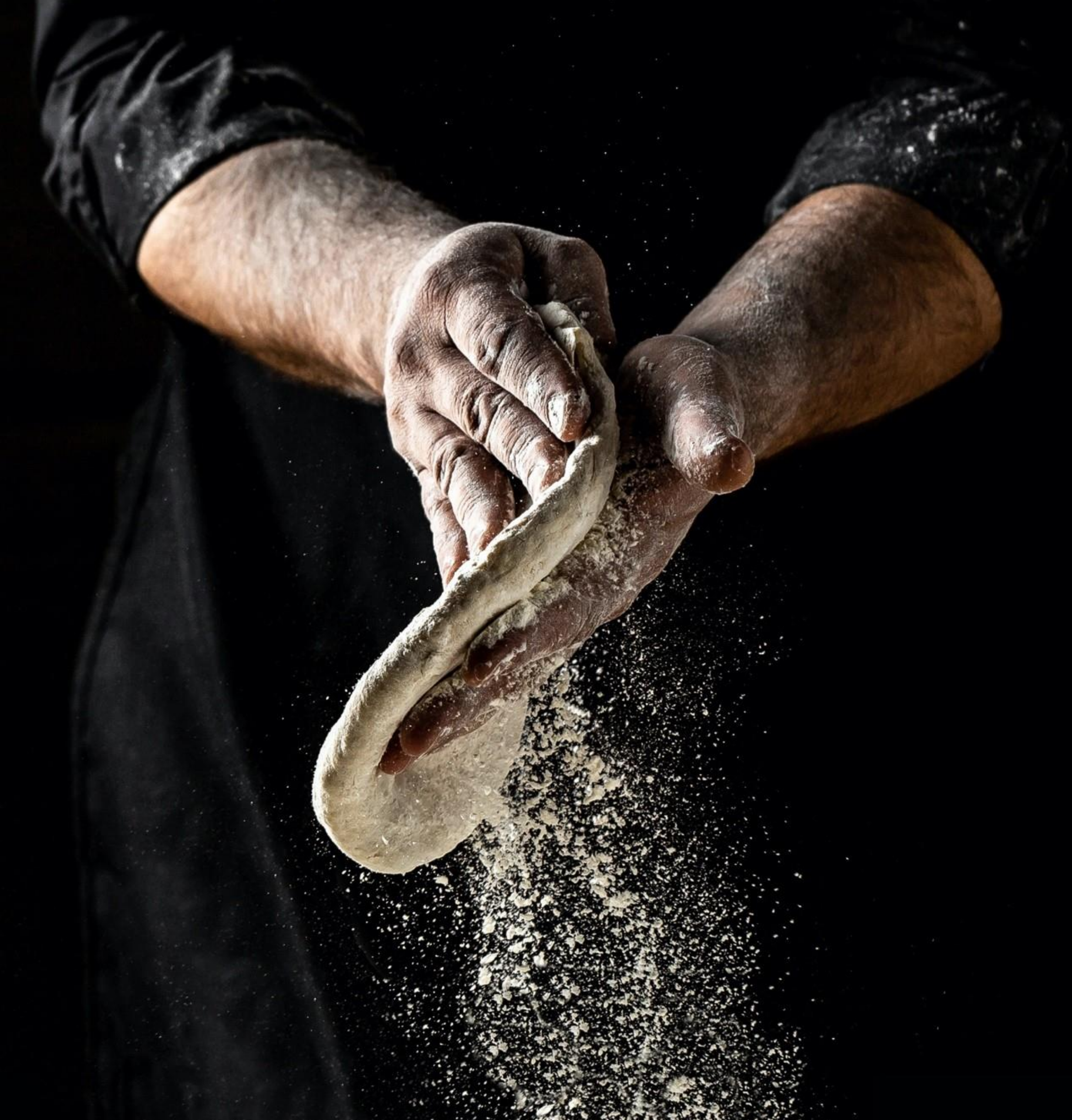
ČAKOVEČKI MLINOVI INC.

ANNUAL REPORT
FOR THE YEAR 2023



ČAKOVEČKI MLINOVI
-1893-

CONTENTS

ČAKOVEČKI MLINOVI INC.

MANAGEMENT REPORT
FOR THE YEAR 2023

1. CORE BUSINESS AND GENERAL DATA

ABOUT THE COMPANY

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. as at 31.12.2023 has three subsidiaries: Trgovina Krk Inc. Malinska, Trgocentar 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, Čakovečki mlinovi Inc achieved 29 million euros in total revenue based on total assets in the amount of 31 million euros. On December 31, 2023, the Company employed 205 employees (December 31, 2022: 210), i.e. in 2023 the Company employed 195 employees on average based on working hours (31 December 2022: 210).

During 2023, the company had an average of 205 employees. The employee structure is shown in the table below:

Description	31.12.2023.
MILL ČAKOVEC	41
MILL DONJI KRALJEVEC	6
BAKERY ČAKOVEC	82
BAKERY OROSLAVJE	34
COMMON AFFAIRS	42
Total	**205**

Shares of Čakovečki mlinovi Inc. 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 SEGMENT

Company Čakovečki mlinovi Inc. operates in one business segment at the company level (food production) and reports accordingly in non-consolidated financial statements. The company as a whole is part of the segmental reporting of the Čakovečki mlinovi Group (the Food segment), whose operations are presented within the consolidated financial statements. Users of this report should read it together with the consolidated report of the Group for the year 2023, in order to obtain complete information about the financial position and results of operations of the Company and the Group.

In 2023, the Company generated 6.2% of sales abroad (2022: 4,8%). For more details on the geographical structure of the Company's foreign sales revenues, see note 5 – Sales revenues (outside the group) in the attached financial statements.

COMPANY BODIES AND CORPORATE GOVERNANCE

The Company's corporate governance is based on a dualistic system and structure consisting of the Supervisory Board and the Management Board of the Company. The Supervisory Board and the Management Board together with the General Assembly, in accordance with the Statute and the Companies Act, represent the three fundamental bodies of the Company. The specific management power and responsibilities of these managing bodies are regulated by the applicable Croatian legislation, the Company's Articles of Association and the Corporate Governance Code, as well as regulations or prescribed acts.

The General Assembly of the Company elects six members of the Supervisory Board, while one member is appointed by the company's employees in the legally prescribed manner. Members of the Supervisory Board shall be elected for a term of four years. The Supervisory Board appoints members of the Management Board of the Company for a term of office of up to five years.

The Management Board of the Company consists of two members, who are authorized to represent the Company independently and individually. The composition of the Management Board of the Company as at December 31, 2023 is as follows:
- Nino Varga, President of the Management Board
- Marijan Sršen, Member of the Management Board.

Until 24 April 2023, the Supervisory Board of the Company consisted of:
- Stjepan Varga, Chairman of the Supervisory Board
- Marko Orešković, Deputy Chairman of the Supervisory Board
- Katarina Varga, Member of the Supervisory Board
- Vladimir Bulić, Member of the Supervisory Board
- Damir Metelko, Member of the Supervisory Board
- Marija Drvoderić, Member of the Supervisory Board
- Lidija Posavec, member of the Supervisory Board, representative of workers.

Lidija Posavec, a member of the Supervisory Board acting as a representative of workers, has a term of office beyond 24 April 2023, while the remaining members of the Supervisory Board have expired on 24 April 2023, with the exception prescribed by the Company's Articles of Association (Art. 32nd century. 2.) on the basis of which the mandate of the members of the Supervisory Board is Stjepan Varga, Marko Orešković and Damir Metelko ceased with the conclusion of the General Assembly held on 30 August 2023.

After the General Assembly held on August 30, 2023, the Supervisory Board of the Company consists of five members. During 2023, the Supervisory Board held seven meetings.

The composition of the Supervisory Board of the Company as at 31 December 2023 is as follows:
- Krešimir Kvaternik, President of the Supervisory Board
- Damir Metelko, Deputy Chairman of the Supervisory Board
- Katarina Varga, Member of the Supervisory Board
- Igor Komorski, Member of the Supervisory Board
- Lidija Posavec, member of the Supervisory Board, representative of workers.

Changes in the composition of the Supervisory Board and the Company's Management during March 2024
By the decision of the Supervisory Board from March 6, 2024, Krešimir Kvaternik's mandate in the Supervisory Board is suspended starting from March 7, 2024.

Nino Varga ceased to be the President of the Management board by resigning on March 6, 2024. Krešimir Kvaternik was appointed Deputy President of the Management board and represents the company individually and independently, based on the decision of the Supervisory Board, starting from March 7, 2024 until October 7, 2024.

The Management Board and the Supervisory Board act at meetings or correspondently, in accordance with the provisions of positive regulations and acts of the Company.

More details on corporate governance in the Company in 2023 are available below and in the Consolidated Statement on the application of the Corporate Governance Code.

General Assemblies in 2023

In 2023, one General Assembly of the Company was held. The General Assembly held on 30 August 2023 adopted the following key decisions: the decision on the use of profit for 2022, the decisions on discharge to the members of the Management Board and Supervisory Board for their work in 2022, the decision on the approval of the Report on the receipts of the members of the Management Board and supervisory board of the Company for 2022, the decision on the exchange of shares with the nominal amount into shares without nominal amount and the adjustment of the share capital with the Companies Act, i.e. The Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia by increasing the share capital of the Company, the decision on amendments to the Articles of Association of the Company and the adoption of the full text of the Articles of Association of the Company, the decision on the election of members of the Supervisory Board and the decision on the appointment of the Company's auditor for 2023. All decisions from the General Assembly are published in accordance with legal regulations and are available on the website of Čakovečki mlinovi (www.cak-mlinovi.hr) and the Zagreb Stock Exchange (www.zse.hr).

Resumes of members of the Supervisory Board

Krešimir Kvaternik
President of the Supervisory Board
Deputy President of the Management Board (from March 7, 2024 to October 7, 2024)

He holds a bachelor's degree in international economics and political science from the University of California, Los Angeles. He completes an MBA, master's degree in business management at the IEDC Bled School of Management. He started his career in 1998 at Ernst & Young Management Consultant and continued at Deloitte in charge of providing consulting services to renowned Croatian and foreign companies in Croatia and the region. He continued his career at CEMEX as a Manager for Strategic Planning, Acquisitions and Business Development, and then as cfo in the Financial Agency, subsequently in STSI Ltd., INA Group. He then continued his business career as a member of the Management Board for restructuring, sales and procurement at Petrokemija. In 2015 he founded the startup Intelligent Warranty and at the same time worked in Zagreb Holding Ltd. as a CFO, and in the same year he moved to HAC-ONC Ltd. as a member of the Management Board in charge of IT and toll collection. From 2016 to 2021, ADRIATIC WATCH 22. Ltd. acts as a procurator. He is the director of Blochkthree Europe Ltd. and 5i Digital Ltd.
He was elected president of the Supervisory Board of Čakovečki mlinovi in September 2023. By the decision of the Supervisory Board from March 6, 2024, his mandate in the Supervisory Board is suspended starting from March 7, 2024. Based on the decision of the Supervisory Board, starting from March 7, 2024 until October 7, 2024, he was appointed Deputy President of the Management Board.

Damir Metelko
Deputy Chairman of the Supervisory Board

He graduated from the Faculty of Law in Zagreb. He started his career in 1991 in the law firm Hanžeković & Radaković Ltd. as a lawyer. In 2003 he became a member of the company or partner, later a member of the board. This function will continue until 2020. He continued his career in the Law Firm Metelko, Knežević & Partneri Ltd. as a partner and board member. He is a member of the Croatian Chamber of Trades and Crafts, the Executive Board of the Croatian Chamber of Trades and Crafts and the Taxation Commission – ICC Croatia.
He has been a member of the Supervisory Board of Čakovečki mlinovi since August 2020, and since September 2023 he has been serving as deputy chairman of the Supervisory Board. Within the Supervisory Board of Čakovečki mlinovi, he acts as an independent member.

Katarina Varga
Member of the Supervisory Board

She graduated from the Faculty of Economics and Business in Zagreb, majoring in marketing. She started her career in 2002 at HD-TRADE Ltd. as sales and purchasing manager. In 2008 she came to Čakovečki mlinovi for the position of purchasing manager, later sales manager. Since 2014, she has held the position of head of the purchasing and marketing sector and is also in charge of a part of the strategic procurement of the Čakovečki mlinovi Group. As of April 2022, he also manages the sales sector. She has been a member of the Supervisory Board of Čakovečki mlinovi since April 2019.

Igor Komorski
Member of the Supervisory Board

He graduated from the Faculty of Law in Zagreb. He started his career in 1997 at the Croatian Insurance Bureau in the Guarantee Fund. Since 2006, he has taken over the position of head of the Green Card department and since 2008 he has been the assistant director of the Croatian Insurance Bureau for the Guarantee Fund and the Green Card. He is a Certified Mediator (USAID). He is a member of the Supervisory Board in the company Primo Real Estate Inc. He holds the position of director in the companies Chepovi Ltd. and VINA JAKOB Ltd.
He has been a member of the Supervisory Board of Čakovečki mlinovi since August 2023. Within the Supervisory Board of Čakovečki mlinovi, he acts as an independent member.

Lidija Posavec
Member of the Supervisory Board

She graduated from the Faculty of Organization and Informatics in Varaždin. He started his career in 1991 at Input Ltd. as head of accounting. In 1995 he moved to Čakovečki mlinovi in the accounting sector, and later moved to the finance sector. He is the president of the Workers' Union of Čakovečki mlinovi. She has been a member of the Supervisory Board of Čakovečki mlinovi since 2008.

Subcommittees of the Supervisory Board

The Supervisory Board of the Company established the following subcommittees: the Audit Committee, the Nominations Committee and the Remuneration Committee.

<u>The Audit Committee</u> shall, in addition to the tasks laid down in Regulation (EU) No 537/2014, have the following tasks:

- reports to the Supervisory Board on the outcome of the statutory audit and explains how the statutory audit contributed to the integrity of financial reporting and explains the role of the audit committee in this process,
- monitor the financial reporting process and submit recommendations or proposals to ensure its integrity,
- with regard to financial reporting, monitor the effectiveness of the internal quality control system and risk management system and, where applicable, internal audit, without violating its independence,
- monitors the performance of the statutory audit of the annual financial statements and consolidated annual financial statements,
- examines and monitors the independence of the audit firm in accordance with the Audit Act and Regulation (EU) No 575/2013. Having regard to Regulation (EU) No 537/2014, and in particular the suitability of providing non-audit services,
- is responsible for the selection procedure of the audit firm and proposes the appointment of an audit firm.

The composition of the Audit Committee as at 31 December 2023 is as follows: Damir Metelko (President), Katarina Varga (Deputy President), Krešimir Kvaternik (member), Igor Komorski (member), Lidija Posavec (member).

In 2023, the Audit Committee held four meetings.

The Nominations Committee shall perform the following tasks:

- oversees the appointment process to the Supervisory Board and the Management Board to ensure that it is fair and transparent,
- develops a description of roles and candidates for each vacancy in accordance with the profile of the Management Board or Supervisory Board (if necessary, in consultation with the President of the Management Board or Supervisory Board) and identifies and recommends appropriate candidates to the Supervisory Board,
- establish expertise and/or independence when seeking candidates for the Supervisory Board,
- agree on the terms of appointment with potential new members of the Management Board or Supervisory Board, including the expected time required to perform their functions,
- prepares a succession plan for the reappointment or replacement of members of the Supervisory Board and the Management Board, in consultation with the President of the Management Board or Supervisory Board,
- oversees progress in achieving the target percentage of female members of the Management Board and Supervisory Board,
- supervises the policy of the Management Board when selecting and appointing senior management.

The composition of the Nomination Committee as at 31 December 2023 shall be as follows: Igor Komorski (President), Damir Metelko (Deputy Chair), Krešimir Kvaternik, Lidija Posavec, Katarina Varga (members).

In 2023, the Nomination Committee held two meetings.

The Remuneration Committee shall perform the following tasks:

- recommends to the Supervisory Board the policy of remuneration for members of the Management Board at least every three years,
- recommends annually to the Supervisory Board receipts that should be received by members of the Management Board, based on an assessment of the Company's results and their personal results,
- recommends to the Supervisory Board the policy of remuneration for members of the Supervisory Board, which will be given for approval to the General Assembly,
- monitor the amount and structure of remuneration to senior management and workers as a whole and make recommendations to the Management Board on its policies,
- supervises the preparation and provides for approval to the Supervisory Board a legally prescribed annual report on the receipts of the Management Board and the Supervisory Board.

The composition of the Committee on Receipts as at 31 December 2023 shall be as follows: Igor Komorski (President), Damir Metelko (Deputy President), Krešimir Kvaternik, Lidija Posavec, Katarina Varga (members).

In 2023, the Remuneration Committee held two meetings.

In 2023, members of the Supervisory Board and its subcommittees achieved the following presence at the meetings:

	Supervisory Board	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Stjepan Varga	3/3	2/2	-	-
Marko Orešković	1/3	1/2	-	-
Katerina Varga	7/7	4/4	1/1	1/1
Vladimir Bulić	3/3	2/2	1/1	1/1
Damir Metelko	5/7	3/4	1/1	1/1
Marija Drvoderić	3/3	2/2	1/1	1/1
Lidija Posavec	7/7	4/4	2/2	2/2
Kresimir Kvaternik	4/4	2/2	1/1	1/1
Igor Komorski	4/4	2/2	1/1	1/1

Resumes of members of the Management Board

Nino Varga
President of the Management Board (ceased to be the president of the Management Board by resigning on March 6, 2024)

He graduated from the Faculty of Economics and Business in Zagreb, majoring in accounting. He started his career in 2002 in the investment company Utilis Ltd., of which he is a co-owner and member of the management board. During his business career on the capital market, he acquired brokerage licenses and investment advice issued by the Securities and Exchange Commission of the Republic of Croatia. In 2014, he joined Čakovečki mlinovi Inc. as a member of the Management Board in charge of strategic planning, group integration, group procurement and procurement of strategic raw materials. In 2020, he became president of the board of Čakovečki mlinovi, ceased to be the president of the Management Board by resigning on March 6, 2024.

Marijan Sršen
Memeber of the Management Board

He graduated from the Faculty of Economics and Business in Zagreb, majoring in accounting. He started his career in 2001 at Elektropromet Inc as an accounting manager. In 2004, he moved to IHS-Revizor Ltd. to the position of auditor. From 2008 to 2011 he was director of finance and accounting at Stipić Group Ltd., after which he moved to Mlinar pekarska industrija Ltd. to the same position. Since 2020, he is a member of the management board of Čakovečki mlinovi. During his business career, he obtained a certified auditor's certificate issued by the Croatian Chamber of Auditors.
He is a member of the Supervisory Board of Trgocentar Inc

2. RELATED PARTIES AND BRANCHES OF THE COMPANY

The following is an overview of the related parties of the parent company Čakovečki mlinovi Inc. as at 31 December 2023 year. The company has no registered branches.

Name	Headquarters	Principal activity	Accounting method	Direct ownership /voting rights 31.12.2023.	Direct ownership /voting rights 31.12.2022.
Trgovina Krk Inc.	Malinska, Croatia	Retail trade	Consolidated	100.00%	98.13%
Trgocentar Inc.	Virovitica, Croatia	Real estate lease	Consolidated	49.55% / 52.03 %	49.55% / 52.03 %
Narodni trgovački lanac Ltd.	Soblinec, Croatia	Retail / Wholesale	Equity method	25%	25%
Radnik Opatija Inc.	Lovran, Croatia	Bakery	Consolidated	100%	100%

For more details on the Company's income and expenses with related parties and the balance of the Company's receivables and liabilities against and to related parties, see note 30 – Related Party Relations in the attached financial statements.

3. BUSINESS RESULTS IN 2023 YEAR

KEY FINANCIAL INDICATORS OF THE COMPANY

INCOME STATEMENT (millions of euros)	**1.-12. 2023.**	**1.-12. 2022.**	**1.-12. 2023. / 1.-12. 2022.**
Sales revenue	**28.5**	**30.5**	**-6.3%**
Operating costs, net[1]	26.3	27.1	-3.0%
EBITDA[2]	**2.2**	**3.4**	**-33.2%**
Normalized EBITDA[3]	**2.6**	**3.3**	**-20.5%**
Depreciation	1.2	1.0	15.2%
EBIT[4]	1.1	2.3	-54.4%
Net financial result[5]	0.0	0.7	-102.3%
Net profit (loss)	**0.9**	**3.0**	**-71.4%**

Profit margins[6]			
EBITDA margin	7.8%	11.0%	-3.2 pb
Normalized EBITDA margin	9.2%	10.9%	-1.6 pb
EBIT margin	3.7%	7.7%	-3.9 pb
Net profit margin	**3.0%**	**9.8%**	**-6.8 pb**

Balance sheet (millions of euros)	**31.12.2023.**	**31.12.2022.**	**31.12.2022. / 31.12.2022.**
Net debt (cash)[7]	-5.4	1.1	-
Net debt (cash) / Norm. EBITDA (TTM)[8]	-2.1x	0.3x	-2,4x
Capital and reserves	28.6	27.7	3,1%
Return on Average Equity (ROAE) [9]	3.1%	10.2%	-7,1 pb
Net working capital[10]	6.9	13.3	-47,7%

CASH FLOWS (millions of euros)	**1.-12. 2023.**	**1.-12. 2022.**	**1.-12. 2023. / 1.-12. 2022.**
Net operating cash flows	8.0	-1.3	-
Capital expenditures (CapEx)[11]	0.5	1.6	-69.5%
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.

4. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

In 2024, the Company continues to operate in a challenging economic environment marked by inflation and central bank activity and geopolitical risks due to the war in Ukraine and Israel.

In addition, after the end of 2023, no business events or transactions occurred in the Company that would have a significant impact on the Company's operations or disclosures in this report.

5. EXPECTED BUSINESS DEVELOPMENT IN 2024

In 2024, the Company'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 Company's results in 2024 cannot be estimated or quantified at this time due to 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.

On the date of issue of this report, the Company has a cash position sufficient for the unhindered settlement of due obligations, and therefore compiles 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 represents negative risks for global trends and economic growth in the Eurozone, which ultimately affects the Croatian economy.

As of the date of issuing this report, the Company has no relationship with, nor is it exposed to, companies from Russia, Belarus or Ukraine. The company maintains all business operations in Croatia, where it generates 93.8% of its revenue. The Company's foreign revenues refer to Slovenia, BiH and Hungary. Also, the parent company Čakovečki mlinovi Inc 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 part of the material costs of the Company refers to the costs of procurement of grain and energy, which are managed as described in the rest of this part 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 Company's operations.

State price control measures

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 cornmeal from Ukraine has been noticed in Croatia, which limits the active price policy on the entire mill program.

Outlook for the Company 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

Sale prices: 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.

Purchase prices and sources of raw materials: Cereal and energy prices (electricity) are key inputs for the Company. 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 company 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. Accordingly, in the wheat harvest of 2023, Čakovec mills offered the highest purchase prices.

Personnel costs: Personnel costs are expected to rise due to the increase in the minimum wage as well as pressures on wages due to inflation and labour shortages.

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.

6. RISKS AND RISK MANAGEMENT OF THE COMPANY

In its operations, the Company is exposed to the risks listed in Note 33 – Risk exposure and risk management in the attached financial statements, which may be divided into the following groups:

- financial risks, which include: capital risk, credit risk, liquidity risk, interest rate cash flow risk and fair interest rate value risk
- regular business risks, which include: market risk, operational risk, industry risk, risk of procurement of raw materials and delivery of products, risk of competition, risk of fluctuations in prices of basic raw materials, risk of legal proceedings against the Company and risk of liabilities or losses not covered by insurance
- general risks, which include: the risk of the business environment and the risk of changing the legal framework.

Risk management in the Company consists of the following steps:

- identifying potential risks in business
- analysis and assessment of identified risks
- defining risk management objectives and policies
- monitoring and monitoring of risk management activities
- reporting on risk management results.

The Company does not use any financial instruments to protect against these risks.

7. INFORMATION ON ACQUISITION AND DISPOSAL OF OWN SHARES

As of December 31, 2023, the Company did not hold its own shares, nor did it acquire or dispose of them during 2022.

8. RESEARCH AND DEVELOPMENT ACTIVITIES

The company continuously works on research and development activities of new products, improvement of key business processes, employee development and growth through acquisitions.

Special emphasis is placed on the Company's tradition in the production of high-quality mill and bakery products and oils, as well as on the continuous analysis of the market and the development of a local-specific assortment.

In 2023 year in accordance with the implemented optimization of the bakery assortment, 8 new bakery items were introduced, and 20 articles was abolished.

The Mill Plants of the Company were completely renovated in 2017 and are one of the most technologically advanced plants in Croatia and the wider region, while bakery plants are continuously being renovated.

ČAKOVEČKI MLINOVI INC.

STATEMENT ON THE APPLICATION OF THE
CORPORATE GOVERNANCE CODE
FOR THE YEAR 2023

Pursuant to Article 272p, in conjunction with Article 250a(4) of the Code of Civil Procedure, Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22, 114/22, 18/23, 130/23; hereinafter: ZTD) and Article 22 of the Rules of Procedure. Pursuant to Article 10 of the Accounting Act ("Official Gazette", No. 78/15, 134/15, 120/16,116/18, 42/20, 47/20, 114/22, 82/23), the Management Board of the company Čakovečki mlinovi, Inc., Čakovec, Mlinska ulica 1, PIN: 20262622069 (hereinafter: the Company), gives the following

STATEMENT
ON THE APPLICATION OF THE CORPORATE GOVERNANCE CODE

1. The Company voluntarily applies the Corporate Governance Code jointly developed by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange Inc (hereinafter: the Code), which is publicly available on the official website of the Zagreb Stock Exchange Inc (www.zse.hr).

2. In the last year, the Company essentially applied the recommendations set out in the Code, publishing all the information whose publication is provided for by positive regulations and the publication of which information is primarily in the interest of the Company's shareholders. The Supervisory Board of the Company established the Appointing Committee and the Board for Remuneration, with the tasks provided for in the Code. At the same time, in accordance with the provisions of the Audit Act, the Audit Committee operates in the Company.

Detailed explanations related to deviations from certain recommendations of the Code, the Company presents in the Compliance Questionnaire for issuers of shares, which is submitted to the Croatian Financial Services Supervisory Agency and published on the company's official website (www.cak-mlinovi.hr) as well as on the website of the Zagreb Stock Exchange Inc. and the Croatian Reporting News Agency.

The Company plans to continue to make its operations and business results transparent and accessible to the public during 2024.

3. Supervision of the management of the Company's business shall be carried out by the Supervisory Board in accordance with the provisions of the Companies Act. The role of the Supervisory Board is also regulated by the Articles of Association of the Company. Members of the Supervisory Board regularly receive detailed information on the management and work of the Company in order to be able to effectively fulfill their supervisory role. The report of the Supervisory Board on the supervision of the conduct of affairs shall be submitted to the General Assembly.

The Audit Committee of the Company acts as an independent board. The Audit Committee provides support to the Supervisory Board and the Management Board of the Company in the effective execution of corporate governance, financial reporting and control obligations of the Company.

The Company applies the rules on the application of the accounting policy, and which rules govern the application of the procedure and techniques in the presentation of assets, liabilities, principal, income, expenses and financial results of the Company in the basic financial statements.

A description of the basic characteristics of risk management in relation to financial reporting is contained in note 32 – Risk exposure and risk management in the attached consolidated financial statements.

4. The ten largest shareholders, as at 31 December 2023, are:

Ord. number	Shareholder	Number of shares	Share in share capital
1.	MILL AND BAKERIES LTD.	2,550,000	24.78%
2.	OTP BANKA INC/ AZ OMF CATEGORY B	1,869,448	18.17%
3.	ERSTE & STEIERMARKISCHE BANK INC/ PBZ CO OMF - CATEGORY B	1,647,743	16.01%
4.	ZAGREBAČKA BANKA INC/COLLECTIVE CUSTODIAN'S ACCOUNT - DOMESTIC LEGAL	331,338	3.22%
5.	ZAGREBAČKA BANKA INC/ AZ PROFIT OPEN VOLUNTARY PENSION FUND	302,624	2.94%
6.	FIMA-SECURITIES LTD./ GRAŠIĆ BRANKO	250,308	2.43%
7.	INTERCAPITAL SECURITIES Ltd./COLLECTIVE CUSTODY ACCOUNT FOR DF	186,494	1.81%
8.	VARGA STJEPAN	179,888	1.75%
9.	BLAŽEKA BRANKA	154,988	1.51%
10.	DRVODERIĆ MARIJA	89,082	0.87%

The Company's shareholders' voting rights are not limited to a certain percentage or number of votes, nor are there time limits for exercising voting rights. Each ordinary share shall be entitled to one vote at the General Assembly. The Company is authorized to issue ordinary shares in the name as well as to issue other types and genera of shares in accordance with the positive regulations of the Republic of Croatia and the Articles of Association of the Company. The decision on the issuance of shares, in accordance with Article 172 of the Companies Act, is made by the General Assembly, in accordance with the Articles of Association of the Company. The rights and obligations of the Company arising from the acquisition of own shares are exercised in accordance with the provisions of the Companies Act and in accordance with the decision of the General Assembly of the Company of 30 August 2021 on the granting of authority to the Management Board of the Company to acquire and dispose of own shares for a period of five years from the date of the decision.

Amendments to the Statute of the Company shall be adopted in the manner specified by the Companies Act.

The General Assembly of the Company operates and has authority, and shareholders exercise their rights, in accordance with the provisions of Companies Act and other applicable regulations.

5. The Management Board of the Company consist of two members. On December 31, 2023, the function of the President of the Management Board of the Company is performed by Mr. Nino Varga, and the function of member of the Management Board of the Company is performed by Mr. Marijan Sršen. Members of the Management Board manage the company's activities independently and at their own risk and represent the company individually, and individual tasks, determined by Article 28 of the Management Board. The Articles of Association of the Company (acquisition, alienation, or encumbrance of real estate, establishment of new companies, alienation and acquisition of shares and stakes in other companies, issuance of bonds, etc.) and in other cases, when prescribed by law, the Company's Articles of Association or the decision of the Supervisory Board, are authorized to undertake only with the prior consent of the Supervisory Board. The Management Board shall be appointed and recalled by the Supervisory Board for a period of up to five years.

The Supervisory Board of the Company consists of five members. The composition of the Supervisory Board of the Company as at 31 December 2023 is as follows:

- Krešimir Kvaternik, President of the Supervisory Board
- Damir Metelko, Deputy Chairman of the Supervisory Board
- Katarina Varga, Member of the Supervisory Board
- Igor Komorski, Member of the Supervisory Board
- Lidija Posavec, member of the Supervisory Board, representative of workers.

Changes in the composition of the Supervisory Board and the Company's Management during March 2024
By the decision of the Supervisory Board from March 6, 2024, Krešimir Kvaternik's mandate in the Supervisory Board is suspended starting from March 7, 2024.

Nino Varga ceased to be the President of the Management board by resigning on March 6, 2024. Krešimir Kvaternik was appointed Deputy President of the Management board and represents the company individually and independently, based on the decision of the Supervisory Board, starting from March 7, 2024 until October 7, 2024.

The General Assembly elects and dismisses six members of the Supervisory Board, while one member of the Supervisory Board is elected, appointed and recalled by the employees of the Company in the manner determined by the positive regulations of the Republic of Croatia. The Supervisory Board acts as a collegial body at meetings held at least once quarterly, where it discusses and decides on all issues within its competence prescribed by the Companies Act and the Articles of Association of the Company. Decisions of the Supervisory Board shall be made by a majority of the votes cast except in cases where the Statute of the Company for decision-making provides for anything else.

All members of the Supervisory Board are also members of the Audit Committee.

The same members of the Supervisory Board were appointed to the Committee for Appointments, as well as to the Committee for Remuneration.

There are no restrictions in the executive, management and supervisory bodies, as well as at all other levels of the Company, with regard to gender, age, education, profession or other similar restrictions.

6. In accordance with the provisions of Article 250 paragraph 4 and Article 272 of the Companies Act, this Statement constitutes a separate section and an integral part of the consolidated annual report on the Company's status for the year 2023.

In Čakovec, 26 April 2024.

For Čakovečki mlinovi Inc:

Krešimir Kvaternik
Deputy President of the Management Board

Marijan Sršen
Member of the Management Board

ČAKOVEČKI MLINOVI INC.

FINANCIAL STATEMENTS
FOR THE YEAR 2023

RESPONSIBILITY OF THE MANAGEMENT BOARD
FOR THE PREPARATION AND APPROVAL OF THE ANNUAL REPORT

For each financial year, the Management Board of Čakovečki mlinovi Inc. is responsible for the preparation of financial statements in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS"), so that they give a true and fair view of the financial position and results of Čakovečki mlinovi Inc. ("The Company") for that period.

The Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

The responsibilities of the Management Board when preparing financial statements include the following:

- the selection and consistent application of appropriate accounting policies;
- giving reasonable and prudent judgments and estimates;
- complying with applicable accounting standards, and
- preparing financial statements under the going concern basis.

The Management Board of the Company is responsible for preparing the annual report, keeping appropriate accounting records, so that at all times they give a true and fair view of the financial position and results of the Company's operations and is obliged to prepare financial statements in accordance with IFRS and the Croatian Accounting Act.

In addition, the Management Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities..

The annual report and financial statements presented on the following pages have been approved by the Management Board of the Company.

In Čakovec, 26 April 2024.

For Čakovečki mlinovi Inc.:

Krešimir Kvaternik
Deputy President of the Management Board

Marijan Sršen
Member of the Management Board

STATEMENT OF THE PERSONS RESPONSIBLE TO PREPARE FINANCIAL STATEMENTS

Pursuant to Article 462. Deputy President of the Management Board of the Company Krešimir Kvaternik and Member of the Management Board Marijan Sršen make a statement:

To the best of our knowledge:

- The financial statements for 2023 are prepared with the application of appropriate financial reporting standards and give an objective overview of the assets and liabilities, financial position, profit or loss of the issuer.

- The management report for 2023 contains a true account of the development and results of the business and position of the issuer, with a description of the most significant risks and uncertainties to which the issuer is exposed.

In Čakovec, 26 April 2024.

For Čakovečki mlinovi Inc.:

Kresimir Kvaternik
Deputy President of the Management Board

Marijan Sršen
Member of the Management Board

Building a better working world

Ernst & Young d.o.o.
Radnička cesta 50, 10 000 Zagreb
Hrvatska / Croatia
MBS: 080435407
OIB: 58960122779
PDV br. / VAT no.: HR58960122779

Tel: +385 1 5800 800
Fax: +385 1 5800 888
www.ey.com/hr

Banka / Bank:
Erste & Steiermärkische Bank d.d.
Jadranski trg 3A, 51000 Rijeka
Hrvatska / Croatia
IBAN: HR3324020061100280716
SWIFT: ESBCHR22

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Čakovečki mlinovi d.d.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Čakovečki mlinovi d.d. (the Company), which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters (continued)

Key Audit Matters	How we addressed Key Audit Matters
Revenue recognition and management override of controls *Refer to Note 2.18 Revenue recognition and Note 4 Revenues with companies within the Group and Note 5 Revenue with companies outside the Group of the financial statements.* The Company has revenues totalling EUR 28,542 thousand as at 31 December 2023. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods; and is measured net of pricing allowances, other trade discounts, and price promotions to customers. The judgements required by management to estimate trade discounts are complex due to the diverse range of contractual agreements and commercial terms to the Company's customers. Revenue recognition and valuation therefore involves estimates related to such agreements or actions. The Company uses a variety of shipment terms for its customers and the invoices are usually created for delivery notes in a certain period of time and this has an impact on the timing of revenue recognition. There is a higher risk that revenue could be recognized in the incorrect period for sales transactions occurring on and around the year end. Revenue is also an important element of how the Company measures its performance, among the other key performance measures. The Company focuses on revenue, which could create an incentive for revenue to be recognized before the control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. Due to all mentioned above, there is also risk that the revenue is not properly classified, described, and disclosed in the financial statements, including notes, in accordance with the applicable financial reporting framework. Due to the significance and complexity of revenues in the financial statements, we have concluded revenue recognition to be key audit matter for our audit.	Audit procedures included but were not limited to understanding of the revenue recognition process, including contractual terms with customers, as well as assessment of compliance with policies related to applicable accounting standards. We performed understanding and testing the operational effectiveness of the controls implemented in the revenue recognition process. We tested a sample of revenue transactions before and after the balance sheet date, as well as approvals and refunds after the reporting date. We performed analysis of the volume of approvals to customers throughout the year. We performed testing of returns after the end of the year on a sample and carried out procedures for searching and analysing unrecorded liabilities at the end of the year. We evaluated revenue transactions by setting expectations on sales revenue for the current year by considering historical and planned data on revenue and discounts, incentives and rebates, and comparing with actual revenue and investigating unexpected differences. Based on a sample of key customers, we performed review of contract provisions and recalculation of the value of discounts, incentives and rebates. We also obtained customer confirmations of amounts outstanding at the reporting date for a sample of customers and gained understanding of any significant differences between customer confirmations received and the Company's accounting records. We performed analytical procedures on accounts receivable / sales revenue positions using audit tools designed for revenue testing. We performed testing of period-end journal entries with an emphasis on revenue accounts and non-standard and/or manual postings. We compared current year's related party turnover with last year's and performed analysis of significant and unusual movements.

Key Audit Matters	How we addressed Key Audit Matters
	We also assessed the adequacy of relevant disclosures (Note 2.18 Revenue recognition and Note 4 Revenues with companies within the Group and Note 5 Revenue with companies outside the Group) in financial statements as well as their compliance with IFRS EU.
Assessment of impairment of investments in subsidiaries See Note 2.2. Investments in subsidiaries, Note 3 Key accounting estimates and 21 Long term financial assets of the financial statements. The Company has investments in subsidiaries with carrying amount totalling EUR 10,537 thousand as at 31 December 2023. The carrying amount of the investments in subsidiaries represents 34% of total assets. Due to the significance of carrying amount of the investments in subsidiaries to the overall financial statements, this is an area considered to be a key audit matter.	Audit procedures included understanding of the investment impairment assessment process. We examined the methodology used by management to assess the carrying value of respective investment in subsidiaries to determine its compliance with IFRS EU and consistency of application. We evaluated management's impairment indicators assessment and management conclusion that there are no impairment indicators of investments in subsidiaries. We compared the current year (2023) actual results with the prior year (2022) actual results of subsidiaries to evaluate if the management assessment of the impairment indicators is adequate. We also compared net book value of investments shown in these financial statements with their net assets shown in financial statements of subsidiaries. We assessed adequacy of the relevant disclosures (Note 2.2. Investments in subsidiaries, Note 3 Key accounting estimates and 21 Long term financial assets) in the financial statements and if these are in line with the requirements of IFRS EU.

Other matter

The financial statements of the Company for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 7 April 2023.

Other information

Management is responsible for the other information. Other information comprises the Management Report, Non-financial Report and Corporate Governance Statement included in the Annual Report, but does not include financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Other information (continued)

With respect to the Management Report, Non-financial Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 of the Accounting Act, whether the Non-financial Report is prepared in accordance with the requirements of Article 21a of the Accounting Act and whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the information given in the enclosed Management Report and Corporate Governance Statement is consistent, in all material respects, with the enclosed financial statements;

2.the enclosed Management Report is prepared in accordance with requirements of Article 21 of the Accounting Act; and

3. the enclosed Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit of financial statements, we are also required to report if we have identified material misstatements in the Management Report, Non-financial Report and Corporate Governance Statement. We have nothing to report in this respect.

Responsibilities of management and Audit Committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of ISAs:

Appointment of Auditor and Period of Engagement

We were initially appointed as auditors of the Company on 30 August 2023, representing a total period of uninterrupted engagement appointment of 1 year.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 25 April 2024 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Report on Other Legal and Regulatory Requirements (continued)

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company within the European Union. In addition, there are no other non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements.

Report based on Delegated Regulation (EU) 2018/815 on supplementing Directive 2004/109/EZ of European parliament and Council related to regulatory technical standard for specification of single electronic reporting format of reporting

Independent report on the compliance of financial statements prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20,83/21 and 151/22) applying the requirements of the Delegated Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (the ESEF Regulation).

We have conducted a reasonable assurance engagement on whether the financial statements, as contained in the attached electronic file 7478000050QHZTAWQI34-2023-12-31-en.zip, are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the management and Audit Committee

Management is responsible for the preparation of the financial statements in accordance with ESEF Regulation.

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

Management is also responsible for:

- the public disclosure of financial statements included in the annual report, in XHTML format and
- selecting and using XBLR codes in accordance with ESEF regulation

Audit Committee is responsible for overseeing the preparation of the financial statements in ESEF format as part of the financial reporting process.

Auditor's responsibilities

Our responsibility is to express a conclusion, based on the audit evidence gathered, as to whether the financial statements are free from material non-compliances with the requirements of the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with International Standard for Assurance Engagements ISAE 3000 (revised)- Assurance engagements other than audits or reviews of historical financial information.

Work performed

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high degree of assurance, however it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with ESEF regulation.

In respect of the subject matter, we have performed the following procedures:

- we read the requirements of the ESEF Regulation,
- we have gained an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or error; and
- Based on this, devise and implement procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

Report based on Delegated Regulation (EU) 2018/815 on supplementing Directive 2004/109/EZ of European parliament and Council related to regulatory technical standard for specification of single electronic reporting format of reporting (continued)

The aim of our procedures was to assess whether:

- the financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
    - the XBRL markup language was used,
    - the basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance have been used, unless an additional taxonomy element has been created in accordance with Annex IV. ESEF Regulation,
    - the labeled elements comply with the common labeling rules under the ESEF Regulation.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the procedures performed and evidence gathered, the financial statements presented in ESEF format for the year ended on 31 December 2023, contained in the aforementioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.

Further to this conclusion, as well as the opinion contained in this independent auditor's report related to accompanying financial statements and annual report for the year ended 31 December 2023, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned file.

The partner in charge of the audit resulting in this independent auditor's report is Ivana Krajinović.

Ivana Krajinović

Ivana Krajinović
Member of the Management Board and Certified auditor

Ernst & Young d.o.o.
Radnička cesta 50
10000 Zagreb
Republic of Croatia
26 April 2024

	Note	2023 in EUR	2022 in EUR Restated
Sales revenues	4,5	28,542,278	30,476,170
Other revenues	6	184,168	292,838
Operating revenues		**28,726,446**	**30,769,008**
Change in the value of inventory of production in progress and finished products	7	(98,930)	56,840
Costs of raw materials, energy	8	(18,458,982)	(20,297,230)
Costs of goods sold	8	(577,810)	(457,571)
Other external costs	8	(1,955,911)	(2,064,594)
Staff costs	9	(4,193,807)	(3,659,631)
Depreciation, amortization		(1,177,959)	(1,022,133)
Other expenses	10	(1,059,977)	(926,552)
Value adjustments	11	-	(44,543)
Reservations	12	(88,881)	-
Other operating expenses	13	(51,831)	(21,329)
Operating expenses		**(27,664,088)**	**(28,436,743)**
Operating profit		**1,062,358**	**2,332,265**
Financial income	14	71,040	815,018
Financial costs	15	(87,536)	(83,207)
Net financial result		**(16,496)**	**731,811**
Profit before tax		1,045,862	3,064,076
Income tax expense	16	(189,438)	(69,135)
Net profit		**856,424**	**2,994,941**
Other comprehensive gains		**-**	**-**
Total comprehensive profit for the year		**856,424**	**2,994,941**
Earnings per share for profit attributable to shareholders of the Company during the year (in euro)	17		
- basic		0.08	0.29
- diluted		0.08	0.29

	Note	31.12.2023. In EUR	31.12.2022. In EUR Restated
Assets			
Non - Current assets			
Intangible assets	18	619	1,549
Tangible assets	19	3,801,439	4,392,963
Right of use asset	19	2,572	39,226
Investment property	19a	2,945,779	3,003,073
Investments accounted for using equity method	20	10,537,303	9,420,011
Financial assets	20	557	27,841
Receivables from customers and other receivables		1,896	5,303
Deferred tax assets	21	118,198	89,663
		17,408,363	16,979,629
Current assets			
Inventories	22	3,894,761	9,425,432
Receivables from customers and other receivables	23	3,944,612	5,393,631
Financial assets	24	103,671	3,769,476
Cash and cash equivalents	25	5,384,365	359,097
		13,327,409	18,947,636
TOTAL ASSETS		**30,735,772**	**35,927,265**
Capital and reserves			
Share capital	26	13,657,177	13,657,177
Reserves	26	3,131,511	3,131,511
Retained earnings	26	11,762,311	10,905,887
		28,550,999	27,694,575
Liabilities			
Non-current liabilities			
Provisions	27	338,345	252,760
Lease liabilities	28	1,850	4,525
		340,195	257,285
Current liabilities			
Provisions	27	22,855	19,560
Liabilities to group enterprises	29	8,376	148,000
Liabilities for loans, deposits, and similar of subsidiaries within the group	29	-	5,179,826
Liabilities for loans, deposits, and similar	28	2,675	38,581
Liabilities for advances	29	10,630	5,098
Trade payables	29	896,980	1,386,399
Employee benefits payables	29	242,193	231,466
Taxes, contributions and other duties payable	29	374,366	415,098
Corporate income tax liabilities	29	139,884	-
Liabilities from equity share in profit	29	32,606	32,110
Other payables	29	114,013	519,267
		1,844,578	7,975,405
TOTAL EQUITY AND LIABILITIES		**30,735,772**	**35,927,265**

	Share capital	Legal reserves	Other reserves	Retained earnings	Total
	in EUR	in EUR	in EUR	in EUR	in EUR
Balance on 1.1.2022.	**13,657,177**	**682,859**	**2,448,652**	**14,739,534**	**31,528,222**
Profit of the business year	-	-	-	2,994,941	2,994,941
Total comprehensive income	-	-	-	2,994,941	2,994,941
Dividend	-	-	-	(6,828,588)	(6,828,588)
Balance on 31.12.2022.	**13,657,177**	**682,859**	**2,448,652**	**10,905,887**	**27,694,575**
Balance on 1.1.2023.	**13,657,177**	**682,859**	**2,448,652**	**10,905,887**	**27,694,575**
Profit of the business year	-	-	-	**856,424**	**856,424**
Total comprehensive income	**-**	**-**	**-**	**856,424**	**856,424**
Dividend	-	-	-	-	-
Balance on 31.12.2023.	**13,657,177**	**682,859**	**2,448,652**	**11,762,311**	**28,550,999**

	Note	2023. in EUR	2022. in EUR
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		1,045,862	3,064,076
Adjustments:			
Amortization		1,177,959	1,022,133
Gains and losses from sales and value adjustments of fixed tangible and intangible assets		(42,263)	(51,010)
Gains and losses from sales and unrealised gains and losses and value adjustment of financial assets		19,464	-
Value adjustment of receivables from customers	11	4,095	83,496
Interest and dividend income	14	(70,954)	(805,697)
Interest expenses	15	67,006	70,215
Provision	12	88,881	(3,629)
Other non-monetary items		-	2,346
Increase or decrease in cash flows before changes in working capital		2,290,050	3,381,930
Changes in working capital		5,876,609	(4,546,806)
Increase or decrease in short-term liabilities		(1,136,364)	275,590
Increase or decrease in short-term receivables		1,482,302	-391,000
Increase or decrease in inventory		5,530,671	-4,431,396
Cash from business		8,166,659	(1,164,876)
Cash expenditure on interest		(67,006)	(10,211)
Corporate income tax paid		(33,970)	(90,890)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**8,065,683**	**(1,265,977)**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Cash receipts from the sale of long-term tangible and intangible assets		42,291	75,516
Cash receipts from the sale of financial instruments		-	54,114
Cash receipts from interest		66,476	7,071
Cash receipts from dividends		4,478	798,626
Cash receipts based on the repayment of given loans and savings deposits		3,705,000	2,935,050
Cash expenditure stipulates for the purchase of long-term tangible and intangible assets	18,19	(491,586)	(1,612,223)
Other cash receipts from investment activities		27,284	-
Cash expenditure on the displacement of minority shareholders		(1,117,291)	-
Other cash expenditures from investment activities		(58,661)	2,200
NET CASH FLOWS FROM INVESTMENT ACTIVITIES		**2,177,991**	**2,260,354**
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Cash receipts from the principal of loans, loans and other loans		-	5,308,912
Cash expenditures for repayment of the principal of loans, loans and other loans		(5,179,826)	(133,281)
Cash expenditure on dividend payments		-	(6,828,588)
Other cash expenditures from financial activities		(38,580)	(116,551)
NET CASH FLOWS FROM FINANCIAL ACTIVITIES		**(5,218,406)**	**(1,769,508)**
TOTAL NET CASH FLOW		5,025,268	(775,131)
Money and cash equivalents at the beginning of the period		359,097	1,134,228
Cash and cash equivalents at the end of the period	**25**	**5,384,365**	**359,097**

NOTE 1 – GENERAL INFORMATION

The company Čakovečki mlinovi Inc. Čakovec, Mlinska ulica 1 (hereinafter: the Company) harmonized the general acts with the Companies Act and on the basis of them the Commercial Court in Varaždin, by decision Tt-95/482-2 on 4 December 1995, entered the Company in the court register. Country of establishment of the Company: Croatia, MB of the Company: 03108414 OIB of the Company: 20262622069.

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

On December 31, 2023, Čakovečki mlinovi Inc. (hereinafter referred to as "Čakovečki mlinovi Group" or "Group") has three dependent companies (subsidaries: Trgovina Krk Inc. Malinska, Trgocentar Inc. Virovitica, and Radnik Opatija Inc. Lovran, and one associated company: Narodni trgovački lanac Ltd. Soblinec.
Comparable data for the year 2022 includes the consolidated subsidiary Trgostil d.d., which was merged with Trgovina Krk d.d. on October 3, 2022.
In addition to the separate financial statements of the Company, Čakovečki mlinovi d.d. prepares consolidated financial statements for the Group.
The annual consolidated financial statements of Čakovečki mlinovi Group are available on the Company's website: www.cak-mlinovi.hr.

The business accounts of the Company are opened with:

- Privredna banka Inc. Zagreb IBAN: HR2623400091116005907,
- Erste & Steiermarkische bank Inc. Zagreb IBAN: HR4924020061100031817, and
- Zagrebačka banka Inc. Zagreb IBAN: HR9223600001102561339.

PRINCIPAL ACTIVITIES OF THE COMPANY

The company generates a predominant part of its income by performing the activities of production and trade of food products (flour, bread, pastries, biscuits, waffles, pasta, porridge, edible oils).

CORPORATE GOVERNANCE

The composition of the Bodies of the Company as at December 31, 2023 is as follows.

Management
- Nino Varga, President of the Management Bord
- Marijan Sršen, Member of the Management Board

Supervisory Board
- Krešimir Kvaternik, President of the Supervisory Board
- Damir Metelko, Deputy Chairman of the Supervisory Board
- Katarina Varga, Member of the Supervisory Board
- Igor Komorski, Member of the Supervisory Board
- Lidija Posavec, member of the Supervisory Board, representative of workers.

Audit Committee
- Damir Metelko, President of the Audit Committee
- Katarina Varga, Deputy Chairman of the Audit Committee
- Krešimir Kvaternik, independent member
- Igor Komorski, independent member
- Lidija Posavec, member.

Nominating Committee

- Igor Komorski, Chairman of the Nominations Committee, independent member
- Damir Metelko, Deputy Chairman of the Nomination Committee, independent member
- Krešimir Kvaternik, independent member
- Katarina Varga, member
- Lidija Posavec, member.

Remuneration Committee

- Igor Komorski, Chairman of the Remuneration Committee, independent member
- Damir Metelko, Deputy Chairman of the Committee on Receipts, Independent Member
- Krešimir Kvaternik, independent member
- Katarina Varga, member
- Lidija Posavec, member.

Changes in the composition of the Supervisory Board and the Company's Management during March 2024

By the decision of the Supervisory Board from March 6, 2024, Krešimir Kvaternik's mandate in the Supervisory Board is suspended starting from March 7, 2024.

Nino Varga ceased to be the President of the Management board by resigning on March 6, 2024. Krešimir Kvaternik was appointed Deputy President of the Management board and represents the company individually and independently, based on the decision of the Supervisory Board, starting from March 7, 2024 until October 7, 2024.

NOTE 2 - SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

2.1. BASES OF PREPARATION AND DECLARATION OF CONFORMITY

The Company has prepared these separate financial statements in accordance with Croatian legal regulations that require that the financial statements be prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS). The Company's financial statements are prepared on the principle of historical cost except financial instruments valued at fair value.

Adoption of new and amended International Financial Reporting Standards ("IFRS") and interpretations

a) First application of new amendments to existing standards in force for the current reporting period - Standards and interpretations in force in the current period

In the current year, the Company has applied a number of amendments to international accounting standards published by the International Accounting Standards Board ("OMRS") and adopted in the European Union ("EU"), which are mandatory for the reporting period beginning on or after 1 January 2023.

Standard	Title and description
IFRS 17	Insurance contracts, published on 18 May 2017; includes changes to IFRS 17, published on June 25, 2020, (effective date for annual periods beginning on or after January 1, 2023)
Amendments to IFRS 17	Insurance contracts, first application of IFRS 17 and IFRS 9 – Comparative data, published on December 9, 2021 (date of entry into force for annual periods starting on or after January 1, 2023).
Amendments to IAS 12	Corporate income tax: Deferred tax related to assets and liabilities arising from an individual transaction, published on May 7, 2021 (effective date for annual periods starting on or after January 1, 2023).
Amendments to IAS 12	Corporate income tax: International tax reform – pillar 2 model rules, published on 23 May 2023 (date of entry into force for annual periods starting on or after 1 January 2023).
Amendments to IAS 1	Presentation of financial statements and IFRS guidelines 2: Publication of accounting policies, published on February 12, 2021 (date of entry into force for annual periods starting on or after January 1, 2023).
Amendments to IAS 8	Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates, published on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).

Their adoption had no significant impact on the disclosures or amounts stated in these financial statements except in the application of amendments to IAS 1.

NOTE 2 - SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1. BASES OF PREPARATION AND DECLARATION OF CONFORMITY (CONTINUED)

b) Standards and amendments to existing standards published by omrs and adopted in the European Union but not yet in force

At the date of approval of these financial statements, the Company has not applied the following new and revised international accounting standards issued and adopted by the EU, but are not yet in force:

Standard	Title and description	EU adoption date
Amendments to IAS 1	Presentation of financial statements: Classification of liabilities as short-term or long-term, issued on 23 January 2020 and amended on 15 July 2020 (date of entry into force for annual periods starting on or after 1 January 2024).	1.1.2024
Amendments to IFRS 16	Leases: Obligation for lease back lease, issued on September 22, 2022 (effective date for annual periods starting on or after January 1, 2024).	1.1.2024

The Company does not expect that the adoption of the above Standards will have a significant impact on the Company's financial statements in future periods.

c) New standards and amendments to standards published by OMRS but not yet adopted in the European Union

Currently, the standards adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board, except for the following new standards and amendments to existing standards, which have not yet been adopted by the EU on the date of issue of these financial statements:

Standard	Title and description	Adoption status in the EU
Amendments to IAS 21	Effects of foreign currency exchange rate changes: Lack of exchangeability (issued on August 15, 2023).	It hasn't been adopted yet
Amendments to IAS 7	Cash Flow Statement and IFRS 7 Financial Instruments: Disclosure - Supplier Financial Arrangements (issued on May 25, 2023).	It hasn't been adopted yet

The Company does not expect that the adoption of the above Standards will have a significant impact on the Company's financial statements in future periods.

Below is a description of key accounting policies.

2.2. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURE

Investment in subsidiaries
Subsidiaries are all companies over which the Company has control if, on the basis of its participation in it, it is exposed to variable yield, or has rights to them and the ability to influence the yield by its predominance in that company. The existence and effect of potential voting rights that can currently be exercised or replaced shall be considered when assessing whether the Company controls another entity. Investments in subsidiaries are reported at a cost less impairment loss.
Investment in joint ventures
The company has a stake in a joint venture that is a jointly controlled entity, and investors have a contract establishing joint control over the economic activities of the entity. The Company recognises its stake in the joint venture using a cost ingestion method minus the impairment loss of assets. The assessment of the value of the investment in the Joint Venture of the Company shall be made in the case where there is an indication that this value is impaired or there are no more impairment losses recognised in previous periods.

2.3. REPORTING ON BUSINESS SEGMENTS

A business segment is a component of the Company engaged in business activities from which it can generate revenue and in respect of which it bears costs (including revenue and expenses related to transactions with other components of the same entity), whose operating results are regularly reviewed by the main decision-maker of the entity in order to make decisions on resources that need to be allocated to the segment and evaluate its operating results, and for which separate financial data is available. The company operates in one business segment (food production) and does not report on business segments in separate financial statements.

Business segments are relevant from the Group's perspective and are presented within the consolidated financial statements published on the Company's website (www.cak-mlinovi.hr)

2.4. FOREIGN CURRENCIES

a) Functional and reporting currency

Items included in the Company's financial statements are expressed in the currency of the primary economic environment in which the Company operates (functional currency).

Considering that the Republic of Croatia has introduced the euro as the official currency since January 1, 2023, in accordance with the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia, the Company has, for the purpose of preparing its financial statements for the year ended December 31, 2023, changed the presentation currency from kuna to euro, and the financial statements for the year ended 31 December 2023 were the first prepared in euro. As of January 1, 2023, the euro is also the functional currency of the Company (until January 1, 2023, it was kuna).

Although the change in the presentation currency in the financial statements represents a change in accounting policy that requires retrospective application, the Company did not publish the third balance sheet in the financial statements for the year ended December 31, 2023 in accordance with International Accounting Standard 8 (IAS) Accounting Policies, Changes in Accounting Estimates and Errors, given that it has determined that the change in the presentation currency has no significant impact on the Company's financial statements, due to the stable HRK/EUR exchange rate over the past few years.

2.4. FOREIGN CURRENCIES (continued)

b) Transactions and balances in foreign currency

Transactions in foreign means of payment are translated into the functional currency so that amounts in foreign means of payment are converted at the exchange rate on the day of the transaction. Gains or losses from exchange rate differences, which arise when settling these transactions and recalculating monetary assets and liabilities expressed in foreign currencies, are recognized in the income statement.

2.5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are presented in the balance sheet at a historical cost less accumulated depreciation. Historical cost includes an expense that is directly attributable to the acquisition of assets.
Subsequent expenditure shall be included in the carrying amount of the asset or, if necessary, recognised as separate assets only if the Company will benefit from the said assets in the future, and if the cost of the asset can be measured reliably. All other costs of investment and ongoing maintenance are charged by the profit and loss account in the financial period in which they were incurred.
Land and assets in construction are not depreciated. Depreciation of other assets is calculated using a straight-line method for the purpose of allocating the cost of that asset during its estimated useful life. Depreciation is calculated for each asset until the asset is fully depreciated or to the residual value of the asset if it is significant.

The estimated useful life and annual depreciation rate were determined as follows:

- buildings	10 - 40 years	from 2.5% - 10%
- equipment	2 - 10 years	from 10% - 50%
- transport vehicles	4 - 5 years	from 20% - 25%

In the event that the carrying amount of the asset is greater than the estimated recoverable amount, the difference shall be written down to the recoverable amount. Gains and losses incurred by sales are determined by comparing the income and carrying amount of the asset and are included in other gains - net in the profit and loss account.

2.6. INVESTMENT PROPERTIES

Investment properties refer mainly to office buildings and land that are held for the purpose of long-term rental income or due to an increase in their value, and Company does not use them. Investment properties are treated as long-term investments, unless they are intended for sale in the following year and a buyer has been identified, in which case they are classified as current assets.
Investment properties is stated at historical cost less accumulated depreciation and provisions for impairment, if necessary. Depreciation of buildings is calculated using the straight-line method for the purpose of cost allocation during their useful life (10 to 40 years).
Subsequent expenses are capitalized only when it is probable that the Company will have future economic benefits from it and when the cost can be reliably measured. All other repair and maintenance costs are charged to the profit and loss account when incurred.

2.9. FINANCIAL ASSETS

The Company classifies its financial assets into the following categories: financial assets at fair value in the income statement and financial assets at amortized cost. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of financial assets at initial recognition and evaluates that decision at each reporting date.
Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:
- financial assets are held within a business model aimed at holding financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset cause cash flows that are exclusively payment of principal and interest on the remaining principal amount on certain dates.

Verifying that the contractual terms of a financial asset contain cash flows that are exclusively principal payments and interest on the remaining principal amount on certain dates is done exclusively at the initial recognition of the financial asset.
If the contractual terms of a financial asset change significantly or there is a partial or complete write-off of the contracted cash flows, the financial asset shall cease to be recognised, the new financial asset subject to the retest shall initially be recognised.
The significance of the change in contractual terms is calculated by applying the original effective interest rate to cash flows due to a change in contractual terms. The difference arising from the original contracted cash flows and calculated in this way is recorded in the statement of comprehensive profit if it is insignificant, while the significant one carries out the cessation of recognition as stated above. The company defines the significance of the change in contractual conditions at the qualitative and quantitative level at each change of the terms on a particular contract.

By default, all other financial assets are measured subsequently at fair value through profit or loss.

When initially recognizing financial assets, the company uses the possibility of irrevocable determination of the following:
- The company may irrevocably opt for subsequent changes in the fair value of the investment in equity in other comprehensive profits if certain criteria are met (see (ii) below); and
- The company may irrevocably designate a debt instrument that meets the criterion of measurement at amortised cost, measurement at fair value through profit or loss if this eliminates or significantly reduces accounting mismatch (see (iii) below).

Asset items are classified and measured as shown below:

Description	Classification and measurement
Assets	
Cash and cash equivalents (deposits, commercial papers)	Holding for billing /Depreciated cost
Receivables from customers and other receivables	Holding for billing /Depreciated cost
Other financial assets	Holding for billing /Depreciated cost
Given loans and other receivables	Holding for billing /Depreciated cost
Instruments of ownership	Fair value through profit or loss

2.9. FINANCIAL ASSETS (continued)

(i) Amortised cost and effective interest rate method

The effective interest rate method is a method of calculating the depreciated cost of a debt instrument and distributing interest income over the relevant period.

For financial assets, other than purchased or incurred credit-impaired financial assets (or assets that are credit-impaired at initial recognition), the effective interest rate is the rate that accurately discounts the estimated future cash receipts (including any fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses; through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amounts of the debt instrument at initial recognition. For credit-impaired financial assets purchased or incurred, the effective interest rate aligned with the loan it is calculated by discounting estimated future cash flows, including expected credit losses, to the depreciated cost of the debt instrument at the initial measurement.

The amortised cost of a financial asset is the amount at which a financial instrument is measured at initial recognition minus principal repayments plus cumulative depreciation, using the effective interest rate method of any difference between that initial amount and the amount of maturity adjusted for any loss.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before reconciliation for any loss.

Interest income is recognised using the effective interest rate method for debt instruments that are subsequently measured at amortised cost and at FVOSD. For financial assets, except for purchased or incurred credit-impaired financial assets, interest income shall be calculated by applying an effective interest rate to the gross carrying amount of the financial asset, except for financial assets that later became credit-impaired.

For financial assets that later became credit-impaired, interest income is recognised by applying an effective interest rate to the depreciated cost of the financial asset. If, in subsequent reporting periods, credit risk to a credit-impaired financial instrument improves so that the financial instrument is no longer credit-impaired, interest income shall be recognised by applying an effective interest rate to the gross carrying amount of the financial asset.

For purchased or incurred credit-impaired financial assets, the Company recognises interest income by applying an effective interest rate adjusted by credit risk to the amortised cost of the financial asset at initial recognition. The calculation shall not be returned on a gross basis even if the credit risk of the financial asset is subsequently improved so that the financial asset is no longer credit-impaired.
Interest income is recognized in the profit and loss account and is included in the item "Financing income - interest income" (note 16).

2.9. FINANCIAL ASSETS (continued)

(ii) Financial assets measured at fair value through profit or loss

This category includes financial assets intended for trading. Financial assets are classified in this category if they were acquired primarily for the purpose of selling in the short term. Assets in this category are classified as short-term assets, except for derivative financial instruments.
Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, with all gains or losses at fair value recognised in the statement of comprehensive income. The net profit or loss recognised in profit and loss includes any dividend or interest earned on financial assets and is included in the item other gains and losses (note 14). Fair value shall be determined as described in note 32.

2.10. LEASES

a) The Company is lessor

Assets given under business lease are depreciated over their expected useful life in the same way as other similar assets.

Leases in which the Company is the lessor are classified as business leases. A lease is classified as a financial lease if it transfers to the lessee almost all the risks and benefits associated with ownership of the respective property. All other leases are classified as business leases.

When the Company is an indirect landlord, it calculates the main lease and sublease as two separate contracts. A sublease is classified as a financial or business lease by reference to right-of-use property resulting from the main lease.

Income from rents based on business lease is recognised in a straight line during the period of the lease in question. Initial direct costs incurred at the stage of negotiation and contracting the terms of the business lease are attributed to the carrying amount of the subject matter of the lease and recognized in a straight line during the rental period.
Receivables based on financial leases are recorded as receivables in the amount of the Group's net investment in rent. Financial rental income shall be allocated over accounting periods to reflect a constant periodic rate of return on the open state of the Group's net investment based on leases.

Where the contract includes components relating to the lease and components that are not related to the lease, the Company applies IFRS 15 to the distribution of compensation in accordance with the contract for each component.

2.10. LEASES (continued)

b) The company is a lessee

Right-of-use assets are included in the same item in which the corresponding underlying assets would be shown if they were owned by them, and lease liabilities are expressed under long-term and short-term liabilities to suppliers.

The company assesses whether it is a lease agreement or whether the contract contains a lease, at the beginning of the contract. The Company declares right-of-use assets and its associated lease obligation in respect of all leases in which it is a tenant, except for short-term leases (defined as leases with a duration of 12 months or less) and leases of low value assets (such as tablets and personal computers, office furniture and telephones). For such leases, the Company rectangularly recognizes rental payments as business expenses over the duration of the lease, unless some other systematic basis reflects the timing dynamics of spending the economic benefits of the assets held in the lease.

For the first time, the lease obligation is measured in the amount of the present value of rental payments that have not been settled at the start date, reduced by the use of the rate resulting from the lease. If this rate cannot be determined, the tenant most often uses his borrowing rate. Rental payments covered by the measurement of the rental obligation include:

- fixed rental payments (including lease payments that are essentially fixed), less incentives received for rent;
- variable rental payments that depend on the index or rate, initially measured using the index or rate valid on the start date of the lease;
- the amount expected to be paid by the lessee on the basis of residual guarantees;
- the price of executing the possibility of purchase if it is certain that the lessee will take advantage of this opportunity; and
- payment of lease termination penalties if the rental period reflects that the lessee will take advantage of the possibility of terminating the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on lease liability (using the effective interest method) and by reducing book value to reflect lease payments made.

2.10. LEASES (continued)

The company re-measures the lease liability (and makes appropriate adjustments to the associated right-of-use assets) when:

- the rental period changes or arises a significant event or significant change of circumstances, which results in a change in the assessment of the exercise of the possibility of purchase, in which case the lease obligation is re-measured so that the revised rental payments are discounted using the revised discount rate,
- lease payments change due to changes in the index or rate or a change in the expected payment of the guaranteed residual value, in which case the lease obligation is re-measured by discounting the revised lease payments using unchanged discount rates (unless the change in rental payments is due to a change in variable interest rates, in which case the revised discount rate is applied).
- the lease agreements and the lease change is not calculated as a separate lease, in which case the lease obligation is re-measured on the basis of the modified lease period so that the revised lease payments are discounted using the revised discount rates on the date of the amendment.

The company has not made such adjustments during the periods presented. Right-of-use assets include the initial measurement of the lease liability in question, the lease payment on or before the date of commencement of the lease, minus the incentives received for the conclusion of the business lease and any initial direct costs. They are subsequently measured at a cost less accumulated depreciation and impairment losses.

Where the Company bears the costs of dismantling and removing the assets in the lease, restoring the place where the property is located or returning the underlying assets to the condition required under the terms of the lease, the provision shall be recognised and measured in accordance with IAS 37. Where the costs relate to right-of-use assets, the costs are included in the associated right-of-use assets, unless those costs are incurred when producing stocks.

Right-of-use assets are depreciated through the rental period or lifetime of use, whichever is shorter. If, on the basis of the lease, ownership of the underlying assets is transferred or if the cost of the right-of-use assets reflects that the Company will take advantage of the possibility of purchase, the right-of-use assets are depreciated through the useful life of the underlying asset. Depreciation begins at the start date of the lease.

The Company applies IAS 36 to determine whether the value of the right-of-use asset is impaired or whether any impairment losses have been accrued for it, as described in the "Real Estate, Plant and Equipment" policy.

Variable rents that do not depend on the index or rate are not covered by the measurement of the lease obligation and right-of-use assets. Related payments are recognised as an expense in the period in which the event or condition giving rise to the payments in question arose and are included in 'Other costs' in profit and loss (see Footnote 10).

As a practical solution, IFRS 16 allows the lessee not to separate components that do not relate to the lease and to account for components related to the lease and components that do not relate to the lease as a single component. Society did not use this practical solution. For a contract containing a component relating to the lease and one or more additional components not related to the lease, the Company shall allocate the fee under the contract to each component relating to the lease based on the relative standalone price of that component and the total stand-alone price of non-leased components.

2.11. INVENTORIES

Inventories of raw materials are stated at the lower value between the acquisition cost, which is determined by the weighted average price method, and the net realizable value, whichever is lower, after provisioning for obsolete items. The net realizable value represents the estimate of the selling price in the ordinary course of business less variable selling costs.

The costs incurred by bringing each product to its current location and the balance is calculated as follows:

- raw materials consumption; based on average purchase prices.
- finished products and production in progress include the cost of raw materials, the cost of direct labour, other direct costs and the associated part of general production costs (based on normal regular production capacity), and does not include borrowing costs.

Finished goods in stores are presented at selling price less taxes and margins.

On each day of the balance sheet, a check of damaged and non-compliant inventories are carried out. If necessary, the value of damaged inventories and inventories that have passed the expiration date is value adjusted.

Small inventory, packaging and car tiers in use can be included in the costs when their individual value is lower than 500 euros, and the service life is less than one year by the method of a one-time write-off.

2.12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, current accounts and bank deposits with original contractual maturities of up to three months. Cash equivalents are short-term, highly liquid investments that can be exchanged for a known amount of money and are subject to immaterial risk of change in value and are held for the purpose of meeting short-term cash obligations and not for investment or other purposes.

2.13. SHARE CAPITAL

Ordinary shares are classified as equity. Shares owned by the Company are presented as own shares and are exempted from the equity.

2.14. LOANS

Loans are initially recognised at fair value less transaction costs. In future periods, loans are shown at amortised cost; and any differences between receipts (less transaction costs) and redemption value are recognised in the profit and loss account during the loan life. Borrowing costs that can be directly attributed to the acquisition, construction or production of qualifying assets are an integral part of the cost of that asset. Loans are classified as short-term liabilities, unless the Company has the unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15. DEFERRED AND CURRENT CORPORATE INCOME TAX

The company calculates the tax liability in accordance with Croatian laws and regulations. The tax expense calculated on the result for the year, consists of current tax and deferred tax. Current tax represents the expected tax liability calculated on the taxable amount of profit for the business year, using the tax rate valid on the reporting date and all adjustments of the tax liability from previous periods.

The amount of deferred tax is calculated using the balance sheet method, on temporary differences between the tax base of assets and liabilities and their carrying amount in the financial statements. However, deferred tax is not recognised if it results from the initial recognition of assets or liabilities in a transaction other than a business merger that does not affect accounting profit or taxable profit (tax loss) at the time of the transaction.

2.16. EMPLOYEE BENEFITS

a) Liabilities for pensions and other liabilities after retirement

In the course of regular business, when paying salaries of the Company on behalf of its employees who are members of mandatory pension funds, it makes regular payments of contributions in accordance with the law. Mandatory pension contributions to funds are reported as part of the cost of salaries when accounted for. The Company's liability ceases at the time when the contributions are settled. The company does not have an additional pension plan and therefore has no other liabilities regarding employee pensions. Furthermore, the Company is under no obligation to provide any other employee benefits after their retirement.

2.16. EMPLOYEE BENEFITS (continued)

b) Severance pay

Severance liabilities are recognised when the Company terminates an employee's employment before the normal retirement date or by the employee's decision to voluntarily accept the termination of employment in exchange for compensation. The Company recognizes severance pay liabilities when it has demonstrably assumed the obligation to terminate employment with current employees.

c) Short-term employee benefits

The Company recognises the provision for bonuses when there is a contractual obligation or practice from the past on the basis of which the derived obligation arose. The reservation is also recognised for unused vacations in the amount expected to be paid as a short-term obligation if the Company has a current legal or derivative obligation to pay this amount as a result of the service performed in the past by the employee and if the obligation can be measured reliably.

d) Other employee benefits

Liabilities based on other long-term employee benefits, such as jubilee awards and legal severance pay, are reported in the net amount of the present value of the defined benefit obligation at the reporting date. The projected credit unit method is used to calculate the present value of the liability. Corresponding losses or repeated valuation gains are recognised immediately in the profit or loss statement, except for actuarial gains and losses on repeated valuation of defined employee benefit liabilities recognised in the statement of other comprehensive income as items that will not carry over into profit or loss in subsequent periods.

2.17. PROVISIONS

Provisions for guarantee costs and litigation are recognised if the Company has a present legal or derivative obligation as a result of a past event, if an outflow of resources is likely to be required to settle the obligation, and if the amount of the obligation can be reliably estimated.
Provisions are measured at the present value of the costs expected to be required to meet the obligation, using a pre-tax discount rate, which reflects current market estimates of the time value of money as well as risks specific to that obligation. The amount of provisioning is increased in each period to reflect the elapsed time.

2.18. REVENUE RECOGNITION

Revenue is recognised as the amount of the transaction price, where the transaction price is the amount of compensation to which the Company expects to be entitled in exchange for the transfer of promised goods or services to the customer, excluding amounts charged on behalf of third parties. The company recognizes revenue when it transfers control of a product or service to the customer.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is presented net of value-added tax, rebates and discounts that are an integral part of contracts with customers. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. Revenue is recognised as follows:

a) Revenues from the sale of products and goods

Revenue is recognized when delivery liabilities are met by transferring control of the promised products and goods or service to the customer. Control over products and the goods (e.g. the sale of equipment) is transferred when the products and the goods are delivered to the customer, the buyer has the goods fully disposed of and there is no outstanding obligation that could affect the buyer's acceptance of the goods. The delivery was carried out when the products and the goods were shipped to a specific location, and the risks of obsolescence and loss were transferred to the buyer. Control over the goods is usually transferred at a certain point.

Revenues from the sale of products and goods largely comprise revenues from the sale of flour, bread, rolls, biscuits, waffles, pasta, porridges, edible oils. Revenues from the sale of products and goods are recognized at the time of sale of the goods to the customer. Standard payment terms range from 30 to 60 days.

b) Revenue from services

Revenue from services is recognised in the period in which the services were performed. If the realisation of the service extends to more than one period, the input method (based on the costs incurred) and the output method (based on the units/jobs delivered) are used to measure progress until final execution. The services provided by the Company to the greatest extent include transport and rental services.

c) Interest Income

Interest income is recognised on a time-proportional basis using the effective interest rate method.

d) Dividend income

Dividend income is recognised when the right to pay dividends has been established.

2.19. DISTRIBUTION OF DIVIDENDS

The distribution of dividends to the shareholders of the Company is recognized as an obligation in the financial statements in the period in which they were approved by the General Assembly of shareholders of the Company.

NOTE 3 - KEY ACCOUNTING ESTIMATES

Estimates are continuously evaluated and based on experience and other factors, including expectations of future events that are considered acceptable under existing circumstances. Company makes estimates and makes assumptions related to the future. The resulting accounting estimates are, by definition, in rare cases equated with actual results. The following are estimates and assumptions that could cause a significant risk of adjusting the carrying amounts of assets and liabilities in the next financial year.

a) Impairment of non-financial assets

Depreciable assets are reviewed for impairment when events or changed circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of the asset's fair value less costs to sell or the asset's value in use.

Recoverable amount and fair value are usually determined using a discounted cash flow method that incorporates reasonable market assumptions.

Impairment is based on many factors such as changes in market conditions, increases in the cost of capital, changes in future financing options, technological obsolescence, replacement costs, amounts paid in comparable transactions and other changes in circumstances that indicate the existence of an impairment.

An impairment loss is recognized as the difference between the asset's book value and its recoverable amount. For the purpose of impairment assessment, assets are grouped at the lowest level to determine cash flow (cash generating units) individually.

Non-financial assets, except for goodwill, for which an impairment loss has been reported, are checked at each reporting date for possible reversal of the impairment.

Determining impairment (correction) of assets involves the use of estimates that contain but are not limited to the causes, moment and amount of impairment. Impairment is based on many factors such as changing market conditions, increasing capital costs, changes in future financing opportunities, technological obsolescence, swap costs, amounts paid in comparable transactions and other changes in circumstances indicating impairment. Recoverable amount and fair values are usually determined by a discounted cash flow method that contains reasonable market assumptions. Determining impairment indicators, as well as assessing future cash flows and determining the fair value of assets (or groups of assets) requires management to make significant assessments when identifying and valuing impairment indicators, expected cash flows, applicable discount rates, useful lifetimes of use and residuals. For details, see Notes 15, 20 and 23.

b) Useful life of the property, plant and equipment

The determination of the useful life of an asset is based on historical experience with similar assets, as well as anticipated technological developments and changes in broader economic and industrial factors. The adequacy of the estimated useful life shall be considered annually, or whenever there is an indication of significant changes in assumptions. We believe that this is an important accounting assessment, since it includes assumptions about technological developments and depends significantly on the Investment Plans of the Company. For details, see Notes 18 and 19.

c) Impairment of investment in subsidiaries

The company performs an impairment test for investments in subsidiaries when events or changed circumstances occur that indicate that the book value of the investments is not recoverable. Recoverable amounts of money-generating units are determined on the basis of fair value minus sales costs. These calculations require the use of estimates. For details, see Note 20.

NOTE 3 - KEY ACCOUNTING ESTIMATES (continued)

d) Expected credit loss model

The assessment of future expected credit losses, i.e. the correction of the value of financial instruments due to them, is carried out based on the average write-off rate in previous years and its application to uncorrected financial assets, which are measured at amortized cost on the reporting date.

The company uses a simplified approach to the allocation of receivables in Level 2 (difficult collectability) and Level 3 (questionable collectability) according to the requirements of IFRS 9.
Receivables overdue for more than 365 days are allocated to Level 3. The Company uses the general approach for granted loans.

If not collected earlier, all claims are settled within one year from the due date. The analysis of receivables and the associated value adjustment showed a significant collection of receivables in the first year from the due date and in the following two years through lawsuits. Historically speaking, the above trends are stable and there are no known facts or indications that the trend will change in future periods.

After the complaint and the existence of objective evidence of impaired value based on one or more events that indicate to the Management that the contracted cash flows will not be able to be collected, the value of the specified financial asset is adjusted, in an amount that reflects the specified parameters. The decision on alignment is made by the Company's Management Board. For details see Notes 11, 20, 23, 24 and 25.

NOTE 3.1. – RESTATEMENTS OF THE PREVIOUS PERIOD

The Company has reclassified other business income related to re-invoicing costs and other business income from value adjustments for the year 2023 and the corresponding comparative data in the year 2022. The reason for restatement is correction of the previous year errors.

In order to achieve an appropriate presentation in accordance with IFRS, the Company decided to revise the opening balances related to approvals to customers and related parties, reductions in the amount of other business income, and liabilities to suppliers and related parties.

Statement of comprehensive income (in eur)	**31.12.2022.** Before restatement	Restatement	**31.12.2022.** After restatement
Other revenue	405,707	(112,868)	292,838
Other revenue with entrepreneurs within the Group	59,773	(59,393)	380
Revenue from collected and reversed value adjustment of receivables	38,953	(38,953)	0
Other business revenue	27,967	(14,522)	13,445
Costs of raw materials	20,371,145	(73,915)	20,297,230
Costs of Value Adjustments	83,496	(38,953)	44,543
Profit before tax	**3,064,076**	**-**	**3,064,076**

Statement of financial position (in eur)	**31.12.2022.** Before restatement	Restatement	**31.12.2022.** After restatement
Current assets	19,164,008	(216,374)	18,947,635
Trade receivables	4,265,324	(96,190)	4,169,134
Receivables from entrepreneurs within the Group	1,248,489	(120,183)	1,128,306
Total assets	**36,143,638**	**(216,373)**	**35,927,265**
Current liabilities	**8,133,637**	**(216,373)**	**7,917,264**
Trade payables	1,482,589	(96,190)	1,386,399
Payables to entrepreneurs within the Group	268,183	(120,183)	148,000
Total equity and liabilities	**36,143,638**	**(216,373)**	**35,927,265**

NOTE 4 – SALES REVENUE WITH ENTREPRENEURS WITHIN THE GROUP

Sales revenues with entrepreneurs within the group by revenue types

(in euros)	2023.	2022.
Revenue from the sale of products	5,925,126	5,893,486
Revenues from transport services	60,888	56,181
Revenues from the sale of goods	360,035	251,091
Revenue from leases /i/	701,219	699,319
Sales revenue with entrepreneurs within the group	**7,047,268**	**6,900,077**

/i/ Lease revenue

These revenues were mostly related to the lease of real estate to the subsidiaries Trgovina Krk Inc. Malinska and Trgostil Inc. Donja Stubica (until the date of merger to the Trgovina Krk Inc. 3.10.2022.).

NOTE 5 – SALES REVENUE (outside the group)

(in euros)	2023.	2022.
Revenue from sales in the country /i/	19,720,618	22,120,690
Revenues from sales abroad /ii/	1,774,392	1,455,403
Total sales revenue	**21,495,010**	**23,576,093**

/i/ Sales revenue in the country by type of revenue

(in euros)	2023.	2022.
Revenue from the sale of products	19,170,079	21,620,270
Revenues from the sale of goods	404,708	330,702
Revenues from transport services	83,149	112,691
Lease revenue	62,682	57,027
Total sales revenue in the country	**19,720,618**	**22,120,690**

/ii/ Revenues from sales abroad by country

(in euros)	2023.	2022.
Sales revenues - Slovenia	1,343,082	670,367
Sales revenue - BiH	363,082	718,118
Sales revenues - Kosovo	30,876	-
Sales revenue - Germany	21,293	29,084
Sales revenue - Hungary	553	29,433
Sales revenue - other	15,506	8,401
Total revenues from sales abroad	**1,774,392**	**1,455,403**

NOTE 6 – OTHER OPERATING INCOME

(in euros)	2023.	2022.
Revenues based on the use of the own products, goods and services	19,508	25,070
Other business income with entrepreneurs within the group	5,009	380
State aid revenues and proceeds from donations, awards, subsidies, grants and assistance	7,051	1,942
Proceeds from the sale of fixed assets	37,924	51,011
Surplus revenues	9,658	7,762
Revenues from collected and reversed value adjusted receivables	14,758	-
Revenue from the sale of raw materials, spare parts, small inventory, packaging and car tyres	1,863	3,247
Revenues from past years	-	2,971
Revenues from the reversal of provisions for severance pay and jubilee awards	-	3,630
Revenues from the reversal of provisions for unused vacations days	14,736	15,760
Income from compensation for damages from insurance companies	55,639	167,621
Other operating revenues	18,022	13,444
Total other operating revenue	**184,168**	**292,838**

/i/ Revenue from the reversal of provision for unused vacation days

	2023.	2022.
As at January 1 (unused vacation)	**117,902**	**133,662**
Income from the cancellation of provisions for unused vacation	(14,736)	(15,760)
As at December 31	**103,166**	**117,902**

NOTE 7 – CHANGE IN THE VALUE OF INVENTORY OF PRODUCTION IN PROGRESS AND FINISHED PRODUCTS

Changes in the value of inventories of unfinished production and finished products as at 31 December compared to 1 January of the current year affect costs by retaining part of the costs of the current year in the amount of inventory value increases, while the decrease in the value of inventories increases the cost of the period. These inventories in 2023 decreased by 119,260 euros (in 2022 they increased by 46,474 euros). Furthermore, the position of change in the value of inventories was corrected by the amount of surpluses on production and finished products in the amount of EUR 4,548 (2022: EUR 4,501), and production and finished products shortfalls in the amount of EUR 24,877 (2022: EUR 14,867), which were expressed within other operating income or expenditures.

NOTE 8 – MATERIAL COSTS

(in euros)	2023.	2022.
Costs of raw material and energy /i/	18,458,982	20,297,230
Cost of goods sold	577,810	457,571
Other external costs /ii/	1,955,911	2,064,594
Total material costs	**20,992,704**	**22,819,395**

/i/ Costs of raw materials and materials and energy

(in euros)	2023.	2022.
Cost of raw materials	16,206,266	18,171,537
Packaging costs	916,823	790,236
Energy consumption costs	1,281,245	1,277,729
Spare parts and small inventory	54,648	57,728
Total raw material and material costs	**18,458,982**	**20,297,230**

/ii/ Other external costs

(in euros)	2023.	2022.
The cost of telephone, internet, transportation, etc.	483,080	446,228
Costs of promotion, propaganda, advertising, sponsorship, fairs	464,019	440,376
Intellectual and personal services /i/	266,238	627,002
Maintenance services	259,548	231,953
Utilities and other services	157,394	132,508
Leases and rents	127,026	52,070
Costs of registration of means of transport, mediation and commercial services	20,515	21,624
Product development services	9,161	7,191
Service of assignment of agency workers	65,550	-
Student services	8,135	7,904
Other services /ii/	95,245	97,738
Total other external costs	**1,955,911**	**2,064,594**

NOTE 8 – MATERIAL COSTS (continued)

/i/ Intellectual and personal services

Within the cost of intellectual and personal services, the costs of the audit of the company's financial statements and other services provided by the auditor in 2023 in the form of an ISAE 3000 (R) assurance report of the report on management receipts in the total amount of 20,880 euros are shown. The audit of individual and consolidated financial statements for 2023 was contracted in the amount of 36,000 euros (2022: 32,506 euros). Other costs refer to the cost of maintaining the IT system and intellectual services related to the projects of potential acquisitions.

/ii/ Other services

Other services also include the cost of service packaging of goods and products in the amount of EUR 10,594 (2022: EUR 28,179), ongoing occupational safety services in the amount of EUR 10,761 (2022: EUR 6,652), English translation services for foreign workers in the amount of EUR 3,239, and other services (parking, cleaning...) in the amount of EUR 70,651 (2022: 62,907 euros).

NOTE 9 – STAFF COSTS

(in euros)	2023.	2022.
Net salaries and wages	2,607,007	2,319,310
Costs of taxes and contributions from salaries	1,013,149	846,087
Contributions to salaries	573,651	494,234
Total staff costs	**4,193,807**	**3,659,631**

As of December 31, 2023, the Company had 205 employees (in 2022: 210).

NOTE 10 – OTHER COSTS

(in euros)	2023.	2022.
Rewards and gifts to employees	482,014	373,199
Employees' extras and allowances	208,806	196,276
Insurance premiums	110,208	88,888
Compensation to members of the Supervisory Board and other income (gross)	60,717	76,717
Contributions to water management, forests and monument annuity	51,829	52,422
Banking services and commissions	24,573	25,237
Contributions and membership fees of the Croatian Chamber of Economy, Croatian Chamber of Trades and Crafts, tourist boards, etc.	17,907	17,470
Representation and promotion	12,743	14,430
The cost of medical examinations of employees	11,396	9,166
Costs for manuals, journals, professional literature, official gazettes	1,597	10,835
Expenses for business trips	9,003	9,079
Court costs, fees and costs of admonitions	3,052	285
Costs of general and special education and training of employees	4,682	2,158
Other operating expenses /i/	61,450	50,390
Total other costs	**1,059,977**	**926,552**

/i/ Other operating expenses

Other operating costs mostly include expenditure spending on health surveillance and product inspections, environmental costs, and other costs.

NOTE 11 - VALUE ADJUSTMENTS

The costs of value adjustment of short-term assets consist of value adjustments based on the value adjustments of receivables from customers for delivered goods and services, for which there is a probability that they will not be charged (which also include general provisions for anticipated future corrections in accordance with IFRS 9 - note 25), and other value adjustments for claims that have been settled or reported in pre-bankruptcy and bankruptcy procedures, and written off as uncollectible claims. In 2023, costs were calculated for adjustments to the value of short-term assets in the amount of 4,095 euros (in 2022: 83,496 euros), a previously adjusted value of 18,854 euros (2022: 38,953 euros) was charged, of which the position of value adjustments of receivables from customers relates to the amount of 14,759 euros (in 2022: -44,541 euros).

NOTE 12 – PROVISIONS

(in euros)	2023.	2022.
Provisions for severance pay and jubilee awards	88,881	-
Total bookings	**88,881**	**-**

/i/ The Company recognizes provisioning for unused vacation days on the net principle as a difference in the initial and final balance of liabilities with the recording of the difference within income or expenses. In 2023, revenues of EUR 14,736 were recognised under other revenues (eur 15,760 in revenue was generated in 2022). The provision is recognised for unused annual vacation days, because the Company has a current legal or derivative obligation to pay this amount for 9,514 hours (in 2022: 12,034 hours) of unused annual leave resulting from the service performed in the past by the employee and the obligation can be reliably measured.

NOTE 13 - OTHER OPERATING EXPENSES

(in euros)	2023.	2022.
Purchase value of raw materials sold, cessation of recognition of long-term tangible assets	854	10
Scarp, scattering, malfunction and breakage, write-offs and shortages of short-term mat. property	33,678	17,985
Fines, penalties, compensation, etc.	13,166	-
Subsequently determined expenditures from previous years /i/	21	2,190
Other business expenses	4,112	1,144
Total other business expenses	**51,831**	**21,329**

NOTE 14 – FINANCIAL INCOME

(in euros)	2023.	2022.
Income from investments in subsidiaries /i/	-	794,466
Income from other long-term financial investments and loans	66,476	7,071
Exchange rate differences and other financial income	85	9,321
Other financial income /ii/	4,479	4,160
Total financial income	**71,040**	**815,018**

/i/ Income from investments in subsidiaries

In 2022, a dividend payment (note 32) was made by subsidiaries in the amount of EUR 794,466. In 2023, there was no dividend payment by subsidiaries.

/ii/ Other financial income

Other financial income in 2023 and 2022 includes dividend income from shares reported within short-term financial assets at fair value through profit and loss account.

NOTE 15 – FINANCIAL COSTS

(in euros)	2023.	2022.
Interest-based costs and similar costs with entrepreneurs within the group /i/	64,932	60,004
Interest-based costs and similar costs	2,074	10,211
Exchange rate differences and other costs	1,065	11,668
Unrealized losses (expenses) on financial assets	19,465	-
Other financial costs	-	1,324
Total financial costs	**87,536**	**83,207**

/i/ Interest-based costs and similar costs with entrepreneurs within the group

The company received loans in total EUR 5,308,912 from its subsidiaries Trgostil Inc. and Trgovina Krk Inc., which were used to finance the purchase of wheat in 2022 and to pay dividends to shareholders. The loans were fully repaid in 2023. Loans were subject to a statutory interest rate of 2.40% between related persons (2022: 2.68%).

NOTE 16 – INCOME TAX EXPENSE

(in euros)	2023.	2022.
Current tax	217,973	29,047
Cost/(income) of deferred tax	(28,535)	40,088
Total	**189,438**	**69,135**

(in euros)	2023.	2022.
Profit or loss before tax	**1,045,862**	**3,064,076**
Tax calculated at the rate of 18%	188,255	551,534
Taxable expenditure	185,095	19,912
Tax taxable expenses	33,317	3,584
Tax-free income and incentives	19,993	2,922,616
Tax tax-free income and incentives	(3,599)	(526,071)
Income tax or loss from business	**217,973**	**29,047**
Effective tax rate	20.84%	0.95%
Cost/(income) of deferred tax	(28,535)	40,088
Profit or loss of financial year	**856,424**	**2,994,941**

The most significant part of the reduction of the tax base relates to the abolition of part of the provision under IFRS 9 in the amount of EUR 10,358 (2022: EUR 24,946), and to state aid for education and training and dividend income. In accordance with local regulations, the Tax Administration may review the Company's books and records at any time, and may impose additional tax liabilities and penalties.

NOTE 17 - EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the Company's net profit by the weighted average number of ordinary shares.

(in euros)	2023.	2022.
Company net profit	856,424	2,994,941
Average weighted number of ordinary shares	10,290,000	10,290,000
Basic earnings per share (in euros)	**0.08**	**0.29**

NOTE 18 – PROPERTY, PLANT AND EQUIPMENT

Purchase value	**31.12.2021.**	New Purchase	Transfer	Disposal and Sales	**31.12.2022.**
Land	843,836	119,061	-	-	962,897
Buildings	8,405,597	313,615	-	-	8,719,212
Plant and equipment	16,958,851	497,824	-	(125,482)	17,331,193
Tools, plant inventory and transport assets	1,759,626	245,697	-	(94,935)	1,910,388
Tangible assets in preparation and advances	373,064	-	--	-	373,064
Total purchase value	**28,340,974**	**1,176,197**		**(220,417)**	**29,296,754**
Value adjustment	**31.12.2021.**	Calculate depreciation	Transfer	Disposal and Sales	**31.12.2022.**
Buildings	6,707,016	254,208	-	-	6,961,224
Plant and equipment	16,097,031	425,992	-	(123,322)	16,399,701
Tools, plant inventory and transport assets	1,529,983	107,819	-	(94,936)	1,542,866
Total value adjustment	**24,334,030**	**788,019**	-	**(218,258)**	**24,903,791**
Book value	**31.12.2021.**				**31.12.2022.**
Land	843,836				962,897
Buildings	1,698,581				1,757,989
Plant and equipment	861,820				1,114,194
Tools, plant inventory and transport assets	229,644				367,521
Tangible assets in preparation and advances	373,064				190,362
Total book value	**4,006,945**				**4,392,963**

NOTE 19 – PROPERTY, PLANT AND EQUIPMENT (continued)

Purchase value	**31.12.2022.**	New Purchase	Transfer	Disposal and Sales	**31.12.2023.**
Land	962,897	-	-	-	962,897
Buildings	8,719,212	9,378	(43,549)	-	8,685,042
Plant and equipment	17,513,895	122,227	-	(60,266)	17,575,856
Tools, plant inventory and transport assets	1,910,388	257,909	-	(370,303)	1,797,994
Tangible assets in preparation and advances	190,362	23,303	-	-	213,665
Total purchase value	**29,296,754**	**412,817**	**(43,549)**	**(430,569)**	**29,235,454**
Value adjustment	**31.12.2022.**	Calculate depreciation	Transfer	Disposal and Sales	**31.12.2023.**
Buildings	6,961,224	266,367	-	-	7,227,591
Plant and equipment	16,399,701	543,222	-	(60,237)	16,882,685
Tools, plant inventory and transport assets	1,542,867	151,174	-	(370,303)	1,323,738
Total value adjustment	**24,903,792**	**960,763**	**-**	**(430,540)**	**25,434,014**
Book value	**31.12.2022.**				**31.12.2023.**
Land	962,897				962,897
Buildings	1,757,989				1,457,450
Plant and equipment	1,114,194				693,171
Tools, plant inventory and transport assets	367,521				474,256
Tangible assets in preparation and advances	190,362				213,665
Total book value	**4,392,963**				**3,801,439**

The most significant change in 2023, in terms of material assets, was the acquisition of freight vehicles, temperature sensors for mill rollers, and the construction of a flat roof at the central warehouse at Žrtava fašizma 2a.

As of December 31, 2023 and as of December 31, 2022, the Company has no pledged tangible assets as a means of securing loan repayment.

The book value of temporarily unused property, plant and equipment as of December 31, 2023 is EUR 825,063 (December 31, 2022 EUR 1,162,371).
The purchase value of fully depreciated property, plant and equipment that is still in use as of December 31, 2023 is EUR 23,146,063 (December 31, 2022 EUR 23,145,522).

NOTE 19 –RIGHT OF USE ASSETS

Purchase value	**31.12.2021.**	New Purchase	Transfer	Disposal and Sales	**31.12.2022.**
Buildings	156,569	2,345	-	(158,914)	-
Tools, plant inventory and transport assets	165,441	-	-	-	165,441
Total purchase value	**322,010**	**2,345**	**-**	**(158,914)**	**165,441**
Value adjustment	**31.12.2021.**	Calculate depreciation	Transfer	Disposal and Sales	**31.12.2022.**
Buildings	78,285	80,629	-	(158,914)	-
Tools, plant inventory and transport assets	81,414	44,801	-	-	126,215
Total value adjustment	**159,699**	**125,430**	**-**	**(158,914)**	**126,215**
Book value	**31.12.2021.**				**31.12.2022.**
Buildings	78,285				-
Tools, plant inventory and transport assets	84,027				39,226
Total book value	**162,312**				**39,226**

Purchase value	**31.12.2022.**	New Purchase	Transfer	Disposal and Sales	**31.12.2023.**
Tools, plant inventory and transport assets	165,441	-	-	(120,524)	44,917
Total purchase value	**165.441**	**-**	**-**	**(120.524)**	**44.917**
Value adjustment	**31.12.2022.**	Calculate depreciation	Transfer	Disposal and Sales	**31.12.2023.**
Tools, plant inventory and transport assets	126,215	36,654	-	(120,524)	42,345
Total value adjustment	**126,215**	**36,654**	**-**	**(120,524)**	**42,345**
Book value	**31.12.2022.**				**31.12.2023.**
Tools, plant inventory and transport assets	39,226				2,572
Total book value	**39,226**				**2,572**

NOTE 19a – INVESTMENT PROPERTY

Purchase value	31.12.2021.	New Purchase	Transfer	Disposal and Sales	31.12.2022.
Land	1,996,362	-	-	(20,486)	1,975,876
Buildings	14,794,529	432,308	-	(280,140)	14,946,697
Total purchase value	**16,790,891**	**432,308**	-	**(300,626)**	**16,922,573**
Value adjustment	**31.12.2021.**	Calculate depreciation	Transfer	Disposal and Sales	**31.12.2022.**
Buildings	14,091,320	108,319	-	(280,139)	13,919,500
Total value adjustment	**14,091,320**	**108,319**	-	**(280,139)**	**13,919,500**
Book value	**31,12,2021,**				**31,12,2022,**
Total book value	**2,699,571**				**3,003,073**

Purchase value	31.12.2022.	New Purchase	Transfer	Disposal and Sales	31.12.2023.
Land	1,975,876				1,975,876
Buildings	14,946,697	78,769	43,549		15,069,015
Total purchase value	**16,922,573**	**78,769**	**43,549**	-	**17,044,891**
Value adjustment	**31.12.2022.**	Calculate depreciation	Transfer	Disposal and Sales	**31.12.2023.**
Buildings	13,919,500	179,612			14,099,112
Total value adjustment	**13,919,500**	**179,612**	-	-	**14,099,112**
Book value	**31,12,2022,**				**31,12,2023,**
In total	3,003,073				2,945,779
Total book value	**3,003,073**				**2,945,779**

The Company estimates the fair value of real estate investments using data from Level 3, in accordance with IFRS 13: Fair Value Measurement. The company uses the income approach when calculating the fair value of investments in real estate, the estimated fair value of investments in real estate is EUR 8,214,210 (2022: EUR 7,844,055).

NOTE 20 – NON-CURRENT FINANCIAL ASSETS

(in euros)	2023.	2022.
Investments in subsidiaries /i/	10,537,303	9,420,011
Loans, deposits, etc. /ii/	-	27,284
Other financial assets /	557	557
Total financial assets	**10,537,860**	**9,447,852**

/i/ Investments in subsidiaries

Within the position of investment in subsidiaries, within 2023, the process of squeezing out minority shareholders in Trgovina Krk Inc. for the acquisition of 100% of the total value of the share capital of that company was completed.

(in euros)	2023.	2022.
Investments in subsidiaries	10,537,303	9,420,011
Value adjustment	-	-
Total investments in subsidiaries	**10,537,303**	**9,420,011**

The annual report presents an overview of the affiliated companies of the parent company Čakovečki mlinovi Inc. on December 31, 2023.

/ii/ Loans, deposits, etc.

The amount of EUR 27,285 presented in this position in previous years and refers to the deposit given to the leasing company related to the operating leasing of a personal vehicle, was returned to the Company during 2023.

NOTE 21 – DEFERRED TAX ASSETS

In this position, the effects of temporary tax differences on expenditures that were not tax deductible and increased the tax base were shown. It consists of EUR 118,198 (2022: EUR 89,663) on the basis of unrealised loss from fair valuation of shares and value adjustments, provisions for pensions and severance pay, value adjustment of claims on customers, and tax-unrecognised depreciation.

(in euros)	2023.	2022.
Basis of recognition		
Liabilities based on employee benefits (jubilee and severance pay)	65,016	49,018
Valuation of financial assets (shares)	38,885	35,381
Trade receivables Value Adjustment	3,400	5,264
Tax-unrecognized depreciation	10,897	-
Total deferred tax assets	**118,198**	**89,663**

Deferred tax assets	**2023.**	**2022.**
Balance on January 1 2023	**89,663**	**129,751**
Obligations based on employee benefits (jubilee and severance pay)	49,018	49,671
Valuation of financial assets	35,381	70,325
Trade receivables Value Adjustment	5,264	9,755
Recognized through P&L	**28,535**	**(40,088)**
Obligations based on employee benefits (jubilee and severance pay)	15,998	(653)
Valuation of financial assets	3,504	(34,944)
Trade receivables Value Adjustment	(1,864)	(4,490)
Tax-deductible depreciation	10,898	-
Balance as of December 31 2023	**118,198**	**89,663**
Liabilities based on employee benefits (jubilee and severance pay)	65,016	49,018
Valuation of financial assets	38,885	35,381
Trade receivables Value Adjustment	3,400	5,264
Tax-deductible depreciation	10,898	-
Balance as of December 31 2023	**118,198**	**89,663**

NOTE 22 – INVENTORIES

(in euros)	2023.	2022.
Raw materials	3,246,507	8,580,309
Finished product	614,461	733,721
Commercial goods	33,793	111,402
Total Inventory	**3,894,761**	**9,425,432**

NOTE 23 – TRADE RECEIVABLES AND OTHER RECEIVABLES

(in euros)	2023.	2022.
Receivables from entrepreneurs within the group /i/	904,269	1,128,306
Trade receivables /ii/	3,007,489	4,169,134
Receivables from State and other institutions /iii/	12,829	67,037
Other receivables /iv/	20,025	29,154
Total Receivables	**3,944,612**	**5,393,631**

/i/ Receivables from entrepreneurs within the group

(in euros)	2023.	2022.
Receivables from entrepreneurs within the group	963,539	1,187,576
Value Adjustment	(59,270)	(59,270)
Total receivables from entrepreneurs within the group	**904,269**	**1,128,306**

Receivables from entrepreneurs within the group relate to receivables on business relations of delivery of goods and services to affiliated companies Trgovina Krk Inc. Malinska, Radnik Opatija Inc. Lovran, Trgocentar Inc. Virovitica. The balance sheet for 2023 showed a value adjustment of receivables from entrepreneurs within the group in the amount of EUR 59,270 (2022: EUR 59,270), of which there were no corrections due to the results of the current year.

/ii/ Trade receivables

(in euros)	2023.	2022.
Domestic trade receivables	3,183,651	4,298,463
Value adjustment of receivables and disputed receivables against customers	(313,853)	(327,264)
Abroad trade receivables	137,691	197,935
Total receivables from customers	**3,007,489**	**4,169,134**

Trade receivables are expressed in the amount of net invoiced value adjusted for expected credit losses. The balance sheet for 2023 showed an adjustment in the value of claims against customers in the amount of EUR 313,853 (2022: EUR 327,264), of which EUR 4,095 (2022: EUR 83,496) was deducted.

Trade receivables by region	**2023.**	**2022.**
Domestic	3,774,067	5,099,505
Foreign	137,691	197,935
Total trade receivables by region	**3,911,758**	**5,297,440**

/ii/ Trade receivables (continued)

The age structure of trade receivables at the reporting date was as follows:

	Gross 31.12.2023.	Impairment 12/31/2023	Gross 31.12.2022.	Impairment 12/31/2022
Overdue	3,447,567	(6,439)	3,990,006	(16,689)
Due to 30 days	247,350	(1,568)	989,661	(70,518)
31-90 days	131,692	(3,020)	390,396	(19,943)
Over 90 days	458,272	(362,096)	313,912	(279,385)
Total Gross	**4,284,881**	**(373,123)**	**5,683,975**	**(386,535)**

The movement of impairment of trade receivables throughout the year was as follows:

	2023.	2022.
January 1 according to IFRS 9	**386,535**	**1,166,891**
Impairment Cost/(Disposal) (footnote 14)	4,095	83,496
Posting	(9,011)	(833,415)
Suspicious claims collected	(8,496)	(30,437)
Status of December 31	**373,123**	**386,535**

/iii/ Receivables from the state and other institutions

Within the framework of receivables from the state and other institutions, receivables for salary compensation from the Croatian Health Insurance Fund and the health fund were presented, as well as receivables for a higher paid membership fee to the tourist board and a higher paid contribution for general useful forest functions.

/iv/ Other receivables

Within other receivables, receivables for given advances, surcharge of ETC devices, interest on deposits in banks, and other receivables in the form of pre-paid costs related to 2023 were reported.

NOTE 24 – CURRENT FINANCIAL ASSETS

(in euros)	2023.	2022.
Investments in securities /ii/	38,380	57,845
Loans, deposits etc. /iii/	65,291	3,711,631
Total current financial assets	**103,671**	**3,769,476**

/i/ Loans, deposits and the similar to entrepreneurs within the group

(in euros)	2023.	2022.
Loans, deposits and the like to entrepreneurs within the group	-	3,031,500
Value adjustment	-	(3,031,500)
Total loans, deposits and the similar to entrepreneurs within the group	-	-

The position given loans, deposits and the similar to entrepreneurs within the group refers to loans made to the subsidiary company Trgocentar Inc. Virovitica, which are fully value-adjusted. Loans to Vražap d.o.o. in bankruptcy Zadar in which the company had a 100% share in the share capital and which was fully value-adjusted in earlier periods were recorded at the end of bankruptcy proceedings.

/ii/ Investments in securities

The investment position in securities refers to the investment in shares intended for trading that are recorded by the fair value method. The gain or loss arising from a change in the fair value of a financial asset is recognised in the current year's profit and loss account.

/iii/ Loans, deposits etc.

Within this position, in 2022, short-term revolving deposits with Erste Bank and Zagrebačka banka amounting to EUR 3,705,000 were mostly reported. In 2023, deposits were contracted with a maturity of less than three months, and were shown within note 27 (Cash and cash equivalents). The remainder of the amount, in both years, relates to receivables on given deposits.

NOTE 25 – CASH AND CASH EQUIVALENTS

(in euros)	2023.	2022.
Giro account and cash register	13,588	324,272
Deposits with a maturity of less than three months	5,370,777	-
Foreign currency account	-	34,825
Total cash	**5,384,365**	**359,097**

NOTE 26 – CAPITAL AND RESERVES

(in euros)	2023.	2022.
Share capital /i/	13,657,177	13,657,177
Profit reserves /ii/	3,131,511	3,131,511
Retained earnings /iii/	10,905,887	7,910,946
Profit of business year	856,424	2,994,941
Total capital and reserves	**28,550,999**	**27,694,575**

/i/ Share capital

The share capital of the Company as at 31 December 2023 is EUR 13,657,177 (2022: EUR 13,657,177) and is divided into 10,290,000 shares (2022: 10,290,000 shares) without nominal value.

/ii/ Profit reserves

The legal reserve is formed in accordance with Croatian regulations according to which the Company is obliged to enter the twentieth part (5%) of the current year's profit in the legal reserves, until these reserves together with capital gains reach the amount of five percent (5%) of the share capital. This reserve is not distributable.
Other reserves were created during the privatization of the Company and are the result of the difference in exchange rates on the day of the decision on privatization and denomination of the Company's capital from the originally nominated value in German marks to Croatian kuna.

(in euros)	2023.	2022.
Legal reserves	682,859	682,859
Other reserves	2,448,652	2,448,652
Total profit reserves	**3,131,511**	**3,131,511**

/iii/ Retained earnings or transferred loss

Based on the decision of the General Assembly of the Company, in 2022 a dividend was paid from the profit in the total amount of 6,828,588 euros, while in 2023 there was no dividend payment.
Based on the decision of the General Assembly of the Company held on August 30, 2023, the Company's net profit of EUR 2,994,941 was allocated to retained earnings.

NOTE 27 – PROVISIONS

(in euros)	2023.	2022.
Provisions for pensions, severance pay and similar liabilities /i/	361,200	272,320
Total bookings	**361,200**	**272,320**

/i/ Provisions for pensions, severance pay and similar liabilities

	Jubilee awards	Severance pay	Total
At 1 January 2022	**125,098**	**150,851**	**275,949**
Provision cost	33,655	(37,285)	(3,630)
Paid during the year	-	-	-
At December 2022	**158,753**	**113,566**	**272,319**
At January 1, 2023	**158,753**	**113,566**	**272,319**
Provision cost	47,442	41,439	88,881
Paid during the year	-	-	-
At 31 December 2023	**206,195**	**155,005**	**361,200**

The short-term part	19,011	3,844	22,855
Long-term part	187,184	151,161	338,345

This provision refers to the estimated long-term earnings of workers related to severance pay and jubilee awards, which is defined by internal regulations. The long-term amount of the provision refers to the estimated acquired entitlements to severance pay and jubilee awards that will be paid after December 31, 2023. The short-term amount of workers' remuneration consists of an estimate of jubilee awards and severance pay of EUR 22,855 to be paid over a period of 12 months after the balance sheet date. In 2022, the short-term amount of provisions for workers' salaries consists of jubilee awards and severance pay in the amount of EUR 19,560.

Actuarial assessments are made on the basis of the following main assumptions:

	2023.	2022.
Discount rate	3.39%	3.56%
Rate of fluctuation	7.11%	7.09%
Average expected remaining seniority (in years)	19,04	19,17

NOTE 28 – NON-CURRENT LIABILITIES

/i/ Liabilities for loans, deposits and the similar

The company applies IFRS 16 in such a way that it shows the right-of-use assets in the same item in which the corresponding underlying assets would be shown if they were owned by him, and the lease liabilities are expressed within the framework of long-term and short-term liabilities for loans, deposits, etc. The application of IFRS 16 in the Company refers to personal vehicles leased (operating lease).

Maturity Analysis - Contractual Undiscounted Cash Flows	**2023.**	**2022.**
Up to one year	2,835	40,645
Between one and two years	0	2,835
Between two and three years	1,850	0
More than three years	0	1,850
Total Gross	**4,685**	**45,330**
Impact of discounting	(160)	(2,224)
Total liabilities per lease at 31.12.	**4,525**	**43,106**

Amounts of leases recognized through profit or loss	**2023.**	**2022.**
Depreciation Cost	36,654	125,430
Interest on liabilities per lease	2,064	4,570
Costs related to short-term leases	127,026	52,070
Total Gross	**165,744**	**182,070**

The total cash outflow based on the lease of right-of-use assets to which the company applies IFRS 16 is EUR 38,580 (2022: EUR 116,551).

NOTE 29 - CURRENT LIABILITIES

(in euros)	2023.	2022.
Provisions – current maturity	22,855	19,560
Liabilities towards subsidaries within the group /i/	8,376	148,000
Liabilities for loans, deposits and the like of intra-group subsidaries /ii/	-	5,179,826
Liabilities for loans, deposits and the like /iii/	2,675	38,581
Liabilities for advances	10,630	5,098
Trade payables /iv/	896,980	1,386,399
Employee benefits payables/v/	242,193	231,466
Liabilities for taxes, contributions and similar benefits /vi/	514,250	415,098
Liabilities from equity share in profit	32,606	32,110
Other payables /vii/	114,013	519,267
Total current liabilities	**1,844,578**	**7,975,405**

The movement of liabilities for loans and deposits during the year is shown below:

(in euros)	Liabilities for loans and deposits to intra-group subsidaries	Liabilities for loans and deposits
Short-term	5,179,826	38,581
Long term	-	4,525
Status 1.1. total	**5,179,826**	**43,106**
Cash receipts	-	-
Cash expenditures	(5,179,826)	(38,581)
Total monetary transactions	**(5,179,826)**	**(38,581)**
Other changes	-	-
Change the terms of the lease agreement	-	-
Total non-monetary transactions	-	-
Status 31.12. total	-	**4,525**
Short-term	-	2,675
Long term	-	1,850

/i/ Liabilities to subsidaries within the group

Liabilities towards related undertakings relate to liabilities arising from the business relations of the supply of goods and services to affiliated companies Trgovina Krk Inc. Malinska, and Radnik Opatija Inc. Lovran.

NOTE 29 - CURRENT LIABILITIES (continued)

/ii/ Liabilities for loans, deposits, and of subsidaries within the group

The Company received loans in the total amount of EUR 5,308,912 from its subsidiaries Trgostil Inc. and Trgovina Krk Inc., with the possibility of successive loan repayment until January 31, 2023. The loans served to finance the purchase of stork wheat in 2022 and pay dividends to shareholders. On the loan amount, the annual interest valid between related persons of 2.68% is agreed. For the loans received , the company provided promissory notes as an instrument to secure the return of the loan. Within 2023, loans were fully repaid.

/iii/ Liabilities for loans, deposits and the similar

Within these liabilities, the obligation on the basis of leases under IFRS 16 – leases is presented, on 31.12.2023. they include contracted leases for personal vehicles, and within this position is shown a short-term liability with a maturity within one year.

/iv/ Trade payables

Trade payables are largely related to Trade payables in the country based on goods, services, fixed assets and interest of EUR 588,843 (2022: EUR 683,322). Liabilities for non-invoiced goods and services amounting to EUR 237,430 (2022: EUR 643,468) are mainly related to the deposit of cereals, while suppliers from abroad are subject to EUR 70,707 (in 2022: EUR 59,609).

/v/ Employee benefits payables

As part of the liabilities towards employees, liabilities for net salaries of employees for December 2023 in the amount of EUR 210,742 (2022: EUR 202,673) were shown, as well as liabilities for employee benefits for December 2023 in the amount of EUR 31,451 (in 2022: EUR 28,792), which were calculated in the accounting period, and the payment of which followed in 2024.

/vi/ Liabilities for taxes, contributions and similar benefits

(in euros)	**2023.**	**2022.**
Liabilities for value added tax	251,830	292,314
Corporate income tax liabilities	139,884	-
Liabilities for tax and surtax on income	21,375	21,011
Liabilities for insurance contributions from and to salaries	99,415	99,063
Other liabilities of public benefits	1,746	2,710
Total liabilities for taxes, contributions and similar benefits	**514,250**	**415,098**

NOTE 29 - CURRENT LIABILITIES (continued)

/vii/ Other payables

Under this position of other payables, an liability was shown for calculated unused annual leave of EUR 103,166 (in 2022: EUR 117,902), the accrued liabilities for the accrued costs of services performed, rebates, fees and other costs charged in the current period. The provision for unused annual leave is recognised in the amount of EUR 103,166 (in 2022: EUR 117,902) which is expected to be paid as a short-term liability, as the Company has a current legal or derivative liability to pay this amount for 9,514 hours (in 2022: 12,034 hours) of unused annual leave resulting from a service performed in the past by employees and the obligation can be measured reliably. The Company recognizes provisioning for unused annual leave on a net principle as a difference in the initial and final balance of liabilities with the recording of the difference within income or expenses. In 2023, revenues of EUR 14,736 were recognised under other revenues (in 2022: EUR 15,760 in revenue).

NOTE 30 – RELATED PARTY TRANSACTIONS

As of 31 December 2023, the Company has following affiliated companies:

Name	Headquarters	Principal activity	Accounting method	Direct ownership /voting rights	Direct ownership /voting rights
				31.12.2023.	31.12.2022.
Trgovina Krk Inc.	Malinska, Croatia	Retail trade	Consolidated	100.00%	98.13%
Trgocentar Inc.	Virovitica, Croatia	Real estate lease	Consolidated	49.55% / 52.03 %	49.55% / 52.03 %
Narodni trgovački lanac Ltd.	Soblinec, Croatia	Retail / Wholesale	Equity method	25%	25%
Radnik Opatija Inc.	Lovran, Croatia	Bakery	Consolidated	100%	100%

/i/ Key transactions within subsidaries from the Group

Within the core business, the Company also carries out activities with affiliated companies, which include the purchase of goods and services, and credit relations.

Affiliated Company	Purchase in 2023	Debt balance at 31.12.2023.	Sales in 2023	State of claims on 31.12.2023.	Claim for interest	Loan balance at 31.12.2023.
Trgovina Krk Inc.	272,224	8,376	6,299,068	823,150	-	-
Radnik Opatija Inc.	10,006	-	824,060	73,954	-	-
Trgocentar Inc.	-	-	5,732	7,165	59,270	3,031,500
Trgocentar Inc. value adjustment	-	-	-	-	(59,270)	(3,031,500)
Zagrebačke pekarne Klara Inc.	22,158	9,087	293,607	58,041	-	-
Papuk Našice Ltd.	29,949	-	-	-	-	-
Narodni trgovački lanac Ltd.	78,942	10,440	1,509,570	239,967	-	-

NOTE 30 – RELATED PARTY TRANSACTIONS (continued)

Affiliated Company	Purchase in 2022	Debt balance at 31.12.2022.	Sales in 2022.	State of claims on 31.12.2022.	Claim for interest	Loan balance at 31.12.2022.
Trgostil Inc.	62,189	-	1,177,341	-	-	-
Trgovina Krk Inc.	336,640	147,971	4,732,950	1,013,153	-	-
Radnik Opatija Inc.	5,002	29	1,049,579	115,153	-	-
Trgocentar Inc.	-	-	-	-	59,270	3,031,500
value adjustment	-	-	-	-	(59,270)	(3,031,500)
Narodni trgovački lanac Ltd.	30,458	21,806	1,413,919	291,321	-	-

Loans to affiliates

Affiliated Company	Claim 31.12.2023.	Claim 31.12.2022.	Interest income 2023	Interest income 2022
Vražap Ltd. in bankruptcy	-	-	-	-
Vražap Ltd. in bankruptcy	-	-	-	-
Trgocentar Inc.	3,031,500	3,031,500	-	-
Trgocentar Inc. value adjustment	(3,031,500)	(3,031,500)	-	-
Narodni trgovački lanac Ltd.	-	-	-	-
Total	-	-	-	-

Loans received from affiliated companies

Affiliated Company	Loan liability 12/31/2023	Loan liability 12/31/2022	Interest expense 2023	Interest expenditure 2022
Trgostil Inc.	-	-	-	15,592
Trgovina Krk Inc.	-	5,179,826	64,932	44,412
Total	-	**5,179,826**	**64,932**	**60,004**

Dividend income from affiliated companies

Affiliated Company	Dividend income 2023	Dividend income 2022
Radnik Opatija Inc.	-	794,466
Total	-	**794,466**

NOTE 30 – RELATED PARTY TRANSACRIONS (continued)

/ii/ Transactions with key entity management personnel

The key personnel of the management of the entity consists of the Management Board of the company and the Supervisory Board. The board consists of two members. The Supervisory Board has five members and some of them are employed with the Company. Salaries and allowances of members of the Management Board are expressed within the framework of staff costs and allowances to the Supervisory Board within other costs. In 2022, members of the Management Board and Supervisory Board were paid a total in the name of salary costs with associated contributions and fees 345,850 euros (in 2022: 362,572 euros). During the year, the Company made transactions with the Company whose owner is a member of the Supervisory Board of the Company. These transactions did not have a significant financial impact on the Company.

/iii/ Key changes in the participation of affiliated companies

After the merger of Trgostil Inc., the share of Čakovečki mlinovi Inc. in Trgovina Krk Inc. was reduced from 100% to 98.13%, following the launch of the procedure of displacement of minority shareholders of Trgovina Krk, which was concluded on April 17, 2023.

The subsidiary Trgostil Inc. Donja Stubica was merged with the Krk Store on 3 October 2022, and on 31 December 2022 the investment in Trgovina Krk Inc. was shown. Malinska with a share in 98.13% of the share capital of that company.

NOTE 31 – RISK EXPOSURE AND RISK MANAGEMENT

The term risk refers to all risks to which the company is exposed or could be exposed in the business. Risk management shall include the identification, measurement or assessment and monitoring of risks, including reporting on the risks to which the company is exposed or may be exposed in the course of its business. The Company implements regular risk management measures with regard to the scope and type of work performed by the Company.

NOTE 31 – RISK EXPOSURE AND RISK MANAGEMENT (continued)

31.1 Financial risk management

The activities carried out by the Company expose it to various financial risks: credit risk, liquidity risk, interest rate risk.

(in euros)	2023.	2022.
Cash and cash equivalents	5,384,365	359,097
Loans, deposits and the similar - short-term	65,291	3,711,631
Investments in securities	38,380	57,845
Other financial assets	-	-
Receivables from customers	3,007,489	4,169,134
Receivables from subsidaries within the group	904,269	1,128,306
Claims from employees and members of subsidaries	-	-
Claims from the state and other institutions	12,829	67,037
Other receivables	20,025	29,154
Given loans, deposits and the like enterprising. Within the long-term	-	-
Days loans, deposits and the similar - long-term	-	27,284
Investments in shares (shares) of subsidaries within the group - long-term	10,537,303	9,420,011
Other fixed financial assets - long-term	557	557
Other receivables - long-term	1,896	5,303
Total financial assets	**19,972,404**	**18,975,359**

(in euros)	2023.	2022.
Provision	361,200	272,320
Liabilities towards subsidaries within the group	8,376	148,000
Liabilities for loans, deposits and the similar of group undertakings	-	5,179,826
Liabilities for advances	10,630	5,098
Trade payables	896,980	1,386,399
Liabilities for loans, deposits, etc. - ifrs 16 rental – long term	1,850	4,525
Liabilities for loans, deposits and s. - lease IFRS 16 - short-term	2,675	38,581
Employee benefits payables	242,193	231,466
Liabilities for taxes, contributions and similar benefits	514,250	415,098
Liabilities from equity share in profit	32,606	32,110
Other payables	114,013	519,267
Total financial liabilities	**2,184,773**	**8,232,690**

NOTE 31 - RISK EXPOSURE AND RISK MANAGEMENT (continued)

31.1 Financial risk management (continued)

Financial instruments

a) Capital risk management

The primary goal of the Company's capital management is to ensure business support and maximize shareholder value.
The capital structure of the Company refers to the share capital, which consists of subscribed capital, reserves and retained earnings and as of December 31, 2023, amounts to EUR 28,550,999 (December 31, 2022: 27,694,575).
The company manages capital and makes adjustments in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust dividend payments to investors, return capital to investors or increase capital in the context of savings through tax benefits. The company manages capital risk by monitoring indebtedness indicators through the ratio of debt and capital, and by monitoring indicators of the profitability of its own capital.

Debt ratio

	2023.	**2022.**
Loan and lease liabilities	(4,525)	(5,222,932)
Cash, cash equivalents and deposits	5,449,656	4,070,728
Net debt	**5,445,131**	**(1,152,204)**
Capital and reserves	28,550,999	27,694,575
Net debt to equity ratio	**19.1%**	**(4.16%)**

There were no changes in objectives, policies and processes during the years ended December 31, 2023 and December 31, 2022.

NOTE 31 - RISK EXPOSURE AND RISK MANAGEMENT (continued)

Financial instruments (continued)

b) Credit risk

Current assets of the Company that can lead to credit risk consist mainly of funds, receivables on customers and receivables on given loans. The company does not have a significant concentration of credit risk. The Company's sales policies ensure that sales are made to customers who have an appropriate credit history. The rest of the receivables from customers are not significant due to the dispersion to a very large number of customers, individually small balances, and strict collection and delivery measures by the Company. Part of the company's receivables is provided by promissory notes. In order to minimise this risk, the Company's sales policy ensures sales to verified customers with whom there are long-standing relationships and security of billing. With new customers, strict billing measures are implemented. The Company considers that its maximum exposure is reflected in the amount of receivables less the adjustment recognised at the date of the statement of financial position.

Book value of financial assets	**2023.**	**2022.**
Trade receivables and other receivables	3,944,612	5,393,631
Loans, deposits, etc. - short-term	65,291	3,711,631
Cash and cash equivalents	5,384,365	359,097
Total	**9,394,268**	**9,464,359**

Receivables from customers by region	**2023.**	**2022.**
Domestic	3,774,067	5,099,505
Foreign	137,691	197,935
Total receivables from customers by region	**3,911,758**	**5,297,440**

The age structure of trade receivables at the reporting date was as follows:

	Gross 31.12.2023.	**Impairment 31.12.2023.**	**Gross 31.12.2022.**	**Impairment 31.12.2022.**
Overdue	3,447,567	(6,439)	3,990,006	(16,689)
Due to 30 days	247,350	(1,568)	989,661	(70,518)
31-90 days	131,692	(3,020)	390,396	(19,943)
Over 90 days	458,272	(362,096)	313,912	(279,385)
Total Gross	**4,284,881**	**(373,123)**	**5,683,975**	**(386,535)**

NOTE 31 - RISK EXPOSURE AND RISK MANAGEMENT (continued)

Financial instruments (continued)

b) Credit risk (continued)

Below is information on the Company's trade receivables credit risk exposure using the provisioning matrix:

31.12.2023. Trade receivables	Not due	0-30	31-60	61-90	91-120	>121	TOTAL
Expected credit loss rate	0.27%	0.37%	1.78%	3.90%	6.63%	9.38%	-
Estimated total gross carrying amount at default	2,394,817	427,265	99,528	32,105	47,645	50,136	3,051,495
Expected credit loss	6,439	1,568	1,767	1,253	3,157	4,704	18,888

31.12.2022. Trade receivables	Not due	0-30	31-60	61-90	91-120	>121	TOTAL
Expected credit loss rate	0.42%	0.56%	2.48%	7.30%	10.26%	97.90%	-
Estimated total gross carrying amount at default	2,812,320	862,602	370,624	12,119	25,793	0	4,083,459
Expected credit loss	11,677	4,836	9,203	884	2,646	0	29,246

The movement of impairment of receivables from customers throughout the year was as follows:

	2023.	2022.
January 1 according to IFRS 9	**386,535**	**1,166,891**
Impairment Cost/(Disposal) (footnote 14)	4,095	83,496
Write -off	(9,011)	(833,415)
Suspicious claims collected	(8,496)	(30,437)
Status of December 31	**373,123**	**386,535**

Furthermore, the Company is exposed to credit risk through cash deposits in banks. Risk management focuses on dealing with the most respectable banks in the country, with regular monitoring of available statistical reports of banks and capital adequacy with the CNB.

NOTE 31 - RISK EXPOSURE AND RISK MANAGEMENT (continued)

Financial instruments (continued)

c) Liquidity risk

Liquidity risk management involves maintaining a sufficient amount of money, ensuring the availability of financial resources with an adequate amount of contracted credit lines and the ability to settle all liabilities. The company's goal is to maintain the flexibility of financing in such a way that the contracted credit lines are available. The Finance Department regularly monitors the level of available sources of funds. Liquidity risk exposure is reduced by maintaining a sufficient amount of own funds needed to settle all liabilities, and by ensuring appropriate credit lines in case of shortage of own funds through planning known and potential cash outflows and inflows with regard to regular business flows, regular monitoring and liquidity management, identifying appropriate measures to prevent or eliminate the causes of illiquidity and identifying other options.

Undiscounted value of contracted cash flows:

December 31, 2023		Up to 1 month.	From 1 to 3 months.	From 3 months. up to 1y.	From 1 to 5 years.	Total
Trade payables (interest-free)	905,356	905,356	-	-	-	905,356
Liabilities for loans, deposits and the similar of group undertakings	-	-	-	-	-	-
Other liabilities (interest-free)	913,692	913,692	-	-	-	913,692
Liability based on rent	4,684	1,018	1,816	-	1,850	4,684
Total	**1,823,732**	**1,820,066**	**1,816**	**-**	**1,850**	**1,823,732**
December 31, 2022		**Up to 1 month.**	**From 1 to 3 months.**	**From 3 months, up to 1y**	**From 1 to 5 years.**	**Total**
Trade payables (interest-free)	1,534,399	1,534,399	-	-	-	1,534,399
Liabilities for loans, deposits and the similar of group undertakings	5,179,826	5,179,826	-	-	-	5,179,826
Other liabilities (interest-free)	1,203,0389	1,203,039	-	-	-	1,203,039
Liability based on rent	45,330	4,207	7,756	28,682	4,685	45,330
Total	**7,962,594**	**7,921,471**	**7,756**	**28,682**	**4,685**	**7,962,594**

NOTE 31 - RISK EXPOSURE AND RISK MANAGEMENT (continued)

Financial instruments (continued)

d) Liquidity risk (continued)

December 31, 2023		Up to 1 month.	From 1 to 3 months.	From 3 months. up to 1y.	From 1 to 5 years.	Total
Receivables from customers (interest-free)	3,911,758	3,686,911	128,672	96,175	-	3,911,758
Other receivables (interest-free)	32,854	32,854	-	-	-	32,854
Claims on deposits	65,291	65,291	-	-	-	65,291
Cash and cash equivalents	5,384,365	5,384,365	-	-	-	5,384,364
Total	**9,394,268**	**9,169,421**	**-**	**-**	**-**	**9,394,268**
December 31, 2022		**Up to 1 month.**	**From 1 to 3 months.**	**From 3 months. up to 1y.**	**From 1 to 5 years.**	**Total**
Receivables from customers (interest-free)	5,297,440	4,892,460	370,453	34,527	-	5,297,440
Other receivables (interest-free)	96,191	96,191	-	-	-	96,191
Receivables on loans	3,711,631	3,711,631	-	-	-	3,711,631
Cash and cash equivalents	359,097	359,097	-	-	-	359,097
Total	**9,464,359**	**9,059,379**	**370,453**	**34,527**	**-**	**9,464,359**

e) Interest rate risk

Since the Company has significant assets that generate interest income, the Company's income and cash flow from operating activities may be significantly dependent on changes in market interest rates. The Company's exposure to the risk of changes in the interest rate market is primarily related to the loans, money and cash equivalents given and the Company's cash deposits.

Given loans, deposits and the like to subsidaries within the group were granted in previous years to the dependent company Trgocentar Inc. Virovitica in the amount of a loan of 2,984,330 euros with agreed annual interest at a variable rate, which is determined on the basis of the provisions of the Profit Tax Act that regulate interest between related persons, or in accordance with the applicable regulations, and which on the day of the balance sheet amounted to 3.42 % per year. Contracted loans are secured by a pledge on real estate, and blank promissory notes.

Cash deposits of the Company make short-term revolving deposits with banks. Deposits are prone to a change in the interest rate, by the bank's decision.

NOTE 31 - RISK EXPOSURE AND RISK MANAGEMENT (continued)

Financial instruments (continued)

e) Interest rate risk

Sensitivity analysis to interest rate changes

The following table analyzes the company's sensitivity to a 0.5% interest rate change. The sensitivity rate of 0.5% is the rate that represents management's assessment of realistically possible changes in the interest rate on loans and deposits contracted at a variable interest rate.

December 31, 2023	Interest increased by 0.5%	Difference	Interest reduced by 0.5%	Difference
Loan, loan and lease liabilities	4,525	(2)	4,525	2
Days of loans, deposits and the similar	5,370,777	9	5,370,777	(9)
Net effect		**7**		**(7)**
December 31, 2022	**Interest increased by 0.5%**	**Difference**	**Interest reduced by 0.5%**	**Difference**
Loan, loan and lease liabilities	5,222,932	(26,115)	5,222,932	26,115
Days of loans, deposits and the similar	3,705,000	18,525	3,705,000	(18,525)
Net effect		**(7,590)**		**7,590**

31.2 Risks of regular operations

Market risk

Market risk is related to the appearance and realization of products on the market. In order to successfully cope with the competition, the Company reduces risk by quality preparation and careful selection of the appropriate market strategy that is the result of market, customer and competition analysis. The company is fully committed to customer requirements and needs and is constantly exploring new customers and distribution channels.

The demand for food products is relatively inelastic to the price of the product. Factors influencing the demand for food products are: demographic (increase-decrease in the number of inhabitants), economic (increasing the number of tourists and food consumption in the hospitality industry; growth of production in the confectionery and bakery industry), social (changes in living standards and eating habits of the population), political (EU membership that allows unhindered export to the countries of the European Union, but also increased competition on the domestic market with the arrival of producers from other member states).

NOTE 31 - RISK EXPOSURE AND RISK MANAGEMENT (continued)
31.2 Risks of regular operations (continued)
Operational risk

Operational risk is the risk of loss due to errors, interruptions or damage caused by inadequate internal processes, persons, systems or external events including the risk of amendments to legal regulations. Business activities are planned on the basis of the plans specified in the procedures for the application of the HACCP system. Activity planning also includes a HACCP plan that arises as a result of the HACCP study. Hazard analysis and identification of critical control points is part of quality planning. This includes improvements and encouragement of actions that prevent the occurrence of inadequate work activities while carrying out regular business activities.

Flour production could be negatively affected by emergencies such as earthquake, fire, explosion, failure and breakage of production equipment, prolonged or extraordinary maintenance. The Company uses insurance to cover damage to these facilities and equipment, as well as insurance and agreed compensation in case of downtime. Such insurance will be subject to limitations in the form of a maximum amount of compensation and a warranty period of 6 months, and may not be sufficient to cover all costs. Also, the Company may be subject to expenses not covered by insurance.

The Company relies on IT systems that enable it to effectively manage the Company, communicate with customers and suppliers, and collect all the necessary information that management could rely on in decision-making. The Company's business is becoming increasingly dependent on the use of such systems and any disruptions in the operation of IT systems based on computer viruses, hacker attacks, disruptions in the operation of IT equipment and programs or some other reasons could have a significant impact on the business and financial condition of the Company. The Company actively implements the policy of protecting its systems from these risks through IT departments in society, and through external support.

Industry risk

One of the risks that arise in the food industry is the fact that consumers' eating habits and their awareness of the impact of food on health have changed strongly over the past 20 years. Such trends put an imperative before manufacturers in terms of increasing the existing product range and further improving the quality of existing products.

Risk of procurement of raw materials and delivery of products

Wheat production and the movement of the price of wheat on the domestic and world markets, as the most important raw material for the production of flour, significantly affect the production and movement of the price of flour.

An important domestic source of raw materials are local wheat producers with whom a long-term business relationship has been established. The risk of purchasing raw materials as well as the price of raw materials is directly related to the quality of the raw material. It is possible that due to climate influences, the raw material does not have a satisfactory or required quality.

The risk of procurement of raw materials is reduced by the fact that the Company can, for now at any time, acquire a sufficient amount of wheat at the currentmarket price in international commodity markets. With the accession of the European Union, all administrative obstacles to the procurement of raw materials from the European Union disappeared. The risk of non-delivery of the product is present due to the possibility of production termination due to the failure of the milling plant. The risk of production interruption is reduced by the fact that the Company employs employees at the mill site who are adequately trained to deal with failures within a reasonable time. The risk of non-delivery of products due to the cancellation of the contract with the flour carrier is sought to be reduced by the fact that the Company has a large base of carriers and by the volume of use of the carrier's services is not dependent on any of them.

NOTE 31 - RISK EXPOSURE AND RISK MANAGEMENT (continued)
31.2 Risks of regular operations (continued)

The risk of competition

The company sells its products and goods mainly in the domestic market. Croatia's accession to the European Union has administratively facilitated the entry into the market of other member states, as well as the arrival of foreign competition on the domestic market.
The flour market tends to increase concentration, or to reduce the total number of flour producers (by consolidating or shutting down small mills), in order to achieve the lowest possible production costs per unit of product and thus strengthen the competitive position on the market.
With Croatia's accession to the European Union, the Society no longer faces only domestic competition, which is why the need to strengthen competitiveness is even more pronounced.
The Company's investment in 2016 replaced all existing equipment for cleaning and grinding grains as well as equipment for peeling grains. The latest generation of milling equipment for processing wheat and rye has been installed, which ensures an increase in processing capacity and supports the intention that society has the highest standards in product quality and health safety, and thus a greater competitive advantage.

NOTE 31 - RISK EXPOSURE AND RISK MANAGEMENT (continued)

31.2 Risks of regular operations (continued)

Risk of fluctuations in prices of basic raw materials

Business results are influenced by the price of wheat, as the most important raw material in the production of the Company that is a stock exchange commodity. The volatility of wheat prices can be due to bad weather, disease, political instability and other external factors. General economic conditions, unforeseen demand, problems in production and distribution, diseases, weather conditions during crop growth and harvest can have a negative impact on wheat prices.
Regardless of the fact that the Company can meet all the needs for wheat on the domestic market, the price movement in the domestic market is influenced by the movement of the price of wheat on the world commodity exchanges. Based on the historical business of the Company, it can be stated that the movement of the purchase price of wheat was positively correlated with the movement of the price of flour. However, it should be pointed out that a certain period is needed in order for the price of flour to adapt to changes in wheat prices, which in certain shorter periods has a negative impact on the margin of the Company in case of an increase in the price of wheat.

Regardless of historical indicators that indicate the correlation of flour and wheat prices, the Society cannot guarantee that in the future the eventual increase in wheat prices will be fully compensated by the increase in flour prices in a way that maintains historical margins.
The company tried to reduce access to futures markets, but failed to find an adequate financial product that could ensure satisfactory quality in the event of maturity. The company further reduces the risk of price fluctuations by purchasing larger quantities of raw materials in the price of the harvest, and depending on the price itself.

Risk of conducting legal proceedings against the Company

The Company, like any economic operator, is subject to the risk of bringing proceedings before courts, regulatory or other competent authorities, in the ordinary course of business. Such disputes relate primarily to disputes with debtors or suppliers. In the future, the risk of potential lawsuits by customers and other stakeholders to the Company due to damage caused by the consumption of the product cannot be excluded. The Company cannot provide any assurances that the results of future legal and regulatory disputes or measures will not significantly affect the company's operations and financial condition. Part of the risk the Company minimizes with the concluded liability insurance policies.

Risk of liabilities or losses not covered by insurance

The company has undertaken activities, through the engagement of insurance specialists, to recognize key risks and threats to the company's business. Insurance policies and the risks they cover in addition to the usual risks for the industries in which the Company operates, also cover risks due to earthquakes and delays due to earthquakes, fires, explosions. However, it is not possible to cover all potential liabilities and losses with insurance and therefore the Company cannot provide any guarantees that it will not be exposed to situations that will not be covered by insurance, and that such situations will not have a significant impact on the business and financial condition of the Company.

NOTE 31 - RISK EXPOSURE AND RISK MANAGEMENT (continued)
31.3. General risks
The risk of the business environment

The risk of the business environment includes political, legal and macroeconomic risks of the environment in which the Company operates, which primarily refers to the Croatian market in which the Company generates its total income, and the remaining part to Bosnia and Herzegovina and Slovenia. Previous governments have implemented economic reforms with the aim of developing and stabilizing a free market economy. Although Croatia has made significant efforts towards establishing a market economy, achieving the level of infrastructure of Western European countries will take several more years and a number of additional investments. The company cannot provide any guarantees that Croatia will achieve the intended reforms or that the political environment will be stimulating for the implementation of reforms.

The Company is not able to give any guarantees that the Government will not introduce new regulation, fiscal or monetary policy, including regulation or policies of taxation, environmental protection, public procurement or exchange rate policy. The legal framework of the Republic of Croatia is still developing, which can cause certain legal uncertainties. Society could find itself in a situation where it is unable to successfully exercise or protect some of its rights.

The Company's business is subject to the macroeconomic environment, economic conditions and economic activity. In periods of adverse economic conditions, the Company may have difficulties in expanding its business. The continuation of the current economic situation could make it difficult for the Company, as well as for its customers and suppliers, access to the capital market which could affect the existing level of revenue and profitability.
The Company is also influenced by international developments since wheat, which is the basic raw material for production in the Company, is a stock exchange commodity and thus may be subject to the influence of possible political instability in countries that are significant producers of this cereal (China, Russia, USA). However, as indicated above, the Company can fully meet its needs for raw material from domestic sources.

Risk of changing the legal framework

As a producer of food products, the Company is subject to strong regulations related to human nutrition, product safety, safety and working conditions of employees, safety and environmental protection (including those related to wastewater, air purity, noise, waste disposal, environmental cleaning, etc.), product composition, packaging, labelling, advertising and competition. Food production results in the generation of waste, the release of harmful substances into the atmosphere and water, and the Society is therefore obliged to obtain different permits and comply with different regulations. Health, safety and environmental regulations in Europe and other developed regions are becoming more stringent and enforcement is becoming more pronounced. Society tries its best to monitor and anticipate all such changes, but any failures of that type could result in different penalties.
The company believes that it is currently compliant with existing regulations and regulations and deadlines prescribed by different regulators.
The Company cannot give any guarantees that it will not be faced with significant costs to adapt to changes in existing regulations, which could significantly affect the company's operations and financial condition.

Also, it is possible to introduce additional regulations in the future and change the current legislation (or its interpretation) which could affect the company's business and products. The Company cannot give any guarantees that in the future the cost of adhering to such initiatives will not have a significant impact on the business and financial condition of the Company.

NOTE 32 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities under standard conditions and traded on active liquid markets is determined by market prices
- the fair value of other financial assets and other financial liabilities shall be determined in accordance with pricing models, based on an analysis of discounted cash flows using prices from known market transactions and prices offered for similar instruments

As at 31 December 2023 and 31 December 2022, the amounts of money, short-term deposits, receivables, short-term liabilities, calculated costs, short-term loans and other financial instruments correspond to their market value, due to the short-term nature of these funds and liabilities.

December 31, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in stocks	-	-	38,380	38,380
Total	**-**	**-**	**38,380**	**38,380**
December 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in stocks	-	-	57,845	57,845
Total	**-**	**-**	**57,845**	**57,845**

The management considers that the book values of financial instruments that are not measured at fair value are approximately equal to fair values.

Fair value indicators recognised in the statement of financial position

The following table analyses financial instruments that were reduced to fair value after first recognition, classified into three groups depending on the availability of fair value indicators:

- Indicator level 1 – fair value indicators are derived from (non-harmonised) prices quoted in active markets for equivalent assets and equivalent liabilities
- Level 2 indicators – fair value indicators are derived from other data on assets or liabilities that are not quoted tier 1 prices, either directly (or as prices), or indirectly (or, derived from their prices)
- Indicator level 3 – indicators derived using valuation methods in which asset or liability data that are not based on available market data were used as input data.

In 2023, there was no cross-tier transfer.

NOTE 33 – COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

At the balance sheet date, the Company does not have any commitments that is not stated in the financial statements.

Contingent liabilities and litigation

In the course of its regular business, the Company entered into various court disputes as a plaintiff, mostly in debt collection lawsuits.

On the balance sheet date, the Company has an open dispute as a defendant initiated by Allianz Hrvatska Inc. as a plaintiff on July 28, 2022, regarding the fire at the building I. Novaka 42, Čakovec in the value of the subject matter of the dispute of 716,703 euros (HRK 5,400,000). In accordance with the lawyer's position and assessment that the defendant is unlikely to succeed in the dispute, no reservation has been made on the said action.

Administrative procedure by the Agency for the Protection of Market Competition (AZTN)
Proceedings were initiated by the Agency for the Protection of Market Competition (AZTN) due to the existence of indications that the Company and Tvornica stočne hrane d.d., based in Čakovec, Dr. Ivana Novak 11, by determining the purchase prices of wheat on the relevant market in the period from 2020 to 2022, violated market competition by entering into a prohibited agreement in the sense of Article 8, paragraph 1 of the Law on the Protection of Market Competition. Based on Article 61 of the Law on the Protection of Market Competition, the maximum amount of the fine cannot exceed 10% of the global annual revenues at the level of the legal entity (ie. the potential maximum adverse effect resulting from this investigation) for the year preceding the start of the investigation. Since the relevant article prescribes worldwide revenues as the basis, the maximum potential penalty represents 10% of the Group's consolidated revenues for 2022, despite the fact that other entities in the Group are not engaged in milling business but in retail.

Management is confident that the Company has acted in accordance with the law. While management cannot exclude the possibility of a negative outcome, they consider the assessment of a penalty to be not probable. Therefore, no provision has been created in the financial statements.

NOTE 34 – EVENTS AFTER THE BALANCE SHEET DATE

In 2024, the Company continues to operate in a challenging economic environment marked by inflation and central bank activity and geopolitical risks due to the war in Ukraine and Israel.

In addition, after the end of 2023, no business events or transactions occurred in the Company that would have a significant impact on the Company's operations or publications in this report.

Čakovečki mlinovi, d.d.
Čakovec, Mlinska ulica 1

NADZORNI ODBOR
Ur. br. 01-05-236-4/2024
Čakovec, 25. travnja 2024. godine

Izvod iz Zapisnika sa sjednice Nadzornog odbora Čakovečki mlinovi d.d., održane elektronskim putem dana 25.4.2024. godine

Ad.7.
Na temelju članka 36. Statuta Čakovečki mlinovi, d.d. Čakovec Nadzorni odbor Društva je na 8. sjednici održanoj 25. travnja 2024. godine donio slijedeću:

O D L U K A

1. Utvrđuje se da je Uprava Čakovečkih mlinova d.d. utvrdila Godišnja izvješća za 2023. godinu za Čakovečke mlinove, d.d. Čakovec.

2. Nadzorni odbor Čakovečkih mlinova d.d. daje suglasnost i utvrđuje Godišnja izvješća za 2023. godinu za Čakovečke mlinove, d.d. Čakovec.

3. Odluka stupa na snagu danom donošenja.

Zamjenik predsjednika Nadzornog odbora
Damir Metelko

ČAKOVEČKI MLINOVI
-1893-

Čakovečki mlinovi, d.d.
Čakovec, Mlinska ulica 1

NADZORNI ODBOR
Ur. br. 01-05-236-6/2024
Čakovec, 25. travnja 2024. godine

Izvod iz Zapisnika sa sjednice Nadzornog odbora Čakovečki mlinovi d.d., održane elektronskim putem dana 25.4.2024. godine

Ad.9.
Na temelju članka 36. Statuta Čakovečki mlinovi, d.d. Čakovec Nadzorni odbor Društva je na 8. sjednici održanoj 25. travnja 2024. godine prihvatio Prijedlog Odluke Uprave Čakovečkih mlinova d.d. o upotrebi dobiti za 2023. godinu koji glasi:

P R I J E D L O G   O D L U K E
o upotrebi dobiti za 2023. godinu

1. Ostvarena neto dobit za 2023. godinu iznosi: 856.423,59 eur-a

2. Neto dobit iz točke 1. ove Odluke raspoređuje se u:
   - zadržanu dobit 856.423,59 eur-a

3. Odluka stupa na snagu danom donošenja.

Zamjenik predsjednika Nadzornog odbora
Damir Metelko

ČAKOVEČKI
MLINOVI
-1893-

Mlinska ulica 1, 40000 Čakovec, Hrvatska, centrala: 040 375 555, fax: 040 375 558
e-mail: mlinovi@cak-mlinovi.hr, www.cak-mlinovi.hr