

ATLANTIC GRUPA

1H10 Financial results

Growth despite challenging macroeconomic trends

22 July 2010



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Key business developments in 1H10

- Growth delivered despite challenging macroeconomic environment
- Financial stability of the company
- Atlantic Grupa's largest acquisition ever – takeover of 100% ownership in Droga Kolinska
- Further focus on operating efficiency improvements

Overview of 1H10 results

- Sales advanced to HRK1,073.1m
+ 1.4% yoy based on reported figures
- EBITDA soared to HRK135.6m
+ 39.7% yoy based on reported figures
- EBITDA excluding the one-offs increased to HRK89.5m
+ 2.6% yoy based on reported figures
- Net profit after minorities advanced to HRK74.0m
+78.1% yoy based on reported figures
+18.6% yoy higher net profit (excluding the one-offs) of HRK37.6m

Overview of one-offs in 1H09/1H10

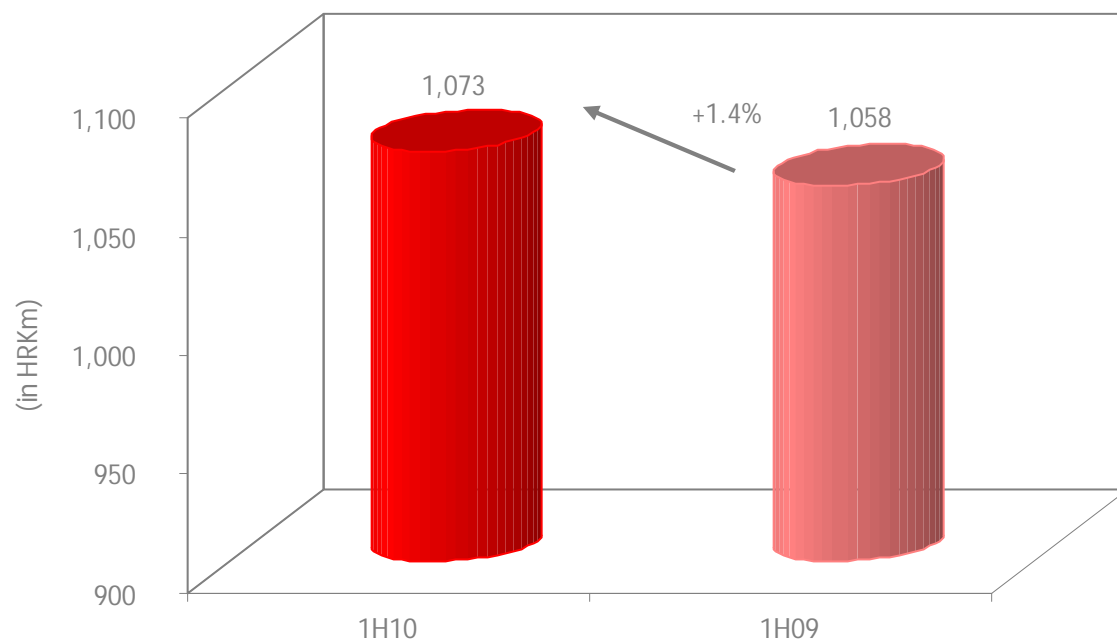
2009

- Acquisition of the minority interest in Cedevida
 - * Acquired from the German development bank DEG
 - * Non-recurring gain in the amount of HRK9.9m
 - * Atlantic Grupa's ownership share in Cedevida d.o.o. increased by 30% to 81%

2010

- Transferring Neva to new production location in Rakitje
 - * The sale of Neva's former location in Tuskanova
 - * One-off gain in the amount of HRK48.6m
- Acquisition of Droga Kolinska
 - * Hitherto realised transaction costs in the amount of HRK2.4m

1H10 Sales dynamics



* Growth of 1.4% yoy based on reported figures

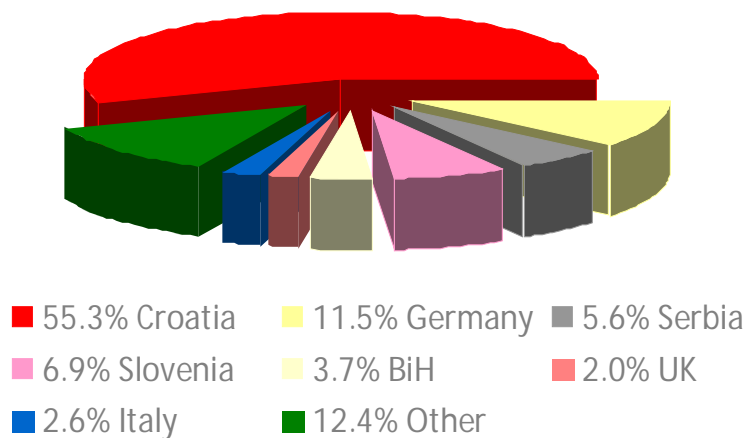
* Growth despite recessionary macroeconomic trends

➤ Key growth drivers:

- (i) new distribution deals
- (ii) growth on regional markets
- (iii) growth in Sports and Functional Food brands
- (iv) opening of new specialised stores and pharmacies
- (v) higher Dietpharm sales

Geographic sales profile

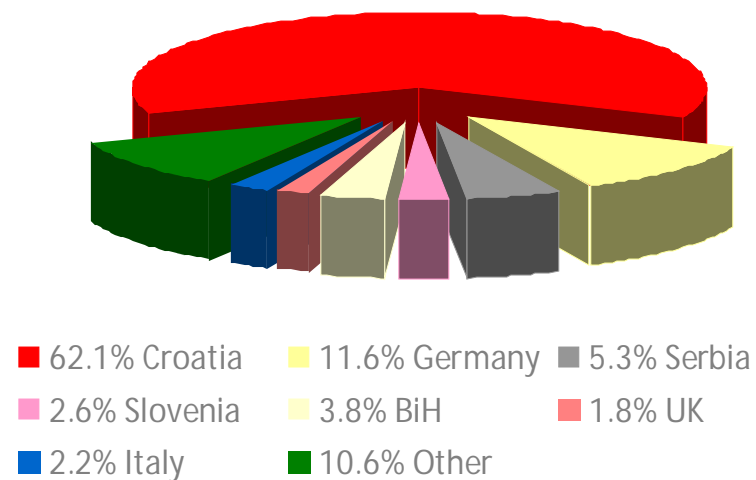
1H10



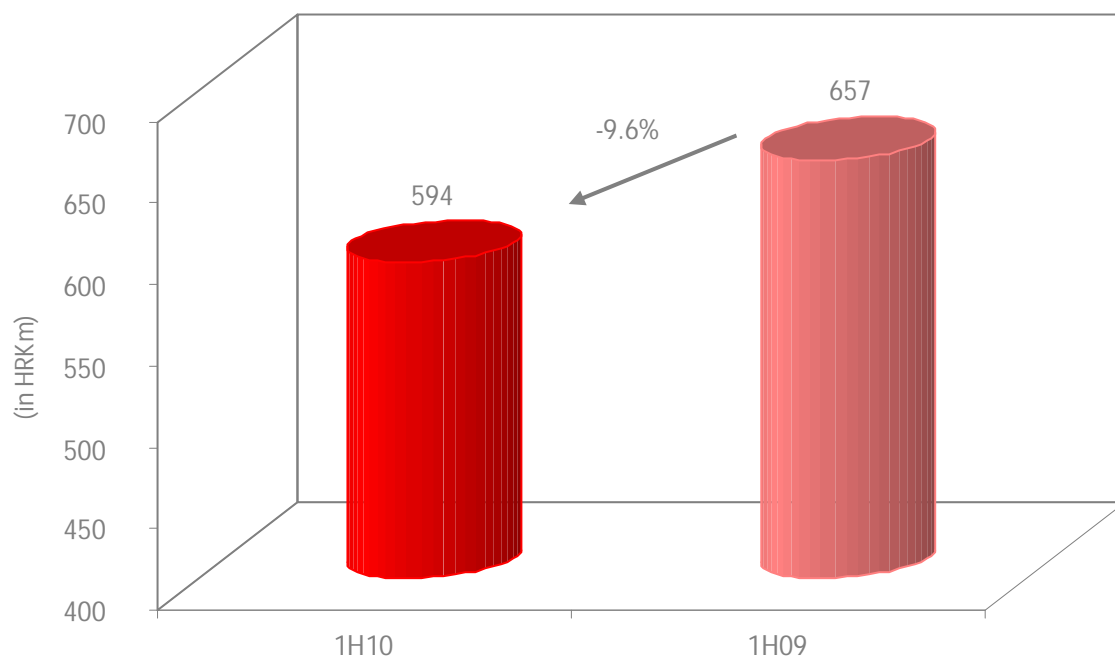
➤ Croatia is the dominant market with 55.3% share in Group's sales

➤ Slovenia's share in total sales advanced the most

1H09

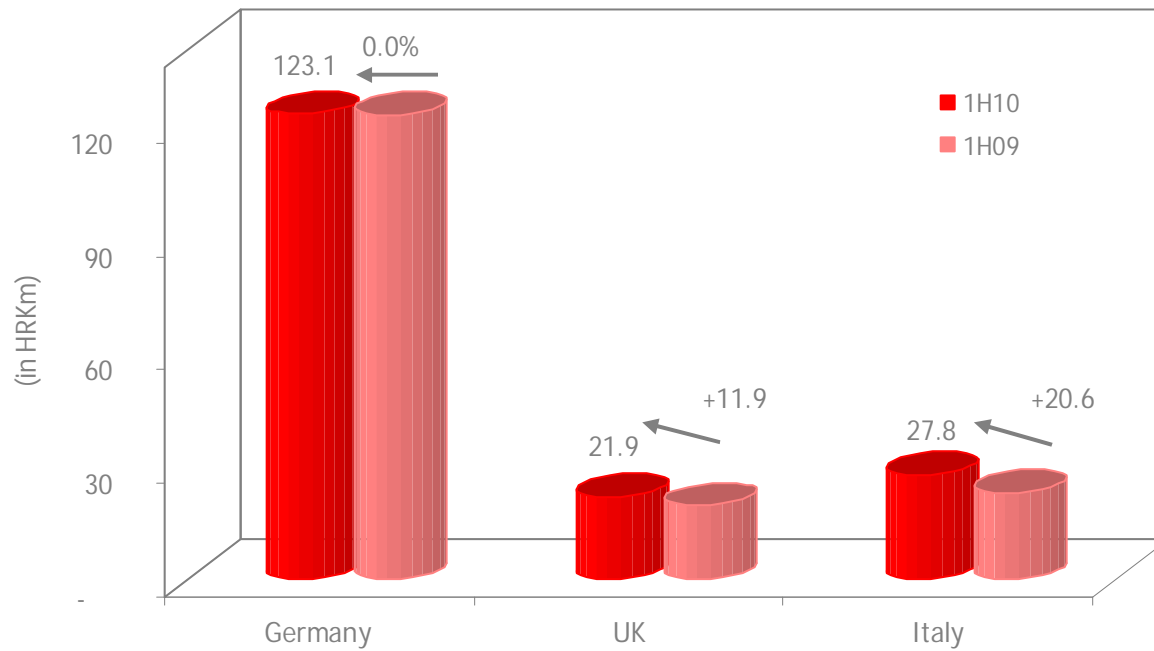


Sales on the key markets - Croatia



- * Drop by 9.6% yoy reflecting:
 - (i) Recessionary trends in the Croatian economy
 - (ii) 1Q10 GDP contraction by 2.5% yoy
 - (iii) 4.1% yoy lower personal consumption in 1Q10 and consumer pessimism
 - (iv) 5.6% yoy downturns in real 'core' retail trade in 5M10
 - (v) High unemployment rate of 17.2% in May
- Real fall in sales of 5.1% once stripped off:
 - (i) the 1H09 sales from the 2 spun-off pharmacies from the HI Coner
 - (ii) the 1H10 sales from the partially consolidated pharmacy chain Dvorzak
 - (iii) the 1H09 sales of Nestle Purina Pet Care (cooperation determination in 2009)

Sales on the key markets – Germany, UK and Italy



Germany

+1.6% in CER terms

In line with mild recovery in German economy in 1Q10

UK

+10.5% in CER terms

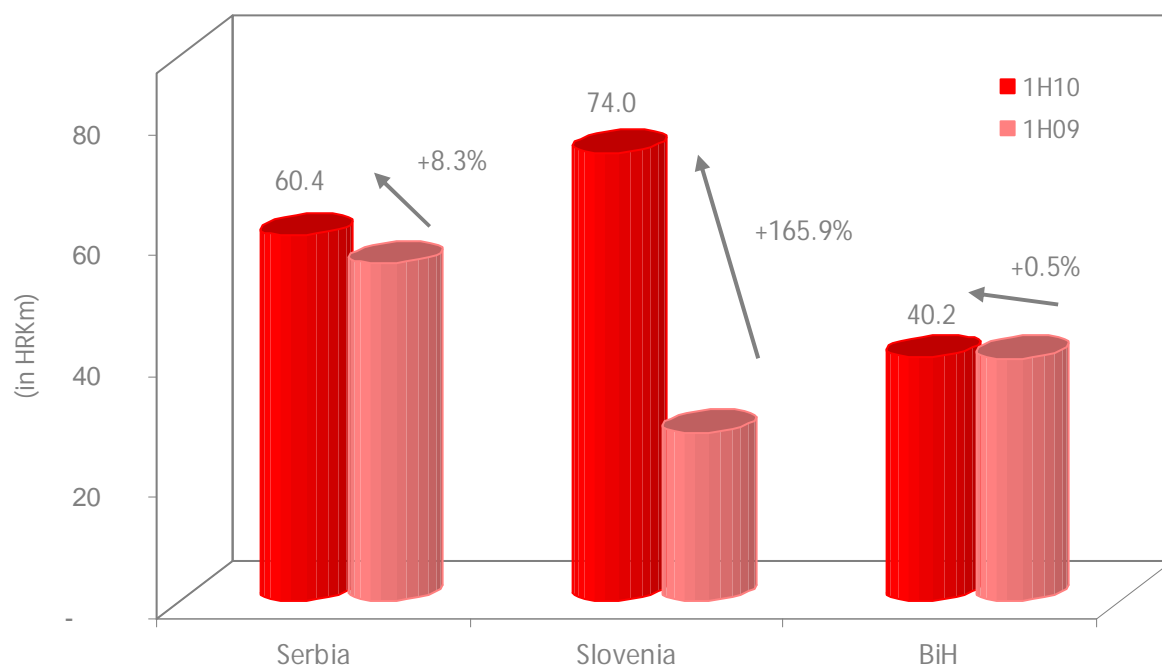
Growth despite GDP drop in 1Q10 yoy

Italy

+22.6% in CER terms

Stronger growth compared to the Italian recovery in 1Q10

Sales on the key markets – Serbia, Slovenia and BiH



Ex YU markets:

* Growth of Cedevida sales in all distribution channels

* Markets with the highest long-term growth potential

Serbia

+16.6% in CER terms

Growth drivers:

- (i) Growth of Cedevida sales in all distribution channels (the most dynamic growth in the HoReCa)
- (iii) New principals (Ferrero semi-freddo program)

Slovenia

+170.2% in CER terms

Growth drivers:

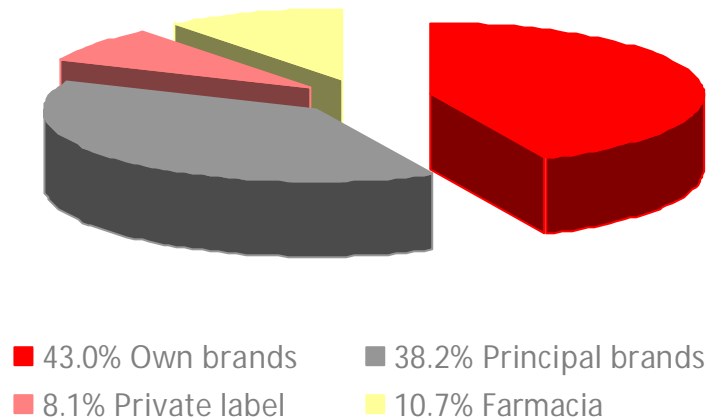
- (i) Commencement of Ferrero program distribution (August 2009)
- (ii) Growth of Cedevida sales in all distribution channels with double-digit growth in the HoReCa channel

Bosnia and Herzegovina

+2.1% in CER terms

Sales by product type

1H10



Private label

+26.2% spurred by private label in the Sports and Functional Food division

Farmacia

-3.1% due to:

- * Spinning off 2 pharmacies from the HI Coner in exchange for the minority share for other pharmacies
- * Stripping off the 1H09 sales of 2 spun-off pharmacies and the 1H10 sales of consolidated pharmacies from acquired Dvorzak pharmacy chain – Farmacia sales up 3.7%

Own brands

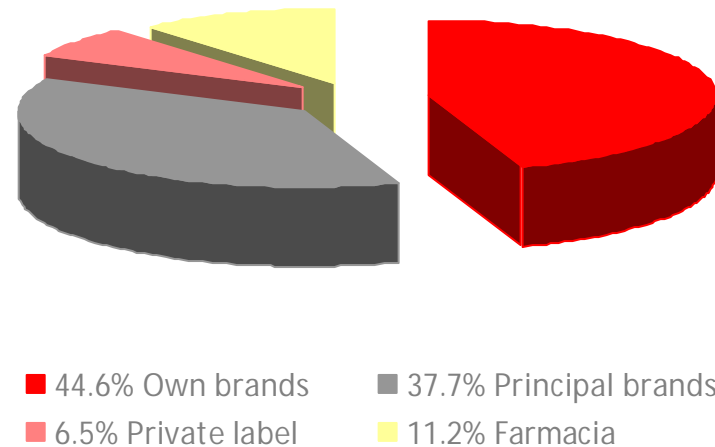
-2.2% amid:

- (i) Lower Cedevita and Multivita sales
- Nevertheless, these were partially annulled by:
- (ii) Growth in brands in the Sports and Functional food division (particularly Champ and Multaben)
- (iii) Growth in Dietpharm and Plidenta sales

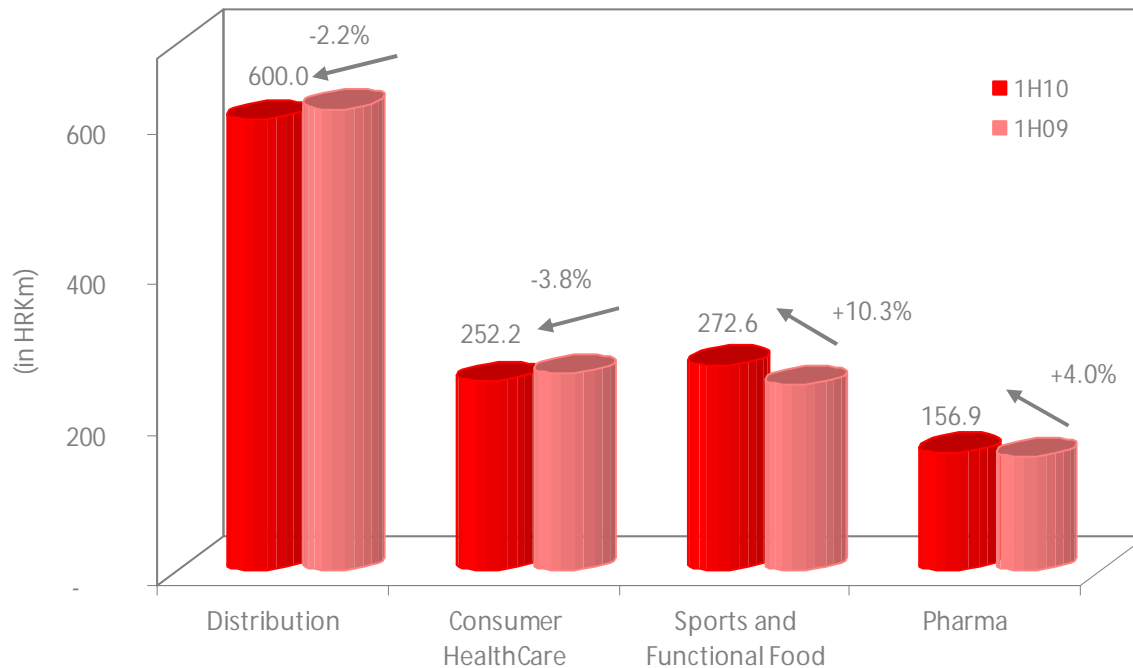
Principal brands

+ 2.6% due to new distribution groups (Ferrero assortment in Slovenia, One2play in the region, Rauch in Croatia)

1H09



Sales profile by division



Distribution

-2.2% amidst:
lower consumption on the Croatian market
The fall was to some extent annulled by
(i) Higher Slovenian and Serbian sales

Consumer HealthCare

-3.8% due to:
lower sales and consumption on the Croatian market (0.5% lower vitamin instant drinks consumption in 2009 comes in below overall soft drinks consumption fall of 5.6%)
The fall was to some extent annulled by
(i) higher Cedevida sales in the HoReCa
(ii) higher Plidenta sales
(iii) Higher Multivita sales in Russia

Sports and Functional Food

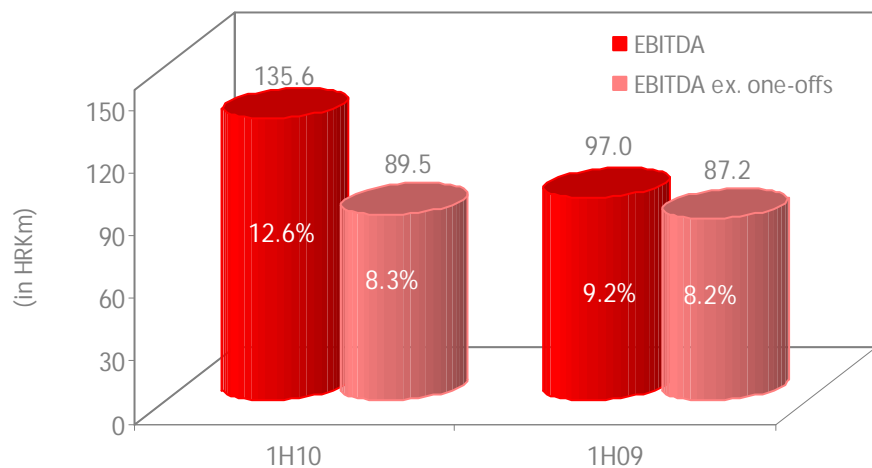
+10.3%
* The fastest growth in Russia, Switzerland and Italy
* Growth of all brands

Pharma

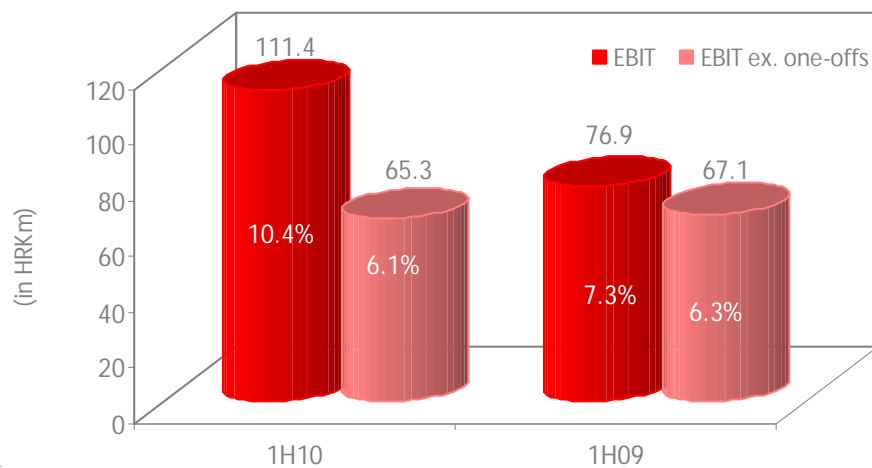
+4.0% due to:
(i) 29% higher Fidifarm sales
(ii) newly opened pharmacies/specialised stores in 2H09/1Q10

Profitability dynamics

EBITDA



EBIT



Cost optimization



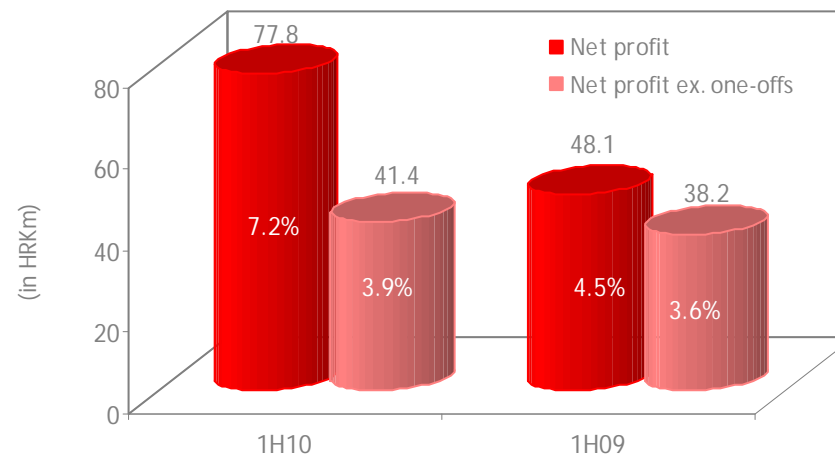
Increase in business processes' efficiency



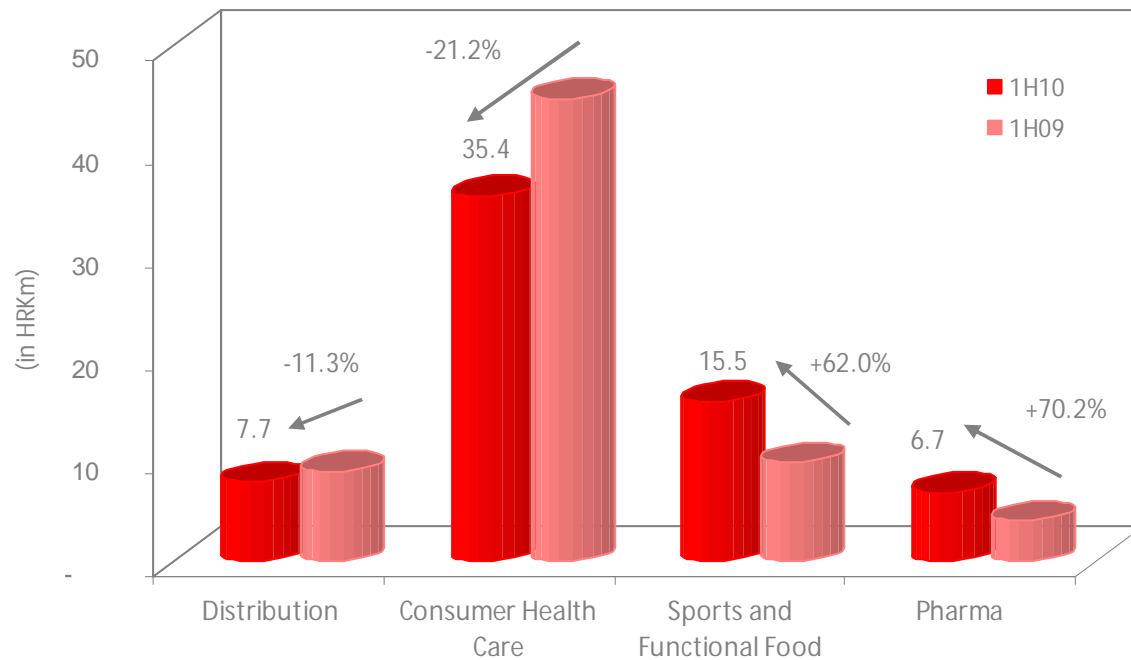
EBITDA +2.6%
Net profit +8.2%

EBIT -2.7% (depreciation advanced on last years' investments; purchase of minority interests)

NET PROFIT



Division operating profitability



Distribution

-11.3% amidst:

- (i) lower distribution top-line
- (ii) higher marketing costs for trade marketing activities (Ferrero in Slovenia)

Consumer HealthCare

-21.2% ex. one-offs due to:

- (i) lower sales
- (ii) more intensive marketing investments
- (iii) higher COGS

Sports and Functional Food

+62.0% due to:

- (i) positive impacts from the last years' restructuring
- (ii) higher top-line showing
- (iii) further cost optimisation

Pharma

+70.2% the most dynamic growth amidst:

- (i) higher sales
- (ii) lower base effect

Financial indicators

in HRKm	1H10	YE09
Net debt	296.1	270.6
Total assets	1,806.4	1,775.3
Equity	799.2	757.8
Current ratio	1.73	1.66
Gearing ratio	27.0%	26.3%
	1H10	1H09
Interest coverage ratio*	7.1	6.0
Capex net of receipts from sale	11.6	18.2
Cash flow from operating activities	12.2	27.5

*Ex. one-offs

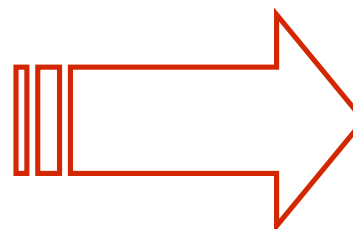
Key highlights:

- High interest coverage ratio
- Low gearing ratio
- Exploitation of available hedging instruments
(the long-term financial debt cost fixed below 5%)

Key highlights

- Stable balance sheet
- Liquidity maintenance

- At the end of 1H10, Atlantic Grupa had HRK179.2m in cash, of which the majority is channelled to the acquisition of Droga Kolinska.



Sound leverage indicators helped Atlantic Grupa in securing the financing for the acquisition of Droga Kolinska

FY10 Guidance

Strategic focus during
harsh
macroeconomic
times

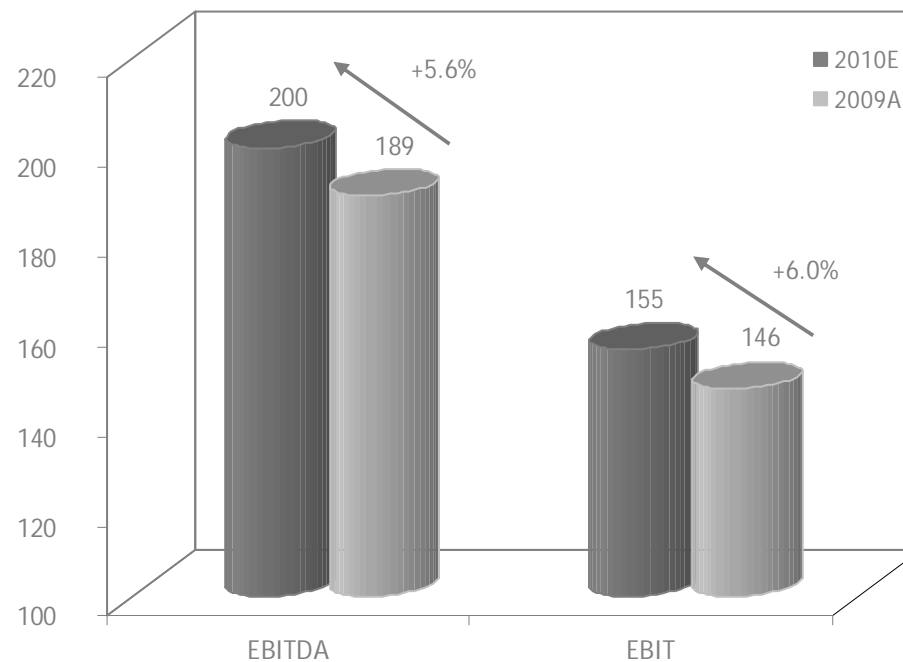
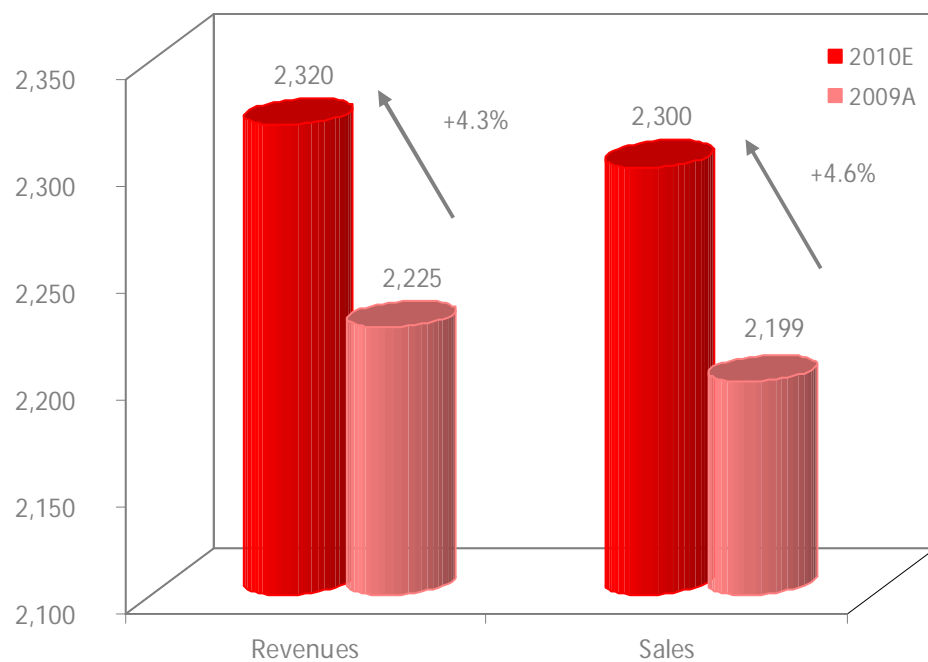
- ✓ Each division's management should focus on innovations spurring organic growth
- ✓ Continuous improvement of operating efficiency via conscious cost management
- ✓ Maintenance of financial stability ensuring business stability
- ✓ Liquidity maintenance
- ✓ Continuous business processes' optimisation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

Medium-term focus

- ✓ Focused and intensive integration of Droga Kolinska into Atlantic Grupa with an aim to achieve planned synergy effects

FY10 Guidance

In HRKm



Guidance:

- (i) on organic level, excluding the one-offs
 - (ii) do not include business results of Droga Kolinska, transaction costs and financing costs related to the takeover.
- Impact of the previously mentioned items is difficult to assume as these depend on the final takeover date.

Appendix

Consolidated income statement for 1H10 (unaudited)

In HRK000	1H10	% of sales	1H09	% of sales	Change 10/09
Turnover	1,086,888	101.3%	1,069,848	101.1%	1.6%
Sales	1,073,062	100.0%	1,058,451	100.0%	1.4%
Other income	13,826	1.3%	11,397	1.1%	21.3%
Operating costs	951,305	88.7%	972,821	91.9%	-2.2%
Cost of merchandise sold	495,116	46.1%	485,976	45.9%	1.9%
Change in inventories	-9,088	-0.8%	-25,790	-2.4%	n/p
Production materials & energy	153,046	14.3%	162,900	15.4%	-6.0%
Services	70,373	6.6%	77,600	7.3%	-9.3%
Personnel costs	159,509	14.9%	162,748	15.4%	-2.0%
Marketing and selling expenses	82,209	7.7%	76,494	7.2%	7.5%
Other expenses	43,786	4.1%	43,707	4.1%	0.2%
Other (gains)/losses, net	-43,646	-4.1%	-10,814	-1.0%	n/p
EBITDA	135,583	12.6%	97,027	9.2%	39.7%
EBIT	111,374	10.4%	76,929	7.3%	44.8%
EBT	102,833	9.6%	63,825	6.0%	61.1%
Taxes	25,053	2.3%	15,746	1.5%	59.1%
Net income	77,780	7.2%	48,079	4.5%	61.8%
Minority interest	3,766	0.4%	6,520	0.6%	-42.2%
Net income II	74,014	6.9%	41,559	3.9%	78.1%

- Sales +1.4%
- EBITDA + 39.7%
- EBIT + 44.8%
- Net profit +61.8%

Normalized consolidated income statement for 1H10 (unaudited)

In HRK000	1H10	% of sales	1H09	% of sales	Change 10/09
Turnover	1,086,888	101.3%	1,069,848	101.1%	1.6%
Sales	1,073,062	100.0%	1,058,451	100.0%	1.4%
Other income	13,826	1.3%	11,397	1.1%	21.3%
Operating costs	997,427	93.0%	982,676	92.8%	1.5%
Cost of merchandise sold	495,116	46.1%	485,976	45.9%	1.9%
Change in inventories	-9,088	-0.8%	-25,790	-2.4%	n/p
Production materials & energy	153,046	14.3%	162,900	15.4%	-6.0%
Services	67,948	6.3%	77,600	7.3%	-12.4%
Personnel costs	159,509	14.9%	162,748	15.4%	-2.0%
Marketing and selling expenses	82,209	7.7%	76,494	7.2%	7.5%
Other expenses	43,782	4.1%	43,705	4.1%	0.2%
Other (gains)/losses, net	4,905	0.5%	-958	-0.1%	n/p
EBITDA	89,461	8.3%	87,172	8.2%	2.6%
EBIT	65,252	6.1%	67,074	6.3%	-2.7%
EBT	56,711	5.3%	53,969	5.1%	5.1%
Taxes	15,343	1.4%	15,745	1.5%	-2.6%
Net income	41,368	3.9%	38,224	3.6%	8.2%
Minority interest	3,766	0.4%	6,520	0.6%	-42.2%
Net income II	37,603	3.5%	31,704	3.0%	18.6%

- Sales +1.4%
- EBITDA + 2.6%
- EBIT -2.7%
- Net profit +8.2%

Business segments

For the period ended 30 June 2010 <i>(in thousands of HRK)</i>	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Reconciliation	Group
Gross revenues	610,120	257,266	273,351	159,056	3,456	1,303,249
Inter-segment revenues	11,048	195,023	2,417	7,873	-	216,361
Total revenues	599,072	62,243	270,934	151,183	3,456	1,086,888
EBITDA	13,636	47,271	18,823	9,726	46,127	135,583
Depreciation and amortization	5,919	11,872	3,349	3,069	-	24,209
EBIT	7,717	35,399	15,474	6,657	46,127	111,374
For the period ended 30 June 2009 <i>(in thousands of HRK)</i>	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Reconciliation	Group
Gross revenues	619,233	265,909	248,239	152,245	4,439	1,290,065
Inter-segment revenues	10,268	202,277	1,300	6,372	-	220,217
Total revenues	608,965	63,632	246,939	145,873	4,439	1,069,848
EBITDA	13,627	54,492	12,532	6,524	9,852	97,027
Depreciation and amortization	4,929	9,573	2,983	2,613	-	20,098
EBIT	8,698	44,919	9,549	3,911	9,852	76,929
% change	Distribution	Consumer Health Care	Sports and Functional Food	Pharma	Reconciliation	Group
Gross revenues	-1.5%	-3.3%	10.1%	4.5%	-22.1%	1.0%
Inter-segment revenues	7.6%	-3.6%	85.9%	23.6%	-	-1.8%
Total revenues	-1.6%	-2.2%	9.7%	3.6%	-22.1%	1.6%
EBITDA	0.1%	-13.3%	50.2%	49.1%	n/a	39.7%
Depreciation and amortization	20.1%	24.0%	12.3%	17.5%	-	20.5%
EBIT	-11.3%	-21.2%	62.0%	70.2%	n/a	44.8%

Consolidated statement of financial position on 30 June 2010 (unaudited)

in thousands of HRK, unaudited	30 June 2010	31 December 2009
Property, plant and equipment	295,448	296,945
Intangible assets	444,047	449,414
Available-for-sale financial assets	35,042	35,041
Interest in joint venture	31	179
Trade and other receivables	9,877	10,718
Deferred tax assets	7,853	7,485
Non-current assets	792,298	799,782
Inventories	273,545	233,736
Trade and other receivables	555,529	512,815
Non-current assets held for sale	133	7,154
Prepaid income tax	5,655	4,128
Deposits given	253	143,129
Cash and cash equivalents	179,019	74,580
Current assets	1,014,134	975,542
Total assets	1,806,432	1,775,324
Capital and reserves attributable to equity holders of the Company	762,229	725,187
Minority interest	36,995	32,620
Borrowings	371,155	379,240
Deferred tax liabilities	45,575	45,989
Provisions	5,847	5,739
Non-current liabilities	422,577	430,968
Trade and other payables	445,957	446,975
Borrowings	104,175	109,112
Current income tax liabilities	21,104	10,626
Derivative financial instruments	1,917	1,846
Provisions	11,478	17,990
Current liabilities	584,631	586,549
Total liabilities	1,007,208	1,017,517
Total equity and liabilities	1,806,432	1,775,324

Consolidated cash flow statement (unaudited)

	Jan - Jun 2010	Jan - Jun 2009
in thousands of HRK, unaudited		
Net cash flow from operating activities	12,208	27,507
Net cash flow from / (used in) investing activities	122,408	(13,243)
Net cash flow used in financing activities	(30,177)	(22,156)
Net increase / (decrease) in cash and cash equivalents	104,439	(7,892)
Cash and cash equivalents at beginning of period	74,580	200,193
Cash and cash equivalents at end of period	179,019	192,301

Q & A

Thank you for the attention