FINANCIAL RESULTS
IN 2019
(UNAUDITED)

Zagreb, 27 February 2020

INTRODUCTION

COMMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD AND CEO

Commenting on the financial results in 2019, **Emil Tedeschi**, CEO of Atlantic Grupa, pointed out:

“Atlantic Grupa ended 2019 with historically highest revenue and historically highest profitability. We had an exceptionally successful year and saw it out as a stable, financially prosperous company with low debt, with strengthened management and a clear vision of the future.

We continued our strategy of disinvesting non-core activities by completely abandoning the sports and functional food and the food supplements segments. At the same time, we strengthen our focus on areas that represent key growth generators and the basis of transformation for the future. This includes the targeted internationalisation with brands that have proven their international potential and the development of distribution as an important leverage of the business growth, as well as mergers and acquisitions. In this respect, the company’s Management Board was strengthened and now it consists of six members.

We are especially satisfied with the fact that the capital market recognises our overall result so we recorded the historically highest share price, but also the record-high amount of dividend per share, and in 2019 we won the investor relations award and the award of the Zagreb Stock Exchange for an extraordinary contribution to the capital market development.”

ATLANTIC GRUPA

HISTORICALLY HIGHEST REVENUE, EBITDA AND NET PROFIT

- **SALES** AT HRK 5,431.7 MILLION
  + 3.4% compared to 2018
  + 5.4% normalised for impacts of disinvested business

- EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (**EBITDA***) AT HRK 778.7 MILLION, W/O IFRS 16 LEASES HRK 688.5 MILLION
  + 26.1% compared to 2018 W/O IFRS 16 Leases (+ 11.7% if one-off items excluded*)

- EARNINGS BEFORE INTEREST AND TAXES (**EBIT***) AT HRK 500.4 MILLION, W/O IFRS 16 LEASES HRK 494.0 MILLION
  + 34.7% compared to 2018 W/O IFRS 16 Leases (+ 13.1% if one-off items excluded*)

- **NET PROFIT*** AT HRK 390.4 MILLION, W/O IFRS 16 LEASES HRK 394.2 MILLION
  + 61.4% compared to 2018 W/O IFRS 16 Leases (+ 28.9% if one-off items excluded*)

FINANCIAL SUMMARY OF 2019

Key figures	2019	2019 w/o IFRS 16	2018	2019 w/o IFRS 16/ 2018
Sales (in HRK million)	**5,431.7**	**5,431.7**	5,255.5	3.4%
Turnover (in HRK million)	**5,506.4**	**5,506.4**	5,330.6	3.3%
Normalized EBITDA margin*	**13.3%**	**11.6%**	10.8%	+87bp
Normalised net income* (in HRK million)	**333.5**	**337.3**	261.7	28.9%
Gearing ratio*	**25.7%**	**16.9%**	26.5%	-953bp

The comparative period has been adjusted to the reporting for 2019 except in the part which refers to the implementation of IFRS 16 – Leases. **

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

** The condensed consolidated financial statemetns are prepared on the basis of the same accounting policies, presentations and calculation methods as used in the preparation of the Atlantic Grupa's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new standard IFRS 16 – Leases effective as of 1 January 2019.

1. NEW MANAGEMENT BOARD FOR NEW GROWTH

As of 1 October, the Atlantic Grupa's Management Board has been extended to six members, and consists of the President of the Management Board Emil Tedeschi and Members Neven Vranković, Zoran Stanković, and new Members Lada Tedeschi Fiorio, Srećko Nakić and Enzo Smrekar.

Strengthening the Management Board is a logical continuation of implementing the corporate strategy and focus on our key categories and brands, in order to retain and improve their relevance for consumers. In this context the further development of internationalisation of operations is directed, focusing on brands that have proven their international potential and whose positions have been verified by consumers. In addition to main categories of consumer goods comprising coffee, beverages, savoury spreads and sweet and salty snacks, the company also directs its focus on further growth and development of the distribution as an important business leverage making Atlantic the regional leader, and on the pharmacy chain Farmacia.

Lada Tedeschi Fiorio, former Vice-President of the Supervisory Board, for the reason of taking on new function that is incompatible with membership in the company's Supervisory Board, left the Supervisory Board and as a Management Board member took responsibility for business development and strategy. As a new Management Board member, Srećko Nakić will take care of the overall distribution, and Enzo Smrekar will be responsible for managing Argeta and Donat Mg brands, which have the largest international potential within the Atlantic Grupa's portfolio.

2. DIVESTING THE LAST PORTION OF SPORTS AND FUNCTIONAL FOOD

At the beginning of April, Atlantic Grupa and its long-standing partner in the distribution of sports and functional food, Genuport Trade GmbH, Hamburg, Germany, concluded the agreement on the sale of Tripoint company that includes the Multipower, Champ and Multaben brands. In 2019, the Strategic Business Unit Sports and Functional Food recorded revenue of HRK 27.8 million (HRK 112.0 million in 2018), and HRK 8.2 million of loss before interest, tax, depreciation and amortization (HRK 60.3 million in 2018). Atlantic Grupa continues to distribute the products from this portfolio on the markets of Croatia, Austria, Italy and Serbia. This transaction had no material impact on the consolidated results.

This is a continuation of the corporate strategy to divest non-core business operations as part of which the production plants of sports and functional food were already divested to the Belgian Aminolabs at the end of 2017. On the basis of this transaction, in the first half of 2019 additional HRK 24.8 million were collected, presented as one-off item in this report.

The German company Genuport, as the distributor of the Multipower, Champ and Multaben brands in Germany, with excellent knowledge of the market, was a logical choice of partner in this process. Genuport is one of the leading German distribution companies with a long reference list of partner companies such as Wander, Mondelez, Snyder's Lance, Weetabix and many others.

3. FURTHER STRATEGIC DISINVESTMENT

At the end of October, Atlantic Grupa and PharmaS Group signed the agreement on the purchase and sale of the company Fidifarm, the owner of the leading Croatian food supplements brand Dietpharm. In addition to the overall portfolio and employees of Fidifarm, PharmaS also took over Multivita, the regional brand of food supplements owned by Atlantic Grupa, whose product Multivita vitamin C is the leader in the segment of vitamin C in effervescent form in the Russian market. In 2019, Fidifarm recorded sales of HRK 63.8 million, while in the same period Multivita's sales was approximately HRK 21.8 million.

Following the disinvestment of Fidifarm, a business decision was made to abandon the pharmaceutical wholesale business that in 2019 recorded HRK 32.9 million of revenue from external principals.

Also, in line with the corporate strategy of abandoning small and non-core business, Atlantic Grupa sold the distribution of bottled water for dispensers, the main activity of the company Bionatura Bidon Vode d.o.o., retaining the brand Kala and the overall operations related to the water bottling plant. In 2019, Bionatura Bidon Vode d.o.o. recorded revenue of HRK 26.6 million (HRK 28.4 million in 2018).

In these transactions, Atlantic Grupa recorded gain on sale of subsidiaries in the amount of HRK 32.1 million.

4. STRATEGIC PARTNERSHIP WITH VIVAS

At the end of the year, Atlantic Grupa entered the strategic partnership with a network of Vivas cafes, which includes almost 300 cafes. This way, Atlantic significantly strengthens operations in the espresso coffee segment, where through the new cooperation it will realise sales of additional HRK eight million. The partnership with Vivas cafes is a part of the defined coffee business development strategy in Atlantic Grupa, building of the leading position in the Croatian coffee market and expansion in the growing segment of consumption outside households.

5. NEW LOGISTICS AND DISTRIBUTION CENTRE IN CROATIA

At the end of March, Atlantic Grupa officially opened a new, modern equipped logistics and distribution centre near Velika Gorica, which will ensure the adequate logistics support to the long-term development of the distribution business.

The newly constructed building unifies the total warehousing capacities of Atlantic Grupa in the Zagreb area and it is a central logistics centre for the Croatian market. The investment in the construction and equipment of approximately EUR 20 million was realised in cooperation with the strategic partner, the company Kamgrad, in only seven months. What makes the project especially interesting are its ambitions in the field of digitalisation of warehouse operations, so the new logistics and distribution centre is the site for new technologies that have already been implemented or are being implemented, such as autonomous logistics robots.

In the first phase, the warehouse capacity of 30,000 pallet spaces is ensured, and the modern high-rack facility offers a possibility of additional modular extension in line with business requirements, ensuring the long-term sustainability and support to further development of the distribution activities.

6. IMPLEMENTATION OF SAP IN OPERATIONS OF THE SDU SERBIA

At the beginning of 2019, the operation of the SAP system in the Strategic Distribution Unit Serbia successfully began, that was being implemented during the most part of 2018. The SAP Implementation Project, including the 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.

Within this project, the emphasis is on the unification of business processes, so the implementation performed on the Croatian market was used as a reference model.

7. NEW DISTRIBUTION CONTRACTS

In mid-March, Atlantic Grupa agreed the distribution cooperation in Macedonia with Beiersdorf, the global cosmetics manufacturer of personal care brands. The portfolio of products that are included in the distribution range of the Distribution Unit Macedonia holds leading positions in personal care categories – face care, body care, lip care, universal skin creams and cosmetic products for men. Thus, the Atlantic Grupa's distribution portfolio on the market of Macedonia was expanded to include globally famous brands Nivea, Labello, and Atrix. The total value of the expected annual sales is approximately HRK 30 million. Also, at the beginning of March we began cooperation with Ficosota, the leading Bulgarian manufacturer in the segment of home and personal care products. The total value of the expected annual sales is also approximately HRK 30 million. In addition, at the end of the year, the leading regional detergent manufacturer Saponia and the confectionery industry Kandit signed with Atlantic Grupa the agreement that ensures business growth in 2020. The two companies entrusted the distribution of their brands for the markets of Serbia and Slovenia as of the beginning of January 2020 to Atlantic Grupa, and the expected annual turnover is over HRK 100 million.

Distribution operations are strong platform of the development of Atlantic Grupa's overall operations and the company's strategy, as confirmed by the latest cooperation agreements with Beiersdorf, Ficosota, Saponia and Kandit. After excellent results achieved by expanding the portfolio in cooperation with Red Bull in Serbia, Mars group in Croatia, Hipp in Macedonia last year, new distribution contracts prove the strategy of the company's development.

8. ATLANTIC GRUPA NO.1 EMPLOYER PARTNER

Selectio, a company specialized in human resources consulting and personnel search services, in June this year awarded certificates for TOP employers who reached the highest human resources management standards.

Although always near the top, this year Atlantic Grupa for the first time took the first place with a total of 99% points in five areas of human resources management: Strategy, Recruitment and Selection, Performance Management, Training and Development and Employee Relations. This recognition relates to the entire Group.

Since this year, Atlantic has certified the high standard of HR practices on all markets where it operates and thereby confirmed the consistency of good HR practices at the level of the Group as a whole.

9. RECORD-HIGH DIVIDEND

Following the decision of the Company's General Assembly held on 27 June 2019, the dividend distribution was approved in the amount of HRK 32 per share, i.e. a total of HRK 106,599 thousand, representing the historically highest dividend amount.

SALES PROFILE BY STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(HRK million)	2019	2018	2019/ 2018
SBU Coffee	**1,136.0**	1,123.6	1.1%
SBU Beverages	**747.8**	711.1	5.2%
SBU Savoury Spreads	**726.6**	674.7	7.7%
SBU (Sweet and Salted) Snacks	**674.6**	687.6	(1.9%)
SBU Pharma and Personal Care	**655.0**	648.0	1.1%
SDU Croatia	**1,368.6**	1,265.3	8.2%
SDU Serbia	**1,263.9**	1,253.4	0.8%
SDU Slovenia	**941.6**	907.9	3.7%
Global distribution network management	**378.5**	370.6	2.1%
Other segments*	**401.7**	413.6	(2.9%)
Reconciliation**	**-2,862.5**	-2,800.2	n/a
Sales	**5,431.7**	**5,255.5**	**3.4%**

The comparative period has been adjusted to the reporting for 2019.

In 2019, Atlantic Grupa recorded sales of HRK 5.4 billion, which is a 3.4% growth compared to the same period of the previous year. The revenue growth was recorded in almost all business and distribution units due to excellent results of the majority of own as well as principal brands. If we exclude the effect of revenues of the Strategic Business Unit Sports and Functional Food, the segment that was fully disinvested at the beginning of April 2019, and the effect of the absence of sales of the Neva range in part in which the distribution was discontinued, the revenue growth would be 5.4%***.

Atlantic Grupa records sales by business segments in a way that sales of individual Strategic Business Units and Business Units represent the total sales to third parties in the markets (either directly from a Strategic Business Unit (SBU) or Business Unit (BU), or through a Strategic Distribution Unit (SDU), Distribution Unit (DU) or Global Distribution Account Management (GDAM)), while sales of Strategic Distribution Units, 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 SBU Sports and functional food, DU Austria, DU Macedonia 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.

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The STRATEGIC BUSINESS UNIT COFFEE records slightly higher levels of sales, where among regional markets the most significant growth was recorded in the markets of Croatia, Slovenia and Montenegro. Analyzed by categories, the growth was recorded by roast and ground coffee as the most significant category, and espresso coffee that continues to record significant growth rates. The Barcaffe and Grand Kafa brands primarily contributed to the growth in the roast and ground coffee segment. Instant Turkish coffee Black'n'Easy and Barcaffe&GO record double-digit growth rates.

The STRATEGIC BUSINESS UNIT BEVERAGES recorded a sales growth in all leading markets, with the greatest growth recorded in the markets of Croatia, Slovenia, Bosnia and Herzegovina, and Serbia. Double-digit growth was recorded in markets outside the region, Russia, Germany, Austria and Italy. The revenue growth was recorded by the visually refreshed Cockta with a new recipe, vitamin instant drink Cedevita and functional water Donat Mg. The Cedevita brand celebrated last year its 50th anniversary this year so a new campaign was presented as part of the new creative platform “Taste of Generation CE”, launched in mid-March. At the beginning of March, Cockta launched a new product, Cockta Free, led by the increasing trend of sugar-free soft drinks consumption and the increasing healthy lifestyle trend.

The STRATEGIC BUSINESS UNIT SAVOURY SPREADS recorded a significant revenue growth as a result of excellent business results in all regional markets, the increase in sales in Western European markets (Germany, Austria, Switzerland and the Netherlands) and in the market of Russia. It should be noted that the markets of Croatia, Bosnia and Herzegovina, Russia, Germany and Kosovo recorded a double-digit growth. The growth was recorded by both meat and fish segments of savoury spreads and vegetable spreads. As from the beginning of 2019 the Gourmet segment was merged with this unit, it should be noted that the *ajvar* and jams categories under the Granny’s Secret brand record a sales increase.

The STRATEGIC BUSINESS UNIT SNACKS recorded a mild decrease in sales primarily in the markets of Kosovo, Serbia and Croatia. The decrease was partly compensated by the growth in the markets of Bosnia and Herzegovina, Slovenia, Macedonia and Austria. Analyzed by categories, flips under the Smoki brand recorded the most significant sales growth of 7.2%. The decrease in sales of this unit is primarily caused by abandoning the chips category and the absence of sales in the market of Kosovo, caused by increased customs duties on imports of goods from Serbia.

THE STRATEGIC BUSINESS UNIT PHARMA AND PERSONAL CARE records s slight increase in sales due primarily to the double-digit growth in sales of the pharmacy chain Farmacia. This growth fully compensated for the decrease in sales of the Multivita brand and baby food under the Bebi brand in the Russian market. If the effect of the absence of sales of the Neva range in part in which the distribution was discontinued is excluded, the sales of this unit grew 3.5%.

The STRATEGIC DISTRIBUTION UNIT CROATIA recorded a significant sales growth following great results of own and principal brands. Own brands recorded growth in almost all categories, led by Argeta in the savoury spreads segment, Barcaffe in the coffee segment, Cedevita, Donat and Cockta in the beverages segment and Smoki in the snacks segment. Among principal brands, the biggest growth was recorded by Ferrero, Unilever, Asahi and the new principal Mars. A sales growth was also recorded by the HoReCa channel, primarily due to great results of Cedevita and Cockta and Barcaffe espresso.

The STRATEGIC DISTRIBUTION UNIT SERBIA recorded a mild increase in sales of principal as well as own brands. Among principal brands, the biggest growth was recorded by the new principal Red Bull and the existing principal Rauch. Among own brands, Grand kafa in the coffee segment, Cockta in the beverages segment, Argeta in the savoury spreads segment, and Smoki and Najlepše želje in the snacks segment stand out. The HoReCa channel also recorded a sales growth due to the increase in sales of Cockta, Cedevita and principals Rauch and Red Bull.

The STRATEGIC DISTRIBUTION UNIT SLOVENIA records sales growth as a consequence of the increase in sales of all own brands, led by savoury spreads under the Argeta brand, roast and ground coffee under the Barcaffe brand, vitamin instant drink under the Cedevita brand, redesigned Cockta and Smoki. Among principal brands, Ferrero, Rauch and Hipp stand out. The HoReCa segment records growth due to espresso coffee under the Barcaffè brand, great results of Cedevita and the success of redesigned Cockta.

GLOBAL DISTRIBUTION ACCOUNT MANAGEMENT recorded an increase in sales where the greatest sales growth was recorded in the markets of Germany, France, the Netherlands, Australia and Switzerland, in particular, in the savoury spreads segment under the Argeta brand. The Russian market recorded a mild sales growth due to the increase in sales of functional water under the Donat Mg brand and savoury spreads under the Argeta brand, which compensated for the decrease in sales of baby food under the Bebi brand. Also, the result of this segment was affected by the decrease in sales in the market of Kosovo, caused by increased customs duties on imports of goods from Serbia. If the effect of the sales of products from the sports and functional food segment and sales of products from the snacks segment in the market of Kosovo are excluded, the sales of this unit grew 5.2%.

OTHER SEGMENTS record a decrease in sales as a consequence of the decrease in sales of the strategic business unit Sports and Functional Food that was fully disinvested at the beginning of the year, while the distribution unit Macedonia and the distribution unit Austria record sales increase.

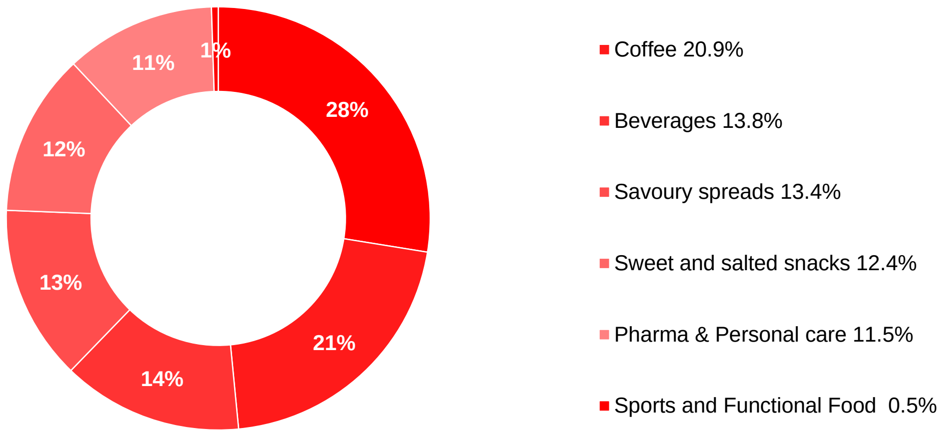
The double-digit growth rates in the DISTRIBUTION UNIT MACEDONIA are based on the increase in sales of own and principal brands. Among principals, the new principals Hipp, Ficosota and Beiersdorf stand out, and the long established principal Ferrero, while among own brands Cedevita in the beverages segment, Argeta in the savoury spreads category and Smoki in the flips category stand out. The HoReCa channel also recorded a sales growth due to the increase in sales of Barcaffe espresso coffee, Cedevita, and principal Ferrero.

The DISTRIBUTION UNIT AUSTRIA recorded a sales growth, mainly due to the growth of own brands, primarily Cedevita, Donat Mg and Cockta in the beverages segment, Argeta in the savoury spreads segment, and Smoki in the snacks segment.

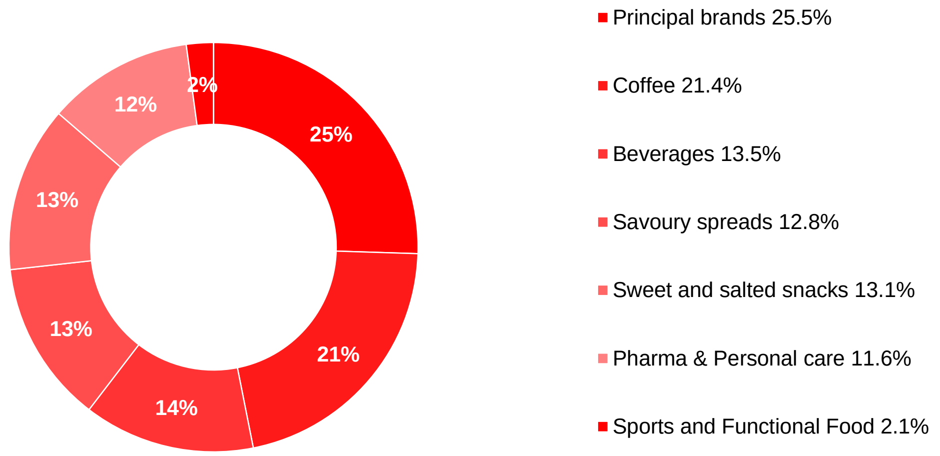
SALES DYNAMICS
IN 2019

SALES PROFILE BY SEGMENTS

2019.



2018.



SALES PROFILE BY MARKETS

(in HRK millions)	2019	% of sales	2018	% of sales	2019/ 2018
Croatia	**1,885.2**	34.7%	**1,735.7**	33.0%	8.6%
Serbia	**1,291.3**	23.8%	**1,275.4**	24.3%	1.2%
Slovenia	**943.1**	17.4%	**908.7**	17.3%	3.8%
Bosnia and Herzegovina	**430.3**	7.9%	**421.7**	8.0%	2.0%
Other regional markets*	**419.3**	7.7%	**351.9**	6.7%	19.2%
Key European markets**	**220.5**	4.1%	**275.2**	5.2%	(19.9%)
Russia and CIS	**156.5**	2.9%	**178.3**	3.4%	(12.2%)
Other markets	**85.5**	1.6%	**108.6**	2.1%	(21.3%)
Total sales	**5,431.745**	100.0%	5,255.5	100.0%	3.4%

*Other regional markets: Macedonia, Montenegro, Kosovo

**Key European markets: Germany, Switzerland, Austria, Sweden
The comparative period has been adjusted to the reporting for 2019.

The MARKET OF CROATIA recorded an 8.6% sales growth following the increase in sales of: (i) own brands, with the biggest growth recorded by Barcaffe in the roast and ground coffee category, Donat, Cockta and Cedevita brands in the beverages segment, Argeta in the savoury spreads segment, Smoki in the snacks segment and Dietpharm in the pharma and personal care segment, (ii) the pharmacy chain Farmacia, and (iii) external principals, among which the biggest growth was recorded by Ferrero, Unilever, Asahi, Philips and the new principal Mars.

The MARKET OF SERBIA recorded a mild sales growth due to the increase in sales of own brands led by: (i) Grand kafa in the coffee segment (ii) Cockta in the beverages segment, (iii) Argeta in the savoury spreads segment, and (iv) Smoki and Najlepše želje in the snacks segment. Among principal brands, growth comes from Rauch and the new principal Red Bull.

The increase in sales on the MARKET OF SLOVENIA is based on the increase in sales of all product categories, led among own brands by: (i) roast and ground coffee under the Barcaffe brand, (ii) vitamin instant drink under the Cedevita brand and redesigned Cockta, (iii) savoury spreads under the Argeta brand, and (iv) flips under the Smoki brand. Among principal brands Ferrero, Rauch and Hipp stand out.

The 2.0% sales growth in the MARKET OF BOSNIA AND HERZEGOVINA was recorded due to the increase in sales of: (i) savoury spreads under the Argeta brand, (ii) chocolate under the Najlepše želje brand and flips under the Smoki brand from the snacks product range, (iii) beverages under the Cedevita and Cockta brands, and (iv) the Dietpharm brand in the pharma and personal care segment.

The significant increase in sales of 19.2% in OTHER REGIONAL MARKETS was recorded due to the double-digit increase in sales in the market of Macedonia and the increase in the market of Montenegro, which compensated for the decrease in the market of Kosovo, primarily caused by the significant increase in customs duties on imports of goods from Serbia and Bosnia and Herzegovina to Kosovo. If the effect of sales of products from the snacks segment in the market of Kosovo is excluded, Other regional markets would record a 22.1% growth.

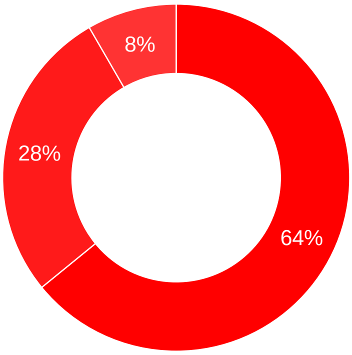
The KEY EUROPEAN MARKETS record a decrease in sales primarily due to the decrease in sales in the market of Germany as a consequence of disinvesting the Strategic Business Unit Sports and Functional Food which was partly compensated by the growth of Argeta in the savoury spreads segment. The markets of Austria and Switzerland record growth primarily due to the increase in sales in the savoury spreads segment under the Argeta brand and flips under the Smoki brand. If the sales of brands from the Strategic Business Unit Sports and Functional Food in the market of Germany are excluded, the Key European markets would record a 1.5% growth.

The decrease in sales in the MARKET OF RUSSIA AND THE COMMONWEALTH OF INDEPENDENT STATES is a consequence of the decrease in sales of the Multivita brand and baby food under the Bebi brand, which was partly compensated for by the increase in sales of functional waters under the Donat Mg brand and savoury spreads under the Argeta brand.

OTHER MARKETS record a decrease in sales due to the drop in sales in the sports and functional food segment as a consequence of disinvesting this segment. The decrease was partly compensated by the increase in sales of savoury spreads under the Argeta brand in most Other markets. If the sales of brands from the Strategic Business Unit Sports and Functional Food are excluded, Other markets would record a decrease in sales of 4.2%.

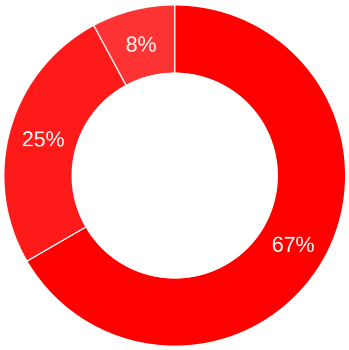
SALES PROFILE BY PRODUCT CATEGORY

2019



- Own brands 64.1%
- Principal brands 27.5%
- Farmacia 8.4%

2018



- Own brands 66.6%
- Principal brands 25.5%
- Farmacia 7.9%

In 2019, OWN BRANDS recorded sales of HRK 3,481.9 million which represents a mild decrease in sales primarily as a consequence of disinvesting the Sports and Functional Food segment. If we exclude sales of brands from the Sports and Functional Food segment, own brands would record a 1.9% sales growth. The greatest contribution to the growth was made by: (i) Argeta in the savoury spreads segment, (ii) Cockta, Cedevita and Donat in the beverages segment, (iii) Barcaffe and Grand Kafa in the coffee segment, and (iv) Smoki in the snacks segment.

With sales of HRK 1,496.3 million, PRINCIPAL BRANDS recorded a significant increase in sales of 11.6%. The growth is mainly based on the increase in sales of principals Ferrero, Rauch, Hipp, Asahi and Unilever and new principals including Mars in Croatia, Red Bull in Serbia and Hipp, Ficosota and Beiersdorf in Macedonia.

A significant 9.8% growth was recorded by the pharmacy chain FARMACIA with sales of HRK 453.5 million due to the increase in sales of the existing and new Farmacia locations. In 2019, five new retail locations were opened and now Farmacia consists of 90 pharmacies and specialised stores.

ATLANTIC GRUPA

PROFITABILITY DYNAMICS

(in HRK millions)	2019	2019 without IFRS 16	2018	2019 without IFRS 16/2018
Sales	**5,431.7**	5,431.7	5,255.5	3.4%
EBITDA*	**778.7**	688.5	545.9	26.1%
Normalised EBITDA*	**721.8**	631.6	565.6	11.7%
EBIT*	**500.4**	494.0	366.8	34.7%
Normalised EBIT*	**443.5**	437.1	386.5	13.1%
Net profit*	**390.4**	394.2	244.2	61.4%
Normalised Net profit*	**333.5**	337.3	261.7	28.9%
Profitability margins				
EBITDA margin*	**14.3%**	12.7%	10.4%	+229bp
Normalised EBITDA margin*	**13.3%**	11.6%	10.8%	+87bp
EBIT margin*	**9.2%**	9.1%	7.0%	+212bp
Normalised EBIT margin*	**8.2%**	8.0%	7.4%	+69bp
Net profit margin*	**7.2%**	7.3%	4.6%	+261bp
Normalised Net profit margin*	**6.1%**	6.2%	5.0%	+123bp

EBITDA in 2019 amounts to HRK 778.7 million, or HRK 688.5 million without the effect of the new standard – IFRS 16 Leases, which is a 26.1% growth compared to the previous year. EBITDA without the effect of the new standard – IFRS 16 Leases and normalised for one-off items amounts to HRK 631.6 million, which is a comparable 11.7% growth. The biggest impact on the increase in normalised EBITDA was made by the disinvestment of the non-profitable segment Sports and Functional Food and the increase in sales in most business units, despite the increase in cost of services and staff costs. Normalised net profit increased 28.9% as a result of lower interest expense, following the continuous deleveraging of the company.

The condensed consolidated financial statements are prepared on the basis of the same accounting policies, presentations and calculation methods as used in the preparation of the Atlantic Grupa's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standard IFRS 16 – Leases effective as of 1 January 2019. The Group applied the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases are measured on transition as if the new rules had always been applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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

OPERATING EXPENSES STRUCTURE

(in HRK millions)	2019	2019 without IFRS 16	% of sales	2018	% of sales	2019 without IFRS 16/2018
Cost of goods sold	1,600.6	1,600.6	29.5%	1,505.8	28.7%	6.3%
Change in inventory	(18.2)	(18.2)	(0.3%)	13.2	0.3%	n/a
Production materials	1,421.0	1,421.0	26.2%	1,392.4	26.5%	2.1%
Energy	62.5	62.5	1.2%	58.3	1.1%	7.3%
Services	330.4	420.7	6.1%	412.5	7.8%	2.0%
Staff costs	880.5	880.5	16.2%	843.0	16.0%	4.5%
Marketing and selling expenses	321.5	321.5	5.9%	338.3	6.4%	(5.0%)
Other operating expenses	197.9	197.9	3.6%	208.2	4.0%	(5.0%)
Other (gains)/losses, net	(68.4)	(68.4)	(1.3%)	13.1	0.2%	(621.6%)
Depreciation, amortisation and impairment	278.3	194.5	5.1%	179.1	3.4%	8.6%
Total operating expenses*	5,006.0	5,012.4	92.2%	4,963.9	94.5%	0.8%

The increase in cost of goods sold of 6.3% is a consequence of higher sales of principal brands.

The mild decrease in costs of production materials together with the change in the value of inventories due to disinvesting non-core business units (Neva and the Strategic Business Unit Sports and Functional Food) and lower average prices of production materials, primarily coffee and sugar.

Energy costs grow due to larger production of own brands and higher energy prices.

Costs of services without IFRS 16 are higher, primarily due to higher costs of transport and logistics services, as a consequence of higher sales and higher licence costs following higher investments in IT systems and digital technologies.

Staff costs increased due to a larger number of employees as a result of higher scope of operations by taking over new principals, the increase in legally prescribed minimum wages in Serbia and more variable payments following the increase in sales. In 2019, Atlantic Grupa had on average 5,557 employees, 45 employees more than in the previous year.

Marketing expenses are lower primarily due to disinvesting of non-core business units (Neva and the Strategic Business Unit Sports and Functional Food) despite higher investments in marketing in the beverages, coffee and savoury spreads segments.

Other operating expenses decreased mainly due to lower impairment of trade receivables and inventories.

Other (gains)/losses – net: mainly relate to the previously described one-off items (HRK 56.9 million of profit from disinvestment in 2019 and HRK 19.7 million of loss in 2018).

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ATLANTIC GRUPA

OPERATING RESULT OF STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(HRK million)	2019	2019 without IFRS 16	2018	2019 without IFRS 16/2018
SBU Coffee	**266.6**	**264.5**	258.9	2.2%
SBU Beverages	**177.5**	**175.3**	166.8	5.1%
SBU Savoury Spreads	**144.6**	**143.5**	132.5	8.3%
SBU (Sweet and Salted) Snacks	**125.6**	**123.7**	132.8	(6.9%)
SBU Pharma and Personal Care	**58.2**	**40.1**	44.4	(9.7%)
SDU Croatia	**64.2**	**39.8**	37.8	5.4%
SDU Serbia	**40.2**	**23.2**	32.4	(28.2%)
DU Slovenia	**60.9**	**53.6**	52.1	2.8%
Global Distribution Network Management	**13.8**	**13.7**	17.8	(23.5%)
Other segments*	**(172.9)**	**(188.9)**	(329.7)	42.7%
Group EBITDA**	**778.7**	**688.5**	**545.9**	**26.1%**

STRATEGIC BUSINESS UNITS: The Strategic Business Unit Coffee recorded better profitability as a result of better gross profit margin following higher sales and lower prices of raw coffee, despite higher investments in marketing activities and higher staff costs. The Strategic Business Unit Beverages realises an increase in profit based on higher sales and a more favourable gross profit margin. The Strategic Business Unit Savoury Spreads recorded a significant profitability growth due to the increase in revenue and a more favourable gross margin, despite higher marketing expenses and staff costs. The Strategic Business Unit Snacks recorded a decrease in profitability following lower sales. The Strategic Business Unit Pharma and Personal Care records a decrease in profitability following the disinvestment of Neva and lower sales of Multivita, despite higher profitability of the pharmacy chain Farmacia and Dietpharm.

STRATEGIC DISTRIBUTION UNITS AND DISTRIBUTION UNITS: The SDU Croatia and SDU Slovenia record a profitability growth following higher sales, despite the increase in staff costs. The decrease in profitability of the SDU Serbia is a result of higher costs of transport and higher staff costs (increased legally prescribed minimum wage and new employees as a result of the distribution portfolio extension). Global Distribution Account Management records a decrease in profitability following lower sales and profitability of baby food under the Bebi brand in the Russian market.

OTHER SEGMENTS: Other segments record a significant decrease in the negative impact on the group EBITDA due to the described one-off items resulting from the disinvestment (2019: profit of HRK 56.9 million and 2018: loss of HRK 19.7 million) and due to the Sports and Functional Food segment that in 2019 recorded negative EBITDA of HRK 8.2 million compared to last-year's negative HRK 60.3 million. The DU Macedonia recorded higher profitability due to higher sales and a more favourable gross profit margin, while the DU Austria recorded higher profitability due to higher sales and cost optimisation.

The comparative period has been adjusted to the reporting for 2019.

* Other segments include SBU Sports and functional food, DU Austria, DU Macedonia 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.

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

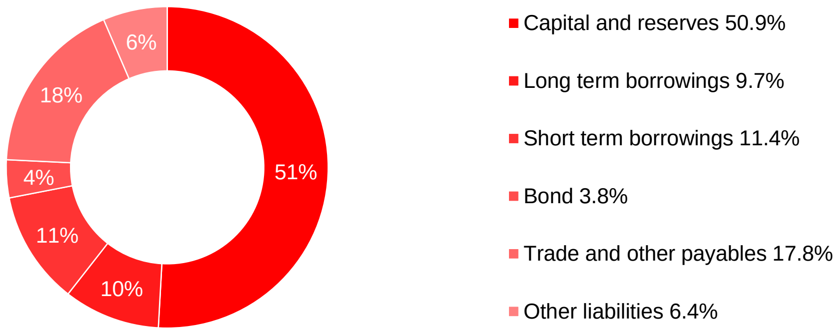
FINANCIAL INDICATORS

(in HRK millions)	12/31/2019	31.12.2019 w/o IFRS 16	12/31/2018
Net debt*	**922.7**	**547.1**	862.9
Total assets	**5,247.3**	**4,886.0**	4,935.3
Total Equity	**2,669.8**	**2,684.1**	2,398.4
Current ratio*	**1.3**	**1.4**	1.4
Gearing ratio*	**25.7%**	**16.9%**	26.5%
Net debt/EBITDA*	**1.3**	**0.9**	1.5
Interest coverage ratio*	**20.5**	**25.2**	9.9
Capital expenditure*	**225.2**	**225.2**	140.6
Cash flow from operating activities	**586.4**	**506.4**	**462.1**

Among key determinants of the Atlantic Grupa's financial position in 2019, the following should be pointed out:

- The gearing ratio decreased by as much as 953 basis points due to the decrease in net debt of HRK 316 million compared to the end of 2018.
- The debt measured as the net debt to normalised EBITDA ratio dropped from 1.5 at the end of 2018 to 0.9 at the end of 2019.
- At the same time, the coverage of interest expense by normalised EBITDA in the comparative period increased from 9.9 times in 2018 to 25.2 times.
- The increase in cash flow from operating activities of HRK 44.3 million to HRK 506.4 million reflects the stability of the Group's business.

THE ATLANTIC GRUPA'S EQUITY AND LIABILITIES STRUCTURE AS AT 31 DECEMBER 2019 (INCLUDING IFRS 16 LEASES)



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

OVERVIEW OF KEY ITEMS IN THE CONSOLIDATED CASH FLOW STATEMENT

The increase in cash flow from operating activities in 2019 compared to the same period of the previous year is the result of improved profitability and lower finance costs.

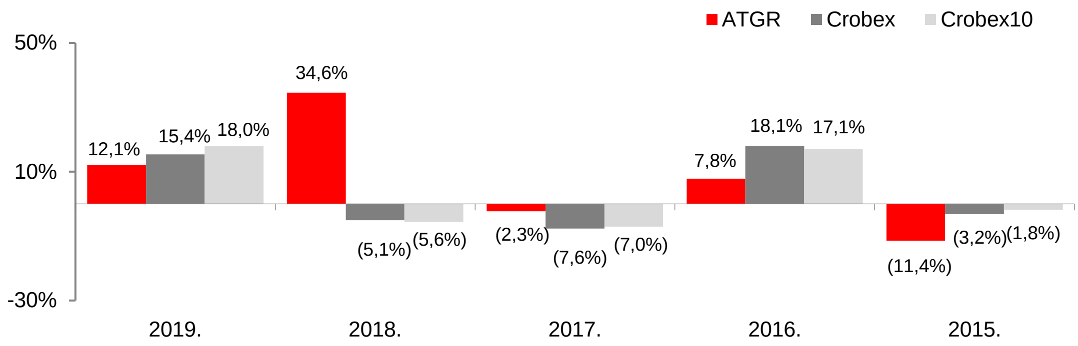
Capital expenditure in 2019 primarily relates to investments in the production equipment of business units for the purpose of increasing the efficiency of production processes, in the development of new products and the development of IT infrastructure, business systems and applications.

Among significant investments, we should mention:

- SBU SNACKS: investment in the Smoki packaging line and investment in the Bananica production line;
- SBU COFFEE: investment in production equipment for the purpose of improving production efficiency (stone mills, replacement of roasting machines, lines for instant coffee) and espresso machines;
- SBU BEVERAGES: investment in the production equipment for the purpose of improving efficiency (repair of Rogaška bottle blowing machines) and investment in the new line for HoReCa packaging of Cedevita (increasing capacities);
- SBU SAVOURY SPREADS: reconstruction of the pâté line in Izola and new format parts in Hadžići aimed at increasing capacities;
- SDU CROATIA: investment in the new logistics and distribution centre;
- IT: investment in infrastructure, digital technologies and implementation of business applications and the replacement of equipment.

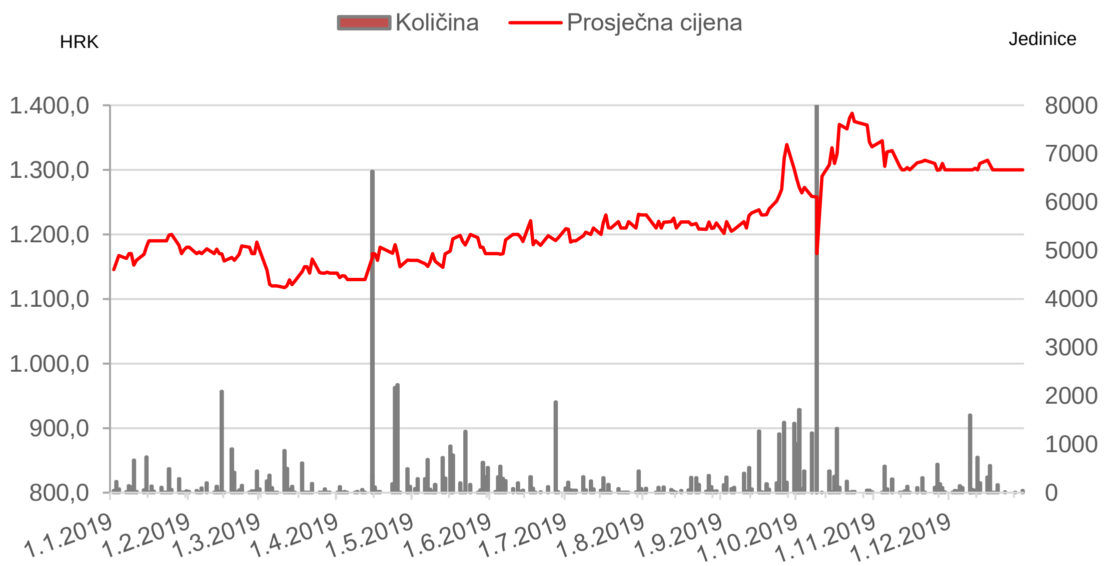
STOCK MARKET PERFORMANCE: RECORD-HIGH MARKET CAPITALISATION

2019 was marked by rather volatile trade statistics, and the second half of the year mainly recorded a positive trend, primarily as a consequence of the increased interest of investors in the share of Kraš d.d., that spread to the rest of the market to a certain degree. The indices recorded a double-digit growth, with CROBEX10 recording an +18% growth, and CROBEX a 15.4% growth. At the same time, the Atlantic Grupa's share recorded a growth of 12.1%.

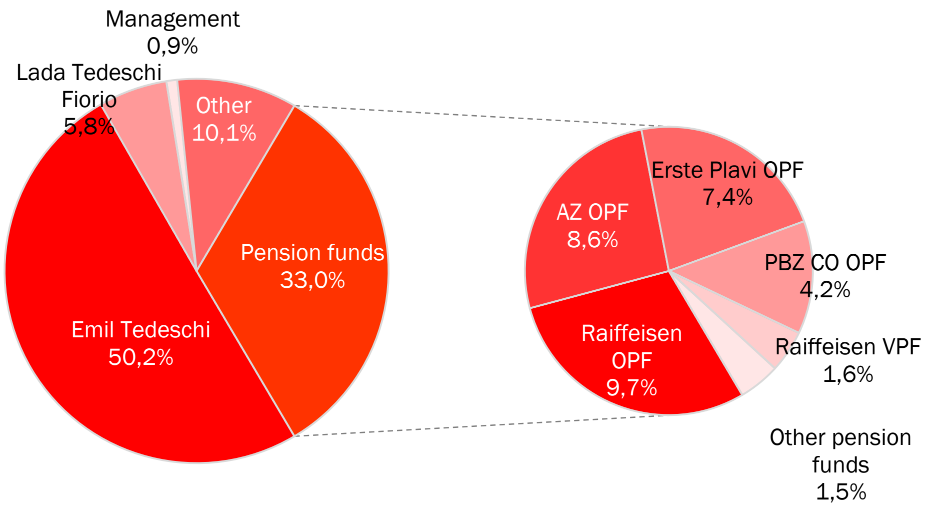


The average daily turnover amounted to HRK 585.0 thousand, or even 34.1% more than in 2018. Among the components of CROBEX10, with the market capitalisation of HRK 4,334.6 million, Atlantic Grupa holds the fourth place. In October 2019, the Atlantic Grupa's share recorded the historically highest level of market capitalisation since its listing in November 2007. According to the total turnover in 2019, the Atlantic Grupa's share holds the eight place compared to all the shares quoted on the Zagreb Stock Exchange, with a turnover of HRK 64.8 million.

MOVEMENTS IN THE AVERAGE PRICE AND VOLUME OF THE ATLANTIC GRUPA'S SHARE IN 2019



OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2019



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 33.0% of Atlantic Grupa. In the Management category, members of the Management Board hold 30,211 shares (Neven Vranković 20,386, Srećko Nakić 5,969, Zoran Stanković 3,758 and Enzo Smrekar 98). In the Others category, a member of the Supervisory Board Siniša Petrović holds 176 shares. Also, a Member of the Management Board Neven Vranković holds 150,000 Atlantic Grupa's bonds.

Valuation	2019	2019 w/o IFRS 16	2018
Last price in reporting period	1,300.0	1,300.0	1,160.0
Market capitalization* (in HRK millions)	4,334.6	4,334.6	3,867.8
Average daily turnover (in HRK thousands)	585.0	585.0	436.3
EV (in HRK millions)*	5,262.7	4,887.1	4,734.6
Adjusted EV/EBITDA*	7.3	7.7	8.4
Adjusted EV/EBIT*	11.9	11.2	12.2
EV/sales*	1.0	0.9	0.9
Adjusted EPS (in HRK)*	99.6	100.8	78.4
Adjusted P/E*	13.1	12.9	14.8

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

MANAGEMENT'S VIEW ON MACROECONOMIC EXPECTATIONS

In 2019, for the fifth 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 the growth of the Croatian economy to slow down in 2020 due to the unfavourable international environment, i.e. the fact that the growth of the global economy, as well as of the Eurozone, is slowing down.

In countries of the region, management expects the economic growth to continue in 2020. Strong domestic demand and the increase in employment will be the main generators of the Slovenian growth. Also, the growth of the Serbian economy will be supported by domestic demand, but also direct foreign investments.

Eurozone economies are in a period of low inflation and low growth, marked by high uncertainty following Brexit. However, strong European labour markets with exceptionally low unemployment rates and salary increase, and historically low borrowing costs enable strong domestic demand. Therefore, management expects further but modest growth in the eurozone.

In 2019, the Russian economy slowed down following the increase in VAT and restrictive monetary policy. In 2020 a moderate recovery is expected as a consequence of higher public investments and implemented structural reforms.

ATLANTIC GRUPA'S MANAGEMENT STRATEGIC GUIDANCE FOR 2020

In 2020, management will focus on (i) strengthening the position of prominent regional brands, (ii) internationalisation of certain brands, primarily Argeta and Donat Mg, (iii) development of distribution operations by strengthening the existing and acquiring new principals, and (iv) further divestment of non-core business operations that do not have a significant growth potential.

In addition to the previously described macroeconomic expectations, Atlantic Grupa's management in 2020 expects a bit lower average prices of raw coffee on global commodity markets that will mainly be annulled by the strengthening of the US dollar, due to the purchase of this raw material in the US dollar currency. In addition, the prices of a significant portion of our key raw materials and packaging materials such as powdered milk, sugar, tuna, cocoa, packaging foil, have already increased or the increase is very likely. Also, challenges with labour force have already reflected not only on the increase in staff costs, but also on prices of labour-intensive services, and we expect this to continue in 2020.

In 2020, we expect payments related to capital expenditure in the amount of approximately HRK 280 million.

(in HRK millions)	2020 Guidance	2019**	2020/2019
Sales* **	**5,500**	5,432	1.3%
EBITDA*	**730**	722	1.1%
EBIT*	**455**	444	2.6%

**Normalized.
*** Sales in 2019 include HRK 172.9 million related to disinvested and discontinued parts of operations, whereby the expected organic growth is 4.6%

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

ATLANTIC GRUPA d.d.

DEFINITION AND RECONCILIATIONS OF

ALTERNATIVE PERFORMANCE MEASURES (APM)

The Annual report, half – year report, quarterly report and other communication to investors contain certain financial performance measures, which are not defined by International financial reporting standards (IFRS). We believe these measures, along with comparable IFRS measurements, are useful to investors because they provide a basis for measuring our operating and financial performance. The main APMs used by Atlantic Grupa are defined and/or reconciled with our IFRS measures in this document.

NORMALIZED SALES GROWTH

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

in HRK million	2019.	2018.	2019./2018.
Sales	**5,431.7**	**5,255.5**	**3.4%**
Sales of divested business - SBU SFF	27.8	112.0	(75.1%)
Absence of distribution of Neva assortment	0.0	15.0	(100.0%)
Normalized sales	**5,403.9**	**5,128.5**	**5.4%**

IFRS 16

The consolidated financial statements are prepared on the basis of the same accounting policies, presentations and calculation methods as used in the preparation of the Atlantic Grupa's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standard IFRS 16 – Leases effective as of 1 January 2019. The Group applied the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases are measured on transition as if the new rules had always been applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

In order to ensure comparability of the financial data, data for 2019 is presented in two ways; data including application of IFRS 16 and data excluding application of IFRS 16, where applicable. When comparing data to 2018 data, data for 2019 excluding the impact of IFRS 16 should be considered.

EBITDA and NORMALIZED EBITDA, EBITDA margin and NORMALIZED EBITDA margin

EBITDA (Earnings before interest, tax, depreciation and amortization) equals to operating profit in the financial statements (see Note 2 - Summary of significant accounting policies in the latest audited Consolidated Financial statements) increased for depreciation, amortisation and impairment (see Note 13,14,15 in the latest audited Consolidated Financial statements).
The Group also presents Normalized EBITDA which is being calculated as EBITDA excluding the impact of adjusting items. Adjusting items represent gain/loss on sale of subsidiaries (see Note 10 Divestment and acquisition of subsidiaries of the attached Condensed consolidated financial statements for the period 31 December 2019). The Group's Management Board reviews adjusted EBITDA to evaluate business performance of the Group and to allocate resources accordingly. Additionally, Group's management believes that normalized EBITDA provides information that enables investors to better compare Group's performance across periods.
The Group also presents EBITDA margin and Normalized EBITDA margin, which are defined as EBITDA/Normalized EBITDA as percentage of sales.

(in HRK millions)	2019	2019 w/o IFRS 16	2018	2019 w/o IFRS 16/2018
Operating profit	500.4	494.0	366.8	34.7%
Depreciation, amortisation and impairment	278.3	194.5	179.1	8.6%
EBITDA	778.7	688.5	545.9	26.1%
Gain on sales of factories in SFF	24.8	24,8	-	
Gain on sales of Dietpharm, Multivita and Bionatura Bidon Vode	32.1	32,1	-	
Loss on sales of Neva and provision for legal claims	-	-	(19.7)	
Normalized EBITDA	721.8	631,6	565.6	11.7%
Sales	5,431.7	5.431,7	5,255.5	
EBITDA margin	14.3%	12.7%	10.4%	
Normalized EBITDA margin	13.3%	11.6%	10.8%	

EBIT and NORMALIZED EBIT

EBIT (Earnings before interest and tax) equals to operating profit in the financial statements (see Note 2 - Summary of significant accounting policies in the latest audited Consolidated Financial statements).
The Group also presents Normalized EBIT which is being calculated as EBIT excluding the impact of adjusting items.
Additionally, the Group also presents EBIT margin and Normalized EBIT margin, which are defined as EBIT/Normalized EBIT as percentage of sales.

(in HRK millions)	2019	2019 w/o IFRS 16	2018	2019 w/o IFRS 16/2018
Operating profit	500.4	494.0	366.8	34.7%
EBIT	500.4	494.0	366.8	34.7%
Gain on sales of factories in SFF	24.8	24.8	-	
Gain on sales of Dietpharm, Multivita and Bionatura Bidon Vode	32.1	32.1	-	
Loss on sales of Neva and provision for legal claims	-	-	(19.7)	
Normalized EBIT	443.5	437.1	386.5	13.1%
Sales	5,431.7	5,431.7	5,255.5	
EBIT margin	9.2%	9.1%	7.0%	
Normalized EBIT margin	8.2%	8.0%	7.4%	

NET PROFIT and NORMALIZED NET PROFIT

Net profit is a subtotal which is reported in the Consolidated Income statement in the attached Condensed consolidated financial statements for the period 31 December 2019.
The Group also presents Normalized Net profit which is being calculated as Net profit excluding the impact of adjusting items.

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

(in HRK millions)	2019	2019 w/o IFRS 16	2018	2019 w/o IFRS 16/2018
Net profit	**390.4**	**394.2**	**244.2**	**61.4%**
Gain on sales of factories in SFF	24.8	24.8	-	
Gain on sales of Dietpharm, Multivita and Bionatura Bidon Vode	32.1	32.1	-	
Loss on sales of Neva and provision for legal claims	-	-	(17.5)	
Normalized Net profit	**333.5**	**337.3**	**261.7**	**28.9%**
Sales	5,431.7	5,431.7	5,255.5	
Net profit margin	**7.2%**	**7.3%**	**4.6%**	
Normalized Net profit margin	**6.1%**	**6.2%**	**5.0%**	

TOTAL OPERATING EXPENSES

Total operating expenses is subtotal of following items which are reported in the Consolidated Income statement in the attached Condensed consolidated financial statements for the period 31 December 2019: cost of trade goods sold, change in inventories of finished goods and work in progress, material and energy costs, staff costs, marketing and promotion expenses, other operating costs, other gain/losses-net and depreciation, amortization and impairment.

CAPITAL EXPENDITURE (CAPEX)

Capital expenditure includes payments made to acquire property, plant and equipment and intangible assets, as reported in the Consolidated Cash flow statement in the attached Condensed consolidated financial statements for the period 31 December 2019. The Group uses capital expenditure as APM to ensure that the cash spending is in line with overall strategy of the Group.

NET DEBT and NET DEBT to EBITDA

Net debt is used by management to evaluate the Group's financial capacity. Net debt is defined as sum of current and non current borrowings, current and non current lease liabilities and derivative financial instruments decreased for cash and cash equivalents which are reported in the Consolidated Balance sheet in the attached Condensed consolidated financial statements for the period 31 December 2019, as shown below:

(in HRK millions)	31 Dec 2019	31 Dec 2019 w/o IFRS 16	31 Dec 2018
Non current borrowings	412.6	412.6	805.9
Non current lease liabilities	295.5	0.0	0.0
Current borrowings	517.3	517.3	472.4
Current lease liabilities	80.0	0.0	0.0
Derivative financial instruments, net	1.8	1.8	(1.7)
Cash and cash equivalents	(384.5)	(384.5)	(413.7)
Net debt	**922.7**	**547.1**	**862.9**
Normalized EBITDA	721.8	631.6	565.6
Net debt/Normalized EBITDA	**1.3**	**0.9**	**1.5**

The Group also uses a ratio net debt to normalized EBITDA, which is net debt divided by Normalized EBITDA, to access its level of net debt in comparison to underlying earnings generated by the Group. This measurement reflects Group's ability to service and repay borrowings.

CURRENT RATIO

The current ratio compares all Group's current assets to its current liabilities which are reported in the Consolidated Balance sheet in the attached Condensed consolidated financial statements for the period 31 December 2019. The current ratio is a liquidity ratio that measures a Group's ability to cover its short-term debt with its current assets.

in HRK million	2019	2019 w/o IFRS 16	2018
Current assets	2,170.5	2,170.5	2,175.4
Current liabilities	1,648.4	1,568.4	1,509.2
Current ratio	**1.3**	**1.4**	**1.4**

GEARING RATIO

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

in HRK million	2019	2019 w/o IFRS 16	2018
Net debt	922.7	547.1	862.9
Total equity	2,669.8	2,684.1	2,398.4
Gearing ratio	**25.7%**	**16.9%**	**26.5%**

INTEREST COVERAGE RATIO

The interest coverage ratio is calculated by dividing Group's Normalized EBITDA by total interest expense (see Note 8 - Finance cost-net in the attached Condensed consolidated financial statements for the period 31 December 2019). as shown below. Interest coverage ratio is used to determine how easily the Group can pay interest on its outstanding debt.

in HRK million	2019	2019 w/o IFRS 16	2018
Normalized EBITDA	721.8	631.6	565.6
Total interest expense	35.2	25.0	57.2
Adjusted interest coverage ratio	**20.5**	**25.2**	**9.9**

MARKET CAPITALIZATION

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

	2019	2019 w/o IFRS 16	2018
Last price in reporting period (in HRK)	1,300	1,300	1,160
Number of shares	3,334,300	3,334,300	3,334,300
Market capitalization (in HRK millions)	**4,334.6**	**4,334.6**	**3,867.8**

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

Enterprise value (EV) is a measure of Group's total value, used as a more comprehensive alternative to market capitalization. EV is the sum of market capitalization, net debt and non-controlling interest, as shown below.
The Normalized EV/EBITDA ratio is used as a valuation tool to compare the value of the Group to the underlying earnings generated by the Group. It is useful for analysts and investors looking to compare companies within the same industry.
The Normalized EV/EBIT ratio is similar to EV/EBITDA ratio but it incorporates depreciation and amortization. It is used as valuation metric to compare the relative value of different businesses.
EV/sales is a valuation measure that compares the enterprise value of the Group to its annual sales.

in HRK million	2019	2019 w/o IFRS 16	2018
Market capitalization	4,334.6	4,334.6	3,867.8
Net debt	922.7	547.1	862.9
Non controlling interest	5.4	5.4	3.9
Enterprise value (EV)	**5,262.7**	**4,887.1**	**4,734.6**
Normalized EBITDA	721.8	631.6	565.6
Normalized EV/EBITDA	**7.3**	**7.7**	**8.4**
Normalized EBIT	443.5	437.1	386.5
Normalized EV/EBIT	**11.9**	**11.2**	**12.2**
Sales	5,431.7	5,431.7	5,255.5
EV/sales	**1.0**	**0.9**	**0.9**

Adjusted EARNINGS PER SHARE (EPS)

Earnings per share is calculated by dividing the net profit attributable to owners of the parent by weighted average number of shares as defined in the Note 4 Earnings per share of the attached Condensed consolidated financial statements for the period 31 December 2019. EPS reflects the underlying earnings from trading operations for each share. Adjusted EPS takes into calculation adjusted net profit attributable to to owners of the parent which equals to net profit attributable to equity holders excluding the impact of adjusting items as shown below.

	2019	2019 w/o IFRS 16	2018
Profit for the year attributable to owners of the parent	**388.9**	**392.7**	**244.0**
Gain on sales of factories in SFF	24.8	24.8	0.0
Gain on sales of Dietpharm, Multivita and Bionatura Bidon Vode	32.1	32.1	0.0
Loss on sales of Neva and provision for legal claims	-		(17.5)
Adjusted profit for the year attributable to owners of the parent	**332.0**	**335.8**	**261.5**
Weighted average number of shares	3,331,481	3,331,481	3,332,958
Adjusted EPS	**99.6**	**100.8**	**78.4**

PRICE TO EARNINGS RATIO (P/E)

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

	2019	2019 w/o IFRS 16	2018
Last price in reporting period (in HRK)	1,300	1,300	1,160
Adjusted EPS	99.6	100.8	78.4
Adjusted P/E	**13.1**	**12.9**	**14.8**

ATLANTIC GRUPA d.d.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (UNAUDITED)

CONSOLIDATED INCOME STATEMENT

in thousands of HRK, unaudited	Jan - Dec 2019	Jan - Dec 2018	Index	Oct - Dec 2019	Oct - Dec 2018	Index
Revenues	**5,506,404**	**5,330,624**	**103.3**	**1,445,388**	**1,392,251**	**103.8**
Sales revenues	5,431,732	5,255,506	103.4	1,419,325	1,368,827	103.7
Other income	74,672	75,118	99.4	26,063	23,424	111.3
Operating expenses	**(5,005,971)**	**(4,963,857)**	**100.8**	**(1,397,817)**	**(1,439,324)**	**97.1**
Cost of trade goods sold	(1,600,586)	(1,505,820)	106.3	(465,576)	(451,691)	103.1
Change in inventories of finished goods and work in progress	18,235	(13,195)	n/a	(9,299)	(2,914)	319.1
Material and energy costs	(1,483,503)	(1,450,652)	102.3	(364,649)	(354,248)	102.9
Staff costs	(880,472)	(842,955)	104.5	(245,025)	(232,999)	105.2
Marketing and promotion expenses	(321,462)	(338,293)	95.0	(95,383)	(106,130)	89.9
Depreciation, amortisation and impairment	(278,305)	(179,113)	155.4	(96,741)	(68,842)	140.5
Other operating costs	(528,288)	(620,714)	85.1	(155,133)	(185,116)	83.8
Other gains / (losses) - net	68,410	(13,115)	n/a	33,989	(37,384)	n/a
Operating profit	**500,433**	**366,767**	**136.4**	**47,571**	**(47,073)**	**(101.1)**
Finance costs - net	(37,026)	(50,209)	73.7	(13,265)	(18,748)	70.8
Profit before tax	**463,407**	**316,558**	**146.4**	**34,306**	**(65,821)**	**(52.1)**
Income tax	(73,040)	(72,340)	101.0	1,901	(9,520)	n/a
Net profit for the year	**390,367**	**244,218**	**159.8**	**36,207**	**(75,341)**	**(48.1)**
Attributable to:						
Owners of the parent	388,880	243,970	159.4	35,361	(75,315)	n/a
Non-controlling interests	1,487	248	599.8	846	(26)	n/a
Earnings per share for profit attributable to the equity holders of the Company						
- basic	116.73	73.19		10.64	(22.61)	
- diluted	116.73	73.19		10.64	(22.61)	

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

in thousands of HRK, unaudited	Jan - Dec 2019	Jan - Dec 2018	Index	Oct - Dec 2019	Oct - Dec 2018	Index
Net profit for the year	**390,367**	**244,218**	**159.8**	**36,207**	**(75,341)**	**(48.1)**
Cash flow hedges, net of tax	(2,965)	2,422	n/a	(2,969)	(3,312)	89.6
Actuarial (losses) / gains from defined benefit plan, net of tax	(2,385)	97	n/a	(2,385)	97	n/a
Currency translation differences, net of tax	8,675	(33,081)	n/a	5,795	(6,498)	n/a
Total comprehensive income for the year	**393,692**	**213,656**	**184.3**	**36,648**	**(85,054)**	**(43.1)**
Attributable to:						
Equity holders of the Company	392,198	213,450	183.7	35,787	(85,029)	n/a
Non-controlling interest	1,494	206	725.2	861	(25)	n/a
Total comprehensive income	393,692	213,656	184.3	36,648	(85,054)	n/a

ATLANTIC GRUPA d.d.

CONSOLIDATED BALANCE SHEET

in thousands of HRK, unaudited	31 December 2019	31 December 2018
ASSETS		
Non-current assets		
Property, plant and equipment	971,915	966,860
Right-of-use assets	372,247	-
Investment property	312	1,152
Intangible assets	1,658,675	1,706,820
Deferred tax assets	31,796	31,943
Financial assets through OCI	1,025	1,027
Trade and other receivables	40,813	52,168
	3,076,783	2,759,970
Current assets		
Inventories	501,287	493,910
Trade and other receivables	1,269,915	1,247,478
Prepaid income tax	9,175	13,052
Derivative financial instruments	-	1,689
Cash and cash equivalents	384,526	413,663
	2,164,903	2,169,792
Assets held for sale	5,583	5,583
Total current assets	2,170,486	2,175,375
TOTAL ASSETS	**5,247,269**	**4,935,345**
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the Company		
Share capital	133,372	133,372
Share premium	881,323	881,275
Treasury shares	(5,884)	(92)
Reserves	(83,052)	(81,628)
Retained earnings	1,738,679	1,461,644
	2,664,438	2,394,571
Non-controlling interest	5,363	3,869
Total equity	**2,669,801**	2,398,440
Non-current liabilities		
Borrowings	412,550	805,882
Lease liabilities	295,526	-
Deferred tax liabilities	153,228	160,437
Other non-current liabilities	2,204	2,656
Provisions	65,515	58,761
	929,023	1,027,736
Current liabilities		
Trade and other payables	933,191	926,188
Borrowings	517,337	472,386
Lease liabilities	80,032	-
Derivative financial instruments	1,778	-
Current income tax liabilities	7,261	10,174
Provisions	108,846	100,421
	1,648,445	1,509,169
Total liabilities	2,577,468	2,536,905
TOTAL EQUTIY AND LIABILITIES	**5,247,269**	**4,935,345**

ATLANTIC GRUPA d.d.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of HRK, unaudited	Attributable to equity holders of Company					
	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total
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
Actuarial gains from defined benefit plan, net of tax	-	-	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
Dividend 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
Initial adoption of IFRS 16	-	(9.988)	-	(9.988)	-	(9.988)
At 1 January 2019	1.014.555	(91.616)	1.461.644	2.384.583	3.869	2.388.452
Comprehensive income:						
Net profit for the year	-	-	388,880	388,880	1,487	390,367
Cash flow hedge	-	(2,965)	-	(2,965)	-	(2,965)
Actuarial losses from defined benefit plan, net of tax	-	-	(2,385)	(2,385)	-	(2,385)
Other comprehensive income	-	8,668	-	8,668	7	8,675
Total comprehensive income	-	5,703	386,495	392,198	1,494	393,692
Transactions with owners:						
Purchase of treasury shares	(13,424)	-	-	(13,424)	-	(13,424)
Share based payment	7,680	-	-	7,680	-	7,680
Dividend relating to 2018	-	-	(106,599)	(106,599)	-	(106,599)
Transfer	-	2,861	(2,861)	-	-	-
At 31 December 2019	1,008,811	(83,052)	1,738,679	2,664,438	5,363	2,669,801

ATLANTIC GRUPA d.d.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of HRK, unaudited	January - December 2019	January - December 2018
Cash flows from operating activities		
Net profit for the year	**390,367**	**244,218**
Income tax	73,040	72,340
Depreciation, amortization and impairment	278,305	179,113
(Gain) / Loss from sale of subsidiaries	(56,946)	19,563
Gain on sale of property, plant and equipment	(612)	(291)
Provision for current assets	32,952	42,027
Foreign exchange differences, net	1,808	132
Increase in provisions for risks and charges	15,415	20,625
Fair value gains on financial assets	(5,703)	(13,233)
Share based payment	7,680	3,772
Interest income	(1,028)	(1,729)
Interest expense	35,217	57,160
Other non-cash items, net	(952)	(41)
Changes in working capital		
(Increase) / decrease in inventories	(59,329)	13,988
(Increase) / decrease in current receivables	(80,856)	125,400
Increase / (decrease) in current payables	68,173	(129,220)
Cash generated from operations	**697,531**	**633,824**
Interest paid	(33,445)	(61,860)
Income tax paid	(77,705)	(109,858)
	586,381	**462,106**
Cash flow used in investing activities		
Purchase of property, plant and equipment and intangible assets	(225,248)	(140,626)
Proceeds from sale of property, plant and equipment	3,518	1,512
Proceeds from sale and acquisition of subsidiaries, net	149,830	59,511
Loans granted and deposits placed	(2,790)	(43,154)
Repayments of loans granted and deposits placed	6,637	34,614
Interest received	1,028	1,604
	(67,025)	**(86,539)**
Cash flow used in financing activities		
Purchase of treasury shares	(13,424)	(2,164)
Proceeds from borrowings, net of fees paid	273,362	80,064
Repayment of borrowings	(623,251)	(466,298)
Dividend paid to shareholders	(106,599)	(66,674)
Principal elements of lease payments	(79,992)	-
	(549,904)	**(455,072)**
Net decrease in cash and cash equivalents	**(30,548)**	**(79,505)**
Exchange gains / (losses) on cash and cash equivalents	1,411	(3,911)
Cash and cash equivalents at beginning of period	413,663	497,079
Cash and cash equivalents at end of period	384,526	413,663

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 2019 were approved by the Management Board of the Company in Zagreb on 25 February 2020.

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 2019 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 2018.

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 2018, except for the adoption of new standard IFRS 16 – *Leases* effective as of 1 January 2019.

The Group applied the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases are measured on transition as if the new rules had always been applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Group uses the exemption proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., printing and photocopying machines) that are considered of low value.

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

2.2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Effects of adoption IFRS 16 on the balance sheet are as follows:

(in thousands of HRK)	**1 January 2019**
Right-of-use assets	401,257
Equity and reserves	9,988
Lease liabilities	(411,245)

Effects of adoption IFRS 16 on the income statement for the year ended 31 December 2019 are as follows:

(in thousands of HRK)	**Jan - Dec 2019**
Increase of depreciation	(83,812)
Decrease of rental costs	90,223
Operating profit	6,411
Increase in finance cost	(10,201)
Profit for the period	(3,790)

NOTE 3 – SEGMENT INFORMATION

The business model of the Group is organized through six strategic business units. Since 1st January 2019 business unit Gourmet is merged with strategic business unit Savoury spreads. 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
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)

Since DU Macedonia, DU Austria and SBU Sports and Functional Food do not meet quantitative thresholds, required by IFRS 8 for reportable segments, they are reported within "Other segments". SBU Sports and Functional Food was entirely divested in early April 2019. 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 2019**	**Jan - Dec 2018**
SBU Coffee	1,135,957	1,123,570
SBU Beverages	747,809	711,051
SBU Savoury Spreads	726,619	674,660
SBU Snacks	674,624	687,613
SBU Pharma and Personal Care	654,980	647,963
SDU Croatia	1,368,619	1,265,298
SDU Serbia	1,263,857	1,253,436
SDU Slovenia	941,613	907,930
Global Distribution Network Management	378,478	370,598
Other segments	401,699	413,557
Reconciliation	(2,862,523)	(2,800,170)
Total	**5,431,732**	**5,255,506**

* Comparative period has been adjusted to reflect current period reporting

Business results	EBITDA*	
(in thousands of HRK)	**Jan-Dec 2019**	**Jan-Dec 2018**
SBU Coffee	266,597	258,865
SBU Beverages	177,489	166,841
SBU Savoury Spreads	144,642	132,516
SBU Snacks	125,566	132,831
SBU Pharma and Personal Care	58,194	44,361
SDU Croatia	64,173	37,787
SDU Slovenia	60,931	52,122
SDU Serbia	40,193	32,387
Global Distribution Network Management	13,825	17,848
Other segments	(172,872)	(329,678)
Total	**778,738**	**545,880**

Business results without IFRS 16 impact	EBITDA	
(in thousands of HRK)	**Jan - Dec 2019**	**Jan - Dec 2018**
SBU Coffee	264,531	258,865
SBU Beverages	175,307	166,841
SBU Savoury Spreads	143,473	132,516
SBU Snacks	123,688	132,831
SBU Pharma and Personal Care	40,068	44,361
SDU Croatia	39,815	37,787
SDU Slovenia	53,606	52,122
SDU Serbia	23,245	32,387
Global Distribution Network Management	13,662	17,848
Other segments	(188,880)	(329,678)
Total	**688,515**	**545,880**

* Comparative period has been adjusted to reflect current period reporting

NOTE 4 – EARNINGS PER SHARE

Basic earnings per share

	2019	**2018**
Net profit attributable to equity holders *(in thousands of HRK)*	388,880	243,970
Weighted average number of shares	3,331,481	3,332,958
Basic earnings per share *(in HRK)*	116.73	73.19

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.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the year ended 31 December 2019, Group acquired property, plant and equipment and intangible assets in the amount of HRK 199,031 thousand (2018: HRK 150,711 thousand). During the same period, property, plant and equipment and intangible asset impairment amounted to HRK 43,196 thousand (2018: HRK 31,829 thousand).

NOTE 6 - INVENTORIES

During the year ended 31 December 2019, the Group wrote down inventories in the amount of HRK 25,095 thousand due to damage and short expiry dates (2018: HRK 21,736 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 27 June 2019, distribution of dividend in the amount of HRK 32.00 per share, or HRK 106,599 thousand in total was approved (2018: HRK 20.00 per share, or HRK 66,674 thousand in total). Dividend was paid out in July 2019.

NOTE 8 – FINANCE COSTS – NET

	2019	2018
Finance income		
Foreign exchange gains on borrowings	(5,930)	(12,028)
	(5,930)	(12,028)
Finance costs		
Foreign exchange loss on borrowings	7,738	5,077
Interest expense on bank borrowings	15,245	31,498
Interest expense on provisions for employee benefits	682	993
Interest expense on bonds	6,386	6,386
Interest expense on leasing contracts	10,201	-
Other interest expense	2,704	11,064
Interest expense on borrowings – related parties (Note 9)	-	7,219
Total interest expense	35,218	57,160
Finance costs	42,956	62,237
Finance costs - net	**37,026**	**50,209**

NOTE 9 – RELATED PARTY TRANSACTIONS

Related party transactions that relate to balance sheet as at 30 September 2019 and 31 December 2018 and transactions recognized in the Income statement for the nine-month period ended 30 September are as follows:

(all amounts expressed in thousands of HRK)	**31 December 2019**	**31 December 2018**
RECEIVABLES		
Current receivables		
Other entities	82,896	83,033
LIABILITIES		
Trade and other payables		
Other entities	2,054	1,833

	Jan – Dec 2019	**Jan – Dec 2018**
REVENUES		
Sales revenues		
Other entities	510,621	496,026
Other income		
Other entities	3,043	1,310
EXPENSES		
Marketing and promotion expenses		
Other entities	25,255	4,271
Other costs		
Other entities	2,225	2,157
Finance costs - net		
Shareholders	-	7,219

NOTE 10 – DIVESTMENT AND ACQUISTION OF SUBSIDIARIES

During 2019 Atlantic Grupa has continued its corporate strategy of divesting the non-core business operations. In the early April 2019, Atlantic Grupa and the German Genuport, a long-time partner in the distribution of sports and functional food, concluded an agreement on sales of the Sports and Functional Food Business Unit, which includes brands *Multipower*, *Champ* and *Multaben* within which the sports and functional food's production plants had already been previously divested to the Belgian Aminolabs.

Atlantic Group and PharmaS Group signed an agreement in early October 2019 to sell company Fidifarm d.o.o., owner of Croatia's leading food supplements brand – *Dietpharm*. PharmaS has also acquired *Multivita*, a regional food supplement brand, whose product *Multivita Vitamin C* is the leading effervescent vitamin C on the Russian market.

In December 2019, Atlantic Grupa has sold distribution of water bidons, which is the core activity of the company Bionatura Bidon Vode d.o.o., while maintaining the business connected with the brand *Kala*.

The Group realized a gain from the sale of subsidiaries in the amount of HRK 32,070 thousand.

Cash received and receivables from sale of subsidiaries	
Cash	103,031
Receivables	17,000
Total proceeds from sale	**120,031**
Net asset value of subsidiaries disposed	(83,757)
Transaction costs	(4,204)
Gain from sale of subsidiaries	**32,070**
Net asset value of subsidiaries disposed	
Property, plant and equipment	21,006
Right-of-use assets	3,319
Intangible assets	42,780
Deferred tax assets	444
Inventories	26,857
Trade and other receivables	30,864
Cash and cash equivalents	8,432
Provisions	(3,246)
Lease liabilities	(3,343)
Current income tax liabilities	(638)
Trade and other payables	(42,718)
	83,757
Cash flow from sale of subsidiaries	
Cash received	103,031
Cash in subsidiaries sold	(8,432)
Proceeds from sale of subsidiaries, net	**94,599**

NOTE 10 – DIVESTMENT AND ACQUISTION OF SUBSIDIARIES (continued)

During 2019, the Group also collected HRK 55,972 thousand of from the sale of the production plants in 2017., occurring gain in the amount of HRK 24,778 thousand.

Also, Group collected the amount of HRK 1,460 thousand from the sale of Neva in 2018, occurring gain in the amount of HRK 98 thousand.

Near 2019 year-end, Atlantic Grupa entered into a strategic partnership with the network of *Vivas* cafés, which counts almost 300 coffee shops and bars. In this way, Atlantic Grupa significantly strengthened the espresso coffee segment. The partnership with *Vivas* cafés is a part of a well-defined strategy aimed at developing coffee business in Atlantic Grupa, taking a leading position in the Croatian coffee market and realising expansion in the growing out of home segment. Atlantic Grupa acquired company Vivascaffe Professional d.o.o.

Cash paid and liability for acquisition of subsidiary	
Cash paid	2,206
Liability for acquisition of subsidiary	4,200
Total acquisition payments	**6,406**
Net asset value of subsidiary acquired	-
Goodwill	**6,406**

Net asset value of subsidiary acquired as at 31 December 2019	
Trade and other receivables	-
Cash and cash equivalents	5
Current income tax liabilities	(5)
Trade and other payables	-
	-

Cash flow from acquisition of subsidiary	
Cash paid	2,206
Cash in subsidiary acquired	(5)
Payments for acquisition of subsidiary, net	**2,201**

Atlantic Grupa d.d.
Miramarska 23
Zagreb

Register number: 1671910

Zagreb, February 25th 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 2019 to 31 December 2019 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 2019 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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tel: +385 (1) 24 13 900
fax: +385 (1) 24 13 901

The Company is registered with the Commercial Court of Zagreb
MBS: 080245039
MB: 1671910
PIN: 71149912416
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, Neven Vranković, Zoran Stanković, Lada Tedeschi Fiorio, Srećko Nakić, Enzo Smrekar
President of the Supervisory Board: Zdenko Adrović