



Pursuant to Article 263 and Article 300c of the *Companies Act*, and the *Articles of Association of the Atlantic Grupa d.d.* (hereinafter referred to as: the Company), the Supervisory Board submits to the General Assembly the following

REPORT

ON THE PERFORMED SUPERVISION OF THE COMPANY'S BUSINESS OPERATIONS MANAGEMENT IN THE YEAR 2018

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.* and the *Supervisory Board's Rules of Procedure*, continually performed supervision of business operations of Atlantic Grupa d.d. in the period from January 1st, 2018 to December 31st, 2018. By supervision of the business operations management of Atlantic Grupa d.d., the Supervisory Board concluded that in 2018 Atlantic Grupa d.d. has operated in accordance with the laws, the Company's acts and the decisions of the General Assembly.

During 2018, Supervisory Board functioned in the composition of 7 members:

Zdenko Adrović (President)

Lada Tedeschi Fiorio (Vice President)

Siniša Petrović (member)

Franz Josef Flosbach (member)

Aleksandar Pekeč (member)

Lars Peter Elam Håkansson (member)

Jean-Louis Yvon Gourbin (member) whose mandate in the Supervisory Board terminated on 10th of December 2018.

Further on, in the course of 2018 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 any business events of greater importance, the course of business operations, revenues and expenditures, as well as 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 2018 (restructuring of operations in the sports and functional food and pharma and personal care segment, regulating the cooperation with the key customer, widening of the distribution portfolio with new principals' product assortment) and discussed in details the Annual Business Plan for 2019.

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, Lada Tedeschi Fiorio was appointed from the ranks of Supervisory Board members, while Marko Lesić was appointed as the external expert. The Committee held three sessions throughout 2018.

The Corporate Governance Committee is chaired by Siniša Petrović, while Nina Tepeš was appointed as the external expert. The Committee held four sessions throughout 2018.

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 three sessions throughout 2018.

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, 2018 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 2018 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 2018 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.
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- Auditor's report on the performed audit of the audit company Ernst & Young d.o.o.

The Supervisory Board also reviewed the annual report of the Management Board on the status of the Company for 2018 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 2018.

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 earnings realized in 2018, 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 other decisions under its competence in conformity with the proposals of the Management and Supervisory Board.

Zdenko Adrović
President of the Supervisory Board