

ATLANTIC GRUPA d.d.

ANNUAL REPORT
31 DECEMBER 2023

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Atlantic Grupa d.d. (the Company) was incorporated in the Republic of Croatia in 2002. The Company performs business activities such as planning entrepreneurial functions, organisation of principal activities, gathering and utilising financial assets, defining the strategy and development of business activities of the Atlantic Grupa, which is comprised of the Company and its subsidiaries (as set out in the Note 14 to the financial statements), as well as all other companies over which the Company has control through its subsidiaries.

The Company is domiciled in Zagreb, Miramarska 23, Croatia. The Company's shares are listed on the Prime market of the Zagreb Stock Exchange. The shareholder structure is disclosed in Note 18. Users of these financial statements should read them together with the Group's consolidated financial statements as at (and for the year ended) 31 December 2023 and together with the Group's Annual report for the year ended 31 December 2023 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole. These reports are published on the Company's website (www.atlanticgrupa.com).

Atlantic Grupa's Management strategic guidance for 2024

The year 2023 was marked by Croatian entry to the Eurozone and Schengen Area, which had a positive impact on the Croatian economy. However, 2023 was also marked by geopolitical turmoil, with an escalation of the conflicts between Israel and Palestine alongside with the ongoing war in Ukraine, resulting in negative consequences for the global economy. After experiencing restrained growth during previous year, the European Union's economy commenced 2024 with a performance that fell short of initial expectations. Slowing inflation is expected in 2024 alongside only modest economic growth. Compared to the EU, countries in the region expect higher economic growth driven by strengthening private and public consumption, facilitated by sustained positive outcomes in the labour market and escalating wages.

Amidst uncertainty, with clearly defined strategic goals and priorities, in 2024 we expect to exceed EUR 1 billion in sales for the first time.

This year, we expect a slight decrease in raw and packaging material prices compared to 2023 (with exception of raw coffee and cocoa, where significant price increases, especially for cocoa), while pressure on profitability comes from further increases in wages and services. Therefore, we expect a mid-single-digit growth in normalized earnings before interest, taxes, depreciation, and amortization (EBITDA), with a slight increase in normalized EBITDA margin. It is important to note that these projections do not include the effects of the Strauss Adriatic acquisition.

In the current year, we continue with intensive capital investments with an anticipated expenditure of approximately EUR 50 million. Almost half of this amount is related to investments at the Štark production site (SBU Snacks), specifically in logistics facilities and equipment, as well as investments in new production lines and production/equipment automation for packaging.

In 2024, management will focus on: (i) strengthening leadership positions, (ii) selectively investing in new opportunities to expand product and markets portfolio, (iii) increasing productivity through operational excellence improvement, and (iv) further empowering the organization through care and responsible business practices.

Research and development activities

Atlantic Grupa operates in the consumer goods industry segment that includes food products with added value and, accordingly, it uses activities like investing in research and development, investing in technology and close monitoring of market trends and consumer preferences to maintain high market shares in the listed segment. The portfolio of Atlantic Grupa includes a wide range of brands with leading market positions in the region in the segments of coffee, savoury spreads, snacks and beverages. Considering that some of these segments are exposed to strong competitive pressures by local and multinational companies, Atlantic Grupa in 2023 continued to actively manage its own brands. Atlantic Grupa operates as a vertically integrated multinational company, and in addition to products from its own portfolio, it also has a very significant business activity in the distribution of consumer goods throughout Southeast Europe.

Purchase of treasury shares

During 2023, the Company has purchased 51,070 treasury shares (2022: 28,038 shares) for the total value of EUR 2,609 thousand (2022: EUR 2,972 thousand) - Note 18 to the Company's financial statements.

At the General Assembly held on 15 June 2022, the Company made a decision on the share split of ordinary registered shares, code ATGR-R-A, with an individual nominal value of HRK 40.00, in a way that 1 share, code ATGR-R-A, ISIN HRATGRRA0003, with an individual nominal value of HRK 40.00 is split into 4 new ordinary registered shares of the Company, code ATGR-R-A, with an individual nominal value of HRK 10.00.

Following the share split on 21 July 2022, the share capital in the amount of HRK 133,372,000.00 was divided into 13,337,200 ordinary shares with an individual nominal value of HRK 10.00.

In accordance with the Law on the introduction of the euro as the official currency in the Republic of Croatia, the Company's share capital was converted from the amount of HRK 133,372,000.00 to the amount of EUR 17,701,506.40.

The individual nominal amount of the ordinary share code ATGR-R-A was converted from the amount of HRK 10.00 to the amount of EUR 1.33.

During 2023, the Company's share capital was increased from the share premium funds from the amount of EUR 17,701,506.40 by an amount of EUR 88,996,093.60, resulting in total amount of EUR 106,697,600.00.

After the increase, the Company's share capital amounts to EUR 106,697,600.00 and is divided into 13,337,200 ordinary shares, code ATGR-R-A, with a nominal value of EUR 8.00.

Subsidiaries

The Company owns shares in following companies:

- Atlantic Trade d.o.o., Zagreb, Croatia
- Atlantic Cedevita d.o.o., Zagreb, Croatia
- Atlantic Eurocenter d.o.o., Zagreb, Croatia
- Hopen Investments B.V., Amsterdam, Netherlands
- Montana Plus d.o.o., Zagreb, Croatia
- Atlantic Point d.o.o., Zagreb, Croatia
- Farmacia Holding d.o.o., Zagreb, Croatia
- Atlantic Brands GmbH, Vienna, Austria.

More details of investment in subsidiaries are provided in Note 14 to the financial statements of the Company.

The Company has no branches.

Financial instruments

Details of the exposure to financial risks are set out in the Note 3 of the financial statements of the Company.

Considering that the shares of Atlantic Grupa d.d. are quoted on the Zagreb Stock Exchange, Atlantic Grupa applies the Code of Corporate Governance of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA), available on websites of the Zagreb Stock Exchange (www.zse.hr) and HANFA (www.hanfa.hr).

In accordance with relevant regulations, Atlantic Grupa in 2023 issued a Statement of Application of the Code of Corporate Governance, thereby confirming its actions and development in accordance with the good corporate governance practice in all business segments. The Statement of Application of the Code of Corporate Governance has been published on the Company's website (www.atlanticgrupa.com) as well as on the website of the Zagreb Stock Exchange (www.zse.hr) and HANFA (www.hanfa.hr), whereas the following corporate governance issues differ from the ones stipulated in the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA:

The company's articles of association and/or internal acts prescribe that major decisions affecting the company's strategy, expenditure, risk exposure and reputation require the supervisory board's prior approval.	NO	Responsibilities of the Supervisory Board are set within the framework of the valid Companies Act.
The remuneration policy should include provisions specifying the circumstances in which part of a management board member's remuneration would be withheld or recovered.	NO	The remuneration policy does not contain such provisions.
All persons listed in Article 81 of the Code attended the General Assembly in the last 12 months.	Partially	The maximum possible attendance of the listed persons was achieved.

Atlantic Grupa is developing and acting in accordance with good practice of corporate governance and endeavours, through its business strategy, business policy and key internal acts, to contribute to transparent and efficient business and quality relationships with the business environment in which it operates, following global and European trends. In order to efficiently and effectively follow ESG standards and European regulations, Atlantic Grupa has established a clear management model and structure in this area. Achieving productivity and profitability is supported by a clear organizational structure, corporate culture and values that connect employees and contribute to the achievement of business goals, as well as sustainable development goals.

The internal control and risk management system is an integral and important component of our business operations. Its elements, as specified below, along with the description of the functioning and method of exercising voting rights at, the General Assembly, composition and functioning of the Management Board and Supervisory Board and their committees, and information on the Company's shareholders, form an integral part of this Corporate Governance Statement.

In addition to the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA, Atlantic Grupa also applies its own Code of Corporate Governance, thus improving the standards of business transparency and fully aligning them with European Union directives.

The Code defines the procedures for the functioning of Supervisory Board, Management Board and other bodies and structures responsible for decision-making, their relations and remuneration policies, integrating ESG factors into management processes. Moreover, it clearly defines social responsibility, covering all environmental and social aspects of sustainable development, thus ensuring the avoidance of conflicts of interest, efficient internal control and an effective responsibility system.

The Code of the Corporate Governance of Atlantic Grupa is accessible to all individuals and always available to all our stakeholders, as it is published on the company's website (www.atlanticgrupa.com) and on the internal portal, a digital platform available to all employees in business facilities.

Organisation of corporate management

Atlantic Grupa's corporate governance structure is based on a dual principle, which implies the Company's Supervisory Board and Management Board. Together with the General Assembly, they represent the three principal bodies of the Company under the Articles of Association and the Companies Act. Within its corporate governance structure, in order to efficiently and effectively follow ESG standards and European regulations, Atlantic Grupa established a clear management model and structure in this area. Achieving productivity and profitability is supported by a clear organizational structure, corporate culture and values that connect employees and contribute to the achievement of business goals, as well as sustainable development goals.

General assembly

The General Assembly is a body in which shareholders accomplish their rights in Company matters. The method of functioning of the General Assembly, its powers, the rights of shareholders and the method of their exercise are defined in the Company's Articles of Association, which are publicly available on the Company's website (www.atlanticgrupa.com).

In order to decide on issues prescribed by law and the Company's Articles of Association, the regular General Assembly of Atlantic Grupa d.d. was held on 29 June 2023. The following decisions were made at that Assembly: alignment and increase of the Company's authorised share capital; amendment of the Company's Articles of Association; distribution of a dividend to the Company shareholders in proportion to the number of shares held by each shareholder in the amount of EUR 1.00 per share; issuance of the note of release to the members of the Management Board and the Supervisory Board; re-election of Anja Svetina Nabergoj and Monica Elisabeth Schulze as members of the Supervisory Board; approval of the Remuneration Report for 2022; adjustment of the amounts from the Decision on the remuneration of members of the Supervisory Board; approval of amendments to the Remuneration Policy for the Members of the Management Board of Atlantic Grupa d.d. and appointment of an independent auditor of the Company for the year 2023. All decisions from the meetings held by the General Assembly were made in line with legal regulations and are available on web pages of Atlantic Grupa and the Zagreb Stock Exchange (www.zse.hr).

Supervisory Board

The Supervisory Board of Atlantic Grupa d.d. is comprised of nine members. At the session of the Supervisory Board held on 22 March 2023, former Chairman Zdenko Adrović handed over the leading position in this body to member of the Supervisory Board, Zoran Vučinić. As one of the leading experts in Croatian financial industry, Zdenko Adrović has successfully led the Supervisory Board of Atlantic Grupa since its establishment in 2006 and continues to participate in the work of the Supervisory Board as its member.

In 2023, the Supervisory Board held four sessions. The members' attendance rate at these sessions was 94.44%, considering that Ms. Monika Elisabeth Schulze and Mr. Zoran Vučinić were justifiably prevented from participating in one session.

Eight out of nine members of the Supervisory Board (i.e. 88.89% of the Supervisory Board) are independent members who are not in business, family, or other connections with the company, the majority shareholder, or a group of majority shareholders, or management board members or supervisory board members of the company or the majority shareholder. The members of the Supervisory Board are:

- Zoran Vučinić, Chairman
- Siniša Petrović, Vice-chairman
- Zdenko Adrović, Member
- Lars Peter Elam Håkansson, Member
- Franz-Josef Flosbach, Member
- Vesna Nevistić, Member
- Aleksandar Pekeč, Member
- Monika Elisabeth Schulze, Member
- Anja Svetina Nabergoj, Member

Supervisory Board committees

Three Committees function within the Supervisory Board with the purpose of assisting the operation and functioning of the Supervisory Board:

- Audit Committee,
- Leadership Development and Compensation Committee and
- Public Responsibility and Corporate Governance Committee.

In line with the Company's Code of Corporate Governance, each Committee has at least three members.

The Public Responsibility and Corporate Governance Committee defines a system of mechanisms for ensuring a balance between the rights of shareholders and the needs of management to direct and manage the Company's operations. The Committee participates in developing a framework for corporate governance within the Company and monitors the Company's annual reporting to ensure compliance with applicable corporate and sustainability reporting standards. The Committee is chaired by Siniša Petrović, Monika Elisabeth Schulze and Anja Svetina Nabergoj were appointed as members from the ranks of the Supervisory Board, while Nina Tepeš, Professor at the Faculty of Law, University of Zagreb, was appointed as a member from the ranks of external experts. The Committee held two sessions during 2023 and the attendance rate of its members was 100%.

The Leadership Development and Compensation Committee proposes candidates for the Management Board, Supervisory Board and senior management personnel, as well as contents of contracts with the members of the Management Board, structure of their compensation and compensation of the Supervisory Board's members. Also, the Committee oversees the Company's human capital management and remuneration to be received by the Management Board members based on an assessment of the Company's results, their individual performance during the year, and the realisation of the Company's Sustainability Index. The Committee is chaired by Aleksandar Pekeč, Zoran Vučinić and Vesna Nevistić, who joined the Committee on 3 November 2023 in place of the former Committee member Lars Peter Elam Håkansson, were appointed as members from the ranks of the Supervisory Board, while Zoran Sušan, Associate Professor at the Faculty of Economics, University of Rijeka, was appointed as a member from the ranks of external experts. The Committee held three sessions during 2023, and the attendance rate of its members was 100%.

The Audit Committee analyses in detail the financial reports, provides support to the Company's accounting and establishes good and quality internal control within the Company. It monitors the integrity of financial information of the Company, particularly the accuracy and consistency of accounting methods used by the Company and the Group to which it belongs, including the criteria for consolidation of financial reports of the companies that belong to the Group. The Audit Committee oversees certain processes related to external sustainability disclosures and works jointly with the Coordination Committee for Sustainability to oversee sustainability risks facing the Company. At least once a year, the Committee assesses the quality of the internal control and risk management system with the aim of properly identifying, publicly disclosing and managing major risks to which the Company is exposed, as well as the effectiveness of procedures for reporting misconduct and procedures for approving and disclosing related party transactions. The Committee is chaired by Franz-Josef Flosbach, while Zdenko Adrović and Lars Peter Elam Håkansson, who joined the Committee on 3 November 2023 in place of the former Committee member Vesna Nevistić, were appointed as members from the ranks of the Supervisory Board. The Committee held two sessions during 2023, and the attendance rate of its members was 100%.

Management Board of Atlantic Grupa

Atlantic Grupa's Management Board has seven members – President of the Management Board; Group Vice President for Corporate Activities; Group Vice President for Finance, Procurement and Investment; Group Vice President for Corporate Strategy and Development; Group Vice President for Distribution, Group Vice President for Savoury Spreads, Donat and International Expansion, and Group Vice President for Coffee and Snacks.

Management Board of Atlantic Grupa (continued)

The Management Board of Atlantic Grupa operates in the following composition:

- Emil Tedeschi, President of the Management Board
- Srećko Nakić, Group Vice President for Distribution
- Enzo Smrekar, Group Vice President for Savoury Spreads, Donat and International Expansion
- Zoran Stanković, Group Vice President for Finance, Procurement and Investment
- Mate Štetić, Group Vice President for Coffee and Snacks
- Lada Tedeschi Fiorio, Group Vice President for Corporative Strategy and Development
- Neven Vranković, Group Vice President for Corporate Activities

The Management Board of Atlantic Grupa is in charge of developing and implementing the Company's strategy and business plans which include aspects that relate to or may affect sustainability matters. When discussing the Company's strategy and business plan, the Management Board and the Supervisory Board jointly and regularly consider the impact of proposed measures on stakeholders, the environment and society, as well as on the Company's reputation and thereby ensure that the Company's strategy takes into account the potential impact of its activities on the environment and society and that the Company policies, culture and values promote ethical behaviour, respect for human rights, and a sound and stimulating work environment.

The Management Board, in due time and in its entirety, reports to the Supervisory Board on all facts and circumstances which can influence the Company's or its daughter companies' business operations, including sustainability matters, financial position and status of assets. This Board-level commitment and alignment drives top-down accountability toward our ESG goals and helps support a positive company culture.

Strategic Management Council

Since its establishment in early 2012, the Strategic Management Council operates as a multifunctional body that discusses vital strategic and operational corporate issues, business analysis, priority definition, supervision of strategic plans, coordination between organisational units and key decision making. The Council includes the following members: President of the Management Board, Group Vice President for Corporate Activities, Group Vice President for Finance, Procurement and Investment, Group Vice President for Corporate Strategy and Development, Group Vice President for Distribution, Group Vice President for Savoury Spreads, Donat and International Expansion, Group Vice President for Coffee and Snacks, Managing Directors of Strategic Business Units, Managing Directors of Strategic Distribution Units, Senior Executive Directors of Private Labels, Corporate Legal Affairs, Quality Management and Asset Management, Transformation and Information Technology, and Corporate Key Accounts Management, Secretary General, Executive Director of the Business Unit, Central Purchasing, People and Culture, Central Finance and Corporate Controlling, Corporate Strategy and New Growth, Directors of Corporate Development, Corporate Communications, and Corporate Services, Sales Director of Global Distribution Account Management, as well as Executive Director of the Distribution Unit Austria.

Risk management

Risk management is an important segment of ensuring business sustainability. The risk management framework within Atlantic Grupa is designed to support strategic priorities while protecting financial security and flexibility. This process supports a clear organizational structure, with defined competencies and responsibilities, which enables comprehensive and effective risk management at all levels of the organization with an adequate internal control system.

Our efficient risk management system includes processes that can ensure reliable risk identification and assesment, including risks that refer to the sustainability of the business, risk management, risk monitoring, provision of the necessary information and guidelines to improve its sustainability and transparency, and clear internal responsibilities for maintaining the risk management system.

Atlantic Grupa established three levels of "defence." The first level involves business process owners, i.e. managers of specific functions or appointed teams, who manage individual risks within their areas of responsibility. At the second level, Atlantic Grupa implements an integrated risk management process - Enterprise Risk Management (ERM). Finally, the third level of defence in Atlantic Grupa is carried out by Internal Audit.

Internal audit

Internal audit is a corporate function of Atlantic Grupa responsible for creating the internal control system used for establishing and controlling the flow of accurate, specific and complete information about the Company's organisation, such as data on compliance with financial, business and legal obligations that may pose a significant risk to the Company.

It is responsible for estimating the level of risk management in business processes, reviewing the efficiency of the internal control systems with the purpose of advancing risk management and compliance with procedures, testing and analyses of compliance of the existing business systems with adopted policies, plans, procedures, laws and regulations that can have a significant influence on business reports. It is also responsible for recommending preventive measures in the area of financial reporting, compliance, business, and control in order to eliminate risks and eventual deficiencies that could lead to inefficient processes or fraud.

Internal audit informs the Audit Committee on its activities and audit plans, while its findings and recommendations help the management to improve processes, preventively eliminate potential risks or reduce risks to an acceptable level.

In 2023, twenty-three audits were carried out. These audits resulted in a total of 92 recommendations for improving operations and reducing specific risks to an acceptable level.

Responsibility for the annual financial statements

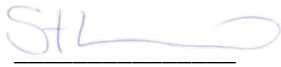
In accordance with provisions of Law on Capital Market, Zoran Stanković, Group Vice President for Finance, Procurement and Investment and Tatjana Ilinčić director of Department of Corporate Reporting and Consolidation, person responsible for corporate accounting, reporting and consolidation, together as persons responsible for the preparation of annual reports of the company Atlantic Grupa d.d. Zagreb, Miramarska 23, OIB 71149912416 (hereinafter: Company), hereby make the following

STATEMENT

According to our best knowledge the annual separate financial statements for 2023 are prepared in accordance with applicable standards of financial reporting and give true and fair view of the assets and liabilities, profit and loss, financial position and operations of the Company.

Report of the Company's Management board for the period from 1 January to 31 December 2023 contains the true presentation of development, results and position of the Company, with description of significant risks and uncertainties to which the Company is exposed.

In Zagreb, 28 March 2024



Zoran Stanković
Group Vice President for Finance,
Procurement and Investment



Tatjana Ilinčić
Director of Corporate Reporting and Consolidation

Responsibility for the financial statements

Pursuant to the Croatian Accounting Act, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union ("EU") give a true and fair view of the financial position and results of Atlantic Grupa d.d. (the "Company") for that period.

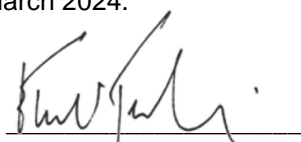
The Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing these financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed; and
- the financial statements are prepared on the going concern basis

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and must also ensure that the financial statements comply with the Croatian Accounting Act. The Management Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

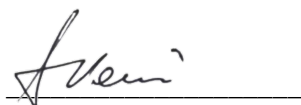
The accompanying financial statements were approved for issuance by the Management Board on 28 March 2024.



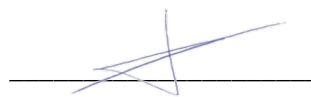
Emil Tedeschi
President and Chief Executive Officer



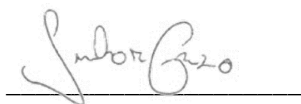
Zoran Stanković
Group Vice President for Finance,
Procurement and Investment



Srećko Nakić
Group Vice President for Distribution



Mate Štetić
Group Vice President for Coffee and
Snacks



Enzo Smrekar
Group Vice President for Savoury spreads,
Donat and International Expansion



Lada Tedeschi Fiorio
Group Vice President for Corporate
Strategy and Growth



Neven Vranković
Group Vice President for Corporate
Activities

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Atlantic Grupa d.d.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Atlantic Grupa d.d. (the Company), which comprise the balance sheet as at 31 December 2023, income statement and the statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters (continued)

Key Audit Matter	How we addressed Key Audit Matter
<p>Assessment of impairment of investments in subsidiaries</p> <p>See Note 4 <i>Critical accounting estimates</i> and Note 14 <i>Investments in subsidiaries of the financial statements</i>.</p> <p>The Company has investments in subsidiaries with carrying amount totalling EUR 201,509 thousand as at 31 December 2023.</p> <p>The carrying amount of the investments in subsidiaries represents 77% of total assets and the assessment of the impairment indicators represents significant area of management's judgment, regarding but not limited to, market values, future plans, changes in the economic environment and interest rate changes.</p> <p>Due to the range of judgements and assumptions used in the models and impairment assessments, as well as the significant carrying amount of the investments in subsidiaries, this is an area considered to be a key audit matter.</p>	<p>Audit procedures included understanding of the investment impairment assessment process. We examined the methodology used by management to assess the carrying value of respective investment in subsidiaries to determine its compliance with IFRS as adopted by the EU and consistency of application.</p> <p>We evaluated management assessment of indicators of potential impairments and where indicators exist, we performed the procedures listed below.</p> <p>We evaluated the subsidiaries' future cash flow forecasts and the process by which they were prepared. We also compared the budget inputs in the models to the approved budgets and forecast inputs in the models to management plans.</p> <p>We compared the current year (2023) actual results with the figures included in the prior year (2022) forecasts to evaluate assumptions used. We also compared management's key assumptions for long-term growth rate by comparing it to historical growth results and market data.</p> <p>We performed audit procedures on the mathematical integrity of the impairment models, sensitivity analysis and tested the appropriateness of discount rates used in the calculation with the assistance of the valuation specialists.</p> <p>We also assessed adequacy of the disclosures in the separate financial statements and if these are in line with the requirements of IFRS as adopted by the EU.</p>

Other information

Management is responsible for the other information. Other information comprises the Management Report and Corporate Governance Statement included in the Annual Report, but does not include financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Other information (continued)

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the information given in the enclosed Management Report and Corporate Governance Statement is consistent, in all material respects, with the enclosed financial statements;
2. the enclosed Management Report is prepared in accordance with requirements of Article 21 of the Accounting Act;
3. the enclosed Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit of financial statements, we are also required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement. We have nothing to report in this respect.

Responsibilities of management and Audit Committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of ISAs:

Appointment of Auditor and Period of Engagement

Ernst & Young d.o.o. was initially appointed as auditors of the Company on 29 June 2017. Our appointment has been renewed annually by General Assembly of Shareholders, with the most recent reappointment on 29 June 2023, representing a total period of uninterrupted engagement appointment of seven years.

Kulić & Sperk d.o.o. was initially appointed as auditors of the Company on 18 June 2020, and this appointment has been renewed annually by General Assembly of Shareholders, with the most recent reappointment on 29 June 2023, representing a total period of uninterrupted engagement appointment of four years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 18 March 2024 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company and its controlled undertakings within the European Union. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the financial statements.

Report based on Delegated Regulation (EU) 2018/815 on supplementing Directive 2004/109/EZ of European parliament and Council related to regulatory technical standard for specification of single electronic reporting format of reporting

Independent report on the compliance of financial statements prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20,83/21 and 151/22) applying the requirements of the Delegated Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (the ESEF Regulation).

We have conducted a reasonable assurance engagement on whether the financial statements, as contained in the attached electronic file *AG separate FS 2023 ENG*, are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the management and Audit Committee

Management is responsible for the preparation of the financial statements in accordance with ESEF Regulation.

Furthermore, management is responsible for maintaining an internal control system that reasonably ensures the preparation of financial statements without material non-compliances with ESEF Regulation requirements, whether due to fraud or error.

Management is also responsible for:

- the public disclosure of financial statements included in the annual report, in XHTML format and
- selecting and using XBRL codes in accordance with ESEF regulation

Audit Committee is responsible for overseeing the preparation of the financial statements in ESEF format as part of the financial reporting process.

Auditor's responsibilities

Our responsibility is to express a conclusion, based on the audit evidence gathered, as to whether the financial statements are free from material non-compliances with the requirements of the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with International Standard for Assurance Engagements ISAE 3000 (revised)- Assurance engagements other than audits or reviews of historical financial information.

Work performed

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high degree of assurance, however it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with ESEF regulation.

In respect of the subject matter, we have performed the following procedures:

- we read the requirements of the ESEF Regulation,
- we have gained an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or error; and
- Based on this, devise and implement procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- the financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
 - the XBRL markup language was used,
 - the basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance have been used, unless an additional taxonomy element has been created in accordance with Annex IV. ESEF Regulation,
 - the labeled elements comply with the common labeling rules under the ESEF Regulation.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the procedures performed and evidence gathered, the financial statements presented in ESEF format for the year ended on 31 December 2023, contained in the aforementioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.

Further to this conclusion, as well as the opinion contained in this independent auditor's report related to accompanying financial statements and annual report for the year ended 31 December 2023, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned file.

The partners in charge of the audit resulting in this independent auditor's report are Berislav Horvat for Ernst & Young d.o.o. and Janja Kulić for Kulić & Sperk d.o.o.



Berislav Horvat,
President of the Management Board and Certified auditor

Ernst & Young d.o.o.
Radnička cesta 50
10000 Zagreb
Republic of Croatia
28 March 2024



Janja Kulić,
Director and Certified auditor

Kulić & Sperk d.o.o.
Radnička cesta 52
10000 Zagreb
Republic of Croatia
28 March 2024

ATLANTIC GRUPA d.d.
 INCOME STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2023

<i>(all amounts expressed in thousands of EUR)</i>	Note	2023	2022
Sales revenue	24	27,715	26,123
Other income	5	1,463	37,839
Staff costs	6	(15,328)	(13,230)
Marketing and promotion costs	7	(775)	(2,081)
Depreciation, amortisation and impairment	12, 12a, 13	(5,119)	(4,835)
Other operating costs	8	(8,199)	(7,664)
Other losses – net	9	(7)	(961)
Operating (loss) / profit		(250)	35,191
Finance income	10	-	26
Finance costs	10	(541)	(506)
Finance costs – net	10	(541)	(480)
(Loss) / profit before tax		(791)	34,711
Income tax expense	11	(42)	(276)
(Loss) / profit for the year		(833)	34,435

ATLANTIC GRUPA d.d.
 STATEMENT OF OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2023

<i>(all amounts expressed in thousands of EUR)</i>	2023	2022
(Loss) / profit for the year	(833)	34,435
Other comprehensive (loss) / income:		
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial (loss) / gain from defined benefit plans, net of tax	(2)	15
	(2)	15
Other comprehensive (loss) / income for the year, net of tax	(2)	15
Total comprehensive (loss) / income for the year	(835)	34,450

ATLANTIC GRUPA d.d.
BALANCE SHEET
AT 31 DECEMBER 2023

<i>(all amounts are expressed in thousands of EUR)</i>	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	12	1,719	7,530
Right-of-use assets	12a	4,313	1,752
Intangible assets	13	7,311	7,025
Investments in subsidiaries	14	201,509	174,993
Deferred tax assets	21	1,031	659
Trade and other receivables	16	312	210
		216,195	192,169
Current assets			
Trade and other receivables	16	25,536	64,893
Cash and cash equivalents	17	11,497	5,193
		37,033	70,086
Assets held for sale	12b	5,931	-
		42,964	70,086
Total assets		259,159	262,255
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	106,698	17,702
Share premium	18	28,760	117,663
Treasury shares	18	(2,510)	(2,410)
Other reserves	18	3,947	2,192
Retained earnings		59,975	74,119
Total equity		196,870	209,266
Non-current liabilities			
Borrowings	20	39,752	44,719
Lease liabilities	12a	3,139	544
Provisions	22	233	69
		43,124	45,332
Current liabilities			
Trade and other payables	19	5,924	4,889
Borrowings	20	10,011	19
Lease liabilities	12a	1,283	1,311
Current income tax liabilities		402	-
Provisions	22	1,545	1,438
		19,165	7,657
Total liabilities		62,289	52,989
Total equity and liabilities		259,159	262,255

ATLANTIC GRUPA d.d.
STATEMENT OF CHANGES IN EQUITY
AT 31 DECEMBER 2023

<i>(all amounts are expressed in thousands of EUR)</i>	Share capital, Share premium and Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2022	132,072	-	61,744	193,816
Comprehensive income:				
Net profit for the year	-	-	34,435	34,435
Other comprehensive income	-	-	15	15
Total comprehensive income for the year	-	-	34,450	34,450
Transaction with owners				
Purchase of treasury shares (Note 18)	(2,972)	-	-	(2,972)
Share based payment (Note 18)	3,855	-	-	3,855
Shares granted (Note 18)	-	2,192	-	2,192
Dividends (Note 18)	-	-	(22,075)	(22,075)
At 31 December 2022	132,955	2,192	74,119	209,266
Balance at 1 January 2023	132,955	2,192	74,119	209,266
Comprehensive loss:				
Loss for the year	-	-	(833)	(833)
Other comprehensive loss	-	-	(2)	(2)
Total comprehensive loss for the year	-	-	(835)	(835)
Transaction with owners				
Purchase of treasury shares (Note 18)	(2,609)	-	-	(2,609)
Share based payment (Note 18)	2,602	-	-	2,602
Shares granted (Note 18)	-	1,755	-	1,755
Dividends (Note 18)	-	-	(13,309)	(13,309)
At 31 December 2023	132,948	3,947	59,975	196,870

ATLANTIC GRUPA d.d.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

<i>(all amounts expressed in thousands of EUR)</i>	Note	2023	2022
(Loss) / profit for the year		(833)	34,435
Income tax expense	11	42	276
Depreciation, amortisation and impairment	12,12a,13	5,119	4,835
Impairment of investment in subsidiaries	9, 14	50	961
Gain on sale of property, plant and equipment	9	(13)	(3)
Unrealised foreign exchange differences – net		-	50
Increase / (decrease) in provisions	22	2,023	(1,647)
Share based payment	18	2,602	3,855
Interest income	5	(954)	(745)
Interest expense	10	541	430
Dividend income	5	-	(35,835)
Other non-cash items		(4)	13
		8,573	6,625
Changes in working capital:			
Increase in trade and other receivables		(4,815)	(6,021)
Increase / (decrease) in trade and other payables		1,035	(298)
Cash generated from operations		4,793	306
Income tax paid		(12)	-
Interest paid		(513)	(394)
Cash flows from / (used in) operating activities		4,268	(88)
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	12, 13	(4,004)	(4,151)
Proceeds from sale of property, plant and equipment		13	7
Deposits placed and loans granted		(348)	(66)
Proceeds from loans and deposits granted		43,953	15,944
Investments in subsidiaries	14	(26,566)	-
Dividends received	5	-	9,291
Interest received		1,418	17
		14,466	21,042
Cash flows used in financing activities			
Proceeds from borrowings	20	5,000	4,996
Principal elements of lease payments	12a	(1,512)	(1,537)
Purchase of treasury shares	18	(2,609)	(2,972)
Dividends paid	18	(13,309)	(22,075)
		(12,430)	(21,588)
Net increase / (decrease) in cash and cash equivalents		6,304	(634)
Cash and cash equivalents at beginning of year		5,193	5,827
Cash and cash equivalents at end of year	17	11,497	5,193

NOTE 1 – GENERAL INFORMATION

Atlantic Grupa d.d. (the Company) was incorporated in the Republic of Croatia in 2002. The Company performs business activities such as planning entrepreneurial functions, organisation of principal activities, gathering and utilising financial assets, defining the strategy and development of business activities of the Atlantic Grupa (the Company and its subsidiaries, Note 14).

The Company is domiciled in Zagreb, Miramarska 23, Croatia. Company's court registration number is 080245039, and the personal identification number is 71149912416.

The Company's shares are listed on the Prime market of the Zagreb Stock Exchange. The shareholder structure is disclosed in Note 18.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which were endorsed by the European Union (EU) under the historical cost convention.

The preparation of financial statements in conformity with IFRS which were endorsed by EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The Company has issued these separate financial statements in accordance with Croatian regulations. The Company has also prepared consolidated financial statements as at 31 December 2023 and for the year then ended in accordance with IFRS which were endorsed by the EU for the Company and its subsidiaries (the Group), which were approved by the Management Board on 28 March 2024. Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2023 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole. Consolidated financial statements are published on the Company's website (www.atlanticgrupa.com).

In accordance with the Law on the Introduction of the Euro (EUR) as the official currency in the Republic of Croatia, effective 1 January 2023, the EUR became the official currency and legal tender in the Republic of Croatia. The fixed rate of conversion is HRK 7.5345 for 1 EUR. Comparative periods of profit and loss account and balance sheet items are converted at the conversion rate.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the amendments listed below which are the result of amendments to International Financial Reporting Standards (IFRS) adopted by the Company as of 1 January 2023 and which did not have material impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued by the International Financial Standards Board („Board“) but are not yet effective.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation (continued)

(a) *Standards and Interpretations effective in the current period*

The following new standards and amendments to the existing standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee and adopted by the EU are effective for the current period:

- **IFRS 17 Insurance contracts**, issued on 18 May 2017; including Amendments to IFRS 17 issued on 25 June 2020, (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information**, issued on 9 December 2021 (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**, issued on 7 May 2021 (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules**, issued on 23 May 2023 (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies**, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates**, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).

The adoption of these standards and interpretations did not have an impact on the Company's financial statements.

(b) *Standards and interpretations issued by IASB and endorsed by EU but not yet effective*

- **Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date**, issued on 23 January 2020 and 15 July 2020 respectively (effective date for annual periods beginning on or after 1 January 2024).
- **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback**, issued on 22 September 2022 (effective date for annual periods beginning on or after 1 January 2024).

(c) *Standards and interpretations issued by IASB but not yet adopted by the EU*

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue by the International Accounting Standards Board but not yet adopted by the EU:

- **Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability** (issued on 15 August 2023).
- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements** (issued on 25 May 2023).

The Company does not anticipate that the adoption of these Standards and Interpretations will have a significant impact on the financial statements of the Company.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment where the entity operates ('the functional currency').

The financial statements are presented in EUR, which is the currency of the primary economic environment in which the Company operates from 1 January 2023, when the euro conversion was implemented and are rounded to the nearest thousand.

Given that the Republic of Croatia introduced the EUR as its Official currency as of 1 January 2023, in accordance with the Law on the Introduction of the Euro as an Official Currency, the Company changed the presentation currency from HRK for the purposes of preparing financial statements for the year ended 31 December 2023 to EUR, and the financial statements for the year ended December 31 were first prepared in EUR. From 1 January 2023, EUR is also the functional currency of the Company (until 1 January 2023, it was HRK).

Although the change in the functional and presentation currency in the financial statements represents a change in accounting policy that requires retrospective application, the Company did not publish the third balance sheet in the financial statements for the year ended 31 December 2023 in accordance with International Accounting Standard 8 (IAS) Accounting Policies, Changes in Accounting Estimates and Errors, given that it determined that the change in the presentation currency does not have a significant impact on the Company's financial statements, due to the stable HRK/EUR exchange rate over the past few years.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses related to borrowings and lease liabilities are presented in the income statement within 'finance costs - net'. All other foreign exchange gains and losses are presented in the income statement within 'other gains/(losses) – net'.

2.3 Investments in subsidiaries

Investments in subsidiaries in which the Company has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations are recorded at cost less impairment losses, if any. Impairment is tested annually whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Investments in subsidiaries for which an impairment loss has been previously recognized are tested at each reporting date for a potential reversal of impairment.

Dividend income is recognised when the right to receive payment is established.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Property, plant and equipment

Motor vehicles, equipment, land, leasehold improvements and assets not yet in use are included in the balance sheet at historical cost less accumulated depreciation and provision for impairment, if required.

Land and assets not yet in use are not depreciated. Depreciation of motor vehicles, equipment and investments in leasehold improvements is calculated using the straight-line method to allocate their cost to residual values over their estimated useful lives, as follows:

Motor vehicles	4 to 5 years
Leasehold improvements	4 to 10 years
Equipment	2 to 10 years

The residual value of an asset is an estimated amount that the Company would currently obtain from disposal of the asset less estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

2.5 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (2 to 10 years).

2.6 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.7 Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, financial asset at fair value through other comprehensive income (OCI) and financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and revalue this designation at each reporting date.

Financial assets at amortised costs

The Company measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective of holding financial assets in order to collect contractual cash flows,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at amortised cost include trade receivables and loans and deposits given.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.8 Leases

i) The Company's leasing activities and accounting policy

The Company leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 5 years, but may have extension options as described in (iii) below.

Contracts may contain both lease and non-lease components. The Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. In that sense, incremental borrowing rate of 4%, representing unsecured risk of the Company was used for new and modified leases whose maturity is above 5 years (2022: 4%), and incremental borrowing rate of 2.2%, representing the secured risk of the Company was used for new and modified leases with maturity of 5 years and less (2022: 2.2%).

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of software licences and low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets (below EUR 5 thousand) comprise IT equipment and small items of office furniture.

ii) Variable lease payments

The Company may be exposed to variable payment terms linked to an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Variable lease payments which depend on the sales realization, if contracted, are recognized in the income statement within 'other operating costs'.

iii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations.

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less the allowance for expected credit losses (ECLs), as described in Note 2.7.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less (excluding bills of exchange). Bank overdrafts are included within current liabilities on the balance sheet.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of the consideration received over the par value of the shares issued is presented in the notes as a share premium.

When the Company purchases its equity share capital (treasury shares), the consideration paid, including all directly attributable incremental transaction costs, is deducted from equity until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

2.13 Current and deferred tax

The current tax charge is calculated on the basis of the tax law enacted at the balance sheet date in Croatia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and consider establishing provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.14 Employee benefits

(a) Pension obligations and post-employment benefits

The Company makes payments to mandatory pension funds on behalf of its employees in the ordinary course of business through salary deductions, as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Company has no other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Company is not obliged to provide any other post-employment benefits except for the one-off retirement payment as prescribed by internal rulebook.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the ordinary retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits or when retiring regularly or early. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy or early retirement. The liability recognised in the balance sheet in respect of one-off retirement payment is the present value of the defined benefit obligation at the end of the reporting period. This obligation is calculated annually by independent actuaries. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Interest costs/income arising from actuarial calculation are charged/credited to income statement within 'interest expenses'. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(c) Long-term employee benefits

The Company recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability includes assumptions regarding the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged immediately or credited to the income statement within 'staff costs'. Interest costs/income arising from actuarial calculation are charged/credited to income statement within 'interest expenses'.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.14 Employee benefits (continued)

(d) Share-based compensations

Management and employees of the Company are entitled through ESOP program to receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

(e) Short-term employee benefits

The Company recognises a provision for bonuses and accumulating unused vacation entitlement days if contractually obliged or if there is a past practice that has created a constructive obligation.

2.15 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.16 Revenue recognition

Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expect to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is presented net of value-added tax. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

(a) Revenue from services

Revenue from services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Income from corporate governance services is recognised in the accounting period in which the services are rendered and invoiced.

(b) Interest income

Interest income arising from fixed-term bank deposits, granted loans and interest from customers is recognised on a time-proportion basis using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Rental income

Rental income is generally recognised in the period in which the services are provided using a straight-line basis over the terms of contracts with lessees and presented in income statement within "Other income".

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which dividends are approved by the Company's General Assembly.

2.18 Value added tax

The Tax Authorities require the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the balance sheet on a net basis. Where a provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

2.19 Assets held for sale

Assets are classified as assets held for sale when their carrying value is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell and no depreciation is charged to profit and loss statement.

2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the regular operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Operating segments reporting

The Company does not report information about its operating segments in separate financial statements, as its activities are of corporate nature. Operating segments reporting is relevant from Group perspective, and is presented in consolidated financial statements of the Group which are published on the Company's website (www.atlanticgrupa.com).

2.22 Events after the reporting period

Events that occur after the reporting period and provide necessary information about the Company's position on the reporting date (adjusting events) are reflected in the financial statements. Events that occur after the reporting period and are not adjusting events are disclosed in the notes when they are significant.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. Management closely monitors the risk profile of the Company's operations, including the establishment of authorisation and accountability levels.

(a) *Market risk*

(i) *Foreign exchange risk*

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

By introducing the EUR as the functional currency as of 1 January 2023, the Company's exposure to this currency risk ceases, as the majority of items on the Company's balance sheet are denominated in euros.

The Company holds an insignificant amount of trade and other payables, as well as cash and cash equivalents denominated in foreign currencies.

(ii) *Cash flow and fair value interest rate risk*

As the Company does not have significant interest-bearing assets, the Company's income and operating cash flows are not substantially dependent of changes in market interest rates.

The Company's interest rate risk arises from borrowings and bonds issued. Debt issued at variable rates expose the Company to cash flow interest rate risk. Debt issued at fixed rates expose the Company to fair value interest rate risk.

The Company analyses its interest rate changes on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift.

At 31 December 2023, if the effective interest rate on borrowings had been 100 basis points higher/lower on an annual level, the loss for the reporting period would have been EUR 21 thousand higher/lower. A change in the effective interest rate would have an insignificant impact on profit in 2022 since the Company's loans are issued at fixed interest rates.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The Company's assets, potentially subjecting the Company to concentrations of credit risk, primarily include cash and trade and other receivables. The Company does not have significant concentrations of credit risk, since loans and receivables mainly relate to transactions within the Group. The Company has policies that limit the amount of credit exposure to any financial institution.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The Company aims to maintain flexibility in funding by keeping committed credit lines available. Trade and other payables as well as short-term borrowings are due within 12 months after the balance sheet date, while the maturity of long-term borrowings is disclosed in Note 20.

Cash flow forecasting is performed by Company finance. Company finance monitors the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities when needed. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

Surplus cash held over and above the balance required for working capital management is invested in interest bearing giro accounts, time deposits and cash funds, i.e. instruments with appropriate maturities or sufficient liquidity. At the balance sheet date the Company held cash and cash equivalents in the amount of EUR 11,497 thousand (2022: EUR 5,193 thousand) that are expected to readily generate cash inflows for managing liquidity risk.

The next table analyses financial liabilities of the Company according to contracted maturities. The amounts stated below represent undiscounted cash flows.

<i>(in thousands of EUR)</i>	Less than 1 year	Between 1- 5 years	Total
31 December 2023			
Trade and other payables	5,079	-	5,079
Borrowings	10,486	40,165	50,651
Lease liabilities	1,363	3,234	4,597
<i>(in thousands of EUR)</i>	Less than 1 year	Between 1- 5 years	Total
31 December 2022			
Trade and other payables	4,029	-	4,029
Borrowings	369	45,519	45,888
Lease liabilities	1,327	553	1,880

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.2 Changes in liabilities arising from financial activities

<i>(in thousands of EUR)</i>	Bonds Non- current	Bonds Current	Bank borrowings Non- current	Bank borrowings current	Leases Non- Current	Leases Current	Total
1 January 2023	39,719	19	5,000	-	544	1,311	46,593
Cash flow	-	-	-	5,000	-	(1,512)	3,488
Additions, modifications and leases expirations	-	-	-	-	3,784	295	4,079
Prepaid fee amortized	33	-	-	-	-	-	33
Current portion	-	-	(5,000)	5,000	(1,189)	1,189	-
Other	-	(8)	-	-	-	-	(8)
31 December 2023	39,752	11	-	10,000	3,139	1,283	54,185

The “Other” column includes change in interest payable liability as the Company classifies interest paid as cash flows from operating activities.

3.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital and net debt. Net debt is calculated as total borrowings (including long-term and short-term borrowings, as shown in the balance sheet) plus lease liabilities, derivative financial liabilities less cash and cash equivalents. Total capital and net debt is calculated as equity, as shown in the balance sheet, plus net debt.

The gearing ratios were as follows:

	31 December 2023	31 December 2022
	<i>(in thousands of EUR)</i>	
Total borrowings (Note 20)	49,763	44,738
Lease liabilities (Note 12a)	4,422	1,855
Less: Cash and cash equivalents (Note 17)	(11,497)	(5,193)
Net debt	42,688	41,400
Total equity	196,870	209,266
Total capital and net debt	239,558	250,666
Gearing ratio	18%	17%

In order to maintain or adjust the capital structure, the General Assembly, in accordance with the Decision on dividend policies, may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or the Company may sell assets to reduce debt.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation

All financial instruments that are recognized and measured at fair value in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Impairment of Investments in subsidiaries

The Company performs analysis on an annual basis to conclude whether there are any indicators that investment in subsidiaries suffers any impairment, in accordance with the accounting policy disclosed in Note 2.3. If any indicator of impairment exists, the Company performs impairment tests. These tests require the use of estimates such as expected growth rate, discount rate etc., that are mainly based on market conditions existing at the time when the tests are performed.

NOTE 5 – OTHER INCOME

	<u>2023</u>	<u>2022</u>
	<i>(in thousands of EUR)</i>	
Interest income – related parties (Note 24)	781	707
Interest income - third parties	173	38
Dividend income – related parties (Note 24)	-	35,835
Rental income – third parties	-	188
Other income – related parties (Note 24)	12	4
Other	497	1,067
	<u>1,463</u>	<u>37,839</u>

NOTE 6 – STAFF COSTS

	<u>2023</u>	<u>2022</u>
	<i>(in thousands of EUR)</i>	
Gross salaries /i/	9,994	9,578
Education	415	482
Public transport	79	66
Other staff costs /ii/	4,840	3,104
	<u>15,328</u>	<u>13,230</u>

In 2023, the average employees number was 177 (2022: 182).

/i/ Pension contributions to mandatory pension funds for the year ended 31 December 2023 amounted to EUR 1,534 thousand (2022: EUR 1,484 thousand).

/ii/ Other staff costs comprise of bonuses, accruals for unused vacation days and jubilee awards.

NOTE 7 – MARKETING AND PROMOTION COSTS

	<u>2023</u>	<u>2022</u>
	<i>(in thousands of EUR)</i>	
Sponsorships and donations	444	886
Sponsorships and donations – related parties (Note 24)	32	-
Market research expenses	192	273
Marketing and promotion costs	107	922
	<u>775</u>	<u>2,081</u>

NOTE 8 – OTHER OPERATING COSTS

	<u>2023</u>	<u>2022</u>
	<i>(in thousands of EUR)</i>	
Maintenance and security	2,113	1,962
Rentals	1,945	1,909
Intellectual services	837	777
Telecommunication services	688	644
Entertainment	415	337
Transportation services	331	450
Services from related parties (Note 24)	305	231
Supervisory Board compensation	267	254
Travel expense and daily allowances	259	209
Subscriptions and membership fees	221	200
Fuel	169	168
Insurance premiums	152	124
Taxes and contributions irrespective of operating results	54	49
Office supplies	48	50
Bank charges	17	16
Other	378	284
	<u>8,199</u>	<u>7,664</u>

NOTE 9 – OTHER LOSSES – NET

	<u>2023</u>	<u>2022</u>
	<i>(in thousands of EUR)</i>	
Foreign exchange gains / (losses) – net	28	(4)
Gain on sale of property, plant and equipment	13	3
Impairment of investment in subsidiaries	(50)	(961)
Other gains	2	1
	<u>(7)</u>	<u>(961)</u>

NOTE 10 – FINANCE COSTS – NET

	<u>2023</u>	<u>2022</u>
	<i>(in thousands of EUR)</i>	
Finance income:		
Foreign exchange gains from borrowings and lease liabilities	-	26
	<u>-</u>	<u>26</u>
Finance costs:		
Interest expense - bonds	(373)	(381)
Interest expense - banks	(113)	(12)
Interest expense - leases	(50)	(33)
Interest expense - other	(5)	(4)
Total interest expense	<u>(541)</u>	<u>(430)</u>
Foreign exchange losses from borrowings and lease liabilities	-	(76)
	<u>(541)</u>	<u>(506)</u>
	<u>(541)</u>	<u>(480)</u>

NOTE 11 – INCOME TAX EXPENSE

	<u>2023</u>	<u>2022</u>
	<i>(in thousands of EUR)</i>	
Current income tax	414	6
Deferred tax (Note 21)	<u>(372)</u>	<u>270</u>
Income tax	<u>42</u>	<u>276</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of 18% (2022: 18%) applicable to the Company's profit as follows:

	<u>2023</u>	<u>2022</u>
	<i>(in thousands of EUR)</i>	
(Loss) / profit before tax	(791)	34,711
Income tax at 18%	(142)	6,248
Effect of expenses not deductible for tax purposes	340	502
Effect of income not subject to tax	-	(6,439)
Effect of used tax losses	<u>(156)</u>	<u>(35)</u>
Income tax	<u>42</u>	<u>276</u>
Effective tax rate	<u>-</u>	<u>0.8%</u>

In accordance with positive legal regulations, the Tax Authority may carry out a tax audit within three years from the year in which the income tax liability for a certain financial period was established. The statute of limitations applicable on the right to assess tax liabilities and interest commences upon expiry of the year in which a tax liability became payable and the moment when the tax liability becomes payable is prescribed by special tax laws governing various types of direct and indirect taxes.

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

<i>(in thousands of EUR)</i>	Land	Leasehold Improvements	Equipment	Assets not yet in use	Total
At 31 December 2021					
Cost	5,931	2,396	3,382	20	11,729
Accumulated depreciation	-	(2,112)	(2,101)	-	(4,213)
Net book amount	5,931	284	1,281	20	7,516
At 1 January 2022					
Opening net book amount	5,931	284	1,281	20	7,516
Additions	-	-	-	655	655
Transfer	-	7	253	(260)	-
Disposals	-	-	(4)	-	(4)
Impairment charge	-	(66)	-	-	(66)
Depreciation	-	(124)	(447)	-	(571)
Closing net book amount	5,931	101	1,083	415	7,530
At 31 December 2022					
Cost	5,931	622	3,367	415	10,335
Accumulated depreciation and impairment charge	-	(521)	(2,284)	-	(2,805)
Net book amount	5,931	101	1,083	415	7,530
At 1 January 2023					
Opening net book amount	5,931	101	1,083	415	7,530
Additions	-	-	-	701	701
Transfer	-	7	954	(961)	-
Transfer to assets held for sale	(5,931)	-	-	-	(5,931)
Depreciation	-	(20)	(561)	-	(581)
Closing net book amount	-	88	1,476	155	1,719
At 31 December 2023					
Cost	-	580	4,211	155	4,946
Accumulated depreciation	-	(492)	(2,735)	-	(3,227)
Net book amount	-	88	1,476	155	1,719

NOTE 12a – LEASES

This note provides information for leases where the Company is lessee.

(i) *Amounts recognized in the balance sheet*

<i>(in thousands of EUR)</i>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Right-of-use assets			
At 1 January 2022	1,486	1,166	2,652
Additions	-	501	501
Lease modification	90	59	149
Termination of lease	-	(93)	(93)
Depreciation	(827)	(630)	(1,457)
At 31 December 2022	749	1,003	1,752
Additions	-	857	857
Lease modification	3,185	181	3,366
Termination of lease	-	(141)	(141)
Depreciation	(881)	(640)	(1,521)
At 31 December 2023	3,053	1,260	4,313

<i>(in thousands of EUR)</i>	<u>31 December 2023</u>	<u>31 December 2022</u>
Lease liabilities		
Current	1,283	1,311
Non-current	3,139	544
	4,422	1,855

(ii) *Amounts recognized in the income statement*

<i>(in thousands of EUR)</i>	<u>2023</u>	<u>2022</u>
Depreciation charge of right-of-use assets	1,521	1,457
Interest expense (included in "Finance costs")	50	33
Expense related to short-term leases, leases of software licences and low value assets (included in "Other operating costs")	1,945	1,909

The total cash outflow for leases in 2023 was EUR 1,512 thousand (2022: EUR 1,537 thousand).

NOTE 12b – ASSETS HELD FOR SALE

	<u>31 December 2023</u>	<u>31 December 2022</u>
<i>(in thousands of EUR)</i>		
At 1 January	-	-
Transfer from property, plant and equipment	5,931	-
At 31 December	5,931	-

The amount of assets held for sale as at 31 December 2023 relates to the construction land in Zagreb, owned by the Company. Activities to implement the planned sale are underway.

NOTE 13 – INTANGIBLE ASSETS

	<u>31 December 2023</u>	<u>31 December 2022</u>
<i>(in thousands of EUR)</i>		
Opening net carrying amount	7,025	6,270
Additions	3,303	3,496
Amortisation	(3,017)	(2,741)
Closing net carrying amount	7,311	7,025
Cost	22,073	18,832
Accumulated amortisation	(14,762)	(11,807)
Closing net carrying amount	7,311	7,025

The entire amount of intangible assets relates to software.

NOTE 14 – INVESTMENTS IN SUBSIDIARIES

	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
	Holding in %	Holding in %	<i>(in thousands of EUR)</i>	
Atlantic Trade d.o.o., Zagreb, Croatia	100%	100%	98,022	98,022
Atlantic Cedevita d.o.o., Zagreb, Croatia	100%	100%	17,617	17,617
Atlantic Eurocenter d.o.o., Zagreb, Croatia (acquired in 2023) /i/	100%	-	26,566	-
Hopen Investments B.V., Amsterdam, Netherlands /ii/	100%	100%	2,923	2,973
Montana Plus d.o.o., Zagreb, Croatia	100%	100%	632	632
Atlantic Brands GmbH, Vienna, Austria	100%	100%	1,456	1,456
Atlantic Point d.o.o., Zagreb, Croatia	100%	100%	3	3
Farmacia Holding d.o.o., Zagreb, Croatia	100%	100%	54,290	54,290
			201,509	174,993

/i/ On 30 November 2023, the Company acquired 100% ownership in the company Atlantic Eurocenter d.o.o.

/ii/ Impairment of EUR 50 thousand was made in 2023 to reduce the carrying value of investment to the carrying value of net assets of the subsidiary (2022: EUR 961 thousand) - (Note 9).

NOTE 15 – FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	31 December 2023	31 December 2022
	<i>(in thousands of EUR)</i>	
Financial assets at amortised cost		
Trade receivables	21,455	17,197
Loans and deposits given	2,013	45,993
Other financial assets at amortized cost	799	758
Cash and cash equivalents	11,497	5,193
	35,764	69,141
Total current	35,452	68,931
Total non-current	312	210
Financial liabilities at amortised cost		
Borrowings	49,763	44,738
Trade and other payables	5,079	4,029
Lease liabilities	4,422	1,855
	59,264	50,622
Total current	16,373	5,359
Total non-current	42,891	45,263

NOTE 16 – TRADE AND OTHER RECEIVABLES

	<u>31 December 2023</u>	<u>31 December 2022</u>
	<i>(in thousands of EUR)</i>	
Non-current receivables		
Deposits	149	149
Loans given	163	61
	312	210
Current receivables		
Trade receivables – related parties (Note 24)	21,033	17,159
Trade receivables	422	38
Short-term loans given – related parties (Note 24)	-	43,799
Short-term loans given	1,586	1,495
Accrued interest receivable – related parties (Note 24)	-	489
Accrued interest receivable	115	-
Other receivables – related parties /i/ (Note 24)	51	13
Other receivables /i/	2,329	1,900
	25,536	64,893
Total trade and other receivables	25,848	65,103

/i/ Other receivables mostly relates to prepaid expenses.

Financial assets by category are as follows (Note 15):

	<u>31 December 2023</u>	<u>31 December 2022</u>
	<i>(in thousands of EUR)</i>	
Category: Trade and other receivables		
Deposits	149	149
Long-term loans given	163	61
Trade receivables – related parties (Note 24)	21,033	17,159
Trade receivables	422	38
Short-term loans receivables – related parties (Note 24)	-	43,799
Short-term loans receivables	1,586	1,495
Accrued interest receivable – related parties (Note 24)	-	489
Accrued interest receivable	115	-
Other receivables	799	758
	24,267	63,948

The carrying amounts of the Company's trade and other receivables are denominated in EUR.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security other than bills of exchange and promissory notes.

NOTE 16 – TRADE AND OTHER RECEIVABLES (continued)

All non-current receivables fall due within two years after the balance sheet date.

The fair value of non-current receivables approximates the carrying amounts, since the contracted interest rates reflect market rates.

As at 31 December 2023, trade and other receivables past due amounted to EUR 15,974 thousand (2022: EUR 10,216 thousand). Almost all receivables past due relate to receivables from related parties and they were not provided for as collection is not questionable.

The ageing analysis of past due but not provided for trade and other receivables by maturity periods is as follows:

	31 December 2023	31 December 2022
	<i>(in thousands of EUR)</i>	
Less than 3 months	4,951	4,209
3 to 6 months	4,028	3,108
Over 6 months	6,995	2,899
	15,974	10,216

NOTE 17 – CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
	<i>(in thousands of EUR)</i>	
Gyro account and cash on hand	11,428	5,187
Foreign currency account	69	6
	11,497	5,193

NOTE 18 – SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	<u>Number of shares</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Total</u>
			<i>(in thousands of EUR)</i>		
1 January 2022	3,319,479	17,702	117,307	(2,937)	132,072
Purchase of treasury shares	(10,038)	-	-	(2,141)	(2,141)
Share based payments	16,995	-	362	3,430	3,792
21 July 2022	3,326,436	17,702	117,669	(1,648)	133,723
Share split /i/	13,305,744	-	-	-	-
Purchase of treasury shares	(18,000)	-	-	(831)	(831)
Share based payments	1,324	-	(6)	69	63
31 December 2022	13,289,068	17,702	117,663	(2,410)	132,955
Purchase of treasury shares	(51,070)	-	-	(2,609)	(2,609)
Share based payments	50,227	-	87	2,515	2,602
Alignment /ii/	-	88,996	(88,990)	(6)	-
31 December 2023	13,288,225	106,698	28,760	(2,510)	132,948

/i/ At the General Assembly held on 15 June 2022, the Company made a decision on the share split of ordinary registered shares, code ATGR-R-A, with an individual nominal value of HRK 40.00, in a way that 1 share, code ATGR-R-A, ISIN HRATGRRRA0003, with an individual nominal value of HRK 40.00 is split into 4 new ordinary registered shares of the Company, code ATGR-R-A, with an individual nominal value of HRK 10.00.

Following the share split on 21 July 2022, the share capital in the amount of HRK 133,372,000.00 was divided into 13,337,200 ordinary shares with an individual nominal value of HRK 10.00.

/ii/ In accordance with the Law on the introduction of the euro as the official currency in the Republic of Croatia, the Company's share capital was converted from the amount of HRK 133,372,000.00 to the amount of EUR 17,701,506.40.

The individual nominal amount of the ordinary share was converted from the amount of HRK 10.00 to the amount of EUR 1.33.

In 2023 the Company's share capital was increased from the share premium funds from the amount of EUR 17,701,506.40 for the amount of EUR 88,996,093.60 to the amount of EUR 106,697,600.

After the implementation, the Company's share capital amounts to EUR 106,697,600.00 and is divided into 13,337,200 ordinary shares code ATGR-R-A with a nominal amount of EUR 8.00.

All shares issued are ordinary shares, including all relevant rights, with an exception of treasury shares. These rights include the right to vote at the Company's General Assembly, as well as the right to dividend payment.

NOTE 18 – SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (continued)

The ownership structure of the Company is as follows:

	31 December 2023		31 December 2022	
	Number of shares	%	Number of shares	%
MYBERG d.o.o.	6,695,276	50.20	6,695,276	50.20
Raiffeisen Obligatory pension fund	1,447,396	10.85	1,447,396	10.85
AZ Obligatory pension fund	1,147,784	8.61	1,147,784	8.61
Erste Plavi Obligatory pension fund	988,464	7.41	988,464	7.41
Lada Tedeschi Fiorio	772,624	5.79	772,624	5.79
Other Management board members	157,884	1.18	149,376	1.12
Other shareholders	2,078,797	15.59	2,088,148	15.66
Treasury shares	48,975	0.37	48,132	0.36
Total	13,337,200	100.00	13,337,200	100.00

Based on the Share Transfer Agreement concluded on 29 July 2022, Mr. Emil Tedeschi transferred all the shares of the Company he has held as an individual shareholder to the company MYBERG d.o.o., Zagreb and it resulted in a change of the ownership structure of the Company. Mr. Emil Tedeschi is the founder and majority owner of the company MYBERG d.o.o., Zagreb.

The annual consolidated financial statements of the largest group of companies, in which the Company is a controlled member, are prepared by MYBERG d.o.o., Zagreb. These statements will be available within the legal deadline in the Register of Annual Financial Reports at the Financial Agency - FINA.

Share based payments

According to the Company's ESOP program, employees can opt to receive bonus in Company's shares and this right is granted to the Management as well as to other employees defined by ESOP resolution (equity- settled transactions).

In addition to the right to pay bonuses in shares, employees, if decide to keep the shares for a period of at least two or three subsequent years of employment (vesting period), acquire the right to additional shares, while the other part is available without restrictions.

Members of senior management are eligible to participate in the Executive Longevity Premium program, which was created as a result of Atlantic Grupa's desire to recognize the critical contribution of senior management positions in creating and implementing a long-term strategy. Through this program, the Company grants a package of shares to members of senior management for their long-term contribution to the Company in a senior executive position, whereby the right to a third of the shares from the package is acquired upon completion of six years in an executive position, while the right to the remaining two thirds is acquired upon retirement.

Additionally, employees who, according to the internal performance management evaluation process have made an extraordinary contribution in the previous business year are awarded with an additional package of shares, 20% of which are vested in the current year, while the remaining 80% are vested after the expiration of an additional three and five years of employment.

In addition to the previous mentioned programs, there is also a Special award of the Chief Executive Officer who awards the best employees for their contribution in the previous financial year in shares. The right to acquire these shares is fully exercised in the current year.

As of 31 December 2023, a total of 55,405 shares were granted (2022: 44,673 shares). The fair value of the shares granted is determined as of the grant date, at the estimated market price of the share of EUR 55.00 (2022: EUR 47.70).

NOTE 18 – SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (continued)

In 2023, the members of the Management Board and employees received a total of 25,775 non-conditional shares granted in 2022, as well as 17,988 conditional shares granted in 2019 and 5,931 conditional shares granted in 2020 and 533 conditional shares granted in 2021.

In 2022, prior to the corporate action of the share split, the members of the Management Board and employees received a total of 12,033 non-conditional shares granted in 2021, as well as 3,552 conditional shares granted in 2018 and 1,410 conditional shares granted in 2019. Following the corporate action of the share split, Management and employees received an additional 964 non-conditional shares granted in 2021 and 360 conditional shares granted in 2019.

Dividend distribution

According to the decision of the Company's General Assembly from 29 June 2023, the distribution of dividend in the amount of EUR 1.00 per share, or EUR 13,309 thousand in total was approved. Dividend was paid in July 2023.

In 2022 the distribution of dividend in the amount of EUR 1.66 per share, or EUR 22,075 thousand in total was approved. Dividend was paid in July 2022.

NOTE 19 – TRADE AND OTHER PAYABLES

	31 December 2023	31 December 2022
	<i>(in thousands of EUR)</i>	
Trade payables	3,262	2,921
Trade payables – related parties (Note 24)	865	322
Other payables /i/	1,797	1,646
	5,924	4,889

/i/ Other payables are as follows:

	31 December 2023	31 December 2022
	<i>(in thousands of EUR)</i>	
Gross salaries payable	845	860
Accrued expenses	799	688
Other	153	98
	1,797	1,646

Financial liabilities i.e. trade and other payables excluding gross salaries payable are denominated in the following currencies:

	31 December 2023	31 December 2022
	<i>(in thousands of EUR)</i>	
EUR	4,988	3,971
Other currencies	91	58
	5,079	4,029

NOTE 20 – BORROWINGS

	<u>31 December 2023</u>	<u>31 December 2022</u>
	<i>(in thousands of EUR)</i>	
Long-term borrowings:		
Financial institutions /i/	-	5,000
Bonds /ii/	39,752	39,719
	39,752	44,719
Short-term borrowings:		
Financial institutions /i/	10,000	-
Bonds /ii/	11	19
	10,011	19
Total borrowings	49,763	44,738

/i/ As at 31 December 2023, short-term bank borrowings include two loans secured by the Company's promissory note. As at 31 December 2022, long-term bank borrowings include one loan secured by the Company's promissory note maturing on 1 April 2024.

/ii/ In December 2020 the Company issued corporate bonds in amount of EUR 39,817 thousand at the price of 99.985% with a coupon of 0.875% per annum with semi-annual payment of interest and final redemption on 11 December 2025. The purpose of these bonds is financing working capital and refinance of bonds whose maturity was on 17 June 2022.

The exposure of the Company's borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet date are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
<i>(u thousands of EUR)</i>		
Fixed interest rate	44,763	44,738
Variable interest rate - up to 3 months	5,000	-
	49,763	44,738

The effective annual interest rate relating to bonds at the balance sheet date was 0.94% (2022 0.96%).

The carrying amounts and fair value of long-term borrowings were as follows:

	Carrying amounts		Fair value	
	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
	<i>(in thousands of EUR)</i>		<i>(in thousands of EUR)</i>	
Long-term borrowings				
Financial institutions	-	5,000	-	4,985
Bonds	39,752	39,719	37,627	39,817
	39,752	44,719	37,627	44,802

The carrying amount of short-term borrowings approximates their fair value.
 The carrying amounts of the Company's borrowings are denominated in EUR.

NOTE 21 – DEFERRED TAX ASSETS

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the amounts recognised will be realised through future taxable profits of the Company. Temporary differences primarily relate to accrued bonuses, severance payments and jubilee awards. In 2022 the Company did not recognise deferred income tax assets of EUR 156 thousand in respect of tax losses that can be carried forward against future taxable income. Deferred tax assets have not been recognised in respect of these losses as it was not certain that future taxable profit will be available for utilisation of temporary differences. As at 31 December 2023 there were no tax losses in 2023 (2022: EUR 867 thousand).

Deferred tax assets

(in thousands of EUR)

	Bonuses	Other	Total
At 1 January 2022	921	8	929
Tax credited to the income statement (Note 11)	539	-	539
Tax charged to the income statement (Note 11)	(808)	(1)	(809)
At 31 December 2022	652	7	659
Tax credited to the income statement (Note 11)	816	16	832
Tax charged to the income statement (Note 11)	(460)	-	(460)
At 31 December 2023	1,008	23	1,031

NOTE 22 – PROVISIONS

(in thousands of EUR)

	Jubilee awards and termination benefits	Bonuses	Total
At 31 December 2022	78	1,429	1,507
Analysis of total provisions:			
Non-current	69	-	69
Current	9	1,429	1,438
At 1 January 2023	78	1,429	1,507
Additions charged to the income statement	53	4,534	4,587
Additions charged to the other comprehensive income	2	-	2
Used during the year	(4)	(2,474)	(2,478)
Transfer to other reserves in capital	-	(1,755)	(1,755)
Reversed during the year	(3)	(82)	(85)
	126	1,652	1,778
Analysis of total provisions:			
Non-current	108	125	233
Current	18	1,527	1,545
At 31 December 2023	126	1,652	1,778

NOTE 23 – COMMITMENTS

Capital expenditure contracted at 31 December 2023 but not yet incurred amounted to EUR 64 thousand (2022: EUR 1,329 thousand) and relate entirely to intangible assets.

The Company is co-debtor and guarantor to its subsidiaries and other members of the Group in their borrowings with total principal balance of EUR 113,336 thousand (2022: 53,074 thousand). The financial liability related to these guarantees is not material and provision has not been recognized as the Management believes that the possibility of any outflow of economic resource is remote.

NOTE 24 – RELATED PARTY TRANSACTIONS

The Company enters into transactions with the related parties as presented in Note 14 and other entities owned or controlled by the Company and ultimate controlling party.

Related party transactions that relate to balances as at 31 December 2023 and as at 31 December 2022 and transactions recognized for years then ended are as follows:

<i>(all amounts expressed in thousands of EUR)</i>	<u>Note</u>	<u>2023</u>	<u>2022</u>
RECEIVABLES			
<i>Short-term loans</i>			
Subsidiaries	16	-	43,799
<i>Interest receivable</i>			
Subsidiaries	16	-	489
<i>Trade receivables</i>			
Subsidiaries	16	21,033	17,159
<i>Other receivables</i>			
Subsidiaries	16	51	13
LIABILITIES			
<i>Trade and other payables</i>			
Subsidiaries	19	864	320
Other entities		1	2
REVENUES			
<i>Sales revenues</i>			
Subsidiaries		27,715	26,123
<i>Dividend income</i>			
Subsidiaries	5	-	35,835
<i>Interest income</i>			
Subsidiaries	5	781	707
<i>Other income</i>			
Subsidiaries	5	12	4
EXPENSES			
<i>Marketing and promotion costs</i>			
Other entities	7	32	-
<i>Other operating costs</i>			
Subsidiaries	8	295	223
Other entities		10	8

Management board compensation

In 2023 members of the Management Board received a total gross amount of EUR 2,796 thousand relating to salaries, bonuses and other receipts in kind (2022: EUR 3,199 thousand).

NOTE 25 – AUDITORS’ FEES

Statutory audit services fees to the auditors of the separate and consolidated financial statements amounted to EUR 208 thousand (2022: EUR 185 thousand), while fees related to other services amounted to EUR 8 thousand (2022: EUR 7 thousand). Other services relate to Report on remuneration of the Management Board and the Supervisory Board.

NOTE 26 - EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that would have a significant impact on the Company's financial statements as at 31 December 2023 or for the year then ended or that are of such significance to the Company's operations that they would require disclosure in the notes to the financial statements.