Auditor's Report and Consolidated Financial Statements

ATLANTIC GRUPA D.D.
31 DECEMBER 2021

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 2021 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 2021 contains the true presentation of development, results and position of the Group, with description of significant risks and uncertainties which the Group is exposed.

In Zagreb, 28 March 2022

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 2022.

Emil Tedeschi
President and Chief Executive Officer

Srećko Nakić
Group Vice President for Distribution

Zoran Stanković
Group Vice President for Finance, Procurement and Investment

Lada Tedeschi Fiorio
Group Vice President for Corporate Strategy and Growth

Neven Vranković
Group Vice President for Corporate Activities

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

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 2021, consolidated income statement and the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2021 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 EU (IFRS as adopted by the EU).

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), 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 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 HRK 1,472,779 thousand as at 31 December 2021. The carrying amount of the goodwill and indefinite life intangible assets represents 27% 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 (2021) actual results with the figures included in the prior year (2020) 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 included in the Group's Annual Report for year 2021

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report which includes the Management report and Corporate Governance Statement, other than the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the Other information including the Management report and Corporate Governance Statement.

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.

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report includes the disclosures required by Article 21 of the Accounting Act, and whether the Corporate Governance Statement includes the information specified in Article 22 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 for the 2021 financial year are consistent, in all material respects, with the enclosed consolidated financial statements;

2.the enclosed Management report for 2021 financial year is prepared in accordance with requirements of Article 21 of the Accounting Act;

3. Corporate Governance Statement, included in the Group's annual report, includes the information referred to in Article 22., paragraph 1., items 2, 5, 6 and 7 of the Accounting Act; and

4. elements of Corporate Governance Statement containing the information referred to in Article 22, paragraph 1, items 3 and 4 of the Accounting Act, included in the Group's annual report are prepared in accordance with requirements of the Accounting Act and are consistent, in all material respects, with the enclosed consolidated financial statements;

In addition, in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report, Corporate Governance Statement and Group's Annual report. 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 as adopted by the EU, 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.

- 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. This appointment has been renewed annually by shareholder resolution, with the most recent reappointment on 18 June 2021, representing a total period of uninterrupted engagement appointment of five years.

Kulić i Sperk REVIZIJA d.o.o. was initially appointed as auditors of the Company on 18 June 2020, and this appointment has been renewed annually by shareholder resolution, with the most recent reappointment on 18 June 2021, representing a total period of uninterrupted engagement appointment of two 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 17 March 2022 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 annual separate and consolidated financial statements (further: financial statements) prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20 and 83/21) applying the requirements of the Delegated Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (hereinafter: the ESEF Regulation).

We have conducted a reasonable assurance engagement on whether the financial statements, as contained in the attached electronic file 8c31b8ca1a669356a7b8e3807d20d2f52a9d158423fd08611dfef3ecb6d20402, 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 those charged with governance

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

The Management is also responsible for:

- the public disclosure of financial statements in ESEF format
- selecting and using XBLR codes in accordance with ESEF regulation

Those charged with governance are responsible for overseeing the preparation of the 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 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 financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the 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 financial statements presented in ESEF format for the year ended on 31 December 2021, 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 opinion contained in part of this report related to accompanying financial statements and annual report for the year ended 31 December 2021, 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 i Sperk REVIZIJA d.o.o.

Berislav Horvat, President of the Board and Certified auditor 28 March 2022 Ernst & Young d.o.o. Radnička cesta 50, Zagreb Republic of Croatia	Janja Kulić, Director and Certified auditor 28 March 2022 Kulić i Sperk REVIZIJA d.o.o. Radnička cesta 52, Zagreb Republic of Croatia

(all amounts expressed in thousands of HRK)	**Note**	**2021**	**2020**
Revenues	5	5,785,771	5,328,674
Cost of trade goods sold		(1,729,758)	(1,564,512)
Change in inventories of finished goods and work in progress		22,831	26,659
Material and energy costs		(1,556,908)	(1,433,412)
Staff costs	6	(937,376)	(855,631)
Marketing and promotion costs	7	(329,776)	(267,113)
Depreciation, amortisation and impairment	13, 13a 14,15	(286,444)	(274,315)
Other operating costs	8	(534,414)	(515,184)
Other gains/(losses) - net	9	4,019	(2,982)
Operating profit		**437,945**	**442,184**
Finance income	10	2,826	7,608
Finance costs	10	(20,575)	(38,144)
Finance costs - net	10	(17,749)	(30,536)
Profit before tax		**420,196**	**411,648**
Income tax expense	11	(74,304)	(69,378)
Net profit for the year		**345,892**	**342,270**
Attributable to:			
Owners of the Company		344,857	341,730
Non-controlling interests		1,035	540
		345,892	342,270
Earnings per share for profit attributable to the equity holders of the Company during the year (in HRK)	12		
- basic		103.71	102.72
- diluted		103.71	102.72

(all amounts expressed in thousands of HRK)	**Note**	**2021**	**2020**
Net profit for the year		**345,892**	**342,270**
Other comprehensive loss:			
Items that will not be reclassified to profit or loss			
Actuarial losses from defined benefit plan, net of tax		(176)	(1,000)
		(176)	**(1,000)**
Items that may be subsequently reclassified to profit of loss			
Currency translation differences, net of tax	22	(4,067)	25,641
Cash flow hedges, net of tax	22	8,473	(4,306)
		4,406	**21,335**
Total other comprehensive gain for the year, net of tax		**4,230**	**20,335**
Total comprehensive income for the year		**350,122**	**362,605**
Attributable to:			
Owners of the Company		349,092	362,016
Non-controlling interests		1,030	589
Total comprehensive income for the year		350,122	362,605

(all amounts expressed in thousands of HRK)	**Note**	**31 December 2021**	**31 December 2020 (restated)**
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,108,725	1,070,338
Right-of-use assets	13a	329,894	338,838
Investment property		807	316
Intangible assets	15	1,640,348	1,658,758
Deferred tax assets	25	41,469	36,285
Financial assets through other comprehensive income	17	1,384	1,404
Trade and other receivables	18	42,750	47,999
		3,165,377	3,153,938
Current assets			
Inventories	19	639,201	572,274
Trade and other receivables	18	1,287,982	1,248,658
Prepaid income tax		6,995	6,661
Derivative financial instruments	16	2,972	-
Cash and cash equivalents	20	346,635	426,513
		2,283,785	2,254,106
Non-current assets held for sale	14	3,759	5,382
Total current assets		2,287,544	2,259,488
TOTAL ASSETS		**5,452,921**	**5,413,426**
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the Company			
Share capital	21	133,372	133,372
Share premium	21	883,852	881,851
Treasury shares	21	(22,131)	(7,647)
Reserves	22	(45,279)	(51,451)
Retained earnings		2,195,734	1,985,908
		3,145,548	2,942,033
Non-controlling interests		6,982	5,952
Total equity		3,152,530	2,947,985
Non-current liabilities			
Borrowings	24	299,657	299,528
Lease liabilities	13a	263,065	263,479
Deferred tax liabilities	25	148,344	151,822
Other non-current liabilities		6,135	9,356
Provisions	26	69,807	66,782
		787,008	790,967
Current liabilities			
Trade and other payables	23	1,174,825	954,458
Borrowings	24	159,932	511,696
Lease liabilities	13a	86,844	84,824
Derivative financial instruments	16	-	7,132
Current income tax liabilities		6,417	8,677
Provisions	26	85,365	107,687
		1,513,383	1,674,474
Total liabilities		2,300,391	2,465,441
TOTAL EQUITY AND LIABILITIES		**5,452,921**	**5,413,426**

	Attributable to owners of the Company					
(in thousands of HRK)	**Share Capital, Premium and Treasury shares**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
Balance at 1 January 2020	1,008,811	(73,064)	1,728,691	2,664,438	5,363	2,669,801
Comprehensive income:						
Net profit for the year	-	-	341,730	341,730	540	342,270
Other comprehensive income	-	21,286	(1,000)	20,286	49	20,335
Total comprehensive income	-	21,286	340,730	362,016	589	362,605
Transaction with owners:						
Share based payment (Note 21)	9,787	-	-	9,787	-	9,787
Purchase of treasury shares (Note 21)	(11,022)	-	-	(11,022)	-	(11,022)
Transfer	-	327	(327)	-	-	-
Dividends (Note 21)	-	-	(83,186)	(83,186)	-	(83,186)
Balance at 31 December 2020	**1,007,576**	**(51,451)**	**1,985,908**	**2,942,033**	**5,952**	**2,947,985**
Balance at 1 January 2021	1,007,576	(51,451)	1,985,908	2,942,033	5,952	2,947,985
Comprehensive income:						
Net profit for the year	-	-	344,857	344,857	1,035	345,892
Other comprehensive income	-	4,411	(176)	4,235	(5)	4,230
Total comprehensive income	-	4,411	344,681	349,092	1,030	350,122
Transaction with owners:						
Share based payment (Note 21)	18,075	-	-	18,075	-	18,075
Purchase of treasury shares (Note 21)	(30,558)	-	-	(30,558)	-	(30,558)
Transfer	-	1,761	(1,761)	-	-	-
Dividends (Note 21)	-	-	(133,094)	(133,094)	-	(133,094)
Balance at 31 December 2021	**995,093**	**(45,279)**	**2,195,734**	**3,145,548**	**6,982**	**3,152,530**

(all amounts expressed in thousands of HRK)	Note	2021	2020
Net profit for the year		**345,892**	**342,270**
Income tax	11	74,304	69,378
Depreciation, amortisation and impairment	13, 13a, 14, 15	286,444	274,315
Gain on sale of property, plant and equipment	9	(1,475)	(130)
Gain on sale of subsidiaries - net of transaction expenses	9	(648)	(5,178)
Provision for current assets	8	25,218	45,229
Foreign exchange differences - net		(75)	4,827
Decrease in provision for risks and charges	26	(18,586)	(1,830)
Fair value (gains)/losses on financial assets	9	(4,219)	4,913
Share based payment	21	18,075	9,787
Interest income		(1,323)	(5,060)
Interest expense	10	17,824	25,709
Other non-cash items - net		3,800	12,105
		745,231	776,335
Changes in working capital:			
Increase in inventories		(82,643)	(94,942)
Increase in current receivables		(30,004)	(37,331)
Increase in current payables		207,652	30,309
Cash generated from operations		**840,236**	**674,371**
Interest paid		(17,074)	(22,896)
Income tax paid		(87,361)	(74,355)
Cash flows from operating activities		**735,801**	**577,120**
Cash flows used in investing activities			
Purchase of property, plant and equipment and intangible assets	13,14,15	(233,284)	(242,727)
Proceeds from sale of property, plant and equipment and non-current assets held for sale		17,504	1,031
Acquisition of subsidiary and proceeds from sale of subsidiary – net of cash disposed	28	(5,937)	26,876
Loans granted and deposits placed	18	(5,543)	(10,353)
Repayments of loan and deposits granted	18	18,117	3,305
Interest received		1,571	5,060
		(207,572)	(216,808)
Cash flows used in financing activities			
Purchase of treasury shares	21	(30,558)	(11,022)
Proceeds from borrowings, net of fees paid	24	-	748,642
Repayments of borrowings	24	(350,799)	(983,571)
Issuance of bonds, net of fees paid	24	-	140,025
Purchase of bonds	24	-	(43,796)
Principal elements of lease payments	13a	(93,502)	(86,999)
Dividends paid to Company shareholders	21	(133,094)	(83,186)
		(607,953)	(319,907)
Net (decrease)/increase in cash and cash equivalents		**(79,724)**	**40,405**
Exchange (losses)/ gains on cash and cash equivalents		(154)	1,582
Cash and cash equivalents at beginning of year		426,513	384,526
Cash and cash equivalents at end of year	20	**346,635**	**426,513**

NOTE 1 – GENERAL INFORMATION

Operating as a vertically integrated multinational company, Atlantic Grupa d.d. (the Company) and its subsidiaries (as disclosed in Note 31 “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 food & beverage producers in Southeast Europe with prominent coffee brands Grand Kafa and Barcaffe, a range of beverage brands Cockta, Donat and Cedevita, a portfolio of sweet and salted snacks brands Smoki, Najlepše želje and Bananica, and the savoury spread brand Argeta. Additionally, the Group owns the leading pharmacy chain in Croatia under the Farmacia brand. With its own distribution network in Croatia, Slovenia, Serbia, Austria, 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 firms and representative offices in 12 countries. The Group exports its products to more than 40 markets worldwide.

The Company is domiciled in Zagreb, Miramarska 23, Croatia.

The Company’s shares are listed on the Prime market of the Zagreb Stock Exchange. The shareholder structure is shown in Note 21.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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.

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 2021 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 SIGNIFICANT ACCOUNTING POLICIES (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:

- ***Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2***, issued on 27 August 2020 (effective date for annual periods beginning on or after 1 January 2021).
- ***Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9***, issued on 25 June 2020 (effective date for annual periods beginning on or after 1 January 2021).
- ***Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions***, issued on 31 March 2020 (effective date for annual periods beginning on or after 1 April 2021).

The adoption of these standards and interpretations did not have an impact on the Group's consolidated financial statements.

(b) Standards and interpretations issued by IASB and endorsed by EU but not yet effective

- ***Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020***, all issued on 14 May 2020, (effective date for annual periods beginning on or after 1 January 2022).
- ***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).

(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. The endorsement might be expected in 2022. The Group does not anticipate that the adoption of these Standards and Interpretations will have a significant impact on its consolidated financial statements.

- ***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 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).
- ***Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transactions***, issued on 7 May 2021 (effective date for annual periods beginning on or after 1 January 2023).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 SIGNIFICANT ACCOUNTING POLICIES (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, has been identified as the Strategic Management Council.

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 Croatian kuna (HRK), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

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 SIGNIFICANT ACCOUNTING POLICIES (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. Historical cost includes expenditure directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they incurred.

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 20 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).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within "Other gains/(losses) – net" in the consolidated income statement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Distribution rights
Separately acquired distribution rights are recognised at historical cost. Distribution rights acquired in a business combination are recognised at fair value at the acquisition date. Product distribution rights have a finite useful life and are carried at cost less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost of rights over their estimated useful lives (from 1.5 to 5 years).

(c) 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 (15 years).
Brands with indefinite useful lives are not amortised, but are tested annually for impairment at the cash generating unit level.

(d) Computer software
Acquired computer software licences are capitalized on the basis of 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).

(e) 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).

(f) *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).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life (such as brands, licences and goodwill) are not subject to amortisation and are tested at least annually for impairment. 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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.

(a) 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 in order 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.

(b) Financial assets at fair value through profit or loss
This category includes financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets except derivative financial instruments.

(c) Financial assets at fair value through OCI
The Group measures financial assets at fair value through OCI if both of the following conditions are met:
- the financial asset is held within a business model with the objective of holding the financial assets to collect and selling contractual cash flows,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of the principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for the financial assets measured at amortised cost.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

(c) Financial assets at fair value through OCI (continued)

The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets at fair value through OCI are included in non-current assets unless management intends to dispose the investment within 12 months of the balance sheet date. Financial assets at fair value through OCI are carried at fair value, except investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, consequently, these are carried at cost.

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as financial assets at fair value through OCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Interest income and the translation differences are recognised in the income statement, whereas other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary securities classified as financial assets at fair value through OCI and non-monetary securities classified as financial assets at fair value through OCI are recognised in other comprehensive income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions and references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Financial assets are written off when there is no reasonable expectation of recovery. The amount of the impairment and subsequent recoveries of amounts previously written off are recognised in the income statement within 'other operating costs'.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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 2%, representing unsecured risk of the Company was used for new and modified leases whose maturity is above 5 years (2020: 2%), and incremental borrowing rate of 1%, representing the secured risk of the Company was used for new and modified leases with maturity of 5 years and less (2020: 1%).

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Leases (continued)

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

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.

(ii) 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'.

(iii) 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less the allowance for expected credit losses (ECLs), as described in Note 2.8.

2.12 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.

2.13 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.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of the loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current tax charge is calculated on the basis of 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 on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.16 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Employee benefits (continued)

(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’.

(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.

2.17 Provisions

Provisions for termination benefits and long term employee benefits, restructuring costs, warranty claims and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

When there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 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. Sale of goods are recognised when a group entity sells a product to the customer. Retail sales are usually 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 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.

2.20 Value added tax

The Tax Authorities require the settlement of 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.

2.21 Non-current assets held for sale

Non-current 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.

2.22 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 16 and changes in cash flow hedge reserves are disclosed in Note 22.

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. 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 other comprehensive income 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 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.

2.24 Investment property

Investment property is carried at historical cost less accumulated depreciation and provision for impairment. 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.

2.25 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.

2.26 Comparatives

Following the completion of purchase price allocation related to acquisition of Procaffe d.o.o., Dugopolje, balance sheet as at 31 December 2020 have been restated - intangible assets (goodwill) and deferred tax liability were increased by HRK 1,732 thousand. Since the restatement had no impact on balance sheet as at 1 January 2020, additional balance sheet and related notes as of the beginning of the earliest comparative period were not presented.

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 EUR, 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 2021 and 2020 did not have a significant impact on Group's results. The depreciation of Russian ruble against EUR in 2021 did not have significant impact on Group's results (in 2020 resulted in HRK 1,327 thousand foreign currency loss on Group's results).

Movements in exchange rates between the above-mentioned currencies and Croatian kuna (HRK) 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 HRK amounts denominated in the stated currencies at the balance sheet date for major balance sheet monetary items.

31 December 2021 *(in thousands of HRK)*	**EUR**	**RSD**	**USD**	**RUB**
Trade and other receivables	316,079	352,248	952	11,832
Cash and cash equivalents	111,712	27,488	225	3,155
Trade and other payables	(437,833)	(199,537)	(24,537)	(12,751)
Borrowings	(1,136)	(127,862)	(1,563)	-
Lease liabilities	(325,444)	(1,507)	-	-
Net balance sheet exposure	**(336,622)**	**50,830**	**(24,923)**	**2,236**

31 December 2020 *(in thousands of HRK)*	**EUR**	**RSD**	**USD**	**RUB**
Trade and other receivables	337,360	331,227	1,403	17,668
Cash and cash equivalents	87,482	11,297	112	1,348
Trade and other payables	(388,793)	(151,887)	(11,306)	(9,279)
Borrowings	(152,392)	(153,840)	(1,442)	-
Lease liabilities	(331,564)	(1,515)	-	-
Net balance sheet exposure	**(447,907)**	**35,282**	**(11,233)**	**9,737**

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 EUR against HRK and RSD, assuming all other variables remain constant, the profit after tax for the year would have been HRK 478 thousand higher (2020: HRK 3,772 thousand higher), and other comprehensive income would be HRK 12,136 thousand higher (2020: HRK 11,988 thousand higher), due to the translation differences arising on consolidation of subsidiaries whose functional currency is EUR.

In the event of a rise of 1% in the RSD against HRK, assuming all other variables remain constant, the profit after tax for the year would have been HRK 828 thousand higher (2020: HRK 1,406 thousand higher) and other comprehensive income would be HRK 10,976 thousand higher (2020: HRK 10,491 thousand higher), assuming no change in other variables.

In the event of a rise of 1% in the RUB against HRK, assuming all other variables remain constant, the profit after tax for the year would have been HRK 132 thousand higher (2020: HRK 721 thousand higher) and other comprehensive income would be HRK 95 thousand higher (2020: HRK 82 thousand higher), assuming no change in other variables.

(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 2021, 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 by 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 2021, if the effective interest rate on borrowings increased/decreased by 100 basis points on an annual level (2020: 100 basis points), the profit after tax would have been lower/higher by HRK 2,648 thousand (2020: HRK 4,182 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 16 and 18.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The Group aims to maintain flexibility in funding by keeping committed 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 committed 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 2021, the Group held cash and cash equivalents in the amount of HRK 346,635 thousand (2020: HRK 426,513 thousand) and short-term deposits in the amount of HRK 85 thousand (2020: HRK 22 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 24.

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 HRK)	**Less than 1 year**	**Between 1-5 years**	**Over 5 years**	**Total**
31 December 2021				
Trade and other payables	1,110,972	-	-	1,110,972
Borrowings	163,193	308,513	-	471,706
Lease liabilities	95,132	186,443	100,215	381,790

(in thousands of HRK)	**Less than 1 year**	**Between 1-5 years**	**Over 5 years**	**Total**
31 December 2020				
Trade and other payables	914,582	-	-	914,582
Borrowings	513,861	310,500	-	824,361
Lease liabilities	103,118	213,341	109,687	426,146

3.2 Changes in liabilities arising from financial activities

(in thousands of HRK)	**Borrowings Current**	**Borrowings Non-Current**	**Leases Current**	**Leases Non-Current**	**Total**
1 January 2021	**511,696**	**299,528**	**84,824**	**263,479**	**1,159,527**
Cash flow	(350,799)	-	(93,502)	-	(444,301)
Acquisitions, modifications, and leases expirations	-	-	13,882	81,963	95,845
Current portion	144	(144)	81,836	(81,836)	-
FX movement	(1,144)	28	(196)	(541)	(1,853)
Other	35	245	-	-	280
31 December 2021	**159,932**	**299,657**	**86,844**	**263,065**	**809,498**

Line ‘Other’ includes the effect of purchasing and merging of subsidiaries. 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 is 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:

	2021	2020
	(in thousands of HRK)	
Total borrowings (Note 24)	459,589	811,224
Lease liabilities (Note 13a)	349,909	348,303
Derivative financial instruments (Note 16)	(2,972)	7,132
Less: Cash and cash equivalents (Note 20)	(346,635)	(426,513)
Net debt	459,891	740,146
Total equity	3,152,530	2,947,985
Total capital and net debt	**3,612,421**	**3,688,131**
Gearing ratio	**13%**	**20%**

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 HRK)*	**31 December 2021**	**31 December 2020**
SBU Pharma	177,347	171,059
	177,347	**171,059**

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 HRK)*	**31 December 2021**	**31 December 2020**
SBU Savoury Spreads	241,497	242,131
SBU Snacks	115,873	120,237
SBU Coffee	102,301	102,570
BU Donat	47,020	47,143
Baby food	-	7,537
	506,691	**519,618**

(iii) Goodwill

Operating segment *(in thousands of HRK)*	**31 December 2021**	**31 December 2020**
SBU Snacks	208,096	220,887
SBU Pharma	168,183	168,183
SBU Savoury Spreads	126,239	126,564
BU Donat	80,273	80,483
SBU Coffee	63,819	63,988
SDU Croatia	55,141	49,788
SDU Serbia	51,827	51,960
SDU Slovenia	26,516	26,584
DU Macedonia	6,026	6,042
SBU Beverages	2,621	2,621
	788,741	**797,100**

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	2021	2020
BU Donat	7.8%	7.5%
SBU Coffee	8.4%	8.2%
SBU Snacks	9.3%	9.2%
SBU Savoury Spreads	7.6%	7.3%
SBU Pharma	7.8%	6.0%
SDU Croatia	8.0%	6.4%
SDU Serbia	10.9%	9.1%
SDU Slovenia	6.6%	5.2%
DU Macedonia	11.3%	9.1%

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 (2020: 2.0%, SBU Coffee: 1.0%). Discount rates after taxes in 2021 are generally higher than in 2020 among segments, based on the increase in equity risk premium (ERP) in all markets as a result of the pandemic.

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:

	2021	**2020**
Barcaffe	5.0%	5.0%
Najlepše želje	6.0%	6.0%
Bananica	5.0%	5.0%
Smoki	7.0%	7.0%
Argeta	8.0%	8.0%
Donat	8.0%	8.0%

Based on impairment tests performed at the balance sheet date, an impairment loss of HRK 17,045 thousand was recognised (2020: HRK 20,961 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 result in additional impairment of brands in the amount of HRK 12,322 thousand. At the same time, if the terminal growth rate was reduced by 100 basis points, with other variables unchanged, the decrease in the value of brands would be HRK 7,854 thousand higher, while a decrease in the royalty rate by 50 basis points, with other variables unchanged would imply additional impairment of brands of HRK 39,040 thousand.

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 additional impairment of goodwill and licences in amount of HRK 88,478 thousand. At the same time, if the terminal growth rate was reduced by 100 basis points, with other variables unchanged, the decrease in the value of goodwill and licences would be HRK 60,528 thousand higher, with a decrease in expected free cash flow by 500 basis points, with other variables unchanged, the decrease in the values of goodwill and licences would be HRK 36,738 thousand higher.

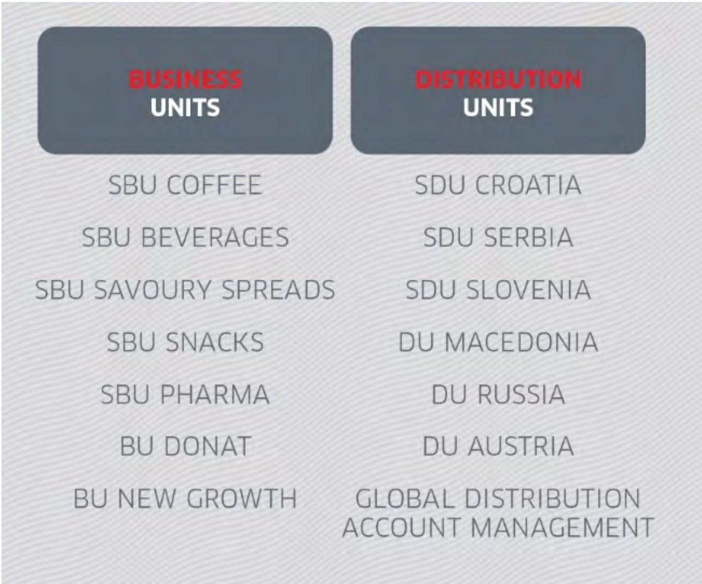
(c) Deferred tax asset recognition

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 25).

NOTE 5 – SEGMENT INFORMATION

The business model of the Group is organized through five strategic business units and two business unit. As of 1 January 2021, the New Growth business area has been established, which includes new Atlantic Grupa's brands.

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



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

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

Since DU Macedonia, DU Russia, DU Austria, Global distribution network management and BU 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.

The Strategic Management Council monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA (earnings before interest taxes, depreciation, amortisation and impairment) and operating profit or loss. Group financing and income taxes are managed on the Group level 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.

NOTE 5 – SEGMENT INFORMATION (continued)

Sales revenues[*] *(in thousands of HRK)*	**2021**	**2020**
SBU Coffee	1,196,229	1,106,940
SBU Savoury Spreads	885,248	836,088
SBU Snacks	684,420	644,228
SBU Pharma	563,349	539,786
SBU Beverages	536,380	481,671
BU Donat	218,785	196,302
SDU Croatia	1,403,161	1,250,759
SDU Serbia	1,335,388	1,231,482
SDU Slovenia	1,012,789	981,260
Other segments	820,753	777,956
Reconciliation	(2,954,023)	(2,794,443)
Total	**5,702,479**	**5,252,029**

Operating results	**For the year ended 31 December 2021**		
(in thousands of HRK)	**Operating profit before Depreciation, Amortisation and Impairment**	**Depreciation, Amortisation and Impairment**	**Operating profit**
SBU Coffee	280,122	46,016	234,106
SBU Savoury Spreads	183,021	18,634	164,387
SBU Snacks	116,227	38,921	77,306
SBU Beverages	110,273	34,493	75,780
BU Donat	97,035	4,444	92,591
SBU Pharma	49,421	24,880	24,541
SDU Croatia	87,806	26,173	61,633
SDU Slovenia	70,630	7,728	62,902
SDU Serbia	58,513	20,031	38,482
Other segments	(328,659)	65,124	(393,783)
Total	**724,389**	**286,444**	**437,945**

[*] Comparative period has been adjusted to reflect 2021 reporting

NOTE 5 – SEGMENT INFORMATION (continued)

Operating results* (in thousands of HRK)	**For the year ended 31 December 2020** Operating profit before Depreciation, Amortisation and Impairment	Depreciation, Amortisation and Impairment	Operating profit
SBU Coffee	279,464	40,497	238,967
SBU Savoury Spreads	196,787	18,161	178,626
SBU Snacks	113,917	40,664	73,253
SBU Beverages	104,384	29,159	75,225
BU Donat	92,800	4,777	88,023
SBU Pharma	34,691	24,876	9,815
SDU Croatia	66,021	23,511	42,510
SDU Slovenia	64,293	7,615	56,678
SDU Serbia	56,622	19,889	36,733
Other segments	(292,480)	65,166	(357,646)
Total	**716,499**	**274,315**	**442,184**

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:

	2021	**2020**
	(in thousands of HRK)	
Croatia	1,018,277	972,216
Serbia	1,012,841	1,015,005
Slovenia	896,100	928,050
Other	152,556	152,979
Total geographically allocated non-current assets	**3,079,774**	**3,068,250**

* Comparative period has been adjusted to reflect 2021 reporting

NOTE 5 – SEGMENT INFORMATION (continued)

Sales by markets	2021 *(in thousands of HRK)*	2021 %	2020 *(in thousands of HRK)*	2020 %
Croatia	1,945,624	34.1	1,724,168	32.8
Serbia	1,352,929	23.7	1,248,766	23.8
Slovenia	1,013,699	17.8	982,100	18.7
Bosnia and Herzegovina	422,579	7.4	388,246	7.4
Other regional markets*	466,631	8.2	418,889	8.0
Key European markets**	275,807	4.8	251,759	4.8
Russia and CIS countries	116,311	2.1	139,248	2.7
Other markets	108,899	1.9	98,853	1.8
Total sales by markets	**5,702,479**	**100.0**	**5,252,029**	**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	2021 *(in thousands of HRK)*	2021 %	2020 *(in thousands of HRK)*	2020 %
Sales by type of products				
Own brands	3,571,094	61.7	3,332,885	62.6
Principal brands	1,599,911	27.7	1,445,153	27.1
Farmacia	531,474	9.2	473,991	8.9
Total sales by type of products	**5,702,479**	**98.6**	**5,252,029**	**98.6**
Other income /i/	83,292	1.4	76,645	1.4
Total revenues	**5,785,771**	**100.0**	**5,328,674**	**100.0**

/i/ Other income mainly comprises of interest income, rental income and income from the reversal of unused provisions.

NOTE 6 – STAFF COSTS

	2021	2020
	(in thousands of HRK)	
Gross salaries /i/	779,766	739,686
Christmas and Easter bonuses and holiday allowances	51,592	39,512
Public transport	18,147	17,238
Termination benefits	5,240	1,534
Other staff costs /ii/	82,631	57,661
	937,376	**855,631**

In 2021, the average number of employees was 5,460 (2020: 5,409).

/i/ Pension contributions that the Group calculated for payment to mandatory pension funds for the year ended 31 December 2021 amounted to HRK 147,249 thousand (2020: HRK 139,084 thousand).

/ii/ Other staff costs include bonuses, education expenses, accruals for unused vacation days and jubilee awards.

NOTE 7 – MARKETING AND PROMOTION COSTS

	2021	2020
	(in thousands of HRK)	
Marketing and promotion costs - external	302,615	247,863
Marketing and promotion costs - related parties (Note 29)	4,168	3,065
Sponsorships and donations - external	22,993	16,185
	329,776	**267,113**

NOTE 8 – OTHER OPERATING COSTS

	2021	2020
	(in thousands of HRK)	
Transportation costs	142,480	131,702
Maintenance	127,075	115,626
Non-production material	34,464	35,934
Rentals (Note 13a)	29,315	28,454
Intellectual services	27,125	17,577
Taxes and contributions not related to operating results	22,829	21,868
Fuel	18,985	14,031
Provision for impairment of inventories (Note 19)	16,094	23,955
Non-production services	11,510	9,572
Production services	11,135	7,989
Telecommunication services	10,949	10,283
Entertainment	9,946	8,335
Provision for impairment of trade receivables (Note 18)	8,894	20,862
Bank charges	8,234	7,835
Travel expense and daily allowances	5,568	5,029
Other – related parties (Note 29)	2,202	2,332
Supervisory Board fees	1,572	1,496
Provision for impairment of other receivables (Note 18)	230	412
Collection of previously impaired receivables (Note 18)	(8,094)	(10,470)
Donations – Covid 19	117	25,429
Other	53,784	36,933
	534,414	**515,184**

NOTE 9 – OTHER GAINS/(LOSSES) – NET

	2021	2020
	(in thousands of HRK)	
Fair value gains/(losses) on financial assets	4,219	(4,913)
Foreign exchange losses – net	(3,570)	(3,927)
Gain on sale of property, plant and equipment	1,475	130
Gain on sale of subsidiaries – net of transaction expenses	648	5,178
Other	1,247	550
	4,019	**(2,982)**

NOTE 10 – FINANCE COSTS – NET

	2021	2020
	(in thousands of HRK)	
Finance income		
Foreign exchange gains on borrowings and lease liabilities	2,826	7,608
	2,826	7,608
Finance costs		
Interest expense on lease liabilities	(8,408)	(9,315)
Interest expense on bank borrowings	(2,930)	(8,796)
Interest expense on bonds	(2,870)	(6,393)
Interest expense on provisions for employee benefits	(827)	(785)
Other interest expense /i/	(2,789)	(420)
Total interest expense	(17,824)	(25,709)
Foreign exchange losses on borrowings and lease liabilities	(2,751)	(12,435)
	(20,575)	(38,144)
Finance costs - net	**(17,749)**	**(30,536)**

/i/ Other interest expenses relate to interest arising from unwinding of discount and default interests.

NOTE 11 – INCOME TAX

	2021	2020
	(in thousands of HRK)	
Current income tax	84,396	79,066
Deferred tax (Note 25)	(10,092)	(9,688)
	74,304	**69,378**

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:

	2021	2020
	(in thousands of HRK)	
Profit before taxation	**420,196**	**411,648**
Income tax calculated at Croatian statutory income tax rate of 18%	75,635	74,097
Tax effects of:		
Lower income tax rates overseas	(1,562)	(4,619)
Adjustments of current income tax related to prior years	9,855	-
Income not subject to tax	(16,489)	(19,746)
Expenses not deductible for tax purposes	19,083	19,931
Effect of utilized tax incentives	(4,068)	-
Utilisation of previously unrecognized tax losses	(8,144)	(2,769)
Tax losses for which no deferred tax assets were recognised	771	3,002
Effect of utilized tax losses	(777)	(518)
Tax expense	**74,304**	**69,378**

The effective tax rate was 17.7% (2020: 16.9%).

In 2021, the following members of the Group were subject to an audit by Tax Authority: Atlantic Trade d.o.o. Ljubljana for corporate income tax return from 2020, Atlantic Grand d.o.o. Beograd for value added tax return and custom duties from 2020, Atlantic Argeta d.o.o. Sarajevo for value added tax returns for the period from 1 December 2018 until 31 March 2021 and Atlantic Trade d.o.o. Skopje for corporate income tax returns, value added tax returns and personal income tax returns for the period 2018 until 2020.

All inspections were completed in 2021, except Atlantic Trade d.o.o. Skopje which is still in progress.

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.

	2021	**2020**
Net profit attributable to shareholders of the Company *(in thousands of HRK)*	344,857	341,730
Weighted average number of ordinary shares in issue	3,325,122	3,326,936
Basic earnings per share *(in HRK)*	103.71	102.72

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 HRK)	**Land**	**Buildings**	**Plant and equipment**	**Assets not yet in use**	**Total**
At 31 December 2019					
Cost	91,156	951,594	1,720,444	121,141	2,884,335
Accumulated depreciation	-	(571,011)	(1,341,409)	-	(1,912,420)
Net book amount	**91,156**	**380,583**	**379,035**	**121,141**	**971,915**
At 1 January 2020					
Opening net book amount	91,156	380,583	379,035	121,141	971,915
Additions	44,688	-	-	171,425	216,113
Transfer	-	9,811	120,280	(130,091)	-
Disposals	-	-	(697)	-	(697)
Depreciation	-	(22,119)	(102,528)	-	(124,647)
Impairment charge	-	-	(4,080)	-	(4,080)
Acquisition of subsidiary	-	-	2,801	-	2,801
Foreign exchange differences	953	4,005	3,366	609	8,933
Closing net book amount	**136,797**	**372,280**	**398,177**	**163,084**	**1,070,338**
At 31 December 2020					
Cost	136,797	970,038	1,850,685	163,084	3,120,604
Accumulated depreciation	-	(597,758)	(1,452,508)	-	(2,050,266)
Net book amount	**136,797**	**372,280**	**398,177**	**163,084**	**1,070,338**
At 1 January 2021					
Opening net book amount	136,797	372,280	398,177	163,084	1,070,338
Additions	-	502	11,093	194,536	206,131
Transfer	-	12,540	204,945	(217,485)	-
Disposals	(1,423)	(2,506)	(1,290)	(2,173)	(7,392)
Depreciation	-	(20,331)	(105,320)	-	(125,651)
Impairment charge	(245)	(6,413)	(5,345)	(190)	(12,193)
Transfer to assets held for sale	(21)	(2,045)	(1,561)	-	(3,627)
Acquisition of subsidiary	-	-	1,438	-	1,438
Divestment of subsidiary	(4,634)	(9,743)	(3,981)	-	(18,358)
Foreign exchange differences	(188)	(856)	(620)	(297)	(1,961)
Closing net book amount	**130,286**	**343,428**	**497,536**	**137,475**	**1,108,725**
At 31 December 2021					
Cost	130,286	908,468	1,890,872	137,475	3,067,101
Accumulated depreciation	-	(565,040)	(1,393,336)	-	(1,958,376)
Net book amount	**130,286**	**343,428**	**497,536**	**137,475**	**1,108,725**

As at 31 December 2021, there were no pledged property, plant and equipment as collateral for loan repayment, while the net book value of pledged property, plant and equipment at 31 December 2020 was HRK 177,509 thousand (Note 24).

NOTE 13a – LEASES

This note provides information for leases where the Group is lessee.

(i) Amounts recognized in the balance sheet

(in thousands of HRK)	**Buildings**	**Vehicles**	**Other**	**Total**
At 1 January 2020	**275,871**	**94,894**	**1,482**	**372,247**
Additions	25,854	38,666	323	64,843
Lease modification	17,151	1,127	765	19,043
Lease expiration	(20,004)	(8,557)	(244)	(28,805)
Depreciation	(48,248)	(40,941)	(660)	(89,849)
Foreign exchange differences	715	638	6	1,359
At 31 December 2020	**251,339**	**85,827**	**1,672**	**338,838**
Additions	20,618	52,628	3,768	77,014
Lease modification	13,554	792	373	14,719
Lease expiration	(3,654)	(1,713)	(969)	(6,336)
Depreciation	(51,169)	(43,064)	(389)	(94,622)
Foreign exchange differences	(657)	943	(5)	281
At 31 December 2021	**230,031**	**95,413**	**4,450**	**329,894**

	31 December 2021	**31 December 2020**
Lease liabilities		
Current	86,844	84,824
Non-current	263,065	263,479
	349,909	348,303

(ii) Amounts recognized in the income statement

(in thousands of HRK)	**2021**	**2020**
Depreciation charge of right-of-use assets	94,622	89,849
Interest expense (included in finance cost)	8,408	9,315
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)	29,315	28,454

The total cash outflow for leases in 2021 was HRK 93,502 thousand (2020: HRK 86,999 thousand).

NOTE 14 – NON-CURRENT ASSETS HELD FOR SALE

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Opening net book amount	5,382	5,583
Transfer from tangible and intangible assets	3,762	-
Impairment charge	(1,140)	-
Disposals	(3,750)	(205)
Transfer to investment property	(492)	-
Foreign exchange differences	(3)	4
Closing net book amount	**3,759**	**5,382**

NOTE 15 – INTANGIBLE ASSETS

(in thousands of HRK)	Goodwill	Licences	Brands	Rights and Customer contracts	Software	Assets not yet in use	Total
At 31 December 2019							
Cost	810,922	219,639	759,260	21,811	191,902	22,541	2,026,075
Accumulated amortisation and impairment	(33,816)	(48,580)	(122,777)	(15,658)	(146,569)	-	(367,400)
Net book amount	**777,106**	**171,059**	**636,483**	**6,153**	**45,333**	**22,541**	**1,658,675**
At 1 January 2020							
Opening net book amount	777,106	171,059	636,483	6,153	45,333	22,541	1,658,675
Foreign exchange differences	7,682	-	8,043	38	111	13	15,887
Additions	-	-	-	-	-	17,994	17,994
Transfer	-	2,592	114	-	29,388	(32,094)	-
Acquisition of subsidiary	12,312	-	1,438	8,181	10	-	21,941
Amortisation	-	(388)	(10,525)	(1,097)	(21,929)	-	(33,939)
Impairment charge	-	-	(20,961)	(839)	-	-	(21,800)
Closing net book amount	**797,100**	**173,263**	**614,592**	**12,436**	**52,913**	**8,454**	**1,658,758**
At 31 December 2020							
Cost	830,916	222,231	770,333	13,391	220,682	8,454	2,066,007
Accumulated amortisation and impairment	(33,816)	(48,968)	(155,741)	(955)	(167,769)	-	(407,249)
Net book amount	**797,100**	**173,263**	**614,592**	**12,436**	**52,913**	**8,454**	**1,658,758**
At 1 January 2021							
Opening net book amount	797,100	173,263	614,592	12,436	52,913	8,454	1,658,758
Foreign exchange differences	(1,608)	-	(1,584)	-	145	19	(3,028)
Additions	-	-	-	-	948	32,871	33,819
Transfer	-	-	312	3,053	30,551	(33,916)	-
Transfer to assets held for sale	-	-	-	-	(135)	-	(135)
Divestment of subsidiary	-	-	-	-	(438)	-	(438)
Disposals	-	-	(7,524)	-	-	-	(7,524)
Acquisition of subsidiary	5,447	6,287	-	-	-	-	11,734
Amortisation	-	(518)	(10,385)	(1,587)	(23,000)	-	(35,490)
Impairment charge	(12,198)	-	(4,847)	-	(303)	-	(17,348)
Closing net book amount	**788,741**	**179,032**	**590,564**	**13,902**	**60,681**	**7,428**	**1,640,348**
At 31 December 2021							
Cost	834,755	228,518	761,537	16,444	251,753	7,428	2,100,435
Accumulated amortisation and impairment	(46,014)	(49,486)	(170,973)	(2,542)	(191,072)	-	(460,087)
Net book amount	**788,741**	**179,032**	**590,564**	**13,902**	**60,681**	**7,428**	**1,640,348**

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).
As at 31 December 2021, there were no pledged intangible assets as collateral for loan repayment, while the net book values of pledged intangible assets as at 31 December 2020 was HRK 565,252 thousand (Note 24).

NOTE 16 – FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Financial assets at amortised cost		
Trade receivables	1,078,069	1,079,003
Loans and deposits given	48,217	51,956
Other financial assets at amortized cost	44,995	20,649
Cash and cash equivalents	346,635	426,513
	1,517,916	1,578,121
Financial assets at fair value through OCI		
Financial assets at fair value through OCI	1,384	1,404
Derivatives used for hedging		
Derivative financial instruments	2,972	-
Total financial assets	**1,522,272**	**1,579,525**
Total current	1,478,138	1,530,122
Total non-current	44,134	49,403

	31 December 2021	31 December 2020
Financial liabilities at amortised cost		
Borrowings	459,589	811,224
Trade and other payables	1,107,233	914,313
	1,566,822	1,725,537
Derivatives used for hedging		
Derivative financial instruments	-	7,132
Lease liabilities	349,909	348,303
Financial liabilities at fair value through profit or loss		
Contingent consideration for acquisition of subsidiaries	9,846	9,597
Total financial liabilities	**1,926,577**	**2,090,569**
Total current	1,357,748	1,518,234
Total non-current	568,829	572,335

NOTE 17 – FINANCIAL ASSETS THROUGH OTHER COMPREHENSIVE INCOME (OCI)

Investments in financial assets through 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 2021 and 2020, there were no impairment provisions on financial assets through OCI.

NOTE 18 – TRADE AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Non-current receivables		
Loans receivable and deposits /i/	36,330	41,442
Other non-current receivables	6,420	6,557
	42,750	47,999
Current receivables		
Trade receivables /ii/	1,078,069	1,079,003
Loans receivable and deposits /i/	11,887	10,514
Other receivables /iii/	198,026	159,141
	1,287,982	1,248,658
	1,330,732	**1,296,657**

	31 December 2021	31 December 2020
Financial assets	*(in thousands of HRK)*	
Category: Trade and other receivables		
Loans receivable and deposits	48,217	51,956
Trade receivables	1,078,069	1,079,003
Other receivables	44,995	20,649
	1,171,281	**1,151,608**

NOTE 18 – TRADE AND OTHER RECEIVABLES (continued)

/i/ Loans receivable and deposits are as follows:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Non-current receivables		
Deposits	2,053	6,307
Loans	37,193	37,841
Current portion	(2,916)	(2,706)
	36,330	41,442
Current receivables		
Loans – related parties (Note 29)	791	738
Loans	8,095	7,048
Deposits	85	22
Current portion of non-current receivables	2,916	2,706
	11,887	10,514
	48,217	**51,956**

The fair value of loans and deposits approximates the carrying amounts.

/ii/ Trade receivables are as follows:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Gross trade receivables	1,055,894	1,066,670
Trade receivables – related parties (Note 29)	83,176	74,887
Provision for trade receivables	(61,001)	(62,554)
	1,078,069	**1,079,003**

NOTE 18 – TRADE AND OTHER RECEIVABLES (continued)

/iii/ Other receivables are as follows:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Receivables from government institutions	45,467	53,846
Advances given	30,236	23,126
Prepaid expenses and accrued income	83,748	68,077
Receivables from the sale of business and subsidiaries (Note 28)	18,793	6,331
Interest receivable	551	753
Interest receivable – related parties (Note 29)	207	201
Other	19,024	6,807
	198,026	**159,141**

Due to uncertainty in collection, other receivables of HRK 230 thousand were impaired (2020: HRK 412 thousand), (Note 8).

/iv/ Accrued interest up to the balance sheet date is recorded within other income.

As of 31 December 2021, trade receivables in the amount of HRK 61,001 thousand (2020: HRK 62,554 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:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Undue	1,517	-
Up to 3 months	2,457	4,227
3 to 6 months	1,537	1,227
Over 6 months	55,490	57,100
	61,001	**62,554**

NOTE 18 – TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2021, trade receivables in the amount of HRK 97,520 thousand (2020: HRK 129,630 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:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Up to 3 months	91,627	110,683
3 to 6 months	3,541	9,622
Over 6 months	2,352	9,325
	97,520	**129,630**

The carrying amounts of the Group's financial assets are denominated in the following currencies:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
EUR	316,079	337,360
HRK	396,898	369,520
RSD	352,248	331,227
Other	106,056	113,501
	1,171,281	**1,151,608**

Movements on the provision for impairment of trade receivables are as follows:

	2021	2020
	(in thousands of HRK)	
As at 1 January	62,554	72,783
Provision for receivables impairment (Note 8)	8,894	20,862
Collected amounts reversed (Note 8)	(8,094)	(10,470)
Receivables written off	(1,086)	(7,179)
Liquidation of subsidiary	(1,192)	-
Transfer to long-term loans given	-	(13,080)
Exchange differences	(75)	(362)
As at 31 December	**61,001**	**62,554**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

NOTE 19 – INVENTORIES

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Trade goods	275,066	253,000
Finished goods	234,086	193,148
Raw materials and supplies	119,172	111,220
Work in progress	10,877	14,906
	639,201	**572,274**

As of 31 December 2021, inventories of HRK 16,094 thousand (2020: HRK 23,955 thousand) were impaired due to the adjustment to net realisable value (Note 8).

NOTE 20 – CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Foreign currency account	198,828	129,025
Current account and cash on hand	147,807	297,083
Deposits up to three months /i/	-	405
	346,635	**426,513**

/i/ Accrued interest up to the balance sheet date is recorded within other income.

Cash and cash equivalents are denominated in the following currencies:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
HRK	147,807	297,074
EUR	111,712	87,482
RSD	27,488	11,297
Other	59,628	30,660
	346,635	**426,513**

NOTE 21 – SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of shares	Share capital	Share premium	Treasury shares	Total
			(in thousands of HRK)		
1 January 2020	**3,329,290**	**133,372**	**881,323**	**(5,884)**	**1,008,811**
Purchase of treasury shares	(9,899)	-	-	(11,022)	(11,022)
Share based payments	8,180	-	528	9,259	9,787
31 December 2020	**3,327,571**	**133,372**	**881,851**	**(7,647)**	**1,007,576**
Purchase of treasury shares	(19,801)	-	-	(30,558)	(30,558)
Share based payments	11,709	-	2,001	16,074	18,075
31 December 2021	**3,319,479**	**133,372**	**883,852**	**(22,131)**	**995,093**

All shares issued are ordinary shares, including all relevant rights. All shares have the right to vote at the Company's General Assembly, as well as the right to dividend payment.

The founder and majority owner of the Company is Mr. Emil Tedeschi, President of the Management Board.

The ownership structure of the Company is as follows:

	31 December 2021		31 December 2020	
	Number of shares	%	Number of shares	%
Emil Tedeschi	1,673,819	50.20	1,673,819	50.20
Raiffeisen Obligatory pension fund	361,839	10.85	322,729	9.68
AZ Obligatory pension fund	286,946	8.61	286,946	8.61
Erste Plavi Obligatory pension fund	247,821	7.43	256,019	7.68
Lada Tedeschi Fiorio	193,156	5.79	193,156	5.79
Management of the Company	33,464	1.00	31,189	0.93
Other shareholders	522,434	15.67	563,713	16.91
Treasury shares	14,821	0.45	6,729	0.20
Total	**3,334,300**	**100.00**	**3,334,300**	**100.00**

Dividend distribution

According to the decision of the Company's General Assembly from 16 June 2021, the distribution of dividend in the amount of HRK 40.00 per share, or HRK 133,094 thousand in total was approved. Dividend was paid in July 2021.

In 2020 the distribution of dividend in the amount of HRK 25.00 per share, or HRK 83,186 thousand in total was approved. Dividend was paid in July 2020.

NOTE 21 – SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (continued)

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 Board members as well as to other employees (equity-settled transactions).

In addition to the right to pay bonuses in shares, employees, if they decide to keep the shares for a period of a least two or three years (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 management positions to the creation and implementation of 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 high executive position.

The fair value of the shares granted in 2021 is determined as of the grant date, at the estimated market price of share of HRK 1,540.00 (2020: HRK 1,168.65).

In 2021, Management and employees have received 5,344 non-conditional shares granted in 2021, 4,881 conditional shares granted in 2017 and 1,484 conditional shares granted in 2018.

In 2020, Management and employees have received 7,603 non-conditional shares granted in 2020, 380 conditional shares granted in 2016 and 197 conditional shares granted in 2018.

NOTE 22 – RESERVES

(in thousands of HRK)	**Reserves /i/**	**Translation reserves /ii/**	**Cash flow hedge reserves /ii/**	**Total**
At 1 January 2020	**20,186**	**(88,257)**	**(4,993)**	**(73,064)**
Foreign exchange differences	-	25,592	-	25,592
Transfer from retained earnings	327	-	-	327
Cash flow hedge	-	-	(4,306)	(4,306)
At 31 December 2020	**20,513**	**(62,665)**	**(9,299)**	**(51,451)**
Foreign exchange differences	-	(4,062)	-	(4,062)
Transfer from retained earnings	1,761	-	-	1,761
Cash flow hedge	-	-	8,473	8,473
At 31 December 2021	**22,274**	**(66,727)**	**(826)**	**(45,279)**

/i/ Reserves mainly comprise statutory reserves recorded in accordance with the Company's Articles of Association. These reserves are distributable.

/ii/ Movements represent amounts attributable to the owners of the Company only.

Components of Other comprehensive income:

	2021	**2020**
	(in thousands of HRK)	
Cash flow hedges:		
Currency forward contracts		
Reclassification during the year to profit or loss	7,497	4,977
Net loss during the year (except not-yet matured contracts)	-	(1,569)
Net loss during the year of not-yet matured contracts	976	(7,714)
	8,473	**(4,306)**

NOTE 23 – TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Trade payables	786,841	655,957
Trade payables – related parties (Note 29)	2,238	1,918
Other payables	385,746	296,583
	1,174,825	**954,458**

Other payables recorded as at 31 December are as follows:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Gross salaries payable	64,648	43,314
Accrued expenses (suppliers)	186,152	145,199
Vacation accrual	20,107	17,269
Contractual obligation to customers	85,357	63,602
Termination benefits payable	331	281
Deferred income	2,828	1,477
Dividend payable	291	171
Other	26,032	25,270
	385,746	**296,583**

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:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
EUR	437,833	388,793
HRK	401,660	320,579
RSD	199,537	151,887
Other	71,942	53,323
	1,110,972	**914,582**

NOTE 24 – BORROWINGS

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Long-term borrowings:		
Financial institutions	637	609
Bonds /i/	299,020	298,919
	299,657	**299,528**
Short-term borrowings:		
Financial institutions /ii/	159,788	511,696
Bonds /i/	144	-
	159,932	**511,696**
	459,589	**811,224**

/i/ In December 2020, Atlantic Grupa issued corporate bonds in the amount of HRK 300 million 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 2021.

/ii/ Short-term loans from financial institutions include three loans (2020: eleven loans).
As at 31 December 2021, the Group had no committed line, while as at 31 December 2020 EUR 22 million of the committed line was unused.

As at 31 December 2021, the Group has no borrowings from financial institutions secured by pledges over property, while as at 31 December 2020 borrowings were secured by pledges over property, plant and equipment (Note 13), intangible assets (Note 15) and shares of Atlantic Trade d.o.o. Zagreb and its subsidiaries: Atlantic Droga Kolinska d.o.o., Atlantic Grand d.o.o. Serbia and Atlantic Štark d.o.o.. Total net assets value of Atlantic Trade d.o.o. sub-consolidation as at 31 December 2020 was HRK 2,156,122 thousand.

Furthermore, 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:

	31 December 2021	31 December 2020
	(in thousands of HRK)	
Fixed interest rate	331,727	654,803
Up to 3 months	127,862	153,838
3 to 6 months	-	2,583
	459,589	**811,224**

NOTE 24 – BORROWINGS (continued)

The maturity of long-term borrowings is in the period from two to five years.

The average effective annual interest rate related to borrowings from financial institutions at the balance sheet date was 0.78% (2020: 0.72%). The effective annual interest rate related to bonds at the balance sheet date was 0.96% (2020: 3.10%).

The carrying amounts and fair value of long-term borrowings as at 31 December were as follows:

	Carrying amounts		**Fair value**	
(in thousands of HRK)	**2021**	**2020**	**2021**	**2020**
Long-term borrowings				
Financial institutions	637	609	637	609
Bonds	299,020	298,919	300,000	300,750
	299,657	**299,528**	**300,637**	**301,359**

The carrying value of borrowings and bonds is translated from the following currencies:

	31 December 2021	**31 December 2020**
	(in thousands of HRK)	
HRK	329,028	503,550
RSD	127,862	153,840
USD	1,563	1,442
EUR	1,136	152,392
	459,589	**811,224**

NOTE 25 – 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 HRK 7,460 thousand (2020: HRK 17,412 thousand) in respect of losses that arose in the Company and its six subsidiaries (2020: five 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 HRK 38,767 thousand (2020: HRK 76,664 thousand) expire over the next five years, while the tax losses in the amount of HRK 11,557 thousand (2020: HRK 13,939 thousand) do not expire.

Deferred tax assets

(in thousands of HRK)	**Tax losses**	**Provisions**	**Other**	**Total**
At 1 January 2020	**3,680**	**13,364**	**14,752**	**31,796**
(Charged)/credited to the income statement (Note 11)	351	755	3,868	4,974
(Charged)/credited to other comprehensive income	-	99	1,011	1,110
Exchange differences	(1,278)	50	(367)	(1,595)
At 31 December 2020	**2,753**	**14,268**	**19,264**	**36,285**
(Charged)/credited to the income statement (Note 11)	(725)	2,236	4,840	6,351
(Charged)/credited to other comprehensive income	-	38	(1,463)	(1,425)
Exchange differences	344	(11)	(75)	258
At 31 December 2021	**2,372**	**16,531**	**22,566**	**41,469**

Deferred tax liabilities

(in thousands of HRK)	**Fair value uplifts of assets acquired in business combinations**	**Other**	**Total**
At 1 January 2020	**153,228**	**-**	**153,228**
Charged/(credited) to the income statement (Note 11)	(4,714)	-	(4,714)
Acquisition of subsidiary	1,732	-	1,732
Exchange differences	1,576	-	1,576
At 31 December 2020	**151,822**	**-**	**151,822**
Charged/(credited) to the income statement (Note 11)	(3,741)	-	(3,741)
(Charged)/credited to other comprehensive income	-	523	523
Exchange differences	(260)	-	(260)
At 31 December 2021	**147,821**	**523**	**148,344**

NOTE 26 – PROVISIONS

(in thousands of HRK)	Employee benefits	Legal proceedings	Other provisions	Total
At 31 December 2020	104,245	60,116	10,108	174,469
Analysis of total provisions:				
Non-current	53,939	11,484	1,359	66,782
Current	50,306	48,632	8,749	107,687
At 1 January 2021	**104,245**	**60,116**	**10,108**	**174,469**
Additions	67,165	20,636	-	87,801
Utilised during the year	(45,647)	(36,490)	(8,549)	(90,686)
Reversed during the year	(6,871)	(10,563)	-	(17,434)
Interest expense	827	-	-	827
Exchange differences	146	(32)	81	195
At 31 December 2021	**119,865**	**33,667**	**1,640**	**155,172**
Analysis of total provisions:				
Non-current	56,995	11,457	1,355	69,807
Current	62,870	22,210	285	85,365

Legal proceedings

In 2021, based on the agreement for the sale of shares in company Neva d.o.o. which were sold in 2018, the Group paid additionally determined tax liability in amount of HRK 36,276 thousand according to the court case Neva d.o.o. with the Tax Authorities which was pending at the time of the sale.

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 2021.

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 2022. The current amount of employee benefits includes annual bonuses to employees and part of jubilee awards and termination benefits in the amount of HRK 3,611 thousand (2020: HRK 3,563 thousand) that will be paid out within the period of 12 months from the balance sheet date.

NOTE 27 – COMMITMENTS

Capital expenditure contracted at 31 December 2021 but not yet incurred amounted to HRK 74,915 thousand (2020: HRK 47,034 thousand) for property, plant and equipment and HRK 13,456 thousand for intangible assets (2020: HRK 2,212 thousand).

NOTE 28 – BUSINESS COMBINATIONS, ACQUISITION AND DIVESTMENT OF SUBSIDIARIES

/i/ During the 2021, Atlantic Group acquired 100% ownership in the companies ZU Ljekarna Galler, Kraljevica and The Best Cofee d.o.o., Podstrana. After the acquisition, they were merged with the ZU Ljekarne Farmacia and Atlantic Zagreb d.o.o., Zagreb.

As a result of these transactions, the license in the amount of HRK 6,287 thousand and provisional goodwill in the amount of HRK 5,447 thousand have been recognized as the difference between the cost of acquisition and the carrying value of net assets acquired. Provisional goodwill is subject to final valuation which will be completed within a period of 12 months from the date of acquisition.

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

Cash paid	12,407
Liability for acquisition of subsidiary	633
Total purchase consideration	**13,040**
Carrying value of net assets acquired	(1,306)
	11,734
Licence	6,287
Provisional goodwill	5,447

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

Property, plant and equipment	1,438
Inventories	379
Trade and other receivables	2,246
Cash and cash equivalents	158
Trade and other payables	(2,915)
	1,306

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

Cash paid	12,407
Cash in subsidiary acquired	(158)
Payments for acquisition of subsidiary	**12,249**

Acquired subsidiaries in 2021 contributed HRK 138 thousand of revenues and HRK 170 thousand of loss to the Group.

NOTE 28 – BUSINESS COMBINATIONS, ACQUISITION AND DIVESTMENT OF SUBSIDIARIES (continued)

Atlantic Grupa has signed an agreement with the Austrian company Gittis Naturprodukte GmbH to sell the production site Mirna in Slovenia. This is the conclusion of the process started with the sale of the baby food brand Bebi to the Serbian Nelt Group last year, ie the continuation of disinvesting in smaller and non-core activities in accordance with Atlantic Grupa's corporate strategy. With this transaction, Gittis took over the entire production site with employees. The transaction was closed on 31 December 2021 and the Group realized a gain from the sale in the amount of HRK 648 thousand.

(in thousands of HRK)	
Receivables for sale of the business	18,793
Carrying value of net asset disposed	(18,145)
Gain from sale of the business	**648**

Carrying value of net asset disposed as at 31 December 2021 *(in thousands of HRK)*	
Property, plant and equipment	18,358
Intangible assets	438
Other assets	56
Other liabilities	(707)
	18,145

Disposed business in 2021 contributed HRK 29,734 thousand of revenues and HRK 8,502 thousand of profit to the Group.

Furthermore, in 2021, the Group collected HRK 6,312 thousand of receivables from the sale of sports and active nutrition factories in 2017.

NOTE 28 – BUSINESS COMBINATIONS, ACQUISITION AND DIVESTMENT OF SUBSIDIARIES (continued)

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

Atlantic Grupa acquired 99% of the shares in the company Procaffe d.o.o. Non-controlling interest in the acquired company is recognized at the fair value.

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

Cash paid	12,782
Liability for acquisition of subsidiary *	7,437
Total purchase consideration	**20,219**
Fair value of net assets acquired	(7,907)
Provisional goodwill (restated)	**12,312**

Value of net asset acquired

(in thousands of HRK)	**Fair value**	**Carrying value**
Customer contracts	8,181	-
Brand	1,438	-
Property, plant, and equipment	2,801	2,801
Intangible assets	10	10
Trade receivables and other receivables	703	703
Cash and cash equivalents	20	20
Deferred tax liabilities	(1,732)	-
Trade payables and other payables	(3,514)	(3,514)
Net assets	**7,907**	**20**

*Pursuant to the share purchase agreement, purchase consideration will be paid to previous owners of the acquired company in two additional tranches if sales target in following two years are achieved. As at reporting date, the fair value of contingent consideration was determined based on discounted cash flows, taking into consideration the probability of meeting performance targets and as at 31 December 2021 it is higher by HRK 631 thousand. The liability is classified as Other non-current liabilities and Trade and other payables since the agreed terms of payment of tranches are in January 2022 and April 2023.

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

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

Acquired subsidiary contributed HRK 14 thousand of revenues and HRK 958 thousand of loss to the Group in 2020.

NOTE 28 – BUSINESS COMBINATIONS, ACQUISITION AND DIVESTMENT OF SUBSIDIARIES (continued)

During the 2020, the Group has paid HRK 4,228 thousand of the remaining liabilities for the purchase of Vivascaffe Professional d.o.o.

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

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

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

NOTE 29 – 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 2021 and as at 31 December 2020 and transactions recognized for the years then ended, are as follows:

(all amounts expressed in thousands of HRK)	**Note**	**2021**	**2020**
RECEIVABLES			
Current receivables			
Other entities	18	84,174	75,826
LIABILITIES			
Trade and other payables			
Other entities	23	2,238	1,918
REVENUES			
Sales revenues			
Other entities		496,471	448,514
Other revenues			
Other entities		671	807
EXPENSES			
Marketing and promotion costs	7		
Other entities		4,168	3,065
Other operating costs	8		
Other entities		2,202	2,332
Purchase of property, plant and equipment			
Other entities		289	623

Management board compensation

In 2021 members of the Management Board received total gross amount of HRK 20,119 thousand relating to salaries and bonuses (2020: HRK 17,794 thousand).

NOTE 30 – AUDITORS' FEES

Statutory audit services fees to the auditors of the Group's financial statements amounted to HRK 3,311 thousand (2020: HRK 3,009 thousand), while fees related to other services amounted to HRK 160 thousand (2020: 153 thousand). Other services relate to subscription to online learning portal, Report on remuneration of the Management Board and the Supervisory Board, related party reports and agreed upon procedures in relation to received government grants in Republic of Serbia.

NOTE 31 – 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:

	2021	**2020**
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	99%	99%
Farmacia Holding d.o.o., Croatia	100%	100%
- ZU Ljekarne Farmacia, Croatia	100%	100%
- Farmacia - specijalizirana prodavaonica d.o.o., Croatia	100%	100%
Montana Plus d.o.o., Croatia	100%	100%
Atlantic Point d.o.o., Croatia	100%	100%
Hopen Investments, BV, Netherlands	100%	100%
- Atlantic Management GmbH, Germany	100%	100%
- Hopen Cyprus Ltd., Cyprus (founded in 2021)	100%	-
Atlantic Multipower Srl, Italy (liquidated in 2021)	-	100%
Atlantic Brands GmbH, Austria	100%	100%