ATLANTIC GRUPA d.d.

ANNUAL REPORT
31 DECEMBER 2021

Atlantic Grupa d.d. (the Company) was incorporated in the Republic of Croatia in 2002. The Company performs business activities such as planning entrepreneurial functions, organisation of principal activities, gathering and utilising financial assets, defining the strategy and development of business activities of the Atlantic Grupa, which is comprised of the Company and its subsidiaries (as set out in the Note 14 to the financial statements), as well as all other companies over which the Company has control through its subsidiaries.
The Company is domiciled in Zagreb, Miramarska 23, Croatia. The Company's shares are listed on the Prime market of the Zagreb Stock Exchange. The shareholder structure is disclosed in Note 18. Users of these financial statements should read them together with the Group's consolidated financial statements as at (and for the year ended) 31 December 2021 and together with the Group's Annual report for the year ended 31 December 2021 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole. These reports are published on the Company's website (www.atlanticgrupa.com).

Atlantic Grupa's Management strategic guidance for 2022
The further development of the pandemic epidemiological situation is still uncertain and we are facing a number of challenges, which at the beginning of 2022 are led by the uncertainty of the war in Ukraine and it is difficult to predict the future responses of economies to it.
At the date of approval of this report, Atlantic Grupa's business operations are running smoothly and the 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 inflatory pressures, cannot be assessed at this time. Atlantic Grupa's management is closely monitoring the development of the situation and taking all available measures to reduce risks in the new circumstances.

In 2022, with a focus on reducing aforementioned risks, management will continue to focus on:
- (i) strengthening the position of prominent regional brands,
- (ii) internationalisation of certain brands, primarily Argeta and Donat,
- (iii) creating new brands that will drive new growth
- (iv) development of distribution operations by strengthening the existing and acquiring new principals and
- (v) possible mergers and acquisitions.

Research and development activities
Atlantic Grupa operates in the consumer goods industry segment that includes food products with added value and, accordingly, it uses activities like investing in research and development, investing in technology and closely monitoring market trends and consumer preferences to maintain high market shares in the listed segment. The portfolio of Atlantic Grupa includes a wide range of brands with leading market positions in the region in the segments of coffee, savoury spreads, snacks and beverages. Considering that some of the listed segments are exposed to strong competitive pressures by local and multinational companies, Atlantic Grupa in 2021 continued to actively manage its own brands. Atlantic Grupa operates as a vertically integrated multinational company, and in addition to products from its own portfolio, it also has a very significant business activity in the distribution of consumer goods throughout Southeast Europe.

Purchase of treasury shares
During 2021 the Company has purchased 19,801 treasury shares (2020: 9,899 shares) for the total value of HRK 30,558 thousand (2020: HRK 11,022 thousand) - Note 18 to the separate financial statements.

Subsidiaries
The Company owns shares in following companies:

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

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

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

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

In accordance with relevant regulations, Atlantic Grupa in 2021 issued a Statement of Application of the Code of Corporate Governance, thereby confirming its actions and development in accordance with the good corporate governance practice in all business segments. The Statement of Application of the Code of Corporate Governance has been published on the Company's website (www.atlanticgrupa.com) as well as on the website of the Zagreb Stock Exchange (www.zse.hr) and HANFA (www.hanfa.hr), whereas the following corporate governance issues differ, in terms of their definition, from the ones stipulated in the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA:

The company's articles of association and/or internal acts prescribe that major decisions affecting the company's strategy, expenditure, risk exposure and reputation require the supervisory board's prior approval.	NO	Responsibilities of the Supervisory Board are set within the framework of the valid Companies Act.
The remuneration policy should include provisions specifying the circumstances in which part of a management board member's remuneration would be withheld or recovered.	NO	The remuneration policy does not contain such provisions.
All persons listed in Article 81 of the Code attended the General Assembly in the last 12 months.	Partially	The maximum possible attendance of the listed persons was achieved in 2021.

In addition to the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA, Atlantic Grupa also applies its own Code of Corporate Governance, thus improving the standards of business transparency and fully aligning them with European Union directives. The Code defines the procedures for the functioning of the Supervisory Board, Management Board and other bodies and structures responsible for decision-making, thus ensuring the avoidance of conflicts of interest, efficient internal control and an effective responsibility system. It is available on web pages of Atlantic Grupa (www.atlanticgrupa.com). Additionally, Atlantic Grupa is a signatory of the Code of Ethics in Business initiated by the Croatian Chamber of Economy. The listed Code lays down guidelines for ethical behaviour of business subjects in the Croatian economy. Such definition of ethical criteria contributes to more transparent and efficient business operations and high quality relations between economic operators in Croatia and the business environment in which they operate. By signing the Code of Ethics, its parties undertake to respect human rights, apply anti-corruption provisions, use responsible and ethical behaviour towards the other companies on the market, as well as develop high quality relations and loyal competition.

Furthermore, we are aware of the importance of diversity and non-discrimination in the workplace and in employment. This was the motivation behind being us signing the Diversity Charter – the initiative started by 16 EU Member States, which was developed in Croatia within the project of the Croatian Business Council for Sustainable Development. By signing the Charter, we committed to promote the policy of diversity and non-discrimination in the work and business environment, which is implemented accordingly, while also regularly reporting on activities in this area.

Atlantic Grupa is developing and acting in accordance with good practice of corporate governance and endeavours, through its business strategy, business policy and key internal acts, to contribute to transparent and efficient business and quality relationships with the business environment in which it operates, following global and European trends.

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

Organisation of corporate management

Atlantic Grupa's corporate management structure is based on a dual principle, which means the Company's Supervisory Board and Management Board. Together with the General Assembly, they represent the three principal bodies of the Company under the Articles of Association and the Companies Act.

General assembly

The General Assembly is a body in which shareholders accomplish their rights in Company matters. The method of functioning of the General Assembly, its powers, the rights of shareholders and the method of their exercise are defined in the Company's Articles of Association, which are publicly available on web pages of Atlantic Grupa (www.atlanticgrupa.com).
In 2021, one regular General Assembly of Atlantic Grupa d.d. was held on 16 June in order to decide on issues prescribed by law and the Company's Articles of Association. The following decisions were made at that Assembly: issuing the note of release to the members of the Management Board and the Supervisory Board, paying a dividend to the Company shareholders in the amount of HRK 40.00 per share, in proportion to the number of shares held by each shareholder, Decision on the Approval of the Remuneration Report for 2020, Decision on the election of two Supervisory Board members, Decision on the election of one Audit Committee member, Decision on Amending Atlantic Grupa's Articles of Association, and appointment of an independent Auditor of the Company for the year 2021.
All decisions from the meetings held by the General Assembly were made in line with legal regulations and are available on web pages of Atlantic Grupa (www.atlanticgrupa.com) and the Zagreb Stock Exchange (www.zse.hr).

Supervisory Board

In 2021, the Supervisory Board of Atlantic Grupa d.d. comprised seven members and held five sessions. The members' attendance rate at these sessions was 100.00%.
In line with the OECD Principles of Corporative Governance and the recommendations of the 2020 Code of Corporate Governance of the Zagreb Stock Exchange and HANFA, the Supervisory Board of Atlantic Grupa is composed of independent members who are not in business, family, or other connections with the company, the majority shareholder, or a group of majority shareholders, or management board members or supervisory board members of the company or the majority shareholder. In 2021, members of the Company's Supervisory Board were:

- Zdenko Adrović, President
- Siniša Petrović, Vice President
- Anja Svetina Nabergoj, Member
- Monika Elisabeth Schulze, Member
- Franz-Josef Flosbach, Member
- Aleksandar Pekeč, Member
- Lars Peter Elam Håkansson, Member

At its session held on 7 December 2021, the Supervisory Board adopted the proposed decision on the election of Dr. Vesna Nevistić and Zoran Vučinić as new members of the Supervisory Board. With the adoption of the said Decision by the General Assembly on 20 January 2022, the composition of the Supervisory Board was expanded from the former seven members to a total of nine members. Dr. Vesna Nevistić has gained extensive experience working globally across many different industries while holding senior executive positions at some of the world's leading institutions. Zoran Vučinić has more than 33 years of experience, advancement and exceptional results in international corporate operations, strategic marketing and change management. Strengthening the Management Board is a logical continuation of the process of defining the corporate strategy and priorities for the Company's further development.
The members of the Supervisory Board have the right to remuneration appropriate to the period of their engagement and the tasks performed, as well as the Company's situation and business performance. In line with the above, in 2021 members of the Supervisory Board received remuneration in the following (gross 1) amount: Mr. Zdenko Adrović, a total of HRK 360,000.00; Mr. Siniša Petrović, a total of HRK 240,000.00; Ms. Anja Svetina Nabergoj, a total of HRK 180,000.00, Ms. Monika Schulze, a total of HRK 180,000.00, Mr. Franz Jozef Flosbach, a total of HRK 180,000.00; Mr. Aleksandar Pekeč, a total of HRK 180,000.00 and Mr. Lars Peter Håkansson, a total of HRK 180,000.00.

Supervisory Board committees

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

- Audit Committee,
- Leadership Development and Remuneration Committee and
- Social Responsibility and Corporate Governance Committee.

Each of these Committees consists of three members, of which two are appointed from the ranks of the Supervisory Board members, while one member is appointed from the ranks of top experts in the subject area.

THE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE COMMITTEE defines a system of mechanisms for ensuring a balance between the rights of shareholders and the needs of management to direct and manage the company's operations. It provides a framework to establish the Company's objectives and define the funds required to achieve those objectives, as well as to monitor their implementation and efficiency. The Committee is chaired by the member of Supervisory Board Siniša Petrović, Monika Elisabeth Schulze was appointed as a member as well from the ranks of the Supervisory Board and Nina Tepeš as a member from the ranks of external experts. The Committee held four sessions throughout 2021, whereby the attendance percentage of its members was 100%.

THE LEADERSHIP DEVELOPMENT AND REMUNERATION COMMITTEE proposes candidates for the Management Board, Supervisory Board and senior management personnel as well as contents of contracts with the members of Management Board, structure of their compensation and compensation of the Supervisory Board's members. The Committee is chaired by the member of Supervisory Board Aleksandar Pekeč, Lars Peter Elam Håkansson was appointed as a member as well from the ranks of the Supervisory Board and Zoran Sušanj as a member from the ranks of external experts. The Committee held five sessions during 2021, and the attendance rate of its members was 93.33%.

THE AUDIT COMMITTEE analyses in detail the financial reports, provides support to the company's accounting and establishes good and quality internal control within the Company. It monitors the integrity of financial information of the company, particularly the accuracy and consistency of accounting methods used by the Company and the Group to which it belongs, including the criteria for consolidation of financial reports of the companies that belong to the Group. Also, the Committee assess the quality of the internal control and risk management system, with the aim of properly identifying, publicizing and managing the major risks to which the company is exposed to. The Committee is chaired by the member of Supervisory Board Franz-Josef Flosbach, Zdenko Adrović was appointed as a member as well from the ranks of the Supervisory Board and Marko Lesić as a member from the ranks of external experts. The Committee held two sessions during 2021, and the attendance rate of its members was 100%.

The members of the said Committees who are not members of the Supervisory Board have received remuneration for their work and contribution to the functioning of the Supervisory Board of Atlantic Grupa. In 2021, Ms. Nina Tepeš received (gross 1) remuneration in a total of HRK 30,000.00, Mr. Marko Lesić in a total of HRK 12,000.00, and Mr. Zoran Sušanj in a total of HRK 30,000.00.

Management Board of Atlantic Grupa

Atlantic Grupa's Management Board is composed of six members – President of the Management Board; Group Vice President for Corporate Activities; Group Vice President for Finance, Procurement and Investments; Group Vice President for Corporate Strategy and Development; Group Vice President for Distribution and Group Vice President for Savoury Spreads, Donat and International Expansion.
The Management Board of Atlantic Grupa operates in the following composition:

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

Strategic Management Council

Since its establishment in early 2012, the Strategic Management Council operates as a multifunctional body that discusses vital strategic and operational corporate issues, analyses operations, key decisions, defines priorities and coordinates between organisational units. The Council includes the following members: President of the Management Board, Group Vice President for Corporate Activities, Group Vice President for Finance, Procurement and Investment, Group Vice President for Corporate Strategy and Development, Group Vice President for Distribution, Group Vice President for Savoury Spreads, Donat and International Expansion, Managing Directors of Strategic Business Units, Managing Directors of Strategic Distribution Units, Senior Executive Directors of Private Labels, Corporate Legal Affairs, Quality Management and Asset Management, Transformation and Information Technology, and Corporate Key Accounts Management, Secretary General, as well as Executive Directors of Central Purchasing, People and Culture, Corporate Controlling and Corporate Strategy and New Growth.

Social Responsibility Committee

The company has the Social Responsibility Committee which contributes to the implementation of principles of sustainable development in the company's everyday operations, monitors its status and starts initiatives for the improvement of corporate social responsibility. The Social Responsibility Committee is headed by the Company's Secretary General, while its members are: Executive Director of People and Culture, Director of Corporate Communications and Director of Corporate Quality Management.

Internal audit

The corporate internal audit of Atlantic Grupa performs an independent audit and control function and informs managers through comprehensive audit reports (findings and proposed improvements). The realisation of proposed improvements is monitored through a digital tool. Internal audit is responsible for estimating the level of risk management in business processes, reviewing the efficiency of the internal control systems with the purpose of advancing risk management and compliance with procedures, testing and analyses of compliance of the existing business systems with adopted policies, plans, procedures, laws and regulations that can have a significant influence on business reports.

It is responsible for recommending preventive measures in the area of financial reporting, compliance, business and control in order to eliminate risks and eventual deficiencies that could lead to inefficient processes or fraud. Internal audit informs the Supervisory Board's Audit Committee on its activities and audit plans, while its findings and recommendations help the management to improve processes, preventively eliminate potential risks or reduce risks to an acceptable level.

In 2021, twenty-five audits were carried out in the following areas: comparison of production facilities within SBU Coffee, chicken and fish procurement process, complaints management process for non-compliant finished products, management of free goods dissemination by distributors, corporate investor relations management and others. These audits resulted in a total of 66 recommendations for improving operation and reducing specific risks to an acceptable level.

Responsibility for the annual financial statements

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

STATEMENT

According to our best knowledge the annual separate financial statements for 2021 are prepared in accordance with applicable standards of financial reporting and give true and fair view of the assets and liabilities, profit and loss, financial position and operations of the Company.

Report of the Company's Management board for the period from 1 January to 31 December 2021 contains the true presentation of development, results and position of the Company, with description of significant risks and uncertainties which the Company is exposed.

In Zagreb, 28 March 2022

Zoran Stanković
Group Vice President for Finance,
Procurement and Investment

Tatjana Ilinčić
Director of Corporate Reporting and Consolidation

Responsibility for the financial statements

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

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

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

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

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

The accompanying financial statements were approved for issuance by the Management Board on 28 March 2022.

Emil Tedeschi
President and Chief Executive Officer

Srećko Nakić
Group Vice President for Distribution

Zoran Stanković
Group Vice President for Finance, Procurement and Investment

Lada Tedeschi Fiorio
Group Vice President for Corporate Strategy and Growth

Neven Vranković
Group Vice President for Corporate Activities

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

Independent auditor's report

To the Shareholders of Atlantic Grupa d.d.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Atlantic Grupa d.d. (the Company), which comprise the separate balance sheet as at 31 December 2021, separate income statement and the separate statement of other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2021 and of its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (IFRS as adopted by the EU).

Basis for opinion

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

We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

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

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

Key Audit Matter	How we addressed Key Audit Matter
Assessment of impairment of investments in subsidiaries *See Note 4 Critical accounting estimates and Note 14 Investments in subsidiaries of the financial statements.* The Company has investments in subsidiaries with carrying amount totalling HRK 1,325,725 thousand as at 31 December 2021. The carrying amount of the investments in subsidiaries represents 71% of total assets and the assessment of the impairment indicators represents significant area of management's judgment, regarding but not limited to, market values, future plans, changes in the economic environment and interest rate changes. Due to the range of judgements and assumptions used in the models and impairment assessments, as well as the significant carrying amount of the investments in subsidiaries, this is an area considered to be a key audit matter.	Audit procedures included understanding of the investment impairment assessment process. We examined the methodology used by management to assess the carrying value of respective investment in subsidiaries to determine its compliance with IFRS as adopted by the EU and consistency of application. We evaluated management assessment of indicators of potential impairments and where indicators exist, we performed the procedures listed below. We evaluated the subsidiaries' future cash flow forecasts and the process by which they were prepared. We also compared the budget inputs in the models to the approved budgets and forecast inputs in the models to management plans. We compared the current year (2021) actual results with the figures included in the prior year (2020) forecasts to evaluate assumptions used. We also compared management's key assumptions for long-term growth rate by comparing it to historical growth results and market data. We performed audit procedures on the mathematical integrity of the impairment models, sensitivity analysis and tested the appropriateness of discount rates used in the calculation with the assistance of the valuation specialists. We also assessed adequacy of the disclosures in the separate financial statements and if these are in line with the requirements of IFRS as adopted by the EU.

Other information included in the Company's Annual Report for year 2021

Management is responsible for the other information. Other information consists of the information included in the Annual Report which includes the Management report and Corporate Governance Statement, other than the separate financial statements and our auditor's report thereon. Our opinion on the separate financial statements does not cover the Other information including the Management report and Corporate Governance Statement.

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

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

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

1. the information given in the enclosed Management report for the 2021 financial year are consistent, in all material respects, with the enclosed separate financial statements;

2.the enclosed Management report for 2021 financial year is prepared in accordance with requirements of Article 21 of the Accounting Act;

3. Corporate Governance Statement, included in the Company's annual report, includes the information referred to in Article 22., paragraph 1., items 2, 5, 6 and 7 of the Accounting Act; and

4. elements of Corporate Governance Statement containing the information referred to in Article 22, paragraph 1, items 3 and 4 of the Accounting Act, included in the Company's annual report are prepared in accordance with requirements of the Accounting Act and are consistent, in all material respects, with the enclosed separate financial statements;

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

Responsibilities of management and Audit Committee for the separate financial statements

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

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

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

Auditor’s responsibilities for the audit of the separate financial statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

Ernst & Young d.o.o. was initially appointed as auditors of the Company on 29 June 2017. This appointment has been renewed annually by shareholder resolution, with the most recent reappointment on 18 June 2021, representing a total period of uninterrupted engagement appointment of five years.

Kulić i Sperk REVIZIJA d.o.o. was initially appointed as auditors of the Company on 18 June 2020, and this appointment has been renewed annually by shareholder resolution, with the most recent reappointment on 18 June 2021, representing a total period of uninterrupted engagement appointment of two years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 17 March 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

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

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

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

We have conducted a reasonable assurance engagement on whether the financial statements, as contained in the attached electronic file 1fd3c518864b4e3083b67188c60097a8752d7ce49118340d82dd7961f1a6314b, are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulatin.

Responsibilities of the Management and those charged with governance

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

The Management is also responsible for:
- the public disclosure of financial statements in ESEF format
- selecting and using XBLR codes in accordance with ESEF regulation

Those charged with governance are responsible for overseeing the preparation of the financial statements in ESEF format as part of the financial reporting process.

Auditor's responsibilities

Our responsibility is to express a conclusion, based on the audit evidence gathered, as to whether the financial statements are free from material non-compliances with the requirements of the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with International

Standard for Assurance Engagements ISAE 3000 (revised)- Assurance engagements other than audits or reviews of historical financial information.

Work performed

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

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

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

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

Conclusion

Based on the procedures performed and evidence gathered, the financial statements presented in ESEF format for the year ended on 31 December 2021, contained in the aforementioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.

Further to this conclusion as well as opinion contained in part of this report related to accompanying financial statements and annual report for the year ended 31 December 2021, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned file.

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

Berislav Horvat, President of the Board and Certified auditor 28 March 2022 Ernst & Young d.o.o. Radnička cesta 50 Zagreb Republic of Croatia	Janja Kulić, Director and Certified auditor 28 March 2022 Kulić i Sperk REVIZIJA d.o.o. Radnička cesta 52 Zagreb Republic of Croatia

(all amounts expressed in thousands of HRK)	**Note**	**2021**	**2020**
Revenues	24	215,918	191,025
Other income	5	285,087	253,165
Staff costs	6	(111,257)	(97,868)
Marketing and promotion costs	7	(28,207)	(6,902)
Depreciation, amortisation and impairment	12, 12a, 13	(33,393)	(30,643)
Other operating costs	8	(62,550)	(67,281)
Other losses – net	9	(486)	(9,360)
Operating profit		**265,112**	**232,136**
Finance income	10	302	1,354
Finance costs	10	(3,558)	(9,308)
Finance costs – net	10	(3,256)	(7,954)
Profit before tax		**261,856**	**224,182**
Income tax expense	11	1,942	352
Net profit for the year		**263,798**	**224,534**

(all amounts expressed in thousands of HRK)	**2021**	**2020**
Net profit for the year	**263,798**	**224,534**
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Actuarial gain from defined benefit plans, net of tax	10	8
	10	8
Other comprehensive income for the year, net of tax	**10**	**8**
Total comprehensive income for the year	**263,808**	**224,542**

(all amounts are expressed in thousands of HRK)	**Note**	**31 December 2021**	**31 December 2020**
ASSETS			
Non-current assets			
Property, plant and equipment	12	56,629	58,146
Right-of-use assets	12a	19,986	27,188
Intangible assets	13	47,235	45,582
Investments in subsidiaries	14	1,325,725	1,325,705
Deferred tax assets	21	7,003	5,061
Trade and other receivables	16	11,646	11,733
		1,468,224	1,473,415
Current assets			
Trade and other receivables	16	352,908	174,449
Income tax receivable		736	736
Cash and cash equivalents	17	43,903	148,056
		397,547	323,241
Total assets		**1,865,771**	**1,796,656**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	133,372	133,372
Share premium	18	883,852	881,851
Treasury shares	18	(22,131)	(7,647)
Retained earnings		465,208	334,494
Total equity		1,460,301	1,342,070
Non-current liabilities			
Borrowings	20	299,020	298,919
Lease liabilities	12a	10,684	18,290
Provisions	22	12,733	11,739
		322,437	328,948
Current liabilities			
Trade and other payables	19	39,477	37,417
Borrowings	20	5,404	20,445
Lease liabilities	12a	10,625	10,848
Provisions	22	27,527	56,928
		83,033	125,638
Total liabilities		**405,470**	**454,586**
Total equity and liabilities		**1,865,771**	**1,796,656**

(all amounts are expressed in thousands of HRK)	**Share capital, Share premium and Treasury shares**	**Retained earnings**	**Total**
Balance at 1 January 2020	1,008,811	193,138	1,201,949
Comprehensive income:			
Net profit for the year	-	224,534	224,534
Other comprehensive income	-	8	8
Total comprehensive income for the year	-	224,542	224,542
Transaction with owners			
Purchase of treasury shares	(11,022)	-	(11,022)
Share based payment (Note 18)	9,787	-	9,787
Dividends (Note 18)	-	(83,186)	(83,186)
At 31 December 2020	**1,007,576**	**334,494**	**1,342,070**
Balance at 1 January 2021	1,007,576	334,494	1,342,070
Comprehensive income:			
Net profit for the year	-	263,798	263,798
Other comprehensive income	-	10	10
Total comprehensive income for the year	-	263,808	263,808
Transaction with owners			
Purchase of treasury shares	(30,558)	-	(30,558)
Share based payment (Note 18)	18,075	-	18,075
Dividends (Note 18)	-	(133,094)	(133,094)
At 31 December 2021	**995,093**	**465,208**	**1,460,301**

(all amounts expressed in thousands of HRK)	Note	2021	2020
Net profit for the year		**263,798**	**224,534**
Income tax expense	11	(1,942)	(352)
Depreciation and amortisation	12,12a,13	33,393	30,643
Impairment of receivables	8, 16	162	-
Impairment of investment in subsidiaries	9, 14	-	7,759
Loss from sale of subsidiaries	9	-	1,153
Gain on sale of property, plant and equipment	9	(77)	-
Unrealised foreign exchange differences – net		1	(303)
(Decrease)/ increase in provisions	22	(28,407)	3,475
Share based payment	18	18,075	9,787
Interest income	5	(3,287)	(1,058)
Interest expense	10	3,291	8,067
Dividend income	5	(270,000)	(240,000)
Other non-cash items		4	2
		15,011	43,707
Changes in working capital:			
Increase in trade and other receivables		(1,089)	(33,076)
(Increase)/ decrease in trade and other payables		2,060	(17,321)
Cash generated/ (used in) from operations		**15,982**	**(6,690)**
Income tax paid		-	(240)
Interest paid		(3,225)	(4,624)
Cash flows from/(used in) operating activities		**12,757**	**(11,554)**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	12, 13	(23,111)	(63,829)
Proceeds from sale of property, plant and equipment		85	-
Proceeds from sale of investment in subsidiary		-	39,366
Repayments of loans receivable and deposits placed - net		(24,336)	(69,561)
Dividends received	5	120,000	193,000
Interest received		155	488
		72,793	99,464
Cash flows (used in)/from financing activities			
Issuance of bonds	20	-	140,025
Purchase of bonds	20	-	(43,796)
Proceeds from borrowings	20	-	309,264
Repayment of borrowings	20	(15,000)	(293,386)
Principal elements of lease payments	12a	(11,051)	(9,788)
Purchase of treasury shares	18	(30,558)	(11,022)
Dividends paid	18	(133,094)	(83,186)
		(189,703)	8,111
Net (decrease)/ increase in cash and cash equivalents		**(104,153)**	**96,021**
Cash and cash equivalents at beginning of year		148,056	52,035
Cash and cash equivalents at end of year	17	**43,903**	**148,056**

NOTE 1 – GENERAL INFORMATION

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

The Company is domiciled in Zagreb, Miramarska 23, Croatia.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

The Company has issued these separate financial statements in accordance with Croatian regulations. The Company has also prepared consolidated financial statements as at 31 December 2021 and for the year then ended in accordance with IFRS which were endorsed by the EU for the Company and its subsidiaries (the Group), which were approved by the Management Board on 28 March 2022. Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2021 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole. Consolidated financial statements are published on the Company's website (www.atlanticgrupa.com).

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the amendments listed below which are the result of amendments to International Financial Reporting Standards (IFRS) adopted by the Company as of 1 January 2021 and which did not have material impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued by the International Financial Standards Board („Board“) but are not yet effective.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Standards and Interpretations effective in the current period

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

- ***Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2***, issued on 27 August 2020 (effective date for annual periods beginning on or after 1 January 2021).
- ***Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9***, issued on 25 June 2020 (effective date for annual periods beginning on or after 1 January 2021).
- ***Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions***, issued on 31 March 2020 (effective date for annual periods beginning on or after 1 April 2021).

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

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

- ***Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020***, all issued on 14 May 2020, (effective date for annual periods beginning on or after 1 January 2022).
- ***IFRS 17 Insurance contracts***, issued on 18 May 2017; including Amendments to IFRS 17 issued on 25 June 2020, (effective date for annual periods beginning on or after 1 January 2023).

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

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue by the International Accounting Standards Board but not yet adopted by the EU. The endorsement might be expected in 2022. The Company does not anticipate that the adoption of these Standards and Interpretations will have a significant impact on its financial statements.

- ***Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date***, issued on 23 January 2020 and 15 July 2020 respectively (effective date for annual periods beginning on or after 1 January 2023).
- ***Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies***, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).
- ***Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*** issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).
- ***Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transactions***, issued on 7 May 2021 (effective date for annual periods beginning on or after 1 January 2023).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment where the entity operates (‘the functional currency’). The financial statements are presented in Croatian kuna (HRK), which is the Company’s functional and presentation currency.

(b) Transactions and balances

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

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

2.3 Investments in subsidiaries

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment

Motor vehicles, equipment, land, leasehold improvements and assets not yet in use are included in the balance sheet at historical cost less accumulated depreciation and provision for impairment, if required. Historical cost includes expenditure directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with carrying amount, and are recognised within 'other gains/(losses) – net' in the income statement.

2.5 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (4 to 5 years).

2.6 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets

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

(a) Financial assets at amortised costs

The Company measures financial assets at amortised cost if both of the following conditions are met:
- the financial asset is held within a business model with the objective of holding financial assets in order to collect contractual cash flows,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

(b) Financial assets at fair value through profit or loss

This category includes financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets except derivative financial instruments.

(c) Financial assets at fair value through OCI

The Company measures financial assets at fair value through OCI if both of the following conditions are met:
- the financial asset is held within a business model with the objective of holding the financial assets to collect and selling contractual cash flows,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of the principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for the financial assets measured at amortised cost.
The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets at fair value through OCI are included in non-current assets unless management intends to dispose the investment within 12 months of the balance sheet date. Financial assets at fair value through OCI are carried at fair value, except investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, consequently, these are carried at cost.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as financial assets at fair value through OCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Interest income and the translation differences are recognised in the income statement, whereas other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary securities classified as financial assets at fair value through OCI and non-monetary securities classified as financial assets at fair value through OCI are recognised in other comprehensive income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions and references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Financial assets are written off when there is no reasonable expectation of recovery. The amount of the impairment and subsequent recoveries of amounts previously written off are recognised in the income statement within 'other operating costs'.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Leases

i) The Company's leasing activities and accounting policy

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

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. In that sense, incremental borrowing rate of 2%, representing unsecured risk of the Company was used for new and modified leases whose maturity is above 5 years (2020: 2%), and incremental borrowing rate of 1%, representing the secured risk of the Company was used for new and modified leases with maturity of 5 years and less (2020: 1%).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Leases (continued)

i) The Company's leasing activities and accounting policy (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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

Payments associated with short-term leases of equipment and vehicles and all leases of software licences and low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets (below HRK 35 thousand) comprise IT equipment and small items of office furniture.

ii) Variable lease payments

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

iii) Extension and termination options

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

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

2.9 Trade and other receivables

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Cash and cash equivalents

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

2.11 Share capital

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

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

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.13 Current and deferred tax

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

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Employee benefits

(a) Pension obligations and post-employment benefits

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

(b) Termination benefits

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

(c) Long-term employee benefits

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Employee benefits (continued)

(d) Share-based compensations

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

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

(e) Short-term employee benefits

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

2.15 Provisions

Provisions for termination benefits, legal proceedings and employee benefits are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

When there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Revenue recognition

Company recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expect to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework.
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is presented net of value-added tax. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

(a) Revenue from services

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

(b) Interest income

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

(c) Dividend income

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

(d) Rental income

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Dividend distribution

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

2.18 Value added tax

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

2.19 Trade payables

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

2.20 Operating segments reporting

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

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

Movements in exchange rates between the EUR and Croatian kuna (HRK) may have an impact on the results of future operations and future cash flow. The table below shows EUR denominated trade and other payables, trade and other receivables, cash and cash equivalents and lease liabilities as a percentage of their total balances at the balance sheet dates.

	31 December 2021	**31 December 2020**
Trade and other receivables	16%	26%
Trade and other payables	10%	15%
Cash and cash equivalents	38%	8%
Lease liabilities	100%	98%

As at 31 December 2021 if the EUR had weakened/strengthened by 0.5% against the HRK, with all other variables held constant, profit for the year would differ by -/+ HRK 204 thousand (2020: profit for the year would differ by -/+ HRK 94 thousand).

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

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

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

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

A change in the effective interest rate would have an insignificant impact on profit in 2021. Compared to the reported situation as at 31 December 2020, if the effective interest rate on borrowings had been 100 basis points higher/lower on an annual level, profit for the year would have been HRK 253 thousand lower/higher.

(b) Credit risk

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

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

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

Surplus cash held over and above the balance required for working capital management is invested in interest bearing gyro accounts, time deposits and cash funds, i.e. instruments with appropriate maturities or sufficient liquidity. At the balance sheet date the Company held cash and cash equivalents in the amount of HRK 43,903 thousand (2020: 148,056 thousand) that are expected to readily generate cash inflows for managing liquidity risk.

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

(in thousands of HRK)	**Less than 1 year**	**Between 1-5 years**	**Total**
31 December 2021			
Trade and other payables	30,867	-	30,867
Borrowings	7,885	307,875	315,760
Lease liabilities	10,849	10,791	21,640

(in thousands of HRK)	**Less than 1 year**	**Between 1-5 years**	**Total**
31 December 2020			
Trade and other payables	31,566	-	31,566
Borrowings	23,103	310,500	333,603
Lease liabilities	11,506	18,768	30,274

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.2 Changes in liabilities arising from financial activities

(in thousands of HRK)	Bonds Non-current	Bonds Current	Bank borrowings	Related parties borrowings	Leases Non-Current	Leases Current	Total
1 January 2021	**298,919**	**-**	**15,000**	**5,445**	**18,290**	**10,848**	**348,502**
Cash flow	-	-	(15,000)	(183)	-	(11,051)	(26,234)
Additions, modifications and leases expirations	-	-	-	-	2,631	628	3,259
Prepaid fee amortized	245	-	-	-	-	-	245
Current portion	(144)	144	-	-	(10,218)	10,218	-
FX movement	-	-	-	(2)	(19)	(18)	(39)
31 December 2021	**299,020**	**144**	**-**	**5,260**	**10,684**	**10,625**	**325,733**

3.3 Capital risk management

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

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

The gearing ratios were as follows:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Total borrowings (Note 20)	304,424	319,364
Lease liabilities (Note 12a)	21,309	29,138
Less: Cash and cash equivalents (Note 17)	(43,903)	(148,056)
Net debt	281,830	200,446
Total equity	1,460,301	1,342,070
Total capital and net debt	**1,742,131**	**1,542,516**
Gearing ratio	**16%**	**13%**

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

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation

All financial instruments that are recognized and measured at fair value in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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

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

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

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

Impairment of Investments in subsidiaries

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

NOTE 5 – OTHER INCOME

	2021	2020
	(in thousands of HRK)	
Dividend income – related parties (Note 24)	270,000	240,000
Interest income – related parties (Note 24)	2,940	370
Rental income – third parties	1,927	1,881
Interest income - third parties	347	688
Other income – related parties (Note 24)	30	122
Other	9,843	10,104
	285,087	**253,165**

NOTE 6 – STAFF COSTS

	2021	2020
	(in thousands of HRK)	
Gross salaries /i/	73,626	72,262
Education	2,858	1,337
Public transport	366	368
Other staff costs /ii/	34,407	23,901
	111,257	**97,868**

In 2021, the average employees number was 177 (2020: 170).

/i/ Pension contributions to mandatory pension funds for the year ended 31 December 2021 amounted to HRK 10,345 thousand (2020: 10,299 thousand).

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

NOTE 7 – MARKETING AND PROMOTION COSTS

	2021	2020
	(in thousands of HRK)	
Advertising and marketing expenses	21,561	3,003
Sponsorships and donations	4,493	2,551
Market research expenses	2,153	1,348
	28,207	**6,902**

NOTE 8 – OTHER OPERATING COSTS

	2021	2020
	(in thousands of HRK)	
Intellectual services	15,628	7,113
Maintenance and security	13,478	11,938
Rentals	12,955	12,034
Telecommunication services	5,206	4,391
Transportation services	4,357	4,120
Services from related parties (Note 24)	1,823	2,208
Supervisory Board compensation	1,572	1,496
Subscriptions and membership fees	1,023	1,118
Entertainment	835	2,068
Insurance premiums	784	751
Fuel	780	662
Travel expense and daily allowances	522	798
Office supplies	400	623
Taxes and contributions irrespective of operating results	341	307
Impairment of receivables (Note 16)	162	-
Bank charges	140	203
Donations – Covid 19	-	14,070
Other	2,544	3,381
	62,550	**67,281**

NOTE 9 – OTHER LOSSES – NET

	2021	2020
	(in thousands of HRK)	
Gain on sale of property, plant and equipment	77	-
Foreign exchange losses – net	(559)	(544)
Loss from sale of subsidiaries	-	(1,153)
Impairment of investment in subsidiaries	-	(7,759)
Other	(4)	96
	(486)	**(9,360)**

NOTE 10 – FINANCE COSTS – NET

	2021	2020
	(in thousands of HRK)	
Finance income:		
Foreign exchange gains from borrowings and lease liabilities	302	1,354
	302	1,354
Finance costs:		
Interest expense - bonds	(2,870)	(6,393)
Interest expense - related parties (Note 24)	-	(902)
Interest expense - leases	(359)	(464)
Interest expense - banks	(32)	(274)
Interest expense - other	(30)	(34)
Total interest expense	(3,291)	(8,067)
Foreign exchange losses from borrowings and lease liabilities	(267)	(1,241)
	(3,558)	(9,308)
	(3,256)	**(7,954)**

NOTE 11 – INCOME TAX EXPENSE

	2021	2020
	(in thousands of HRK)	
Current income tax	-	-
Deferred tax (Note 21)	(1,942)	(352)
Tax income	**(1,942)**	**(352)**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of 18% (2020: 18%) applicable to the Company's profit as follows:

	2021	2020
	(in thousands of HRK)	
Profit before tax	261,856	224,182
Tax at 18%	47,134	40,353
Effect of expenses not deductible for tax purposes	5,903	7,917
Effect of income not subject to tax	(52,441)	(46,798)
Effect of used tax losses	(2,538)	(1,824)
Tax income	**(1,942)**	**(352)**
Effective tax rate	-	-

In accordance with positive legal regulations, the Tax Authority may carry out a tax audit within three years from the year in which the income tax liability for a certain financial period was established. The statute of limitations applicable on the right to assess tax liabilities and interest commences upon expiry of the year in which a tax liability became payable and the moment when the tax liability becomes payable is prescribed by special tax laws governing various types of direct and indirect taxes. The tax audit which was auditing the tax return for the year 2017, and which started in 2019, was completed by the end of 2020. The tax audit assessed an additional corporate income tax liability amounting to HRK 139 thousand which was settled in 2021.

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

(in thousands of HRK)	**Land**	**Leasehold Improvements**	**Equipment**	**Assets not yet in use**	**Total**
At 31 December 2019					
Cost	-	17,759	15,566	2,855	36,180
Accumulated depreciation	-	(12,322)	(10,459)	-	(22,781)
Net book amount	**-**	**5,437**	**5,107**	**2,855**	**13,399**
At 1 January 2020					
Opening net book amount	-	5,437	5,107	2,855	13,399
Additions	44,688	-	-	4,578	49,266
Transfer	-	229	6,696	(6,925)	-
Depreciation	-	(1,881)	(2,638)	-	(4,519)
Closing net book amount	**44,688**	**3,785**	**9,165**	**508**	**58,146**
At 31 December 2020					
Cost	44,688	17,988	22,035	508	85,219
Accumulated depreciation	-	(14,203)	(12,870)	-	(27,073)
Net book amount	**44,688**	**3,785**	**9,165**	**508**	**58,146**
At 1 January 2021					
Opening net book amount	44,688	3,785	9,165	508	58,146
Additions	-	-	-	3,351	3,351
Transfer	-	64	3,648	(3,712)	-
Disposals	-	-	(8)	-	(8)
Depreciation	-	(1,707)	(3,153)	-	(4,860)
Closing net book amount	**44,688**	**2,142**	**9,652**	**147**	**56,629**
At 31 December 2021					
Cost	44,688	18,052	25,479	147	88,366
Accumulated depreciation	-	(15,910)	(15,827)	-	(31,737)
Net book amount	**44,688**	**2,142**	**9,652**	**147**	**56,629**

NOTE 12a – LEASES

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

(i) Amounts recognized in the balance sheet

(in thousands of HRK)	**Buildings**	**Vehicles**	**Total**
Right-of-use assets			
At 1 January 2020	14,026	9,277	23,303
Additions	-	5,385	5,385
Lease modification	9,026	-	9,026
Termination of lease	-	(326)	(326)
Depreciation	(5,849)	(4,351)	(10,200)
At 31 December 2020	**17,203**	**9,985**	**27,188**
Additions	-	2,992	2,992
Lease modification	33	590	623
Termination of lease	-	(391)	(391)
Depreciation	(6,037)	(4,389)	(10,426)
At 31 December 2021	**11,199**	**8,787**	**19,986**

(in thousands of HRK)	**31 December 2021**	**31 December 2020**
Lease liabilities		
Current	10,625	10,848
Non-current	10,684	18,290
	21,309	29,138

(ii) Amounts recognized in the income statement

(in thousands of HRK)	**2021**	**2020**
Depreciation charge of right-of-use assets	10,426	10,200
Interest expense (included in “Finance costs”)	359	464
Expense related to short-term leases, leases of software licences and low value assets (included in “Other operating costs”)	12,955	12,034

The total cash outflow for leases in 2021 was HRK 11,051 thousands (2020: HRK 9,788 thousand).

NOTE 13 – INTANGIBLE ASSETS

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Opening net carrying amount	45,582	46,943
Additions	19,760	14,563
Amortisation	(18,107)	(15,924)
Closing net carrying amount	47,235	45,582
Cost	115,546	95,786
Accumulated amortisation	(68,311)	(50,204)
Closing net carrying amount	**47,235**	**45,582**

The entire amount of intangible assets relates to software.

NOTE 14 – INVESTMENTS IN SUBSIDIARIES

	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	Holding in %	**Holding in %**	*(in thousands of HRK)*	
Atlantic Trade d.o.o., Zagreb, Croatia	100%	100%	738,544	738,544
Atlantic Cedevita d.o.o., Zagreb, Croatia	100%	100%	132,736	132,736
Hopen Investments B.V., Netherlands /i/	100%	100%	22,404	22,384
Montana Plus d.o.o., Zagreb, Croatia	100%	100%	12,000	12,000
Atlantic Brands GmbH, Austria	100%	100%	10,973	10,973
Atlantic Point d.o.o., Zagreb, Croatia	100%	100%	20	20
Farmacia Holding d.o.o., Zagreb, Croatia	100%	100%	409,048	409,048
Atlantic Multipower Italy /ii/	-	100%	-	-
			1,325,725	**1,325,705**

/i/ Impairment of HRK 7,500 thousand was made in 2020 to reduce the carrying value of investment to the carrying value of net assets of the subsidiary.

/ii/ The subsidiary is liquidated. In order to support the working capital needs of its subsidiary, the Company has paid additional HRK 259 thousand in 2019 and reduced the value of the investment by the same amount in 2020 (Note 9).

NOTE 15 – FINANCIAL INSTRUMENTS BY CATEGORY

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

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Financial assets at amortised cost		
Trade receivables	85,053	70,360
Loans and deposits given	266,087	88,834
Other financial assets at amortized cost	7,471	14,789
Cash and cash equivalents	43,903	148,056
	402,514	**322,039**
Total current	390,868	310,306
Total non-current	11,646	11,733
Financial liabilities at amortised cost		
Borrowings	304,424	319,364
Trade and other payables	30,867	31,566
	335,291	**350,930**
Total current	36,271	52,011
Total non-current	299,020	298,919
Lease liabilities	**21,309**	**29,138**
Current	10,625	10,848
Non-current	10,684	18,290

NOTE 16 – TRADE AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Non-current receivables		
Deposits	1,118	1,121
Loans given	10,528	10,612
	11,646	**11,733**
Current receivables		
Trade receivables – related parties (Note 24)	82,974	65,505
Trade receivables	2,079	4,855
Short-term loans given – related parties (Note 24)	245,000	70,000
Short-term loans given	5,826	6,426
Accrued interest receivable – related parties (Note 24)	3,615	675
Other receivables /i/	13,414	26,988
	352,908	**174,449**
Total trade and other receivables	**364,554**	**186,182**

/i/ Other receivables as at 31 December 2021 are mostly related to receivables from Government institutions, employees and to prepaid expenses. As at 31 December 2021, HRK 162 thousand of other receivables were impaired (2020: -).

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

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Category: Trade and other receivables		
Deposits	1,118	1,121
Long-term loans given	10,528	10,612
Trade receivables – related parties (Note 24)	82,974	65,505
Trade receivables	2,079	4,855
Short-term loans receivables – related parties (Note 24)	245,000	70,000
Short-term loan receivables	5,826	6,426
Accrued interest receivable – related parties (Note 24)	3,615	675
Other receivables	7,471	14,789
	358,611	**173,983**

NOTE 16 – TRADE AND OTHER RECEIVABLES (continued)

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

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

As at 31 December 2021, trade and other receivables past due amounted to HRK 12,967 thousand (2020: HRK 27,484 thousand). Almost all receivables past due relate to receivables from related parties and they were not provided for as collection is not questionable.

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

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Less than 3 months	6,807	5,854
3 to 6 months	3,812	8,147
Over 6 months	2,348	13,483
	12,967	**27,484**

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
HRK	299,464	128,860
EUR	59,147	45,123
	358,611	**173,983**

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

NOTE 17 – CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Gyro account and cash on hand	27,283	136,854
Foreign currency account	16,620	11,202
	43,903	**148,056**

Cash and cash equivalents are denominated in the following currencies:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
HRK	27,269	136,841
EUR	16,625	11,210
Other currencies	9	5
	43,903	**148,056**

NOTE 18 – SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of shares	Share capital	Share premium	Treasury shares	Total
			(in thousands of HRK)		
1 January 2020	**3,329,290**	**133,372**	**881,323**	**(5,884)**	**1,008,811**
Purchase of treasury shares	(9,899)	-	-	(11,022)	(11,022)
Share based payments	8,180	-	528	9,259	9,787
31 December 2020	**3,327,571**	**133,372**	**881,851**	**(7,647)**	**1,007,576**
Purchase of treasury shares	(19,801)	-	-	(30,558)	(30,558)
Share based payments	11,709	-	2,001	16,074	18,075
31 December 2021	**3,319,479**	**133,372**	**883,852**	**(22,131)**	**995,093**

All shares issued are ordinary shares, including all relevant rights. All shares have the right to vote at the Company's General Assembly, as well as the right to dividend payment.

The founder and majority owner of the Company is Mr. Emil Tedeschi, President of the Management Board.

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

The ownership structure of the Company is as follows:

	31 December 2021		31 December 2020	
	Number of shares	%	Number of shares	%
Emil Tedeschi	1,673,819	50.20	1,673,819	50.20
Raiffeisen Obligatory pension fund	361,839	10.85	322,729	9.68
AZ Obligatory pension fund	286,946	8.61	286,946	8.61
Erste Plavi Obligatory pension fund	247,821	7.43	256,019	7.68
Lada Tedeschi Fiorio	193,156	5.79	193,156	5.79
Management of the Company	33,464	1.00	31,189	0.93
Other shareholders	522,434	15.67	563,713	16.91
Treasury shares	14,821	0.45	6,729	0.20
Total	**3,334,300**	**100.00**	**3,334,300**	**100.00**

Share based payments

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

In addition to the right to pay bonuses in shares, employees, if they decide to keep the shares for a period of a least two or three years (vesting period), acquire the right to additional shares, while the other part is available without restrictions. Members of senior management are eligible to participate in the Executive Longevity Premium program, which was created as a result of Atlantic Grupa's desire to recognize the critical contribution of management positions to the creation and implementation of long-term strategy. Through this program, the Company grants a package of shares to members of senior management for their long-term contribution to the Company in a high executive position.

The fair value of the shares granted in 2020 is determined as of the grant date, at the estimated market price of share of HRK 1,540.00 (2020: HRK 1,168.65).

In 2021, Management and employees have received 5,344 non-conditional shares granted in 2021, 4,881 conditional shares granted in 2017 and 1,484 conditional shares granted in 2018.

In 2020, Management and employees have received 7,603 non-conditional shares granted in 2020, 380 conditional shares granted in 2016 and 197 conditional shares granted in 2018.

Dividend distribution

According to the decision of the Company's General Assembly from 16 June 2021, the distribution of dividend in the amount of HRK 40.00 per share, or HRK 133,094 thousand in total was approved. Dividend was paid in July 2021.

In 2020 the distribution of dividend in the amount of HRK 25.00 per share, or HRK 83,186 thousand in total was approved. Dividend was paid in July 2020.

NOTE 19 – TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Trade payables	22,592	22,856
Trade payables – related parties (Note 24)	1,627	3,864
Other payables /i/	15,258	10,697
	39,477	**37,417**

/i/ Other payables are as follows:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Gross salaries payable	6,640	5,851
Accrued expenses	5,834	4,815
VAT payables	1,970	-
Other	814	31
	15,258	**10,697**

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

	31 December 2021	31 December 2020
	(in thousands of HRK)	
HRK	26,305	26,516
EUR	3,184	4,757
Other currencies	1,378	293
	30,867	**31,566**

NOTE 20 – BORROWINGS

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Long-term borrowings:		
Bonds /i/	299,020	298,919
	299,020	**298,919**
Short-term borrowings:		
Related parties /ii/ (Note 24)	5,260	5,445
Banks /iii/	-	15,000
Bonds /i/	144	-
	5,404	**20,445**
Total borrowings	**304,424**	**319,364**

/i/ In December 2020 the Company issued corporate bonds in amount of HRK 300 million at the price of 99.985% with a coupon of 0.875% per annum with semi-annual payment of interest and final redemption on 11 December 2025. The purpose of these bonds is financing working capital and refinance of bonds whose maturity was on 17 June 2021.

/ii/ Remaining liability at the balance sheet date comprise of interest payable.

/iii/ As at 31 December 2020 short-term bank borrowings included one tranche secured with co-guarantees from the Company’s subsidiaries.

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

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Fixed interest rate	304,424	319,364
	304,424	**319,364**

The effective annual interest rate relating to bonds at the balance sheet date was 0.96% (2020: 3.10%). The average effective annual interest rate relating to borrowings from banks and from related parties as at 31 December 2020 was 0.65%.

NOTE 20 – BORROWINGS (continued)

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

	Carrying amounts		Fair value	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	(in thousands of HRK)		*(in thousands of HRK)*	
Long-term borrowings				
Bonds	299,020	298,919	300,000	300,750
	299,020	**298,919**	**300,000**	**300,750**

The carrying amount of short-term borrowings approximates their fair value.

The carrying amounts of the Company's borrowings are translated from the following currencies:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
HRK	304,424	319,287
EUR	-	77
	304,424	**319,364**

NOTE 21 – DEFERRED TAX ASSETS

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the amounts recognised will be realised through future taxable profits of the Company. Temporary differences primarily relate to accrued bonuses and unused vacation days.

The Company did not recognise deferred income tax assets of HRK 1,442 thousand (2020: HRK 3,998 thousand) in respect of tax losses that can be carried forward against future taxable income. Deferred tax assets have not been recognised in respect of these losses as it is not certain that future taxable profit will be available for utilisation of temporary differences. Tax losses amounting to HRK 8,011 thousand (2020: HRK 22,209 thousand) expire over the next four years.

Deferred tax assets

(in thousands of HRK)	**Bonuses**	**Other**	**Total**
At 1 January 2020	4,364	345	4,709
Tax credited to the income statement (Note 11)	5,036	-	5,036
Tax charged to the income statement (Note 11)	(4,561)	(123)	(4,684)
At 31 December 2020	**4,839**	**222**	**5,061**
Tax credited to the income statement (Note 11)	5,903	-	5,903
Tax charged to the income statement (Note 11)	(3,802)	(159)	(3,961)
At 31 December 2021	**6,940**	**63**	**7,003**

NOTE 22 – PROVISIONS

(in thousands of HRK)	**Jubilee awards and termination benefits**	**Legal proceedings**		**Bonuses**	**Total**
At 31 December 2020	628	40,371		27,668	68,667
Analysis of total provisions:					
Non-current	583	-		11,156	11,739
Current	45	40,371		16,512	56,928
At 1 January 2021	**628**	**40,371**		**27,668**	**68,667**
Additions charged to the income statement	116	-		32,221	32,337
Additions charged to the other comprehensive income	(10)	-		-	(10)
Used during the year	(29)	(36,276)	*	(17,782)	(54,087)
Reversed during the year	-	(3,095)		(3,552)	(6,647)
	705	**1,000**		**38,555**	**40,260**
Analysis of total provisions:					
Non-current	661	-		12,072	12,733
Current	44	1,000		26,483	27,527
At 31 December 2021	**705**	**1,000**		**38,555**	**40,260**

*In 2021, based on the agreement for the sale and purchase of shares in company Neva d.o.o. which was concluded in 2018, the Group paid additionally determined tax liability in amount of HRK 36,276 thousand according to the court case Neva d.o.o. with the Tax Authorities which was pending at the time of the sale.

NOTE 23 – COMMITMENTS

Capital expenditure contracted at 31 December 2021 but not yet incurred amounted to HRK 3,116 thousand (2020: HRK 2,060 thousand), of which HRK 777 thousand relates to property, plant and equipment (2020: -) and HRK 2,339 thousand to intangible assets (2020: HRK 2,060 thousand).

The Company is co-debtor and guarantor to its subsidiaries and other members of the Group in their long-term and short-term borrowings. The financial liability related to these guarantees is not material and the Management believes that the possibility of any outflow is remote.

NOTE 24 – RELATED PARTY TRANSACTIONS

The Company enters into transactions with the related parties as presented in Note 14 and other entities owned or controlled by the Company and ultimate controlling party.
Related party transactions that relate to balances as at 31 December 2021 and as at 31 December 2020 and transactions recognized for years then ended are as follows:

(all amounts expressed in thousands of HRK)	**Note**	**2021**	**2020**
RECEIVABLES			
Short-term loans	16	245,000	70,000
Subsidiaries			
Interest receivable			
Subsidiaries	16	3,615	675
Trade receivables			
Subsidiaries	16	82,942	65,475
Other entities		32	30
LIABILITIES			
Trade and other payables			
Subsidiaries	19	1,621	3,849
Other entities		6	15
Borrowings			
Subsidiaries	20	5,260	5,445
REVENUES			
Revenues			
Subsidiaries		215,918	191,025
Dividend income			
Subsidiaries	5	270,000	240,000
Interest income			
Subsidiaries	5	2,940	370
Other income			
Subsidiaries	5	30	122
EXPENSES			
Other operating costs			
Subsidiaries	8	1,778	2,044
Other entities		45	164
Net finance costs			
Subsidiaries	10	-	902

Management board compensation

In 2021 members of the Management Board received a total gross amount of HRK 20,119 thousand relating to salaries and bonuses (2020: HRK 17,794 thousand).