ATLANTIC GRUPA d.d.

ANNUAL REPORT
31 DECEMBER 2019

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

The Company is domiciled in Zagreb, Miramarska 23, Croatia. The Company's shares are listed on the official market of the Zagreb Stock Exchange. The shareholder structure is disclosed in Note 18. Users of these financial statements should read them together with the Group's consolidated financial statements as at (and for the year ended) 31 December 2019 and together with the Group's Annual report for the year ended 31 December 2019 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole. These reports are published on the Company's website (www.atlanticgrupa.com).

Atlantic Grupa's Management strategic guidance for 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.

Research and development activities
Atlantic Grupa operates in the consumer goods industry segment that includes food products with added value and, accordingly, it uses activities like investing in research and development, investing in technology and closely monitoring market trends and consumer preferences to maintain high market shares in the listed segment. The portfolio of Atlantic Grupa includes a wide range of brands with leading market positions in the region in the segments of coffee, savoury spreads, snacks and beverages. Considering that some of the listed segments are exposed to strong competitive pressures by local and multinational companies, Atlantic Grupa in 2019 continued to actively manage its own brands.

Purchase of treasury shares
During 2019 the Company has purchased 11,441 treasury shares for the total value of HRK 13,424 thousand (Note 18 to the separate financial statements).

Subsidiaries
The Company owns shares in following companies:

- Atlantic Trade d.o.o. Zagreb, Croatia
- Atlantic Cedevita d.o.o., Zagreb, Croatia
- Hopen Investments B.V., Netherlands
- Montana Plus d.o.o., Zagreb, Croatia
- Atlantic Point d.o.o., Zagreb, Croatia
- Farmacia Holding d.o.o., Zagreb, Croatia
- Atlantic Brands GmbH, Austria
- Atlantic Multipower, Italy (under liquidation process)
- Atlantic Multipower, UK (under liquidation process)

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

Financial instruments

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

CORPORATE MANAGEMENT OF ATLANTIC GRUPA

Since its foundation, Atlantic Grupa has based its business activities on the Code of Corporate Governance with which, particularly after the listing on the Zagreb Stock Exchange in 2007, the standards of business transparency have been significantly improved, and we are also a signatory of the Code of Ethics in Business and in 2007 we joined the UN initiative Global Compact.

Considering that the shares of Atlantic Grupa d.d. are quoted on the Zagreb Stock Exchange, Atlantic Grupa applies the valid Code of Corporate Governance of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (Hanfa).

During 2019, Atlantic Grupa continued to comply with the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA, which was applied since 1 January 2011 and is available on the website of the Zagreb Stock Exchange (www.zse.hr), thus operating in accordance with good practice of corporate governance in all segments of our business operations.

Under the internal Rules for Remuneration of Supervisory Board Members, the issue of their remuneration is defined differently than in the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA, namely the remuneration for the Supervisory Board members is determined as a fixed amount, so they would be as independent as possible from the Company and those they are supervising.

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

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

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

CORPORATE MANAGEMENT OF ATLANTIC GRUPA

Organisation of corporate management

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

General assembly

The General Assembly is a body in which shareholders accomplish their rights in Company matters. The method of functioning of the General Assembly, its powers, the rights of shareholders and the method of their exercise are defined in the Company’s Articles of Association, which are publicly available on web pages of Atlantic Grupa (www.atlanticgrupa.com). In 2019, two sessions of the General Assembly were held. In order to decide on issues prescribed by law and the Company’s Articles of Association, the regular General Assembly of Atlantic Grupa d.d. was held on 27 June 2019. The following decisions were made at that Assembly: issuing the note of release to the members of the Management Board and the Supervisory Board, paying a dividend to the Company shareholders in the amount of HRK 32.00 per share, in proportion to the number of shares held by each shareholder, election of Anja Svetina Nabergoj as a member of the Supervisory Board, granting an authorisation to the Management Board to acquire treasury shares, exclusion of the existing shareholders' pre-emption rights upon disposal of treasury shares, and appointment of an independent Auditor of the Company for the year 2019. At the session of the General Assembly held on 17 October 2019, the decision on the election of Monika Elisabeth Schulze as a member of the Supervisory Board was adopted. All decisions from the meetings held by the General Assembly were made in line with legal regulations and are available on web pages of Atlantic Grupa (www.atlanticgrupa.com) and the Zagreb Stock Exchange (www.zse.hr).

Supervisory Board

The joint stock company Atlantic Grupa has a Supervisory Board consisting of seven members. In 2019, the Supervisory Board held four sessions in accordance with the previously announced Schedule posted on web pages of the Company (www.atlanticgrupa.com) and the Zagreb Stock Exchange (www.zse.hr). The attendance percentage of the Supervisory Board members at these Sessions was 96.15%.
In line with the OECD Principles of Corporative Governance and recommendations in the 2010 Code of Corporate Governance of the Zagreb Stock Exchange and HANFA, that was applied during the business year 2019, as well as the new the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA that is applied from 1 January 2020, the Supervisory Board of Atlantic Grupa is mostly composed of independent members who are not in business, family, or other connections with the company, the majority shareholder, or a group of majority shareholders, or management board members or supervisory board members of the company or the majority shareholder. Members of Supervisory Board are:

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

The members of the Supervisory Board have been remunerated for their work and have the right to remuneration appropriate to the period of their engagement and the tasks performed, as well as the Company’s situation and business performance. In line with the above, in 2019 members of the Supervisory Board received remuneration in the following gross amount: Mr. Zdenko Adrović, a total of HRK 364,932.12; Mr. Siniša Petrović, a total of HRK 175,667.36; Ms. Anja Svetina Nabergoj, a total of HRK 77,631.58; Ms. Monika Schulze, a total of HRK 30,000.00; Mr. Franz-Jozef Flosbach, a total of HRK 117,074.75; Mr. Aleksandar Pekeč, a total of HRK 148,008.47 and Mr. Lars Peter Håkansson, a total of HRK 221,881.05. Member Anja Svetina Nabergoj, on 19 July 2019, concluded the Agreement on the provision of educational services for the Company's employees. Pursuant to the Companies Act the Supervisory Board closely examined the stated engagement and after the careful review and satisfactory explanations, provided its unanimous authorization thereto.

Supervisory Board committees

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

- Audit Committee,
- Nomination and Remuneration Committee and
- Corporate Governance Committee.

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

THE CORPORATE GOVERNANCE COMMITTEE defines a system of mechanisms for ensuring a balance between the rights of shareholders and the needs of management to direct and manage the Company's operations. It provides a framework to establish the Company's objectives and define the funds required to achieve those objectives as well as to monitor their implementation and efficacy. The Committee is chaired by Siniša Petrović, while Nina Tepeš was appointed as a member from the ranks of external experts. The Committee held four sessions throughout 2019, whereby the attendance percentage of its members was 100%.

THE NOMINATION AND REMUNERATION COMMITTEE proposes candidates for the Management Board, Supervisory Board and senior management personnel as well as contents of contracts with the members of Management Board, structure of their compensation and compensation of the Supervisory Board's members. The Committee is chaired by Aleksandar Pekeč. Lars Peter Elam Håkansson was appointed as a member from the ranks of the Supervisory Board and Zoran Sušanj as a member from the ranks of external experts. The Committee held four sessions throughout 2019, whereby the attendance percentage of its members was 100%.

THE AUDIT COMMITTEE analyses in detail the financial statements, provides support to the Company's accounting and establishes good and quality internal control within the Company. It monitors the integrity of financial information of the Company, particularly the accuracy and consistency of accounting methods used by the Company and the Group to which it belongs, including the criteria for consolidation of financial statements of the companies that belong to the Group. Also, the Committee assess the quality of the internal control and risk management system, with the aim of properly identifying, publicizing and managing the major risks to which the Company is exposed to. The Committee is chaired by Franz-Josef Flosbach. Marko Lesić was appointed as a member from the ranks of external experts, while Zdenko Ardović was appointed as a member from the ranks of the Supervisory Board by becoming a member of the Committee on 1 November 2019. Ms. Lada Tedeschi Fiorio was a member of the Committee until the end of her term of office as a member of the Supervisory Board, i.e. until 30 September 2019. The Committee held two sessions throughout 2019, whereby the attendance percentage of its members was 83.33%.

The members of the said Committees who are not members of the Supervisory Board have received remuneration for their work and contribution to the functioning of the Supervisory Board of Atlantic Grupa. In 2019, Mr. Marko Lesić received remuneration in the total gross amount of HRK 13,330.86, Ms. Nina Tepeš in the total gross amount of HRK 26,478.24, and Mr. Zoran Sušanj in the total gross amount of HRK 25,146.24.

CORPORATE MANAGEMENT OF ATLANTIC GRUPA

Management Board

The Management Board of Atlantic Grupa is composed of six members. Until 30 September 2019 the Management Board consisted of the President of the Management Board, Group Vice President for Corporate Activities and Group Vice President for Finance, Procurement and Investment, when it was extended to six current members by including the Group Vice President for Corporate Strategy and Development, Group Vice President for Distribution and Group Vice President for Savoury Spreads, Donat Mg and International Expansion. Strengthening the Management Board is a logical continuation of the process of defining the corporate strategy and priorities for the Company’s further development, which was started in 2018. Through the revision of overall business practices and definition of the strategy and corporate priorities we have identified areas that represent the cornerstone for the Company’s future transformation, as well as its key growth drivers, to which the entire organisational structure and the organisation of the Management Board were adjusted accordingly.
The Management Board of Atlantic Grupa operates in the following composition:

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

Strategic Management Council

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

Social Responsibility Committee

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

Internal audit

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

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

In 2019, seventeen audits were performed in the following areas: GDPR compliance, planning process, credit control, R&D process, marketing ad hoc research costs. These audits resulted in a total of 108 specific action proposals to improve operation and reduce specific risks to an acceptable level.

The internal audit department at the end of the 2019 has implemented a digital tool to monitor the realization of recommendations that enables a faster communication and easier process management.

ATLANTIC GRUPA d.d.

RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS IN ACCORDANCE WITH PROVISIONS OF LAW ON CAPITAL MARKET

Responsibility for the annual financial statements

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

STATEMENT

According to our best knowledge the annual audited separate financial statements for 2019 are prepared in accordance with applicable standards of financial reporting and give true and fair view of the assets and liabilities, profit and loss, financial position and operations of the Company.

Report of the Company's Management board for the period from 1 January to 31 December 2019 contains the true presentation of development, results and position of the Company, with description of significant risks and uncertainties which the Company is exposed.

In Zagreb, 23 March 2020

Zoran Stanković
Group Vice President for Finance,
Procurement and Investment

Tatjana Ilinčić
Director of Corporate Reporting and Consolidation

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Responsibility for the financial statements

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

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

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

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The accompanying financial statements were approved for issuance by the Management Board on 23 March 2020.

Emil Tedeschi
President and Chief Executive Officer

Srećko Nakić
Group Vice President for Distribution

Zoran Stanković
Group Vice President for Finance, Procurement and Investment

Lada Tedeschi Fiorio
Group Vice President for Corporate Strategy and Growth

Neven Vranković
Group Vice President for Corporate Activities

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

Building a better working world

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Independent auditor's report

To the Shareholders of Atlantic Grupa d.d.

Report on the audit of the annual separate financial statements

Opinion

We have audited the annual separate financial statements (further: the financial statements) of Atlantic Grupa d.d. (the Company), which comprise the balance sheet as at 31 December 2019, income statement and the statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU (IFRS as adopted by EU).

Basis for opinion

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

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

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

Key audit matters

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

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

Assessment of impairment of investments in subsidiaries	
See Note 4 Critical accounting estimates and Note 14 Investments in subsidiaries of the financial statements. The Company has investments in subsidiaries with carrying amount totalling HRK 1,333,464 thousand as at 31 December 2019. The carrying amount of the investments in subsidiaries represents 84% of total assets and the assessment of the impairment indicators represents significant area of management's judgment, regarding but not limited to, market values, future plans, changes in the economic environment and interest rate changes. Due to the range of judgements and assumptions used in the models and impairment assessments, as well as the significant carrying amount of the investments in subsidiaries, this is an area considered to be a key audit matter.	Audit procedures included understanding of the investment impairment process and walk through of controls implemented within. We examined the methodology used by management to assess the carrying value of respective investment in subsidiaries to determine its compliance with IFRS as adopted by EU and consistency of application. We evaluated management assessment of indicators of potential impairments and where indicators exist, we performed the procedures listed below. We evaluated the subsidiaries' future cash flow forecasts and the process by which they were prepared. We also compared the budget inputs in the models to the approved budgets and forecast inputs in the models to management plans. We compared the current year (2019) actual results with the figures included in the prior year (2018) forecasts to evaluate assumptions used. We also compared management's key assumptions for long-term growth rate by comparing it to historical growth results and market data. We performed audit procedures on the mathematical integrity of the impairment models, sensitivity analysis and tested the appropriateness of discount rates used in the calculation with the assistance of the specialists. We also assessed the completeness of the impairment charges. We also assessed adequacy of the disclosures in the financial statements and if these are in line with the requirements of IFRS as adopted by EU.

Other information included in The Company's 2019 Annual Report

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

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

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

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

1. the information given in the enclosed Management report for the 2019 financial year are consistent, in all material respects, with the enclosed financial statements;

2.the enclosed Management report for 2019 financial year is prepared in accordance with requirements of Article 21 of the Accounting Act;

3. Corporate Governance Statement, included in the Company's 2019 annual report, includes the information referred to in Article 22., paragraph 1., items 2, 5, 6 and 7 of the Accounting Act; and

4. elements of Corporate Governance Statement containing the information referred to in Article 22, paragraph 1, items 3 and 4 of the Accounting Act, included in the Company's 2019 Annual Report are prepared in accordance with requirements of the Accounting Act and are consistent, in all material respects, with the enclosed financial statements;

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

Responsibilities of management and Audit Committee for the financial statements

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were initially appointed as auditors of the Company on 29 June 2017. Our appointment has been renewed annually by shareholder resolution, with the most recent reappointment on 27 June 2019, representing a total period of uninterrupted engagement appointment of 3 years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 18 March 2020, in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

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

The partner in charge of the audit resulting in this independent auditor's report is Berislav Horvat.

Berislav Horvat
President of the Board and certified auditor
Ernst & Young d.o.o.
Radnička cesta 50, Zagreb
23 March 2020

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts expressed in thousands of HRK)	**Note**	**2019**	**2018**
Revenues	25	165,861	176,426
Other income	5	251,783	194,667
Staff costs	6	(96,630)	(93,248)
Marketing and promotion costs	7	(5,303)	(7,155)
Depreciation and amortisation	12, 12a, 13	(25,505)	(13,032)
Other operating costs	8	(63,919)	(63,610)
Other losses – net	9	(29,079)	(105,886)
Operating profit		**197,208**	**88,162**
Finance income	10	423	2,031
Finance costs	10	(11,018)	(11,358)
Finance costs – net	10	(10,595)	(9,327)
Profit before tax		**186,613**	**78,835**
Income tax expense	11	981	(2,345)
Net profit for the year		**187,594**	**76,490**

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts expressed in thousands of HRK)	**2019**	**2018**
Net profit for the year	**187,594**	**76,490**
Other comprehensive (loss)/income:		
Items that will not be reclassified to profit or loss		
Actuarial (loss)/gain from defined benefit plans, net of tax	(38)	24
	(38)	24
Other comprehensive (loss)/income for the year, net of tax	**(38)**	**24**
Total comprehensive income for the year	**187,556**	**76,514**

ATLANTIC GRUPA d.d.

BALANCE SHEET

AT 31 DECEMBER 2019

(all amounts are expressed in thousands of HRK)	**Note**	**31 December 2019**	**31 December 2018**
ASSETS			
Non-current assets			
Property, plant and equipment	12	13,399	13,527
Right-of-use assets	12a	23,303	-
Intangible assets	13	46,943	37,253
Investments in subsidiaries	14	1,333,464	1,455,055
Deferred tax assets	21	4,709	3,690
Trade and other receivables	16	11,582	11,841
		1,433,400	1,521,366
Current assets			
Trade and other receivables	16	110,617	105,493
Income tax receivable		496	97
Cash and cash equivalents	17	52,035	7,354
		163,148	112,944
Total assets		**1,596,548**	**1,634,310**
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the Company			
Share capital	18	133,372	133,372
Share premium	18	881,323	881,275
Treasury shares	18	(5,884)	(92)
Retained earnings		193,138	112,978
Total equity		1,201,949	1,127,533
Non-current liabilities			
Borrowings	20	199,983	199,846
Lease liabilities	12a	14,511	-
Provisions	22	6,107	2,047
		220,601	201,893
Current liabilities			
Trade and other payables	19	54,708	44,850
Borrowings	20	51,417	204,006
Lease liabilities	12a	9,941	-
Provisions	22	57,932	56,028
		173,998	304,884
Total liabilities		**394,599**	**506,777**
Total equity and liabilities		**1,596,548**	**1,634,310**

ATLANTIC GRUPA d.d.

STATEMENT OF CHANGES IN EQUITY

AT 31 DECEMBER 2019

(in thousands of HRK)	**Share capital, Share premium and Treasury shares**	**Retained earnings**	**Total**
At 1 January 2018	1,012,947	103,138	1,116,085
Comprehensive income:			
Net profit for the year	-	76,490	76,490
Other comprehensive income	-	24	24
Total comprehensive income for the year	-	76,514	76,514
Transaction with owners			
Purchase of treasury shares	(2,164)	-	(2,164)
Share based payment (Note 18)	3,772	-	3,772
Dividends relating to 2017 (Note 18)	-	(66,674)	(66,674)
At 31 December 2018	**1,014,555**	**112,978**	**1,127,533**
Balance at 1 January 2019	1,014,555	112,978	1,127,533
Effect of adoption of IFRS 16	-	(797)	(797)
Adjusted balances at 1 January 2019	**1,014,555**	**112,181**	**1,126,736**
Comprehensive income:			
Net profit for the year	-	187,594	187,594
Other comprehensive loss	-	(38)	(38)
Total comprehensive income for the year	-	187,556	187,556
Transaction with owners			
Purchase of treasury shares	(13,424)	-	(13,424)
Share based payment (Note 18)	7,680	-	7,680
Dividends relating to 2018 (Note 18)	-	(106,599)	(106,599)
At 31 December 2019	**1,008,811**	**193,138**	**1,201,949**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts expressed in thousands of HRK)	**Note**	**2019**	**2018**
Cash flows from/(used in) operating activities			
Cash generated from operations	24	41,607	18,190
Income tax paid		(437)	-
Interest paid		(8,135)	(21,042)
		33,035	(2,852)
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	12, 12a, 13	(25,498)	(20,670)
Proceeds from sale of property, plant and equipment		170	195
Proceeds from sale of investment in subsidiary	14	81,467	33,710
Investments in subsidiaries	14	(259)	(66,814)
Repayments of loans receivable and deposits placed - net		887	(6,822)
Dividends received		129,000	180,587
Interest received		114	1,053
		185,881	121,239
Cash flows used in financing activities			
Purchase of treasury shares	18	(13,424)	(2,164)
Proceeds from borrowings	20	132,107	152,173
Repayment of borrowings	20	(176,938)	(201,654)
Principal elements of lease payments	12a	(9,381)	-
Dividends paid	18	(106,599)	(66,674)
		(174,235)	(118,319)
Net increase in cash and cash equivalents		**44,681**	**68**
Cash and cash equivalents at beginning of year		7,354	7,286
Cash and cash equivalents at end of year	17	**52,035**	**7,354**

NOTE 1 – GENERAL INFORMATION

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

The Company has issued these separate financial statements in accordance with Croatian regulations. The Company has also prepared consolidated financial statements as at 31 December 2019 and for the year then ended in accordance with IFRS which were endorsed by the EU for the Company and its subsidiaries (the Group), which were approved by the Management Board on 23 March 2020. In the consolidated financial statements, subsidiary undertakings (listed in Note 14) and those companies in which the Group indirectly has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations have been fully consolidated. Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2019 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole. Consolidated financial statements are published on the Company's website (www.atlanticgrupa.com).

Changes in accounting policies and disclosures

The Company applied IFRS 16 for the first time in 2019. The nature and effects of the changes as a result of adoption of new accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued by the International Financial Standards Board („Board") but are not yet effective.

(a) Standards and Interpretations effective in the current period

- ***IFRS 16, "Leases"*** *(issued in January 2016 and effective for annual periods beginning on or after 1 January 2019)* Replaced IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor').

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

The new standard requires lessees to recognize most leases on their financial statements. Lessees have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged from accounting under IAS 17. The standard includes two recognition exemptions for lessees - leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee recognised a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.
Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.
A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

The Company has adopted standard from 1 January 2019 by applying the simplified transition approach and has not restated comparative amounts for the 2018, as permitted under specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.8.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.0%.

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 applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- Applying single discount rate to a portfolio of leases with reasonably similar characteristics
- Accounting for operating leases with a remaining lease term of less than 12 months and lease contracts for which the underlying asset is of low value. The Company has leases of certain office equipment (i.e., printing and photocopying machines) that are considered of low value.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	(in thousands of HRK)
Right-of-use assets	28,448
Lease liabilities	(29,245)
Net impact on equity	797

The Company did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

Measurement of lease liabilities:

	(in thousands of HRK)
Operating lease commitments disclosed as at 31 December 2018	16,682
Discounted using the incremental borrowing rate at the date of initial application	16,068
(Less): short-term leases not recognized as a liability	(458)
Add: adjustment as a result of a different treatment of extension and termination options	13,635
Lease liability recognized as at 1 January 2019	**29,245**
Of which are:	
Current lease liabilities	8,939
Non-current lease liabilities	20,306

- ***Amendments to IFRS 9: Prepayment Features with Negative Compensation***

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments have no impact on the financial statements of the Company.

- ***Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures***

The Amendments relate to whether the measurement, in particular impairment requirements, of long-term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These amendments do not have any impact on the Company's financial statements.

- ***IFRIC 23 Uncertainty over Income Tax Treatments***

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examinations by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The adoption did not have material impact on the financial statements of the Company.

- ***IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)***

The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. The adoption did not have material impact on the financial statements of the Company.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

- ***Annual Improvements 2015-2017 Cycle (issued in December 2017)*** include:

  - *IFRS 3 Business Combinations* - clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. These amendments have no impact on the financial statements of the Company.
  - *IFRS 11 Joint Arrangements* – a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. These amendments have no impact on the financial statements of the Company.
  - *IAS 12 Income Taxes* - clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. These amendments have no impact on the financial statements of the Company.
  - *IAS 23 Borrowing Costs* - clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. These amendments have no impact on the financial statements of the Company.

(b) Standards, amendments and interpretations issued but not yet effective

At the date of authorization of these financial statements the following standards, amendments and interpretations were in issue but not yet effective:

- ***IFRS 17 Insurance Contracts*** effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU and is not applicable to the Company.

- ***Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** Address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The standard has not been yet endorsed by the EU and the Management anticipates that the adoption will have no material impact on the financial statements of the Company.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretations issued but not yet effective (continued)

- ***Conceptual Framework in IFRS standards – revised*** issued on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- ***IFRS 3: Business Combinations (Amendments) -*** amendments in Definition of a Business aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU and the Management anticipates that the adoption will have no material impact on the financial statements of the Company.

- ***IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)*** effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of 'material' and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of 'material' is consistent across all IFRS Standards. Management anticipates that the adoption will have no material impact on the financial statements of the Company.

- ***Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)*** effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Management anticipates that the adoption will have no material impact on the financial statements of the Company.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretations issued but not yet effective (continued)

- ***IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)*** effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the balance sheet and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management anticipates that the adoption will have no material impact on the financial statements of the Company.

2.2 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2.3 Investments in subsidiaries

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment

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

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

Depreciation of motor vehicles, equipment and investments in leasehold improvements is calculated using the straight-line method to allocate their cost to residual values over their estimated useful lives, as follows:

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

The residual value of an asset is an estimated amount that the Company would currently obtain from disposal of the asset less estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

2.5 Intangible assets

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

2.6 Impairment of non-financial assets

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets

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

(a) Financial assets at amortised costs

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

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

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

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

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

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

(c) Financial assets at fair value through OCI

The Company measures financial assets at fair value through OCI if both of the following conditions are met:

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for the financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. Financial assets at fair value through OCI are included in non-current assets unless management intends to dispose the investment within 12 months of the balance sheet date. Financial assets at fair value through OCI are carried at fair value, except investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, consequently, these are carried at cost.

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Changes in the fair value of monetary securities denominated in a foreign currency and classified as financial assets at fair value through OCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

Interest income and the translation differences are recognised in the income statement, whereas other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary securities classified as financial assets at fair value through OCI and non-monetary securities classified as financial assets at fair value through OCI are recognised in other comprehensive income. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions and references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

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

2.8 Leases

As explained in Note 2.1 above, the Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described below.

i) The Company's leasing activities and accounting policy

The Company leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 5 years, but may have extension options as described in (iii) below.
Contracts may contain both lease and non-lease components. The Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Leases (continued)

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. In that sense, incremental borrowing rate of 3%, representing unsecured risk of Company's bond was used for leases whose maturity is above 5 years, and incremental borrowing rate of 2%, representing the secured risk of Company's bank loans was used for leases with maturity of 5 years and less.

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

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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

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

ii) Variable lease payments

The Company may be exposed to variable payment terms linked to an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.
The Company's lease contracts capitalized in accordance with IFRS 16 as at 31 December 2019 do not contain variable payment terms.

iii) Extension and termination options

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

Until 31 December 2018. leases of property, plant and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases.
Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Trade and other receivables

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

2.10 Cash and cash equivalents

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

2.11 Share capital

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

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

2.12 Borrowings

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

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

2.13 Current and deferred tax

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Employee benefits

(a) Pension obligations and post-employment benefits

The Company makes payments to mandatory pension funds on behalf of its employees in the ordinary course of business through salary deductions, as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Company has no other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Company is not obliged to provide any other post-employment benefits except for the one-off retirement payment as prescribed by internal rulebook. The liability recognised in the balance sheet in respect of one-off retirement payment is the present value of the defined benefit obligation at the end of the reporting period. This obligation is calculated annually by independent actuaries. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Interest costs/income arising from actuarial calculation are charged/credited to income statement within ‘interest expenses’.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the ordinary retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy or early retirement. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(c) Long-term employee benefits

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

(d) Share-based compensations

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

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

(e) Short-term employee benefits

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Provisions

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

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

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

2.16 Revenue recognition

Under IFRS 15 the Company recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expect to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework.
The Company consider whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.
The Company does not have variable considerations, significant financing components, non-cash consideration nor consideration payable to customers.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is presented net of value-added tax.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

(a) Revenue from services

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

(b) Interest income

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

(c) Dividend income

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

(d) Rental income

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Dividend distribution

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

2.18 Value added tax

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

2.19 Trade payables

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

2.20 Operating segments reporting

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

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

	2019	2018
Trade and other receivables	32%	39%
Trade and other payables	23%	31%
Cash and cash equivalents	23%	93%
Borrowings	16%	10%
Lease liabilities	97%	-

As at 31 December 2019 if the EURO had weakened/strengthened by 0.5% against the HRK, with all other variables held constant, profit for the year would differ by +/- HRK 22 thousand.
As at 31 December 2018 the same change in EURO to HRK would not have effect on profit due to neutral net position of EURO denominated financial assets and liabilities.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

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

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

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

At 31 December 2019, if the effective interest rate on borrowings had been 100 basis points higher/lower on an annual level, profit for the year would have been HRK 682 thousand lower/higher (2018: HRK 1,172 thousand lower/higher).

(b) Credit risk

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

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

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

Surplus cash held over and above the balance required for working capital management is invested in interest bearing gyro accounts, time deposits and cash funds, i.e. instruments with appropriate maturities or sufficient liquidity. At the balance sheet date the Company held cash and cash equivalents in the amount of HRK 52,035 thousand (2018: 7,354 thousand) that are expected to readily generate cash inflows for managing liquidity risk.

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

(in thousands of HRK)	**Less than 1 year**	**Between 1-5 years**	**Total**
31 December 2019			
Trade and other payables	49,019	-	49,019
Borrowings	57,596	206,250	263,846
Lease liabilities	10,419	15,047	25,466

(in thousands of HRK)	**Less than 1 year**	**Between 1-5 years**	**Total**
31 December 2018			
Trade and other payables	39,456	-	39,456
Borrowings	215,499	212,500	427,999

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.2 Changes in liabilities arising from financial activities

(in thousands of HRK)	Bonds Non-current	Bonds Current	Bank borrowings	Related parties borrowings	Leases Non-Current	Leases Current	Total
31 December 2018	**199,846**	**124**	**119,682**	**84,200**	**-**	**-**	**403,852**
Initial adoption of IFRS 16	-	-	-	-	20,306	8,939	29,245
1 January 2019	**199,846**	**124**	**119,682**	**84,200**	**20,306**	**8,939**	**433,097**
Cash flow	-	-	(72,831)	28,000	-	(9,381)	(54,212)
Additions (leases)	-	-	-	-	4,512	-	4,512
Prepaid fee amortized	137	-	-	-	-	-	137
Current portion	-	-	-	-	(10,383)	10,383	-
Compensations	-	-	-	(110,000)	-	-	(110,000)
FX movement	-	-	188	-	76	-	264
Other	-	-	(289)	2,343	-	-	2,054
31 December 2019	**199,983**	**124**	**46,750**	**4,543**	**14,511**	**9,941**	**275,852**

The effect of net settlement of receivables from distribution of profit with borrowing liabilities are shown as “Compensations”. The line “Other” includes change in interest payable liability as the Company classifies interest paid as cash flows from operating activities.

3.3 Capital risk management

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The gearing ratios were as follows:

	31 December 2019	31 December 2018
	(in thousands of HRK)	
Total borrowings (Note 20)	251,400	403,852
Add: Lease liabilities (Note 12a)	24,452	-
Less: Cash and cash equivalents (Note 17)	(52,035)	(7,354)
Net debt	223,817	396,498
Total equity	1,201,949	1,127,533
Total capital and net debt	**1,425,766**	**1,524,031**
Gearing ratio	**16%**	**26%**

Comparing to the previous year, without IFRS 16, gearing ratio would amount to 14%.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation

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

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

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

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

Impairment of Investments in subsidiaries

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

NOTE 5 – OTHER INCOME

	2019	2018
	(in thousands of HRK)	
Dividend income – related parties (Note 25)	239,000	180,587
Rental income – third parties	1,927	1,897
Interest income – related parties (Note 25)	140	283
Interest income - third parties	113	3
Other income – related parties (Note 25)	197	-
Other	10,406	11,897
	251,783	**194,667**

NOTE 6 – STAFF COSTS

	2019	2018
	(in thousands of HRK)	
Gross salaries /i/	67,443	67,475
Public transport	604	553
Education	3,335	3,560
Other staff costs /ii/	25,248	21,660
	96,630	**93,248**

In 2019, the average employees number was 164 (2018: 148).

/i/ Pension contributions to mandatory pension funds for the year ended 31 December 2019 amounted to HRK 9,568 thousand (2018: 9,000 thousand).

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

NOTE 7 – MARKETING AND PROMOTION COSTS

	2019	2018
	(in thousands of HRK)	
Sponsorships and donations	2,867	6,689
Advertising and marketing expenses	1,249	290
Market research expenses	1,187	176
	5,303	**7,155**

NOTE 8 – OTHER OPERATING COSTS

	2019	2018
	(in thousands of HRK)	
Maintenance and security	10,631	9,400
Rentals	8,542	12,980
Intellectual services	8,264	7,174
Transportation services	6,839	5,987
Entertainment	6,453	6,768
Services from related parties (Note 25)	5,495	5,682
Telecommunication services	4,383	4,551
Travel expense and daily allowances	3,019	3,959
Supervisory Board compensation	1,174	1,222
Fuel	1,124	1,201
Subscriptions and membership fees	965	692
Office supplies	623	646
Insurance premiums	576	475
Impairment of receivables (Note 16)	365	-
Bank charges	301	162
Taxes and contributions irrespective of operating results	234	219
Other	4,931	2,492
	63,919	**63,610**

NOTE 9 – OTHER LOSSES – NET

	2019	2018
	(in thousands of HRK)	
Loss from sale of subsidiaries	(24,243)	(50,604)
Impairment of investment in subsidiaries	(5,000)	(54,515)
Gain on sale of property, plant and equipment	83	8
Foreign exchange gains/(losses) – net	81	(775)
	(29,079)	**(105,886)**

NOTE 10 – FINANCE COSTS – NET

	2019	2018
	(in thousands of HRK)	
Finance income:		
Foreign exchange gains from borrowings	423	2,031
	423	2,031
Finance costs:		
Interest expense - bonds	(6,386)	(6,386)
Interest expense - related parties (Note 25)	(2,343)	(1,557)
Interest expense - banks	(1,048)	(3,397)
Interest expense - leases	(539)	-
Interest expense - other	(13)	(18)
Total interest expense	(10,329)	(11,358)
Foreign exchange losses from borrowings	(689)	-
	(11,018)	(11,358)
	(10,595)	**(9,327)**

NOTE 11 – INCOME TAX EXPENSE

	2019	2018
	(in thousands of HRK)	
Current income tax	38	2,846
Deferred tax (Note 21)	(1,019)	(501)
	(981)	**2,345**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of 18% (2018: 18%) applicable to the Company's profit as follows:

	2019	2018
	(in thousands of HRK)	
Profit before tax	186,613	78,835
Tax at 18%	33,590	14,190
Effect of expenses not deductible for tax purposes	5,980	23,807
Effect of income not subject to tax	(46,373)	(35,652)
Unrecognized tax losses	5,822	-
Tax charge	**(981)**	**2,345**
Effective tax rate	-	2.97%

In accordance with positive legal regulations, the Tax Authority may carry out a tax audit within three years from the year in which the income tax liability for a certain financial period was established. The Company is currently subject to an audit by the Tax Authority relating to corporate income tax compliance for the year 2018. The said tax audit is in progress and Company's management believes that the possibility of any outflow is remote.

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

(in thousands of HRK)	**Leasehold Improvements**	**Motor Vehicles**	**Equipment**	**Assets not yet in use**	**Total**
At 31 December 2017					
Cost	17,174	507	13,432	1,618	32,731
Accumulated depreciation	(8,678)	(226)	(6,692)	-	(15,596)
Net book amount	**8,496**	**281**	**6,740**	**1,618**	**17,135**
At 1 January 2018					
Opening net book amount	8,496	281	6,740	1,618	17,135
Additions				342	342
Transfer	71	-	499	(570)	-
Disposals	-	-	(128)	-	(128)
Depreciation	(1,813)	(108)	(1,901)	-	(3,822)
Closing net book amount	**6,754**	**173**	**5,210**	**1,390**	**13,527**
At 31 December 2018					
Cost	17,245	507	13,732	1,390	32,874
Accumulated depreciation	(10,491)	(334)	(8,522)	-	(19,347)
Net book amount	**6,754**	**173**	**5,210**	**1,390**	**13,527**
At 1 January 2019					
Opening net book amount	6,754	173	5,210	1,390	13,527
Additions	-	-	-	3,676	3,676
Transfer	533	-	1,678	(2,211)	-
Disposals	(7)	-	(81)	-	(88)
Depreciation	(1,843)	(90)	(1,783)	-	(3,716)
Closing net book amount	**5,437**	**83**	**5,024**	**2,855**	**13,399**
At 31 December 2019					
Cost	17,759	507	15,059	2,855	36,180
Accumulated depreciation	(12,322)	(424)	(10,035)	-	(22,781)
Net book amount	**5,437**	**83**	**5,024**	**2,855**	**13,399**

NOTE 12a – LEASES

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

(i) *Amounts recognized in the balance sheet*

(in thousands of HRK)	31 December 2019	1 January 2019
Right-of-use assets		
Buildings	14,026	16,444
Vehicles	9,277	12,004
	23,303	28,448
Lease liabilities		
Current	9,941	8,939
Non-current	14,511	20,306
	24,452	29,245

Additions to the right-of-use assets during the 2019 financial year were HRK 4,512 thousands.

(ii) *Amounts recognized in the income statement*

(in thousands of HRK)	2019	2018
Depreciation charge of right-of-use assets		
Buildings	5,945	-
Vehicles	3,712	-
	9,657	-
Interest expense (included in “Finance costs”)	539	-
Expense related to short-term leases, leases of software licences and low value assets (included in “Other operating costs”)	8,542	-

The total cash outflow for leases in 2019 was HRK 9,381 thousands.

NOTE 13 – INTANGIBLE ASSETS

	31 December 2019	31 December 2018
	(in thousands of HRK)	
Opening net carrying amount	37,253	26,194
Additions	21,822	20,328
Disposals	-	(59)
Amortisation	(12,132)	(9,210)
Closing net carrying amount	46,943	37,253
Cost	81,223	59,401
Accumulated amortisation	(34,280)	(22,148)
Closing net carrying amount	**46,943**	**37,253**

The entire amount of intangible assets relates to software.

NOTE 14 – INVESTMENTS IN SUBSIDIARIES

	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Holding in %	**Holding in %**	*(in thousands of HRK)*	
Atlantic Trade d.o.o., Zagreb, Croatia	100%	100%	738,544	738,544
Atlantic Cedevita d.o.o., Zagreb, Croatia	100%	100%	132,736	132,736
Hopen Investments B.V., Netherlands /i/	100%	100%	29,884	34,884
Montana Plus d.o.o., Zagreb, Croatia	100%	100%	12,000	12,000
Fidifarm d.o.o., Zagreb, Croatia /ii/	-	100%	-	525,898
Atlantic Brands GmbH, Austria	100%	100%	10,973	10,973
Atlantic Point d.o.o., Zagreb, Croatia	100%	100%	20	20
Farmacia Holding d.o.o., Zagreb, Croatia /ii/	100%	-	409,048	-
Atlantic Multipower UK /iii/	100%	100%	-	-
Atlantic Multipower Italy /iii/	100%	100%	259	-
			1,333,464	**1,455,055**

/i/ Impairment of HRK 5,000 thousand was made in 2019 (2018: HRK 54,515 thousand, Note 9) to reduce the carrying value of investment to the carrying value of net assets of the subsidiary.

/ii/ Investment disposed in 2019. Prior to the divestment, new company Farmacia Holding was founded and investment in subsidiaries ZU Ljekarne Farmacia and Farmacia - specijalizirana prodavaonica d.o.o. were transferred from Fidifarm d.o.o. to new company at carrying value.

/iii/ Companies are in liquidation proceedings. In order to support the working capital needs of its subsidiary, the Company has paid additional HRK 259 thousand in 2019.

Investment in subsidiary Atlantic Trade d.o.o. Zagreb and its subsidiaries Atlantic Droga Kolinska d.o.o., Atlantic Grand d.o.o, Beograd and Atlantic Štark d.o.o. Beograd have been pledged as collateral for Group borrowings.

NOTE 15 – FINANCIAL INSTRUMENTS BY CATEGORY

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

	31 December 2019	31 December 2018
	(in thousands of HRK)	
Financial assets at amortised cost		
Trade receivables	51,706	60,921
Loans and deposits given	18,688	19,675
Other financial assets at amortized cost	44,126	34,510
Cash and cash equivalents	52,035	7,354
	166,555	**122,460**
Total current	154,973	110,619
Total non-current	11,582	11,841
Financial liabilities at amortised cost		
Borrowings	251,400	403,852
Trade and other payables	49,019	39,456
	300,419	**443,308**
Total current	100,436	243,462
Total non-current	199,983	199,846
Lease liabilities	**24,452**	**-**
Current	9,941	-
Non-current	14,511	-

NOTE 16 – TRADE AND OTHER RECEIVABLES

	31 December 2019	31 December 2018
	(in thousands of HRK)	
Non-current receivables		
Deposits	1,107	1,103
Loans given	10,475	10,738
	11,582	**11,841**
Current receivables		
Trade receivables – related parties (Note 25)	47,783	58,578
Trade receivables	3,923	2,343
Short-term loans given	6,801	7,668
Accrued interest receivable – related parties (Note 25)	305	166
Other receivables /i/	51,805	36,738
	110,617	**105,493**
Total trade and other receivables	**122,199**	**117,334**

/i/ Other receivables in the amount of HRK 39,239 (2018: HRK 27,411 thousand) relate to receivable from disposal of subsidiaries. The remaining amount mostly relate to receivables from Government institutions and employees and to prepaid expenses. Due to uncertainty in collection, other receivables were impaired in 2019 in amount of HRK 365 thousand (Note 8).

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

	31 December 2019	31 December 2018
	(in thousands of HRK)	
Category: Trade and other receivables		
Deposits	1,107	1,103
Long-term loans given	10,475	10,738
Trade receivables – related parties (Note 25)	50,190	58,578
Trade receivables	1,516	2,343
Short-term loan receivables	6,801	7,668
Accrued interest receivable – related parties (Note 25)	305	166
Other receivables	44,126	34,510
	114,520	**115,106**

All non-current receivables fall due within 3 years after the balance sheet date.

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

NOTE 16 – TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2019, trade and other receivables past due amounted to HRK 13,759 thousand (2018: HRK 8,518 thousand). Almost all receivables past due relate to receivables from related parties and they were not provided for as collection is not questionable. The ageing analysis of past due but not provided for trade and other receivables by maturity periods is as follows:

	31 December 2019	**31 December 2018**
	(in thousands of HRK)	
Less than 3 months	6,204	6,792
3 to 6 months	1,664	767
Over 6 months	5,891	959
	13,759	**8,518**

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

	31 December 2019	**31 December 2018**
	(in thousands of HRK)	
HRK	78,163	70,526
EUR	36,357	44,580
	114,520	**115,106**

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

NOTE 17 – CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
	(in thousands of HRK)	
Gyro account and cash on hand	40,169	215
Foreign currency account	11,866	7,139
	52,035	**7,354**

Cash and cash equivalents are denominated in the following currencies:

	31 December 2019	31 December 2018
	(in thousands of HRK)	
EUR	11,821	6,863
HRK	40,156	201
Other currencies	58	290
	52,035	**7,354**

NOTE 18 – SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of shares	Share capital	Share premium	Treasury shares	Total
			(in thousands of HRK)		
1 January 2018	**3,332,551**	**133,372**	**881,089**	**(1,514)**	**1,012,947**
Purchase of treasury shares	(2,200)	-	-	(2,164)	(2,164)
Share based payments	3,855	-	186	3,586	3,772
31 December 2018	**3,334,206**	**133,372**	**881,275**	**(92)**	**1,014,555**
Purchase of treasury shares	(11,441)	-	-	(13,424)	(13,424)
Share based payments	6,525	-	48	7,632	7,680
31 December 2019	**3,329,290**	**133,372**	**881,323**	**(5,884)**	**1,008,811**

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

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

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

The ownership structure of the Company is as follows:

	31 December 2019		31 December 2018	
	Number of shares	%	Number of shares	%
Emil Tedeschi	1,673,819	50.20	1,673,819	50.20
Raiffeisen Obligatory pension fund	322,729	9.68	322,729	9.68
AZ Obligatory pension fund	286,946	8.61	286,946	8.61
Erste Plavi Obligatory pension fund	246,926	7.41	231,178	6.93
Lada Tedeschi Fiorio	193,156	5.79	193,156	5.79
Management of the Company	30,211	0.90	22,656	0.68
Other shareholders	575,503	17.26	603,722	18.11
Treasury shares	5,010	0.15	94	0.00
Total	**3,334,300**	**100.00**	**3,334,300**	**100.00**

Share based payments

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

One part of share options is conditional on the relevant employee's completing two or three years of service (vesting period) and the other part is available without restrictions.

The fair value of the shares granted in 2019 is determined as of the grant date, at the estimated market price of share of HRK 1,170.67 (2018: HRK 1,130.00).

In 2019, Management and employees have received 6,199 shares related to non-conditional shares granted in 2019 and 326 shares related to shares granted in 2017.
In 2018, Management and employees have received 3,855 shares, out of which 3,130 shares was related to shares granted in 2017 and 725 shares related to shares granted in 2016.

Dividend distribution

According to the decision of the Company's General Assembly from 27 June 2019, the distribution of dividend in the amount of HRK 32.00 per share, or HRK 106,599 thousand in total was approved. Dividend was paid in July 2019.

In 2018 the distribution of dividend in the amount of HRK 20.00 per share, or HRK 66,674 thousand in total was approved. Dividend was paid in July 2018.

NOTE 19 – TRADE AND OTHER PAYABLES

	31 December 2019	31 December 2018
	(in thousands of HRK)	
Trade payables	35,749	24,566
Trade payables – related parties (Note 25)	8,330	10,220
Other payables /i/	10,629	10,064
	54,708	**44,850**

/i/ Other payables are as follows:

	31 December 2019	31 December 2018
	(in thousands of HRK)	
Gross salaries payable	5,689	5,394
Accrued expenses	4,045	3,267
Other	895	1,403
	10,629	**10,064**

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

	31 December 2019	31 December 2018
	(in thousands of HRK)	
HRK	37,549	25,970
EUR	11,470	12,277
Other currencies	-	1,209
	49,019	**39,456**

NOTE 20 – BORROWINGS

	31 December 2019	31 December 2018
	(in thousands of HRK)	
Long-term borrowings:		
Bonds /i/	199,983	199,846
	199,983	**199,846**
Short-term borrowings:		
Related parties /ii/ (Note 25)	4,543	84,200
Banks /iii/	46,750	119,682
Bonds /i/	124	124
	51,417	**204,006**
Total borrowings	**251,400**	**403,852**

/i/ In June 2016 the Company issued corporate Bonds in amount of HRK 200 million at the price of 99.954% with a coupon of 3.125% per annum with semi-annual payment of interest and final redemption on 17 June 2021. The purpose of these Bonds is financing working capital and refinance of bonds which matured on 20 September 2016.

/ii/ Short-term borrowings from related parties as at 31 December 2018 included one non secured short-term borrowing facility. Remaining liability as at 31 December 2019 comprise of interest payable.

/iii/ Short-term bank borrowings include two tranches (2018: three) which are secured with co-guarantees from the Company's subsidiaries.

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

	31 December 2019	31 December 2018
	(in thousands of HRK)	
3 to 6 months	46,751	119,682
Fixed interest rate	204,649	284,170
	251,400	**403,852**

The average effective annual interest rate relating to borrowings from banks and from related parties at the balance sheet date was 0.63% (2018: 2.67%). The effective annual interest rate relating to bonds at the balance sheet date was 3.19% (2018: 3.19%).

NOTE 20 – BORROWINGS (continued)

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

	Carrying amounts		Fair value	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
	(in thousands of HRK)		*(in thousands of HRK)*	
Long-term borrowings				
Bonds	199,983	199,846	201,160	200,120
	199,983	**199,846**	**201,160**	**200,120**

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

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

	31 December 2019	31 December 2018
	(in thousands of HRK)	
HRK	212,114	364,539
EUR	39,286	39,313
	251,400	**403,852**

NOTE 21 – DEFERRED TAX ASSETS

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

The Company did not recognise deferred income tax assets of HRK 6,722 thousand (2018: -) in respect of tax losses that can be carried forward against future taxable income. Deferred tax assets have not been recognised in respect of these losses as it is not certain that future taxable profit will be available for utilisation of temporary differences. Tax losses amounting to HRK 37,342 thousand (2018: -) expire over the next five years.

NOTE 21 – DEFERRED TAX ASSETS (continued)

Deferred tax assets

(in thousands of HRK)	**Bonuses**	**Other**	**Total**
At 1 January 2018	3,146	43	3,189
Tax credited to the income statement (Note 11)	3,142	505	3,647
Tax charged to the income statement (Note 11)	(3,146)	-	(3,146)
At 31 December 2018	**3,142**	**548**	**3,690**
Tax credited to the income statement (Note 11)	4,070	91	4,161
Tax charged to the income statement (Note 11)	(2,848)	(294)	(3,142)
At 31 December 2019	**4,364**	**345**	**4,709**

NOTE 22 – PROVISIONS

(in thousands of HRK)	**Jubilee awards and termination benefits**	**Legal proceedings**	**Bonuses**	**Total**
At 31 December 2018	454	38,529	19,092	58,075
Analysis of total provisions:				
Non-current	413	-	1,634	2,047
Current	41	38,529	17,458	56,028
At 1 January 2019	**454**	**38,529**	**19,092**	**58,075**
Additions	143	689	22,612	23,444
Used during the year	(22)	-	(17,458)	(17,480)
	575	**39,218**	**24,246**	**64,039**
Non-current	523	-	5,584	6,107
Current	52	39,218	18,662	57,932
At 31 December 2019	**575**	**39,218**	**24,246**	**64,039**

The Company has recognized a provision in an amount of HRK 38,529 thousand arising from the agreement for the sale and purchase of shares in company Neva d.o.o. which was concluded in 2018. Namely, based on the above agreement for the sale and purchase of shares, the Company is liable to the Buyer for any additional tax liabilities arising from a pending court case with the Croatian Tax Authorities. Since the Administrative Court in first instance has issued a negative decision in this case during 2018, the Company has recognized the above amount. In 2019 the Company provided additional amount of HRK 689 thousand related to default interests. The same will not become due until the appeal to the High Administrative Court which has been filed by Neva d.o.o. is decided upon.

NOTE 23 – COMMITMENTS

The Company leases various offices and vehicles under non-cancellable operating leases expiring within 12 months to 5 years years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.
From 1 January 2019, the Company has recognized right-of-use assets for these leases, except for short-term and low-value leases - see Note 12a) and Note 2.1 for further information.

As at 31 December 2018 commitments for minimum lease payments in relation to non-cancellable operating leases are as follows:

	31 December 2018
	(in thousands of HRK)
Not later than 1 year	7,725
Later than 1 year and not later than 5 years	8,957
	16,682

Capital expenditures contracted at 31 December 2019 but not yet incurred amounted to HRK 850 thousand (2018: -).

The Company is co-debtor and guarantor to its subsidiaries and other members of the Group in their long-term and short-term borrowings. Furthermore, these borrowings are secured by pledges over shares in subsidiary Atlantic Trade d.o.o., Zagreb and its subsidiaries Atlantic Droga Kolinska d.o.o., Ljubljana, Atlantic Grand d.o.o., Beograd and Atlantic Štark d.o.o. Beograd. Total net assets value of Atlantic Trade d.o.o. sub-consolidation (direct owner of other two) as at 31 December 2019 was HRK 2,881,102 thousand (2018: HRK 2,747,366 thousand). Provision has not been recognized as Management believes that the possibility of any outflow is remote.

NOTE 24 – CASH GENERATED FROM OPERATIONS

	Note	2019	2018
Net profit for the year		**187,594**	**76,490**
Income tax expense	11	(981)	2,345
Depreciation and amortisation	12, 12a, 13	25,505	13,032
Impairment of receivables	8, 16	365	-
Impairment of investment in subsidiaries	9,14	5,000	54,515
Loss from sale of subsidiaries	9	24,243	50,604
Gain on sale of property, plant and equipment	9	(83)	(8)
Unrealised foreign exchange differences – net		260	1,038
Increase in provisions	22	5,275	1,883
Share based payment	18	7,680	3,772
Interest income	5	(253)	(286)
Interest expense	10	10,329	11,358
Dividend income	5	(239,000)	(180,587)
Other non-cash items		(41)	15
Changes in working capital:			
Decrease/(increase) in trade and other receivables		5,854	(19,906)
Increase in trade and other payables		9,860	3,925
Cash generated from operations		**41,607**	**18,190**

NOTE 25 – RELATED PARTY TRANSACTIONS

The Company enters into transactions with the related parties as presented in Note 14 and other entities owned or controlled by the Company and ultimate controlling party.
Related party transactions that relate to balances as at 31 December 2019 and as at 31 December 2018 and transactions recognized for years then ended are as follows:

(all amounts expressed in thousands of HRK)	Note	2019	2018
RECEIVABLES			
Current receivables			
Interest receivable			
Subsidiaries	16	305	166
Trade receivables			
Subsidiaries	16	47,753	58,568
Other entities		30	10
LIABILITIES			
Trade and other payables			
Subsidiaries	19	8,330	10,220
Borrowings			
Subsidiaries	20	4,543	84,200
REVENUES			
Revenues			
Subsidiaries		165,861	176,426
Dividend income			
Subsidiaries	5	239,000	180,587
Interest income			
Subsidiaries	5	140	283
Other income			
Subsidiaries	5	197	-
EXPENSES			
Other operating costs			
Subsidiaries	8	5,495	5,682
Net finance costs			
Subsidiaries	10	2,343	1,557

Management board compensation

In 2019 members of the Management Board received a total gross amount of HRK 11,841 thousand relating to salaries, bonuses and Supervisory board compensation in respect of operating companies (2018: HRK 11,943 thousand).