

# ATLANTIC GRUPA

FINANCIAL RESULTS  
FOR THE FIRST NINE MONTHS OF 2022  
(unaudited)

Zagreb, 27 October 2022



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Commenting on the financial results for the first nine months of 2022, **Emil Tedeschi**, CEO of Atlantic Grupa, pointed out:

“In the first nine months of 2022, Atlantic Grupa continues to record a significant revenue growth compared to the same period of the previous year, despite all the challenges we face. The revenue growth was achieved in all business units and distribution units due to excellent sales results of own and principal brands, as a result of better epidemiological situation in all markets and the lifting of measures to prevent the pandemic, which were in force last year, especially in the HoReCa channel, and the successful tourist season in Croatia. Also, part of the increase in revenue is a result of higher selling prices that only partially cancelled out the negative effects of significant increases in the prices of key raw materials, packaging materials, energy and services, which as we announced at the beginning of the year, led to a decrease in profitability.

We are particularly pleased with the fact that the capital market recognizes our work and this year, for the third time in a row, we won the first prize for investor relations. Also, the success of our overall business is confirmed by numerous previous awards won by our prominent brands.

Despite the complex economic situation, we still maintain full employment and further invest in our employees. Until the end of 2022, we expect the smooth continuation of production and continuous supply of our customers and consumers, but also the continuation of strong inflationary pressures.”

## KEY DEVELOPMENTS IN THE FIRST NINE MONTHS OF 2022

### CONTINUED SIGNIFICANT REVENUE GROWTH WITH PROFITABILITY DECREASE

**SALES AT HRK 4,706.3 MILLION**  
+10.8% compared to the first nine months of 2021  
+11.6%\* normalized for impacts of divested business

**EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA\*) AT HRK 532.2 MILLION**  
-20.3% compared to the first nine months of 2021 (-20.4% if one-off items excluded\*)

**EARNINGS BEFORE INTEREST AND TAXES (EBIT\*) AT HRK 332.8 MILLION**  
-30.2% compared to the first nine months of 2021 (-30.3% if one-off items excluded\*)

**NET PROFIT\* AT HRK 271.3 MILLION**  
-32.1% compared to the first nine months of 2021 (-33.2% if one-off items excluded\*)

### FINANCIAL SUMMARY OF THE FIRST NINE MONTHS OF 2022

| Key figures                                    | 9M 2022                 | 9M 2021                | 9M 2022/<br>9M 2021 |
|--|-------------------------|------------------------|---------------------|
| <b>Sales</b> (in HRK million)                  | <b>4,706.3</b>          | 4,248.3                | 10.8%               |
| <b>Turnover</b> (in HRK million)               | <b>4,771.3</b>          | 4,299.5                | 11.0%               |
| <b>Normalized EBITDA margin*</b>               | <b>11.2%</b>            | 15.6%                  | -439 bp             |
| <b>Normalized net income*</b> (in HRK million) | <b>262.5</b>            | 393.2                  | (33.2%)             |
|  | <b>30 Sept<br/>2022</b> | <b>31 Dec<br/>2021</b> |                     |
| <b>Gearing ratio*</b>                          | <b>15.5%</b>            | 12.7%                  | +273 bp             |

The comparative period has been adjusted to the reporting for 2022.

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

# KEY DEVELOPMENTS IN THE FIRST NINE MONTHS OF 2022

## 1. SUPERVISORY BOARD REINFORCED, TWO NEW MEMBERS

At the session held on 7 December 2021, the Supervisory Board adopted a proposed decision for the election of 2 new members of the Company's Supervisory Board. With the adoption of this Decision by the General Assembly on 20 January 2022, the Supervisory Board was expanded from the previous 7 to 9 members. Vesna Nevistić, PhD, an experienced expert in the fields of management consulting, banking, corporate development and restructuring, and Zoran Vučinić, a proven global manager with an extremely successful international career in the field of consumer goods industry joined the Supervisory Board.

Strengthening the Supervisory Board with these new members is a logical continuation of the process of defining corporate strategy and priorities in the further development of the company.

## 2. COCKTA BLONDIE: NEW LEGEND ON SHELVES

As of this spring, the Cockta family is richer for another member. The new Cockta Blondie has joined us, which delighted all lovers of the refreshing orange flavour this summer. The well-recognizable Cockta character, based on plant extracts, enriches this choice as well, which makes it unique on the market – this is the real other side of the orange. Respecting Cockta quality standards, we use natural CO2 while, as always, our recipes are free from glucose-fructose syrup.

## 3. NEW PRINCIPAL INTERSNACK IN SERBIA, RED BULL ALSO IN NORTH MACEDONIA

The Strategic Distribution Unit (SDU) Serbia has expanded its distribution portfolio with a product range of a new principal – Intersnack. The Intersnack Group, the European leader in the production of savoury snacks, was founded in 1968 in Germany as a manufacturer of chips. It has built a wide portfolio, entering all snack categories across Europe. Among famous brands, the Chio brand stands out with a wide range of products such as chips of different flavours, tortilla chips, baked snacks and popcorn. The company mainly produces savoury snacks with the leading market share and today it generates more than EUR 3.5 billion in annual turnover. It employs over 9,000 people in a total of 33 factories. From 1 February this year, Intersnack, in partnership with SDU Serbia, is conquering the Serbian market. The presence in over 10,000 stores across the country is planned, and the vision is that in the next three years Intersnack will present itself as one of the main players in the chips category on the Serbian market.

The successful cooperation between SDU Serbia and Red Bull GmbH, based in Austria, began in 2017. At that time, Atlantic Grupa signed an agreement with Red Bull on the distribution of this well-known energy drink on the Serbian market. SDU Serbia has proven its title of the leading distributor of consumer goods to its strategic partner Red Bull GmbH with its quality work and achievement of the set business goals. That is why Red Bull, in addition to Serbia, decided to entrust us with the distribution in North Macedonia as well. The distribution on this market began in early May 2022, and an annual turnover of EUR 3 million is planned.

## KEY DEVELOPMENTS IN THE FIRST NINE MONTHS OF 2022

### 4. ARGETA ENTERED THE UNIQUE WORLD OF DIGITAL TOKENS KNOWN AS NFTs



Argeta has entered the innovative and exciting world of non-fungible tokens, known as NFT\*. Argeta has thus joined a small number of world-famous brands with their own NFT collections, thus pushing another important frontier as it has become the first FMCG brand in our region with its own NFT collection.

Although Argeta is a brand with a tradition, it also manages in the rapidly changing world of modern technologies. At the beginning of March, Argeta transferred its famous pate packaging to the digital world of epic dimensions. By incorporating its brand into the new Web3.0 technology space, Argeta has joined a small number of global brands such as Facebook (Meta), Adidas, NBA and Pepsi Co. Argeta's NFT collection consists of 21 non-fungible tokens. The collector's series of Argeta's NFTs is inspired by the features of the brand, as well as new times in the still unexplored spaces of the future. All owners of various Argeta's NFTs have received a piece of brand identity, and as owners they can expect more surprises in the future.

### 5. CEDEVITA CANDIES: NEW PACKAGING



In line with the changes to the Cedevida brand, Cedevida candies come in an ever more convenient and modern look to the satisfaction of the entire Generation CE. Modelled on the new look of the Cedevida packaging, the Generation CE's favourite candies have also got a completely new visual identity. By introducing fruit motifs on smaller packaging, but also on XXL packaging of candies, their appearance has been refreshed and modernized, and it simply brings smiles to faces and invites to share joy, a fresh dose of positive energy and optimism. Cedevida candies have been around for half a century and appeared on the market back in 1971. They have been enjoyed by many generations for decades and we can proudly say that Cedevida candies are also an integral part of the taste of Generation CE.

### 6. TWO PRIZES FOR BOOM BOX AT DAYS OF COMMUNICATION



After a three-year break due to the pandemic, a new edition of the Days of Communication was held, a famous festival of national market communications. As part of the festival, IdejaX statues were awarded for the most creative communication achievements. Atlantic Grupa and the BBDO Zagreb agency were awarded a silver prize in the Best of Ad-Making group for the "The Best of Oats" project in the Film category. The project was also awarded in the Best Branding & Rebranding group, where Boom Box won the bronze award for Branding.

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\* NFTs are non-fungible units of data stored in a blockchain, which can provide owners with digital ownership through a blockchain network. In NFT, users can store digital assets such as music, artefacts, drawings and various art forms.

## KEY DEVELOPMENTS IN THE FIRST NINE MONTHS OF 2022

### 7. RECORD-HIGH DIVIDEND AND SHARE SPLIT



According to the decision of the General Assembly held on 15 June 2022, the dividend distribution in the amount of HRK 50 per share, or a total of HRK 166,322 thousand, was approved, which represents the highest dividend in history. The dividend was paid on 5 July 2022.

Also, the decision was adopted on the division or "splitting" of shares, in such a way that one existing share, with an individual nominal amount of HRK 40, is divided into four new ordinary shares, with an individual nominal amount of HRK 10. Through the implementation of this corporate action, each shareholder acquired four ordinary shares with an individual nominal amount of HRK 10 for each ordinary share of Atlantic Grupa with an individual nominal amount of HRK 40. Upon the share split, the share capital remained the same, and is now divided into 13,337,200 ordinary shares, with an individual nominal value of HRK 10. The provisions of the Atlantic Grupa Statute have also changed accordingly.

### 8. KALA AND KALNIČKA IN NEW DESIGN WITH NEW STORY



At the beginning of May, we proudly presented the new story of Kala and Kalnička, which will redefine their positioning on the market, as well as new, modern, unified and more environmentally friendly packaging.

We are the first on the market to have a bottle with a tethered cap that protects the environment because we facilitate and increase the correct collection, separation and recycling of single-use plastic, thereby reducing waste in nature and on the seabed. The practicality of the new tethered caps will be most felt by people who are always on the move, as well as elderly people and small children, because there is no longer any fear of the caps falling out and losing them, which at the same time contributes to better hygiene of the product. In addition, due to its quality, Kala moved from the category of spring water to the higher category of natural mineral water, therefore we decided to bring it even closer to consumers and make it a brand with a strong character that each of us can easily identify with.

### 9. DIGGIT AWARDS FOR COCKTA, DONAT AND JIMMY FANTASTIC



For the seventh year, the conference on digital trends invites all Slovenian agencies and companies to submit their digital solutions that make use of the advantages of the digital environment in an innovative and creative way. They presented their best digital works on 12 May 2022 at the Viba film studio in Ljubljana.

The jury awarded Cockta the Diggit Grand Prize for Digital Campaign, and the Gold Award in the FMCG category for the "Unfollow" campaign. The Donat brand, which completely renewed its image last year, was awarded the Grand Prize for Digital Strategy. Jimmy Fantastic's innovative "joke arena" campaign won the Diggit Grand Prize in the Media and Entertainment category.

## KEY DEVELOPMENTS IN THE FIRST NINE MONTHS OF 2022

### 10. ZIGGY'S COFFEE HAS LANDED



The Ziggy's Coffee coffeeshop chain is a new Atlantic innovation. The first public appearance of the brand took place at the end of May at the international garden exhibition – Floraart. The unusual mobile coffeeshop generated interest, and judging by the comments and the long queues that formed, Ziggy's will surely become another beloved and successful Atlantic brand. Along with good coffee, Ziggy's will also offer consumers sweet and savoury delicacies. In September, Ziggy's Coffee opened its first location at Kvaternik square in Zagreb, and the plan is to end 2022 with a total of 5 locations in Zagreb. We will test the concept in different locations and through different types of facilities.

### 11. SOCIAL MEDIA SUMMIT: AWARDS FOR GRAND Kafa AND INSTA GRAND



The first Social Media Summit that was held in Sarajevo gathered experts in the field of digital media, representatives of leading companies and brands from Bosnia and Herzegovina, agencies and some of the top influencers from the domestic and regional scene.

More than 300 participants had the opportunity to expand their knowledge about content creation and managing profiles on social networks through lectures, practical examples and the presentation of new trends. At the Social Media Summit, awards were also given for the best digital campaigns realized last year.

Grand kafa's campaign "*Vidim ti siguran dobitak*" won the award for the best influencer campaign – Digital Cup Award 2022. The campaign "*Samo uživaj*" of the Insta Grand brand won the award for the best Instagram campaign. On digital channels, the "*Samo uživaj*" campaign had above-average results in terms of reach and communication with the target group. Insta Grand was also one of the sponsors of this year's Social Media Summit.

### 12. GOLDEN BASKET 2022 FOR ARGETA



The Golden Basket is a prestigious award that has been awarded by Ja TRGOVAC, a specialized magazine for retail and FMCG industry, for seven years in six different categories. The jury of the Golden Basket, for the second year in a row, rewards continuous efforts in the development and improvement of Argeta brand products. This time, they rewarded a new visual identity that recently adorns all Argeta products. Argeta in its new packaging won the Golden Basket 2022 award for "Product of the Year".

With its new look, Argeta moved away from the classic industrial design, and by adding colour, warmth and a modern visual expression, it stood out from other products in the category. The new visual identity is based on more than 20 original illustrations that aim to empower people to take steps that can change their lives for the better. The new visuals on Argeta's packaging open the door to the imagination and encourage you to try Argeta's fish and meat spreads.



## KEY DEVELOPMENTS IN THE FIRST NINE MONTHS OF 2022

### 13. ATLANTIC FINDS STRATEGIC PARTNER FOR PALANAČKI KISELJAK



Atlantic Grupa signed a sales contract for the Palanački kiseljak production site in Smederevska Palanka with the company Vik Pro Univerzal d.o.o. The subject of the sale is the entire production site with all its assets, including the traditional brand of mineral water on the Serbian market – Karađorđe, and the new owner also took over the employees of Palanački kiseljak. At this location, Atlantic Grupa primarily produced and filled products for the Cockta brand and will continue with these activities in a service form.

The strategic buyer, Vik Pro Univerzal d.o.o. based in Belgrade, has many years of experience in the segment of water and soft drinks, so far primarily in the field of trade, and has a vision and ambition to develop Palanački kiseljak and its employees in the long term, which represents a good perspective for this location. The sale of this production site is part of the process of divesting minor and non-core activities in accordance with the Atlantic's corporate strategy.

### 14. GRANNY'S SECRET: NEW CHAPTER OF GOOD OLD TASTES



We have always built the Granny's Secret brand on the harmony of tradition and modernity. And just as we hand-pick fruits and vegetables for our recipes, we wanted the packaging to be hand-painted as well. That's why we designed new labels that are hand-painted with watercolours and whose vivid colours evoke the harmony with nature that we have always cherished. New labels on well-known jars, with an even more familiar taste inside the jars, were presented this summer to customers in 14 countries: Croatia, Serbia, Slovenia, Bosnia and Herzegovina, Montenegro, the Netherlands, Germany, France, Great Britain, Austria, Australia, America, Canada and Russia.

Granny's Secret products also received the V label (vegan friendly), which brought us even closer to customers who lead such lifestyle. *Ajvar* is now completely additive-free, which we are especially proud of, and spicy *ajvar* has been further improved and now guarantees fiery bites. In addition, a completely new official website is being prepared, with a fresh design and content.

### 15. WEBSI AWARDS FOR ARGETA, BARCAFFÈ, COCKTA AND DONAT



With the awarding of 34 prestigious WEBSI awards among record 180 submitted projects, the one-year WEBSI Digital Achievements of Slovenia project was completed in September at the Ljubljana Festival Hall.

Among the awardees chosen by the expert jury of 108 members are the projects of our brands, namely: WEBSI award for the best content (Argeta with the first NFTs in the region), and awards by categories: Outdoor digital (1<sup>st</sup> place: Donat's smart interactive light showcase), Social networks (3<sup>rd</sup> place: Cockta Unfollow: discover the secret of total freedom), Global digital projects (1<sup>st</sup> place: Argeta with the first NFTs in the region and 2<sup>nd</sup> place: Argeta is *BEZ* (FREE FROM)), Crypto (1<sup>st</sup> place: Barcaffè Single Origin Rwanda and 4<sup>th</sup> place: Argeta with the first NFTs in the region), Product and landing pages and websites dedicated to personalities (1<sup>st</sup> place: Argeta #AlwaysBetter playlist and 2<sup>nd</sup> place: Barcaffè Black'N'Easy Shake), Use of advanced technologies (3<sup>rd</sup> place: Barcaffè Single Origin Rwanda).

## KEY DEVELOPMENTS IN THE FIRST NINE MONTHS OF 2022

### 16. NEW ŠTARK FOR THE NEXT 100



At the beginning of September 2022, the 100<sup>th</sup> anniversary of the Atlantic Štark company was celebrated. The celebration was also marked with the display of implementations on Keksići and Napolitanke, as well as on retail Štark stores, and the logo will soon adorn the entire Štark portfolio. Changing the branding, both on products and retail stores, certainly requires a certain amount of time, which is why it will be done in stages. That's not the end of the novelties – Štark will also get its new official website, with a modern design and appearance, where our consumers and partners will be able to find information about all our products.

### 17. NEW CEDEVITA CAMPAIGN FOR SUPPORT IN THE FIGHT AGAINST BREAST CANCER



As part of the campaign, Cedevida launched the new Pink Grapefruit flavour in a symbolic pink package of 200 grams. The new flavour will be available in several markets within the region, so Cedevida will cover four countries with its socially responsible campaign in October, securing a donation to the Europa Donna associations from Croatia, Serbia and Slovenia and the Think Pink association from Bosnia and Herzegovina. With Cedevida Pink Grapefruit, we have the opportunity to support the work of associations that fight against breast cancer and take care of the physical and mental health of patients with their dedicated humanitarian activities.

The campaign was created in cooperation with umbrella regional associations for the fight against breast cancer. “*Budi TU. Budi CE*” is a continuation of the well-known Cedevida platform “*Budi DOBRO, budi CE*”, whose goal is to encourage people of all generations to take care of their own mental health. As part of the campaign, Cedevida will launch a special educational online platform “*Budi TU, budi CE*” with numerous useful tips, videos and interviews, which will be created by expert psychologists and patients who are ready to share their experience.

### 18. GEN Z HAS CHOSEN – CEDEVITA IS THE COOLEST INSTANT DRINK



Cedevida is the coolest brand in the category of instant drinks among Generation Z in Croatia. In a survey conducted by Ipsos and JoomBoos on the preferences of coolers aged 11 to 23 in various aspects of life, Cedevida got its place. At the beginning of October, the Coolest Brands award ceremony was held in Zagreb, at Wespa Spaces.

In addition to the title of *the coolest* drink, JoomBoos awarded Cedevida special quality stamps for use on social networks and other platforms. JoomBoos is the strongest regional digital creator platform and the most influential media brand for Gen Z and Millennials with over 1 million YouTube subscribers.

## KEY DEVELOPMENTS IN THE FIRST NINE MONTHS OF 2022



### 19. ATLANTIC GRUPA WON THE FIRST PRIZE FOR INVESTOR RELATIONS



Atlantic Grupa won the first prize for investor relations, awarded for the 13<sup>th</sup> consecutive year at the “Challenge of Change” conference, organised jointly by the Zagreb Stock Exchange and the Association of Pension Fund Management Companies and Pension Insurance Companies.

This award is awarded in cooperation of Poslovni dnevnik and the Zagreb Stock Exchange and it represents a recognition by the investor community to companies that have fair and transparent investor relations. The competition includes companies from the CROBEX index and companies listed in the Prime and Official Markets of the Zagreb Stock Exchange, and the winners are selected based on statistical criteria related to obeying the Stock Exchange Rules by the issuer and based on a survey conducted among the capital market participants.

This is the 6<sup>th</sup> time that Atlantic Grupa won the first prize, and six more times it was among the three awardees.

## SALES TRENDS IN THE FIRST NINE MONTHS OF 2022

### SALES PROFILE BY STRATEGIC BUSINESS UNITS AND STRATEGIC DISTRIBUTION UNITS

| (HRK million)                | 9M 2022          | 9M 2021   | 9M 2022/<br>9M 2021 |
|------------------------------|------------------|-----------|---------------------|
| <b>SBU Coffee</b>            | <b>1,005.6</b>   | 868.0     | 15.9%               |
| <b>SBU Savoury Spreads</b>   | <b>754.0</b>     | 702.7     | 7.3%                |
| <b>SBU Beverages</b>         | <b>521.6</b>     | 438.3     | 19.0%               |
| <b>SBU Snacks</b>            | <b>497.1</b>     | 473.8     | 4.9%                |
| <b>SBU Pharmacy business</b> | <b>433.5</b>     | 382.9     | 13.2%               |
| <b>BU Donat</b>              | <b>181.3</b>     | 167.4     | 8.4%                |
| <b>SDU Croatia</b>           | <b>1,186.6</b>   | 1,075.4   | 10.3%               |
| <b>SDU Serbia</b>            | <b>1,092.8</b>   | 947.7     | 15.3%               |
| <b>SDU Slovenia</b>          | <b>798.2</b>     | 743.3     | 7.4%                |
| <b>Other segments*</b>       | <b>689.8</b>     | 668.8     | 3.1%                |
| <b>Reconciliation**</b>      | <b>(2,454.4)</b> | (2,219.8) | n/a                 |
| <b>Sales</b>                 | <b>4,706.3</b>   | 4,248.3   | <b>10.8%</b>        |

The comparative period has been adjusted to the reporting for 2022.

In the first nine months of 2022, Atlantic Grupa recorded sales of HRK 4.7 billion, which is a significant 10.8% growth compared to the same period of the previous year. The revenue growth is recorded in all business and distribution units following excellent sales results of the majority of own and principal brands. The highest percentage growth was recorded by the Strategic business units Beverages, Coffee, and the pharmacy chain Farmacia. The sales growth was impacted by a better epidemiological situation on all markets, and the lifting of restrictions in the operations of the HoReCa channel as well as other measures by local authorities to prevent the spread of COVID-19, compared to the previous year, and a successful tourist season in Croatia. It should also be noted that part of the increase in revenue is the result of higher selling prices due to significant increases in the prices of key raw materials, packaging materials, energy and services. If we exclude the effect of sales of the divested business, the baby food brand Bebi, which was fully divested in 2021, organic sales growth is 11.6%\*\*\*.

Atlantic Grupa records sales by business segments in a way that sales of individual Strategic Business Units and Business Units represent the total sales to third parties in the markets (either directly from a Strategic Business Unit (SBU) or Business Unit (BU), or through a Strategic Distribution Unit (SDU), Distribution Unit (DU) or Global Distribution Account Management (GDAM)), while sales of Strategic Distribution Units, Distribution Units and Global Distribution Account Management include both sales of external principals' products and sales of own products. Comparative period has been adjusted to reflect the reporting for 2022.

\* Other segments include divested baby food business Bebi, BU New Growth, DU Austria, DU Russia, GDAM and DU Macedonia.

\*\* Line item "Reconciliation" relates to the sale of own brands which is included in the appropriate SBU and BU and in SDUs, DUs and GDAM through which the products were distributed.

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

## SALES TRENDS IN THE FIRST NINE MONTHS OF 2022



The STRATEGIC BUSINESS UNIT COFFEE recorded a double-digit sales growth rate, with the highest growth recorded in the markets of Serbia, Slovenia and Croatia. Analysed by categories, growth was recorded by almost all categories, with the most significant growth recorded by roast and ground coffee under the Grand kafa, Bonito and Barcaffè brands. Espresso coffee records a significant growth primarily as a consequence of the increase in sales of espresso coffee under the Barcaffè brand following the lifting of measures to prevent the COVID-19 pandemic in the HoReCa channel. The growth of revenue from roast and ground coffee was generated primarily by the increase in selling prices due to a significant increase in the price of raw coffee and packaging materials, while in other coffee categories the volume growth was also achieved.



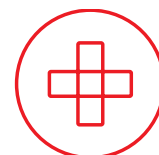
The STRATEGIC BUSINESS UNIT SAVOURY SPREADS recorded a significant sales growth in almost all regional markets, especially the markets of Croatia, Serbia, and Bosnia and Herzegovina, which fully cancelled out the decrease in sales in the markets of France and the United States of America. Among markets outside the region, we should mention the significant contribution made by sales on the market of Austria. Growth was recorded both in meat and fish savoury spreads segments. Also, jams and *ajvar* under the Granny's Secret brand record a sales growth. Part of the revenue growth of this Strategic unit is generated by volume growth but also by higher selling prices as a result of significant increases in the prices of key raw materials and packaging materials.



The STRATEGIC BUSINESS UNIT BEVERAGES recorded a significant double-digit sales growth in all regional markets, with the most significant growth recorded by the markets of Croatia, Serbia and Slovenia. A significant sales growth is recorded by Cockta and Cedevita brands, where the sales growth in the HoReCa and retail channels stands out. The sales growth of this segment was also impacted by the sales of the new Cockta Blondie, the lifting of measures to prevent the COVID-19 pandemic in the HoReCa channel, and the successful tourist season in Croatia.



The STRATEGIC BUSINESS UNIT SNACKS recorded an increase in sales in almost all regional markets, with the most significant growth recorded by the markets of Serbia, Montenegro, and Macedonia. Analysed by categories, the growth is recorded by all categories, led by chocolate under the Najlepše želje brand, and Bananica, and Prima sticks. A positive impact on the revenues of this Strategic unit came from the increase in selling prices as a result of significant increases in the prices of key raw materials and packaging materials, while the chocolate and sticks categories recorded a volume growth as well.



The STRATEGIC BUSINESS UNIT PHARMACY BUSINESS records a double-digit sales growth of the pharmacy chain Farmacia primarily due to the increase in sales of the COVID-19 range (drugs, disinfectants, tests, protective equipment) as a result of the so-called fifth wave of the pandemic. Also, the sales growth is a consequence of the additional turnover of new pharmacies following the acquisitions of health care institutions Sv. Kuzma i Damjan.



A significant sales growth is recorded by the BUSINESS UNIT DONAT due to the increase in sales primarily in the markets of Russia and Austria, and in the markets of Slovenia and Bosnia and Herzegovina.

## SALES TRENDS IN THE FIRST NINE MONTHS OF 2022



The STRATEGIC DISTRIBUTION UNIT CROATIA continues to record double-digit growth rates as a consequence of excellent results of own and principal brands. Among own brands, growth is recorded in almost all categories, where the following especially stand out: roast and ground coffee under the Barcaffè brand, oat-based products under the Boom Box brand, Cedevita and Cockta brands in the retail channel, natural mineral water Kala, Argeta in the savoury spreads segment, and sandwiches under the Montana brand. A significant growth was recorded by the HoReCa channel, primarily due to the Cedevita and Cockta brands in the beverages segment and espresso coffee under the Barcaffè brand. Among principal brands, the most significant growth was recorded by Ferrero, Mars and Hipp. The growth in sales in this segment was impacted by the lifting of restrictive measures to prevent the pandemic, primarily in the HoReCa channel, and the successful tourist season in Croatia.

A double-digit sales growth of the STRATEGIC DISTRIBUTION UNIT SERBIA is a result of the increase in sales of roast and ground coffee under the Grand kafa and Bonito brands, instant coffee Grand, chocolate under the Najlepše želje brand and Bananica in the snacks segment, Argeta in the savoury spreads segment, oat-based Boom Box products, Cedevita and Cockta in the HoReCa and retail channels, and Cedevita GO in the beverages segment. Among principal brands, Red Bull; Rauch and the new principal Intersnack stand out. Also, the growth in this unit was impacted by the increase in sales of the HoReCa channel due to the lifting of measures to prevent the pandemic.

A significant sales growth was recorded by the STRATEGIC DISTRIBUTION UNIT SLOVENIA due to the growth of own and principal brands. Among own brands, the brands that stand out are roast and ground coffee under the Barcaffè brand, oat-based Boom Box products, Argeta in the savoury spreads segment, functional water Donat, and Cedevita and Cockta in the HoReCa and retail channels. Strong sales are also recorded by espresso coffee under the Barcaffè brand in the HoReCa channel. Among principal brands, Unilever, Rauch and Ferrero stand out.

OTHER SEGMENTS record an increase in sales in all parts. The positive impact of sales of the new Jimmy Fantastic and Boom Box brands contributed to the increase in sales revenue. It is also necessary to emphasize the entry of the Boom Box brand into other markets of the region (Bosnia and Herzegovina, Serbia, and North Macedonia). If we exclude the effect of sales of the baby food brand Bebi divested in 2021, Other segments record a 13.9%\* growth with growth of all units.

The DISTRIBUTION UNIT MACEDONIA recorded a double-digit sales growth due to the increase in sales of own and principal brands. Own brands are led by the sales growth of roast and ground coffee under the Grand kafa brand, chocolate under the Najlepše želje brand and Cedevita in the retail channel. Among principals, Ferrero, Hipp, and the new principal Red Bull stand out.

The DISTRIBUTION UNIT AUSTRIA records double-digit sales growth rates, mainly due to the growth of own brands, primarily Argeta in the savoury spreads segment, functional water Donat, roast and ground coffee under the Grand kafa brand, and Prima sticks in the snacks segment.

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

## **SALES TRENDS**

### **IN THE FIRST NINE MONTHS OF 2022**



The GLOBAL DISTRIBUTION ACCOUNT MANAGEMENT records an increase in sales, with the highest growth recorded by the markets of Sweden, Germany and Poland in the savoury spreads segment under the Argeta brand.

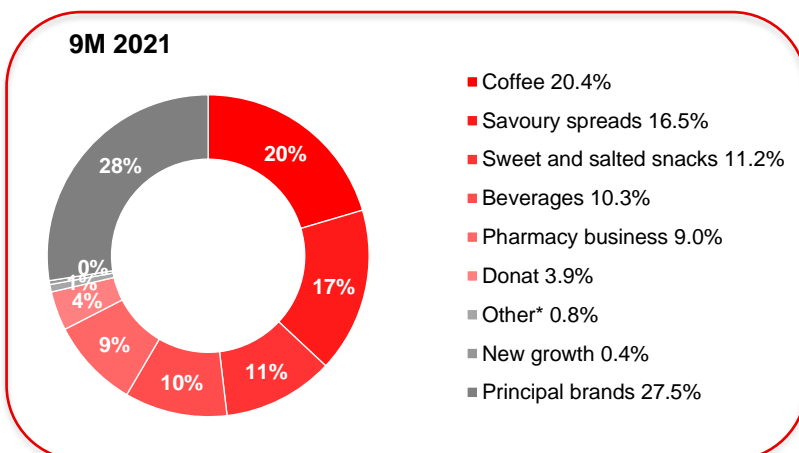
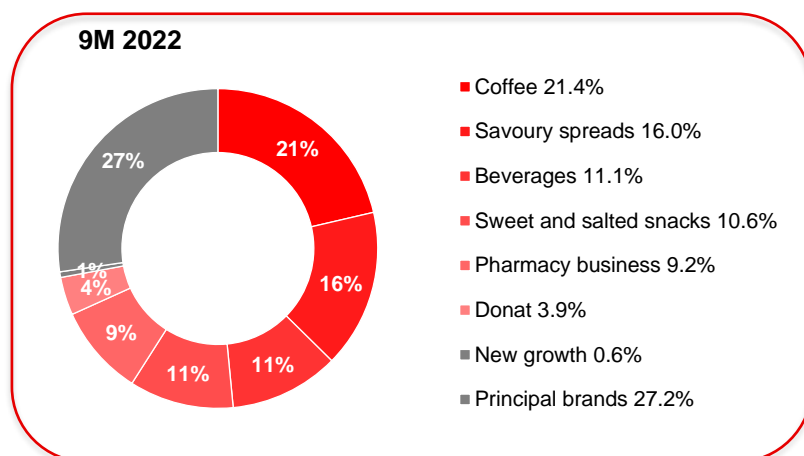
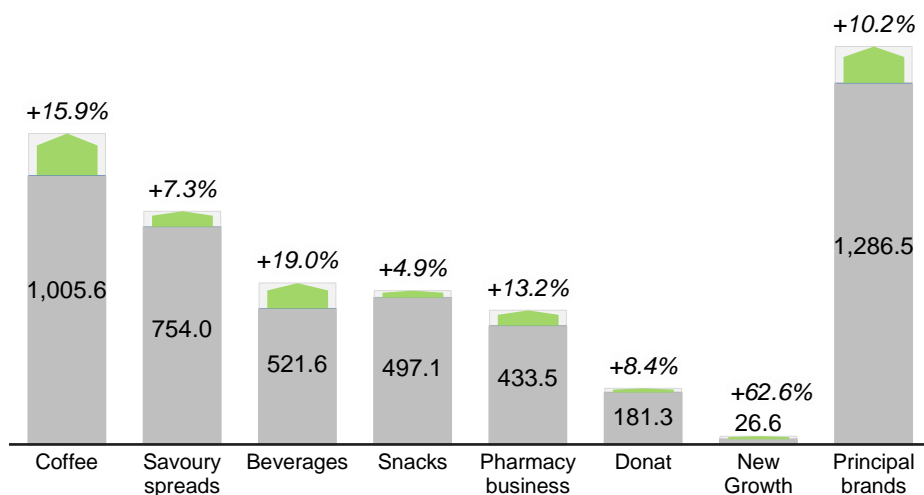
The DISTRIBUTION UNIT RUSSIA, excluding the sales of the divested baby food brand Bebi, records a double-digit increase in sales as a consequence of the increase in sales of the functional water Donat and Argeta in the savoury spreads segment.

# SALES TRENDS IN THE FIRST NINE MONTHS OF 2022

## SALES PROFILE BY SEGMENTS



Sales comparison to 9M 2021 (in HRK million)



\* Divested baby food business Bebi



## SALES TRENDS IN THE FIRST NINE MONTHS OF 2022

### SALES PROFILE BY MARKETS

| (in HRK millions)              | 9M 2022        | % of sales | 9M 2021 | % of sales | 9M 2022/<br>9M 2021 |
|--------------------------------|----------------|------------|---------|------------|---------------------|
| <b>Croatia</b>                 | <b>1,627.1</b> | 34.6%      | 1,466.1 | 34.5%      | 11.0%               |
| <b>Serbia</b>                  | <b>1,105.1</b> | 23.5%      | 958.5   | 22.6%      | 15.3%               |
| <b>Slovenia</b>                | <b>804.5</b>   | 17.1%      | 743.9   | 17.5%      | 8.1%                |
| <b>Bosnia and Herzegovina</b>  | <b>356.5</b>   | 7.6%       | 323.1   | 7.6%       | 10.4%               |
| <b>Other regional markets*</b> | <b>402.9</b>   | 8.6%       | 359.5   | 8.5%       | 12.1%               |
| <b>Key European markets**</b>  | <b>243.6</b>   | 5.2%       | 214.6   | 5.1%       | 13.5%               |
| <b>Russia and CIS</b>          | <b>75.6</b>    | 1.6%       | 93.7    | 2.1%       | (19.3%)             |
| <b>Other markets</b>           | <b>91.1</b>    | 1.8%       | 89.0    | 2.1%       | 2.3%                |
| <b>Total sales</b>             | <b>4,706.3</b> | 100.0%     | 4,248.3 | 100.0%     | 10.8%               |

\*Other regional markets: North Macedonia, Montenegro, Kosovo

\*\*Key European markets: Germany, Switzerland, Austria, Sweden

The comparative period has been adjusted to the reporting for 2022

The MARKET OF CROATIA recorded a double-digit sales growth as a result of the lifting of measures to prevent the pandemic, primarily in the HoReCa channel, compared to the previous year, and due to the successful tourist season. Sales growth was recorded by: (i) most own brands, with the biggest growth recorded by oat-based products under the Boom Box brand, brands Cedevita, Cockta in the retail and HoReCa channels, espresso coffee under the Barcaffè brand in the HoReCa channel, and roast and ground coffee under the Barcaffè brand, (ii) the pharmacy chain Farmacia, and (iii) external principals, among which the biggest growth was recorded by Ferrero, Mars and Hipp.

The MARKET OF SERBIA continues to record double-digit sales growth, primarily from the sales of own brands, of which the following stand out: (i) roast and ground coffee under the Grand kafa and Bonito brands in the coffee segment, (ii) chocolate under the Najlepše želje brand in the snacks segment, (iii) Cockta and Cedevita brands in the beverages segment, (iv) Argeta in the savoury spreads segment, and (v) new Boom Box brand. Among principal brands, growth comes from Red Bull, Rauch, and the new principal Intersnack.

The MARKET OF SLOVENIA records a significant sales growth following the increase in sales of: (i) roast and ground coffee under the Barcaffè brand, (ii) Argeta in the savoury spreads segment, (iii) brands Cockta, Cedevita in the retail and HoReCa channels, (iv) espresso coffee under the Barcaffè brand in the HoReCa channel, and (v) principal brands Unilever, Rauch and Ferrero.

The MARKET OF BOSNIA AND HERZEGOVINA recorded a significant 10.4% sales growth which is based on the increase in sales of: (i) roast and ground coffee under the Grand kafa brand, (ii) Argeta in the savoury spreads segment, (iii) Cedevita and Cockta in the beverages segment, and (iv) new oat-based products under the Boom Box brand.

OTHER REGIONAL MARKETS recorded a double-digit sales growth in all markets, where the biggest contribution to the growth was made by the increase in sales of Argeta in the savoury spreads segment, roast and ground coffee under the Grand kafa brand, Najlepše želje chocolate in the snacks segment, and Cedevita in the beverages segment.

## SALES TRENDS IN THE FIRST NINE MONTHS OF 2022



A significant 13.5% growth was recorded on the KEY EUROPEAN MARKETS where double-digit growth rates in the markets of Austria and Sweden stand out, following the increase in sales of Argeta in the savoury spreads segment.

The MARKET OF RUSSIA AND THE COMMONWEALTH OF INDEPENDENT STATES recorded a decrease in sales as a result of the divesting of the baby food range under the Bebi brand, which was partly cancelled out by the increase in sales of functional water Donat and savoury spreads under the Argeta brand. If we exclude the effect of the divested business, i.e. the sales of the Bebi brand, this market records a 21.9%\* growth.

A sales growth is recorded in OTHER MARKETS, primarily due to the increase in sales of savoury spreads under the Argeta brand in most Other markets, with the most significant growth recorded by the markets of the Netherlands and Poland.

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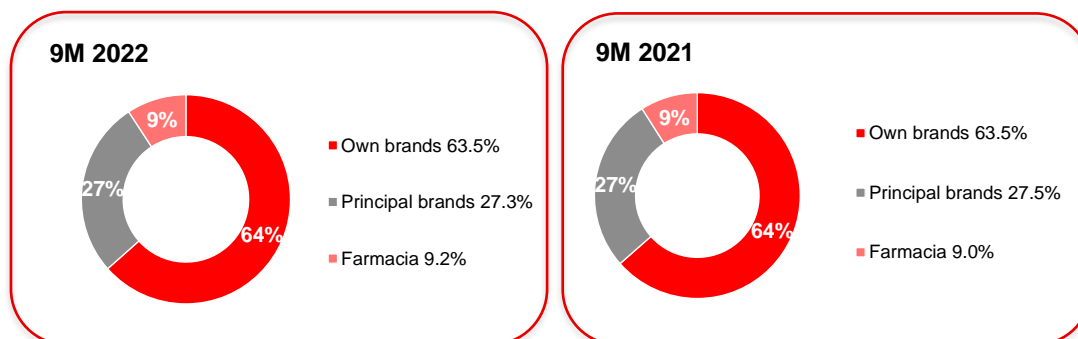
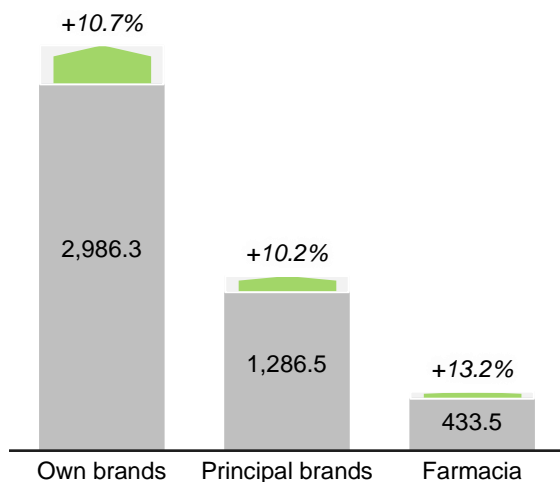
\* Certain financial measures are not defined by International Financial Reporting Standards (IFRSs). For more details on the Alternative Performance Measures (APM) used, see chapter "Definition and reconciliation of Alternative Performance Measures (APM)".

# SALES TRENDS IN THE FIRST NINE MONTHS OF 2022

## SALES PROFILE BY PRODUCT CATEGORY



### Sales in comparison to 9M 2021 (in HRK million)



The comparative period has been adjusted to the reporting for 2022.

In the first nine months of 2022, OWN BRANDS recorded sales of HRK 2,986.3 million, which is a 10.7% growth, following the growth of almost all categories. The greatest contribution to the growth was made by: (i) Argeta in the savoury spreads segment, (ii) Grand kafa, Barcaffè and Bonito in the coffee segment, (iii) Cedevita and Cockta in the beverages segment, (iv) Najlepše želje chocolate in the snacks segment, (v) functional water Donat, and (vi) oat-based products under the Boom Box brand. If we exclude the effect of the absent Bebi brand sales, own brands record an increase in sales of 12.0%\*.

With sales of HRK 1,286.5 million, PRINCIPAL BRANDS record a significant growth of 10.2%. The growth is mainly based on the increase in sales of principals Red Bull, Rauch and Mars.

A significant 13.2% growth was recorded by the pharmacy chain FARMACIA, with sales of HRK 433.5 million, due to the increase in sales of the existing and newly opened Farmacia locations, the acquisition of new health institutions and higher sales following the increased demand for the COVID-19 product range. As at 30 September 2022, Farmacia consists of 99 pharmacies and specialised stores (including the webshop).

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

# PROFITABILITY TRENDS IN THE FIRST NINE MONTHS OF 2022

## PROFITABILITY TRENDS

| (in HRK millions)                    | 9M 2022        | 9M 2021 | 9M 2022/9M 2021 |
|--------------------------------------|----------------|---------|-----------------|
| <b>Sales</b>                         | <b>4,706.3</b> | 4,248.3 | 10.8%           |
| <b>EBITDA*</b>                       | <b>532.2</b>   | 667.8   | (20.3%)         |
| <b>Normalized EBITDA*</b>            | <b>528.0</b>   | 663.0   | (20.4%)         |
| <b>EBIT*</b>                         | <b>332.8</b>   | 476.7   | (30.2%)         |
| <b>Normalized EBIT*</b>              | <b>328.7</b>   | 471.9   | (30.3%)         |
| <b>Net profit*</b>                   | <b>271.3</b>   | 399.8   | (32.1%)         |
| <b>Normalized Net profit*</b>        | <b>262.5</b>   | 393.2   | (33.2%)         |
| <b>Profitability margins</b>         |                |         |                 |
| <b>EBITDA margin*</b>                | <b>11.3%</b>   | 15.7%   | -441 bp         |
| <b>Normalized EBITDA margin*</b>     | <b>11.2%</b>   | 15.6%   | -439 bp         |
| <b>EBIT margin*</b>                  | <b>7.1%</b>    | 11.2%   | -415 bp         |
| <b>Normalized EBIT margin*</b>       | <b>7.0%</b>    | 11.1%   | -412 bp         |
| <b>Net profit margin*</b>            | <b>5.8%</b>    | 9.4%    | -365 bp         |
| <b>Normalized Net profit margin*</b> | <b>5.6%</b>    | 9.3%    | -368 bp         |

In the first nine months of 2022, EBITDA amounts to HRK 532.2 million, which is a 20.3% decrease compared to the same period of the previous year, and a 20.4% decrease if we exclude the effect of one-off items. The decrease in normalized EBITDA was mainly impacted by higher costs of raw materials and packaging materials, energy, transportation and logistics costs, other operating expenses (higher costs of entertainment, business trips and fuel) and investments in human resources. This negative impact exceeded the increase in sales of all business and distribution units, of which the most prominent is the increase in sales of the strategic business units Coffee, Beverages, and the pharmacy chain Farmacia.

Among the mentioned price increases, raw coffee stands out in particular. The raw coffee market in 2021 experienced a sudden surge in the price of raw coffee, due to the drought that affected Brazil during the coffee ripening period, and then the severe frost that affected coffee areas in Brazil at the end of July 2021. All these problems with the lack of raw coffee were followed by the situation with difficult logistics and delivery of raw coffee, and the price of raw coffee was further burdened by the strong strengthening of the US dollar.

Vegetable oils and fats and aluminium packaging also experienced exceptional price increases, and plastic and paper packaging, flour, sugar, citric acid, milk-based raw materials also recorded double-digit price increases. There is almost no raw material whose price did not rise by at least 5 %.

The cost of the energy sources we use in our production processes is on average over 70% higher than in the first nine months of the previous year.

In addition to the above, normalized net profit records a 33.2% decrease as a result of the higher depreciation of own non-current assets and right-of-use assets, despite somewhat lower interest expense.

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

## PROFITABILITY TRENDS IN THE FIRST NINE MONTHS OF 2022

### OPERATING EXPENSES STRUCTURE

| (in HRK millions)                     | 9M<br>2022     | % of<br>sales | 9M<br>2021 | % of<br>sales | 9M 2022/<br>9M 2021 |
|---------------------------------------|----------------|---------------|------------|---------------|---------------------|
| <b>Cost of goods sold</b>             | <b>1,364.1</b> | 29.0%         | 1,245.6    | 29.3%         | 9.5%                |
| <b>Change in inventory</b>            | <b>29.8</b>    | 0.6%          | (17.4)     | (0.4%)        | n/a                 |
| <b>Production materials</b>           | <b>1,441.3</b> | 30.6%         | 1,102.9    | 26.0%         | 30.7%               |
| <b>Energy</b>                         | <b>79.6</b>    | 1.7%          | 44.7       | 1.1%          | 78.2%               |
| <b>Services</b>                       | <b>292.9</b>   | 6.2%          | 261.4      | 6.2%          | 12.0%               |
| <b>Staff costs</b>                    | <b>708.5</b>   | 15.1%         | 675.3      | 15.9%         | 4.9%                |
| <b>Marketing and selling expenses</b> | <b>207.6</b>   | 4.4%          | 210.1      | 4.9%          | (1.2%)              |
| <b>Other operating expenses</b>       | <b>135.5</b>   | 2.9%          | 106.9      | 2.5%          | 26.7%               |
| <b>Other (gains)/losses, net</b>      | <b>(20.2)</b>  | (0.4%)        | 2.3        | 0.1%          | n/a                 |
| <b>Depreciation and amortisation</b>  | <b>199.4</b>   | 4.2%          | 191.0      | 4.5%          | 4.4%                |
| <b>Total operating expenses*</b>      | <b>4,438.5</b> | 94.3%         | 3,822.8    | 90.0%         | 16.1%               |

The cost of goods sold records an increase due to higher sales of principal brands.

Costs of production materials record a significant increase due to higher sales of own products and significantly higher purchase prices of practically all production materials, especially raw coffee, edible oil, sugar, cocoa and all types of packaging materials.

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

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

The biggest share of the increase in staff costs relates to the increase in basic salaries and higher variable payments as a result of higher sales. As at 30 September 2022, Atlantic Grupa had 5,477 employees, or 3 employees less than at the end of the same period of the previous year.

Marketing expenses are lower, primarily due to divesting the baby food brand Bebi in 2021, and despite higher investments in the Beverages, Snacks and Savoury Spreads segments.

Other operating expenses record a significant growth, primarily as a consequence of higher travel-related costs, fuel costs and entertainment costs. It should be noted that in the same period last year, these costs were lower as a result of measures to combat the COVID-19 pandemic (work from home, restrictions on business trips, etc.).

Other (gains)/losses – net: Profit realised primarily on the basis of fair value of financial (forward) instruments in the coffee segment.

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

# FINANCIAL INDICATORS IN THE FIRST NINE MONTHS OF 2022

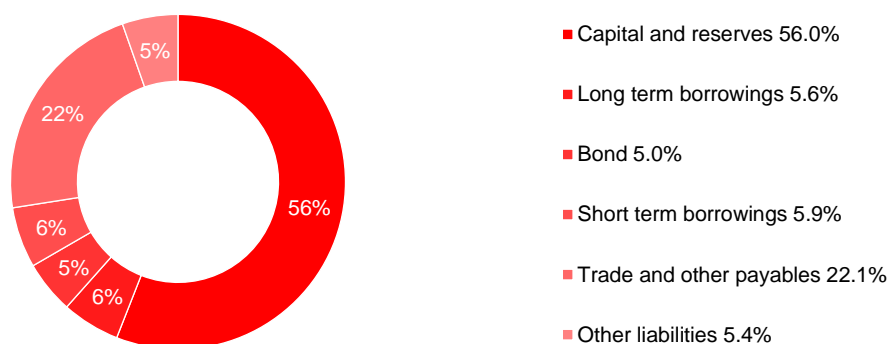
## FINANCIAL INDICATORS

| (in HRK millions)                   | 30 September<br>2022 | 31 December<br>2021 |
|-------------------------------------|----------------------|---------------------|
| Net debt*                           | 601.9                | 459.9               |
| Total assets                        | 5,883.2              | 5,452.9             |
| Total equity                        | 3,292.5              | 3,152.5             |
| Current ratio*                      | 1.5                  | 1.5                 |
| Gearing ratio*                      | 15.5%                | 12.7%               |
| Net debt/EBITDA*                    | 1.0                  | 0.6                 |
| (in HRK millions)                   | 9M 2022              | 9M 2021             |
| Interest coverage ratio*            | 45.9                 | 48.7                |
| Capital expenditure*                | 174.8                | 175.6               |
| Free cash flow*                     | 73.3                 | 414.8               |
| Cash flow from operating activities | 248.0                | 590.4               |

Among key determinants of the Atlantic Grupa's financial position in the first nine months of 2022, the following should be pointed out:

- The gearing ratio increased by 273 basis points due to the HRK 142 million increase in net debt compared to the end of 2021.
- The indebtedness measured as the net debt to normalized EBITDA ratio increased from 0.6 at the end of 2021 to 1.0 at the end of nine months of 2022.
- Free cash flow records a decrease due to significantly lower cash flow from operating activities following higher investments in the working capital, despite somewhat lower capital expenditure.

## THE ATLANTIC GRUPA'S EQUITY AND LIABILITIES STRUCTURE AS AT 30 SEPTEMBER 2022



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

## OVERVIEW OF KEY ITEMS IN THE CONSOLIDATED CASH FLOW STATEMENT



Cash flow from operating activities records a decrease, as a result of lower profitability and movements in the working capital, primarily the increase in inventories and trade receivables, despite lower cash outflows related to financing and taxes. The increase in inventories and receivables is primarily caused by increases in the prices of raw materials and packaging materials and consequently of increased selling prices of finished products. It is important to note that the increase in inventories is also a result of the prevention of possible problems in supply chains and of contracting more favourable purchase prices compared to those expected in the rest of the year.

Capital expenditure in the first nine months of 2022 is made in line with the Atlantic Grupa's Strategic Guidelines. Delays in the execution of individual projects are evident due to delays in deliveries, which is in line with global trends. Some of the planned projects were not launched according to plan due to the prolonged period of elaboration of technical details.

Given the current situation in Ukraine and economic disruptions, the beginning of the construction of the new Argeta factory and all related activities are postponed for at least one year.

Among significant investments, we should mention:

- SBU SNACKS: The final installation of the planned investment equipment for making wafers at the Belgrade location and the equipment for making biscuits at the Ljubovija location are currently underway.
- SBU SAVOURY SPREADS: Installation of equipment for the needs of the production plant Izola has been completed and successfully commissioned. Installation of equipment in the Igroš plant for the production of a new programme has been completed. It is in the testing phase. Technical and commercial negotiations have been completed and new packaging machines have been ordered for the Izola plant and the Hadžići plant.

The preparation of the "AG solar road map" study has been completed, which created the basis for the future investment cycle in the construction of solar power plants at Atlantic Grupa's locations.

## ATLANTIC GRUPA'S MANAGEMENT STRATEGIC GUIDANCE FOR 2022



Following the lower, but still relatively optimistic forecasts of economic growth, more favourable epidemiological situation, and significant marketing and capital investments in our brands, we expect that in 2022 we will exceed HRK 6.2 billion in sales revenue.

Already in 2021, there was a significant increase in the prices of a large portion of our raw materials and packaging materials, logistics and other services and energy, but partly due to Atlantic Grupa's successful purchasing strategy and partly due to the dynamics of price increases, most of the negative effects will be realized only during 2022, with a more pronounced impact at the end of the year. In the first nine months, this negative impact exceeded HRK 380 million on raw materials, packaging materials and energy alone.

Also, due to the now long-lasting war in Ukraine, additional indirect negative consequences are possible in the form of further increases in the prices of certain raw materials, energy and services, whose financial impact at this time cannot be estimated.

We will annul part of these price increases by increasing our selling prices, but we consider it appropriate that in the conditions of high inflation and a significant impact on the living standards of our consumers we absorb much of it and, accordingly, we expect normalized EBITDA margin in 2022 to be approximately 400 basis points lower than it was in 2021.

The continued problems in supply chains, the increase in interest rates and the record high inflation which is especially reflected in the prices of energy, raw materials and packaging materials, and the global uncertainty will postpone the expected beginning of profit margins recovery for 2024.

Due to the increased uncertainties caused by the war in Ukraine, we re-examined the initial capital expenditure plan and reduced it by approximately HRK 40 million to the still high HRK 280 to 330 million. The largest part of the reduction relates to the postponement of the construction of the new Argeta factory in Varaždin for at least one year. Delays in deliveries of certain components due to problems in the supply chains could affect the additional reduction of capital expenditure in this year and their transfer to the next year without negative impacts on our operational business.

In the last quarter of 2022, and in the following year, in addition to the focus on addressing the challenges of high inflation and supply chain problems, management will continue to focus on (i) strengthening the position of prominent regional brands, (ii) internationalisation of certain brands, primarily Argeta and Donat, (iii) increasing the distribution of new brands and their launching to new markets, (iv) development of distribution operations by strengthening the existing and acquiring new principals, and (v) possible mergers and acquisitions.



**ATLANTIC GRUPA d.d.**

DEFINITION AND RECONCILIATION OF

**ALTERNATIVE PERFORMANCE MEASURES (APM)**

## DEFINITION AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)

The Annual report, half-year report, quarterly report and other communication to investors contain certain financial performance measures, which are not defined by International financial reporting standards (IFRS). We believe these measures, along with comparable IFRS measurements, are useful to investors because they provide a basis for measuring our operating and financial performance.

The main APMs used by Atlantic Grupa are defined and/or reconciled with our IFRS measures in this document.

### ORGANIC SALES GROWTH COMPARED TO 2021

Organic sales growth refers to the increase in sales for the period after removing the impact of acquisitions and divestitures, change of scope of activity and other major items affecting comparability of operating results. We believe this measure provides valuable additional information on the sales performance and provides comparability of operating result.

| in HRK million                         | 9M 2022 | 9M 2021 | 9M 2022/<br>9M 2021 |
|--|---------|---------|---------------------|
| Sales                                  | 4,706.3 | 4,248.3 | 10.8%               |
| Sale of divested business - brand Bebi | -       | 31.8    |                     |
| Comparable sales                       | 4,706.3 | 4,216.4 | 11.6%               |

| in HRK million                          | SBU Pharmacy<br>business | Other<br>segments |
|---|--------------------------|-------------------|
| Reported 9M 2021                        | 414.7                    | 637.0             |
| Sale of divested business - brand Bebi* | 31.8                     | 31.6              |
| Comparable sales 9M 2021                | 382.9                    | 605.4             |
| Reported 9M 2022                        | 433.5                    | 689.8             |
| Sale of divested business - brand Bebi* | -                        | -                 |
| Comparable sales 9M 2022                | 433.5                    | 689.8             |
| 9M 2022/9M 2021                         | 13.2%                    | 13.9%             |

| in HRK million                         | Russia and CIS | Other<br>markets |
|--|----------------|------------------|
| Reported 9M 2021                       | 93.7           | 89.0             |
| Sale of divested business - brand Bebi | 31.6           | 0.2              |
| Comparable sales 9M 2021               | 62.1           | 88.8             |
| Reported 9M 2022                       | 75.6           | 91.1             |
| Sale of divested business - brand Bebi | -              | -                |
| Comparable sales 9M 2022               | 75.6           | 91.1             |
| 9M 2022/9M 2021                        | 21.9%          | 2.6%             |

| in HRK million                         | 9M 2022 | 9M 2021 | 9M 2022/<br>9M 2021 |
|--|---------|---------|---------------------|
| Sales of own brands                    | 2,986.3 | 2,698.2 | 10.7%               |
| Sale of divested business - brand Bebi | -       | 31.8    |                     |
| Comparable sales of own brands         | 2,986.3 | 2,666.4 | 12.0%               |

\* Relates to the sales of the Bebi brand which is included in the SBU Pharmacy business to which it belongs, but also in Other segments through which the products are distributed.

## DEFINITION AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)



### EBITDA and NORMALIZED EBITDA, EBITDA margin and NORMALIZED EBITDA margin

EBITDA (Earnings before interest, tax, depreciation and amortization) equals to operating profit in the financial statements (see Note 2 – Summary of significant accounting policies in the latest published audited Consolidated Financial statements) increased for depreciation, amortisation and impairment (see Notes 13, 14, 15 in the latest published audited Consolidated Financial statements).

The Group also presents Normalized EBITDA which is calculated as EBITDA excluding the impact of one-off items. One-off items represent gain/loss on sale of subsidiaries (see Note 28 Business combinations and sale of subsidiaries in the latest published audited Consolidated Financial statements) and all one-off expenses/income arising from these transactions, COVID-19 expenses related to the donation for combating the spread of the pandemic and costs for the protective equipment and disinfectants, and other one-off items related to income as a result of the tax refund. The Group's Management Board monitors normalized EBITDA to evaluate business performance of the Group and to allocate resources accordingly. Additionally, Group's management believes that normalized EBITDA provides information that enables investors to better compare Group's performance across periods.

The Group also presents EBITDA margin and Normalized EBITDA margin, which are defined as EBITDA/Normalized EBITDA as percentage of sales.

| (in HRK millions)                         | 9M 2022 | 9M 2021 | 9M 2022/<br>9M 2021 |
|---|---------|---------|---------------------|
| Operating profit                          | 332.8   | 476.7   | (30.2%)             |
| Depreciation, amortisation and impairment | 199.4   | 191.0   | 4.4%                |
| EBITDA                                    | 532.2   | 667.8   | (20.3%)             |
| Divestment costs/(gains), net             | -       | -       |                     |
| COVID-19 costs                            | 1.0     | 2.6     |                     |
| Other one off (income)/costs, net         | (5.2)   | (7.4)   |                     |
| Normalized EBITDA                         | 528.0   | 663.0   | (20.4%)             |
| Sales                                     | 4,706.3 | 4,248.3 |                     |
| EBITDA margin                             | 11.3%   | 15.7%   |                     |
| Normalized EBITDA margin                  | 11.2%   | 15.6%   |                     |

### EBIT and NORMALIZED EBIT, EBIT margin and NORMALIZED EBIT margin

EBIT (Earnings before interest and tax) equals operating profit in the financial statements (see Note 2 Summary of significant accounting policies in the latest published audited Consolidated Financial statements).

The Group also presents Normalized EBIT which is calculated as EBIT excluding the impact of one-off items.

| (in HRK millions)                 | 9M 2022 | 9M 2021 | 9M 2022/<br>9M 2021 |
|-----------------------------------|---------|---------|---------------------|
| Operating profit                  | 332.8   | 476.7   | (30.2%)             |
| EBIT                              | 332.8   | 476.7   | (30.2%)             |
| Divestment costs/(gains), net     | 0.1     | -       |                     |
| COVID-19 costs                    | 1.0     | 2.6     |                     |
| Other one off (income)/costs, net | (5.2)   | (7.4)   |                     |
| Normalized EBIT                   | 328.7   | 471.9   | (30.3%)             |
| Sales                             | 4,706.3 | 4,248.3 |                     |
| EBIT margin                       | 7.1%    | 11.2%   |                     |
| Normalized EBIT margin            | 7.0%    | 11.1%   |                     |

# DEFINITION AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)



## NET PROFIT and NORMALIZED NET PROFIT

Net profit is a subtotal which is reported in the Consolidated Income statement in the attached Condensed consolidated financial statements for the period ended 30 September 2022.

The Group also presents Normalized Net profit which is calculated as Net profit excluding the impact of one-off items.

Additionally, the Group also presents Net profit margin and Normalized Net profit margin, which are defined as Net profit/Normalized Net profit as percentage of sales.

| (in HRK millions)                 | 9M 2022 | 9M 2021 | 9M 2022/<br>9M 2021 |
|-----------------------------------|---------|---------|---------------------|
| Net profit                        | 271.3   | 399.8   | (32.1%)             |
| Divestment costs/(gains), net     | 0.1     | (1.4)   |                     |
| COVID-19 costs                    | 0.9     | 2.2     |                     |
| Other one off (income)/costs, net | (9.8)   | (7.4)   |                     |
| Normalized Net profit             | 262.5   | 393.2   | (33.2%)             |
| Sales                             | 4,706.3 | 4,248.3 |                     |
| Net profit margin                 | 5.8%    | 9.4%    |                     |
| Normalized Net profit margin      | 5.6%    | 9.3%    |                     |

## TOTAL OPERATING EXPENSES

Total operating expenses are a subtotal of the following items which are reported in the Consolidated Income statement in the attached Condensed consolidated financial statements for the period ended 30 September 2022: cost of trade goods sold, change in inventories of finished goods and work in progress, material and energy costs, staff costs, marketing and promotion expenses, other operating expenses, other gains/losses-net and depreciation, amortization and impairment.

## CAPITAL EXPENDITURE (CAPEX)

Capital expenditure includes payments made to acquire property, plant and equipment and intangible assets, as reported in the Consolidated Cash flow statement in the attached Condensed consolidated financial statements for the period ended 30 September 2022. The Group uses capital expenditure as APM to ensure that the cash spending is in line with overall strategy of the Group.

## DEFINITION AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)

### NET DEBT and NET DEBT to EBITDA

Net debt is used by management to evaluate the Group's financial capacity. Net debt is defined as sum of current and non-current borrowings, current and non-current lease liabilities and derivative financial instruments decreased for cash and cash equivalents which are reported in the Consolidated Balance sheet in the attached Condensed consolidated financial statements for the period ended 30 September 2022, as shown below:

| (in HRK millions)                     | 30 September 2022 | 31 December 2021 |
|---------------------------------------|-------------------|------------------|
| Non current borrowing                 | 373.3             | 299.7            |
| Non current lease liabilities         | 255.7             | 263.1            |
| Current borrowings                    | 253.4             | 159.9            |
| Current lease liabilities             | 91.5              | 86.8             |
| Derivative financial instruments, net | (18.0)            | (3.0)            |
| Cash and cash equivalents             | (354.0)           | (346.6)          |
| <b>Net debt</b>                       | <b>601.9</b>      | <b>459.9</b>     |
| Normalized EBITDA*                    | 600.1             | 735.0            |
| <b>Net debt/Normalized EBITDA*</b>    | <b>1.0</b>        | <b>0.6</b>       |

The Group also uses the net debt to EBITDA ratio, which is net debt divided by EBITDA, to assess its level of net debt in comparison with underlying earnings generated by the Group. This measure reflects the Group's ability to service and repay its borrowings.

### CURRENT RATIO

The current ratio compares all Group's current assets to its current liabilities which are reported in the Consolidated Balance sheet in the attached Condensed consolidated financial statements for the period ended 30 September 2022. The current ratio is a liquidity ratio that measures the Group's ability to cover its short-term debt with its current assets.

| in HRK million       | 30 September 2022 | 31 December 2021 |
|----------------------|-------------------|------------------|
| Current assets       | 2,684.0           | 2,287.5          |
| Current liabilities  | 1,734.4           | 1,513.4          |
| <b>Current ratio</b> | <b>1.5</b>        | <b>1.5</b>       |

### GEARING RATIO

The gearing ratio compares net debt to total equity increased for net debt. Gearing ratio is a measurement of the Group's financial leverage that demonstrates the degree to which a firm's operations are funded by equity capital versus debt financing.

| in HRK million            | 30 September 2022 | 31 December 2021 |
|---------------------------|-------------------|------------------|
| Net debt                  | 601.9             | 459.9            |
| Total equity              | 3,292.5           | 3,152.5          |
| Total net debt and equity | 3,894.4           | 3,612.4          |
| <b>Gearing ratio</b>      | <b>15.5%</b>      | <b>12.7%</b>     |

\* Normalized EBITDA in the last 12 months

## DEFINITION AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)

### INTEREST COVERAGE RATIO

The interest coverage ratio is calculated by dividing Group's normalized EBITDA by total interest expense (see Note 9 – Finance cost-net in the attached Condensed consolidated financial statements for the period ended 30 September 2022), as shown below. Interest coverage ratio is used to determine how easily the Group can pay interest on its outstanding debt.

| in HRK million                   | 9M 2022 | 9M 2021 |
|----------------------------------|---------|---------|
| Normalized EBITDA                | 528.0   | 663.0   |
| Total interest expense           | 11.5    | 13.6    |
| Adjusted interest coverage ratio | 45.9    | 48.7    |

### FREE CASH FLOW

Free cash flow shows the ability of the Group to generate cash to repay financial liabilities, finance possible acquisitions, pay dividends, etc. Free cash flow equals net cash flow from operating activities less capital expenditure, items included in the Consolidated Cash Flow Statement in the attached Condensed consolidated financial statements for the period ended 30 September 2022.

| in HRK million                          | 9M 2022 | 9M 2021 |
|---|---------|---------|
| Net cash flow from operating activities | 248.0   | 590.4   |
| Capex                                   | 174.8   | 175.6   |
| Free cash flow                          | 73.3    | 414.8   |

**ATLANTIC GRUPA d.d.**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022  
(UNAUDITED)**

# ATLANTIC GRUPA d.d.

## CONSOLIDATED INCOME STATEMENT

| in thousands of HRK, unaudited  | Jan-Sep<br>2022    | Jan-Sep<br>2021    | Index        | Jul-Sep<br>2022    | Jul-Sep<br>2021    | Index        |
|---|--------------------|--------------------|--------------|--------------------|--------------------|--------------|
| <b>Revenues</b>   | <b>4,771,314</b>   | <b>4,299,518</b>   | <b>111.0</b> | <b>1,738,429</b>   | <b>1,565,345</b>   | <b>111.1</b> |
| Sales revenues  | 4,706,309          | 4,248,273          | 110.8        | 1,713,043          | 1,550,444          | 110.5        |
| Other income  | 65,005             | 51,245             | 126.9        | 25,386             | 14,901             | 170.4        |
| <b>Operating expenses</b>   | <b>(4,438,523)</b> | <b>(3,822,806)</b> | <b>116.1</b> | <b>(1,609,250)</b> | <b>(1,350,106)</b> | <b>119.2</b> |
| Cost of trade goods sold  | (1,364,124)        | (1,245,635)        | 109.5        | (511,957)          | (472,473)          | 108.4        |
| Change in inventories of finished goods and work in progress  | (29,817)           | 17,449             | n/a          | (53,422)           | 18,107             | n/a          |
| Material and energy costs   | (1,520,933)        | (1,147,528)        | 132.5        | (539,999)          | (418,162)          | 129.1        |
| Staff costs   | (708,472)          | (675,302)          | 104.9        | (232,259)          | (228,765)          | 101.5        |
| Marketing and promotion expenses  | (207,577)          | (210,109)          | 98.8         | (52,659)           | (56,719)           | 92.8         |
| Depreciation, amortisation and impairment   | (199,397)          | (191,047)          | 104.4        | (68,259)           | (65,296)           | 104.5        |
| Other operating costs   | (428,423)          | (368,359)          | 116.3        | (162,786)          | (128,623)          | 126.6        |
| Other losses - net  | 20,220             | (2,275)            | n/a          | 12,091             | 1,825              | 662.5        |
| <b>Operating profit</b>   | <b>332,791</b>     | <b>476,712</b>     | <b>69.8</b>  | <b>129,179</b>     | <b>215,239</b>     | <b>60.0</b>  |
| Finance costs - net   | (12,464)           | (12,282)           | 101.5        | (4,395)            | (5,270)            | 83.4         |
| <b>Profit before tax</b>  | <b>320,327</b>     | <b>464,430</b>     | <b>69.0</b>  | <b>124,784</b>     | <b>209,969</b>     | <b>59.4</b>  |
| Income tax  | (49,003)           | (64,645)           | 75.8         | (20,810)           | (27,713)           | 75.1         |
| <b>Net profit for the period</b>  | <b>271,324</b>     | <b>399,785</b>     | <b>67.9</b>  | <b>103,974</b>     | <b>182,256</b>     | <b>57.0</b>  |
| <b>Attributable to:</b>   |                    |                    |              |                    |                    |              |
| Owners of the parent  | 270,443            | 399,451            | 67.7         | 103,532            | 181,974            | 56.9         |
| Non-controlling interests   | 881                | 334                | 263.8        | 442                | 282                | 156.7        |
| <b>Earnings per share for profit attributable to the equity holders of the Company during the period (in HRK)</b> |                    |                    |              |                    |                    |              |
| - basic   | 20.35              | 30.02              |              | 7.78               | 13.68              |              |
| - diluted   | 20.35              | 30.02              |              | 7.78               | 13.68              |              |



**ATLANTIC GRUPA d.d.**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| in thousands of HRK, unaudited                                       | Jan-Sep<br>2022 | Jan-Sep<br>2021 | Index          | Jul-Sep<br>2022 | Jul-Sep<br>2021 | Index       |
|--|-----------------|-----------------|----------------|-----------------|-----------------|-------------|
| <b>Net profit for the period</b>                                     | <b>271,324</b>  | <b>399,785</b>  | <b>67.9</b>    | <b>103,974</b>  | <b>182,256</b>  | <b>57.0</b> |
| <b>Other comprehensive income:</b>                                   |                 |                 |                |                 |                 |             |
| <i>Items that may be subsequently reclassified to profit or loss</i> |                 |                 |                |                 |                 |             |
| Currency translation differences, net of tax                         | 14,079          | (10,600)        | n/a            | 248             | 3,140           | 7.9         |
| Cash flow hedges, net of tax   | 11,415          | 10,860          | 105.1          | 3,849           | 2,417           | 159.2       |
| <b>Total other comprehensive income for the period, net of tax</b>   | <b>25,494</b>   | <b>260</b>      | <b>9.805.4</b> | <b>4,097</b>    | <b>5,557</b>    | <b>73.7</b> |
| <b>Total comprehensive income for the period</b>                     | <b>296,818</b>  | <b>400,045</b>  | <b>74.2</b>    | <b>108,071</b>  | <b>187,813</b>  | <b>57.5</b> |
| <b>Attributable to:</b>  |                 |                 |                |                 |                 |             |
| Equity holders of the Company  | 295,915         | 399,744         | 74.0           | 107,605         | 187,527         | 57.4        |
| Non-controlling interests  | 903             | 301             | 300.0          | 466             | 286             | 162.9       |
| <b>Total comprehensive income for the period</b>                     | <b>296,818</b>  | <b>400,045</b>  | <b>74.2</b>    | <b>108,071</b>  | <b>187,813</b>  | <b>57.5</b> |

# ATLANTIC GRUPA d.d.

## CONSOLIDATED BALANCE SHEET

| in thousands of HRK, unaudited                                    | 30 September 2022 | 31 December 2021 |
|---|-------------------|------------------|
| <b>ASSETS</b>   |                   |                  |
| <b>Non-current assets</b>   |                   |                  |
| Property, plant and equipment                                     | 1,157,460         | 1,108,725        |
| Right-of-use assets   | 326,967           | 329,894          |
| Investment property   | 793               | 807              |
| Intangible assets   | 1,636,863         | 1,640,348        |
| Deferred tax assets   | 42,411            | 41,469           |
| Financial assets through other comprehensive income               | 1,273             | 1,384            |
| Trade and other receivables                                       | 33,400            | 42,750           |
|   | <b>3,199,167</b>  | <b>3,165,377</b> |
| <b>Current assets</b>   |                   |                  |
| Inventories   | 779,937           | 639,201          |
| Trade and other receivables                                       | 1,489,481         | 1,287,982        |
| Prepaid income tax  | 42,546            | 6,995            |
| Derivative financial instruments                                  | 18,047            | 2,972            |
| Cash and cash equivalents   | 354,016           | 346,635          |
|   | <b>2,684,027</b>  | <b>2,283,785</b> |
| Non-current assets held for sale                                  | -                 | 3,759            |
| <b>Total current assets</b>                                       | <b>2,684,027</b>  | <b>2,287,544</b> |
| <b>TOTAL ASSETS</b>   | <b>5,883,194</b>  | <b>5,452,921</b> |
| <b>EQUITY AND LIABILITIES</b>                                     |                   |                  |
| <b>Capital and reserves attributable to owners of the Company</b> |                   |                  |
| Share capital   | 133,372           | 133,372          |
| Share premium   | 886,572           | 883,852          |
| Treasury shares   | (15,404)          | (22,131)         |
| Reserves  | (14,539)          | (45,279)         |
| Retained earnings   | 2,294,587         | 2,195,734        |
|   | <b>3,284,588</b>  | <b>3,145,548</b> |
| Non-controlling interests   | 7,885             | 6,982            |
| <b>Total equity</b>   | <b>3,292,473</b>  | <b>3,152,530</b> |
| <b>Non-current liabilities</b>                                    |                   |                  |
| Borrowings  | 373,299           | 299,657          |
| Lease liabilities   | 255,713           | 263,065          |
| Deferred tax liabilities  | 150,154           | 148,344          |
| Other non-current liabilities                                     | 1,408             | 6,135            |
| Provisions  | 75,794            | 69,807           |
|   | <b>856,368</b>    | <b>787,008</b>   |
| <b>Current liabilities</b>  |                   |                  |
| Trade and other payables  | 1,300,110         | 1,174,825        |
| Borrowings  | 253,421           | 159,932          |
| Lease liabilities   | 91,542            | 86,844           |
| Current income tax liabilities                                    | 37,588            | 6,417            |
| Provisions  | 51,692            | 85,365           |
|   | <b>1,734,353</b>  | <b>1,513,383</b> |
| <b>Total liabilities</b>  | <b>2,590,721</b>  | <b>2,300,391</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                               | <b>5,883,194</b>  | <b>5,452,921</b> |

**ATLANTIC GRUPA d.d.**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

|                                  | Attributable to owners of the Company            |          |                   |           | Non-controlling interests | Total     |
|----------------------------------|--|----------|-------------------|-----------|---------------------------|-----------|
|                                  | Share capital, Share premium and Treasury shares | Reserves | Retained earnings | Total     |                           |           |
| in thousands of HRK, unaudited   |  |          |                   |           |                           |           |
| Balance at 1 January 2021        | 1,007,576  | (51,451) | 1,985,908         | 2,942,033 | 5,952                     | 2,947,985 |
| <b>Comprehensive income:</b>     |  |          |                   |           |                           |           |
| Net profit for the period        | -  | -        | 399,451           | 399,451   | 334                       | 399,785   |
| Other comprehensive income       | -  | 293      | -                 | 293       | (33)                      | 260       |
| Total comprehensive income       | -  | 293      | 399,451           | 399,744   | 301                       | 400,045   |
| <b>Transactions with owners:</b> |  |          |                   |           |                           |           |
| Share based payment              | 16,839   | -        | -                 | 16,839    | -                         | 16,839    |
| Purchase of treasury shares      | (24,455)   | -        | -                 | (24,455)  | -                         | (24,455)  |
| Transfer                         | -  | 1,763    | (1,763)           | -         | -                         | -         |
| Dividends                        | -  | -        | (133,094)         | (133,094) | -                         | (133,094) |
| Balance at 30 September 2021     | 999,960  | (49,395) | 2,250,502         | 3,201,067 | 6,253                     | 3,207,320 |
| Balance at 1 January 2022        | 995,093  | (45,279) | 2,195,734         | 3,145,548 | 6,982                     | 3,152,530 |
| <b>Comprehensive income:</b>     |  |          |                   |           |                           |           |
| Net profit for the period        | -  | -        | 270,443           | 270,443   | 881                       | 271,324   |
| Other comprehensive income       | -  | 25,472   | -                 | 25,472    | 22                        | 25,494    |
| Total comprehensive income       | -  | 25,472   | 270,443           | 295,915   | 903                       | 296,818   |
| <b>Transactions with owners:</b> |  |          |                   |           |                           |           |
| Share based payment              | 28,566   | -        | -                 | 28,566    | -                         | 28,566    |
| Purchase of treasury shares      | (19,119)   | -        | -                 | (19,119)  | -                         | (19,119)  |
| Transfer                         | -  | 5,268    | (5,268)           | -         | -                         | -         |
| Dividends                        | -  | -        | (166,322)         | (166,322) | -                         | (166,322) |
| Balance at 30 September 2022     | 1,004,540  | (14,539) | 2,294,587         | 3,284,588 | 7,885                     | 3,292,473 |

# ATLANTIC GRUPA d.d.

## CONSOLIDATED CASH FLOW STATEMENT

| in thousands of HRK, unaudited   | January -<br>September 2022 | January -<br>September 2021 |
|--|-----------------------------|-----------------------------|
| <b>Cash flow from operating activities</b>   |                             |                             |
| <b>Net profit for the period</b>   | <b>271,324</b>              | <b>399,785</b>              |
| Income tax   | 49,003                      | 64,645                      |
| Depreciation, amortisation and impairment  | 199,397                     | 191,047                     |
| Gain on sale of property, plant and equipment and intangible assets                                | (1,676)                     | (893)                       |
| Loss on sale of subsidiaries - net of transaction expenses   | 365                         | -                           |
| Provision for current assets   | 17,152                      | 15,404                      |
| Foreign exchange differences - net   | 971                         | (1,331)                     |
| Decrease in provisions for risks and charges   | (27,685)                    | (51,831)                    |
| Fair value (gain)/loss on financial assets   | (26,679)                    | 2,483                       |
| Share based payment  | 28,566                      | 16,839                      |
| Interest income  | (7,889)                     | (732)                       |
| Interest expense   | 11,493                      | 13,613                      |
| Other non-cash items - net   | 34,374                      | (5,309)                     |
| <b>Changes in working capital:</b>   |                             |                             |
| Increase in inventories  | (154,950)                   | (72,530)                    |
| Increase in current receivables  | (220,506)                   | (113,706)                   |
| Increase in current payables   | 140,809                     | 215,866                     |
| <b>Cash generated from operations</b>  | <b>314,069</b>              | <b>673,350</b>              |
| Interest paid  | (10,462)                    | (12,865)                    |
| Income tax paid  | (55,561)                    | (70,135)                    |
|  | <b>248,046</b>              | <b>590,350</b>              |
| <b>Cash flow used in investing activities</b>  |                             |                             |
| Purchase of property, plant and equipment and intangible assets                                    | (174,778)                   | (175,577)                   |
| Proceeds from sale of property, plant and equipment and intangible assets                          | 2,549                       | 12,078                      |
| Acquisition of subsidiaries and proceeds from sale of subsidiaries - net of cash acquired/disposed | 11,186                      | (11,422)                    |
| Loans granted and deposits placed  | (1,193)                     | (2,969)                     |
| Repayments of loan and deposits placed   | 9,248                       | 6,078                       |
| Interest received  | 7,743                       | 973                         |
|  | <b>(145,245)</b>            | <b>(170,839)</b>            |
| <b>Cash flow used in financing activities</b>  |                             |                             |
| Purchase of treasury shares  | (19,119)                    | (24,455)                    |
| Proceeds from borrowings, net of fees paid   | 195,717                     | -                           |
| Repayment of borrowings  | (30,000)                    | (234,904)                   |
| Principal elements of lease payments   | (75,696)                    | (70,214)                    |
| Dividends paid to Company shareholders   | (166,322)                   | (133,094)                   |
|  | <b>(95,420)</b>             | <b>(462,667)</b>            |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  | <b>7,381</b>                | <b>(43,156)</b>             |
| Cash and cash equivalents at the beginning of the period   | 346,635                     | 426,513                     |
| Cash and cash equivalents at the end of the period   | 354,016                     | 383,357                     |

**NOTE 1 – GENERAL INFORMATION**

Operating as a vertically integrated multinational company, Atlantic Grupa d.d. (“the Company”) and its subsidiaries (“the Group”) have business activities that incorporate R&D, production and distribution of fast-moving consumer goods in Southeast Europe, the European markets and Russia and CIS (Commonwealth of Independent States). With its modern production network, the Group stands out as one of the leading foods & beverage producers in Southeast Europe with prominent coffee brands Grand Kafa and Barcaffe, beverage brands Cockta and Cedevita, a portfolio of sweet and salted snacks brands Smoki, Najlepše želje and Bananica, a savoury spread brand Argeta and natural mineral water Donat. Additionally, the Group owns the leading pharmacy chain in Croatia under the Farmacia brand. With its own distribution network in Croatia, Slovenia, Serbia, Austria, North Macedonia and Russia, the Group also distributes a range of products from external partners. The Group has manufacturing plants in Croatia, Slovenia, Serbia, Bosnia and Herzegovina and North Macedonia with companies and representative offices in 11 countries. The Group exports its products to more than 40 markets worldwide.

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

The Company’s shares are listed on the Prime market of the Zagreb Stock Exchange.

The condensed consolidated financial statements of the Group for the nine-month period ended 30 September 2022 were approved by the Management Board of the Company in Zagreb on 25 October 2022.

The condensed consolidated financial statements have not been audited.

**NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**2.1. BASIS OF PREPARATION**

The condensed consolidated financial statements for the nine-month period ended 30 September 2022 have been prepared in accordance with IAS 34 – Interim Financial Reporting, as endorsed by the European Union (EU).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as of 31 December 2021. The Group’s annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by EU.

**2.2. GOING CONCERN**

The Company’s management believes that the Group has sufficient resources to continue operating in the foreseeable future and has not identified significant uncertainties related to business events and conditions that may cast doubt on the indefinite duration of the Group’s operations. Accordingly, the condensed consolidated financial statements for the nine-month period ended 30 September 2022 have been prepared on a going concern basis.

**NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the condensed consolidated financial statements for the nine-month period ended 30 September 2022 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

**2.4. SEASONALITY**

The Group is not exposed to significant seasonal or cyclical changes in its operations.

**2.5. IMPACT OF THE WAR IN UKRAINE**

At the date of approval of condensed consolidated financial statements for the nine-month period ended 30 September 2022, Atlantic Grupa's business operations are running smoothly. By selling the baby food business in 2021, Atlantic Grupa has significantly reduced its exposure in Russia and CIS markets. Consequently, war events do not have a direct material impact on Atlantic Grupa's operations, while indirect consequences, primarily in the form of additional supply chains issues and inflationary pressures, are closely monitored by Atlantic Grupa's management which undertakes all available measures to reduce risks in the given circumstances.

**NOTE 3 – CRITICAL ACCOUNTING ESTIMATES**

There were no changes in critical accounting estimates used for preparation of condensed consolidated financial statements for the nine-month period ended 30 September 2022 comparing to those used for the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

The Group has made assessment whether there are indications of impairment of intangible assets, including changes in discount rates that reflect the current risk premiums on certain markets and for the nine-month period ended 30 September 2022 no impairment was recognised.

**NOTE 4 – SEGMENT INFORMATION**

The business model of the Group is organized through five strategic business units and one business unit. In addition to business units, separate department – New Growth is established, which is focused on the development of new brands of Atlantic Grupa.

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

| <b>BUSINESS<br/>UNITS</b> | <b>DISTRIBUTION<br/>UNITS</b>             |
|---------------------------|---|
| SBU COFFEE                | SDU CROATIA                               |
| SBU BEVERAGES             | SDU SERBIA                                |
| SBU SAVOURY SPREADS       | SDU SLOVENIA                              |
| SBU SNACKS                | DU MACEDONIA                              |
| SBU PHARMACY BUSINESS     | DU RUSSIA                                 |
| BU DONAT                  | DU AUSTRIA                                |
| NEW GROWTH                | GLOBAL DISTRIBUTION<br>ACCOUNT MANAGEMENT |

SBU – Strategic business unit

SDU – Strategic distribution unit

BU – Business unit

DU – Distribution unit

For more efficient management of individual business and distribution units, the organization unites similar business activities or products, shared markets, or channels, together.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 4 – SEGMENT INFORMATION (continued)**

Since DU Macedonia, DU Russia, DU Austria, Global distribution network management and New Growth do not meet quantitative thresholds, required by IFRS 8 for reportable segments, they are reported within “Other segments” where, also, baby food business, which was completely divested in June 2021, is reported. “Other segments” category comprises also of non-allocable business activities (headquarters and support functions in all markets of Atlantic Grupa) which are excluded from the reportable operating segments.

Segment performance is evaluated based on operating profit or loss. Group financing and income taxes are managed on Group basis and are not allocated to operating segments.

Sales of individual business units represent in market sales made to third parties (either directly through business units or through distribution units). Distribution units’ sales includes sales of own products also reported as business units’ sales. This double counting of own product sales is eliminated in the “Reconciliation” line. For segmental profit calculation, sales between operating segments are carried out at arm's length.

| <b>Sales revenues*</b>       | <b>Jan - Sep<br/>2022</b> | <b>Jan - Sep<br/>2021</b> |
|------------------------------|---------------------------|---------------------------|
| <i>(in thousands of HRK)</i> |                           |                           |
| SBU Coffee                   | 1,005,585                 | 867,999                   |
| SBU Savoury Spreads          | 754,018                   | 702,723                   |
| SBU Beverages                | 521,590                   | 438,257                   |
| SBU Snacks                   | 497,149                   | 473,777                   |
| SBU Pharmacy business        | 433,500                   | 382,865                   |
| BU Donat                     | 181,349                   | 167,352                   |
| <br>                         |                           |                           |
| SDU Croatia                  | 1,186,634                 | 1,075,364                 |
| SDU Serbia                   | 1,092,823                 | 947,674                   |
| SDU Slovenia                 | 798,244                   | 743,290                   |
| <br>                         |                           |                           |
| Other segments               | 689,835                   | 668,811                   |
| <br>                         |                           |                           |
| Reconciliation               | (2,454,418)               | (2,219,839)               |
| <br>                         |                           |                           |
| <b>Total</b>                 | <b>4,706,309</b>          | <b>4,248,273</b>          |

\* Comparative period has been adjusted to reflect current period reporting



**NOTE 5 – EARNINGS PER SHARE****Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit of the Group by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

At the General Assembly held on 15 June 2022, the shareholders approved share split in a way that each of the Company's ordinary shares with a nominal value of HRK 40.00 per share was split into four shares with a nominal amount of HRK 10.00 per share. Following the share split, the number of ordinary shares increased from 3,334,300 to 13,337,200 shares. Basic earnings per share for prior period have been adjusted with the new number of shares.

|  | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| Net profit attributable to shareholders of the Company (in thousands of HRK) | 270,443     | 399,451     |
| Weighted average number of ordinary shares in issue                          | 13,292,707  | 13,306,018  |
| Basic earnings per share ( <i>in HRK</i> )                                   | 20.35       | 30.02       |

**Diluted earnings per share**

Diluted earnings per share is the same as basic earnings per share as there were no convertible dilutive potential ordinary shares.

**NOTE 6 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

During the nine-month period ended 30 September 2022, Group invested HRK 162,533 thousand in purchase of property, plant and equipment and intangible assets (2021: HRK 153,054 thousand).

**NOTE 7 - INVENTORIES**

During the nine-month period ended 30 September 2022, the Group wrote down inventories in the amount of HRK 14,496 thousand due to damage and short expiry dates (2021: HRK 10,104 thousand). The amount is recognized in the income statement within position "Other operating costs".

**NOTE 8 – DIVIDEND DISTRIBUTION**

According to the decision of the Company's General Assembly from 15 June 2022, distribution of dividend in the amount of HRK 50.00 per share, or HRK 166,322 thousand in total was approved (2021: HRK 40.00 per share, or HRK 133,094 thousand in total). Dividend was paid out in July 2022.

## NOTE 9 – FINANCE COSTS – NET

| <i>(in thousands of HRK)</i>                               | <b>Jan - Sep<br/>2022</b> | <b>Jan - Sep<br/>2021</b> |
|--|---------------------------|---------------------------|
| <b>Finance income</b>                                      |                           |                           |
| Foreign exchange gains on borrowings and lease liabilities | <u>2,258</u>              | <u>2,968</u>              |
|  | 2,258                     | 2,968                     |
| <b>Finance costs</b>                                       |                           |                           |
| Interest expense on lease liabilities                      | (6,328)                   | (6,359)                   |
| Interest expense on bonds                                  | (2,153)                   | (2,153)                   |
| Interest expense on bank borrowings                        | (2,047)                   | (2,557)                   |
| Other interest expense                                     | <u>(965)</u>              | <u>(2,544)</u>            |
| Total interest expense                                     | (11,493)                  | (13,613)                  |
| Foreign exchange loss on borrowings and lease liabilities  | <u>(3,229)</u>            | <u>(1,637)</u>            |
|  | (14,722)                  | (15,250)                  |
| <b>Finance costs - net</b>                                 | <u><b>(12,464)</b></u>    | <u><b>(12,282)</b></u>    |

**NOTE 10 – RELATED PARTY TRANSACTIONS**

Related party transactions that relate to balance sheet as at 30 September 2022 and 31 December 2021 and transactions recognized in the Income statement for the nine-month ended 30 September are as follows:

| <i>(in thousands of HRK)</i>         | <u>30 September 2022</u> | <u>31 December 2021</u> |
|--------------------------------------|--------------------------|-------------------------|
| <b>RECEIVABLES</b>                   |                          |                         |
| <b>Trade and other receivables</b>   |                          |                         |
| Other entities                       | 104,396                  | 84,174                  |
| <b>LIABILITIES</b>                   |                          |                         |
| <b>Trade and other payables</b>      |                          |                         |
| Other entities                       | 5,075                    | 2,238                   |
|                                      | <u>Jan - Sep 2022</u>    | <u>Jan - Sep 2021</u>   |
| <b>REVENUES</b>                      |                          |                         |
| <b>Sales revenues</b>                |                          |                         |
| Other entities                       | 428,882                  | 381,992                 |
| <b>Other income</b>                  |                          |                         |
| Other entities                       | 199                      | 509                     |
| <b>EXPENSES</b>                      |                          |                         |
| <b>Marketing and promotion costs</b> |                          |                         |
| Other entities                       | 6,578                    | 2,966                   |
| <b>Other operating costs</b>         |                          |                         |
| Other entities                       | 1,909                    | 1,635                   |

**NOTE 11 – DIVESTMENT OF SUBSIDIARY**

Atlantic Grupa has signed a sale and purchase agreement for the sale of Palanački kiseljak production site in Smederevska Palanka, Serbia, with the company Vik Pro Univerzal d.o.o., Belgrade. The subject of the sale was the entire production site with employees and assets, including the traditional mineral water brand on the Serbian market – *Karađorđe*. Prior to the sale, production site was demerged from the company Atlantic Štark d.o.o. to a separate company – Palanački Kiseljak d.o.o. This transaction is a continuation of the process of disinvestment of smaller and non-core businesses, in line with Atlantic's corporate strategy. The closing of transaction was on 28 June 2022 and the Group realized a loss from the sale in the amount of HRK 446 thousand.

*(in thousands of HRK)*

|  |              |
|--|--------------|
| Cash received for the sale of subsidiary     | 1,460        |
| Net assets book value of disposed subsidiary | (1,906)      |
| <b>Loss on sale of subsidiary</b>            | <b>(446)</b> |

**Net assets book value of disposed subsidiary as at 28 June 2022**

*(in thousands of HRK)*

|                               |              |
|-------------------------------|--------------|
| Property, plant and equipment | 3,768        |
| Inventories                   | 605          |
| Trade and other receivables   | 629          |
| Trade and other payables      | (2,859)      |
| Borrowings                    | (237)        |
|                               | <b>1,906</b> |

In 2022, the Group also realized an additional gain in the amount of HRK 81 thousand from the sale of Mirna production site which occurred in 2021.

## **STATEMENT OF PERSONS RESPONSIBLE FOR PREPARING 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 Corporate Reporting and Consolidation, person responsible for corporate accounting, reporting and consolidation, together as persons responsible for the preparation of condensed consolidated financial statements of the company Atlantic Grupa d.d. Zagreb, Miramarska 23, OIB 71149912416 (hereinafter: “the Company”), hereby make the following

### **STATEMENT:**

According to our best knowledge the condensed consolidated financial statements for the nine-month period ended 30 September 2022 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 30 September 2022 contains the true presentation of development, results, and position of the Group, with description of significant risks and uncertainties which the Group is exposed.

Condensed consolidated unaudited financial statements of the Group for the nine-month period ended 30 September 2022 were approved by the Management Board of the company Atlantic Grupa d.d. on 25 October 2022.



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Zoran Stanković  
Group Vice President for Finance, Procurement and Investment



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Tatjana Ilinčić  
Director of Corporate Reporting and Consolidation

**Contact:**

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## ATLANTIC GRUPA

Joint Stock Company for Domestic and Foreign Trade  
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tel: +385 (1) 24 13 900  
fax: +385 (1) 24 13 901

The Company is registered with the Commercial Court of Zagreb

MBS: 080245039

MB: 1671910

PIN: 71149912416

Bank account: 2484008-1101427897 Raiffeisenbank Austria d.d., Zagreb, Petrinjska  
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The number of shares and their nominal value: 13,337,200 shares, each in the  
nominal value of HRK 10.00

Share capital: HRK 133,372,000.00, paid in full.

Management Board: Emil Tedeschi, Neven Vranković, Zoran Stanković, Lada  
Tedeschi Fiorio, Srećko Nakić, Enzo Smrekar  
President of the Supervisory Board: Zdenko Adrović

