

# ATLANTIC

## GRUPA

FINANCIAL RESULTS  
IN 2022  
(unaudited)

Zagreb, 28 February 2023



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**BEZ**

KONZERVANSA  
•  
UMJETNIH  
POJAČIVAČA  
AROME  
•  
UMJETNIH BOJA  
•  
GLUTENA

**Samo fantastičan  
okus povrća**

**NOVO**



Commenting on the financial results for 2022, **Emil Tedeschi**, CEO of Atlantic Grupa, pointed out:

“Despite many challenges in the environment, in 2022 Atlantic Grupa achieved record sales results, and the growth was achieved in all business and distribution units. After the previous two years were marked by the coronavirus pandemic, 2022 was marked by Russia’s aggression against Ukraine, which caused an energy crisis, additional delays and shortages in supply chains, and significant price increases for a large part of our raw materials and packaging materials, logistics and other services, and energy sources. We were only able to partially compensate for these increases in the prices of almost all strategic raw materials and services by optimizing internal resources, and to a lesser extent by increasing our selling prices, which, as expected, led to a drop in profitability.

The company continued to invest in business development including, among other things, innovations in our product portfolios, modernization of production capacities and continued digital transformation. The year was also marked by the hundredth anniversary of Atlantic Štark, one of the components of Atlantic Grupa.

The success of the overall business and approach continues to be confirmed by valuable awards, so last year Atlantic Grupa won the first prize for investor relations and we again won the first prize for the quality of corporate governance. Also, this year our prominent brands won a whole series of awards for market communication at regional competitions, and the campaign for Donat, which won platinum Effie at the level of Slovenia, was a finalist in the Global Best of the Best Effie Awards, for the most effective and successful marketing campaigns from around the world.

Our fundamental business priorities in the coming period and circumstances remain the same – ensuring the smooth continuation of production and continuous supply of our customers and consumers, and social responsibility in the broadest sense.”

## KEY DEVELOPMENTS IN 2022

### CONTINUED SIGNIFICANT REVENUE GROWTH WITH PROFITABILITY DECREASE

**SALES** AT HRK 6,373.0 MILLION  
+11.8% compared to 2021  
+12.4%\* normalized for impacts of divested business

**EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION  
(EBITDA\*)** AT HRK 575.4 MILLION  
-20.6% compared to 2021 (-22.3% if one-off items excluded\*)

**EARNINGS BEFORE INTEREST AND TAXES (EBIT\*)** AT HRK 275.1 MILLION  
-37.2% compared to 2021 (-39.5% if one-off items excluded\*)

**NET PROFIT\*** AT HRK 195.7 MILLION  
-43.2% compared to 2021 (-49.3% if one-off items excluded\*)

### FINANCIAL SUMMARY OF 2022

Key figures	2022 (in HRK million)	2022 (in EUR million)	2021 (in HRK million)	2021 (in EUR million)	2022/ 2021**
<b>Sales</b>	<b>6,373.0</b>	<b>846.2</b>	5,702.5	758.1	11.8%
<b>Turnover</b>	<b>6,464.0</b>	<b>858.3</b>	5,785.8	769.2	11.7%
<b>Normalized EBITDA margin*</b>	<b>9.0%</b>	<b>9.0%</b>	12.9%	12.9%	-392bp
<b>Normalised net income*</b>	<b>187.4</b>	<b>24.9</b>	369.3	49.1	(49.3%)
<b>Gearing ratio*</b>	<b>17.0%</b>	<b>17.0%</b>	12.7%	12.7%	+431bp

The comparative period has been adjusted to the reporting for 2022.

\* Certain financial measures are not defined by International Financial Reporting Standards (IFRSs). For more details on the Alternative Performance Measures (APM) used, see chapter "Definition and reconciliation of Alternative Performance Measures (APM)".

\*\* The change refers to value in kuna

\*\*\* The presentation in euros is the result of applying average exchange rate in accordance with IFRSs

# KEY DEVELOPMENTS IN 2022

## 1. SUPERVISORY BOARD REINFORCED, TWO NEW MEMBERS

At the session held on 7 December 2021, the Supervisory Board adopted a proposed decision for the election of 2 new members of the Company's Supervisory Board. With the adoption of this Decision by the General Assembly on 20 January 2022, the Supervisory Board was expanded from the previous 7 to 9 members. Vesna Nevistić, PhD, an experienced expert in the fields of management consulting, banking, corporate development and restructuring, and Zoran Vučinić, a proven global manager with an extremely successful international career in the field of consumer goods industry joined the Supervisory Board.

Strengthening the Supervisory Board with these new members is a logical continuation of the process of defining corporate strategy and priorities in the further development of the company.

## 2. NEW MANAGEMENT BOARD MEMBER

At the meeting of the Supervisory Board of Atlantic Grupa d.d., held on 6 and 7 December 2022, the Supervisory Board decided to appoint Mate Štetić as a member of the Management Board of Atlantic Grupa d.d., as of 8 December 2022, for a period of 3 years. The Management Board of Atlantic Grupa d.d. was thus expanded from the previous six to seven members. Strengthening the Management Board is a logical continuation of the process of defining the corporate strategy and priorities in the further development of the company. Mate Štetić joined Atlantic Grupa in 2019 as the general manager of the Strategic Business Unit Coffee, and in his new scope of responsibility, in addition to managing the coffee category, he also takes over the management of the chocolate and snacks categories.

## 3. NEW ARGETA VEGGIE

The SBU Savoury Spreads have expanded their product line to include vegetable spreads – Argeta Veggie. Based on top quality chickpeas and vegetables, Argeta Veggie spreads are available in four flavours and do not contain additives, gluten or artificial flavour enhancers and colour additives. Argeta Veggie spreads are suitable for vegans and vegetarians, but also for all meat lovers who simply want to enrich their daily meal with more vegetables.

## 4. COCKTA BLONDIE: NEW LEGEND ON SHELVES

As of this spring, the Cockta family is richer for another member. The new Cockta Blondie has joined us and delighted all lovers of the refreshing orange flavour this summer. The well-recognizable Cockta character, based on plant extracts, enriches this choice as well, which makes it unique on the market – this is the real other side of the orange. Respecting Cockta quality standards, we use natural CO2 while, as always, our recipes are free from glucose-fructose syrup.

## KEY DEVELOPMENTS IN 2022

### 5. NEW PRINCIPAL INTERSNACK IN SERBIA, RED BULL ALSO IN NORTH MACEDONIA



The Strategic Distribution Unit (SDU) Serbia has expanded its distribution portfolio with a product range of a new principal – Intersnack. The Intersnack Group from Germany, the European leader in the production of savoury snacks, employs over 9,000 people in a total of 33 factories. Among famous brands, the Chio brand stands out with a wide range of products such as chips of different flavours, tortilla chips, baked snacks and popcorn. From 1 February 2022, Intersnack, in partnership with SDU Serbia, is conquering the Serbian market and an annual turnover of EUR 2 million is planned. The presence in over 10,000 stores across the country is planned, and the vision is that in the next three years Intersnack will present itself as one of the main players in the chips category on the Serbian market.

The successful cooperation between SDU Serbia and Red Bull GmbH, based in Austria, began in 2017. At that time, Atlantic Grupa signed an agreement with Red Bull on the distribution of this well-known energy drink on the Serbian market. SDU Serbia has proven its title of the leading distributor of consumer goods to its strategic partner Red Bull GmbH with its quality work and achievement of the set business goals. That is why Red Bull, in addition to Serbia, decided to entrust us with the distribution in North Macedonia as well. The distribution on this market began in early May 2022, and an annual turnover of EUR 3 million is planned.

### 6. KALA AND KALNIČKA IN NEW DESIGN WITH NEW STORY



At the beginning of May, we proudly presented the new story of our natural mineral waters Kala and Kalnička, which will redefine their positioning on the market, as well as new, modern, unified and more environmentally friendly packaging.

We are the first on the market to have a bottle with a tethered cap that protects the environment because we facilitate and increase the correct collection, separation and recycling of single-use plastic, thereby reducing waste in nature and on the seabed. The practicality of the new tethered caps will be most felt by people who are always on the move, as well as elderly people and small children, because there is no longer any fear of the caps falling out and losing them, which at the same time contributes to better hygiene of the product. In addition, due to its quality, Kala moved from the category of spring water to the higher category of natural mineral water, therefore we decided to bring it even closer to consumers and make it a brand with a strong character that each of us can easily identify with.

### 7. SUCCESSFUL POSITIONING OF BOOM BOX



Atlantic's new brand with a unique proposition: small oat-based meals, 100% plant-based and 100% without added sugar continues to develop successfully in its second year.

Despite a year marked by strong growth in the prices of energy sources and raw materials, Boom Box delivers sales plans and achieves market success, most visible through the second positions in terms of the value share in the oatmeal categories in Croatia and Slovenia, the first position in the granola category in Croatia, and the second position in the same category in Slovenia. In the category of plant-based drinks, Boom Box wins a stable second position in Croatia and Slovenia. A significant step forward for Boom Box in 2022 is the launch of the brand on the markets of Serbia, Bosnia and Herzegovina, and North Macedonia. In addition to the achieved sales plans, Boom Box in Serbia records the third position

## KEY DEVELOPMENTS IN 2022

in terms of value in oatmeal, the first position in granolas, and the third position in plant-based drinks. In Bosnia and Herzegovina and North Macedonia, the sales result shows that these markets also warmly welcomed Boom Box.

### 8. ZIGGY'S COFFEE HAS LANDED



The Ziggy's Coffee coffeeshop chain is a new Atlantic innovation. The first public appearance of the brand took place at the end of May at the international garden exhibition – Floraart. The unusual mobile coffeeshop generated interest, and judging by the comments and the long queues that formed, Ziggy's will surely become another beloved and successful Atlantic brand. Along with good coffee, Ziggy's will also offer consumers sweet and savoury delicacies. In September, Ziggy's Coffee opened its first location and we ended 2022 with a total of 5 locations in Zagreb. We will test the concept in different locations and through different types of facilities.

### 9. GRANNY'S SECRET: NEW CHAPTER OF GOOD OLD TASTES



We have always built the Granny's Secret brand on the harmony of tradition and modernity. And just as we hand-pick fruits and vegetables for our recipes, we wanted the packaging to be hand-painted as well. That's why we designed new labels that are hand-painted with watercolours and whose vivid colours evoke the harmony with nature that we have always cherished. New labels on well-known jars, with an even more familiar taste inside the jars, were presented this summer to customers in 14 countries: Croatia, Serbia, Slovenia, Bosnia and Herzegovina, Montenegro, the Netherlands, Germany, France, Great Britain, Austria, Australia, America, Canada and Russia.

Granny's Secret products also received the V label (vegan friendly), which brought us even closer to customers who lead such lifestyle. *Ajvar* is now completely additive-free, which we are especially proud of, and spicy *ajvar* has been further improved and now guarantees fiery bites. Granny's Secret presented a completely new official website, with a fresh design and content.

### 10. NEW ŠTARK FOR THE NEXT 100



At the beginning of September 2022, the 100<sup>th</sup> anniversary of the Atlantic Štark company was celebrated. The celebration was also marked by the implementation of the new visual identity of the Štark brand on biscuits and wafers, as well as on retail Štark stores. The jubilee year will also be remembered for the investments in the production plant for biscuits in Ljubovija, as well as the upgrade of the wafers production line in the Belgrade plant. Changing the branding was accompanied with improvements and expansion of the range, in the categories of biscuits and wafers, as well as in retail stores, and it certainly requires a certain amount of time for full implementation, which is why it will be done in stages. That's not the end of the novelties – Štark is also getting its new official website, with a modern design and appearance, where our consumers and partners will be able to find information about all our products.

## KEY DEVELOPMENTS IN 2022

### 11. ATLANTIC FINDS STRATEGIC PARTNER FOR PALANAČKI KISELJAK



Atlantic Grupa signed a sales contract for the Palanački kiseljak production site in Smederevska Palanka with the company Vik Pro Univerzal d.o.o. The subject of the sale is the entire production site with all its assets, including the traditional brand of mineral water on the Serbian market – Karađorđe, and the new owner also took over the employees of Palanački kiseljak. At this location, Atlantic Grupa primarily produced and filled products for the Cockta brand and will continue with these activities in a service form.

The strategic buyer, Vik Pro Univerzal d.o.o. based in Belgrade, has a vision and ambition to develop Palanački kiseljak and its employees in the long term, which represents a good perspective for this location. The sale of this production site is part of the process of divesting minor and non-core activities in accordance with the Atlantic's corporate strategy.

### 12. RECORD-HIGH DIVIDEND AND SHARE SPLIT



According to the decision of the General Assembly held on 15 June 2022, the dividend distribution in the amount of HRK 50 per share, or a total of HRK 166,322 thousand, was approved, which represents the highest dividend in history. The dividend was paid on 5 July 2022.

Also, the decision was adopted on the share split, in such a way that one existing share, with an individual nominal amount of HRK 40, is divided into four new ordinary shares, with an individual nominal amount of HRK 10. Through the implementation of this corporate action, each shareholder acquired four ordinary shares with an individual nominal amount of HRK 10 for each ordinary share of Atlantic Grupa with an individual nominal amount of HRK 40. Upon the share split, the share capital remained the same, and is now divided into 13,337,200 ordinary shares, with an individual nominal value of HRK 10. The provisions of the Atlantic Grupa Statute have also changed accordingly.

### 13. CONVERSION TO EURO PROJECT



In 2022, Atlantic Grupa started the project of the adjustment of Croatian companies to the replacement of the Croatian kuna with the euro. The project included the adjustment of 33 IT systems (ERP systems, business applications and analytical solutions) used by the Group in operations and business management, and more than 120 Group employees participated intensively in it. All adjustment activities were completed within the planned deadlines, from dual reporting of prices to the transition to operational business in euro. The Group joined the Code of Ethics in the shortest possible time and carried out the entire business adjustment in accordance with the Guidelines for the adjustment of the economy in the process of replacing the Croatian kuna with the euro.



# KEY DEVELOPMENTS IN 2022

## 14. DIGITAL TRANSFORMATION OF ATLANTIC GRUPA



In the field of digital transformation of Atlantic Grupa, 2022 was a dynamic year filled with process and technological changes. The main pillars of digital transformation were changes based on the implementation of business process redesign, improvement of business solutions, improvement of advanced analytics and infrastructure, as well as operational activities and upgrades.

The implementation of the new process environment began with the implementation of the S/4Hana ERP (Enterprise resource planning) system, together with changes in the surrounding systems, in Atlantic Grand. After putting the system into operation in October 2022, we continue with further implementation in other Atlantic Grupa members. The redesign of business processes resulted also in the implementation of the Master Data Management (MDM) project and the Integrated Business Planning (IBP) project. The MDM project consists of the implementation of a system that will manage all relevant master data of Atlantic Grupa (raw materials, suppliers, customers, etc.). The IBP project is an extended form of sales and operations planning that links strategic profitability goals with short- and medium-term operational planning decisions in the entire Atlantic Grupa value chain. In the area of procurement, the SAP Ariba system was implemented in Slovenian companies, and it will be followed by further implementation in other Atlantic Grupa members.

## 15. AWARDS AND RECOGNITIONS



### **Golden Basket 2022 for Argeta**

The Golden Basket is a prestigious award that has been awarded by Ja TRGOVAC, a specialized magazine for retail and FMCG industry, for seven years in six different categories. The jury of the Golden Basket, for the second year in a row, rewards continuous efforts in the development and improvement of Argeta brand products. This time, they rewarded a new visual identity that now adorns all Argeta products. Argeta in its new packaging won the Golden Basket 2022 award for "Product of the Year".

With its new look, Argeta moved away from the classic industrial design, and by adding colour, warmth and a modern visual expression, it stood out from other products in the category. The new visual identity is based on more than 20 original illustrations that aim to empower people to take steps that can change their lives for the better. The new visuals on Argeta's packaging open the door to the imagination and by their appearance encourage you to try Argeta's fish and meat spreads.

### **Generation Z has chosen – Cedevita is the coolest instant drink**

Cedevita is the coolest brand in the category of instant drinks among Generation Z in Croatia. In a survey conducted by Ipsos and JoomBoos on the preferences of coolers aged 11 to 23 in various aspects of life, Cedevita got its place. At the beginning of October, the Coolest Brands award ceremony was held in Zagreb where, in addition to the title of *the coolest* drink, JoomBoos awarded Cedevita special quality stamps for use on social networks and other platforms. JoomBoos is the strongest regional digital creator platform and the most influential media brand for Generation Z and Millennials with over 1 million YouTube subscribers.

# KEY DEVELOPMENTS IN 2022

## **Social Media Summit: awards for Grand kafa and Insta Grand**

The first Social Media Summit that was held in Sarajevo gathered experts in the field of digital media, representatives of leading companies and brands from Bosnia and Herzegovina, agencies and some of the top influencers from the domestic and regional scene.

More than 300 participants had the opportunity to expand their knowledge about content creation and managing profiles on social networks through lectures, practical examples and the presentation of new trends. At the Social Media Summit, awards were also given for the best digital campaigns realized last year.

Grand kafa's campaign "Vidim ti siguran dobitak" won the award for the best influencer campaign – Digital Cup Award 2022. The campaign "Samo uživaj" of the Insta Grand brand won the award for the best Instagram campaign. On digital channels, the "Samo uživaj" campaign had above-average results in terms of reach and communication with the target group. Insta Grand was also one of the sponsors of this year's Social Media Summit.

## **Diggit awards for Cockta, Donat and Jimmy Fantastic**

For the seventh year, the conference on digital trends invites all Slovenian agencies and companies to submit their digital solutions that make use of the advantages of the digital environment in an innovative and creative way.

The jury awarded Cockta the Diggit Grand Prize for Digital Campaign, and the Gold Award in the FMCG category for the "Unfollow" campaign. The Donat brand, which completely renewed its image last year, was awarded the Grand Prize for Digital Strategy. Jimmy Fantastic's innovative "joke arena" campaign won the Diggit Grand Prize in the Media and Entertainment category.

## **Two prizes for Boom Box at Days of Communication**

After a three-year break due to the pandemic, a new edition of the Days of Communication was held, a famous festival of national market communications. As part of the festival, IdejaX statues were awarded for the most creative communication achievements. Atlantic Grupa and the BBDO Zagreb agency were awarded a silver prize in the Best of Ad-Making group for the "The Best of Oats" project in the Film category. The project was also awarded in the Best Branding & Rebranding group, where Boom Box won the bronze award for Branding.

## **Websi awards for Argeta, Barcaffè, Cockta and Donat**

With the awarding of 34 prestigious WEBSI awards among record 180 submitted projects, the one-year WEBSI Digital Achievements of Slovenia project was completed in September at the Ljubljana Festival Hall.

Among the awardees selected by the expert jury of 108 members are the projects of our brands, namely: WEBSI award for the best content (Argeta with the first NFTs in the region), and awards by categories: Outdoor digital (1<sup>st</sup> place: Donat's smart interactive light showcase), Social networks (3<sup>rd</sup> place: "Cockta Unfollow: discover the secret of total freedom"), Global digital projects (1<sup>st</sup> place: Argeta with the first NFTs in the region and 2<sup>nd</sup> place: "Argeta is BEZ (FREE FROM)"), Crypto (1<sup>st</sup> place: Barcaffè Single Origin Rwanda and 4<sup>th</sup> place: Argeta with the first NFTs in the region), Product and landing pages and websites dedicated to personalities (1<sup>st</sup> place: "Argeta #AlwaysBetter playlist" and 2<sup>nd</sup> place: Barcaffè Black'N'Easy Shake), Use of advanced technologies (3<sup>rd</sup> place: Barcaffè Single Origin Rwanda).

## KEY DEVELOPMENTS IN 2022

### **First place for Grand kafa, Cockta and Smoki**

The Grand kafa's "Hajde da imamo vremena" campaign won the first prize in the Cross media integrated campaign category at the Kaktus festival. With the campaign, Grand kafa reminded us of the important things in life, because, perhaps more than ever before, we should enjoy with family, friends, in love, but also enjoy a good cup of coffee. With the Unfollow campaign, Cockta entered the finals in two categories: Digital – Video and Digital Integrated Campaign, in which it won the first place. For Valentine's Day this year, Cockta launched a daring campaign inviting users to let go of the burden of the past and share their worst experiences from failed relationships on Cockta's platform. Smoki stood out with a campaign that "coloured" as many as six countries in the region with street art. They won in two significant categories, for the Integrated campaign created for another market, as well as in the Outdoor category for the "Smoki – 50 years celebration campaign".

KAKTUS is an award with which the professional portal Marketing mreža wants to promote professional role models, but also to contribute to the improvement and development of the profession in Serbia.

### **UEPS awards for Smoki, Grand kafa and Cedevita**

At the UEPS award ceremony, the oldest association of market communications in Serbia, our brands won as many as 13 awards. The Smoki team celebrated the most, winning as many as seven awards, two of which were gold. Smoki won a gold award for the creative use of media for 3D touch panels for the blind and partially sighted as part of the "Smoki 50 years celebration campaign", as well as a gold award for the promotion of Serbian creativity abroad. In addition, it won two silver awards for the OOH (out-of-home) campaign for the "Smoki 50 Years celebration live OOH", as well as in the category of activities in other non-standard places for 3D touch panels for the blind and visually impaired. Also, there are three bronze awards in the category for creative use of media, an award for the promotional (integrated) snacks and desserts campaign, as well as an award for direct marketing for the "Smoki 50 years celebration". Grand kafa received three awards, one silver and two bronze awards. The "Hajde da imamo vremena" campaign by which Grand kafa reminded consumers of the important things in life, because, perhaps more than ever before, we should enjoy with our family, friends, in love, but also enjoy a good cup of coffee. The UEPS jury awarded the campaign with a silver award in the Soft drinks and beverages category. Two bronze awards for the Radio clip and the award for Brand PR were awarded to Grand kafa for the Black 'n' Easy campaign "Za kraljice i kraljeve jutro". The jury awarded Cedevita with three bronze awards for the Pink Grapefruit Cedevita packaging and for the Cedevita Rituals, an activity in which fans of this queen of vitamins were invited to share their favourite Cedevita drinking rituals and discover how much powder, in their opinion, is needed for the perfect glass of Cedevita.

### **Atlantic Grupa won the first prize for investor relations and the corporate governance award**

Atlantic Grupa won the first prize for investor relations, awarded for the 13<sup>th</sup> consecutive year at the "Challenge of Change" conference, organised jointly by the Zagreb Stock Exchange and the Association of Pension Fund Management Companies and Pension Insurance Companies.

This award is awarded in cooperation of Poslovni dnevnik and the Zagreb Stock Exchange and it represents a recognition by the investor community to companies that have fair and transparent investor relations. The competition includes companies from the CROBEX index and companies listed in the Prime and Official Markets of the Zagreb Stock Exchange, and the winners are selected based on statistical criteria related to obeying the Stock Exchange Rules by the issuer and based on a survey conducted among the capital market participants.

This is the sixth time that Atlantic Grupa won the first prize, and six more times it was among the three awardees.

Atlantic Grupa won the award in the Zagreb Stock Exchange Prime Market category for the best compliance with the Corporate Governance Code, at the conference "Corporate Governance in Croatia – Sustainability and Trust in Challenging Times" organized by Hanfa and Jutarnji list.

## SALES TRENDS IN 2022

### SALES PROFILE BY STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(HRK million)	2022	2021	2022/2021
<b>SBU Coffee</b>	<b>1,389.9</b>	1,196.2	16.2%
<b>SBU Savoury Spreads</b>	<b>973.6</b>	885.2	10.0%
<b>SBU Snacks</b>	<b>731.7</b>	684.4	6.9%
<b>SBU Beverages</b>	<b>644.6</b>	536.4	20.2%
<b>SBU Pharma</b>	<b>587.5</b>	531.5	10.5%
<b>BU Donat</b>	<b>239.9</b>	218.8	9.7%
<b>SDU Croatia</b>	<b>1,553.4</b>	1,403.2	10.7%
<b>SDU Serbia</b>	<b>1,542.2</b>	1,335.4	15.5%
<b>SDU Slovenia</b>	<b>1,094.8</b>	1,012.8	8.1%
<b>Other segments*</b>	<b>929.7</b>	855.1	8.7%
<b>Reconciliation**</b>	<b>(3,314.3)</b>	(2,956.5)	n/a
<b>Sales</b>	<b>6,373.0</b>	5,702.5	<b>11.8%</b>

The comparative period has been adjusted to the reporting for 2022.

In 2022, Atlantic Grupa recorded sales of HRK 6.4 billion, which is a significant 11.8% growth compared to the previous year. The revenue growth is recorded in all business and distribution units following excellent sales results of the majority of own and principal brands. The highest percentage growth was recorded by the Strategic business units Beverages, Coffee, and Pharmacy business. The sales growth was impacted by a better epidemiological situation on all markets, and the lifting of restrictions in the operations of the HoReCa channel as well as other measures by local authorities to prevent the spread of COVID-19, compared to the previous year, and a successful tourist season in Croatia. It should also be noted that part of the increase in revenue is the result of higher selling prices due to increases in the prices of all key raw materials, packaging materials, energy and services. If we exclude the effect of sales of the divested business, the baby food brand Bebi, which was fully divested in 2021, organic sales growth is 12.4%\*\*\*.

Atlantic Grupa records sales by business segments in a way that sales of individual Strategic Business Units and Business Units represent the total sales to third parties in the markets (either directly from a Strategic Business Unit (SBU) or Business Unit (BU), or through a Strategic Distribution Unit (SDU), Distribution Unit (DU) or Global Distribution Account Management (GDAM)), while sales of Strategic Distribution Units, Distribution Units and Global Distribution Account Management include both sales of external principals' products and sales of own products.

\* Other segments include divested baby food business Bebi, BU New Growth, DU Austria, DU Russia, GDAM and DU Macedonia.

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

\*\*\* Certain financial measures are not defined by International Financial Reporting Standards (IFRSs). For more details on the Alternative Performance Measures (APM) used, see chapter "Definition and reconciliation of Alternative Performance Measures (APM)".

## SALES TRENDS IN 2022



The STRATEGIC BUSINESS UNIT COFFEE recorded a double-digit sales growth rate in all regional markets, with the highest growth recorded in the markets of Serbia, Slovenia and Bosnia and Herzegovina. Analysed by categories, growth was recorded by almost all categories, with the most significant growth recorded by roast and ground coffee under the Grand kafa, Bonito and Barcaffè brands. Espresso coffee records a significant growth primarily as a consequence of successful strategic partnerships in the past years, strengthening brand perception and winning new customers in the HoReCa and On the Go channel. With significant sales growth, Atlantic Grupa continues to strengthen its position in the instant coffee segment in the region. Through continuous investment during the year, our brands have increased their market shares, especially in Serbia and Slovenia, where we hold the second position. In 2022, we launched instant coffee under the Barcaffè brand also in the HoReCa channel in Croatia and Bosnia and Herzegovina. The growth of revenue from roast and ground coffee was generated primarily by the increase in selling prices due to a significant increase in the price of raw coffee and packaging materials, while in other coffee categories the volume growth was also achieved.



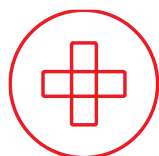
The STRATEGIC BUSINESS UNIT SAVOURY SPREADS recorded a significant sales growth in all regional markets, in the Western markets (Germany, Austria, Sweden), and Kosovo. Growth was recorded both in meat and fish savoury spreads segments. Also, jams and ajvar under the Granny's Secret brand record a sales growth. Part of the revenue growth of this Strategic unit is generated by volume growth but also by higher selling prices as a result of significant increases in the prices of key raw materials and packaging materials.



The STRATEGIC BUSINESS UNIT SNACKS recorded an increase in sales in almost all regional markets, with the most significant growth recorded by the markets of Serbia, Bosnia and Herzegovina, and North Macedonia. Also, the Western markets of Austria, Sweden and Switzerland contribute to the sales growth. Analysed by categories, the growth is recorded by all categories, led by chocolate under the Najlepše želje brand, and Bananica, and Prima sticks. Part of the revenue growth of this Strategic unit is a consequence of the increase in selling prices as a result of significant increases in the prices of key raw materials and packaging materials, while the chocolate and sticks categories recorded a volume growth as well.



The STRATEGIC BUSINESS UNIT BEVERAGES recorded a record sales result and records a significant sales growth in all regional markets, with the most significant growth recorded by the markets of Croatia, Serbia and Slovenia. A significant sales growth is recorded by Cockta and Cedevita brands in the HoReCa and retail channels. Also, the categories of candies and water record an increase in sales. The sales growth of this segment was also impacted by the sales of the new Cockta Blondie, the lifting of measures to prevent the COVID-19 pandemic in the HoReCa channel, and the successful tourist season in Croatia.



The STRATEGIC BUSINESS UNIT PHARMACY BUSINESS records a significant sales growth of the pharmacy chain Farmacia primarily due to the increase in sales of the COVID-19 range (drugs, disinfectants, tests, protective equipment) and the flu season. Also, the sales growth is a consequence of the additional turnover of new pharmacies following the acquisitions of two health care institutions. At the end of 2022, the Farmacia chain reached the number of 100 units, which includes 56 pharmacies and 44 specialized stores.

## SALES TRENDS IN 2022



A significant sales growth is recorded by the BUSINESS UNIT DONAT due to the increase in sales primarily in the markets of Russia and Austria, and in the markets of Croatia, Slovenia, and Bosnia and Herzegovina. A positive impact on the revenues of this business unit came from the increase in selling prices as a result of the long-term premiumization strategy.



A significant revenue growth is recorded by the STRATEGIC DISTRIBUTION UNIT CROATIA as a consequence of growth of almost all own and principal brands. Among own brands, the following especially stand out – roast and ground coffee under the Barcaffè brand, Argeta and Montana in the savoury spreads segment, Cedevita and Cockta brands in the retail channel, oat-based products under the Boom Box brand, and natural mineral water Kala. Among principal brands, the most significant growth was recorded by Ferrero, Mars and Hipp. A significant growth was recorded by the HoReCa channel, primarily due to the Cedevita and Cockta brands in the beverages segment and espresso coffee under the Barcaffè brand. The growth in sales in this segment was impacted by the lifting of restrictive measures to prevent the pandemic, primarily in the HoReCa channel, price increases under the impact of price pressure on the input prices of trade goods and the successful tourist season in Croatia.

A double-digit sales growth of the STRATEGIC DISTRIBUTION UNIT SERBIA is a result of the increase in sales of own and principal brands. Among own brands, the brands that stand out are roast and ground coffee under the Grand kafa and Bonito brands, instant coffee Grand, chocolate under the Najlepše želje brand and Bananica, Argeta in the savoury spreads segment, oat-based Boom Box products, and Cedevita and Cockta in the HoReCa and retail channels. Among principal brands, Red Bull, Rauch and the new principal Intersnack stand out. Also, the growth in this unit was impacted by the increase in sales of the HoReCa channel due to the lifting of measures to prevent the pandemic and the price increases under the impact of price pressure on the input prices of trade goods.

A significant sales growth was recorded by the STRATEGIC DISTRIBUTION UNIT SLOVENIA due to the increase in sales of roast and ground coffee under the Barcaffè brand, Argeta in the savoury spreads segment, Cedevita and Cockta in the HoReCa and retail channels, oat-based Boom Box products, and functional water Donat. Strong sales are also recorded by espresso coffee under the Barcaffè brand in the HoReCa channel. Among principal brands, Unilever, Rauch and Ferrero stand out. As in other markets, the increase in sales on the Slovenian market was impacted by the increase in sales of the HoReCa channel due to the lifting of measures to prevent the pandemic and the price increases under the impact of price pressure on the input prices of trade goods.

OTHER SEGMENTS record an increase in sales in the distribution units Macedonia, Austria and Global Distribution Account Management and in the New Growth, which fully compensated for the decrease in sales in the distribution unit Russia. It is also necessary to emphasise the entry of the Boom Box brand into other regional markets (Bosnia and Herzegovina, Serbia and North Macedonia) and the entry of Jimmy Fantastic into the Austrian market. If we exclude the effect of sales of the divested baby food brand Bebi in 2021, Other segments record a 12.9%\* growth.

\* Certain financial measures are not defined by International Financial Reporting Standards (IFRSs). For more details on the Alternative Performance Measures (APM) used, see chapter "Definition and reconciliation of Alternative Performance Measures (APM)".

## SALES TRENDS IN 2022



The DISTRIBUTION UNIT MACEDONIA recorded a double-digit sales growth due to the increase in sales of own and principal brands. Own brands are led by the sales growth of roast and ground coffee under the Grand kafa brand, chocolate under the Najlepše želje brand and Cedevita in the retail channel. Among principals, Ferrero, Hipp, Beiersdorf and the new principal Red Bull stand out.

The DISTRIBUTION UNIT AUSTRIA records double-digit sales growth rates, mainly due to the growth of own brands, primarily Argeta in the savoury spreads segment, roast and ground coffee under the Grand kafa brand, functional water Donat, and Prima sticks in the snacks segment.

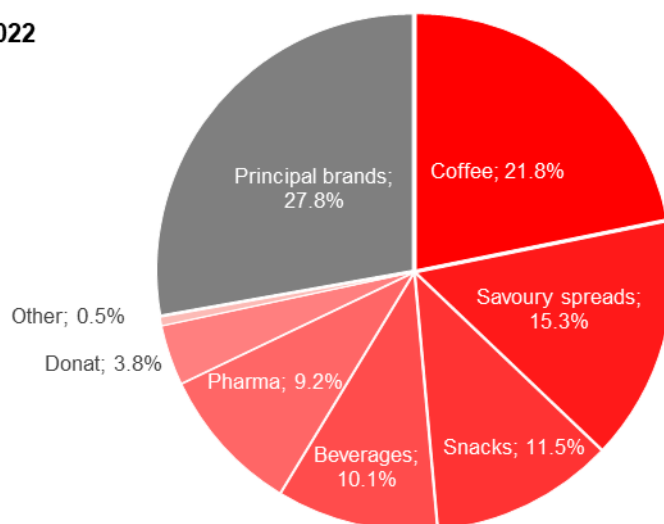
The GLOBAL DISTRIBUTION ACCOUNT MANAGEMENT records an increase in sales, with the highest growth recorded by the markets of Sweden, Switzerland and Germany in the savoury spreads segment under the Argeta brand.

# SALES TRENDS IN 2022

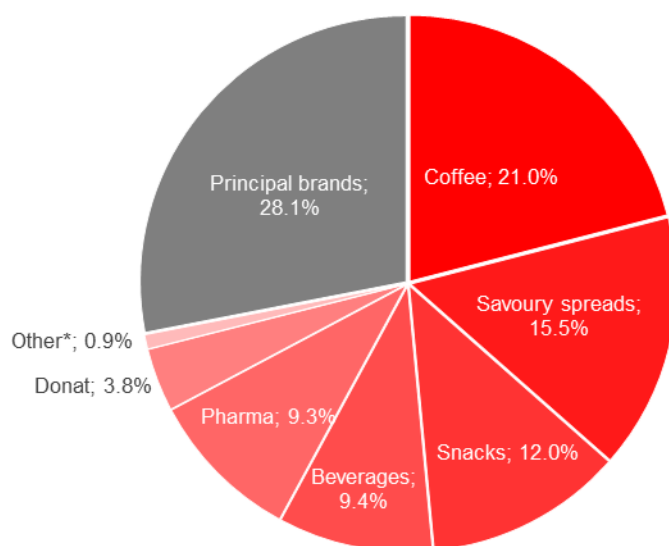
## SALES PROFILE BY SEGMENTS



2022



2021



\* Divested baby food business Bebi



## SALES TRENDS IN 2022

### SALES PROFILE BY MARKETS

(in HRK millions)	2022	% of sales	2021	% of sales	2022/2021
<b>Croatia</b>	<b>2,151.0</b>	33.8%	<b>1,945.6</b>	34.1%	10.6%
<b>Serbia</b>	<b>1,562.2</b>	24.5%	<b>1,352.9</b>	23.7%	15.5%
<b>Slovenia</b>	<b>1,101.5</b>	17.3%	<b>1,013.7</b>	17.8%	8.7%
<b>Bosnia and Herzegovina</b>	<b>477.9</b>	7.5%	<b>422.6</b>	7.4%	13.1%
<b>Other regional markets*</b>	<b>534.5</b>	8.4%	<b>466.6</b>	8.2%	14.6%
<b>Key European markets**</b>	<b>325.9</b>	5.1%	<b>275.8</b>	4.8%	18.2%
<b>Russia and CIS</b>	<b>108.2</b>	1.7%	<b>116.3</b>	2.0%	(7.0%)
<b>Other markets</b>	<b>111.8</b>	1.8%	<b>108.9</b>	1.9%	2.7%
<b>Total sales</b>	<b>6,373.0</b>	100.0%	<b>5,702.5</b>	100.0%	11.8%

\*Other regional markets: North Macedonia, Montenegro, Kosovo

\*\*Key European markets: Germany, Switzerland, Austria, Sweden

The comparative period has been adjusted to the reporting for 2022.

The MARKET OF CROATIA recorded a significant sales growth as a result of the lifting of measures to prevent the pandemic, primarily in the HoReCa channel, the price increases under the impact of price pressure on the input prices of production materials and trade goods, and due to the successful tourist season. Sales growth was recorded by: (i) most own brands, with the biggest growth recorded by espresso coffee under the Barcaffè brand in the HoReCa channel, roast and ground coffee under the Barcaffè brand, oat-based products under the Boom Box brand, brands Cedevita, Cockta in the retail and HoReCa channels, and Argeta and Montana in the savoury spreads segment, (ii) the pharmacy chain Farmacia, and (iii) external principals, among which the biggest growth was recorded by Ferrero, Mars and Hipp.

The MARKET OF SERBIA records a double-digit sales growth due to the sales of own brands, of which the following stand out: (i) roast and ground coffee under the Grand kafa and Bonito brands in the coffee segment, (ii) chocolate under the Najlepše želje brand in the snacks segment, (iii) Cockta and Cedevita brands in the beverages segment, (iv) Argeta in the savoury spreads segment, and (v) new Boom Box brand. Among principal brands, growth comes from Red Bull, Rauch, and the new principal Intersnack.

The MARKET OF SLOVENIA records a sales growth following the increase in sales of: (i) roast and ground coffee under the Barcaffè brand, (ii) espresso coffee under the Barcaffè brand in the HoReCa channel, (iii) Argeta in the savoury spreads segment, (iv) Cockta and Cedevita in the retail and HoReCa channels, and (v) principal brands Unilever, Rauch and Ferrero.

The MARKET OF BOSNIA AND HERZEGOVINA recorded a significant sales growth due to the increase in sales of: (i) roast and ground coffee under the Grand kafa brand, (ii) Argeta in the savoury spreads segment, (iii) Cedevita and Cockta in the beverages segment, and (iv) new oat-based products under the Boom Box brand.

## SALES TRENDS IN 2022



OTHER REGIONAL MARKETS recorded a double-digit sales growth in all markets, where the biggest contribution to the growth was made by the increase in sales of roast and ground coffee under the Grand kafa brand, Argeta in the savoury spreads segment, Najlepše želje chocolate in the snacks segment, and Cedevita in the beverages segment.

A sales growth was recorded on all KEY EUROPEAN MARKETS where the markets of Austria, Switzerland and Sweden stand out, due to the increase in sales of Argeta in the savoury spreads segment.

The MARKET OF RUSSIA AND THE COMMONWEALTH OF INDEPENDENT STATES recorded a double-digit sales growth\* if the effect of sales of the divested Bebi brand is excluded. The sales growth comes primarily from the increase in sales of functional water Donat and savoury spreads under the Argeta brand.

A sales growth is recorded in OTHER MARKETS, primarily due to the increase in sales of savoury spreads under the Argeta brand in most Other markets, with the most significant growth recorded by the markets of the Netherlands and Poland.

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\* Certain financial measures are not defined by International Financial Reporting Standards (IFRSs). For more details on the Alternative Performance Measures (APM) used, see chapter "Definition and reconciliation of Alternative Performance Measures (APM)".

# PROFITABILITY TRENDS IN 2022

## PROFITABILITY TRENDS

(in HRK millions)	2022	2021	2022/2021
<b>Sales</b>	<b>6,373.0</b>	5,702.5	11.8%
<b>EBITDA*</b>	<b>575.4</b>	724.4	(20.6%)
<b>Normalised EBITDA*</b>	<b>571.4</b>	735.0	(22.3%)
<b>EBIT*</b>	<b>275.1</b>	437.9	(37.2%)
<b>Normalised EBIT*</b>	<b>271.2</b>	448.6	(39.5%)
<b>Net profit*</b>	<b>195.7</b>	344.9	(43.2%)
<b>Normalised Net profit*</b>	<b>187.4</b>	369.3	(49.3%)
<b>Profitability margins</b>			
<b>EBITDA margin*</b>	<b>9.0%</b>	12.7%	-367 bp
<b>Normalised EBITDA margin*</b>	<b>9.0%</b>	12.9%	-392 bp
<b>EBIT margin*</b>	<b>4.3%</b>	7.7%	-336 bp
<b>Normalised EBIT margin*</b>	<b>4.3%</b>	7.9%	-361 bp
<b>Net profit margin*</b>	<b>3.1%</b>	6.0%	-298 bp
<b>Normalised Net profit margin*</b>	<b>2.9%</b>	6.5%	-354 bp

In 2022, EBITDA amounts to HRK 575.4 million, which is a 20.6% decrease compared to the previous year, and a 22.3% decrease if we exclude the effect of one-off items. The decrease in normalized EBITDA was mainly impacted by exceptionally high costs of all raw materials and packaging materials, energy, transportation and logistics costs, other operating expenses (higher costs of business trips and fuel) and investments in human resources. This negative impact exceeded the increase in sales of all business and distribution units.

Among the mentioned price increases, raw coffee stands out in particular. The raw coffee market in 2021 experienced a sudden surge in the price of raw coffee, due to the drought that affected Brazil during the coffee ripening period, and then the severe frost that affected coffee areas in Brazil at the end of July 2021. All these problems with the lack of raw coffee were followed by the situation with difficult logistics and delivery of raw coffee, and the price of raw coffee was further burdened by the strong strengthening of the US dollar. The price of raw coffee was at record high levels during the first three quarters of 2022 (82% increase compared to the average price in 2021), and the price began to correct somewhat only at the end of 2022.

Vegetable oils and fats and aluminium packaging also experienced exceptional price increases, and paper and plastic packaging, sugar, cocoa, chicken meat and milk-based raw materials also recorded double-digit price increases.

The cost of the energy sources we use in our production processes is on average almost 90% higher than in the previous year.

In addition to the above, normalized net profit records a 49.3% decrease as a result of the higher depreciation of own non-current assets (as a consequence of higher capital expenditure) and right-of-use assets, and somewhat higher interest expense.

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# PROFITABILITY TRENDS IN 2022

## OPERATING EXPENSES STRUCTURE

(u milijunima kuna)	2022.	% prihoda od prodaje	2021.	% prihoda od prodaje	2022./2021.
<b>Nabavna vrijednost prodane robe</b>	<b>1,915.3</b>	30.1%	<b>1,729.8</b>	30.3%	10.7%
<b>Promjene vrijednosti zaliha</b>	<b>(24.0)</b>	(0.4%)	<b>(22.8)</b>	(0.4%)	n/a
<b>Proizvodni materijal</b>	<b>2,036.0</b>	31.9%	<b>1,496.0</b>	26.2%	36.1%
<b>Energija</b>	<b>114.9</b>	1.8%	<b>60.9</b>	1.1%	88.9%
<b>Usluge</b>	<b>397.1</b>	6.2%	<b>358.2</b>	6.3%	10.9%
<b>Troškovi osoblja</b>	<b>984.0</b>	15.4%	<b>937.4</b>	16.4%	5.0%
<b>Troškovi marketinga i prodaje</b>	<b>294.7</b>	4.6%	<b>329.8</b>	5.8%	(10.6%)
<b>Ostali operativni troškovi</b>	<b>203.0</b>	3.2%	<b>176.2</b>	3.1%	15.2%
<b>Ostali (dobici)/gubici - neto</b>	<b>(32.6)</b>	(0.5%)	<b>(4.0)</b>	(0.1%)	n/a
<b>Amortizacija</b>	<b>300.3</b>	4.7%	<b>286.4</b>	5.0%	4.9%
<b>Ukupni operativni troškovi*</b>	<b>6,188.9</b>	97.1%	<b>5,347.8</b>	93.8%	15.7%

The cost of goods sold records an increase due to higher sales of principal brands, but also higher purchase prices.

Costs of production materials record a significant increase due to higher sales of own products and significantly higher purchase prices of practically all production materials, especially raw coffee, edible oil, sugar, cocoa and all types of packaging materials.

Energy costs are significantly higher due to significantly higher energy prices compared to the previous year and higher production of own products.

Costs of services record an increase due to higher sales and significantly higher costs of transport and logistics services, as a consequence of higher fuel prices and salaries compared to the previous year.

The biggest share of the increase in staff costs relates to the increase in basic salaries and higher variable payments as a result of higher sales. In 2022, Atlantic Grupa had on average 5,436 employees, or 25 employees more than in the previous year if the effect of sales of the divested Bebi brand is excluded.

Marketing expenses are lower, primarily due to marketing savings in the Coffee segment and divesting the baby food brand Bebi in 2021, despite higher investments in the Beverages, Snacks and Savoury Spreads segments. It should be noted that marketing expenses are higher compared to the previous year if we take into account marketing activities that are presented as a decrease in sales.

Other operating expenses record a significant growth, primarily as a consequence of higher travel-related costs, fuel costs and entertainment costs, and the impairment of current assets. It should be noted that last year these costs were lower as a result of measures to combat the COVID-19 pandemic (work from home, restrictions on business trips, etc.).

Other (gains)/losses – net: Profit realised primarily on the basis of foreign exchange gains in the coffee segment.

\* Certain financial measures are not defined by International Financial Reporting Standards (IFRSs). For more details on the Alternative Performance Measures (APM) used, see chapter "Definition and reconciliation of Alternative Performance Measures (APM)".

## PROFITABILITY TRENDS IN 2022

### OPERATING RESULT OF STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(HRK million)	2022	2021	2022/2021
<b>SBU Coffee</b>	<b>189.4</b>	278.8	(32.0%)
<b>SBU Savoury Spreads</b>	<b>144.7</b>	182.7	(20.8%)
<b>SBU Snacks</b>	<b>44.0</b>	114.6	(61.6%)
<b>SBU Beverages</b>	<b>100.9</b>	111.6	(9.6%)
<b>SBU Pharma</b>	<b>69.2</b>	59.2	16.8%
<b>BU Donat</b>	<b>108.2</b>	101.5	6.6%
<b>SDU Croatia</b>	<b>84.9</b>	88.0	(3.6%)
<b>SDU Serbia</b>	<b>71.6</b>	62.6	14.3%
<b>SDU Slovenia</b>	<b>62.1</b>	62.8	(1.2%)
<b>Other segments*</b>	<b>(299.6)</b>	(337.4)	11.2%
<b>Group EBITDA**</b>	<b>575.4</b>	724.4	(20.6%)

**STRATEGIC BUSINESS UNITS AND BUSINESS UNIT:** All Strategic business units (except Pharmacy business) achieved lower profitability due to, as already described, significant increases in the prices of practically all raw materials and packaging materials, all forms of energy, transport and logistics costs, and staff costs, despite the significant sales growth.

The BU Donat records an increase in profitability due to higher sales and lower marketing investments. The SBU Pharmacy business achieved significantly higher profitability due to higher sales of the pharmacy chain Farmacia, despite higher staff and energy costs.

**STRATEGIC DISTRIBUTION UNITS:** The SDU Croatia and SDU Slovenia record a decrease in profitability due to higher transport, logistics and staff costs, despite higher sales. The SDU Serbia records profitability growth following significantly higher sales, despite higher transportation, logistics and staff costs.

**OTHER SEGMENTS:** If we exclude one-off items of HRK 4.0 million and the effect of divesting the baby food brand Bebi, Other segments record an increase in profitability as a consequence of lower costs of central functions and the increase in profitability of the DU Russia, DU Austria, DU Macedonia and GDAM.

The comparative period has been adjusted to the reporting for 2022.

\* Other segments include divested baby food business Bebi, BU New Growth, DU Austria, DU Russia, GDAM, DU Macedonia and business activities not allocated to business and distribution units (headquarters and support functions in Croatia, Serbia, Slovenia, Bosnia and Herzegovina and North Macedonia) which are excluded from the reportable operating segments.

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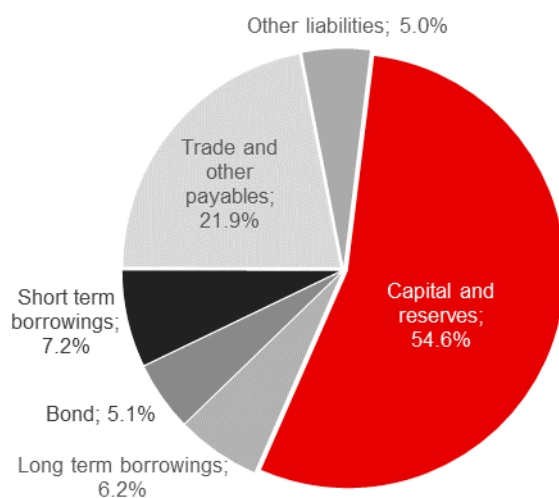
FINANCIAL INDICATORS

(in HRK millions)	12/31/2022	12/31/2021
<b>Net debt*</b>	<b>657.9</b>	459.9
<b>Total assets</b>	<b>5,869.7</b>	5,452.9
<b>Total Equity</b>	<b>3,203.4</b>	3,152.5
<b>Current ratio*</b>	<b>1.5</b>	1.5
<b>Gearing ratio*</b>	<b>17.0%</b>	12.7%
<b>Net debt/EBITDA*</b>	<b>1.2</b>	0.6
<b>Interest coverage ratio*</b>	<b>30.6</b>	41.2
<b>Capital expenditure*</b>	<b>263.4</b>	233.3
<b>Free cash flow*</b>	<b>80.1</b>	502.5
<b>Cash flow from operating activities</b>	<b>343.5</b>	735.8

Among key determinants of the Atlantic Grupa's financial position in 2022, the following should be pointed out:

- The gearing ratio increased by 431 basis points due to the HRK 198 million increase in net debt compared to the end of 2021.
- The indebtedness measured as the net debt to normalized EBITDA ratio increased from 0.6 at the end of 2021 to 1.2 at the end of 2022.
- Free cash flow records a decrease due to significantly lower cash flow from operating activities following higher investments in the working capital, and higher capital expenditure.

THE ATLANTIC GRUPA'S EQUITY AND LIABILITIES STRUCTURE AS AT 31 DECEMBER 2022



\*Certain financial measures are not defined by International Financial Reporting Standards (IFRSs). For more details on the Alternative Performance Measures (APM) used, see chapter "Definition and reconciliation of Alternative Performance Measures (APM)".

## OVERVIEW OF KEY ITEMS IN THE CONSOLIDATED CASH FLOW STATEMENT



Cash flow from operating activities records a decrease, as a result of lower profitability and movements in the working capital, primarily the increase in inventories and trade receivables, despite lower cash outflows related to financing and taxes. The increase in inventories is primarily caused by increases in the prices of raw materials and packaging materials and consequently of increased selling prices of finished products. It is important to note that the increase in inventories is also a result of the prevention of possible problems in supply chains and of contracting more favourable purchase prices compared to those expected this year. The increase in receivables is the direct consequence of a significant growth in sales revenue.

Capital expenditure in 2022 is made in line with the Atlantic Grupa's Strategic Guidelines. 2022 was marked by delays in the technical execution of individual projects due to delays in deliveries, which is in line with global trends. Also, for the first time we faced the bankruptcy of certain suppliers and the need to look for alternatives.

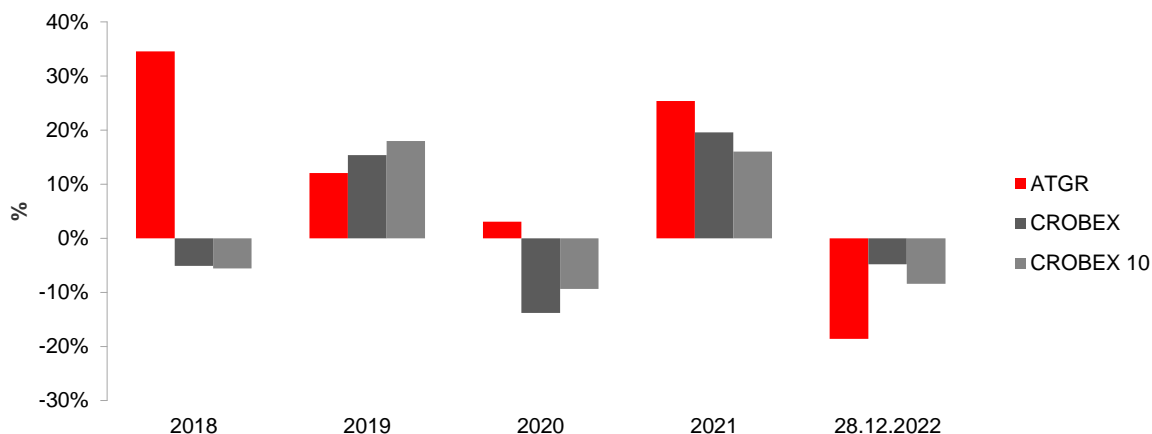
Among significant investments, we should mention:

- SBU Snacks:
  - the investment project of the line for making wafers at the Belgrade location completed,
  - the investment project of the line for making and packaging biscuits at the Ljubovija location completed.
- SBU Savoury Spreads:
  - the investment project for the needs of the savoury spreads production line at the Izola location completed,
  - the investment project for the needs of the savoury spreads production line at the Hadžići location completed,
  - the investment project of a new production line for vegetable spreads at the Igroš location completed.
- SBU Coffee:
  - the investment project of equipment cleaning roasted coffee at the Izola location completed,
  - the investment project of preheating coffee in the roasting process at the Belgrade location completed.

Significant investments were made in IT infrastructure as well as in IT systems (almost 30% more compared to the previous year). Also, the solar power plant project at the location of the distribution centre Vukovina was completed.

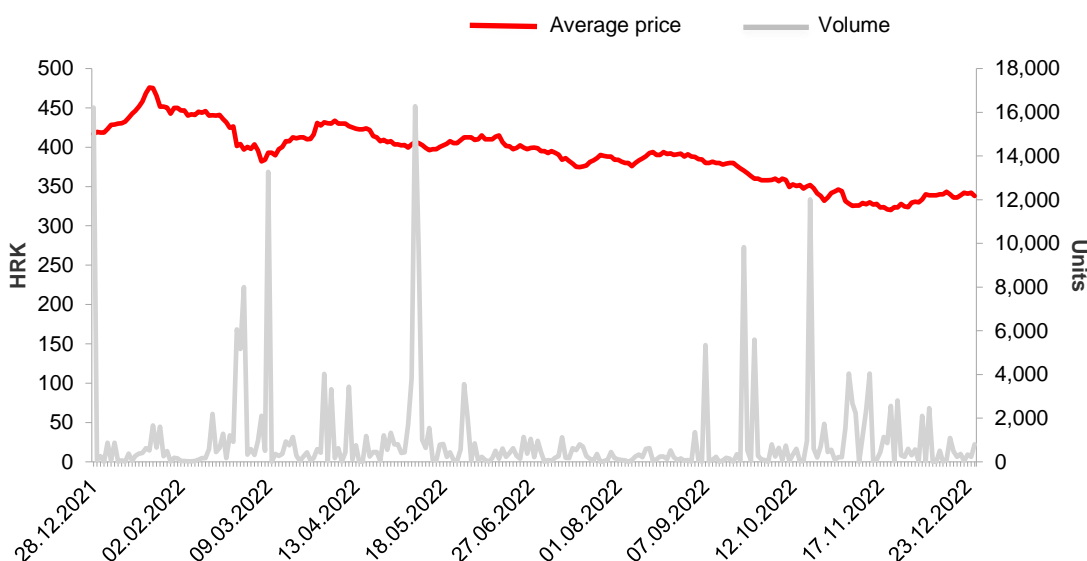
**STOCK MARKET PERFORMANCE**

The year started with excellent trade statistics and positive market vibrancy, but February and the beginning of the war in Ukraine brought intense trading, with corrections of indices and market capitalization. Nevertheless, the rest of the year brought mostly positive sentiment, recording 16.5% higher turnover than a year earlier. At the same time, CROBEX10 recorded a drop of 8.4% and CROBEX a drop of 4.8%, while the Atlantic Grupa's share recorded a drop of 18.6%.



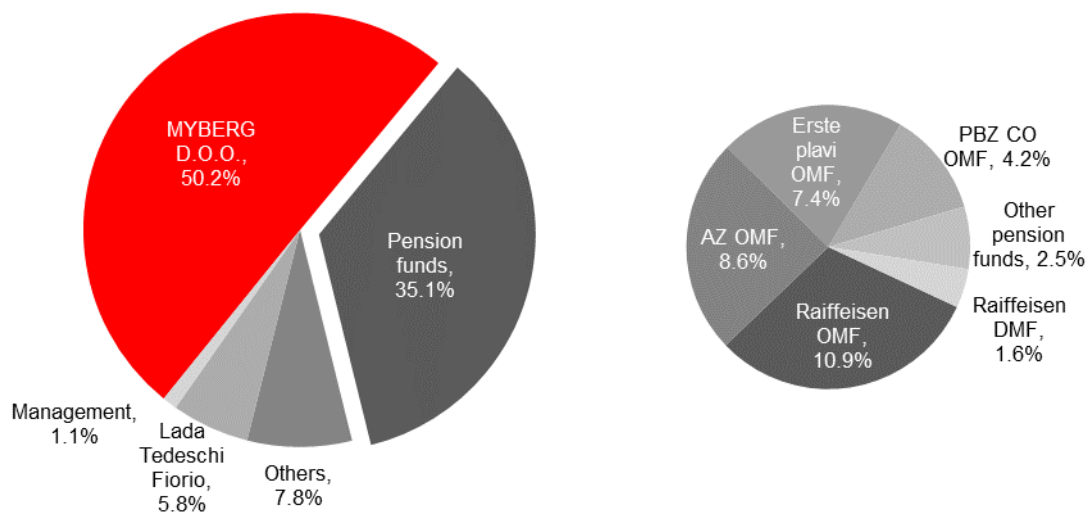
According to the total turnover in 2022, the share of Atlantic Grupa d.d. holds the ninth place compared to all the shares quoted on the Zagreb Stock Exchange, with a turnover of HRK 72.8 million. Among the components of CROBEX10, with the market capitalisation of HRK 4,561 million, Atlantic Grupa d.d. holds the second place.

**MOVEMENTS IN THE AVERAGE PRICE AND VOLUME OF THE ATLANTIC GRUPA'S SHARE IN 2022**





OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2022



Atlantic Grupa d.d. has a stable ownership structure: 50.2% of the shares is owned by Myberg d.o.o. (100% owned by Emil Tedeschi) and 5.8% is owned by Lada Tedeschi Fiorio, while pension funds hold 35.1% of Atlantic Grupa d.d. shares. In the Management category, members of the Management Board hold 147,316 shares (Neven Vranković 86,236, Srećko Nakić 30,500, Zoran Stanković 23,716 and Enzo Smrekar 6,864). In the Others category, a member of the Supervisory Board Siniša Petrović holds 704 shares. Also, a Member of the Management Board Neven Vranković holds 150 bonds of Atlantic Grupa d.d.

Valuation	2022	2021**
Last price in reporting period	342.0	420.0
Market capitalization* (in HRK millions)	4,561.3	5,601.6
Average daily turnover (in HRK thousands)	306.0	303.9
EV (in HRK millions)*	5,226.9	6,068.5
Adjusted EV/EBITDA*	9.1	8.3
Adjusted EV/EBIT*	19.3	13.5
EV/sales*	0.8	1.1
Adjusted EPS (in HRK)*	14.1	27.8
Adjusted P/E*	24.3	15.1

\* Certain financial measures are not defined by International Financial Reporting Standards (IFRSs). For more details on the Alternative Performance Measures (APM) used, see chapter "Definition and reconciliation of Alternative Performance Measures (APM)".

\*\* In July 2022 a share split was carried out in such a way that one existing share, with an individual nominal amount of HRK 40, is divided into four new ordinary shares, with an individual nominal amount of HRK 10.

## ATLANTIC GRUPA'S MANAGEMENT STRATEGIC GUIDANCE FOR 2023



The year 2022 was marked by record prices of raw materials and packaging materials, strong inflationary pressures and geopolitical risks. In 2023, we expect a technical recession due to reduced disposable income, rising interest rates and significant inflationary pressures, while in the second half of the year we expect a slight recovery in both the region and the Eurozone. We believe that the prices of raw materials, packaging materials and energy sources should not reach the record levels of 2022, but we expect significant volatility to be present in the coming period. Croatia's entry into the Eurozone and the Schengen area should mitigate some negative pressures.

Despite the expected worse economic conditions, we expect record sales of approximately EUR 900 million.

Regardless of the certain stabilization of purchase prices that occurred at the end of 2022, they are still significantly higher compared to pre-crisis period, and therefore in 2023 we expect lower normalized EBITDA margin for 100 to 150 basic points than it was in 2022. It is important to note that in the first half of 2022, the impact of the increase in prices of raw materials and packaging materials was significantly lower than in the rest of the year, considering that a large part of the raw materials and packaging materials were purchased at more favourable prices than the then market prices, as a result of the Atlantic Grupa's successful purchasing strategy. Consequently, in the first half of 2023, and especially in the first quarter, we expect a greater drop in profitability than the stated average for the whole year, and we expect the beginning of the recovery of profit margins in 2024.

In 2022, there was a delay in the delivery of certain components due to problems in the supply chains, and we have transferred a certain part of the planned investments to 2023, in which we expect capital expenditure in the amount of EUR 35 to 40 million.

In 2023, in addition to the focus on addressing the challenges of high inflation and supply chain problems, management will continue to focus on (i) strengthening the position of prominent regional brands, (ii) internationalisation of certain brands, primarily Argeta and Donat, (iii) increasing the distribution of new brands and their launching to new markets, (iv) development of distribution operations by strengthening the existing and acquiring new principals, and (v) possible mergers and acquisitions.

**ATLANTIC GRUPA d.d.**

DEFINITION AND RECONCILIATION OF

**ALTERNATIVE PERFORMANCE MEASURES (APM)**

## DEFINITION AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)



The Annual report, half-year report, quarterly report and other communication to investors contain certain financial performance measures, which are not defined by International financial reporting standards (IFRS). We believe these measures, along with comparable IFRS measurements, are useful to investors because they provide a basis for measuring our operating and financial performance.

The main APMs used by Atlantic Grupa are defined and/or reconciled with our IFRS measures in this document.

### ORGANIC SALES GROWTH COMPARED TO 2021

Organic sales growth refers to the increase in sales for the period after removing the impact of acquisitions and divestitures, change of scope of activity and other major items affecting comparability of operating results. We believe this measure provides valuable additional information on the sales performance and provides comparability of operating result.

in HRK million	2022	2021	2022/2021
Sales	6,373.0	5,702.5	11.8%
Sale of divested business - brand Bebi	0.0	31.9	
Comparable sales	6,373.0	5,670.6	12.4%

in HRK million	Other segments
Reported 2021	855.1
Sale of divested business - brand Bebi*	31.9
Comparable sales 2021	823.3
Reported 2022	929.7
Sale of divested business - brand Bebi*	0.0
Comparable sales 2022	929.7
2022/2021	12.9%

in HRK million	Russia and CIS	Other markets
Reported 2021	116.3	108.9
Sale of divested business - brand Bebi*	31.6	0.3
Comparable sales 2021	84.7	108.6
Reported 2022	108.2	111.8
Sale of divested business - brand Bebi*	0.0	0.0
Comparable sales 2022	108.2	111.8
2022/2021	27.8%	3.0%

\* Relates to the sales of the Bebi brand which is included in the SBU Pharmacy business to which it belongs, but also in Other segments through which the products are distributed.

## DEFINITION AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)

### EBITDA and NORMALIZED EBITDA, EBITDA margin and NORMALIZED EBITDA margin

EBITDA (Earnings before interest, tax, depreciation and amortization) equals to operating profit in the financial statements (see Note 2 – Summary of significant accounting policies in the latest published audited Consolidated Financial statements) increased for depreciation, amortisation and impairment (see Notes 13, 14, 15 in the latest published audited Consolidated Financial statements).

The Group also presents Normalized EBITDA which is calculated as EBITDA excluding the impact of one-off items. One-off items represent gain/loss on sale of subsidiaries (see Note 28 Business combinations and sale of subsidiaries in the latest published audited Consolidated Financial statements) and all one-off expenses/income arising from these transactions, COVID-19 expenses related to the donation for combating the spread of the pandemic and costs for the protective equipment and disinfectants and other one off income and costs. The Group's Management Board monitors normalized EBITDA to evaluate business performance of the Group and to allocate resources accordingly. Additionally, Group's management believes that normalized EBITDA provides information that enables investors to better compare Group's performance across periods.

The Group also presents EBITDA margin and Normalized EBITDA margin, which are defined as EBITDA/Normalized EBITDA as percentage of sales.

(in HRK millions)	2022	2021	2022/2021
Operating profit	275.1	437.9	(37.2%)
Depreciation, amortisation and impairment	300.3	286.4	4.9%
EBITDA	575.4	724.4	(20.6%)
Divestment costs/(gains), net	(0.0)	(2.2)	
COVID-19 costs	1.6	3.8	
Other one off (income)/costs, net	(5.6)	9.0	
Normalized EBITDA	571.4	735.0	(22.3%)
Sales	6,373.0	5,702.5	
EBITDA margin	9.0%	12.7%	
Normalized EBITDA margin	9.0%	12.9%	

### EBIT and NORMALIZED EBIT, EBIT margin and NORMALIZED EBIT margin

EBIT (Earnings before interest and tax) equals operating profit in the financial statements (see Note 2 Summary of significant accounting policies in the latest published audited Consolidated Financial statements).

The Group also presents Normalized EBIT which is calculated as EBIT excluding the impact of one-off items.

(in HRK millions)	2022	2021	2022/2021
Operating profit	275.1	437.9	(37.2%)
EBIT	275.1	437.9	(37.2%)
Divestment costs/(gains), net	0.1	(2.2)	
COVID-19 costs	1.6	3.8	
Other one off (income)/costs, net	(5.6)	9.0	
Normalized EBIT	271.2	448.6	(39.5%)
Sales	6,373.0	5,702.5	
EBIT margin	4.3%	7.7%	
Normalizirana EBIT marža	4,3%	7,9%	

## DEFINITION AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)

### NET PROFIT and NORMALIZED NET PROFIT

Net profit is a subtotal which is reported in the Consolidated Income statement in the attached Condensed consolidated financial statements for the period ended 31 December 2022.

The Group also presents Normalized Net profit which is calculated as Net profit excluding the impact of one-off items.

Additionally, the Group also presents Net profit margin and Normalized Net profit margin, which are defined as Net profit/Normalized Net profit as percentage of sales.

(in HRK millions)	2022	2021	2022/2021
Net profit	195.7	344.9	(43.2%)
Divestment costs/(gains), net	0.1	(2.8)	
COVID-19 costs	1.4	3.3	
Other one off (income)/costs, net	(9.9)	24.0	
Normalized Net profit	187.4	369.3	(49.3%)
Sales	6,373.0	5,702.5	
Net profit margin	3.1%	6.0%	
Normalized Net profit margin	2.9%	6.5%	

### TOTAL OPERATING EXPENSES

Total operating expenses are a subtotal of the following items which are reported in the Consolidated Income statement in the attached Condensed consolidated financial statements for the period ended 31 December 2022: cost of trade goods sold, change in inventories of finished goods and work in progress, material and energy costs, staff costs, marketing and promotion expenses, other operating expenses, other gains/losses-net and depreciation, amortization and impairment.

### CAPITAL EXPENDITURE (CAPEX)

Capital expenditure includes payments made to acquire property, plant and equipment and intangible assets, as reported in the Consolidated Cash flow statement in the attached Condensed consolidated financial statements for the period ended 31 December 2022. The Group uses capital expenditure as APM to ensure that the cash spending is in line with overall strategy of the Group.

### NET DEBT and NET DEBT to EBITDA

Net debt is used by management to evaluate the Group's financial capacity. Net debt is defined as sum of current and non-current borrowings, current and non-current lease liabilities and derivative financial instruments decreased for cash and cash equivalents which are reported in the Consolidated Balance sheet in the attached Condensed consolidated financial statements for the period ended 31 December 2022, as shown below:

## DEFINITION AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)

(in HRK millions)	31 December 2022	31 December 2021
Non current borrowing	411.0	299.7
Non current lease liabilities	256.3	263.1
Current borrowings	329.0	159.9
Current lease liabilities	91.7	86.8
Derivative financial instruments, net	14.3	(3.0)
Cash and cash equivalents	(444.4)	(346.6)
<b>Net debt</b>	<b>657.9</b>	<b>459.9</b>
Normalized EBITDA	571.4	735.0
<b>Net debt/Normalized EBITDA</b>	<b>1.2</b>	<b>0.6</b>

The Group also uses the net debt to EBITDA ratio, which is net debt divided by EBITDA, to assess its level of net debt in comparison with underlying earnings generated by the Group. This measure reflects the Group's ability to service and repay its financial liabilities.

### CURRENT RATIO

The current ratio compares all Group's current assets to its current liabilities which are reported in the Consolidated Balance sheet in the attached Condensed consolidated financial statements for the period ended 31 December 2022. The current ratio is a liquidity ratio that measures the Group's ability to cover its short-term debt with its current assets.

in HRK million	31 December 2022	31 December 2021
Current assets	2,647.1	2,287.5
Current liabilities	1,797.4	1,513.4
<b>Odnos kratkotrajne imovine i kratkoročnih obveza</b>	<b>1.5</b>	<b>1.5</b>

### GEARING RATIO

The gearing ratio compares net debt to total equity increased for net debt. Gearing ratio is a measurement of the Group's financial leverage that demonstrates the degree to which a firm's operations are funded by equity capital versus debt financing.

in HRK million	31 December 2022	31 December 2021
Net debt	657.9	459.9
Total equity	3,203.4	3,152.5
<b>Gearing ratio</b>	<b>17.0%</b>	<b>12.7%</b>

### INTEREST COVERAGE RATIO

The interest coverage ratio is calculated by dividing Group's normalized EBITDA by total interest expense (see Note 9 – Finance cost-net in the attached Condensed consolidated financial statements for the period ended 31 December 2022), as shown below. Interest coverage ratio is used to determine how easily the Group can pay interest on its outstanding debt.

## DEFINITION AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)

in HRK million	2022	2021
Normalized EBITDA	571.4	735.0
Total interest expense	18.7	17.8
Adjusted interest coverage ratio	30.6	41.2

### FREE CASH FLOW

Free cash flow shows the ability of the Group to generate cash to repay financial liabilities, finance possible acquisitions, pay dividends, etc. Free cash flow equals net cash flow from operating activities less capital expenditure, items included in the Consolidated Cash Flow Statement in the attached Condensed consolidated financial statements for the period ended 31 December 2022.

in HRK million	2022	2021
Net cash flow from operating activities	343.5	735.8
Capex	263.4	233.3
Free cash flow	80.1	502.5

### MARKET CAPITALIZATION

Market capitalization is the aggregate market value of the Group. It is calculated based on the last market price in the reporting period and the total number of outstanding shares as show below.

	2022	2021*
Last price in reporting period (in HRK)	342	420
Number of shares	13,337,200	13,337,200
Market capitalization (in HRK millions)	4,561.3	5,601.6

### ENTERPRISE VALUE (EV), Normalized EV/EBITDA, Normalized EV/EBIT, EV/SALES

Enterprise value (EV) is a measure of the Group's total value, used as a more comprehensive alternative to market capitalization. EV is the sum of market capitalization, net debt and non-controlling interest, as shown below.

The Normalized EV/EBITDA ratio is used as a valuation tool to compare the value of the Group to the underlying earnings generated by the Group. It is useful for analysts and investors looking to compare companies within the same industry.

The Normalized EV/EBIT ratio is similar to EV/EBITDA ratio but it incorporates depreciation and amortization. It is used as valuation metric to compare the relative value of different businesses.

EV/sales is a valuation measure that compares the enterprise value of the Group to its annual sales.

\* In July 2022 a share split was carried out in such a way that one existing share, with an individual nominal amount of HRK 40, is divided into four new ordinary shares, with an individual nominal amount of HRK 10.



## DEFINITION AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)

in HRK million	2022	2021
Market capitalization	4,561.3	5,601.6
Net debt	657.9	459.9
Non controlling interest	7.7	7.0
Enterprise value (EV)	5,226.9	6,068.5
Normalized EBITDA	571.4	735.0
Normalized EV/EBITDA	9.1	8.3
Normalized EBIT	271.2	448.6
Normalized EV/EBIT	19.3	13.5
Sales	6,373.0	5,702.5
EV/sales	0.8	1.1

### Normalized EARNINGS PER SHARE (EPS)

Earnings per share is calculated by dividing the net profit attributable to shareholders of the company by weighted average number of shares as defined in Note 5 – Earnings per share of the attached Condensed consolidated financial statements for the period ended 31 December 2022. EPS reflects the underlying earnings from trading operations for each share. Normalized EPS takes into calculation normalized net profit attributable to shareholders of the company which equals to net profit attributable to shareholders of the company excluding the impact of one-off items as shown below.

	2022	2021
Profit for the year attributable to equity holders	195.7	344.9
Divestment costs/(gains), net	0.1	(2.8)
COVID-19 costs	1.4	3.3
Other one off (income)/costs, net	(9.9)	24.0
Adjusted profit for the year attributable to the equity holders	187.4	369.3
Weighted average number of shares	13,292,694	13,300,488
Adjusted EPS	14.1	27.8

### PRICE TO EARNINGS RATIO (P/E)

The price-to-earnings ratio (P/E) is the ratio for valuing a company that measures its last market price in the reporting period relative to its Normalized EPS as shown below.

	2022	2021*
Last price in reporting period (in HRK)	342.0	420.0
Adjusted EPS	14.1	27.8
Adjusted P/E	24.3	15.1

\* In July 2022 a share split was carried out in such a way that one existing share, with an individual nominal amount of HRK 40, is divided into four new ordinary shares, with an individual nominal amount of HRK 10.

**ATLANTIC GRUPA d.d.**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR PERIOD ENDED 31 DECEMBER 2022  
(UNAUDITED)**

# ATLANTIC GRUPA d.d.

## CONSOLIDATED INCOME STATEMENT

in thousands of HRK, unaudited	Jan-Dec 2022	Jan-Dec 2021	Index	Oct-Dec 2022	Oct-Dec 2021	Index
<b>Revenues</b>	<b>6,463,975</b>	<b>5,785,771</b>	<b>111.7</b>	<b>1,692,661</b>	<b>1,486,253</b>	<b>113.9</b>
Sales revenues	6,372,984	5,702,479	111.8	1,666,675	1,454,206	114.6
Other income	90,991	83,292	109.2	25,986	32,047	81.1
<b>Operating expenses</b>	<b>(6,188,874)</b>	<b>(5,347,826)</b>	<b>115.7</b>	<b>(1,750,351)</b>	<b>(1,525,020)</b>	<b>114.8</b>
Cost of trade goods sold	(1,915,267)	(1,729,758)	110.7	(551,143)	(484,123)	113.8
Change in inventories of finished goods and work in progress	23,950	22,831	104.9	53,767	5,382	999.0
Material and energy costs	(2,150,961)	(1,556,908)	138.2	(630,028)	(409,380)	153.9
Staff costs	(983,997)	(937,376)	105.0	(275,525)	(262,074)	105.1
Marketing and promotion expenses	(294,739)	(329,776)	89.4	(87,162)	(119,667)	72.8
Depreciation, amortisation and impairment	(300,340)	(286,444)	104.9	(100,943)	(95,397)	105.8
Other operating costs	(600,107)	(534,414)	112.3	(171,684)	(166,055)	103.4
Other losses - net	32,587	4,019	810.8	12,367	6,294	196.5
<b>Operating profit/(loss)</b>	<b>275,101</b>	<b>437,945</b>	<b>62.8</b>	<b>(57,690)</b>	<b>(38,767)</b>	<b>51.2</b>
Finance costs - net	(19,796)	(17,749)	111.5	(7,332)	(5,467)	134.1
<b>Profit/(loss) before tax</b>	<b>255,305</b>	<b>420,196</b>	<b>60.8</b>	<b>(65,022)</b>	<b>(44,234)</b>	<b>53.0</b>
Income tax	(58,842)	(74,304)	79.2	(9,839)	(9,659)	101.9
<b>Net profit/(loss) for the period</b>	<b>196,463</b>	<b>345,892</b>	<b>56.8</b>	<b>(74,861)</b>	<b>(53,893)</b>	<b>61.1</b>
<b>Attributable to:</b>						
Owners of the parent	195,729	344,857	56.8	(74,714)	(54,594)	63.1
Non-controlling interests	734	1,035	70.9	(147)	701	n/a
<b>Earnings per share for profit attributable to the equity holders of the Company during the period (in HRK)</b>						
- basic	14.72	25.93		(5.63)	(4.09)	
- diluted	14.72	25.93		(5.63)	(4.09)	

# ATLANTIC GRUPA d.d.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of HRK, unaudited	Jan-Dec 2022	Jan-Dec 2021	Index	Oct-Dec 2022	Oct-Dec 2021	Index
<b>Net profit/(loss) for the period</b>	<b>196,463</b>	<b>345,892</b>	<b>56.8</b>	<b>(74,861)</b>	<b>(53,893)</b>	<b>61.1</b>
<b>Other comprehensive income/(loss):</b>						
<i><b>Items that will not be reclassified to profit or loss</b></i>						
Actuarial gains/(losses) from defined benefit plan, net of tax	6,730	(176)	n/a	6,730	(176)	n/a
<i>Items that may be subsequently reclassified to profit or loss</i>						
Currency translation differences, net of tax	(7,360)	(4,067)	181.0	(21,439)	6,533	n/a
Cash flow hedges, net of tax	(16,829)	8,473	n/a	(28,244)	(2,387)	1.183.2
<b>Total other comprehensive income/(loss) for the period, net of tax</b>	<b>(17,459)</b>	<b>4,230</b>	<b>n/a</b>	<b>(42,953)</b>	<b>3,970</b>	<b>n/a</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>179,004</b>	<b>350,122</b>	<b>51.1</b>	<b>(117,814)</b>	<b>(49,923)</b>	<b>36.0</b>
<b>Attributable to:</b>						
Equity holders of the Company	178,244	349,092	51.1	(117,671)	(50,652)	32.3
Non-controlling interests	760	1,030	73.8	(143)	729	n/a
<b>Total comprehensive income/(loss) for the period</b>	<b>179,004</b>	<b>350,122</b>	<b>51.1</b>	<b>(117,814)</b>	<b>(49,923)</b>	<b>36.0</b>

# ATLANTIC GRUPA d.d.

## CONSOLIDATED BALANCE SHEET

in thousands of HRK, unaudited	31 December 2022	31 December 2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,196,205	1,108,725
Investment property	472	807
Intangible assets	1,623,779	1,640,348
Right-of-use assets	327,398	329,894
Deferred tax assets	38,747	41,469
Financial assets through other comprehensive income	1,275	1,384
Trade and other receivables	34,716	42,750
	<b>3,222,592</b>	<b>3,165,377</b>
<b>Current assets</b>		
Inventories	769,153	639,201
Trade and other receivables	1,411,232	1,287,982
Prepaid income tax	17,850	6,995
Derivative financial instruments	4,407	2,972
Cash and cash equivalents	444,439	346,635
	<b>2,647,081</b>	<b>2,283,785</b>
Non-current assets held for sale	-	3,759
<b>Total current assets</b>	<b>2,647,081</b>	<b>2,287,544</b>
<b>TOTAL ASSETS</b>	<b>5,869,673</b>	<b>5,452,921</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves attributable to owners of the Company</b>		
Share capital	133,372	133,372
Share premium	886,530	883,852
Treasury shares	(18,155)	(22,131)
Reserves	(33,593)	(45,279)
Retained earnings	2,227,508	2,195,734
	<b>3,195,662</b>	<b>3,145,548</b>
Non-controlling interests	7,742	6,982
<b>Total equity</b>	<b>3,203,404</b>	<b>3,152,530</b>
<b>Non-current liabilities</b>		
Borrowings	410,981	299,657
Lease liabilities	256,345	263,065
Deferred tax liabilities	146,700	148,344
Other non-current liabilities	908	6,135
Provisions	53,896	69,807
	<b>868,830</b>	<b>787,008</b>
<b>Current liabilities</b>		
Trade and other payables	1,285,581	1,174,825
Borrowings	329,024	159,932
Lease liabilities	91,680	86,844
Derivative financial instruments	18,670	-
Current income tax liabilities	11,694	6,417
Provisions	60,790	85,365
	<b>1,797,439</b>	<b>1,513,383</b>
<b>Total liabilities</b>	<b>2,666,269</b>	<b>2,300,391</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,869,673</b>	<b>5,452,921</b>

**ATLANTIC GRUPA d.d.**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to owners of the Company					Non-controlling interests	Total
	Share capital, Share premium and Treasury shares	Reserves	Retained earnings	Total			
in thousands of HRK, unaudited							
Balance at 1 January 2021	1,007,576	(51,451)	1,985,908	2,942,033	5,952	2,947,985	
<b>Comprehensive income:</b>							
Net profit for the period	-	-	344,857	344,857	1,035	345,892	
Other comprehensive income/(loss)	-	4,411	(176)	4,235	(5)	4,230	
Total comprehensive income	-	4,411	344,681	349,092	1,030	350,122	
<b>Transactions with owners:</b>							
Share based payment	18,075	-	-	18,075	-	18,075	
Purchase of treasury shares	(30,558)	-	-	(30,558)	-	(30,558)	
Transfer	-	1,761	(1,761)	-	-	-	
Dividends	-	-	(133,094)	(133,094)	-	(133,094)	
Balance at 31 December 2021	995,093	(45,279)	2,195,734	3,145,548	6,982	3,152,530	
Balance at 1 January 2022	995,093	(45,279)	2,195,734	3,145,548	6,982	3,152,530	
<b>Comprehensive income:</b>							
Net profit for the period	-	-	195,729	195,729	734	196,463	
Other comprehensive income/(loss)	-	(24,215)	6,730	(17,485)	26	(17,459)	
Total comprehensive income/(loss)	-	(24,215)	202,459	178,244	760	179,004	
<b>Transactions with owners:</b>							
Share based payment	29,043	-	-	29,043	-	29,043	
Purchase of treasury shares	(22,389)	-	-	(22,389)	-	(22,389)	
Employee share schemes – value of employee services	-	31,538	-	31,538	-	31,538	
Transfer	-	4,363	(4,363)	-	-	-	
Dividends	-	-	(166,322)	(166,322)	-	(166,322)	
Balance at 31 December 2022	1,001,747	(33,593)	2,227,508	3,195,662	7,742	3,203,404	

# ATLANTIC GRUPA d.d.

## CONSOLIDATED CASH FLOW STATEMENT

in thousands of HRK, unaudited	January - December 2022	January - December 2021
<b>Cash flow from operating activities</b>		
<b>Net profit for the period</b>	<b>196,463</b>	<b>345,892</b>
Income tax	58,842	74,304
Depreciation, amortisation and impairment	300,340	286,444
Gain on sale of property, plant and equipment and intangible assets	(2,376)	(1,475)
Loss/(gain) on sale of subsidiaries - net of transaction expenses	365	(648)
Provision for current assets	32,373	25,218
Foreign exchange differences - net	1,102	(75)
Decrease in provisions for risks and charges	(11,399)	(18,586)
Fair value loss/(gain) on financial assets	1,172	(4,219)
Share based payment	29,043	18,075
Interest income	(8,419)	(1,323)
Interest expense	18,694	17,824
Other non-cash items - net	2,980	3,800
<b>Changes in working capital:</b>		
Increase in inventories	(154,912)	(82,643)
Increase in current receivables	(144,891)	(30,004)
Increase in current payables	115,756	207,652
<b>Cash generated from operations</b>	<b>435,133</b>	<b>840,236</b>
Interest paid	(15,622)	(17,074)
Income tax paid	(76,001)	(87,361)
	<b>343,510</b>	<b>735,801</b>
<b>Cash flow used in investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(263,425)	(233,284)
Proceeds from sale of property, plant and equipment and intangible assets	3,611	17,504
Acquisition of subsidiaries and proceeds from sale of subsidiaries - net of cash acquired/disposed	11,029	(5,937)
Loans granted and deposits placed	(6,152)	(5,543)
Repayments of loan and deposits placed	10,939	18,117
Interest received	8,225	1,571
	<b>(235,773)</b>	<b>(207,572)</b>
<b>Cash flow used in financing activities</b>		
Purchase of treasury shares	(22,389)	(30,558)
Proceeds from borrowings, net of fees paid	309,286	-
Repayment of borrowings	(30,000)	(350,799)
Principal elements of lease payments	(101,407)	(93,502)
Dividends paid to Company shareholders	(166,322)	(133,094)
	<b>(10,832)</b>	<b>(607,953)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>96,905</b>	<b>(79,724)</b>
Exchange gains/(losses) on cash and cash equivalents	899	(154)
Cash and cash equivalents at the beginning of the period	346,635	426,513
Cash and cash equivalents at the end of the period	444,439	346,635

**NOTE 1 – GENERAL INFORMATION**

Operating as a vertically integrated multinational company, Atlantic Grupa d.d. (“the Company”) and its subsidiaries (“the Group”) have business activities that incorporate R&D, production and distribution of fast-moving consumer goods in Southeast Europe, the European markets and Russia and CIS (Commonwealth of Independent States). With its modern production network, the Group stands out as one of the leading foods & beverage producers in Southeast Europe with prominent coffee brands Grand Kafa and Barcaffe, beverage brands Cockta and Cedevita, a portfolio of sweet and salted snacks brands Smoki, Najlepše želje and Bananica, a savoury spread brand Argeta and natural mineral water Donat. Additionally, the Group owns the leading pharmacy chain in Croatia under the Farmacia brand. With its own distribution network in Croatia, Slovenia, Serbia, Austria, North Macedonia and Russia, the Group also distributes a range of products from external partners. The Group has manufacturing plants in Croatia, Slovenia, Serbia, Bosnia and Herzegovina and North Macedonia with companies and representative offices in 11 countries. The Group exports its products to more than 40 markets worldwide.

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 condensed consolidated financial statements of the Group for the period ended 31 December 2022 were approved by the Management Board of the Company in Zagreb on 27 February 2023.

The condensed consolidated financial statements have not been audited.

**NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**2.1. BASIS OF PREPARATION**

The condensed consolidated financial statements for the period ended 31 December 2022 have been prepared in accordance with IAS 34 – Interim Financial Reporting, as endorsed by the European Union (EU).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as of 31 December 2021. The Group’s annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by EU.

**2.2. GOING CONCERN**

The Company’s management believes that the Group has sufficient resources to continue operating in the foreseeable future and has not identified significant uncertainties related to business events and conditions that may cast doubt on the indefinite duration of the Group’s operations. Accordingly, the condensed consolidated financial statements for the period ended 31 December 2022 have been prepared on a going concern basis.



**NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the condensed consolidated financial statements for the period ended 31 December 2022 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

**2.4. SEASONALITY**

The Group is not exposed to significant seasonal or cyclical changes in its operations.

**2.5. IMPACT OF THE WAR IN UKRAINE**

At the date of approval of condensed consolidated financial statements for the period ended 31 December 2022, Atlantic Grupa's business operations are running smoothly. By selling the baby food business in 2021, Atlantic Grupa has significantly reduced its exposure in Russia and CIS markets. Consequently, war events do not have a direct material impact on Atlantic Grupa's operations, while indirect consequences, primarily in the form of additional supply chains issues and inflationary pressures, are closely monitored by Atlantic Grupa's management which undertakes all available measures to reduce risks in the given circumstances.

**NOTE 3 – CRITICAL ACCOUNTING ESTIMATES**

There were no changes in critical accounting estimates used for preparation of condensed consolidated financial statements for the period ended 31 December 2022 comparing to those used for the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

Based on impairment tests performed at the balance sheet date, an impairment loss of HRK 26,133 thousand (2021: HRK 17,045 thousand) was recognised in respect of impairment of intangible assets with indefinite useful lives.

**NOTE 4 – SEGMENT INFORMATION**

The business model of the Group is organized through five strategic business units and one business unit. In addition to business units, separate department – New Growth is established, which is focused on the development of new brands of Atlantic Grupa.

The distribution business is organized to cover six largest markets – Croatia, Serbia, Slovenia, North Macedonia, Russia and Austria and department of Global Distribution Account Management covering the markets dominantly managed by distribution partners.

<b>BUSINESS UNITS</b>	<b>DISTRIBUTION UNITS</b>
SBU COFFEE	SDU CROATIA
SBU BEVERAGES	SDU SERBIA
SBU SAVOURY SPREADS	SDU SLOVENIA
SBU SNACKS	DU MACEDONIA
SBU PHARMACY BUSINESS	DU RUSSIA
BU DONAT	DU AUSTRIA
NEW GROWTH	GLOBAL DISTRIBUTION ACCOUNT MANAGEMENT

SBU – Strategic business unit

SDU – Strategic distribution unit

BU – Business unit

DU – Distribution unit

For more efficient management of individual business and distribution units, the organization unites similar business activities or products, shared markets, or channels, together.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 4 – SEGMENT INFORMATION (continued)**

Since DU Macedonia, DU Russia, DU Austria, Global distribution network management and New Growth do not meet quantitative thresholds, required by IFRS 8 for reportable segments, they are reported within “Other segments” where, also, baby food business, which was completely divested in June 2021, is reported. “Other segments” category comprises also of non-allocable business activities (headquarters and support functions in all markets of Atlantic Grupa) which are excluded from the reportable operating segments.

Segment performance is evaluated based on operating profit or loss. Group financing and income taxes are managed on Group basis and are not allocated to operating segments.

Sales of individual business units represent in market sales made to third parties (either directly through business units or through distribution units). Distribution units’ sales includes sales of own products also reported as business units’ sales. This double counting of own product sales is eliminated in the “Reconciliation” line. For segmental profit calculation, sales between operating segments are carried out at arm's length.

<b>Sales revenues*</b>	<b>Jan - Dec 2022</b>	<b>Jan - Dec 2021</b>
<i>(in thousands of HRK)</i>		
SBU Coffee	1,389,933	1,196,229
SBU Savoury Spreads	973,603	885,248
SBU Snacks	731,652	684,420
SBU Beverages	644,645	536,380
SBU Pharmacy business	587,464	531,474
BU Donat	239,912	218,785
SDU Croatia	1,553,400	1,403,161
SDU Serbia	1,542,156	1,335,388
SDU Slovenia	1,094,792	1,012,789
Other segments	929,721	855,149
Reconciliation	(3,314,294)	(2,956,544)
<b>Total</b>	<b>6,372,984</b>	<b>5,702,479</b>

\* Comparative period has been adjusted to reflect current period reporting

## NOTE 4 – SEGMENT INFORMATION (continued)

Business results* <i>(in thousands of HRK)</i>	EBITDA	
	Jan - Dec 2022	Jan - Dec 2021
SBU Coffee	189,436	278,779
SBU Savory Spreads	144,685	182,706
SBU Snacks	44,046	114,599
SBU Beverages	100,931	111,606
SBU Pharmacy business	69,198	59,223
BU Donat	108,202	101,457
SDU Croatia	84,919	88,048
SDU Serbia	71,570	62,613
SDU Slovenia	62,065	62,801
Other segments	(299,611)	(337,443)
<b>Total</b>	<b>575,441</b>	<b>724,389</b>

## NOTE 5 – EARNINGS PER SHARE

## Basic earnings per share

Basic earnings per share is calculated by dividing the net profit of the Group by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

At the General Assembly held on 15 June 2022, the shareholders approved share split in a way that each of the Company's ordinary shares with a nominal value of HRK 40.00 per share was split into four shares with a nominal amount of HRK 10.00 per share. Following the share split, the number of ordinary shares increased from 3,334,300 to 13,337,200 shares. Basic earnings per share for prior period have been adjusted with the new number of shares.

	<u>2022</u>	<u>2021</u>
Net profit attributable to shareholders of the Company (in thousands of HRK)	195,729	344,857
Weighted average number of ordinary shares in issue	13,292,694	13,300,488
Basic earnings per share <i>(in HRK)</i>	14.72	25.93

## Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as there were no convertible dilutive potential ordinary shares.

\* Comparative period has been adjusted to reflect current period reporting

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 6 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

During the period ended 31 December 2022, Group invested HRK 261,609 thousand in purchase of property, plant and equipment and intangible assets (2021: HRK 239,950 thousand). During the same period, property, plant and equipment and intangible asset impairment amounted to HRK 31,932 thousand (2021: HRK 30,681 thousand).

**NOTE 7 - INVENTORIES**

During the period ended 31 December 2022, the Group wrote down inventories in the amount of HRK 25,243 thousand due to damage and short expiry dates (2021: HRK 16,094 thousand). The amount is recognized in the income statement within position "Other operating costs".

**NOTE 8 – DIVIDEND DISTRIBUTION**

According to the decision of the Company's General Assembly from 15 June 2022, distribution of dividend in the amount of HRK 50.00 per share, or HRK 166,322 thousand in total was approved (2021: HRK 40.00 per share, or HRK 133,094 thousand in total). Dividend was paid out in July 2022.

**NOTE 9 – FINANCE COSTS – NET**

<i>(in thousands of HRK)</i>	<u>Jan - Dec 2022</u>	<u>Jan - Dec 2021</u>
<b>Finance income</b>		
Foreign exchange gains on borrowings and lease liabilities	2,947	2,826
	<u>2,947</u>	<u>2,826</u>
<b>Finance costs</b>		
Interest expense on lease liabilities	(8,369)	(8,408)
Interest expense on bank borrowings	(3,783)	(2,930)
Interest expense on bonds	(2,870)	(2,870)
Interest expense on provisions for employee benefits	(2,449)	(827)
Other interest expense	<u>(1,223)</u>	<u>(2,789)</u>
Total interest expense	(18,694)	(17,824)
Foreign exchange loss on borrowings and lease liabilities	<u>(4,049)</u>	<u>(2,751)</u>
	(22,743)	(20,575)
<b>Finance costs - net</b>	<u><b>(19,796)</b></u>	<u><b>(17,749)</b></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 10 – RELATED PARTY TRANSACTIONS**

Related party transactions that relate to balance sheet as at 31 December 2022 and 31 December 2021 and transactions recognized in the Income statement for the ended 31 December are as follows:

*(in thousands of HRK)*

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>RECEIVABLES</b>		
<b>Trade and other receivables</b>		
Other entities	97,225	84,174
<b>LIABILITIES</b>		
<b>Trade and other payables</b>		
Other entities	2,909	2,238
	<u>Jan - Dec 2022</u>	<u>Jan - Dec 2021</u>
<b>REVENUES</b>		
<b>Sales revenues</b>		
Other entities	562,857	496,471
<b>Other income</b>		
Other entities	211	671
<b>EXPENSES</b>		
<b>Marketing and promotion costs</b>		
Other entities	7,882	4,168
<b>Other operating costs</b>		
Other entities	2,364	2,202
<b>Purchase of property, plant and equipment</b>		
Other entities	-	289

**NOTE 11 – DIVESTMENT OF SUBSIDIARY**

Atlantic Grupa has signed a sale and purchase agreement for the sale of Palanački kiseljak production site in Smederevska Palanka, Serbia, with the company Vik Pro Univerzal d.o.o., Belgrade. The subject of the sale was the entire production site with employees and assets, including the traditional mineral water brand on the Serbian market – *Karađorđe*. Prior to the sale, production site was demerged from the company Atlantic Štark d.o.o. to a separate company – Palanački Kiseljak d.o.o. This transaction is a continuation of the process of disinvestment of smaller and non-core businesses, in line with Atlantic's corporate strategy. The closing of transaction was on 28 June 2022 and the Group realized a loss from the sale in the amount of HRK 446 thousand.

*(in thousands of HRK)*

Cash received for the sale of subsidiary	1,460
Net assets book value of disposed subsidiary	(1,906)
<b>Loss on sale of subsidiary</b>	<b>(446)</b>

**Net assets book value of disposed subsidiary as at 28 June 2022**

*(in thousands of HRK)*

Assets held for sale	3,726
Inventories	605
Trade and other receivables	629
Trade and other payables	(2,817)
Borrowings	(237)
	<b>1,906</b>

In 2022, the Group also collected HRK 18,899 thousand and realized an additional gain in the amount of HRK 81 thousand from the sale of Mirna production site which occurred in 2021.

## **STATEMENT OF PERSONS RESPONSIBLE FOR PREPARING 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 Corporate Reporting and Consolidation, person responsible for corporate accounting, reporting and consolidation, together as persons responsible for the preparation of condensed consolidated financial statements of the company Atlantic Grupa d.d. Zagreb, Miramarska 23, OIB 71149912416 (hereinafter: "the Company"), hereby make the following

### **STATEMENT:**

According to our best knowledge the condensed consolidated financial statements for the period ended 31 December 2022 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 and its subsidiaries (together – "the Group").

Report of the Company's Management board for the period from 1 January to 31 December 2022 contains the true presentation of development, results, and position of the Group, with description of significant risks and uncertainties which the Group is exposed.

Condensed consolidated unaudited financial statements of the Group for the period ended 31 December 2022 were approved by the Management Board of the company Atlantic Grupa d.d. on 27 February 2023.



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Zoran Stanković  
Group Vice President for Finance, Procurement and Investment



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Tatjana Ilinčić  
Director of Corporate Reporting and Consolidation



**Contact:**

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## ATLANTIC GRUPA

Joint Stock Company for Domestic and Foreign Trade  
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tel: +385 (1) 24 13 900  
fax: +385 (1) 24 13 901

The Company is registered with the Commercial Court of Zagreb

MBS: 080245039

MB: 1671910

PIN: 71149912416

Bank account: 2484008-1101427897 Raiffeisenbank Austria d.d., Zagreb, Petrinjska  
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The number of shares and their nominal value: 13,337,200 shares, each in the  
nominal value of HRK 10.00

Share capital: HRK 133,372,000.00, paid in full.

Management Board: Emil Tedeschi, Neven Vranković, Zoran Stanković, Lada  
Tedeschi Fiorio, Srećko Nakić, Enzo Smrekar, Mate Štetić  
President of the Supervisory Board: Zdenko Adrović

