

ATLANTIC

GRUPA

FINANCIAL RESULTS
IN THE FIRST QUARTER OF 2020
(unaudited)

Zagreb, 28 April 2020

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INTRODUCTION

COMMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD AND CEO

ATLANTIC
GRUPA



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

“The beginning of 2020 was marked by the emergence of COVID-19, which spread from China to Europe and in early March to the countries of the region, and the World Health Organization (WHO) declared a global pandemic on 11 March 2020. COVID-19 poses a serious threat to human health, but it is also a significant adverse circumstance for business operations. Atlantic Grupa supports institutional pandemic prevention and citizen protection measures, and actively monitors the development of the situation by implementing extensive protective measures, with the highest priority being the protection of all our employees and partners. As a socially responsible company, we actively participate in the joint fight against the new coronavirus in all the regional markets in which we operate, and have decided to donate HRK 28 million for assistance to local civil protection headquarters and institutions that coordinate infection control and population protection activities.

Undoubtedly, the pandemic has a significant impact on our business. The measures taken to prevent the spread of COVID-19 have a significant negative impact on tourism and hospitality, as well as many other economic sectors, since they include, among other things, the closure of hotels, restaurants and cafes, cancellation of all sports and entertainment events, significant travel restrictions, insisting on social distancing, shorter opening hours of supermarkets and adopting work-from-home policies wherever possible. However, it is important to note that so far, apart from the suspension of sales in the HoReCa channel and the decline in consumption of our products in the “on the go” and impulse segments, we have had no other significant negative impact on our business. Moreover, in the first quarter we achieved organic growth of 12.2% as a consequence of excellent results of Argeta, Farmacia pharmacy chain, Donat Mg and Barcaffe and Grand kafa.

In a day-to-day changing environment, measures for combating the pandemic have a significant negative impact on the global economy and consumer habits, and the consequences will affect our business as well. Stable financial position, historically highest results in 2019, unquestionable ability and commitment of Atlantic’s employees, and the strength of our brands will help us overcome this crisis with, we believe, minimal negative consequences.”

KEY DEVELOPMENTS IN THE FIRST QUARTER OF 2020

SIGNIFICANT ORGANIC SALES GROWTH* AND PROFITABILITY GROWTH

- **SALES** AT HRK 1,280.7 MILLION
+ 6.6% compared to the first quarter of 2019
+ 12.2%* normalised for impacts of divested business
- **EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA*)**
AT HRK 181.4 MILLION
+ 12.1% compared to the first quarter of 2019
- **EARNINGS BEFORE INTEREST AND TAXES (EBIT*)** AT HRK 121.3 MILLION
+ 15.4% compared to the first quarter of 2019
- **NET PROFIT*** AT HRK 89.3 MILLION
+ 10.6% compared to the first quarter of 2019

FINANCIAL SUMMARY OF THE FIRST QUARTER OF 2020

Key figures	1Q 2020	1Q 2019	1Q 2020/1Q 2019
Sales (in HRK million)	1,280.7	1,200.9	6.6%
Turnover (in HRK million)	1,291.4	1,213.0	6.5%
Normalized EBITDA margin*	14.2%	13.5%	+69bp
Normalised net income* (in HRK million)	89.3	80.7	10.6%
Gearing ratio*	23.9%	25.7%	-177bp

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".

KEY DEVELOPMENTS IN THE FIRST QUARTER OF 2020



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

Although Atlantic Grupa's business was normal in the major part of first quarter, the emergence of COVID-19 in all our key markets in early March, followed by the declaration of a global pandemic and the introduction of specific restrictive measures to prevent the spread of the pandemic, began to affect Atlantic Grupa's business in the second part of March. On the one hand, negative effects were felt, primarily the inability to sell in the HoReCa channel due to the closure of hotels, restaurants and cafes, but to some extent also on the sale of Out of Home (OOH) products and impulse goods. At the same time, these negative impacts are completely cancelled out by the increased demand and stockpiling in households, primarily of Argeta, Granny's Secret, but also Barcaffè and Grand kafa, Donat Mg, a portion of salty and sweet range, Cedevita for consumption at home, personal hygiene and cleaning products, and products sold through Farmacia. More details on the impact of the crisis caused by the pandemic are set out in our outlook and expectations below.

Atlantic Grupa has always taken care of the community we live in, behaving in many ways as a socially responsible company. The crisis caused by the COVID-19 pandemic in the wider environment has not affected this, except that we have further intensified our efforts to help the environment.

Atlantic Grupa actively participates in the joint 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.

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.

KEY DEVELOPMENTS IN THE FIRST QUARTER OF 2020

3. PROCESS OF BUSINESS PROCESSES IMPROVEMENT INITIATED

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 late last year.

The project, implemented in collaboration with external consultants, seeks to align all business processes according to the best business practice model. This would simplify and accelerate future implementations of the system, but would also allow for further streamlining of the roles and responsibilities of individual organisational units within the company.

The project involves over 300 processes that will be designed through more than 100 workshops.

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 our 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 that rely on 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 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.

SALES DYNAMICS IN THE FIRST QUARTER OF 2020

SALES PROFILE BY STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(HRK million)	1Q 2020	1Q 2019	1Q 2020/1Q 2019
SBU Coffee	252.0	239.1	5.4%
SBU Savoury Spreads	223.5	160.9	38.9%
SBU Snacks	155.2	157.4	(1.4%)
SBU Beverages	104.4	112.2	(7.0%)
SBU Pharma	144.7	152.9	(5.4%)
BU Donat Mg	51.0	45.3	12.5%
SDU Croatia	300.4	276.4	8.7%
SDU Serbia	267.8	274.9	(2.6%)
SDU Slovenia	239.0	210.9	13.3%
Other segments*	194.1	182.9	6.1%
Reconciliation**	-651.3	-612.0	n/a
Sales	1,280.7	1,200.9	6.6%

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

In the first quarter of 2020, Atlantic Grupa recorded sales of HRK 1.3 billion, which is a 6.6% growth compared to the same period of the previous year. The greatest contribution to the revenue growth was made by the increase in sales of Savoury Spreads, Coffee, Donat Mg and the pharmacy chain Farmacia, which is partly a consequence of stockpiling in households due to the COVID-19 pandemic. 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 organic revenue growth would be 12.2%***.

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 CIS, GDAM, DU Macedonia and business activities not allocated to business and distribution units (headquarters and support functions in Serbia, Slovenia, Bosnia and Herzegovina and Macedonia) which are excluded from the reportable operating segments.

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

*** 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“.

SALES DYNAMICS IN THE FIRST QUARTER OF 2020



The STRATEGIC BUSINESS UNIT COFFEE records sales growth as a consequence of the increase in sales in most regional markets, with the highest growth recorded in the markets of Croatia, Slovenia and Bosnia and Herzegovina. Analysed by categories, the growth was recorded by roast and ground coffee as the most significant category, and instant coffee, while espresso coffee and other range for out-of-home consumption records a mild decrease due to the closure of the HoReCa channel as a measure by local authorities to prevent the spread of COVID-19. The Barcaffe and Grand kafa brands primarily contributed to the growth in the roast and ground coffee segment. Instant Turkish coffee Black'n'Easy and Barcaffe&GO record double-digit growth rates.



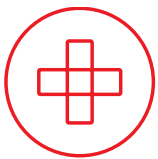
The STRATEGIC BUSINESS UNIT SAVOURY SPREADS recorded a double-digit sales growth as a consequence of excellent business results in all regional markets, the increase in sales in Western European markets (Germany, Austria, France and the Netherlands) and in the market of Russia. The significant sales growth was largely impacted by stockpiling in households in March amid the COVID-19 pandemic. The growth was recorded by both meat and fish segments of savoury spreads. Also, the *ajvar* and jams categories under the Granny's Secret brand record a double-digit sales growth.



The STRATEGIC BUSINESS UNIT SNACKS recorded a mild decrease in sales primarily in the market of Serbia, which was partly cancelled out by the growth in the markets of Croatia, Bosnia and Herzegovina, Slovenia, Macedonia, Montenegro and Austria. Analysed by categories, flips under the Smoki brand and Prima salty sticks recorded double-digit growth rates, while other categories record a decrease, specially notable in the impulse portion of the range.



The STRATEGIC BUSINESS UNIT BEVERAGES recorded a sales decrease in the markets of Croatia, Montenegro and Serbia, party cancelled out by the growth in the markets of Slovenia and Austria. The Cedevita and Cockta brands record a decrease in sales primarily due to the closure of the HoReCa channel as a measure by local authorities to prevent the spread of COVID-19, but also due to the decline in the out-of-home consumption, which was partly compensated for by the increase in sales of Cedevita and Cockta in the food retail channel. If we exclude the effect of divested distribution of bottled water for dispensers, sales of this unit dropped 3.2%.



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 grew 13.4%. The pharmacy chain Farmacia records a significant growth of 18.9% partly caused by the COVID-19 pandemic and consequently higher demand for drugs, food supplements, disinfectants and protective equipment. This growth fully cancelled out the slight decrease in sales of baby food under the Bebi brand in the Russian market.



Double-digit growth rates are recorded by THE BUSINESS UNIT DONAT MG due to the sales increase in the markets of Croatia and Bosnia and Herzegovina and international markets of Austria and Russia.



The STRATEGIC DISTRIBUTION UNIT CROATIA recorded a significant sales growth following great results of own and principal brands. Among own brands, Barcaffe in the coffee segment, Argeta in the savoury spreads segment, functional water Donat Mg and Smoki in the snacks segment stand out.

SALES DYNAMICS IN THE FIRST QUARTER OF 2020



Among principal brands, the biggest growth was recorded by Ferrero, Mars, Unilever and Hipp. Such strong sales growth is due in part to stockpiling in households amid pandemic uncertainty. Due to the closure of the HoReCa channel as a measure by local authorities to prevent the spread of COVID-19, the HoReCa channel recorded a decline in sales revenue. If we exclude the effect of absent sale of bottled water for dispensers, divested last year, sales of this unit grew 11.1%.

The STRATEGIC DISTRIBUTION UNIT SERBIA recorded a decrease in sales primarily as a consequence of the decrease in sales of own brands in the HoReCa channel, OOH and impulse goods range in general, but also of a portion of the snacks segment. This decrease was partly cancelled out by the increase in sales of Cockta in the beverages segment, Argeta in the savoury spreads segment, and Smoki and Prima sticks in the snacks segment. Among principal brands, new principals Kandit and Saponia stand out. It should be noted that in Serbia the measures for preventing COVID-19 spread are the most restrictive in the region and consequently had a more pronounced negative impact on business than in other markets.

The STRATEGIC DISTRIBUTION UNIT SLOVENIA records a significant sales growth as a consequence of the increase in sales of almost all own brands, led by savoury spreads under the Argeta brand, roast and ground coffee under the Barcaffa brand, vitamin instant drink under the Cedevita brand, and Smoki. Among principal brands, Ferrero, Unilever and new principals Saponia and Kandit stand out. A portion of the growth was undoubtedly generated by stockpiling in households related to the COVID-19 pandemic, which at the same time negatively impacted the sales in the HoReCa channel, which records a sales decrease.

OTHER SEGMENTS record a sales growth in all parts. If we exclude the effects of sales in the strategic business unit Sports and Functional Food, fully divested last year, other segments record a 25.1% growth.

The significant sales growth in the DISTRIBUTION UNIT MACEDONIA is based on the increase in sales of own and principal brands. Own brands recorded growth in all categories, led by Argeta in the savoury spreads segment, Grand kafa in the coffee segment, and Smoki in the flips category. Among principal brands, the most significant growth was recorded by Ferrero and Hipp, and new principals Beiersdorf and Ficosota. As with other markets, a part of the growth was undoubtedly generated by stockpiling in households linked to the COVID-19 pandemic, which at the same time had a negative impact on sales in the HoReCa channel, which recorded a decline in sales revenue.

Double-digit growth rates are recorded by the DISTRIBUTION UNIT AUSTRIA, mainly due to the growth of all own brands, primarily the growth of Argeta in the savoury spreads segment, functional water Donat Mg, and Smoki in the snacks segment.

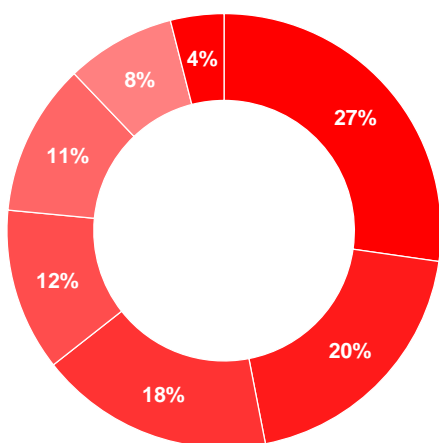
GLOBAL DISTRIBUTION ACCOUNT MANAGEMENT recorded an increase in sales where the greatest sales growth was recorded in the markets of Germany, France, the Netherlands and Sweden, in particular in the savoury spreads segment with the Argeta brand and in the coffee segment with the Grand kafa brand.

The DISTRIBUTION UNIT RUSSIA records a sales growth in the markets of Russia and Ukraine, with the most significant growth recorded by savoury spreads under the Argeta brand and functional water Donat Mg.

SALES DYNAMICS IN THE FIRST QUARTER OF 2020

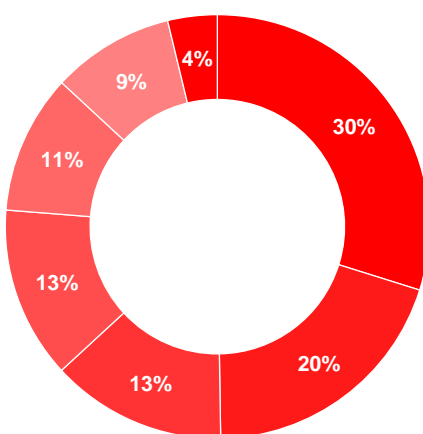
SALES PROFILE BY SEGMENTS

1Q 2020



- Principal brands 27.2%
- Coffee 19.7%
- Savoury spreads 17.5%
- Sweet and salted snacks 12.1%
- Pharma 11.4%
- Beverages 8.1%
- Donat Mg 4.0%

1Q 2019



- Principal brands 29.8%
- Coffee 19.9%
- Savoury spreads 13.4%
- Sweet and salted snacks 13.1%
- Pharma 10.6%
- Beverages 9.4%
- Donat Mg 3.8%

SALES DYNAMICS IN THE FIRST QUARTER OF 2020

SALES PROFILE BY MARKETS

(in HRK millions)	1Q 2020	% of sales	1Q 2019	% of sales	1Q 2020/ 1Q 2019
Croatia	427.4	33.4%	399.7	33.3%	6.9%
Serbia	272.7	21.3%	280.9	23.4%	(2.9%)
Slovenia	239.1	18.7%	211.3	17.6%	13.2%
Bosnia and Herzegovina	110.5	8.6%	98.1	8.2%	12.7%
Other regional markets*	107.3	8.4%	76.6	6.4%	40.1%
Key European markets**	64.2	5.0%	74.9	6.2%	(14.3%)
Russia and CIS	36.4	2.8%	35.1	2.9%	3.6%
Other markets	23.1	1.8%	24.4	2.0%	(5.1%)
Total sales	1,280.7	100.0%	1,200.9	100.0%	6.6%

*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 significant 6.9% sales growth following the increase in sales of: (i) own brands, with the biggest growth recorded by Barcaffe in the roast and ground coffee category, Argeta in the savoury spreads segment, Smoki in the snacks segment, and functional water Donat Mg, (ii) the pharmacy chain Farmacia, and (iii) external principals, among which the biggest growth was recorded by Ferrero, Mars, Unilever and Hipp. 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 grew 13.4%.

The MARKET OF SERBIA recorded a mild decrease in sales caused by the decrease in sales of Grand kafa in the coffee segment, sweet range in the snacks segment, and Cedevita in the beverages segment, which was partly cancelled out by the increase in sales of Argeta in the savoury spreads segment, Cockta in the beverages segment, and Smoki in the snacks segment. Among principal brands, growth comes from Rauch and new principals Saponia and Kandit. It should be noted that in Serbia the measures for preventing COVID-19 spread are the most restrictive in the region and consequently had a more pronounced negative impact on business than in other markets.

The increase in sales in the MARKET OF SLOVENIA is based on the increase in sales of all product categories, led among own brands by: (i) roast and ground coffee under the Barcaffe brand, (ii) savoury spreads under the Argeta brand, and (iii) flips under the Smoki brand. Among principal brands Ferrero, Unilever and new principals Saponia and Kandit stand out.

SALES DYNAMICS IN THE FIRST QUARTER OF 2020



The MARKET OF BOSNIA AND HERZEGOVINA recorded a double-digit growth due to the increase in sales of: (i) roast and ground coffee under the Grand kafa brand, (ii) savoury spreads under the Argeta brand, (iii) flips under the Smoki brand from the snacks range, and (iv) functional water Donat Mg.

The significant increase in sales of 40.1% in OTHER REGIONAL MARKETS was recorded due to the double-digit increase in sales in the markets of Macedonia and Kosovo, and the increase in the market of Montenegro. The greatest contribution to the growth in these markets was made by the increase in sales of Argeta in the savoury spreads segment.

The KEY EUROPEAN MARKETS record a decrease in sales primarily caused by divesting the Strategic Business Unit Sports and Functional Food last year, which was partly cancelled out by the growth of Argeta in the savoury spreads segment. The markets of Austria and Sweden record sales growth. 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 30.6% growth.

The increase in sales in the MARKET OF RUSSIA AND THE COMMONWEALTH OF INDEPENDENT STATES is a result of 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, this market would grow by 11.6%.

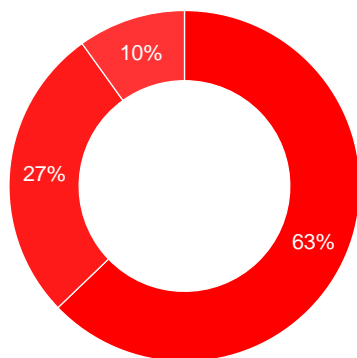
OTHER MARKETS record a decrease in sales due to divesting the sports and functional food segment. The decrease was partly cancelled out by the increase in sales of savoury spreads under the Argeta brand in most Other markets. If the sales of brands from the Strategic Business Unit Sports and Functional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

Sales in all markets were positively impacted by stockpiling in households due to the pandemic crisis, while regional markets were additionally negatively impacted by reduced sales in the HoReCa channel, but also of the out-of-home consumption range and the impulse goods segment in general.

SALES DYNAMICS IN THE FIRST QUARTER OF 2020

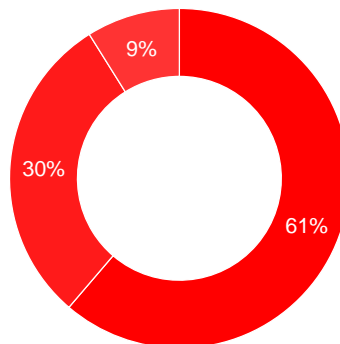
SALES PROFILE BY PRODUCT CATEGORY

1Q 2020



- Own brands 62.8%
- Principal brands 27.3%
- Farmacia 9.9%

1Q 2019



- Own brands 61.3%
- Principal brands 29.8%
- Farmacia 8.9%

In the first quarter of 2020, OWN BRANDS recorded sales of HRK 804.4 million, which is a 9.3% growth. The greatest contribution to the growth was made by: (i) Argeta in the savoury spreads segment, (ii) Barcaffè and Grand kafa in the coffee segment, (iii) Smoki in the snacks segment, and (iv) functional water Donat Mg.

PRINCIPAL BRANDS record a mild decrease of 2.5% with sales of HRK 349.2 million. If we exclude the effect of absence of sales in the sports and functional food range in part in which the distribution was discontinued, principal brands grow by 5.7%. The growth is mainly based on the increase in sales of principals Ferrero, Unilever, Hipp and Mars, and new principals including Saponia and Kandit in Slovenia and Serbia, and Ficosota and Beiersdorf in Macedonia.

A significant 18.9% growth was recorded by the pharmacy chain FARMACIA with sales of HRK 127.0 million due to the increase in sales of the existing Farmacia locations and higher sales following the higher demand for drugs, food supplements, disinfectants and protective equipment as a consequence of the COVID-19 pandemic. As at 31 March, Farmacia consists of 90 pharmacies and specialised stores.

PROFITABILITY DYNAMICS IN THE FIRST QUARTER OF 2020

PROFITABILITY DYNAMICS

(in HRK millions)	1Q 2020	1Q 2019	1Q 2020/1Q 2019
Sales	1,280.7	1,200.9	6.6%
EBITDA*	181.4	161.8	12.1%
EBIT*	121.3	105.1	15.4%
Net profit*	89.3	80.7	10.6%
Profitability margins			
EBITDA margin*	14.2%	13.5%	+69bp
EBIT margin*	9.5%	8.8%	+72bp
Net profit margin*	7.0%	6.7%	+25bp

In the first quarter of 2020, EBITDA amounts to HRK 181.4 million, which is a 12.1% growth compared to the same period of the previous year, or a 12.8%* growth if we exclude the effect of the divested business.

The significant increase in EBITDA was mostly impacted by the increase in sales of the business units Savoury Spreads and Coffee and the pharmacy chain Farmacia, and the majority of distribution units. The increase in EBITDA was also 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. Following the increase in sales, the majority of cost categories grew, including Cost of goods sold, cost of production materials, logistics and transportation costs, etc., but their increase was lower than the increase in sales. Higher staff costs are partly a consequence of incentive compensations in the amount of 15% of the salary for all employees that are unable to work from home during the pandemic because of the nature of their jobs, and an increase in the minimum prescribed wages in Serbia, which annulled the effect of the decrease in staff costs arising from the divested business.

Net profit recorded a 10.6% growth due to lower interest expense, despite the significant negative impact of foreign exchange differences primarily arisen due to 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”.

FINANCIAL INDICATORS IN THE FIRST QUARTER OF 2020

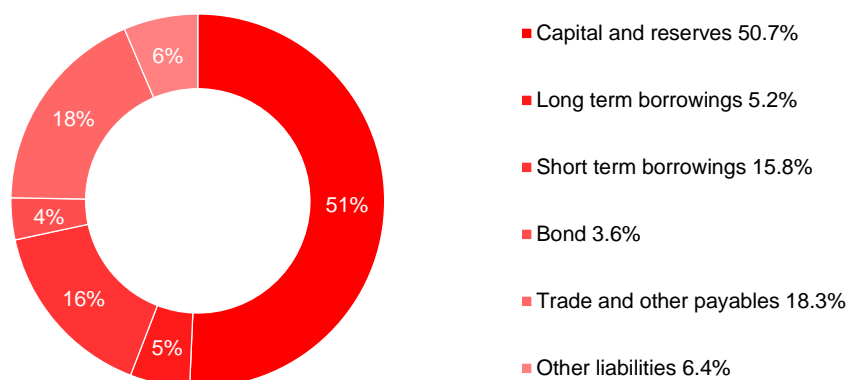
FINANCIAL INDICATORS

(in HRK millions)	3/31/2020	12/31/2019
Net debt*	881.5	922.7
Total assets	5,531.2	5,247.3
Total Equity	2,804.2	2,669.8
Current ratio*	1.2	1.3
Gearing ratio*	23.9%	25.7%
Net debt/EBITDA*	1.2	1.3
(in HRK millions)	Q1 2020	Q1 2019
Interest coverage ratio*	27.1	18.5
Capital expenditure*	91.9	75.1
Free cash flow*	43.0	79.7
Cash flow from operating activities	134.9	154.8

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

- The gearing ratio decreased by as much as 177 basis points due to the decrease in net debt of HRK 41 million compared to the end of 2019.
- The debt measured as the net debt to normalised EBITDA ratio dropped from 1.3 at the end of 2019 to 1.2 at the end of the first quarter of 2020.
- Free cash flow records a decrease due to increased capital expenditure and lower cash flow from operating activities due to higher investments in the working capital (additional inventories of production materials and finished products, lower collection of receivables, primarily in the HoReCa channel).

THE ATLANTIC GRUPA'S EQUITY AND LIABILITIES STRUCTURE AS AT 31 MARCH 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“.

FINANCIAL INDICATORS IN THE FIRST QUARTER OF 2020

OVERVIEW OF KEY ITEMS IN THE CONSOLIDATED CASH FLOW STATEMENT

Cash flow from operating activities in the first quarter of 2020 records a mild decrease due to higher investments in the working capital (additional inventories of production materials and finished products, lower collection of receivables, primarily in the HoReCa channel).

Capital expenditure in the first quarter of 2020 primarily relates to the purchase of land for a new administration building, investments in the production equipment of business units for the purpose of increasing the efficiency of production processes, the development of new products and the development of IT infrastructure, business systems and applications.

Among significant investments, we should mention:

- SBU BEVERAGES: investment in the new line for Cedevita GO;
- SBU COFFEE: investment in the production of instant coffee, and purchase of C2GO equipment;
- SBU SNACKS: investment in the chocolate production line;
- IT: investment in infrastructure, digital technologies and implementation of business applications and the replacement of equipment.

IMPACT OF COVID-19 ON OPERATIONS AND ATLANTIC GRUPA'S MANAGEMENT STRATEGIC GUIDANCE FOR 2020

The beginning of 2020 was marked by the emergence of COVID-19, which spread from China to Europe, and in early March to the countries of the region, that is, all Atlantic Grupa's key markets. Given the rapid spread of the virus and its significant threat to human health, the World Health Organization (WHO) declared a global pandemic on 11 March, and all the countries affected have implemented a number of measures aimed at slowing the spread of the infection.

Atlantic Grupa, fully aware of the threat to human life and health, implements all institutional pandemic prevention and citizen protection measures, and actively monitors the development of the situation by implementing additional protective measures, taking into account primarily the protection of all our employees, partners and the general population. Atlantic Grupa established Crisis teams in our key markets already at the end of February with the aim of implementing internal measures that will maximize the protection of our employees and ensure smooth operations. In addition, the Crisis team regularly monitors the notifications and instructions of all competent institutions and, in accordance with them and our internal policies, which in some cases are even more rigorous than the instructions of the competent institutions, implements preventive measures.

In order to help reduce the spread of COVID-19 and ensure smooth operations, the following measures, among others, have been taken:

- Education of employees regarding the symptoms and prevention of COVID-19 and ensuring sufficient and adequate hygiene protection;
- Strengthening safety and public health protocols;
- Ban on all business trips and major business gatherings such as team building, conferences and trainings even before social distancing measures have taken effect;
- The obligation to work from home for all employees whose positions allow this. Currently, 1873 of our employees work from home;
- Harmonisation of IT systems and support for the new working conditions (work from home).
- Notification to suppliers for the introduction of enhanced hygiene measures;
- Full compliance with our customers in the supply chain, in order to ensure the continued availability of our range in stores in the situation of different working hours, safety measures and reduced consumer in-store time;
- Increase in inventories of raw materials and finished products and continuous communication with suppliers to ensure that raw materials and consumables are procured smoothly;
- Ensuring additional liquidity;
- Identification of critical business processes and identification of measures for their sustainability;
- Incentive compensation of 15% of the salary for all employees that are unable to work from home during the pandemic because of the nature of their jobs;
- Adequate protective and hygienic equipment, including protective masks, gloves and, where necessary, face visors, has been distributed to all employees who do not work from home;
- Disinfectants are installed at all key locations and temperature is measured by contactless thermometers at the entrance to the production sites;
- Due to the limited public transport, where necessary, bus transportation is arranged for production workers;
- Protective barriers have been installed in all workplaces where required and, where possible, shift work has been organised to ensure business continuity;
- Strict cost control and redistribution of investments into those activities that have become more relevant in the new circumstances;
- Postponing of all capital investments that are currently not crucial;
- Etc.

OUTLOOK FOR 2020

The timeliness of Atlantic Grupa's reaction to the new circumstances is also confirmed by the fact that to date, the company has had only 3 infected COVID-19 patients, two of whom have fully recovered and one is successfully recovering. All patients were identified with the first symptoms, immediately isolated, and all persons who had been in direct contact with them were also preventively isolated, which prevented the spread within the company. Consequently, none of these manufacturing sites had additional patients.

Also, although deliveries of raw materials and packaging materials, as well as deliveries of our finished products are to an extent more difficult, we have not had any significant supply chain problems so far, nor we expect them. The same goes for the smooth running of our production activities.

In addition to COVID-19 being a serious threat to human health, measures taken to prevent its uncontrolled spread have a significant negative impact on the global economy. Measures in all markets affect all business entities, and they include the closure of hotels, restaurants and cafes, cancellation of all sports and entertainment events, significant travel restrictions, insistence on social distancing, shorter opening hours of grocery stores and the complete closure of almost all other stores, adoption of work-from-home policies wherever possible, and many others. In the implementation of these measures, countries generally differ only in the degree of their application, such as whether they allow grocery stores to be open until 3 or 5 p.m., whether they introduce curfews, etc.

It is currently impossible to estimate the exact impact of the measures described on the economy, but there is no doubt that 2020 will be a year of global recession, with only a few countries avoiding it, and even this is questionable. It is very difficult to estimate the magnitude of the decline in global GDP due to the uncertainty of the length of the pandemic, but also other unknowns of this epidemic. Fortunately, Atlantic Grupa's key markets are among the countries where there is no exponential growth in the number of cases, and in many of them the number of new cases has been stable or even declining for some time. Accordingly, it is announced that restrictive measures will be relaxed, but in several phases over a period of several months. It is indisputable that this relaxation will have a positive impact on the economy, but it is equally indisputable that it will take months, and perhaps years, to return to the economic situation before the crisis. Even if there is no new wave of infections, which is impossible to predict at this time.

The decline in GDP and the increase in unemployment caused by the weakening of the economies will undoubtedly have an impact on the weakening of the purchasing power of the population, and this is compounded by changes in the demand, priorities and consumer habits of our consumers. Even when restaurants and cafes are opened, social distancing measures remain in place, and it is beyond doubt that consumption will remain below pre-crisis levels for a long time. In retail, consumers focus on essential foods, personal hygiene and cleaning products, longer-lasting products, etc. Consumers visit fewer stores, make fewer purchases, but of higher values, they more often visit large stores where they can find everything they need in one place. Demand for large (economy) packs has increased, given work from home and travel restrictions, the consumption in homes has increased, and out-of-home/on-the-go consumption significantly decreased. We have recognised these trends and are adapting our offer. Shortened opening hours of stores and limited number of visitors mean that sales representatives and sales promoters have difficulties in getting into stores, so store shelves are often inadequately stacked and arranged.

All this to a certain degree impacts the operations of Atlantic Grupa. Some segments, such as the pharmacy chain Farmacia, Argeta, Granny's Secret, Donat, Smoki, Barcaffè and Grand kafa and some of our principal brands such as Mars pet food, HIPP baby food, Neva and Unilever ranges in the personal hygiene and household cleaning products segment were exceptionally successful in the first quarter, partly as a result of stockpiling in households.

Moving the consumption into own homes undoubtedly benefits a portion of our range, including all stated above, but the inability of sales in the HoReCa channel that makes approximately 7% of our total annual

OUTLOOK FOR 2020



sales (primarily Beverages and Coffee) and the decrease in the OTG consumption (primarily Beverages) and impulse goods (primarily Snacks and external principals), as well as the inability to properly arrange points of sale and the reduced consumer purchasing power will definitely have a negative impact on our results. The same applies to shorter opening hours of our pharmacies and specialised stores as well as the significantly weaker tourist season in Croatia, our individually largest market.

Donations to combat the pandemic in our key markets of HRK 28 million, as well as considerable funds spent on protective equipment and disinfection materials to protect the health of our employees, also diminish our business results this year.

The final impact on the second quarter and the annual results cannot be determined at this time, as it largely depends on the duration of the measures, the dynamics of their relaxation in individual markets and the macroeconomic situation, where the Croatian market, our individually most significant market, is likely to be the most affected due to the significant share of tourism in total GDP. Further uncertainty is the movement of exchange rates, especially of the Croatian kuna, Russian ruble, Serbian dinar and US dollar against the Euro.

There is no doubt that there will be significant differences in the impacts on individual economies, depending on eating habits, lifestyles and local governments' approaches to implementing and relaxing measures to prevent the spread of COVID-19.

In such circumstances, Atlantic Grupa's management will focus as much as possible on maintaining an extremely positive employee health situation, smoothly continuing the production, taking benefit of all opportunities arising from this crisis and minimising the risks described.

Our balance sheet is extremely stable, debt is at a record low, and the results have been record high over the last few quarters, including the first quarter of this year. We have ensured sufficient liquidity, sufficient inventories and it is beyond doubt that our business is not threatened, but it is certain that in the next few months, and probably quarters, we cannot expect to repeat the last-year's results.

It is important to note that our balance sheet includes nearly HRK 1.6 billion of intangible assets whose value depends to some extent on our future results as well as on the average weighted cost of capital so that any long-term changes to our sales revenues or risk premiums for our key markets could result in the impairment of these assets.

We will closely monitor the development of the situation and prepare for new way of doing business (new normal), since we do not expect a full return to the pre-crisis situation in this calendar year, and probably neither in the first months of the following year.

ATLANTIC GRUPA d.d.

DEFINITION AND RECONCILIATIONS OF

ALTERNATIVE PERFORMANCE MEASURES (APM)

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	1Q 2020	1Q 2019	1Q 2020/ 1Q 2019
Sales	1,280.7	1,200.9	6.6%
Sales of divested business - SBU SFF		27.7	
Sale of divested business - brand Dietpharm		13.9	
Sale of divested business - brand Multivita		3.1	
Exit from pharma wholesale business		8.3	
Sale of divested business - BNBV		6.1	
Comparable organic sales	1,280.7	1,141.8	12.2%

in HRK million	SBU Beverages	SBU Pharma	SDU Croatia	Other segments
Reported 1Q 2019	112.2	152.9	276.4	182.9
Sales of divested business - SBU SFF	-	-	-	27.7
Sale of divested business - brand Dietpharm	-	13.9	-	-
Sale of divested business - brand Multivita	-	3.1	-	-
Exit from pharma wholesale business	-	8.3	-	-
Sale of divested business – BNBV*	4.4	-	6.1	-
Comparable sales 1Q 2019	107.9	127.6	270.3	155.2
Reported 1Q 2020	104.4	144.7	300.4	194.1
1Q 2020/1Q 2019	-3.2%	13.4%	11.1%	25.1%

*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.

DEFINITION AND RECONCILIATIONS OF ALTERNATIVE PERFORMANCE MEASURES (APM)

in HRK million	Croatia	Serbia	Slovenia	B&H
Reported 1Q 2019	399.7	280.9	211.3	98.1
Sale of divested business - brand Dietpharm	8.8	0.5	0.1	3.4
Sale of divested business - brand Multivita	0.0	0.1	-	0.4
Exit from pharma wholesale business	8.3	-	-	-
Sale of divested business - BNBV	6.0	-	-	-
Comparable sales 1Q 2019	376.7	280.3	211.2	94.2
Reported 1Q 2020	427.4	272.7	239.1	110.5
1Q 2020/1Q 2019	13.4%	-2.7%	13.2%	17.3%

in HRK million	Other regional markets	Key European markets	Russia and CIS	Other markets
Reported 1Q 2019	76.6	74.9	35.1	24.4
Sales of divested business - SBU SFF	-	25.7	-	2.0
Sale of divested business - brand Dietpharm	0.9	-	-	0.2
Sale of divested business - brand Multivita	0.1	-	2.5	-
Comparable sales 1Q 2019	75.7	49.1	32.6	22.2
Reported 1Q 2020	107.3	64.2	36.4	23.1
1Q 2020/1Q 2019	41.9%	30.6%	11.6%	4.2%

in HRK million	1Q 2020	1Q 2019	1Q 2020/ 1Q 2019
Sales of principal brands	349.2	358.2	-2.5%
Sales of divested business - SBU SFF		27.7	
Comparable sales of principal brands	349.2	330.5	5.7%

EBITDA and EBITDA margin

EBITDA (Earnings before interest, tax, depreciation and amortization) equals to operating profit in the financial statements (see Note 2 Summary of significant accounting policies in the latest audited Consolidated Financial statements) increased for depreciation, amortisation and impairment (see Note 13, 14, 15 in the latest audited Consolidated Financial statements).

The Group also presents EBITDA margin, which is defined as EBITDA as percentage of sales.

(in HRK millions)	1Q 2020	1Q 2019	1Q 2020/ 1Q 2019
Operating profit	121.3	105.1	15.4%
Depreciation, amortisation and impairment	60.1	56.6	6.1%
EBITDA	181.4	161.8	12.1%
Sales	1,280.7	1,200.9	
EBITDA margin	14.2%	13.5%	

DEFINITION AND RECONCILIATIONS OF ALTERNATIVE PERFORMANCE MEASURES (APM)

(in HRK millions)	1Q 2020	1Q 2019	1Q 2020/ 1Q 2019
EBITDA	181.4	161.8	12.1%
Sales of divested business - SBU SFF		-2.5	
Sale of divested business - brand Dietpharm		3.7	
Sale of divested business - brand Multivita		-0.3	
Sale of divested business - BNBV		0.1	
Comparable EBITDA	181.4	160.8	12.8%

EBIT and 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). Additionally, the Group also presents EBIT margin, which is defined as EBIT as percentage of sales.

(in HRK millions)	1Q 2020	1Q 2019	1Q 2020/ 1Q 2019
Operating profit	121.3	105.1	15.4%
EBIT	121.3	105.1	15.4%
Sales	1,280.7	1,200.9	
EBIT margin	9.5%	8.8%	

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 March 2020. Additionally, the Group also presents Net profit margin, which is defined as Net profit as percentage of sales.

(in HRK millions)	1Q 2020	1Q 2019	1Q 2020/ 1Q 2019
Net profit	89.3	80.7	10.6%
Sales	1,280.7	1,200.9	
Net profit margin	7.0%	6.7%	

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 March 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 March 2020, as shown below:

DEFINITION AND RECONCILIATIONS OF ALTERNATIVE PERFORMANCE MEASURES (APM)

(in HRK millions)	31 March 2020	31 Dec 2019
Non current borrowing	200.7	412.6
Non current lease liabilities	284.8	295.5
Current borrowings	790.8	517.3
Current lease liabilities	82.5	80.0
Derivative financial instruments, net	-2.7	1.8
Cash and cash equivalents	-474.6	-384.5
Net debt	881.5	922.7
LTM EBITDA	741.4	721.8
Net debt/LTM EBITDA	1.2	1.3

The Group also uses the net debt to EBITDA ratio, which is net debt divided by EBITDA, to assess its level of net debt in comparison to profits earned by the Group. This measurement reflects Group's ability to service and repay its financial liabilities.

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 March 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	1Q 2020	1Q 2019
Current assets	2,388.0	2,170.5
Current liabilities	2,015.6	1,648.4
Current ratio	1.2	1.3

GEARING RATIO

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

in HRK million	1Q 2020	1Q 2019
Net debt	881.5	922.7
Total equity	2,804.2	2,669.8
Gearing ratio	23.9%	25.7%

INTEREST COVERAGE RATIO

The interest coverage ratio is calculated by dividing Group's EBITDA by total interest expense (see Note 7 Finance cost-net in the attached Condensed consolidated financial statements for the period ended 31 March 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	1Q 2020	1Q 2019
Normalized EBITDA	181.4	161.8
Total interest expense	6.7	8.7
Adjusted interest coverage ratio	27.1	18.6

DEFINITION AND RECONCILIATIONS OF ALTERNATIVE PERFORMANCE MEASURES (APM)

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 March 2020.

in HRK million	1Q 2020	1Q 2019
Net cash flow from operating activities	134.9	154.8
Capex	91.9	75.1
Free cash flow	43.0	79.7

ATLANTIC GRUPA d.d.

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020
(UNAUDITED)**

ATLANTIC GRUPA d.d.
CONSOLIDATED INCOME STATEMENT

in thousands of HRK, unaudited	Jan - Mar 2020	Jan - Mar 2019	Index
Revenues	1,291,413	1,213,032	106.5
Sales revenues	1,280,682	1,200,884	106.6
Other income	10,731	12,148	88.3
Operating expenses	(1,170,130)	(1,107,896)	105.6
Cost of trade goods sold	(359,466)	(337,808)	106.4
Change in inventories of finished goods and work in progress	9,811	36,400	27.0
Material and energy costs	(367,462)	(362,695)	101.3
Staff costs	(211,193)	(208,232)	101.4
Marketing and promotion costs	(57,221)	(73,166)	78.2
Depreciation, amortisation and impairment	(60,089)	(56,635)	106.1
Other operating costs	(119,258)	(110,702)	107.7
Other (losses) / gains - net	(5,252)	4,942	n/a
Operating profit	121,283	105,136	115.4
Finance costs - net	(15,347)	(8,951)	171.5
Profit before tax	105,936	96,185	110.1
Income tax	(16,620)	(15,465)	107.5
Net profit for the period	89,316	80,720	110.6
Attributable to:			
Owners of the parent	89,660	80,863	110.9
Non-controlling interests	(344)	(143)	240.6
Earnings per share for profit attributable to the equity holders of the Company			
- basic	26.98	24.25	
- diluted	26.98	24.25	

ATLANTIC GRUPA d.d.**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

in thousands of HRK, unaudited	Jan - Mar 2020	Jan - Mar 2019	Index
Net profit for the period	89,316	80,720	110.6
Cash flow hedge, net of tax	2,475	(782)	n/a
Currency translation differences, net of tax	50,234	3,589	1.399.5
Total comprehensive income for the period	142,025	83,527	170.0
Attributable to:			
Equity holders of the Company	142,257	83,671	170.0
Non-controlling interest	<u>(232)</u>	<u>(144)</u>	<u>161.1</u>
Total comprehensive income for the period	<u>142,025</u>	<u>83,527</u>	<u>170.0</u>

CONSOLIDATED BALANCE SHEET

in thousands of HRK, unaudited	31 March 2020	31 December 2019
ASSETS		
Non-current assets		
Property, plant and equipment	1,021,961	971,915
Right-of-use assets	358,001	372,247
Investment property	319	312
Intangible assets	1,681,062	1,658,675
Deferred tax assets	35,265	31,796
Financial assets through OCI	1,449	1,025
Trade and other receivables	45,191	40,813
	3,143,248	3,076,783
Current assets		
Inventories	588,164	501,287
Trade and other receivables	1,299,099	1,269,915
Prepaid income tax	17,053	9,175
Derivative financial instruments	3,457	-
Cash and cash equivalents	474,621	384,526
	2,382,394	2,164,903
Assets held for sale	5,589	5,583
Total current assets	2,387,983	2,170,486
TOTAL ASSETS	5,531,231	5,247,269
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the Company		
Share capital	133,372	133,372
Share premium	881,373	881,323
Treasury shares	(13,521)	(5,884)
Reserves	(20,221)	(73,064)
Retained earnings	1,818,105	1,728,691
	2,799,108	2,664,438
Non-controlling interest	5,131	5,363
Total equity	2,804,239	2,669,801
Non-current liabilities		
Borrowings	200,672	412,550
Lease liabilities	284,753	295,526
Deferred tax liabilities	155,769	153,228
Other non-current liabilities	2,085	2,204
Provisions	68,073	65,515
	711,352	929,023
Current liabilities		
Trade and other payables	1,013,324	933,191
Borrowings	790,806	517,337
Lease liabilities	82,516	80,032
Derivative financial instruments	797	1,778
Current income tax liabilities	19,419	7,261
Provisions	108,778	108,846
	2,015,640	1,648,445
Total liabilities	2,726,992	2,577,468
TOTAL EQUITY AND LIABILITIES	5,531,231	5,247,269

ATLANTIC GRUPA d.d.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of HRK, unaudited	Attributable to equity holders of Company			Total	Non-controlling interest	Total
	Share capital	Reserves	Retained earnings			
At 1 January 2019	-	-	1,451,656	2,384,583	3,869	2,388,452
Comprehensive income:						
Net profit for the period	-	-	80,863	80,863	(143)	80,720
Cash flow hedge, net of tax	-	(781)	-	(781)	(1)	(782)
Other comprehensive income	-	3,589	-	3,589		3,589
Total comprehensive income for the period	-	2,808	80,863	83,671	(144)	83,527
Transactions with owners:						
Transfer	-	268	(268)	-	-	-
At 31 March 2019	1,014,555	(78,552)	1,532,251	2,468,254	3,725	2,471,979
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	-	-	89,660	89,660	(344)	89,316
Cash flow hedge, net of tax	-	2,475	-	2,475		2,475
Other comprehensive income	-	50,122	-	50,122	112	50,234
Total comprehensive income for the period	-	52,597	89,660	142,257	(232)	142,025
Transactions with owners:						
Purchase of treasury shares	(7,726)	-	-	(7,726)	-	(7,726)
Share based payment	139	-	-	139	-	139
Transfer	-	246	(246)	-	-	-
At 31 March 2020	1,001,224	(20,221)	1,818,105	2,799,108	5,131	2,804,239

ATLANTIC GRUPA d.d.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of HRK, unaudited	January - March 2020	January - March 2019
Cash flows from operating activities		
Net profit for the period	89,316	80,720
Income tax	16,620	15,465
Depreciation, amortization and impairment	60,089	56,635
Gain on sale of property, plant and equipment	(290)	(437)
Provision for current assets	6,473	3,841
Foreign exchange differences, net	8,664	3,006
Increase in provisions for risks and charges	2,491	10,023
Fair value gains on financial assets	(1,284)	(2,228)
Share based payment	139	-
Interest income	(558)	(272)
Interest expense	6,682	9,013
Other non-cash items, net	15,015	167
Changes in working capital		
Increase in inventories	(90,736)	(76,262)
Increase in current receivables	(65,884)	(8,058)
Increase in current payables	109,782	90,006
Cash generated from operations	156,519	181,619
Interest paid	(5,508)	(8,577)
Income tax paid	(16,067)	(18,201)
	134,944	154,841
Cash flow used in investing activities		
Purchase of property, plant and equipment and intangible assets	(91,918)	(75,138)
Proceeds from sale of property, plant and equipment	497	955
Acquisition of subsidiary and proceeds from sales of subsidiaries, net	29,491	-
Loans granted and deposits placed	(3,744)	-
Repayments of loans granted and deposits placed	547	4,547
Interest received	558	272
	(64,569)	(69,364)
Cash flow from / (used in) financing activities		
Purchase of treasury shares	(7,726)	-
Proceeds from borrowings, net of fees paid	193,125	-
Repayment of borrowings	(143,575)	(105,845)
Principal elements of lease payments	(22,104)	(18,516)
	19,720	(124,361)
Net increase / (decrease) in cash and cash equivalents	90,095	(38,884)
Cash and cash equivalents at beginning of period	384,526	413,663
Cash and cash equivalents at end of period	474,621	374,779

NOTE 1 – GENERAL INFORMATION

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

The condensed consolidated financial statements of the Group for the three-month period ended 31 March 2020 were approved by the Management Board of the Company in Zagreb on 27 April 2020.

The condensed consolidated financial statements have not been audited.

NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the three-month period ended 31 March 2020 have been prepared in accordance with IAS 34 – Interim Financial Reporting.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of 31 December 2019.

2.2. SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – 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, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – 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 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* <i>(in thousands of HRK)</i>	Jan-Mar 2020	Jan-Mar 2019
SBU Coffee	251,999	239,140
SBU Savoury Spreads	223,482	160,862
SBU Snacks	155,203	157,419
SBU Pharma	144,722	152,915
SBU Beverages	104,386	112,215
BU Donat MG	50,961	45,282
SDU Croatia	300,369	276,367
SDU Serbia	267,775	274,883
SDU Slovenia	238,957	210,886
Other segments	194,121	182,885
Reconciliation	(651,293)	(611,970)
Total	1,280,682	1,200,884

* Comparative period has been adjusted to reflect current period reporting

NOTE 4 – 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.

	<u>2020</u>	<u>2019</u>
Net profit attributable to equity holders (<i>in thousands of HRK</i>)	89,660	80,863
Weighted average number of shares	3,323,324	3,334,206
Basic earnings per share (<i>in HRK</i>)	26.98	24.25

Diluted earnings per share

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

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the three-month period ended 31 March 2020, Group invested HRK 66,351 thousand in purchase of property, plant and equipment and intangible assets (2019: HRK 22,829 thousand).

NOTE 6 - INVENTORIES

During the three-month period ended 31 March 2020, the Group wrote down inventories in the amount of HRK 3,859 thousand due to damage and short expiry dates (2019: HRK 2,453 thousand). The amount is recognized in the income statement within "Other operating costs".

NOTE 7 – FINANCE COSTS – NET

<i>(in thousands of HRK)</i>	Jan - Mar 2020	Jan - Mar 2019
Finance income		
Foreign exchange gains on borrowings	11,893	1,489
	<u>11,893</u>	<u>1,489</u>
Finance costs		
Interest expense on bank borrowings	(2,515)	(4,612)
Interest expense on lease liabilities	(2,426)	(2,196)
Interest expense on bonds	(1,592)	(1,575)
Other interest expense	(150)	(309)
Total interest expense	<u>(6,683)</u>	<u>(8,692)</u>
Foreign exchange loss on borrowings	(20,557)	(1,748)
	<u>(27,240)</u>	<u>(10,440)</u>
Finance costs - net	<u>(15,347)</u>	<u>(8,951)</u>

NOTE 8 – RELATED PARTY TRANSACTIONS

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

<i>(all amounts expressed in thousands of HRK)</i>	<u>31 March 2020</u>	<u>31 December 2019</u>
RECEIVABLES		
Current receivables		
Other entities	109,515	82,855
LIABILITIES		
Trade and other payables		
Other entities	563	2,054
	<u>Jan – Mar 2020</u>	<u>Jan – Mar 2019</u>
REVENUES		
Sales revenues		
Other entities	131,740	116,695
Other income		
Other entities	191	234
EXPENSES		
Marketing and promotion costs		
Other entities	555	572
Other operating costs		
Other entities	553	679

Atlantic Grupa d.d.
Miramarska 23
Zagreb

Register number: 1671910

Zagreb, April 27 2020

Pursuant to the article 466. to 468. of the Capital market Law (Official Gazette 65/18, 17/20) the President of the Management board of Atlantic Grupa d.d., Miramarska 23, Zagreb provide

MANAGEMENT BOARD'S STATEMENT OF LIABILITY

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

The consolidated financial statements for the period from 1 January 2020 to 31 March 2020 present complete and fair view of assets and liabilities, profit and loss, financial position and operations of the Group.

The management report for the period ended 31 March 2020 presents true and fair presentation of development and results of the Group's operations with description of significant risks and uncertainties for the Group.

President of the Management Board:



Emil Tedeschi



Contact:

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Hrvatska

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ATLANTIC GRUPA

Joint Stock Company for Domestic and Foreign Trade

Miramarska 23, 10000 Zagreb, Hrvatska

tel: +385 (1) 24 13 900

fax: +385 (1) 24 13 901

The Company is registered with the Commercial Court of Zagreb

MBS: 080245039

MB: 1671910

PIN: 71149912416

Broj računa: HR4624020061100280870 Raiffeisenbank Austria d.d., Zagreb,
Petrinjska 59

The number of shares and their nominal value: 3,334,300 shares, each in the
nominal amount of HRK 40.00

Share capital: HRK 133,372,000.00, paid in full.

Management Board: Emil Tedeschi, Neven Vranković, Zoran Stanković, Lada
Tedeschi Fiorio, Srećko Nakić, Enzo Smrekar

President of the Supervisory Board: Zdenko Adrović

