Annual Report of Atlantic Grupa

FOR 2023

Creating flavours you love

Table of contents

SALES (IN MILLIONS EUR)

973.9

EBITDA* (IN MILLIONS EUR)

86.6

EBITDA MARGIN*

8.9%

EBITDA MARGIN CHANGE

-14 bp

NORMALIZED EBITDA* (IN MILLIONS EUR)

82.4

EBIT* (IN MILLIONS EUR)

44.7

EBIT MARGIN*

4.6%

EBIT MARGIN CHANGE

+27 bp

NORMALIZED EBIT* (IN MILLIONS EUR)

40.4

NORMALIZED EBIT MARGIN*

4.2%

NORMALIZED EBIT MARGIN CHANGE

-8 bp

CASH FLOW FROM OPERATING ACTIVITIES (IN THOUSANDS EUR)

60.0

FREE CASH FLOW* (IN THOUSANDS EUR)

20.3

DIVIDEND PER SHARE (IN EUR)

1.0

GROWTH

15.1%

NORMALIZED EBITDA MARGIN*

8.5%

NORMALIZED EBITDA MARGIN CHANGE

-48 bp

* Certain financial measures are not defined under International Financial Reporting Standards (IFRS). For more details on the APMs (Alternative Performance Measures) used, see Chapter "Definition and reconciliations of Alternative Performance Measures (APM)".

Emil Tedeschi — President of the Management Board of Atlantic Grupa In a still unstable and challenging environment, Atlantic Grupa in 2023 achieved strong sales growth in all segments and across all major markets.

The Snacks and Beverages units stand out in particular since, in addition to the strongest value growth, they have also recorded a significant volume growth. Excellent sales results enabled strong growth in operating profit, despite the still high costs of raw materials, packaging, energy, logistics and other services, as well as a significant increase in salaries.

Among key business developments during the year, it is worth noting that Atlantic submitted a binding offer for the purchase of Strauss Adriatic, and the conclusion of the transaction was conditionally approved by the Commission for the Protection of Competition in the Republic of Serbia on 28 February 2024. This acquisition confirms Atlantic Grupa's strategic determination to strengthen our core business, of which coffee is a large part, but also represents an important contribution to the development of the coffee category in Serbia and strengthening the competitiveness of the regional coffee industry and local brands. In the field of distribution, at the beginning of the year cooperation was agreed with the Podravka Group, which involves Atlantic's distribution of Podravka's products in Austria, along with simultaneous distribution of Atlantic's assortment by Podravka in the USA. Furthermore, a significant step forward in business development was achieved in Slovenia through cooperation with the new principal Haleon (Sensodyne, Corega, Parodontax, Aquafresh), while in Skopje, long-term development was secured with the completion of a EUR 12 million investment in the newly opened logistics distribution centre. Our basic priorities in the following period stay the same – ensuring unhindered continuity of production and continuous supply to our buyers and consumers and being socially responsible in the widest sense possible. Our commitment to the principles of sustainable development was confirmed with the successful start of the operation of two solar power plants at our locations, the central logistics distribution centre in Zagreb and the production site in Rogaška Slatina. Atlantic Grupa's Sustainability Index, which represents an internally defined measure for assessing and reporting on the achievement of sustainable business and social responsibility goals, exceeded the target value in 2023. This Index consists of five key priorities: reduction of greenhouse gas emissions, responsible management of water resources, employee care, use of recycled and recyclable materials and specific sustainable innovations in products.

Among significant corporate events worth highlighting is the election of a member of the Supervisory Board, Zoran Vučinić, to the position of its Chairman. As for the awards, we should point out that, for the fourth year in a row, Atlantic Grupa won the first prize for investor relations, awarded under the auspices of Poslovni Dnevnik and the Zagreb Stock Exchange, whereby it has received the first prize seven times so far, and has been among the top three awarded companies six more times. Additionally, we once again won the first prize for the quality of corporate governance, awarded by the Croatian Financial Services Supervisory Agency (HANFA), in the most demanding competition – the ZSE Prime Market category. Finally, this year our prominent brands again received a whole series of awards for market communication at regional competitions.

Our stable financial position, the strength of our brands, optimisation of business processes, and quality strategic management enabled us to keep jobs safe and provide better conditions for our employees, thus improving not only results but also practices that are part of good corporate governance traditions. I thank our employees, customers, suppliers and partners for their commitment and desire to make our business stronger together every day.

Emil Tedeschi
President of the Management Board of Atlantic Grupa

About the company

Atlantic Grupa is a vertically integrated multinational company whose business activities incorporate R&D, production and distribution of fast moving consumer goods in South-East Europe and in the West European markets. Since the company's inception in early 1990's, Atlantic pursued a growth strategy based on the combination of organic growth and almost 50 acquisitions of different sizes, of which most prominent ones, or those with a transformative character, were the acquisitions of companies Cedevita and Droga Kolinska.

Today, Atlantic Grupa is a company with: (i) EUR 974 million in sales revenues, (ii) 13 modern production plants (in Croatia, Slovenia, Serbia, Bosnia and Herzegovina and North Macedonia), (iii) developed regional distribution infrastructure, and (iv) 9 brands with sales above EUR 25 million, as well as high market shares and consumer recognisability. Atlantic Grupa has a well-balanced presence in South-East Europe accounting for 92.0% of total sales, while 8.0% refers to the company's presence in West Europe, CIS countries and other countries.

We are one of the leading food and beverage manufacturers in South-East Europe with prominent coffee brands - Grand Kafa and Barcaffè, range of beverage brands - Cockta, Donat, Cedevita, Kala and Kalnička, portfolio of sweet and salted snacks brands - Smoki, Najlepše Želje and Bananica, and the brand Argeta in the segment of savoury spreads. Additionally, Atlantic Grupa owns the leading pharmacy chain in Croatia under the Farmacia brand.

Besides owning 13 modern production plants and a number of reputable brands, Atlantic Grupa is one of the leading distributors of fast-moving consumer goods in South-East Europe. We currently have 17 distribution centres and over 1,000 vehicles with direct access to more than 70,000 points of sale, and highly refined expertise in account management, category management, logistics, and trade marketing. Our experienced management and distribution operations are complemented by exceptional service, customer relations, and market expertise.

Our Company's strategic goals involve establishing trust and strong bonds with our suppliers and ensuring the upstream and downstream flow of products and services. Our supply chain includes raw materials and packaging materials for our products, machines for production and final finishing of products, other equipment and technical devices and other services that are necessary to support our business processes, and the transportation of goods upstream and downstream. These materials, equipment and services are sourced from over 4,500 of our suppliers of various profiles, sizes and origins, including both large global corporations and small local suppliers and procured through diverse and often complex supply chains in terms of, their characteristics, production process and geographical origin.

Company history

The beginning of Atlantic Grupa goes back to 1991 and the incorporation of the company Atlantic Trade d.o.o. for distribution of consumer goods. In the following years, the company grew into a strong national distributor with distribution centres in Zagreb, Split, Rijeka and Osijek and a respectable distribution portfolio from principals such as Wrigley, Mars, Ferrero, Johnson & Johnson, etc.
With the opening of the representative office in Bosnia & Herzegovina in 2001, followed by own distribution companies in Serbia, Macedonia and Slovenia, the company became a regional company. In addition to being a distribution company name, with the acquisition of Cedevita d.o.o. in 2001, Atlantic Grupa also became a production company.
Breaking out of the region followed in 2005 with the acquisition of a German producer of sports food with the well-known Multipower brand, with which Atlantic Grupa entered the Western European market. In 2006, the parent company was transformed into a joint stock company and next year, after successful implementation of the initial public offer of shares, Atlantic Grupa quoted its shares on the Official Market of the Zagreb Stock Exchange. In 2008, the company started to acquire pharmacy institutions and form its own pharmacy chain. By mid-2010, Atlantic Grupa grew into one of the leading European producers of sports food, the regional leader in the production of vitamin drinks and food supplements, the leading consumer goods distributor in South-East Europe as well as the owner of one of the leading private pharmacy chains in Croatia joined under the name Farmacia.

A turning point in the company's operations was its largest acquisition in the Group's history – takeover of the company Droga Kolinska with a developed brand portfolio from its own production programme and leading positions in regional markets. By finalising the acquisition in 2010, Atlantic Grupa became one of the leading regional food companies. The company's operations in the post-acquisition period were marked by the processes of comprehensive integration, the most noticeable of which was the process related to distribution and logistics. The process of merging the distribution operations in each regional market resulted in the creation of a strong regional distribution network. In the production segment, focus was placed on integrating individual production activities and transferring outsourced production activities into own activities for the purpose of a more cost- efficient use of the existing production capacities. The supply segment saw the implementation of a centralised system with the introduction of a key client concept for basic raw materials. IT consolidation at the Group's level was successfully completed by redefinition of the model of user support, redesign of a portion of the IT service and standardisation of the technological platform. The integration processes transformed Atlantic Grupa into a strong producer and distributor in South-East Europe, thus creating a strong foundation for further business development and expansion.

NATIONAL COMPANY	1991	Incorporation of Atlantic Trade and the development of consumer goods distribution
	1991	Establishing cooperation with Wrigley and Mars
	1992	Opening of the distribution centre Split
	1994	Opening of distribution centres Osijek and Rijeka
	1996	Cooperation with Gillette/Duracell
	1997	Investment in the Ataco distribution system in BiH
	1998	Launch of Montana, the first Croatian ready-made sandwich with prolonged freshness
	1999	Establishing cooperation with Johnson & Johnson

REGIONAL COMPANY	2001	Start up of a distribution company Atlantic Trade d.o.o. Serbia **Acquisition of Cedevita d.o.o.** Establishing cooperation with Ferrero
	2002	Incorporation of Atlantic Grupa d.o.o.
	2003	**Acquisition of Neva d.o.o.** Start up of a distribution company Atlantic Trade Skopje d.o.o.
	2004	Start up of a distribution company Atlantic Trade d.o.o. Ljubljana Acquisition of the brand Melem

EUROPEAN COMPANY	2005	**Acquisition of a German sports food producer Haleko/Multipower**
	2006	Establishing a representative office in Moscow Transformation of Atlantic Grupa into a joint-stock company
	2007	Acquisition of Fidifarm d.o.o. Acquisition of Multivita d.o.o. **Listing of Atlantic Grupa d.d. shares on the Official Market of the Zagreb Stock Exchange**
	2008	**Acquisition of pharmacies and forming of the pharmacy chain Farmacia**
	2010	**Acquisition of Droga Kolinska d.d.** Acquisition of Kalničke Vode Bio Natura d.d.
	2013	Establishing cooperation with Unilever
	2015	Acquisition of Foodland d.o.o. and construction of the factory of Atlantic Multipower Croatia
	2016	Establishing distribution companies in Austria and Germany
	2017	Strategic partnership with Aminolabs
	2018	**Savoury spread Argeta No.1 in Europe** Atlantic Grupa d.d. the first company listed on the Prime Market of the Zagreb Stock Exchange Sale of Neva d.o.o.
	2019	**Sale of the brands Multipower, Champ and Multaben from the Sports and Functional Food's portfolio through the sale of the company Tripoint GmbH** Sale of the Dietpharm brand through the sale of the company Fidifarm d.o.o. and of the brand Multivita from the Personal Care's portfolio Divestment of the distribution of bottled water for dispensers through the sale of the company Bionatura Bidon Vode d.o.o. Strategic partnership with the network of Vivas cafés
	2020	Sale of the brand Bebi Strategic partnership with Procaffe
	2021	Sale of the production plant Mirna Launch of two completely new brands – Jimmy Fantastic and Boom Box
	2022	Sale of the production plant Palanački Kiseljak
	2023	Signing of the Purchasing Agreement to acquire Strauss Adriatic, Serbia

OFFICES + PRODUCTION FACILITY

–

Croatia
Bosnia and Herzegovina
North Macedonia
Slovenia
Serbia

OFFICE

–

Austria
Montenegro
Russia

Corporate strategy

PROFITABLE GROWTH

ATLANTIC GRUPA Creating flavours you love

"

Creating GROWTH by leveraging our strengths, increasing PRODUCTIVITY by investing in technology, knowledge, and process standardisation, and EMPOWERING THE ORGANISATION through care and responsible behaviour.

Profitable growth

In line with the strategy outlined during 2017 and confirmed in 2018 and the decision on focusing the company's future business operations on key brands, i.e. major categories in its product portfolio, as well as those with a strong growth and sustainability potential, the company started divesting non-core business operations of Atlantic Grupa. This process included the divestment of all operations in 7 different smaller business segments to date, allowing the company to further focus on key categories, predominantly in the segment of food and beverages. Through a new vision, Atlantic Grupa identified itself as a leader in this industry, aiming to inspire people to add flavour to their everyday moments.

The company's ambitions are confronted with changes in the industry and geopolitical environment, which exert influence on our business: inflation, decline in purchasing power, labour shortages, uncertainty in securing the supply chain, the rise of private labels, changing attitudes and expectations of employees towards work, digitization of operational processes, new legal restrictions, and so on.

All these changes require adaptation of not only our business practices but also our strategic goals, which is why a new corporate strategy has been set for the next five years.

New strategic goals and priorities will enable the company to generate growth, recover profit margins, and enhance the overall competitiveness and value of the company. We have a leadership portfolio with which we aim to ensure long-term growth and continue with an even greater focus on productivity because that is the only way we can support long-term growth ambitions. Additionally, we remain committed to taking care of our organisation, as people and brands are what make the difference for Atlantic.

In line with the above, the theme of this corporate strategy cycle is **Profitable Growth**, which is also the company's primary task in the next 5 years. Profitable growth will be achieved through three corporate strategic goals:

Creating **GROWTH** by leveraging our strengths, increasing **PRODUCTIVITY** by investing in technology, knowledge, and process standardisation, and **EMPOWERING THE ORGANISATION** through care and responsible behaviour.

GROWTH

We have a strong and unique portfolio of our own brands and the brands of our partners that we distribute.
Through continuous work on further increasing the relevance of our brands and categories, we will further strengthen our leadership positions. In addition to strengthening existing positions, we will continue to explore and selectively invest outside our core categories, markets and companies. To do so successfully, we will explore opportunities and choose where we want to achieve long-term growth, even beyond our core categories.

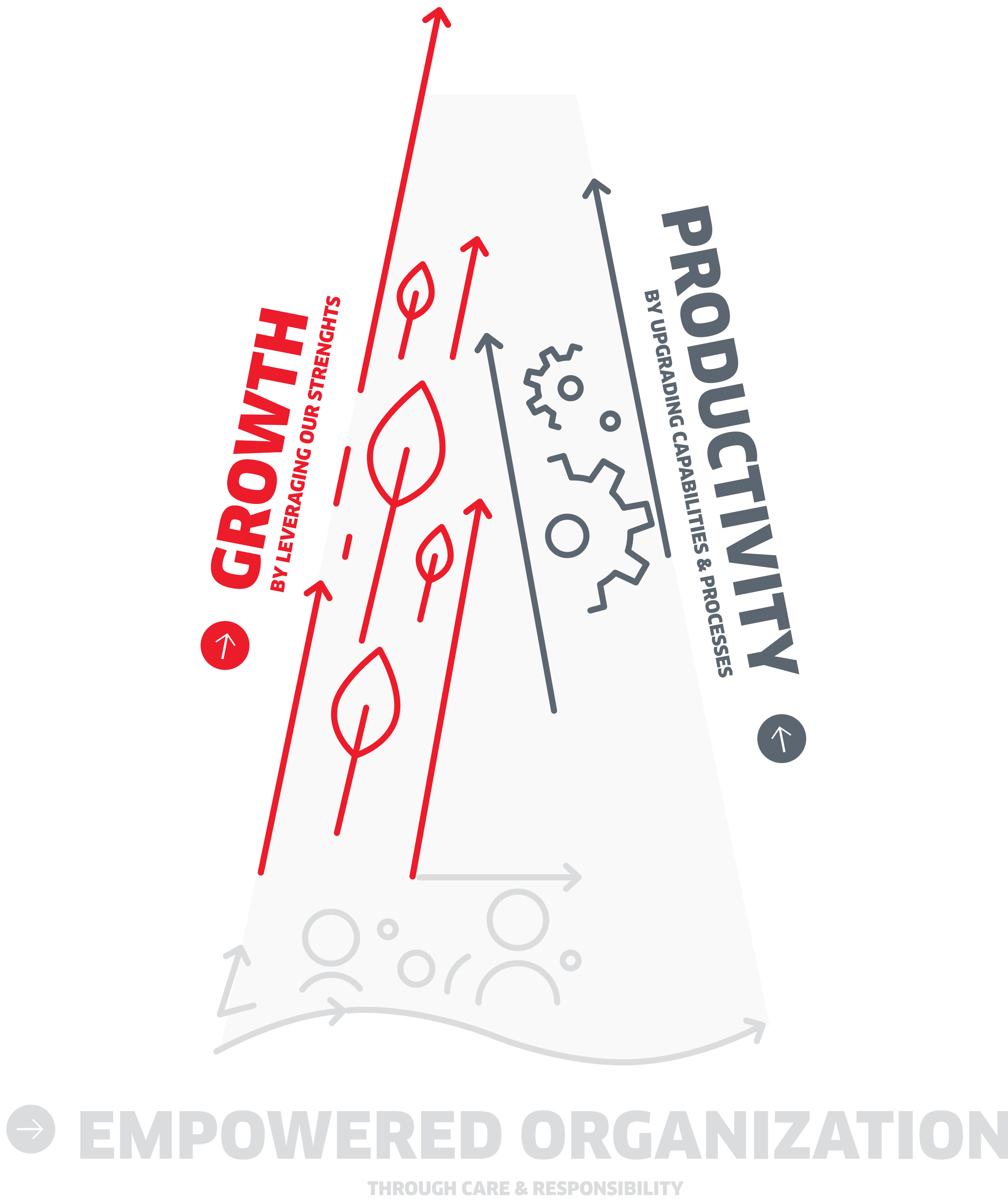
PRODUCTIVITY

Although our profit is growing in absolute terms, our margin is still under pressure in line with industry trends. To support our growth ambitions and create long-term value for all stakeholders, we will increase our productivity.

Technological and process upgrades to our operations and supply chain, improvements in performance of our brands in the markets with below average profitability, and a focused digitization of key business needs will result in higher profit margins.

EMPOWERED ORGANISATION

We want to attract and retain talented individuals and invest even more strongly in the development of people who drive our brands and steer our business operations towards growth in an increasingly complex environment.
To successfully navigate the complexities of social, environmental, and economic changes, in addition to development of the necessary competencies, we will continue to build an adaptable and open culture.
By recognising changes on time and addressing them responsibly, we will strive to have a positive impact on both the long-term sustainability of our business operations and the lives of our consumers, employees, and the overall community. Some of the initiatives that will contribute to achieving this strategic goal will be reflected in improved energy efficiency of operational business and reduction of water consumption, use of renewable sources, nutritional enhancements of our products, improved circularity in packaging material and reduction of unnecessary packaging materials, and continuous maintenance of stimulating work conditions.



Our values

With continuous care for all stakeholders, always open to new ideas, growth-oriented and passionate about work – at Atlantic Grupa we create brands that people love.

The values we cherish are:

CARE — WE CREATE A BETTER ENVIRONMENT

We are an organisation that cares - we care about each other, look after the well-being of our colleagues, nurture business relationships and take care of the kind of world we leave for future generations.

GROWTH — WE CREATE NEW VALUE

Because we always strive for progress, we never lose our appetite for constant and stable growth. We leave our comfort zone, always hungry for new challenges, we strive for the growth of our brands, markets and profits, as well as the development of the potential of our employees.

PASSION — WE CREATE ENTHUSIASM

It's not just a matter of what we do, but how we do it. Like a special spice, the passion with which we refine our work makes the difference and helps achieve better results.
Commitment is the secret ingredient that makes our products better and the future brighter.

OPENNESS — WE CREATE A BETTER OPEN MIND

Whatever we do, we never stop being curious, always fearless (and learning from mistakes!) and thirsty for fresh ideas and new experiences. We embrace a diversity of approaches and different opinions knowing that they will lead us to better solutions to everyday tasks and challenges.

Organisational structure

Operations of Atlantic Grupa are organised within two basic segments:

BUSINESS OPERATIONS AND CORPORATE SUPPORT FUNCTIONS

Business operations of Atlantic Grupa may be followed through, on one hand, business activities of special business units related to individual product types and, on the other hand, special sales units which cover all major markets as well as strategic sales channels.

During 2023, Atlantic Grupa's business operations concerning the company's product portfolio were organised through Strategic Business Units – Beverages, Coffee, Snacks, Savoury Spreads, Pharmacy Business, and Business Unit Donat. The company's distribution operations are organised through six distribution units and the global distribution account management. The markets in which Atlantic Grupa provides a complete distribution service consist of Strategic Distribution Units Croatia, Serbia, Slovenia and North Macedonia, and Distribution Units Austria and Russia, while the markets which we dominantly manage through our distribution partners have been grouped into a single distribution area, Global Distribution Account Management. Corporate support functions ensure the implementation of uniform corporate standards and more transparent and efficient business operations at the company level. Corporate support functions are centrally organised and, depending on their respective functional area, provide support to the development and management of the entire Atlantic Grupa.These corporate support functions are divided into:

CORPORATE ACTIVITIES;
FINANCE, PROCUREMENT AND INVESTMENT;
CORPORATE STRATEGY AND DEVELOPMENT; AND TRANSFORMATION AND INFORMATION TECHNOLOGY.

The strategic corporate function Corporate Activities includes the following departments: General Secretary, People and Culture, Corporate Communications, Corporate Legal Affairs, Quality Management and Asset Management and Corporate Services.
The strategic corporate function Finance, Procurement and Investment includes the following units: Corporate Reporting and Consolidation, Central Purchasing, Investments and Operational Excellence, Central Finance and Corporate Controlling, Corporate Tax, Corporate Treasury and Investor Relations.
The strategic corporate function Corporate Strategy and Development covers strategic initiatives, implementation of the long-term development strategy and corporate development activities with focus on M&A and strategic partnerships, as well as new growth through the detection of new areas and categories for developing business operations and creating new brands.
The strategic corporate function Transformation and Information Technology is responsible for managing information communication technology functions required for maintaining and improving Atlantic Grupa's operations, level of service and competitiveness with special focus on digital transformation of overall and individual business segments.
In addition to the above, the organisational structure also includes the support function Internal Audit, which operates as an independent function that reports to the Supervisory Board of Atlantic Grupa.

Performance on the Croatian capital market in 2023

If we were to look at 2023 through the lens of a single event that marked the year for the domestic economy and the capital market, that would certainly be the introduction of the euro. January was largely dominated by the first month of trading in the new currency, and the year began with restrained trade statistics. As the year progressed, the market gradually revived, resulting in a highly satisfactory outcome, which was reflected in a 17.5% increase in share turnover and a remarkable 136% increase in bond turnover. At the same time, both CROBEX10 and CROBEX achieved significant growth of 33.9% and 28.0%, respectively, while the Atlantic Grupa's share recorded a 24.5% increase.

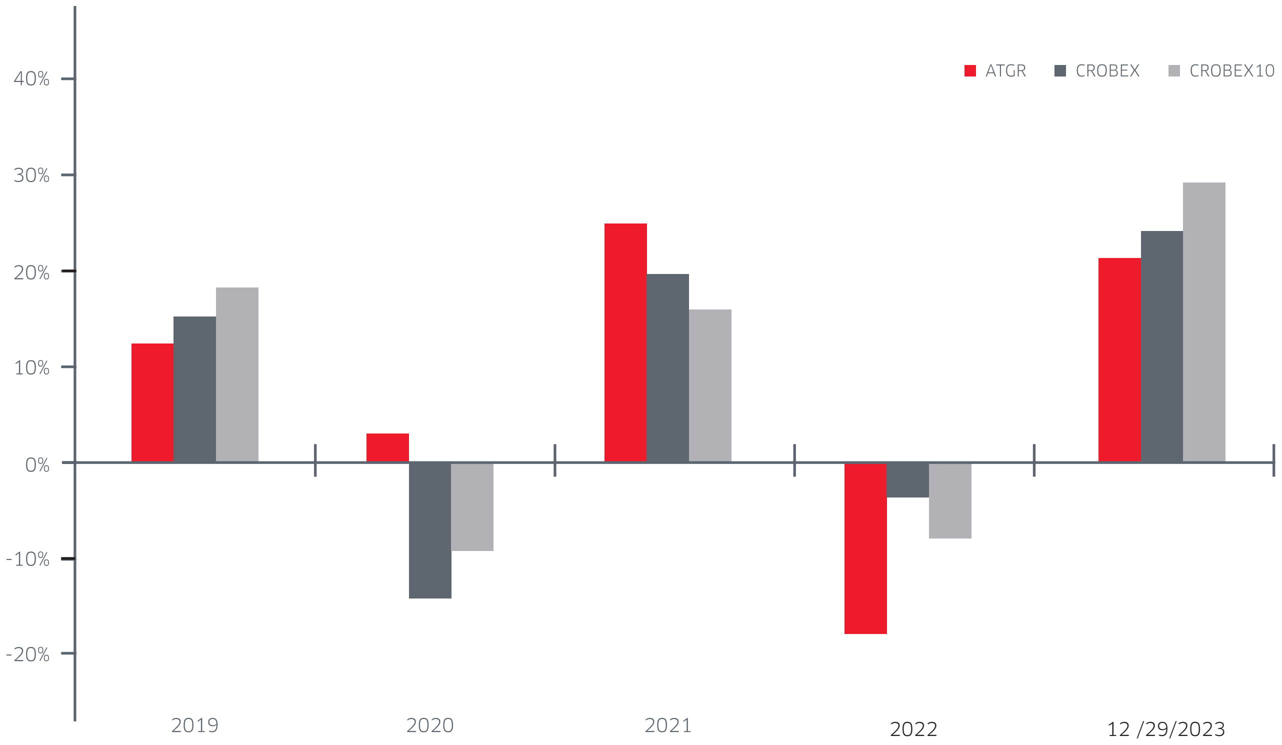
+24.5% ↑

ATLANTIC GRUPA'S SHARE PRICE

753.6 mEUR

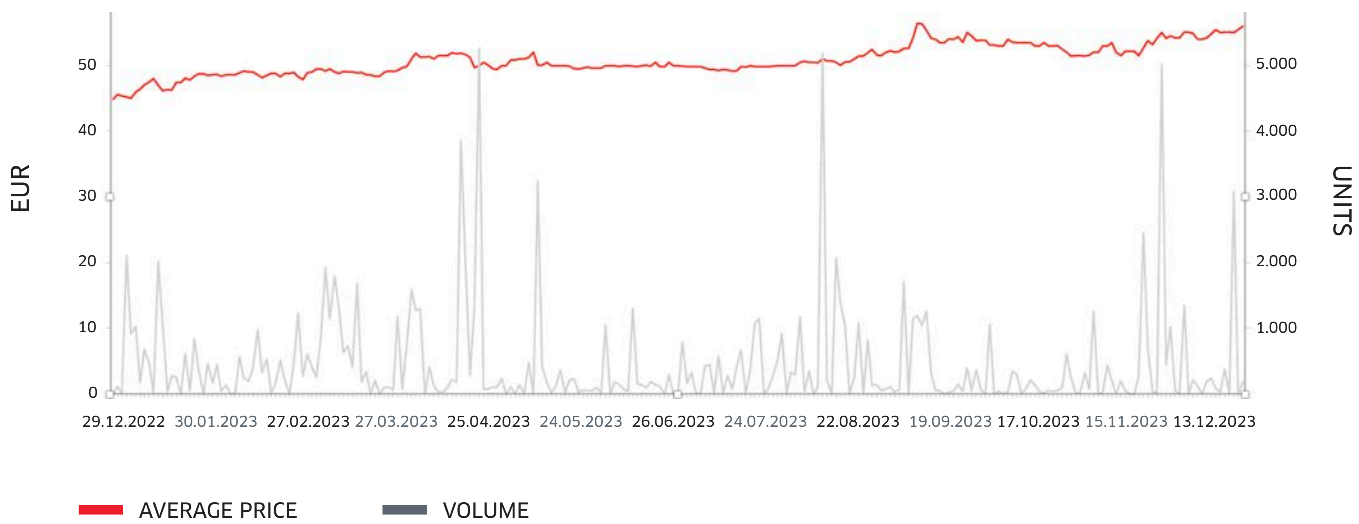
ATLANTIC GRUPA'S MARKET CAPITALISATION

Performance on capital market by the end of December 2023

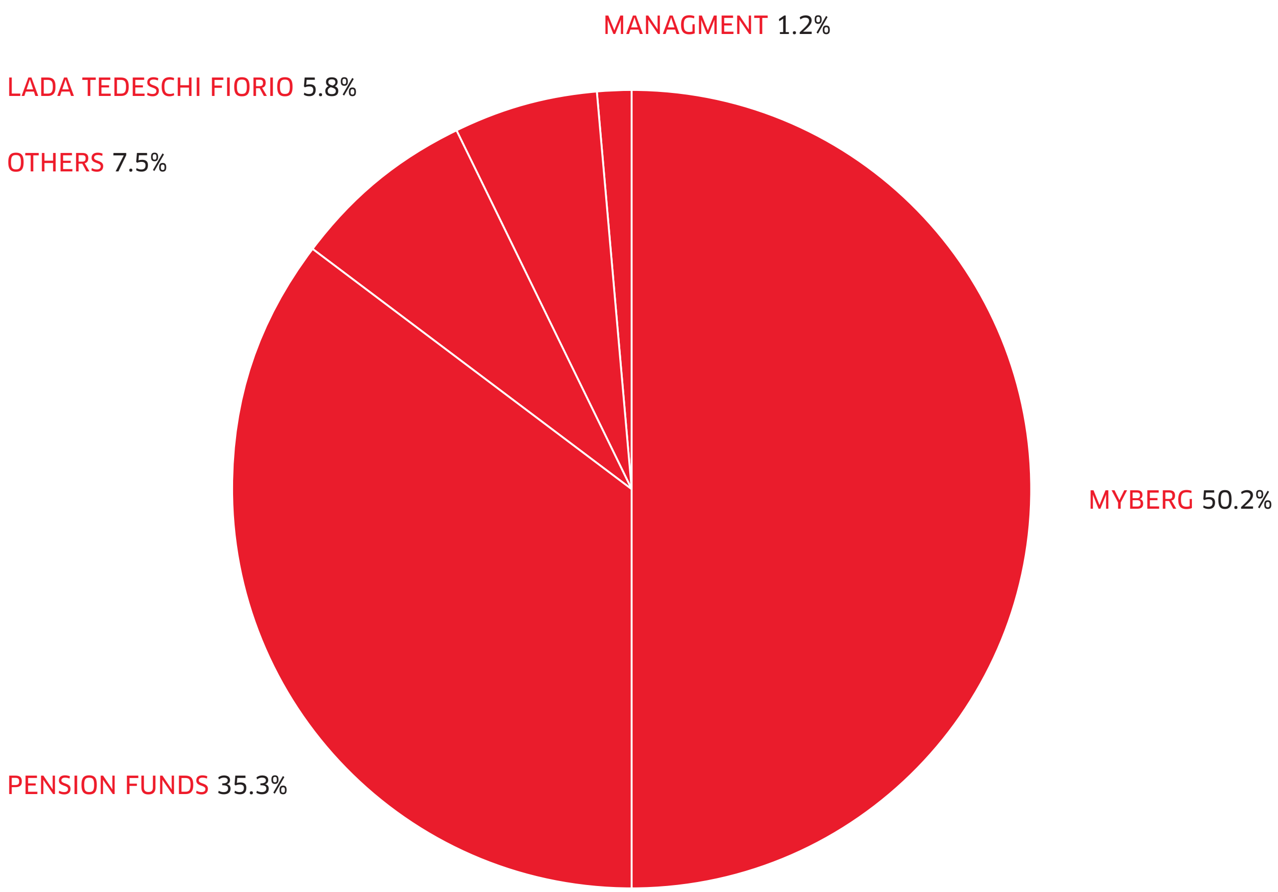


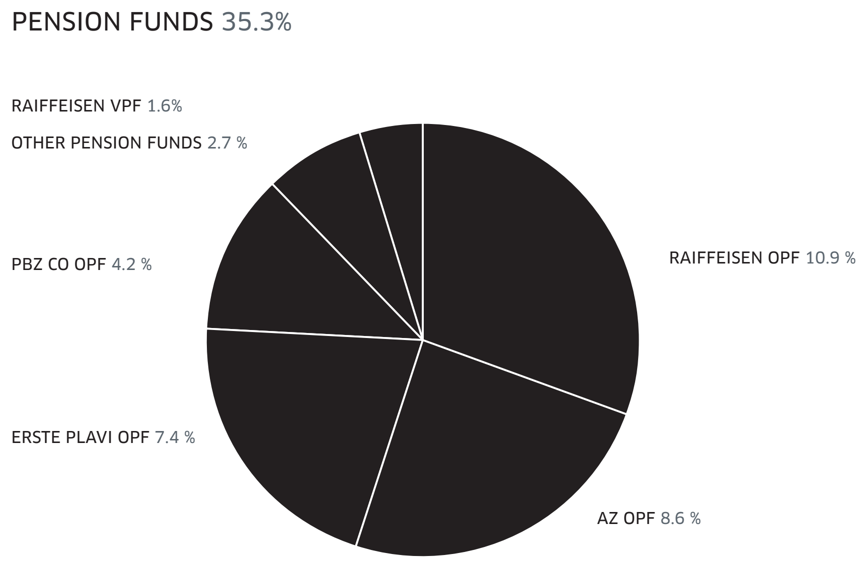
Market capitalisation followed the market's liveliness with a +27% increase in terms of shares. Among the components of CROBEX10, Atlantic Grupa ranks third with a market capitalisation of EUR 753.6 million (as of 29 December 2023). According to the total turnover in 2023, the Atlantic Grupa's share holds the twelfth place compared to all the shares quoted on the Zagreb Stock Exchange, with a turnover of EUR 5.8 million.

Share movement by the end of December 2023



Atlantic Grupa has a stable ownership structure with 50.2% of the shares owned by Myberg, a company 100% owned by Emil Tedeschi. Other major shareholders hold the following ownership stakes: 5.8% of the shares are owned by Lada Tedeschi Fiorio, while pension funds hold 35.3% of the shares of Atlantic Grupa d.d. Under the category Management, board members have 157,884 shares (Neven Vranković 88,351, Srećko Nakić 30,203, Zoran Stanković 25,766, Enzo Smrekar 8,672, and Mate Štetić 4,892). Under the category Others, member of the Supervisory Board Siniša Petrović has 704 shares. Additionally, member of the Management Board Neven Vranković has 150 bonds of Atlantic Grupa.





Overview of top 10 shareholders of Atlantic Grupa d.d. on 31 December 2023

NO	SHAREHOLDER	NO. OF SHARES	% OWNERSHIP
01	**MYBERG**	6,695,276	50.2%
02	**Raiffeisen OPF category B**	1,447,396	10.9%
03	**AZ Obligatory Pension Fund, category B**	1,147,784	8.6%
04	**Erste Plavi Obligatory Pension Fund, category B**	988,464	7.4%
05	**Lada Tedeschi Fiorio**	772,624	5.8%
06	**PBZ Croatia osiguranje VPF category B**	557,436	4.2%
07	**Raiffeisen VPF**	208,308	1.6%
08	**PBZ d.d./Joint custodial account**	161,039	1.2%
09	**AZ Profit VPF**	96,996	0.7%
10	**Neven Vranković**	88,351	0.7%

According to the decision of the Company's General Assembly held on 29 June 2023, the dividend distribution was approved in the amount of EUR 1.00 per share. In line with the Decisions on authorising the Company's Management Board to acquire treasury shares and the Decisions on excluding pre-emption rights upon acquiring new shares, which were adopted at the General Assembly of Atlantic Grupa d.d. on 27 June 2019, the Company in 2023 acquired a total of 51,070 treasury shares (8 treasury shares in the total nominal amount of HRK 80.00, representing 0.0001% of the Company's share capital, were acquired on 29 March 2023; 8,174 treasury shares in the total nominal amount of HRK 81,740.00, representing 0.06% of the Company's share capital, were acquired on 30 March 2023; 16 treasury shares in the total nominal amount of HRK 160.00, representing 0.0001% of the Company's share capital, were acquired on 31 March 2023; 1,517 treasury shares in the total nominal amount of HRK 15,170.00, representing 0.11% of the Company's share capital, were acquired on 4 April 2023; 627 treasury shares in the total nominal amount of HRK 6,270.00, representing 0.005% of the Company's share capital, were acquired on 6 April 2023; 3,260 treasury shares in the total nominal amount of HRK 32,600.00, representing 0.02% of the Company's share capital, were acquired on 20 April 2023; 1,451 treasury shares in the total nominal amount of HRK 14,510.00, representing 0.01% of the Company's share capital, were acquired on 21 April 2023; 15,237 treasury shares in the total nominal amount of HRK 152,370.00, representing 0.11% of the Company's share capital, were acquired on 26 April 2023; 20,780 treasury shares in the total nominal amount of EUR 166,240.00, representing 0.16% of the Company's share capital, were acquired on 13 November 2023). The above acquisitions were executed by trading on the Zagreb Stock Exchange and information on acquisitions was published in line with legal regulations and made available on web pages of Atlantic Grupa (www.atlanticgrupa.com) and the Zagreb Stock Exchange (www.zse.hr). The purpose of these acquisitions of treasury shares is the realisation of management and employee remuneration in line with the Stock Option Programme and the Remuneration Policy of Atlantic Grupa d.d.

After the Programme was realised by assigning treasury shares to the Company management and employees, i.e. on 31 December 2023, the Company owned 48,975 treasury shares in the total nominal amount of EUR 391.800,00, which represent 0.37% of the Company's share capital.

The Company's Dividend Policy is implemented in accordance with the development plans and the situation on the capital market, as well as according to the growth of the net profit, revenue level, expected increase of the property value of Atlantic Grupa, and other relevant factors. Provided that the abovementioned conditions are met, it is the Company's intention to pay out up to 45% of the consolidated profit in the form of dividends. Proposals of the Management Board and the Supervisory Board for the distribution of the dividend reflect the said position, whereas the adoption of the final decision on the amount and the manner of the distribution of dividends is determined by decision of the Company's General Assembly. Persons entitled to the dividend are determined according to valid regulations of the Republic of Croatia.

Neven Vranković — Group Vice President for Corporate Activities Atlantic Grupa is a successful business system which takes equal pride in its achieved business results, as well as in the culture we are building and values we are promoting, both among our employees and in the community where we work.

The core of our corporate culture is respecting individual diversity, according to which we are designing company programmes, as well as fostering cooperation and synergies between the different business segments. Our People and Culture strategy is focused on the simplicity of organisational design with the consumer at its heart, selection and promotion of authentic leaders who insist on personal accountability, and consideration of employees as individuals who need opportunities for growth and development. This is also reflected, among other things, in the permanent implementation of hybrid work models in all positions within the company where remote work is possible. In this way, we continued to provide our employees with valuable work flexibility, while maintaining the operational efficiency and elasticity that we have learned to cultivate during the intensive pandemic period. The values and culture that Atlantic Grupa nurtures are also reflected in our Quality Policy, which was renewed in 2023, in order to reaffirm our commitment to the principles of sustainable development and related goals, taking into account the expectations of all relevant stakeholders.

Having the highest level of food safety culture and high-quality standards as our fundamental commitment (a majority of production and logistic sites are certified under global standards for safety, quality, environmental and energy management), we guarantee safety, authenticity and compliance, and operate by generating shared value for the community and helping to protect the environment for future generations.

To enhance our environmental, social, and economic goals, we adopt a holistic approach towards sustainability, encompassing product development, technology, employee growth, customer engagement, investor relations, and supply chain management. Our commitment to sustainable development was in particular evident in our exceeding of AG Sustainability Index targets for 2023. In last three years, we've already reduced GHG emissions within our operations for more than 45% and we've developed a transition plan to reach our goals for 2030. We've evaluated our emissions across our value chain, where we collaborate with suppliers to address major impacts in the upcoming year.

We strive for our brands to actively address social issues through responsible initiatives, inspiring people of all ages to tackle today's challenges with optimism. As each brand uniquely contributes to sustainability by addressing its specific challenges and opportunities, together they strengthen our corporate sustainability impact.

Since implementing AG Sustainability Index four years ago, Atlantic Grupa has made significant strides in improving environmental, social, and governance policies, with notable results now included in our annual report for the first time, following European sustainability reporting standards.

Neven Vranković
Group Vice President for Corporate Activities

Better business for better future

> **We understand sustainability as a process of creating new opportunities and development possibilities** for our business operations, as well as for a better future for new generations.

Atlantic Grupa supports the UN Global Compact principles

As part of its good business practices and commitment to respecting human rights, Atlantic Grupa was one of the first companies in the region to commit to the United Nations Guiding Principles on Business and Human Rights in 2007. Since then, the company strives to inspire and upgrade responsible business practices by embedding respect for human rights across our business operations and value chain, as well as in the wider business community.

As shown in the table below, our corporate policies and practices are aligned with the ten universally accepted principles related to human rights, work, the natural environment, and combating corruption.

UN GLOBAL COMPACT PRINCIPLES			AG POLICIES AND PRACTICES
HUMAN RIGHTS	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	We promote our **corporate values and culture**, and the **company's policies and procedures** concerning human rights, equal opportunities, safe and healthy working conditions are available on the company's intranet and on all of our bulletin boards at all our business and distributions locations. **Ethical code of the purchasing organisation**
	Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	
LABOUR	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Atlantic Grupa strongly supports the **right of association of its employees** and the work of its Union alliance. 83% of our employees are covered with collective agreements. Atlantic Grupa is one of the signatories of the Diversity Charter – the initiative started by 16 EU Member States, which was developed in Croatia within the project of the Croatian Business Council for Sustainable Development. Atlantic Grupa is one of the members of The Alliance for Gender Equality in the Workplace, network of companies launched in 2019.
	Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	
	Principle 5	Businesses should uphold the effective abolition of child labour.	
	Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	
ENVIRONMENT	Principle 7	Businesses should support a precautionary approach to environmental challenges.	**Fully Integrated Quality and Environmental Management System (EMS)** and **Energy Management System (EnMS)** are implemented on all business locations. **Five pillars of sustainability agenda** and priority **goals** **Innovation process (NPD)** used for designing new products includes mandatory criteria for environmental and social responsibility.
	Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	
	Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	
ANTI-CORRUPTION	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	**Code of Corporate Governance of Atlantic Grupa** **Code of Corporate Governance issued by the Croatian Financial Services Supervisory Agency (HANFA) and the ZSE** **Code of Ethics in Business issued by the Croatian Chamber of Economy** **Whistleblowing Procedure Rules**

We create **the quality you love**

OPENNESS IN **NOURISHING LOYALITY**

Building and maintaining our stakeholder relationships on mutual trust is fully embedded in the way we do business, towards our internal and external surroundings. To better understand their different expectations and concerns, we create open communication channels with all our stakeholders (employees, consumers, customers, contractual producers, suppliers, creditors, local community, and public authorities) nurturing successful and long-term partnerships.

Internally, we promote good practices and encourage the exchange of experiences and knowledge between business and distribution units. As well, we share and benchmark our practices with external audience.

We transparently measure, improve and report on business activities and sustainable goals with awareness about the possibilities and the need to influence the improving of general conditions around us.

PASSION FOR SATISFACTION **OF CUSTOMERS' NEEDS AND DESIRES**

We are passionately committed to the excellence of brands and services. With innovative products and services, we contribute to the well-being of the community, while by encouraging the implementation of the highest level of food safety culture in all our business activities, we guarantee unconditional safety, authenticity, and compliance.

By setting ambitious goals, we constantly improve our business processes, following best available global practices. All our processes, equipment, infrastructure, as well as products and services comply with regulations and strive to fulfil the demands of customers and consumers on various international markets.

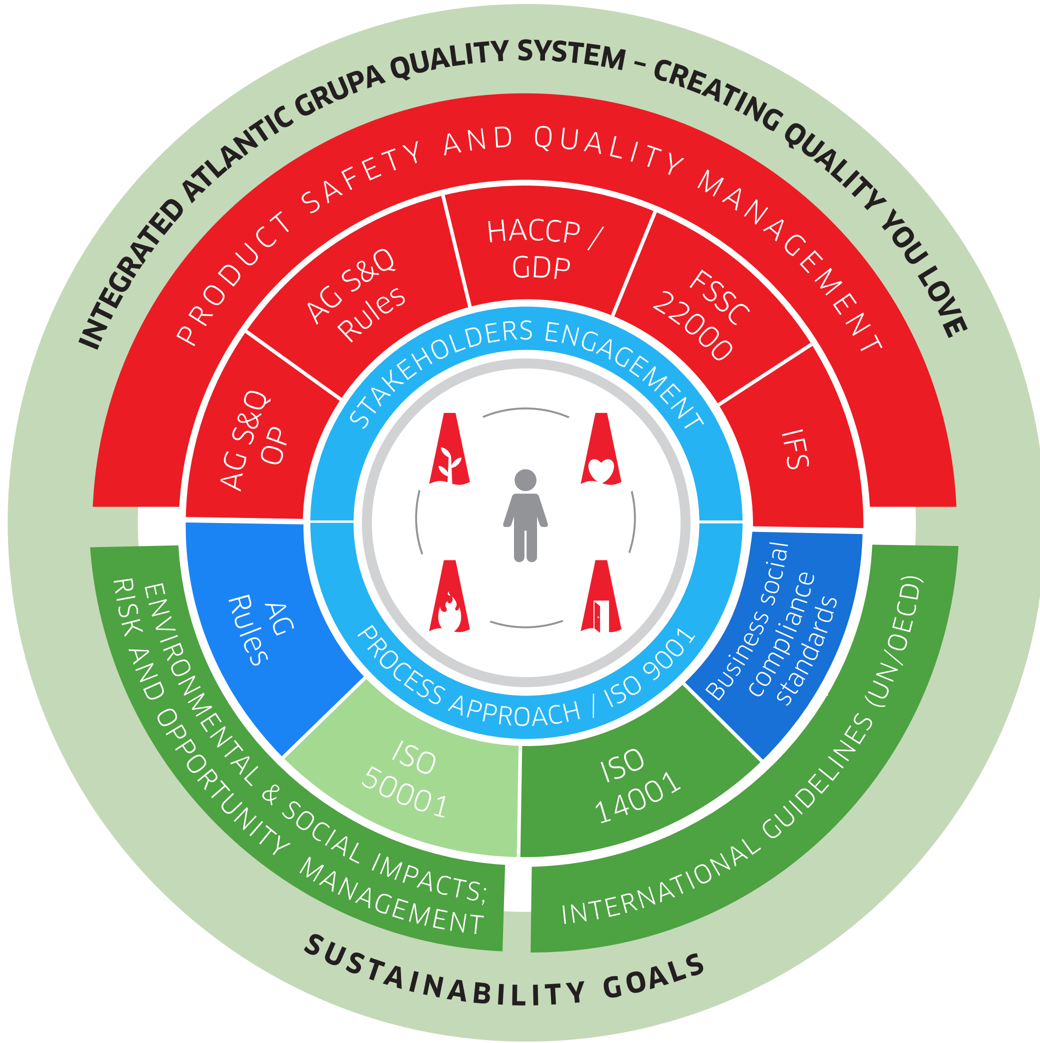
GROWTH WITH **RESPONSIBILITY**

We grow with a big responsibility committed to high ethical practices, environmental and social protection. We work to safeguard our reputation by respecting the law and the highest global standards: ISO 9001,14001, 50001 and GFSI approved food safety standards. We enable people to speak up when concerns arise and we manage data responsibly. We continuously and fully conduct risk analysis and implement all the necessary preventive measures to minimize risks in the entire value chain. Our demands in the supply chain constantly grow: we follow raw materials from the source and control the compliance of a wide range of safety, quality and sustainability parameters; we use the due diligence process to recognize negative impacts and protect health and safety of our consumers, human rights, biodiversity and animal welfare.

CARE FOR **CREATING A BETTER ENVIRONMENT**

Our corporate culture supports and promotes caring for people, the community and the environment. We live and work taking care of wellbeing of our employees and foster equity, diversity, and tolerance. Our economic efficiency contributes to economic growth and the progress of society as a whole.

Sustainability goals are defined on the corporate level and integrated into the strategic development plans of all business and distribution units. In order to mitigate our influence on climate change, and adapt to it, we are focused on: energy efficiency across all our activities, use of renewable energy sources, improving upstream and downstream processes to reduce GHG emissions in whole product life cycles. When choosing the right packaging, we follow the rules of circular economy. Through continuous improvement of the efficiency in our operations, we rationalize the use of water, reduce waste and minimize food loss.



Within the framework of the integrated quality management system and its related integrated Quality Policy, Atlantic Grupa has been building and improving its own process efficiency, product quality and safety systems, and its environmental and energy management systems for years. This corporate approach involves the active management of all production and distribution facilities. The integrated system is defined and actively managed by the Corporate Quality Management (CQM) function. This system, which is constantly improved, is integrated horizontally (through different topic standards) and vertically (through the whole organisational structure) integrating all the procedures, responsibilities and activities to ensure compliance in all legal entities.

Certificates guarantee compliance of quality management practices with the latest versions of global standards and are regularly inspected by internal compliance auditors (97 compliance audits performed in 2023) and external auditors of independent certification bodies (27 external audits performed in 2023). All locations are also regularly self-monitored, while related findings serve as important inputs for planning constant improvements (1,440 findings in 2023).

SPECIFIC AREA OF CONTINUOUS IMPROVEMENT	GLOBAL OR INTERNATIONAL STANDARDS APPLIED
Quality management to meet process excellence	ISO 9001 (95% sites own certificate)
Responsible environmental management	ISO 140001 (85% sites own certificate)
Energy and resources efficiency	ISO 50001 (55% sites own certificate)
Product safety, authenticity, and compliance	Codex Alimentarius HACCP; GFSI approved standards (IFS Food, FSSC 22000) (100% production and logistic sites own one of these certificates)
Specific consumer life-style requirements	Schemes for quality marks (Organic, Vegan, Halal, Kosher ...)
Social responsibility requirements	Amfori BSCI/SEDEX or Rainforest Alliance (RA) (Two sites are registered on the SEDEX customer's platform, two sites own the RA certificate and another two Amfori BSCI approval)

During 2024, we will prepare subsidiaries for additional certifications (Atlantic Štark Igroš for ISO 14001, 50001, Atlantic Brands Austria for IFS Broaker and Atlantic Grand Belgrade for social responsibility certification).

The effectiveness of the integral quality management system is best illustrated by the following results: there were no critical non-conformities to global standards identified in 2023, 95% of findings were efficiently resolved, and IFS Food certified subsidiaries reached in an average 98.5% compliance rate.

We recognised the development and maintenance of the Internal Compliance Auditor Community (pool of internal auditors) as one of the key benefits for the company. However, it also presents a specific risk, due to the long-term educational cycle and the need for continuous development and verification of the competences of existing internal auditors, as new versions of standards are frequently released. Thus, we will continue with trainings and auditing skills development activities further in 2024.

All stakeholders matter

Building and maintaining our stakeholder relationships on mutual trust is fully embedded in the way we do business

Our ability to generate value through business choices also depends on understanding and recognising the needs and expectations of those stakeholders who, directly or indirectly, affect the activities of Atlantic Grupa or are influenced by them.
The Management Board is responsible for transparent and quality relationships of Atlantic Grupa and its stakeholders, ensuring that the Company respects all rights of stakeholders based on the law and good business practices. Furthermore, going beyond legal requirements, acting responsibly for us means engaging in an ongoing dialogue, both locally and internationally, with the main stakeholders, in order to understand their different motives and concerns, as well as global trends that are important to them. Stakeholder consultations are carried out regularly through many channels and identified risks and opportunities are integrated in annual planning processes.

Key stakeholders, communication channels and areas of mutual benefits

KEY STAKEHOLDERS DIRECTLY AFFECTED	COMMUNICATION CHANNELS	MAIN AREAS OF INTEREST AND MUTUAL BENEFITS
Employees	Regular employee engagement survey ESG survey every 5 years Corporate interactive intranet Annual U3 process (setting personal goals) Trainings and internal workshops Offline and online newsletter	Highly engaged and capable employees, gender equity and no work injuries Talent development and career opportunities High food safety culture and embedded sustainability issues into business processes and objectives Knowledge and skills on specific ESG goals
Outsource workers, External contractors	Trainings and working procedures	Capable employees and no work injuries High food safety culture
Consumers and shoppers (with the special emphasis on the diversity of requirements and expectations)	Regional contact center Brand websites Brands' Social Media Channels Product labels Marketing campaigns and events Education of consumer/shopper on points of sales Certificates of conformity for food suitable for people who live according to Islamic and Jewish laws/people with specific nutritional need	Meeting consumer needs by offering them choice and quality/indulgence Healthy lifestyle Products with low environmental impact Animal wellfare Safe products for all consumers including vulnerable groups (people with allergies) Acceptable and accessible products for people with religious restrictions Convenient and recyclable packaging
Customers	Sales agreements ESG survey every 5 years Meetings and B2B events	Meeting consumer needs by offering them choice/ high quality Economic value
External principals	Distribution agreements	Economic value
Suppliers	Supplier portal ESG survey every 5 years Purchasing agreements Quality and sustainability agreements Procedures for compliants and annual evaluation	Innovative and efficient products and services Economic value Supply chain with low environment impacts, preserving biodiversity, fair human rights and animal welfare practices Business ethics in the supply chain Sustainable procurement and supply chain (preserving biodiversity and water resources)

Key stakeholders, communication channels and areas of mutual benefits

KEY STAKEHOLDERS OTHER USERS OF SUSTAINABILITY STATEMENTS	COMMUNICATION CHANNELS	MAIN AREAS OF INTEREST AND MUTUAL BENEFITS
(Local) Communities and vulnerable groups	Regional contact center Donations and sponsorships procedure Direct cooperation with local community representatives Atlantic Grupa LinkedIn profile	Environmental protection Acceptable technologies and products New jobs Community Engagement
Shareholders and Creditors	General Assembly Corporate web page Meetings and conferences Transparent reporting	Delivering strong sustainable earnings and dividends, thus establishing supportive shareholder base Transparent governance Economic impacts SFRD disclosures for financial institutions Development strategies
Industry peers and other business partners	Meetings and conferences Corporate web page Atlantic Grupa LinkedIn profile	Economic impacts Business ethics
NGO's	Regional contact center Donations and sponsorships procedure Direct cooperation with representatives	Community engagement
Public authority bodies	Meetings and consultations Participation in forums, industry platforms and collaborative programmes on issues of common interest	Collaboration on contributing to public good Economic effects Transparent governance
Supervisors	Certification body - DNV contracts (central management in CQM) Contracts with Other certification bodies Contracts with revisors	Certificates regularly updated; benchmark, proposals for system improvements Accurate reporting in accordance to legislation
Nature (silent stakeholder)	Emissions reports (water, air, noise, waste)	Meeting expected levels of contamination Recycling Emissions in line with Paris agreement Water scarcity

Some engagement activity examples from 2023

01

At the Cedevita Basketball Centre at the Zagreb Fair, more than 400 children seized the opportunity to participate in the Kids Day with members of the basketball school.

02

The organisers of the conference Food and Drink Europe recognised Atlantic Grupa as a company that prioritizes investment in sustainability, and Lejla Dautović, Director of Research, Development and Innovation in SBU Beverages, participated in the panel along with other representatives of leading companies producing food products.

03

This year, Atlantic Grupa became part of the Civic scouts at work project, organized by the German Federal Agency for Civic Education, within the European capacity building program for companies (2021-2024), in order to better address challenges in their work environments, and then in society in which they live and became responsible stakeholders of changes.

...and more examples of stakeholders engagement in 2023 can be found under the related chapters.

We focus on the highest-priority ESG issues facing our company, stakeholders and communities, with the goal of maximising collective impact.

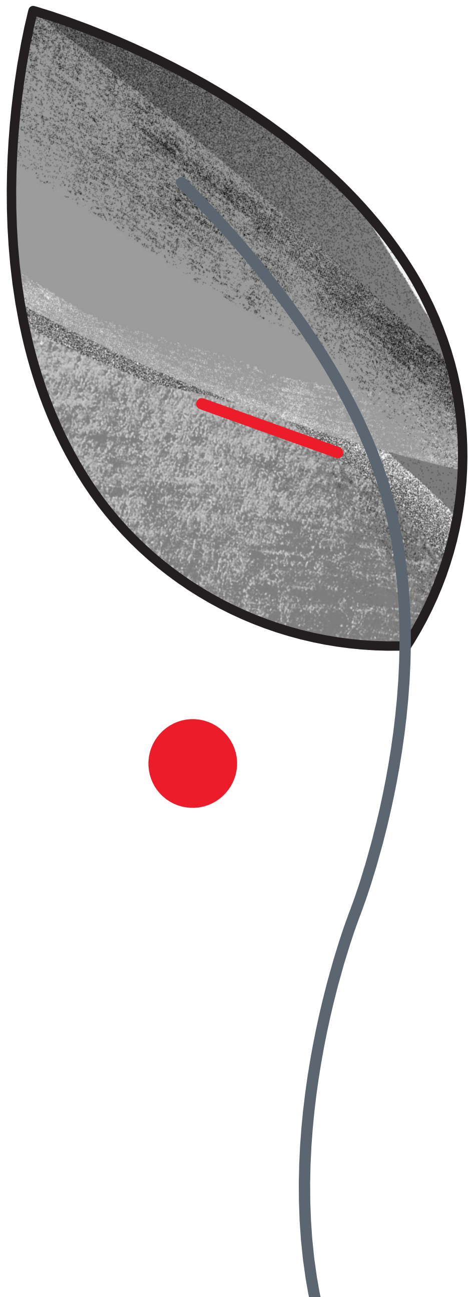
Materiality assessment - double materiality

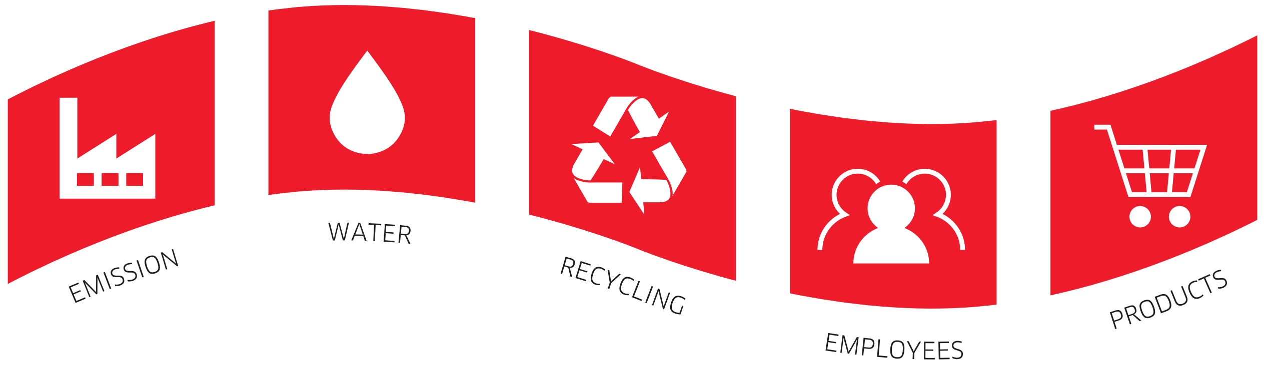
Based on the Corporate Sustainability Reporting Directive (CSRD), the Company is for the first time reporting according to the principle of double materiality. The concept of "double materiality" includes our assessment of the impacts of the Company on the environment and society, as well as the impacts of the environment and society on its business operations, which can have a significant impact on the Company's financial results, reputation, risks and opportunities.

IMPACT (I) MATERIALITY involves identifying sustainability matters that are material in terms of the impacts from our own operations and from the values chain. The Company's senior decision-makers are actively involved in this process by participating in meetings of the Coordination Committee for Sustainability. The materiality assessment is based on the scale or severity of identified impacts on people or the environment and the urgency derived from global sustainable goals.

As early as 2013, we conducted our first systematic materiality assessment, guided by the criteria defined by the Global Reporting Initiative. In 2021, we established five priority pillars, on which we build sustainability commitments and monitor the progress of improvements from 2020 to 2025. Additionally, in 2023, we collected independent opinions from the main stakeholders was also collected through the surveys (the respondents were our employees, SMC members (Strategic Management Council), as well as some of the suppliers and customers). The re-assessment of materiality will be done at least every 5 years or in the case of significant change.

FINANCIAL MATERIALITY includes risks and opportunities (RO) derived from the changes in the society and nature. The financial materiality assessment is a part of the company's enterprise risk management (ERM) process.





Sustainability pillars and priority commitments

Based on the materiality assessment, the most relevant environmental and social impacts are defined in five sustainable pillars of the company's responsible growth.

Driving Sustainability Performance through Executive Compensation - AG SUSTAINABILITY INDEX

All five pillars are balanced and the overall performance in achieving annual goals, which is measured by twelve ESG KPIs, represents AG Sustainability Index for the reporting year. Starting from 2021, the performance related to the achievement of the defined KPI goals of sustainable development is reflected in our incentive programmes for the Management Board members, as well as other managers in the Company.

When it comes to realisation

Appointed by the Management Board and with the authority to operate broadly at the group level, the **Coordination Committee for Sustainability** is responsible for guiding the company's ESG activities. The members are activly monitoring and aligning with legal requirments, identifying material impacts, risks and opportunities, defining common sustainable goals at the group level, approving annual ESG targets and action plans, and ensuring transparent and accurate reporting.
General managers in SBUs and SDUs, as well as executive directors of business functions are responsible for aligning their business strategies with common sustainable goals at the group level, ensuring that the second-level targets on the operative level correspond to corporate goals, and ensuring resources to meet annual targets and goals.
Process owners are responsible for integrating sustainability KPIs in their processes, defining medium- and long-term targets, and establishing strategies and policies needed for the realisation of the Company's goals. **Process managers** define annual action plans to meet annual goals and are responsible for cascading targets and action plans top-down to all organisational/operational levels. They also ensure measurement, reporting and follow-up on the KPI realisation, identify training needs and organise activities to upgrade specific competencies.

Measuring progress

Atlantic Grupa regularly monitors and analyses its progress in achieving goals in key areas of the ESG strategy and timely compliance with regulatory requirements. The ESG KPI results are reported in annual efficiency reports within each process scope at all levels from local, SBU to corporate.

We define the year 2020 as a baseline, and 2030 as the year of long-term targets (LTT). For some of the ESG KPIs, we already calculated the targets. For others, we will apply commitments until the calculation of our future performance is done. In 2023, we achieved the Company's Sustainability Index with 102% in relation to the set goals.

102% ↑

ACHIEVED THE COMPANY'S SUSTAINABILITY INDEX IN RELATION TO THE SET GOALS

The table below gives insight into how the sustainability pillars and commitments are in correlation with global Sustainable Development Goals and relevant European Sustainability Reporting Standards' topics/subtopics, as well as which ESG KPIs we use to transparently measure progress towards the set goals:

SUSTAINABLE DEVELOPMENT GOAL (SDG)	RELATED ESRS TOPIC	AG SUSTAINABLE PILLAR AND COMMITMENT	CONTRIBUTION TO THE AG SUSTAINABILITY INDEX	KEY PERFORMANCE INDICATORS	COMMITMENT/LTT 2030	UOM	2020	2022	2023
13 Take urgent action to combat climate change and its impacts	E1 Climate change	**EMISSIONS** Reducing GHG emissions in line with Paris agreement targets	15%	Direct and indirect GHG emissions	59% less compared to 2020*	t CO_2e	49,169	27,215	25,596
				Renewable energy use ratio	100% procurement of electrical energy from renewable sources and reducing the energy from fossil fuels in line with the transition plan 2020 - 2030	%	0.2	31.9	30.2
6 Ensure availability and sustainable management of water and sanitation for all	E3 Water and marine resources	**WATER** Improving technology and processes to reduce water withdrawals for operations	15%	Water withdrawal for operations	2,0 m3/t products	m³/t products	2.0	1.95	2.08
12 Ensure sustainable consumption and production patterns	E5 Resource use and circular economy	**RECYCLING** Exclusive use of materials which are recyclable or recycled plastic	15%	Percentage of packaging materials which are recyclable	Continue to work toward 100% packaging being recyclable	%	88	93	93
				Recycled plastic use ratio	We aim to annually increase the ratio of recycled plastic	%	0	15.6	15.2
8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	S1 Own workforce	**EMPLOYEES** Generate economic growth with highly engaged and capable employees, ensuring no injuries and gender equity	40%	% of highly engaged employees	85 % min.	%	83	83	87
				Vocational training hours	17 average per employee	annual average per employee	12	16	16.5
				Work related injuries	Max 0,9 Injury Rate [IR]	Injury Rate [IR]	1.21	0.84	0.71
				Work related injuries	Max 18 Lost day rate [LDR]	Lost day rate [LDR]	20.6	15.8	18.5
				Share of women in managerial positions	Min 51 %	%	51.2	54.8	55.4
12 Ensure sustainable consumption and production patterns	S4 Consumers and end-users	**PRODUCTS** Innovate products in a sustainable way by reducing packaging and adapting recipes using claims that provide transparency and allow the consumers to choose a product according to their chosen lifestyle.	15%	Share of improved recipes in sustainable (claimed) categories	Min 70 %	%		75	68
				Share improved packaging of products with reduced environmental impact	100 %	%		84	97

* For KPIs in the pillar EMISSIONS targets are based on Scientific Based Target Initiative (SBTI) and will be revised annually according to the business dynamics (e.g. acquisitions, ...)

About this report

According to the requirements of the Accounting Directive (2013/34/EU) as amended by the Corporate Sustainability Reporting Directive (CSRD - 2022/2464), we include in the annual report of Atlantic Grupa the information necessary to understand the Company's impacts on sustainability matters, and the information necessary to understand how sustainability matters affect the Company's development, performance and position. This report aims to provide a full and balanced picture of Atlantic Grupa material topics and related impacts and performance in the calendar year ending 31 December 2023.

This report is aligned with the requirements of:

- European Union (EU) Sustainable Finance Disclosure Regulation (SFDR)
- Republic of Croatia's Accounting Act
  UN Global Compact
- EU Corporate Sustainability Reporting Directive (CSRD)
- Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 as regards sustainability reporting standards

With the intention of providing a comprehensive and balanced account of the important non-financial aspects of our operations, this report covers the entire Atlantic Grupa with all business and distribution units, and contains data for wholly owned companies falling within the scope of the Consolidated audited financial results for FY 2023. Full information about financial results and risk management practices can be found on page 220 and 236.

The Management Board of Atlantic Grupa is responsible for all aspects of this report.

EU taxonomy

For the financial year 2022, we have reported on the taxonomy eligibility and taxonomy alignment of economic activities that qualify as contributing to the two environmental objectives: climate change mitigation and adaptation. With the adoption of Commission Delegated Regulation (EU) 2023/2486, for the year 2023, we are further obligated to report on the taxonomy eligibility of economic activities that contribute to four additional environmental objectives: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Information on the proportion of revenues, capital and operating expenditure ("key performance indicators") realised by carrying out activities related to assets or processes associated with economic activities that qualify as environmentally sustainable are shown in accordance with Commission Delegated Regulations (EU) 2021/2178 and (EU) 2023/2486.

Taxonomy analysis procedure

All companies that are subject to consolidation in the financial statements are included in the EU taxonomy analysis. Atlantic Grupa follows a two-step process to arrive at our Taxonomy disclosures. Firstly, with an interdisciplinary team consisting of employees from the finance, IT and capital investments departments, we screened whether any of the economic activities defined in the EU Taxonomy for all six environmental objectives are being performed by Atlantic Grupa. Taxonomy-eligible activities relevant to Atlantic Grupa are identified based on the activity descriptions, the referenced NACE codes, and the supplementary publications of the EU Commission. Secondly, we evaluated whether the identified eligible activities fulfil the criteria for taxonomy alignment. Although we have made progress in fulfilling the technical screening criteria, certain requirements have not been fully met. Therefore, for 2023, we only report our eligible activities. Furthermore, to avoid double counting, each identified eligible economic activity is allocated to one environmental objective and one KPI. Due to the additional insights and to ensure comparability, data for 2022 has been restated.

Revenues

The core business activity of Atlantic Grupa (production of food and beverages) is not covered by the activities listed in the latest version of the Delegated Acts. We carried out a detailed analysis of all our revenue-generating activities (including ancillary ones) and identified that Atlantic Grupa generates real estate rental income and income from the sale of real estate (reported under activity 7.7. Acquisition and ownership of buildings) and income from the sale of by-products and non-hazardous waste (reported under activity 2.3. Collection and transport of non-hazardous and hazardous waste - contribution to a circular economy). The denominator for the purposes of the EU Taxonomy is determined in line with the definition of sales in the consolidated financial statements (Note 5 to the attached audited consolidated financial statements). Annex 1 to this Annual Report contains Table 1, which shows the proportion of turnover from products or services associated with taxonomy-aligned economic activities (0.5%).

Operating expenses

After reviewing our operating costs against the taxonomy requirements, we determined that, since the majority of our operating costs are related to our revenues, they are also assessed as taxonomy-non-eligible, with the exception of the portion of expenses related to maintenance and cleaning of buildings (reported under activity 7.7. Acquisition and ownership of buildings and activity 7.3. Installation, maintenance and repair of energy efficiency equipment), maintenance and cleaning of vehicles (reported under activity 6.5. Transport by motorbikes, passenger cars and light commercial vehicles and activity 6.6. Freight transport services by road), short term rents of buildings (reported under activity 7.7. Acquisition and ownership of buildings) and maintenance of data centres (reported under activity 8.1. Data processing, hosting and related activities). These expenses are included in the other operating costs listed in Note 8 to the attached audited financial statements. The denominator is the sum of the following cost components:

- costs associated with research and development,
- costs of short-term leases, and
- maintenance and repair costs, including all direct expenses associated with the day-to-day maintenance of property, plant, and equipment (Notes 5 and 8 to the attached audited financial statements).

Annex 1 to this Annual Report contains Table 2, which shows the proportion of operating costs (OpEx) from products or services associated with taxonomy- aligned economic activities (24.8%).

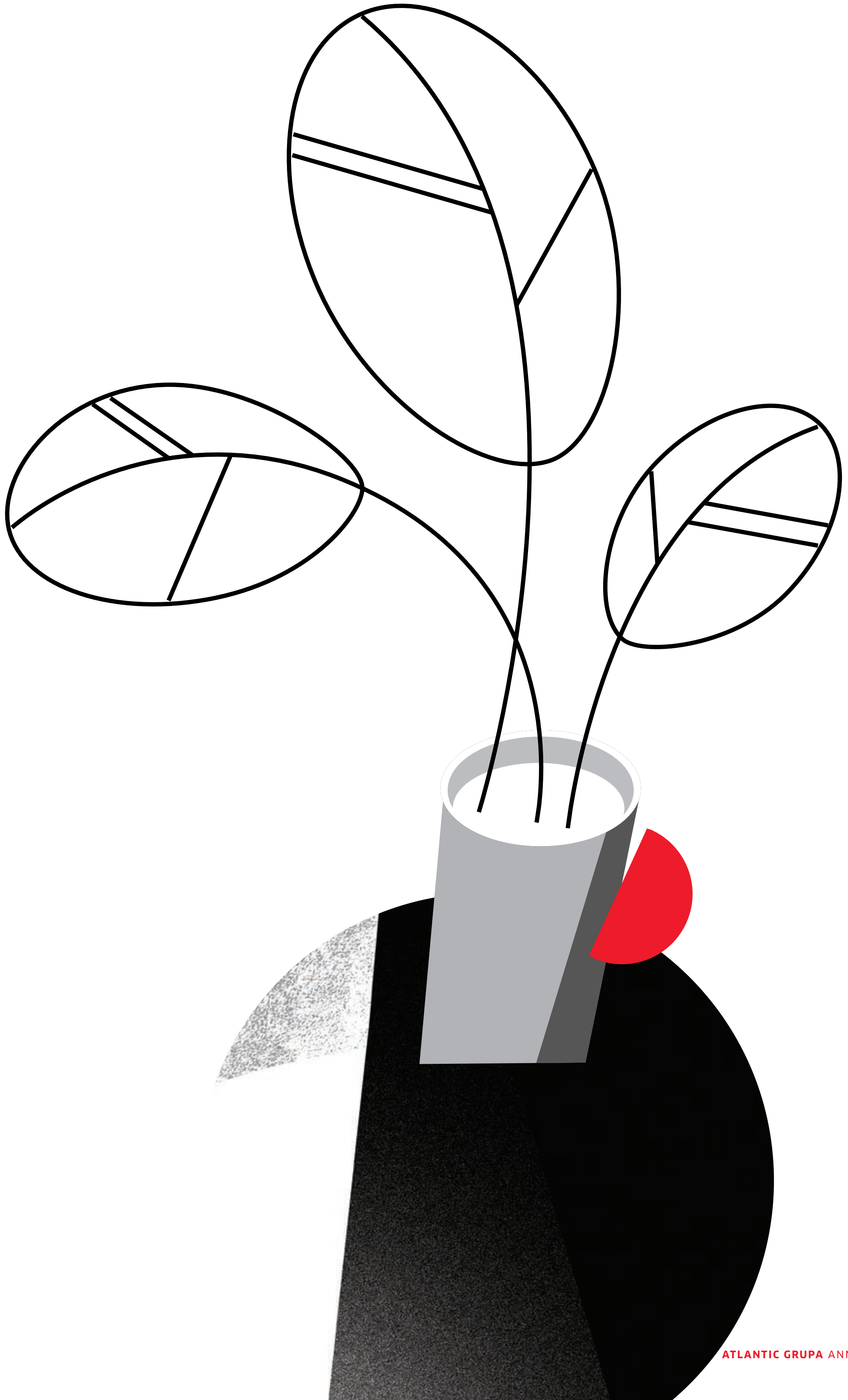
Capital expenditure

Eligible capital expenditure mainly relates to construction works, replacing and installing air-conditioning and ventilation systems with high-efficiency technologies, energy renovation of buildings and installation of solar photovoltaic systems. We carried out an assessment of alignment of the listed taxonomy-eligible capital expenditure. However, we do not have sufficient documentation on the compliance of the listed activities with the substantial contribution and do no significant harm (DNSH) criteria. Therefore, all the listed eligible activities are considered as taxonomy-non-aligned.

By comparing additions in tangible and intangible assets (numerator) with the denominator consisting of additions in tangible and intangible assets (Notes 13, 14 and 16 to the attached audited financial statements) and investments related to right-of-use assets from leases (Note 13a to the attached audited financial statements), we arrive at a figure of 63.7% of taxonomy-eligible capital expenditure in 2023. Annex 1 to this Annual Report contains Table 3, which shows the proportion of capital expenditure (CapEx) from products or services associated with taxonomy-aligned economic activities.

Minimum safeguard measures

Atlantic Grupa operates in accordance with the minimum safeguard measures related to the procedures undertaken by the company to ensure compliance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. More details on how Atlantic Grupa is aligned with the mentioned guidelines can be found in chapter Atlantic Grupa supports the UN Global Compact principles.



Care for creating a better environment

“

In striving to minimise our environmental impact across the entire spectrum of our activities and the wider value chain, Nature is our silent stakeholder.

Our corporate responsibility towards the environment refers to impacts on living and non-living natural systems, including land, air, water, marine resources and other ecosystems. It goes beyond mere compliance with regulations, reflecting our broader commitment to minimising our overall environmental footprint, conserving natural resources, contributing to climate change mitigation, and effectively adapting to the risks and opportunities of the new reality, such as climate change adaptation. This chapter presents our actions and achievements in various environmental topics and describes our commitments, policies, and strategy towards improving our environmental performance.

Management approach

Through the established **Energy Management System (EnMS)** and the **Environmental Management System (EMS)**, corporate policies and procedures are prescribed, made available and explained to Atlantic Grupa employees. These policies and procedures are also accessible to all interested parties via the Company's website, and are presented to employees of third parties participating in Atlantic Grupa operations as subcontractors or service providers.

All Atlantic Grupa locations have established energy and environmental management system appropriate to the manner and intensity of specific environmental impacts.

Besides managing impacts, risks and opportunities (IRO) of climate change, water withdrawal and circular economy - for which we give detailed explanations in chapters Climate change, Water and marine resources, Resource use and circular economy - pollution prevention is a regular ongoing activity at all locations to ensure water, air, and noise pollution is avoided. Wastewater emissions into sewage systems or natural recipients are regularly monitored. Where necessary, some production factories have cleaning devices installed at their outlets, such as air filters or wastewater treatment equipment. We monitor the requirements of local and EU regulations and plan actions to adapt accordingly. As explained in chapters Supplier relationship management and Marine resources, we take care to avoid any negative impacts on biodiversity and ecosystems.

All stakeholders in the process are continuously informed about the energy and environmental management performance, while deviations and non-conformities are properly managed.

Environmental protection as the responsibility of all employees

The success of our environmental policy depends to a great extent on the behaviour of our people and the proper performance of their tasks.

In line with Atlantic Grupa's corporate culture, we continuously educate employees and raise their awareness about the importance of behaving responsibly and carefully. To gain better insights into opportunities for improving environmental protection processes and encourage all employees to think about new environmental initiatives, Atlantic Grupa created a special platform, ekofon@atlanticgrupa.com, where all employees can submit their proposals, so that together we can find new solutions with positive outcomes for our environment.
Additionally, with internal training courses under the Functional Lab Quality programme, we ensure that the level of knowledge is constantly rising in all key positions:

— Team members responsible for energy and environment at both corporate and local level,

— Process owners and managers tasked with integrating proper management of environmental aspects into their processes or departments,

— Internal compliance auditors who facilitate the exchange of good practices and suggest proposals for improvement.

With the awareness of working in a high climate impact sector, taking well-informed, decisive action to help address climate change is a priority for our company

Climate change

Climate-related risk

All relevant risks, along with our approach to preventive measures, are reported in the chapter Enterprise Risk Management. Besides Financial, Strategic, Operational, Quality, Health & Safety, Reputation, Human Capital, Compliance and Technology Risks categories, at the end of 2023, we for the first time evaluated climate-related risks, as follows and where relevant:
- chronic: changing temperature, heat stress, temperature variability, changing wind patterns, changing precipitation patterns and types, ocean acidification, sea level rise, water stress, soil degradation and erosion, and
- acute: heat wave, cold wave, wildfire, storm, tornado/cyclone/hurricane, drought, heavy precipitation, flood, landslide.

To estimate the vulnerability and probability of future factors, as well as to discover potential opportunities for scaling up climate action, we rely on the latest report of IPCC (Intergovernmental Panel on Climate Change) and WWF Water risk filter map. To a lesser extent, climate-related risks directly threaten our own operations, while they are more likely to be reflected in our sourcing as a consequence of limited or damaged agricultural crops (such as coffee, cocoa, sugar, etc.) caused by environmental disruptions or disrupted logistic supply chains. Accordingly, we also plan preventive measures for the risks with a low financial impact to prevent potential crises, ensure safety, and protect the environment and the value of assets.

Climate change mitigation

Activities carried out within the company's value chain contribute to some of the main global causes of greenhouse gas (GHG) emissions and should be effectively mitigated. The following examples illustrate the factors we consider when defining proper approaches for setting medium- and long-term action plans, focusing on both our own operations and the entire value chain:

CLIMATE CHANGE MITIGATION

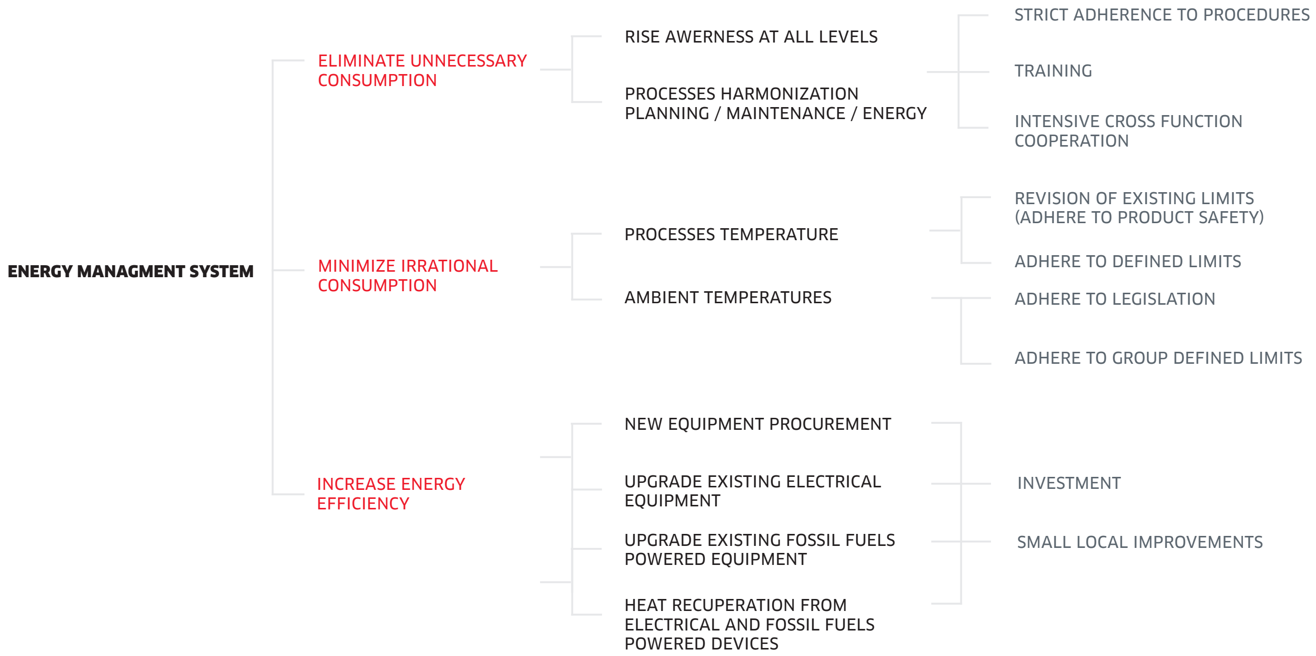
use of fossil fuels for operations	transfer to renewable energy sources and reduction of energy consumption
equipment with fluorinated gases used in our operations	transfer to equipment with no fluorinated gases or with lower global warming potential;
deforestation to increase agricultural land	supplier policies for forest protection in farming (cacao, coffee, palm oil);
increasing livestock farming	transferring from meat products to vegetarian food;
using fertilizers for agriculture	transferring from conventional to organic crops when selecting ingredients for recipes.

To manage the impact of energy consumption on Climate Change & Atmospheric Emissions we are focused on identifying all sorts of our consumption and then prioritizing reduction where possible.

Energy — focus on its reduction

As a manufacturer of food products, we have significant energy needs for thermal food processing (e.g. roasting, baking, cooking, sterilisation or pasteurization, etc.), which are primarily met by using fossil fuels. In distribution, energy consumption is mainly related to fuels for transport vehicles, and less to ensure adequate storage conditions in our warehouses.

In order to reduce energy consumption and subsequently emissions, we have defined the focus areas of our energy management system. Procedures are defined and their execution is monitored by the process owner and process manager in the central function Operational Excellence. The process manager oversees the energy management team, comprised of all our energy professionals, to facilitate knowledge and expertise sharing.



Energy consumption is reported in the table below. In this report, we adhere to the standardised reporting method as defined in COMMISSION DELEGATED REGULATION (EU) 2023/2772 of 31 July 2023. In line with the methodological changes in the compilation of reports, which prescribe updating data for the base year and previous years, the data for the period 2020-2022 show different values than in Atlantic Grupa's Annual Report for 2022, as this report no longer includes energy consumption for locations disinvested in the period 2020-2022.

ENERGY CONSUMPTION		2020	2022	2023	Δ vs PY
Heat energy from natural gas	MWh	37,752	37,766	37,470	-296
Heat energy from liquified petroleum gas (LPG)	MWh	18,603	18,310	18,131	-179
Heat energy from heating oil	MWh	2,861	1,412	1,347	-65
Heat energy from vehicle fuels	MWh	18,026	23,451	26,035	2,584
Total heat energy from fossil fuels	MWh	77,243	80,939	82,983	2,044
Heat energy from fossil fuels - purchased	MWh	7,986	7,744	7,153	-590
Electrical energy from fossil fuels	MWh	40,534	4,890	5,016	126
Total energy from fossil fuels	MWh	125,763	93,573	95,153	1,580
Share of energy from fossil fuels		97.2%	68.1%	69.8%	1.7%
Electrical energy from nuclear energy	MWh	3,317	0	0	0
Share of energy from nuclear energy		2.6%	0.0%	0.0%	0.0%
Electrical energy from renewable sources – purchased	MWh	0	43,534	40,309	-3,224
Electrical energy from renewable sources – generated	MWh	249	248	789	542
Total energy from renewable sources	MWh	249	43,781	41,099	-2,683
Share of energy from renewable sources		0.2%	31.9%	30.2%	-1.7%
Total energy	MWh	129,329	137,354	136,252	-1,103
Total heat energy	MWh	85,229	88,683	90,137	1,454
Total electrical energy	MWh	44,100	48,672	46,115	-2,557

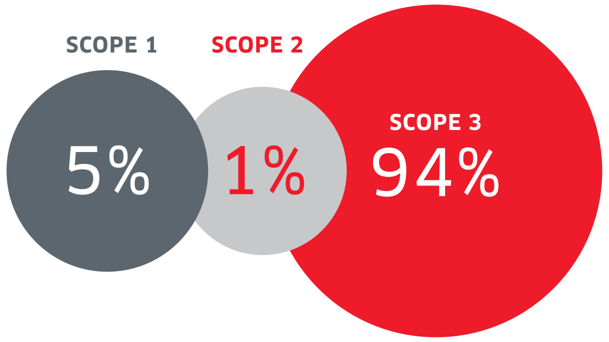
Energy intensity per net revenue		2020	2022	2023	Δ vs PY
Total energy consumption per net revenue	MWh/000€	0.18	0.16	0.14	-0.02

To mitigate our influence on climate change, since 2020 we have been actively working to reduce greenhouse gas (GHG) emissions within all three scopes.

Emissions

We are focused on energy efficiency across all our activities, using renewable energy sources, and improving upstream and downstream processes to reduce GHG emissions throughout our product life cycles. In order to manage the process of greenhouse gas management, the organisational procedure for GHG emissions management, which is closely related to the organisational procedure for energy management, is defined at the corporate level.

Atlantic Grupa GHG emissions 2023 – shares of scope 1, 2 and 3 (rounded values, market-based method)



SCOPE 1: REDUCING DIRECT EMISSIONS IN OUR OWN OPERATIONS

Direct GHG emissions (scope 1) are generated from fuels we use at our facilities and vehicles: natural gas, liquefied petroleum gas (LPG), heating oil and gas oil.

Considering the structure of energy consumption and the significant share of thermal energy needed for food processing, most of the emissions of scope 1 are locked-in emissions and cannot be easily substituted with energy from renewable sources, so energy efficiency and gradual substitution of fossil fuels will be our main focus.

The levers with which we strive to reduce energy consumption and consequent emissions of scope 1 have been defined (as reported in the transition plan). Additionally, as certain amounts of our direct emissions are generated from HFC fluorinated hydrocarbons used in cooling equipment, we take adequate care in servicing this equipment.

SCOPE 2: REDUCING INDIRECT EMISSIONS IN OUR OWN OPERATIONS

Indirect GHG emissions (scope 2) arise from the purchase of electrical energy and, to a lesser extent, thermal energy, primarily steam and hot water.
In the base year, 2020, indirect GHG emissions represented 61% of the total direct and indirect emissions calculated using the market-based methodology, while in 2023, this share is reduced to 21%.
Since 2021, our company policy is to purchase electrical energy from renewable sources wherever available (certified source or other guarantee of traceability). **In 2023, we are proud to report that all our electrical energy was 100% procured from renewable sources, with guarantees of origin in all three major markets where we operate (Slovenia, Croatia, Serbia).** Just like in the case of direct emissions, we are continuously working on improving the energy efficiency of our electricity-powered equipment, optimising production processes, and minimising cooling energy loss to reduce our indirect emissions.
When it comes to the steam procured for our production facility in Zagreb, we continuously reduce the quantities used, regardless of the production volume growth, as a result of technological process performance improvements.

SCOPE 3: REDUCING EMISSIONS IN THE UPSTREAM AND DOWNSTREAM IN THE VALUE CHAIN

The largest share of our GHG emissions stems from a range of activities across our value chain, extending beyond the boundaries of our organisation - from the production of our raw materials and packaging to the use of our products. Emissions from both upstream and downstream activities in the value chain represent 94% of Atlantic Grupa's total GHG emissions.

UPSTREAM		ATLANTIC GRUPA	DOWNSTREAM
SCOPE 3	**SCOPE 2**	**SCOPE 1**	**SCOPE 3**
Purchased goods Capital goods Fuel and energy related activity Waste generated in operations Transport and distribution Business travel Employee commuting	Purchased electricity and steam	Company vehicles On-site combustion of fuels Fugitive emissions	Transport and distribution Processing of sold products Use of sold products End of life treatment

The company's methodology for carbon accounting in upstream and downstream activities in the value chain is based on the GHG Protocol, as explained in the table below. The result of this process is the calculation of the total GHG emissions of scope 3. The calculation activity is repeated annually and coordinated by the CQM department. The data are collected from different departments and systems.

METHODOLOGY FOR SCOPE 3 ESTIMATION

UPSTREAM

GHG SCOPE 3 CATEGORY	METHODOLOGY NOTES
PURCHASING GOODS By definition, purchasing goods includes procurement related to production and non-production activities. In this calculation, only all purchased goods directly related to the production of own branded products are taken into account; excluded are all final goods from principals purchased for resale.*	GHG emissions related to purchasing raw and packaging materials, contract production, water supply and purchasing of POS materials. Average data method with purchasing quantities from our systems is used alongside emission factors from DEFRA** and WRAP** databases.
CAPITAL GOODS	GHG emissions related to investments in new equipment, IT, cloud/program solutions. Methodology for estimating emissions is spend-based using the USSEEIO emission factor.
FUEL and ENERGY RELATED ACTIVITIES	GHG emissions related to fuel and electricity include extraction, production and transportation of fuel and electricity. Average data method is based on fuel and electricity consumption in kWh, DEFRA database and T&D losses factors for countries
UPSTREAM TRANSPORT and DISTRIBUTION	All transportation from our production site to distributors and from distribution sites (which are not outsourced) to consumers. Farmacia's transport and transport of raw materials from suppliers to us is excluded. Mileage is calculated according to travel documentation/requests for transportation and DEFRA database for emission factors.
WASTE GENERATED IN OPERATIONS	Waste from our operations. Quantities are calculated based on record sheets and emissions are estimated from DEFRA database.

*

*We base our approach on priority criteria, including categories that significantly contribute to the company's risk exposure, categories we have direct influence over, and also those deemed critical by stakeholders.

**DEFRA (UK Department for Environment, Food and Rural Affairs) which has published conversion factors allowing organizations and individuals to calculate greenhouse gas (GHG) emissions from a range of activities, including energy use, water consumption, waste disposal, recycling and transport activities

**WRAP (Waste & Resources Action Programme) UK registered organization with aim to achieve a circular economy by helping them reduce waste, develop sustainable products and use resources in an efficient way.

UPSTREAM

DOWNSTREAM

GHG SCOPE 3 CATEGORY	METHODOLOGY NOTES
BUSINESS TRAVEL	Business travel with other ways of transport (bus, airplane, ship, excluding company cars) is calculated based on estimated milage. Emissions from company cars are calculated in Scope 1. Evaluation is made by extrapolation of actual data obtained for the period 1-6/2023 and DEFRA database.
EMPLOYEE COMMUTING	Based on the employee survey 2023 data, results were analysed and extrapolated to all employees, annually. We ask workers how they commute to work and how far they live from the workplace. For estimation of emissions, DEFRA database was used.
LEASED ASSESTS	Not applicable. All significant emissions from leased vehicles or buildings are accounted in Scope 1&2.
TRANSPORT and DISTRIBUTION	Warehousing and distribution of pallets as reported by our outsource distribution partner for Slovenia and Austria. Estimation is based on the number of pallets and assumption of average route.
PROCESSING OF SOLD PRODUCTS	Our contract production partners who provide packaging service for us. Average data method is used with actual quantities and emission factors from DEFRA database.
USE OF SOLD PRODUCTS	We conducted a survey among employees in 2023, which showed the most common ways of using our products. Some of them are cooled by the consumer before consumption or kept in a refrigerator after opening. Coffee and some other products are thermally processed. The survey data were used as an average practice for any consumer and extrapolated to entire production quantities.
END OF LIFE TREATMENT	Packaging quantities released on the market for own branded products. Principals packaging is excluded. The recyclable materials are intended to enter a closed loop (except the triplex foil) and we have taken this into account.
LEASED ASSESTS	Not applicable
FRANCHISES	Not applicable
INVESTMENTS	Not applicable

*

*We base our approach on priority criteria, including categories that significantly contribute to the company's risk exposure, categories we have direct influence over, and also those deemed critical by stakeholders.

**DEFRA (UK Department for Environment, Food and Rural Affairs) which has published conversion factors allowing organizations and individuals to calculate greenhouse gas (GHG) emissions from a range of activities, including energy use, water consumption, waste disposal, recycling and transport activities

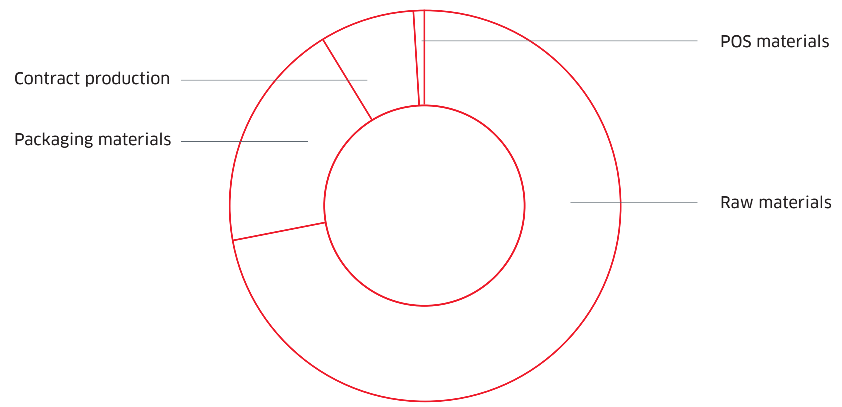
**WRAP (Waste & Resources Action Programme) UK registered organization with aim to achieve a circular economy by helping them reduce waste, develop sustainable products and use resources in an efficient way.

In total, the Company's GHG emissions of scope 3 in 2023, calculated according to the described method, amount to 399,997 t. If we also include GHG emissions generated in the upstream value chain of final goods from principals, purchased for resale, a very rough estimation of the Company's total GHG emissions of scope 3 in 2023 amounts to 700,000 t. The calculation of GHG emissions of scope 3 will allow us to better understand and manage our emissions and the impact they can have on the environment and society. Setting a baseline will enable us to set realistic targets and measure our performance. When we apply the Paris Agreement on climate change to the company's GHG emission scope 3 goals, our GHG emissions of scope 3 should be reduced by 42% compared to the base year 2020. The transition plan for the reduction of scope 3 emissions is one of the work tasks for 2024.

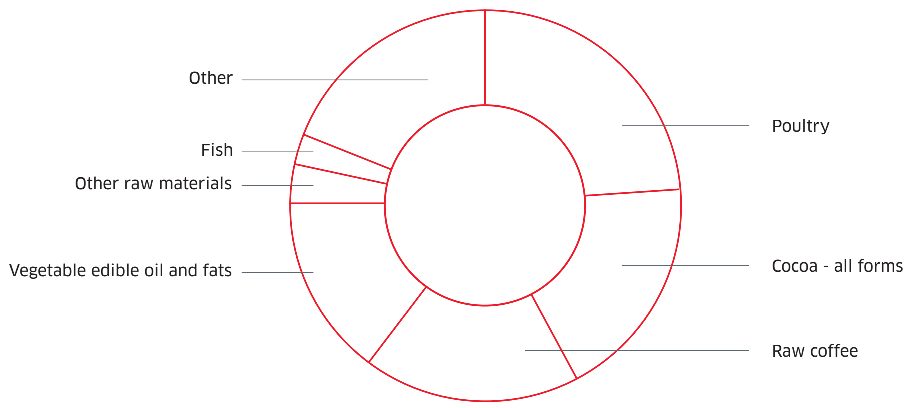
Overall, the main source of GHG emissions of scope 3 are the purchasing goods. The following graphs show the distribution inside this category:

SUSTAINABLE DEVELOPMENT GOALS (SDG) CONTRIBUTIONS

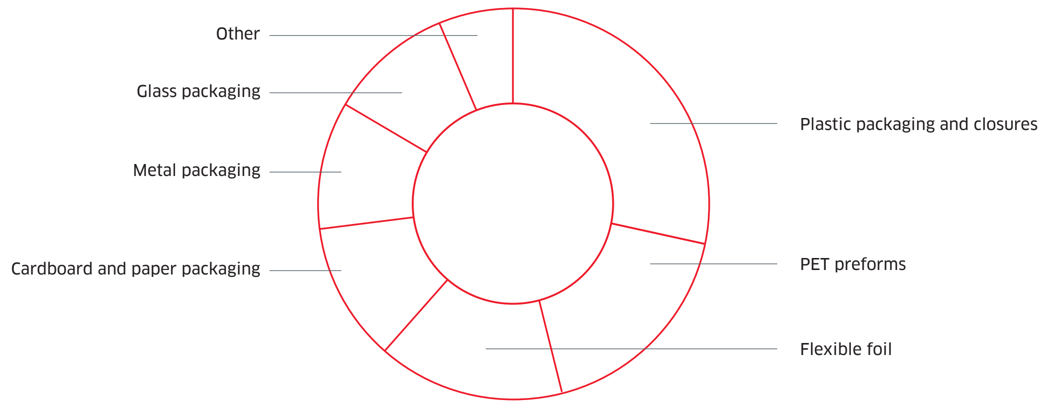
The distribution of GHG emissions of scope 3 in purchasing goods for the operation of strategic business units including Farmacia pharmacy chain:



The distribution of GHG emissions of scope 3 in the sub-category of raw materials:



The distribution of GHG emissions of scope 3 in the sub-category of packaging materials:



GHG emissions of scope 1, 2 and 3, as reported in the table below, are aligned with the standardised reporting method as defined in COMMISSION DELEGATED REGULATION (EU) 2023/2772 of 31 July 2023.

Calculation method for GHG emissions of scope 1 and 2: In accordance with the methodological changes in the compilation of reports, which prescribe the updating of data for the base year and other previous years and demand double reporting according to the location-based and market-based method, the data are not comparable to those reported in Atlantic Grupa's Annual Report for 2022. As a source of data on emission factors for GHG emissions calculations, we used the database from the Association of Issuing Bodies (AIB database) (link: European Residual Mix | AIB (aib-net.org)), for both methods applied and for all markets/sites (sources of emissions) in order to ensure consistency. We follow recommendations related to the hierarchy of data given for the market-based methodology of calculation and instructions about the quality of data given in the GHG protocol. The exception in this calculation are only the activities situated in North Macedonia, as there are no data available for this country in the AIB database, and no other official data sources were found. Therefore,

we consulted with several local institutions and, for both methods of calculation, applied the following GHG emission factors (kg/kWh): 0.687 (2020), 0.767 (2022), 0.666 (2023).

GREENHOUSE GAS (GHG) EMISSIONS		2020	2022	2023	Δ 2023/ 2022
Scope 1 GHG emissions	tCO2e	18,795	20,689	20,192	-497
Share of Scope 1 GHG emissions under regulated emission trading schemes	tCO2e	n.a.	n.a.	n.a.	n.a.
Scope 2 GHG emissions (location-based)	tCO2e	25,903	32,512	26,726	-5,786
Scope 2 GHG emissions (market-based)	tCO2e	30,374	6,526	5,404	-1,122
Significant Scope 3 GHG emissions	tCO2e	353,019	388,769	399,997	11,228
1. Purchased goods and services	tCO2e	240,706	277,362	282,010	
2. Capital goods	tCO2e	75,646	71,664	78,008	
3. Fuel- and energy-related activities not included in Scope 1 or Scope 2	tCO2e	8,856	7,409	6,786	
4. Upstream transportation and distribution	tCO2e	9,320	12,076	12,130	
5. Waste generated in operations	tCO2e	949	889	904	
6. Business travel	tCO2e	14	57	87	
7. Employee commuting	tCO2e	6,690	6,690	6,690	
8. Upstream leased assets	tCO2e	n.a.	n.a.	n.a.	
9. Downstream transportation and distribution	tCO2e	759	853	888	
10. Processing of sold products	tCO2e	3,276	4,680	5,333	
11. Use of sold products	tCO2e	6,092	6,371	6,441	
12. End-of-life treatment of sold products	tCO2e	711	718	720	
13. Downstream leased assets	tCO2e	n.a.	n.a.	n.a.	
14. Franchises	tCO2e	n.a.	n.a.	n.a.	
15. Investments	tCO2e	n.a.	n.a.	n.a.	
Total GHG emissions (location-based)	tCO2e	397,717	441,970	446,915	4,945
Total GHG emissions (market-based)	tCO2e	402,188	415,984	425,593	9,610

GHG emissions per net revenue		2020	2022	2023	Δ vs PY
Total GHG emissions (location based) per net revenue	tCO2e/000€	0.56	0.51	0.45	-0.06
Total GHG emissions (market based) per net revenue	tCO2e/000€	0.56	0.48	0.43	-0.05

Our efforts to address climate change and contribute to protecting the future of our planet starts with reducing our own carbon footprint.

The net zero transition plan for GHG emissions of scope 1 and 2

GOALS AND TARGETS

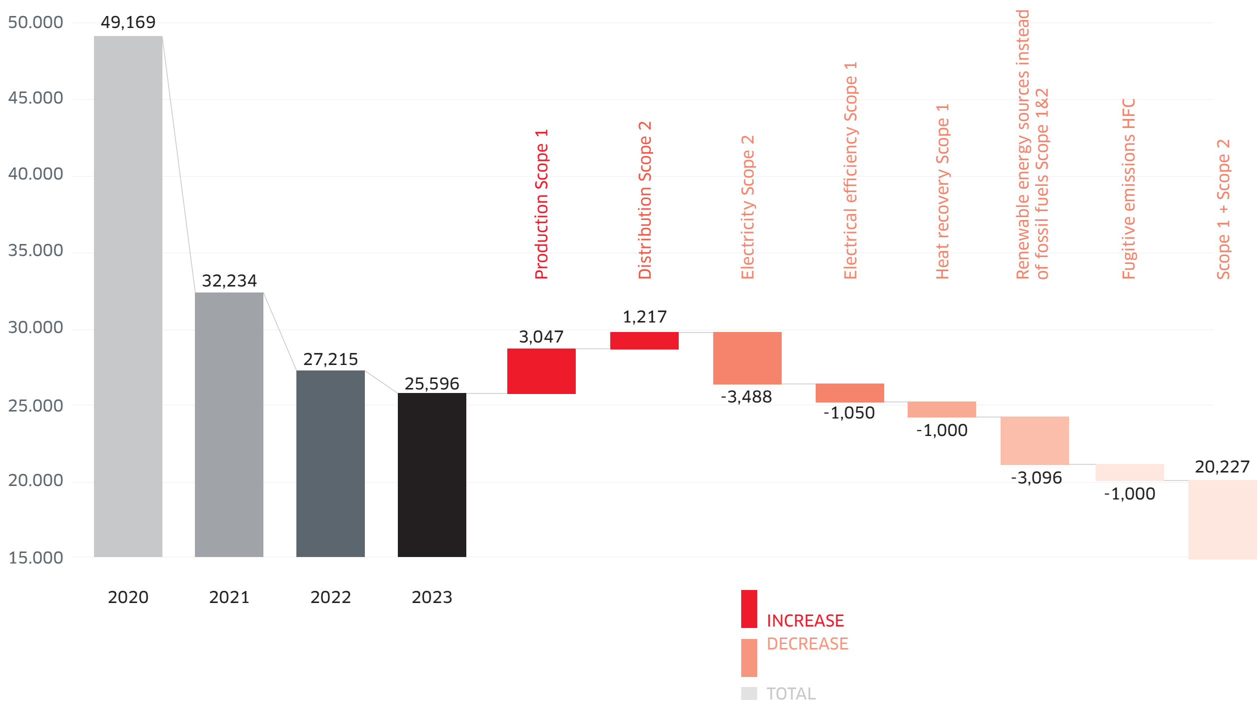
In line with the Paris Agreement (2015), Atlantic Grupa has committed to reduce GHG emissions (scope 1 and 2) by 59% compared to emissions in 2020. Targets were calculated using the SBTi methodology, with 2020 as the base year and 2021 as the most recent year. We used the web available SBTi calculator, while targets were not officially approved by the SBTi organisation. Additionally, we are aware of the common targets for 2050, which means that we should deliver a 90% reduction of emissions of scope 1, 2 and 3 by 2050.

TRANSITION PLAN

The transition plan to achieve targets in scope 1 and 2 was prepared in 2023 by the Company's energy team (whose members are energy managers in operations from production sites). The transition plan for achieving GHG emissions reduction targets by 2030 is schematically presented in the graph:
The main transition activities in descending order

Atlantic Grupa SBTI target 2030

	Tgt 2030
SCOPE 1	19,407
SCOPE 2	821
SCOPE 1 + SCOPE 2	20,227
REDUCTION VS BASE YEAR (2020)	-58.9%



include switching to electrical energy from renewable sources on markets of BiH and North Macedonia, improving energy efficiency, heat recovery, and switching from fossil fuels to electrical energy. Although emissions from our vehicles are significant contributors to overall scope 1 emissions, replacing existing vehicles using fossil fuels with electric ones, on a larger scale, is not feasible before 2030.
Our transition plan does not include investing in the removal of GHG emissions through climate change mitigation projects outside our value chain, and we do not plan to purchase carbon credits. We also do not invest in GHG removal and storage technological solutions in our own operations.

The transition plan to reduce scope 3 GHG emissions by 2030 will primarily focus on get obtaining accurate data from suppliers and engaging them to implement their own emission reduction transition plans. The commitment about the exact company target for 2030 will be prepared in 2024.

Additionally, we constantly explore opportunities to reduce GHG emissions of scope 3 through the innovation of products in a "sustainable way". To be efficient, every small step towards reducing emissions is important and knowledge should be further developed in the company. To assist R&D teams in effectively addressing GHG emissions from the early stages of designing new products, we introduced a mandatory control checklist for new product design in 2023.

GOOD PRACTICE CASE

NEW PRODUCT LAUNCH IN 2023

In line with evolving food trends, we have created Argeta meatless pâtés made from chickpea and pea protein, which gives them a well-known texture and high nutritional value. Although in this project we did not provide comparative measurements of GHG emissions using LCA for the product value chain, we can confirm that the product has a lower GHG emission value per gram compared to meat-based Argeta spreads (generic facts applicable to plant-based products in comparison to meat-based products).

Ensuring the implementation of the transition plan

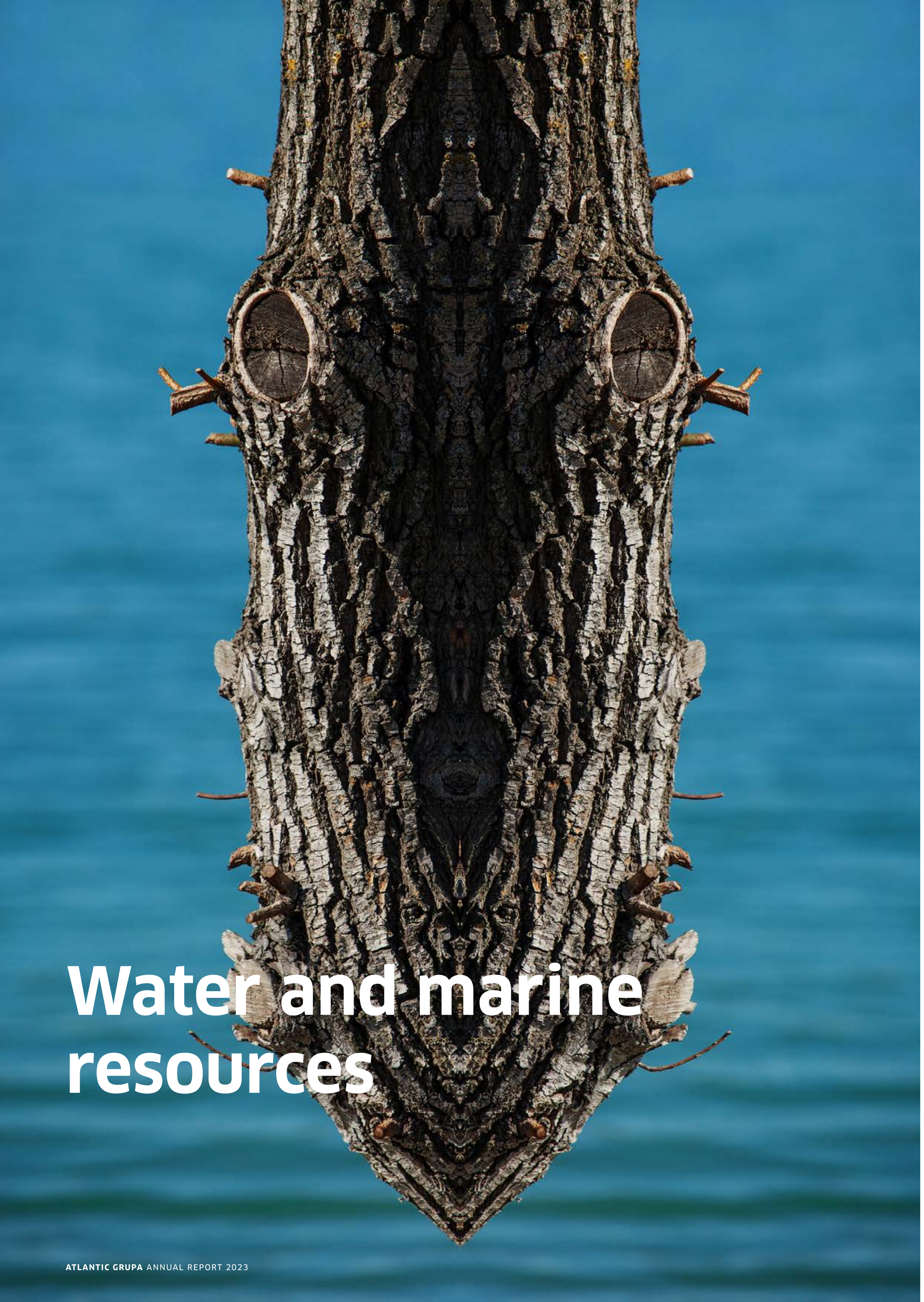
The transition plan, as outlined in this report, was presented as a draft version to the Coordination Committee for Sustainability in December 2023. The plan will be prepared in more detail during 2024, further cascaded by year and by location, and integrated into the annual action plans of each business unit/location.

All major production plants will receive strong support in implementing the plan. For this purpose, an ongoing process of conducting detailed energy audits with the engagement of external experts in increasing energy efficiency was initiated in 2023. Activities planned at the location level will cumulatively contribute to achieving the set goals of reducing Atlantic Grupa's GHG emissions by 2030.

AG's own sources of renewable energy — capital investment project 2022 - 2027

With the aim of actively participating in the global transformation to ensure renewable sources of energy an reduce dependence of external factors of uncertainty, we have already in 2022 started the investment project of building our own solar powers on the roofs of selected production buildings and warehouses. During 2023, Atlantic Grupa successfully started the operation of two solar power plants at our locations, the central logistics distribution centre in Zagreb and the production site in Rogaška Slatina. At the end of the investment cycle (as planned in 2027), 18% of the total AG electricity consumption will be generated by own solar powers.

The transition plan to net zero is one of the company's strategic priorities.



Water and marine resources

“

As water is one of the fundamental resources in the food and beverages industry, Atlantic Grupa is aware of the risk associated with it and is giving appropriate attention to responsible water use.

On all sites, we implemented activities to improve water efficiency.

Major consumers of water are our production facilities and most of them are situated in low water risk areas according to the World Resources Institute's Aqueduct Water Risk Atlas, while the production site in Igroš, Serbia is situated in a medium water risk area, and the coffee factory in Skopje, North Macedonia, is situated in a high water risk area. As for the latter, thanks to the nature of the product, the production process is dry and water use at the location is low (less than 2,000 m3 per year), which represents less than 1% of our total water withdrawal. We also put a lot of effort to address water supply shortages in the Izola location, which is in a low water risk area, but prolonged, hot summers without precipitation and the simultaneous increased water demand due to the tourist season led to recognising the risk that demands proper actions.
Although water is dominantly used for cleaning and technology, a significant amount of water is used as heat transfer media. Therefore, water is treated as an energy carrier and water management is covered by the corporate Rules of Energy and Water Management. Just like in the energy management system, all production sites regularly track water consumption on a monthly basis relative to the quantity produced, and set their annual goals accordingly.
Due to the necessity to use only very clean (food grade) water in cleaning and production processes, recycling water is not feasible to a larger extent (water used as an energy carrier that is circulating in the steam, heating and cooling circuits is not considered as a means of recycling).

Water withdrawal

WATER WITHDRAWAL FOR OPERATIONS

Aside from our two beverages production sites, one in Rogaška Slatina, Slovenia and another in Apatovec, Croatia, and the sweet and savoury production site in Belgrade, Serbia, water is exclusively withdrawn from public supplies. The beverages production sites are using groundwater for both technological processes and bottling of our products. The Belgrade site uses its groundwater source for cooling water basins and the fire protection system.

For the production of beverages, in accordance with local regulations and contracts, the volume of water withdrawn from the wells is determined in the concession decision. Regular measurements of the groundwater level in the wells are carried out. All wells are fenced, locked, and under constant video surveillance. Regular daily monitoring is also carried out in the form of physical visits by the security service. Daily microbiological and chemical analyses of sampled water in wells and finished products in manufacturing are carried out. Our obligations are regularly implemented in line with the well abstraction concession.

SUSTAINABLE DEVELOPMENT GOALS (SDG) CONTRIBUTIONS

Reducing water withdrawals for production operations

As mentioned before, water management is a part of the certified energy management system. On all sites, we implemented activities to improve water efficiency in production processes and ensure compliance with parameters for the quality of water emissions at the points of water discharge. We are continuously working on:
— preventing failures that can cause unnecessary water spills through telemetry monitoring and alert systems (when something is leaking – quick reaction),
— optimisation of cleaning procedures and production processes to reduce water needs,
investing in advanced technological upgrades that require less water,
— implementing technological solutions for water reuse,
— raising employees' awareness about the economical use of water.

Water withdrawal and water consumption data (the reported data for water withdrawal represent the quantities as directly measured on sites):

WATER WITHDRAWAL		2020	2022	2023	Δ 2023/ 2022
Water withdrawal for operations (technology + cleaning)	m³	342,025	329,379	344,674	15,295
Water withdrawal for operations (technology + cleaning) per production unit	m³/t	2.02	1.95	2.08	0.13
Water consumed for beverages production (bottled)	m³	74,082	77,623	80,995	3,371
Recycled water	m³	0	0	0	0

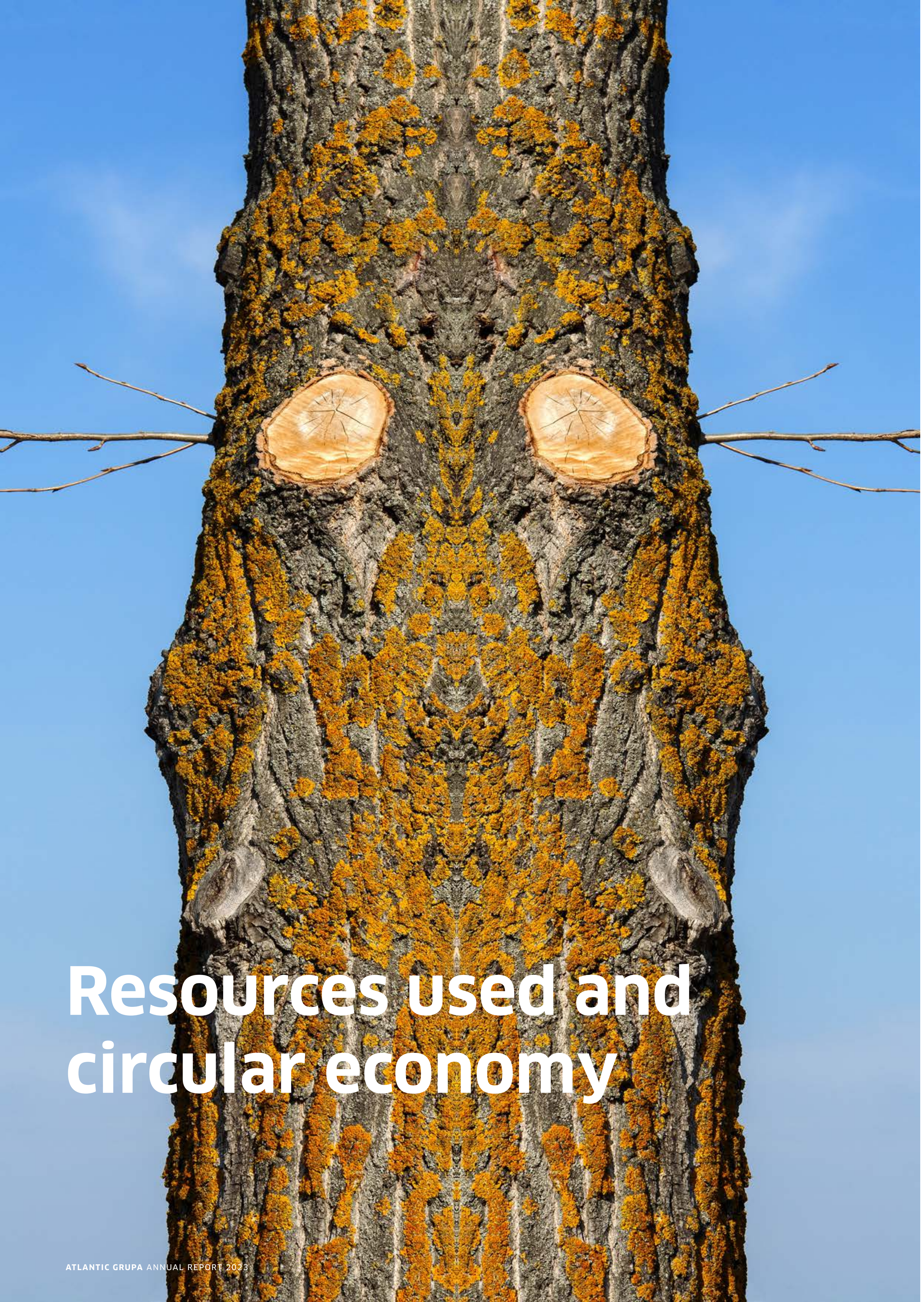
Water intensity		2020	2022	2023	Δ vs PY
Water consumption per net revenue	m³/000€	0.10	0.09	0.08	-0.01

We are aware of the impact our operations can have on marine resources and ecosystems.

Marine resources

SBU Savory Spreads is the only segment which impacts marine resources since fish is used as an ingredient in the production of pâté. Their policy is to guide suppliers to provide enough materials that are grown, raised, and caught in a sustainable way. The development technologist selects potential raw materials that meet the defined requirements concerning environmental and sustainable aspects. Likewise, when selecting raw materials, our purchasing department also pays special attention to endangered plant and animal species as defined by IUCN organisation (www.iucnredlist.org). The number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, ranked by the level of extinction, is also one of the informative key performance indicators (KPIs) for Central Purchasing, which are monitored on a regular basis.

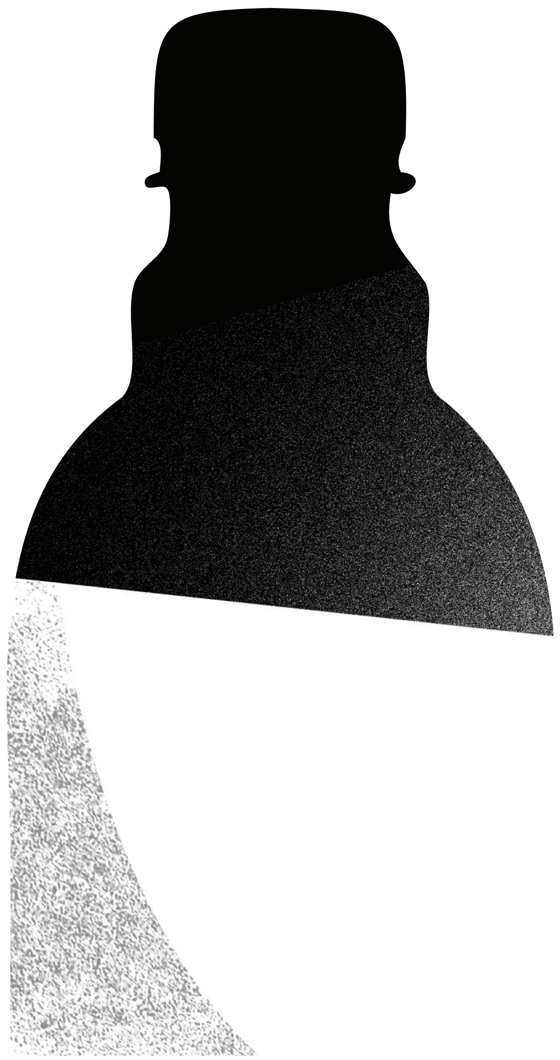
Wild species that we used in 2023 are tuna, sardine, and Atlantic mackerel. We sourced only varieties categorised as "of least concern": the Yellowfin Tuna -Thunnus albacares and Skipjack Tuna - Katsuwonus pelamis, European Pilchard - Sardina pilchardus and Scomber Scombrus of Atlantic Mackerel.
In the product assortment of Argeta pâtés, we also offer a sustainable seafood product - MSC certified tuna pâté (www.msc.org). MSC certified tuna held a 5.6% quantity share in the total fish spread segment in 2023 (total 2.409 tonnes vs. 135 tonnes MSC products).



"

We recognise our responsibility to help solve complex waste challenges facing our planet and society, and we decided to drive systemic change through a circular economy for our packaging.

Delivering a circular economy will require significant and urgent improvements in the input and output of our value chain, in our procurement practices, as well as in recycling systems upon which we rely at both local and international levels, i.e. in the markets where we operate and sell products.
In the Company's business, the main material inputs are raw materials and packaging materials for the processing/packaging and principals' FMCG products which enter the distribution chain, while the outputs are pre-packed FMCG products delivered to the market and different types of waste.



SUSTAINABLE DEVELOPMENT GOALS (SDG) CONTRIBUTIONS

Important categories of input materials

Atlantic Grupa strives to build a sustainable supply chain in collaboration with its suppliers in order to reduce its environmental impact.
When it comes to raw materials, we already started to procure some more sustainable materials. For example, certain products from our coffee portfolio use certified sustainable coffee with Rainforest Alliance certification, which guarantees responsible management of the entire supply chain or, as already mentioned, tuna fish with MSC certification for sustainable fishing. Additionally, we are transitioning to non-palm fats by using Halal and Vegan certified sunflower oil and increasing the use of free-range chicken meat to support animal welfare. These are just some of the activities that contribute to the overall sustainability of our products (more information can be found in the chapter Supplier relationship management).

In total, in 2023 we procured 95,460 tonnes of various raw materials and other processed ingredients (biological materials).

In the context of circular economy, sustainable packaging and recycling are crucial aspects of the company's sustainability culture and mindset. Our generic goal is to achieve circular recycling, which means transforming used packaging into new packaging. Businesses strive to reduce the environmental impact of their packaging by continuously identifying and utilising new opportunities for packaging optimisation, innovation, and cost reduction, while maintaining the highest quality and safety standards for their products. Considering the amount of packaging they use, this has significant environmental implications. The quantities of packaging materials procured in 2023 are as follows:

PACKAGING MATERIALS	Sum of Quantities [t]
Cardboard and paper packaging	7,324
Plastic closures	4,972
Glass packaging	4,000
PET preforms	2,594
Flexible foil	2,496
Metal packaging	1,676
Other	939
Grand Total	24,001

In the AG ESG pillar "Recycling", **we follow our progress through two ESG KPIs:**

Pillar RECYCLING Summarized results for all Atlantic Grupa's brands	UOM	2020	2022	2023
Share of recyclable materials	% of the total amount of packaging used in production	88	93	93
Recycled plastic use ratio	% of total amount of purchased plastic	0	15.6	15.2

* Note: The results for 2020 – 2022 were recalculated based on new transparent internal definitions (described below) and an improved calculation tool, and thus the data are more accurate and slightly different from those reported in previous reports.

Plastic materials have the highest share in our packaging materials, so we set a corporate ESG goal of increasing the share of recycled plastic in the total amount of purchased plastic.

The ESG KPI “Share of recyclable materials” is calculated by dividing the amount of the packaging that is recyclable with the total amount of packaging used in production in the reporting year. The category of recyclable materials includes: single-layer uniform materials, cardboards all types, aluminium with polypropylene, varnished cans DA, HDPE in LDPE, PP, metallized polypropylene, etc. For double-layer materials, we follow the criteria set in international guidelines (CEFLEX Designing for a Circular Economy Guidelines) and we collect declarations of conformity from suppliers. Other materials which are not in the category “recyclable” are triplex foil (alu/plastic) and PVC. **More than 93% of all packaging materials that ended on the market in 2023 are recyclable.** Non-recyclable packaging in 2023 mainly included triplex foils of coffee products.
Plastic materials have the highest share in our packaging materials, so we set a corporate ESG goal of increasing the share of recycled plastic in the total amount of purchased plastic.
We strive to improve our performance far more actively than we are required by legislation (Directive (EU) 2019/904). The brand Donat introduced 100% recycled PET bottles on all markets and closed the loop in cooperation with the supplier; other good practices include introducing 30% recycled stretch foil and 30% recycled heat shrinkable foils for operations. Besides our focus on recycled plastic, we use FSC-certified cardboard and paper packaging for a larger number of our products, confirming that packaging is made from recycled paper and wood sourced from sustainably managed forests.

All branded products of Atlantic Grupa are labelled with signs for safe disposal and proper recycling practice for packaging.

Waste management

Through the integrated environmental management system, we set rules for proper waste management with the common goal of minimising all types of waste.

We are focused on continuous improvement in product design and waste management practices across all our locations in line with corporate waste management rules. We work with authorised waste contractors in each country of operations. Bearing in mind the guiding principles of waste prevention and proper waste management policy, we defined corporate rules that all business and distribution units should follow (table below).

We strive to minimise landfilled waste and we actively search for solutions to reuse or recycle each type of waste we generate in our direct operations.

PREVENTION POLICIES	GOOD PRACTICE EXAMPLE
THE RAW MATERIAL POLICY: Our suppliers can only deliver raw materials in the first third of their shelf life; non-compliant materials are not accepted to prevent the generation of waste (unused materials after the expiry date).	
OPERATIONAL EXCELLENCE: By careful handling of food in production processes and improved planning in the supply chain, we reduce food loss and food waste.	
NEW PRODUCT DEVELOPMENT POLICIES: From the end of 2023 onwards, all businesses must follow corporate procedures for new product development, which require: • minimising packaging quantity to reduce post-consumer waste, • reducing non-functional packaging in secondary packaging, • choosing raw/packaging materials with lower GHG emission factors, • minimising the use of unnecessary colours/additives, • considering data on the recommended portions and consumer behaviour to ensure optimal solutions that reduce potential food waste generation during product consumption, • considering potential re-use of generated waste.	Cedevita introduced robust, medium-sized packaging inspired by a small-sized 200 g packaging, which users rated as the most practical to use. Now consumers can make their favourite Cedevita drink or transfer it into a smaller packaging without any fuss, and they can also use it as a refillable container. The packaging can be opened and closed with ease, and maximum quality and freshness are always guaranteed.

PREPARING FOR RE-USE POLICY	GOOD PRACTICE EXAMPLE
We strive to find solutions for all kinds of byproducts within the boundaries of national legislation.	Wasted granulate and broken candies from Cedevita production are as a by-product handed over to the contacted partner and used as a supplement in animal feed. When similar technology is used in two or more factories, and the still usable technological equipment in one factory is replaced with new one to increase operating capacity, the replaced equipment is transferred to another factory where its performance matches operational needs.

RECYCLE POLICY	GOOD PRACTICE EXAMPLE
At all our locations (on all markets - independently from local infrastructure - in offices, production, distribution), there are ecological islands for waste separation directly at the points of occurrence, serving as a prerequisite for further recycling of any recyclable material. When choosing the right packaging, we follow the rules of circular economy and encourage businesses to avoid virgin packaging materials. (We measure progress on a corporate level using the AG ESG KPI "Packaging materials which are recyclable".)	In 2023, Cedevita delisted PVC Sleeve for 200g Cedevita VIN and Cedevita GO 500g triplex packaging and launched a new HDPE bottle with PET Sleeve, as well as introduced carton as secondary packaging for new 455g and 900g packaging VIN. All locations hand over all cardboard, paper and stretch foil, separately collected as waste, to contracted partners for further recycling.

OTHER RECOVERY POLICY	GOOD PRACTICE EXAMPLE
We connect with partners in the value chain who collect a specific waste type and transfer waste in compost or a source of energy instead of incineration.	The waste sludge collected after cleaning the waste separator in Atlantic Štark Belgrade plant is handed over to operator and used as an energy source. Sludge derived from the wastewater treatment process combined with coffee chaffs in the Izola factory is delivered weekly to the local biogas plant. Starch powder, after being used several times as an auxiliary technological component in the Atlantic Štark Belgrade plant, is sold to a contracted partner for composting.

OTHER RECOVERY POLICY	GOOD PRACTICE EXAMPLE
Landfill disposal is the last option for waste treatment, used in practice only for waste residues and in case no better solution exists in national waste management systems.	With good waste management practices, in 2023, we landfilled less than 2% of the total waste generated at Apatovec and Izola production locations.

GOOD PRACTICE CASE

ARGETA JUNIOR

Argeta Junior launched a product in a white cardboard wrap to encourage children to reuse this packaging for drawing.

We still have a lot of potential for reducing the quantities of waste sent to landfills. In some markets (e.g. North Macedonia, Serbia, BiH), there is a lack of better waste treatment solutions locally. Consequently, not only municipal waste but also waste that was separately collected is disposed of at landfills. The EU legislation allows a maximum of 10% of the total municipal waste to end up as landfilled waste, and in all locations situated in EU markets, we are totally aligned with this goal.

We also pay attention to properly preparing separately collected waste for transport, as significant amounts of GHG emissions could be reduced by using some good practices. At certain locations, waste fractions of paper/cardboard, stretch foil, and composite packaging are pressed before being handed over to an authorised service for collecting waste. In Apatovec, we dehydrate the waste sludge before transport already from 2019.

Waste management in all locations is organised in a way that worker health and safety is ensured and that any harmful effects on the environment are prevented. The group policy is to avoid introducing any hazardous substances in the process of designing new products, wherever possible.

ANNUAL QUANTITIES OF SEPARATELY COLLECTED WASTE BY TYPE AND PROCESSING METHOD – NON-HAZARDOUS WASTE (T)

Year	Reuse	Recycling	Composting	Incineration	Use for energy generation	Landfill	Total
2022	1,061	2,433	438	116	1,313	1,869	7,230
2023	1,276	2,035	937	57	1,713	2,124	8,142

ANNUAL QUANTITIES OF SEPARATELY COLLECTED WASTE BY TYPE AND PROCESSING METHOD – HAZARDOUS WASTE (T)

Year	Reuse	Recycling	Composting	Incineration	Use for energy generation	Landfill	Total
2022	0.7	50.7	0.0	11.7	0.0	8.2	71.3
2023	0.0	62.4	0.0	28.4	0.8	0.0	91.6

ANNUAL QUANTITIES OF SEPARATELY COLLECTED WASTE BY TYPE AND PROCESSING METHOD – NON-HAZARDOUS + HAZARDOUS WASTE (T)

Year	Reuse	Recycling	Composting	Incineration	Use for energy generation	Landfill	Total
2022	1,062	2,484	438	128	1,313	1,877	7,302
2023	1,276	2,097	937	86	1,713	2,124	8,234

* The data in the above tables includes all different waste types generated in our production and distribution sites. The listed waste processing methods are reported based on the information provided by waste disposal contractors. In 2023, total non-recycled waste amounted to 2,210 tonnes (27% of total waste).

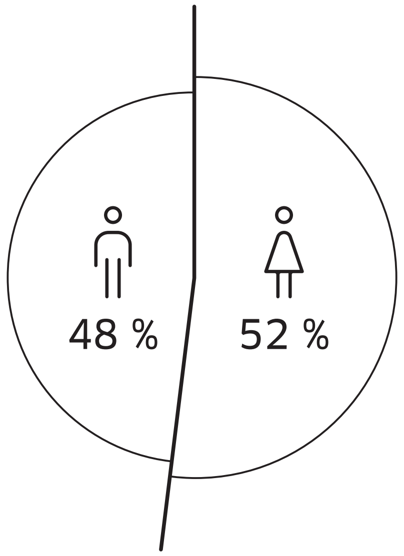
Care for creating a better society

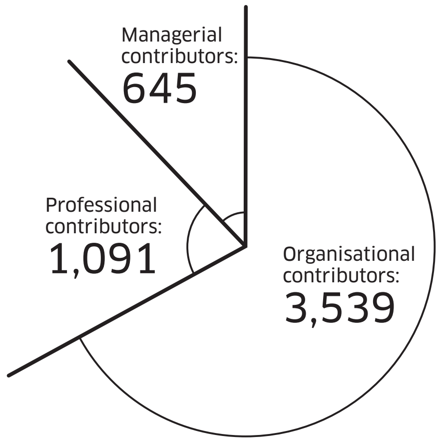
Atlantic People

Atlantic Grupa demographics are a testament to a culture that mirrors the richness and complexity of our business landscape. While many collectives strive to integrate diversity and inclusion into their programmes, policies and culture, at Atlantic we pride ourselves on having this embedded in our DNA as a reflection of our diverse business operations, both geographically and functionally, as well as a blend of long tradition and innovative business development.

5,274

EMPLOYEES





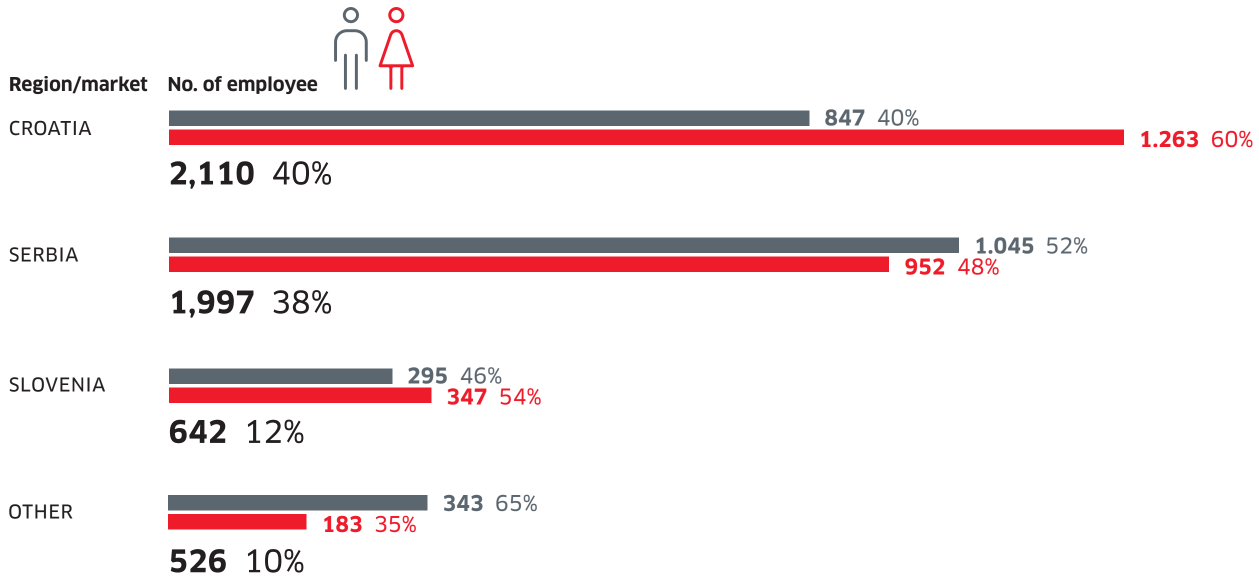
11.1 YEARS

AVERAGE TENURE

41.3 YEARS

AVERAGE AGE

REGION/MARKET NO. OF EMPLOYEE



The majority of our employees work in Croatia (40%), Serbia (38%) Slovenia (12%).

GENDER DIVERSITY IN LEADERSHIP POSITIONS

SENIOR POSITIONS	No. of employee	M	F	M%	F%
MANAGAMENT BOARD	7	6	1	86%	14%
SUPERVISORY BOARD	9	6	3	67%	33%
SENIOR MANAGERS	638	282	356	44%	56%
Total	**645**	**294**	**360**	**45%**	**55%**

SUSTAINABLE DEVELOPMENT GOALS (SDG) CONTRIBUTIONS

“

Atlantic Grupa is recognised as a house of respectable brands, and people are our greatest asset because, without their high involvement, no business strategy would be successful.

People&Culture Strategy

Our people and culture are key to our success. We aspire to attract and retain talented individuals who share our passion for creating outstanding products, flavours, and experiences. By investing in the development of our people and building a culture of collaboration, we want to empower them to make a real difference in the lives of our consumers and our community. Therefore, one of our corporate strategic goals is to foster an Empowered Organisation.

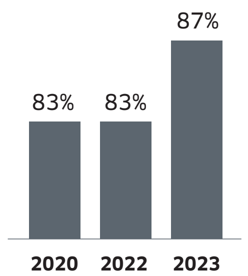
The pillars of our People and Culture strategy, both historically and moving forward, encompass: an agile organisation centred on the consumer, a leadership approach fostered in our everyday work with people, and employees who are committed to and enjoy working at Atlantic. As we look to the future, the cornerstone of our People and Culture strategy will be on intensifying human-centric approaches, both towards our consumers as well as our employees.

This will be realised through:

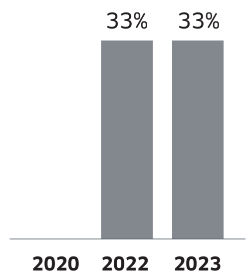
Enhancing Organisational Resilience: we are committed to continuous investment in the skills of our teams and individuals, fostering a culture of openness to change and readiness to adapt to new circumstances.

Leadership Development: the evolving landscape demands adaptability, empathy, and authenticity in leading teams. Our leadership approach prioritizes these qualities, cultivating a culture where flexibility, purposeful action, and leading by example are integral.

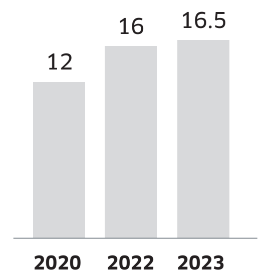
Boosting Employee Loyalty: we place a premium on attentively listening to and addressing the needs of our employees, fostering a workplace where loyalty is not just earned but reciprocated.



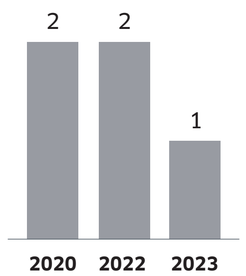
ENGAGEMENT



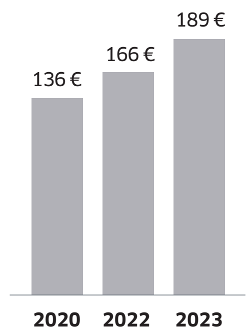
TALENT POOL STRENGTH



TRAINING HOURS PER EMPLOYEE



TOP OF THE MIND EMPLOYER

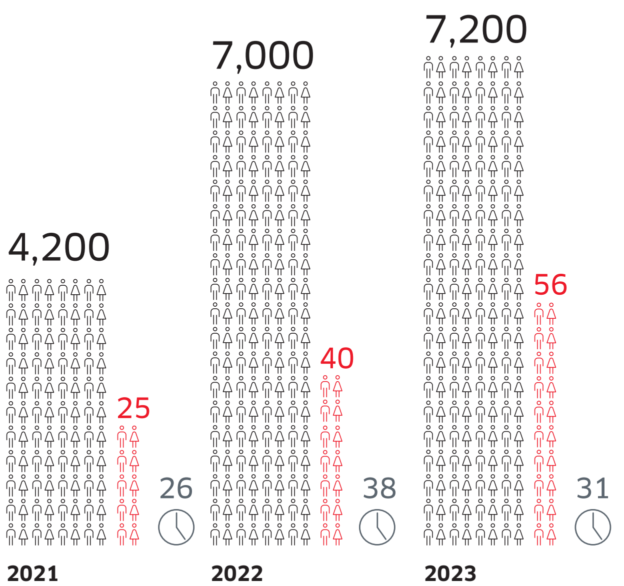


SALES PER FTE (EUR)

NEW EMPLOYEES BY GENERATIONS

11	138	339	241
BABY BOOMERS	GENERATION X	MILLENIALS	GENERATION Z
2 %	19 %	47 %	33 %

GRAND TOTAL 729



Number of people who went through Atlantic Grupa recruitment process (approx.)

Average number of applicants per hiring

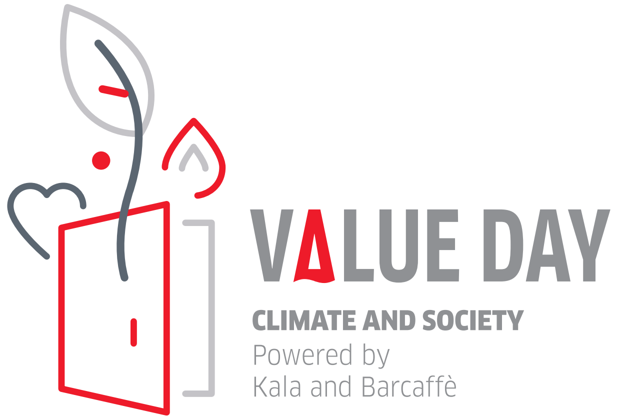
Time to hire (days)

Talent scarcity, especially in Production, Logistics, and seasonal roles, presents a challenge for Atlantic Grupa, reflecting broader global hiring trends. The past few years have witnessed an increasingly challenging hiring environment, with the average recruitment time remaining high at 31 days. However, our candidate experience continues to be highly appreciated by people who went through it.

Consequently, our talent acquisition strategies are critically focused on adapting to these conditions, primarily by **identifying and nurturing alternative talent pools,** including marginalised social groups and foreign workforce.

KPI	2020	2022	2023
NPS	20	60	52
OVERALL SATISFACTION	66%	93%	88%

Atlantic **continues to monitor the effects of its flexible work models** on the satisfaction, engagement, and productivity of its people. In 2023, Atlantic Grupa conducted a large-scale survey on hybrid work models, gathering insights from numerous employees working in a hybrid setting. This survey led to the adaptation of work models, introducing an annual 'work-from-home' day bank for 'Mixers' and 'Fixers', allowing greater flexibility in their usage.



The 2023 Value Day represents the evolution of a decade-old initiative into a sustainability-driven platform aligned with Atlantic's advanced ESG strategy theme "Climate & Society," which emphasises greenhouse gas emission reduction through afforestation and greening activities. Atlantic Grupa's brands like Kala and Barcaffè supported the event organisationally and financially in alignment with their sustainable brand strategies.

Atlantic Grupa's 2023 Value Day experienced record-breaking participation with over 1,600 participants. The central green activity focused on planting 5,500 trees in Slovenia, Croatia, and Serbia, while team green activities included revitalising 12 Atlantic Grupa locations, 8 schools, 6 kindergartens, 3 senior homes, an animal shelter, a children's home, and an institution for the visually impaired, enhancing their life quality and urban environments. Additionally, 800 individual green packs were distributed to employees in 7 countries for home and office greening.

Over 1,600 employees participated in annual sustainability & volunteering program Value Day 2023

Performance & Development Talks (PDT) in 2023 involved 90% of our professionals and managers. Over 1,300 employees were engaged in discussions with their leaders at the beginning of the year, setting individual development plans. All employees underwent training on how to take charge of their development and choose their own path while understanding the necessity for thriving within Atlantic's dynamic business environment. Resources like the Career Management Handbook, Career Opportunities Workshops, and PDT module in HRIS tutorials constantly support employees in actively shaping their own development.

New Opportunities at Atlantic

In 2023, we expanded the array of developmental opportunities so employees could effectively achieve their career ambitions. Beyond the Atlantic School programmes, Functional Academies, and Leadership Programmes, we offered opportunities for development through external coaching. Employees engaged in **coaching via the Coach Hub platform**, collaborating with certified coaches globally to focus on the identified developmental needs. This initiative was highly rated by employees (4.7/5) and significantly contributed to their satisfaction and progress.
In addition, employees had the opportunity to work with **certified internal mentors**, experienced colleagues from various fields who volunteered to share their knowledge and experience with the Atlantic community.

Atlantic GO (Grab the Opportunity) is an internal opportunity marketplace, i.e. a platform where employees can lead or join projects to gain experience in business areas unrelated to their current positions, thus moving toward their career aspirations.

3,350 employees engaged with the e-learning platform

Development opportunity satisfaction from PDT Survey 4.3/5

Functional Academies

The year 2023 saw the implementation of the **new Trade Academy (TRAAG)** across all markets. 1,064 employees in distribution took part in various training programmes in areas like Advanced Sales Communication, Finance for Sales, Negotiations, Route Master, and many more. These trainings, crafted in collaboration with external consultants and internal trainers (experts from various Atlantic areas), received high participant ratings (4.9/5).

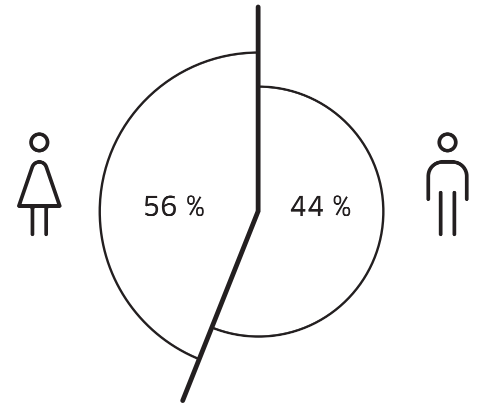
Besides TRAAG, numerous activities from other **Functional Academies, such as the Marketing Academy and Financial Academy, involved over 600 colleagues.** The Marketing Academy featured a live event on the Future of Marketing, where Atlantic Marketing Community members from all companies exchanged experiences and learned about the latest trends like AI, digital analytics, and sustainable content creation with some of the leading names in the industry: prof. Philip Kotler, Thomas Koster, Lazar Džimić and others.

TRAAG Academy in 2023
132 trainings
1,064 participants
30 internal trainers
10,766 hours of training
5 markets
Satisfaction rating: 4.9

Leadership Development

The **'Manage' programme for new leaders** was enriched with two new modules - Employer Brand Ambassador and People Development – and continues to ensure that new leaders, 70 of them in 2023, acquire essential skills for success. Top management team members attended **Unconscious Bias training** with external consultants, and this programme will be extended to other leaders. We also organised numerous trainings in people management skills, ensuring our leaders are human-centric.

416 employees in succesion pool



Atlantic is a performance-based organisation that believes in a stable, fair, and relevant return on investment for its employees' investment of time, expertise, experience, skills, and energy pivotal for the success of the company.

As integral part of Atlantic strategy, ESG 'Sustainability Index KPI, is accounting for 10% of Board's total objectives, underscoring Atlantic's commitment to sustainability in five priority pillars - emissions, water, recycling, employees and products.

Atlantic's performance management system is designed to support the company's strategy of incorporating the achievement of strategic goals into each employee's personal goals. When shaping KPIs, we encompass and balance economic and financial indicators with social and environmental goals, striving for sustainable performance of the entire organisation.

In 2023, Atlantic Grupa steadfastly continued its **commitment to economic resilience among employees.** For the third consecutive year, we have adjusted the base salary and supplemental income, particularly for our operational contributors who are most impacted by economic fluctuations, inflationary pressures, and the escalating costs of living and transportation. We have ensured that the majority of our workforce, 77% in 2022, received salary corrections averaging 12%. This trend continued in 2023, granting 79% of people an average salary increment of 14.5%.

In 2023, based on insights from the engagement survey, we recognised the need for **Atlantic to undertake a comprehensive Compensation Review Project** with the goal of assessing and enhancing our employee benefits. We evaluated the current benefits' impact on diverse employee groups, and conducted a thorough market comparison to ensure our benefits remained competitive.

In 2023, Atlantic Grupa's engagement survey recorded all-time high results. With 89% of employees participating, we recorded an engagement score of 87%. In addition, 89% of the respondents advocated for Atlantic as a desirable workplace.

As a result of the project, several key enhancements were implemented. In the markets of Serbia and North Macedonia, private health insurance will be offered from January 2024, addressing specific healthcare concerns in these regions. Additionally, a universal extra day off for birthdays was introduced across all markets to boost employee wellbeing and let them celebrate their special day in the way they want. In Croatia, where vacation days were limited, an extra day off was granted to enhance work-life balance.

These changes reflect our commitment to employee satisfaction, competitiveness, and a caring workplace. In 2024, we will continue to ensure that our benefits package not only meets the current needs of our workforce but also positions us as a desirable employer in a dynamic and competitive market.

At Atlantic Grupa, we champion a **collaborative approach in both operational and strategic planning**. This approach ensures that key stakeholders, including employees and trade unions, are an integral part of the decision-making process.

Atlantic's **comprehensive communication infrastructure serves a dual purpose:** it facilitates regular information sharing and also plays a key role in gathering employee feedback. In addition to these channels, there are other methods through which employees can offer their insights. The annual employee engagement survey, a tradition for over a decade in Atlantic Grupa, stands as a fundamental aspect of our commitment to understanding the pulse of our Atlantic people. This is complemented by targeted surveys, focus groups, stay and leave interviews, and annual performance development interviews. Regular meetings between management and trade union representatives ensure that operational contributors at Atlantic have a significant voice.

Atlantic Grupa ensures equal rights for all its employees in relevant markets by applying the same and most favourable rules and rights to everyone, regardless of their coverage under a collective agreement. More specifically, if there is no collective agreement, local legal regulations and Atlantic's internal acts harmonised with local legislation are applied to employees. Atlantic strongly supports the right of association of its employees and the work of its unions. **In 2023, 83 % of Atlantic's employees were covered with collective agreements.**

Pay gap analysis show that in Atlantic there is no pay gap. Recorded 2.60% difference is in slight favour of women.

Male-female pay gap* **-2.60%**

*Defined as the difference between average gross hourly earnings of male paid employees and female paid employees, expressed as a percentage of average gross hourly earnings of male paid employees

Social 2023: Additional Insights

Humans Rights Protection

We are fully committed to upholding internationally recognised human rights and doing business with integrity, while seeking to enhance the lives of all those with whom we engage, including our employees, workers across our broader value chain, and those within the communities around us.

Atlantic Grupa's Code of Corporate Governance offers clear guidance on how certain workplace situations should be handled, while providing direction on points of contact for those who may require additional support. It describes our zero-tolerance approach and provides guidance to all employees regarding potential situations involving child labour, forced or compulsory work, as well as compliance with all applicable health and safety regulations to ensure a safe and healthy working environment for our employees.

The grievance mechanism is a key tool for employees to raise concerns or report violations related to their human rights within the workplace. This includes issues like discrimination, harassment, or any other rights abuses.

Grievance Email; Atlantic Grupa has established a dedicated email address for grievances: grievance@atlanticgrupa.com. Employees can use this channel to submit their concerns or grievances directly.

Internal Investigation and Response Committee: The grievance process involves on Appointed Committee, which includes the Vice President for Corporate Affairs and the Corporate People and Culture Executive Director. The People and Experience Lead and the Head of Talent Acquisition at Atlantic Grupa are responsible for overseeing this process.

Comittee Respnsibilities: The committee meets at least once per year to review all open grievance cases. This ensures that grievances are adressed in a timely and systematic manner.

Accessible Procedures: The procedure for submitting grievances and the role of the committee are documented and made available to employees, typically through the company's internal intranet.

Employee Protection: Policies are in place to protect employees who utilize the grievance mechanism from any form of retaliation, ensuring a safe and supportive enviroment for raising concerns.

In 2023, there were no reported cases of human rights violations defined in accordance with the UN Guiding Principles on Business and Human Rights (Declaration of the International Labor Organization (ILO) on Fundamental Principles and Rights at Work and OECD Guidelines for Multinational Enterprises).

DETAILED PEOPLE DATA

Employee category by level	No. of employee	%	M	F	M%	F%	Age group < 30	Age group 30 – 50	Age group >50	Age group < 30	Age group 30 – 50	Age group >50
MANAGE MANAGERS	25	0%	19	6	76%	24%	0	8	17	0%	31%	69%
MANAGE OTHERS	620	12%	269	351	43%	57%	19	437	165	3%	70%	27%
PROFESSIONAL CONTRIBUTORS	1,091	21%	399	691	37%	63%	150	728	213	14%	67%	20%
OPERATIONAL CONTRIBUTORS	3,539	67%	1,842	1,697	52%	48%	610	2,060	869	17%	58%	25%
Total	5,274	100%	2,529	2,746	48%	52%	778	3,233	1,264	15%	61%	24%

TOTAL NUMBER AND RATE OF OWN EMPLOYEE TURNOVER

No. of employee	Turnover rate
666	13%

FREELANCERS

Region (market)	Average Number of Freelancers in 2023
Croatia	60
Serbia	129
Slovenia	9
Other	15
Total	212

RATIO OF THE ANNUAL TOTAL COMPENSATION OF THE HIGHEST-PAID INDIVIDUAL to the median annual total compensation of all employees (excludingthe highest-paid individual)

Legal entity Atlantic Grupa, d.d.	9.53
Austria	3.28
Bosnia&Hercegovina	4.45
Croatia (w/o AG d.d.)	9.92
Montenegro	2.57
North Macedonia	9.08
Rusia	1.98
Serbia	7.88
Slovenia	7.63

Occupational health and safety

Integrating occupational risk prevention into all of the company's activities and decisions, at all levels of the organisation, and achieving a safe and healthy workplace is a pivotal foundation upon which Atlantic operates. The prevention model includes the specialties of occupational medicine, occupational safety, emergency plans, industrial hygiene and ergonomics, and applied psychosociology. Occupational risk prevention is integrated into the company's general management system, both in its activities as a whole and at all hierarchical levels of the company.

Throughout 2023, we recorded no injuries of external contractors, services, specially protected persons (minors, persons with reduced working capacity, pregnant women, persons with disabilities, agency workers...) – target KPI 2 =< 2

Work-related injuries by type and by gender	2020		2022		2023	
	M	F	M	F	M	F
Minor injuries	13	39	17	24	22	16
Major injuries	5	5	1	4	4	2
Fatalities	0	0	0	0	0	0
Total	18	44	18	28	26	18
Total AG	62		46		44	

AG KPI	2020	2022	2023
IR	1.21	0.84	0.71
LDR	20.59	15.79	18.5

IR = number of work injuries / number of possible work hours of all employees x 200 000
LDR= number of lost workdays due to work injuries / number of possible work hours of all employees x 200 000

“

We steward our beloved FMCG brands and fuel our innovation agenda with safe products for different lifestyles and needs, while taking care of consumers’ information, personal safety, and social inclusion.

Placing the consumer at the centre of all we do

Atlantic's brands have been a part of the daily life of millions of consumers already for generations. The company's success depends on consumers and their relationship with our brands, so the company's first strategic goal is focused on continuously creating and maintaining trust and excitement in our key categories.

We are aware that consumer habits and needs are changing, and that we as a company should be diligent in detecting new opportunities and markets. Therefore, we strive to bring our flavour to consumers outside our existing markets and beyond existing, traditional categories. Our goal is for new products, brands and selectively chosen markets to become new sources of the company's growth, as well as the foundations for our future business operations.
Our strategy is based on placing the consumer at the centre of all we do. We learn important information about evolving consumer preferences through rigorous market research, feedback collection, and data analysis. This serves as our guide while we are designing products, services, and business strategies to meet the needs of our clients. Another crucial component of our reaction is to embrace innovation. Whether it is by developing brand-new items, enhancing current ones, or utilising new ways of packaging, we are always looking for new ways to improve our portfolio.

CEDEVITA VITAMIN WATER

At the very beginning of the project, with the idea to launch a new product Cedevita Vitamin Water in a 0.5 l format in order to get to know the new consumers and their wishes, 26 empathy interviews were carried out in three markets. Empathy interviews allowed us to explore a person's thoughts, feelings and motivations, and understand their lifestyle expectations, triggers and barriers. Cedevita Vitamin Water is light and refreshing in taste, low in energy, without sweeteners and has additional functional benefits that come from vitamins.

GOOD PRACTICE CASE

Our brand management strategy is founded on an integrated approach that encompasses consumer-centric product development, relevant 360 communication strategy, personalised engagement, and strategic expansion that builds on tangible prospects and targets new consumer segments with untapped potential. Additionally, our marketing and communication strategies are carefully crafted to strengthen our brand's connection with consumers, fostering brand loyalty and advocacy.
At this year's Effie Slovenia competition, Atlantic Grupa was received the award for the most effective advertiser, along with several awards for communication efficiency. Embodying our slogan "Creating the taste you love", we have demonstrated an unwavering commitment to marketing excellence and brand communication.

Moreover, we are committed to enhancing the overall consumer experience through personalised marketing campaigns, interactive content, and seamless customer service, aiming to foster stronger brand loyalty and deeper connections with our consumers. This comprehensive approach includes collaborations, partnerships, and strategic alliances that align with our brand values and resonate with our target audience. It also ensures that we proactively pursue opportunities that drive brand growth, deepen consumer connections, and position ourselves strategically to harness future ones, ultimately ensuring continued growth and success for our brand.

Additionally, our dedication to transparency and responsible business practices serves as a safeguard against any unintended consequences of our strategies, reinforcing our commitment to consumer well-being. Respecting their human rights is not only an ethical need, but also a crucial component of our strategy (The Code of Corporate Governance).

SUSTAINABLE DEVELOPMENT GOALS (SDG) CONTRIBUTIONS

In BU Donat, we conduct continuous consumer and shopper research with the aim of checking weather our product mix matches the expectations of our consumers. We also conduct research projects to uncover unmet consumer needs that could be satisfied with new, complementary products within the realm of digestive health. We have conducted two research studies to test new product concepts, which we continued in 2023 – testing if two new types of products reach the desired level of taste acceptance. In 2023, we tested the perception of Donat in Sweden in order to make the best possible launch plans for this market. We continuously monitor satisfaction of our guided health programmes among consumers who applied for the programme, as well as track perception of Donat's main attributes on the brand level and its market strength in Slovenia, Croatia and BiH (2022 and 2023).

Risks and opportunities

The identification and assessment of risks that could threaten consumer relations, as well as the identification of opportunities that could strengthen them, are built into the five-year business and marketing strategies. Among others, we are focused on:

- Personal safety of consumers, their healthy lifestyle and access to brand/product information
- Social inclusion of consumers (responsible marketing practices, non-discrimination and protection of children)
- Potential negative information-related impacts for consumers (their privacy, freedom of expression)

Consumers initiating a boycott of a product or brand for ethical, environmental, or other reasons, resulting in a direct financial impact, is one such risk scenario. This allows us to create tailored mitigation plans and responses if needed. In practice, we closely monitor the effectiveness of our actions through key performance indicators (KPIs) such as sale results, customer satisfaction scores, brand attributes, ad trackers, market share metrics and so on. These indicators provide real-time insights into the impact of our mitigation efforts on consumer perceptions and behaviours.

Product safety and quality

With innovative products and services, we contribute to the well-being of the community, while by encouraging the implementation of the highest level of food safety culture in all our business activities, we guarantee unconditional safety, authenticity, and compliance. All our processes, equipment, infrastructure, as well as products and services, comply with regulations and strive to fulfil the demands of customers and consumers on various international markets.

Having the highest level of food safety culture and high-quality standards as our fundamental commitment, food safety and regulatory competencies are maintained on the corporate level, to take the best from the company experience and to ensure that every business gets the best support.

The strategy, policy and rules are defined by the Corporate Quality Management Department, while the implementation of these rules occurs in strategic businesses operations, where SBU Quality Assurance (QA) departments are fully dedicated to product safety and quality goals. Furthermore, the Corporate Quality Management Department provides regulatory and compliance expertise to all SBU QA departments for the realisation of business quality goals.

We are passionately committed to the excellence of brands and services.

The main objectives in the process are achieved when every single batch of the finished product:

- complies with the specifications in terms of quality of ingredients and the whole recipe,
- is of the purity required (in terms of food contaminants, pesticide residues and residues of veterinary drugs (e.g. antibiotics), migration from packaging)
- contains no allergens (with the exception of those that are labelled)
- contains no genetical modified organisms
- contains no pathogen microorganisms
- is produced under hygienic conditions, properly packed, labelled and distributed.

High level of people competence for successful implementation

A comprehensive approach includes onboarding training for new employees in specific quality assurance tasks, constant renewal of key skills (such as hygiene requirements), and training programmes for further knowledge and expertise development. The training programmes are planned inside the Functional Lab Quality, and we ensure that the level of knowledge is constantly rising across all key positions:

- quality assurance team members,
- all workers in production and distribution operations,
- internal auditors who help exchange good practices and suggest improvement proposals.

Proper supplier management, with a focus on food safety and fraud hazards in the supply chain, also plays a crucial role in the system. For suppliers of raw materials, packaging materials, contract manufacturing and services with the impact on the safety and quality of products, we perform pre-approval supplier evaluation and supplier audits on sites; the annual planning of audits is based on the level of the supplier/material risk (we take into account data from the RASSF portal and all relevant supplier history data). In 2023, we successfully completed 106 supplier audits. Assessments are carried out by experienced and trained internal assessors.

Increasing globalization of supply chains, diversification of food production, use of new, processed raw materials and new packaging materials, and climate change are factors that have a strong impact on food safety. In 2023, depending of procurement categories, from 4 to 11% of all raw materials delivered (depending on the severity of risk for business unit) were analysed for pollutants.

At individual production and distribution sites, the product safety management system is comprehensive and provides quality control plans for all risks, such as food safety, food defence, food fraud and traceability, and spans all process stages: during product design, when suppliers' samples are approved, when incoming goods are released to production, during production processes and distribution processes, until the product is released for the customer. This ensures that no batch leaves the location without approval, i.e. until all necessary analyses are completed. We regularly carry out sanitary and technical inspections at all our locations. Food safety risks (i.e. biological, chemical (including radioactivity, genetically modified organisms and allergens), physical and quality risks are managed within HACCP studies, while food fraud risks are managed through

VACCP studies under the responsibility of individual teams operating at the sites. As part of the HACCP study, we assess the risks for all raw materials, packaging materials, the process and the surrounding environment, as well as the risk of cross-contamination. Through VACCP studies, we assess the risks of possible fraud in raw materials, packaging materials, finished products, and contract manufacturing.

In order to mitigate the risks of environmental and process pollutants in food, an extensive monitoring programme is in place, ensuring sampling and detection of all types of pollutants, such as mycotoxins, food fraud markers, allergens, pesticides, acrylamide, radionuclides, heavy metals, and GMOs in raw/packaging materials, as well as in finished products. **The efficiency of product safety and quality processes and the food safety culture are regularly measured through many indicators, and the fact that for years we had no incidents of non-compliance in the market (product recalls or withdrawals) demonstrates a very high overall efficiency of all measures implemented.**

Information-related impacts for consumers and/or end-users

The relevant information is the foundation of our consumers' trust, as well as a source of inspiration for new products in accordance with their expectations.

We constantly strive to improve recipes towards better nutritional value of products and design new products for a healthy diet. All product categories with the energy value have nutrition and calorie facts labels, with accurate and valid information, while data is analytically assessed for compliance on an annual basis.

We include additional information about micronutrients, such as minerals in bottled waters and vitamins in vitamin rich products – this data is also regularly analytically assessed for compliance. Health claims labelled on functional water Donat are clinically proven. Our safety risk assessments include the likelihood of incorrect or unintended use of products and, based on the findings, we communicate additional safety warnings to consumers for safe consumption.

Additionally, we constantly strive to minimise negative environmental and social impacts of products, and our labels include accurate and traceable information about certified schemes (e.g. organic agriculture, rainforest protection, responsible fishery…). Last but not least, we respect special nutritional

SOME EXAMPLES OF DIFFERENT CLAIMS ON OUR PRODUCTS

requirements of certain ethnic and religious communities and enable consumers to identify and choose products for a proper diet, e.g. vegan, Halal, Kosher.

For all our company brands, we are tracking two common ESG KPIs in the category "Products":

- ratio of new recipes per year in claimed categories, and
- ratio of new products with improved packaging that resulted in reduced GHG emissions (e.g. light weighting of packaging).

When improving products, every product category should find its own relevant solutions from the predefined list of "claimed categories":

Improved nutrition value	High fibers
	Reduced added sugars
	Reduced fat content
	Reduce saturated fat vs previous product or main competitors
	Added functional ingredients and/or natural
	More healthy nutrients vs previous product or main competitors
	BPA free
	More natural flavor vs previous product or main competitors
	Reduce artificial colors vs previous product or main competitors
Clean labels	Free from additives (artificial, E numbers)
	Reduce additives vs previous product or main competitors
	Reduce preservatives colors vs previous product or main competitors
	Reduce enhancers vs previous product or main competitors
Social specific	Vegan
	Fasting
	Halal, Kosher
	Products with Fair trade labels (tracebility to source)
	Improvement in terms of safer packaging and easier opening vs previous product
Biodiversity/enviroment protection	MSC&ASC,...
	UTZ coffee, RSPO palm oil,...
	Ecological, BIO

Our brands play a critical role in delivering our global sustainability commitments

ESG KPI Products*	UOM	Result 2022	Result 2023
new recipes per year in claimed category	% of all new recipes per year	75	68
improved packaging with impact on reduced GHG emissions	% of all packaging innovations per year	84	97

* Summarized results for all Atlantic Grupa's brands

Considering that the European Union has been at the forefront of enacting stronger regulations and guidelines to promote healthier food, we are using our best efforts to align the products we offer with changing consumer tastes to remain competitive and comply with regulations. In our assortment, we constantly strive to improve the nutritional structure of our products, as well as to fulfil the obligation "without additives" and increase the number of products with GMO-free certification. We also endeavour to develop new products rich in nutrients.

Our further efforts will be directed towards ensuring compliance with GFSI standards (Global Food Safety Initiative) and environmental standards in production. We will also require our suppliers to meet these standards.

In 2023, SBU Savoury Spreads, SBU Beverages and the brand Boom Box delivered 100% of new products with claims, while SBU Coffee and SBU Snacks still have a lower percentage of this kind of innovations (their sustainable strategies will be prepared during 2024). When it comes to improved packaging, the practice of consistently reducing the amount of packaging materials is well-established/ubiquitous in all SBUs. This is also the case in SBU Snacks, where the reduction of weight and number of packaging materials is a target for our biscuits and wafers portfolio (instead of using three elements of packaging (tray, transparent foil, carton box) all new products are packed in just tray and foil).

Our brands play a critical role in delivering our global sustainability commitments. Each brand's contribution is unique, reflecting the diverse sustainability challenges and opportunities that each category faces. Yet collectively, their efforts accumulate and positively impact our corporate sustainability. More details can be found in brand-specific sustainability reports: www.argeta.com, www.cedevita.com, and www.donat.com . Other brands will also follow their best practices (you can read all about our brands under chapter Strategic business units).

Transparent communication fosters the trust of our consumers

Atlantic Grupa recognises the significance of fostering trust and ensuring that every interaction with valued customers is both informative and compliant with legal standards.

Product labelling & development of declarations

One of the pillars of our dedication to quality is making sure that we give our customers accurate and real information. The reputation of our brands and the satisfaction of our customers are profoundly impacted by this devotion, which spans all facets of our product offerings.

First and foremost, trustworthy relationships are built on factual information. It promotes a strong sense of trust in our brands when consumers can rely on the information supplied on the labels of our products or in our marketing materials. Long-term loyalty and a favourable reputation follow from this trust. Additionally, the need of accuracy is heightened by health and safety considerations in sectors like the food and beverage industry. Therefore, preserving accuracy in this field is not only morally necessary but also required by law in many different countries.

All product labels follow and are in compliance with regulatory requirements. We cooperate with governmental and external authorised institutions to ensure valid product labels. All products are labelled with a list of ingredients, recommended daily dose (applicable for food supplement products), preparation, use and storage. To ensure the utmost accuracy and transparency, every piece of text that graces our products' packaging undergoes a rigorous double-check process by external agencies and competent authorities.

Adherence to regulations is a requirement. Our assurance of compliance and legal integrity is hence correct labelling. Furthermore, we see accurate information as a means of empowering our customers. When our consumers have access to thorough and frank product information, they are better equipped to make decisions that are in line with their dietary preferences, moral principles, and medical requirements.

Transparency of marketing communication towards consumers

Atlantic Grupa is dedicated to transparency and accountability. As previously mentioned, all communication, whether it is advertising/promotion or communication on the product itself, goes through a thorough review by AG's dedicated legal department, as well as quality control. This rigorous process guarantees that messages adhere to all relevant laws, regulations, and industry standards. Consistent effort is made to avoid making misleading or unsubstantiated claims about the environmental benefits of a product, service, or company. We are also very dedicated and careful in our communication with children to make sure our messages are responsible and ethical, avoiding anything that could be harmful, inappropriate, or encourage risky behaviour, while respecting cultural sensitivity.
When campaigns address delicate subject matter, our comprehensive communication strategy also includes the plan for responding to potential critical scenarios.

In today's rapidly evolving business landscape, maintaining a clear and transparent line of communication with consumers is paramount.

When establishing affiliations with designated ambassadors, we attach great significance to timely and comprehensive assessments of their attributes, encompassing both strengths and weaknesses. This comprehensive evaluation aims to ascertain whether said individuals will exert a positive or negative influence on the image of our brands.

Digital – personal data management

Atlantic Grupa manages customer privacy by implementing its Personal Data Management Policy, which is aligned with the European General Data Protection Regulation (GDPR) and relevant national laws. The policy establishes responsibilities and powers for various departments within the organisation, such as management, legal affairs, IT, and archives. Furthermore, it ensures that personal data is collected and processed lawfully, and for specific purposes. It also emphasises the importance of accurate data collection and storage for an appropriate duration. Atlantic Grupa employs technical and organisational measures to protect personal data and only processes it based on legal grounds, such as consent, contractual obligations, legal requirements, and legitimate interests. Employees are trained to handle personal data carefully and report any suspected abuses. Data breaches are promptly reported to competent authorities. The policy also includes the appointment of a Personal Data Protection Advisor and Data Protection Officers. External partners must comply with the same data protection standards. In case of abuse, appropriate procedures and measures are followed, and affected individuals are notified. Finally, the policy encompasses technical and organisational measures outlined in the IT Security Rules.

By introducing these rules, Atlantic Grupa and its affiliated companies aim to provide appropriate control over the protection of personal data collected, processed and stored in the course of their work, collected from employees, potential employees, contractual partners, customers, data subjects and other persons for purposes consistent with the Company's internal rules and relevant legal regulations.

Our customer service centre

Recognising the importance of engaging in dialogue with customers and consumers, we actively solicit the perspectives of our consumers, consistently promoting two-way communication. For this reason, the Company highly values every feedback from the market, as it allows us to constantly improve our processes and procedures.
Atlantic Grupa has a specialised Contact Centre, where consumers can ask questions, make requests and suggestions, and complain about any ambiguities and challenges related to our products. Consumers can contact us via e-mail, toll-free phone or the contact form on the website - with a query, complaint, or praise. The centre offers information about our products, the company, and related matters, while also engaging in email communication to provide information and support, particularly during promotional contests.

The complaint enters our official procedure and is forwarded to the quality control department for analysis. All responses are recorded in the database, analysed, and included in a report. If the customer who filed a complaint is not satisfied with the Company's response, he/she has the possibility to file a lawsuit, even in situations when his/her complaint is not justified.

In relation to customers, clients and suppliers, the company respects their privacy, handles personal data responsibly and monitors all applicable privacy and personal data protection laws and standards.

Customer satisfaction is paramount at Atlantic Grupa. In line with our commitment to continuous improvement, we systematically collect and analyse data to evaluate our performance. We monitor a range of customer satisfaction indicators, which are critical to our success and ensure a long-term exceptional customer experience. This helps us highlight risks and areas for improvement where we should focus our efforts. Additionally, we annually document and constantly re-evaluate the levels of product quality and service we offer to our customers.

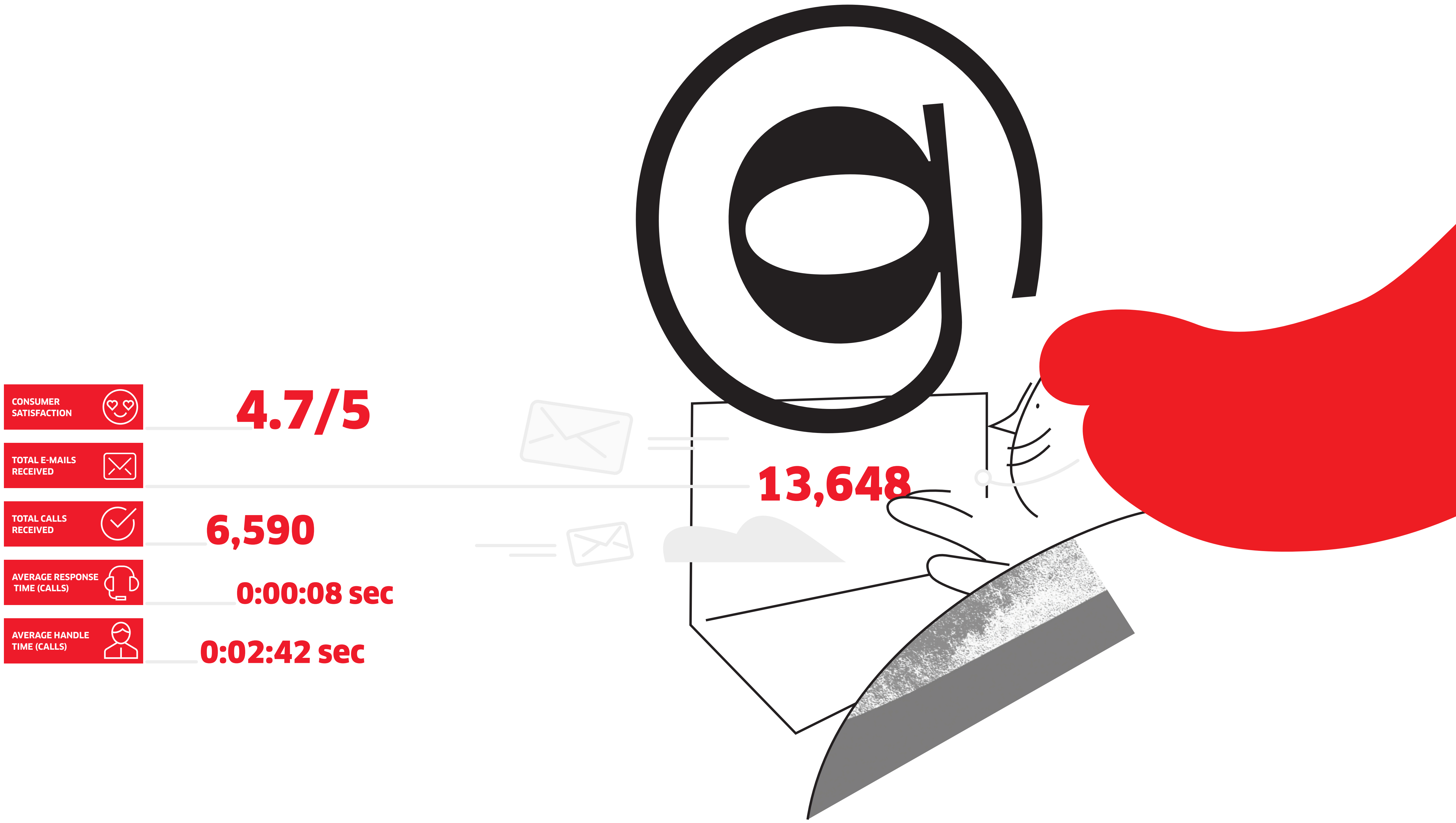
The annual call centre report for Atlantic Grupa includes data on:

- the total number of calls and e-mail's received by market, SBU and call category,
- total number of received complains, by SBU and brands,
- call centre metrics: average response time, average handle time, customer satisfaction score.

We measure customer satisfaction among our consumers daily, and for 2023, the average score across all markets was 4.7 out of 5.

In 2023, there were no complaints about human rights violations.

Associations submitted a total of 2,515 requests for products or financial support for their work, of which 5% were approved and received product sponsorship.



Our community

We create a multiplier effect in local communities through partnerships with governments, nonprofits, industry peers and other stakeholders, and contribute to their further development through our philanthropic initiatives.

Atlantic Grupa understands the importance of improving general social well-being and the need to invest part of its profits in the local communities where it operates.

Through socially responsible behaviour, the company strives to contribute in many different spheres by:

- creating beneficial socioeconomic impacts in the places we operate through stable business operations;
- promoting community programmes for water management and biodiversity conservation;
- implementing internship programmes with educational institutions to promote employment among young people;
- partnering with non-profit organisations and civil associations;
- collaborating with community organisers and humanitarian institutions to provide emergency aid to the markets we operate in;
- dedicating ourselves to maintaining public health and the development of sports talent;
- supporting cultural affairs and connecting creative forces across our region and beyond.

SUSTAINABLE DEVELOPMENT GOALS (SDG) CONTRIBUTIONS

Along with continuous care for all stakeholders, we are always open to new ideas, committed to growth, and passionate about everything we do

Sponsorships and donations

During 2023, we undertook a series of activities for our community and supported various associations, organisations, and initiatives. Some of them are presented in an overview below.

Sport

Basketball

• BC Cedevita Olimpija • BC Cedevita Junior

Atlantic Grupa remains one of the main sponsors of the Slovenian basketball giant, the basketball club Cedevita Olimpija Ljubljana. In the fourth season since BC Cedevita Zagreb and BC Petrol Olimpija merged, the unified club Cedevita Olimpija is still one of the more recognisable basketball brands in Europe and the region. In the BKT EuroCup, the club has proven itself as a high-quality blend of resilient Slovenian national team members, skilled foreigners, and talented young prospects, promising long-term success with reliable fan support from the stands. In the AdmiralBet ABA League, our team once again reached the playoffs semi-finals, defeating the Partizan MozzartBet from Belgrade in front of the packed Stožice Arena. Cedevita Olimpija repeated its success in Slovenia, becoming the national champion while also clinching the Cup and Supercup. In Croatia, BC Cedevita Junior is still at the top, although the club's primary goal is its basketball academy and developing quality young players who should become prominent national team members in the future. The seniors established themselves in the FAVBET Premier League, reaching the playoffs semi-finals where Split bettered them, while in the Krešimir Ćosić Cup, Cibona prevailed in a repeat of the last year's finals. The senior team also competed in the European FIBA EuroCup through the qualifiers, starting competitions in the regional ABA 2 League, while the second team competed in a lower Croatian championship tier, the First League, where it finished its inaugural season in the ninth place.

Other sport activities

Within the extensive portfolio of company interests, support for ski sports particularly stands out. Atlantic Grupa continued this in 2023 by again sponsoring the Slovenian and Croatian national ski teams, ski jumping in Planica, biathlon, alpine skiing, and Filip Zubčić, a talented Croatian skier who closed the year with a fantastic second place in the giant slalom in Italy. Our support extended to two talented German biathletes, Sophia Schneider and Selina Grotian, further enhancing the visibility of our brands in the German market. Furthermore, Atlantic Grupa consistently supports young skiing talents through sponsorships of international youth competitions such as Pokal Loka and Pokal Argeta Junior, two of the largest children's skiing competitions in the world.

In 2023, we certainly didn't overlook one of today's most popular sports. Running gains more supporters each year, and Atlantic Grupa readily responded to this positive trend by sponsoring races like the Žumberak Race, Green Run, Makarska Half-Marathon, Race for the Cure, Trail Race Kopaonik, and Beljanica Trail. In addition to runners, junior and senior members of the table football club Malinska won tournaments with the support of Atlantic products. The city of Omiš once again proved itself as the capital of handball. Winners and finalists of the Champions League, along with some of the world's best handball goalkeepers, trained in Omiš with 280 participants of the Goalkeeper Handball Camp. Additionally, the Masters Handball World Cup for veteran players was held, with Atlantic Grupa supporting both events. We are also proud sponsors of the indoor football club KMF Mungosi, which last year held a commendable project "Champions," where they held training sessions for children with special needs for two months.

Culture and knowledge
29th Sarajevo film festival

In 2023, Atlantic Grupa again supported the central cultural event in the region, the Sarajevo Film Festival (SFF). For years, SFF has been moving towards sustainable business practices, which Atlantic recognised and supported by reducing paper usage and utilising recycled paper in those segments where completely removing paper is not possible. This year, as always, this partnership was enriched by the innovative activities of our brands, Grand Kafa and Argeta. Through a regional platform "Na Velikoj Sceni" (On the Main Stage), dedicated to promoting young and talented artists in the region, Grand Kafa once again held a competition for designing the Grand cup. On the other hand, Argeta enhanced the festival experience by introducing artificial intelligence through an interactive quiz.

Other donations in the community

Throughout 2023, we supported numerous projects that celebrate art. One of them is Ponta Lopud, a festival that provides young talents with an invaluable opportunity to socialise and network with other professionals in their industry. In addition to artists' gathering, we also supported the unique cultural event, Theatre Ulysses. Likewise, we fostered the creation of new literature. The Fric Award is given to the best fictional prose written in one of the regional languages, and this year it was presented with the support of Atlantic Grupa. Literature lovers could enjoy our products at screenings of book-based movies as part of the Cinema Book Club Cinestar programme. Although the importance of art cannot be denied, safety is paramount. For this reason, we took care of those who selflessly take care of all of us. Croatia has about 140,000 fire fighters, with as many as 133,000 of them serving as volunteers, which is why Atlantic Grupa provided financial assistance to these brave individuals.

Also, our brands, with their socially responsible initiatives, make a special contribution to solving important social issues, encouraging people of different generations to face the many challenges of today's society. Giving their support through the prism of optimism and concern, each brand's contribution is unique, reflecting the different sustainability challenges and opportunities within each category. Yet together, their efforts are cumulative, resulting in a positive impact on our corporate sustainability.

Governance

Business conduct policy and corporate culture

Atlantic Grupa is developing and operating in accordance with good corporate governance practice and, through its corporate strategy, policies, practices, and key internal acts, aims to foster transparent and efficient business operations and better connections with its business environment. Our economic efficiency contributes to economic growth and the progress of society as a whole.
The key sustainable management documents within Atlantic Grupa are:

- Statement of Application of the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA
- Code of Corporate Governance of Atlantic Grupa
- Code of Business Ethics (initiated by the Croatian Chamber of Commerce)
- Diversity Charter (initiated by the Croatian Business Council for Sustainable Development)
- Whistleblowing Procedure Rules
- Code of Ethics of the Purchasing Organisation

Corporate governance

Considering that the shares of Atlantic Grupa d.d. are quoted on the Zagreb Stock Exchange, Atlantic Grupa applies the Code of Corporate Governance of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA), available on websites of the Zagreb Stock Exchange (www.zse.hr) and HANFA.
In accordance with relevant regulations, Atlantic Grupa in 2023 issued a Statement of Application of the Code of Corporate Governance, thereby confirming its actions and development in accordance with the good corporate governance practice in all business segments. The Statement of Application of the Code of Corporate Governance has been published on the Company's website (www.atlanticgrupa.com) as well as on the website of the Zagreb Stock Exchange (www.zse.hr) and HANFA (www.hanfa.hr), whereas the following corporate governance practices differ from the ones stipulated in the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA:

SUSTAINABLE DEVELOPMENT GOALS (SDG) CONTRIBUTIONS

The company's articles of association and/or internal acts prescribe that major decisions affecting the company's strategy, expenditure, risk exposure and reputation require the supervisory board's prior approval.	NO	Responsibilities of the Supervisory Board are set within the framework of the valid Companies Act.
The remuneration policy should include provisions specifying the circumstances in which part of a management board member's remuneration would be withheld or recovered.	NO	The remuneration policy does not contain such provisions.
All persons listed in Article 81 of the Code attended the General Assembly in the last 12 months.	Partially	The maximum possible attendance of the listed persons was achieved.

Atlantic Grupa is developing and acting in accordance with good practice of corporate governance and endeavours, through its business strategy, business policy and key internal acts, to contribute to transparent and efficient business and quality relationships with the business environment in which it operates, following global and European trends. In order to efficiently and effectively follow ESG standards and European regulations, Atlantic Grupa has established a clear management model and structure in this area. Achieving productivity and profitability is supported by a clear organisational structure, corporate culture and values that connect employees and contribute to the achievement of business goals, as well as sustainable development goals.
The internal control and risk management system is an integral and important component of our business operations. Its elements, as specified below, along with the description of the functioning and method of exercising voting rights at the General Assembly, composition and functioning of the Management Board and Supervisory Board and their committees, and information on the Company's shareholders, form an integral part of this Corporate Governance Statement.
In addition to the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA, Atlantic Grupa also applies its own Code of Corporate Governance, thus improving the standards of business transparency and fully aligning them with European Union directives.
The Code defines the procedures for the functioning of the Supervisory Board, Management Board and other bodies and structures responsible for decision-making, their relations and remuneration policies, integrating ESG factors into management processes. Moreover, it clearly defines social responsibility, covering all environmental and social aspects of sustainable development, thus ensuring the avoidance of conflicts of interest, efficient internal control and an effective responsibility system.
The Code of Corporate Governance of Atlantic Grupa is accessible to all individuals and always available to all our stakeholders, as it is published on the company's website (www.atlanticgrupa.com) and on the internal portal, a digital platform available to all employees in business facilities.

Organisation of corporate and sustainability governance in Atlantic Grupa

Atlantic Grupa's corporate governance structure is based on a dual principle, which implies the Company's Supervisory Board and Management Board. Together with the General Assembly, they represent the three principal bodies of the Company under the Articles of Association and the Companies Act. Within its corporate governance structure, in order to efficiently and effectively follow ESG standards and European regulations, Atlantic Grupa established a clear management model and structure in this area. Achieving productivity and profitability is supported by a clear organisational structure, corporate culture and values that connect employees and contribute to the achievement of business goals, as well as sustainable development goals.

General assembly

The General Assembly is a body in which shareholders accomplish their rights in Company matters. The method of functioning of the General Assembly, its powers, the rights of shareholders and the method of their exercise are defined in the Company's Articles of Association, which are publicly available on the Company's website (www.atlanticgrupa.com).
In order to decide on issues prescribed by law and the Company's Articles of Association, the regular General Assembly of Atlantic Grupa d.d. was held on 29 June 2023. The following decisions were made at that Assembly: alignment and increase of the Company's authorised share capital; amendment of the Company's Articles of Association; distribution of a dividend to the Company shareholders in proportion to the number of shares held by each shareholder in the amount of EUR 1.00 per share; issuance of the note of release to the members of the Management Board and the Supervisory Board; re-election of Anja Svetina Nabergoj and Monica Elisabeth Schulze as members of the Supervisory Board; approval of the Remuneration Report for 2022; adjustment of the amounts from the Decision on the remuneration of members of the Supervisory Board; approval of amendments to the Remuneration Policy for the Members of the Management Board of Atlantic Grupa d.d. and appointment of an independent auditor of the Company for the year 2023.

All decisions from the meetings held by the General Assembly were made in line with legal regulations and are available on web pages of Atlantic Grupa and the Zagreb Stock Exchange (www.zse.hr).

Supervisory Board of Atlantic Grupa

The Supervisory Board of Atlantic Grupa d.d. is comprised of nine members. At the session of the Supervisory Board held on 22 March 2023, former Chairman Zdenko Adrović handed over the leading position in this body to a member of the Supervisory Board, Zoran Vučinić. As one of the leading experts in Croatian financial industry, Zdenko Adrović has successfully led the Supervisory Board of Atlantic Grupa since its establishment in 2006 and continues to participate in the work of the Supervisory Board as its member.

In 2023, the Supervisory Board held four sessions. The members' attendance rate at these sessions was 94.44%, considering that Ms. Monika Elisabeth Schulze and Mr. Zoran Vučinić were justifiably prevented from participating in one session.

Eight out of nine members of the Supervisory Board (i.e. 88.89% of the Supervisory Board) are independent members who are not in business, family, or other connections with the company, the majority shareholder, or a group of majority shareholders, or management board members or supervisory board members of the company or the majority shareholder. The members of the Supervisory Board are:

Zoran Vučinić
Chairman

Zoran Vučinić has a rich, 33+ year history in the global fast-moving consumer goods (FMCG) industry. His last position was at The Coca-Cola Company, where he was Chief Operating Officer (COO), Coca-Cola North America. He began his career at Coca-Cola back in 1988 in Italy as the Marketing Services Manager for South-East Europe. After that, he became the Managing Director of The Coca-Cola Company in Switzerland, Austria, and Thailand. He was a consultant at Egon Zehnder and the President of the Dukat Dairy Group. In 2007, he returned to Coca-Cola as President for the Russia, Ukraine, and Belarus unit, and was later promoted to lead the Middle East & North Africa region based in Dubai, UAE. He graduated from the European Business School, Reutlingen University, and Middlesex University London, and received his Master's degree at the Massachusetts Institute of Technology in Boston, Massachusetts in the United States.

Siniša Petrović
Vice-Chairman

Siniša Petrović is a tenured professor at the Commercial and Company Law Department of the Faculty of Law at the University of Zagreb. In 1995, he was a special envoy of the delegation of the Republic of Croatia for negotiations with the international community as well as a member of the delegation of the Republic of Croatia at the International Peace Conference for Bosnia & Herzegovina in Dayton. He was Vice President of the Council for the Protection of Market Competition and the Croatian representative in the Arbitration Committee of the International Chamber of Commerce. He is the author of many expert papers and participated in the drafting of Croatian regulations concerning companies, market competition, real estate mediation, privatisation, sports and prevention of conflicts of interest in performance of public functions. He was a member of the Negotiating Team for the Accession of the Republic of Croatia to the EU. He received his bachelor's, master's and doctor's degrees from the Faculty of Law at the University of Zagreb.

Zdenko Adrović
Member

Zdenko Adrović, one of the leading experts in Croatian financial industry, is one of the founders of the Croatian Banking Association, where he served as director from 2015 to 2022. He was Chairman of the Management Board of Raiffeisenbank Austria d.d. in the period 1996 - 2014, which in his term of office developed into one of the leading financial institutions and received several awards from the Croatian Chamber of Economy as the most successful bank in Croatia. Prior to that position, he was the Executive Vice President responsible for the treasury and liquidity at Privredna Banka Zagreb, where he also worked as the Investment Banking Sector Manager and Deputy General Manager. From 2017 to 2020, he was a member of the Croatian Parliament's Finance and State Budget Member Committee, and is a member of the National Competitiveness Council since 2018. In the period 2008 - 2016, he was a member of the Executive Board of the Croatian Employers Association, and in the period 2004 - 2013 a member of the Management Board of the Croatian Chamber of Economy. In addition to the above, he was a member of the Supervisory Board in Pliva d.d. in the period 1999 - 2006. He graduated from the Faculty for foreign trade, University of Zagreb, where he also earned his M. Sc. degree in corporate finance, continuing his professional specialisation through his long career in the financial industry at universities in USA and UK.

Lars Peter Elam Håkansson
Member

Peter is the Chief Investment Officer of East Capital Holding and holds Board appointments within the East Capital Group. Peter established East Capital's investment philosophy and strategy. He has worked within emerging and frontier markets since the early nineties and continues to travel and visit companies throughout the world. Peter has been awarded the Gold Star for best Fund Manager five times by Morningstar and Sweden's largest financial daily Dagens Industri. He and East Capital's investment teams have also received numerous Lipper awards for the successful performance of the funds under their management. Peter is also Chairman of the Board of Swedish Music Hall of Fame, Board member in Garna Stockholm Holding, Bonnier News Business, Cicero Holding AB, Cicero Fonder, Nordic Brokers Association, LaSpa Group and a fellow of the Royal Swedish Academy of Engineering Sciences (IVA), Finance Section. Prior to founding East Capital, Peter held a series of senior positions at Enskilda Securities in London, Paris and Stockholm – where his last role was Head of Equities and Global Head of Research. Peter has a degree from Stockholm School of Economics and has also studied at l´EDHEC in Lille. He is fluent in Swedish, English and French.

Franz-Josef Flosbach
Member

Franz-Josef Flosbach obtained an industrial engineer degree at the Technische Universität Darmstadt in 1973. He had spent most of his working life, since 1975, in the DEG-Deutsche Investitions und Entwicklungsgesellschaft GmbH. DEG promotes private businesses in emerging and developing countries, and since 2001 is a subsidiary of the German KFW - Bankengruppe, Frankfurt. Mr. Flosbach has been assigned a number of executive tasks – management audit (including responsibility for the investments in Asia, the Arabian countries, South-East Europe, and English-speaking Africa); business planning and controlling (including successful implementation of the SAP System); business development and portfolio management in Sub-Saharan Africa; consultancy activities for "Deutsche Mittelstand", Programmes of the European Community (ECIP, CDI, JOPP), Foreign Promotion Agencies, and Stability Pact for South-Eastern Europe. Furthermore, he was responsible for DEG's Business in East and South-East Europe, Caucasus, Central Asia, Turkey and Near East, which includes about 30 countries, 1.5 billion Euro investment, about 110 portfolio companies, 200 – 500 million new commitments per year. Prior to his career in DEG, he worked as a Senior Consultant at the Treuhand-Vereinigung AG/Coopers & Lybrand GmbH, today PriceWaterhouseCoopers (PwC) with a special focus on Merger & Acquisition activities. Mr. Flosbach has special knowledge in the following areas: financing - project financing, providing long-term loans, equity; mergers and acquisitions; restructuring and privatisation; advisory service; risk management; corporate governance. Likewise, he has a profound country and sector know-how. Mr. Flosbach has served as a member of Supervisory Boards in various industries with a different legal framework since 1984. At present, he serves as a member of Atlantic Grupa's Supervisory Board and as the President of its Audit Committee. Mr. Flosbach is a Member of the "Südosteuropa Gesellschaft", München, since 1999.

Vesna Nevistić
Member

Dr. Vesna Nevistić has 25 years of professional track record in management consulting, investment banking, corporate development and restructuring. She has gained extensive experience working globally across many different industries while holding senior executive positions at some of the world's leading institutions: a Partner at McKinsey & Company in Zurich and New York; a Managing Director at Goldman Sachs in London and Zurich; a Group Managing Director and Head of Corporate Development at UBS in Zurich, where she was part of the senior executive team that successfully restructured the bank following the financial crisis. Dr. Nevistić currently runs her own advisory boutique, VereNovo GmbH, focusing on strategic and business transformation topics, and also serves as a Non-Executive Director at the Boards of two companies: Compagnie Financiere Richemont SA, a Geneva-based global luxury goods group encompassing brands like Cartier, Van Cleef & Arpels, Montblanc; and Kuehne + Nagel International AG . She supports various non-profit organisations and is a member of the Finance Committee of the Swiss Study Foundation. Dr. Nevistić holds a PhD in Electrical Engineering from the Swiss Federal Institute of Technology (ETH Zurich) and Diploma/Post-Diploma degrees from the Zagreb University. She is a Swiss and Croatian citizen living in Zurich.

Aleksandar Pekeč
Member

Aleksandar Pekeč is a tenured professor at Duke University's Fuqua School of Business. He is an expert in managerial decision-making in complex competitive environments and has published articles in top academic journals in management sciences, as well as in top journals in other fields such as economics, mathematics and psychology. His consulting experience includes financial, pharmaceutical, retail, and technology industries. He was a member of the Economic Council of the President of the Republic of Croatia in the period 2010 - 2015. Professor Pekeč holds a Ph.D. degree from Rutgers University and B.Sc. degree from the University of Zagreb.

Monika Elisabeth Schulze
Member

Monika Schulze is the Head of Customer & Innovation Management at Zurich Insurance and member of the German Executive Committee. Her focus is building strong businesses in the context of massive industry transformation and digital disruption. Before joining Zurich Insurance, Monika run her own business as a strategic business consultant. In the last two positions at Unilever, she served as Vice President for Brand Development Europe and as Business Director for Foods with P&L responsibility in Hungary. She has a Master of Business Administration degree from the University of Hamburg. Monika is Board Member at Schloss Wachenheim, a sparkling wine company based in Trier, Germany.

Anja Svetina Nabergoj
Member

Dr. Anja Svetina Nabergoj is Lecturer at Hasso Plattner Institute of Design at Stanford University and Associate Professor at the School of Economics and Business, University of Ljubljana. She finished her undergraduate studies, completed International Full Time Master Program in Business Administration (IMB) and earned her PhD at the Faculty of Economics, University of Ljubljana. For the last 15 years she has been developing pedagogy for teaching innovation processes and nurturing creative mindsets to management in leading global corporations. She is the founding member of the Research as Design Team at Stanford University and member of the Advisory Board of The Stanford Catalyst for Collaborative Solutions. She has contributed chapters to numerous publications published by Edward Elgar and Routlege, and co-authored the book “Creativity in Research” published by Cambridge University Press.

Supervisory Board committees

Three Committees function within the Supervisory Board with the purpose of assisting in the operation and functioning of the Supervisory Board: Audit Committee, Leadership Development and Compensation Committee and Public Responsibility and Corporate Governance Committee. In line with the Company’s Code of Corporate Governance, each Committee has at least three members.

The Public Responsibility and Corporate Governance Committee defines a system of mechanisms for ensuring a balance between the rights of shareholders and the needs of management to direct and manage the Company’s operations. The Committee participates in developing a framework for corporate governance within the Company and monitors the Company’s annual reporting to ensure compliance with applicable corporate and sustainability reporting standards. The Committee is chaired by Siniša Petrović, Monika Elisabeth Schulze and Anja Svetina Nabergoj were appointed as members from the ranks of the Supervisory Board, while Nina Tepeš, Professor at the Faculty of Law, University of Zagreb, was appointed as a member from the ranks of external experts. The Committee held two sessions during 2023 and the attendance rate of its members was 100%.

The Leadership Development and Compensation Committee proposes candidates for the Management Board, Supervisory Board and senior management personnel, as well as the contents of contracts with the members of the Management Board, structure of their compensation and compensation of the Supervisory Board’s members. Also, the Committee oversees the Company’s human capital management and remuneration to be received by the Management Board members based on an assessment of the Company’s results, their individual performance during the year, and the realisation of the Company’s Sustainability Index. The Committee is chaired by Aleksandar Pekeč, Zoran Vučinić and Vesna Nevistić, who joined the Committee on 3 November 2023 in place of the former Committee member Lars Peter Elam Håkansson, were appointed as members from the ranks of the Supervisory Board, while Zoran Sušanj, Associate Professor at the Faculty of Economics, University of Rijeka, was appointed as a member from the ranks of external experts. The Committee held three sessions during 2023, and the attendance rate of its members was 100%.

The Audit Committee analyses in detail the financial reports, provides support to the Company’s accounting and establishes good and quality internal control within the Company. It monitors the integrity of financial information of the Company, particularly the accuracy and consistency of accounting methods used by the Company and the Group to which it belongs, including the criteria for consolidation of financial reports of the companies that belong to the Group. The Audit Committee oversees certain processes related to external sustainability disclosures. At least once a year, the Committee assesses the quality of the internal control and risk management system with the aim of properly identifying, publicly disclosing and managing major risks to which the Company is exposed, as well as the effectiveness of procedures for reporting misconduct and procedures for approving and disclosing related party transactions. The Committee is chaired by Franz-Josef Flosbach, while Zdenko Adrović and Lars Peter Elam Håkansson, who joined the Committee on 3 November 2023 in place of the former Committee member Vesna Nevistić, were appointed as members from the ranks of the Supervisory Board. The Committee held two sessions during 2023, and the attendance rate of its members was 100%.

Supervisory Board's report on corporate governance

Zoran Vučinić — Chairman of the Supervisory Board

In the course of 2023, the Supervisory Board has performed supervision of the Company's activities in line with the decisions adopted by the Company's General Assembly.

In the course of 2023, the Supervisory Board has performed supervision of the Company's activities in line with the decisions adopted by the Company's General Assembly and established that the Company acted fully in compliance with the decisions of the General Assembly.

The Management Board and the Supervisory Board work closely together for the good of the Company and maintain a regular contact. The Supervisory Board was duly informed by the Management Board of all business events of greater importance, the course of business operations, revenues and expenditures, as well as of the general status of the Company. The Management Board regularly submitted to the Supervisory Board quarterly, semi-annual and annual written reports on business operations, to which the Supervisory Board had no objections, and which were unanimously adopted. Also, the Management Board keeps the Supervisory Board fully and regularly informed on corporate strategy, planning, business developments, risk management, compliance, any deviations in the business developments from original plans, as well as on significant business transactions involving the Company and its affiliates. The Management Board regularly submits to the Supervisory Board reports prescribed by law, while in between its sessions, the Management Board duly informs the Supervisory Board on important developments regarding the Company's business operations.

The Supervisory Board conducted a self-assessment of profiles and competencies of the Supervisory Board members and members of its Committees. The self-assessment was conducted by the Vice Chairman of the Supervisory Board without the engagement of an external auditor. As for its composition, the Supervisory Board has set itself the following objectives when issuing recommendations for appointments for its members. The Supervisory Board operates with an optimal number of members, in such a way that its members, as a group, possess the knowledge, ability, and expert experience required to properly perform their tasks, while also considering the aspect of diversity by supporting an appropriate degree of women's representation. Conflicts of interest are avoided in considerations for the appointments to the Supervisory Board.

The Supervisory Board concluded that the Supervisory Board and its Committees work well and have a balanced composition and necessary expertise complementary to the requirements of the Company's business. Evaluation of members of the Supervisory Board and its Committees confirmed that each individual contributes effectively, demonstrates their commitment to the role, and dedicates sufficient time to this duty.

Administrative support for the preparation of Supervisory Board sessions is provided by the Company Secretary in an efficient and timely manner.

In 2020, the Supervisory Board set the target of the proportion of women in the Supervisory Board and the Management Board at the minimum 25% out of the total number of members of the respective Board. The target is set to be reached in the following five-year period. It should be noted that, in 2023, this goal was achieved in the Company's Supervisory Board since 33% of its members are women, while in the Management Board, where there is one female member, the percentage of women is 14%. Atlantic Grupa highly supports diversity within the Company. Therefore, during 2023 several women were appointed to senior management positions. This is also supported by the fact that women hold 55% of all managerial positions in the Company.

Zoran Vučinić
Chairman of the Supervisory Board

Atlantic Grupa's Management Board has seven members — President of the Management Board — Group Vice President for Corporate Activities — Group Vice President for Finance, Procurement and Investment — Group Vice President for Corporate Strategy and Development — Group Vice President for Distribution — Group Vice President for Savoury Spreads, Donat and International Expansion — Group Vice President for Coffee and Snacks.

The Management Board of Atlantic Grupa operates in the following composition:

Emil Tedeschi

President of the Management Board

Emil Tedeschi is the founder and, through his wholly owned company Myberg, majority owner of Atlantic Grupa. In his career, he has received numerous professional and media awards and in 2010 received the state decoration of the President of the Republic of Croatia for his special contribution to Croatian economy. By participating in the work of the Parliamentary Committee overseeing the negotiating process, he was actively engaged in the process of Croatia's accession to the EU. He was a member of the Social-Economic Council, President of the Croatian Employers Association in the period 2005 - 2007 and a member of the Council of Economic Advisers to the President of Croatia in the period 2010 - 2015. He is an Honorary Consul of the Republic of Ireland in the Republic of Croatia, a member of the Trilateral Commission, the Harvard John F. Kennedy School Dean's Council, the INSEAD Alumni Association, the Programme Council of the Zagreb School of Economics and Management, and the Business Council at the Faculty of Economics in Ljubljana.

Srećko Nakić
Group Vice President for Distribution

Srećko Nakić began his career in Atlantic in 1994 in the sales organisation. In his various roles within distribution areas, he developed recognisable trade excellence as the core competence of Atlantic Grupa, which resulted in long-term cooperation with strong international principals - Beiersdorf, Duracell, Ferrero, HIPP, Johnson & Johnson, Mars, Rauch, Red Bull, Unilever, etc. He was one of the key contributors in Cedevita's launch in the HoReCa channel and OTG segment, and from 2010 to 2014 led the integration of Droga Kolinska into Atlantic Grupa as the President of the Management Board of Droga Kolinska. As the Vice President for Distribution, he is responsible for overall distribution business operations, covering all markets with focus on expansion and overall growth. He enhanced his professional growth with relevant educational programs in institutions such as IEDC Bled School of Management.

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

Enzo Smrekar has joined Atlantic Grupa with the acquisition of Droga Kolinska in 2010. where he was Chief Operating Officer at the time of transaction. Prior to that, he spent 18 years working for leading international companies such as Philip Morris, Diageo and LVMH. From 2010 onwards, he had a key role in the successful integration of Droga Kolinska into Atlantic Grupa, as member of the board of Droga Kolinska and General Manager of the Strategic Business Unit Savoury Spreads. He finished MBA at the IEDC Bled, AMP at the Harvard Business School, earned a Coaching and Mentoring certificate from the Oxford Brooks University, he is a Supervisory Board member in several companies, President of the Slovenian Ski Association, Vice President of the Slovenian National Olympic Committee, and trustee of the International Ski Federation.

Zoran Stanković

Group Vice President for Finance, Procurement and Investment

Zoran Stanković joined Atlantic Grupa in February 2007 at the position of Vice President of Finance. Prior to that, he spent three years at Pliva as the Group's Director of Controlling responsible for the coordination and supervision of financial activities of the Pliva's network of companies, both domestic and abroad. Before his arrival to Pliva, from 1995 to 2003, he worked at Arthur Andersen and Ernst&Young as a Senior Audit Manager responsible for key accounts. He is a member of the international Association of Chartered Certified Accountants. He Graduated from the Faculty of Economics and Business at the University of Zagreb.

Mate Štetić

Group Vice President for Coffee and Snacks

Mate Štetić joined Atlantic Grupa in 2019 as General Manager of SBU Coffee and at the end of 2022 took over the management of the chocolate and the sweet and salted snacks portfolio. He started his career in 2001 with Ledo d.d., where he worked in different sales, export, marketing, and development positions. After that he joined Zvijezda d.d. where he held the position of Marketing and Development Director and in 2008 became the General Manager of Mlinar d.d. He worked in PIK Vrbovec d.d. from 2009 until 2019, eight years of which as the company's General Manager. He graduated from the Faculty of Economics and Business at the University of Zagreb, obtained a master's degree from Cotrugli Business School, and continued his professional development at the IEDC Bled School of Management and other business schools.

Lada Tedeschi Fiorio

Group Vice President for Corporate Strategy and Development

Lada Tedeschi Fiorio manages the processes and teams dealing with Atlantic Grupa's strategy and growth through M&A activities and development of new areas or products with potential for the company's growth. Before her appointment to the Atlantic's Management Board in 2019, she served as the Vice President of the Supervisory Board of Atlantic Grupa. She began her career in Atlantic in 1997 as the Deputy Director for Finance. As the Vice President for Business Development, she had an important role in the IPO process in 2007 and in negotiations during different Atlantic's acquisition and sale processes. For years, she has been at the top of the list of the most powerful women in Croatian business according to the expert jury of the business magazine Lider. Before her career in Atlantic, she acquired business experience in multinational companies, Wrigley in Germany and Mars Masterfood in the United Kingdom, the Netherlands, Poland and the United Arab Emirates. She received her bachelor's degree in economics at Universita' commerciale L. Bocconi in Milan, and continued her professional specialisation at the London Business School.

Neven Vranković

Group Vice President for Corporate Activities

Neven Vranković joined Atlantic Grupa in 1998 as the Executive Director of Corporate Activities. In 2001, he was responsible for Atlantic Grupa's merger and acquisition activities, while in 2002 he was appointed Vice President for Corporate Activities. He gained his business experience by working in the legal department of Bergen Bank in Norway and as a career diplomat at Croatian embassies in Washington and Belgrade. He was a member of the Working Group for Preparing Negotiations for the Accession of the Republic of Croatia to the European Union for Chapter 6 – Company Law. He graduated from the Faculty of Law at the University of Zagreb and received his master's degree from the Washington College of Law, USA. Furthermore, he gained additional professional knowledge in the field of mergers and acquisitions at the business school INSEAD in France.

The Management Board of Atlantic Grupa is in charge of developing and implementing the Company's strategy and business plans which include aspects that relate to or may affect sustainability matters. When discussing the Company's strategy and business plan, the Management Board and Supervisory Board jointly and regularly consider the impact of proposed measures on stakeholders, the environment and society, as well as on the Company's reputation and thereby ensure that the Company's strategy takes into account the potential impact of its activities on the environment and society and that the Company policies, culture and values promote ethical behaviour, respect for human rights, and a sound and stimulating work environment.
The Management Board, in due time and in its entirety, reports to the Supervisory Board on all facts and circumstances that can influence the Company's or its daughter companies' business operations, including sustainability matters, financial position and status of assets. This Board-level commitment and alignment drives top-down accountability toward our ESG goals and helps support a positive company culture.

Strategic management council

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

Our structure of sustainable governance

SUPERVISORY BOARD

- within the Company's strategy and business plans, considers the impact of proposed measures on stakeholders, the enviroment and society, as well as on the Company's repuation;
- ensures that the Company's strategy takes into acount the potential impact of its activities on the enviroment and society and that the Company policies culture and values promote ethical behaviour, respect for human rights, and a sound and stimulating work enviroment.

SUPERVISORY BOARD COMMITTEES

The Public Responsibility and Corporate Governance Committee

- **participates in developing a framework for corporate governance within the Company and monitors the Company's annual reporting**

The Audit Committee

- **analyses in detail the financial reports,**
- **provides support to the company's accounting,**
- **establishes internal control and overseas certain processes related to external sustainability, disclosures and works**

MANAGEMENT BOARD

- develop and implements the Company's strategy and business plans which include aspects that relate to or may affect sustainability matters;

This Board-level commitment and alignment drives top-down accountability toward our ESG goals and helps support a positive company culture.

COORDINATION COMMITTEE FOR SUSTAINABILITY

- responsible for monitoring and complying with legal requirements, identifying material impacts, risks and opportunities, defining the Company's common sustainable goals, approving annual ESG goals and action plans, and ensuring transparent and accurate reporting;

approves

reports

Risk management

Risk management is an important segment of ensuring business sustainability. The risk management framework within Atlantic Grupa is designed to support strategic priorities while protecting financial security and flexibility. This process supports a clear organisational structure, with defined competencies and responsibilities, which enables comprehensive and effective risk management at all levels of the organisation with an adequate internal control system.

Our efficient risk management system includes processes that can ensure reliable risk identification and assessment, including risks that refer to the sustainability of the business, risk management, risk monitoring, provision of the necessary information and guidelines to improve its sustainability and transparency, and clear internal responsibilities for maintaining the risk management system. Atlantic Grupa established three levels of "defence." The first level involves business process owners, i.e. managers of specific functions or appointed teams, who manage individual risks within their areas of responsibility. At the second level, Atlantic Grupa implements an integrated risk management process – Enterprise Risk Management (ERM). Finally, the third level of defence in Atlantic Grupa is carried out by Internal Audit.

Internal audit

Internal audit is a corporate function of Atlantic Grupa responsible for creating the internal control system used for establishing and controlling the flow of accurate, specific and complete information about the Company's organisation, such as data on compliance with financial, business and legal obligations that may pose a significant risk to the Company.

It is responsible for estimating the level of risk management in business processes, reviewing the efficiency of the internal control systems with the purpose of advancing risk management and compliance with procedures, and testing and analyses of compliance of the existing business systems with adopted policies, plans, procedures, laws and regulations that can have a significant influence on business reports. It is also responsible for recommending preventive measures in the area of financial reporting, compliance, business, and control in order to eliminate risks and eventual deficiencies that could lead to inefficient processes or fraud.
Internal audit informs the Audit Committee on its activities and audit plans, while its findings and recommendations help the management to improve processes, preventively eliminate potential risks or reduce risks to an acceptable level.

In 2023, twenty-three audits were carried out. These audits resulted in a total of 92 recommendations for improving operations and reducing specific risks to an acceptable level.

Reporting of irregularities – whistleblowing procedure

Pursuant to legal provisions and the Company's commitment to provide its employees with the right to an honest, responsible, transparent and ethical work, i.e. a working environment where the main principles of business conduct are respected, Atlantic Grupa established a communication system for reporting irregularities. The procedure is based on the Company's Whistleblowing Procedure Rules, while the appointed Confidential Person and their Deputy are in charge of conducting the procedure prescribed thereto. Information on the number and outcome of report analyses is reported to the President of the Management Board and the Audit Committee of Atlantic Grupa. In 2023, two irregularities were reported, which were both, following a detailed analysis, subsequently declared unfounded. Persons who anonymously reported or publicly disclosed information on irregularities and whose identity was subsequently revealed, and they suffer retaliation, shall be entitled to protection regardless of the fact that they submitted the report anonymously. Affiliated persons shall have the right to protection if they have been subject to retaliation, attempted retaliation, or threats of retaliation due to their affiliation with the reporter.

The Company's policies and procedures concerning human rights, equal opportunities, safe and healthy working conditions are available in the Company's internal publication, as well as on all of our bulletin boards.

In 2023, there were no complaints about human rights violations.

Public policy & political engagement

Our basic business principles are transparency, efficiency and responsibility in all activities and relationships, together with strict compliance with the Code of Corporate Governance and applicable laws and regulations.

We support those public policy solutions that are consistent with the key issues for our business, which include environmental sustainability, consumer preferences, working conditions and improving business conditions in each of the markets in which we operate. Our engagement includes participation in various industry and business forums and, when relevant to our business interests, we promote our views through various initiatives.

With its participation and involvement in many national and international associations, Atlantic Grupa contributes to the improvement of regular and institutional frameworks for business, as well as strengthening economic policies in order to create better conditions for business and economic development.

At the same time, the company has a long-standing policy against any political involvement and does not use corporate funds and its resources, including in-kind, to contribute or support state or local political candidates, political parties or political committees, even when permitted by law.

MEMBERSHIP IN ASSOCIATIONS:

Market	Name of the association
BiH	GS1 Association
	Association “Buy and use domestic products - Quality produced in BiH”
	Foreign Trade Chamber FBiH
	Ministry of Agriculture, Water Management and Forestry FBiH
Serbia	PKS – Chamber of Commerce and Industry of Serbia
	NALED – National Alliance for Local Economic Development
	AMCHAM – American Chamber of Commerce in Serbia
	SAM – Serbian Association of Managers
	Forum of Socially Responsible Employers
	SEKOPAC – Organisation for waste packaging management
N. Macedonia	Chamber of Commerce of North Macedonia
Croatia	Croatian Chamber of Commerce (HGK),
	Beverage Industry Association
	Global standards one (GS1 Croatia) – Croatian association for automatic identification, electronic data exchange and business process management
	HUP – Croatian Employers’ Association
	AmCham
	Croatian Standards Institute
	Eko Ozra – Organisation for waste packaging management
Slovenia	SOZ – Slovenian Advertising Chamber
	ZDS – Association of Workers’ Councils ZNS – Association of Supervisors of Slovenia
	Trilateral
	GZS – Chamber of Commerce and Industry of Slovenia
	DMS – Slovenian Marketing Association
	Managers’ Association
	SCA Membership
	Green Network
	GIZ (economic interest association) for Meat Processing Industry
	Beverage Industry Association

Supplier relationship management

The supply chain is one of the key components of business with a significant impact on achieving sustainable goals and long-term value for the organisation. Consequently, supplier diversification stands out as a crucial strategy for organisations pursuing sustainable and successful operations. At Atlantic Grupa, we source raw materials and packaging for our products, machines for production and packaging, other equipment and technical devices, as well as other services necessary to support our business processes, from over 4,500 of our suppliers of different profiles, sizes, and origins, including both large global corporations and small local suppliers. These materials, equipment, and services are procured through diverse and often complex supply chains in terms of their characteristics, production processes, and geographical origin.

Regardless of their category, we aim to maintain high-quality relationships with all our suppliers, enabling us to generate added value for both our company and our suppliers. All potential suppliers can contact us through the supplier portal accessible via the corporate website. Through this portal, suppliers can register and gain access to information about Atlantic Grupa’s purchasing organisation, basic procurement categories and principles, required standards and certifications, and the Ethical Code, which represents a set of values, standards, principles, and rules that all employees of the purchasing organisation are obliged to adhere to in conducting their business activities.

These standards, first of all, include:

- abiding by laws, including banning bribing or receiving bribes or inappropriate remuneration for making deals or realisation of cooperation,
- respecting human rights and workers’ rights,
- protecting the health and personal safety of employees,
- prohibiting the use of child labour,
- discrimination based on race, religion, sex or any other criterion, as well as prohibiting sexual harassment,
- complying with the applicable laws and standards on environmental protection and preservation of nature, animal and plant species.

Suppliers can also use the portal to establish direct contact with the purchasing department, propose cooperation, share a business idea, or provide feedback based on their previous experience of working with us. Furthermore, to enable efficient exchange of information, ideas, and improvement proposals with our suppliers, we continuously organise interactive workshops of joint teams from Atlantic Grupa and our suppliers. A large number of innovative solutions and those whose implementation positively contributed to the sustainability of our products are the result of joint projects with our suppliers.

The basic principles for procurement and supplier relationship management are defined in the Purchasing Guidelines, the fundamental document of Atlantic Grupa’s purchasing organisation, accompanied by procedures, manuals, and instructions detailing specific areas of procurement activities across its operating companies. The Guidelines stipulate that Atlantic Grupa’s purchasing organisation takes only such actions and practices that ensure sustainable resource use and procurement by promoting waste

reduction, improving environmental impacts, and safeguarding human and labour rights.
We pay great attention to fair treatment of all our suppliers, ensuring that their partnership with us is economically sustainable from their perspective as well. An important contribution to this is the regular payment of suppliers for delivered goods and services, i.e. payment of their invoices according to the agreed payment terms. Our standard payment term for suppliers in 2023 was within 60 days and over 95% of payments were made within the agreed deadline. When necessary, adjusted to specific situations with individual suppliers, they received their payment earlier.

A significant number of raw materials used in the production processes of Atlantic Grupa products originate from distant geographical areas because they are not grown or produced locally (such as raw coffee, cocoa, peanuts, or vitamins). However, for all raw materials and packaging that are produced locally, we primarily seek suppliers from local markets due to various economic, social, or environmental benefits for both Atlantic Grupa and our local suppliers.

Additionally, special attention is paid to the presence of so-called vulnerable suppliers in Atlantic Grupa's supply chains, namely those suppliers exposed to significant economic, environmental, or social risks. While a significant presence of vulnerable suppliers among Atlantic Grupa's suppliers has not been detected so far, we're also focused on detecting such suppliers in the deeper layers of our supply chains, where they may appear as suppliers of our suppliers. In doing so, we use mapping of our supply chains, surveys of our first-level suppliers, audits of our suppliers, as well as requesting appropriate documentation from suppliers to prove the absence of vulnerable suppliers in their supply chains.

Consideration of environmental and social aspects in the supply chain

When raw materials are selected for a new or existing product, we consider the **biodiversity conservation principle**. We adhere to the following policies:

- raw materials from endangered, vulnerable and near threatened plant and animal species, as defined by the global IUCN Red List of Threatened Species, are not used,
- natural species (e.g. forest fruits) are used only in permitted quantities and harvested under the supervision and approval of competent authorities.

The procurement policy for the suppliers of meat for the Argeta brand also mandates that animal welfare is ensured during raising and production. Additionally, we aim to increase the share of chicken meat in our pâté sourced from free-range hens.

In 2023, we continued with the implementation of the Farmer Connect project for coffee on the markets of Slovenia, Croatia, and Serbia, which enables traceability throughout the entire raw coffee supply chain using blockchain technology.

Annual supplier evaluation

Atlantic Grupa's purchasing organisation is committed to selecting only those suppliers who uphold high standards when dealing with our company. Atlantic Grupa's common supplier monitoring model was established in 2014 and has been successfully applied and enhanced since then. The following practices are applied:

- verification of supplier certificates and documents related to necessary quality standards and practices,
- verification of supplier questionnaires for their master data (e.g. production capacities, workforce, etc.), food safety and food fraud management practices, as well as environmental and social policies,
- regular monitoring of delivery compliance,
- regular monitoring of adherence to the agreed procurement terms.

Supplier evaluation is conducted annually, and each supplier receives feedback about their rating and required improvements.
The annual supplier evaluation is also an important input for identifying risks and planning supplier audits. The annual plan for auditing suppliers of raw materials, packaging materials, contracted production, and services impacting product safety is conducted as part of the product safety and quality assurance process. The supervision of service providers in the waste management process is also regularly conducted. Findings from the supplier audit process are transformed into action plans for improvements.

Risk management

The identification and assessment of all supply chain risks, as well as the definition and implementation of measures to avoid, mitigate, or transfer the consequences of potential risk events and situations to Atlantic Grupa's operations, are among the most critical tasks of the purchasing organisation.
Risk management within supply chains is seamlessly integrated into the procurement category management process. Likewise, supplier risk management is an integral part of the Supplier Relationship Management (SRM) process. To ascertain the level of risk, which includes environmental and social aspects of sustainable development, suppliers are actively assessed based on multiple criteria using the digital tool Sphera SCRM, through which we monitor the key 500 suppliers of Atlantic Grupa.

SAP Ariba Sourcing Tool

During 2023, we continued to use the digital tool for collecting supplier bids and conducting tenders within the Central Purchasing Department – SAP Ariba Sourcing, with the aim of enhancing the transparency and compliance of procurement processes, i.e. the selection of suppliers.

The trend of a general and dramatic increase in prices of production materials and energy, which began in 2021, started to gradually stabilise in the second half of 2023 for a majority of raw materials and packaging materials. However, most of their prices remained significantly higher than in 2021, and for some materials, even higher than those in 2022. Notably, towards the end of 2023, a significant drop in prices compared to those from the beginning of the year was recorded.

At the same time, certain raw materials important for our production, such as cocoa beans and peanuts, whose market prices have not considerably increased in previous years, experienced a significant price increase in 2023. This was primarily due to lower yields and higher demand for these raw materials. The price of raw coffee underwent a similar scenario with a notable increase in the second part of 2023 spurred by extremely low global coffee stock levels and the expectation of a slightly weaker yield from the next harvest. The full-scale impacts of the price increases of these raw materials were averted by securing procurement contracts for production materials on time. Concurrently, timely deliveries were ensured for all materials necessary for our production operations. This was particularly reflected in securing significantly larger quantities of production materials for SBU Snacks, which achieved double-digit growth in product volume sales.

In 2023, lower average purchase prices were achieved for almost the entire portfolio of packaging materials and energy sources compared to 2022. This had a positive effect on Atlantic Grupa's financial results and ultimately contributed to the prices of all production materials in 2023 being on average only slightly higher than those achieved in the previous year.

Ethics in business

Prevention and detection of corruption and bribery

We conduct business in an ethical and principles-based manner, even in the absence of applicable regulatory requirements. We take a coordinated, holistic and risk-based approach to monitoring our conduct against regulatory requirements, societal expectations and our internal standards. Our commitment to integrity, fairness and authenticity are enshrined in our company's purpose and values.

Atlantic Grupa receives HANFA's Corporate Governance award

Anti-Bribery and Anti-Corruption

To understand the terms bribery and corruption, it is important to note that they include practices such as: facilitation payments, fraud, extortion, collusion, money laundering, offering or receiving gifts, loans, fees, rewards or other advantages as an inducement to do something that is dishonest, illegal or represents a breach of trust, as well as embezzlement, trading in influence, abuse of function, illicit enrichment, concealment, and obstructing justice. Corruption is broadly linked to negative impacts, such as poverty in transition economies, damage to the environment, abuse of human rights, abuse of democracy, misallocation of investments, and undermining the rule of law.

Atlantic Grupa respects good and responsible business practices in the marketplace, as well as international norms, and in its operations treats everyone with integrity. This is formally shown by acceding to the UN Global Compact Principles, the Code of Ethics in Business issued by the Croatian Chamber of Economy which lays down guidelines for ethical behaviour of business subjects in the Croatian economy and the Code of Corporate Governance issued by the Zagreb Stock Exchange and HANFA.

Commitment to external initiatives

Atlantic Grupa is a signatory of the Code of Ethics in Business initiated by the Croatian Chamber of Economy. The listed Code lays down guidelines for ethical behaviour of business subjects in the Croatian economy. Such definition of ethical criteria contributes to more transparent and efficient business operations and high quality relations between economic operators in Croatia and the business environment in which they operate. By signing the Code of Ethics, its parties undertake to respect human rights, apply anti-corruption provisions, use responsible and ethical behaviour towards the other companies on the market, as well as develop high quality relations and loyal competition.

All Code signatories are responsible for ethical conduct towards other companies, developing quality relations, and upholding standards of fair competition. The guidelines of the Code stipulate open public dialogue and active promotion of welfare for employees and the environment. In accordance with the moral and ethical guidelines laid out by the Croatian Chamber of Commerce, Atlantic Grupa conducts its business transparently, responsibly, and efficiently, to strengthen the quality of and trust in the Croatian economy as a whole.

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

Ethical code of purchasing organisation

According to the Ethical Code of the purchasing organisation, purchasing activities must be conducted in such a way as to respect social, ethnic, cultural, sexual and racial diversity, and business decisions must not be directed in a way that favours any of the categories of ethnic, sexual or racial criteria. The Purchasing Guidelines require from all suppliers to protect their employees' rights, including the prohibition of child labour and forced labour and the prohibition of workers' abuse, discrimination or harassment, as well as to ensure health protection and safety at work.
The Ethical Code of the purchasing organisation is a set of values, standards, principles and rules that all staff members of Atlantic Grupa's purchasing organisation, responsible for procurement in the company, have to respect in performing their business activities. The Ethical Code covers the following areas:

Legal compliance

The purchasers are obliged to stay informed about any changes in laws and regulations pertaining to purchasing and to apply them in their business. In addition to various national and international laws and regulations of a general character, the purchasers have to follow and apply all other laws and regulations related to trade, industry, protection of patents and copyrights, environmental protection, work safety, labour law, etc.

Applying the criteria of sustainable purchasing

When making sourcing and purchasing decisions, Atlantic Grupa's purchasing organisation is committed to considering both environmental and social factors and aims to minimise the environmental and social impacts that the items we purchase have. Purchasing operations must be conducted in such a way as to respect social, ethnic, cultural, sexual and racial diversity, and business decisions must not be directed in a way that favours any of the categories of ethnic, sexual or racial criteria.

Fair treatment of suppliers

The purchasing organisation and the purchasing staff have to enable and support fair market competition among potential suppliers interested in entering into a business relationship with Atlantic Grupa. This means that the supplier selection process has to always be defined and conducted in such a way as to prioritize suppliers capable of providing quality products or services at competitive prices, or that have visible and proven advantages to the business of Atlantic Grupa compared to other suppliers. While selecting suppliers or later when cooperation with suppliers is already established, any influence which is not of a business nature or is affected by the personal interest of the purchasing staff is not allowed. In this regard, the purchasers have no right to ask for or receive money, favours, or gifts from suppliers or potential suppliers. Exceptionally, only business gifts of symbolic value may be accepted as an expression of common business practice or a business partner's courtesy. However, their giving or accepting should in no way influence the decision-making process, supplier's selection, negotiations or agreements with suppliers. The manner of dealing with suppliers, regardless of their negotiating position and power of the purchasing department, must be civilised and fair, and the purchasing staff is bound to respect all agreed terms with suppliers, provided that the other side also respects its obligations. The purchasing staff also commits to keeping business secrets and professional data, and their selective use, which also applies to all confidential information obtained from suppliers when competing for the supply of goods and services, as well as offers or business reports. This information may not be made available to third parties without the consent of the party that provided it.

Respect for the purchasing profession

The purchasing staff has to develop and maintain their professional competences, which means that they are obliged to continuously develop and improve their professional value both in terms of specific skills and knowledge in the purchasing area (technical knowledge, knowledge of commerce, trade, laws and regulations), and in terms of communication and other „soft" skills. To achieve this, purchasers should be open to communicating with other purchasing professionals outside the company and with purchasing associations and institutions to exchange and share experiences and opinions. As representatives of the purchasing profession, purchasers at Atlantic Grupa have to act in such a way as to maintain the dignity of the purchasing profession, and at the same time ensure that others who are in contact with them also recognise the dignity of the purchasing profession.
Transparency is a key component of our ethical business practices that ensures mechanisms for reporting any misconduct, providing employees with a safe way to report perceived wrongdoing.
Some indicators of professional behaviour in the company and the integrity of its employees are that no critical concerns were communicated to the highest governance body, and no incidents of conflicts of interest were reported throughout the year 2023.

AWARDS

ATLANTIC GRUPA RECEIVES HANFA'S CORPORATE GOVERNANCE AWARD

Atlantic Grupa has won this prestigious award for the third consecutive year, once again demonstrating the company's consistent excellence in the field of corporate governance.
This award is presented to listed companies that have shown the highest compliance with the Code of Corporate Governance issued by the Zagreb Stock Exchange and HANFA, and in the most prestigious competition among issuers on the Prime Market of the stock exchange, Atlantic Grupa has been awarded for the third consecutive year.

ATLANTIC AWARD-WINNING INVESTOR RELATIONS COMPANY

For the fourth time in a row, Atlantic Grupa is the first-prized company at the "Challenge of Change" conference, a central event of the entire financial community in the region, which gathers more than 400 participants and leading domestic and foreign experts.
The "Challenge of Change" conference pays great attention to global and European economic and market trends, observing trends in Croatia, both in the capital market and in fund asset management, with numerous foreign lecturers from renowned institutions and discussions involving prominent Croatian experts.

Information technology

In the field of information technology, 2023 was marked by the continuation of Atlantic Grupa's digital transformation, which is implemented as a comprehensive group programme that simultaneously adapts individual processes to the group process template and introduces the latest supporting technological solutions. The programme is accompanied by extensive activities in business analytics, which enables the achievement of the full effect in increasing the company's efficiency and competitiveness.

The high reliability of services, without incidents that would threaten the company's regular business processes, is ensured through a series of coordinated project activities in the field of infrastructure and IT operations, particularly in the field of cyber security. The support for regular business activities is ensured through the further development of supporting systems and a series of enhancements to existing applications, along with the introduction of additional innovative business solutions. After a significant increase in previous years, the user experience, as measured by the Net Promoter Score (NPS), remained at high values as a result of the described activities.

The most extensive transformation project in 2023 was the introduction of a new ERP (Enterprise Resource Planning) System, eWM warehouse management system and MES (Manufacturing Execution System) production management system at Atlantic Cedevita. Through the implementation of SAP's S4 HANA ERP, SAP eWM and Metronik MES, their integration, implementation of equipment upgrades in both production plants, the introduction of additional automation with sensors and more efficient processes guided by state-of-the-art technological solutions, a new level of business productivity and significant advancements in monitoring quality control and business analytics were achieved. We successfully completed the project, primarily through the engagement of internal experts, which reduced our dependence on external contractors.

In the field of logistics, the introduction of a Warehouse Management System (WMS) and the timely establishment of all IT systems accompanied Atlantic Grupa's investment in a new distribution centre in Skopje. Concurrently, work has begun on establishing all relevant IT solutions for expanding the distribution centre in Vukovina, Velika Gorica and connecting them to the planned automated high-bay warehouse system.

Additionally, in our companies in the Serbian market, we have successfully executed a demanding implementation and a series of integrations of different systems to meet all legal requirements for the introduction of the Electronic Invoicing System. In the domain of e-commerce, we launched a web shop for the production portfolio of Atlantic Štark, and introduced a new solution for the web shop of the pharmacy chain Farmacia. By continuing the project of robotic automation of office processes, we further accelerated office work, i.e. eliminated the need to perform repetitive tasks.

In addition to the above, we continued with the activities of the BPR programme to optimise and align processes within the Group. Consequently, at the beginning of the year, we started implementing the Integrated Business Planning (IBP) solution in the companies Atlantic Trade, Zagreb and Atlantic Brands, Belgrade. As part of the strategic project of introducing the Master Data Management (MDM) system, the implementation of the solution for centralising relevant master data in the domain of materials (raw materials, finished products, merchandise, etc.) was completed, thus achieving its first major step.

In the field of business analytics, throughout 2023,

The most important activities were related to the integration of the new SAP S/4 HANA ERP system into the analytical domain of Atlantic Grupa

we continued the cycle of innovations started in the previous period. As a result, the project to implement a Data Lake, based on cloud technology as the infrastructural basis, which was implemented in the previous year, was successfully completed. Real-time data replication from the most important data sources was implemented, and predictive models for business cases in the field of logistics were created using machine learning and data science.

Given the need and aspiration of Atlantic Grupa to generate business value through, among other things, the use of data, in 2023 we implemented numerous projects in the analytical domain of Atlantic Grupa, specifically in the area of data integration and processing. The most important activities were related to the integration of the new SAP S/4 HANA ERP system into the analytical domain of Atlantic Grupa, as well as the integration of data and ensuring the data foundation for implementing the Integrated Business Planning (IBP) project, based on the "Data as a Product" methodology. In line with the IT's strategic focus on the security and reliability of IT systems, an upgrade of the tool for data integration, transformation, and loading (ETL) was carried out.

Furthermore, we continued with activities in the field of cyber security, with a special emphasis on protecting the Operational Technology segment.

The main activities, as well as initiated and completed projects in the field of information technology infrastructure and operations during 2023, were marked by the life cycle management of application and infrastructure IT systems. Among a whole series of projects, the ones that particularly stand out are the upgrades of all existing SAP R3 systems to the latest software versions, the upgrade of the warehouse management system in Croatia, the upgrade of the entire firewall system, and the completion of the consolidation of Linux systems. The location for a new data centre was selected, where all necessary equipment for the migration of all system components and services, planned for March 2024, was installed. Following the successful implementation of the new IT Service Management (ITSM) system, during 2023 we introduced new functionalities and process enhancements thereto.

Business operations of Atlantic Grupa

(STRATEGIC) BUSINESS UNITS

(STRATEGIC) BUSINESS UNITS

COFFEE — barcaffè, grand, Bonito prava kafa

SAVOURY SPREADS — ARGETA, montana, Bakina Tajna

SNACKS — Smoki, Štark Najlepše želje, Štark Bananica, Štark Prima, Jimmy Fantastic

BEVERAGES — Cedevita, Cockta, Kala Kalnička

PHARMACY BUSINESS — farmacia

DONAT — Donat

NEW GROWTH — Boom Box, Ziggy's Coffee

Strategic Business Unit Coffee

In 2023, **the Strategic Business Unit (SBU) Coffee generated sales revenue in the amount of almost EUR 200 million, which is an 8.3% growth compared to the previous year,** and also a record sales result to date. The highest growth of 17% was achieved in the espresso segment, where we keep achieving double-digit growth rates year after year despite intense competition in the HoReCa channel. In 2023, the launch of the instant Black Cup further strengthened our position in the instant coffee segment, where we recorded a significant 49% growth in sales. In accordance with our strategy, the majority of activities focused on strengthening and maintaining our position in the category of roasted and ground coffee, where, despite strong competition, **we successfully preserved leading market shares in Serbia, Bosnia and Herzegovina, Slovenia, and North Macedonia**. The highest sales growth was achieved in Croatia, enabling us to secure the second market position in the category of roasted and ground coffee.

8.3% ↑

SALES GROWTH

200 mEUR

SBU COFFEE GENERATED SALES REVENUE

In 2023, Grand Kafa, as the leader in the category of roasted and ground coffee, continued the successful implementation of its long-term business strategy, devoting equal focus to both brand development and category growth. This positive trend is reflected in market share growth of the brand Atlantic Grand. The communication platform "Let's Have Time" entered its fourth year of existence, demonstrating its full potential for longevity. In addition to its contribution to building the brand image, this platform also won the sympathies of the professional community, and this year, it has once again received numerous prestigious awards. Through this socially responsible activity, "Let's Have Time for an Exam," we have so far facilitated over 25,000 free mammography exams across Serbia.

Impressive success was also achieved through the positioning of the **"Single Origin" coffee segment, which was honoured at the prestigious IAB EUROPE MIXX AWARDS as the best product innovation.**
The success of Grand Kafa brands was also recognised by the marketing industry, where, during 2023, we won numerous awards across the region: Effie, UEPS, Disrupt, Kaktus, IAB, InsiderID Research, No Limit, Campaign with Purpose, and Social Media Summit.
For Barcaffè, 2023 was a record-breaking year in terms of sales and market share in Croatia. In Slovenia, as the unrivalled leader in the category of roasted and ground coffee, Barcaffè managed to retain high market shares despite a challenging year in terms of competition, especially from private labels. To achieve these excellent results, numerous activities were conducted which, other than generating exceptional sales results, also contributed to further strengthening the brand image. The year was marked by a large loyalty programme with valuable gifts for the most loyal Barcaffè coffee lovers. The set long-term strategy of strengthening the Barcaffè "master brand" continued with numerous successful projects covering multiple coffee categories and sales channels. We continued with one of the most successful projects, Artist Edition. **Barcaffè Flora, coffee with Rainforest Alliance certification, packaged in the first fully recyclable foil, was also launched for HoReCa establishments across the region and achieved excellent results.**

The professional community also recognised our successful projects: Barcaffè received three silver awards at the SOF festival for the CSR campaign Barcaffè Donna and the Barcaffè Flora campaign, along with a prestigious gold Sempler award at the SEMPL festival. The project “Moderna džezva” (Modern Coffee Pot) was declared one of the two best PR projects in the GrandPRix award category for large companies.

The espresso coffee category in the HoReCa channel has been recording strong growth for several consecutive years, both in sales results and in the perception of buyers and consumers backed by strong support from master brand projects. In 2023, several new blends were launched, tailored to the requirements of different markets, including Barcaffè Gin Barrel Aged, an aged coffee created in collaboration with the award-winning Old Pilot’s craft distillery.

As the current leading brand in espresso coffee expertise, this year we again hosted the Barcaffè Espresso Barista Cup, a highly respected regional competition that brings together talented young baristas who, by demonstrating their skills, creativity, and passion for coffee, compete for the prestigious title of the best barista in the region.

Atlantic Grupa continues to strengthen its position in the instant coffee segment in the region. Our brands hold the number two position in the key markets of Serbia and Slovenia, and continue to increase their market shares in the White Cup segment. **The success of our brands is also confirmed by prestigious awards – the bronze Effie for Insta Grand in Serbia and Effie finals for Barcaffè in Slovenia in the Sustained Success category.** Atlantic Grupa's ambition for growth in the instant coffee segment is further confirmed by the decision that, after the successful relaunch of White Cup products, we also conduct a large regional relaunch of the portfolio in the Black Cup segment during 2023. The modern design and excellent product quality were recognised by consumers, so we recorded continuous market share growth in this segment as well.
After the extreme volatility of the coffee market in 2022, **the prices of raw coffee** (General Arabica and Minas) **stabilised during 2023 but remained at slightly higher levels compared to previous years.** This was mostly due to a relatively abundant harvest in Brazil, which resulted in lower price increase rates for Minas and Arabica. In contrast, the price of Robusta was consistently on the rise throughout 2023 due to increased consumption by the industry and lower supply, as the key markets for Robusta delivered significantly lower quantities than globally required. In 2023, there was a stock market increase of 70% for Robusta, and further price increases are expected in 2024.
SBU Coffee’s capital expenditure in 2023 amounted to EUR 6.8 million. The majority of this expenditure refers to investments in HoReCa equipment. The most significant projects involved increasing production capacities in Izola and upgrading the instant production line in Belgrade. The remaining part of the said expenditure was related to enhancing and automating production lines at all our sites. We are proud that in 2023 we opened a new Barcaffè conference hall and academy at our production plant in Izola.

Strategic Business Unit Savoury spreads

In 2023, **Argeta overcame economic challenges, reinforcing its position as the No. 1 pâté brand in Europe and achieving sales revenue of EUR 137.7 million.** Despite fierce competition and aggressive price promotions in the pâté category, **Argeta maintained its leadership in Slovenia, Croatia, Bosnia and Herzegovina, Austria, and North Macedonia.**

Argeta also continued its international success, achieving **a new sales record of 1,871 tonnes in Germany**, marking a significant volume (from 11.5% to 17.3%) and value (from 16.2% to 22.0%) market share increase. With a strategic focus on Germany, Argeta expanded distribution, securing listings in new Key Accounts and regions. A debut TV campaign and consumer-centric digital activities targeted three key consumer groups, contributing to a 19.5% value market share in the shelf-stable pâté category. **Argeta maintains a robust leadership position in Switzerland with a 36.6% volume market share.** In the Netherlands, distribution and portfolio expansion in the mass market channel led to market share growth, while in Sweden, volume growth was achieved through listings in the discounter channel and effective activity executions in the ethno channel.

6.5% ↑

SALES GROWTH

138 mEUR

SBU SAVOURY SPREADS GENERATED SALES REVENUE

The “share of bread” strategy continued with a new partnership with Mercator/Konzum and their bakeries, introducing local bread varieties, such as “Slovenian”, “Serbian”, and “Domestic bread”, which embody the region’s rich baking traditions. The mission of this activation was to preserve local seeds in the Svalbard Global Seed Vault deep within the Arctic Circle.

Argeta also enhanced its in-store presence, consolidating the portfolio and emphasising star SKUs and promotional packs for better value. New tastes, such as Argeta tuna with thyme and lemon, Argeta Junior Chicken breasts a la grill, and Argeta Meatless and Veggie tartare, were introduced to cater to diverse consumer preferences.

The plant-based portfolio, Argeta Veggie, received positive feedback from consumers: they liked our products, communication, and repeated the purchase (Launch Tracker 2023). To foster the growth of our user base in this segment, targeting flexitarians, we added a new taste, Lentil Tartar.

The R&D team created Argeta Meatless, the first spreads in the region that are plant-based, with the flavour of meat. Two best-selling animal tastes, Chicken and Chicken Pikant, are now also available in plant-based variants. The campaign “Meatless not Vibeless: We turned pâté upside down” got attention and provoked questions, comments, and debates.
In 2023, Argeta had an impactful year of winter sport sponsorships, celebrating positive sports values. The new platform moved beyond traditional branding, reflecting Argeta’s commitment to excellence. In addition to Slovenian winter sports teams, Argeta proudly supported the Croatian national alpine ski team. It strategically sponsored German biathletes Sophia Schneider and Selina Grotian, strengthening its presence in the German market, and nurturing emerging talent, as it is doing in Slovenia with the Argeta Junior Cup. Notably, Argeta reached a historic milestone by sponsoring international winter events, including the FIS World Cup ski jumping in Planica and FIS Vitranc Cup in alpine skiing. The sponsorship of the FIS Ski Jumping World Cup in Klingenthal in December 2023 marked Argeta's first sports event in Germany, emphasising its global commitment.

Argeta products carry the “FREE FROM” stamp, which ensures that they contain no artificial flavour enhancers, preservatives, artificial colours, or gluten. 100% of Argeta products have this stamp and 100% of products are without any additives.

WE BELIEVE THAT ALL PEOPLE ARE EQUAL REGARDLESS OF THEIR BELIEFS, SEX, ETHNIC BACKGROUND, OR RELIGION. THIS IS WHY WE ARE ALSO OFFERING TO OUR CONSUMERS HALAL, MSC AND VEGAN PRODUCTS. IN 2023, WE HAD 15% VEGAN PRODUCTS AND 2.7% OF TUNA INGREDIENTS WERE MSC CERTIFIED. BOTH FACTORIES ARE HALAL-CERTIFIED.

Argeta's premium line, Argeta Exclusive, has been delighting consumers with unique flavour combinations. This season has been enriched by the youngest Slovenian two-time recipient of the Michelin star, chef Filip Matjaž. The young culinary master thrives on telling stories and challenging the senses of his guests with extraordinary flavour combinations. Inspired by the wild bird, the pheasant, which has fascinated the chef since childhood, he paired it with a local Istrian ingredient – the artichoke, known as the queen of the home garden. The new limited edition Argeta Exclusive à la Philip Matjaž, with the flavours of pheasant and artichoke, has been captivating all Slovenian gourmets.

As pioneers among FMCG brands in the region, Argeta utilised Chat GPT and developed "Junior's Storyteller," a platform powered by artificial intelligence (AI) that engages parents and children to create personalized stories. Between April and September 2023, the website was visited by 37,284 users who created 21,610 engaging stories. With this project, Argeta Junior demonstrated that modern AI-driven technologies and tools are not only beneficial but can also help create genuinely heartfelt projects, even for the youngest.

In 2023, Argeta's standout projects received industry recognition. "Junior's Storyteller" secured 3 Websi awards, 3 Diggit awards, Golden Sempler, and SoMoBorac. Argeta Junior also won a Websi award in Special Digital Projects and was an Effie finalist. Argeta Veggie's relaunch earned the Marketing Excellence Award, Digital Cup, and a Bronze Effie. **The "Ode to the Bakers" platform was honoured with the Golden Effie in Slovenia, a Bronze Euro Effie, and a third place in the Global Digital Project on Websi.** The Effie awards marked the year's highlight, including Mediana's Best Use of Data & Research award and recognition as the Most Effective Brand.

Bakina Tajna underwent significant design changes in 2022 and focused on communication and product innovation in 2023. The brand conducted a brand position review, recognising different life stages of the brand on different markets and developing adequate campaigns. This led to innovations, like strawberry jam that made a comeback. Limited edition offerings, such as plum jam with plum brandy and apricot jam with apricot brandy, were launched during the festive season. The results Bakina Tajna achieved were above all expectations and plans. The changes that were made will show the full effect in the coming years.

In 2023, we spent EUR 5.6 million on capital investments. One of our most important projects involved investing in new packaging machines at Hadžići and Izola locations.

5.6 mEUR

CAPITAL INVESTMENTS IN SBU SAVOURY SPREADS

Strategic Business Unit Snacks

The year behind us will be remembered as a record-breaking year in both production and sales across all markets and in most categories, where **we realised almost EUR 124 million in sales revenue**. This represents a 26.3% sales growth compared to the previous year.

This was also the year in which we successfully overcame significant challenges. With disruptions in the operational-logistics process inherited from the COVID-19 pandemic period, the business environment was further exacerbated by political turmoil in the region and on the global stage. For instance, due to non-tariff barriers, sales in Kosovo were prevented in the second half of the year. The confectionery industry faced special challenges involving unfavourable trends in the supply of certain essential raw materials. The natural disaster, i.e. the atmospheric-oceanic phenomenon El Niño, directly affected the available quantities and prices of cocoa products. The supply of palm oil has also decreased due to environmentally unsustainable production with significant implications for the habitats of endangered plant and animal species.

However, by consolidating internal capabilities, extending and enhancing cooperation with strategic partners in the procurement of key raw materials (Barry Callebaut for cocoa masses), and responding adequately to identified market opportunities, **a historical high was achieved in both production tonnage and sales revenue**. All markets generated growth, while exports to Western European markets posted notable results and strengthened their share in the geographical sales structure. Likewise, all production categories recorded growth, helping the sweet programme retain its dominance in the portfolio structure with a 59% share.

26.3% ↑

SALES GROWTH

124 mEUR

SBU SNACKS GENERATED SALES REVENUE

During 2023, the product assortment was managed with a focus on continuity in offering the standard production programme, supported by the premiumisation of strategic brands and their extensions into new categories. With bold steps forward and prudent business decisions, we maintained our reputation of an innovator. There were 147 products in circulation, and 12 new recipes were launched. Ten integrated campaigns were executed across six markets. As in previous years, a significant emphasis was placed on digital communication channels.

The integrated marketing-production-sales focus on strategic brands has successfully led to excellent market performance. **Najlepše Želje and Bananica significantly increased their market shares in their domestic market of Serbia,** from 18.5% to 21.0% and from 20.9% to 26.4%, respectively. Bananica's performance is particularly impressive, considering the record placement of the core brand with the support of the novelty Creamy Bananica. **Smoki remains ranked among the top 3 salty snacks in Serbia and Slovenia**, while Prima is increasingly recognised, enabling it to realise its potential in markets outside the region.

Smoki, a synonym for flips for decades, has always set standards in its category. This time, the boundaries were pushed once again with the launch of an innovation in the form of stuffed flips. **Smoki WOW is the first flips with a rich peanut and chocolate filling in a previously unseen attractive "peanut shape" and modern packaging.** It was launched with a pop art-style campaign featuring music star Sara Jo as its public face. Under the brand platform "No Mistake", the campaign emphasised the intense enjoyment offered by Smoki WOW. The communication targeted urban, talented, and younger consumers.
Promoting positive values, Smoki adjusted its recipe last year to align with the environmental sustainability trend while retaining its unique taste. Palm oil was replaced with locally sourced sunflower oil. With the "non-palm oil" label, vegan and Halal certificates, Smoki is demonstrably paving the way for itself as an international brand open to innovation and ready to respond to the increasingly demanding needs of modern consumers. Organised by the Centre for Quality Promotion of Serbia, Smoki was once again recognised by consumers as "My Choice 2023" in the snacks category.

The launch of filled biscuits called Najlepše Želje Cookies is a strategic step forward for the brand Najlepše Želje in the chocolate category. This product's connection with the parent category includes a chocolate filling and chocolate chip sprinkles. Najlepše Želje Cookies have gained not only the affection of lovers of Najlepše Želje chocolates but also consumers of other sweet categories, ready to try the novelties of prominent brands. In addition to traditional advertising channels, the launch campaign included digital activation called "I Accept Cookies," which was recognised and awarded by the professional community (SoMoBorac, UEPS). Although Najlepše Želje is considered one of the longest-standing confectionery brands, it actively engages in the market competition by differentiating itself through innovations that playfully enhance its standard portfolio. This time, limited editions of filled chocolates inspired by travel were launched, featuring authentic flavours for special moments of enjoyment. **All the innovations of the brand Bananica completely justify the platform "When You Want to Share Happiness"** as they are based on the selfless spreading of joy and remind us to enjoy the little things. Creamy Bananica has already secured its position in the heterogeneous category of bars, launched nationally with the campaign "To Melt From Happiness" , while the young online audience was animated by the "creamy" dance challenge on TikTok, which generated over 2.3 million organic views. A particularly significant innovation of the brand Bananica is its breakthrough into the

8.7 mEUR

CAPITAL INVESTMENTS IN SBU SNACKS

ice cream category in collaboration with the partner Frikom. Once again, Bananica confirmed its status of a brand that surprises with an unexpected but excellently accepted offer of a summer treat, both in its form and organoleptic experience equivalent to the original product.
Positive experiences from previous years with regard to the packaging edition featuring imaginative and fun prints was upgraded in the form of the so-called inspirational "emoji" editions during the holiday season in joyful anticipation of the new one.
The previous year, marked by significant capital expenditure and the reorganisation of biscuit and wafer production, is considered a preparatory year for the strategic step forward in the future offerings of these product types under the corporate brand Štark. The focus in the previous year was on optimising the assortment and production processes. Production and sanitation procedures were standardised, the professional competence of production workers was improved and expanded, and product quality control was introduced at all stages of the operating process. This way, the efficiency of key production lines was enhanced.
Capital investments in 2023 amounted to EUR 8.7 million. The most important investment projects were related to new lines for packaging chocolate bars and lines for the production and packaging of salty snacks. A special emphasis in the investment efforts was placed on the development of a master plan. After a detailed identification of bottlenecks and analysis of the potential of internal resources, a five-year development strategy for the production plant in Belgrade was defined with the aim of improving production and logistics processes through additional capacities and their automation.

Strategic Business Unit Beverages

In 2023, **the Strategic Business Unit (SBU) Beverages generated sales revenue in the amount of EUR 101.0 million, which is a 18.6% growth** compared to the previous year and also a record-breaking sales result. The achieved revenue growth is largely a result of higher selling prices in all markets, but volume growth was also realised across all product groups. **Sales growth was recorded in all markets**, with the highest growth rates compared to the previous year generated in key regional markets – Slovenia 21%, Croatia and Serbia each 18%, and Bosnia and Herzegovina 17%. International markets also showed positive growth indices, with particular emphasis on the market of Austria, which grew by 14% compared to the previous year. The market structure remained unchanged, with 98% of sales generated in the regional markets. Croatia continues to be the most significant market with a share of 42%, followed by Serbia with 21%, and Slovenia with 18%.

The period of the tourist season (June - September) should be highlighted as the key part of the year for SBU Beverages, which was again excellently prepared and executed, and sales results in all markets surpassed even the previous record high achieved in 2022. Despite continued strong pressures on business operations reflected in high prices of raw materials and packaging, energy, logistics and other services, as well as a significant increase in salaries, excellent sales results enabled the growth in profitability compared to the previous year.

18.6% ↑

SALES GROWTH

101 mEUR

SBU BEVERAGES GENERATED SALES REVENUE

The key driver of these results was a series of successfully implemented initiatives of brands under SBU Beverages, with four of them particularly standing out – two within the brand Cedevita and one each within the brands Cockta and Kala.

The first of the significant initiatives is certainly the launch of Cedevita in the category of vitamin waters, which stands out as one of the fastest growing categories of non-alcoholic beverages both in the domestic market and globally. Cedevita vitamin water comes in three refreshing flavours, made with natural aromas, no sweeteners, low-calorie content, and carefully selected vitamins and minerals. With the strong slogan "THE NAME SAYS IT ALL" and activities carried out in ATL and BTL channels, the launch had a positive impact on both consumers and sales results. Market shares exceeded all expectations in this highly competitive and growing category. **In Slovenia, Cedevita vitamin water achieved a 16.4% market share and positioned itself as the second key player alongside Vitamin Well, while in Croatia it also established itself as the second most important brand with a 14.3% market share.**

Within the segment of vitamin instant drinks, Cedevita launched a refreshing tropical flavour – **Cedevita Pineapple & Mango** in a convenient 200g package for home consumption and a 19g package for the HoReCa channel originally released as a limited edition flavour in the summer months. The new flavour achieved exceptional results and, due to high consumer interest, it was decided to keep the 19g HoReCa packaging in the assortment as a permanent product.

Furthermore, we successfully extended the shelf life of Cedevita vitamin instant drinks by 10 – 20 % for 40 SKUs. This extension is expected to significantly reduce food waste.

Thanks to these two initiatives, Cedevita recorded an increase in its value share across all markets, with the most significant growth in Croatia, where it

achieved a 11.6% share in the category of fruit-flavoured non-alcoholic beverages.

Under the Cedevita platform "Be good. Be CE" implemented in cooperation with the association "Boli Me" (It Hurts Me) and the psychological association "Pričaj mi" (Tell Me), as well as in partnership with Tanja Hrvatin Šimičić in the campaign "How to prepare a child for starting nursery or kindergarten?", support and practical advice were provided to parents and young people. Thanks to our collaborators, invested efforts, and numerous activities, the platform reached an incredible 230,000 visits, which is a 15% increase compared to 2022. **Additionally, the project "Be Here. Be CE" won a prestigious second place at the HUOJ awards, receiving "The! Award" for socially responsible business practices.** All these results demonstrate that the platform "Be Good. Be CE" truly brings benefits to the community, and we hope to continue inspiring optimism through it in the coming years.

Within the brand Cockta, a new regional communication "Od čega si ti" (What are you made of) was launched to emphasise the uniqueness of both its ingredients and its loyal consumers. The new campaign aims to highlight all Cockta's advantages and remind consumers that it is made from the finest herbs, natural CO2, and without caffeine. This campaign contributed to a better understanding of the brand Cockta by consumers, which is also evidenced by its sales results, especially in Croatia and Slovenia, where we recorded significant growth in volume and double-digit growth in value. We are constantly striving for sustainable and environmentally friendly solutions to optimise and reduce negative impacts on the environment. Following the successful implementation in EU markets, we have further reduced the amount of plastic for Cockta bottles and caps in the markets of Serbia, Bosnia and Herzegovina, and North Macedonia, which will result in almost 50 tonnes less plastic.

We have additionally reduced the amount of plastic by introducing an 11% lighter bottle cap on all other bottled products. In line with the new EU regulation, we started with the implementation of tethered caps. **In 2023, Kala launched the campaign "Jedna Kala, jedno hvala" (One Kala, One Thank You) where citizens had the opportunity to publicly thank members of the volunteer fire brigades for their constant and selfless engagement during the summer.** On the website jednakala-jednohvala.hr, they wrote almost 1,200 messages of support and thanks, once again proving that Croatian citizens stand by fire fighters. In addition to the public thanks to fire fighters, Kala also provided a financial donation and water supplies. As a result of the campaign, in 2023 Kala grew both in terms of volume and value in the category of non-carbonated mineral water.

The focus of capital investments in 2023, amounting to EUR 3.8 million, was on increasing operational efficiency. In that sense, the year was marked by the successful implementation of the SAP S/4HANA business management system and the MES solution, which enabled more optimal planning and better production monitoring at Atlantic Cedevita d.o.o. This represents a significant step within the adopted strategy of digital business transformation. Significant investments were also made in the infrastructure at production sites, such as the investment in the sugar transport system, mouldings for Cedevita Go's non-separable (tethered) cap, and several others.

In 2023, we also published the first Sustainability Report for the brand Cedevita, which incorporates elements of the ESRS (European Sustainability Reporting Standards). As part of this, we identified ESG topics crucial to our operations and will focus on them in the upcoming period. This marks a new significant step for SBU Beverages towards its commitment to environmental, social, and governance responsibility.

Strategic Business Unit Pharmacy Business

In 2023, **Farmacia recorded sales revenue of EUR 87.6 million, thus achieving a 12.2% growth.** This revenue is based on organic growth, influenced by suppliers' price increases, as well as the opening of new locations. Before the summer season, two new locations were opened, namely specialised stores in Vodice and Volosko, which contributed to the said growth with their turnover. Furthermore, two locations that were opened at the very end of 2022 also had a significant impact on this year's revenue growth. **In 2023, the chain Farmacia consisted of 102 stores**, namely 56 pharmacies, 45 specialised stores, and 1 web shop.

At the beginning of 2023, Farmacia successfully implemented the project of introducing the euro in its chain of pharmacies and specialised stores. It further confirmed its transparency in daily operations by signing the Code of Ethics, which it adhered to during the adjustment period in the year of implementing the new currency.

12.2% ↑

SALES GROWTH

88 mEUR

SBU PHARMACY BUSINESS GENERATED SALES REVENUE

During 2023, the pharmacy sector continued to feel the impact of the global crisis due to the war in Ukraine and the Middle East conflict, mostly manifested through shortages of certain groups of medicines in the market. However, Farmacia continues to ensure regular supply to citizens by planning procurement under existing business conditions. A significant portion of Farmacia's stores is located on the Croatian coast, and this year their excellent results were in line with a very successful tourist season. Farmacia is the leading chain in the sale of dietary supplements and dermal-cosmetics products. Its openness to all novelties and offer expansions with new product lines on our shelves ensure the chain's competitive advantage.

Continuous employee training, which is one of Farmacia's requirements aimed at providing high-quality pharmacy service, was elevated to a new level. This was enabled by the virtual Expertise Centre on the Microsoft Teams platform, where we, for the first time in this format, organised pharmacist training accredited by the Croatian Chamber of Pharmacists. The recording of this training, due to its exceptional content quality and high attendance of pharmacists, was posted on the Chamber's website as a model example of professional training.

The Ministry of Health, Croatian Institute for Health Insurance, and Croatian Chamber of Pharmacists continued the national project – COVID-19 and flu vaccinations, in which Farmacia is actively involved. In 2024, licensed training for pharmacists and amendments to the Act on the Protection of the Population against Communicable Diseases are expected, officially enabling pharmacists to become vaccinators.
In the elections for the General Assembly of the Croatian Chamber of Pharmacists, Farmacia achieved its greatest success to date, and now has three representatives in this body. Additionally, in the Chamber's Council, the highest body in the pharmacy sector, Farmacia is represented for the second consecutive term, this time with two representatives. In the new mandate, Farmacia also has its representatives in three important commissions for the first time – the Commission for Professional and Occupational Issues, the Commission for Economic Issues, and the Commission for the Evaluation of Professional and Vocational Training.

We continued our long-standing successful cooperation with the Faculty of Pharmacy and Biochemistry at the University of Zagreb, where we traditionally support the organisation of the student congress and participate in the University Conference. Additionally, we were active and highly successful participants in the student project Boss@First Sight, for which we received certificates of appreciation for our support and contribution.

Farmacia consistently supports all opportunities for broader education of citizens about prevention in pharmacy, which is realised through online platforms (website, social media, newsletter) and Farmacia on-the-go magazine. Moreover, specialised counselling centres also meet clients' interests for counselling services as a way to solve their health problems and improve their quality of life.
After several pandemic years where teams have shown exceptional effort and courage in continuously providing healthcare, Farmacia gathered the managers of its locations in April to **celebrate 15 successful years of business operations.**

Farmacia has the strategic goal of maintaining a leading position in pharmacy through continuous education and professional development of all our employees. In future development, the focus will be on digitisation and the use of modern technologies to facilitate operations, all in service of enabling our pharmacists and pharmaceutical technicians to fully dedicate themselves to the centre of our future and attention: the patient, i.e. the end consumer.

Farmacia offers food supplements and dermatological cosmetics that do not contain ingredients of animal origin, nor have the products from these lines been tested on animals.

Business Unit Donat

In 2023, Donat continued to pursue its long-term strategy of premiumisation and internationalisation of the brand. The year also marked an important milestone as **Donat celebrated its 115-year anniversary**. The year-long celebrations included unique educational events for employees, partners and customers. These events provided participants with valuable tips on the importance of healthy digestion. In 2023, **the Business Unit (BU) Donat generated sales in the amount of EUR 36.4 million, which represents a 12.5%** growth compared to the previous year.

12.5% ↑

SALES GROWTH

36 mEUR

BU DONAT GENERATED SALES REVENUE

Another highlight of the 115th anniversary of the Donat spring was the launch of Atlantic Grupa's largest solar power plant on the roof of the bottling plant in Rogaška Slatina. It is one of the largest private investments on this front in Slovenia in recent years, building on Donat's sustainability activities to date. Operating at full capacity, the plant covers 31% of the on-site energy needs, reducing our dependence on external sources, optimising costs, and contributing to environmental protection.

We have had a record year in terms of business results. The strength of our brand, built systematically and over the long term, is evident in all key markets. The brand Donat is pursuing "one price fits all markets" pricing strategy, and sales volume continued growing in 2023 despite price increases. Given the limited annual volumes, brand development focuses on our **six key markets** (Slovenia, Croatia, Bosnia and Herzegovina, Austria, Russia and Italy), where we also made significant progress in 2023.

Our price increase in all markets in 2023 is a part of our long-term brand premiumisation strategy and has been complemented by the consolidation of our brand position as experts in digestive health, encouraging our extended target group to take everyday preventive care of their digestion and health. Our activities in this area have been successful in

reaching consumers and, despite the difficult circumstances (a falling disposable income in the target markets), consumption of Donat has not decreased. In fact, **we increased sales volumes in Slovenia in 2023**, while sales in value terms increased by 15%. Despite strong competitive pressures, we maintained our value market share in 2023. **In Croatia, we achieved record sales in both volume and value**, which means that we have consolidated our second place in the category (in terms of value market share) of natural mineral waters (source: Nielsen Retail Panel, 2023). In accordance with our price policy, we also raised prices in Bosnia and Herzegovina towards the end of the year, and overall we achieved impressive growth in this market, which proves that our activities aimed at a slightly younger target group were the right approach. In Austria, our strategic international market, we maintained our growth from 2022 in 2023, achieving a volume and value sales growth. In Austria's segment of so-called medical mineral waters, characterised by high mineral content, Donat already holds market shares of 8% by volume and 20% by value (source: Nielsen Retail Panel, 2023). In Austria, we also successfully carried out rebranding in 2023 in order to standardise our image across all markets. We also continued to reduce our dependence on the Russian market and are adapting our business model for this market depending on the situation.

In 2023, we continued to successfully build our position as experts in digestive health. We have been particularly successful in this regard with our guided health programmes Donat, which aim to raise awareness and empower people to proactively maintain their digestive health. All programmes are supported by scientific studies and include healthy eating plans, tips for exercise and stress management, as well as instructions on how to drink Donat. Since 2016, more than 235,000 people in six countries have participated in our guided health programmes.

We are the first company in Slovenia that only uses bottles made of 100% rPET for our entire product range.

Our main brand activities take place on digital channels, as they are among the most important in reaching our target audience. We had more than 87 million search engine hits last year, reached more than 12 million users with our communications, and had more than 3 million visitors to our website, while our Facebook communities have almost 19,000 members. We ended 2023 with the launch of a new digitalisation project: Donat Chat Assistant. This intuitive chat interface is designed to help our users to quickly and easily find information about Donat, healthy lifestyles, regulated digestion and various guided health programmes.

As caretakers of the unique natural mineral water Donat, we are committed to managing the source responsibly, showing our gratitude to nature and ensuring that it will be available for generations to come. Our sustainability commitments are therefore integrated into our daily operations and are part of the brand's DNA. We pay particular attention to the source of Donat water, reducing water and energy consumption, decreasing our carbon footprint and working with the local community. Our focus is on packaging (reducing the use of materials and using recyclable materials) and developing products in harmony with nature. **We are the first company in Slovenia that only uses bottles made of 100% rPET for our entire product range**. This has reduced our carbon footprint by 90% compared to the use of virgin PET material in plastic bottle production. By using 100% recycled Donat bottles in 2023, we have given a new lease of life to 957 tonnes of plastic waste and produced 1,894 tonnes lower CO2 emissions than if we had used bottles made of virgin material. By using 50% recycled transport wrappings, we reused 35 tonnes of waste plastic. We also put a lot of effort into reducing packaging. In 2022 and 2023, we reduced the weight of the bottle cap by a total of 22%, which translates into a reduction in plastic consumption of almost 16 tonnes per year. Starting in 2023, the cap is inseparable from the bottle (tethered cap). This will further contribute to correct recycling.

In 2023, Donat once again won numerous awards, the most important being two Effie awards in Slovenia.

Donat 115 godina

New Growth

Boom Box: 2023 marked by growth through new markets and new segments

Boom Box, Atlantic's brand launched in 2021, achieved exceptional results and became indispensable for all those seeking to eat healthier. Despite a challenging year marked by the introduction of a new currency in Croatia and significant price increases across the region, Boom Box successfully executed its sales plans and achieved significant market success. This is particularly evident through its second-place position in value share in granola and crunchy muesli categories in Croatia, Serbia, and Slovenia (source: Nielsen Retail Panel, 2023). Additionally, we hold **the second market position in the category of instant porridge in Slovenia, and the third position in the same category in Croatia and Serbia. In the category of plant-based drinks, Boom Box maintained a stable second position in the markets of Croatia and Bosnia & Herzegovina** (source: Nielsen Retail Panel, 2023).

Passion for innovation and care for consumers resulted in expanding the product range. Alongside extensions of already established segments such as oatmeal and oat drinks, one of the most significant moments in 2023 was the launching of **two new product categories** that enriched the Boom Box portfolio. **The Granola&Pops line**, tailored to the needs of younger consumers, represents an innovative step towards creating products that are not only tasty but also adapted to children's nutritional needs. To ensure the attractiveness of the new product and bring it closer to the target audience, we used the license of a well-known animated movie, Madagascar.
Oat Bites are delicious oat snacks that provide instant energy and are ideal for all those seeking a healthy alternative for a quick and convenient snack, without added sugar.

A significant milestone for Boom Box in 2023 was the brand's **launch in the markets of Austria and Albania**. In Austria, Boom Box achieved excellent sales results and attracted new users who are looking for healthier options. Positive feedback from consumers further confirms the potential of Boom Box on the international level.

The year was also marked by continuing the successful communication platform that highlights Boom Box's comparative advantages, with shorter TV spot formats dedicated to the oatmeal category, as well as partnerships with reputable nutritionists and public figures who use their personal channels to ensure that Boom Box reaches consumers.

In 2023, an omnibus survey was conducted among cereal consumers in Croatia, and when asked which brands they occasionally consume, the majority of consumers chose Boom Box (source: Hendal Omnibus Croatia 2023). This result is yet another confirmation that Boom Box has managed to establish itself as one of the favourite choices among Croatian consumers in reference categories just two years after its launch.

Additionally, Atlantic received recognition of the quality of Boom Box's communication strategy by the professional community through its position as a **finalist in the competition Effie Serbia**, which recognises significant achievements in market communications.

Ziggy's Coffee – year marked by the market proof of concept and operations optimisation

Ziggy's Coffee is Atlantic's pilot of a new commercial channel, a coffee brand and a coffee shop chain that provide consumers with the experience and quality of takeaway coffee equal to or better than that in cafés. It is characterised by fast service and over-the-counter sales of ready-to-go coffee drinks, various refreshments, and fresh snacks such as sandwiches, bakery products, and packaged goods.

The development of the Ziggy's Coffee chain in 2023 was focused on Zagreb with a curated mix of different types of venues (city centre, public transit hub, business centre, and residential area) and different types of facilities (fixed coffee shops, "shop-in-shop," kiosks, and mobile trailers) to gain key insights from testing in order to define the strategy for further chain development.

After the facilities were established, the year 2023 saw a phase of strong demand generation and introduction of the concept to the wider public. Following a relatively modest winter period for on-the-go consumption, significant demand development occurred in the spring months driven by a PR campaign and engagement of a larger number of influencers, while the greatest result was achieved in the fall, with the growth of the base of regular users and continuous penetration of new ones.

The launch of seasonal products alongside daily price promotions proved to be the right formula to attract guests, among whom younger consumers are emerging as the main target group for Ziggy's.

Additionally, the year was used to improve the operational efficiency of this very specific channel for Atlantic, establish control processes, and manage barista engagement. By increasing sales trends at all venues while improving operational efficiency, we laid the foundation for new coffee shop openings in 2024.

(Strategic) Distribution Units

(Strategic) Distribution Units

Strategic Distribution Unit Croatia

In 2023, **the Strategic Distribution Unit (SDU) Croatia generated sales revenue in the amount of EUR 245 million, which represents a 19.0% growth** compared to the previous year.

Revenues increased primarily due to continued strong focus on the market, record seasonal consumption, and successful product innovations. Record sales growth also resulted in higher market shares in almost all categories.

The **retail segment recorded a 18.7% growth**, with the major drivers being the brands Cedevita, Smoki, and Donat, which also achieved significant market share increases in their respective categories. The biggest innovation in the Beverages segment in 2023 was the launch of Cedevita vitamin water in three flavours. In the category of vitamin waters, Cedevita reached a 14.3% value share in just seven months of sales. Among external principals, the most significant sales growth, namely 30% compared to the previous year, was recorded in the categories of chewing gums and chocolate bars in the product ranges of Ferrero and Mars. Ferrero also achieved above-average growth in the categories of pralines and biscuits. In the non-food segment, outstanding sales results in 2023 were achieved by Magdis through the brand Melem, primarily due to its innovative product range and promotional activities.

Revenue from sales in the HoReCa channel grew by 21.5%, where the main contributors were the categories of coffee (Barcaffè) and vitamin drinks (Cedevita). The largest drivers of Cedevita's growth were two new flavours: grapefruit and mango-pineapple, as well as prize contests for end consumers.

This year, SDU Croatia again managed to secure the necessary number of seasonal employees, sufficient product quantities, as well as storage and logistics capacities to ensure uninterrupted delivery of goods to the market. During 2023, we also initiated the project of expanding our distribution centre in Velika Gorica by an additional 10,000 m2. Thanks to new technology with fully automated racks, this space will be able to store an additional 15,000 pallets of products, thereby providing logistical support for our further growth ambitions. We continue to invest in our employees and their development, as well as in implementing digital transformation across all aspects of our business operations to further increase our productivity and provide even better service to our partners.

19.0% ↑

SALES GROWTH

245 mEUR

SDU CROATIA GENERATED SALES REVENUE

Strategic Distribution Unit Serbia

For the third consecutive year, t**he Strategic Distribution Unit (SDU) Serbia posted record-breaking sales results in the amount of almost EUR 238 million.** Revenues were 16.2% higher than last year, while the biggest growth contributors were our Snack, Coffee, and Beverages programmes, alongside external principals Intersnack, Saponia, and Red Bull. Turnover growth was accompanied by profit growth despite significant challenges due to the rise in prices of energy and services, as well as higher employee costs. In 2023, inventory levels were stabilised and the collection of receivables from clients was further improved.

Our major brands continue to achieve record market shares year after year. Roasted and ground coffee achieved a significant market value share of 53.8% in the category that experienced a 1.7% decline compared to the previous year (source: Nielsen Retail Panel, 2023).

Growing faster than their respective categories, **sweets and salty snacks posted historically high sales**. The excellent performance of chocolates Najlepše Želje is particularly noteworthy, as they solidified their position as leaders in the domestic market while also increasing their market share. Štark Bananica, along with posting double-digit sales volume growth, is convincingly the top-selling bar, while the new Štark initiative, Smoki WOW, has achieved notable success and exceptional acceptance by consumers.

During the first year of launching Cedevita vitamin water, all distribution expectations were surpassed. Our share in sales at the two largest customers in the market of Serbia is 50% in the category of vitamin waters and 16% in all flavoured waters.

The second year of distributing Chio chips did not go unnoticed, achieving a 9.2% volume share in the chips category, which is a significant improvement compared to the previous year.

Last year, **Red Bull set a new record – 10.3 million cans sold**, which is even 14% higher than the previous year, making it one of the most successful years for this energy drink.

The exceptional strength and efficiency of distribution were adequately utilised in the breakthrough of Boom Box in Serbia, where its strong performance in various segments of healthy food once again proved that we are a credible and reliable partner in the said market. For the second year in a row, **Boom Box granola stands out as the best-selling product in its category** according to the Nielsen report.

Mid-year saw a reorganisation of the commercial team, where, instead of a commercial director, we now have two category directors who manage the beverages category and the food and non-food category, thus increasing focus and expertise for the brands, as well as enhancing focus on the most significant customers.

16.2% ↑

SALES GROWTH

238 mEUR

SDU SERBIA GENERATED SALES REVENUE

Strategic Distribution Unit Slovenia

The Strategic Distribution Unit (SDU) Slovenia continued its revenue growth in 2023, with all brands in the portfolio generating sales growth. **The recorded sales revenue of EUR 160.9 million represents an 10.7% growth** compared to the previous year.
In 2023, **SDU Slovenia concluded a contract with the new, strategically important principal Haleon** (FMCG division of the company GSK), and in early April we began distributing their products under the brands Aquafresh, Sensodyne, Parodontax, Corega, and Centrum. In addition, sales growth was mainly driven by the following categories:

BEVERAGES – with the highly successful launch of Cedevita vitamin water, which achieved over 16% of the value share in the category of vitamin waters, thereby further strengthening the brand Cedevita in Slovenia;
SNACKS – with an increased share in the category of sticks, which reached over 24% of the value share in the category of sticks and pretzels;
EXTERNAL PRINCIPALS – alongside the new principal Haleon, main growth drivers were Ferrero, Unilever, and Rauch, which posted double-digit growth rates compared to the previous year, as well as an increased share in their respective categories according to Nielsen research.

During 2023, private labels saw growth in most categories, while the shares of brands in SDU Slovenia portfolio remained stable. The brand Barcaffè achieved growth in the instant category, while in the category of roasted and ground coffee it was the only player that did not raise its prices during the year. Improvement in the distribution of the brands Jimmy Fantastic and Boom Box was achieved in all customer categories, with Boom Box successfully entering two new ones: the children's segment and snacks.

The retail channel recorded an 11% growth compared to the previous year. Among retail formats, the highest growth rates were recorded by pharmacies due to the commencement of product distribution for the new principal Haleon and improved sales of the principal Unilever. **The HoReCa channel recorded a 7% growth** compared to the previous year.

SDU Slovenia is building strong relationships with all its partners. Accordingly, in 2023 **we extended our long-standing successful cooperation with principals Ficosota, Upfield, and Stock** by signing a new multi-year contract. By maintaining constant focus on business excellence, we keep the satisfaction of our principals at a high level.

In addition to the above, we are continually focused on improving operating efficiency in all areas of the company's operations. For this purpose, SDU Slovenia introduced the PICOS (Picture of Success) project during 2023 and continued with further robotisation of the administrative part of its business operations.

10.7% ↑

SALES GROWTH

161 mEUR

SDU SLOVENIA GENERATED SALES REVENUE

Strategic Distribution Unit North Macedonia

In 2023, **the Distribution Unit (DU) North Macedonia became SDU (Strategic Distribution Unit) North Macedonia,** as a result of our 16-year presence on the market with continuous turnover growth, significant expansion of all brands in our distribution portfolio, and successful long-term distribution partnerships. These achievements led to the opening a new modern administrative-logistics centre in Skopje.

Despite the unfavourable impact of global economic trends and government restrictions, **we achieved sales revenue of EUR 57.4 million, which represents nearly a 20% sales growth** compared to the previous year, alongside an increase in profit. This was a combined result of positive performance of all the brands in our distribution portfolio, focus on continuous advancement in trade execution, as well as operational efficiency.

With a wide-ranged and diversified portfolio of high-quality products, our company satisfies a broad range of consumer needs. The synergy in our distribution portfolio with the range of familiar and strong internal brands – Argeta, Grand Kafa, Cedevita, Smoki, Bananica, Najlepše Želje, Cockta, Boom Box, together with the well-known global brands Red Bull, Ferrero, Hipp, Ficosota and Beiersdorf, places Atlantic Grupa in North Macedonia as a leader in the distribution business. **Grand Kafa, Argeta and Cedevita continued to strengthen their position as category leaders in the market.** With growing significance in our sales compared to the previous year, Coffee reached a 21.5% share in our total portfolio, followed by Ferrero, Argeta and Snacks. All our external principals recorded excellent sales growth compared to the previous year.

The HoReCa channel achieved a 22% growth compared to the previous year, amid channel recovery and positive effects of the summer season.

SDU North Macedonia succeeded in realising added value for the company, not only expressed through positive business results, but also in the human potential and culture segment. Organisationally, our business is segmented in accordance with assortment synergies and organisational efficiency in a way that provides focused service and satisfaction for all the brands in Food, Drinks, Home Care, Personal Care and Food Supplements categories. Delivery from three, modern equipped (WMS) warehouses situated in different locations was, in first half of 2023, changed to one new warehouse, with continuous usage of own and outsourced logistic transportation. Every day, 232 employees, organised in different departments by function, dedicate their efforts to the development and promotion of our company and the brands we distribute. Our continuous focus on the current portfolio growth through the improvement of service satisfaction and reaching excellence in execution puts SDU North Macedonia on the map of strong global and regional brands as a prospective distribution partner. Going forward, we expect further growth of income and investment in operational efficiency, with the existing portfolio, as well as new brands.

19.3% ↑

SALES GROWTH

57 mEUR

SDU NORTH MACEDONIA GENERATED SALES REVENUE

Distribution Unit Austria

Atlantic Grupa continues to strengthen its distribution business in the market of Austria and, despite numerous challenges in the environment that had a significant impact on the overall business, we have again achieved historic record sales results.

The Distribution Unit (DU) Austria recorded turnover of EUR 23.2 million in 2023, which equals to the growth of almost 20% versus the previous year in total sales, while simultaneously managing to keep the profitability on same level as 2022, despite the impact of high inflation.

Argeta, as our largest brand in the Austrian market, **confirmed its market leadership for the 9th year in a row and achieved a new record share in the spread category of 45.2%**, while the two Štark brands from the Salty Snacks category, Prima Sticks and Smoki Flips, continued to grow in double digits in sales volume (+20% in kg vs 2022) and market shares mainly through organic growth and national listing at the largest Austrian retailer, Spar. Last year was also significant for our newly launched brand Boom Box, which was introduced to the Austrian market in mid-2023 with 13 products listed at the retailer Spar, and it is expected to grow significantly in the future.
A significant step forward was made in 2023 through **the new strategic collaboration between Atlantic Grupa and Podravka,** which came as a consequence of the joint aspiration of DU Austria to expand the distribution range in Austria and Podravka to make greater progress in the Austrian market. DU Austria's market expertise and Podravka's wide range of quality brands for the local consumer, such as the well-known Vegeta, are expected to result in strong future growth and synergies in joint performance.

To ensure that the expected future growth is sustainable and that the team remains highly motivated, we are continuously working on process and organisational adjustments.

19.5% ↑

SALES GROWTH

23 mEUR

DU AUSTRIA GENERATED SALES REVENUE

Global Distribution Account Management

Despite the inflation pressure in the first half of 2023, Atlantic Grupa grew almost in all European markets, while the USA and Australia recorded a decline due to extremely high transport costs.

Global Distribution Account Management (GDAM) achieved sales revenue of almost EUR 40 million with an underlying sales growth of 5.7%, which was primarily driven by price increases, listings in new key accounts, implementation of trade marketing activities, and entry into new markets. **In Germany, Atlantic Grupa recorded the highest growth** due to distribution development and trade marketing activities. The biggest contributor remained Argeta, followed by Štark and Grand. Argeta recorded sales growth in Baltic countries with 79% higher sales compared to 2022 due to distribution development. **Štark recorded 37% higher sales** compared to the previous year mainly as a result of development of the Mass Market channel. The main growth markets for Štark were Sweden and Switzerland, executed in the Mass Market channel with Prima and Flips as our main international products. Besides Štark's significant sales increase, **Grand also recorded a 36% sales growth** compared to 2022. The main growth related to Grand was in the USA mainly due to new distribution partner Podravka and in Germany due to trade marketing activities. The change of the distribution partner in the USA had a positive impact on sales of Štark and Donat as well.

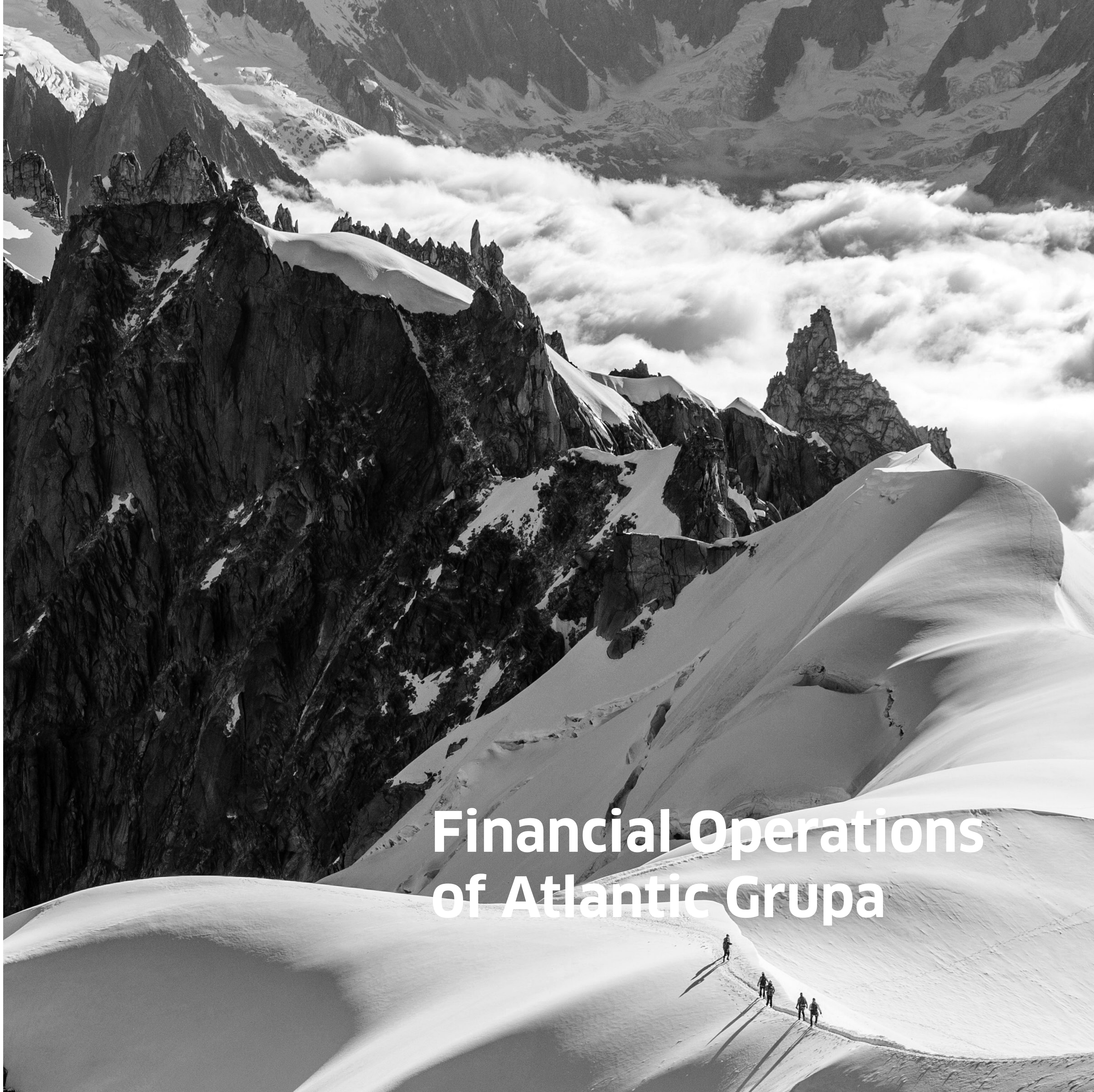
The key market in the region of Central and Eastern Europe is Bulgaria with 29% higher sales in 2023 compared to the previous year, with Argeta as the largest contributor. In Albania, significantly higher sales were achieved through volume-driven activities of Štark and new listings of Cedevita and Boom Box.

Distribution Unit Russia

In 2023, uncertainty remained high, accompanied by significant changes. During this year, the Distribution Unit (DU) Russia chose to pursue the defined strategy and continued its focus on the essential business pillars: people, brands, and customers. **DU Russia generated sales revenue of EUR 12.2 million** while maintaining risk management as our priority.

Along with businesses, consumers adjusted to the new reality. Consumer confidence worsened, purchasing power declined, people switched to save mode and reduced their spending. Price became a major factor in purchasing decisions.

Our brands, **Argeta and Donat, maintained their positions in the Russian market** despite numerous challenges. The strength of our brands and high consumer loyalty enable us to stay in people's minds and remain a preferable choice.
Business challenges intensified in 2023, exerting additional pressure on company results and development. Complexity, exchange rate movements, and affordability trends were constantly on the agenda of the distribution team. Pursuing a consistent strategy and grounded on strong values, DU Russia managed to navigate these challenges, ensuring the sustainability of sales and profit.



Financial Operations of Atlantic Grupa

Zoran Stanković — Group Vice President for Finance, Procurement and Investment We have successfully navigated through this difficult environment and achieved the highest ever sales revenue of EUR 973.9 million, representing a strong growth of 15.1%

The year 2023 was marked by continued economic, social, and geopolitical volatility combined with even more obvious impacts of climate change. Unfortunately, we are witnessing an escalation of the war between Israel and Palestine, along with the long-lasting war in Ukraine and tensions among the most powerful global economies, all of which have negative impacts on the global economy and continue to cause problems in supply chains. Despite these unfavourable circumstances, we can be satisfied with the stabilisation of prices of the most of key raw materials, packaging materials and energy, which resulted in lower inflation rates across our key markets. On a positive note, Croatia's entry into the Eurozone and Schengen Area, and a highly successful tourist season, especially in Croatia, gave a very positive impulse to our business.

We have successfully navigated through this difficult environment and achieved the highest ever sales revenue of EUR 973.9 million, representing a strong growth of 15.1%. Growth was recorded in all business segments and across all major markets. The strategic business units Snacks and Beverages stand out in particular, since, in addition to the value growth, they have also recorded a significant volume growth. It should be noted that the sales volumes of other business segments are also stable, which confirms our strategy and the quality of our brands. Excellent sales results, despite the still high costs of raw materials, packaging, energy, logistics and other services, as well as a significant increase in salaries, enabled the growth in profitability. The normalized earnings before interest, taxes, depreciation, and amortisation (EBITDA*) are 8.8% higher compared to the previous year, amounting to EUR 82.4 million. Despite the higher depreciation of own non-current assets (as a consequence of higher capital expenditure) and higher interest expenses, we achieved a 9.2% growth in normalized net profit.

I would also like to highlight the record capital investments of EUR 39.6 million, as well as the dividend of EUR 1 per share that was paid to our shareholders in July 2023.

The investment community has once again recognised our fair and transparent investor relations, so we, for the fourth year in a row, received the first prize for investor relations, which is awarded under the auspices of Poslovni Dnevnik and the Zagreb Stock Exchange. We also received another significant recognition for the third consecutive year: an award for the highest compliance with the corporate governance code on the Prime Market of the Zagreb Stock Exchange. Our strong brands, commitment to quality, innovation and sustainability, along with our dedicated people and partners, helped us deliver yet another year of excellent results.

We are looking forward to 2024, especially as it should be the first year in our history in which our sales will exceed one billion euros.

Zoran Stanković
Group Vice President for Finance, Procurement and Investment

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

Sales trends in 2023

SALES PROFILE BY STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(EUR million)	2023	2022	2023/2022
SBU Coffee	**199.9**	184.5	8.3%
SBU Savoury Spreads	**137.7**	129.3	6.5%
SBU Snacks	**123.9**	98.2	26.3%
SBU Beverages	**101.0**	85.1	18.6%
SBU Pharma	**87.6**	78.0	12.2%
BU Donat	**36.4**	32.4	12.5%
SDU Croatia	**245.5**	206.3	19.0%
SDU Serbia	**237.9**	204.7	16.2%
SDU Slovenia	**160.9**	145.4	10.7%
SDU North Macedonia	**57.4**	48.1	19.3%
Other segments*	**80.0**	73.9	8.2%
Reconciliation**	**(494.3)**	(439.7)	n/a
Sales	**973.9**	**846.2**	**15.1%**

The comparative period has been adjusted to the reporting for 2023.

In 2023, Atlantic Grupa recorded sales of EUR 973.9 million, which is a significant 15.1% growth compared to the previous year. The revenue growth is recorded in all business and distribution units following excellent sales results of all own and principal brands. The highest percentage growth was recorded by the Strategic business units Snacks and Beverages. Part of the increase in revenue is the result of an increase in our selling prices caused by the increase in the price of all key raw materials, packaging materials, energy and services.

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, Distribution Units and Global Distribution Account Management include both sales of external principals' products and sales of own products.

* Other segments include BU New Growth, DU Austria, DU Russia and GDAM.
** 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.

The **STRATEGIC BUSINESS UNIT COFFEE** recorded a significant sales growth rate in almost all regional markets, with the highest growth recorded in the markets of Croatia, Serbia, and Bosnia and Herzegovina. Analysed by categories, growth was recorded by all categories, with the most significant growth recorded by roast and ground coffee under the Barcaffè, Grand kafa and Bonito brands. Espresso coffee, mainly under the Barcaffè brand, records significant double-digit growth rates primarily as a consequence of successful strategic partnerships in the past years, launching new products, strengthening brand perception and winning new customers in the HoReCa and On the Go channels. Also, the instant coffee category continues to significantly grow and strengthen its position. In addition to the double-digit value growth, espresso and instant coffee categories also record a significant double-digit volume growth, while the roast and ground coffee category records almost the same volume levels as in the previous year.

The **STRATEGIC BUSINESS UNIT SAVOURY SPREADS** recorded a sales growth in all regional markets, with the highest growth recorded in the markets of Croatia, Bosnia and Herzegovina, and Serbia. Also, the key European markets of Germany, Austria and Sweden record growth. Growth was recorded both in meat and fish savoury spreads segments, and it is primarily generated by higher selling prices as a result of significant increases in the prices of key raw materials and packaging materials. Also, jams and *ajvar* under the Granny's Secret brand record a sales growth.

A double-digit sales growth is recorded by the **STRATEGIC BUSINESS UNIT SNACKS** in all regional markets, with the most significant growth recorded by the markets of Serbia, Bosnia and Herzegovina, and Montenegro. Also, double-digit growth rates were recorded in all key European markets. Analysed by categories, the growth is recorded by all categories, led by chocolate under the Najlepše želje brand, Bananica, Smoki, and Prima sticks, which record double-digit both value and volume growth. The strong revenue growth in this unit is the result of the range optimization, intensified marketing activities and successful launch of new products in all categories. It is also important to note that this segment enters a significant investment cycle.

The **STRATEGIC BUSINESS UNIT BEVERAGES** recorded a significant sales growth in all regional markets, with the most significant growth recorded by the markets of Croatia, Slovenia and Serbia. Also, significant growth rates are recorded by the markets of Germany and Austria. A significant sales growth is recorded by Cockta and Cedevita brands in the HoReCa and retail channels, which in addition to strong double-digit value growth, also record a single-digit volume growth. Launching vitamin water under the Cedevita brand, which records excellent results in all markets where it was launched, contributed to the significant sales growth in this segment.

The **STRATEGIC BUSINESS UNIT PHARMACY BUSINESS** records a significant sales growth of the pharmacy chain Farmacia due to the increase in sales of the cosmetics range, the excellent tourist season and the increase in prices of services related to the dispensing of medicines. Also, the sales growth is a consequence of the additional turnover of new pharmacies compared to the previous year. Farmacia ends 2023 with 102 units, including 56 pharmacies, 45 specialized stores and the web shop.

The **BUSINESS UNIT DONAT** recorded a significant sales growth due to the double-digit growth in the markets of Croatia, Slovenia and Austria. It should be noted that Donat also records a mild volume growth.

The **STRATEGIC DISTRIBUTION UNIT CROATIA** recorded a strong sales growth as a consequence of growth of all own brands, led by roast and ground coffee under the Barcaffè brand, Argeta in the savoury spreads segment, Smoki in the snacks segment, Cedevita and Cockta brands in the retail channel, and functional water Donat. Among principal brands, Ferrero, Mars, Magdis, and Hipp recorded the most significant growth. A double-digit growth was also recorded by the HoReCa channel, primarily due to the Cedevita and Cockta brands in the beverages segment and espresso coffee under the Barcaffè brand. The growth in sales in this segment was impacted by the increase in selling prices under the impact of price pressure on the input prices of trade goods.

A double-digit sales growth is recorded by the **STRATEGIC DISTRIBUTION UNIT SERBIA** as a result of the increase in sales of all own brands, led by roast and ground coffee under the Grand kafa and Bonito brands, Argeta in the savoury spreads segment, chocolate under the Najlepše želje brand, Smoki and Bananica, and Cedevita and Cockta in the HoReCa and retail channels. Among principal brands, Saponia, Intersnack, and Red Bull stand out. Also, the growth in this unit was impacted by the increase in sales of the HoReCa channel and the increase in selling prices under the impact of price pressure on the input prices of trade goods.

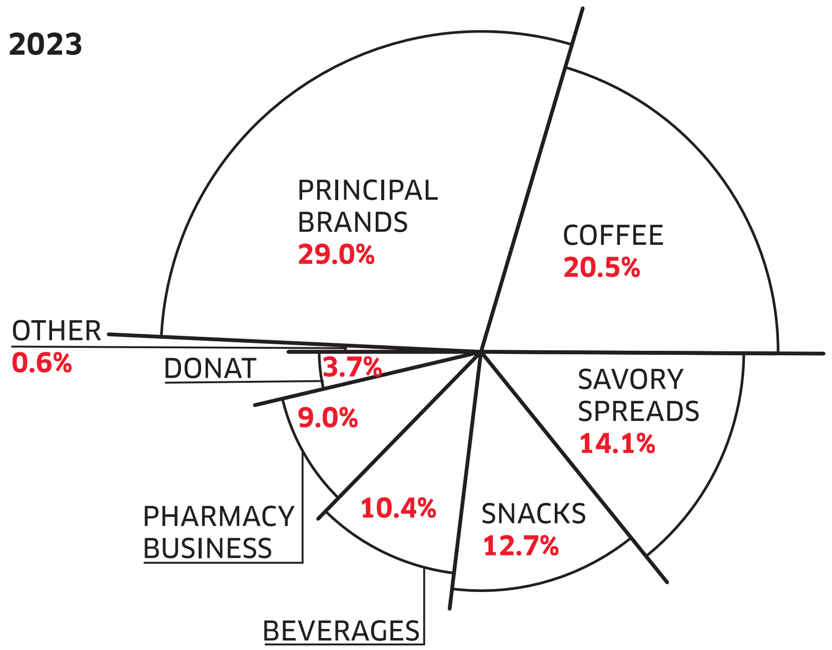
The **STRATEGIC DISTRIBUTION UNIT SLOVENIA** recorded a significant sales growth due to the increase in sales of own and principal brands. Among own brands, the following stand out: instant and espresso coffee under the Barcaffè brand, Argeta in the savoury spreads segment, Smoki in the snacks segment, Cedevita and Cockta in the retail and HoReCa channels, and functional water Donat. Principal brands recorded strong growth due to the new principal Haleon and the growth of Unilever and Ferrero. As in other markets, the increase in sales in the Slovenian market was impacted by the increase in selling prices under the impact of price pressure on the input prices of trade goods.

Double-digit sales growth rates were recorded by the **STRATEGIC DISTRIBUTION UNIT NORTH MACEDONIA** due to the increase in sales of roast and ground coffee under the Grand kafa brand, Argeta in the savoury spreads segment, chocolate under the Najlepše želje brand, and Cedevita in the retail and HoReCa channels. Among principal brands, Ferrero, Hipp, and Red Bull especially stand out.

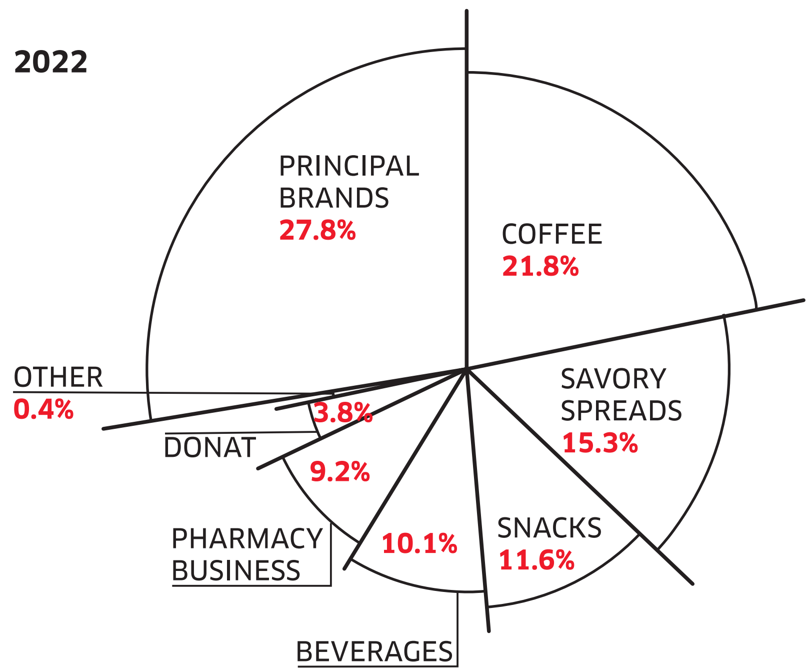
OTHER SEGMENTS record a significant increase in sales due to the increase in sales in the distribution units Austria, Global Distribution Account Management and New Growth, which fully cancelled out a decrease in sales of the distribution unit Russia.
A double-digit sales growth is recorded by the **DISTRIBUTION UNIT AUSTRIA**, mainly due to the increase in sales of roast and ground coffee under the Grand kafa brand, Argeta in the savoury spreads segment, Smoki and Prima sticks in the snacks segment, and functional water Donat. The new principal Podravka contributed to the growth of this unit.
The **GLOBAL DISTRIBUTION ACCOUNT MANAGEMENT** records an increase in sales following the increase on the markets of Germany, Sweden, the Netherlands and Spain. Analysed by categories, roast and ground coffee under the Grand kafa brand, and Smoki and Prima sticks in the snacks segment contribute to the growth.
The **DISTRIBUTION UNIT RUSSIA** records a decrease in sales as a consequence of the decrease in sales of Argeta in the savoury spreads segment.

The **NEW GROWTH** achieves high double-digit sales growth due to the increase in sales on regional markets and launching Boom Box on the market of Austria. Analysed by categories, cereals and plant-based drinks under the Boom Box brand contribute most to the growth.

2023



2022

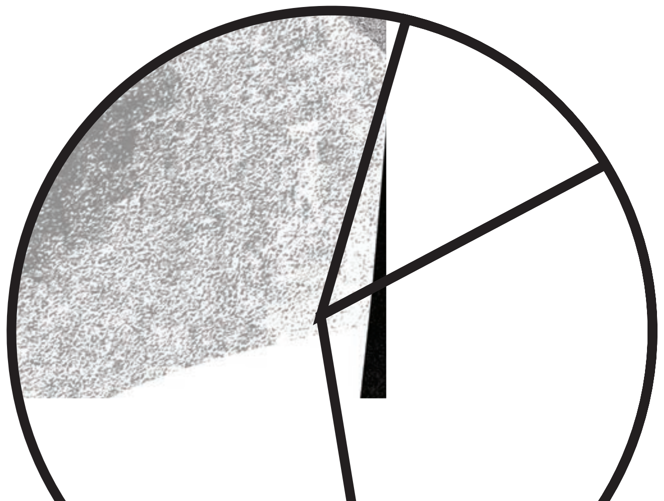


SALES PROFILE BY MARKETS

(in EUR millions)	2023	% of sales	2022	% of sales	2023/2022
Croatia	**338.0**	34.7%	**285.6**	33.8%	18.3%
Serbia	**241.0**	24.7%	**207.4**	24.5%	16.2%
Slovenia	**161.3**	16.6%	**146.2**	17.3%	10.3%
Bosnia and Herzegovina	**72.0**	7.4%	**63.5**	7.5%	13.5%
Other regional markets*	**83.8**	8.6%	**71.0**	8.4%	18.1%
Key European markets**	**48.6**	5.0%	**43.3**	5.1%	12.2%
Russia and CIS	**13.9**	1.4%	**14.1**	1.7%	(1.5%)
Other markets	**15.3**	1.6%	**15.1**	1.8%	1.5%
Total sales	**973.9**	100.0%	**846.2**	100.0%	15.1%

The comparative period has been adjusted to the reporting for 2023.

* **Other regional markets:** North Macedonia, Montenegro, Kosovo
** **Key European markets:** Germany, Switzerland, Austria, Sweden



The MARKET OF CROATIA recorded a double-digit sales growth due to the increase in sales of: (i) all own brands, with the most significant growth recorded by espresso coffee under the Barcaffè brand in the HoReCa channel, roast and ground coffee under the Barcaffè brand, Argeta in the savoury spreads segment, Smoki in the snacks segment, Cedevita and Cockta brands in the retail and HoReCa channels, and functional water Donat, (ii) the pharmacy chain Farmacia, and (iii) external principals, among which the biggest growth was recorded by Ferrero, Mars, Hipp and Magdis.

The MARKET OF SERBIA records a significant sales growth due to the strong increase in sales of all own brands, of which the following stand out: (i) roast and ground coffee under the Grand kafa and Bonito brands, (ii) Argeta in the savoury spreads segment, (iii) Najlepše želje, Bananica, Smoki and Prima sticks in the snacks segment, (iv) Cockta and Cedevita brands in the beverages segment, and (v) oat-based Boom Box products. Among principal brands, Inter-snack, Saponia and Red Bull stand out.

The MARKET OF SLOVENIA records a significant sales growth due to the increase in sales of: (i) instant and espresso coffee under the Barcaffè brand, (ii) Argeta in the savoury spreads segment, (iii) Cockta and Cedevita and in the beverages segment, (iv) Smoki in the snacks segment, and (v) functional water Donat. Among principal brands, the most significant growth was recorded by Unilever, Ferrero and the new principal Haleon.

A significant growth is recorded in the MARKET OF BOSNIA AND HERZEGOVINA due to the increase in sales of: (i) roast and ground coffee and instant coffee under the Grand kafa brand, (ii) espresso coffee under the Barcaffè brand, (iii) Argeta in the savoury spreads segment, (iv) Najlepše želje, Bananica and Smoki in the snacks segment, and (v) Cedevita and Cockta in the beverages segment.

A double-digit sales growth is recorded by OTHER REGIONAL MARKETS, due to the increase on all other regional markets. The biggest contribution to the growth was made by the increase in sales of roast and ground coffee under the Grand kafa brand, Argeta in the savoury spreads segment, Najlepše želje and Smoki in the snacks segment, and Cedevita and Cockta in the beverages segment.

KEY EUROPEAN MARKETS recorded a sales growth following the significant increase on all key European markets as a result of the increase in sales of roast and ground coffee under the Grand kafa brand, Argeta in the savoury spreads segment, and Smoki and Prima sticks in the snacks segment.

The MARKET OF RUSSIA AND THE COMMONWEALTH OF INDEPENDENT STATES recorded a mild sales decrease as a result of the decrease in sales of Argeta in the savoury spreads segment, which was partly cancelled out by the increase in sales of Najlepše želje in the snacks segment.

OTHER MARKETS record a mild increase in sales due to the increase in sales in the markets of the Netherlands, France and Spain which partly compensated for the decrease in sales in the markets of Australia and Italy. The increase in sales of Argeta in the savoury spreads segment contributes most to the growth.

Profitability trends in 2023

PROFITABILITY TRENDS

(in EUR millions)	2023	2022	2023/2022
Sales	**973.9**	846.2	15.1%
EBITDA*	**86.6**	76.4	13.3%
Normalised EBITDA*	**82.4**	75.7	8.9%
EBIT*	**44.7**	36.6	22.2%
Normalised EBIT*	**40.4**	35.8	12.9%
Net profit*	**31.2**	26.0	20.0%
Normalised Net profit*	**27.0**	24.7	9.2%
Profitability margins			
EBITDA margin*	**8.9%**	9.0%	-14 bp
Normalised EBITDA margin*	**8.5%**	8.9%	-48 bp
EBIT margin*	**4.6%**	4.3%	+27 bp
Normalised EBIT margin*	**4.2%**	4.2%	-8 bp
Net profit margin*	**3.2%**	3.1%	+13 bp
Normalised Net profit margin*	**2.8%**	2.9%	-15 bp

In 2023, EBITDA amounts to EUR 86.6 million, which is a significant 13.3% growth compared to the previous year, or an 8.9% growth if the effect of one-off items is excluded. The growth in profitability of business units Snacks, Beverages, Pharmacy business, Donat and distribution units Croatia, Serbia and North Macedonia contributed to the growth of normalized EBITDA. The growth in normalized EBITDA was primarily achieved due to strong sales growth, despite significantly higher costs of almost all raw materials and packaging materials, energy, transportation and logistics costs, and significant increase in salaries of our employees.

In addition to the above, normalized net profit records a 9.2% increase despite the higher depreciation of own non-current assets (as a consequence of higher capital expenditure) and right-of-use assets, and higher interest expense.

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

OPERATING EXPENSES STRUCTURE

(in EUR millions)	2023	% of sales	2022	% of sales	2023/2022
Cost of goods sold	**303.8**	31.2%	**254.3**	30.1%	19.4%
Change in inventory	**3.7**	0.4%	**(3.2)**	(0.4%)	n/a
Production materials	**292.8**	30.1%	**270.4**	31.9%	8.3%
Energy	**16.8**	1.7%	**15.3**	1.8%	10.4%
Services	**59.2**	6.1%	**50.7**	6.0%	16.9%
Staff costs	**149.2**	15.3%	**130.6**	15.4%	14.2%
Marketing and selling expenses	**43.6**	4.5%	**39.1**	4.6%	11.4%
Other operating expenses	**33.3**	3.4%	**29.0**	3.4%	14.7%
Other (gains)/losses, net	**(1.9)**	(0.2%)	**(4.3)**	(0.5%)	n/a
Depreciation and amortisation	**41.9**	4.3%	**39.9**	4.7%	5.2%
Total operating expenses*	**942.4**	**96.8%**	**821.7**	**97.1%**	**14.7%**

The cost of goods sold records an increase due to higher sales of principal brands, but also higher purchase prices.

Costs of production materials record an increase due to higher sales of own products and higher purchase prices of the majority of production materials, especially raw coffee, sugar, cocoa, poultry, and dairy products.

Energy costs are higher due to higher energy prices compared to the previous year and higher production of own products.

Costs of services record a significant increase due to higher sales, higher maintenance costs and significantly higher prices of transport and logistics services, as a consequence of higher fuel prices and salaries increase compared to the comparative period.

Significantly higher staff costs are primarily a consequence of the increase in basic salaries and higher variable payments as a result of higher sales. As at 31 December 2023, Atlantic Grupa had 5,430 employees, or 43 employees more compared to the previous year.

Marketing expenses are higher due to higher marketing investments in the segments of Coffee, Beverages, Snacks and Donat.

Other operating expenses record an increase, primarily as a consequence of higher travel-related costs, and entertainment costs.

Other (gains)/losses – net: Gain was realized, primarily related to one-off gain on sale of non-current assets, in the amount of EUR 2.9 million, which was partially cancelled out by the loss on derivative financial instruments.

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

OPERATING RESULT OF STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

(EUR million)	2023	2022	2023/2022
SBU Coffee	20.6	24.9	(17.3%)
SBU Savoury Spreads	17.4	19.7	(11.4%)
SBU Snacks	11.3	3.2	256.8%
SBU Beverages	14.7	13.2	11.1%
SBU Pharmacy business	10.3	9.2	11.9%
BU Donat	16.4	14.5	13.4%
SDU Croatia	14.7	11.3	30.7%
SDU Serbia	10.4	9.5	9.9%
SDU Slovenia	7.1	8.3	(14.4%)
SDU North Macedonia	2.9	2.3	26.0%
Other segments*	(39.3)	(39.6)	0.8%
Group EBITDA**	**86.6**	**76.4**	**13.3%**

The comparative period has been adjusted to the reporting for 2023.

STRATEGIC BUSINESS UNITS AND BUSINESS UNIT: All strategic business units (except Pharmacy business) record significant increases in the costs of production materials, transport and logistics costs, and staff costs, where the impact of increased prices of raw materials and packaging material was particularly significant in the Strategic Business Units Coffee and Savoury Spreads. The SBU Snacks achieved a strong increase in profitability due to significantly higher sales, optimization of the product range, investments in marketing activities and significant capital investments in the past few years. The SBU Beverages recorded an increase in profitability primarily as a result of excellent sales results. The SBU Pharmacy business achieved significantly higher profitability due to higher sales of the pharmacy chain Farmacia, despite significantly higher staff costs. The BU Donat records an increase in profitability due to higher sales.

STRATEGIC DISTRIBUTION UNITS: The SDU Croatia, SDU Serbia and SDU North Macedonia recorded an increase in profitability due to strong sales growth, despite higher transportation and logistics costs and investment in employees. The SDU Slovenia records a decrease in profitability following higher transport, logistics and staff costs, despite higher sales.

OTHER SEGMENTS: If we exclude one-off items, Other segments record a decrease in profitability as a consequence of higher costs of central functions and the decrease in profitability of the DU Russia and GDAM.

*

* Other segments include BU New Growth, DU Austria, DU Russia, GDAM and business activities not allocated to business and distribution units (headquarters and support functions in Croatia, 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 chapter "Definition and reconciliation of Alternative Performance Measures (APM)".

Financial indicators in 2023

FINANCIAL INDICATORS

(in EUR millions)	12/31/2023	12/31/2022
Net debt*	150.7	87.3
Total assets	907.7	779.0
Total Equity	446.3	425.2
Current ratio*	1.4	1.5
Gearing ratio*	25.2%	17.0%
Net debt/EBITDA*	1.8	1.2
Interest coverage ratio*	13.6	30.5
Capital expenditure*	39.6	35.0
Free cash flow*	20.3	10.5
Cash flow from operating activities	60.0	45.5

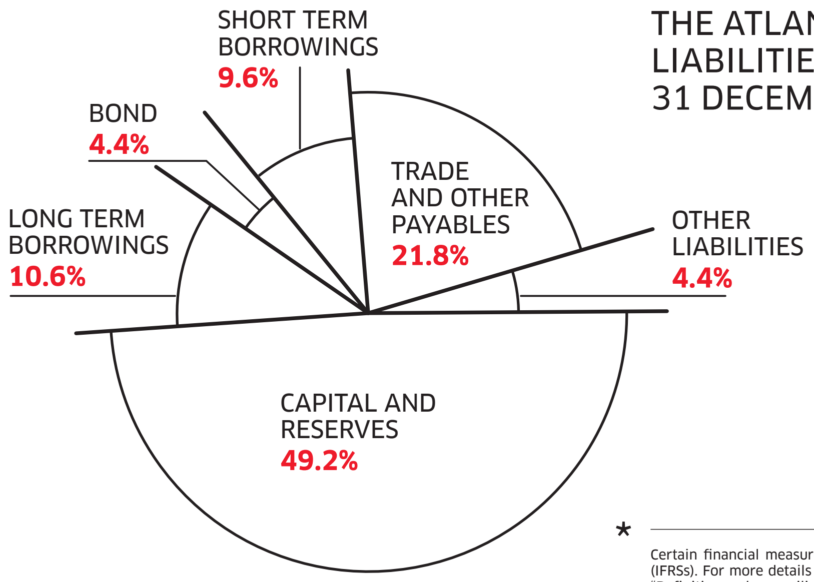
Among key determinants of the Atlantic Grupa's financial position in 2023, the following should be pointed out:

The gearing ratio increased by 821 basis points due to the EUR 63.4 million increase in net debt compared to the end of 2022. The increase in net debt was impacted, among other things, by the purchase of Eurocenter in the amount of EUR 26.5 million and the payment of EUR 8 million as a deposit related to the takeover of Strauss Adriatic.

The indebtedness measured as the net debt to normalized EBITDA ratio increased from 1.2 at the end of 2022 to 1.8 at the end of 2023.

Free cash flow records an increase due to higher cash flow from operating activities, despite higher capital expenditure.

THE ATLANTIC GRUPA'S EQUITY AND LIABILITIES STRUCTURE AS AT 31 DECEMBER 2023



*

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

OVERVIEW OF KEY ITEMS IN THE CONSOLIDATED CASH FLOW STATEMENT

Cash flow from operating activities records an increase as a result of an increase in net profit, movements in the working capital, primarily lower increase in inventories compared to the previous year and an increase in trade payables, lower tax paid, despite higher financing costs.

Capital expenditure in 2023 is marked by the implementation of projects in line with the Atlantic Grupa's Strategic Guidelines for 2023 and initiating projects that will be physically implemented in 2024 in 2025, in accordance with the long-term investment plan.

Significant investment projects in 2023:

SDU CROATIA:
- an investment project to expand the warehouse capacity of LDC Zagreb and implement fully automated warehouse operations

SBU SAVOURY SPREADS:
- investment projects of new packaging machines at the Hadžići and Izola locations

SBU COFFEE:
- an investment project to expand the capacity for the production and packaging of instant coffee at the Belgrade location
- an investment project of advanced technology for cleaning raw coffee

SBU BEVERAGES:
- an investment project to replace the granulator and a new system for receiving and distributing sugar
- an investment project of automated packaging of the candy category
- an investment project of the photovoltaic power plant in Apatovec

SBU SNACKS:
- an investment project of robotic line for packing chocolate bars
- an investment project of robotic line for packing wafers
- an investment project of a new line for the production and packing of salty snacks

BU DONAT:
- an investment project of the photovoltaic power plant in Rogaška Slatina

IT:
- the implementation of the S/4 Hana ERP and MES systems in the SBU Beverages

Outlook for 2024

Atlantic Grupa's management strategic guidance for 2024

The year 2023 was marked by Croatia's entry into the Eurozone and the Schengen area, which had a positive effect on the Croatian economy. However, 2023 was also marked by geopolitical turmoil, the escalation of war conflicts between Israel and Palestine in addition to the already protracted war in Ukraine, which had negative consequences for the entire global economy. After subdued growth last year, the European Union's economy entered 2024 weaker than originally expected. In 2024, inflation is expected to slow down with weak economic growth. In relation to the EU, the countries of the region expect higher economic growth, which is supported by the strengthening of private and public consumption due to continuous good results on the labour market and increasing wages.
This forecast is surrounded by uncertainty amid lingering geopolitical tensions and the risk of further spread of conflict in the Middle East. It is expected that the increase in transport costs following the disruption of shipping in the Red Sea will have only a marginal impact on inflation. However, further disruptions could put renewed stress on supply chains, disrupting production and increasing price pressures.

Surrounded by uncertainty, with clearly defined strategic goals and priorities, in 2024 we expect to exceed one billion euros in sales for the first time.
In this year, we expect a slight decrease in the prices of raw materials and packaging materials compared to 2023 (with the exception of raw coffee and cocoa, which, especially cocoa, experience significant price increases), while pressure on profitability comes from further increases in salaries and services and therefore, we expect mid-single-digit growth in normalized operating earnings before interest, taxes, depreciation and amortization (EBITDA), with slight growth in the normalized EBITDA margin. It is important to note that these projections do not include the effects of the takeover of Strauss Adriatic.

This year, we continue with intensive capital investments and expect capital investments in the amount of approximately EUR 50 million. Almost half of this amount refers to investments at the Štark production location (SBU Snacks), specifically to investments in logistics facilities and logistics equipment, as well as to investments in new production lines and automation of production/packaging equipment.

In 2024, management will focus on (i) strengthening leadership positions, (ii) selective investment in new opportunities to expand the product portfolio and markets, (iii) increasing productivity through improving operational excellence, and (iv) further strengthening the organization through care and responsible business.

Definition and reconciliation 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.

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 material accounting policy information in the attached audited Consolidated Financial statements) increased for depreciation, amortisation and impairment (see Notes 13, 14, 16 in the attached 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 29 Business combinations and sale of subsidiaries in the attached audited Consolidated Financial statements) and all one-off expenses/income arising from these transactions, and other one-off income and expenses. The Group's Management Board monitors 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 EUR millions)	2023	2022	2023/2022
Operating profit	**44.7**	**36.6**	**22.2%**
Depreciation, amortisation and impairment	**41.9**	**39.9**	**5.2%**
EBITDA	**86.6**	**76.4**	**13.3%**
Divestment costs/(gains), net	(2.9)	(0.0)	
Other one off (income)/costs, net	(1.4)	(0.7)	
Normalized EBITDA	**82.4**	**75.7**	**8.9%**
Sales	973.9	846.2	
EBITDA margin	**8.9%**	**9.0%**	
Normalized EBITDA margin	**8.5%**	**8.9%**	

EBIT and NORMALIZED EBIT, EBIT margin and NORMALIZED EBIT margin

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

(in EUR millions)	2023	2022	2023/2022
Operating profit	**44.7**	**36.6**	**22.2%**
EBIT	**44.7**	**36.6**	**22.2%**
Divestment costs/(gains), net	(2.9)	0.0	
Other one off (income)/costs, net	(1.4)	(0.7)	
Normalized EBIT	**40.4**	**35.8**	**12.9%**
Sales	973.9	846.2	
EBIT margin	**4.6%**	**4.3%**	
Normalized EBIT margin	**4.2%**	**4.2%**	

NET PROFIT and NORMALIZED NET PROFIT

Net profit is a subtotal which is reported in the Consolidated Income statement in the attached audited Consolidated Financial statements.
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 EUR millions)	2023	2022	2023/2022
Net profit	**31.2**	**26.0**	**20.0%**
Divestment costs/(gains), net	(2.9)	0.0	
Other one off (income)/costs, net	(1.3)	(1.3)	
Normalized Net profit	**27.0**	**24.7**	**9.2%**
Sales	973.9	846.2	
Net profit margin	**3.2%**	**3.1%**	
Normalized Net profit margin	**2.8%**	**2.9%**	

TOTAL OPERATING EXPENSES

Total operating expenses are a subtotal of the following items which are reported in the Consolidated Income statement in the attached audited Consolidated Financial statements: 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 audited Consolidated Financial statements. 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 audited Consolidated Financial statements, as shown below:

(in EUR millions)	31-Dec-23	31-Dec-22
Non current borrowing	86.3	54.5
Non current lease liabilities	49.4	34.0
Current borrowings	73.4	43.7
Current lease liabilities	13.5	12.2
Derivative financial instruments, net	0.6	1.9
Cash and cash equivalents	(72.6)	(59.0)
Net debt	**150.7**	**87.3**
Normalized EBITDA*	82.4	75.7
Net debt/Normalized EBITDA	**1.8**	**1.2**

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 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 audited Consolidated Financial statements. The current ratio is a liquidity ratio that measures the Group's ability to cover its short-term debt with its current assets.

in EUR million	31-Dec-23	31-Dec-22
Current assets	421.9	351.3
Current liabilities	297.6	238.6
Current ratio	**1.4**	**1.5**

GEARING RATIO

The 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 EUR million	31-Dec-23	31-Dec-22
Net debt	150.7	87.3
Total equity	446.3	425.2
Gearing ratio	**25.2%**	**17.0%**

INTEREST COVERAGE RATIO

The interest coverage ratio is calculated by dividing Group's normalized EBITDA by total interest expense (see Note 10 – Finance cost-net in the attached audited Consolidated Financial statements), as shown below. Interest coverage ratio is used to determine how easily the Group can pay interest on its outstanding debt.

in EUR million	2023	2022
Normalized EBITDA	82.4	75.7
Total interest expense	6.1	2.5
Adjusted interest coverage ratio	**13.6**	**30.5**

FREE CASH FLOW

Free cash flow shows the ability of the Group to generate cash to repay financial liabilities, finance possible acquisitions, pay dividends, 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 audited Consolidated Financial statements.

in EUR million	2023	2022
Net cash flow from operating activities	60.0	45.5
Capex	39.6	35.0
Free cash flow	**20.3**	**10.5**

Risks of Atlantic Grupa

Risks of Atlantic Grupa

As a vertically integrated multinational company whose operations incorporate R&D, production and distribution of fast moving consumer goods and pharmacy business, Atlantic Grupa is exposed to a myriad of external and internal risks. To prevent and mitigate the impact of unwanted risks on its operations, Atlantic Grupa organised three levels of "defence". As mentioned, the first level refers to business process owners, i.e. managers of specific functions or appointed teams, who manage individual risks within their areas of responsibility. These responsible departments, teams or employees regularly monitor, supervise and actively manage risks under their responsibility on a daily/weekly/monthly basis. At the second level, Atlantic Grupa implements the process of integrated risk management. This process involves identifying and quantifying risks, analysing their inter-relationships, and comparing their impacts. Identification of potential risks, analysis, and assessment of risk impacts are conducted annually through detailed discussions coordinated by the Risk Management Director. At this level, risks are monitored year after year with the goal of understanding trends and connections between risks. During the year, periodic monitoring and evaluation of emerging risks is conducted. Finally, the third level of defence in Atlantic Grupa is performed by Internal Audit, which verifies the effectiveness of risk management through its programme of annual and ad hoc audits.
In its operations, Atlantic Grupa is exposed to risks from the group of business environment, industry and competition risks, and the group of business and financial risks. In addition to the above risk groups that may impact Atlantic Grupa, there are also climate risks that may affect our assets and supply chain (described in the chapter "Environment," p. 56). The risks presented below are currently identified by Atlantic Grupa as key ones that can have a more significant impact on its business and financial position.

Business environment risk

Business environment risk includes political and macroeconomic risks, risks of natural disasters and health hazards that directly impact the company's business activities in all markets where it operates, and over which the company generally has no direct influence.

Risk	Description	Mitigation and management measures
Political risk	All risks that potentially contribute to the political instability of an individual country and may affect relations with other countries. The same risk can manifest through adverse trade effects between countries, and internally through socio-economic risks such as strikes and protests. Political risk in the broader global environment is represented by international conflicts, such as those in Ukraine and the Red Sea, which have an impact on economic risks.	Atlantic Grupa operates in a non-cyclical industry of production and distribution of food products and consumer goods across multiple countries, thereby significantly reducing this risk through market diversification with various pan-European brand strategies. Additionally, inter-state and intra-state political trends that could cause political instability and adverse relations between countries are closely monitored.
Economic risk	All economic risks that can affect the prices and deliveries of raw materials, packaging, and energy, labour shortages and costs, and consumer spending, such as inflation rate, GDP, and interest rate movements.	By continually diversifying both its production and distribution portfolio and implementing an active pricing policy, Atlantic Grupa effectively minimises this risk.
Natural disasters and climate change	Natural disasters that can have a sudden impact on Atlantic Grupa's operations, as well as on the entire system (of a country or region) in which the Group or its supply chain operates, such as earthquakes, floods, extreme weather conditions, etc.	Atlantic Grupa minimises its exposure to this risk by using property insurance and natural disaster risk transfer instruments, and by constantly investing in new, higher quality equipment and infrastructure. In the long term, Atlantic Grupa invests in sustainability plans to improve products and processes.
Health and safety hazards	Non-compliance with local health (including infectious diseases) and safety regulations and/or failure to maintain a safe, healthy workplace, which may result in injuries or fatalities, occupational diseases or accidents, legal disputes, fines, penalties, or a negative impact on reputation.	To mitigate these potential impacts, Atlantic Grupa consistently implements all necessary standard health and safety measures for employees and the working environment.

Industry and competition risks

Atlantic Grupa operates in the consumer goods industry and retail through the pharmacy chain Farmacia. Within these industries, the Group is exposed to risks of open markets (competition), consumer trends, changes in regulatory frameworks, monitoring of sustainable development, risks of fire and explosions in production facilities, changes in legal frameworks and standards, availability and prices of raw materials, consumables and energy, as well as specific risks of pharmacy business and competition.

Risk	Description	Mitigation and management measures
Open market	Market liberalisation in local markets and globalisation resulted in the development of new local producers and retail chains, as well as the entry of global ones, which ultimately results in stronger market competition. Foreign food competitors have the advantage over local companies with regard to technological infrastructure, capacity to invest in research and development, financial power, marketing budget size, and the global recognisability of their brands. Increased competition can lead to a decrease in the market share of Atlantic Grupa's products, resulting in reduced profitability.	Atlantic Grupa continuously invests in a more diverse product offer, increasing product quality, introducing global manufacturing standards, opening and developing new distribution channels, as well as expanding into new markets. In this regard, Atlantic Grupa invests significant funds and resources in research and development of new products and services, technological development, marketing to improve brand recognisability and employee education and training. Atlantic Grupa monitors market trends and consumer preferences to maintain high market shares. The markets where Atlantic Grupa operates display a high level of loyalty to tradition as well as to the previously acquired purchasing habits, thus prompting the demand for domestic products. Consequently, the recognisability of the brands whose products Atlantic Grupa manufactures and/or distributes coupled with their high market shares emerges as the main comparative advantage of Atlantic Grupa's production/distribution portfolio. With the strategic focus on the development of strong and recognised brands, Atlantic Grupa aims to reduce the risks brought on by the competition.
Consumer trends	The development of the consumer goods industry is largely characterised by the ability of companies to quickly adapt to consumer needs and market trends.	Atlantic Grupa continuously monitors consumer trends, performs market research, and develops and invests in new products, markets, and business segments to adapt to new trends in the markets where it operates and further learn from emerging changes.
Regulatory frameworks for monitoring sustainable development	Adaptations of regulatory frameworks to social changes and consumer habits, both on international and national level, place emphasis on sustainable development and consumer health.	Atlantic Grupa gives significant attention to compliance with national laws and international standards by developing internal procedures and policies, expanding care for the environment from a local approach to the corporate level within a consistent Environmental Management System (EMS), taking into account local and global sustainability and consumer health trends. The examples of this are careful selection of raw materials and packaging materials to minimise negative environmental impacts and support consumer health, inclusion of environmental criteria into the supplier selection process, and many others. More on specific examples of Atlantic Grupa's commitment to sustainability can be found on page 43 of the Annual Report.
Fire and explosion	The production of certain food products is characterised by a higher risk of fire or self-combustion, which requires increased attention when handling both raw materials and machines in the production process.	To minimise this risk, Atlantic Grupa implements active safety measures, including testing and rebuilding machinery, employee education and training, investing in safety detectors and fire protection systems, and other measures to prevent and mitigate unacceptable events.

Legal frameworks and standards	Atlantic Grupa is subject to strict and extensive legislation regarding food for human consumption, product safety, employee safety and working conditions, environmental protection and safety, product composition, packaging, labelling, advertising, competitive market behaviour and the like. Any failure in these areas could result in various sanctions. Additionally, failure to remedy potential violations or adapt to changes in existing regulations could lead to additional costs.	The safety of foodstuffs and the perception of that safety are of critical importance for Atlantic Grupa's business operations and any event or perception to the contrary would result in significant negative consequences for the Group's operations. Health, safety and environmental regulations in Europe and other developed regions are becoming increasingly stricter and their implementation more pronounced and complex. Accordingly, Atlantic Grupa continuously monitors and adapts to such changes. Furthermore, Atlantic Grupa invests in and implements high international standards, such as ISO 9001, 14001, 50001, IFS, and HACCP, to demonstrate compliance with safety regulations, and to ensure the safety of products, consumers, and employees.
Availability and prices of raw materials, consumables and energy	By procuring raw materials, consumables and energy required for its products and production from suppliers around the world, Atlantic Grupa is exposed to the risk that suppliers of raw materials, consumables and energy may not be able to meet the agreed delivery deadlines or quantities. Furthermore, the Group is exposed to the price volatility of raw materials, consumables and energy it procures (e.g. coffee, sugar, cacao, plastic and aluminium packaging, electricity, gas, etc.) that may be caused by various factors over which the Group has no influence. These include shortages in the free market due to severe weather conditions, declining global production, political and social instability in individual countries or speculative expectations. Significant changes in the prices of certain raw materials, consumables or energy can cause an increase in production costs for specific products.	Atlantic Grupa gives special attention to planning the procurement of raw materials, consumables and energy, monitoring trends in global markets, stock level management, and risk management concerning price changes of raw materials, consumables and energy, as well as the impact of currency movements in global markets. Furthermore, focus is on diversifying suppliers as well as locations from which raw materials, consumables and energy are sourced. To effectively monitor all critical elements for such a large number of raw materials, consumables and energy sources, Atlantic Grupa has monitoring systems and hires platforms from which it receives critical information and up-to-date news on events that could affect suppliers, logistics routes, direct raw materials, consumables, and energy. Additionally, for certain key raw materials, such as coffee, Atlantic Grupa establishes multifunctional teams that regularly review global trends critical to specific raw materials, related consumables or energy, and currency risk.
Intellectual property	Protecting intellectual property rights over trademarks and the like, as well as certain business secrets and know-how.	The Group enters into confidentiality agreements with employees and/or third parties to protect intellectual property.
Pharmacy business risks	Pharmacy as an industry is strictly regulated by laws and supervised by regulatory authorities. Additionally, pharmacy business operations are exposed to fluctuations of prices on the principal and supplemental list of medicines which must be complied with by pharmacies as subjects contracted by the Croatian Institute for Health Insurance (HZZO), and also exposed to delays in the payment of receivables by HZZO.	Atlantic Grupa pays significant attention to compliance with national laws and international standards through the development of internal procedures and policies. To reduce dependence on HZZO, Atlantic Grupa's pharmacy business focuses on increasing the share of over-the-counter medicines, food supplements and cosmetics in the product portfolio of pharmacy units. With this in mind, besides pharmacies, Atlantic Grupa is opening specialised stores (with a larger portfolio of over-the-counter medicines, food supplements and cosmetics) and ultimately leveraging synergies within the company's distribution and production portfolio. Additionally, the Group practices active working capital management across the entire segment.
Competition in the pharmacy sector	Despite being strictly regulated, the pharmacy sector is moving towards liberalisation. Currently, competition in the pharmacy segment is primarily driven by city and county pharmacies, as well as private pharmacies.	Atlantic Grupa aims to ensure its competitive advantage by combining several key factors related to: continuous expansion of the pharmacy chain, opening of specialised stores which represent an upgrade and development of the pharmacy business, managing the pharmacy business in line with the best pharmacy practices and focusing on the education and competence development of pharmacy personnel with the goal of achieving high-quality pharmacy service.

Business risk

Business risk refers to the risks present in the company's daily operations that directly affect the company's competitive position as well as stability in its regular business operations. This risk is determined by the business environment in which the company operates, the level of cyclicity of the industry to which the company belongs, and its regular business policies and decisions. The main risks in this area include the impact of a single product or a particular supplier and/or buyer, dependence on IT systems, and the attraction and retention of key personnel.

Risk	Description	Mitigation and management measures
Impact of a single product	If a single product holds a significant share in overall business operations, certain events affecting that product could have a substantial impact on the entire business operations.	Resulting from the significant expansion and diversification of the production and distribution portfolio in previous years, today Atlantic Grupa's regular business operations do not significantly depend on any single product. At the same time, the most prominent product category is the segment of coffee, followed by segments of beverages, savoury spreads, and snacks, of which no segment or product holds more than a quarter of the Group's revenues. During the past years, Atlantic Grupa combined acquisition activities, innovative approach to new product development and conclusion of new distribution agreements in the diversification of both the production and distribution portfolio.
Product quality and safety	A significant event triggered by product non-conformity, i.e. a product failing to meet quality standards or having other non-conformities, which can result in serious harm to consumer health and negative impacts on reputation.	Atlantic Grupa invests in quality assurance systems and implements policies and procedures to ensure the quality of raw materials and consumables, as well as testing throughout the production process up to quarantines and final testing before release into circulation. Furthermore, Atlantic Grupa invests in employee education on quality and fosters a strong food safety culture.
Dependence on a particular supplier	Termination of a contract with a key supplier or loss of distribution rights for a certain group of products can have an impact on business operations.	Atlantic Grupa invests great efforts in diversifying its business segments and diversifying suppliers of raw materials, consumables or energy. Where that is not possible, it enters into strategic long-term contracts to ensure a long-lasting and stable relationship. Additionally, over the years, Atlantic Grupa developed strong partnerships with both domestic and international manufacturers of brands within its distribution portfolio. The continuous expansion of the distribution portfolio enables the company to quickly adjust to new conditions in the case of termination of cooperation with any of its present partners.
Dependence on a particular buyer	In the case of termination of partnership, inability to collect or bankruptcy of one of the more important buyers, the impact on business results of Strategic Distribution Units could be significant.	Atlantic Grupa has developed good business cooperation with a majority of regional retail chains, which in turn are the company's major buyers, and the dependence on any individual buyer is at an appropriate level. Through active credit risk management, which includes continuous monitoring of the buyers' risk level and payment process and the resulting limitation of exposure to risky buyers, the company aims to reduce the risk to its own operations in the case of termination of partnership, inability to collect or bankruptcy of one of its major buyers. In addition to continuously working on further improvement and development of cooperation with retail chains, Atlantic Grupa strives to reduce the dependence of distribution on any one distribution channel by developing "alternative distribution channels" like continuous investments in the HoReCa segment (catering) and the pharmacy channel.
Operational dependence on IT systems	Atlantic Grupa relies on numerous IT systems to efficiently manage production and distribution capacities, communicate with customers and suppliers, evaluate employees, as well as collect and process customer and supplier data. Additionally, these systems gather data on the positioning and representation of products in the sales network and other pertinent information which, among other external factors, management takes into consideration when making business decisions.	To ensure successful and continuous business operations, Atlantic Grupa is actively working on protecting its entire IT system to avoid the risk of dependence on any single system/supplier or data centre. This includes updating IT security software and managing the expiry of maintenance for key IT solutions. The Group continuously invests in new IT systems in order to increase the efficiency of business processes.
Attracting and retaining key employees	Atlantic Grupa's successful business performance relies heavily on its ability to identify, attract, motivate and retain employees across key functions and markets. Any loss of key employees in certain business segments or unsuccessful implementation of the group succession plan would aggravate the achievement of the set targets and could have a negative impact on business operations. Moreover, the inability to hire, develop and retain a highly specialised and talented workforce could reduce the "institutional knowledge base, which could lead to a distortion of the competitive position or an increase in costs due to the increased competition for employment that could have a negative impact on operations.	In order to manage this risk, Atlantic Grupa implements various employee retention, development and attraction programmes. All employees in key positions go through the talent review, which is used to define an individual development plan for each of them. The process of talent recognition is carried out at all levels of the organisation, thus ensuring the implementation of the succession plan. The strategy for retaining key personnel introduces specially designed options that ensure the company's long-term relationship with its key personnel, which includes programmes and activities such as the employee equity programme, employee retention programme, sport activities, medical checks, etc.

Financial risks

The Group's business activities expose it to a variety of financial risks which include: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Group's risk management programme is focused on uncertainties in the financial market and aimed at minimising their potential negative impacts on the Group's business operations. The Group uses derivative financial instruments as instruments for hedging against certain financial risks. The risks are described in detail in notes to the consolidated financial statements (Note 3 – Financial risk management).

Annex 1

PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

	2023			SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (DO NO SIGNIFICANT HARM)									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	20	21
Economic activities	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, 2022	Category (enabling activity)	Category (transitional activity)
		in EUR 000	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0.0%**														**0.0%**		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Collection and transport of non-hazardous waste in source segregated fractions contribution to climate mitigation	5.5	0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Installation, maintenance and repair of renewable energy technologies	7.6	3	0.0%	N/EL	EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Acquisition and ownership of buildings	7.7	4,089	0.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Collection and transport of non-hazardous and hazardous waste contribution to circular economy	2.3	406	0.1%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0.0%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities (A.2.)		**4,497**	**0.5%**	0.4%	0.0%	0.0%	0.1%	0.0%	0.0%								**0.1%**		
Total (A.1. + A.2.)		**4,497**	**0.5%**	0.4%	0.0%	0.0%	0.1%	0.0%	0.0%								**0.1%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomynon-eligible activities (B)		**972,406**	**99.5%**																
Total (A + B)		**976,904**	**100.0%**																

PROPORTION OF OPERATING EXPENSES (OPEX) FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

	2023			SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (DO NO SIGNIFICANT HARM)									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	20	21
Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, 2022	Category (enabling activity)	Category (transitional activity)
		in EUR 000	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0.0%**														**0.0%**		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	194	0.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.7%		
Freight transport services by road	6.6	69	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Installation, maintenance and repair of energy efficiency equipment	7.3	15	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Acquisition and ownership of buildings	7.7	7,729	22.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								17.9%		
Data processing, hosting and related activities	8.1	573	1.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.7%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities (A.2.)		**8,580**	**24.8%**	24.8%	0.0%	0.0%	0.0%	0.0%	0.0%								**20.4%**		
Total (A.1. + A.2.)		**8,580**	**24.8%**	24.8%	0.0%	0.0%	0.0%	0.0%	0.0%								**20.4%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy non-eligible activities (B)		**25,981**	**75.2%**																
Total (A + B)		**34,561**	**100.0%**																

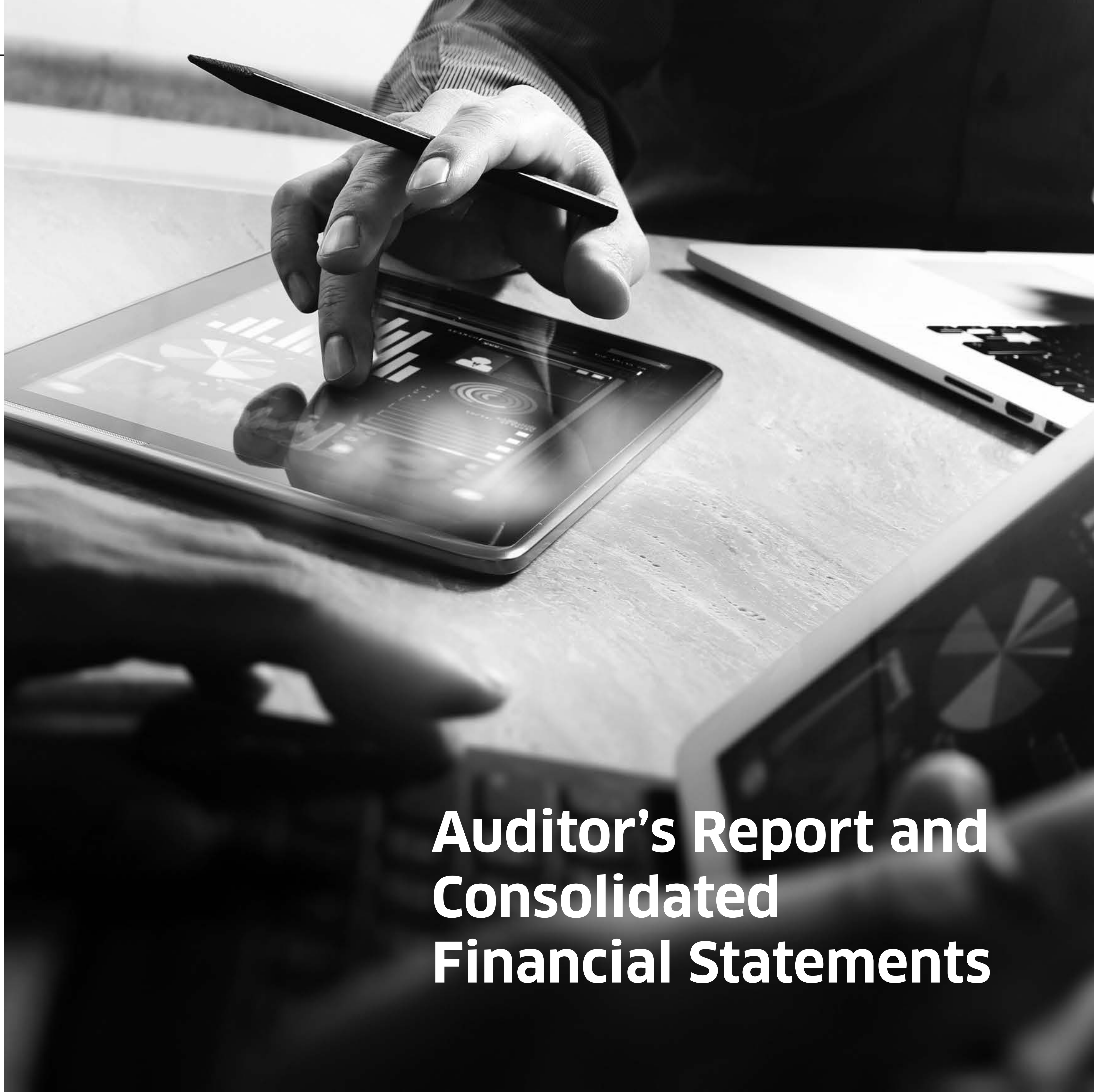
PROPORTION OF CAPITAL EXPENDITURE (CAPEX) FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

	2023			SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (DO NO SIGNIFICANT HARM)									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	20	21
Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, 2022	Category (enabling activity)	Category (transitional activity)
		in EUR 000	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0.0%**														0.0%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	4.31	61	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Transmission and distribution of electricity	4.9	125	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Construction, extension and operation of water collection, treatment and supply systems	5.1	56	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.3%		
Renewal of waste water collection and treatment	5.4	161	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	10,878	11.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								10.3%		
Freight transport services by road	6.6	118	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.1%		
Construction of new buildings	7.1	161	0,2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.3%		
Renovation of existing buildings	7.2	56	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								4.6%		
Installation, maintenance and repair of energy efficiency equipment	7.3	1,085	1.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.2%		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	73	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.2%		
Installation, maintenance and repair of renewable energy technologies	7.6	937	0.9%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%		
Acquisition and ownership of buildings	7.7	48,213	48.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								24.2%		
Data processing, hosting and related activities	8.1	1,084	1.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.9%		
Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems	1.1	10	0.0%	N/EL	N/EL	EL	N/EL	N/EL	N/EL								0.0%		
Water supply	2.1	49	0.0%	N/EL	N/EL	EL	N/EL	N/EL	N/EL										
Urban Waste Water Treatment contribution to water	2.2	97	0.1%	N/EL	N/EL	EL	N/EL	N/EL	N/EL								0.0%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities (A.2.)		**63,166**	**63.7%**	63.6%	0.0%	0.1%	0.0%	0.0%	0.0%								**46.5%**		
Total (A.1. + A.2.)		**63,166**	**63.7%**	63.6%	0.0%	0.1%	0.0%	0.0%	0.0%								**46.5%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy non-eligible activities (B)		**35,979**	**36.3%**																
Total (A + B)		**99,145**	**100.0%**																

Abbreviations

AG	Atlantic Grupa
AIB	Association of Issuing Bodies
AmCham	American Chamber of Commerce
APM	Alternative Performance Measures
ATL	Above the line marketing
BC	Basketball Club
BSCI	Business Social Compliance Initiative
BTL	Below the line marketing
CO2	Carbon dioxide
CQM	Corporate Quality Management
CSRD	Corporate Sustainability Reporting Directive
DEG	German Investment and Development Corporation
DNA	Deoxyribonucleic acid
EBIT	Earnings before interest and taxes
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation
EMS	Environmental Management System
EnMS	Energy Management System
ERM	Enterprise Risk Management
ESG	Environmental, Social, and Governance
ESRS	European Sustainability Reporting Standards
EUR	Euro currency
FSC	Forest Stewardship Council
FSSC	Food Safety System Certification
GDPR	General Data Protection Regulation
GFSI	Global Food Safety Initiative
GHG	Greenhouse gas
GMO	Genetically Modified Organism
HACCP	Hazard Analysis and Critical Control Point
HANFA	Croatian Financial Services Supervisory Agency
HDPE	High Density Polyethylene
HFC	Hydrofluorocarbon
HoReCa	Hotel Restaurant Caffe
IFRS	International Financial Reporting Standards
IFS	International Finance Corporation
IPCC	"Intergovernmental Panel on Climate Change"
ISO	International Organization for Standardization

IT	Information Technology
IUCN	The International Union for Conservation of Nature
KPI	Key Performance Indicators
LCA	Life-cycle assessment
LDPE	Low density polyethylene
LDR	Lost day rate
LPG	Liquified petroleum gas
LTT	Long term target
MDM	Master Data Management
MES	Manufacturing Execution System
MSC	Marine Stewardship Council
NGO	Non-governmental organization
NPS	Net Promoter Score – user satisfaction indicator
OPF	Obligatory Pension Fund
POS	Point of Sale
PVC	Polyvinyl chloride
R&D	Research and Development
RASSF	Rapid Alert System for Food and Feed
RPSO	Roundtable on Sustainable Palm Oil
SBTI	Science Based Targets initiative
SBU	Strategic Business Unit
SDG	Sustainable Development Goal
SDU	Strategic Distribution Unit
SEDEX	Supplier Ethical Data Exchange
SFDR	Sustainable Finance Disclosure Regulation
SKU	Stock keeping unit
SRM	Supplier Relationship Management
T&D	Transmission & distribution
UAE	United Arab Emirates
UK	United Kingdom
UN	United Nations
USA	United States of America
VACCP	Vulnerability Assessment and Critical Control Points
VIN	Vitamin instant drink
VPF	Voluntary pensions fund
WWF	The World Wide Fund for Nature
ZSE	Zagreb Stock Exchange



Auditor's Report and Consolidated Financial Statements

Responsibility for the annual financial statements

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

STATEMENT

According to our best knowledge the annual consolidated financial statements for 2023 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 2023 contains the true presentation of development, results and position of the Group, with description of significant risks and uncertainties to which the Group is exposed.

In Zagreb, 28 March 2024

Zoran Stanković
Group Vice President for Finance, Procurement, and Investment

Tatjana Ilinčić
Director of Corporate Reporting and Consolidation

Responsibility for the consolidated financial statements

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

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

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

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed; and
- the consolidated financial statements are prepared on the going concern basis.

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

The accompanying consolidated financial statements were approved for issuance by the Management Board on 28 March 2024.

Emil Tedeschi
President and Chief Executive Officer

Zoran Stanković
Group Vice President for Finance, Procurement and Investment

Srećko Nakić
Group Vice President for Distribution

Mate Štetić
Group Vice President for Coffee and Snacks

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

Lada Tedeschi Fiorio
Group Vice President for Corporate Strategy and Growth

Neven Vranković
Group Vice President for Corporate Activities

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Atlantic Grupa d.d.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Atlantic Grupa d.d. (the Company) and its subsidiaries (together- the Group), which comprise the consolidated balance sheet as at 31 December 2023, consolidated income statement and the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for opinion

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

We are independent of the Company and the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

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

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

Key audit matters (continued)

Key Audit Matter	How we addressed Key Audit Matter
Assessment of impairment of goodwill and intangible assets with indefinite useful lives	
See Note 2.7 Impairment of non-financial assets and Note 4.b Impairment of goodwill and intangible assets with indefinite useful lives The Group has goodwill and other intangible assets with indefinite useful lives (Brands & Licenses) with carrying amounts totaling EUR 192,568 thousand as at 31 December 2023. The carrying amount of the goodwill and indefinite life intangible assets represents 21% of total consolidated assets and the assessment of the "fair value" and "value in use" of the Group's cash generating units ("CGU") represents significant area of management's judgement regarding the future results of the business and the discount rates applied to future cash flow forecasts. The Group annually assesses the accounting estimate of indefinite useful life. It involves significant management's judgments about the strength of the brand and future cash flows generated from brands and licenses affected. Due to the range of judgements and assumptions used in the models and impairment assessments, as well as the significant carrying amount of the goodwill and intangible assets, this is an area considered to be a key audit matter.	Audit procedures included understanding of the assets impairment assessment process. We performed inquiry of management and examined the methodology used by management to assess the carrying value of respective goodwill, and intangible assets and their useful life, to determine their compliance with IFRS as adopted by the EU and consistency of application. We evaluated the Group's future cash flow forecasts and the process by which they were prepared. We compared the budget inputs in the model to the approved budgets and forecast inputs in the model to management plans. We compared the current year (2023) actual results with the figures included in the prior year (2022) forecast to evaluate assumptions used. We also evaluated management's key assumptions for long-term growth rate by comparing it to historical growth results. We performed audit procedures on the mathematical integrity of the impairment models and sensitivity analysis and tested the appropriateness of discount rates and royalty rates used in the calculation with the assistance of the valuation specialists. We reviewed reports related to market share of the individual brands. We also assessed adequacy of the disclosures in the consolidated financial statements and if these are in line with the requirements of IFRS as adopted by the EU.

Other information

Management is responsible for the other information. Other information comprises the Management Report, Non-financial Report and Corporate Governance Statement included in the Group's Annual Report, but does not include consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information.

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

Other information (continued)

With respect to the Management Report, Non-financial Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 and 24 of the Accounting Act, whether the Non-financial Report is prepared in accordance with the requirements of Article 21a of the Accounting Act and whether the Corporate Governance Statement includes the information specified in Article 22 and 24 of the Accounting Act.

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

1. the information given in the enclosed Management Report and Corporate Governance Statement is consistent, in all material respects, with the enclosed consolidated financial statements;

2. the enclosed Management Report is prepared in accordance with requirements of Article 21 and 24 of the Accounting Act;

3. the enclosed Non-financial Report is prepared in accordance with requirements of Article 21a of the Accounting Act; and

4. the enclosed Corporate Governance Statement includes the information specified in Article 22 and 24 of the Accounting Act.

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit of consolidated financial statements, we are also required to report if we have identified material misstatements in the Management Report, Non-financial Report and Corporate Governance Statement. We have nothing to report in this respect.

Responsibilities of management and Audit Committee for the consolidated financial statements

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

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

Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

Ernst & Young d.o.o. was initially appointed as auditors of the Company on 29 June 2017. Our appointment has been renewed annually by General Assembly of Shareholders, with the most recent reappointment on 29 June 2023, representing a total period of uninterrupted engagement appointment of seven years.

Kulić & Sperk d.o.o. was initially appointed as auditors of the Company on 18 June 2020, and this appointment has been renewed annually by General Assembly of Shareholders, with the most recent reappointment on 29 June 2023, representing a total period of uninterrupted engagement appointment of four years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 18 March 2024 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

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

Report based on Delegated Regulation (EU) 2018/815 on supplementing Directive 2004/109/EZ of European parliament and Council related to regulatory technical standard for specification of single electronic reporting format of reporting

Independent report on the compliance of consolidated financial statements prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20,83/21 and 151/22) applying the requirements of the Delegated Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (the ESEF Regulation).

We have conducted a reasonable assurance engagement on whether the consolidated financial statements, as contained in the attached electronic file *AG consolidated FS 2023 ENG*, are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the management and Audit Committee

Management is responsible for the preparation of the consolidated financial statements in accordance with ESEF Regulation.

Furthermore, management is responsible for maintaining an internal control system that reasonably ensures the preparation of consolidated financial statements without material non-compliances with ESEF Regulation requirements, whether due to fraud or error.

Management is also responsible for:

- the public disclosure of consolidated financial statements included in the annual report, in XHTML format and
- selecting and using XBLR codes in accordance with ESEF regulation.

Audit Committee is responsible for overseeing the preparation of the consolidated financial statements in ESEF format as part of the financial reporting process.

Auditor's responsibilities

Our responsibility is to express a conclusion, based on the audit evidence gathered, as to whether the consolidated financial statements are free from material non-compliances with the requirements of the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with International Standard for Assurance Engagements ISAE 3000 (revised)- Assurance engagements other than audits or reviews of historical financial information.

Work performed

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high degree of assurance, however it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with ESEF regulation.

In respect of the subject matter, we have performed the following procedures:

- we read the requirements of the ESEF Regulation,
- we have gained an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or error; and
- Based on this, devise and implement procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- the consolidated financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the consolidated financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
  - the XBRL markup language was used,
  - the basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance have been used, unless an additional taxonomy element has been created in accordance with Annex IV. ESEF Regulation,
  - the labeled elements comply with the common labeling rules under the ESEF Regulation.

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

Conclusion

Based on the procedures performed and evidence gathered, the consolidated financial statements presented in ESEF format for the year ended on 31 December 2023, contained in the aforementioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.

Further to this conclusion, as well as the opinion contained in this independent auditor's report related to accompanying consolidated financial statements and annual report for the year ended 31 December 2023, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned file.

The partners in charge of the audit resulting in this independent auditor's report are Berislav Horvat for Ernst & Young d.o.o. and Janja Kulić for Kulić & Sperk d.o.o.

Berislav Horvat,
President of the Management Board and Certified auditor

Ernst & Young d.o.o.
Radnička cesta 50
10000 Zagreb
Republic of Croatia
28 March 2024

Janja Kulić,
Director and Certified auditor

Kulić & Sperk d.o.o.
Radnička cesta 52
10000 Zagreb
Republic of Croatia
28 March 2024

(all amounts expressed in thousands of EUR)	Note	2023	2022
Revenues	5	987,082	858,306
Cost of trade goods sold		(303,759)	(254,302)
Change in inventories of finished goods and work in progress		(3,662)	3,164
Material and energy costs		(309,645)	(285,616)
Staff costs	6	(149,212)	(130,648)
Marketing and promotion costs	7	(43,587)	(39,118)
Depreciation, amortisation and impairment	13, 13a, 14, 16	(41,943)	(39,873)
Other operating costs	8	(92,481)	(79,683)
Other gains - net	9	1,887	4,329
Operating profit		**44,680**	**36,559**
Finance income	10	56	391
Finance costs	10	(6,081)	(3,019)
Finance costs - net	10	(6,025)	(2,628)
Profit before tax		**38,655**	**33,931**
Income tax expense	11	(7,435)	(7,816)
Net profit for the year		**31,220**	**26,115**
Attributable to:			
Owners of the Company		31,209	26,017
Non-controlling interests		11	98
		31,220	26,115
Earnings per share for profit attributable to the equity holders of the Company during the year (in EUR)	12		
- basic		2.35	1.96
- diluted		2.35	1.96

The accompanying notes form an integral part of these consolidated financial statements.

(all amounts expressed in thousands of EUR)	Note	2023	2022
Net profit for the year		**31,220**	**26,115**
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains from defined benefit plan, net of tax		(268)	896
		(268)	**896**
Items that may be subsequently reclassified to profit of loss			
Currency translation differences, net of tax	23	(840)	(980)
Cash flow hedges, net of tax	23	1,199	(2,234)
		359	**(3,214)**
Total other comprehensive income/(loss) for the year, net of tax		**91**	**(2,318)**
Total comprehensive income for the year		**31,311**	**23,797**
Attributable to:			
Owners of the Company		31,304	23,696
Non-controlling interests		7	101
Total comprehensive income for the year		31,311	23,797

The accompanying notes form an integral part of these consolidated financial statements.

(all amounts expressed in thousands of EUR)	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	13	174,963	158,764
Right-of-use assets	13a	59,724	43,453
Investment property	14	15,796	63
Intangible assets	16	214,394	215,513
Deferred tax assets	26	5,527	5,143
Financial assets at fair value through other comprehensive income	18	161	169
Trade and other receivables	19	15,299	4,608
		485,864	427,713
Current assets			
Inventories	20	102,023	102,084
Trade and other receivables	19	237,553	187,303
Prepaid income tax		1,958	2,369
Derivative financial instruments	17	384	585
Cash and cash equivalents	21	72,553	58,987
		414,471	351,328
Assets held for sale	15	7,392	-
		421,863	351,328
TOTAL ASSETS		**907,727**	**779,041**
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the Company			
Share capital	22	106,698	17,702
Share premium	22	28,760	117,663
Treasury shares	22	(2,510)	(2,410)
Reserves	23	(712)	(4,459)
Retained earnings		312,987	295,641
		445,223	424,137
Non-controlling interests		1,035	1,028
Total equity and reserves		**446,258**	**425,165**
Non-current liabilities			
Borrowings	25	86,338	54,547
Lease liabilities	13a	49,368	34,023
Deferred tax liabilities	26	20,091	19,470
Other non-current liabilities		52	121
Provisions	27	8,070	7,153
		163,919	115,314
Current liabilities			
Trade and other payables	24	198,206	170,627
Borrowings	25	73,435	43,669
Lease liabilities	13a	13,508	12,168
Derivative financial instruments	17	988	2,478
Current income tax liabilities		2,949	1,552
Provisions	27	8,464	8,068
		297,550	238,562
Total liabilities		**461,469**	**353,876**
TOTAL EQUITY AND LIABILITIES		**907,727**	**779,041**

The accompanying notes form an integral part of these consolidated financial statements.

(all amounts expressed in thousands of EUR)	Attributable to owners of the Company: Share Capital, Premium and Treasury shares	Reserves	Retained earnings	Total	Non-controlling interest	Total
Balance at 1 January 2022	132,072	(5,720)	292,096	418,448	929	419,377
Effect of currency conversion from HRK to EUR	-	(290)	(711)	(1,001)	(2)	(1,003)
Comprehensive income:						
Net profit for the year	-	-	26,017	26,017	98	26,115
Other comprehensive income/(loss)	-	(3,214)	893	(2,321)	3	(2,318)
Total comprehensive income/(loss)	-	(3,214)	26,910	23,696	101	23,797
Transaction with owners:						
Share based payment (Note 22)	3,855	-	-	3,855	-	3,855
Purchase of treasury shares (Note 22)	(2,972)	-	-	(2,972)	-	(2,972)
Shares granted (Note 23)	-	4,186	-	4,186	-	4,186
Transfer	-	579	(579)	-	-	-
Dividends (Note 22)	-	-	(22,075)	(22,075)	-	(22,075)
Balance at 31 December 2022	**132,955**	**(4,459)**	**295,641**	**424,137**	**1,028**	**425,165**
Balance at 1 January 2023	132,955	(4,459)	295,641	424,137	1,028	425,165
Comprehensive income:						
Net profit for the year	-	-	31,209	31,209	11	31,220
Other comprehensive income/(loss)	-	360	(265)	95	(4)	91
Total comprehensive income	-	360	30,944	31,304	7	31,311
Transaction with owners:						
Share based payment (Note 22)	2,602	-	-	2,602	-	2,602
Purchase of treasury shares (Note 22)	(2,609)	-	-	(2,609)	-	(2,609)
Shares granted (Note 23)	-	3,098	-	3,098	-	3,098
Transfer	-	289	(289)	-	-	-
Dividends (Note 22)	-	-	(13,309)	(13,309)	-	(13,309)
Balance at 31 December 2023	**132,948**	**(712)**	**312,987**	**445,223**	**1,035**	**446,258**

The accompanying notes form an integral part of these consolidated financial statements.

(all amounts expressed in thousands of EUR)	Note	2023	2022
Net profit for the year		**31,220**	**26,115**
Income tax	11	7,435	7,816
Depreciation, amortisation and impairment	13, 13a, 14, 16	41,943	39,873
Gain on sale of property, plant and equipment, intangible assets and non-current assets held for sale	9	(3,000)	(315)
Loss on sale of subsidiaries - net of transaction expenses	9	-	48
Provision for current assets	8	3,936	4,297
Foreign exchange differences - net		(35)	146
Increase/(decrease) in provision for risks and charges	27	3,874	(1,513)
Fair value (gains)/losses on financial assets	9	(45)	145
Share based payment	22	2,602	3,855
Interest income		(699)	(1,117)
Interest expense	10	6,060	2,482
Other non-cash items - net		159	243
		93,450	82,075
Changes in working capital:			
Increase in inventories		(2,834)	(20,560)
Increase in current receivables		(47,481)	(19,230)
Increase in current payables		27,256	15,363
Cash generated from operations		**70,391**	**57,648**
Interest paid		(4,494)	(2,073)
Income tax paid		(5,942)	(10,087)
Cash flows from operating activities		**59,955**	**45,488**
Cash flows used in investing activities			
Purchase of property, plant and equipment and intangible assets	13, 16	(39,621)	(34,963)
Proceeds from sale of property, plant and equipment, intangible assets and non-current assets held for sale		2,826	479
Acquisition of subsidiaries and (repayments)/proceeds from sale of subsidiaries – net of cash acquired/disposed	29	(27,079)	1,464
Proceeds from sale of financial assets through other comprehensive income		8	-
Loans granted and deposits placed	19	(13,948)	(817)
Proceeds from loans and deposits granted	19	1,562	1,452
Interest received		660	1,092
		(75,592)	(31,293)
Cash flows from/(used in) financing activities			
Purchase of treasury shares	22	(2,609)	(2,972)
Proceeds from borrowings, net of fees paid	25	114,819	41,049
Repayments of borrowings	25	(54,583)	(3,982)
Principal elements of lease payments	13a	(14,401)	(13,459)
Dividends paid to Company shareholders	22	(13,309)	(22,075)
		29,917	(1,439)
Net increase in cash and cash equivalents		**14,280**	**12,756**
Exchange (losses)/gains on cash and cash equivalents		(714)	119
Cash and cash equivalents at beginning of year		58,987	46,112
Cash and cash equivalents at end of year	21	**72,553**	**58,987**

NOTE 1 – GENERAL INFORMATION

Operating as a vertically integrated multinational company, Atlantic Grupa d.d. (the Company) and its subsidiaries (as disclosed in Note 32 "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, beverage brands Cockta and Cedevita, a portfolio of sweet and salted snacks brands Smoki, Najlepše želje and Bananica, a savoury spread brand Argeta and natural mineral water Donat. Additionally, the Group owns the leading pharmacy chain in Croatia under the Farmacia brand. With its own distribution network in Croatia, Slovenia, Serbia, Austria, North Macedonia and Russia, 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 11 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 shareholder structure is shown in Note 22.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) which were endorsed by the European Union (EU) under the historical cost convention, as modified by the revaluation of financial assets that have been measured at fair value and derivative financial instruments.

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

In accordance with the Law on the Introduction of the Euro (EUR) as the official currency in the Republic of Croatia, effective 1 January 2023, the EUR became the official currency and legal tender in the Republic of Croatia. The fixed rate of conversion is HRK 7.5345 for 1 EUR. Balance sheet items in comparative periods are converted at the middle exchange rate on the balance sheet date, i.e., at the conversion rate for balance sheet items at 31 December 2022. Comparative periods of profit and loss account items are converted at average monthly exchange rates.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the amendments listed below which are the result of amendments to International Financial Reporting Standards (IFRS) adopted by the Group as of 1 January 2023 and which did not have material impact on the financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued by the International Financial Standards Board („Board") but are not yet effective.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

2.1 Basis of preparation (continued)

a) Standards and Interpretations effective in the current period

The following new standards and amendments to the existing standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee and adopted by the EU are effective for the current period:

- **IFRS 17** *Insurance contracts*, issued on 18 May 2017; including Amendments to IFRS 17 issued on 25 June 2020, (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IFRS 17** *Insurance contracts*: Initial Application of IFRS 17 and IFRS 9 – Comparative Information, issued on 9 December 2021 (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 12** *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, issued on 7 May 2021 (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 12** *Income taxes***:** International Tax Reform – Pillar Two Model Rules, issued on 23 May 2023 (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 1** *Presentation of Financial Statements* and IFRS Practice Statement 2: Disclosure of Accounting policies, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 8** *Accounting policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).

The adoption of these Standards and Interpretations had no significant impact on the consolidated financial statements of the Group.

b) Standards and Interpretations issued by IASB and endorsed by the EU but not yet effective

- **Amendments to IAS 1** *Presentation of Financial Statements:* Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date, issued on 23 January 2020 and 15 July 2020 respectively (effective date for annual periods beginning on or after 1 January 2024).
- **Amendments to IFRS 16** *Leases*: Lease Liability in a Sale and Leaseback, issued on 22 September 2022 (effective date for annual periods beginning on or after 1 January 2024).

c) Standards and Interpretations issued by IASB but not yet adopted by the EU

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue by the International Accounting Standards Board but not yet adopted by the EU:

- **Amendments to IAS 21** *The Effects of Changes in Foreign Exchange Rates:* Lack of Exchangeability (issued on 15 August 2023).
- **Amendments to IAS 7** *Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures:* Supplier Finance Arrangements (issued on 25 May 2023).

The Group does not anticipate that the adoption of these Standards and Interpretations will have a significant impact on the consolidated financial statements of the Group.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of identifiable acquiree's net assets.

Goodwill is initially measured as excess of the aggregate of the consideration transferred and the fair value of non-controlling interest in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. If this is lower than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (Note 2.6).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. For purchase from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiary

When the Group ceases to have control, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments is the Management Board of the Company.

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment where the entity operates ('the functional currency').

The consolidated financial statements are presented in EUR, which is the currency of the primary economic environment in which the Company operates from 1 January 2023, when the euro conversion was implemented and are rounded to the nearest thousand.

Given that the Republic of Croatia introduced the EUR as its functional currency as of 1 January 2023, in accordance with the Law on the Introduction of the Euro as an Official Currency, the Group changed the presentation currency from HRK for the purposes of preparing consolidated financial statements for the year ended 31 December 2023 to EUR, and the consolidated financial statements for the year ended December 31 were first prepared in EUR. From 1 January 2023, EUR is also the functional currency of the Company.

Although the change in the functional and presentation currency in the consolidated financial statements represents a change in accounting policy, the Group did not publish the third balance sheet in the consolidated financial statements for the year ended 31 December 2023 in accordance with International Accounting Standard 8 (IAS) Accounting Policies, Changes in Accounting Estimates and Errors, given that it determined that the change in the functional and presentation currency does not have a significant impact on the Group's consolidated financial statements, due to the stable HRK/EUR exchange rate over the past five years.

(b) Transactions and balances in foreign currency

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

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

(c) Group companies

The results and financial position of all Group entities with a functional currency different from the presentation currency are translated into the presentation currency as follows:
(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates; and
(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken into other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are reclassified from other comprehensive income to the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

2.5 Property, plant, and equipment

Property, plant and equipment is included in the balance sheet at historical cost less accumulated depreciation and provision for impairment, if required.

Land and assets under construction are not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to residual values over their estimated useful lives, as follows:

Buildings	10 to 50 years
Plant and equipment	2 to 25 years

The residual value of an asset is an estimated amount that the Group would currently obtain from disposal of the asset less estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary and the amount recognised for non-controlling interests and fair value of any previous interest held at the acquisition date. Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are recognised immediately as an expense and not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from synergies of the business combination in which the goodwill arose. Goodwill is monitored at the operating segment level.

(b) Brands

Brands acquired in a business combination are carried at initially determined fair value (recognised at acquisition date) less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brands over their estimated useful life (7 to 15 years).

Brands with indefinite useful lives are not amortised, but are tested annually for impairment at the cash generating unit level.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(c) Computer software

Acquired computer software licences are capitalized based on the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (up to 5 years).

(d) Licences

Licences acquired in a business combination are recognized at fair value at the acquisition date. Licences have indefinite useful lives and are not amortised but are tested annually for impairment at the cash generating unit level. Separately acquired licences are recognized at historical cost and amortized using the straight-line method over their estimated useful lives (5 years).

(e) Customer contracts

Customer contracts acquired in a business combination are carried at initially determined fair value (recognised at acquisition date) less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of contracts over their estimated useful life (from 5 to 15 years).

2.7 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.8 Financial assets

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

Financial assets at amortised costs

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

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

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

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

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

2.9 Leases

(i) The Group's leasing activities and accounting policy

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. In that sense, incremental borrowing rate of 4%, representing unsecured risk of the Company was used for new and modified leases whose maturity is above 5 years (2022: 4%), and incremental borrowing rate of 2.2%, representing the secured risk of the Company was used for new and modified leases with maturity of 5 years and less (2022: 2.2%).

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

Payments associated with short-term leases of equipment and vehicles, all leases of low-value assets and software licences are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets (below HRK 35 thousand) comprise IT equipment and small items of office furniture.

(i) Variable lease payments

The Group may be exposed to variable payment terms linked to an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Variable lease payments which depend on the sales realization, if contracted, are recognized in the income statement within "other operating costs".

(ii) Extension and termination options

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

2.10 Inventories

Inventories of raw materials and spare parts are stated at the lower of cost, determined using the weighted average method and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Trade goods are carried at selling price less applicable taxes and margins.

Where necessary, a provision is made for damaged and expired inventories.

2.11 Cash and cash equivalents

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

2.12 Share capital

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

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

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

2.14 Current and deferred tax

The current tax charge is calculated based on the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and consider establishing provisions where appropriate based on amounts expected to be paid to the tax authorities.

2.15 Employee benefits

(a) Pension obligations and post-employment benefits

The Group makes payments to mandatory pension funds on behalf of its employees in the ordinary course of business through salary deductions, as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group has no other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Group is not obliged to provide any other post-employment benefits except for the one-off retirement payment as prescribed by local legislation or internal rulebook.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits or when retyring regularly or early. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy or early retirement. The liability recognised in the balance sheet in respect of one-off retirement payment is the present value of the defined benefit obligation at the end of the reporting period. This obligation is calculated annually by independent actuaries. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Interest costs/income arising from actuarial calculation are charged/credited to income statement within 'interest expenses'. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(c) Long-term employee benefits

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

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

2.15 Employee benefits (continued)

(d) Share-based compensation

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

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

(e) Short-term employee benefits

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

2.16 Provisions

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

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

2.17 Revenue recognition

The Group recognise revenue to depict the transfer of promised goods or services to customers in the amount that reflects the consideration to which the Group expect to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is presented, net of value-added tax, returns, rebates and discounts, expenses of listing the products and marketing activities that are an integral part of contracts with customers. All other marketing activities related to marketing campaigns that are not integral part of customer contract are presented within Marketing and promotion costs. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

(a) Sales of products and trade goods – wholesale

The Group manufactures and sells its own products and goods of third parties in the wholesale market. Sales of goods are recognised when the Group has delivered the products to the wholesaler, the wholesaler has full discretion over the price to sell and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of loss have been transferred to the wholesaler and either of the following has occurred: the wholesaler has accepted the products in accordance with the contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

Products are sold with volume discounts and customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specific in the sales contracts, net of estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of up to 90 days, which is consistent with the market practice.

(b) Sales of goods - retail

The Group operates a pharmacy and specialised stores and discount stores. Sale of goods are recognised when a group entity sells a product to the customer. Retail sales are paid in cash or by credit card. The Group operates a customer loyalty programme, allowing customers to accumulate points when they purchase products. The points can then be redeemed as discount on subsequent purchase, subject to a minimum number of points being obtained. Consideration received is allocated between the products sold and the points issued. Part of fair value of the points issued is deferred as liability in the balance sheet and recognised as revenue when the points are redeemed.

(c) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(d) Interest income

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

(e) Rental income

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

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

2.18 Dividend distribution

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

2.19 Value added tax

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

2.20 Assets held for sale

Assets are classified as assets held for sale when their carrying value is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell and no depreciation is charged to profit and loss statement.

2.21 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of cash flow hedge derivatives is disclosed in Note 17 and changes in cash flow hedge reserves are disclosed in Note 23.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges, is recognised in other comprehensive income (OCI). The gain or loss related to the ineffective portion is recognised immediately in the income statement within "Other gains/(losses) – net". Amounts accumulated in equity are reclassified from OCI to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs - net'. The gain or loss relating to the ineffective portion is recognised in the income statement within "Other gains/(losses) – net".

When a hedging instrument expires or is sold or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred from other comprehensive income to the income statement within "Other gains/(losses) – net".

NOTE 2 – SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

2.22 Trade payables

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

2.23 Investment property

Investment property is carried at historical cost less accumulated depreciation and provision for impairment (useful life of 25 years). Investment property is derecognized when it either has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Transfers are made to or from investment property only when there is a change in use. The carrying amount approximates fair value. Investment property is held for long term rental yields and is not occupied by the Group.

2.24 Operating profit

Operating profit comprise the difference between operating revenues (revenues from sale of products, trade goods and services, interest income and other income) and operating costs – all costs excluding finance costs and taxes.

2.25 Events after the reporting period

Events that occur after the reporting period and provide necessary information about the Group's position on the reporting date (adjusting events) are reflected in the financial statements. Events that occur after the reporting period and are not adjusting events are disclosed in the notes when they are significant.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's business activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Serbian dinar (RSD), Russian ruble (RUB) and to a lesser extent the US dollar (USD). Movement in exchange rate of the Serbian dinar against EUR in 2023 and 2022 did not have a significant impact on Group's results. The depreciation of Russian ruble against EUR in 2023 and 2022 did not have significant impact on Group's results.

Movements in exchange rates between the above-mentioned currencies and EUR may have an impact on the results of the Group's future operations and future cash flow. The amounts in the tables below represent the EUR amounts denominated in the stated currencies at the balance sheet date for major balance sheet monetary items.

31 December 2023 *(in thousands of EUR)*	**RSD**	**USD**	**RUB**
Trade and other receivables	69,967	-	1,111
Cash and cash equivalents	5,292	98	1,069
Trade and other payables	(32,884)	(5,333)	(2,625)
Borrowings	(25,602)	(213)	-
Lease liabilities	(104)	-	-
Net balance sheet exposure	**16,669**	**(5,448)**	**(445)**

31 December 2022 *(in thousands of EUR)*	**RSD**	**USD**	**RUB**
Trade and other receivables	54,463	159	1,162
Cash and cash equivalents	3,181	18	3,029
Trade and other payables	(22,261)	(6,633)	(2,925)
Borrowings	(22,329)	(53)	-
Lease liabilities	(399)	-	-
Net balance sheet exposure	**12,655**	**(6,509)**	**1,266**

Given that the Group also has subsidiaries outside of Croatia, its shareholders equity value is exposed to fluctuations in exchange rates. Equity changes caused by movements in foreign exchange rates are shown as translation differences in the Group's consolidated statement of comprehensive income.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

In the event of a rise of 1% in the RSD against EUR, assuming all other variables remain constant, the profit after tax for the year would have been EUR 70 thousand lower (2022: EUR 91 thousand lower), and other comprehensive income would be EUR 1,495 thousand higher (2022: EUR 1,418 thousand higher).

In the event of a rise of 1% in the RUB against EUR, assuming all other variables remain constant, the profit after tax for the year would not change in 2023 and 2022 and other comprehensive income would be EUR 28 thousand higher (2022: EUR 29 thousand higher).

(ii) Equity securities risk

The Group is exposed to equity securities fair value and price risk with respect to investments held by the Group classified on the consolidated balance sheet as fair value through OCI. Equity investments classified as fair value through OCI are not listed. To manage its fair value and price risk arising from investments in equity securities, the Group monitors market transactions and performance of entities.

No reliable external information exists with respect to fair value. Management believes, based on internal information, that the fair value equals or exceeds carrying value. However, due to limited information available, management has not carried out a sensitivity analysis. At 31 December 2023, if the fair value of the financial assets through OCI would change, with all other variables held constant, other comprehensive income and revaluation reserves would also change for the same amount.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings and bonds issued. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable interest rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk although no borrowings are carried at fair value.

The Group analyses its interest rate changes on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. As at 31 December 2023, if the effective interest rate on borrowings increased/decreased by 100 basis points on an annual level (2022: 100 basis points), the profit after tax would have been lower/higher by EUR 564 thousand (2022: EUR 187 thousand lower/higher), mainly as a result of increased/decreased interest expense.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group's assets, potentially subjecting the Group to concentrations of credit risk, primarily include cash, deposits and trade and other receivables. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history, within previously defined credit limits. The Group's credit risk is low, since receivables are dispersed among a large group of customers. Additionally, the Group's key customers are large retail chains, whereas dependence on these customers is reduced by developing alternative distribution channels. The Group reduces credit risk by implementing strict policies for receivables collection and goods delivery, as well as securing receivables with standard security instruments (bills of exchange and promissory notes). No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counterparties. A detailed analysis and maximum exposure to credit risk is shown in Notes 17 and 19.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of contracted credit facilities and the ability to meet all obligations. The Group aims to maintain flexibility in funding by keeping contracted credit lines available.

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

Surplus cash held over and above the balance required for working capital management is invested in interest bearing current accounts, time deposits and cash funds, i.e. instruments with appropriate maturities or sufficient liquidity.

At 31 December 2023, the Group held cash and cash equivalents in the amount of EUR 72,553 thousand (2022: EUR 58,987 thousand) and short-term deposits in the amount of EUR 22 thousand (2022: EUR 24 thousand). These are expected to readily generate cash inflows for managing liquidity risk.

Trade and other payables, as well as short-term borrowings are due within 12 months after the balance sheet date, while the long-term borrowings' maturity is disclosed in Note 25.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses financial liabilities of the Group according to contracted maturities. The amounts disclosed in the table below represent the contractual undiscounted cash flows.

(in thousands of EUR)	**Less than 1 year**	**Between 1-5 years**	**Over 5 years**	**Total**
31 December 2023				
Trade and other payables	185,562	-	-	185,562
Borrowings	77,902	91,451	-	169,353
Lease liabilities	15,078	33,477	24,131	72,686
Derivative financial instruments	988	-	-	988

(in thousands of EUR)	**Less than 1 year**	**Between 1-5 years**	**Over 5 years**	**Total**
31 December 2022				
Trade and other payables	161,798	-	-	161,798
Borrowings	44,831	55,424	-	100,255
Lease liabilities	13,103	24,023	13,120	50,246
Derivative financial instruments	2,478	-	-	2,478

3.2 Changes in liabilities arising from financial activities

(in thousands of EUR)	**Borrowings Current**	**Borrowings Non-Current**	**Leases Current**	**Leases Non-Current**	**Total**
1 January 2023	**43,669**	**54,547**	**12,168**	**34,023**	**144,407**
Cash flow	3,236	57,000	(14,401)	-	45,835
Acquisitions, modifications, and leases expirations	-	-	2,876	28,209	31,085
Current portion	25,240	(25,240)	12,865	(12,865)	-
FX differences	22	-	-	1	23
Other	1,268	31	-	-	1,299
31 December 2023	**73,435**	**86,338**	**13,508**	**49,368**	**222,649**

The Group classifies interest paid as cash flows from operating activities.

3.3 Capital risk management

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

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

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.3 Capital risk management (continued)

The gearing ratios were as follows:

(in thousands of EUR)	**31 December 2023**	**31 December 2022**
Total borrowings (Note 25)	159,773	98,216
Lease liabilities (Note 13a)	62,876	46,191
Derivative financial instruments (Note 17)	604	1,893
Less: Cash and cash equivalents (Note 21)	(72,553)	(58,987)
Net debt	150,700	87,313
Total equity	446,258	425,165
Total capital and net debt	**596,958**	**512,478**
Gearing ratio	**25%**	**17%**

In order to maintain or adjust the capital structure, the General assembly, in accordance with the Decision on dividend policies, may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or Group may sell assets to reduce debt.

3.4 Fair value estimation

All financial instruments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation (continued)

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

The fair value of derivative financial instruments is determined based on specific valuation techniques (level 2).

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

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

(a) Expected useful lives of brands and licences

Expected useful lives of brands and licences is considered to be indefinite unless there are circumstances that would indicate they should be limited to a certain period. The Group considers such indicators at each reporting period.

(b) Impairment of goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment as stated in Note 2.7. Brands with indefinite useful lives are tested for impairment on an individual asset basis, licences at the level of pharmacy business type (pharmacies and specialized stores), whereas goodwill is tested based on the operating segment to which it is allocated.

Goodwill and intangible assets with indefinite lives have been allocated to cash generating units within operating segments as follows:

(i) Licences

Operating segment *(in thousands of EUR)*	**31 December 2023**	**31 December 2022**
SBU Pharmacy business	24,342	24,315
	24,342	**24,315**

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES (continued)

(b) Impairment test for goodwill and intangible assets with indefinite useful lives (continued)

(ii) Brands

Operating segment *(in thousands of EUR)*	**31 December 2023**	**31 December 2022**
SBU Savoury Spreads	32,126	32,126
SBU Snacks	15,338	15,327
SBU Coffee	13,609	13,609
BU Donat	6,255	6,255
	67,328	**67,317**

(iii) Goodwill

Operating segment *(in thousands of EUR)*	**31 December 2023**	**31 December 2022**
SBU Snacks	24,674	24,624
SBU Pharmacy business	22,322	22,322
SBU Savoury Spreads	16,475	16,475
BU Donat	10,679	10,679
SBU Coffee	8,519	8,509
SDU Serbia	6,916	6,909
SDU Croatia	6,622	6,617
SDU Slovenia	3,539	3,535
SDU North Macedonia	804	803
SBU Beverages	348	348
	100,898	**100,821**

The recoverable amount of cash generating units is determined based on value-in-use calculations. These calculations use cash flow projections from financial forecasts approved by the management, covering a seven-year period.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES (continued)

(b) Impairment test for goodwill and intangible assets with indefinite useful lives (continued)

Value in use calculations for goodwill were determined based on the following assumptions on after-tax discount rates:

Operating segment	**2023**	**2022**
SBU Coffee	10.8%	8.9%
SBU Savoury Spreads	10.5%	9.0%
SBU Snacks	12.0%	9.7%
SBU Pharmacy business	7.9%	8.2%
BU Donat	10.1%	8.5%
SDU Croatia	7.4%	8.1%
SDU Serbia	9.8%	9.7%
SDU Slovenia	6.0%	6.2%
SDU North Macedonia	11.3%	12.6%

The Growth rate assumptions were based on historical data and management's expectations for market development. Terminal growth rate is 2.0% for all Operating segments (except for SBU Coffee, 1.0%) and individual asset impairment tests, and it is based on management's expectations for market development (2022: 2.0%, SBU Coffee: 1.0%). Discount rates after taxes in 2023 are generally higher than in 2022 among segments, because of increase in cost of debt due to higher interest rates.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES (continued)

(b) Impairment test for goodwill and intangible assets with indefinite useful lives (continued)

The Royalty rate assumptions used for impairment tests of brands are as follows:

	2023	2022
Barcaffe	5.0%	5.0%
Najlepše želje	6.0%	6.0%
Bananica	5.1%	5.1%
Smoki	7.5%	7.5%
Argeta	8.0%	8.0%
Donat	10.7%	8.0%

Based on impairment tests performed at the balance sheet date no impairment loss was recognised (2022: EUR 3,465 thousand) in respect of impairment of goodwill and brands with indefinite useful lives.

A reasonably expected change in any of the key assumptions used in the impairment test, with all other variables unchanged, may result in additional impairment.

The sensitivity analysis of the key assumptions used in the impairment testing of brands showed that a discount rate increase by 100 basis points with other variables unchanged would not result in additional impairment of brands. At the same time, if the terminal growth rate was reduced by 100 basis points, with other variables unchanged, it would not lead to an additional decrease in the value of brands. Also, a decrease in the royalty rate by 50 basis points, with other variables unchanged, would not imply additional impairment of brands.

The sensitivity analysis of the key assumptions used in the impairment testing of goodwill and licences shows that increasing the discount rate by 100 basis points, with other variables unchanged, would result in the additional impairment of goodwill in the amount of EUR 800 thousand. At the same time, if the terminal growth rate was reduced by 100 basis points, with other variables unchanged, there would be no additional impairment of goodwill and licences. Decrease in expected free cash flow by 500 basis points, with other variables unchanged, also would not lead to additional impairment of goodwill and licences.

(c) Deferred tax asset recognition

The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded on the balance sheet. Deferred tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimation based on previous years taxable profits and expectations of future income that are believed to be reasonable under the existing circumstances (Note 26).

NOTE 5 – SEGMENT INFORMATION

The business model of the Group is organized through five strategic business units and one business unit. In addition to business units, separate department – New Growth is established, which is focused on the development of new brands of Atlantic Grupa.

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

For more efficient management of individual business and distribution units, the organization unites similar business activities or products, shared markets, or channels, together.

Since DU Russia, DU Austria, Global distribution network management and New Growth do not meet quantitative thresholds, required by IFRS 8 for reportable segments, they are reported within "Other segments". "Other segments" category comprises also of non-allocable business activities (headquarters and support functions in all markets of Atlantic Grupa) which are excluded from the reportable operating segments.

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.

NOTE 5 – SEGMENT INFORMATION (continued)

Sales revenues* *(in thousands of EUR)*	**2023**	**2022**
SBU Coffee	199,908	184,550
SBU Savoury Spreads	137,722	129,292
SBU Snacks	123,946	98,172
SBU Beverages	100,953	85,095
SBU Pharmacy business	87,557	78,003
BU Donat	36,425	32,375
SDU Croatia	245,467	206,293
SDU Serbia	237,914	204,728
SDU Slovenia	160,879	145,360
SDU North Macedonia	57,429	48,119
Other segments	79,986	73,902
Reconciliation	(494,272)	(439,662)
Total	**973,914**	**846,227**

Operating results	**For the year ended 31 December 2023**		
(in thousands of EUR)	**Operating Profit/(Loss) before Depreciation, Amortisation and Impairment**	**Depreciation, Amortisation and Impairment**	**Operating Profit/(Loss)**
SBU Coffee	20,622	8,219	12,403
SBU Savoury Spreads	17,418	3,633	13,785
SBU Snacks	11,306	3,984	7,322
SBU Beverages	14,654	3,546	11,108
SBU Pharmacy business	10,286	3,408	6,878
BU Donat	16,444	479	15,965
SDU Croatia	14,736	3,848	10,888
SDU Serbia	10,446	2,914	7,532
SDU Slovenia	7,125	1,117	6,008
SDU North Macedonia	2,902	914	1,988
Other segments	(39,316)	9,881	(49,197)
Total	**86,623**	**41,943**	**44,680**

* Comparative period has been adjusted to reflect 2023 reporting

NOTE 5 – SEGMENT INFORMATION (continued)

Operating results*	**For the year ended 31 December 2022**		
(in thousands of EUR)	**Operating Profit/(Loss) before Depreciation, Amortisation and Impairment**	**Depreciation, Amortisation and Impairment**	**Operating Profit/(Loss)**
SBU Coffee	24,927	6,854	18,073
SBU Savoury Spreads	19,669	3,434	16,235
SBU Snacks	3,169	6,194	(3,025)
SBU Beverages	13,191	3,594	9,597
SBU Pharmacy business	9,189	3,092	6,097
BU Donat	14,505	722	13,783
SDU Croatia	11,278	3,476	7,802
SDU Serbia	9,502	2,734	6,768
SDU Slovenia	8,326	1,029	7,297
SDU North Macedonia	2,303	469	1,834
Other segments	(39,627)	8,275	(47,902)
Total	**76,432**	**39,873**	**36,559**

Geographical information

The total of non-current assets other than financial instruments, deferred income tax assets and trade and other receivables is located as follows:

(in thousands of EUR)	**31 December 2023**	**31 December 2022**
Croatia	164,107	134,686
Serbia	150,694	142,765
Slovenia	122,819	118,799
Other markets	27,257	21,543
Total geographically allocated non-current assets	**464,877**	**417,793**

* Comparative period has been adjusted to reflect 2023 reporting

NOTE 5 – SEGMENT INFORMATION (continued)

Sales by markets	2023 (in thousands of EUR)	2023 %	2022 (in thousands of EUR)	2022 %
Croatia	337,991	34.7	285,644	33.8
Serbia	241,014	24.7	207,415	24.5
Slovenia	161,291	16.6	146,249	17.3
Bosnia and Herzegovina	72,000	7.4	63,453	7.5
Other regional markets*	83,822	8.6	70,977	8.4
Key European markets**	48,559	5.0	43,268	5.1
Russia and CIS countries	13,845	1.4	14,052	1.7
Other markets	15,392	1.6	15,169	1.7
Total sales by markets	**973,914**	**100.0**	**846,227**	**100.0**

*Other regional markets: North Macedonia, Montenegro, Kosovo
**Key European markets: Germany, Switzerland, Austria, Sweden

Sales by geographical segments is determined by geographical location of the customer.

Analysis of revenue by category	2023 (in thousands of EUR)	2023 %	2022 (in thousands of EUR)	2022 %
Sales by type of products				
Own brands	604,022	61.2	533,006	62.1
Principal brands	282,335	28.6	235,218	27.4
Farmacia	87,557	8.9	78,003	9.1
Total sales by type of products	**973,914**	**98.7**	**846,227**	**98.6**
Other income /i/	13,168	1.3	12,079	1.4
Total revenues	**987,082**	**100.0**	**858,306**	**100.0**

/i/ Other income mainly comprises of interest income, rental income and income from the reversal of unused provisions.

NOTE 6 – STAFF COSTS

(in thousands of EUR)	2023	2022
Gross salaries /i/	122,851	112,218
Christmas and Easter bonuses and holiday allowances	8,638	6,011
Public transport	2,742	2,525
Termination benefits	473	321
Other staff costs /ii/	14,508	9,573
	149,212	**130,648**

In 2023, the average number of employees was 5,487 (2022: 5,436).

/i/ Pension contributions that the Group calculated for payment to mandatory pension funds in 2023 amounted to EUR 23,008 thousand (2022: EUR 20,940 thousand).

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

NOTE 7 – MARKETING AND PROMOTION COSTS

(in thousands of EUR)	2023	2022
Marketing and promotion costs - external	38,468	35,154
Marketing and promotion costs - related parties (Note 30)	1,867	1,045
Sponsorships and donations - external	3,252	2,919
	43,587	**39,118**

NOTE 8 – OTHER OPERATING COSTS

(in thousands of EUR)	2023	2022
Transportation costs	26,048	23,840
Maintenance	21,110	17,103
Taxes and contributions not related to operating results	6,013	3,172
Non-production material	5,871	5,142
Rentals (Note 13a)	5,196	4,264
Entertainment	4,328	2,723
Fuel	3,645	3,490
Production services	3,394	2,207
Provision for impairment of inventories (Note 20)	2,882	3,351
Intellectual services	2,691	2,382
Travel expense and daily allowances	1,975	1,460
Non-production services	1,746	1,930
Telecommunication services	1,512	1,393
Bank charges	1,307	1,139
Provision for impairment of trade receivables (Note 19)	1,054	946
Supervisory Board fees	267	254
Collection of previously impaired trade receivables (Note 19)	(470)	(502)
Other – related parties (Note 30)	316	314
Other	3,596	5,075
	92,481	**79,683**

NOTE 9 – OTHER GAINS – NET

(in thousands of EUR)	2023	2022
Gain on sale of property, plant, and equipment	3,000	215
Fair value gains/(losses) on financial assets	45	(145)
Foreign exchange (losses)/gains – net	(1,764)	4,175
Gain on sale of intangible asset	-	100
Losses on sale of subsidiaries – net of transaction expenses	-	(48)
Other gains - net	606	32
	1,887	**4,329**

NOTE 10 – FINANCE COSTS – NET

(in thousands of EUR)	2023	2022
Finance income		
Foreign exchange gains on borrowings and lease liabilities	56	391
	56	391
Finance costs		
Interest expense on bank borrowings	(3,522)	(502)
Interest expense on lease liabilities	(1,744)	(1,111)
Interest expense on bonds	(373)	(381)
Interest expense on provisions for employee benefits	(268)	(325)
Other interest expense /i/	(153)	(163)
Total interest expense	(6,060)	(2,482)
Foreign exchange losses on borrowings and lease liabilities	(21)	(537)
	(6,081)	(3,019)
Finance costs - net	**(6,025)**	**(2,628)**

/i/ Other interest expenses relate to interest arising from unwinding of discount and default interests.

NOTE 11 – INCOME TAX

(in thousands of EUR)	2023	2022
Current tax	7,575	7,206
Deferred tax (note 26)	(140)	610
	7,435	**7,816**

NOTE 11 – INCOME TAX (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

(in thousands of EUR)	2023	2022
Profit before taxation	**38,655**	**33,931**
Income tax calculated at Croatian statutory income tax rate of 18%	6,958	6,108
Tax effects of:		
(Lower)/higher income tax rates overseas	(127)	152
Adjustments of current income tax related to prior years	-	(531)
Income not subject to tax	(47)	(1,653)
Expenses not deductible for tax purposes	1,648	3,311
Effect of utilized tax incentives	(477)	(307)
Utilisation of previously unrecognized tax losses	(730)	(446)
Tax losses for which no deferred tax assets were recognised	210	1,181
Effect of utilized tax losses	-	(94)
Additional profit tax in the Republic of Croatia	-	95
Income tax	**7,435**	**7,816**

The effective tax rate was 19.2% (2022: 23.0%).

In December 2021, the OECD released model rules to introduce a global minimum corporate income tax rate of 15% applicable to multinational enterprise groups with global revenue over EUR 750 million ("Pillar Two"). The formal adoption of Directive (EU) 2022/2523 in December 2022 aims to achieve a coordinated implementation of Pillar Two in the EU Member States.

The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in Republic of Croatia, the jurisdiction in which the Company is incorporated, and will come into effect from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.
Under the legislation, the Group is liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate. Majority of the entities within the Group have an effective tax rate that exceeds 15% and for the subsidiaries that operate in jurisdictions where the effective tax rate is below 15% the transitional safe harbour rules may apply.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there might still be Pillar Two tax implications.
The Group is currently engaged with tax specialists to assist it with applying the legislation. The related top-up taxes potentially arising for the Group are not expected to have a material impact on the Group.

NOTE 12 – EARNINGS PER SHARE

Basic earnings per share

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

In accordance with the Law on the introduction of the euro as the official currency in the Republic of Croatia, the individual nominal amount of the share was converted from HRK 10.00 to EUR 1.33.

During 2023, the Company's share capital was increased from the share premium funds from the amount of EUR 17,701,506.40 by an amount of EUR 88,996,093.60, resulting in total amount of EUR 106,697,600.00.

After the increase, the Company's share capital amounts to EUR 106,697,600.00 and is divided into 13,337,200 ordinary shares with a nominal value of EUR 8.00.

	2023	2022
Net profit attributable to shareholders of the Company *(in thousands of EUR)*	31,209	26,017
Weighted average number of ordinary shares in issue	13,299,910	13,292,694
Basic earnings per share *(in EUR)*	2.35	1.96

Diluted earnings per share

Diluted earnings per share are the same as basic earnings per share since there were no diluted potential ordinary shares.

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

(in thousands of EUR)	Land	Buildings	Plant and equipment	Assets not yet in use	Total
At 31 December 2021					
Cost	17,332	120,852	251,540	18,288	408,012
Accumulated depreciation and impairment charge	-	(75,167)	(185,354)	-	(260,521)
Net book amount	**17,332**	**45,685**	**66,186**	**18,288**	**147,491**
At 1 January 2022					
Opening net book amount	17,332	45,685	66,186	18,288	147,491
Additions	33	48	1,117	27,635	28,833
Transfer	-	2,181	22,044	(24,225)	-
Disposals	-	(25)	(138)	(1)	(164)
Depreciation	-	(2,395)	(14,571)	-	(16,966)
Impairment charge	-	(543)	(226)	-	(769)
Transfer from investment property	-	42	-	-	42
Transfer from intangible assets	-	62	-	185	247
Acquisition of subsidiary	-	-	32	-	32
Foreign exchange differences	(10)	20	-	8	18
Closing net book amount	**17,355**	**45,075**	**74,444**	**21,890**	**158,764**
At 31 December 2022					
Cost	17,355	121,265	261,375	21,890	421,885
Accumulated depreciation and impairment charge	-	(76,190)	(186,931)	-	(263,121)
Net book amount	**17,355**	**45,075**	**74,444**	**21,890**	**158,764**
At 1 January 2023					
Opening net book amount	17,355	45,075	74,444	21,890	158,764
Additions	-	32	941	34,003	34,976
Transfer	20	3,827	28,544	(32,391)	-
Disposals	-	(18)	(169)	-	(187)
Depreciation	-	(2,325)	(16,614)	-	(18,939)
Impairment charge	(1,215)	(88)	(9)	(203)	(1,515)
Transfer to assets held for sale	(6,258)	(613)	-	(2,087)	(8,958)
Transfer from intangible assets	-	-	-	138	138
Acquisition of subsidiary	3,180	7,361	27	16	10,584
Foreign exchange differences	-	6	76	18	100
Closing net book amount	**13,082**	**53,257**	**87,240**	**21,384**	**174,963**
At 31 December 2023					
Cost	14,291	127,216	284,067	21,384	446,958
Accumulated depreciation and impairment charge	(1,209)	(73,959)	(196,827)	-	(271,995)
Net book amount	**13,082**	**53,257**	**87,240**	**21,384**	**174,963**

The Group has no pledged property, plant, and equipment as collateral for loan repayment.

NOTE 13a – LEASES

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

(i) Amounts recognized in the balance sheet

(in thousands of EUR)	Buildings	Vehicles	Other	Total
Right-of-use assets				
At 1 January 2022	30,601	12,693	592	43,886
Additions	1,958	5,868	84	7,910
Lease modification	5,228	1,050	(61)	6,217
Lease expiration	(166)	(842)	(30)	(1,038)
Depreciation	(7,403)	(5,994)	(76)	(13,473)
Foreign exchange differences	(51)	2	-	(49)
At 31 December 2022	**30,167**	**12,777**	**509**	**43,453**
Additions	5,159	12,324	26	17,509
Lease modification	14,322	600	(2)	14,920
Lease expiration	(425)	(740)	(23)	(1,188)
Depreciation	(8,167)	(6,744)	(73)	(14,984)
Foreign exchange differences	7	7	-	14
At 31 December 2023	**41,063**	**18,224**	**437**	**59,724**

	31 December 2023	31 December 2022
Lease liabilities		
Current	13,508	12,168
Non-current	49,368	34,023
	62,876	46,191

(ii) Amounts recognized in the income statement

(in thousands of EUR)	2023	2022
Depreciation charge of right-of-use assets	14,984	13,473
Interest expense (included in "Finance cost")	1,744	1,111
Expense related to short-term leases, leases of software licences, low value assets and variable lease component which is not capitalized (included in "Other operating expenses")	5,196	4,264

The total cash outflow for leases in 2023 was EUR 14,401 thousand (2022: EUR 13,459 thousand).

NOTE 14 – INVESTMENT PROPERTY

(in thousands of EUR)	
At 31 December 2021	
Cost	107
Accumulated depreciation	-
Net book amount	**107**
At 1 January 2022	
Opening net book amount	107
Depreciation	(3)
Foreign exchange differences	1
Transfer to Buildings	(42)
Closing net book amount	**63**
At 31 December 2022	
Cost	66
Accumulated depreciation	(3)
Net book amount	**63**
At 1 January 2023	
Opening net book amount	63
Acquisition of subsidiary	15,811
Depreciation	(78)
Closing net book amount	**15,796**
At 31 December 2023	
Cost	22,383
Accumulated depreciation	(6,587)
Net book amount	**15.796**

The fair value of the investment property was determined based on the assessment of an independent, recognized and authorized appraiser and at 31 December 2023, amounted to EUR 15,940 thousand.

NOTE 15 – ASSETS HELD FOR SALE

(in thousands of EUR)	**2023**	**2022**
At 1 January	-	500
Transfer from property, plant and equipment	8,958	-
Disposals	(1,566)	-
Divestment of subsidiary	-	(495)
Foreign exchange differences	-	(5)
At 31 December	**7,392**	**-**

The amount of assets held for sale as at 31 December 31 2023 relates to the largest extent to construction land in Zagreb, owned by the Company. Activities to implement the planned sale are underway.

NOTE 16 – INTANGIBLE ASSETS

(in thousands of EUR)	Goodwill	Licences	Brands	Rights and Customer contracts	Software	Assets not yet in use	Total
At 31 December 2021							
Cost	107,420	30,399	98,466	2,912	32,822	971	272,990
Accumulated amortisation and impairment charge	(3,219)	(6,583)	(19,904)	(338)	(24,732)	-	(54,776)
Net book amount	**104,201**	**23,816**	**78,562**	**2,574**	**8,090**	**971**	**218,214**
At 1 January 2022							
Opening net book amount	104,201	23,816	78,562	2,574	8,090	971	218,214
Foreign exchange differences	85	(54)	40	(6)	(12)	20	73
Additions	-	-	-	-	-	5,358	5,358
Transfer	-	-	3	-	2,863	(2,866)	-
Transfer to property, plant, and equipment	-	-	-	-	-	(247)	(247)
Acquisition of subsidiary	-	777	-	-	-	-	777
Amortisation	-	(69)	(1,275)	(424)	(3,429)	-	(5,197)
Impairment charge	(3,465)	-	-	-	-	-	(3,465)
Closing net book amount	**100,821**	**24,470**	**77,330**	**2,144**	**7,512**	**3,236**	**215,513**
At 31 December 2022							
Cost	107,501	31,107	98,547	2,906	35,437	3,236	278,734
Accumulated amortisation and impairment charge	(6,680)	(6,637)	(21,217)	(762)	(27,925)	-	(63,221)
Net book amount	**100,821**	**24,470**	**77,330**	**2,144**	**7,512**	**3,236**	**215,513**
At 1 January 2023							
Opening net book amount	100,821	24,470	77,330	2,144	7,512	3,236	215,513
Foreign exchange differences	77	-	22	-	-	2	101
Additions	-	27	-	55	-	5,263	5,345
Transfer	-	-	-	-	6,116	(6,116)	-
Transfer to property, plant, and equipment	-	-	-	-	-	(138)	(138)
Amortisation	-	(70)	(1,278)	(438)	(3,663)	-	(5,449)
Impairment charge	-	-	(109)	(869)	-	-	(978)
Closing net book amount	**100,898**	**24,427**	**75,965**	**892**	**9,965**	**2,247**	**214,394**
At 31 December 2023							
Cost	107,672	31,133	98,586	2,961	41,537	2,247	284,136
Accumulated amortisation and impairment charge	(6,774)	(6,706)	(22,621)	(2,069)	(31,572)	-	(69,742)
Net book amount	**100,898**	**24,427**	**75,965**	**892**	**9,965**	**2,247**	**214,394**

The disclosure on goodwill and intangible assets with indefinite useful lives impairment test and the basis for impairment charge are provided in Note 4 b).

The Group has no pledged intangible assets as collateral for loan repayment.

NOTE 17 – FINANCIAL INSTRUMENTS BY CATEGORY

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

(in thousands of EUR)	31 December 2023	31 December 2022
Financial assets at amortised cost		
Trade receivables	191,990	157,061
Loans and deposits given	18,203	5,787
Other financial assets at amortized cost	9,155	3,045
Cash and cash equivalents	72,553	58,987
	291,901	224,880
Financial assets at fair value through other comprehensive income	161	169
Derivative financial instruments		
Cash flow hedges	384	585
Total financial assets	**292,446**	**225,634**
Total current	276,986	220,857
Total non-current	15,460	4,777
Financial liabilities at amortised cost		
Borrowings	159,773	98,216
Lease liabilities	62,876	46,191
Trade and other payables	185,494	161,004
	408,143	305,411
Derivative financial instruments		
Cash flow hedges	988	2,478
Financial liabilities at fair value through profit or loss		
Contingent consideration for acquisition of subsidiaries	108	902
Total financial liabilities	**409,239**	**308,791**
Total current	273,493	220,113
Total non-current	135,746	88,678

NOTE 18 – FINANCIAL ASSETS THROUGH OTHER COMPREHENSIVE INCOME

Investments in financial assets through other comprehensive income (OCI) relate to unlisted equity instruments and are carried at cost since they do not have a quoted market price and fair value cannot be reliably measured.

During 2023 and 2022, there were no impairment provisions on financial assets through OCI.

NOTE 19 – TRADE AND OTHER RECEIVABLES

(in thousands of EUR)	31 December 2023	31 December 2022
Non-current receivables		
Loans and deposits given /i/	8,292	3,782
Other non-current receivables	6,473	826
Other non-current receivables – related parties (Note 30)	534	-
	15,299	4,608
Current receivables		
Trade receivables /ii/	191,990	157,061
Loans and deposits given /i/	9,911	2,005
Other receivables /iii/	35,652	28,237
	237,553	187,303
	252,852	**191,911**

(in thousands of EUR)	31 December 2023	31 December 2022
Financial assets		
Category: Trade and other receivables		
Trade receivables	191,990	157,061
Loans and deposits given	18,203	5,787
Other receivables	9,155	3,045
	219,348	**165,893**

NOTE 19 – TRADE AND OTHER RECEIVABLES (continued)

/i/ Loans and deposits given are as follows:

(in thousands of EUR)	31 December 2023	31 December 2022
Non-current receivables		
Loans	9,526	5,101
Deposits	331	284
Current portion	(1,565)	(1,603)
	8,292	3,782
Current receivables		
Loans	286	263
Loans – related parties (Note 30)	38	115
Deposits*	8,022	24
Current portion of non-current receivables	1,565	1,603
	9,911	2,005
	18,203	**5,787**

The fair value of loans and deposits approximates the carrying amounts.

*In October 2023, Atlantic Grupa signed a Sales and purchase agreement with the Strauss Group for the purchase of Strauss Adriatic, headquartered in Šimanovci, Serbia. EUR 8,000 thousand have been allocated to a special escrow account as a prerequisite for the purchase. The conclusion of the transaction is subject to the prior approval of the Commission for the Protection of Competition in the Republic of Serbia.

/ii/ Trade receivables are as follows:

(in thousands of EUR)	31 December 2023	31 December 2022
Gross trade receivables	185,125	150,675
Trade receivables – related parties (Note 30)	12,861	12,229
Provision for trade receivables	(5,996)	(5,843)
	191,990	**157,061**

NOTE 19 – TRADE AND OTHER RECEIVABLES (continued)

/iii/ Other receivables are as follows:

(in thousands of EUR)	31 December 2023	31 December 2022
Prepaid expenses	14,120	14,423
Prepaid expenses – related parties (Note 30)	435	306
Receivables from government institutions	8,761	7,178
Advances to suppliers	10,188	4,111
Interest receivable	143	93
Interest receivable – related parties (Note 30)	21	32
Other	1,984	2,094
	35,652	**28,237**

During 2023 and 2022 there were no impairment of other receivables.

/iv/ Accrued interest up to the balance sheet date is recorded within other income.

As at 31 December 2023, trade receivables in the amount of EUR 5,996 thousand (2022: EUR 5,843 thousand) were provided for. The individually impaired receivables relate to customers that are in unexpected difficult economic situations. The ageing of these receivables is as follows:

(in thousands of EUR)	31 December 2023	31 December 2022
Undue	-	69
Up to 3 months	258	301
3 to 6 months	268	285
Over 6 months	5,470	5,188
	5,996	**5,843**

NOTE 19 – TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2023, trade receivables in the amount of EUR 27,394 thousand (2022: EUR 14,752 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is as follows:

(in thousands of EUR)	31 December 2023	31 December 2022
Up to 3 months	23,320	14,217
3 to 6 months	3,608	301
Over 6 months	466	234
	27,394	**14,752**

The carrying amounts of the Group's financial assets are denominated in the following currencies:

(in thousands of EUR)	31 December 2023	31 December 2022
EUR	132,117	96,849
RSD	69,967	54,463
Other	17,264	14,581
	219,348	**165,893**

Movements on the provision for impairment of trade receivables are as follows:

(in thousands of EUR)	2023	2022
As at 1 January	5,843	8,115
Provision for receivables impairment (Note 8)	1,054	946
Collected amounts reversed (Note 8)	(470)	(502)
Receivables written off	(408)	(2,671)
Exchange differences	(23)	(45)
As at 31 December	**5,996**	**5,843**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

NOTE 20 – INVENTORIES

(in thousands of EUR)	31 December 2023	31 December 2022
Trade goods	41,513	40,245
Finished goods	37,585	37,812
Raw materials and supplies	21,569	22,834
Work in progress	1,356	1,193
	102,023	**102,084**

During 2023, inventories of EUR 2,882 thousand (2022: EUR 3,351 thousand) were impaired due to the adjustment to net realisable value (Note 8).

NOTE 21 – CASH AND CASH EQUIVALENTS

(in thousands of EUR)	31 December 2023	31 December 2022
Cash in bank and cash on hand	30,651	56,079
Deposits up to three months /i/	41,902	2,908
	72,553	**58,987**

/i/ Accrued interest up to the balance sheet date is recorded within other income.

Cash and cash equivalents are denominated in the following currencies:

(in thousands of EUR)	31 December 2023	31 December 2022
EUR	62,645	49,795
RSD	5,292	3,181
RUB	1,069	3,029
Other	3,547	2,982
	72,553	**58,987**

NOTE 22 – SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

(in thousands of EUR)	Number of shares	Share capital	Share premium	Treasury shares	Total
1 January 2022	**3,319,479**	**17,702**	**117,307**	**(2,937)**	**132,072**
Purchase of treasury shares	(10,038)	-	-	(2,141)	(2,141)
Share based payments	16,995	-	362	3,430	3,792
21 July 2022	**3,326,436**	**17,702**	**117,669**	**(1,648)**	**133,723**
Share split /i/	13,305,744	-	-	-	-
Purchase of treasury shares	(18,000)	-	-	(831)	(831)
Share based payments	1,324	-	(6)	69	63
31 December 2022	**13,289,068**	**17,702**	**117,663**	**(2,410)**	**132,955**
Purchase of treasury shares	(51,070)	-	-	(2,609)	(2,609)
Share based payments	50,227	-	87	2,515	2,602
Alignment /ii/	-	88,996	(88,990)	(6)	-
31 December 2023	**13,288,225**	**106,698**	**28,760**	**(2,510)**	**132,948**

/i/ At the General Assembly held on 15 June 2022, the Company made a decision on the share split of ordinary registered shares, code ATGR-R-A, with an individual nominal value of HRK 40.00, in a way that 1 share, code ATGR-R-A, ISIN HRATGRRA0003, with an individual nominal value of HRK 40.00 is split into 4 new ordinary registered shares of the Company, code ATGR-R-A, with an individual nominal value of HRK 10.00.

Following the share split on 21 July 2022, the share capital in the amount of HRK 133,372,000.00 was divided into 13,337,200 ordinary shares with an individual nominal value of HRK 10.00.

/ii/ In accordance with the Law on the introduction of the euro as the official currency in the Republic of Croatia, the Company's share capital was converted from the amount of HRK 133,372,000.00 to the amount of EUR 17,701,506.40.

The individual nominal amount of the ordinary share code ATGR-R-A was converted from the amount of HRK 10.00 to the amount of EUR 1.33.

The Company's share capital was increased from the share premium funds from the amount of EUR 17,701,506.40 for the amount of EUR 88,996,093.60 to the amount of EUR 106,697,600.00.

After the implementation, the Company's share capital amounts to EUR 106,697,600.00 and is divided into 13,337,200 ordinary shares code ATGR-R-A with a nominal amount of EUR 8.00.

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

NOTE 22 – SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (continued)

The ownership structure of the Company is as follows:

	31 December 2023		31 December 2022	
	Number of shares	%	Number of shares	%
MYBERG d.o.o.	6,695,276	50.20	6,695,276	50.20
Raiffeisen Obligatory pension fund	1,447,396	10.85	1,447,396	10.85
AZ Obligatory pension fund	1,147,784	8.61	1,147,784	8.61
Erste Plavi Obligatory pension fund	988,464	7.41	988,464	7.41
Lada Tedeschi Fiorio	772,624	5.79	772,624	5.79
Other Management board members	157,884	1.18	149,376	1.12
Other shareholders	2,078,797	15.59	2,088,148	15.66
Treasury shares	48,975	0.37	48,132	0.36
Total	**13,337,200**	**100.00**	**13,337,200**	**100.00**

Based on the Share Transfer Agreement concluded on 29 July 2022, Mr. Emil Tedeschi transferred all the shares of the Company he has held as an individual shareholder to the company MYBERG d.o.o., Zagreb and it resulted in a change of the ownership structure of the Company. Mr. Emil Tedeschi is the founder and majority owner of the company MYBERG d.o.o., Zagreb.

The annual consolidated financial statements of the largest group of companies, in which the Company is a controlled member, are prepared by MYBERG d.o.o., Zagreb. These statements will be available within the legal deadline in the Register of Annual Financial Reports at the Financial Agency - FINA.

Dividend distribution

According to the decision of the Company's General Assembly from 29 June 2023, the distribution of dividend in the amount of EUR 1.00 per share, or EUR 13,309 thousand in total was approved. Dividend was paid in July 2023.

In 2022 the distribution of dividend in the amount of EUR 1.66 per share, or EUR 22,075 thousand in total was approved. Dividend was paid in July 2022.

Share based payments

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

In addition to the right to pay bonuses in shares, employees, if decide to keep the shares for a period of at least two or three subsequent years of employment (vesting period), acquire the right to additional shares, while the other part is available without restrictions.

Members of senior management are eligible to participate in the Executive Longevity Premium program, which was created as a result of Atlantic Grupa's desire to recognize the critical contribution of senior management positions in creating and implementing a long-term strategy. Through this program, the Company grants a package of shares to members of senior management for their long-term contribution to the Company in a senior executive position, whereby the right to a third of the shares from the package is acquired upon completion of six years in an executive position, while the right to the remaining two thirds is acquired upon retirement.

Additionally, employees who, according to the internal performance management evaluation process have made an extraordinary contribution in the previous business year are awarded with an additional package of shares, 20% of which are vested in the current year, while the remaining 80% are vested after the expiration of an additional three and five years of employment.

NOTE 22 – SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (continued)

Share based payments (continued)

In addition to the previous mentioned programs, there is also a Special award of the Chief Executive Officer who awards the best employees for their contribution in the previous financial year in shares. The right to acquire these shares is fully exercised in the current year.

In 2023, members of the Management Board and employees received a total of 25,775 non-conditional shares granted in 2022, 17,988 conditional shares granted in 2019, 5,931 conditional shares granted in 2020 and 533 conditional shares granted in 2021.

In 2022, prior to the corporate action of the share split, the members of the Management Board and employees received a total of 12,033 non-conditional shares granted in 2021, as well as 3,552 conditional shares granted in 2018 and 1,410 conditional shares granted in 2019. Following the corporate action of the share split, Management and employees received an additional 964 non-conditional shares granted in 2021 and 360 conditional shares granted in 2019.

NOTE 23 – RESERVES

(in thousands of EUR)	**Reserves /i/**	**Translation reserves /ii/**	**Cash flow hedge reserves /ii/**	**Total**
At 1 January 2022	**2,963**	**(8,573)**	**(110)**	**(5,720)**
Effect of currency conversion from HRK to EUR	(7)	(283)	-	(290)
Foreign exchange differences	-	(980)	-	(980)
Transfer from retained earnings	579	-	-	579
Shares granted /iii/	4,186	-	-	4,186
Cash flow hedge	-	-	(2,234)	(2,234)
At 31 December 2022	**7,721**	**(9,836)**	**(2,344)**	**(4,459)**
Foreign exchange differences	-	(839)	-	(839)
Transfer from retained earnings	289	-	-	289
Shares granted /iii/	3,098	-	-	3,098
Cash flow hedge	-	-	1,199	1,199
At 31 December 2023	**11,108**	**(10,675)**	**(1,145)**	**(712)**

/i/ Reserves mainly comprise legal and statutory reserves, as well as bonuses to employee that will be paid in shares. These reserves are distributable.

/ii/ Movements represent amounts attributable to the owners of the Company only.

/iii/ As at 31 December 2023, in accordance with share-based payments program, a total of 101,812 shares (2022: 83,819 shares) were granted. The fair value of the shares granted was determined on the vesting date according to the estimated market price of the share in the amount of EUR 55.00 per share (2022: EUR 47.70 per share).

Components of other comprehensive income:

(in thousands of EUR)	**2023**	**2022**
Cash flow hedges		
Currency forward contracts		
Reclassification during the year to profit or loss	1,938	136
Net loss during the year of not-yet matured contracts	(739)	(2,370)
	1,199	**(2,234)**

NOTE 24 – TRADE AND OTHER PAYABLES

(in thousands of EUR)	31 December 2023	31 December 2022
Trade payables	126,304	114,659
Trade payables – related parties (Note 30)	36	128
Other payables	71,866	55,840
	198,206	**170,627**

Other payables recorded as at 31 December are as follows:

(in thousands of EUR)	31 December 2023	31 December 2022
Accrued expenses (suppliers)	34,683	25,564
Accrued expenses (suppliers) – related parties (Note 30)	60	10
Contractual obligation to customers	18,713	15,350
Contractual obligation to customers – related parties (Note 30)	212	248
Gross salaries payable	10,454	9,165
Vacation accrual	3,348	2,999
Deferred income	552	383
Dividend payable	70	58
Termination benefits payable	60	24
Other	3,714	2,039
	71,866	**55,840**

Financial liabilities i.e. trade and other payables excluding gross salaries payable, termination benefits payable and liabilities to state institutions are denominated in the following currencies:

(in thousands of EUR)	31 December 2023	31 December 2022
EUR	138,668	123,643
RSD	32,884	22,261
USD	5,333	6,633
RUB	2,625	2,925
Other	6,052	6,336
	185,562	**161,798**

NOTE 25 – BORROWINGS

(in thousands of EUR)	31 December 2023	31 December 2022
Long-term borrowings:		
Financial institutions /ii/	46,586	14,827
Bonds /i/	39,752	39,720
	86,338	**54,547**
Short-term borrowings:		
Financial institutions /ii/	73,424	43,650
Bonds /i/	11	19
	73,435	**43,669**
	159,773	**98,216**

/i/ In December 2020, Atlantic Grupa issued corporate bonds in the amount of EUR 39,817 thousand at the price of 99.985% with a coupon of 0.875% per annum with semi-annual payment of interest and final redemption on 11 December 2025. The purpose of these Bonds is financing working capital and refinance of bonds whose maturity was on 17 June 2022.

/ii/ Long-term loans from financial institutions include four loans (2022: three loans) with two of them having maturity in 2024. Short-term loans from financial institutions include eight loans (2022: eight loans). As at December 31, 2023, the Group had 49,900 thousand euros of unused credit lines (2022: -).

The Group has no borrowings secured by pledges.

Part of borrowings from financial institutions are subject to covenant clauses, whereby the Group is required to meet certain key performance indicators such as total net debt cover, interest cover, cash flow cover and maximum capital expenditures. At the balance sheet date, all covenant clauses were met.

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

(in thousands of EUR)	31 December 2023	31 December 2022
Fixed interest rate	56,199	71,065
Variable interest rate - up to 3 months	40,592	27,151
Variable interest rate - 3 to 6 months	62,982	-
	159,773	**98,216**

NOTE 25 – BORROWINGS (continued)

The maturity of long-term borrowings is as follows:

(in thousands of EUR)	31 December 2023	31 December 2022
Between 1 and 2 years	56,252	10,240
Between 2 and 5 years	30,086	44,307
	86,338	**54,547**

The average effective annual interest rate related to borrowings from financial institutions at the balance sheet date was 4.83% (2022: 2.21%). The effective annual interest rate related to bonds at the balance sheet date was 0.94% (2022: 0.96%).

The carrying amounts and fair value of long-term borrowings as at 31 December were as follows:

	Carrying amounts		Fair value	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Financial institutions	46,586	14,827	46,318	14,786
Bonds	39,752	39,720	37,627	39,817
	86,338	**54,547**	**83,945**	**54,603**

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

The carrying value of borrowings and bonds is translated from the following currencies:

(in thousands of EUR)	31 December 2023	31 December 2022
EUR	133,958	75,834
RSD	25,602	22,329
USD	213	53
	159,773	**98,216**

NOTE 26 – DEFERRED TAX

Deferred tax assets are recognized for tax loss carry forwards and tax credits to the extent that realization of the related tax benefit through future taxable profits of the related Group entities is probable. The Group did not recognize deferred tax assets of EUR 1,067 thousand (2022: EUR 1,723 thousand) in respect of losses that arose in the nine subsidiaries (2022: in the Company and ten subsidiaries) that can be carried forward against future taxable income.

Deferred tax assets have not been recognized in respect of these losses as it is not probable that future taxable profit will be available for utilization of the temporary differences. Tax losses amounting to EUR 7,665 thousand (2022: EUR 10,400 thousand) expire over the next five years, while the tax losses in the amount of EUR 206 thousand (2022: EUR 380 thousand) do not expire.

Deferred tax assets

(in thousands of EUR)	Tax losses	Provisions	Other	Total
At 1 January 2022	**316**	**2,199**	**3,003**	**5,518**
Charged to the income statement (Note 11)	(380)	(118)	(299)	(797)
(Charged)/credited to other comprehensive income	-	(29)	426	397
Exchange differences	64	76	(115)	25
At 31 December 2022	**-**	**2,128**	**3,015**	**5,143**
(Charged)/credited to the income statement (Note 11)	-	1,409	(649)	760
Charged to other comprehensive income	-	(2)	(246)	(248)
Exchange differences	-	(132)	4	(128)
At 31 December 2023	**-**	**3,403**	**2,124**	**5,527**

Deferred tax liabilities

(in thousands of EUR)	Fair value uplifts of assets acquired in business combinations	Other	Total
At 1 January 2022	**19,664**	**70**	**19,734**
Charged/(credited) to the income statement (Note 11)	(203)	16	(187)
Credited to other comprehensive income	-	(70)	(70)
Exchange differences	(6)	(1)	(7)
At 31 December 2022	**19,455**	**15**	**19,470**
Charged/(credited) to the income statement (Note 11)	634	(14)	620
Exchange differences	2	(1)	1
At 31 December 2023	**20,091**	**-**	**20,091**

NOTE 27 – PROVISIONS

(in thousands of EUR)	Employee benefits	Legal proceedings	Other provisions	Total
At 31 December 2022	10,254	4,744	223	15,221
Analysis of total provisions:				
Non-current	5,448	1,524	181	7,153
Current	4,806	3,220	42	8,068
At 1 January 2023	**10,254**	**4,744**	**223**	**15,221**
Additions	12,216	14	-	12,230
Utilised during the year	(5,997)	(686)	(32)	(6,715)
Reversed during the year	(641)	(972)	-	(1,613)
Interest expense	269	-	-	269
Increases charged to other comprehensive income	268	-	-	268
Transfer to reserves	(3,098)	-	-	(3,098)
Exchange differences	(23)	5	(10)	(28)
At 31 December 2023	**13,248**	**3,105**	**181**	**16,534**
Analysis of total provisions:				
Non-current	6,997	892	181	8,070
Current	6,251	2,213	-	8,464

Employee benefits

This provision comprises estimated long-term employee benefits relating to one-off retirement benefits and jubilee awards, as defined by the collective bargaining agreement and bonuses to employees. The non-current portion of the provision relates to estimated acquired rights to termination benefits and jubilee awards that will be paid after 31 December 2024. The current amount of employee benefits includes annual bonuses to employees and part of jubilee awards and termination benefits in the amount of EUR 710 thousand (2022: EUR 576 thousand) that will be paid out within the period of 12 months from the balance sheet date.

Legal proceedings

In addition to the above, in the ordinary course of business, the Group is defendant and plaintiff in pending legal proceedings. In Management's opinion, the outcome of these legal proceedings will not give rise to any significant loss beyond the amounts provided at 31 December 2023.

NOTE 28 – COMMITMENTS

Capital expenditure contracted at 31 December 2023 but not yet incurred amounted to EUR 10,728 thousand (2022: EUR 6,780 thousand) for property, plant and equipment and EUR 454 thousand for intangible assets (2022: EUR 1,379 thousand).

NOTE 29 – BUSINESS COMBINATIONS, ACQUISITION AND DIVESTMENT OF SUBSIDIARIES

/i/ In 2023, Atlantic Grupa acquired 100% ownership in the company Atlantic Eurocenter d.o.o., Zagreb. The difference between the consideration paid and the carrying value of the net assets acquired was allocated to investment property, land, and buildings in the amount of EUR 20,990 thousand.

(in thousands of EUR)	
Cash paid	26,566
Carrying value of net assets acquired	(5,576)
Investment property	**10,449**
Land and Buildings	**10,541**

Carrying value of net assets acquired	
(in thousands of EUR)	
Property, plant, and equipment	43
Investment property	5,362
Trade and other receivables	200
Cash and cash equivalents	319
Trade and other payables	(348)
	5,576

Cash flow from acquisition of subsidiary	
(in thousands of EUR)	
Cash paid	26,566
Cash in subsidiary acquired	(319)
Payments for acquisition of subsidiary	**26,247**

Acquired subsidiary in 2023 contributed with EUR 200 thousand of revenues and EUR 70 thousand of net profit to the Group.

/ii/ In 2023, the Group paid the remaining EUR 750 thousand for the purchase of the subsidiary Procaffe d.o.o., Zagreb from 2020, the remaining EUR 55 thousand for the purchase of the subsidiary The Best Cofee d.o.o., Podstrana from 2021, and the remaining EUR 27 thousand for the purchase of ZU Ljekarne sv. Kuzma and Damjan, Zagreb from 2022.

NOTE 29 – BUSINESS COMBINATIONS, ACQUISITION AND DIVESTMENT OF SUBSIDIARIES (continued)

/iii/ In 2022, Atlantic Group acquired 100% ownership in the company ZU Ljekarne sv. Kuzma i Damjan, Zagreb. As a result of this transaction, the license in the amount of EUR 47 thousand.

(in thousands of EUR)	
Cash paid	714
Carrying value of net assets acquired	(667)
Licence	**47**

Carrying value of net assets acquired	
(in thousands of EUR)	
Property, plant and equipment	32
Licence	730
Inventories	118
Trade and other receivables	204
Cash and cash equivalents	29
Trade and other payables	(446)
	667

Cash flow from acquisition of subsidiary	
(in thousands of EUR)	
Cash paid	714
Cash in subsidiary acquired	(29)
Payments for acquisition of subsidiary	**685**

Acquired subsidiary in 2022 contributed with EUR 1,225 thousand of revenues and EUR 70 thousand of loss to the Group.

/iv/ In 2022, the Group paid a total of EUR 448 thousand for the acquisition of the subsidiary Procaffe d.o.o., Zagreb from 2020, and EUR 21 thousand for the remaining 1% ownership in this subsidiary. The Group also paid the remaining EUR 84 thousand for the acquisition of the subsidiary The Best Coffee d.o.o., Podstrana from 2021.

NOTE 29 – BUSINESS COMBINATIONS, ACQUISITION AND DIVESTMENT OF SUBSIDIARIES (continued)

/v/ In 2022 Atlantic Grupa signed with Vik Pro Univerzal d.o.o., Belgrade an agreement for the sale of the Palanački kiseljak production site in Smederevska Palanka, Serbia. The subject of the sale was the entire production site with all its employees and assets, including the traditional mineral water brand on the Serbian market - *Karađorđe*, which was previously separated from the company Atlantic Štark d.o.o. into a separate company Palanački Kiseljak d.o.o. The sale of this production site is a continuation of disinvesting in smaller and non-core activities in accordance with Atlantic Grupa's corporate strategy. The transaction was closed on 28 June 2022 and the Group realized a loss on sale in the amount of EUR 59 thousand.

(in thousands of EUR)	
Cash received from sale of subsidiary	194
Carrying value of net asset disposed	(253)
Loss on sale of subsidiary	**(59)**

Carrying value of net asset disposed as at 28 June 2022	
(in thousands of EUR)	
Non-current assets held for sale	495
Inventories	80
Trade and other receivables	83
Trade and other payables	(374)
Borrowings	(31)
	253

Disposed subsidiary in 2022 contributed EUR 2,435 thousand of revenues and EUR 351 thousand of loss to the Group.

/vi/ In 2022, the Group collected EUR 2,508 thousand and made an additional gain in the amount of EUR 11 thousand from the sale of the Mirna production location realized in 2021.

NOTE 30 – RELATED PARTY TRANSACTIONS

The Group enters into transactions with related parties – significant shareholders and entities owned or controlled by the ultimate controlling party ('other entities'), among which the most significant transactions are made with Ataco d.o.o., which is co-owned by the ultimate controlling party and which is distributor for a number of quality brands, including the Group's brands on Bosnia and Herzegovina and Montenegro markets.

Related party transactions that relate to balances as at 31 December 2023 and as at 31 December 2022 and transactions recognized for the years then ended, are as follows:

(in thousands of EUR)	Note	2023	2022
RECEIVABLES			
Non-current trade and other receivables	19		
Other entities		534	-
Current trade and other receivables	19		
Other entities		13,355	12,682
LIABILITIES			
Trade and other payables	24		
Other entities		308	386
REVENUES			
Sales revenues			
Other entities		87,064	74,623
Other revenues			
Other entities		12	28
EXPENSES			
Marketing and promotion costs	7		
Other entities		1,867	1,045
Other operating costs	8		
Other entities		316	314

Management board compensation

In 2023 members of the Management Board received total gross amount of EUR 2,796 thousand relating to salaries, bonuses, and other receipts in kind (2022: EUR 3,199 thousand).

NOTE 31 – AUDITORS' FEES

Statutory audit services fees to the auditors of the Group's financial statements amounted to EUR 541 thousand (2022: EUR 460 thousand), while fees related to other services amounted to EUR 51 thousand (2022: 19 thousand). Other services relate to Report on remuneration of the Management Board and the Supervisory Board, related party reports, advisory services related to sustainability and agreed upon procedures in relation to received government grants in Republic of Serbia.

NOTE 32 – SUBSIDIARIES

The Group is comprised of the Company and the following subsidiaries in which the Company has an ownership interest above 50% and exercises control:

	31 December 2023	31 December 2022
Atlantic Cedevita d.o.o., Croatia	100%	100%
Atlantic Trade d.o.o., Croatia	100%	100%
- Atlantic Droga Kolinska d.o.o., Slovenia	100%	100%
- Atlantic Štark d.o.o., Serbia	100%	100%
- Atlantic Argeta d.o.o., Bosnia and Herzegovina	100%	100%
- o.o.o. Atlantic Brands, Russia	100%	100%
- Atlantic Grand d.o.o., Serbia	100%	100%
- Unikomerc d.o.o., Serbia	100%	100%
- Atlantic Grand d.o.o., Bosnia and Herzegovina	100%	100%
- Atlantic Grand d.o.o.e.l., North Macedonia	100%	100%
- Atlantic Brands d.o.o., Serbia	100%	100%
- Atlantic Trade d.o.o., Slovenia	100%	100%
- Atlantic Trade d.o.o., North Macedonia	75%	75%
- Procaffe d.o.o., Croatia	100%	100%
Farmacia Holding d.o.o., Croatia	100%	100%
- ZU Ljekarne Farmacia, Croatia	100%	100%
- Farmacia - specijalizirana prodavaonica d.o.o., Croatia	100%	100%
- ZU Ljekarne sv. Kuzma i Damjan, Croatia	100%	100%
Montana Plus d.o.o., Croatia	100%	100%
Atlantic Point d.o.o., Croatia	100%	100%
Atlantic Eurocenter d.o.o., Hrvatska (acquired in 2023)	100%	-
Hopen Investments, BV, Netherlands	100%	100%
- Atlantic Management GmbH, Germany	100%	100%
- Hopen Cyprus Ltd., Cyprus (in the process of liquidation)	100%	100%
Atlantic Brands GmbH, Austria	100%	100%

NOTE 33 - EVENTS AFTER THE REPORTING PERIOD

On 1 March, 2024, Atlantic Grupa concluded the transaction of taking over the company Strauss Adriatic d.o.o., Šimanovci, owner of the Serbian coffee brands Doncafe and C kafa. In addition to well-known brands, Atlantic Grupa also takes over a modern production facility in the Šimanovci industrial zone near Belgrade and 220 employees. The transaction was previously conditionally approved by the Commission for Protection of Competition in the Republic of Serbia.

In addition to the above, there were no material events that occurred after the balance sheet date, which would have had a significant impact on the financial statements as of the date or for the period then ended, or that were of such importance for the Group's operations that they would require disclosure in the notes to the financial statements.

The Management Board of Atlantic Grupa d.d. (hereinafter: Atlantic Grupa or the Company), pursuant to the provisions of Articles 250a, 250b, 300a and 300b of the Companies Act and Articles 462 and 463 of the Capital Market Act, at its session held on 28 March 2024, rendered the following

DECISION

I The Annual Report of Atlantic Grupa d.d. is hereby determined, as stated in the text of the "ANNUAL REPORT 2023" enclosed with this Decision.

II The audited non-consolidated and consolidated annual financial statements for 2023 are hereby determined, which consist of the following: statement of financial position (balance sheet), income statement, statement of other comprehensive income, cash flow statement, statement of changes in equity and notes to the financial statements, as stated in the text that forms an integral part of the Report referred to in item I of this Decision.

III It is hereby determined that the auditor, Ernst & Young d.o.o. from Zagreb, Radnička cesta 50, Croatia and Kulić i Sperk Revizija d.o.o. from Zagreb, Radnička cesta 52, Croatia, produced the Auditor's Report for 2023, as stated in the text that forms an integral part of the Report referred to in item I of this Decision.

IV The Management Board's Report on the Status of the Company / Management Report for the period from 1 January 2023 to 31 December 2023 is hereby determined, as stated in the text that forms an integral part of the Report referred to in item I of this Decision.

V Pursuant to Article 463 of the Capital Market Act, the Company's Management Board adopted the decision to publish the reports referred to in items I, II and III of this Decision, indicating that the Supervisory Board has yet to decide on them, i.e. they have not yet been approved by the competent body of the issuer Atlantic Grupa d.d.

VI Pursuant to Article 300b of the Companies Act:

1. The reports referred to in items II and IV of this Decision shall be submitted to the Supervisory Board for examination together with a proposal that the Supervisory Board approves those Reports at its session scheduled according to the published calendar of events (23 April 2024);

2. The Auditor's Report referred to in item III of this Decision shall be submitted to the Supervisory Board, so that the Supervisory Board could take its position at the session scheduled according to the published calendar of events (23 April 2024);

3. After the Supervisory Board adopts the decisions referred to in items 1 and 2, the Company's Management Board shall, concurrently, at the session of the Supervisory Board scheduled according to the published calendar of events (23 April 2024), submit to the Supervisory Board the Proposal of decision on the distribution of profits, so that the Supervisory Board could take its position;

4. The decision of the Company's Supervisory Board on approval of annual reports, as well as the consequently adopted proposal of the Management Board and Supervisory Board on the distribution of profits, shall be published in accordance with Article 463 paragraph 4 of the Capital Market Act.

Atlantic Grupa d.d.

Emil Tedeschi, President of the Management Board

ATLANTIC GRUPA d.d., 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, www.atlanticgrupa.com. The Company is registered with the Commercial Court of Zagreb, Company Registration Number (MBS): 080245039; Company Identification Number (MB): 1671910; Personal Identification Number (PIN): 71149912416, IBAN: HR2624840081101427897, Raiffeisenbank Austria d.d., Magazinska cesta 69, 10000 Zagreb; IBAN: HR9223600001101842569,Zagrebačka banka d.d., Trg bana Josipa Jelačića 10, 10000 Zagreb; IBAN: HR4624020061100280870, Erste&Steiermarkische Bank d.d., Jadranski trg 3a, 51000 Rijeka; IBAN: HR7423400091110356539, Privredna banka Zagreb d.d., Radnička cesta 50, 10000 Zagreb; IBAN: HR7625030071100076424, Hrvatska poštanska banka, Jurišićeva ulica 4, 10000 Zagreb; IBAN: HR3624070001100198043, OTP banka d.d., Domovinskog rata 61, 21000 Split; Share capital is 106,697,600.00 EUR, divided into 13,337,200 shares, with a nominal value of 8.00 EUR per share. Management Board: Emil Tedeschi, Lada Tedeschi Fiorio, Srećko Nakić, Enzo Smrekar, Zoran Stanković, Mate Štetić, Neven Vranković; Chairman of the Supervisory Board: Zoran Vučinić.

THE FACE OF NATURE

In the Annual Report, we used photographs by eminent photographer Damir Hoyka from his photo edition Face of Nature. In this way, we wanted to support his project, which he launched with the aim of influencing the beginning of reforestation and stopping uncontrolled deforestation, because plants are our greatest ally in the fight against climate change.

Damir Hoyka is an award winning photographer whose work focuses on advertising (people/portraits) and fine art photography.

—

The design of the Annual Report and the author's illustrations were created by **Tanja Prlenda, owner and art director of WARD.**

Ward is a Zagreb-based design practice with thousands of projects, cool clients and a bright future. Ward is run by Tanja Prlenda, who has almost two decades of design experience, received many professional awards and recognitions, and acquired the enviable design and art direction skills in leading marketing agencies, further perfecting them on her own inspiring and future-thinking projects.

ATLANTIC GRUPA D.D. Miramarska 23, 10000 Zagreb, Croatia T. +385 1 2413 322 F. +385 1 2413 901 E. ir@atlanticgrupa.com