



**REPORT ON REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD
AND THE MANAGEMENT BOARD FOR 2019 WITH AUDITOR'S REPORT**



Ernst & Young d.o.o.
Radnička cesta 50, 10 000 Zagreb
Hrvatska / Croatia
MBS 080435407
OIB 58960122779
PDV br / VAT no : HR58960122779

Tel: +385 1 5800 800
Fax: +385 1 5800 888
www.ey.com/hr

Banka / Bank:
Erste & Steiermärkische Bank d.d.
Jadranski trg 3A, 51000 Rijeka
Hrvatska / Croatia
IBAN: HR3324020061100280716
SWIFT: ESBCHR22

Independent practitioner's assurance report on Remuneration Report - limited assurance on underlying subject matter and the applicable criteria

To the Management board and Supervisory board of **Atlantic Grupa d.d.**

This report is intended solely for the Management board and Supervisory board of **Atlantic Grupa d.d.** (hereinafter "the Company") for the purpose of reporting on Management Board and Supervisory Board Remuneration Report ("the Remuneration Report") prepared by the Company for the year ended 31 December 2019 in accordance with Article 272r of the Companies Act.

Underlying Subject Matter and Applicable Criteria

The assurance engagement relates to the following subject matter on which the following applicable criteria are applied:

- Remuneration Report prepared by the Company for the year ended 31 December 2019 contains data in accordance with Paragraphs 1 and 2 of the Article 272r.

Specific Purpose

This report is intended solely for the purposes specified in the first paragraph above and for your information and must not be used for other needs. The report refers exclusively to the Remuneration Report and must not be associated with any Company's financial statements as a whole.

Management board and Supervisory board Responsibilities

The Company's Management board and Supervisory board is responsible for the preparation of the Remuneration Report in accordance with the Article 272r of the Companies Act. In particular, the Company's Management board and Supervisory board is responsible for internal controls being designed and implemented to prevent the Remuneration Report from being materially misstated.

In addition, the Company's Management board and Supervisory board is responsible for ensuring that the documentation provided to the practitioner is complete and accurate. The Company's Management board and Supervisory board is also responsible for maintaining the internal control system that reasonably ensures that the documentation described above is free from material misstatements, whether due to fraud or error.

Practitioner's Responsibilities

We conducted our assurance engagement in accordance with the requirements of Article 272r paragraph 3 of the Companies Act, and in accordance with International Assurance Standards, particularly ISAE 3000 (revised). These regulations require that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the Remuneration Report.

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.



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working world**

We comply with the independence and other ethical requirements of the IESBA Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on the practitioner's judgment. The procedures include, in particular, inquiry of the personnel responsible for financial reporting and risk management and additional procedures aimed at obtaining evidence about the Remuneration Report. The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower.

In respect of the subject matter mentioned above we have performed mainly the following procedures:

- Understanding of the Company's internal controls, processes and systems set up for the preparation of the Remuneration Report
- Reconciliation, on the sample basis, of input data disclosed in the Remuneration Report with the supporting documentation provided by the Company
- Inquiry of the Management board and Supervisory board on the accuracy of the information presented in the Remuneration Report
- Reading the Remuneration Report and confirm presentation is in accordance with the Article 272r of the Companies Act

Practitioner's conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that Remuneration report prepared by Atlantic Grupa d.d. does not contain data, in all material respects, in accordance with Paragraphs 1 and 2 of the Article 272r of the Companies Act.

Berislav Horvat,

**President of Management Board and certified auditor
Ernst & Young d.o.o.
Radnička cesta 50,
Zagreb, Croatia**

6 May 2020

Attachment

- 1. Management board and Supervisory board Remuneration Report for 2019**



Pursuant to Article 272r of the *Companies Act* and Articles of the *Code of the Corporate Governance* of the Zagreb Stock Exchange and the HANFA, the Management Board and the Supervisory Board of Atlantic Grupa d.d. (hereinafter also as: the Company) submit to the General Assembly the following

REPORT

ON THE REMUNERATION OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD IN THE YEAR 2019

Remuneration of the Supervisory Board

The Supervisory Board of Atlantic Grupa d.d. is consisted of seven members. On 31 December 2019, the Supervisory Board operated in the following composition: Zdenko Adrović, President of the Supervisory Board, Siniša Petrović, Vice President of the Supervisory Board, Anja Svetina Nabergoj, appointed for a member at the General Assembly as of 27 June 2019, Monika Elisabeth Schulze appointed for a member at the General Assembly as of 17 October 2019, Franz Josef Flosbach, member, Aleksandar Pekeč, member and Lars Peter Elam Håkansson, member. Lada Tedeschi Fiorio carried out the function of the Vice President of the Supervisory Board until 30 September 2019 i.e. when she resigned from Supervisory Board taking over a duty of a member of the Management Board.

Each member of the Supervisory Board is entitled to the fixed monthly remuneration, from the day of his/her appointment on duty until the day of its termination.

In order to maintain their independence and full impartiality, remuneration of members of the Supervisory Board is not dependent on the Company's results and it is not composed of variable part of compensation.

Members of the Supervisory Board have been remunerated for their work and have a right to remuneration appropriate to the period of their engagement and the tasks performed, as well as the Company's situation and business performance. The Supervisory Board, with the support of the Nomination and Remuneration Committee, monitors whether such remuneration is in line with the principals set in the Article of Association of the Company.

In line with the above, in 2019, members of the Supervisory Board received remuneration in the following gross I amounts:

| Supervisory Board remuneration in 2019 | HRK |
|--|---------------------|
| Zdenko Adrović | 364,932.12 |
| Siniša Petrović | 175,667.36 |
| Anja Svetina Nabergoj | 77,631.58 |
| Monika Schulze | 30,000.00 |
| Franz Jozef Flosbach | 117,074.75 |
| Aleksandar Pekeč | 148,008.47 |
| Lars Peter Håkansson | 221,881.05 |
| TOTAL | 1,135,195.33 |

In determination of remuneration different external and internal factors have been taken account, such as economic conditions, prevailing wage levels, compensation data and best practices of regional and relevant industries as well as compensation levels and policies of Company.

Members of the Supervisory Board are not entitled to payments made by Company or its affiliated entities in Company's shares.

Report on remuneration of members of Supervisory Board for 2019 has been provided in accordance to the respective provisions of Law, the *Code of the Corporate Governance* of the Zagreb Stock Exchange and HANFA, and *Articles of Association* of Atlantic Grupa d.d. The Remuneration policy in accordance with the Article 247a of the Companies Act will be provided to the General Assembly scheduled on June 18, 2020.

Apart of the stated heretofore, no other payments were made by the Company or its related entities.

The Company and its related entities did not provide loans, advances or does not issue guarantees to the benefit of members of the Supervisory Board.

The Company and its related entities did not provide members of the Supervisory Board with gifts or benefits of significant value.

Remuneration of the Management Board

The Management Board of Atlantic Grupa is composed of six members. Until 30 September 2019 the Management Board consisted of: Emil Tedeschi, President of the Management Board, Neven Vranković, Group Vice President for Corporate Activities and Zoran Stanković, Group Vice President for Finance, Procurement and Investment, when it was extended to six current board members by inclusion of Lada Tedeschi Fiorio, Group Vice President for Corporate Strategy and Development, Srećko Nakić, Group Vice President for Distribution and Enzo Smrekar, Group Vice President for Savoury Spreads, Donat Mg and International Expansion.

The Management Board of Atlantic Grupa d.d. in 2019 received remuneration in the following gross I amount:

| Amounts in HRK | Fixed part | % | Variable part | % | Receipts in kind | % | Total | % |
|----------------------|--------------|-----|---------------|-----|------------------|----|--------------|------|
| Emil Tedeschi | 2,749,490.00 | 61% | 1,482,948.00 | 33% | 249,428.27 | 6% | 4,481,866.27 | 100% |
| Neven Vranković | 1,788,290.00 | 57% | 1,261,014.65 | 40% | 76,831.64 | 3% | 3,126,136.29 | 100% |
| Zoran Stanković | 1,734,290.01 | 57% | 1,227,990.01 | 41% | 57,159.74 | 2% | 3,019,439.76 | 100% |
| Lada Tedeschi Fiorio | 420,000.00 | 98% | 0.00 | 0% | 7,241.01 | 2% | 427,241.01 | 100% |
| Srećko Nakić | 422,541.63 | 98% | 0.00 | 0% | 7,978.59 | 2% | 430,520.22 | 100% |
| Enzo Smrekar | 332,880.10 | 94% | 0.00 | 0% | 22,706.14 | 6% | 355,586.25 | 100% |

*variable part is related to calculated bonuses for financial years 2017 and 2018

The fixed part of remuneration of the Management Board members Lada Tedeschi Fiorio, Srećko Nakić and Enzo Smrekar represents remuneration received from the date of starting their term of office as members of the Management Board, i.e. from 1 October 2019.

For the results of financial year 2019, following Management Board members are entitled to variable compensation that will be paid in Atlantic Grupa' shares as follows:

| Management Board member | Gross I variable part for 2019 | Share no. payout in FY 2020 | Share no. payout in FY 2023 |
|-------------------------|--------------------------------|-----------------------------|-----------------------------|
| Neven Vranković | 1,338,750 | 616 | 391 |
| Zoran Stanković | 1,298,250 | 597 | 379 |
| Srećko Nakić | 1,260,000 | 524 | 333 |
| Enzo Smrekar | 972,000 | 153 | 181 |

From gross I amount above, 75% of net amount is paid in shares in 2020, based on the average share price (volume-weighted) of the Zagreb Stock Exchange of the day that precedes the grant date (relevant price- 1,163.93 HRK). The grant date for Employee Stock Option program is upon expiration of 30 days from the date of the adoption of the annual financial results for the financial year by the Supervisory Board of the Company.

For the results achieved in the financial year 2019, following members of the Management Board have achieved right to variable part of the compensation in cash (gross I, in HRK), which will be paid to them as follows:

| Management Board Member | The variable part for 2019 total | Payout by the end of 2020 | Deferred part of the bonus for 2019 |
|-------------------------|----------------------------------|---------------------------|-------------------------------------|
| Emil Tedeschi | 2,059,650.00 | 1,544,737.50 | 514,912.50 |
| Lada Tedeschi Fiorio | 1,260,000.00 | 945,000.00 | 315,000.00 |

In accordance with the Employee Stock Option Program (ESOP) and Atlantic Grupa' Remuneration Policy, in 2019 Management Board members Neven Vranković and Zoran Stanković were awarded shares for the results of the 2017 and 2018 financial years:

2017:

| Management Board member | Number of shares | Variable salary, HRK |
|-------------------------|------------------|----------------------|
| Neven Vranković | 164 | 297,433.04 |
| Zoran Stanković | 162 | 293,805.80 |

2018:

| Management Board member | Number of shares | Variable salary, HRK |
|-------------------------|------------------|----------------------|
| Neven Vranković | 590 | 963,581.61 |
| Zoran Stanković | 572 | 934,184.21 |

Shares awarded, based on 2017 financial year, are defined based on former Option program, when vesting period lasted 18 months. Shares awarded, based on 2018 financial year, represents 75% of achieved variable part from the same year, based on current option program.

The Approval Date under the applicable Employee Stock Option Program (ESOP) and Atlantic Grupa's Remuneration Policy is the expiration of the 3 years retention period.

The amount of remuneration paid out to members of the Management Board is determined with an aim to attract, motivate and retain qualified professionals, to promote sound and effective risk management as well as to discourage risk-taking that exceeds the level of tolerated risk of the Company. The policy of remuneration (currently defined within Article of Association) of members of the Management Board is set in a manner to strongly supports the pay for performance culture and the long-term strategy of the Company. It takes into account all regional, local and relevant industry practices of remuneration for managers holding corresponding positions, including employees of the related entities of Company. The Company provides attractive terms of employment, of which remuneration, personal development, training, working environment, intellectually stimulating environment are all important components. As such, the Company's policy in overall contributes to achieving the Companies' strategic goals.

The remuneration structure of the members of the Management Board ensures a proper balance between variable and fixed remuneration, whereby fixed part – in terms of the principal salary is set by the Contract in the gross amount, and variable part of remuneration is always performance related.

The amount of variable part in overall remuneration of Management Board will not be less than 40% of total remuneration under assumption of realization of set KPIs and including deferred part of bonus.

The amount of annual bonus is set as per current employee's contracts, and is correlated to the realization of key financial/sales metrics (hereinafter jointly: Key performance indicator/s or KPI/s):

- realization of the financial objective consisted of the assessment of the realization of the EBITDA profit objective- 80% ponder share in calculation
- realization of the direct sales goals to external buyers (third party) objective- 20% ponder share in calculation;

Member of the Management Board is entitled to the annual bonus provided that the following minimum preconditions are fulfilled:

- at least 90% of the Company's consolidated EBITDA plan for the financial year is realized,
- at least 90% of the planned EBITDA of the business unit tied to the authority of the respective Management Board for the financial year is realized,
- if he/she was employed at the Company or its related entities for at least 2/3 of the respective financial year as well as on 31 December of the respective financial year and the right for the payment of the annual bonus.

The realization of such financial preconditions and financial KPI metrics are based on the Company's consolidated financial results for the respective financial year.

The overview provided below shows the average income of employee in Atlantic Grupa d.d. for 2019 in Gross I value, which includes all fixed and the variable part of the salary, other receipts in kind and all other payments made in relation to the employee status including awarding remuneration divided by average full-time equivalent (FTE) number of employees. The guidance is based on average income of Atlantic Grupa d.d. employees since majority are on managerial and key professional positions which are relevant for compensation comparison.

| Average remuneration per employee - HRK | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------|---------|---------|---------|---------|
| Annual base (Gross I) | 456,945 | 493,811 | 456,071 | 455,143 | 471,517 |

| Atlantic Grupa; HRK '000 | 2019 | 2018 | 2017 | 2016 | 2015 |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenues | 5,506,404 | 5,330,624 | 5,303,426 | 5,174,539 | 5,450,955 |
| Net profit/(loss) | 388,880 | 243,970 | 275,529 | 162,800 | 242,291 |

The Company did not reclaim any variable part of the salary.

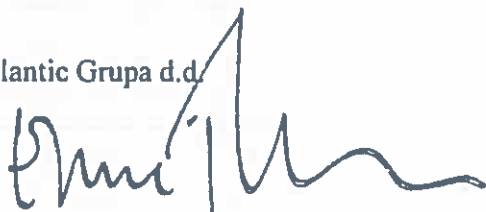
There are no payments or obligations to be paid by a third party to the members of the Management Board in connection with the activities performed as members of the Management Board of the Company or as any other function within Atlantic Grupa.

The report on remuneration of members of Management Board for 2019 has been provided in accordance to the respective provisions of Law, the *Code of the Corporate Governance* of the Zagreb Stock Exchange and the HANFA, and *Articles of Association* of Atlantic Grupa d.d. The Remuneration policy in accordance with the Article 247a of the Companies Act will be provided to the General Assembly scheduled on 18 June 2020.

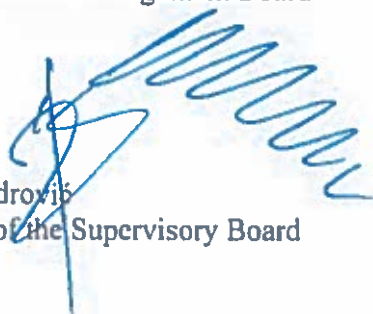
The contract on performing function of a member of the Management Board can be terminated in accordance with provisions of Law. The obligation of severance payment occurs in a case of contract termination by Atlantic Grupa in the period of its duration, unless the contract is terminated due to reasons caused by the wrongful conduct of the respective member of the Management Board. The severance payment is limited to amount of twelve (12) average monthly gross I. salaries paid to the respective Management Board member in the period of three months prior to contract termination.

In Zagreb, 6 May 2020

Atlantic Grupa d.d.



Emil Tedeschi
President of the Management Board



Zdenko Adrović
President of the Supervisory Board



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**variable part is related to calculated bonuses for financial years 2017 and 2018*

The fixed part of remuneration of the Management Board members Lada Tedeschi Fiorio, Srećko Nakić and Enzo Smrekar represents remuneration received from the date of starting their term of office as members of the Management Board, i.e. from 1 October 2019.

For the results of financial year 2019, following Management Board members are entitled to variable compensation that will be paid in Atlantic Grupa' shares as follows:

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The overview provided below shows the average income of employee in Atlantic Grupa d.d. for 2019 in Gross I value, which includes all fixed and the variable part of the salary, other receipts in kind and all other payments made in relation to the employee status including awarding remuneration divided by average full-time equivalent (FTE) number of employees. The guidance is based on average income of Atlantic Grupa d.d. employees since majority are on managerial and key professional positions which are relevant for compensation comparison.

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| Revenues | 5,506,404 | 5,330,624 | 5,303,426 | 5,174,539 | 5,450,955 |
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The Company did not reclaim any variable part of the salary.

There are no payments or obligations to be paid by a third party to the members of the Management Board in connection with the activities performed as members of the Management Board of the Company or as any other function within Atlantic Grupa.

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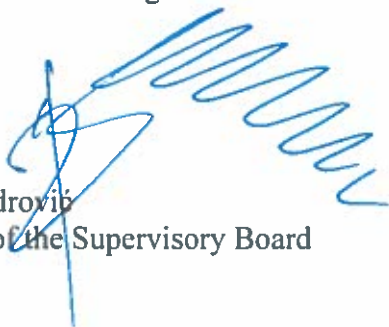
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In Zagreb, 6 May 2020

Atlantic Grupa d.d.

A handwritten signature in black ink, appearing to read 'Emil Tedeschi', with a vertical line extending downwards from the end of the signature.

Emil Tedeschi
President of the Management Board

A handwritten signature in blue ink, appearing to read 'Zdenko Adrović', with a vertical line extending downwards from the end of the signature.

Zdenko Adrović
President of the Supervisory Board