ATLANTIC GRUPA

FINANCIAL RESULTS IN 2020

(UNAUDITED)

Zagreb, 25 February 2021

Commenting on the financial results in 2020, **Emil Tedeschi**, CEO of Atlantic Grupa, pointed out:

"During 2020, the Atlantic Grupa's operations showed a high level of stability, despite the economic disruptions caused by the COVID-19 pandemic. Stable financial position, strength of our brands, optimisation of business processes and quality strategic management have enabled us to maintain job security, actively participate in helping the community in the fight against coronavirus, increase employee satisfaction and engagement in new working conditions and to improve profitability with minimum negative consequences on consolidated revenues, record low indebtedness and numerous professional awards.

Despite the crisis, we continue with the planned investments in business development, and due to, among other things, divesting and focusing on the most important brands and segments, we increase profitability and maintain full employment and a culture of openness and support. Our priorities in the uncertainty of the development of the epidemiological situation remain the same – maintaining a positive health status of our employees, ensuring the smooth continuation of production and continuous supply of our customers and consumers, and social responsibility in the broadest sense. As an employee and CEO of Atlantic Grupa, I am proud of the care we have shown towards each other and the way we deal with challenges, aware of the privilege of working in an industry that is not so much affected by the pandemic. I am pleased to say that today we are a better company in every way than we were a year ago.The world we live and work in is changing and our efforts are focused on being and staying relevant – through our brands, through working with partners, developing our competencies and through caring for employees."

NORMALISED EBITDA* INCREASE DESPITE THE PANDEMIC

- **SALES** AT HRK 5,252.0 MILLION
  -3.3% compared to 2019
  -0.4%* normalised for impacts of divested business

- EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (**EBITDA***) AT HRK 716.5 MILLION
  -8.0% compared to 2019 (+4.6% if one-off items excluded*)

- EARNINGS BEFORE INTEREST AND TAXES (**EBIT***) AT HRK 442.2 MILLION
  -11.6% compared to 2019 (+8.4% if one-off items excluded*)

- **NET PROFIT*** AT HRK 342.3 MILLION
  -12.3% compared to 2019 (+13.3% if one-off items excluded*)

FINANCIAL SUMMARY OF 2020

Key figures	2020	2019	2020/2019
Sales (in HRK million)	**5,252.0**	5,431.7	(3.3%)
Turnover (in HRK million)	**5,328.7**	5,506.4	(3.2%)
Normalized EBITDA margin*	**14.4%**	13.3%	+109bp
Normalised net income* (in HRK million)	**377.7**	333.4	13.3%
Gearing ratio*	**20.1%**	**25.7%**	-562bp

The comparative period has been adjusted to the reporting for 2020.

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

1. COVID-19: IMPACT ON RESULTS AND ENGAGEMENT OF ATLANTIC GRUPA IN THE FIGHT AGAINST THE PANDEMIC

Since the beginning of the pandemic, our main priority has been the safety of our employees, customers, partners and the community, as well as ensuring the uninterrupted continuation of production and continuous supply of our customers and consumers.
Atlantic Grupa has always taken care of the community we live in so we actively joined the fight against the pandemic in all the regional markets in which we operate, and we have decided to allocate HRK 28 million to help local civil protection headquarters and institutions that coordinate infection control and population protection activities. The largest part of this amount relates to financial donations to hospitals, infectious diseases institutions and state institutions, and donations intended for the purchase of medical equipment, especially ventilators, and materials necessary for the efficient operation of health institutions in Slovenia, Croatia, Bosnia and Herzegovina, Serbia, North Macedonia and Montenegro.

Our financial results in 2020 were affected by measures by local authorities to prevent the spread of the pandemic. After the initial positive impact from stockpiling in households, in the second quarter, negative consequences of pandemic prevention measures came to the fore. They were primarily reflected in a significant decline in sales in the HoReCa channel that until pandemic made approximately 7% of our total annual sales (primarily Beverages and Coffee), but also a decline in sales of Out of Home (OOH) products (primarily Beverages), and impulse goods (primarily Snacks and external principals). Also, one of the consequences of the pandemic was a weak tourist season in Croatia, our individually largest market, which had negative consequences on our sales. At the same time, the fact that citizens of Serbia and Bosnia and Herzegovina had very limited possibilities to travel abroad had a certain positive impact on our results in these markets during the third quarter. Taking into account the worsening of the epidemiological situation in almost all our markets during the fourth quarter, there was a tightening of measures to combat the pandemic, and in some markets also the re-introduction of the so-called. lockdown. Such a situation primarily had a negative impact on our sales in the HoReCa channel as the measures included strict restrictions on the operation of the HoReCa channel. Overall, our brands that are primarily consumed at home have managed to almost completely annul the aforementioned negative consequences of the pandemic.

2. NEW BUSINESS UNIT DONAT MG AND REORGANISATION OF GDAM

Among Atlantic Grupa's strategic priorities for the forthcoming period, and certainly after the normalisation of the current situation, is the focused internationalisation of Argeta and Donat Mg brands, which is also reflected in the internal organisation of business. The new organisation is defined in accordance with the desire to give these brands an additional push in international markets, with a focused approach to our distribution partners. Thus, at the beginning of 2020, the Donat Mg brand is separated from the Strategic Business Unit Beverages and the Donat Mg Business Unit is established, focused on specific functionality as well as international expansion into new markets and strengthening the brand's position. Also, Global Distribution Account Management (GDAM) is being reorganised to standardise access to partner distributors, thus being split into two smaller business units: the distribution unit Russia and the new GDAM that will be focused on international markets where Atlantic Grupa does not have its own distribution.

3. FIRST PHASE OF THE BUSINESS PROCESS REDESIGN COMPLETED

In its business, Atlantic Grupa strives to organise business processes that would be simple, fast and efficient. Since their complexity is often a barrier in internal relations and needs to be improved, the Business Process Redesign (BPR) project was launched in late 2019.

The first phase of the BPR project, which dealt with the redesign and harmonization of business processes, was completed in the summer of 2020. It consisted of 120 workshops attended by over 250 employees. The result is the design and review of almost 290 processes. It took 11 months to complete the first phase, and it was carried out in cooperation with the international consulting company Horvath & Partners. The project was implemented in accordance with the deadlines and the planned scope.

4. NEW STRATEGIC VISION OF ATLANTIC GRUPA

Atlantic Grupa has identified strategic priorities for the next three to five years, which can be divided into four main areas:

1) strengthening the core: we continue to strengthen and advance our leading positions in the coffee segment, primarily by rejuvenating the roast and ground coffee segment and developing within the out-of-home consumption segment. We also continue to strengthen the consumer experience in the categories of savoury spreads, flips, chocolate and fruit-flavoured soft drinks. In order to ensure sustainable growth and the expected contribution of brands with a rich tradition, investment in their marketing needs and the associated system capacity will be increased.

2) growth: this area brings together activities aimed at bringing new sources of growth, such as the focused internationalisation, which remains an important strategic priority; on-the-go (OTG) consumption in a wide portfolio from coffee, beverages to snacks categories; new opportunities, that is, the creation of new brands and generally new sources of revenue, which implies recognising new opportunities in the existing markets.

3) improvements related to the portfolio consolidation, that is, the focus of total resources on defined priorities, but also on aligning all business processes, culture and goals in the company with the aim of increasing business efficiency.

4) maintaining the leading regional distributor position, with a focus on strategic priorities and bringing in major principals, and leadership in the pharmacy business in Croatia by continuing to invest in expertise and quality of service. In addition, we maintain the continued focus on possible mergers and acquisitions.

5. DIVIDEND DISTRIBUTION

Following the decision of the Company's General Assembly held on 18 June 2020, the dividend distribution was approved in the amount of HRK 25 per share, i.e. a total of HRK 83,186 thousand. The dividend was paid on 15 July 2020.

ATLANTIC GRUPA

6. BARCAFFE CELEBRATES ITS 50TH BIRTHDAY

The dark, enticingly fragrant lady in a cardinal red packaging celebrated a golden anniversary in 2020.

Barcaffè coffee, widely known to all coffee lovers, has taken on many new forms in half a century since it was first introduced to the market, but the irreplaceable taste and quality have remained the same. This was the main guideline in creating the recipe of, at that time, a revolutionary product. According to Marija Tul, the “mother” of the popular coffee blend, her first task was to make a special coffee, both in terms of packaging and ingredients, to make it the best coffee on the market. Undoubtedly, they succeeded, since Barcaffè coffee, despite strong competition, managed to maintain its primacy in Slovenia during all these decades, and no coffee managed to get close to it.

The basis of the blend of this most popular coffee is from the very beginning top Brazilian coffee to which various types of Arabica and Robusta have been added. This special taste, which took root in homes throughout Yugoslavia in the 1970s, soon after it was introduced, began to reach for gold medals at international competitions and, despite the really fierce global competition, still collects them today.

7. ATLANTIC GRUPA FIFTH MOST DESIRABLE EMPLOYER

According to the Employer of First Choice survey conducted by MojPosao, Atlantic Grupa is the fifth most desirable employer in Croatia. The survey conducted during 2019 and 2020 covered almost 20 thousand respondents.

8. CEDEVITA – THE MOST DESIRABLE BRAND IN CROATIA AND SLOVENIA IN THE CATEGORY OF SOFT DRINKS

Cedevita is still a favourite brand for all generations, as confirmed by the latest research by the renowned agency IPSOS. The survey was conducted this year in March and April through an online questionnaire, three countries (Croatia, Slovenia, Serbia) participated with a total of as many as 2,400 respondents, in the category of soft drinks.

The results showed that in Croatia, for the second year in a row, Cedevita is the most desirable brand in the category of soft drinks that consumers would recommend to others, and as a regional brand with a local tradition, it is ahead of the global multinational giant Coca Cola. Consumers rate Cedevita as a high-quality and reliable brand that has further strengthened its leading market position with the recognisable communication platform ‘Taste of Generation CE’.

In Slovenia, this year Cedevita took over the leading position from the Slovenian brand Fructal, which took second place, while Coca-Cola was in third place. Cedevita stood out on the Slovenian market as the first choice for refreshment among consumers of all generations. It is also recognised as a favourite product with a distinctive flavour that they are happy to share with others. The research also confirmed the efficiency of Cedevita's communication in this market, which received many positive reactions.

In the Serbian market, Cedevita took second place in terms of brand strength, behind Coca Cola, and the strong rate of desirability among consumers who recognise Cedevita as an authentic brand has certainly contributed to this result.

Another brand of Atlantic Grupa can boast of the position among the top 5 most desirable brands on the Croatian and Slovenian markets, and it is a well-known brand of legendary taste – Cockta.

9. NEW PACKAGING OF CEDEVITA OTG

Following industry trends, strict environmental requirements and listening to consumer needs, Cedevita's experts have worked intensively on the development of an innovative solution in the OTG (on the go) segment, which can be seen on store shelves since recently.

The need for additional refinement of the bottle is moulded into its modernization, improving the overall appearance, but also increasing the practicality of packaging. The new packaging boasts a unique opening mechanism that, by moving the protective strip and squeezing the cap down, allows the product to be activated and offers the full functionality of 9 vitamins within the freshly prepared product. Each product segment is carefully designed to make the consumption easier, no matter where you are.

With this new packaging, Cedevita has made a step towards preserving the environment and developing more sustainable and environmentally friendly solutions. Thus, the new packaging of OTG Cedevita will reduce packaging waste by 180 tonnes, and the carbon footprint will reduce CO2 emissions by 269 tonnes on an annual level.

10. ATLANTIC GRUPA SIGNED THE SALE OF THE BEBI BRAND

Atlantic Grupa and Nelt Grupa, headquartered in Belgrade, signed the purchase and sale agreement for the baby food brand Bebi. This is a wide portfolio of products for infants and children marketed primarily on the markets of Russia and other CIS countries, where this brand has been present for more than 35 years. When it comes to children’s cereals, Bebi is a symbol of European quality and origin in Russia, and in 2019 it generated EUR 11 million in sales revenue. The completion of the transaction is expected until 30 June 2021.

Since Nelt Grupa has capacities and expertise in manufacturing of baby food, the existing production site of the Bebi brand in Mirna, Slovenia is not a part of the agreement. The factory and its employees in Mirna remain a part of Atlantic Grupa and, after divesting the core brand and transition period in which the Bebi range will still be produced in this plant, Atlantic Grupa will find an alternative range of products to engage its production capacities and skilled experts on this production site.

The sale of the Bebi brand is a continuation of the process of divesting minor and non-core activities, in line with the Atlantic Grupa’s corporate strategy.

11. AWARDS AND RECOGNITIONS

Atlantic Grupa won the first prize for investor relations, awarded for the 11th consecutive year by Poslovni dnevnik and the Zagreb Stock Exchange. This award is a recognition by the investor community to companies that have fair and transparent investor relations. The competition includes companies from the CROBEX index and companies listed in the Prime and Official Markets of the Zagreb Stock Exchange, and the winner is selected based on statistical criteria related to obeying the Stock Exchange Rules by the issuer and based on a survey conducted among the capital market participants. This is the 4th time that Atlantic Grupa won the first prize, and seven more times it was among the top three companies.

PwC, together with representatives of the Zagreb Stock Exchange, awarded Atlantic Grupa an award for the leading company in open communication with its stakeholders: the PwC Building Public Trust

Award. The aim of the award is to recognise and reward companies that diversify through clarity and transparency of reporting and thus build trust in society.

Atlantic Grupa also won the title of the most successful long-standing entrepreneur at the 12th Fina Awards for Business Performance in 2019. The Golden Balance Sheet is an award given by the Financial Agency (Fina) for the 12th year in a row to the most successful entrepreneurs in a particular business activity, according to the overall standing obtained by ranking 11 financial indicators in 5 categories: according to the indicators of profitability, liquidity, indebtedness, activity and cost efficiency.

12. ATLANTIC GRUPA ENSURES STABLE GROWTH WITH THE NEW BOND

On 11 December 2020, Atlantic Grupa successfully issued corporate bonds in the amount of HRK 300 million, at a fixed annual interest rate of 0.875% with a semi-annual payment of interest and the maturity on 11 December 2025.

By issuing the bonds on the domestic capital market, Atlantic Grupa continues its practice of fostering the development of the domestic capital market, which it has been developing since 2003, as well as its practice of improving own sources of financing.

13. ATLANTIC GRUPA AND PROCAFFE ENTER INTO STRATEGIC PARTNERSHIP

Atlantic Grupa has entered into a strategic partnership with the company Procaffe, one of the leading players in the Croatian espresso coffee market, present in more than 800 HoReCa entities in Croatia. This new partnership will ensure a stronger presence of Atlantic Grupa in the espresso coffee segment in the HoReCa channel.

Following last year's successful establishment of a partnership with the company Vivascaffe Professional, which is present in more than 300 HoReCa entities, partnership with Procaffe constitutes a new important contribution to the development of Atlantic Grupa's coffee business and its strategy aimed at strengthening the company's leading position in the Croatian coffee market and business expansion in the growing segment of out-of-home consumption. More broadly, the corporate strategy is to advance the company's leading position in the coffee segment in the region and to enhance the consumer experience not only in this category, but also in the categories of savoury spreads, flips, chocolate and fruit-flavoured soft drinks, where Atlantic has the leading brands (Argeta, Smoki, Najlepše želje, Cedevita).

14. GOLD MEDALS TO BARCAFFE FOR BARCAFFE PRESTIGIO AND DIVINO

International testing of flavours of different types and brands of coffee has been taking place every two years in Italy since 2006. The competitors include global espresso, filter and mocca coffee producers and capsule coffee producers. At the beginning of November in Piacenza, among the 49 sent blends, Barcaffé Prestigio and Barcaffé Divino coffee blends were listed in the winning products.

These are top-quality coffee blends that are intended only for professional use in hospitality facilities. The winning products were selected by an international jury. The judges graded the coffee drinks according to a number of criteria, such as the richness of flavour, strength of aroma, structure, persistence of foam, etc. These two blends of Barcaffé espresso clearly exceeded the demanding criteria given that they were awarded gold medals!

Barcaffé thus confirmed its top quality and justified the reputation of the favourite espresso coffee blends in the hospitality industry. Barcaffé has been participating in the international coffee taste testing competition for years and proudly continues a series of successes in competitions with this year's gold medals.

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ATLANTIC GRUPA

SALES PROFILE BY STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(HRK million)	2020	2019	2020/2019
SBU Coffee	**1,106.9**	1,136.0	(2.6%)
SBU Savoury Spreads	**836.1**	726.6	15.1%
SBU Snacks	**644.3**	674.6	(4.5%)
SBU Beverages	**481.7**	556.9	(13.5%)
SBU Pharma	**539.8**	643.9	(16.2%)
BU Donat Mg	**196.3**	191.2	2.7%
SDU Croatia	**1,250.3**	1,368.7	(8.7%)
SDU Serbia	**1,231.5**	1,263.9	(2.6%)
SDU Slovenia	**981.3**	941.6	4.2%
Other segments*	**786.9**	732.4	7.4%
Reconciliation**	**-2,802.9**	-2,804.1	n/a
Sales	**5,252.0**	**5,431.7**	**(3.3%)**

The comparative period has been adjusted to the reporting for 2020.

In 2020, Atlantic Grupa recorded sales of HRK 5.3 billion, which is a 3.3% decline compared to the previous year. If we exclude the effect of the divested business revenues, sales of the Strategic Business Unit Sports and Functional Food, sales of Dietpharm and Multivita brands and the distribution of bottled water for dispensers, the comparable sales revenue*** is almost at the last-year's levels, despite the crisis caused by the pandemic. The best results were recorded by Savoury Spreads, Donat Mg and the pharmacy chain Farmacia.

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

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

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

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

The STRATEGIC BUSINESS UNIT COFFEE records a decrease in sales primarily in the markets of Serbia and Bosnia and Herzegovina that was partly cancelled out by the increase in the markets of Croatia, Slovenia, North Macedonia, Germany and Austria. Espresso coffee records a significant decline as a consequence of the pandemic prevention measures (restricted operation of the HoReCa channel), with Barcaffe Perfetto capsules recording doubled sales, “coffee to go” high double-digit growth rates, and instants also double-digit growth rates. Also, the growth is recorded by roast and ground coffee under the Barcaffe brand.

The STRATEGIC BUSINESS UNIT SAVOURY SPREADS recorded a double-digit growth as a consequence of excellent business results in almost all regional markets, the increase in sales in Western European markets (Germany, Austria, Switzerland, France and Italy) and in the market of Russia. The change in consumer habits amid the COVID-19 pandemic in terms of increased consumption in own homes undoubtedly had a positive impact on this business unit. The growth was recorded by both meat and fish segments of savoury spreads. Also, the categories *ajvar* and jams under the Granny’s Secret brand record sales revenue growth.

The STRATEGIC BUSINESS UNIT SNACKS recorded a decrease in sales primarily in the markets of Serbia and Bosnia and Herzegovina, which was partly cancelled out by the growth in the markets of Slovenia, Austria, Kosovo (re-entry to the market after lifting customs restrictions) and Switzerland. Analysed by categories, the increase is recorded by the salty part of the range, primarily flips under the Smoki brand and Prima sticks, with the simultaneous decrease in the sweet range. The majority of brands from the sweet range is negatively affected by the pandemic following reduced OOH consumption, impulse purchases and buying of presents. The exception in the sweet range is chocolate under the Menaž brand, as a consequence of increased consumption at home (preparing sweet desserts).

The STRATEGIC BUSINESS UNIT BEVERAGES is the segment that is most affected by local authorities measures to prevent the spread of the pandemic. The most significant impact was made by closure of hospitality facilities, change in the consumer habits following reduced mobility (from on-the-go and out-of-home consumption to consumption at home) and the absence of the full season impact in Croatia, the dominant market of this business segment. The decrease in sales in most regional markets was partly cancelled out by the increase in the markets of Germany and Serbia. The Cedevita and Cockta brands record a significant decrease in sales in the HoReCa channel, primarily as a consequence of measures to prevent the pandemic, which was partly compensated for by the increase in sales of Cedevita for consumption at home. If we exclude the effect of absent distribution of bottled water for dispensers, divested last year, sales of this unit dropped 10.4%.

THE STRATEGIC BUSINESS UNIT PHARMA records a sales decrease as a result of divesting Dietpharm and Multivita brands late last year and of abandoning pharmaceutical wholesale operations. If we exclude the effect of absent sales from this portfolio, sales of this unit are almost at the last-year’s level. After the double-digit growth in the first quarter caused by the first wave of the pandemic, the pharmacy chain Farmacia recorded a slower growth, and after the worsening of the epidemiological situation (the so-called second-wave) in the last quarter it recorded a growth, partly caused by higher demand for drugs, food supplements, disinfectants and protective equipment due to the pandemic and on an annual level, it records a 4.5% growth. This growth fully cancelled out the decrease in sales of baby food under the Bebi brand in the Russian market caused by the further depreciation of the Russian ruble.

SALES DYNAMICS
IN 2020

The BUSINESS UNIT DONAT MG records a sales growth primarily due to the double-digit growth in the market of Russia, but also to the growth in the markets of Slovenia and Italy, which fully cancelled out the sales decrease in the market of Serbia.

The STRATEGIC DISTRIBUTION UNIT CROATIA recorded a decrease in sales of both own and principal brands, primarily as a result of measures to combat the pandemic, which resulted in restricted operations of some channels and customers (primarily the HoReCa channel), as well as a lower number of tourists, which directly impacted lower results during the tourist season. Also, due to the pandemic, there was a decline in the OOH (“Out-of-Home”) and impulse goods range consumption. This decrease was partly cancelled out by the growth of products for consumption at home, primarily Barcaffe in the coffee segment, Cedevita in the retail channel, Argeta in the savoury spreads segment and Smoki in the snacks segment, but also by the almost doubled sales of coffee under the Barcaffe brand for “on the go” consumption. If we exclude the effect of absent sales of bottled water for dispensers, divested last year, sales of this unit decreased by 6.9%.

The STRATEGIC DISTRIBUTION UNIT SERBIA recorded a mild decrease, primarily as a consequence of the decrease in sales in the HoReCa channel, OOH and impulse goods range in general, but also of a portion of the snacks segment and the coffee segment. The decrease in these segments was partly cancelled out by the increase in sales of Cedevita in the retail channel, Argeta and Granny's Secret in the savoury spreads segment, and Smoki and Menaž chocolate in the snacks segment. Among principal brands, new principals Kandit and Saponia stand out.

The STRATEGIC DISTRIBUTION UNIT SLOVENIA records an increase in sales of almost all own brands, led by savoury spreads under the Argeta brand, roast and ground coffee under the Barcaffe brand, Cedevita in the retail channel, and Smoki. Among principal brands, Unilever and new principals Saponia and Kandit stand out. As all other markets, the Slovenian market also shows an increase in consumption at home, while the HoReCa channel records a sales decrease.

OTHER SEGMENTS record a sales growth in almost all parts, except for the distribution unit Russia. If we exclude the effects of sales of the strategic business unit Sports and Functional Food, fully divested last year, other segments record an 11.7% growth.

The DISTRIBUTION UNIT MACEDONIA recorded a sales growth due to the increase in sales of own brands, primarily Argeta in the savoury spreads segment, Grand kafa in the coffee segment, and Smoki in the flips category, but also of principal brands, led by Ferrero and new principals Beiersdorf and Ficosota.

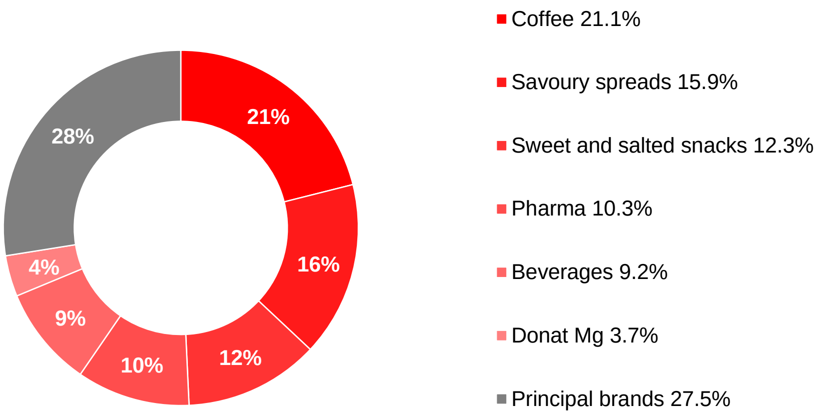
The DISTRIBUTION UNIT AUSTRIA recorded double-digit growth rates due to the growth of all own brands, primarily the growth of Argeta in the savoury spreads segment, roast and ground coffee under the Grand kafa brand, and Smoki and Prima sticks in the snacks segment.

The double-digit growth rates are recorded by the GLOBAL DISTRIBUTION ACCOUNT MANAGEMENT following the increase in sales of all own brands, with the greatest sales growth recorded in the markets of Germany, Switzerland, France, Italy, the USA and Canada. Analysed by categories, the leaders are Argeta in the savoury spreads segment, roast and ground coffee under the Grand kafa brand, and Smoki in the snacks segment.

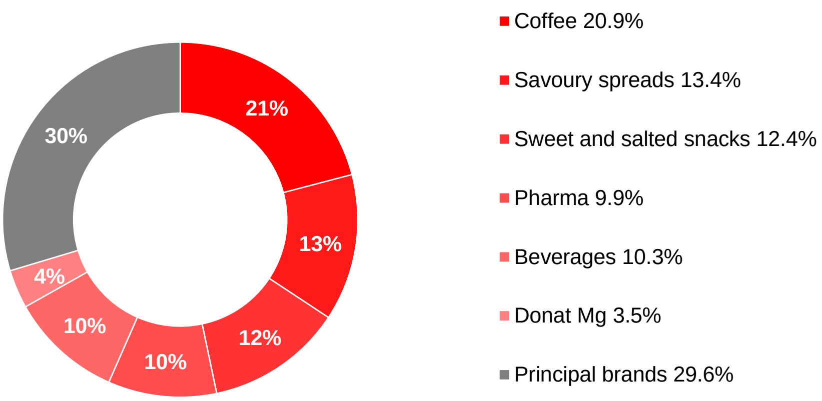
The DISTRIBUTION UNIT RUSSIA is almost at the last-year's level of sales revenue, with the baby food under the Bebi brand recording a decrease that was almost fully cancelled out by the increase in the sales of savoury spreads under the Argeta brand and functional water Donat Mg.

SALES PROFILE BY SEGMENTS

2020



2019



SALES PROFILE BY MARKETS

(in HRK millions)	2020	% of sales	2019	% of sales	2020/ 2019
Croatia	**1,724.2**	32.8%	1,885.2	34.7%	(8.5%)
Serbia	**1,248.8**	23.8%	1,291.3	23.8%	(3.3%)
Slovenia	**982.1**	18.7%	943.1	17.4%	4.1%
Bosnia and Herzegovina	**388.2**	7.4%	430.3	7.9%	(9.8%)
Other regional markets*	**418.9**	8.0%	419.3	7.7%	(0.1%)
Key European markets**	**251.8**	4.8%	220.5	4.1%	14.2%
Russia and CIS	**139.2**	2.7%	156.5	2.9%	(11.0%)
Other markets	**98.8**	1.9%	85.5	1.6%	15.6%
Total sales	**5,252.0**	100.0%	5,431.7	100.0%	(3.3%)

*Other regional markets: Macedonia, Montenegro, Kosovo
**Key European markets: Germany, Switzerland, Austria, Sweden
The comparative period has been adjusted to the reporting for 2020.

The MARKET OF CROATIA recorded a decrease in sales caused primarily by the decrease in sales in the HoReCa channel, OOH and impulse goods range in general, and as a consequence of measures to prevent the pandemic, and weaker tourist season also contributed to the decrease. The increase in sales of Barcaffe in the roast and ground coffee category, Argeta in the savoury spreads segment, Smoki in the snacks segment and the pharmacy chain Farmacia partly cancelled out the decline in sales of Barcaffe espresso and Cedevita and Cockta in the HoReCa channel. The decrease in sales of principal brands was most significantly affected by lower impulse consumption If we exclude the effect of sales of divested business, the distribution of bottled water for dispensers, sales of the Dietpharm brand and the related abandoning of the pharmaceutical wholesale business, the market of Croatia dropped 3.9%.

The MARKET OF SERBIA records a decrease as a consequence of measures to prevent the pandemic, mostly reflected in the decrease in sales in the HoReCa channel, and the out-of-home (OOH) and impulse goods consumption in general. The decrease in sales is recorded by Grand kafa in the coffee segment, a portion of the snacks segment, and Cedevita and Cockta in the HoReCa channel in the beverages segment, which was partly cancelled out by the increase in sales of Argeta in the savoury spreads segment, Cedevita in the retail channel, and Smoki in the snacks segment. Among principal brands, Alkaloid and new principals Saponia and Kandit stand out.

The increase in sales in the MARKET OF SLOVENIA is based on the increase in sales of almost all product categories, especially roast and ground coffee under the Barcaffe brand, savoury spreads under the Argeta brand, Cedevita in the retail channel, and flips under the Smoki brand. Also, new principals Saponia and Kandit and the growth of Unilever significantly contributed to the growth.

The MARKET OF BOSNIA AND HERZEGOVINA recorded a decrease in sales due to the decrease in sales of Grand kafa in the coffee segment, a portion of the snacks range, and a significant decrease in sales of Cedevita and Cockta in the HoReCa channel. The decline was partly cancelled out by the growth of Argeta in the savoury spreads segment and flips under the Smoki brand. If we exclude the effect of the divested business i.e. the sales of the Dietpharm brand, this market records a decrease of 6.7%.

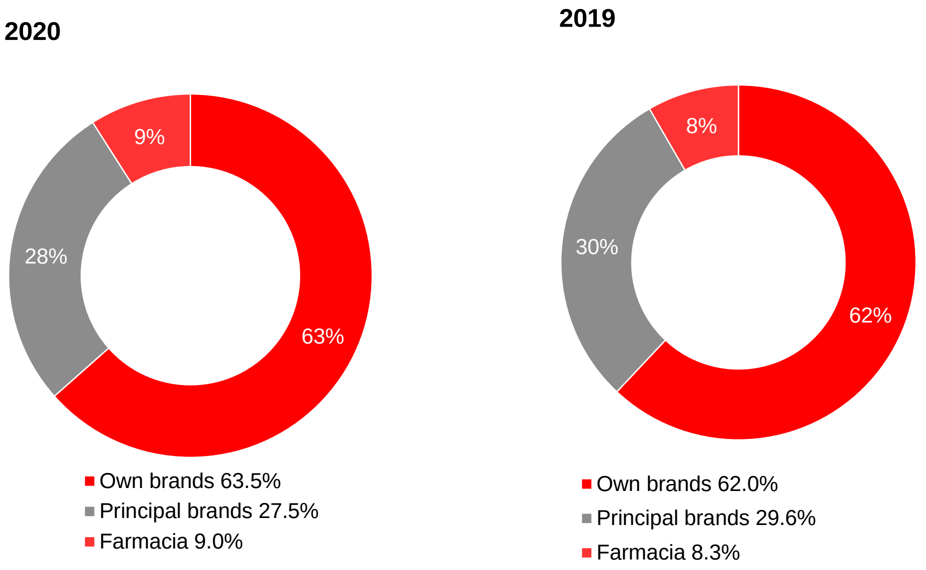
OTHER REGIONAL MARKETS record sales revenues almost at the same level as in the previous year. Macedonia and Kosovo record increase in sales, mainly as a result of the growth of Argeta in the savoury spreads segment, which fully cancelled out the decrease in sales in the market of Montenegro caused by the measures to prevent the pandemic and a significantly weaker tourist season.

KEY EUROPEAN MARKETS record growth in all markets, where the markets of Austria and Switzerland record double-digit growth due to growth of Argeta in the savoury spreads segment and Smoki in the snacks segment. If the sales of brands from the Strategic Business Unit Sports and Functional Food in the market of Germany are excluded, the Key European markets would record a 29.3% growth.

The MARKET OF RUSSIA AND THE COMMONWEALTH OF INDEPENDENT STATES records a decrease in sales as a consequence of the decrease in sales of the baby food under the Bebi brand, which was largely compensated for by the increase in sales of functional waters under the Donat Mg brand and savoury spreads under the Argeta brand. If we exclude the effect of the divested business, sales of the Multivita brand, the sales of this unit decreased by 2.0%.

The double-digit sales growth is recorded by OTHER MARKETS primarily as a result of the increase in sales of savoury spreads under the Argeta brand in most Other markets, with the most significant growth recorded by the markets of Australia, the United States and France. If the sales of brands from the Strategic Business Unit Sports and Functional Food and sales of the Dietpharm brand are excluded, Other markets would record a 20.8% sales growth.

SALES PROFILE BY PRODUCT CATEGORY



The comparative period has been adjusted to the reporting for 2020.

OWN BRANDS recorded sales of HRK 3,332.9 million, which is a mild decrease following the decrease in sales of roast and ground coffee under the Grand Kafa brand, Najlepše želje in the snacks segment, and Cockta and Cedevita in the HoReCa channel. The decrease was partly mitigated by the growth of: (i) Argeta in the savoury spreads segment, (ii) roast and ground coffee under the Barcaffe brand, (iii) Smoki in the snacks segment, (iv) Cedevita in the retail channel, and (v) functional water Donat Mg.

PRINCIPAL BRANDS record a decrease of 10.3%, with sales of HRK 1,445.2 million, as a consequence of the decrease in sales of principals with a significant share of the impulse goods range and range for out-of-home consumption, including the HoReCa channel. The decrease was partly mitigated by the new principals including Saponia and Kandit in Slovenia and Serbia, and Ficosota and Beiersdorf in North Macedonia, and the existing principals Unilever, Hipp and Phillips. If we exclude the effect of the absence of sales of Sports and Functional Food range, sales of Dietpharm and Multivita in the part in which their distribution was discontinued and sales of principal brands through the divested company Bionatura Bidon Vode d.o.o. (BNBV), principal brands record a 1.7% decrease.

The pharmacy chain FARMACIA recorded a sales growth with sales at HRK 474.0 million, due to the increase in sales of the existing Farmacia locations and higher sales following higher demand for drugs, food supplements, disinfectants and protective equipment as a consequence of the COVID-19 pandemic. As at 31 December 2020, Farmacia consists of 92 pharmacies and specialised stores.

PROFITABILITY DYNAMICS

(in HRK millions)	2020	2019	2020/2019
Sales	**5,252.0**	5,431.7	(3.3%)
EBITDA*	**716.5**	778.7	(8.0%)
Normalised EBITDA*	**755.1**	721.8	4.6%
EBIT*	**442.2**	500.4	(11.6%)
Normalised EBIT*	**480.8**	443.5	8.4%
Net profit*	**342.3**	390.4	(12.3%)
Normalised Net profit*	**377.7**	333.4	13.3%
Profitability margins			
EBITDA margin*	**13.6%**	14.3%	-69bp
Normalised EBITDA margin*	**14.4%**	13.3%	+109bp
EBIT margin*	**8.4%**	9.2%	-79bp
Normalised EBIT margin*	**9.2%**	8.2%	+99bp
Net profit margin*	**6.5%**	7.2%	-67bp
Normalised Net profit margin*	**7.2%**	6.1%	+105bp

In 2020, EBITDA amounts to HRK 716.5 million, which is a 8.0% decrease compared to the previous year, or a 4.6% increase if we exclude the effect of one-off items.

The increase in profitability of business units Coffee, Savoury Spreads and Donat Mg and the distribution units Slovenia, Russia and GDAM, and divesting of the non-profitable Sports and Functional Food segment contributed to the increase in normalised EBITDA. Normalized EBITDA was also positively impacted by lower marketing investments as a consequence of divested business, but also the reallocation of activities due to extraordinary circumstances caused by the pandemic and lower staff costs as a consequence of divested business. Also, lower other operating expenses, primarily entertainment, business trips and fuel costs, as a result of measures to prevent the pandemic spread, positively impacted the increase in normalized EBITDA.

In addition to the described above, normalized net profit records an increase due to lower interest expense despite the negative impact of foreign exchange differences primarily arisen due to the depreciation of the Croatian kuna against the Euro.

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

OPERATING EXPENSES STRUCTURE

(in HRK millions)	2020	% of sales	2019	% of sales	2020/2019
Cost of goods sold	**1,564.5**	29.8%	**1,600.6**	29.5%	(2.3%)
Change in inventory	**(26.7)**	(0.5%)	**(18.2)**	(0.3%)	n/a
Production materials	**1,374.9**	26.2%	**1,421.0**	26.2%	(3.2%)
Energy	**58.5**	1.1%	**62.5**	1.2%	(6.4%)
Services	**317.4**	6.0%	**330.4**	6.1%	(4.0%)
Staff costs	**855.6**	16.3%	**880.5**	16.2%	(2.8%)
Marketing and selling expenses	**267.1**	5.1%	**321.5**	5.9%	(16.9%)
Other operating expenses	**197.8**	3.8%	**197.9**	3.6%	(0.0%)
Other (gains)/losses, net	**3.0**	0.1%	**(68.4)**	(1.3%)	(104.4%)
Depreciation and amortisation	**274.3**	5.2%	**278.3**	5.1%	(1.4%)
Total operating expenses*	**4,886.5**	**93.0%**	**5,006.0**	**92.2%**	**(2.4%)**

The cost of goods sold records a decrease due to lower sales of principal brands.

Costs of production materials record a decrease due to lower sales of own products and lower average prices of production materials, primarily coffee.

Energy costs decrease due to lower production of own products.

Costs of services record a decrease, primarily due to lower costs of transport and logistics services, as a consequence of lower sales.

Lower staff costs are a consequence of a reduced number of employees as a result of divested business despite incentive compensations in the amount of 15% of the salary for all employees that were unable to work from home during the beginning of the pandemic (from March to May) because of the nature of their jobs. As at 31 December 2020, Atlantic Grupa had 5,443 employees, 22 employees less compared to the previous year.

Lower marketing expenses are a consequence of divested business and the reallocation of activities due to extraordinary circumstances caused by the pandemic.

Other operating expenses include HRK 36.7 million of donations and other expenses related to COVID-19. When these one-off expenses are excluded, other expenses record a significant decrease due to lower travel expenses, fuel expenses and entertainment costs, as a consequence of measures for the pandemic prevention (working from home, absence of business trips, etc.)

Other (gains)/losses – net: Mainly relate to the one-off gain of HRK 57.0 million realised by divestment in 2019, while this-year's amount mainly relates to negative foreign exchange differences.

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

ATLANTIC GRUPA

OPERATING RESULT OF STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(HRK million)	2020	2019	2020/2019
SBU Coffee	284.3	266.6	6.7%
SBU Savoury Spreads	191.3	149.5	27.9%
SBU Snacks	114.9	126.0	(8.8%)
SBU Beverages	87.0	88.2	(1.4%)
SBU Pharma	29.4	58.2	(49.5%)
BU Donat Mg	90.0	89.1	1.1%
SDU Croatia	48.6	62.1	(21.7%)
SDU Serbia	34.1	41.2	(17.3%)
SDU Slovenia	62.5	60.0	4.2%
Other segments*	(225.7)	(162.3)	(39.1%)
Group EBITDA**	716.5	778.7	(8.0%)

STRATEGIC BUSINESS UNITS AND BUSINESS UNITS: The SBU Coffee recorded better profitability as a result of more favourable gross margin following lower prices of raw coffee and savings on marketing expenses. The SBU Savoury Spreads recorded a significant profitability growth due to the increase in revenue, despite higher marketing expenses and staff costs. The SBU Snacks recorded a decrease in profitability following lower sales with retaining the last-year's relative gross margin. The SBU Beverages records a mild decrease in profitability despite the significant decrease in sales. The SBU Pharma records lower profitability as a consequence of divested business (Multivita and Dietpharm) and lower profitability of baby food, despite higher profitability of the pharmacy chain Farmacia. The BU Donat Mg records an increase in profit due higher sales, a more favourable gross profit margin and lower marketing investments, despite higher staff costs.

STRATEGIC DISTRIBUTION UNITS AND DISTRIBUTION UNITS: The decrease in profitability of the SDU Croatia is a result of lower sales, despite lower staff costs and transportation costs. The SDU Serbia records a decrease in profitability following lower sales and higher staff costs (increased legally prescribed minimum wage and new employees as a result of the distribution portfolio extension) and higher transportation costs. The SDU Slovenia records a profitability growth following higher sales revenue and lower staff costs, despite higher transportation costs.

OTHER SEGMENTS: If we exclude one-off expenses of HRK 38.6 million, mainly related to donations and other expenses related to COVID-19, and HRK 57.0 million of one-off gain realised last year by divesting, Other segments record a profitability growth as a consequence of divesting the negatively profitable Sports and Functional Food segment, the increase in profitability of the DU Austria, GDAM and the DU Russia and lower costs of central functions.

The comparative period has been adjusted to the reporting for 2020.

* Other segments include SBU Sports and Functional Food, DU Austria, DU Russia, Global Distribution Account Management, DU Macedonia and business activities not allocated to business and distribution units (headquarters and support functions in Serbia, Slovenia, Bosnia and Herzegovina and North Macedonia) which are excluded from the reportable operating segments.

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

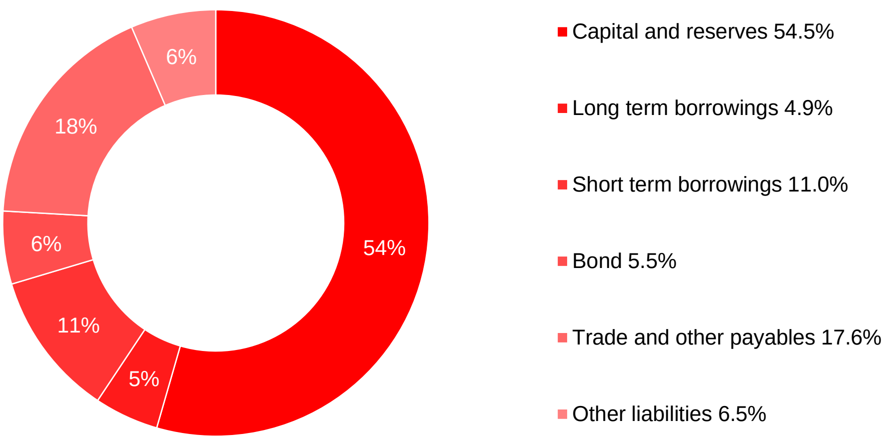
FINANCIAL INDICATORS

(in HRK millions)	31.12.2020	31.12.2019
Net debt*	**740.1**	922.7
Total assets	**5,411.7**	5,247.3
Total Equity	**2,948.0**	2,669.8
Current ratio*	**1.3**	1.3
Gearing ratio*	**20.1%**	25.7%
Net debt/EBITDA*	**1.0**	1.3
Interest coverage ratio*	**29.4**	20.5
Capital expenditure*	**242.7**	225.2
Free cash flow*	**334.4**	361.1
Cash flow from operating activities	**577.1**	586.4

Among key determinants of the Atlantic Grupa's financial position in 2020, the following should be pointed out:

- The gearing ratio decreased by as much as 562 basis points due to the decrease in net debt of HRK 183 million compared to the end of 2019.
- The indebtedness measured as the net debt to normalized EBITDA ratio dropped from 1.3 at the end of 2019 to 1.0 at the end of 2020.
- Free cash flow records a decrease due to higher capital expenditure.

THE ATLANTIC GRUPA'S EQUITY AND LIABILITIES STRUCTURE AS AT 31 DECEMBER 2020



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

OVERVIEW OF KEY ITEMS IN THE CONSOLIDATED CASH FLOW STATEMENT

Cash flow from operating activities records a decrease as a results of payments related to pandemic (donations and internal prevention costs) and as consequence of movements in the working capital, primarily the increase in inventories, despite lower finance costs and lower tax.

Capital expenditure in 2020 were made in line and in scope as planned, despite the changed circumstances in the manner of implamentation, caused by the pandemic situation.

Among significant investments, we should mention:

- SBU BEVERAGES: Successfully completed investment projects of the new line for Cedevita GO and the new line for Cedevita HoReCa 19g.

- SBU COFFEE: Completed investment project of production and packaging of instant coffee. In line with the changed consumer habits, investments in the purchase of Coffee2Go equipment were increased.

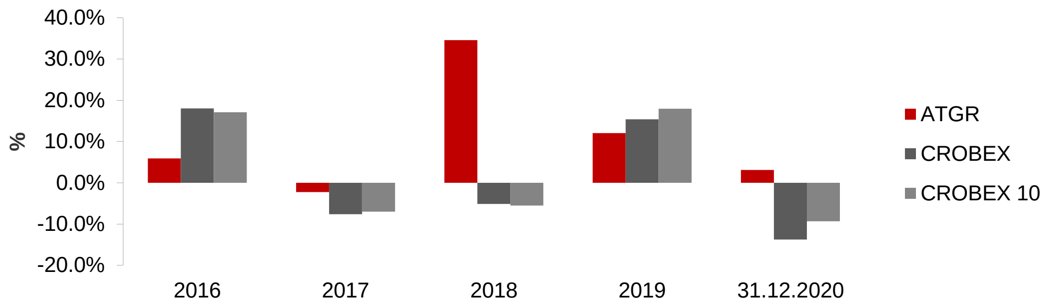
- SBU SAVOURY SPREADS: Investment projects of lines for the new format of secondary packaging in Izola plant and Hadžići plant are completed. A new investment cycle for the new additional packaging line in Izola plant has been initiated.

- SBU SNACKS: Installation of a new line for chocolate moulding with the cutting-edge technology, the first line of this kind in the CEE region is completed. An investment project related to the mentioned line that will implement a new way of packaging chocolate has been initiated.

- IT: investment in infrastructure, digital technologies and implementation of business applications and the replacement of equipment.

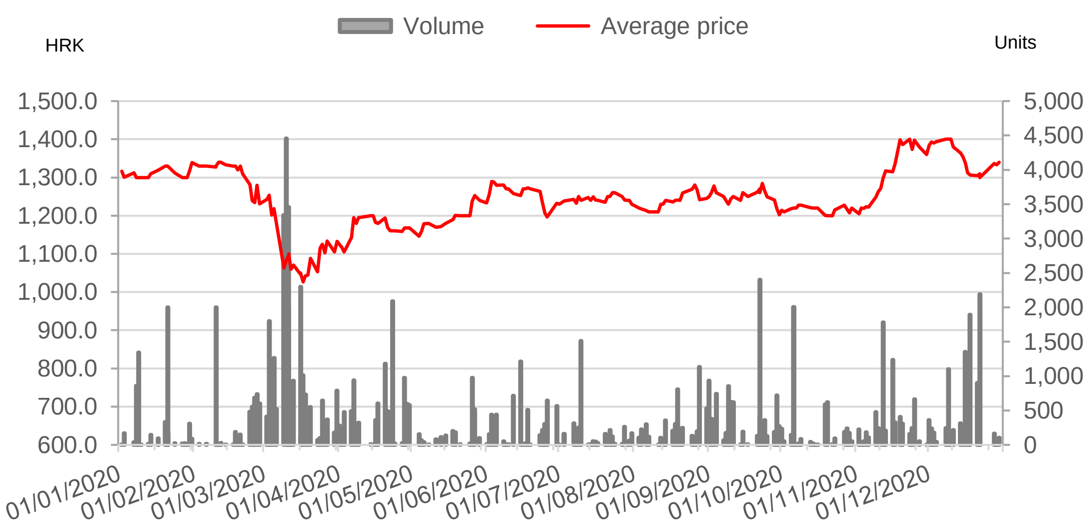
STOCK MARKET PERFORMANCE: RECORD-HIGH MARKET CAPITALISATION

2020 started with a solid trade statistics. However, the emergence of COVID-19 in February and the declaration of a global pandemic resulted in high market volatility, extremely intense trading and a significant index correction. In the second half of the year, the market stabilized, the index value and the market capitalization recovered slightly. Despite the better situation compared to the first half of the year, the indices weakened, with CROBEX10 recording a -9.3% decline, and CROBEX a -13.8% decline. At the same time, the Atlantic Grupa's share recorded a growth of +3.1%.

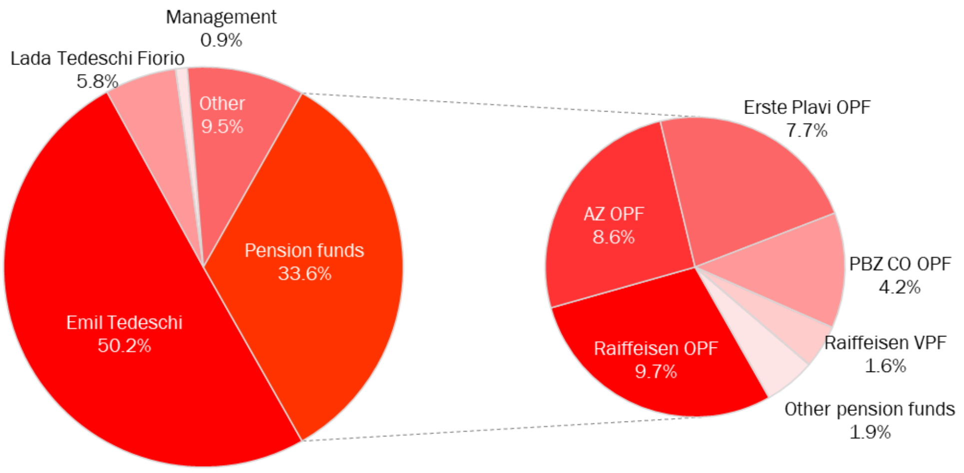


Among the components of CROBEX10, with the market capitalisation of HRK 4,468.0 million, Atlantic Grupa d.d. holds the second place. In November 2020, the share of Atlantic Grupa d.d. recorded the historically highest level of market capitalisation since its listing in November 2007, with the share price of HRK 1,410. According to the total turnover in 2020, the share of Atlantic Grupa d.d. holds the eight place compared to all the shares quoted on the Zagreb Stock Exchange, with a turnover of HRK 102.3 million.

MOVEMENTS IN THE AVERAGE PRICE AND VOLUME OF THE ATLANTIC GRUPA'S SHARE IN 2020



OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2020



Atlantic Grupa d.d. has a stable ownership structure: 50.2% of the company is owned by Emil Tedeschi and 5.8% by Lada Tedeschi Fiorio, while pension funds hold 33.6% of Atlantic Grupa d.d. In the Management category, members of the Management Board hold 31,189 shares (Neven Vranković 19,944, Srećko Nakić 6,493, Zoran Stanković 4,355 and Enzo Smrekar 397). In the Others category, a member of the Supervisory Board Siniša Petrović holds 176 shares. Also, a Member of the Management Board Neven Vranković holds 150,000 bonds of Atlantic Grupa d.d.

Valuation	2020	2019
Last price in reporting period	1,340.0	1,300.0
Market capitalization* (in HRK millions)	4,468.0	4,334.6
Average daily turnover (in HRK thousands)	458.6	585.0
EV (in HRK millions)*	5,214.1	5,262.7
Adjusted EV/EBITDA*	6.9	7.3
Adjusted EV/EBIT*	10.8	11.9
EV/sales*	1.0	1.0
Adjusted EPS (in HRK)*	113.5	100.1
Adjusted P/E*	11.8	13.0

MANAGEMENT'S VIEW ON MACROECONOMIC EXPECTATIONS

After 5 years of solid economic growth, the Croatian economy is recording a significant decline in economic activity, as a result of the global pandemic and prevention measures. Taking into account the great uncertainty related to the course of the pandemic, the expected vaccination of the population, the EU aid package and the great dependence of the Croatian economy on the success of the tourist season, the Atlantic Grupa's management expects a partial recovery of the Croatian economy this year and a full return to pre-crisis activity in 2022.

In 2021, the COVID-19 pandemic will continue to affect the countries of the region, but with the introduction of milder measures and restrictions, aided by the introduction of vaccines, management expects an economic recovery from mid-2021. The main generator of Slovenian growth will be public investment, encouraged by EU funds. Also, the growth of the Serbian economy is expected, which recorded one of the smallest contractions in the region in 2020.

In 2020, eurozone economies were significantly affected by the impact of the global pandemic, and were marked by a general decline and slowdown in activity. Taking into account delays in vaccine procurement and vaccination itself, and general concerns about potentially new coronavirus mutations, most countries have extended the lockdown and strict measures to combat the pandemic, which slowed down eurozone's recovery. This year, we expect a modest recovery in the eurozone, and we expect GDP to return to pre-crisis levels only in mid-2022.

As well as on all the mentioned economies, the pandemic also had a negative impact on the Russian economy, which was additionally negatively affected by the decrease in oil prices due to the pandemic. Fiscal tightening is expected, which will reduce personal consumption, and only weak economic growth is expected in 2021.

ATLANTIC GRUPA'S MANAGEMENT STRATEGIC GUIDANCE FOR 2021

Despite the discovery of a vaccine for COVID-19, the uncertainty remains extremely high and it is difficult to predict the future course of the pandemic and the responses of economies to it.

In addition to the previously described macroeconomic expectations, Atlantic Grupa's management in 2021 expects a bit higher average prices of raw coffee on global commodity markets that will partly be annulled by the expected weakening of the US dollar, due to the purchase of this raw material in the US dollar currency. In addition, the prices of a significant portion of our key raw materials and packaging materials such as powdered milk, cocoa and aluminium, have already increased or the increase is very likely.

Under the assumption that significant vaccination coverage will be achieved in the first half of the year and that pandemic control measures will be mitigated or abolished, we expect a medium single-digit organic growth in sales revenue compared to 2020, which will be accompanied by more intensive marketing investments. In addition, in the first half of 2021 we plan to launch two new brands that will be accompanied with significant initial investments, which, in combination with the above, is likely to result in a slightly lower normalised EBITDA compared to the one achieved in 2020.

In 2021, we plan slightly higher capital expenditure than in the previous year.

OUTLOOK
FOR 2021

In 2021, management will continue to focus on (i) strengthening the position of prominent regional brands, (ii) internationalisation of certain brands, primarily Argeta and Donat Mg, (iii) creating new brands that will drive new growth, (iv) development of distribution operations by strengthening the existing and acquiring new principals, (v) further divestment of non-core business operations that do not have a significant growth potential, and (vi) possible mergers and acquisitions.

ATLANTIC GRUPA d.d.

DEFINITION AND RECONCILIATIONS OF

ALTERNATIVE PERFORMANCE MEASURES (APM)

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

ORGANIC SALES GROWTH

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

in HRK million	2020	2019	2020/2019
Sales	**5,252.0**	**5,431.7**	**(3.3%)**
Sales of divested business - SBU SFF		27.8	
Sale of divested business - brand Dietpharm		57.6	
Sale of divested business - brand Multivita		16.4	
Exit from pharma wholesale business		33.4	
Sale of divested business - BNBV		25.7	
Comparable sales	**5,252.0**	**5,270.8**	**(0.4%)**

in HRK million	SBU Beverages	SBU Pharma	SDU Croatia	Other segments
Reported 2019	**556.9**	**643.9**	**1,368.7**	**732.4**
Sales of divested business - SBU SFF	0.0	0.0	0.0	27.8
Sale of divested business - brand Dietpharm	0.0	57.6	0.0	0.0
Sale of divested business - brand Multivita	0.0	16.4	0.0	0.0
Exit from pharma wholesale business	0.0	33.4	0.0	0.0
Sale of divested business - BNBV	19.4	0.0	25.7	0.0
Comparable sales 2019	**537.5**	**536.6**	**1,343.0**	**704.5**
Reported 2020	481.7	539.8	1,250.3	786.9
2020/2019	**(10.4%)**	**0.6%**	**(6.9%)**	**11.7%**

in HRK million	Croatia	Serbia	Slovenia	B&H
Reported 2019	**1,885.2**	**1,291.3**	**943.1**	**430.3**
Sales of divested business - SBU SFF	0.0	0.0	0.0	0.0
Sale of divested business - brand Dietpharm	32.6	6.2	0.3	12.6
Sale of divested business - brand Multivita	0.0	0.3	0.0	1.6
Exit from pharma wholesale business	33.4	0.0	0.0	0.0
Sale of divested business - BNBV	25.4	0.0	0.3	0.0
Comparable sales 2019	**1,793.8**	**1,284.8**	**942.5**	**416.0**
Reported 2020	1,724.2	1,248.8	982.1	388.2
2020/2019	**(3.9%)**	**(2.8%)**	**4.2%**	**(6.7%)**

* It relates to the sales of bottled water which is included within SBU Beverages to which it belongs, but also to SDU Croatia through which products are distributed.

in HRK million	Other regional markets	Key European markets	Russia and CIS	Other markets
Reported 2019	419.3	220.5	156.5	85.5
Sales of divested business - SBU SFF	0.0	25.9	0.0	2.0
Sale of divested business - brand Dietpharm	3.9	0.0	0.3	1.7
Sale of divested business - brand Multivita	0.4	0.0	14.0	0.0
Exit from pharma wholesale business	0.0	0.0	0.0	0.0
Sale of divested business - BNBV	0.0	0.0	0.0	0.0
Comparable sales 2019	415.0	194.7	142.1	81.8
Reported 2020	418.9	251.8	139.2	98.8
2020/2019	0.9%	29.3%	(2.0%)	20.8%

in HRK million	2020	2019	2020/2019
Sales of principal brands	1,445.2	1,610.3	(10.3%)
Sales of divested business - SBU SFF		27.8	
Sale of divested business - brand Dietpharm		57.6	
Sale of divested business - brand Multivita		16.4	
Exit from pharma wholesale business		33.4	
Sale of divested business - BNBV		5.3	
Comparable sales of principal brands	1,445.2	1,469.9	(1.7%)

in HRK million	2020	2019	2020/2019
Sales of own brands	3,332.9	3,367.9	(1.0%)
Sale of divested business - BNBV		20.4	
Comparable sales of own brands	3,332.9	3,347.4	(0.4%)

EBITDA and NORMALIZED EBITDA, EBITDA margin and NORMALIZED EBITDA margin

EBITDA (Earnings before interest, tax, depreciation and amortization) equals to operating profit in the financial statements (see Note 2 Summary of significant accounting policies in the latest audited Consolidated Financial statements) increased for depreciation, amortisation and impairment (see Notes 13, 14, 15 in the latest audited Consolidated Financial statements).
The Group also presents Normalized EBITDA which is calculated as EBITDA excluding the impact of one-off items. One-off items represent gain/loss on sale of subsidiaries (see Note 28 Business combinations and sale of subsidiaries in the latest audited Consolidated Financial statements) and all one-off expenses/income arising from these transactions, COVID-19 expenses related to the donation for combating the spread of the pandemic and costs for the protective equipment and disinfectants and other one-off items that mainly relate to expenses/income as a result of tax inspections. The Group's Management Board reviews normalized EBITDA to evaluate business performance of the Group and to allocate resources accordingly. Additionally, Group's management believes that normalized EBITDA provides information that enables investors to better compare Group's performance across periods.

The Group also presents EBITDA margin and Normalized EBITDA margin, which are defined as EBITDA/Normalized EBITDA as percentage of sales.

(in HRK millions)	2020	2019	2020/2019
Operating profit	**442.2**	**500.4**	**(11.6%)**
Depreciation, amortisation and impairment	**274.3**	**278.3**	**(1.4%)**
EBITDA	**716.5**	**778.7**	**(8.0%)**
Divestment costs and gains, net	6.4	(57.0)	
COVID- 19 costs	36.7	0.0	
Other one off costs, net	(4.5)	0.0	
Normalized EBITDA	**755.1**	**721.8**	**4.6%**
Sales	5,252.0	5,431.7	
EBITDA margin	**13.6%**	**14.3%**	
Normalized EBITDA margin	**14.4%**	**13.3%**	

EBIT and NORMALIZED EBIT, EBIT margin and NORMALIZED EBIT margin

EBIT (Earnings before interest and tax) equals to operating profit in the financial statements (see Note 2 Summary of significant accounting policies in the latest audited Consolidated Financial statements).
The Group also presents Normalized EBIT which is calculated as EBIT excluding the impact of one-off items.

(in HRK millions)	2020	2019	2020/2019
Operating profit	**442.2**	**500.4**	**(11.6%)**
EBIT	**442.2**	**500.4**	**(11.6%)**
Divestment costs and gains, net	6.4	(57.0)	
COVID- 19 costs	36.7	0.0	
Other one off costs, net	(4.5)	0.0	
Normalized EBIT	**480.8**	**443.5**	**8.4%**
Sales	5,252.0	5,431.7	
EBIT margin	**8.4%**	**9.2%**	
Normalized EBIT margin	**9.2%**	**8.2%**	

NET PROFIT and NORMALIZED NET PROFIT

Net profit is a subtotal which is reported in the Consolidated Income statement in the attached Condensed consolidated financial statements for the period ended 31 December 2020.
The Group also presents Normalized Net profit which is calculated as Net profit excluding the impact of one-off items.
Additionally, the Group also presents Net profit margin and Normalized Net profit margin, which are defined as Net profit/Normalized Net profit as percentage of sales.

(in HRK millions)	2020	2019	2020/2019
Net profit	**342.3**	**390.4**	**(12.3%)**
Divestment costs and gains, net	6.4	(57.0)	
COVID- 19 costs	33.5		
Other one off costs, net	(4.5)		
Normalized Net profit	**377.7**	**333.4**	**13.3%**
Sales	5,252.0	5,431.7	
Net profit margin	**6.5%**	**7.2%**	
Normalized Net profit margin	**7.2%**	**6.1%**	

TOTAL OPERATING EXPENSES

Total operating expenses are a subtotal of the following items which are reported in the Consolidated Income statement in the attached Condensed consolidated financial statements for the period ended 31 December 2020: cost of trade goods sold, change in inventories of finished goods and work in progress, material and energy costs, staff costs, marketing and promotion expenses, other operating expenses, other gains/losses-net and depreciation, amortization and impairment.

CAPITAL EXPENDITURE (CAPEX)

Capital expenditure includes payments made to acquire property, plant and equipment and intangible assets, as reported in the Consolidated Cash flow statement in the attached Condensed consolidated financial statements for the period ended 31 December 2020. The Group uses capital expenditure as APM to ensure that the cash spending is in line with overall strategy of the Group.

NET DEBT and NET DEBT to EBITDA

Net debt is used by management to evaluate the Group’s financial capacity. Net debt is defined as sum of current and non-current borrowings, current and non-current lease liabilities and derivative financial instruments decreased for cash and cash equivalents which are reported in the Consolidated Balance sheet in the attached Condensed consolidated financial statements for the period ended 31 December 2020, as shown below:

(in HRK millions)	31 Dec 2020	31 Dec 2019
Non current borrowing	299.5	412.6
Non current lease liabilities	263.5	295.5
Current borrowings	511.7	517.3
Current lease liabilities	84.8	80.0
Derivative financial instruments, net	7.1	1.8
Cash and cash equivalents	-426.5	-384.5
Net debt	**740.1**	**922.7**
Normalized EBITDA	755.1	721.8
Net debt/Normalized EBITDA	**1.0**	**1.3**

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

CURRENT RATIO

The current ratio compares all Group's current assets to its current liabilities which are reported in the Consolidated Balance sheet in the attached Condensed consolidated financial statements for the period ended 31 December 2020. The current ratio is a liquidity ratio that measures a Group's ability to cover its short-term debt with its current assets.

in HRK million	2020	2019
Current assets	2,259.5	2,170.5
Current liabilities	1,674.5	1,648.4
Current ratio	**1.3**	**1.3**

GEARING RATIO

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

in HRK million	2020	2019
Net debt	740.1	922.7
Total equity	2,948.0	2,669.8
Gearing ratio	**20.1%**	**25.7%**

INTEREST COVERAGE RATIO

The interest coverage ratio is calculated by dividing Group's normalized EBITDA by total interest expense (see Note 9 Finance cost-net in the attached Condensed consolidated financial statements for the period ended 31 December 2020), as shown below. Interest coverage ratio is used to determine how easily the Group can pay interest on its outstanding debt.

in HRK million	2020	2019
Normalized EBITDA	755.1	721.8
Total interest expense	25.7	35.2
Adjusted interest coverage ratio	**29.4**	**20.5**

FREE CASH FLOW

Free cash flow shows the ability of the Group to generate cash to pay dividends, repay financial liabilities, finance possible acquisitions, etc. Free cash flow equals net cash flow from operating activities less capital expenditure, items included in the Consolidated Cash Flow Statement in the attached Condensed consolidated financial statements for the period ended 31 December 2020.

in HRK million	2020	2019
Net cash flow from operating activities	577.1	586.4
Capex	242.7	225.2
Free cash flow	**334.4**	**361.1**

MARKET CAPITALIZATION

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

	2020	2019
Last price in reporting period (in HRK)	1,340	1,300
Number of shares	3,334,300	3,334,300
Market capitalization (in HRK millions)	**4,468.0**	**4,334.6**

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

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

in HRK million	2020	2019
Market capitalization	4,468.0	4,334.6
Net debt	740.1	922.7
Non controlling interest	6.0	5.4
Enterprise value (EV)	**5,214.1**	**5,262.7**
Normalized EBITDA	755.1	721.8
Normalized EV/EBITDA	**6.9**	**7.3**
Normalized EBIT	480.8	443.5
Normalized EV/EBIT	**10.8**	**11.9**
Sales	5,252.0	5,431.7
EV/sales	**1.0**	**1.0**

Normalized EARNINGS PER SHARE (EPS)

Earnings per share is calculated by dividing the net profit attributable to shareholders of the company by weighted average number of shares as defined in Note 5 Earnings per share of the attached Condensed consolidated financial statements for the period ended 31 December 2020. EPS reflects the underlying earnings from trading operations for each share. Normalized EPS takes into calculation normalized net profit attributable to shareholders of the company which equals to net profit attributable to shareholders of the company excluding the impact of one-off items as shown below.

	2020	2019
Profit for the year attributable to equity holders	**342.3**	**390.4**
Divestment costs and gains, net	6.4	(57.0)
COVID- 19 costs	33.5	
Other one off costs, net	(4.5)	
Adjusted profit for the year attributable to the equity holders	**377.7**	**333.4**
Weighted average number of shares	3,326,936	3,331,481
Adjusted EPS	**113.5**	**100.1**

PRICE TO EARNINGS RATIO (P/E)

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

	2020	2019
Last price in reporting period (in HRK)	1,340	1,300
Adjusted EPS	113.5	100.1
Adjusted P/E	**11.8**	**13.0**

ATLANTIC GRUPA d.d.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020 (UNAUDITED)

ATLANTIC GRUPA d.d.

CONSOLIDATED INCOME STATEMENT

in thousands of HRK, unaudited	Jan - Dec 2020	Jan - Dec 2019	Index	Oct - Dec 2020	Oct - Dec 2019	Index
Revenues	**5,328,674**	**5,506,404**	**96.8**	**1,397,493**	**1,445,388**	**96.7**
Sales revenues	5,252,029	5,431,732	96.7	1,364,612	1,419,325	96.1
Other income	76,645	74,672	102.6	32,881	26,063	126.2
Operating expenses	**(4,886,490)**	**(5,005,971)**	**97.6**	**(1,354,300)**	**(1,397,817)**	**96.9**
Cost of trade goods sold	(1,564,512)	(1,600,586)	97.7	(442,485)	(465,576)	95.0
Change in inventories of finished goods and work in progress	26,659	18,235	146.2	14,006	(9,299)	n/a
Material and energy costs	(1,433,412)	(1,483,503)	96.6	(368,041)	(364,649)	100.9
Staff costs	(855,631)	(880,472)	97.2	(220,932)	(245,025)	90.2
Marketing and promotion expenses	(267,113)	(321,462)	83.1	(106,119)	(95,383)	111.3
Depreciation, amortisation and impairment	(274,315)	(278,306)	98.6	(87,632)	(96,742)	90.6
Other operating costs	(515,184)	(528,288)	97.5	(144,799)	(155,133)	93.3
Other (losses) / gains – net	(2,982)	68,411	n/a	1,702	33,990	5.0
Operating profit	**442,184**	**500,433**	**88.4**	**43,193**	**47,571**	**90.8**
Finance costs – net	(30,536)	(37,026)	82.5	(5,363)	(13,265)	40.4
Profit before tax	**411,648**	**463,407**	**88.8**	**37,830**	**34,306**	**110.3**
Income tax expense	(69,378)	(73,040)	95.0	(4,908)	1,901	n/a
Net profit for the period	**342,270**	**390,367**	**87.7**	**32,922**	**36,207**	**90.9**
Attributable to:						
Owners of the parent	341,730	388,880	87.9	31,996	35,361	90.5
Non-controlling interests	540	1,487	36.3	926	846	109.5
Earnings per share for profit attributable to the equity holders of the Company during the period (in HRK)						
- basic	102.72	116.73		9.62	10.64	
- diluted	102.72	116.73		9.62	10.64	

ATLANTIC GRUPA d.d.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of HRK, unaudited	Jan - Dec 2020	Jan - Dec 2019	Index	Oct - Dec 2020	Oct - Dec 2019	Index
Net profit for the period	**342,270**	**390,367**	**87.7**	**32,922**	**36,207**	**90.9**
Other comprehensive income/(loss):						
Items that will not be reclassified to profit or loss						
Actuarial losses from defined benefit plan, net of tax	(1,000)	(2,385)	41.9	(1,000)	(2,385)	41.9
Items that may be subsequently reclassified to profit of loss						
Currency translation differences, net of tax	25,641	8,675	295.6	(1,309)	5,795	n/a
Cash flow hedges, net of tax	(4,306)	(2,965)	145.2	(3,810)	(2,969)	128.3
Other comprehensive income/(loss) for the period, net of tax	**20,335**	**3,325**	**611.6**	**(6,119)**	**441**	**n/a**
Total comprehensive income for the period	**362,605**	**393,692**	**92.1**	**26,803**	**36,648**	**73.1**
Attributable to:						
Equity holders of the Company	362,016	392,198	92.3	25,883	35,787	72.3
Non-controlling interests	589	1,494	39.4	920	861	106.9
Total comprehensive income for the period	362,605	393,692	92.1	26,803	36,648	73.1

ATLANTIC GRUPA d.d.

CONSOLIDATED BALANCE SHEET

in thousands of HRK, unaudited	31 December 2020	31 December 2019
ASSETS		
Non-current assets		
Property, plant and equipment	1,070,338	971,915
Right-of-use assets	338,838	372,247
Investment property	316	312
Intangible assets	1,657,026	1,658,675
Deferred tax assets	36,285	31,796
Financial assets through other comprehensive income	1,404	1,025
Trade and other receivables	47,999	40,813
	3,152,206	3,076,783
Current assets		
Inventories	572,274	501,287
Trade and other receivables	1,248,658	1,269,915
Prepaid income tax	6,661	9,175
Cash and cash equivalents	426,513	384,526
	2,254,106	2,164,903
Non-current assets held for sale	5,382	5,583
Total current assets	2,259,488	2,170,486
TOTAL ASSETS	**5,411,694**	**5,247,269**
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the Company		
Share capital	133,372	133,372
Share premium	881,851	881,323
Treasury shares	(7,647)	(5,884)
Reserves	(51,451)	(73,064)
Retained earnings	1,985,908	1,728,691
	2,942,033	2,664,438
Non-controlling interests	5,952	5,363
Total equity	2,947,985	2,669,801
Non-current liabilities		
Borrowings	299,528	412,550
Lease liabilities	263,479	295,526
Deferred tax liabilities	150,090	153,228
Other non-current liabilities	9,356	2,204
Provisions	66,782	65,515
	789,235	929,023
Current liabilities		
Trade and other payables	954,458	933,191
Borrowings	511,696	517,337
Lease liabilities	84,824	80,032
Derivative financial instruments	7,132	1,778
Current income tax liabilities	8,677	7,261
Provisions	107,687	108,846
	1,674,474	1,648,445
Total liabilities	2,463,709	2,577,468
TOTAL EQUTIY AND LIABILITIES	**5,411,694**	**5,247,269**

ATLANTIC GRUPA d.d.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
in thousands of HRK, unaudited	Share capital, Share premium and Treasury shares	Reserves	Retained earnings	Total	Non-controlling interests	Total
At 1 January 2019	1.014.555	(81.628)	1.451.656	2.384.583	3.869	2.388.452
Comprehensive income:						
Net profit for the period	-	-	388.880	388.880	1.487	390.367
Cash flow hedge, net of tax	-	(2.965)	-	(2.965)	-	(2.965)
Actuarial losses from defined benefit plan, net of tax	-	-	(2.385)	(2.385)	-	(2.385)
Other comprehensive income	-	8.668	-	8.668	7	8.675
Total comprehensive income for the period		5.703	386.495	392.198	1.494	393.692
Transactions with owners:						
Purchase of treasury shares	(13.424)	-	-	(13.424)	-	(13.424)
Share based payment	7.680	-	-	7.680	-	7.680
Dividends relating to 2018	-	-	(106.599)	(106.599)	-	(106.599)
Transfer	-	2.861	(2.861)	-	-	-
At 31 December 2019	1.008.811	(73.064)	1.728.691	2.664.438	5.363	2.669.801
At 1 January 2020	1.008.811	(73.064)	1.728.691	2.664.438	5.363	2.669.801
Comprehensive income:						
Net profit for the period	-	-	341.730	341.730	540	342.270
Cash flow hedge, net of tax	-	(4.306)	-	(4.306)	-	(4.306)
Actuarial losses from defined benefit plan, net of tax	-	-	(1.000)	(1.000)	-	(1.000)
Other comprehensive income	-	25.592	-	25.592	49	25.641
Total comprehensive income for the period		21.286	340.730	362.016	589	362.605
Transactions with owners:						
Purchase of treasury shares	(11.022)	-	-	(11.022)	-	(11.022)
Share based payment	9.787	-	-	9.787	-	9.787
Dividends relating to 2019	-	-	(83.186)	(83.186)	-	(83.186)
Transfer	-	327	(327)	-	-	-
At 31 December 2020	1.007.576	(51.451)	1.985.908	2.942.033	5.952	2.947.985

ATLANTIC GRUPA d.d.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of HRK, unaudited	**January - December 2020**	**January - December 2019**
Cash flow from operating activities		
Net profit for the period	**342,270**	**390,367**
Income tax	69,378	73,040
Depreciation, amortisation and impairment	274,315	278,306
Gain on sale of property, plant and equipment	(130)	(612)
Gain on sale of subsidiaries - net of transaction expenses	(5,178)	(56,946)
Provision for current assets	45,229	32,952
Foreign exchange differences - net	4,827	1,808
(Decrease)/Increase in provisions for risks and charges	(1,830)	15,415
Fair value loss/(gain) on financial assets	4,913	(5,703)
Share based payment	9,787	7,680
Interest income	(5,060)	(1,028)
Interest expense	25,709	35,218
Other non-cash items - net	12,105	(954)
Changes in working capital:		
Increase in inventories	(94,942)	(59,329)
Increase in current receivables	(37,331)	(80,856)
Increase in current payables	30,309	68,173
Cash generated from operations	**674,371**	**697,531**
Interest paid	(22,896)	(33,445)
Income tax paid	(74,355)	(77,705)
	577,120	**586,381**
Cash flow used in investing activities		
Purchase of property, plant and equipment and intangible assets	(242,727)	(225,248)
Proceeds from sale of property, plant and equipment and non-current assets held for sale	1,031	3,518
Acquisition of subsidiaries and proceeds from sale of subsidiaries - net of cash disposed	26,846	149,830
Loans granted and deposits placed	(10,323)	(2,790)
Repayments of loan and deposits placed	3,305	6,637
Interest received	5,060	1,028
	(216,808)	**(67,025)**
Cash flow used in financing activities		
Purchase of treasury shares	(11,022)	(13,424)
Proceeds from borrowings, net of fees paid	705,941	273,362
Repayment of borrowings	(940,870)	(623,251)
Principal elements of lease payments	(86,999)	(79,992)
Proceeds from bonds issued, net of fees paid	140,025	-
Redemption of bonds	(43,796)	-
Dividends paid to Company shareholders	(83,186)	(106,599)
	(319,907)	**(549,904)**
Net increase/(decrease) in cash and cash equivalents	**40,405**	**(30,548)**
Exchange gains on cash and cash equivalents	1,582	1,411
Cash and cash equivalents at beginning of period	384,526	413,663
Cash and cash equivalents at end of period	426,513	384,526

NOTE 1 – GENERAL INFORMATION

Operating as a vertically integrated multinational company, Atlantic Grupa d.d. ("the Company") and its subsidiaries ("the Group") have business activities that incorporate R&D, production and distribution of fast-moving consumer goods in Southeast Europe, the European markets and Russia and CIS (Commonwealth of Independent States). With its modern production network, the Group stands out as one of the leading foods & beverage producers in Southeast Europe with prominent coffee brands Grand Kafa and Barcaffe, a range of beverage brands Cockta, Donat Mg and Cedevita, a portfolio of sweet and salted snacks brands Smoki, Najlepše želje and Bananica and the savoury spread brand Argeta. Additionally, the Group owns the leading pharmacy chain in Croatia under the Farmacia brand. With its own distribution network in Croatia, Slovenia, Serbia, Austria and North Macedonia, the Group also distributes a range of products from external partners. The Group has manufacturing plants in Croatia, Slovenia, Serbia, Bosnia and Herzegovina and North Macedonia with companies and representative offices in 12 countries. The Group exports its products to more than 40 markets worldwide.

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 condensed consolidated financial statements of the Group for the period ended 31 December 2020 were approved by the Management Board of the Company in Zagreb on 24 February 2021.

The condensed consolidated financial statements have not been audited.

NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The condensed consolidated financial statements for the period ended 31 December 2020 have been prepared in accordance with IAS 34 – Interim Financial Reporting, as endorsed by the European Union (EU).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as of 31 December 2019. The Group's annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by EU.

2.2. GOING CONCERN

The Company's management believes that the Group has sufficient resources to continue operating in the foreseeable future and has not identified significant uncertainties related to business events and conditions that may cast doubt on the indefinite duration of the Group's operations. Accordingly, the condensed consolidated financial statements for the period ended 31 December 2020 have been prepared on a going concern basis.

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

2.3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements for the period ended 31 December 2020 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

2.4. SEASONALITY

The Group is not exposed to significant seasonal or cyclical changes in its operations.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES

There were no changes in critical accounting estimates used for preparation of condensed consolidated financial statements for the period ended 31 December 2020 comparing to those used for the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

Based on impairment tests performed at the balance sheet date, an impairment loss of HRK 21,800 thousand was recognised in respect of impairment of intangible assets with indefinite useful lives.

NOTE 4 – SEGMENT INFORMATION

The business model of the Group is organized through five strategic business units and business unit Donat MG which has been separated from strategic business unit Beverages since 1st January 2020.

The distribution business is organized to cover six largest markets – Croatia, Serbia, Slovenia, North Macedonia, Russia and Austria and department of Global Distribution Account Management covering the markets dominantly managed by distribution partners.

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

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

NOTE 4 – SEGMENT INFORMATION (continued)

Since DU Macedonia, DU Russia, DU Austria, Global distribution network management and SBU Sports and Functional Food do not meet quantitative thresholds, required by IFRS 8 for reportable segments, they are reported within “Other segments”. SBU Sports and Functional Food was entirely divested in early April 2019. The “Other segments” category comprises also of non-allocable business activities (headquarters and support functions in Serbia, Slovenia, Bosnia and Herzegovina and North Macedonia) which are excluded from the reportable operating segments.

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

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

Sales revenues* *(in thousands of HRK)*	**Jan - Dec 2020**	**Jan – Dec 2019**
SBU Coffee	1,106,940	1,135,957
SBU Savoury Spreads	836,088	726,619
SBU Snacks	644,251	674,624
SBU Pharma	539,786	643,933
SBU Beverages	481,671	556,914
BU Donat MG	196,302	191,198
SDU Croatia	1,250,286	1,368,717
SDU Serbia	1,231,482	1,263,857
SDU Slovenia	981,260	941,614
Other segments	786,864	732,363
Reconciliation	(2,802,901)	(2,804,064)
Total	**5,252,029**	**5,431,732**

* Comparative period has been adjusted to reflect current period reporting

NOTE 4 – SEGMENT INFORMATION (continued)

Business results	**EBITDA**	
	Jan - Dec	**Jan - Dec**
(in thousands of HRK)	**2020**	**2019**
SBU Coffee	284,323	266,586
SBU Savoury Spreads	191,335	149,543
SBU Snacks	114,891	126,043
BU Donat MG	90,028	89,058
SBU Beverages	86,960	88,179
SBU Pharma	29,423	58,208
SDU Croatia	62,528	60,022
SDU Slovenia	48,624	62,111
SDU Serbia	34,103	41,244
Other segments	(225,716)	(162,255)
Total	**716,499**	**778,739**

NOTE 5 – EARNINGS PER SHARE

Basic earnings per share

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

	2020	**2019**
Net profit / (loss) attributable to equity holders *(in thousands of HRK)*	341,730	388,880
Weighted average number of shares	3,326,936	3,331,481
Basic earnings / (loss) per share *(in HRK)*	102.72	116.73

Diluted earnings per share

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

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the period ended 31 December 2020, Group invested HRK 234,107 thousand in purchase of property, plant and equipment and intangible assets (2019: HRK 199,031 thousand). During the same period, property, plant and equipment and intangible asset impairment amounted to HRK 25,880 thousand (2019: HRK 43,196 thousand).

NOTE 7 - INVENTORIES

During the period ended 31 December 2020, the Group wrote down inventories in the amount of HRK 23,955 thousand due to damage and short expiry dates (2019: HRK 25,095 thousand). The amount is recognized in the income statement within “Other operating costs”.

NOTE 8 – DIVIDEND DISTRIBUTION

According to the decision of the Company's General Assembly from 18 June 2020, distribution of dividend in the amount of HRK 25.00 per share, or HRK 83,186 thousand in total was approved (2019: HRK 32.00 per share, or HRK 106,599 thousand in total). Dividend was paid out in July 2020.

NOTE 9 – FINANCE COSTS – NET

(in thousands of HRK)	**Jan - Dec 2020**	**Jan - Dec 2019**
Finance income		
Foreign exchange gains on borrowings	7,608	5,930
	7,608	5,930
Finance costs		
Interest expense on lease liabilities	(9,315)	(10,201)
Interest expense on bank borrowings	(8,796)	(15,245)
Interest expense on bonds	(6,393)	(6,386)
Interest expense on provisions for employee benefits	(785)	(682)
Other interest expense	(420)	(2,704)
Total interest expense	(25,709)	(35,218)
Foreign exchange loss on borrowings	(12,435)	(7,738)
	(38,144)	(42,956)
Finance costs - net	**(30,536)**	**(37,026)**

NOTE 10 – RELATED PARTY TRANSACTIONS

Related party transactions that relate to balance sheet as at 31 December 2020 and 31 December 2019 and transactions recognized in the Income statement for the periods then ended are as follows:

(all amounts expressed in thousands of HRK)	**31 December 2020**	**31 December 2019**
RECEIVABLES		
Current receivables		
Other entities	75,826	82,855
LIABILITIES		
Trade and other payables		
Other entities	1,918	2,054

	Jan-Dec 2020	**Jan-Dec 2019**
REVENUES		
Sales revenues		
Other entities	448,514	510,621
Other income		
Other entities	807	3,043
EXPENSES		
Marketing and promotion costs		
Other entities	3,065	4,258
Other operating costs		
Other entities	2,332	2,225
Additions		
Other entities	623	-

NOTE 11 – ACQUISTION AND DIVESTMENTS OF SUBSIDIARIES

At the beginning of December 2020, Atlantic Grupa has entered into a strategic partnership with the company Procaffe d.o.o., one of the leading players in the Croatian espresso coffee market that is currently present in more than 800 HoReCa entities in Croatia and it will continue its business development within the Atlantic Grupa. This new partnership will ensure a stronger presence of Atlantic Grupa in the espresso coffee segment in the HoReCa channel.

Atlantic Grupa acquired 99% of the shares in the company Procaffe d.o.o. Non-controlling interest in the acquired company is recognized at the fair value. Because of this transaction, the provisional goodwill of HRK 20,199 thousand has been recognized as the difference between the cost of acquisition and the carrying value of net assets acquired. Provisional goodwill is subject to final purchase price allocation which will be completed within the 12 months period from the acquisition date.

Cash paid and liability for acquisition of subsidiary
(in thousands of HRK)

Cash paid	12,782
Liability for acquisition of subsidiary	7,437
Total purchase consideration	**20,219**
Carrying value of net assets acquired	(20)
Provisional goodwill	**20,199**

Carrying value of net asset acquired
(in thousands of HRK)

Trade receivables and other receivables	703
Property, plant, and equipment	2,801
Intangible assets	10
Cash and cash equivalents	20
Trade payables and other payables	(3,514)
	20

Cash flow from acquisition of subsidiary
(in thousands of HRK)

Cash paid	12,782
Cash in subsidiary acquired	(20)
Payments for acquisition of subsidiary - net	**12,762**

NOTE 11 – ACQUISTION AND DIVESTMENTS OF SUBSIDIARIES (continued)

For the acquisition of Vivascaffe Professional d.o.o., in 2020 the Group paid HRK 4,258 thousand for the outstanding liability for acquisition of subsidiary and buy-out of 1% of the non-controlling interest.

During 2020 the Group collected outstanding receivables from the sale of subsidiaries in 2019: HRK 12,628 thousand from Fidifarm d.o.o. and HRK 4,500 thousand from Bionatura bidon vode d.o.o.

From the sale of subsidiary Neva d.o.o. in 2018, the Group collected remaining receivable of HRK 26,738 thousand and realized additional loss in the amount of HRK 1,153 thousand related to provision for legal dispute.

Furthermore, in 2020, the Group realized additional gain from the sale of sports and functional food factories in 2017 in the amount of HRK 6,331 thousand.

STATEMENT OF PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

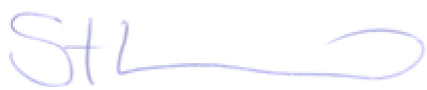
In accordance with provisions of Law on Capital Market, Zoran Stanković, Group Vice President for Finance, Procurement and Investment and Tatjana Ilinčić, Director of Corporate Reporting and Consolidation, person responsible for corporate accounting, reporting and consolidation, together as persons responsible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

STATEMENT:

According to our best knowledge the condensed consolidated financial statements for the period ended 31 December 2020 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 and its subsidiaries (together – “the Group”).

Report of the Company’s Management board for the period from 1 January to 31 December 2020 contains the true presentation of development, results, and position of the Group, with description of significant risks and uncertainties which the Group is exposed.

Condensed consolidated unaudited financial statements of the Group for the period ended 31 December 2020 were approved by the Management Board of the company Atlantic Grupa d.d. on 24 February 2021.



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Zoran Stanković
Group Vice President for Finance, Procurement and Investment

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Tatjana Ilinčić
Director of Corporate Reporting and Consolidation

Contact:

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ATLANTIC GRUPA
Joint Stock Company for Domestic and Foreign Trade
Miramarska 23, 10000 Zagreb, Croatia
tel: +385 (1) 24 13 900
fax: +385 (1) 24 13 901

The Company is registered with the Commercial Court of Zagreb
MBS: 080245039
MB: 1671910
PIN: 71149912416
Bank account: HR4624020061100280870 Raiffeisenbank Austria d.d., Zagreb, Petrinjska 59
The number of shares and their nominal value: 3,334,300 shares, each in the nominal amount of HRK 40.00
Share capital: HRK 133,372,000.00, paid in full.

Management Board: Emil Tedeschi, Neven Vranković, Zoran Stanković, Lada Tedeschi Fiorio, Srećko Nakić, Enzo Smrekar
President of the Supervisory Board: Zdenko Adrović