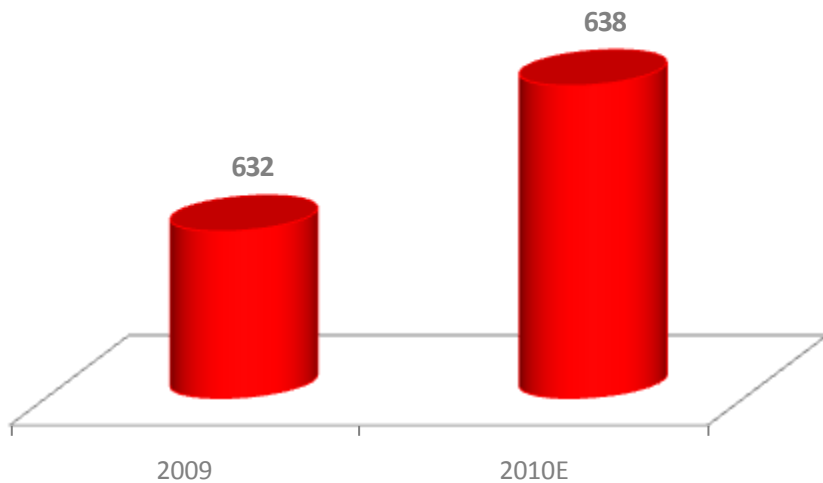
**farmacia+**



## MERGER OF AG & DK - PRO-FORMA FINANCIALS

Consolidated sales AG+DK+KVBN, EURm, 2010 Full year

Normalized cons. EBITDA AG+DK+KVBN, EURm 2010 Full year



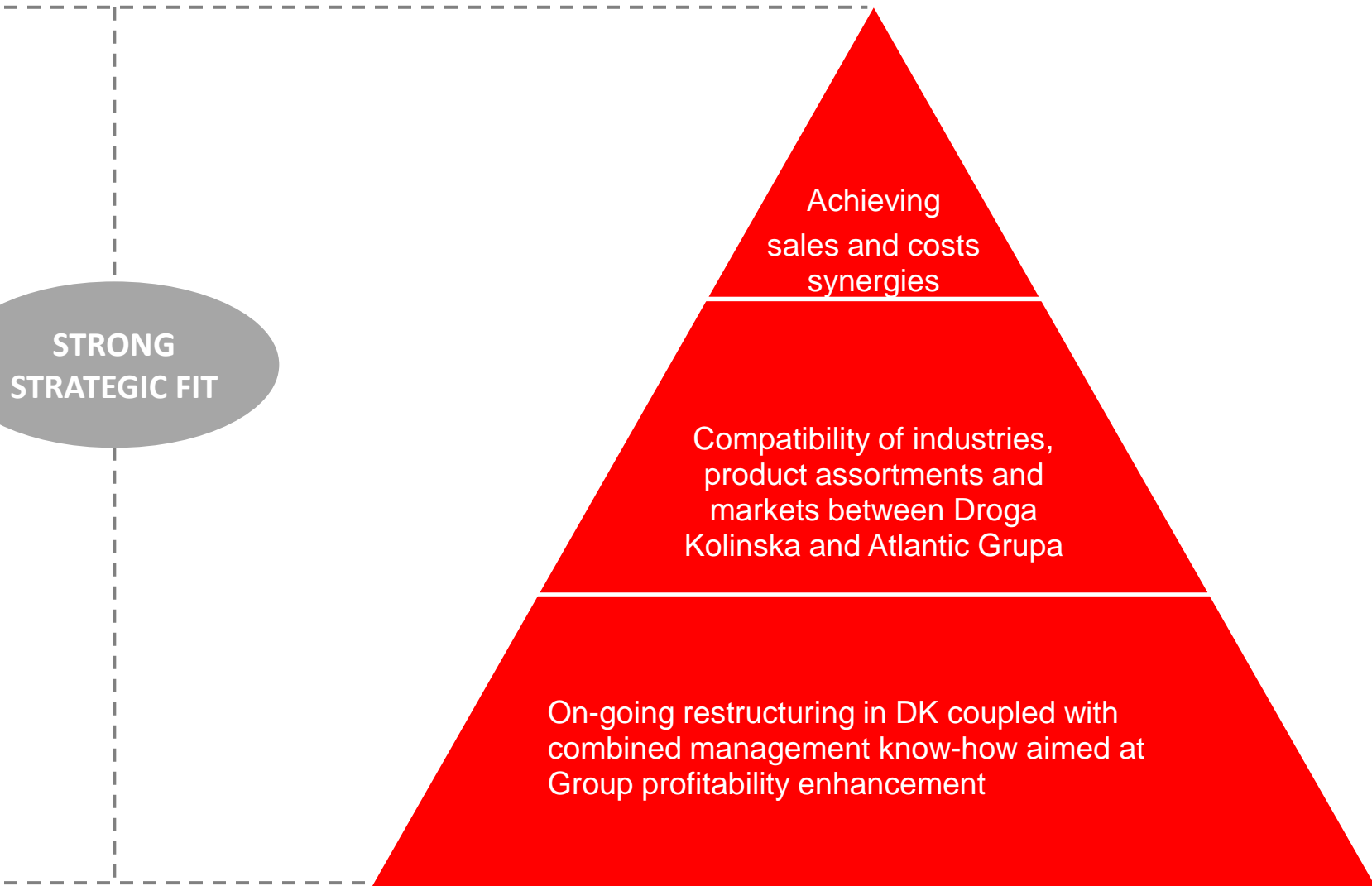
\* YE10 consolidated net debt in the range of **EUR360-365m**

\* AG financials translated at EUR/HRK of 7.3

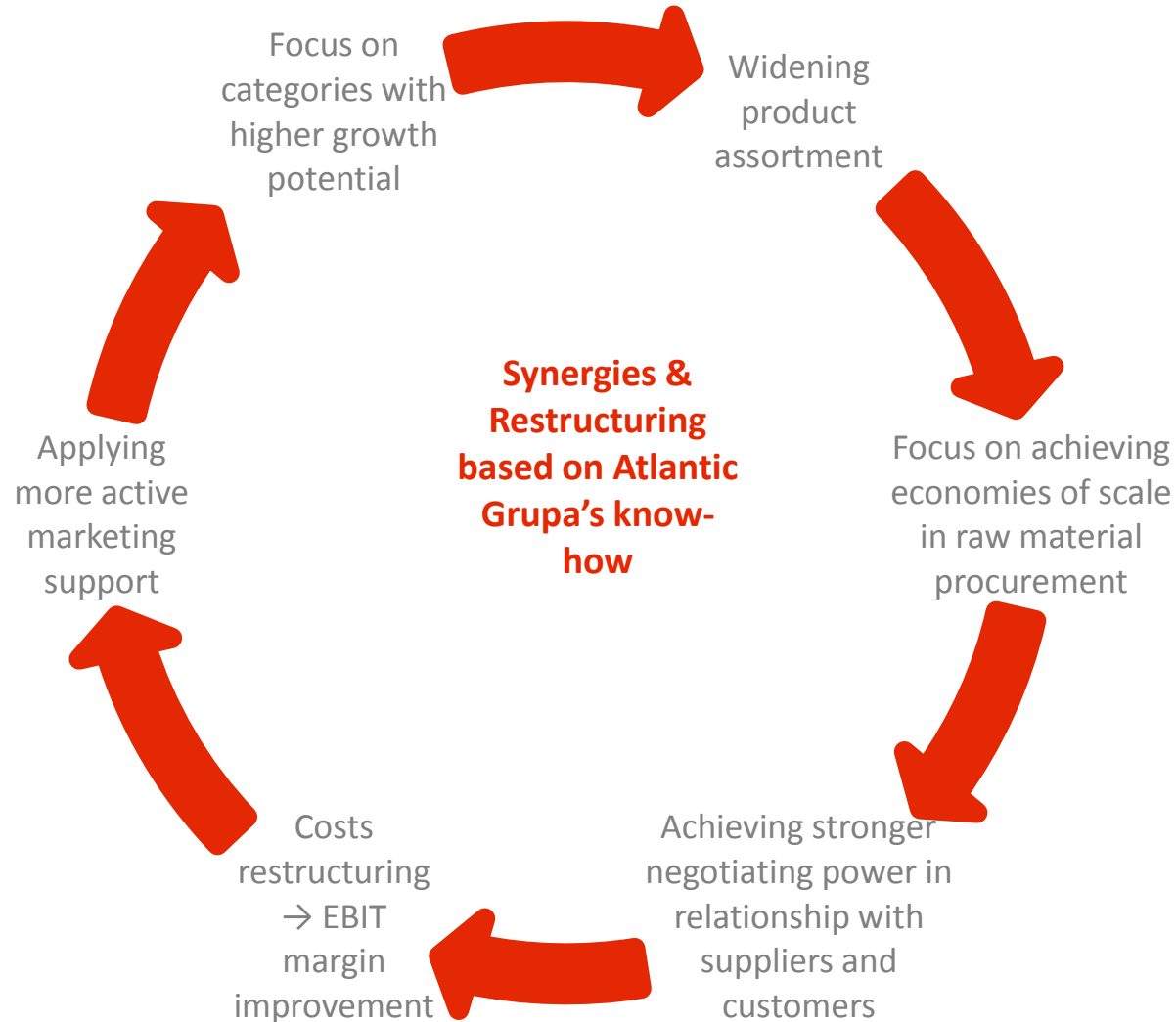
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## SUMMARY OF STRATEGIC REASONING FOR ACQUISITION OF DROGA KOLINSKA



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## SALES SYNERGIES in DROGA KOLINSKA

### Synergies reasoning in categories

#### Coffee

- Exploiting AG's distribution strength in Croatia and BiH in both the retail and the HoReCa channels

#### Confectionary

- Merging distribution infrastructure of Droga Kolinska and Atlantic Grupa in Croatia
- Introducing assortment as 'impulse category' in Slovenia

#### Snacks

- Significantly better market positioning on the Croatian and BiH markets on the back of Atlantic Grupa's distribution know-how

#### Spreads

- Stronger focus on this category with high growth potential supported by more intensive marketing investments + entering new markets

#### Soft drinks/Donat

- Combined operations and presence spurring growth in beverages (using Cedevida GO! fridges for Cockta/Donat Mg and exploiting AG's strong presence in the HoReCa channel with Cedevida) + entering new markets

### Synergies reasoning on a country level

#### Slovenia

- Increasing the low weighted distribution reach of the confectionery category
- Introducing confectionery as the impulse category

#### Croatia

- Raising the low weighted distribution reach in all categories across all distribution channels

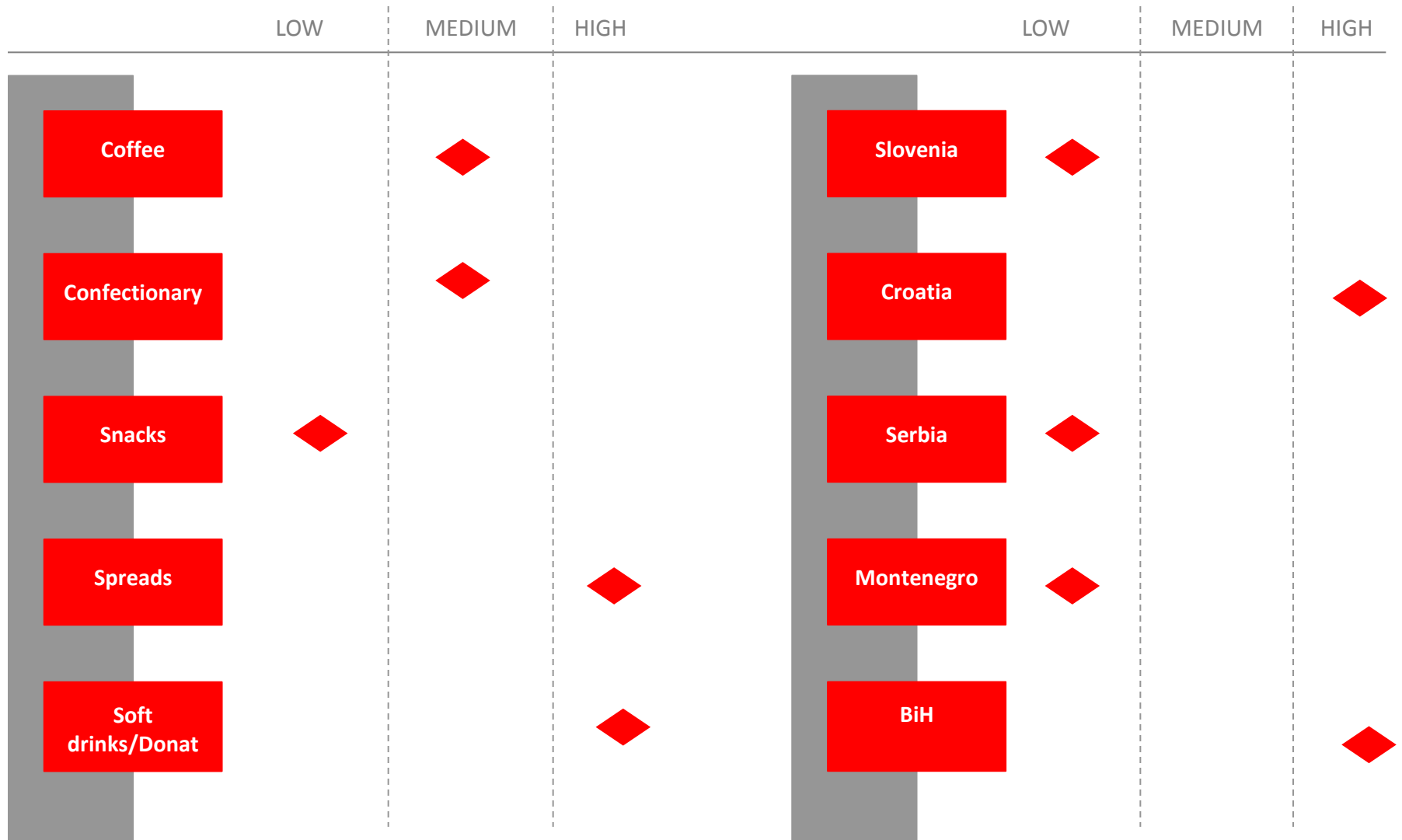
#### Serbia

- Achieving better market coverage via stronger product assortment in soft drinks (Cedevida + Cockta)

#### BiH

- Merging DK and AG distribution networks will enhance low weighted distribution reach in many categories

## INTENSITY of SYNERGIES EFFECTS



## OPERATING COSTS SYNERGIES

### Distribution/ Transportation

- Merging Droga Kolinska and Atlantic Grupa's distribution networks on ex. Yugoslav markets will enable elimination of overlapping distribution networks and thus raise utilisation capacity rates in vehicle fleets, optimise distribution routes and sales force. All this coupled with economies of scale and thus lower marginal costs in distribution will eventually lead toward lower overall distribution and transportation (gas/leasing) costs.

### Logistics

- Merger and optimisation of the logistics processes in Droga Kolinska and Atlantic Grupa will lead towards lower operating costs in the logistics area.

### Procurement

- Joining Droga Kolinska and Atlantic Grupa's procurement operations and suppliers base will result in higher negotiating power and better control in the procurement process of raw materials (sugar for Cedevida and many categories in Droga Kolinska) and packaging materials (same packaging materials for Cedevida GO!, Cockta, Donat Mg as well as for coffee and Cedevida VIN/HoReCa). All this in tandem with the simultaneous achievement of economies of scale in the procurement process will lead toward lower production material costs.

### Marketing

- Focus on the more efficient management of marketing activities (both above and below the line) in product categories with higher growth potential through joined marketing investments will eventually result in more efficient marketing spending.

## SUMMARY OF STRATEGIC REASONING FOR ACQUISITION OF KALNIČKE VODE BIO NATURA

### Cedevita GO!

- Further expansion and development of Cedevita GO! requires in-house bottling with spring water
- Considering that bottling was outsourced until the acquisition – this will lower service costs for Atlantic Grupa

### Spring water

- With extensive spring and carbonated water brands portfolio comprising brands of Kalničke vode Bio Natura and Droga Kolinska, Atlantic Grupa will become regional water producer
- Synergies potential through joint presence of Atlantic Grupa, Droga Kolinska and Kalničke vode Bio Natura's product assortments: filling coolers with Cedevita GO!, Cockta, Donat Mg and Kalničke vode Bio Natura's water assortment as well as by exploiting Atlantic Grupa's strong presence in the HoReCa channel for Kalničke vode Bio Natura and Droga Kolinska's brands

### Bulk/HOD water

- Market leader with further growth potential
- New distribution channel for AG products (direct distribution to final consumers)

### Equipment

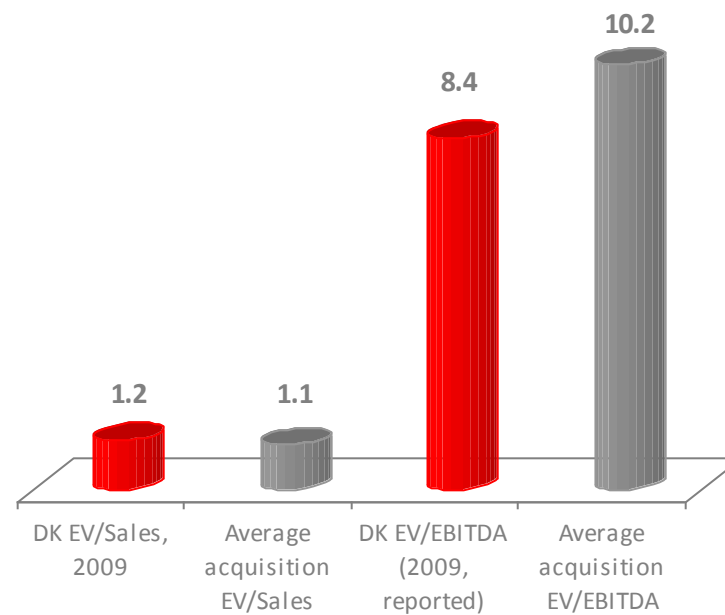
- Kalničke vode Bio Natura's modern and highly underutilized production plant and equipment provides significant opportunities for further production capacity increases without substantial capex requirements

## CONTENT

- General overview of Atlantic Grupa
- Acquisition of Droga Kolinska
- Consolidated Group
- **Acquisition info/Financing structure**

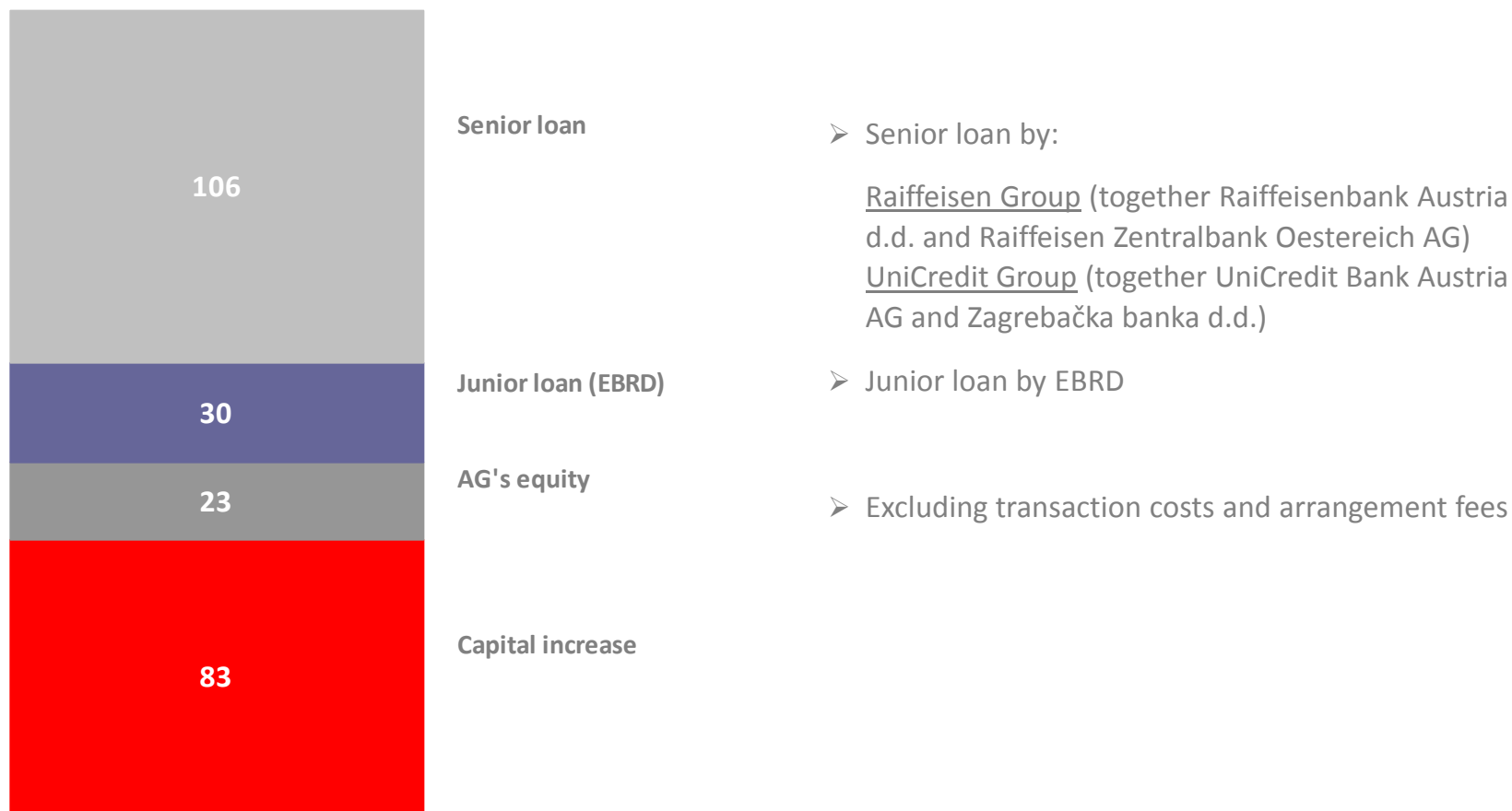
## ACQUISITION INFO - VALUATION

Droga Kolinska	
Ownership acquired	100%
<b>Enterprise value (EURm)</b>	<b>382</b>
Net debt in DK as of 31/05 (EURm)	146
Estimated net debt at closing date (EURm)	140
<b>Estimated purchase price at closing (EURm)</b>	<b>242</b>
<b>Acquisition valuation</b>	
<b>EV/Sales (2009)</b>	<b>1.2</b>
<b>EV/EBITDA (2009, reported)</b>	<b>8.4</b>
P/S (2009)	0.7
P/EBITDA (2009, reported)	5.3



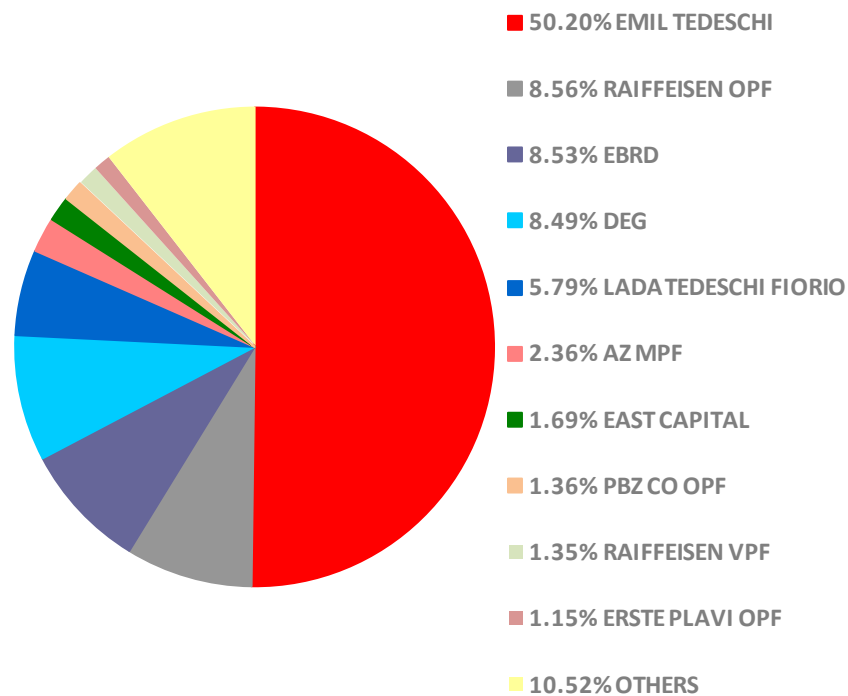
## FINANCING STRUCTURE

In EURm

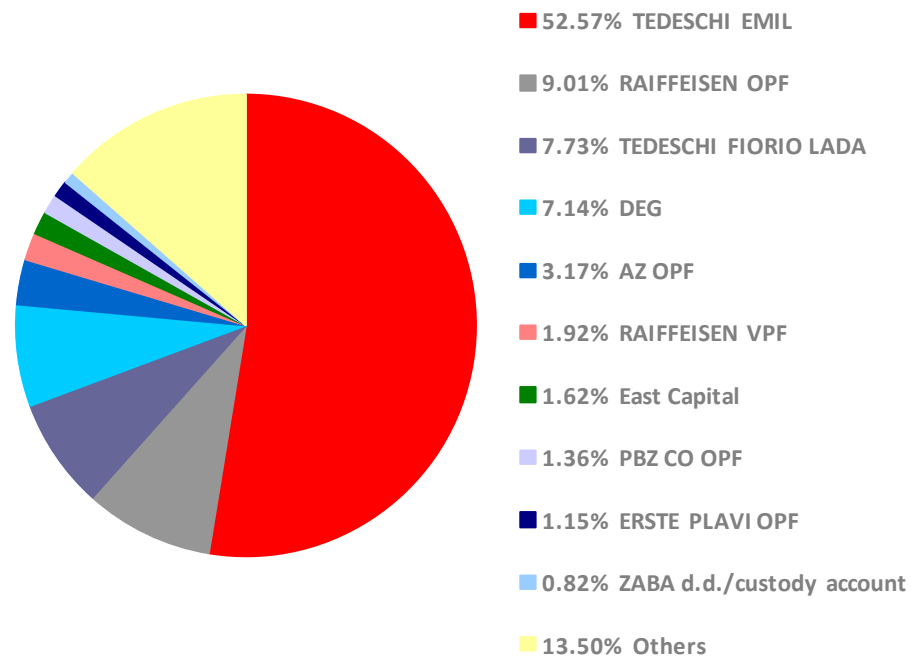


## CAPITAL INCREASE – NEW SHAREHOLDER STRUCTURE

After capital increase (03.11.2010)



Before capital increase (30.06.2010)

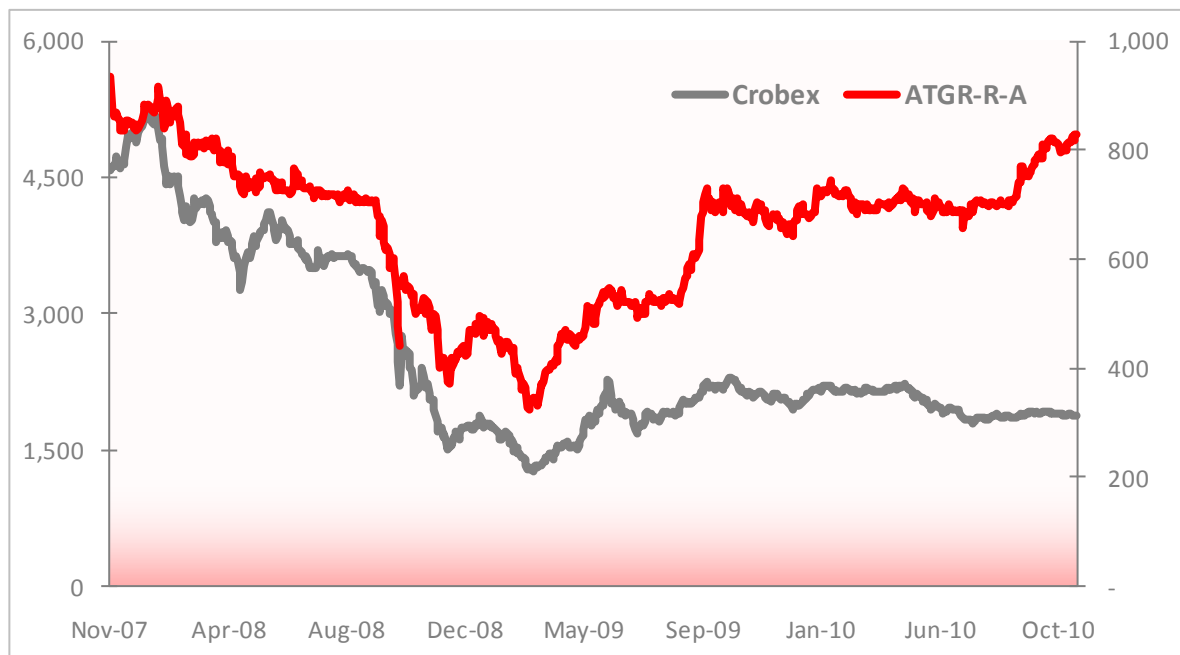


\* 864,305 newly issued shares offered at HRK 700 a share → HRK605m in raised capital

\* Subscription right: Top 15 Investors on June 30th, 2010 and Qualified investors: DEG and EBRD – additional investment by DEG, while EBRD entered AG's ownership structure

\* Total no. of shares after the capital increase: 3,334,300

## SHARE PRICE PERFORMANCE



Total no. of shares	3,334,300
Share price (04/11/10)	827
<b>MCap (HRK000)</b>	<b>2,757,466</b>
<b>MCap (EUR000)</b>	<b>377,735</b>

	2008	2009	2010 YTD
<b>ATGR-R-A</b>	<b>-47.4%</b>	<b>47.7%</b>	<b>21.4%</b>
<b>CROBEX</b>	<b>-67.1%</b>	<b>16.4%</b>	<b>-6.2%</b>



**ATGR-R-A strongly outperformed  
the market**

## CONTACTS

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