



ČAKOVEČKI MLINOVI

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ČAKOVEČKI MLINOVI D.D.

ANNUAL CONSOLIDATED REPORT
FOR THE YEAR 2023
(unaudited)



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ČAKOVEČKI MLINOVI D.D.

**CONSOLIDATED INTERIM MANAGEMENT REPORT
FOR THE YEAR 2023**

1. BUSINESS RESULTS IN 2023

ABOUT THE GROUP ČAKOVEČKI MLINOVI

Čakovečki mlinovi Inc. (hereinafter: "Čakovečki mlinovi" or "Company"), founded in 1893 in Čakovec, is one of the oldest Croatian food and trade companies. The Company manages a vertically integrated business model that includes the production of high-quality mill, bakery and oil products on one hand and trade of mixed goods on the other. Although food production is a tradition and heritage of the Company, through a series of successful acquisitions and integration of trade chains the Company has grown into a business system that today generates most of its revenue from trade activities.

Čakovečki mlinovi Inc. has three subsidiaries: Trgovina Krk Inc. Malinska, Trgočentar Inc. Virovitica and Radnik Opatija Inc. Lovran (together: "Čakovečki mlinovi Group" or "Group") and one associated company: Narodni trgovački lanac Ltd. Soblinec. In the comparable data for the year 2022, the subsidiary Trgostil Inc. was also consolidated and merged with Trgovina Krk Inc. on 3 October 2022. Čakovečki mlinovi Inc. in addition to the non-consolidated reports of the Companies, they also prepare the consolidated reports of the Group separately.

In 2023, the Čakovečki mlinovi Group achieved consolidated total revenues of EUR 211 million based on consolidated total assets in the amount of EUR 112 million and employed 2.112 employees on average based on working hours. According to the Accounting Act, the Čakovec Mlinovi Group belongs to a large group of entrepreneurs.

Shares of Čakovečki mlinov d.d. are listed on the Official Market of the Zagreb Stock Exchange under the symbol CKML. As at December 31, 2023, the Company had issued and listed 10.290.000 shares with a market capitalization of EUR 107 million.

BUSINESS SEGMENTS AND OPERATIONS

Čakovečki mlinovi Group is organized into two strategic business segments:

- Trade, which includes retail and wholesale trade of food and non-food assortment, and
- Food, which includes the production of flour, bakery products and oils.

Čakovečki mlinovi Inc. manages these segments from a strategic level and acts as the Group's corporate centre. The Trade segment is operationally managed by Trgovina Krk Inc. The Food segment is operationally managed by Čakovečki mlinovi Inc. and Radnik Opatija Inc.

Below presented are the Group's business segments and their key operating indicators.

Trade

KEY OPERATING INDICATORS	31.12.2023.	31.12.2022.
Number of trade stores	434	435
Store sales area (in m2 net)	55.104	54.057
Average area per store (in m2 net)	127	124
Area of distribution warehouses (in m2 gross)	11.343	11.343
Average number of employees	1.831	1.995

Trade is the largest segment of the Čakovečki mlinovi Group, which in 2023 generated 87% of the Group's sales revenue.

The Trade segment is organized in two business areas:

- retail – trade of mainly food and to a lesser extent non-food assortment, and
- wholesale – trade of food, non-food and construction assortment.

Retail sales account for 97% of the sales revenue of the Trade segment. As at December 31, 2023, Trade managed 434 retail stores located in northwestern Croatia, Kvarner and the island of Krk. The total net sales area was 55.104 m², of which about 65% is owned by the Group. The main factors of the offer of the Trade segment are the proximity of the stores and the local assortment, which is why the Group's retail stores are mostly located in smaller settlements or residential districts and have an average net sales area of up to 400 m². This type of store format in Croatia is defined as a market or convenience store, and internationally it is better known as a proximity format due to its characteristic proximity to customers.

Trade Krk d.d. holds a 25% ownership share in the company Narodni trgovački lanac d.o.o. (hereinafter: "NTL"), the largest procurement association for food products in Croatia, through which it realizes about 80% of the procurement of goods. In addition to providing commercial services to its members, developing the NTL brand, and buying and distributing fruit and vegetables, NTL manages its own retail network of 253 stores and 6 wholesale logistics and distribution centers. In 2023, according to preliminary results, NTL generated 5.2 million euros in net profit. Trade Krk d.d. also holds a 10% ownership share in the company Grandal grupa d.o.o., the largest purchasing association for construction materials in Croatia.

Food

KEY OPERATING INDICATORS	31.12.2023.	31.12.2022.
Grain processed (in tons)	51.738	54.183
Production of bakery products (in tons)	7.685	7.636
Oil production (in tons)	33	83
Average number of employees	281	285

The Food segment covers food production and is organized into three business areas:

- milling – production of flour and other milling products and to a lesser extent porridge and feed flour,
- bakery – production of mainly bread, pastries and cakes and to a lesser extent dough, and
- oil production – own production of pumpkin and service production of olive oil.

As at 31 December 2023, the Food segment managed two mills (Čakovec, Donji Kraljevec) with a total production capacity of 80,000 tons per year, four bakeries (Čakovec, Oroslavje, Lovran, Malinska) with a total production capacity of 11,533 tons per year and two oil mills (Čakovec, Punat).

KEY EVENTS IN 2023

1. Continued growth of revenue, EBITDA and net profit in a challenging economic environment

- Sales revenue in the amount of EUR 193,5 million (+5,8% compared to 2022);
- Normalized profit before interest, taxes and depreciation (EBITDA) in the amount of EUR 15,9 million (+16,9% compared to 2022), growth of the normalized EBITDA margin from 7,4% to 8,2%;
- Net profit in the amount of EUR 7,3 million (+2,5% compared to 2022), slight decrease in net profit margin from 3,9% to 3,8%

2. Squeezing out the minority shareholders of Trgovina Krk Inc.

After the merger of Trgostil Inc. share of Čakovečki mlinovi Inc. in Trgovina Krk it was reduced from 100% to 98,13%, after which the process of squeezing out the minority shareholders of Trgovina Krk Inc. was initiated, which was concluded on April 17 2023 by entry into the court register of the Commercial Court in Rijeka.

Following the conducted mergers of the Group's retail operations into Trgovina Krk and the related squeeze-out of minority shareholders, as of the date of this report, all retail operations of the Group are under 100% ownership of Čakovečki mlinovi Inc.

3. Listing of CKML shares on the Official Market of the Zagreb Stock Exchange and in the CROBEX index

Based on the request of Čakovečki mlinovi Inc. and decisions of the Zagreb Stock Exchange Inc., on 18 April 2023, all CKML shares were transferred from the Regular Market segment to the Official Market segment of the Zagreb Stock Exchange.

The goal of this corporate action was to increase transparency in the relationship with investors, increase the level of corporate management of the company, and also the demand for CKML shares, their liquidity, following the already implemented share split from 2021.

In addition to expanding the shareholder base, this resulted in the inclusion of CKML shares in the CROBEX index as at 18 September 2023.

KEY FINANCIAL INDICATORS OF THE GROUP

INCOME STATEMENT (millions of euros)	2023.	2022.	2023./ 2022.
Sales revenue	193,5	182,9	5,8%
Operating costs, net ¹	178,6	168,3	6,1%
EBITDA²	14,9	14,6	2,3%
Normalized EBITDA³	15,9	13,6	16,9%
Depreciation	7,7	7,7	0,3%
EBIT ⁴	7,2	6,9	4,5%
Net financial result ⁵	1,6	1,2	25,0%
Net profit (loss)	7,3	7,1	2,5%

Profit margins ⁶			
EBITDA margin	7,7%	8,0%	-0,3 pb
Normalized EBITDA margin	8,2%	7,4%	0,7 pb
EBIT margin	3,7%	3,8%	0,0 pb
Net profit margin	3,8%	3,9%	-0,1 pb

Balance sheet (millions of euros)	31.12.2023.	31.12.2022.	31.12.2023./ 31.12.2022.
Net debt (cash) ⁷	-15,7	-6,4	147,7%
Net debt (cash) / Norm. EBITDA (TTM) ⁸	-1,0x	-0,5x	-0,5x
Capital and reserves	81,6	75,3	8,3%
Return on Average Equity (ROAE) ⁹	9,6%	9,2%	0,5 pb
Net working capital ¹⁰	23,0	25,2	-8,8%

CASH FLOWS (millions of euros)	2023.	2022.	2023./ 2022.
Net operating cash flows	17,6	8,2	115,2%
Capital expenditures (CapEx) ¹¹	6,3	7,5	-16,0%
Dividends paid	0,0	6,8	-

1 Operating costs, net include business expenses less depreciation, other business income and income based on the use of own products, goods and services; a detailed calculation is presented under Operating costs in this part of the report.

2 EBITDA (eng. earnings before interest, taxes, depreciation and amortization) represents operating profit before amortization; calculated as business income - business expenses + depreciation.

3 Normalization implies adjustment for one-time items; the detailed calculation is presented under Normalization of EBITDA in this part of the report.

4 EBIT (eng. earnings before interest and taxes) represents operating profit; calculated as business income - business expenses.

5 The net financial result is calculated as financial income + share in the profit of the associated company (NTL) - financial expenses.

6 Profit margins are calculated on the basis of sales revenue.

7 Net debt (money) includes long-term and short-term financial liabilities less money in the bank and treasury and deposits with banks. Deposits with banks are included in net debt regardless of the maturity date because they are available on call.

8 Net debt (money) / normalized EBITDA (TTM, eng. trailing twelve months) reflects the Group's ability to repay financial obligations; calculated as net debt (cash) divided by normalized EBITDA realized in the last 12 months before the reporting date.

9 ROAE (eng. return on average equity) represents the return on average capital; calculated as net profit divided by the average of capital and reserves between the beginning and the end of the year.

10 Net working capital includes inventories increased by short-term accounts receivable and reduced by short-term accounts payable.

11 CapEx (eng. capital expenditures) represents monetary expenditures for the purchase of long-term tangible and intangible assets.

Note: Amounts in this section as in the rest of the report are rounded to one decimal place.

SUMMARY OF GROUP RESULTS

In 2023, the Čakovečki mlinovi Group achieved EUR 193,5 million in sales revenue, EUR 15,9 million in normalized EBITDA and EUR 7,3 million in net profit.

The Trade business segment, as the largest segment of the Group, achieved EUR 168,5 million or 87% of the Group's sales revenue and EUR 12,7 million or 80% of the Group's normalized EBITDA.

The Group's operations were marked by an increase in sales revenue of 5,8% or 10,6 million euros compared to the previous year, as a result of a 7,6% increase in the revenue of the Trade segment and a decrease in the revenue of the Food segment of 4,7%. The growth of the Trade's income is the result of the integration of retail operations into one company, internal optimization and an active approach in both the purchasing and sales segments of the business. The decrease in Food's income is a consequence of the movement of the stock market prices of key raw materials, or the decrease in sales prices as a result of the drop in cereal prices.

Revenues from the sale of Retail, as the Group's largest business area, grew by 7,9% or 11,9 million euros, or by 7,0% or 10,1 million euros on a comparative (hereinafter: "LFL") basis. The mentioned increase in income is primarily the result of an increase in the selling prices of trade goods due to price increases by suppliers.

The Group's net operating costs increased by 6,1% or EUR 10,3 million, mainly as a result of the increase in net costs of goods sold (by EUR 9,4 million) and personnel costs (by EUR 2,7 million). Net cost of goods sold increased due to growth in the Trade segment's revenue, while personnel costs increased due to the increase in the minimum wage as well as the improvement of workers' material income due to inflation and labor shortage..

In 2023, the Group's normalized EBITDA increased by EUR 2,2 million, and net profit increased by EUR 0,2 million. The group achieved growth in the normalized EBITDA margin to 8,2% (2022: 7,4%) and a slight decrease in the net profit margin from 3,9% to 3,8%. The group achieved an increase in profit margins despite the expansion of government measures to control the prices of food products and petroleum products and the increase in personnel costs.

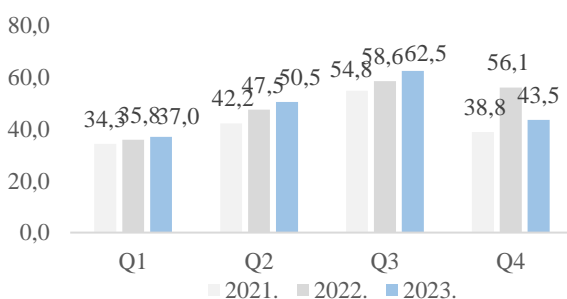
The net financial result of the Group amounted to EUR 1,6 million and is EUR 0,4 million higher than the previous year.

As at December 31, 2023, the Group had a net cash position of EUR 15,7 million.

ASSESSMENT OF THE GROUP'S QUARTERLY RESULTS

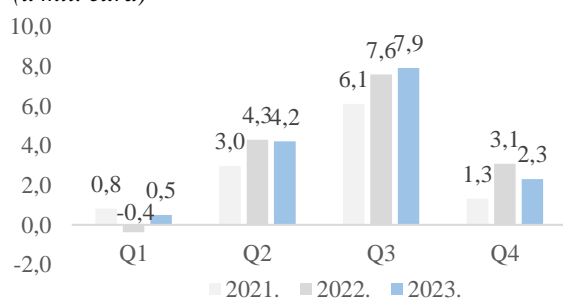
Prihodi od prodaje Grupe

(u mil. eura)



EBITDA Grupe

(u mil. eura)



Note: Data for the fourth quarter were calculated on the basis of audited annual financial statements and unaudited quarterly financial statements for the first, second and third quarters.

The operations of the Group, or the largest segment of Trade, are significantly dependent on the tourist season in Croatia. The Retail segment on the coastal operations in Kvarner and on the island of Krk manages 30%

of the total net sales area of the stores, realizes more than 40% of the total retail revenues and about 45% of the total price difference. The group therefore achieves the highest revenues and EBITDA in the third quarter of the year. Considering the successful tourist season in 2023, in the third quarter of 2023 the Group achieved the highest quarterly revenues in the amount of EUR 62,5 million, as well as a record quarterly EBITDA in the amount of EUR 7,9 million.

SALES REVENUE

SALES REVENUE BY SEGMENT					
(in millions of euros)	2023.	% of sales revenue	2022.	% of sales revenue	2023./2022.
Trade	168,5	87,1%	156,6	85,7%	7,6%
Food	25,0	12,9%	26,2	14,3%	-4,7%
Consolidated sales revenue	193,5	100,0%	182,8	100,0%	5,9%

Note: Data are presented on a consolidated basis.

LFL¹ RETAIL GROWTH			
(in millions of euros)	2023.	2022.	2023./2022.
Revenue from the sale of goods – Trade	167,5	155,5	7,7%
Revenue from the sale of goods - Retail	161,9	150,0	7,9%
Revenue from the sale of goods - Retail - LFL¹	154,1	143,9	7,0%

¹ Revenue on a comparative basis (eng. like-for-like, LFL) refer to stores that operated throughout both comparative periods.
Note: Data refers to pre-elimination sales revenue.

In 2023, the Group achieved sales revenues in the amount of EUR 193,5 million, which is 5,8% or EUR 10,6 million more compared to the previous year, as a result of the growth of the Trade segment's revenues of 7,6% and stagnation of revenues of the Food segment.

Sales of the Trade segment amounted to EUR 168,5 million or 87% of the Group's sales and increased by 7,6% or EUR 11,9 million compared to the previous year. Revenue growth is the result of the integration of retail operations into one company, internal optimization and an active approach in both the purchasing and sales segments of the business. Revenue growth was achieved despite the negative effects of weakening consumer purchasing power, government price control measures, non-working Sundays, unfavorable weather conditions and one-shift operation of some stores due to lack of manpower. Revenues from the sale of goods in Retail increased by 7,9% or 11,9 million euros, or by 7,0% or 10,2 million euros on an LFL basis. Wholesale generated revenues in the amount of EUR 5,3 million, which is 3,2% of the revenues from the sale of goods in the Trade segment and represents a decrease of -5,6% or EUR 0,3 million compared to the previous year.

The Food segment's sales revenue amounted to EUR 25,0 million or 12,9% of the Group's sales revenue and decreased by 4,7% or EUR 1,2 million compared to the previous year. The decrease in income is a consequence of the movement of stock market prices of key raw materials, or a decrease in sales prices as a consequence of the drop in grain prices. The revenues of Milling decreased by 13,2% as a result of government price control measures and the reduction of revenues due to the drop in grain prices, while the revenues of Bakery increased by 17,2% due to the optimization of the assortment, new products and new customers.

OPERATING COSTS

(in millions of euros)	2023.	% of sales revenue	2022.	% of sales revenue	2023./2022.
Cost of raw m. and changes in v. of stock	25,3	13,1%	28,4	15,5%	-10,7%
Cost of goods sold, net ¹	109,7	56,7%	100,3	54,9%	9,4%
Other external expenses	6,7	3,4%	6,9	3,8%	-3,8%
Personnel costs ²	33,6	17,4%	30,9	16,9%	8,8%
Other expenses	2,5	1,3%	2,1	1,2%	16,4%
Other business expenses (revenue) ³	0,5	0,3%	-0,6	-0,3%	-
Operating expenses, net	178,3	92,3%	168,0	92,0%	6,1%

1 Costs of goods sold minus revenue from subsequently approved rebates and marketing services.

2 Staff costs include net wages, taxes and wage contributions, contributions to wages and non-taxable employee remuneration paid.

3 Other operating expenses less: non-taxable employee remuneration paid, other business income excluding income from subsequently approved rebates and marketing services, and revenue based on the use of their own products, goods and services.

In 2023, the Group recorded an increase in net operating costs by 6,1% or 10,3 million euros compared to the previous year.

The net cost of goods sold grew more slowly than the growth of income from the sale of goods as a result of an active procurement policy and the achievement of synergies after the merger of the Group's trading companies.

Personnel costs together with non-taxable receipts paid amounted to EUR 33,6 million and increased by 8,8% or EUR 2,7 million, as a consequence of the increase in the minimum wage as well as the improvement of the material income of workers due to inflation and labor shortage. In 2023, the Group employed an average of 2.112 employees based on working hours (2022: 2.351), or 2,249 employees on December 31, 2023 (2022: 2,305).

EBITDA

EBITDA BY SEGMENTS (in millions of euros)	2023.			2022.		
	GROUP	TRADE	FOOD	GROUP	TRADE	FOOD
Consolidated sales revenue	193,5	168,5	25,0	182,9	156,6	26,2
EBITDA	14,9	12,2	2,7	14,6	11,5	3,0
EBITDA margin	7,7%	7,3%	10,7%	8,0%	7,4%	11,6%
Normalized EBITDA¹	15,9	12,7	3,2	13,6	10,7	2,9
Normaliz. EBITDA margin	8,2%	7,5%	12,7%	7,4%	6,8%	11,0%

1 Normalization implies adjustment for one-off items; a detailed calculation is shown under Normalization of EBITDA of this part of the report.

Note: Data are presented on a consolidated basis.

In 2023, the Group achieved normalized EBITDA in the amount of EUR 15,8 million, which is EUR 2,2 million more than the previous year. Reported EBITDA was EUR 14,9 million (2022: EUR 14,6 million).

Normalized EBITDA of the Trade segment amounted to EUR 12,7 million and increased by EUR 1,9 million compared to the previous year, as a result of an active purchasing policy and the achievement of synergies after the merger and strict cost control. The normalized EBITDA margin of the Trade segment was 7,5% (2022: 6,8%).

Normalized EBITDA of the Food segment amounted to EUR 3,2 million and increased by EUR 0,3 million compared to the previous year, as a result of an active pricing policy and strict cost control. The normalized EBITDA margin of the Food segment was 12,7% (2022: 11,0%).

Normalized EBITDA

NORMALIZED EBITDA (in millions of euros)	2023.			2022.		
	GROUP	TRADE	FOOD	GROUP	TRADE	FOOD
EBITDA	14,9	12,2	2,7	14,6	11,5	3,0
Costs of intellectual services	0,3	0,1	0,2	0,6	0,6	0,0
Bonuses under contractual arrangements	0,6	0,3	0,3	0,2	0,2	0,0
Other one-off expenses (revenue), net	0,1	0,1	0,0	-1,8	-1,6	-0,2
Normalized EBITDA	15,9	12,7	3,2	13,6	10,7	2,9

Note: The label 'net' implies that an individual item of income is netted by a comparable item of expenditure.

In addition to reporting on alternative (non-IFRS) business performance measures such as EBITDA, the Group discloses the impact of one-off items in order to achieve a higher level of transparency of its normal business activities. One-off items are those items that do not appear regularly and have a significant impact on the result. In the first nine months of 2023, the Group recorded 0,3 million euros of one-off expenses for intellectual services related (2022: 0,6 million euros), 0,6 million euros of bonuses paid under contractual arrangements (2022: 0,2 million euros), and 0,1 million euros of net other one-off revenues (2022: -1,8 million euros).

NET PROFIT

In 2023, the Group achieved a net profit in the amount of EUR 7,3 million, which is EUR 0,2 million more than in the same period of the previous year, mainly as a result of higher EBITDA.

NET DEBT

(in millions of euros)	31.12.2023.	31.12.2022.	31.12.2023./ 31.12.2022.
Long-term liabilities on loans received	0,0	0,0	-
Long-term liabilities by lease	3,0	3,7	-20,5%
Short-term liabilities on loans received	4,2	4,2	-
Short-term liabilities by lease	1,4	1,5	-5,2%
Days of loans, deposits and the similar	-0,1	-9,4	-99,1%
Cash in the bank and cash register	-24,3	-6,4	280,9%
Net debt (cash)	-15,8	-6,4	146,9%

As at 31 December, 2023, the Group recorded a net cash position in the amount of EUR 15,8 million (31.12.2022: EUR 6,4 million), of which EUR 4,2 million related to credit and loan liabilities. (31.12.2022: EUR 4,2 million), on lease liabilities EUR 4,4 million (31.12.2022: EUR 5,3 million), and on cash and deposits given EUR 24,3 million (31.12.2022.: 15,8 million euros). Credit and loan liabilities refer to the related company Trgocentar d.d. in which the Group holds 52.03% of the voting rights, but consolidates it in its entirety.

CASH FLOWS

In 2023, the Čakovečki mlinovi Group generated net cash flows from business activities in the amount of EUR 17,6 million, which is more than the achieved EBITDA, primarily as a result of the reduction of net working capital.

NET WORKING CAPITAL			
(in millions of euros)	31.12.2023.	31.12.2022.	31.12.2023./ 31.12.2022.
Stock	26,4	30,1	-12,5%
Short-term receivables from customers	10,9	10,3	5,9%
Short-term liabilities to suppliers	-14,3	-15,3	-6,1%
Net working capital	23,0	25,1	-8,4%

The Group's net working capital decreased by 8,4% or EUR 2,1 million, while inventories decreased by 12,5% or EUR 3,7 million. Receivables from customers increased by 5,9% or 0,6 million euros due to the increase in income, while short-term liabilities to suppliers decreased by 6,1% or 0,9 million euros.

The Group's capital investments in 2023 amounted to EUR 6,3 million and are lower than in the same period of the previous year (2022: EUR 7,5 million), given that the previous multi-year investment cycle in Trgovina ended in 2022. In the Retail segment, EUR 5,6 million was invested in opening new and renovating existing stores. Capital investments in the Food segment amounted to EUR 0,7 million and refer to the purchase of vehicles for the transport of bakery products and equipment in mill and bakery production.

VALUATION OF THE ČAKOVEČKI MLINOVI GROUP

KEY INDICATORS OF CKML SHARE VALUATION			
(in millions of euros)	31.12.2023.	31.12.2022.	31.12.2023./ 31.12.2022.
Price per share (PPS, in euro) ¹	10,4	9,8	5,9%
Market Capitalization ²	107,0	101,1	5,9%
EV ³	87,4	91,8	-4,8%
EV / Sales Revenue ⁴	0,45x	0,50x	-0,05x
EV / Normalized EBITDA⁴	5,7x	6,9x	-1,3x
Earnings per share (EPS, in euros) ⁵	0,7	0,7	0,9%
Dividend per share (DPS, in euros) ⁶	0,00	0,66	-100,0%
Dividend yield ⁷	0,0%	6,8%	-1,0 pb

1 The price per share (eng. price per share, PPS) is represented by the reference price on the Zagreb Stock Exchange, i.e. the average price weighted by the volume of traded shares as a better representative of the price considering the low liquidity of the CKML share.

2 Market capitalization represents the market value of share capital on the stock exchange; calculated as the product of the number of shares (105,000) and the price per share.

3 EV (enterprise value) represents the value of business; calculated as market capitalization + net debt (money) + minority interest.

4 Valuation indicators were calculated on the basis of fundamentals achieved in the last 12 months before the reporting date (TTM, eng. trailing twelve months).

5 Earnings per share (EPS) represents net profit per share calculated on the basis of net profit attributed to the owners of the capital of the parent company.

6 Dividends per share (DPS) is calculated as the ratio of cash expenses for the payment of dividends and the number of shares.

7 Dividend yield is calculated as the ratio of dividend per share and price per share.

2. EXPECTED BUSINESS DEVELOPMENT IN 2024

In 2024, the Group's management will continue to focus on business management in the still unpredictable macroeconomic conditions and on the further implementation of strategic guidelines.

The final impact on the Group's results in 2024 cannot be estimated or quantified at this time due to the uncertainty in the general economic environment. In general, it is expected that slightly higher inflation and the growth of personnel costs, as well as increased financing costs, will have the greatest impact on the results of the private sector in 2024. In such conditions, the management will continue to manage the price policy with the aim of maintaining the market share in each business segment.

As of the date of issue of this report, the Group has a cash position sufficient for the unhindered settlement of due obligations, and therefore prepares financial statements under the assumption of continuity of operations.

General economic environment

According to HNB data, inflation in Croatia is expected to slow down to 4,0% in 2024, from 8,8% recorded the previous year, which is largely a consequence of the disappearance of the base effect of inflation. An additional easing of energy and food price inflation should contribute to the slowdown of inflation, continuing their continuous reduction through most of 2023.

Real GDP in Croatia grew by 1,6% in the first quarter, 2,6% in the second, or 2,8% (estimated) in the third quarter of 2023, and the HNB expects this trend to continue and grow by 3,0% in 2024. year. Growth in real GDP is expected on the basis of a strong tourist season and growth in personal consumption in 2024. The risks to the realization of the above estimates are the present geopolitical tensions as well as the accumulated effects of the tightening of monetary policy.

The impact of the war in Ukraine and in Israel

The prolonged duration of the wars in Ukraine and Israel represent negative risks for global trends and economic growth in the Eurozone, which ultimately affects the Croatian economy.

As of the date of this report, the Group does not have any relationship with, nor is it exposed to, companies from Russia, Belarus or Ukraine. The group maintains all business operations in Croatia, where it generates 99% of its revenue. The Group's foreign revenues refer to Slovenia, BiH and Hungary. Also, the parent company Čakovečki mlinovi d.d. does not have any shareholders from Russia or Belarus nor does it directly or indirectly hold ownership interests in entities in those countries.

Although there is no direct exposure to the mentioned countries, a significant portion of the Group's material costs relate to the cost of procurement of grain and energy, which are managed as described in the rest of this section of the report. Management continuously considers all risks associated with external geopolitical movements and assesses that these risks do not threaten the stability of the Group's operations.

State price control measures and non-working Sundays

In the Trade segment, state measures aimed at controlling the prices of certain food products have a negative impact on the Group's operations since its introduction in early September 2022 (9 products) and its expansion in mid-September 2023 (to 30 products), in the form of a decrease in income and super rebates and loss part of the margin on these products. In addition, state measures aimed at limiting the highest retail prices of petroleum derivatives have a negative impact on the operations of the gasoline category since their introduction in October 2021. Also, from July 2023, a ban on working on Sundays for traders (except for 16 Sundays a year) is in effect, which has a negative effect on revenues, as it turned out that the spillover of traffic to other working days is very mild. The management manages the mentioned negative effects through an active pricing policy on the entire assortment and through the adjustment of store operations on Sundays.

In the Food segment, state price control measures have limited the prices of small packages of smooth and sharp flour from the beginning of September 2022, which makes it impossible for them to have an active pricing policy and indexation of costs that affect the price of the final product. In addition, from the second half of 2022, a significant and uncontrolled import of flour and corn grits from Ukraine has been noticed in Croatia, which limits the active price policy on the entire milling program.

Outlook for the Trade segment in 2024

The operations of the Trade segment depend to a significant extent on the tourist season in Croatia. In Croatia, in 2023, the growth of tourist overnight stays, and thus the income of coastal operations of the Retail segment, continued, although stores on the continent also contributed to the growth of the segment to the same extent. At the level of the proximity sector as well as wider retail, it is noticeable that the growth of income is accompanied by a decrease in the number of invoices issued, considering that in conditions of high inflation, customers are more focused on weekly purchases associated with weekend promotions. In such conditions, the primary goal of management will be the recovery of issued invoices, while maintaining other key business indicators.

Strategic guidelines

The management has defined the following key strategic guidelines for the year 2024 in the Trade segment:

- recovery of the number of invoices issued,
- management of staff costs,
- maintaining the growth of LFL revenue from sales,
- opening of new and renovation of existing stores,
- rebranding of the entire segment,
- targeting acquisitions that strategically correspond to the existing model of the Trade segment.

Key business factors

Pricing: It is expected to continue offering customers a quality assortment at prices and promotions that follow local competition with the aim of maintaining market share.

Relationship with suppliers : The management expects a continuation of quality cooperation with NTL, which accounts for about 80% of the purchases of the Trade segment, and quality management of suppliers in the form of income from super rebates.

Personnel costs : An increase in personnel costs is expected due to the increase in the minimum wage as well as an improvement in the material income of workers due to inflation and labor shortage. Considering that the majority of the employees of the Trade segment have incomes higher than the minimum wage, it is expected that the growth of personnel costs of the Trade segment will be lower than the growth of the minimum wage.

Capital expenditures : Currently, for the year 2024, the opening of at least 2 new grocery stores, 1 building material store and 1 gas station on the continent and 1 new store and several renovations on the coast are planned.

Outlook for the Food segment in 2024

Pricing policy and revenue realization of the Food segment is significantly influenced by the purchase prices of raw materials and materials, primarily grains and energy products, which as stock market commodities are influenced by geopolitical trends. Following the fall in the prices of raw materials in 2023, their decline will continue in 2024, which also determines the level of sales prices in the Food segment. In Milling, stable demand is expected for key product groups (wheat flour, large packages of 25 kg and 50 kg, bulk and small packages of 1 kg and 5 kg). The sale of bakery products is mostly realized internally through the Trade segment, and the final result of the Bakery will depend on the result of the Trade segment.

Strategic guidelines

For 2024, management has defined the following key strategic guidelines in the Food segment:

- strengthening the position of the brand Čakovečki mlinovi in Croatia,
- expansion of the sales channel of mill products.

Key business factors

Pricing: The management will continue to lead an active pricing policy in the mill and bakery program. Active price policy on small packages of smooth and sharp flour is disabled from the beginning of September 2022 due to government price control measures..

Prices and sources of raw materials: The prices of cereals and energy products (electricity) represent key inputs in the Food segment. In September 2021, the electricity price until September 2024 was successfully negotiated. Most of the necessary quantities of grain are procured during the harvest in July (wheat and rye) and October (corn), when the price is usually the lowest. The group operates with strategically dispersed and stable suppliers, realizes more than 75% of grain procurement in Croatia and is dedicated to the development of domestic suppliers. Also, mostly first-class cereals are procured, which encourages high-quality production.

Personnel costs: An increase in personnel costs is expected due to the increase in the minimum wage as well as an improvement in the material income of workers due to inflation and labor shortage.

Capital expenditures : During 2024, capital investments in equipment in mill and bakery production are planned, the largest part of which relates to a new 1 kg flour packaging line.

ČAKOVEČKI MLINOVI D.D.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR 2023**

STATEMENT OF THE PERSONS RESPONSIBLE FOR COMPILING THE FINANCIAL STATEMENTS OF THE ISSUER ČAKOVEČKI MLINOVI D.D. FOR THE YEAR 2023

Based on the provisions of Article 468 of the Capital Market Act, the president of the Company's Management Board, Nino Varga, and the member of the Company's Management Board, Marijan Sršen, make a statement:

To the best of our knowledge:


- The consolidated financial statements for the fourth quarter of 2023, and for the year 2023, were compiled with the application of appropriate financial reporting standards, and provide a true and objective presentation of the assets and liabilities, financial position, profit or loss of the issuer and the companies included in the consolidation as a whole.

- The consolidated interim management report for the fourth quarter of 2023, and for the year 2023, contains an objective presentation of the development and results of operations and the position of the issuers and companies included in the consolidation as a whole, along with a description of the most significant risks and uncertainties to which they are exposed.

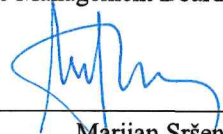
The consolidated financial statements for the fourth quarter of 2023, and for the year 2023, have not been audited.

In Čakovec, 28 February 2024.

For Čakovečki mlinovi Inc.:



Nino Varga
President of the Management Board



Marijan Sršen
Member of the Management Board

	1.-12. 2023.	1.-12. 2022.	10.-12. 2023.	10.-12. 2022.
	u '000 EUR	u '000 EUR	u '000 EUR	u '000 EUR
Sales revenue	193.494	182.861	43.522	40.929
Other revenue	15.306	15.162	5.126	5.410
Operating revenue	208.800	198.023	48.648	46.340
Changes in inv. of work in progress and f. goods	(99)	57	2	(82)
Costs of raw material	(25.228)	(28.413)	(6.012)	(7.865)
Cost of goods sold	(124.055)	(113.357)	(28.538)	(23.893)
Other external costs	(6.655)	(6.918)	(1.786)	(2.269)
Staff costs	(28.889)	(26.841)	(6.938)	(6.473)
Depreciation, amortisation	(7.681)	(7.659)	(1.881)	(2.174)
Other costs	(7.174)	(6.166)	(2.184)	(1.602)
Value adjustments	(195)	(284)	(195)	(284)
Reservations	(101)	-	(101)	-
Other business expenses	(1.486)	(1.516)	(598)	(790)
Operating expenses	(201.563)	(191.097)	(48.231)	(45.432)
Operating profit	7.238	6.926	417	909
Financial income	422	145	226	65
Financial expenses	(166)	(203)	(57)	(67)
Net financial result	256	(58)	168	(2)
Share of net profit of associates accounted for using Equity method	1.304	1.306	134	155
Profit before tax	8.798	8.174	719	1.061
Income tax expense	(1.541)	(1.097)	(288)	(35)
Net profit	7.257	7.077	430	1.026
Attributable to:				
Owners	7.250	7.184	404	1.105
Non-controlling interests	7	(107)	26	(79)
Earnings per share (in euros)				
- basic	0,70	0,70	0,00	0,00
- diluted	0,70	0,70	0,00	0,00

	1.-12. 2023. u '000 EUR	1.-12. 2022. u '000 EUR	10.-12. 2023. u '000 EUR	10.-12. 2022. u '000 EUR
Net profit for the period	7.257	7.077	(288)	(34)
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Changes in fair value of equity instruments at fair value through other comprehensive income				
Fair valuation of shares				
Total comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income / (loss) for the period	7.257	7.077	(288)	(34)
Attributable to:				
Owners	7.250	7.184	404	1.105
Non-controlling interests	7	(107)	26	(79)

	31.12.2023. u '000 EUR	31.12.2022. u '000 EUR
Assets		
Fixed assets		
Intangible assets	33	74
Tangible assets	38.309	38.922
Real estate investment	481	402
Investment property	8.572	8.076
Investments accounted for using equity method	1.665	1.568
Financial assets	2	5
Trade and other receivables	308	297
	49.370	49.344
Current assets		
Inventories	26.384	30.140
Trade and other receivables	11.566	11.195
Financial assets	125	9.550
Cash and cash equivalents	24.259	6.369
	62.334	57.254
TOTAL ASSETS	111.703	106.599
Capital and reserves		
Share capital	13.657	13.657
Reserves	3.132	3.132
Fair value reserves	2.869	2.756
Retained earnings	65.813	58.664
	85.471	78.209
Non-controlling interests	(3.865)	(2.877)
Total equity	81.606	75.332
Liabilities		
Non-current liabilities		
Provisions	992	979
Lease liabilities	2.974	3.740
Borrowings	-	10
Deferred tax liability	630	605
	4.596	5.334
Current liabilities		
Provisions	5.615	5.694
Lease liabilities	10	10
Borrowings	43	72
Trade payables	14.322	15.251
Employee benefits payables	1.838	1.695
Taxes, contributions and other duties payable	2.943	2.161
Liabilities from equity share in profit	33	32
Other short-term liabilities	658	1.018
	25.461	25.933
Deferred payment and future period income	40	-
TOTAL EQUITY AND LIABILITIES	111.703	106.599

	Share capital in '000 EUR	Legal reserves in '000 EUR	Other reserves in '000 EUR	Fair value reserves in '000 EUR	Retained earnings in '000 EUR	Total in '000 EUR	Non-controlling interests in '000 EUR	Total in '000 EUR
Balance on 1.1.2022.	13.657	683	2.449	2.677	57.761	77.227	(2.248)	74.979
Profit/(loss) of the business year	-	-	-	-	7.184	7.184	(107)	7.077
Other comprehensive income	-	-	-	79	-	79	-	79
Total comprehensive income/(loss)	-	-	-	79	7.184	7.263	(107)	7.156
Dividend	-	-	-	-	(6.829)	(6.829)	-	(6.829)
Other changes in equity	-	-	-	-	548	548	(522)	26
Balance on 31.12.2022.	13.657	683	2.449	2.756	58.664	78.209	(2.877)	75.332
Balance on 1.1.2023.	13.657	683	2.449	2.756	58.664	78.209	(2.877)	75.332
Profit/(loss) of the business year	-	-	-	-	7.250	7.250	7	7.257
Other comprehensive income	-	-	-	113	-	113	-	113
Total comprehensive income/(loss)	-	-	-	113	7.250	7.363	7	7.370
Dividend	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	(101)	(101)	(995)	(1.096)
Balance on 31.12.2023.	13.657	683	2.449	2.869	65.813	85.471	(3.865)	81.606

	1.-12. 2023.	1.-12. 2022.
	u '000 EUR	u '000 EUR
CASH FLOW FROM BUSINESS ACTIVITIES		
Profit before tax	8.798	8.174
Adjustments:	7.705	5.423
Depreciation, amortization	7.681	7.659
Gains and losses from the sale and value adjustments of long-term tangible and intangible assets	(68)	(74)
Gains and losses from sales and unrealized gains and losses and value adjustment of financial assets		259
Share in the profit of the associated company	(1.278)	(1.306)
Income from interest and dividends	(422)	(130)
Interest expenses	214	175
Reservations	13	(834)
Exchange differences (unrealized)	-	91
Other adjustments for non-cash transactions and unrealized gains and losses	1.566	(417)
Increase or decrease in cash flows before changes in working capital	<u>16.503</u>	<u>13.596</u>
Changes in working capital	<u>1.837</u>	<u>(4.695)</u>
Increase or decrease in current liabilities	(1.369)	1.356
Increase or decrease in current receivables	(515)	993
Inventory increase or decrease	3.721	(7.044)
Other increases or decreases in working capital	-	-
Cash generated from operations	<u>18.340</u>	<u>8.901</u>
Interest paid	(214)	(26)
Income taxes paid	(511)	(691)
NET CASH FLOWS FROM BUSINESS ACTIVITIES	17.615	8.184
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Cash receipts from the sale of long-term tangible and intangible assets	71	99
Cash receipts from the sale of financial instruments	-	54
Cash receipts from interest	362	19
Cash receipts from dividends	124	-
Cash receipts based on the return of loans and savings deposits	3.705	8.697
Other cash receipts from investment activities	-	-
Cash expenditures for the purchase of long-term tangible and intangible assets	(6.284)	(7.479)
Cash expenditures based on loans and savings deposits for the period	-	-
Other cash expenditures from investment activities	(1.090)	-
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	(3.113)	1.389
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Cash receipts from principal of loans, loans and other loans	(2.380)	(1.830)
Cash expenditures for the repayment of principal of loans, loans and other loans and debt financial instruments	(10)	(10)
Cash expenses for the payment of dividends	-	(6.829)
NET CASH FLOWS FROM FINANCIAL ACTIVITIES	(2.390)	(8.668)
TOTAL NET CASH FLOW	12.112	905
Cash and cash equivalents at the beginning of the period	12.147	5.464
Cash and cash equivalents at the end of the period	24.259	6.369

NOTE 1 – GENERAL INFORMATION

Company Čakovečki mlinovi Inc. Čakovec, Mlinska ulica 1 (hereinafter: the Company) harmonized its general acts with the Law on Companies, and on the basis of them, the Commercial Court in Varaždin entered the Company in the court register by Decision Tt-95/482-2 on December 4, 1995.

The share capital of the Company on the date of issue of this report amounts to 13,657,177.00 euros and is divided into 10,290,000 shares without a nominal amount. Shares of Čakovečki mlinovi Inc. are listed on the Official Market of the Zagreb Stock Exchange under the symbol CKML.

Čakovečki mlinovi Inc. have three subsidiaries: Trgovina Krk Inc. Malinska, Trgočentar Inc. Virovitica and Radnik Opatija Inc. Lovran (hereinafter collectively: "Čakovečki mlinovi Group" or "Group") and one affiliated company: Narodni trgovački lanac Ltd. Soblinec. In the comparable data for the year 2022, the subsidiary Trgostil Inc. was also consolidated, which was merged with Trgovina Krk Inc. on October 3, 2022. Čakovec mlinovi Inc., in addition to the non-consolidated report of the Company, also prepare the consolidated report of the Group.

PRINCIPAL ACTIVITIES

The Group generates the majority of its income from retail trade, wholesale trade as well as production and sale of food products (flour, bread, pastries, biscuits, waffles, pasta, porridge, edible oils).

CORPORATE GOVERNANCE

The composition of the Company's bodies as at 31 December 2023 is as follows.

Management board:

- Nino Varga (president)
- Marijan Sršen (member)

Supervisory board:

- Krešimir Kvaternik (president)
- Damir Metelko (deputy president)
- Katarina Varga (member)
- Igor Komorski (member)
- Lidija Posavec (member, worker's representative)

Audit committee:

- Damir Metelko (president)
- Katarina Varga (deputy president)
- Krešimir Kvaternik (independent member)
- Igor Komorski (independent member)
- Lidija Posavec (member)

Nominating committee:

- Igor Komorski (president, independent member)
- Damir Metelko (deputy president, independent member)
- Krešimir Kvaternik (independent member)
- Katarina Varga (member)
- Lidija Posavec (member)

Remuneration committee:

- Igor Komorski (president, independent member)
- Damir Metelko (deputy president, independent member)
- Krešimir Kvaternik (independent member)
- Katarina Varga (member)
- Lidija Posavec (member)

SUBSIDIARIES

Name	Headquarters	Principal activity	Accounting method	Direct ownership /voting rights	Direct ownership /voting rights
				31.12.2023.	31.12.2022.
Radnik Opatija Inc.	Lovran, Hrvatska	Retail trade; Bakery	Consolidated	100%	100%
Trgovina Krk Inc.	Malinska, Hrvatska	Retail trade	Consolidated	100%	100%
Trgocentar Inc.	Virovitica, Hrvatska	Real estate lease	Consolidated	49,55% / 52,03 %	49,55% / 52,03 %
Narodni trgovački lanac Ltd.	Soblinec, Hrvatska	Retail / Wholesale	Equity method	25%	25%

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are the International Financial Reporting Standards and the Accounting Policies of Čakovečki mlinovi Inc., and have been consistently applied to all periods presented, unless otherwise stated.

The accounting policies that were applied when compiling the audited annual financial statements for 2022 were not changed and were also applied when compiling these financial statements. The mentioned accounting policies can be found in the audited annual financial statements for 2022, published on the website of the Zagreb Stock Exchange (www.zse.hr).



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