



Pursuant to Article 263 and Article 300c of the *Companies Act*, the *Articles of Association of the Atlantic Grupa d.d.*, Articles of the *Code of the Corporate Governance* of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency, the Supervisory Board of Atlantic Grupa d.d. (Atlantic Grupa d.d. hereinafter also as: a „Company“) submits to the General Assembly the following

REPORT

ON THE PERFORMED SUPERVISION OF THE COMPANY'S BUSINESS OPERATIONS MANAGEMENT IN THE YEAR 2019

The Supervisory Board of Atlantic Grupa d.d. (hereinafter referred to as: the Supervisory Board), pursuant to the powers conferred by the provisions of the *Company Act*, the *Articles of Association of the Atlantic Grupa d.d.*, *Rules of Procedure of the Supervisory Board* and the *Code of the Corporate Governance* of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency, continually performed supervision of business operations of Atlantic Grupa d.d. in the period from January 1st, 2019 to December 31st, 2019. Through its supervision the Supervisory Board concluded that in 2019 Atlantic Grupa d.d. has operated in accordance with the Law, the Company's acts and decisions of the General Assembly.

The Supervisory Board is consisted of seven members and during 2019, in respect of its membership, it has seen a few changes.

On 31 December 2019, the Supervisory Board operated in the following composition:

Zdenko Adrović (President),

Siniša Petrović (Vice President),

Anja Svetina Nabergoj (member), appointed at the General Assembly as of 27 June 2019,

Monika Elisabeth Schulze (member), appointed at the General Assembly as of 17 October 2019,

Franz Josef Flosbach (member),

Aleksandar Pekeć (member),

Lars Peter Elam Håkansson (member).

Lada Tedeschi Fiorio carried out the function of the Vice President until 30 September 2019 i.e. until the termination of her mandate in the Supervisory Board for the purpose of assuming a duty at the Management Board of the Company. Siniša Petrović succeeded Lada Tedeschi Fiorio at the position of Vice President of Supervisory Board as of October 1st, 2019.

In the course of 2019 the Supervisory Board held four sessions in which it discussed issues and reached decisions and conclusions on matters pertaining to the functioning

and business operations of the Company and its affiliates. The Supervisory Board was duly informed by the Management Board of all business events of greater importance, the course of business operations, revenues and expenditures, as well as of the general status of the Company. The Management Board regularly submitted to the Supervisory Board quarterly, semi-annual and annual written reports on business operations to which the Supervisory Board had no objections and which were unanimously adopted. The Supervisory Board has performed supervision of the Company's activities in line with the decisions adopted by the Company's General Assembly and concluded that the Company acted entirely in conformity with decisions of the General Assembly. The Supervisory Board used its counsel and recommendations to influence the Company's activities which marked the business year of 2019 (restructuring of operations in the sports and functional food and pharma and personal care segment; widening of the distribution portfolio with new principals' product assortment; the review of overall business practices and the definition of strategy, corporate priorities, key drivers of growth and the adaption of the overall organization including the composition of the Management Board) and discussed in details the Annual Business Plan for 2020.

Three Committees were established which activities assist the operation and functioning of the Company's Supervisory Board, namely: the Audit Committee, the Nomination and Remuneration Committee and the Corporate Governance Committee.

Each Committee anticipates three members of which two are appointed from the ranks of Supervisory Board members while one member is appointed from the ranks of top external experts in the subject area.

The Audit Committee is chaired by Franz Josef Flosbach, Marko Lesić was appointed as the external expert, while Zdenko Adrović took over the membership as appointed from the ranks of Supervisory Board members, following the termination of the mandate in the Committee of Lada Tedeschi Fiorio on September 30th, 2019. The Committee held two sessions throughout 2019.

The Corporate Governance Committee is chaired by Siniša Petrović, while Nina Tepeš was appointed as the external expert. The Committee held four sessions throughout 2019.

The Nomination and Remuneration Committee is chaired by Aleksandar Pekeč, Lars Peter Elam Håkansson was appointed from the ranks of Supervisory Board members, while Zoran Sušanj was appointed as the external expert. The Committee held four sessions throughout 2019.

Within the legal timeframe, prescribed in Article 300c of the *Companies Act*, the Supervisory Board reviewed the annual financial statements of Atlantic Grupa d.d. and its affiliates for the year ended on December 31st, 2019 together with the report of an independent auditor Ernst & Young d.o.o., Radnička cesta 50, Zagreb, submitted by the Management Board. Supervisory Board has determined that they were drafted in accordance with the situation established in the financial records of Atlantic Grupa d.d. and its affiliates and that they realistically and objectively present the financial status and the results of business operations of Atlantic Grupa d.d. In accordance with such findings, the Supervisory Board agrees with the annual financial statement for

2019 and the independent auditor's report and thereby, pursuant to Article 300d of the *Companies Act*, the Management and Supervisory Board have affirmed the annual financial statements of the Company. The integral parts of the annual financial statement of Atlantic Grupa d.d. for the year ended on December 31st, 2019 are:

- Income statement of Atlantic Grupa d.d.
- Balance sheet of Atlantic Grupa d.d.
- Cash flow statement of Atlantic Grupa d.d.
- Statement of changes in equity of Atlantic Grupa d.d.
- Notes to the financial statements of Atlantic Grupa d.d.
- Income statement of Atlantic Grupa d.d. and its affiliates
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- Notes to the financial statements of Atlantic Grupa d.d. and its affiliates
- Auditor's report on the performed audit of the audit company Ernst & Young d.o.o.

The Supervisory Board reviewed the annual report of the Management Board on the status of the Company for 2019 and determined that it accurately and objectively presents the current business situation and status of the Company. In accordance with such findings, the Supervisory Board has accepted the Management Board's report on the status of the Company for 2019.

The Management Board presented to Supervisory Board a Proposal of the Decision on use of retained earnings of the Company realized in the previous business years and use of earning realized in 2019, the Supervisory Board agrees with the proposal of the Decision of the Management Board of Atlantic Grupa d.d. and, therefore, such proposal of the decision will be submitted to the General Assembly of Atlantic Grupa d.d. for adoption.

Pursuant to all of above, the Supervisory Board submits this report to the General Assembly with a motion that the General Assembly makes decisions under its competence in conformity with the proposals of the Management and Supervisory Board.


Zdenko Adrović
President of the Supervisory Board