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Zagreb, 28 April 2020

Quarterly growth in sales and profit despite restrictions

The declaration of a global pandemic and introduction of restrictive measures in all key markets have started to affect business primarily as a result of the suspension of sales in the HoReCa channel, although negative impact has been offset by an increase in household consumption, which especially concerns Argeta, Barcaffè and Grand kafa, Donat Mg and the pharmacy chain Farmacia.

In the first quarter of 2020 Atlantic Grupa recorded sales in the amount of EUR 170.8 million, representing an increase of 12.2 percent compared to the same period in the previous year, not taking into account the impact of divesting*. In this period, earnings before interest and taxes (EBIT) amount to EUR 16.2million, which signifies an increase by 15.4 percent, whereas net profit increased by 10.6 percent to an amount of EUR 11.9 million in relation to the first quarter of last year.

"This quarter has been broadly influenced by the still ongoing COVID-19 pandemic in the first place, and we are all still learning to live with and do business amid the new crisis caused by the coronavirus and its effects. There is no question that the present situation has affected Atlantic Grupa as well; however, apart from the suspension of sales in the HoReCa channel and the decline in sales in on-the-go and impulse segments, we have not experienced other major negative impact on our business operations. Moreover, the Company has recorded substantial organic growth during the first quarter, mostly due to excellent results of the strategic business unit (SBU) Savoury Spreads, pharmacy chain Farmacia, business unit (BU) Donat Mg and SBU Coffee. We are confident that our stable financial position, record-breaking results achieved in 2019, unquestionable commitment demonstrated by our employees, which has been particularly evident amid the present circumstances, as well as the strength of our brands, will help us see this crisis through with minimum negative impact", commented Emil Tedeschi, President of the Management Board.

**As a continuation of its corporate strategy of divesting non-core business operations, in 2019 Atlantic Grupa completely divested the Sports and Functional Food segment (Multipower), Food Supplements segment (Dietpharm and Multivita) and water bidon-related operations. The Company has shifted its focus on the main FMCG categories that include coffee, beverages, savoury spreads and sweet and salted snacks, as well as on the further growth and development of distribution and of the pharmacy chain Farmacia. That also includes the targeted internationalization with the brands that have proven international potential.*

Biggest growth seen by Argeta, Farmacia and Donat Mg

The biggest contributors to the overall revenue growth have been Savoury Spreads with an increase of 38.9 percent and Donat Mg with an increase of 12.5 percent. Coffee stands out as the largest individual category with EUR 33.6 million of sales revenues amounting to 19.7 percent of share in total revenues. It has recorded an increase of 5.4 percent in the first quarter, mostly with regards to roasted and ground coffee and instant coffee. As regards individual markets, Slovenia has seen the most substantial growth of 13.2 percent, followed by B&H with 12.7 percent and Croatia with 6.9 percent. Own brands accounted for 62.8 percent of total sales, whereas principals' brands in distribution accounted for 27.3 percent. Pharmacy chain Farmacia has recorded a growth of 18.9 percent in the first quarter, amounting to 9.9 percent of total revenues.

Given its specific functionality and international perspective, at the start of the year Donat Mg was designated a separate business unit and is no longer part of SBU Beverages.

Protection of health of our employees, partners and fellow citizens

Although normal business operations of Atlantic Grupa continued during most of the first quarter, the declaration of the global pandemic COVID-19 and introduction of restrictive measures in all key markets aimed at containing the spread of the disease started to have an impact on the operations of the Company during the second half of March. This negative impact is primarily evident in the suspension of sales in the HoReCa channel caused by the closure of hotels, restaurants and cafés and to a certain degree in the sales of on-the-go and so-called impulse products. The negative impacts have at the same time been offset by an increase in household consumption and stocking, namely concerning Argeta, Bakina tajna as well as Barcaffé and Grand kafa, Donat Mg, a part of salt and sweet products, Cedevita regarding products for home consumption, products for maintaining personal hygiene and cleanliness and products sold through Farmacia.

Atlantic Grupa is one of the first companies to implement safety measures for its employees and partners aimed at containing the spread of the disease by introducing the preventive measure of working from home, where possible, putting in place stricter production and distribution procedures and ensuring protective equipment, and this not only in its own system. As a socially responsible company, Atlantic has joined the common fight against this new virus in all regional markets in which it operates and has donated EUR 3.7 million to general relief funds supporting healthcare institutions and local crisis headquarters and institutions dealing with the coordination of the measures for containing the spread of the virus and protecting the population.

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