FINANCIAL RESULTS

IN 2018

(unaudited)

Zagreb, 28th February 2019

“Atlantic Grupa ended 2018 very successfully, both with respect to our business results and awards and recognitions received by the company itself and by our brands. In 2018, the historically highest sales revenue was recorded in all regional markets of Atlantic Grupa. Argeta, as the most international brand, became the absolute European leader, and we are especially proud of the exceptional results of the redesigned Cockta. At the same time, we continued to develop the distribution range through the distribution of new principals, but also through further investments in the existing principal brands.

In the capital market, Atlantic remains one of the most prominent shares and in 2018 we were listed on the Prime market of the Zagreb Stock Exchange as the first issuer. In 2018, Atlantic Grupa won the first award for best investor relations, organised by Poslovni dnevnik and Zagreb Stock Exchange, as the recognition from the investor community for the high level of communication and transparency of investor relations. In 2018, Atlantic Grupa also won the Zagreb Stock Exchange award for the stock with the highest price increase, which is reflected in the historically highest level of market capitalization since Atlantic’s share is traded on the ZSE.

An important strategic determinant of Atlantic Grupa is disinvestment of “non-core” business operations, and in 2018 we concluded the sale agreement for Neva, the leading Croatian cosmetics manufacturer.

Strong cash flow from operating activities enabled us to continue deleveraging, which led to further decrease in finance costs, and the significant profitability growth provides a strong basis for future growth. We enter 2019 with firm financial position, the lowest net debt to EBITDA ratio since the acquisition of Droga Kolinska and strong market shares of our brands. We continue to focus on key own brands and strengthening of the distribution portfolio, on further strengthening of the consumer orientation culture and the implementation of various digital solutions.”, Emil Tedeschi, CEO, pointed out.

ATLANTIC GRUPA

RESULTS IN LINE WITH EXPECTATIONS COUPLED WITH STRONG PROFITABILITY GROWTH

- **SALES** AT HRK 5,255.5 MILLION
  + **0.3%** compared to the first half of 2017
  + **4.2%** compared to the first half of 2017 if the effect of the sold service production for third parties is excluded

- EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (**EBITDA**) AT HRK 545.9 MILLION, EXCLUDING ONE-OFF ITEMS HRK 565.6 MILLION
  - 6.2% compared to 2017
  + 9.3% compared to 2017 excluding one-off items*

- EARNINGS BEFORE INTEREST AND TAXES (**EBIT**) AT HRK 366.8 MILLION, EXCLUDING ONE-OFF ITEMS HRK 386.5 MILLION
  - 9.8% compared to 2017
  + 13.1% compared to 2017 excluding one-off items*

- **NET PROFIT** AFTER MINORITIES AT HRK 244.0 MILLION, EXCLUDING ONE-OFF ITEMS HRK 261.5 MILLION
  - 11.5% compared to 2017
  +24.1% compared to 2017 excluding one-off items*

FINANCIAL SUMMARY OF 2018

Key figures	2018	2017	2018/2017
Sales (in HRK million)	**5.255,5**	5.238,2	0,3%
Turnover (in HRK million)	**5.330,6**	5.303,4	0,5%
Normalised EBITDA margin*	**10,8%**	9,9%	+89 bb
Normalised net income after minorities (in HRK million)	**261,5**	210,7	24,1%
Gearing ratio**	**26,5%**	34,5%	- 805 bb

* Net negative effect of one-off items in 2018 amounts to HRK 19.7 million on EBITDA and EBIT level (HRK 17.5m on Net profit level), and it includes profit from the sale of the company Neva and provisions for legal claim related to Neva. In 2017, one-off profit of HRK 64.9 million was recorded, following the sale of factories in the sports and functional food segment and the related service production for third parties.
** Gearing ratio = Net debt / (Total equity + Net debt)
** Condensed consolidated financial statements have been prepared on the basis of the same accounting policies, presentations and calculation methods that were used in the preparation of annual consolidated financial statements of Atlantic Grupa as at 31 December 2017, other than adopted new standards effective for the periods beginning on or after 1 January 2018 The Group applies, for the first time, IFRS 15 Revenues from Contracts with Customers that requires restatement of comparative data. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted IFRS 15 using the full retrospective method of adoption.

1. YEAR OF RECORDS

Atlantic Grupa will remember 2018 as the year of records with respect to results on the Zagreb Stock Exchange and to business and financial results.

In 2018, Atlantic Grupa's share records the highest price since listing on the Zagreb Stock Exchange in November 2007, which is reflected in the historically highest market capitalization of HRK 3,868 million (at the end of 2018). The annual growth of as much as 34.6% received the award for the stock with the highest price increase in 2018 at the Zagreb Stock Exchange award ceremony.

In 2018, the historically highest sales revenue was recorded in all regional markets of Atlantic Grupa. Among financial results, the continuous decrease in financial debt over years should be noted. Consequently, in 2018, the net debt to EBITDA ratio of 1.5 was recorded, which is the lowest ratio since the acquisition of Droga Kolinska in 2010. The deleveraging is enabled by business operations on a solid basis, which is also reflected in the historically highest amount of cash generated through operations of HRK 634 million.

2. SAVOURY SPREAD ARGETA BECAME NUMBER ONE IN EUROPE

Savoury spread Argeta, which has already been number one brand on the markets of Bosnia and Herzegovina, Austria, Switzerland, Montenegro, Kosovo, Slovenia and Croatia and number two on the market of Serbia, due to its perfected recipe and customer relations recorded a double-digit growth in 2018 and became the spread number one in Europe, according to Nielsen market research agency. Argeta, the brand present in 28 countries, thereby confirmed that it has high-quality products to the taste of customers across Europe and confirmed its strong presence beyond the region as well. An additional impact to the Argeta’s growth came from continuous investments in the recipe, adapted to local tastes and preferences.

3. EXCELLENT RESULTS OF NEW COCKTA

Due to the refreshed recipe and its new visual identity and successful marketing campaign, the soft drink Cockta recorded exceptional results in the HoReCa segment, with sales in 2018, depending on the market, growing from 39 to 76% compared to 2017. Overall sales results in the HoReca segment are thus as much as 47% better than last year.

The new, modern design, blue colour reminding of “old” times and the new slogan of Cockta are well received by all consumer categories. The original recipe including extracts of herbs, rosehip, lemon and caramel was improved by additional herbal extracts. Artificial aromas were replaced by natural ones, while Cockta’s original flavour has remained unchanged for 65 years. The top quality of Cockta was confirmed in 2018 at The International Taste & Quality Institute (iTQi) in Brussels, where Cockta won the Superior Taste Award – Golden Star.

4. REORGANISATION OF DISTRIBUTION AND NEW DISTRIBUTION CONTRACTS

From the beginning of 2018, the entire distribution operations have been reorganised into one single area. The markets within the distribution area where Atlantic Grupa provides complete distribution service are SDU Croatia, SDU Serbia, SDU Slovenia, DU Macedonia and DU Austria, while the markets which we dominantly manage through our distribution partners have been grouped into a single distribution area, Global Distribution Account Management.

The Business Unit Baby Food as an additional program is a part of the Strategic Business Unit Pharma and Personal Care. Components of the Strategic Distribution Region HoReCa have been merged with the existing distribution organisations. In addition, from the beginning of 2019, the Business Unit Gourmet has been merged with the Strategic Business Unit Savoury Spreads, resulting in synergy in further market expansion, innovation and portfolio development.

Continuing to expand its distribution portfolio in line with expectations and announcements, in the first quarter of 2018 Atlantic Grupa began the distribution of the entire Mars portfolio on the Croatian market, and the distribution of Red Bull on the Serbian market began in April 2018 In 2019, the distribution of the HIPP principal's products for the Macedonian market was started, following many years of successful distribution on the markets of Croatia and Slovenia.

5. SIGNED SALE AGREEMENT FOR THE COMPANY NEVA

In July 2018, Atlantic Grupa and the company Magdis from Zagreb signed an agreement to sell the company Neva, the largest cosmetics manufacturer in Croatia, with famous brands Rosal, Plidenta and Melem. Magdis is a renowned manufacturer of the Biobaza cosmetic line, pharmaceutical and medical raw materials and products. By expanding the production capacities and portfolio, it becomes an important player in the Croatian and regional markets of cosmetic products. Magdis took over the Neva's production plant in Rakitje and the entire company's portfolio with 52 employees. After the finalisation of the transaction, Atlantic Grupa remains the distributor of the Neva's products portfolio. In 2017, Neva's revenues amounted to approximately HRK 60 million, while earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to HRK 4.4 million. In addition to one-profit from the sale of Neva, in the results for 2018, Atlantic Grupa recorded provisions for legal claim related to Neva, and net negative effect of one-off items amounts to HRK 19.7 million.

Thus Atlantic Grupa continues to implement its strategic programme of disinvesting "non-core" minor business operations including the cosmetics programme, finding a perfect partner in the company Magdis which shares common values, the desire for further growth and development of renowned Croatian cosmetic brands. The synergy effects of the two companies will create a new space for growth in the domestic market as well as positioning for growth in the region.

6. IMPACT OF THE SALE OF SERVICE PRODUCTION FOR THIRD PARTIES

For the purpose of further restructuring and simplifying the operations of the sports and functional food segment and focus on own brands and the expansion of principal brands distribution, at the end of October 2017 Atlantic Grupa sold the factories in Germany (Bleckede) and Croatia (Nova Gradiška) and the related service production for third parties (private label) to the Belgian company Aminolabs Group. Revenue from the service production for third parties in 2017 amounted to approximately HRK 194 million. This transaction resulted in one-off profit of HRK 64.9 million.

7. ATLANTIC GRUPA THE FIRST ISSUER ON THE ZSE PRIME MARKET

Atlantic Grupa is the first issuer on the Zagreb Stock Exchange to meet very demanding Stock Exchange criteria and it was listed on the Stock Exchange Prime market, representing the most demanding market segment in terms of criteria set for the issuer, especially with respect to transparency and corporate governance. Atlantic Grupa was among the first to adopt the Corporate Governance Code, and later the Code of Ethics in Management, setting from the very beginning the highest business and reporting standards. Also, Atlantic Grupa was among the first to use innovative financing models by launching corporate bonds and to use mezzanine financing. By this move, we set new standards and provide our investors with the highest level of information required to make investment decisions.

8. SETTLEMENT OF AGROKOR GROUP CREDITORS CONFIRMED

Following the signing of the Settlement term sheet on all key structural elements of the settlement at the beginning of April, in June 2018 members of the Temporary Creditors' Council unanimously accepted the settlement plan between the debtors and all creditors. At the hearing held on 4th July 2018, the settlement plan of Agrokor's creditors was voted in favour by 80.2 percent of total claims. On 6th July the Commercial Court in Zagreb adopted the ruling confirming the settlement plan between the creditors and the extraordinary administration of Agrokor. On 26th October 2018, the High Commercial Court confirmed the settlement plan, whereby it has become effective.

According to the agreement with suppliers on the settlement of the so-called border debt, if Konzum realises four-year planned EBITDA, Atlantic Grupa will collect all the remaining receivables from Agrokor Group members from the period prior to the initiation of the extraordinary administration proceedings, amounting to approximately HRK 60 million. Since at the moment it is not possible to assess with certainty the feasibility of the plans, we provided the amount of HRK 30 million for the risk of non-realisation of plans, of which HRK 15 million is recorded in results for 2018

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SALES PROFILE BY STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(HRK million)	2018	2017	2018 / 2017
SBU Coffee	**1.123,6**	1.085,7	3,5%
SBU Beverages	**711,1**	661,2	7,5%
SBU (Sweet and Salted) Snacks	**687,6**	665,7	3,3%
SBU Pharma and Personal Care	**648,0**	687,2	(5,7%)
SBU Savoury Spreads	**638,8**	568,6	12,4%
SBU Sports and Functional Food	**133,7**	400,8	(66,6%)
From which private label production	**0,3**	193,9	(99,8%)
SDU Croatia	**1.265,3**	1.125,9	12,4%
SDU Serbia	**1.253,4**	1.190,6	5,3%
SDU Slovenia	**907,9**	872,3	4,1%
Global distribution network management	**370,6**	398,6	(7,0%)
Other segments*	**333,3**	311,3	7,1%
Reconciliation**	**(2.817,8)**	(2.729,6)	n/p
Sales	**5.255,5**	**5.238,2**	**0,3%**

Comparative period has been adjusted to reflect current period reporting.

In 2018, Atlantic Grupa recorded sales of HRK 5.3 billion. The sales recorded an organic growth of 4.2% compared to the same period of the previous year, while lower nominal growth of 0.3% is the result of last-year's sale of sports food production plants in Germany and Croatia to the Belgian partner and the absence of the related service production income. The revenue growth is recoded in most business and distribution units due to excellent results of the majority of own and principal brands.

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

* Other segments include DU Austria, DU Macedonia, BU Gourmet and business activities not allocated to business and distribution units (headquarters and support functions in Serbia, Slovenia, Bosnia and Herzegovina and Macedonia) which are excluded from the reportable operating segments.

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

The STRATEGIC BUSINESS UNIT COFFEE continues to record great results due to the increase in sales on all markets. The growth was led by the markets of Serbia, Slovenia, Croatia, Macedonia and Austria. Analyzed by categories, the growth was recorded by roast and ground coffee as the most significant category, and espresso coffee that continues to record a double-digit growth. All three brands in the roast and ground coffee segment, Barcaffè, Grand kafa and Bonito, contributed to the growth. Instant roast and ground coffee Black'n'Easy recorded a 19% growth compared to the previous year. Promising results are also recorded by the new category of coffee machine capsules. Key innovation in 2018 was brought by Barcaffè D.O.T. capsule line that launched the Barcaffè roast and ground coffee capsule as the first capsule in Europe that gives the opportunity to consume roast and ground coffee. The increase in sales is realised in addition to retaining high market shares in the roast and ground coffee segment. Our brands in Serbia represent 5 of 10 cups of coffee consumed, in Slovenia 8 of 10 cups consumed, while in Croatia Barcaffè holds the second place*.

The STRATEGIC BUSINESS UNIT BEVERAGES recorded a significant revenue growth in all major markets, with the highest increase recorded in the markets of Croatia, Slovenia, Serbia and Bosnia and Herzegovina. Among markets outside the region, a significant contribution came from the Russian, Italian and Austrian markets. The growth is recorded in all categories and in both sales channels, retail and HoReCa. Higher sales were recorded by all brands, led by the vitamin instant drink Cedevita, functional drink Donat Mg, visually refreshed Cockta with a new recipe, and waters under the Kala and Kalnička brands. Natural mineral water Donat Mg celebrated its 110th anniversary in 2018 To mark this jubilee, Atlantic Grupa in cooperation with the Post of Slovenia issued a custom-made postage stamp. This way Donat Mg is one of rare brands in the regional market and beyond that has been depicted on a postage stamp.

The STRATEGIC BUSINESS UNIT SNACKS recorded growth primarily due to the increase in sales in the Serbian market, which brings almost two thirds of revenues to this business unit. The growth was also recorded in other markets such as Slovenia, Montenegro and Bosnia and Herzegovina. In the sweets segment, the biggest growth was recorded by chocolates under the Najlepše želje and Bananica brands (which celebrated its 80th anniversary) and wafers, while in the salty segment growth was recorded by Prima salty sticks and flips under the Smoki brand. During 2018, 124 new products were launched, of which 17 with completely new recipes. Most innovation was made in the chocolate, flips and biscuits categories.

The STRATEGIC BUSINESS UNIT PHARMA AND PERSONAL CARE recorded a decrease in sales primarily in the Russian market, as a consequence of the decrease in sales of baby food under the Bebi brand, which is a part of this business unit from the beginning of 2018 The decrease in sales was also largely impacted by the significant depreciation of the ruble (the decrease in average ruble exchange rate of 13% compared to the previous year). The revenue decrease was partly compensated by the increase in sales recorded in the most significant market – Croatian, due to a significant revenue growth of the pharmacy chain Farmacia. If the effect of the baby food sales decrease is excluded, the sales grew by 2.2%.

The double-digit sales growth of the STRATEGIC BUSINESS UNIT SAVOURY SPREADS is a result of the increase in sales of products under the Argeta brand in all regional markets and of the increase in sales in the significant Western European markets (Germany, Austria, Switzerland and Sweden) and in the United States of America. After the markets of Bosnia and Herzegovina, Austria, Switzerland, Montenegro, Kosovo and Slovenia, as of August 2018 Argeta also holds the leading position in the value share on the market of Croatia**.

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* SKU Performance Monitor, AC Nielsen, October-November 2018
** SKU Performance Monitor, AC Nielsen, August-November 201

In the savoury spreads segment, the growth was recorded by meat and fish segments and vegetable spreads launched to the Slovenian market this year and already holding over 12%* of the category. By increasing sales and strengthening market shares on all markets, this year Argeta became meat savoury spread number one in Europe.**

The expected decrease in sales of the STRATEGIC BUSINESS UNIT SPORTS AND FUNCTIONAL FOOD was largely caused by the sale of service production for third parties to the Belgian company Aminolabs but also by lower sales of own brands, primarily Multipower, and partly by changed methods of distribution. The most significant decrease was recorded in the German market, which makes two thirds of revenues of this business unit, and in the markets of the United Kingdom and Italy.

The STRATEGIC DISTRIBUTION UNIT CROATIA recorded a sales growth following the growth of both own and principal brands. Own brands recorded growth in all product categories, led by Argeta from the savoury spreads segment, Barcaffè from the coffee segment (roast and ground coffee and espresso), Cedevita from the vitamin instant drinks segment, redesigned Cockta and Kala and Kalnička in the waters segment. Among principal brands, the biggest growth was recorded by Philips, SAB Miller, Ferrero and the new principal Mars. Sales growth of 9% was also recorded by the HoReCa channel, due to great sales of the redesigned Cockta, but also due to the growth in sales of principal and own brands led by Cedevita, Barcaffè espresso and Kala.

The increase in sales of the STRATEGIC DISTRIBUTION UNIT SERBIA is recorded due to the increase in sales of own and principal brands, but also to the positive effect of the strengthening of the Serbian dinar. The growth of own brands is recorded in almost all sales categories, led by roast and ground coffee under the Grand kafa and Bonito brands, instant roast and ground coffee Black'n'Easy, Najlepše želje, Smoki, Bananica and Sweet brands from the snacks segment, Argeta from the savoury spreads segment, Cedevita and Donat Mg from the beverages segment and Granny's Secret from the gourmet segment. The HoReCa channel recorded an exceptional 35% growth, mainly due to the increase in sales of the redesigned Cockta, Cedevita, Barcaffè espresso and the new principal Red Bull.

The growth in sales of the STRATEGIC DISTRIBUTION UNIT SLOVENIA is based on the increase in sales of all product categories, led, among own brands, by savoury spreads under the Argeta brand, roast and ground coffee under the Barcaffè brand, vitamin instant drink under the Cedevita brand and functional water under the Donat Mg brand. Among principal brands, the biggest growth is recorded by Ferrero and Rauch. HoReCa segment continues to record double-digit growth rates, primarily due to the success of the redesigned Cockta with new recipe, good results of espresso coffee under the Barcaffè brand and vitamin instant drinks under the Cedevita brand.

GLOBAL DISTRIBUTION ACCOUNT MANAGEMENT recorded a decrease in sales primarily in the Russian market caused by the decrease in sales of baby food under the Bebi brand, partly compensated by the sales increase in the markets of the United States of America, Germany, Italy and Switzerland. If the effect of the decrease in the baby food segment is excluded, the sales grew 9.0%.

OTHER SEGMENTS record an increase in sales following the increase in sales in all three segments (DU Macedonia, BU Gourmet and DU Austria).

* SKU Performance Monitor, AC Nielsen, November 2018

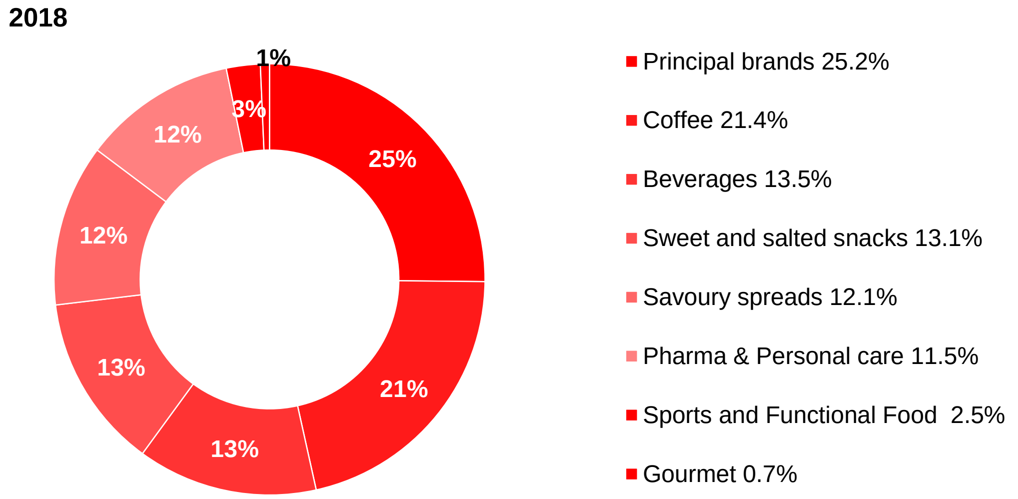
** SKU Performance Monitor, AC Nielsen, June-July 2018

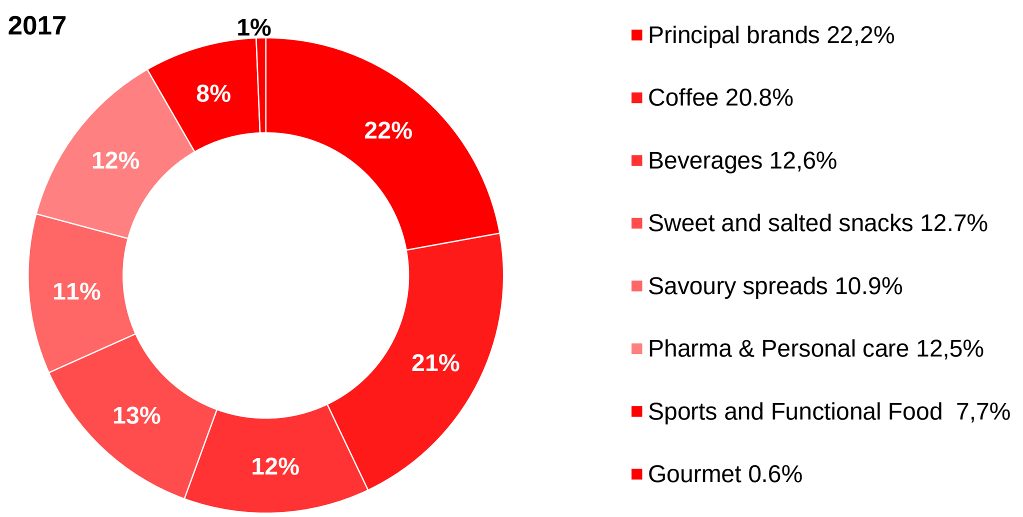
The DISTRIBUTION UNIT MACEDONIA recorded a 5.5% sales growth due to the growth of own and principal brands. Among own brands, Argeta in the savoury spreads segment and Grand kafa in the roast and ground coffee segment stand out, while among principal brands, the most significant growth continues to be recorded by Fererro. HoReCa channel recorded a 4.7% sales growth on the back of better sales results of Barcaffè espresso, new Cockta and Cedevita.

The DISTRIBUTION UNIT AUSTRIA recorded a 12.4% sales growth, with the growth of majority of own brands in the retail channel, led by Argeta, coffee, beverages and products from the snacks portfolio.

The BUSINESS UNIT GOURMET recorded a 6.0% sales growth mainly due to good results recorded in regional markets (primarily Serbia and Croatia) and in the market of the United States of America. The growth was recorded primarily due to the *ajvar* category and new premium jams with honey.

SALES PROFILE BY SEGMENTS





SALES PROFILE BY MARKETS

(HRK million)	2018	% of Sales	2017	% of Sales	2018/2017
Croatia	**1.735,7**	33,0%	1.566,1	29,9%	10,8%
Serbia	**1.275,4**	24,3%	1.210,3	23,1%	5,4%
Slovenia	**908,7**	17,3%	873,1	16,7%	4,1%
Bosnia and Herzegovina	**421,7**	8,0%	409,6	7,8%	2,9%
Other regional markets*	**351,9**	6,7%	334,8	6,4%	5,1%
Key European markets**	**275,2**	5,2%	424,6	8,1%	(35,2%)
Russia and CIS	**178,3**	3,4%	229,4	4,4%	(22,3%)
Other markets	**108,6**	2,1%	190,3	3,6%	(42,9%)
Total sales	**5.255,5**	100,0%	5.238,2	100,0%	0,3%

*Other regional markets: Macedonia, Montenegro, Kosovo

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

Comparative period has been adjusted to reflect current period reporting.

The MARKET OF CROATIA recorded a 10.8% sales growth due to the increase in sales of: (i) the pharmacy chain Farmacia, (ii) own brands, with growth recorded by all brands from the beverages segment (primarily Cedevita, Kala, Cockta in the HoReCa channel), Argeta in the savoury spreads segment, Barcaffè in the coffee segment, and (iii) external principals, among which the biggest growth was recorded by Philips, Ferrero, SAB Miller, Duracell and the new principal Mars.

The MARKET OF SERBIA recorded a 5.4% sales growth following the good sales results of own brands, arising from the increase in sales of: (i) roast and ground coffee under the Bonito and Grand kafa brands, espresso coffee under the Barcaffè brand and instant roast and ground coffee under the Black'n'Easy brand, (ii) Najlepše želje, Smoki, Bananica and Sweet in the snacks segment, (iii) Argeta in the savoury spreads segment, (iv) Cedevita, Cockta and Donat Mg in the beverages segment, and (v) Granny's Secret in the gourmet segment. Among principal brands, the most significant growth was recorded by Rauch and Beam Suntory, and the new principal Red Bull also contributed to the sales growth.

The increase in sales of 4.1% in the MARKET OF SLOVENIA was recorded following: (i) the increase in sales of Cockta, Cedevita and Donat Mg in the beverages category, (ii) the increase in sales of Argeta in the savoury spreads category, (iii) the increase in sales of coffee under the Barcaffè brand, and (iv) the increase in sales of principal brands Ferrero and Rauch.

The 2.9% increase in sales in the MARKET OF BOSNIA AND HERZEGOVINA was recorded due to the increase in sales of: (i) savoury spreads under the Argeta brand, (ii) Cockta and vitamin instant drinks under the Cedevita brand, and (iii) espresso coffee under the Barcaffè brand.

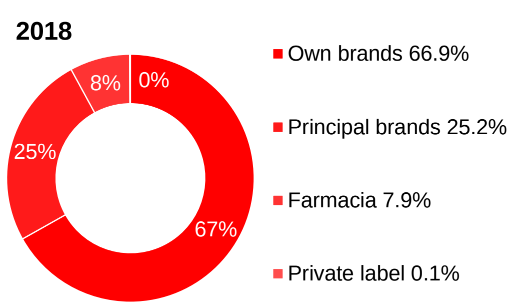
The increase in sales of 5.1% in OTHER REGIONAL MARKETS was recorded primarily due to the increase in sales in the markets of Macedonia and Montenegro.

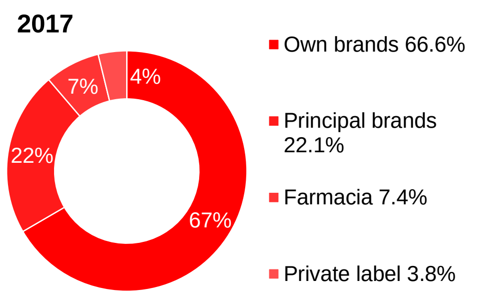
A significant decrease in sales in KEY EUROPEAN MARKETS is a result of the decrease in sales in all markets except Austria, caused by lower sales of the sport and function food segment. If we exclude the effect of the decrease in the sports and functional food segment, sales grew by 19.5%.

The decrease in sales in the MARKET OF RUSSIA AND THE COMMONWEALTH OF INDEPENDENT STATES was primarily caused by the decrease in sales of baby food under the Bebi brand, partly compensated for by the increase in sales of the functional drink Donat Mg and savoury spreads under the Argeta brand.

OTHER MARKETS record a significant sales decrease due to the drop in sales in the sports and functional food segment. If we exclude the effect of the decrease in the sports and functional food segment, sales grew by 6.0%.

SALES PROFILE BY PRODUCT CATEGORY





In 2018, OWN BRANDS recorded sales of HRK 3,513.7 million, which is a 0.7% growth compared to 2017 The growth was recorded by almost all business segments, and the greatest contribution was made by: (i) Argeta in the savoury spreads segment, (ii) Cedevita, Donat Mg and Cockta in the beverages segment, (iii) Barcaffè, Grand and Bonito in the coffee segment, and (iv) Najlepše želje, Smoki, Bananica and Prima salty sticks in the snacks segment. The decrease in sales was recorded by brands from the sports and functional food portfolio and baby food under the Bebi brand. If we exclude the effect of the decrease in own brands from the sports and functional food segment and baby food, the revenue increased by 4.4%.

With HRK 1,323.9 million, PRINCIPAL BRANDS recorded an increase in sales of 14.3%. The growth is mainly based on the increase in sales of principals Ferrero, Rauch, SAB Miller and Philips, and the sales of products from the portfolio of new principals Mars and Red Bull.

The pharmacy chain FARMACIA recorded sales of HRK 413.1 million, which is a 6.2% growth compared to 2017, due to the increase in sales of the existing Farmacia locations and a newly-opened specialised store. In 2018, Farmacia consists of 85 pharmacies and specialised stores. In 2018, the Farmacia chain marked its 10th anniversary and 85 locations marked this jubilee by special activities and events for patients and customers: by combining traditional public health actions and sports, nutritional and beauty counselling across Croatia.

With sales of HRK 4.8 million, PRIVATE LABELS recorded a 97.6% decrease in sales, following the disinvestment of service production in the sports and functional food segment at the end of October 2017, which had accounted for the largest portion of the overall production of private labels, and in smaller part by disinvestment of Neva.

PROFITABILITY DYNAMICS

(HRK million)	2018	2017	2018/ 2017
Sales	**5.255,5**	5.238,2	0,3%
EBITDA	**545,9**	582,2	(6,2%)
Normalised EBITDA	**565,6**	517,4	9,3%
EBIT	**366,8**	406,5	(9,8%)
Normalised EBIT	**386,5**	341,6	13,1%
Net profit	**244,2**	276,2	(11,6%)
Normalised Net profit	**261,7**	211,4	23,8%
Profitability margins			
EBITDA margin	**10,4%**	11,1%	-73 bb
Normalised EBITDA margin	**10,8%**	9,9%	+89 bb
EBIT margin	**7,0%**	7,8%	-78 bb
Normalised EBIT margin	**7,4%**	6,5%	+83 bb
Net profit margin	**4,6%**	5,3%	-63 bb
Normalised Net profit margin	**5,0%**	4,0%	+94 bb

Earnings before interest, taxes, depreciation and amortisation (**EBITDA**) adjusted for one-off items amounts to HRK 565.6 million and is 9.3% higher compared to the previous year. One-off items relate to the following:

- In 2018, normalised EBITDA was increased by HRK 19.7 million of net effects from Neva, related to the one-off profit from the sale of Neva and provision for legal claim related to Neva.
- In 2017, normalised EBITDA was decreased by HRK 64.9 of one-off profit from the sale of factories in the sports and functional food segment.

The increase in EBITDA was mainly impacted by higher sales in most business units, lower costs of production materials and lower operating expenses, despite the increase in cost of goods sold and higher investments in marketing.

Normalised net profit increased following the increase in EBIT and lower tax expense, while finance cost is at the same level as in the previous year, despite significantly lower interest expense due to lower foreign exchange gains.

OPERATING EXPENSES STRUCTURE

(HRK million)	2018	% of Sales	2017	% of Sales	2018/2017
Cost of goods sold	**1.505,8**	28,7%	1.317,4	25,1%	14,3%
Change in inventory	**13,2**	0,3%	6,6	0,1%	n/a
Production materials	**1.392,4**	26,5%	1.635,5	31,2%	(14,9%)
Energy	**58,3**	1,1%	57,8	1,1%	0,9%
Services	**412,5**	7,8%	409,5	7,8%	0,7%
Staff costs	**843,0**	16,0%	828,5	15,8%	1,7%
Marketing and selling expenses	**338,3**	6,4%	309,5	5,9%	9,3%
Other operating expenses	**208,2**	4,0%	221,2	4,2%	(5,9%)
Other (gains)/losses, net	**13,1**	0,2%	-64,9	(1,2%)	n/a
Depreciation and amortisation	**179,1**	3,4%	175,8	3,4%	1,9%
Total operating expenses	**4.963,9**	**94,5%**	**4.897,0**	**93,5%**	**1,4%**

The increase in cost of goods sold of 14.3% is a consequence of the product mix, i.e. higher sales of principal brands and transferring the production in the sports and functional food segment to a service partner, following the mentioned sale of two factories in Germany and Croatia.

Costs of production materials are 14.9% lower, as a result of the above mentioned production transfer and lower prices of raw materials, primarily raw coffee, sugar and cocoa.

Costs of services are slightly higher, and the increase in costs of transport and logistics services in Croatia was largely compensated by lower services following the restructuring of the sports and functional food segment.

Staff costs increased due to a larger number of employees caused by the sales growth, and partly due to payments of additional rewards to our employees following excellent business results. As at 31st December 2018, Atlantic Grupa had 5,354 employees, 86 employees more than at the end of 2017

Marketing expenses increased by 9.3%, primarily due to higher investments in marketing in the beverages, coffee, savoury spreads and snacks segments.

Other operating expenses decreased mainly due to restructuring of the sports and functional food segment and better collection control in the market of Russia compared to 2017

Other (gains)/losses – net: mainly relate to the previously described one-off items.

OPERATING RESULT OF STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(HRK million)	2018	2017	2018/2017
SBU Coffee	**259,9**	210,2	23,6%
SBU Beverages	**170,6**	161,6	5,5%
SBU (Sweet and Salted) Snacks	**131,2**	119,9	9,4%
SBU Pharma and Personal Care	**44,8**	68,0	(34,1%)
SBU Savoury Spreads	**147,0**	131,1	12,1%
SBU Sports and Functional Food	**(64,3)**	(58,8)	(9,2%)
SDU Serbia	**31,0**	27,7	12,1%
SDU Croatia	**31,1**	27,9	11,3%
DU Slovenia	**52,2**	48,8	6,9%
Global Distribution Network Management	**14,8**	12,0	22,6%
Other segments*	**(272,3)**	(166,2)	(63,8%)
Group EBITDA	**545,9**	**582,2**	**(6,2%)**

SBU Coffee: significant profitability growth follows the increase in sales and lower costs of raw coffee, despite higher investments in marketing.

SBU Beverages: profitability growth mainly arises from the revenue increase and higher gross profit margin, despite higher investments in marketing.

SBU Snacks: the increase in profitability is a consequence of the increase in sales revenue coupled with lower prices of production materials and consequently better gross profit margin, despite higher investments in marketing and higher staff costs.

SBU Pharma and Personal Care: despite very good business results and the increase in profitability of the pharmacy chain Farmacia, the decrease in profitability is the result of the decrease in sales revenue and profitability of the baby food brand Bebi and the Multivita segment in Russia.

SBU Savoury Spreads: profitability growth was recorded following a significant revenue growth and higher gross profit margin, despite higher investments in marketing and higher staff costs.

Comparative period has been adjusted to reflect current period reporting.

* Other segments include DU Macedonia, DU Austria, BU Gourmet and business activities not allocated to business and distribution units (headquarters and support functions in Serbia, Slovenia, Bosnia and Herzegovina and Macedonia) which are excluded from the reportable operating segments.

SBU Sports and Functional Food: the increase in loss is a result of the decrease in sales revenue and the restructuring process this segment is subjected to.

SDU Serbia: profitability growth as a consequence of the sales growth in retail and HoReCa segments.

SDU Croatia: profitability growth as a consequence of the significant increase in sales and increase in distribution efficiency coupled with optimum cost management.

SDU Slovenia: profitability growth as a result of an increase in sales and good cost control.

Global Distribution Account Management: despite the decrease in sales, primarily caused by the decrease in revenue from baby food under the Bebi brand in the Russian market, improvement in profitability is a result of lower staff costs and costs of services and lower other operating expenses.

Other segments with DU Macedonia, BU Gourmet and DU Austria, include costs of corporate functions and support services, but also the previously described one-off items that are also the main reason for negative movements. The DU Macedonia records a profitability growth following the increase in sales, despite higher staff costs. The increase in loss of the BU Gourmet is a result of lower gross profit margin. The DU Austria records a profitability decrease due to slightly higher costs of services.

FINANCIAL INDICATORS

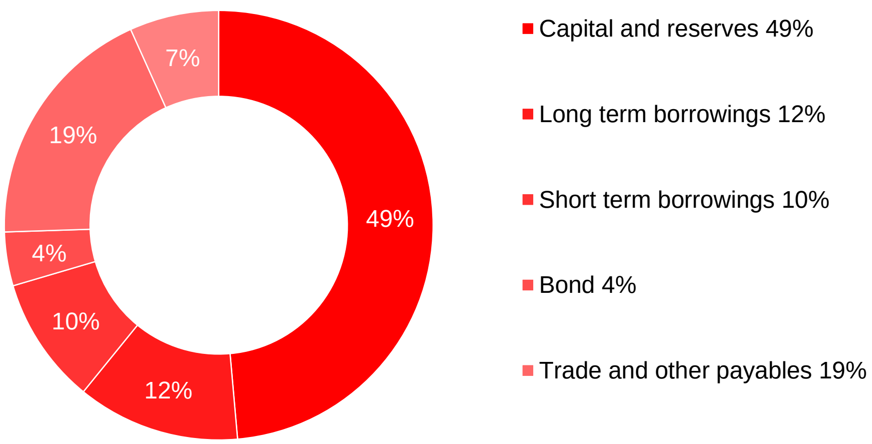
(HRK millions)	2018	2017
Net debt	**862,9**	1.185,4
Total assets	**4.935,3**	5.168,9
Total Equity	**2.398,4**	2.249,9
Current ratio	**1,44**	1,46
Gearing ratio	**26,5%**	34,5%
Net debt/EBITDA	**1,5**	2,3
Interest coverage ratio	**11,3**	8,8
Capital expenditure	**140,6**	129,2
Cash flow from operating activities	**462,1**	346,3

Comparative period has been adjusted to reflect current period reporting.
*Excluding one-off items

Among the key determinants of the Atlantic Grupa's financial position in 2018, the following should be pointed out:

- Due to the decrease in net debt of HRK 322.5 million compared to the end of 2017, the gearing ratio decreased by as much as 805 basis points.
- The debt measured as the net debt to normalised EBITDA ratio dropped from 2.3 at the end of 2017 to 1.5 at the end of 2018
- At the same time, the coverage of interest expense by normalised EBITDA in the comparative period increased from 8.8 times in 2017 to 11.3 times.
- In addition to the continuous improvement in the Group's financial position, the stability of operations is best reflected in the increase in cash flow from operating activities of HRK 115.8 million to HRK 462.1 million in 2018.

EQUITY AND LIABILITIES STRUCTURE AS AT 31 DECEMBER 2018



OVERVIEW OF KEY ITEMS IN THE CONSOLIDATED CASH FLOW STATEMENT

The increase in cash flow from operating activities in 2018 compared to the same period of the previous year is primarily the result of the business operations growth, significantly more favourable effect of the working capital and lower finance costs.

Capital expenditure in 2018 primarily relates to investments in the production equipment of business units for the purpose of increasing the efficiency of production processes, in the development of new products and the development of IT infrastructure, business systems and applications.

Among significant investments, we should mention:

- SBU SNACKS: investment in automatisation and improved production efficiency (primarily for Smoki and Bananica brands) and in retail points of sale;

- SBU COFFEE: purchase of espresso machines, investment in production equipment for the purpose of improving production efficiency;

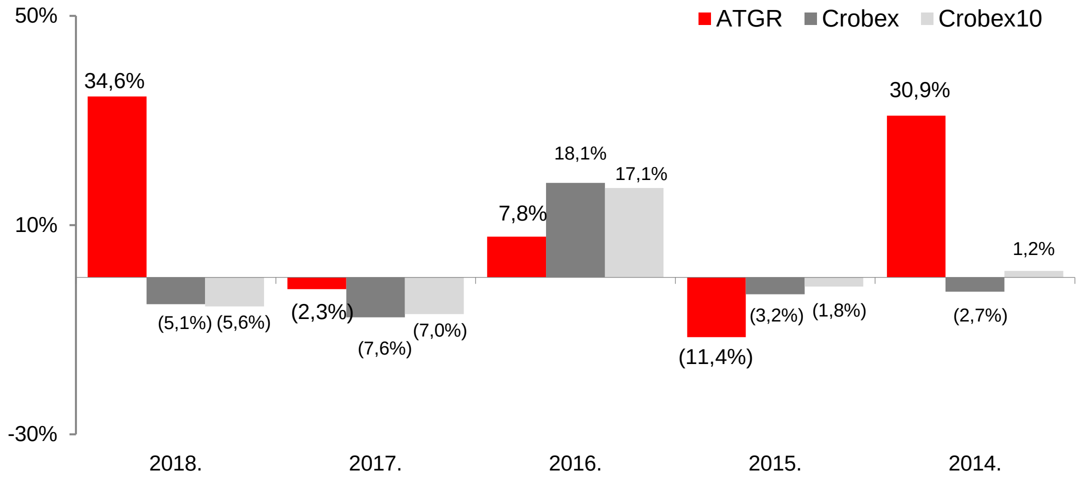
- SBU BEVERAGES: investment in Cockta redesign, the line for rigid packaging of Cedevita and redesign of the existing products;

- SDU CROATIA: investment in the new logistics and distribution centre in Velika Gorica adjusted to contemporary requirements of technology and warehouse efficiency;

- IT: investment in infrastructure, digital technologies and implementation of business applications and the replacement of equipment. Among significant projects the implementation of the SAP system in distribution operations on the market of Serbia stands out. The project of the implementation of SAP, application for mobile sales, application for marketing expenses management, Cognos BI solution, with integration with the existing solutions for warehouse management, routing, invoice management and human resources management system brings to the Serbian market many innovative business processes and improvements.

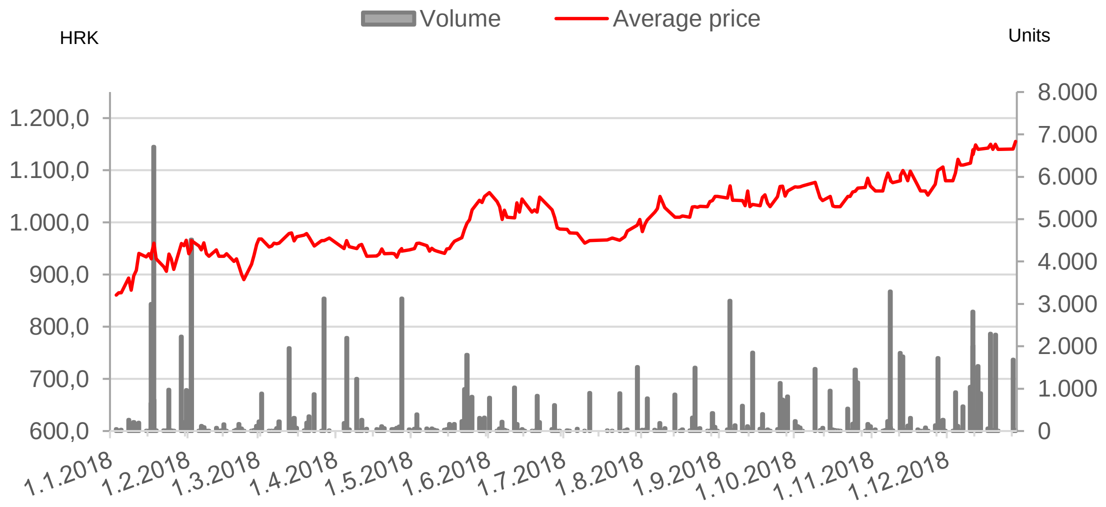
STOCK MARKET PERFORMANCE: RECORD HIGH MARKET CAPITALIZATION

Developments on the Zagreb Stock Exchange in 2018 were similar to those in the previous year. After an apparently optimistic beginning of the year and significantly increased turnover in January, in February, after trading shares from the Agrokor concern was suspended, there was a significant decrease in turnover and index value. The situation improved only before the year end, however, the CROBEX and CROBEX10 indices entered the year in the negative area, recording minuses of 5.1% and 5.6%, respectively. Despite negative market developments, due to good business results, the Atlantic Grupa's share recorded a growth of as much as 34.6%.

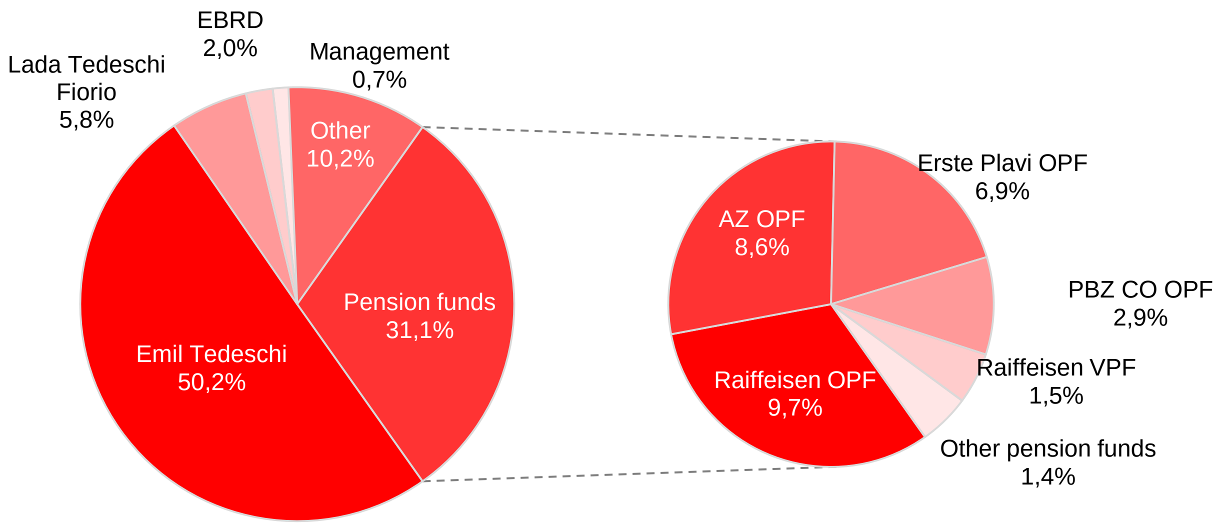


The average daily turnover amounted to HRK 436.3 thousand, or even 22.5% more than in 2017 Among the components of CROBEX10, with the average market capitalization of HRK 3,867.8 million, Atlantic Grupa holds the fourth place. At the end of 2018, the Atlantic Grupa's share recorded the historically highest level of market capitalization since its listing in November 2007. According to the total turnover in 2018, the Atlantic Grupa's share holds the fifth place compared to all the shares quoted on the Zagreb Stock Exchange, with a turnover of HRK 74.7 million.

MOVEMENTS IN THE AVERAGE PRICE AND VOLUME OF THE ATLANTIC GRUPA'S SHARE IN 2018



OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2018



Atlantic Grupa has a stable ownership structure: 50.2% of the company is owned by Emil Tedeschi and 5.8% by Lada Tedeschi Fiorio, while pension funds hold 31.1% of Atlantic Grupa.

Valuation	2018	2017
Last price in reporting period	**1.160,0**	862,0
Market capitalization* (in HRK millions)	**3.867,8**	2.874,2
Average daily turnover (in HRK thousands)	**436,3**	356,2
EV (in HRK millions)	**4.734,6**	4.063,2
EV/EBITDA**	**8,4**	7,9
EV/EBIT**	**12,2**	11,9
EV/sales	**0,9**	0,8
EPS (in HRK)**	**78,4**	63,2
P/E**	**14,8**	13,6

Normalised data

*Closing price multiplied by the total number of shares

MANAGEMENT'S VIEW ON MACROECONOMIC EXPECTATIONS

In 2018, for the fourth consecutive year the Croatian economy recorded a good economic growth, due to the successful tourist season, the increase in personal and public consumption and exports, and the generally increasing optimism. Atlantic Grupa's management expects positive trends in the Croatian economy in 2019; however it takes cautious standpoint following the expected slowdown of the eurozone.

In countries in the region, management also expects economic growth to continue in 2019, but at slower rates than in 2018 It is expected that Slovenian and Serbian economies will grow, but at more moderate rates compared to 2018, where the growth will be backed by the increase in personal consumption, investments and decrease in unemployment. We do not expect significant movements in the Serbian dinar exchange rate in 2019.

After the significant growth of the eurozone countries in 2017, in 2018 lower but still positive growth rates were recorded. In 2019, Atlantic Grupa's management expects the growth rate to slow down following slowdown of personal consumption and foreign demand.

After the beginning of the Russian economy recovery in 2017, based on the increase in oil prices that positively affected the growth in domestic demand, similar movements continued in 2018 In 2019, fiscal and structural reforms are planned to be continued, but the uncertainty caused by sanctions will affect the slowdown of economic activities.

ATLANTIC GRUPA'S MANAGEMENT STRATEGIC GUIDANCE FOR 2019

In 2019, management will focus on (i) strengthening the position of prominent regional brands, (ii) internationalisation of certain brands, (iii) development of distribution operations by strengthening the existing and acquiring new principals, and (iv) further disinvestment of non-core business operations that do not have a significant growth potential.

In 2019, Atlantic Grupa's management expects lower average prices of raw coffee on global commodity markets, which will be partly negatively affected by the EUR/USD exchange rate.

In 2019, we expect payments related to capital expenditure in the amount of approximately HRK 230 million.

The effects of disinvestments of non-core business operations and potential acquisitions are not included in the stated expectations.

Accordingly, management's expectations for 2019 are as follows:

(HRK millions)	2019. plan	2018*	2019./2018
Sales	**5.400**	5.256	2,7%
EBITDA	**615**	566	8,7%
EBIT	**430**	386	11,3%
Interest expense	**30**	38	(20,8%)

*Normalised

Plan for 2019 is comparable to data for 2018 and does not include the implementation of new IFRS 16.**.

** In 2019, Atlantic Grupa will prepare financial statements based on the same accounting policies, overviews and calculation methods used in the preparation of the annual consolidated financial statements of Atlantic Grupa in 2018, except for the implementation of the new standard IFRS 16. The standard defines a single lessee accounting model for leases and requires a lessee to recognise assets and liabilities for all leases, other than leases with a term of 12 months or less, or if the leased asset is of low value.

ATLANTIC GRUPA d.d.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018 (UNAUDITED)

ATLANTIC GRUPA d.d.

CONSOLIDATED INCOME STATEMENT

in thousands of HRK, unaudited	Jan -Dec 2018	Jan - Dec 2017 (Restated)	Index	Oct - Dec 2018	Oct - Dec 2017 (Restated)	Index
Turnover	**5,330,624**	**5,303,426**	**100.5**	**1,392,251**	**1,366,267**	**101.9**
Sales revenues	5,255,506	5,238,169	100.3	1,368,827	1,330,443	102.9
Other revenues	75,118	65,257	115.1	23,424	35,824	65.4
Operating expenses	**(4,784,744)**	**(4,721,200)**	**101.3**	**(1,370,482)**	**(1,224,708)**	**111.9**
Cost of merchandise sold	(1,505,820)	(1,317,355)	114.3	(451,691)	(382,799)	118.0
Change in inventories	(13,195)	(6,644)	198.6	(2,914)	(13,601)	21.4
Production material and energy	(1,450,652)	(1,693,309)	85.7	(354,248)	(382,635)	92.6
Services	(412,548)	(409,541)	100.7	(114,209)	(105,845)	107.9
Staff costs	(842,955)	(828,533)	101.7	(232,999)	(215,292)	108.2
Marketing and selling expenses	(338,293)	(309,522)	109.3	(106,130)	(97,162)	109.2
Other operating expenses	(208,166)	(221,155)	94.1	(70,907)	(83,222)	85.2
Other (losses) / gains - net	(13,115)	64,859	n/a	(37,384)	55,848	n/a
EBITDA	**545,880**	**582,226**	**93.8**	**21,769**	**141,559**	**15.4**
Depreciation and impairment	(179,113)	(175,758)	101.9	(68,842)	(59,167)	116.4
EBIT	**366,767**	**406,468**	**90.2**	**(47,073)**	**82,392**	**n/a**
Finance costs - net	(50,209)	(49,559)	101.3	(18,748)	(21,422)	87.5
Profit before tax	**316,558**	**356,909**	**88.7**	**(65,821)**	**60,970**	**n/a**
Income tax	(72,340)	(80,685)	89.7	(9,520)	(22,903)	41.6
Profit for the period	**244,218**	**276,224**	**88.4**	**(75,341)**	**38,067**	**n/a**
Attributable to:						
Non-controlling interest	248	695	35.7	(26)	70	n/a
Owners of the parent	243,970	275,529	88.5	(75,315)	37,997	n/a
Earnings per share for profit attributable to the owners of the Company						
- basic	73.19	82.69		(22.61)	11.40	
- diluted	73.19	82.69		(22.61)	11.40	

ATLANTIC GRUPA d.d.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Jan - Dec 2018	Jan - Dec 2017	Index	Oct - Dec 2018	Oct - Dec 2017	Index
Profit for the year	**244,218**	**276,224**	**88.4**	**(75,341)**	**38,067**	**n/a**
Cash flow hedge	2,422	(15,466)	n/a	(3,312)	3,780	n/a
Remeasurements of post-employment one-off retirement payment obligations	97	1,033	9.4	97	1,033	9.4
Currency translation differences	(33,081)	21,411	n/a	(6,498)	11,324	n/a
Total comprehensive income	**213,656**	**283,202**	**75.4**	**(85,054)**	**54,204**	**n/a**
Attributable to:						
Non-controlling interest	206	682	30.2	(25)	73	n/a
Equity holders of the Company	213,450	282,520	75.6	(85,029)	54,131	n/a
Total comprehensive income	213,656	283,202	75.4	(85,054)	54,204	n/a

ATLANTIC GRUPA d.d.

CONSOLIDATED BALANCE SHEET

in thousands of HRK, unaudited	31 December 2018	31 December 2017 (Restated)
ASSETS		
Non-current assets		
Property, plant and equipment	966,860	999,866
Investment property	1,152	1,209
Intangible assets	1,706,820	1,750,216
Deferred tax assets	31,943	32,165
Financial assets through other comprehensive income	1,027	948
Trade and other receivables	52,168	95,239
	2,759,970	2,879,643
Current assets		
Inventories	493,910	547,278
Trade and other receivables	1,247,478	1,233,565
Prepaid income tax	13,052	5,029
Derivative financial instruments	1,689	-
Cash and cash equivalents	413,663	497,079
	2,169,792	2,282,951
Non-current assets held for sale	5,583	6,336
Total current assets	2,175,375	2,289,287
TOTAL ASSETS	**4,935,345**	**5,168,930**
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the Company		
Share capital	133,372	133,372
Share premium	881,275	881,089
Treasury shares	(92)	(1,514)
Reserves	(81,628)	(52,428)
Retained earnings	1,461,644	1,285,668
	2,394,571	2,246,187
Non-controlling interest	3,869	3,663
Total equity	2,398,440	2,249,850
Non-current liabilities		
Borrowings	805,882	1,135,191
Deferred tax liabilities	160,437	162,652
Other non-current liabilities	2,656	3,017
Provisions	58,761	50,456
	1,027,736	1,351,316
Current liabilities		
Trade and other payables	926,188	945,667
Borrowings	472,386	546,060
Derivative financial instruments	-	1,226
Current income tax liabilities	10,174	21,341
Provisions	100,421	53,470
	1,509,169	1,567,764
Total liabilities	2,536,905	2,919,080
TOTAL EQUTIY AND LIABILITIES	**4,935,345**	**5,168,930**

ATLANTIC GRUPA d.d.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of Company					
in thousands of HRK, unaudited	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total
At 1 January 2017	1,014,773	(80,964)	1,079,698	2,013,507	2,981	2,016,488
Comprehensive income:						
Net profit for the year	-	-	275,529	275,529	695	276,224
Cash flow hedge	-	(15,466)	-	(15,466)	-	(15,466)
Remeasurements of post-employment benefit obligations	-	-	1,033	1,033	-	1,033
Other comprehensive income	-	21,424	-	21,424	(13)	21,411
Total comprehensive income	-	5,958	276,562	282,520	682	283,202
Transactions with owners:						
Acquisition of non-controlling interest	-	-	(1,126)	(1,126)	-	(1,126)
Purchase of treasury shares	(7,431)	-	-	(7,431)	-	(7,431)
Share based payment	5,605	-	-	5,605	-	5,605
Transfer	-	22,578	(22,578)	-	-	-
Dividends relating to 2016	-	-	(46,888)	(46,888)	-	(46,888)
At 31 December 2017	1,012,947	(52,428)	1,285,668	2,246,187	3,663	2,249,850
At 1 January 2018	1,012,947	(52,428)	1,285,668	2,246,187	3,663	2,249,850
Comprehensive income:						
Net profit for the year	-	-	243,970	243,970	248	244,218
Cash flow hedge	-	2,422	-	2,422	-	2,422
Remeasurements of post-employment benefit obligations	-	-	97	97	-	97
Other comprehensive loss	-	(33,039)	-	(33,039)	(42)	(33,081)
Total comprehensive income	-	(30,617)	244,067	213,450	206	213,656
Transactions with owners:						
Purchase of treasury shares	(2,164)	-	-	(2,164)	-	(2,164)
Share based payment	3,772	-	-	3,772	-	3,772
Dividends relating to 2017	-	-	(66,674)	(66,674)	-	(66,674)
Transfer	-	1,417	(1,417)	-	-	-
At 31 December 2018	1,014,555	(81,628)	1,461,644	2,394,571	3,869	2,398,440

ATLANTIC GRUPA d.d.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of HRK, unaudited	January - December 2018	January - December 2017
Cash flows from operating activities		
Net profit	**244,218**	**276,224**
Income tax	72,340	80,685
Depreciation, amortization and impairment	179,113	175,758
Gain on sale of property, plant and equipment	(291)	(1,712)
Loss / (Gain) from sale of subsidiaries	19,563	(64,868)
Gain from sale of financial assets through other comprehensive income	-	(434)
Provision for current assets	42,027	56,849
Foreign exchange differences - net	132	(12,256)
Increase / (Decrease) in provisions for risks and charges	20,625	(976)
Fair value (gains) / losses on financial assets	(13,233)	1,085
Share based payment	3,772	5,605
Interest income	(1,729)	(4,916)
Interest expense	57,160	73,117
Other non-cash items, net	(41)	(2,452)
Changes in working capital:		
Decrease / (Increase) in inventories	13,988	(14,247)
Decrease in current receivables	61,695	23,601
Decrease in current payables	(65,515)	(85,987)
Cash generated from operations	**633,824**	**505,076**
Interest paid	(61,860)	(100,391)
Income tax paid	(109,858)	(58,345)
	462,106	**346,340**
Cash flow (used in) / from investing activities		
Purchase of property, plant and equipment and intangible assets	(140,626)	(129,193)
Proceeds from sale of property, plant and equipment and non-current assets held for sale	1,512	8,799
Acquisition of subsidiary – net of cash disposed	-	(2,207)
Disposal of subsidiary – net of cash disposed	59,511	129,342
Proceeds from sale of tea business	-	18,750
Loans granted and deposits placed - net	(8.540)	(638)
Interest received	1,604	4,584
	(86,539)	**29,437**
Cash flow used in financing activities		
Purchase of treasury shares	(2,164)	(7,431)
Proceeds from borrowings, net of fees paid	80,064	120,394
Repayment of borrowings	(466,298)	(437,715)
Dividend paid to shareholders	(66,674)	(44,984)
Acquisition of interest in a subsidiary from non-controlling interests	-	(1,906)
	(455,072)	**(371,642)**
Net (decrease) / increase in cash and cash equivalents	**(79,505)**	**4,135**
Exchange (losses) / gains on cash and cash equivalents	(3,911)	2,214
Cash and cash equivalents at beginning of period	497,079	490,730
Cash and cash equivalents at end of period	413,663	497,079

NOTE 1 – GENERAL INFORMATION

Atlantic Grupa d.d. (the Company) is incorporated in the Republic of Croatia. The principal activities of the Company and its subsidiaries (the Group) are described in Note 3.

The condensed consolidated financial statements of the Group for the year ended 31 December 2018 were approved by the Management Board of the Company in Zagreb on 27 February 2019.

The condensed consolidated financial statements have not been audited.

NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the year ended 31 December 2018 have been prepared in accordance with IAS 34 – Interim Financial Reporting.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of 31 December 2017.

2.2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018.

The Group applies, for the first time, *IFRS 15 Revenues from Contracts with Customers* that require restatement of previous financial statements. The nature and effect of these changes are disclosed below.

IFRS 9 Financial Instruments and several other amendments and interpretations also apply for the first time in 2018 but their impact on the condensed consolidated financial statements is not material.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted IFRS 15 using the full retrospective method of adoption.

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

2.2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The effects of adopting IFRS 15 are as follows:

(in thousands of HRK)	**Jan – Dec 2017**
Sales revenues	(68,648)
Cost of merchandise sold	10,484
Marketing and selling expenses	58,164
Profit for the period	-
Trade and other receivables	42,523
Trade and other payables	42,523

The income statement effects relate to variable consideration paid to customers for placements in refrigerated showcases, additional placements of sales spots (display areas) and marketing activities agreed with customers on ad-hoc basis (such as leaflets). Since these services are not distinct and the Group does not obtain any rights or receive any benefit without selling products, the related expenses are reclassified from marketing and selling expenses to reduction of the revenue. Furthermore, since these costs are partially supported by principals, related support is reclassified from the reduction of marketing and selling expenses to the reduction of cost of merchandise sold. The balance sheet effects relate to contract liability for customer rebates which was previously shown as reduction of trade receivables.

NOTE 3 – SEGMENT INFORMATION

The business model of the Group is organized through six strategic business units which have been joined business unit Gourmet. The distribution business is organized to cover five largest markets – Croatia, Serbia, Slovenia, Macedonia and Austria and additionally, the Department of Global Distribution Account Management was established, covering the markets dominantly managed by distribution partners.

SBU – Strategic distribution unit
BU – Business unit
SDU – Strategic distribution unit
DU – Distribution unit

Strategic Management Council is responsible for strategic and operational issues. For more efficient management of individual business and distribution units, the organization unites similar business activities or products, shared markets or channels, together.

NOTE 3 – SEGMENT INFORMATION (continued)

Due to the fact that BU Gourmet, DU Macedonia and DU Austria do not meet quantitative thresholds, required by IFRS 8 for reportable segments, they are reported within Other segments. The Other segments category comprises also of non-allocable business activities (headquarters and support functions in Serbia, Slovenia, Bosnia and Herzegovina and Macedonia) which are excluded from the reportable operating segments.

Strategic Management Council monitors the operating results of its business units separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on sales revenues and operating profit or loss. Group financing and income taxes are managed on Group basis and are not allocated to operating segments.

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

Sales revenues* *(in thousands of HRK)*	**Jan - Dec 2018**	**Jan - Dec 2017**
SBU Coffee	1,123,570	1,085,722
SBU Beverages	711,051	661,159
SBU Snacks	687,613	665,685
SBU Pharma and Personal Care	647,963	687,158
SBU Savoury Spreads	638,837	568,561
SBU Sports and Functional Food	133,678	400,765
SDU Croatia	1,265,289	1,125,879
SDU Serbia	1,253,436	1,190,623
SDU Slovenia	907,930	872,289
Global Distribution Network Management	370,599	398,642
Other segments	333,298	311,304
Reconciliation	(2,817,758)	(2,729,618)
Total	**5,255,506**	**5,238,169**

* Comparative period has been adjusted to reflect current period reporting

NOTE 3 – SEGMENT INFORMATION (continued)

Business results	EBITDA*	
	Jan - Dec	Jan - Dec
(in thousands of HRK)	2018	2017
SBU Coffee	259,863	210,238
SBU Beverages	170,599	161,640
SBU Snacks	131,167	119,909
SBU Pharma and Personal Care	44,833	67,983
SBU Savoury Spreads	146,979	131,081
SBU Sports and Functional Food	(64,264)	(58,847)
SDU Croatia	31,062	27,914
SDU Serbia	31,009	27,657
SDU Slovenia	52,178	48,803
Global Distribution Network Management	14,758	12,040
Other segments	(272,304)	(166,192)
Total	**545,880**	**582,226**

NOTE 4 – EARNINGS PER SHARE

Basic earnings per share

	2018	2017
Net profit attributable to equity holders *(in thousands of HRK)*	243,970	275,529
Weighted average number of shares	3,333,167	3,332,250
Basic earnings / (loss) per share *(in HRK)*	73.19	82.69

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

Diluted earnings per share

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

* Comparative period has been adjusted to reflect current period reporting

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the year ended 31 December 2018, Group acquired property, plant and equipment and intangible assets in the amount of HRK 150,711 thousand (2017: HRK 151,898 thousand). During the same period, property, plant and equipment and intangible asset impairment amounted to HRK 31,890 thousand (2017: HRK 20,613 thousand). In 2017 impairment of non-current assets available for sale amounted to HRK 409 thousand.

NOTE 6 - INVENTORIES

During the year ended 31 December 2018, the Group wrote down inventories in the amount of HRK 21,736 thousand due to damage and short expiry dates (2017: HRK 25,831 thousand). The amount is recognized in the income statement within 'Other operating expenses'.

NOTE 7 – DIVIDEND DISTRIBUTION

According to the decision of the Company's General Assembly from 28 June 2018, distribution of dividend in the amount of HRK 20.00 per share, or HRK 66,674 thousand in total was approved. (2017: HRK 13.50 per share, or HRK 44,984 thousand in total). Dividend was paid out in July 2018.

NOTE 8 – FINANCE COSTS – NET

	2018	**2017**
	(in thousands of HRK)	
Finance income		
Foreign exchange gains on borrowings	12,028	28,559
	12,028	28,559
Finance costs		
Foreign exchange loss on borrowings	(5,077)	(5,001)
Interest expense on bank borrowings	(31,498)	(46,424)
Interest expense on bonds	(6,386)	(6,386)
Interest expense on provisions for employee benefits	(993)	(1,017)
Interest expense on borrowings – related parties (Note 9)	(7,219)	(14,629)
Other interest expense	(11,064)	(4,661)
	(62,237)	(78,118)
Finance costs - net	**(50,209)**	**(49,559)**

NOTE 9 – RELATED PARTY TRANSACTIONS

Related party transactions that relate to balance sheet as at 31 December 2018 and 31 December 2017 and transactions recognized in the Income statement for the year ended 31 December are as follows:

(in thousands of HRK)	**31 December 2018**	**31 December 2017**
RECEIVABLES		
Current receivables		
Other entities	83,033	105,089
LIABILITIES		
Trade and other payables		
Shareholders	-	14,629
Other entities	1,833	2,246
	1,833	16,875

	Jan – Dec 2018	**Jan – Dec 2017 (Restated)**
REVENUES		
Sales revenues		
Other entities	496,026	482,721
Other revenues		
Other entities	1,310	1,296
EXPENSES		
Marketing and promotion expenses		
Other entities	4,271	4,902
Other expenses		
Other entities	2,157	2,220
Finance cost - net		
Shareholders	7,219	14,629

NOTE 10 – DIVESTMENT OF SUBSIDIARIES

In 2018 Atlantic Grupa continues to conduct its strategic programme of divesting of „non-core“ small business operations and decided to sell its share in company Neva d.o.o. to the company Magdis d.o.o. and its share in company Atlantic Brands GmbH, Frankfurt to the company Genuport Trade GmbH. Both transactions were realised at the end of September 2018. The payoff of part of the sales price were realised till the end of 2018, while the rest will be paid during 2019. In addition to these transactions, the Group has recognised a provision for legal dispute connected to Neva d.o.o. and realized net loss from sale of subsidiaries in the amount of HRK 21.2 million.

Cash received and receivables from sale of subsidiaries *(in thousands of HRK)*	
Cash	34,059
Receivables	27,411
Total sales consideration	**61,470**
Current value of net asset disposed	(43,068)
Transaction expenses	(1,083)
Provision for legal dispute	(38,529)
Loss from sale of subsidiaries	**(21,210)**

Current net asset value of subsidiaries disposed as at 30 September 2018 *(in thousands of HRK)*	
Property, plant and equipment	21,152
Intangible assets	16
Deferred tax assets	258
Prepaid income tax	787
Inventories	17,644
Trade and other receivables	19,829
Cash and cash equivalents	3,997
Provisions	(1,277)
Trade and other payables	(19,338)
	43,068

Cash flow from sale of subsidiaries *(in thousands of HRK)*	
Cash received	34,059
Cash in subsidiaries sold	(3,997)
Proceeds from sale of subsidiaries - net	**30,062**

During 2018, the Group collected HRK 29,449 thousand of receivables from the sale of the factories in 2017 and realized additional profit from the sale in the amount of HRK 1,647 thousand.

Atlantic Grupa d.d.
Miramarska 23
Zagreb

Register number: 1671910

Zagreb, February 28th 2019

Pursuant to the article 407. to 410. of the Capital market Law (Official Gazette 88/08, 146/08 and 74/09) the President of the Management board of Atlantic Grupa d.d., Miramarska 23, Zagreb provide

MANAGEMENT BOARD'S STATEMENT OF LIABILITY

The consolidated and separate financial statements of Atlantic Grupa d.d. have been prepared pursuant to the International Financial Reporting Standards (IFRS) and Croatian Accounting Law.

The consolidated financial statements for the period from 1 January 2018 to 31 December 2018 present complete and fair view of assets and liabilities, profit and loss, financial position and operations of the Group.
The management report for the period ended 31 December 2018 presents true and fair presentation of development and results of the Group's operations with description of significant risks and uncertainties for the Group.

President of the Management Board:

Emil Tedeschi

CONTACT

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ATLANTIC GRUPA
Joint Stock Company for Domestic and Foreign Trade
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The Company is registered with the Commercial Court of Zagreb
MBS: 080245039
MB: 1671910
PIN: 71149912416
Broj računa: HR4624020061100280870 Raiffeisenbank Austria d.d., Zagreb, Petrinjska 59
The number of shares and their nominal value: 3,334,300 shares, each in the nominal amount of HRK 40.00
Share capital: HRK 133,372,000.00, paid in full.

Management Board: Emil Tedeschi, N. Vranković, Z. Stanković
President of the Supervisory Board: Z. Adrović